

This financial report is composed of two parts. The first part is an abridged translation of "Kessan Tanshin (earnings report)" for the quarterly period ended 30th September, 2010, which includes the summary and the qualitative information sections. The second part is the "Quarterly Consolidated Financial Statements," which are basically prepared based on the "Kessan Tanshin (earnings report)" but applied for some items different presentation methods.



29th October, 2010

## Consolidated Financial Results For the Quarterly Period Ended 30th September, 2010 <under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 4307  
 URL: <http://www.nri.co.jp/>  
 Representative: Tadashi Shimamoto, President, Representative Director, CEO & COO  
 Inquiries: Katsutoshi Murakami, General Manager, Finance Department  
 TEL: +81-3-5533-2111 (from overseas)

Scheduled date to file Quarterly Securities Report: 4th November, 2010  
 Scheduled date to commence dividend payments: 30th November, 2010  
 Preparation of supplementary material on quarterly consolidated financial results: Yes  
 Announcement for quarterly consolidated financial results (for institutional investors and analysts): Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated performance for the quarterly period ended 30th September, 2010 (from 1st April, 2010 to 30th September, 2010)

#### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Quarterly period ended								
30th September, 2010	162,106	(2.9)	16,009	(27.5)	17,086	(23.6)	9,658	(19.4)
30th September, 2009	166,882	1.0	22,090	(6.9)	22,367	(10.8)	11,979	(15.8)

	Net income per share – basic	Net income per share – diluted
Quarterly period ended	Yen	Yen
30th September, 2010	49.62	46.75
30th September, 2009	61.57	58.01

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
30th September, 2010	352,622	221,719	62.5	1,132.66
31st March, 2010	363,368	220,237	60.3	1,125.63

Reference: Equity As of 30th September, 2010: ¥220,515 million As of 31st March, 2010: ¥219,071 million

## 2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31st March, 2010	–	26.00	–	26.00	52.00
Fiscal year ending 31st March, 2011	–	26.00			
Fiscal year ending 31st March, 2011 (Forecasts)			–	26.00	52.00

Note: Revisions to the forecasts of cash dividends in the current quarter: None

## 3. Forecasts of financial results for the fiscal year ending 31st March, 2011 (from 1st April, 2010 to 31st March, 2011)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 31st March, 2011	325,000	(4.0)	37,000	(7.7)	38,500	(6.0)	22,500	2.9	115.59

Note: Revisions to the forecasts of financial results in the current quarter: Yes

## 4. Others

### (1) Changes in significant subsidiaries during the current quarter: None

Note: Changes in specified subsidiaries resulting in change in scope of consolidation during the current quarter

### (2) Adoption of simplified accounting and specific accounting: Yes

Note: Adoption of simplified accounting and specific accounting in preparing quarterly consolidated financial statements

### (3) Changes in accounting policies, procedures, and methods of presentation

- a. Changes due to revisions to accounting standards and other regulations: Yes
- b. Changes due to other reasons: None

### (4) Number of shares in issue (common stock)

- a. Total number of shares in issue at the end of the period (including treasury stock)
 

As of 30th September, 2010	225,000,000 shares
As of 31st March, 2010	225,000,000 shares
- b. Number of shares of treasury stock at the end of the period
 

As of 30th September, 2010	30,310,843 shares
As of 31st March, 2010	30,378,314 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 

Quarterly period ended 30th September, 2010	194,653,956 shares
Quarterly period ended 30th September, 2009	194,562,906 shares

\* Indication regarding execution of quarterly review procedures

At the time of disclosure of this quarterly consolidated financial results report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Law are incomplete.

\* Proper use of forecasts of financial results, and other special matters

These materials contain amendments to the forecasts of financial results for the fiscal year ending 31st March, 2011. The business forecasts are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual sales and profits may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances. Also, forecasted cash dividends per share are based on the current business environment and forecasts of financial results. Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” of “1. Qualitative information regarding second-quarter settlement of accounts” on pages 5-6 for the suppositions that form the assumptions for the forecasts of financial results and cautions concerning the use thereof.

## 1. Qualitative information regarding second-quarter settlement of accounts

### (1) Qualitative information regarding consolidated operating results (Quarterly period ended 30th September, 2010 (from 1st April, 2010 to 30th September, 2010))

The operating environment for Japanese companies became increasingly difficult from the summer owing to factors such as yen appreciation, weakness in stock markets, and a slowdown in overseas economies, while business confidence with respect to the outlook for the domestic economy deteriorated rapidly. With companies remaining cautious on investment in information systems, the information services industry continued to face a severe business environment.

Operating in such an environment, Nomura Research Institute and its consolidated subsidiaries (“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.

For the quarterly period ended 30th September, 2010, sales (sales to external customers) totaled ¥162,106 million (down 2.9% from the same period of the previous fiscal year), owing mainly to a decline year on year in the Industrial IT Solutions segment. Despite efforts to reduce subcontracting costs, costs increased owing to projects aimed at strengthening the earnings structure and expanding the client base. As a result, cost of sales was ¥118,595 million (up 0.1%) and gross profit was ¥43,511 million (down 10.1%). Selling, general and administrative expenses were ¥27,501 million (up 4.6%) due to an increase in costs associated with office expansion and higher personnel expenses accompanying the increase in personnel. Operating profit was ¥16,009 million (down 27.5%), ordinary profit was ¥17,086 million (down 23.6%) and net income was ¥9,658 million (down 19.4%).

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

As the Company adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” effective from the first quarter, the segmentation was changed. Accordingly, the comparison with the same period of the previous fiscal year below is based on the figures for the same period of the previous fiscal year after applying the reclassification of segments.

#### (Consulting)

Management consulting projects increased, however, system consulting projects decreased. As a result, the Consulting segment posted sales of ¥8,542 million (down 0.1% from the same period of the previous fiscal year) and operating loss of ¥229 million (compared with an operating loss of ¥3 million in the same period of the previous fiscal year).

#### (Financial IT Solutions)

In terms of sales, development projects and system application sales increased to the banking sector, as did consulting projects to the insurance sector, but development projects to the securities sector declined. On the cost front, subcontracting costs decreased, but there were increases in software amortization expenses and costs associated with strategic projects aimed at strengthening the earnings structure.

As a result, the Financial IT Solutions segment posted sales of ¥101,221 million (down 1.0% from the same period of the previous fiscal year) and operating profit of ¥ 8,998 million (down 16.6 %).

#### (Industrial IT Solutions)

In terms of sales, development projects to the manufacturing and services sectors declined in reaction to a high level in the same period of the previous fiscal year, when there were some major projects. Also, product sales decreased owing to the drop in development projects associated with new equipment installation. On the cost front, additional costs were incurred related to projects aimed at expanding the client base.

As a result, the Industrial IT Solutions segment posted sales of ¥ 44,305 million (down 7.2 % from the same period of the previous fiscal year) and operating profit of ¥ 366 million (down 92.3 %).

(IT Platform Services)

In terms of sales, development projects and product sales to external customers increased, but intersegment sales declined. On the cost front, subcontracting costs and depreciation and amortization expenses declined.

As a result, the IT Platform Services segment posted sales of ¥34,264 million (down 0.8% from the same period of the previous fiscal year) and operating profit of ¥5,067 million (up 12.1%).

(Others)

Others posted sales of ¥5,677 million (down 13.6% from the same period of the previous fiscal year) and operating profit of ¥98 million (compared with an operating loss of ¥311 million in the same period of the previous fiscal year).

## **(2) Qualitative information regarding consolidated financial position**

At the end of the second quarter (30th September, 2010), current assets were ¥141,170 million (up 2.5% from the end of the previous fiscal year), noncurrent assets were ¥211,451 million (down 6.3%), current liabilities were ¥57,593 million (down 14.3%), noncurrent liabilities were ¥73,310 million (down 3.5%), total net assets were ¥221,719 million (up 0.7%) and total assets were ¥352,622 million (down 3.0%).

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

While accounts receivable and accounts payable decreased by ¥10,376 million and ¥4,340 million, respectively, other receivables increased by ¥7,860 million. Software decreased by ¥6,690 million. Investment securities decreased by ¥7,582 million due to the fall in the share prices and redemption of bonds.

## **(3) Qualitative information regarding forecasts of financial results**

The operating environment for Japanese companies is becoming increasingly difficult owing to factors such as yen appreciation, weakness in stock markets, and a slowdown in overseas economies, while business confidence with respect to the outlook for the domestic economy is deteriorating rapidly. With companies remaining cautious on investment in information systems, the information services industry continues to face a severe business environment.

Operating in such an environment, the NRI Group's results for the quarterly period ended 30th September, 2010 fell short of the initial forecasts, and with little prospect of a recovery in the order environment in the third quarter and beyond, the Company has revised its forecasts of financial results for the fiscal year ending 31st March, 2011, as shown in the table below.

The Company's basic policy on the payment of dividends from surplus is to provide an appropriate and stable dividend while paying full consideration to the need for sufficient retained earnings for its long-term business development. The Company has decided to pay an interim dividend of ¥26 per share, in line with the initial projection. The year-end dividend forecast has also been left unchanged.

Forecasts of financial results for the fiscal year ending 31st March, 2011 (Millions of yen)

	Current fiscal year		Change		Previous fiscal year (Actual result)	Change	
	Previous forecast	Revised forecast	Amount	Rate (%)		Amount	Rate (%)
Sales	350,000	325,000	(25,000)	(7.1)	338,629	(13,629)	(4.0)
Operating profit	44,000	37,000	(7,000)	(15.9)	40,077	(3,077)	(7.7)
Ordinary profit	45,000	38,500	(6,500)	(14.4)	40,947	(2,447)	(6.0)
Net income	26,000	22,500	(3,500)	(13.5)	21,856	643	2.9
Annual cash dividends per share	52.00 yen	52.00 yen	–	–	52.00 yen	–	–
Second quarter (Actual result)	26.00 yen	26.00 yen	–	–	26.00 yen	–	–
Fiscal year-end	26.00 yen	26.00 yen	–	–	26.00 yen	–	–

(Reference) (Millions of yen)

	Current fiscal year		Change		Previous fiscal year (Actual result)	Change	
	Previous forecast	Revised forecast	Amount	Rate (%)		Amount	Rate (%)
Capital investment	30,000	25,000	(5,000)	(16.7)	29,000	(4,000)	(13.8)
Depreciation and amortization	32,000	30,000	(2,000)	(6.3)	30,915	(915)	(3.0)
R&D expenses	4,000	3,500	(500)	(12.5)	3,561	(61)	(1.7)

The business forecasts are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual sales and profits may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances. Also, forecasted cash dividends per share are based on the current business environment and forecasts of financial results.

## **Quarterly Consolidated Financial Statements**

**Nomura Research Institute, Ltd.**

*For the Quarterly Period Ended 30th September, 2010  
(Unaudited)*

Unless otherwise noted, the amounts included in the financial statements are expressed in millions of yen and thousands of U.S. dollars with fractional amounts rounded off.

Nomura Research Institute, Ltd.

Quarterly Consolidated Financial Statements

For the quarterly period ended 30th September, 2010

Index

	Page
Quarterly Consolidated Balance Sheets .....	1
Quarterly Consolidated Statements of Income .....	3
Quarterly Consolidated Statements of Changes in Net Assets .....	4
Quarterly Consolidated Statements of Cash Flows .....	5
Notes to Quarterly Consolidated Financial Statements .....	6



Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>30th September, 2010</b>	<b>31st March, 2010</b>	<b>30th September, 2010</b>
	(Unaudited)		(Unaudited)
<b>Assets</b>			
Current assets:			
Cash and bank deposits ( <i>Notes 4 and 7</i> )	¥ 9,694	¥ 15,056	\$ 115,680
Short-term investment securities ( <i>Notes 4, 5 and 7</i> )	55,157	44,720	658,198
Accounts receivable and other receivables ( <i>Note 4</i> )	65,517	68,033	781,826
Inventories	181	432	2,160
Deferred income taxes	7,268	7,268	86,730
Other current assets	3,419	2,305	40,800
Allowance for doubtful accounts	(65)	(70)	(776)
Total current assets	141,171	137,744	1,684,618
Property and equipment:			
Land	12,323	12,323	147,053
Buildings, net	32,000	32,376	381,862
Machinery and equipment, net	12,973	14,231	154,809
Leased assets, net	20	35	239
Property and equipment, net	57,316	58,965	683,963
Software and other intangibles	63,088	68,319	752,840
Investment securities ( <i>Notes 4 and 5</i> )	46,116	53,699	550,310
Investments in affiliates ( <i>Notes 4 and 5</i> )	1,223	1,604	14,594
Deferred income taxes	21,151	19,238	252,399
Long-term loans receivable ( <i>Note 4</i> )	7,650	7,593	91,289
Lease investment assets	442	534	5,274
Other assets	14,563	15,792	173,783
Allowance for doubtful accounts	(97)	(120)	(1,158)
Total assets	¥352,623	¥363,368	\$4,207,912

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<u>30th September, 2010</u>	<u>31st March, 2010</u>	<u>30th September, 2010</u>
	(Unaudited)		(Unaudited)
<b>Liabilities and net assets</b>			
Current liabilities:			
Accounts payable (Note 4)	¥ 19,815	¥ 24,155	\$ 236,456
Lease obligations	221	293	2,637
Accrued expenses	16,484	16,628	196,706
Income taxes payable	7,515	9,879	89,678
Asset retirement obligations	64	–	764
Other current liabilities	13,495	16,240	161,038
Total current liabilities	<u>57,594</u>	<u>67,195</u>	<u>687,279</u>
Convertible bonds (Note 4)	49,997	49,997	596,624
Lease obligations	262	328	3,126
Long-term accrued expenses	–	1,458	–
Deferred income taxes	1	1	12
Allowance for employees' retirement benefits	22,454	24,152	267,948
Asset retirement obligations	596	–	7,112
Net assets (Notes 6 and 8):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 30th September, 2010 and 31st March, 2010			
Issued – 225,000,000 shares at 30th September, 2010 and 31st March, 2010	18,600	18,600	221,957
Additional paid-in capital	15,006	15,018	179,069
Retained earnings	256,398	251,800	3,059,642
Treasury stock, at cost:			
– 30,310,843 shares at 30th September, 2010 and 30,378,314 shares at 31st March, 2010	(72,365)	(72,526)	(863,544)
Total shareholders' equity	<u>217,639</u>	<u>212,892</u>	<u>2,597,124</u>
Valuation and translation adjustments:			
Unrealized gain on other securities (Note 5)	5,591	8,436	66,718
Translation adjustments	(2,714)	(2,256)	(32,387)
Total valuation and translation adjustments	<u>2,877</u>	<u>6,180</u>	<u>34,331</u>
Share subscription rights (Note 12)	1,203	1,155	14,356
Minority interests	–	10	–
Total net assets	<u>221,719</u>	<u>220,237</u>	<u>2,645,811</u>
Total liabilities and net assets	<u>¥352,623</u>	<u>¥363,368</u>	<u>\$4,207,912</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Income (Unaudited)

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars (Note 3)</i>	
	<b>Three months ended 30th September,</b>		<b>Six months ended 30th September,</b>		<b>Three months ended 30th September,</b>	<b>Six months ended 30th September,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>
Sales	¥81,455	¥85,361	¥162,106	¥166,883	\$972,017	\$1,934,439
Cost of sales	58,553	60,376	118,595	118,505	698,723	1,415,215
Gross profit	22,902	24,985	43,511	48,378	273,294	519,224
Selling, general and administrative expenses (Notes 9 and 10)	13,453	12,848	27,501	26,287	160,537	328,174
Operating profit	9,449	12,137	16,010	22,091	112,757	191,050
Other income (expenses):						
Interest and dividend income	120	95	1,185	999	1,432	14,141
Equity in earnings (losses) of affiliates	18	(546)	(23)	(603)	214	(274)
Interest expense	(1)	(2)	(5)	(8)	(12)	(60)
Loss on investment securities	–	(583)	(9)	(889)	–	(107)
Impact of applying accounting standard for asset retirement obligations	–	–	(364)	–	–	(4,344)
Other, net	(31)	(167)	(53)	(91)	(370)	(633)
	106	(1,203)	731	(592)	1,264	8,723
Income before income taxes and minority interests	9,555	10,934	16,741	21,499	114,021	199,773
Provision for income taxes (Note 2)	3,979	5,080	7,081	9,525	47,482	84,499
Income before minority interests	5,576	5,854	9,660	11,974	66,539	115,274
Minority interests in gain (loss)	–	(1)	2	(6)	–	24
Net income (Note 8)	¥ 5,576	¥ 5,855	¥ 9,658	¥ 11,980	\$ 66,539	\$ 115,250

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Changes in Net Assets

*Millions of yen*

	Shareholders' equity					Valuation and translation adjustments					Total net assets
	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	
<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
Purchases of treasury stock	-	-	-	-	-	-	-	-	-	-	-
Disposition of treasury stock	-	-	-	161	161	-	-	-	-	-	161
Net income	-	-	9,658	-	9,658	-	-	-	-	-	9,658
Cash dividends paid	-	-	(5,060)	-	(5,060)	-	-	-	-	-	(5,060)
Loss on disposition of treasury stock	-	(12)	-	-	(12)	-	-	-	-	-	(12)
Net changes other than in shareholders' equity	-	-	-	-	-	(2,845)	(458)	(3,303)	48	(10)	(3,265)
<b>Balance at 30th September, 2010 (Unaudited)</b>	¥18,600	¥15,006	¥256,398	¥(72,365)	¥217,639	¥ 5,591	¥(2,714)	¥ 2,877	¥1,203	¥ -	¥221,719

*Millions of yen*

	Shareholders' equity					Valuation and translation adjustments					Total net assets
	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	
<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	-	-	-	172	172	-	-	-	-	-	172
Net income	-	-	11,980	-	11,980	-	-	-	-	-	11,980
Cash dividends paid	-	-	(5,058)	-	(5,058)	-	-	-	-	-	(5,058)
Gain on disposition of treasury stock	-	38	-	-	38	-	-	-	-	-	38
Net changes other than in shareholders' equity	-	-	-	-	-	3,053	(231)	2,822	68	9	2,899
<b>Balance at 30th September, 2009 (Unaudited)</b>	¥18,600	¥15,013	¥246,983	¥(72,582)	¥208,014	¥8,904	¥(2,390)	¥6,514	¥960	¥9	¥215,497

*Thousands of U.S. dollars (Note 3)*

	Shareholders' equity					Valuation and translation adjustments					Total net assets
	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	
<b>Balance at 31st March, 2010</b>	\$221,957	\$179,212	\$3,004,773	\$(865,465)	\$2,540,477	\$100,668	\$(26,921)	\$ 73,747	\$13,783	\$ 119	\$2,628,126
Purchases of treasury stock	-	-	-	-	-	-	-	-	-	-	-
Disposition of treasury stock	-	-	-	1,921	1,921	-	-	-	-	-	1,921
Net income	-	-	115,250	-	115,250	-	-	-	-	-	115,250
Cash dividends paid	-	-	(60,381)	-	(60,381)	-	-	-	-	-	(60,381)
Loss on disposition of treasury stock	-	(143)	-	-	(143)	-	-	-	-	-	(143)
Net changes other than in shareholders' equity	-	-	-	-	-	(33,950)	(5,466)	(39,416)	573	(119)	(38,962)
<b>Balance at 30th September, 2010 (Unaudited)</b>	\$221,957	\$179,069	\$3,059,642	\$(863,544)	\$2,597,124	\$ 66,718	\$(32,387)	\$ 34,331	\$14,356	\$ -	\$2,645,811

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows (Unaudited)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Six months ended 30th September,</b>		<b>Six months ended 30th September,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 16,741	¥ 21,499	\$ 199,773
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	14,968	14,277	178,616
Interest and dividend income	(1,185)	(999)	(14,141)
Interest expense	5	8	60
Loss on investment securities	9	889	107
Impact of applying accounting standard for asset retirement obligations	364	-	4,344
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	3,577	11,458	42,685
Allowance for doubtful accounts	(28)	(39)	(334)
Accounts payable	(5,822)	(6,250)	(69,475)
Inventories	251	(1,593)	2,995
Allowance for employees' retirement benefits and welfare pension plan	(1,698)	172	(20,263)
Other	233	2,543	2,781
Subtotal	27,415	41,965	327,148
Interest and dividends received	1,118	1,111	13,341
Interest paid	(5)	(8)	(60)
Income taxes paid	(9,422)	(11,934)	(112,434)
Net cash provided by operating activities	19,106	31,134	227,995
<b>Cash flows from investing activities</b>			
Payments for time deposits	(340)	-	(4,057)
Proceeds from time deposits	126	6,178	1,504
Increase in short-term investment securities	(10,941)	-	(130,561)
Proceeds from sales and redemption of short-term investment securities	1,000	-	11,933
Acquisition of property and equipment	(6,386)	(6,210)	(76,205)
Proceeds from sales of property and equipment	-	3	-
Increase in software and other intangibles	(5,196)	(9,775)	(62,005)
Proceeds from sales of software and other intangibles	-	1	-
Payments for asset retirement obligations	(46)	-	(549)
Increase in investment securities	(25)	(255)	(298)
Proceeds from sales and redemption of investment securities	3,147	4,036	37,554
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	665	-
Increase in investments in affiliates	(15)	-	(179)
Other	13	21	154
Net cash used in investing activities	(18,663)	(5,336)	(222,709)
<b>Cash flows from financing activities</b>			
Increase in short-term loans payable	3,500	4,000	41,766
Decrease in short-term loans payable	(3,500)	(4,000)	(41,766)
Repayment of obligation under finance leases	(47)	(140)	(561)
Purchases of treasury stock	-	(1)	-
Cash dividends paid	(5,056)	(5,049)	(60,334)
Net cash used in financing activities	(5,103)	(5,190)	(60,895)
Effect of exchange rate changes on cash and cash equivalents	(382)	(281)	(4,558)
Net increase (decrease) in cash and cash equivalents	(5,042)	20,327	(60,167)
Cash and cash equivalents at beginning of period	59,776	28,229	713,318
Cash and cash equivalents at end of period (Note 7)	¥ 54,734	¥ 48,556	\$ 653,151

See accompanying notes to quarterly consolidated financial statements.

# Nomura Research Institute, Ltd.

## Notes to Quarterly Consolidated Financial Statements

30th September, 2010

### **1. Description of Business, Basis of Presentation, Accounting Change and Change in Methods of Presentation**

#### *Description of Business*

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 15 consolidated subsidiaries) and its affiliates (2 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the Company’s operations by segment is included in Note 13.

Nomura Research Institute (Dalian), Ltd., a newly established subsidiary during the quarterly period ended 30th September, 2010, is included in the scope of consolidation.

#### *Basis of Presentation*

The accompanying quarterly 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 quarterly 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 quarterly consolidated financial statements in a format which is familiar to readers outside Japan.

#### *Accounting Change*

Effective the first quarter ended 30th June, 2010, the “Accounting Standard for Equity Method of Accounting for Investments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 16) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (Practical Issues Task Force (“PITF”) Statement No. 24) has been applied. There was no impact on the quarterly consolidated financial statements as a result of the adoption of this new accounting standard.

## **1. Description of Business, Basis of Presentation, Accounting Change and Change in Methods of Presentation (continued)**

### ***Accounting Change (continued)***

Effective the first quarter ended 30th June, 2010, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21) has been applied. As a result of this change, operating profit for the six months ended 30th September, 2010 increased by ¥2 million (\$24 thousand) and income before income taxes and minority interests decreased by ¥363 million (\$4,332 thousand) from the corresponding amounts which would have been recorded under the previous method. The amount of asset retirement obligations with this revision was ¥699 million (\$8,341 thousand).

### ***Change in Methods of Presentation***

Effective the first quarter ended 30th June, 2010, “Income before minority interests” is presented in the quarterly consolidated statements of income, pursuant to the “Cabinet Office Ordinance for Amendments to the Regulations on the Terminology, Format, and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5), which is based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22). “Income before minority interests” in the accompanying quarterly consolidated statements of income for the second quarter ended 30th September, 2009, has been presented to conform to the current year’s presentation.

## **2. Specific Accounting Policy Adopted in Preparing Quarterly Consolidated Financial Statements**

### ***Calculation of Tax Expense***

At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. Tax expenses for interim periods are computed multiplying income before income taxes by the aforementioned estimated annual effective tax rate for the annual period. Deferred income taxes are included in provision for income taxes in the quarterly consolidated statements of income.

## **3. U.S. Dollar Amounts**

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥83.80 = U.S.\$1.00, the rate of exchange prevailing on 30th September, 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.

#### 4. Financial Instruments

##### Fair value of financial instruments

The carrying amount of financial instruments on the quarterly consolidated balance sheets as of 30th September, 2010 and 31st March, 2010 and estimated fair values 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>30th September, 2010</b>			<b>31st March, 2010</b>		
	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>
	(Unaudited)					
<b>Assets:</b>						
Cash and bank deposits	¥ 9,694	¥ 9,694	¥ –	¥ 15,056	¥ 15,056	¥ –
Accounts receivable and other receivables	65,517	65,517	–	68,033	68,033	–
Short-term investment securities, investment securities, and investments in affiliates	86,756	86,756	–	84,092	84,092	–
Long-term loans receivable	7,650	8,201	551	7,593	7,911	318
Total	<u>¥169,617</u>	<u>¥170,168</u>	<u>¥ 551</u>	<u>¥174,774</u>	<u>¥175,092</u>	<u>¥ 318</u>
<b>Liabilities:</b>						
Accounts payable	¥ 19,815	¥ 19,815	¥ –	¥ 24,155	¥ 24,155	¥ –
Convertible bonds	49,997	48,722	(1,275)	49,997	47,897	(2,100)
Total	<u>¥ 69,812</u>	<u>¥ 68,537</u>	<u>¥(1,275)</u>	<u>¥ 74,152</u>	<u>¥ 72,052</u>	<u>¥(2,100)</u>

	<i>Thousands of U.S. dollars</i>		
	<b>30th September, 2010</b>		
	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>
	(Unaudited)		
<b>Assets:</b>			
Cash and bank deposits	\$ 115,680	\$ 115,680	\$ –
Accounts receivable and other receivables	781,826	781,826	–
Short-term investment securities, investment securities, and investments in affiliates	1,035,274	1,035,274	–
Long-term loans receivable	91,289	97,864	6,575
Total	<u>\$2,024,069</u>	<u>\$2,030,644</u>	<u>\$ 6,575</u>
<b>Liabilities:</b>			
Accounts payable	\$ 236,456	\$ 236,456	\$ –
Convertible bonds	596,624	581,408	(15,216)
Total	<u>\$ 833,080</u>	<u>\$ 817,864</u>	<u>\$(15,216)</u>



#### 4. 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 consist of deposits and guarantee money. The fair values 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>	
	<u>30th September, 2010</u>	<u>31st March, 2010</u>
	(Unaudited)	
Unlisted companies' shares	¥15,361	¥15,471
Investments in partnerships	379	460

  

	<i>Thousands of U.S. dollars</i>	
	<u>30th September, 2010</u>	
	(Unaudited)	
Unlisted companies' shares	\$183,305	
Investments in partnerships	4,523	

#### 4. Financial Instruments (continued)

- \*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 ¥819 million (\$9,773 thousand) and ¥915 million as of 30th September, 2010 and 31st March, 2010, respectively.
- \*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.

#### 5. Investments

The Company did not hold any trading securities or held-to-maturity securities with determinable market value at 30th September, 2010 or 31st March, 2010.

The following is a summary of the market value information concerning other securities included in short-term investment securities, investment securities and investments in affiliates at 30th September, 2010 and 31st March, 2010:

##### *Securities Classified as Other Securities with Fair Value*

	<i>Millions of yen</i>					
	<b>30th September, 2010</b>			<b>31st March, 2010</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain</b>	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain</b>
		(Unaudited)				
Equity securities	¥10,996	¥20,555	¥9,559	¥10,991	¥25,310	¥14,319
Debt securities:						
Corporate debt securities	20,438	20,456	18	14,015	14,062	47
	20,438	20,456	18	14,015	14,062	47
Other	45,745	45,745	–	44,720	44,720	–
Total	<u>¥77,179</u>	<u>¥86,756</u>	<u>¥9,577</u>	<u>¥69,726</u>	<u>¥84,092</u>	<u>¥14,366</u>

	<i>Thousands of U.S. dollars</i>		
	<b>30th September, 2010</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain</b>
		(Unaudited)	
Equity securities	\$131,217	\$ 245,286	\$114,069
Debt securities:			
Corporate debt securities	243,890	244,105	215
	243,890	244,105	215
Other	545,883	545,883	–
Total	<u>\$920,990</u>	<u>\$1,035,274</u>	<u>\$114,284</u>

Impairment loss on the securities whose fair value is determinable, classified as other securities, as a result of a permanent decline in value for the six months ended 30th September, 2010 and the year ended 31st March, 2010 was nil and ¥704 million, respectively. The Company has established a policy to recognize impairment losses for securities whose fair value has declined by 30% or more and for which a recovery to fair value is not deemed probable.

## 6. 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. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million (\$6,802 thousand) and ¥570 million at 30th September, 2010 and 31st March, 2010, respectively.

### *Shares in Issue and Treasury Stock*

The total number of shares in issue and the total number of shares of treasury stock at 30th September, 2010 and 31st March, 2010 are summarized as follows:

	<u>30th September, 2010</u>		<u>31st March, 2010</u>	
	<u>Shares in issue</u>	<u>Treasury stock</u>	<u>Shares in issue</u>	<u>Treasury stock</u>
	(Unaudited)			
Number of shares	225,000,000	30,310,843	225,000,000	30,378,314

### *Dividends*

The following appropriation of retained earnings applicable to 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:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends approved on 14th May, 2010* (¥26.00 = U.S.\$0.31 per share)	¥5,060	\$60,381

The accompanying quarterly consolidated financial statements do not include any provision for dividends of ¥26.00 (\$0.31) per share, aggregating ¥5,062 million (\$60,406 thousand). This appropriation of retained earnings was approved at the meeting of the Board of Directors held on 29th October, 2010 in respect of the six months ended 30th September, 2010 and went into effect on 30th November, 2010.

\* Unrealized gain on other securities is not available for the payment of cash dividends.

## 7. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheets and cash and cash equivalents in the accompanying quarterly consolidated statements of cash flows at 30th September, 2010 and 2009 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>30th September, 2010</b>	<b>2009</b>	<b>30th September, 2010</b>
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥ 9,694	¥13,806	\$ 115,680
Short-term investment securities	55,157	34,750	658,198
Time deposits with maturities of more than three months when deposited	(205)	–	(2,446)
Bonds and other investments maturing in more than three months from the acquisition date	(9,912)	–	(118,281)
Cash and cash equivalents	<u>¥54,734</u>	<u>¥48,556</u>	<u>\$ 653,151</u>

## 8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>Three months ended 30th September, 2010</b>	<b>2009</b>	<b>Three months ended 30th September, 2010</b>
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥28.64	¥30.09	\$0.34
Earnings per share – diluted	26.98	28.34	0.32

  

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>Six months ended 30th September, 2010</b>	<b>2009</b>	<b>Six months ended 30th September, 2010</b>
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥49.62	¥61.57	\$0.59
Earnings per share – diluted	46.75	58.01	0.56

  

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>30th September, 2010</b>	<b>31st March, 2010</b>	<b>30th September, 2010</b>
	(Unaudited)		(Unaudited)
Net assets per share	¥1,132.66	¥1,125.63	\$13.52

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

## 8. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the three months and six months ended 30th September, 2010 and 2009 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th September, 2010</b>	<b>2009</b>	<b>Three months ended 30th September, 2010</b>
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥5,576	¥5,855	\$66,539
Earnings not available to common shareholders	(-)	(-)	(-)
Earnings available to common shareholders	<u>¥5,576</u>	<u>¥5,855</u>	<u>\$66,539</u>
	<i>Thousands of shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic	194,679	194,584	194,679
Potentially dilutive shares of common stock – Convertible bond	11,836	11,836	11,836
Potentially dilutive shares of common stock – Stock option	118	149	118
Weighted-average number of shares of common stock outstanding – diluted	<u>206,633</u>	<u>206,569</u>	<u>206,633</u>
	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Six months ended 30th September, 2010</b>	<b>2009</b>	<b>Six months ended 30th September, 2010</b>
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥9,658	¥11,980	\$115,250
Earnings not available to common shareholders	(-)	(-)	(-)
Earnings available to common shareholders	<u>¥9,658</u>	<u>¥11,980</u>	<u>\$115,250</u>
	<i>Thousands of shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic	194,654	194,563	194,654
Potentially dilutive shares of common stock – Convertible bond	11,836	11,836	11,836
Potentially dilutive shares of common stock – Stock option	118	127	118
Weighted-average number of shares of common stock outstanding – diluted	<u>206,608</u>	<u>206,526</u>	<u>206,608</u>

## 8. Per Share Data (continued)

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 three months and the six months ended 30th September, 2010 and 2009:

	<i>Shares</i>			
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30th September,</b>		<b>30th September,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	(Unaudited)		(Unaudited)	
a) 3rd share subscription rights	–	–	–	0 *
b) 4th share subscription rights	–	224,500	0 **	224,500
c) 6th share subscription rights	367,500	392,500	367,500	392,500
d) 8th share subscription rights	415,000	415,000	415,000	415,000
e) 10th share subscription rights	417,500	417,500	417,500	417,500
f) 12th share subscription rights	440,000	440,000	440,000	440,000
g) 14th share subscription rights	445,000	–	445,000	–

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

\*\* The exercise period ended 30th June, 2010.

The computation of net assets per share at 30th September, 2010 and 31st March, 2010 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>30th September,</b>	<b>31st March,</b>	<i>U.S. dollars</i>
	<b>2010</b>	<b>2010</b>	<b>30th September,</b>
	(Unaudited)		(Unaudited)
<b>Numerator:</b>			
Net assets	¥221,719	¥220,237	\$2,645,811
Share subscription rights	(1,203)	(1,155)	(14,356)
Minority interests	(–)	(10)	(–)
Net assets attributable to common stock	<u>¥220,516</u>	<u>¥219,072</u>	<u>\$2,631,455</u>
<i>Thousands of shares</i>			
<b>Denominator:</b>			
Number of shares of common stock outstanding	194,689	194,622	194,689

## 9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the three months and six months ended 30th September, 2010 and 2009 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th September,</b>		<b>Three months ended 30th September,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
	(Unaudited)		(Unaudited)
Personnel expenses	¥ 7,372	¥ 7,064	\$ 87,971
Rent	1,285	1,109	15,334
Subcontractor costs	1,786	1,839	21,313
Other	3,010	2,836	35,919
Total	<u>¥13,453</u>	<u>¥12,848</u>	<u>\$160,537</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Six months ended 30th September,</b>		<b>Six months ended 30th September,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
	(Unaudited)		(Unaudited)
Personnel expenses	¥15,075	¥14,590	\$179,893
Rent	2,534	2,204	30,239
Subcontractor costs	3,315	3,435	39,558
Other	6,577	6,058	78,484
Total	<u>¥27,501</u>	<u>¥26,287</u>	<u>\$328,174</u>

## 10. Research and Development Costs

Research and development expenses included in selling, general and administrative expenses for the three months and six months ended 30th September, 2010 and 2009 are summarized as follows:

<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
<b>Three months ended 30th September,</b>		<b>Six months ended 30th September,</b>		<b>Three months ended 30th September,</b>	<b>Six months ended 30th September,</b>
<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>
(Unaudited)		(Unaudited)		(Unaudited)	
¥904	¥953	¥1,585	¥1,685	\$10,788	\$18,914

## 11. Contingent Liabilities

There were no material contingent liabilities at 30th September, 2010 and 31st March, 2010.

## 12. Stock Option Plans

For the three months and six months ended 30th September, 2010 and 2009, the Company recognized and allocated share-based compensation cost as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	<b>Three months ended</b>		<b>Six months ended</b>		<b>Three months</b>	<b>Six months</b>
	<b>30th September,</b>		<b>30th September,</b>		<b>ended</b>	<b>ended</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>30th September,</b>	<b>30th September,</b>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Cost of sales	¥43	¥ 59	¥ 87	¥125	\$ 513	\$1,038
Selling, general and administrative expenses	48	69	111	153	573	1,325
	¥91	¥128	¥198	¥278	\$1,086	\$2,363

Two stock option plans issued during the three months ended 30th September, 2010 are summarized as follows:

	<b>14th stock option plan</b>	<b>15th stock option plan</b>
Grantee categories and numbers of grantees	9 directors, 30 managing officers of the Company, and 8 directors of its subsidiaries	9 directors, 32 managing officers or officer-equivalent employees of the Company and 8 directors of its subsidiaries
Number of shares reserved	445,000	103,000
Grant date	18th August, 2010	18th August, 2010
Vesting conditions	Holder must continue their employment or be entrusted with the Company or its subsidiaries for the duration of the service period	Holder must continue their employment or be entrusted with the Company or its subsidiaries for the duration of the service period
Service period	From 1st July, 2010 to 30th June, 2013	From 1st July, 2010 to 30th June, 2011
Exercise period	From 1st July, 2013 to 30th June, 2017	From 1st July, 2011 to 30th June, 2012
Exercise price	¥2,010 (= U.S.\$23.99)	¥1 (= U.S.\$0.01)
Fair value on grant date	¥284 (= U.S.\$3.39)	¥1,534 (=U.S.18.31)



## 13. Segment Information

### *Segment Information*

#### 1) Outline of reportable segments

The Company's reportable segments have been determined on the basis that separate financial information for such segments is available and evaluated periodically by the supreme decision-making body in deciding the allocation of management resources and in assessing the business performances of such segments. The Company consists of divisions basically based on services, customers and markets, and those divisions engage in consulting services; system development and application sales; system management and operation services; and product sales. Therefore, the Company has classified its reportable segments as follows: Consulting, Financial IT Solutions, Industrial IT Solutions and IT Platform Services.

#### Consulting

In addition to management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform etc., system consulting is provided for all aspects of IT management including valuation and diagnosis of IT assets, formulation of IT strategies and support for system operation.

#### Financial IT Solutions

Customers in the financial sector, who usually belong to the securities, insurance, or banking industries, are provided with services including system consulting, system development and system management and operation. Specifically, in addition to providing system development and outsourcing services to each customer, this segment provides industry-standard business platforms such as "THE STAR," a total securities back-office system, "I-STAR," a multi-user system for the wholesale securities sector, "T-STAR," a multi-user system for asset management firms, "BESTWAY," a system for over-the-counter sales of investment trusts, and "e-JIBAI," a multi-user system for automobile liability insurance.

#### Industrial IT Solutions

The main customers in this segment include not only the distribution, manufacturing and service sectors, but also governments and other public agencies. The services provided include system consulting, system development and system management and operation. Services, including information security services and IT platform architecture tools are also provided to customers from a broad range of industry sectors.

#### IT Platform Services

Services including system operation, management and administration of data centers and IT platform and network architecture related services are provided to mainly the Financial IT Solutions segment and Industrial IT Solutions segment. This segment also conducts research for the development of new business operations and new products related to IT solutions and research related to leading-edge information technologies.

### 13. Segment Information (continued)

#### Segment Information (continued)

#### 2) Net sales and profit (loss) by reportable segment

*Millions of yen*

Three months ended 30th September, 2010									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3	
	(Unaudited)								
Sales and segment profit:									
Sales to external customers	¥4,804	¥50,308	¥21,086	¥ 3,237	¥79,435	¥1,943	¥81,378	¥ 77	¥81,455
Intersegment sales or transfers	12	13	1,196	14,061	15,282	766	16,048	(16,048)	-
Total sales	4,816	50,321	22,282	17,298	94,717	2,709	97,426	(15,971)	81,455
Segment profit (loss)	¥ 403	¥ 5,320	¥ 569	¥ 2,447	¥ 8,739	¥ (17)	¥ 8,722	¥ 727	¥ 9,449

*Millions of yen*

Six months ended 30th September, 2010									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3	
	(Unaudited)								
Sales and segment profit:									
Sales to external customers	¥8,508	¥101,192	¥42,068	¥ 6,057	¥157,825	¥4,126	¥161,951	¥ 155	¥162,106
Intersegment sales or transfers	35	29	2,237	28,208	30,509	1,551	32,060	(32,060)	-
Total sales	8,543	101,221	44,305	34,265	188,334	5,677	194,011	(31,905)	162,106
Segment profit (loss)	¥ (229)	¥ 8,998	¥ 366	¥ 5,068	¥ 14,203	¥ 98	¥ 14,301	¥ 1,709	¥ 16,010

\*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

\*2 Individual items included in adjustment of segment profit were all immaterial amounts.

\*3 Segment profit is adjusted to operating profit in the quarterly consolidated statements of income.

*Thousands of U.S. dollars*

Three months ended 30th September, 2010									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others	Total	Adjustment	Consolidated	
	(Unaudited)								
Sales and segment profit:									
Sales to external customers	\$57,327	\$600,334	\$251,623	\$ 38,628	\$ 947,912	\$23,186	\$ 971,098	\$ 919	\$972,017
Intersegment sales or transfers	143	155	14,272	167,792	182,362	9,141	191,503	(191,503)	-
Total sales	57,470	600,489	265,895	206,420	1,130,274	32,327	1,162,601	(190,584)	972,017
Segment profit (loss)	\$ 4,809	\$ 63,484	\$ 6,790	\$ 29,200	\$ 104,283	\$ (202)	\$ 104,081	\$ 8,676	\$112,757

### 13. Segment Information (continued)

#### Segment Information (continued)

*Thousands of U.S. dollars*

Six months ended 30th September, 2010									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others	Total	Adjustment	Consolidated	
(Unaudited)									
Sales and segment profit:									
Sales to external customers	\$ 101,527	\$ 1,207,542	\$ 502,005	\$ 72,279	\$ 1,883,353	\$ 49,236	\$ 1,932,589	\$ 1,850	\$ 1,934,439
Intersegment sales or transfers	418	346	26,694	336,611	364,069	18,509	382,578	(382,578)	–
Total sales	101,945	1,207,888	528,699	408,890	2,247,422	67,745	2,315,167	(380,728)	1,934,439
Segment profit (loss)	\$ (2,733)	\$ 107,375	\$ 4,368	\$ 60,477	\$ 169,487	\$ 1,169	\$ 170,656	\$ 20,394	\$ 191,050

(Additional information)

Effective the first quarter ended 30th June, 2010, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20) has been applied.

The following is the segment information for the three months and six months ended 30th September, 2009, which has been restated to conform with the standard applied in the three months and six months ended 30th September, 2010.

*Millions of yen*

Three months ended 30th September, 2009									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others	Total	Adjustment	Consolidated	
(Unaudited)									
Sales and segment profit:									
Sales to external customers	¥4,637	¥52,348	¥23,203	¥ 2,883	¥83,071	¥2,205	¥ 85,276	¥ 85	¥85,361
Intersegment sales or transfers	8	57	1,307	14,571	15,943	828	16,771	(16,771)	–
Total sales	4,645	52,405	24,510	17,454	99,014	3,033	102,047	(16,686)	85,361
Segment profit (loss)	¥ 406	¥ 5,918	¥ 2,795	¥ 2,218	¥11,337	¥ (454)	¥ 10,883	¥ 1,254	¥12,137

*Millions of yen*

Six months ended 30th September, 2009									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others	Total	Adjustment	Consolidated	
(Unaudited)									
Sales and segment profit:									
Sales to external customers	¥8,542	¥102,173	¥45,352	¥ 5,735	¥161,802	¥4,906	¥166,708	¥ 175	¥166,883
Intersegment sales or transfers	11	94	2,374	28,803	31,282	1,663	32,945	(32,945)	–
Total sales	8,553	102,267	47,726	34,538	193,084	6,569	199,653	(32,770)	166,883
Segment profit (loss)	¥ (3)	¥ 10,793	¥ 4,751	¥ 4,520	¥ 20,061	¥ (312)	¥ 19,749	¥ 2,342	¥ 22,091

### 13. Segment Information (continued)

#### *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 three months and six months ended 30th September, 2009 is summarized as follows:

<i>Millions of yen</i>				
<b>Three months ended 30th September, 2009</b>				
<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
(Unaudited)				
Sales and operating profit:				
Sales to external customers	¥7,261	¥78,100	¥85,361	¥85,361
Intersegment sales or transfers	121	145	266	–
Total sales	7,382	78,245	85,627	85,361
Operating expenses	7,026	66,464	73,490	73,224
Operating profit (loss)	¥ 356	¥11,781	¥12,137	¥12,137

<i>Millions of yen</i>				
<b>Six months ended 30th September, 2009</b>				
<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
(Unaudited)				
Sales and operating profit:				
Sales to external customers	¥13,597	¥153,286	¥166,883	¥166,883
Intersegment sales or transfers	192	222	414	–
Total sales	13,789	153,508	167,297	166,883
Operating expenses	13,809	131,397	145,206	144,792
Operating profit (loss)	¥ (20)	¥ 22,111	¥ 22,091	¥ 22,091

#### *Geographical Segments*

Because sales in the domestic segment constituted more than 90% of total sales for the three months and six months ended 30th September, 2009, geographical segment information has not been presented.

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

#### ***Overseas Sales***

Because overseas sales constituted less than 10% of consolidated sales for the three months and six months ended 30th September, 2009, no disclosure of overseas sales has been made.

### **14. Subsequent Events**

Not applicable.