

Integrated Report 2016

(Year ended 31st March, 2016)

Share the Next Values!



Shingo Konomoto

President & CEO, Representative Director, Member of the Board

Profile

- | | |
|------------------|--|
| 1985 | Graduated from the University of Tokyo Graduate School of Engineering with a degree in mechanical engineering. Joined former Nomura Research Institute, Ltd., the forerunner of NRI. Has been active in management consultancy since. |
| 1994 | Chief Representative, Nomura Research Institute Taipei Representative Office; became Manager of Taipei Branch the following year. Experienced involvement in launching many businesses globally, centered on Asia. |
| 2004 | Senior Managing Director, Division Manager of Consulting Division III and concurrently Division Manager of the Asia-China Business Consulting Division.
2010 Senior Corporate Managing Director, Division Manager of Consulting Division
2013 Senior Corporate Managing Director in charge of Consulting Business; Division Manager of Consulting Division; Division Manager of Systems Consulting Division.
Collaborated with the IT Solution Business Divisions and acquired new clients. |
| 2015 | Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Business Divisions and Consulting. Led formulation of growth strategy based on "Vision2022," the long-term management vision. |
| Apr. 2016 | Appointed President & CEO, Representative Director, Member of the Board. |

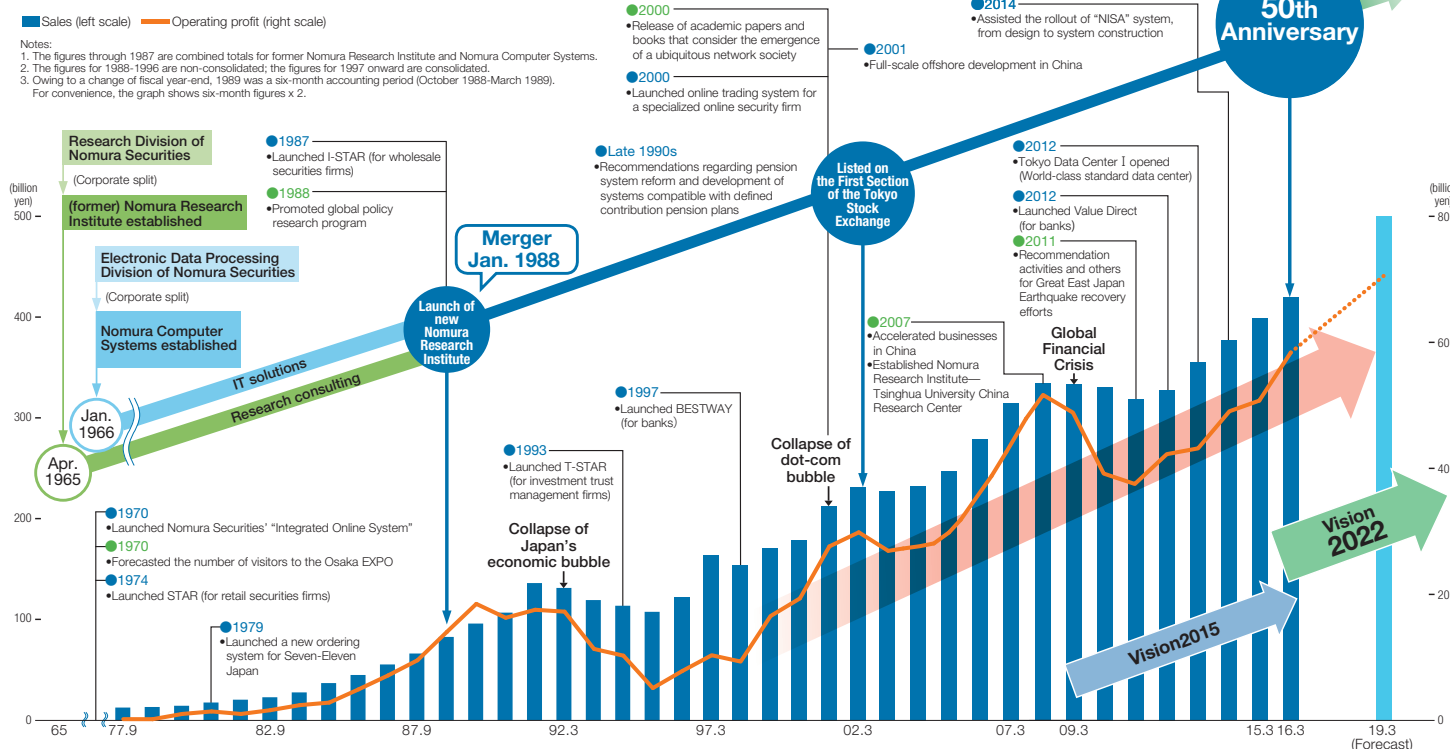
Message from the President

In April 2016, I was appointed President and CEO.

For NRI now, we are approaching a crucial situation as the world undergoes a shift in market orientation. Our client companies are accelerating their development of global business, and to maintain and continue to earn their trust a global response is required. Moreover, the world today is moving drastically into “a new era of information technology” fostered by the digital economy. With a firm grasp of the trends driving these changes, NRI has boldly set out a long-term management vision covering eight years, called “Vision2022.” This vision is a story that will continue until the year ending 31st March, 2023 and will plot how we realize our Corporate Statement, “Dream up the future.” We have launched our three-year Medium-Term Management Plan under the new system we adopted in April 2016 focused on Vision2022. Fueled by this vision, we will continue to sharpen our three core strengths of Insight, Power of Realization and Co-Creation Ability — competitive advantages we have been developing for more than 50 years — as we pursue our growth strategy, expand each of our business domains and build a base for further accelerating growth in the future. In addition, we will move ahead to achieve healthy sustainable growth and raise corporate value over the medium- to-long term.

We included our ideas about the realization of Vision2022 in the phrase “Share the Next Values!” Each and every NRI employee works to realize new value with these ideas in mind.

NRI's History and Continuous Growth



2016 in Summary

Sales

¥421.4 billion
Up 3.8%

Sales from Overseas-related Business

¥23.9 billion

Operating Profit

¥58.2 billion
Up 13.2%

Profit Attributable to Owners of Parent

¥42.6 billion
Up 9.7%

Order Backlog

¥228.3 billion
Up 0.5%

Free Cash Flows

¥6.1 billion

Earnings per Share*

¥188
Up ¥11

Cash Dividends per Share

¥80
Up ¥10*

ROE

10.6%

Down 0.2 percentage points

Number of Employees

10,757
personnel

Up 1,745 personnel

In the fiscal year ended 31st March, 2016, the NRI Group's sales totaled ¥421.4 billion (up 3.8% year on year) and operating profit was ¥58.2 billion (up 13.2% year on year). In addition to increased profits in the Consulting, Financial IT Solutions and Industrial IT Solutions segments, the number of unprofitable projects declined, thereby increasing profitability. Profit attributable to owners of the parent was ¥42.6 billion (up 9.7% year on year). Sales, operating profit and profit attributable to owners of parent all achieved record highs.

*NRI conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. The year-end dividend for the fiscal year ended 31st March, 2016 was an effective increase of ¥14.00, as the per-share amount will not be adjusted to reflect the stock split. Earnings per share have been calculated assuming the stock split was conducted at the start of the previous fiscal year.

Contents

NRI's Value Creation

About NRI	4
Corporate Philosophy, Management Vision and Strategy and CSR Policy	4
Value Creation Process	6
Solid Client Base and Stable Profit Structure	8
Diverse Human Resources, High Levels of Profitability and Productivity	9
Financial and Non-financial Highlights	10

Strategy for Creating New Values for the Next Generation

Message from the President	12
Determined Commitment of New Management	20
Special Feature: Share the Next Values!	
Long-term Management Vision "Vision2022" and Medium-term Management Plan	22
Segment at a Glance	32
Business Strategies	34

Governance Supporting Offense and Defense

Corporate Governance	38
Members of the Board, Audit & Supervisory Board Members, Senior Managing Directors and Managing Directors	38
Risk Management, Internal Controls and Compliance	47
Quality Management	48

CSR Activities That Embody "Dream up the future."

CSR Policy	50
Propagation of Intellectual Assets and Recommendations	51
Personal Development	52
Environmental Protection	53

Financial Section

Consolidated 11-year Financial Summary	54
Management's Discussion and Analysis of Financial Condition and Results of Operations	56
Facilities/Research and Development	62
Business and Other Risks	63
Significant Accounting Policies and Estimates	67
Consolidated Financial Statements	68

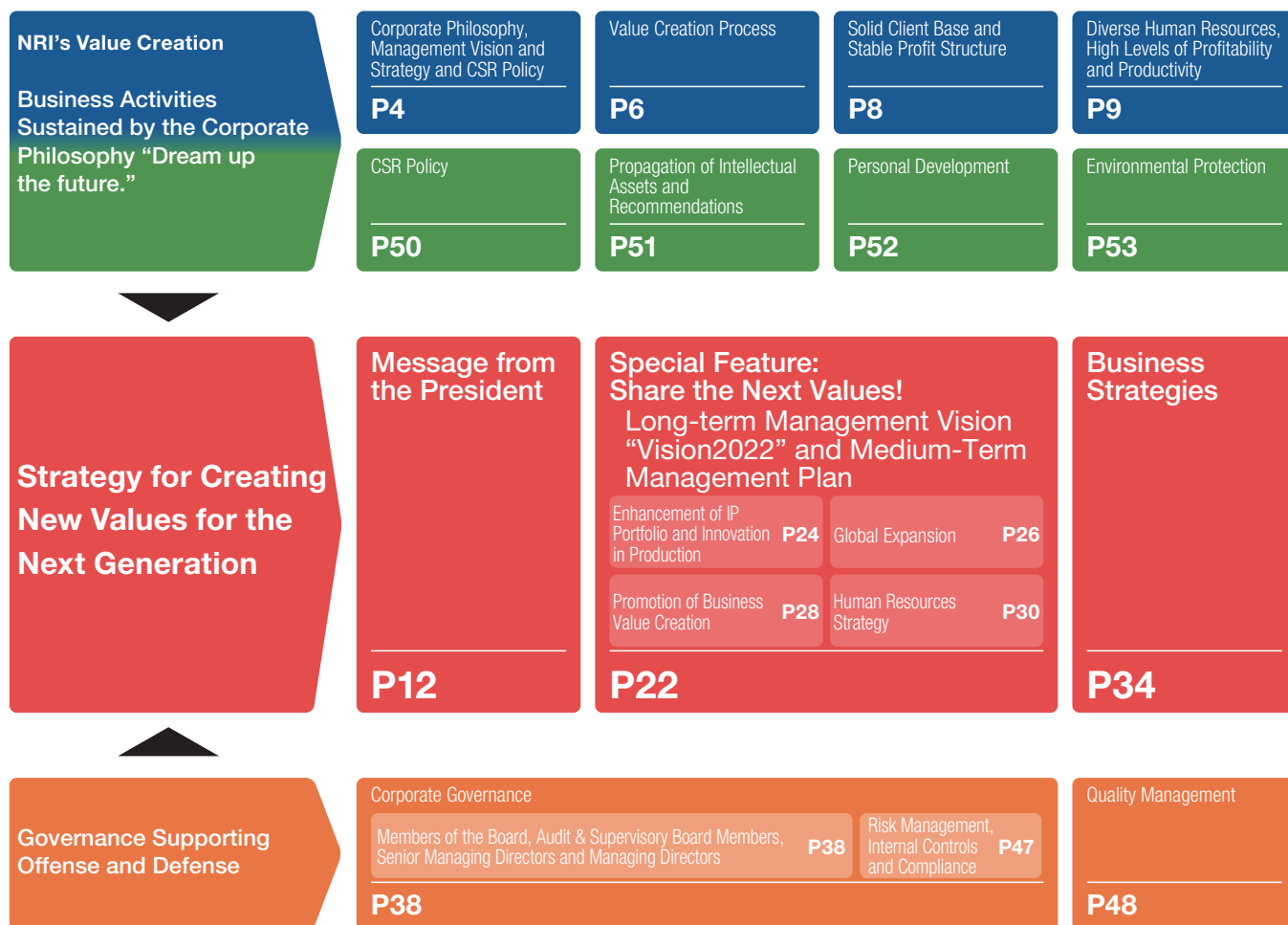
Corporate Data

NRI Group	130
Corporate Data	131

Cautionary Note on Forward-Looking Statements:

- This Integrated Report is prepared for the purpose of providing information on our performance in the year ended 31st March, 2016 and our management strategy for the coming years, not for the purpose of attracting investment in stocks issued by Nomura Research Institute, Ltd. (NRI). In addition, this report contains absolutely no guarantees or pledges. The opinions and outlook contained herein reflect the views of management at the time of preparation. We do not offer any guarantees or pledges as to the accuracy or completeness of such information, which, moreover, is subject to alteration without advance notice. NRI holds all rights to each and every part of the integrated report, which may not be reproduced, transmitted or otherwise duplicated by any means, whether electronic or mechanical, whatever the purpose, without our express permission.
- For the purpose of convenience within this report, "NRI" is used to refer to the Company and in certain places the entire NRI Group.

Integrated Report 2016 Structure and Main Contents



Editorial Policy for the Integrated Report 2016

NRI has been publishing an integrated report since 2014, with the aim of communicating a holistic picture of our corporate value creation activities in a concise and clear manner. This is accomplished by connecting important financial and non-financial information related to corporate value. We believe this will enable us to engage all of our stakeholders, including the typical target of institutional investors, in a much deeper way. Further details and additional information can be found on our corporate website and in our CSR Reports. We encourage our stakeholders to refer to these resources to learn more about NRI.

Corporate Website



<http://www.nri.com/global/>
All corporate activities

Financial information

Investor Relations
<http://www.nri.com/global/ir/index.html>

Non-financial information

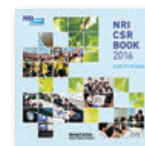
CSR
<http://www.nri.com/global/csr/index.html>

Corporate Opinion
<http://www.nri.com/global/opinion/index.html>

CSR Reports

CSR Book 2016

The year's CSR activities summarized in plain, clear language
(In Japanese only)



CSR Report 2016 in PDF Format

The year's CSR activities and relevant information related to three key CSR priorities explained in detail

<http://www.nri.com/global/csr/index.html>
(It will be issued at the end of January 2017)



The Online CSR Activity File

A detailed and up-to-date explanation of NRI's business activities from a CSR perspective
<http://www.nri.com/jp/csr/activities/>
(In Japanese only)



Corporate Philosophy, Management Vision and Strategy and CSR Policy

NRI's Corporate Statement "Dream up the future." and our mission since our foundation are the origins of our business activities. Cultivating these throughout a history of over 50 years has come to fruition in three core strengths: Insight, Power of Realization and Co-Creation Ability.

Supporting these strengths is the professionalism manifested by human resources.

NRI has utilized our unique strengths, set about to resolve client issues and engaged in business identifiable as ours and distinct from any competitor. Under "Vision2022," our eight-year, long-term management vision launched in April 2015, we will continue to cultivate our three core strengths as we pursue our growth strategy.

In addition, we will continue to enhance corporate value, promoting distinctly NRI CSR activities aimed at fulfilling our responsibilities to society.

Corporate Philosophy

Corporate statement

Dream up the future.

Mission

Discerning new social paradigms and assuming the role of implementing such paradigms.

Building client trust and prospering together with clients.

Unique Strengths

Ability to discern the future based on deep knowledge of clients, industry and society, and provide Navigation aiming at long-term social meanings rather than short-term results.

Insight

Human Resources

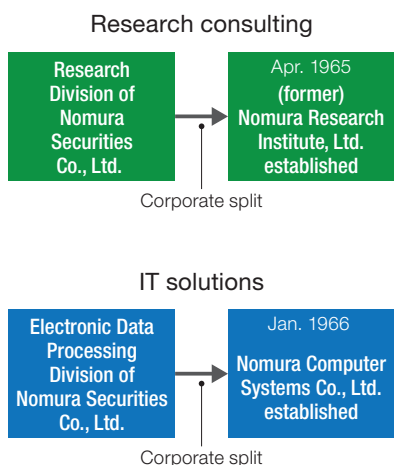
Power of Realization

Co-Creation Ability

Ability to realize true value for clients, industry and society through technologies cultivated in the financial and distribution fields, creating solutions through a powerful belief in being able to execute them and cultivating data analysis competence.

Corporate culture to understand client needs, think together with clients and combine expertise with partner companies to continue to create innovations. That's a typical capability of NRI whose origin was a user company.

History



Through a merger, NRI has become a progressive company offering integrated services ranging from research consulting through to IT solutions.

Merger of a think tank and an IT solutions company (First in Japan)

Long-term Management Vision “Vision2022” (From April 2015 to March 2023)

Share the Next Values!

Share

Diverse human resources pool their strengths and share achievements and joys

Next

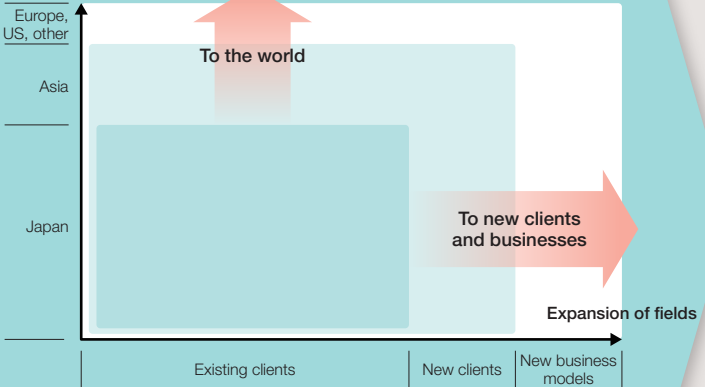
Have insight for future paradigms and create new business models

Values

Innovation creates completely new value and different sets of values among many people

Medium-term Management Plan (From April 2016 to March 2019)

Global expansion



While working to raise productivity and grow existing businesses, we will establish business bases in new domains, including the global and digital business areas, and create track records in those areas.

For more information, see pp.16-19 and pp.22-31.

CSR Policy

Accomplishing Our Responsibility through Our Regular Business Activities and Establishing Trust with Society

Active Focus on Corporate Social Responsibility

A Contribution to Society in Unique Ways that Only NRI Can Make

Proactive Corporate Social Responsibility

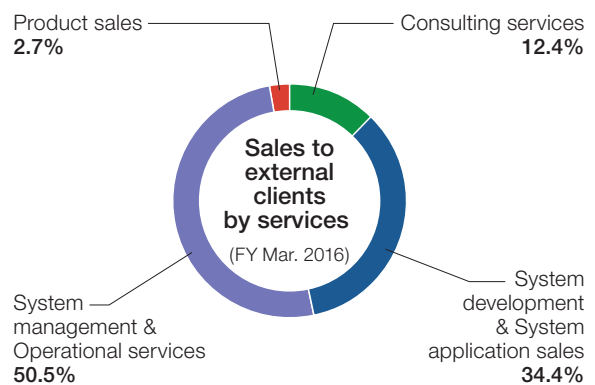
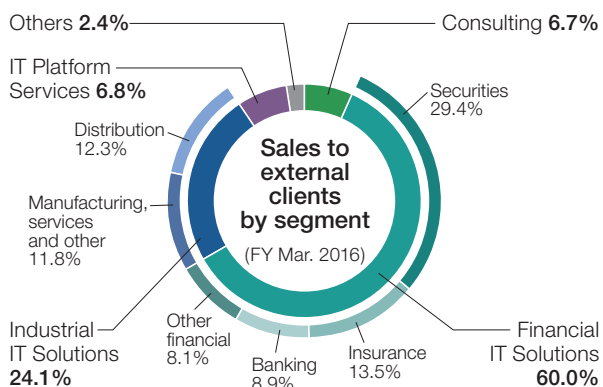
CSR Materiality

1. Building a sustainable society for the future
2. Providing the information infrastructure that is vital to people's lives
3. Developing human resources who can generate innovation

For more on CSR, see pp.50-53

Business Portfolio

Leveraging a wealth of expertise, particularly in the securities industry, NRI has outstanding strengths in financial IT solutions.



Value Creation Process

NRI pursues **value creation centered on “Navigation × Solution,”** which brings together “Navigation,” where we identify and introduce measures for resolving issues that society and our clients face, with “Solution,” where we support the resolution of those issues through the use of IT.

The consulting business sits at the core of “Navigation.”

“Solution,” meanwhile, consists of system development, system management and operation outsourcing, and shared online services.

A key contributor to NRI's outstanding profitability is shared online services, developed by utilizing expertise accumulated from repeated cycles of the consulting, system development, system management and operation outsourcing process.

Going forward, **we will seek to expand a new business model, “Con-Solution,”** that conceptualizes and promotes business IT based on consulting and solutions developed side by side with clients.

Corporate Philosophy

Business and Social Trends & Client Needs and Issues

Respond
and
anticipate

Capital

Human capital

- Talented and diverse human resources

Intellectual capital

- Shared online services
- Forward-looking capabilities
- NRI's brand

Manufactured capital

- Advantages in large-scale system development and operation capabilities
- High-quality, secure data centers

Social and relationship capital

- Solid client base

Financial capital

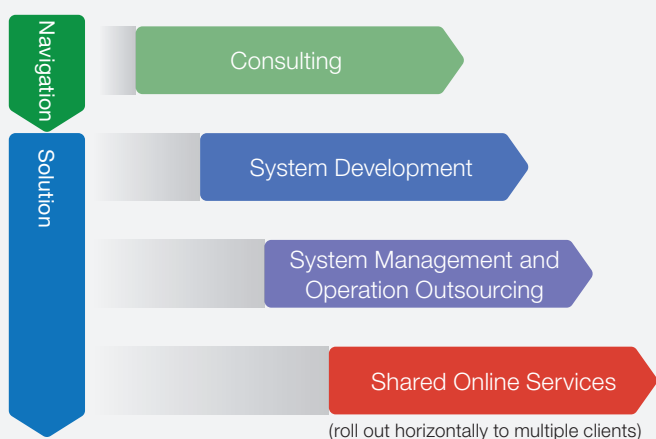
- Solid financial foundation
- Robust free cash flow
- Strong creditworthiness

Input

Corporate
Governance

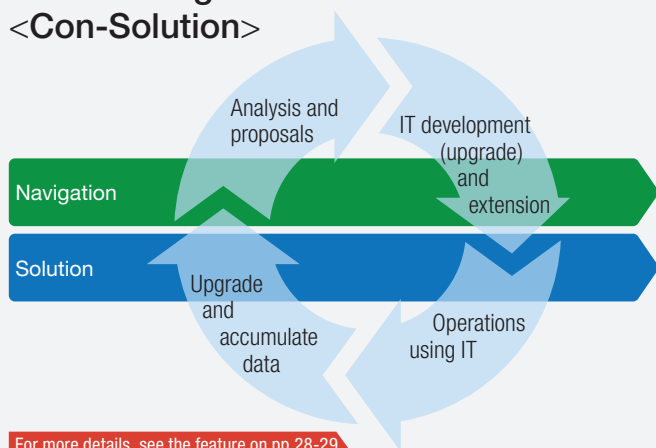
Business Model

Providing Value via Navigation × Solution Cooperation



For more details, see the feature on pp. 24-25.

Consulting and Systems Side by Side for Providing Sustainable Value <Con-Solution>



For more details, see the feature on pp.28-29

Structure supporting value creation

Risk Management

Quality Management

Human Resources Development

Values & Benefits Provided to Society and Clients

- Propagation of intellectual assets and recommendation that lead social transformation
- Services and solutions valuable to clients
- Safe and dependable services and solutions

Outcomes

&

NRI's Value Creation

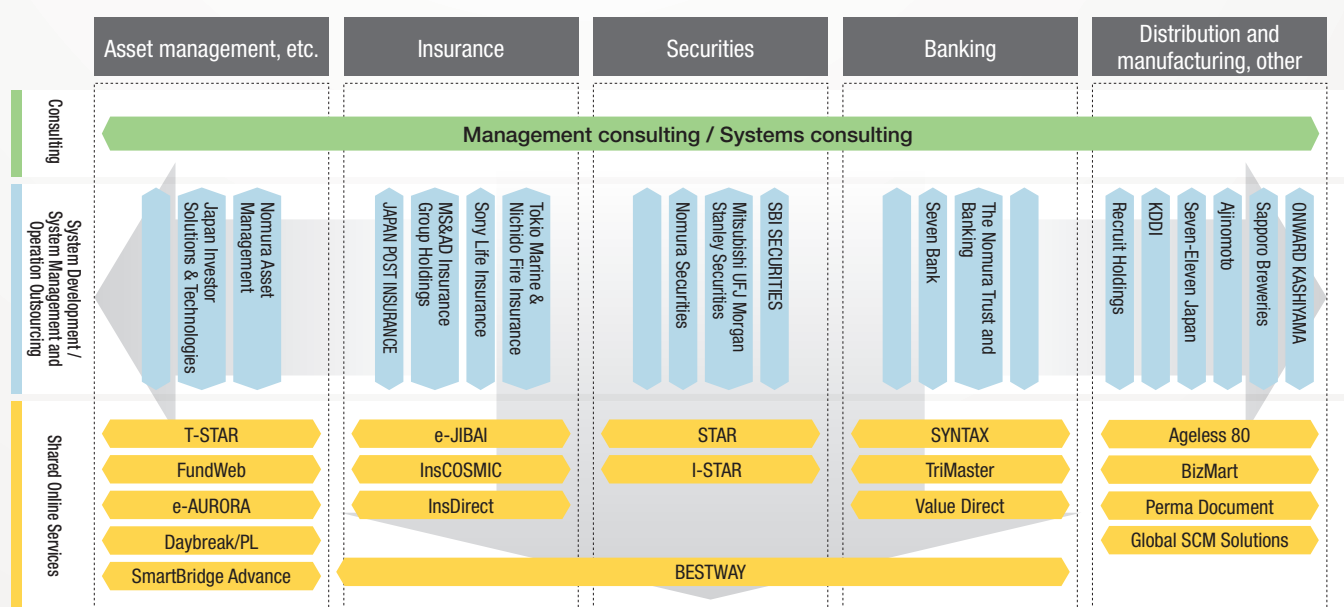
- Human resources that support innovation
- Improving the NRI brand
- Greater service and solutions sophistication
- Sustainable growth

Solid Client Base and Stable Profit Structure

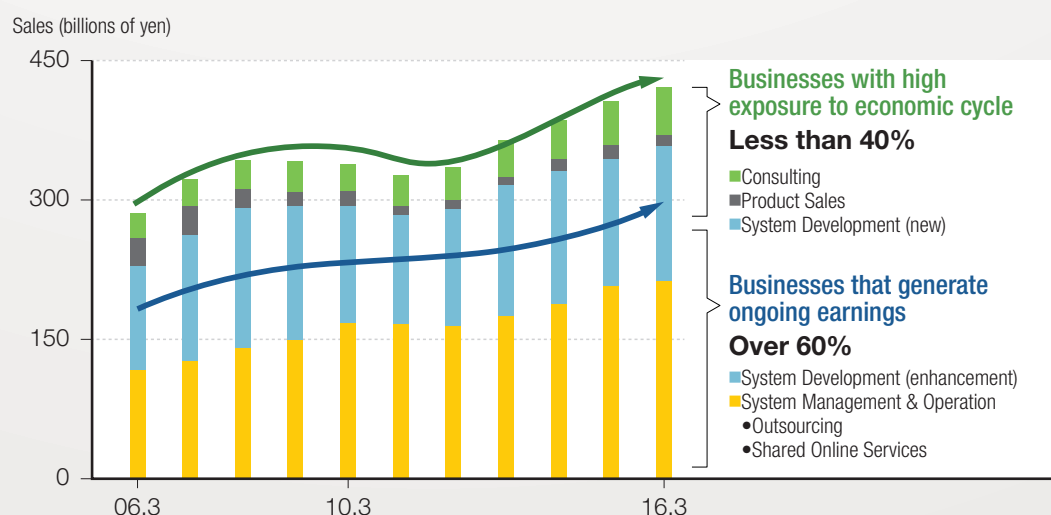
Since our foundation, we have grown in step with clients while providing services that embody the spirit of putting clients first. A broad client base developed through a track record spanning years of delivery of IT solutions to the financial sector is a prominent feature of NRI. We have also pushed forward with expanding our client base in industrial sectors in order to realize a strong business portfolio.

The provision of system management and operation outsourcing and shared online services, as well as enhancements (operations and maintenance) in system development, are all highly sustainable businesses. NRI's stable profit structure, more than 60 percent of which is comprised of these sustainable businesses, is one of our outstanding strengths.

Broad Range of Services and Solid Client Base



Stable Profit Structure Where over 60% Comes from Sustainable Businesses



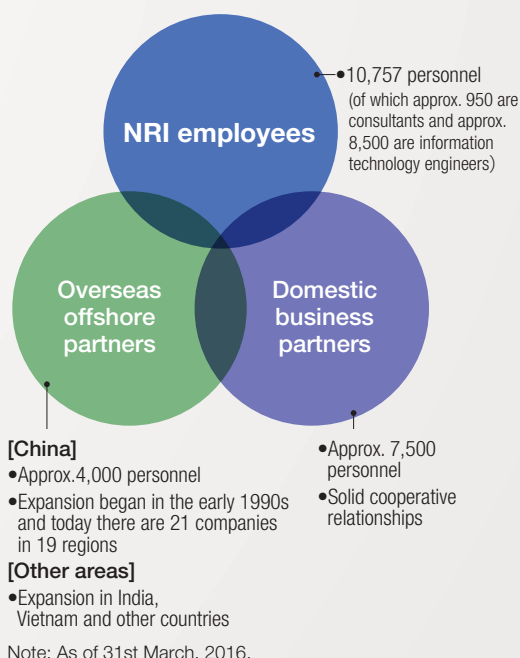
Diverse Human Resources, High Levels of Profitability and Productivity

NRI effectively combines three human resources – employees, domestic business partners and offshore partners, mainly in China – to offer high value-added services.

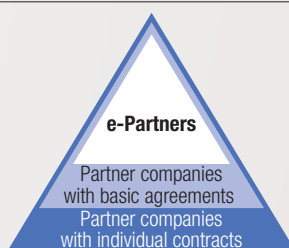
Although short-term earnings fluctuate in line with the economic climate, NRI has to date maintained underlying long-term growth in both sales and profit. NRI's profitability (operating profit margin) and productivity (sales and operating profit per employee) are among the highest in the industry.

Talented and Diverse Human Resources Supporting Value Creation

Human Resources Supporting NRI's Businesses



Working Together with Business Partners

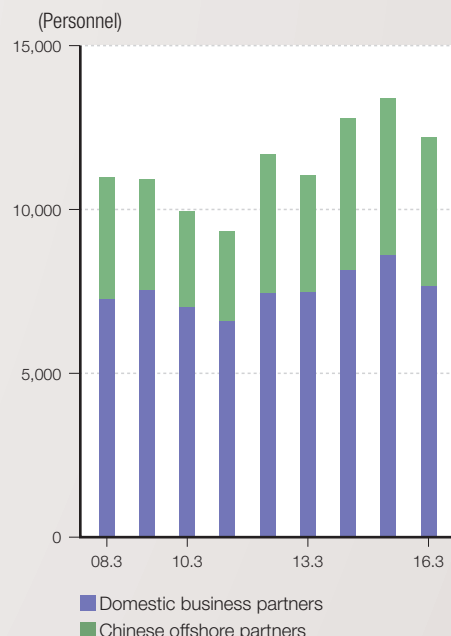


NRI and our business partners have been building trustworthy relationships for many years through sharing NRI's management policy and working hand in hand on various activities, including quality improvements.

NRI concludes e-Partner Contracts with business partners that have particularly specialized operational know-how and IT capabilities, under which they work closely together on project management and other aspects.

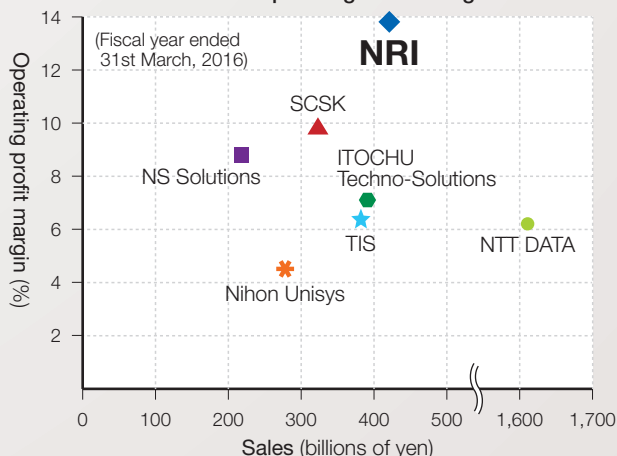
As of 31st March, 2016, there were a total of eight business e-Partners in Japan and overseas.

Personnel Working at Business Partners

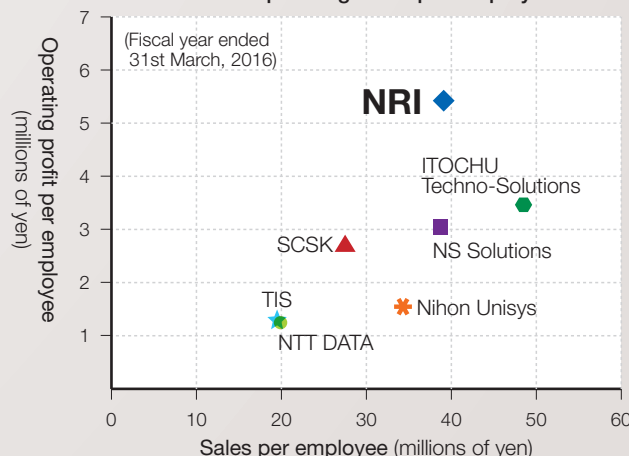


Industry-leading High Profitability and Productivity

Industry-wide Comparison of Sales and Operating Profit Margin



Industry-wide Comparison of Sales and Operating Profit per Employee

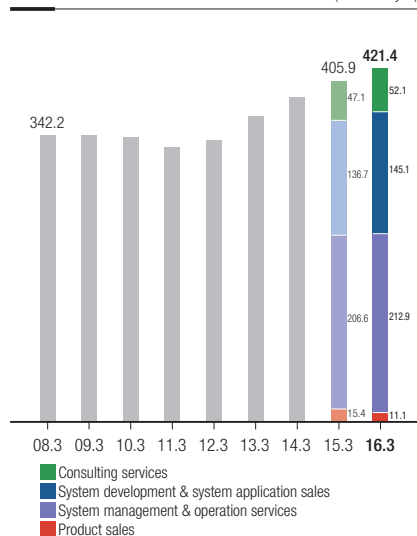


Source: Compiled by NRI from the above companies' financial statements

Financial and Non-Financial Highlights

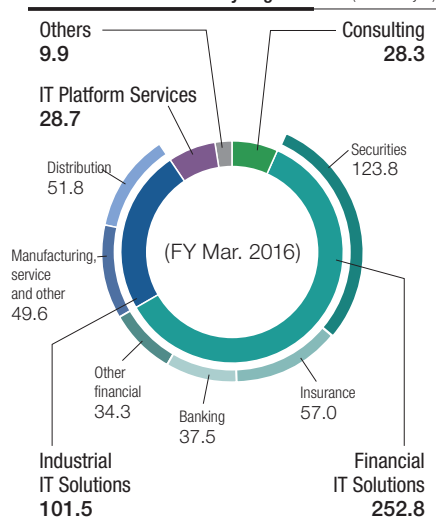
Sales

(billions of yen)



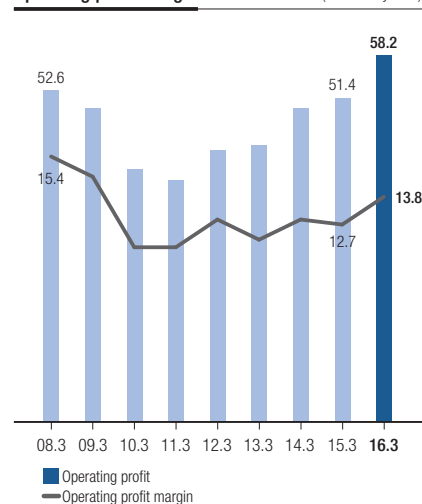
Sales to external clients by segment

(billions of yen)



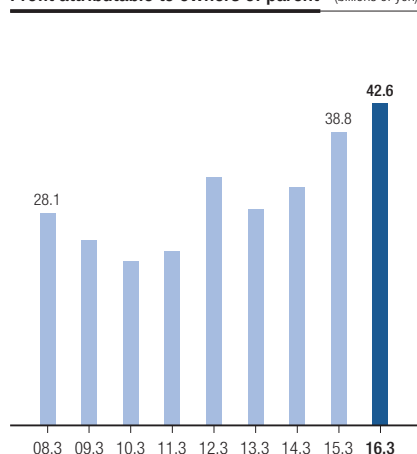
Operating profit / Operating profit margin

(billions of yen/%)



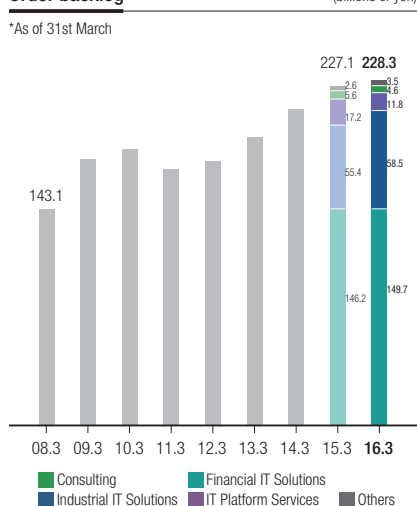
Profit attributable to owners of parent

(billions of yen)



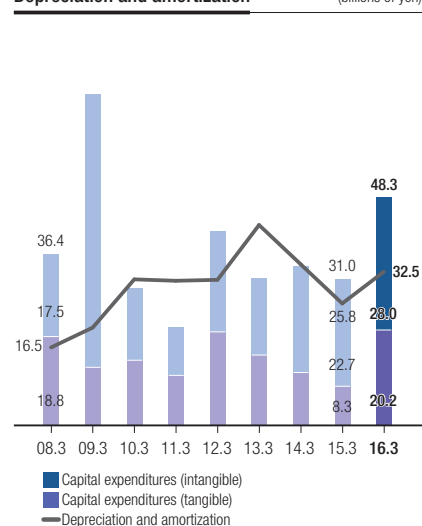
Order backlog

(billions of yen)



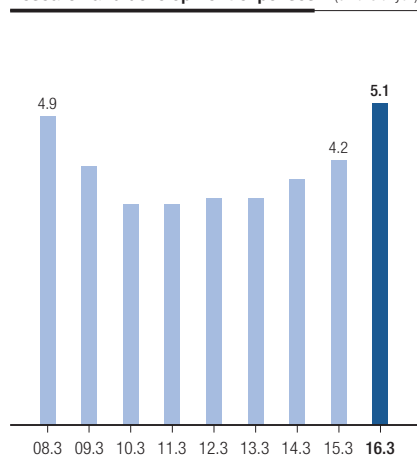
Capital expenditures / Depreciation and amortization

(billions of yen)



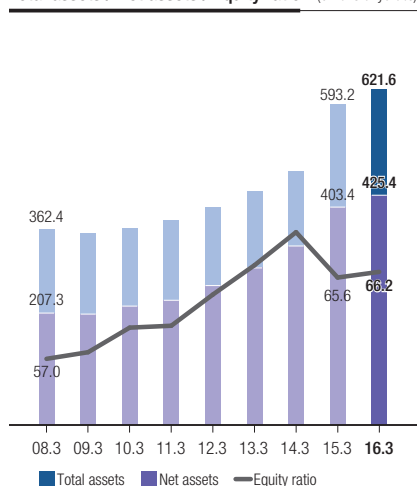
Research and development expenses

(billions of yen)



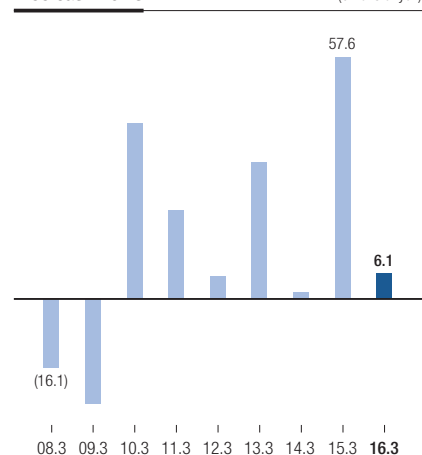
Total assets / Net assets / Equity ratio

(billions of yen/%)

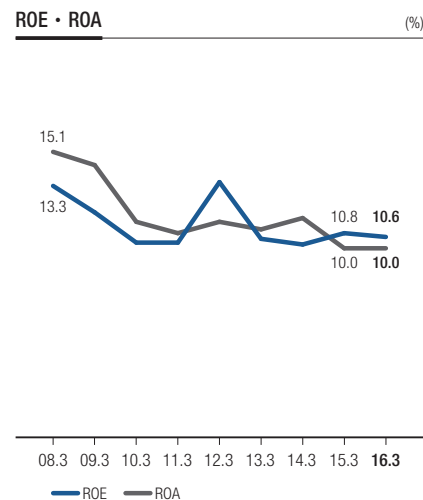
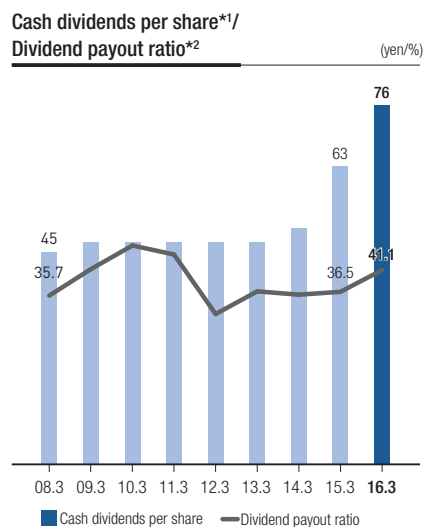
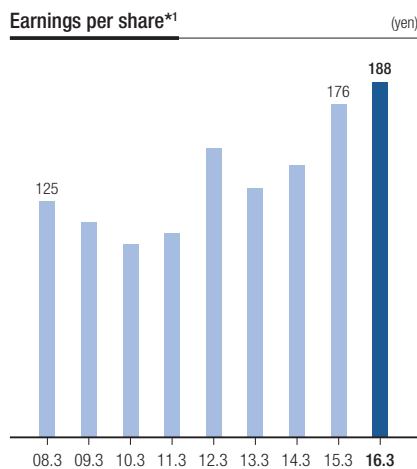


Free cash flows

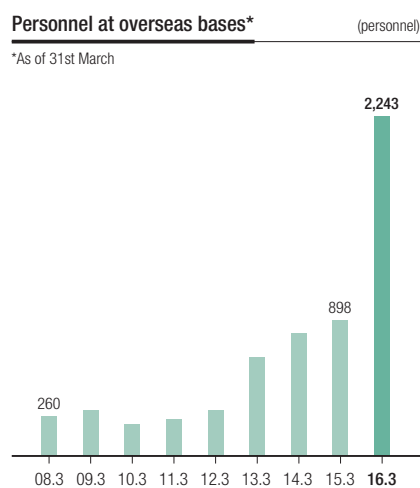
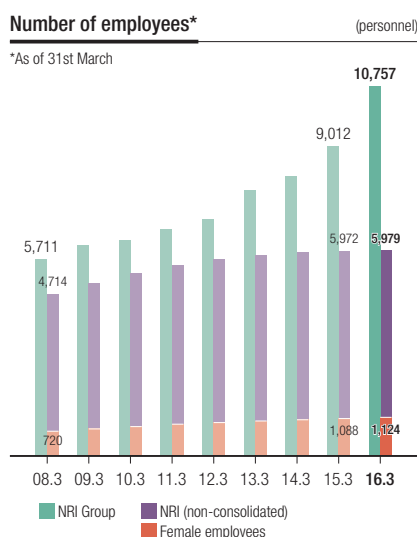
(billions of yen)



Note: Amounts of less than 100 million yen were rounded down.



*¹ NRI conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. Earnings per share and cash dividends per share have been retroactively restated for prior years to reflect the effect of the stock split.
*² The dividend payout ratio is calculated to include dividends earmarked for the NRI Group Employee Stock Ownership Group.

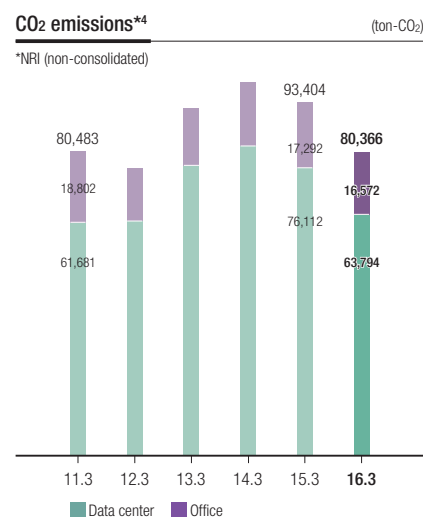
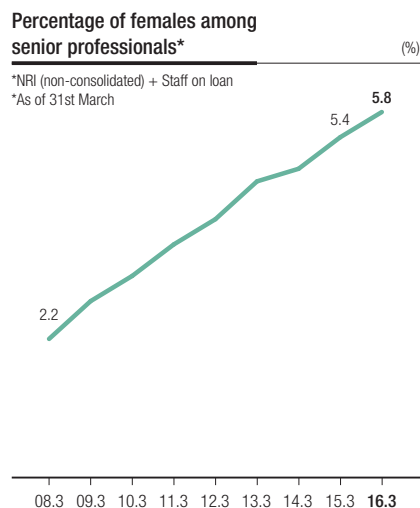
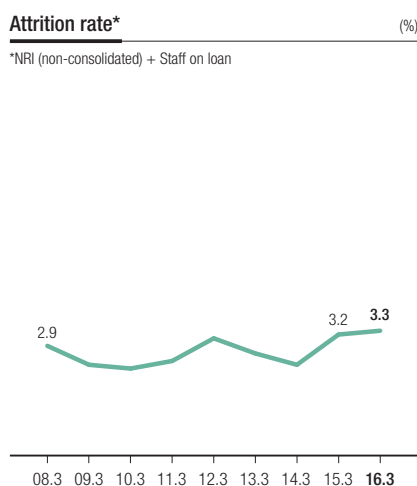


Information technology engineers* (personnel)

*As of 31st March

	14.3	15.3	16.3
Systems auditor	298	317	333
IT service manager	320	341	360
Information security specialist	836	951	1,093
Database specialist	625	689	743
Network specialist	861	886	909
Project manager	657	693	743
System architect	816	848	876
IT strategist	209	246	279
Total	4,622	4,971	5,336

*NRI (non-consolidated) + Staff on loan
*Information technology engineer is a holder of a national certification offered by the Information-Technology Promotion Agency, which serves as the testing body designated by the Minister of Economy, Trade and Industry.



*⁴ Calculated by using the real emission factor for electric power companies stipulated in the Act on Promotion of Global Warming Countermeasures (Global Warming Act).

For human resources strategy, see pp. 30-31; for environmental protection, see p. 53

For more details on financial data, see pp. 54-55



Boldly Challenging New Domains and Promoting Globalization and Business IT to Spur Further Growth

April 2015 saw the start of our long-term management vision, “Vision2022.” Along with aiming to reach higher by cultivating our existing strengths, we are embarking on new challenges to focus on globalization and new trends in information technologies. In tandem with my appointment as president, we announced a three-year, Medium-Term Management Plan, running from the fiscal year ending 31st March, 2017 through to the fiscal year ending 31st March, 2019, that covers the first half of the Vision2022 period. Now under a new structure, we will strive for powerful medium- to long-term growth.

A handwritten signature in black ink, reading "Shingo Konomoto". The signature is fluid and cursive, with a long horizontal stroke at the end.





Shingo Konomoto

President & CEO and Representative Director, Member of the Board

Achieving Success While Building a Foundation for Innovation — An Overview of Vision2015

“Vision2015” (hereinafter “V2015”), the long-term management vision we had advanced over eight business terms, ended with steady results. This vision enabled NRI to maintain a high level of profitability that set it apart in the industry, as well as growth surpassing the industry average. As well as greatly reducing our reliance on specific clients and expanding business in industrial sectors, we broadened the industry-standard business platforms (**shared online services**) that stand as NRI’s major strength. Together with other actions, NRI was able to make steady strides forward in securing a powerful business portfolio.

Major Achievements of Vision2015

	Sales ratio to external clients	
	FY Mar. 2008	FY Mar. 2016
 Break dependence on two major clients (Expand business from clients other than two major clients)	58%	74%
 Expand business in industrial sector	19%	24%
 Expand industry-standard business platforms	12%	22%
 Expand overseas-related business	1%	6%

Vision2022 — Eyeing a New Leap Forward Without Dependence on Existing Strengths

Overlapping with the final year of V2015, our new long-term management vision “Vision2022,” (hereinafter “V2022”), launched in April 2015, combines intense cultivating of our existing strengths in **IP** with steps to take on further challenges, including the dramatic expansion in globalization and the creation of new value in the business IT domain. The commitment to realizing V2022 is captured by our vision statement, “Share the Next Values!”

“Values” refers both to providing new value to clients and changes in NRI’s own values, while “Share” embodies the notion of realizing our vision through “co-creation” with clients, as well as “co-creation” with NRI’s consulting and IT solutions. This statement accurately describes NRI, and is one we would like to share widely internally and externally.

By promoting growth strategies grounded in the five pillars below,

[Shared Online Services]

Incorporating technology and expertise cultivated in system development for individual clients, these services, proprietarily developed and offered as a system by NRI, standardize clients’ mission-critical operations. These highly sustainable businesses are a key to high profitability for NRI. Examples of these services include “STAR,” an integrated back-office system for retail securities firms, and “BESTWAY,” an account management system for over-the-counter sales of investment trusts for banks and other institutions.

See pp24-25.

[IP (Intellectual Property)]

The intellectual property that forms the source for delivering value including NRI’s unique industry knowledge and industry-standard services. NRI’s “industry-standard business platforms” such as STAR and BESTWAY are also considered intellectual property.





See pp24-25.

we are aiming to achieve ambitious targets, including ¥100 billion in operating profit and ¥100 billion in sales from overseas-related business.

5 Pillars of Vision2022 Growth Strategy

- 1 **Dramatic expansion of globalization**
(From Asia to the world)
- 2 **Enhancement of IP Portfolio**
(Industry knowledge, industry-standard business platforms, etc.)
- 3 **Promotion of business value creation**
(Business IT and Con-Solution)
- 4 **Further pursuit of “Innovation in production”**
(Improve productivity in specialty areas in Japan)
- 5 **Cooperation and assembly of diverse talents**
(Business creation and global management)

Vision2022 Numerical Targets

 Operating profit	¥100 billion
 Operating profit margin	14% or more
 Sales from overseas-related business	¥100 billion
 ROE	14%

Dramatic Expansion of Globalization

Dramatic expansion of globalization and the promotion of business value creation are concepts at the heart of the new business domain challenges in V2022. Both are major trends expected to accelerate in the coming years, and demand that we offer distinctive NRI solutions unmatched elsewhere.

First, where globalization is concerned, in contrast to the consulting business, where sales from overseas-related business accounts for about 30% of segment sales, the scale of the IT solutions business remains at a low level. Nevertheless, since global business development by client companies is accelerating at an increasingly faster pace, continuing to maintain client trust requires that NRI develops capabilities

for responding globally. Thus while our target of ¥100 billion in sales from overseas-related business is ambitious, it is one we will vigorously pursue. In addition to China and other Asian regions, which we have emphasized to date under V2015, we are also eyeing business expansion in Europe and the United States. By capturing IT technologies and business models emerging from Europe and the United States, including **Big Data**, **FinTech** and artificial intelligence (AI), we will aggressively push business expansion into new domains.

For more details, see the feature on pp. 26-27.

Business Value Creation = Responding to the Digital Economy

The “promotion of business value creation” refers to the strategies devised in light of a change in IT usage trends in business. The change here is a shift in ongoing corporate investment, from a prior emphasis on IT investment focused mainly on enhancing business efficiency, to IT investment for new business creation.

Until recently, NRI’s strength was a business model based on the rollout of shared online services built on operational knowledge and expertise gained in the development of high-quality systems tailored to client requirements for back-office operations and cost efficiency enhancement.

More recently, however, the digital economy, such as digital marketing and FinTech, which is expected to bring innovations radical enough to alter existing businesses, has arrived. This advent now requires direct transformation of both management and business models themselves by using IT to create new businesses. This framework, which we call “**business IT**,” is one in which our clients themselves are searching for solutions, starting from the most upstream step, “What are the best options to get our desired results?” The answer requires collaboration not only with clients’ systems divisions, but also with their frontline business divisions, as well. What’s more, the systems built here must continue to be constantly improved, not simply built and finished, since they are to tie deeply into business activities that generate profit on a consistent basis. This is a business model that targets success through a repeated and rapid cycle of trial-and-error testing.

Accordingly, NRI cannot rely simply on the previous approach alone, in which the consulting division led measures to solve key issues, handing off to the IT solutions division in cases where solutions required systems. Instead, it is required that IT solutions divisions of NRI are also engaged from the earliest conceptual phase, and where the consulting and IT solutions divisions of NRI and clients must work as one to perform a speedy cycle of hypothesis testing. In parallel with cultivating our traditional business model further, we are seeking to

[Big Data]

This term refers to the massive groupings of data that have grown rapidly in recent years and remain unordered and unstructured, encompassing everything from website access logs to Twitter postings and call center inquiries; it also refers to leveraging the analysis of such data for marketing and other purposes.

[FinTech]

This concept refers to the combining of “finance” and “technology” for the provision of new services.

[Digital Marketing]

A service that provides value tailored to individual client needs by utilizing big data collected from all client contact channels, including web-based media (e-commerce transactions, social media, etc.) and actual store visits.

[Business IT]

This refers to IT that directly contributes to client business expansion, in contrast to “corporate IT,” which helps enhance the efficiency of clients’ internal operations.

[Con-Solution]

A new business model in which, from the business IT planning and conceptual stages, consulting and solutions work side by side with clients for open innovation, and in which results and risks are shared with clients after repeated cycles of innovation realization and examination of effects.

newly establish an integrated, side-by-side business model that we call “**Con-Solution**.”

While engaged in our consulting division, I gained firsthand experience in this kind of business IT-driven value provision, and I am confident that NRI can bring our strengths to bear here. For example, as a consultant, I was involved from the conceptual stages when cosmetics firm Shiseido Company, Limited built its comprehensive beauty website “Watashi Plus” designed to attract clients in their twenties. Through this project, we were able to provide analysis of enormous amounts of data as feedback for product development and sales, which brought results that surpassed those of conventional marketing methodologies. We are looking to develop this type of business on a much larger scale going forward. I believe that NRI has tremendous potential capabilities in creating businesses together with clients, and we must draw out that potential more to get to our next phase of growth.

For more details, see the feature on pp. 28-29.

Positioning of the Medium-Term Management Plan

Globalization and business value creation, two themes at the center of the new challenges outlined in V2022, are indispensable to NRI’s long-term growth but will require some time before successes start to emerge. For this reason, it is essential that we propel these forward together with growth built on NRI’s existing strengths.

Considering this point, we formulated a Medium-Term Management Plan set to run for three years from the fiscal year ending 31st March, 2017. In drafting the plan, we sought to draw in as many members of NRI as possible, thereby giving everyone a stake in it.

The Medium-Term Management Plan organizes the five pillars of long-term strategy found in V2022 along short-term, medium-term and long-term perspectives.

For more details of the image of business expansion under the Medium-Term Management Plan, see the feature on pp. 22-23.

The two central growth themes in new fields previously mentioned are viewed from a long-term perspective; we will first push ahead with preparing for and building the track record necessary for establishing business foundations in these areas as upfront investments in globalization and business IT under the Medium-Term Management Plan.

For globalization, we will drive forward with building foundations for overseas-related business, providing localized support in step with global business development by Japanese clients, leveraging existing IP to enter markets, and developing a presence in new domains by acquiring IP from Europe and the United States. We will do this through a variety of approaches, specific examples of which will include



expanding our existing industry-standard business platforms overseas through partnerships with local companies on the ground, and M&A activity to acquire companies based in Europe and the United States with technologies and expertise not found at NRI.

In the creation of business IT, our plan is to pursue proof of concept of data analysis used in digital marketing and the horizontal development of expertise possessed by Brierley+Partners, Inc., seek out FinTech business opportunities, and perform proof of concept of **blockchain technologies**, among other actions. I absolutely want to take advantage of our comprehensive abilities to offer integrated services covering consulting through to IT solutions to create business unique to NRI.

Industry-Standard Business Platform Expansion and Development of Large-scale Japanese Clients

In terms of enhancement of IP portfolio, from a medium-term perspective we are promoting the domain expansion of our industry-standard business platforms, as well as seeking out new and larger Japanese clients.

Where industry-standard business platforms are concerned, in addition to our traditional service offerings, by providing these in combination with Business Process Outsourcing (BPO), whereby we take on peripheral operations such as customer support and account processing in the securities and asset management fields, we will take steps to expand into client industries and service domains as well. There is a definite sense that there are many companies out there shackled with the burden of IT infrastructure, and are frustrated by and starting to reach their limit with system upgrades, new technologies and the need to address information security. Also, as companies give more attention to business IT within their limited IT budgets, NRI can predict that cost efficiency enhancement needs for corporate IT are going to expand even more. For these reasons, we think that the motivation to adopt NRI's industry-standard business platforms is likely to rise, and likely has large prospects for medium- to long-term growth.

For more details, see the feature on pp. 24-25.

In acquiring new and larger Japanese clients, we will deepen relationships with industry-leading companies through a continuous approach built on collaboration between consulting and IT solutions divisions as we beef up our prime account strategy aimed at capturing large-scale IT solutions projects. While we have mostly promoted these activities in industrial fields until now, we will also build a presence in the field of finance. To move collaboration between consulting and IT solutions further still, we appointed a senior executive managing

[Blockchain Technologies]

Technologies that achieve consensus formation in a distributed manner based on mutual consent of participants, eliminating the need for a "trusted third party" and enabling audit trail management of all transactions.

director with substantial experience in Industrial IT solutions to head up the Consulting business. Similarly, senior corporate managing directors have been put in charge of prime account strategies in both Financial IT Solutions and Industrial IT Solutions.

Production Innovation Generating Profits and Leeway in Human Resources

The further pursuit of “innovation in production” is a theme we are tackling aimed at boosting profitability even further. More specifically, this means using more robust project supervision and other means to improve the quality and productivity of system development projects, and promoting the optimization of development structures.

When a large-scale project unexpectedly become unprofitable, this not only steals away the leeway to make upfront investments and build business foundations, it also affects whether numerical targets are met. This is why the frameworks involved must be constantly reviewed and improved to keep unprofitable projects from occurring.

For more details, see “Quality Management” on pp. 48-49.

To optimize system development structures, we look to boost productivity by promoting the integration of development and maintenance structures for functional components similar to those in the numerous industry-standard business platforms NRI offers. This heightens the appeal of industry-standard business platforms, while being enormously important for freeing up human resources for business expansion in business IT and other new fields.

Required Human Resources

Cooperation and assembly of diverse talents is the foundation of all other strategies for realizing V2022, but it is especially critical that we increase our numbers of both global human resources and those capable of new business creation.

At NRI, we place emphasis on people who strive to be professionals armed with expert knowledge and skills, and we promote human resource training in line with this policy. This is extremely important to NRI, and will remain so going forward. At the same time, we need human resources who can recognize the value of difference and work to improve and cultivate one another. This is especially important when members of the Consulting and IT Solutions divisions, or those from partner companies, come together in mixed teams to draw upon their mutual skills and held in-depth discussions to create businesses, or in cases when they must cooperate with people from completely different cultures and customs from around the world. Entrepreneurial

human resources who can take risks are vital to realizing V2022, and we will also increase the number of human resources who have this co-creative mindset. I want to create an enterprise where achieving the targets of V2022 helps most of our employees grow not only as professionals but also as people.

Diversity means addressing issues such as furthering women's participation in business and our global workforce, and creating a welcoming environment for people with disabilities. For furthering women's participation in business, since the number of women among senior professionals, at 5.8%, is still quite low, our goal is to raise this figure to 7% or more by the end of the fiscal year ending 31st March, 2019. Led by our diversity promotion organization, we will institute leadership training programs and various other initiatives in this area.

Similarly, we are moving rapidly to develop mechanisms for allowing our fast-growing number of local employees overseas to be more active than ever before. While certain steps, such as the delegation of authority to local employees and their recruitment as directors, are essential here, reforming NRI's own consciousness ahead of these moves is also needed.

For more details, see the feature on pp. 30-31.



Utilizing Funds for Growth and Improving Capital Efficiency

As avenues for achieving the powerful growth described in V2022, we will generate new businesses, expand the domains for industry-standard business platforms, and effectively utilize funds for M&A activity and other actions.

In addition to the strong profit growth that will result, we will also emphasize capital efficiency. To boost capital efficiency even higher, we are aiming under V2022 for ROE of 14% and ROE of around 12% under the Medium-Term Management Plan as numerical targets as we look for sustainable improvement in ROE. As of June 2016, we had acquired roughly ¥10.0 billion in treasury stock.

Possessing both consulting and IT solutions is a very distinctive characteristic that sets NRI apart as a company. Over the years, we have managed to post sustainable growth, even while maintaining outstanding earnings capacity. Through the initiatives outlined in V2022, we will cultivate what makes NRI special, and aim to become a company where both a sense of stability and our growth capacity are recognized by observers within and outside of NRI.

▼ Determined Commitment of New Management

Shingo Konomoto

President and CEO,
Representative Director,
Member of the Board



NRI marked the start of the Medium-Term Management Plan in April 2016 with an update of the management structure.

As we eye sustainable improvement in corporate value, we will mobilize the collective strength of diverse human resources within and outside of NRI for successive waves of new initiatives.

The NRI Group is committed to realizing our missions of “Discerning new social paradigms and assuming the role of implementing such paradigms.” and “Building client’s trust and prospering together with clients.” “Vision2022” (hereinafter “V2022”) and our Medium-Term Management Plan are both the embodiment of these missions. Today, the environment surrounding the NRI Group is marked by faster globalization among clients themselves, and the emergence of a shift in market orientation, of which the sudden rise of the digital economy is the best example. We will have to produce strategies beyond anything we have ever done before if we want to take the leap up to the next level. V2022 and the Medium-Term Management Plan paint a picture of where the NRI Group is headed through its ambitious strategies.

Shifts in market orientation, without question, represent major challenges for the NRI Group, but are also great opportunities to highlight our distinctive strength, namely the ability to provide consulting through to IT solutions in an integrated manner. Because the integration of the business models of clients and IT will progress going forward, there is no doubt that more instances will arise for capitalizing on the collective capabilities of the NRI Group. As they do, the NRI Group will work as one to stride boldly ahead to new growth.

Under a New Structure Continue Facing Challenges For Medium- and Long-term Growth

Hiroshi Itano

Representative Director,
Member of the Board,
Senior Executive
Managing Director



Under President Konomoto's new management structure, we started a Medium-Term Management Plan for achieving V2022 from April 2016. Beyond reinforcing the strengths of the NRI Group to date, it also marks the start of several new challenges, including globalization and promoting business value creation.

As for corporate administration divisions, along with polishing company frameworks put in place over the years, we look for more efficient operations. At the same time, so that business divisions can take on challenges more aggressively, we reform the systems that propel these divisions and work to foster a climate in which all employees take on the challenge to achieve objectives.

Also, in addition to operations of the Board of Directors, we will take steps to make a more advanced governance environment that supports employees in meeting challenges with peace of mind.

Ayumu Ueno

Representative Director,
Member of the Board,
Senior Executive
Managing Director



At NRI, I believe our strength lies in the fact that coexistence and co-prosperity with society and clients is so deeply rooted in our business concept.

The essence of NRI's business activities is facing issues and growth together with our clients, even as we respond to the changing times and resolutely walk alongside them. By assisting not only companies but also the growth of entire industries, contributing to the build-up of infrastructure for daily life, including transportation bodies, information communication and distribution and retail services, is another image we strive for as a company. Looking to the future, we aim to do so even more tirelessly and with a powerful dedication to this task in mind.

Last but not least, we hope to leverage the foundation we have built in Japan to contribute meaningfully to global markets.



Long-term Management Vision “Vision2022” and Medium-Term Management Plan

In April 2015, NRI started “Vision2022” (hereinafter “V2022”), a new long-term management vision that will be completed in the fiscal year ending March 31, 2023. The plan aims to properly ascertain the shift in market orientation as client companies accelerate their globalization and the digital economy develops, and we take our next step toward the corporate statement of “Dream up the future.”

This special feature will introduce the strategy of the long-term vision via the four key phrases of enhancement of our IP portfolio and innovation in production, globalization, promotion of business value creation and human resources strategy.

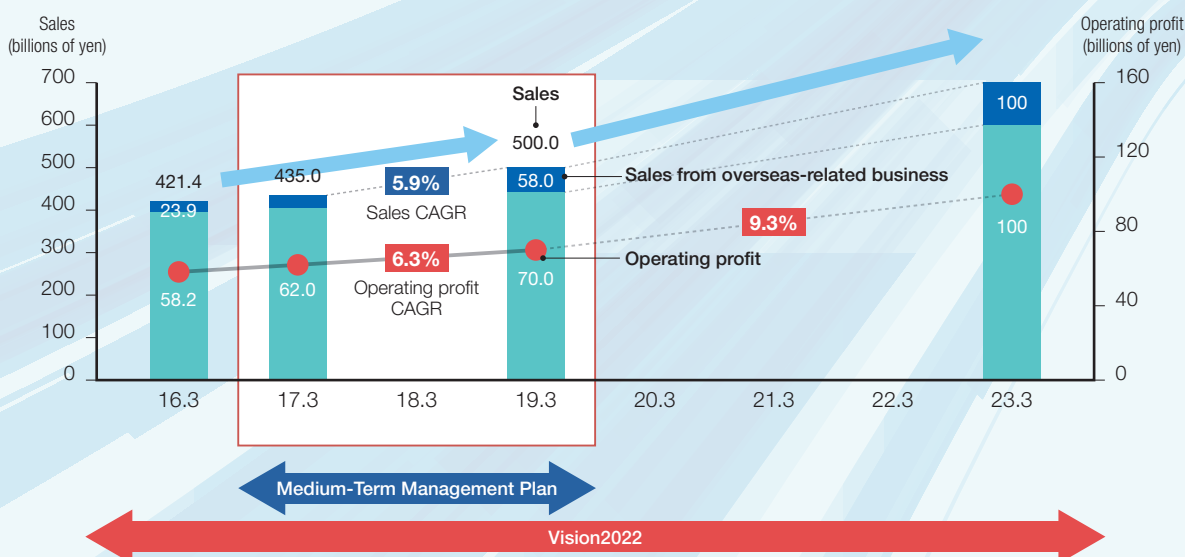
Corporate Image Aimed for in V2022

NRI has been responding to social trends and clients’ needs and issues by providing high added-value under the basis of the corporate statement of “Dream up the future.” Throughout its more than 50-year history, NRI has used “Insight” to navigate clients not only to achieve short-term rewards, but also toward meaningful, socially oriented long-term goals; used “the Power of Realization,” derived from practical technologies, knowledge and expertise and a

powerful will; and has been open to “Co-creation ability” to understand clients’ needs, think about them together and deliver reform and innovation. NRI has used these original strengths not possessed by any other company to grow as an enterprise.

Using these strengths as a foundation, V2022 aims for NRI to co-create true innovation and further evolve ourselves. NRI’s Vision Statement of “Share the Next Values!” encompasses these ideas.

Numerical Targets under Medium-Term Management Plan



Background to Deciding on V2022

Insight into the changes for the future is the starting point for the innovation that NRI aims for under V2022.

One of those changes is the acceleration of globalization. Since Japanese companies are moving ahead with globalization irrespective of their field, continuing to retain clients' trust and realizing sustainable growth require NRI to develop capabilities for responding globally. Focus will need to be made not only on China and other Asian regions as had been the case until now, but also extended to include business expansion in Europe and the United States, and a framework established to provide optimum services.

A major trend bringing about social change is the new age of IT. NRI seeks to anticipate changing tides in the utilization of IT technology such as digital marketing and FinTech and use this together with clients to be useful for society in the future in certain fields. This is an area that NRI should show our true abilities.

Moreover, until now, companies have mainly used corporate IT to improve administrative or operational efficiency, but a significant change is imminent in IT investment as there will be a shift toward Business IT that uses IT to connect directly to expansion of business in new business starts and other ways.

Until recently, NRI had developed over 90% of our business in Japan, and provided high-quality corporate IT. To be able to respond to these two major shifts in the market, NRI must now look beyond these business models to find a new path to succeed.

The Medium-Term Management Plan: The First Step Toward Realizing V2022

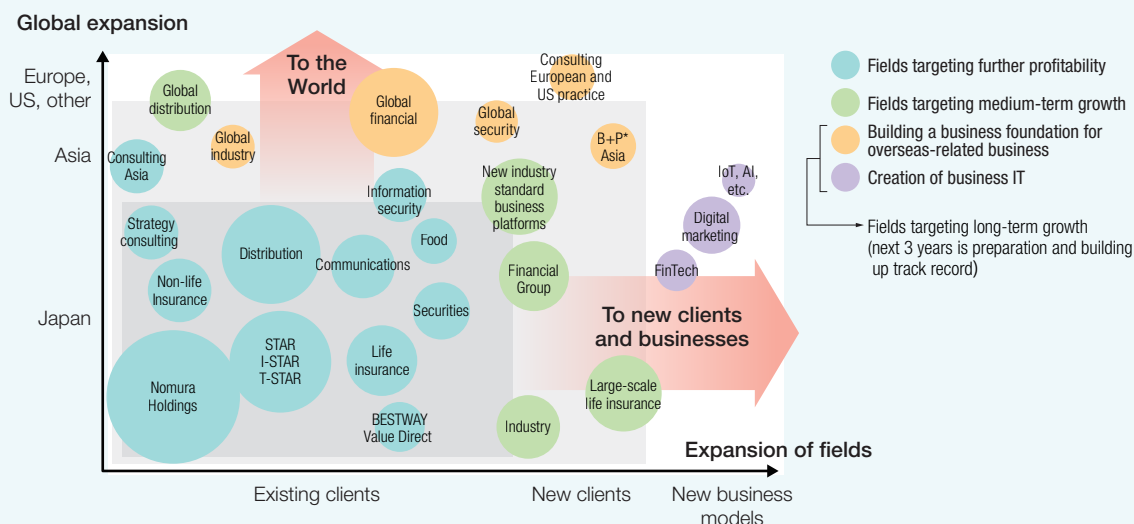
NRI has formulated a Medium-Term Management Plan for three years from the fiscal year ending 31st March, 2017 to the fiscal year ending 31st March, 2019 as the first step toward the realization of V2022. The plan has policies with perspectives from the short term to the medium and the long terms.

The short-term perspective is the thorough pursuit of innovation in production. Increase productivity in specialty areas in Japan to raise profitability and create funds for upfront investment toward future growth and free up human resources.

The medium-term perspective aims for business expansion by targeting a broader range of areas for industry-standard business platforms and expanding business with existing clients.

Globalization and business value creation, which form the core of V2022, are the targets of the long-term perspective, and NRI is moving ahead with full-scale upfront investment to establish a business foundation and build up a track record.

Envisaged Business Development of the Medium-Term Management Plan





Enhancement of IP Portfolio and Innovation in Production

Expansion of the Industry-Standard Business Platforms and Cultivating Strengths through Innovation in Production

One of the sources of NRI's strengths is industry-standard business platforms (shared online services). These are used by many clients and include "STAR," an integrated back-office system for retail securities firms, and "BESTWAY," an account management system for over-the-counter sales of investment trusts for banks and other institutions. NRI aims to expand the service area of the industry-standard business platforms as well as further enhance productivity to increase profitability.

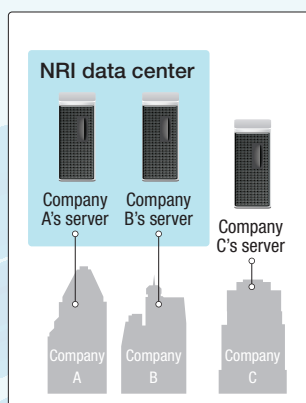
STAR, the Cloud-Based Pioneer

One of NRI's shared online services is "STAR." Utilizing knowledge and expertise accumulated over many years of building up a system made for securities firms, NRI has developed a system

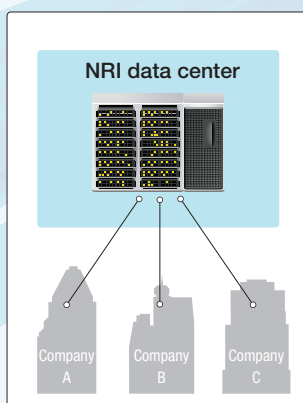
that integrated back-office operations needed as standard by securities firms. When it started operating this in 1974 there was no such thing as cloud-based services. Now, it is used by all sorts of securities firms, from small to medium-sized and to major firms.

Comparison of Custom-Made Systems and Shared Online Services

Custom-made systems



Shared online services



Examples of Shared Online Services

(number of clients)

STAR	Integrated back-office system for retail securities firms	68 firms
I-STAR	Integrated back-office system for wholesale securities firms	26 firms
T-STAR	Trust asset management system for investment trust management firms	73 firms
BESTWAY	Account management system for over-the-counter sales of investment trusts	109 firms

*The number of client is as of 31st March, 2016.

In January 2013, NRI began providing STAR to Nomura Securities Co., Ltd., which had used an original system until then. We recognize that STAR was proven to have the advanced functionality, scalability, reliability and security demanded by the industry's largest securities company.

Shared online services are shared among multiple companies, which not only reduces the costs involved in a company building a custom-made system, but it also reduces the burden of responding to regulatory changes. As a result, many clients fully support these services for enabling them to concentrate management resources on fields where they should focus to achieve differentiation.

Expanding Services and Rising Needs

Starting with STAR, NRI has expanded the services it provides including "I-STAR," the integrated back-office system for wholesale securities firms, "T-STAR," a trust asset management system for investment trust management firms, "BESTWAY," and "Value Direct" for Internet banking solutions.

At many Japanese companies, the shift away from the development, management and operation of proprietary information systems to the use of external services, such as outsourcing and universal applications, is gaining strength. This ongoing "shift from ownership to use of information systems" and growing needs pertaining to corporate IT cost efficiency are further broadening business opportunities for shared online services.

Further Expand Business Areas and Make Secure Profitability a Core

In addition to conventional shared online services for securities firms and the asset management field, NRI is expanding the clients and service areas of industry-standard business platforms by providing an integrated package with BPO services capable of handling peripheral operations.

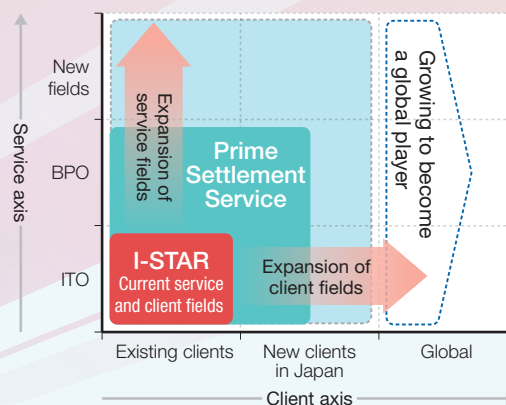
Responding to the national identity number system started in January 2016, NRI provides financial institutions and business enterprises with national identity number registration and management service-integrated packages of shared online services and DSB Co., Ltd.'s BPO services to reduce administrative load and costs.

Also, Prime Settlement Service* is an integrated package offered to financial institutions from the fall of 2015 and provided by I-STAR together with a BPO service from NRI Process Innovation, Ltd.

* A service making operations efficient and that integrates BPO, which carries out administrative processing of back-office post-trade operations for financial institutions, with ITO, which provides a system environment used in operations.

Image of Field Expansion for Prime Settlement Service

Expand clients and service field by developing ITO x BPO in securities and asset management sectors



Improving Productivity and Further Raising Profitability

One of the important themes of V2022 is further improving productivity. Specifically, this involves optimizing the industry-standard business platform development framework, further strengthening project supervision, enhancing development tools and standardization of test process resources. These initiatives aim to further increase profitability by raising productivity in the specialty area. They are also important to the creation of human resources capable of taking on the challenges posed by new areas along the way to future growth.



Global Expansion

Building a Business Foundation in Europe and the US in Addition to China and Asia by Supporting Clients' Overseas Business Development and Utilizing IP

One of the major challenges outlined in V2022 is the “Dramatic Expansion of Globalization.” One numerical target given is to achieve sales from overseas-related business of ¥100 billion. This figure is about four times that achieved in the fiscal year ended 31st March, 2016, making it a demanding goal. Therefore, NRI needs to aim for growth via initiatives that are more than merely extensions of the conventional to achieve the target.

Work is already progressing on the necessary in-house framework; NRI is also taking various approaches, including M&A activities, to achieve our objectives.

Prepare with a Long-Term Perspective, Create a Track Record

Japanese companies' expansion overseas is accelerating, in the manufacturing industry as a matter of course, but also in the service and financial sectors, and business management itself is on the verge of speeding up globalization.

Under those circumstances, NRI also has to globalize and have the capability of accurately responding to the trend. NRI will not only properly support clients' global business development, we actively acquire leading-edge technologies and sophisticated business models from overseas and aim to enhance NRI's new service creation capabilities.

Initiatives for globalization are the parts of the plan undertaken with a long-term perspective. In addition to the focus on China and Asia so far, we will also turn our attention to Europe and the United States to establish a foothold toward business expansion in those areas. Under the Medium-Term Management Plan, we are preparing and moving ahead with creating a track record.

Approaches to Global Expansion

NRI's Global Strategy has three main approaches. The first approach is to respond to the needs of domestic clients expanding business overseas and expand support from both the consulting and the IT solutions aspects. It goes without saying that NRI provides more support for the global IT of financial institutions, such as securities firms, and for the overseas business development of distribution and manufacturing industries, but NRI is also searching for options to take to assist clients in a widespread range of industries, including asset management, banking, food and general trading companies.

The second approach utilizes NRI's existing IP. In the Consulting Business, service is provided not only to Japanese companies that have already started expanding overseas, but also to local governments and companies, accelerating growth to a new level. In the IT Solutions Business, the industry-standard business platforms that have been used in business development in Japan will be globalized in collaboration with local companies.

The third approach is to incorporate from

Three Approaches to Global Expansion

Opportunity	Approach	Example themes
Overseas expansion by Japanese clients	Expand with clients and increase local support	<ul style="list-style-type: none"> ▶Support of overseas expansion for securities, asset management, and banking ▶Support of overseas expansion for distribution, food, and trading companies, etc.
Growth of Asian market and still huge markets in Europe and the US	Enter markets using existing IP	<ul style="list-style-type: none"> ▶Existing consulting business in Asia ▶Global expansion of industry standard business platforms ▶Expand loyalty marketing in Asia and other areas, mainly through B+P
Cutting-edge technologies and new business models originating in Europe and the US	Acquire IP in Europe and the US and extend it into new fields	<ul style="list-style-type: none"> ▶Consulting practices originating in Europe and the US ▶ITO and BPO, risk and regulatory-related services in finance sector ▶Client front office, analytics, information security-related, etc.

Europe and the United States leading-edge technologies, such as Big Data, FinTech and AI, and new business models and services and leverage them with existing IPs to develop new areas. One concrete example already under way in this approach was the 2015 purchase of the US digital marketing service consulting and IT solutions company Brierley + Partners, Inc. (B+P), and using that company to develop business. Moreover, in Japan and Southeast Asia, a rapid escalation in initiatives related to digital marketing in recent years led to the establishment in April 2016 of Brierley + Partners Japan, Inc., strengthening business development in Japan and Southeast Asia.

For the second and third approaches to succeed, utilizing M&A activity is regarded as an effective method, and the Medium-Term Management Plan envisages using about ¥50 billion for M&A investment. NRI is moving ahead proactively, with emphasis on acquiring technologies and expertise that we currently lack and that will expand our client base, while also being compatible with our corporate philosophy and culture.

Establishing a Framework to Support Globalization

Organizational development is under way to move ahead with global business. NRI newly established a Global Business Development Committee, shared global strategy horizontally on a companywide basis and then shared knowledge when it came to the strategy execution stage and then established a Global Alliance Development Section for unified management of M&A activity to acquire business assets, planning for alliances and other matters. NRI has also established a department to promote global business in the securities industry-related business, banking industry-related business, Industrial IT Solutions and IT Platform Services fields, and is accelerating efforts.



Promotion of Business Value Creation

Consulting and IT Solutions Working Side by Side with the Client to Create New Businesses

Under V2022, NRI aims to establish a new business model, “Con-Solution.” This is in response to the strengthening trend requiring new business creation through IT for companies to move to the next stage of growth. This creation requires clients and NRI’s consultants and IT engineers working in unison to conduct business planning and system construction. NRI is strengthening a framework to enable co-creation of business IT together with clients.

Evolving Companies’ IT Use

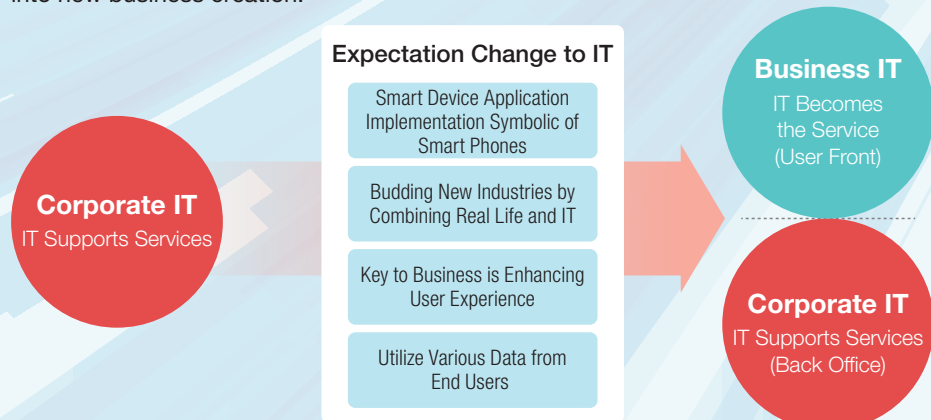
IT investment in companies up until now has almost always been directed toward corporate IT, which has been used to enhance efficiency of accounting, administrative processes, administration and other back-office operations. However, with the onset of the digital economy heralding a new IT age

there are significant changes occurring, resulting in growing needs for business IT, which directly connects to corporate value enhancement through creation of new business utilizing IT.

Actually, companies are looking to create new businesses in new technology domains, such as data analysis fully utilizing Big Data in digital marketing, block chain technology in FinTech, and

Background of Rising Demand for Business IT

IT, which once simply supported a company’s operations, is now an integral part of the very services companies offer in user front domains, and is being channeled into new business creation.



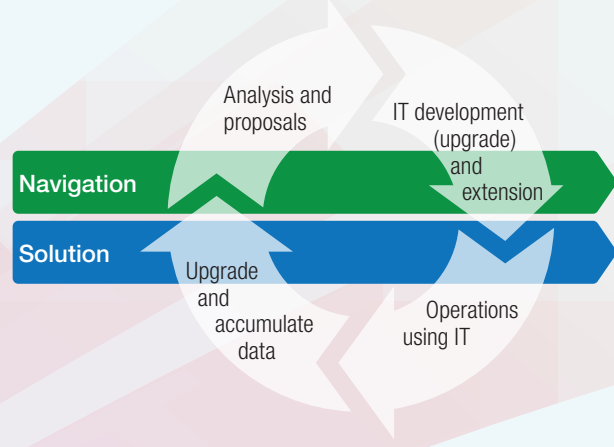
Expand into New Fields, Including Digital-related Businesses

- ▶Promote initiatives in digital marketing, FinTech, and new technology fields
- ▶Also implement collaboration (proof of concept, joint ventures) with clients and external organizations

▶Image of Con-Solution

Theme	Example of measures initiated
Digital marketing	<ul style="list-style-type: none"> ▶Proof of concept in data analysis (sales promotion based on recommendations, etc.) ▶Roll out of loyalty marketing know-how
FinTech	<ul style="list-style-type: none"> ▶Seek out business opportunities and strengthen systems in FinTech ▶Proof of concept in blockchain technology and others
New technology fields	<ul style="list-style-type: none"> ▶Proof of concept for new technologies (IoT, AI, etc.) ▶Collaboration with Palo Alto Research Center*

*Palo Alto Research Center is a subsidiary of the US firm Xerox Corporation, which has a track record of research in diverse innovative technologies. It was established in 1970.



in other new areas including IoT*. To respond to these changes, NRI is accelerating moves in these areas, working together with clients on proof of concept.

NRI is leading the industry to responding to these new tides and moving ahead in establishing a business model.

* Internet of Things: Connecting the Internet and using it to identify, manage and control all manner of items, such as cars, household appliances, buildings and more rather than just computers and smartphones.

Business IT Enabling NRI to Display Our True Value

Existing corporate IT construction projects are a relay-type business model. Specifically, first a plan concept reflecting operational content and needs is carried out, with the client's requirements later applied to systems.

On the other hand, business IT involves creating new business at the frontlines of business. Clear client requirements may not always be established in advance. NRI's consultants and IT engineers work as one mainly with the client's business departments to decide on the possibilities of the business, how IT can contribute to these and then repeat testing and verification to carve out new business models or services in a completely new way of moving forward. After the system has

been completed, the team continues to conduct a cycle of hypothesis testing and finish to a level that satisfies its users.

NRI has a unique characteristic of possessing consulting and IT solutions divisions that are both outstanding, and business IT is a business model that allows NRI to display our true value. Establishing this side-by-side "Con-Solution" business model also establishes a leading position in the next-generation IT business.

Creating a Track Record with a Long-Term Perspective

Business expansion driven by business IT creation requires action with a long-term perspective in mind. Under the Medium-Term Management Plan, we will take steps to build a "Con-Solution" track record to spur business IT creation. In the near term, preparations are moving apace aimed at establishing a new company in the March 2017 fiscal year specializing in digital business. NRI will also examine other options, including the commercialization of FinTech-related businesses.



Human Resources Strategy

Collaboration and Assembly of Diverse Talents

The most important management resource NRI has in our pursuit of creating new value is “people.” NRI places great importance on taking a long-term view in regard to recruiting and nurturing outstanding human resources and providing them with opportunities and workplaces where they will each be able to maximize their abilities.

While maintaining the strengths of NRI human resources, such as being highly motivated and with specialist skills or experience in various workplaces, we will strengthen efforts to foster “human assets” who are ready to take on the challenges of venturing into unknown domains.

Basic Employee Training to Become “True Professionals”

Human resources supporting NRI are professionals who produce results that exceed clients’ expectations. Specialist skills backed by rich knowledge, skills and experience that creates a foundation that enables employees to act independently under various circumstances instills execution capability and enables provision of high added value, which earns trust. To be able to plan and continuously nurture such human resources, NRI has established career fields as blueprints that help employees ascertain their own skill area and level and work to improve themselves. NRI encourages employees to select more than one career field in order to diversify their expertise and broaden their perspective, and develops them into professionals capable of working in precise collaboration.

The basic development method is on-the-job

Career Fields

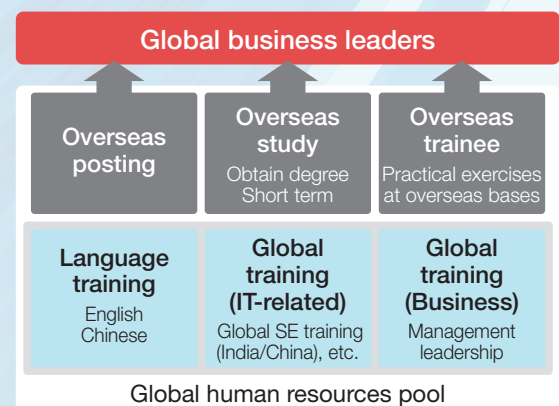
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Corporate strategy consultant	Business consultant	Systems consultant	Sales representative / Marketing manager	Project manager (Development)	Project manager (Enhancement)	Application architect	IT infrastructure architect	Application specialist	Common application infrastructure specialist	IT platform specialist	IT services manager	IT security specialist	Researcher	Data scientist	Project management specialist	Quality control specialist	Business administration staff	Corporate management / Headquarters staff	Systems engineer	Consultant	

training (OJT), organically integrating various types of training lectures and self-development, practical skills and knowledge acquired in the field, and connected to human skills to enhance these. To recognize highly advanced specialist skills, NRI has developed an internal certification program to promote training of core NRI employees and to show employees the ideal professional human resource that we seek.

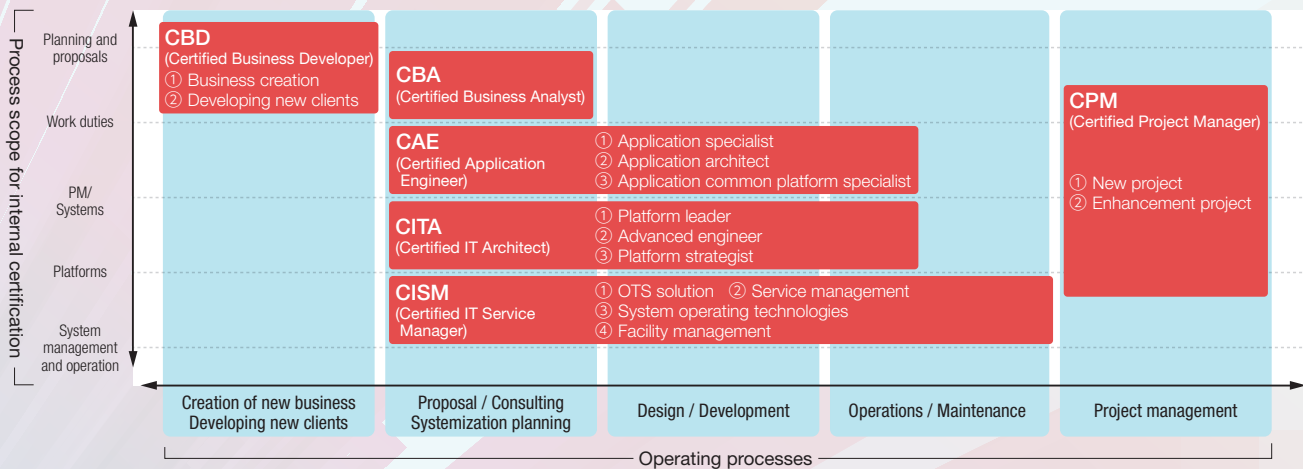
Moreover, to nurture business leaders capable of succeeding on a global scale, NRI has substantiated overseas training and system development training and other training courses to be undertaken in China and India. Furthermore, we are also focusing our efforts on creating a framework that enables participants to accumulate experience in different fields, such as training systems at overseas bases.

Emphasis is also being placed on using personnel rotation as a development measure. A certain level of transfer experience has been made a

NRI's Global Human Resources Development Program



Internal Certification Program



requirement for promotion. Personnel departments will thoroughly ascertain human resources' portfolios and discern individual employees' response skills while rotating their assignments.

New Type of Human Resource Needed to Realize V2022

NRI is taking on the challenges of new areas under V2022, including globalization, prioritizing business IT and new business creation.

To do that, NRI must unearth and develop human resources who are able to not only respond to clients' requirements with highly specialized skills, but also to go through testing and verification together with clients, sometimes taking risks to create business.

In addition, to retain these human resources who have been identified or recruited, NRI creates an open environment in which they can display their abilities to their heart's content. To enhance the loyalty of entrepreneurial-type human resources, the ideal solution is to provide a place where they can strongly sense growth and self-actualization.

NRI has enacted a variety of different measures to create a corporate culture in which employees are encouraged to pursue self-development

independently. The NRInnovation! Forum activities are extra-organizational, involve discussions under themes such as human resources training programs, global training and female professional career counseling, and deepen exchanges.

Diversity Is Imperative for Making Great Strides in New Areas

NRI is proactively engaged in implementing measures to be a company in which all employees feel is a worthwhile place to work. In 2010, we established the Diversity Promotion Organization and in March 2016 formulated and disclosed an action plan including the following specific numerical targets to be achieved by the year ending 31st March, 2019.

- Women accounting for 7% of managers
- Women continuing their careers being at least 80% of the male total
- Women accounting for at least 30% of all recruits

NRI will implement initiatives to achieve these targets and, going forward, will strive to create workplaces to enable each and every employee to enhance their physical and mental wellbeing to maximize their abilities.

NRInnovation! Forum

Human Resources Training Program

Instill a greater awareness and appreciation of our human resources training program

Global Training

Learn more about our global business activities and partners; gain an awareness and appreciation of the need for NRI to be a globally competitive business, and act accordingly

Female Professional Career Counseling NWN (NRI Women's Network)

Share and incorporate career-related expertise; encourage female employees to take a more active role in their own careers by gaining various professional experiences

Challenge!

Merging business perspectives and technical perspectives while learning NRI's technology and development

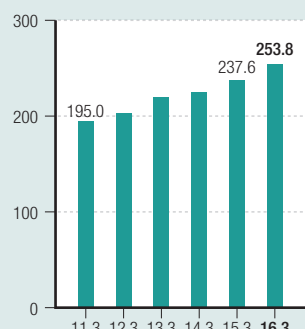
Ongoing discussions



NRInnovation! Forum General Meeting
(Message from the President, results presentations, and discussions, etc.)

Segments at a Glance

Business Lines	Competitive Advantages & Key Figures
<h3>Consulting</h3> <p>Our services range from policy recommendations, strategy consulting and operational consulting offering support for business reform to systems consulting for all phases of IT management.</p> <p>We also have a strong track record in the Asian market, where we have been tapped for numerous consulting projects by Japanese companies as well as local companies and governments in China and other parts of Asia.</p>	<ul style="list-style-type: none"> • One of Japan's Leading Consulting Firms • NRI's Brand Built by Providing Recommendations and Propagation of Intellectual Assets <p>NRI Consultants in Japan and Abroad</p> <p>Approx. 950 personnel*</p> <p><small>*As of March 2016</small></p>
<h3>Financial IT Solutions</h3> <p>NRI provides IT services, including systems consulting, system development, system management and operation, and shared online services mainly for such industries as securities, insurance, banking, and other financial sectors.</p> <p>NRI aims to strengthen business in sectors including securities and asset management while also expanding business in the banking and insurance industries to attract new clients and broaden the use of shared online services.</p>	<ul style="list-style-type: none"> • System Development Capabilities based on In-depth Knowledge of Business in the Financial Sector • Industry-standard Business Platforms (shared online services) <p>Global Ranking of Financial IT Services*</p> <p>Selected in the Top 10</p> <p><small>**FinTech Rankings" "FinTech Forward Rankings"</small></p>
<h3>Industrial IT Solutions</h3> <p>Operations in this segment comprise integrated consulting, system development and system operation services for the distribution, manufacturing, service and public sectors.</p> <p>Information systems applying our know-how in areas such as the building of supply chain management (SCM) systems and client management are one of our strengths, and we also broadly make available cross-industry shared online services that support e-commerce.</p>	<ul style="list-style-type: none"> • Comprise Comprehensive Capabilities in the Integrated Provision of Business Model Planning through to System Development and Operation • Expanding Client Base <p>Sales Ratio to External Clients</p> <p>FY Mar. 2008 19% → FY Mar. 2016 24%</p>
<h3>IT Platform Services</h3> <p>Operations in this segment comprise the provision of services such as the management and operation of data centers and IT platform/network development to the Financial IT Solutions and Industrial IT Solutions businesses. This business also provides IT platform solutions and information security services to clients in various industries. We also carry out research toward development of new IT solution businesses and products, and research in cutting-edge information technology.</p>	<ul style="list-style-type: none"> • Ability to Build IT Platforms • Highly Disaster-resilient Data Centers <p>Osaka Data Center II</p> <p>FISC^{*1} Guideline Compliant JDCC Facility Standard Tier 4 Level Compliant^{*2}</p> <p><small>*1. The Center for Financial Industry Information Systems (FISC) is a public interest incorporated foundation established by the contributions of financial institutions and information system companies to set guidelines for safety measures, security and auditing of information systems used by financial institutions.</small></p> <p><small>*2. Facility standard decided by the Japan Data Center Council. Tier 4 is the highest level.</small></p>

Service Examples	Key Achievements in FY March 2016	Sales (billions of yen)	Operating profit (billions of yen)																												
<ul style="list-style-type: none">• Execution support for backbone government policies and operations• Global strategies covering wide-spread industries, formulation and execution support of strategies for emerging markets• Support main office operational reform of manufacturing industry corporate groups, financial industry corporate groups and the like• Establish IT governance on a group or global basis	<p>In the fiscal year under review, business consulting work increased, including consulting related to the introduction of the national identity number system and system consulting work to support clients in restructuring their IT divisions. However, personnel expenses rose year on year.</p> <p>As a result of the above, the Consulting segment posted sales of ¥28,823 million (up 3.9% year on year) and operating profit of ¥5,487 million (down 7.9%).</p>	 <table><tr><th>Fiscal Year</th><th>Sales (billions of yen)</th></tr><tr><td>11.3</td><td>19.7</td></tr><tr><td>12.3</td><td>21.5</td></tr><tr><td>13.3</td><td>22.5</td></tr><tr><td>14.3</td><td>25.5</td></tr><tr><td>15.3</td><td>27.7</td></tr><tr><td>16.3</td><td>28.8</td></tr></table>	Fiscal Year	Sales (billions of yen)	11.3	19.7	12.3	21.5	13.3	22.5	14.3	25.5	15.3	27.7	16.3	28.8	 <table><tr><th>Fiscal Year</th><th>Operating profit (billions of yen)</th></tr><tr><td>11.3</td><td>1.2</td></tr><tr><td>12.3</td><td>3.2</td></tr><tr><td>13.3</td><td>3.0</td></tr><tr><td>14.3</td><td>4.5</td></tr><tr><td>15.3</td><td>5.9</td></tr><tr><td>16.3</td><td>5.4</td></tr></table>	Fiscal Year	Operating profit (billions of yen)	11.3	1.2	12.3	3.2	13.3	3.0	14.3	4.5	15.3	5.9	16.3	5.4
Fiscal Year	Sales (billions of yen)																														
11.3	19.7																														
12.3	21.5																														
13.3	22.5																														
14.3	25.5																														
15.3	27.7																														
16.3	28.8																														
Fiscal Year	Operating profit (billions of yen)																														
11.3	1.2																														
12.3	3.2																														
13.3	3.0																														
14.3	4.5																														
15.3	5.9																														
16.3	5.4																														
<ul style="list-style-type: none">• Core business systems and information systems of Nomura Securities Co., Ltd.• ATM network systems and accounting system of Seven Bank, Ltd.• Installed in 68 companies including second-tier, small and medium-sized securities firms (as of 31st March, 2016), STAR — an integrated back-office system for retail securities firms — holds a market share exceeding 50%	<p>Profits grew as NRI responded to factors such as large-scale software product sales and regulatory reforms (national identity number system, unified taxation on income from financial products, Junior NISA). Profitability improved due to the favorable business climate and lack of unprofitable projects that had affected the previous fiscal year's performance.</p> <p>As a result, sales were ¥253,802 million (up 6.8% year on year), while operating profit was ¥29,171 million (up 29.0%).</p>	 <table><tr><th>Fiscal Year</th><th>Sales (billions of yen)</th></tr><tr><td>11.3</td><td>195.0</td></tr><tr><td>12.3</td><td>205.0</td></tr><tr><td>13.3</td><td>215.0</td></tr><tr><td>14.3</td><td>225.0</td></tr><tr><td>15.3</td><td>237.6</td></tr><tr><td>16.3</td><td>253.8</td></tr></table>	Fiscal Year	Sales (billions of yen)	11.3	195.0	12.3	205.0	13.3	215.0	14.3	225.0	15.3	237.6	16.3	253.8	 <table><tr><th>Fiscal Year</th><th>Operating profit (billions of yen)</th></tr><tr><td>11.3</td><td>18.5</td></tr><tr><td>12.3</td><td>21.0</td></tr><tr><td>13.3</td><td>22.0</td></tr><tr><td>14.3</td><td>28.0</td></tr><tr><td>15.3</td><td>22.6</td></tr><tr><td>16.3</td><td>29.1</td></tr></table>	Fiscal Year	Operating profit (billions of yen)	11.3	18.5	12.3	21.0	13.3	22.0	14.3	28.0	15.3	22.6	16.3	29.1
Fiscal Year	Sales (billions of yen)																														
11.3	195.0																														
12.3	205.0																														
13.3	215.0																														
14.3	225.0																														
15.3	237.6																														
16.3	253.8																														
Fiscal Year	Operating profit (billions of yen)																														
11.3	18.5																														
12.3	21.0																														
13.3	22.0																														
14.3	28.0																														
15.3	22.6																														
16.3	29.1																														
<ul style="list-style-type: none">• Order and supply system and POS information system for Seven & i Holdings Co., Ltd.• Online business for Shiseido Company, Limited• BizMart, a solution that connects the manufacturing industry, wholesale industry and retail industry to improve the sophistication and efficiency of intra-company and inter-company distribution.	<p>Adding Brierley+Partners, Inc. to the NRI Group in April 2015 contributed to increased sales. On the other hand, performance was impacted by an increase in personnel expenses, coupled with a rise in temporary costs due to measures taken toward expansion into new fields and to acquire subsidiaries.</p> <p>As a result, sales were ¥102,859 million (up 3.9% year on year), and operating profit was ¥9,974 million (down 15.3%).</p>	 <table><tr><th>Fiscal Year</th><th>Sales (billions of yen)</th></tr><tr><td>11.3</td><td>92.7</td></tr><tr><td>12.3</td><td>75.0</td></tr><tr><td>13.3</td><td>85.0</td></tr><tr><td>14.3</td><td>90.0</td></tr><tr><td>15.3</td><td>98.9</td></tr><tr><td>16.3</td><td>102.8</td></tr></table>	Fiscal Year	Sales (billions of yen)	11.3	92.7	12.3	75.0	13.3	85.0	14.3	90.0	15.3	98.9	16.3	102.8	 <table><tr><th>Fiscal Year</th><th>Operating profit (billions of yen)</th></tr><tr><td>11.3</td><td>6.3</td></tr><tr><td>12.3</td><td>4.5</td></tr><tr><td>13.3</td><td>6.5</td></tr><tr><td>14.3</td><td>8.5</td></tr><tr><td>15.3</td><td>11.7</td></tr><tr><td>16.3</td><td>9.9</td></tr></table>	Fiscal Year	Operating profit (billions of yen)	11.3	6.3	12.3	4.5	13.3	6.5	14.3	8.5	15.3	11.7	16.3	9.9
Fiscal Year	Sales (billions of yen)																														
11.3	92.7																														
12.3	75.0																														
13.3	85.0																														
14.3	90.0																														
15.3	98.9																														
16.3	102.8																														
Fiscal Year	Operating profit (billions of yen)																														
11.3	6.3																														
12.3	4.5																														
13.3	6.5																														
14.3	8.5																														
15.3	11.7																														
16.3	9.9																														
<ul style="list-style-type: none">• Opened Osaka Data Center II in April 2016, operates three data centers in the Tokyo area and two in the Osaka area.• NRI Secure Technologies Ltd. provides one-stop information security services, from sophisticated security operations and surveillance and consulting, to various types of software and services.	<p>Performance was impacted by the lack this term of significant sales for large-scale IT platform development projects reported in the previous fiscal year. Profitability improved due to the absence of unprofitable projects that had been an influence on the previous fiscal year's performance.</p> <p>As a result, sales were ¥110,044 million (down 3.0% year on year), while operating profit was ¥11,575 million (up 34.0%).</p>	 <table><tr><th>Fiscal Year</th><th>Sales (billions of yen)</th></tr><tr><td>11.3</td><td>78.5</td></tr><tr><td>12.3</td><td>105.0</td></tr><tr><td>13.3</td><td>100.0</td></tr><tr><td>14.3</td><td>115.0</td></tr><tr><td>15.3</td><td>113.5</td></tr><tr><td>16.3</td><td>110.0</td></tr></table>	Fiscal Year	Sales (billions of yen)	11.3	78.5	12.3	105.0	13.3	100.0	14.3	115.0	15.3	113.5	16.3	110.0	 <table><tr><th>Fiscal Year</th><th>Operating profit (billions of yen)</th></tr><tr><td>11.3</td><td>9.6</td></tr><tr><td>12.3</td><td>11.0</td></tr><tr><td>13.3</td><td>10.0</td></tr><tr><td>14.3</td><td>6.5</td></tr><tr><td>15.3</td><td>8.6</td></tr><tr><td>16.3</td><td>11.5</td></tr></table>	Fiscal Year	Operating profit (billions of yen)	11.3	9.6	12.3	11.0	13.3	10.0	14.3	6.5	15.3	8.6	16.3	11.5
Fiscal Year	Sales (billions of yen)																														
11.3	78.5																														
12.3	105.0																														
13.3	100.0																														
14.3	115.0																														
15.3	113.5																														
16.3	110.0																														
Fiscal Year	Operating profit (billions of yen)																														
11.3	9.6																														
12.3	11.0																														
13.3	10.0																														
14.3	6.5																														
15.3	8.6																														
16.3	11.5																														

Notes: 1. From the fiscal year ended 31st March, 2011, NRI has applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information"; the figures for the fiscal year ended 31st March, 2010 appear with this standard retroactively applied.

2. There was a partial revision to segment categorization for the fiscal years ended 31st March, 2012, 2013 and 2016. The prior-year figures for both fiscal years reflect this change in categorization.

3. Monetary amounts listed are rounded down to the nearest unit.

4. Sales for each segment include intersegment sales.

Consulting

•Medium-term Management Plan Numerical Targets (Sales to external clients)

FY Mar. 2016 (actual)	¥28.3 billion
FY Mar. 2019 (target)	¥40.0 billion

•Priority Strategies for FY Mar. 2017

- Develop large-scale clients in management consulting and IT consulting
- Expand Asian client base and acquire best practices of Europe and the United States
- Strengthen initiatives aimed at digital strategy solutions

Business Environment Medium- to Long-Term Forecast

Amid uncertainty about the Japanese economy, against the backdrop of a slowdown in the Chinese economy and other concerns, many client companies are globalizing management or engaging in structural reform with an eye toward the future. Under these circumstances, demand for NRI's consulting will grow due to our ability to discern the issues surrounding clients and ability to support strategy planning and plan execution.

Role Under V2022

NRI boasts about 700 active consultants in Japan, the largest scale of its kind in the country in terms of quality and volume. Leveraging our strength of being able to provide a wide array of consulting services, including strategy consulting to operational consulting and systems consulting, NRI supports client companies in strengthening their competitive capabilities.

Outside Japan, we are growing our network, centered on China and other markets in Asia, with approximately

250 local consultants currently active across nine sites. Beginning with Japanese companies expanding abroad, NRI is also winning consulting projects from local governments and others as we build an expansive record of work overseas. Furthermore, by leveraging business alliances and other relationships, NRI is expanding our global network beyond China and the rest of Asia. As a result of initiatives such as these, sales related to the consultant business overseas have grown to become about 30% of total consulting business-related sales.

To realize the goals of V2022, we must further deepen relationships of trust with clients in Japan, which means not merely staying together for each project, but supporting the client's entire business as an innovation partner and showing an overwhelming presence. We should also expand overseas bases to Europe and the United States to establish a position as a global consulting firm.

Priority Strategies Under the Medium-Term Management Plan

In Japan, NRI will first make our account management (management of relationships with clients) more sophisticated. While becoming fully versed in the client's operations and building a relationship of trust at the management level, we will solidify the client base and strive to increase the size of projects. Furthermore, we will move to enhance solutions, including our response to digital business, and build up results. These initiatives will establish the framework for becoming an innovation partner.

In addition, we will expand activities globally using successes marked so far in Japan and the rest of Asia as a foothold to expand the client base in Asia, and leverage M&A activity to build steps into Europe and the United States.

Financial IT Solutions

•Medium-term Management Plan Numerical Targets (Sales to external clients)

FY Mar. 2016 (actual)	¥252.8 billion
FY Mar. 2019 (target)	¥280.0 billion

•Priority Strategies for FY Mar. 2017

Securities	<ul style="list-style-type: none"> • BCP/DR support for securities mission-critical systems • Obtain new STAR clients • Expand territory through expansion of ITO x BPO into securities sector (Prime Settlement Service, etc.) • Establish global IT support for major securities firms
Insurance	<ul style="list-style-type: none"> • Obtain large-scale system development projects for life and non-life insurance sectors • Strengthen relationships with large-scale clients in life insurance sector and expand services
Banking	<ul style="list-style-type: none"> • Expand BESTWAY and Value Direct businesses • Support global expansion of major banks • Initiatives aimed at providing solutions for banking front office, etc.
Other financial	<ul style="list-style-type: none"> • Expand shared online services for asset management • Expand ITO x BPO business in asset management sector

Business Environment Medium- to Long-Term Forecast

Many client companies in the financial sector, especially major financial institutions, are accelerating their globalization to achieve sustainable growth. In IT investment, interest in FinTech is high and front area needs are increasing.

Role Under V2022

Until now, NRI has promoted the advancement of financial sector services, most notably expansion of our industry-standard business platforms (shared online services). We have also expanded business by steadily responding to the start of financial regulatory changes, such as the national identity number system, unified tax on financial products and Junior NISA (individual savings accounts for investors who are younger than 20 years old that provide tax exemptions for small-scale investments), adding and offering up new functionality for shared online services.

To realize the goals of V2022, we will improve the profitability through production innovations of industry-standard business platforms and enhance sales capabilities by expanding business areas. Then, with the human resources created by the enhanced productivity, we will improve performance through global development and expansion of the client base in growth domains.

Priority Strategies Under the Medium-Term Management Plan

NRI will move ahead with integrating the development and maintenance structures of similar functions from among our multiple industry-standard business platforms. This will raise productivity and further aim to enhance profitability to enable the shifting of human resources to new areas. Specifically, we will build growth footholds such as new businesses utilizing FinTech and other developments, expansion of the global business base through acquisition of IP from Europe and the United States, and global development of existing industry-standard business platforms.

In addition, from the fall of 2015, NRI started to provide Prime Settlement Service, a combination of I-STAR and NRI Process Innovation, Ltd.'s BPO service. Expanding service areas in the securities and asset management field to acquire new clients will strengthen business.

The upgrade of the Nomura Securities Co., Ltd. IT system in Japan was completed as planned by the end of March 2016. Going forward, NRI will further extend our service area by providing support for an IT strategy, including for the global IT efforts of Nomura Securities Co., Ltd. and the Nomura Group as a whole, as a strategic partner.

For more on industry-standard business platforms, see pp. 24-25.



Prime Settlement Service was named "Best Utilities Technology" by The Wall Street Letter

Industrial IT Solutions

•Medium-term Management Plan Numerical Targets (Sales to external clients)

FY Mar. 2016 (actual)	¥101.5 billion
FY Mar. 2019 (target)	¥130.0 billion

•Priority Strategies for FY Mar. 2017

Distribution	<ul style="list-style-type: none">• Support updating of IT platforms for existing clients
Manufacturing, service and other	<ul style="list-style-type: none">• Develop large-scale clients in industry (strengthen activities for prime account strategy)• Strengthen Package Cloud Integration services• Expand loyalty marketing led by B+P into Asia and other regions

Business Environment Medium- to Long-Term Forecast

Against a backdrop of increasing consumption tax, a low birthrate and rapid aging of society, many client companies in the industrial sectors are seeking to develop globally or expand business into new fields such as digital marketing. Corporate IT cost efficiency needs, meanwhile, are projected to remain high. NRI is likely to be called upon for solutions, and not just those using IT.

Role Under V2022

Until recently, Consulting and IT Solutions partnered in marketing activities that targeted flagship companies in industrial sectors, and made strides in efforts to expand the client base namely through the prime account strategy, which seeks to capture large-scale IT services projects. In addition to Ajinomoto Co., Inc., whose information systems subsidiary joined the NRI Group in April 2012, business to KDDI Corporation also grew. Together with a long-term client, Seven & i Holdings Co., Ltd., NRI now counts three major clients from industrial sectors.

Other initiatives include system development utilizing enterprise resource planning (ERP) packages from SAP and others. In March 2016, NRI Secure Technologies, Ltd. installed SAP Japan Co., Ltd.'s next-generation ERP product, SAP S/4HANA Enterprise Management, in its core systems, becoming the first site in Japan to introduce

it and doing so just four months after the system was launched.

In global business, NRI is supporting overseas development for client companies, including Seven & i Holdings Co., Ltd. In April 2015, NRI purchased Brierley+Partners (B+P) of the United States, acquiring digital marketing expertise and results we expect will lead to growth going forward.

To achieve the objectives of V2022, NRI will strengthen our prime account strategy, first by winning trust from clients as business partners and, as a result, using this to the connection to further expand the scale of transactions with the client. We also expect business expansion in new areas such as global business and digital marketing.

Priority Strategies Under the Medium-Term Management Plan

As interest grows in business IT and new technologies make rapid progress, there is even greater importance assigned to the prime account strategy to allow NRI to display our comprehensive strengths. By bolstering the framework and further deepening collaboration between Consulting and IT Solutions, NRI will improve proposal abilities, including with regard to global development and business expansion in new areas. This will enable solidifying the relationship between the three major clients from industrial sectors and the clients whose business transactions follow from there, expanding service areas and increasing the size of clients to steadily achieve results.

In April 2016, B+P established Brierley + Partners Japan, Inc. Leveraging the expertise acquired from the United States and new business models, this company will develop business in Japan and Southeast Asia as well as use synergy effects between NRI and B+P to provide services with even more added value. Looking ahead, we will acquire advanced IT technologies and business models from Europe and the United States if they are useful for NRI or NRI clients, and use these to expand business in new domains.

IT Platform Services

•Medium-term Management Plan Numerical Targets (Sales to external clients)

FY Mar. 2016 (actual)	¥28.7 billion
FY Mar. 2019 (target)	¥40.0 billion

•Priority Strategies for FY Mar. 2017

- Expand information security business (global, IoT, etc.)
- Establish new business enterprise focused on digital marketing

Business Environment Medium- to Long-Term Forecast

Corporate IT cost efficiency needs are growing and expectations are rising in regard to business IT leading to business expansion in new domains. Standardization, integration and support for advanced technologies in IT platforms are likely to be required.

Role Under V2022

NRI has been leveraging our own data centers and supports stable operations of the shared online services we offer and the information systems commissioned by clients to operate individually. Data centers are fire- and earthquake-resistant, as well as resilient against trouble such as information leaks, and have an advanced security and monitoring framework to meet and earn clients' trust.

In addition, NRI Secure Technologies, Ltd., established in 2000, could now be referred to as Japan's No. 1 information security company. Other initiatives include responding to new technologies, such as working jointly

with Japan Airlines Co., Ltd. to conduct experimental trials utilizing service robots to enhance client service.

To achieve the objectives of V2022, beyond maintaining and raising the high level of operational quality at data centers, as well as striving to earn clients' trust, we will also seek improved productivity and to create new services using advanced technologies.






Priority Strategies Under the Medium-Term Management Plan

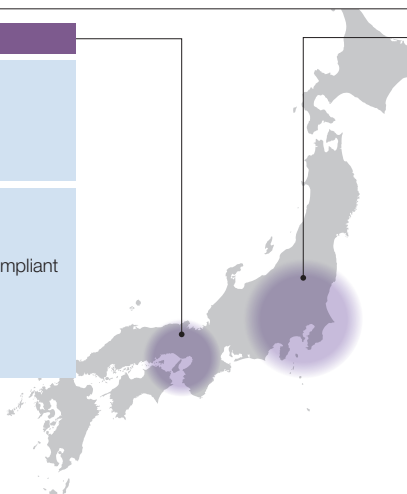
In April 2016, Osaka Data Center II opened and NRI now has three data centers in Japan's Tokyo area and two in the Osaka area. The new center will support IT outsourcing services and expanding cloud-based services in the Osaka area and, envisaging a widespread disaster in Tokyo and surrounding areas, can also act as a BCP/DR site, making it a core center for the Osaka area. In addition to buildings and facilities resistant to disaster and fault tolerant, the center also has a high level of security, separating traffic within the center depending on the role and authority of users.

Moreover, in terms of test processes, which until recently were optimized for each individual development project, in addition to accumulating expertise from the sharing of personnel and environments, coupled with the pursuit of greater test automation and efficiency, enhancing productivity through the creation of more sophisticated development management tools and other means has contributed to improved profitability.

Furthermore, to accelerate digital business centered on digital marketing, preparations are moving apace to establish a new company in the fiscal year ending 31st March, 2017, in addition to aiming to expand business through global development and by growing and improving services in the information security business.

NRI's Data Centers

Osaka Area		Tokyo Area	
	Osaka Data Center I Completion: 1992 Total floor area: 18,695m ² Reception capacity: 10K KVA		Tokyo Data Center I Completion: 2012 Total floor area: 38,820m ² Reception capacity: 40K KVA
	Osaka Data Center II ■FISC Guideline Compliant ■JDCC Facility Standard Tier 4 Level Compliant Completion: 2016 Total floor area: 15,000m ² Reception capacity: 7.5K KVA		Yokohama Data Center I Completion: 1990 Total floor area: 20,480m ² Reception capacity: 10K KVA
			Yokohama Data Center II Completion: 2007 Total floor area: 15,888m ² Reception capacity: 15K KVA



Corporate Governance (As of 1st July, 2016)

Members of the Board, Audit & Supervisory Board Members, Senior Managing Directors and Managing Directors

Members of the Board

*Number of NRI shares held as of 31st March, 2016 shown in brackets.



Tadashi Shimamoto
Chairman, Member of the Board (94,402 shares)
1976 Joined the Company
2001 Member of the Board
2001 Division Manager of Advanced Information Technology Division
2002 Senior Managing Director
2002 Division Manager of Advanced Information Technology Division
2004 Senior Corporate Managing Director
2004 Deputy Division Manager of Center for Knowledge Exchange & Creation
2008 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Business Divisions
2010 President & CEO, Representative Director, Member of the Board In charge of Supervising of Business Divisions
2015 Chairman and President & CEO, Representative Director, Member of the Board
2016 Chairman, Member of the Board (present)



Masahiro Muroi
Vice Chairman, Member of the Board (19,221 shares)
1978 Joined the Company
2000 Member of the Board
2000 Division Manager of Business Administration Division of Knowledge Solution Sector
2000 Division Manager of EC Knowledge Solution Business Division
2002 Member of the Board, Senior Corporate Managing Director
2002 Senior COO of e-Solution Sector
2007 Member of the Board, Senior Executive Managing Director in charge of Corporate Planning, Corporate Communications and Information System Planning & Control
2007 Division Manager of Center for Knowledge Exchange & Creation
2009 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Corporate Administration, Internal Control, Corporate Planning, Corporate Communications and Information System Planning & Control
2013 Senior Executive Vice President, Representative Director, Member of the Board In charge of Supervising of Corporate Administration, Quality Management & Systems Development Innovation and Risk Management
2015 Vice Chairman, Member of the Board (present)



Hiroyuki Suzuki
Vice Chairman, Member of the Board (– shares)
1982 Joined The Nomura Securities Co., Ltd. (currently, Nomura Holdings, Inc.)
2005 Senior Managing Director of Nomura Securities Co., Ltd.
2008 Senior Managing Director of Nomura Holdings, Inc.
2008 Senior Managing Director of Nomura Securities Co., Ltd.
2009 Senior Corporate Managing Director of Nomura Securities Co., Ltd.
2010 Senior Corporate Managing Director of Nomura Holdings, Inc.
2010 Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.
2011 Senior Corporate Managing Director of Nomura Holdings, Inc.
2011 Executive Vice President of Nomura Securities Co., Ltd.
2013 Adviser of Nomura Holdings, Inc.
2013 Director of Nomura Holdings, Inc.
2016 Vice Chairman, Member of the Board (present)



Shingo Konomoto
President & CEO, Representative Director, Member of the Board (21,222 shares)
1985 Joined the Company
2004 Senior Managing Director
2004 Division Manager of Consulting Division III
2010 Senior Corporate Managing Director
2010 Division Manager of Consulting Division
2015 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Business Divisions and Consulting
2016 President & CEO, Representative Director, Member of the Board (present)



Hiroshi Itano
Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Corporate Administration (30,500 shares)
1980 Joined the Company
2005 Senior Managing Director
2005 Deputy Division Manager of Services & Industrial Systems Division
2009 Senior Corporate Managing Director
2009 Division Manager of Services & Industrial Systems Division
2009 General Manager of Kansai Regional Headquarters
2009 General Manager of Chubu Regional Headquarters
2014 Member of the Board, Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management and Compliance
2015 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management, Compliance and Health and Productivity Management
2016 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising Corporate Administration (present)



Ayumu Ueno
Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Consulting and Industrial IT Solutions (13,627 shares)
1983 Joined the Company
2008 Senior Managing Director
2008 Deputy Division Manager of Center for Innovative Systems Research for Management
2013 Senior Corporate Managing Director in charge of Distribution, Communication & Industrial Solutions Division Manager of Distribution & Communication Solution Division
2015 Member of the Board, Senior Executive Managing Director in charge of Distribution, Communication & Industrial Solutions and China & Asia Region Systems
2015 Division Manager of Industrial Solution Business Development Division (present)
2016 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Consulting and Industrial IT Solutions (present)



Mamoru Suenaga
Member of the Board (56,327 shares)
1979 Joined the Company
2000 Member of the Board, Division Manager of Securities Systems Division
2000 Division Manager of Systems Consulting Division
2002 Member of the Board, Senior Corporate Managing Director
2002 Sector COO of Financial & Insurance Solution Sector
2004 Senior Corporate Managing Director
2004 Division Manager of IT Infrastructure Solution Division
2007 Member of the Board, Senior Executive Managing Director in charge of Distribution and Services & Industrial Systems
2009 Senior Executive Managing Director in charge of Systems Management, IT Infrastructure and Quality Management
2012 Audit & Supervisory Board Member of the Company
2016 Member of the Board (present)
Chairman, Director of DSB, Ltd. (present)



Shoei Utsuda
Member of the Board ^(Note 1) **Outside Independent**
Counselor of MITSUI & CO., LTD. (1,539 shares)
1967 Joined MITSUI & CO., LTD.
1997 Director of MITSUI & CO., LTD.
2002 Representative Director, President and Chief Executive Officer of MITSUI & CO., LTD.
2007 Outside Director of TOKYO BROADCASTING SYSTEM HOLDINGS, INC. (present)
2009 Director, Chairman of the Board of MITSUI & CO., LTD.
2009 Outside Director of TOKYO BROADCASTING SYSTEM TELEVISION, INC. (present)
2013 Outside Director of Istan Mitsuokoshi Holdings, Ltd. (present)
2014 Member of the Board of the Company (present)
2015 Director of MITSUI & CO., LTD.
2015 Counselor of MITSUI & CO., LTD. (present)



Miwako Doi
Member of the Board ^(Note 1) **Outside Independent**
Auditor of National Institute of Information and Communications Technology (– shares)
1979 Joined Tokyo Shibaura Electric Co., Ltd. (currently, TOSHIBA CORPORATION)
2005 Senior Fellow of Corporate Research & Development Center of TOSHIBA CORPORATION
2008 Chief Fellow of Corporate Research & Development Center of TOSHIBA CORPORATION
2014 Auditor of National Institute of Information and Communications Technology (present)
2015 Member of the Board of the Company (present)



Masatoshi Matsuzaki
Member of the Board ^(Note 1) **Outside Independent**
Director and Chairman of the Board of KONICA MINOLTA, INC. (– shares)
1976 Joined Konishiroku Photo Industry Co., Ltd. (currently, KONICA MINOLTA, INC.)
2003 Director of Konica Minolta Business Technologies, Inc. (currently, KONICA MINOLTA, INC.)
2005 Executive Officer of KONICA MINOLTA HOLDINGS, INC. (currently, KONICA MINOLTA, INC.)
2005 Representative Director and President of Konica Minolta Technology Center, Inc. (currently, KONICA MINOLTA, INC.)
2006 Senior Executive Officer of KONICA MINOLTA HOLDINGS, INC.
2006 Director and Senior Executive Officer of Konica Minolta Holdings, Inc.
2009 Director, President and CEO, and Representative Executive Officer of KONICA MINOLTA HOLDINGS, INC.
2013 Director, President and CEO, and Representative Executive Officer of KONICA MINOLTA, INC.
2014 Director and Chairman of the Board of KONICA MINOLTA, INC. (present)
2016 Outside Director of Ichigo Inc. (present)
Outside Director of Nippon Sheet Glass Company, Limited (present)
Member of the Board of the Company (present)

Audit & Supervisory Board Members



Yutaka Harada

Audit & Supervisory Board Member (full-time)

1982 Joined the Company
2008 Senior Managing Director, Deputy Division Manager of Insurance Systems Division
2010 Senior Managing Director, Division Manager of Insurance Systems Division
2013 Senior Corporate Managing Director, Division Manager of Insurance Solution Division
2014 Senior Corporate Managing Director, Division Manager of Systems Consulting Division
2016 Adviser of the Company
2016 Audit & Supervisory Board Member of the Company (present)



Minoru Aoki

Outside

Audit & Supervisory Board Member (full-time)^(Note 2)

1982 Joined Nomura Securities Co., Ltd. (currently, Nomura Holdings, Inc.)
2001 Managing Director of Business Conduct Advisory Department of Nomura Securities Co., Ltd.
Managing Director of Ethics & Discipline Department of Nomura Securities Co., Ltd.
2004 Executive Managing Director responsible for retail branch supervision (Tokyo) of Nomura Securities Co., Ltd.
2008 Senior Managing Director of Nomura Securities Co., Ltd.
Head of Nagoya Branch of Nomura Securities Co., Ltd.
2009 Deputy President, Executive Managing Director of Nomura Business Services Co., Ltd.
2011 Deputy President, Director of Nomura Business Services Co., Ltd.
2013 Adviser of Nomura Securities Co., Ltd.
2014 Audit & Supervisory Board Member of the Company (present)



Hirofumi Kitagaki

Audit & Supervisory Board Member (full-time)

1985 Joined the Company
2000 General Manager of Asset Management System Services Consulting Department
2002 General Manager of Audits' Department
2006 General Manager of Internal Control Department
2010 General Manager of Office of COO
2011 General Manager of Corporate Strategy Department
2015 Senior Manager of Center for Corporate Planning
2015 Audit & Supervisory Board Member of the Company (present)



Hisatsugu Nonaka

Outside

Independent

Audit & Supervisory Board Member^(Note 2)

1970 Joined Tokyo Shibaura Electric Co., Ltd. (currently, TOSHIBA CORPORATION)
2003 Executive Officer, Corporate Vice President of TOSHIBA CORPORATION
2005 Executive Officer, Corporate Senior Vice President of TOSHIBA CORPORATION
2007 Executive Officer, Corporate Executive Vice President of TOSHIBA CORPORATION
2008 Director, Representative Executive Officer, Corporate Senior Executive Vice President of TOSHIBA CORPORATION
2009 Senior Adviser of TOSHIBA CORPORATION
2011 Outside Director of Miraca Holdings Inc. (present)
2013 Audit & Supervisory Board Member of the Company (present)



Kiyotaka Yamazaki

Outside

Independent

Audit & Supervisory Board Member^(Note 2)
Managing Partner of GYOSEI & CO.

1979 Joined M. Serizawa & CO. (CPA Office)
1983 Registered as a certified public accountant
2005 Partner of M. Serizawa & CO. (currently, GYOSEI & CO.)
2006 Managing Partner of GYOSEI & CO.
2007 Vice Executive Director, Partner of GYOSEI & CO.
General Manager of Head Office Tokyo of GYOSEI & CO.
2010 Managing Partner (CEO) of GYOSEI & CO.
2014 Audit & Supervisory Board Member of the Company (present)
2014 Managing Partner of GYOSEI & CO. (present)

Notes:

- Shoei Utsuda, Miwako Doi and Masatoshi Matsuzaki are Outside Directors. NRI specifies those three members as Independent Directors pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.
- Minoru Aoki, Hisatsugu Nonaka and Kiyotaka Yamazaki are Outside Audit & Supervisory Board Members. NRI specifies Hisatsugu Nonaka and Kiyotaka Yamazaki as Independent Audit & Supervisory Board Members pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.

Senior Managing Directors and Managing Directors

(excluding those also serving as Members of the Board)

Senior Executive Managing Director

Harumi Saitou

Senior Managing Directors

Tomoyasu Miura

Takuhito Sakata

Naohiro Sako

Fumihiko Sagano

Yasuki Okai

Yoichi Inada

Hiroshi Masutani

Katsuhiko Fujita

Akio Yamamoto

Tomoshiro Takemoto

Hirofumi Tatematsu

Shuji Tateno

Hidenori Anzai

Minoru Yokote

Namiki Kubo

Ken Ebato

Yuichi Higo

Katsutoshi Murakami

Hisao Nakajima

Tohru Yasumaru

Tomohiko Noguchi

Senior Corporate Managing Directors

Yoshihito Mitsugi

Tatsuya Watahiki

Masaki Takimoto

Hiroshi Funakura

Hajime Ueda

Masahiro Fuchida

Yoshio Usumi

Masato Matsuo

Kenji Yokoyama

Yoshio Murata

Yasuo Fukami

Shigeki Hayashi

Managing Directors

Shin Kanai

Motoya Nishimura

Susumu Nishimoto

Tetsuro Watanabe

Shigekazu Ohmoto

Yasushi Kobara

Hiroyuki Kawanami

Shoichi Ohno

Akira Matsumoto

Sonoko Kitagawa

Jun Odashima

Message from a Director



Hiroshi Itano

Representative Director,
Member of the Board,
Senior Executive Managing Director
in charge of Supervising of
Corporate Administration

Seeking Ideal Governance to Support Taking on New Challenges

NRI must be transparent and fair, as well as make timely and accurate decisions based on the perspective of all stakeholders, including shareholders and investors, to be able to achieve sound, sustainable growth and medium- to long-term advancement of our corporate value. Corporate governance is the mechanism by which we can achieve this.

In October 2015, NRI formulated the NRI Corporate Governance Guidelines as our basic philosophy and direction on the matters of 1) cooperation with stakeholders; 2) information disclosure and communication; and 3) the corporate governance system. Supervision and monitoring of management, action based on corporate ethics and compliance, and ensuring fairness and transparency are fundamental requirements for a company to continue to grow in a sound manner. All directors and employees of the NRI Group will align their awareness and continue to work consistently to breathe life into these principles on a daily basis.

To move ahead on the growth strategies in the long-term management vision, “Vision2022” (hereinafter “V2022”), and to take on new challenges, there needs to be a framework to support those actions. To realize a dramatic expansion of globalization and promotion of business value creation, in particular, will require efforts to be made in a completely different dimension. By strengthening existing governance to a higher stage it will prove to be an effective support for dynamic business development and contribute to realizing V2022.

NRI Corporate Governance Guidelines should also always be reviewed, evolved and offer new heights toward which we can strive.

Main Initiatives to Enhance Corporate Governance

2002	<ul style="list-style-type: none"> Introduced an executive officer system to assist in separating management and execution functions Reduced the number of members of the Board of Directors to within 20 and also appointed Independent Outside Directors to ensure appropriate decision-making and supervision from the standpoint of various angles Increased the number of Outside Audit & Supervisory Board Members to strengthen their auditing functions
2003	<ul style="list-style-type: none"> Formulated the Ethical Code of the NRI Group (revised in 2010 to become the NRI Group Employees' Code of Business Conduct) and the NRI Group's Code of Business Principles to realize the corporate philosophy
2005	<ul style="list-style-type: none"> Established the Reward Advisory Committee comprised of outside experts to enhance transparency in regard to executive compensation
2006	<ul style="list-style-type: none"> Reduced the number of members of the Board of Directors to within 15
2008	<ul style="list-style-type: none"> Took part in an electronic voting platform for institutional investors as part of efforts to maximize opportunities for shareholders to exercise their voting rights
2010	<ul style="list-style-type: none"> Appointed non-executive director to chair the Board of Directors to separate supervisory and execution functions
2012	<ul style="list-style-type: none"> Newly established the Integrated Risk Management Department to appropriately manage any risk that may arise in the course of business execution
2015	<ul style="list-style-type: none"> Increased the number of Independent Outside Directors from two to three Established the Independent Executives Meeting consisting of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members who can freely discuss matters so that they may more actively contribute to discussions at the Board of Directors Formulated the NRI Corporate Governance Guidelines

Message from Outside Director



Shoei Utsuda

Outside director
Member of the Board
Counselor of MITSUI & CO., LTD.

Utilize Overseas Experience to Support Management from a Broad Perspective

The role of an Outside Director is to properly monitor and advise whether management decisions are sound from the viewpoint of outside stakeholders, including shareholders. Utilizing my experience in management at Mitsui & Co., Ltd., I would like to play the role of a check on NRI management from a broad perspective.

NRI's sustainable growth and high earnings capability is possible, I believe, because of its high standard of corporate governance. On a daily basis, the NRI Board of Directors lays out a firm focus down to the finest details, and discussions are lively.

Under "Vision2022," globalization is a major theme, and is an area where I can see myself being useful thanks to the experience and expertise gained while working for a general trading company. Engaging in M&A activity involving overseas companies requires management to move ahead while taking care regarding the business practices and corporate cultures of the other party's country or region. Moreover, it is also crucial to respect the judgments of those on the frontlines, delegate authority to them and ensure that headquarters is properly exercising its check functions. In that regard, I am sure that NRI will be meticulous in moving forward, while abiding by the correct procedures.

If I must express a wish for NRI, it would be to increase the number of workplaces where young employees are able to dynamically take on challenges.

Message from Outside Audit & Supervisory Board Member



Kiyotaka Yamazaki

Outside Audit & Supervisory
Board Member
Managing Partner of GYOSEI & CO.

Create a Free-flowing Corporate Culture to Raise the Effectiveness of Corporate Governance

I believe my role as an Outside Audit & Supervisory Board Member is to contribute to NRI's corporate governance from the standpoint of a certified public accountant, having been involved in auditing many companies and exchanging opinions with executives.

NRI is a company with a significant public role, such as supporting social infrastructure through IT solutions and other means, and is required by society to seek business development, profit growth and corporate governance while considering this point. In addition to systems and rules, it is not possible to have effective corporate governance without people. That is, corporate culture and climate. I sense that NRI has a corporate climate where it is possible to judge objectively. In the Board of Directors, which is split into executive and supervisory roles, frank opinions are freely exchanged.

There is also detailed support provided to Outside Audit & Supervisory Board Members. For example, Audit & Supervisory Board Members are not only permitted to attend meetings of the Board of Directors but have been given authority to conduct briefings of key personnel with responsibilities in all departments, and to listen to direct opinions from the frontlines. This free-flow of opinion is a tradition in which NRI employees should take pride.

Looking ahead, I hope NRI will uphold this kind of corporate climate and stick to maintaining high "quality" services while aiming to realize "Vision2022."

Basic Policy on Corporate Governance

NRI works to enhance corporate governance in accordance with the basic approach outlined below, based on the recognition that corporate governance consists of mechanisms for transparent, fair, timely, and accurate decision-making based on the perspective of stakeholders, including society, clients, employees, business partners, and shareholders, for sound and sustainable growth and the increase of corporate value over the medium to long term.

(1) Cooperation with stakeholders

NRI respects the interests of stakeholders and cooperates with them in an appropriate manner. In particular, with regard to shareholders, NRI takes proper measures so that rights are substantially secured, in addition to ensuring significant equality.

(2) Information disclosure and communication

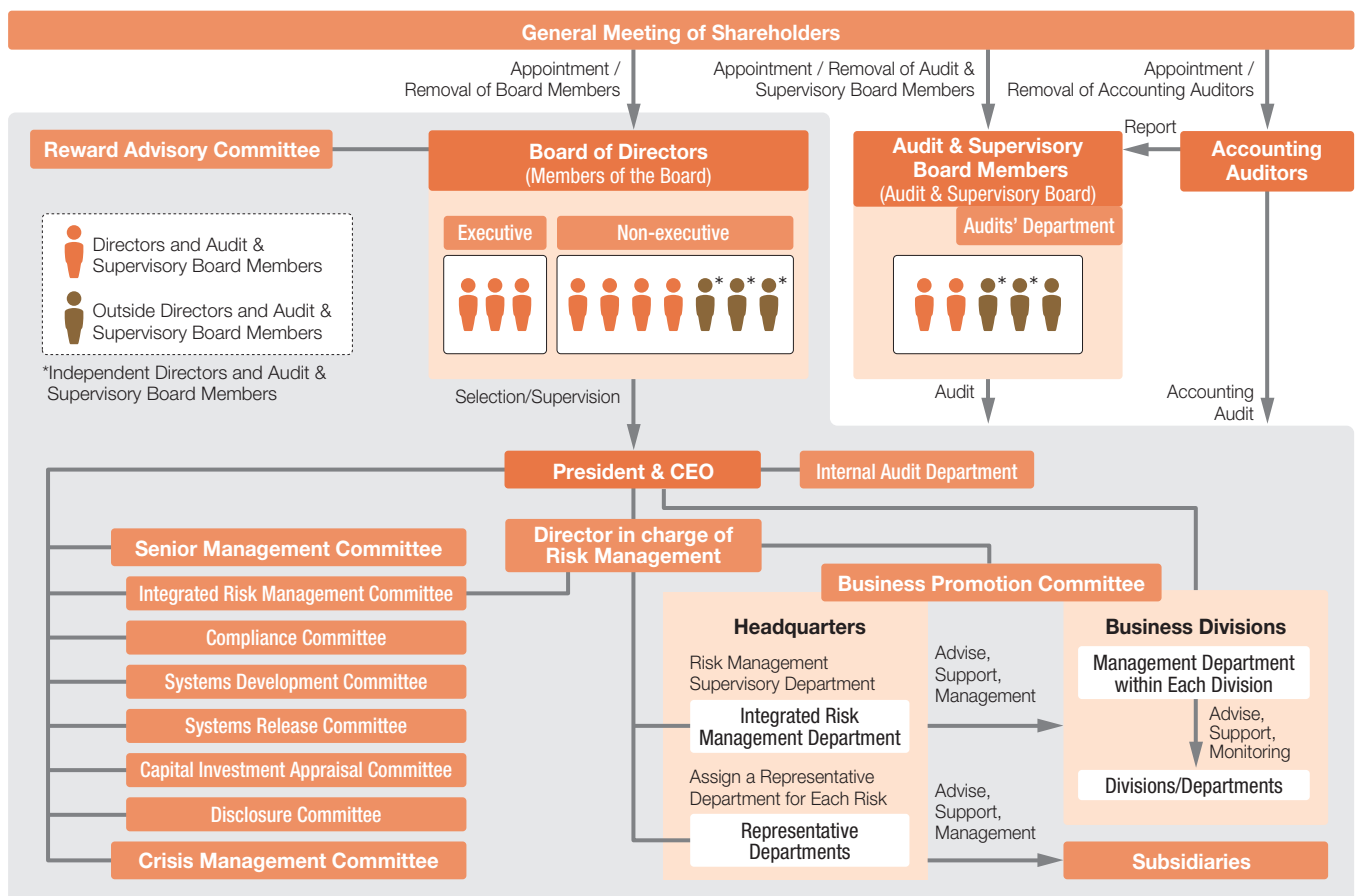
NRI discloses information as stipulated by laws and by the regulations of the Tokyo Stock Exchange, and information that assists our stakeholders in understanding NRI and our operations properly, in a timely, accurate, and fair

manner, to secure transparency as well as to engage in constructive dialogue with our shareholders.

(3) Corporate governance system

NRI is strengthening our management monitoring functions based on the Audit & Supervisory Board System through the appointment of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, as well as the establishment of bodies that are mainly composed of outside experts appointed to advise the Board of Directors.

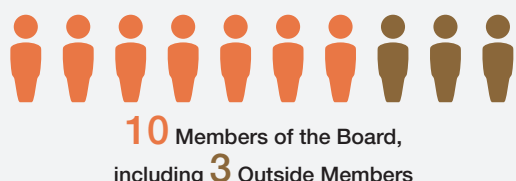
NRI formulated the NRI Corporate Governance Guidelines in October 2015 in response to the commencement of application of Japan's Corporate Governance Code in June 2015. These guidelines stipulate NRI's basic approach and policies toward corporate governance.



Roles and Activities of Committees

Reward Advisory Committee	Comprised of outside experts and other members, the Committee deliberates on the system and standards for executive compensation, from the standpoint of fairness and objectivity.
Senior Management Committee	The Committee meets in principle once every week to deliberate on important issues involving corporate management in order to achieve consistent business execution and decision making.
Integrated Risk Management Committee	The Committee deliberates on important issues concerning risk management based on instructions given by the President & CEO.
Compliance Committee	The Committee deliberates on the issues concerning the promotion of ethical and compliance management covering the improvement of structures to comply with corporate ethics and laws and the prevention of violation reoccurrences, based on instructions given by the President & CEO.
Systems Development Committee	The Committee deliberates on important issues concerning systems development, based on instructions given by the President & CEO.
Systems Release Committee	The Committee deliberates on important issues concerning systems releases, based on instructions given by the President & CEO.
Capital Investment Appraisal Committee	The Committee deliberates on important issues concerning commercialization investments and contract software development investment projects, based on instructions given by the President & CEO.
Disclosure Committee	The Committee deliberates on important issues concerning the disclosure of financial reports and other documents, based on instructions given by the President & CEO.
Crisis Management Committee	The Committee is established based on the orders of the President & CEO to execute and support prompt responses to a crisis whenever one may occur.
Business Promotion Committee	The Committee involves administrative departments from the headquarters and management departments within business divisions and seeks to establish highly effective and efficient internal controls.

Business Management and Execution System



NRI has 10 Members of the Board, including three Outside Directors. Members of the Board are elected for a one-year term, creating a management system that can respond in a timely manner to changes in the business environment and clarifying all management responsibilities for each fiscal year. By inviting Outside Directors, NRI will improve the supervisory function and realize fairer, more transparent management. In selecting Outside Members, in addition to independence, emphasis is placed on candidates who possess the breadth of experience and insightful knowledge appropriate for monitoring business execution at NRI from an objective standpoint.

The Board of Directors convenes once a month and on an extraordinary basis as needs dictate. Authority and responsibility for business execution are largely delegated to Senior Managing Directors and Managing Directors, while the Board of Directors is responsible for decisions that become the basis for our business execution on a companywide level and for the supervision of performance of duties. NRI has established the Reward Advisory Committee, made up of outside experts, to provide advice on compensation for Members of the Board.

Senior Managing Directors and Managing Directors appointed through a resolution by the Board of Directors are responsible for the execution of business based on policies adopted by the Board. NRI holds a Senior Management Committee meeting attended by Representative Directors and Senior Managing Directors once a week and deliberates on the key issues for general business in order to coordinate our business activities and build consensus in executing business operations.

Meetings of Main Organizations for the fiscal year ended 31st March, 2016

Board of Directors meeting	15 times (14 times a year earlier)
Audit & Supervisory Board meeting	19 times (17 times a year earlier)
Outside Directors' attendance at Board of Directors meetings	88%
Outside Audit & Supervisory Board Members' attendance at Board of Directors meetings	98%
Outside Audit & Supervisory Board Members' attendance at Audit & Supervisory Board meetings	98%

Examples of Recent Decisions of the Board of Directors

- Business and capital alliance with Nippon Life Insurance Company
- Acquisition of the SinoCom Software Group's offshore development business for NRI
- Stock split
- Formulation of NRI Corporate Governance Guidelines
- Acquisition of treasury stock
- Formulation of the Medium-Term Management Plan

Reason for Appointment as Outsider Director

Shoei Utsuda

Counselor of MITSUI & CO., LTD.



Corporate management



Global

Mr. Utsuda has been involved in the management of MITSUI & CO., LTD. for many years. NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning corporate management gained throughout his career, in the supervision of the management of NRI from an objective standpoint.

Miwako Doi

Auditor of National Institute of Information and Communications Technology



IT technology



R&D

Ms. Doi has long-standing experience as a researcher and a person with responsibilities at a research and development division in the field of advanced information technology. Although she has not been involved in corporate management in a capacity other than as an Outside Director, NRI has appointed her with the expectation that she will utilize her abundant experience and excellent understanding as a person with expertise gained throughout her career in the supervision of the management of NRI from an objective standpoint.

Masatoshi Matsuzaki

Director and Chairman of the Board of KONICA MINOLTA, INC.



Corporate management



Global

Mr. Matsuzaki has been involved in the management of KONICA MINOLTA, INC. for many years. NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning corporate management gained throughout his career, in the supervision of the management of NRI from an objective standpoint.

Audit & Supervisory System



5 Audit & Supervisory Board Members,
including **3** Outside Members

Currently, NRI has five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members*. In addition to participating in the Board of Directors meetings and on other important committees, Audit & Supervisory Board Members may request reports from employees and executives to provide impartial supervision of business execution by the Members of the Board. The Outside Audit & Supervisory Board Members are selected for their ability to formulate fair opinions and to objectively audit the business execution of the Members of the Board in order to maintain impartiality and independence of the corporate auditing system. The Audit & Supervisory Board discusses and decides auditing policies and other important matters related to auditing and formulates and expresses audit opinions. In

carrying out audits, Audit & Supervisory Board Members coordinate with the accounting auditors and the Internal Audit Department over such matters as receiving reports on the audit plans and current status of audits from the accounting auditors as well as the results of internal audits from the Internal Audit Department, which is responsible for promoting internal controls. In addition, the Audit & Supervisory Board Members appropriately receive internal control status reports providing information such as monitoring results on compliance with various regulations from the Risk Management Supervisory Department. To ensure that audits are effectively conducted by the Audit & Supervisory Board Members, the Audits' Department has been established to support the work of the Audit & Supervisory Board Members. To determine the personnel for this department, the representative directors or directors responsible for personnel consult with the Audit & Supervisory Members, while maintaining the independence of the department.

* Among the Audit & Supervisory Board Members, Kiyotaka Yamazaki holds professional qualifications as a Certified Public Accountant and has significant expertise in finance and accounting.

Reason for Appointment as Outside Audit & Supervisory Board Members

Minoru Aoki

Audit & Supervisory Board Member (full-time)



Financial industry

NRI has appointed Mr. Aoki with the expectation that he will utilize his abundant experience and excellent understanding in the securities industry, which is one of NRI's major business areas, in the auditing of the business execution of NRI's Members of the Board from an objective standpoint.

Hisatsugu Nonaka

Audit & Supervisory Board Member



Corporate management

Mr. Nonaka was involved in the management of TOSHIBA Corporation for many years. NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning corporate management, which he gained through his career, in the auditing of the business execution of NRI's Members of the Board from an objective standpoint.

Kiyotaka Yamazaki

Audit & Supervisory Board Member
Managing Partner of GYOSEI & CO.



Finance and accounting

Mr. Yamazaki serves as Managing Partner of an audit corporation and has long-standing experience as a certified public accountant. Although he has not been involved in corporate management, NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning finance and accounting, which he has gained through his career, in the auditing of the business execution of NRI's Members of the Board from an objective standpoint.

Executive Compensation

• Executive Compensation Amounts

Executive compensation for the fiscal year ended 31st March, 2016 is as shown below.

Category	Total compensation (millions of yen)	Compensation by type (millions of yen)				No. of eligible individuals (personnel)
		Basic compensation	Bonus	Stock options	Other	
Members of the Board (Excluding Outside Members of the Board)	582	281	147	149	3	9
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	79	58	19	—	1	3
Outside Members of the Board and Outside Audit & Supervisory Board Members	93	83	9	—	0	6

Notes: 1. The above includes two Directors and one Audit & Supervisory Board Member, who retired at the conclusion of the 50th Ordinary General Meeting of Shareholders held on 19th June, 2015.

2. "Other" refers to contributions to the defined contribution pension plan and insurance premiums for casualty insurance.

• Policies for the Determination of Member of the Board Compensation and Other Matters

The maximum total for Member of the Board compensation is ¥1.0 billion annually (including stock options, but excluding employee salaries for Members of the Board who serve concurrently as employees). The Reward Advisory Committee, which is comprised of outside experts, was established to enhance transparency regarding Member of the Board compensation and other such matters. The committee deliberates on matters regarding compensation systems and standards from an objective and fair perspective. Using the results of the committee's inquiries, the Board of Directors sets policies for the determination of Member of the Board compensation and other matters.

The compensation system for Members of the Board is based on executive position, but, in the interest of enhancing business results, the system emphasizes connections to business performance. The standards employed by the system have been set with reference to market standards and trends and other factors, with the goal of establishing standards appropriate for a leading company in the information services industry.

The compensation system for Members of the Board is outlined below:

- Basic Compensation**
Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each Member of the Board's post, and variable pay, which is based on our business performance in the previous fiscal year.
- Bonus**
The bonus is based on our business performance during the current fiscal year, while taking into consideration individual evaluations.
- Stock-based Compensation (Stock options)**
The NRI Group, to provide incentives for improving our performance and enhancing morale over the medium to long term, and to align employee interests with those

of shareholders, grants stock options as stock-based compensation. Two types of stock options — one with an exercise price set at market price and another with an exercise price of ¥1 per share — are granted in accordance with executive position. Note that, based on the Stock Ownership Guidelines for Executive Officers, Members of the Board are expected to hold more than a certain number of shares of NRI's stock, in accordance with their respective positions.

Outside Members of the Board do not receive the variable pay portion of the basic compensation, bonus shares, or stock-based compensation.

• Policies for the Determination of Audit & Supervisory Board Member Compensation and Other Matters

The maximum total for Audit & Supervisory Board Member compensation is ¥250 million annually. Policies for the determination of Audit & Supervisory Board Member compensation and other matters are set through discussions among the Audit & Supervisory Board Members. The role of the Audit & Supervisory Board Members is to audit the Members of the Board in the performance of their duties and to do so from an independent standpoint. However, given that the Audit & Supervisory Board Members (full-time) share with the Members of the Board the objective of realizing sound, sustainable growth for the NRI Group, their compensation, in addition to a fixed amount, includes a variable portion that changes in accordance with our business performance.

Levels of compensation have been set based on the need to secure human resources capable of playing important roles in the establishment and operation of effective corporate governance.

The compensation system for Audit & Supervisory Board Members is outlined below:

- Basic Compensation**
Basic compensation consists of fixed pay (basic pay and position pay) based on each Audit & Supervisory

Board Member's career, knowledge, responsibilities, and variable pay (for Audit & Supervisory Board Members (full-time) only) based on our business performance level in the previous fiscal year.

b. Bonus
The bonus is only paid to Audit & Supervisory Board Members (full-time), and it is based on our business performance during the current fiscal year.

Communication with Shareholders and Investors

•Basic Policy

NRI's basic policy is to meet the expectations of our shareholders and investors by pursuing growth and profit targets that are stable and sustainable in the medium to long term.

It is important to gain the trust of shareholders and investors through active dialogue, and to receive an appropriate evaluation from capital markets. For these reasons, taking fair disclosure as our fundamental policy, we are working to promote understanding of both our business and our medium- to long-term strategies for growth, and to expand our shareholder and investor base.

•Measures Aimed at Ensuring Meaningful General Meeting of Shareholders

To help invigorate the General Meeting of Shareholders and facilitate the exercise of voting rights, we take steps such as setting meeting dates with the aim of maximizing shareholder attendance and sending meeting notices early on, and have adopted an electronic voting platform for institutional investors. We also undertake activities to improve communications with shareholders. One example is the holding of management briefings following the General Meeting of Shareholders to explain the status of NRI's business and future initiatives primarily to individual investors.

•Augmenting Direct Communication with Shareholders and Investors

With the aim of expanding our shareholder and investor base, we are promoting better understanding of our business activities and strategies for growth through direct communication. Specific initiatives include holding earnings presentations and meetings for institutional investors and analysts both in and outside Japan, as well as participating in forums for Japanese and non-Japanese institutional investors. We also hold briefing sessions for individual investors to help as many individual investors in various regions as possible to learn about NRI.

Direct Communications in the Year Ended 31st March, 2016

Institutional investors and analysts	539 personnel (down 1.6% YoY)
Individual investors	Number of Briefings: 5 times (Tokyo twice, once each in Sapporo, Osaka and Fukuoka) (Previous year: 4 times) Number of participants: 1,062 (up 90% YoY)

•Conducting Shareholder Questionnaires

As an opportunity to receive feedback, NRI asks our shareholders to fill out questionnaires.

Two questionnaires were conducted in the fiscal year ended 31st March, 2016. In the first, we asked about the type of business themes that shareholders would like to have covered in the shareholder newsletters. Questionnaires were sent to 10,545 shareholders, of whom 2,024 (19.2%) responded. In the second, shareholders' views on such matters as timing and opportunity of share purchases and holding policies were canvassed. Questionnaires were sent to 10,887 shareholders, of whom 2,455 (22.6%) responded.

NRI will make further efforts to understand shareholders' requests and opinions, and to meet their expectations.

•Providing Appropriate Information Disclosure

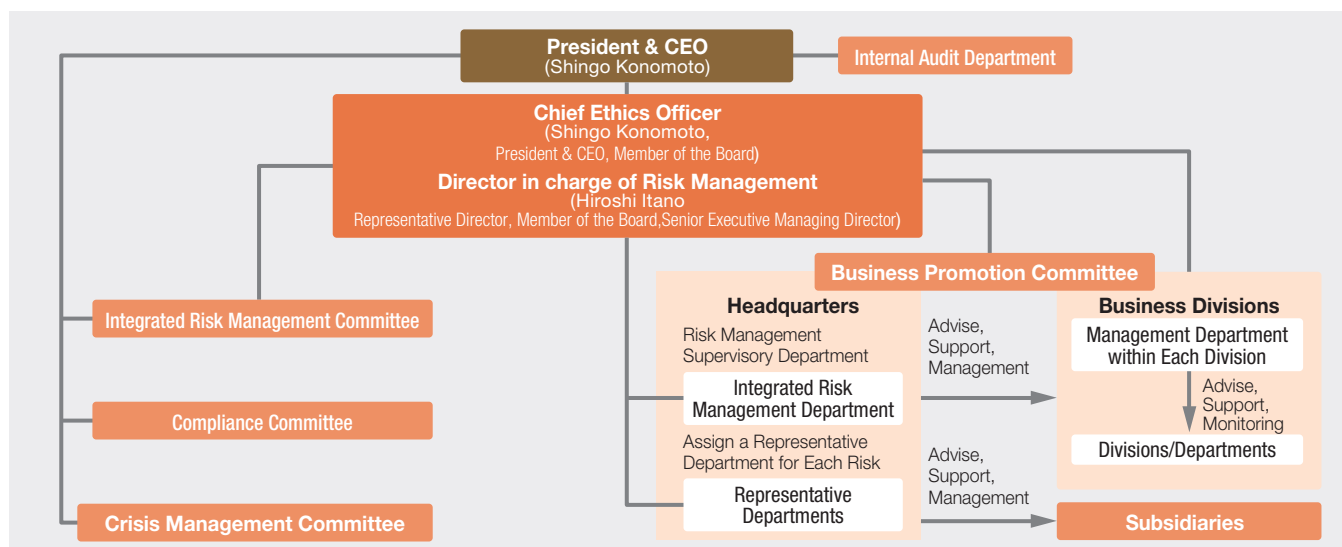
In order to improve management transparency and achieve accountability to shareholders, investors and other stakeholders, NRI is striving to enhance the level of information disclosure and IR functions, as well as ensuring the timely disclosure of information. To enhance the reliability of disclosure materials, we have formed the Disclosure Committee to assist in the preparation process of financial statements and financial reports and confirm their fairness.

NRI publishes our financial results and latest information promptly under the Investor Relations section on our website. We have also provided a dedicated website for individual investors and are striving to enhance information disclosure and make it easier to understand.



IR information website front page
<http://www.nri.com/global/ir/index.html>

Risk Management, Internal Controls and Compliance



Risk Management

In order to develop an effective internal control system for the entire NRI Group and to provide continuous improvements to the system, we have appointed a director in charge of risk management and established the Risk Management Supervisory Department. In addition, the Integrated Risk Management Committee meets to check the company-wide internal control status as appropriate. The Business Promotion Committee, which all business

divisions attend, also works to ensure that the internal control system is implemented. Each of the major risks associated with our business activities is discussed and addressed by a committee with the necessary expertise as occasion arises and are controlled by the representative department in collaboration with the business division in an appropriate manner.

Risk Categorization and Response

Company-wide risk	The Risk Management Supervisory Department ascertains the situation and acts in the overall optimal manner based on the will of management and working in collaboration with representative departments.
Risk Accompanying Business Activities	A representative department or related regulation is stipulated for each risk, and if necessary a meeting comprised of specialist members enacts appropriate steps to enhance the effectiveness of risk management.
Crises from Natural Disaster, Accidents or Similar	Under the leadership of the Risk Management Supervisory Department, we outline the response framework and stipulation of procedures and the like for significant obstacles and defects to business, significant information leaks or emergencies resulting from a natural disaster or similar phenomena.

Internal Controls

The Internal Audit Department (21 employees), which functions directly under the President & CEO, audits the NRI Group to ensure the effectiveness of risk management and compliance systems and to maintain the efficiency of the business execution of the Members of the Board. The results of such audits are reported to the President and other directors, and when corrections or improvements are

required, the Risk Management Supervisory Department, the representative departments and the business divisions, collaborate to introduce improvements. In addition, the Internal Audit Department works to cooperate with the accounting auditor through regular exchange of opinions regarding plans for conducting internal audit and their results.

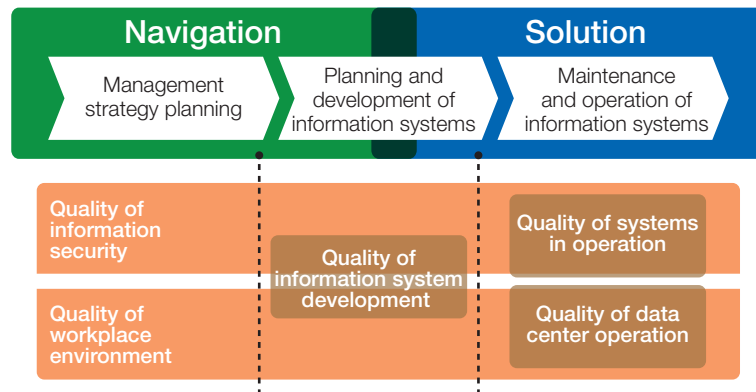
Compliance

In order to ensure the effectiveness of our ethics and compliance systems, NRI has appointed a Chief Ethics Officer and Compliance Officer, established the Compliance Committee, and set regulations on “the principles of corporate activities,” a code of ethics, basic business practices and compliance. NRI continuously carries out training and educational activities on risk management and compliance to enhance the system and improve

efficiency. The Basic Policy establishes the scope of these activities and states that the NRI Group will maintain absolutely no relationship with any antisocial forces including any business activities. Representative departments are in charge of gathering information on these issues and ensuring that management does not engage in transactions with such organizations.

Quality Management

Ever since our founding, NRI has emphasized a consistent commitment to quality. We continually work to improve the quality of services, fully aware of our responsibility to deliver and operate information systems that serve as a key component of social infrastructure.

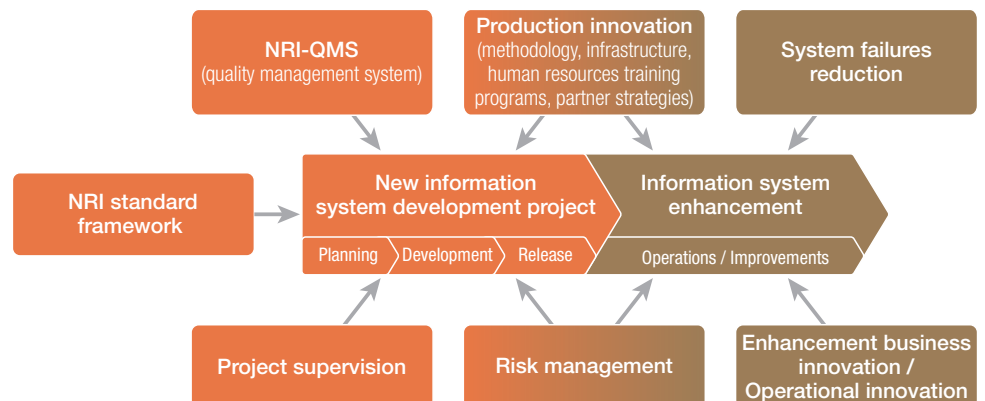


Initiatives for Improving the Quality of Information Systems

Each division is responsible for quality control over system development, maintenance and operations, and consulting services projects. In addition, NRI has an organization which proposes and supports quality control activities for each division.

• A 360-Degree Quality Improvement Support System

From projects to build new information systems to system maintenance and operation projects, every individual at NRI is conscious of improving quality. Each employee understands how vital their role is to supporting our system.



• Project Supervision Activities to Support the Quality of Information System Development

The Quality Management Division provides both supervisory and Project Management Office functions for each individual division, when they develop a new information system.

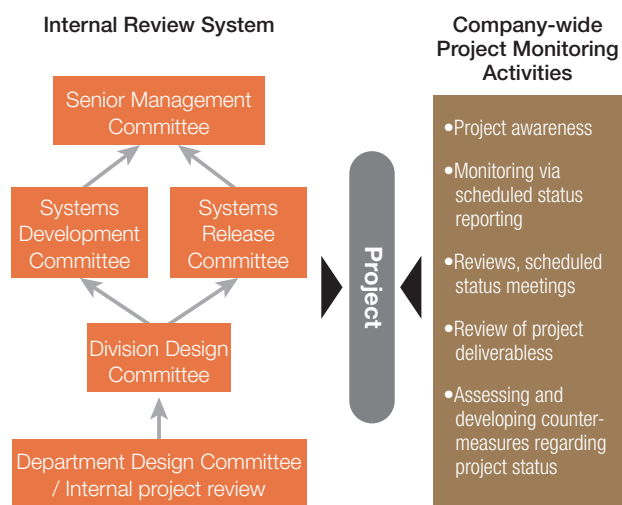
In addition to “project management” for project implementation and success, NRI has a “project supervision” function to propose quality improvements, and to identify and resolve issues early on.

To ensure that internal reviews are not merely process checks, the Systems Development Committee, which is comprised of committee members gathered from each division enacting a strict check through to system details, the Systems Release Committee and the Company-wide

Project Monitoring Activity, play an important role within NRI's overall quality management activities.

To ensure unprofitable projects do not arise, the framework is constantly reviewed and improved. In 2014, every business division newly established a Project Risk Management Department to rapidly ascertain unprofitable projects. In 2015, a Proposal Examination Board was newly established due to an increase in the number of cases where problems had arisen at the stage where proposals were being made to clients. Moreover, project operation risk management training was conducted to enhance risk awareness and response capabilities among managers on a company-wide basis.

Project Supervision Activities



• Emphasis on Quality of Systems in Operation

Operating and maintaining completed information systems of a high quality not only builds solid relationships with clients, but also provides opportunities to improve and propose new solutions for the streamlining and further growth of clients' businesses. For this reason, NRI refers to operations and maintenance projects as "enhancement projects," which are assigned the same level of importance as projects to develop new information systems.

• Quality of Data Center Management that Supports Stable Operations

The stable operation of information systems requires not only the quality of the information system itself, but also the quality of the data center that operates and manages the information system. To eliminate serious system disruptions and provide stable and secure services, NRI carries out re-inspections of our system platform, holds meetings of the Systems Disruption Elimination Committee, visualizes risks from disruptions, conducts drills based on scenarios of a large-scale disruption at our data centers, and performs inspections of data centers.

Quality of Information Security

NRI has established an advanced information security framework at our offices, data centers and partner companies that serves as a standard for society. This framework ensures that NRI continues to be a trusted partner by our clients and society. Under the leadership of the Chief Information Security Officer, NRI complies with and

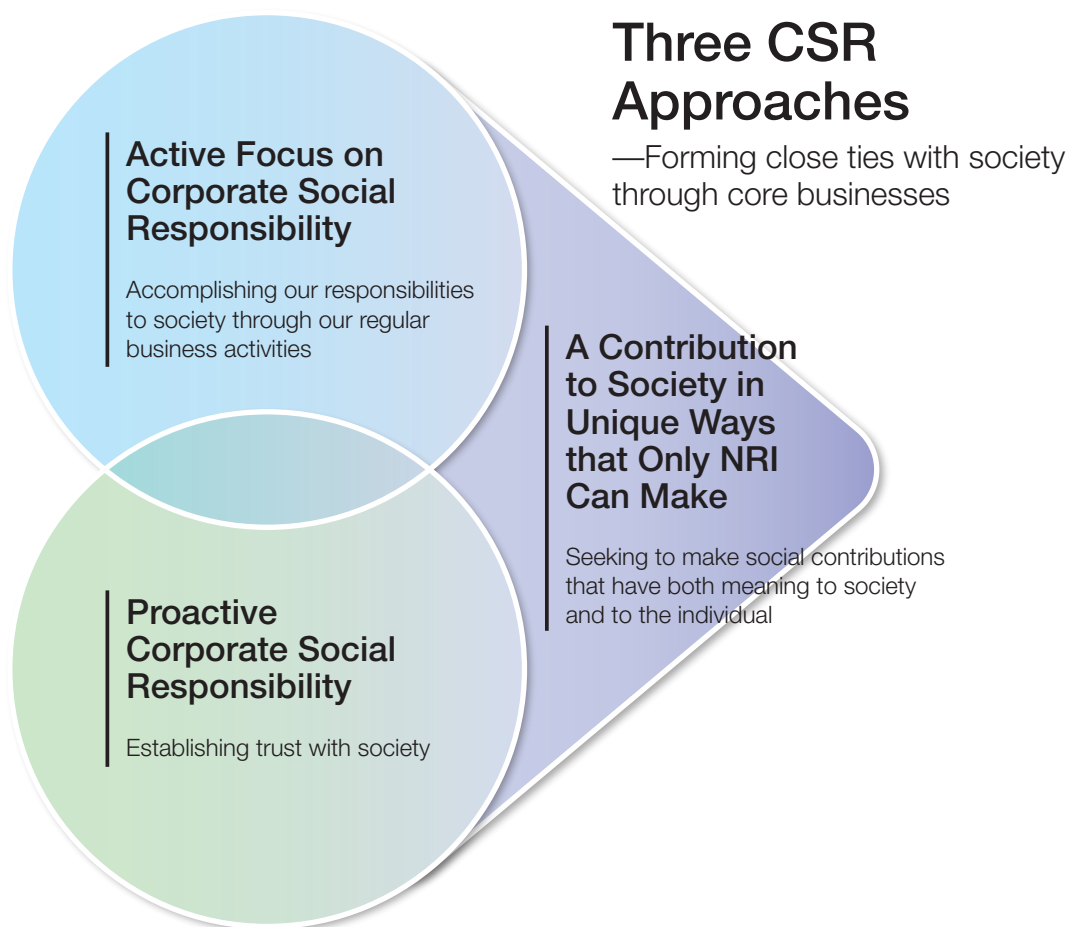
responds to changes in laws and advancements in information technology to proactively create in-house regulations and rules, obtain Information Security Management System (ISMS) certification and Privacy Mark certification, and train our employees.

Quality of Workplace Environment

NRI carries out a multitude of initiatives to foster a workplace environment where employees can work healthily and positively. These include utilizing a diverse pool of human resources, developing global business professionals, and making constant improvements to our labor environment. In 2015, NRI appointed a Chief Health Officer as part of "Health and Productivity Management" aimed at energizing the organization and enhancing employees' vitality and productivity. NRI is strengthening

the framework to support employees working in a sound mental and physical state. In consideration of the state of health of employees company-wide, NRI is trying to change employees' awareness to improve their work-life balance. The NRI Group believes that a lively workplace environment where each and every individual employee can work in a healthy way and exercise their abilities forms the base for our growth.

The first objective of NRI Group's CSR is to fulfill our social responsibilities through our business activities. At the same time, we strive to avoid business errors and impropriety and endeavor to deepen social trust. Above all, we aim to contribute to society through the cumulative effect of our business activities. We reach out to people through social contributions to create solid bonds with stakeholders.



CSR Materiality

NRI designates particularly important aspects of our CSR activities as CSR Materiality.

- 1 Building a sustainable society for the future
- 2 Providing the information infrastructure that is vital to people's lives
- 3 Developing human resources who can generate innovation

Propagation of Intellectual Assets and Recommendations

Since our foundation, we have undertaken investigation and research activities in diverse fields. We use the results of these activities in our business, and continue to propagate intellectual assets through periodic publications and reports, books, and events such as forums.

NRI Media Forum Conducted Since 2003

NRI has held the NRI Media Forum continuously since 2003 to provide information and exchange opinions with members of the news media. In 2015, the forum announced and held meetings on topics under the following themes.

- Housing in 2025 (examination of vacant homes and their effective use)
- Report on a survey into the use of defined contribution plans (report on anticipated legal revision)
- Chinese visitors to Japan and their needs (the true state of “shopping spree” visitors from China)
- Japanese values and changing consumer trends based on a survey of 10,000 consumers
- IT Navigator 2016 (Forecast of the ICT and media markets)



The NRI Media Forum

50th Anniversary Commemorative Publications

NRI issued a series of commemorative publications to offer proposals on resolving a variety of issues confronting society and companies.

- Why Can't Japanese Firms Truly Globalize?
- IoT in 2030
- Japan Can Win in Asian Markets through Package Business
- China in 2020
- IT Navigator 2016
- IT Roadmap 2016
- Final Career



Personal Development

NRI has a workforce of more than 10,000 talented professionals. We have a wide range of job types, including management consultants, IT consultants, systems engineers, and project managers, and many of our people are among the best in their field. NRI provides various personal development programs to effectively utilize these human resources.

Career Education Programs to Create Opportunities for Youth to Explore Their Own Potential

We provide the career education programs for elementary, junior high and high school students as we want them to be able to choose their own future course and occupation and be able to thrive while displaying their abilities in society. NRI employees on the business frontlines act as lecturers in programs such as the IT Strategic Experience

Program, where students learn about work supporting the convenience of society, the Consultant for a Day Program, which teaches about challenges without solutions, and the Team Building Exercise in which participants can learn about themselves, how to understand others and building teams.

Providing Opportunities to Look to and Think about the Future

NRI also provides students with opportunities to learn, think, and make presentations. For example, the NRI Student Essay Contest has been held annually with a different theme each year since 2006 as an outlet for high school, study abroad, as well as university students to think about the future. NRI also gives an opportunity for students to present their own unique aspirations for the future and to propose ways for attaining them. In 2015, the contest was held for the 10th time and attracted a record 2,622 entries (in 2006 there had been 133 essays sub-

mitted) on the theme of “Heading Toward 2030: What Will You Protect? Destroy? Create?” The contest has spread throughout Japanese schools and universities over the past 10 years.

In addition, using consumer marketing data collected in an event open to university undergraduates and beyond, NRI conducts the “Marketing Analysis Contest” and the “NRI Hackathon,” where participants build diverse teams and spend one to two days working on devising new ideas.



IT Strategic Experience Program



NRI Hackathon

Environmental Protection

NRI seeks to realize an abundant future by preserving a global environment where humans and nature exist in harmony. All NRI executives and employees are taking steps to reduce environmental impact in every facet of operations.

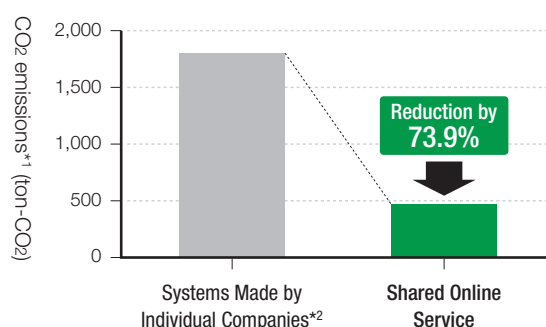
Green by NRI

Green by NRI refers to our contributions to helping clients reduce their impact on the environment through more efficient business operations and improved productivity achieved through our services and policy recommendations.

•Significantly Reducing CO₂ Emissions through the Use of Shared Online Services

NRI provides various shared online services to multiple companies in many different fields. If multiple companies share the same system it leads to drastically reduced costs in terms of development and operations, power consumption and CO₂ emissions. In the case of STAR, an integrated back-office system for retail securities firms, estimates have shown that CO₂ emissions can be reduced by 73.9% compared to when clients own and operate their own equivalent systems.

Comparison of Annual CO₂ Emissions between Shared Online Service and Proprietary Systems Made by Individual Companies



*1. Calculated by multiplying electricity usage by the real emission factor of Tokyo Electric Power Company released by the Ministry of Economy, Trade and Industry

*2. Calculated using an estimate of the approximate curve from a regression analysis of sample data, assuming that a client using STAR operates a similar system on their own.

Topic

Formulation of Environmental Objectives Ahead of FY March 2023

NRI has formulated targets for reducing greenhouse gas emissions from NRI Group business activities. These objectives include an 18% reduction in greenhouse gas emissions in FY March 2019 compared to the FY March 2014, and a 25% reduction by FY March 2023.



Green of NRI

Green of NRI refers to the NRI's activities to reduce our own environmental impact by making our data centers, office building facilities and IT equipment more energy efficient and through environmental measures such as energy saving efforts carried out by each and every one of our employees.

•Data Center with Advanced Environmental Performance

Nearly 80% of the energy that NRI uses, including electric power consumption, is consumed by data centers in systems operations, including for shared online services. For this reason, an environmental management system has been constructed at each data center and international standard environmental management qualifications ISO 14001 acquired as part of priority initiatives to reduce the impact on the environment.

NRI's Tokyo Data Center I has achieved a significant reduction in power consumption by adopting a double-deck system*³ that could be called the data center of the future, and combining several energy-saving technologies based on this. Power Usage Effectiveness*⁴ is 1.28 (design figure), the industry's highest standard.

*³ Double-deck system: A method that completely separates the floors where server equipment is allocated and the floors where equipment and facility-related items such as air conditioners and power sources are located. Placing server equipment and facility equipment on completely separate floors enables efficient and highly flexible air conditioning that can greatly reduce electricity consumption.

*⁴ Power Usage Effectiveness (PUE): An index display the amount of electricity used effectively at data centers. The standard PUE of a data center is said to be 2.0.

Topic

Selection in the Climate Disclosure Leadership Index



In 2015, NRI was selected for inclusion in the Climate Disclosure Leadership Index. This accolade was the result of high marks for our measures to prevent global warming from CDP, the international not-for-profit organization that evaluates and rates corporate disclosure of information related to climate change. CDP surveyed 500 Japanese companies, and NRI obtained a perfect score for disclosure.

Consolidated 11-year Financial Summary

	2006.3	2007.3	2008.3	2009.3	2010.3	2011.3	
For the year							
Sales	285,585	322,531	342,289	341,279	338,629	326,328	
Cost of sales	213,706	234,578	238,537	240,854	245,641	233,119	
Selling, general and administrative expenses	35,409	44,055	51,087	50,711	52,911	54,782	
EBITDA ^{Note 2}	53,043	63,692	69,181	70,476	70,992	69,091	
Operating profit	36,469	43,897	52,664	49,713	40,077	38,426	
Ordinary profit	38,252	46,099	55,517	51,731	40,947	40,073	
Profit attributable to owners of parent	22,518	27,019	28,157	24,513	21,856	23,188	
Order backlog	132,030	135,129	143,199	176,021	182,759	169,286	
Subcontracting costs	87,335	102,324	118,596	121,446	109,825	101,156	
Capital expenditures	18,343	29,903	36,438	70,083	29,000	20,755	
Depreciation and amortization	16,574	19,795	16,517	20,763	30,915	30,665	
Research and development expenses	2,501	2,864	4,915	4,104	3,561	3,564	
At year-end							
Net assets	209,301	216,232	207,363	205,466	220,237	231,074	
Total assets	311,786	371,458	362,447	354,487	363,368	380,032	
Number of employees (personnel)	5,013	5,303	5,711	6,118	6,263	6,594	
Cash flows							
Cash flows from operating activities	48,875	39,583	31,806	46,180	58,060	48,777	
Cash flows from investing activities	17,853	(18,578)	(47,925)	(70,994)	(16,175)	(27,723)	
Cash flows from financing activities	(54,828)	44,040	(23,537)	(22,414)	(10,348)	1,590	
Cash and cash equivalents at the end of year	50,752	115,854	75,524	28,228	59,775	82,085	
Per share information (yen) ^(Note 3)							
Net income (EPS)	94	120	125	114	102	108	
Net assets	936	964	944	956	1,023	1,072	
Cash dividends	25	32	45	47	47	47	
Stock information (based on the closing price as of 31st March)							
Stock price (yen) ^(Note 3)	2,623	3,154	2,368	1,390	1,936	1,669	
Market capitalization (billions of yen)	649.3	780.7	586.1	344.3	479.3	413.1	
Ratios (%)							
ROE ^(Note 4)	10.2	12.7	13.3	11.9	10.3	10.3	
ROA ^(Note 5)	12.2	13.5	15.1	14.4	11.4	10.8	
Operating profit margin	12.8	13.6	15.4	14.6	11.8	11.8	
EBITDA margin	18.6	19.7	20.2	20.7	21.0	21.2	
Equity ratio	67.1	58.1	57.0	57.7	60.3	60.5	
Dividend payout ratio	26.2	27.1	35.7	41.3	46.3	44.4	

Notes: 1. Amounts of less than one million yen were rounded down.

2. EBITDA = Operating profit + Depreciation and amortization

3. NRI conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. Per share information and stock price have been retroactively restated for prior years to reflect the effect of stock splits.

4. ROE = Profit attributable to owners of parent / Beginning and ending balance average net assets

5. ROA = Ordinary income / Beginning and ending balance average total assets

6. From the fiscal year ended 31st March, 2014, NRI adopted the "Practical Solution on Transactions of Delivering NRI's Own Stock to Employees, etc. through Trusts." The figure for the fiscal year ended 31st March, 2013 has been retroactively restated.

(millions of yen)

	2012.3	2013.3	2014.3	2015.3	2016.3	
						For the year
335,554	363,891	385,932	405,984	421,439		Sales
235,515	262,315	276,664	289,210	287,270		Cost of sales
56,886	57,608	59,450	65,287	75,873		Selling, general and administrative expenses
74,027	86,441	83,934	77,286	90,893		EBITDA ^{Note 2}
43,152	43,967	49,816	51,486	58,295		Operating profit
44,686	45,858	52,360	52,942	61,001		Ordinary profit
32,920	28,612	31,527	38,880	42,648		Profit attributable to owners of parent
175,242	191,012	209,202	227,188	228,310		Order backlog
112,039	116,166	132,825	141,925	139,303		Subcontracting costs
41,165	31,048	33,878	31,080	48,325		Capital expenditures
30,875	42,474	34,118	25,800	32,598		Depreciation and amortization
3,643	3,643	3,903	4,222	5,110		Research and development expenses
						At year-end
258,276	290,818	331,408	403,467	425,409		Net assets
402,784	432,222	469,010	593,213	621,695		Total assets
6,881	7,738	8,123	9,012	10,757		Number of employees (personnel)
						Cash flows
53,067	68,600	33,839	58,710	81,470		Cash flows from operating activities
(47,731)	(36,019)	(32,234)	(1,093)	(75,344)		Cash flows from investing activities
(10,438)	(10,723)	(8,773)	(10,536)	9,326		Cash flows from financing activities
77,043	99,623	92,792	140,567	154,949		Cash and cash equivalents at the end of year
						Per share information (yen) ^(Note 3)
153	132	144	176	188		Net income (EPS)
1,190	1,331	1,506	1,765	1,811		Net assets
47	47	50	63	76		Cash dividends
						Stock information (based on the closing price as of 31st March)
1,866	2,196	2,963	4,109	3,790		Stock price (yen) ^(Note 3)
461.9	543.6	733.5	1017.0	938.0		Market capitalization (billions of yen)
						Ratios (%)
13.5	10.5	10.2	10.8	10.6		ROE ^(Note 4)
11.4	11.0	11.6	10.0	10.0		ROA ^(Note 5)
12.9	12.1	12.9	12.7	13.8		Operating profit margin
22.1	23.8	21.7	19.0	21.6		EBITDA margin
63.8	66.9	70.4	65.6	66.2		Equity ratio
31.8	36.6	35.9	36.5	41.1		Dividend payout ratio

Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

In the current fiscal year (from 1st April, 2015 to 31st March 2016), the Japanese economy continued to recover at a moderate pace overall, despite some signs of weakness due to the slowdown in the Chinese economy and other factors. Investment in information systems was firm amid signs of improvement in corporate earnings.

Operating in such an environment, NRI carried out our business activities leveraging the combined strengths of NRI, allowing it to seamlessly provide services encompassing consulting through to system development and operations. In order to realize medium- and long-term growth, NRI also pushed ahead with measures geared to expanding our presence in new business fields while developing our strengths further.

With respect to the national identity number system (social security and tax number system), NRI launched a wide range of solutions from across NRI with the aim of providing a suite of services, including consulting services to support the introduction of the system and an integrated service that covers all aspects of the system, from national identity number registration to system management. NRI has also added new functionality to our shared online services in response to the full-scale launch of the new BOJ-NET (Bank of Japan Financial Network System), a unified tax on financial products and Junior NISA (individual savings accounts for investors who are younger than 20 years old that provide tax exemptions for small-scale investments). Going forward, NRI will continue steadily responding to regulatory changes in order to further expand our shared online services business.

In the overseas business, NRI provided support to Japanese companies moving into overseas markets and developed businesses geared to local governments and companies. Also, in order to expand our presence in new business

fields, NRI worked to forge business alliances and M&A deals with companies that have advanced technologies, experience and strong networks. In order to expand our business in digital marketing, NRI made US firm Brierley + Partners, Inc. a subsidiary and established Brierley + Partners Japan, Inc. in April 2016 to expand the US business of Brierley + Partners into Japan and Southeast Asia. Moreover, Zhiming Software Beijing, Ltd. and other Chinese operating companies were made subsidiaries of NRI in order to strengthen our system development and maintenance framework.

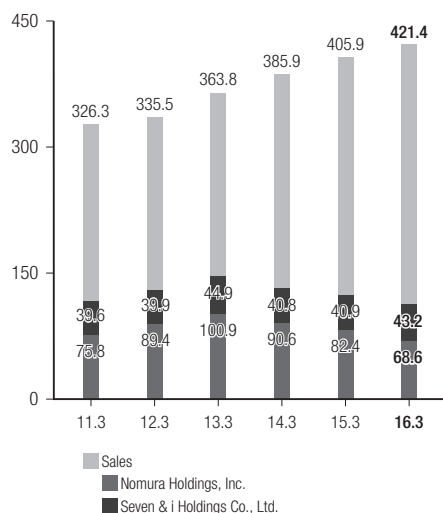
In the datacenter business, NRI constructed Osaka Data Center II to ensure business continuity in the event of a natural disaster in the Tokyo metropolitan area. The new data center began operation in April 2016. NRI plans to use Osaka Data Center II to support the business continuity and expansion of our client companies.

In addition, as part of efforts to ensure sustainable growth and increase corporate value, NRI aims to use the data center to address environmental issues. Specifically, NRI will work to reduce greenhouse gas emissions for society as a whole by expanding the provision of shared online services through the facility, which has advanced environmental features. In the current fiscal year, NRI was identified as a Climate Disclosure Leader by international not-for-profit organization CDP*, which evaluates the environmental activities of companies. NRI was recognized for our efforts in preventing global warming.

In the current fiscal year, the NRI Group's sales totaled ¥421,439 million (up 3.8% year on year), supported by higher sales in the Consulting, Financial IT Solutions and Industrial IT Solutions segments. Personnel expenses rose due to growth in the number of employees and an increase in bonuses, reflecting an improvement in earnings performance and other factors. However, the number of unprofitable

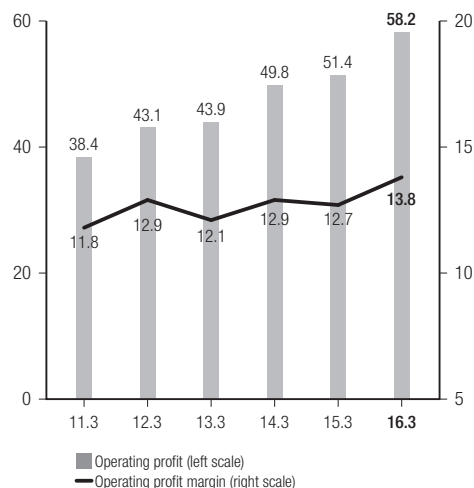
Sales

(billions of yen)



Operating profit / Operating profit margin

(billions of yen / %)



projects declined. As a result, cost of sales was ¥287,270 million (down 0.7%) and gross profit was ¥134,168 million (up 14.9%). Selling, general and administrative expenses were ¥75,873 million (up 16.2%) due to increases in personnel expenses, costs for the acquisition of a new subsidiary and subcontracting costs related to research and development. As a result, operating profit was ¥58,295 million (up 13.2%),

the operating margin was 13.8% (up 1.2 percentage points) and ordinary profit was ¥61,001 million (up 15.2%). Profit attributable to owners of parent was ¥42,648 million (up 9.7%).

*CDP: Based in the UK, CDP is an international not-for-profit organization that evaluates environmental performance. CDP works with institutional investors to assess and evaluate the environmental activities of listed companies.

Business Results by Segment

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

NRI partially revised our segment classifications in the current fiscal year, and as such the figures presented below for the corresponding period of the previous fiscal year have been recalculated to reflect the reorganization.

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.

The government and companies are implementing structural reforms, supporting strong demand for consulting services. NRI worked to accurately address these needs in order to expand our client base, including overseas.

In the current fiscal year, business consulting work increased, including consulting related to the introduction of the national identity number system and system consulting work to support clients in restructuring their IT divisions. However, personnel expenses rose year on year. As a result of the above, the Consulting segment posted sales of ¥28,823 million (up 3.9% year on year) and operating profit of ¥5,487

million (down 7.9%).

(millions of yen)	FY Mar. 2015	FY Mar. 2016
Sales	27,749	28,823
Operating profit	5,959	5,487
Operating profit margin	21.5%	19.0%

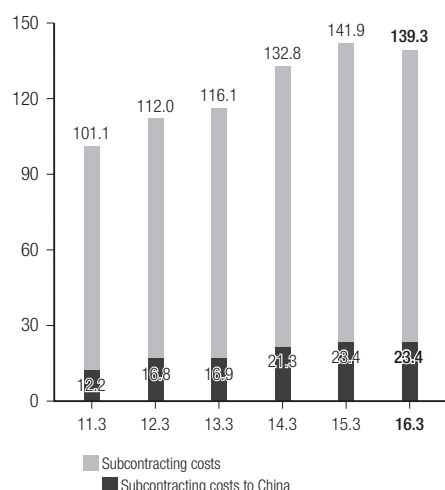
Financial IT Solutions

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 shared online services.

With respect to national identity number system, NRI launched a wide range of solutions from across the NRI Group with the aim of providing a suite of services, including consulting services to support the introduction of the system and an integrated service that covers all aspects of the system, from national identity number registration to system management. NRI has also added new functionality to our shared online services in response to the full-scale launch of the new BOJ-NET, a unified tax on financial products and Junior NISA. Going forward, NRI will continue steadily

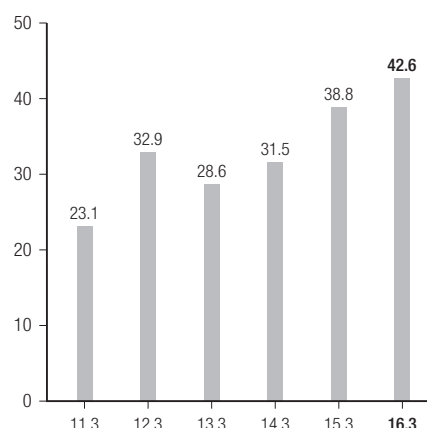
Subcontracting costs

(billions of yen)



Profit attributable to owners of parent

(billions of yen)



responding to regulatory changes in order to further expand our shared online services business.

In the current fiscal year, the segment posted an increase in sales, mainly from system development and application sales to securities companies, where NRI booked sales on major application sales, and system development and application sales to insurance companies. Profitability improved due to a drop in the number of unprofitable projects.

As a result of the above, the Financial IT Solutions segment posted sales of ¥253,802 million (up 6.8% year on year) and operating profit of ¥29,171 million (up 29.0%).

(millions of yen)	FY Mar. 2015	FY Mar. 2016
Sales	237,649	253,802
Operating profit	22,621	29,171
Operating profit margin	9.5%	11.5%

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, NRI 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, NRI is using our system consulting and IT solutions services to help companies restructure their IT divisions.

In order to expand our business, NRI made US firm Brierley + Partners, Inc. a subsidiary and established Brierley + Partners Japan, Inc. in April 2016 as a subsidiary of Brierley + Partners, Inc. NRI established PT. Nomura Research Institute Indonesia.

In the current fiscal year, sales of the segment increased with respect to system management and operation services in the distribution sector and the manufacturing and service sectors, but system development and application sales decreased in the manufacturing and service sectors. On the cost front, personnel expenses and amortization of goodwill rose, and NRI booked costs related to the acquisition of a new subsidiary.

As a result of the above, the Industrial IT Solutions segment posted sales of ¥102,859 million (up 3.9% year on year) and operating profit of ¥9,974 million (down 15.3%).

(millions of yen)	FY Mar. 2015	FY Mar. 2016
Sales	98,974	102,859
Operating profit	11,769	9,974
Operating profit margin	11.9%	9.7%

IT Platform Services

This segment mainly provides services such as the management and administration of data centers and IT platform and network architecture to the Financial IT Solutions and Industrial IT Solutions segments. It also provides IT platform solutions and information security services to clients of various

industries. In addition, the segment conducts research for the development of new business operations and new products related to IT solutions, and research related to leading-edge information technologies and so forth.

In this segment, NRI has been making efforts to expand our client base by not only renewing clients' IT platforms, but also by proposing IT platform solutions to clients that help them improve their businesses and revenues.

In the datacenter business, Osaka Data Center II was completed and began operations in April 2016.

Moreover, Zhiming Software Beijing, Ltd. and other Chinese operating companies were made subsidiaries of NRI in order to strengthen our system development and maintenance framework.

In the current fiscal year, sales to external clients decreased, amid a decline in system development and application sales and product sales related to IT platform architecture projects. However, profitability improved due to a drop in the number of unprofitable projects.

As a result of the above, the IT Platform Services segment posted sales of ¥110,044 million (down 3.0% year on year) and operating profit of ¥11,575 million (up 34.0%).

(millions of yen)	FY Mar. 2015	FY Mar. 2016
Sales	113,505	110,044
Operating profit	8,636	11,575
Operating profit margin	7.6%	10.5%

Others

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

In the current fiscal year, the Others segment posted sales of ¥12,924 million (up 0.1% year on year) and an operating profit of ¥919 million (down 43.1%), reflecting the booking of loss on valuation of software at subsidiaries and other factors.

Results of Operations of the Fiscal Year Ended 31st March, 2016

① Sales and Operating Profit

As mentioned in the "Business Overview," sales were ¥421,439 million (up 3.8% year on year), and operating profit was ¥58,295 million (up 13.2%). As a result, the operating profit margin was 13.8% (up 1.2 percentage points).

② Non-operating Income/Expenses and Ordinary Profit

Non-operating income was ¥2,883 million (up 61.0% year on year), reflecting increases in dividend income from securities held, coupled with a positive foreign currency translation adjustment as a weaker yen in the foreign currency exchange market reversed an initially negative adjustment. Non-operating expenses were ¥177 million (down 47.1%), while non-operating profit was ¥2,705 million (up 85.8%), resulting in ordinary income of ¥61,001 million (up 15.2%).

③ Extraordinary Income/Loss, Provision for Income Taxes, and Profit Attributable to Owners of Parent

Extraordinary income was ¥4,039 million, primarily from a gain on investment securities and a gain on contribution of securities to employee retirement benefit trusts. Extraordinary loss was ¥2,734 million, reflecting office transfer costs ahead of head office relocation. The result was extraordinary income of ¥1,304 million (¥6,132 million in the previous fiscal year).

With the application of tax-effect accounting, the effective tax rate was 31.3%, and the provision for income taxes came to ¥19,513 million (up 1.6% year on year).

As a result of the above, profit attributable to owners of parent was ¥42,648 million (up 9.7%).

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

① Policy for distribution of profits

NRI considers the ongoing growth of our corporate value to be the most important return to our shareholders. NRI's basic policy on the payment of dividends from surplus is to continue to provide stable dividends while securing sufficient retained earnings for our medium- and long-term business development. In line with this policy, NRI has targeted a consolidated dividend payout ratio* of 35%, taking into account factors such as operating revenue and the cash flow situation.

Retained earnings will be utilized as a source of funds for business expansion, including capital investment and R&D investment to enhance existing businesses and cultivate new businesses, investment in human resource development, and strategic investment such as M&A. Retained earnings may also be utilized to purchase treasury stock, as part of NRI's flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

In accordance with Article 459 of the Companies Act, NRI stipulates in our Articles of Incorporation that we may

pay dividends from surplus by a resolution of the Board of Directors based on record dates of 30th September and 31st March.

* Consolidated dividend payout ratio = Total annual cash dividends (including dividends for the trust exclusive for NRI Group Employee Stock Ownership Group) / Profit attributable to owners of parent

② Payment of dividends from surplus

Based on the policy above and business results for the current fiscal year, NRI paid cash dividends of ¥40 per share with the record date of the end of the current fiscal year (31st March, 2016). NRI conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. The year-end dividend for the fiscal year ended 31st March, 2016 was an effective increase of ¥4.00, as the per-share amount was not adjusted to reflect the stock split.

Combined with interim cash dividends of ¥40 paid in November 2015, the annual dividend payment will be ¥80 per share (an increase of ¥10 from the previous fiscal year (an effective dividend increase of ¥14 per share)), resulting in a consolidated dividend payout ratio of 41.1%.

The payments of dividends from surplus with record dates falling in the current fiscal year are listed below

Date of Board resolution	Total cash dividends	Cash dividends per share	Record date
23rd October, 2015	8,345 millions of yen	40 yen	30th September, 2015
13th May, 2016	9,182 millions of yen	40 yen	31st March, 2016

Note: The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2015 was ¥73 million and the planned portion to be decided by resolution in May 2016 is ¥96 million).

Analysis of Financial Position at the End of the Fiscal Year ended 31st March, 2016

① Summary

At the end of the current fiscal year (31st March, 2016), current assets were ¥306,943 million, an increase of ¥8,378 million (up 2.8% year on year), noncurrent assets were ¥314,751 million, an increase of ¥20,103 million (up 6.8%), current liabilities were ¥134,304 million, an increase of ¥21,095 million (up 18.6%), noncurrent liabilities were ¥61,327 million, a decrease of ¥14,661 million (down 19.3%), reserve for financial products transaction liabilities were ¥654 million, an increase of ¥107 million (up 19.6%), net assets were ¥425,409 million, an increase of ¥21,941 million (up 5.4%) and total assets were ¥621,695 million, an increase of ¥28,482 million (up 4.8%).

② Securities

Short-term investment securities totaled ¥100,572 million, a decrease of ¥18,966 million (down 15.9% year on year). This mainly reflected the advance redemption of some short-term securities held as part of the management of surplus funds due to the impact of negative interest rate policies.

Investment securities increased ¥3,916 million (up 3.4%) to ¥120,397 million. There was the purchase of securities for surplus fund management purposes. On the other hand, there was a decrease in the value of NRI's shareholdings.

Short-term securities comprised bond investment trusts (cash equivalents) and short-term bonds maturing within one year. Investment securities comprised ¥76,658 million in equities (down 17.7%), ¥43,325 million in bonds (up 88.2%), and ¥413 million in equity investment partnerships and other investments (up 43.2%).

③ Fixed Assets

Under property and equipment, buildings, net increased ¥8,723 million (up 26.3% year on year) from the previous fiscal

year-end to ¥41,915 million. This mainly reflected the completion of Osaka Data Center II. Machinery and equipment, net increased ¥1,320 million (up 26.5%) to ¥6,304 million, while tools, furniture and fixtures increased ¥2,405 million (up 32.9%) to ¥9,714 million. Property and equipment, net increased ¥11,468 million (up 21.3%) to ¥65,384 million, and accounted for 10.5% of total assets. NRI invested ¥20,285 million in property and equipment during the fiscal year under review (up 143.0%), consisting mainly of capital expenditures related to the Osaka Data Center II and equipment related to existing data centers.

④ Intangible assets

Software (including software suspense accounts) increased ¥2,615 million (up 4.8% year on year) from the previous fiscal year-end to ¥56,602 million, accounting for 9.1% of total assets. Software investment during the fiscal year under review was ¥28,040 million (up 23.4%), and related largely to the development of shared online services. Goodwill was ¥7,864 million, an increase of ¥6,828 million from a year earlier, and was mainly attributable to the consolidation of United States-based Brierley + Partners, Inc.

⑤ Loans

Current portion of long-term loans payable increased ¥1,082 million (up 50.4% year on year) to ¥3,230 million and long-term loans payable increased ¥6,636 million (up 31.1%) to ¥27,969 million. This was mainly due to an increase in borrowings by the NRI Group Employee Stock Ownership Group, which was established in March 2016 based on a Trust-type Employee Stock Ownership Incentive Plan.

⑥ Retirement Benefits

Net defined benefit assets decreased ¥8,781 million (down 25.3% year on year) from the previous fiscal year-end, to ¥25,907 million. Net defined benefit liability increased ¥1,098 million (up 20.7%) to ¥6,396 million. This mainly reflected a drop in the discount rate due to a decline in yields on national government bonds and other securities following the introduction of negative interest rates.

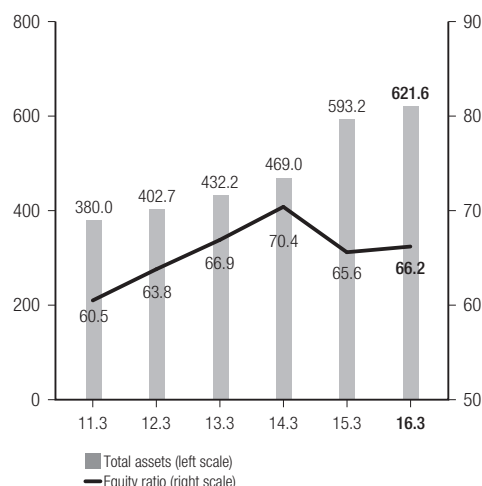
⑦ Others

In financial operations at subsidiaries, operating loans declined ¥4,010 million to ¥6,758 million, margin transaction assets declined ¥6,425 million to ¥10,338 million, short-term loans payable decreased ¥8,375 million to ¥2,270 million and margin transaction liabilities fell ¥5,970 million to ¥6,344 million. Reflecting the disposal of treasury stock through a third-party allocation to Nippon Life Insurance Company in the first quarter of the current fiscal year, etc., treasury stock declined ¥9,060 million to ¥48,396 million and additional paid-in capital increased ¥12,852 million to ¥27,944 million.

In addition, accounts receivable increased ¥2,594 million to ¥64,876 million, other receivables declined ¥4,006 million

Total assets / Equity ratio

(billions of yen / %)



to ¥32,585 million, other accounts payable increased ¥4,410 million to ¥12,082 million, income taxes payable rose ¥12,139 million to ¥14,325 million, advance payments received

increased ¥4,822 million to ¥12,440 million and deferred income tax fell ¥7,616 million to ¥10,575 million.

Cash Flows

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2016) stood at ¥154,949 million (up ¥14,381 million year on year).

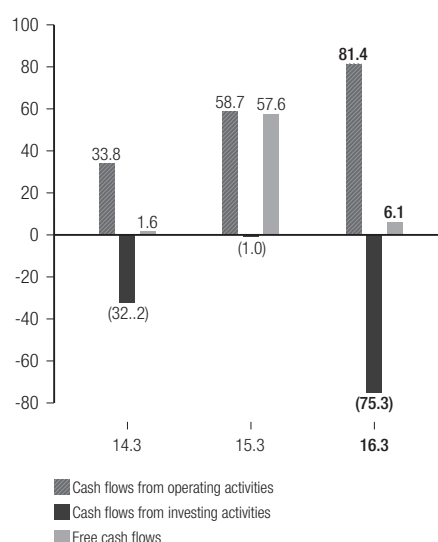
Net cash provided by operating activities in the current fiscal year was ¥81,470 million, an increase of ¥22,760 million compared with the previous fiscal year, mainly reflecting an increase in operating income and a substantial decline in income taxes paid.

Net cash used in investing activities was ¥75,344 million. In the previous fiscal year, ¥1,093 million was used in investing activities amid a situation where proceeds were gained from the sale and redemption of investment securities and also from the purchase of shares of subsidiaries resulting in a change in the scope of consolidation. In the current fiscal year, however, net cash used for investment was ¥74,251 million higher compared with the previous fiscal year partially due to increases in funds used in purchasing securities for surplus fund management purposes and in acquiring property and equipment due to Osaka Data Center II, and so forth, and also due to the use of funds for purchasing shares of subsidiaries resulting in a change in the scope of consolidation.

Net cash provided by financing activities was ¥9,326 million, compared with cash used of ¥10,536 million from the previous fiscal year. There was an increase in cash used for the repayment of short-term loans payable and cash dividends paid, but this was outweighed by cash provided, including ¥26,209 million in proceeds from sales of treasury

stock through a third-party allocation to Nippon Life Insurance Company and an increase in long-term loans payable related to the introduction of a Trust-type Employee Stock Ownership Incentive Plan.

Cash flows (billions of yen)



Credit Ratings

NRI has acquired a credit rating from Rating and Investment Information, Inc. (R&I).

As of 31st March, 2016, NRI had received the following issuer rating:

Rating institution	Rating and Investment Information, Inc. (R&I)
Rating (Outlook)	AA- (stable)

Facilities/Research and Development

Facilities

During the fiscal year ended 31st March, 2016, NRI's total capital expenditures (including intangible fixed assets) came to ¥48,325 million. Major capital expenditures included capital expenditure in construction of Osaka Data Center II and related to existing data centers in IT Platform Services, and the development of shared online services to improve high value-added services in Financial IT Solutions.

The breakdown by business segment is listed below.

Name of segment	Investment (millions of yen)
Consulting	72
Financial IT Solutions	20,633
Industrial IT Solutions	4,048
IT Platform Services	22,488
Others	458
Company-wide (common-use)	623
Total	48,325

We have capital expenditure plans totaling ¥45,000 million for the fiscal year ending 31st March, 2017, and the breakdown by business segment is listed below.

Other than these, there are no plans to dispose of or sell major facilities, excluding the disposal or sale of facilities for regular updating.

Name of segment	Planned investment (millions of yen)	Major items and purposes
Consulting	100	<ul style="list-style-type: none"> Office facilities
Financial IT Solutions	20,000	<ul style="list-style-type: none"> Software for internal use to provide services for financial industry and other clients, software development for sale purposes Equipment for system development to provide services for financial industry and other clients, equipment to provide services installed in data centers
Industrial IT Solutions	9,000	<ul style="list-style-type: none"> Software development for internal use to provide services for clients in the distribution, manufacturing, service, and other industries; software development for sale Equipment for system development to provide services for clients in the distribution, manufacturing, service and other industries; equipment to provide services installed in data centers
IT Platform Services	9,000	<ul style="list-style-type: none"> Acquisition of data center-related facilities Development of software for internal use relating to IT platform services
Others	1,000	<ul style="list-style-type: none"> Software for internal use to provide client services, office equipment
Company-wide (common use)	5,900	<ul style="list-style-type: none"> Office facilities
Total	45,000	

Research and Development

NRI's research and development activities are concentrated in three areas:

1. Research and feasibility studies, development of prototypes, and experimental trials, all of which lead to the development of new businesses and products
2. Research into advanced information technologies, platform technologies, and production and development technologies
3. Surveys and research on new social systems

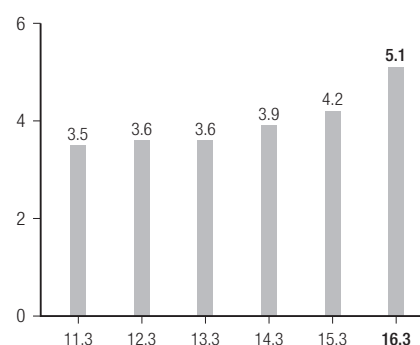
Research and development activities are routinely pursued by the IT Platform Innovation Business Division, which is in charge of technology development for NRI, and the Center for Strategic Management & Innovation, which is in charge of policy recommendations and advanced technology functions. Further, individual business divisions, in pursuing medium- to long-term development of business and new products engage in research and development activities via cross-functional arrangements as necessary. In addition to introducing R&D strategies, we have introduced R&D meetings to provide opportunities to select R&D projects in

priority areas from a company-wide perspective.

These meetings serve as a forum for investigating projects from the planning stage through applications of results.

In the fiscal year ended 31st March, 2016, our research and development expenses amounted to ¥5,110 million.

Research and development expenses (billions of yen)



Business and Other Risks

Items that could have an important influence on investor judgments in NRI's business and other operations are outlined below.

The risks that we list here are representative risks inherent to our business as of 31st March, 2016, but the potential risks are not limited to those listed below. Furthermore, items here-in relating to future events are based on judgments by NRI as of the end of the fiscal year under review.

(1) Risks Concerning Management Strategies

<1> *Price competition in the information services industry*

Competition is fierce among service providers in the information services industry. Intense price competition could occur in the future as a result of the continuing participation by new service providers from other industries, emergence of overseas providers, and an increase in demand for packaged products.

Under these business circumstances, NRI strives to differentiate our services from those of our competitors by offering high value-added services that enhance our ability to offer end-to-end services from consulting to system development and system management and operation. We are also striving to improve productivity.

However, if price competition becomes more intense than forecast, NRI's business performance may be adversely affected.

<2> *Technological changes in the information services industry*

In the information services industry, we must constantly respond to match market needs that change as information technology evolves.

Acknowledging such a changing business climate, NRI is striving to respond rapidly to technological innovations by being active in investigation and research of advanced, basic, and developmental IT through implementing a cross-sectional system.

However, if technological innovations advance in a wide range of areas, and if our response to these changes is delayed, it could adversely affect NRI's business performance.

<3> *Stability of management and operation services business*

Expansion of system management and operation services requires various investments such as real estate for data centers and equipment for operations and software. Return on such investments is obtained over the long term through client contracts.

Many contracts for system management and operation services span more than one year or are automatically renewed in the case of one-year contracts. Accordingly, sales are deemed relatively stable; moreover, NRI strives to achieve steady return on investments through careful management of work in progress and continuous credit control of clients.

Nevertheless, there is no guarantee that this stability in sales of system management and operation will continue in the future; each time a client business undergoes a merger

or bankruptcy, or when a client decides to overhaul its information systems strategies, there is a possibility that it will not renew its contract with NRI.

<4> *Investment in software*

NRI invests in software to expand our business, including product sales, shared online services and outsourcing services. In many cases, the software is designed for specific use and cannot be readily readapted for other applications, which means that careful consideration must go into the decision to make such an investment.

At NRI, we exhaustively discuss the legitimacy of each business plan before commencing software development. We also have an internal system whereby regular checks on the plan's progress enable prompt revision to the plan when necessary, both in the development stage and after completion.

However, with this type of software investment, there is never a total guarantee that the initial investment will be recovered, and there is a chance the capital will not be recovered and a loss will be incurred.

<5> *Dependence on specific business categories and clients*

NRI sales showed strong dependence on specific business sectors and clients. In the fiscal year ended 31st March, 2016, sales of Financial IT Solutions to external clients mainly in the financial sector accounted for 60% of total sales. Moreover, NRI's combined sales to our major clients, Nomura Holdings, Inc. and its subsidiaries, and Seven & i Holdings Co., Ltd. and its subsidiaries, accounted for one-fourth of consolidated sales.

NRI possesses the operational know-how gleaned from our businesses for the financial sector and large-scale and advanced system development and operation expertise. NRI is aggressively cultivating new clients by utilizing these strengths in services for other sectors. In terms of our approach to major clients, NRI is differentiating ourselves from our competitors by becoming even more adept in our areas of strength and is strengthening our client relationships through strategic deployment of human resources.

However, it is possible that in the future NRI will experience an enormous impact on business performance if the legal system in a specific sector is changed, if the business environment is suddenly changed, if the business circumstances of our major clients change, or if they radically reexamine their information systems strategies. There is also a possibility that NRI, against expectations, will be unable to secure new clients.

<6> *Investments, M&As, alliances*

NRI invests in various companies with a view to developing future business opportunities, and it also takes equity stakes in clients to strengthen business relationships, considering expected return on investment. NRI also undertakes M&As and forms business alliances with a view to strengthening the operating base.

Such actions involve careful prior examination of the target

company's financial standing and its business activities, and decisions are made only after all the necessary information has been gathered and due diligence exercised.

Despite this approach, there is a possibility that NRI's business performance may be adversely impacted by, among other things, the need to apply impairment accounting procedures to goodwill in the event that clear problems arise that were unrecognized by NRI prior to completed investments, M&As and alliances, or if expected benefits fail to materialize.

<7> *Capital relationship with Nomura Holdings, Inc. and its affiliates*

As of 31st March, 2016, Nomura Holdings, Inc. held 36.8% of the voting rights of NRI (including 30.6% of indirectly held voting rights). In addition, affiliated companies (JAFCO Co., Ltd. and TAKAGI SECURITIES CO., LTD.) held 8.5% of NRI's voting rights.

There is no guarantee that the percentage of voting rights held by Nomura Holdings, Inc. and its affiliates will remain stable. Furthermore, the exercise of voting rights by Nomura Holdings, Inc. and its affiliates may not necessarily be aligned with the interests of other NRI shareholders.

(2) Business continuation

As a result of the advance of globalization of business activity and a widely networked environment, significant damage may be caused by unexpected events such as disasters and system failures, requiring the reinforcement of a crisis management system.

NRI has prepared a contingency plan (emergency response plan) outlining the emergency response system and action guidelines in the event a large-scale disaster, large-scale system disruption, accident, or other incident occurs that affects the business and execution of operations. While taking proactive measures and conducting repeated drills, we will work to upgrade and reinforce our crisis management structure, including preparing the infrastructure necessary for business continuation and establishing a structure to achieve smoother business continuation. The data centers held by NRI meet the highest Japanese standards for disaster preparation, in terms of security measures and earthquake resistance among other aspects. We intend to further reinforce our backup systems for NRI's information assets contained within these data centers as well as take measures based on standards agreed upon with clients regarding their information assets in our keeping.

However, in the event of a contingency or situation that exceeds the capabilities of one company, in which interruption of operations is unavoidable, provision of services at the standards agreed upon with clients may not be feasible and could potentially affect NRI's performance.

(3) Intellectual property rights

NRI is witnessing a growing importance of intellectual property rights related to information systems and software, such as patents for business models related to e-commerce.

With these circumstances in mind, in the development of

information systems, NRI is constantly investigating whether it is possibly breaching another party's patent.

Furthermore, through education, training and other measures, we are raising employee awareness of intellectual property rights. At the same time, we recognize that intellectual property is an important business resource, so by proactively investing in applications for patents, we are rigorously protecting the intellectual property of NRI.

If, despite these measures, the product or service of NRI breaches the intellectual property rights of a third party, not only would this potentially make NRI liable for reparation, but NRI might also be ordered to stop using an information system, or service, which could interfere with business execution. There is also the possibility that NRI's intellectual property could be breached by the third party.

(4) Laws and regulations

NRI is subject to domestic and overseas laws and regulations when conducting our business activities. NRI has established a compliance structure and makes every effort to ensure compliance with laws and regulations.

However, there is a possibility that the breach of laws and regulations or the implementation of new laws and regulations could have a negative impact on NRI's operations and performance.

(5) Information Security

With the penetration of Internet infrastructure, dissemination of all kinds of information throughout society has become instantaneous.

While these technological advances have broadened the range of users and increased convenience, they have also heightened the risk of information leaks, for example through improper external access. The question of security management is now being closely scrutinized by society in general. In the information services industry, where NRI constantly handles clients' confidential data, more sophisticated information security management and comprehensive employee training are needed.

In the area of personal information management, we have obtained Privacy Mark certification accrediting our management system to protect personal information including national identity numbers. We conduct appropriate management of confidential information, and a portion of our business has obtained Information Security Management System certification. Among the steps we take to consistently maintain a high level of security, we have systems that control entering and exiting of buildings, ensure rigorous computer security management, and conduct training sessions on protection of personal information. Particularly in our data centers, where we operate our clients' mission-critical systems, we have introduced stricter entry/exit controls such as X-ray scanning of articles being brought into and out of the facilities.

However, in the event that information leaks occur despite our efforts, factors such as claims for compensation for damages from clients and others and a loss of confidence in NRI could potentially affect NRI's performance.

(6) Quality of services

NRI aims to provide clients with high value-added services by taking advantage of our total capabilities from consulting through system development and system management and operation by following a basic strategy of “Navigation × Solution,” which is to propose strategies to achieve those objectives, and provide measures to bring such strategies to fruition. Our clients expect a high-quality service.

<1> Consulting services

In our consulting services, we are working hard to establish systems that offer high-quality services such as the provision of infrastructure that allows the sharing of information on the expertise accumulated within NRI. In addition, we are committed to continuing to improve quality in the future by conducting client satisfaction surveys, analyzing results and providing feedback.

However, if we are unable to provide the high-quality service that our clients expect, this may hinder prospects for future business contracts.

<2> System development

Generally, system development projects are undertaken on a contract basis. We are obliged, under such a contract, to complete an information system and deliver it by the specified deadline. However, there may be times when more person-hours are required than initially estimated because of the client's requests for a more advanced and complex system as well as requirement changes made before completion, which may delay delivery. Even after delivery, more work than expected may be needed to complete the contract, such as carrying out additional improvements on system performance. In particular, long-term projects that take several years to complete have a higher likelihood of being affected by requirement changes to respond to the changes in both technology and the surrounding environment.

Information systems are important social infrastructure, and quality management and risk management are essential from the development stage to achieve stable operation after system completion. We strongly recognize that, for systems in the financial services sector in particular, the systems not only involve the reliability of NRI's client, but also the entire financial market.

Therefore, in order to deal with these situations, NRI is making efforts to ensure that project estimate examination before contract signing as well as project management after contract signing are done properly, for example, improving the management abilities of our project managers through training programs, and providing quality management systems based on ISO (International Organization for Standardization) 9001. In particular, we have established exclusive examination bodies, such as the Systems Development Committee, for projects over a certain size in order to thoroughly review the progress of projects through system delivery and operation. We will further develop examinations for and improvements to the system development process for systems in the financial services sector.

However, in the event that extra costs are incurred, such as an increase in person-hours or performance improvement work conducted after delivery, the project's final profitability may deteriorate. Moreover, if the client's business is harmed because of a delay in delivery or because of problems with the delivered information system, not only may we be liable for the loss, but the situation might also damage the reputation of NRI.

<3> System management and operation services

The information systems developed by NRI are often important platforms for client business and it is essential that these systems operate stably after completion. Regarding financial sector systems, in particular, there are cases in which credibility is on the line not only for our clients but also for entire financial markets, and we are keenly aware of the weight of that reality.

NRI is seeking to improve the quality of system management and operation. We are constantly striving to maintain and improve the quality of services we provide, based on the ISO27001 information security management system, and ISO20000 IT service management system. Concerning financial sector systems, we perform management status and other inspections on a prioritized basis and are formulating measures for responding to failures in the unlikely event they occur.

Data centers play a crucial role in the economy and society, and we are keenly aware of their importance. NRI has in place an operating structure that enhances security and regularly evaluates and verifies their operating status.

Nevertheless, there is a possibility that the stability of data-center operations may not meet the standards agreed to with clients despite our efforts, as a result of human failure to follow correct operating procedures, equipment failure, or power outages and other infrastructure-related problems. Such adverse developments could not only have a negative impact on our performance but could also damage the reputation of NRI.

(7) Subcontracting partners

To improve productivity and make use of the highly specialized know-how of outside corporations, NRI is outsourcing some business operations. Many of these outsourcing operations are carried out under subcontracting contracts.

<1> Good business relationships with subcontractors

In the fiscal year ended 31st March, 2016, our subcontractors were responsible for 50% of NRI's actual production. It is essential to secure top-level subcontractors and maintain a good business relationship with them in order to carry out NRI's operation.

At NRI, we strive to secure superior subcontracting partners by performing corporate screening regularly and searching for new collaborating partners both domestically and overseas. Furthermore, we are conducting activities to raise productivity and quality, including activities with subcontracting partners, through such measures as sharing of

project risks with e-Partner Contracts, a contracted business partner with high levels of specialized business expertise, and demands for greater security and thorough information management on the part of subcontracting partners.

Our subcontracting partners are not only in Japan, but also in various overseas locations, including China. Currently, Chinese companies account for 15% of subcontracting costs. We are therefore striving to strengthen this system of cooperation by regularly dispatching executives and employees to China to visit subcontracting partners and check the status of projects.

In spite of all these efforts, in case we fail to secure superior subcontracting partners or maintain a good business relationship with them, we might not be able to conduct business smoothly. Especially in subcontracting to a subcontracting partner overseas, an unexpected event might occur caused by political, economic, or social factors which are different from those in Japan.

<2> Contract work

There have been calls for appropriate responses in compliance with labor-related laws when contracting business outsourcing work is carried out under service contracts.

NRI has formulated guidelines relating to contract work to raise common awareness of this problem and to allow the awareness to take root in NRI. In addition, we host meetings to explain our policies to subcontracting partners as part of our drive for entirely appropriate business outsourcing.

If despite these efforts, work outside the scope of the contract work is carried out and disguised contract issues and so forth arise, NRI may lose credibility.

(8) Human resources

NRI believes that the specialized expertise of our employees is the foundation of our high value-added services. In addition, hiring and fostering highly specialized human resources and establishing personnel systems and workplace environments that allow these individuals to demonstrate their full potential is necessary to build long-term trusting relationships between NRI and our clients and ultimately enable NRI to achieve medium- to long-term growth.

We perceive our employees as valuable “human assets,” and we are dedicated to creating a system that allows us to secure and develop these assets. We strive to recruit highly capable staff with specialized skills, while focusing on the work-life balance of employees, constructing a personnel system that accommodates diverse working methods and values, and implementing improvements to the working environment. As part of our strategies for personnel development systems, we offer assistance to and subsidize our employees to obtain various licenses and qualifications and hold many human resources development seminars at a facility dedicated to employee education and training. We encourage employees to improve themselves by taking advantage of NRI's internal certification program.

Despite these efforts, if we fail to secure and develop professionals who can respond to the highly specialized demands

of our clients, NRI's performance could suffer. Furthermore, if workplace conditions worsen and cause employees' mental and physical health to deteriorate, this could possibly lead to a drop in worker productivity and attrition.

(9) Securities holdings

NRI holds stocks of client companies with a view to strengthening business ties and bonds for investment purposes.

In the event of business deterioration or bankruptcy at an issuer, NRI may incur an impairment loss or be unable to recover our investment. Moreover, market prices for these securities fluctuate in line with the economic environment, market trends, and earnings at issuers. Such fluctuations can affect NRI's financial position.

(10) Assets and liabilities related to retirement benefits

NRI has established a defined contribution pension system and a retirement allowance system as our defined-benefit system. The allowance for employee retirement benefits will fluctuate according to changes in the amount of retirement benefit obligations and pension plan assets.

Retirement benefit obligations are calculated using a number of assumptions and estimates, such as employment termination trends and discount rates. A change in any of these factors could change the amount.

Meanwhile, pension plan assets fluctuate according to trends in the stock market and interest rates.

Moreover, if any change in the pension plan is adopted, it could affect the liabilities of retirement benefit obligations.

(11) Lawsuits

On 30th April, 2015, NRI was served notice of a lawsuit brought against it by Japan Post Information Technology Co., Ltd., which is currently in litigation. The lawsuit states that Japan Post Information Technology placed an order to procure communication line service and related maintenance operations from Softbank Group Corp., and an order for network transfer management and streamlining services from NRI. The suit alleges that Japan Post Information Technology was harmed by delays in the transfer over to the new communication lines, and is seeking a joint payment of ¥16,150 million from Softbank and NRI.

Depending on the outcome of this litigation, NRI business performance may be adversely impacted.

Significant Accounting Policies and Estimates

The accompanying financial statements for NRI have been prepared in accordance with generally accepted accounting principles and practices in Japan. The compilation of these financial statements has required certain assumptions and estimates that influence the stated value of assets, liabilities, income and expenditure. An estimate deemed reasonable in view of historical experience or current circumstances may differ from the actual figure, owing to the inherent uncertainty of estimates.

The significant accounting policies used in the preparation of NRI's consolidated financial statements are described in Consolidated Financial Statements and Notes to the Consolidated Financial Statements (Significant Accounting Policies). We think the following accounting policies and estimates in particular could have significant influence on NRI's financial statements.

<1> The percentage-of-completion method

NRI in principle uses the percentage-of-completion method for recognizing sales and cost of sales of subcontracted software development and consulting projects. In practice, cost of sales is recognized as incurred, and sales are recorded in accordance with the rate of accrued cost on the work in progress (actual costs incurred as a percentage of total estimated costs for each project). Receivables corresponding to sales on projects that are incomplete at the end of the fiscal year are recorded on the consolidated balance sheet as accounts receivable including development.

The percentage-of-completion method is adopted on the assumption that for each project it is possible to reasonably estimate the total costs and rate of work in progress, which form the basis for recognition of sales. We have put in place a project management structure that enables us to accurately estimate costs at the time orders are received and to monitor work in progress. We revise our estimates immediately if a project deviates beyond prescribed limits from initial estimates. Accordingly, we are confident that such revenues are recorded with a high level of accuracy.

<2> Accounting method for software

In the development of software packages, and the development of information systems for shared online and outsourcing services, instead of recording subcontracting costs and labor costs for the development of information systems as expenses, these amounts may be recorded as assets for NRI investments in software or recorded in the software suspense accounts. In such cases, sale of the completed information system to the client or the provision of services generates product sales revenue and system management and operation revenue, in turn enabling NRI to collect our returns on our development investments in the medium to long term.

Based on this system of recovering investments, software for sale including the packaged products is amortized based on the forecasted sales quantity or sales revenue with the bottom limit amount set according to the uniform distribution method, based on the remaining valid period of generally three years. Amortization of the software used by NRI to provide services as part of shared online services is carried out according to the straight-line method for the usable period, which is a maximum of five years. In addition to the above amortization, in cases where rapid change occurs in a business environment, we may estimate the amount recoverable and record the loss.

<3> Accounting method for employee retirement benefits

Retirement benefit obligations and pension assets are calculated based on certain forward-looking estimates including discount rate, long-term expected rate of return on pension assets, among others. The discount rate used in calculating retirement benefit obligations is determined based on the yield of highly stable bonds. The long-term expected rate of return on pension assets is determined factoring in future earnings forecasts and historical operating results.

Discrepancies between estimates and results, and changes in estimates, may impact future retirement benefit obligations and retirement benefit expenses.

<4> Deferred income tax assets

NRI records deferred income tax assets with a reasonable estimate of future taxable income and careful judgment of its collectability. Since future taxable income is estimated from the results of past business performance, there is a possibility of fluctuation in the amount of deferred income tax assets if the estimate of taxable income differs from actual results due to changes in the tax system and the business environment.

<5> Transactions of Delivering NRI's Own Stock to Employees, etc., through Trusts

NRI has adopted a "Trust-type Employee Stock Ownership Incentive Plan" designed to constantly encourage NRI's advancement by providing incentives supporting medium- and long-term improvement in NRI corporate value and more robust social welfare benefits. All NRI employees, including those of consolidated subsidiaries, are eligible for this plan. This incentive plan allows all employees who are members of the NRI Group Employee Stock Ownership Group to receive benefits from increases in NRI's share price. To enact this plan, NRI established the Employee Stock Ownership Trust (hereafter, the "ESOP Trust"). The ESOP Trust acquires in advance the projected number of NRI shares that the NRI Group Employee Stock Ownership Group (hereafter, the "ESOP Group") is expected to have acquired over a period of three years subsequent to the establishment of the ESOP Trust. Then, the ESOP Trust sells them to the ESOP Group each time the NRI Group Employee Stock Ownership Group is to acquire NRI shares. When the share price appreciates and earnings have accumulated in the ESOP Trust, a cash distribution of the funds will be made to beneficiaries upon its termination. Since NRI guarantees the loans of the ESOP Trust taken out to purchase NRI's shares, NRI 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.

NRI includes the assets and liabilities of the ESOP Trust at the end of the fiscal year in the accompanying consolidated balance sheet. NRI recognizes the transfer of treasury stock when NRI sells treasury stock to the ESOP Trust and records the acquisition costs of NRI's shares that the ESOP Trust owns at the end of the fiscal year in the net assets section as treasury stock. As for the earnings on stock in the ESOP Trust, NRI records them in the liabilities section as a suspense account to be settled. NRI 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.

Consolidated Financial Statements

Nomura Research Institute, Ltd.

*At 31st March, 2016 and for the year then ended
with Independent Auditor's Report*

Nomura Research Institute, Ltd.
Consolidated Financial Statements

31st March, 2014 (unaudited), 2015 and 2016

Contents

	Page
Independent Auditor's Report	71
Consolidated Balance Sheet	72
Consolidated Statement of Income and Comprehensive Income	74
Consolidated Statement of Changes in Net Assets	75
Consolidated Statement of Cash Flows	77
Notes to the Consolidated Financial Statements	79
[Appendix 1]	
Summary of Certain Significant Differences between Japanese and U.S. Generally Accepted Accounting Principles	128

Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 16, 2016
Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2015	2016	2016
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 3 and 13</i>)	¥ 26,469	¥ 62,139	\$ 551,758
Short-term investment securities (<i>Notes 3, 4 and 13</i>)	119,539	100,573	893,030
Accounts receivable and other receivables (<i>Notes 3 and 7</i>)	98,875	97,462	865,406
Operating loans (<i>Note 3</i>)	10,770	6,759	60,016
Margin transaction assets (<i>Note 3</i>)	16,764	10,339	91,804
Inventories	779	822	7,299
Deferred income taxes (<i>Note 11</i>)	9,145	12,141	107,805
Short-term guarantee deposits (<i>Note 3</i>)	7,755	7,528	66,844
Other current assets	8,660	9,353	83,049
Allowance for doubtful accounts	(191)	(172)	(1,527)
Total current assets	298,565	306,944	2,725,484
Property and equipment (<i>Note 8</i>):			
Land	7,448	7,446	66,116
Buildings, net	33,192	41,916	372,190
Machinery and equipment, net	12,293	16,019	142,239
Leased assets, net (<i>Note 15</i>)	12	4	36
Construction in progress	971	—	—
Property and equipment, net	53,916	65,385	580,581
Software and other intangibles	54,547	57,222	508,098
Goodwill	1,036	7,864	69,828
Investment securities (<i>Notes 3 and 4</i>)	116,481	120,398	1,069,064
Investments in affiliates (<i>Notes 3 and 4</i>)	2,159	1,959	17,395
Deferred income taxes (<i>Note 11</i>)	1,219	1,684	14,953
Long-term loans receivable (<i>Note 3</i>)	8,176	8,297	73,673
Lease investment assets	505	387	3,436
Net defined benefit asset (<i>Note 10</i>)	34,688	25,907	230,039
Other assets (<i>Note 9</i>)	22,101	25,805	229,132
Allowance for doubtful accounts	(180)	(157)	(1,394)
Total assets	¥593,213	¥621,695	\$5,520,289

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2015	2016	2016
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 3)	¥ 24,197	¥ 22,177	\$ 196,919
Current portion of bonds (Note 3)	—	15,000	133,191
Short-term loans payable (Note 3)	10,645	2,270	20,156
Current portion of long-term loans payable (Note 3)	2,148	3,230	28,681
Margin transaction liabilities (Note 3)	12,314	6,344	56,331
Lease obligations, current	254	243	2,158
Accrued expenses	22,947	24,577	218,229
Income taxes payable	2,186	14,325	127,198
Advance payments received	7,618	12,441	110,469
Short-term guarantee deposits received (Note 3)	8,676	8,708	77,322
Provision for loss on orders received	3,911	1,345	11,943
Other current liabilities	18,313	23,644	209,944
Total current liabilities	113,209	134,304	1,192,541
Bonds (Note 3)	30,000	15,000	133,191
Long-term loans payable (Note 3)	21,333	27,970	248,357
Lease obligations	290	157	1,394
Deferred income taxes (Note 11)	18,192	10,576	93,909
Net defined benefit liability (Note 10)	5,298	6,397	56,802
Asset retirement obligations	747	963	8,551
Other long-term liabilities	128	264	2,344
Reserve for financial products transaction liabilities	548	655	5,816
Total liabilities	189,745	196,286	1,742,905
Commitments and contingent liabilities (Note 22)			
Net assets (Notes 12 and 14):			
Shareholders' equity:			
Common stock:			
Authorized — 825,000 thousand shares at 31st March, 2015 and 2016			
Issued — 247,500 thousand shares at 31st March, 2015 and 2016	18,600	18,600	165,157
Additional paid-in capital	15,091	27,944	248,126
Retained earnings	352,221	378,084	3,357,166
Treasury stock, at cost:			
— 26,951 thousand shares at 31st March, 2015 and 20,334 thousand shares at 31st March, 2016	(57,457)	(48,396)	(429,728)
Total shareholders' equity	328,455	376,232	3,340,721
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	48,915	39,231	348,348
Deferred gains or losses on hedges (Note 5)	(28)	(26)	(231)
Foreign currency translation adjustment	419	(1,290)	(11,454)
Remeasurements of defined benefit plans (Note 10)	11,662	(2,597)	(23,060)
Total accumulated other comprehensive income	60,968	35,318	313,603
Share subscription rights (Note 23)	889	1,034	9,181
Non-controlling interests	13,156	12,825	113,879
Total net assets	403,468	425,409	3,777,384
Total liabilities and net assets	¥593,213	¥621,695	\$5,520,289

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Income and Comprehensive Income

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Year ended 31st March,			Year ended 31st March,
	2014	2015	2016	2016
	(Unaudited)			
Sales	¥385,932	¥405,985	¥421,439	\$3,742,133
Cost of sales (Note 16)	276,664	289,211	287,270	2,550,790
Gross profit	109,268	116,774	134,169	1,191,343
Selling, general and administrative expenses (Notes 17 and 18)	59,451	65,287	75,873	673,708
Operating profit	49,817	51,487	58,296	517,635
Other income (expenses):				
Interest and dividend income	1,923	1,399	1,948	17,297
Interest expense	(59)	(133)	(139)	(1,234)
Equity in earnings of affiliates	533	46	93	826
Insurance return	—	—	255	2,264
Bonds issuance cost	(91)	—	—	—
Loss on property and equipment (Note 19)	—	(3,231)	—	—
Gain on investment securities (Note 4)	45	9,266	2,216	19,677
Gain on bargain purchase (Note 25)	—	3,374	—	—
Gain on investments in affiliates	—	—	358	3,179
Reversal of share-based compensation (Note 23)	304	263	9	80
Loss on step acquisitions (Note 25)	—	(1,664)	—	—
Office transfer cost	—	(3,098)	(2,516)	(22,341)
Provision of reserve for financial products transaction liabilities	—	(140)	(107)	(950)
Gain on abolishment of retirement benefit plan (Note 10)	—	1,470	—	—
Gain on contribution of securities to employee retirement benefit trusts	—	—	1,345	11,943
Retirement benefit expenses (Note 10)	—	(106)	—	—
Foreign exchange gains (losses)	(12)	(159)	187	1,660
Other, net	250	302	361	3,205
	2,893	7,589	4,010	35,606
Income before income taxes	52,710	59,076	62,306	553,241
Provision for income taxes (Note 11):				
Current	18,971	11,423	18,051	160,282
Deferred	2,204	7,786	1,463	12,991
	21,175	19,209	19,514	173,273
Profit	¥ 31,535	¥ 39,867	¥ 42,792	\$ 379,968
Profit attributable to owners of parent (Note 14)	¥ 31,527	¥ 38,881	¥ 42,648	\$ 378,689
Profit attributable to non-controlling interests	8	986	144	1,279
Other comprehensive income (Note 20):				
Valuation difference on available-for-sale securities	6,092	25,218	(9,796)	(86,983)
Deferred gains or losses on hedges (Note 5)	(38)	10	2	18
Foreign currency translation adjustment	638	1,300	(1,624)	(14,420)
Remeasurements of defined benefit plans, net of tax (Note 10)	10,366	3,499	(14,487)	(128,636)
Share of other comprehensive income of affiliates	61	(188)	(85)	(755)
Total other comprehensive income	17,119	29,839	(25,990)	(230,776)
Comprehensive income	¥ 48,654	¥ 69,706	¥ 16,802	\$ 149,192
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 48,646	¥ 68,708	¥ 16,998	\$ 150,932
Comprehensive income attributable to non-controlling interests	8	998	(196)	(1,740)

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

Millions of yen					
Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2013 (unaudited)	¥18,600	¥14,800	¥303,299	¥(63,666)	¥273,033
Cumulative effect of changes in accounting policies	—	—	1,126	—	1,126
Balance as restated	18,600	14,800	304,425	(63,666)	274,159
Purchase of treasury stock	—	—	—	(0)	(0)
Disposition of treasury stock	—	—	—	3,796	3,796
Gain on disposition of treasury stock	—	203	—	—	203
Profit attributable to owners of parent	—	—	31,527	—	31,527
Cash dividends paid	—	—	(10,476)	—	(10,476)
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 1st April, 2014 (unaudited)	¥18,600	¥15,003	¥325,476	¥(59,870)	¥299,209
Cumulative effect of changes in accounting policies	—	—	—	—	—
Balance as restated	18,600	15,003	325,476	(59,870)	299,209
Purchase of treasury stock	—	—	—	(0)	(0)
Disposition of treasury stock	—	—	—	2,413	2,413
Gain on disposition of treasury stock	—	88	—	—	88
Profit attributable to owners of parent	—	—	38,881	—	38,881
Cash dividends paid	—	—	(12,136)	—	(12,136)
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 1st April, 2015	¥18,600	¥15,091	¥352,221	¥(57,457)	¥328,455
Cumulative effect of changes in accounting policies	—	—	(335)	—	(335)
Balance as restated	18,600	15,091	351,886	(57,457)	328,120
Purchase of treasury stock	—	—	—	(9,522)	(9,522)
Disposition of treasury stock	—	—	—	18,583	18,583
Gain on disposition of treasury stock	—	12,875	—	—	12,875
Profit attributable to owners of parent	—	—	42,648	—	42,648
Cash dividends paid	—	—	(16,450)	—	(16,450)
Change in equity related to transaction with non-controlling shareholders	—	(22)	—	—	(22)
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 31st March, 2016	¥18,600	¥27,944	¥378,084	¥(48,396)	¥376,232

Millions of yen								
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	Non-controlling interests	Total net assets
Balance at 1st April, 2013 (unaudited)	¥17,937	¥ —	¥(1,640)	¥ —	¥ 16,297	¥1,410	¥ 78	¥290,818
Cumulative effect of changes in accounting policies	—	—	—	(2,274)	(2,274)	—	—	(1,148)
Balance as restated	17,937	—	(1,640)	(2,274)	14,023	1,410	78	289,670
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Disposition of treasury stock	—	—	—	—	—	—	—	3,796
Gain on disposition of treasury stock	—	—	—	—	—	—	—	203
Profit attributable to owners of parent	—	—	—	—	—	—	—	31,527
Cash dividends paid	—	—	—	—	—	—	—	(10,476)
Net changes other than in shareholders' equity	6,100	(38)	672	10,384	17,118	(437)	8	16,689
Balance at 1st April, 2014 (unaudited)	¥24,037	¥(38)	¥ (968)	¥ 8,110	¥ 31,141	¥ 973	¥ 86	¥331,409
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—
Balance as restated	24,037	(38)	(968)	8,110	31,141	973	86	331,409
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Disposition of treasury stock	—	—	—	—	—	—	—	2,413
Gain on disposition of treasury stock	—	—	—	—	—	—	—	88
Profit attributable to owners of parent	—	—	—	—	—	—	—	38,881
Cash dividends paid	—	—	—	—	—	—	—	(12,136)
Net changes other than in shareholders' equity	24,878	10	1,387	3,552	29,827	(84)	13,070	42,813
Balance at 1st April, 2015	¥48,915	¥(28)	¥ 419	¥ 11,662	¥ 60,968	¥ 889	¥13,156	¥403,468
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	(335)
Balance as restated	48,915	(28)	419	11,662	60,968	889	13,156	403,133
Purchase of treasury stock	—	—	—	—	—	—	—	(9,522)
Disposition of treasury stock	—	—	—	—	—	—	—	18,583
Gain on disposition of treasury stock	—	—	—	—	—	—	—	12,875
Profit attributable to owners of parent	—	—	—	—	—	—	—	42,648
Cash dividends paid	—	—	—	—	—	—	—	(16,450)
Change in equity related to transaction with non-controlling shareholders	—	—	—	—	—	—	—	(22)
Net changes other than in shareholders' equity	(9,684)	2	(1,709)	(14,259)	(25,650)	145	(331)	(25,836)
Balance at 31st March, 2016	¥39,231	¥(26)	¥(1,290)	¥ (2,597)	¥ 35,318	¥1,034	¥12,825	¥425,409

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2015	\$165,157	\$133,999	\$3,127,518	\$(510,185)	\$2,916,489
Cumulative effect of changes in accounting policies	—	—	(2,975)	—	(2,975)
Balance as restated	165,157	133,999	3,124,543	(510,185)	2,913,514
Purchase of treasury stock	—	—	—	(84,550)	(84,550)
Disposition of treasury stock	—	—	—	165,007	165,007
Gain on disposition of treasury stock	—	114,322	—	—	114,322
Profit attributable to owners of parent	—	—	378,689	—	378,689
Cash dividends paid	—	—	(146,066)	—	(146,066)
Change in equity related to transaction with non-controlling shareholders	—	(195)	—	—	(195)
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 31st March, 2016	<u>\$165,157</u>	<u>\$248,126</u>	<u>\$3,357,166</u>	<u>\$(429,728)</u>	<u>\$3,340,721</u>

Thousands of U.S. dollars (Note 2)

	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	Non-controlling interests	Total net assets
Balance at 1st April, 2015	\$434,337	\$(249)	\$ 3,720	\$ 103,552	\$ 541,360	\$7,894	\$116,818	\$3,582,561
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	(2,975)
Balance as restated	434,337	(249)	3,720	103,552	541,360	7,894	116,818	3,579,586
Purchase of treasury stock	—	—	—	—	—	—	—	(84,550)
Disposition of treasury stock	—	—	—	—	—	—	—	165,007
Gain on disposition of treasury stock	—	—	—	—	—	—	—	114,322
Profit attributable to owners of parent	—	—	—	—	—	—	—	378,689
Cash dividends paid	—	—	—	—	—	—	—	(146,066)
Change in equity related to transaction with non-controlling shareholders	—	—	—	—	—	—	—	(195)
Net changes other than in shareholders' equity	(85,989)	18	(15,174)	(126,612)	(227,757)	1,287	(2,939)	(229,409)
Balance at 31st March, 2016	<u>\$348,348</u>	<u>\$(231)</u>	<u>\$(11,454)</u>	<u>\$ (23,060)</u>	<u>\$ 313,603</u>	<u>\$9,181</u>	<u>\$113,879</u>	<u>\$3,777,384</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2014	2015	2016	2016
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes	¥ 52,710	¥ 59,076	¥ 62,306	\$ 553,241
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	34,118	25,801	32,599	289,460
Interest and dividend income	(1,923)	(1,399)	(1,948)	(17,297)
Interest expense	59	133	139	1,234
Office transfer cost	—	3,098	2,516	22,341
Loss on property and equipment	—	3,231	—	—
Gain on investment securities	(45)	(9,266)	(2,216)	(19,677)
Gain on bargain purchase	—	(3,374)	—	—
Loss on step acquisitions	—	1,664	—	—
Gain on contribution of securities to retirement benefit trust	—	—	(1,345)	(11,943)
Gain on investments in affiliates	—	—	(358)	(3,179)
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	(22,038)	4,867	7,391	65,628
Allowance for doubtful accounts	59	(116)	(43)	(382)
Accounts payable	5,716	(2,376)	(2,537)	(22,526)
Inventories	(1,041)	510	(45)	(400)
Provision for retirement benefits	(17,568)	—	—	—
Net defined benefit asset	(5,414)	(9,728)	(10,530)	(93,500)
Net defined benefit liability	3,666	752	937	8,320
Provision for loss on orders received	2,504	828	(2,566)	(22,785)
Operating loans	—	1,532	4,011	35,615
Margin transaction assets	—	(4,963)	6,425	57,050
Short-term guarantee deposits	—	(742)	227	2,016
Margin transaction liabilities	—	7,469	(5,970)	(53,010)
Short-term guarantee deposits received	—	755	32	284
Reserve for financial products transaction liabilities	—	140	107	950
Other	(2,234)	2,501	(4,540)	(40,312)
Subtotal	48,569	80,393	84,592	751,128
Interest and dividends received	2,347	1,428	2,032	18,043
Interest paid	(86)	(150)	(142)	(1,261)
Income taxes paid	(16,990)	(22,961)	(5,011)	(44,495)
Net cash provided by operating activities	33,840	58,710	81,471	723,415
Cash flows from investing activities				
Payments for time deposits	(922)	(863)	(1,247)	(11,073)
Proceeds from time deposits	951	1,415	1,017	9,030
Purchase of short-term investment securities	—	(6,000)	(9,002)	(79,933)
Proceeds from sales and redemption of short-term investment securities	—	1,000	7,000	62,156
Acquisition of property and equipment	(11,734)	(9,673)	(19,180)	(170,307)
Proceeds from sales of property and equipment	1	4,296	22	195
Purchase of software and other intangibles	(22,620)	(22,671)	(27,864)	(247,416)
Proceeds from sales of software and other intangibles	—	4	—	—
Payments for asset retirement obligations	(0)	(106)	(25)	(222)
Purchase of investment securities	(7,474)	(10,578)	(32,097)	(285,003)
Proceeds from sales and redemption of investment securities	10,450	36,439	14,824	131,628
Purchase of investments in affiliates	(903)	(804)	(528)	(4,688)
Proceeds from sales of investments in affiliates	—	—	530	4,706
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	(8,806)	(78,192)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 13)	—	6,436	—	—
Other	17	12	11	99
Net cash used in investing activities	¥(32,234)	¥ (1,093)	¥ (75,345)	\$ (669,020)

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2014	2015	2016	2016
	(Unaudited)			
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	¥ –	¥ 426	¥ (8,578)	\$ (76,168)
Proceeds from long-term loans payable	20,000	1,000	10,200	90,570
Repayment of long-term loans payable	(2,368)	(2,853)	(2,481)	(22,030)
Proceeds from issuance of bonds	29,909	–	–	–
Redemption of convertible bonds	(49,994)	–	–	–
Repayment of obligation under finance leases	(128)	(37)	(27)	(240)
Proceeds from sales of treasury stock	4,285	3,173	36,382	323,051
Purchase of treasury stock	(0)	(0)	(9,531)	(84,630)
Cash dividends paid	(10,477)	(12,138)	(16,451)	(146,075)
Cash dividends paid to non-controlling interests	–	(206)	(188)	(1,669)
Proceeds from share issuance to non-controlling shareholders	–	98	–	–
Net cash provided by (used in) financing activities	<u>(8,773)</u>	<u>(10,537)</u>	<u>9,326</u>	<u>82,809</u>
Effect of exchange rate changes on cash and cash equivalents	336	695	(1,070)	(9,500)
Net increase (decrease) in cash and cash equivalents	<u>(6,831)</u>	<u>47,775</u>	<u>14,382</u>	<u>127,704</u>
Cash and cash equivalents at beginning of year	99,623	92,792	140,567	1,248,153
Cash and cash equivalents at end of year (Note 13)	<u>¥ 92,792</u>	<u>¥ 140,567</u>	<u>¥ 154,949</u>	<u>\$ 1,375,857</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2014 (unaudited), 2015 and 2016

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 41 consolidated subsidiaries) and its affiliates (5 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the NRI Group’s operations by segment is included in Note 24.

Basis of Presentation

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

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

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

Basis of Consolidation and Application of Equity Method

The accompanying consolidated financial statements for the years ended 31st March, 2014, 2015 and 2016 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (21, 29 and 41 for the years ended 31st March, 2014, 2015 and 2016, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., NRI Date iTech, Ltd., NRI Process Innovation, Ltd., NRI System Techno, Ltd., DSB Co., Ltd., DSB Information System Co., Ltd., Nomura Research Institute Holdings America, Inc., Brierley & Partners, Inc., Nomura Research Institute (Beijing), Ltd., and Nomura Research Institute Asia Pacific Private Limited as of 31st March, 2016.

During the year ended 31st March, 2016, the NRI Group acquired shares of Brierley & Partners, Inc., and nine other companies, and established three companies. As a result, Brierley & Partners, Inc., and twelve other companies are newly included in the scope of consolidation.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

The NRI Group's investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the NRI Group's share of such affiliates' income or loss is included in consolidated income. All affiliated companies (4, 3 and 5 for the years ended 31st March, 2014, 2015 and 2016, respectively) have been accounted for by the equity method. The major affiliated companies are Marubeni IT Solutions Inc., iVision Shanghai Co., Ltd. and Wealth Square Co., Ltd. as of 31st March, 2016.

Two companies established through a joint investment during the year ended 31st March, 2016, are newly included in the scope of application of the equity method.

Cash Equivalents

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

Investment Securities

The NRI Group held investment securities in its major shareholder, Nomura Holdings, Inc. as of 31st March, 2015. The Company's investment in Nomura Holdings, Inc. was included in "Investments in affiliates." The NRI Group sold all the shares in March, 2016 and, therefore, did not hold any investment securities in Nomura Holdings, Inc. as of 31st March, 2016.

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

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

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

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

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

Inventories

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

1. Significant Accounting Policies (continued)

Depreciation of Property and Equipment (other than leased assets)

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

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

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

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

Depreciation and Amortization of Leased Assets

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

Allowance for Doubtful Accounts

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

Provision for Loss on Orders Received

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

Reserve for Financial Products Transaction Liabilities

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

Retirement and Severance Benefits for Employees

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

1. Significant Accounting Policies (continued)

Revenue Recognition

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

Translation of Major Assets and Liabilities Denominated in Foreign Currencies

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income and comprehensive income. The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the year. Differences arising from such translation are stated as "foreign currency translation adjustment" and "non-controlling interests" in the net assets section.

Derivatives and Hedging Activities

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

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

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

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

Amortization of Goodwill

Amortization of goodwill is determined on a case by case basis using the straight-line method generally over a period not exceeding 10 years.

Appropriation of Capital Surplus and Retained Earnings

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

1. Significant Accounting Policies (continued)

Accounting Change

The NRI Group has applied “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on 13th September, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on 13th September, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on 13th September, 2013) and others from the year ended 31st March, 2016. As a result, any difference arising from changes in the Company’s ownership interest in a subsidiary when the Company retains control over the subsidiary is recognized in capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. In addition, for business combinations conducted from the beginning of the year ended 31st March, 2016, any adjustment to acquisition cost allocation arising from the finalization of provisional accounting treatment is reflected in the consolidated financial statements for the period in which the business combination occurs. Furthermore, the presentation method of net income was amended and the name “minority interests” was changed to “non-controlling interests.” To reflect these changes in presentation, certain amounts have been reclassified in the consolidated financial statements for the year ended 31st March, 2015.

For the application of these accounting standards, the NRI Group adopted the transitional provisions in paragraph 58-2 (3) of the Revised Accounting Standard for Business Combinations, paragraph 44-5 (3) of the Revised Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (3) of the Revised Accounting Standard for Business Divestitures, and the cumulative effects as of the beginning of the year ended 31st March, 2016 arising from the retrospective application of the new accounting policies were recognized as adjustments to capital surplus and retained earnings in the consolidated financial statements.

In consolidated statement of cash flows for the year ended 31st March, 2016, cash flows from acquisition or disposal of shares of subsidiaries with no change in the scope of consolidation are classified as “Cash flows from financing activities” while acquisition related costs of shares of subsidiaries with change in the scope of consolidation or costs related to acquisition or disposal of the shares of subsidiaries with no change in the scope of consolidation are classified as “Cash flows from operating activities.”

The effect of this change on the consolidated financial statements was immaterial.

Change in Presentation

(Consolidated Balance Sheet)

Goodwill, which was included in “Other assets” in the previous fiscal year, is presented separately as 31st March, 2016, due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year, have been reclassified. As a result, goodwill in the amount of ¥1,036 million included in “Other assets” on the consolidated balance sheet for the previous fiscal year has been reclassified as “Goodwill”.

1. Significant Accounting Policies (continued)

Additional Information

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

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

(1) "Trust-type Employee Stock Ownership Incentive Plan" introduced in March 2011

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

The ESOP Trust was terminated in March, 2016. The loan payable of the ESOP Trust recorded in the accompanying consolidated balance sheet was fully repaid during the fiscal year ended 31st March, 2016, and the Company did not execute its guarantee obligation. The shares of the Company held by the ESOP Trust amounting to ¥4,058 million (corresponding to 2,136 thousand shares (2,349 thousand shares, if the number of shares is reflected by a 1.1-for-1 stock split implemented on 1st October, 2015)) and the loan payable of the ESOP Trust amounting to ¥1,815 million are recorded in the accompanying consolidated balance sheet as of 31st March, 2015.

1. Significant Accounting Policies (continued)

Additional Information (continued)

- (2) “Trust-type Employee Stock Ownership Incentive Plan” introduced in March 2016

The ESOP Trust acquires the number of the Company’s shares in advance, which the ESOP Group would expect to acquire over a period of three 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 repay 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 the fiscal year in the accompanying consolidated balance sheet. The Company records the Company’s shares that the ESOP Trust owns at the end of the fiscal year at the acquisition costs of the ESOP Trust in the net assets section as treasury stock. The Company records the earnings on stock in the ESOP Trust in the liabilities section as a suspense account to be settled. The Company records the losses on stock in the ESOP Trust in the assets section as a suspense account to be settled and also a provision when it is expected that the outstanding loans used to purchase shares will remain unsettled at the termination of the ESOP Trust.

The shares of the Company held by the ESOP Trust amounting to ¥9,431 million (\$83,742 thousand) (corresponding to 2,406 thousand shares) and the loan payable of the ESOP Trust amounting to ¥10,200 million (\$90,570 thousand) are recorded in the accompanying consolidated balance sheet as of 31st March, 2016.

Early Application of “Revised Implementation Guidance on Recoverability of Deferred Tax Assets”

On 28th March, 2016, the ASBJ issued “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26) and the NRI Group has applied this Implementation Guidance from the year ended 31st March, 2016.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥112.62 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2016. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Financial Instruments

1) Qualitative information

(a) Policy for financial instruments

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

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

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

3. Financial Instruments (continued)

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

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

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2015 and 2016 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, 2015			31st March, 2016		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥ 26,469	¥ 26,469	¥ –	¥ 62,139	¥ 62,139	¥ –
Accounts receivable and other receivables	98,875	98,875	–	97,462	97,462	–
Short-term investment securities, investment securities, and investments in affiliates	233,733	233,733	–	217,941	217,941	–
Operating loans	10,770			6,759		
Allowance for doubtful accounts *1	(14)			(13)		
Net operating loans	10,756	10,756	–	6,746	6,746	–
Margin transaction assets	16,764	16,764	–	10,339	10,339	–
Short-term guarantee deposits	7,755	7,755	–	7,528	7,528	–
Long-term loans receivable	8,176	8,395	219	8,297	8,409	112
Total	¥402,528	¥402,747	¥219	¥410,452	¥410,564	¥112
Liabilities:						
Accounts payable	¥ 24,197	¥ 24,197	¥ –	¥ 22,177	¥ 22,177	¥ –
Short-term loans payable	10,645	10,645	–	2,270	2,270	–
Margin transaction liabilities	12,314	12,314	–	6,344	6,344	–
Short-term guarantee deposits received	8,676	8,676	–	8,708	8,708	–
Bonds *2	30,000	30,104	104	30,000	30,116	116
Long-term loans payable *3	23,481	23,485	4	31,200	31,208	8
Total	¥109,313	¥109,421	¥108	¥100,699	¥100,823	¥124
Derivative transactions *4	¥ (29)	¥ (29)	¥ –	¥ (42)	¥ (42)	¥ –

<i>Thousands of U.S. dollars</i>			
31st March, 2016			
	Carrying amount	Estimated fair value	Difference
Assets:			
Cash and bank deposits	\$ 551,758	\$ 551,758	\$ –
Accounts receivable and other receivables	865,406	865,406	–
Short-term investment securities, investment securities, and investments in affiliates	1,935,189	1,935,189	–
Operating loans	60,016		
Allowance for doubtful accounts *1	(115)		
Net operating loans	59,901	59,901	–
Margin transaction assets	91,804	91,804	–
Short-term guarantee deposits	66,844	66,844	–
Long-term loans receivable	73,673	74,667	994
Total	\$3,644,575	\$3,645,569	\$ 994
Liabilities:			
Accounts payable	\$ 196,919	\$ 196,919	\$ –
Short-term loans payable	20,156	20,156	–
Margin transaction liabilities	56,331	56,331	–
Short-term guarantee deposits received	77,322	77,322	–
Bonds *2	266,383	267,413	1,030
Long-term loans payable *3	277,038	277,109	71
Total	\$ 894,149	\$ 895,250	\$1,101
Derivative transactions *4	\$ (373)	\$ (373)	\$ –

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

- *1 The allowance for doubtful accounts for operating loans is determined on an individual basis.
- *2 Bonds included the current portion of bonds totaling ¥15,000 million (\$133,191 thousand) as of 31st March, 2016.
- *3 Long-term loans payable included the current portion of long-term loans payable totaling ¥2,148 million and ¥3,230 million (\$28,681 thousand) as of 31st March, 2015 and 2016, respectively.
- *4 Receivables and payables arising from derivative transactions are offset and presented as a net amount with liabilities shown in parentheses.

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

Assets

- a. Cash and bank deposits and short-term guarantee deposits
Their carrying amount approximates the fair value due to the short maturity of these instruments.
- b. Accounts receivable and other receivables
Their carrying amount approximates the fair value due to the generally short maturities of these instruments. For those receivables due after one year, the present value is further discounted by the rate corresponding to the credit risk and the amount is presented in the consolidated balance sheet, therefore, the carrying amount approximates fair value.
- c. Short-term investment securities, investment securities and investments in affiliates
The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities. The fair value of investment trusts is based on publicly available net asset values.
- d. Operating loans and margin transaction assets
The fair value of these instruments, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates over a short term unless the credit conditions of the counterparty change significantly after disbursement. With regard to potentially doubtful receivables, the amount of the allowance for doubtful receivables is determined based on the estimated amount collectible under collateral agreements, and their fair value approximates the carrying amount less the estimated allowance for doubtful accounts on the consolidated balance sheet.
- e. Long-term loans receivable
Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by the risk free rate corresponding to the time remaining until maturity.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

Liabilities

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

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

- b. Bonds

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

- c. Long-term loans payable

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

Derivative transactions

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

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Unlisted companies' shares *1	¥4,165	¥4,583	\$40,694
Investments in partnerships *2	281	406	3,605

*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 ¥1,453 million and ¥1,959 million (\$17,395 thousand) as of 31st March, 2015 and 2016, respectively.

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2015 and 2016

	<i>Millions of yen</i>					
	31st March, 2015			31st March, 2016		
	Due within one year	Due after one year through five years	Due after five years	Due within one year	Due after one year through five years	Due after five years
Cash and bank deposits	¥ 26,469	¥ –	¥ –	¥ 62,139	¥ –	¥ –
Accounts receivable	61,214	1,069	–	64,212	664	–
Investment securities:						
Available-for-sale						
securities with maturities:						
Government bonds	10,000	1	–	–	6,001	5
Corporate bonds	6,500	11,500	–	23,700	20,500	–
Others	500	–	–	–	–	–
Operating loans	10,770	–	–	6,759	–	–
Margin transaction assets	16,763	–	–	10,339	–	–
Short-term guarantee deposits	7,755	–	–	7,528	–	–
Long-term loans receivable	–	8,400	–	8,400	–	–
	<u>¥139,971</u>	<u>¥20,970</u>	<u>¥ –</u>	<u>¥183,077</u>	<u>¥27,165</u>	<u>¥ 5</u>

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

	<i>Thousands of U.S. dollars</i>		
	31st March, 2016		
	Due within one year	Due after one year through five years	Due after five years
Cash and bank deposits	\$ 551,758	\$ –	\$ –
Accounts receivable	570,166	5,896	–
Investment securities:			
Available-for-sale			
securities with maturities:			
Government bonds	–	53,285	44
Corporate bonds	210,442	182,028	–
Others	–	–	–
Operating loans	60,016	–	–
Margin transaction assets	91,804	–	–
Short-term guarantee deposits	66,844	–	–
Long-term loans receivable	74,587	–	–
	<u>\$1,625,617</u>	<u>\$241,209</u>	<u>\$44</u>

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 4: Repayment schedule for bonds and long-term loans payable at 31st March, 2015 and 2016

<i>Millions of yen</i>						
31st March, 2015						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥ –	¥15,000	¥ –	¥15,000	¥ –	¥ –
Long-term loans payable	2,148	333	500	20,500	–	–
	<u>¥2,148</u>	<u>¥15,333</u>	<u>¥500</u>	<u>¥35,500</u>	<u>¥ –</u>	<u>¥ –</u>
<i>Millions of yen</i>						
31st March, 2016						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥15,000	¥ –	¥15,000	¥ –	¥ –	¥ –
Long-term loans payable *	3,230	3,825	24,144	–	–	–
	<u>¥18,230</u>	<u>¥3,825</u>	<u>¥39,144</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
<i>Thousands of U.S. dollars</i>						
31st March, 2016						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	\$133,191	\$ –	\$133,191	\$ –	\$ –	\$ –
Long-term loans payable *	28,681	33,964	214,385	–	–	–
	<u>\$161,872</u>	<u>\$33,964</u>	<u>\$347,576</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

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

4. Investments

The NRI Group did not hold any held-to-maturity securities with determinable market value at 31st March, 2015 and 2016.

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, 2015 and 2016:

Securities Classified as Available-for-Sale Securities

<i>Millions of yen</i>						
	31st March, 2015			31st March, 2016		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 23,107	¥ 93,882	¥70,775	¥ 21,608	¥ 76,653	¥55,045
Bonds:						
Government bonds	10,008	10,010	2	6,013	6,027	14
Corporate bonds	18,527	18,507	(20)	44,297	44,300	3
	28,535	28,517	(18)	50,310	50,327	17
Other	114,302	114,327	25	93,960	93,991	31
Total	<u>¥165,944</u>	<u>¥236,726</u>	<u>¥70,782</u>	<u>¥165,878</u>	<u>¥220,971</u>	<u>¥55,093</u>

<i>Thousands of U.S. dollars</i>			
	31st March, 2016		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 191,866	\$ 680,634	\$488,768
Bonds:			
Government bonds	53,392	53,516	124
Corporate bonds	393,332	393,358	26
	446,724	446,874	150
Other	834,310	834,586	276
Total	<u>\$1,472,900</u>	<u>\$1,962,094</u>	<u>\$489,194</u>

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the years ended 31st March, 2015 and 2016 amounted to ¥94 million and ¥104 million (\$923 thousand), respectively. The NRI Group has established a policy for the recognition of impairment losses under the following conditions:

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

4. Investments (continued)

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

Proceeds from sales of available-for-sale securities during the years ended 31st March, 2014, 2015 and 2016 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Proceeds	¥67	¥11,077	¥5,739	\$50,959
Gross gain	46	9,458	3,980	35,340
Gross loss	—	(86)	(0)	(0)

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

Contributions of securities to employee retirement benefit trusts in the amount of ¥1,730 million (\$15,361 thousand) and gain on contribution of securities to employee retirement benefit trusts of ¥1,345 million (\$11,943 thousand) were included in “Proceeds” and “Gross gain” in the above table, respectively, for the year ended 31st March, 2016.

5. Derivative Transactions and Hedging Activities

There were no derivative transactions to which hedge accounting was not applied during the years ended 31st March, 2015 and 2016.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2015 and 2016, the contract amounts and estimated fair values of the hedging instruments are as follows.

	Millions of yen					
	31st March,					
	2015			2016		
	Contract amount			Contract amount		
	Total	Settled over one year	Estimated fair value *1	Total	Settled over one year	Estimated fair value *1
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: CNY (Sell: JPY)	¥ 991	¥ 72	¥ 12	¥ 1,139	¥ 90	¥(13)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: USD (Sell: JPY)	—	—	—	42	—	(2)
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method:						
Sell: USD (Buy: INR)	—	—	—	153	—	0
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:						
Fixed rate receipt, fixed rate payment *2	¥30,000	¥30,000	¥(41)	¥30,000	¥15,000	¥(27)
	Thousands of U.S. dollars					
	31st March, 2016					
	Contract amount					
	Total	Settled over one year	Estimated fair value *1			
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: CNY (Sell: JPY)	\$ 10,114	\$ 799	\$(115)			
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: USD (Sell: JPY)	373	—	(18)			
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method:						
Sell: USD (Buy: INR)	1,359	—	0			
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:						
Fixed rate receipt, fixed rate payment *2	\$266,383	\$133,191	\$(240)			

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

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

6. Assets Pledged as Collateral

As of 31st March, 2015, investment securities of ¥178 million and ¥806 million were pledged as long-term guarantee deposits to the stock exchanges and as clearing funds to the Japan Securities Clearing Corporation, respectively. As of 31st March, 2016 investment securities of ¥120 million (\$1,066 thousand) and ¥469 million (\$4,164 thousand) were pledged as long-term guarantee deposits to the stock exchanges and as clearing funds to the Japan Securities Clearing Corporation, respectively.

7. Accounts Receivable and Other Receivables

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥36,592 million and ¥32,585 million (\$289,336 thousand) at 31st March, 2015 and 2016, respectively.

8. Property and Equipment

Property and equipment at 31st March, 2015 and 2016 is summarized as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Useful Life	31st March,		31st March,
		2015	2016	2016
Land		¥ 7,448	¥ 7,446	\$ 66,116
Buildings	5 – 65	67,293	79,015	701,607
Machinery and equipment	2 – 20	52,088	54,274	481,922
Leased assets		117	115	1,021
Construction in progress		971	–	–
Accumulated depreciation		(74,001)	(75,465)	(670,085)
Property and equipment, net		<u>¥ 53,916</u>	<u>¥ 65,385</u>	<u>\$ 580,581</u>

9. Other Assets

Other assets at 31st March, 2015 and 2016 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Lease deposits	¥13,026	¥16,635	\$147,709
Other	9,075	9,170	81,423
Other assets	<u>¥22,101</u>	<u>¥25,805</u>	<u>\$229,132</u>

“Other” includes golf club memberships.

10. Retirement and Severance Benefits

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

The changes in defined benefit obligations for the defined benefit plans for the years ended 31st March, 2015 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Balance at the beginning of the year	¥ 92,735	¥103,861	\$ 922,225
Service cost	5,641	6,158	54,679
Interest cost	1,438	1,266	11,241
Actuarial gain and loss	6,893	19,233	170,778
Benefits paid	(1,890)	(1,654)	(14,687)
Prior service cost	—	(1,989)	(17,661)
Changes due to business combination	1,657	—	—
Changes due to dissolution of employees' pension fund trusts	(2,971)	—	—
Changes due to shift from the simplified method to principle method	106	—	—
Other	252	245	2,177
Balance at the end of the year	¥103,861	¥127,120	\$1,128,752

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

The changes in plan assets for the defined benefit plans for the years ended 31st March, 2015 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Balance at the beginning of the year	¥108,497	¥133,251	\$1,183,191
Expected return on plan assets	1,574	1,955	17,359
Actuarial gain and loss	12,286	(2,546)	(22,607)
Contributions	13,102	13,433	119,278
Benefits paid	(1,238)	(1,192)	(10,584)
Contributions to set up employee retirement benefit trust	—	1,730	15,361
Changes due to business combination	422	—	—
Changes due to dissolution of employees' pension fund trusts	(1,392)	—	—
Balance at the end of the year	¥133,251	¥146,631	\$1,301,998

10. Retirement and Severance Benefits (continued)

The reconciliation of defined benefit obligations and plan assets for the defined benefit plans to net defined benefit asset and net defined benefit liability recognized in the consolidated balance sheet as of 31st March, 2015 and 2016 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Funded defined benefit obligations	¥ 101,548	¥ 124,422	\$ 1,104,795
Plan assets	(133,251)	(146,631)	(1,301,998)
Subtotal	(31,703)	(22,209)	(197,203)
Unfunded defined benefit obligations	2,313	2,699	23,966
Net amount of liabilities and assets recognized in the consolidated balance sheet	(29,390)	(19,510)	(173,237)
Net defined benefit liability	5,298	6,397	56,802
Net defined benefit asset	(34,688)	(25,907)	(230,039)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (29,390)	¥ (19,510)	\$ (173,237)

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

The components of retirement benefit expenses for the years ended 31st March, 2014, 2015 and 2016 for the defined benefit plans are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Service cost	¥5,560	¥ 5,641	¥ 6,158	\$ 54,679
Interest cost	1,278	1,438	1,266	11,241
Expected return on plan assets	(915)	(1,574)	(1,955)	(17,359)
Recognized actuarial gain and loss	196	(788)	(1,153)	(10,238)
Recognized prior service cost	(195)	(195)	(261)	(2,318)
Gain on dissolution of employees' pension fund trusts	—	(1,470)	—	—
Loss on shift from simplified method to principle method	—	106	—	—
Other	2	123	135	1,200
Total	¥5,926	¥ 3,281	¥ 4,190	\$ 37,205

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

10. Retirement and Severance Benefits (continued)

Actuarial gain and loss and prior service cost (before tax) recognized in remeasurements of defined benefit plans, net of tax, in other comprehensive income for the years ended 31st March, 2014, 2015 and 2016 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Actuarial gain and loss	¥16,296	¥4,714	¥(22,931)	\$(203,614)
Prior service cost	(195)	(195)	1,728	15,344
Total	¥16,101	¥4,519	¥(21,203)	\$(188,270)

Unrecognized actuarial gain and loss and unrecognized prior service cost (before tax) recognized in remeasurements of defined benefit plans in accumulated other comprehensive income as of 31st March, 2015 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Unrecognized actuarial gain and loss	¥15,566	¥(7,365)	\$(65,397)
Unrecognized prior service cost	1,558	3,286	29,178
Total	¥17,124	¥(4,079)	\$(36,219)

The breakdown of plan assets by major category as of 31st March, 2015 and 2016 is as follows:

	31st March,	
	2015	2016
Equity securities	19.1%	19.3%
Debt securities	59.5%	60.5%
Short-term financial assets	9.6%	7.4%
Other	11.8%	12.8%
Total	100.0%	100.0%

With respect to the above total, 19.8% and 19.0% of plan assets were held in employee retirement benefit trusts set up for defined benefit pension plans and defined benefit lump-sum payment plans as of 31st March, 2015 and 2016, respectively.

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

10. Retirement and Severance Benefits (continued)

Actuarial assumptions for defined benefit plans as of 31st March, 2015 and 2016 are as follows:

	31st March,		
	2014	2015	2016
Discount rates at the end of the year	1.6%	1.2%	0.5%
Expected long-term rate of return on plan assets	1.5	1.5	1.5

Weighted-average rates are used in the above table.

The required contributions for defined contribution pension plans of the NRI Group were ¥1,921 million and ¥2,241 million (\$19,899 thousand) for the years ended 31st March, 2015 and 2016, respectively.

11. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	31st March,		31st March,
	2015	2016	2016
Deferred income tax assets:			
Net defined benefit liability	¥ 8,625	¥ 8,629	\$ 76,620
Depreciation	6,564	6,038	53,614
Accrued bonuses	5,358	5,282	46,901
Loss on valuation of investment securities	2,377	2,425	21,533
Net operating loss carryforwards	3,237	3,210	28,503
Cash distribution of ESOP Trust	—	2,390	21,222
Other	5,854	6,524	57,929
Deferred income tax assets – subtotal:	32,015	34,498	306,322
Valuation allowance	(6,032)	(6,456)	(57,325)
Deferred income tax assets – total:	25,983	28,042	248,997
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	(21,992)	(16,101)	(142,968)
Special tax-purpose reserve	(348)	(368)	(3,268)
Reserve for special depreciation	(105)	(82)	(728)
Undistributed earnings of foreign subsidiaries	(117)	(177)	(1,572)
Net defined benefit asset	(11,180)	(7,928)	(70,396)
Other	(69)	(137)	(1,216)
Deferred income tax liabilities – total:	(33,811)	(24,793)	(220,148)
Deferred income tax assets (liabilities), net	¥ (7,828)	¥ 3,249	\$ 28,849

Income taxes applicable to the NRI Group consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 38.0%, 35.6% and 33.0% for the years ended 31st March, 2014, 2015 and 2016, respectively.

11. Income Taxes (continued)

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statement of income and comprehensive income for the years ended 31st March, 2014, 2015 and 2016 are as follows:

	31st March,		
	2014	2015	2016
Statutory income tax rate	38.0%	35.6%	33.0%
Reconciliation:			
Non-deductible permanent differences, such as entertainment expenses	0.6	0.6	0.5
Non-taxable permanent differences, such as dividend income	(0.6)	(3.4)	(0.2)
Decrease in deferred income tax assets due to tax rate changes	2.4	2.9	1.8
Special tax credit	–	(1.0)	(1.2)
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	(0.3)	(0.1)	0.4
Utilization of net operating loss carryforwards	–	(1.2)	0.7
Amortization of goodwill	–	0.1	0.4
Gain on bargain purchase	–	(2.0)	–
Loss on step acquisitions	–	1.0	–
Cash distribution of ESOP Trust	–	–	(4.1)
Others, net	0.1	0.1	(0.1)
Effective income tax rate after deferred tax effect	40.2%	32.5%	31.3%

On 29th March, 2016, the “Act to Partially Revise the Income Tax Act and Others” (Act No. 15 of 2016) and the “Act to Partially Revise the Local Tax Act and Others” (Act No. 13 of 2016) were enacted by the Japanese Diet. As a result, the corporate income tax rate and others will be reduced effective the fiscal year beginning 1st April, 2016.

In response to the revision, the applicable statutory tax rates used to calculate deferred income tax assets and liabilities expected to reverse in the fiscal year beginning on 1st April, 2016, in the fiscal year beginning on 1st April, 2017 and in the fiscal year beginning 1st April, 2018 have been reduced to 30.8%, 30.8% and 30.6%, respectively, from the current 32.2%.

Consequently, as of 31st March, 2016, deferred tax assets (net of deferred tax liabilities) decreased by ¥353 million (\$3,134 thousand), while income taxes-deferred and valuation difference on available-for-sale securities increased by ¥1,137 million (\$10,096 thousand) and ¥842 million (\$7,476 thousand), respectively. In addition, deferred losses on hedges and remeasurements of defined benefit plans decreased by ¥0 million (\$0 thousand) and ¥57 million (\$506 thousand), respectively.

Furthermore, the net operating loss carryforwards system has been revised. The limit of the deduction from taxable income applicable to losses carried forward will be an amount equivalent to 60% of income before losses carried forward effective from the fiscal year beginning on 1st April, 2016, and 55% effective from the fiscal year beginning on 1st April, 2017, and 50% effective from the fiscal year beginning on 1st April, 2018.

The effect of this revision on the consolidated financial statements was immaterial for the fiscal year ended 31st March, 2016.

12. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥570 million (\$5,061 thousand) at 31st March, 2015 and 2016, respectively.

Shares Issued and Treasury Stock

The total number and periodic changes in the number of shares issued and treasury stock for the years ended 31st March, 2015 and 2016 are summarized as follows:

	<i>Thousands of shares</i>	
	Shares issued*1	Treasury stock *2 and 3
Number of shares at 31st March, 2014	225,000	25,651
Increase in number of shares	—	0
Decrease in number of shares	—	1,150
Number of shares at 31st March, 2015	225,000	24,501
Increase in number of shares	22,500	4,245
Decrease in number of shares	—	8,412
Number of shares at 31st March, 2016	<u>247,500</u>	<u>20,334</u>

*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and the number of shares issued increased due to this stock split.

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

The number of treasury stock increased by 1,820 thousand due to the stock split effective 1st October, 2015, increased by 0 thousand due to the purchases of odd-lot shares associated with the stock split, increased by 20 thousand due to the purchase of odd-lot shares and increased by 2,406 thousand due to the acquisition of the Company's shares by ESOP Trust for the year ended 31st March, 2016. The number of treasury stock decreased by 5,618 thousand due to disposal of treasury stock by a third-party allotment, decreased by 474 thousand due to the exercise of stock options, decreased by 650 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group, decreased by 1,670 thousand due to the sale by the ESOP trust in the market and decreased by 0 thousand due to the sale of odd-lot shares by the ESOP trust for the year ended 31st March, 2016.

*3 Treasury stock included 2,136 thousand and 2,406 thousand common shares of the Company owned by the ESOP Trust as of 31st March, 2015 and 2016, respectively.

Share subscription rights recorded in the accompanying consolidated balance sheet at 31st March, 2015 and 2016 relate to the Company's stock option plans described in Note 23.

12. Net Assets (continued)

Dividends

1) Dividends paid

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

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

*2 Dividends of ¥74 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2016							
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Meeting of the Board of Directors on 14th May, 2015 *1	Common Stock	¥8,105	\$71,968	¥40.00	\$0.36	31st March, 2015	1st June, 2015
Meeting of the Board of Directors on 23rd October, 2015 *2	Common Stock	¥8,346	\$74,108	¥40.00	\$0.36	30th September, 2015	30th November, 2015

*1 Dividends of ¥85 million (\$755 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥74 million (\$657 thousand) paid to the ESOP Trust are included in the total dividends amount.

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

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

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

31st March, 2016								
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 13th May, 2016 *	Common Stock	¥9,183	\$81,540	¥40.00	\$0.36	31st March, 2016	30th May, 2016	Retained earnings

* Dividends of ¥96 million (\$852 thousand) paid to the ESOP Trust are included in the total dividends amount.

13. Supplementary Cash Flow Information

Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows at 31st March, 2015 and 2016 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Cash and bank deposits	¥ 26,469	¥ 62,139	\$ 551,758
Short-term investment securities	119,539	100,573	893,030
Time deposits with maturities of more than three months when deposited	(440)	(762)	(6,766)
Bond and other investments maturing in more than three months from the acquisition date	(5,001)	(7,001)	(62,165)
Cash and cash equivalents	<u>¥140,567</u>	<u>¥154,949</u>	<u>\$1,375,857</u>

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

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

	<i>Millions of yen</i>
	31st March, 2015
Current assets	¥ 41,655
Fixed assets	12,386
Current liabilities	(26,234)
Fixed liabilities	(2,874)
Non-controlling interests	(12,171)
Gain on bargain purchase	(3,374)
Loss on step acquisitions	1,664
Other	581
Consolidated book value before the acquisition of additional shares	<u>(9,770)</u>
Acquisition cost of additional shares	1,863
Cash and cash equivalents	<u>(8,299)</u>
Net: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	<u>¥ 6,436</u>

13. Supplementary Cash Flow Information (continued)

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

The following is the summary of assets acquired and liabilities assumed on the date of acquisition of Brierley & Partners, Inc. and nine other companies following the acquisition of those shares, related acquisition cost and net payments during the year ended 31st March, 2016:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2016	31st March, 2016
Current assets	¥ 7,001	\$ 62,164
Fixed assets	1,081	9,599
Goodwill	8,185	72,678
Current liabilities	(4,303)	(38,208)
Fixed liabilities	(514)	(4,564)
Gain on bargain purchase	(17)	(151)
Acquisition cost of shares	11,433	101,518
Cash and cash equivalents	(2,627)	(23,326)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	<u>¥ (8,806)</u>	<u>\$ (78,192)</u>

14. Per Share Data

Earnings per share for the years ended 31st March, 2014, 2015 and 2016 and net assets per share at 31st March, 2015 and 2016 are summarized as follows: *1 and 2

	<i>Yen</i>			<i>U.S. dollars</i>
	2014	2015	2016	31st March, 2016
Earnings per share	¥158.75	¥176.79	¥188.57	\$1.67
Diluted earnings per share	149.46	176.36	188.04	1.67

	<i>Yen</i>		<i>U.S. dollars</i>
	2015	2016	31st March, 2016
Net assets per share	¥1,765.70	¥1,811.67	\$16.09

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

*2 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and earnings per share, diluted earnings per share and net assets per share are calculated as if the stock split took place on 1st April, 2014.

14. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2014, 2015 and 2016 is as follows: *1

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Numerator:				
Earnings *2	¥31,527	¥38,881	¥42,648	\$378,689
Earnings not attributable to common shareholders	(-)	(-)	(-)	(-)
Earnings attributable to common shareholders	<u>¥31,527</u>	<u>¥38,881</u>	<u>¥42,648</u>	<u>\$378,689</u>
	<i>Thousands of shares</i>			
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *3	198,594	219,927	226,174	
Potentially dilutive shares of common stock:				
Convertible bonds	11,742	–	–	
Stock options	597	542	637	
Total	<u>12,339</u>	<u>542</u>	<u>637</u>	
Weighted-average number of shares of common stock outstanding – diluted	<u>210,933</u>	<u>220,469</u>	<u>226,811</u>	

*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015. To reflect this stock split, earnings per share and diluted earnings per share are calculated as if the stock split took place on 1st April, 2014.

*2 In computing diluted earnings per share for the year ended 31st March, 2016, an adjustment due to potentially dilutive shares of affiliates in the amount of ¥(0) million (\$(0) thousand) has been made to earnings in the above table.

*3 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 3,319 thousand, 2,700 thousand and 2,025 thousand during the years ended 31st March, 2014, 2015 and 2016, respectively.

14. 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 years ended 31st March, 2014, 2015 and 2016: *1

	<i>Shares</i>		
	31st March,		
	2014	2015	2016
a) 6th share subscription rights	0 ^{*2}	—	—
b) 8th share subscription rights	255,000	0 ^{*3}	—
c) 20th share subscription rights	385,000	423,500	—
d) 22nd share subscription rights	—	445,500	—
e) 24th share subscription rights	—	—	486,750

*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015. To reflect this stock split, The potentially issuable shares of common stock are calculated as if the stock split took place on 1st April, 2014.

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

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

The computation of net assets per share at 31st March, 2015 and 2016 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Numerator:			
Net assets	¥403,468	¥425,409	\$3,777,384
Share subscription rights	(889)	(1,034)	(9,181)
Non-controlling interests	(13,156)	(12,825)	(113,879)
Net assets attributable to common stock	¥389,423	¥411,550	\$3,654,324
	<i>Thousands of shares</i>		
Denominator:			
Number of shares of common stock outstanding *	220,549	227,166	

* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 2,349 thousand and 2,406 thousand shares of the Company as of 31st March, 2015 and 2016, respectively.

15. Leases

1) As lessee

Future minimum lease payments for noncancelable operating leases at 31st March, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Future minimum lease payments:			
Due within one year	¥ 4,732	¥ 5,854	\$ 51,980
Thereafter	11,176	31,928	283,502
Total	<u>¥15,908</u>	<u>¥37,782</u>	<u>\$335,482</u>

2) As lessor

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Future minimum lease payments to be received:			
Due within one year	¥ 964	¥ 3	\$27
Thereafter	1,828	—	—
Total	<u>¥2,792</u>	<u>¥ 3</u>	<u>\$27</u>

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

Provision for (reversal of) loss on orders received included in cost of sales amounted to ¥2,504 million, ¥828 million and ¥(2,566) million (\$ (22,785) thousand) for the years ended 31st March, 2014, 2015 and 2016, respectively.

17. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2014, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Personnel expenses	¥32,034	¥35,372	¥39,517	\$350,888
Rent	4,685	4,875	5,371	47,691
Subcontractor costs	9,640	11,170	14,246	126,496
Other	13,092	13,870	16,739	148,633
Total	<u>¥59,451</u>	<u>¥65,287</u>	<u>¥75,873</u>	<u>\$673,708</u>

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥3,903 million, ¥4,223 million and ¥5,111 million (\$45,383 thousand) for the years ended 31st March, 2014, 2015 and 2016, respectively.

19. Loss on Property and Equipment

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

20. Consolidated Statement of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2014, 2015 and 2016 are summarized as follows.

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Valuation difference on available-for-sale securities				
Amount arising during the year	¥ 9,415	¥ 35,626	¥(11,717)	\$(104,040)
Reclassification adjustments	(11)	(21)	(3,973)	(35,278)
Valuation difference on available-for-sale securities	9,404	35,605	(15,690)	(139,318)
Deferred gains or losses on hedges				
Amount arising during the year	(58)	88	(23)	(205)
Reclassification adjustments	—	(72)	29	258
Deferred gains or losses on hedges	(58)	16	6	53
Foreign currency translation adjustment				
Amount arising during the year	638	1,300	(1,624)	(14,420)
Foreign currency translation adjustment	638	1,300	(1,624)	(14,420)
Remeasurements of defined benefit plans				
Amount arising during the year	16,013	5,441	(19,856)	(176,309)
Reclassification adjustments	87	(921)	(1,347)	(11,961)
Remeasurements of defined benefit plans	16,100	4,520	(21,203)	(188,270)
Share of other comprehensive income of affiliates accounted for using the equity method				
Amount arising during the year	14	86	(85)	(755)
Reclassification adjustments	47	(274)	—	—
Share of other comprehensive income of affiliates accounted for using the equity method	61	(188)	(85)	(755)
Total other comprehensive income before tax effect adjustment	26,145	41,253	(38,596)	(342,710)
Tax effect	(9,026)	(11,414)	12,606	111,934
Total other comprehensive income	¥17,119	¥ 29,839	¥(25,990)	\$(230,776)

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

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2014, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Valuation difference on available-for-sale securities				
Before-tax amount	¥ 9,404	¥ 35,605	¥(15,690)	\$(139,318)
Tax benefit (expense)	(3,312)	(10,387)	5,894	52,335
Net-of-tax amount	6,092	25,218	(9,796)	(86,983)
Deferred gains or losses on hedges				
Before-tax amount	(58)	16	6	53
Tax benefit (expense)	20	(6)	(4)	(35)
Net-of-tax amount	(38)	10	2	18
Foreign currency translation adjustment				
Before-tax amount	638	1,300	(1,624)	(14,420)
Tax benefit (expense)	—	—	—	—
Net-of-tax amount	638	1,300	(1,624)	(14,420)
Remeasurements of defined benefit plans				
Before-tax amount	16,100	4,520	(21,203)	(188,270)
Tax benefit (expense)	(5,734)	(1,021)	6,716	59,634
Net-of-tax amount	10,366	3,499	(14,487)	(128,636)
Share of other comprehensive income of affiliates accounted for using the equity method				
Before-tax amount	61	(188)	(85)	(755)
Tax benefit (expense)	—	—	—	—
Net-of-tax amount	61	(188)	(85)	(755)
Total other comprehensive income				
Before-tax amount	26,145	41,253	(38,596)	(342,710)
Tax benefit (expense)	(9,026)	(11,414)	12,606	111,934
Net-of-tax amount	¥17,119	¥ 29,839	¥(25,990)	\$(230,776)

21. Related Party Transactions

Related party transactions for the years ended 31st March, 2014, 2015 and 2016 and the respective balances at 31st March, 2015 and 2016 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of U.S. dollars
		31st March,			31st March,
		2014	2015	2016	2016
a) Major shareholder: Nomura Holdings, Inc.	Sales *1	¥58,051	¥ 56,912	¥ 48,571	\$ 431,282
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Loan for margin transactions *2	—	49,066	41,183	365,681
	Cash receipt for lending securities on margin transactions *2	—	400,956	446,031	3,960,495

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of U.S. dollars
		31st March,		31st March,
		2015	2016	2016
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥7,606	¥6,802	\$60,398
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Margin transaction assets *2	1,904	1,261	11,197
	Margin transaction liabilities *2	9,449	5,477	48,633

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

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

22. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2015 and 2016.

23. Stock Option Plans

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

1) The Company

Expenses recorded in connection with stock options during the years ended 31st March, 2014, 2015 and 2016 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Cost of sales	¥240	¥273	¥354	\$3,143
Selling, general and administrative expenses	225	264	338	3,001
Total	¥465	¥537	¥692	\$6,144

For the years ended 31st March, 2014, 2015 and 2016, the Company recognized reversal of share-based compensation as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Reversal of share-based compensation	¥304	¥263	¥9	\$80

A description of each stock option plan as of 31st March, 2016 is summarized as follows:

	10th stock option plan	12th stock option plan	14th stock option plan
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its subsidiaries	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	39 directors or managing officers of the Company, and 8 directors of its subsidiaries
Number of shares reserved	417,500	484,000	489,500
Grant date	8th July, 2008	15th July, 2009	18th August, 2010
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013
Service period	From 1st July, 2008 to 30th June, 2011	From 1st July, 2009 to 30th June, 2012	From 1st July, 2010 to 30th June, 2013
Exercisable period	1st July, 2011 to 30th June, 2015	1st July, 2012 to 30th June, 2016	1st July, 2013 to 30th June, 2017

23. Stock Option Plans (continued)

1) The Company (continued)

	16th stock option plan	18th stock option plan	20th stock option plan
Grantee categories and numbers of grantees	37 directors or managing officers of the Company, and 5 directors of its subsidiaries	35 directors or managing officers of the Company, and 6 directors of its subsidiaries	35 directors or managing officers of the Company, and 5 directors of its subsidiaries
Number of shares reserved	431,750	423,500	423,500
Grant date	11th July, 2011	13th July, 2012	12th July, 2013
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016
Service period	From 1st July, 2011 to 30th June, 2014	From 1st July, 2012 to 30th June, 2015	From 1st July, 2013 to 30th June, 2016
Exercisable period	1st July, 2014 to 30th June, 2018	1st July, 2015 to 30th June, 2019	1st July, 2016 to 30th June, 2020
	21st stock option plan	22nd stock option plan	23rd stock option plan
Grantee categories and numbers of grantees	36 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries	38 directors or managing officers of the Company, and 6 directors of its subsidiaries	39 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries
Number of shares reserved	88,500	445,500	101,750
Grant date	12th July, 2013	11th August, 2014	11th August, 2014
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2017	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015
Service period	From 1st July, 2013 to 30th June, 2014	From 1st July, 2014 to 30th June, 2017	From 1st July, 2014 to 30th June, 2015
Exercisable period	1st July, 2014 to 30th June, 2015	1st July, 2017 to 30th June, 2021	1st July, 2015 to 30th June, 2016

23. Stock Option Plans (continued)

1) The Company (continued)

	<u>24th stock option plan</u>	<u>25th stock option plan</u>
Grantee categories and numbers of grantees	47 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries	48 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries
Number of shares reserved	486,750	110,550
Grant date	9th July, 2015	9th July, 2015
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2018	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016
Service period	From 1st July, 2015 to 30th June, 2018	From 1st July, 2015 to 30th June, 2016
Exercisable period	1st July, 2018 to 30th June, 2022	1st July, 2016 to 30th June, 2017

- * The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and the number of shares reserved reflects this stock split (Notwithstanding, the 10th share subscription rights and 21st share subscription rights are not included as the exercise periods expired before the stock split.)

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2016:

	<i>Number of shares</i>										
	<u>10th stock option plan</u>	<u>12th stock option plan</u>	<u>14th stock option plan</u>	<u>16th stock option plan</u>	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>21st stock option plan</u>	<u>22nd stock option plan</u>	<u>23rd stock option plan</u>	<u>24th stock option plan</u>	<u>25th stock option plan</u>
Non-vested:											
Beginning of the year	—	—	—	—	423,500	423,500	—	445,500	101,750	—	—
Granted	—	—	—	—	—	—	—	—	—	486,750	110,550
Forfeited	—	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	(423,500)	—	—	—	(101,750)	—	—
End of the year	—	—	—	—	—	423,500	—	445,500	—	486,750	110,550
Vested:											
Beginning of the year	45,000	30,250	66,000	151,250	—	—	28,000	—	—	—	—
Vested	—	—	—	—	423,500	—	—	—	101,750	—	—
Exercised	(30,000)	(8,250)	(11,000)	(79,750)	(255,530)	—	(28,000)	—	(95,150)	—	—
Forfeited	(15,000)	—	—	—	—	—	—	—	—	—	—
End of the year	—	22,000	55,000	71,500	167,970	—	—	—	6,600	—	—

- *1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and the number of stock options presented above is calculated as if the stock split took place at the end of the year ended 31st March, 2015. (Notwithstanding, the 10th share subscription rights and 21st share subscription rights are not included as the exercise periods expired before the stock split.)
- *2 For the stock options which become unexercisable, the Company has applied the same accounting treatment as to forfeited stock options. The numbers of stock options presented above reflect such accounting treatment.

23. Stock Option Plans (continued)

1) The Company (continued)

Price information per option for each stock option plan as of 31st March, 2016 is summarized as follows:

	<i>Yen</i>										
	10th stock option plan	12th stock option plan	14th stock option plan	16th stock option plan	18th stock option plan	20th stock option plan	21st stock option plan	22nd stock option plan	23rd stock option plan	24th stock option plan	25th stock option plan
Exercise price	¥2,650	¥1,900	¥1,828	¥1,700	¥1,606	¥3,110	¥ 1	¥3,032	¥ 1	¥4,631	¥ 1
Average price on exercise	4,749	4,682	4,302	4,351	4,378	—	4,833	—	4,389	—	—
Fair value on grant date	631	490	258	418	375	781	3,343	533	2,955	610	4,119

	<i>U.S. dollars</i>										
	10th stock option plan	12th stock option plan	14th stock option plan	16th stock option plan	18th stock option plan	20th stock option plan	21st stock option plan	22nd stock option plan	23rd stock option plan	24th stock option plan	25th stock option plan
Exercise price	\$23.53	\$16.87	\$16.23	\$15.10	\$14.26	\$27.61	\$ 0.01	\$26.92	\$ 0.01	\$41.12	\$ 0.01
Average price on exercise	42.17	41.57	38.20	38.63	38.87	—	42.91	—	38.97	—	—
Fair value on grant date	5.60	4.35	2.29	3.71	3.33	6.93	29.68	4.73	26.24	5.42	36.57

- * The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and, the exercise price and the fair value on grant date reflect this stock split, the average price on exercise is calculated as if the stock split took place at the beginning of the year ended 31st March, 2016. (Notwithstanding, the 10th share subscription rights and 21st share subscription rights are not included as the exercise periods expired before the stock split.)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2016 was estimated using the Black-Scholes option pricing model with the following assumptions:

	24th stock option plan	25th stock option plan
Expected volatility *1	25.0%	22.7%
Expected remaining period *2	4.98 years	1.48 years
Expected dividend yield *3	¥80 per share	¥80 per share
Risk-free interest rate *4	0.098%	0.000%

- *1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.
- *2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.
- *3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2016 as of the date of the grant.
- *4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

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

23. Stock Option Plans (continued)

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

Expenses recorded in connection with stock options during the years ended 31st March, 2014, 2015 and 2016 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Selling, general and administrative expenses	¥ –	¥26	¥22	\$195
Total	¥ –	¥26	¥22	\$195

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

For the years ended 31st March, 2014, 2015 and 2016, no reversal of share-based compensation was recognized.

A description of each stock option plan for as of 31st March, 2016 is summarized as follows:

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

23. Stock Option Plans (continued)

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

	13th stock option plan	14th stock option plan	15th stock option plan
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.'s subsidiaries	3 directors of DSB Co., Ltd.
Number of shares reserved	25,900	16,700	11,300
Grant date	1st August, 2014	1st August, 2014	3rd August, 2015
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	1st August, 2014 to 31st July, 2044	1st August, 2014 to 31st July, 2044	4th August, 2015 to 3rd August, 2045
	16th stock option plan		
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.'s subsidiaries		
Number of shares reserved	12,300		
Grant date	3rd August, 2015		
Vesting conditions	No vesting conditions are set.		
Service period	There are no provisions for a required service period.		
Exercisable period	4th August, 2015 to 3rd August, 2045		

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2016:

	<i>Number of shares</i>									
	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan
Non-vested:										
Beginning of the year	—	—	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—	11,300	12,300
Forfeited	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	(11,300)	(12,300)
End of the year	—	—	—	—	—	—	—	—	—	—
Vested:										
Beginning of the year	5,100	11,600	17,300	10,000	11,300	18,100	25,900	16,700	—	—
Vested	—	—	—	—	—	—	—	—	11,300	12,300
Exercised	(5,100)	(11,600)	(17,300)	(7,900)	(8,500)	(9,700)	(13,700)	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—	—
End of the year	—	—	—	2,100	2,800	8,400	12,200	16,700	11,300	12,300

23. Stock Option Plans (continued)

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

Price information per option for each stock option plan of DSB Co., Ltd. as of 31st March, 2016 is summarized as follows:

	<i>Yen</i>									
	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price on exercise	955	951	947	942	942	946	938	—	—	—
Fair value on grant date	647	474	259	229	240	573	606	606	953	953

	<i>U.S. dollars</i>									
	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average price on exercise	8.48	8.44	8.41	8.36	8.36	8.40	8.33	—	—	—
Fair value on grant date	5.74	4.21	2.30	2.03	2.13	5.09	5.38	5.38	8.46	8.46

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2016 was estimated using the Black-Scholes option pricing model with the following assumptions:

	15th stock option plan	16th stock option plan
Expected volatility *1	36.9%	36.9%
Expected remaining period *2	5 years	5 years
Expected dividend yield *3	¥15 per share	¥15 per share
Risk-free interest rate *4	0.09%	0.09%

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

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

*3 Expected dividend yield is the actual annual dividend amount for the year ended 31st March, 2015.

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

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

24. Segment Information

Segment Information

1) Outline of reportable segments

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

Consulting

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

Financial IT Solutions

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

Industrial IT Solutions

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

IT Platform Services

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

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

During the year ended 31st March, 2016, the Company partially changed its segment reporting structure. Subsidiaries providing system development and system management services as part of the Chinese and Asian systems business previously included in "Others" were newly included in the Industrial IT Solutions segment.

Segment information for the year ended 31st March, 2015 has been restated to reflect the new segment reporting structure.

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

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

24. Segment Information (continued)

Segment Information (continued)

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

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

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

*2 Descriptions of adjustments are as follows:

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

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

24. Segment Information (continued)

Segment Information (continued)

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

Millions of yen									
Year ended 31st March, 2015									
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	¥27,353	¥237,111	¥97,938	¥ 34,779	¥397,181	¥8,804	¥405,985	¥ –	¥405,985
Intersegment sales or transfers	396	539	1,036	78,727	80,698	4,113	84,811	(84,811)	–
Total	27,749	237,650	98,974	113,506	477,879	12,917	490,796	(84,811)	405,985
Segment profit	¥ 5,959	¥ 22,622	¥11,770	¥ 8,637	¥ 48,988	¥ 1,617	¥ 50,605	¥ 882	¥ 51,487
Segment assets	¥17,346	¥168,381	¥54,788	¥ 67,417	¥307,932	¥ 5,578	¥313,510	¥279,703	¥593,213
Other items:									
Depreciation and amortization	¥ 72	¥ 11,740	¥ 2,108	¥ 10,513	¥ 24,433	¥ 441	¥ 24,874	¥ 926	¥ 25,800
Amortization of goodwill	–	93	111	–	204	38	242	–	242
Investment in affiliates	140	–	751	–	891	562	1,453	–	1,453
Increase in tangible and intangible fixed assets	83	19,556	3,825	6,311	29,775	603	30,378	703	31,081

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥279,703 million is comprised of corporate assets not allocated to a reportable segment of ¥282,123 million and the eliminations of intersegment receivables of ¥(2,419) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

24. Segment Information (continued)

Segment Information (continued)

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

Millions of yen									
Year ended 31st March, 2016									
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	¥28,370	¥252,843	¥101,539	¥ 28,721	¥411,473	¥ 9,966	¥421,439	¥ –	¥421,439
Intersegment sales or transfers	453	959	1,320	81,324	84,056	2,958	87,014	(87,014)	–
Total	28,823	253,802	102,859	110,045	495,529	12,924	508,453	(87,014)	421,439
Segment profit	¥ 5,487	¥ 29,171	¥ 9,975	¥ 11,576	¥ 56,209	¥ 920	¥ 57,129	¥ 1,167	¥ 58,296
Segment assets	¥16,332	¥151,588	¥ 62,608	¥ 92,816	¥323,344	¥ 6,085	¥329,429	¥292,266	¥621,695
Other items:									
Depreciation and amortization	¥ 83	¥ 18,147	¥ 2,379	¥ 10,181	¥ 30,790	¥ 1,019	¥ 31,809	¥ 790	¥ 32,599
Amortization of goodwill	–	93	714	75	882	38	920	–	920
Investment in affiliates	114	497	706	–	1,317	643	1,960	–	1,960
Increase in tangible and intangible fixed assets	73	20,634	4,048	22,489	47,244	458	47,702	624	48,326

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

*2 Descriptions of adjustments are as follows:

- Individual items included in adjustment of segment profit were immaterial.
- The segment asset adjustment of ¥292,266 million is comprised of corporate assets not allocated to a reportable segment of ¥295,752 million and the eliminations of intersegment receivables of ¥(3,485) million.
- Individual items included in adjustment of depreciation and amortization were immaterial.
- Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

24. Segment Information (continued)

Segment Information (continued)

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

Thousands of U.S. dollars									
Year ended 31st March, 2016									
	Reportable segment					Others	Total	Adjustment *	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	\$251,909	\$2,245,099	\$901,607	\$255,026	\$3,653,641	\$ 88,492	\$3,742,133	\$ –	\$3,742,133
Intersegment sales or transfers	4,022	8,515	11,721	722,110	746,368	26,265	772,633	(772,633)	–
Total	255,931	2,253,614	913,328	977,136	4,400,009	114,757	4,514,766	(772,633)	3,742,133
Segment profit	\$ 48,721	\$ 259,023	\$ 88,572	\$102,788	\$ 499,104	\$ 8,169	\$ 507,273	\$ 10,362	\$ 517,635
Segment assets	\$145,019	\$1,346,011	\$555,923	\$824,152	\$2,871,105	\$ 54,032	\$2,925,137	\$2,595,152	\$5,520,289
Other items:									
Depreciation and amortization	\$ 737	\$ 161,135	\$ 21,124	\$ 90,401	\$ 273,397	\$ 9,048	\$ 282,445	\$ 7,015	\$ 289,460
Amortization of goodwill	–	826	6,340	666	7,832	337	8,169	–	8,169
Investment in affiliates	1,012	4,413	6,269	–	11,694	5,709	17,403	–	17,403
Increase in tangible and intangible fixed assets	648	183,218	35,944	199,689	419,499	4,067	423,566	5,541	429,107

* The segment asset adjustment of \$2,595,152 thousand is comprised of corporate assets of \$2,626,105 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of \$(30,945) thousand.

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2014, 2015 and 2016 are summarized as follows:

	Millions of yen	YoY Change
	31st March, 2014	
Consulting services	¥ 42,233	8.1%
System development and application sales	143,213	1.9
System management and operation services	187,361	7.1
Product sales	13,125	40.5
Total	¥385,932	6.1%

24. Segment Information (continued)

Related information (continued)

1) Information by products and services (continued)

	<i>Millions of yen</i>	<i>YoY Change</i>	
	31st March, 2015		
Consulting services	¥ 47,111	11.5%	
System development and application sales	136,711	(4.5)	
System management and operation services	206,698	10.3	
Product sales	15,465	17.8	
Total	¥405,985	5.2%	
	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>YoY Change</i>
	31st March, 2016		
Consulting services	¥ 52,132	\$ 462,902	10.7%
System development and application sales	145,157	1,288,909	6.2
System management and operation services	212,953	1,890,899	3.0
Product sales	11,197	99,423	(27.6)
Total	¥421,439	\$3,742,133	3.8%

2) Information by geographical area

Information by geographical area is omitted, because sales and tangible fixed assets in Japan constituted more than 90% of total sales and tangible fixed assets for the years ended 31st March, 2015 and 2016.

3) Information by major customer

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

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

	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>Change</i>	<i>Related segment</i>
	31st March, 2015			
Nomura Holdings, Inc.	¥82,470	20.3%	(9.1)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	40,973	10.1	0.2	Industrial IT Solutions and Financial IT Solutions

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

24. Segment Information (continued)

Related information (continued)

3) Information by major customer (continued)

	Millions of yen	Thousands of U.S. dollars	Percentage of total sales	YoY Change	Related segment
	31st March, 2016				
Nomura Holdings, Inc.	¥68,666	\$609,714	16.3%	(16.7)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	43,255	384,079	10.3	5.6	Industrial IT Solutions and Financial IT Solutions

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

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2014, 2015 and 2016

Not applicable.

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

Year ended 31st March, 2014

Information is omitted because the amount is immaterial.

Millions of yen								
Year ended 31st March, 2015								
	Reportable segment				Others	Total	Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services				
Amortized amount of goodwill	¥ –	¥ 93	¥111	¥ –	¥204	¥38	¥ 242	¥ 242
Unamortized balance of goodwill	–	222	776	–	998	38	1,036	1,036

Millions of yen								
Year ended 31st March, 2016								
	Reportable segment				Others	Total	Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services				
Amortized amount of goodwill	¥ –	¥ 93	¥ 714	¥ 75	¥ 882	¥38	¥ 920	¥ 920
Unamortized balance of goodwill	–	121	6,266	1,477	7,864	–	7,864	7,864

Thousands of U.S. dollars								
Year ended 31st March, 2016								
	Reportable segment				Others	Total	Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services				
Amortized amount of goodwill	\$ –	\$ 826	\$ 6,340	\$ 666	\$ 7,832	\$337	\$ 8,169	\$ 8,169
Unamortized balance of goodwill	–	1,074	55,639	13,115	69,828	–	69,828	69,828

24. Segment Information (continued)

Information about gain on bargain purchase for each reportable segment

Year ended 31st March, 2014

Information is omitted because the amount is immaterial.

Year ended 31st March, 2015

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

Year ended 31st March, 2016

Information is omitted because the amount is immaterial.

25. Business Combination

Business combination through acquisition

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

(a) Name of acquired company and business

Name of acquired company: Brierley & Partners, Inc.

Business: Consulting business related to digital marketing and IT service business

(b) Main reasons for business combination

The purpose of the business combination is to globally provide higher value-added services related to the digital marketing business, which is a growing market, on a global basis.

(c) Date of business combination

30th April, 2015

(d) Legal form of business combination

Business combination, in which the company was acquired through a cash consideration

(e) Name of company after business combination

The company's name is unchanged.

(f) Percentage of voting rights acquired by the Company

100%

(g) Main reason for determination of the acquiring company

Nomura Research Institute Holdings America, Inc. acquired all of the voting rights of the acquired company.

25. Business Combination (continued)

Business combination through acquisition (continued)

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

The NRI Group included the financial results of the acquired company for the period from 1st May, 2015 to 31st March, 2016.

- 3) Details on acquisition cost of acquired company

The acquisition cost was \$69 million (¥8,224 million) *, which was paid by cash.

* The amount in yen in parentheses was translated at the exchange rate as of 30th April, 2015.

- 4) Major acquisition-related costs and amounts

Advisory costs and others of ¥395 million (\$3,507 thousand)

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

(a) Amount of goodwill ¥6,555 million (\$58,205 thousand)

(b) Reason for recognition

The acquisition cost exceeded the fair value of net assets of the acquired company at the date of the business combination.

(c) Amortization method and amortization period

The corresponding goodwill is being amortized over 10 years on a straight-line basis.

- 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	¥3,863	\$34,301
Fixed assets	755	6,704
Total assets	4,618	41,005
Current liabilities	2,491	22,119
Fixed liabilities	457	4,058
Total liabilities	¥2,948	\$26,177

- 7) Effects on the consolidated statement of income and comprehensive income for the fiscal year assuming that the business combination was completed at beginning of the fiscal year and accounting method

Information is omitted because the amount is immaterial.

26. Lawsuit

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

With an aim to migrate their communication network, connecting post offices across Japan to a new network, JPiT placed an order for the procurement and maintenance of network services with SoftBank Corp. and an order for transitional management and operational coordination of the network with the Company. In the lawsuit, JPiT is demanding that SoftBank Corp. and the Company pay ¥16.15 billion (\$143.40 million) jointly as compensation for damages due to a delay in the migration.

27. Subsequent Events

(Acquisition of treasury stock)

The Company resolved at the meeting of its Board of Directors on 27th April, 2016 to acquire treasury stock pursuant to the provision in Article 459 (1) of the Companies Act of Japan and the Company’s Articles of Incorporation.

1. Resolution on acquisition of treasury stock

(1) Reason for acquisition of treasury stock

To improve capital efficiency and carry out an agile capital policy to respond to changes in business environment

(2) Details

① Type of stock to be acquired	Common stock
② Total number of shares to be acquired	Up to 2,500,000 shares
③ Total acquisition cost	Up to ¥10,000 million (\$88,794 thousand)
④ Period	From 28th April, 2016 to 10th June, 2016
⑤ Method	Market transactions

2. Acquisition of treasury stock

The Company acquired 2,471,500 shares of common stock (acquisition cost of ¥10,000 million (\$88,794 thousand)) in accordance with the resolution described above up until 6th June, 2016 and the corresponding acquisition of treasury stock has been completed.

[Appendix 1]

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

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

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

1. Trust-type Employee Stock Ownership Incentive Plan

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

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

Nomura Research Institute, Ltd.

<http://www.nri.com>

Marunouchi Center (Headquarters)

Marunouchi Kitaguchi Building,
1-6-5 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

Kiba Center

<Tower N>
Tower N, 1-5-15 Kiba, Koto-ku,
Tokyo 135-0042, Japan
<Tower S>
Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan

Yokohama Center

NRI Tower, 134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005, Japan

Yokohama Minato Center

Dia Building,
1-7 Kinkou-cho, Kanagawa-ku,
Yokohama 221-0056, Japan

Osaka Center

Aqua Dojima West Tower,
1-4-16 Dojimahama, Kita-ku,
Osaka 530-0004, Japan

Moscow Branch

NRI Netcom, Ltd.

Aqua Dojima West Tower,
1-4-16 Dojimahama, Kita-ku,
Osaka 530-0004, Japan

Shiodome City Center,
1-5-2 Higashi Shinbashi, Minato-ku,
Tokyo 105-7114, Japan
<http://www.nri-net.com>

NRI SecureTechnologies, Ltd.

Tokyo Sankei Building,
1-7-2 Otemachi, Chiyoda-ku,
Tokyo 100-0004, Japan
<http://www.nri-secure.com>

North America Branch

NRI Workplace Services, Ltd.

NRI Tower, 134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005, Japan

NRI Data iTech, Ltd.

Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan
<http://www.n-itech.com>

NRI Cyber Patent, Ltd.

Shin-Otemachi Building, 2-2-1 Otemachi,
Chiyoda-ku, Tokyo 100-0004, Japan
<http://www.patent.ne.jp>

NRI Social Information System Services, Ltd.

Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan
<http://www.nri-social.co.jp>

NRI Process Innovation, Ltd.

Osaki Bright Core, 5-5-15
Kitashinagawa, Shinagawa-ku,
Tokyo 140-0001, Japan

NRI System Techno, Ltd.

NRI Tower, 134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005, Japan
<http://www.nri-st.co.jp>

DSB Co., Ltd.

2-9-15 Shiomi, Koto-ku,
Tokyo 135-0052, Japan
<http://www.daiko-sb.co.jp>

NRI Mirai, Ltd.

NRI Tower, 134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005, Japan

Zhiming Software Japan, Ltd.

Across Shinkawa Bldg. Annex, 1-16-14
Shinkawa, Chuo-ku, Tokyo 104-0033, Japan

NRI Retail Next, Ltd.

NRI Tower, 134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005, Japan

Nomura Research Institute Holdings America, Inc.

Nomura Research Institute America, Inc.

<http://www.nria.com>

Nomura Research Institute IT Solutions America, Inc.

Pacific Branch

Brierley+Partners, Inc.

<http://www.brierley.com>

Los Angeles Branch

Brierley Europe Limited

Brierley + Partners Japan, Inc.

Cutter Associates, LLC

<http://www.cutterassociates.com/index.cfm>

Cutter Associates Europe, Ltd.

Nomura Research Institute Europe Limited

Luxembourg Branch

Nomura Research Institute (Beijing), Ltd.

<http://beijing.nri.com.cn/jp>
*In Japanese or Chinese only

Shanghai Branch

<http://shanghai.nri.com.cn/jp>

*In Japanese or Chinese only

Nomura Research Institute Shanghai Limited

<http://consulting.nri.com.cn>
*In Japanese or Chinese only

Beijing Branch

Nomura Research Institute (Dalian), Ltd.

Zhiming Software Beijing, Ltd.

Chengdu Branch

Zhiming Software Shanghai, Ltd.

Hangzhou Branch

Zhiming Software Dalian, Ltd.

Zhiming Software Wuxi, Ltd.

Zhiming Software Jilin, Ltd.

Nomura Research Institute Asia Pacific Private Limited (NRI APAC)

Manila Branch
Jakarta Representative Office

Nomura Research Institute Hong Kong Limited

<http://www.nrihk.com>
*In Japanese only

Nomura Research Institute Singapore Pte. Ltd.

Manila Branch

Nomura Research Institute Taiwan Co., Ltd.

<http://www.nri.com.tw>
*In Japanese or Chinese only

Nomura Research Institute Seoul Co., Ltd.

<http://www.nri-seoul.co.kr>
*In Japanese or Korean only

Nomura Research Institute India Private Limited

<http://india.nri.com>

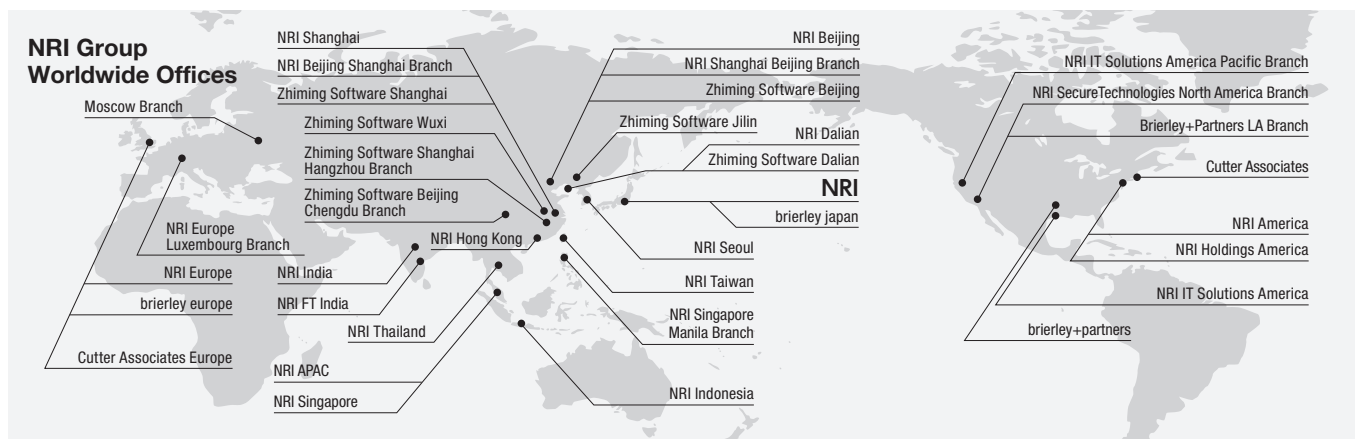
PT. Nomura Research Institute Indonesia

Nomura Research Institute Financial Technologies India Pvt. Ltd. (NRI FT India)

<http://www.nrifintech.com>

Nomura Research Institute Thailand

For more about NRI Group offices around the world:
<http://www.nri.com/global/company/map/index.html>



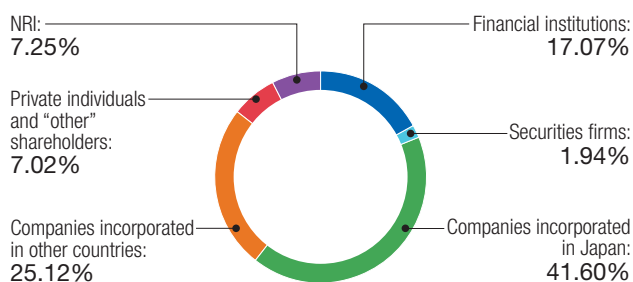
Corporate Data

Corporate Outline

Name	Nomura Research Institute, Ltd.
Headquarters address	Marunouchi Kitaguchi Building, 1-6-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Capital	18,600 million yen
Representative	President & CEO Shingo Konomoto
Number of employees	5,979 (10,757 in the entire NRI Group) (As of 31st March, 2016)

Breakdown of Shares by Shareholder Category

(As of 31st March, 2016)



Major Shareholders (As of 31st March, 2016)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Nomura Asset Management Co., Ltd.	47,725	19.28
Nomura Facilities, Inc.	20,460	8.27
JAFco Co., Ltd.	16,505	6.67
Nomura Holdings, Inc.	14,300	5.78
State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Bank, Ltd., settlement division)	13,757	5.56
NRI Group Employee Stock Ownership Group	8,039	3.25
Nippon Life Insurance Company	7,493	3.03
Japan Trustee Services Bank, Ltd. (Trust Account)	6,574	2.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,621	2.27
The Bank of New York 133522 (Standing Agent: Mizuho Bank, Ltd., settlement division)	4,346	1.76

Note: NRI owns 17,928 thousand shares of treasury stock (7.24% of the total number of issued shares), but the figure excludes the shares mentioned above.

Stock Data (As of 31st March, 2016)

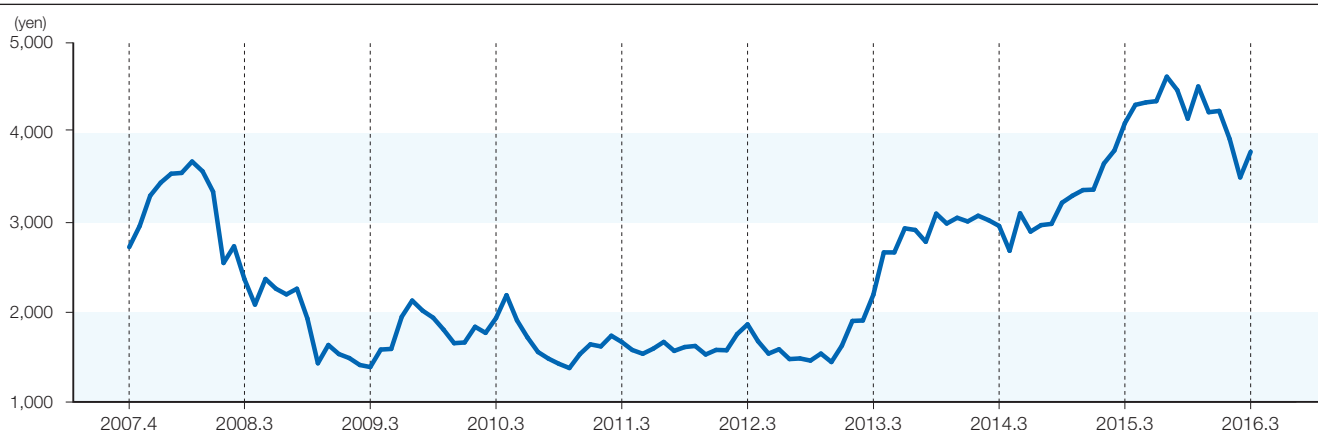
Total number of issuable shares	825,000,000
Total number of issued shares	247,500,000
Number of shareholders	11,845

Shareholder Information

- In line with the electronic share certificate system, changes in the shareholder's address, purchase requests and other procedures should in principle be handled through the account management institution (securities company or other institution) with which the shareholder holds an account. Please contact the securities company or other institution with which you hold an account. Please note that the custodian of the shareholders register (Mitsubishi UFJ Trust and Banking Corporation) cannot handle such procedures.
- Mitsubishi UFJ Trust and Banking is the account management institution for procedures involving shares recorded in special accounts, so please contact the special account management institution (Mitsubishi UFJ Trust and Banking) indicated below. Business can be conducted at any Mitsubishi UFJ Trust and Banking branches in Japan.
- Dividend payments that have not yet been received will be paid at the main branch of Mitsubishi UFJ Trust and Banking.

Fiscal year	1st April to 31st March of the following year
Ordinary general meeting of shareholders	Every June
Unit of share sales	100 shares
Method of public notice	Electronic notification (However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.) NRI's website: http://pn.nri.com *In Japanese only
Custodian of shareholder register	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
Account management institution of special accounts	Mitsubishi UFJ Trust and Banking Corporation
Transfer agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
(address for inquiries and posts)	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Tel: 0120-232-711 (toll-free)

Stock Performance



Nomura Research Institute, Ltd.

Marunouchi Kitaguchi Building,
1-6-5 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Tel. +81(3)5533-2111
<http://www.nri.com>

