

Consolidated Financial Statements

Nomura Research Institute, Ltd.

*At 31st March, 2000 and 2001 and
for the years ended 31st March, 2000 and 2001*

and

*At 30th September, 2001 and for the six months ended
30th September, 2000 and 2001*

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Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
			<i>(Note 2)</i>	
	31st March, 2000	30th September, 2001	31st March, 2001	30th September, 2001
Assets				
Current assets:				
Cash and bank deposits <i>(Note 14)</i>	¥ 34,392	¥ 64,131	¥ 20,317	\$ 537,111
Short-term investment securities <i>(Notes 3 and 14)</i>	–	20,001	35,012	167,513
Accounts receivable and other receivables <i>(Notes 5 and 20)</i>	32,239	34,172	44,288	286,198
Inventories	396	353	431	2,956
Deferred income taxes <i>(Note 12)</i>	2,358	3,355	2,173	28,099
Other current assets	1,176	1,463	1,308	12,253
Allowance for doubtful accounts	(115)	(90)	(85)	(754)
Total current assets	70,446	123,385	103,444	1,033,376
Property and equipment <i>(Notes 6 and 8)</i> :				
Land	11,276	8,089	8,089	67,747
Buildings, net	14,555	12,519	12,854	104,849
Machinery and equipment, net	12,949	11,405	11,415	95,520
Property and equipment, net	38,780	32,013	32,358	268,116
Software and other intangibles	14,073	16,973	20,474	142,152
Investment securities <i>(Notes 3 and 20)</i>	17,692	94,901	57,869	794,816
Investments in affiliates <i>(Note 3)</i>	7,620	8,985	8,457	75,251
Deferred income taxes <i>(Note 12)</i>	7,764	1,715	1,131	14,363
Other assets <i>(Notes 7 and 20)</i>	10,935	11,135	12,393	93,258
Allowance for doubtful accounts	(5)	(3)	(2)	(25)
Translation adjustments	969	–	–	–
Total assets	¥168,274	¥289,104	¥236,124	\$2,421,307
				\$1,977,588

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	(Millions of yen)			(Thousands of U.S. dollars) (Note 2)	
	31st March,		30th	31st March,	30th
	2000	2001	September, 2001	2001	September, 2001
Liabilities and shareholders' equity					
Current liabilities:					
Short-term borrowings (Note 9)	¥ 500	¥ 100	¥ –	\$ 837	\$ –
Long-term debt due within one year (Notes 8 and 9)	4,400	2,608	1,608	21,843	13,467
Accounts payable	18,099	22,024	21,705	184,456	181,784
Accrued expenses	9,293	9,976	9,414	83,551	78,844
Income taxes payable	6,482	17,159	2,898	143,710	24,271
Other current liabilities	6,060	6,007	4,173	50,310	34,950
Total current liabilities	44,834	57,874	39,798	484,707	333,316
Long-term debt (Notes 8 and 9)	3,200	3,526	3,222	29,531	26,985
Allowance for employees' retirement benefits (Note 10)	12,556	19,732	20,160	165,260	168,844
Allowance for the welfare pension plan (Note 10)	10,574	11,548	–	96,717	–
Deferred income taxes (Note 12)	59	26,258	13,837	219,916	115,888
Other long-term liabilities (Notes 11 and 20)	5,214	4,994	5,015	41,826	42,002
Commitments and contingent liabilities (Note 21)					
Shareholders' equity (Notes 13 and 15):					
Common stock, ¥500 par value for 2000; ¥50 for 2001:					
Authorised – 10,000,000 at 31st March, 2000 and 150,000,000 shares at 31st March, 2001 and 30th September, 2001, respectively					
Issued – 4,300,000 at 31st March, 2000 and 43,000,000 shares at 31st March, 2001 and 30th September, 2001, respectively	10,100	10,100	10,100	84,590	84,590
Additional paid-in capital	2,400	2,400	2,400	20,100	20,100
Retained earnings	79,337	104,290	116,715	873,451	977,513
Unrealised gain on other securities (Note 3)	–	48,518	25,226	406,348	211,273
Translation adjustments	–	(136)	(349)	(1,139)	(2,923)
Total shareholders' equity	91,837	165,172	154,092	1,383,350	1,290,553
Total liabilities and shareholders' equity	¥168,274	¥289,104	¥236,124	\$2,421,307	\$1,977,588

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,
	2000	2001	2000	2001	2001	2001
Sales (Note 20)	¥183,616	¥217,984	¥102,496	¥109,099	\$1,825,662	\$913,727
Cost of sales	138,395	160,643	75,254	80,981	1,345,419	678,233
Gross profit	45,221	57,341	27,242	28,118	480,243	235,494
Selling, general and administrative expenses (Notes 17 and 18)	25,906	29,498	13,775	16,070	247,052	134,590
Operating profit	19,315	27,843	13,467	12,048	233,191	100,904
Other income (expenses):						
Interest and dividend income	1,533	3,368	2,806	2,145	28,208	17,965
Equity in earnings of affiliates	113	350	214	135	2,931	1,130
Interest expense (Note 9)	(168)	(140)	(63)	(75)	(1,173)	(628)
Loss on property and equipment	(756)	(5,456)	(280)	(126)	(45,695)	(1,055)
Gain (loss) on investment securities (Notes 3, 19 and 20)	(705)	25,437	(738)	–	213,040	–
Gain on investments in affiliates (Notes 19 and 20)	813	–	–	–	–	–
Provision for net retirement benefit obligation at transition (Note 10)	–	(344)	(344)	–	(2,881)	–
Actuarial loss (Notes 10 and 19)	–	(6,122)	–	–	(51,273)	–
Provision for the welfare pension plan (Notes 10 and 19)	(10,574)	(974)	–	–	(8,157)	–
Reversal of allowance for the welfare pension plan (Notes 10 and 19)	–	–	–	8,147	–	68,233
Prior service cost of the employees' pension plan	–	–	–	–	–	–
Other, net	19	(333)	(425)	(80)	(2,789)	(670)
Income before income taxes	9,590	43,629	14,637	22,194	365,402	185,879
Provision for income taxes (Note 12):						
Current	9,880	22,129	6,694	3,039	185,335	25,452
Deferred	(5,420)	(3,882)	(657)	6,213	(32,513)	52,035
Net income	¥ 5,130	¥ 25,382	¥ 8,600	¥ 12,942	\$ 212,580	\$108,392

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Shareholders' Equity

Millions of yen

	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on other securities	Translation adjustments	Total shareholders' equity
Balance at 31st March, 1999	10,100	2,400	68,692	–	–	81,192
Net income	–	–	5,130	–	–	5,130
Cumulative effect of adoption of tax-effect accounting	–	–	4,689	–	–	4,689
Increase resulting from merger of a consolidated subsidiary	–	–	1,201	–	–	1,201
Cash dividends paid	–	–	(215)	–	–	(215)
Bonuses to directors and statutory auditors	–	–	(160)	–	–	(160)
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	<u>¥10,100</u>	<u>¥2,400</u>	<u>¥104,290</u>	<u>¥48,518</u>	<u>¥(136)</u>	<u>¥165,172</u>

Thousands of U.S. dollars (Note 2)

	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on other securities	Translation adjustments	Total shareholders' equity
Balance at 31st March, 2000	\$84,590	\$20,100	\$664,464	\$ –	\$ –	\$ 769,154
Net income	–	–	212,580	–	–	212,580
Cash dividends paid	–	–	(1,801)	–	–	(1,801)
Bonuses to directors and statutory auditors	–	–	(1,792)	–	–	(1,792)
Unrealised gain on other securities	–	–	–	406,348	–	406,348
Translation adjustments	–	–	–	–	(1,139)	(1,139)
Balance at 31st March, 2001	<u>\$84,590</u>	<u>\$20,100</u>	<u>\$873,451</u>	<u>\$406,348</u>	<u>\$(1,139)</u>	<u>\$1,383,350</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Shareholders' Equity

Millions of yen

	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on other securities	Translation adjustments	Total shareholders' equity
Balance at 31st March, 2001	¥10,100	¥2,400	¥104,290	¥48,518	¥(136)	¥165,172
Net income	–	–	12,942	–	–	12,942
Cash dividends paid	–	–	(215)	–	–	(215)
Bonuses to directors and statutory auditors	–	–	(302)	–	–	(302)
Unrealized gain on other securities	–	–	–	(23,292)	–	(23,292)
Translation adjustments	–	–	–	–	(213)	(213)
Balance at 30th September, 2001	¥10,100	¥2,400	¥116,715	¥25,226	¥(349)	¥154,092

Thousands of U.S. dollars (Note 2)

	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on other securities	Translation adjustments	Total shareholders' equity
Balance at 31st March, 2001	\$84,590	\$20,100	\$873,451	\$406,348	\$(1,139)	\$1,383,350
Net income	–	–	108,392	–	–	108,392
Cash dividends paid	–	–	(1,801)	–	–	(1,801)
Bonuses to directors and statutory auditors	–	–	(2,529)	–	–	(2,529)
Unrealized gain on other securities	–	–	–	(195,075)	–	(195,075)
Translation adjustments	–	–	–	–	(1,784)	(1,784)
Balance at 30th September, 2001	\$84,590	\$20,100	\$977,513	\$211,273	\$(2,923)	\$1,290,553

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Thousands of U.S. dollars
(Note 2)

	Millions of yen				Thousands of U.S. dollars (Note 2)	
	Year ended 31st March,		Six months ended		Year ended	Six months
	2000	2001	30th September,	2001		
				2001	September,	2001
Cash flows from operating activities						
Income before income taxes	¥ 9,590	¥ 43,629	¥14,637	¥ 22,194	\$ 365,402	\$ 185,879
Adjustments to reconcile income before income taxes to net cash provided by operating activities:						
Depreciation and amortisation	13,005	13,660	5,758	5,900	114,405	49,414
Interest and dividend income	(1,533)	(3,368)	(2,806)	(2,145)	(28,208)	(17,965)
Interest expense	168	140	63	75	1,173	628
Loss on property and equipment	765	5,456	280	126	45,695	1,055
(Gain) loss on investment securities	705	(25,437)	738	–	(213,040)	–
Gain on investments in affiliates	(813)	–	–	–	–	–
Changes in operating assets and liabilities:						
Accounts receivable and other receivables, net of advance payments received	(1,537)	(2,501)	(6,494)	(10,373)	(20,946)	(86,876)
Allowance for doubtful accounts	(26)	(29)	(12)	(6)	(243)	(50)
Accounts payable	(430)	3,925	267	(319)	32,873	(2,672)
Inventories	(196)	44	104	(78)	369	(653)
Allowance for employees' retirement benefits and welfare pension plan	10,920	8,148	611	(11,120)	68,241	(93,132)
Other	1,974	(147)	(963)	(3,202)	(1,231)	(26,818)
Subtotal	32,592	43,520	12,183	1,052	364,490	8,810
Interest and dividends received	1,605	4,562	2,289	900	38,207	7,538
Interest paid	(148)	(147)	(63)	(80)	(1,231)	(670)
Income taxes paid	(6,818)	(11,453)	(6,720)	(17,300)	(95,921)	(144,891)
Net cash provided by operating activities	27,231	36,482	7,689	(15,428)	305,545	(129,213)
Cash flows from investing activities						
Acquisition of property and equipment	(10,146)	(6,824)	(2,416)	(3,758)	(57,152)	(31,474)
Proceeds from sales of property and equipment	423	2,023	1,335	270	16,943	2,261
Increase in software and other intangibles	(8,384)	(10,668)	(5,606)	(6,839)	(89,347)	(57,278)
Proceeds from sales of software and other intangibles	–	668	655	58	5,595	486
Increase in long-term prepaid expenses	–	–	–	–	–	–
Increase in investment securities	(739)	(77)	(14)	(1,254)	(645)	(10,503)
Proceeds from sales of investment securities	403	30,185	225	–	252,806	–
Increase in investments in affiliates	(400)	(197)	(196)	(30)	(1,650)	(251)
Proceeds from sales of investments in affiliates	8,295	60	–	–	502	–
Other	49	(624)	159	(1)	(5,226)	(8)
Net cash (used in) provided by investing activities	(10,499)	14,546	(5,858)	(11,554)	121,826	(96,767)
Cash flows from financing activities						
Net repayment of short-term borrowings	(2,393)	(400)	(500)	(100)	(3,350)	(838)
Proceeds from long-term debt	–	4,169	–	–	34,916	–
Repayment of long-term debt	(3,470)	(5,635)	(1,200)	(1,304)	(47,194)	(10,921)
Cash dividends paid	(215)	(215)	(215)	(215)	(1,801)	(1,801)
Net cash used in financing activities	(6,078)	(2,081)	(1,915)	(1,619)	(17,429)	(13,560)
Effect of exchange rate changes on cash and cash equivalents	(964)	784	(65)	(201)	6,566	(1,683)
Net increase (decrease) in cash and cash equivalents	9,690	49,731	(149)	(28,802)	416,508	(241,223)
Cash and cash equivalents at beginning of year	24,702	34,392	34,392	84,123	288,040	704,548
Cash and cash equivalents at end of year (Note 14)	¥ 34,392	¥ 84,123	¥34,243	¥ 55,321	\$ 704,548	\$ 463,325

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of Nomura Research Institute, Ltd. (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.

Basis of Consolidation

In accordance with the revised accounting standard for consolidation which became effective 1st April, 1999, the accompanying consolidated financial statements for the years ended 31st March, 2000 and 2001 include the accounts of the Company and significant companies which are controlled directly or indirectly by the Company. All subsidiaries, eleven, thirteen, twelve and fourteen for the years ended 31st March, 2000 and 2001 and for the six months ended 30th September, 2000 and 2001, respectively, have been consolidated. The major consolidated subsidiary is NRI Data Service, Ltd. Effective the year ended 31st March, 2001, NRI Secure Technologies, Ltd. and NRI Shared Service, Ltd. have been initially consolidated. In addition, effective the six months ended 30th September, 2001, NRI Cyber Patent, Ltd. has been initially consolidated.

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 have been accounted for by the equity method and the pro-rated share of those affiliates’ income has been included in consolidated income. The major affiliate accounted for by the equity method is NIWS Co. Additionally, Nomura Funds Research and Technologies Co., Ltd. has been initially accounted for by the equity method effective the year ended 31st March, 2001. Furthermore, ViewPalette Planning, Inc. has been initially accounted for by the equity method effective the six months ended 30th September, 2001. The Company sold all its shares in Union Computer Service Co. during the year ended 31st March, 2001, and the pro-rated share of the related income for the period up to the selling date has been included in equity in earnings of affiliates. The Company holds investment securities in its major shareholders, The Nomura Securities Co., Ltd. (which on 1st October, 2001 became Nomura Holdings, Inc.), Nomura Land and Building Co., Ltd., and Nomura Asset Management Co., Ltd., which are included in investments in affiliates in the balance sheets.

1. Significant Accounting Policies (continued)

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 accounting policy for investments in major shareholders included in investments in affiliates is the same as the accounting policy for investment securities.

Years Ended 31st March, 2000

Listed investment securities are stated principally at the lower of cost or market, and the cost of such securities sold has been determined by the moving average method. Non-listed investment securities are stated at cost and the cost of such securities sold during this year has been determined by the moving average method.

Year Ended 31st March, 2001 and Six Months Ended 30th September, 2001

The Company and its consolidated subsidiaries have 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.

Marketable securities classified as other securities are stated at market value as of the balance sheet date and the cost of securities sold has been 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. 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.

As a result of the adoption of this standard, income before income taxes for the year ended 31st March, 2001 decreased by ¥488 million (\$4,087 thousand) from the amount which would have been recorded under the method followed in the prior year. In addition, investment securities, investments in affiliates and other assets reflected at 31st March, 2001 were higher than the corresponding amounts which would have been recorded under the method followed in the prior year by ¥81,879 million (\$685,754 thousand), ¥878 million (\$7,353 thousand) and ¥405 million (\$3,392 thousand), respectively. As a result, total assets increased by ¥83,162 million (\$696,499 thousand) over the amount which would have been recorded if the previous year's method had been followed.

1. Significant Accounting Policies (continued)

Derivative Financial Instruments

Derivative financial instruments are generally required to be stated at fair value. However, the Company and certain consolidated subsidiaries may from time to time enter into interest rate swap agreements in order to manage certain risks arising from adverse fluctuations in the interest rates on their bank loans. The Company and certain consolidated subsidiaries have implemented internal regulations under which they will so hedge any significant interest rate risks. These 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 by the identified cost method.

Depreciation of Property and Equipment

Property and equipment are recorded 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 periods prescribed.

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 3 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 5 years.

A revised accounting standard for research and development costs issued by the Business Accounting Deliberation Council became effective 1st April, 1999. The Company, however, has continued to follow the former accounting policy both for software to be sold and software intended for internal use if the development was commenced during and prior to the year ended 31st March, 1999. According to this prior accounting policy, software to be sold was recorded as an inventory item and was amortised based on its estimated volume of sales. Subcontractor costs related to software intended for internal use were recorded as long-term prepaid expenses and amortised by the straight-line method over their estimated useful lives.

1. Significant Accounting Policies (continued)

Amortisation of Software and Other Intangibles (continued)

The presentation of software for the year ended 31st March, 2000 was changed in accordance with the current standard. As a result of adopting the new standard, software included in inventories and long-term prepaid expenses in prior years has been reclassified as “software and other intangibles” in the accompanying consolidated financial statements for the years ended 31st March, 2000 and 2001 and the six months ended 30th September, 2001.

Intangible assets other than computer software to be sold and software intended for internal use were amortised by the straight-line method over their estimated useful lives for the years ended 31st March, 2000 and 2001 and the six months ended 30th September, 2000 and 2001.

Allowance for Doubtful Accounts

An allowance for doubtful accounts was formerly provided at the maximum amount allowable for income tax purposes plus an estimate of the amount of specific uncollectible accounts for the years ended 31st March, 2000.

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 based on an estimate of the amount of specific uncollectible accounts for the year ended 31st March, 2001 and the six months ended 30th September, 2000 and 2001.

Goodwill

Goodwill is expensed at the time of acquisition.

Retirement and Severance Benefits for Employees

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 noncontributory defined benefit pension plans funded through trust banks and insurance companies (the “employee pension plans”).

1. Significant Accounting Policies (continued)

Retirement and Severance Benefits for Employees (continued)

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 six months ended 30th September, 2001. 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.

With respect to the allowance for employees' retirement benefits for the portion of the lump-sum payments, the Company and its domestic consolidated subsidiaries provide the unamortised total amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date less the benefits to be covered by the employee pension plans until the year ended 31st March, 2000.

The Company and its domestic consolidated subsidiaries have adopted a revised accounting standard for retirement benefits for employees, which was issued by the Business Accounting Deliberation Council and became effective on 1st April, 2000. As a result, retirement and severance benefits for the year ended 31st March, 2001 have been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employee pension plan assets. The retirement benefit obligation at transition was expensed upon transition. Actuarial gain or loss was charged to income as incurred.

The effect of the adoption of the new standard for retirement benefits was to decrease operating profit and income before income taxes by ¥686 million (\$5,745 thousand) and ¥7,152 million (\$59,899 thousand), respectively, for the year ended 31st March, 2001.

Until the withdrawal from the welfare pension plan, the allowance for the welfare pension plan was estimated and provided in order to prepare for future payments under the welfare pension plan needed to cover the portion of the pension liability exceeding the fair appraisal value of the pension plan assets, allocated to the Company and certain of its domestic consolidated subsidiaries. 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 (\$8,157 thousand) for the year ended 31st March, 2001. However, the allowance for the welfare pension plan was reversed as of 30th September, 2001 because of the withdrawal from the welfare pension plan. Upon withdrawal, ¥3,401 million (U.S.\$28,484 thousand) of the allowance amount was contributed to the fund

1. Significant Accounting Policies (continued)

Retirement and Severance Benefits for Employees (continued)

and the remaining ¥8,147 million (U.S.\$68,233 thousand) was recorded in other income for the six months ended 30th September, 2001. The required contributions to the welfare pension plan were accounted for as service cost based on the revised accounting standard for retirement benefits for employees, Supplement No. 12.

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 at the balance sheet date.

Translation Adjustments

The Company and its consolidated subsidiaries have adopted a revised accounting standard for foreign currency translation effective 1st April, 2000. Adoption of this standard has had no material impact on the consolidated financial position or results of operations for the year ended 31st March, 2001, except for the reclassification of translation adjustments from a component of assets to shareholders' equity.

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 recognized when these services have been rendered.

Research and Development Expenses

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

1. Significant Accounting Policies (continued)

Income Taxes

Effective 1st April, 1999, the Company and its consolidated subsidiaries adopted tax-effect accounting in accordance with an accounting standard issued by the Business Accounting Deliberation Council in March 1998. As a result, net income increased by ¥5,396 million and retained earnings increased by ¥10,085 million for the year ended 31st March, 2000. The cumulative effect of this change at 1st April, 1999 was credited directly to retained earnings and was reported as “Cumulative effect of adoption of tax-effect accounting” in the consolidated statement of changes in shareholders’ equity for the year ended 31st March, 2000.

Per Share Data

The computation of basic net income and net assets per share is based on the weighted average number of shares of common stock outstanding during each year and the number of shares outstanding at each balance sheet date, respectively. Diluted net income per share has not been computed as neither the Company nor its consolidated subsidiaries have issued debentures, convertible bonds, stock options or warrants which would be potentially dilutive.

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 ¥119.40 = US\$1.00, the rate of exchange prevailing on 30th September, 2001. 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. Market Value Information

- 1) The following is a summary of marketable equity securities included in investment securities and investments in affiliates at 31st March, 2000:

	<i>Millions of yen</i>		
	<u>Carrying amount</u>	<u>Market value</u>	<u>Gross unrealised gain</u>
Noncurrent:			
Marketable equity securities	¥3,872	¥186,343	¥182,471

In addition to the securities presented above, the Company and its consolidated subsidiaries held the following non-marketable investment securities and investments in unlisted affiliates at 31st March, 2000:

	<u><i>Millions of yen</i></u>
Noncurrent:	
Non-marketable equity securities	¥14,440
Non-marketable domestic bonds	7,000

- 2) The following is a summary of other securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2001 and 30th September, 2001:

- a) Marketable securities classified as other securities

	<i>Millions of yen</i>					
	<u>Acquisition costs</u>		<u>Carrying amount</u>		<u>Unrealised gain</u>	
	<u>31st March, 2001</u>	<u>30th September, 2001</u>	<u>31st March, 2001</u>	<u>30th September, 2001</u>	<u>31st March, 2001</u>	<u>30th September, 2001</u>
Equity securities	¥2,602	¥3,203	¥85,360	¥46,982	¥82,758	¥43,779

	<i>Thousands of U.S. dollars</i>					
	<u>Acquisition costs</u>		<u>Carrying amount</u>		<u>Unrealised gain</u>	
	<u>31st March, 2001</u>	<u>30th September, 2001</u>	<u>31st March, 2001</u>	<u>30th September, 2001</u>	<u>31st March, 2001</u>	<u>30th September, 2001</u>
Equity securities	\$21,792	\$26,826	\$714,908	\$393,484	\$693,116	\$366,658

Proceeds from gain and loss on marketable securities classified as other securities during the year ended 31st March, 2001 were as follows:

	<u><i>Millions of yen</i></u>	<u><i>Thousands of U.S. dollars</i></u>
Proceeds	¥30,185	\$252,806
Gross gain	26,496	221,910
Gross loss	797	6,675

3. Market Value Information (continued)

b) Non-marketable securities classified as other securities

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st March, 2001	30th September, 2001	31st March, 2001	30th September, 2001
Noncurrent:				
Equity securities	¥10,642	¥11,294	\$ 89,129	\$ 94,590
Domestic bonds due within 5 years	7,000	7,000	58,626	58,626
Other (money management funds)	20,001	20,010	167,513	167,588
Other (free financial funds)	–	15,002	–	125,645

4. Derivatives

Because no derivative financial instruments were held by the Company and its consolidated subsidiaries at 31st March, 2000 and all derivatives held by a certain consolidated subsidiary at 31st March, 2001 were for hedging purposes, the related information on their respective market value is not 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 ¥8,057 million, ¥6,218 million (\$52,077 thousand) and ¥17,774 million (\$148,861 thousand) for the years ended 31st March, 2000 and 2001 and the six months ended 30th September, 2001, respectively.

6. Property and Equipment

Property and equipment are summarised as follows:

	<i>Years</i>	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
		31st March, 2000	2001	30th September, 2001	31st March, 2001	30th September, 2001
Land		¥ 11,276	¥ 8,089	¥ 8,089	\$ 67,747	\$ 67,747
Buildings	15 - 50	36,176	30,613	31,356	256,390	262,613
Machinery and equipment	3 - 15	49,868	43,296	43,447	362,614	363,878
Less: Accumulated depreciation		(58,540)	(49,985)	(50,534)	(418,635)	(423,233)
Property and equipment, net		<u>¥ 38,780</u>	<u>¥ 32,013</u>	<u>¥ 32,358</u>	<u>\$ 268,116</u>	<u>\$ 271,005</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	31st March,	30th
	2000	2001	September,	2001	September,
Lease deposits	¥ 6,435	¥ 6,862	¥ 8,176	\$57,471	\$ 68,476
Investment partnerships	1,158	2,193	2,321	18,367	19,439
Other	3,342	2,080	1,896	17,420	15,880
Other assets	¥10,935	¥11,135	¥12,393	\$93,258	\$103,795

Other in other assets includes golf club memberships.

8. Pledged Assets

The following assets at 31st March, 2001 and 30th September, 2001 were pledged as collateral for obligations of the Company:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st	30th	31st	30th
	March,	September,	March,	September,
	2001	2001	2001	2001
Land	¥2,682	¥2,682	\$22,462	\$22,462
Buildings, net	1,197	1,173	10,025	9,824
	¥3,879	¥3,855	\$32,487	\$32,286

The obligations at 31st March, 2001 and 30th September, 2001 secured by such collateral were:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st	30th	31st	30th
	March,	September,	March,	September,
	2001	2001	2001	2001
Long-term debt due within one year	¥ 208	¥ 208	\$ 1,742	\$ 1,742
Long-term debt	2,726	2,622	22,831	21,960
	¥2,934	¥2,830	\$24,573	\$23,702

9. Short-Term Borrowings and Long-Term Debt

Unsecured short-term borrowings at 31st March, 2000 and 2001 represent short-term bank borrowings, which were scheduled to mature within one year at weighted average interest rates of 0.6 per cent. and 0.7 per cent.

Long-term debt consisted of the following:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th	31st March,	30th
	2000	2001	September, 2001	2001	September, 2001
Loans principally from banks and insurance companies due through 2015	¥7,600	¥6,134	¥4,830	\$51,374	\$40,452
Less current portion	4,400	2,608	1,608	21,843	13,467
Long-term debt	<u>¥3,200</u>	<u>¥3,526</u>	<u>¥3,222</u>	<u>\$29,531</u>	<u>\$26,985</u>

The weighted average interest rates on long-term debt due within one year were 1.5 per cent., 1.9 per cent. and 2.2 per cent. at 31st March, 2000 and 2001 and 30th September, 2001, respectively, and the weighted average interest rates on the noncurrent portion of long-term debt were 1.9 per cent., 3.0 per cent. and 3.0 per cent. at 31st March, 2000 and 2001 and 30th September, 2001, respectively.

The annual maturities of long-term debt subsequent to 31st March, 2001 and 30th September, 2001 are summarised as follows:

<u>Years to maturities</u>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st March, 2001	30th September, 2001	31st March, 2001	30th September, 2001
Due within one year	¥2,608	¥1,608	\$21,843	\$13,467
Due in 1 - 2 years	608	608	5,092	5,092
Due in 2 - 3 years	608	408	5,092	3,417
Due in 3 - 4 years	208	208	1,742	1,742
Due after 4 years	2,102	1,998	17,605	16,734
Total	<u>¥6,134</u>	<u>¥4,830</u>	<u>\$51,374</u>	<u>\$40,452</u>

10. Retirement and Severance Benefits

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 sheet at 31st March, 2001 for the Company's and its consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Retirement benefit obligation	¥(40,546)	\$(339,581)
Plan assets at fair value	20,814	174,322
Unfunded retirement benefit obligation recognised on the balance sheet	<u>¥(19,732)</u>	<u>\$(165,259)</u>

In addition to the above pension plan assets, the assets of the welfare pension plan amounted to ¥22,757 million (\$190,595 thousand) at 31st March, 2001.

The components of retirement benefit expenses for the year ended 31st March, 2001 are outlined as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Service cost	¥ 3,242	\$27,152
Interest cost	999	8,367
Expected return on plan assets	(310)	(2,596)
Provision for net retirement benefit obligation at transition	344	2,881
Actuarial loss	6,122	51,273
Total	<u>¥10,397</u>	<u>\$87,077</u>

Contributions to the welfare pension plan are included in service cost presented above.

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

	<u>31st March, 2001</u>
Discount rate at beginning of year	3.0%
Discount rate at end of year	2.4%
Expected rate of return on plan assets	1.5%

11. Other Long-Term Liabilities

Other long-term liabilities included accrual for retirement benefits for directors and statutory auditors in amounts of ¥1,210 million, ¥995 million (\$8,333 thousand) and ¥1,015 million (\$8,501 thousand) at 31st March, 2000 and 2001 and 30th September, 2001, 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</i>
	31st March,		<i>U.S. dollars</i>
	2000	2001	31st March,
			2001
Deferred income tax assets:			
Employees' retirement benefits	¥ 3,868	¥ 6,876	\$ 57,588
Welfare pension plan	4,441	4,850	40,620
Depreciation	3,559	3,811	31,918
Accrued bonuses	1,283	1,577	13,208
Other	1,536	2,752	23,048
	<u>14,687</u>	<u>19,866</u>	<u>166,382</u>
Deferred income tax liabilities:			
Unrealised gain on other securities	–	(35,133)	(294,246)
Special tax-purpose reserve	(4,586)	(5,861)	(49,087)
Other	(38)	(60)	(503)
	<u>(4,624)</u>	<u>(41,054)</u>	<u>(343,836)</u>
Deferred tax assets (liabilities), net	<u>¥10,063</u>	<u>¥(21,188)</u>	<u>\$(177,454)</u>

Income taxes applicable to the Company and its consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 42 per cent for the years ended 31st March, 2000 and 2001. The difference for the year ended 31st March, 2000 was considered to be immaterial after the additional tax effect was excluded from the computation.

13. Shareholders' Equity

The Commercial Code of Japan provides that an amount not less than 10 per cent. of all appropriations of retained earnings which resulted in cash payments be appropriated to the legal reserve until the reserve equals 25 per cent. of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital (common stock). Unrealised gain on other securities is also not available for dividends.

The amount of retained earnings of the Company available for distribution to the shareholders is determined based upon the non-consolidated financial statements prepared in accordance with the Commercial Code. At 31st March, 2001, the amount of unrestricted retained earnings available for dividends was ¥82,212 million (\$688,543 thousand).

13. Shareholders' Equity (continued)

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 in the number of shares in issue of 38,700,000. 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 an unrealised gain of ¥517 million (\$4,330 thousand) and an unrealized loss of ¥166 million (\$1,390 thousand) on investment partnerships recorded as other assets for the year ended 31st March, 2001 and for the six months ended 30th September, 2001.

14. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the consolidated balance sheets at 31st March, 2000 and 2001 and 30th September, 2001 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>	
	31st March,		30th	31st March,	30th
	2000	2001	September,	2001	September,
Cash and bank deposits	¥34,392	¥64,131	¥20,317	\$537,110	\$170,159
Short-term investments maturing within three months from the acquisition date	–	20,001	35,012	167,513	293,233
Total	34,392	84,132	55,329	704,623	463,392
Less:					
Time deposits with a maturity of more than three months when deposited	–	9	8	75	67
Cash and cash equivalents	<u>¥34,392</u>	<u>¥84,123</u>	<u>¥55,321</u>	<u>\$704,548</u>	<u>\$463,325</u>

15. Per Share Data

The per share data are summarised as follows:

	<i>Yen</i>			<i>U.S. dollars</i>	
	31st March,		30th	31st March,	30th
	2000	2001	September,	2001	September,
Per share data:					
Net income	¥ 119.32	¥ 590.27	¥ 300.99	\$ 4.94	\$ 2.52
Shareholders' equity	2,135.76	3,841.20	3,583.52	32.17	30.01

The per share data as of and for the years ended 31st March, 2000 have been adjusted retroactively for the stock split on 8th August, 2000. The per share data for the year ended 31st March, 2001 has been calculated on the assumption that the stock split became effective 1st April, 2000.

16. Leases

1) Lessee

a) Finance leases

Property leased by the Company or its consolidated subsidiaries has not been capitalised because the respective finance leases do not transfer ownership of the leased property to the Company, its consolidated subsidiaries, or its customers.

Property held under finance leases which are not capitalised is summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th	31st	30th
	2000	2001	September,	March,	September,
			2001	2001	2001
Estimated:					
Acquisition costs of leased property	¥12,282	¥15,251	¥16,430	\$127,730	\$137,605
Accumulated depreciation	(4,031)	(6,295)	(7,601)	(52,722)	(63,660)
Net carrying amount	<u>¥ 8,251</u>	<u>¥ 8,956</u>	<u>¥ 8,829</u>	<u>\$ 75,008</u>	<u>\$ 73,945</u>

Future minimum lease payments are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th	31st	30th
	2000	2001	September,	March,	September,
			2001	2001	2001
Future minimum lease payments due:					
Within one year	¥2,275	¥ 3,385	¥ 3,662	\$28,350	\$30,670
Thereafter	6,119	6,960	6,748	58,291	56,516
Total	<u>¥8,394</u>	<u>¥10,345</u>	<u>¥10,410</u>	<u>\$86,641</u>	<u>\$87,186</u>

Lease payments, depreciation and interest expenses for these finance leases are summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	Year ended		Six months ended		Year ended	Six months
	31st March,	30th September,	30th September,	30th September,	31st	ended 30th
	2000	2001	2000	2001	March,	September,
					2001	2001
Lease payments	¥2,684	¥2,899	¥1,373	¥1,654	\$24,280	\$13,853
Depreciation	2,560	2,779	1,318	1,577	23,275	13,208
Interest expenses	178	172	85	87	1,441	729

16. Leases (continued)

1) Lessee (continued)

b) Operating leases

Future minimum lease payments are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th	31st	30th
	2000	2001	September,	March,	September,
			2001	2001	2001
Future minimum lease payments due:					
Within one year	¥243	¥223	¥289	\$1,868	\$2,420
Thereafter	552	592	575	4,958	4,816
Total	¥795	¥815	¥864	\$6,826	\$7,236

2) Lessor

Lease revenues on finance leases and future minimum lease payments receivable are summarised as follows:

Property held under finance leases is summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th	31st	30th
	2000	2001	September,	March,	September,
			2001	2001	2001
Acquisition costs of leased property	¥ 4,381	¥1,335	¥ 1,333	\$11,181	\$11,164
Accumulated depreciation	(1,907)	(817)	(1,050)	(6,843)	(8,794)
Net carrying amount	¥ 2,474	¥ 518	¥ 283	\$ 4,338	\$ 2,370

Future minimum lease payments receivable are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th	31st	30th
	2000	2001	September,	March,	September,
			2001	2001	2001
Future minimum lease payments receivable due:					
Within one year	¥1,528	¥501	¥338	\$4,196	\$2,831
Thereafter	2,073	139	13	1,164	109
Total	¥3,601	¥640	¥351	\$5,360	\$2,940

16. Leases (continued)

2) Lessor (continued)

Lease revenue, depreciation and interest income for these finance leases are summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	Year ended 31st March,		Six months ended 30th September,		Year ended 31st March,	Six months ended 30th September,
	2000	2001	2000	2001	2001	2001
Lease revenue	¥1,113	¥765	¥366	¥285	\$6,407	\$2,387
Depreciation	871	597	304	238	5,000	1,993
Interest income	377	143	52	35	1,198	293

In addition to the above, future minimum lease payments receivable related to subleases are summarised as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st March, 2001	30th September, 2001	31st March, 2001	30th September, 2001
Future minimum lease payments receivable due:				
Within one year	¥ 872	¥1,012	\$ 7,303	\$ 8,476
Thereafter	1,658	2,079	13,886	17,412
Total	¥2,530	¥3,091	\$21,189	\$25,888

* 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 are summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	31st March,		30th September,		31st March, 2001	30th September, 2001
	2000	2001	2000	2001		
Personnel expenses	¥12,383	¥13,503	¥ 6,489	¥ 7,556	\$113,091	\$63,284
Rent	3,050	2,690	1,890	2,152	22,529	18,023
Subcontractor costs	3,719	5,183	2,019	2,687	43,409	22,504
Other	6,754	8,122	3,377	3,675	68,023	30,779
Total	¥25,906	¥29,498	¥13,775	¥16,070	\$247,052	\$134,590

18. Research and Development Costs

Research and development costs included in selling, general and administrative expenses are as follows:

<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
<u>31st March,</u>		<u>30th September,</u>		<u>31st</u>	<u>30th</u>
<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>March,</u>	<u>September,</u>
				<u>2001</u>	<u>2001</u>
¥2,453	¥2,620	¥973	¥1,350	\$21,943	\$11,307

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) Gain on investments in affiliates

Gain on investments in affiliates for the years ended 31st March, 2000 is summarised as follows:

Gain on sales of investments in affiliates for the years ended 31st March, 2000, whose amount is ¥1,836 million, reflects sales of 768,700 shares of Nomura Asset Management Co., Ltd..

Gain on the liquidation of an affiliate for the years ended 31st March, 2000, whose amount is ¥1 million, relates to the liquidation of Nomura Research International Company Limited in 2000.

Loss on sales of investments in affiliates for the year ended 31st March, 2000, whose amount is ¥408 million, mainly relates to the sale of 12,500 shares of Nomura Europe Investment Holding B.V.

Loss on the liquidation of affiliates for the year ended 31st March, 2000, whose amount is ¥616 million, relates to the liquidations of Naigai Data Service Co., Ltd. and Nomura Computer Systems Europe Limited in amounts of ¥415 million and ¥201 million, respectively.

3) Actuarial loss and provision for welfare pension plan

The actuarial loss and the provision for the welfare pension plan for the year ended 31st March, 2001 arose primarily as a result of a change in the discount rates.

4) Reversal of allowance for the welfare pension plan

The reversal of allowance for the welfare pension plan for the six months ended 30th September, 2001 resulted from the Company's withdrawal from the welfare pension plan.

20. Related Party Transactions

Related party transactions for the years ended 31st March, 2000 and 2001 and the respective balances at 31st March, 2000 and 2001 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2000	2001	31st March, 2001
A) Major shareholders				
The Nomura Securities Co., Ltd.	Sales	¥36,462	¥46,421	\$388,786
(on 1st October, 2001 became Nomura Holdings, Inc.)	Sale of investment in Nomura Investor Relations Co., Ltd.	134	–	–
	Gain on above sale	54	–	–
	Sale of investment in Nomura Satellite Communications Co., Ltd.	131	–	–
	Gain on above sale	11	–	–
	Sale of investment securities of Nomura Research and Advisory Co., Ltd.	110	–	–
	Gain on above sale	60	–	–
	Sale of investment in Nomura Asset Management Co., Ltd.	6,918	–	–
	Gain on above sale	1,827	–	–

20. Related Party Transactions (continued)

1) Transactions (continued)

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2000	2001	31st March, 2001
Nomura Land and Building Co., Ltd.	Sale of investment in Nomura Europe Investment Holding B.V.	¥ 384	¥ –	\$ –
	Loss on above sale	518	–	–
Nomura Asset Management Co., Ltd.	Sale of investment in Axa Rosenberg Investment Management Co., Ltd.	86	–	–
	Loss on above sale	13	–	–
	Sale of investment securities of Nomura Asset Management U.S.A. Inc.	249	–	–
	Loss on above sale	147	–	–
b) Consolidated subsidiary				
NRI Shared Service Co., Ltd.	Sale of land and buildings	–	4,119	34,497
	Gain on above sale *	–	53	444
	Loss on above sale	–	4,516	37,822
				* This gain has been eliminated in the process of consolidation.
c) Major shareholders' subsidiaries				
Nomura Real Estate Development Co., Ltd.	Rent	3,974	3,703	31,013
Nomura Finance Co., Ltd.	Purchase of leased assets and lease receivables	1,411	–	–
N.F. Biru Investments Co., Ltd.	Interest received	202	202	1,692

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2000	2001	31st March, 2001
a) Major shareholders				
The Nomura Securities Co., Ltd.	Accounts receivable and other receivables	¥3,797	¥4,794	\$40,151
	Lease deposits received	4,000	4,000	33,501
b) Major shareholders' subsidiaries				
Nomura Real Estate Development Co., Ltd.	Lease deposits paid	3,264	2,984	24,992
N.F. Biru Investments Co., Ltd.	Investment securities (bonds)	7,000	7,000	58,626

21. Contingent Liabilities

The Company guaranteed unsecured bonds issued by South Plaza Co. in amounts of ¥11,256 million, ¥10,992 million (\$92,060 thousand) and ¥10,860 million (\$90,955 thousand) at 31st March, 2000 and 2001 and 30th September, 2001, respectively. In March 1999, the Company entered into a trust agreement 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 the Daiwa Bank was engaged as custodian. 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. 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, 2000 and 2001 and for the six months ended 30th September, 2001 is summarised as follows:

22. Segment Information (continued)

Business segments

Millions of yen

Year ended 31st March, 2000					
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥155,201	¥28,415	¥183,616	¥ –	¥183,616
Intersegment sales or transfers	2,018	342	2,360	(2,360)	–
Total sales	157,219	28,757	185,976	(2,360)	183,616
Operating expenses	138,700	27,962	166,662	(2,361)	164,301
Operating profit	¥ 18,519	¥ 795	¥ 19,314	¥ 1	¥ 19,315
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 90,259	¥23,116	¥113,375	¥54,899	¥168,274
Depreciation and amortization	11,080	1,925	13,005	–	13,005
Capital expenditures	12,581	6,810	19,391	(30)	19,361

Millions of yen

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 amortization and capital expenditures					
Total assets	¥ 85,839	¥23,435	¥109,274	¥179,830	¥289,104
Depreciation and amortization	10,357	3,303	13,660	–	13,660
Capital expenditures	13,943	3,447	17,390	–	17,390

Corporate assets included under “Eliminations and corporate” at 31st March, 2000 and 2001 amounted to ¥55,107 million and ¥180,809 million(\$1,459,314 thousand), respectively, and consisted principally of surplus funds and investment securities.

Millions of yen

Six months ended 30th September, 2000					
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥88,157	¥14,339	¥102,496	¥ –	¥102,496
Intersegment sales or transfers	1,170	637	1,807	(1,807)	–
Total sales	89,327	14,976	104,303	(1,807)	102,496
Operating expenses	75,700	15,121	90,821	(1,792)	89,029
Operating profit	¥13,627	¥ (145)	¥ 13,482	¥ (15)	¥ 13,467

22. Segment Information (continued)

Business segments (continued)

Millions of yen

Six months ended 30th September, 2001					
System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consolidated	
I. Sales and operating profit					
Sales to external customers	¥90,857	¥18,242	¥109,099	¥ –	¥109,099
Intersegment sales or transfers	1,310	747	2,057	(2,057)	–
Total sales	92,167	18,989	111,156	(2,057)	109,099
Operating expenses	81,611	17,494	99,105	(2,054)	97,051
Operating profit	¥10,556	¥ 1,495	¥ 12,051	¥ (3)	¥ 12,048

Thousands of U.S. dollars

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	\$1,552,354	\$273,308	\$1,825,662	\$ –	\$1,825,662
Intersegment sales or transfers	20,845	13,568	34,413	(34,413)	–
Total sales	1,573,199	286,876	1,860,075	(34,413)	1,825,662
Operating expenses	1,348,233	278,593	1,626,826	(34,355)	1,592,471
Operating profit	\$ 224,966	\$ 8,283	\$ 233,249	\$ (58)	\$ 233,191
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	\$ 718,920	\$196,273	\$ 915,193	\$1,506,114	\$2,421,307
Depreciation and amortization	86,742	27,663	114,405	–	114,405
Capital expenditures	116,776	28,869	145,645	–	145,645

Thousands of U.S. dollars

Six months ended 30th September, 2001					
System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consolidated	
I. Sales and operating profit					
Sales to external customers	\$760,946	\$152,781	\$913,727	\$ –	\$913,727
Intersegment sales or transfers	10,972	6,256	17,228	(17,228)	–
Total sales	771,918	159,037	930,955	(17,228)	913,727
Operating expenses	683,509	146,516	830,025	(17,202)	812,823
Operating profit	\$ 88,409	\$ 12,521	\$100,930	\$ (26)	\$100,904

Geographical segments

Since sales in the domestic segment were greater than 90 per cent. of total segment sales for the years ended 31st March, 2000 and 2001 and the six months ended 30th September, 2000 and 2001, geographical segment information has not been presented.

22. Segment Information (continued)

Overseas sales

Since overseas sales were less than 10 per cent. of consolidated sales for the years ended 31st March, 2000 and 2001 and the six months ended 30th September, 2000 and 2001, no disclosure of overseas sales has been made.