

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, 2013, which includes the summary and the qualitative information sections. The second part is the “Quarterly Consolidated Financial Statements,” which are basically prepared based on the “Kessan Tanshin (earnings report)” but applied for some items different presentation methods.



MEMBERSHIP

30th January, 2014

Consolidated Financial Results For the Quarterly Period Ended 31st December, 2013 <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: 4th February, 2014
 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, 2013 (from 1st April, 2013 to 31st December, 2013)

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

Quarterly period ended	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st December, 2013	279,460	7.3	36,036	15.3	38,572	17.6	24,111	17.7
31st December, 2012	260,360	6.5	31,260	–	32,794	–	20,482	–

Note: Comprehensive income

Quarterly period ended 31st December, 2013: ¥35,868 million [52.8%]

Quarterly period ended 31st December, 2012: ¥23,470 million [–%]

Quarterly period ended	Net income per share – basic	Net income per share – diluted
	Yen	Yen
31st December, 2013	121.54	114.37
31st December, 2012	104.11	98.16

Note: Retrospective restatement was carried out for the quarterly period ended 31st December, 2012, in line with a change in accounting policy. Consequently, year-on-year changes are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
31st December, 2013	475,420	317,870	66.6
31st March, 2013	432,222	290,818	66.9

Reference: Equity

As of 31st December, 2013: ¥316,838 million As of 31st March, 2013: ¥289,329 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, 2013	–	26.00	–	26.00	52.00
Fiscal year ending 31st March, 2014	–	26.00	–		
Fiscal year ending 31st March, 2014 (Forecasts)				30.00	56.00

Note: Revisions to the forecasts of cash dividends most recently announced: Yes

Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on pages 8-9.

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

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 31st March, 2014	380,000	4.4	50,000	13.7	53,000	15.6	32,000	11.8	161.30

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

Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on pages 8-9.

* Notes

- (1) Changes in significant subsidiaries during the current nine months (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Adoption of specific accounting in preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons: Yes
 - 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, 2013	225,000,000 shares
As of 31st March, 2013	225,000,000 shares
 - b. Number of shares of treasury stock at the end of the period

As of 31st December, 2013	25,967,634 shares
As of 31st March, 2013	27,384,993 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Quarterly period ended 31st December, 2013	198,388,193 shares
Quarterly period ended 31st December, 2012	196,746,357 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 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 forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on pages 8-9 for the assumptions for the forecasts of business results and cautions concerning the use thereof.

Qualitative information regarding third-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

During the nine months ended 31st December, 2013 (from 1st April, 2013 to 31st December, 2013), the Japanese economy recovered moderately against the backdrop of depreciation in the yen and strengthening equity markets. Business confidence is improving and companies are becoming more upbeat about investment in information systems.

Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities leveraging the combined strengths of the Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. In order to realize medium- and long-term growth, the NRI Group is also pushing forward with growth measures in new fields while developing its strengths further.

In line with the introduction of Japanese ISAs (individual savings accounts that provide tax exemptions for small-scale investments) in January 2014, the Company started providing multi-user services for this system. Going forward, the Company will steadily respond to regulatory changes in order to further expand its multi-user services business.

In the datacenter business, the Company completed construction of Tokyo Data Center I and began providing services via the facility in the previous fiscal year. The new data center incorporates cutting-edge technology to enhance security, expandability and environmental performance.

Recognizing that data centers are important infrastructure that support business and society, the Company will work to further enhance the security and reliability of its facilities, including existing data centers, and ensure systems operate in a stable manner.

In the overseas business, the Company is establishing a system to provide both consulting and IT solution services, mainly in Asia, where there are ample opportunities for the NRI Group to expand its business. The Company’s goal is to provide support to Japanese companies moving into overseas markets and expand service provision to local governments and companies. Also, in human resources, it will push ahead with efforts to foster a work force capable of performing global business, including steps to further upgrade its overseas training systems.

During the nine months ended 31st December, 2013, the NRI Group’s sales increased year on year to ¥279,460 million (up 7.3%). Cost of sales was ¥199,585 million (up 7.2%) and gross profit was ¥79,874 million (up 7.6%). Selling, general and administrative expenses were ¥43,837 million (up 2.0%), reflecting a rise in personnel expenses due to an increase in personnel to support future business expansion. Operating profit was ¥36,036 million (up 15.3%), operating margin was 12.9% (up 0.9 points), ordinary profit was ¥38,572 million (up 17.6%), and net income was ¥24,111 million (up 17.7%).

Segment information

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

(Consulting)

This segment provides policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management. Overseas, the Company completed the procedures of investing in an Indian market research company and made it an affiliated company in July 2013. In addition to supporting Japanese companies moving into overseas markets, particularly in Asia where business expansion is expected, the Company is also expanding service provision to local governments and companies. During the nine months ended 31st December, 2013, business consulting increased on the back of improved corporate earnings. Consulting for the public sector also increased, comprising mainly consulting to assist the formulation and implementation of policy. As a result, the Consulting segment posted sales of ¥18,417 million (up 10.8% year on year) and operating profit of ¥3,223 million (up 70.1%).

(Financial IT Solutions)

In this segment, the main clients are in the financial sector, including the securities, insurance and banking sectors. The segment provides system consulting, system development and system management and operation services, and it provides IT solutions such as multi-user systems. In line with the introduction of Japanese ISAs (individual savings accounts that provide tax exemptions for small-scale investments) in January 2014, the Company started providing multi-user services for this system. Going forward, the Company will steadily respond to regulatory changes in order to further expand its multi-user services business. In addition, the Company is steadily expanding its client base through efforts to secure more customers for its front office systems, which support consulting-based sales of financial products, and for its multi-user type Internet banking system.

During the nine months ended 31st December, 2013, sales generated from system development and application sales in the securities and insurance sectors declined. However, there was an increase in system management and operation services, mainly in the securities sector, due to the start of THE STAR services for major clients in the securities sector and increased activity in equities markets. Although the Company incurred increased costs for some projects in addition to costs related to system disruption in system management and operation services for the securities sector, profitability improved because the impact from unprofitable projects was down from the same period of the previous fiscal year.

As a result of the above, the Financial IT Solutions segment posted sales of ¥162,921 million (up 5.3% year on year) and operating profit of ¥19,917 million (up 34.7%).

(Industrial IT Solutions)

This segment provides system consulting, system development, system management and operation services, and other services to the distribution, manufacturing, service and public sectors.

In this segment, the Company has been making efforts to provide IT solution proposals while working closely with the Consulting segment, which has a large number of customers in the industrial sector, to expand the client base. Also, as individual companies are finding it increasingly difficult to handle IT themselves, the Company is using its system consulting and IT solutions services to help companies restructure their IT divisions.

During the nine months ended 31st December, 2013, the segment posted an increase in sales, mainly from system development using ERP packages to help enhance management efficiency and system development for the telecommunications sector. Although there was an increase in costs related to projects aimed at expanding the client base, profitability improved due to efforts to strengthen project management.

As a result of the above, the Industrial IT Solutions segment posted sales of ¥63,931 million (up 4.5% year on year) and operating profit of ¥6,192 million (up 37.1%).

(IT Platform Services)

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

and new products related to IT solutions, and research related to leading-edge information technologies.

In this segment, the Company has been making efforts to expand its client base by not only renewing customers' IT platforms, but also by proposing IT platform solutions to customers that help them improve their businesses and revenues.

During the nine months ended 31st December, 2013, sales to external customers increased, centered on system development and application sales, partly reflecting IT platform architecture and IT platform renewal projects. Some projects became unprofitable due to increases in subcontracting costs and personnel expenses, while the Company also incurred costs related to the start of operations at Tokyo Data Center I. Consequently, profitability declined in this segment.

As a result of the above, the IT Platform Services segment posted sales of ¥83,150 million (up 7.2% year on year) and operating profit of ¥4,988 million (down 39.5%).

(Others)

The Others segment comprises subsidiaries and others that provide system development and system management and operation services not included in the other four segments.

During the nine months ended 31st December, 2013, the Others segment posted sales of ¥11,027 million (up 17.9% year on year) and operating profit of ¥827 million (down 8.0%).

(2) Qualitative information regarding consolidated financial position

(Assets, liabilities and net assets)

At the end of the third quarter (31st December, 2013), current assets were ¥208,217 million (up 10.0% from the end of the previous fiscal year), noncurrent assets were ¥267,203 million (up 10.0%), current liabilities were ¥118,469 million (up 0.2%), noncurrent liabilities were ¥39,080 million (up 68.5%), net assets were ¥317,870 million (up 9.3%), and total assets were ¥475,420 million (up 10.0%).

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

Accounts receivable declined ¥18,124 million to ¥35,914 million and other receivables increased ¥26,890 million to ¥49,380 million. The NRI Group recognizes revenues based on the percentage-of-completion method. The number of projects completed at the end of the fiscal year is comparatively large, and accordingly, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for accounts receivable and large values for other receivables.

Short-term investment securities increased ¥9,080 million to ¥99,265 million and investment securities increased ¥19,066 million to ¥107,444 million. These increases reflected the purchase of securities and an increase in the value of the Company's shareholdings.

In the second quarter, the Company issued straight corporate bonds to record bonds of ¥30,000 million. This amount was procured as redemption funds for convertible bonds that will reach maturity in March.

Effective 1st April, 2013, the Company adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of 17th May, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of 17th May, 2012). Moreover, in the second quarter, the Company contributed ¥15,000 million to establish an employee retirement benefit trust. Consequently, as of the end of the third quarter (31st December, 2013), assets related to retirement benefits were ¥4,058 million and liabilities related to retirement benefits were ¥4,705 million (as of the end of the previous fiscal year, employees' retirement benefits were ¥17,964 million).

In addition, accrued amount payable declined ¥1,457 million to ¥3,280 million, accrued expenses increased ¥5,998 million to ¥10,842 million, and allowance for bonuses declined ¥6,667 million to ¥7,153 million.

(Cash flow position)

Cash and cash equivalents as of the end of the third quarter (31st December, 2013) stood at ¥109,284 million (up ¥9,661 million from the end of the previous fiscal year).

Net cash provided by operating activities in the nine months ended 31st December, 2013 was ¥17,272 million, a decrease of ¥18,866 million compared with the same period of the previous fiscal year. This reflected the contribution of ¥15,000 million to establish an employee retirement benefit trust and changes in accounts receivable and other receivables shifted to a large increase in the

second quarter.

Net cash used in investing activities was ¥29,688 million, a decline of ¥7,211 million from the same period of the previous fiscal year. Cash was mainly used for the acquisition of property and equipment related to data centers and the acquisition of software and other intangibles related to the development of multi-user systems.

Net cash provided by financing activities was ¥21,617 million, compared with ¥9,925 million used in the same period of the previous fiscal year. This reflected ¥30,000 million provided by the issuance of straight corporate bonds and ¥10,468 million used to pay cash dividends.

(3) Qualitative information regarding forecasts of financial results

(I) Business results

The Japanese economy has been recovering moderately against the backdrop of depreciation in the yen and strengthening equity markets. Business confidence is improving and companies are becoming more upbeat about investment in information systems.

Under these circumstances, the NRI Group's sales have shown strong growth in all segments. Orders have also been favorable recently, and growth has been stronger than expected particularly in the Financial IT Solutions and Industrial IT Solutions segments.

In light of these conditions, the Company revised its business forecasts for the fiscal year ending 31st March, 2014, which were announced on 25th July, 2013. Details are as follows.

1) Consolidated performance

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Sales	375,000	380,000	5,000	1.3	363,891
Operating profit	49,000	50,000	1,000	2.0	43,967
Ordinary profit	51,500	53,000	1,500	2.9	45,858
Net income	32,000	32,000	-	-	28,612
Net income per share (Yen)	161.49	161.30			145.29

* Effective 1st October, 2013, the Company adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30). The results for the previous fiscal year are those after retrospective application (the same applies hereinafter).

2) Others

a. Consolidated sales by segment

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting	24,000	25,000	1,000	4.2	22,761
Financial IT Solutions	220,000	222,000	2,000	0.9	219,754
Securities sector	111,000	112,000	1,000	0.9	115,904
Insurance sector	51,000	51,000	-	-	50,162
Banking sector	30,000	31,000	1,000	3.3	27,909
Other financial sector, etc.	28,000	28,000	-	-	25,778
Industrial IT Solutions	84,000	86,000	2,000	2.4	83,615
Distribution sector	42,500	43,500	1,000	2.4	44,806
Manufacturing and service sectors	41,500	42,500	1,000	2.4	38,808
IT Platform Services	37,000	37,000	-	-	28,850
Others	10,000	10,000	-	-	8,910
Total	375,000	380,000	5,000	1.3	363,891

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

b. Consolidated sales by service

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting services	38,000	41,000	3,000	7.9	39,078
System development & application sales	142,000	144,000	2,000	1.4	140,478
System management & operation services	185,000	185,000	–	–	174,990
Product sales	10,000	10,000	–	–	9,344
Total	375,000	380,000	5,000	1.3	363,891

(II) Dividends

1) Dividend policy

The Company's basic policy is to continue paying stable dividends while maintaining sufficient retained earnings for its medium- and long-term business development. Keeping this in mind, the Company previously aimed for a consolidated dividend payout ratio of 30% of consolidated net income.

In view of the Company's ongoing work to develop a strong financial base for future business development, the Company has decided to raise its targeted consolidated dividend payout ratio to 35% in order to increase the returns it provides to shareholders.

2) Dividend forecast

In line with the change in the targeted consolidated dividend payout ratio from 30% to 35%, the Company has upwardly revised its forecast for cash dividends per share with the record date of the end of the current fiscal year (31st March, 2014), from the previous forecast of ¥26 per share to ¥30 per share.

Combined with interim cash dividends paid in November 2013 (the record date of interim dividends was 30th September, 2013), the annual cash dividend per share for the current fiscal year with the revised dividend forecast factored in is now ¥56 per share. This brings the forecast consolidated dividend payout ratio(*) to 35.3% for the current fiscal year.

* Forecast consolidated dividend payout ratio = Total annual cash dividends (including dividends for the trust exclusive for NRI Group Employee Stock Ownership Group) / Forecast consolidated net income

(Caution concerning forward-looking statements)

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions (suppositions) judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Material factors that could possibly affect the actual business results, etc. include, but are not limited to, the domestic and overseas economic situation, demand in the IT services market, competition with competitors, and changes in taxation and other systems. Note the Company will not always revise business forecasts, etc. upon every occurrence of new information or event.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Nine-Month Period Ended 31st December, 2013
(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.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Nine-Month Period Ended 31st December, 2013
(Unaudited)*

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st March, 2013	31st December, 2013	31st December, 2013
		(Unaudited)	(Unaudited)
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 7</i>)	¥ 10,274	¥ 10,468	\$ 99,345
Short-term investment securities (<i>Notes 4, 5 and 7</i>)	90,186	99,266	942,071
Accounts receivable and other receivables (<i>Note 4</i>)	76,530	85,295	809,481
Inventories	224	1,105	10,487
Deferred income taxes	7,251	7,255	68,853
Other current assets	4,815	4,912	46,616
Allowance for doubtful accounts	(74)	(83)	(788)
Total current assets	189,206	208,218	1,976,065
Property and equipment:			
Land	12,141	12,154	115,346
Buildings, net	40,502	39,918	378,836
Machinery and equipment, net	10,743	12,587	119,455
Leased assets, net	70	46	437
Property and equipment, net	63,456	64,705	614,074
Software and other intangibles	42,854	44,127	418,781
Investment securities (<i>Notes 4 and 5</i>)	88,378	107,444	1,019,683
Investments in affiliates (<i>Notes 4 and 5</i>)	10,441	12,172	115,517
Deferred income taxes	14,381	9,486	90,026
Long-term loans receivable (<i>Note 4</i>)	7,937	8,026	76,170
Lease investment assets	436	701	6,653
Net defined benefit asset	–	4,058	38,512
Other assets	15,179	16,546	157,027
Allowance for doubtful accounts	(46)	(62)	(588)
Total assets	¥432,222	¥475,421	\$4,511,920

Thousands of
U.S. dollars
(Note 3)

	<i>Millions of yen</i>		
	31st March, 2013	31st December, 2013	31st December, 2013
		(Unaudited)	(Unaudited)
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 4)	¥ 20,498	¥ 19,613	\$ 186,135
Current portion of convertible bonds	49,996	49,995	474,471
Current portion of long-term loans payable (Note 4)	2,453	2,345	22,255
Lease obligations, current	268	284	2,695
Accrued expenses	18,664	17,995	170,779
Income taxes payable	11,318	9,463	89,807
Advance payments received	5,184	5,735	54,427
Asset retirement obligations	3	94	892
Other current liabilities	9,824	12,946	122,863
Total current liabilities	118,208	118,470	1,124,324
Bonds (Note 4)	–	30,000	284,711
Long-term loans payable (Note 4)	4,250	3,161	29,999
Lease obligations	342	521	4,944
Deferred income taxes	38	47	446
Provision for retirement benefits	17,965	–	–
Net defined benefit liability	–	4,706	44,662
Asset retirement obligations	601	582	5,523
Other long-term liabilities	–	63	598
Net assets (Notes 6 and 8):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2013 and 31st December, 2013			
Issued – 225,000,000 shares at 31st March, 2013 and 31st December, 2013	18,600	18,600	176,521
Additional paid-in capital	14,800	14,947	141,853
Retained earnings	303,299	318,060	3,018,506
Treasury stock, at cost:			
– 27,384,993 shares at 31st March, 2013 and 25,967,634 shares at 31st December, 2013	(63,666)	(60,556)	(574,699)
Total shareholders' equity	273,033	291,051	2,762,181
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 5)	17,937	28,820	273,513
Deferred losses on hedges	–	(40)	(380)
Foreign currency translation adjustment	(1,640)	(771)	(7,317)
Remeasurements of defined benefit plans	–	(2,222)	(21,088)
Total accumulated other comprehensive income	16,297	25,787	244,728
Share subscription rights	1,410	954	9,054
Minority interests	78	79	750
Total net assets	290,818	317,871	3,016,713
Total liabilities and net assets	¥432,222	¥475,421	\$4,511,920

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Income and Comprehensive Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December, 2012	Nine months ended 31st December, 2013	Nine months ended 31st December, 2013
	(Unaudited)	(Unaudited)	(Unaudited)
Sales	¥260,360	¥279,460	\$2,652,178
Cost of sales	186,108	199,586	1,894,144
Gross profit	74,252	79,874	758,034
Selling, general and administrative expenses (<i>Notes 9 and 10</i>)	42,991	43,837	416,029
Operating profit	31,261	36,037	342,005
Other income (expenses):			
Interest and dividend income	1,189	1,850	17,557
Interest expense	(5)	(32)	(304)
Equity in earnings of affiliates	239	652	6,188
Loss on property and equipment	(7,732)	–	–
Gain (loss) on investment securities	(68)	31	294
Bonds issuance cost	–	(91)	(864)
Gain on negative goodwill	4,661	–	–
Reversal of share-based compensation	158	296	2,809
Other, net	111	156	1,481
	(1,447)	2,862	27,161
Income before income taxes and minority interests	29,814	38,899	369,166
Provision for income taxes (<i>Note 2</i>)	9,334	14,787	140,334
Income before minority interests	20,480	24,112	228,832
Minority interests in income (loss)	(3)	0	0
Net income (<i>Note 8</i>)	¥ 20,483	¥ 24,112	\$ 228,832
Minority interests in income (loss)	¥ (3)	¥ 0	\$ 0
Income before minority interests	20,480	24,112	228,832
Other comprehensive income:			
Valuation difference on available-for-sale securities	2,472	10,760	102,116
Deferred losses on hedges	–	(40)	(380)
Foreign currency translation adjustment	364	821	7,792
Remeasurements of defined benefit plans, net of tax	–	40	380
Share of other comprehensive income of affiliates	155	175	1,661
Total other comprehensive income	2,991	11,756	111,569
Comprehensive income	¥ 23,471	¥ 35,868	\$ 340,401
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 23,474	¥ 35,868	\$ 340,401
Comprehensive income attributable to minority interests	(3)	0	0

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Changes in Net Assets

<i>Millions of yen</i>					
Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2012	¥18,600	¥14,800	¥286,907	¥(68,841)	¥251,466
Cumulative effect of changes in accounting policies	-	-	(2,412)	2,369	(43)
Balance as restated	18,600	14,800	284,495	(66,472)	251,423
Disposition of treasury stock	-	-	-	2,255	2,255
Loss on disposition of treasury stock	-	-	(57)	-	(57)
Net income	-	-	20,483	-	20,483
Cash dividends paid	-	-	(10,456)	-	(10,456)
Change of scope of equity method	-	-	704	-	704
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 31st December, 2012 (unaudited)	¥18,600	¥14,800	¥295,169	¥(64,217)	¥264,352

<i>Millions of yen</i>								
Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at 1st April, 2012	¥ 7,966	¥ -	¥(2,575)	¥ -	¥5,391	¥1,420	¥ -	¥258,277
Cumulative effect of changes in accounting policies	-	-	-	-	-	-	-	(43)
Balance as restated	7,966	-	(2,575)	-	5,391	1,420	-	258,234
Disposition of treasury stock	-	-	-	-	-	-	-	2,255
Loss on disposition of treasury stock	-	-	-	-	-	-	-	(57)
Net income	-	-	-	-	-	-	-	20,483
Cash dividends paid	-	-	-	-	-	-	-	(10,456)
Change of scope of equity method	-	-	-	-	-	-	-	704
Net changes other than in shareholders' equity	2,614	-	376	-	2,990	(68)	79	3,001
Balance at 31st December, 2012 (unaudited)	¥10,580	¥ -	¥(2,199)	¥ -	¥8,381	¥1,352	¥79	¥274,164

<i>Millions of yen</i>					
Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2013	¥18,600	¥14,800	¥303,299	¥(63,666)	¥273,033
Cumulative effect of changes in accounting policies	-	-	1,126	-	1,126
Balance as restated	18,600	14,800	304,425	(63,666)	274,159
Disposition of treasury stock	-	-	-	3,110	3,110
Gain on disposition of treasury stock	-	147	-	-	147
Net income	-	-	24,112	-	24,112
Cash dividends paid	-	-	(10,477)	-	(10,477)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 31st December, 2013 (unaudited)	¥18,600	¥14,947	¥318,060	¥(60,556)	¥291,051

<i>Millions of yen</i>								
Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at 1st April, 2013	¥17,937	¥ -	¥(1,640)	¥ -	¥16,297	¥1,410	¥78	¥290,818
Cumulative effect of changes in accounting policies	-	-	-	(2,266)	(2,266)	-	-	(1,140)
Balance as restated	17,937	-	(1,640)	(2,266)	14,031	1,410	78	289,678
Disposition of treasury stock	-	-	-	-	-	-	-	3,110
Gain on disposition of treasury stock	-	-	-	-	-	-	-	147
Net income	-	-	-	-	-	-	-	24,112
Cash dividends paid	-	-	-	-	-	-	-	(10,477)
Net changes other than in shareholders' equity	10,883	(40)	869	44	11,756	(456)	1	11,301
Balance at 31st December, 2013 (unaudited)	¥28,820	¥(40)	¥ (771)	¥(2,222)	¥25,787	¥ 954	¥79	¥317,871

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Changes in Net Assets (Continued)

Thousands of U.S. dollars (Note 3)

Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2013	\$176,521	\$140,457	\$2,878,419	\$(604,214)	\$2,591,183
Cumulative effect of changes in accounting policies	–	–	10,686	–	10,686
Balance as restated	176,521	140,457	2,889,105	(604,214)	2,601,869
Disposition of treasury stock	–	–	–	29,515	29,515
Gain on disposition of treasury stock	–	1,396	–	–	1,396
Net income	–	–	228,832	–	228,832
Cash dividends paid	–	–	(99,431)	–	(99,431)
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 31st December, 2013 (unaudited)	<u>\$176,521</u>	<u>\$141,853</u>	<u>\$3,018,506</u>	<u>\$(574,699)</u>	<u>\$2,762,181</u>

Thousands of U.S. dollars (Note 3)

Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at 1st April, 2013	\$170,229	\$ –	\$(15,564)	\$ –	\$154,665	\$13,382	\$740	\$2,759,970
Cumulative effect of changes in accounting policies	–	–	–	(21,505)	(21,505)	–	–	(10,819)
Balance as restated	170,229	–	(15,564)	(21,505)	133,160	13,382	740	2,749,151
Disposition of treasury stock	–	–	–	–	–	–	–	29,515
Gain on disposition of treasury stock	–	–	–	–	–	–	–	1,396
Net income	–	–	–	–	–	–	–	228,832
Cash dividends paid	–	–	–	–	–	–	–	(99,431)
Net changes other than in shareholders' equity	103,284	(380)	8,247	417	111,568	(4,328)	10	107,250
Balance at 31st December, 2013 (unaudited)	<u>\$273,513</u>	<u>\$(380)</u>	<u>\$ (7,317)</u>	<u>\$(21,088)</u>	<u>\$244,728</u>	<u>\$ 9,054</u>	<u>\$750</u>	<u>\$3,016,713</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 29,814	¥ 38,899	\$ 369,166
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	23,102	22,785	216,238
Interest and dividend income	(1,189)	(1,850)	(17,557)
Interest expense	5	32	304
Loss on property and equipment	7,732	–	–
Loss (gain) on investment securities	68	(31)	(294)
Gain on negative goodwill	(4,661)	–	–
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	8,203	(7,938)	(75,335)
Allowance for doubtful accounts	(13)	24	228
Accounts payable	(3,858)	4,987	47,328
Inventories	(83)	(881)	(8,361)
Provision for retirement benefits	(1,803)	(17,568)	(166,727)
Net defined benefit liability	–	(1,097)	(10,411)
Other	(7,038)	(5,570)	(52,861)
Subtotal	50,279	31,792	301,718
Interest and dividends received	1,361	2,154	20,442
Interest paid	(32)	(19)	(180)
Income taxes paid	(15,470)	(16,655)	(158,062)
Net cash provided by operating activities	36,138	17,272	163,918
Cash flows from investing activities			
Payments for time deposits	(622)	(269)	(2,553)
Proceeds from time deposits	685	744	7,061
Proceeds from sales and redemption of short-term investment securities	11,800	–	–
Acquisition of property and equipment	(15,705)	(9,550)	(90,633)
Proceeds from sales of property and equipment	5	1	9
Purchase of software and other intangibles	(13,072)	(16,885)	(160,245)
Proceeds from sales of software and other intangibles	0	23	218
Payments for asset retirement obligations	(36)	(0)	(0)
Purchase of investment securities	(21,334)	(2,959)	(28,082)
Proceeds from sales and redemption of investment securities	3,618	95	902
Purchase of investments in affiliates	(2,253)	(902)	(8,560)
Other	14	14	133
Net cash used in investing activities	¥(36,900)	¥ (29,688)	\$ (281,750)

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Cash flows from financing activities			
Increase in short-term loans payable	¥ 552	¥ 500	\$ 4,745
Decrease in short-term loans payable	(500)	(500)	(4,745)
Repayment of long-term loans payable	(1,257)	(1,197)	(11,360)
Proceeds from issuance of bonds	–	29,909	283,847
Repayment of obligation under finance leases	(83)	(70)	(664)
Proceeds from sales of treasury stock	1,804	3,444	32,685
Purchase of treasury stock	–	(0)	(0)
Cash dividends paid	(10,441)	(10,468)	(99,345)
Net cash provided by (used in) financing activities	(9,925)	21,618	205,163
Effect of exchange rate changes on cash and cash equivalents	240	459	4,355
Net increase (decrease) in cash and cash equivalents	(10,447)	9,661	91,686
Cash and cash equivalents at beginning of period	77,044	99,623	945,459
Cash and cash equivalents at end of period <i>(Note 7)</i>	¥ 66,597	¥109,284	\$1,037,145

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

31st December, 2013

1. Description of Business, Basis of Presentation, Changes in Accounting Policies, and Additional Information

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 21 consolidated subsidiaries) and its affiliates (4 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.

The Company acquired shares of Market Xcel Data Matrix Private Limited during the quarterly period ended 30th September, 2013. As a result, Market Xcel Data Matrix Private Limited is newly accounted for by the equity method.

Basis of Presentation

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

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

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

1. Description of Business, Basis of Presentation, Changes in Accounting Policies, and Additional Information (continued)

Changes in Accounting Policies

(Accounting for Retirement Benefits)

The Company has adopted “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of 17th May, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of 17th May, 2012) from the quarterly period ended 30th June, 2013. Under these accounting standards, unrecognized actuarial gains and losses and unrecognized prior service costs after tax are recorded in the net assets section as a component of accumulated other comprehensive income, and the amounts of retirement benefit obligations minus pension assets are recorded as a net defined benefit liability (or as a net defined benefit asset if the amounts of pension assets exceeds the retirement benefit obligations). In addition, the Company reviewed the calculation method regarding retirement benefit obligations and service costs and changed the method of attributing expected retirement benefits to accounting periods from the straight-line basis to the benefit formula basis.

In accordance with transitional treatment in Article 37 of the retirement benefits accounting standard, at the beginning of the nine-month period ended 31st December, 2013, the amounts of the impacts resulting from recognition of net defined benefit liabilities were added to, or deducted from, remeasurements of defined benefit plans in accumulated other comprehensive income. In addition, the amounts of the impacts resulting from changes of calculation method of retirement benefit obligations and prior service costs were added to, or deducted from, retained earnings.

This change did not have a material effect on net income for the nine-month period ended 31st December, 2013.

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

The Company has adopted “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30 of 25th December, 2013) and changed the corresponding accounting policy.

Before the change in the accounting policy, the Company had recognized the transfer of treasury stock not when the Company sold treasury stock to ESOP Trust but when the ESOP Trust sold its holdings of treasury stock to the ESOP Trust Group. Also, the Company had treated the earnings on stock in the ESOP Trust as expenses during the corresponding year that the gain was realized as the earnings would be distributed to the beneficiaries after termination of the ESOP Trust.

Due to the change in the accounting policy, the Company recognizes the transfer of treasury stock when the Company sells treasury stock to the ESOP Trust and records the acquisition costs of the Company’s shares that the ESOP Trust owns at the end of period in the net assets section as treasury stock. As for the earnings on stock in the ESOP Trust, the Company includes them in the liabilities section as a suspense account to be settled. The Company includes losses on stock in the ESOP Trust in the assets section as a suspense account to be settled and also records a provision when it is expected that the outstanding loans used to purchase shares will remain unsettled at termination of the ESOP Trust.

1. Description of Business, Basis of Presentation, Changes in Accounting Policies, and Additional Information (continued)

Changes in Accounting Policies (continued)

This change in the accounting policy has been applied retrospectively, and the accompanying consolidated financial statements for the nine-month period ended 31st December, 2012 and the year ended 31st March, 2013 were adjusted accordingly. This change did not have a material effect on net income for the nine-month period ended 31st December, 2012.

Additional Information

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

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

This is an incentive plan under which gains from the Company’s share price appreciation are distributed to all participants in the ESOP Group. The ESOP Trust was established exclusively for the ESOP Group to carry out this plan. The ESOP Trust acquired the number of the Company’s shares, which the ESOP Group would have acquired 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 is to acquire 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 beneficiaries. 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 unsettled upon termination of the ESOP Trust.

The Company includes the assets and liabilities of the ESOP Trust at the end of period in the accompanying quarterly consolidated balance sheet. The Company recognizes the transfer of treasury stock when the Company sells treasury stock to the ESOP Trust and records the acquisition costs of the Company’s shares that the ESOP Trust owns at the end of period in the net assets section as treasury stock. As for the earnings on stock in the ESOP Trust, the Company records them in the liabilities section as a suspense account to be settled. The Company records the losses on stock in the ESOP Trust in the assets section as a suspense account to be settled and also a provision when it is expected that the outstanding loans used to purchase shares will remain unsettled at the termination of the ESOP Trust.

As of 31st December, 2013, ¥5,626 million (\$53,393 thousand) (corresponding to 2,961 thousand shares of the Company held by the ESOP Trust) and the loan payable of the ESOP Trust of ¥5,506 million (\$52,254 thousand) are recorded in the accompanying quarterly consolidated balance sheet.

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 statement of income and comprehensive income.

3. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥105.37 = U.S.\$1.00, the rate of exchange prevailing on 31st December, 2013. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. Financial Instruments

Fair value of financial instruments

The carrying amount of financial instruments on the quarterly consolidated balance sheet as of 31st March, 2013 and 31st December, 2013 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, 2013			31st December, 2013		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
					(Unaudited)	
Assets:						
Cash and bank deposits	¥ 10,274	¥ 10,274	¥ –	¥ 10,468	¥ 10,468	¥ –
Accounts receivable and other receivables	76,530	76,530	–	85,295	85,295	–
Short-term investment securities, investment securities, and investments in affiliates	180,870	178,257	(2,613)	207,521	208,082	561
Long-term loans receivable	7,937	8,367	430	8,026	8,366	340
Total	<u>¥275,611</u>	<u>¥273,428</u>	<u>¥(2,183)</u>	<u>¥311,310</u>	<u>¥312,211</u>	<u>¥ 901</u>
Liabilities:						
Accounts payable	¥ 20,498	¥ 20,498	¥ –	¥ 19,613	¥ 19,613	¥ –
Bonds	–	–	–	30,000	30,022	22
Convertible bonds *1	49,996	49,996	–	49,995	49,945	(50)
Long-term loans payable *2	6,703	6,703	–	5,506	5,506	–
Total	<u>¥ 77,197</u>	<u>¥ 77,197</u>	<u>¥ –</u>	<u>¥105,114</u>	<u>¥105,086</u>	<u>¥ (28)</u>

	<i>Thousands of U.S. dollars</i>		
	31st December, 2013		
	Carrying amount	Estimated fair value	Difference
		(Unaudited)	
Assets:			
Cash and bank deposits	\$ 99,345	\$ 99,345	\$ –
Accounts receivable and other receivables	809,481	809,481	–
Short-term investment securities, investment securities, and investments in affiliates	1,969,451	1,974,775	5,324
Long-term loans receivable	76,169	79,396	3,227
Total	<u>\$2,954,446</u>	<u>\$2,962,997</u>	<u>\$ 8,551</u>
Liabilities:			
Accounts payable	\$ 186,135	\$ 186,135	\$ –
Bonds	284,711	284,920	209
Convertible bonds *1	474,470	473,996	(474)
Long-term loans payable *2	52,254	52,254	–
Total	<u>\$ 997,570</u>	<u>\$ 997,305</u>	<u>\$ (265)</u>

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

*2 Long-term loans payable included the current portion of long-term loans payable totaling ¥2,453 million and ¥2,345 million (\$22,255 thousand) as of 31st March, 2013 and 31st December, 2013, respectively.

4. Financial Instruments (continued)

Fair value of financial instruments (continued)

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

Assets

a. Cash and bank deposits

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

b. Accounts receivable and other receivables

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

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

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

d. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by 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. Bonds

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

c. Convertible bonds

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

d. 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.

4. Financial Instruments (continued)

Fair value of financial instruments (continued)

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, 2013	31st December, 2013	31st December, 2013
		(Unaudited)	(Unaudited)
Unlisted companies' shares *1	¥7,959	¥11,126	\$105,590
Investments in partnerships *2	176	235	2,230

*1 Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥1,069 million and ¥1,357 million (\$12,878 thousand) as of 31st March, 2013 and 31st December, 2013, respectively.

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

5. Investments

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

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

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2013			31st December, 2013		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 17,506	¥ 43,263	¥25,757	¥ 20,337	¥ 62,783	¥42,446
Bonds:					(Unaudited)	
Government bonds	45,451	45,516	65	45,219	45,236	17
Other	90,411	90,362	(49)	99,538	99,500	(38)
Total	¥153,368	¥179,141	¥25,773	¥165,094	¥207,519	¥42,425

	<i>Thousands of U.S. dollars</i>		
	31st December, 2013		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 193,006	\$ 595,834	\$402,828
Bonds:			
Government bonds	429,145	429,306	161
Other	944,652	944,292	(360)
Total	\$1,566,803	\$1,969,432	\$402,629

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the year ended 31st March, 2013 and the nine months ended 31st December, 2013 amounted to ¥69 million and ¥16 million (\$152 thousand). The Company has established a policy for the recognition of impairment losses under the following conditions:

- i) For marketable securities whose fair value has declined by 30% or more, the Company recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.
- ii) For non-marketable securities whose fair value is not readily determinable, of which net asset value has declined by 50% or more, the Company recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.

6. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥570 million (\$5,410 thousand) at 31st March, 2013 and 31st December, 2013, respectively.

Dividends

For the nine months ended 31st December, 2012

1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 17th May, 2012 *1	Common Stock	¥5,226	¥26.00	31st March, 2012	4th June, 2012	Retained earnings
Meeting of the Board of Directors on 26th October, 2012 *2	Common Stock	¥5,228	¥26.00	30th September, 2012	30th November, 2012	Retained earnings

*1 Dividends of ¥126 million paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥109 million paid to the ESOP Trust are included in the total dividends amount.

For the nine months ended 31st December, 2013

1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 15th May, 2013 *1	Common Stock	¥5,229	\$49,626	¥26.00	\$0.25	31st March, 2013	3rd June, 2013	Retained earnings
Meeting of the Board of Directors on 25th October, 2013 *2	Common Stock	¥5,248	\$49,805	¥26.00	\$0.25	30th September, 2013	29th November, 2013	Retained earnings

*1 Dividends of ¥92 million (\$873 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥81 million (\$769 thousand) paid to the ESOP Trust are included in the total dividends amount.

7. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheet and cash and cash equivalents in the accompanying quarterly consolidated statement of cash flows at 31st December, 2012 and 2013 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st December,		31st December,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥12,215	¥ 10,468	\$ 99,345
Short-term investment securities	55,040	99,266	942,071
Time deposits with maturities of more than three months when deposited	(658)	(450)	(4,271)
Cash and cash equivalents	<u>¥66,597</u>	<u>¥109,284</u>	<u>\$1,037,145</u>

8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Earnings per share	¥104.11	¥121.54	\$1.15
Diluted earnings per share	98.16	114.37	1.09

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

The computation of earnings per share and diluted earnings per share for the nine months ended 31st December, 2012 and 2013 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥20,483	¥24,112	\$228,832
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	¥20,483	¥24,112	\$228,832
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *	196,746	198,388	198,388
Potentially dilutive shares of common stock:			
Convertible bonds	11,840	11,839	11,839
Stock options	88	597	597
Total	11,928	12,436	12,436
Weighted-average number of shares of common stock outstanding – diluted	208,674	210,824	210,824

* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 3,788 thousand and 2,961 thousand shares of the Company as of 31st December, 2012 and 2013, respectively. The weighted-average numbers of shares the ESOP Trust owned were 4,335 thousand and 3,229 thousand during the nine-month periods ended 31st December, 2012 and 2013, respectively.

8. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the nine months ended 31st December, 2012 and 2013:

	<i>Shares</i>	
	Nine months ended 31st December,	
	2012	2013
	(Unaudited)	
a) 6th share subscription rights	280,000	0 *
b) 8th share subscription rights	315,000	262,500
c) 10th share subscription rights	335,000	–
d) 12th share subscription rights	440,000	–
e) 14th share subscription rights	445,000	–
f) 16th share subscription rights	392,500	–
g) 18th share subscription rights	385,000	–
h) 20th share subscription rights	–	385,000

* The exercise period expired on 30th June, 2013.

9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the nine months ended 31st December, 2012 and 2013 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Personnel expenses	¥23,515	¥24,027	\$228,025
Rent	3,517	3,538	33,577
Subcontractor costs	6,419	6,700	63,585
Other	9,540	9,572	90,842
Total	¥42,991	¥43,837	\$416,029

10. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥2,529 million and ¥2,566 million (\$24,352 thousand) for the nine months ended 31st December, 2012 and 2013, respectively.

11. Contingent Liabilities

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

12. Segment Information

Net sales and profit (loss) by reportable segments

Millions of yen

Nine months ended 31st December, 2012									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	¥16,529	¥154,551	¥61,167	¥21,540	¥253,787	¥6,571	¥260,358	¥ 2	¥260,360
Intersegment sales or transfers	86	123	32	55,999	56,240	2,783	59,023	(59,023)	–
Total	16,615	154,674	61,199	77,539	310,027	9,354	319,381	(59,021)	260,360
Segment profit	¥ 1,895	¥ 14,787	¥ 4,517	¥ 8,240	¥ 29,439	¥ 899	¥ 30,338	¥ 923	¥ 31,261

Millions of yen

Nine months ended 31st December, 2013									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	¥18,278	¥162,908	¥63,882	¥27,133	¥272,201	¥ 7,259	¥279,460	¥ –	¥279,460
Intersegment sales or transfers	139	13	49	56,018	56,219	3,769	59,988	(59,988)	–
Total	18,417	162,921	63,931	83,151	328,420	11,028	339,448	(59,988)	279,460
Segment profit	¥ 3,224	¥ 19,918	¥ 6,193	¥ 4,989	¥ 34,324	¥ 827	¥ 35,151	¥ 886	¥ 36,037

Thousands of U.S. dollars

Nine months ended 31st December, 2013									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	\$173,465	\$1,546,057	\$606,264	\$257,501	\$2,583,287	\$ 68,891	\$2,652,178	\$ –	\$2,652,178
Intersegment sales or transfers	1,319	123	465	531,632	533,539	35,769	569,308	(569,308)	–
Total	174,784	1,546,180	606,729	789,133	3,116,826	104,660	3,221,486	(569,308)	2,652,178
Segment profit	\$ 30,597	\$ 189,029	\$ 58,774	\$ 47,347	\$ 325,747	\$ 7,849	\$ 333,596	\$ 8,409	\$ 342,005

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

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

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

13. Subsequent Events

Not applicable.