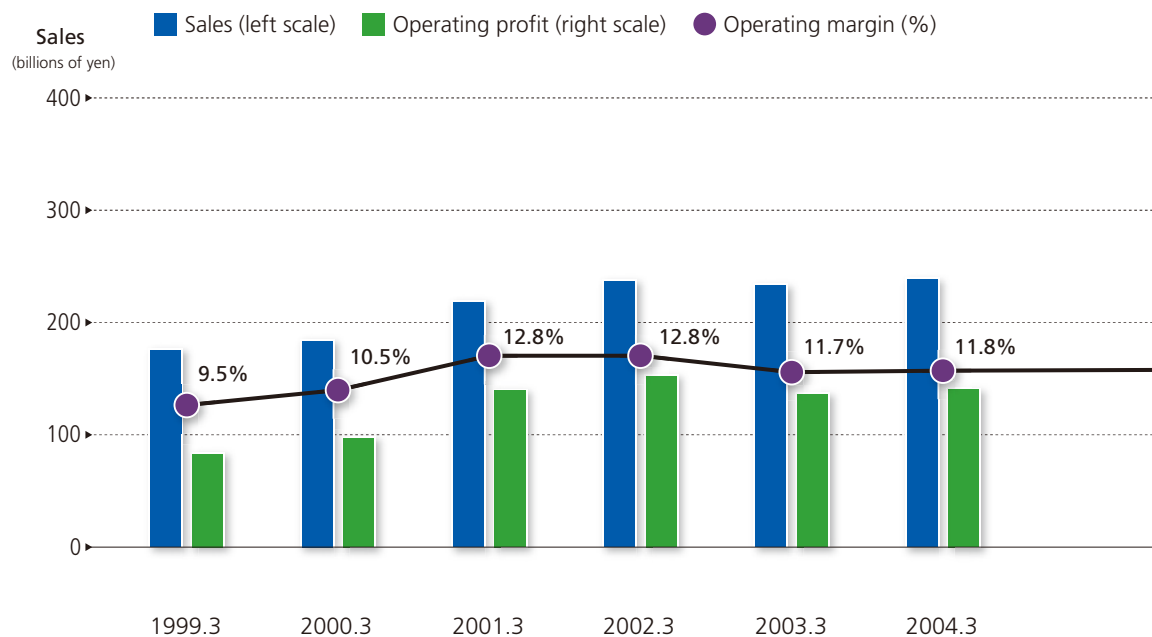

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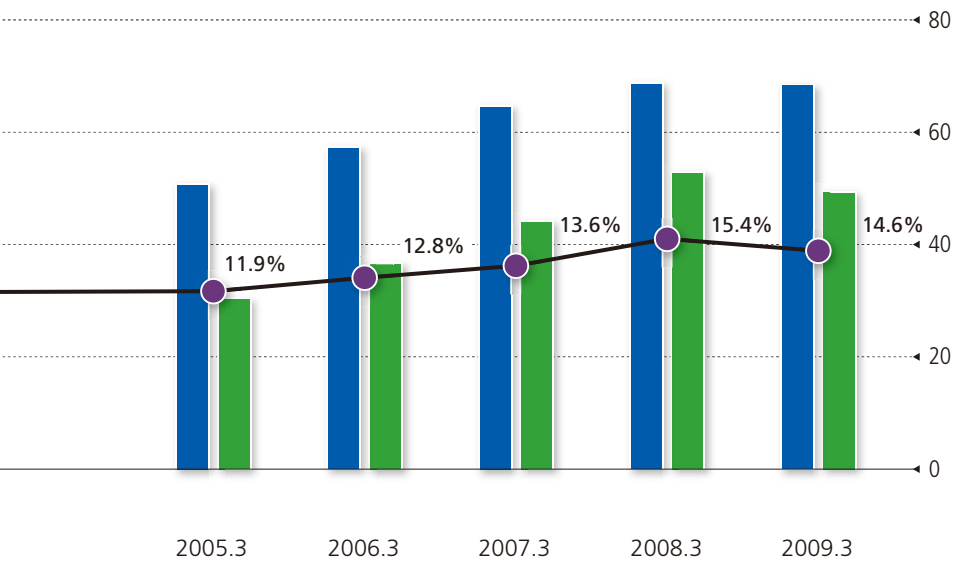
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Sales	175,058	183,616	217,984	236,569	232,743	238,067
Cost of sales	132,561	138,395	160,643	173,636	173,545	178,096
Selling, general and administrative expenses	25,928	25,906	29,497	32,568	32,034	31,948
Operating profit	16,568	19,315	27,842	30,364	27,164	28,022
Ordinary profit	18,610	20,781	31,550	32,953	27,627	29,293
Income before income taxes	15,171	9,590	43,629	39,009	27,177	32,927
Net income	8,148	5,130	25,381	22,363	15,459	18,269
Net income per share (yen) ^(Note 2)	1	1	1	4	4	8
Net assets (at year-end)	81,192	91,837	165,171	195,564	185,350	229,331
Total assets (at year-end)	152,163	168,274	289,104	299,892	256,798	326,799
Number of employees (persons) (at year-end) ^(Note 3)		3,600	3,847	4,313	4,619	4,791
Ratios (%)						
ROE ^(Note 4)	11.0	5.9	19.8	12.4	8.1	8.8
ROA ^(Note 5)	12.5	13.0	13.8	11.2	9.9	10.0
Operating margin	9.5	10.5	12.8	12.8	11.7	11.8
Net income to sales ratio	4.7	2.8	11.6	9.5	6.6	7.7
Equity ratio	53.4	54.6	57.1	65.2	72.2	70.2

- Notes: 1. Amounts of less than JPY million were rounded down.
 2. Net income per share has been retroactively restated for the prior fiscal years.
 3. Number of employees was not released prior to fiscal year ended 31st March, 1999.
 4. ROE = (Net income / Average net assets) x 100
 5. ROA = (Ordinary profit / Average total assets) x 100

Operating profit
(billions of yen)



(millions of yen)

252,963	285,585	322,531	342,289	341,279	Sales
190,732	213,706	234,578	238,537	240,854	Cost of sales
32,071	35,409	44,055	51,087	50,711	Selling, general and administrative expenses
30,159	36,469	43,897	52,664	49,713	Operating profit
30,987	38,252	46,099	55,517	51,731	Ordinary profit
27,361	37,535	46,744	47,987	44,181	Income before income taxes
16,303	22,518	27,019	28,157	24,513	Net income
20	28	36	50	52	Net income per share (yen) ^(Note 2)
231,766	209,301	216,232	207,363	205,466	Net assets (at year-end)
317,341	311,786	371,458	362,447	354,487	Total assets (at year-end)
4,848	5,013	5,303	5,711	6,118	Number of employees (persons) (at year-end) ^(Note 3)
7.1	10.2	12.7	13.3	11.9	Ratios (%) ROE (Note 4) ^(Note 4)
9.6	12.2	13.5	15.1	14.4	ROA (Note 5) ^(Note 5)
11.9	12.8	13.6	15.4	14.6	Operating margin
6.4	7.9	8.4	8.2	7.2	Net income to sales ratio
73.0	67.1	58.1	57.0	57.7	Equity ratio

Business Overview

In fiscal 2008, ended 31st March, 2009, the Japanese economy was gripped by the global financial crisis that originated in the United States as a result of the subprime mortgage financial meltdown. The economy deteriorated rapidly, resulting in drastic reductions in corporate revenues, production and exports, and lower capital expenditures. In the information services industry, the securities industry demonstrated weaker interest in information system investment.

In response to this changing business environment, Nomura Research Institute and its consolidated subsidiaries (the "NRI Group") proceeded with shifting human resources to target customers in the insurance, service and manufacturing sectors, and reforming its cost structure by optimizing subcontracting costs and slashing expenses. In addition, the NRI Group sought to improve production by strengthening project management and launching initiatives to reduce system failure. The Group also endeavored to strengthen its business in Asia. By the end of the fiscal year, the NRI Group had developed an outsourcing service to perform work on large securities systems as part of its goal to create a long-term, stable business platform.

As a result of these activities, the NRI Group posted sales of ¥341,279 million, down 0.3% year on year, essentially on a par with the previous fiscal year. The Group reduced business subcontracting costs associated with indirect operations, thereby suppressing selling, general and administrative expenses. However, because of higher cost of sales, such as depreciation associated with capital expenditures for future business expansion, the NRI Group posted operating profit of ¥49,713 million, down 5.6%, and ordinary profit fell 6.8%, to ¥51,731 million. Net income declined 12.9%, to ¥24,513 million, limited by a loss on valuation of software and extraordinary loss arising from the fall in the market value of shares held by the NRI Group.

Business Results by Segment

Consulting Services

Management consulting projects declined as a result of the rapid economic deterioration, but system consulting projects, mainly for the financial services sector, increased. The consulting services segment posted sales to external customers of ¥32,866 million, an 8.4% increase, while operating profit fell 0.3%, to ¥4,126 million.

IT Solution Services

The sales trends for each type of IT Solution service are as follows. In system development and application sales, where projects increased for the insurance sector but fell for the securities sector, sales declined 3.9%, to ¥144,249 million. In system management and operation services—where multi-user system services increased in the financial services sector, due to the impact of new customers acquired in the second half of the previous fiscal year, and system operations remained firm in the distribution sector—sales grew 5.8%, to ¥148,985 million. In

system application sales—marked by a decline in system development projects accompanying equipment installation—sales decreased 27.4%, to ¥15,178 million.

Subcontracting costs increased, owing to the impact of large system development projects, and depreciation costs of the Yokohama Data Center 2 increased. As a result, sales from IT solution services were down 1.1%, to ¥308,413 million, and operating profit fell 6.1%, to ¥45,587 million.

Reference: Results of Operations—Fiscal 2008 Compared to Fiscal 2007

The following table compares the business results of fiscal 2008 to those from the previous year.

Summary of consolidated statements of income

Items	Year ended 31st March, 2008	Year ended 31st March, 2009	Changes from previous year	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Rate of change (%)
Sales	342,289	341,279	(1,009)	(0.3)
Cost of sales	238,537	240,854	2,317	1.0
Gross profit	103,751	100,425	(3,326)	(3.2)
(Gross margin)	30.3%	29.4%	(0.9) points	—
Selling, general and administrative expenses	51,087	50,711	(375)	(0.7)
Operating profit	52,664	49,713	(2,951)	(5.6)
(Operating margin)	15.4%	14.6%	(0.8) points	—
Non-operating income	3,031	2,302	(728)	(24.0)
Non-operating expenses	178	284	106	60.1
Ordinary income	55,517	51,731	(3,786)	(6.8)
Extraordinary income	2,655	625	(2,029)	(76.4)
Extraordinary loss	10,185	8,175	(2,010)	(19.7)
Income before income taxes	47,987	44,181	(3,806)	(7.9)
Provision for income taxes	19,829	19,668	(161)	(0.8)
Net income	28,157	24,513	(3,644)	(12.9)

<1> Sales

As mentioned in “Business Results by Segment” (page 52), sales from consulting services were ¥32,866 million and sales from IT solution services were ¥308,413 million. As a result, sales slipped 0.3%, to ¥341,279 million.

<2> Cost of sales, selling, general and administrative expenses, and operating profit

Cost of sales totaled ¥240,854 million, up 1.0% from the previous fiscal year, with the cost-to-sales ratio growing from 69.7% in the preceding fiscal year, to 70.6%. This was primarily due to reduction in equipment purchases on the back of lower product sales, despite growth in depreciation and amortization in step with data center related investment, mainly during the second half of the previous fiscal year; higher subcontracting costs accompanying launches of new multi-user system services; and software amortization.

Selling, general and administrative expenses amounted to ¥50,711 million, down 0.7%, attributable to increased labor costs to cover a larger workforce and higher subcontracting costs for clerical work and equipment and fixtures costs arising from promotion of overhead expense reductions.

As a result, operating profit decreased 5.6%, to ¥49,713 million, and the operating margin fell from 15.4% to 14.6%.

<3> Non-operating income/expenses and ordinary profit

Non-operating income totaled ¥2,302 million, down 24.0% from the previous fiscal year, and non-operating expenses

reached ¥284 million, a jump of 60.1%. This resulted in total non-operating profit of ¥2,017 million, 29.3% lower than during the previous fiscal year. The main factors behind this decline were decreases in interest income, due to a falloff in operating funds, and dividend income, owing to reduction of dividends and disposal of capital holdings. In addition, income from operation and maintenance of equity investment partnerships diminished because of the deteriorating operating environment for equity investments for venture capital investment limited partnerships.

These resulted in a 6.8% drop in ordinary profit, to ¥51,731 million.

<4> Extraordinary income/loss, provision for income taxes, and net income

Extraordinary income of ¥625 million, down 76.4% from the previous fiscal year, mainly resulting from the sale of shares in the Mitsubishi UFJ Financial Group, Inc. Appraisal loss on shares and software resulting extraordinary losses of ¥8,175 million, down 19.7%. Overall, the extraordinary loss was ¥7,549 million, 0.3% more than during the previous year. Provision for income taxes fell 0.8%, to ¥19,668 million, with an effective tax rate of 44.5% after the application of tax-effect accounting. The effective tax rate exceeded the statutory tax rate as a result of an unrecognized stock appraisal loss recorded as a temporary difference because of uncertainty over future dissolutions.

Accordingly, net income decreased 12.9%, to ¥24,513 million during the year.

Reference: Business Results—Fiscal 2007 Compared to Fiscal 2006

The following table compares the business results of fiscal 2007 with those from the previous year.

Summary of consolidated statements of income

Items	Year ended 31st March, 2007	Year ended 31st March, 2008	Changes from previous year	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Rate of change (%)
Sales	322,531	342,289	19,757	6.1
Cost of sales	234,578	238,537	3,958	1.7
Gross profit	87,953	103,751	15,798	18.0
(Gross margin)	27.3%	30.3%	3.0 points	—
Selling, general and administrative expenses	44,055	51,087	7,031	16.0
Operating profit	43,897	52,664	8,767	20.0
(Operating margin)	13.6%	15.4%	1.8 points	—
Non-operating income	2,419	3,031	611	25.3
Non-operating expenses	216	178	(38)	(17.9)
Ordinary profit	46,099	55,517	9,417	20.4
Extraordinary income	2,081	2,655	574	27.6
Extraordinary loss	1,436	10,185	8,748	608.9
Income before income taxes	46,744	47,987	1,243	2.7
Provision for income taxes	19,725	19,829	104	0.5
Net income	27,019	28,157	1,138	4.2

<1> Sales

Sales of consulting services were flat, while those of IT solution services rose favorably. As a result, sales reached their highest amount ever, rising 6.1%, to ¥342,289 million.

Sales from consulting services rose 1.5%, to ¥30,333 million, with an increase in consulting projects relating to internal control offsetting up-front investment activities to establish management consulting business in Asia.

IT solutions services, by service, saw an increase in development projects for the financial services sector, led by the securities sector, and a 10.7% rise in system development and application sales, to ¥150,177 million. Sales from system management and operations services advanced 11.3%, to ¥140,865 million, fueled by brisk performances by multi-user system services for the financial services sector and system management and operations for major clients in the distribution sector. Projects relating to the introduction of equipment fell off along with system development, leading to product sales of ¥20,913 million, down 31.1% from the previous year. As a result, overall sales of IT solutions services grew 6.6%, to ¥311,955 million.

<2> Cost of sales, selling, general and administrative expenses, and operating profit

Cost of sales rose 1.7%, to ¥238,537 million, owing to several factors. These included higher subcontracting costs, arising from an increase in development projects, an expanded labor costs due to an increase in the number of employees, lower equipment

purchases resulting from a decline in product sales, and a reduced amortization of software, owing to lower software sales.

The cost-to-sales ratio improved to 69.7%, from 72.7% in the previous fiscal year. Factors that contributed to this improvement included the implementation of thorough project management in system development projects, and an increase in the subcontracting of system development to Chinese companies. The cost-to-sales ratio of product sales also improved.

Selling, general and administrative expenses rose 16.0%, to ¥51,087 million. The increase resulted from such factors as the implementation of productivity improvements, investments in research and development, rebuilding our in-house information system, and enhancing security, all aimed at ensuring medium- to long-term growth. The Company also posted increases in such areas as labor costs (salaries, provision for bonus allowance, retirement benefit obligations and welfare expenses) and subcontracting costs for clerical work.

Due to the above factors, operating profit expanded 20.9%, to ¥52,664 million, and the operating margin improved from 13.6% to 15.4%.

<3> Non-operating income/expenses and ordinary profit

Non-operating income totaled ¥3,031 million, up 25.3% from the previous fiscal year, while non-operating expenses fell 17.9%, to ¥178 million, resulting in a non-operating profit of ¥2,853 million, up 29.5%. Interest income grew, due largely to a rise in short-term interest rates and a higher average bal-

ance of short-term operating funds. Dividend income also rose, due mainly because of an increase in dividends received. Owing to the sale of all our shares of Nomura Fund Research and Technologies Co., Ltd., an affiliated company accounted for by the equity method, equity in earnings of affiliates decreased.

As a result, ordinary profit rose 20.4%, to ¥55,517 million.

<4> Extraordinary income/loss, provision for income taxes, and net income

Extraordinary income of ¥2,655 million, up 27.6% from the previous fiscal year, resulted from the sale of shares in Seven Bank, Ltd., Netmarks Inc. and Argo 21 Corporation.

Extraordinary losses soared 608.9%, to ¥10,185 million, owing to a provision for transfer of the retirement benefit plan, due to revisions to the retirement system. The net extraordinary loss was ¥7,530 million, compared with extraordinary profit of ¥644 million in the previous year.

As a result of these, income before taxes in fiscal 2007 was ¥47,987 million, up 2.7%, and net income less provision for income taxes grew 4.2%, to ¥28,157 million.

Basic Policy Regarding Profit Distribution, and the Dividend Payments for the Current and Upcoming Years

<1> Policy for distribution of profits

The Company considers the ongoing growth of its corporate value to be the most important return to its shareholders. Its basic policy for distribution of profits is to provide accurate and stable dividends while paying full consideration to the need for sufficient retained earnings for its long-term business development. The Company's actual decisions regarding standards are based on the operating revenue and cash flow situation, but it aims for a consolidated dividend payout ratio of 30%.

Retained earnings are used to fund business expansion, including facility investments for enhancing multi-user system services; expanding system management and operations services; cultivating new businesses and improving the productivity of system development; and investments in facilities, R&D, and human resource development for the purpose of quality improvement.

Retained earnings may also be used to purchase treasury stock, as part of the Company's flexible capital management

policy, which aims to improve capital efficiency and respond to the changes in the business environment.

With regard to the payment of dividends from retained earnings, as stipulated in Paragraph 1, Article 459, of the Companies Act, the Articles of Incorporation of the Company stipulates that such a decision shall be made by a resolution of the Board of Directors instead of a resolution taken at an Ordinary General Meeting of Shareholders, unless otherwise specified in laws and regulations.

<2> Payment of dividends from retained earnings

The Company decided to pay cash dividends of ¥26 per share to shareholders of record as of 31st March, 2009. Combined with interim cash dividends paid in November 2008 (record date of 30th September, 2008), the annual dividend payment totaled ¥52 per share, for a consolidated dividend payout ratio of 41.3%.

Payments of dividends from retained earnings with record dates falling in the current fiscal year are listed below.

Board resolution	Total cash dividends	Cash dividend per share	Record date
24th October, 2008	5,057 million yen	26 yen	30th September, 2008
15th May, 2009	5,057 million yen	26 yen	31st March, 2009

Analysis of Financial Position at the End of Fiscal 2008

Summary of consolidated balance sheets

Items	31st March, 2008 (millions of yen)	31st March, 2009 (millions of yen)	Changes from previous year (millions of yen)	Items	31st March, 2008 (millions of yen)	31st March, 2009 (millions of yen)	Changes from previous year (millions of yen)
Assets				Liabilities			
Current assets	190,910	122,572	(68,338)	Current liabilities	74,779	70,026	(4,752)
Cash and bank deposit	17,709	20,307	2,598	Accounts payable	33,430	28,961	(4,469)
Accounts receivable	61,164	56,408	(4,756)	Lease obligations	—	655	655
Accrued income from system developments	18,258	21,245	2,987	Accrued payables	6,891	4,812	(2,079)
Short-term investment securities (Cash equivalents)	84,987	13,999	(70,987)	Accrued expenses	5,057	4,466	(591)
(Securities due over 3 months)	19,970	—	(19,970)	Other current liabilities	29,398	31,130	1,731
Other current assets	8,790	10,610	1,820	Fixed liabilities	80,305	78,994	(1,310)
Fixed assets	171,537	231,915	60,378	Convertible bonds	49,997	49,997	—
Tangible fixed assets	58,253	58,274	21	Lease obligations	—	414	414
Intangible fixed assets	30,257	74,886	44,628	Long-term accrued expenses	4,512	2,938	(1,574)
Investment and other assets	83,026	98,754	15,728	Deferred income taxes	4	2	(2)
Investment securities and investments in affiliates	48,708	57,667	8,959	Allowance for employees' retirement benefits	25,790	25,642	(148)
(Securities)	44,723	37,212	(7,511)	Total liabilities	155,084	149,020	(6,063)
(Others)	3,984	20,455	16,470	Net assets			
Long-term guarantee deposits and long-term loans receivable	18,485	18,447	(38)	Shareholders' equity	198,103	200,882	2,779
Other	15,832	22,639	6,807	Common stock and additional paid-in capital	33,484	33,574	90
				Retained earnings	225,780	240,061	14,280
				Treasury stock, at cost	(61,161)	(72,753)	(11,592)
				Valuation and translation adjustments	8,652	3,692	(4,959)
				Unrealized gain on other securities	9,649	5,850	(3,798)
				Translation adjustments	(997)	(2,158)	(1,161)
				Share subscription rights	608	892	284
Total assets	362,447	354,487	(7,960)	Total net assets	207,363	205,466	(1,896)
				Total liabilities and net assets	362,447	354,487	(7,960)

<1> Summary

As of 31st March, 2009, current assets were ¥122,572 million, down 35.8% from one year earlier. Fixed assets were 35.2% higher, at ¥231,915 million; current liabilities were 6.4% lower, at ¥70,026 million; and fixed liabilities were ¥78,994 million, down 1.6%. Net assets were down 0.9%, to ¥205,466 million, and total assets were down 2.2%, to ¥354,487 million.

Although accrued income from system developments increased, accounts receivable fell, causing accounts receivable and other receivables to decline. In addition, accounts payable fell, as did the accrued payable, in relation to capital expenditures during the previous fiscal year.

Software and other intangibles rose, owing to the acquisition of IT assets to provide outsourcing services and the development of multi-user systems. The Company also purchased treasury stock as part of its flexible capital management policy to improve capital efficiency and respond to the changes in the business environment. Owing to the allocation of funds for these

purchases and other factors, short-term investment securities, chiefly cash equivalents, decreased.

Due to the fall in the market price of shares held by the NRI Group, unrealized gain on other securities decreased, and translation adjustments decreased, as a consequence of to ongoing yen appreciation. Although investment securities were affected by falling market prices, this line item increased due to higher investments in bonds for fund management.

<2> Securities

Securities had a total value of ¥71,667 million, down 46.4% from the previous fiscal year, and accounted for 20.2% of total assets. They were composed of short-term investment securities under current assets, and investment securities and investments in affiliates under fixed assets.

i. Short-term investment securities under current assets

Due to their use for such things as capital expenditures and

acquiring treasury stock, securities included among cash equivalents decreased, so that short-term investment securities under current assets totaled ¥13,999 million, down 83.5% from the previous fiscal year. They were composed of ¥12,000 million in bond investment trusts and ¥1,999 million in government bonds (all cash equivalents).

ii. Investment securities and investments in affiliates under fixed assets

Although market prices of the listed shares owned by the Company fell, the increase in investment in bonds for fund management resulted in a rise of 18.4% in investment securities and investments in affiliates, to ¥57,667 million. This amount breaks down as follows: ¥20,851 million in marketable securities; ¥16,360 million in nonmarketable securities; ¥19,818 million in bonds; and ¥636 million in equity investments for venture capital investment limited partnerships. For more information, please refer to "Business and Other Risks, (2) Risks Concerning Business Strategy, <5> Investment in stocks."

iii. Software

The majority of intangible fixed assets is accounted for by software and software suspense accounts. The total value of software and software suspense accounts was ¥74,330 million as of 31st March, 2009, up from ¥29,643 million one year earlier. These figures represent 21.0% and 8.2% of the relevant year's total assets, respectively. Investment in software during the year under review was ¥57,692 million, a leap of 228.9%. This was primarily attributable to acquisition of software to provide outsourcing services and development of multi-user system services for the financial services sector. For further information, refer to "Business and Other Risks, (2) Risks Concerning Business Strategy, <4> Investment in software."

Cash Flows

Net cash provided by operating activities in the current fiscal year was ¥46,180 million, 45.2% more than during the previous fiscal year. Principal sources of cash included income before income taxes, which provided ¥44,181 million, or 7.9% less than in the preceding term. Depreciation and amortization provided ¥20,763 million, 25.7% more than one year earlier. A decrease in accounts receivable and other receivables provided ¥2,759 million, whereas an increase in receivables used ¥10,934 million in cash during the previous fiscal year. Income taxes paid used ¥22,669 million, 5.6% less.

Net cash used in investing activities was ¥70,994 million, 48.1% more than the preceding term. Primary uses of cash included the acquisition of software and intangibles for the purchase of IT assets for the provision of outsourcing and the development of multi-user systems, the acquisition of property and equipment such as machinery and equipment at data centers, and the acquisition of investment securities for fund management.

Net cash used in financing activities came to ¥22,414 million, 4.8% less than in fiscal 2007. Major uses of cash were the acquisition of treasury stock and the payment of dividends.

As a result of those factors, cash and cash equivalents as of 31st March, 2009, stood at ¥28,228 million, down 62.6% from one year earlier.

During fiscal 2008, the NRI Group's total capital expenditures came to ¥70,083 million. This mainly comprised acquisition of IT assets to provide outsourcing services in the IT Solutions Services,

development of multi-user system services to expand high-value-added services and capital expenditures related to data centers.

Major Facilities

(1) NRI

Name of office (Location)	Name of segment by business type	Buildings and structures (millions of yen)	Machinery (millions of yen)	Equipment (millions of yen)	Land		Lease assets (millions of yen)	Software (millions of yen)	Total (millions of yen)	Employees (persons)
					Area (m ²)	Amount (millions of yen)				
Marunouchi Center (Chiyoda-ku Tokyo)	IT Solution Services	1,083	29	516	—	—	2	8,028	9,660	1,491 [337]
Kiba Center (Koto-ku Tokyo)	IT Solution Services	1,655	84	901	—	—	0	45,386	48,027	1,442 [448]
Yokohama Center (Hodogaya-ku Yokohama)	IT Solution Services	928	52	1,888	—	—	0	3,881	6,752	1,488 [393]
Osaka Center (Kita-ku Osaka)	IT Solution Services	38	1	29	—	—	0	1	70	49 [1]
Hiyoshi Data Center (Kohoku-ku Yokohama)	IT Solution Services	4,277	1,627	242	14,112	4,952	—	1	11,100	61 [86]
Yokohama Data Center 1 (Hodogaya-ku Yokohama)	IT Solution Services	5,911	4,889	1,998	(6,748) —	—	59	16	12,874	50 [170]
Yokohama Data Center 2 (Tsuzuki-ku Yokohama)	IT Solution Services	10,069	876	501	4,602	2,312	1	—	13,762	6 [3]
Osaka Data Center (Suminoe-ku Osaka)	IT Solution Services	4,166	1,354	292	13,200	2,221	1	1	8,037	24 [23]
Yokohama Learning Center (Hodogaya-ku Yokohama)	Company-wide (common use)	247	0	139	—	—	—	47	434	27 [7]

Notes: 1. The figures are book values as of 31st March, 2009.

2. A portion of land and buildings are rented (including subleasing to domestic subsidiaries) and the annual rental expense is ¥9,207 million. The land area that is leased is listed within brackets ().

3. In the "Employees" column, the numbers in square brackets [] represent the average number of temporary employees throughout the year.

4. The descriptions listed in "Name of segment by business type" are the main segment categories under which each office operates.

5. In the "Name of office" column, a representative office for each region is listed and offices in the same proximity are included in the listings.

(2) Domestic and Overseas Subsidiaries

Name of office (Location)	Name of segment by business type	Buildings and structures (millions of yen)	Machinery (millions of yen)	Equipment (millions of yen)	Land		Lease assets (millions of yen)	Software (millions of yen)	Total (millions of yen)	Employees (persons)
					Area (m ²)	Amount (millions of yen)				
(Domestic subsidiary)										
NRI Network Communications, Ltd.										
Head Office and others (Kita-ku Osaka)	IT Solution Services	69	—	333	—	—	—	168	571	221 [84]
NRI Secure Technologies, Ltd.										
Head Office and others (Chiyoda-ku Tokyo)	IT Solution Services	20	—	629	—	—	62	205	918	126 [32]
NRI Workplace Services, Ltd.										
Head Office and others/Dormitory (Hodogaya-ku Yokohama)	Company-wide (common use)	705	—	16	7,385	1,805	—	5	2,533	105 [44]
Insurance System & Technology, Ltd.										
Head Office and others (Koto-ku Tokyo)	IT Solution Services	0	—	3	—	—	—	1	4	63 [—]
NRI Data iTech, Ltd.										
Head Office and others (Chiyoda-ku Tokyo)	IT Solution Services	21	—	25	—	—	—	41	87	129 [33]
(Overseas subsidiary)										
Nomura Research Institute Hong Kong Limited (Hong Kong, China)	IT Solution Services	—	—	12	—	—	—	24	36	149 [29]

Notes: 1. The figures are book values as of 31st March, 2009.

2. A portion of land and buildings are rented and the annual rental expense is ¥103 million. Moreover, the annual rental expense does not include the sub-leasing amounts from NRI.

3. In the "Employees" column, the numbers in square brackets [] represent the average number of temporary employees throughout the year.

4. The breakdown of the land of NRI Workplace Services, Ltd., is given below.

Category	Name	Location	Area (m ²)
Dormitory	Hiyoshi Dormitory	Kohoku-ku Yokohama	5,621
	Higashiterao Dormitory	Tsurumi-ku Yokohama	1,764

5. Insurance System & Technology, Ltd., ceased to be a subsidiary in April 2009.

Capital Expenditure Plans for Fiscal 2009

We have capital expenditure plans of ¥35,000 million for fiscal 2009, and the breakdown by business segment is listed below. Other than these, there are no plans to disposal of or sell major

facilities, excluding the disposal and sale of facilities for regular updating.

Name of segment by business type	Facilities	Planned investment (millions of yen)	Major items and purpose
Consulting Services	Hardware	100	Personal computers and other facilities
IT Solution Services	Software	16,000	Development of internal use software for providing customer service and software for sale
	Hardware	13,700	Equipment for system development and equipment for providing management and operation services for computer systems and networks
Company-wide (common use)	Office facilities	5,200	Personal computers and acquisition of property and facilities
Total		35,000	—

Notes: 1. Figures above do not include consumption tax and other items.

2. The planned capital expenditures will be provided by the Company's internal funds.

The NRI Group's research and development activities are focused in three areas:

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

These research and development activities are conducted at the Advanced Information Technology Division, the technology development arm of the NRI Group, and at the Center for Knowledge Exchange & Creation, which plays the role of making policy proposals and researching leading-edge information technologies. In addition, each of our divisions is actively involved in business and product development from a medium- to long-term perspective. These activities may be handled through the collaboration system among divisions by means of horizontal organizational structures.

In addition to introducing R&D strategies, we have introduced R&D meetings to provide opportunities to select R&D projects in priority areas from a company-wide perspective. These meetings serve as a forum to investigate projects from the planning stage through applications of results.

In fiscal 2008, our research and development expenses amounted to ¥4,104 million. The research and development activities by each segment are as follows.

Consulting Services

As investigative research into new social systems, NRI analyzes current issues relating to business development in newly emerging markets by Japanese enterprises and conducts research into future strategies after ascertaining the economic forecasts for each country. Against the background of a mature domestic market, we are researching innovator marketing, targeting the spread of products with immediate allure at the vanguard of the consumer market (innovators). We have also focused on research related to Asian markets, such as investigative research into construction of earthquake disaster prevention systems for China and investigative research into economic conditions in such emerging economies as China, India and Vietnam.

As a result of these activities, our research and development expenses for Consulting Services amounted to ¥614 million.

IT Solution Services

We conducted research and development on cutting-edge solutions for cultivating new businesses and products.

In the financial sector, we have conducted research into risk management for financial institutions and trading systems that facilitate high-volume, high-speed processing of securities transactions, and investigations into the European financial IT market and service trends among U.S. securities companies. Moreover, we conducted R&D into functional links to reinforce the com-

petitive strength of mobile telephone services and to verify their feasibility and implemented measures to prepare for standardization and technology and product evaluation activities in our R&D relating to the OpenID*1 protocol. In the field of information technology, our research included efforts to produce of an IT roadmap targeting mid-term technological trends and cloud computing*2 technologies. To boost productivity and quality, NRI participated in the sharing of research on system development architectures (design concepts and basics designs), research into application analysis infrastructure to facilitate quantitative analysis of systems, and research relating to automation of test processes during system development. Moreover, we researched upgrading project management by incorporating our diverse accumulated expertise relating to project supervision into prototypes and implementing other measures.

As a result of these activities, our research and development expenses for IT Solution Services amounted to ¥3,489 million.

*1 OpenID: A technology that facilitates common user IDs to be used for multiple Internet services

*2 Cloud computing: A computer configuration that can provide extensive IT resources as services through the Internet

(1) Basic Management Policy

The NRI Group corporate statement is “Dream up the future.” We view our mission as the combination of “Winning the trust of clients and prospering together with them” and “Gaining insight into the paradigms of a future society and propelling its realization.” Based on our corporate statement, we have formulated our management basic strategy of “Navigation and Solution,” where “Navigation” refers to proposing the directions that clients, and therefore society, should take, and “Solution” means realizing client goals even when it involves taking responsibility.

(2) Management Goal and Management Indices

The management objective of the NRI Group is to enhance its corporate value by continuously expanding its business. As management indices, we focus on operating profit and operating cash flows, which express a business’s profitability, and seek to increase these figures.

(3) Medium-term Management Strategy

Taking advantage of information technology is essential to corporate management. The information service industry is increasingly demanding visible evidence of the of investments and the speedy delivery of new services. In addition, as clients’ businesses transcend national and industry boundaries, the realization of global response and functional links that cross industry barriers is becoming an important factor in providing an edge over competitors in the information service industry. In the construction and operation of information systems for companies, there is an accelerating trend toward outsourcing some operations to external specialists, rather than a company itself taking on the entire job autonomously. Neither do companies own their own systems, as their business configurations move toward IT functions being provided as services by external contactors.

In response to these changes in the operating environment, the NRI Group is supplementing its conventional system development and maintenance for separate clients. Our management strategy provides IT functions as services through business platforms that cut across industry and market boundaries, reinforcing our system of swiftly and efficiently developing and supplying high-quality services. Further, in China, with its prospects for market expansion, we are fortifying our “Navigation and Solution” service provision system in a bid to create another NRI in Asia in both qualitative and quantitative terms.

(4) Management Tasks

Corporate IT investment is continuing to expand in response to globalization and improvements in business efficiency. However, awareness of the cost-effectiveness of IT investment has heightened rapidly as the impact of the worldwide economic slow-down has made itself felt since the latter half of 2008. This has been apparent in the postponement or freezing of any projects deemed nonessential or not urgent.

Based on these business conditions, the development and enhancement of multi-user system services and other cost-competitive new IT services have become pressing issues. Further, the NRI Group’s client base is heavily weighted with securities companies and other players in the finance sector. To avoid the risk of sales fluctuations arising from this industry-specific concentration, we need to focus on developing services to gain clients in non-financial sectors. In addition, we recognize that we have to reinforce the Group’s capacity for global response to ensure medium- to long-term growth.

To develop new, competitive services, it is vital to integrate operational understanding and know-how in consulting and system development and operation—NRI areas of particular strength. We are focused on development of services centered on settlement and client management functions gleaned through our business for the financial sector to gain new clients in the non-financial sectors. We are moving toward this goal through cooperation between specialists in the financial and non-financial sectors. Our global response focuses on areas of expected market expansion—Asia, and especially China. While responding positively to the overseas development of our existing clients, we aim to attract new clients and upgrade and fortify our development system in those regions. Moreover, to ensure the steady progression of these plans, we need to advance in Japan and overseas through partnerships with technologically advanced, experienced companies and mergers and acquisitions, utilizing external expertise.

To develop and provide high-quality new services swiftly and efficiently, it is important for NRI to continue refining its development methods and conduct thorough project management, including with cooperation with partner companies in Japan and overseas. Our policies to raise productivity and the results of these measures target improvements to the efficiency of development processes through sharing and application of information company-wide and beyond and ensuring optimal role-distribution with our partners. In addition, we are promoting innovations to our work style through such measures as raising the efficiency of meetings. We are also revising outsourcing expenses, setting appropriate levels for selling, general and administrative expenses and implementing other initiatives to raise business efficiency and optimize costs.

Personnel are the power source that fuels the NRI Group’s drive to create and offer new values. Based on this awareness, we are redesigning our training system in the pursuit of new technologies, acquisition of knowledge and skills, and cultivation of proposal-oriented staff. On an ongoing basis, we also implement training for executives and employees, educational activities and other measures to ensure familiarity with the internal control system. Moreover, we are continuing with our endeavors for thorough information security management, business continuity in the event of disasters, and improvements and consolidation of the risk management system.

Based on the present outlook, the NRI Group expects economic deterioration to continue in the immediate term. The Group also anticipates ongoing weakness in the securities sector's interest in information system investment.

Despite such an environment, the NRI Group expects its sales to increase compared to the current fiscal year, because it expects more sales from the insurance sector, and new customers in the service sector and manufacturing sector, to offset declining

sales from the securities sector. At the same time, the NRI Group, despite plans to devote an even greater effort to reducing expenses such as subcontracting costs, expects a decrease in operating profit due to capital expenditures for future business expansion and increased labor costs from increasing the number of employees.

Our forecast of financial results for the next fiscal year is as follows.

Forecast of financial results

	Year ended 31st March, 2009	Year ending 31st March, 2010	Change	
	(Results) (billions of yen)	(Forecast) (billions of yen)	Amount (billions of yen)	Rate (%)
Sales	341.2	350.0	8.7	3
Operating profit	49.7	43.0	(6.7)	(14)
Ordinary profit	51.7	44.0	(7.7)	(15)
Net income	24.5	24.5	—	—
Net income per share (yen)	125.54	125.95	0.41	0
Annual dividend per share (yen)	52	52	—	—

Forecasts for fiscal 2009 were announced in April 2009. These were based on information available and assumptions deemed reasonable at that time. Accordingly, actual sales and income results may differ from forecasts as a result of uncertain factors intrinsic to these forecasts and changes to future business operating conditions.

Moreover, the annual dividend per share was determined based on current business conditions and forecast business results.

We may announce the revisions to its financial results forecasts. For the latest information, please visit our website:
<http://www.nri.co.jp/english/index.html>

Items that could have an important influence on investor judgments in the NRI Group's business and other operations are outlined below. The risks that we list here are representative risks inherent to our business as of 31st March, 2009, but the potential risks are not limited to those listed below. Furthermore, items herein relating to future events are based on judgments by the NRI Group as of the end of the fiscal year under review.

(1) Risks Concerning the Business Environment

<1> Price competition in the information services industry

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

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

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

<2> Stability of management and operation services business

Expansion of system management and operation services requires various investments such as real estate for data centers and equipment for operations and software. Return on such investments is obtained over the long term through client contracts. Many contracts for system management and operation services span more than one year or are automatically renewed in the case of one-year contracts. Accordingly, the Company deems sales to be relatively stable. Moreover, we strive to achieve steady return on investments through careful management of works in progress and continuous credit control of clients.

Nevertheless, there is no guarantee that this stability in sales for system management and operation will continue in the future; each time a client business undergoes a merger, or bankruptcy, or when a client decides to overhaul its information systems strategies, there is a possibility that it will not renew its contract with the NRI Group.

<3> Capital relationship with Nomura Holdings, Inc., and its affiliates

As of 31st March, 2009, Nomura Holdings, Inc., held 38.6% of the voting rights of the Company (including 31.9% of indirectly held voting rights, and of that 22.3% is held by its wholly-owned subsidiary Nomura Asset Management Co., Ltd.). In addition, affiliated companies, including JAFCO Co., Ltd., held 8.2% of the Company's voting rights.

However, there is no guarantee that the current stability of the percentage of shares held by Nomura Holdings, Inc., and its affiliates will continue in the future.

<4> Hazard risks

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

The NRI Group has prepared a contingency plan outlining the emergency response system and action guidelines for when a large-scale disaster occurs. Moreover, we are endeavoring to enhance and fortify the risk management system through construction of a system for smooth business continuity, infrastructure improvements requisite for business continuity and other measures.

However, there is still a possibility that our management resources such as offices and employees will suffer serious damage from an unexpected disaster. In this case, our business operations may be suspended for a long time, which may prevent the NRI Group from being able to continue providing the same level of services as agreed upon with the clients. This may adversely affect our business performance.

(2) Risks Concerning Business Strategy

<1> Dependence on specific business categories and clients

The NRI Group sales showed strong dependence on specific business sectors and clients. In fiscal 2008, the NRI Group's combined sales to the financial services accounted for slightly less than 70% of total sales. Moreover, the NRI Group's combined sales to its major clients, Nomura Holdings, Inc., and its subsidiaries, and Seven & i Holdings Co., Ltd., and its subsidiaries, amounted to slightly less than 40% of total sales.

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

However, it is possible that in the future the NRI Group could experience an enormous impact on business performance if the business environment was transformed as a result of changes to the legal system in a specific sector, if the business circumstances of our major clients changed, if they radically reexamine their information systems strategies.

There is also a possibility that the NRI Group, against expectations, will be unable to secure new clients.

<2> Technological changes in the information services industry

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

Acknowledging such a changing business climate, the NRI Group is striving to respond rapidly to technological innovations by being active in investigation and research of advanced, basic, and developmental IT technologies through implementing a cross-sectional system. However if technological innovations advance in the wide range of areas, and if our response to these changes is delayed, it could adversely affect the NRI Group's business performance.

<3> Human resources

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

We at the NRI Group perceive our employees as valuable "human assets," and are dedicated to creating a system that allows us to secure and develop these assets. We are striving to recruit top-level specialized staff through our internship system, while focusing on the work-life balance of employees, constructing a personnel system that accommodates diverse working methods and values, and implementing improvements to the working environment. As part of our strategies for personnel development systems, we offer assistance to and subsidize our employees to obtain various licenses and qualifications and hold many human resources development seminars at a facility dedicated to employee education and training. We encourage employees to improve themselves through taking advantage of the NRI Group's in-house certification scheme.

Despite these efforts, if we fail to secure and develop professionals who can respond to the highly specialized demands of our clients, the NRI Group's performance could suffer. Furthermore, if the workplace conditions worsen and cause employees' mental and physical health to deteriorate, this could possibly lead to a drop in worker productivity and attrition.

<4> Investment in software

The NRI Group invests in software to expand its business, including product sales, multi-user system services and outsourcing services. In many cases the software is designed for specific use and it cannot be readily readapted for other applications, which means that careful consideration must go into the decision to make such an investment.

At the NRI Group, we exhaustively discuss the legitimacy of each business plan before commencing software development.

We also have an internal system whereby regular checks on the plan's progress enable prompt revision to the plan when necessary, both in the development stage and after completion.

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

<5> Investment in stocks

With a view to cultivate future business opportunities, the NRI Group invests in various companies as well as in the equity of its clients after examining the expected return on investments in order to strengthen business ties. As of 31st March, 2009, the NRI Group's stock investments accounted for more than 10% of total assets.

In the event of bankruptcy or business deterioration of a company the Group invests in, the Group may incur an impairment loss or might not be able to recover the amount of its investment. Moreover, the marketable shares have the inherent risk of market price fluctuations due to changes in the economic climate and corporate profitability, which, in turn, could affect the Group's financial position.

(3) Risks Concerning Business Management

<1> Quality

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

i. Consulting services

In our consulting services, we are working hard to establish systems that offer high-quality services such as the provision of infrastructure that allows the company-wide sharing of information on the expertise accumulated within the NRI Group.

In addition, we are committed to continuing to improve quality in the future through conducting client satisfaction surveys, analyzing results and providing feedback.

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

ii. System development

Generally, system development projects are undertaken on a contract basis. We are obliged, under such a contract, to complete an information system and deliver it by the specified deadline. However, there may be times that more man-hours are required than initially estimated because of the customer's requests for a more advanced and complex system as well as requirement changes made before completion, which may delay the delivery. Even after delivery, more work than expected

may be needed to complete the contract, such as carrying out additional improvements on system performance. In particular, long-term projects that take several years to complete have a higher likelihood of being affected by the requirement changes to respond to the changes in both technology and the surrounding environment.

Therefore, in order to deal with these situations, we are making efforts to ensure that project estimate examination before the contract signing as well as project management after the contract signing are done properly, for example, improving the management abilities of our project managers through training programs, and providing quality management systems based on ISO 9001.* In particular, we have established exclusive examination bodies, such as the system development committee, for projects over a certain size in order to thoroughly review the projects according to their progress right through to when the system is delivered and operational.

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

*ISO 9001 is an international standard for quality management systems established by the ISO (International Organization for Standardization).

iii. System management and operation services

The information systems that the NRI Group develops are often important platforms for client business and it is essential that these systems operate stably after completion.

The NRI Group is seeking to improve the quality of system management and operation. We are continuously striving to maintain and improve the quality of services we provide, based on the ISO 9001 quality management system, ISO20007 information security management system* and other certification standards.

Still, in cases where stable operation according to the standard agreed to with the client cannot be achieved for reasons including human error such as neglecting to follow the correct operating procedures, malfunction of the equipments and others, not only may the NRI Group's business performance be adversely affected, but also may be detrimental to the reputation of the NRI Group.

*ISO27001 is an international standard for information security management systems established by ISO.

<2> Subcontracting partners

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

i. Good business relationships with subcontractors

In fiscal 2008, our subcontractors were responsible for a little more than 50% of the Group's actual production. It is essential to secure top-level subcontractors and maintain a good business relationship with them in order to carry out the Group's operation.

At the NRI Group, we strive to secure superior subcontracting partners by performing corporate screening regularly and searching for new collaborating partners both domestically and overseas.

Furthermore, we are conducting activities to raise productivity and quality, including with subcontracting partners, through such measures as sharing of project risks with ePartner Contracts, a contracted business partner with high levels of specialized business expertise, and demands for greater security and thorough information management to subcontracting partners.

Our subcontracting partners are not only in Japan, they are also in various overseas locations, including China. Currently, Chinese companies account more than 10% of subcontracting costs. We are therefore striving to strengthen this system of cooperation by regularly dispatching executives to China to visit the subcontracting partners and check the project status.

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

ii. Contract work

There have been calls for appropriate response to so-called disguised contract work for business outsourcing carried out under service contracts.

The NRI Group has formulated guidelines relating to contract work to raise common awareness of this problem Company-wide. In addition, we host meetings to explain our policies to subcontracting partners as part of our drive for entirely appropriate business outsourcing.

In spite of all these efforts, if work outside the scope of the contract work is carried out, the NRI Group may lose credibility.

<3> Intellectual property rights

We are witnessing a growing importance of intellectual property rights related to information systems and software, such as patents for business models related to electronic commercial transactions.

With these circumstances in mind, in the development of information systems, the NRI Group is constantly investigating if there is a possibility of breaching another party's patent. Furthermore, through education, training and other measures, we are raising our employees' awareness of intellectual property rights. At the same time, we recognize that intellectual property is an important business resource, so through proactively investing in applications for patents, we are rigorously protecting the intellectual property of the NRI Group.

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

<4> Assets and liabilities related to retirement benefits

The NRI Group has established a defined contribution pension system and a retirement allowance system as its defined-benefit system. The allowance for employee retirement benefits will fluctuate according to changes in the amount of retirement benefit obligations and pension plan assets. Retirement benefit obligations are calculated using a number of assumptions and estimates, such as employment termination trends and discount rates. A change in any of these factors could change the amount.

Meanwhile, the pension plan assets fluctuate according to the trends in the stock market and interest rates. Slightly less than 20% of the Group's pension plan assets are specified stocks for the employee retirement benefit trust.

Therefore, the pension plan assets run the risk of fluctuating with the changes in the shares' market prices.

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

(4) Risks Concerning Information Security

With the Internet, the dissemination of information is instantaneous. While such advances in technology have increased the number of users and made life much more convenient, security management has become a serious problem in society, as with the full enforcement of the Personal Information Protection Law. In the information services industry, where we are constantly handling clients' confidential data, there is an even greater demand for security.

Being keenly aware of this situation, the NRI Group carries out thorough security management, by putting a cross-sectional management system in place. In addition, we are constantly working hard to maintain an advanced level of security with the introduction of an entry/exit control system, thorough security control of personal computers in the offices, and by training our employees on the protection of personal information. Particularly, in our data centers where we operate our clients' backbone systems, we have introduced stricter entry/exit controls such as x-ray scanning of articles being brought into and out of the facilities.

However, if information leaks occur despite our efforts, it may not only harm our business results, but also may be damaging to the reputation of the NRI Group.

Significant Accounting Policies and Estimates

The accompanying financial statements for the NRI Group have been prepared in accordance with generally accepted accounting principles and practices in Japan. The compilation of these financial statements requires certain assumptions and estimates that may influence the assets and liabilities at the end of the fiscal year and the income and expenses during the accounting period. An estimate deemed reasonable from historical experience or circumstances may differ from the actual results when the assumption or a condition changes. The following are major assumptions and estimates used in the application of significant accounting policies that may greatly influence the NRI Group's financial statements.

<1> The percentage-of-completion method

The NRI Group, in principle, has adopted the percentage-of-completion method to recognize revenue from research and consulting projects, and information system development projects.

With the NRI Group's percentage-of-completion method, for each project we determine the cost of sales on an accrual basis, and then calculate the related sales according to the rate of accrued cost on the work in progress (the ratio of actual costs incurred to total estimated cost).

Revenues are recorded regardless of billings to clients, while the corresponding amounts are recorded under accounts receivable including development.

Unlike the completed contracts method, which records revenue in one lump sum at the time of completion or delivery, the percentage-of-completion method has the advantage of lending legitimacy to the profit and loss statement as a fair reflection of the profit/loss during the period in question.

The percentage-of-completion method is adopted on the assumption that the costs of each project, which are the bases for revenue recognition, may be reasonably estimated at the time orders are received and at the end of each month. Since the improvement of our project management structure, we at NRI Group have been accurately estimating costs at the time orders are received and have been appropriately evaluating works in progress. Should a project deviate from the initial estimates to a degree beyond the prescribed limits, the estimates must be revised immediately. Because of these measures, we are confident that such revenues are being recorded with a high level of accuracy.

<2> Accounting method for software

In the amortization of software packages, multi-user system services and outsourcing services, instead of recording subcontracting costs and labor costs for the development of information systems as expenses, these amounts may be recorded under assets for the NRI Group's investments in software or recorded in the software suspense accounts. In such cases, sale of the completed information system to the client or the provision of

services generates product sales revenue and system management and operation revenue, which in turn enables the Group to collect its returns on its development investments in the medium to long term.

Based on this system of recovering investments, the package products are amortized based on the forecasted sales quantity or forecasted of sales revenue with the bottom limit amount set according to the uniform distribution method, based on the remaining valid period of generally three years.

Amortization of the software used by the Company to provide customer services as part of multi-user system services is carried out according to the fixed amount method for the usable period, which is a maximum of five years. In addition to the above amortization, in cases where rapid change occurs in a business environment, we may estimate the amount recoverable and record the loss.

For more details, please refer to "Business and Other Risks, (2) Risks Concerning Business Strategy, <4> Investment in software."

<3> Accounting method for employee retirement benefits

Accounting for employee retirement benefits requires numerous assumptions and estimates, such as employment termination trends, and agreement on certain basic rates, such as the discount rate and the expected rate of return on pension plan assets. In calculating these basic rates, the NRI Group has adopted estimates that are both reasonable and conservative.

The discount rate, which is one of the important basic rates, is reviewed each year by comparing it to the yields on highly safe long-term bonds. For the fiscal year under review, we used the same discount rate as in the previous year, 2.1%.

Actuarial differences occur as a result of discrepancies between the estimated amounts of the expected return on plan assets and the actual return itself and also because of changes in estimated amounts such as the discount rate. Over the last five years, the NRI Group recorded actuarial differences of (favorable differences are denoted in parentheses) ¥4,037 million, ¥9,344 million, ¥4,789 million and ¥7,940 million and ¥5,764 million for the years ended 31st March, 2005, 2006, 2007, 2008, and 2009, respectively.

Actuarial differences are amortized by the straight-line method over a defined period not exceeding the average remaining service time (15 years) of the participants in the plan and is recognized as a pension cost. Unrecognized actuarial loss at the end of the fiscal year under review stood at ¥7,020 million.

For more details, please refer to "Business and Other Risks, (3) Risks Concerning Business Management <4> Assets and liabilities related to retirement benefits."

<4> Deferred income tax assets

The NRI Group records deferred income tax assets with a reasonable estimate of future taxable income and careful judgment for its collectability. Since future taxable income is estimated from the results of past business performance, there is a possibility of

fluctuation in the amount of deferred income tax assets if the estimate of taxable income differs from the actual results due to changes in the business environment.

For further details of deferred income tax assets, please see "Notes to the Consolidated Financial Statements."



Consolidated Financial Statements Nomura Research Institute, Ltd.

*At 31st March, 2009 and 2008 and
for the years ended 31st March, 2009, 2008 and 2007
with Report of Independent Auditors*

Nomura Research Institute, Ltd.
Consolidated Financial Statements
31st March, 2009, 2008 and 2007

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Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1191
Fax: +81 3 3503 1277

Report of Independent Auditors

The Board of Directors and Shareholders
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated balance sheets of Nomura Research Institute, Ltd. and its consolidated subsidiaries as of 31st March, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years ended 31st March, 2009, 2008 and 2007, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries at 31st March, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years ended 31st March, 2009, 2008 and 2007, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

22nd June, 2009

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2009	2008	2009
Assets			
Current assets:			
Cash and bank deposits (Note 11)	¥ 20,308	¥ 17,710	\$ 206,738
Short-term investment securities (Notes 3 and 11)	14,000	84,988	142,521
Accounts receivable and other receivables (Notes 5)	77,654	79,423	790,532
Inventories	256	160	2,605
Deferred income taxes (Note 9)	7,308	6,837	74,393
Other current assets	3,130	1,874	31,875
Allowance for doubtful accounts	(84)	(82)	(858)
Total current assets	<u>122,572</u>	<u>190,910</u>	<u>1,247,806</u>
Property and equipment (Note 6):			
Land	11,292	11,292	114,958
Buildings, net	29,429	29,929	299,598
Machinery and equipment, net	17,420	17,032	177,329
Leased assets, net (Note 13)	134	–	1,361
Property and equipment, net	<u>58,275</u>	<u>58,253</u>	<u>593,246</u>
Software and other intangibles	74,887	30,258	762,360
Investment securities (Note 3)	55,436	46,683	564,350
Investments in affiliates (Note 3)	2,232	2,026	22,719
Deferred income taxes (Note 9)	19,129	13,116	194,735
Long-term loans receivable	7,482	7,372	76,166
Investment in leased assets	747	–	7,610
Other assets (Note 7)	13,845	13,831	140,952
Allowance for doubtful accounts	(117)	(1)	(1,193)
Total assets	<u>¥354,488</u>	<u>¥362,448</u>	<u>\$3,608,751</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2009	2008	2009
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	¥ 28,961	¥ 33,431	\$ 294,829
Lease obligations	656	–	6,676
Accrued expenses	16,525	16,629	168,228
Income taxes payable	13,397	12,526	136,384
Other current liabilities	10,487	12,193	106,763
Total current liabilities	70,026	74,779	712,880
Convertible bonds	49,997	49,997	508,979
Lease obligations	415	–	4,223
Long-term accrued expenses	2,938	4,512	29,913
Deferred income taxes (Note 9)	2	5	21
Allowance for employees' retirement benefits (Note 8)	25,643	25,791	261,043
Commitments and contingent liabilities (Note 18)			
Net assets (Notes 10 and 12):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2009 and 2008			
Issued – 225,000,000 shares at 31st March, 2009 and 2008	18,600	18,600	189,352
Additional paid-in capital	14,975	14,884	152,447
Retained earnings	240,061	225,780	2,443,867
Treasury stock, at cost:			
– 30,473,495 shares at 31st March, 2009 and 25,944,292 shares at 31st March, 2008	(72,753)	(61,161)	(740,644)
Total shareholders' equity	200,883	198,103	2,045,022
Valuation and translation adjustments:			
Unrealized gain on other securities (Note 3)	5,851	9,650	59,561
Translation adjustments	(2,159)	(997)	(21,973)
Total valuation and translation adjustments	3,692	8,653	37,588
Share subscription rights (Note 10)	892	608	9,082
Total net assets	205,467	207,364	2,091,692
Total liabilities and net assets	¥354,488	¥362,448	\$3,608,751

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2009	2008	2007	2009
Sales	¥341,279	¥342,289	¥322,532	\$3,474,292
Cost of sales	240,854	238,537	234,579	2,451,944
Gross profit	100,425	103,752	87,953	1,022,348
Selling, general and administrative expenses (<i>Notes 14 and 15</i>)	50,712	51,088	44,056	516,256
Operating profit	49,713	52,664	43,897	506,092
Other income (expenses):				
Interest and dividend income	1,861	2,588	1,556	18,946
Equity in earnings of affiliates	143	144	511	1,460
Interest expense	(13)	–	(1)	(134)
Impairment loss on software (<i>Note 16</i>)	(3,050)	–	–	(31,053)
Gain (loss) on investment securities (<i>Notes 3 and 16</i>)	(3,386)	2,037	2,074	(34,469)
Loss on investment in affiliates	(762)	–	–	(7,754)
Provision for transfer of the retirement benefit plan (<i>Notes 8 and 16</i>)	–	(9,567)	–	–
Bond issuance cost	–	–	(60)	–
Office integration and relocation expenses (<i>Note 16</i>)	–	–	(1,429)	–
Impact of applying lease accounting standards (<i>Note 1</i>)	(352)	–	–	(3,583)
Other, net	27	122	196	271
Income before income taxes	44,181	47,988	46,744	449,776
Provision for income taxes (<i>Note 9</i>):				
Current	23,560	23,419	22,148	239,847
Deferred	(3,892)	(3,589)	(2,423)	(39,621)
	19,668	19,830	19,725	200,226
Net income (<i>Note 12</i>)	¥ 24,513	¥ 28,158	¥ 27,019	\$ 249,550

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Net Assets

Millions of yen

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Total net assets
Balance at 31st March, 2006	¥18,600	¥14,800	¥186,670	¥(48,133)	¥171,937	¥ 37,369	¥ (5)	¥ 37,364	¥ -	¥209,301
Purchases of treasury stock	-	-	-	(4)	(4)	-	-	-	-	(4)
Disposition of treasury stock	-	-	-	980	980	-	-	-	-	980
Net income	-	-	27,019	-	27,019	-	-	-	-	27,019
Cash dividends paid	-	-	(6,501)	-	(6,501)	-	-	-	-	(6,501)
Loss on disposition of treasury stock	-	-	(198)	-	(198)	-	-	-	-	(198)
Net changes other than in shareholders' equity	-	-	-	-	-	(15,175)	504	(14,671)	307	(14,364)
Balance at 31st March, 2007	18,600	14,800	206,990	(47,157)	193,233	22,194	499	22,693	307	216,233
Purchases of treasury stock	-	-	-	(15,001)	(15,001)	-	-	-	-	(15,001)
Disposition of treasury stock	-	-	-	997	997	-	-	-	-	997
Net income	-	-	28,158	-	28,158	-	-	-	-	28,158
Cash dividends paid	-	-	(9,368)	-	(9,368)	-	-	-	-	(9,368)
Gain on disposition of treasury stock	-	84	-	-	84	-	-	-	-	84
Net changes other than in shareholders' equity	-	-	-	-	-	(12,544)	(1,496)	(14,040)	301	(13,739)
Balance at 31st March, 2008	18,600	14,884	225,780	(61,161)	198,103	9,650	(997)	8,653	608	207,364
Purchases of treasury stock	-	-	-	(11,871)	(11,871)	-	-	-	-	(11,871)
Disposition of treasury stock	-	-	-	279	279	-	-	-	-	279
Net income	-	-	24,513	-	24,513	-	-	-	-	24,513
Cash dividends paid	-	-	(10,232)	-	(10,232)	-	-	-	-	(10,232)
Gain on disposition of treasury stock	-	91	-	-	91	-	-	-	-	91
Net changes other than in shareholders' equity	-	-	-	-	-	(3,799)	(1,162)	(4,961)	284	(4,677)
Balance at 31st March, 2009	¥18,600	¥14,975	¥240,061	¥(72,753)	¥200,883	¥ 5,851	¥(2,159)	¥ 3,692	¥892	¥205,467

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Total net assets
Balance at 31st March, 2008	\$189,352	\$151,522	\$2,298,483	\$(622,631)	\$2,016,726	\$ 98,239	\$(10,150)	\$ 88,089	\$6,190	\$2,111,005
Purchases of treasury stock	-	-	-	(120,849)	(120,849)	-	-	-	-	(120,849)
Disposition of treasury stock	-	-	-	2,836	2,836	-	-	-	-	2,836
Net income	-	-	249,550	-	249,550	-	-	-	-	249,550
Cash dividends paid	-	-	(104,166)	-	(104,166)	-	-	-	-	(104,166)
Gain on disposition of treasury stock	-	925	-	-	925	-	-	-	-	925
Net changes other than in shareholders' equity	-	-	-	-	-	(38,678)	(11,823)	(50,501)	2,892	(47,609)
Balance at 31st March, 2009	\$189,352	\$152,447	\$2,443,867	\$(740,644)	\$2,045,022	\$ 59,561	\$(21,973)	\$ 37,588	\$9,082	\$2,091,692

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March, 2009
	2009	2008	2007	
Cash flows from operating activities				
Income before income taxes	¥ 44,181	¥ 47,988	¥ 46,744	\$ 449,776
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	20,763	16,517	19,796	211,371
Interest and dividend income	(1,861)	(2,588)	(1,556)	(18,946)
Interest expense	13	–	1	134
Impairment loss on software	3,050	–	–	31,053
Loss (gain) on investment securities	3,386	(2,037)	(2,074)	34,469
Loss on investments in affiliates	762	–	–	7,754
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	2,759	(10,935)	(11,826)	28,087
Allowance for doubtful accounts	119	8	8	1,211
Accounts payable	(6,043)	174	3,786	(61,519)
Inventories	(96)	134	936	(977)
Allowance for employees' retirement benefits and welfare pension plan	(148)	2,439	37	(1,507)
Impact of applying lease accounting standards	352	–	–	3,583
Other	(367)	1,745	4,378	(3,740)
Subtotal	66,870	53,445	60,230	680,749
Interest and dividends received	1,994	2,381	1,644	20,299
Interest paid	(13)	–	(1)	(132)
Income taxes paid	(22,670)	(24,020)	(22,289)	(230,785)
Net cash provided by operating activities	46,181	31,806	39,584	470,131
Cash flows from investing activities				
Payments for time deposits	(6,874)	(7,202)	(7,641)	(69,979)
Proceeds from time deposits	6,930	6,579	7,203	70,549
Increase in short-term investment securities	(7,973)	(40,878)	(30,951)	(81,167)
Proceeds from sales and redemption of short-term investment securities	28,000	31,000	33,910	285,045
Acquisition of property and equipment	(14,105)	(21,381)	(11,686)	(143,592)
Proceeds from sales of property and equipment	–	132	285	–
Increase in software and other intangibles	(57,863)	(17,485)	(12,435)	(589,056)
Proceeds from sales of software and other intangibles	–	2	11	–
Increase in investment securities	(20,776)	(3,461)	(343)	(211,503)
Proceeds from sales and redemption of investment securities	2,251	4,665	8,673	22,916
Proceeds from sales of investments in subsidiaries	–	–	322	–
Increase in investments in affiliates	(616)	–	–	(6,271)
Proceeds from sales of investments in affiliates	–	–	1,256	–
Increase in long-term loans receivable	–	–	(7,246)	–
Other	32	103	62	326
Net cash (used in) provided by investing activities	(70,994)	(47,926)	(18,580)	(722,732)
Cash flows from financing activities				
Repayment of long-term debt	–	–	(240)	–
Repayment of obligation under finance leases	(389)	–	–	(3,960)
Proceeds from issuance of convertible bonds	–	–	50,000	–
Proceeds from sales of treasury stock	73	824	782	743
Purchases of treasury stock	(11,871)	(15,001)	(4)	(120,849)
Cash dividends paid	(10,228)	(9,360)	(6,497)	(104,123)
Net cash (used in) provided by financing activities	(22,415)	(23,537)	44,041	(228,189)
Effect of exchange rate changes on cash and cash equivalents	(68)	(672)	56	(692)
Net (decrease) increase in cash and cash equivalents	(47,296)	(40,329)	65,101	(481,482)
Cash and cash equivalents at beginning of year	75,525	115,854	50,753	768,859
Cash and cash equivalents at end of year (Note 11)	¥ 28,229	¥ 75,525	¥ 115,854	\$ 287,377

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2009

1. Significant Accounting Policies

Description of Business

Nomura Research Institute, Ltd. (the “Company”) is a leading provider in Japan of IT solutions services and consulting services. IT solutions services include the development, installation, operation and management of computer systems and networks, asset management analyses, and information services and sales of related products. Consulting services include conducting research on macroeconomic trends, providing management consulting advice, and rendering system consulting services and information services. Information on the Company’s operations by segment is included in Note 20.

Basis of Presentation

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

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

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

Basis of Consolidation

The accompanying consolidated financial statements for the years ended 31st March, 2009, 2008 and 2007 include the accounts of the Company and any significant companies which are controlled directly or indirectly by the Company. All subsidiaries (16, 16 and 14 for the years ended 31st March, 2009, 2008 and 2007, respectively) have been consolidated. The major consolidated subsidiary is Nomura Research Institute America, Inc.

The Company’s investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the Company’s share of such affiliates’ income is included in consolidated income.

Investments in two affiliated companies, Nihon Clearing Services Co., Ltd., and MC NRI Global Solutions Inc., are accounted for by the equity method for the year ended 31st March, 2009. MC NRI Global Solutions Inc. is a new affiliated company established during the year ended 31st March, 2009.

1. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

During the year ended 31st March, 2009 the Company entered into two definitive agreements to sell all the shares of its wholly-owned subsidiary, NRI Learning Network, Ltd., to Canon Marketing Japan Inc. and all the shares of a second wholly-owned subsidiary, Insurance System & Technology, Ltd., to TOHO SYSTEM SCIENCE CO., LTD. These sales were completed in April, 2009.

NRI Network Communications, Ltd. and NRI WEBrandia, Ltd., both wholly-owned subsidiaries, agreed to merge during the year ended 31st March, 2009. This merger was completed in April 2009.

Cash Equivalents

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

Investment Securities

The Company holds investment securities in its major shareholder, Nomura Holdings, Inc. The Company's investment in Nomura Holdings, Inc. is included in "Investments in affiliates."

The Company and its consolidated subsidiaries determine the appropriate classification of investment securities as either trading, held-to-maturity or other securities based on their holding objectives. Other securities include marketable securities and non-marketable securities.

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

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

Marketable securities classified as other securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealized gain or loss on marketable securities classified as other securities is included as a separate component of net assets, net of the applicable taxes. If the fair value of marketable securities classified as other securities declines significantly, such securities are written down to their respective fair value thus establishing a new cost basis and the amount of each write-down is charged to income as an impairment loss unless its fair value is deemed to be recoverable. The Company has established a policy for the recognition of impairment losses under the following conditions:

- i) All securities whose fair value has declined by more than 50%, and
- ii) Securities whose fair value has declined by more than 30% but less than 50% and for which a recovery to fair value is not deemed probable.

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

1. Significant Accounting Policies (continued)

Derivative Financial Instruments

Derivative financial instruments are generally required to be stated at fair value. Interest-rate swaps meet the criteria for special hedge accounting under which interest on the swap agreements is accrued as incurred. Hedge accounting is utilized, although no evaluation of the effectiveness of the interest-rate swaps which meet the above conditions is undertaken, as permitted by the accounting standard for financial instruments.

Inventories

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

Depreciation of Property and Equipment (other than Leased Assets)

Property and equipment is stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the related assets. The Company and its domestic consolidated subsidiaries individually estimated the useful lives of a portion of their machinery and equipment by determining when the machinery and equipment can be judged to be significantly obsolete because of advancements in technology. Buildings (excluding structures attached to the buildings) acquired on or after 1st April, 1998 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over their respective estimated useful lives.

Amortization of Software and Other Intangibles (other than Leased Assets)

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

Intangible assets other than computer software to be sold and software intended for internal use are amortized by the straight-line method over their respective estimated useful lives.

Depreciation and Amortization of Leased Assets

Leased tangible assets under finance lease transactions that do not transfer ownership are depreciated based on the declining balance method over the lease period. Leased intangible asset under finance lease transactions that do not transfer ownership are amortized based on the straight-line method over the lease period.

Allowance for Doubtful Accounts

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

1. Significant Accounting Policies (continued)

Retirement and Severance Benefits for Employees

The allowance for employees' retirement benefits has been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets. The retirement benefit obligation at transition was fully expensed upon transition. Prior service cost is amortized by the straight-line method over a period which falls within the average remaining years of service (15 years) of the participants in the plan. Actuarial gain or loss is amortized by the straight-line method over a defined period not exceeding the average remaining period of employment (15 years) of the participants in the plan and is recognized as a pension cost.

Revenue Recognition

In principle, revenues arising from research, consulting projects and system development projects are recognized by the percentage-of-completion method and revenues from other projects are recognized when the related services have been rendered.

Research and Development Expenses

Research and development expenses are charged to selling, general and administrative expenses as incurred.

Bond Issuance Cost

Bond issuance cost is expensed upon payment.

Appropriation of Capital Surplus and Retained Earnings

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

Accounting Changes

(Inventories)

Effective the year ended 31st March, 2009, the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 of 5th July, 2006) has been applied, and now inventories are stated at cost, based on the identified cost method, which evaluates the amount of the inventories shown on the balance sheet by writing them down based on their decrease in profitability. Previously, inventories were stated at cost, based on the identified cost method. The effects of adopting the new standard were immaterial.

1. Significant Accounting Policies (continued)

(Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”)

Effective the year ended 31st March, 2009, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18 of 17th May, 2006) has been applied. The effects of adopting the new standard were nil.

(Application of Accounting Standard for Lease Transactions)

Effective 1st April, 2008, the Company has adopted the new accounting standard “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16), originally issued by the Business Accounting Deliberation Council on 17th June, 1993 and by the Japanese Institute of Certified Public Accountants on 18th January, 1994, respectively, and both revised by the ASBJ on 30th March, 2007. Prior to adoption of the standard, the Company and its domestic consolidated subsidiaries accounted for finance lease transactions that do not transfer ownership as operating leases. Subsequent to the adoption of the standard, all finance leases are capitalized as assets.

As a result of this accounting change, operating profit increased by ¥175 million (\$1,782 thousand) and income before income taxes decreased by ¥189 million (\$1,924 thousand) for the year ended 31st March, 2009 from the corresponding amounts which would have been recorded under the previous method.

The effects of adopting the new standard on the segment information are discussed in the applicable section of these notes to the consolidated financial statements.

(Application of “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)”)

Effective the year ended 31st March, 2009, the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19) has been applied. The effects of adopting the new standard were nil.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at $¥98.23 = \text{U.S.}\$1.00$, the rate of exchange prevailing on 31st March, 2009. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Investments

The Company did not hold any trading securities or held-to-maturity securities with determinable market value at 31st March, 2009 and 2008.

The following is a summary of the market value information concerning other securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2009 and 2008:

a) Marketable securities classified as other securities

	<i>Millions of yen</i>					
	Acquisition cost		Carrying amount		Unrealized gain (loss)	
	31st March,		31st March,		31st March,	
	2009	2008	2009	2008	2009	2008
Equity securities	¥10,649	¥13,294	¥20,852	¥29,638	¥10,203	¥16,344
Debt securities:						
Government debt securities	3,000	7,992	3,001	7,992	1	–
Corporate debt securities	19,022	5,000	18,817	4,946	(205)	(54)
	22,022	12,992	21,818	12,938	(204)	(54)
Other	710	1,047	637	1,039	(73)	(8)
Total	¥33,381	¥27,333	¥43,307	¥43,615	¥ 9,926	¥16,282

	<i>Thousands of U.S. dollars</i>		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
	31st March, 2009		
Equity securities	\$108,409	\$212,277	\$103,868
Debt securities:			
Government debt securities	30,541	30,551	10
Corporate debt securities	193,647	191,560	(2,087)
	224,188	222,111	(2,077)
Other	7,228	6,485	(743)
Total	\$339,825	\$440,873	\$101,048

Investment partnerships, which are valued at market value derived from their components, were included in other.

Proceeds from sales of marketable securities classified as other securities during the years ended 31st March, 2009, 2008 and 2007 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2009	2008	2007	2009
Proceeds	¥1,668	¥1,634	¥2,110	\$16,981
Gross gain	373	2,655	2,081	3,797
Gross loss	–	–	–	–

3. Investments (continued)

a) Marketable securities classified as other securities (continued)

Impairment loss on the marketable securities classified as other securities as a result of a permanent decline in value for the years ended 31st March, 2009, 2008 and 2007 was ¥4,286 million (\$43,632 thousand), ¥589 million and nil, respectively.

b) Non-marketable securities classified as other securities

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2009	2008	2009
Other securities:			
Equity securities	¥14,624	¥14,550	\$148,875
Money management funds	-	4,586	-
Free financial funds	12,000	14,579	122,162
Cash reserve funds	-	10,954	-
Commercial paper	-	44,876	-

Investments in affiliates which are included in equity securities include investments in net assets of affiliated companies accounted for under the equity method totaling ¥1,248 million (\$12,705 thousand) and ¥536 million at 31st March, 2009 and 2008, respectively.

c) Maturities of debt securities

Maturities of debt securities classified as other securities at 31st March, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>		
	31st March, 2009		
	Debt securities		
	Government debt securities	Corporate debt securities	Other
Due within one year	¥3,000	¥5,000	-
Due after one year through five years	-	11,000	-
	¥3,000	¥16,000	-
	<i>Millions of yen</i>		
	31st March, 2008		
	Debt securities		
	Government debt securities	Corporate debt securities	Other
Due within one year	¥8,000	¥2,000	¥44,931

3. Investments (continued)

c) Maturities of debt securities (continued)

	<i>Thousands of U.S. dollars</i>		
	31st March, 2009		
	Debt securities		
	Government debt securities	Corporate debt securities	Other
Due within one year	\$30,541	\$ 50,901	–
Due after one year through five years	–	111,982	–
	<u>\$30,541</u>	<u>\$162,883</u>	<u>–</u>

4. Derivatives

The Company had no open derivatives positions at 31st March, 2009 and 2008.

5. Accounts Receivable and Other Receivables

For projects which have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥21,246 million (\$216,288 thousand) and ¥18,258 million at 31st March, 2009 and 2008.

6. Property and Equipment

Property and equipment is summarized as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Useful Life	31st March,		31st March,
		2009	2008	2009
Land		¥ 11,292	¥ 11,292	\$114,958
Buildings	15 – 50	59,077	56,528	601,411
Machinery and equipment	3 – 15	51,934	48,510	528,700
Leased assets		134	–	1,361
Accumulated depreciation		(64,162)	(58,077)	(653,184)
Property and equipment, net		<u>¥ 58,275</u>	<u>¥ 58,253</u>	<u>\$593,246</u>

7. Other Assets

Other assets consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2009	2008	31st March,
Lease deposits	¥10,965	¥11,114	\$111,629
Other	2,880	2,717	29,323
Other assets	¥13,845	¥13,831	\$140,952

Other includes golf club memberships.

8. Retirement and Severance Benefits

The Company has a defined benefit pension plan, a lump-sum payment plan and a defined contribution pension plan. In addition to the plans, an extra retirement payment may be provided. On 1st April, 2008, the Company transferred its retirement annuity plan and a portion of the lump-sum payment plan to its defined contribution pension plan and the defined benefit pension plan, respectively. The Company also has an employee retirement benefit trust. Certain of the Company's domestic consolidated subsidiaries have defined benefit lump-sum payment plans and defined contribution pension plans.

The following table sets forth the funded and accrued status of the retirement and severance benefit plans and the amounts recognized in the accompanying consolidated balance sheets at 31st March, 2009 and 2008 for the Company's and its consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2009	2008 *	31st March,
Retirement benefit obligation	¥(57,241)	¥(54,443)	\$(582,724)
Plan assets at fair value	27,304	30,390	277,960
Unfunded retirement benefit obligation	(29,937)	(24,053)	(304,764)
Unrecognized actuarial gain	7,020	1,183	71,469
Unrecognized prior service cost	(2,726)	(2,921)	(27,748)
Unfunded retirement benefit obligation recognized on the balance sheets	¥(25,643)	¥(25,791)	\$(261,043)

* Above amount is after revision made to the pension plan as of 1st April, 2008.

Plan assets at fair value include those of the employee retirement benefit trust of ¥5,251 million (\$53,456 thousand) and ¥7,567 million at 31st March, 2009 and 2008, respectively.

The Company is in the process of transferring certain pension assets from its defined benefit pension plan to its defined contribution pension plan over a period of four years. The remaining pension asset balance of the defined pension plan as of 31st March, 2008 was included in accrued expenses and long-term accrued expenses.

8. Retirement and Severance Benefits (continued)

The amortization period of prior service gain is 15 years (amortized by the straight-line method over a period which falls within the average remaining years of service of the participants in the plan).

The amortization period of actuarial gain is 15 years (amortized by the straight-line method over periods which fall within the average remaining years of service of the participants in the plan from the fiscal year following the respective fiscal year of occurrence).

The components of retirement benefit expenses for the years ended 31st March, 2009, 2008 and 2007 are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2009	2008	2007	2009
Service cost	¥ 3,402	¥ 4,675	¥4,138	\$34,633
Interest cost	1,104	1,513	1,199	11,239
Expected return on plan assets	(342)	(702)	(639)	(3,482)
Recognized actuarial gain	(73)	(573)	(892)	(743)
Recognized prior service gain	(195)	–	–	(1,985)
Provision for transfer of the retirement benefit plan	–	9,567	–	–
Subtotal	3,896	14,480	3,806	39,662
Other	1,386	338	315	14,110
Total	¥ 5,282	¥14,818	¥4,121	\$53,772

Contributions to the defined contribution pension plan are included in “Other” in the table presented above.

The assumptions used in accounting for the above plans are summarized as follows:

	31st March,		
	2009	2008	2007
Discount rates at the end of the year	2.1%	2.1%	2.1%
Expected rate of return on plan assets	1.5%	1.5%	1.5%

9. Income Taxes

The significant components of deferred income tax assets and liabilities were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2009	2008	2009
Deferred income tax assets:			
Employees' retirement benefits	¥14,400	¥15,103	\$146,595
Depreciation	8,801	6,427	89,596
Accrued bonuses	4,856	4,663	49,435
Other	3,551	3,206	36,149
	<u>31,608</u>	<u>29,399</u>	<u>321,775</u>
Deferred income tax liabilities:			
Unrealized gain on other securities	(3,999)	(6,595)	(40,713)
Special tax-purpose reserve	(1,032)	(1,931)	(10,508)
Undistributed earnings of foreign subsidiaries	(140)	(920)	(1,426)
Other	(2)	(5)	(21)
	<u>(5,173)</u>	<u>(9,451)</u>	<u>(52,668)</u>
Deferred income tax assets, net	<u>¥26,435</u>	<u>¥19,948</u>	<u>\$269,107</u>

Income taxes applicable to the Company and its consolidated subsidiaries consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6 percent for the years ended 31st March, 2009, 2008 and 2007.

A reconciliation of the difference between the statutory income tax rate and the effective income tax rate after deferred tax effect in the consolidated statement of income for the year ended 31st March, 2009 was as follows:

	31st March, 2009
Statutory income tax rate	40.6%
Reconciliation:	
Non-taxable permanent differences such as dividends received	(0.5%)
Non-deductible permanent differences such as entertainment expenses	1.1%
Changes in valuation allowance on loss on investment securities and other temporary difference items	5.0%
Reversal of deferred tax liability due to the change in tax law on dividends received from foreign subsidiaries	(1.8%)
Others, net	0.1%
Effective income tax rate after deferred tax effect	<u>44.5%</u>

For the years ended 31st March, 2008 and 2007, such differences were immaterial in the consolidated statements of income.

10. Net Assets

The Corporation Law of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million (\$5,803 thousand) and ¥570 million at 31st March, 2009 and 2008, respectively.

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the year ended 31st March, 2009 are summarized as follows:

	31st March, 2009	
	Shares in issue	Treasury stock
Number of shares at beginning of year	225,000,000	25,944,292
Increase in number of shares	–	4,646,203
Decrease in number of shares	–	117,000
Number of shares at 31st March, 2009	<u>225,000,000</u>	<u>30,473,495</u>

* The increase of 4,646,203 shares of treasury stock was due to stock repurchases from the open market, which resulted in an increase of 4,645,700 shares, and purchases of odd-lot shares, which resulted in an increase of 503 shares.

The decrease of 117,000 shares of treasury stock was due to the exercise of stock options.

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2009 relate to the Company's stock option plans described in Note 19.

Unrealized gain on other securities was not available for the payment of cash dividends.

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 13th May, 2008 and 24th October, 2008, and were paid to shareholders of record as of 31st March, 2008 and 30th September, 2008, respectively, during the year ended 31st March, 2009:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 13th May, 2008 (¥26.00 = U.S.\$0.26 per share)	¥5,175	\$52,687
Cash dividends approved on 24th October, 2008 (¥26.00 = U.S.\$0.26 per share)	5,057	51,488

11. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows at 31st March, 2009 and 2008 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2009	2008	31st March, 2009
Cash and bank deposits	¥ 20,308	¥ 17,710	\$ 206,738
Short-term investment securities maturing within three months from acquisition date	14,000	84,988	142,521
Time deposits with maturities of more than three months when deposited	(6,079)	(7,202)	(61,882)
Bonds and other investments maturing in more than three months from acquisition date	–	(19,971)	–
Cash and cash equivalents	<u>¥ 28,229</u>	<u>¥ 75,525</u>	<u>\$ 287,377</u>

There were no significant non-cash transactions for the years ended 31st March, 2009, 2008 and 2007.

NRI Garden Network, Ltd. was excluded from the scope of consolidation as a result of the sale of all its shares of common stock during the year ended 31st March, 2007. Components of assets and liabilities of NRI Garden Network, Ltd., the amount of the sale, and the proceeds from the sale are summarized as follows:

	<i>Millions of yen</i>
	31st March, 2007
Current assets	¥ 579
Noncurrent assets	266
Current liabilities	(199)
Amount of the sale	646
Cash and cash equivalents of the subsidiary	(323)
Proceeds from the sale of the subsidiary	<u>¥ 323</u>

There were no such transactions for the years ended 31st March, 2009 and 2008.

12. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2009	2008	2007	2009
Earnings per share	¥125.54	¥138.52	¥664.77	\$1.28
Diluted earnings per share	118.29	130.70	650.95	1.20

	<i>Yen</i>		<i>U.S. dollars</i>
	31st March,		31st March,
	2009	2008	2009
Net assets per share	¥1,051.65	¥1,038.68	\$ 10.71

The Company made a five-for-one stock split on 1st April, 2007. Per share information for the year ended 31st March, 2007 with the assumption that this stock split took place at the beginning of the year is summarized as follows:

	<i>Yen</i>
	31st March, 2007
Earnings per share	¥ 132.95
Diluted earnings per share	130.19
Net assets per share	¥1,060.84

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

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2009, 2008 and 2007 is as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2009	2008	2007	2009
Numerator:				
Earnings	¥24,513	¥28,158	¥27,019	\$249,550
Earnings not available to common shareholders	—	—	—	—
Earnings available to common shareholders	¥24,513	¥28,158	¥27,019	\$249,550
Denominator:				
(Weighted-average number of shares of common stock):				
Denominator for earnings per share	195,265,802	203,281,201	40,644,174	195,265,802
Potentially dilutive shares of common stock	11,965,852	12,161,050	862,919	11,965,852
Denominator for diluted earnings per share	207,231,654	215,442,251	41,507,093	207,231,654

12. Per Share Data (continued)

The following potentially issuable shares of common stock would have an anti dilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2009, 2008 and 2007:

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2009	2008	2007	2009
a) Share subscription rights to 805 units issued on 27th June, 2002:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	–	325,000	65,000	–
Exercise price per share	–	¥3,583	¥17,913	–
Average share price for the exercise period	–	¥3,351.45	¥15,905.61	–
b) Share subscription rights to 78 units issued on 24th June, 2004:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	39,000	–	–	39,000
Exercise price per share	¥2,284	–	–	\$23.25
Average share price for the exercise period	¥2,049.55	–	–	\$20.86
c) Share subscription rights to 449 units issued on 1st July, 2005:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	224,500	–	–	224,500
Exercise price per share	¥2,319	–	–	\$23.61
Average share price for the exercise period	¥2,049.55	–	–	\$20.86

12. Per Share Data (continued)

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2009	2008	2007	2009
d) Share subscription rights to 785 units issued on 11th September, 2006:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	392,500	–	–	392,500
Exercise price per share	¥3,282	–	–	\$33.41
Average share price for the exercise period	¥2,049.55	–	–	\$20.86
e) Share subscription rights to 4,150 units issued on 10th July, 2007:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	415,000	415,000	–	415,000
Exercise price per share	¥3,680	¥3,680	–	\$37.46
Average share price for the exercise period	¥2,049.55	¥3,550.90	–	\$20.86
f) Share subscription rights to 4,175 units issued on 8th July, 2008:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	417,500	–	–	417,500
Exercise price per share	¥2,650	–	–	\$26.98
Average share price for the exercise period	¥ 1,865.36	–	–	\$18.99

12. Per Share Data (continued)

The computation of net assets per share at 31st March, 2009 and 2008 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2009	2008	31st March, 2009
Numerator:			
Net assets	¥205,467	¥207,364	\$2,091,692
Less subscription rights to shares	(892)	(608)	(9,082)
Net assets related to shares of common stock	<u>¥204,575</u>	<u>¥206,756</u>	<u>\$2,082,610</u>
Denominator:			
Number of shares of common stock outstanding	194,526,505	199,055,708	194,526,505

13. Leases

Please refer to 1. Significant Accounting Policies for the accounting change on application of new accounting standard for lease transactions for the year ended 31st March, 2009.

1) As lessee

The Company leases mainly computers and related devices, some of which are classified as finance leases. Please refer to 1. Significant Accounting Policies for depreciation method applied to leased assets.

Future minimum lease payments for noncancelable operating leases at 31st March, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2009	2008	31st March, 2009
Future minimum lease payments:			
Due within one year	¥2,500	¥197	\$25,450
Thereafter	4,686	248	47,704
Total	<u>¥7,186</u>	<u>¥445</u>	<u>\$73,154</u>

13. Leases (continued)

1) As lessee (continued)

Future minimum lease payments for finance leases accounted for as operating leases (accounting policy applied before the application of new accounting standard for lease transactions) at 31st March, 2008 are summarized as follows:

	<i>Millions of yen</i>
	31st March, 2008
Future minimum lease payments:	
Due within one year	¥ 936
Thereafter	1,038
Total	<u>¥1,974</u>

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of 31st March, 2008, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases accounted for as operating leases (accounting policy applied before the application of new accounting standard for lease transactions):

	<i>Millions of yen</i>		
	31st March, 2008		
	Acquisition costs	Accumulated Depreciation	Net book value
Machinery and equipment	¥1,509	¥990	¥519
Total	<u>¥1,509</u>	<u>¥990</u>	<u>¥519</u>

Lease payments, depreciation/amortization and interest expense for these finance leases for the years ended 31st March, 2008 and 2007 are summarized as follows (accounting policy applied before the application of new accounting standard for lease transactions):

	<i>Millions of yen</i>	
	31st March,	
	2008	2007
Lease payments	¥805	¥1,235
Depreciation/amortization	765	1,181
Interest expense	17	36

13. Leases (continued)

2) As lessor

There were no finance lease transactions as lessor for the years ended 31st March, 2009, 2008 and 2007.

Future minimum lease payment to be received from operating leases as lessor at 31st March, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2009	2008	31st March,
			2009
Future minimum lease payments to be received:			
Due within one year	¥ 9,228	¥28	\$ 93,943
Thereafter	17,698	21	180,169
Total	<u>¥26,926</u>	<u>¥49</u>	<u>\$274,112</u>

Future minimum lease payment to be received from subleases as lessor accounted for as finance leases (accounting policy applied before the application of new accounting standard for lease transactions) as at 31st March, 2008 is summarized as follows:

	<i>Millions of yen</i>
	31st March, 2008
Future minimum lease payment to be received: *	
Due within one year	¥1,259
Thereafter	1,637
Total	<u>¥2,896</u>

* The corresponding amounts of sublease income have been included in lessees' future minimum lease payments.

14. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2009, 2008 and 2007 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2009	2008	2007	2009
Personnel expenses	¥26,198	¥24,573	¥21,778	\$266,701
Rent	4,429	4,068	3,582	45,088
Subcontractor costs	8,168	9,788	5,882	83,152
Other	11,917	12,659	12,814	121,315
Total	<u>¥50,712</u>	<u>¥51,088</u>	<u>¥44,056</u>	<u>\$516,256</u>

15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2009, 2008 and 2007 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2009	2008	2007	2009
Research and development expenses	¥4,104	¥4,916	¥2,865	\$41,779

16. Other Income (Expenses)

1) Gain (loss) on investment securities

Loss on investment securities for the year ended 31st March, 2009 consisted of gain on investment securities of ¥373 million (\$3,798 thousand) and loss on investment securities of ¥3,759 million (\$38,267 thousand). Gain on investment securities for the year ended 31st March, 2009 consisted principally of gain on the sales of shares of Mitsubishi UFJ Financial Group, Inc. Loss on investment securities consisted principally of impairment loss on Seven & i Holdings Co., Ltd. as a result of the impairment having been deemed other than temporary.

Gain on investment securities for the year ended 31st March, 2008 consisted of gain on investment securities of ¥2,655 million and loss on investment securities of ¥618 million. Gain on investment securities for the year ended 31st March, 2008 consisted principally of gain on the sales of shares of Seven Bank, Ltd., Argo 21 Corporation and NET MARKS, INC. Loss on investment securities consisted principally of impairment loss on AIZAWA SECURITIES CO., LTD. as a result of the impairment having been deemed other than temporary.

16. Other Income (Expenses)

1) Gain (loss) on investment securities (continued)

Gain on investment securities for the year ended 31st March, 2007 consisted of gain on investment securities of ¥2,081 million and loss on investment securities of ¥7 million. Gain on investment securities consisted principally of gain on the sale of shares of NIWS Co. HQ, Ltd. Loss on investment securities consisted principally of impairment loss on Nippon BS Broadcasting Corporation as a result of the impairment having been deemed other than temporary.

2) Loss on investments in affiliates

Loss on investments in affiliates for the year ended 31st March, 2009 consisted of gain on investments in affiliates of ¥252 million (\$2,569 thousand) and loss on investments in affiliates of ¥1,014 million (\$10,323 thousand). Gain on investments in affiliates consisted principally of gain on sales of investments in Insurance System & Technology, Ltd. Loss on investments in affiliates consisted principally of loss on sales of investments in NRI Learning Network, Ltd. and impairment loss on investments in Nomura Holdings, Inc..

3) Impairment loss on software

Due to a rapid change in the business environment because of the money market crisis, the Company recorded impairment loss on software, which is used for financial service businesses, in the consolidated statement of income for the year ended 31st March, 2009.

4) Office integration and relocation expenses

Office integration and relocation expenses for the year ended 31st March, 2007 arose primarily from the integration of certain offices and the relocation to Kiba Center.

5) Accrued expense for transfer of the retirement benefit plan

Accrued expense for transfer of the retirement benefit plan for the year ended 31st March, 2008 arose due to a revision made to the retirement benefit plan.

17. Related Party Transactions

Related party transactions for the years ended 31st March, 2009, 2008 and 2007 and the respective balances at 31st March, 2009 and 2008 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2009	2008	2007	31st March, 2009
a) Major shareholder:					
Nomura Holdings, Inc.	Sales	¥74,070	¥84,413	¥88,508	\$754,047
	Purchase of back office operation information system hardware and software for retail domestic securities *1	38,419	—	—	391,113
b) Major shareholder's subsidiaries:					
Nomura Securities Co., Ltd.	Sales of investment securities	—	—	2,101	—
	Gain on above sales	—	—	2,074	—
	Receipt of payment for convertible bonds	—	—	50,000	—
	Underwriting commission of convertible bonds	—	—	1,250	—
	Purchase of back office operation information system hardware and software for retail domestic securities *2	*2	—	—	*2
Nomura Trust and Banking Co., Ltd.	Money held in trust related to acquisition of treasury stock	15,010	15,010	—	152,805
	Charges for acquisition of treasury stock	8	5	—	81
c) Directors and principal private shareholders, etc:					
Ken Ohno (Director of the Company and a subsidiary)	Grant of stock options *3	—	15	13	—

*1 Based on an agreement between Nomura Holdings Inc., Nomura Securities Co., Ltd. and the Company, the Company purchased from the two parties certain hardware and software assets as a single package. The terms and conditions of the agreement were determined through discussions among the three parties based on an objective appraisal the value of the package as a whole. As per the agreement, the amount shown above is the total acquisition cost that the Company has paid to the two parties.

*2 The transition is the same as *1 presented above.

*3 These stock options were granted to Mr. Ken Ohno for his position as a director of a subsidiary (which he resigned on 31st August, 2007), and valued based on the fair value of the stock options.

17. Related Party Transactions (continued)

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2009	2008	31st March, 2009
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables	¥10,919	¥14,262	\$111,157
b) Directors and principal private shareholders, etc: Ken Ohno (Director of the Company and a subsidiary)	Grant of stock options*	–	11	–

* These stock options were granted to Mr. Ken Ohno for his position as a director of a subsidiary (which he resigned on 31st August, 2007), and valued based on the fair value of the stock options.

18. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2009 and 2008.

19. Stock Option Plans

The Company issued the following share subscription rights for the purchase of new shares of common stock in accordance with the former Commercial Code of Japan or the Corporation Law of Japan.

For stock options issued on and after 1st May, 2006, compensation costs are valued based on the fair value of the stock options and recognized in the statements of income in accordance with “Accounting Standard for Share-based Payments” (ASBJ Statement No. 8) and “Guidance on Accounting Standard for Share-based Payments” (ASBJ Guidance No. 11).

For the years ended 31st March, 2009 and 2008, the Company recognized and allocated share-based compensation cost as follows:

	Millions of yen		Thousands of
	2009		U.S. dollars
	2009	2008	2009
Cost of sales	¥281	¥282	\$2,861
Selling, general and administrative expenses	299	274	3,044
	¥580	¥556	\$5,905

19. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2009 is summarized as follows:

	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>
Grantee categories and numbers of grantees	33 directors or managing officers of the Company, and 11 directors of its domestic subsidiaries	34 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries	32 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries
Number of shares reserved	415,000	422,500	407,500
Grant date	12th August, 2003	24th June, 2004	1st July, 2005
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2005 to 30th June, 2008	1st July, 2006 to 30th June, 2009	1st July, 2007 to 30th June, 2010
	<u>6th stock option plan</u>	<u>7th stock option plan</u>	<u>8th stock option plan</u>
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	400,000	94,500	422,500
Grant date	11th September, 2006	11th September, 2006	10th July, 2007
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2009 to 30th June, 2013	1st July, 2007 to 30th June, 2008	1st July, 2010 to 30th June, 2014
	<u>9th stock option plan</u>	<u>10th stock option plan</u>	<u>11th stock option plan</u>
Grantee categories and numbers of grantees	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries	39 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	96,500	417,500	95,500
Grant date	10th July, 2007	8th July, 2008	8th July, 2008
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2008 to 30th June, 2009	1st July, 2011 to 30th June, 2015	1st July, 2009 to 30th June, 2010

19. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2008 is summarized as follows:

	<u>1st stock option plan</u>	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>
Grantee categories and numbers of grantees	31 directors or managing officers of the Company, and 12 directors of its domestic subsidiaries	33 directors or managing officers of the Company, and 11 directors of its domestic subsidiaries	34 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries
Number of shares reserved	402,500	415,000	422,500
Grant date	27th June, 2002	12th August, 2003	24th June, 2004
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2004 to 30th June, 2007	1st July, 2005 to 30th June, 2008	1st July, 2006 to 30th June, 2009
	<u>4th stock option plan</u>	<u>5th stock option plan</u>	<u>6th stock option plan</u>
Grantee categories and numbers of grantees	32 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries	36 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	407,500	95,500	400,000
Grant date	1st July, 2005	1st July, 2005	11th September, 2006
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2007 to 30th June, 2010	1st July, 2006 to 30th June, 2007	1st July, 2009 to 30th June, 2013
	<u>7th stock option plan</u>	<u>8th stock option plan</u>	<u>9th stock option plan</u>
Grantee categories and numbers of grantees	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	94,500	422,500	96,500
Grant date	11th September, 2006	10th July, 2007	10th July, 2007
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2007 to 30th June, 2008	1st July, 2010 to 30th June, 2014	1st July, 2008 to 30th June, 2009

The Company made a five-for-one stock split on 1st April, 2007.

19. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2009:

	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>	<u>6th stock option plan</u>	<u>7th stock option plan</u>	<u>8th stock option plan</u>	<u>9th stock option plan</u>
Non-vested:							
Beginning of the year	–	–	–	400,000	–	422,500	96,500
Granted	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–
Vested	–	–	–	–	(94,500)	–	96,500
End of the year	–	–	–	400,000	–	422,500	–
Vested:							
Beginning of the year	22,500	42,000	240,000	–	13,500	–	–
Vested	–	–	–	–	–	–	96,500
Exercised	(15,000)	(3,000)	(15,500)	–	(13,500)	–	(70,000)
Forfeited	(7,500)	–	–	–	–	–	–
End of the year	–	39,000	224,500	–	–	–	26,500
	<u>10th stock option plan</u>	<u>11th stock option plan</u>					
Non-vested:							
Beginning of the year	–	–					
Granted	417,500	95,500					
Forfeited	–	–					
Vested	–	–					
End of the year	417,500	95,500					
Vested:							
Beginning of the year	–	–					
Vested	–	–					
Exercised	–	–					
Forfeited	–	–					
End of the year	–	–					

As none of the stock option plans have vesting conditions, the numbers of vested options in the above table represent the numbers of options which became exercisable.

19. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2008:

	<u>1st stock option plan</u>	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>	<u>5th stock option plan</u>	<u>6th stock option plan</u>	<u>7th stock option plan</u>
Non-vested:							
Beginning of the year	340,000	–	–	407,500	–	400,000	94,500
Granted	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–
Vested	(340,000)	–	–	(407,500)	–	–	(94,500)
End of the year	–	–	–	–	–	400,000	–
Vested:							
Beginning of the year	–	81,000	181,000	–	7,000	–	–
Vested	340,000	–	–	407,500	–	–	94,500
Exercised	–	(58,500)	(139,000)	(167,500)	(7,000)	–	(81,000)
Forfeited	(340,000)	–	–	–	–	–	–
End of the year	–	22,500	42,000	240,000	–	–	13,500
	<u>8th stock option plan</u>	<u>9th stock option plan</u>					
Non-vested:							
Beginning of the year	–	–					
Granted	422,500	96,500					
Forfeited	–	–					
Vested	–	–					
End of the year	422,500	96,500					
Vested:							
Beginning of the year	–	–					
Vested	–	–					
Exercised	–	–					
Forfeited	–	–					
End of the year	–	–					

As none of the stock option plans have vesting conditions, the numbers of vested options in the above table represent the numbers of options which became exercisable.

Beginning of the year figure has been modified based on the five-for-one stock split on 1st April, 2007.

19. Stock Option Plans (continued)

Price information per option for each stock option plan as of 31st March, 2009 is summarized as follows:

	<i>Yen</i>								
	2nd stock option plan	3rd stock option plan	4th stock option plan	6th stock option plan	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan
Exercise price	¥2,018	¥2,284	¥2,319	¥3,282	¥ 1	¥3,680	¥ 1	¥2,650	¥ 1
Average price on exercise	2,705	2,380	2,466	–	2,479	–	2,096	–	–
Fair value on grant date	–	–	–	4,322	15,733	1,030	3,619	631	2,572

	<i>U.S. dollars</i>								
	2nd stock option plan	3rd stock option plan	4th stock option plan	6th stock option plan	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan
Exercise price	\$20.54	\$23.25	\$23.61	\$33.41	\$ 0.01	\$37.46	\$ 0.01	\$26.98	\$ 0.01
Average price on exercise	27.54	24.23	25.10	–	25.24	–	21.34	–	–
Fair value on grant date	–	–	–	44.00	160.16	10.49	36.84	6.42	26.18

Price information per option for each stock option plan as of 31st March, 2008 is summarized as follows:

	<i>Yen</i>								
	1st stock option plan	2nd stock option plan	3rd stock option plan	4th stock option plan	5th stock option plan	6th stock option plan	7th stock option plan	8th stock option plan	9th stock option plan
Exercise price	¥3,583	¥2,018	¥2,284	¥2,319	¥ 1	¥3,282	¥ 1	¥3,680	¥ 1
Average price on exercise	–	3,542	3,314	3,467	3,312	–	3,583	–	–
Fair value on grant date	–	–	–	–	–	4,322	15,733	1,030	3,619

The Company made a five-for-one stock split on 1st April, 2007

To reflect the split that was completed on 1st April, 2007, the respective exercise prices of the stock option plans which were issued before the stock split were adjusted as follows:

	<i>Yen</i>	<i>U.S. dollars</i>
	After adjustment	After adjustment
2nd stock option plan	¥2,018	\$20.54
3rd stock option plan	2,284	23.25
4th stock option plan	2,319	23.61
6th stock option plan	3,282	33.41

Adjustments of exercise prices for the 1st, 5th and 7th stock option plans were not required.

19. Stock Option Plans (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2009 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>10th stock option plan</u>	<u>11th stock option plan</u>
Expected volatility *1	31.5%	36.5%
Expected remaining period *2	5 years	1 year and six months
Expected dividend yield *3	¥52 per share	¥52 per share
Risk-free interest rate *4	1.290%	0.805%

*1 Expected volatility is estimated based on the actual stock price in the period from July 2003 to July 2008 for the 10th stock option plan, and in the period from January 2007 to July 2008 for the 11th stock option plan.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2009 as of the date of the grant.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2008 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>8th stock option plan</u>	<u>9th stock option plan</u>
Expected volatility *1	33.0%	28.9%
Expected remaining period *2	5 years	1 year and six months
Expected dividend yield *3	¥40 per share	¥40 per share
Risk-free interest rate *4	1.548%	0.968%

*1 Expected volatility is estimated based on the actual stock price in the period from July 2002 to July 2007 for the 8th stock option plan, and in the period from January 2006 to July 2007 for the 9th stock option plan.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2008 as of the date of the grant.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

20. Segment Information

Business segments

Business segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2009, 2008 and 2007 is summarized as follows:

<i>Millions of yen</i>					
Year ended 31st March, 2009					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥ 32,866	¥ 308,413	¥ 341,279	¥ –	¥ 341,279
Intersegment sales or transfers	528	943	1,471	(1,471)	–
Total sales	33,394	309,356	342,750	(1,471)	341,279
Operating expenses	29,268	263,769	293,037	(1,471)	291,566
Operating profit	¥ 4,126	¥ 45,587	¥ 49,713	¥ –	¥ 49,713
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 18,980	¥ 241,317	¥ 260,297	¥ 94,191	¥ 354,488
Depreciation and amortization	491	20,272	20,763	–	20,763
Capital expenditures	356	69,727	70,083	–	70,083

<i>Millions of yen</i>					
Year ended 31st March, 2008					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥ 30,333	¥ 311,956	¥ 342,289	¥ –	¥ 342,289
Intersegment sales or transfers	394	1,025	1,419	(1,419)	–
Total sales	30,727	312,981	343,708	(1,419)	342,289
Operating expenses	26,588	264,456	291,044	(1,419)	289,625
Operating profit	¥ 4,139	¥ 48,525	¥ 52,664	¥ –	¥ 52,664
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 19,500	¥ 186,593	¥ 206,093	¥ 156,355	¥ 362,448
Depreciation and amortization	389	16,128	16,517	–	16,517
Capital expenditures	584	35,854	36,438	–	36,438

<i>Millions of yen</i>					
Year ended 31st March, 2007					
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥ 29,870	¥ 292,662	¥ 322,532	¥ –	¥ 322,532
Intersegment sales or transfers	267	1,389	1,656	(1,656)	–
Total sales	30,137	294,051	324,188	(1,656)	322,532
Operating expenses	25,693	254,598	280,291	(1,656)	278,635
Operating profit	¥ 4,444	¥ 39,453	¥ 43,897	¥ –	¥ 43,897
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 17,024	¥ 148,945	¥ 165,969	¥ 205,489	¥ 371,458
Depreciation and amortization	257	19,539	19,796	–	19,796
Capital expenditures	820	29,083	29,903	–	29,903

20. Segment Information (continued)

Business segments (continued)

<i>Thousands of U.S. dollars</i>					
Year ended 31st March, 2009					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consoli- dated
I. Sales and operating profit					
Sales to external customers	\$ 334,586	\$3,139,706	\$3,474,292	\$ –	\$3,474,292
Intersegment sales or transfers	5,375	9,600	14,975	(14,975)	–
Total sales	339,961	3,149,306	3,489,267	(14,975)	3,474,292
Operating expenses	297,954	2,685,218	2,983,172	(14,975)	2,968,200
Operating profit	<u>\$ 42,007</u>	<u>\$ 464,088</u>	<u>\$ 506,095</u>	<u>\$ –</u>	<u>\$ 506,092</u>
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	\$ 193,220	\$2,456,653	\$2,649,873	\$ 958,878	\$3,608,751
Depreciation and amortization	4,998	206,373	211,371	–	211,371
Capital expenditures	3,624	709,834	713,458	–	713,458

Effective 1st April, 2008, the Company and its domestic consolidated subsidiaries have applied the new accounting standard “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16), originally issued by the Business Accounting Deliberation Council on 17th June, 1993 and by the Japanese Institute of Certified Public Accountants on 18th January, 1994, respectively, and both revised by the ASBJ on 30th March, 2007. As a result of this accounting change, operating profit in the IT solutions services segment for the year ended 31st March, 2009 increased by ¥175 million (\$1,782 thousand) from the corresponding amount which would have been recorded under the previous method.

Effective 1st April, 2007, the Company and its domestic consolidated subsidiaries have changed their depreciation method of property and equipment acquired on or after 1st April, 2007 pursuant to the revision of the Corporation Tax Law. As a result of this change, operating expenses in the consulting services segment and IT solutions services segment for the year ended 31st March, 2008 increased by ¥16 million and ¥487 million, respectively, and operating profit for these segments decreased by the same amounts compared with the corresponding amounts which would have been recorded under the previous method.

Effective 1st April, 2007, the Company and its domestic consolidated subsidiaries depreciate the residual value of property and equipment acquired prior to 1st April, 2007, to their respective memorandum value over a period of five years by the straight-line method, pursuant to the revision of the Corporation Tax Law. As a result of this change, operating expenses in the consulting services segment and IT solutions services segment for the year ended 31st March, 2008 increased by ¥4 million and ¥136 million, respectively, and operating profit for these segments decreased by the same amounts compared with the corresponding amounts which would have been recorded under the previous method.

Geographical segments

Because sales and assets in the domestic segment constituted more than 90% of total sales and assets for the years ended 31st March, 2009, 2008 and 2007, geographical segment information has not been presented.

20. Segment Information (continued)

Overseas sales

Because overseas sales constituted less than 10% of consolidated sales for the years ended 31st March, 2009, 2008 and 2007, no disclosure of overseas sales has been made.

21. Business Combinations

During the year ended 31st March, 2007, the Company merged with its wholly-owned subsidiary, NRI Data Services, Ltd., which was engaged in operating and monitoring information systems and also provided telecommunication system services. This business combination was implemented in order to enhance the Company's management efficiency, contribute to the competitiveness of the Group, strengthen integrated management and enable the Company to respond promptly to its customers' needs. As a result of this transaction, NRI Data Services, Ltd. was discontinued and its business operations were absorbed into the Company. There were no new share issuances nor was there any increase in capital relating to this merger.

In addition, during the year ended 31st March, 2007, Nomura Research Institute America, Inc., a wholly-owned subsidiary of the Company engaged in research investigation, and development and operation of IT systems, merged with NRI Holding America Inc., NRI Pacific, Inc. and NRI Investment America, Inc. which were also wholly-owned subsidiaries of the Company. This business combination was implemented in order to restructure the Group's business bases in North America and to enhance the Company's management efficiency.

These transactions have been eliminated as intercompany transactions since they were transactions between companies under common control. Therefore, this accounting treatment had no impact on the accompanying consolidated financial statements for the year ended 31st March, 2007.

There were no such transactions for the years ended 31st March, 2009 and 2008.

22. Subsequent Events

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2009, was approved at a meeting of the Board of Directors held on 15th May, 2009:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥26.00 = U.S.\$0.26 per share)	¥5,058	\$51,491

[Appendix 1]**SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES
BETWEEN JAPANESE AND U.S. GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES**

The accompanying consolidated financial statements of the Company have been prepared in conformity with Japanese GAAP, which differs from U.S. GAAP in certain material respects. Such differences are discussed below and address only those differences related to the consolidated financial statements. In addition, no attempt has been made to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements.

The significant differences between Japanese GAAP and U.S. GAAP which would affect the determination of consolidated net income and shareholders' equity of the Company are set out below:

1. Leases Capitalized as Assets

Under Japanese GAAP prior to adoption of a new accounting standard effective on 1st April, 2008, finance leases where ownership is not deemed to be transferred from the lessor to the lessee, the lessee may choose not to capitalize lease expenses and may account for the lease in a manner similar to that applicable to operating leases. The Company's policy before adoption of the new standard was to account for finance leases in a manner similar to operating leases. However, subsequent to the adoption of the new standard, all finance leases were required to be capitalized. Restatement of comparative prior year financial information upon adoption of the new standard is not required.

U.S. GAAP requires that leases which transfer essentially all the risks and rewards of ownership of the leased assets from the lessor to the lessee to be capitalized.

2. Compensated Absences

Under Japanese GAAP, there is no specific accounting standard for compensated absences, and this liability is not generally recognized in Japan.

Under U.S. GAAP, an employer accrues the liability for employees' compensation for future absences if certain conditions are met.

[Appendix 2]

SUBSIDIARIES AND AFFILIATES

The Company conducts its business together with its subsidiaries and affiliates (being companies over which the Company holds significant influence with respect to its finances, operations or businesses).

At 31st March, 2009, the Company had 16 subsidiaries, all of which were consolidated subsidiaries. At the same date, the Company had 2 affiliates, all of which were accounted for by the equity method in the Company's financial statements.

The following table sets forth information on the Company's direct and indirect subsidiaries and affiliates as of 31st March, 2009.

Name	Country	Main Business
Subsidiaries		
NRI Network Communications, Ltd. *1	Japan	Software development and sales, mainly in the Kansai area
NRI Learning Network, Ltd. *2	Japan	Training related to information and telecommunications systems
NRI SecureTechnologies, Ltd.	Japan	Network security services
NRI Cyber Patent, Ltd.	Japan	Provide patent and other intellectual property information to subscribers
NRI WEBrandia, Ltd. *1	Japan	Web Site development and management
NRI Workplace Services, Ltd.	Japan	Office and real estate management
NRI Data i Tech, Ltd.	Japan	Maintaining systems equipment of Nomura Holdings and its subsidiaries and affiliates
NRI Social Information System Services, Ltd.	Japan	Software development and sales
Insurance System & Technology, Ltd. *2	Japan	Software development for non-life insurance industry
UBIQLINK, Ltd.	Japan	Provide direction navigate services to consumer
Nomura Research Institute America, Inc.	USA	Research and development and operation of information management systems in the U.S.
Nomura Research Institute Europe Limited	England	Research and development and operation of information management systems in Europe
Nomura Research Institute Beijing Limited	China	Development and operation of information management systems in China
Nomura Research Institute Shanghai Limited	China	Consulting in China
Nomura Research Institute Hong Kong Limited	China	Research and development and operation of information management systems in Asia
Nomura Research Institute (Singapore) Private Limited	Singapore	Research and development and operation of information management systems in Asia

Name	Country	Main Business
Affiliate		
Nippon Clearing Services Co., Ltd.	Japan	Back-office services for mid-tier securities companies
MC NRI GLOBAL SOLUTIONS, INC.	Japan	Holding Company, holding the shares of system development firm in China.

*1 NRI Network Communications, Ltd. and NRI WEBrandia, Ltd. are merged on April, 2009.

*2 NRI sold entire shares of NRI Learning Network, Ltd. and Insurance System & Technology, Ltd. on April, 2009.

MAJOR SHAREHOLDERS

Shareholders	Number of Shares Owned (thousands)	Ratio of Outstanding Shares (%)
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFCO Co., Ltd.	15,040	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV	10,076	4.48
CBNY-ORBIS FUNDS	8,793	3.91
Japan Trustee Services Bank, Ltd. (Trust Account)	5,890	2.62
NRI Group Employee Stock Ownership Association	5,794	2.58
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	5,530	2.46
The Master Trust Bank of Japan, Ltd.(Trust Account)	3,970	1.76

*NRI owns 30,473 thousand shares as treasury stock.

Nomura Research Institute, Ltd.<http://www.nri.co.jp>**Marunouchi Center**

<Marunouchi Kitaguchi Building (Head Office)>
 Marunouchi Kitaguchi Building,
 1-6-5 Marunouchi, Chiyoda-ku,
 Tokyo 100-0005, Japan
 Tel. +81(3)5533-2111

<Nippon Building>

Nippon Building, 2-6-2 Otemachi,
 Chiyoda-ku, Tokyo 100-0004, Japan
 Tel. +81(3)5533-2111

Kiba Center

<Tower N>

Tower N, 1-5-15 Kiba, Koto-ku,
 Tokyo 135-0042, Japan
 Tel. +81(3)5533-2111

<Tower S>

Tower S, 1-5-25 Kiba, Koto-ku,
 Tokyo 135-0042, Japan
 Tel. +81(3)5533-2111

Yokohama Center

134 Godo-cho, Hodogaya-ku,
 Yokohama 240-0005, Japan
 Tel. +81(45)333-8100

Osaka Center

Aqua Dojima West Tower,
 1-4-16 Dojimahama, Kita-ku,
 Osaka 530-0004, Japan
 Tel. +81(6)4797-2700

Seoul Branch

11th Fl. Youngpoong Bldg.,
 33 Seorin-Dong, Chongro-ku,
 Seoul, 110-752, Korea
 Tel. +82(2)399-5111

Taipei Branch

13th Fl.-E, No.168, Tun-Hwa N. Rd.,
 Taipei, Taiwan R.O.C.
 Tel. +886(2)2718-7620

Manila Branch

27th Fl. Yuchengco Tower, RCBC Plaza,
 6819 Ayala cor. Sen. Gil J. Puyat Avenues,
 1200 Makati City, Philippines
 Tel. +63(2)757-1946

Moscow Branch

103045 Moscow, Trubnaya St.12,
 Millenium House, Russian Federation
 Tel. +7(495)795-0660

NRI Network Communications, Ltd.

Aqua Dojima West Tower,
 1-4-16 Dojimahama, Kita-ku,
 Osaka 530-0004, Japan
 Tel. +81(6)4797-2800
<http://www.nri-net.com>

NRI Secure Technologies, Ltd.

Marunouchi Kitaguchi Building,
 1-6-5 Marunouchi, Chiyoda-ku,
 Tokyo 100-0005, Japan
 Tel. +81(3)5220-2022
<http://www.nri-secure.co.jp>

North America Branch

1400 Fashion Island Blvd. #1010,
 San Mateo, CA 94404, U.S.A.
 Tel. +1(650)638-7262

NRI Cyber Patent, Ltd.

Nippon Building, 2-6-2 Otemachi,
 Chiyoda-ku, Tokyo 100-0004, Japan
 Tel. +81(3)5208-1011
<http://www.patent.ne.jp>

NRI Workplace Services, Ltd.

134 Godo-cho, Hodogaya-ku,
 Yokohama 240-0005, Japan
 Tel. +81(45)336-8600

NRI Data iTech, Ltd.

Nippon Building, 2-6-2 Otemachi,
 Chiyoda-ku, Tokyo 100-0004, Japan
 Tel. +81(3)5299-4500
<http://www.n-itech.com>

NRI Social Information System Services, Ltd.

davinci Nihonbashi-honmachi,
 1-9-4 Nihonbashi-honmachi,
 Chuo-ku, Tokyo 103-0023, Japan
 Tel. +81(3)6660-9766
<http://www.nri-social.co.jp>

UBIQLINK, Ltd.

134 Godo-cho, Hodogaya-ku,
 Yokohama 240-0005, Japan
 Tel. +81(45)333-1860
<http://www.ubiqlink.co.jp>

NRI BPO Services, Ltd.

Roppongi 25 Mori Building,
 1-4-30 Roppongi, Minato-ku,
 Tokyo 106-0032, Japan
 Tel. +81-3-5545-1778

Nomura Research Institute America, Inc.

2 World Financial Center,
 Building B, 19F,
 New York, NY 10281-1198, U.S.A.
 Tel. +1(212)667-1670

NRI Pacific

1400 Fashion Island Blvd., #1010,
 San Mateo, CA 94404, U.S.A.
 Tel. +1(650)638-7250

Dallas Branch Office

1722 Routh Street, #208, Dallas,
 TX 75201, U.S.A.
 Tel. +1(214)969-1033

Nomura Research Institute Europe Limited

Nomura House,
 1 St. Martin's-le-Grand,
 London EC1A 4NP, England
 Tel. +44(20)7521-2000

Nomura Research Institute (Beijing), Ltd.

603 Raycom Infotech Park Tower A,
 2 Kexueyuan-Nanlu, Haidian District,
 Beijing 100190, China
 Tel. +86(10)8286-1555

Shanghai Branch

Unit B 24th Fl., Pufa Tower,
 588 South Pudong Road,
 Shanghai 200120, China
 Tel. +86(21)5403-1133

Nomura Research Institute Shanghai Limited

K.Wah Centre, 29th Floor,
 No.1010 Huaihai Zhong Road,
 Shanghai 20031, China
 Tel. +86(21)5403-1122

Beijing Office

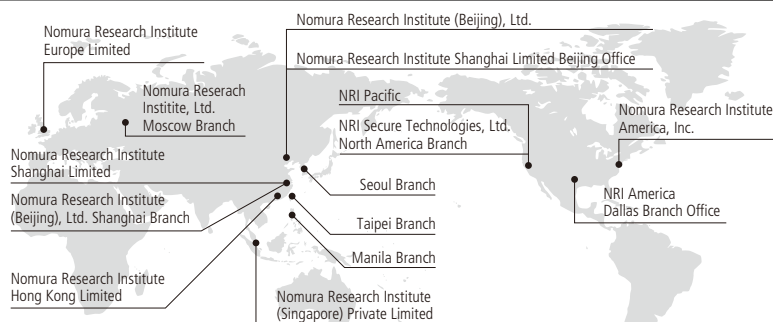
608 Raycom Infotech Park Tower A,
 2 Kexueyuan-Nanlu, Haidian District,
 Beijing 100190, China
 Tel. +86(10)6250-9868

Nomura Research Institute Hong Kong Limited

30th Fl. Two International Finance Centre,
 8 Finance Street,
 Central, Hong Kong
 Tel. +852(2536)1900

Nomura Research Institute (Singapore) Private Limited

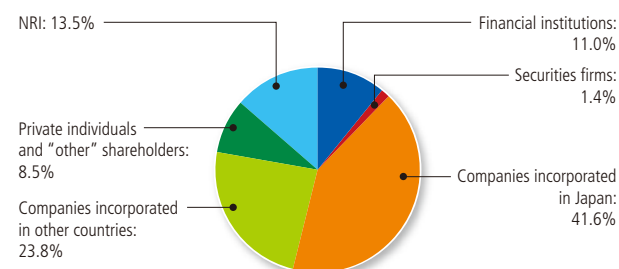
6 Battery Rd. #36-01,
 Singapore 049909, Singapore
 Tel. +65(6225)8441

NRI Overseas Network

Corporate Outline

Name	Nomura Research Institute, Ltd.
Head office address	Marunouchi Kitaguchi Building, 1-6-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Tel. +81(3)5533-2111
Capital	JPY18,600,000,000
Number of employees	5,030 (6,118 in the entire NRI Group)

Breakdown of Shares by Shareholder Category



Major Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFCO Co., Ltd.	15,040	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV (Standing Proxy Agent: Citibank Japan Ltd.)	10,076	4.48
CBNY-ORBIS FUNDS (Standing Proxy Agent: Citibank Japan Ltd.)	8,793	3.91
Japan Trustee Services Bank, Ltd. (Trust Account)	5,890	2.62
NIR Group Employee Stock Ownership Association	5,794	2.58
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	5,530	2.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,970	1.76

Note: NRI owns 30,473 thousand shares of the treasury stock, but the figure excludes the shares mentioned above.

Stock Data

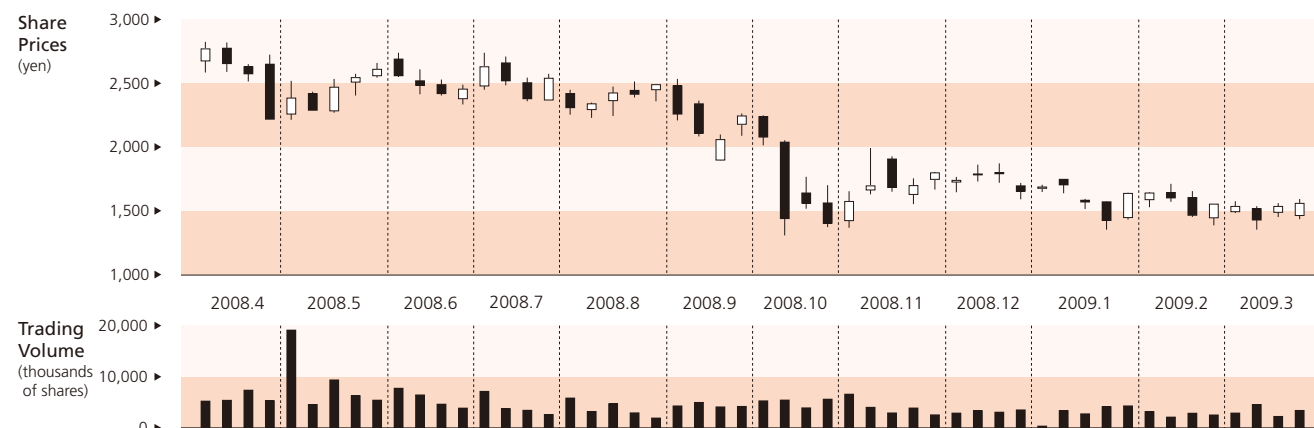
Total number of issuable shares	750,000,000
Total number of issued shares	225,000,000
Number of shareholders	18,209

Shareholder Information

- In line with the electronic share certificate system, changes in the shareholder's address, purchase requests and other procedures should in principle be handled through the account management institution (securities company or other institution) with which the shareholder holds an account. Please contact the securities company or other institution with which you hold an account. Please note that the custodian of the shareholders register (Mitsubishi UFJ Trust and Banking Corporation) cannot handle such procedures.
- Mitsubishi UFJ Trust and Banking is the account management institution for procedures involving shares recorded in special accounts, so please contact the special account management institution (Mitsubishi UFJ Trust and Banking) indicated below. Business can be conducted at any Mitsubishi UFJ Trust and Banking branch in Japan.
- Dividend payments that have not yet been received will be paid at the main branch of Mitsubishi UFJ Trust and Banking.

Fiscal year	1st April to 31st March of the following year
Ordinary general meeting of shareholders	Every June
Unit of share sales	100 shares
Method of public notice	Electronic notification (However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the <i>Nihon Keizai Shimbun</i> newspaper.) The Company's website: http://www.nri.co.jp/
Custodian of shareholder register	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
Account management institution of special accounts	Mitsubishi UFJ Trust and Banking Corporation
Transfer agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
(address for inquiries and posts)	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Tel: 0120-232-711 (toll-free)

Stock Performance





Nomura Research Institute, Ltd.

Marunouchi Kitaguchi Building,
1-6-5 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Tel. +81(3)5533-2111
<http://www.nri.co.jp/>