

This financial report is composed of two parts. The first part is an abridged translation of "Kessan Tanshin (earnings report)" for the quarterly period ended 31st December, 2009, which includes the summary and the qualitative information sections. The second part is the "Quarterly Consolidated Financial Statements," which are basically prepared based on the "Kessan Tanshin (earnings report)" but applied for some items different presentation methods.



28th January, 2010

## Consolidated Financial Results For the Quarterly Period Ended 31st December, 2009

Company name: Nomura Research Institute, Ltd.  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 4307  
 URL: <http://www.nri.co.jp/>  
 Representative: Akihisa Fujinuma, Chairman and President, Representative Director, CEO & COO  
 Inquiries: Katsutoshi Murakami, General Manager, Finance Department  
 TEL: +81-3-5533-2111 (from overseas)  
 Scheduled date to file Quarterly Securities Report: 29th January, 2010  
 Scheduled date to commence dividend payments: –

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

### 1. Consolidated performance for the quarterly period ended 31st December, 2009 (from 1st April, 2009 to 31st December, 2009)

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

Quarterly period ended	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st December, 2009	252,155	0.4	32,755	(12.2)	33,419	(14.6)	18,649	(13.9)
31st December, 2008	251,208	–	37,322	–	39,152	–	21,651	–

Quarterly period ended	Net income per share – basic	Net income per share – diluted
	Yen	Yen
31st December, 2009	95.85	90.29
31st December, 2008	110.75	104.36

#### (2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
31st December, 2009	347,990	215,436	61.6	1,101.55
31st March, 2009	354,487	205,466	57.7	1,051.65

Reference: Equity As of 31st December, 2009: ¥214,374 million As of 31st March, 2009: ¥204,574 million

## 2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31st March, 2009	–	26.00	–	26.00	52.00
Fiscal year ending 31st March, 2010	–	26.00	–		
Fiscal year ending 31st March, 2010 (Forecasts)				26.00	52.00

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

## 3. Forecasts of financial results for the fiscal year ending 31st March, 2010 (from 1st April, 2009 to 31st March, 2010)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 31st March, 2010	340,000	(0.4)	44,000	(11.5)	44,000	(14.9)	24,500	(0.1)	125.91

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

## 4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of simplified accounting and specific accounting in preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements
  - a. Changes due to revisions to accounting standards and other regulations: Yes
  - b. Changes due to other reasons: None
- (4) Number of shares in issue (common stock)
  - a. Total number of shares in issue at the end of the period (including treasury stock)
 

As of 31st December, 2009	225,000,000 shares
As of 31st March, 2009	225,000,000 shares
  - b. Number of shares of treasury stock at the end of the period
 

As of 31st December, 2009	30,388,814 shares
As of 31st March, 2009	30,473,495 shares
  - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 

Quarterly period ended 31st December, 2009	194,577,752 shares
Quarterly period ended 31st December, 2008	195,509,511 shares

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

The business forecasts are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual sales and profits may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances. Also, forecasted cash dividends per share are based on the current business environment and forecasts of financial results. Please refer to the section of “3. Qualitative information regarding forecasts of financial results” of “[Qualitative Information and Financial Statements]” on page 5 for the suppositions that form the assumptions for the forecasts of financial results and cautions concerning the use thereof.

## [Qualitative Information and Financial Statements]

### 1. Qualitative information regarding consolidated operating results

In the third quarter (from 1st October, 2009 to 31st December, 2009), despite partial recovery such as in exports and production, corporate revenues continued to decline and the economy still remained in difficult circumstances. Amid growing uncertainty as to the future shape of the economy, companies remained very cautious towards investing in information systems, and, as a result, the business environment surrounding the information services industry continued to be difficult.

Operating in such an environment, Nomura Research Institute and its consolidated subsidiaries (“the NRI Group”) focused its energies on projects for the insurance and banking sectors. The NRI Group also worked on new projects for the service and manufacturing sectors in hopes of strengthening the business platform. In the area of cost, in addition to optimizing subcontracting costs, there were ongoing initiatives in improving quality and productivity and strengthening human resource development through corporate education and training programs.

As a result of these activities, sales for the NRI Group for the third quarter were ¥85,272 million (down 0.8% from the same period of the previous fiscal year). Despite the progression of subcontracting cost optimization, an increase in depreciation and amortization costs as a consequence of software investment resulted in cost of sales of ¥61,409 million (up 3.0%) and gross profit of ¥23,863 million (down 9.4%). While incurring selling, general and administrative expenses of ¥13,198 million (up 3.7%), the NRI Group posted operating profit of ¥10,664 million (down 21.6%), ordinary profit of ¥11,052 million (down 21.5%) and net income of ¥6,670 million (down 10.1%).

#### Segment information

The business results by segment are as follows.

##### Consulting Services

Impacted by the weak economy, projects decreased, particularly those for the financial sector. As a result, the consulting services segment posted sales (sales to external customers) of ¥7,892 million (down 2.6% from the same period of the previous fiscal year) and operating profit of ¥232 million (down 72.0%).

##### IT Solution Services

The sales for each type of IT solution services were as follows. For System Development & System Application Sales, sales were ¥32,081 million (down 14.7% from the same period of the previous fiscal year) with sales to the banking and distribution sectors increasing but sales to the securities sector declining. For System Management & Operation Services, sales were ¥40,660 million (up 9.3%) thanks mainly to the provision of large-scale outsourcing services aimed at major customers in the securities sector and increases in system management and operation services for the banking sector.

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

As a result, sales from IT solution services (sales to external customers) were ¥77,380 million (down 0.6%) and operating profit was ¥10,432 million (down 18.3%).

For qualitative information regarding consolidated operating results for the first quarter and the second quarter of the fiscal year ending 31st March, 2010, please refer to “Consolidated Financial Results For the Quarterly Period Ended 30th June, 2009” (released 24th July, 2009) and “Consolidated Financial Results For the Quarterly Period Ended 30th September, 2009” (released 23rd October, 2009).

## 2. Qualitative information regarding consolidated financial position

### Analysis of financial position

At the end of the third quarter (31st December, 2009), current assets were ¥121,636 million (down 0.8% from the end of the previous fiscal year), noncurrent assets were ¥226,353 million (down 2.4%), current liabilities were ¥56,830 million (down 18.8%), noncurrent liabilities were ¥75,723 million (down 4.1%), total net assets were ¥215,436 million (up 4.9%) and total assets were ¥347,990 million (down 1.8%).

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

Accounts receivable and other receivables decreased by ¥17,901 million, and accounts payable and accrued expenses had a combined decrease of ¥4,475 million. Income taxes payable and provision for bonuses decreased by ¥6,902 million and ¥6,222 million, respectively, as a result of making respective payments. Investment securities decreased by ¥3,063 million as a result of redemption of bonds and other reasons.

### Cash flow position

Net cash provided by operating activities in the third quarter was ¥14,147 million (up 40.1% compared with the same period of the previous fiscal year). The major contributing factors were as follows. Income before income taxes was ¥11,060 million (down 15.8%), depreciation and amortization was ¥8,125 million (up 46.3%) and a decrease in accounts receivable and other receivables was ¥6,475 million (up 113.8%).

Net cash used in investing activities was ¥6,906 million (up 6.8%). The major contributing factors were the acquisition of property and equipment such as machinery and equipment at data centers and office facilities and an increase in software and other intangibles related to development of multi-user systems.

Net cash used in financing activities was ¥5,107 million (down 0.7%).

As a result of the above, cash and cash equivalents at the end of the third quarter was ¥50,870 million (down 13.5% from the end of the same period of the previous fiscal year).

### Summary of the consolidated statements of cash flows for the third quarter

	Third quarter of previous fiscal year	Third quarter of current fiscal year	Year-on- year change
	(millions of yen)	(millions of yen)	(%)
Net cash provided by (used in) operating activities	10,100	14,147	40.1
of which : Income before income taxes	13,133	11,060	(15.8)
Depreciation and amortization	5,555	8,125	46.3
Decrease in accounts receivable and other receivables	3,028	6,475	113.8
Net cash provided by (used in) investing activities	(6,465)	(6,906)	6.8
Net cash provided by (used in) financing activities	(5,143)	(5,107)	(0.7)
Effect of exchange rate changes on cash and cash equivalents	(400)	180	–
Net increase (decrease) in cash and cash equivalents	(1,909)	2,313	–
Cash and cash equivalents at beginning of period	60,753	48,556	(20.1)
Cash and cash equivalents at end of period	58,843	50,870	(13.5)

## 3. Qualitative information regarding forecasts of financial results

Although exports and production have partially recovered, the Japanese economy still faces downside risks, such as concerns over a global economic downturn than anticipated and deflation, and conditions remain uncertain. Economic sentiment in the corporate sector is still weak, and companies remain very cautious towards investing in information systems. While this environment continues, the NRI Group shall continue to focus on business aimed at the insurance, service and manufacturing sectors, raise efficiency in subcontracting costs and reduce costs, and concentrate on the flawless execution of project management.

The forecasts of financial results remain unchanged from those announced on 23rd October, 2009.

# **Quarterly Consolidated Financial Statements**

**Nomura Research Institute, Ltd.**

*For the Quarterly Period Ended 31st December, 2009*  
*(Unaudited)*

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

Nomura Research Institute, Ltd.

Quarterly Consolidated Financial Statements

For the quarterly period ended 31st December, 2009

Index

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

Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>31st December, 2009</b>	<b>31st March, 2009</b>	<b>31st December, 2009</b>
	(Unaudited)		(Unaudited)
<b>Assets</b>			
Current assets:			
Cash and bank deposits ( <i>Note 7</i> )	¥ 12,503	¥ 20,308	\$ 135,755
Short-term investment securities ( <i>Notes 4 and 7</i> )	38,367	14,000	416,580
Accounts receivable and other receivables	59,753	77,654	648,784
Inventories	382	256	4,148
Deferred income taxes	7,254	7,308	78,762
Other current assets	3,438	3,130	37,328
Allowance for doubtful accounts	(60)	(84)	(651)
Total current assets	<u>121,637</u>	<u>122,572</u>	<u>1,320,706</u>
Property and equipment:			
Land	11,292	11,292	122,606
Buildings, net	30,654	29,429	332,834
Machinery and equipment, net	15,131	17,420	164,289
Leased assets, net	49	134	532
Property and equipment, net	<u>57,126</u>	<u>58,275</u>	<u>620,261</u>
Software and other intangibles	73,700	74,887	800,217
Investment securities ( <i>Note 4</i> )	52,373	55,436	568,654
Investments in affiliates ( <i>Note 4</i> )	1,373	2,232	14,908
Deferred income taxes	18,352	19,129	199,262
Long-term loans receivable	7,565	7,482	82,139
Lease investment assets	404	747	4,387
Other assets	15,562	13,845	168,966
Allowance for doubtful accounts	(102)	(117)	(1,107)
Total assets	<u>¥347,990</u>	<u>¥354,488</u>	<u>\$3,778,393</u>



	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>31st December, 2009</b>	<b>31st March, 2009</b>	<b>31st December, 2009</b>
	(Unaudited)		(Unaudited)
<b>Liabilities and net assets</b>			
Current liabilities:			
Accounts payable	¥ 18,125	¥ 28,961	\$ 196,797
Lease obligations	309	656	3,355
Accrued expenses	16,663	16,525	180,923
Income taxes payable	6,495	13,397	70,521
Other current liabilities	15,239	10,487	165,462
Total current liabilities	56,831	70,026	617,058
Convertible bonds	49,997	49,997	542,856
Lease obligations	222	415	2,410
Long-term accrued expenses	1,460	2,938	15,852
Deferred income taxes	2	2	22
Allowance for employees' retirement benefits	24,041	25,643	261,031
Net assets ( <i>Notes 6 and 8</i> ):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st December, 2009 and 31st March, 2009			
Issued – 225,000,000 shares at 31st December, 2009 and 31st March, 2009	18,600	18,600	201,954
Additional paid-in capital	15,015	14,975	163,030
Retained earnings	248,594	240,061	2,699,175
Treasury stock, at cost:			
– 30,388,814 shares at 31st December, 2009 and 30,473,495 shares at 31st March, 2009	(72,551)	(72,753)	(787,742)
Total shareholders' equity	209,658	200,883	2,276,417
Valuation and translation adjustments:			
Unrealized gain on other securities ( <i>Note 4</i> )	7,023	5,851	76,254
Translation adjustments	(2,307)	(2,159)	(25,049)
Total valuation and translation adjustments	4,716	3,692	51,205
Share subscription rights ( <i>Note 12</i> )	1,055	892	11,455
Minority interests	8	–	87
Total net assets	215,437	205,467	2,339,164
Total liabilities and net assets	¥347,990	¥354,488	\$3,778,393

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Income (Unaudited)

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i> <i>(Note 3)</i>	
	<b>Three months ended 31st December,</b>		<b>Nine months ended 31st December,</b>		<b>Three months ended 31st December,</b>	<b>Nine months ended 31st December,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2009</b>
Sales	¥85,273	¥85,924	¥252,155	¥251,209	\$925,874	\$2,737,839
Cost of sales	61,410	59,593	179,915	175,895	666,775	1,953,474
Gross profit	23,863	26,331	72,240	75,314	259,099	784,365
Selling, general and administrative expenses <i>(Notes 9 and 10)</i>	13,198	12,727	39,485	37,992	143,301	428,719
Operating profit	10,665	13,604	32,755	37,322	115,798	355,646
Other income (expenses):						
Interest and dividend income	270	405	1,269	1,761	2,932	13,779
Equity in earnings (losses) of affiliates	49	103	(554)	167	532	(6,015)
Interest expense	(4)	(3)	(13)	(10)	(43)	(141)
Gain (loss) on investment securities	3	(303)	(886)	(396)	33	(9,620)
Loss on investments in affiliates	–	(643)	–	(643)	–	–
Impact of applying lease accounting standards	–	–	–	(352)	–	–
Other, net	77	(30)	(13)	(88)	835	(142)
	395	(471)	(197)	439	4,289	(2,139)
Income before income taxes	11,060	13,133	32,558	37,761	120,087	353,507
Provision for income taxes <i>(Note 2)</i>	4,391	5,714	13,915	16,109	47,676	151,086
Minority interests in loss of consolidated subsidiaries	(1)	–	(7)	–	(10)	(76)
Net income <i>(Note 8)</i>	¥ 6,670	¥ 7,419	¥ 18,650	¥ 21,652	\$ 72,421	\$ 202,497

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Changes in Net Assets

*Millions of yen*

	Shareholders' equity					Valuation and translation adjustments					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	
<b>Balance at 31st March, 2009</b>	¥18,600	¥14,975	¥240,061	¥(72,753)	¥200,883	¥5,851	¥(2,159)	¥3,692	¥ 892	¥-	¥205,467
Purchases of treasury stock	-	-	-	(1)	(1)	-	-	-	-	-	(1)
Disposition of treasury stock	-	-	-	203	203	-	-	-	-	-	203
Net income	-	-	18,650	-	18,650	-	-	-	-	-	18,650
Cash dividends paid	-	-	(10,117)	-	(10,117)	-	-	-	-	-	(10,117)
Gain on disposition of treasury stock	-	40	-	-	40	-	-	-	-	-	40
Net changes other than in shareholders' equity	-	-	-	-	-	1,172	(148)	1,024	163	8	1,195
<b>Balance at 31st December, 2009 (Unaudited)</b>	¥18,600	¥15,015	¥248,594	¥(72,551)	¥209,658	¥7,023	¥(2,307)	¥4,716	¥1,055	¥8	¥215,437

*Millions of yen*

	Shareholders' equity					Valuation and translation adjustments					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	
<b>Balance at 31st March, 2008</b>	¥18,600	¥14,884	¥225,780	¥(61,161)	¥198,103	¥ 9,650	¥ (997)	¥ 8,653	¥608	¥-	¥207,364
Purchases of treasury stock	-	-	-	(11,871)	(11,871)	-	-	-	-	-	(11,871)
Disposition of treasury stock	-	-	-	260	260	-	-	-	-	-	260
Net income	-	-	21,652	-	21,652	-	-	-	-	-	21,652
Cash dividends paid	-	-	(10,232)	-	(10,232)	-	-	-	-	-	(10,232)
Gain on disposition of treasury stock	-	82	-	-	82	-	-	-	-	-	82
Net changes other than in shareholders' equity	-	-	-	-	-	(1,638)	(1,868)	(3,506)	165	-	(3,341)
<b>Balance at 31st December, 2008 (Unaudited)</b>	¥18,600	¥14,966	¥237,200	¥(72,772)	¥197,994	¥ 8,012	¥(2,865)	¥ 5,147	¥773	¥-	¥203,914

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

	Shareholders' equity					Valuation and translation adjustments					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	
<b>Balance at 31st March, 2009</b>	\$201,954	\$162,595	\$2,606,526	\$(789,935)	\$2,181,140	\$63,529	\$(23,442)	\$40,087	\$ 9,685	\$ -	\$2,230,912
Purchases of treasury stock	-	-	-	(11)	(11)	-	-	-	-	-	(11)
Disposition of treasury stock	-	-	-	2,204	2,204	-	-	-	-	-	2,204
Net income	-	-	202,497	-	202,497	-	-	-	-	-	202,497
Cash dividends paid	-	-	(109,848)	-	(109,848)	-	-	-	-	-	(109,848)
Gain on disposition of treasury stock	-	435	-	-	435	-	-	-	-	-	435
Net changes other than in shareholders' equity	-	-	-	-	-	12,725	(1,607)	11,118	1,770	87	12,975
<b>Balance at 31st December, 2009 (Unaudited)</b>	\$201,954	\$163,030	\$2,699,175	\$(787,742)	\$2,276,417	\$76,254	\$(25,049)	\$51,205	\$11,455	\$87	\$2,339,164

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows (Unaudited)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Nine months ended 31st December,</b>		<b>Nine months ended 31st December,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 32,558	¥ 37,761	\$ 353,507
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	22,403	15,082	243,246
Interest and dividend income	(1,269)	(1,761)	(13,779)
Interest expense	13	10	141
Loss on investment securities	886	396	9,620
Loss on investments in affiliates	–	643	–
Impact of applying lease accounting standards	–	352	–
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	17,933	7,308	194,712
Allowance for doubtful accounts	(39)	111	(423)
Accounts payable	(5,705)	(3,173)	(61,944)
Inventories	(130)	(1,216)	(1,412)
Allowance for employees' retirement benefits and welfare pension plan	(1,538)	(114)	(16,699)
Other	(477)	(3,629)	(5,177)
Subtotal	64,635	51,770	701,792
Interest and dividends received	1,359	1,730	14,756
Interest paid	(13)	(10)	(141)
Income taxes paid	(20,699)	(22,129)	(224,746)
Net cash provided by operating activities	45,282	31,361	491,661
<b>Cash flows from investing activities</b>			
Payments for time deposits	–	(3,890)	–
Proceeds from time deposits	6,074	4,094	65,950
Increase in short-term investment securities	–	(7,973)	–
Proceeds from sales and redemption of short-term investment securities	–	28,000	–
Acquisition of property and equipment	(9,734)	(11,144)	(105,689)
Proceeds from sales of property and equipment	9	–	98
Increase in software and other intangibles	(13,128)	(15,051)	(142,541)
Proceeds from sales of software and other intangibles	2	–	22
Increase in investment securities	(2,494)	(18,956)	(27,079)
Proceeds from sales and redemption of investment securities	6,400	148	69,490
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	665	–	7,220
Increase in investments in affiliates	(70)	(614)	(760)
Other	34	25	368
Net cash used in investing activities	(12,242)	(25,361)	(132,921)
<b>Cash flows from financing activities</b>			
Increase in short-term loans payable	6,500	–	70,575
Decrease in short-term loans payable	(6,500)	–	(70,575)
Repayment of obligation under finance leases	(195)	(310)	(2,117)
Proceeds from sales of treasury stock	–	73	–
Purchases of treasury stock	(1)	(11,871)	(11)
Cash dividends paid	(10,102)	(10,220)	(109,685)
Net cash used in financing activities	(10,298)	(22,328)	(111,813)
Effect of exchange rate changes on cash and cash equivalents	(101)	(354)	(1,096)
Net increase (decrease) in cash and cash equivalents	22,641	(16,682)	245,831
Cash and cash equivalents at beginning of period	28,229	75,525	306,504
Cash and cash equivalents at end of period (Note 7)	¥ 50,870	¥ 58,843	\$ 552,335

See accompanying notes to quarterly consolidated financial statements.

# Nomura Research Institute, Ltd.

## Notes to Quarterly Consolidated Financial Statements

31st December, 2009

### **1. Description of Business, Basis of Presentation, Changes in Scope of Consolidation, and Accounting Change**

#### *Description of Business*

Nomura Research Institute, Ltd. (the “Company”) is a leading provider in Japan of IT solutions services and consulting services. IT solutions services include the development, installation, operation and management of computer systems and networks, information services, and sales of computer equipment and related products. Consulting services include conducting research on macroeconomic trends, providing management consulting advice, and rendering system consulting services. Information on the Company’s operations by segment is included in Note 13.

#### *Basis of Presentation*

The accompanying quarterly consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law.

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

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

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

#### *Changes in Scope of Consolidation*

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

NRI BPO Services, Ltd., a newly established subsidiary during the quarterly period ended 30th June, 2009, is included in the scope of consolidation. NRI Network Communications, Ltd. and NRI WEBrandia, Ltd. merged in April, 2009.

As a result of these changes, the number of consolidated subsidiaries was 14 as of 31st December, 2009.

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

### *Accounting Change*

Effective the first quarter ended 30th June, 2009, the “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 15) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18) has been applied. The effects of adopting the new standard are immaterial because the percentage of completion method has already been applied to revenue recognition of made-to-order software.

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

### *Calculation of Tax Expense*

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

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

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥92.10 = U.S.\$1.00, the rate of exchange prevailing on 31st December, 2009. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

#### 4. Investments

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

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

##### *Marketable Securities Classified As Other Securities*

	<i>Millions of yen</i>					
	<b>31st December, 2009</b>			<b>31st March, 2009</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>
	(Unaudited)					
Equity securities	¥ 9,986	¥21,921	¥11,935	¥10,649	¥20,852	¥10,203
Debt securities:						
Government debt securities	–	–	–	3,000	3,001	1
Corporate debt securities	16,018	16,063	45	19,022	18,817	(205)
	16,018	16,063	45	22,022	21,818	(204)
Other	589	510	(79)	710	637	(73)
Total	<u>¥26,593</u>	<u>¥38,494</u>	<u>¥11,901</u>	<u>¥33,381</u>	<u>¥43,307</u>	<u>¥ 9,926</u>

	<i>Thousands of U.S. dollars</i>		
	<b>31st December, 2009</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>
	(Unaudited)		
Equity securities	\$108,426	\$238,013	\$129,587
Debt securities:			
Government debt securities	–	–	–
Corporate debt securities	173,920	174,408	488
	173,920	174,408	488
Other	6,394	5,538	(856)
Total	<u>\$288,740</u>	<u>\$417,959</u>	<u>\$129,219</u>

Loss on devaluation of marketable securities classified as other securities as a result of a permanent decline in value for the nine months ended 31st December, 2009 and the year ended 31st March, 2009 was ¥768 million (\$8,339 thousand) and ¥4,286 million, respectively. If the fair value of marketable securities classified as other securities declines significantly, such securities are written down to their respective fair value thus establishing a new cost basis and the amount of each write-down is charged to income as an impairment loss unless its fair value is deemed to be recoverable. The Company has established a policy for the recognition of impairment losses under the following conditions:

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

Investment partnerships, which are valued at market value derived from their components, were included in other.

## 5. Derivatives

The Company and its consolidated subsidiaries had no open derivatives positions at 31st December, 2009 or 31st March, 2009.

## 6. Net Assets

The Corporation Law of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders, or by the Board of Directors if certain conditions are met. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million (\$6,189 thousand) and ¥570 million at 31st December, 2009 and 31st March, 2009, respectively.

### *Shares in Issue and Treasury Stock*

The total number of shares in issue and the total number of shares of treasury stock at 31st December, 2009 and 31st March, 2009 are summarized as follows:

	31st December, 2009		31st March, 2009	
	Shares in issue	Treasury stock	Shares in issue	Treasury stock
	(Unaudited)			
Number of shares	225,000,000	30,388,814	225,000,000	30,473,495

### *Dividends*

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 15th May, 2009 * (¥26.00 = U.S.\$0.28 per share)	¥5,058	\$54,919
Cash dividends approved on 23rd October, 2009 * (¥26.00 = U.S.\$0.28 per share)	¥5,060	\$54,940

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



## 7. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheets and cash and cash equivalents in the accompanying quarterly consolidated statements of cash flows at 31st December, 2009 and 2008 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>31st December,</b>		<b>31st December,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥12,503	¥15,742	\$135,755
Short-term investment securities	38,367	48,659	416,580
Time deposits with maturities of more than three months when deposited	–	(5,558)	–
Cash and cash equivalents	<u>¥50,870</u>	<u>¥58,843</u>	<u>\$552,335</u>

## 8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>Three months ended 31st December,</b>		<b>Three months ended 31st December,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥34.28	¥38.14	\$0.37
Earnings per share – diluted	32.29	35.93	0.35

  

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>Nine months ended 31st December,</b>		<b>Nine months ended 31st December,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥95.85	¥110.75	\$1.04
Earnings per share – diluted	90.29	104.36	0.98

  

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>31st December, 2009</b>	<b>31st March, 2009</b>	<b>31st December, 2009</b>
	(Unaudited)		(Unaudited)
Net assets per share	¥1,101.55	¥1,051.65	\$11.96

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

## 8. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the three months and nine months ended 31st December, 2009 and 2008 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 31st December, 2009</b>	<b>2008</b>	<b>Three months ended 31st December, 2009</b>
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥6,670	¥7,419	\$72,421
Earnings not available to common shareholders	—	—	—
Earnings available to common shareholders	<u>¥6,670</u>	<u>¥7,419</u>	<u>\$72,421</u>
	<i>Thousands of shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic	194,607	194,513	194,607
Potentially dilutive shares of common stock	<u>11,977</u>	<u>11,969</u>	<u>11,977</u>
Weighted-average number of shares of common stock outstanding – diluted	<u>206,584</u>	<u>206,482</u>	<u>206,584</u>
	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Nine months ended 31st December, 2009</b>		<b>Nine months ended 31st December, 2009</b>
	<b>2008</b>		<b>2009</b>
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥18,650	¥21,652	\$202,497
Earnings not available to common shareholders	—	—	—
Earnings available to common shareholders	<u>¥18,650</u>	<u>¥21,652</u>	<u>\$202,497</u>
	<i>Thousands of shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic	194,578	195,509	194,578
Potentially dilutive shares of common stock	<u>11,967</u>	<u>11,967</u>	<u>11,967</u>
Weighted-average number of shares of common stock outstanding – diluted	<u>206,545</u>	<u>207,476</u>	<u>206,545</u>

## 8. Per Share Data (continued)

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

	<i>Shares</i>			
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>31st December,</b>		<b>31st December,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	(Unaudited)		(Unaudited)	
a) 3rd share subscription rights	–	39,000	0 *	39,000
b) 4th share subscription rights	224,500	224,500	224,500	224,500
c) 6th share subscription rights	392,500	392,500	392,500	392,500
d) 8th share subscription rights	415,000	415,000	415,000	415,000
e) 10th share subscription rights	417,500	417,500	417,500	417,500
f) 12th share subscription rights	440,000	–	440,000	–

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

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

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>31st December,</b>	<b>31st March,</b>	<i>U.S. dollars</i>
	<b>2009</b>	<b>2009</b>	<b>31st December,</b>
	(Unaudited)		<b>2009</b>
			(Unaudited)
Numerator:			
Net assets	¥215,437	¥205,467	\$2,339,164
Stock subscription rights	(1,055)	(892)	(11,455)
Minority interests	(8)	–	(87)
Net assets attributable to common stock	<u>¥214,374</u>	<u>¥204,575</u>	<u>\$2,327,622</u>
<i>Thousands of shares</i>			
Denominator:			
Number of shares of common stock outstanding	194,611	194,527	194,611

## 9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the three months and nine months ended 31st December, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 31st December,</b>		<b>Three months ended 31st December,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)		(Unaudited)
Personnel expenses	¥ 6,996	¥ 6,629	\$ 75,961
Rent	1,296	1,103	14,072
Subcontractor costs	1,796	1,938	19,501
Other	3,110	3,057	33,767
Total	<u>¥13,198</u>	<u>¥12,727</u>	<u>\$143,301</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Nine months ended 31st December,</b>		<b>Nine months ended 31st December,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)		(Unaudited)
Personnel expenses	¥21,585	¥19,541	\$234,365
Rent	3,500	3,300	38,002
Subcontractor costs	5,231	6,077	56,797
Other	9,169	9,074	99,555
Total	<u>¥39,485</u>	<u>¥37,992</u>	<u>\$428,719</u>

## 10. Research and Development Costs

Research and development expenses included in selling, general and administrative expenses for the three months and nine months ended 31st December, 2009 and 2008 are summarized as follows:

<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
<b>Three months ended 31st December,</b>		<b>Nine months ended 31st December,</b>		<b>Three months ended 31st December,</b>	<b>Nine months ended 31st December,</b>
<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2009</b>
(Unaudited)		(Unaudited)		(Unaudited)	
¥807	¥1,113	¥2,491	¥2,961	\$8,762	\$27,047

## 11. Contingent Liabilities

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

## 12. Stock Option Plans

For the three months and nine months ended 31st December, 2009 and 2008, the Company recognized and allocated share-based compensation cost as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	<b>Three months ended 31st December, 2009</b>		<b>Nine months ended 31st December, 2009</b>		<b>Three months ended 31st December, 2009</b>	<b>Nine months ended 31st December, 2009</b>
	(Unaudited)		(Unaudited)		(Unaudited)	
Cost of sales	¥ 60	¥ 70	¥185	¥210	\$ 651	\$2,009
Selling, general and administrative expenses	68	76	221	224	738	2,400
	<u>¥128</u>	<u>¥146</u>	<u>¥406</u>	<u>¥434</u>	<u>\$1,389</u>	<u>\$4,409</u>

No stock options were granted in three months ended 31st December, 2009.

### 13. Segment Information

#### *Business Segments*

Business segment information is presented under the following two categories:

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

Business segment information of the Company and its consolidated subsidiaries for the three months and nine months ended 31st December, 2009 and 2008 is summarized as follows:

<i>Millions of yen</i>					
<b>Three months ended 31st December, 2009</b>					
<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>	
		(Unaudited)			
Sales and operating profit:					
Sales to external customers	¥7,893	¥77,380	¥85,273	¥ –	¥85,273
Intersegment sales or transfers	117	205	322	(322)	–
Total sales	8,010	77,585	85,595	(322)	85,273
Operating expenses	7,777	67,153	74,930	(322)	74,608
Operating profit	¥ 233	¥10,432	¥10,665	¥ –	¥10,665

<i>Millions of yen</i>					
<b>Three months ended 31st December, 2008</b>					
<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>	
		(Unaudited)			
Sales and operating profit:					
Sales to external customers	¥8,105	¥77,819	¥85,924	¥ –	¥85,924
Intersegment sales or transfers	104	205	309	(309)	–
Total sales	8,209	78,024	86,233	(309)	85,924
Operating expenses	7,379	65,250	72,629	(309)	72,320
Operating profit	¥ 830	¥12,774	¥13,604	¥ –	¥13,604

### 13. Segment Information (continued)

#### Business Segments (continued)

*Millions of yen*

Nine months ended 31st December, 2009				
Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
(Unaudited)				
Sales and operating profit:				
Sales to external customers	¥21,489	¥230,666	¥252,155	¥252,155
Intersegment sales or transfers	309	427	736	–
Total sales	21,798	231,093	252,891	252,155
Operating expenses	21,586	198,550	220,136	219,400
Operating profit	¥ 212	¥ 32,543	¥ 32,755	¥ 32,755

*Millions of yen*

Nine months ended 31st December, 2008				
Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
(Unaudited)				
Sales and operating profit:				
Sales to external customers	¥24,811	¥226,398	¥251,209	¥251,209
Intersegment sales or transfers	340	662	1,002	–
Total sales	25,151	227,060	252,211	251,209
Operating expenses	21,823	193,066	214,889	213,887
Operating profit	¥ 3,328	¥ 33,994	¥ 37,322	¥ 37,322

*Thousands of U.S. dollars*

Three months ended 31st December, 2009				
Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
(Unaudited)				
Sales and operating profit:				
Sales to external customers	\$85,700	\$840,174	\$925,874	\$925,874
Intersegment sales or transfers	1,270	2,226	3,496	–
Total sales	86,970	842,400	929,370	925,874
Operating expenses	84,441	729,131	813,572	810,076
Operating profit	\$ 2,529	\$113,269	\$115,798	\$115,798

*Thousands of U.S. dollars*

Nine months ended 31st December, 2009				
Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
(Unaudited)				
Sales and operating profit:				
Sales to external customers	\$233,322	\$2,504,517	\$2,737,839	\$2,737,839
Intersegment sales or transfers	3,355	4,636	7,991	–
Total sales	236,677	2,509,153	2,745,830	2,737,839
Operating expenses	234,375	2,155,809	2,390,184	2,382,193
Operating profit	\$ 2,302	\$ 353,344	\$ 355,646	\$ 355,646

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

#### ***Geographical Segments***

Because sales in the domestic segment constituted more than 90% of total sales for the three months and nine months ended 31st December, 2009 and 2008, geographical segment information has not been presented.

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

Because overseas sales constituted less than 10% of consolidated sales for the three months and nine months ended 31st December, 2009 and 2008, no disclosure of overseas sales has been made.

### **14. Business Combinations**

Not applicable.

### **15. Subsequent Events**

Not applicable.