

This financial report is composed of two parts. The first part is an abridged translation of "Kessan Tanshin (earnings report)" for the quarterly period ended 30th September, 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.



23rd October, 2009

Consolidated Financial Results For the Quarterly Period Ended 30th September, 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: +81-45-333-8100 (from overseas)
 Scheduled date to file Quarterly Securities Report: 30th October, 2009
 Scheduled date to commence dividend payments: 27th November, 2009

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

1. Consolidated performance for the quarterly period ended 30th September, 2009 (from 1st April, 2009 to 30th September, 2009)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Quarterly period ended								
30th September, 2009	166,882	1.0	22,090	(6.9)	22,367	(10.8)	11,979	(15.8)
30th September, 2008	165,285	–	23,718	–	25,073	–	14,232	–

	Net income per share – basic	Net income per share – diluted
	Yen	Yen
Quarterly period ended		
30th September, 2009	61.57	58.01
30th September, 2008	72.61	68.43

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
30th September, 2009	356,955	215,497	60.1	1,102.42
31st March, 2009	354,487	205,466	57.7	1,051.65

Reference: Equity As of 30th September, 2009: ¥214,528 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)	125.92

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

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 30th September, 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 30th September, 2009	30,401,753 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 30th September, 2009	194,562,906 shares
Quarterly period ended 30th September, 2008	196,010,279 shares

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

These materials contain amendments to the forecasts of financial results for the full year. 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 6 for the suppositions that form the assumptions for the forecasts of financial results and cautions concerning the use thereof. Please also refer to the news release titled “Revisions to Forecasts of Financial Results for Fiscal Year Ending March 31, 2010” announced today.

[Qualitative Information and Financial Statements]

1. Qualitative information regarding consolidated operating results

In the second quarter (from 1st July, 2009 to 30th September, 2009), despite partial recovery such as in exports and production, the economy remained in difficult circumstances with reductions in corporate revenues and capital investment and worsening employment situation. In this environment, 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. Nomura Research Institute and its consolidated subsidiaries (“the NRI Group”) focused its energies on projects for the insurance and banking sectors as development projects for the securities sector declined. The NRI Group also worked on projects for new customers in the service and manufacturing sectors in hopes of strengthening the business platform. In the area of cost, in addition to optimizing subcontracting costs with more efficient management and operations, 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 second quarter were ¥85,361 million (down 0.5% 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 ¥60,375 million (up 1.0%) and gross profit of ¥24,985 million (down 3.9%). While incurring selling, general and administrative expenses of ¥12,848 million (up 5.8%), the NRI Group posted operating profit of ¥12,137 million (down 12.4%), ordinary profit of ¥11,506 million (down 18.7%) and net income of ¥5,855 million (down 28.4%).

Segment information

The business results by segment are as follows.

Consulting Services

Impacted by the weak economy, management consulting projects and system consulting projects decreased considerably. As a result, the consulting services segment posted sales (sales to external customers) of ¥7,260 million (down 22.1% from the same period of the previous fiscal year) and operating profit of ¥356 million (down 82.1%).

IT Solution Services

The sales for each type of IT solution services were as follows. For System Development & System Application Sales, sales were ¥33,059 million (down 8.9% from the same period of the previous fiscal year) with sales to the insurance, banking, service and manufacturing sectors increasing but sales to the securities sector falling significantly. For System Management & Operation Services, sales were ¥41,342 million (up 11.7%) 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 insurance and distribution sectors.

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

As a result, sales from IT solution services (sales to external customers) were ¥78,100 million (up 2.1%) and operating profit was ¥11,780 million (down 0.8%).

For qualitative information regarding consolidated operating results for the first 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).

2. Qualitative information regarding consolidated financial position

Analysis of financial position

At the end of the second quarter (30th September, 2009), current assets were ¥127,658 million (up 4.2% from the end of the previous fiscal year), noncurrent assets were ¥229,296 million (down 1.1%), current liabilities were at ¥63,984 million (down 8.6%), noncurrent liabilities were ¥77,474 million (down 1.9%), total net assets were ¥215,497 million (up 4.9%) and total assets were ¥356,955 million (up 0.7%).

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

Development-related and other accrued income has increased but because accounts receivable declined, accounts receivable and other receivables declined. In addition to a decrease in accounts payable, income taxes payable declined as a result of payment of income taxes. Investment securities increased partially as a result of rises in the market prices of shares held by the NRI Group. The rises in the market prices of shares held by the NRI Group also contributed to a decline in deferred income taxes and an increase in unrealized gain on other securities.

Cash flow position

Net cash provided by operating activities in the second quarter was ¥15,433 million (up 67.6% compared with the same period of the previous fiscal year). The major contributing factors were as follows. Income before income taxes provided ¥10,934 million (down 22.2%), depreciation and amortization provided ¥7,502 million (up 52.3%) and net change in accounts receivable and other receivables and accounts payable used ¥6,474 million (down 41.4%).

Net cash used in investing activities was ¥2,264 million (down 68.1%). The major contributing factors were the acquisition of property and equipment such as machinery and equipment at data centers and increase in software and other intangibles such as for development of multi-user systems offsetting the redemption of investment securities and proceeds from time deposits.

Net cash used in financing activities was ¥107 million (down 54.0%).

As a result of the above, cash and cash equivalents at the end of the second quarter was ¥48,556 million (down 20.1% from the end of the same period of the previous fiscal year).

Summary of the consolidated statements of cash flows for the second quarter

	Second quarter of previous fiscal year	Second quarter of current fiscal year	Year-on- year change
	(millions of yen)	(millions of yen)	(%)
Net cash provided by (used in) operating activities	9,206	15,433	67.6
of which : Income before income taxes	14,061	10,934	(22.2)
Depreciation and amortization	4,925	7,502	52.3
Net change in accounts receivable and other receivables and accounts payable	(11,042)	(6,474)	(41.4)
Net cash provided by (used in) investing activities	(7,103)	(2,264)	(68.1)
Net cash provided by (used in) financing activities	(233)	(107)	(54.0)
Effect of exchange rate changes on cash and cash equivalents	(101)	(147)	45.1
Net increase (decrease) in cash and cash equivalents	1,767	12,915	630.6
Cash and cash equivalents at beginning of period	58,985	35,641	(39.6)
Cash and cash equivalents at end of period	60,753	48,556	(20.1)

3. Qualitative information regarding forecasts of financial results

Although exports and production have partially recovered, the Japanese economy still faces downside risks, such as the impact of the financial crisis and concerns over a global economic recession, and conditions remain uncertain. Economic sentiment in the corporate sector is still weak, and there are no signs of significant improvements in corporate interest in investing in information systems.

In this environment, the NRI Group expects orders to be weak, and has accordingly revised its forecast for consolidated sales for the full fiscal year from ¥350 billion to ¥340 billion. However, the Group will strive to cut costs by streamlining subcontracting costs with more efficient system operations, and therefore has raised its consolidated operating profit forecast from ¥43 billion to ¥44 billion.

Forecasts of financial results for the fiscal year ending 31st March, 2010 (millions of yen)

	Current fiscal year		Change		Previous fiscal year (actual result)	Change	
	Previous forecast	Revised forecast	Amount	Rate (%)		Amount	Rate (%)
Sales	350,000	340,000	(10,000)	(2.9)	341,279	(1,279)	(0.4)
Consulting services	28,000	28,000	–	–	32,866	(4,866)	(14.8)
IT solution services	322,000	312,000	(10,000)	(3.1)	308,413	3,586	1.2
Operating profit	43,000	44,000	1,000	2.3	49,713	(5,713)	(11.5)
Ordinary profit	44,000	44,000	–	–	51,731	(7,731)	(14.9)
Net income	24,500	24,500	–	–	24,513	(13)	(0.1)
Cash dividends per share	52.00 yen	52.00 yen	–	–	52.00 yen	–	–
Second quarter (actual result)	26.00 yen	26.00 yen	–	–	26.00 yen	–	–
Fiscal year-end	26.00 yen	26.00 yen	–	–	26.00 yen	–	–

(Reference) (millions of yen)

	Current fiscal year		Change		Previous fiscal year (actual result)	Change	
	Previous forecast	Revised forecast	Amount	Rate (%)		Amount	Rate (%)
Capital investment	35,000	34,600	(400)	(1.1)	70,083	(35,483)	(50.6)
Depreciation and amortization	36,000	31,000	(5,000)	(13.9)	20,763	10,236	49.3
R&D expenses	4,500	4,500	–	–	4,104	395	9.6

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

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

For the Quarterly Period Ended 30th September, 2009
(Unaudited)

(Millions of yen and thousands of U.S.dollars, with fractional amounts rounded off, unless otherwise noted)

Nomura Research Institute, Ltd.

Quarterly Consolidated Financial Statements

For the quarterly period ended 30th September, 2009

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	30th September, 2009	31st March, 2009	30th September, 2009
	(Unaudited)		(Unaudited)
Assets			
Current assets:			
Cash and bank deposits (<i>Note 7</i>)	¥ 13,806	¥ 20,308	\$ 153,026
Short-term investment securities (<i>Notes 4 and 7</i>)	34,750	14,000	385,170
Accounts receivable and other receivables	66,488	77,654	736,954
Inventories	1,845	256	20,450
Deferred income taxes	7,268	7,308	80,559
Other current assets	3,570	3,130	39,570
Allowance for doubtful accounts	(68)	(84)	(754)
Total current assets	<u>127,659</u>	<u>122,572</u>	<u>1,414,975</u>
Property and equipment:			
Land	11,292	11,292	125,161
Buildings, net	29,632	29,429	328,441
Machinery and equipment, net	16,539	17,420	183,319
Leased assets, net	75	134	831
Property and equipment, net	<u>57,538</u>	<u>58,275</u>	<u>637,752</u>
Software and other intangibles	75,233	74,887	833,884
Investment securities (<i>Note 4</i>)	55,787	55,436	618,344
Investments in affiliates (<i>Note 4</i>)	1,158	2,232	12,835
Deferred income taxes	17,078	19,129	189,293
Long-term loans receivable	7,537	7,482	83,540
Investment in leased assets	501	747	5,553
Other assets	14,559	13,845	161,372
Allowance for doubtful accounts	(94)	(117)	(1,042)
Total assets	<u>¥356,956</u>	<u>¥354,488</u>	<u>\$3,956,506</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	30th September, 2009	31st March, 2009	30th September, 2009
	(Unaudited)		(Unaudited)
Liabilities and net assets			
Current liabilities:			
Accounts payable	¥ 23,363	¥ 28,961	\$ 258,956
Lease obligations	423	656	4,689
Accrued expenses	16,865	16,525	186,932
Income taxes payable	10,731	13,397	118,943
Other current liabilities	12,603	10,487	139,691
Total current liabilities	63,985	70,026	709,211
Convertible bonds	49,997	49,997	554,168
Lease obligations	261	415	2,893
Long-term accrued expenses	1,464	2,938	16,227
Deferred income taxes	1	2	11
Allowance for employees' retirement benefits	25,751	25,643	285,425
Net assets (<i>Notes 6 and 8</i>):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 30th September, 2009 and 31st March, 2009			
Issued – 225,000,000 shares at 30th September, 2009 and 31st March, 2009	18,600	18,600	206,163
Additional paid-in capital	15,013	14,975	166,404
Retained earnings	246,983	240,061	2,737,564
Treasury stock, at cost:			
– 30,401,753 shares at 30th September, 2009 and 30,473,495 shares at 31st March, 2009	(72,582)	(72,753)	(804,500)
Total shareholders' equity	208,014	200,883	2,305,631
Valuation and translation adjustments:			
Unrealized gain on other securities (<i>Note 4</i>)	8,904	5,851	98,692
Translation adjustments	(2,390)	(2,159)	(26,493)
Total valuation and translation adjustments	6,514	3,692	72,199
Share subscription rights (<i>Note 12</i>)	960	892	10,641
Minority interests	9	–	100
Total net assets	215,497	205,467	2,388,571
Total liabilities and net assets	¥356,956	¥354,488	\$3,956,506

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>	
	Three months ended 30th September,		Six months ended 30th September,		Three months ended 30th September,	Six months ended 30th September,
	2009	2008	2009	2008	2009	2009
Sales	¥85,361	¥85,790	¥166,883	¥165,285	\$946,143	\$1,849,734
Cost of sales	60,376	59,785	118,505	116,302	669,209	1,313,511
Gross profit	24,985	26,005	48,378	48,983	276,934	536,223
Selling, general and administrative expenses <i>(Notes 9 and 10)</i>	12,848	12,146	26,287	25,264	142,407	291,366
Operating profit	12,137	13,859	22,091	23,719	134,527	244,857
Other income (expenses):						
Interest and dividend income	95	322	999	1,356	1,053	11,073
Equity in earnings (losses) of affiliates	(546)	35	(603)	64	(6,052)	(6,684)
Interest expense	(2)	(4)	(8)	(7)	(22)	(89)
Loss on investment securities	(583)	(93)	(889)	(93)	(6,462)	(9,854)
Impact of applying lease accounting standards	–	–	–	(352)	–	–
Other, net	(167)	(57)	(91)	(59)	(1,851)	(1,008)
	(1,203)	203	(592)	909	(13,334)	(6,562)
Income before income taxes	10,934	14,062	21,499	24,628	121,193	238,295
Provision for income taxes <i>(Note 2)</i>	5,080	5,881	9,525	10,396	56,307	105,575
Minority interests in loss of consolidated subsidiaries	(1)	–	(6)	–	(11)	(67)
Net income <i>(Note 8)</i>	¥ 5,855	¥ 8,181	¥ 11,980	¥ 14,232	\$ 64,897	\$ 132,787

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	
Balance at 31st March, 2009	¥18,600	¥14,975	¥240,061	¥(72,753)	¥200,883	¥5,851	¥(2,159)	¥3,692	¥892	¥-	¥205,467
Purchases of treasury stock	-	-	-	(1)	(1)	-	-	-	-	-	(1)
Disposition of treasury stock	-	-	-	172	172	-	-	-	-	-	172
Net income	-	-	11,980	-	11,980	-	-	-	-	-	11,980
Cash dividends paid	-	-	(5,058)	-	(5,058)	-	-	-	-	-	(5,058)
Gain on disposition of treasury stock	-	38	-	-	38	-	-	-	-	-	38
Net changes other than in shareholders' equity	-	-	-	-	-	3,053	(231)	2,822	68	9	2,899
Balance at 30th September, 2009 (Unaudited)	¥18,600	¥15,013	¥246,983	¥(72,582)	¥208,014	¥8,904	¥(2,390)	¥6,514	¥960	¥9	¥215,497

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	
Balance at 31st March, 2008	¥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	-	-	-	225	225	-	-	-	-	-	225
Net income	-	-	14,232	-	14,232	-	-	-	-	-	14,232
Cash dividends paid	-	-	(5,175)	-	(5,175)	-	-	-	-	-	(5,175)
Gain on disposition of treasury stock	-	62	-	-	62	-	-	-	-	-	62
Net changes other than in shareholders' equity	-	-	-	-	-	2,334	25	2,359	75	-	2,434
Balance at 30th September, 2008 (Unaudited)	¥18,600	¥14,946	¥234,837	¥(72,807)	¥195,576	¥11,984	¥(972)	¥11,012	¥683	¥-	¥207,271

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	
Balance at 31st March, 2009	\$206,163	\$165,983	\$2,660,840	\$(806,395)	\$2,226,591	\$64,852	\$(23,930)	\$40,922	\$ 9,887	\$ -	\$2,277,400
Purchases of treasury stock	-	-	-	(11)	(11)	-	-	-	-	-	(11)
Disposition of treasury stock	-	-	-	1,906	1,906	-	-	-	-	-	1,906
Net income	-	-	132,787	-	132,787	-	-	-	-	-	132,787
Cash dividends paid	-	-	(56,063)	-	(56,063)	-	-	-	-	-	(56,063)
Gain on disposition of treasury stock	-	421	-	-	421	-	-	-	-	-	421
Net changes other than in shareholders' equity	-	-	-	-	-	33,840	(2,563)	31,277	754	100	32,131
Balance at 30th September, 2009 (Unaudited)	\$206,163	\$166,404	\$2,737,564	\$(804,500)	\$2,305,631	\$98,692	\$(26,493)	\$72,199	\$10,641	\$100	\$2,388,571

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>
			Six months ended
	2009	2008	30th September, 2009
Cash flows from operating activities			
Income before income taxes	¥ 21,499	¥ 24,628	\$ 238,295
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	14,277	9,526	158,247
Interest and dividend income	(999)	(1,356)	(11,073)
Interest expense	8	7	89
Loss on investment securities	889	93	9,854
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	11,458	4,279	127,001
Allowance for doubtful accounts	(39)	102	(432)
Accounts payable	(6,250)	(3,406)	(69,275)
Inventories	(1,593)	(339)	(17,657)
Allowance for employees' retirement benefits and welfare pension plan	172	53	1,906
Impact of applying lease accounting standards	–	352	–
Other	2,543	(2,741)	28,186
Subtotal	41,965	31,198	465,141
Interest and dividends received	1,111	1,169	12,314
Interest paid	(8)	(7)	(89)
Income taxes paid	(11,934)	(11,099)	(132,276)
Net cash provided by operating activities	31,134	21,261	345,090
Cash flows from investing activities			
Payments for time deposits	–	(128)	–
Proceeds from time deposits	6,178	500	68,477
Increase in short-term investment securities	–	(7,973)	–
Proceeds from sales and redemption of short-term investment securities	–	23,000	–
Acquisition of property and equipment	(6,210)	(7,528)	(68,832)
Proceeds from sales of property and equipment	3	–	33
Increase in software and other intangibles	(9,775)	(10,029)	(108,346)
Proceeds from sales of software and other intangibles	1	–	11
Increase in investment securities	(255)	(16,286)	(2,826)
Proceeds from sales and redemption of investment securities	4,036	150	44,735
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	665	–	7,371
Increase in investments in affiliates	–	(614)	–
Other	21	12	233
Net cash used in investing activities	(5,336)	(18,896)	(59,144)
Cash flows from financing activities			
Increase in short-term loans payable	4,000	–	44,336
Decrease in short-term loans payable	(4,000)	–	(44,336)
Repayment of obligation under finance leases	(140)	(221)	(1,552)
Proceeds from sales of treasury stock	–	73	–
Purchases of treasury stock	(1)	(11,871)	(11)
Cash dividends paid	(5,049)	(5,165)	(55,963)
Net cash used in financing activities	(5,190)	(17,184)	(57,526)
Effect of exchange rate changes on cash and cash equivalents	(281)	47	(3,115)
Net increase (decrease) in cash and cash equivalents	20,327	(14,772)	225,305
Cash and cash equivalents at beginning of period	28,229	75,525	312,891
Cash and cash equivalents at end of period (Note 7)	¥ 48,556	¥ 60,753	\$ 538,196

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

30th September, 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.

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.

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 ¥90.22 = U.S.\$1.00, the rate of exchange prevailing on 30th September, 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 30th September, 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 30th September, 2009 and 31st March, 2009:

Marketable Securities Classified As Other Securities

	<i>Millions of yen</i>					
	30th September, 2009			31st March, 2009		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
	(Unaudited)					
Equity securities	¥10,072	¥25,221	¥15,149	¥10,649	¥20,852	¥10,203
Debt securities:						
Government debt securities	–	–	–	3,000	3,001	1
Corporate debt securities	16,020	16,024	4	19,022	18,817	(205)
	16,020	16,024	4	22,022	21,818	(204)
Other	619	540	(79)	710	637	(73)
Total	¥26,711	¥41,785	¥15,074	¥33,381	¥43,307	¥ 9,926

	<i>Thousands of U.S. dollars</i>		
	30th September, 2009		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
	(Unaudited)		
Equity securities	\$111,638	\$279,550	\$167,912
Debt securities:			
Government debt securities	–	–	–
Corporate debt securities	177,566	177,610	44
	177,566	177,610	44
Other	6,861	5,986	(875)
Total	\$296,065	\$463,146	\$167,081

Loss on devaluation of marketable securities classified as other securities as a result of a permanent decline in value for the six months ended 30th September, 2009 and the year ended 31st March, 2009 was ¥583 million (\$6,462 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 30th September, 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 (\$6,318 thousand) and ¥570 million at 30th September, 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 30th September, 2009 and 31st March, 2009 are summarized as follows:

	30th September, 2009		31st March, 2009	
	Shares in issue	Treasury stock	Shares in issue	Treasury stock
	(Unaudited)			
Number of shares at the end of period	225,000,000	30,401,753	225,000,000	30,473,495

Dividends

The following appropriation of retained earnings applicable to the year ended 31st March, 2009 was approved at a meeting of the Board of Directors held on 15th May, 2009 and went into effect on 3rd June, 2009:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 15th May, 2009* (¥26.00 = U.S.\$0.29 per share)	¥5,058	\$56,063

The accompanying quarterly consolidated financial statements do not include any provision for dividends of ¥26.00 (\$0.29) per share, aggregating ¥5,060 million (\$56,085 thousand). This appropriation of retained earnings was approved at the meeting of the Board of Directors held on 23rd October, 2009 in respect of the six months ended 30th September, 2009 and went into effect on 27th November, 2009.

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

7. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheets and cash and cash equivalents in the accompanying quarterly consolidated statements of cash flows at 30th September, 2009 and 2008 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	30th September, 2009	2008	30th September, 2009
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥13,806	¥16,990	\$153,026
Short-term investment securities	34,750	55,533	385,170
Time deposits with maturities of more than three months when deposited	–	(6,774)	–
Bonds and other investments maturing in more than three months from the acquisition date	–	(4,996)	–
Cash and cash equivalents	<u>¥48,556</u>	<u>¥60,753</u>	<u>\$538,196</u>

8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	Three months ended 30th September, 2009	2008	Three months ended 30th September, 2009
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥30.09	¥42.07	\$0.33
Earnings per share – diluted	28.34	39.62	0.31

	<i>Yen</i>		<i>U.S. dollars</i>
	Six months ended 30th September, 2009	2008	Six months ended 30th September, 2009
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥61.57	¥72.61	\$0.68
Earnings per share – diluted	58.01	68.43	0.64

	<i>Yen</i>		<i>U.S. dollars</i>
	30th September, 2009	31st March, 2009	30th September, 2009
	(Unaudited)		(Unaudited)
Net assets per share	¥1,102.42	¥1,051.65	\$12.22

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

8. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the three months and six months ended 30th September, 2009 and 2008 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Three months ended 30th September, 2009	2008	Three months ended 30th September, 2009
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥5,855	¥8,181	\$64,897
Earnings not available to common shareholders	–	–	–
Earnings available to common shareholders	<u>¥5,855</u>	<u>¥8,181</u>	<u>\$64,897</u>
	<i>Thousands of shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic	194,584	194,483	194,584
Potentially dilutive shares of common stock	11,985	11,997	11,985
Weighted-average number of shares of common stock outstanding – diluted	<u>206,569</u>	<u>206,480</u>	<u>206,569</u>
	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Six months ended 30th September, 2009	2008	Six months ended 30th September, 2009
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥11,980	¥14,232	\$132,787
Earnings not available to common shareholders	–	–	–
Earnings available to common shareholders	<u>¥11,980</u>	<u>¥14,232</u>	<u>\$132,787</u>
	<i>Thousands of shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic	194,563	196,010	194,563
Potentially dilutive shares of common stock	11,963	11,982	11,963
Weighted-average number of shares of common stock outstanding – diluted	<u>206,526</u>	<u>207,992</u>	<u>206,526</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 six months ended 30th September, 2009 and 2008:

	<i>Shares</i>			
	Three months ended		Six months ended	
	30th September,		30th September,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
a) 3rd share subscription rights	–	–	0*	–
b) 4th share subscription rights	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 30th September, 2009 and 31st March, 2009 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
			<i>U.S. dollars</i>
	30th September,	31st March,	30th September,
	2009	2009	2009
	(Unaudited)		(Unaudited)
Numerator:			
Net assets	¥215,497	¥205,467	\$2,388,571
Stock subscription rights	(960)	(892)	(10,641)
Minority interests	(9)	–	(100)
Net assets attributable to common stock	<u>¥214,528</u>	<u>¥204,575</u>	<u>\$2,377,830</u>
<i>Thousands of shares</i>			
Denominator:			
Number of shares of common stock outstanding	194,598	194,527	194,598

9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the three months and six months ended 30th September, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Three months ended 30th September,		Three months ended 30th September,
	2009	2008	2009
	(Unaudited)		(Unaudited)
Personnel expenses	¥ 7,064	¥ 6,120	\$ 78,297
Rent	1,109	1,068	12,292
Subcontractor costs	1,839	2,211	20,384
Other	2,836	2,747	31,434
Total	<u>¥12,848</u>	<u>¥12,146</u>	<u>\$142,407</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Six months ended 30th September,		Six months ended 30th September,
	2009	2008	2009
	(Unaudited)		(Unaudited)
Personnel expenses	¥14,590	¥12,911	\$161,716
Rent	2,204	2,196	24,429
Subcontractor costs	3,435	4,139	38,074
Other	6,058	6,018	67,147
Total	<u>¥26,287</u>	<u>¥25,264</u>	<u>\$291,366</u>

10. Research and Development Costs

Research and development expenses included in selling, general and administrative expenses for the three months and six months ended 30th September, 2009 and 2008 are summarized as follows:

<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
Three months ended 30th September,		Six months ended 30th September,		Three months ended 30th September,	Six months ended 30th September,
2009	2008	2009	2008	2009	2009
(Unaudited)		(Unaudited)		(Unaudited)	
¥953	¥1,117	¥1,685	¥1,848	\$10,563	\$18,677

11. Contingent Liabilities

There were no material contingent liabilities at 30th September, 2009 and 31st March, 2009.

12. Stock Option Plans

For the three months and six months ended 30th September, 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>	
	Three months ended		Six months ended		Three months	Six months
	30th September,		30th September,		ended	ended
	2009	2008	2009	2008	30th September,	30th September,
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Cost of sales	¥ 59	¥ 72	¥125	¥140	\$ 654	\$1,386
Selling, general and administrative expenses	69	74	153	148	765	1,696
	<u>¥128</u>	<u>¥146</u>	<u>¥278</u>	<u>¥288</u>	<u>\$1,419</u>	<u>\$3,082</u>

Two stock option plans issued during the three months ended 30th September, 2009 are summarized as follows:

	12th stock option plan	13th stock option plan
Grantee categories and numbers of grantees	9 directors, 30 managing officers of the Company, and 7 directors of its subsidiaries	9 directors, 33 managing officers or officer-equivalent employees of the Company and 7 directors of its subsidiaries
Number of shares reserved	440,000	102,000
Grant date	15th July, 2009	15th July, 2009
Vesting conditions*	Holder must continue their employment or be entrusted with the Company or its subsidiaries for the duration of the service period	Holder must continue their employment or be entrusted with the Company or its subsidiaries for the duration of the service period
Service period*	From 1st July, 2009 to 30th June, 2012	From 1st July, 2009 to 30th June, 2010
Exercise period	From 1st July, 2012 to 30th June, 2016	From 1st July, 2010 to 30th June, 2011
Exercise price	¥2,090 (= U.S.\$23.17)	¥1 (= U.S.\$0.01)
Fair value on grant date	¥539 (= U.S.\$5.97)	¥2,012 (=U.S.\$22.30)

* The terms vesting conditions and service period are not specifically defined as such in the agreements. The vesting conditions and service period presented above represent information abstracted from the agreements that is closely analogous to those terms.

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 six months ended 30th September, 2009 and 2008 is summarized as follows:

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

<i>Millions of yen</i>					
Three months ended 30th September, 2008					
Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated	
		(Unaudited)			
Sales and operating profit:					
Sales to external customers	¥9,326	¥76,464	¥85,790	¥ –	¥85,790
Intersegment sales or transfers	135	283	418	(418)	–
Total sales	9,461	76,747	86,208	(418)	85,790
Operating expenses	7,473	64,876	72,349	(418)	71,931
Operating profit	¥1,988	¥11,871	¥13,859	¥ –	¥13,859

13. Segment Information (continued)

Business Segments (continued)

Millions of yen

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

Millions of yen

Six months ended 30th September, 2008				
Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
(Unaudited)				
Sales and operating profit:				
Sales to external customers	¥16,706	¥148,579	¥165,285	¥165,285
Intersegment sales or transfers	236	457	693	–
Total sales	16,942	149,036	165,978	165,285
Operating expenses	14,444	127,815	142,259	141,566
Operating profit	¥ 2,498	¥ 21,221	¥ 23,719	¥ 23,719

Thousands of U.S. dollars

Three months ended 30th September, 2009				
Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
(Unaudited)				
Sales and operating profit:				
Sales to external customers	\$80,481	\$865,662	\$946,143	\$946,143
Intersegment sales or transfers	1,341	1,607	2,948	–
Total sales	81,822	867,269	949,091	946,143
Operating expenses	77,876	736,688	814,564	811,616
Operating profit	\$ 3,946	\$130,581	\$134,527	\$134,527

Thousands of U.S. dollars

Six months ended 30th September, 2009				
Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
(Unaudited)				
Sales and operating profit:				
Sales to external customers	\$150,709	\$1,699,025	\$1,849,734	\$1,849,734
Intersegment sales or transfers	2,128	2,461	4,589	–
Total sales	152,837	1,701,486	1,854,323	1,849,734
Operating expenses	153,059	1,456,407	1,609,466	1,604,877
Operating profit (loss)	\$ (222)	\$ 245,079	\$ 244,857	\$ 244,857

13. Segment Information (continued)

Geographical Segments

Because sales in the domestic segment constituted more than 90% of total sales for the three months and six months ended 30th September, 2009 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 six months ended 30th September, 2009 and 2008, no disclosure of overseas sales has been made.

14. Business Combinations

Not applicable.

15. Subsequent Events

Not applicable.

[Appendix]

SUBSIDIARIES AND AFFILIATES

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

At 30th September, 2009, the Company had 14 subsidiaries, all of which were consolidated subsidiaries. At the same date, the Company had 2 affiliates, all of which were accounted for by the equity method in the Company's financial statements.

The following table sets forth information on the Company's direct and indirect subsidiaries and affiliates as of 30th September, 2009.

Name	Country	Main Business
Subsidiaries		
NRI Network Communications, Ltd.	Japan	Software development and sales, mainly in the Kansai area
NRI SecureTechnologies, Ltd.	Japan	Network security services
NRI Cyber Patent, Ltd.	Japan	Provide patent and other intellectual property information to subscribers
NRI Workplace Services, Ltd.	Japan	Office and real estate management
NRI Data i Tech, Ltd.	Japan	Maintaining systems equipment of Nomura Holdings and its subsidiaries and affiliates
NRI Social Information System Services, Ltd.	Japan	Software development and sales
UBIQLINK, Ltd.	Japan	Provide direction navigate services to consumer
NRI BPO Services, Ltd.	Japan	Business Process Outsourcing
Nomura Research Institute America, Inc.	U.S.A.	Research and development and operation of information management systems in the U.S.
Nomura Research Institute Europe Limited	U.K.	Research and development and operation of information management systems in Europe
Nomura Research Institute (Beijing), Ltd.	China	Development and operation of information management systems in China
Nomura Research Institute Shanghai Limited	China	Consulting in China
Nomura Research Institute Hong Kong Limited	China	Research and development and operation of information management systems in Asia
Nomura Research Institute (Singapore) Private Limited	Singapore	Research and development and operation of information management systems in Asia
Affiliates		
Nippon Clearing Services Co., Ltd.	Japan	Back-office services for mid-tier securities companies
MC NRI GLOBAL SOLUTIONS, INC.	Japan	Holding Company, holding the shares of system development firm in China.

MAJOR SHAREHOLDERS

Shareholders	Number of Shares Owned (thousands)	Ratio of Outstanding Shares (%)
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFCO Co., Ltd.	15,020	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV	10,435	4.64
CBNY-ORBIS FUNDS	9,200	4.09
NRI Group Employee Stock Ownership Association	6,149	2.73
Japan Trustee Services Bank, Ltd. (Trust Account)	5,686	2.53
The Master Trust Bank of Japan, Ltd.(Trust Account)	3,354	1.49
STATE STREET BANK AND TRUST COMPANY 505223	2,953	1.31

*NRI owns 30,401 thousand shares (13.51%) as treasury stock.