



27th October 2022

Consolidated Financial Results for the Six Months Ended 30th September 2022 (Under IFRS)

Company name: Nomura Research Institute, Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4307
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 Scheduled date to file quarterly securities report: 10th November 2022
 Scheduled date to commence dividend payments: 30th November 2022
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended 30th September 2022 (from 1st April 2022 to 30th September 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit | |
|--------------------------------------|-----------------|------|------------------|------|-------------------|------|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended 30th September 2022 | 339,054 | 16.1 | 55,268 | 2.5 | 53,753 | 0.4 | 36,067 | (1.7) |
| 30th September 2021 | 291,974 | 9.7 | 53,913 | 35.2 | 53,517 | 43.4 | 36,698 | 45.8 |

| | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|--------------------------------------|---|-------|----------------------------|------|--------------------------|----------------------------|
| | Millions of yen | % | Millions of yen | % | Yen | Yen |
| Six months ended 30th September 2022 | 35,857 | (1.8) | 41,822 | 12.7 | 60.71 | 60.63 |
| 30th September 2021 | 36,513 | 43.8 | 37,103 | 24.0 | 61.26 | 61.14 |

(2) Consolidated financial position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets |
|---------------------------|-----------------|-----------------|---|--|
| | Millions of yen | Millions of yen | Millions of yen | % |
| As of 30th September 2022 | 810,275 | 376,880 | 373,544 | 46.1 |
| 31st March 2022 | 789,655 | 342,486 | 339,360 | 43.0 |

2. Cash dividends

| | Annual dividends per share | | | | |
|---|----------------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended 31st March 2022 | – | 19.00 | – | 21.00 | 40.00 |
| Fiscal year ending 31st March 2023 | – | 22.00 | | | |
| Fiscal year ending 31st March 2023 (Forecast) | | | – | 22.00 | 44.00 |

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

3. Forecasts of consolidated financial results for the fiscal year ending 31st March 2023 (from 1st April 2022 to 31st March 2023)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit attributable to owners of parent | |
|---------------------------------------|-----------------|------|------------------|-----|-------------------|-----|---|-----|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ending 31st March 2023 | 690,000 | 12.8 | 115,000 | 8.3 | 113,000 | 8.0 | 77,000 | 7.8 |

| | Basic earnings per share |
|---------------------------------------|--------------------------|
| | Yen |
| Fiscal year ending 31st March 2023 | 130.36 |

Note: Revisions to the forecast of financial results most recently announced: Yes

For more details, please refer to “1. (3) Qualitative Information Regarding Forecasts of Financial Results,” on pages 8-9.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
 - (i) Changes in accounting policies required by IFRS: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|---------------------------|--------------------|
| As of 30th September 2022 | 611,353,200 shares |
| As of 31st March 2022 | 610,696,500 shares |

(ii) Number of treasury shares at the end of the period

| | |
|---------------------------|-------------------|
| As of 30th September 2022 | 19,751,288 shares |
| As of 31st March 2022 | 21,109,262 shares |

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|--------------------------------------|--------------------|
| Six months ended 30th September 2022 | 590,655,153 shares |
| Six months ended 30th September 2021 | 596,037,964 shares |

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

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

- (1) The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors.
- (2) Supplementary materials on financial results are disclosed on the TDnet at the same time as this summary of consolidated financial results, and will also be posted promptly on the Company's website. In addition, explanatory materials for the results briefing for analysts and institutional investors to be held today will also be posted together on the Company's website.

Attached Material Index

| | |
|---|----|
| 1. Qualitative Information Regarding Second-Quarter Settlement of Accounts..... | 2 |
| (1) Qualitative Information Regarding Consolidated Operating Results..... | 2 |
| (2) Qualitative Information Regarding Consolidated Financial Position..... | 6 |
| (3) Qualitative Information Regarding Forecasts of Financial Results..... | 8 |
| 2. Condensed Quarterly Consolidated Financial Statements, Etc. | 10 |
| (1) Condensed Quarterly Consolidated Statement of Financial Position..... | 10 |
| (2) Condensed Quarterly Consolidated Statement of Comprehensive Income..... | 12 |
| (3) Condensed Quarterly Consolidated Statement of Changes in Equity | 13 |
| (4) Condensed Quarterly Consolidated Statement of Cash Flows | 15 |
| (5) Notes to Condensed Quarterly Consolidated Financial Statements | 17 |

1. Qualitative Information Regarding Second-Quarter Settlement of Accounts

(1) Qualitative Information Regarding Consolidated Operating Results

(Millions of yen)

| | Six months ended 30th September 2021 | Six months ended 30th September 2022 | Year on year | |
|---|--|--|--------------|--------|
| | | | Amount | Rate |
| Revenue | 291,974 | 339,054 | 47,079 | 16.1% |
| Overseas revenue | 33,448 | 62,997 | 29,548 | 88.3% |
| Overseas revenue ratio | 11.5% | 18.6% | 7.1P | – |
| Business profit | 50,576 | 53,029 | 2,453 | 4.9% |
| Operating profit | 53,913 | 55,268 | 1,355 | 2.5% |
| Operating margin | 18.5% | 16.3% | (2.2)P | – |
| EBITDA margin | 24.5% | 22.2% | (2.3)P | – |
| Profit before tax | 53,517 | 53,753 | 236 | 0.4% |
| Profit attributable to owners of parent | 36,513 | 35,857 | (656) | (1.8)% |

- Notes: 1. Business profit is operating profit excluding temporary factors (such as impairment of goodwill and impairment of fixed assets), and a profit indicator to measure regular performance of businesses.
 2. EBITDA margin: EBITDA (operating profit + depreciation and amortization + loss on retirement of fixed assets ± temporary factors) / revenue

During the six months ended 30th September 2022, the Japanese economy experienced a modest pickup in business conditions with progress in normalization of economic activities due to effects of countermeasures against COVID-19 and various policies. Information system investment continued to see strong corporate investment demand centered on digital transformation (DX) which involves transforming business processes and business models using digital technologies. However, amid the continued global monetary tightening and others, various uncertainties, such as rapid exchange-rate fluctuations, rising prices and supply chain constraints, in addition to risks of a downswing in overseas business conditions posed to the domestic economy, continue to cloud the outlook. Furthermore, corporate investments may be limited depending on changes in future business performance. Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities leveraging the combined strengths of the NRI Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations.

The current fiscal year is the final year of the “NRI Group Medium-term Management Plan (2019-2022)” (the “Medium-term Management Plan 2022”), formulated to achieve Vision 2022 (from the fiscal year ended 31st March 2016 to the fiscal year ending 31st March 2023), the NRI Group’s long-term management vision. In addition to working to achieve even greater productivity and to expand existing businesses, the NRI Group promotes efforts to realize the growth strategies set forth in the Medium-term Management Plan 2022: (1) DX strategy, (2) global strategy, and (3) human resources strategy.

- (1) DX strategy: The NRI Group is providing comprehensive support by leveraging technologies across everything from creating strategies to solutions with respect to transforming the business processes and business models of its clients. In terms of business platform strategy, the NRI Group is helping its clients create new businesses and enter new markets by providing them with new business platforms specifically tailored to those who are entering the financial sector from other industries in step with transformation of industrial structures, while also expanding the NRI Group’s shared online services with a focus on the financial sector. Under its cloud strategy, the NRI Group is improving clients’ business agility and optimizing their IT costs by engaging in legacy system modernization*1 and developing cloud-native*2 apps.

- (2) Global strategy: The NRI Group is expanding its business foundations with a focus on achieving external growth through M&As and other such initiatives, including the acquisition of IPs, mainly in the key geographic regions of Australia and North America. In order to generate further synergies with subsidiaries acquired through M&A deals, the Company is building a new business management system, operational management system and other systems centered on the Global Headquarters to drive forward the business integration process after acquisition.
- (3) Human resources strategy: The NRI Group is improving its recruitment and development of professionals underpinning the digital age in order to better help its clients achieve business success. The NRI Group is also working to achieve compatible work-style reforms by promoting various work arrangements while also fostering a business culture that enables employees to play active roles and take on challenges, and promoting diversity.

During the six months ended 30th September 2022, the NRI Group's revenue totaled ¥339,054 million (up 16.1% year on year), amid a scenario where revenue was higher year on year in all the services, particularly those of consulting services. Cost of sales was ¥221,552 million (up 17.8%), gross profit was ¥117,501 million (up 13.1%), and selling, general and administrative expenses were ¥64,586 million (up 20.7%). In addition to improvement in revenue amid a favorable order environment and production activities, ¥2,238 million of gain on sale of fixed assets was recorded in association with the sale of trust beneficiary rights for Yokohama Nomura Building. Operating profit was ¥55,268 million (up 2.5%), operating margin was 16.3% (down 2.2 points), and the EBITDA margin was 22.2% (down 2.3 points).

- *1 Legacy system modernization refers to optimizing and updating system infrastructure and applications with respect to hardware and software of core systems that have become obsolete.
- *2 Cloud-native refers to information systems and services designed for use on a cloud-computing platform.

Segment information

The business results by segment (revenue includes intersegment revenue) are as follows.

| | | (Millions of yen) | | | |
|-------------------------|------------------|--|--|--------------|--------|
| | | Six months ended 30th September 2021 | Six months ended 30th September 2022 | Year on year | |
| | | | | Amount | Rate |
| Consulting | Revenue | 19,499 | 21,077 | 1,577 | 8.1% |
| | Operating profit | 5,240 | 4,911 | (328) | (6.3)% |
| | Operating margin | 26.9% | 23.3% | (3.6)P | – |
| Financial IT Solutions | Revenue | 148,127 | 164,721 | 16,594 | 11.2% |
| | Operating profit | 21,098 | 23,283 | 2,185 | 10.4% |
| | Operating margin | 14.2% | 14.1% | (0.1)P | – |
| Industrial IT Solutions | Revenue | 110,980 | 137,846 | 26,866 | 24.2% |
| | Operating profit | 12,809 | 13,420 | 611 | 4.8% |
| | Operating margin | 11.5% | 9.7% | (1.8)P | – |
| IT Platform Services | Revenue | 76,590 | 82,440 | 5,850 | 7.6% |
| | Operating profit | 11,448 | 11,548 | 100 | 0.9% |
| | Operating margin | 14.9% | 14.0% | (0.9)P | – |
| Adjustments | Revenue | (63,223) | (67,031) | (3,808) | – |
| | Operating profit | 3,317 | 2,104 | (1,213) | – |
| Total | Revenue | 291,974 | 339,054 | 47,079 | 16.1% |
| | Operating profit | 53,913 | 55,268 | 1,355 | 2.5% |
| | Operating margin | 18.5% | 16.3% | (2.2)P | – |

(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.

Amid rapidly changing business environments for our clients following the COVID-19 pandemic, corporate reforms using digital technology are accelerating. In addition, companies that incorporate solutions for social issues including decarbonization into their managerial strategy are increasing, and clients have come to expect solutions for social issues using practical solutions-based consulting services that produce concrete results.

As such, in this segment we will aim to strengthen consulting to support our clients' DX and to appropriately respond to clients' needs, and in the global area, we are expanding our services in advanced countries such as the U.S. and European countries while maintaining and reinforcing the existing client base. In addition, we are working to create new consulting services originating in solutions to social issues including decarbonization.

During the six months ended 30th September 2022, the Consulting segment posted revenue of ¥21,077 million (up 8.1% year on year), due to continued strong performance of DX-related consulting and consulting for social issues projects, following the previous fiscal year. Despite high productivity maintained in Japan amid a favorable order environment, operating profit was ¥4,911 million (down 6.3%) due to worsening profitability overseas.

(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, system management and operation services, and IT solutions such as shared online system and BPO services.

The environment surrounding the financial sector is undergoing major structural changes such that include a society whose population accelerates to age, companies from other industries newly entering the financial sector, an expanding range of digital assets, and diminishing markets in Japan due to persistently low-interest rates and the nation's declining population. In addition, clients' needs for digitalization and transformation of business models are growing rapidly.

This segment is accordingly working to create and expand new financial business platforms, promote new DX businesses that contribute to the Digital Government Policy such as the Social Security and Tax Number System, and stably operate global business in financial services and expand the businesses to help its clients create new businesses and services in a manner that addresses such changes in the business environment.

During the six months ended 30th September 2022, the Financial IT Solutions segment posted revenue of ¥164,721 million (up 11.2% year on year), amid increases in consulting services, system development and system application sales for the securities and insurance sectors. Despite worsening profitability overseas, operating profit was ¥23,283 million (up 10.4%) due to improvement in revenue amid a favorable order environment and production activities.

(Industrial IT Solutions)

This segment provides IT solutions such as system consulting, system development, system management and operation services to the distribution, manufacturing, service and public sectors.

As well as upgrading and improving the efficiency of existing business models, clients in the industrial sector are using DX to create new business models using digital technology since the COVID-19 pandemic.

This segment focuses on development of digital intellectual property (IP) that can be utilized across clients and industries, and comprehensively assists the client in everything from creating business models to system construction and advancements in operations in the field of DX businesses.

Furthermore, in the global business, the NRI Group will aim to further expand the business and sustainably increase value through the enhancement of cooperation and the integration of functions between merged subsidiaries in Australia and through M&A that contributes to expansion of the area and strengthening of capabilities in addition to organic growth centering on merged subsidiaries in North America.

During the six months ended 30th September 2022, the Industrial IT Solutions segment posted revenue of ¥137,846 million (up 24.2% year on year) due to the contribution of brisk projects continuing in the Australia business and effects of consolidation of subsidiaries in North America, which were acquired by the previous fiscal year. Despite effects of amortization of intangible assets that were identified in association with the consolidation of overseas subsidiaries, operating profit was ¥13,420 million (up 4.8%) due to improvement in profitability of the Australia business.

(IT Platform Services)

This segment mainly provides services such as the management and administration of data centers and IT platform and network architecture mainly through 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 explorative initiatives for the development of new business operations and new products related to IT solutions, and investigation and research primarily related to leading-edge information technologies.

System development in the DX era calls for use of artificial intelligence (AI), blockchains and other new digital technologies, in conjunction with new and more rapid development approaches. In the field of cloud computing, companies need to comprehensively engage in high-quality operations of diverse and complex system platforms. In addition, as cyberattacks have been diversifying and evolving in recent years, the importance of cyber security measures is increasing to safely and securely implement the introduction and utilization of cloud services, which are central to DX of clients.

This segment is accordingly taking steps that involve expanding its multi-cloud computing services^{*3} and its managed services^{*4}, and is also promoting its zero trust^{*5} business and managed security services^{*6}, in conjunction with efforts to address such changes in the business environment and develop information system development approaches and production innovation tools for the DX era.

During the six months ended 30th September 2022, revenue to external clients increased in the DWP (Digital Work Place) business that contributes to improvement in productivity at office and the security business, and intersegment revenue increased in the DWP business. As a result of the above, the IT Platform Services segment posted revenue of ¥82,440 million (up 7.6% year on year) and operating profit of ¥11,548 million (up 0.9%).

- *3 Multi-cloud computing services refer to centrally managed services provided using multiple cloud computing platforms.
- *4 Managed services refer to the services that lend comprehensive support to optimizing entire information systems on behalf of a client's IT unit.
- *5 Zero trust refers to a new concept of security that anything that accesses to information assets and systems to protect are verified without distinction between inside and outside of the network.
- *6 Managed security services (MSS) refer to the services, provided under contract, by an external security specialist company to provide total operation and administration of the information security system of a company or organization.

(2) Qualitative Information Regarding Consolidated Financial Position

(Assets, liabilities and equity)

(Millions of yen)

| | As of 31st March 2022 | As of 30th September 2022 | Year on year | |
|--|--------------------------|---------------------------------|--------------|--------|
| | | | Amount | Rate |
| Current assets | 333,645 | 329,997 | (3,647) | (1.1)% |
| Non-current assets | 456,010 | 480,278 | 24,268 | 5.3% |
| Total assets | 789,655 | 810,275 | 20,620 | 2.6% |
| Current liabilities | 298,342 | 285,351 | (12,990) | (4.4)% |
| Non-current liabilities | 148,826 | 148,043 | (783) | (0.5)% |
| Total equity | 342,486 | 376,880 | 34,394 | 10.0% |
| Equity attributable to owners of parent | 339,360 | 373,544 | 34,183 | 10.1% |
| Ratio of equity attributable to owners of parent to total assets | 43.0% | 46.1% | 3.1P | – |
| Interest-bearing liabilities | 209,627 | 201,307 | (8,320) | (4.0)% |
| Gross D/E ratio (times) | 0.62 | 0.54 | (0.08) | – |
| Net D/E ratio (times) | 0.27 | 0.21 | (0.06) | – |

- Notes: 1. Gross D/E ratio (gross debt-to-equity ratio): Interest-bearing liabilities / equity attributable to owners of parent
2. Net D/E ratio (net debt-to-equity ratio): (Interest-bearing liabilities – cash and cash equivalents, etc.) / equity attributable to owners of parent
3. Interest-bearing liabilities: Bonds and borrowings + other interest-bearing liabilities (borrowings on margin transactions and borrowings secured by securities)
Borrowings on margin transactions (¥608 million as of 31st March 2022; ¥1,641 million as of 30th September 2022) are included in trade and other payables on the condensed quarterly consolidated statement of financial position, and borrowings secured by securities (¥802 million as of 31st March 2022; ¥568 million as of 30th September 2022) are included in other current liabilities on the condensed quarterly consolidated statement of financial position.
4. Cash and cash equivalents, etc.: Cash and cash equivalents + cash management purpose investment

As for the NRI Group's financial position at the end of the second quarter (30th September 2022), current assets were ¥329,997 million (down 1.1% from the end of the previous fiscal year), non-current assets were ¥480,278 million (up 5.3%), current liabilities were ¥285,351 million (down 4.4%), non-current liabilities were ¥148,043 million (down 0.5%), total equity was ¥376,880 million (up 10.0%), and total assets were ¥810,275 million (up 2.6%). In addition, the gross D/E ratio (gross debt-to-equity ratio) and net D/E ratio (net debt-to-equity ratio) at the end of the second quarter were 0.54 times and 0.21 times, respectively.

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

Trade and other receivables decreased ¥28,989 million to ¥106,689 million and contract assets increased ¥18,122 million to ¥68,788 million. Because the NRI Group has a comparatively large number of projects completed at the end of the fiscal year, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for trade and other receivables and large values for contract assets.

Goodwill and intangible assets increased ¥22,536 million to ¥233,280 million as a result of an increase in goodwill, etc. due to the weaker yen, the acquisition of intangible assets related to the development of shared online system in Japan, and other factors.

Bonds and borrowings decreased ¥9,118 million to ¥199,097 million due largely to the redemption of the 5th series of unsecured bonds.

In addition, cash and cash equivalents increased ¥578 million to ¥116,189 million, trade and other payables decreased ¥385 million to ¥53,415 million, and income taxes payable decreased ¥5,579 million to ¥15,069 million.

(Cash flow position)

(Millions of yen)

| | Six months ended 30th September 2021 | Six months ended 30th September 2022 | Year on year | |
|--|--|--|--------------|---------|
| | | | Amount | Rate |
| Cash flows from operating activities | 49,099 | 60,672 | 11,573 | 23.6% |
| Cash flows from investing activities | (43,712) | (28,135) | 15,577 | (35.6)% |
| Free cash flows | 5,386 | 32,537 | 27,150 | 504.0% |
| Cash flows from financing activities | (18,371) | (34,868) | (16,496) | 89.8% |
| Net increase (decrease) in cash and cash equivalents | (13,287) | 578 | 13,866 | — |
| Cash and cash equivalents at end of period | 139,900 | 116,189 | (23,710) | (16.9)% |

Cash and cash equivalents as of the end of the second quarter (30th September 2022) stood at ¥116,189 million (up ¥578 million from the end of the previous fiscal year).

Net cash provided by operating activities was ¥60,672 million, an increase of ¥11,573 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, we had ¥12,500 million in payment for the trust-type employee stock ownership incentive plan.

Net cash used in investing activities was ¥28,135 million, a decrease of ¥15,577 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, we had ¥25,782 million in payments for acquisition of subsidiaries due to acquisition of shares of Australia-based Australian Investment Exchange Limited and SQA Holdco Pty Ltd. In the six months ended 30th September, 2022, cash was mainly invested in the acquisition of intangible assets related to the development of shared online system.

Net cash used in financing activities was ¥34,868 million, an increase of ¥16,496 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, we had ¥64,603 million in net increase (decrease) in short-term borrowings (revenue) since a loan was taken out to conduct M&A and purchase of treasury shares. In addition, we had ¥59,999 million in purchase of treasury shares in accordance with a resolution of the Board of Directors, and ¥10,000 million in repayments of long-term borrowings (syndicated loans). During the six months ended 30th September 2022, we had ¥25,000 million in redemption of the 5th series of unsecured bonds and ¥4,999 million in net increase (decrease) in commercial paper (revenue). Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

(3) Qualitative Information Regarding Forecasts of Financial Results

In light of the results for the six months ended 30th September, 2022 and the current order environment, the forecasts of financial results will be revised as follows.

(I) Consolidated performance

Consolidated financial forecasts for the fiscal year ending 31st March 2023
(from 1st April 2022 to 31st March 2023)

(Millions of yen)

| | Previous forecast (A) | Revised forecast (B) | Change | | (Reference) Previous fiscal year (Actual result) |
|--|--------------------------|-------------------------|-----------------|-------------|---|
| | | | Amount (B-A) | Rate (%) | |
| Revenue | 670,000 | 690,000 | 20,000 | 3.0 | 611,634 |
| Operating profit | 115,000 | 115,000 | — | — | 106,218 |
| Profit before tax | 113,000 | 113,000 | — | — | 104,671 |
| Profit attributable to owners of parent | 77,000 | 77,000 | — | — | 71,445 |

* The forecast exchange rates for the second half of the fiscal year ending 31st March 2023 are 115.01 yen to the U.S. dollar and 83.43 yen to the Australian dollar.

(II) Other forecasts

a. Consolidated revenue by segment for the fiscal year ending 31st March 2023
(from 1st April 2022 to 31st March 2023)

(Millions of yen)

| | Previous forecast (A) | Revised forecast (B) | Change | | (Reference) Previous fiscal year (Actual result) |
|--------------------------------------|--------------------------|-------------------------|-----------------|-------------|---|
| | | | Amount (B-A) | Rate (%) | |
| Consulting | 45,000 | 45,000 | — | — | 42,807 |
| Financial IT Solutions | 315,000 | 326,000 | 11,000 | 3.5 | 303,635 |
| Securities sector | 138,000 | 140,000 | 2,000 | 1.4 | 133,316 |
| Insurance sector | 71,000 | 77,000 | 6,000 | 8.5 | 68,894 |
| Banking sector | 50,000 | 53,000 | 3,000 | 6.0 | 47,073 |
| Other financial sectors, etc. | 56,000 | 56,000 | — | — | 54,351 |
| Industrial IT Solutions | 263,000 | 271,000 | 8,000 | 3.0 | 222,583 |
| Distribution sector | 70,000 | 72,000 | 2,000 | 2.9 | 68,269 |
| Manufacturing and service sectors | 193,000 | 199,000 | 6,000 | 3.1 | 154,313 |
| IT Platform Services | 47,000 | 48,000 | 1,000 | 2.1 | 42,607 |
| Total | 670,000 | 690,000 | 20,000 | 3.0 | 611,634 |

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

b. Consolidated revenue by service for the fiscal year ending 31st March 2023
(from 1st April 2022 to 31st March 2023)

(Millions of yen)

| | Previous forecast (A) | Revised forecast (B) | Change | | (Reference) Previous fiscal year (Actual result) |
|---|--------------------------|-------------------------|-----------------|-------------|---|
| | | | Amount (B-A) | Rate (%) | |
| Consulting services | 135,000 | 160,000 | 25,000 | 18.5 | 125,460 |
| System development & system application sales | 224,000 | 209,000 | (15,000) | (6.7) | 196,000 |
| System management & operation services | 283,000 | 293,000 | 10,000 | 3.5 | 272,903 |
| Product sales | 28,000 | 28,000 | — | — | 17,269 |
| Total | 670,000 | 690,000 | 20,000 | 3.0 | 611,634 |

(Caution concerning forward-looking statements)

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions (suppositions) judged

to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from these forecasts due to various factors. Material factors that could possibly affect the actual business results, etc. include, but are not limited to, the domestic and overseas economic situation, demand in the IT services market, competition with competitors, and changes in taxation and other systems. Note that the Company will not always revise business forecasts, etc. upon every occurrence of new information or event.

2. Condensed Quarterly Consolidated Financial Statements, Etc.

(1) Condensed Quarterly Consolidated Statement of Financial Position

| | (Millions of yen) | |
|---|--------------------|---------------------------|
| | 31st March 2022 | 30th September 2022 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | ¥ 115,610 | ¥ 116,189 |
| Trade and other receivables | 135,678 | 106,689 |
| Contract assets | 50,666 | 68,788 |
| Other financial assets | 14,015 | 18,325 |
| Other current assets | 13,246 | 20,004 |
| Subtotal | 329,217 | 329,997 |
| Assets held for sale | 4,428 | — |
| Total current assets | 333,645 | 329,997 |
| Non-current assets | | |
| Property, plant and equipment | 37,482 | 39,990 |
| Right-of-use assets | 38,969 | 35,267 |
| Goodwill and intangible assets | 210,744 | 233,280 |
| Investments accounted for using equity method | 6,427 | 6,198 |
| Retirement benefit asset | 85,383 | 86,031 |
| Other financial assets | 69,219 | 71,678 |
| Deferred tax assets | 5,426 | 5,703 |
| Other non-current assets | 2,356 | 2,127 |
| Total non-current assets | 456,010 | 480,278 |
| Total assets | ¥ 789,655 | ¥ 810,275 |

| | (Millions of yen) | |
|---|--------------------|---------------------------|
| | 31st March 2022 | 30th September 2022 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | ¥ 53,800 | ¥ 53,415 |
| Contract liabilities | 17,083 | 19,393 |
| Bonds and borrowings | 116,941 | 106,719 |
| Lease liabilities | 12,250 | 10,567 |
| Other financial liabilities | 27,675 | 27,778 |
| Income taxes payable | 20,648 | 15,069 |
| Provisions | 2,646 | 2,075 |
| Other current liabilities | 47,294 | 50,331 |
| Total current liabilities | <u>298,342</u> | <u>285,351</u> |
| Non-current liabilities | | |
| Bonds and borrowings | 91,275 | 92,378 |
| Lease liabilities | 29,952 | 27,449 |
| Other financial liabilities | 3,313 | 2,071 |
| Retirement benefit liability | 7,561 | 7,782 |
| Provisions | 3,576 | 3,514 |
| Deferred tax liabilities | 10,222 | 13,104 |
| Other non-current liabilities | 2,925 | 1,742 |
| Total non-current liabilities | <u>148,826</u> | <u>148,043</u> |
| Total liabilities | <u>¥ 447,168</u> | <u>¥ 433,395</u> |
| Equity | | |
| Share capital | ¥ 22,414 | ¥ 23,644 |
| Capital surplus | 28,277 | 28,532 |
| Retained earnings | 328,830 | 351,463 |
| Treasury shares | (68,809) | (64,452) |
| Other components of equity | 28,647 | 34,355 |
| Total equity attributable to owners of parent | <u>339,360</u> | <u>373,544</u> |
| Non-controlling interests | 3,126 | 3,336 |
| Total equity | <u>342,486</u> | <u>376,880</u> |
| Total liabilities and equity | <u>¥ 789,655</u> | <u>¥ 810,275</u> |

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

| | (Millions of yen) | |
|--|--|--|
| | Six months ended 30th September 2021 | Six months ended 30th September 2022 |
| Revenue | ¥ 291,974 | ¥ 339,054 |
| Cost of sales | 188,057 | 221,552 |
| Gross profit | 103,917 | 117,501 |
| Selling, general and administrative expenses | 53,513 | 64,586 |
| Share of profit (loss) of investments accounted for using equity method | (3) | 137 |
| Other income | 3,577 | 2,361 |
| Other expenses | 64 | 145 |
| Operating profit | 53,913 | 55,268 |
| Finance income | 974 | 1,133 |
| Finance costs | 1,371 | 2,648 |
| Profit before tax | 53,517 | 53,753 |
| Income tax expenses | 16,818 | 17,685 |
| Profit | 36,698 | 36,067 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Equity instruments measured at fair value through other comprehensive income | 1,031 | 428 |
| Remeasurements of defined benefit plans | 8 | 4 |
| Total of items that will not be reclassified to profit or loss | 1,039 | 433 |
| Items that may be reclassified to profit or loss | | |
| Debt instruments measured at fair value through other comprehensive income | 0 | (0) |
| Exchange differences on translation of foreign operations | 540 | 4,521 |
| Cash flow hedges | (1,191) | 749 |
| Share of other comprehensive income of investments accounted for using equity method | 16 | 50 |
| Total of items that may be reclassified to profit or loss | (633) | 5,320 |
| Total other comprehensive income, net of tax | 405 | 5,754 |
| Comprehensive income | 37,103 | 41,822 |
| Profit attributable to: | | |
| Owners of parent | 36,513 | 35,857 |
| Non-controlling interests | 184 | 210 |
| Profit | 36,698 | 36,067 |
| Comprehensive income attributable to: | | |
| Owners of parent | 36,919 | 41,612 |
| Non-controlling interests | 184 | 210 |
| Comprehensive income | ¥ 37,103 | ¥ 41,822 |
| Earnings per share | | |
| Basic earnings per share (Yen) | ¥ 61.26 | ¥ 60.71 |
| Diluted earnings per share (Yen) | 61.14 | 60.63 |

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended 30th September 2021

(Millions of yen)

| | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total |
|---|---|-----------------|-------------------|-----------------|----------------------------|-----------|---------------------------|-----------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total | | |
| Balance at 1st April 2021 | ¥ 21,175 | ¥ 26,696 | ¥ 278,675 | ¥ (15,027) | ¥ 18,975 | ¥ 330,495 | ¥ 2,711 | ¥ 333,206 |
| Profit | — | — | 36,513 | — | — | 36,513 | 184 | 36,698 |
| Other comprehensive income | — | — | — | — | 405 | 405 | — | 405 |
| Total comprehensive income | — | — | 36,513 | — | 405 | 36,919 | 184 | 37,103 |
| Dividends | — | — | (11,465) | — | — | (11,465) | — | (11,465) |
| Purchase of treasury shares | — | (132) | — | (60,000) | — | (60,133) | — | (60,133) |
| Disposal of treasury shares | — | 232 | — | 3,014 | — | 3,246 | — | 3,246 |
| Share-based payment transactions | 1,239 | (429) | — | — | — | 810 | — | 810 |
| Transfer from retained earnings to capital surplus | — | 86 | (86) | — | — | — | — | — |
| Transfer from other components of equity to retained earnings | — | — | 10 | — | (10) | — | — | — |
| Other | — | — | — | — | (39) | (39) | (0) | (39) |
| Total transactions with owners, etc. | 1,239 | (243) | (11,541) | (56,986) | (49) | (67,582) | (0) | (67,582) |
| Balance at 30th September 2021 | ¥ 22,414 | ¥ 26,453 | ¥ 303,647 | ¥ (72,014) | ¥ 19,331 | ¥ 299,832 | ¥ 2,895 | ¥ 302,728 |

For the six months ended 30th September 2022

(Millions of yen)

| | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total |
|---|---|-----------------|-------------------|-----------------|----------------------------|-----------|---------------------------|-----------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total | | |
| Balance at 1st April 2022 | ¥ 22,414 | ¥ 28,277 | ¥ 328,830 | ¥ (68,809) | ¥ 28,647 | ¥ 339,360 | ¥ 3,126 | ¥ 342,486 |
| Profit | — | — | 35,857 | — | — | 35,857 | 210 | 36,067 |
| Other comprehensive income | — | — | — | — | 5,754 | 5,754 | — | 5,754 |
| Total comprehensive income | — | — | 35,857 | — | 5,754 | 41,612 | 210 | 41,822 |
| Dividends | — | — | (12,381) | — | — | (12,381) | — | (12,381) |
| Purchase of treasury shares | — | — | — | (0) | — | (0) | — | (0) |
| Disposal of treasury shares | — | (307) | — | 4,358 | — | 4,050 | — | 4,050 |
| Share-based payment transactions | 1,229 | (250) | — | — | — | 979 | — | 979 |
| Transfer from retained earnings to capital surplus | — | 813 | (813) | — | — | — | — | — |
| Transfer from other components of equity to retained earnings | — | — | (29) | — | 29 | — | — | — |
| Other | — | — | — | — | (76) | (76) | — | (76) |
| Total transactions with owners, etc. | 1,229 | 255 | (13,224) | 4,357 | (46) | (7,428) | — | (7,428) |
| Balance at 30th September 2022 | ¥ 23,644 | ¥ 28,532 | ¥ 351,463 | ¥ (64,452) | ¥ 34,355 | ¥ 373,544 | ¥ 3,336 | ¥ 376,880 |

(4) Condensed Quarterly Consolidated Statement of Cash Flows

| | (Millions of yen) | |
|---|--|--|
| | Six months ended 30th September 2021 | Six months ended 30th September 2022 |
| Cash flows from operating activities | | |
| Profit before tax | ¥ 53,517 | ¥ 53,753 |
| Depreciation and amortization | 20,521 | 22,070 |
| Loss (gain) on sale and retirement of fixed assets | (2,942) | (2,181) |
| Finance income | (974) | (1,133) |
| Finance costs | 1,371 | 2,648 |
| Share of loss (profit) of investments accounted for using equity method | 3 | (137) |
| Decrease (increase) in trade and other receivables | 17,402 | 31,040 |
| Decrease (increase) in contract assets | (12,942) | (17,609) |
| Decrease (increase) in inventories | 60 | 153 |
| Decrease (increase) in prepaid expenses | (4,202) | (4,631) |
| Increase (decrease) in trade and other payables | 923 | (1,239) |
| Increase (decrease) in contract liabilities | 1,125 | 2,105 |
| Increase (decrease) in liabilities relating to trust-type employee stock ownership incentive plan | (12,500) | 252 |
| Increase (decrease) in provision for loss on orders received | 177 | (12) |
| Increase (decrease) in accounts payable - bonuses | (289) | 226 |
| Decrease (increase) in retirement benefit asset | (1,688) | (647) |
| Increase (decrease) in retirement benefit liability | 358 | 212 |
| Other | (735) | 333 |
| Subtotal | 59,183 | 85,201 |
| Interest and dividends received | 875 | 1,026 |
| Interest paid | (465) | (1,430) |
| Income taxes paid | (10,494) | (24,123) |
| Net cash provided by operating activities | ¥ 49,099 | ¥ 60,672 |

| | (Millions of yen) | |
|--|--|--|
| | Six months ended 30th September 2021 | Six months ended 30th September 2022 |
| Cash flows from investing activities | | |
| Payments into time deposits | ¥ (1,027) | ¥ (4,402) |
| Proceeds from withdrawal of time deposits | 814 | 1,385 |
| Purchase of property, plant and equipment | (1,976) | (5,521) |
| Proceeds from sale of property, plant and equipment | 10,380 | 6,921 |
| Purchase of intangible assets | (16,991) | (19,630) |
| Purchase of investments | (3,443) | (218) |
| Proceeds from sale and redemption of investments | 49 | 116 |
| Payments for acquisition of subsidiaries | (25,782) | (6,241) |
| Payments for loans receivable | (5,697) | — |
| Other | (37) | (544) |
| Net cash used in investing activities | <u>(43,712)</u> | <u>(28,135)</u> |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 64,603 | 396 |
| Proceeds from long-term borrowings | — | 3,344 |
| Repayments of long-term borrowings | (12,965) | (3,749) |
| Net increase (decrease) in commercial paper | 5,000 | 4,999 |
| Redemption of bonds | — | (25,000) |
| Repayments of lease liabilities | (6,618) | (6,460) |
| Proceeds from sale of treasury shares | 3,207 | 3,977 |
| Purchase of treasury shares | (60,133) | (0) |
| Dividends paid | (11,464) | (12,376) |
| Dividends paid to non-controlling interests | (0) | — |
| Net cash used in financing activities | <u>(18,371)</u> | <u>(34,868)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (302) | 2,909 |
| Net increase (decrease) in cash and cash equivalents | (13,287) | 578 |
| Cash and cash equivalents at beginning of period | 153,187 | 115,610 |
| Cash and cash equivalents at end of period | <u>¥ 139,900</u> | <u>¥ 116,189</u> |

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Segment Information)

(1) Outline of reportable segments

The NRI Group's operating 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. Meanwhile, the operating segments are not aggregated.

Accounting treatment of the reported operating segments is generally same with that of consolidated financial statements for the year ended 31st March 2022. Profit figures for the reportable segments are presented on the basis of operating profit. Intersegment revenue or transfers are based on prevailing market prices.

(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.

(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, system management and operation services, and IT solutions such as shared online services and BPO services.

(Industrial IT Solutions)

This segment provides IT solutions such as system consulting, system development, and system management and operation services to the distribution, manufacturing, service and public sectors.

(IT Platform Services)

This segment mainly provides services such as the management and administration of data centers and IT platform and network architecture mainly through 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 explorative initiatives for the development of new business operations and new products related to IT solutions, and investigation and research primarily related to leading-edge information technologies.

The segment of Consulting is consulting services, the segments of Financial IT Solutions and Industrial IT Solutions are consulting services, system development & system application sales, system management & operation services and product sales and the segment of IT Platform Services is system development & system application sales, system management & operation services and product sales.

(2) Revenue and profit or loss by reportable segment

For the six months ended 30th September 2021

| | Reportable segment | | | | | Adjustments (Note) | Consolidated |
|-----------------------------------|--------------------|---------------------------|----------------------------|-------------------------|---------|-----------------------|--------------|
| | Consulting | Financial IT Solutions | Industrial IT Solutions | IT Platform Services | Total | | |
| | (Millions of yen) | | | | | | |
| Revenue | | | | | | | |
| Revenue from external customers | 18,853 | 145,860 | 107,610 | 19,650 | 291,974 | — | 291,974 |
| Intersegment revenue or transfers | 645 | 2,267 | 3,370 | 56,940 | 63,223 | (63,223) | — |
| Total | 19,499 | 148,127 | 110,980 | 76,590 | 355,197 | (63,223) | 291,974 |
| Operating profit | 5,240 | 21,098 | 12,809 | 11,448 | 50,596 | 3,317 | 53,913 |
| Finance income | | | | | | | 974 |
| Finance costs | | | | | | | 1,371 |
| Profit before tax | | | | | | | 53,517 |

Note: Individual items in adjustment to operating profit of ¥3,317 million include gain on sale of fixed assets in the amount of ¥3,337 million recorded in “other income”.

For the six months ended 30th September 2022

| | Reportable segment | | | | | Adjustments (Note) | Consolidated |
|-----------------------------------|--------------------|---------------------------|----------------------------|-------------------------|---------|-----------------------|--------------|
| | Consulting | Financial IT Solutions | Industrial IT Solutions | IT Platform Services | Total | | |
| | (Millions of yen) | | | | | | |
| Revenue | | | | | | | |
| Revenue from external customers | 20,250 | 161,816 | 133,792 | 23,194 | 339,054 | — | 339,054 |
| Intersegment revenue or transfers | 826 | 2,904 | 4,053 | 59,246 | 67,031 | (67,031) | — |
| Total | 21,077 | 164,721 | 137,846 | 82,440 | 406,085 | (67,031) | 339,054 |
| Operating profit | 4,911 | 23,283 | 13,420 | 11,548 | 53,164 | 2,104 | 55,268 |
| Finance income | | | | | | | 1,133 |
| Finance costs | | | | | | | 2,648 |
| Profit before tax | | | | | | | 53,753 |

Note: Individual items in adjustment to operating profit of ¥2,104 million include gain on sale of fixed assets in the amount of ¥2,238 million recorded in “other income”.

(Earnings per Share)

Basic earnings per share and diluted earnings per share are calculated based on the following data.

| | Six months ended 30th September 2021 | Six months ended 30th September 2022 |
|---|--|--|
| | (Millions of yen) | (Millions of yen) |
| Profit attributable to owners of parent | 36,513 | 35,857 |
| Adjustments of profit | — | — |
| Profit used for calculation of diluted earnings per share | 36,513 | 35,857 |
| | (Shares) | (Shares) |
| Weighted-average number of shares of common stock outstanding | 596,037,964 | 590,655,153 |
| Increase in common stock | | |
| Increase from stock options | 1,143,603 | 751,149 |
| Diluted weighted-average number of shares of common stock | 597,181,567 | 591,406,302 |
| | (Yen) | (Yen) |
| Basic earnings per share | 61.26 | 60.71 |
| Diluted earnings per share | 61.14 | 60.63 |

Note: For the purpose of calculating basic earnings per share and diluted earnings per share, the Company's shares owned by the trust exclusive for ESOP Group are included in treasury shares to be deducted in the calculation of the weighted-average number of shares (2,674,593 shares and 1,111,308 shares for the six-month periods ended 30th September, 2021 and 2022, respectively).

(Subsequent Events)

Not applicable.