

Nomura Research Institute
Annual Report
2012 (Year ended 31st March, 2012)



Strong Progress
through
Changes

Dream up the future.

In our desire for creating a positive future by thoroughly considering the possibilities facing society in this era of rapid change where predictions cannot easily be made, we hope to contribute to society by creating new value.

The NRI Group will continue our endeavors in meeting never-ending challenges as a “company creating future society.”

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Fiscal 2012, ended 31st March, 2012, marks the midpoint in Vision 2015. In the interview with top management this year, President and Representative Director Tadashi Shimamoto explains what Vision 2015 has achieved so far, and prospects for the business environment and strategies.

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Executives in charge of each segment and the executive in charge of corporate administration described the progress made, major topics and future initiatives related to Vision 2015.

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Cautionary Note on Forward-Looking Statements:

This Annual Report was prepared for the purpose of providing information on our performance in the year ended 31st March, 2012 and our strategy for the coming years, not for the purpose of attracting investment in stocks issued by NRI. In addition, this report contains absolutely no guarantees or pledges. The opinions and outlook contained herein reflect the views of management at the time of preparation. We do not offer any guarantees or pledges as to the accuracy or completeness of such information, which, moreover, is subject to alteration without advance notice. Nomura Research Institute, Ltd. holds all rights to each and every part of the annual report, which may not be reproduced, transmitted or otherwise duplicated by any means, whether electronic or mechanical, whatever the purpose, without its express permission.

Strong Progress through *Changes*

NRI is currently moving ahead with the Vision 2015 long-term management strategy through fiscal 2015.

This Annual Report, marking the midpoint for this vision implemented in fiscal 2008, describes what Vision 2015 has accomplished so far, the issues we face, and our strategies for achieving our aspirations, in keeping with the theme of “Strong Progress through Changes.”

■ The Management Vision for Future Growth

Developing a strong and future-oriented business portfolio

▶ **Increased advancement of services in financial sector**

Providing industry-standard business platforms to meet wide-ranging needs for more clients in financial sector

▶ **Expansion into industrial sector**

Expanding the range of companies we serve and the services we offer, principally in consumer industries directly reaching people

▶ **Reinforcement and expansion of business in China and Asia**

Building another NRI in China/Asia and contributing to enterprises and society through “Navigation × Solution”

▶ **Productivity improvement and human resource development**

Under the slogan, “Challenge the Status Quo, Innovate Ourselves” instituting a human resources training program that looks beyond the bounds of established frameworks

Vision 2015

NRI offers consulting services, in areas such as research, management consulting, and system consulting, as well as IT solution services encompassing information system development, system management and operation services, and related applications sales.

In both areas of consulting and IT solutions, NRI provides services for clients from a wide range of fields to support the lives of people and society.

■ Consulting

In addition to management consulting offering support for formulating and executing management and business strategies and organizational reform, we provide system consulting for all phases of IT management.

Management Consulting

In this area of our business, we offer a broad array of services, ranging from formulation and execution support for enterprise business strategies and operational reform to policy recommendations for governments and ministries. We handle about 1,000 such projects every year requested by firms listed on the first section of the Tokyo Stock Exchange and national governments throughout Asia.

System Consulting

We support our clients' IT divisions by formulating IT strategies and providing solutions cross-linking IT with actual business operations.

Past project support

NRI provides support for formulating and executing global strategies and emerging country strategies for companies in a large number of industries.

We also have a strong track record in the Asian market, where we have been tapped by local governments for numerous consulting projects, including planning support for infrastructure development of airports and ports in major Asian regions.



■ Financial IT Solutions

NRI provides IT solutions, including system development and system management and operation services, for securities, insurance, banking, and other sectors of the financial industry.

Based on our business expertise and know-how built up over the years, we also offer industry-standard shared online services (cloud-based services) we developed to numerous clients.

Past project support

For many years, we have provided cutting-edge IT solutions for Nomura Holdings, Inc.

We also provide information system support for Nomura Securities' strategy of enhancing face-to-face service in branches as well as non-face-to-face service channels such as the Internet and call centers.



Industrial IT Solutions

NRI provides system development and system management and operation services to clients in a wide range of industries, including distribution, manufacturing, and services.

Past project support

We offer broad support for key information systems of Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd. and other Seven & i Holdings companies.

In addition to building convenience store POS systems for a timely supply of products, we provide comprehensive support for the "nanaco" electronic money service.



IT Platform Services

NRI offers services including IT platform and network building aimed at achieving higher quality and added value for the Financial IT and Industrial IT Solutions services we provide.

We also carry out management and operations of data centers, research toward development of new IT solution businesses and products, and research in cutting-edge information technology.

Past project support

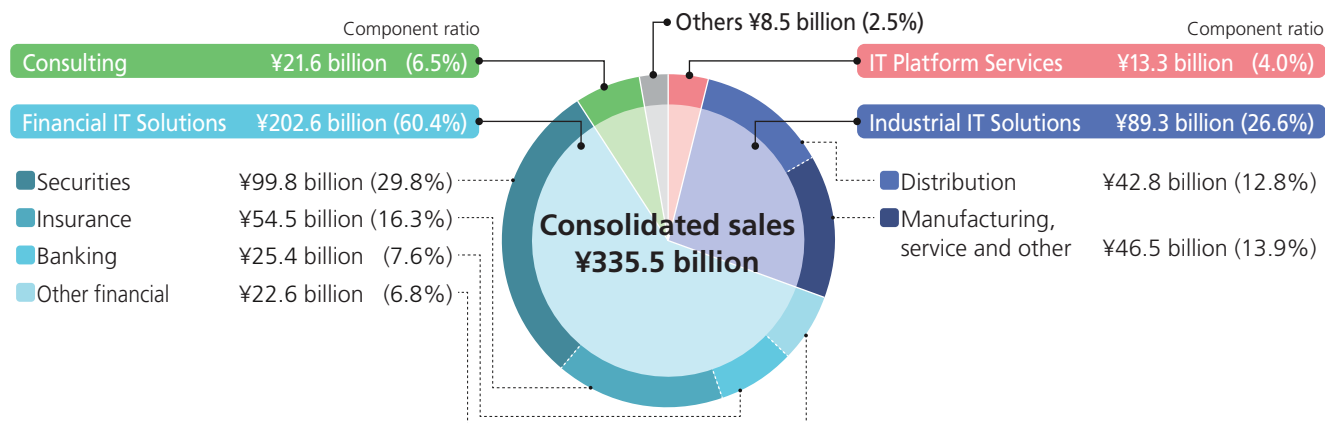
The completion of NRI's newest data center in Tama, Tokyo, will bring the number of data centers in Japan operated by NRI to five.

In preparation for large-scale disasters, our data centers are equipped with the latest base-isolated and seismic response control engineering and large generators to maintain the power supply. Strict information security measures are in place to prevent data leaks and protect vital client information.



Tokyo Data Center 1, scheduled to be completed in autumn 2012

Sales to external customers by segment (Year ended in 31st March, 2012)



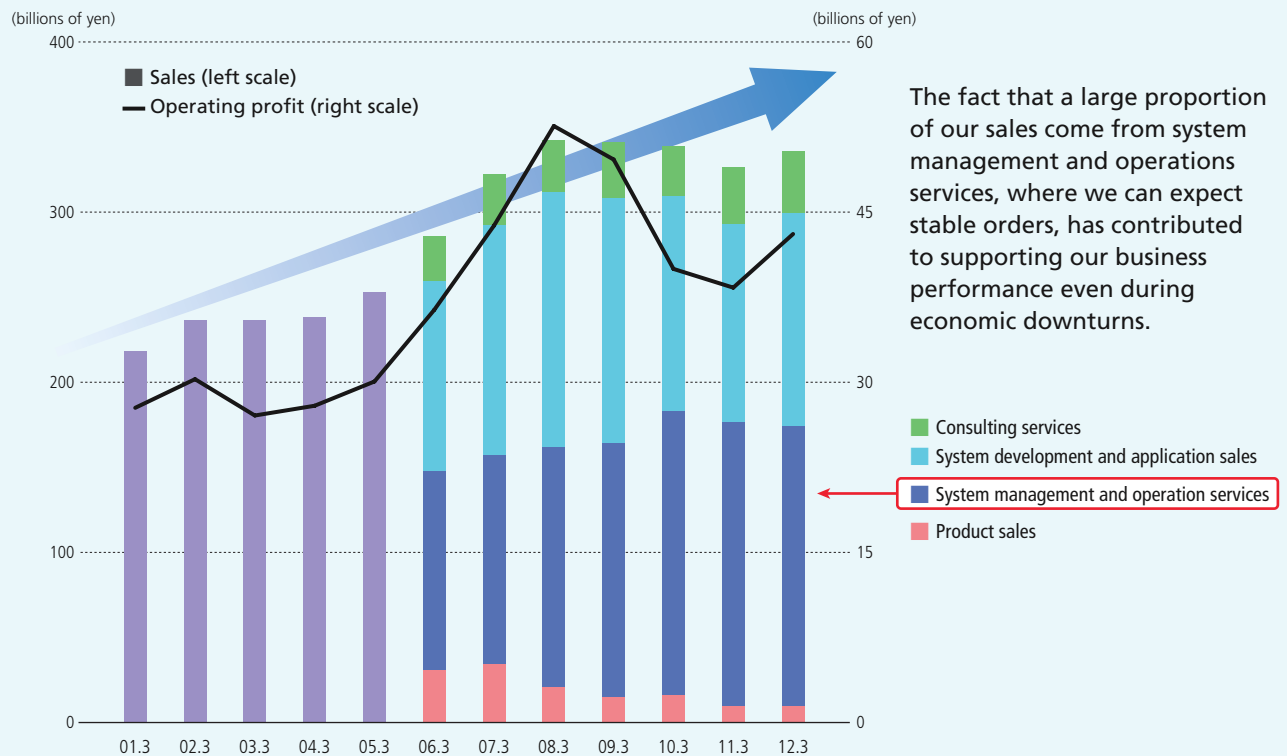
Sustainable Growth and High Profitability

Nomura Research Institute, Ltd.

NRI has enjoyed long-term growth of sales and profits, and its profitability is among the highest in the industry.

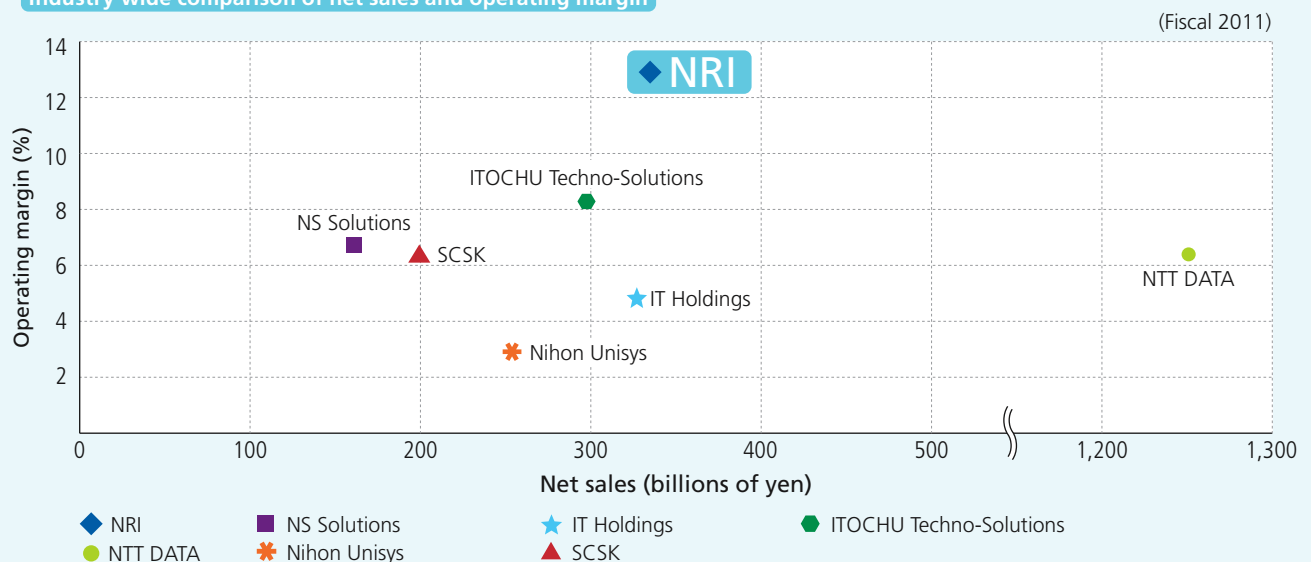
Sustainable Growth

Sales, operating profit and sales by services (consolidated)



Highest Level of Profitability Among the Industry

Industry wide comparison of net sales and operating margin



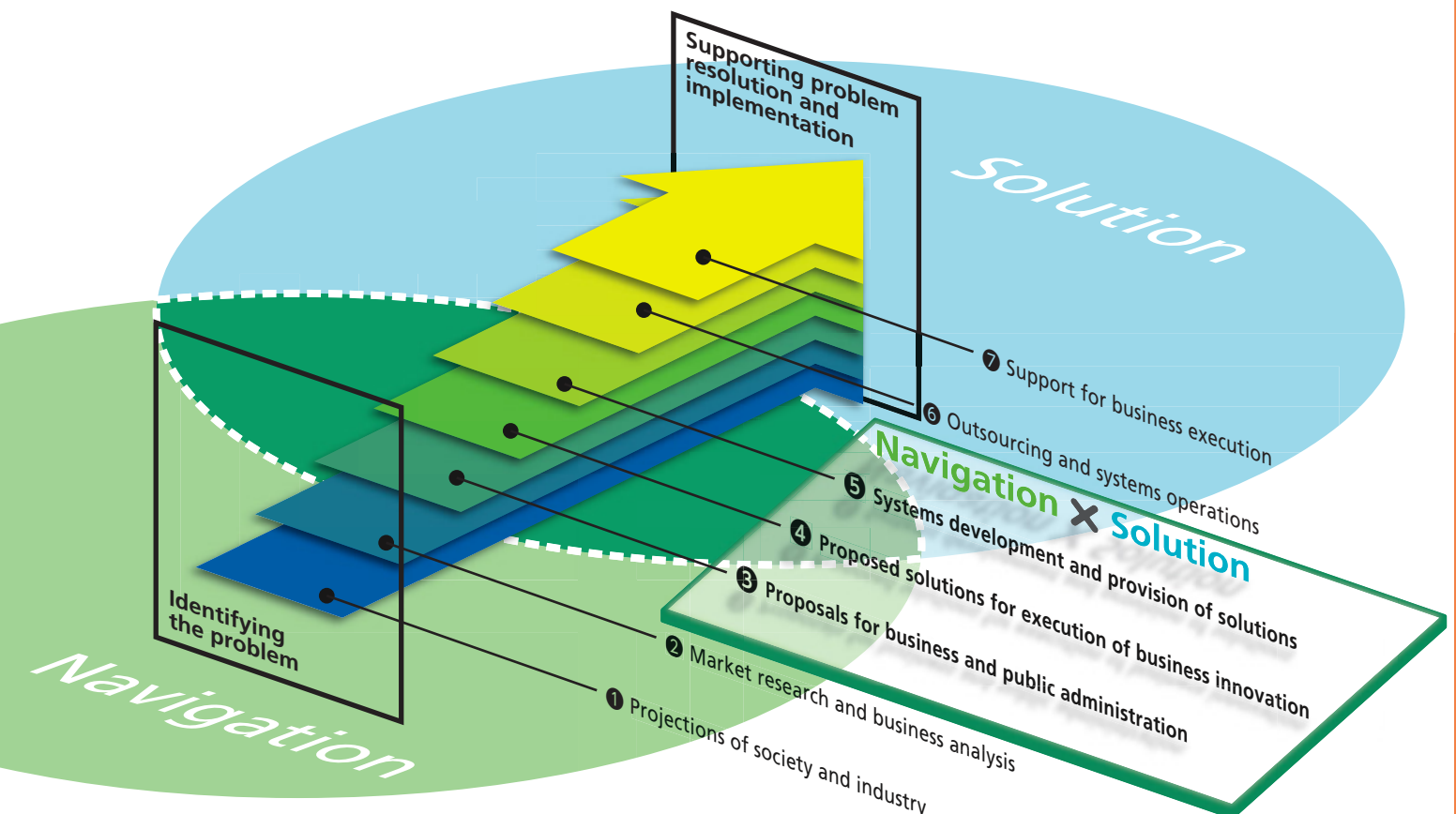
NRI has three competitive advantages supporting sustainable growth and high profitability.

Competitive Advantage

1

Navigation × Solution

One competitive advantage of NRI is our ability to provide integrated services, from **identifying the problem (Navigation)** to **supporting problem resolution and implementation (Solution)**. We navigate clients to resolve their problems through consulting ("Navigation"), and propose the best solutions for them ("Solution"), including IT solutions. This synergy between **"Navigation × Solution"** allows us to provide high value-added services to clients and sets NRI apart from its competitors.

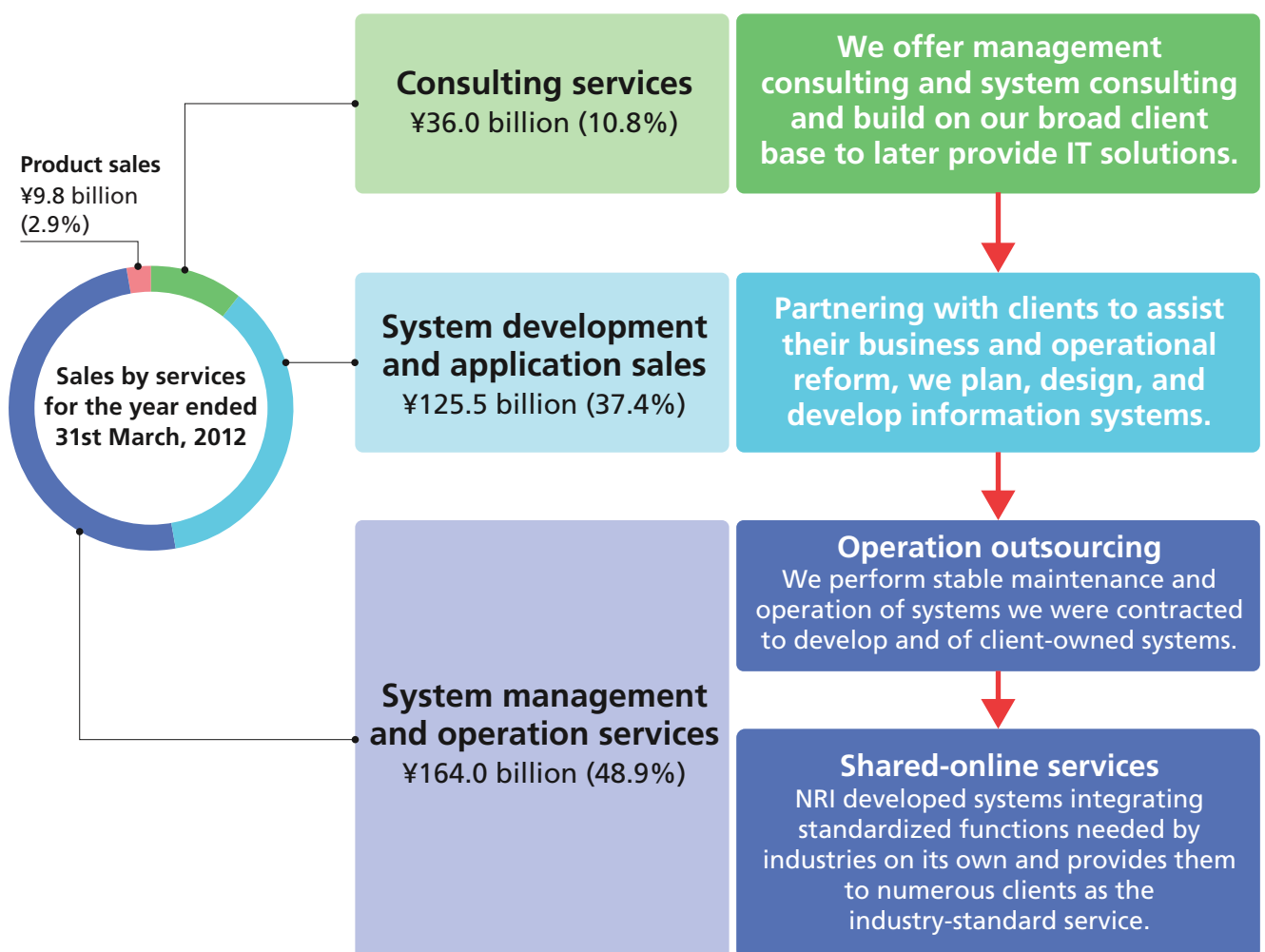


Competitive Advantage

2

Unique Business Model

At NRI, we use our wealth of know-how through developing and operating clients' information systems and have a large number of clients using these systems as shared-online services. Once operation outsourcing and shared-online services are contracted, we can expect steady profit, which contributes to **a stable foundation for our business.**



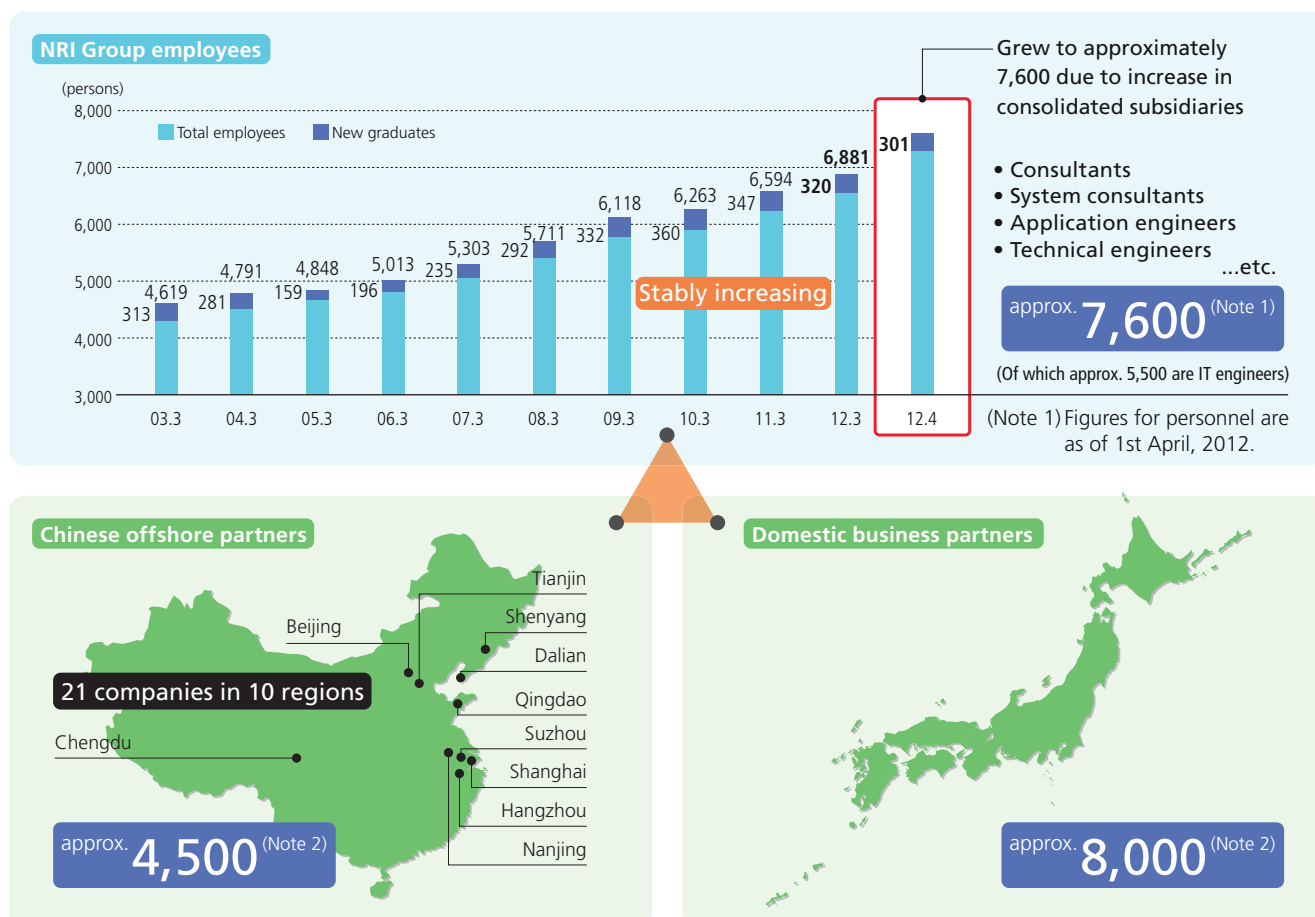
Using Our Highly Capable Human Resources

A third competitive advantage of NRI is **our highly capable human resources**.

By effectively mobilizing NRI Group employees, domestic business partners, and offshore partners, NRI can provide **high value-added services** efficiently. With regard to offshore partners, NRI has built and actively expanded solid relationships with reliable and technologically adept partners thanks to many years of being an industry front-runner.



Effectively mobilizing three human resource pools—NRI Group employees, domestic business partners and Chinese offshore partners



(Note 2) Figures for personnel are the average for the most recent six months, as of 31st March, 2012.

Consolidated Financial Highlights

Nomura Research Institute, Ltd.

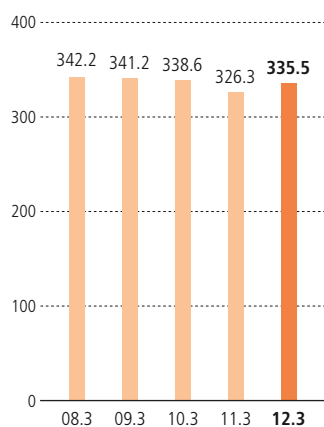
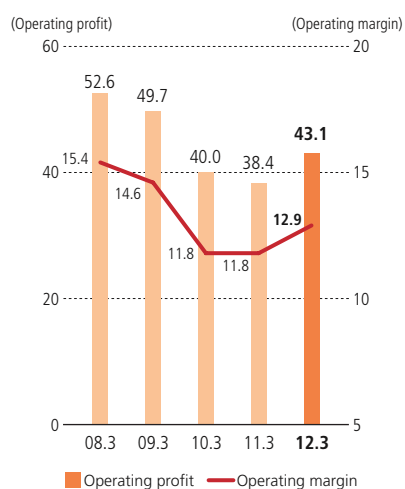
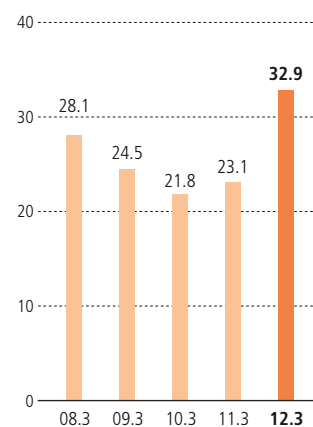
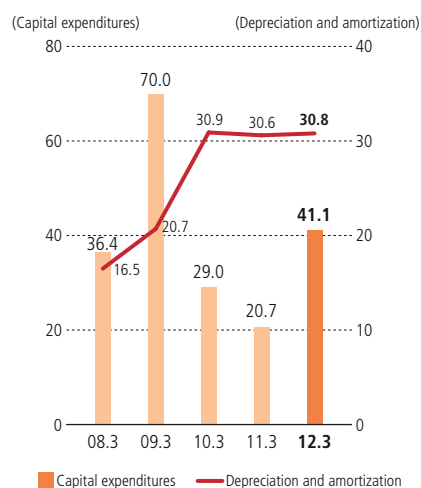
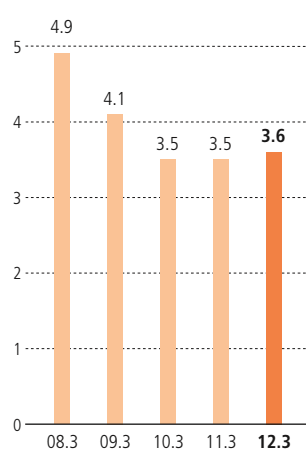
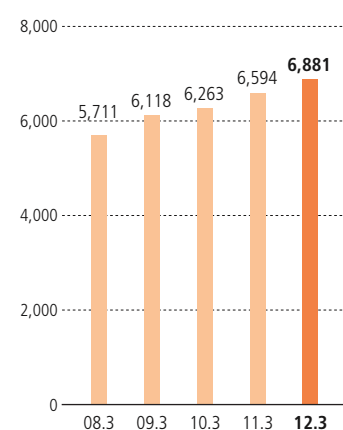
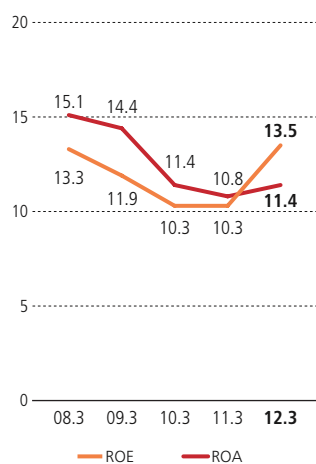
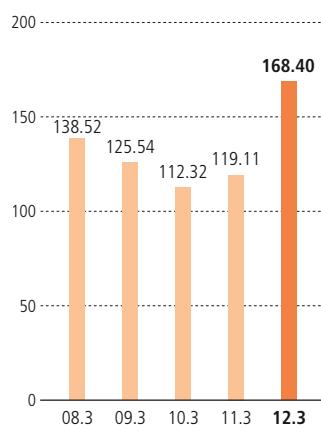
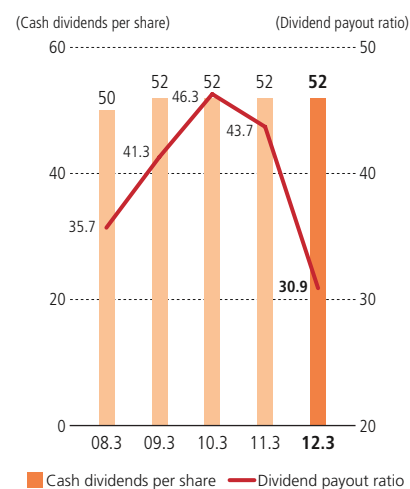
	millions of yen				thousands of U.S. dollars (Note 5)	
	2008.3	2009.3	2010.3	2011.3	2012.3	2012.3
Sales	342,289	341,279	338,629	326,328	335,554	4,085,657
Cost of sales	238,537	240,854	245,641	233,119	235,515	2,867,600
Selling, general and administrative expenses	51,087	50,711	52,911	54,782	56,886	692,634
Operating profit	52,664	49,713	40,077	38,426	43,152	525,423
Ordinary profit	55,517	51,731	40,947	40,073	44,686	544,089
Income before income taxes and minority interests	47,987	44,181	37,328	39,853	56,204	684,342
Net income	28,157	24,513	21,856	23,188	32,920	400,840
Cash flows from operating activities	31,806	46,180	58,060	48,777	53,067	646,134
Cash flows from investing activities	(47,925)	(70,994)	(16,175)	(27,723)	(47,731)	(581,176)
Cash flows from financing activities	(23,537)	(22,414)	(10,348)	1,590	(10,438)	(127,103)
Capital expenditures	36,438	70,083	29,000	20,755	41,165	501,218
Depreciation and amortization	16,517	20,763	30,915	30,665	30,875	375,928
Research and development expenses	4,915	4,104	3,561	3,564	3,643	44,357
Net assets (at year-end)	207,363	205,466	220,237	231,074	258,276	3,144,734
Total assets (at year-end)	362,447	354,487	363,368	380,032	402,784	4,904,225
Number of employees (persons) (at year-end)	5,711	6,118	6,263	6,594	6,881	—
Per share information (yen) (Note 2)						
Net income (EPS)	138.52	125.54	112.32	119.11	168.40	2.05
Cash dividends	50	52	52	52	52	0.64
Net assets	1,038.68	1,051.65	1,125.63	1,179.92	1,309.39	15.94
Stock information (based on the closing price as of 31st March)						
Stock price (Note 2) (yen)	2,605	1,530	2,130	1,836	2,053	24.98
Market capitalization (billions of yen)	586.1	344.3	479.3	413.1	461.9	5,621,576
Ratios (%)						
ROE (Note 3)	13.3	11.9	10.3	10.3	13.5	—
ROA (Note 4)	15.1	14.4	11.4	10.8	11.4	—
Operating margin	15.4	14.6	11.8	11.8	12.9	—
Net income to sales ratio	8.2	7.2	6.5	7.1	9.8	—
Equity ratio	57.0	57.7	60.3	60.5	63.8	—
Dividend payout ratio	35.7	41.3	46.3	43.7	30.9	—

Notes: 1. Amounts of less than million yen were rounded down.

2. ROE = (Net income / Average net assets) × 100

3. ROA = (Ordinary profit / Average total assets) × 100

4. U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥82.13 = U.S. \$1.00, the rate of exchange prevailing on 31st March, 2012. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities that originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

Sales (billions of yen)**Operating profit/
Operating margin** (billions of yen/%)**Net income** (billions of yen)**Capital expenditures/
Depreciation and amortization** (billions of yen)**Research and
development expenses** (billions of yen)**Number of employees** (persons)**ROE/ROA** (%)**EPS** (yen)**Cash dividends per share/
Dividend payout ratio** (yen/%)

*Amounts of less than 100 million yen were rounded down.

Message from the President

Nomura Research Institute, Ltd.

Returning to sales and profit growth after four years, we are redoubling our efforts to attain strong growth



During the year ended 31st March, 2012, such factors as slowing overseas economic growth arising from European debt crisis, as well as further appreciation of the yen, inclined corporations to adopt a cautious stance toward information systems investment. At the same time, it was a year when we sensed the underlying potential of Japanese companies, with efforts to recover and rebuild after the Great East Japan Earthquake along with a growing trend toward reassessment of business plans and system strategies for future growth in a changing business environment.

Within this environment, the NRI Group posted increases in both sales and profit for the first time in four years. Total sales expanded to ¥335.5 billion (up 2.8% year on year), while operating profit climbed to ¥43.1 billion (up 12.3%). Net income surged to ¥32.9 billion (up 42.0%). We believe these results represent a major step along the path toward realizing the Vision 2015 long-term management strategy for extending NRI's existing strengths while pursuing growth initiatives in new areas.

Our objective for the year ending 31st March, 2013 is to accelerate this strong momentum toward further enhanced business performance. Over the medium to long term, we will steadily carry out these growth efforts and strive as a unified team to realize further strong business expansion.

A handwritten signature in black ink that reads "Tadashi Shimamoto".

Tadashi Shimamoto

President, Representative Director, CEO & COO

Strong Progress through Changes



Question 1

How is NRI progressing toward Vision 2015 at this midpoint?

Question 2

What about progress toward increased advancement of services in financial sector?

Question 3

How is expansion into industrial sector progressing?

Question 4

How is your strategy progressing in terms of your business in China and Asia?

Question 5

Could you comment on future policies and directions in view of the greater emphasis on alliances and M&A?

Question 6

Please tell us about NRI's commitment to achieving the goals of Vision 2015.

Question 7

Finally, what is your message for investors, including your stance on corporate value enhancement and shareholder returns?

Question 1

How is NRI progressing toward Vision 2015 at this midpoint?

Industry-standard business platform

A system-based service for efficiently providing common functions required by companies in conducting business. These services are playing a new role in society's infrastructure by supporting the systems side of business activity.

Vision 2015 stresses four policies: 1) increased advancement of services in financial sector, 2) expansion into industrial sector, 3) reinforcement and expansion of business in China and Asia, and 4) productivity improvement and human resource development; and we have been implementing measures to promote the realization of these policies.

At this midpoint along the path, we have made a number of concrete achievements. In the financial sector, we made major progress to **the industry-standard business platform**. In industrial sector, we are steadily expanding our client base, as exemplified by our entry into a strategic business partnership with Ajinomoto Co., Inc. We also accelerated NRI's overseas expansion, including the establishment of a consulting business base in India as part of our China/Asia business. In a qualitative sense, we see indications that Vision 2015 is making greater progress than originally anticipated.

At the same time, deterioration of the business environment stemming from the subprime mortgage problem has in fact exerted an

Question 2

What about progress toward increased advancement of services in financial sector?

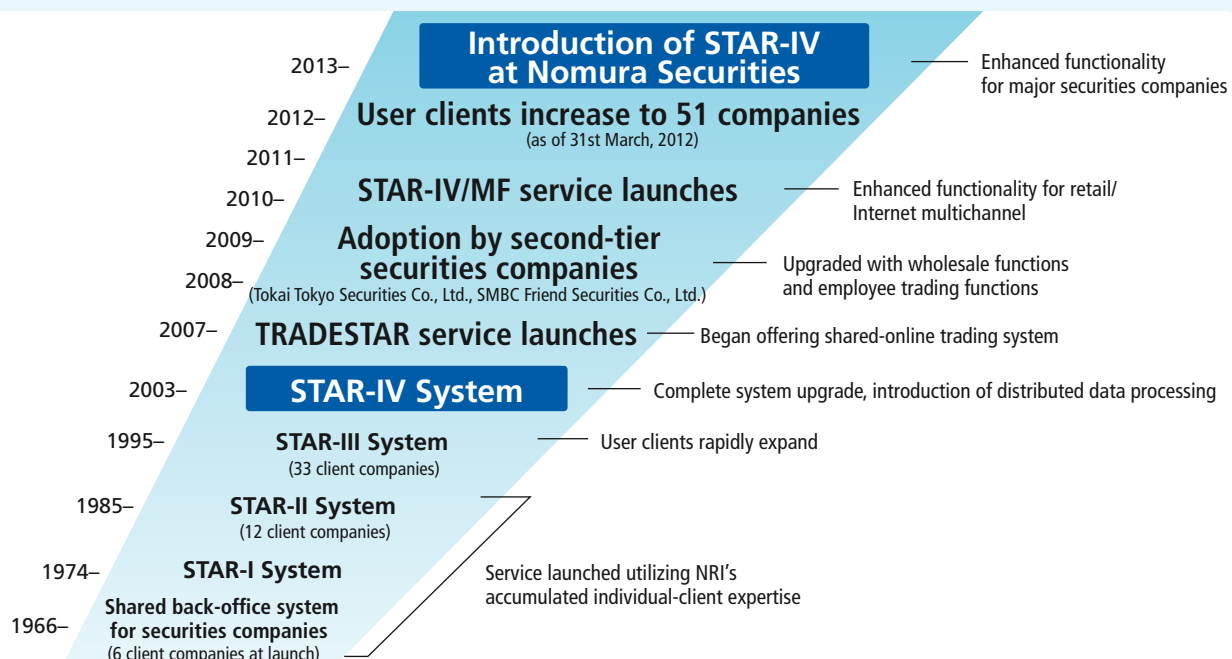
influence such that our business has not performed as planned.

Going forward, we will firmly maintain and promote Vision 2015's qualitative direction, while from a quantitative standpoint, we will aggressively accelerate external growth and global growth in addition to our existing strategies, maintain appropriate cost control, and conduct management to attain strong growth.

Deployment of our industry-standard business platforms in existing as well as new areas is progressing steadily. In the securities sector, where we possess significant existing strength, our STAR-IV shared-online service is set for adoption by Nomura Securities Co., Ltd., and project implementation is under way in earnest. STAR-IV already has a high share of second-tier and medium-sized securities companies, but successful introduction of the system at Nomura Securities will firmly solidify the system's position as an industry-standard business platform. Furthermore, we anticipate that publicizing the introduction of the system at Nomura Securities, and the efficiencies they will realize as a result, will encourage the use of STAR-IV by other major securities companies.

In the banking sector, we have begun offering Value Direct, our shared Internet banking system, and we are steadily acquiring clients, especially among regional banks. Our BESTWAY shared-online system for over-the-counter sales of investment trusts has already been adopted by more than 100 banks. We also plan to grow our Value Direct services

■ The Development of STAR



■ Examples of Industry-standard Business Platforms Offered by NRI

(in financial sector)

Client numbers
(As of 31st March, 2012)

STAR-IV	Integrated back-office system for retail securities companies	51 (Note 1)
I-STAR	Integrated back-office system for wholesale securities companies	27 (Note 2)
T-STAR	Trust asset management system for investment trust management companies	71
BESTWAY	Account management system for over-the-counter sales of investment trusts	105

Notes: 1. The STAR-IV client figure includes companies using only select services.
2. The I-STAR client figure excludes users of subsystems.

to a high level of penetration similar to that of BESTWAY. For example, we are partnering with Nihon Unisys, Ltd., which has strengths in providing banks with a range of core banking systems, to offer Value Direct to clients. In this and other ways, we are undertaking to strengthen our business activities and pursuing significant future growth in this sector.

Question 3

How is expansion
into industrial sector
progressing?

Prime account strategy

A strategy in which consulting and IT solutions divisions work together to capture major IT solution projects from leading companies. Significant results are being achieved by, for example, capturing new large-scale system projects in industrial sector where NRI is focusing its efforts.

We are promoting our **prime account strategy**, in which our consulting division and IT solutions division coordinate to propose bundled consulting and IT solutions to leading companies, with a goal of capturing major IT solutions projects. We strengthened our activities focusing on industries that have direct contact with consumers (the consumer industry), including distribution companies and consumer goods manufacturers, where NRI possesses existing strengths. Consequently, we were commissioned to handle IT solutions projects for such companies as Ajinomoto Co., Inc. and Shiseido Co., Ltd., with which we have existing consulting relationships. In this and other ways, we were able to achieve significant results (See p.23).

The consumer industry is a sector that offers NRI an opportunity to leverage its strengths, including its accumulated experience and expertise in the provision of distribution-sector IT solutions, and we believe that there is significant room for future business expansion utilizing those strengths.

Question 4

How is your strategy
progressing in terms of
your business in China
and Asia?

NRI's business composition has until now centered principally on domestic business. However, because we are targeting high growth, the importance of overseas business as a growth area is increasing.

In particular, NRI's industrial sector clients, especially those in the distribution and manufacturing sectors, are accelerating their overseas business expansion efforts. To support these efforts with both consulting



services and IT solutions, NRI has expanded its bases in China and North America and elsewhere. In the fiscal year ended 31st March, 2012, we established a consulting business base in India. We also centralized certain functions in NRI Asia Pacific in Singapore, which plays a key role in our Asian business expansion. In these and other ways, we are accelerating our overseas expansion efforts. Going forward, we plan to bolster our network of offices in ASEAN countries.

NRI's overseas sales are still small relative to total sales, but we plan to increase the presence of our overseas business over the medium to long term. Offering a wider range of services to local corporations, in addition to support Japanese clients, will be important for realizing this goal. As such, we will make efforts to further promote local staff-centered management structures for our overseas offices, as well as making active use of alliances with overseas companies and M&A activity.

Question 5

Could you comment on future policies and directions in view of the greater emphasis on alliances and M&A?

NRI's business alliances and M&A activities have two principal objectives: to acquire new clients and to acquire new technology and expertise for NRI.

For example, Ajinomoto's IT subsidiary becoming a consolidated subsidiary of NRI was a case of major significance, because it enabled us to acquire a client base consisting of top-ranked food industry companies. First, we will provide the Ajinomoto Group with comprehensive system support. In addition, over the medium to long term, we plan to expand that support to the group's global operations and further reinforce NRI's overseas expansion.

However, we believe that M&A pursued with the sole purpose of achieving greater size is not appropriate for NRI. We are looking for companies capable of sharing our values.

Question 6

Please tell us about NRI's commitment to achieving the goals of Vision 2015.

Vision 2015's strategies are beginning to show solid results.

In the IT services industry, the shift from ownership to use of information systems is accelerating; in non-strategic areas, there is rapidly growing demand for shared-online systems (cloud-based services) offering high-quality IT services at reasonable prices, rather than for systems customized for use by a single company. NRI's industry-standard business platforms align with these client needs, and today's environment represents an unparalleled opportunity for us.

Furthermore, the business environment is rapidly changing, and information technology is becoming extremely advanced. Consequently, clients are facing an increasingly complex challenge in formulating their IT strategies and upgrading their information systems, and it is becoming difficult for them to achieve these objectives on their own. This is one of the underlying reasons behind the notable increase in system consulting services beginning in the fiscal year under review. In this area, NRI's combination of navigation and solution capabilities ideally positions it to demonstrate its strengths.

Thus, if we maximize NRI's strengths and steadily implement the core strategies of Vision 2015 while carefully monitoring the directions our customers are taking, we are convinced that NRI will be capable of growth on a sustained basis.

Question 7

Finally, what is your message for investors, including your stance on corporate value enhancement and shareholder returns?

In terms of returns to shareholders, our fundamental policy is to make appropriate, stable dividend payments, and we are targeting a consolidated dividend payout ratio in the range of 30%. We also hope to increase the dividend per share over the medium to long term by continuously raising profitability.

To realize this goal, it will be necessary for us to further bolster and expand our business base and further promote strategies that leverage NRI's strengths.

As we see it, NRI has four strengths: **Navigation × Solution**, in which consultants and IT specialists share expertise to create new value; **solutions for the financial industry**, for which we are proud to say we have the strongest team in Japan; **a customer-centered outlook** with the ability draw on whatever we need to create optimal solutions, with no dependence on a specific manufacturer or product; and **large-scale systems integration capabilities**, including project management, system architecture design, and system management and operation.

By maximally leveraging these four strengths, pursuing business growth aggressively, and achieving long-term enhancement of enterprise value, we hope to meet the expectations of our stakeholders.

Special Feature: Vaulting to Strong Growth Track

Nomura Research Institute, Ltd.

Consulting



Shiro Tanikawa

Director,
Corporate Executive Vice President

Toward Achieving Vision 2015

In addition to strengthening and expanding our consulting business in China and Asia, we are focusing on expanding our business base in industrial sector through enhanced cooperation with the IT solutions division, and these efforts are producing significant results. Meanwhile, needs for system consulting to support clients' information system divisions are rising, and we are strengthening our services to capture large-scale system consulting projects.

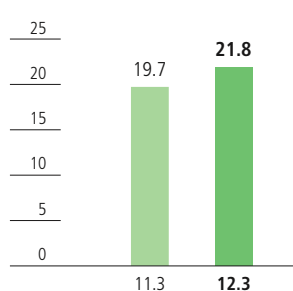
In the medium to long term, we intend to focus on expanding our business aiming to further evolve the concept of consulting services, innovating our business model to support and realize our clients' businesses together with them.

Business Results of the Year

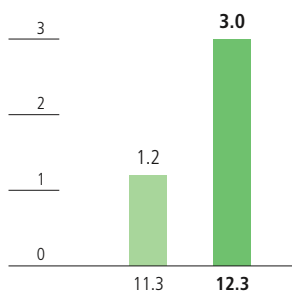
In the fiscal year under review, aiming to strengthen our business in the Asia region, we established a subsidiary in India. We are also in the process of acquiring a stake in a local market research company for a business alliance.

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

Sales (billions of yen)



Operating profit (billions of yen)



Financial IT Solutions



Keiichi Ishibashi

Representative Director,
Corporate Executive Vice President

Toward Achieving Vision 2015

We are actively improving our level of service and further expanding our market share in each financial sector as well as strengthening our business in industry-standard business platforms (shared-online services).

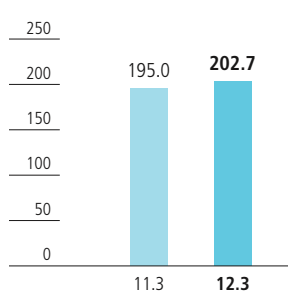
In addition to increasing our share of industry-standard business platforms in the securities and asset management sectors where we already possess solid expertise, we are also making substantial progress toward expanding our client base in the banking sector, which is a growth area we are focusing on, through such efforts as starting new services for Internet banking.

Business Results of the Year

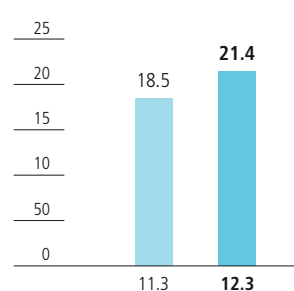
In terms of sales, despite a decrease in system management and operation services for the securities sector, there were increases in system development and application sales for the securities sector and in consulting services for the insurance sector. Costs were reduced due to an increase in the amount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

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

Sales (billions of yen)



Operating profit (billions of yen)



Notes: 1. Amounts of less than 100 million yen were rounded down.
2. Each segment includes intersegment sales.

Industrial IT Solutions



Mitsuru Sawada

Representative Director,
Corporate Executive Vice President

Toward Achieving Vision 2015

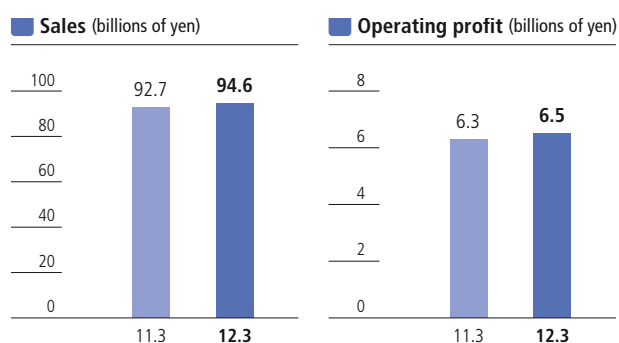
We are moving aggressively to expand our business base in industrial sector. In addition to our focus on improving and enhancing the quality of services we offer to our existing clients, we are also developing activities to capture new clients (prime account strategy). We have achieved considerable progress in these efforts, including winning several large-scale projects in the year ended 31st March, 2012.

We intend to further expand our business through the provision of IT solutions that meet the pressing needs of industrial sector clients for streamlined system costs and globalization.

Business Results of the Year

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

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



IT Platform Services



Keiichi Ishibashi

Representative Director,
Corporate Executive Vice President

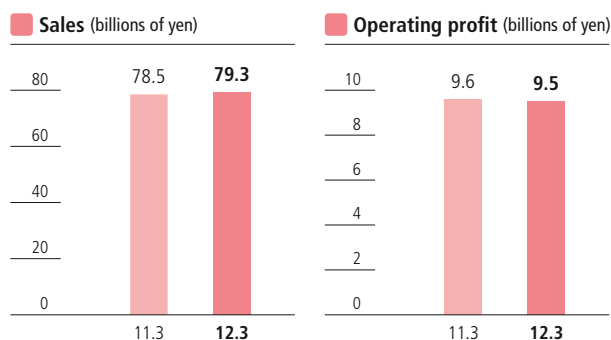
Toward Achieving Vision 2015

Through research and utilization of state-of-the-art information and production technology as well as the provision of sophisticated data centers services, this segment supports the IT platform for NRI solutions from system development to operation outsourcing and provision of industry-standard business platforms. We are strengthening our IT platform to further expand our business through such projects as our new data center in Tama, Tokyo, which will be completed in the year ending 31st March, 2013. We will continue to focus on meeting diverse client needs at an even higher level, including in a range of industrial sector.

Business Results of the Year

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

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





Shiro Tanikawa

Director,
Corporate Executive Vice President

in charge of Consulting
Division Manager of Center for Strategic
Management & Innovation

Consulting

Achievements of Vision 2015 Thus Far

In this segment, we are concentrating on strengthening and expanding our consulting business in China and Asia as well as expanding into industrial sector through the prime account strategy in cooperation with the IT solutions division. We are generally achieving progress steadily and according to plan as we reach the midway point of Vision 2015.

In reinforcing and expanding China and Asia business, we are cultivating business with local companies operating in such sectors as communications and distribution in addition to local governments and Japanese companies. In China, needs are growing for Japan's know-how gained from past experience, including resolving urban problems and detailed control of business management. Conditions are ripe to capitalize on NRI's unique set of knowledge and strengths as a Japanese consulting firm. In addition, we established a new consulting base in India in November 2011 (See "Focus") and plan to establish several more new bases in the ASEAN region in the fiscal year ending 31st March, 2013.

Furthermore, in our prime account strategy, we are developing activities at the executive level with the goal of establishing deeper relationships with prospective clients from among the leading companies of various industries who may wish to take advantage of a broad range of NRI services from consulting to IT solutions. We began these activities several years ago

and have received very positive feedback, including opportunities to support industry-leading clients such as Ajinomoto Co., Inc. and Shiseido Co., Ltd. with a range of services from consulting to IT solutions (See p.23).

In the area of systems consulting, NRI is supporting an increasing number of projects for client information systems divisions that are part of renovation projects of large-scale key systems. Each year it is becoming more difficult for clients' information systems divisions alone to recruit and retain human resources who are highly knowledgeable across a broad range of areas, including the details of the respective company's burgeoning in-house systems and rapidly advancing information technology. We at NRI believe that this is an area in which we can demonstrate our strengths by offering integrated services from consulting to IT solutions to support these situations.

Future Aspirations and Strategy

In the China and Asia business, our overseas network of bases is gradually shifting from points to planes, and we believe we will be better able than before to offer a higher level of consulting services. For instance, we are now able to have a consultant from our Seoul office provide support at our U.S. base to a Korean company entering the South American market. Going forward, we intend to mobilize our global information

network to perform the role of a liaison between local companies and Japanese companies entering overseas markets.

In the prime account strategy, we aim to capture even more major clients. As regular demand is expected for systems consulting to support clients' large-scale system innovations, we will offer coordinated and systematic response with a view to also winning orders for subsequent IT solutions projects. Meanwhile, we will maintain our high market share in management consulting in Japan while establishing the NRI brand and expanding business overseas as well, aiming to become the top-consulting firm in Asia.

Long-term Goals

Up to now, I have mainly discussed reinforcement and expansion of our China and Asia business and

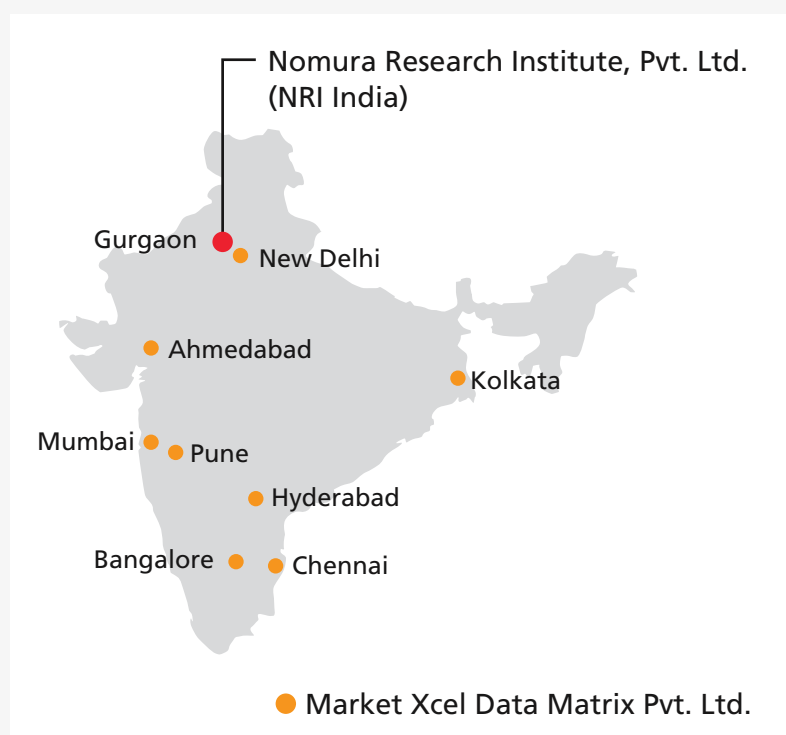
activities related to the prime account strategy, but the year 2015 is no more than a stepping-stone of our business.

What I strongly sense now is that the concept of consulting services is going to shift dramatically. Until now, consulting services have mainly centered on support for devising strategy; however, going forward I believe this will shift to a business model of supporting and realizing clients' businesses together with them. From this perspective, business consulting that allows us to gain more in-depth knowledge of operations content and together design new operations will become increasingly important.

Clients look to NRI to support them in converting their company's 20th-century business model into one for the 21st century, and I intend to see NRI evolve to meet these expectations.

Focus

New Consulting Base in India —Quickly establish research structure covering all of India through capital alliance with local company



In November 2011, NRI India was established as a local consulting company in India. In conjunction with this, we also established a business alliance with and invested in the local research company Market Xcel Data Matrix Pvt. Ltd.

At NRI India, we anticipate business in projects to devise business strategy for the manufacturing industry, including automobile manufacturers, and aim to become the largest Japanese consulting firm in India.

Market Xcel Data Matrix has research bases in eight cities in India. By entering into a business alliance with this company, NRI will quickly establish a robust research and consulting structure rooted in the country and covering all of India.



Keiichi Ishibashi

Representative Director,
Corporate Executive Vice President

in charge of Financial IT Solutions and
Systems Platform

Financial IT Solutions

Achievements of Vision 2015 Thus Far

In this segment, we are developing more advanced services for the financial sector, including expanding our industry-standard business platforms, and believe we are generally headed in a positive direction.

In the securities sector, the start of a project to introduce **STAR-IV** at Nomura Securities Co., Ltd. can be cited as one significant success. The project is reaching its zenith, looking to commence operations in January 2013. The adoption of STAR-IV by Nomura Securities, the largest securities firm in Japan, substantially increases our market share and brings us one large step closer to becoming the industry's de facto standard.

In the insurance sector, clients continue to face adverse business conditions due to such factors as the increasing number of insurance payouts from a string of disasters. Amid this situation, NRI has steadily met needs to provide services to existing clients, including system support related to company integration in the non-life insurance industry.

In the banking sector, in January 2012 we commenced operation of our Value Direct shared Internet banking system (See "Focus") for a regional bank client, and as of April 2012 six banks have already decided to introduce the system. NRI regards this as an extremely good response in the approximately six months following the system's release and anticipates attracting additional clients in the future.

In the asset management sector, NRI has further

sophisticated its services. In T-STAR, the shared-online system for investment trust management companies, NRI is strengthening coordination with client systems and other systems provided by NRI through T-MONOLIX, which is a framework that applies the cloud technology of virtualization and asset management automation technology.

STAR-IV: Integrated back-office system for retail securities companies

Future Aspirations and Strategy

The increasing trend of shifting from ownership to use of information systems in the IT industry is providing a solid boost to NRI's business. Centered in the expansion of our industry-standard business platforms, we will continue to enhance our strengths in our areas of expertise while focusing on expanding our base of new clients in growth sectors such as the banking industry.

In the securities sector, we have started proposal activities to other leading securities companies in anticipation of the completion of STAR-IV introduction at Nomura Securities Co., Ltd. If this project succeeds in substantially reducing system costs for Nomura Securities, we believe it will serve as a forceful demonstration of its capacity to other leading securities companies.

In the insurance sector, we are also taking steps to enhance the scope of our services with e-JIBAI, NRI's

industry-standard business platform for automobile insurance that enjoys a commanding share of the market, including adding support functions for back-end operations in addition to front-office operations.

In the banking industry, which is the growth sector for NRI, amid banks' expansion of operations in such fields as securities and insurance where NRI has expertise, we believe that there is ample room in which to provide IT solutions. Furthermore, by developing total solutions that include business process outsourcing (BPO) and back-office operations, we intend to grow the banking sector business to become a pillar of NRI's business alongside securities and insurance.

Long-term Goals

NRI enjoys a commanding share of the securities and asset management sectors. We have accumulated

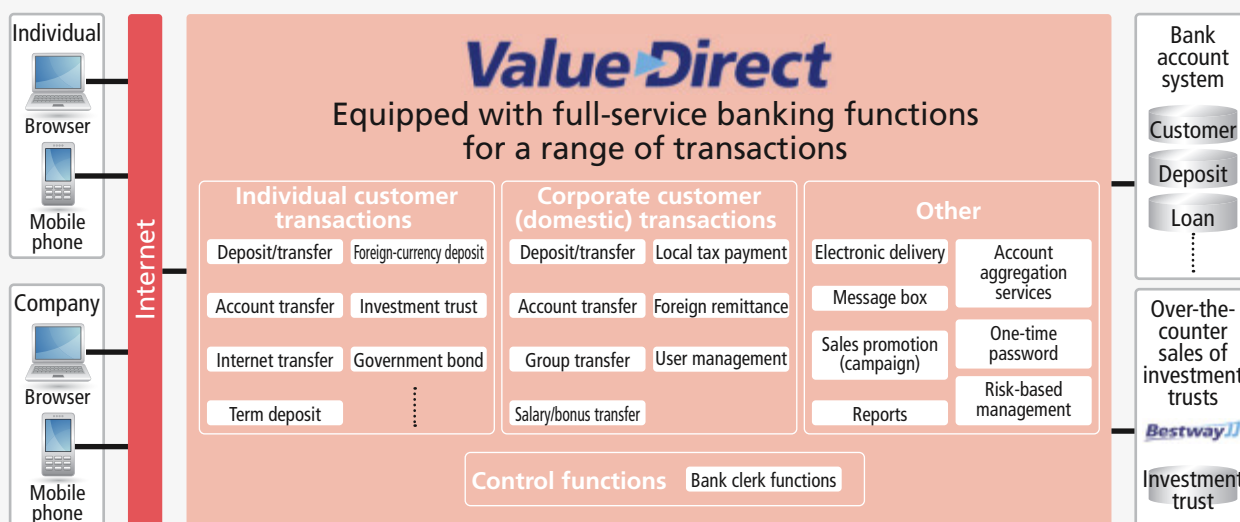
an overwhelming degree of know-how and achievements, which include from our origins as the systems division of Nomura Securities, and are proud of our unparalleled capabilities compared to our competitors. We intend to steadily expand our base of new clients in sectors such as insurance and banking while leveraging this solid foundation.

Even in the "cloud," which is a popular buzzword today, NRI has already accumulated decades of experience in the form of industry-standard business platforms (shared-online services). Know-how is necessary to collect the standard functions required by individual companies and construct industry-standard shared-online services. This has become one of NRI's major competitive advantages.

By fully capitalizing on this competitive advantage and providing progressive IT solutions that can contribute to the overall financial industry, we intend to further solidify our business base in this segment.

Focus

Value Direct Shared Internet Banking System



Value Direct, the shared Internet banking system developed by NRI, is a solution able to handle a full range of banking functions, including deposits, transfers, term deposits, foreign-currency deposits, investment trusts, and government bonds. Utilizing our know-how in the securities sector, which has taken the lead in offering online transactions, we consistently pursue user-friendliness in aspects such as the onscreen interface, navigation and operability.

The system also comes with other functions,

including sales support providing financial information and marketing functions to display product or campaign banner ads according to user attributes. In addition, operation of the service is shared among multiple banks, so banks that introduce the system can expect to lower their system costs.

Going forward, we will focus on expanding and improving the system's functions, including coordination with solutions NRI provides for over-the-counter sales of investment trusts.



Mitsuru Sawada

Representative Director,
Corporate Executive Vice President

in charge of Industrial IT Solutions and
China & Asia Region Systems

Industrial IT Solutions

Achievements of Vision 2015 Thus Far

One of the goals of Vision 2015 is expansion into industrial sector. NRI is taking steps to expand its client base in industrial sector to realize this goal, and this segment has a large role to play.

Thanks to the success of the prime account strategy developed in cooperation with the Consulting Division, we have been able to capture IT solutions projects from several top-class companies in their respective industries. Specifically, we have concluded a strategic IT service alliance with Ajinomoto Co., Inc., one of Japan's leading food manufacturers, and the company's information systems subsidiary has become part of the NRI Group (See "Focus"). We also won a large project to provide integrated support for the new online business of Shiseido Co., Ltd., a leading company in the cosmetics industry, from business model planning to information systems development and operation. This is also a result of more clearly selecting and concentrating our business expansion activities in the target consumer industry closely linked to people's lives.

In our overseas business, we have supported store development of Seven & i Holdings Co., Ltd. in North America and China. We are also receiving more inquiries from clients mainly in the manufacturing industry about constructing systems for such needs as global supply chain management (SCM). This is linked to

another goal of Vision 2015, reinforcing and expanding our China and Asia business.

While the business environment surrounding this segment has thus far been adverse, we have been able to achieve these definite successes.

Future Aspirations and Strategy

In order to expand into industrial sector, we must respond with precision to client needs and at the same time, provide IT solutions that have high added value only NRI can deliver.

Streamlined system costs is one major need in the industrial sector. While taking advantage of our vendor-free position, one of NRI's strengths, we plan to enhance our ERP package capabilities and coordinate with the Consulting Division to make proposals that comprehensively lower costs.

Another area of client interest is globalization. To support clients in globally developing their business, NRI will fully mobilize its collective capabilities in consulting and IT solutions as well as its network including bases in China and NRI Asia Pacific. We will also examine strengthening partnerships with major vendors in China and other Asian countries.

In this way, we will focus on providing optimized IT solutions by proposing a combination of wide-ranging resources from both inside and outside the company to meet a broad variety of client needs.

Long-term Goals

Supporting individual clients through provision of progressive IT solutions goes without saying, but we also plan to contribute to improving competitiveness in client industries as a whole.

One of our powerful IT solutions is industry-standard business platforms. For example, we have started a project to provide standard functions in a shared-online service for key distribution and retail industry operations. This service comprehensively supports back-office operations in the distribution and retail industries, including product ordering and product master data management. By having client companies share use of information systems for back-office operations, where differentiation with competitors

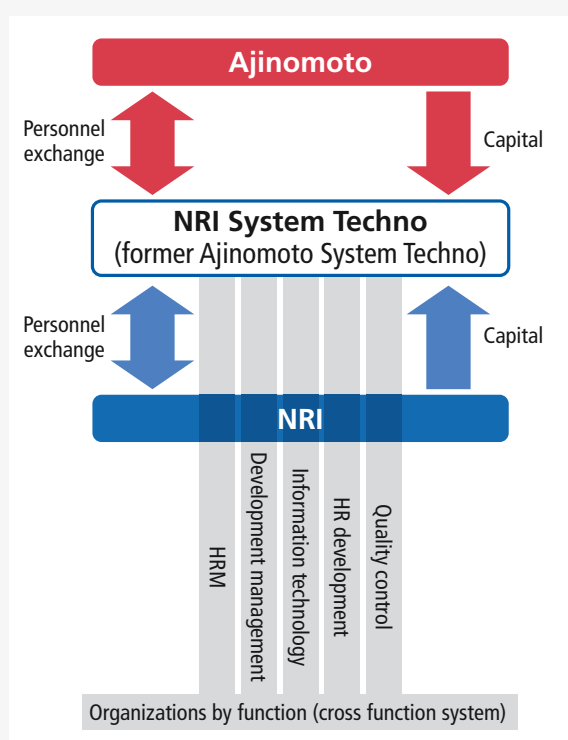
is becoming harder, we help them contain costs and allow them to concentrate on store and product planning, which are the sources of their competitiveness. Because the business environment is so challenging, we are determined to contribute to the distribution and retail industries as a whole through our shared-online (cloud) services.

For NRI, whose slogan is “prosper together with clients,” I believe this is the long-term direction to take.

While setting these ambitious goals for ourselves, we will respond to changes in the business environment with precise aim and strive to make industrial sector a solid business base and driver of growth for NRI.

Focus

Advances in the Prime Account Strategy —Business alliance with Ajinomoto



The strategic IT service alliance reached with Ajinomoto Co., Inc. in February 2012 is a major success of the prime account strategy.

As of 1st April, 2012, NRI acquired from Ajinomoto 51% of the shares of Ajinomoto System Techno Corporation, a subsidiary of the company, which became a member of the NRI Group as NRI System Techno, LTD. The alliance was reached through Ajinomoto's desire to further solidify its Group-wide technology platform through total solutions combining NRI's strengths of consulting and IT solutions.

Currently, NRI System Techno is the general IT service provider for the Ajinomoto Group mainly operating in Japan. Following the alliance, the company has provided wide-ranging support in building the foundation for the Ajinomoto Group's goal of becoming a "Genuine Global Company," including participating from the planning stages in system construction to support rapid management decision-making at a global level.



Keiichi Ishibashi

Representative Director,
Corporate Executive Vice President

in charge of Financial IT Solutions and
Systems Platform

IT Platform Services

Achievements of Vision 2015 Thus Far

This segment handles research and utilization of information and production technologies as well as IT platform services. This segment is also in charge of operating NRI's data centers and through system infrastructure supports NRI's focus on strengthening industry-standard business platforms and the system outsourcing business.

One major topic recently is the Tokyo Data Center 1, scheduled to begin operations in the autumn in 2012 (See "Focus"). Demand is growing for services such as business continuity planning (BCP), disaster recovery (DR), and cloud computing, and this new data center is attracting a great deal of attention from clients for having the highest standards of disaster preparedness and security.

In terms of technology, we are moving ahead with R&D and business creation in front-office areas (user contact points) typified by tablet devices, cloud-related services and big data services. NRI's Consulting Division has a large number of specialists with expertise in marketing and data analysis, enabling NRI to demonstrate strengths in big data, which has recently received intense interest.

Future Aspirations and Strategy

There are many areas where this segment should take

the lead in achieving innovation so that NRI may provide more competitive IT services in the future.

For instance, this includes raising the competitiveness of NRI as a whole through provision of IT platform services from the client point of view. Currently, many of NRI's system platforms including data centers assume a target of the financial industry and have excessively high specs for industrial sector. To respond to this, NRI has started offering hybrid cloud services that provide reliability, safety and operational quality levels tailored to client needs. By combining three types of services, namely 1) individual client systems, 2) high-spec NRI cloud services, and 3) Amazon Cloud services available at low cost, we realize optimized price and security levels for clients.

Meanwhile, by standardizing NRI's internal IT platforms we aim to improve our cost competitiveness and profitability in systems development for financial and industrial IT solutions.

In terms of technology, we will conduct strategic R&D by selecting and concentrating our targets with a stronger awareness of business creation. We are also examining such steps as conducting joint tests with clients on themes of client interest, including the use of tablet devices and big data in business. These activities will lead to research and development that is more focused on client operations and at the same time, can contribute to creating contact points with clients.

Long-term Goals

The IT Platform Services business plays a powerful behind-the-scenes role supporting IT solutions for financial and industrial sector. NRI's business is only established when the safe and stable operation of information systems is made possible. This segment has a large role to play in this regard.

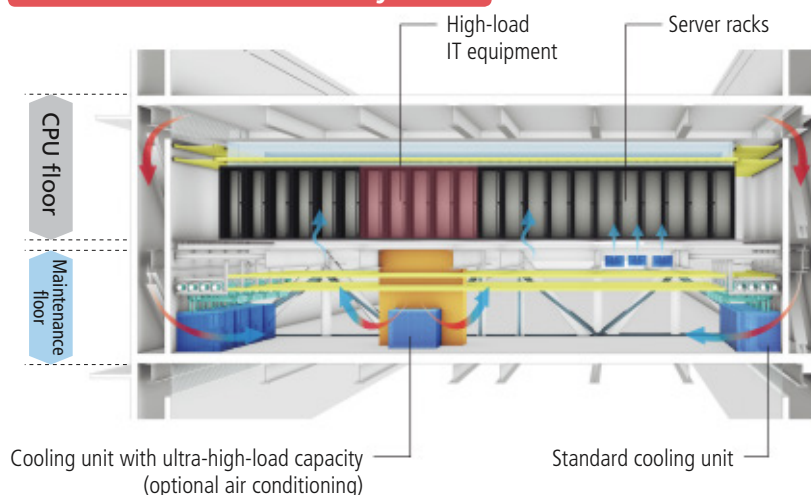
Going forward, we will continue to take progressive steps in terms of our data centers, information technologies and production technologies to contribute to improving NRI's overall competitiveness. At the same time, while further expanding our business for industrial sector clients, we will focus on providing services that better satisfy diverse client needs from the client point of view.

Focus

State-of-the-Art Equipment Supporting Tokyo Data Center 1



Advanced double-deck system



The Tokyo Data Center 1 that NRI is constructing in Tama, Tokyo, is the manifestation of NRI's experience and know-how in operating data centers over many years. Two years were spent on investigating potential sites to select the optimum location, taking into account a foundation hard enough and elevation high enough to withstand major earthquakes and tsunamis as well as a distance (within a 30-kilometer radius of central Tokyo) that enables rapid emergency response.

The building adopts the latest seismic isolation technology that also anticipates vertical shaking from earthquakes directly under the location. Conventional seismic isolation equipment only takes into account horizontal shaking, but our data center incorporates the latest technology that can reduce vibration from vertical shaking by transforming it into rotational energy. The data center is also equipped with a permanent power supply system and an independent power plant in case of power outages.

In recent years, the equipment located in data centers has become increasingly sophisticated, reflecting trends such as virtualization and cloud computing. Along with this, the heat generated by this equipment has also grown, and how to cool this equipment to ensure stable operation has become more important than ever before.

The double-deck system adopted at Tokyo Data Center 1 completely separates the floors in which servers are located and in which building equipment such as air conditioners and power systems are located. Separating the heat-generating source and the air conditioning system can realize highly efficient, flexible air conditioning operation. Tokyo Data Center 1 is a new style of data center enabling stable operation of high-load servers.



Tokyo Data Center 1 (image at completion)



Masahiro Muroi

Representative Director,
Corporate Executive Vice President

in charge of Corporate Administration,
Corporate Planning, Quality Management
and Risk Management

Strengthening the Support Structure for Global Business Development

One pillar of Vision 2015, NRI's long-term management strategy, is the reinforcement and expansion of business in China and Asia. As we now reach the halfway point to Vision 2015, we have substantially accelerated moves to develop NRI's business overseas. At the same time, the importance of strengthening our structure to support these moves is also growing, and we are undertaking a variety of efforts in such areas as organizational and human resource development.

We are steadily making preparations to achieve further large gains overseas and making progress toward building a structure that can solidly support business division activities in order to achieve the goals of Vision 2015.

Accelerated Moves to Develop Overseas

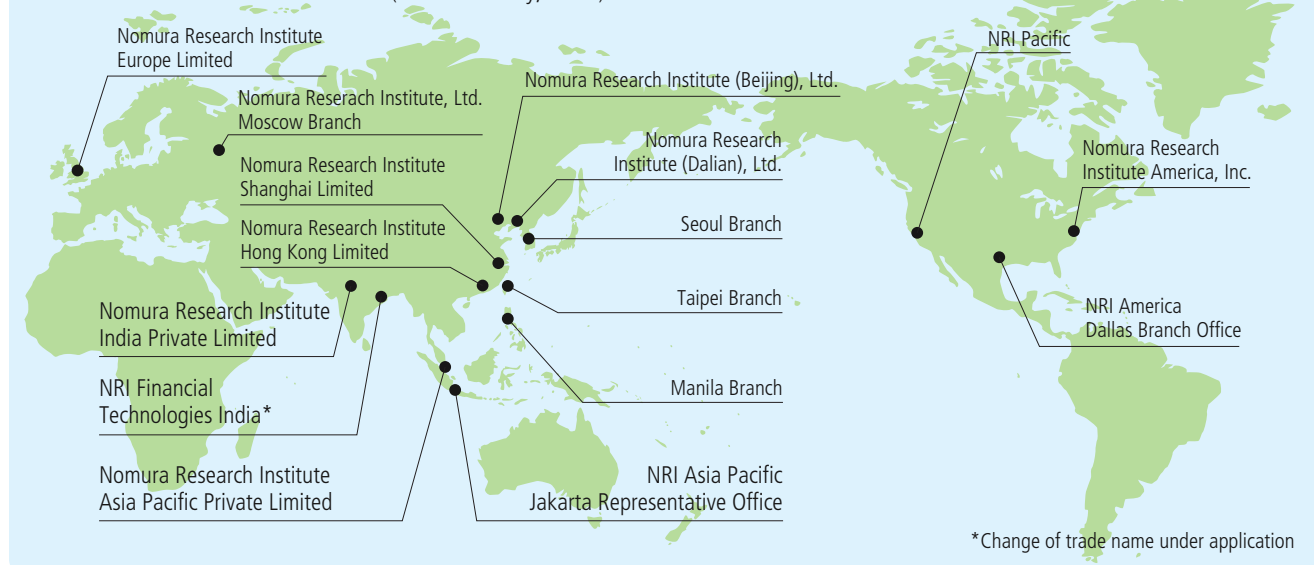
In the past several years, NRI has accelerated overseas business development, mainly by strengthening business in China and other Asian countries. In addition, several cases show the results of efforts made thus far, including the Shanghai consulting base's move to profitability and substantial increase in revenue.

For the year ended in 31st March, 2012, business development in India has made strides in particular. A local consulting company (NRI India) was established and in conjunction with this, we invested capital and entered into an alliance with a local market research company. In the IT Solutions business, we also made a local IT company an NRI subsidiary. This was done with the goal of strengthening our support structure for financial institutions' global business, and we aim to

ensure the stability of offshore development resources in India and develop the client support structure.

These efforts have greatly strengthened our business in China and India, and in the future we aim to expand our network of bases mainly in ASEAN countries and develop our business. To support these moves on the business front, NRI Asia Pacific, a local company in Singapore, has been positioned as the core base for Asian business development, bringing us closer to building an integrated support structure for business operations in Asia.

In April 2012, NRI established an office in Indonesia to develop consulting and IT solutions services for the logistics and distribution industries. In addition, we plan to further accelerate NRI's overseas development with a number of other new consulting bases.

NRI Overseas Network (As of 5th July, 2012)

Promoting Globalization of Human Resources

In terms of human resources, we are promoting local employment and training at overseas bases, as well as enhancing our training programs to develop global human resources.

Locally hired staff play a central role in operations at consulting bases in particular. At our systems bases, NRI Beijing and other bases are actively hiring employees from the local area. We intend to further strengthen our operating structure with a core of local staff in order to expand business not only with Japanese companies, but also with local companies.

At the same time, in order to professionally develop younger employees hired in Japan to be active in the global arena, we are conducting practical trainings in Dalian, China and India for the purpose of improving their English and Chinese language skills as well as having them acquire IT skills. As an overseas trainee program, we also send employees to overseas NRI bases and overseas business associates on one-year assignments, where they engage in practical work to increase their motivation and develop the skills necessary to conduct business globally.

In the past, NRI has actively sent employees to study abroad and attend business schools for short periods, and we will continue to pursue more effective means of professionally developing human resource to lead our global business.

Further Expansion of Our Global Business

The goal of reinforcing and expanding business in China and Asia, one pillar of Vision 2015, has finally just gotten underway. In order to achieve this goal, it is essential that we continue to raise the level of diversity in our human resources, including the nationalities represented, and reform the awareness of all of our employees.

With our slogan of "Challenge the Status Quo, Innovate Ourselves," NRI holds the NRI Innovation Forum throughout the year as a venue to discuss and make suggestions about internal issues and to conduct exchanges transcending organizations on issues such as globalization and careers for women employees.

While actively utilizing such bottom-up initiatives, we will continue building a structure able to solidly support the activities of our business divisions in order to realize the goal of building another NRI in China/Asia.



NRI Innovation Forum

NRI's CSR Policy

The first objective of NRI Group's CSR is to fulfill our social responsibilities through our business activities.

At the same time, we strive to avoid business errors and impropriety and endeavor to deepen social trust.

Above all, we aim to contribute to society through the cumulative effect of our daily activities. We reach out to people through social contributions to create solid bonds with stakeholders.

The first objective of NRI's CSR activities is to fulfill the Company's responsibilities to society through its business activities. This incorporates advocating a new order for future society and building information systems that support society. Navigation × Solution is the essence of CSR activity for the Company; we have only to continue conducting this business to fulfill our social responsibilities. By helping clients hone their competitiveness and improve their performance, and by working toward the sustainable growth of the Japanese economy, we are helping to create a better society.

Priorities: •Business Activities •Research and Development

Proactive CSR

Fulfilling our responsibilities to society through our business activities

Fundamental CSR

Building relationships of trust with society

NRI's Unique Contributions to Society

Striving for social contributions that reach the hearts of people

We strive to strengthen bonds with society through social contributions that reach the hearts of people. To forge bonds that epitomize NRI, the Company is disseminating information to provide insights into a new society and supporting the cultivation of the younger generation and managers who will bear the responsibilities of the next generation. Along with our stakeholders, we are striving aggressively to build the framework for a better society. We take every opportunity to foster communications with stakeholders and to pass on easily comprehensible information on the positive CSR activities that we conduct in the pursuit of our business to parties inside and outside the Company.

Priorities: •Propagation of Intellectual Asset
•Development of Human Resources
•Development of Society

In the execution of our business activities, we take the utmost care to avoid errors and impropriety.

To build relationships of trust with society and protect the NRI Group's corporate value, we comply with all pertinent laws and regulations and avoid violating social and cultural morals. To achieve these goals, we are building and thoroughly maintaining the following systems and frameworks.

Priorities: •Corporate Governance and Internal Control •Risk Management
•Compliance •Quality Management
•Information Security Management •Intellectual Property Management
•Environmental-Friendliness

Engagement with Stakeholders

Our core stakeholders are our clients, employees and their families, shareholders and investors, and business partners, but in a broader sense, our stakeholders encompass consumers, the media, regional communities, industry organizations, competitors, governments, educational and research institutes and students as well as NGOs and NPOs. While maintaining close communication with our various stakeholders in ways suited to their particular qualities, we intend to build a better future society and stronger bonds of trust with society.

NRI's Unique Contributions to Society

Seminars and Forums on Management and Social Issues

NRI holds seminars and forums for shareholders, clients, and the general public in order to convey our information and recommendations for the future to the wider society.

Among these events, one of the largest is the "Dream Up the Future" Forum, which has been held annually since 2003.

This forum, on the theme "Reaching Out Together, Building the Future," was held in Tokyo and Nagoya in October 2011, attracting about 4,500 participants in total.

At the forum, a group of panelists consisting of outside experts and NRI staff members discussed what, in the aftermath of the Great East Japan Earthquake, can be done for the next generation's future, and the panelists talked about Japan's future prospects from their individual perspectives. And in a first for the forum this year, the public were invited to post questions to the Forum's Facebook page for the panelists to answer, stimulating lively discussion.



"Dream Up the Future" Forum 2011 in Tokyo



Panel exhibition at the Forum 2011 in Nagoya

Career Education Support

At the request of 33 schools in Japan and abroad, in fiscal 2011 the NRI Group once again hosted students on visits to NRI offices or sent staff to lecture there. This fiscal year, NRI began offering an NRI Systems Engineer-for-a-Day Program to teach about information systems or systems engineering work. Together with our NRI Consultant-for-a-Day Program, team-building training and dispatch of lecturers, this has expanded our career education support program helping students think about the kind of work they would like to do in the future and teaching them how to cope with life's ups and downs. Over 1,300 students, from junior high school to graduate school level, participated in our career education support programs in fiscal 2011.



The NRI Consultant-for-a-Day Program



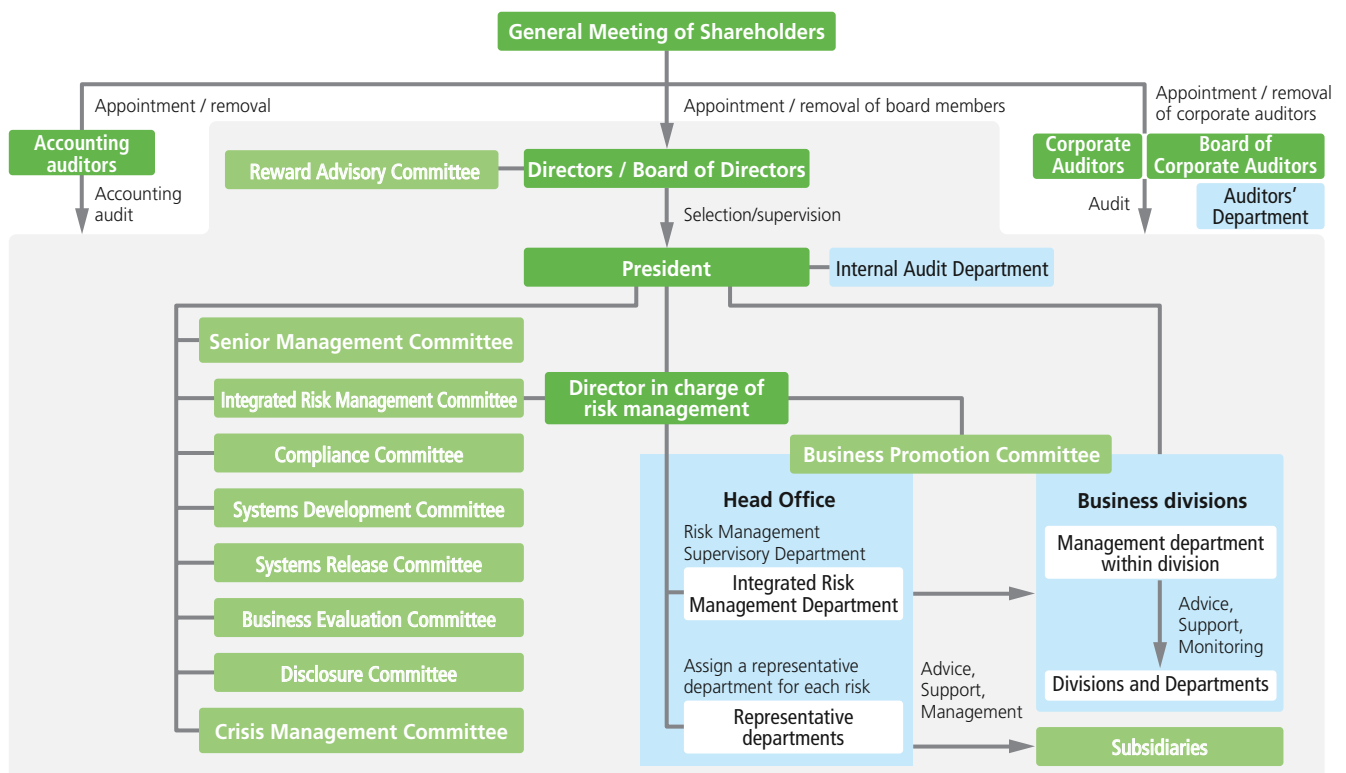
The NRI Systems Engineer for-a-Day Program

Corporate Governance (As of 22nd June, 2012)

Nomura Research Institute, Ltd.

Basic Policy on Corporate Governance

NRI considers that the key objective of corporate governance is to increase its corporate value by making prompt and accurate decisions for its business execution and implementing fair and efficient management, which is transparent to all its stakeholders. NRI makes effective use of corporate auditors and the Board of Corporate Auditors, while building the system's discussed below to further enhance NRI's corporate governance. We believe that NRI's corporate governance system, underpinned by the organizational arrangements of a company with a Board of Corporate Auditors, is functioning effectively.



Measures Aimed at Ensuring Meaningful General Meeting of Shareholders

To help invigorate General Meeting of Shareholders and facilitate the exercise of voting rights, we take steps like setting meeting dates with the aim of maximizing shareholder attendance and sending meeting notices early on, and have adopted an Internet-based system for exercising voting rights and a platform that allows institutional investors to exercise voting rights electronically. We also undertake activities to improve communications with shareholders. One example is the holding of management debriefing sessions following General Meeting of Shareholders to explain the status of NRI's business and future initiatives primarily to individual investors.

Business Management and Execution System

NRI has eight directors, including two outside directors. Directors are elected for a one-year term, creating a management system that can respond quickly to changes in the business environment and clarifying all management responsibilities for each fiscal year. By inviting outside directors, NRI will energize the Board of Directors and realize fairer, more transparent management. In selecting these directors, NRI places particular emphasis on independence

and the ability to provide an objective perspective on NRI's business execution. The Board of Directors, in principle, convenes once a month and on an extraordinary basis as needs dictate. Jurisdiction and responsibility for business execution are largely delegated to executive officers, while the Board of Directors is responsible for decisions that become the basis for the Company's business execution and for the supervision of business execution. NRI has established the Reward Advisory Committee, made up of knowledgeable members from outside the Company, to provide advice on director compensation.

Executive officers appointed through a resolution by the Board of Directors are responsible for the execution of business based on policies adopted by the Board. Four representative directors hold a Senior Management Committee with executive officers once a week and deliberate on the key issues for general business. Senior Management Committee to coordinate the Company's business activities and build consensus in executing business operations.

Corporate Auditor System

Currently, NRI has five corporate auditors, including three outside corporate auditors*. In addition to participating on the Board of Directors and on other important committees, corporate auditors may request reports from employees and executives to provide impartial supervision of business execution by the directors. The outside auditors are selected for their ability to formulate fair opinions and to audit the directors' business execution objectively in order to maintain impartiality and independence of the corporate auditing system. The Board of Corporate Auditors discusses and decides auditing policies and other important matters related to auditing and formulate and express audit opinions. In carrying out audits, corporate auditors coordinate with the accounting auditors and the Internal Audit Department over such matters as receiving reports on the audit plans and current status of audits from the accounting auditors as well as the results of internal audits from the Internal Audit Department, which is responsible for promoting internal controls. In addition, the corporate auditors appropriately receive internal control status reports providing information like monitoring results on compliance with various regulations from the Risk Management Supervisory Department. To ensure that audits are effectively conducted by the corporate auditors, the Auditors' Department has been established to support the work of the corporate auditors. To determine the personnel for this department, the representative directors or directors responsible for personnel consult with the auditors, while maintaining the independence of the department.

* Among the corporate auditors, Hiroshi Izumitani has business experience in the accounting department at Murata Manufacturing Co., Ltd. and experience as the executive in charge of accounting at that company, and Sosuke Yasuda holds professional qualifications as both a Certified Public Accountant and a tax accountant. Both of these individuals have significant expertise in finance and accounting.

Executive Compensation

[Executive Compensation Amounts]

Executive compensation for fiscal 2011 is as shown below.

Category	Total compensation (millions of yen)	Compensation by type (millions of yen)				No. of eligible individuals (persons)
		Basic compensation	Bonus	Stock options	Other	
Directors (Excluding outside directors)	564	330	139	94	1	11
Corporate auditors (Excluding outside auditors)	86	69	16	—	0	3
Outside directors and outside corporate auditors	85	77	8	—	0	6

(Notes) 1. "No. of eligible individuals" in the table above is the number of eligible individuals for fiscal 2011, and not the number of individuals currently in office.

2. Also includes contributions for the defined contribution pension plan and insurance premiums for casualty insurance.

[Policies for the Determination of Director Compensation and Other Matters]

Maximum total director compensation is ¥1.0 billion annually (including stock options, but excluding employee salaries for directors who serve concurrently as employees). The Reward Advisory Committee, which is comprised of three knowledgeable outside individuals, was established to enhance transparency regarding director compensation and other such matters. The committee deliberates matters regarding compensation systems and standards from an objective and fair perspective. Using the results of the committee's inquiries, the Board of Directors sets policies for the determination of director compensation and other matters.

The director compensation system is based on executive position, but, in the interest of enhancing business results, the system emphasizes connections to business performance. The standards employed by the system have been set with reference to market standards and trends and other factors, with the goal of establishing standards appropriate for a leading company in the information services industry.

The compensation system for directors is outlined below:

a. Basic Compensation

Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each director's post, and variable pay, which is based on the Company's business performance in the previous fiscal year.

b. Bonus

The bonus is based on the Company's business performance during the current fiscal year, while taking into consideration individual evaluations.

c. Stock-based Compensation (Stock options)

The NRI Group, to provide incentives for improving its performance and enhancing morale over the medium- to long-term, and to align employee interests with those of shareholders, grants stock options as stock-based compensation. Two types of stock options — one with an exercise price set at market price and another with an exercise price of ¥1 per share — are granted in accordance with executive position. Note that, based on the Stock Ownership Guidelines for Executive Officers, executive officers are expected to hold more than a certain number of shares of the Company's stock, in accordance with their respective positions.

Outside directors do not receive the variable pay portion of the basic compensation, bonus shares, or stock-based compensation.

[Policies for the Determination of Corporate Auditor Compensation and Other Matters]

Maximum total corporate auditor compensation is ¥250 million. Policies for the determination of corporate auditor compensation and other matters are set by through discussions among the corporate auditors. The role of the corporate auditors is to audit the directors in the performance of their duties and to do so from an independent standpoint. However, given that the standing corporate auditors share with the directors the objective of realizing sound, sustainable growth for the NRI Group, their compensation, in addition to a fixed amount, includes a variable portion that changes in accordance with the Company's business performance.

Levels of compensation have been set based on the need to secure human resources capable of playing important roles in the establishment and operation of effective corporate governance.

The compensation system for corporate auditors is outlined below:

a. Basic Compensation

Basic compensation consists of fixed pay (basic pay and position pay) based on each auditor's career, knowledge, responsibilities, and variable pay (for standing corporate auditors only) based on the Company's business performance level in the previous fiscal year.

b. Bonus

The bonus is only paid to standing corporate auditors, and it is based on the Company's business performance during the current fiscal year.

Internal Controls and Compliance

In order to develop an effective internal control system for the entire NRI Group and to provide continuous improvements to the system, we have appointed a director in charge of risk management and established Risk Management Supervisory Department. In addition, Integrated Risk Management Committee meets to check company-wide internal control status as appropriate. The Business Promotion Committee, which all business divisions attend, also works to ensure that the internal control system is implemented. Each of the major risks associated with the Company's business activities is discussed and addressed by a committee with the necessary expertise as occasion arises and are controlled by the representative department in collaboration with business division in an appropriate manner.

In addition, in order to ensure the effectiveness of the Company's ethics and compliance systems, NRI has appointed a Chief Ethics Officer and Compliance Officer, established the Compliance Committee, and set regulations on "the principles of corporate activities", a code of ethics, basic business practices and compliance. The Company continuously carries out training and educational activities on risk management and compliance to enhance the system and improve efficiency. Basic Policy establishes the scope of these activities and states that the NRI Group will maintain absolutely no relationship with any antisocial forces including any business activities. Representative departments are in charge of gathering information on these issues and ensuring that management does not engage in transactions with such organizations.

The Internal Audit Department (21 employees), which functions directly under the President, audits NRI Group to ensure the effectiveness of risk management and compliance systems and to maintain the efficiency of the business execution of directors. The results of such audits are reported to the President, and when corrections or improvements are required, the Risk Management Supervisory Department, the representative departments and the business divisions, collaborate to introduce improvements. In addition, the Internal Audit Department works to cooperate with the accounting auditor through regular exchange of opinions regarding plans for conducting internal audit and their results.

Promoting Information Disclosure

In order to improve management transparency and achieve accountability to shareholders, investors and other stakeholders, NRI is striving to enhance the level of information disclosure and IR functions, as well as ensuring the timely disclosure of information. To enhance the reliability of disclosure materials, we have formed the Disclosure Committee to assist in the preparation process of financial statements and financial reports and confirm their fairness. Moreover, targeting individual investors, we hold several company presentation meetings as well as expanding the NRI website by adding pages targeting individual investors.

Directors, Corporate Auditors and Executive Officers (As of 22nd July, 2012)

Nomura Research Institute, Ltd.

Directors



Akihisa Fujinuma
Chairman, Director



Tadashi Shimamoto
President,
Representative Director,
CEO & COO



Masahiro Muroi
Representative Director,
Corporate Executive Vice President
in charge of Corporate Administration,
Corporate Planning, Quality Management and
Risk Management



Keiichi Ishibashi
Representative Director,
Corporate Executive Vice President
in charge of Financial Solutions and
Systems Platform



Mitsuru Sawada
Representative Director,
Corporate Executive Vice President
in charge of Industrial Solutions and
China & Asia Region Systems



Shiro Tanikawa
Director,
Corporate Executive Vice President
in charge of Consulting
Division Manager of Center for Strategic
Management & Innovation



Nobuya Minami (Note 1)
Director



Takashi Sawada (Note 1)
Director
(President and CEO of Revamp Corporation)

Corporate Auditors



Mamoru Suenaga
Corporate Auditor (full-time)



Sawaaki Yamada
Corporate Auditor (full-time)



Toshio Hirota (Note 2)
Corporate Auditor (full-time)



Hiroshi Izumitani (Note 2)
Corporate Auditor



Sosuke Yasuda (Note 2)
Corporate Auditor
(Senior Advisor of GYOSEI & CO.,
Managing Partner of
GYOSEI Certificate Public Tax &
Accountants' Co.)

Notes:

1. Nobuya Minami and Takashi Sawada are Outside Directors. The Company specifies them as Independent Directors pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.
2. Toshio Hirota, Hiroshi Izumitani and Sosuke Yasuda are Outside Corporate Auditors. The Company specifies Hiroshi Izumitani and Sosuke Yasuda as Independent Corporate Auditors pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.

Executive Officers (excluding those also serving as directors)

Corporate Senior Vice Presidents

Akihiko Nakamura
Yoshihito Mitsugi
Shin Kusunoki
Hiroshi Itano
Harumi Saitou
Shingo Konomoto
Masahide Nakamura

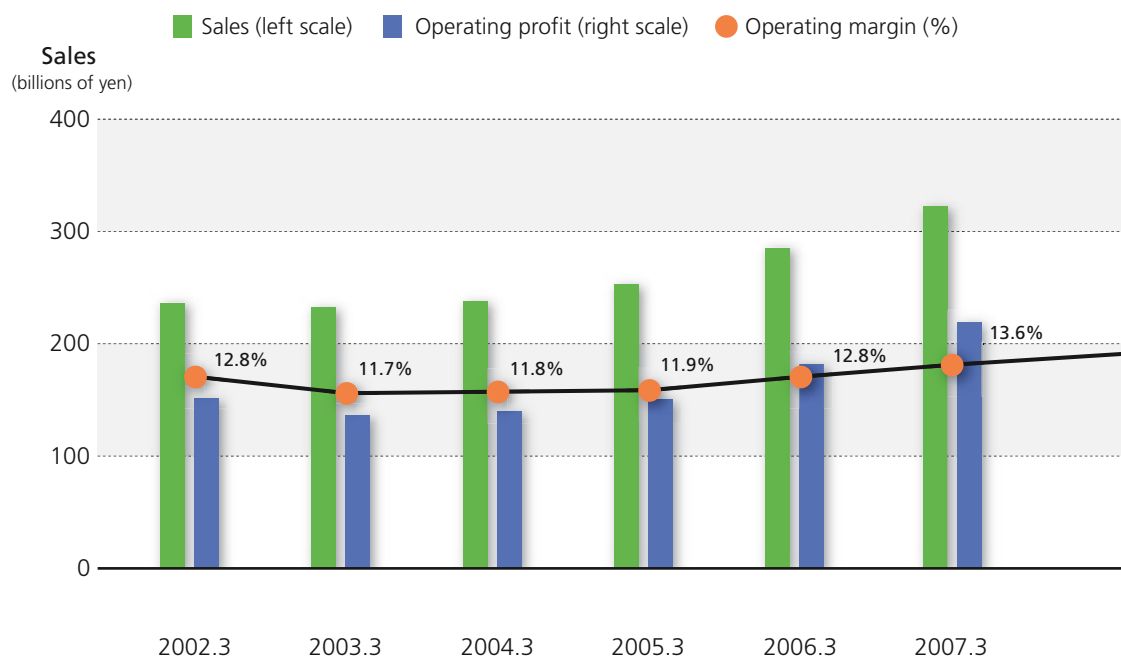
Corporate Vice Presidents

Hideaki Nakano
Shigeki Higashiyama
Koji Sato
Yoshihiko Murowaki
Tatsuya Watahiki
Masaki Takimoto
Hajime Ueda
Yutaka Harada
Ayumu Ueno
Hiroshi Funakura
Takuji Nakamura
Masahiro Fuchida

Kenji Yokoyama
Tomoyasu Miura
Yoshio Usumi
Yoshio Murata
Takuhiro Sakata
Fumihiko Sagano
Yasuo Fukami
Yasuki Okai
Shigeki Hayashi
Yoichi Inada
Hiroshi Masutani

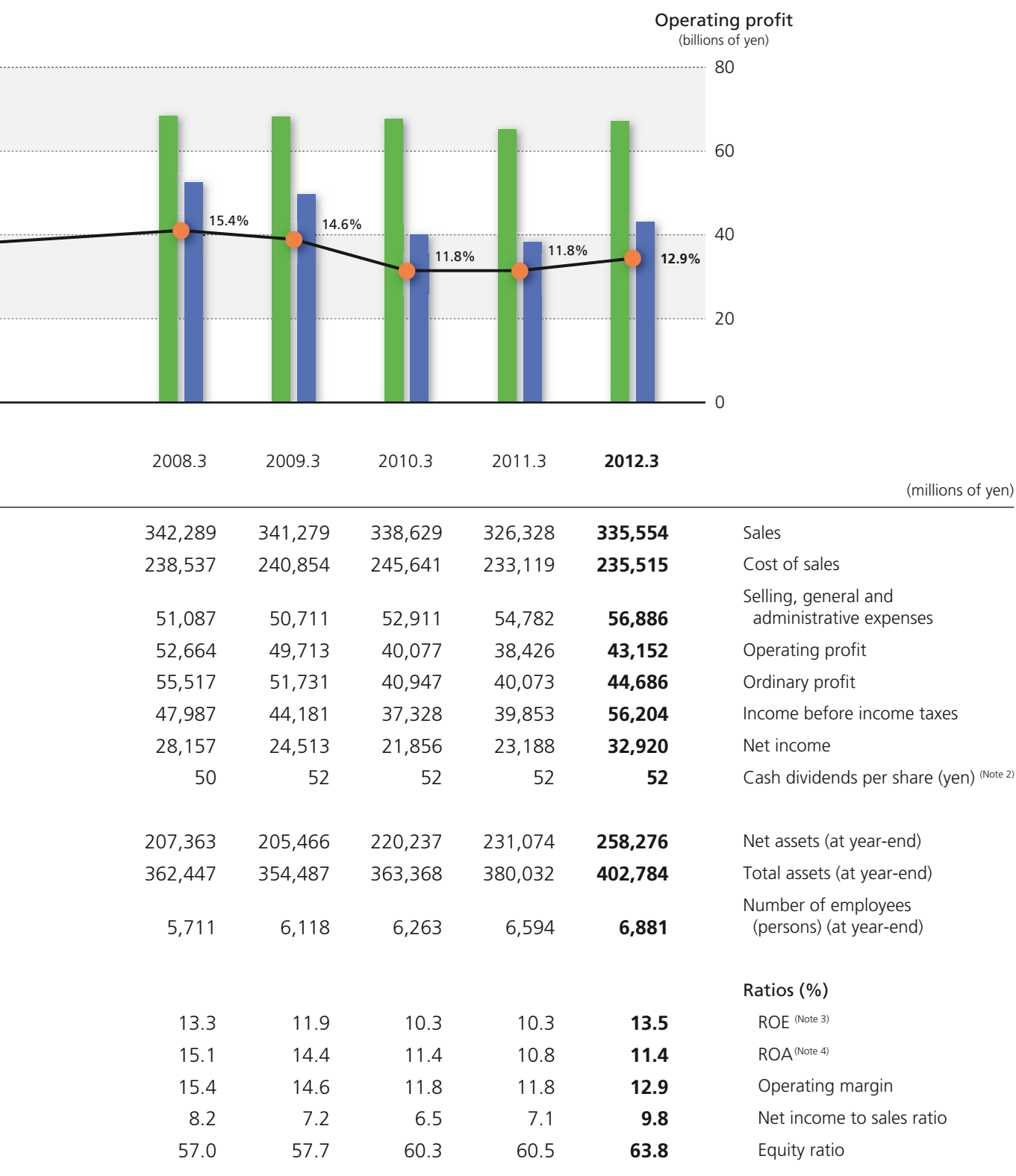
Consolidated 11-year Financial Summary

Nomura Research Institute, Ltd.



Sales	236,569	232,743	238,067	252,963	285,585	322,531
Cost of sales	173,636	173,545	178,096	190,732	213,706	234,578
Selling, general and administrative expenses	32,568	32,034	31,948	32,071	35,409	44,055
Operating profit	30,364	27,164	28,022	30,159	36,469	43,897
Ordinary profit	32,953	27,627	29,293	30,987	38,252	46,099
Income before income taxes	39,009	27,177	32,927	27,361	37,535	46,744
Net income	22,363	15,459	18,269	16,303	22,518	27,019
Cash dividends per share (yen) (Note 2)	4	4	8	20	28	36
Net assets (at year-end)	195,564	185,350	229,331	231,766	209,301	216,232
Total assets (at year-end)	299,892	256,798	326,799	317,341	311,786	371,458
Number of employees (persons) (at year-end)	4,313	4,619	4,791	4,848	5,013	5,303
Ratios (%)						
ROE (Note 3)	12.4	8.1	8.8	7.1	10.2	12.7
ROA (Note 4)	11.2	9.9	10.0	9.6	12.2	13.5
Operating margin	12.8	11.7	11.8	11.9	12.8	13.6
Net income to sales ratio	9.5	6.6	7.7	6.4	7.9	8.4
Equity ratio	65.2	72.2	70.2	73.0	67.1	58.1

Notes: 1. Amounts of less than million yen were rounded down.
2. Cash dividends per share have been retroactively restated for the prior fiscal years.
3. ROE = (Net income / Average net assets) x 100
4. ROA = (Ordinary profit / Average total assets) x 100



Management's Discussion and Analysis of Financial

Nomura Research Institute, Ltd.

•Business Overview

In the current fiscal year, the Japanese economy, despite picking up gradually after the slump due to the Great East Japan Earthquake, was unable to achieve a full-scale recovery as a result of such factors as the European debt crisis, yen appreciation and a slowdown in overseas economies. With respect to companies' investment plans in information systems, companies remained cautious towards making such investment throughout the year and the business environment was difficult for the information services industry.

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

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

As a result of active efforts to expand the client base, in the industrial sector, we entered into a business alliance with Ajinomoto Co., Inc. regarding IT services and acquired 51% of the shares of an information subsidiary of Ajinomoto Co., Inc. in April of this year. The Company shall continue to actively expand its client base by not only leveraging its various know-how accumulated to date, but also through alliances, M&A, etc. with other companies. Regarding overseas development, the NRI Group particularly worked to strengthen its business in the Asia region. In India, which continues to have fast economic growth, we established a local subsidiary in the consulting business. In addition, we are in the process of acquiring a stake in a local market research company for a business alliance and making a local IT company our subsidiary. Aiming to further develop

our business, we plan to make a local subsidiary in Singapore perform the function of a holding company as the core base of Asia, and we shall work towards building a unified business-operation support system for Asia. To further improve the quality of our human resources, we are significantly upgrading our overseas training systems and fostering a work force capable of performing global business. As part of its social contribution activities, the NRI Group launched an earthquake recovery assistance project team, and carried out activities such as making recommendations on promoting emergency measures toward recovery from the Great East Japan Earthquake, and drawing attention to issues in a large-scale forum.

For the current fiscal year, sales increased to ¥335,554 million (up 2.8% year on year). Cost of sales increased to ¥235,515 million (up 1.0%), and gross profit was ¥100,038 million (up 7.3%), as a result of a decline in the cost of sales ratio due to an increase in the amount of development expenses recorded as assets accompanying an increase in STAR-IV software development(*) and a decrease in unprofitable projects. Selling, general and administrative expenses were ¥56,886 million (up 3.8%) due to an increase in subcontracting costs and an increase in personnel expenses accompanying an increase in personnel for future businesses expansion. Operating profit was ¥43,152 million (up 12.3%), operating profit margin was 12.9% (up 1.1 percentage points), and ordinary profit was ¥44,686 million (up 11.5%). Net income was ¥32,920 million (up 42.0%) due to a gain on sales of investments in affiliates (gain on the sale of shares of Nomura Holdings, Inc., which were allotted to the Company in exchange for shares of Nomura Land and Building Co., Ltd. that the Company held), as well as the recording of special dividends income from shares held by the Company under extraordinary income.

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

•Business Results by Segment

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

The classification of the segments has been changed partially following a reorganization that was carried out effective

1st April, 2011. Consequently, comparisons between segments with the previous fiscal year shown below are based on amounts restated in accordance with the classifications following this change.

Consulting

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

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

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

Financial IT Solutions

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

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

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

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

Industrial IT Solutions

This segment provides system development and system management and operation services and other 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 sector.

In this segment, the Company has been making efforts to provide IT solution proposals while working closely with the Consulting segment, which has a large number of customers in the industrial sector, to expand the client base. These efforts are beginning to pay off. The Company has also entered into a business alliance with Ajinomoto Co., Inc. regarding IT services.

In terms of sales, although product sales accompanying system development projects to the manufacturing and services sectors declined, there was an increase of sales to major customers in the distribution sector, particularly for system management

and operation services. On the cost front, despite a decrease in unprofitable projects, there was an increase in costs for expanding the client base centered on the acquisition of new customers.

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

IT Platform Services

This segment provides IT platform and network architecture related services in its role as an infrastructure division that provides better quality and increased added value in the information system services provided by the Financial IT Solutions and Industrial IT Solutions sectors. It also conducts system operation, management and administration of data centers, research for the development of new business operations and new products related to IT solutions, and research related to leading-edge information technologies.

The Company's fifth data center is under construction in Tokyo, and scheduled to commence operations in November of this year.

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

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

Others

"Others" refers to business segments not included in the above segments and consists of subsidiaries offering system development and system management and operation services and other subsidiaries.

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

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

•Results of Operations of Fiscal 2011

<1> Sales and operating revenue

As mentioned in "Business Overview," sales were ¥335,554 million (up 2.8% year on year) and operating profit was ¥43,152 million (up 12.3%). As a result, the operating margin was 12.9% (up 1.1 percentage points).

<2> Non-operating income/expenses and ordinary profit

Due to improved results for equity method affiliated companies, investment gains on equity method were included in the balance sheet, but gains on equity investment partnerships and dividend income dropped. As a result, non-operating income was ¥1,726 million (down 4.4% from the previous fiscal year). Meanwhile, non-operating expenses amounted to ¥192 million (up 21.5%) mainly due to interest expenses on borrowing by the Employee Stock Ownership Trust (the "ESOP Trust") for the introduction of a Trust-type Employee Stock Ownership Incentive Plan in March 2011. Consequently, non-operating profit was ¥1,533 million (down 6.9%).

Ordinary profit, therefore, came to ¥44,686 million (up 11.5%).

<3> Extraordinary income/loss, provision for income taxes, and net income

Extraordinary income of ¥11,797 million (compared to ¥182 million the previous fiscal year) resulted mainly 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 dividend income from shares held by the Company under extraordinary income. Extraordinary loss of ¥279 million (down 30.6%) resulted from impairment loss on shares and loss on sales, and overall, extraordinary loss was ¥11,518 million (compared to a loss of ¥219 million the previous fiscal year).

Provision for income taxes came to ¥23,283 million (up 39.7%) due to partial reduction of deferred tax assets, since the effective corporate tax rate will be lowered starting the fiscal year ending March 2013, following promulgation of the revised Corporation Tax Act. With the application of tax-effect accounting, the effective tax rate was 41.4%.

Net income for the year came to ¥32,920 million (up 42.0%).

•Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year

(1) Policy for distribution of profits

The Company considers the ongoing growth of its corporate value to be the most important return to its shareholders. The Company's basic policy on the payment of dividends from surplus is to continue to provide stable dividends while securing sufficient retained earnings for its medium- and long-term business development. The Company's decisions regarding standards are based on the operating revenue and cash flow situation, but it aims for a consolidated dividend payout ratio of 30%.

Retained earnings will be utilized as a source for business expansion, including facility investment and R&D investment for enhancing existing businesses and cultivating new businesses, investment in human resource development, and strategic investment such as M&A. Retained earnings may also be utilized to purchase treasury stock, as part of its flexible capital management aimed to improve capital efficiency and respond to the

changes in the business environment.

As stipulated in Article 459 of the Companies Act, the Company stipulates in its Articles of Incorporation that it may pay dividends from surplus by a resolution of the Board of Directors with record dates of 30th September and 31st March.

(2) Payment of dividends from retained earnings

The Company decided to pay cash dividends of ¥26 per share with the record date of the end of the current fiscal year (31st March, 2012). Combined with interim cash dividends paid in November 2011 (the record date of interim dividends was 30th September, 2011), the annual dividend payment was ¥52 per share, for a consolidated dividend payout ratio of 30.9%.

The payments of dividends from surplus with record dates falling in the current fiscal year are listed below.

Date of Board resolution	Total cash dividends	Cash dividends per share	Record date
28th October, 2011	5,082 million yen	26 yen	30th September, 2011
17th May, 2012	5,100 million yen	26 yen	31st March, 2012

Note: The total cash dividends do not include dividends for the ESOP Trust (portion decided by resolution in October 2011 was ¥143 million and the planned portion to be decided by resolution in May 2012 is ¥126 million).

•Analysis of Financial Position at the End of Fiscal 2011

<1> Summary

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

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

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

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

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

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

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

<2> Securities

Securities totaled ¥143,604 million (up 15.0% from the end of the previous fiscal year) and accounted for 35.7% of total assets.

Securities include short-term investment securities under current assets, and investment securities and investments in affiliates under fixed assets.

i. Short-term investment securities under current assets

Short-term investment securities under current assets remained approximately the same as at the end of the previous fiscal year at ¥81,078 million (up 1.8%). All of these investments were in bond investment trusts (cash equivalents) and short-term bonds with less than one year remaining until maturity.

ii. Investment securities and investments in affiliates under fixed assets

A 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, purchase of Japanese government bonds, etc. to invest surplus funds, and increases in market prices for listed shares held by the Company resulted in ¥62,525 million (up 38.2% from the end of the previous fiscal year) for investment securities and investment in affiliates under fixed assets. Making up this total were ¥22,729 million (up 5.6%) in marketable securities, ¥7,622 million (down 50.3%) in equity shares for which it was deemed extremely difficult to determine a market price, ¥32,061 million (up 300.8%) in bonds, and ¥113 million (down 70.2%) in investment fund shares and other investments.

For more details on securities held, please refer to "Investments" in "Notes to the Consolidated Financial Statements" section of "Consolidated Financial Statements."

<3> Software

Software and software suspense accounts make up the majority of intangible fixed assets. Together, software and software suspense accounts totaled ¥57,171 million as of the end of the fiscal year under review (up 0.1% from the end of the previous fiscal year), making up 14.2% of total assets. With the increase of shared-online services development for the financial industry and others, software investment for this fiscal year was ¥21,154 million (up 109.2%).

•Cash Flows

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

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

Net cash used in investing activities was ¥47,731 million, ¥20,008 million greater compared with the previous fiscal year. The main contributing factors were the purchase of short-term

investment securities for fund management purposes, as well as increases in acquisition of software and intangibles related to the development of shared-online systems and acquisition of property and equipment related to data centers. These factors offset proceeds from sales of investments in affiliates.

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

Facilities

Nomura Research Institute, Ltd.

During fiscal 2011, the NRI Group's total capital expenditures came to ¥41,165 million. This mainly comprised development of shared-online services to expand high value-added services in Financial IT Solution Services and capital expenditures related to construction of a data center and other data center-related outlays in IT Platform Services.

•Major Facilities

(1) NRI

Name of office (Location)	Name of segment by business type	Buildings and structures (millions of yen)	Machinery (millions of yen)	Equipment (millions of yen)	Land		Lease assets (millions of yen)	Software (millions of yen)	Total (millions of yen)	Employees (persons)
					Area (m ²)	Amount (millions of yen)				
Marunouchi Center (Chiyoda-ku, Tokyo)	Consulting	425	0	188	—	—	0	1,619	2,234	1,038 [120]
Kiba Center (Koto-ku, Tokyo)	Financial IT Solutions	1,085	21	484	—	—	—	24,165	25,756	1,233 [320]
Yokohama Center (Hodogaya-ku, Yokohama)	Industrial IT Solutions, IT Platform Services	828	29	1,398	—	—	—	6,086	8,342	1,482 [285]
Yokohama Minato Center (Kanagawa-ku, Yokohama)	Financial IT Solutions	1,084	26	339	—	—	—	11,203	12,653	1,139 [287]
Osaka Center (Kita-ku, Osaka)	Industrial IT Solutions	30	0	20	—	—	—	2	53	64 [2]
Hiyoshi Data Center (Yokohama)	IT Platform Services	5,943	901	205	14,112	4,952	—	116	12,118	51 [67]
Yokohama Data Center 1 (Yokohama)	IT Platform Services	6,594	2,851	1,344	(6,748) —	—	109	5	10,905	50 [183]
Yokohama Data Center 2 (Yokohama)	IT Platform Services	9,438	1,592	758	4,602	2,312	—	—	14,101	9 [8]
Osaka Data Center (Osaka)	IT Platform Services	6,122	363	460	13,200	2,221	—	0	9,167	27 [32]
Yokohama Learning Center (Hodogaya-ku, Yokohama)	Company-wide (common use)	151	0	69	—	—	—	30	251	38 [12]
Shiodome Center (Minato-ku, Tokyo)	Industrial IT Solutions	60	15	27	—	—	—	267	370	125 [21]

Notes: 1. The figures are book values as of 31st March, 2012.

2. A portion of land and buildings are rented (including subleasing to domestic subsidiaries) with annual rental expense of ¥11,032 million. Leased land area is listed inside parentheses ().

3. In the "Employees" column, the numbers in square brackets [] represent the average number of temporary employees throughout the year.

4. The descriptions listed in "Name of segment" are the main segment categories under which each office operates.

5. In the listings above, some of the facilities include neighboring offices.

6. For the facilities in the listings above, data centers are mainly data center facilities, and others include office facilities and software and system development facilities.

7. An additional facility not shown above is the data center under construction in Tokyo (Land: area 19,496 m²; amount ¥2,308 million. Construction in progress: ¥7,788 million).

(2) Domestic and Overseas Subsidiaries

Name of office (Location)	Name of segment by business type	Buildings and structures (millions of yen)	Machinery (millions of yen)	Equipment (millions of yen)	Land		Lease assets (millions of yen)	Software (millions of yen)	Total (millions of yen)	Employees (persons)
					Area (m ²)	Amount (millions of yen)				
(Domestic Subsidiary)										
NRI Netcom, Ltd. Head Office and others (Kita-ku, Osaka)	Others	146	—	162	—	—	—	148	457	284 [64]
NRI Secure Technologies Head Office and others (Miinato-ku, Tokyo)	Industrial IT Solutions	84	—	628	—	—	3	740	1,456	207 [43]
NRI Workplace Services, Ltd. Head Office and others/ Dormitory (Hodogaya-ku, Yokohama)	Company-wide (common use)	635	—	15	7,385	1,805	—	3	2,460	105 [42]
NRI Data iTech, Ltd. Head Office and others (Koto-ku, Tokyo)	Industrial IT Solutions	30	—	19	—	—	—	29	79	141 [28]
(Overseas Subsidiary)										
Nomura Research Institute (Beijing), Ltd. Head Office and others (Beijing, China)	Industrial IT Solutions	6	—	53	—	—	—	40	100	111 [—]
Nomura Research Institute Shanghai, Limited Head Office and others (Shanghai, China)	Consulting	10	—	9	—	—	—	—	20	76 [2]

Notes: 1. The figures are book values as of 31st March, 2012.

2. A portion of land and buildings are rented at an annual rental expense of ¥171 million. Annual rental expense does not include sublease amounts from NRI.

3. In the "Employees" column, the numbers in square brackets [] represent the average number of temporary employees throughout the year.

4. The facilities in the listings above are mainly office facilities and software and system development facilities.

5. The breakdown of the land for NRI Workplace Services, Ltd., is given below.

Category	Name	Location	Area (m ²)
Dormitory	Hiyoshi Dormitory	Kohoku-ku, Yokohama	5,621
	Higashiterao Dormitory	Tsurumi-ku, Yokohama	1,764

•Capital Expenditure Plans for Fiscal 2012

We have capital expenditure plans of ¥35,000 million for fiscal 2012, and the breakdown by business segment is listed below.

Other than these, there are no plans to dispose of or sell major facilities, excluding the disposal or sale of facilities for regular updating.

Name of Segment	Facilities	Planned investment (millions of yen)	Major items and purpose
Consulting	Software Hardware	10	Personal computers and others
Financial IT Solutions	Software Hardware	9,000 3,450	Software for internal use to provide services for financial industry and other clients, software development for sale purposes, etc. Equipment for system development to provide services for financial industry and other clients, equipment to provide services installed in data centers
Industrial IT Solutions	Software Hardware	5,300 1,300	Software development for internal use to provide services for clients in the distribution, manufacturing, service, and other industries; software development for sale etc. Equipment for system development to provide services for clients in the distribution, manufacturing, service and other industries; equipment to provide services installed data center
IT Platform Services	Facilities in centers	14,900	Data center construction, acquisition of related facilities, etc.
Others	Software Hardware	600	Software for internal use to provide client services, equipment, etc.
Company-wide (common use)	Office facilities	440	Property equipment, furniture, fixtures, etc.
Total		35,000	

Note: Regarding the data center currently under construction in Tokyo (with planned investment of ¥8,000 million in the next fiscal year), we plan to apply the balance remaining from the ¥11,782 million raised through the disposal of treasury shares in March 2011, minus the amount already expended, toward part of the data center's construction cost. This data center is scheduled to open in November 2012.

The NRI Group's research and development activities are concentrated in three areas:

1. Research and feasibility studies, development of prototypes, and experimental trials, all of which lead to the development of new businesses and products
2. Research into advanced information technologies, platform technologies, and production and development technologies
3. Surveys and research on new social systems

Research and development activities are routinely pursued by the Advanced Information Technology Division, which is in charge of technology development for the NRI Group, and the Center for Strategic Management and Innovation, which is in charge of policy recommendations and advanced technology functions. In addition, individual business divisions, in pursuing medium- to long-term development of business and new products engage in research and development activities via cross-functional arrangements as necessary. In addition to introducing R&D strategies, we have introduced R&D meetings to provide opportunities to select R&D projects in priority areas from a company-wide perspective. These meetings serve as a forum for investigating projects from the planning stage through applications of results.

In fiscal 2011, our research and development expenses amounted to ¥3,643 million. The research and development activities by each segment are as follows.

Consulting

As investigative research into consumers, we conducted a questionnaire survey of 10,000 consumers in China and another of 10,000 consumers specific to the financial services field. In the industrial field, we conducted surveys and research on the latest trends in China and India.

Our research and development expenses for the segment amounted to ¥545 million.

Financial IT Solutions

We undertook research and development on cutting-edge solutions for new business and new product development. We also developed front-end solutions for securities, developed sales support solutions making use of investment product information, researched opportunities for developing banking-related business, and enterprise risk management (ERM), and conducted surveys of the financial IT market and service trends in the United States and Europe.

Our research and development expenses for the segment amounted to ¥1,385 million.

Industrial IT Solutions

We took steps toward developing backbone system solutions for retail and physical distribution, research into shared services for retail systems, standardization in the form of research and development related to OpenID*1 protocol, and conducted technology and product assessments.

Our research and development expenses for the segment amounted to ¥582 million.

IT Platform Services

Our research efforts included creation of an IT roadmap of promising medium-term technology trends, cloud computing technologies*2, next-generation databases, IT modernization*3 and Big Data*4. We also conducted research on tools to support project management for system development, research on tool-linking functions for system development and research on advanced usage of the development framework.

Our research and development expenses for the segment amounted to ¥968 million.

Others

In addition to the above, we conducted research into standardizing development management to improve the efficiency and quality of our system development.

Our research and development expenses for the segment amounted to ¥161 million.

*1 OpenID: A technology that facilitates common user IDs to be used for multiple Internet services

*2 Cloud computing: A computer configuration that can provide extensive IT resources as services through the Internet

*3 IT modernization: A method to modernize or optimize existing system assets such as mainframe computers

*4 Big Data: Huge, complex data arrays that cannot be managed with existing technology

Management Policy and Tasks

Nomura Research Institute, Ltd.

(1) Basic Management Policy

The NRI Group's corporate statement is "Dream up the future." The Company views its mission as the combination of "Winning the trust of clients and prospering together with them" and "Gaining insight into the paradigms of a future society and propelling its realization." Based on our corporate statement, we have formulated our management basic strategy of "Navigation and Solution," where "Navigation" refers to proposing the directions that clients, and therefore society, should take, and "Solution" means realizing client goals even when it involves taking responsibility.

(2) Management Goal and Management Indices

The management objective of the NRI Group is to enhance its corporate value by continuously expanding its business. As management indices, we focus on operating profit and operating cash flows, which express a business's profitability, and seek to increase these figures.

(3) Medium-term Management Strategy

With IT use in business management becoming increasingly sophisticated, needs are increasing for faster and cheaper information system set-up and operation. In the set-up and operation of corporate information systems, a shift is underway toward outsourcing some operations to external specialists instead of the company itself conducting the operations independently. Companies also increasingly do not own their own systems, but rather use IT functions provided as third-party services. These third-party service providers must improve their ability to provide services. In addition, as clients' businesses transcend national and industry boundaries, achieving global response and functional links that cross industry barriers is increasingly important in the information service industry.

In response to these changes in the business environment, NRI is developing business under the following management strategy.

- To provide cross-industry business platforms, mainly in financial areas, and expand and upgrade the services we provide
- In industrial areas, to expand industries and operations in which we specialize by providing services and attracting industry-leading clients, mainly wholesalers/retailers and businesses such as food or clothing manufacturers, etc. catering to consumers
- To expand our operations in the Asian region, for example China, India and the ASEAN economies, where future market growth is expected.

Under this strategy, the NRI Group aims to achieve sustained growth in Japan and abroad while improving productivity, ensuring quality, and changing the mindsets and improving the skills of the human resources supporting these productivity and quality control.

(4) Management Tasks

Although the domestic economy is slowly recovering from the effects of the Great East Japan Earthquake in March 2011, the business environment continues to be uncertain due to the European debt crisis, high oil prices and other variables. Further, since the earthquake, forecasts of the extent of damage that can be expected in similar natural disasters have been revised upward substantially from existing estimates, highlighting the need for companies to formulate and strengthen their business continuation plans in emergencies.

In this situation, the information services industry must build effective, efficient information systems, which are an important component of the social infrastructure, and be prepared to provide uninterrupted service and quick recovery of systems in a disaster in order to support business continuation. In addition to rapidly expanding and upgrading shared-online services as cross-industry and cross-market business platforms, NRI will endeavor to maintain and ensure stable operation of information systems and will further reinforce its systems for protecting and backing up data in case disaster strikes.

In the future, in order to sustain business growth in the medium and long term, expanding our client base is essential. A large proportion of the NRI Group's clients are securities companies and others in the domestic financial sector. As a way to also avoid the risk of sales fluctuations from this industry-specific concentration, we believe expanding the number of our clients in various industries and global development are key. Therefore, we intend to attract clients in industrial sector by integrating our consultant and system engineering services. Additionally, we will provide our domestic clients with reliable assistance when they expand overseas. To win overseas clients in Asia, where prospects for market growth are good, we will open more offices and enhance our business promotion framework in ASEAN economies, hire and train local personnel, and expand our global human resources development programs.

In order to make steady and efficient progress toward these aims, we will proactively mobilize internal and external resources, including collaboration and M&A with domestic and foreign companies possessing the requisite technologies, experience, and reliable customers.

We will also promote standardization and enhance our system of checks to execute system development according to plan. In addition, we will continue developing and training human resources and reinforce our systems to prevent system disruptions before they occur. We will pay even closer attention than before to information security management, which constitutes the information service infrastructure.

Items that could have an important influence on investor judgments in the NRI Group's business and other operations are outlined below.

The risks that we list here are representative risks inherent to our business as of 31st March, 2012, but the potential risks are not limited to those listed below. Furthermore, items herein relating to future events are based on judgments by the NRI Group as of the end of the fiscal year under review.

(1) Risks Concerning the Business Environment

<1> Price competition in the information services industry

Competition is fierce among service providers in the information services industry. Intense price competition could occur in the future as a result of the continuing participation by new service providers from other industries, emergence of overseas providers, and an increase in demand for packaged products.

Under these business circumstances, the NRI Group strives to differentiate its services from those of its competitors by offering high value-added services that enhance its ability to offer end-to-end services from consulting to system development and system management and operation. We are also striving to improve productivity.

However, if price competition becomes more intense than forecast, the NRI Group's business performance may be adversely affected.

<2> Stability of management and operation services business

Expansion of system management and operation services requires various investments such as real estate for data centers and equipment for operations and software. Return on such investments is obtained over the long term through client contracts.

Many contracts for system management and operation services span more than one year or are automatically renewed in the case of one-year contracts. Accordingly, sales are deemed relatively stable; moreover, the NRI Group strives to achieve steady return on investments through careful management of works in progress and continuous credit control of clients.

Nevertheless, there is no guarantee that this stability in sales of system management and operation will continue in the future; each time a client business undergoes a merger or bankruptcy, or when a client decides to overhaul its information systems strategies, there is a possibility that it will not renew its contract with the NRI Group.

<3> Capital relationship with Nomura Holdings, Inc., and its affiliates

As of 31st March, 2012, Nomura Holdings, Inc., held 38.2% of the voting rights of NRI (including 31.7% of indirectly held voting rights, and of that 21.6% is held by its wholly owned subsidiary Nomura Asset Management Co., Ltd.). In addition, affiliated companies, including JAFCO Co., Ltd. and Takagi Securities Ltd., held 8.8% of NRI's voting rights.

However, there is no guarantee that the current stability of the percentage of shares held by Nomura Holdings, Inc., and its

affiliates will continue in the future.

<4> Business continuation risk

As a result of the advance of globalization of business activity and widely networked environment, significant damage may be caused by unexpected events such as disasters and system failures, requiring the reinforcement of a crisis management system.

The NRI Group has prepared a contingency plan (emergency response plan) outlining the emergency response system and action guidelines in the event a large-scale disaster, disruption, accident, or other incident occurs that affects the business and execution of operations. While taking proactive measures and conducting repeated drills, we will work to upgrade and reinforce our crisis management structure, including preparing the infrastructure necessary for business continuation and establishing a structure to achieve smoother business continuation. The data centers held by the NRI Group meet the highest Japanese standards for disaster preparation, in terms of security measures and earthquake resistance among other aspects. We intend to further reinforce our backup systems for the NRI Group's information assets contained within these data centers as well as take measures based on standards agreed upon with clients regarding their information assets in our keeping.

However, in the event of a contingency or situation that exceeds the capabilities of one company, in which business disruption is unavoidable, provision of services at the standards agreed upon with clients may not be feasible and could potentially affect the NRI Group's performance.

(2) Risks Concerning Business Strategy

<1> Dependence on specific business categories and clients

The NRI Group sales showed strong dependence on specific business sectors and clients. In fiscal 2011, sales of Financial IT Solutions to external customers mainly in the financial sector accounted for 60% of total sales. Moreover, the NRI Group's combined sales to its major clients, Nomura Holdings, Inc. and its subsidiaries, and Seven & i Holdings Co., Ltd. and its subsidiaries, amounted to more than one-third of consolidated sales.

The NRI Group possesses the operational know-how gleaned from its businesses for the financial sector and large-scale and advanced system construction and operation expertise. The NRI Group is aggressively cultivating new clients, and is differentiating itself from its competitors by utilizing these strengths in services for other sectors. In terms of its approach to major competitors by becoming even more adept in its areas of strength, it is strengthening its client relationships through strategic deployment of human resources.

However, it is possible that in the future the NRI Group will experience an enormous impact on business performance if the business environment is transformed as a result of changes to the legal system in a specific sector, if the business circumstances of our major clients change, or if they radically reexamine their information systems strategies. There is also a possibility that the NRI Group, against expectations, will be unable to secure new clients.

<2> *Technological changes in the information services industry*

In the information services industry, we must constantly respond to match market needs that change as information technology evolves.

Acknowledging such a changing business climate, the NRI Group is striving to respond rapidly to technological innovations by being active in investigation and research of advanced, basic, and developmental IT technologies through implementing a cross-sectional system.

However, if technological innovations advance in a wide range of areas, and if our response to these changes is delayed, it could adversely affect the NRI Group's business performance.

<3> *Human resources*

The NRI Group believes that the specialized expertise of our employees is the foundation of our high value-added services. In addition, hiring and fostering highly specialized human resources and establishing personnel systems and workplace environments that allow these individuals to demonstrate their full potential is necessary to build long-term trusting relationships between the NRI Group and its clients and ultimately enable the Group to achieve medium- to long-term growth.

We at the NRI Group perceive our employees as valuable "human assets," and we are dedicated to creating a system that allows us to secure and develop these assets. We strive to recruit highly capable staff with specialized skills, while focusing on the work-life balance of employees, constructing a personnel system that accommodates diverse working methods and values, and implementing improvements to the working environment. As part of our strategies for personnel development systems, we offer assistance to and subsidize our employees to obtain various licenses and qualifications and hold many human resource development seminars at a facility dedicated to employee education and training. We encourage employees to improve themselves by taking advantage of the NRI Group's in-house certification scheme.

Despite these efforts, if we fail to secure and develop professionals who can respond to the highly specialized demands of our clients, the NRI Group's performance could suffer. Furthermore, if workplace conditions worsen and cause employees' mental and physical health to deteriorate, this could possibly lead to a drop in worker productivity and attrition.

<4> *Investment in software*

The NRI Group invests in software to expand its business, including product sales, shared-online services and outsourcing services. In many cases the software is designed for specific use and cannot be readily readapted for other applications, which means that careful consideration must go into the decision to make such an investment.

At the NRI Group, we exhaustively discuss the legitimacy of each business plan before commencing software development. We also have an internal system whereby regular checks on the plan's progress enable prompt revision to the plan when

necessary, both in the development stage and after completion.

However, with this type of software investment, there is never a total guarantee that the initial investment will be recovered, and there is a chance the capital will not be recovered and a loss will be incurred.

<5> *Investment in stocks*

With a view to cultivating future business opportunities, the NRI Group invests in various companies as well as in the equity of its clients after examining the expected return on investments in order to strengthen business ties. As of 31st March, 2012, the NRI Group's stock investments accounted for less than 10% of total assets.

In the event of bankruptcy or business deterioration of a company in which the NRI Group has invested, the Group may incur an impairment loss or be unable to recover the amount of its investment. Moreover, the marketable shares have the inherent risk of market price fluctuations due to changes in the economic climate and corporate profitability, which, in turn, could affect the NRI Group's financial position.

(3) **Risks Concerning Business Management**

<1> *Quality*

The NRI Group aims to provide clients with high value-added services by taking advantage of its total capabilities from consulting through system development and system management and operation by following a basic strategy of "Navigation and Solution," which is to propose strategies to achieve those objectives, and provide measures to bring such strategies to fruition. Our clients expect a high-quality service.

i. Consulting services

In our consulting services, we are working hard to establish systems that offer high-quality services such as the provision of infrastructure that allows the sharing of information on the expertise accumulated within the NRI Group. In addition, we are committed to continuing to improve quality in the future by conducting client satisfaction surveys, analyzing results and providing feedback.

However, if we are unable to provide the high-quality service that our clients expect, this may hinder prospects for future business contracts.

ii. System development

Generally, system development projects are undertaken on a contract basis. We are obliged, under such a contract, to complete an information system and deliver it by the specified deadline. However, there may be times when more man-hours are required than initially estimated because of the customer's requests for a more advanced and complex system as well as requirement changes made before completion, which may delay delivery. Even after delivery, more work than expected may be needed to complete the contract, such as carrying out additional improvements on system performance. In particular, long-term projects that take several years to complete have a higher

likelihood of being affected by requirement changes to respond to the changes in both technology and the surrounding environment. Information systems are important social infrastructure, and quality management and risk management are essential from the development stage to achieve stable operation after system completion. We strongly recognize that, for systems in the financial services sector in particular, the systems not only involve the reliability of NRI's client, but also the entire financial market.

Therefore in order to deal with these situations, the NRI Group is making efforts to ensure that project estimate examination before contract signing as well as project management after contract signing are done properly, for example, improving the management abilities of our project managers through training programs, and providing quality management systems based on ISO (International Organization for Standardization) 9001. In particular, we have established exclusive examination bodies, such as the Systems Development Committee, for projects over a certain size in order to thoroughly review the progress of projects through system delivery and operation. We will further develop examinations for and improvements to the system development process for systems in the financial services sector.

However, in the event that extra costs are incurred, such as an increase in man-hours or performance improvement work conducted after delivery, the project's final profitability may deteriorate.

Moreover, if the client's business is harmed because of a delay in delivery or because of problems with the delivered information system, not only may we be liable for the loss, but the situation might damage the reputation of the NRI Group.

iii. System management and operation services

The information systems developed by the NRI Group are often important platforms for client business and it is essential that these systems operate stably after completion. Regarding financial sector systems, in particular, there are cases in which credibility is on the line not only for our clients but also for entire financial markets, and we are keenly aware of the weight of that reality.

The NRI Group is seeking to improve the quality of system management and operation. We are constantly striving to maintain and improve the quality of services we provide, based on the ISO27001 information security management system, and ISO20000 IT service management system. Concerning financial sector systems, we perform management status and other inspections on a prioritized basis and are formulating measures for responding to failures in the unlikely event they occur.

Still, in cases where stable operation according to the standard agreed upon with the client cannot be achieved for reasons including human error such as neglecting to follow correct operating procedures, malfunction of the equipment and others, not only may the NRI Group's business performance be adversely affected, but it may also be detrimental to the reputation of the NRI Group.

<2> Subcontracting partners

To improve productivity and make use of the highly specialized know-how of outside corporations, the NRI Group is outsourcing some business operations. Many of these outsourcing operations are carried out under subcontracting contracts.

i. Good business relationships with subcontractors

In fiscal 2011, our subcontractors were responsible for a little more than 50% of the Group's actual production. It is essential to secure top-level subcontractors and maintain a good business relationship with them in order to carry out the Group's operation.

At the NRI Group, we strive to secure superior subcontracting partners by performing corporate screening regularly and searching for new collaborating partners both domestically and overseas. Furthermore, we are conducting activities to raise productivity and quality, including activities with subcontracting partners, through such measures as sharing of project risks with ePartner Contracts, a contracted business partner with high levels of specialized business expertise, and demands for greater security and thorough information management on the part of subcontracting partners. Our subcontracting partners are not only in Japan, but also in various overseas locations, including China. Currently, Chinese companies account for 15% of subcontracting costs. We are therefore striving to strengthen this system of cooperation by regularly dispatching executives to China to visit subcontracting partners and check status of projects.

In spite of all these efforts, in case we fail to secure superior subcontracting partners or maintain a good business relationship with them, we might not be able to conduct business smoothly. Especially in subcontracting to a subcontracting partner overseas, an unexpected event might occur caused by political, economic, or social factors in Japan.

ii. Contract work

There have been calls for appropriate responses to so-called disguised contract work for business outsourcing carried out under service contracts.

The NRI Group has formulated guidelines relating to contract work to raise common awareness of this problem and to allow the awareness to take root in the Company. In addition, we host meetings to explain our policies to subcontracting partners as part of our drive for entirely appropriate business outsourcing.

If despite these efforts, work outside the scope of the contract work is carried out and disguised contract issues and so forth arise, the NRI Group may lose credibility.

<3> Intellectual property rights

The Company are witnessing a growing importance of intellectual property rights related to information systems and software, such as patents for business models related to e-commerce.

With these circumstances in mind, in the development of information systems, the NRI Group is constantly investigating

whether it is possibly breaching another party's patent. Furthermore, through education, training and other measures, we are raising employee awareness of intellectual property rights. At the same time, we recognize that intellectual property is an important business resource, so by proactively investing in applications for patents, we are rigorously protecting the intellectual property of the NRI Group.

If, despite these measures, the product or service of the NRI Group breaches the intellectual property rights of a third party, not only would this potentially make the NRI Group liable for reparation, but the Company might also be ordered to stop using an information system, or service, which could interfere with business execution. There is also the possibility that the NRI Group's intellectual property could be breached.

<4> Assets and liabilities related to retirement benefits

The NRI Group has established a defined contribution pension system and a retirement allowance system as its defined-benefit system. The allowance for employee retirement benefits will fluctuate according to changes in the amount of retirement benefit obligations and pension plan assets. Retirement benefit obligations are calculated using a number of assumptions and estimates, such as employment termination trends and discount rates. A change in any of these factors could change the amount.

Meanwhile, pension plan assets fluctuate according to trends in the stock market and interest rates. Therefore, the pension plan assets run the risk of fluctuating with changes in the shares' market prices.

Moreover, if any change in the pension plan is adopted, it could affect the liabilities of retirement benefit obligations.

(4) Risks Concerning Information Security

With the penetration of Internet infrastructure, dissemination of all kinds of information throughout society has become instantaneous. While these technological advances have broadened the range of users and increased convenience, they have also heightened the risk of information leaks, for example through improper external access. The question of security management is now being closely scrutinized by society in general. In the information services industry, where the Company constantly handles clients' confidential data, more sophisticated information security management and comprehensive employee training is needed.

In the area of personal information management, we have obtained Privacy Mark certification accrediting our management system to protect personal information. We conduct appropriate management of confidential information, and a portion of our business has obtained Information Security Management System certification. Among the steps we take to consistently maintain a high level of security, we have systems that control entering and exiting of buildings, ensure rigorous computer security management, and conduct training sessions on protection of personal information. Particularly in our data centers, where we operate our clients' backbone systems, we have introduced stricter entry/

exit controls such as x-ray scanning of articles being brought into and out of the facilities.

However, if information leaks occur despite our efforts, it may not only harm our business results, but also damage the reputation of the NRI Group.

Significant Accounting Policies and Estimates

Annual Report 2012

The accompanying financial statements for the NRI Group have been prepared in accordance with generally accepted accounting principles and practices in Japan. The compilation of these financial statements has required certain assumptions and estimates that may influence the assets and liabilities at the end of the fiscal year and the income and expenses during the accounting period. An estimate deemed reasonable from historical experience or circumstances may differ from the actual results when an assumption or condition changes. The following are major assumptions and estimates used in the application of significant accounting policies that may greatly influence the NRI Group's financial statements.

<1> The percentage-of-completion method

The NRI Group in principle uses the percentage-of-completion method for recognizing sales of subcontracted software development and consulting projects. In practice, cost of sales is recognized as incurred for individual projects, and sales are recorded in accordance with the rate of accrued cost on the work in progress (actual costs incurred as a percentage of total estimated costs for each project).

Revenues are recorded regardless of billings to clients, while the corresponding amounts are recorded under accounts receivable including development.

Unlike the completed contracts method, which records revenue in one lump sum at the time of completion or delivery, the percentage-of-completion method has the advantage of lending legitimacy to the profit and loss statement as a fair reflection of profit/loss during the period in question.

The percentage-of-completion method is adopted on the assumption that overall costs as a percent of each project, which are the bases for revenue recognition, may be reasonably estimated at the time orders are received and at the end of each month. Since improving our project management structure, we at NRI Group have been accurately estimating costs at the time orders are received and appropriately evaluating works in progress. Should a project deviate from the initial estimates to a degree beyond the prescribed limits, the estimates must be revised immediately. Because of these measures, we are confident that such revenues are being recorded with a high level of accuracy.

<2> Accounting method for software

In the amortization of software packages, shared-online and outsourcing services, instead of recording subcontracting costs and labor costs for the development of information systems as expenses, these amounts may be recorded as assets for NRI Group investments in software or recorded in the software suspense accounts. In such cases, sale of the completed information system to the client or the provision of services generates product sales revenue and system management and operation revenue, in turn enabling the Group to collect its returns on its development investments in the medium to long term.

Based on this system of recovering investments, software for sale including the packaged products are amortized based on

the forecasted sales quantity or sales revenue with the bottom limit amount set according to the uniform distribution method, based on the remaining valid period of generally three years. Amortization of the software used by the Company to provide customer services as part of shared-online services is carried out according to the straight-line method for the usable period, which is a maximum of five years. In addition to the above amortization, in cases where rapid change occurs in a business environment, we may estimate the amount recoverable and record the loss.

<3> Accounting method for employee retirement benefits

Accounting for employee retirement benefits requires numerous assumptions and estimates, such as employment termination trends, and agreement on certain basic rates, such as the discount rate and the expected rate of return on pension plan assets. In calculating these basic rates, the NRI Group has adopted estimates that are both reasonable and conservative.

The discount rate, which is one of the important basic rates, is reviewed each year by comparing it to the yields of highly safe long-term bonds. For the fiscal year under review, we used the discount rate of 1.8%.

Actuarial differences occur as a result of discrepancies between the estimated amounts of the expected return on plan assets and the actual return itself and also because of changes in estimated amounts such as the discount rate. Over the last five years, the NRI Group recorded actuarial differences of (favorable differences are denoted in parentheses) ¥7,940 million, ¥5,764 million, (¥3,141) million, ¥1,404 million and ¥3,500 million for the years ended 31st March, 2008, 2009, 2010, 2011 and 2012 respectively.

Actuarial differences are amortized by the straight-line method over a defined period not exceeding the average remaining service time (15 years) of the participants in the plan and is recognized as a pension cost. Unrecognized actuarial loss at the end of the fiscal year under review stood at ¥8,174 million.

<4> Deferred income tax assets

The NRI Group records deferred income tax assets with a reasonable estimate of future taxable income and careful judgment of its collectability. Since future taxable income is estimated from the results of past business performance, there is a possibility of fluctuation in the amount of deferred income tax assets if the estimate of taxable income differs from actual results due to changes in the tax system and the business environment.

<5> Accounting procedures for the Trust-type Employee Stock Ownership Incentive Plan

NRI introduced a Trust-type Employee Stock Ownership Incentive Plan in March 2011. The Employee Stock Ownership Trust (hereafter the "ESOP Trust") set up to introduce this plan has acquired in advance a lump sum of NRI stock from the NRI Group commensurate with the amount of stock expected to be acquired by the Employee Stock Ownership Group during the five-year period from the ESOP Trust's establishment. This stock

is sold when the Employee Stock Ownership Group acquires it. NRI guarantees the debt financing undertaken for the ESOP Trust to acquire NRI shares, and as a result, accounting for NRI and the ESOP Trust is integrated. NRI stock held by the ESOP Trust, ESOP Trust assets, including debt financing, liabilities, expenses, and profit are recorded, including in financial statements. Therefore, NRI stock held by the ESOP Trust is treated as NRI treasury stock and the ESOP Trust debt financing is treated as NRI debt financing. Furthermore, NRI stock that NRI sells to the ESOP Trust is not recognized as transferred at the time it is sold to the ESOP Trust; each time the ESOP Trust subsequently sells the stock to the Employee Stock Ownership Group, the transaction is treated as a transfer of treasury stock. Since the amount equivalent to gain on the sale of ESOP Trust stock is distributed to beneficiaries after the ESOP Trust terminates, it is treated as an expense in the fiscal year in question.

Consolidated Financial Statements Nomura Research Institute, Ltd.

*At 31st March, 2012 and 2011 and
for the years ended 31st March, 2012, 2011, and
for the year ended 31st March, 2010 (unaudited)
with Report of Independent Auditors*

Nomura Research Institute, Ltd.
Consolidated Financial Statements
31st March, 2012, 2011 and 2010 (unaudited)

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[Appendix 1]

Summary of Certain Significant Differences

between Japanese and U.S. Generally Accepted Accounting Principles	95
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Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and consolidated subsidiaries at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 21, 2012
Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

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

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

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Income and Comprehensive Income

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

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Net Assets

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at 31st March, 2009 (Unaudited)	¥18,600	¥14,975	¥240,061	¥(72,753)	¥200,883	¥ 5,851	¥(2,159)	¥ 3,692	¥ 892	¥ –	¥205,467
Purchases of treasury stock	–	–	–	(1)	(1)	–	–	–	–	–	(1)
Disposition of treasury stock	–	–	–	228	228	–	–	–	–	–	228
Gain on disposition of treasury stock	–	43	–	–	43	–	–	–	–	–	43
Net income	–	–	21,856	–	21,856	–	–	–	–	–	21,856
Cash dividends paid	–	–	(10,117)	–	(10,117)	–	–	–	–	–	(10,117)
Net changes other than in shareholders' equity	–	–	–	–	–	2,585	(97)	2,488	263	10	2,761
Balance at 31st March, 2010 (Unaudited)	18,600	15,018	251,800	(72,526)	212,892	8,436	(2,256)	6,180	1,155	10	220,237
Disposition of treasury stock	–	–	–	241	241	–	–	–	–	–	241
Loss on disposition of treasury stock	–	(24)	–	–	(24)	–	–	–	–	–	(24)
Net income	–	–	23,188	–	23,188	–	–	–	–	–	23,188
Cash dividends paid	–	–	(10,122)	–	(10,122)	–	–	–	–	–	(10,122)
Net changes other than in shareholders' equity	–	–	–	–	–	(2,178)	(419)	(2,597)	162	(10)	(2,445)
Balance at 31st March, 2011	18,600	14,994	264,866	(72,285)	226,175	6,258	(2,675)	3,583	1,317	–	231,075
Disposition of treasury stock	–	–	–	3,444	3,444	–	–	–	–	–	3,444
Loss on disposition of treasury stock	–	(194)	(735)	–	(929)	–	–	–	–	–	(929)
Net income	–	–	32,921	–	32,921	–	–	–	–	–	32,921
Cash dividends paid	–	–	(10,145)	–	(10,145)	–	–	–	–	–	(10,145)
Net changes other than in shareholders' equity	–	–	–	–	–	1,708	100	1,808	103	–	1,911
Balance at 31st March, 2012	¥18,600	¥14,800	¥286,907	¥(68,841)	¥251,466	¥ 7,966	¥(2,575)	¥ 5,391	¥1,420	¥ –	¥258,277
Thousands of U.S. dollars (Note 2)											
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at 31st March, 2011	\$226,470	\$182,564	\$3,224,960	\$(880,129)	\$2,753,865	\$76,196	\$(32,570)	\$43,626	\$16,036	\$ –	\$2,813,527
Disposition of treasury stock	–	–	–	41,933	41,933	–	–	–	–	–	41,933
Loss on disposition of treasury stock	–	(2,362)	(8,948)	–	(11,310)	–	–	–	–	–	(11,310)
Net income	–	–	400,840	–	400,840	–	–	–	–	–	400,840
Cash dividends paid	–	–	(123,524)	–	(123,524)	–	–	–	–	–	(123,524)
Net changes other than in shareholders' equity	–	–	–	–	–	20,797	1,217	22,014	1,254	–	23,268
Balance at 31st March, 2012	\$226,470	\$180,202	\$3,493,328	\$(838,196)	\$3,061,804	\$96,993	\$(31,353)	\$65,640	\$17,290	\$ –	\$3,144,734

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2012	2011	2010	2012
			(Unaudited)	
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 56,205	¥ 39,854	¥ 37,328	\$ 684,342
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	30,875	30,666	30,916	375,928
Interest and dividend income	(4,374)	(1,585)	(1,367)	(53,257)
Interest expense	71	8	13	864
Loss (gain) on investment securities	130	(130)	841	1,583
Gain on investments in affiliates	(8,564)	—	—	(104,274)
Impact of applying accounting standard for asset retirement obligations	—	364	—	—
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	(5,728)	(1,727)	8,980	(69,743)
Allowance for doubtful accounts	(42)	(23)	(12)	(511)
Accounts payable	1,482	(4,305)	(4,782)	18,045
Inventories	78	176	(179)	950
Employees' retirement benefits	(3,438)	(3,463)	(1,427)	(41,860)
Other	834	2,872	7,064	10,154
Subtotal	67,529	62,707	77,375	822,221
Interest and dividends received	4,499	1,395	1,425	54,779
Interest paid	(72)	(5)	(13)	(877)
Income taxes paid	(18,889)	(15,319)	(20,727)	(229,989)
Net cash provided by operating activities	53,067	48,778	58,060	646,134
Cash flows from investing activities				
Payments for time deposits	(782)	(1,129)	—	(9,521)
Proceeds from time deposits	853	331	6,009	10,386
Purchase of short-term investment securities	(13,234)	(19,933)	—	(161,135)
Proceeds from sales and redemption of short-term investment securities	14,910	6,300	—	181,541
Acquisition of property and equipment	(20,848)	(9,565)	(12,499)	(253,841)
Proceeds from sales of property and equipment	34	5	10	414
Purchase of software and other intangibles	(21,399)	(10,211)	(15,116)	(260,550)
Proceeds from sales of software and other intangibles	346	—	3	4,213
Payments for asset retirement obligations	(31)	(64)	—	(377)
Purchase of investment securities	(29,285)	(31)	(3,436)	(356,569)
Proceeds from sales and redemption of investment securities	5,351	6,558	8,447	65,153
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	—	665	—
Purchase of investments in affiliates	—	(15)	(299)	—
Proceeds from sales of investments in affiliates (Note 17)	16,326	—	—	198,782
Other	27	30	41	328
Net cash used in investing activities	¥(47,732)	¥(27,724)	¥(16,175)	\$(581,176)

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows (continued)

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

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

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

1. Significant Accounting Policies***Description of Business***

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 15 consolidated subsidiaries) and its affiliates (2 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the Company’s operations by segment is included in Note 20.

Basis of Presentation

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

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

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

Basis of Consolidation and Application of Equity Method

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

The Company’s investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the Company’s share of such affiliates’ income or loss is included in consolidated income. All affiliated companies, Nihon Clearing Services Co., Ltd. and MC NRI Global Solutions Inc., have been accounted for by the equity method for the years ended 31st March, 2012, 2011 and 2010.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

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

Cash Equivalents

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

Investment Securities

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

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

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

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

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

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

Inventories

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

Depreciation of Property and Equipment (other than leased assets)

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

1. Significant Accounting Policies (continued)***Amortization of Software and Other Intangibles (other than leased assets)***

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

Other intangible assets are amortized by the straight-line method over their respective estimated useful lives.

Depreciation and Amortization of Leased Assets

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

Allowance for Doubtful Accounts

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

Retirement and Severance Benefits for Employees

The allowance for employees' retirement benefits has been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets. The retirement benefit obligation at transition was fully expensed upon transition. Prior service cost is amortized by the straight-line method over the average remaining years of service (15 years) of the participants in the plan. Actuarial gain or loss is amortized in the following year in which the gain or loss is recognized by the straight-line method over a defined period not exceeding the average remaining period of employment (15 years) of the participants in the plan and is recognized as a pension cost.

Revenue Recognition

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

Research and Development Expenses

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

1. Significant Accounting Policies (continued)

Appropriation of Capital Surplus and Retained Earnings

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

Accounting Change

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

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

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

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

Additional Information

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

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

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

1. Significant Accounting Policies (continued)

Additional Information (continued)

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

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

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

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

The ESOP Trust owned 4,865,300 shares of the Company’s at 31st March, 2012.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥82.13 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2012. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Financial Instruments

1) Qualitative information

(a) Policy for financial instruments

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

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

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

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

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

3. Financial Instruments (continued)

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheets as of 31st March, 2012 and 2011 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

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

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

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

Assets

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

Liabilities

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

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2012	31st March, 2011	31st March, 2012
Unlisted companies' shares	¥7,623	¥15,328	\$92,816
Investments in partnerships	113	380	1,376

*1. Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥887 million (\$10,800 thousand) and ¥830 million as of 31st March, 2012 and 2011, respectively.

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

3. Financial Instruments (continued)**2) Fair value of financial instruments (continued)**

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

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

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

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 4: Repayment schedule for convertible bonds and long-term loans payable at 31st March, 2012 and 2011

<i>Millions of yen</i>					
31st March, 2012					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Convertible bonds	¥ –	¥49,997	¥ –	¥ –	¥ –
Long-term loans payable*	2,531	2,487	2,442	1,748	–
	<u>¥2,531</u>	<u>¥52,484</u>	<u>¥ 2,442</u>	<u>¥1,748</u>	<u>¥ –</u>
<i>Millions of yen</i>					
31st March, 2011					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Convertible bonds	¥ –	¥ –	¥49,997	¥ –	¥ –
Long-term loans payable*	2,607	2,556	2,505	2,452	1,663
	<u>¥2,607</u>	<u>¥2,556</u>	<u>¥52,502</u>	<u>¥2,452</u>	<u>¥1,663</u>
<i>Thousands of U.S. dollars</i>					
31st March, 2012					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Convertible bonds	\$ –	\$608,755	\$ –	\$ –	\$ –
Long-term loans payable*	30,817	30,281	29,733	21,283	–
	<u>\$30,817</u>	<u>\$639,036</u>	<u>\$ 29,733</u>	<u>\$21,283</u>	<u>\$ –</u>

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

4. Investments

The Company did not hold any held-to-maturity securities with determinable market value at 31st March, 2012 and 2011.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2012 and 2011:

Securities Classified as Available-for-Sale Securities

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

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

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

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

4. Investments (continued)

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

Proceeds from sales of available-for-sale securities during the years ended 31st March, 2012, 2011 and 2010 were as follows:

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

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

5. Accounts Receivable and Other Receivables

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥19,706 million (\$239,937 thousand) and ¥16,597 million at 31st March, 2012 and 2011, respectively.

6. Property and Equipment

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

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

7. Other Assets

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

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

“Other” includes golf club memberships.

8. Retirement and Severance Benefits

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

The following table sets forth the funded and accrued status of the retirement and severance benefit plans and the amounts recognized in the accompanying consolidated balance sheets at 31st March, 2012 and 2011 for the Company's and its consolidated subsidiaries' defined benefit plans:

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

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

8. Retirement and Severance Benefits (continued)

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

Actuarial gain or loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees from the next fiscal year after the incurrence.

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

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

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

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

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

9. Income Taxes

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

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

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

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statements of income for the years ended 31st March, 2012, 2011 and 2010 have been omitted because the differences were immaterial in the consolidated statements of income.

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

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

10. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million (\$6,940 thousand) and ¥570 million at 31st March, 2012 and 2011, respectively.

Shares Issued and Treasury Stock

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

	31st March, 2012	
	Shares issued	Treasury stock
Number of shares at 31st March, 2011	225,000,000	30,277,343
Increase in number of shares	—	50
Decrease in number of shares	—	1,442,700
Number of shares at 31st March, 2012	<u>225,000,000</u>	<u>28,834,693</u>

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

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

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2012 relate to the Company's stock option plans described in Note 19.

10. Net Assets (continued)**Dividends**

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 18th May, 2011 *		
(¥26.00 = U.S.\$0.32 per share)	¥5,063	\$61,646
Cash dividends approved on 28th October, 2011 **		
(¥26.00 = U.S.\$0.32 per share)	5,082	61,878
* Dividends of ¥161 million (\$1,960 thousand) paid to the ESOP Trust are not included in the total dividends amount.		
** Dividends of ¥144 million (\$1,753 thousand) paid to the ESOP Trust are not included in the total dividends amount.		

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 17th May, 2012*		
(¥26.00 = U.S.\$0.32 per share)	¥5,100	\$62,097
* Dividends of ¥126 million (\$1,534 thousand) paid to the ESOP Trust are not included in the total dividends amount.		

11. Cash and Cash Equivalents

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

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

12. Per Share Data

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

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

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

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

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

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

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

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

12. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2012, 2011 and 2010:

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

* The exercise period ended 30th June, 2010.

(Accounting Change)

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

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

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

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

12. Per Share Data (continued)

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

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

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

13. Leases

1) As lessee

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

Future minimum lease payments for noncancelable operating leases at 31st March, 2012 and 2011 are summarized as follows:

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

13. Leases (continued)

2) As lessor

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

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

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

14. Selling, General and Administrative Expenses

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

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

15. Research and Development Expenses

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

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

16. Consolidated Statements of Income and Comprehensive Income

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

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

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

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

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

17. Related Party Transactions

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

1) Transactions

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

2) Balances

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

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

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

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

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

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

17. Related Party Transactions (continued)

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

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

18. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2012 and 2011.

19. Stock Option Plans

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

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

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

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

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

19. Stock Option Plans (continued)

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

	6th stock option plan	8th stock option plan	10th stock option plan
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	36 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	400,000	422,500	417,500
Grant date	11th September, 2006	10th July, 2007	8th July, 2008
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2009	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period	From 1st July, 2006 to 30th June, 2009	From 1st July, 2007 to 30th June, 2010	From 1st July, 2008 to 30th June, 2011
Exercisable period	1st July, 2009 to 30th June, 2013	1st July, 2010 to 30th June, 2014	1st July, 2011 to 30th June, 2015
	12th stock option plan	13th stock option plan	14th stock option plan
Grantee categories and numbers of grantees	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	42 directors, managing officers or employees of the Company, and 7 directors of its subsidiaries	39 directors or managing officers of the Company, and 8 directors of its subsidiaries
Number of shares reserved	440,000	102,000	445,000
Grant date	15th July, 2009	15th July, 2009	18th August, 2010
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013
Service period	From 1st July, 2009 to 30th June, 2012	From 1st July, 2009 to 30th June, 2010	From 1st July, 2010 to 30th June, 2013
Exercisable period	1st July, 2012 to 30th June, 2016	1st July, 2010 to 30th June, 2011	1st July, 2013 to 30th June, 2017

19. Stock Option Plans (continued)

	15th stock option plan	16th stock option plan	17th stock option plan
Grantee categories and numbers of grantees	41 directors, managing officers or employees of the Company, and 8 directors of its subsidiaries	37 directors or managing officers of the Company, and 5 directors of its subsidiaries	38 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries
Number of shares reserved	103,000	392,500	90,500
Grant date	18th August, 2010	11th July, 2011	11th July, 2011
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012
Service period	From 1st July, 2010 to 30th June, 2011	From 1st July, 2011 to 30th June, 2014	From 1st July, 2011 to 30th June, 2012
Exercisable period	1st July, 2011 to 30th June, 2012	1st July, 2014 to 30th June, 2018	1st July, 2012 to 30th June, 2013

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

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

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

19. Stock Option Plans (continued)

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

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

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

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

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

	<u>16th stock option plan</u>	<u>17th stock option plan</u>
Expected volatility *1	37.2%	27.8%
Expected remaining period *2	5 years	1 year and 6 months
Expected dividend yield *3	¥52 per share	¥52 per share
Risk-free interest rate *4	0.444%	0.141%

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

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

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2012 as of the date of the grant.

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

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

20. Segment Information

Segment Information

1) Outline of reportable segments

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

Consulting

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

Financial IT Solutions

Customers in the financial sector, who usually belong to the securities, insurance, or banking industries, are provided with services including system consulting, system development and system management and operation. Specifically, in addition to providing system development and outsourcing services to each customer, this segment provides industry-standard business platforms such as "THE STAR," a total securities back-office system, "I-STAR," a multi-user system for the wholesale securities sector, "T-STAR," a multi-user system for asset management firms, "BESTWAY," a system for over-the-counter sales of investment trusts, and "e-JIBAI," a multi-user system for automobile liability insurance.

Industrial IT Solutions

The main customers in this segment include not only the distribution, manufacturing and service sectors, but also governments and other public agencies. The services provided include system consulting, system development and system management and operation. Services including information security services and IT platform architecture tools are also provided to customers from a broad range of industry sectors.

IT Platform Services

Services including system operation, management and administration of data centers and IT platform and network architecture related services are provided to mainly the Financial IT Solutions segment and Industrial IT Solutions segment. This segment also conducts research for the development of new business operations and new products related to IT solutions and research related to leading-edge information technologies.

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

20. Segment Information (continued)

Segment Information (continued)

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

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

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

Millions of yen									
Year ended 31st March, 2012									
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	¥21,686	¥202,628	¥89,343	¥13,365	¥327,022	¥ 8,519	¥335,541	¥ 14	¥335,555
Intersegment sales or transfers	122	91	5,320	66,007	71,540	3,283	74,823	(74,823)	–
Total	21,808	202,719	94,663	79,372	398,562	11,802	410,364	(74,809)	335,555
Segment profit	¥ 3,011	¥ 21,433	¥ 6,575	¥ 9,517	¥ 40,536	¥ 728	¥ 41,264	¥ 1,889	¥ 43,153
Segment assets	¥10,505	¥101,371	¥37,005	¥63,522	¥212,403	¥ 5,894	¥218,297	¥184,487	¥402,784
Other items:									
Depreciation and amortization	¥ 78	¥ 16,331	¥ 3,228	¥ 9,229	¥ 28,866	¥ 364	¥ 29,230	¥ 1,645	¥ 30,875
Increase in tangible and intangible fixed assets	94	19,565	5,749	15,068	40,476	342	40,818	347	41,165

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

*2 Descriptions of adjustments are as follows:

- Individual items included in adjustment of segment profit were immaterial.
- The segment asset adjustment of ¥184,487 million is comprised of corporate assets not allocated to a reportable segment of ¥186,003 million and the eliminations of intersegment receivables of ¥(1,516) million.
- Individual items included in adjustment of depreciation and amortization were immaterial.
- Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

20. Segment Information (continued)

Segment Information (continued)

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

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

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

*2 Descriptions of adjustments are as follows:

- Individual items included in adjustment of segment profit were immaterial.
- The segment asset adjustment of ¥178,363 million is comprised of corporate assets not allocated to a reportable segment of ¥179,974 million and the eliminations of intersegment receivables of ¥(1,611) million.
- Individual items included in adjustment of depreciation and amortization were immaterial.
- Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

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

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

20. Segment Information (continued)**Segment Information (continued)****3) Net sales, profit (loss), assets and other items by reportable segment (continued)**

<i>Millions of yen</i>									
Year ended 31st March, 2010									
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	¥17,945	¥209,033	¥90,966	¥11,391	¥329,335	¥ 8,964	¥338,299	¥ 331	¥338,630
Intersegment sales or transfers	49	158	4,894	57,907	63,008	3,118	66,126	(66,126)	–
Total	17,994	209,191	95,860	69,298	392,343	12,082	404,425	(65,795)	338,630
Segment profit (loss)	¥ 127	¥ 19,846	¥ 8,425	¥ 8,526	¥ 36,924	¥ (468)	¥ 36,456	¥ 3,621	¥ 40,077
Segment assets	¥ 8,570	¥105,854	¥36,909	¥51,843	¥203,176	¥ 6,538	¥209,714	¥153,654	¥363,368
Other items:									
Depreciation and amortization	¥ 79	¥ 15,937	¥ 3,272	¥ 9,467	¥ 28,755	¥ 510	¥ 29,265	¥ 1,651	¥ 30,916
Increase in tangible and intangible fixed assets	81	12,242	5,608	7,082	25,013	434	25,447	3,554	29,001

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥153,654 million is comprised of corporate assets not allocated to a reportable segment of ¥155,170 million and the eliminations of intersegment receivables of ¥(1,516) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

20. Segment Information (continued)

Segment Information (continued)

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

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

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

Related information

1) Information by products and services

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

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

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

20. Segment Information (continued)***Related information (continued)*****2) Information by geographical area**

Information by geographical area is omitted, because sales and tangible fixed assets in Japan constituted more than 90% of total sales and tangible fixed assets for the years ended 31st March, 2012 and 2011.

3) Information by major customer

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

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

	31st March, 2011			
	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>Change</i>	<i>Related segment</i>
Nomura Holdings, Inc.	¥75,886	23.3%	(12.1)%	Financial IT solutions
Seven & i Holdings Co., Ltd.	39,644	12.1	(2.4)	Industrial IT solutions, Financial IT solutions

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

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2012 and 2011

Not applicable.

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

Years ended 31st March, 2012 and 2011

Not applicable.

Information about gains on negative goodwill for each reportable segment

Years ended 31st March, 2012 and 2011

Not applicable.

21. Subsequent Events

Not applicable.

[Appendix 1]

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

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

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

1. Trust-type Employee Stock Ownership Incentive Plan

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

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

NRI Group (As of 5th July, 2012)

Nomura Research Institute, Ltd.

Nomura Research Institute, Ltd.
http://www.nri.co.jp

Marunouchi Center (Head Office)
Marunouchi Kitaguchi Building,
1-6-5 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

Kiba Center
<Tower N>
Tower N, 1-5-15 Kiba, Koto-ku,
Tokyo 135-0042, Japan
<Tower S>
Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan

Yokohama Center
NRI Tower, 134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005, Japan

Yokohama Minato Center
Dia Building,
1-7 Kinkou-cho, Kanagawa-ku,
Yokohama 221-0056, Japan

Osaka Center
Aqua Dojima West Tower,
1-4-16 Dojimahama, Kita-ku,
Osaka 530-0004, Japan

Seoul Branch
11th Fl. Youngpoong Bldg.,
33 Seorin-Dong, Chongro-ku,
Seoul 110-752, Korea

Taipei Branch
10th Fl.-F, No.168, Tun-Hwa N. Rd.,
Taipei, Taiwan R.O.C.

Manila Branch
27th Fl. Yuchengco Tower, RCBC Plaza,
6819 Ayala cor. Sen. Gil J. Puyat Avenues,
1200 Makati City, Philippines

Moscow Branch
107045 Moscow, Trubnaya St.12,
Millenium House, Russian Federation

NRI Netcom, Ltd.
Aqua Dojima West Tower,
1-4-16 Dojimahama, Kita-ku,
Osaka 530-0004, Japan
http://www.nri-net.com

NRI Secure Technologies, Ltd.
Shiodome City Center,
1-5-2 Higashi Shinbashi,
Minato-ku, Tokyo 105-7113, Japan
http://www.nri-secure.co.jp

North America Branch
1400 Fashion Island Blvd. #1010,
San Mateo, CA 94404, U.S.A.

NRI Workplace Services, Ltd.
134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005, Japan

NRI Data iTech, Ltd.
Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan
http://www.n-itech.com

NRI Cyber Patent, Ltd.
Nippon Building, 2-6-2 Otemachi,
Chiyoda-ku, Tokyo 100-0004, Japan
http://www.patent.ne.jp

NRI Social Information System Services, Ltd.
Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan
http://www.nri-social.co.jp

NRI Process Innovation, Ltd.
Dia Building,
1-7 Kinkou-cho, Kanagawa-ku,
Yokohama 221-0056, Japan

NRI System Techno, LTD.
134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005

Nomura Research Institute America, Inc.
2 World Financial Center,
Building B, 18th Fl.,
New York, NY 10281-1198, U.S.A.

NRI Pacific
1400 Fashion Island Blvd., #1010,
San Mateo, CA 94404, U.S.A.

Dallas Branch Office
1722 Routh Street, #208, Dallas,
TX 75201, U.S.A.

Nomura Research Institute Europe Limited
(Current address)
1 St. Martin's-le-Grand, London EC1A 4NP, U.K.
(New address, effective 17th September, 2012)
68 King William Street, London EC4N 7DZ, U.K.

Nomura Research Institute (Beijing), Ltd.
6th Fl. Raycom Infotech Park Tower A,
2 Kexueyuan-Nanlu, Haidian District,
Beijing 100190, China

Shanghai Branch
K. Wah Centre, 29th Fl.,
No.1010 Huaihai Zhong Road,
Shanghai 200031, China

Nomura Research Institute Shanghai Limited
K.Wah Centre, 29th Fl.,
No.1010 Huaihai Zhong Road,
Shanghai 200031, China

Beijing Branch
705. Tower A, Ping An international
Financial Centre, No 3,
Xinyuan South Road, Chaoyang District,
Beijing 100027, China

Nomura Research Institute (Dalian), Ltd.
602, 23rd Bldg, Software Park, No.40,
Software Park East Road, Dalian City,
Liaoning Province 116023, China

Nomura Research Institute Asia Pacific Private Limited
10 Marina Boulevard, MBFC Tower 2, #33-02,
Singapore 018983

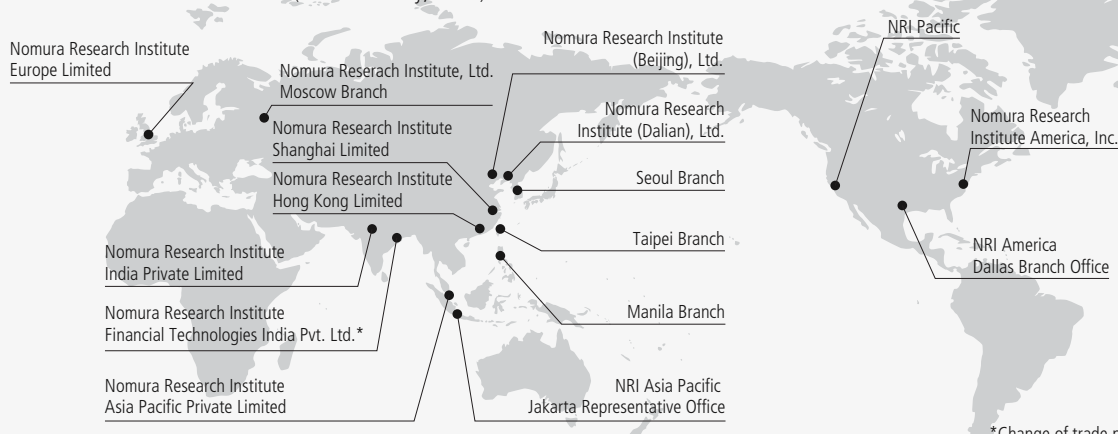
Jakarta Representative Office
43F, Menara BCA, Jalan M.H. Thamrin No.1,
Jakarta 10310, Indonesia

Nomura Research Institute Hong Kong Limited
30th Fl. Two International Finance Centre,
8 Finance Street,
Central, Hong Kong

Nomura Research Institute India Private Limited
7th Fl. / Tower A, Building No. 5, DLF Cyber City,
Phase III Gurgaon, Haryana, India 122002

Nomura Research Institute Financial Technologies India Pvt. Ltd.*
Infinity, Tower II, 5th & 10th Floor Plot No. A3,
Block GP, Sector V, Salt Lake Electronics Complex,
Kolkata 700091, India

NRI Overseas Network (As of 5th July, 2012)



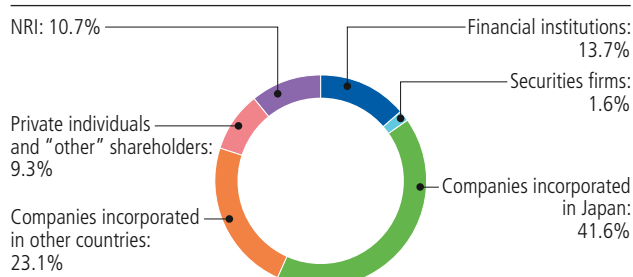
*Change of trade name under application

Corporate Outline

Name	Nomura Research Institute, Ltd.
Head office address	Marunouchi Kitaguchi Building, 1-6-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Capital	18,600 million yen
Representative	President, CEO & COO Tadashi Shimamoto
Number of employees	5,739 (6,881 in the entire NRI Group) (As of 31st March, 2012)

Breakdown of Shares by Shareholder Category

(As of 31st March, 2012)

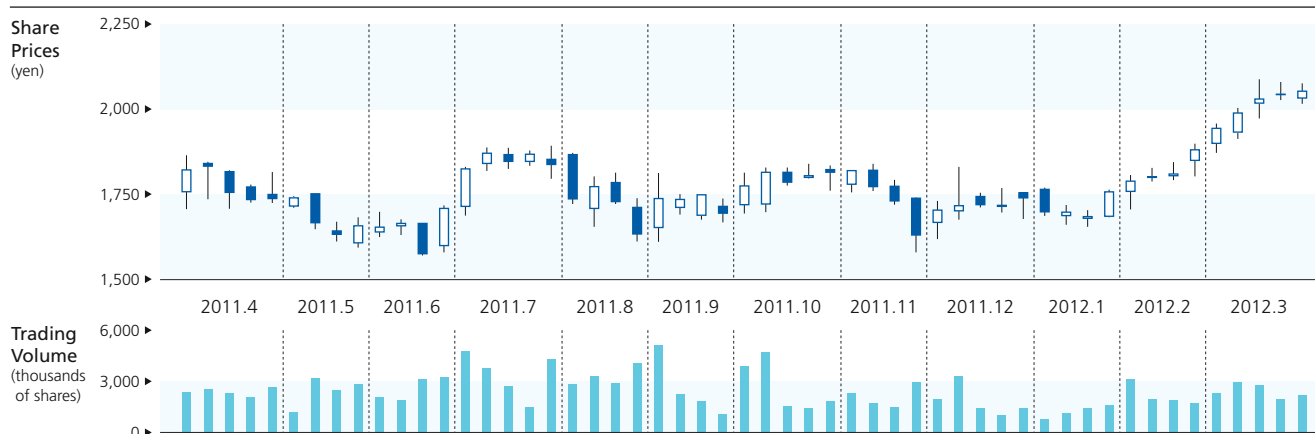


Shareholder Information

- In line with the electronic share certificate system, changes in the shareholder's address, purchase requests and other procedures should in principle be handled through the account management institution (securities company or other institution) with which the shareholder holds an account. Please contact the securities company or other institution with which you hold an account. Please note that the custodian of the shareholders register (Mitsubishi UFJ Trust and Banking Corporation) cannot handle such procedures.
- Mitsubishi UFJ Trust and Banking is the account management institution for procedures involving shares recorded in special accounts, so please contact the special account management institution (Mitsubishi UFJ Trust and Banking) indicated below. Business can be conducted at any Mitsubishi UFJ Trust and Banking branch in Japan.
- Dividend payments that have not yet been received will be paid at the main branch of Mitsubishi UFJ Trust and Banking.

Fiscal year	1st April to 31st March of the following year
Ordinary general meeting of shareholders	Every June
Unit of share sales	100 shares
Method of public notice	Electronic notification (However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.) The Company's website: http://www.nri.co.jp/
Custodian of shareholder register	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
Account management institution of special accounts	Mitsubishi UFJ Trust and Banking Corporation
Transfer agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
(address for inquiries and posts)	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Tel: 0120-232-711 (toll-free)

Stock Performance



Major Shareholders (As of 31st March, 2012)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFCO Co., Ltd.	15,005	6.67
Nomura Holdings, Inc.	13,000	5.78
Japan Trustee Services Bank, Ltd. (Trust Account)	9,447	4.20
NRI Group Employee Stock Ownership Association	8,061	3.58
The Nomura Trust and Banking Co., Ltd. (NRI Group Employee Stock Ownership Association Exclusive Trust Account)	4,865	2.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,755	2.11
State Street Bank and Trust Company (Standing Agent: The Hongkong and Shanghai Banking Corporation, Tokyo branch)	4,647	2.07
State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Corporate Bank, Ltd., settlement division)	3,941	1.75

Note: NRI owns 23,969 thousand shares of the treasury stock, but the figure excludes the shares mentioned above.

Stock Data (As of 31st March, 2012)

Total number of issuable shares	750,000,000
Total number of issued shares	225,000,000
Number of shareholders	15,698



Nomura Research Institute, Ltd.

Marunouchi Kitaguchi Building,
1-6-5 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Tel. +81(3)5533-2111
<http://www.nri.co.jp/>