



MEMBERSHIP

27th July 2023

Consolidated Financial Results for the Three Months Ended 30th June 2023 (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 August 2023
 Scheduled date to commence dividend payments: –
 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 three months ended 30th June 2023 (from 1st April 2023 to 30th June 2023)

(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	%
Three months ended								
30th June 2023	176,709	5.5	27,027	(3.7)	26,580	(4.4)	17,294	(8.2)
30th June 2022	167,537	17.4	28,079	5.7	27,789	3.9	18,848	2.0

	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
Three months ended						
30th June 2023	17,210	(8.3)	22,377	0.6	29.15	29.14
30th June 2022	18,762	1.9	22,233	19.2	31.80	31.76

(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 June 2023	841,036	394,695	391,732	46.6
31st March 2023	838,224	402,406	399,006	47.6

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 2023	–	22.00	–	23.00	45.00
Fiscal year ending 31st March 2024	–				
Fiscal year ending 31st March 2024 (Forecast)		24.00	–	24.00	48.00

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 2024 (from 1st April 2023 to 31st March 2024)

(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	%
Six months ending 30th September 2023	350,000	3.2	56,000	1.3	55,000	2.3	37,000	3.2
Fiscal year ending 31st March 2024	720,000	4.0	117,000	4.6	115,000	6.0	78,000	2.2

	Basic earnings per share
	Yen
Six months ending 30th September 2023	62.68
Fiscal year ending 31st March 2024	132.13

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

*** 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 June 2023	593,652,242 shares
As of 31st March 2023	593,652,242 shares

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

As of 30th June 2023	6,446,349 shares
As of 31st March 2023	1,959,169 shares

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

Three months ended 30th June 2023	590,343,055 shares
Three months ended 30th June 2022	589,959,435 shares

Note: The Company's 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 on the Company's website.

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1. Qualitative Information Regarding First-Quarter Settlement of Accounts

(1) Qualitative Information Regarding Consolidated Operating Results

(Millions of yen)

	Three months ended 30th June 2022	Three months ended 30th June 2023	Year on year	
			Amount	Rate
Revenue	167,537	176,709	9,171	5.5%
Overseas revenue	31,454	29,265	(2,188)	(7.0)%
Overseas revenue ratio	18.8%	16.6%	(2.2)P	–
Business profit	25,840	27,027	1,187	4.6%
Operating profit	28,079	27,027	(1,051)	(3.7)%
Operating margin	16.8%	15.3%	(1.5)P	–
EBITDA margin	22.1%	21.9%	(0.2)P	–
Profit before tax	27,789	26,580	(1,209)	(4.4)%
Profit attributable to owners of parent	18,762	17,210	(1,551)	(8.3)%

- 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 three months ended 30th June 2023, there were concerns about the downside risks posed to the global economy by the impact of global monetary tightening, rising prices, and other factors. Due to improvements in the employment environment and the effects of various policies, the Japanese economy experienced a modest recovery in business conditions. Information system investment continued to see strong activity 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 and rising prices, 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 IT solutions.

In order to realize the goals of NRI Group Vision 2030, the NRI Group’s long-term management plan, in April 2023 the Group formulated the three-year first half plan as “the NRI Group Medium-term Management Plan (2023-2025)” (“MTP2025”). The MTP2025 establishes four pillars for the growth strategy in the areas of Core Business, Strengthen DX, Global, and Management. Through co-creation with clients we seek to achieve sustainable growth for the NRI Group and create a sustainable society.

MTP2025 Pillars of growth strategy

- (1) Core Business: We will deepen and expand core domains to further deepen value creation with clients via Con-solutions (a business model that generates ongoing value for clients by having consulting and solutions run side-by-side from the planning and concept stages of business IT). At the same time, we will strengthen these core domains by expanding business platforms and driving radical innovations in productivity to achieve overwhelming competitiveness and high added value
- (2) Strengthen DX: In addition to transforming existing client business processes and infrastructure (DX 1.0), and transforming business models themselves (DX 2.0), we will take on the challenge of DX 3.0 to go beyond companies and industries and make an impact on society as a whole

- (3) Global: In addition to Japan, Asia and Australia, we will expand into the vast and rapidly growing market of North America to establish a framework for business operation based on three regional pillars
- (4) Management: We will make great investments in human capital, strengthen sustainability management and expand environmental efforts, as well as further consolidating our management platform

During the three months ended 30th June 2023, the NRI Group's revenue totaled ¥176,709 million (up 5.5% year on year), amid a scenario where revenue of every business segment was higher year on year. Cost of sales was ¥113,538 million (up 3.0%), gross profit was ¥63,170 million (up 10.2%), and selling, general and administrative expenses were ¥35,342 million (up 12.1%). Despite strength in core business and DX projects, predominantly in Japan, such factors as the disappearance of ¥2,238 million in gain on sale of fixed assets associated with trust beneficiary rights for Yokohama Nomura Building that was recorded in the same period of the previous fiscal year, declines in the profitability of the overseas business, and expenses of ¥971 million associated with changes in fair value of contingent consideration^{*1} at a company acquired in Australia, resulted in operating profit of ¥27,027 million (down 3.7% year on year). The operating margin was 15.3% (down 1.5 points) and the EBITDA margin was 21.9% (down 0.2 points).

*1 Contingent consideration: a method of adjusting purchase consideration in an M&A, whereby in addition to purchase consideration paid at the time the deal is closed, additional purchase consideration is also paid after a certain period of time has elapsed in accordance with the degree to which the company in question achieves certain business performance targets during such period.

Purchase of treasury shares

At a meeting held on 27th April 2023, the Board of Directors of the Company passed a resolution to purchase treasury shares as part of a nimble equity policy aimed at improving capital efficiency and responding to changes in the business environment.

The Company is to purchase a maximum total of 20,000,000 shares (percentage of total number of shares issued as of 31st March 2023 (excluding treasury shares): 3.38%) for a maximum total purchase price of ¥50,000 million. The purchase period is from 17th May 2023 to 30th November 2023, and the purchase method will entail market purchases on the Tokyo Stock Exchange based on discretionary trading contract pertaining to the purchase of treasury shares (excludes the period from 29th May 2023 to 27th July 2023 or during the ten business days from the business day following the date of announcement of the Company's quarterly financial results). During the three months ended 30th June 2023, the Company purchased treasury shares (1,983,200 shares, ¥7,138 million).

At the meeting held on 27th April 2023, the Board of Directors also passed a resolution to reintroduce a Trust-type Employee Stock Ownership Incentive Plan, and during the first quarter the trust exclusive for NRI Group Employee Stock Ownership Group purchased treasury shares (2,621,700 shares, ¥9,952 million).

Segment information

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

(Millions of yen)

		Three months ended 30th June 2022	Three months ended 30th June 2023	Year on year	
				Amount	Rate
Consulting	Revenue	9,711	10,965	1,254	12.9%
	Operating profit	1,859	2,147	287	15.5%
	Operating margin	19.1%	19.6%	0.4P	–
Financial IT Solutions	Revenue	81,490	84,681	3,190	3.9%
	Operating profit	11,678	12,172	493	4.2%
	Operating margin	14.3%	14.4%	0.0P	–
Industrial IT Solutions	Revenue	68,694	71,001	2,307	3.4%
	Operating profit	6,667	5,890	(776)	(11.6)%
	Operating margin	9.7%	8.3%	(1.4)P	–
IT Platform Services	Revenue	39,952	43,962	4,009	10.0%
	Operating profit	5,598	6,750	1,151	20.6%
	Operating margin	14.0%	15.4%	1.3P	–
Adjustments	Revenue	(32,311)	(33,900)	(1,589)	–
	Operating profit	2,275	67	(2,208)	–
Total	Revenue	167,537	176,709	9,171	5.5%
	Operating profit	28,079	27,027	(1,051)	(3.7)%
	Operating margin	16.8%	15.3%	(1.5)P	–

Note: The segment classifications are partially changed for the three months ended 30th June 2023, and the figures for the three months ended 30th June 2022 are based on the classifications after these changes.

(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 its clients, 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 the NRI Group is strengthening consulting to provide support for client DX, and working to appropriately respond to clients' needs. In addition to offering practical solutions-based consulting services to provide ongoing support for client reengineering, we will further strengthen cooperation between consulting and IT solutions with the aim of expanding our area of business. We are also moving forward with initiatives aimed at resolving social issues such as decarbonization, and at creating new consulting services related to generative AI.

During the three months ended 30th June 2023, the Consulting segment posted revenue of ¥10,965 million (up 12.9% year on year), due to a boost in DX-related and social issues projects. Operating profit was ¥2,147 million (up 15.5%) due to improvement in profitability amid a favorable order environment.

(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.

The environment surrounding the financial sector is undergoing major structural changes such that include a society whose population accelerates to age, industry reorganizations and the entry of new participants, 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 Social DX businesses 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 three months ended 30th June 2023, the Financial IT Solutions segment posted revenue of ¥84,681 million (up 3.9% year on year), amid increases in system development & system application sales for the banking sector and system management & operation services for the securities sector. Despite worsening profitability overseas, operating profit was ¥12,172 million (up 4.2%) due to improvement in profitability amid a favorable order environment and production activities, etc. in Japan.

(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.

This segment focuses on expansion and enhancement of digital intellectual property (IP) that can be utilized across clients and industries, and provides comprehensive assistance to the client in everything from creating business models to system construction, and driving operational improvements in the area of DX business. In terms of the global business, the aim is to achieve stable growth and enhance profitability in Australia through greater cooperation within the NRI Group, and to use the know-how developed in Australia in North America to expand services and scale up the business infrastructure. During the three months ended 30th June 2023, the Industrial IT Solutions segment posted revenue of ¥71,001 million (up 3.4% year on year) due to brisk orders for projects in the domestic distribution sector and service sector, etc. Despite improved profitability in Japan, operating profit came to ¥5,890 million (down 11.6%) due to such factors as declines in orders and operating rates in North America, and expenses associated with changes in fair value of contingent consideration at a company acquired in Australia.

(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 sectors. 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 AI 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 working on expanding its multi-cloud computing services^{*2} and its managed services^{*3}, and promoting its zero trust^{*4} business and managed security services^{*5}, in conjunction with efforts to address such changes in the business environment and promote radical innovations in productivity through such initiatives as overhauling development frameworks and leveraging AI in development processes.

During the three months ended 30th June 2023, revenue from external clients in the security business increased due to rising demand for security arising from increased use of cloud services and other factors. Intersegment revenue in the cloud business and network businesses increased as a result of brisk business in Financial IT Solutions and Industrial IT Solutions. As a result of the above, the IT Platform Services segment posted revenue of ¥43,962 million (up 10.0% year on year) and operating profit of ¥6,750 million (up 20.6%).

*2 Multi-cloud computing services refer to centrally managed services provided using multiple cloud computing platforms.

*3 Managed services refer to the services that lend comprehensive support to optimizing entire information systems on behalf of a client's IT unit.

*4 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.

*5 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 2023	As of 30th June 2023	Year on year	
			Amount	Rate
Current assets	349,102	331,706	(17,395)	(5.0)%
Non-current assets	489,122	509,330	20,208	4.1%
Total assets	838,224	841,036	2,812	0.3%
Current liabilities	198,247	180,133	(18,114)	(9.1)%
Non-current liabilities	237,570	266,208	28,638	12.1%
Total equity	402,406	394,695	(7,711)	(1.9)%
Equity attributable to owners of parent	399,006	391,732	(7,273)	(1.8)%
Ratio of equity attributable to owners of parent to total assets	47.6%	46.6%	(1.0)P	–
Interest-bearing liabilities	205,823	223,045	17,221	8.4%
Gross D/E ratio (times)	0.52	0.57	0.05	–
Net D/E ratio (times)	0.19	0.21	0.03	–

- 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 (¥1,284 million as of 31st March 2023; ¥511 million as of 30th June 2023) are included in trade and other payables on the condensed quarterly consolidated statement of financial position, and borrowings secured by securities (¥1,578 million as of 31st March 2023; ¥1,153 million as of 30th June 2023) 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 first quarter (30th June 2023), current assets were ¥331,706 million (down 5.0% from the end of the previous fiscal year), non-current assets were ¥509,330 million (up 4.1%), current liabilities were ¥180,133 million (down 9.1%), non-current liabilities were ¥266,208 million (up 12.1%), total equity was ¥394,695 million (down 1.9%), and total assets were ¥841,036 million (up 0.3%). 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 first quarter were 0.57 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 ¥33,974 million to ¥97,618 million and contract assets increased ¥4,430 million to ¥60,410 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 ¥15,841 million to ¥253,125 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 increased ¥18,418 million to ¥221,380 million due largely to borrowings associated with the reintroduction of the Trust-type Employee Stock Ownership Incentive Plan in May 2023.

In addition, cash and cash equivalents increased ¥8,090 million to ¥137,347 million, trade and other payables decreased ¥14,467 million to ¥37,661 million, income taxes payable decreased ¥7,417 million to ¥5,676 million, and treasury shares increased ¥16,696 million to ¥22,974 million.

(Cash flow position)

(Millions of yen)

	Three months ended 30th June 2022	Three months ended 30th June 2023	Year on year	
			Amount	Rate
Cash flows from operating activities	36,348	43,491	7,142	19.7%
Cash flows from investing activities	(8,396)	(15,878)	(7,481)	89.1%
Free cash flows	27,952	27,613	(338)	(1.2)%
Cash flows from financing activities	(24,057)	(21,444)	2,612	(10.9)%
Net increase (decrease) in cash and cash equivalents	5,971	8,090	2,119	35.5%
Cash and cash equivalents at end of period	121,581	137,347	15,765	13.0%

Cash and cash equivalents as of the end of the first quarter (30th June 2023) stood at ¥137,347 million (up ¥8,090 million from the end of the previous fiscal year).

Net cash provided by operating activities was ¥43,491 million, an increase of ¥7,142 million from the same period of the previous fiscal year, due largely to a decrease in income taxes paid.

Net cash used in investing activities was ¥15,878 million, an increase of ¥7,481 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, proceeds from sale of fixed assets were provided due to the sale of trust beneficiary rights for Yokohama Nomura Building. In the three months ended 30th June 2023, 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 ¥21,444 million, a decrease of ¥2,612 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, we had ¥10,000 million in net increase (decrease) in commercial paper (payments). In the three months ended 30th June 2023, there were proceeds from long-term borrowings of ¥18,000 million and purchase of treasury shares of ¥9,952 million associated with the reintroduction of the Trust-type Employee Stock Ownership Incentive Plan in May 2023. In addition, the NRI Group had ¥7,138 million in purchase of treasury shares in accordance with a resolution of the Board of Directors. Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

2. Condensed Quarterly Consolidated Financial Statements, Etc.

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(Millions of yen)	
	31st March 2023	30th June 2023
Assets		
Current assets		
Cash and cash equivalents	¥ 129,257	¥ 137,347
Trade and other receivables	131,592	97,618
Contract assets	55,980	60,410
Other financial assets	14,201	17,016
Other current assets	18,070	19,313
Total current assets	349,102	331,706
Non-current assets		
Property, plant and equipment	42,114	42,144
Right-of-use assets	31,877	33,301
Goodwill and intangible assets	237,283	253,125
Investments accounted for using equity method	9,527	9,536
Retirement benefit asset	89,710	88,720
Other financial assets	70,838	73,993
Deferred tax assets	5,671	5,905
Other non-current assets	2,098	2,603
Total non-current assets	489,122	509,330
Total assets	¥ 838,224	¥ 841,036

	(Millions of yen)	
	31st March 2023	30th June 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	¥ 52,129	¥ 37,661
Contract liabilities	17,122	17,152
Bonds and borrowings	20,235	16,568
Lease liabilities	9,364	10,904
Other financial liabilities	31,294	52,194
Income taxes payable	13,093	5,676
Provisions	1,027	794
Other current liabilities	53,979	39,181
Total current liabilities	<u>198,247</u>	<u>180,133</u>
Non-current liabilities		
Bonds and borrowings	182,725	204,811
Lease liabilities	25,420	25,182
Other financial liabilities	1,615	2,416
Retirement benefit liability	7,086	7,307
Provisions	4,932	4,834
Deferred tax liabilities	14,050	19,734
Other non-current liabilities	1,739	1,922
Total non-current liabilities	<u>237,570</u>	<u>266,208</u>
Total liabilities	<u>¥ 435,817</u>	<u>¥ 446,341</u>
Equity		
Share capital	¥ 23,644	¥ 23,644
Capital surplus	29,447	30,422
Retained earnings	321,676	325,064
Treasury shares	(6,277)	(22,974)
Other components of equity	30,514	35,575
Total equity attributable to owners of parent	<u>399,006</u>	<u>391,732</u>
Non-controlling interests	3,399	2,962
Total equity	<u>402,406</u>	<u>394,695</u>
Total liabilities and equity	<u>¥ 838,224</u>	<u>¥ 841,036</u>

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three months ended 30th June 2022	Three months ended 30th June 2023
Revenue	¥ 167,537	¥ 176,709
Cost of sales	110,230	113,538
Gross profit	57,307	63,170
Selling, general and administrative expenses	31,539	35,342
Share of profit of investments accounted for using equity method	86	147
Other income	2,284	90
Other expenses	60	1,039
Operating profit	28,079	27,027
Finance income	928	1,032
Finance costs	1,218	1,479
Profit before tax	27,789	26,580
Income tax expenses	8,941	9,286
Profit	18,848	17,294
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	(1,098)	1,822
Remeasurements of defined benefit plans	1	7
Share of other comprehensive income of investments accounted for using equity method	—	(0)
Total of items that will not be reclassified to profit or loss	(1,097)	1,829
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	3,427	2,488
Cash flow hedges	1,081	772
Share of other comprehensive income of investments accounted for using equity method	(27)	(7)
Total of items that may be reclassified to profit or loss	4,482	3,253
Total other comprehensive income, net of tax	3,385	5,083
Comprehensive income	¥ 22,233	¥ 22,377
Profit attributable to:		
Owners of parent	18,762	17,210
Non-controlling interests	86	83
Profit	¥ 18,848	¥ 17,294
Comprehensive income attributable to:		
Owners of parent	22,147	22,293
Non-controlling interests	86	83
Comprehensive income	¥ 22,233	¥ 22,377
Earnings per share		
Basic earnings per share (Yen)	¥ 31.80	¥ 29.15
Diluted earnings per share (Yen)	31.76	29.14

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the three months ended 30th June 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	—	—	18,762	—	—	18,762	86	18,848		
Other comprehensive income	—	—	—	—	3,385	3,385	—	3,385		
Total comprehensive income	—	—	18,762	—	3,385	22,147	86	22,233		
Dividends	—	—	(12,381)	—	—	(12,381)	—	(12,381)		
Purchase of treasury shares	—	—	—	(0)	—	(0)	—	(0)		
Disposal of treasury shares	—	(393)	—	2,849	—	2,455	—	2,455		
Share-based payment transactions	—	462	—	—	—	462	—	462		
Transfer from retained earnings to capital surplus	—	628	(628)	—	—	—	—	—		
Transfer from other components of equity to retained earnings	—	—	(33)	—	33	—	—	—		
Other	—	—	—	—	(60)	(60)	—	(60)		
Total transactions with owners, etc.	—	696	(13,042)	2,848	(27)	(9,524)	—	(9,524)		
Balance at 30th June 2022	¥ 22,414	¥ 28,974	¥ 334,550	¥ (65,961)	¥ 32,005	¥ 351,983	¥ 3,212	¥ 355,195		

For the three months ended 30th June 2023

(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 2023	¥ 23,644	¥ 29,447	¥ 321,676	¥ (6,277)	¥ 30,514	¥ 399,006	¥ 3,399	¥ 402,406
Profit	—	—	17,210	—	—	17,210	83	17,294
Other comprehensive income	—	—	—	—	5,083	5,083	—	5,083
Total comprehensive income	—	—	17,210	—	5,083	22,293	83	22,377
Dividends	—	—	(13,608)	—	—	(13,608)	(133)	(13,742)
Purchase of treasury shares	—	(7)	—	(17,091)	—	(17,098)	—	(17,098)
Disposal of treasury shares	—	(226)	—	394	—	167	—	167
Share-based payment transactions	—	605	—	—	—	605	—	605
Transfer from retained earnings to capital surplus	—	215	(215)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	1	—	(1)	—	—	—
Other	—	387	—	—	(20)	367	(387)	(20)
Total transactions with owners, etc.	—	974	(13,823)	(16,696)	(21)	(29,567)	(521)	(30,088)
Balance at 30th June 2023	¥ 23,644	¥ 30,422	¥ 325,064	¥ (22,974)	¥ 35,575	¥ 391,732	¥ 2,962	¥ 394,695

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	Three months ended 30th June 2022	Three months ended 30th June 2023
Cash flows from operating activities		
Profit before tax	¥ 27,789	¥ 26,580
Depreciation and amortization	11,229	11,719
Loss (gain) on sale and retirement of fixed assets	(2,201)	8
Finance income	(928)	(1,032)
Finance costs	1,218	1,479
Share of loss (profit) of investments accounted for using equity method	(86)	(147)
Decrease (increase) in trade and other receivables	38,880	35,940
Decrease (increase) in contract assets	(16,036)	(3,982)
Decrease (increase) in inventories	369	526
Decrease (increase) in prepaid expenses	(1,518)	(810)
Increase (decrease) in trade and other payables	4,826	(14,973)
Increase (decrease) in contract liabilities	(2,416)	(80)
Increase (decrease) in liabilities relating to trust-type employee stock ownership incentive plan	(71)	(1,820)
Increase (decrease) in provision for loss on orders received	(76)	(341)
Increase (decrease) in accounts payable bonuses	(12,095)	(14,317)
Decrease (increase) in retirement benefit asset	(307)	990
Increase (decrease) in retirement benefit liability	113	209
Other	6,863	17,149
Subtotal	55,551	57,099
Interest and dividends received	492	834
Interest paid	(292)	(1,143)
Income taxes paid	(19,402)	(13,298)
Net cash provided by operating activities	¥ 36,348	¥ 43,491

	(Millions of yen)	
	Three months ended 30th June 2022	Three months ended 30th June 2023
Cash flows from investing activities		
Payments into time deposits	¥ (3,516)	¥ (1,011)
Proceeds from withdrawal of time deposits	524	1,061
Purchase of property, plant and equipment	(2,632)	(3,809)
Proceeds from sale of property, plant and equipment	6,920	12
Purchase of intangible assets	(9,633)	(12,107)
Proceeds from sale of intangible assets	—	0
Purchase of investments	(96)	(2)
Proceeds from sale and redemption of investments	60	—
Other	(22)	(22)
Net cash used in investing activities	<u>(8,396)</u>	<u>(15,878)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(613)	(1,837)
Proceeds from long-term borrowings	1,922	18,000
Repayments of long-term borrowings	(2,126)	(3,396)
Net increase (decrease) in commercial paper	(10,000)	—
Repayments of lease liabilities	(3,277)	(2,896)
Proceeds from sale of treasury shares	2,397	157
Purchase of treasury shares	(0)	(17,108)
Dividends paid	(12,359)	(13,675)
Dividends paid to non-controlling interests	—	(133)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(555)
Net cash used in financing activities	<u>(24,057)</u>	<u>(21,444)</u>
Effect of exchange rate changes on cash and cash equivalents	2,076	1,921
Net increase (decrease) in cash and cash equivalents	5,971	8,090
Cash and cash equivalents at beginning of period	115,610	129,257
Cash and cash equivalents at end of period	<u>¥ 121,581</u>	<u>¥ 137,347</u>

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Change in Presentation)

Condensed Quarterly Consolidated Statement of Financial Position

To reflect the actual situation of transactions more appropriately, certain accrued expenses, etc. which were included in “trade and other payables” as of 31st March 2023 are currently included in “other financial liabilities”. To reflect these changes in presentation, ¥3,552 million included in “trade and other payables” as of 31st March 2023 has been reclassified as “other financial liabilities”.

Condensed Quarterly Consolidated Statement of Cash Flows

To reflect the actual situation of transactions more appropriately, certain accrued expenses, etc. which were included in “increase (decrease) in trade and other payables” for the three months ended 30th June 2022 are currently included in “other”. To reflect these changes in presentation, ¥ (621) million included in “increase (decrease) in trade and other payables” for the three months ended 30th June 2022 has been reclassified as “other”.

(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 2023. 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 three months ended 30th June 2022

	Reportable segment					Adjustments (Note)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	9,382	80,109	66,627	10,868	166,988	548	167,537
Intersegment revenue or transfers	328	1,381	2,066	29,084	32,860	(32,860)	—
Total	9,711	81,490	68,694	39,952	199,849	(32,311)	167,537
Operating profit	1,859	11,678	6,667	5,598	25,803	2,275	28,079
Finance income							928
Finance costs							1,218
Profit before tax							27,789

Note: Individual items in adjustment to operating profit of ¥2,275 million include gain on sale of fixed assets in the amount of ¥2,238 million recorded in “other income”.

For the three months ended 30th June 2023

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	10,655	83,408	69,426	12,489	175,979	730	176,709
Intersegment revenue or transfers	310	1,272	1,575	31,473	34,631	(34,631)	—
Total	10,965	84,681	71,001	43,962	210,610	(33,900)	176,709
Operating profit	2,147	12,172	5,890	6,750	26,960	67	27,027
Finance income							1,032
Finance costs							1,479
Profit before tax							26,580

Notes: 1. Individual items included in adjustment of operating profit are immaterial.

2. The segment classifications are partially changed for the three months ended 30th June 2023, and the figures for the three months ended 30th June 2022 are based on the classifications after these changes.

(Per Share Information)

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

	Three months ended 30th June 2022	Three months ended 30th June 2023
	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	18,762	17,210
Adjustments of profit	—	—
Profit used for calculation of diluted earnings per share	18,762	17,210
	(Shares)	(Shares)
Weighted-average number of shares of common stock outstanding	589,959,435	590,343,055
Increase in common stock		
Increase from stock options	832,224	375,571
Diluted weighted-average number of shares of common stock	590,791,659	590,718,626
	(Yen)	(Yen)
Basic earnings per share	31.80	29.15
Diluted earnings per share	31.76	29.14

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 (1,388,605 shares and 513,911 shares for the three-month periods ended 30th June, 2022 and 2023, respectively).

(Subsequent Events)

Issuance of new shares as restricted stock-based remuneration

At its Board of Directors' meeting held on 23rd June 2023, the Company resolved to issue new shares as restricted stock-based remuneration and finalized the arrangements for payment on 21st July 2023.

Outline of share issuance

(a) Type and number of shares to be issued	514,800 common shares
(b) Issue price	¥4,103 per share
(c) Total issue value	¥2,112,224,400
(d) Paid-in capital	¥2,052 per share
(e) Total paid-in capital	¥1,056,369,600
(f) Eligible recipients, number of recipients and number of shares to be allocated	Members of the Board (excluding Outside Directors): 6 individuals, 95,300 shares Senior Managing Directors and other employees (those treated as executives): 47 individuals, 419,500 shares
(g) Payment date	21st July 2023