

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



MEMBERSHIP  
24th July, 2009

## Consolidated Financial Results For the Quarterly Period Ended 30th June, 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  
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 TEL: +81-45-333-8100 (from overseas)  
 Scheduled date to file Quarterly Report: 31st July, 2009  
 Scheduled date to commence dividend payments: –

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

### 1. Consolidated performance for the quarterly period ended 30th June, 2009 (from 1st April, 2009 to 30th June, 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 June, 2009	81,521	2.5	9,953	1.0	10,860	(0.5)	6,124	1.2
30th June, 2008	79,495	–	9,859	–	10,915	–	6,051	–

Quarterly period ended	Net income per share – basic	Net income per share – diluted
	Yen	Yen
30th June, 2009	31.48	29.66
30th June, 2008	30.63	28.88

#### (2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
30th June, 2009	341,357	211,742	61.7	1,083.40
31st March, 2009	354,487	205,466	57.7	1,051.65

Reference: Equity As of 30th June, 2009: ¥210,776 million As of 31st March, 2009: ¥204,574 million

## 2. Cash dividends

Record date	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	–				
Fiscal year ending 31st March, 2010 (Forecasts)		26.00	–	26.00	52.00

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

## 3. Forecasts of financial results for the fiscal year ending 31st March, 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
For the six months ending 30th September, 2009	168,000	1.6	20,000	(15.7)	21,000	(16.2)	12,500	(12.2)	64.26
Fiscal year ending 31st March, 2010	350,000	2.6	43,000	(13.5)	44,000	(14.9)	24,500	(0.1)	125.95

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 30th June, 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 June, 2009	30,449,545 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 June, 2009	194,541,410 shares
Quarterly period ended 30th June, 2008	197,553,918 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 first quarter, despite partial signs of recovery such as in exports and production, there were drastic reductions in corporate revenues and capital investment and the economy remained in difficult circumstances. In this environment, companies remained very cautious towards information system investment, 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 on business aimed at the insurance, service and manufacturing sectors. The Company relocated part of the development-by-consignment based business aimed at major customers in the securities sector to proposal-based outsourcing services that utilize the assets owned by the Company and strove to strengthen the business platform while constructing new business relationships with these same customers. In addition, the NRI Group focused on raising efficiency and reducing costs in subcontracting and concentrated on the flawless execution of project management that responds to risks arising from addition of new customers and business fields. The NRI Group also concentrated on strengthening its business in Asia, with ongoing initiatives in improving quality and productivity and strengthening human resource development. As a result of these activities, sales for the NRI Group for the first quarter were ¥81,521 million (up 2.5% from the same period of the previous fiscal year). Cost of sales were ¥58,129 million (up 2.9%) due to an increase in depreciation costs from additional software investment which was partially offset by a reduction in subcontracting costs in systems operation as a result of achieving greater efficiency. Gross profit was ¥23,392 million (up 1.8%). Despite an increase in selling, general and administrative expenses of ¥13,438 million (up 2.4%), the NRI Group posted operating profit of ¥9,953 million (up 1.0%) and ordinary profit of ¥10,860 million (down 0.5%). Net income was ¥6,124 million (up 1.2%).

#### 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 ¥6,336 million (down 14.1% from the same period of the previous fiscal year) and operating loss was ¥376 million (compared with an operating profit of ¥509 million).

##### IT Solution Services

The sales trends for each type of IT solutions service are as follows. System Development & System Application Sales were ¥30,638 million (down 5.8% from the same period of the previous fiscal year) with sales to the insurance, service and manufacturing sectors increasing but sales to the securities sector falling. System Management & Operation Services were ¥42,314 million (up 14.1%). Compared with the same period of the previous fiscal year the stock market was weaker and multi-user system services etc. for the securities sector was sluggish. In response to this the NRI Group commenced the provisions of large-scale outsourcing services aimed at major customers in the securities sector and increased its multi-user system services for the insurance sector and systems operation services for the distribution sector.

In the area of cost, depreciation costs increased in accompaniment with an increase in software investment but subcontracting costs were reduced, particularly in the area of systems operation. As a result, sales from IT solution services (sales to external customers) were ¥75,184 million (up 4.3%) and operating profit was ¥10,329 million (up 10.5%).

## 2. Qualitative information regarding consolidated financial position

### Analysis of financial position

At the end of the first quarter, current assets were ¥106,526 million (down 13.1% from the end of the previous fiscal year), noncurrent assets were ¥234,830 million (up 1.3%), current liabilities were ¥52,284 million (down 25.3%), noncurrent liabilities were ¥77,330 million (down 2.1%), total net assets were ¥211,742 million (up 3.1%) and total assets were ¥341,357 million (down 3.7%).

The main changes from 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 and provision for bonuses declined as a result of payment of income taxes and payment of bonuses. Investment securities increased mainly 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 first quarter was ¥15,699 million (up 30.2% compared with the same period of the previous fiscal year). The major contributing factors were as follows. Income before income taxes provided ¥10,563 million (down 0.0%), depreciation and amortization provided ¥6,774 million (up 47.3%), the decrease in accounts receivable and other receivables provided ¥22,086 million (down 19.6%), and payment of income taxes used ¥11,912 million (up 8.3%).

Net cash used in investing activities was ¥3,071 million (down 74.0%). The major contributing factors were the acquisition of property and equipment such as machinery and equipment at data centers, increase in software and other intangibles such as for development of multi-user systems, sale of shares and proceeds from time deposits.

Net cash used in financing activities was ¥5,082 million (down 70.0%).

As a result of the above, cash and cash equivalents at the end of the first quarter was ¥35,641 million (down 39.6%).

## 3. Qualitative information regarding forecasts of financial results

Taking into account the impact of the global financial crisis and the concerns that the global economy will slump further, there is still a risk the economy will continue in a downwards direction and consequently the economy continues to be difficult to read. Also, companies remain very cautious towards information system investment so it is difficult to predict the business environment that the NRI Group will face in the future. While this environment continues, the NRI Group shall continue to focus on business aimed at the insurance, service and manufacturing sectors, raise efficiency and reduce costs in subcontracting and concentrate on the flawless execution of project management.

The forecasts of financial results remain unchanged from those announced on 24th April, 2009.

# **Quarterly Consolidated Financial Statements**

**Nomura Research Institute, Ltd.**

*For the Quarterly Period Ended 30th June, 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 June, 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>
	<b>30th June, 2009</b>	<b>31st March, 2009</b>	<b>30th June, 2009</b>
	(Unaudited)		(Unaudited)
<b>Assets</b>			
Current assets:			
Cash and bank deposits ( <i>Note 7</i> )	¥ 14,672	¥ 20,308	\$ 152,817
Accounts receivable and other receivables	57,020	77,654	593,896
Short-term investment securities ( <i>Notes 4 and 7</i> )	23,772	14,000	247,599
Inventories	379	256	3,948
Deferred income taxes	7,257	7,308	75,586
Other current assets	3,490	3,130	36,351
Allowance for doubtful accounts	(63)	(84)	(656)
Total current assets	106,527	122,572	1,109,541
Property and equipment:			
Land	11,292	11,292	117,613
Buildings, net	29,371	29,429	305,916
Machinery and equipment, net	16,916	17,420	176,190
Leased assets, net	104	134	1,083
Property and equipment, net	57,683	58,275	600,802
Software and other intangibles	75,351	74,887	784,824
Investment securities ( <i>Note 4</i> )	61,254	55,436	637,996
Investments in affiliates ( <i>Note 4</i> )	1,945	2,232	20,258
Deferred income taxes	15,787	19,129	164,431
Long-term loans receivable	7,510	7,482	78,221
Investment in leased assets	623	747	6,489
Other assets	14,799	13,845	154,141
Allowance for doubtful accounts	(122)	(117)	(1,271)
<b>Total assets</b>	<b>¥341,357</b>	<b>¥354,488</b>	<b>\$3,555,432</b>



	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>30th June, 2009</b>	<b>31st March, 2009</b>	<b>30th June, 2009</b>
	(Unaudited)		(Unaudited)
<b>Liabilities and net assets</b>			
Current liabilities:			
Accounts payable	¥ 14,873	¥ 28,961	\$ 154,911
Lease obligations	547	656	5,697
Accrued expenses	15,451	16,525	160,931
Income taxes payable	5,512	13,397	57,411
Other current liabilities	15,901	10,487	165,618
Total current liabilities	<u>52,284</u>	<u>70,026</u>	<u>544,568</u>
Convertible bonds	49,997	49,997	520,748
Lease obligations	325	415	3,385
Long-term accrued expenses	1,466	2,938	15,269
Deferred income taxes	2	2	21
Allowance for employees' retirement benefits	25,540	25,643	266,014
Net assets ( <i>Notes 6 and 8</i> ):			
Shareholders' equity:			
Common stock	18,600	18,600	193,730
Additional paid-in capital	15,004	14,975	156,275
Retained earnings	241,128	240,061	2,511,488
Treasury stock, at cost	(72,696)	(72,753)	(757,171)
Total shareholders' equity	<u>202,036</u>	<u>200,883</u>	<u>2,104,322</u>
Valuation and translation adjustments:			
Unrealized gain on other securities ( <i>Note 4</i> )	10,760	5,851	112,072
Translation adjustments	(2,019)	(2,159)	(21,029)
Total valuation and translation adjustments	<u>8,741</u>	<u>3,692</u>	<u>91,043</u>
Share subscription rights ( <i>Note 6</i> )	956	892	9,958
Minority interests	10	-	104
Total net assets	<u>211,743</u>	<u>205,467</u>	<u>2,205,427</u>
Total liabilities and net assets	<u>¥341,357</u>	<u>¥354,488</u>	<u>\$3,555,432</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June, 2009</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)	(Unaudited)	(Unaudited)
Sales	¥81,521	¥79,496	\$849,089
Cost of sales	58,129	56,518	605,448
Gross profit	23,392	22,978	243,641
Selling, general and administrative expenses <i>(Notes 9 and 10)</i>	13,439	13,118	139,975
Operating profit	9,953	9,860	103,666
Other income (expenses):			
Interest and dividend income	904	1,034	9,416
Equity in earnings (losses) of affiliates	(57)	29	(594)
Interest expense	(6)	(3)	(62)
Loss on investment securities	(306)	–	(3,187)
Impact of applying lease accounting standards	–	(352)	–
Other, net	76	(1)	791
Income before income taxes	10,564	10,567	110,030
Provision for income taxes <i>(Note 2)</i>	4,444	4,516	46,287
Minority interests in loss of consolidated subsidiaries	(5)	–	(52)
Net income <i>(Note 8)</i>	¥ 6,125	¥ 6,051	\$ 63,795

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	–	–	–	–	–	–	–	–	–	–	–
Disposition of treasury stock	–	–	–	57	57	–	–	–	–	–	57
Net income	–	–	6,125	–	6,125	–	–	–	–	–	6,125
Cash dividends paid	–	–	(5,058)	–	(5,058)	–	–	–	–	–	(5,058)
Gain on disposition of treasury stock	–	29	–	–	29	–	–	–	–	–	29
Net changes other than in shareholders' equity	–	–	–	–	–	4,909	140	5,049	64	10	5,123
<b>Balance at 30th June, 2009 (unaudited)</b>	<u>¥18,600</u>	<u>¥15,004</u>	<u>¥241,128</u>	<u>¥(72,696)</u>	<u>¥202,036</u>	<u>¥10,760</u>	<u>¥(2,019)</u>	<u>¥8,741</u>	<u>¥956</u>	<u>¥10</u>	<u>¥211,743</u>

*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	–	–	–	(11,870)	(11,870)	–	–	–	–	–	(11,870)
Disposition of treasury stock	–	–	–	97	97	–	–	–	–	–	97
Net income	–	–	6,051	–	6,051	–	–	–	–	–	6,051
Cash dividends paid	–	–	(5,175)	–	(5,175)	–	–	–	–	–	(5,175)
Gain on disposition of treasury stock	–	5	–	–	5	–	–	–	–	–	5
Net changes other than in shareholders' equity	–	–	–	–	–	1,873	663	2,536	100	–	2,636
<b>Balance at 30th June, 2008 (unaudited)</b>	<u>¥18,600</u>	<u>¥14,889</u>	<u>¥226,656</u>	<u>¥(72,934)</u>	<u>¥187,211</u>	<u>¥11,523</u>	<u>¥(334)</u>	<u>¥11,189</u>	<u>¥708</u>	<u>¥ –</u>	<u>¥199,108</u>

*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>	\$193,730	\$155,973	\$2,500,375	\$(757,765)	\$2,092,313	\$60,941	\$(22,487)	\$38,454	\$9,291	\$ –	\$2,140,058
Purchases of treasury stock	–	–	–	–	–	–	–	–	–	–	–
Disposition of treasury stock	–	–	–	594	594	–	–	–	–	–	594
Net income	–	–	63,795	–	63,795	–	–	–	–	–	63,795
Cash dividends paid	–	–	(52,682)	–	(52,682)	–	–	–	–	–	(52,682)
Gain on disposition of treasury stock	–	302	–	–	302	–	–	–	–	–	302
Net changes other than in shareholders' equity	–	–	–	–	–	51,131	1,458	52,589	667	104	53,360
<b>Balance at 30th June, 2009 (unaudited)</b>	<u>\$193,730</u>	<u>\$156,275</u>	<u>\$2,511,488</u>	<u>\$(757,171)</u>	<u>\$2,104,322</u>	<u>\$112,072</u>	<u>\$(21,029)</u>	<u>\$91,043</u>	<u>\$9,958</u>	<u>\$104</u>	<u>\$2,205,427</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June, 2009</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 10,564	¥ 10,567	\$ 110,030
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	6,774	4,600	70,555
Interest and dividend income	(904)	(1,034)	(9,416)
Interest expense	6	3	62
Loss on investment securities	306	–	3,187
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	22,087	27,459	230,049
Allowance for doubtful accounts	(17)	(4)	(177)
Accounts payable	(10,405)	(15,544)	(108,374)
Inventories	(127)	(196)	(1,323)
Allowance for employees' retirement benefits and welfare pension plan	(39)	(48)	(406)
Impact of applying lease accounting standards	–	352	–
Other	(1,610)	(4,062)	(16,768)
Subtotal	26,635	22,093	277,419
Interest and dividends received	984	966	10,249
Interest paid	(6)	(3)	(62)
Income taxes paid	(11,913)	(11,002)	(124,081)
Net cash provided by operating activities	15,700	12,054	163,525
<b>Cash flows from investing activities</b>			
Proceeds from time deposits	3,562	–	37,100
Increase in short-term investment securities	–	(7,973)	–
Proceeds from sales and redemption of short-term investment securities	–	12,000	–
Acquisition of property and equipment	(3,721)	(5,146)	(38,756)
Proceeds from sales of property and equipment	2	–	21
Increase in software and other intangibles	(5,373)	(4,543)	(55,963)
Proceeds from sales of software and other intangibles	1	–	10
Increase in investment securities	(253)	(6,105)	(2,635)
Proceeds from sales and redemption of investment securities	2,031	6	21,154
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	665	–	6,926
Increase in investments in affiliates	–	(36)	–
Other	14	5	146
Net cash used in investing activities	(3,072)	(11,792)	(31,997)
<b>Cash flows from financing activities</b>			
Increase in short-term loans payable	4,000	–	41,662
Decrease in short-term loans payable	(4,000)	–	(41,662)
Repayment of obligation under capital leases	(73)	(117)	(760)
Proceeds from sales of treasury stock	–	59	–
Purchases of treasury stock	–	(11,870)	–
Cash dividends paid	(5,010)	(5,023)	(52,182)
Net cash used in financing activities	(5,083)	(16,951)	(52,942)
Effect of exchange rate changes on cash and cash equivalents	(132)	149	(1,375)
Net decrease in cash and cash equivalents	7,413	(16,540)	77,211
Cash and cash equivalents at beginning of period	28,229	75,525	294,022
Cash and cash equivalents at end of period (Note 7)	¥ 35,642	¥ 58,985	\$ 371,233

See accompanying notes to quarterly consolidated financial statements.

# Nomura Research Institute, Ltd.

## Notes to Quarterly Consolidated Financial Statements

30th June, 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, asset management analyses, and information services and sales of related products. Consulting services include conducting research on macroeconomic trends, providing management consulting advice, and rendering system consulting services and information 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 on 1st 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 on 1st April, 2009.

#### *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 on 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 ¥96.01 = U.S.\$1.00, the rate of exchange prevailing on 30th June, 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 June, 2009 or at 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 June, 2009 and at 31st March, 2009:

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

	<i>Millions of yen</i>					
	30th June, 2009			31st March, 2009		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
		(Unaudited)				
Equity securities	¥10,652	¥28,972	¥18,320	¥10,649	¥20,852	¥10,203
Debt securities:						
Government debt securities	1,000	1,001	1	3,000	3,001	1
Corporate debt securities	17,022	16,961	(61)	19,022	18,817	(205)
	18,022	17,962	(60)	22,022	21,818	(204)
Other	641	566	(75)	710	637	(73)
Total	¥29,315	¥47,500	¥18,185	¥33,381	¥43,307	¥ 9,926

#### 4. Investments (continued)

##### *Marketable Securities Classified As Other Securities (continued)*

	<i>Thousands of U.S. dollars</i>		
	<b>30th June, 2009</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>
	<i>(Unaudited)</i>		
Equity securities	\$110,947	\$301,760	\$190,813
Debt securities:			
Government debt securities	10,416	10,426	10
Corporate debt securities	177,294	176,659	(635)
	187,710	187,085	(625)
Other	6,676	5,895	(781)
Total	<u>\$305,333</u>	<u>\$494,740</u>	<u>\$189,407</u>

Loss on devaluation of the marketable securities classified as other securities as a result of a permanent decline in value for the three months ended 30th June, 2009 and the year ended 31st March, 2009 was nil 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 more than 50%, and
- ii) Securities whose fair value has declined by more than 30% but less than 50% and for which a recovery to fair value is not deemed probable.

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 June, 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. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million (\$5,937 thousand) and ¥570 million at 30th June, 2009 and 31st March, 2009, respectively.

## 6. Net Assets (continued)

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the three months ended 30th June, 2009 and for the year ended 31st March, 2009 are summarized as follows:

	30th June, 2009		31st March, 2009	
	Shares in issue	Treasury stock	Shares in issue	Treasury stock
	(Unaudited)			
Number of shares at beginning of period	225,000,000	30,473,495	225,000,000	25,944,292
Increase in number of shares	–	50	–	4,646,203
Decrease in number of shares	–	24,000	–	117,000
Number of shares at the end of period	<u>225,000,000</u>	<u>30,449,545</u>	<u>225,000,000</u>	<u>30,473,495</u>

\* The increase of 50 shares of treasury stock was due to purchases of odd-lot shares.  
The decrease of 24,000 shares of treasury stock was due to the exercise of stock options.

Share subscription rights recorded in the accompanying quarterly consolidated balance sheets at 30th June, 2009 relate to the Company's stock option plans described in Note 12.

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 = U.S.\$0. 27 per share)	¥5,058	\$52,682

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

## 7. Cash and Cash Equivalents

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>30th June, 2009</b>	<b>2008</b>	<b>30th June, 2009</b>
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥14,672	¥ 15,139	\$152,817
Short-term investment securities	23,772	67,473	247,599
Time deposits with maturities of more than three months when deposited	(2,802)	(7,651)	(29,183)
Bonds and other investments maturing in more than three months from the acquisition date	–	(15,976)	–
Cash and cash equivalents	<u>¥35,642</u>	<u>¥ 58,985</u>	<u>\$371,233</u>



## 8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥31.48	¥30.63	\$0.33
Earnings per share – diluted	29.66	28.88	0.31

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>30th June, 2009</b>	<b>31st March, 2009</b>	<b>30th June, 2009</b>
	(Unaudited)		(Unaudited)
Net assets per share	¥1,083.40	¥1,051.65	\$11.28

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.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥6,125	¥6,051	\$63,795
Earnings not available to common shareholders	–	–	–
Earnings available to common shareholders	¥6,125	¥6,051	\$63,795
Denominator:			
Weighted-average number of shares of common stock outstanding – basic	194,541,410	197,553,918	194,541,410
Potentially dilutive shares of common stock	11,940,923	11,965,869	11,940,923
Weighted-average number of shares of common stock outstanding – diluted	206,482,333	209,519,787	206,482,333

## 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 ended 30th June, 2009:

	<i>Yen</i>	<i>U.S. dollars</i>
	<b>Three months ended 30th June, 2009</b>	<b>Three months ended 30th June, 2009</b>
	(Unaudited)	(Unaudited)
a) Share subscription rights issued on 24th June, 2004:		
Number of shares issuable upon exercise of share subscription rights (one unit equals 500 shares)	39,000	39,000
Exercise price per share	¥ 2,284	\$23.79
Average share price for the exercise period	¥1,810.02	\$18.85
b) Share subscription rights issued on 1st July, 2005:		
Number of shares issuable upon exercise of share subscription rights (one unit equals 500 shares)	224,500	224,500
Exercise price per share	¥ 2,319	\$24.15
Average share price for the exercise period	¥1,810.02	\$18.85
c) Share subscription rights issued on 11th September, 2006:		
Number of shares issuable upon exercise of share subscription rights (one unit equals 500 shares)	392,500	392,500
Exercise price per share	¥ 3,282	\$34.18
Average share price for the exercise period	¥1,810.02	\$18.85
d) Share subscription rights issued on 10th July, 2007:		
Number of shares issuable upon exercise of share subscription rights (one unit equals 100 shares)	415,000	415,000
Exercise price per share	¥ 3,680	\$38.33
Average share price for the exercise period	¥1,810.02	\$18.85
e) Share subscription rights issued on 8th July, 2008:		
Number of shares issuable upon exercise of share subscription rights (one unit equals 100 shares)	417,500	417,500
Exercise price per share	¥ 2,650	\$27.60
Average share price for the exercise period	¥1,810.02	\$18.85

## 8. Per Share Data (continued)

The computation of net assets per share at 30th June, 2009 and 31st March, 2009 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>30th June, 2009</b>	<b>31st March, 2009</b>	<b>30th June, 2009</b>
	(Unaudited)		(Unaudited)
Numerator:			
Net assets	¥211,743	¥205,467	\$2,205,427
Stock subscription rights	(956)	(892)	(9,958)
Minority interests	(10)	–	(104)
Net assets attributable to common stock	<u>¥210,777</u>	<u>¥204,575</u>	<u>\$2,195,365</u>
Denominator:			
Number of shares of common stock outstanding	194,550,455	194,526,505	194,550,455

## 9. Selling, General and Administrative Expenses

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
	(Unaudited)		(Unaudited)
Personnel expenses	¥ 7,526	¥ 6,792	\$ 78,388
Rent	1,095	1,129	11,405
Subcontractor costs	1,596	1,928	16,623
Other	3,222	3,269	33,559
Total	<u>¥13,439</u>	<u>¥13,118</u>	<u>\$139,975</u>

## 10. Research and Development Costs

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

<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
<b>2009</b>	<b>2008</b>	<b>2009</b>
(Unaudited)		(Unaudited)
¥732	¥731	\$7,624

## 11. Contingent Liabilities

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

## 12. Stock Option Plans

For stock options issued on and after 1st May, 2006, compensation costs are valued based on the fair value of the stock options and recognized in the accompanying quarterly consolidated statements of income in accordance with “Accounting Standard for Share-based Payments” (ASBJ, Statement No. 8) and “Guidance on Accounting Standard for Share-based Payments” (ASBJ, Guidance No. 11).

For the three months ended 30th June, 2009 and 2008, the Company recognized and allocated share-based compensation costs as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
	(Unaudited)		(Unaudited)
Cost of sales	¥ 66	¥ 67	\$ 687
Selling, general and administrative expenses	85	75	885
	¥151	¥142	\$1,572

## 12. Stock Option Plans (continued)

No stock options were granted in the first quarter. On 15th July, 2009, two types of stock options, based on the resolution of the Board of Directors on 23rd June, 2009, in accordance with the Corporation Law of Japan were issued as follows:

	<u>12th stock option plan</u>	<u>13th stock option plan</u>
Grantee categories and numbers of grantees	39 directors or managing officers of the Company, and 7 directors of its domestic subsidiaries	42 directors, managing officers or employees of the Company, and 7 directors of its domestic subsidiaries
Number of shares reserved	440,000	102,000
Grant date	15th July, 2009	15th July, 2009
Vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed
Exercise period	1st July, 2012 to 30th June, 2016	1st July, 2010 to 30th June, 2011
Exercise price	¥2,090 (= U.S.\$21.77)	¥1 (= U.S.\$0.01)

## 13. Segment Information

### *Business segments*

Business segment information was 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, selling software packages, selling computer equipment and related products, and support services relating to the asset management business.

Business segment information of the Company and its consolidated subsidiaries for the three months ended 30th June, 2009 and 2008 is summarized as follows:

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

### 13. Segment Information (continued)

#### *Business segments (continued)*

*Millions of yen*

<b>Three months ended 30th June, 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	¥7,381	¥72,115	¥79,496	¥ –	¥79,496
Intersegment sales or transfers	100	175	275	(275)	–
Total sales	7,481	72,290	79,771	(275)	79,496
Operating expenses	6,971	62,940	69,911	(275)	69,636
Operating profit	¥ 510	¥ 9,350	¥ 9,860	¥ –	¥ 9,860

*Thousands of U.S. dollars*

<b>Three months ended 30th June, 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	\$65,993	\$783,096	\$849,089	\$ –	\$849,089
Intersegment sales or transfers	740	812	1,552	(1,552)	–
Total sales	66,733	783,908	850,641	(1,552)	849,089
Operating expenses	70,660	676,315	746,975	(1,552)	745,423
Operating profit (loss)	\$ (3,927)	\$107,593	\$103,666	\$ –	\$103,666

#### *Geographical Segments*

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

### 14. Business Combinations

Not applicable.

### 15. Subsequent Events

Not applicable.