



31st January 2024

Consolidated Financial Results for the Nine Months Ended 31st December 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: 13th February 2024
 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 nine months ended 31st December 2023 (from 1st April 2023 to 31st December 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	%
Nine months ended								
31st December 2023	550,019	6.6	91,239	8.8	89,274	9.6	61,441	11.2
31st December 2022	516,059	15.2	83,873	3.1	81,444	2.0	55,267	1.2

	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
Nine months ended						
31st December 2023	61,093	11.0	63,645	14.3	104.68	104.62
31st December 2022	55,033	1.3	55,682	(2.8)	93.09	93.00

(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				
31st December 2023	862,368	375,185	371,959	43.1
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	–	24.00	–		
Fiscal year ending 31st March 2024 (Forecast)				29.00	53.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

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

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	%
Fiscal year ending 31st March 2024	735,000	6.2	120,000	7.3	118,000	8.8	82,000	7.5

	Basic earnings per share
	Yen
Fiscal year ending 31st March 2024	140.50

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 page 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 31st December 2023	594,167,042 shares
As of 31st March 2023	593,652,242 shares

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

As of 31st December 2023	18,493,916 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)

Nine months ended 31st December 2023	583,645,826 shares
Nine months ended 31st December 2022	591,168,248 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 on the Company's website.

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1. Qualitative Information Regarding Third-Quarter Settlement of Accounts

(1) Qualitative Information Regarding Consolidated Operating Results

(Millions of yen)

	Nine months ended 31st December 2022	Nine months ended 31st December 2023	Year on year	
			Amount	Rate
Revenue	516,059	550,019	33,959	6.6%
Overseas revenue	93,717	90,431	(3,286)	(3.5)%
Overseas revenue ratio	18.2%	16.4%	(1.7)P	–
Business profit	81,634	89,809	8,174	10.0%
Operating profit	83,873	91,239	7,365	8.8%
Operating margin	16.3%	16.6%	0.3P	–
EBITDA margin	22.4%	23.0%	0.6P	–
Profit before tax	81,444	89,274	7,830	9.6%
Profit attributable to owners of parent	55,033	61,093	6,060	11.0%

- 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 nine months ended 31st December 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 and income 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 global monetary tightening and others, various uncertainties, such as rapid exchange-rate fluctuations, the situation in the Middle East region 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 nine months ended 31st December 2023, the NRI Group's revenue totaled ¥550,019 million (up 6.6% year on year), amid a scenario where revenue of every business segment was higher year on year. Cost of sales was ¥355,038 million (up 5.6%), gross profit was ¥194,980 million (up 8.5%), and selling, general and administrative expenses were ¥105,343 million (up 6.7%). Despite 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, and declines in the profitability of the overseas business, the continuing strong performance in core business and DX projects, predominantly in Japan resulted in operating profit of ¥91,239 million (up 8.8%), operating margin of 16.6% (up 0.3 points), and EBITDA margin of 23.0% (up 0.6 points).

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 nine months ended 31st December 2023, the Company purchased treasury shares (12,833,700 shares, ¥49,999 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 third quarter the trust exclusive for NRI Group Employee Stock Ownership Group purchased treasury shares (4,657,400 shares, ¥17,917 million).

Segment information

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

(Millions of yen)

		Nine months ended 31st December 2022	Nine months ended 31st December 2023	Year on year	
				Amount	Rate
Consulting	Revenue	34,082	38,558	4,475	13.1%
	Operating profit	8,331	9,591	1,259	15.1%
	Operating margin	24.4%	24.9%	0.4P	–
Financial IT Solutions	Revenue	250,763	264,293	13,530	5.4%
	Operating profit	37,526	41,726	4,200	11.2%
	Operating margin	15.0%	15.8%	0.8P	–
Industrial IT Solutions	Revenue	206,142	213,767	7,624	3.7%
	Operating profit	18,382	17,808	(573)	(3.1)%
	Operating margin	8.9%	8.3%	(0.6)P	–
IT Platform Services	Revenue	124,234	137,326	13,092	10.5%
	Operating profit	17,386	21,927	4,541	26.1%
	Operating margin	14.0%	16.0%	2.0P	–
Adjustments	Revenue	(99,162)	(103,926)	(4,763)	–
	Operating profit	2,247	185	(2,061)	–
Total	Revenue	516,059	550,019	33,959	6.6%
	Operating profit	83,873	91,239	7,365	8.8%
	Operating margin	16.3%	16.6%	0.3P	–

Note: The segment classifications are partially changed for the first quarter of the current fiscal year, and the figures for the nine months ended 31st December 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 nine months ended 31st December 2023, the Consulting segment posted revenue of ¥38,558 million (up 13.1% year on year), due to a boost in DX-related and social issues projects. Operating profit was ¥9,591 million (up 15.1%) 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 nine months ended 31st December 2023, the Financial IT Solutions segment posted revenue of ¥264,293 million (up 5.4% year on year), amid increases in system development & system application sales for the banking sector and system management & operation services for the securities sector. Operating profit was ¥41,726 million (up 11.2%) due to improvement in profitability amid a favorable order environment and an increase in operating fees for shared online services, in addition to the contribution from a gain on sale of overseas subsidiaries.

(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. In the third quarter of the current fiscal year, Core BTS, Inc., in North America, carried out structural changes and organizational restructuring, and it has been promoting such efforts as combining the delivery structure with our existing subsidiary and working jointly to bolster sales in North America. During the nine months ended 31st December 2023, the Industrial IT Solutions segment posted revenue of ¥213,767 million (up 3.7% 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 ¥17,808 million (down 3.1%) due to such factors as declines in orders in the cloud business at Core BTS, Inc. 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*¹ and its managed services*², and promoting its zero trust*³ business and managed security services*⁴, 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 nine months ended 31st December 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 other factors 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 ¥137,326 million (up 10.5% year on year) and operating profit of ¥21,927 million (up 26.1%).

- *1 Multi-cloud computing services refer to centrally managed services provided using multiple cloud computing platforms.
- *2 Managed services refer to the services that lend comprehensive support to optimizing entire information systems on behalf of a client's IT unit.
- *3 Zero trust refers to a new concept of security that anything that accesses information assets and systems to protect is verified without distinction between inside and outside of the network.
- *4 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 31st December 2023	Year on year	
			Amount	Rate
Current assets	349,102	353,617	4,515	1.3%
Non-current assets	489,122	508,751	19,628	4.0%
Total assets	838,224	862,368	24,144	2.9%
Current liabilities	198,247	176,320	(21,926)	(11.1)%
Non-current liabilities	237,570	310,862	73,292	30.9%
Total equity	402,406	375,185	(27,221)	(6.8)%
Equity attributable to owners of parent	399,006	371,959	(27,047)	(6.8)%
Ratio of equity attributable to owners of parent to total assets	47.6%	43.1%	(4.5)P	–
Interest-bearing liabilities	205,823	269,119	63,295	30.8%
Gross D/E ratio (times)	0.52	0.72	0.21	–
Net D/E ratio (times)	0.19	0.33	0.14	–

- 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; ¥420 million as of 31st December 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; ¥344 million as of 31st December 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 third quarter (31st December 2023), current assets were ¥353,617 million (up 1.3% from the end of the previous fiscal year), non-current assets were ¥508,751 million (up 4.0%), current liabilities were ¥176,320 million (down 11.1%), non-current liabilities were ¥310,862 million (up 30.9%), total equity was ¥375,185 million (down 6.8%), and total assets were ¥862,368 million (up 2.9%). 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 third quarter were 0.72 times and 0.33 times, respectively.

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

Trade and other receivables decreased ¥36,533 million to ¥95,058 million and contract assets increased ¥21,883 million to ¥77,864 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 ¥21,402 million to ¥258,686 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 ¥65,392 million to ¥268,354 million due largely to borrowings associated with the reintroduction of the Trust-type Employee Stock Ownership Incentive Plan in May 2023 and the issuance of the 12th, 13th, and 14th series of unsecured bonds in December 2023.

In addition, cash and cash equivalents increased ¥15,047 million to ¥144,304 million, trade and other payables decreased ¥21,975 million to ¥30,153 million, income taxes payable decreased ¥4,896 million to ¥8,197 million, and treasury shares increased ¥64,316 million to ¥70,593 million.

(Cash flow position)

(Millions of yen)

	Nine months ended 31st December 2022	Nine months ended 31st December 2023	Year on year	
			Amount	Rate
Cash flows from operating activities	76,534	99,729	23,195	30.3%
Cash flows from investing activities	(45,878)	(43,118)	2,760	(6.0)%
Free cash flows	30,655	56,610	25,955	84.7%
Cash flows from financing activities	14,726	(43,586)	(58,313)	–
Net increase (decrease) in cash and cash equivalents	46,171	15,047	(31,123)	(67.4)%
Cash and cash equivalents at end of period	161,782	144,304	(17,477)	(10.8)%

Cash and cash equivalents as of the end of the third quarter (31st December 2023) stood at ¥144,304 million (up ¥15,047 million from the end of the previous fiscal year).

Net cash provided by operating activities was ¥99,729 million, an increase of ¥23,195 million from the same period of the previous fiscal year, due largely to an increase in operating profit and a decrease in income taxes paid.

Net cash used in investing activities was ¥43,118 million, a decrease of ¥2,760 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 nine months ended 31st December 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 ¥43,586 million, an increase of ¥58,313 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, the NRI Group had ¥64,807 million in proceeds from the issuance of the 9th, 10th, and 11th series of unsecured bonds and ¥25,000 million in redemption of the 5th series of unsecured bonds. The NRI Group had ¥22,215 million in proceeds from sale of treasury shares relating to disposal of treasury shares. In the nine months ended 31st December 2023, there were proceeds from long-term borrowings of ¥18,000 million and purchase of treasury shares of ¥17,917 million associated with the reintroduction of the Trust-type Employee Stock Ownership Incentive Plan in May 2023. The NRI Group had ¥49,999 million in purchase of treasury shares in accordance with a resolution of the Board of Directors. In addition, the NRI Group had ¥59,572 million in proceeds from the issuance of the 12th, 13th, and 14th series of unsecured bonds and ¥10,000 million in redemption of the 7th series of unsecured bonds. Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

(3) Qualitative Information Regarding Forecasts of Financial Results

Expecting a significant effect from reduced taxes due to the application of a tax scheme designed to promote wage increases as part of tax revisions in the 2024 fiscal year, the forecasts of financial results and cash dividends will be revised as follows.

(I) Consolidated performance

Consolidated financial forecasts for the fiscal year ending 31st March 2024
(from 1st April 2023 to 31st March 2024)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Revenue	735,000	735,000	–	–	692,165
Operating profit	120,000	120,000	–	–	111,832
Profit before tax	118,000	118,000	–	–	108,499
Profit attributable to owners of parent	80,000	82,000	2,000	2.5	76,307

(II) Revisions to the forecasts of cash dividends

The Company considers the ongoing growth of its corporate value to be the most important return to its shareholders. The Company's basic policy on the payment of dividends from surplus is to continue to provide stable dividends while securing sufficient retained earnings for its medium and long-term business development, taking into account factors such as operating revenue and the cash flow situation. In addition, aiming for further shareholder returns through improved capital efficiency, the Company plans to gradually increase the consolidated dividend payout ratio from 35% (actual results for the fiscal year ended 31st March 2023) to 40% for the fiscal year ending 31st March 2026. Based on the policy above and business results for the current fiscal year, the Company has upwardly revised its forecast for year-end dividends for the fiscal year ending 31st March 2024 by ¥3 from the one previously announced (announced on 26th October 2023) to ¥29 per share. Consequently, combined with interim dividend, the annual dividend payment will be ¥53 per share, resulting in a consolidated dividend payout ratio based on the revised forecast of 37.6%.

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

Forecasts of cash dividends for the fiscal year ending 31st March 2024

Record date	Cash dividends per share		
	Second quarter-end	Fiscal year-end	Annual
Previous forecast	–	26.00	50.00
Revised forecast	–	29.00	53.00
Results for the current fiscal year	24.00	–	–
Results for the previous fiscal year	22.00	23.00	45.00

(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 2023	31st December 2023
Assets		
Current assets		
Cash and cash equivalents	¥ 129,257	¥ 144,304
Trade and other receivables	131,592	95,058
Contract assets	55,980	77,864
Other financial assets	14,201	17,021
Other current assets	18,070	19,368
Total current assets	349,102	353,617
Non-current assets		
Property, plant and equipment	42,114	40,447
Right-of-use assets	31,877	30,918
Goodwill and intangible assets	237,283	258,686
Investments accounted for using equity method	9,527	9,573
Retirement benefit asset	89,710	86,740
Other financial assets	70,838	73,244
Deferred tax assets	5,671	5,604
Other non-current assets	2,098	3,534
Total non-current assets	489,122	508,751
Total assets	¥ 838,224	¥ 862,368

	(Millions of yen)	
	31st March 2023	31st December 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	¥ 52,129	¥ 30,153
Contract liabilities	17,122	17,225
Bonds and borrowings	20,235	15,702
Lease liabilities	9,364	11,066
Other financial liabilities	31,294	48,430
Income taxes payable	13,093	8,197
Provisions	1,027	449
Other current liabilities	53,979	45,095
Total current liabilities	<u>198,247</u>	<u>176,320</u>
Non-current liabilities		
Bonds and borrowings	182,725	252,651
Lease liabilities	25,420	22,257
Other financial liabilities	1,615	1,981
Retirement benefit liability	7,086	7,810
Provisions	4,932	4,404
Deferred tax liabilities	14,050	18,631
Other non-current liabilities	1,739	3,125
Total non-current liabilities	<u>237,570</u>	<u>310,862</u>
Total liabilities	<u>¥ 435,817</u>	<u>¥ 487,183</u>
Equity		
Share capital	¥ 23,644	¥ 24,701
Capital surplus	29,447	30,503
Retained earnings	321,676	354,672
Treasury shares	(6,277)	(70,593)
Other components of equity	30,514	32,675
Total equity attributable to owners of parent	<u>399,006</u>	<u>371,959</u>
Non-controlling interests	3,399	3,226
Total equity	<u>402,406</u>	<u>375,185</u>
Total liabilities and equity	<u>¥ 838,224</u>	<u>¥ 862,368</u>

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Nine months ended 31st December 2022	Nine months ended 31st December 2023
	¥	¥
Revenue	516,059	550,019
Cost of sales	336,293	355,038
Gross profit	179,766	194,980
Selling, general and administrative expenses	98,698	105,343
Share of profit of investments accounted for using equity method	338	620
Other income	2,675	1,969
Other expenses	207	988
Operating profit	83,873	91,239
Finance income	1,884	2,779
Finance costs	4,313	4,744
Profit before tax	81,444	89,274
Income tax expenses	26,177	27,833
Profit	55,267	61,441
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	366	2,533
Remeasurements of defined benefit plans	4	6
Share of other comprehensive income of investments accounted for using equity method	—	(5)
Total of items that will not be reclassified to profit or loss	371	2,534
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	(239)	(379)
Cash flow hedges	292	26
Share of other comprehensive income of investments accounted for using equity method	(7)	22
Total of items that may be reclassified to profit or loss	44	(330)
Total other comprehensive income, net of tax	415	2,204
Comprehensive income	¥ 55,682	¥ 63,645
Profit attributable to:		
Owners of parent	55,033	61,093
Non-controlling interests	233	347
Profit	¥ 55,267	¥ 61,441
Comprehensive income attributable to:		
Owners of parent	55,449	63,298
Non-controlling interests	233	347
Comprehensive income	¥ 55,682	¥ 63,645
Earnings per share		
Basic earnings per share (Yen)	¥ 93.09	¥ 104.68
Diluted earnings per share (Yen)	93.00	104.62

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the nine months ended 31st December 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	—	—	55,033	—	—	55,033	233	55,267
Other comprehensive income	—	—	—	—	415	415	—	415
Total comprehensive income	—	—	55,033	—	415	55,449	233	55,682
Dividends	—	—	(25,396)	—	—	(25,396)	—	(25,396)
Purchase of treasury shares	—	(12)	—	(500)	—	(512)	—	(512)
Disposal of treasury shares	—	(2,706)	—	25,026	—	22,319	—	22,319
Share-based payment transactions	1,229	294	—	—	—	1,524	—	1,524
Transfer from retained earnings to capital surplus	—	3,201	(3,201)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(29)	—	29	—	—	—
Other	—	—	(95)	—	(110)	(205)	—	(205)
Total transactions with owners, etc.	1,229	777	(28,723)	24,525	(80)	(2,270)	—	(2,270)
Balance at 31st December 2022	¥ 23,644	¥ 29,054	¥ 355,141	¥ (44,284)	¥ 28,982	¥ 392,539	¥ 3,359	¥ 395,898

For the nine months ended 31st December 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	—	—	61,093	—	—	61,093	347	61,441
Other comprehensive income	—	—	—	—	2,204	2,204	—	2,204
Total comprehensive income	—	—	61,093	—	2,204	63,298	347	63,645
Dividends	—	—	(27,550)	—	—	(27,550)	(133)	(27,683)
Purchase of treasury shares	—	(434)	—	(67,918)	—	(68,352)	—	(68,352)
Disposal of treasury shares	—	(445)	—	3,602	—	3,156	—	3,156
Share-based payment transactions	1,056	1,015	—	—	—	2,072	—	2,072
Transfer from retained earnings to capital surplus	—	531	(531)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(15)	—	15	—	—	—
Other	—	387	—	—	(58)	329	(387)	(58)
Total transactions with owners, etc.	1,056	1,055	(28,098)	(64,316)	(43)	(90,345)	(521)	(90,866)
Balance at 31st December 2023	¥ 24,701	¥ 30,503	¥ 354,672	¥ (70,593)	¥ 32,675	¥ 371,959	¥ 3,226	¥ 375,185

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	Nine months ended 31st December 2022	Nine months ended 31st December 2023
Cash flows from operating activities		
Profit before tax	¥ 81,444	¥ 89,274
Depreciation and amortization	33,609	36,058
Loss (gain) on sale and retirement of fixed assets	(2,089)	674
Finance income	(1,884)	(2,779)
Finance costs	4,313	4,744
Share of loss (profit) of investments accounted for using equity method	(338)	(620)
Decrease (increase) in trade and other receivables	42,741	37,582
Decrease (increase) in contract assets	(29,287)	(21,433)
Decrease (increase) in inventories	45	90
Decrease (increase) in prepaid expenses	(3,414)	(1,168)
Increase (decrease) in trade and other payables	(12,506)	(21,810)
Increase (decrease) in contract liabilities	(1,608)	15
Increase (decrease) in liabilities relating to trust-type employee stock ownership incentive plan	378	(1,820)
Increase (decrease) in provision for loss on orders received	180	(688)
Increase (decrease) in accounts payable bonuses	(10,909)	(12,441)
Decrease (increase) in retirement benefit asset	(951)	2,970
Increase (decrease) in retirement benefit liability	276	715
Other	17,218	20,946
Subtotal	117,218	130,309
Interest and dividends received	1,467	2,363
Interest paid	(2,145)	(4,187)
Income taxes paid	(40,005)	(28,756)
Net cash provided by operating activities	¥ 76,534	¥ 99,729

	(Millions of yen)	
	Nine months ended 31st December 2022	Nine months ended 31st December 2023
Cash flows from investing activities		
Payments into time deposits	¥ (4,874)	¥ (1,494)
Proceeds from withdrawal of time deposits	4,795	1,686
Purchase of property, plant and equipment	(9,395)	(6,353)
Proceeds from sale of property, plant and equipment	6,913	50
Purchase of intangible assets	(30,649)	(33,281)
Proceeds from sale of intangible assets	—	0
Purchase of investments	(285)	(65)
Proceeds from sale and redemption of investments	133	5
Payments for acquisition of subsidiaries	(8,780)	(4,037)
Purchase of investments in associates or joint ventures	(2,991)	—
Other	(743)	371
Net cash used in investing activities	<u>(45,878)</u>	<u>(43,118)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(62,204)	(1,885)
Proceeds from long-term borrowings	59,785	18,000
Repayments of long-term borrowings	(4,385)	(6,883)
Net increase (decrease) in commercial paper	(5,000)	(0)
Proceeds from issuance of bonds	64,807	59,572
Redemption of bonds	(25,000)	(10,000)
Repayments of lease liabilities	(9,637)	(8,873)
Proceeds from sale of treasury shares	22,215	3,180
Purchase of treasury shares	(500)	(68,426)
Dividends paid	(25,352)	(27,582)
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>14,726</u>	<u>(43,586)</u>
Effect of exchange rate changes on cash and cash equivalents	789	2,023
Net increase (decrease) in cash and cash equivalents	46,171	15,047
Cash and cash equivalents at beginning of period	115,610	129,257
Cash and cash equivalents at end of period	<u>¥ 161,782</u>	<u>¥ 144,304</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, accrued expenses, etc. which were included in “increase (decrease) in accrued expenses” for the nine months ended 31st December 2022 are currently included in “other”. To reflect these changes in presentation, ¥3,407 million included in “increase (decrease) in accrued expenses” for the nine months ended 31st December 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 nine months ended 31st December 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	32,845	246,523	199,949	34,906	514,224	1,835	516,059
Intersegment revenue or transfers	1,236	4,239	6,193	89,327	100,997	(100,997)	—
Total	34,082	250,763	206,142	124,234	615,222	(99,162)	516,059
Operating profit	8,331	37,526	18,382	17,386	81,625	2,247	83,873
Finance income							1,884
Finance costs							4,313
Profit before tax							81,444

Note: Individual items in adjustment to operating profit of ¥2,247 million include gain on sale of fixed assets in the amount of ¥2,238 million recorded in “other income”.

For the nine months ended 31st December 2023

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
	(Millions of yen)						
Revenue							
Revenue from external customers	37,356	260,377	209,352	40,633	547,720	2,299	550,019
Intersegment revenue or transfers	1,201	3,916	4,414	96,693	106,226	(106,226)	—
Total	38,558	264,293	213,767	137,326	653,946	(103,926)	550,019
Operating profit	9,591	41,726	17,808	21,927	91,053	185	91,239
Finance income							2,779
Finance costs							4,744
Profit before tax							89,274

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 nine months ended 31st December 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.

	Nine months ended 31st December 2022	Nine months ended 31st December 2023
	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	55,033	61,093
Adjustments of profit	—	—
Profit used for calculation of diluted earnings per share	55,033	61,093
	(Shares)	(Shares)
Weighted-average number of shares of common stock outstanding	591,168,248	583,645,826
Increase in common stock		
Increase from stock options	606,696	321,093
Diluted weighted-average number of shares of common stock	591,774,944	583,966,919
	(Yen)	(Yen)
Basic earnings per share	93.09	104.68
Diluted earnings per share	93.00	104.62

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 (887,208 shares and 3,046,888 shares for the nine-month periods ended 31st December, 2022 and 2023, respectively).

(Subsequent Events)

Not applicable.