

This financial report is composed of two parts. The first part is an abridged translation of "Kessan Tanshin (earnings report)" for the quarterly period ended 31st December, 2011, which includes the summary and the qualitative information sections. The second part is the "Quarterly Consolidated Financial Statements," which are basically prepared based on the "Kessan Tanshin (earnings report)" but applied for some items different presentation methods.



27th January, 2012

Consolidated Financial Results For the Quarterly Period Ended 31st December, 2011 <under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 4307
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Scheduled date to file Quarterly Securities Report: 31st January, 2012
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly consolidated financial results: Yes
 Announcement for quarterly consolidated financial results (for institutional investors and analysts): Yes

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

1. Consolidated performance for the quarterly period ended 31st December, 2011 (from 1st April, 2011 to 31st December, 2011)

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

	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Quarterly period ended								
31st December, 2011	244,379	1.0	30,625	13.3	31,876	12.5	24,495	50.8
31st December, 2010	241,974	(4.0)	27,018	(17.5)	28,334	(15.2)	16,241	(12.9)

Note: Comprehensive income

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

Quarterly period ended 31st December, 2010: ¥14,365 million [–%]

	Net income per share – basic	Net income per share – diluted
Quarterly period ended	Yen	Yen
31st December, 2011	125.42	118.19
31st December, 2010	83.43	78.61

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
31st December, 2011	379,486	245,730	64.4
31st March, 2011	380,032	231,074	60.5

Reference: Equity

As of 31st December, 2011: ¥244,340 million As of 31st March, 2011: ¥229,757 million

2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31st March, 2011	–	26.00	–	26.00	52.00
Fiscal year ending 31st March, 2012	–	26.00	–		
Fiscal year ending 31st March, 2012 (Forecasts)				26.00	52.00

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

3. Forecasts of financial results for the fiscal year ending 31st March, 2012 (from 1st April, 2011 to 31st March, 2012)

(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, 2012	331,500	1.6	43,000	11.9	44,500	11.0	31,500	35.8	161.29

Note: Revisions to the forecasts of financial results most recently announced: Yes

4. Others

- (1) Changes in significant subsidiaries during the current nine months (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Adoption of specific accounting in preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement of prior period financial statements after error corrections: None
- (4) Number of shares in issue (common stock)
 - a. Total number of shares in issue at the end of the period (including treasury stock)

As of 31st December, 2011	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 December, 2011	29,147,343 shares
As of 31st March, 2011	30,277,343 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Quarterly period ended 31st December, 2011	195,304,223 shares
Quarterly period ended 31st December, 2010	194,666,814 shares

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

* Indication regarding execution of quarterly review procedures

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

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

The business forecasts are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual business results may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances. Also, forecasted cash dividends per share are based on the current business environment and forecasts of financial results. Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on page 7 for the suppositions that form the assumptions for the forecasts of financial results and cautions concerning the use thereof.

1. Qualitative information regarding third-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

The Japanese economy experienced a deterioration in corporate business sentiment against the background of factors including a slowdown in overseas economies, yen appreciation, and the floods in Thailand, despite the economy's gradual recovery from the slump following the Great East Japan Earthquake. With companies remaining cautious on investment in information systems, the information services industry continued to face a severe business environment.

Operating in such an environment, Nomura Research Institute ("the Company") and its consolidated subsidiaries ("the NRI Group") carried out its business activities with the combined strength of the Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. In order to realize medium- and long-term growth, the NRI Group 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 currently 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. This will significantly expand the market share of STAR-IV. Going forward, the Company will push ahead with further customer expansion, aiming to make STAR-IV the de facto standard for back office systems in the securities sector.

Regarding overseas areas, the NRI Group is working 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.

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.

Sales in the quarterly period ended 31st December, 2011 (nine-month period) were ¥244,379 million (up 1.0% from the same period of the previous fiscal year), and the sales of all segments except IT Platform Services exceeded those of the same period of the previous fiscal year. Cost of sales was ¥171,317 million (down 1.7%) and gross profit was ¥73,061 million (up 7.8%) as a result of an increase in software development to provide the STAR-IV service to Nomura Securities Co., Ltd. (*), and also because of a decrease in unprofitable projects. Selling, general and administrative expenses were ¥42,436 million (up 4.1%) as a result of an increase in personnel expenses accompanying an increase in personnel for future business expansion. Operating profit was ¥30,625 million (up 13.3%), operating profit margin was 12.5% (up 1.4 points), and ordinary profit was ¥31,876 million (up 12.5%).

Net income was ¥24,495 million (up 50.8% year on year) 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 December 2, 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 in relation to deferred income taxes for which realizability is no longer expected have increased.

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 same period of the previous fiscal year shown below are based on amounts restated in accordance with

the classifications following this change.

(Consulting)

This segment provides policy recommendations and strategy consulting, as well as business consulting and system consulting for operational reform and system construction.

The Company is currently pushing forward with the development of a business foundation in India for the strengthening of our business in the Asian region.

In the quarterly period ended 31st December, 2011, business consulting and system consulting to support the execution of customers' system projects increased, resulting in sales of ¥15,375 million (up 9.1% from the same period of the previous fiscal year) and operating profit of ¥1,742 million (up 192.0%).

(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.

A large project is currently underway to provide the STAR-IV service to Nomura Securities Co., Ltd. For the banking sector, the Company has started the provision of a multi-user internet banking system service. Furthermore, it is also in the process of making an Indian IT company its subsidiary to strengthen the IT solutions business overseas.

During the quarterly period ended 31st December, 2011, there were decreases in system management and operation services for the securities sector, as well as system development and application sales for the banking sector. In contrast, there were increases in system development and application sales for the securities sector and in consulting services for the insurance sector. Costs were reduced because of an increase in software development for the provision of the STAR-IV service to Nomura Securities Co., Ltd. (*)

As a result, the Financial IT Solutions segment posted sales of ¥147,676 million (up 1.1% from the same period of the previous fiscal year) and operating profit of ¥14,665 million (up 9.7%).

(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.

It 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. It is also undertaking a detailed study into a business alliance with a major food company regarding IT services.

In the quarterly period ended 31st December, 2011, sales in this segment increased particularly in system development and application sales for the manufacturing and services sectors etc., and in system management and operation services for major customers in the distribution sector. Costs were reduced because of a reduction in unprofitable projects.

As a result, the Industrial IT Solutions segment posted sales of ¥69,107 million (up 3.1% from the same period of the previous fiscal year) and operating profit of ¥4,425 million (up 36.8%).

(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 currently under construction in Tama City, Tokyo, and is scheduled to commence operations in November 2012.

In the quarterly period ended 31st December, 2011, there was an increase in intersegment sales to the Financial IT Solutions segment, while in terms of external customers, there was a decline in sales of system management and operation services to major customers in the securities sector. On the cost front, system operation expenses declined as a result of a decline in system management and operation services to the securities sector.

As a result, the IT Platform Services segment posted sales of ¥58,510 million (down 2.6% from the

same period of the previous fiscal year) and operating profit of ¥7,785 million (down 0.2%).

(Others)

Some subsidiaries and others provide system development and system management and operation services as a business segment that is separate from those shown above.

In the quarterly period ended 31st December, 2011, the Others segment posted sales of ¥8,737 million (up 3.2% from the same period of the previous fiscal year) and operating profit of ¥574 million (up 212.2%).

(*) For software developed for in-house use 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.

(2) Qualitative information regarding consolidated financial position

(Analysis of financial position)

At the end of the third quarter (31st December, 2011), current assets were ¥159,662 million (down 10.1% from the end of the previous fiscal year), noncurrent assets were ¥219,823 million (up 8.6%), current liabilities were ¥57,654 million (down 15.4%), noncurrent liabilities were ¥76,102 million (down 5.8%), net assets were ¥245,730 million (up 6.3%) and total assets were ¥379,486 million (down 0.1%).

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

Accounts receivable decreased ¥28,454 million to ¥26,236 million and other receivables increased ¥14,431 million to ¥31,028 million. This occurred partly because the NRI Group recognizes revenues based on the percentage-of-completion method, and the number of projects completed at the end of the fiscal year is comparatively large, and accordingly, compared with the end of the fiscal year, the ends of quarterly periods tend to have small values for accounts receivable and large values for other receivables.

Short-term investment securities increased ¥3,670 million to ¥83,332 million, and investment securities increased ¥12,536 million to ¥56,501 million. This was mainly due to the purchase of bonds for purposes of surplus funds management.

There was ¥2,909 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 ¥1,291 million to ¥10,491 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 ¥2,697 million to ¥69,587 million.

As for other items, accounts payable decreased ¥6,367 million to ¥16,113 million, accrued amount payable decreased ¥5,224 million to ¥2,745 million, accrued expenses increased ¥4,916 million to ¥9,415 million, allowance for bonuses decreased ¥6,106 million to ¥6,168 million, and allowance for employees' retirement benefits decreased ¥3,563 million to ¥17,126 million.

(Cash flow position)

Cash and cash equivalents as of the end of the third quarter (31st December, 2011) stood at ¥75,672 million (down ¥6,412 million from the end of the previous fiscal year).

Net cash provided by operating activities in the quarterly period ended 31st December, 2011 (nine-month period) was ¥42,102 million, which was ¥9,919 million greater compared with the same period of the previous fiscal year. The major contributing factors were a larger decrease in accounts receivable and a smaller decrease in accounts payable, in addition to an increase in operating profit. Net cash used by investing activities was ¥38,674 million, ¥15,835 million greater compared with the same period of 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 by financing activities was ¥9,638 million, ¥9,468 million greater compared with the

same period of the previous fiscal year. The main factor contributing to this difference was proceeds from issuance of short-term bonds payable in the same period of the previous fiscal year.

(3) Qualitative information regarding forecasts of financial results

The NRI Group has expanded its client and business base and has worked to reinforce its project management and cut costs in the quarterly period ended 31st December, 2011 (nine-month period). The Group expects to improve its profit margin on sales by continuing to reinforce its project management in the fourth quarter, and anticipates that operating profit will exceed the previous forecast.

In addition, 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 December 2, 2011, resulting in a decrease in the corporation tax rate and the imposition of a special reconstruction corporation tax. The Company now expects a decrease in net income since the effective corporation tax rate will be reduced from next fiscal year, requiring the Group to reverse the deferred income taxes in the current fiscal year for which realizability is not expected. Accordingly, the Company has revised its full-year forecasts for this fiscal year as shown below.

	(Forecasts of financial results)		(Millions of yen)				
	Current fiscal year		Change		Previous fiscal year (Actual result)	Change	
	Previous forecast	Revised forecast	Amount	Rate (%)		Amount	Rate (%)
Sales	331,500	331,500	–	–	326,328	5,171	1.6
Operating profit	42,000	43,000	1,000	2.4	38,426	4,573	11.9
Ordinary profit	43,500	44,500	1,000	2.3	40,073	4,426	11.0
Net income	32,000	31,500	(500)	(1.6)	23,188	8,311	35.8

The forecasts are based on information available to management at the present time and certain assumptions judged to be rational. As such, actual business results may differ from this forecast due to uncertain factors present in the forecast or future changes in business circumstances.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Quarterly Period Ended 31st December, 2011
(Unaudited)*

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

Nomura Research Institute, Ltd.

Quarterly Consolidated Financial Statements

For the quarterly period ended 31st December, 2011

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st December, 2011	31st March, 2011	31st December, 2011
	(Unaudited)		(Unaudited)
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 7</i>)	¥ 8,203	¥ 16,758	\$ 105,518
Short-term investment securities (<i>Notes 4, 5 and 7</i>)	83,332	79,661	1,071,932
Accounts receivable and other receivables (<i>Note 4</i>)	57,265	71,289	736,622
Inventories	366	256	4,708
Deferred income taxes	6,825	6,825	87,793
Other current assets	3,729	2,876	47,968
Allowance for doubtful accounts	(57)	(71)	(733)
Total current assets	<u>159,663</u>	<u>177,594</u>	<u>2,053,808</u>
Property and equipment:			
Land	13,580	12,323	174,685
Buildings, net	31,945	34,399	410,921
Machinery and equipment, net	12,282	11,532	157,988
Leased assets, net	134	197	1,724
Construction in progress	2,910	–	37,432
Property and equipment, net	<u>60,851</u>	<u>58,451</u>	<u>782,750</u>
Software and other intangibles	58,180	57,641	748,392
Investment securities (<i>Notes 4 and 5</i>)	56,501	43,965	726,794
Investments in affiliates (<i>Notes 4 and 5</i>)	1,083	1,265	13,931
Deferred income taxes	21,051	19,390	270,787
Long-term loans receivable (<i>Note 4</i>)	7,792	7,706	100,232
Lease investment assets	474	343	6,097
Other assets	13,978	13,774	179,805
Allowance for doubtful accounts	(87)	(96)	(1,119)
Total assets	<u>¥379,486</u>	<u>¥380,033</u>	<u>\$4,881,477</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st December, 2011	31st March, 2011	31st December, 2011
	(Unaudited)		(Unaudited)
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (<i>Note 4</i>)	¥ 16,114	¥ 22,481	\$ 207,281
Current portion of long-term loans payable (<i>Note 4</i>)	2,620	2,607	33,702
Lease obligations	212	223	2,727
Accrued expenses	15,584	16,774	200,463
Income taxes payable	10,664	9,425	137,175
Asset retirement obligations	17	–	219
Other current liabilities	12,443	16,650	160,059
Total current liabilities	57,654	68,160	741,626
Convertible bonds (<i>Note 4</i>)	49,997	49,997	643,131
Long-term loans payable (<i>Note 4</i>)	7,872	9,176	101,261
Lease obligations	440	339	5,660
Deferred income taxes	–	1	–
Allowance for employees' retirement benefits	17,126	20,689	220,298
Asset retirement obligations	666	596	8,567
Net assets (<i>Notes 6 and 8</i>):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st December, 2011 and 31st March, 2011			
Issued – 225,000,000 shares at 31st December, 2011 and 31st March, 2011	18,600	18,600	239,259
Additional paid-in capital	14,800	14,994	190,378
Retained earnings	278,679	264,866	3,584,757
Treasury stock, at cost			
– 29,147,343 shares at 31st December, 2011 and 30,277,343 shares at 31st March, 2011	(69,588)	(72,285)	(895,138)
Total shareholders' equity	242,491	226,175	3,119,256
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (<i>Note 5</i>)	4,809	6,258	61,860
Foreign currency translation adjustment	(2,959)	(2,675)	(38,063)
Total accumulated other comprehensive income	1,850	3,583	23,797
Share subscription rights	1,390	1,317	17,881
Total net assets	245,731	231,075	3,160,934
Total liabilities and net assets	¥379,486	¥380,033	\$4,881,477

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Income and Comprehensive Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December, 2011	Nine months ended 31st December, 2010	Nine months ended 31st December, 2011
	(Unaudited)		(Unaudited)
Sales	¥244,379	¥241,975	\$3,143,543
Cost of sales	171,317	174,205	2,203,718
Gross profit	73,062	67,770	939,825
Selling, general and administrative expenses (Notes 9 and 10)	42,437	40,751	545,884
Operating profit	30,625	27,019	393,941
Other income (expenses):			
Interest and dividend income	1,314	1,423	16,902
Equity in earnings (losses) of affiliates	83	(17)	1,068
Interest expense	(55)	(5)	(707)
Loss on investment securities	(813)	(9)	(10,458)
Gain on investments in affiliates	8,564	–	110,162
Bonus dividends income	3,011	–	38,732
Gain on reversal of subscription rights to shares	58	–	746
Impact of applying accounting standard for asset retirement obligations	–	(364)	–
Other, net	(90)	(29)	(1,158)
	12,072	999	155,287
Income before income taxes and minority interests	42,697	28,018	549,228
Provision for income taxes (Note 2)	18,202	11,774	234,139
Income before minority interests	24,495	16,244	315,089
Minority interests in gain	–	2	–
Net income (Note 8)	¥ 24,495	¥ 16,242	\$ 315,089
Minority interests in gain	¥ –	¥ 2	\$ –
Income before minority interests	24,495	16,244	315,089
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,449)	(1,309)	(18,639)
Foreign currency translation adjustment	(282)	(553)	(3,627)
Share of other comprehensive income of associates accounted for using equity method	(2)	(16)	(26)
Total other comprehensive income	(1,733)	(1,878)	(22,292)
Comprehensive income	¥ 22,762	¥ 14,366	\$ 292,797
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 22,762	¥ 14,364	\$ 292,797
Comprehensive income attributable to minority interests	–	2	–

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Changes in Net Assets

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share subscription rights	Minority interests	
Balance at 1st April, 2011	¥18,600	¥14,994	¥264,866	¥(72,285)	¥226,175	¥ 6,258	¥(2,675)	¥ 3,583	¥1,317	¥ –	¥231,075
Disposition of treasury stock	–	–	–	2,697	2,697	–	–	–	–	–	2,697
Net income	–	–	24,495	–	24,495	–	–	–	–	–	24,495
Cash dividends paid	–	–	(10,145)	–	(10,145)	–	–	–	–	–	(10,145)
Loss on disposition of treasury stock	–	(194)	(537)	–	(731)	–	–	–	–	–	(731)
Net changes other than in shareholders' equity	–	–	–	–	–	(1,449)	(284)	(1,733)	73	–	(1,660)
Balance at 31st December, 2011 (Unaudited)	<u>¥18,600</u>	<u>¥14,800</u>	<u>¥278,679</u>	<u>¥(69,588)</u>	<u>¥242,491</u>	<u>¥ 4,809</u>	<u>¥(2,959)</u>	<u>¥ 1,850</u>	<u>¥1,390</u>	<u>¥ –</u>	<u>¥245,731</u>

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 1st April, 2010	¥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	–	–	–	187	187	–	–	–	–	–	187
Net income	–	–	16,242	–	16,242	–	–	–	–	–	16,242
Cash dividends paid	–	–	(10,122)	–	(10,122)	–	–	–	–	–	(10,122)
Loss on disposition of treasury stock	–	(16)	–	–	(16)	–	–	–	–	–	(16)
Net changes other than in shareholders' equity	–	–	–	–	–	(1,309)	(569)	(1,878)	117	(10)	(1,771)
Balance at 31st December, 2010 (Unaudited)	<u>¥18,600</u>	<u>¥15,002</u>	<u>¥257,920</u>	<u>¥(72,339)</u>	<u>¥219,183</u>	<u>¥ 7,127</u>	<u>¥(2,825)</u>	<u>¥ 4,302</u>	<u>¥1,272</u>	<u>¥ –</u>	<u>¥224,757</u>

Thousands of U.S. dollars (Note 3)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share subscription rights	Minority interests	
Balance at 1st April, 2011	\$239,259	\$192,874	\$3,407,074	\$(929,830)	\$2,909,377	\$ 80,500	\$(34,410)	\$ 46,090	\$16,941	\$ –	\$2,972,408
Disposition of treasury stock	–	–	–	34,692	34,692	–	–	–	–	–	34,692
Net income	–	–	315,089	–	315,089	–	–	–	–	–	315,089
Cash dividends paid	–	–	(130,499)	–	(130,499)	–	–	–	–	–	(130,499)
Loss on disposition of treasury stock	–	(2,496)	(6,907)	–	(9,403)	–	–	–	–	–	(9,403)
Net changes other than in shareholders' equity	–	–	–	–	–	(18,640)	(3,653)	(22,293)	940	–	(21,353)
Balance at 31st December, 2011 (Unaudited)	<u>\$239,259</u>	<u>\$190,378</u>	<u>\$3,584,757</u>	<u>\$(895,138)</u>	<u>\$3,119,256</u>	<u>\$ 61,860</u>	<u>\$(38,063)</u>	<u>\$ 23,797</u>	<u>\$17,881</u>	<u>\$ –</u>	<u>\$3,160,934</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2011	2010	2011
	(Unaudited)		(Unaudited)
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 42,697	¥ 28,018	\$ 549,228
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	22,409	22,470	288,256
Interest and dividend income	(4,325)	(1,423)	(55,634)
Interest expense	55	5	707
Loss on investment securities	813	9	10,458
Gain on investments in affiliates	(8,564)	–	(110,162)
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	12,900	9,815	165,938
Allowance for doubtful accounts	(23)	(58)	(296)
Accounts payable	(1,393)	(6,970)	(17,919)
Inventories	(110)	304	(1,415)
Allowance for employees' retirement benefits	(3,563)	(3,494)	(45,832)
Other	(6,072)	(2,956)	(78,106)
Subtotal	54,824	46,084	705,223
Interest and dividends received	4,228	1,354	54,386
Interest paid	(40)	(4)	(515)
Income taxes paid	(16,910)	(15,252)	(217,520)
Net cash provided by operating activities	42,102	32,182	541,574
Cash flows from investing activities			
Payments for time deposits	(694)	(334)	(8,927)
Proceeds from time deposits	835	141	10,741
Increase in short-term investment securities	(13,234)	(16,615)	(170,234)
Proceeds from sales and redemption of short-term investment securities	11,410	4,000	146,771
Acquisition of property and equipment	(13,728)	(7,586)	(176,589)
Proceeds from sales of property and equipment	25	5	322
Increase in software and other intangibles	(15,968)	(7,628)	(205,403)
Proceeds from sales of software and other intangibles	346	1	4,451
Payments for asset retirement obligations	(24)	(50)	(309)
Increase in investment securities	(29,283)	(29)	(376,679)
Proceeds from sales and redemption of investment securities	5,291	5,247	68,060
Increase in investments in affiliates	–	(15)	–
Proceeds from sales of investments in affiliates	16,326	–	210,008
Other	23	23	296
Net cash used in investing activities	¥(38,675)	¥(22,840)	\$ (497,492)

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2011	2010	2011
	(Unaudited)		(Unaudited)
Cash flows from financing activities			
Increase in short-term loans payable	¥ 4,000	¥ 3,500	\$ 51,454
Decrease in short-term loans payable	(4,000)	(3,500)	(51,454)
Repayment of long-term loans payable	(1,291)	–	(16,607)
Proceeds from issuance of short-term bonds	–	9,997	–
Repayment of obligation under finance leases	(41)	(56)	(527)
Proceeds from sales of treasury stock	1,829	–	23,527
Cash dividends paid	(10,136)	(10,111)	(130,383)
Net cash used in financing activities	(9,639)	(170)	(123,990)
Effect of exchange rate changes on cash and cash equivalents	(201)	(469)	(2,585)
Net increase (decrease) in cash and cash equivalents	(6,413)	8,703	(82,493)
Cash and cash equivalents at beginning of period	82,085	59,776	1,055,891
Cash and cash equivalents at end of period (<i>Note 7</i>)	¥ 75,672	¥ 68,479	\$ 973,398

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

31st December, 2011

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

Description of Business

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

Nomura Research Institute India Pvt. Ltd., a newly established subsidiary during the quarterly period ended 31st December, 2011, is included in the scope of consolidation.

Basis of Presentation

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

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

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

Accounting Change

Effective the first quarter ended 30th June, 2011, 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 quarterly diluted earnings per share as follows. For stock options that vest after a specified service period, the Company now includes the portion of 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 8, “Per Share Data” for the impact of this change.

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

Additional Information

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

Effective the first quarter ended 30th June, 2011, 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.

(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 introducing this plan is to promote the Company’s perpetual growth by providing incentives to employees (including employees of consolidated subsidiaries; the same shall apply in this section) for increasing the Company’s corporate value in the mid- to long-term and by enhancing benefits and welfare of employees.

This is an incentive plan under which gains from the Company’s share price appreciation are returned to all the employee beneficiaries who participate 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 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 maturity, 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 loan liabilities remain upon maturity of the ESOP Trust.

The Company accounts for the transactions involving the ESOP Trust as its own. And the assets, liabilities, expenses and income of the ESOP Trust are 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 did not recognize the transfer of treasury stock when the Company sold treasury stock to the ESOP Trust. Each time the ESOP Trust sells treasury stock to the ESOP Group, however, the Company recognizes transfer of treasury stock. As the amounts equal to the capital gain of the ESOP Trust will be distributed to the beneficiaries after the termination of the trust, the amounts are treated as expenses for the year the gain is incurred.

The number of NRI shares owned by the ESOP Trust is 5,151,500 shares on 31st December, 2011.

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

Calculation of Tax Expense

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

3. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥77.74 = U.S.\$1.00, the rate of exchange prevailing on 31st December, 2011. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. Financial Instruments

Fair value of financial instruments

The carrying amount of financial instruments on the quarterly consolidated balance sheets as of 31st December, 2011 and 31st March, 2011 and estimated fair values are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine fair values. (see Note 2).

	<i>Millions of yen</i>					
	31st December, 2011			31st March, 2011		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
		(Unaudited)				
Assets:						
Cash and bank deposits	¥ 8,203	¥ 8,203	¥ –	¥ 16,758	¥ 16,758	¥ –
Accounts receivable and other receivables	57,265	57,265	–	71,289	71,289	–
Short-term investment securities, investment securities, and investments in affiliates	132,880	132,880	–	109,183	109,183	–
Long-term loans receivable	7,792	8,249	457	7,706	8,107	401
Total	<u>¥206,140</u>	<u>¥206,597</u>	<u>¥ 457</u>	<u>¥204,936</u>	<u>¥205,337</u>	<u>¥ 401</u>
Liabilities:						
Accounts payable	¥ 16,114	¥ 16,114	¥ –	¥ 22,481	¥ 22,481	¥ –
Convertible bonds	49,997	49,197	(800)	49,997	48,797	(1,200)
Long-term loans payable*	10,492	10,492	–	11,783	11,783	–
Total	<u>¥ 76,603</u>	<u>¥ 75,803</u>	<u>¥(800)</u>	<u>¥ 84,261</u>	<u>¥ 83,061</u>	<u>¥(1,200)</u>

* Long-term loans payable included the current portion of long-term loans payable totaling ¥2,620 million (\$33,702 thousand) and ¥2,607 million as of 31st December 2011 and 31st March, 2011, respectively.

	<i>Thousands of U.S. dollars</i>		
	31st December, 2011		
	Carrying amount	Estimated fair value	Difference
		(Unaudited)	
Assets:			
Cash and bank deposits	\$ 105,518	\$ 105,518	\$ –
Accounts receivable and other receivables	736,622	736,622	–
Short-term investment securities, investment securities, and investments in affiliates	1,709,287	1,709,287	–
Long-term loans receivable	100,232	106,111	5,879
Total	<u>\$2,651,659</u>	<u>\$2,657,538</u>	<u>\$ 5,879</u>
Liabilities:			
Accounts payable	\$ 207,281	\$ 207,281	\$ –
Convertible bonds	643,131	632,840	(10,291)
Long-term loans payable	134,963	134,963	–
Total	<u>\$ 985,375</u>	<u>\$ 975,084</u>	<u>\$(10,291)</u>

4. Financial Instruments (continued)

Fair value of financial instruments (continued)

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

Assets

- a. Cash and bank deposits, accounts receivable and other receivables
Their carrying amount approximates the fair value due to the short maturity of these instruments.
- b. Short-term investment securities, investment securities and investments in affiliates
The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities.
- c. Long-term loans receivable
Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by the risk-free rate relating to the time remaining until maturity.

Liabilities

- a. Accounts payable
Their carrying amount approximates the fair value due to the short maturity of these instruments.
- b. Convertible bonds
The fair value of convertible bonds is based on the quoted market price.
- c. Long-term loans payable
Long-term loans payable, to which variable rates are applied, approximates the carrying amount because it reflects market interest rates within a short period of time.

Note 2: The following financial instruments are not included in short-term investment securities, investment securities and investments in affiliates because no quoted market price is available and it is extremely difficult to determine the fair value.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st December, 2011	31st March, 2011	31st December, 2011
	(Unaudited)	(Unaudited)	(Unaudited)
Unlisted companies' shares	¥7,891	¥15,328	\$101,505
Investments in partnerships	145	380	1,865

*1 Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and it is extremely difficult to determine fair value. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥850 million (\$10,934 thousand) and ¥830 million as of 31st December, 2011 and 31st March, 2011, respectively.

*2 For investments in partnerships, if fair value for part or all of the components is extremely difficult to determine, such components are not measured at fair value.

5. Investments

The Company did not hold any trading securities or held-to-maturity securities with determinable market value at 31st December, 2011 and 31st March, 2011.

The following is a summary of the market value information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st December, 2011 and 31st March, 2011:

Securities classified as available-for-sale securities

	<i>Millions of yen</i>					
	31st December, 2011			31st March, 2011		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
	(Unaudited)					
Equity securities	¥ 16,881	¥ 24,512	¥7,631	¥ 25,543	¥ 36,020	¥10,477
Bonds:						
Government bonds	25,491	25,487	(4)	1	1	-
Corporate bonds	21,851	21,757	(94)	21,079	21,050	(29)
	47,342	47,244	(98)	21,080	21,051	(29)
Other	68,424	68,310	(114)	66,928	66,990	62
Total	<u>¥132,647</u>	<u>¥140,066</u>	<u>¥7,419</u>	<u>¥113,551</u>	<u>¥124,061</u>	<u>¥10,510</u>

	<i>Thousands of U.S. dollars</i>		
	31st December, 2011		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
	(Unaudited)		
Equity securities	\$ 217,147	\$ 315,307	\$98,160
Bonds:			
Government bonds	327,901	327,849	(52)
Corporate bonds	281,078	279,869	(1,209)
	608,979	607,718	(1,261)
Other	880,164	878,699	(1,465)
Total	<u>\$1,706,290</u>	<u>\$1,801,724</u>	<u>\$95,434</u>

Securities whose estimated fair value is deemed extremely difficult to measure were included in the above table. Impairment losses on the securities classified as available-for-sale securities as a result of a permanent decline in value for the nine months ended 31st December, 2011, and the year ended 31st March, 2011 were ¥919 million (\$11,821 thousand) and ¥46 million, consisting of ¥914 million (\$11,757 thousand) and ¥37 million for securities whose fair value is determinable and ¥5 million (\$64 thousand) and ¥9 million for securities whose estimated fair value is deemed extremely difficult to measure. The Company has established a policy for the recognition of impairment losses under the following conditions as of 31st December, 2011, and 31st March, 2011:

- i) For securities whose fair value has declined by 30% or more and for which a recovery to fair value is not deemed probable.
- ii) For securities whose estimated fair value is deemed extremely difficult to measure, the Company recognizes impairment if the net asset value of the investment has declined by 50% or more and for which a recovery to acquisition cost is not deemed probable.

6. Net Assets

The Corporation Law of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million (\$7,332 thousand) and ¥570 million at 31st December, 2011 and 31st March, 2011, respectively.

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 of record as of 31st March, 2011 and 30th September, 2011, respectively, during the nine-month period ended 31st December, 2011:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 18th May, 2011* (¥26.00 = U.S.\$0.33 per share)	¥5,063	\$65,127
Cash dividends approved on 28th October, 2011** (¥26.00 = U.S.\$0.33 per share)	¥5,082	\$65,372

* Dividends of ¥161 million (\$2,071 thousand) paid to the ESOP Trust are not included in the total dividends amount.

** Dividends of ¥144 million (\$1,852 thousand) paid to the ESOP Trust are not included in the total dividends amount.

7. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheets and cash and cash equivalents in the accompanying quarterly consolidated statements of cash flows at 31st December, 2011 and 2010 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st December,		31st December,
	2011	2010	2011
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥ 8,203	¥ 10,941	\$ 105,518
Short-term investment securities	83,332	70,282	1,071,932
Time deposits with maturities of more than three months when deposited	(596)	(184)	(7,667)
Bonds and other investments maturing in more than three months from the acquisition date	(15,267)	(12,560)	(196,385)
Cash and cash equivalents	<u>¥ 75,672</u>	<u>¥ 68,479</u>	<u>\$ 973,398</u>

8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2011	2010	2011
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥125.42	¥83.43	\$1.61
Earnings per share – diluted	118.19	78.61	1.52

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

The computation of earnings per share and diluted earnings per share for the nine months ended 31st December, 2011 and 2010 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2011	2010	2011
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥24,495	¥16,242	\$315,089
Earnings not available to common shareholders	(–)	(–)	(–)
Earnings available to common shareholders	¥24,495	¥16,242	\$315,089
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *1	195,304	194,667	195,304
Potentially dilutive shares of common stock:			
Convertible bonds *2	11,839	11,836	11,839
Stock options	108	108	108
Total	11,947	11,944	11,947
Weighted-average number of shares of common stock outstanding – diluted	207,251	206,611	207,251

*1 NRI 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.

8. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect, and thus have not been included in the diluted earnings per share calculation for the nine months ended 31st December, 2011 and 2010:

	<i>Shares</i>	
	Nine months ended 31st December,	
	2011	2010
	<i>(Unaudited)</i>	
a) 4th share subscription rights	–	0 *
b) 6th share subscription rights	347,500	367,500
c) 8th share subscription rights	375,000	415,000
d) 10th share subscription rights	417,500	417,500
e) 12th share subscription rights	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 the first quarter ended 30th June, 2011, 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 quarterly diluted earnings per share as follows. For stock options that vest after a specified service period, the Company now includes the portion of stock options’ fair value attributable to future service when calculating the cash proceeds assumed to be receivable upon exercise of the stock options.

Diluted earnings per share for the nine months ended 31st December, 2010 in cases where these accounting standards were not adopted were ¥78.60.

9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the nine months ended 31st December, 2011 and 2010 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2011	2010	2011
	(Unaudited)		(Unaudited)
Personnel expenses	¥23,619	¥22,331	\$303,820
Rent	3,576	3,841	45,999
Subcontractor costs	6,065	5,053	78,016
Other	9,177	9,526	118,049
Total	¥42,437	¥40,751	\$545,884

10. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the nine months ended 31st December, 2011 and 2010 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2011	2010	2011
	(Unaudited)		(Unaudited)
	¥2,594	¥2,506	\$33,368

11. Contingent Liabilities

There were no material contingent liabilities at 31st December, 2011 and 31st March, 2011.

12. Segment Information

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

Millions of yen

Nine months ended 31st December, 2011									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
	(Unaudited)								
Net sales:									
Sales to external customers	¥15,282	¥147,594	¥65,467	¥ 9,736	¥238,079	¥6,290	¥244,369	¥ 10	¥244,379
Intersegment sales or transfers	93	82	3,641	48,775	52,591	2,447	55,038	(55,038)	-
Total	15,375	147,676	69,108	58,511	290,670	8,737	299,407	(55,028)	244,379
Segment profit	¥ 1,743	¥ 14,666	¥ 4,425	¥ 7,785	¥ 28,619	¥ 574	¥ 29,193	¥ 1,432	¥ 30,625

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

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

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

Millions of yen

Nine months ended 31st December, 2010									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
	(Unaudited)								
Net sales:									
Sales to external customers	¥14,043	¥146,042	¥63,697	¥12,025	¥235,807	¥6,162	¥241,969	¥ 6	¥241,975
Intersegment sales or transfers	48	52	3,338	48,020	51,458	2,308	53,766	(53,766)	-
Total	14,091	146,094	67,035	60,045	287,265	8,470	295,735	(53,760)	241,975
Segment profit	¥ 597	¥ 13,373	¥ 3,234	¥ 7,802	¥ 25,006	¥ 184	¥ 25,190	¥ 1,829	¥ 27,019

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

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

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

12. Segment Information (continued)

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

Thousands of U.S. dollars

Nine months ended 31st December, 2011									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others	Total	Adjustments	Consolidated	
	(Unaudited)								
Net sales:									
Sales to external customers	\$196,578	\$1,898,559	\$842,128	\$125,238	\$3,062,503	\$ 80,911	\$3,143,414	\$ 129	\$3,143,543
Intersegment sales or transfers	1,196	1,055	46,836	627,412	676,499	31,476	707,975	(707,975)	–
Total	197,774	1,899,614	888,964	752,650	3,739,002	112,387	3,851,389	(707,846)	3,143,543
Segment profit	\$ 22,421	\$ 188,654	\$ 56,921	\$100,141	\$ 368,137	\$ 7,384	\$ 375,521	\$ 18,420	\$ 393,941

2) Information about changes in reportable segments

The Company implemented an organizational change on 1st April, 2011. This organizational change is reflected in the presentation of segment information for the nine months ended 31st December, 2010.

13. Subsequent Events

Not applicable.