

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, 2012, 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, 2012

Consolidated Financial Results For the Fiscal Year Ended 31st March, 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 of ordinary general meeting of shareholders: 22nd June, 2012
 Scheduled date to commence dividend payments: 4th June, 2012
 Scheduled date to file Securities Report: 25th June, 2012
 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, 2012 (from 1st April, 2011 to 31st March, 2012)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st March, 2012	335,554	2.8	43,152	12.3	44,686	11.5	32,920	42.0
31st March, 2011	326,328	(3.6)	38,426	(4.1)	40,073	(2.1)	23,188	6.1

Note: Comprehensive income

Fiscal year ended 31st March, 2012: ¥34,728 million [68.6%]

Fiscal year ended 31st March, 2011: ¥20,593 million [(15.4)%]

Fiscal year ended	Net income per share – basic	Net income per share – diluted	ROE	ROA	Operating profit margin
	Yen	Yen	%	%	%
31st March, 2012	168.40	158.69	13.5	11.4	12.9
31st March, 2011	119.11	112.22	10.3	10.8	11.8

Reference: Equity in earnings (losses) of affiliates

Fiscal year ended 31st March, 2012: ¥110 million

Fiscal year ended 31st March, 2011: ¥(11) 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, 2012	402,784	258,276	63.8	1,309.39
31st March, 2011	380,032	231,074	60.5	1,179.92

Reference: Equity

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

As of 31st March, 2011: ¥229,757 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, 2012	53,067	(47,731)	(10,438)	77,043
31st March, 2011	48,777	(27,723)	1,590	82,085

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, 2011	–	26.00	–	26.00	52.00	10,124	43.7	4.5
Fiscal year ended 31st March, 2012	–	26.00	–	26.00	52.00	10,182	30.9	4.2
Fiscal year ending 31st March, 2013 (Forecasts)	–	26.00	–	26.00	52.00		36.4	

Notes: 1. The total cash dividends do not include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥161 million for the fiscal year ended 31st March, 2011 and ¥270 million for the fiscal year ended 31st March, 2012).

2. The fiscal year-end dividend amount for the fiscal year ended 31st March, 2012 is the planned amount, and will be decided at the Board of Directors' meeting to be held in May 2012.

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)	142.74

Note: No forecast is presented for the six months ending 30th September, 2012 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: None
 - 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, 2012	225,000,000 shares
As of 31st March, 2011	225,000,000 shares

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

As of 31st March, 2012	28,834,693 shares
As of 31st March, 2011	30,277,343 shares

- c. Average number of shares during the period

Fiscal year ended 31st March, 2012	195,492,431 shares
Fiscal year ended 31st March, 2011	194,676,704 shares

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

*** 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. Therefore, 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.

Operating Results

(1) Analysis Regarding Consolidated Operating Results

a. Operating results for the current fiscal year

In the current fiscal year, the Japanese economy, despite picking up gradually after the slump due to the Great East Japan Earthquake, was unable to achieve a full-scale recovery as a result of such factors as the European debt crisis, yen appreciation and a slowdown in overseas economies. With respect to companies' investment plans in information systems, companies remained cautious towards making such investment throughout the year and the business environment was difficult 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 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, as outlined below, also pushed forward with growth measures in new fields while developing its strengths further.

Nomura Securities Co., Ltd. is set to use STAR-IV, the Company's multi-user back office system. The Company is engaged in this large-scale project and it is pushing forward with the development of Nomura Securities Co., Ltd.'s systems and the enhancement of functions of the Company's system. Nomura Securities Co., Ltd. will make the transition from its current system, which was individually developed for Nomura Securities Co., Ltd., to the use of the Company's multi-user service, and the NRI Group is working on further expanding the client base by promoting this system as the de facto standard for back office systems in the securities sector.

As a result of active efforts to expand the client base, in the industrial sector, we entered into a business alliance with Ajinomoto Co., Inc. regarding IT services and acquired 51% of the shares of an information subsidiary of Ajinomoto Co., Inc. in April of this year. The Company shall continue to actively expand its client base by not only leveraging its various knowhow accumulated to date, but also through alliances, M&A, etc. with other companies.

Regarding overseas development, the NRI Group particularly worked to strengthen its business in the Asia region. In India, which continues to have fast economic growth, we established a local subsidiary in the consulting business. In addition, we are in the process of acquiring a stake in a local market research company for a business alliance and making a local IT company our subsidiary. Aiming to further develop our business, we plan to make a local subsidiary in Singapore perform the function of a holding company as the core base of Asia, and we shall work towards building a unified business-operation support system for Asia. To further improve the quality of our human resources, we are significantly upgrading our overseas training systems and fostering a work force capable of performing global business.

As part of its social contribution activities, the NRI Group launched an earthquake recovery assistance project team, and carried out activities such as making recommendations on promoting emergency measures toward recovery from the Great East Japan Earthquake, and drawing attention to issues in a large-scale forum.

For the current fiscal year, sales increased to ¥335,554 million (up 2.8% year on year). Cost of sales increased to ¥235,515 million (up 1.0%), and gross profit was ¥100,038 million (up 7.3%), as a result of a decline in the cost of sales ratio due to an increase in the amount of development expenses recorded as assets accompanying an increase in STAR-IV software development(*) and a decrease in unprofitable projects. Selling, general and administrative expenses was ¥56,886 million (up 3.8%) due to an increase in subcontracting costs and an increase in personnel expenses accompanying an increase in personnel for future businesses expansion. Operating profit was ¥43,152 million (up 12.3%), operating profit margin was 12.9% (up 1.1 points), and ordinary profit was ¥44,686 million (up 11.5%).

Net income was ¥32,920 million (up 42.0%) due to a gain on sales of investments in affiliates (gain on the sale of shares of Nomura Holdings, Inc., which were allotted to the Company in exchange for shares of Nomura Land and Building Co., Ltd. that the Company held), as well as the recording of bonus dividends income from shares held by the Company under extraordinary income.

The “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System That Responds to Changes in Economic and Social Structures” and the “Act on Special Measures for Securing the Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” were promulgated on 2nd December, 2011, resulting in a decrease in the corporation tax rate and the imposition of a special reconstruction corporation tax. In accordance with the resulting reduction in the effective corporation tax rate from next fiscal year, income taxes increased due to a partial reversal of deferred income taxes.

Segment information

The business results by segment (sales includes intersegment sales) are as follows.

The classification of the segments has been changed partially following a reorganization that was carried out effective 1st April, 2011. 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 and system consulting for operational reform and system construction.

In the current fiscal year, aiming to strengthen our business in the Asia region, we established a subsidiary in India. We are also in the process of acquiring a stake in a local market research company for a business alliance.

Business consulting and system consulting to support the execution of customers’ system projects increased, resulting in sales of ¥21,807 million (up 10.3% from the previous fiscal year) and operating profit of ¥3,011 million (up 147.2%).

(Financial IT Solutions)

This segment provides IT solutions such as system development and system management and operation services, and multi-user systems to the securities, insurance and banking sectors.

In the current fiscal year, we carried out a large-scale project to provide the STAR-IV service to Nomura Securities Co., Ltd. With this project, Nomura Securities Co., Ltd. will make the transition from its current system, which was individually developed for Nomura Securities Co., Ltd., to the use of the Company’s multi-user service. For the banking sector, the Company has started the provision of a multi-user internet banking system service. Furthermore, it is in the process of making an Indian IT company its subsidiary to strengthen the IT solutions business overseas.

In terms of sales, despite a decrease in system management and operation services for the securities sector, there were increases in system development and application sales for the securities sector and in consulting services for the insurance sector. Costs were reduced due to an increase in the amount of development expenses recorded as assets accompanying an increase in STAR-IV software development(*).

As a result, the Financial IT Solutions segment posted sales of ¥202,719 million (up 4.0% from the previous fiscal year) and operating profit of ¥21,433 million (up 15.8%).

(Industrial IT Solutions)

This segment provides system development and system management and operation services to various customers in industries including the distribution, manufacturing and service sectors. The segment also provides solutions regarding information security, which is becoming an important management issue for customers, to a broad range of industry 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. These efforts are beginning to pay off. The Company has also entered into a business alliance with Ajinomoto Co., Inc. regarding IT services.

In terms of sales, although product sales accompanying system development projects to the manufacturing and services sectors declined, there was an increase of sales to major customers in the distribution sector, particularly for system management and operation services. On the cost front, despite a decrease in unprofitable projects, there was an increase in costs for expanding the client base centered on the acquisition of new customers.

As a result, the Industrial IT Solutions segment posted sales of ¥94,663 million (up 2.1% from the previous fiscal year) and operating profit of ¥6,574 million (up 3.6%).

(IT Platform Services)

This segment provides IT platform and network architecture related services in its role as an infrastructure division that provides better quality and increased added value in the information system services provided by the Financial IT Solutions and Industrial IT Solutions sectors. It also conducts system operation, management and administration of data centers, 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's fifth data center is under construction in Tokyo, and scheduled to commence operations in November of this year.

In terms of sales to external customers, system management and operation services to major customers in the securities sector declined. As for intersegment sales, however, system management and operation services and IT platform and network architecture related services to the Financial IT Solutions and Industrial IT Solutions segments increased. On the cost front, system operation expenses declined as a result of a decline in system management and operation services to the securities sector, while depreciation and amortization expenses and repair costs increased as a result of upgrading facilities at existing data centers.

As a result, the IT Platform Services segment posted sales of ¥79,372 million (up 1.0% from the previous fiscal year) and operating profit of ¥9,516 million (down 1.4%).

(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 ¥11,801 million (up 3.4% from the previous fiscal year) and operating profit of ¥727 million (up 149.1%).

* For multi-user systems that the Company invests in such as STAR-IV, development expenses are recorded as software under assets. As the expenses that the Company incurred in development, such as personnel expenses, are also recorded as assets, there is a decrease in cost of sales equivalent to that portion.

b. Outlook for the next fiscal year

(Forecast)

The Japanese economy, despite the European debt crisis, yen appreciation and the slowdown in the overseas economies, is heading towards a gradual recovery. The NRI Group's approach to this is to leverage its combined strengths, allowing it to seamlessly provide services encompassing consulting through to system development and operations.

In the Financial IT Solutions segment, the NRI Group is currently undertaking a large-scale project involving the introduction of STAR-IV, the Company's multi-user back office system for the securities sector, in Nomura Securities Co., Ltd. When this project is completed, the Company's multi-user back office system will further expand its share as the de facto standard.

In the Industrial IT Solutions segment, the Company entered into a business alliance with Ajinomoto Co., Inc. regarding IT services and acquired 51% of the shares of an information subsidiary of Ajinomoto Co., Inc. in April of this year. With the inclusion of this new consolidated subsidiary, the NRI Group aims to provide more advanced and highly specialized IT services to customers who are conducting businesses in the consumer sector and thereby expand its client base. In addition, the NRI Group, in a world where information technology is constantly advancing, strives to improve quality and productivity on a group-wide level, and it is working to further boost productivity by such means as the establishment of the center for systems development innovation in April of this year.

The forecasts of financial results for the next fiscal year are sales of ¥355,000 million (up 5.8% from the current fiscal year), operating profit of ¥45,000 million (up 4.3%), ordinary profit of ¥46,500 million (up 4.1%) and net income of ¥28,000 million (down 14.9%).

(Reference values)

No forecast is presented for the six months ending 30th September, 2012 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, 2012

Sales of ¥175,000 million, operating profit of ¥21,000 million, ordinary profit of ¥22,000 million and net income of ¥13,000 million

In addition, we present the following reference values for sales breakdowns (by segment and by service), investments, etc.

■ Sales by segment for the fiscal year ending 31st March, 2013

	Current fiscal year (Actual result)* (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting	21,685	23,000	1,314	6.1
Securities sector	99,887	103,000	3,112	3.1
Insurance sector	54,594	53,500	(1,094)	(2.0)
Banking sector	25,471	27,000	1,528	6.0
Other financial sector, etc.	22,674	25,000	2,325	10.3
Financial IT Solutions	202,628	208,500	5,871	2.9
Distribution sector	42,527	42,000	(527)	(1.2)
Manufacturing and service sectors	29,391	40,000	10,608	36.1
Industrial IT Solutions	71,918	82,000	10,081	14.0
IT Platform Services	30,788	32,500	1,711	5.6
Others	8,532	9,000	467	5.5

* As a result of changes to segments carried out in April 2012, the values for the current fiscal year (ended 31st March, 2012) have been restated to reflect the new segment classification.

■ Sales by service for the fiscal year ending 31st March, 2013

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting services	36,098	36,000	(98)	(0.3)
System development & application sales	125,556	135,000	9,443	7.5
System management & operation services	164,084	175,000	10,915	6.7
Product sales	9,815	9,000	(815)	(8.3)

■ Capital investment, depreciation and amortization and R&D expenses for the fiscal year ending 31st March, 2013

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Capital investment	41,165	35,000	(6,165)	(15.0)
Depreciation and amortization	30,875	32,500	1,624	5.3
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. Also, reference

values concerning business forecasts are presented to provide a better understanding of the current situation and outlook of the Company. Note the Company will not always revise business forecasts, etc. upon every occurrence of new information or event of some kind.

(2) Analysis Regarding Consolidated Financial Position

Assets, liabilities and net assets

At the end of the current fiscal year (31st March, 2012), current assets were ¥176,804 million (down 0.4% from the end of the previous fiscal year), noncurrent assets were ¥225,980 million (up 11.6%), current liabilities were ¥69,380 million (up 1.8%), noncurrent liabilities were ¥75,126 million (down 7.0%), net assets were ¥258,276 million (up 11.8%), and total assets were ¥402,784 million (up 6.0%).

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

Investment securities increased ¥17,308 million to ¥61,273 million. This was mainly due to the purchase of national government bonds for purposes of surplus funds management.

There was ¥7,788 million in construction in progress resulting from the construction of the data center.

Long-term loans payable (including current portion of long-term loans payable) decreased ¥2,574 million to ¥9,208 million. The reason behind this decrease was that these loans were taken in association with the introduction of the Trust-Type Employee Stock Ownership Incentive Plan in March 2011, and proceeds from the sale of shares to NRI Group Employee Stock Ownership Group, etc. were the source for half-yearly repayments of said loans. Furthermore, the amount of treasury stock deducted from net assets decreased ¥3,443 million to ¥68,841 million.

Deferred income taxes (noncurrent assets) decreased ¥3,611 million to ¥15,778 million. This decrease was due to a partial reversal of deferred income taxes in accordance with the resulting reduction in the effective corporation tax rate from next fiscal year by promulgation of the revised Corporation Tax Act, etc.

As for other items, accounts receivable increased ¥1,794 million to ¥56,486 million, other receivables increased ¥3,108 million to ¥19,705 million, accrued amount payable decreased ¥2,619 million to ¥5,350 million, accrued expenses increased ¥2,174 million to ¥6,673 million, and allowance for employees' retirement benefits decreased ¥3,438 million to ¥17,251 million.

Cash flow position

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2012) stood at ¥77,043 million (down ¥5,041 million from the end of the previous fiscal year).

Net cash provided by operating activities in the current fiscal year was ¥53,067 million, which was ¥4,289 million greater compared with the previous fiscal year. This was mainly due to the increase in operating profit.

Net cash used in investing activities was ¥47,731 million, ¥20,008 million greater compared with the previous fiscal year. The main contributing factors were the purchase of short-term investment securities for fund management purposes, as well as increases in acquisition of software and intangibles related to the development of multi-user systems and acquisition of property and equipment related to data centers. These factors offset proceeds from sales of investments in affiliates.

Net cash used in financing activities was ¥10,438 million (compared with ¥1,590 million provided in previous fiscal year). This was due to loans taken in the previous fiscal year following the introduction of the Trust-Type Employee Stock Ownership Incentive Plan.

Reference: Trends in cash flow-related indicators

	Fiscal year ended 31st March, 2008	Fiscal year ended 31st March, 2009	Fiscal year ended 31st March, 2010	Fiscal year ended 31st March, 2011	Fiscal year ended 31st March, 2012
Equity ratio (%)	57.0	57.7	60.3	60.5	63.8
Market value equity ratio (%)	143.1	84.0	114.1	94.1	100.0
Interest-bearing debt to operating cash flow ratio (years)	1.6	1.1	0.9	1.3	1.1
Interest coverage ratio (value to one)	–	3,521.4	4,457.4	5,842.8	744.5

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 facility 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, 2012). Combined with interim cash dividends paid in November 2011 (the record date of interim dividends was 30th September, 2011), the annual dividend payment will be ¥52 per share, for a consolidated dividend payout ratio of 30.9%.

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
28th October, 2011	5,082	26	30th September, 2011
17th May, 2012 (Planned)	5,100	26	31st March, 2012

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 2011 was ¥143 million and the planned portion to be decided by resolution in May 2012 is ¥126 million).

Regarding dividends for the next fiscal year (ending 31st March, 2013) 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, 2012 and 2011 and
for the years ended 31st March, 2012 and 2011, and
for the year ended 31st March, 2010 (unaudited)
with Report of Independent Auditors*

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, 2012, 2011 and 2010 (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, 2012, 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 consolidated subsidiaries at March 31, 2012, 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 21, 2012
Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2012	2011	2012
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 3 and 11</i>)	¥ 8,462	¥ 16,758	\$ 103,032
Short-term investment securities (<i>Notes 3, 4 and 11</i>)	81,079	79,661	987,203
Accounts receivable and other receivables (<i>Notes 3 and 5</i>)	76,192	71,289	927,700
Inventories	178	256	2,167
Deferred income taxes (<i>Note 9</i>)	7,066	6,825	86,034
Other current assets	3,906	2,876	47,559
Allowance for doubtful accounts	(79)	(71)	(962)
Total current assets	176,804	177,594	2,152,733
Property and equipment (<i>Note 6</i>):			
Land	13,600	12,323	165,591
Buildings, net	33,167	34,399	403,836
Machinery and equipment, net	12,899	11,532	157,056
Leased assets, net (<i>Note 13</i>)	114	197	1,388
Construction in progress	7,789	–	94,837
Property and equipment, net	67,569	58,451	822,708
Software and other intangibles	57,862	57,641	704,517
Investment securities (<i>Notes 3 and 4</i>)	61,273	43,965	746,049
Investments in affiliates (<i>Notes 3 and 4</i>)	1,253	1,265	15,256
Deferred income taxes (<i>Note 9</i>)	15,778	19,390	192,110
Long-term loans receivable (<i>Note 3</i>)	7,821	7,706	95,227
Lease investment assets	446	343	5,430
Other assets (<i>Note 7</i>)	14,024	13,774	170,755
Allowance for doubtful accounts	(46)	(96)	(560)
Total assets	¥402,784	¥380,033	\$4,904,225

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2012	2011	2012
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 3)	¥ 21,811	¥ 22,481	\$ 265,567
Current portion of long-term loans payable (Note 3)	2,531	2,607	30,817
Lease obligations, current	201	223	2,447
Accrued expenses	19,781	16,774	240,850
Income taxes payable	10,093	9,425	122,891
Advance payments received	4,807	5,653	58,529
Asset retirement obligations	8	–	97
Other current liabilities	10,149	10,997	123,572
Total current liabilities	69,381	68,160	844,770
Convertible bonds (Note 3)	49,997	49,997	608,755
Long-term loans payable (Note 3)	6,677	9,176	81,298
Lease obligations	411	339	5,004
Deferred income taxes (Note 9)	27	1	329
Employees' retirement benefits (Note 8)	17,251	20,689	210,045
Asset retirement obligations	699	596	8,511
Guarantee deposits received	64	–	779
Commitments and contingent liabilities (Note 18)			
Net assets (Notes 10 and 12):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2012 and 2011			
Issued – 225,000,000 shares at 31st March, 2012 and 2011	18,600	18,600	226,470
Additional paid-in capital	14,800	14,994	180,202
Retained earnings	286,907	264,866	3,493,328
Treasury stock, at cost:			
– 28,834,693 shares at 31st March, 2012 and 30,277,343 shares at 31st March, 2011	(68,841)	(72,285)	(838,196)
Total shareholders' equity	251,466	226,175	3,061,804
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	7,966	6,258	96,993
Foreign currency translation adjustment	(2,575)	(2,675)	(31,353)
Total accumulated other comprehensive income	5,391	3,583	65,640
Share subscription rights (Note 19)	1,420	1,317	17,290
Total net assets	258,277	231,075	3,144,734
Total liabilities and net assets	¥402,784	¥380,033	\$4,904,225

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Income and Comprehensive Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2012	2011	2010 (Unaudited)	2012
Sales	¥335,555	¥326,329	¥338,630	\$4,085,657
Cost of sales	235,516	233,120	245,642	2,867,600
Gross profit	100,039	93,209	92,988	1,218,057
Selling, general and administrative expenses (Notes 14 and 15)	56,886	54,782	52,911	692,634
Operating profit	43,153	38,427	40,077	525,423
Other income (expenses):				
Interest and dividend income	1,363	1,585	1,367	16,596
Interest expense	(71)	(8)	(13)	(864)
Equity in earnings (losses) of affiliates	111	(12)	(564)	1,352
Gain (loss) on investment securities (Note 4)	(130)	130	(841)	(1,583)
Gain on investments in affiliates (Note 4)	8,564	–	–	104,274
Special dividend income	3,011	–	–	36,661
Reversal of share-based compensation (Note 19)	73	–	–	889
Office integration and relocation expenses	–	–	(2,778)	–
Impact of applying accounting standard for asset retirement obligations	–	(364)	–	–
Other, net	131	96	80	1,594
	13,052	1,427	(2,749)	158,919
Income before income taxes and minority interests	56,205	39,854	37,328	684,342
Provision for income taxes (Note 9):				
Current	19,501	14,865	17,402	237,441
Deferred	3,783	1,799	(1,926)	46,061
	23,284	16,664	15,476	283,502
Income before minority interests	32,921	23,190	21,852	400,840
Income (loss) attributable to minority interests	–	2	(4)	–
Net income (Note 12)	¥ 32,921	¥ 23,188	¥ 21,856	\$ 400,840
Income (loss) attributable to minority interests	¥ –	¥ 2	¥ –	\$ –
Income before minority interests	32,921	23,190	–	400,840
Other comprehensive income (Note 16):				
Valuation difference on available-for-sale securities	1,708	(2,178)	–	20,796
Foreign currency translation adjustment	94	(406)	–	1,145
Share of other comprehensive income of affiliates	6	(13)	–	73
Total other comprehensive income	1,808	(2,597)	–	22,014
Comprehensive income (Note 16)	¥ 34,729	¥ 20,593	¥ –	\$ 422,854
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	¥ 34,729	¥ 20,591	¥ –	\$ 422,854
Comprehensive income attributable to minority interests	–	2	–	–

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						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, 2009 (Unaudited)	¥18,600	¥14,975	¥240,061	¥(72,753)	¥200,883	¥ 5,851	¥(2,159)	¥ 3,692	¥ 892	¥ -	¥205,467
Purchases of treasury stock	-	-	-	(1)	(1)	-	-	-	-	-	(1)
Disposition of treasury stock	-	-	-	228	228	-	-	-	-	-	228
Gain on disposition of treasury stock	-	43	-	-	43	-	-	-	-	-	43
Net income	-	-	21,856	-	21,856	-	-	-	-	-	21,856
Cash dividends paid	-	-	(10,117)	-	(10,117)	-	-	-	-	-	(10,117)
Net changes other than in shareholders' equity	-	-	-	-	-	2,585	(97)	2,488	263	10	2,761
Balance at 31st March, 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 31st March, 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 31st March, 2012	¥18,600	¥14,800	¥286,907	¥(68,841)	¥251,466	¥ 7,966	¥(2,575)	¥ 5,391	¥1,420	¥ -	¥258,277

Thousands of U.S. dollars (Note 2)

	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 (Unaudited)	\$226,470	\$182,564	\$3,224,960	\$(880,129)	\$2,753,865	\$76,196	\$(32,570)	\$43,626	\$16,036	\$ -	\$2,813,527
Disposition of treasury stock	-	-	-	41,933	41,933	-	-	-	-	-	41,933
Loss on disposition of treasury stock	-	(2,362)	(8,948)	-	(11,310)	-	-	-	-	-	(11,310)
Net income	-	-	400,840	-	400,840	-	-	-	-	-	400,840
Cash dividends paid	-	-	(123,524)	-	(123,524)	-	-	-	-	-	(123,524)
Net changes other than in shareholders' equity	-	-	-	-	-	20,797	1,217	22,014	1,254	-	23,268
Balance at 31st March, 2012	\$226,470	\$180,202	\$3,493,328	\$(838,196)	\$3,061,804	\$96,993	\$(31,353)	\$65,640	\$17,290	\$ -	\$3,144,734

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2012	2011	2010	2012
			(Unaudited)	
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 56,205	¥ 39,854	¥ 37,328	\$ 684,342
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	30,875	30,666	30,916	375,928
Interest and dividend income	(4,374)	(1,585)	(1,367)	(53,257)
Interest expense	71	8	13	864
Loss (gain) on investment securities	130	(130)	841	1,583
Gain on investments in affiliates	(8,564)	–	–	(104,274)
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	(5,728)	(1,727)	8,980	(69,743)
Allowance for doubtful accounts	(42)	(23)	(12)	(511)
Accounts payable	1,482	(4,305)	(4,782)	18,045
Inventories	78	176	(179)	950
Employees' retirement benefits	(3,438)	(3,463)	(1,427)	(41,860)
Other	834	2,872	7,064	10,154
Subtotal	67,529	62,707	77,375	822,221
Interest and dividends received	4,499	1,395	1,425	54,779
Interest paid	(72)	(5)	(13)	(877)
Income taxes paid	(18,889)	(15,319)	(20,727)	(229,989)
Net cash provided by operating activities	53,067	48,778	58,060	646,134
Cash flows from investing activities				
Payments for time deposits	(782)	(1,129)	–	(9,521)
Proceeds from time deposits	853	331	6,009	10,386
Purchase of short-term investment securities	(13,234)	(19,933)	–	(161,135)
Proceeds from sales and redemption of short-term investment securities	14,910	6,300	–	181,541
Acquisition of property and equipment	(20,848)	(9,565)	(12,499)	(253,841)
Proceeds from sales of property and equipment	34	5	10	414
Purchase of software and other intangibles	(21,399)	(10,211)	(15,116)	(260,550)
Proceeds from sales of software and other intangibles	346	–	3	4,213
Payments for asset retirement obligations	(31)	(64)	–	(377)
Purchase of investment securities	(29,285)	(31)	(3,436)	(356,569)
Proceeds from sales and redemption of investment securities	5,351	6,558	8,447	65,153
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	–	–	665	–
Purchase of investments in affiliates	–	(15)	(299)	–
Proceeds from sales of investments in affiliates (Note 17)	16,326	–	–	198,782
Other	27	30	41	328
Net cash used in investing activities	¥(47,732)	¥(27,724)	¥(16,175)	\$(581,176)

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows (continued)

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2012	2011	2010	2012
			(Unaudited)	
Cash flows from financing activities				
Increase in short-term loans payable	¥ 6,922	¥ 3,500	¥ 6,500	\$ 84,281
Decrease in short-term loans payable	(6,922)	(3,500)	(6,500)	(84,281)
Proceeds from long-term loans payable	–	11,783	–	–
Repayment of long-term loans payable	(2,575)	–	–	(31,353)
Proceeds from issuance of short-term bonds	–	9,997	–	–
Redemption of short-term bonds	–	(10,000)	–	–
Repayment of obligation under finance leases	(53)	(69)	(235)	(645)
Proceeds from sales of treasury stock	2,337	(0)	0	28,455
Purchases of treasury stock	–	–	(1)	–
Cash dividends paid	(10,148)	(10,121)	(10,113)	(123,560)
Net cash provided by (used in) financing activities	(10,439)	1,590	(10,349)	(127,103)
Effect of exchange rate changes on cash and cash equivalents	63	(335)	11	767
Net increase (decrease) in cash and cash equivalents	(5,041)	22,309	31,547	(61,378)
Cash and cash equivalents at beginning of year	82,085	59,776	28,229	999,452
Cash and cash equivalents at end of year <i>(Note 11)</i>	¥ 77,044	¥ 82,085	¥ 59,776	\$ 938,074

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2012, 2011 and 2010 (unaudited)

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 15 consolidated subsidiaries) and its affiliates (2 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, 2012, 2011 and 2010 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (15, 15 and 14 for the years ended 31st March, 2012, 2011 and 2010, respectively) have been consolidated. The major consolidated subsidiary is Nomura Research Institute (Beijing), Ltd. as of 31st March, 2012.

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, Nihon Clearing Services Co., Ltd. and MC NRI Global Solutions Inc., have been accounted for by the equity method for the years ended 31st March, 2012, 2011 and 2010.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

Nomura Research Institute India Pvt. Ltd., a newly established subsidiary during the year ended 31st March, 2012, is included in the scope of consolidation. Nomura Research Institute, Ltd. and UBIQLINK, Ltd., which was a wholly-owned subsidiary of the Company, merged in July 2011.

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).

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.

1. Significant Accounting Policies (continued)

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 cost is amortized by the straight-line method over the average remaining years of service (15 years) of the participants in the plan. Actuarial gain or loss is amortized in the following year in which the gain or loss is recognized by the straight-line method over a defined period not exceeding the average remaining period of employment (15 years) of the participants in the plan and is recognized as a pension cost.

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.

Research and Development Expenses

Research and development expenses are charged to selling, general and administrative expenses as incurred.

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

(Application of the “Accounting Standard for Earnings Per Share”)

Effective for the year ended 31st March, 2012, the “Accounting Standard for Earnings Per Share” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 2) and the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4) has been applied. The Company has changed the method by which it calculates diluted earnings per share as follows. For stock options that vest after a specified service period, the Company now includes the portion of the stock options’ fair value attributable to future service when calculating the cash proceeds assumed to be receivable upon exercise of the stock options. Please see Note 12, “Per Share Data” for the impact of this change.

(Application of the “Accounting Standard for Asset Retirement Obligations”)

Effective for the year ended 31st March, 2011, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21) has been applied. As a result of this change, operating profit for the year ended 31st March, 2011 increased by ¥36 million and income before income taxes and minority interests decreased by ¥328 million from the corresponding amounts which would have been recorded under the previous method. The amount of asset retirement obligations with this revision was ¥699 million at 31st March, 2011.

Additional Information

(Application of the “Accounting Standard for Accounting Changes and Error Corrections”)

Effective for the year ended 31st March, 2012, the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24) has been applied.

Cumulative effect of accounting change and error corrections are reflected on the beginning balances of the year ended 31st March, 2011, but not reflected on the balances as of 31st March, 2010 and income for the year then ended.

1. Significant Accounting Policies (continued)

Additional Information (continued)

(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 4,865,300 shares of the Company’s at 31st March, 2012.

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 ¥82.13 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 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.

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, 2012 and 2011 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).

	<i>Millions of yen</i>					
	31st March, 2012			31st March, 2011		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥ 8,462	¥ 8,462	¥ -	¥ 16,758	¥ 16,758	¥ -
Accounts receivable and other receivables	76,192	76,192	-	71,289	71,289	-
Short-term investment securities, investment securities, and investments in affiliates	135,869	135,869	-	109,183	109,183	-
Long-term loans receivable	7,821	8,274	453	7,706	8,107	401
Total	¥228,344	¥228,797	¥ 453	¥204,936	¥205,337	¥ 401
Liabilities:						
Accounts payable	¥ 21,811	¥ 21,811	¥ -	¥ 22,481	¥ 22,481	¥ -
Convertible bonds	49,997	49,297	(700)	49,997	48,797	(1,200)
Long-term loans payable *	9,208	9,208	-	11,783	11,783	-
Total	¥ 81,016	¥ 80,316	¥(700)	¥ 84,261	¥ 83,061	¥(1,200)

* Long-term loans payable included the current portion of long-term loans payable totaling ¥2,531 million (\$30,817 thousand) and ¥2,607 million as of 31st March, 2012 and 2011, respectively.

	<i>Thousands of U.S. dollars</i>		
	31st March, 2012		
	Carrying amount	Estimated fair value	Difference
Assets:			
Cash and bank deposits	\$ 103,032	\$ 103,032	\$ -
Accounts receivable and other receivables	927,700	927,700	-
Short-term investment securities, investment securities, and investments in affiliates	1,654,316	1,654,316	-
Long-term loans receivable	95,227	100,743	5,516
Total	\$2,780,275	\$2,785,791	\$ 5,516
Liabilities:			
Accounts payable	\$ 265,567	\$ 265,567	\$ -
Convertible bonds	608,755	600,231	(8,524)
Long-term loans payable *	112,115	112,115	-
Total	\$ 986,437	\$ 977,913	\$(8,524)

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, 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 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>
	31st March, 2012	31st March, 2011	31st March, 2012
Unlisted companies' shares	¥7,623	¥15,328	\$92,816
Investments in partnerships	113	380	1,376

*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 ¥887 million (\$10,800 thousand) and ¥830 million as of 31st March, 2012 and 2011, 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.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2012 and 2011

	<i>Millions of yen</i>					
	31st March, 2012			31st March, 2011		
	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	¥ 8,462	¥ –	¥ –	¥16,758	¥ –	¥ –
Accounts receivable	56,486	–	–	54,691	–	–
Investment securities:						
Available-for-sale securities with maturities:						
Government bonds	–	25,000	1	–	–	1
Corporate bonds	18,300	–	–	18,010	3,000	–
Other	100	–	–	500	–	–
Long-term loans receivable	–	8,400	–	–	–	8,400
	<u>¥83,348</u>	<u>¥33,400</u>	<u>¥ 1</u>	<u>¥89,959</u>	<u>¥3,000</u>	<u>¥8,401</u>

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

	<i>Thousands of U.S. dollars</i>		
	31st March, 2012		
	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and bank deposits	\$ 103,032	\$ –	\$ –
Accounts receivable	687,763	–	–
Investment securities:			
Available-for-sale securities with maturities:			
Government bonds	–	304,395	12
Corporate bonds	222,817	–	–
Other	1,218	–	–
Long-term loans receivable	–	102,277	–
	<u>\$1,014,830</u>	<u>\$406,672</u>	<u>\$ 12</u>

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, 2012 and 2011

		<i>Millions of yen</i>				
		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	–	
	<u>¥2,531</u>	<u>¥52,484</u>	<u>¥ 2,442</u>	<u>¥1,748</u>	<u>¥ –</u>	

		<i>Millions of yen</i>				
		31st March, 2011				
	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*	2,607	2,556	2,505	2,452	1,663	
	<u>¥2,607</u>	<u>¥2,556</u>	<u>¥52,502</u>	<u>¥2,452</u>	<u>¥1,663</u>	

		<i>Thousands of U.S. dollars</i>				
		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	\$ –	\$608,755	\$ –	\$ –	\$ –	
Long-term loans payable*	30,817	30,281	29,733	21,283	–	
	<u>\$30,817</u>	<u>\$639,036</u>	<u>\$ 29,733</u>	<u>\$21,283</u>	<u>\$ –</u>	

* 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, 2012 and 2011.

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, 2012 and 2011:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2012			31st March, 2011		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 17,558	¥ 29,465	¥11,907	¥ 25,543	¥ 36,020	¥10,477
Bonds:						
Government bonds	25,440	25,456	16	1	1	-
Corporate bonds	18,329	18,296	(33)	21,079	21,050	(29)
	43,769	43,752	(17)	21,080	21,051	(29)
Other	69,559	69,501	(58)	66,928	66,990	62
Total	<u>¥130,886</u>	<u>¥142,718</u>	<u>¥11,832</u>	<u>¥113,551</u>	<u>¥124,061</u>	<u>¥10,510</u>

	<i>Thousands of U.S. dollars</i>		
	31st March, 2012		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 213,783	\$ 358,761	\$144,978
Bonds:			
Government bonds	309,752	309,947	195
Corporate bonds	223,171	222,769	(402)
	532,923	532,716	(207)
Other	846,938	846,232	(706)
Total	<u>\$1,593,644</u>	<u>\$1,737,709</u>	<u>\$144,065</u>

Non-marketable securities whose fair value is not readily determinable were included in the above table. Impairment loss on available-for-sale marketable securities as a result of a permanent decline in value amounted to ¥237 million (\$2,886 thousand) for the year ended 31st March, 2012. For the year ended 31st March, 2011, impairment loss was ¥46 million, consisting of ¥37 million on marketable securities and ¥9 million on non-marketable securities whose fair values are not readily determinable. 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, 2012, 2011 and 2010 were as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2012	2011	2010	31st March,
				2012
Proceeds (<i>Note 17</i>)	¥16,546	¥226	¥2,335	\$201,461
Gross gain	8,714	168	195	106,100
Gross loss	(22)	–	–	(268)

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 ¥19,706 million (\$239,937 thousand) and ¥16,597 million at 31st March, 2012 and 2011, respectively.

6. Property and Equipment

Property and equipment at 31st March, 2012 and 2011 is summarized as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of</i>
		31st March,		<i>U.S. dollars</i>
		2012	2011	31st March,
	Useful			2012
	Life			
Land		¥ 13,600	¥ 12,323	\$ 165,591
Buildings	15 – 50	70,842	68,519	862,560
Machinery and equipment	3 – 15	56,907	53,145	692,889
Leased assets		320	599	3,896
Construction in progress		7,789	–	94,837
Accumulated depreciation		(81,889)	(76,135)	(997,065)
Property and equipment, net		¥ 67,569	¥ 58,451	\$ 822,708

7. Other Assets

Other assets at 31st March, 2012 and 2011 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2012	2011	31st March,
			2012
Lease deposits	¥10,720	¥10,687	\$130,526
Other	3,304	3,087	40,229
Other assets	¥14,024	¥13,774	\$170,755

“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 lump-sum payment plans 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, 2012 and 2011 for the Company’s and its consolidated subsidiaries’ defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2012	2011	31st March,
			2012
Retirement benefit obligation	¥(73,273)	¥(66,032)	\$(892,159)
Plan assets at fair value	49,989	42,808	608,657
Unfunded retirement benefit obligation	(23,284)	(23,224)	(283,502)
Unrecognized actuarial gain	8,175	4,871	99,537
Unrecognized prior service cost	(2,142)	(2,336)	(26,080)
Unfunded retirement benefit obligation recognized on the balance sheets	¥(17,251)	¥(20,689)	\$(210,045)

Plan assets at fair value include those of the employee retirement benefit trust of ¥6,371 million (\$77,572 thousand) and ¥6,409 million at 31st March, 2012 and 2011, respectively.

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 (mainly 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 from the next fiscal year after the incurrence.

The components of retirement benefit expenses for the years ended 31st March, 2012, 2011 and 2010 are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2012	2011	2010	2012
Service cost	¥4,070	¥3,928	¥3,558	\$49,556
Interest cost	1,332	1,245	1,174	16,218
Expected return on plan assets	(546)	(438)	(331)	(6,648)
Recognized actuarial loss	196	102	312	2,386
Recognized prior service liability	(195)	(195)	(195)	(2,374)
Subtotal	4,857	4,642	4,518	59,138
Other	1,728	1,617	1,507	21,040
Total	¥6,585	¥6,259	¥6,025	\$80,178

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

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

	31st March,		
	2012	2011	2010
Discount rates at the end of the year	1.8%	2.1%	2.1%
Expected rate of return on plan assets	1.5	1.5	1.5

9. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2012 and 2011 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
			<i>U.S. dollars</i>
	31st March,	31st March,	31st March,
	2012	2011	2012
Deferred income tax assets:			
Employees' retirement benefits	¥ 8,355	¥11,210	\$101,729
Depreciation	10,417	11,486	126,836
Accrued bonuses	4,968	4,933	60,489
Other	3,246	3,106	39,523
	<u>26,986</u>	<u>30,735</u>	<u>328,577</u>
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	(3,866)	(4,253)	(47,072)
Special tax-purpose reserve	(257)	(245)	(3,129)
Undistributed earnings of foreign subsidiaries	(19)	(22)	(231)
Other	(27)	(1)	(330)
	<u>(4,169)</u>	<u>(4,521)</u>	<u>(50,762)</u>
Deferred income tax assets, net	<u>¥22,817</u>	<u>¥26,214</u>	<u>\$277,815</u>

Income taxes applicable to the Company and its consolidated subsidiaries consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended 31st March, 2012, 2011 and 2010.

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 for the years ended 31st March, 2012, 2011 and 2010 have been omitted because the differences were immaterial in the consolidated statements of income.

On 2nd December, 2011, the "Act to partially revise the Income Tax Act and others in order to construct a tax system corresponding to changes in the structure of economic system" (Act No. 114 of 2011) and the "Special measures act to secure the financial resources required to implement policy on restoration after the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated. In response to these revisions of domestic Japanese tax laws, the applicable statutory tax rate to calculate deferred income tax assets and liabilities expected to be settled or realized in the period from 1st April, 2012 to 31st March, 2015 has been reduced from 40.6% to 38.0%, and subsequent to 31st March, 2015 it has been reduced to 35.6%.

As a result of these changes, net deferred income tax assets decreased by ¥1,773 million (\$21,588 thousand) as of 31st March, 2012. For the year ended 31st March, 2012, income tax expense and valuation difference on available-for-sale securities increased by ¥2,318 million (\$28,224 thousand) and ¥545 million (\$6,636 thousand), respectively.

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 (\$6,940 thousand) and ¥570 million at 31st March, 2012 and 2011, respectively.

Shares Issued and Treasury Stock

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

	31st March, 2012	
	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	<u>225,000,000</u>	<u>28,834,693</u>

*1 The number of shares of treasury stock increased by 50 due to the purchases of odd-lot shares. The number of shares of treasury stock decreased by 1,336,200 due to the transfer of treasury stock from the ESOP Trust to the ESOP Group and decreased by 106,500 due to the exercise of stock options.

*2 Treasury stock included 4,865,300 shares of the Company owned by the ESOP Trust as of 31st March, 2012.

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2012 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 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:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<hr/>	<hr/>
Cash dividends approved on 18th May, 2011 *		
(¥26.00 = U.S.\$0.32 per share)	¥5,063	\$61,646
Cash dividends approved on 28th October, 2011 **		
(¥26.00 = U.S.\$0.32 per share)	5,082	61,878

* Dividends of ¥161 million (\$1,960 thousand) paid to the ESOP Trust are not included in the total dividends amount.

** Dividends of ¥144 million (\$1,753 thousand) 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:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<hr/>	<hr/>
Cash dividends approved on 17th May, 2012*		
(¥26.00 = U.S.\$0.32 per share)	¥5,100	\$62,097

* Dividends of ¥126 million (\$1,534 thousand) 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, 2012 and 2011 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<hr/>		<hr/>
	31st March,		31st March,
	2012	2011	2012
	<hr/>	<hr/>	<hr/>
Cash and bank deposits	¥ 8,462	¥ 16,758	\$ 103,032
Short-term investment securities	81,079	79,661	987,203
Time deposits with maturities of more than three months when deposited	(706)	(782)	(8,596)
Bond and other investments maturing in more than three months from the acquisition date	(11,791)	(13,552)	(143,565)
Cash and cash equivalents	<hr/> ¥ 77,044 <hr/>	<hr/> ¥ 82,085 <hr/>	<hr/> \$ 938,074 <hr/>

12. Per Share Data

Earnings per share for the years ended at 31st March, 2012, 2011, and 2010 and net assets per share at 31st March, 2012 and 2011 are summarized as follows:

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2012	2011	2010	2012
Earnings per share	¥168.40	¥119.11	¥112.32	\$2.05
Diluted earnings per share	158.69	112.22	105.81	1.93

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2012	2011	2011	2012
Net assets per share		¥1,309.39	¥1,179.92	\$15.94

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.

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2012, 2011 and 2010 is as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2012	2011	2010	2012
Numerator:				
Earnings	¥32,921	¥23,188	¥21,856	\$400,840
Earnings not attributable to common shareholders	(-)	(-)	(-)	(-)
Earnings attributable to common shareholders	¥32,921	¥23,188	¥21,856	\$400,840
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *1	195,492	194,677	194,587	195,492
Potentially dilutive shares of common stock – Convertible bonds *2	11,839	11,836	11,836	11,839
Potentially dilutive shares of common stock – Stock options	119	121	132	119
Weighted-average number of shares of common stock outstanding – diluted	207,450	206,634	206,555	207,450

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

*2 The conversion price for the 1st unsecured convertible bonds with stock acquisition rights was adjusted from ¥4,224 to ¥4,222.90 effective from 30th March, 2011.

12. 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 years ended 31st March, 2012, 2011 and 2010:

	<i>Shares</i>		
	31st March,		
	2012	2011	2010
a) 4th share subscription rights	–	0 *	224,500
b) 6th share subscription rights	340,000	367,500	392,500
c) 8th share subscription rights	367,500	415,000	415,000
d) 10th share subscription rights	417,500	417,500	417,500
e) 12th share subscription rights	440,000	440,000	440,000
f) 14th share subscription rights	445,000	445,000	–
g) 16th share subscription rights	392,500	–	–

* The exercise period ended 30th June, 2010.

(Accounting Change)

Effective for the year ended 31st March, 2012, the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2) and the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4) has been applied.

The Company has changed the method by which it calculates diluted earnings per share as follows. For stock options that vest after a specified service period, the Company now includes the portion of the stock options’ fair value attributable to future service when calculating the cash proceeds assumed to be receivable upon exercise of the stock options.

The Company retroactively adopted these accounting standards for the computation of diluted earnings per share for the year ended 31st March, 2011.

Diluted earnings per share for the year ended 31st March, 2011 under the previous method were ¥112.21.

12. Per Share Data (continued)

The computation of net assets per share at 31st March, 2012 and 2011 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2012	2011	2012
Numerator:			
Net assets	¥258,277	¥231,075	\$3,144,734
Share subscription rights	(1,420)	(1,317)	(17,290)
Net assets attributable to common stock	<u>¥256,857</u>	<u>¥229,758</u>	<u>\$3,127,444</u>
	<i>Thousands of shares</i>		
Denominator:			
Number of shares of common stock outstanding	196,165	194,723	196,165

* The Company's shares owned by the ESOP Trust are included in treasury stock which has been deducted from total common stock outstanding.

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, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2012	2011	2012
Future minimum lease payments:			
Due within one year	¥ 5,179	¥ 7,097	\$ 63,059
Thereafter	14,409	19,216	175,441
Total	<u>¥19,588</u>	<u>¥26,313</u>	<u>\$238,500</u>

13. Leases (continued)

2) As lessor

There were no finance lease transactions as lessor for the years ended 31st March, 2012 and 2011.

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2012	2011	2012
Future minimum lease payments to be received:			
Due within one year	¥202	¥9,013	\$2,460
Thereafter	35	59	426
Total	¥237	¥9,072	\$2,886

14. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2012, 2011 and 2010 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2012	2011	2010	2012
Personnel expenses	¥31,491	¥30,447	¥28,576	\$383,429
Rent	4,716	5,126	4,444	57,421
Subcontractor costs	8,401	6,832	7,271	102,289
Other	12,278	12,377	12,620	149,495
Total	¥56,886	¥54,782	¥52,911	\$692,634

15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2012, 2011 and 2010 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2012	2011	2010	2012
Research and development expenses	¥3,643	¥3,564	¥3,561	\$44,357

16. Consolidated Statements of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the year ended 31st March, 2012 are summarized as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2012	31st March, 2012
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	¥ 9,867	\$ 120,139
Reclassification adjustments	(8,546)	(104,055)
Valuation difference on available-for-sale securities	1,321	16,084
Foreign currency translation adjustment		
Amount arising during the fiscal year	94	1,145
Foreign currency translation adjustment	94	1,145
Share of other comprehensive income of associates accounted for using equity method		
Amount arising during the fiscal year	6	73
Share of other comprehensive income of associates accounted for using equity method	6	73
Total other comprehensive income before tax effect adjustment	1,421	17,302
Tax effect	387	4,712
Total other comprehensive income	¥ 1,808	\$ 22,014

Tax effects relating to other comprehensive income for the year ended 31st March, 2012 are summarized as follows:

	<i>Millions of yen</i>		
	31st March, 2012		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Valuation difference on available-for-sale securities	¥1,321	¥387	¥1,708
Foreign currency translation adjustment	94	–	94
Share of other comprehensive income of associates accounted for using equity method	6	–	6
Total other comprehensive income	¥1,421	¥387	¥1,808

	<i>Thousands of U.S. dollars</i>		
	31st March, 2012		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Valuation difference on available-for-sale securities	\$16,084	\$4,712	\$20,796
Foreign currency translation adjustment	1,145	–	1,145
Share of other comprehensive income of associates accounted for using equity method	73	–	73
Total other comprehensive income	\$17,302	\$4,712	\$22,014

17. Related Party Transactions

Related party transactions for the years ended 31st March, 2012, 2011 and 2010 and the respective balances at 31st March, 2012 and 2011 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2012	2011	2010	31st March, 2012
a) Major shareholder: Nomura Holdings, Inc.	Sales *1	¥51,750	¥41,037	¥49,211	\$630,099
	Exchange of shares *2	17,873	–	–	217,618
b) Major shareholder's subsidiaries:					
The Nomura Trust & Banking Co., Ltd.	Borrowings *3	–	9,283	–	–
	Repayment of borrowings *3	2,028	–	–	24,693
	Payments of interest *3	53	1	–	645
Nomura Real Estate Development Co., Ltd.	Rent *4	1,637	–	–	19,932

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2012	2011	31st March, 2012
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥11,738	¥5,149	\$142,920
b) Major shareholder's subsidiaries:				
The Nomura Trust & Banking Co., Ltd.	Long-term loans payable *3	7,255	9,283	88,336
Nomura Real Estate Development Co., Ltd.	Long-term loans receivable *4	7,821	–	95,227
	Lease deposits *4	1,793	–	21,831

*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.

*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 March 31, 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 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, 2012 and 2011.

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, 2012, 2011 and 2010, the Company recognized and allocated share-based compensation cost as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2012	2011	2010	2012
Cost of sales	¥167	¥173	¥243	\$2,033
Selling, general and administrative expenses	184	206	290	2,240
Total	¥351	¥379	¥533	\$4,273

For the years ended 31st March, 2012, 2011 and 2010, the Company recognized reversal of share-based compensation as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2012	2011	2010	2012
Reversal of share-based compensation	¥73	¥ –	¥ –	\$889

19. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2012 is summarized as follows:

	<u>6th stock option plan</u>	<u>8th stock option plan</u>	<u>10th stock option plan</u>
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	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2009	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holder 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
	<u>12th stock option plan</u>	<u>13th stock option plan</u>	<u>14th stock option plan</u>
Grantee categories and numbers of grantees	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	42 directors, managing officers or employees of the Company, and 7 directors of its subsidiaries	39 directors or managing officers of the Company, and 8 directors of its subsidiaries
Number of shares reserved	440,000	102,000	445,000
Grant date	15th July, 2009	15th July, 2009	18th August, 2010
Vesting conditions	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2013
Service period	From 1st July, 2009 to 30th June, 2012	From 1st July, 2009 to 30th June, 2010	From 1st July, 2010 to 30th June, 2013
Exercisable period	1st July, 2012 to 30th June, 2016	1st July, 2010 to 30th June, 2011	1st July, 2013 to 30th June, 2017

19. Stock Option Plans (continued)

	<u>15th stock option plan</u>	<u>16th stock option plan</u>	<u>17th stock option plan</u>
Grantee categories and numbers of grantees	41 directors, managing officers or employees of the Company, and 8 directors of its subsidiaries	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
Number of shares reserved	103,000	392,500	90,500
Grant date	18th August, 2010	11th July, 2011	11th July, 2011
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011	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
Service period	From 1st July, 2010 to 30th June, 2011	From 1st July, 2011 to 30th June, 2014	From 1st July, 2011 to 30th June, 2012
Exercisable period	1st July, 2011 to 30th June, 2012	1st July, 2014 to 30th June, 2018	1st July, 2012 to 30th June, 2013

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2012:

	<u>6th stock option plan</u>	<u>8th stock option plan</u>	<u>10th stock option plan</u>	<u>12th stock option plan</u>	<u>13th stock option plan</u>	<u>14th stock option plan</u>	<u>15th stock option plan</u>	<u>16th stock option plan</u>	<u>17th stock option plan</u>
Non-vested:									
Beginning of the year	–	–	417,500	440,000	–	445,000	103,000	–	–
Granted	–	–	–	–	–	–	–	392,500	90,500
Forfeited	–	–	–	–	–	–	–	–	–
Vested	–	–	(417,500)	–	–	–	(103,000)	–	–
End of the year	–	–	–	440,000	–	445,000	–	392,500	90,500
Vested:									
Beginning of the year	367,500	415,000	–	–	25,000	–	–	–	–
Vested	–	–	417,500	–	–	–	103,000	–	–
Exercised	–	–	–	–	(25,000)	–	(81,500)	–	–
Forfeited	(27,500)	(47,500)	–	–	–	–	–	–	–
End of the year	340,000	367,500	417,500	–	–	–	21,500	–	–

* 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.

19. Stock Option Plans (continued)

Price information per option for each stock option plan as of 31st March, 2012 is summarized as follows:

	<i>Yen</i>								
	<u>6th stock option plan</u>	<u>8th stock option plan</u>	<u>10th stock option plan</u>	<u>12th stock option plan</u>	<u>13th stock option plan</u>	<u>14th stock option plan</u>	<u>15th stock option plan</u>	<u>16th stock option plan</u>	<u>17th stock option plan</u>
Exercise price	¥3,282	¥3,680	¥2,650	¥2,090	¥ 1	¥2,010	¥ 1	¥1,869	¥ 1
Average price on exercise	-	-	-	-	1,694	-	1,865	-	-
Fair value on grant date	865	1,030	631	539	2,012	284	1,534	460	1,792

	<i>U.S. dollars</i>								
	<u>6th stock option plan</u>	<u>8th stock option plan</u>	<u>10th stock option plan</u>	<u>12th stock option plan</u>	<u>13th stock option plan</u>	<u>14th stock option plan</u>	<u>15th stock option plan</u>	<u>16th stock option plan</u>	<u>17th stock option plan</u>
Exercise price	\$39.96	\$44.81	\$32.27	\$25.45	\$ 0.01	\$24.47	\$ 0.01	\$22.76	\$ 0.01
Average price on exercise	-	-	-	-	20.62	-	22.70	-	-
Fair value on grant date	10.53	12.54	7.68	6.56	24.50	3.46	18.68	5.60	21.82

The exercise price and fair value on grant date as of 31st March, 2012 reflect the five-for-one stock split on 1st April, 2007.

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2012 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>16th stock option plan</u>	<u>17th stock option plan</u>
Expected volatility *1	37.2%	27.8%
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	0.444%	0.141%

*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, 2012 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 have been determined on the basis that separate financial information for such segments is available and evaluated periodically by the Board of Directors in deciding the allocation of management resources and in assessing the business performances of such segments. The Company consists of divisions basically based on services, customers and markets, and those divisions engage in consulting services; system development and application sales; system management and operation services; and product sales. Therefore, the Company has classified its reportable segments as follows: Consulting, Financial IT Solutions, Industrial IT Solutions and IT Platform Services.

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 including valuation and diagnosis of IT assets, formulation of IT strategies and support for system operation.

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. Specifically, in addition to providing system development and outsourcing services to each customer, this segment provides industry-standard business platforms such as "THE STAR," a total securities back-office system, "I-STAR," a multi-user system for the wholesale securities sector, "T-STAR," a multi-user system for asset management firms, "BESTWAY," a system for over-the-counter sales of investment trusts, and "e-JIBAI," a multi-user system for automobile liability insurance.

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. Services including information security services and IT platform architecture tools are also provided to customers from a broad range of industry sectors.

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. 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, 2011. This organizational change is reflected in the presentation of segment information for the year ended 31st March, 2011.

20. Segment Information (continued)

Segment Information (continued)

- 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.

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

Millions of yen

	Year ended 31st March, 2012								
	Reportable segment								
	Financial Consulting	Industrial 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	¥89,343	¥13,365	¥327,022	¥ 8,519	¥335,541	¥ 14	¥335,555
Intersegment sales or transfers	122	91	5,320	66,007	71,540	3,283	74,823	(74,823)	-
Total	21,808	202,719	94,663	79,372	398,562	11,802	410,364	(74,809)	335,555
Segment profit	¥ 3,011	¥ 21,433	¥ 6,575	¥ 9,517	¥ 40,536	¥ 728	¥ 41,264	¥ 1,889	¥ 43,153
Segment assets	¥10,505	¥101,371	¥37,005	¥63,522	¥212,403	¥ 5,894	¥218,297	¥184,487	¥402,784
Other items:									
Depreciation and amortization	¥ 78	¥ 16,331	¥ 3,228	¥ 9,229	¥ 28,866	¥ 364	¥ 29,230	¥ 1,645	¥ 30,875
Increase in tangible and intangible fixed assets	94	19,565	5,749	15,068	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 ¥184,487 million is comprised of corporate assets not allocated to a reportable segment of ¥186,003 million and the eliminations of intersegment receivables of ¥(1,516) 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)

		<i>Millions of yen</i>								
		Year ended 31st March, 2011								
		Reportable segment								
		Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3	
		Consulting	Solutions	Solutions	Services	Subtotal	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		¥ 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.

*4 Segment information in the above table has been restated to reflect the Company's organizational change on 1st April, 2011. The previously reported information is as follows:

		<i>Millions of yen</i>								
		Year ended 31st March, 2011 (Previously reported)								
		Reportable segment								
		Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3	
		Consulting	Solutions	Solutions	Services	Subtotal	Total	Adjustment *2	Consolidated *3	
Net sales:										
Sales to external customers		¥19,356	¥201,768	¥85,234	¥11,322	¥317,680	¥ 8,321	¥326,001	¥ 328	¥326,329
Intersegment sales or transfers		53	66	4,878	56,327	61,324	3,095	64,419	(64,419)	-
Total		19,409	201,834	90,112	67,649	379,004	11,416	390,420	(64,091)	326,329
Segment profit		¥ 1,218	¥ 19,429	¥ 5,770	¥ 9,231	¥ 35,648	¥ 292	¥ 35,940	¥ 2,487	¥ 38,427
Segment assets		¥ 8,856	¥100,865	¥34,977	¥51,322	¥196,020	¥ 5,642	¥201,662	¥178,371	¥380,033
Other items:										
Depreciation and amortization		¥ 70	¥ 16,127	¥ 3,608	¥ 8,399	¥ 28,204	¥ 480	¥ 28,684	¥ 1,982	¥ 30,666
Increase in tangible and intangible fixed assets		80	8,260	4,051	7,064	19,455	306	19,761	995	20,756

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, 2010								
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	¥17,945	¥209,033	¥90,966	¥11,391	¥329,335	¥ 8,964	¥338,299	¥ 331	¥338,630
Intersegment sales or transfers	49	158	4,894	57,907	63,008	3,118	66,126	(66,126)	–
Total	17,994	209,191	95,860	69,298	392,343	12,082	404,425	(65,795)	338,630
Segment profit (loss)	¥ 127	¥ 19,846	¥ 8,425	¥ 8,526	¥ 36,924	¥ (468)	¥ 36,456	¥ 3,621	¥ 40,077
Segment assets	¥ 8,570	¥105,854	¥36,909	¥51,843	¥203,176	¥ 6,538	¥209,714	¥153,654	¥363,368
Other items:									
Depreciation and amortization	¥ 79	¥ 15,937	¥ 3,272	¥ 9,467	¥ 28,755	¥ 510	¥ 29,265	¥ 1,651	¥ 30,916
Increase in tangible and intangible fixed assets	81	12,242	5,608	7,082	25,013	434	25,447	3,554	29,001

*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 ¥153,654 million is comprised of corporate assets not allocated to a reportable segment of ¥155,170 million and the eliminations of intersegment receivables of ¥(1,516) 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)

<i>Thousands of U.S. dollars</i>									
Year ended 31st March, 2012									
	Reportable segment					Others	Total	Adjustment *	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	\$264,045	\$2,467,162	\$1,087,824	\$162,730	\$3,981,761	\$103,726	\$4,085,487	\$ 170	\$4,085,657
Intersegment sales or transfers	1,485	1,108	64,776	803,689	871,058	39,973	911,031	(911,031)	–
Total	265,530	2,468,270	1,152,600	966,419	4,852,819	143,699	4,996,518	(910,861)	4,085,657
Segment profit	\$ 36,661	\$ 260,965	\$ 80,056	\$115,877	\$ 493,559	\$ 8,864	\$ 502,423	\$ 23,000	\$ 525,423
Segment assets	\$127,907	\$1,234,275	\$ 450,566	\$773,432	\$2,586,180	\$ 71,765	\$2,657,945	\$2,246,280	\$4,904,225
Other items:									
Depreciation and amortization	\$ 950	\$ 198,842	\$ 39,304	\$112,371	\$ 351,467	\$ 4,432	\$ 355,899	\$ 20,029	\$ 375,928
Increase in tangible and intangible fixed assets	1,145	238,220	69,999	183,465	492,829	4,164	496,993	4,225	501,218

* The segment asset adjustment of \$2,246,280 thousand is comprised of corporate assets of \$2,264,739 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of \$(18,459) thousand.

Related information

1) Information by products and services

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

	31st March, 2012		
	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>YoY Change</i>
Consulting services	¥ 36,099	\$ 439,535	9.5%
System development and application sales	125,557	1,528,759	7.2
System management and operation services	164,084	1,997,857	(1.5)
Product sales	9,815	119,506	1.1
Total	¥335,555	\$4,085,657	2.8%

	31st March, 2011	
	<i>Millions of yen</i>	<i>YoY Change</i>
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)%

20. Segment Information (continued)

Related information (continued)

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, 2012 and 2011.

3) Information by major customer

	31st March, 2012				
	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>Percentage of total sales</i>	<i>YoY Change</i>	<i>Related segment</i>
Nomura Holdings, Inc.	¥89,474	\$1,089,419	26.7%	17.9%	Financial IT solutions
Seven & i Holdings Co., Ltd.	39,998	487,008	11.9	0.9	Industrial IT solutions, 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, 2011			
	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>Change</i>	<i>Related segment</i>
Nomura Holdings, Inc.	¥75,886	23.3%	(12.1)%	Financial IT solutions
Seven & i Holdings Co., Ltd.	39,644	12.1	(2.4)	Industrial IT solutions, 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, 2012 and 2011

Not applicable.

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

Years ended 31st March, 2012 and 2011

Not applicable.

Information about gains on negative goodwill for each reportable segment

Years ended 31st March, 2012 and 2011

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.