

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 June, 2010, which includes the summary, the description of business operations 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.



MEMBERSHIP
28th July, 2010

Consolidated Financial Results For the Quarterly Period Ended 30th June, 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
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Scheduled date to file Quarterly Securities Report: 30th July, 2010
 Scheduled date to commence dividend payments: –
 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 June, 2010 (from 1st April, 2010 to 30th June, 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 June, 2010	80,650	(1.1)	6,560	(34.1)	7,502	(30.9)	4,082	(33.3)
30th June, 2009	81,521	2.5	9,953	1.0	10,860	(0.5)	6,124	1.2

	Net income per share – basic	Net income per share – diluted
Quarterly period ended	Yen	Yen
30th June, 2010	20.97	19.76
30th June, 2009	31.48	29.66

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
30th June, 2010	340,746	216,861	63.3	1,107.97
31st March, 2010	363,368	220,237	60.3	1,125.63

Reference: Equity As of 30th June, 2010: ¥215,660 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	–				
Fiscal year ending 31st March, 2011 (Forecasts)		26.00	–	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
Six months ending 30th September, 2010	165,000	(1.1)	20,000	(9.5)	21,000	(6.1)	12,000	0.2	61.66
Fiscal year ending 31st March, 2011	350,000	3.4	44,000	9.8	45,000	9.9	26,000	19.0	133.59

Note: Revisions to the forecasts of financial results in the current quarter: None

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 June, 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 June, 2010 30,354,314 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 June, 2010 194,628,411 shares

Quarterly period ended 30th June, 2009 194,541,410 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

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.

1. Description of Business Operations

The NRI Group (Nomura Research Institute (the Company) and its 14 consolidated subsidiaries) and its affiliates (2 companies) engage in the following four services: “consulting services,” which is comprised of research, management consulting and system consulting, “system development & application sales,” which is comprised of system development and the sales of package software products, “system management & operation services,” which is comprised of outsourcing services, multi-user system services, and information services, and “product sales.” In addition, for the purposes of disclosing segment information, these services are categorized into four reportable segments and an “Others” category. The four reportable segments are as follows: Consulting, Financial IT Solutions, Industrial IT Solutions, and IT Platform Services.

Although the method of disclosing segments has been changed effective the first quarter ended 30th June, 2010 due to the adoption of the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information,” no significant changes have been made to the description of business operations engaged in by the NRI Group.

A description of the main business operations carried out in each segment is provided below. The Company plays a central role in each of the following segments and the consolidated subsidiaries and affiliates engage in business operations in one of the segments or in multiple segments.

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 sectors, 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.

[Main consolidated subsidiaries]

NRI Secure Technologies, Ltd., NRI Data iTech, Ltd.

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.

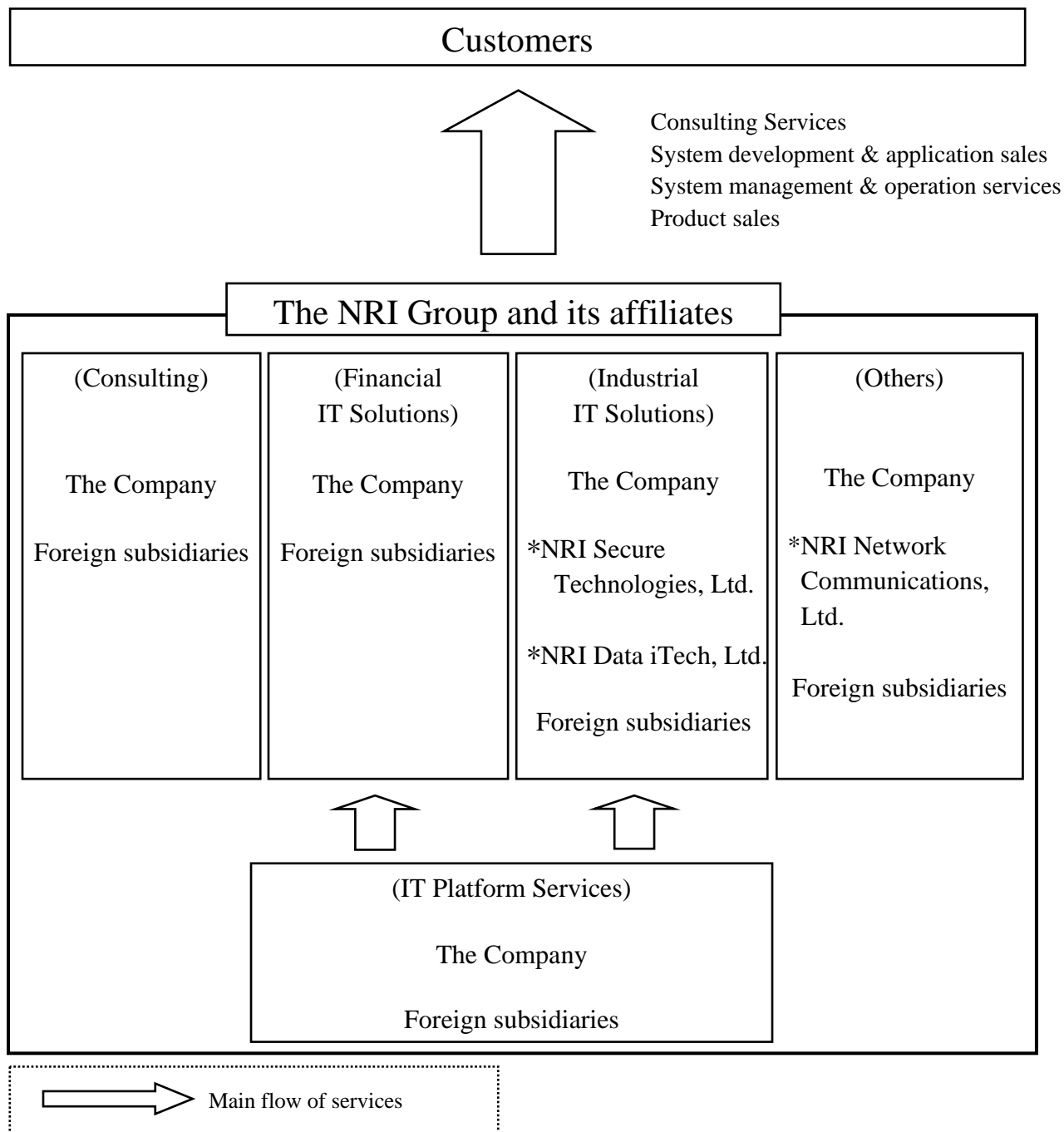
Others

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

[Main consolidated subsidiary]
NRI Network Communications, Ltd.

Other associated companies are Nomura Holdings, Inc., and Nomura Asset Management Co., Ltd. Additionally, Nomura Securities Co., Ltd., although not an associated company, is a major related party. The NRI Group and its affiliates provide consulting services, system development, system management and operation, and other services to these companies.

Above description is expressed by the business flow chart below.



- Notes: 1. Companies with * indicate major domestic subsidiaries.
2. Foreign subsidiaries engage in various businesses in each region located.
3. Nomura Holdings, Inc., and Nomura Asset Management Co., Ltd., which are other associated companies other than the above, and Nomura Securities Co., Ltd., a major related party other than companies classified as "associated companies." are included in "Customers."

2. Qualitative information regarding first-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

In the first quarter (from 1st April, 2010 to 30th June, 2010), exports and production in Japan grew against the backdrop of strong economic performance in the emerging countries and the Japanese economy followed a course of gradual recovery. Although there seems to be a recovery in the number of companies planning to invest in information systems, actual investment was lower than the previous fiscal year and a severe business environment continues for the information services industry. 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. Sales (sales to external customers) fell year on year in all segments except Financial IT Solutions and overall, it was about level, resulting in ¥80,650 million (down 1.1% from the same period of the previous fiscal year). Despite a decrease in subcontracting costs, cost of sales was ¥60,041 million (up 3.3%), mainly as a result of an increase in costs associated with strategic projects aimed at strengthening the business platform. Gross profit was ¥20,609 million (down 11.9%). Selling, general and administrative expenses were ¥14,048 million (up 4.5%) because of costs associated with office expansion and an increase in personnel expenses. Operating profit was ¥6,560 million (down 34.1%), ordinary profit was ¥7,502 million (down 30.9%) and net income was ¥4,082 million (down 33.3%).

Segment information

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

Consulting

Impacted by the weak economy, both management consulting projects and system consulting projects decreased. As a result, the Consulting segment posted sales of ¥3,726 million (down 4.6% from the same period of the previous fiscal year) and operating loss of ¥632 million (compared with an operating loss of ¥409 million in the same period of the previous fiscal year).

Financial IT Solutions

In terms of sales, development projects to the securities sector decreased but this was offset by an increase in development projects and system application sales to the banking and insurance sectors. 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 business platform. As a result, the Financial IT Solutions segment posted sales of ¥50,899 million (up 2.1% from the same period of the previous fiscal year) and operating profit of ¥3,678 million (down 24.6%).

Industrial IT Solutions

In terms of sales, although there was an increase in development projects for the distribution sector, development projects and product sales for the manufacturing and service sectors declined. On the cost front, there was an increase in costs associated with strategic projects aimed at strengthening the business platform.

As a result, Industrial IT Solutions segment posted sales of ¥22,023 million (down 5.1% from the same period of the previous fiscal year) and operating loss of ¥202 million (compared with an operating profit of ¥1,956 million in the same period of the previous fiscal year).

IT Platform Services

In terms of sales, both sales to external customers and intersegment sales were about level. On the cost front, there were decreases in subcontracting costs and depreciation and amortization. As a result, IT Platform Services segment posted sales of ¥16,967 million (down 0.7% from the same period of the previous fiscal year) and operating profit of ¥2,620 million (up 13.8%).

Others

Others posted sales of ¥2,967 million (down 16.1% from the same period of the previous fiscal year) and operating profit of ¥115 million (down 18.3%).

(2) Qualitative information regarding consolidated financial position

Analysis of financial position

At the end of the first quarter (30th June, 2010), current assets were ¥121,751 million (down 11.6% from the end of the previous fiscal year), noncurrent assets were ¥218,995 million (down 2.9%), current liabilities were ¥50,750 million (down 24.5%), noncurrent liabilities were ¥73,135 million (down 3.7%), total net assets were ¥216,861 million (down 1.5%) and total assets were ¥340,746 million (down 6.2%).

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

While accounts receivable and accounts payable decreased by ¥27,520 million and ¥10,656 million, respectively, other receivables increased by ¥10,761 million. Income taxes payable and provision for bonuses decreased by ¥6,430 million and ¥5,548 million, respectively, as a result of making respective payments. Investment securities decreased by ¥3,616 million due to the fall in the share prices of shares held by the NRI Group.

Cash flow position

Net cash provided by operating activities in the first quarter was ¥10,933 million (down 30.4% from the same period of the previous fiscal year). The major contributing factors were as follows. Income before income taxes and minority interests was ¥7,185 million (down 32.0%), depreciation and amortization was ¥7,633 million (up 12.7%) and a decrease in accounts receivable and other receivables was ¥18,249 million (down 17.4%).

Net cash used in investing activities was ¥13,678 million (up 345.3%). The contributing factors included the acquisition of property and equipment such as machinery and equipment at data centers and office facilities, an increase in software and other intangibles related to development of multi-user systems, and an increase in short-term investment securities.

Net cash used in financing activities was ¥5,054 million (down 0.6%) mainly due to the payment of cash dividends.

As a result of the above, cash and cash equivalents at the end of the first quarter was ¥51,751 million (up 45.2% from the end of the same period of the previous fiscal year).

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Quarterly Period Ended 30th June, 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 June, 2010

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	30th June, 2010	31st March, 2010	30th June, 2010
	(Unaudited)		(Unaudited)
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 7</i>)	¥ 12,430	¥ 15,056	\$ 140,420
Short-term investment securities (<i>Notes 4, 5 and 7</i>)	46,323	44,720	523,305
Accounts receivable and other receivables (<i>Note 4</i>)	51,274	68,033	579,236
Inventories	592	432	6,688
Deferred income taxes	7,268	7,268	82,106
Other current assets	3,915	2,305	44,228
Allowance for doubtful accounts	(51)	(70)	(576)
Total current assets	121,751	137,744	1,375,407
Property and equipment:			
Land	12,323	12,323	139,211
Buildings, net	31,968	32,376	361,139
Machinery and equipment, net	13,798	14,231	155,875
Leased assets, net	24	35	271
Property and equipment, net	58,113	58,965	656,496
Software and other intangibles	65,474	68,319	739,652
Investment securities (<i>Notes 4 and 5</i>)	50,083	53,699	565,782
Investments in affiliates (<i>Notes 4 and 5</i>)	1,296	1,604	14,641
Deferred income taxes	20,745	19,238	234,354
Long-term loans receivable (<i>Note 4</i>)	7,621	7,593	86,094
Lease investment assets	479	534	5,411
Other assets	15,267	15,792	172,468
Allowance for doubtful accounts	(82)	(120)	(926)
Total assets	<u>¥340,747</u>	<u>¥363,368</u>	<u>\$3,849,379</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	30th June, 2010	31st March, 2010	30th June, 2010
	(Unaudited)		(Unaudited)
Liabilities and net assets			
Current liabilities:			
Accounts payable (<i>Note 4</i>)	¥ 13,499	¥ 24,155	\$ 152,497
Lease obligations	251	293	2,836
Accrued expenses	15,729	16,628	177,689
Income taxes payable	3,449	9,879	38,963
Asset retirement obligations	61	–	689
Other current liabilities	17,761	16,240	200,643
Total current liabilities	50,750	67,195	573,317
Convertible bonds (<i>Note 4</i>)	49,997	49,997	564,810
Lease obligations	289	328	3,265
Long-term accrued expenses	–	1,458	–
Deferred income taxes	1	1	11
Allowance for employees' retirement benefits	22,250	24,152	251,356
Asset retirement obligations	599	–	6,767
Net assets (<i>Notes 6 and 8</i>):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 30th June, 2010 and 31st March, 2010			
Issued – 225,000,000 shares at 30th June, 2010 and 31st March, 2010	18,600	18,600	210,122
Additional paid-in capital	15,022	15,018	169,702
Retained earnings	250,822	251,800	2,833,507
Treasury stock, at cost			
– 30,354,314 shares at 30th June, 2010 and 30,378,314 shares at 31st March, 2010	(72,469)	(72,526)	(818,674)
Total shareholders' equity	211,975	212,892	2,394,657
Valuation and translation adjustments:			
Unrealized gain on other securities (<i>Note 5</i>)	6,192	8,436	69,950
Translation adjustments	(2,507)	(2,256)	(28,321)
Total valuation and translation adjustments	3,685	6,180	41,629
Share subscription rights (<i>Note 12</i>)	1,201	1,155	13,567
Minority interests	–	10	–
Total net assets	216,861	220,237	2,449,853
Total liabilities and net assets	¥340,747	¥363,368	\$3,849,379

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Three months ended 30th June,		Three months ended 30th June,
	2010	2009	2010
	(Unaudited)	(Unaudited)	(Unaudited)
Sales	¥80,651	¥81,521	\$911,105
Cost of sales	60,041	58,129	678,276
Gross profit	20,610	23,392	232,829
Selling, general and administrative expenses <i>(Notes 9 and 10)</i>	14,049	13,439	158,710
Operating profit	6,561	9,953	74,119
Other income (expenses):			
Interest and dividend income	1,065	904	12,031
Equity in losses of affiliates	(42)	(57)	(474)
Interest expense	(4)	(6)	(45)
Loss on investment securities	(9)	(306)	(102)
Impact of applying accounting standard for asset retirement obligations	(364)	–	(4,112)
Other, net	(21)	76	(237)
	625	611	7,061
Income before income taxes and minority interests	7,186	10,564	81,180
Provision for income taxes <i>(Note 2)</i>	3,102	4,444	35,043
Income before minority interests	4,084	6,120	46,137
Minority interests in gain (loss)	2	(5)	23
Net income <i>(Note 8)</i>	¥ 4,082	¥ 6,125	\$ 46,114

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					
	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
Balance at 31st March, 2010	¥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	-	-	-	57	57	-	-	-	-	-	57
Net income	-	-	4,082	-	4,082	-	-	-	-	-	4,082
Cash dividends paid	-	-	(5,060)	-	(5,060)	-	-	-	-	-	(5,060)
Gain on disposition of treasury stock	-	4	-	-	4	-	-	-	-	-	4
Net changes other than in shareholders' equity	-	-	-	-	-	(2,244)	(251)	(2,495)	46	(10)	(2,459)
Balance at 30th June, 2010 (unaudited)	¥18,600	¥15,022	¥250,822	¥(72,469)	¥211,975	¥ 6,192	¥(2,507)	¥ 3,685	¥1,201	¥ -	¥216,861

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
Balance at 31st March, 2009	¥18,600	¥14,975	¥240,061	¥(72,753)	¥200,883	¥ 5,851	¥(2,159)	¥3,692	¥892	¥ -	¥205,467
Purchases of treasury stock	-	-	-	-	-	-	-	-	-	-	-
Disposition of treasury stock	-	-	-	57	57	-	-	-	-	-	57
Net income	-	-	6,125	-	6,125	-	-	-	-	-	6,125
Cash dividends paid	-	-	(5,058)	-	(5,058)	-	-	-	-	-	(5,058)
Gain on disposition of treasury stock	-	29	-	-	29	-	-	-	-	-	29
Net changes other than in shareholders' equity	-	-	-	-	-	4,909	140	5,049	64	10	5,123
Balance at 30th June, 2009 (unaudited)	¥18,600	¥15,004	¥241,128	¥(72,696)	¥202,036	¥10,760	¥(2,019)	¥8,741	¥956	¥10	¥211,743

Thousands of U.S. dollars (Note 3)

	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
Balance at 31st March, 2010	\$210,122	\$169,657	\$2,844,555	\$(819,318)	\$2,405,016	\$ 95,300	\$(25,485)	\$ 69,815	\$13,048	\$ 113	\$2,487,992
Purchases of treasury stock	-	-	-	-	-	-	-	-	-	-	-
Disposition of treasury stock	-	-	-	644	644	-	-	-	-	-	644
Net income	-	-	46,114	-	46,114	-	-	-	-	-	46,114
Cash dividends paid	-	-	(57,162)	-	(57,162)	-	-	-	-	-	(57,162)
Gain on disposition of treasury stock	-	45	-	-	45	-	-	-	-	-	45
Net changes other than in shareholders' equity	-	-	-	-	-	(25,350)	(2,836)	(28,186)	519	(113)	(27,780)
Balance at 30th June, 2010 (unaudited)	\$210,122	\$169,702	\$2,833,507	\$(818,674)	\$2,394,657	\$ 69,950	\$(28,321)	\$ 41,629	\$13,567	\$ -	\$2,449,853

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Three months ended 30th June, 2010	2009	Three months ended 30th June, 2010
	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 7,186	¥ 10,564	\$ 81,180
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	7,634	6,774	86,240
Interest and dividend income	(1,065)	(904)	(12,031)
Interest expense	4	6	45
Loss on investment securities	9	306	102
Impact of applying accounting standard for asset retirement obligations	364	–	4,112
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	18,249	22,087	206,157
Allowance for doubtful accounts	(57)	(17)	(644)
Accounts payable	(7,340)	(10,405)	(82,919)
Inventories	(160)	(127)	(1,808)
Allowance for employees' retirement benefits and welfare pension plan	(1,902)	(39)	(21,487)
Other	(3,652)	(1,610)	(41,256)
Subtotal	19,270	26,635	217,691
Interest and dividends received	1,056	984	11,930
Interest paid	(4)	(6)	(45)
Income taxes paid	(9,388)	(11,913)	(106,056)
Net cash provided by operating activities	10,934	15,700	123,520
Cash flows from investing activities			
Proceeds from time deposits	–	3,562	–
Increase in short-term investment securities	(7,024)	–	(79,349)
Acquisition of property and equipment	(4,311)	(3,721)	(48,701)
Proceeds from sales of property and equipment	–	2	–
Increase in software and other intangibles	(2,417)	(5,373)	(27,305)
Proceeds from sales of software and other intangibles	–	1	–
Increase in investment securities	(3)	(253)	(34)
Proceeds from sales and redemption of investment securities	80	2,031	904
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	–	665	–
Increase in investments in affiliates	(15)	–	(169)
Other	11	14	124
Net cash used in investing activities	(13,679)	(3,072)	(154,530)
Cash flows from financing activities			
Increase in short-term loans payable	3,500	4,000	39,539
Decrease in short-term loans payable	(3,500)	(4,000)	(39,539)
Repayment of obligation under finance leases	(27)	(73)	(305)
Cash dividends paid	(5,028)	(5,010)	(56,801)
Net cash used in financing activities	(5,055)	(5,083)	(57,106)
Effect of exchange rate changes on cash and cash equivalents	(225)	(132)	(2,541)
Net increase (decrease) in cash and cash equivalents	(8,025)	7,413	(90,657)
Cash and cash equivalents at beginning of period	59,776	28,229	675,283
Cash and cash equivalents at end of period (Note 7)	¥ 51,751	¥ 35,642	\$ 584,626

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

30th June, 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 14 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.

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 first quarter ended 30th June, 2010 increased by ¥18 million (\$203 thousand) and income before income taxes and minority interests decreased by ¥346 million (\$3,909 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 (\$7,897 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 statement of income for the first quarter ended 30th June, 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 ¥88.52 = U.S.\$1.00, the rate of exchange prevailing on 30th June, 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 June, 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>					
	30th June, 2010			31st March, 2010		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
	(Unaudited)					
Assets:						
Cash and bank deposits	¥ 12,430	¥ 12,430	¥ –	¥ 15,056	¥ 15,056	¥ –
Accounts receivable and other receivables	51,274	51,274	–	68,033	68,033	–
Short-term investment securities, investment securities, and investments in affiliates	81,931	81,931	–	84,092	84,092	–
Long-term loans receivable	7,621	8,112	491	7,593	7,911	318
Total	¥153,256	¥153,747	¥ 491	¥174,774	¥175,092	¥ 318
Liabilities:						
Accounts payable	¥ 13,499	¥ 13,499	¥ –	¥ 24,155	¥ 24,155	¥ –
Convertible bonds	49,997	48,447	(1,550)	49,997	47,897	(2,100)
Total	¥ 63,496	¥ 61,946	¥(1,550)	¥ 74,152	¥ 72,052	¥(2,100)

	<i>Thousands of U.S. dollars</i>		
	30th June, 2010		
	Carrying amount	Estimated fair value	Difference
	(Unaudited)		
Assets:			
Cash and bank deposits	\$ 140,420	\$ 140,420	\$ –
Accounts receivable and other receivables	579,236	579,236	–
Short-term investment securities, investment securities, and investments in affiliates	925,565	925,565	–
Long-term loans receivable	86,094	91,641	5,547
Total	\$1,731,315	\$1,736,862	\$ 5,547
Liabilities:			
Accounts payable	\$ 152,497	\$ 152,497	\$ –
Convertible bonds	564,810	547,300	(17,510)
Total	\$ 717,307	\$ 699,797	\$(17,510)

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>	
	30th June, 2010	31st March, 2010
	<i>(Unaudited)</i>	
Unlisted companies' shares	¥15,336	¥15,471
Investments in partnerships	435	460
	<i>Thousands of U.S. dollars</i>	
	30th June, 2010	
	<i>(Unaudited)</i>	
Unlisted companies' shares	\$173,249	
Investments in partnerships	4,914	

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 ¥807 million (\$9,117 thousand) and ¥915 million as of 30th June, 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 June, 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 June, 2010 and 31st March, 2010:

Securities classified as other securities with fair value

	<i>Millions of yen</i>					
	30th June, 2010			31st March, 2010		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥10,994	¥21,549	¥10,555	¥10,991	¥25,310	¥14,319
Debt securities:		(Unaudited)				
Corporate debt securities	20,534	20,561	27	14,015	14,062	47
	20,534	20,561	27	14,015	14,062	47
Other	39,821	39,821	–	44,720	44,720	–
Total	¥71,349	¥81,931	¥10,582	¥69,726	¥84,092	¥14,366

	<i>Thousands of U.S. dollars</i>		
	30th June, 2010		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$124,198	\$243,437	\$119,239
Debt securities:		(Unaudited)	
Corporate debt securities	231,970	232,275	305
	231,970	232,275	305
Other	449,853	449,853	–
Total	\$806,021	\$925,565	\$119,544

Impairment loss on the securities whose fair value is determinable, classified as other securities as a result of a permanent decline in value for three months ended 30th June, 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 (\$6,439 thousand) and ¥570 million at 30th June, 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 June, 2010 and 31st March, 2010 are summarized as follows:

	30th June, 2010		31st March, 2010	
	Shares in issue	Treasury stock	Shares in issue	Treasury stock
	(Unaudited)			
Number of shares	225,000,000	30,354,314	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:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 14th May, 2010 (¥26 = U.S.\$0.29 per share)	¥5,060	\$57,162

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 June, 2010 and 2009 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	30th June,		30th June,
	2010	2009	2010
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥12,430	¥14,672	\$140,420
Short-term investment securities	46,323	23,772	523,305
Time deposits with maturities of more than three months when deposited	–	(2,802)	–
Bonds and other investments maturing in more than three months from the acquisition date	(7,002)	–	(79,099)
Cash and cash equivalents	<u>¥51,751</u>	<u>¥35,642</u>	<u>\$584,626</u>

8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	Three months ended 30th June,		Three months ended 30th June,
	2010	2009	2010
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥20.97	¥31.48	\$0.24
Earnings per share – diluted	19.76	29.66	0.22

	<i>Yen</i>		<i>U.S. dollars</i>
	30th June, 2010	31st March, 2010	30th June, 2010
	(Unaudited)		(Unaudited)
Net assets per share	¥1,107.97	¥1,125.63	\$12.52

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 ended 30th June, 2010 and 2009 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Three months ended 30th June,		Three months ended 30th June,
	2010	2009	2010
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥4,082	¥6,125	\$46,114
Earnings not available to common shareholders	(-)	(-)	(-)
Earnings available to common shareholders	¥4,082	¥6,125	\$46,114
<i>Thousands of Shares</i>			
Denominator:			
Weighted-average number of shares of common stock outstanding – basic	194,629	194,541	194,629
Potentially dilutive shares of common stock – Convertible bond	11,836	11,836	11,836
Potentially dilutive shares of common stock – Stock option	131	105	131
Weighted-average number of shares of common stock outstanding – diluted	206,596	206,482	206,596

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 ended 30th June, 2010 and 2009:

	<i>Shares</i>	
	Three months ended 30th June,	
	2010	2009
	(Unaudited)	
a) 3rd share subscription rights	–	39,000
b) 4th share subscription rights	0 *	224,500
c) 6th share subscription rights	367,500	392,500
d) 8th share subscription rights	415,000	415,000
e) 10th share subscription rights	417,500	417,500

* The exercise period ended 30th June, 2010.

8. Per Share Data (continued)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	30th June, 2010	31st March, 2010	30th June, 2010
	(Unaudited)		(Unaudited)
Numerator:			
Net assets	¥216,861	¥220,237	\$2,449,853
Share subscription rights	(1,201)	(1,155)	(13,567)
Minority interests	(-)	(10)	(-)
Net assets attributable to common stock	<u>¥215,660</u>	<u>¥219,072</u>	<u>\$2,436,286</u>
<i>Thousands of shares</i>			
Denominator:			
Number of shares of common stock outstanding	194,646	194,622	194,646

9. Selling, General and Administrative Expenses

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Three months ended 30th June, 2010	2009	Three months ended 30th June, 2010
	(Unaudited)		(Unaudited)
Personnel expenses	¥ 7,704	¥ 7,526	\$ 87,031
Rent	1,249	1,095	14,110
Subcontractor costs	1,528	1,596	17,262
Other	3,568	3,222	40,307
Total	<u>¥14,049</u>	<u>¥13,439</u>	<u>\$158,710</u>

10. Research and Development Costs

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

<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
Three months ended 30th June,		Three months ended 30th June,
2010	2009	2010
(Unaudited)		(Unaudited)
¥681	¥732	\$7,693

11. Contingent Liabilities

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

12. Stock Option Plans

For the three months ended 30th June, 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>
	Three months ended 30th June,		Three months ended 30th June,
	2010	2009	2010
	(Unaudited)		(Unaudited)
Cost of sales	¥ 44	¥ 66	\$ 497
Selling, general and administrative expenses	63	85	712
	<u>¥107</u>	<u>¥151</u>	<u>\$1,209</u>

No stock options were granted in three months ended 30th June, 2010.

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 June, 2010									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3	
Consulting									
(Unaudited)									
Sales and segment profit:									
Sales to external customers	¥3,704	¥50,884	¥20,982	¥ 2,820	¥78,390	¥2,182	¥80,572	¥ 79	¥80,651
Intersegment sales or transfers	22	16	1,042	14,147	15,227	785	16,012	(16,012)	–
Total sales	3,726	50,900	22,024	16,967	93,617	2,967	96,584	(15,933)	80,651
Segment profit (loss)	¥ (632)	¥ 3,678	¥ (203)	¥ 2,620	¥ 5,463	¥ 116	¥ 5,579	¥ 982	¥ 6,561

*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 June, 2010									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others	Total	Adjustment	Consolidated	
Consulting									
(Unaudited)									
Sales and segment profit:									
Sales to external customers	\$41,843	\$574,830	\$237,032	\$ 31,857	\$ 885,562	\$24,650	\$ 910,212	\$ 893	\$911,105
Intersegment sales or transfers	249	181	11,771	159,817	172,018	8,868	180,886	(180,886)	–
Total sales	42,092	575,011	248,803	191,674	1,057,580	33,518	1,091,098	(179,993)	911,105
Segment profit (loss)	\$ (7,140)	\$ 41,550	\$ (2,293)	\$ 29,598	\$ 61,715	\$ 1,310	\$ 63,025	\$ 11,094	\$ 74,119

(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 ended 30th June, 2009, which has been restated to conform with the standard applied in the three months ended 30th June, 2010.

13. Segment Information (continued)

Segment Information (continued)

Millions of yen

Three months ended 30th June, 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	¥3,905	¥49,826	¥22,148	¥ 2,851	¥78,730	¥2,702	¥81,432	¥ 89	¥81,521
Intersegment sales or transfers	2	37	1,067	14,233	15,339	834	16,173	(16,173)	–
Total sales	3,907	49,863	23,215	17,084	94,069	3,536	97,605	(16,084)	81,521
Segment profit (loss)	¥ (410)	¥ 4,876	¥ 1,957	¥ 2,302	¥ 8,725	¥ 141	¥ 8,866	¥ 1,087	¥ 9,953

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 ended 30th June, 2009 is summarized as follows:

Millions of yen

Three months ended 30th June, 2009					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
(Unaudited)					
Sales and operating profit:					
Sales to external customers	¥6,336	¥75,185	¥81,521	¥ –	¥81,521
Intersegment sales or transfers	71	78	149	(149)	–
Total sales	6,407	75,263	81,670	(149)	81,521
Operating expenses	6,784	64,933	71,717	(149)	71,568
Operating profit (loss)	¥ (377)	¥10,330	¥ 9,953	¥ –	¥ 9,953

Geographical Segments

Because sales in the domestic segment constituted more than 90% of total sales for the three months ended 30th June, 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 ended 30th June, 2009, no disclosure of overseas sales has been made.

14. Subsequent Events

Not applicable.