

## Financial Section

# 野村総合研究所 Nomura Research Institute

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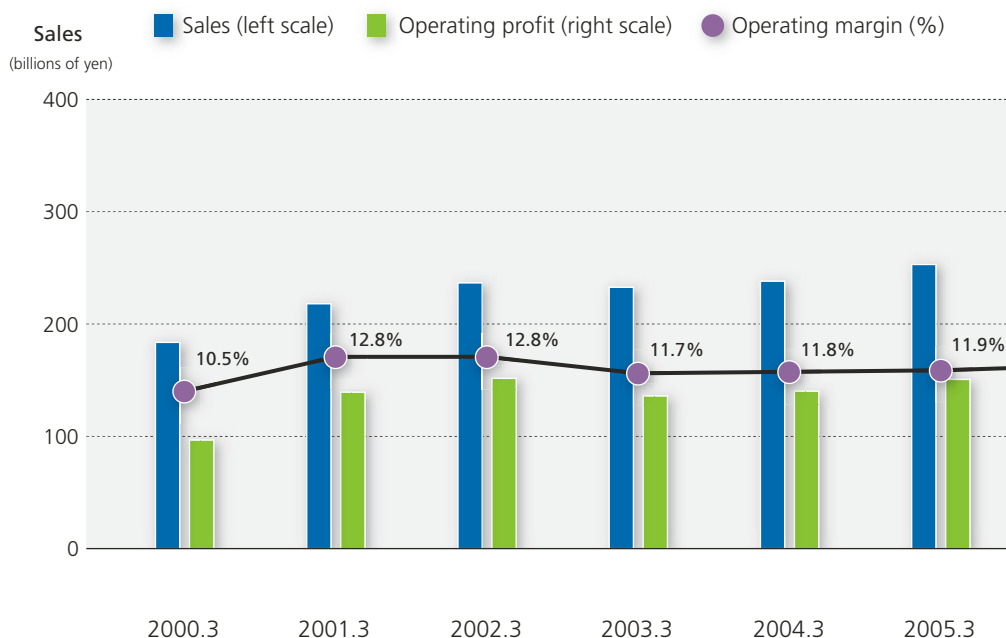
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# Consolidated 11-year Financial Summary



Sales	183,616	217,984	236,569	232,743	238,067	252,963
Cost of sales	138,395	160,643	173,636	173,545	178,096	190,732
Selling, general and administrative expenses	25,906	29,497	32,568	32,034	31,948	32,071
Operating profit	19,315	27,842	30,364	27,164	28,022	30,159
Ordinary profit	20,781	31,550	32,953	27,627	29,293	30,987
Income before income taxes	9,590	43,629	39,009	27,177	32,927	27,361
Net income	5,130	25,381	22,363	15,459	18,269	16,303
Net income per share (yen) <sup>(Note 2)</sup>	1	1	4	4	8	20
Net assets (at year-end)	91,837	165,171	195,564	185,350	229,331	231,766
Total assets (at year-end)	168,274	289,104	299,892	256,798	326,799	317,341
Number of employees (persons) (at year-end)	3,600	3,847	4,313	4,619	4,791	4,848
<b>Ratios (%)</b>						
ROE <sup>(Note 3)</sup>	5.9	19.8	12.4	8.1	8.8	7.1
ROA <sup>(Note 4)</sup>	13.0	13.8	11.2	9.9	10.0	9.6
Operating margin	10.5	12.8	12.8	11.7	11.8	11.9
Net income to sales ratio	2.8	11.6	9.5	6.6	7.7	6.4
Equity ratio	54.6	57.1	65.2	72.2	70.2	73.0

Notes: 1. Amounts of less than million yen were rounded down.  
 2. Net income per share has been retroactively restated for the prior fiscal years.  
 3. ROE = (Net income / Average net assets) x 100  
 4. ROA = (Ordinary profit / Average total assets) x 100



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

## Business Overview

In the fiscal year ended 31st March, 2010, corporate revenues and capital investment in the Japanese economy weakened because of the global economic recession. Although the economy began to gradually recover in the latter half of the current fiscal year, the autonomy of this recovery was weak and the situation continued to be difficult to predict. In this environment, companies remained very cautious about investing in information systems, and as a result, the business environment surrounding the information services industry continued to be difficult.

Operating in such an environment, the NRI Group carried out its business activities with the combined strength of the group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. With regard to sector trends, in addition to focusing its energy on projects for the insurance and banking sectors, the NRI Group also worked on new projects for the service and manufacturing sectors in hopes of strengthening the business platform, but experienced a decrease in projects for the securities sector. In the area of cost, in addition to reducing subcontracting costs, there were ongoing initiatives to improve quality and productivity and strengthening human resource development through corporate education and training programs.

As a result of these activities, sales by the NRI Group for the current fiscal year were ¥338,629 million (down 0.8% year on year), thereby maintaining a level on par with the previous fiscal year. With respect to cost of sales, which was ¥245,641 million (up 2.0%), although subcontracting costs were lower, the NRI Group's depreciation and amortization expenses increased as a result of software investment for the provision of large-scale outsourcing services and it also recorded an increase in costs accompanying office expansion in readiness for future business expansion. Incurring selling, general and administrative expenses of ¥52,911 million (up 4.3%) due to the implementation of measures aimed at mid- to long-term growth and for other reasons, the NRI Group posted operating profit of ¥40,077 million (down 19.4%), ordinary profit of ¥40,947 million (down 20.8%) and net income of ¥21,856 million (down 10.8%).

## Business Results by Segment

### Consulting Services

Due to a considerably reduced number of projects impacted by the weak economy, the consulting services segment posted sales (sales to external customers) of ¥28,883 million (down 12.1% year on year) and operating loss of ¥65 million (compared with operating profit of ¥4,126 million in the previous fiscal year).

### IT Solution Services

The sales trends for each type of IT solution services are as follows. In System Development & Application Sales, sales were ¥126,821 million (down 12.1% year on year) with sales to the insurance and banking sectors increasing but sales to the securities sector decreasing. In System Management & Operation Services, sales were ¥167,010 million (up 12.1%) thanks mainly to the provision of large-scale outsourcing services aimed at major customers in the securities sector and the acquisition of new customers in shared-online services for the securities sector. In System Application Sales, sales were ¥15,914 million (up 4.9%).

In the area of cost, despite a decrease in subcontracting costs, depreciation and amortization expenses increased as a consequence of software investment.

As a result, sales by IT solution services (sales to external customers) were ¥309,746 million (up 0.4%) and operating profit was ¥40,143 million (down 11.9%).

## Results of Operations—Fiscal 2009 Compared with Fiscal 2008

The following table compares the business results of fiscal 2009 to those from the previous year.

### Summary of consolidated statements of income

Items	Year ended 31st March, 2009	Year ended 31st March, 2010	Changes from previous year	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Rate of Change (%)
Sales	341,279	338,629	(2,649)	(0.8)
Cost of sales	240,854	245,641	4,787	2.0
Gross profit	100,425	92,988	(7,436)	(7.4)
(Gross margin)	29.4%	27.5%	(2.0) points	—
Selling, general and administrative expenses	50,711	52,911	2,199	4.3
Operating profit	49,713	40,077	(9,636)	(19.4)
(Operating margin)	14.6%	11.8%	(2.7) points	—
Non-operating income	2,302	1,569	(733)	(31.8)
Non-operating expenses	284	699	414	145.6
Ordinary profit	51,731	40,947	(10,784)	(20.8)
Extraordinary income	625	195	(430)	(68.8)
Extraordinary loss	8,175	3,814	(4,361)	(53.3)
Income before income taxes	44,181	37,328	(6,853)	(15.5)
Provision for income taxes	19,668	15,476	(4,192)	(21.3)
Minority interests in loss	—	(4)	(4)	—
Net income	24,513	21,856	(2,657)	(10.8)

#### <1> Sales

As mentioned in “Business Results by Segment” (page 48), sales from consulting services were ¥28,883 million and sales from IT solution services were ¥309,746 million. As a result, sales slipped 0.8%, to ¥338,629 million.

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

Cost of sales increased to ¥245,641 million (up 2.0% year on year), with the cost-of-sales ratio rising to 72.5%, from 70.6% for the previous fiscal year. Though external subcontracting costs declined, higher depreciation related to major software investments, incurred to expand the scope of consignment outsourcing services, and cost increases related to new development projects and office expansion in preparation for future business growth caused cost of sales to increase.

Selling, general and administrative expenses rose to ¥52,911 million (up 4.3%). Behind this increase were higher labor costs resulting from staffing increases, depreciation on assets related to activities for improving quality and productivity, and equipment and fixture expenses incurred as a result of office relocation.

Given the higher costs discussed above, operating profit came to ¥40,077 million (down 19.4%), with an operating margin of 11.8%, down from 14.6% for the previous fiscal year.

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

The NRI Group reported non-operating income of ¥1,569 million (down 31.8% year on year), and non-operating expenses of

¥699 million (up 145.6%). This resulted in total non-operating profit of ¥870 million (down 56.9%). Interest income declined on factors like a lower balance of funds invested, and the Group recorded equity in losses of affiliates due to a downturn in the results of affiliated companies accounted for by the equity method.

Ordinary profit, therefore, came to ¥40,947 million (down 20.8%).

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

The sale of shares in the Mitsubishi UFJ Financial Group, Inc. and other factors resulted in extraordinary income of ¥195 million (down 68.8% year on year), while office relocation expenses related to the opening of Yokohama Minato Center and impairment loss on equity holdings contributed to an extraordinary loss of ¥3,814 million (down 53.3%). Altogether, extraordinary loss totaled ¥3,618 million (compared to extraordinary loss of ¥7,549 million for the previous fiscal year).

With the application of tax-effect accounting, the provision for income taxes came to ¥15,476 million (down 21.3%) and the effective tax rate was 41.5%. Minority interests in loss totaling ¥4 million (no comparative figure for the previous fiscal year) were also recorded.

Net income for the year came to ¥21,856 million (down 10.8%).

## Reference: Results of Operations—Fiscal 2008 Compared with 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) point	—
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) point	—
Non-operating income	3,031	2,302	(728)	(24.0)
Non-operating expenses	178	284	106	60.1
Ordinary profit	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

Sales totaled ¥341,279 million (down 0.3% year on year). The Consulting Services segment had to contend with a lower number of management consulting projects due to the sudden downturn in economic conditions, but an increase in system consulting projects, primarily for financial sector clients, pushed sales up to ¥32,866 million (up 8.4%).

By service type, System Development & System Application Sales totaled ¥144,249 million (down 3.9%) as higher sales to the insurance sector were outweighed by lower sales to the securities sector. System Management & Operation Services sales came to ¥148,985 million (up 5.8%) on the impact of new clients acquired in the latter half of the previous fiscal year, an increase in the provision of shared-online services to the financial sector, and solid results for the provision of system management and operation services to the distribution sector. Product sales reached only ¥15,178 million (down 27.4%) due to a decline in equipment purchases related to system development.

As a result, Overall IT Solution Services sales ended the year at ¥308,413 million (down 1.1%).

#### <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 shared-online 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 fixture 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, resulted mainly from the sale of shares in the Mitsubishi UFJ Financial Group, Inc. Impairment loss on shares and software resulted extraordinary loss of ¥8,175 million, down 19.7%. Overall, the extraordinary loss was ¥7,549 million, 0.3% more than during the previous year. The 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.

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

#### <1> Policy for distribution of profits

NRI considers the ongoing growth of 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 will be utilized as a source for business expansion, including investing in facilities for enhancing shared-online services; expanding system management and operations services; cultivating new businesses and improving the productivity of system development; and investing in facilities, R&D, and human resources development for the purpose of quality improvement. Retained earnings may also be utilized to purchase treasury stock, as part of its flexible capital management

aimed at improving capital efficiency and responding to the changes in the business environment.

As stipulated in Article 459 of the Companies Act, NRI stipulates in its Articles of Incorporation that it may pay dividends from retained earnings by a resolution of the Board of Directors with record dates of 30th September and 31st March.

#### <2> Payment of dividends from retained earnings

NRI decided to pay cash dividends of ¥26 per share to shareholders on the record date of the end of fiscal 2009 (31st March, 2010). Combined with interim cash dividends paid in November 2009 (the record date of interim dividends was 30th September, 2009), the annual dividend payment will be ¥52 per share, for a consolidated dividend payout ratio of 46.3%.

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

Date of Board resolution	Total cash dividends	Cash dividends per share	Record date
23rd October, 2009	5,059 million yen	26 yen	30th September, 2009
14th May, 2010	5,060 million yen	26 yen	31st March, 2010

## Analysis of Financial Position at the End of Fiscal 2009

### Summary of consolidated balance sheets

Items	31st March, 2009 (millions of yen)	31st March, 2010 (millions of yen)	Changes from previous year (millions of yen)
<b>Assets</b>			
Current assets	122,572	137,744	15,172
Cash and bank deposit	20,307	15,055	(5,252)
Accounts receivable	56,408	52,874	(3,533)
Accrued income from system developments	21,245	15,158	(6,087)
Short-term investment securities (Cash equivalents)	13,999	44,719	30,720
Other current assets	10,610	9,935	(674)
Fixed assets	231,915	225,623	(6,291)
Tangible fixed assets	58,274	58,965	690
Intangible fixed assets	74,886	68,319	(6,567)
Investment and other assets	98,754	98,339	(414)
Investment securities and investments in affiliates	57,667	55,303	(2,364)
(Securities)	37,212	40,781	3,569
(Others)	20,455	14,522	(5,933)
Long-term guarantee deposits and long-term loans receivable	18,447	20,029	1,582
Other	22,639	23,007	367
<b>Total assets</b>	<b>354,487</b>	<b>363,368</b>	<b>8,880</b>

Items	31st March, 2009 (millions of yen)	31st March, 2010 (millions of yen)	Changes from previous year (millions of yen)
<b>Liabilities</b>			
Current liabilities	70,026	67,195	(2,831)
Accounts payable	28,961	24,155	(4,805)
Lease obligations	655	293	(362)
Accrued payables	4,812	7,599	2,786
Accrued expenses	4,466	5,743	1,276
Other current liabilities	31,130	29,404	(1,726)
Fixed liabilities	78,994	75,936	(3,058)
Convertible bonds	49,997	49,997	—
Lease obligations	414	328	(86)
Long-term accrued expenses	2,938	1,457	(1,480)
Deferred income taxes	2	0	(1)
Allowance for employees' retirement benefits	25,642	24,152	(1,489)
<b>Total liabilities</b>	<b>149,020</b>	<b>143,131</b>	<b>(5,889)</b>
<b>Net assets</b>			
Shareholders' equity	200,882	212,891	12,009
Common stock and additional paid-in capital	33,574	33,617	42
Retained earnings	240,061	251,800	11,739
Treasury stock, at cost	(72,753)	(72,526)	227
Valuation and translation adjustments	3,692	6,179	2,487
Unrealized gain on other securities	5,850	8,436	2,585
Translation adjustments	(2,158)	(2,256)	(97)
Share subscription rights	892	1,154	262
Minority interests	—	10	10
<b>Total net assets</b>	<b>205,466</b>	<b>220,237</b>	<b>14,770</b>
<b>Total liabilities and net assets</b>	<b>354,487</b>	<b>363,368</b>	<b>8,880</b>

#### <1> Summary

At the end of the current fiscal year (31st March, 2010), current assets were ¥137,744 million (up 12.4% from the end of the previous fiscal year), fixed assets were ¥225,623 million (down 2.7%), current liabilities were ¥67,195 million (down 4.0%), fixed liabilities were ¥75,936 million (down 3.9%), total net assets were ¥220,237 million (up 7.2%) and total assets were ¥363,368 million (up 2.5%).

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

Accounts receivable and other receivables decreased by ¥9,621 million, and short-term investment securities increased by ¥30,720 million. Ongoing depreciation of software investments brought intangible fixed assets down by ¥6,567 million.

#### <2> Securities

Securities totaled ¥100,023 million (up 39.6% from the end of the previous fiscal year) and accounted for 27.5% of total assets. Securities include 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

An increase in cash on hand, a reduction in length of investment terms, and other factors caused an increase in cash equivalent securities. Short-term investment securities under current assets, therefore, ended the year at ¥44,719 million (up 219.4% from the end of the previous fiscal year). All of these investments were in bond investment trusts (cash equivalents).

### *ii Investment securities and investments in affiliates under fixed assets*

Although market prices rose for equity shares held, investment terms for funds under management shortened, resulting in a balance of ¥55,303 million (down 4.1% from the end of the previous fiscal year) for investment securities and investment in affiliates under fixed assets. Making up this total were ¥25,309 million in marketable securities, ¥15,471 million in equity shares for which it was deemed extremely difficult to determine a market price, ¥14,062 million in bonds, and ¥460 million in investment fund shares and other investments. Please refer to “<5> Investment in stocks” in section (2), “Risks Concerning Business Strategy,” under “Business and Other Risks.”

For more details on securities held, please refer to “4. Investments” in “Notes to the Consolidated Financial Statements” section of “Consolidated Financial Statements.”

### **<3> Software**

Software and software suspense accounts make up the majority of intangible fixed assets. Together, software and software suspense accounts totaled ¥74,330 million as of the end of the previous fiscal year and ¥67,786 million as of the end of the fiscal year under review, making up 21.0% and 18.7% of total assets, respectively. For the fiscal year under review, software investment, which included development of shared-online services for the financial sector and other activities, came to ¥15,176 million (down 73.7% from the end of the previous fiscal year). For more information on software investment, please refer to “<4> Investment in software” in section (2), “Risks Concerning Business Strategy,” under “Business and Other Risks.”

## **Cash Flows**

Net cash provided by operating activities in the current fiscal year totaled ¥58,060 million (up 25.7% compared with the previous fiscal year). The major contributing factors were as follows. Income before income taxes was ¥37,328 million (down 15.5%), depreciation and amortization was ¥30,915 million (up 48.9%), and a decrease in accounts receivable and other receivables was ¥8,979 million (up 225.4%).

Net cash used in investing activities was ¥16,175 million (down 77.2%). The major contributing factors were the acquisition of property and equipment such as machinery and equipment at data centers and office facilities and an increase in software and other intangibles relating to the development of shared-online services offsetting the redemption of investment securities and proceeds from time deposits.

Net cash used in financing activities was ¥10,348 million (down 53.8%) mainly due to the payment of dividends.

As a result of the above, cash and cash equivalents at the end of the current fiscal year totaled ¥59,775 million (up 111.8% from the end of the previous fiscal year).

# Facilities

During fiscal 2009, the NRI Group's total capital expenditures came to ¥29,000 million. This mainly comprised development of shared-online services to expand high value-added services and

capital expenditures related to data centers and office expansions in IT Solution Services.

## 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 <sup>2</sup> )	Amount (millions of yen)				
Marunouchi Center (Chiyoda-ku, Tokyo)	Consulting Services	846	15	383	—	—	0	3,669	4,914	1,381 [379]
Kiba Center (Koto-ku, Tokyo)	IT Solution Services	1,391	43	677	—	—	0	41,430	43,542	595 [83]
Yokohama Center (Hodogaya-ku, Yokohama)	IT Solution Services	806	43	1,606	—	—	0	7,766	10,222	1,650 [359]
Yokohama Minato Center (Kanagawa-ku, Yokohama)	IT Solution Services	1,486	44	688	—	—	—	7,954	10,175	867 [306]
Osaka Center (Kita-ku, Osaka)	IT Solution Services	33	0	21	—	—	—	1	57	62 [2]
Hiyoshi Data Center (Kohoku-ku, Yokohama)	IT Solution Services	5,128	606	219	14,112	4,952	—	1	10,908	53 [91]
Yokohama Data Center 1 (Tsuzuki-ku, Yokohama)	IT Solution Services	6,135	3,678	1,481	(6,748)	—	11	26	11,332	43 [154]
Yokohama Data Center 2 (Hodogaya-ku, Yokohama)	IT Solution Services	9,978	584	762	4,602	2,312	0	—	13,638	8 [3]
Osaka Data Center (Shimonoe-ku, Osaka)	IT Solution Services	5,020	916	459	13,200	2,221	0	1	8,618	26 [28]
Yokohama Learning Center (Tsuzuki-ku, Yokohama)	Company-wide (common use)	207	0	89	—	—	—	44	341	26 [7]
Shiodome Center (Minato-ku, Tokyo)	IT Solution Services	88	4	61	—	—	—	917	1,072	148 [47]

Notes: 1. The figures are book values as of 31st March, 2010.

2. A portion of land and buildings are rented (including subleasing to domestic subsidiaries) with annual rental expense of ¥10,772 million. Leased land area is listed inside 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.

6. Yokohama Minato Center was established in February 2010.

**(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 <sup>2</sup> )	Amount (millions of yen)				
<b>(Domestic Subsidiary)</b>										
NRI Network Communications, Ltd. Head Office and others (Kita-ku, Osaka)	IT Solution Services	129	—	289	—	—	—	170	588	272 [81]
NRI Source Technologies, Ltd. Head Office and others (Miinato-ku, Tokyo)	IT Solution Services	84	—	629	—	—	20	597	1,331	172 [35]
NRI Workplace Services, Ltd. Head Office and others/ Dormitory (Hodogaya-ku, Yokohama)	Company-wide (common use)	680	—	20	7,385	1,805	—	3	2,509	105 [41]
NRI Data iTech, Ltd. Head Office and others (Chiyoda-ku, Tokyo)	IT Solution Services	17	—	14	—	—	—	53	86	139 [24]
<b>(Overseas Subsidiary)</b>										
Nomura Research Institute (Beijing), Ltd. (Beijing, China)	IT Solution Services	9	—	50	—	—	—	31	91	82 [—]

Notes: 1. The figures are book values as of 31st March, 2010.

2. A portion of land and buildings are rented with annual rental expense of ¥81 million. Annual rental expense does not include sublease 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 <sup>2</sup> )
Dormitory	Hiyoshi Dormitory	Kohoku-ku Yokohama	5,621
	Higashiterao Dormitory	Tsurumi-ku Yokohama	1,764

**Capital Expenditure Plans for Fiscal 2010**

We have capital expenditure plans of ¥30,000 million for fiscal 2010, and the breakdown by business segment is listed below. Other than these, there are no plans to dispose of or sell major

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

Name of segment by business type	Facilities	Planned investment (millions of yen)	Major items and purpose
<b>IT Solution Services</b>	Software	15,800	Development of internal use software for providing customer service and software for sale
	Hardware	12,200	Equipment for system development and equipment for providing management and operation services for computer systems and networks
<b>Company-wide (common use)</b>	Office facilities	2,000	Personal computers and acquisition of property and facilities
<b>Total</b>		30,000	—

Note: Planned capital expenditures will be provided by the Company's funds.

# Research and Developments

The NRI Group's research and development activities are concentrated 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

Research and development activities are routinely pursued by the Advanced Information Technology Division, which is in charge of technology development for the NRI Group, and the Center for Knowledge Exchange & Creation (renamed the "Center for Strategic Management and Innovation" as of 1st April, 2010), which is in charge of policy recommendations and advanced technology functions. In addition, individual business divisions, in pursuing mid- to long-term development of business and new products engage in research and development activities via cross-functional arrangements as necessary. In addition to introducing R&D strategies, we have introduced R&D meetings to provide opportunities to select R&D projects in priority areas from a company-wide perspective. These meetings serve as a forum for investigating projects from the planning stage through applications of results. In fiscal 2009, our research and development expenses amounted to ¥3,561 million. The research and development activities by each segment are as follows.

## Consulting Services

Regarding investigative research into new social systems, we have focused on research related to Asian markets, including 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. Furthermore, with a view toward the post-BRICs era, we conducted survey research focused on coastal areas, Mexico, Indonesia, Turkey, Thailand, and other locations. Looking to the future of the manufacturing sector, through 2025, we also conducted research examining transformation and reform directions for Japanese companies to pursue in sustaining growth in emerging markets.

As a result of these activities, our research and development expenses for Consulting Services amounted to ¥701 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 of the financial IT market and service trends in the United States and Europe. In addition, using a proprietary analytical approach, we conducted research into and development of services that automate the creation of proposal

materials provided by manufacturers to retailers, and verified of their feasibility and implemented measures to prepare for standardization and technology and product evaluation activities in our R&D relating to the OpenID\*<sup>1</sup> 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\*<sup>2</sup> technologies. We also conducted research aimed at improving the quality and productivity of upstream system development work, automating testing for system development, and focused on application analysis infrastructure for improving system maintenance.

As a result of these activities, our research and development expenses for IT Solution Services amounted to ¥2,859 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

# Management Policy and Tasks

## (1) Basic Management Policy

The NRI Group's 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 return on 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 important for 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

Recovery from the recession that began in the second half of 2008 is gradually gaining speed, but companies remain hesitant to invest in IT, and intense cost-benefit analyses are resulting in the postponement or freezing of projects, and downward price pressure.

Based on these business conditions, the development and enhancement of shared-online 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 financial sector. To avoid the risk of sales fluctuations arising from this industry-specific concentration, we need to increase clients in non-financial sectors. In addition, we recognize that we must reinforce the NRI Group's capacity for global response to ensure medium- to long-term growth.

To develop new, competitive services, it is vital to enhance and integrate operational understanding and know-how in consulting and system development and operation—the NRI Group's areas of particular strength. We are focused on development of services centered on settlement and client management functions gleaned through our business in 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 facilitate cooperation within the group. 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 swiftly and efficiently develop and provide new high-quality services, we will proceed to strengthen quality control from the planning and proposal phases. In addition, to improve productivity, we will deploy development methods and tools among subcontracting partners, and work to achieve even greater efficiency throughout the development process by optimizing the division of labor with subcontracting partners.

The NRI Group, based on the understanding that human resources are what create and provide new value, is strengthening its training management system by formulating and advancing systems and policies aimed at strategically developing the human resources that will lead the next generation. Regarding the enhancement of internal control systems, it is necessary to continuously maintain and improve compliance awareness among executives and employees, and we have revised our ethics-related compliance regulations, organizing them in a new easily understood structure. Looking ahead, we will continuously conduct training and education activities aimed at promoting compliance. Moreover, we are continuing our endeavors for thorough information security management, business continuity in the event of disasters, and improvement and consolidation of the risk management system.

# Overview of Fiscal 2010

The NRI Group is observing a trend of recovery in the economy. Although the recovery's autonomous driving factors are weak, the economy is benefiting from improvement in the overseas economy, the effect of various economic measures and other factors.

Operating in such an environment, the NRI Group aims to utilize the combined strength of the group so that it can seamlessly provide services encompassing consulting through to system development and operations. While working to strengthen its

proposals to existing customers and enhance its existing businesses, the NRI Group will also acquire new customers and foray into new areas of business. At the same time, the NRI Group will continue its measures to achieve mid- to long-term growth such as R&D and human resource development, along with its efforts to strengthen project management, implement activities to improve productivity and cut costs such as subcontracting costs.

The forecasts of financial results for the next fiscal year are as follows.

## Forecast of financial results

	Year ended 31st March, 2010	Year ended 31st March, 2011	Change	
	(Results) (billions of yen)	(Forecast) (billions of yen)	Amount (billions of yen)	Rate (%)
Consulting services	28.8	30.0	1.1	3.9
IT solutions services	309.7	320.0	10.2	3.3
Sales	338.6	350.0	11.3	3.4
Operating profit	40.0	44.0	3.9	9.8
Ordinary profit	40.9	45.0	4.0	9.9
Net income	21.8	26.0	4.1	19.0
Annual dividends per share (yen)	52.00	52.00	—	—

Forecasts for the fiscal year ending 31st March, 2011 were announced in April 2010. 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 fore-

casts and changes to future business operating conditions.

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

# Business and Other Risks

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, 2010, 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 as a result of the continuing participation by new service providers from other industries, emergence of overseas providers, and an increase in demand for packaged products.

Under these business circumstances, 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, sales are deemed relatively stable; moreover, the NRI Group strives 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 of system management and operation will continue in the future; each time a client business undergoes a merger or bankruptcy, or when a client decides to overhaul its information systems strategies, there is a possibility that it will not renew its contract with the NRI Group.

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

As of 31st March, 2010, Nomura Holdings, Inc., held 38.5% of the voting rights of NRI (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 NRI'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

As a result of 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, requiring the reinforcement of a crisis management system.

The NRI Group has prepared a contingency plan outlining the emergency response system and action guidelines in the event of 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, possibly preventing the NRI Group from being able to continue providing the same level of services as agreed upon with 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 2009, the NRI Group's combined sales to 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. The NRI Group is aggressively cultivating new clients, and is differentiating itself from its competitors by utilizing these strengths in services for other sectors. In terms of its approach to major competitors by becoming even more adept in its areas of strength, it is strengthening its client relationships through strategic deployment of human resources.

However, it is possible that in the future the NRI Group will experience an enormous impact on business performance if the business environment is transformed as a result of changes to the legal system in a specific sector, if the business circumstances of our major clients change, or 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 must 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 a 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

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

We at the NRI Group perceive our employees as valuable "human assets," and we are dedicated to creating a system that allows us to secure and develop these assets. We 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 resource development seminars at a facility dedicated to employee education and training. We encourage employees to improve themselves by 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 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, shared-online services and outsourcing services. In many cases the software is designed for specific use and cannot be readily readapted for other applications, which means that careful consideration must go into the decision to make such an investment.

At 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 the capital will not be recovered and a loss will be incurred.

## <5> Investment in stocks

With a view to cultivating 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, 2010, 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 in which the NRI Group has invested, the Group may incur an impairment loss or be unable 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 NRI 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 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 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 by conducting client satisfaction surveys, analyzing results and providing feedback.

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

#### *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 when 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 delivery. Even after delivery, more work than expected may be needed to complete the contract, such as carrying out additional

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

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

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 the situation might damage the reputation of the NRI Group.

### *iii. System management and operation services*

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

The NRI Group is seeking to improve the quality of system management and operation. We are constantly striving to maintain and improve the quality of services we provide, based on the ISO9001 quality management system, ISO27001 information security management system, and ISO20000 IT service management system. Concerning financial sector systems, we perform management status and other inspections on a prioritized basis and are formulating measures for responding to failures in the unlikely event they occur.

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

### **<2> Subcontracting partners**

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 2009, 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 activities 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 on the part of subcontracting partners. Our subcontracting partners are not only in Japan, but also in various overseas locations, including China. Currently, Chinese companies account for more than 10% of subcontracting costs. We are therefore striving to strengthen this system of cooperation by regularly dispatching executives to China to visit subcontracting partners and check status of projects.

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

### *ii. Contract work*

There have been calls for appropriate responses 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 and to allow the awareness to take root in the Company. 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 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 whether it is possibly breaching another party's patent. Furthermore, through education, training and other measures, we are raising employee awareness of intellectual property rights. At the same time, we recognize that intellectual property is an important business resource, so by proactively investing in applications for patents, we are rigorously protecting the

intellectual property of 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 the Company might also be ordered to stop using an information system, or 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, pension plan assets fluctuate according to trends in the stock market and interest rates.

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

Moreover, if any change in the pension plan is adopted, it could affect the liabilities of 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 with cross-sectional management system. 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 offices, and by training of 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 damage 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 has required 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 an assumption or 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 uses the percentage-of-completion method for recognizing sales of subcontracted software development and consulting projects. In practice, cost of sales is recognized as incurred for individual projects, and sales are recorded in accordance with the rate of accrued cost on the work in progress (actual costs incurred as a percentage of total estimated costs for each project).

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 profit/loss during the period in question.

The percentage-of-completion method is adopted on the assumption that overall costs as a percent 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 improving our project management structure, we at NRI Group have been accurately estimating costs at the time orders are received and 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, shared-online and outsourcing services, instead of recording subcontracting costs and labor costs for the development of information systems as expenses, these amounts may be recorded as assets for NRI Group investments in software or recorded in the software suspense accounts. In such cases, sale of the completed information system to the client or the provision of services generates product sales revenue and system management and operation revenue, in turn enabling the Group to collect its returns on its development investments in the medium to long term.

Based on this system of recovering investments, software for sale including the packaged products are amortized based on the forecasted sales quantity or sales revenue with the bottom

limit amount set according to the uniform distribution method, based on the remaining valid period of generally three years.

Amortization of the software used by the Company to provide customer services as part of shared-online 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 "<4> Investment in software" in section (2), "Risks Concerning Business Strategy," under "Business and Other Risks."

## <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 of 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) ¥(9,344) million, ¥4,789 million, ¥7,940 million, ¥5,764 million, and ¥(3,141) million for the years ended 31st March, 2006, 2007, 2008, 2009, and 2010, 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 ¥3,567 million.

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

## <4> Deferred income tax assets

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

For further details of deferred income tax assets, please see "9. Income Taxes" in "Notes to the Consolidated Financial Statements" section of "Consolidated Financial Statements."



## **Consolidated Financial Statements** **Nomura Research Institute, Ltd.**

*At 31st March, 2010 and 2009 and  
for the years ended 31st March, 2010, 2009 and 2008  
with Report of Independent Auditors*

Nomura Research Institute, Ltd.  
Consolidated Financial Statements  
31st March, 2010, 2009 and 2008

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## Report of Independent Auditors

The Board of Directors  
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, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years ended 31st March, 2010, 2009 and 2008, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years ended 31st March, 2010, 2009 and 2008, 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, 2010 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*

21st June, 2010

## Nomura Research Institute, Ltd.

## Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<b>31st March,</b>		<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
<b>Assets</b>			
Current assets:			
Cash and bank deposits ( <i>Notes 3 and 12</i> )	¥ 15,056	¥ 20,308	\$ 161,805
Short-term investment securities ( <i>Notes 3, 4 and 12</i> )	44,720	14,000	480,602
Accounts receivable and other receivables ( <i>Notes 3 and 6</i> )	68,033	77,654	731,145
Inventories	432	256	4,643
Deferred income taxes ( <i>Note 10</i> )	7,268	7,308	78,109
Other current assets	2,305	3,130	24,770
Allowance for doubtful accounts	(70)	(84)	(752)
Total current assets	137,744	122,572	1,480,322
Property and equipment ( <i>Note 7</i> ):			
Land	12,323	11,292	132,434
Buildings, net	32,376	29,429	347,942
Machinery and equipment, net	14,231	17,420	152,940
Leased assets, net ( <i>Note 14</i> )	35	134	376
Property and equipment, net	58,965	58,275	633,692
Software and other intangibles	68,319	74,887	734,218
Investment securities ( <i>Notes 3 and 4</i> )	53,699	55,436	577,098
Investments in affiliates ( <i>Note 3</i> )	1,604	2,232	17,238
Deferred income taxes ( <i>Note 10</i> )	19,238	19,129	206,749
Long-term loans receivable ( <i>Note 3</i> )	7,593	7,482	81,601
Lease investment assets	534	747	5,739
Other assets ( <i>Note 8</i> )	15,792	13,845	169,716
Allowance for doubtful accounts	(120)	(117)	(1,290)
Total assets	¥363,368	¥354,488	\$3,905,083

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<b>31st March,</b>		<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable (Note 3)	¥ 24,155	¥ 28,961	\$ 259,592
Lease obligations	293	656	3,149
Accrued expenses	16,628	16,525	178,700
Income taxes payable	9,879	13,397	106,169
Other current liabilities	16,240	10,487	174,529
Total current liabilities	67,195	70,026	722,139
Convertible bonds (Note 3)	49,997	49,997	537,313
Lease obligations	328	415	3,525
Long-term accrued expenses	1,458	2,938	15,669
Deferred income taxes (Note 10)	1	2	11
Allowance for employees' retirement benefits (Note 9)	24,152	25,643	259,559
Commitments and contingent liabilities (Note 19)			
Net assets (Notes 11 and 13):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2010 and 2009			
Issued – 225,000,000 shares at 31st March, 2010 and 2009	18,600	18,600	199,893
Additional paid-in capital	15,018	14,975	161,397
Retained earnings	251,800	240,061	2,706,072
Treasury stock, at cost:			
– 30,378,314 shares at 31st March, 2010 and 30,473,495 shares at 31st March, 2009	(72,526)	(72,753)	(779,431)
Total shareholders' equity	212,892	200,883	2,287,931
Valuation and translation adjustments:			
Unrealized gain on other securities (Note 4)	8,436	5,851	90,661
Translation adjustments	(2,256)	(2,159)	(24,245)
Total valuation and translation adjustments	6,180	3,692	66,416
Share subscription rights (Note 20)	1,155	892	12,413
Minority interests	10	–	107
Total net assets	220,237	205,467	2,366,867
Total liabilities and net assets	¥363,368	¥354,488	\$3,905,083

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>
	<b>Year ended 31st March,</b>			<b>Year ended 31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>
Sales	¥338,630	¥341,279	¥342,289	\$3,639,226
Cost of sales	245,642	240,854	238,537	2,639,892
Gross profit	92,988	100,425	103,752	999,334
Selling, general and administrative expenses ( <i>Notes 15 and 16</i> )	52,911	50,712	51,088	568,630
Operating profit	40,077	49,713	52,664	430,704
Other income (expenses):				
Interest and dividend income	1,367	1,861	2,588	14,691
Equity in earnings (losses) of affiliates	(564)	143	144	(6,061)
Interest expense	(13)	(13)	–	(140)
Impairment loss on software ( <i>Note 17</i> )	–	(3,050)	–	–
Gain (loss) on investment securities ( <i>Notes 4 and 17</i> )	(841)	(3,386)	2,037	(9,038)
Loss on investments in affiliates ( <i>Note 17</i> )	–	(762)	–	–
Provision for transfer of the retirement benefit plan ( <i>Notes 9 and 17</i> )	–	–	(9,567)	–
Office integration and relocation expenses ( <i>Note 17</i> )	(2,778)	–	–	(29,855)
Impact of applying lease accounting standards ( <i>Note 14</i> )	–	(352)	–	–
Other, net	80	27	122	860
	(2,749)	(5,532)	(4,676)	(29,543)
Income before income taxes and minority interests	37,328	44,181	47,988	401,161
Provision for income taxes ( <i>Note 10</i> ):				
Current	17,402	23,560	23,419	187,018
Deferred	(1,926)	(3,892)	(3,589)	(20,699)
	15,476	19,668	19,830	166,319
Minority interests in loss	(4)	–	–	(42)
Net income ( <i>Note 13</i> )	¥ 21,856	¥ 24,513	¥ 28,158	\$ 234,884

*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	Minority interests	Total net assets
<b>Balance at 31st March, 2007</b>	¥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)
<b>Balance at 31st March, 2008</b>	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)
<b>Balance at 31st March, 2009</b>	18,600	14,975	240,061	(72,753)	200,883	5,851	(2,159)	3,692	892	–	205,467
Purchases of treasury stock	–	–	–	(1)	(1)	–	–	–	–	–	(1)
Disposition of treasury stock	–	–	–	228	228	–	–	–	–	–	228
Net income	–	–	21,856	–	21,856	–	–	–	–	–	21,856
Cash dividends paid	–	–	(10,117)	–	(10,117)	–	–	–	–	–	(10,117)
Gain on disposition of treasury stock	–	43	–	–	43	–	–	–	–	–	43
Net changes other than in shareholders' equity	–	–	–	–	–	2,585	(97)	2,488	263	10	2,761
<b>Balance at 31st March, 2010</b>	¥18,600	¥15,018	¥251,800	¥(72,526)	¥212,892	¥ 8,436	¥(2,256)	¥ 6,180	¥1,155	¥10	¥220,237

*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	Minority interests	Total net assets
<b>Balance at 31st March, 2009</b>	\$199,893	\$160,935	\$2,579,914	\$(781,870)	\$2,158,872	\$62,880	\$(23,201)	\$39,679	\$ 9,586	\$ –	\$2,208,137
Purchases of treasury stock	–	–	–	(11)	(11)	–	–	–	–	–	(11)
Disposition of treasury stock	–	–	–	2,450	2,450	–	–	–	–	–	2,450
Net income	–	–	234,884	–	234,884	–	–	–	–	–	234,884
Cash dividends paid	–	–	(108,726)	–	(108,726)	–	–	–	–	–	(108,726)
Gain on disposition of treasury stock	–	462	–	–	462	–	–	–	–	–	462
Net changes other than in shareholders' equity	–	–	–	–	–	27,781	(1,044)	26,737	2,827	107	29,671
<b>Balance at 31st March, 2010</b>	\$199,893	\$161,397	\$2,706,072	\$(779,431)	\$2,287,931	\$90,661	\$(24,245)	\$66,416	\$12,413	\$107	\$2,366,867

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>
	<b>Year ended 31st March,</b>			<b>Year ended 31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>
<b>Cash flows from operating activities</b>				
Income before income taxes and minority interests	¥ 37,328	¥ 44,181	¥ 47,988	\$ 401,161
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	30,916	20,763	16,517	332,251
Interest and dividend income	(1,367)	(1,861)	(2,588)	(14,691)
Interest expense	13	13	-	140
Impairment loss on software	-	3,050	-	-
Loss (gain) on investment securities	841	3,386	(2,037)	9,038
Loss on investments in affiliates	-	762	-	-
Impact of applying lease accounting standards	-	352	-	-
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	8,980	2,759	(10,935)	96,507
Allowance for doubtful accounts	(12)	119	8	(129)
Accounts payable	(4,782)	(6,043)	174	(51,392)
Inventories	(179)	(96)	134	(1,924)
Allowance for employees' retirement benefits and welfare pension plan	(1,427)	(148)	2,439	(15,336)
Other	7,064	(367)	1,745	75,917
Subtotal	77,375	66,870	53,445	831,542
Interest and dividends received	1,425	1,994	2,381	15,314
Interest paid	(13)	(13)	-	(140)
Income taxes paid	(20,727)	(22,670)	(24,020)	(222,750)
Net cash provided by operating activities	58,060	46,181	31,806	623,966
<b>Cash flows from investing activities</b>				
Payments for time deposits	-	(6,874)	(7,202)	-
Proceeds from time deposits	6,009	6,930	6,579	64,578
Increase in short-term investment securities	-	(7,973)	(40,878)	-
Proceeds from sales and redemption of short-term investment securities	-	28,000	31,000	-
Acquisition of property and equipment	(12,499)	(14,105)	(21,381)	(134,326)
Proceeds from sales of property and equipment	10	-	132	107
Increase in software and other intangibles	(15,116)	(57,863)	(17,485)	(162,450)
Proceeds from sales of software and other intangibles	3	-	2	32
Increase in investment securities	(3,436)	(20,776)	(3,461)	(36,926)
Proceeds from sales and redemption of investment securities	8,447	2,251	4,665	90,779
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	665	-	-	7,147
Increase in investments in affiliates	(299)	(616)	-	(3,213)
Other	41	32	103	441
Net cash used in investing activities	(16,175)	(70,994)	(47,926)	(173,831)
<b>Cash flows from financing activities</b>				
Increase in short-term loans payable	6,500	-	-	69,855
Decrease in short-term loans payable	(6,500)	-	-	(69,855)
Repayment of obligation under finance leases	(235)	(389)	-	(2,526)
Proceeds from sales of treasury stock	-	73	824	-
Purchases of treasury stock	(1)	(11,871)	(15,001)	(11)
Cash dividends paid	(10,113)	(10,228)	(9,360)	(108,683)
Net cash used in financing activities	(10,349)	(22,415)	(23,537)	(111,220)
Effect of exchange rate changes on cash and cash equivalents	11	(68)	(672)	117
Net increase (decrease) in cash and cash equivalents	31,547	(47,296)	(40,329)	339,032
Cash and cash equivalents at beginning of year	28,229	75,525	115,854	303,375
Cash and cash equivalents at end of year (Note 12)	¥ 59,776	¥ 28,229	¥ 75,525	\$ 642,407

See accompanying notes to consolidated financial statements.

# Nomura Research Institute, Ltd.

## Notes to the Consolidated Financial Statements

31st March, 2010

### 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, information services, and sales of computer equipment and related products. Consulting services include conducting research on macroeconomic trends, providing management consulting advice, and rendering system consulting services. Information on the Company’s operations by segment is included in Note 21.

#### *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 Law.

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

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

The amounts included herein are expressed in millions of yen and thousands of U.S. dollars, with fractional amounts rounded off, unless otherwise noted.

#### *Basis of Consolidation and Application of Equity Method*

The accompanying consolidated financial statements for the years ended 31st March, 2010, 2009 and 2008 include the accounts of the Company and any significant companies which are controlled directly or indirectly by the Company. All subsidiaries (14, 16 and 16 for the years ended 31st March, 2010, 2009 and 2008, respectively) have been consolidated. The major consolidated subsidiary is Nomura Research Institute (Beijing), Ltd. as of 31st March, 2010.

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. All affiliated companies (2, 2 and 1 for the years ended 31st March, 2010, 2009 and 2008, respectively) have been accounted for by the equity method.

## 1. Significant Accounting Policies (continued)

### *Basis of Consolidation and Application of Equity Method (continued)*

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 years ended 31st March, 2010.

NRI Learning Network, Ltd. and Insurance System & Technology, Ltd. are excluded from the scope of consolidation due to the sale of all outstanding shares in April 2009.

NRI BPO Services, Ltd., a newly established subsidiary during the year ended 31st March, 2010, is included in the scope of consolidation. NRI Network Communications, Ltd. and NRI WEBrandia, Ltd. merged 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.

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

### *Inventories*

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

## **1. Significant Accounting Policies (continued)**

### ***Depreciation of Property and Equipment (other than Leased Assets)***

Property and equipment is stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the related assets. 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 by the straight-line method 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 by the straight-line method 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 by the declining-balance method over the lease period. Leased intangible assets under finance lease transactions that do not transfer ownership are amortized by the straight-line method over the lease period.

### ***Allowance for Doubtful Accounts***

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

### ***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 in the year following the year in which the gain or loss is recognized 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.

## **1. Significant Accounting Policies (continued)**

### ***Revenue Recognition***

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

### ***Research and Development Expenses***

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

### ***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 Change***

Effective the year ended 31st March, 2010, the “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 15) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18) has been applied. The effects of adopting the new standard are immaterial because the percentage-of-completion method has already been applied to revenue recognition of made-to-order software.

## **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 ¥93.05 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2010. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

### 3. Financial Instruments

Effective the year ended 31st March, 2010, the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) and its Implementation Guidance “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19) has been applied.

#### 1) Qualitative information

##### (a) Policy for financial instruments

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

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

Although accounts receivable and other receivables, are exposed to customers' credit risk, the historical loan loss ratio is low and those receivables are usually settled in a short period of time. The Company tries to reduce credit risk by managing due dates and balances of each customer, as well as monitoring and analyzing customers' credit status. The Company has little exposure of foreign currency exchange risk, since those receivables are mostly in Japanese yen. Investment securities, comprised of shares of companies with which the Company has operational relationships, bonds and bond investment trusts, are exposed to issuers' credit risk, risks of volatility of market prices, and foreign currency exchange and interest rates. To reduce these risks, the Company monitors market value and the issuers' financial status periodically. Long-term loans receivable is comprised of deposits and guarantee money due January 2017. Accounts payable are settled in a short period of time. Redemption of the convertible bonds, issued by the Company for capital expenditures, is March 2014. The Company reduces liquidity risk relating to raising funds by developing a cash flow plan to manage all surplus fund in the group, and by ensuring the maintenance of stable fund suppliers.

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

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

### 3. Financial Instruments (continued)

#### 2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2010 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine fair values. (see Note 2).

	<i>Millions of yen</i>		
	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>
	<b>31st March, 2010</b>		
<b>Assets:</b>			
Cash and bank deposits	¥ 15,056	¥ 15,056	¥ –
Accounts receivable and other receivables	68,033	68,033	–
Short-term investment securities, Investment securities, and Investments in affiliates	84,092	84,092	–
Long-term receivable	7,593	7,911	318
Total	<u>¥174,774</u>	<u>¥175,092</u>	<u>¥ 318</u>
<b>Liabilities:</b>			
Accounts payable	¥ 24,155	¥ 24,155	¥ –
Convertible bond	49,997	47,897	(2,100)
Total	<u>¥ 74,152</u>	<u>¥ 72,052</u>	<u>¥(2,100)</u>
	<i>Thousands of U.S. dollars</i>		
	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>
	<b>31st March, 2010</b>		
<b>Assets:</b>			
Cash and bank deposits	\$ 161,805	\$ 161,805	\$ –
Accounts receivable and other receivables	731,145	731,145	–
Short-term investment securities, Investment securities and Investments in affiliates	903,729	903,729	–
Long-term receivable	81,601	85,019	3,418
Total	<u>\$1,878,280</u>	<u>\$1,881,698</u>	<u>\$ 3,418</u>
<b>Liabilities:</b>			
Accounts payable	\$ 259,592	\$ 259,592	\$ –
Convertible bond	537,313	514,745	(22,568)
Total	<u>\$ 796,905</u>	<u>\$ 774,337</u>	<u>\$(22,568)</u>

### 3. Financial Instruments (continued)

#### 2) Fair value of financial instruments (continued)

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

##### Assets

a. Cash and bank deposits, accounts receivable and other receivables

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

b. Short-term investment securities, investment securities and investments in affiliates

The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities.

c. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables are based on the present value of the total future cash flows, which are the principal and the interest, discounted by risk free rate relating to the time remaining until maturity.

##### Liabilities

a. Accounts payable

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

b. Convertible bonds

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

Note 2: The following financial instruments are not included in short-term investment securities, investment securities and investments in affiliates because no quoted market price is available and it is extremely difficult to determine the fair value.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>31st March, 2010</b>	<b>31st March, 2010</b>
Unlisted companies' share	¥15,471	\$166,265
Investments in partnership	460	4,944

\*1. Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and it is extremely difficult to determine fair value. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥915 million (\$9,834 thousand) as of 31st March, 2010.

\*2. For investments in partnerships, if fair value for part or all of the components is extremely difficult to determine, such components are not measured at fair value.

### 3. Financial Instruments (continued)

#### 2) Fair value of financial instruments (continued)

Note 3: Redemption schedule for receivables and marketable securities with maturities at 31st March, 2010

	<i>Millions of yen</i>		
	<b>31st March, 2010</b>		
	<b>Due within one year</b>	<b>Due after one year through five years</b>	<b>Due after five years through 10 years</b>
Cash and bank deposits	¥15,056	¥ –	¥ –
Accounts receivables	52,874	–	–
Investment securities		–	–
Other securities with maturity date			
Corporate bonds	6,000	5,000	–
Long-term loan receivable	–	–	8,400
	<u>¥73,930</u>	<u>¥5,000</u>	<u>¥8,400</u>

\* Other receivables are not included as there is no applicable redemption schedule.

	<i>Thousands of U.S. dollars</i>		
	<b>31st March, 2010</b>		
	<b>Due within one year</b>	<b>Due after one year through five years</b>	<b>Due after five years through 10 years</b>
Cash and bank deposits	\$161,805	\$ –	\$ –
Accounts receivables	568,233	–	–
Investment securities			–
Other securities with maturity date			
Corporate bonds	64,481	53,735	
Long-term loan receivable	–	–	90,274
	<u>\$794,519</u>	<u>\$53,735</u>	<u>\$90,274</u>

Note 4: Repayment schedule for convertible bonds at 31st March, 2010

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>31st March, 2010</b>	<b>31st March, 2010</b>
	<b>Due after three years through four years</b>	<b>Due after three years through four years</b>
Convertible bond	¥49,997	\$537,313
	<u>¥49,997</u>	<u>\$537,313</u>

#### 4. Investments

The Company did not hold any trading securities or held-to-maturity securities with determinable market value at 31st March, 2010 and 2009.

The following is a summary of the information concerning other securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2010 and 2009:

##### a) Securities classified as other securities

	<i>Millions of yen</i>					
	31st March, 2010			31st March, 2009		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥25,617	¥39,866	¥14,249	¥10,649	¥20,852	¥10,203
Debt securities:						
Government debt securities	–	–	–	3,000	3,001	1
Corporate debt securities	14,015	14,062	47	19,022	18,817	(205)
	14,015	14,062	47	22,022	21,818	(204)
Other	45,274	45,180	(94)	710	637	(73)
Total	¥84,906	¥99,108	¥14,202	¥33,381	¥43,307	¥ 9,926

	<i>Thousands of U.S. dollars</i>		
	31st March, 2010		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$275,304	\$ 428,436	\$153,132
Debt securities:			
Government debt securities	–	–	–
Corporate debt securities	150,618	151,123	505
	150,618	151,123	505
Other	486,555	485,546	(1,009)
Total	\$912,477	\$1,065,105	\$152,628

As of 31st March, 2009, only marketable securities were included in the above table.

Impairment loss on the marketable securities classified as other securities as a result of a permanent decline in value for the year ended 31st March, 2009 was ¥4,286 million. The Company has established a policy for the recognition of impairment losses for marketable securities under the following conditions as of 31st March, 2009:

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

#### 4. Investments (continued)

##### a) Securities classified as other securities (continued)

As of 31st March, 2010 securities whose estimated fair value is deemed extremely difficult to measure were included in the above table. Impairment loss on the securities classified as other securities as a result of a permanent decline in value for the year ended 31st March, 2010 was ¥1,025 million (\$11,016 thousand), consisting of ¥704 million (\$7,566 thousand) for securities whose fair value is determinable and ¥321 million (\$3,450 thousand) for securities whose estimated fair value is deemed extremely difficult to measure. The Company has established a policy for the recognition of impairment losses under the following conditions as of 31st March, 2010:

- i) For securities whose fair value has declined by 30% or more and for which a recovery to fair value is not deemed probable.
- ii) For securities whose estimated fair value is deemed extremely difficult to measure, the Company recognizes impairment if the net asset value of the investment has declined by 50% or more and for which a recovery to acquisition cost is not deemed probable.

Proceeds from sales of other securities during the years ended 31st March, 2010, 2009 and 2008 were as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	<b>31st March,</b>			<i>U.S. dollars</i>
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>31st March,</b>
				<b>2010</b>
Proceeds	¥2,335	¥2,041	¥4,289	\$25,094
Gross gain	195	373	2,655	2,096
Gross loss	-	-	-	-

##### b) Non-marketable securities classified as other securities

	<i>Millions of yen</i>
	<b>31st March, 2009</b>
Other securities:	
Equity securities	¥14,624
Cash reserve funds	12,000

#### 4. Investments (continued)

##### c) Maturities of debt securities

	<i>Millions of yen</i>		
	<b>31st March, 2009</b>		
	<b>Due within one year</b>	<b>Due after one year through five years</b>	<b>Other</b>
Debt securities:			
Government debt securities	¥3,000	¥ –	¥ –
Corporate debt securities	5,000	11,000	–
	<u>¥8,000</u>	<u>¥11,000</u>	<u>¥ –</u>

#### 5. Derivatives

The Company had no open derivatives positions during the year ended 31st March, 2010 and 2009.

#### 6. Accounts Receivable and Other Receivables

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥15,159 million (\$162,912 thousand) and ¥21,246 million at 31st March, 2010 and 2009, respectively.

#### 7. 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>
		<b>31st March,</b>		<b>31st March,</b>
		<b>Useful Life</b>	<b>2010</b>	<b>2009</b>
Land		¥ 12,323	¥ 11,292	\$ 132,434
Buildings	15 – 50	64,616	59,077	694,422
Machinery and equipment	3 – 15	53,707	51,934	577,184
Leased assets		764	1,505	8,211
Accumulated depreciation		(72,445)	(65,533)	(778,559)
Property and equipment, net		<u>¥ 58,965</u>	<u>¥ 58,275</u>	<u>\$ 633,692</u>

## 8. Other Assets

Other assets consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>31st March,</b>		<i>U.S. dollars</i>
	<b>2010</b>	<b>2009</b>	<b>31st March,</b>
Lease deposits	¥12,436	¥10,965	\$133,649
Other	3,356	2,880	36,067
Other assets	¥15,792	¥13,845	\$169,716

Other includes golf club memberships.

## 9. 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. The Company's certain 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, 2010 and 2009 for the Company's and its consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>31st March,</b>		<i>U.S. dollars</i>
	<b>2010</b>	<b>2009</b>	<b>31st March,</b>
Retirement benefit obligation	¥(61,038)	¥(57,241)	\$(655,970)
Plan assets at fair value	35,849	27,304	385,266
Unfunded retirement benefit obligation	(25,189)	(29,937)	(270,704)
Unrecognized actuarial gain	3,568	7,020	38,345
Unrecognized prior service cost	(2,531)	(2,726)	(27,200)
Unfunded retirement benefit obligation recognized on the balance sheets	¥(24,152)	¥(25,643)	\$(259,559)

Plan assets at fair value include those of the employee retirement benefit trust of ¥6,670 million (\$71,682 thousand) and ¥5,251 million at 31st March, 2010 and 2009, respectively.

## 9. 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 or loss 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, 2010, 2009 and 2008 are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	<b>31st March,</b>			<i>U.S. dollars</i>
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>31st March,</b>
				<b>2010</b>
Service cost	¥3,558	¥3,402	¥ 4,675	\$38,238
Interest cost	1,174	1,104	1,513	12,617
Expected return on plan assets	(331)	(342)	(702)	(3,557)
Recognized actuarial (gain) loss	312	(73)	(573)	3,353
Recognized prior service gain	(195)	(195)	–	(2,096)
Provision for transfer of the retirement benefit plan	–	–	9,567	–
Subtotal	4,518	3,896	14,480	48,555
Other	1,507	1,386	338	16,195
Total	¥6,025	¥5,282	¥14,818	\$64,750

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:

	<b>31st March,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
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%

## 10. 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>
	<b>31st March,</b>		<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
Deferred income tax assets:			
Employees' retirement benefits	¥13,201	¥14,400	\$141,870
Depreciation	11,190	8,801	120,258
Accrued bonuses	4,390	4,856	47,179
Other	3,988	3,551	42,859
	<u>32,769</u>	<u>31,608</u>	<u>352,166</u>
Deferred income tax liabilities:			
Unrealized gain on other securities	(5,766)	(3,999)	(61,967)
Special tax-purpose reserve	(470)	(1,032)	(5,051)
Undistributed earnings of foreign subsidiaries	(27)	(140)	(290)
Other	(1)	(2)	(11)
	<u>(6,264)</u>	<u>(5,173)</u>	<u>(67,319)</u>
Deferred income tax assets, net	<u>¥26,505</u>	<u>¥26,435</u>	<u>\$284,847</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% for the years ended 31st March, 2010, 2009 and 2008.

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statements of income for the years ended 31st March, 2010 and 2008 have been omitted because the differences were immaterial in the consolidated statements of income.

A reconciliation for the year ended 31st March, 2009 was as follows:

	<u><b>31st March, 2009</b></u>
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 non-deductible write-down of 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><u>44.5%</u></u>

## 11. 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 ¥570million (\$6,126 thousand) and ¥570 million at 31st March, 2010 and 2009, respectively.

### *Shares in Issue and Treasury stock*

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, 2010 are summarized as follows:

	<b>31st March, 2010</b>	
	<b>Shares in issue</b>	<b>Treasury stock</b>
Number of shares at 31st March, 2009	225,000,000	30,473,495
Increase in number of shares	–	319
Decrease in number of shares	–	95,500
Number of shares at 31st March, 2010	<u>225,000,000</u>	<u>30,378,314</u>

- \* The increase of 319 shares of treasury stock was due to the purchases of odd-lot shares.  
The decrease of 95,500 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, 2010 relate to the Company's stock option plans described in Note 20.

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

### *Dividends*

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 15th May, 2009 and 23rd October, 2009 and were paid to shareholders of record as of 31st March, 2009 and 30th September, 2009, respectively, during the year ended 31st March, 2010:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 15th May, 2009 (¥26.00 = U.S.\$0.28 per share)	¥5,058	\$54,358
Cash dividends approved on 23rd October, 2009 (¥26.00 = U.S.\$0.28 per share)	5,060	54,379

## 11. Net Assets (continued)

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2010, was approved at a meeting of the Board of Directors held on 14th May, 2010 and went into effect on 2nd June, 2010:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥26.00 = U.S.\$0.28 per share)	¥5,060	\$54,379

## 12. 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, 2010 and 2009 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>31st March,</b>		<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
Cash and bank deposits	¥15,056	¥20,308	\$161,805
Short-term investment securities	44,720	14,000	480,602
Time deposits with maturities of more than three months when deposited	–	(6,079)	–
Cash and cash equivalents	<u>¥59,776</u>	<u>¥28,229</u>	<u>\$642,407</u>

There were no significant non-cash transactions for the years ended 31st March, 2010 and 2009.

## 13. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>			<i>U.S. dollars</i>
	<b>31st March,</b>			<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>
Earnings per share	¥112.32	¥125.54	¥138.52	\$1.21
Diluted earnings per share	105.81	118.29	130.70	1.14

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>31st March,</b>		<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
Net assets per share	¥1,125.63	¥1,051.65	\$12.10

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.

### 13. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2010, 2009 and 2008 is as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	<b>31st March,</b>			<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>
Numerator:				
Earnings	¥21,856	¥24,513	¥28,158	\$234,884
Earnings not available to common shareholders	—	—	—	—
Earnings available to common shareholders	<u>¥21,856</u>	<u>¥24,513</u>	<u>¥28,158</u>	<u>\$234,884</u>
	<i>Thousands of shares</i>			
Denominator:				
(Weighted-average number of shares of common stock):				
Denominator for earnings per share	194,587	195,266	203,281	194,587
Potentially dilutive shares of common stock	<u>11,968</u>	<u>11,966</u>	<u>12,161</u>	<u>11,968</u>
Denominator for diluted earnings per share	<u>206,555</u>	<u>207,232</u>	<u>215,442</u>	<u>206,555</u>

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2010, 2009 and 2008:

	<i>Shares</i>		
	<b>31st March,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
a) 1st share subscription rights	—	—	325,000
b) 3rd share subscription rights	0*	39,000	—
c) 4th share subscription rights	224,500	224,500	—
d) 6th share subscription rights	392,500	392,500	—
e) 8th share subscription rights	415,000	415,000	415,000
f) 10th share subscription rights	417,500	417,500	—
g) 12th share subscription rights	440,000	—	—

\* The exercise period ended 30th June, 2009.

### 13. Per Share Data (continued)

The computation of net assets per share at 31st March, 2010 and 2009 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>31st March,</b>		<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
Numerator:			
Net assets	¥220,237	¥205,467	\$2,366,867
Subscription rights to shares	(1,155)	(892)	(12,413)
Minority interests	(10)	–	(107)
Net assets related to shares of common stock	<u>¥219,072</u>	<u>¥204,575</u>	<u>\$2,354,347</u>
	<i>Thousands of shares</i>		
Denominator:			
Number of shares of common stock outstanding	194,622	194,527	194,622

### 14. Leases

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.

#### 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, 2010 and 2009 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>31st March,</b>		<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
Future minimum lease payments:			
Due within one year	¥ 7,703	¥2,500	\$ 82,783
Thereafter	27,381	4,686	294,262
Total	<u>¥35,084</u>	<u>¥7,186</u>	<u>\$377,045</u>

## 14. Leases (continued)

### 1) As lessee (continued)

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

	<i>Millions of yen</i>
	<b>31st March, 2008</b>
Lease payments	¥805
Depreciation/amortization	765
Interest expense	17

### 2) As lessor

There were no finance lease transactions as lessor for the years ended 31st March, 2010 and 2009.

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2010 and 2009 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>31st March,</b>		<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
Future minimum lease payments to be received:			
Due within one year	¥ 9,139	¥ 9,228	\$ 98,216
Thereafter	8,800	17,698	94,573
Total	<u>¥17,939</u>	<u>¥26,926</u>	<u>\$192,789</u>

## 15. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2010, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	<b>31st March,</b>			<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>
Personnel expenses	¥28,576	¥26,198	¥24,573	\$307,104
Rent	4,444	4,429	4,068	47,759
Subcontractor costs	7,271	8,168	9,788	78,141
Other	12,620	11,917	12,659	135,626
Total	<u>¥52,911</u>	<u>¥50,712</u>	<u>¥51,088</u>	<u>\$568,630</u>

## 16. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2010, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	<b>31st March,</b>			<b>31st March,</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>
Research and development expenses	¥3,561	¥4,104	¥4,916	\$38,270

## 17. Other Income (Expenses)

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

Loss on investment securities for the year ended 31st March, 2010 consisted of gain on investment securities of ¥195 million (\$2,096 thousand) and loss on investment securities of ¥1,036 million (\$11,134 thousand). Gain on investment securities for the year ended 31st March, 2010 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 Daiko Clearing Services Corporation as a result of the impairment having been deemed other than temporary.

Loss on investment securities for the year ended 31st March, 2009 consisted of gain on investment securities of ¥373 million and loss on investment securities of ¥3,759 million. 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.

### 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 and loss on investments in affiliates of ¥1,014 million. 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.

## 17. Other Income (Expenses) (continued)

### 4) Provision for transfer of the retirement benefit plan

Provision 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.

### 5) Office integration and relocation expenses

Office integration and relocation expenses for the year ended 31st March, 2010 arose primarily from the integration of certain offices and the relocation to Yokohama Minato Center.

## 18. Related Party Transactions

Related party transactions for the years ended 31st March, 2010, 2009 and 2008 and the respective balances at 31st March, 2010 and 2009 were as follows:

### 1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2010	2009	2008	31st March, 2010
a) Major shareholder:					
Nomura Holdings, Inc.	Sales	¥49,211	¥74,070	¥84,413	\$528,866
	Purchase of back office operation information system hardware and software for retail domestic securities *1	—	38,419	—	—
b) Major shareholder's subsidiaries:					
Nomura Securities Co., Ltd.	Purchase of back office operation information system hardware and software for retail domestic securities *2	—	*2	—	—
Nomura Trust and Banking Co., Ltd.	Money held in trust related to acquisition of treasury stock	—	15,010	15,010	—
	Charges for acquisition of treasury stock	—	8	5	—
c) Directors and principal private shareholders, etc:					
Ken Ohno (Director of the Company and a subsidiary)	Grant of stock options *3	—	—	15	—

\*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 transaction 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.

## 18. Related Party Transactions (continued)

### 2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of U.S. dollars
		31st March, 2010	2009	31st March, 2010
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables	¥5,237	¥10,919	\$56,282

## 19. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2010 and 2009.

## 20. 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 the years ended 31st March, 2010, 2009 and 2008, the Company recognized and allocated share-based compensation cost as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Cost of sales	¥243	¥281	¥282	\$2,611
Selling, general and administrative expenses	290	299	274	3,117
Total	¥533	¥580	¥556	\$5,728

A description of each stock option plan as of 31st March, 2010 is summarized as follows:

	3rd stock option plan	4th stock option plan	6th stock option plan
Grantee categories and numbers of grantees	34 directors, managing officers or employees of the Company, and 12 directors of its subsidiaries	32 directors, managing officers or employees of the Company, and 12 directors of its subsidiaries	36 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	422,500	407,500	400,000
Grant date	24th June, 2004	1st July, 2005	11th September, 2006
Vesting conditions*	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2006	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2007	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2009
Service period*	From 1st July, 2004 to 30th June, 2006	From 1st July, 2005 to 30th June, 2007	From 1st July, 2006 to 30th June, 2009
Exercisable period	1st July, 2006 to 30th June, 2009	1st July, 2007 to 30th June, 2010	1st July, 2009 to 30th June, 2013

**20. Stock Option Plans (continued)**

	<u>8th stock option plan</u>	<u>9th stock option plan</u>	<u>10th stock option plan</u>
Grantee categories and numbers of grantees	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	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	422,500	96,500	417,500
Grant date	10th July, 2007	10th July, 2007	8th July, 2008
Vesting conditions*	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2008	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period*	From 1st July, 2007 to 30th June, 2010	From 1st July, 2007 to 30th June, 2008	From 1st July, 2008 to 30th June, 2011
Exercisable period	1st July, 2010 to 30th June, 2014	1st July, 2008 to 30th June, 2009	1st July, 2011 to 30th June, 2015
	<u>11th stock option plan</u>	<u>12th stock option plan</u>	<u>13th stock option plan</u>
Grantee categories and numbers of grantees	39 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	42 directors, managing officers or employees of the Company, and 7 directors of its subsidiaries
Number of shares reserved	95,500	440,000	102,000
Grant date	8th July, 2008	15th July, 2009	15th July, 2009
Vesting conditions*	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2009	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010
Service period*	From 1st July, 2008 to 30th June, 2009	From 1st July, 2009 to 30th June, 2012	From 1st July, 2009 to 30th June, 2010
Exercisable period	1st July, 2009 to 30th June, 2010	1st July, 2012 to 30th June, 2016	1st July, 2010 to 30th June, 2011

\* The terms vesting conditions and service period are not specifically defined as such in the agreements. The vesting conditions and service period presented above represent information abstracted from the agreements that is closely analogous to those terms.

## 20. 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

## 20. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2010:

	3rd stock option plan	4th stock option plan	6th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan
Non-vested:									
Beginning of the year	–	–	400,000	422,500	–	417,000	95,500	–	–
Granted	–	–	–	–	–	–	–	440,000	102,000
Forfeited	–	–	–	–	–	–	–	–	–
Vested	–	–	400,000	–	–	–	95,500	–	–
End of the year	–	–	–	422,500	–	417,000	–	440,000	102,000
Vested:									
Beginning of the year	39,000	224,500	–	–	26,500	–	–	–	–
Vested	–	–	400,000	–	–	–	95,500	–	–
Exercised	–	–	–	–	(24,000)	–	(71,500)	–	–
Forfeited	(39,000)	–	–	–	(2,500)	–	–	–	–
End of the year	–	224,500	400,000	–	–	–	24,000	–	–

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

	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
Non-vested:									
Beginning of the year	–	–	–	400,000	–	422,500	96,500	–	–
Granted	–	–	–	–	–	–	–	417,500	95,500
Forfeited	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	–	–	96,500	–	–
End of the year	–	–	–	400,000	–	422,500	–	417,500	95,500
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	–	–

Price information per option for each stock option plan as of 31st March, 2010 is summarized as follows:

	<i>Yen</i>								
	3rd stock option plan	4th stock option plan	6th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan
Exercise price	¥2,284	¥2,319	¥3,282	¥3,680	¥ 1	¥2,650	¥ 1	¥2,090	¥ 1
Average price on exercise	–	–	–	–	1,777	–	2,115	–	–
Fair value on grant date	–	–	865	1,030	3,619	631	2,572	539	2,012
	<i>U.S. dollars</i>								
	3rd stock option plan	4th stock option plan	6th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan
Exercise price	\$24.55	\$24.92	\$35.27	\$39.55	\$ 0.01	\$28.48	\$ 0.01	\$22.46	\$ 0.01
Average price on exercise	–	–	–	–	19.10	–	22.73	–	–
Fair value on grant date	–	–	9.30	11.07	38.89	6.78	27.64	5.79	21.62

## 20. 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>								
	<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>	<u>10th stock option plan</u>	<u>11th stock option plan</u>
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

The exercise price and fair value on grant date as of 31st March, 2010 reflect the five-for-one stock split on 1st April, 2007.

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2010 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>12th stock option plan</u>	<u>13th stock option plan</u>
Expected volatility *1	37.2%	54.6%
Expected remaining period *2	5 years	1 year and 6 months
Expected dividend yield *3	¥52 per share	¥52 per share
Risk-free interest rate *4	0.683%	0.191%

\*1 Expected volatility is estimated based on the actual stock price in the period from July 2004 to July 2009 for the 12th stock option plan, and in the period from January 2008 to July 2009 for the 13th 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, 2010 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. 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 6 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.

## 21. Segment Information

### *Business segments*

Business segment information is presented under the following two categories:

- the consulting services business, which includes research services; management consulting services; and system consulting services.
- the IT solutions services business, which includes developing and managing computer systems and selling software packages; providing outsourcing services, multi-user systems and information services; and selling computer equipment and related products.

Business segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2010, 2009 and 2008 is summarized as follows:

<i>Millions of yen</i>					
<b>Year ended 31st March, 2010</b>					
	<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
<b>I. Sales and operating profit</b>					
Sales to external customers	¥28,884	¥309,746	¥338,630	¥ –	¥338,630
Intersegment sales or transfers	469	670	1,139	(1,139)	–
Total sales	29,353	310,416	339,769	(1,139)	338,630
Operating expenses	29,418	270,274	299,692	(1,139)	298,553
Operating profit (loss)	¥ (65)	¥ 40,142	¥ 40,077	¥ –	¥ 40,077
<b>II. Total assets, depreciation and amortization and capital expenditures</b>					
Total assets	¥18,686	¥226,803	¥245,489	¥117,879	¥363,368
Depreciation and amortization	441	30,475	30,916	–	30,916
Capital expenditures	735	28,265	29,000	–	29,000

<i>Millions of yen</i>					
<b>Year ended 31st March, 2009</b>					
	<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
<b>I. Sales and operating profit</b>					
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
<b>II. Total assets, depreciation and amortization and capital expenditures</b>					
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

## 21. Segment Information (continued)

<i>Millions of yen</i>					
<b>Year ended 31st March, 2008</b>					
	<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
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>Thousands of U.S. dollars</i>					
<b>Year ended 31st March, 2010</b>					
	<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
I. Sales and operating profit					
Sales to external customers	\$310,414	\$3,328,812	\$3,639,226	\$ –	\$3,639,226
Intersegment sales or transfers	5,040	7,201	12,241	(12,241)	–
Total sales	315,454	3,336,013	3,651,467	(12,241)	3,639,226
Operating expenses	316,153	2,904,610	3,220,763	(12,241)	3,208,522
Operating profit (loss)	\$ (699)	\$ 431,403	\$ 430,704	\$ –	\$ 430,704
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	\$200,817	\$2,437,431	\$2,638,248	\$1,266,835	\$3,905,083
Depreciation and amortization	4,739	327,512	332,251	–	332,251
Capital expenditures	7,899	303,761	311,660	–	311,660

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 from the corresponding amount which would have been recorded under the previous method. For the consulting services, the change was immaterial.

## **21. Segment Information (continued)**

### ***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, 2010, 2009 and 2008, geographical segment information has not been presented.

### ***Overseas sales***

Because overseas sales constituted less than 10% of consolidated sales for the years ended 31st March, 2010, 2009 and 2008, no disclosure of overseas sales has been made.

## **22. Business Combinations**

Not applicable.

## **23. Subsequent Events**

Not applicable.

## [Appendix]

**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 31<sup>st</sup> March, 2010, the Company had 14 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 31<sup>st</sup> March, 2010.

<b>Name</b>	<b>Country</b>	<b>Main Business</b>
<b>Subsidiaries</b>		
NRI Network Communications, Ltd. *1	Japan	Software development and sales, mainly in the Kansai area
NRI SecureTechnologies, Ltd.	Japan	Network security services
NRI Cyber Patent, Ltd.	Japan	Provide patent and other intellectual property information to subscribers
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
UBIQLINK, Ltd.	Japan	Provide direction navigate services to consumer
NRI BPO Services, Ltd.	Japan	Provide BPO services
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

<b>Name</b>	<b>Country</b>	<b>Main Business</b>
<b>Affiliate</b>		
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.

### MAJOR SHAREHOLDERS

<b>Shareholders</b>	<b>Number of Shares Owned (thousands)</b>	<b>Ratio of Outstanding Shares (%)</b>
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFSCO Co., Ltd.	15,020	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV	9,368	4.16
CBNY-ORBIS FUNDS	9,242	4.11
NRI Group Employee Stock Ownership Association	6,546	2.91
Japan Trustee Services Bank, Ltd. (Trust Account)	5,522	2.45
State Street Bank And Trust Company 505223	3,556	1.58
The Master Trust Bank of Japan, Ltd.(Trust Account)	3,400	1.51

\*NRI owns 30,378 thousand shares as treasury stock.



# NRI Group

 (As of 30th August, 2010)

## 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(3)5533-2111

### Yokohama Minato Center

Dia Building,  
1-7 Kinkou-cho, Kanagawa-ku,  
Yokohama 221-0056, Japan  
Tel. +81(3)5533-2111

### 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 Avenue,  
1200 Makati City, Philippines  
Tel. +63(2)757-1946

### Moscow Branch

103045 Moscow, Trubnaya St.12,  
Millenium House, Russian Federation  
Tel. +7(495)795-0640

## 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.

Shiodome City Center,  
1-5-2 Higashi Shinbashi,  
Minato-ku, Tokyo 105-7113, Japan  
Tel. +81(3)6274-1011  
<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.

Tower S, 1-5-25 Kiba, Koto-ku,  
Tokyo 135-0042, Japan  
Tel. +81(3)6660-9700  
<http://www.n-itech.com/>

## NRI Social Information System Services, Ltd.

Tower S, 1-5-25 Kiba, Koto-ku,  
Tokyo 135-0042, 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 Process Innovation Ltd.

Dia Building,  
1-7 Kinkoucho, Kanagawa-ku,  
Yokohama 221-0056, Japan  
Tel. +81(45)274-9900

## 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, U.K.  
Tel. +44(20)7521-2000

## Nomura Research Institute (Beijing), Ltd.

6th Fl. Raycom Infotech Park Tower A,  
2 Kexueyuan-Nanlu, Haidian District,  
Beijing 100190, China  
Tel. +86(10)8286-1555

### Shanghai Branch

K. Wah Centre, 29th Floor,  
No.1010 Huaihai Zhong Road,  
Shanghai 200031, China  
Tel. +86(21)5403-1133

## Nomura Research Institute Shanghai Limited

K.Wah Centre, 29th Floor,  
No.1010 Huaihai Zhong Road,  
Shanghai 200031, China  
Tel. +86(21)5403-1122

### Beijing Office

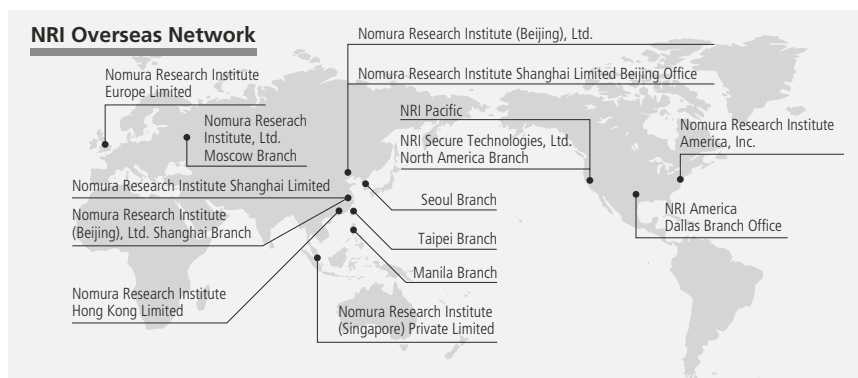
6th Fl. Raycom Infotech Park Tower A,  
2 Kexueyuan-Nanlu, Haidian District,  
Beijing 100190, China  
Tel. +86(10)6250-9868

## 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



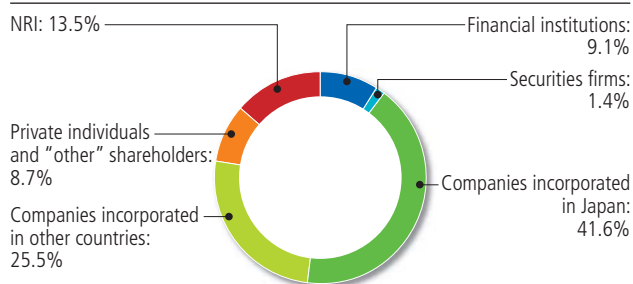
# Corporate Data

## Corporate Outline

<b>Name</b>	Nomura Research Institute, Ltd.
<b>Head office address</b>	Marunouchi Kitaguchi Building, 1-6-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Tel. +81(3)5533-2111
<b>Capital</b>	18,600 million yen
<b>Representative</b>	President, CEO & COO Tadashi Shimamoto
<b>Number of employees</b>	5,314 (6,263 in the entire NRI Group) (As of 31st March, 2010)

## Breakdown of Shares by Shareholder Category

(As of 31st March, 2010)



## Major Shareholders (As of 31st March, 2010)

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.	15,020	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV (Standing Proxy Agent: Citibank Japan Ltd.)	9,368	4.16
CBNY-ORBIS FUNDS (Standing Proxy Agent: Citibank Japan Ltd.)	9,242	4.11
NRI Group Employee Stock Ownership Association	6,546	2.91
Japan Trustee Services Bank, Ltd. (Trust Account)	5,522	2.45
State Street Bank and Trust Company 505223 (Standing Proxy Agent: Mizuho Corporate Bank, Ltd.)	3,556	1.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,400	1.51

Note: NRI owns 30,378 thousand shares of the treasury stock, but the figure excludes the shares mentioned above.

## Stock Data (As of 31st March, 2010)

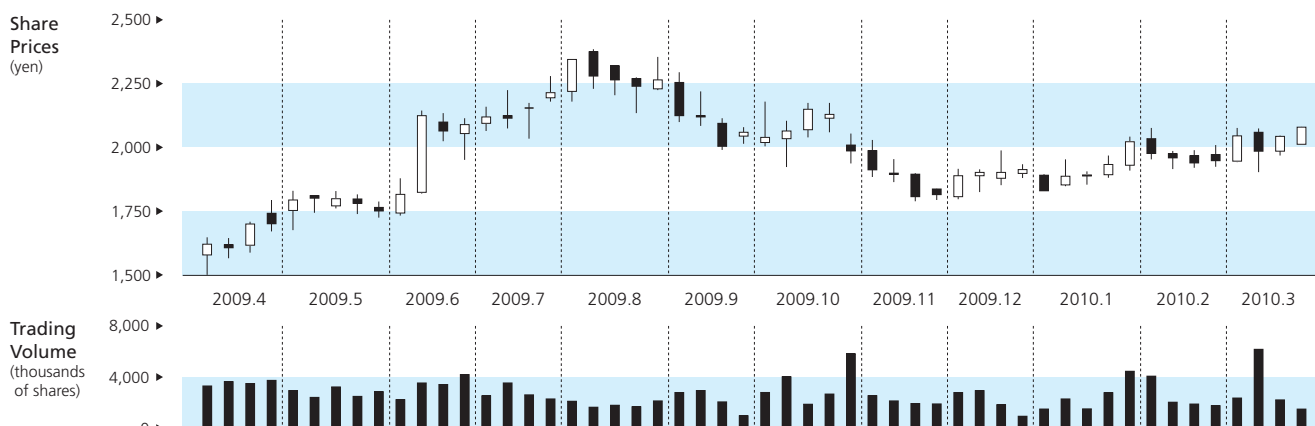
Total number of issuable shares	750,000,000
Total number of issued shares	225,000,000
Number of shareholders	17,112

## 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.

<b>Fiscal year</b>	1st April to 31st March of the following year
<b>Ordinary general meeting of shareholders</b>	Every June
<b>Unit of share sales</b>	100 shares
<b>Method of public notice</b>	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: <a href="http://www.nri.co.jp/">http://www.nri.co.jp/</a>
<b>Custodian of shareholder register</b>	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
<b>Account management institution of special accounts</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Transfer agent</b>	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
<b>(address for inquiries and posts)</b>	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



Inquiries: IR Department Nomura Research Institute, Ltd. E-mail: [ir@nri.co.jp](mailto:ir@nri.co.jp)



**Nomura Research Institute, Ltd.**

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1-6-5 Marunouchi, Chiyoda-ku,  
Tokyo 100-0005, Japan  
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