

This financial report is composed of two parts. The first part is an abridged translation of “Kessan Tanshin (earnings report)” for the quarterly period ended 31st December, 2012, which includes the summary and the qualitative information sections. The second part is the “Quarterly Consolidated Financial Statements,” which are basically prepared based on the “Kessan Tanshin (earnings report)” but applied for some items different presentation methods.



MEMBERSHIP

30th January, 2013

Consolidated Financial Results For the Quarterly Period Ended 31st December, 2012 <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 to file Quarterly Securities Report: 4th February, 2013
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly consolidated financial results: Yes
 Announcement for quarterly consolidated financial results (for institutional investors and analysts): Yes

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

1. Consolidated performance for the quarterly period ended 31st December, 2012 (from 1st April, 2012 to 31st December, 2012)

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

	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Quarterly period ended								
31st December, 2012	260,360	6.5	31,290	2.2	32,785	2.9	20,477	(16.4)
31st December, 2011	244,379	1.0	30,625	13.3	31,876	12.5	24,495	50.8

Note: Comprehensive income

Quarterly period ended 31st December, 2012: ¥23,464 million [3.1%]

Quarterly period ended 31st December, 2011: ¥22,761 million [58.4%]

	Net income per share – basic	Net income per share – diluted
Quarterly period ended	Yen	Yen
31st December, 2012	104.08	98.13
31st December, 2011	125.42	118.19

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
31st December, 2012	398,928	274,197	68.4
31st March, 2012	402,784	258,276	63.8

Reference: Equity

As of 31st December, 2012: ¥272,767 million As of 31st March, 2012: ¥256,856 million

2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
Fiscal year ended 31st March, 2012	Yen –	Yen 26.00	Yen –	Yen 26.00	Yen 52.00
Fiscal year ending 31st March, 2013	–	26.00	–		
Fiscal year ending 31st March, 2013 (Forecasts)				26.00	52.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Forecasts of financial results for the fiscal year ending 31st March, 2013 (from 1st April, 2012 to 31st March, 2013)

(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, 2013	355,000	5.8	45,000	4.3	46,500	4.1	28,000	(14.9)	142.32

Note: Revisions to the forecasts of financial results most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the current nine months (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Adoption of specific accounting in preparing quarterly consolidated financial statements: Yes
- (3) 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
- (4) Number of shares in issue (common stock)
 - a. Total number of shares in issue at the end of the period (including treasury stock)

As of 31st December, 2012	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 December, 2012	27,670,093 shares
As of 31st March, 2012	28,834,693 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Quarterly period ended 31st December, 2012	196,746,357 shares
Quarterly period ended 31st December, 2011	195,304,223 shares

Note: The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included as 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 3,788, 200 shares as of 31st December, 2012.

* Indication regarding execution of quarterly review procedures

This quarterly consolidated financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this quarterly consolidated financial results report, the review procedures for quarterly 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 above forecasts 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 these forecasts due to various factors.

Qualitative information regarding third-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

During the nine months ended 31st December, 2012 (from 1st April, 2012 to 31st December, 2012), business confidence in Japan deteriorated against the backdrop of a slowdown in the global economy and the strong yen, despite signs of a pickup in the domestic economy in line with the recent depreciation in the yen. With companies remaining cautious on investment in information systems, the information services industry continued to face a severe business environment. Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities with the combined strength 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 is also pushing 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 January 2013 as planned. 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, steadily 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 is establishing and expanding bases in Asia in order to strengthen its business in the region. The Company established a new base in Indonesia, made an Indian IT company a subsidiary, converted branch offices in Taipei and Seoul into local subsidiaries, and is now taking steps to establish a local subsidiary in Thailand. Also, in human resources, we are significantly upgrading our overseas training systems and fostering a work force capable of performing global business. In the datacenter business, the Company completed construction of its fifth data center in Japan, Tokyo Data Center 1, and began providing services in November 2012. This data center, which incorporates cutting-edge technology to enhance security, expandability and environmental performance, will be the core base of our datacenter business, enabling us to support business continuity and expansion at our customers and reduce environmental impact for society as a whole.

During the nine months ended 31st December, 2012, the NRI Group’s sales increased year on year to ¥260,360 million (up 6.5%). Cost of sales was ¥186,107 million (up 8.6%) and gross profit was ¥74,252 million (up 1.6%), 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. Selling, general and administrative expenses were ¥42,961 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 ¥31,290 million (up 2.2%), the operating profit margin was 12.0% (down 0.5 points), and ordinary profit was ¥32,785 million (up 2.9%). The Company recorded extraordinary income (gains on negative goodwill) related to Daiko Clearing Services Corporation, which became an equity-method affiliate, and extraordinary loss due to the transfer of the Osaka Data Center*.

Net income was ¥20,477 million (down 16.4%), but this decline mainly reflected the absence of a gain on sales of investments in affiliates recorded in the same period of 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 includes intersegment sales) are as follows. Effective 1st April, 2012, the classification of the segments has been partially changed. Consequently, comparisons between segments with the same period of 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. As part of efforts to continue strengthening its business in Asia, the Company is pushing forward with the development and expansion of bases in the ASEAN region. At the moment, the Company is working to establish a local subsidiary in Thailand.

In the nine months ended 31st December, 2012, consulting for the public sector and system consulting to support the execution of customers' system projects increased, resulting in sales of ¥16,614 million (up 8.1% from the same period of the previous fiscal year) and operating profit of ¥1,899 million (up 9.0%).

(Financial IT Solutions)

In this segment, the main clients are in the finance 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 January 2013 as planned. In the banking sector, where Internet banking is becoming an increasingly important business channel, the Company has been working to acquire new customers for its multi-user type Internet banking system. It is also taking steps to provide new services, such as front office systems that support consulting-based sales of financial products.

Regarding sales during the nine months ended 31st December, 2012, there were decreases in system development and application sales for the insurance sector but increases in system development and application sales for 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, the Financial IT Solutions segment posted sales of ¥154,674 million (up 4.7% from the same period of the previous fiscal year) and operating profit of ¥14,799 million (up 0.9%).

(Industrial IT Solutions)

This segment provides system consulting, system development, system management and operation 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., and started operations accordingly.

During the nine months ended 31st December, 2012, 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, the rise in costs was partially offset by a decline in unprofitable projects.

As a result, the Industrial IT Solutions segment posted sales of ¥61,198 million (up 14.5% from the same period of the previous fiscal year) and operating profit of ¥4,522 million (up 52.2%).

(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 IT platforms, but also proposing IT platform solutions for customers linked with the improvement of business and revenues of the customers. Concerning the datacenter business, the construction of Tokyo Data Center 1 was completed and it commenced services in November. In the nine months ended 31st December, 2012, in terms of sales to external customers, there were decreases in system management and operation services and product sales to major customers in the securities sector. As for intersegment sales, there were increases in IT platform architecture support services and system management and operation services to the Financial IT Solutions and Industrial IT Solutions segments. With respect to costs, there was an increase in expenses including depreciation and amortization due to Tokyo Data Center 1 beginning operations. As a result, the IT Platform Services segment posted sales of ¥77,539 million (up 1.5% from the same period of the previous fiscal year) and operating profit of ¥8,247 million (down 3.5%).

(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. In the nine months ended 31st December, 2012, the Others segment posted sales of ¥9,353 million (up 7.1% from the same period of the previous fiscal year) and operating profit of ¥899 million (up 56.6%).

(2) Qualitative information regarding consolidated financial position

(Assets, liabilities and net assets)

At the end of the third quarter (31st December, 2012), current assets were ¥148,450 million (down 16.0% from the end of the previous fiscal year), noncurrent assets were ¥250,477 million (up 10.8%), current liabilities were ¥50,480 million (down 27.2%), noncurrent liabilities were ¥74,250 million (down 1.2%), net assets were ¥274,197 million (up 6.2%) and total assets were ¥398,928 million (down 1.0%).

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

Accounts receivable decreased ¥23,950 million to ¥32,535 million and other receivables increased ¥16,742 million to ¥36,448 million. This occurred partly because the NRI Group recognizes revenues based on the percentage-of-completion method, and the number of projects completed at the end of the fiscal year is comparatively large, and accordingly, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for accounts receivable and large values for other receivables.

Short-term investment securities decreased ¥26,039 million to ¥55,039 million, while investment securities increased ¥20,100 million to ¥81,374 million. This was mainly the result of an increase in national government bonds with redemption periods of more than one year due to increased variation in redemption periods in the management of surplus funds.

Investments in affiliates increased ¥8,862 million to ¥10,115 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.

Under property and equipment, buildings, net increased ¥7,970 million to ¥41,138 million, and land declined ¥2,208 million to ¥11,392 million, reflecting the completion of Tokyo Data Center 1 and the transfer of the Osaka Data Center.

As for other items, accounts payable declined ¥5,283 million to ¥16,527 million, accrued amount payable fell ¥3,529 million to ¥1,820 million, accrued expenses increased ¥2,314 million to ¥8,988 million, income taxes payable declined ¥5,989 million to ¥4,104 million, and allowance for bonuses declined ¥6,547 million to ¥6,559 million.

(Cash flow position)

Cash and cash equivalents as of the end of the third quarter (31st December, 2012) stood at ¥66,597 million (down ¥10,446 million from the end of the previous fiscal year).

Net cash provided by operating activities in the nine months ended 31st December, 2012 was ¥35,902 million, a decrease of ¥6,199 million compared with the same period of the previous fiscal year. This reflected a smaller decrease in accounts receivable and a larger decrease in accounts payable.

Net cash used in investing activities was ¥36,900 million, a decline of ¥1,774 million from the same

period of 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 ¥9,689 million, which was roughly the same as the same period of the previous fiscal year. The main item of expenditure for both periods was cash dividends paid.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Quarterly Period Ended 31st December, 2012
(Unaudited)*

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.

Quarterly Consolidated Financial Statements

For the quarterly period ended 31st December, 2012

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st December, 2012	31st March, 2012	31st December, 2012
	(Unaudited)		(Unaudited)
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 7</i>)	¥ 12,215	¥ 8,462	\$ 141,116
Short-term investment securities (<i>Notes 4, 5 and 7</i>)	55,040	81,079	635,860
Accounts receivable and other receivables (<i>Note 4</i>)	68,984	76,192	796,950
Inventories	288	178	3,327
Deferred income taxes	7,337	7,066	84,762
Other current assets	4,654	3,906	53,766
Allowance for doubtful accounts	(68)	(79)	(786)
Total current assets	148,450	176,804	1,714,995
Property and equipment:			
Land	11,392	13,600	131,608
Buildings, net	41,139	33,167	475,266
Machinery and equipment, net	11,523	12,899	133,122
Leased assets, net	96	114	1,109
Construction in progress	–	7,789	–
Property and equipment, net	64,150	67,569	741,105
Software and other intangibles	57,074	57,862	659,358
Investment securities (<i>Notes 4 and 5</i>)	81,374	61,273	940,088
Investments in affiliates (<i>Notes 4 and 5</i>)	10,115	1,253	116,855
Deferred income taxes	14,935	15,778	172,539
Long-term loans receivable (<i>Note 4</i>)	7,908	7,821	91,359
Lease investment assets	453	446	5,233
Other assets	14,513	14,024	167,664
Allowance for doubtful accounts	(44)	(46)	(508)
Total assets	¥398,928	¥402,784	\$4,608,688

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st December, 2012	31st March, 2012	31st December, 2012
	(Unaudited)		(Unaudited)
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (<i>Note 4</i>)	¥ 16,528	¥ 21,811	\$ 190,943
Short-term loans payable	56	–	647
Current portion of long-term loans payable (<i>Note 4</i>)	2,536	2,531	29,298
Lease obligations, current	272	201	3,142
Accrued expenses	15,547	19,781	179,610
Income taxes payable	4,104	10,093	47,412
Advance payments received	4,173	4,807	48,209
Asset retirement obligations	36	8	416
Other current liabilities	7,228	10,149	83,503
Total current liabilities	50,480	69,381	583,180
Convertible bonds (<i>Note 4</i>)	49,997	49,997	577,599
Long-term loans payable (<i>Note 4</i>)	5,416	6,677	62,570
Lease obligations	380	411	4,390
Deferred income taxes	28	27	323
Employees' retirement benefits	17,808	17,251	205,730
Asset retirement obligations	621	699	7,174
Guarantee deposits received	–	64	–
Net assets (<i>Notes 6 and 8</i>):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st December, 2012 and 31st March, 2012			
Issued – 225,000,000 shares at 31st December, 2012 and 31st March, 2012	18,600	18,600	214,880
Additional paid-in capital	14,800	14,800	170,980
Retained earnings	297,047	286,907	3,431,688
Treasury stock, at cost			
– 27,670,093 shares at 31st December, 2012 and 28,834,693 shares at 31st March, 2012	(66,062)	(68,841)	(763,193)
Total shareholders' equity	264,385	251,466	3,054,355
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (<i>Note 5</i>)	10,580	7,966	122,228
Foreign currency translation adjustment	(2,198)	(2,575)	(25,393)
Total accumulated other comprehensive income	8,382	5,391	96,835
Share subscription rights	1,352	1,420	15,619
Minority interests	79	–	913
Total net assets	274,198	258,277	3,167,722
Total liabilities and net assets	¥398,928	¥402,784	\$4,608,688

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Income and Comprehensive Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2012	2011	2012
	(Unaudited)		(Unaudited)
Sales	¥260,360	¥244,379	\$3,007,856
Cost of sales	186,108	171,317	2,150,046
Gross profit	74,252	73,062	857,810
Selling, general and administrative expenses (<i>Notes 9 and 10</i>)	42,961	42,437	496,315
Operating profit	31,291	30,625	361,495
Other income (expenses):			
Interest and dividend income	1,189	1,314	13,736
Interest expense	(44)	(55)	(508)
Equity in earnings of affiliates	239	83	2,761
Loss on property and equipment	(7,732)	–	(89,325)
Loss on investment securities	(68)	(813)	(786)
Gain on negative goodwill	4,661	–	53,847
Gain on investments in affiliates	–	8,564	–
Special dividend income	–	3,011	–
Reversal of share-based compensation	158	58	1,825
Other, net	111	(90)	1,283
	(1,486)	12,072	(17,167)
Income before income taxes and minority interests	29,805	42,697	344,328
Provision for income taxes (<i>Note 2</i>)	9,331	18,202	107,798
Income before minority interests	20,474	24,495	236,530
Loss attributable to minority interests	(3)	–	(35)
Net income (<i>Note 8</i>)	¥ 20,477	¥ 24,495	\$ 236,565
Loss attributable to minority interests	¥ (3)	¥ –	\$ (35)
Income before minority interests	20,474	24,495	236,530
Other comprehensive income:			
Valuation difference on available-for-sale securities	2,472	(1,449)	28,558
Foreign currency translation adjustment	364	(282)	4,205
Share of other comprehensive income of affiliates	155	(2)	1,791
Total other comprehensive income	2,991	(1,733)	34,554
Comprehensive income	¥ 23,465	¥ 22,762	\$ 271,084
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 23,468	¥ 22,762	\$ 271,119
Comprehensive income (loss) attributable to minority interests	(3)	–	(35)

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Changes in Net Assets

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	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	
Balance at 31st March, 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	–	–	–	2,779	2,779	–	–	–	–	–	2,779
Loss on disposition of treasury stock	–	–	(821)	–	(821)	–	–	–	–	–	(821)
Net income	–	–	20,477	–	20,477	–	–	–	–	–	20,477
Cash dividends paid	–	–	(10,220)	–	(10,220)	–	–	–	–	–	(10,220)
Net changes other than in shareholders' equity	–	–	704	–	704	2,614	377	2,991	(68)	79	3,706
Balance at 31st December, 2012 (unaudited)	¥18,600	¥14,800	¥297,047	¥(66,062)	¥264,385	¥10,580	¥(2,198)	¥8,382	¥1,352	¥79	¥274,198

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	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	
Balance at 31st March, 2011	¥18,600	¥14,994	¥264,866	¥(72,285)	¥226,175	¥ 6,258	¥(2,675)	¥ 3,583	¥1,317	¥ –	¥231,075
Disposition of treasury stock	–	–	–	2,697	2,697	–	–	–	–	–	2,697
Loss on disposition of treasury stock	–	(194)	(537)	–	(731)	–	–	–	–	–	(731)
Net income	–	–	24,495	–	24,495	–	–	–	–	–	24,495
Cash dividends paid	–	–	(10,145)	–	(10,145)	–	–	–	–	–	(10,145)
Net changes other than in shareholders' equity	–	–	–	–	–	(1,449)	(284)	(1,733)	73	–	(1,660)
Balance at 31st December, 2011 (unaudited)	¥18,600	¥14,800	¥278,679	¥(69,588)	¥242,491	¥ 4,809	¥(2,959)	¥ 1,850	¥1,390	¥ –	¥245,731

Thousands of U.S. dollars (Note 3)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	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	
Balance at 31st March, 2012	\$214,880	\$170,980	\$3,314,545	\$(795,298)	\$2,905,107	\$ 92,029	\$(29,748)	\$62,281	\$16,405	\$ –	\$2,983,793
Disposition of treasury stock	–	–	–	32,105	32,105	–	–	–	–	–	32,105
Loss on disposition of treasury stock	–	–	(9,485)	–	(9,485)	–	–	–	–	–	(9,485)
Net income	–	–	236,565	–	236,565	–	–	–	–	–	236,565
Cash dividends paid	–	–	(118,069)	–	(118,069)	–	–	–	–	–	(118,069)
Net changes other than in shareholders' equity	–	–	8,132	–	8,132	30,199	4,355	34,554	(786)	913	42,813
Balance at 31st December, 2012 (unaudited)	\$214,880	\$170,980	\$3,431,688	\$(763,193)	\$3,054,355	\$122,228	\$(25,393)	\$96,835	\$15,619	\$913	\$3,167,722

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2012	2011	2012
	(Unaudited)		(Unaudited)
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 29,805	¥ 42,697	\$ 344,328
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	23,102	22,409	266,890
Interest and dividend income	(1,189)	(4,325)	(13,736)
Interest expense	44	55	508
Loss on property and equipment	7,732	–	89,325
Loss on investment securities	68	813	786
Gain on negative goodwill	(4,661)	–	(53,847)
Gain on investments in affiliates	–	(8,564)	–
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	8,203	12,900	94,767
Allowance for doubtful accounts	(13)	(23)	(150)
Accounts payable	(3,858)	(1,393)	(44,570)
Inventories	(82)	(110)	(948)
Employees' retirement benefits	(1,803)	(3,563)	(20,829)
Other	(7,304)	(6,072)	(84,382)
Subtotal	50,044	54,824	578,142
Interest and dividends received	1,361	4,228	15,723
Interest paid	(32)	(40)	(370)
Income taxes paid	(15,470)	(16,910)	(178,719)
Net cash provided by operating activities	35,903	42,102	414,776
Cash flows from investing activities			
Payments for time deposits	(622)	(694)	(7,186)
Proceeds from time deposits	685	835	7,914
Purchase of short-term investment securities	–	(13,234)	–
Proceeds from sales and redemption of short-term investment securities	11,800	11,410	136,322
Acquisition of property and equipment	(15,705)	(13,728)	(181,435)
Proceeds from sales of property and equipment	5	25	58
Purchase of software and other intangibles	(13,072)	(15,968)	(151,017)
Proceeds from sales of software and other intangibles	–	346	–
Payments for asset retirement obligations	(36)	(24)	(416)
Purchase of investment securities	(21,334)	(29,283)	(246,465)
Proceeds from sales and redemption of investment securities	3,618	5,291	41,798
Purchase of investments in affiliates	(2,253)	–	(26,028)
Proceeds from sales of investments in affiliates	–	16,326	–
Other	14	23	161
Net cash used in investing activities	¥(36,900)	¥(38,675)	\$(426,294)

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2012	2011	2012
	(Unaudited)		(Unaudited)
Cash flows from financing activities			
Increase in short-term loans payable	¥ 552	¥ 4,000	\$ 6,377
Decrease in short-term loans payable	(500)	(4,000)	(5,776)
Repayment of long-term loans payable	(1,257)	(1,291)	(14,522)
Repayment of obligation under finance leases	(83)	(41)	(959)
Proceeds from sales of treasury stock	1,804	1,829	20,841
Cash dividends paid	(10,206)	(10,136)	(117,907)
Net cash used in financing activities	(9,690)	(9,639)	(111,946)
Effect of exchange rate changes on cash and cash equivalents	240	(201)	2,773
Net decrease in cash and cash equivalents	(10,447)	(6,413)	(120,691)
Cash and cash equivalents at beginning of period	77,044	82,085	890,065
Cash and cash equivalents at end of period (<i>Note 7</i>)	¥ 66,597	¥ 75,672	\$ 769,374

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

31st December, 2012

1. Description of Business, Basis of Presentation, Accounting Change, and Additional Information

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 20 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 12.

NRI System Techno, LTD., a newly acquired subsidiary during the quarterly period ended 30th June, 2012, is included in the scope of consolidation. Nomura Research Institute Financial Technologies India Private Limited and UBsecure, Inc., newly acquired subsidiaries during the quarterly period ended 30th September, 2012, are included in the scope of consolidation. Nomura Research Institute Taiwan Co., Ltd. and Nomura Research Institute Seoul Co., Ltd., newly established subsidiaries during the quarterly period ended 31st December, 2012, are included in the scope of consolidation.

The Company acquired additional shares of Daiko Clearing Services Corporation (“Daiko Clearing Services”) during the quarterly period ended 31st December, 2012. As a result, Daiko Clearing Services is newly accounted for by the equity method.

Basis of Presentation

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

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

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

1. Description of Business, Basis of Presentation, Accounting Change, and Additional Information (continued)

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, 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 nine months ended 31st December, 2012 increased by ¥190 million (\$2,195 thousand) from the corresponding amounts which would have been recorded under the previous method.

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 quarterly 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 3,788,200 shares of the Company at 31st December, 2012.

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

Calculation of Tax Expense

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

3. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥86.56 = U.S.\$1.00, the rate of exchange prevailing on 31st December, 2012. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. Financial Instruments

Fair value of financial instruments

The carrying amount of financial instruments on the quarterly consolidated balance sheets as of 31st December, 2012 and 31st March, 2012 and estimated fair values 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).

	<i>Millions of yen</i>					
	31st December, 2012			31st March, 2012		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
	(Unaudited)					
Assets:						
Cash and bank deposits	¥ 12,215	¥ 12,215	¥ –	¥ 8,462	¥ 8,462	¥ –
Accounts receivable and other receivables	68,984	68,984	–	76,192	76,192	–
Short-term investment securities, investment securities, and investments in affiliates	138,594	133,520	(5,074)	135,869	135,869	–
Long-term loans receivable	7,908	8,351	443	7,821	8,274	453
Total	<u>¥227,701</u>	<u>¥223,070</u>	<u>¥(4,631)</u>	<u>¥228,344</u>	<u>¥228,797</u>	<u>¥ 453</u>
Liabilities:						
Accounts payable	¥ 16,528	¥ 16,528	¥ –	¥ 21,811	¥ 21,811	¥ –
Convertible bonds	49,997	49,722	(275)	49,997	49,297	(700)
Long-term loans payable*	7,952	7,952	–	9,208	9,208	–
Total	<u>¥ 74,477</u>	<u>¥ 74,202</u>	<u>¥ (275)</u>	<u>¥ 81,016</u>	<u>¥ 80,316</u>	<u>¥(700)</u>
	<i>Thousands of U.S. dollars</i>					
	31st December, 2012					
	Carrying amount	Estimated fair value	Difference			
	(Unaudited)					
Assets:						
Cash and bank deposits	\$ 141,116	\$ 141,116	\$ –			
Accounts receivable and other receivables	796,950	796,950	–			
Short-term investment securities, investment securities, and investments in affiliates	1,601,132	1,542,514	(58,618)			
Long-term loans receivable	91,359	96,476	5,117			
Total	<u>\$2,630,557</u>	<u>\$2,577,056</u>	<u>\$(53,501)</u>			
Liabilities:						
Accounts payable	\$ 190,943	\$ 190,943	\$ –			
Convertible bonds	577,599	574,422	(3,177)			
Long-term loans payable*	91,868	91,868	–			
Total	<u>\$ 860,410</u>	<u>\$ 857,233</u>	<u>\$ (3,177)</u>			

* Long-term loans payable included the current portion of long-term loans payable totaling ¥2,536 million (\$29,298 thousand) and ¥2,531 million as of 31st December, 2012 and 31st March, 2012, respectively.

4. Financial Instruments (continued)

Fair value of financial instruments (continued)

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

Assets

- a. Cash and bank deposits, accounts receivable and other receivables
Their carrying amount approximates the fair value due to the short maturity of these instruments.
- b. 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.
- c. 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 the 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.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>31st December, 2012</u>	<u>31st March, 2012</u>	<u>31st December, 2012</u>
	(Unaudited)		(Unaudited)
Unlisted companies' shares	¥7,834	¥7,623	\$90,504
Investments in partnerships	101	113	1,167

*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 ¥980 million (\$11,322 thousand) and ¥887 million as of 31st December, 2012 and 31st March, 2012, respectively.

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

5. Investments

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

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st December, 2012			31st March, 2012		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
		(Unaudited)				
Equity securities	¥ 17,498	¥ 33,213	¥15,715	¥ 17,558	¥ 29,465	¥11,907
Bonds:						
Government bonds	45,528	45,562	34	25,440	25,456	16
Corporate bonds	3,000	3,001	1	18,329	18,296	(33)
	48,528	48,563	35	43,769	43,752	(17)
Other	55,191	55,141	(50)	69,559	69,501	(58)
Total	¥121,217	¥136,917	¥15,700	¥130,886	¥142,718	¥11,832

	<i>Thousands of U.S. dollars</i>		
	31st December, 2012		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
		(Unaudited)	
Equity securities	\$ 202,149	\$ 383,699	\$181,550
Bonds:			
Government bonds	525,970	526,363	393
Corporate bonds	34,658	34,670	12
	560,628	561,033	405
Other	637,604	637,026	(578)
Total	\$1,400,381	\$1,581,758	\$181,377

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 nine months ended 31st December, 2012 and the year ended 31st March, 2012 amounted to ¥69 million (\$797 thousand) and ¥237 million. 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.

6. 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 (\$6,585 thousand) and ¥570 million at 31st December, 2012 and 31st March, 2012, respectively.

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 of record as of 31st March, 2012 and 30th September, 2012, respectively, during the nine-month period ended 31st December, 2012:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u> </u>	<u> </u>
Cash dividends approved on 17th May, 2012* (¥26.00 = U.S.\$0.30 per share)	¥5,100	\$58,919
Cash dividends approved on 26th October, 2012** (¥26.00 = U.S.\$0.30 per share)	¥5,120	\$59,150

* Dividends of ¥126 million (\$1,456 thousand) paid to the ESOP Trust are not included in total dividends amount.

** Dividends of ¥109 million (\$1,259 thousand) paid to the ESOP Trust are not included in total dividends amount.

7. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheets and cash and cash equivalents in the accompanying quarterly consolidated statements of cash flows at 31st December, 2012 and 2011 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u> </u>		<u> </u>
	31st December,	2011	31st December,
	2012	2011	2012
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥12,215	¥ 8,203	\$141,116
Short-term investment securities	55,040	83,332	635,860
Time deposits with maturities of more than three months when deposited	(658)	(596)	(7,602)
Bonds and other investments maturing in more than three months from the acquisition date	–	(15,267)	–
Cash and cash equivalents	<u>¥66,597</u>	<u>¥ 75,672</u>	<u>\$769,374</u>

8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2012	2011	2012
	(Unaudited)		(Unaudited)
Earnings per share	¥104.08	¥125.42	\$1.20
Diluted earnings per share	98.13	118.19	1.13

The computation of earnings per share is based on the weighted-average number of shares of common stock outstanding during each period.

The computation of earnings per share and diluted earnings per share for the nine months ended 31st December, 2012 and 2011 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2012	2011	2012
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥20,477	¥24,495	\$236,565
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	¥20,477	¥24,495	\$236,565
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *	196,746	195,304	196,746
Potentially dilutive shares of common stock:			
Convertible bonds	11,839	11,839	11,839
Stock options	88	108	88
Total	11,927	11,947	11,927
Weighted-average number of shares of common stock outstanding – diluted	208,673	207,251	208,673

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

8. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the nine months ended 31st December, 2012 and 2011:

	<i>Shares</i>	
	Nine months ended 31st December,	
	2012	2011
	(Unaudited)	
a) 6th share subscription rights	280,000	347,500
b) 8th share subscription rights	315,000	375,000
c) 10th share subscription rights	335,000	417,500
d) 12th share subscription rights	440,000	440,000
e) 14th share subscription rights	445,000	445,000
f) 16th share subscription rights	392,500	392,500
g) 18th share subscription rights	385,000	–

9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the nine months ended 31st December, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2012	2011	2012
	(Unaudited)		(Unaudited)
Personnel expenses	¥23,484	¥23,619	\$271,303
Rent	3,517	3,576	40,631
Subcontractor costs	6,419	6,065	74,157
Other	9,541	9,177	110,224
Total	<u>¥42,961</u>	<u>¥42,437</u>	<u>\$496,315</u>

10. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the nine months ended 31st December, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2012	2011	2012
	(Unaudited)		(Unaudited)
	¥2,529	¥2,594	\$29,217

11. Contingent Liabilities

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

12. Segment Information

1) Net sales and profit (loss) by reportable segments

Millions of yen

Nine months ended 31st December, 2012									
Reportable segment									
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	¥16,529	¥154,551	¥61,167	¥21,540	¥253,787	¥6,571	¥260,358	¥ 2	¥260,360
Intersegment sales or transfers	86	123	32	55,999	56,240	2,783	59,023	(59,023)	-
Total	16,615	154,674	61,199	77,539	310,027	9,354	319,381	(59,021)	260,360
Segment profit	¥ 1,899	¥ 14,800	¥ 4,523	¥ 8,247	¥ 29,469	¥ 900	¥ 30,369	¥ 922	¥ 31,291

Millions of yen

Nine months ended 31st December, 2011									
Reportable segment									
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	¥15,282	¥147,594	¥53,313	¥21,890	¥238,079	¥6,290	¥244,369	¥ 10	¥244,379
Intersegment sales or transfers	93	82	156	54,495	54,826	2,447	57,273	(57,273)	-
Total	15,375	147,676	53,469	76,385	292,905	8,737	301,642	(57,263)	244,379
Segment profit	¥ 1,743	¥ 14,665	¥ 2,973	¥ 8,545	¥ 27,926	¥ 574	¥ 28,500	¥ 2,125	¥ 30,625

Thousands of U.S. dollars

Nine months ended 31st December, 2012									
Reportable segment									
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	\$190,954	\$1,785,478	\$706,643	\$248,845	\$2,931,920	\$ 75,913	\$3,007,833	\$ 23	\$3,007,856
Intersegment sales or transfers	994	1,421	370	646,938	649,723	32,151	681,874	(681,874)	-
Total	191,948	1,786,899	707,013	895,783	3,581,643	108,064	3,689,707	(681,851)	3,007,856
Segment profit	\$ 21,939	\$ 170,979	\$ 52,253	\$ 95,275	\$ 340,446	\$ 10,397	\$ 350,843	\$ 10,652	\$ 361,495

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

*2 Individual items included in adjustment of segment profit were immaterial.

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

12. Segment Information (continued)

2) 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 nine months ended 31st December, 2012 increased by ¥190 million (\$2,195 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 nine months ended 31st December, 2011 in the above table has been restated to reflect the new segment reporting structure.

3) Information about impairment loss on fixed assets and goodwill for each reportable segment

In the Financial IT Solutions segment, the Company acquired additional shares of Daiko Clearing Services during the quarterly period ended 31st December, 2012. As a result, Daiko Clearing Services is newly accounted for by the equity method. A gain on negative goodwill of ¥4,661 million (\$53,847 thousand) was recorded by the Company as an extraordinary gain for the nine months ended 31st December, 2012 in relation to this transaction.

13. Subsequent Events

Not applicable.