This financial report is composed of two parts. The first part is an abridged translation of "Kessan Tanshin (earnings report)" for the fiscal year ended 31st March, 2013, which includes the summary and the operating results sections.
The second part is the "Consolidated Financial Statements," which are basically prepared based on the "Kessan Tanshin (earnings report)" but applied for some items different presentation methods.

25th April, 2013

Consolidated Financial Results
For the Fiscal Year Ended 31st March, 2013
<under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.
Listing: First Section of the Tokyo Stock Exchange
Stock code: 4307
URL: http://www.nri.co.jp/
Representative: Tadashi Shimamoto, President, Representative Director, CEO & COO
Inquiries: Katsutoshi Murakami, General Manager, Accounting & Finance Department
TEL: +81-3-5533-2111 (from overseas)

Scheduled date of ordinary general meeting of shareholders: 21st June, 2013
Scheduled date to commence dividend payments: 3rd June, 2013
Scheduled date to file Securities Report: 26th June, 2013
Preparation of supplementary material on consolidated financial results: Yes
Announcement for consolidated financial results (for institutional investors and analysts): Yes

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

1. Consolidated performance for the fiscal year ended 31st March, 2013 (from 1st April, 2012 to 31st March, 2013)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st March, 2013	363,891	8.4	44,013	2.0	45,854	2.6	28,610	(13.1)
31st March, 2012	335,554	2.8	43,152	12.3	44,686	11.5	32,920	42.0

Note: Comprehensive income
Fiscal year ended 31st March, 2013: ¥39,512 million [13.8%]
Fiscal year ended 31st March, 2012: ¥34,728 million [68.6%]

	Net income per share – basic	Net income per share – diluted	ROE	ROA	Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
31st March, 2013	145.28	136.97	10.5	11.0	12.1
31st March, 2012	168.40	158.69	13.5	11.4	12.9

Reference: Equity in earnings (losses) of affiliates
Fiscal year ended 31st March, 2013: ¥339 million
Fiscal year ended 31st March, 2012: ¥110 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
31st March, 2013	432,249	290,862	66.9	1,464.33
31st March, 2012	402,784	258,276	63.8	1,309.39

Reference: Equity
As of 31st March, 2013: ¥289,373 million
As of 31st March, 2012: ¥256,856 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
31st March, 2013	68,364	(36,019)	(10,487)	99,623
31st March, 2012	53,067	(47,731)	(10,438)	77,043

2. Cash dividends

	Annual dividends					Total cash dividends (Full year)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended 31st March, 2012	–	26.00	–	26.00	52.00	10,182	30.9	4.2
Fiscal year ended 31st March, 2013	–	26.00	–	26.00	52.00	10,257	35.9	3.8
Fiscal year ending 31st March, 2014 (Forecasts)	–	26.00	–	26.00	52.00		34.3	

Notes: 1. The total cash dividends do not include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥270 million for the fiscal year ended 31st March, 2012 and ¥200 million for the fiscal year ended 31st March, 2013).

2. The fiscal year-end dividend amount for the fiscal year ended 31st March, 2013 is the planned amount, and will be decided at the Board of Directors' meeting to be held in May 2013.

3. Forecasts of financial results for the fiscal year ending 31st March, 2014 (from 1st April, 2013 to 31st March, 2014)

(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, 2014	370,000	1.7	47,000	6.8	48,500	5.8	30,000	4.9	151.81

Note: No forecast is presented for the six months ending 30th September, 2013 on account of the Company conducting earnings management on an annual basis. However, basing the values on past trends, we present reference values for the six-month operating results in "(1) Analysis Regarding Consolidated Operating Results, Outlook for the next fiscal year" on pages 6-8.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: Yes

d. Restatement of prior period financial statements after error corrections: None

(3) 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 March, 2013	225,000,000 shares
As of 31st March, 2012	225,000,000 shares

b. Number of shares of treasury stock at the end of the period

As of 31st March, 2013	27,384,993 shares
As of 31st March, 2012	28,834,693 shares

c. Average number of shares during the period

Fiscal year ended 31st March, 2013	196,936,721 shares
Fiscal year ended 31st March, 2012	195,492,431 shares

Note: The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury stock.

With respect to the numbers of NRI shares held by the trust at each period-end, it held 4,865,300 shares as of 31st March, 2012, and 3,520,800 shares as of 31st March, 2013.

* Indication regarding execution of audit procedures

This consolidated financial results report is exempt from the audit procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this consolidated financial results report, the audit procedures for financial statements in accordance with the Financial Instruments and Exchange Law are incomplete.

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

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Please refer to the section of “(1) Analysis Regarding Consolidated Operating Results, Outlook for the next fiscal year” on pages 6-8 for the assumptions for the forecasts of business results and cautions concerning the use thereof.

Analysis Regarding Operating Results and Financial Position

(1) Analysis Regarding Consolidated Operating Results

a. Operating results for the current fiscal year

In the current fiscal year (from 1st April, 2012, to 31st March, 2013), the Japanese economy showed signs of a pickup, in line with the depreciation in the yen and equity markets strengthening from the second half of the fiscal year. Although there were some signs that companies are becoming more upbeat on investment in information systems, they remained cautious throughout the year, resulting in a severe business environment for the information services industry.
Operating in such an environment, Nomura Research Institute ("the Company") and its consolidated subsidiaries ("the NRI Group") carried out its business activities by leveraging the combined strengths of the Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. In order to realize medium- and long-term growth, the NRI Group also pushed forward with growth measures in new fields while developing its strengths further.
A large project for Nomura Securities Co., Ltd., which involved the transition from its own dedicated back-office system to a multi-user system developed by the Company, began operating in the fourth quarter of the current fiscal year. This project is part of Nomura Securities Co., Ltd.'s wider efforts to renew its domestic IT systems, and the Company will continue to work with the customer to develop these systems and support its transition to the Company's multi-user systems.
In addition, effective from the current fiscal year, an IT system related subsidiary of Ajinomoto Co., Inc. became a consolidated subsidiary of the Company, significantly contributing to sales growth in the industrial sector. The company became a subsidiary through an investment based on an agreement for an IT service alliance concluded with Ajinomoto Co., Inc. Going forward, the Company will actively work to further expand its client base by leveraging its wealth of expertise, as well as by such means as forging alliances with other companies and through M&A.
As part of overseas business development, the Company established and expanded bases, mainly in Asia, in order to strengthen its global operations. The Company made an Indian IT company a subsidiary, established a local subsidiary in Thailand and a new base in Indonesia, converted branch offices in Taipei and Seoul into local subsidiaries, and established a new base in Luxembourg. Also, in human resources, the Company significantly upgraded its overseas training systems and made progress in fostering a work force capable of performing global business.
In the datacenter business, the Company completed construction of Tokyo Data Center 1 and began providing services via the facility in the third quarter of the current fiscal year. The new data center incorporates cutting-edge technology to enhance security, expandability and environmental performance. Data centers are important infrastructure that support business and society, and the Company will continue to focus on further enhancing the security and reliability of its facilities, including existing data centers.

For the current fiscal year, the NRI Group's sales increased to ¥363,891 million (up 8.4% year on year). Cost of sales was ¥262,315 million (up 11.4%), as a result of additional costs related to a large-scale development project for the insurance sector and an increase in costs related to the acquisition of new customers in the industrial sector, while gross profit was ¥101,575 million (up 1.5%). Selling, general and administrative expenses were ¥57,561 million (up 1.2%) due to increases in subcontracting costs and education and training expenses to foster a globally capable work force. Operating profit was ¥44,013 million (up 2.0%), the operating profit margin was 12.1% (down 0.8 points), and ordinary profit was ¥45,854 million (up 2.6%). The Company recorded extraordinary income (gains on negative goodwill) related to Daiko Clearing Services Corporation, which became an equity-method affiliate, and an extraordinary loss due to the transfer of the Osaka Data Center* related to plans to construct a new data center in the Kansai region.
Net income was ¥28,610 million (down 13.1%), but this decline mainly reflected the absence of a gain on sales of investments in affiliates recorded in the previous fiscal year.

*The Company will continue to use the Osaka Data Center under a lease contract after the facility's transfer.

Segment information

The business results by segment (sales include intersegment sales) are as follows.
Effective from the current fiscal year, the classification of the segments has been partially changed. Consequently, comparisons between segments with the previous fiscal year shown below are based on amounts restated in accordance with the classifications following this change.

(Consulting)

This segment provides policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management.
In the current fiscal year, as part of efforts to strengthen its business in Asia, the Company pushed forward with the development and expansion of bases in the ASEAN region, including the establishment of a local subsidiary in Thailand.
Consulting for the public sector and system consulting to support the execution of customers' system projects increased, but overseas sales declined, mainly in China. As a result, the Consulting segment posted sales of ¥22,908 million (up 5.0% year on year), which was insufficient to cover the increase in personnel expenses accompanying an increase in personnel, resulting in operating profit of ¥2,807 million (down 6.7%).

(Financial IT Solutions)

In this segment, the main clients are in the financial sector, including the securities, insurance and banking sectors. The segment provides system consulting, system development and system management and operation services, and it provides IT solutions such as multi-user systems.
A large project for Nomura Securities Co., Ltd., which involved the transition to a multi-user back-office system developed by the Company, began operating in the fourth quarter of the current fiscal year. In the banking sector, where Internet banking is becoming an increasingly important business channel, the Company made further progress in acquiring new customers for its multi-user type Internet banking system. The Company also began providing new services, such as front-office systems that support consulting-based sales of financial products.
During the current fiscal year, sales generated from system development and application sales in the insurance sector declined, but there was strong growth in application sales to major clients in the securities sector. In a large-scale development project for the insurance sector, additional costs were incurred because of an increase in development expenses and a delay in development, and this project has become unprofitable.
As a result of the above, the Financial IT Solutions segment posted sales of ¥219,916 million (up 8.5% year on year) and operating profit of ¥22,300 million (up 4.0%).

(Industrial IT Solutions)

This segment provides system consulting, system development, system management and operations services, and other services to the distribution, manufacturing, service and public sectors.
In this segment, the Company has been making efforts to provide IT solution proposals while working closely with the Consulting segment, which has a large number of customers in the industrial sector, to expand the client base. In addition, effective from the current fiscal year, an IT system related subsidiary of Ajinomoto Co., Inc. became a consolidated subsidiary of the Company through an investment based on an agreement for an IT service alliance concluded with Ajinomoto Co., Inc.
During the current fiscal year, sales in the segment increased year on year, mainly from system management and operation services and system development and application sales for the manufacturing and service sectors, partly helped by a contribution from the newly consolidated subsidiary. Although costs related to the acquisition of new customers increased, profitability improved due to a decline in unprofitable projects.
As a result, the Industrial IT Solutions segment posted sales of ¥83,662 million (up 15.8% year on year) and operating profit of ¥6,486 million (up 52.3%).

(IT Platform Services)

This segment mainly provides services such as the management and administration of data centers, and IT platform and network architecture to the Financial IT Solutions and Industrial IT Solutions segments. It also provides IT platform solutions and information security services to customers of various industries. In addition, it conducts research for the development of new business operations and new products related to IT solutions, and research related to leading-edge information

technologies.
In this segment, the Company has been making efforts to expand its client base by not only renewing customers' IT platforms, but also by proposing IT platform solutions to customers to help them improve their businesses and revenues. In the datacenter business, the Company completed Tokyo Data Center 1 and began providing services via the facility in the third quarter of the current fiscal year.
In terms of sales to external customers, there were decreases mainly in product sales to major customers in the securities sector, while in intersegment sales, there were increases in system consulting services and system management and operation services to the Consulting and Industrial IT Solutions segments. With respect to costs, there was an increase in depreciation and amortization expenses for property and equipment due to the start of operations at Tokyo Data Center 1.
As a result, the IT Platform Services segment posted sales of ¥103,376 million (down 1.4% year on year) and operating profit of ¥10,070 million (down 10.3%).

(Others)
Some subsidiaries and others provide system development and system management and operation services as a business segment that is separate from those shown above.
The Others segment posted sales of ¥12,719 million (up 7.8% year on year) and operating profit of ¥1,136 million (up 56.3%).

b. Outlook for the next fiscal year

(I) Forecast for the next fiscal year
Amid expectations for the new government's economic policies, there has been a correction in the strong yen and equity markets have seen gains. There have also been signs of a pickup in the Japanese economy, with some companies becoming increasingly upbeat about investment in information systems. Against this backdrop, the NRI Group will continue to leverage its combined strengths, allowing it to seamlessly provide services encompassing consulting through to system development and operations.
In the Consulting segment, the Company will work to provide its consulting services, such as policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management, to customers globally.
In the Financial IT Solutions segment, the Company will work to secure more customers for its multi-user services such as the securities back-office system that was introduced and became operational at Nomura Securities Co., Ltd. in January 2013, its investment trust back-office system for asset management companies, and its Internet banking system for the banking sectors, aiming to make them the de facto standard in the financial industry. The Company will also steadily respond to regulatory changes such as the planned introduction of Japanese ISAs (individual savings accounts that provide tax exemptions for small-scale investments). For clients in the insurance sector, the Company will seek to provide IT solutions that deliver operational improvements and reduce costs in order to tap demand for projects such as upgrades to backbone systems, which sit at the core of customer operations and services, and the development of new systems arising from mergers in the insurance industry. In the next fiscal year, the Company forecasts sales to the securities sector will decline 8.5% year on year, due to the completion of a large application sales project for the securities sector in the current fiscal year. However, by implementing the above initiatives, the Company forecasts overall sales in the Financial IT Solutions segment will be the same level as the current fiscal year.
In the Industrial IT Solutions segment, the Company will work to provide IT solution proposals working closely with the Consulting segment, which has a large number of customers in the industrial sector, in order to expand the client base. The Company will also endeavor to offer even more advanced, specialized IT services, including to existing customers.
In the IT Platform Services segment, the Company will provide IT solutions such as the construction and upgrade of system platforms, which play a key role in companies' infrastructure. It will also offer services that allow corporate IT system divisions to outsource the management and operation of system platforms and their entire networks to the NRI Group.
For the next fiscal year, the Company forecasts sales of ¥370,000 million (up 1.7% year on year), operating profit of ¥47,000 million (up 6.8%), ordinary profit of ¥48,500 million (up 5.8%) and net income of ¥30,000 million (up 4.9%).

(II) Forecast for the second quarter of the next fiscal year
No forecast is presented for the six months ending 30th September, 2013 on account of the Company conducting earnings management on an annual basis. However, basing the values on past trends, we present the following reference values for the six-month operating results.

■ Consolidated performance for the six months ending 30th September, 2013 (reference)

(Millions of yen)

	Sales	Operating profit	Ordinary profit	Net income
Six months ending 30th September, 2013	178,000	22,000	23,000	14,000

(III) Other forecasts
We present the following forecasts for the next fiscal year for consolidated sales breakdowns (by segment and by service), investments, etc.

■ Sales for the fiscal year ending 31st March, 2014 (by segment)

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting	22,761	24,000	1,238	5.4
Financial IT Solutions	219,754	220,000	245	0.1
Securities sector	115,904	106,000	(9,904)	(8.5)
Insurance sector	50,162	58,000	7,837	15.6
Banking sector	27,909	30,000	2,090	7.5
Other financial sector, etc.	25,778	26,000	221	0.9
Industrial IT Solutions	83,615	84,000	384	0.5
Distribution sector	44,806	45,000	193	0.4
Manufacturing and service sectors	38,808	39,000	191	0.5
IT Platform Services	28,850	33,000	4,149	14.4
Others	8,910	9,000	89	1.0
Total	363,891	370,000	6,108	1.7

* The breakdowns of the segments are comprised of sales by customer sector.

■ Sales for the fiscal year ending 31st March, 2014 (by service)

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting services	39,078	39,000	(78)	(0.2)
System development & application sales	140,478	141,000	521	0.4
System management & operation services	174,990	181,000	6,009	3.4
Product sales	9,344	9,000	(344)	(3.7)
Total	363,891	370,000	6,108	1.7

■ Capital investment, depreciation and amortization and R&D expenses for the fiscal year ending 31st March, 2014

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Capital investment	31,048	32,000	951	3.1
Depreciation and amortization	42,474	33,000	(9,474)	(22.3)
R&D expenses	3,643	3,500	(143)	(3.9)

(Caution concerning forward-looking statements)
The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions (suppositions)

judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Material factors that could possibly affect the actual business results, etc. include, but are not limited to, the domestic and overseas economic situation, demand in the IT services market, competition with competitors, and changes in taxation and other systems. Note the Company will not always revise business forecasts, etc. upon every occurrence of new information or event.

(2) Analysis Regarding Consolidated Financial Position

Assets, liabilities and net assets

At the end of the current fiscal year (31st March, 2013), current assets were ¥189,233 million (up 7.0% from the end of the previous fiscal year), noncurrent assets were ¥243,016 million (up 7.5%), current liabilities were ¥118,190 million (up 70.3%), noncurrent liabilities were ¥23,196 million (down 69.1%), net assets were ¥290,862 million (up 12.6%), and total assets were ¥432,249 million (up 7.3%).

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

Short-term investment securities increased ¥9,106 million to ¥90,185 million and investment securities increased ¥27,104 million to ¥88,378 million. These increases mainly reflected the purchase of national government bonds and other securities as a means of managing surplus funds, and an increase in the value of the Company’s shareholdings.

Under property and equipment, buildings, net increased ¥7,334 million to ¥40,502 million and land declined ¥1,459 million to ¥12,140 million. The increase for buildings, net reflected the completion of Tokyo Data Center 1, while the decline for land was due to the transfer of the Osaka Data Center.

Investments in affiliates increased ¥9,188 million to ¥10,441 million, reflecting the acquisition of shares in Daiko Clearing Services Corporation and the recording of negative goodwill in relation to the company becoming an equity-method affiliate.

The increase in current liabilities and the decline in noncurrent liabilities reflected a transfer of ¥49,996 million in convertible bonds maturing within one year from noncurrent liabilities to current liabilities. In addition, long-term loans payable (including current portion of long-term loans payable) declined ¥2,504 million to ¥6,703 million. These loans were taken in association with the introduction of the Trust-Type Employee Stock Ownership Incentive Plan in March 2011, and the decline reflects half-yearly repayments using the proceeds from the sale of shares to NRI Group Employee Stock Ownership Group, etc. As a result of the above, the amount of treasury stock deducted from net assets declined ¥3,460 million to ¥65,380 million.

In addition, accounts receivable declined ¥2,446 million to ¥54,039 million, other receivables increased ¥2,784 million to ¥22,489 million, and software declined ¥10,309 million to ¥35,458 million.

Cash flow position

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2013) stood at ¥99,623 million (up ¥22,579 million from the end of the previous fiscal year).

Net cash provided by operating activities in the current fiscal year was ¥68,364 million, which was ¥15,297 million greater compared with the previous fiscal year. This was due to the increase in depreciation and amortization and decrease in income taxes paid.

Net cash used in investing activities was ¥36,019 million, a decline of ¥11,712 million from the previous fiscal year. Cash was mainly used for the acquisition of property and equipment related to data centers, the acquisition of software and other intangibles related to the development of multi-user systems, and the purchase of investment securities for fund management purposes.

Net cash used in financing activities was ¥10,487 million, which was roughly the same as the previous fiscal year. The main item of expenditure for both periods was cash dividends paid.

Reference: Trends in cash flow-related indicators

	Fiscal year ended 31st March, 2009	Fiscal year ended 31st March, 2010	Fiscal year ended 31st March, 2011	Fiscal year ended 31st March, 2012	Fiscal year ended 31st March, 2013
Equity ratio (%)	57.7	60.3	60.5	63.8	66.9
Market value equity ratio (%)	84.0	114.1	94.1	100.0	110.5
Interest-bearing debt to operating cash flow ratio (years)	1.1	0.9	1.3	1.1	0.8
Interest coverage ratio (value to one)	3,521.4	4,457.4	5,842.8	744.5	1,209.8

Equity ratio: (Net assets - Minority interests - Share subscription rights) / Total assets
Market value equity ratio: Market capitalization / Total assets
Interest-bearing debt to operating cash flow ratio: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Paid interest
Notes:
1. All indicators are calculated using financial figures on a consolidated basis.
2. Market capitalization is calculated based on the number of shares in issue excluding treasury stock.
3. The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury stock.
4. Interest-bearing debt, among liabilities recorded on the consolidated balance sheet, includes all liabilities on which interests are paid and convertible bonds.

(3) Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year

a. Policy for distribution of profits

The Company considers the ongoing growth of its corporate value to be the most important return to its shareholders. The Company’s basic policy on the payment of dividends from surplus is to continue to provide stable dividends while securing sufficient retained earnings for its medium- and long-term business development. The Company’s decisions regarding standards are based on the operating revenue and cash flow situation, but it aims for a consolidated dividend payout ratio of 30%.
Retained earnings will be utilized as a source for business expansion, including capital investment and R&D investment for enhancing existing businesses and cultivating new businesses, investment in human resource development, and strategic investment such as M&A. Retained earnings may also be utilized to purchase treasury stock, as part of its flexible capital management aimed to improve capital efficiency and respond to the changes in the business environment.
As stipulated in Article 459 of the Companies Act, the Company stipulates in its Articles of Incorporation that it may pay dividends from surplus by a resolution of the Board of Directors with record dates of 30th September and 31st March.

b. Payment of dividends from surplus

The Company decided to pay cash dividends of ¥26 per share with the record date of the end of the current fiscal year (31st March, 2013) in light of the policy above and the business results in the current fiscal year. Combined with interim cash dividends paid in November 2012 (the record date of interim dividends was 30th September, 2012), the annual dividend payment will be ¥52 per share, for a consolidated dividend payout ratio of 35.9%.
The payments of dividends from surplus with record dates falling in the current fiscal year are listed below.

Date of Board resolution	Total cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date
26th October, 2012	5,119	26	30th September, 2012
15th May, 2013 (Planned)	5,137	26	31st March, 2013

Note: The total cash dividends do not include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2012 was ¥108 million and the planned portion to be decided by resolution in May 2013 is ¥91 million).

Regarding dividends for the next fiscal year (ending 31st March, 2014), the Company plans to pay cash dividends of ¥26 per share with the record date of the end of the second quarter and ¥26 per share with the record date of the end of the fiscal year, making an annual dividend payment of ¥52 per share.

Consolidated Financial Statements

Nomura Research Institute, Ltd.

At 31st March, 2013 and 2012 and
for the years ended 31st March, 2013 and 2012, and
for the year ended 31st March, 2011 (unaudited)
with Independent Auditor's Report

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

Nomura Research Institute, Ltd.

Consolidated Financial Statements

31st March, 2013, 2012 and 2011 (unaudited)

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Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 20, 2013
Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Assets			
Current assets:			
Cash and bank deposits *(Notes 3 and 11)*	¥ 10,274	¥ 8,462	$ 109,286
Short-term investment securities *(Notes 3, 4 and 11)*	90,186	81,079	959,323
Accounts receivable and other receivables *(Notes 3 and 5)*	76,530	76,192	814,062
Inventories	223	178	2,372
Deferred income taxes *(Note 9)*	7,291	7,066	77,556
Other current assets	4,803	3,906	51,091
Allowance for doubtful accounts	(74)	(79)	(787)
Total current assets	189,233	176,804	2,012,903
Property and equipment *(Note 6)*:			
Land	12,141	13,600	129,146
Buildings, net	40,502	33,167	430,826
Machinery and equipment, net	10,743	12,899	114,275
Leased assets, net *(Note 13)*	70	114	745
Construction in progress	–	7,789	–
Property and equipment, net	63,456	67,569	674,992
Software and other intangibles	42,854	57,862	455,845
Investment securities *(Notes 3 and 4)*	88,378	61,273	940,091
Investments in affiliates *(Notes 3 and 4)*	10,441	1,253	111,063
Deferred income taxes *(Note 9)*	14,381	15,778	152,973
Long-term loans receivable *(Note 3)*	7,937	7,821	84,427
Lease investment assets	436	446	4,638
Other assets *(Note 7)*	15,179	14,024	161,461
Allowance for doubtful accounts	(46)	(46)	(489)
Total assets	¥432,249	¥402,784	$4,597,904

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Liabilities and Net Assets			
Current liabilities:			
Accounts payable *(Note 3)*	¥ 20,498	¥ 21,811	$ 218,041
Current portion of convertible bonds *(Note 3)*	49,996	–	531,816
Current portion of long-term loans payable *(Note 3)*	2,453	2,531	26,093
Lease obligations, current	268	201	2,851
Accrued expenses	18,664	19,781	198,532
Income taxes payable	11,318	10,093	120,391
Advance payments received	5,184	4,807	55,143
Asset retirement obligations	3	8	32
Other current liabilities	9,806	10,149	104,308
Total current liabilities	118,190	69,381	1,257,207
Convertible bonds *(Note 3)*	–	49,997	–
Long-term loans payable *(Note 3)*	4,250	6,677	45,208
Lease obligations	342	411	3,638
Deferred income taxes *(Note 9)*	38	27	404
Employees' retirement benefits *(Note 8)*	17,965	17,251	191,096
Asset retirement obligations	601	699	6,393
Guarantee deposits received	–	64	–
Commitments and contingent liabilities *(Note 18)*			
Net assets *(Notes 10 and 12)*:			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2013 and 2012			
Issued – 225,000,000 shares at 31st March, 2013 and 2012	18,600	18,600	197,851
Additional paid-in capital	14,800	14,800	157,430
Retained earnings	305,058	286,907	3,244,953
Treasury stock, at cost:			
– 27,384,993 shares at 31st March, 2013 and 28,834,693 shares at 31st March, 2012	(65,381)	(68,841)	(695,469)
Total shareholders' equity	273,077	251,466	2,904,765
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities *(Note 4)*	17,937	7,966	190,799
Foreign currency translation adjustment	(1,640)	(2,575)	(17,445)
Total accumulated other comprehensive income	16,297	5,391	173,354
Share subscription rights *(Note 19)*	1,411	1,420	15,009
Minority interests	78	–	830
Total net assets	290,863	258,277	3,093,958
Total liabilities and net assets	¥432,249	¥402,784	$4,597,904

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Income and Comprehensive Income

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2013	**2012**	**2011**	**2013**
			(Unaudited)	
Sales	¥363,891	¥335,555	¥326,329	$3,870,769
Cost of sales	262,315	235,516	233,120	2,790,288
Gross profit	101,576	100,039	93,209	1,080,481
Selling, general and administrative expenses *(Notes 14 and 15)*	57,562	56,886	54,782	612,297
Operating profit	44,014	43,153	38,427	468,184
Other income (expenses):				
Interest and dividend income	1,268	1,363	1,585	13,488
Interest expense	(57)	(71)	(8)	(606)
Equity in earnings (losses) of affiliates	339	111	(12)	3,606
Loss on property and equipment	(7,732)	–	–	(82,247)
Gain (loss) on investment securities *(Note 4)*	(75)	(130)	130	(798)
Gain on bargain purchase	4,661	–	–	49,580
Gain on investments in affiliates *(Note 4)*	–	8,564	–	–
Special dividend income	–	3,011	–	–
Reversal of share-based compensation *(Note 19)*	158	73	–	1,681
Impact of applying accounting standard for asset retirement obligations	–	–	(364)	–
Other, net	291	131	96	3,095
	(1,147)	13,052	1,427	(12,201)
Income before income taxes and minority interests	42,867	56,205	39,854	455,983
Provision for income taxes *(Note 9)*:				
Current	16,679	19,501	14,865	177,417
Deferred	(2,419)	3,783	1,799	(25,731)
	14,260	23,284	16,664	151,686
Income before minority interests	28,607	32,921	23,190	304,297
Income (loss) attributable to minority interests	(3)	–	2	(32)
Net income *(Note 12)*	¥ 28,610	¥ 32,921	¥ 23,188	$ 304,329
Income (loss) attributable to minority interests	¥ (3)	¥ –	¥ 2	$ (32)
Income before minority interests	28,607	32,921	23,190	304,297
Other comprehensive income *(Note 16)*:				
Valuation difference on available-for-sale securities	9,701	1,708	(2,178)	103,191
Foreign currency translation adjustment	898	94	(406)	9,552
Share of other comprehensive income of affiliates	307	6	(13)	3,266
Total other comprehensive income	10,906	1,808	(2,597)	116,009
Comprehensive income	¥ 39,513	¥ 34,729	¥ 20,593	$ 420,306
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	¥ 39,516	¥ 34,729	¥ 20,591	$ 420,338
Comprehensive income attributable to minority interests	(3)	–	2	(32)

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Net Assets

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock, at cost**	**Total shareholders' equity**	**Valuation difference on available-for-sale securities**	**Foreign currency translation adjustment**	**Total accumulated other comprehensive income**	**Share subscription rights**	**Minority interests**	**Total net assets**
Balance at 1st April, 2010 (Unaudited)	¥18,600	¥15,018	¥251,800	¥(72,526)	¥212,892	¥ 8,436	¥ (2,256)	¥ 6,180	¥1,155	¥10	¥220,237
Disposition of treasury stock	–	–	–	241	241	–	–	–	–	–	241
Loss on disposition of treasury stock	–	(24)	–	–	(24)	–	–	–	–	–	(24)
Net income	–	–	23,188	–	23,188	–	–	–	–	–	23,188
Cash dividends paid	–	–	(10,122)	–	(10,122)	–	–	–	–	–	(10,122)
Net changes other than in shareholders' equity	–	–	–	–	–	(2,178)	(419)	(2,597)	162	(10)	(2,445)
Balance at 1st April, 2011 (Unaudited)	18,600	14,994	264,866	(72,285)	226,175	6,258	(2,675)	3,583	1,317	–	231,075
Disposition of treasury stock	–	–	–	3,444	3,444	–	–	–	–	–	3,444
Loss on disposition of treasury stock	–	(194)	(735)	–	(929)	–	–	–	–	–	(929)
Net income	–	–	32,921	–	32,921	–	–	–	–	–	32,921
Cash dividends paid	–	–	(10,145)	–	(10,145)	–	–	–	–	–	(10,145)
Net changes other than in shareholders' equity	–	–	–	–	–	1,708	100	1,808	103	–	1,911
Balance at 1st April, 2012	18,600	14,800	286,907	(68,841)	251,466	7,966	(2,575)	5,391	1,420	–	258,277
Disposition of treasury stock	–	–	–	3,460	3,460	–	–	–	–	–	3,460
Loss on disposition of treasury stock	–	–	(944)	–	(944)	–	–	–	–	–	(944)
Net income	–	–	28,610	–	28,610	–	–	–	–	–	28,610
Cash dividends paid	–	–	(10,220)	–	(10,220)	–	–	–	–	–	(10,220)
Change of scope of equity method	–	–	705	–	705	–	–	–	–	–	705
Net changes other than in shareholders' equity	–	–	–	–	–	9,971	935	10,906	(9)	78	10,975
Balance at 31st March, 2013	¥18,600	¥14,800	¥305,058	¥(65,381)	¥273,077	¥17,937	¥(1,640)	¥16,297	¥1,411	¥78	¥290,863

Thousands of U.S. dollars (Note 2)

	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock, at cost**	**Total shareholders' equity**	**Valuation difference on available-for-sale securities**	**Foreign currency translation adjustment**	**Total accumulated other comprehensive income**	**Share subscription rights**	**Minority interests**	**Total net assets**
Balance at 1st April, 2012	$197,851	$157,430	$3,051,877	$(732,273)	$2,674,885	$ 84,736	$(27,391)	$ 57,345	$15,106	$ –	$2,747,336
Disposition of treasury stock	–	–	–	36,804	36,804	–	–	–	–	–	36,804
Loss on disposition of treasury stock	–	–	(10,041)	–	(10,041)	–	–	–	–	–	(10,041)
Net income	–	–	304,329	–	304,329	–	–	–	–	–	304,329
Cash dividends paid	–	–	(108,712)	–	(108,712)	–	–	–	–	–	(108,712)
Change of scope of equity method	–	–	7,500	–	7,500	–	–	–	–	–	7,500
Net changes other than in shareholders' equity	–	–	–	–	–	106,063	9,946	116,009	(97)	830	116,742
Balance at 31st March, 2013	$197,851	$157,430	$3,244,953	$(695,469)	$2,904,765	$190,799	$(17,445)	$173,354	$15,009	$830	$3,093,958

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2013	**2012**	**2011**	**2013**
			(Unaudited)	
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 42,867	¥ 56,205	¥ 39,854	$ 455,983
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	42,475	30,875	30,666	451,814
Interest and dividend income	(1,268)	(4,374)	(1,585)	(13,488)
Interest expense	57	71	8	606
Loss on property and equipment	7,732	–	–	82,247
Loss (gain) on investment securities	75	130	(130)	798
Gain on bargain purchase	(4,661)	–	–	(49,580)
Gain on investments in affiliates	–	(8,564)	–	–
Impact of applying accounting standard for asset retirement obligations	–	–	364	–
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	1,834	(5,728)	(1,727)	19,509
Allowance for doubtful accounts	(7)	(42)	(23)	(74)
Accounts payable	(4,218)	1,482	(4,305)	(44,868)
Inventories	(18)	78	176	(191)
Employees’ retirement benefits	(1,728)	(3,438)	(3,463)	(18,381)
Other	(683)	834	2,872	(7,266)
Subtotal	82,457	67,529	62,707	877,109
Interest and dividends received	1,528	4,499	1,395	16,254
Interest paid	(56)	(72)	(5)	(596)
Income taxes paid	(15,564)	(18,889)	(15,319)	(165,557)
Net cash provided by operating activities	68,365	53,067	48,778	727,210
Cash flows from investing activities				
Payments for time deposits	(1,111)	(782)	(1,129)	(11,818)
Proceeds from time deposits	1,051	853	331	11,180
Purchase of short-term investment securities	–	(13,234)	(19,933)	–
Proceeds from sales and redemption of short-term investment securities	11,800	14,910	6,300	125,519
Acquisition of property and equipment	(15,668)	(20,848)	(9,565)	(166,663)
Proceeds from sales of property and equipment	1,158	34	5	12,318
Purchase of software and other intangibles	(16,162)	(21,399)	(10,211)	(171,918)
Proceeds from sales of software and other intangibles	–	346	–	–
Payments for asset retirement obligations	(40)	(31)	(64)	(425)
Purchase of investment securities	(21,415)	(29,285)	(31)	(227,795)
Proceeds from sales and redemption of investment securities	6,614	5,351	6,558	70,354
Purchase of investments in affiliates	(2,264)	–	(15)	(24,083)
Proceeds from sales of investments in affiliates *(Note 17)*	–	16,326	–	–
Other	17	27	30	180
Net cash used in investing activities	¥(36,020)	¥(47,732)	¥(27,724)	$ (383,151)

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows (continued)

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2013	**2012**	**2011**	**2013**
			(Unaudited)	
Cash flows from financing activities				
Increase in short-term loans payable	¥ 554	¥ 6,922	¥ 3,500	$ 5,893
Decrease in short-term loans payable	(554)	(6,922)	(3,500)	(5,893)
Proceeds from long-term loans payable	–	–	11,783	–
Repayment of long-term loans payable	(2,506)	(2,575)	–	(26,657)
Proceeds from issuance of short-term bonds	–	–	9,997	–
Redemption of short-term bonds	–	–	(10,000)	–
Repayment of obligation under finance leases	(107)	(53)	(69)	(1,138)
Proceeds from sales of treasury stock	2,344	2,337	(0)	24,934
Cash dividends paid	(10,219)	(10,148)	(10,121)	(108,702)
Net cash provided by (used in) financing activities	(10,488)	(10,439)	1,590	(111,563)
Effect of exchange rate changes on cash and cash equivalents	722	63	(335)	7,680
Net increase (decrease) in cash and cash equivalents	22,579	(5,041)	22,309	240,176
Cash and cash equivalents at beginning of year	77,044	82,085	59,776	819,530
Cash and cash equivalents at end of year *(Note 11)*	¥ 99,623	¥ 77,044	¥ 82,085	$1,059,706

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2013, 2012 and 2011 (unaudited)

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the "Company") and its 21 consolidated subsidiaries) and its affiliates (3 companies) engage in the following four business services: "consulting services," comprised of research, management consulting and system consulting; "system development & application sales," comprised of system development and the sales of package software products; "system management & operation services," comprised of outsourcing services, multi-user system services, and information services; and "product sales." Information on the Company's operations by segment is included in Note 20.

Basis of Presentation

The accompanying 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 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 consolidated financial statements in a format which is familiar to readers outside Japan.

Basis of Consolidation and Application of Equity Method

The accompanying consolidated financial statements for the years ended 31st March, 2013, 2012 and 2011 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (21, 15 and 15 for the years ended 31st March, 2013, 2012 and 2011, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., and NRI System Techno, LTD. as of 31st March, 2013.

The Company's investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the Company's share of such affiliates' income or loss is included in consolidated income. All affiliated companies (3, 2 and 2 for the years ended 31st March, 2013, 2012 and 2011, respectively) have been accounted for by the equity method. The affiliated companies are Nippon Clearing Services Co., Ltd., and MC NRI GLOBAL SOLUTIONS, INC., and Daiko Clearing Services Corporation ("Daiko Clearing Services") as of 31st March, 2013.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

NRI System Techno, LTD., Nomura Research Institute Financial Technologies India Private Limited and UBsecure, Inc., newly acquired subsidiaries, and Nomura Research Institute Taiwan Co., Ltd. and Nomura Research Institute Seoul Co., Ltd., newly established subsidiaries during the year ended 31st March, 2013, are included in the scope of consolidation.

The Company acquired additional shares of Daiko Clearing Services during the year ended 31st March, 2013. As a result, this affiliated company is newly accounted for by the equity method.

Cash Equivalents

Cash equivalents, as presented in the consolidated statements of cash flows, are defined as low-risk, highly liquid, short-term investments maturing within three months from their respective acquisition dates which are readily convertible into cash.

Investment Securities

The Company holds investment securities in its major shareholder, Nomura Holdings, Inc. The Company's investment in Nomura Holdings, Inc. is included in "Investments in affiliates."

The Company and its consolidated subsidiaries determine the appropriate classification of investment securities as either trading, held-to-maturity or available-for-sale securities based on their holding objectives. Available-for-sale securities include marketable securities and non-marketable securities.

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

Held-to-maturity securities are carried at amortized cost.

Marketable securities classified as available-for-sale securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealized gain or loss on marketable securities classified as available-for-sale securities is included as a separate component of net assets, net of the applicable taxes.

Non-marketable securities classified as available-for-sale securities are stated at cost and the cost of securities sold is determined by the moving average method.

Inventories

Inventories are stated at cost based on the identified cost method (in cases where profitability has declined, the book value is reduced accordingly).

1. Significant Accounting Policies (continued)

Depreciation of Property and Equipment (other than leased assets)

Property and equipment is stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the related assets. Buildings (excluding structures attached to the buildings) acquired on or after 1st April, 1998 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over their respective estimated useful lives.

Amortization of Software and Other Intangibles (other than leased assets)

Development costs of computer software to be sold are amortized by the straight-line method over a useful life of three years, based on the estimated volume of sales or the estimated sales revenue with the minimum amortization amount. Software intended for use by the Company for the purpose of rendering customer services is being amortized by the straight-line method over useful lives of up to five years.
Other intangible assets are amortized by the straight-line method over their respective estimated useful lives.

Depreciation and Amortization of Leased Assets

Leased tangible assets under finance leases that do not transfer ownership are mainly depreciated by the declining-balance method over the lease period. Leased intangible assets under finance leases that do not transfer ownership are amortized by the straight-line method over the lease period.

Allowance for Doubtful Accounts

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

Retirement and Severance Benefits for Employees

The allowance for employees' retirement benefits has been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets. The retirement benefit obligation at transition was fully expensed upon transition. Prior service liability is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years). Actuarial gain or loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (10 to 15 years) from the next fiscal year after the incurrence.

Revenue Recognition

Revenues arising from made-to-order software and consulting projects are recognized by the percentage-of-completion method. The percent completed is estimated by the ratio of the costs incurred to the estimated total costs.

1. Significant Accounting Policies (continued)

Appropriation of Capital Surplus and Retained Earnings

Under the Corporation Law of Japan, the appropriation of capital surplus and retained earnings with respect to a given period is made by resolution of the shareholders at a general meeting or by resolution of the Board of Directors. Appropriations from capital surplus and retained earnings are reflected in the consolidated financial statements applicable to the period in which such resolutions are approved.

Accounting Change

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In response to a revision of the Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries have changed the method of depreciation for tangible fixed assets acquired on or after 1st April, 2012 in accordance with the provisions of the revised Corporation Tax Law. As a result of this change, operating profit and income before income taxes and minority interests for the year ended 31st March, 2013 increased by ¥348 million ($3,702 thousand) from the corresponding amounts which would have been recorded under the previous method.

Accounting Standards to Be Applied

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of 17th May, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of 17th May, 2012)

1) Overview

   From the perspective of improving financial reporting and in light of global trends, the accounting standard and related guidance have been revised mainly in the areas of the accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service costs, the calculation method for retirement benefit obligations and service costs and the enhancement of disclosure.

2) Scheduled date of application

   From the beginning of annual periods beginning on or after 1st April, 2013

3) Impact of application of accounting standards

   The impact of the application of these accounting standards on the consolidated financial statements is expected to be immaterial.

1. Significant Accounting Policies (continued)

Additional Information

(Accounting for Trust-type Employee Stock Ownership Incentive Plan)

The Company introduced a "Trust-type Employee Stock Ownership Incentive Plan" in March 2011. The purpose of this plan is to promote the Company's perpetual growth by providing incentives to employees for increasing the Company's corporate value in the mid- to long-term and to enhance benefits and welfare of employees.

This is an incentive plan under which gains from the Company's share price appreciation are returned to all participants in the Employee Stock Ownership Group (the "ESOP Group").

The "Employee Stock Ownership Trust" (the "ESOP Trust") was established exclusively for the ESOP Group to carry out this plan. The ESOP Trust acquired a number of the Company's shares, which the ESOP Group would acquire over a period of five years subsequent to the establishment of the ESOP Trust. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group makes an acquisition of the Company's shares. When the share price appreciates and earnings have accumulated in the ESOP Trust upon its termination, a cash distribution of the funds will be made to each beneficiary in proportion to the respective beneficiary's contribution. Since the Company guarantees the loans of the ESOP Trust taken out to purchase the Company's shares, the Company is obligated to pay the remaining liabilities of the ESOP Trust under a guarantee agreement if any obligations remain upon termination of the ESOP Trust.

The Company accounts for the transactions involving the ESOP Trust as its own with the assets, liabilities, expenses and income of the ESOP Trust included in the accompanying consolidated financial statements. Therefore, the Company's shares owned by the ESOP Trust are treated as treasury stock of the Company, and the loans of the ESOP Trust are treated as the loans of the Company. Also, the Company does not recognize the transfer of treasury stock when the Company sells treasury stock to the ESOP Trust. Each time the ESOP Trust sells treasury stock to the ESOP Group, however, the Company recognizes the transfer of treasury stock. As the amounts equal to the capital gain realized by the ESOP Trust will be distributed to the beneficiaries after the termination of the trust, the amounts are treated as expenses for the corresponding year the gain is incurred.

The ESOP Trust owned 3,520,800 shares of the Company's at 31st March, 2013.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥94.01 = U.S.$1.00, the rate of exchange prevailing on 31st March, 2013. 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.

3. Financial Instruments

1) Qualitative information

(a) Policy for financial instruments

In the course of business operations, the Company raises short-term funds through bank loans and commercial paper, and raises long-term funds through bank loans and issuances of corporate bonds. The Company manages funds by utilizing low-risk financial instruments. The Company's policy is to only enter into derivative transactions to reduce risks, and not for speculative purposes.

(b) Details of financial instruments and related risk and risk management system

Although accounts receivable and other receivables, are exposed to customers' credit risk, the historical loan loss ratio is low and those receivables are usually settled in a short period of time. The Company tries to reduce credit risk by managing due dates and balances of each customer, as well as monitoring and analyzing customers' credit status. The Company has little exposure of foreign currency exchange risk, since those receivables are mostly in Japanese yen. Investment securities, comprised of shares of companies with which the Company has operational relationships, bonds and bond investment trusts, are exposed to issuers' credit risk, risks of volatility of market prices, and foreign currency exchange and interest rates. To reduce these risks, the Company monitors market value and the issuers' financial status periodically. Long-term loans receivable is a construction assistance fund receivable due January 2017. Accounts payable are settled in a short period of time. Redemption of the convertible bonds, issued by the Company for capital expenditures, is March 2014. Long-term loans payable relates to the borrowing by the ESOP Trust to introduce the "Trust-type Employee Stock Ownership Incentive Plan." Final installment payment is April 2016. Variable interest rates applied to long-term loans payable are exposed to interest rate fluctuation risk. The Company reduces liquidity risk relating to raising funds by developing a cash flow plan to manage all surplus funds in the Group, and by holding various financing methods.

(c) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, and when there is no quoted market price available, fair value is based on management assumption. Since various assumptions and factors are reflected in estimating the fair value, differences in the assumptions and factors may result in different indications of fair value.

3. Financial Instruments (continued)

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheets as of 31st March, 2013 and 2012 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	Millions of yen					
	31st March, 2013			**31st March, 2012**		
	Carrying amount	**Estimated fair value**	**Difference**	**Carrying amount**	**Estimated fair value**	**Difference**
Assets:						
Cash and bank deposits	¥ 10,274	¥ 10,274	¥ –	¥ 8,462	¥ 8,462	¥ –
Accounts receivable and other receivables	76,530	76,530	–	76,192	76,192	–
Short-term investment securities, investment securities, and investments in affiliates	180,870	178,257	(2,613)	135,869	135,869	–
Long-term loans receivable	7,937	8,367	430	7,821	8,274	453
Total	¥275,611	¥273,428	¥(2,183)	¥228,344	¥228,797	¥ 453
Liabilities:						
Accounts payable	¥ 20,498	¥ 20,498	¥ –	¥ 21,811	¥ 21,811	¥ –
Convertible bonds *	49,996	49,996	–	49,997	49,297	(700)
Long-term loans payable **	6,703	6,703	–	9,208	9,208	–
Total	¥ 77,197	¥ 77,197	¥ –	¥ 81,016	¥ 80,316	¥(700)

	Thousands of U.S. dollars		
	31st March, 2013		
	Carrying amount	**Estimated fair value**	**Difference**
Assets:			
Cash and bank deposits	$ 109,286	$ 109,286	$ –
Accounts receivable and other receivables	814,062	814,062	–
Short-term investment securities, investment securities, and investments in affiliates	1,923,945	1,896,150	(27,795)
Long-term loans receivable	84,427	89,001	4,574
Total	$2,931,720	$2,908,499	$(23,221)
Liabilities:			
Accounts payable	$ 218,041	$ 218,041	$ –
Convertible bonds *	531,816	531,816	–
Long-term loans payable **	71,301	71,301	–
Total	$ 821,158	$ 821,158	$ –

* Convertible bonds as of 31st March, 2013 are the current portion of convertible bonds.

** Long-term loans payable included the current portion of long-term loans payable totaling ¥2,453 million ($26,093 thousand) and ¥2,531 million as of 31st March, 2013 and 2012, respectively.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 1: Methods to determine the estimated fair value of financial instruments.

Assets

a. Cash and bank deposits

Their carrying amount approximates the fair value due to the short maturity of these instruments.

b. Accounts receivable and other receivables

Their carrying amount approximates the fair value due to the generally short maturities of these instruments. For those receivables due after one year, the present value is further discounted by the rate corresponding to the credit risk and the amount is presented in the consolidated balance sheet, therefore, the carrying amount approximates fair value.

c. Short-term investment securities, investment securities and investments in affiliates

The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities.

d. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by risk free rate relating to the time remaining until maturity.

Liabilities

a. Accounts payable

Their carrying amount approximates the fair value due to the short maturity of these instruments.

b. Convertible bonds

The fair value of convertible bonds is based on the quoted market price.

c. Long-term loans payable

The fair value of long-term loans payable, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates over a short term.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 2: Non-marketable securities whose fair value is not readily determinable are as follows.

	Millions of yen		*Thousands of U.S. dollars*
	31st March, 2013	**31st March, 2012**	**31st March, 2013**
Unlisted companies' shares	¥7,959	¥7,623	$84,661
Investments in partnerships	176	113	1,871

*1. Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥1,069 million ($11,371 thousand) and ¥887 million as of 31st March, 2013 and 2012, respectively.

*2. For investments in partnerships, when all or a part of the asset of partnership consist of non-marketable securities whose fair value is not readily determinable, such components are not measured at fair value.

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2013 and 2012

	Millions of yen					
	31st March, 2013			**31st March, 2012**		
	Due within one year	**Due after one year through five years**	**Due after five years through ten years**	**Due within one year**	**Due after one year through five years**	**Due after five years through ten years**
Cash and bank deposits	¥10,274	¥ –	¥ –	¥ 8,462	¥ –	¥ –
Accounts receivable	53,959	80	1	56,486	–	–
Investment securities:						
Available-for-sale securities with maturities:						
Government bonds	10,000	35,001	–	–	25,000	1
Corporate bonds	–	–	–	18,300	–	–
Other	–	–	–	100	–	–
Long-term loans receivable	–	8,400	–	–	8,400	–
	¥74,233	¥43,481	¥ 1	¥83,348	¥33,400	¥ 1

* Other receivables are not included in the above table as there is no applicable redemption schedule.

	Thousands of U.S. dollars		
	31st March, 2013		
	Due within one year	**Due after one year through five years**	**Due after five years through ten years**
Cash and bank deposits	$109,286	$ –	$ –
Accounts receivable	573,971	851	11
Investment securities:			
Available-for-sale securities with maturities:			
Government bonds	106,372	372,312	–
Corporate bonds	–	–	–
Other	–	–	–
Long-term loans receivable	–	89,352	–
	$789,629	$462,515	$11

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 4: Repayment schedule for convertible bonds and long-term loans payable at 31st March, 2013 and 2012

	Millions of yen				
	31st March, 2013				
	Due within one year	**Due after one year through two years**	**Due after two years through three years**	**Due after three years through four years**	**Due after four years through five years**
Convertible bonds	¥49,996	¥ –	¥ –	¥ –	¥ –
Long-term loans payable*	2,453	2,416	1,834	–	–
	¥52,449	¥2,416	¥1,834	¥ –	¥ –

	Millions of yen				
	31st March, 2012				
	Due within one year	**Due after one year through two years**	**Due after two years through three years**	**Due after three years through four years**	**Due after four years through five years**
Convertible bonds	¥ –	¥49,997	¥ –	¥ –	¥ –
Long-term loans payable*	2,531	2,487	2,442	1,748	–
	¥2,531	¥52,484	¥2,442	¥1,748	¥ –

	Thousands of U.S. dollars				
	31st March, 2013				
	Due within one year	**Due after one year through two years**	**Due after two years through three years**	**Due after three years through four years**	**Due after four years through five years**
Convertible bonds	$531,816	$ –	$ –	$ –	$ –
Long-term loans payable*	26,093	25,699	19,509	–	–
	$557,909	$25,699	$19,509	$ –	$ –

* Long-term loans payable represents loans by the ESOP Trust upon introduction of the "Trust-type Employee Stock Ownership Incentive Plan." Under the loan contracts, the timing of the installment payments is determined, but the amount of each installment payment is not specified. Therefore, the repayment schedule was calculated at an estimated amount by reference to the acquisition price of the Company's shares that the ESOP Group was expected to purchase from the ESOP Trust.

4. Investments

The Company did not hold any held-to-maturity securities with determinable market value at 31st March, 2013 and 2012.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2013 and 2012:

Securities Classified as Available-for-Sale Securities

	Millions of yen					
	31st March, 2013			**31st March, 2012**		
	Acquisition cost	**Carrying amount**	**Unrealized gain (loss)**	**Acquisition cost**	**Carrying amount**	**Unrealized gain (loss)**
Equity securities	¥ 17,506	¥ 43,263	¥25,757	¥ 17,558	¥ 29,465	¥11,907
Bonds:						
Government bonds	45,451	45,516	65	25,440	25,456	16
Corporate bonds	–	–	–	18,329	18,296	(33)
	45,451	45,516	65	43,769	43,752	(17)
Other	90,411	90,362	(49)	69,559	69,501	(58)
Total	¥153,368	¥179,141	¥25,773	¥130,886	¥142,718	¥11,832

	Thousands of U.S. dollars		
	31st March, 2013		
	Acquisition cost	**Carrying amount**	**Unrealized gain (loss)**
Equity securities	$ 186,214	$ 460,196	$273,982
Bonds:			
Government bonds	483,470	484,161	691
Corporate bonds	–	–	–
	483,470	484,161	691
Other	961,717	961,196	(521)
Total	$1,631,401	$1,905,553	$274,152

Non-marketable securities whose fair value is not readily determinable were included in the above table. “Acquisition cost” in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the years ended 31st March, 2013 and 2012 amounted to ¥69 million ($734 thousand) and ¥237 million, respectively. The Company has established a policy for the recognition of impairment losses under the following conditions:

i) For marketable securities whose fair value has declined by 30% or more, the Company recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.

ii) For non-marketable securities whose fair value is not readily determinable, of which net asset value has declined by 50% or more, the Company recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.

4. Investments (continued)

Securities Classified as Available-for-Sale Securities (continued)

Proceeds from sales of available-for-sale securities during the years ended 31st March, 2013, 2012 and 2011 were as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2013	**2012**	**2011**	**2013**
Proceeds *(Note 17)*	¥2	¥16,546	¥226	$21
Gross gain	–	8,714	168	–
Gross loss	–	(22)	–	–

Non-marketable securities whose fair value is not readily determinable were included in the above table.

5. Accounts Receivable and Other Receivables

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥22,490 million ($239,229 thousand) and ¥19,706 million at 31st March, 2013 and 2012, respectively.

6. Property and Equipment

Property and equipment at 31st March, 2013 and 2012 is summarized as follows:

	Years	*Millions of yen*		*Thousands of U.S. dollars*
	Useful	**31st March,**		**31st March,**
	Life	**2013**	**2012**	**2013**
Land		¥ 12,141	¥ 13,600	$ 129,146
Buildings	15 – 50	78,756	70,842	837,741
Machinery and equipment	3 – 15	55,780	56,907	593,341
Leased assets		545	320	5,797
Construction in progress		–	7,789	–
Accumulated depreciation		(83,766)	(81,889)	(891,033)
Property and equipment, net		¥ 63,456	¥ 67,569	$ 674,992

7. Other Assets

Other assets at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Lease deposits	¥10,839	¥10,720	$115,296
Other	4,340	3,304	46,165
Other assets	¥15,179	¥14,024	$161,461

"Other" includes golf club memberships.

8. Retirement and Severance Benefits

The Company has a defined benefit pension plan, a lump-sum payment plan and a defined contribution pension plan. In addition to the plans, an extra retirement payment may be provided. The Company also has an employee retirement benefit trust. Certain consolidated subsidiaries have defined benefit pension plans, defined benefit lump-sum payment plans, employees' pension fund trusts and defined contribution pension plans.

The following table sets forth the funded and accrued status of the retirement and severance benefit plans and the amounts recognized in the accompanying consolidated balance sheets at 31st March, 2013 and 2012 for the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Retirement benefit obligation	¥(90,743)	¥(73,273)	$(965,248)
Plan assets at fair value	69,423	49,989	738,464
Unfunded retirement benefit obligation	(21,320)	(23,284)	(226,784)
Unrecognized actuarial gain	5,699	8,175	60,622
Unrecognized prior service cost	(1,947)	(2,142)	(20,711)
Net retirement benefit obligation	(17,568)	(17,251)	(186,873)
Prepaid pension cost	397	–	4,223
Employees' retirement benefits	¥(17,965)	¥(17,251)	$(191,096)

Certain consolidated subsidiaries adopt the simplified method for calculating retirement benefit obligations.

Plan assets at fair value include those of the employee retirement benefit trust of ¥8,109 million ($86,257 thousand) and ¥6,371 million at 31st March, 2013 and 2012, respectively.

The substitutional portion of the employees' pension fund is included in the above table.

8. Retirement and Severance Benefits (continued)

Prior service liability is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years).

Actuarial gain or loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (10 to 15 years, 15 years and 15 years ended 31st March, 2013, 2012 and 2011, respectively) from the next fiscal year after the incurrence.

The components of retirement benefit expenses for the years ended 31st March, 2013, 2012 and 2011 are outlined as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2013	**2012**	**2011**	**2013**
Service cost	¥4,834	¥4,070	¥3,928	$51,420
Interest cost	1,362	1,332	1,245	14,488
Expected return on plan assets	(676)	(546)	(438)	(7,191)
Recognized actuarial loss	515	196	102	5,478
Recognized prior service liability	(195)	(195)	(195)	(2,074)
Subtotal	5,840	4,857	4,642	62,121
Other	1,809	1,728	1,617	19,243
Total	¥7,649	¥6,585	¥6,259	$81,364

Retirement benefit expenses for the consolidated subsidiaries that adopt the simplified method are included in "Service cost."

Contributions to the defined contribution pension plan are included in "Other" in the above table.

The amount of employee contributions to the employees' pension fund is excluded from the above table.

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

	31st March,		
	2013	**2012**	**2011**
Discount rates at the end of the year	1.4%	1.8%	2.1%
Expected rate of return on plan assets	1.5	1.5	1.5

Weighted-average rates are used as of 31st March, 2013 in the above table.

9. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2013 and 2012 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Deferred income tax assets:			
Employees' retirement benefits	¥ 8,283	¥ 8,355	$ 88,108
Depreciation	13,425	10,417	142,804
Accrued bonuses	5,230	4,968	55,632
Other	3,245	3,246	34,518
	30,183	26,986	321,062
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	(8,043)	(3,866)	(85,555)
Special tax-purpose reserve	(300)	(257)	(3,191)
Undistributed earnings of foreign subsidiaries	(103)	(19)	(1,096)
Other	(103)	(27)	(1,095)
	(8,549)	(4,169)	(90,937)
Deferred income tax assets, net	¥21,634	¥22,817	$230,125

Income taxes applicable to the Company and its consolidated subsidiaries consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 38.0%, 40.6% and 40.6% for the years ended 31st March, 2013, 2012 and 2011, respectively.

A reconciliation of the difference between the statutory income tax rate and the effective income tax rate after deferred tax effect in the consolidated statements of income and comprehensive income for the year ended 31st March, 2013 is as follows:

	31st March, 2013
Statutory income tax rate	38.0%
Reconciliation:	
Non-deductible permanent differences such as entertainment expenses	0.7
Non-taxable permanent differences such as dividend income	(0.4)
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	(1.2)
Gain on bargain purchase	(4.1)
Others, net	0.3
Effective income tax rate after deferred tax effect	33.3%

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statements of income and comprehensive income for the years ended 31st March, 2012 and 2011 have been omitted because the differences were immaterial.

10. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. 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 ($6,063 thousand) and ¥570 million at 31st March, 2013 and 2012, respectively.

Shares Issued and Treasury Stock

The total number and periodic changes in the number of shares issued and treasury stock for the years ended 31st March, 2013 and 2012 are summarized as follows:

	Shares issued	**Treasury stock**
Number of shares at 31st March, 2011	225,000,000	30,277,343
Increase in number of shares	–	50
Decrease in number of shares	–	1,442,700
Number of shares at 31st March, 2012	225,000,000	28,834,693
Increase in number of shares		36
Decrease in number of shares	–	1,449,736
Number of shares at 31st March, 2013	225,000,000	27,384,993

*1 The number of common shares of treasury stock increased by 36 and 50 due to the purchases of odd-lot shares for the years ended 31 March, 2013 and 2012, respectively. The number of common shares of treasury stock decreased by 1,344,500 and 1,336,200 due to the transfer of treasury stock from the ESOP Trust to the ESOP Group and decreased by 105,000 and 106,500 due to the exercise of stock options for the years ended 31 March, 2013 and 2012, respectively, and decreased by 236 due to the exercise of convertible bonds for the year ended 31st March, 2013.

*2 Treasury stock included 3,520,800 and 4,865,300 common shares of the Company owned by the ESOP Trust as of 31st March, 2013 and 2012, respectively.

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2013 relate to the Company’s stock option plans described in Note 19.

10. Net Assets (continued)

Dividends

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 17th May, 2012 and 26th October, 2012 and were paid to shareholders based on the record as of 31st March, 2012 and 30th September, 2012, respectively, during the year ended 31st March, 2013:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends approved on 17th May, 2012 * (¥26.00 = U.S.$0.28 per share)	¥5,100	$54,250
Cash dividends approved on 26th October, 2012 ** (¥26.00 = U.S.$0.28 per share)	¥5,120	$54,462

* The record date and effective date were 31st March, 2012 and 4th June, 2012, respectively.

Dividends of ¥126 million ($1,340 thousand) paid to the ESOP Trust are not included in the total dividends amount.

** The record date and effective date were 30th September, 2012 and 30th November, 2012, respectively.

Dividends of ¥109 million ($1,159 thousand) paid to the ESOP Trust are not included in total dividends amount.

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2013, was approved at a meeting of the Board of Directors held on 15th May, 2013 and went into effect on 3rd June, 2013:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends approved on 15th May, 2013 * (¥26.00 = U.S.$0.28 per share)	¥5,138	$54,654

* The record date and effective date were 31st March, 2013 and 3rd June, 2013, respectively.

Dividends of ¥92 million ($979 thousand) paid to the ESOP Trust are not included in the total dividends amount.

10. Net Assets (continued)

Dividends (continued)

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 18th May, 2011 and 28th October, 2011 and were paid to shareholders based on the record as of 31st March, 2011 and 30th September, 2011, respectively, during the year ended 31st March, 2012:

	Millions of yen
Cash dividends approved on 18th May, 2011 * (¥26.00 per share)	¥5,063
Cash dividends approved on 28th October, 2011 ** (¥26.00 per share)	5,082

* The record date and effective date were 31st March, 2011 and 3rd June, 2011, respectively.

Dividends of ¥161 million paid to the ESOP Trust are not included in the total dividends amount.

** The record date and effective date were 30th September, 2011 and 30th November, 2011, respectively.

Dividends of ¥144 million paid to the ESOP Trust are not included in the total dividends amount.

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2012, was approved at a meeting of the Board of Directors held on 17th May, 2012 and went into effect on 4th June, 2012:

	Millions of yen
Cash dividends approved on 17th May, 2012 * (¥26.00 per share)	¥5,100

* The record date and effective date were 31st March, 2012 and 4th June, 2012, respectively.

Dividends of ¥126 million paid to the ESOP Trust are not included in the total dividends amount.

11. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows at 31st March, 2013 and 2012 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Cash and bank deposits	¥10,274	¥ 8,462	$ 109,286
Short-term investment securities	90,186	81,079	959,323
Time deposits with maturities of more than three months when deposited	(837)	(706)	(8,903)
Bond and other investments maturing in more than three months from the acquisition date	–	(11,791)	–
Cash and cash equivalents	¥99,623	¥ 77,044	$1,059,706

12. Per Share Data

Earnings per share for the years ended at 31st March, 2013, 2012, and 2011 and net assets per share at 31st March, 2013 and 2012 are summarized as follows:

	Yen			*U.S. dollars*
	31st March,			**31st March,**
	2013	**2012**	**2011**	**2013**
Earnings per share	¥145.28	¥168.40	¥119.11	$1.55
Diluted earnings per share	136.97	158.69	112.22	1.46

	Yen		*U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Net assets per share	¥1,464.33	¥1,309.39	$15.58

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

12. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2013, 2012 and 2011 is as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2013	**2012**	**2011**	**2013**
Numerator:				
Earnings	¥28,610	¥32,921	¥23,188	$304,329
Earnings not attributable to common shareholders	(–)	(–)	(–)	(–)
Earnings attributable to common shareholders	¥28,610	¥32,921	¥23,188	$304,329

	Thousands of shares		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *	196,937	195,492	194,677
Potentially dilutive shares of common stock:			
Convertible bonds	11,839	11,839	11,836
Stock options	100	119	121
Total	11,939	11,958	11,957
Weighted-average number of shares of common stock outstanding – diluted	208,876	207,450	206,634

* The Company's shares owned by the ESOP Trust are included in treasury stock.

The ESOP Trust owned 3,520,800 and 4,865,300 shares of the Company as of 31st March, 2013 and 2012, respectively.

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 years ended 31st March, 2013, 2012 and 2011:

	Shares		
	31st March,		
	2013	**2012**	**2011**
a) 6th share subscription rights	280,000	340,000	367,500
b) 8th share subscription rights	315,000	367,500	415,000
c) 10th share subscription rights	335,000	417,500	417,500
d) 12th share subscription rights	428,000	440,000	440,000
e) 14th share subscription rights	445,000	445,000	445,000
f) 16th share subscription rights	392,500	392,500	–
g) 18th share subscription rights	385,000	–	–

12. Per Share Data (continued)

The computation of net assets per share at 31st March, 2013 and 2012 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Numerator:			
Net assets	¥290,863	¥258,277	$3,093,958
Share subscription rights	(1,411)	(1,420)	(15,009)
Minority interests	(78)	–	(830)
Net assets attributable to common stock	¥289,374	¥256,857	$3,078,119
	Thousands of shares		
Denominator:			
Number of shares of common stock outstanding*	197,615	196,165	197,615

* The Company's shares owned by the ESOP Trust are included in treasury stock.

The ESOP Trust owned 3,520,800 and 4,865,300 shares of the Company as of 31st March, 2013 and 2012, respectively.

13. Leases

1) As lessee

The Company leases mainly computers and related devices, some of which are classified as finance leases.

Future minimum lease payments for noncancelable operating leases at 31st March, 2013 and 2012 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Future minimum lease payments:			
Due within one year	¥ 5,579	¥ 5,179	$ 59,345
Thereafter	11,689	14,409	124,338
Total	¥17,268	¥19,588	$183,683

13. Leases (continued)

2) As lessor

There were no finance lease transactions as lessor for the years ended 31st March, 2013 and 2012.

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2013 and 2012 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Future minimum lease payments to be received:			
Due within one year	¥129	¥202	$1,372
Thereafter	14	35	149
Total	¥143	¥237	$1,521

14. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2013, 2012 and 2011 are summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2013	**2012**	**2011**	**2013**
Personnel expenses	¥31,630	¥31,491	¥30,447	$336,454
Rent	4,701	4,716	5,126	50,005
Subcontractor costs	8,823	8,401	6,832	93,852
Other	12,408	12,278	12,377	131,986
Total	¥57,562	¥56,886	¥54,782	$612,297

15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2013, 2012 and 2011 are summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2013	**2012**	**2011**	**2013**
Research and Development Expenses	¥3,643	¥3,643	¥3,564	$38,751

16. Consolidated Statements of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2013 and 2012 are summarized as follows.

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Valuation difference on available-for-sale securities			
Amount arising during the fiscal year	¥13,941	¥ 9,867	$148,293
Reclassification adjustments	–	(8,546)	–
Valuation difference on available-for-sale securities	13,941	1,321	148,293
Foreign currency translation adjustment			
Amount arising during the fiscal year	898	94	9,552
Foreign currency translation adjustment	898	94	9,552
Share of other comprehensive income of affiliates accounted for using the equity method			
Amount arising during the fiscal year	307	6	3,266
Share of other comprehensive income of affiliates accounted for using the equity method	307	6	3,266
Total other comprehensive income before tax effect adjustment	15,146	1,421	161,111
Tax effect	(4,240)	387	(45,102)
Total other comprehensive income	¥10,906	¥ 1,808	$116,009

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2013 and 2012 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2012**	**2013**
Valuation difference on available-for-sale securities			
Before-tax amount	¥13,941	¥1,321	$148,293
Tax benefit (expense)	(4,240)	387	(45,102)
Net-of-tax amount	9,701	1,708	103,191
Foreign currency translation adjustment			
Before-tax amount	898	94	9,552
Tax benefit (expense)	–	–	–
Net-of-tax amount	898	94	9,552
Share of other comprehensive income of affiliates accounted for using the equity method			
Before-tax amount	307	6	3,266
Tax benefit (expense)	–	–	–
Net-of-tax amount	307	6	3,266
Total other comprehensive income			
Before-tax amount	15,146	1,421	161,111
Tax benefit (expense)	(4,240)	387	(45,102)
Net-of-tax amount	¥10,906	¥1,808	$116,009

17. Related Party Transactions

Related party transactions for the years ended 31st March, 2013, 2012 and 2011 and the respective balances at 31st March, 2013 and 2012 were as follows:

1) Transactions

		Millions of yen			*Thousands of U.S. dollars*
		31st March,			**31st March,**
Related party	**Nature of transaction**	**2013**	**2012**	**2011**	**2013**
a) Major shareholder:					
Nomura Holdings, Inc.	Sales *1	¥66,427	¥51,750	¥41,037	$706,595
	Exchange of shares *2	–	17,873	–	–
b) Major shareholder's subsidiaries:					
The Nomura Trust & Banking Co., Ltd.	Borrowings *3	–	–	9,283	–
	Repayment of borrowings *3	1,973	2,028	–	20,987
	Payments of interest *3	39	53	1	415
Nomura Real Estate Development Co., Ltd. *4	Rent *5	1,637	1,637	–	17,413

2) Balances

		Millions of yen		*Thousands of U.S. dollars*
		31st March,		**31st March,**
Related party	**Nature of transaction**	**2013**	**2012**	**2013**
a) Major shareholder:				
Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥7,542	¥11,738	$80,226
b) Major shareholder's subsidiaries:				
The Nomura Trust & Banking Co., Ltd.	Long-term loans payable *3	5,281	7,255	56,175
Nomura Real Estate Development Co., Ltd. *4	Long-term loans receivable *5	7,937	7,821	84,427
	Lease deposits *5	1,793	1,793	19,072

*1 The terms and conditions of the agreements were determined in the same way as ordinary transactions with non-related parties through discussions with consideration of costs associated with system development, application sales and system management and operation.

*2 The share exchange involved shares of Nomura Land and Building Co., Ltd. owned by the Company and shares of Nomura Holdings, Inc. The Company received 118 shares of Nomura Holdings, Inc. for each Nomura Land and Building Co., Ltd. share in reference to the valuation results provided by third-party appraisers and the results of the calculation after applying the average market share price method.

The amount above was calculated based on the market value as of the effective date.

The Company sold the shares of Nomura Holdings, Inc. that it received in the exchange to a third party, and a gain on the sale of the shares is recognized as "Gain on investments in affiliates" in the accompanying consolidated statements of income and comprehensive income for the year ended 31st March, 2012.

*3 The borrowing represents loans by the ESOP Trust upon introduction of the "Trust-type Employee Stock Ownership Incentive Plan." The term of the borrowing is five years (final repayment is in April 2016), with variable interest rates. The borrowing is being repaid semiannually in installments, and the borrowing rate has been determined based on the Company's credit risk.

17. Related Party Transactions (continued)

*4 Nomura Real Estate Development Co., Ltd., which was a subsidiary of the Company's major shareholder "Nomura Holdings, Inc.," ceased to be a Nomura Holdings Inc.'s subsidiary and related party of the Company as of 21st March, 2013. In the above table, however, transactions with Nomura Real Estate Development Co., Ltd. cover transactions to the end of the year ended 31st March, 2013, and balances are those as of 31st March, 2013.

*5 Long-term loans receivable is a construction assistance fund receivable corresponding to an office lease deposit to be refunded in a lump sum 10 years after the initial guarantee deposit was made (January 2017). The difference between the initial fair value, calculated as the disbursement amount discounted by the market interest rate, and the initial loan amount is recognized as a long-term prepaid expense and is being allocated as rent expense over 10 years (amount is not included in the transaction amount of the rent presented above). The difference between the initial fair value and the reimbursement amount is being allocated as an interest receivable over 10 years.

With regard to the rent, as presented above, the Company pays rent and a lease deposit (guarantee deposit), which were determined by considering market prices of similar properties.

18. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2013 and 2012.

19. Stock Option Plans

The Company issued the following share subscription rights for the purchase of new shares of common stock in accordance with the former Commercial Code of Japan or the Corporation Law of Japan.

For the years ended 31st March, 2013, 2012 and 2011, the Company recognized and allocated share-based compensation cost as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2013	**2012**	**2011**	**2013**
Cost of sales	¥158	¥167	¥173	$1,681
Selling, general and administrative expenses	158	184	206	1,681
Total	¥316	¥351	¥379	$3,362

For the years ended 31st March, 2013, 2012 and 2011, the Company recognized reversal of share-based compensation as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2013	**2012**	**2011**	**2013**
Reversal of share-based compensation	¥158	¥73	¥ –	$1,681

19. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2013 is summarized as follows:

	6th stock option plan	8th stock option plan	10th stock option plan
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	36 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	400,000	422,500	417,500
Grant date	11th September, 2006	10th July, 2007	8th July, 2008
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2009	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period	From 1st July, 2006 to 30th June, 2009	From 1st July, 2007 to 30th June, 2010	From 1st July, 2008 to 30th June, 2011
Exercisable period	1st July, 2009 to 30th June, 2013	1st July, 2010 to 30th June, 2014	1st July, 2011 to 30th June, 2015

	12th stock option plan	14th stock option plan	15th stock option plan
Grantee categories and numbers of grantees	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	39 directors or managing officers of the Company, and 8 directors of its subsidiaries	41 directors, managing officers or employees of the Company, and 8 directors of its subsidiaries
Number of shares reserved	440,000	445,000	103,000
Grant date	15th July, 2009	18th August, 2010	18th August, 2010
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period	From 1st July, 2009 to 30th June, 2012	From 1st July, 2010 to 30th June, 2013	From 1st July, 2010 to 30th June, 2011
Exercisable period	1st July, 2012 to 30th June, 2016	1st July, 2013 to 30th June, 2017	1st July, 2011 to 30th June, 2012

19. Stock Option Plans (continued)

	16th stock option plan	17th stock option plan	18th stock option plan
Grantee categories and numbers of grantees	37 directors or managing officers of the Company, and 5 directors of its subsidiaries	38 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries	35 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	392,500	90,500	385,000
Grant date	11th July, 2011	11th July, 2011	13th July, 2012
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015
Service period	From 1st July, 2011 to 30th June, 2014	From 1st July, 2011 to 30th June, 2012	From 1st July, 2012 to 30th June, 2015
Exercisable period	1st July, 2014 to 30th June, 2018	1st July, 2012 to 30th June, 2013	1st July, 2015 to 30th June, 2019

	19th stock option plan
Grantee categories and numbers of grantees	36 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries
Number of shares reserved	88,500
Grant date	13th July, 2012
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013
Service period	From 1st July, 2012 to 30th June, 2013
Exercisable period	1st July, 2013 to 30th June, 2014

19. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2013:

	6th stock option plan	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan	19th stock option plan
Non-vested:										
Beginning of the year	–	–	–	440,000	445,000	–	392,500	90,500	–	–
Granted	–	–	–	–	–	–	–	–	385,000	88,500
Forfeited	–	–	–	–	–	–	–	–	–	–
Vested	–	–	–	440,000	–	–	–	90,500	–	–
End of the year	–	–	–	–	445,000	–	392,500	–	385,000	88,500
Vested:										
Beginning of the year	340,000	367,500	417,500	–	–	21,500	–	–	–	–
Vested	–	–	–	440,000	–	–	–	90,500	–	–
Exercised	–	–	–	(12,000)	–	(21,500)	–	(71,500)	–	–
Forfeited	(60,000)	(52,500)	(82,500)	–	–	–	–	–	–	–
End of the year	280,000	315,000	335,000	428,000	–	–	–	19,000	–	–

* For the stock options which become unexercisable, the Company has applied the same accounting treatment as to forfeited stock options. The numbers of stock options presented above reflect such accounting treatment.

Price information per option for each stock option plan as of 31st March, 2013 is summarized as follows:

	Yen									
	6th stock option plan	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan	19th stock option plan
Exercise price	¥3,282	¥3,680	¥2,650	¥2,090	¥2,010	¥ 1	¥1,869	¥ 1	¥1,766	¥ 1
Average price on exercise	–	–	–	2,321	–	1,740	–	1,727	–	–
Fair value on grant date	865	1,030	631	539	284	1,534	460	1,792	412	1,690

	U.S. dollars									
	6th stock option plan	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan	19th stock option plan
Exercise price	$34.91	$39.14	$28.19	$22.23	$21.38	$ 0.01	$19.88	$ 0.01	$ 18.79	$ 0.01
Average price on exercise	–	–	–	24.69	–	18.51	–	18.37	–	–
Fair value on grant date	9.20	10.96	6.71	5.73	3.02	16.32	4.89	19.06	4.38	17.98

The exercise price and fair value on grant date as of 31st March, 2013 reflect the five-for-one stock split on 1st April, 2007.

19. Stock Option Plans (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2013 was estimated using the Black-Scholes option pricing model with the following assumptions:

	18th stock option plan	19th stock option plan
Expected volatility *1	36.5%	22.6%
Expected remaining period *2	5 years	1 year and 6 months
Expected dividend yield *3	¥52 per share	¥52 per share
Risk-free interest rate *4	0.175%	0.101%

*1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2013 as of the date of the grant.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

20. Segment Information

Segment Information

1) Outline of reportable segments

The Company’s reportable segments, for which separate financial information is available, are evaluated periodically by management in deciding the allocation of management resources and in assessing business performances. The Company has classified its segments, comprehensively considering services, customers and markets totally, and four segments have been determined as reportable segments.

Consulting

In addition to management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform etc., system consulting is provided for all aspects of IT management.

20. Segment Information (continued)

Segment Information (continued)

1) Outline of reportable segments (continued)

   Financial IT Solutions

   Customers in the financial sector, who usually belong to the securities, insurance, or banking industries, are provided with services including system consulting, system development and system management and operation and IT solutions, such as multi-user systems.

   Industrial IT Solutions

   The main customers in this segment include not only the distribution, manufacturing and service sectors, but also governments and other public agencies. The services provided include system consulting, system development and system management and operation.

   IT Platform Services

   Services including system operation, management and administration of data centers and IT platform and network architecture related services are provided to mainly the Financial IT Solutions segment and Industrial IT Solutions segment. Customers in various sectors are provided with IT Platform solution and information security services.

   This segment also conducts research for the development of new business operations and new products related to IT solutions and research related to leading-edge information technologies.

   The Company implemented an organizational change on 1st April, 2012. This organizational change is reflected in the presentation of segment information for the year ended 31st March, 2012.

2) Methods of calculating net sales, profit (loss), assets and other items by reportable segment

   The accounting policies for reportable segments are generally the same as described in “Significant Accounting Policies.” Segment profit is based on operating profit. Intersegment sales or transfers are based on current market prices.

20. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment

Millions of yen

	Year ended 31st March, 2013								
	Reportable segment								
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3
Net sales:									
Sales to external customers	¥22,761	¥219,755	¥83,615	¥ 28,850	¥354,981	¥ 8,908	¥363,889	¥ 2	¥363,891
Intersegment sales or transfers	148	162	48	74,526	74,884	3,812	78,696	(78,696)	–
Total	22,909	219,917	83,663	103,376	429,865	12,720	442,585	(78,694)	363,891
Segment profit	¥ 2,808	¥ 22,301	¥ 6,487	¥ 10,070	¥ 41,666	¥ 1,137	¥ 42,803	¥ 1,211	¥ 44,014
Segment assets	¥11,436	¥ 91,287	¥34,788	¥ 72,704	¥210,215	¥ 8,085	¥218,300	¥213,949	¥432,249
Other items:									
Depreciation and amortization	¥ 71	¥ 27,952	¥ 1,680	¥ 11,138	¥ 40,841	¥ 383	¥ 41,224	¥ 1,251	¥ 42,475
Investment in affiliates	–	9,582	–	–	9,582	282	9,864	–	9,864
Increase in tangible and intangible fixed assets	75	12,469	3,150	14,211	29,905	723	30,628	420	31,048

*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

*2 Descriptions of adjustments are as follows:

(a) Individual items included in adjustment of segment profit were immaterial.

(b) The segment asset adjustment of ¥213,949 million is comprised of corporate assets not allocated to a reportable segment of ¥215,672 million and the eliminations of intersegment receivables of ¥(1,723) million.

(c) Individual items included in adjustment of depreciation and amortization were immaterial.

(d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

*3 Segment profit is adjusted to operating profit in the consolidated statements of income and comprehensive income.

20. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

	Millions of yen								
	Year ended 31st March, 2012								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others *1**	**Total**	**Adjustment *2**	**Consolidated *3**
Net sales:									
Sales to external customers	¥21,686	¥202,628	¥71,919	¥ 30,789	¥327,022	¥ 8,520	¥335,542	¥ 13	¥335,555
Intersegment sales or transfers	122	91	317	74,069	74,599	3,282	77,881	(77,881)	–
Total	21,808	202,719	72,236	104,858	401,621	11,802	413,423	(77,868)	335,555
Segment profit	¥ 3,011	¥ 21,435	¥ 4,259	¥ 11,230	¥ 39,935	¥ 727	¥ 40,662	¥ 2,491	¥ 43,153
Segment assets	¥10,505	¥101,371	¥26,053	¥ 74,488	¥212,417	¥ 5,893	¥218,310	¥184,474	¥402,784
Other items:									
Depreciation and amortization	¥ 78	¥ 16,331	¥ 1,371	¥ 11,086	¥ 28,866	¥ 364	¥ 29,230	¥ 1,645	¥ 30,875
Investment in affiliates	–	729	–	–	729	158	887	–	887
Increase in tangible and intangible fixed assets	94	19,566	3,913	16,903	40,476	342	40,818	347	41,165

*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

*2 Descriptions of adjustments are as follows:

(a) Individual items included in adjustment of segment profit were immaterial.

(b) The segment asset adjustment of ¥184,474 million is comprised of corporate assets not allocated to a reportable segment of ¥186,003 million and the eliminations of intersegment receivables of ¥(1,529) million.

(c) Individual items included in adjustment of depreciation and amortization were immaterial.

(d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

*3 Segment profit is adjusted to operating profit in the consolidated statements of income and comprehensive income.

20. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

	Millions of yen								
	Year ended 31st March, 2011								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others *1**	**Total**	**Adjustment *2**	**Consolidated *3**
Net sales:									
Sales to external customers	¥19,725	¥194,939	¥87,975	¥15,365	¥318,004	¥ 8,320	¥326,324	¥ 5	¥326,329
Intersegment sales or transfers	53	66	4,784	63,187	68,090	3,096	71,186	(71,186)	–
Total	19,778	195,005	92,759	78,552	386,094	11,416	397,510	(71,181)	326,329
Segment profit (loss)	¥ 1,218	¥ 18,504	¥ 6,344	¥ 9,652	¥ 35,718	¥ 292	¥ 36,010	¥ 2,417	¥ 38,427
Segment assets	¥ 8,867	¥ 98,207	¥36,288	¥52,666	¥196,028	¥ 5,642	¥201,670	¥178,363	¥380,033
Other items:									
Depreciation and amortization	¥ 72	¥ 15,958	¥ 3,562	¥ 8,615	¥ 28,207	¥ 480	¥ 28,687	¥ 1,979	¥ 30,666
Increase in tangible and intangible fixed assets	81	7,990	3,981	7,404	19,456	307	19,763	993	20,756

*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

*2 Descriptions of adjustments are as follows:

(a) Individual items included in adjustment of segment profit were immaterial.

(b) The segment asset adjustment of ¥178,363 million is comprised of corporate assets not allocated to a reportable segment of ¥179,974 million and the eliminations of intersegment receivables of ¥(1,611) million.

(c) Individual items included in adjustment of depreciation and amortization were immaterial.

(d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

*3 Segment profit is adjusted to operating profit in the consolidated statements of income and comprehensive income.

20. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

	Thousands of U.S. dollars								
	Year ended 31st March, 2013								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others**	**Total**	**Adjustment ***	**Consolidated**
Net sales:									
Sales to external customers	$242,113	$2,337,570	$889,427	$ 306,881	$3,775,991	$ 94,757	$3,870,748	$ 21	$3,870,769
Intersegment sales or transfers	1,574	1,723	511	792,746	796,554	40,548	837,102	(837,102)	–
Total	243,687	2,339,293	889,938	1,099,627	4,752,545	135,305	4,707,850	(837,081)	3,870,769
Segment profit	$ 29,869	$ 237,219	$ 69,003	$ 107,117	$ 443,208	$ 12,095	$ 455,303	$ 12,881	$ 468,184
Segment assets	$121,647	$ 971,035	$370,046	$ 773,364	$2,236,092	$ 86,001	$2,322,093	$2,275,811	$4,597,904
Other items:									
Depreciation and amortization	$ 755	$ 297,330	$ 17,870	$ 118,478	$ 434,433	$ 4,074	$ 438,507	$ 13,307	$ 451,814
Investment in affiliates	–	101,925	–	–	101,925	3,000	104,925	–	104,925
Increase in tangible and intangible fixed assets	798	132,635	33,507	151,165	318,105	7,690	325,795	4,468	330,263

* The segment asset adjustment of $2,275,811 thousand is comprised of corporate assets of $2,294,139 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of $(18,328) thousand.

4) Information about changes in reportable segments

(a) In response to a revision of the Corporation Tax Law, the method of depreciation used by the reportable segments for tangible fixed assets acquired on or after 1st April, 2012 has been changed in accordance with the provisions of the revised Corporation Tax Law. As a result of this change, total segment profit for the year ended 31st March, 2013 increased by ¥348 million ($3,702 thousand) from the corresponding amount which would have been recorded under the previous method. The impact on each segment is omitted because the amounts are immaterial.

(b) The Company partially changed its segment reporting structure as of 1st April, 2012. The information security business and IT platform solution business, which had previously been included in the Industrial IT Solutions segment, were newly included in the IT Platform Services segment. Segment information for the year ended 31st March, 2013 in the above table reflects the new segment reporting structure.

20. Segment Information (continued)

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2013, 2012 and 2011 is summarized as follows:

	31st March, 2013		
	Millions of yen	*Thousands of U.S. dollars*	*YoY Change*
Consulting services	¥ 39,079	$ 415,690	8.3%
System development and application sales	140,478	1,494,288	11.9
System management and operation services	174,990	1,861,397	6.6
Product sales	9,344	99,394	(4.8)
Total	¥363,891	$3,870,769	8.4%

	31st March, 2012	
	Millions of yen	*YoY Change*
Consulting services	¥ 36,099	9.5%
System development and application sales	125,557	7.2
System management and operation services	164,084	(1.5)
Product sales	9,815	1.1
Total	¥335,555	2.8%

	31st March, 2011	
	Millions of yen	*YoY Change*
Consulting services	¥ 32,967	14.1%
System development and application sales	117,076	(7.7)
System management and operation services	166,580	(0.3)
Product sales	9,706	(39.0)
Total	¥326,329	(3.6)%

2) Information by geographical area

Information by geographical area is omitted, because sales and tangible fixed assets in Japan constituted more than 90% of total sales and tangible fixed assets for the years ended 31st March, 2013 and 2012.

20. Segment Information (continued)

Related information (continued)

3) Information by major customer

	31st March, 2013				
	Millions of yen	*Thousands of U.S. dollars*	*Percentage of total sales*	*YoY Change*	*Related segment*
Nomura Holdings, Inc.	¥100,984	$1,074,184	27.8%	12.9%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	44,984	478,502	12.4	12.5	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

	31st March, 2012			
	Millions of yen	*Percentage of total sales*	*Change*	*Related segment*
Nomura Holdings, Inc.	¥89,474	26.7%	17.9%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	39,998	11.9	0.9	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2013 and 2012

Not applicable.

Information about amortized amount of goodwill and unamortized balance of goodwill for each reportable segment

Years ended 31st March, 2013

Information is omitted because the amount is immaterial.

Years ended 31st March, 2012

Not applicable.

Information about gains on bargain purchase for each reportable segment

Years ended 31st March, 2013

In the Financial IT Solutions segment, the Company acquired additional shares of Daiko Clearing Services during the year ended 31st March, 2013. As a result, Daiko Clearing Services is newly accounted for by the equity method. A gain on bargain purchase of ¥4,661 million ($49,580 thousand) was recorded by the Company as an extraordinary gain for the year ended 31st March, 2013 in relation to this transaction.

Years ended 31st March, 2012

Not applicable.

21. Subsequent Events

Not applicable.

[Appendix 1]

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

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

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

1. Trust-type Employee Stock Ownership Incentive Plan

The Company introduced a "Trust-type Employee Stock Ownership Incentive Plan" in March 2011. Please see Note 1, "Significant Accounting Policies: *Accounting for Trust-type Employee Stock Ownership Incentive Plan*" for an outline of this plan and corresponding accounting treatment under Japanese GAAP.

U.S. GAAP requires the adoption of ASC 718 for an Employee Stock Ownership Plan ("ESOP"), which is an employee retirement and severance benefit plan using company treasury stock to make the employees' property. However, the incentive plan introduced by the Company differs from an ESOP, and ASC 718 is not applied.