

Consolidated Financial Statements

Nomura Research Institute, Ltd.

*At 31st March, 2002 and 2003 and
for the years ended 31st March, 2001, 2002 and 2003 with
Report of Independent Certified Public Accountants
and
At 30th September, 2003 and for the six months ended
30th September, 2002 and 2003 (unaudited)*

Nomura Research Institute, Ltd.

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Report of Independent Certified Public Accountants

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

We have audited the accompanying consolidated balance sheets of Nomura Research Institute, Ltd. and its consolidated subsidiaries as of 31st March, 2002 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended 31st March, 2003, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries at 31st March, 2002 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended 31st March, 2003 in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 1, Nomura Research Institute, Ltd. and its consolidated subsidiaries adopted new accounting standards for financial instruments and employees' retirement benefits in the preparation of their consolidated financial statements for the year ended 31st March, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.



24th June, 2003

See Note 1 which explains the basis of preparation of the consolidated financial statements of Nomura Research Institute, Ltd. under Japanese accounting principles and practices.

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	(Millions of yen)			(Thousands of U.S. dollars)	
	31st March,		30th September,	31st March,	
	2002	2003	2003	2003	2003
			(Unaudited)		(Unaudited)
Assets					
Current assets:					
Cash and bank deposits (Note 14)	¥ 33,181	¥ 26,739	¥ 17,220	\$ 240,351	\$ 154,787
Short-term investment securities (Notes 3 and 14)	62,022	62,021	72,426	557,491	651,020
Accounts receivable and other receivables (Notes 5 and 20)	43,998	42,000	47,801	377,528	429,672
Inventories	215	254	297	2,283	2,670
Deferred income taxes (Note 12)	3,385	3,459	3,862	31,092	34,715
Other current assets	927	1,105	1,512	9,933	13,589
Allowance for doubtful accounts	(84)	(40)	(47)	(360)	(422)
Total current assets	<u>143,644</u>	<u>135,538</u>	<u>143,071</u>	<u>1,218,318</u>	<u>1,286,031</u>
Property and equipment (Notes 6 and 8):					
Land	7,635	7,635	7,636	68,629	68,638
Buildings, net	12,931	12,365	11,913	111,146	107,083
Machinery and equipment, net	11,256	10,274	9,756	92,351	87,695
Property and equipment, net	<u>31,822</u>	<u>30,274</u>	<u>29,305</u>	<u>272,126</u>	<u>263,416</u>
Software and other intangibles					
Software and other intangibles	25,736	33,817	35,466	303,973	318,796
Investment securities (Notes 3 and 20)	75,921	33,767	62,647	303,524	563,119
Investments in affiliates (Note 3)	8,748	8,781	3,527	78,930	31,703
Deferred income taxes (Note 12)	1,075	1,248	1,233	11,218	11,083
Other assets (Notes 7 and 20)	12,951	13,410	11,990	120,541	107,775
Allowance for doubtful accounts	(4)	(37)	(18)	(333)	(162)
Total assets	<u>¥299,893</u>	<u>¥256,798</u>	<u>¥287,221</u>	<u>\$2,308,297</u>	<u>\$2,581,762</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>	
	<i>(Note 2)</i>		30th September, 2003	<i>(Note 2)</i>	
	31st March, 2002	2003		31st March, 2003	30th September, 2003
			(Unaudited)	(Unaudited)	
Liabilities and shareholders' equity					
Current liabilities:					
Long-term debt due within one year <i>(Notes 8 and 9)</i>	¥ 608	¥ 608	¥ 408	\$ 5,465	\$ 3,667
Accounts payable	28,748	21,313	19,879	191,578	178,688
Accrued expenses	10,134	9,325	10,120	83,820	90,966
Income taxes payable	8,496	5,128	6,434	46,094	57,834
Other current liabilities	5,045	4,107	3,975	36,917	35,731
Total current liabilities	53,031	40,481	40,816	363,874	366,886
Long-term debt <i>(Notes 8 and 9)</i>	2,918	2,310	2,206	20,764	19,829
Allowance for employees' retirement benefits <i>(Note 10)</i>	21,754	22,277	22,672	200,243	203,793
Deferred income taxes <i>(Note 12)</i>	21,510	5,554	15,454	49,924	138,912
Other long-term liabilities <i>(Notes 11 and 20)</i>	5,116	826	839	7,425	7,542
Commitments and contingent liabilities <i>(Note 21)</i>					
Shareholders' equity <i>(Notes 13, 15 and 20):</i>					
Common stock					
Authorised – 150,000,000 shares at 31st March, 2002 and 31st March, 2003 and 30th September, 2003, respectively					
Issued – 45,000,000 shares at 31st March, 2002 and 31st March, 2003 and 30th September, 2003, respectively	18,600	18,600	18,600	167,191	167,191
Additional paid-in capital	14,800	14,800	14,800	133,034	133,034
Retained earnings	126,136	140,334	147,043	1,261,429	1,321,735
Unrealised gain on other securities <i>(Note 3)</i>	35,593	11,799	25,480	106,058	229,033
Translation adjustments	437	(181)	(687)	(1,627)	(6,175)
Treasury stock, at cost					
– 100 shares at 31st March, 2002 and 31st March, 2003 and 30th September, 2003, respectively	(2)	(2)	(2)	(18)	(18)
Total shareholders' equity	195,564	185,350	205,234	1,666,067	1,844,800
Total liabilities and shareholders' equity	¥299,893	¥256,798	¥287,221	\$2,308,297	\$2,581,762

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Income

	<i>Millions of yen</i>					<i>Thousands of U.S. dollars (Note 2)</i>	
	Year ended 31st March,			Six months ended 30th September,		Year ended 31st March,	Six months ended 30th September,
	2001	2002	2003	2002	2003	2003	2003
				(Unaudited)			(Unaudited)
Sales (<i>Note 20</i>)	¥217,984	¥236,569	¥232,744	¥113,774	¥113,309	\$2,092,081	\$1,018,508
Cost of sales (<i>Note 20</i>)	160,643	173,636	173,545	84,628	85,150	1,559,955	765,393
Gross profit	57,341	62,933	59,199	29,146	28,159	532,126	253,115
Selling, general and administrative expenses (<i>Notes 17, 18 and 20</i>)	29,498	32,568	32,035	15,967	16,052	287,955	144,288
Operating profit	27,843	30,365	27,164	13,179	12,107	244,171	108,827
Other income (expenses):							
Interest and dividend income (<i>Note 20</i>)	3,368	2,385	343	109	104	3,083	935
Equity in earnings of affiliates	350	297	168	79	221	1,510	1,987
Interest expense (<i>Note 9</i>)	(140)	(135)	(99)	(51)	(44)	(890)	(396)
Loss on property and equipment (<i>Note 20</i>)	(5,456)	(320)	(638)	(57)	(100)	(5,735)	(899)
(Loss) gain on investment securities (<i>Notes 3, 19 and 20</i>)	25,437	(516)	(166)	(121)	(41)	(1,492)	(369)
Gain on investments in affiliates (<i>Note 19</i>)	–	–	542	542	1,751	4,872	15,739
Provision for net retirement benefit obligation at transition (<i>Note 10</i>)	(344)	–	–	–	–	–	–
Actuarial loss (<i>Notes 10 and 19</i>)	(6,122)	(1,195)	(6,942)	–	–	(62,400)	–
Provision for the welfare pension plan (<i>Note 10</i>)	(974)	–	–	–	–	–	–
Reversal of allowance for the welfare pension plan (<i>Notes 10 and 19</i>)	–	8,147	–	–	–	–	–
Gain on securities contributed to an employee retirement benefit trust (<i>Notes 3, 10, 14 and 19</i>)	–	–	6,736	–	–	60,548	–
Other, net	(333)	(18)	69	52	56	621	504
Income before income taxes	15,786	8,645	13	553	1,947	117	17,501
	43,629	39,010	27,177	13,732	14,054	244,288	126,328
Provision for income taxes (<i>Note 12</i>):							
Current	22,129	11,426	10,687	4,685	6,558	96,063	58,948
Deferred	(3,882)	5,220	1,031	1,149	(396)	9,267	(3,559)
	18,247	16,646	11,718	5,834	6,162	105,330	55,389
Net income (<i>Note 15</i>)	¥ 25,382	¥ 22,364	¥ 15,459	¥ 7,898	¥ 7,892	\$ 138,958	\$ 70,939

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Shareholders' Equity

	<i>Millions of yen</i>						
	Common stock	Additional paid-in capital	Retained earnings	Unrealised gain on other securities	Translation adjustments	Treasury stock	Total shareholders' equity
Balance at							
31st March, 2000	¥10,100	¥ 2,400	¥79,337	¥ –	¥ –	¥–	¥ 91,837
Net income	–	–	25,382	–	–	–	25,382
Cash dividends paid	–	–	(215)	–	–	–	(215)
Bonuses to directors and statutory auditors	–	–	(214)	–	–	–	(214)
Unrealised gain on other securities	–	–	–	48,518	–	–	48,518
Translation adjustments	–	–	–	–	(136)	–	(136)
Balance at							
31st March, 2001	10,100	2,400	104,290	48,518	(136)	–	165,172
Issuance of 2,000,000 new shares	8,500	12,400	–	–	–	–	20,900
Purchase of treasury stock	–	–	–	–	–	(2)	(2)
Net income	–	–	22,364	–	–	–	22,364
Cash dividends paid	–	–	(215)	–	–	–	(215)
Bonuses to directors and statutory auditors	–	–	(303)	–	–	–	(303)
Unrealised gain on other securities	–	–	–	(12,925)	–	–	(12,925)
Translation adjustments	–	–	–	–	573	–	573
Balance at							
31st March, 2002	18,600	14,800	126,136	35,593	437	(2)	195,564
Net income	–	–	15,459	–	–	–	15,459
Cash dividends paid	–	–	(900)	–	–	–	(900)
Bonuses to directors and statutory auditors	–	–	(361)	–	–	–	(361)
Unrealised gain on other securities	–	–	–	(23,794)	–	–	(23,794)
Translation adjustments	–	–	–	–	(618)	–	(618)
Balance at							
31st March, 2003	¥18,600	¥14,800	¥140,334	¥ 11,799	¥(181)	¥(2)	¥185,350

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Shareholders' Equity (continued)

Thousands of U.S. dollars (Note 2)

	Common stock	Additional paid-in capital	Retained earnings	Unrealised gain on other securities	Translation adjustments	Treasury stock	Total shareholders' equity
Balance at 31st March, 2002	\$167,191	\$133,034	\$1,133,807	\$ 319,937	\$ 3,928	\$(18)	\$1,757,879
Net income	–	–	138,958	–	–	–	138,958
Cash dividends paid	–	–	(8,090)	–	–	–	(8,090)
Bonuses to directors and statutory auditors	–	–	(3,246)	–	–	–	(3,246)
Unrealised gain on other securities	–	–	–	(213,879)	–	–	(213,879)
Translation adjustments	–	–	–	–	(5,555)	–	(5,555)
Balance at 31st March, 2003	<u>\$167,191</u>	<u>\$133,034</u>	<u>\$1,261,429</u>	<u>\$ 106,058</u>	<u>\$(1,627)</u>	<u>\$(18)</u>	<u>\$1,666,067</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Millions of yen

	Common stock	Additional paid-in capital	Retained earnings	Unrealised gain on other securities	Translation adjustments	Treasury stock	Total shareholders' equity
Balance at							
31st March, 2003	¥18,600	¥14,800	¥140,334	¥11,799	¥(181)	¥(2)	¥185,350
Net income	–	–	7,892	–	–	–	7,892
Cash dividends paid	–	–	(900)	–	–	–	(900)
Bonuses to directors and statutory auditors	–	–	(283)	–	–	–	(283)
Unrealised gain on other securities	–	–	–	13,681	–	–	13,681
Translation adjustments	–	–	–	–	(506)	–	(506)
Balance at							
30th September, 2003	¥18,600	¥14,800	¥147,043	¥25,480	¥(687)	¥(2)	¥205,234

Thousands of U.S. dollars (Note 2)

	Common stock	Additional paid-in capital	Retained earnings	Unrealised gain on other securities	Translation adjustments	Treasury stock	Total shareholders' equity
Balance at							
31st March, 2003	\$167,191	\$133,034	\$1,261,429	\$106,058	\$(1,627)	\$(18)	\$1,666,067
Net income	–	–	70,939	–	–	–	70,939
Cash dividends paid	–	–	(8,090)	–	–	–	(8,090)
Bonuses to directors and statutory auditors	–	–	(2,543)	–	–	–	(2,543)
Unrealised gain on other securities	–	–	–	122,975	–	–	122,975
Translation adjustments	–	–	–	–	(4,548)	–	(4,548)
Balance at							
30th September, 2003	\$167,191	\$133,034	\$1,321,735	\$229,033	\$(6,175)	\$(18)	\$1,844,800

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>			
	Year ended 31st March,			Six months ended 30th September,		Year ended 31st March,	Six months ended 30th September,
	2001	2002	2003	2002	2003	2003	2003
				(Unaudited)			(Unaudited)
Cash flows from operating activities							
Income before income taxes	¥ 43,629	¥ 39,010	¥ 27,177	¥ 13,732	¥ 14,054	\$ 244,288	\$ 126,328
Adjustments to reconcile income before income taxes to net cash provided by operating activities:							
Depreciation and amortisation	13,660	12,420	13,244	5,744	6,270	119,047	56,360
Interest and dividend income	(3,368)	(2,385)	(343)	(109)	(104)	(3,083)	(935)
Interest expense	140	135	99	51	44	890	396
Loss on property and equipment	5,456	320	638	57	100	5,735	899
Loss (gain) on investment securities	(25,437)	516	166	121	41	1,492	369
Gain on investments in affiliates	-	-	(542)	(542)	(1,751)	(4,872)	(15,739)
Changes in operating assets and liabilities:							
Accounts receivable and other receivables, net of advance payments received	(2,501)	(9,976)	1,644	1,616	(5,819)	14,778	(52,306)
Allowance for doubtful accounts	(29)	(5)	(11)	(35)	(12)	(99)	(108)
Accounts payable	3,925	6,724	(7,435)	(9,451)	(1,434)	(66,831)	(12,890)
Inventories	44	138	(39)	20	(43)	(351)	(387)
Allowance for employees' retirement benefits and welfare pension plan (Note 14)	8,148	(9,526)	628	279	395	5,645	3,551
Other	(147)	(1,014)	(7,334)	(2,530)	1,222	(65,924)	10,983
Subtotal	43,520	36,357	27,892	8,953	12,963	250,715	116,521
Interest and dividends received	4,562	1,168	877	584	351	7,883	3,155
Interest paid	(147)	(143)	(102)	(52)	(43)	(917)	(387)
Income taxes paid	(11,453)	(20,089)	(14,055)	(8,594)	(5,252)	(126,337)	(47,209)
Net cash provided by operating activities	36,482	17,293	14,612	891	8,019	131,344	72,080
Cash flows from investing activities							
Acquisition of property and equipment	(6,824)	(7,006)	(4,734)	(2,314)	(1,755)	(42,553)	(15,775)
Proceeds from sales of property and equipment	2,023	428	14	34	32	126	288
Increase in software and other intangibles	(10,668)	(15,879)	(16,221)	(8,189)	(5,688)	(145,807)	(51,128)
Proceeds from sales of software and other intangibles	668	72	63	19	46	566	413
Increase in investment securities	(77)	(2,167)	(5,921)	(4,206)	(45)	(53,222)	(404)
Proceeds from sales and redemption of investment securities	30,185	-	7,010	-	12	63,011	108
Increase in investments in affiliates	(197)	(30)	-	-	-	-	-
Proceeds from sales of investments in affiliates	60	14	178	178	1,890	1,600	16,989
Other	(624)	(169)	616	369	27	5,537	242
Net cash (used in) provided by investing activities	14,546	(24,737)	(18,995)	(14,109)	(5,481)	(170,742)	(49,267)
Cash flows from financing activities							
Net repayment of short-term borrowings	(400)	(100)	-	-	-	-	-
Proceeds from long-term debt	4,169	-	-	-	-	-	-
Repayment of long-term debt	(5,635)	(2,608)	(608)	(304)	(304)	(5,465)	(2,733)
Proceeds from issuance of new stock	-	20,900	-	-	-	-	-
Purchase of treasury stock	-	(2)	-	-	-	-	-
Cash dividends paid	(215)	(215)	(896)	(895)	(898)	(8,054)	(8,071)
Net cash (used in) provided by financing activities	(2,081)	17,975	(1,504)	(1,199)	(1,202)	(13,519)	(10,804)
Effect of exchange rate changes on cash and cash equivalents	784	549	(556)	(422)	(450)	(4,998)	(4,044)
Net increase (decrease) in cash and cash equivalents	49,731	11,080	(6,443)	(14,839)	886	(57,915)	7,965
Cash and cash equivalents at beginning of year	34,392	84,123	95,203	95,203	88,760	855,757	797,842
Cash and cash equivalents at end of year (Note 14)	¥ 84,123	¥ 95,203	¥ 88,760	¥ 80,364	¥ 89,646	\$ 797,842	\$ 805,807

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Description of Business

Nomura Research Institute, Ltd. (the “Company”) is a leading provider in Japan of system solutions services and consulting/knowledge services. System solutions services include the development, installation, operation and management of computer systems and networks. In conjunction with these services, the Company also procures systems equipment and related products for its clients’ systems. Consulting/knowledge services include research on macroeconomic trends, management consulting advice, asset management analyses and information services. Information on the Company’s operations by segment is included in Note 23.

Basis of Presentation

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been compiled from those prepared by the Company and its consolidated subsidiaries as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

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

Basis of Consolidation

The accompanying consolidated financial statements for the years ended 31st March, 2001, 2002 and 2003 and for the six months ended 30th September, 2002 and 2003 include the accounts of the Company and significant companies which are controlled directly or indirectly by the Company. All subsidiaries, (thirteen, fourteen, sixteen, fifteen and seventeen for the years ended 31st March, 2001, 2002 and 2003 and for the six months ended 30th September, 2002 and 2003, respectively) have been consolidated. The major consolidated subsidiary is NRI Data Service, Ltd. Effective the year ended 30th September, 2003, NRI WEBrandia, Ltd. have been initially consolidated.

1. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

All significant intercompany balances and transactions have been eliminated in consolidation. The Company's investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method and the Company's share of those affiliates' income is included in consolidated income. The major affiliate accounted for by the equity method is NIWS Co., Ltd. NIWS Co., Ltd. is an affiliate of which the Company's ownership percentage is less than 20%, but is accounted for by the equity method since the Company has the ability to exercise significant influence. ViewPalette Planning, Inc., which was both established and liquidated during the year ended 31st March, 2002, was excluded from the scope of the consolidation for the year ended 31st March, 2003.

Cash Equivalents

Cash equivalents, as presented in the statements of cash flows, are defined as low-risk, highly liquid and short-term investments (maturing within three months from the acquisition date) which are readily convertible to cash.

Investment Securities

The Company holds investment securities in its major shareholders, The Nomura Holdings, Inc. (formerly The Nomura Securities Co., Ltd.) and Nomura Land and Building Co., Ltd. The Nomura Holdings, Inc. is included in "Investments in affiliates". Nomura Land and Building Co., Ltd. had also been included in "Investments in affiliates" at 31st March 2002 and 2003, but included in "Investment securities" at 30th September, 2003 in the balance sheets due to a decrease in ownership percentage during the period ended 30th September, 2003. The Company's accounting policy for those investments is the same as its accounting policy for investment securities described below.

The Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments issued by the Business Accounting Deliberation Council which became effective 1st April, 2000. This standard requires that securities be classified by their holding objectives into "trading," "held-to-maturity" and "other" securities. Other securities include marketable securities and non-marketable securities.

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

Debt securities held-to-maturity are carried at amortised cost.

1. Significant Accounting Policies (continued)

Investment Securities (continued)

Marketable securities classified as other securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealised gain or loss on marketable securities classified as other securities is included as a component of shareholders' equity, net of the applicable taxes. Under this accounting standard, if the fair value of the marketable securities classified as other securities has declined significantly, such securities are written down to fair value thus establishing a new cost basis, and the amount of each write-down is charged to income as an impairment loss, unless the fair value is deemed to be recoverable. The Company has established a policy for the recognition of an impairment loss under the following conditions:

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

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

Derivative Financial Instruments

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

Inventories

Inventories are stated at cost determined based on the identified cost method.

Depreciation of Property and Equipment

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

1. Significant Accounting Policies (continued)

Amortisation of Software and Other Intangibles

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

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

Allowance for Doubtful Accounts

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

Goodwill

Goodwill is expensed at the time of the related acquisition.

Retirement and Severance Benefits for Employees

The allowance for employees' retirement benefits have been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets. The retirement benefit obligation at transition was expensed upon transition. Actuarial gain or loss is charged to income as incurred.

Accrual for Retirement Benefits for Directors and Statutory Auditors

The Company and its domestic consolidated subsidiaries provide an accrual for retirement benefits for directors and statutory auditors at the amount which would be required to be paid in accordance with the Company's or its domestic consolidated subsidiaries' internal regulations if all directors and statutory auditors resigned as of the balance sheet date.

Leases

Where financing leases do not transfer ownership of the leased property to the lessee, the leased property is not capitalised and the related rental and lease expenses are charged to income as incurred.

Revenue Recognition

In principle, revenue arising from research, consulting projects and system development projects is recognised based on the percentage-of-completion method and revenue from other projects is recognised when these services have been rendered.

1. Significant Accounting Policies (continued)

Research and Development Expenses

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

Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial year. The accounts for that period do not, therefore, reflect such appropriations.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥111.25 = US\$1.00, the rate of exchange prevailing on 30th September, 2003. 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, realised or settled in U.S. dollars at the above or any other rate.

3. Investments

The following is a summary of market value information regarding other securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2002 and 2003 and 30th September, 2003:

a) Marketable securities classified as other securities

	<i>Millions of yen</i>		
	Acquisition cost	Carrying amount	Unrealised gain
	31st March, 2002		
Equity securities	¥3,085	¥64,662	¥61,577

	<i>Millions of yen</i>		
	Acquisition cost	Carrying amount	Unrealised gain
	31st March, 2003		
Equity securities	¥3,008	¥23,366	¥20,358

	<i>Millions of yen</i>		
	Acquisition cost	Carrying amount	Unrealised gain
	30th September, 2003		
	(Unaudited)		
Equity securities	¥3,105	¥47,065	¥43,960

	<i>Thousands of U.S. dollars</i>		
	Acquisition cost	Carrying amount	Unrealised gain
	31st March, 2003		
Equity securities	\$27,038	\$210,031	\$182,993

	<i>Thousands of U.S. dollars</i>		
	Acquisition cost	Carrying amount	Unrealised gain
	30th September, 2003		
	(Unaudited)		
Equity securities	\$27,910	\$423,056	\$395,146

3. Investments (continued)

a) Marketable securities classified as other securities (continued)

Proceeds from sales of marketable securities classified as other securities during the year ended 31st March, 2001, 2002 and 2003 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	2001	2002	2003	2003
Proceeds	¥30,185	¥–	¥6,839	\$61,474
Gross gain	26,496	–	6,736	60,548
Gross loss	797	–	–	–

During the year ended 31st March, 2002, no marketable securities classified as other securities were sold.

The Company transferred certain marketable securities to an employee retirement benefit trust during the year ended 31st March, 2003. The proceeds and gross gains on the securities contributed to the employee retirement benefit trust were ¥6,839 million (\$61,474 thousand) and ¥6,736 million (\$60,548 thousand), respectively.

Losses on devaluation of the marketable securities classified as other securities as a result of the permanent decline totaled ¥119 million, ¥171 million (\$1,537 thousand) and ¥121 million (unaudited) for the years ended 31st March, 2002, 2003 and the six months ended 30th September, 2002, respectively. There were no such losses for the six months ended 30th September, 2003.

b) Non-marketable securities classified as other securities

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March, 2002	31st March, 2003	30th September, 2003 (Unaudited)	31st March, 2003	30th September, 2003 (Unaudited)
Other securities:					
Equity securities	¥11,810	¥17,488	¥17,382	\$ 157,196	\$156,243
Domestic bonds due within five years	7,000	–	–	–	–
Other (money management funds)	20,016	20,018	20,019	179,937	179,946
Other (free financial funds)	30,008	17,009	27,009	152,890	242,778
Other (commercial paper)	11,998	24,994	25,398	224,664	228,296

3. Investments (continued)

b) Non-marketable securities classified as other securities (continued)

Investments in affiliates include investments in net assets of affiliate companies accounted for under the equity method totaling ¥1,197 million and ¥1,694 million (\$15,227 thousand) at 31st March, 2002 and 2003, respectively.

Investments in affiliates include marketable equity securities accounted for under the equity method, carried at ¥1,285 million (\$11,551 thousand) and ¥1,324 million (\$11,901 thousand) (unaudited) at 31st March, 2003 and 30th September, 2003, respectively. Corresponding aggregate quoted market values were ¥5,602 million (\$50,355 thousand) and ¥18,599 million (\$167,182 thousand) (unaudited) at 31st March, 2003 and 30th September, 2003, respectively. There was no such investment at 31st March, 2002.

4. Derivatives

The Company and certain of its consolidated subsidiaries enter into interest rate swap agreements in order to manage certain risks arising from adverse fluctuations in the interest rates on their bank loans. Those interest rate swaps are used to hedge especially significant risks from fluctuations in the interest rates, and no derivative transactions for trading purposes are permitted under the Company's internal regulations. Although the Company and certain of its subsidiaries are exposed to credit risks in the event of non-performance by the counterparties, such risks are minimised by selecting counterparties with high credit ratings. Transactions are centrally controlled at the Company, and internal approval is necessary for entering into derivative transactions in accordance with internal approval policies.

Because all derivatives held by a certain consolidated subsidiary at 31st March, 2002 and 2003 and 30th September, 2003 were for hedging purposes, the related information on their respective market value has not been presented.

5. Accounts Receivable and Other Receivables

For projects which have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue considered to be earned from each project has been included in accounts receivable and other receivables in amounts of ¥7,720 million, ¥10,797 million (\$97,052 thousand) and ¥17,329 million (\$155,766 thousand) (unaudited) for the years ended 31st March, 2002 and 2003 and the six months ended 30th September, 2003, respectively.

6. Property and Equipment

Property and equipment are summarised as follows:

	<i>Years</i> Useful life	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
		31st March,		30th September,	31st March,	30th September,
		2002	2003	2003	2003	2003
				(Unaudited)		(Unaudited)
Land		¥ 7,635	¥ 7,635	¥ 7,636	\$ 68,629	\$ 68,638
Buildings	15 – 50	31,652	32,140	32,271	288,899	290,076
Machinery and equipment	3 – 15	42,975	41,745	41,789	375,236	375,631
Accumulated depreciation		(50,440)	(51,246)	(52,391)	(460,638)	(470,929)
Property and equipment, net		<u>¥ 31,822</u>	<u>¥ 30,274</u>	<u>¥ 29,305</u>	<u>\$ 272,126</u>	<u>\$ 263,416</u>

7. Other Assets

Other assets consisted of the following:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th September,	31st March,	30th September,
	2002	2003	2003	2003	2003
			(Unaudited)		(Unaudited)
Lease deposits	¥ 8,517	¥ 10,066	¥ 8,962	\$ 90,481	\$ 80,557
Investment partnerships	2,503	2,108	1,945	18,949	17,483
Other	1,931	1,236	1,083	11,111	9,735
Other assets	<u>¥12,951</u>	<u>¥13,410</u>	<u>¥11,990</u>	<u>\$120,541</u>	<u>\$107,775</u>

Other includes golf club memberships.

8. Pledged Assets

The following assets at 31st March, 2002 and 2003 and 30th September, 2003 were pledged as collateral for obligations of the Company:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th September,	31st March,	30th September,
	2002	2003	2003	2003	2003
			(Unaudited)		(Unaudited)
Land	¥2,682	¥2,682	¥2,682	\$24,108	\$24,108
Buildings, net	1,159	1,130	1,117	10,157	10,040
	<u>¥3,841</u>	<u>¥3,812</u>	<u>¥3,799</u>	<u>\$34,265</u>	<u>\$34,148</u>

8. Pledged Assets (continued)

The obligations secured by such collateral at 31st March, 2002 and 2003 and 30th September, 2003 were:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st March, 2002	30th September, 2003	31st March, 2003	30th September, 2003
			(Unaudited)	(Unaudited)
Long-term debt due within one year	¥ 208	¥ 208	¥ 208	\$ 1,870
Long-term debt	2,518	2,310	2,206	20,764
	<u>¥2,726</u>	<u>¥2,518</u>	<u>¥2,414</u>	<u>\$22,634</u>
				<u>\$21,699</u>

9. Long-Term Debt

At 31st March, 2002 and 2003, and 30th September, 2003, no short-term bank borrowings were outstanding.

Long-term debt consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st March, 2002	30th September, 2003	31st March, 2003	30th September, 2003
			(Unaudited)	(Unaudited)
Loans principally from banks and insurance companies due through 2015	¥3,526	¥2,918	¥2,614	\$26,229
Less current portion	608	608	408	5,465
Long-term debt	<u>¥2,918</u>	<u>¥2,310</u>	<u>¥2,206</u>	<u>\$20,764</u>
				<u>\$19,829</u>

The weighted average interest rates on long-term debt due within one year was 2.4%, 2.4% and 2.6% at 31st March, 2002 and 2003 and 30th September, 2003, respectively, and the weighted average interest rates on the non-current portion of long-term debt were 3.1%, 3.3% and 3.3% at 31st March, 2002 and 2003 and 30th September, 2003, respectively.

The annual maturities of long-term debt subsequent to 31st March, 2003 and 30th September, 2003 are summarised as follows:

<u>Years to maturities</u>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st March, 2003	30th September, 2003	31st March, 2003	30th September, 2003
			(Unaudited)	(Unaudited)
Due within one year	¥ 608	¥ 408	\$ 5,465	\$ 3,667
Due in 1 – 2 years	208	208	1,870	1,870
Due in 2 – 3 years	208	208	1,870	1,870
Due in 3 – 4 years	208	208	1,870	1,870
Due after 4 years	1,686	1,582	15,154	14,219
Total	<u>¥2,918</u>	<u>¥2,614</u>	<u>\$26,229</u>	<u>\$23,496</u>

10. Retirement and Severance Benefits

Employees of the Company and its domestic consolidated subsidiaries who terminate their employment are entitled, under most circumstances, to lump-sum payments and/or annuity payments as described below, determined by reference to their current basic rate of pay, length of service and the conditions under which the termination occurs.

The Company and certain of its domestic consolidated subsidiaries have non-contributory defined benefit pension plans funded through trust banks and insurance companies (the “employee pension plans”).

In addition, substantially all employees of the Company and employees of its consolidated domestic subsidiaries were covered under an industry-wide, multi-employer welfare pension plan administered by the Japan Securities Dealers Employees’ Pension Fund in coordination with the contributory governmental welfare pension plan (the “welfare pension plan”) until the withdrawal of the Company and certain of its domestic consolidated subsidiaries from the welfare pension plan during the year ended 31st March, 2002. The welfare pension plan consisted of a contributory and a non-contributory portion. The non-contributory portion of the welfare pension plan was funded as an additional portion of the contributory governmental welfare pension plan in conformity with the funding requirements and with the applicable regulations stipulated by the Japanese government.

During the year ended 31st March, 2000, the Company noted that the welfare pension plan was facing certain difficulties due to the low rate of return on the plan assets, primarily as a result of the low interest rates in Japan and the decrease in the number of participants. The Company and certain of its domestic consolidated subsidiaries calculated the future benefit payment obligation in excess of the fair value of the assets funded for the welfare pension plan, and recorded a liability of ¥10,574 million for the year ended 31st March, 2000 and increased this liability by ¥974 million which arose primarily as a result of a change of the discount rate for the year ended 31st March, 2001. However, the allowance for the welfare pension plan was reversed as of 31st March, 2002 because of the withdrawal from the welfare pension plan. Upon withdrawal, ¥3,401 million of the allowance was contributed to the fund and the remaining ¥8,147 million was recorded in other income for the year ended 31st March, 2002. The required contributions to the welfare pension plan until the withdrawal from the welfare pension plan were accounted for as service cost based on the revised accounting standard for retirement benefits for employees, Supplement No. 12.

The Company and certain of its consolidated subsidiaries additionally adopted defined contribution pension plan effective April, 2002.

The company established an employee retirement benefit trust as of March 28, 2003 by contributing certain marketable securities. As stated in Note 3, “Investments,” the fair value of these securities at contribution was ¥6,839 million (\$61,474 thousand).

10. Retirement and Severance Benefits (continued)

The following table sets forth the funded and accrued status of the retirement and severance benefit plans, and the amounts recognised in the consolidated balance sheets at 31st March, 2002 and 2003 for the Company's and its consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2002	2003	2003
Retirement benefit obligation	¥(43,727)	¥(50,743)	\$(456,117)
Plan assets at fair value	21,973	28,466	255,874
Unfunded retirement benefit obligation recognised on the balance sheets	<u>¥(21,754)</u>	<u>¥(22,277)</u>	<u>\$(200,243)</u>

Plan assets at fair value included the employee retirement benefit trust of ¥6,161 million (\$55,380 thousand) at 31st March, 2003.

The components of retirement benefit expenses for the years ended 31st March, 2001, 2002 and 2003 are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2001	2002	2003	2003
Service cost	¥ 3,242	¥3,467	¥ 3,381	\$ 30,391
Interest cost	999	961	989	8,890
Expected return on plan assets	(310)	(312)	(330)	(2,966)
Provision for net retirement benefit obligation at transition	344	–	–	–
Actuarial loss	6,122	1,195	6,942	62,400
Subtotal	<u>10,397</u>	<u>5,311</u>	<u>10,982</u>	<u>8,715</u>
Other	–	–	268	2,409
Total	<u>¥10,397</u>	<u>¥5,311</u>	<u>¥11,250</u>	<u>\$101,124</u>

Contributions to the welfare pension plan made by the time of the Company's withdrawal from the welfare pension plan are included in service cost presented above.

In addition to the above, the special contribution of ¥3,401 million was made at the time of the Company's withdrawal from the welfare pension plan at 31st March, 2002.

Contributions to the defined contribution pension plan are included in other presented above.

10. Retirement and Severance Benefits (continued)

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

	31st March,		
	2001	2002	2003
Discount rate at end of the year	2.4%	2.3%	2.1%
Expected rate of return on plan assets	1.5%	1.5%	1.5%

11. Other Long-Term Liabilities

Other long-term liabilities included an accrual for retirement benefits for directors and statutory auditors in amounts of ¥1,116 million, ¥826million (\$7,425 thousand) and ¥838 million (\$7,533 thousand) (unaudited) at 31st March, 2002 and 2003 and 30th September, 2003, respectively.

12. Income Taxes

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2002	2003	2003
Deferred income tax assets:			
Employees' retirement benefits	¥ 7,759	¥ 8,167	\$ 73,411
Depreciation	3,163	2,368	21,285
Accrued bonuses	2,040	2,148	19,308
Other	2,613	2,324	20,890
	15,575	15,007	134,894
Deferred income tax liabilities:			
Unrealised gain on other securities	(25,774)	(8,543)	(76,791)
Special tax-purpose reserve	(6,798)	(7,147)	(64,243)
Other	(53)	(164)	(1,474)
	(32,625)	(15,854)	(142,508)
Deferred tax liabilities, net	¥(17,050)	¥ (847)	\$ (7,614)

Income taxes applicable to the Company and its consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 42 per cent. for each of the years ended 31st March, 2002 and 2003. The effective tax rates reflected in the accompanying consolidated statements of income differ from the statutory tax rate primarily due to the effect of permanent non-deductible expenses; however, such difference was not material. Due to the changes in Japanese Local Tax Law and introduction of Taxation of Corporations by the Size of their Businesses, the Company's aggregate statutory tax rate will decrease effective 1st April, 2004. As a result, net deferred tax assets and liabilities, and provisions for income taxes of the Company and its consolidated subsidiaries for the year ended 31st March, 2003 decreased ¥91 million (\$818 thousand) for the related impact on the temporary differences expected to reverse after 1st April, 2004.

13. Shareholders' Equity

On 1st October, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of 1st October, 2001. The Amendment also provides that all shares issuances after 30th September, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings should be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of additional paid-in capital account and the legal reserve exceed 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. In accordance with the Code, the Company has provided a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million, ¥570 million (\$5,124 thousand) and ¥570 million (\$5,124 thousand) (unaudited) as of 31st March, 2002, 2003 and 30th September, 2003, respectively.

Unrealised gain on other securities is not available for dividends.

On 18th May, 2000, the Board of Directors of the Company approved a resolution for a stock split (from a par value of ¥500 to ¥50) effective 8th August, 2000, which resulted in an increase of 38,700,000 in the number of shares of common stock in issue. An amendment to the Articles of Incorporation of the Company to reflect this stock split was approved at a shareholders' meeting held on 30th June, 2000.

Unrealised gain on other securities includes unrealised losses of ¥122 million, ¥10 million (\$90 thousand) and ¥17 million (\$153 thousand) (unaudited) on investment partnerships recorded as other assets for the years ended 31st March, 2002 and 2003 and for the six months ended 30th September, 2003.

14. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the consolidated balance sheets at 31st March, 2002 and 2003 and 30th September, 2003 and cash and cash equivalents in the corresponding statements of cash flows is as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	<u>31st March,</u> <u>2002</u>	<u>2003</u>	<u>30th September,</u> <u>2003</u> (Unaudited)	<u>31st March,</u> <u>2003</u>	<u>30th September,</u> <u>2003</u> (Unaudited)
Cash and bank deposits	¥33,181	¥26,739	¥17,220	\$240,351	\$154,787
Short-term investments maturing within three months from the acquisition dates	62,022	62,021	72,426	557,491	651,020
Cash and cash equivalents	<u>¥95,203</u>	<u>¥88,760</u>	<u>¥89,646</u>	<u>\$797,842</u>	<u>\$805,807</u>

14. Cash and Cash Equivalents (continued)

Components of significant non-cash transactions for the year ended 31st March, 2003 are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2003	31st March, 2003
Employee's retirement benefit fund trust		
Contribution of investment securities into employees' retirement benefit fund trust – book value	¥ 103	\$ 926
Gain on securities contributed to an employee retirement benefit trust	6,736	60,548
Contribution of investment securities into employees' retirement benefit fund trust – fair value	¥6,839	\$61,474

Contribution of investment securities into an employees retirement benefit trust – fair value is included in “Allowance for employees' retirement benefits and welfare pension plan” in the cash flow statements for the year ended 31st March, 2003. There were no such transactions for the years ended 31st March, 2001 and 2002 and the six months ended 30th September, 2002 and 2003, respectively.

15. Per Share Data

The per share data are summarised as follows:

	<i>Yen</i>				
	2001	31st March, 2002	2003	30th September, 2002	2003
				(Unaudited)	(Unaudited)
Net income per share	¥583.23	¥504.96	¥337.26	¥175.50	¥175.37

	<i>Yen</i>		
	31st March, 2002	2003	30th September, 2003
			(Unaudited)
Shareholders' equity per share	¥4,337.86	¥4,112.61	¥4,560.76

	<i>U.S. dollars</i>	
	31st March, 2003	30th September, 2003
		(Unaudited)
Net income per share	\$ 3.03	\$ 1.58
Shareholders' equity per share	36.97	41.00

15. Per Share Data (continued)

The computation of basic net income and shareholders' equity per share is based on the weighted average number of shares of common stock outstanding during each period and the number of shares outstanding at each balance sheet date, respectively. Diluted net income per share is not presented as potential common shares have an antidilutive effect.

The Company and its domestic consolidated subsidiaries have adopted Accounting Standards No. 2, "Accounting Standard for Earning per Share", and Financial Accounting Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings per Share" which were issued by Financial Accounting Standards Foundation from the six months ended 30th September, 2002, and the per share data as of and for the years ended 31st March, 2001 and 2002 were restated in accordance with new method.

The computation of net income per share for the years ended 31st March, 2001, 2002 and 2003, and the six months ended 30th September, 2002 and 2003 is as follows:

	<i>Yen</i>				
	<u>31st March,</u>			<u>30th September,</u>	
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
	(Unaudited)				
Numerator:					
Net income	¥25,382	¥22,364	¥15,459	¥7,898	¥7,892
Income not available to common stockholders:					
Bonus to directors and statutory auditors	(303)	(361)	(283)	—	—
Income available to common stockholders	<u>¥25,079</u>	<u>¥22,003</u>	<u>¥15,176</u>	<u>¥7,898</u>	<u>¥7,892</u>
Denominator:					
Weighted average shares	43,000,000	43,573,749	44,999,900	44,999,900	44,999,900
	<i>U.S. dollars</i>				
	<u>31st March,</u>	<u>30th September,</u>			
	<u>2003</u>	<u>2003</u>			
	(Unaudited)				
Numerator:					
Net income	\$138,958	\$70,939			
Income not available to common stockholders:					
Bonus to directors and statutory auditors	(2,543)	—			
Income available to common stockholders	<u>\$136,415</u>	<u>\$70,939</u>			
Denominator:					
Weighted average shares	44,999,900	44,999,900			

15. Per Share Data (continued)

The following potential common shares have an antidilutive effect, and thus are not included in the diluted net income per share calculation for the year ended 31st March, 2003 and the six months ended 30th September, 2003:

	<i>Yen</i>			<i>U.S. dollars</i>	
	31st March, 2003	30th September, 2002 2003		31st March, 2003	30th September, 2003
		<i>(Unaudited)</i>			<i>(Unaudited)</i>
a) Subscription rights issued on 27th June, 2002					
Number of shares reserved for the purpose of new share issuance against exercise of the subscription rights (shares)	80,500	80,500	80,500	80,500	80,500
Exercise price per share	¥ 17,913	¥ 17,913	¥ 17,913	\$161.02	\$161.02
Average stock price for the period that subscription rights are outstanding	¥12,059.30	¥15,156.97	¥ 8,673.25	\$108.40	\$ 77.96
b) Subscription rights issued on 12th August, 2003					
Number of shares reserved for the purpose of new share issuance against exercise of the subscription rights (shares)	–	–	83,000	–	83,000
Exercise price per share	–	–	¥ 10,088	–	\$ 90.68
Average stock price for the period that subscription rights are outstanding	–	–	¥10,022.06	–	\$ 90.09

16. Leases

1) Lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of 31st March, 2002 and 2003 and 30th September, 2003, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	<i>Millions of yen</i>					
	Acquisition costs		Accumulated depreciation		Net book value	
	2002	2003	31st March,		2002	2003
			2002	2003		
Machinery and equipment	¥15,326	¥16,135	¥7,997	¥8,763	¥7,329	¥7,372
Software	1,045	1,132	344	546	701	586
Total	¥16,371	¥17,267	¥8,341	¥9,309	¥8,030	¥7,958

16. Leases (continued)

1) Lessee (continued)

	<i>Millions of yen</i>		
	Acquisition costs	Accumulated depreciation	Net book value
	30th September, 2003		
	(Unaudited)		
Machinery and equipment	¥15,016	¥9,053	¥5,963
Software	1,126	650	476
Total	¥16,142	¥9,703	¥6,439

	<i>Thousands of U.S. dollars</i>		
	Acquisition costs	Accumulated depreciation	Net book value
	31st March, 2003		
Machinery and equipment	\$145,034	\$78,768	\$66,266
Software	10,175	4,908	5,267
Total	\$155,209	\$83,676	\$71,533

	<i>Thousands of U.S. dollars</i>		
	Acquisition costs	Accumulated depreciation	Net book value
	30th September, 2003		
	(Unaudited)		
Machinery and equipment	\$134,976	\$81,375	\$53,601
Software	10,121	5,843	4,278
Total	\$145,097	\$87,218	\$57,879

Lease payments, depreciation and interest expense for these finance leases for the years ended 31st March, 2001, 2002 and 2003 and for the six months ended 30th September, 2002 and 2003 are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2001	2002	2003	2003
Lease payments	¥2,899	¥3,445	¥3,757	\$33,771
Depreciation	2,779	3,258	3,569	32,081
Interest expense	172	187	150	1,348

16. Leases (continued)

1) Lessee (continued)

	<i>Millions of yen</i>		<i>Thousands of</i>
	30th September,		<i>U.S. dollars</i>
	2002	2003	30th September,
	<i>(Unaudited)</i>		2003
			<i>(Unaudited)</i>
Lease payments	¥1,818	¥1,743	\$15,667
Depreciation	1,726	1,665	14,966
Interest expense	78	64	575

Future minimum lease payments on finance leases accounted for as operating leases and non-cancelable operating leases as of 31st March, 2002 and 2003 and as of 30th September, 2003 are summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of</i>	
	Finance leases		Operating leases		Finance	Operating
	31st March,		31st March,		leases	leases
	2002	2003	2002	2003	31st March,	
					2003	
Future minimum lease payments due:						
Within one year	¥3,678	¥3,677	¥293	¥278	\$33,052	\$2,499
Thereafter	5,753	5,342	532	413	48,018	3,712
Total	¥9,431	¥9,019	¥825	¥691	\$81,070	\$6,211

	<i>Millions of yen</i>		<i>Thousands of</i>	
	Finance leases	Operating leases	Finance leases	Operating leases
	30th September, 2003		30th September, 2003	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Future minimum lease payments due:				
Within one year	¥3,267	¥252	\$29,366	\$2,265
Thereafter	4,186	447	37,627	4,018
Total	¥7,453	¥699	\$66,993	\$6,283

16. Leases (continued)

2) Lessor

The following amounts represents the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at 31st March, 2002 and 2003. There were no such balances at 30th September, 2003.

	<i>Millions of yen</i>					
	Acquisition costs		Accumulated depreciation		Net book value	
	31st March,					
	2002	2003	2002	2003	2002	2003
Machinery and equipment	¥1,169	¥ 957	¥1,078	¥ 957	¥ 91	¥-
Software	142	63	131	63	11	-
Total	¥1,311	¥1,020	¥1,209	¥1,020	¥102	¥-

	<i>Thousands of U.S. dollars</i>		
	Acquisition costs	Accumulated depreciation	Net book value
	31st March, 2003		
Machinery and equipment	\$8,602	\$8,602	\$-
Software	567	567	-
Total	\$9,169	\$9,169	\$-

Lease revenue, depreciation and interest income for these finance leases for the years ended 31st March, 2001, 2002 and 2003 and for the six months ended 30th September, 2002 are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	Year ended 31st March,			Year ended
	2001	2002	2003	31st March, 2003
Lease revenue	¥765	¥501	¥131	\$1,178
Depreciation	597	412	102	917
Interest income	143	55	10	90

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Six months ended 30th, September		Six months ended
	2002	2003	30th, September 2003
	(Unaudited)		(Unaudited)
Lease revenue	¥121	¥-	\$-
Depreciation	97	-	-
Interest income	9	-	-

16. Leases (continued)

2) Lessor (continued)

Future minimum lease income for finance leases as of 31st March, 2002 and 2003 and as of 30th September, 2003 is summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	Finance leases		Subleases*		Finance leases	Subleases*
	31st March,		31st March,		31st March,	
	2002	2003	2002	2003	2003	
Future minimum lease income due:						
Within one year	¥131	¥ –	¥ 990	¥ 916	\$ –	\$ 8,234
Thereafter	–	–	1,867	1,372	–	12,333
Total	¥131	¥ –	¥2,857	¥2,288	\$ –	\$20,567

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	Finance leases	Subleases*	Finance leases	Subleases*
	30th September, 2003		30th September, 2003	
	(Unaudited)		(Unaudited)	
Future minimum lease income due:				
Within one year	¥ –	¥ 850	\$ –	\$ 7,640
Thereafter	–	1,318	–	11,847
Total	¥ –	¥2,168	\$ –	\$19,487

* Approximately the same amount has been included in the lessees' future minimum lease payments due.

17. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2001, 2002 and 2003 and for the six months ended 30th September, 2002 and 2003 are summarised as follows:

	<i>Millions of yen</i>					<i>Thousands of U.S. dollars</i>	
	31st March,			30th September,		31st March,	30th September,
	2001	2002	2003	2002	2003	2003	2003
				(Unaudited)			(Unaudited)
Personnel expenses	¥13,503	¥14,818	¥15,669	¥ 7,929	¥ 8,740	\$140,845	\$ 78,562
Rent	2,690	4,103	3,737	1,832	1,749	33,591	15,721
Subcontractor costs	5,183	5,136	5,511	2,707	1,705	49,537	15,326
Other	8,122	8,511	7,118	3,499	3,858	63,982	34,679
Total	¥29,498	¥32,568	¥32,035	¥15,967	¥16,052	\$287,955	\$144,288

18. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended 31st March, 2001, 2002 and 2003 and for the six months ended 30th September, 2002 and 2003 are summarised as follows:

<i>Millions of yen</i>					<i>Thousands of U.S. dollars</i>	
31st March,			30th September,		31st March,	30th September,
2001	2002	2003	2002	2003	2003	2003
			(Unaudited)			(Unaudited)
¥2,620	¥3,051	¥2,509	¥1,168	¥922	\$22,553	\$8,288

19. Other Income (Expenses)

1) Gain on investment securities

Gain on investment securities for the year ended 31st March, 2001 consisted principally of gain on the sale of 19,955,708 shares of Kokusai Securities Co., Ltd. net of the loss on the sale of 61,500 shares of Nomura Finance Co., Ltd.

2) Loss on investment securities

Loss on investment securities for the year ended 31st March, 2002 consisted principally of loss on the devaluation of shares of 7dream.com and ARGO 21 Corp. as a result of their decline in value which was deemed permanent.

Loss on investment securities for the year ended 31st March, 2003 consisted principally of loss on the devaluation of shares of ARGO 21 Corp. as a result of their decline in value which was deemed permanent, net of gain on the sale of an investment in equity of Nomura CITIC International Economic Consultants Co., Ltd.

Loss on investment securities for the six months ended 30th September, 2002 consisted principally of loss on the devaluation of shares of ARGO 21 Corp. as a result of their decline in value which was deemed permanent.

Loss on investment securities for the six months ended 30th September, 2003 consisted principally of loss on the devaluation of shares of POWEREDCOM, Inc. as a result of their decline in value which was deemed permanent.

19. Other Income (Expenses) (continued)

3) Gain on investments in affiliates

Gain on investments in affiliates for the years ended 31st March, 2001, 2002 and 2003 and for the six months ended 30th September, 2002 and 2003 is summarised as follows:

	<i>Millions of yen</i>					<i>Thousands of U.S. dollars</i>	
	31st March,			30th September,		31st March,	30th September,
	2001	2002	2003	2002	2003	2003	2003
				(Unaudited)			(Unaudited)
Gain on sales of investments in affiliates	¥ –	¥ –	¥137	¥137	¥1,558	\$1,232	\$14,004
Gain from changes in equity	–	–	405	405	193	3,640	1,735
	<u>¥ –</u>	<u>¥ –</u>	<u>¥542</u>	<u>¥542</u>	<u>¥1,751</u>	<u>\$4,872</u>	<u>\$15,739</u>

Gain on sales of investments in affiliates for the year ended 31st March, 2003 and the six months ended 30th September, 2002 relates to the sales of 1,890 shares of NIWS Co., Ltd.

Gain from changes in equity for the year ended 31st March, 2003 and the six months ended 30th September, 2002 reflects gains of ¥545 million (\$4,899 thousand) and ¥545 million (unaudited) from changes in equity of NIWS Co., Ltd. due to a public offering and a loss of ¥140 million (\$1,258 thousand) and ¥140 million (unaudited) from changes in equity of NIWS Co., Ltd. due to its purchase of treasury stock.

Gain on sales of investments in affiliates for the six months ended 30th September, 2003 relates to the sales of 7,900 shares of NIWS Co., Ltd.

Gain from changes in equity for the six months ended 30th September, 2003 relates to the changes in equity of NIWS Co., Ltd. due to its sales of treasury stock.

4) Actuarial loss

Actuarial loss for the years ended 31st March, 2001, 2002 and 2003 arose primarily as a result of a change in the discount rates and other basic assumption, and lower actual return on pension plan assets.

5) Reversal of allowance for the welfare pension plan

Reversal of allowance for the welfare pension plan for the year ended 31st March, 2002 resulted from the Company's withdrawal from the welfare pension plan.

6) Gain on securities contributed to an employee retirement benefit trust

Gain results from contribution of a part of equity securities to an employee retirement benefit trust for the year ended 31st March, 2003.

20. Related Party Transactions

Related party transactions for the years ended 31st March, 2001, 2002 and 2003 and the respective balances at 31st March, 2002 and 2003 are as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2001	2002	2003	31st March,
					2003
a) Major shareholders					
Nomura Holdings, Inc. (formerly The Nomura Securities Co., Ltd.) *1	Sales	¥46,421	¥48,967	¥48,690	\$437,663
	Redemption of deposit	–	–	4,000	35,955
	Sale of investment in Nomura-CITIC International Economic Consultants Co., Ltd.	–	–	45	404
	Gain on above sale	–	–	41	369
b) Consolidated subsidiary					
NRI Shared Service Co., Ltd.	Sale of land and buildings	4,119	–	–	–
	Gain on above sale *	53	–	–	–
	Loss on above sale	4,516	–	–	–
	* This gain has been eliminated in the process of consolidation.				
c) Major shareholders' subsidiaries					
Nomura Real Estate Development Co., Ltd.	Rent	3,703	3,865	3,777	33,951
N.F. Biru Investments Co., Ltd. *2	Redemption of bond	–	–	7,000	62,921
	Interest received	202	201	269	2,418
The Nomura Securities Co., Ltd. *1 *3	Subscription received for new stocks	–	20,900	–	–
	Underwriting commission of new stocks	–	(1,100)	–	–
Nomura Financial Resources Corporation	Loan	–	20,000	–	–
	Interest received on loan	–	2	–	–

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of	
		31st March,		U.S. dollars	
		2002	2003	31st March,	
					2003
a) Major shareholders					
Nomura Holdings, Inc. (formerly The Nomura Securities Co., Ltd.) *1	Accounts receivable and other receivables	¥5,768	¥6,997	\$62,894	
	Lease deposits received	4,000	–	–	
b) Major shareholders' subsidiaries					
Nomura Real Estate Development Co., Ltd.	Lease deposits paid	3,543	3,543	31,847	
N.F. Biru Investments Co., Ltd.	Investment securities (bonds)	7,000	–	–	

20. Related Party Transactions (continued)

- *1 The former Nomura Securities Co., Ltd. separated its securities and other businesses and became a holding company of the current Nomura Securities Co., Ltd. on 1st October, 2001. Accordingly, the former Nomura Securities Co., Ltd. changed its business name to Nomura Holdings, Inc. on the same date. As a result, the securities and other businesses of the former Nomura Securities Co., Ltd. were transferred to the current Nomura Securities Co., Ltd.

Transactions with Nomura Holdings, Inc. and the current Nomura Securities Co., Ltd. were equal to those with the former Nomura Securities. Sales to Nomura Holdings, Inc. and the current Nomura Securities Co., Ltd. totaled ¥50,752 million and the corresponding accounts receivable amounted to ¥5,879 million as of 31st March, 2002.

- *2 The bond is redeemed on 25th March, 2003 before maturity with additional interest of 1% principal.
- *3 For issuance of the Company's new stocks, the capital subscription was paid to the Company at subscription price of ¥10,450 per share and the new stocks were issued at ¥11,000 per share.

21. Contingent Liabilities

The Company guaranteed unsecured bonds issued by South Plaza Co. in amounts of ¥10,728 million, ¥10,464 million (\$94,058 thousand) and ¥10,332 million (\$92,872 thousand) (unaudited) at 31st March, 2002 and 2003 and 30th September, 2003, respectively. In March 1999, the Company entered into a trust agreement (effective from 30th March, 1999 to 22nd March, 2004) for real estate management and disposal, and contributed land and buildings which had been used as its Osaka Data Center to the trust in exchange for a beneficial interest in this trust, for which Daiwa Bank was engaged as custodian. The Daiwa Bank has the option of selling the real estate to one of the Company's domestic subsidiaries if the price of the real estate declined below a specific level. The Company then sold this beneficial interest to South Plaza Co., which is a domestic special purpose company. South Plaza Co. issued unsecured bonds as a means of securitisation and the Company guaranteed these bonds. Cash flows generated by the real estate assets in the trust are being utilised for the future repayment of the principal of the bonds and payment of interest on the bonds.

22. Stock Option Plan

The Company issued subscription rights to purchase new shares in accordance with regulation under article 280-20 and 280-21 of Japanese Commercial Code. Following is the status of the subscription rights at 30th September, 2003. No subsequent changes in the status of the subscription rights occurred through 31st October, 2003.

805 Units of subscription rights to purchase new shares were issued on 27th June, 2002 and 80,500 ordinary shares are reserved for exercise of the subscription rights. The Exercise price is ¥17,913 (\$161.02) per share and the exercise period is from 1st July, 2004 to 30th June, 2007. The Company will issue new shares upon the exercise of the subscription rights, and the offering price of the new shares and the capital increase per share are ¥17,913 (\$161.02) and ¥8,957 (\$80.51), respectively.

22. Stock Option Plan (continued)

830 Units of subscription rights to purchase new shares were issued on 12th August, 2003 and 83,000 ordinary shares are reserved for exercise of the subscription rights. The Exercise price is ¥10,088 (\$90.68) per share and the exercise period is from 1st July, 2005 to 30th June, 2008. The Company will issue new shares upon the exercise of the subscription rights, and the offering price of the new shares and the capital increase per share are ¥10,088 (\$90.68) and ¥5,044 (\$45.34), respectively.

The terms of the subscription rights require that person be a Director or an Officer of the Company or one of its domestic subsidiaries, or be in an equal position, at the time of exercise. An eligible person or his inheritor can exercise a subscription right under certain other circumstances, such as death, expiration of term, etc. Transfer or pledge of the subscription right, or similar actions, are prohibited. The ordinary transaction closing prices on the Tokyo Stock Exchange for the last five consecutive days prior to the exercise date must be ¥20,000 (\$179.78) or more per share and ¥11,100 (\$99.78) or more per share for the subscription rights issued on 27th June, 2002 and 12th August, 2003, respectively, to be exercised by the holder of the subscription rights. Other terms and condition are defined in the subscription rights agreement for new shares appointment entered into the Company and the holder of the subscription rights.

23. Segment Information

Business segment information is presented under two categories:

- the systems solution services business, which includes developing and managing computer systems, selling software packages and selling computer equipment and related products.
- the consulting/knowledge services business, which includes providing investigation/research services, management consulting services and support services relating to the asset management business and the Company's e-commerce information technology business.

The business segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2001, 2002 and 2003 and for the six months ended 30th September, 2002 and 2003 is summarised as follows:

Business segments

	<i>Millions of yen</i>				
	Year ended 31st March, 2001				
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥185,351	¥32,633	¥217,984	¥ –	¥217,984
Intersegment sales or transfers	2,489	1,620	4,109	(4,109)	–
Total sales	187,840	34,253	222,093	(4,109)	217,984
Operating expenses	160,979	33,264	194,243	(4,102)	190,141
Operating profit	¥ 26,861	¥ 989	¥ 27,850	¥ (7)	¥ 27,843
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥ 85,839	¥23,435	¥109,274	¥179,830	¥289,104
Depreciation and amortisation	10,357	3,303	13,660	–	13,660
Capital expenditures	13,943	3,447	17,390	–	17,390

23. Segment Information (continued)

Business segments (continued)

Millions of yen

	Year ended 31st March, 2002				
	System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥199,758	¥36,811	¥236,569	¥ –	¥236,569
Intersegment sales or transfers	2,758	1,567	4,325	(4,325)	–
Total sales	202,516	38,378	240,894	(4,325)	236,569
Operating expenses	174,981	35,541	210,522	(4,318)	206,204
Operating profit	¥ 27,535	¥ 2,837	¥ 30,372	¥ (7)	¥ 30,365
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥106,019	¥22,944	¥128,963	¥170,930	¥299,893
Depreciation and amortisation	9,043	3,377	12,420	–	12,420
Capital expenditures	19,271	3,456	22,727	–	22,727

Millions of yen

	Year ended 31st March, 2003				
	System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥194,469	¥38,275	¥232,744	¥ –	¥232,744
Intersegment sales or transfers	3,473	1,747	5,220	(5,220)	–
Total sales	197,942	40,022	237,964	(5,220)	232,744
Operating expenses	174,297	36,488	210,785	(5,205)	205,580
Operating profit	¥ 23,645	¥ 3,534	¥ 27,179	¥ (15)	¥ 27,164
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥110,961	¥23,820	¥134,781	¥122,017	¥256,798
Depreciation and amortisation	10,047	3,197	13,244	–	13,244
Capital expenditures	17,694	2,779	20,473	(17)	20,456

Corporate assets included under “eliminations and corporate” at 31st March, 2001, 2002 and 2003 amounted to ¥180,809 million, ¥171,356 million and ¥122,817 million (\$1,103,973 thousand), respectively, and consisted principally of surplus funds and investment securities.

Millions of yen

	Six months ended 30th September, 2002 (Unaudited)				
	System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥94,954	¥18,820	¥113,774	¥ –	¥113,774
Intersegment sales or transfers	1,744	852	2,596	(2,596)	–
Total sales	96,698	19,672	116,370	(2,596)	113,774
Operating expenses	84,744	18,437	103,181	(2,586)	100,595
Operating profit	¥11,954	¥ 1,235	¥ 13,189	¥ (10)	¥ 13,179

23. Segment Information (continued)

Business segments (continued)

Millions of yen

Six months ended 30th September, 2003 (Unaudited)					
	System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥92,090	¥21,219	¥113,309	¥ –	¥113,309
Intersegment sales or transfers	1,733	789	2,522	(2,522)	–
Total sales	93,823	22,008	115,831	(2,522)	113,309
Operating expenses	84,573	19,150	103,723	(2,521)	101,202
Operating profit	¥ 9,250	¥ 2,858	¥ 12,108	¥ (1)	¥ 12,107

Thousands of U.S. dollars

Year ended 31st March, 2003					
	System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	\$1,748,036	\$344,045	\$2,092,081	\$ –	\$2,092,081
Intersegment sales or transfers	31,218	15,703	46,921	(46,921)	–
Total sales	1,779,254	359,748	2,139,002	(46,921)	2,092,081
Operating expenses	1,566,715	327,982	1,894,697	(46,787)	1,847,910
Operating profit	\$ 212,539	\$ 31,766	\$ 244,305	\$ (134)	\$ 244,171

II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	\$ 997,402	\$214,113	\$1,211,515	\$1,096,782	\$2,308,297
Depreciation and amortisation	90,310	28,737	119,047	–	119,047
Capital expenditures	159,047	24,980	184,027	(153)	183,874

Thousands of U.S. dollars

Six months ended 30th September, 2003 (Unaudited)					
	System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	\$827,775	\$190,733	\$1,018,508	\$ –	\$1,018,508
Intersegment sales or transfers	15,578	7,092	22,670	(22,670)	–
Total sales	843,353	197,825	1,041,178	(22,670)	1,018,508
Operating expenses	760,207	172,135	932,342	(22,661)	909,681
Operating profit	\$ 83,146	\$ 25,690	\$ 108,836	\$ (9)	\$ 108,827

23. Segment Information (continued)

Geographical segments

Because sales in the domestic segment constituted more than 90% of total segment sales for the years ended 31st March, 2001, 2002 and 2003 and the six months ended 30th September, 2002 and 2003, geographical segment information has not been presented.

Overseas sales

Because overseas sales were less than 10% of consolidated sales for the years ended 31st March, 2001, 2002 and 2003 and the six months ended 30th September, 2002 and 2003, no disclosure of overseas sales has been made.

[Appendix (1)]

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

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

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

1. Leases Capitalized as Assets

Under Japanese GAAP, for finance leases where ownership is not deemed to be transferred from the lessor to the lessee, the lessee may choose not to capitalize lease expenses and may account for the lease in a manner similar to that applicable to operating leases. The Company's policy is to account for finance leases in a manner similar to operating leases.

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

2. Impairment of Long-Lived Assets

Japanese GAAP requires carrying tangible and intangible fixed assets at cost less depreciation, and requires review for impairment of such assets for financial statements issued for fiscal years beginning after April 1, 2005 wherever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the expected future cash flows are less than the carrying amount of such an asset, an impairment loss is recognized.

U.S. GAAP requires review and recognition of impairment of long-lived assets and certain identifiable intangibles to be held and used on such a basis as described in Japanese GAAP above.

3. Transferors of Real Estate to Special Purpose Entities

In Japan, an accounting standard for transferors of real estate to special purpose entities was issued in July 2000. Retroactive application of this standard is not mandatory. This accounting standard is similar to the US GAAP of sales of real estate.

Prior to the adoption of this standard, the related accounting practices under accounting principles generally accepted in Japan were not clearly established. Therefore, under Japanese GAAP, real estate sales contracts were examined on a case by case basis in applying the full accrual method.

4. Accounting for Compensated Absences

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

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

5. Stock Option Plans

Under Japanese GAAP, there is no specific accounting standard for stock option plans. Generally, if subscription rights have no intrinsic value at the date of issuance, no expense for the issuance of share subscription rights is recognized.

Under U.S. GAAP, stock options are accounted for under the fair value method or the intrinsic value method. When the intrinsic value method is applied, pro forma disclosures as if the fair value method was being applied, are required. Such disclosure is not currently required under Japanese GAAP.

6. Interest Rate Swap

Under Japanese GAAP, as for interest rate swaps used for converting receipts or payments of interest on an asset or a liability, if principal terms of the interest rate swaps such as notional amount, index of interest rates, date and interval of interest payments, contract period are essentially the same as those of the hedged asset or liability, such interest rate swaps may not be measured at fair value, but the related interests may be adjusted to the interests on the hedged asset or liability on an accrual basis.

Under U.S. GAAP, interest rate swaps are measured at fair value in any case. If interest rate swaps meet the criteria for the fair value hedge accounting, the hedged items are also measured at fair value to match the income statement impact. If interest rate swaps meet the criteria for the cash flow hedge accounting, the valuation difference on the interest rate swaps is directly recognized as a component of equity.

7. Bonuses to Directors and Statutory Auditors

Under Japanese GAAP, bonuses to directors are accounted for as an appropriation of retained earnings and are recorded after approval by the shareholders.

Under U.S. GAAP, such bonuses are accounted for as expenses and are charged to operations in the year to which the bonus relates.

8. Revenue Recognition

Under Japanese GAAP, recognition of software revenue is permitted by various methods including the percentage-of-completion method, the policy followed by the Company.

Under U.S. GAAP, software revenue is recognized when all the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered elements, the vendor's fee is fixed or determinable and collectibility is probable.

9. Guarantor's Accounting for Guarantees

Under Japanese GAAP, a guarantor does not recognize a liability for a guarantee in its statement of financial position unless it is probable that payments will be required under that guarantee. Under U.S. GAAP, at the inception of a guarantee, the guarantor recognizes a liability in its statement of financial position for the fair value of all guarantees issued or modified after December 31, 2002, even if it is not probable that payments will be required under that guarantee.

[Appendix (2)]

SUBSIDIARIES AND AFFILIATES

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

At 30th September, 2003, the Company had 17 subsidiaries, all of which were consolidated subsidiaries.

At the same date, the Company had three affiliates, all of which were accounted for by the equity method in the Company's financial statements.

The following table sets forth information on the Company's direct and indirect subsidiaries and affiliates as of 30th September, 2003.

<u>Name</u>	<u>Country</u>	<u>Main Business</u>	<u>Issued Capital (thousands)</u>	<u>Equity held by the Company (per cent.)</u>
Subsidiaries				
NRI Data Services, Ltd.	Japan	Data center operation; on-site operation of information and telecommunications systems	¥1,000,000	100.0
NRI Network Communications, Ltd.	Japan	Software development and sales, mainly in the Kansai area	¥450,000	100.0
NRI Learning Network, Ltd.	Japan	Training related to information and telecommunications systems	¥300,000	100.0
NRI Secure Technologies, Ltd.	Japan	Network security services	¥450,000	100.0
NRI Shared Services, Ltd.	Japan	Office and real estate management	¥450,000	100.0
NRI Cyber Patent, Ltd.	Japan	Provide patent and other intellectual property information to subscribers	¥300,000	100.0
NRI Webrandia, Ltd.	Japan	Website development and management	¥200,000	100.0
NRI Data i Tech, Ltd.	Japan	Maintaining systems equipment of Nomura Holdings and its subsidiaries and affiliates	¥10,000	100.0
NRI Holding America Inc.	USA	U.S. holding company	U.S.\$14,500	100.0
Nomura Research Institute America, Inc.	USA	Research and development and operation of information management systems in the U.S.	U.S.\$12,000	100.0
NRI Pacific Inc.	USA	Research on developments in the U.S. information technology industry	U.S.\$2,000	100.0
NRI Investment America, Inc.	USA	Investments in companies or venture capital funds in the information technology industry	U.S.\$6,000	100.0
Nomura Research Institute Europe Limited	England	Research and development and operation of information management systems in Europe	£1,350	100.0
Nomura Research Institute Beijing Limited	China	Development and operation of information management systems in China	U.S.\$3,000	100.0

Name	Country	Main Business	Issued Capital (thousands)	Equity held by the Company (per cent.)
Subsidiaries (continued)				
Nomura Research Institute Shanghai Limited	China	Consulting in China	U.S.\$1,500	100.0
Nomura Research Institute Hong Kong Limited	China	Research and development and operation of information management systems in Asia	HK\$16,181	100.0
Nomura Research Institute (Singapore) Private Limited	Singapore	Research and development and operation of information management systems in Asia	Sing\$1,400	100.0
Affiliates				
Nippon Clearing Services Co., Ltd	Japan	Back-office services for mid-tier securities companies	¥300,000	40.0
NIWS Co., Ltd.	Japan	Software development and sales	¥1,596,500	19.6
Nomura Funds Research and Technologies Co., Ltd.	Japan	Management of fund-of-funds, valuation of funds, pension consulting	¥400,000	49.0

MAJOR SHAREHOLDERS

Shareholders	Number of Shares Owned (thousands)	Percentage of Shares Outstanding
Nomura Asset Management Co., Ltd.	8,677	19.28
Nomura Land and Building Co., Ltd.	7,920	17.60
JAFCO Co., Ltd.	3,380	7.51
Nomura Holdings, Inc.	2,600	5.78
Japan Trustee Services Bank, Ltd. (Trust Account)	2,248	5.00
The Master Trust Bank of Japan, Ltd.(Trust Account)	2,026	4.50
NRI Group Employee Stock Ownership Association	981	2.18
WORLD NICHIEI Securities Co., Ltd.	807	1.79
State Street Bank and Trust Company	708	1.57
UFJ Trust Bank Ltd. (Trust Account-A)	688	1.53

* Nomura Asset Management Co., Ltd. has lent all of its holding equity securities to Nomura Securities Co., Ltd. based on a securities lending agreement (that permits borrower to sell those securities.).

** Nomura Holdings, Inc. has lent all of its holding equity securities to Nomura Securities Co., Ltd. based on a securities lending agreement (that permits borrower to sell those securities.). Nominee of those securities are Nomura Securities Co., Ltd.