Dream up the future.

Nomura Research Institute

Annual Report 2009 (Year ended 31st March, 2009)

Nomura Research Institute, Ltd.

Dream up the future.

The interaction of individual elements gives birth to an unprecedented new value and order, raising the level of the whole—we refer to this phenomenon as "Dreaming up the future."

By dreaming up the future, the NRI Group creates new values throughout the world, while changing social paradigms to create a positive future.

Ability to Innovate

NRI enhances its corporate value through ongoing self-transformation. This annual report explains NRI's strengths, strategies and its vision for leveraging innovation to achieve medium- to long-term growth.

Contents

Cautionary Note on Foward-Looking Statements:
This Annual Report was prepared for the purpose of providing information on our performance in the year ended 31st March, 2009 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.

We introduced NRI Vision 2015 in fiscal 2008 to launch ourselves on the path of innovation.

We are further deploying the strengths of NRI's five businesses, in order to realize innovation through their interactions and to demonstrate their individual strengths.

1 Strength in a broad range of services

2 Strength in building relationships of deep mutual trust

3 Strength in providing services that cut across company and industry boundaries

4 Strength in providing optimal services

5 Strength in providing safe, efficient services

The combined strengths of its consulting business and four system solutions businesses enable NRI to provide solutions to the management problems that clients face.

Strategic planning support

Consulting business 1

Strength in a broad range of services

As a pioneer of consultancy in Japan, our staff of approximately 600 consultants—the largest number nationwide—across a broad range of fields, from management strategies to information systems, has provided support to 60% to 70% of companies listed on the First Section of the Tokyo Stock Exchange.

•Strategic consulting
We provide support from proposals through execution of management strategies, business strategies, organizational reforms and other aspects of our clients' businesses.

•Business consulting
We carry out business system restructuring with clients to ensure strategies translate into workplace reforms.

•System consulting
We provide an array of practical IT-related consulting to ensure that information systems are used effectively in business management.

System integration business 2

Strength in building relationships of deep mutual trust

We provide support to an array of industries, from the securities, insurance and other financial sectors through distribution, manufacturing, services and the public sector. NRI has extensive experience and expertise gained from long years of constructing information systems for industry-leading companies.

Through our understanding of clients' perspectives and our approach of constructing optimal information systems for their businesses, we are building relationships of deep mutual trust with clients.

We identify intrinsic issues through consulting and construct information systems geared to their solutions.
NRI finds problems in information system management and operation and proposes more appropriate, optimal system platforms.
By applying our expertise in information system construction and operation, we supply multi-user system services that facilitate system cost reductions for clients.
We deploy the strengths of our five businesses, and through their interaction, help clients create strategic plans, support their business systems and operate and manage systems.
NRI's target: Innovation = "Reinventing Ourselves, Reinventing the Future"
To reach this objective, we are stepping up the application of the proven strengths of each of our five businesses.

Business system support

ASP/package solutions business 3

Strength in providing services that cut across company and industry boundaries

We utilize our expertise and technologies gleaned from our system integration business to supply multi-user system services (ASP) and package products.

Our expertise also includes response when changing systems and precise response attuned to clients' businesses.

These skills contribute to labor and cost reductions in system construction and management for clients.

ASP/Package examples

- **STAR**
  Integrated back office system for retail securities companies
- **I-STAR**
  Integrated back office system for wholesale securities companies
- **BESTWAY**
  Account management system for over-the-counter sales of investment trusts

Platform solutions business 4

Strength in providing optimal services

Platform systems, which are the basis of information systems, are vital to ensure flexible and timely updating of information systems and expansion of functions.

After determining the configuration of hardware and software, networks and other infrastructure, we carry out performance design and ensure security, then construct the platform system that is responsible for the stable operation of applications.

With abundant expertise, we can provide optimal system platforms utilizing multivendor merits that transcend specific hardware packages.

System management and operation

IT outsourcing solutions business 5

Strength in providing safe, efficient services

Our data centers have the highest levels of safety and security. Through efforts to improve quality and efficiency of continuous operation, we run clients' backbone systems under absolutely safe and secure requirements, providing support for business continuity and system-wide cost reductions.

Consolidated Financial Highlights

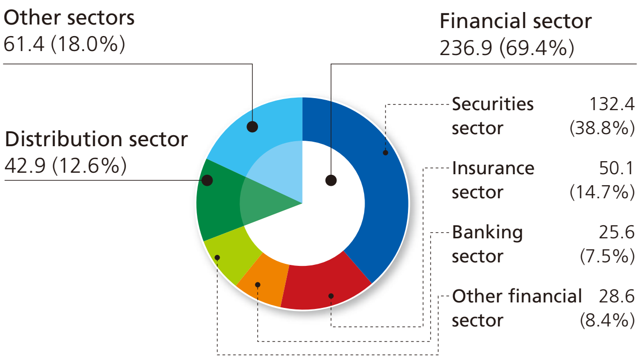
	millions of yen					thousands of U.S. dollars (Note 5)
	2005.3	2006.3	2007.3	2008.3	2009.3	2009.3
Sales	252,963	285,585	322,531	342,289	341,279	3,474,292
Cost of sales	190,732	213,706	234,578	238,537	240,854	2,451,944
Selling, general and administrative expenses	32,071	35,409	44,055	51,087	50,711	516,256
Operating profit	30,159	36,469	43,897	52,664	49,713	506,092
Ordinary profit	30,987	38,252	46,099	55,517	51,731	526,631
Income before income taxes	27,361	37,535	46,744	47,987	44,181	449,776
Net income	16,303	22,518	27,019	28,157	24,513	249,550
Cash flows from operating activities	27,569	48,875	39,583	31,806	46,180	470,131
Cash flows from investing activities	(81,981)	17,853	(18,578)	(47,925)	(70,994)	(722,732)
Cash flows from financing activities	(3,928)	(54,828)	44,040	(23,537)	(22,414)	(228,189)
Capital expenditures	17,351	18,343	29,903	36,438	70,083	713,458
Depreciation and amortization	18,402	16,574	19,795	16,517	20,763	211,371
Research and development expenses	1,646	2,501	2,864	4,915	4,104	41,779
Net assets (at year-end)	231,766	209,301	216,232	207,363	205,466	2,091,692
Total assets (at year-end)	317,341	311,786	371,458	362,447	354,487	3,608,751
Number of employees (persons) (at year-end)	4,848	5,013	5,303	5,711	6,118	—
Per share information (yen) (Note 2)						
Net income (EPS)	72.46	103.94	132.95	138.52	125.54	1.28
Cash dividends	20	28	36	50	52	0.53
Net assets	1,030.09	1,030.55	1,060.84	1,038.68	1,051.65	10.71
Stock information (based on the closing price as of 31st March)						
Stock price (Note 2) (yen)	2,000	2,886	3,470	2,605	1,530	15.58
Market capitalization (billions of yen)	4,500	6,493	7,807	5,861	3,443	3,504,530
Ratios (%)						
ROE (Note 3)	7.1	10.2	12.7	13.3	11.9	—
ROA (Note 4)	9.6	12.2	13.5	15.1	14.4	—
Operating margin	11.9	12.8	13.6	15.4	14.6	—
Net income to sales ratio	6.4	7.9	8.4	8.2	7.2	—
Equity ratio	73.0	67.1	58.1	57.0	57.7	—
Dividend payout ratio	27.6	26.2	27.1	35.7	41.3	—

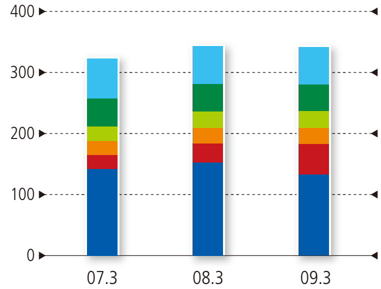
Notes:
1. Amounts of less than JPY million were rounded down.
2. Per share information and stock price have been retroactively restated for prior fiscal years to reflect the effect of stock splits.
3. ROE = (Net income / Average net assets) x 100
4. ROA = (Ordinary profit / Average total assets) x 100
5. U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥98.23 = U.S. $1.00, the rate of exchange prevailing on 31st March, 2009.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.

Sales by sector

(billions of yen)

By client sector, during fiscal 2008, approximately 70% of sales were derived from the financial sector (including the securities, insurance, banking and other financial sectors). Although sales to the securities sector were down 12.9% year on year, increases in sales to the insurance sector and other sectors constrained the falloff in sales for the NRI Group to 0.3%.

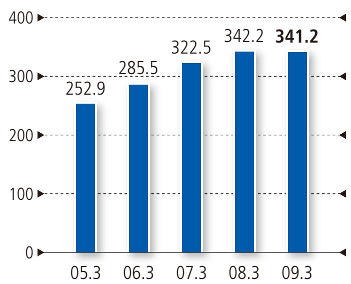




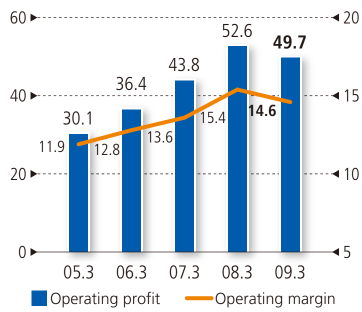
	07.3	08.3	09.3
Financial sector	210.9	235.9	236.9
Securities sector	141.7	152.1	132.4
Insurance sector	22.4	30.8	50.1
Banking sector	22.9	25.4	25.6
Other financial sector	23.8	27.4	28.6
Distribution sector	45.6	44.5	42.9
Other sectors	65.8	61.7	61.4
Total	322.5	342.2	341.2

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

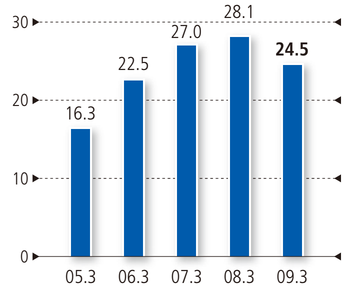
Sales
(billions of yen)



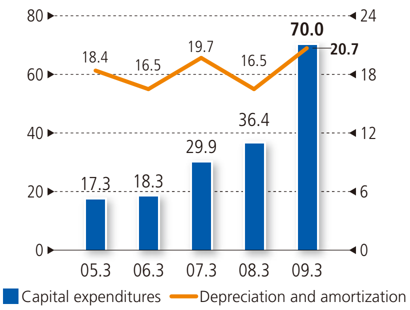
Operating profit / Operating margin
(billions of yen/%)



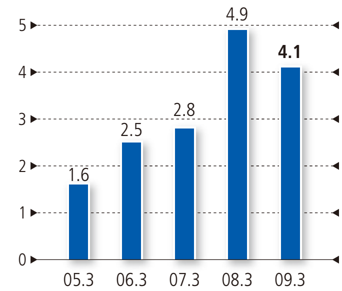
Net income
(billions of yen)



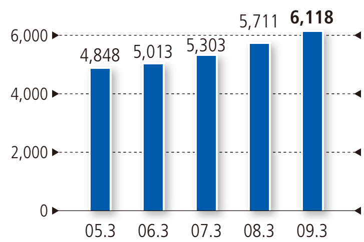
Capital expenditures / Depreciation and amortization
(billions of yen)



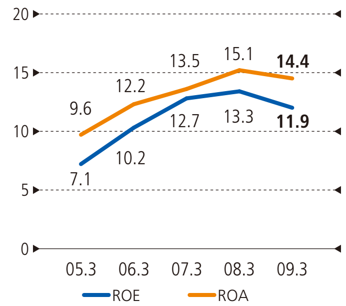
Research and development expenses
(billions of yen)



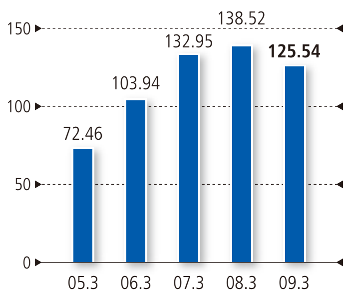
Number of employees
(persons)



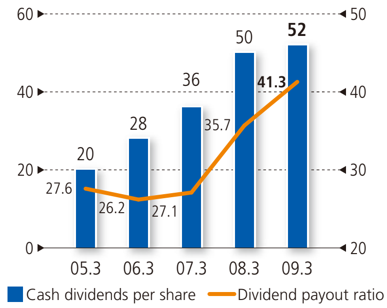
ROE / ROA
(%)



EPS
(yen)



Cash dividends per share / Dividend payout ratio
(yen/%)



To Our Shareholders

Chairman and President,
Representative Director,
CEO & COO

I would like to extend my sincere appreciation to all of our shareholders.

During fiscal 2008, ended 31st March, 2009, the economic climate rapidly deteriorated amid a global financial crisis. This situation was manifest in the securities sector and other industries through waning investment in information systems. The NRI Group responded by boosting the number of its employees involved in business targeting the insurance sector and service and manufacturing industries. In addition, we promoted measures to respond to the changing business environment, such as focusing on cost structure reforms to effectively control external subcontracting costs and appropriate selling, general and administrative expenses. We reinforced project supervision, increased productivity by reducing system failures, and bolstered business in Asia. At the end of the fiscal year, NRI purchased IT assets from Nomura Securities Co., Ltd., to supply outsourcing services in a move to ensure construction of stable business infrastructure over the long term.

As a result of these endeavors, we maintained sales at approximately the previous year's level. However, increased expenses geared to future business expansion, an appraisal loss on software and falling market prices of capital holdings resulted in declines in operating profit and net income compared with the previous fiscal year.

Nevertheless, we decided to pay cash dividends of ¥26 per share to shareholders as of the record date of 31st March, 2009. Combined with interim cash dividends paid in November 2008, the annual dividend payment was ¥52 per share, in line with our previous forecast.

In response to the changing environment facing the information service industry, in addition to continuing to conduct system development and operation for clients as we have in the past, the NRI Group has adopted a management strategy centered on providing IT services that serve as business platforms for deployment across industry and market boundaries. This is facilitating our promotion of improvements to our system for swift and efficient development and supply of high-quality services. Furthermore, we have intensified the provision of Navigation and Solution services in Asia, particularly in China, where market expansion is still anticipated, with the aim of creating another NRI in Asia in both qualitative and quantitative terms.

I ask for the continued support and understanding of our shareholders.

July 2009

We maintained the previous year's sales levels by shifting our emphasis to new business sectors. By viewing the current harsh environment as a medium- to long-term growth opportunity, we aim to preserve sales levels in fiscal 2009, while promoting cost structure reforms and further expansion into new business areas.

The business environment for the NRI's conventional area of expertise, the securities sector, is in a state of confusion. During fiscal 2008, sales eased 0.3%. How were you able to virtually maintain the previous year's level under these circumstances?

A: Declining sales to the securities sector were offset by higher sales to the insurance sector and other sectors*. This was aided by the smooth shift of personnel from securities sector business to these other areas in response to the deterioration of the economic environment.

System investment in the insurance sector grew in response to the need to reinforce the management of insurance policies and step up compliance. Although overall system investment trends for other sectors were tight, companies tended to have greater expectations of their system investments, which made it easier for NRI to deploy its strength in providing integrated services spanning management strategy consulting and business consulting to system development. We were actually able to gain major new projects from clients in the domestic service, manufacturing and other sectors.

Key elements of fiscal 2008 ①

Although the rapid deterioration in the business environment resulted in lower sales from the securities sector, this was offset by sales from the insurance sector and other sectors.

Sales by sector (Millions of yen)

	2008.3	2009.3	Difference	YoY change
Securities sector	152,152	132,460	(19,692)	(12.9%)
Insurance sector	30,851	50,161	+19,310	+62.6%
Banking sector	25,471	25,672	+200	+0.8%
Other financial sector	27,496	28,621	+1,124	+4.1%
Financial sector	235,972	236,915	+942	+0.4%
Distribution sector	44,569	42,925	(1,644)	(3.7%)
Other sectors	61,746	61,438	(307)	(0.5%)
Total	342,289	341,279	(1,009)	(0.3%)
Nomura Holdings	104,808	97,240	(7,568)	(7.2%)
Seven & i Holdings	37,611	38,183	+572	+1.5%

Sectors outside the insurance and other sectors also faced severe market conditions, but we were able to minimize the impact of the depression.

* Sales by other sectors declined ¥0.3 billion compared to the previous year, but actual revenues increased ¥1.0 billion if the impact of business sectors affected by the privatization of Japan Post is disregarded.

The operating margin eased from 15.4% to 14.6%. What caused this decline?

A: The leading factor was an increase in new work outside the securities sector, which caused a dip in productivity. This was exacerbated by rising subcontracting costs. In contrast to the securities sector, which is our hub of expertise, our first requirement in taking on new projects was to understand our clients' businesses. This learning caused the temporary falloff in the productivity of our employees and the increase in subcontracting costs. However, these problems will be overcome, assuming the personnel who shifted to new sectors can gain the requisite technologies and know-how through approximately two years of intensive training. Furthermore, we already had numerous software components (such as programs) that could be utilized for system construction in the securities sector, which had been robust up to the previous term. Accordingly, a dramatic rise in productivity has been also possible.

We endeavored to cut subcontracting costs on new system development in step with the decline in sales, but the time that was needed to transition project expertise in our enhancement operations* prevented these reductions. During fiscal 2009, ending 31st March 2010, we will continue to strive for control of subcontracting costs to match fluctuations in sales.

In addition, the sales decline, which is linked to volume of system use (increase or decrease in the investment fund balance or agreed balance of securities), and growth in depreciation and amortization accompanying investment in data centers and software in recent years have also influenced the diminishing operating margin.

* Upkeep and maintenance operations related to system improvements.

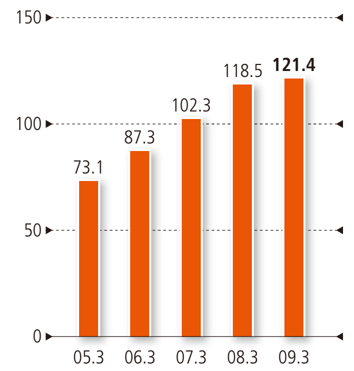
Capital expenditures was also significantly up during fiscal 2008. What is the objective of continued investment amid the depressed economic conditions?

A: Although the total amount of capital expenditures has increased, tangible fixed assets were down ¥6.4 billion from the previous year, which included construction of a new data center. Moreover, if the ¥40.0 billion that was required for the purchase of IT assets from Nomura Securities was excluded from the ¥57.7 billion in intangible fixed assets, the actual figure of ¥17.7 billion is close to the previous year's intangible fixed assets of ¥17.56 billion. Investment in intangible fixed assets is accounted for by

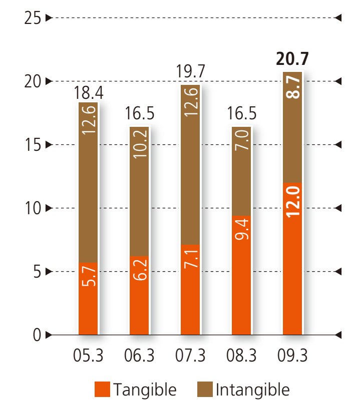
Key elements of fiscal 2008 ②

- •Worsening operating margin and operating profit declines accompanying changes in business portfolio
- •Cost controls: Curbing SG&A expenses and containing subcontracting costs

Subcontracting costs (billions of yen)



Depreciation and amortization (billions of yen)



investment in the enhancement of such large-scale multi-user system services (ASP)* as our BESTWAY, account management system for over-the-counter sales of investment trusts and T-STAR, trust asset management system for investment trust management companies, and in Daybreak/PL, new multi-user system service that supports connections with the credit information bodies of financial institutions.

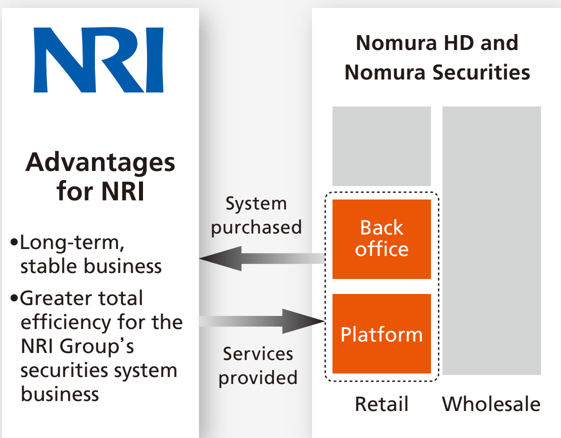
NRI's high operating margin is backed up by package software and multi-user system services utilizing our expertise gleaned from individual SI for the leading companies of each sector and by asset-based business, such as data centers, as part of our consigned system management and operations. Accordingly, such continuous investment is indispensable as a source of future income. Specifically, we are investing in software with a view to medium- to long-term growth, and our policy is to continue to bear the burden of this investment regardless of our business performance.

It is important that we make ongoing capital expenditures as we initiate structural reforms to shift from our current model, which is based entirely on responding to client requests. We will expand our business based instead on a proposal-based model, in which NRI makes R&D and software investments, and then proposes businesses to clients.

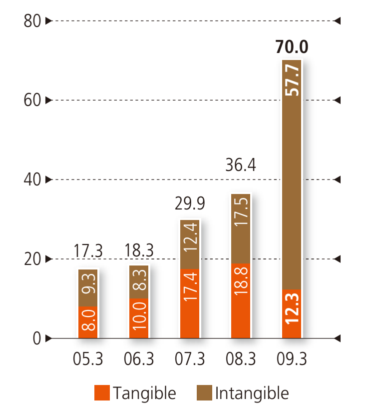
* ASP: Application Service Provider. Services providing business application software to clients via a network.

In March 2009, NRI invested ¥40.0 billion in acquiring IT assets (hardware and software) to provide outsourcing back office services for Nomura Securities' domestic retail business. What are the advantages for NRI in this transaction?

A: Nomura Securities' system development and enhancement formerly comprised overlapping individual projects, but through this acquisition outsourcing will be contracted for an annual fee, which will be a more stable, contract-based business format. As a result, human resource allocation can be carried out from a longer-term perspective. Furthermore, by owning software assets, we can initiate measures to raise system efficiency.



Capital expenditures (billions of yen)



What is your rationale behind maintaining last year's levels of graduate recruitment despite the recession?

A: On occasion in the past, NRI curtailed recruitment during economic downturns. From a medium- to long-term perspective, those times of low recruitment numbers not only left us below full strength, but also with an imbalance between senior and junior staff. This also had a negative impact on management and leadership. The ongoing securement and cultivation of staff resources are extremely important. Moreover, current levels of employment are vital to reaching our medium- to long-term growth targets. For these reasons, we kept up our recruitment levels. In addition, other companies cut back on recruitment during the year, which presented opportunities for us to bolster our human resource acquisition drive.

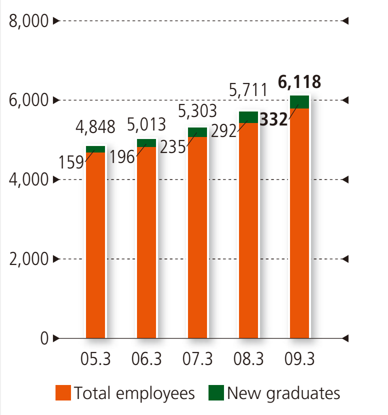
What are your thoughts on cultivating the human resources you recruit?

A: To nurture personnel to have NRI employees' strengths, we provide recruits with work that suits their skills and inner resources during on-the-job training (OJT). Although it is sometimes difficult to allocate work appropriately, we are strengthening our systematic training functions. For the first two to three years after joining the Company, we focus on building up basic skills. We have in place an NRI Certification System, with 231 accredited personnel, which recognizes professionals who can be role models to younger employees and gives them clear direction in their careers.

Off-the-job training works in tandem with OJT, including training in individual technologies and skills and level-based training. Specifically, we are expanding training to cultivate managerial insight and skills. Hitherto, employees have varied in terms of their capacities to attend training sessions depending on how busy their actual work schedules may be. We are modifying the system to ensure that at least 15 days per year are available for training.

Amid our development into a company of considerable size, we initiated *the NRI Way* project in 2007 to facilitate activities that share NRI's merits and strengths among all employees in an environment where opportunities for exchange do not always exist. Through workshops and other forums for employees of all ages and from different departments to exchange opinions, I sense a new awareness among employees.

NRI Group's employees (persons)



Fiscal 2009 is being described "a year of opportunity." What are NRI's prospects and aspirations for the year?

A: In terms of business results, we again anticipate growth in sales to the insurance sector, led by existing clients. In other sectors, NRI's actual share is still relatively diminutive, so simply approaching enterprises that are maintaining favorable business performance despite the current economic situation will provide plenty of room for expansion. At present, needs in the securities and distribution sectors are relatively weak, so we shall aggressively pursue new clients in these areas.

Developing new customers is linked to improving our medium- to long-term business portfolio. During fiscal 2008, 40% of NRI's sales mix was from business for the securities sector. Including insurance and indirect financing, sales for the financial sector accounted for 70%. In the future, by boosting human resources we would like to raise the proportion of sales outside the financial sector to around 50%. Of Japan's total systems investment, the financial sector accounts for around 20%, and in the future we aim to adjust our sales composition to more or less reflect this ratio. Through this shift, we can move toward a structure that is protected against significant impact on business results from fluctuations in systems demand in specific sectors.

We are revising the way we use external partners and fortifying the fundamental strengths of our employees. We need to make extensive use of external partners during busy periods under favorable business conditions. However, even amid the depressed business conditions of fiscal 2009, we shall revise the apportionment of work to employees and to external partners to precisely maintain employee skill levels.

In terms of cost restructuring, we will endeavor to contain overheads and selling, general and administrative expenses.

To some extent, we narrowed the scope of the targets for our research and development expenses during fiscal 2008, but we will increase the expenditure as needs dictated in fiscal 2009. Even if business results deteriorate, I would like to see NRI make proper preparations for future growth.

Aspirations for fiscal 2009

We shall aggressively pursue new clients. This linked to improving our medium- to long-term business portfolio.

Have you made any changes to your medium-term policies or NRI Vision 2015 in light of the severe operating environment?

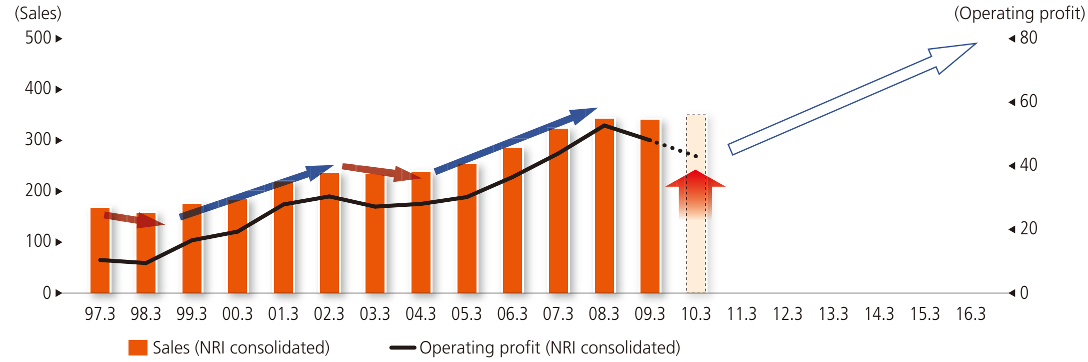
A: At this point in time, there have been no changes. This is because NRI views business slowdowns as periods of opportunity. When economic conditions are favorable, the needs of our existing clients are almost insatiable and we have the human resources to satisfy them. Precisely because it is a period of economic slowdown, we can allocate resources to areas that are a priority from a medium- to long-term perspective. In that sense, this year represents a perfect opportunity.

In medium-term priority areas, such as Asia, platform solutions, health-care and other new businesses, we are advancing steadily despite the deterioration of the business climate. Furthermore, we are progressing with business platforms* that cut across industry and market boundaries in parallel with development through client base expansion into new sectors.

* As emphasized in our long-term management vision, NRI Vision 2015, this refers to services uniquely provided by NRI, such as shared industry systems, tie-ups with corporate systems and one-stop services. See page 15 for details.

Economic fluctuations and current position (billions of yen)

NRI will put its utmost efforts into halting the current profit decline, while continuing its preparations for medium- and long-term growth.



NRI's response to economic fluctuations and their impact on financial results

	Strong economic period = Period of high returns	Economic depression = Preparation period
Developments at clients' companies	•Greater needs for IT investment •Build-up of In-house IT assets	•Shelving of all nonessential issues •Shifting of IT assets outside the company
NRI's response	•Concentrate human resources on existing clients •Slow client acquisition •Slow new business development	•Human resources shifted to new major clients •Rise to more challenges in new areas •Developing ASP (independent planning business)
Impact on NRI's financial results	•Operating margin improves •Revenue from metered services expands •Greater reliance on existing clients	•Operating margin temporarily declines •Software assets (ASP) grow ASP competitiveness and market share increase •Clients' portfolios are expanded

What are NRI's capital and dividend policies?

A: The acquisition of IT assets from Nomura Securities in March 2009 resulted in a cash outflow of about ¥40.0 billion. In the future, we plan further software development investment and business investment in data centers and other facilities.

We aim for a consolidated dividend payout ratio of 30%, but our priority is stable dividends, and we will do our best not to lower the dividend amount. As a result, we achieved a consolidated dividend payout ratio of 41.3% for the year under review. In the future, we will continue to emphasize stable dividends, while investigating increases to the dividend payout ratio in relation to improved business performance. The ratio of treasury stock is growing, and we are looking into the purchase of Company stock while considering funding needs for business investment.

Do you have any further messages to pass on to shareholders?

A: Although growth in the IT service industry can be viewed pessimistically, according to the Japanese Ministry of Economy, Trade and Industry statistics, the Japanese IT market is worth ¥16 trillion. For NRI, there is still ample room for expansion in Japan alone from the point of view of our current sales. Furthermore, development in China and other countries in Asia is progressing over the medium- to long-term, and we are confident about future sustainable growth. I would like our shareholders also to hold high expectations for NRI's medium- to long-term growth potential.

In addition, we are promoting recommendations and proposals to foster Japan's overall well-being. For example, the productivity of Japan's service sector is considered low in comparison to the manufacturing sector. However, improvements can be made through the application of shared industry systems. By leveraging its strength in supplying integrated services, from management consulting to systems, NRI can contribute to the revitalization of Japan through recommendations, service provision and other offerings.

Ambitions for the future

- For NRI, there is still ample room for expansion and we are confident about future sustainable growth.
- NRI can contribute to the revitalization of Japan through recommendations, service provision and other offerings.

Tadashi Shimamoto
Representative Director
Corporate Executive Vice President
Supervising of Business Divisions,
Marketing & Business Planning,
Retail & Industrial Systems

NRI has begun the activities outlined in its long-term management vision, NRI Vision 2015, which commenced in fiscal 2008. This plan focuses on NRI's image for the future, laying out strategies and policies for growth, while advocating self-transformation for the Company. An overview of the first year's results and the outlook for the future are provided below.

> Despite the downturn in the economic climate, there are no significant changes in the direction and measures of NRI Vision 2015.

NRI Vision 2015 is a long-term growth concept through which we aim to enhance NRI's corporate value. Despite the sudden economic downturn, we have not introduced any major changes in direction.

NRI's image for the future reflects our drive to become a major player in the markets in which we operate. Over and above sales expansion, this means providing IT services and solutions that form an infrastructure indispensable to society, corporations and industries. By fulfilling this role, we aim to dramatically raise the strength and visibility of the NRI brand. Furthermore, NRI Vision 2015 guides the Company toward building second and third pillars to support NRI's profitability, which refers to positioning the Company in new sectors on a footing comparable to its expertise and strength in the securities and distribution sectors.

In addition to expanding sales per se, this future image incorporates the ideas of raising the relative contributions to sales of NRI's independent, non-finance and overseas businesses.

We are targeting an annual growth rate in sales of 7%. The year under review was characterized by a severe business environment, which will continue into the next term. We are promoting steady measures to ensure that we are positioned for significant growth during the subsequent period of recovery.

NRI's independent businesses are those that the Company targets through up-front investment, including ASP, package software and outsourcing services. During fiscal 2007, prior to NRI Vision 2015, independent businesses accounted for approximately 40% of sales. We are striving to raise this ratio to more than 50%.

To realize these facets of its future image, NRI itself needs to change. As expressed in the slogan "Reinventing Ourselves, Reinventing the Future," NRI Vision 2015 is a declaration of NRI's desire for self-transformation.

NRI Vision 2015

Future image for 2015

Drive to become a major player in the markets in which we operate

Building second and third pillars to support NRI's profitability

- Boosting sales
- Increasing the ratio of independent business
- Increasing the ratio of non-finance business
- Increasing the ratio of overseas business

The evolution of solutions

Provision of business platforms

- Shared industry systems, social infrastructure
- Up-front investment proposal model

Raising corporate value

Self-transformation

"Reinventing Ourselves, Reinventing the Future"

- Tie-ups with other companies
- Global development

NRI's current status and strengths

- Optimal services for individual companies
- Consignment-based model
- Self-sufficiency
- Domestic focus

NRI's strength has traditionally been rooted in the provision of unsurpassed services on consignment from individual companies, centered on the securities and distribution sectors. Our growth was achieved through business development based on self-sufficiency* and a domestic focus. Although such strengths are an important asset to the Company, simply extrapolating these policies is not sufficient to realize NRI's future image.

Our self-transformation necessitates a complete change in direction: revamping our business model from "consignment from individual companies" to "proposals that cut across industry and market boundaries," and shifting from "self-sufficiency and a domestic focus" to "tie-ups with other companies and global development."

*Self-sufficiency in this context refers to neither utilizing other companies' products nor depending on tie-ups with other companies, but on propeling the Company's business forward using its own autonomous strengths.

Provision of business platforms is a critical point for NRI.

Three examples of our business platforms follow, spanning services that are already being provided and those still under development.

The first example is shared industry systems. This is the sharing of systems relating to back-office business, which requires the same basic processes for each company in the sector. For instance, in the securities sector, orders are received and stock transactions conducted, leading to settlement of payment. This is an administrative process, so reliability is imperative. However, there is little to differentiate any part of such transactions between companies, so there is no need for each of them to create its own administrative system when a reliable, pre-existing system can be used. NRI already provides STAR and I-STAR* multi-user systems to the securities sector. These systems have become an industry standard. We intend to extend our provision of such shared industry systems to other areas.

The second example consists of systems that link companies. For many years, NRI has supplied services to the distribution sector that connect manufacturers to wholesalers and company headquarters to chain store outlets. This approach has contributed to raising the efficiency of manufacturing, distribution and sales alike. We have now started up services to bolster the efficiency of the supply chain for manufacturing, distribution and sales for such consumable goods as foodstuffs and apparel. Furthermore, we are working toward a service to connect companies in the medical sector, spanning pharmaceutical companies, drug wholesalers and other links in the drug supply chain.

The third example is a one-stop service for online convenience. Internet users require multiple identification and passwords for e-mail accounts, online banking, e-commerce, frequent flier programs and other services. In the case of travel, it would be much more convenient to have one identification and password process to access a single site fulfilling ticket and accommodation reservations, shopping and other needs. NRI aims to support a platform to facilitate cross-site ID sharing and collaboration.

Through such business platforms, NRI's objective is to fulfill a new social infrastructure role by efficiently providing functions communally needed by companies and facilitating previously impossible tasks for corporations and individuals. Moreover, if individual companies use these business platforms as a service, cutbacks in costs and labor can be attained compared with the construction and maintenance of separate information systems by themselves, which in turn contributes to increases in corporate productivity.

For NRI, providing services to an array of companies and sectors stabilizes income. At the same time, it enables us to allocate resources efficiently and systematically to conducting business on our own initiative.

However, to realize such business platforms, NRI has to take on risks, make investments and present proposals to companies and communities. In the event that a client base and human resources are required that we cannot provide ourselves, we will proceed through tie-ups and mergers and acquisitions. Formerly, we constructed systems on our own from scratch in the pursuit of optimal quality. In this process, we will also use external systems and packages in the interest of speed and other benefits. In addition, systems that support the manufacturing industry and other sectors particularly need to be able to respond to corporate global development. As we strive toward providing business platforms, NRI will proceed with its self-transformation.

* STAR/I-STAR: See "Multi-User System Services to Respond to the Electronic Share Certificate System" on page 28 for details on STAR and I-STAR multi-user systems for the securities sector.

We need to build up to providing business platforms.

Minimum requirements to provide business platforms are sufficient company size, strength and funds. The risks and investment involved can not be undertaken without adequate human and financial resources. However, NRI is one of the few IT companies in Japan that meets these prerequisites.

In the planning of business platforms, indispensable elements are business knowledge and expertise and a client base. NRI has a strong track record in serving the financial sector and is already providing business platforms. However, we are the embryonic stage in other sectors. We need to take the next step of accumulating know-how and gaining client confidence by building relationships with the leading companies in each sector and acquiring systems integration experience.

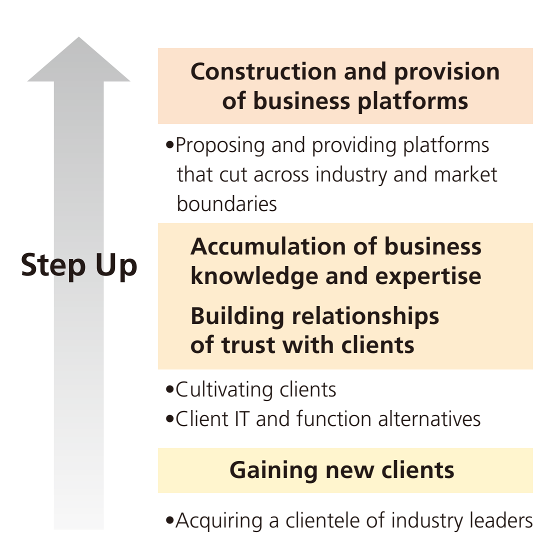
As we build our corporate scale and strength, we will develop expertise and client bases in several industrial sectors, thereby providing business platforms.

These remaining developments mean that the time scale for providing platforms varies for each industry and sector.

We already have experience with the financial sector through cross-industry platform and independent business models. Accordingly, expansion and development will gain momentum in step with the economic recovery. We plan to acquire several major clients in non-finance sectors, and we are moving toward platform provision by accumulating skills in each targeted sector. This temporarily increases business with individual corporate clients.

Three years from now, we will be spearheading our development with business platforms for the financial sector, while still in building the requisite client base and expertise to serve other industries.

Steps toward providing business platforms



We made progress in cultivating new clients amid the worsening business conditions of fiscal 2008.

This was the first year of NRI Vision 2015, but our cultivation of clients has already produced results.

In the securities sector, we consider acquiring Nomura Securities' retail securities system (see page 9) to an expanding independent businesses. Furthermore, we have increased the numbers of proposals to Japan Post Insurance Co., Ltd., and other companies in the insurance sector. Through such advances, we are expanding our client base and amassing expertise.

For the manufacturing and service sectors, we have strengthened client trust through our achievements in management consulting and IT consulting. As a consequence, we have gained new large-scale projects. We are leveraging our strengths in the integrated provision of services, from consulting to systems.

With a global perspective, we are aiming to create another NRI in Asia. This drive is led by consulting services, through which we are building a track record. NRI has also established an Asia Region Systems Division and a tie-up with Mitsubishi Corporation to promote experience and expertise in the systems sector.

During fiscal 2009, we will speed up our project promotion by stepping up policy enforcement through the Company, from the top down.

To shore up its client base, NRI is reinforcing its alliances of consulting and IT solutions. We have established Market Strategy Meetings, which cut across Company boundaries, and are proceeding with activities to expand our client list.

In addition, we have formed a full-time project team to promote proper control of subcontracting costs and are continuing to strengthen of our corporate structure by raising the employee capacity operating rate and boosting efficiency of back-office business.

Fiscal 2009 is a vital stage along the path toward realizing NRI Vision 2015. Although business trends are uncertain, human resources freed up by cutbacks in business for existing clients can be shifted the development of clients in new sectors, which provides us with unparalleled opportunities. To date, although we have begun making substential inroads into new sectors, we have had to divert human resources back to existing clients as demand increases. To avoid this problem when the economy recovers from the

current recession, we are speeding up the shift of resources to new sectors and the start-up of new business, while maintaining recruitment levels. In addition, growing Company-wide awareness of the need to change is crucial to the self-transformation for the Company.

If the fruits of our endeavors are evident in both performance and awareness, fiscal 2009 may well be a turning point for NRI.

Policies for the realization of NRI's future image

(1) Provision of business platforms

(2) Global perspective

(3) Production innovation

Masahiro Muroi
Representative Director,
Corporate Executive Vice President
Supervising of Corporate Administration,
Internal Control, Corporate Planning,
Corporate Communications,
Information System Planning & Control

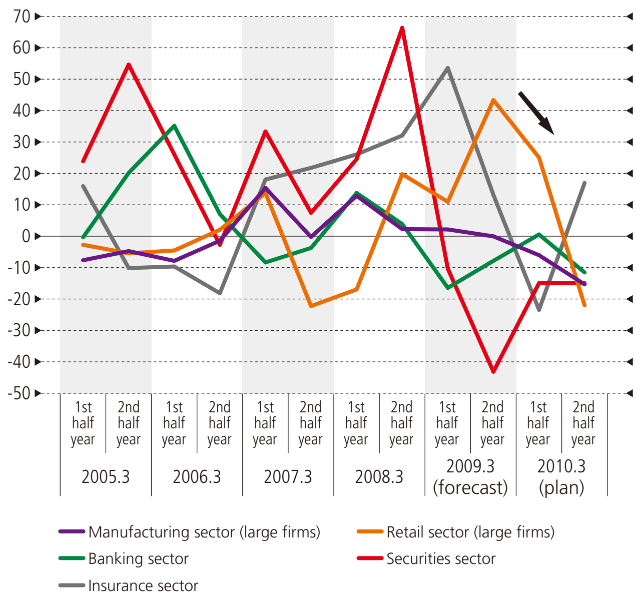
What impact is the unprecedented business depression having on the Japanese IT service industry and market? What is the outlook for the future?
Overviews of the business environment and forecasts, along with an explanation of the industry structure, are given below.

Recovery of the Japanese IT service industry may still take time, but should be followed by annual growth of 3% to 5%.

Since the "Lehman shock" last year, the Japanese economy has faced extremely tough conditions, with a drastic weakening in the drive for IT investment among business management (see Figure 1). With the exception of urgently required IT investment, the market has been beset by trends toward project suspension and postponement.

However, I expect this stagnation to be short-lived. Amid these unparalleled changes in the business environment, companies have no choice but to adopt a course of vigorous self-innovation. Essentially, corporate structural reforms and drastic cost-cutting measures, in addition to expansion in new business sectors, are vital for IT investment. Full-blown recovery may well take one and a half to two years, but this is likely to be followed by steady growth of 3% to 5% per year.

Figure 1: Investments in software by sector (YoY change %)



Source: Bank of Japan's Quarterly Economic Survey (published on 1st April, 2009) based on a survey of companies.

Japan's IT service industry will see a shift in programming and other business operations to China and India.

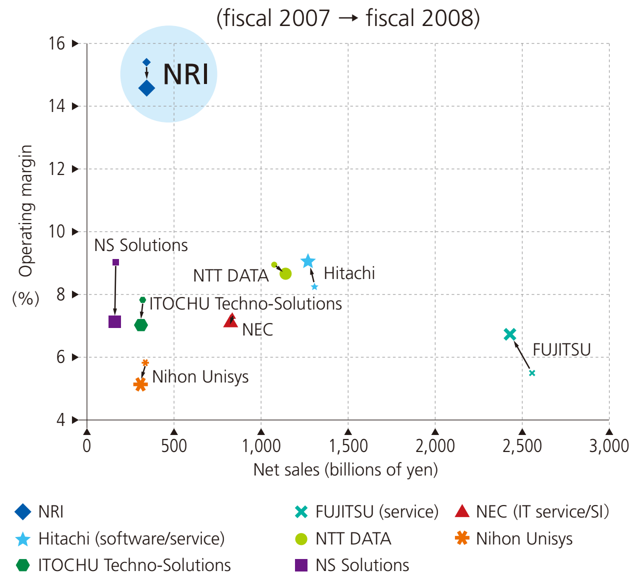
The IT service industry in Japan is shaped like a pyramid. The country only has between 10 and 20 IT vendors (prime vendors)—large-scale enterprises with the power to accept information system consignments directly. Beneath this tier are secondary vendors, under which there are numerous small-scale software companies involved in the execution of projects. (According to the Ministry of Economy, Trade and Industry, there are more than 14,000 such companies, of which almost 90% have fewer than 100 employees.)

Looking at the industry in terms of net sales, there are four hardware vendors with annual sales in the ¥1 trillion range, followed by several companies that mark up around ¥300 billion in annual sales, a group that is led by NTT DATA CORPORATION and includes NRI. Although NRI ranks sixth in net sales, the Company maintains high profitability through its integrated services, spanning management consulting through IT, and its high-efficiency business portfolio, including shared industry services. Moreover, the Company is building a unique, dominant position in the industry (see Figure 2).

Offshore consignment* is progressing in the industry for such IT-related services as programming. Japanese prime vendors are outsourcing to software companies in China, Vietnam and other countries in much the same way that European and U.S. enterprises are to IT vendors in India. This trend brings benefits in the form of reductions in outsourcing costs. In this way, NRI, too, is providing employment to some 4,000 systems engineers in various regions of China.

* Offshore consignment: The outsourcing of software, system development, operation management and other work to overseas partner companies and subsidiaries is referred to as offshore development. Aiming to capitalize on such benefits as cost reductions through the utilization of inexpensive manpower and securement of top-class overseas personnel, this trend has gained momentum year after year. Enterprises in China and India are the priority offshore destinations for such outsourcing by Japanese companies.

Figure 2: Net sales/Operating margin of premier eight companies (%/billions of yen)



Source: Compiled by NRI from those companies' financial settlement materials.

The Japanese IT service industry faces structural changes three to five years hence.

On the basis of three key trends, the IT service market in Japan faces a period of major restructuring in three to five years' time.

The first is the further progression of offshore consignment to emerging countries. In China and India, it is possible to secure young engineers of excellence at significantly lower cost than in Japan. Initially, efforts were required to maintain quality, but through thorough human resource training and project supervision, low costs coupled with high quality have become feasible. Although not appropriate for upstream development stages (definition of requirements*1 and baseline design) and overall management, software development and maintenance, system management and operations, and other processes are increasingly being consigned offshore.

The second key trend is the development of information system functions into services and expansion of external applications. Formerly, Japanese corporations treated information systems autonomously (independent development and ownership by separate companies). However, in this age of strict requirements for the investment effects of information systems, there has been a major change of direction toward the utilization of existing packages and services and IT vendor assets (such as data centers). NRI's stake of shared industry services has been increasing year by year (see Figure 3). The adaptation of SaaS*2, cloud computing*3 and other new technologies to services is also progressing, and the structure of the IT service industry looks set to undergo radical changes.

The erosion of IT strategies and IT management functions in many large Japanese corporate groups is the third trend. NRI investigations reveal that one major concern of many chief executive officers and chief information officers is the shortage of IT personnel (see Figure 4). Among the companies surveyed, IT remains understaffed despite the focusing of efforts on securing and cultivating human resources in core sector. Specifically, there is a chronic shortage of company-wide IT strategic planners, IT analysts, project managers and other key staff, and this situation is set to worsen.

*1 Definition of requirements refers to investigating and analyzing user demands and firmly establishing the functions that are required through application to IT. This is the first step in system design, comparable in importance to the subsequent stage of determining feasibility.

*2 Software as a Service: Paying charges to utilize services via the Internet or other networks rather than users buying software in package form.

*3 A computer configuration that provided extensive IT resources as services through the Internet

There is still room for NRI to expand further.

Before going on, I will explain further about relation to structural changes in the IT service industry. Figure 5 shows

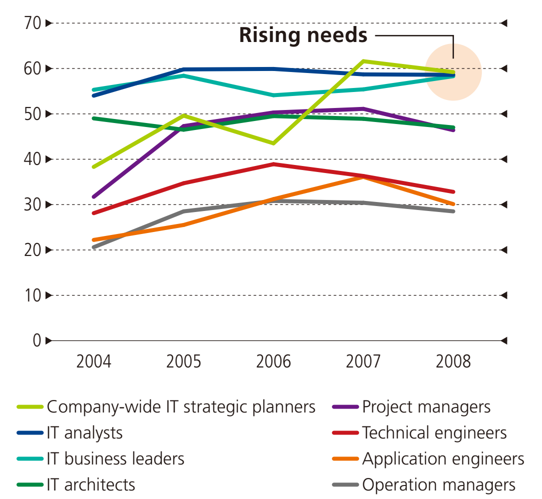
Figure 3: NRI's main ASP services and package softwares

Name	Main function	Number of users (companies)	
STAR-IV	Integrated back-office system for retail securities companies	70 companies	(Note1)
I-STAR	Integrated back-office system for wholesale securities companies	43 companies	(Note2)
T-STAR	Trust asset management system for investment trust management companies	70 companies	
BESTWAY	Account management system for over-the-counter sales of investment trusts	113 companies	
BESTPLAN	Investment trust account management system for defined contribution pension plan	53 companies	
e-JIBAI	Shared online system services for automobile liability insurance	13 companies, one association	
Daybreak/PL (Launched in June 2009)	Connection service for designated credit information institutions in response to revisions to the Money-Lending Business Control and Regulation Law	14 companies	(prospective users)
BizMart	ASP service for distribution sector	27 companies	
Perma Document	Documentation management ASP service for the medical sector	8 companies	

Notes: 1. The number of companies for STAR-IV includes partial use
2. The number of companies for I-STAR excludes subsystems

The number of users is given as of 31st March, 2009.

Figure 4: In-house IT personnel who deem upgrades to Japanese corporations necessary
(The percentage of corporations responding that upgrades were necessary)



Source: NRI IT applications field survey of user corporations for 2004, 2005, 2006, 2007 and 2008

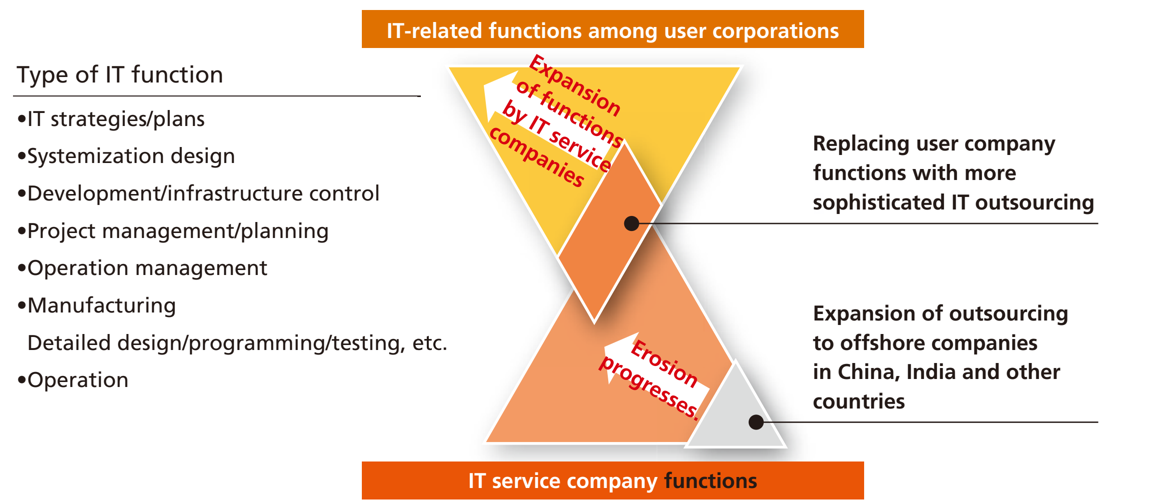
the IT service industry's functions and IT-related functions among users.

Functions provided by the IT service industry can be represented as a triangle reflecting the industry structure. The base—development, maintenance and operation of low value-added systems—is being eroded by the shift in offshore consignment to China and India. A shift is taking place from autonomous corporate activities to outsourcing and use of services, as corporate IT strategic staff shortages prompt a shift of IT-related functions to IT service companies. In other words, the low-value-added sector has transferred overseas, while market expansion accommodates the entry of client companies.

In addition to manufacturing industries, the distribution and retail sectors are advancing in China and other parts of Asia, and demand for IT services that provide globally concentrated, consolidated control of management information is expected to escalete. However, virtually no IT vendors are capable of constructing large-scale systems in Asia and China. Numerous prime vendors, including NRI, have already begun upgrading IT services for Japanese corporations in these areas, with aspirations to expand services to Western and local enterprises.

One area of potential growth for companies in the IT service industry is to formulate IT strategies and handle upstream processes for companies that are unable to shift their operations offshore and are plagued by a dearth of personnel. In addition, great growth opportunities remain for development in the Chinese and other Asian markets, where there is relatively little competition from rival companies. Prime vendors that can take advantage of such opportunities are capable of further growth. This represents a major chance for NRI, whose capacities rage from consulting through services provision.

Figure 5: Changes in the domestic IT service market



Consulting Services

Using our extensive experience and years of know-how, we provide consulting services to corporations, governments and other public agencies.

Our management consulting covers a broad spectrum, from supporting the planning and execution of business strategies to reforming business operations and making policy recommendations. In each field we are the largest specialist group in Japan and have many consultants who support our customers. Especially in M&As and similar projects, such as companies entering a different business field that cut across industry boundaries, we have teams on which each team member is a specialist.

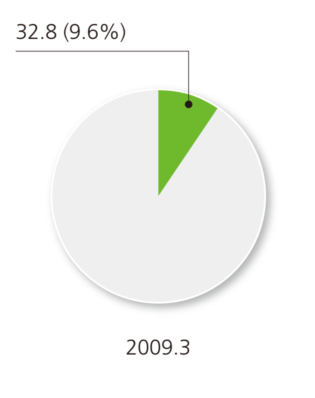
In system consulting, we provide an end-to-end service from evaluating and diagnosing the client's IT assets to the development of a strategy and solutions that link business operations to IT.

Operating Environment and Business Results for Fiscal 2008

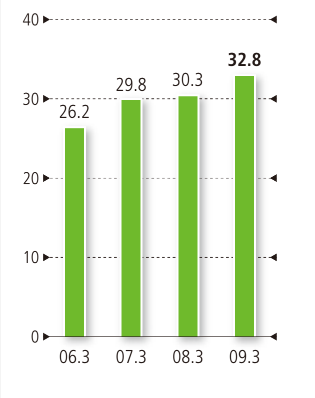
The number of management consulting projects declined in line with deteriorating economic conditions, but system consulting projects increased.

Affected by the sudden downturn in the business climate, the number of management consulting projects decreased. Nevertheless, the number of system consulting projects grew, especially in the financial sector. As a result, consulting services generated sales of ¥32.8 billion during fiscal 2008, up 8.4% from the previous fiscal term. Operating profit remained approximately the same as in the preceding fiscal year, at ¥4.1 billion, resulting in a 1.0-percentage-point deterioration in the operating margin, from 13.6% to 12.6%.

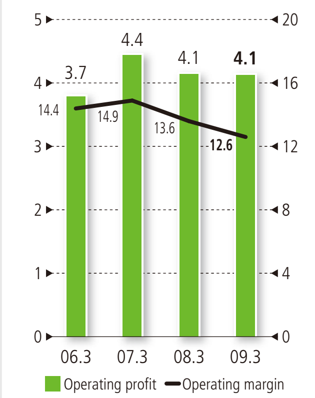
Sales by segment (billions of yen/%)



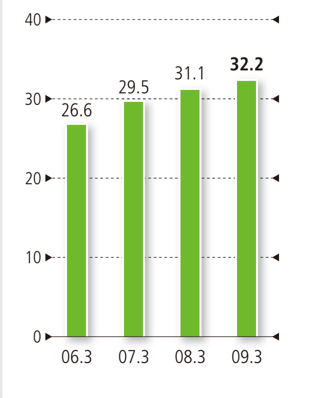
Sales (billions of yen)



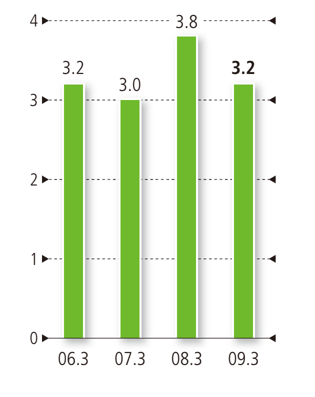
Operating profit/ Operating margin (billions of yen/%)



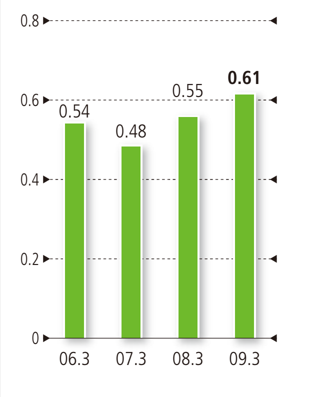
Orders received (billions of yen)



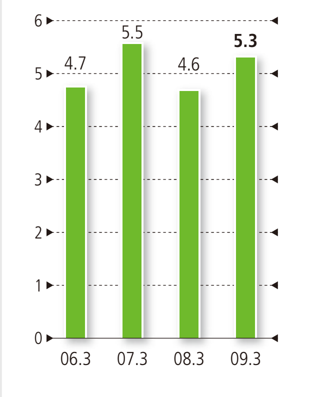
Order backlog (billions of yen)



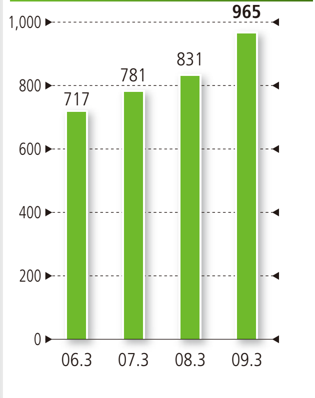
Research and development expenses (billions of yen)



Subcontracting costs (billions of yen)



Number of employees (persons)



Research and Development

Research and development expenses for the year amounted to ¥0.6 billion. As investigative research into new social systems, NRI analyzes current issues relating to business development in newly emerging markets by Japanese enterprises and conducts research into future strategies after analyzing current conditions and economic forecasts for each country. Against the background of a mature domestic market, we have been researching innovator marketing, targeting the spread of products with immediate allure at the vanguard of the consumer market (innovators). We have also focused on research related to Asian markets, such as investigative research into construction of earthquake disaster prevention systems for China and investigative research into economic conditions in such emerging economies as China, India and Vietnam.

Strategies for Fiscal 2009 and Beyond

With the prospect of continued severe business trends, we anticipate sales for fiscal 2009 to remain approximately the same as in the previous year.

NRI is aggressively recruting new clients, deepening relationships of trust with important potential clients through consulting from the initial approach onward. In addition, we are reinforcing our business consulting, which helps clients realize their strategies. In this manner, we build relationships with clients, which is in turn linked to the provision of future IT solutions. The Company is also progressing with the steady construction of infrastructure to support its consulting business in Asia. Moreover, through the release of information to the media and other channels, we are striving to raise the profile of the NRI consulting business brand.

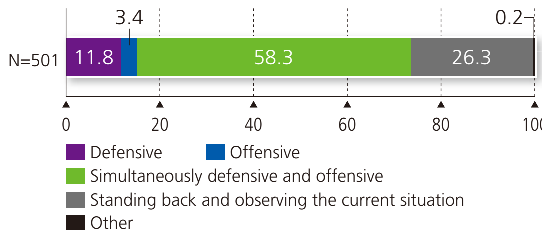
Survey on Management Strategies among Japanese Companies amid the Financial Crisis

Under the influence of suddenly worsening business conditions, in late November we conducted a Survey on Management Strategies among Japanese companies amid the financial crisis, targeting listed and non-listed companies. The results were announced on 12th December, 2008. Approximately 90% of responding companies recognized a worsening management climate, and more than half regarded current changes in the management environment as a threat. Businesses taking a defensive stance toward changes in the management environment came to slightly more than 10%. However, while implementing business restructuring, cost cutting, rationalization and other measures, companies still expressed the intention of expanding investment in recruiting and cultivating employees and developing new business. From these findings, we ascertained that despite the midst of the financial crisis, companies were pursuing defensive and offensive management strategies simultaneously .

In light of these survey results, NRI will analyze management trends of Japanese companies amid the current financial meltdown and support their management reforms and evolving strategies to help see them through the crisis.

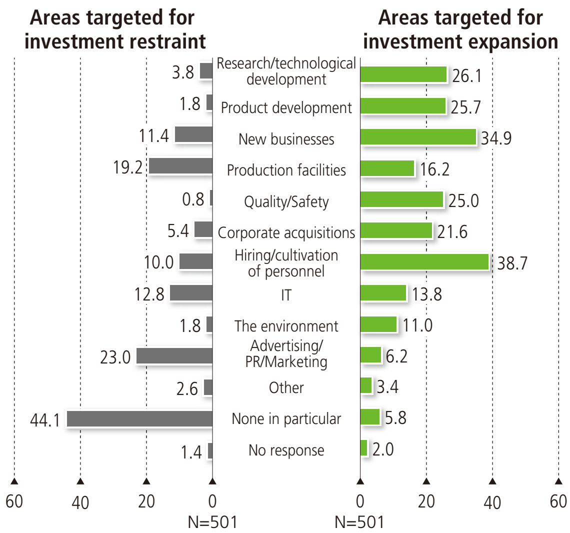
Responses to the financial crisis and business recession (%)

Which of the following best describes your company's stance in response to the current financial crisis and business recession?



Areas targeted for investment expansion and restraint (%)

In the future, in which of the following areas would your company most like to expand/restrain investment? (Choose up to three responses.)



IT Solution Services

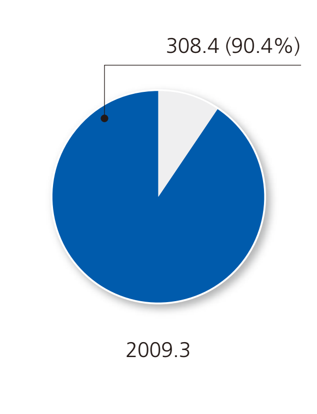
IT Solution Services

- **System development and system application sales**
  - •System integration
  - •Sale of software packages developed by NRI
- **System management and operation services**
  - •Outsourcing services
  - •Multi-user system services
- **Product sales**

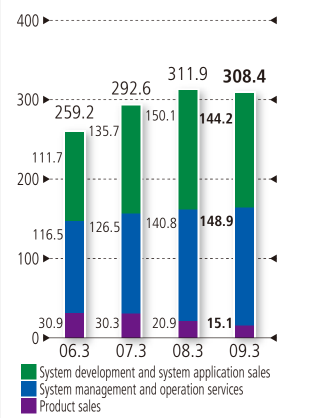
In our IT Solution Services, we conduct activities in three areas. System development and system application sales are composed of system integration (SI), the planning, designing and developing information systems; and system application sales, the selling of software packages developed by NRI. System management and operation services consist of outsourcing services through which we maintain, operate and manage client systems, and multi-user system services. In product sales, we sell hardware and software related to these activities.

Our clients come from a wide range of industries. In addition to direct finance, where we have extensive experience and know-how, our services include insurance, distribution, manufacturing, public service, and more.

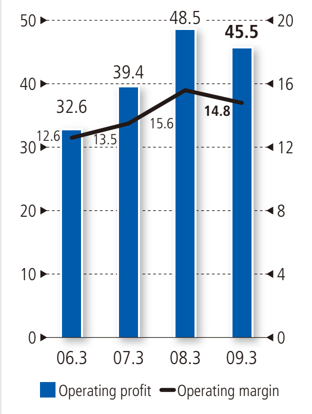
Sales by segment (billions of yen/%)



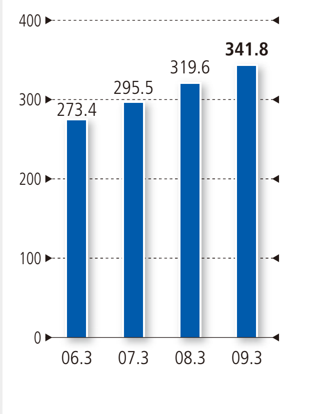
Sales (billions of yen)



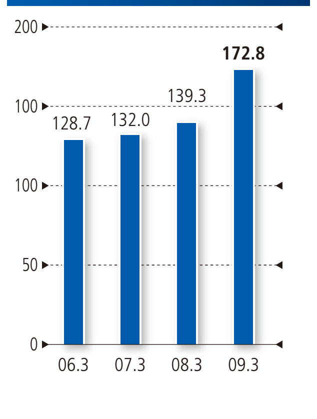
Operating profit/ Operating margin (billions of yen/%)



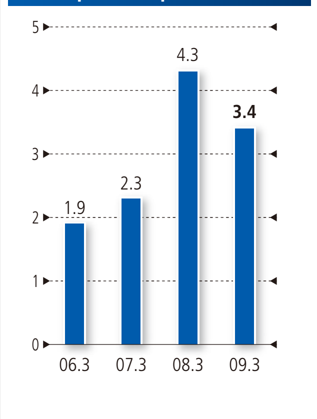
Orders received (billions of yen)



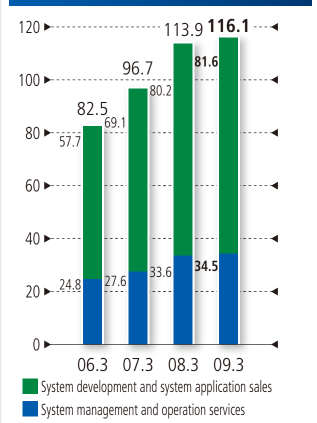
Order backlog (billions of yen)



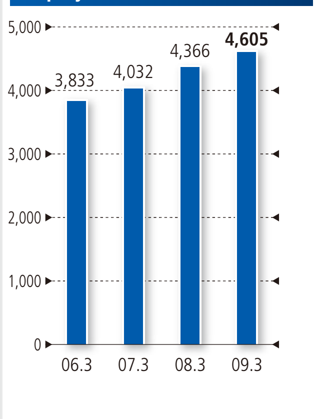
Research and development expenses (billions of yen)

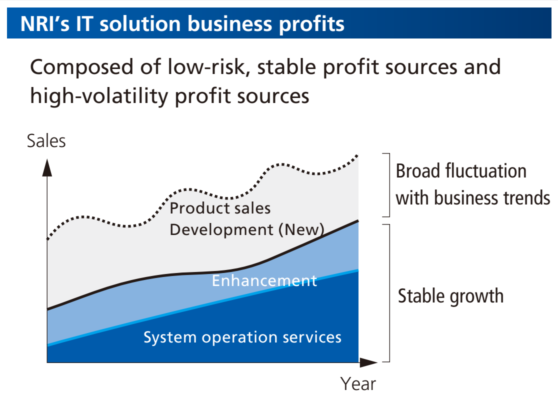


Subcontracting costs (billions of yen)



Number of employees (persons)





Operating Environment and Business Results for Fiscal 2008

Business environment: Weakening system investment motivation by clients in the securities and other sectors

In the information services industry, the sudden worsening of business conditions has reduced the system investment motivation of the securities and other sectors.

Business performance: Sales maintained the previous year's levels, with a shift to the insurance, service and manufacturing sectors. Growth in outsourcing and other expenses drove down the operating margin from 15.6% to 14.8%.

NRI has taken steps to respond to the changes in the business environment, such as shifting human resources to businesses targeting the insurance, service and manufacturing sectors, and focusing on such cost structural reforms as setting appropriate outsourcing expenses and reducing overheads. Furthermore, we reinforced project management, raised productivity through system failure-reduction activities, and fortified our business in Asia. With the objective of building a business infrastructure featuring long-term stability, at year-end we acquired from mainstay clients Nomura Holdings and Nomura Securities part of the core system for their domestic securities retail business, expanding the scope of our consignment outsourcing services accordingly.

By item, system development and system application sales grew in the insurance sector, but were down in the securities sector, leading to an overall 3.9% decline, to ¥144.2 billion. Sales of system management and operation services rose 5.8%, to ¥148.9 billion, influenced by new clients gained during the second half of the previous fiscal year, growth in sales of multi-user system services to the financial services sector, and steady system management and operation sales in the distribution sector. Product sales fell 27.4%, to ¥15.1 billion, as a result of restrained system development arising from the introduction of new equipment.

Outsourcing expenses rose, influenced by large-scale system development projects, and depreciation costs increased for Yokohama Data Center 2.

As a result of the above factors, sales slipped 1.1%, to ¥308.4 billion, and operating profit decreased 6.1%, to ¥45.5 billion. The operating margin worsened by 0.8 of a percentage point, from 15.6% to 14.8%.

Research and Development/Capital Expenditures

NRI's R&D thrust was focused on advanced solutions for new businesses and new product development. In the financial sector, we have conducted research into risk management for financial institutions and trading systems that facilitate high-volume, high-speed processing of securities transactions, and investigated the European financial IT market and service trends among U.S. securities companies. Moreover, we conducted R&D into functional links to reinforce the competitive strength of mobile phone services and to verify their feasibility; we then implemented measures to prepare for standardization and technology and product evaluation activities in our R&D relating to the OpenID*1 protocol. In the field of information technology, our research included efforts to produce an IT roadmap targeting mid-term technological trends and cloud computing*2 technologies. To boost productivity and quality, NRI conducted in collaborative research into system development architecture (design concepts and baseline design), research into application analysis infrastructure to facilitate quantitative analysis of systems, and research on the automation of test processes during system development. Moreover, we researched upgrading project management by incorporating our diverse accumulated expertise relating to project supervision into prototypes and implementing other measures. As a result of these activities, our research and development expenses for IT Solution Services amounted to ¥3.4 billion.

Capital expenditures was led by the acquisition of IT assets to provide outsourcing services, development of multi-user system services to expand high-value-added services and investment related to data centers.

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

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

Other

To expand IT solution services business in Asia, we founded a joint corporation with Mitsubishi Corporation. An affiliated company accounted for by the equity method, MC NRI Global Solutions, Inc., was established in April 2008.

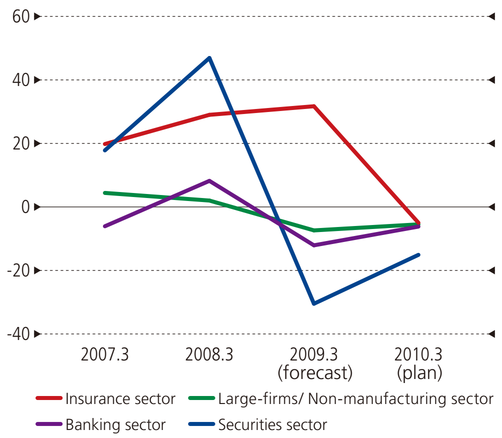
In April 2009, we established a new joint subsidiary, NRI BPO Services, Ltd., to handle BPO*-related business on consignment from financial institutions and other organizations.

* Business Process Outsourcing: External consignment of part of a company's business to a specialist turnkey contractor

Strategies for Fiscal 2009 and Beyond

Assessment of operatinng (YoY change %)

Despite improvements in the falloff in business for the securities sector, software investment will decline compared with the previous year for almost all types of business.



Source: Bank of Japan's Quarterly Economic Survey (March 2009), based on a questionnaire targeting companies

Corporate IT investment continues to expand in response to globalization and improvements in business efficiency. However, the swing toward IT investment restraint has gained momentum as the impact of the worldwide economic slowdown has made itself felt since the latter half of 2008. This has been steadily manifest in the postponement or freezing of any projects deemed nonessential or not urgent.

Based on these business conditions, the development and enhancement of multi-user system services and other cost-competitive new IT services have become pressing issues. Furthermore, the NRI Group's client base is heavily weighted toward securities companies and other organizations in the finance sector. To avoid the risk of sales fluctuations arising from this industry-specific concentration, we need to focus on developing services to gain clients in non-financial sectors. In addition, we recognize that we have to shore up the Group's capacity for global response to ensure medium-to long-term growth.

To develop new, competitive services, it is vital to continue investigating an operational understanding of and expertise in consulting and system development and operation—NRI's strength. We are focused on development of services centered on settlement and client management functions gleaned through our business for the financial sector to gain new clients in non-financial sectors. We are moving toward this goal through cooperation between specialists in the financial and non-financial sectors. In terms of the Group's global response, market expansion is forecast for Asia, especially China. While responding positively to the overseas development of our existing clients, we aim to acquire clients and upgrade our development system. Moreover, to ensure the steady progression of these plans we need to advance in Japan and overseas through partnerships with technologically advanced, experienced companies and mergers and acquisitions, utilizing external expertise.

To swiftly and efficiently develop and provide high-quality new services, it is important for NRI to improve its development methods and carry out thorough project management, including through cooperation with partner companies in Japan and overseas. We share the measures and results in raising productivity throughout the Group, including partner companies. In addition, we work to improve the efficiency of the overall development process by optimizing the allocation of roles between ourselves and partner companies. Also, we are promoting innovations to our work style through such measures as improving the efficiency of meetings. We are also revising outsourcing expenses, resetting the levels for selling, general and administrative expenses and implementing other initiatives to raise business efficiency and optimize costs.

Solutions for the Insurance Sector

Toshinobu Ukawa

Insurance System Service Division Manager

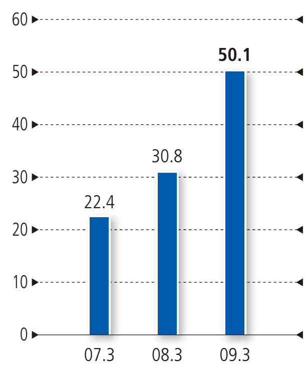
During fiscal 2008, sales to the insurance sector increased dramatically. Business for Japan Post Insurance Co., Ltd., expanded the sphere of NRI's support activities and generated system projects in step with privatization. Sales to other life and nonlife insurance companies were stimulated by growth in projects relating to reinforcement of insurance payment management. Lower growth in sales to the insurance sector is forecast for fiscal 2009, but the overall uptrend appears set to continue.

Currently, there are many strands running through the insurance industry relating to needs for system response to insurance payment management, enforcement of compliance, and revisions to insurance legislation planned for April 2010. NRI boasts the requisite expertise for the construction and reconstruction of large-scale core and sales systems for insurance companies. Furthermore, we are acclaimed for our prowess in system proposals and construction underpinned by our understanding of business and cooperation with clients.

During fiscal 2008, we secured human resources for the division through active absorption of staff from other departments, assignment of newly graduated employees and recruitment of mid-career employees and were thus able to respond to the rise in project volume. We shall continue to secure and to cultivate human resources during fiscal 2009.

The insurance industry has faced lackluster growth because of the economic downturn, low birthrates and losses from revaluation of securities arising from the sudden drop in stock prices. Industry reorganization has also become more active. In addition, although system themes responding to the current situation are expected to continue through to 2011, beyond that time we expect demand for streamlining of information system costs and other initiatives to grow. NRI will implement system response attuned to industry reorganization and aggressively strive to rationalize costs through business consulting, BPO services and promotion of multi-user systems. Such initiatives will ensure that we continue to contribute to the development of the insurance industry.

Sales for insurance sector (billions of yen)



The Electronic Share Certificate System came into force on 5th January, 2009, stipulating that the management of all stock certificates of listed companies is to be conducted electronically in a paperless environment. In accordance with the changes to the system, the financial arms of securities companies and other institutions had to make their own business systems responsive to the electronic share certificate system.

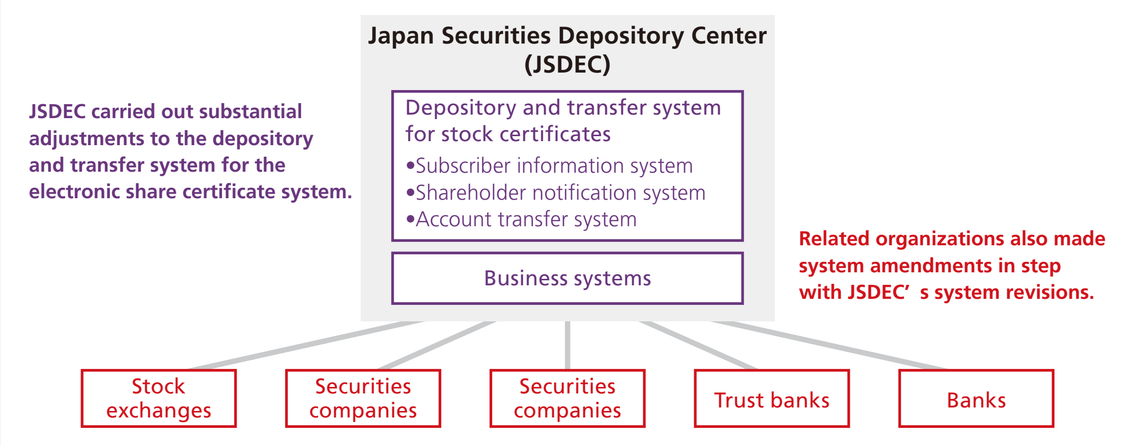
NRI provides multi-user system services that support the securities businesses of securities companies and other financial institutions. For NRI, which maintains the industry's infrastructure in terms of market share, there was no room for failure in system response to the electronic share certificate system.

An account is given below of how NRI handled this major securities sector project through its two multi-user system services—STAR-IV for retail securities companies and I-STAR for wholesale securities companies.

		Number of users
STAR-IV	An integrated back-office system for retail securities companies	70 companies
I-STAR	An integrated back-office system for wholesale securities companies	43 companies

The number of companies is given as of 31st March, 2009

System response to the electronic share certificate system



STAR-IV—heralded to lead the way in this major securities industry project

Individual investors open accounts with securities companies to buy and sell stocks. This is the essence of NRI's STAR-IV service, which supports this part of the retail business of securities companies. Currently, it is used as a multi-user system at 70 second-tier midsize securities and other companies. It can be considered to be the infrastructure of the securities industry. Precisely for this reason, NRI had to lead the way in responding to the electronic share certificate system. Daisuke Saito, STAR-IV Development Manager, reflects on NRI's endeavors at that time.

"We had already responded to various share certificate system changes, so we visualized this as just another of these response projects."

In facilitating the electronic share certificate system, Mr. Saito, who directed the system response project, remembers his initial impressions. He soon realized, however, that this was to be no simple project.

The electronic share certificate system was a major project for the securities industry. An account of the response to the new system is given below.

System response involving the whole industry

The electronic share certificate system came into force on 5th January, 2009, as the final stage of reforms to the securities clearing and settlement system. If stock certificates are converted to electronic data, the flow of delivery and receipt and the management mechanism also change. For example, the buying and selling of stocks is processed using an "account transfer," which adjusts account balance data. Shareholder information, which previously had individually managed by trust banks and other institutions, is now subject to uniform management. The Japan Securities Depository Center, Inc. (JSDEC) bore the responsibility for this system processing, which involved making money transfers and gathering and managing shareholder data. It received and processed data from each financial institution before passing on the information. As such, it took on the role of an intermediary institution.

JSDEC, as an intermediary, has overhauled its system through the electronic share certificate system. In accordance, the securities companies, banks, stock exchanges

Daisuke Saito,
Securities IT Service Division

and other institutions responding to it, also had to change their business systems and approaches.

NRI's STAR-IV multi-user system service for retail securities businesses also had to adapt to JSDEC's system changes. At that time, STAR-IV was used at approximately 70 securities companies and banks, accounting for a substantial industry share.

"Accordingly, if we were to make a mistake in our response, we were certain that the electronic share certificate system would be delayed. That placed us under considerable pressure."

Mr. Saito remembers when the overview of the system and the broader perspective of the system response began to emerge.

From mid-2006, JSDEC held briefing meetings for securities companies and new system specifications were announced. On receiving this guidance, NRI's STAR-IV team commenced investigations in September 2006 and started the system response project in June 2007. While en route to overcoming the many challenges the project faced, the STAR-IV team established JSDEC testing from July 2008 as its most ambitious target, and proceeded with development aiming for preliminary operation of the new STAR-IV system immediately prior to this stage.

Efforts and means to achieve preliminary operation

Thus, the project appeared to progress smoothly along this path. However, in reality we faced a series of difficulties. These included: how to incorporate the newly announced JSDEC system specifications into the actual business of securities companies; how to coordinate the securities companies, with their many diverse demands; how to prevent development from falling behined schedule with no accord between the securities companies and STAR-IV specifications not yet determined; how to secure the necessary personnel for the job… By resolving these many issues, the STAR-IV team was finally able to lead the industry in progressing with this project. Mr. Saito comments on the reasons for its success.

"Coordinating the securities companies was a matter of solving problem after problem. In terms of the issue with specifications, it was not possible to wait until everything was settled before making a full-blown start on development, so we introduced means to raise the level of freedom at the design stage, which would allow as yet undetermined areas to be modified later."

With the target of testing with JSDEC, Mr. Saito reports, "The preliminary operation of the new STAR-IV was also successful in the end. This was achieved by making testing with JSDEC easier to accomplish and controlling risk of system instability at system start-up. For preliminary operation, we also had to consider a mechanism to prevent new functions activating prior to implementation of the new system."

Mr. Saito adds, "Originally, I was the project manager, but at the start of 2008 I was replaced. Changing to a system where I could focus on precise monitoring of the contents of the development myself was a major factor behind the success."

The lack of feedback—the proof of success

The electronic share certificate system was implemented on 5th January, 2009. Mr. Saito noted that he had been asked by an industry pundit, "Would you let a company use STAR-IV if its in-house system didn't work in time?" This comment demonstrates the industry's demand and expectation of STAR-IV.

NRI played a leading role in this national project from behind the scenes. However, this was not an extraordinary thing in the eyes of the securities companies and related institutions that regularly use STAR-IV. Mr. Saito explains, "There were not really any comments passed. It was taken as a matter of course. Clients expected that response would be made if the system changes were left to NRI, and that using STAR-IV would be trouble-free and secure. This was very important to us."

I-STAR—taking a coordinating role for the wholesale industry

I-STAR is NRI's system that supports wholesale securities businesses. While staying abreast of the frequent changes to the securities system in Japan and consequent responses, it has provided meticulous support to wholesale securities businesses and banks. I-STAR is used by many securities companies and banks, led by foreign-funded companies. By coordinating the securities companies and banks in the wholesale industry, I-STAR provided a major boost in the electronic share certificate system.

Diverse methods of use

I-STAR's system response faced different difficulties from STAR-IV. Taro Kuroda, I-STAR Sales Manager, explains.

"The method of using wholesale systems differs from retail. In simple terms, STAR-IV is used as a total business package with a stylized flow. However, many of the wholesale securities companies and banks that use I-STAR access only a portion of I-STAR's diverse functions to meet their own wholesale business needs."

Mr. Kuroda points out that even for the same I-STAR functions, the objectives of use and the methods of use when connected to a company's own system differ slightly between companies.

"Accordingly, in the case of I-STAR and system changes like the current batch, we had to watch how the various client systems and business flows were impacted and respond precisely."

There is another need that is specific to wholesale. The STAR-IV retail system is led by the response of individual investors and other parties. Frequently, securities companies have their own completed in-house flow. In the case of wholesale systems, this is not limited to flow between the trust banks and institutional investors and the securities companies, but extends to further transactions with other financial institutions.

"I-STAR serves as an intermediary in this flow, which is always in motion, not stopping at a single destination. This mechanism changed with the electronic share certificate system, but with I-STAR the flow between institutions with no direct point of contact needed to be considered. Accordingly, we had to move in our coordination. If this is not determined, it ultimately impacts all flow."

Take the flow whereby trust banks deposit stocks with securities companies, which are then placed on the Tokyo Stock Exchange. This flow had to change as a result of the electronic share certificate system, but to date there have been no direct transactions between trust banks and the Tokyo Stock Exchange. According to Mr. Kuroda, I-STAR acted as a bridging mechanism.

Interpretation, then incorporation in practical business

After the announcement of JSDEC's system specifications, the I-STAR team began full investigations into system response from mid-2006. At the end of the year, I-STAR clients were called together and presented with an explanation of how business would change as a result of system changes, what changes the system itself would have, and an outline of responses.

"Even with JSDEC's announcement of the outline of the mechanism of system changes, there was no indication of what sort of flow securities companies should adopt to advance with their business in tune with these changes. Accordingly, we interpreted the JSDEC specifications and took the initiative in incorporating them in the business of our clientele of securities companies. In addition, after conducting interview with clients, we determined universal business patterns."

Thereafter, we were able to determine standard specification while continuing development of I-STAR. From that time, the coordination of clients, with their varied demands, was of great importance. If we could not achieve this coordination, we would be unable to proceed with development based on standard specifications. Further, as previously mentioned, the flow in which I-STAR served as an intermediary affected NRI's client securities companies and those companies' client institutions. Therefore, Mr. Kuroda coordinated the institutions that had no direct point of contact with I-STAR.

"For example, we were asked by a securities company to negotiate because although reports from three of its customers—trust banks—requested them to provide system data, the specifications required were all different. I was asked to bring together the three companies for discussions. Thanks also to the cooperative approach of the trust banks, we were somehow able to attain consistent specifications."

Taro Kuroda,
Asset Management Systems Division

I-STAR's development progressed from 2007 to 2008, and in April 2008 we began tests with JSDEC. The new I-STAR, responding to the electronic share certificate system, reached its 5th January, 2009, deadline on schedule.

From the period when details of the electronic share certificate system were not yet determined, the project progressed through interpretation of the system, definition of requirements and design, simultaneously coordinating the business of dozens of client companies to make I-STAR a universal mechanism and incorporating it into practical business flow. The ability to elict this response was characteristic of the I-STAR team and probably the decisive factor in to the project's success.

Schedule for I-STAR's response to the electronic share certificate system

2006	April: Announcement of JSDEC specifications; start of full-blown I-STAR investigations
	October: Presentation of an outline of system changes to I-STAR clients
2007	March: Start of I-STAR development (response to revisions)
	Interviews with clients
2008	April: Start of testing for the JSDEC subscriber information system
	July: Start of testing for other JSDEC systems
2009	5th January: Instigation of the electronic share certificate system

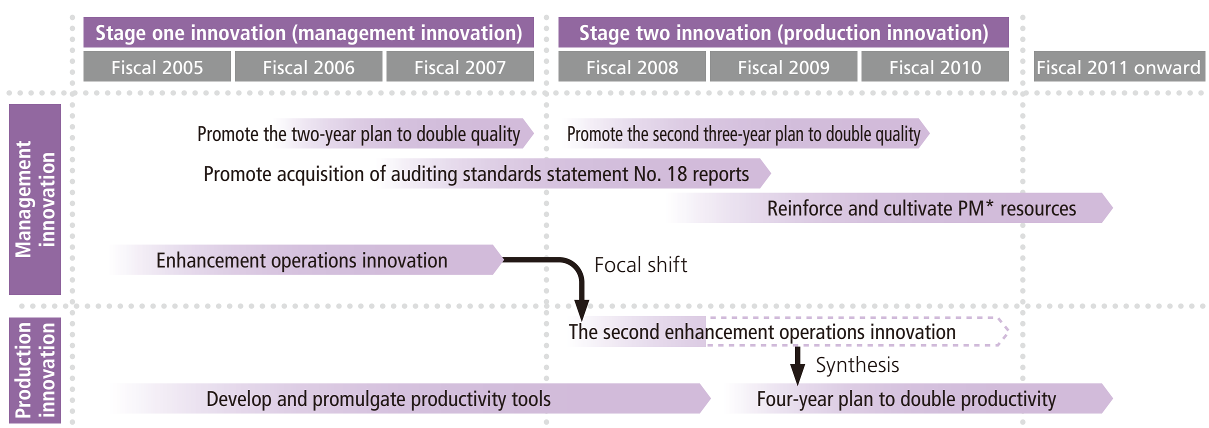
Since its foundation, the NRI Group has been committed to quality control as a priority management issue. We recognize the scale of our responsibility in providing information systems, a vital base of the Company's business, and consulting services, which play a major role in client management and operations, and therefore strive to raise quality.

For NRI to improve project quality, the Quality Management Division controls company-wide quality control activities and promotes and supports quality control activities by individual business divisions. We have also formulated and are implementing a medium-term plan in pursuit of quality enhancement. During fiscal 2008, we revised the plan's mid-term basic policy and roadmap.

Quality-enhancement activities—Mid-term basic policy

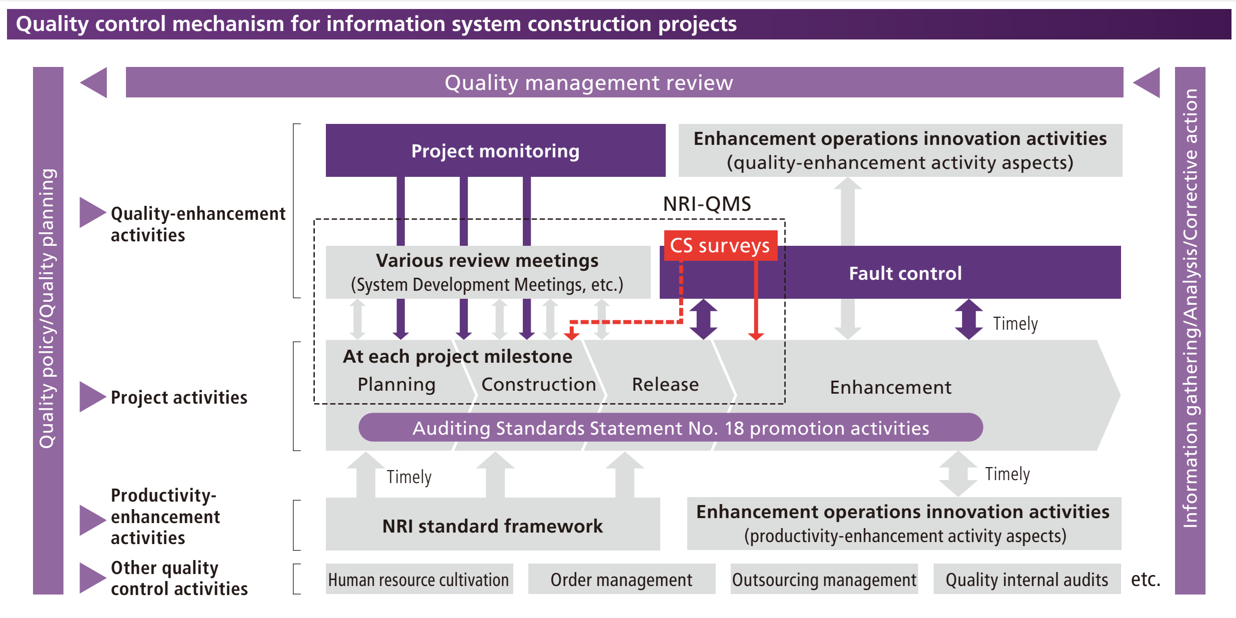
- Establish and expand production innovation, while continuing to pursue management innovation
- Shift from improving quality to increasing productivity based on quality
- Secure and cultivate human resources

Quality-enhancement activities—Mid-term roadmap



*Project Manager: Persons responsible for overall running of information system construction projects

Quality Control in Information System Construction



Management System NRI-QMS—Cornerstone of Our Quality Control

Based on know-how accumulated through long years of quality-enhancement activities, NRI is building a quality management system, NRI-QMS. In addition, we determine rules and procedures related to business processes to ensure project quality. In addition, we have a scheme in place for ongoing quality improvements based on the results of customer satisfaction surveys and quality internal audits.

NRI earned certification under the ISO9001 quality management standard, which covers information system construction projects over a certain size.

Risk Management through Review Meetings

In conformity with NRI-QMS, the Company holds review meetings at each project milestone so that it can determine and evaluate risks related to quality, lead times, revenues and expenditures, and other factors, and implement appropriate responses.

Review meetings comprise three levels: company-wide, divisional and departmental. The type of review meeting to take on an investigation depends on the scale and features of the information system under construction. At the various review meetings, in-house experts on project management, quality control, information technologies and other subjects carry out rigorous examinations, offer appropriate support and instigate measures, such as providing the personnel responsible for projects with advice and expertise.

Quality and Productivity Enhancement through the NRI Standard Framework

To conduct design and development efficiently and effectively , project management and review meeting investigations in accordance with NRI-QMS and to continue improving project quality and productivity, NRI has posted the NRI Standard Framework—a set of guidelines covering project processes, the activities and tasks that should be carried out at each process and other items—on the NRI Intranet.

These guidelines are replete with templates, advice and examples for the deliverables (documentation) that should be produced for each process, in addition to tools and checklists that are useful for raising quality and productivity. They also serve as a forum for the sharing of practical business know-how in-house.

Monitoring and Support for Projects

NRI has established a mechanism to support projects as a move to guide large-scale, complex information system construction projects along the path to success.

The Project Management Department constantly monitors all projects, helps to avoid and reduce risk, supports project managers in their business, and provides guidance for the improvement of development processes and deliverables to raise quality.

Promoting the Second Three-Year Plan to Double Quality

The greatest target in quality control for information systems is, so far as possible, to reduce system failures to zero. NRI implemented a Two-Year Plan to Double Quality in fiscal 2007, succeeded by a second initiative, the Three-Year Plan to Double Quality, which was launched in fiscal 2008. Through this plan, we aim to reduce incidences of system fault generation by 50% by fiscal 2010, compared with fiscal 2007 levels, including for aspects not directly impacting clients.

Promoting Enhancement Operations Innovation Activities

Once in operation, information systems need ongoing functional improvements—while maintaining quality and performance—in step with changes to clients' business requirements, system revisions and technological advances. This extends beyond simple system repair and maintenance, to operations requiring highly specialized, in-depth business knowledge. This aspect of operations, which the NRI Group terms "enhancement operations," is an important emphasis. Since fiscal 2005, we have promoted Enhancement Operations Innovation Activities, ongoing improvement activities that cross company boundaries, in a drive to raise business quality and productivity.

During fiscal 2008, we continued to hold monthly *Enrakukai* meetings for the appreciation of enhancement solutions, where participants share innovations and results from their enhancement operations. Since the first such event in 2003, there have been more than 60 *Enrakukai* meetings, each attended by some 200 employees of NRI and its partner companies. Further, at year-end we host a Quality Enhancement Accomplishment Report Competition. The event in March 2009 attracted approximately 400 employees of the NRI Group and its partner companies.

In fiscal 2009, we are expanding these activities from our enhancement operations to production innovation activities for our system construction business. In addition, we are raising production efficiency with the objective of cutting costs.

Quality Control in Information System Management and Operation

Using the International Organization for Standardization to Reinforce Management

Stable system management and operation are vital to the effective use of constructed information systems. The NRI Group has provided quality 24-7 system management and operation services for many years. Leveraging this accumulated experience, the Company has constructed a quality management system for system management and operation services (Operation QMS). As a result, our data center system management and operation services gained ISO9001 certification in 1998. Furthermore, during fiscal 2008 we constructed an IT service management system, Operation ITSMS, based on ITIL* in preparation for ISO20000 accreditation relating to IT service operation and maintenance management.

We are striving to raise quality and improve IT services using the results of customer satisfactions surveys, failure records and other data in accordance with Operation QMS and Operation ITSMS.

* Information Technology Infrastructure Library (ITIL): A set of concepts and policies for the systematic standardization of business processes and methods in the operation and management of information systems

Gaining Auditing Standards Statement No. 18 to Provide to Clients

In accordance with Japan's Financial Instruments and Exchange Law, listed companies are obliged to evaluate internal control for IT business (general IT control) if it has a substantial impact on their financial statements.

To reduce the burden on its clients, NRI has obtained the Auditing Standards Statement No. 18 internal control appraisal form relating to IT business from its accounting auditor and is moving ahead with company-wide preparations to supply this document to clients.

As a result, in February 2009 NRI was able to gain Auditing Standards Statement No. 18 reports for all the information systems of its clients, which had been requested in anticipation of the settlement of accounts in March. In the future, NRI plans to obtain these reports in response to client demands.

Reinforcing Collaboration with the Information System Construction Department

To improve the quality of its information system management and operation, NRI is stepping up construction of a mechanism focused on system management and operation from the system construction stage onward.

During fiscal 2008, the Company incorporated items relating to management and operations into the NRI standard framework as part of management and operations business standardization promoted through collaboration between the System Management and Operations Department and the System Construction Department. Furthermore, we initiated training for employees of the System Construction Department on the impact of the construction stage on the quality of management and operation.

Promoting Management and Operations Standardization, Automation and Laborsaving

NRI is promoting automation to eliminate leakage and waste, and mistakes arising from mistaken procedures caused by human error during information system operation. SENJU, NRI's own operation management tool, advances automation, labor-saving and error reduction, while the standardization of business using other tools and utilization of compiled fault-response case studies facilitate fault prevention and swift and appropriate response.

In addition, the advance of automation and laborsaving necessitate highly specialized personnel who can respond to various problems. Accordingly, we are striving to raise the levels of operator awareness and technologies through our Skills Proficiency System and training programs.

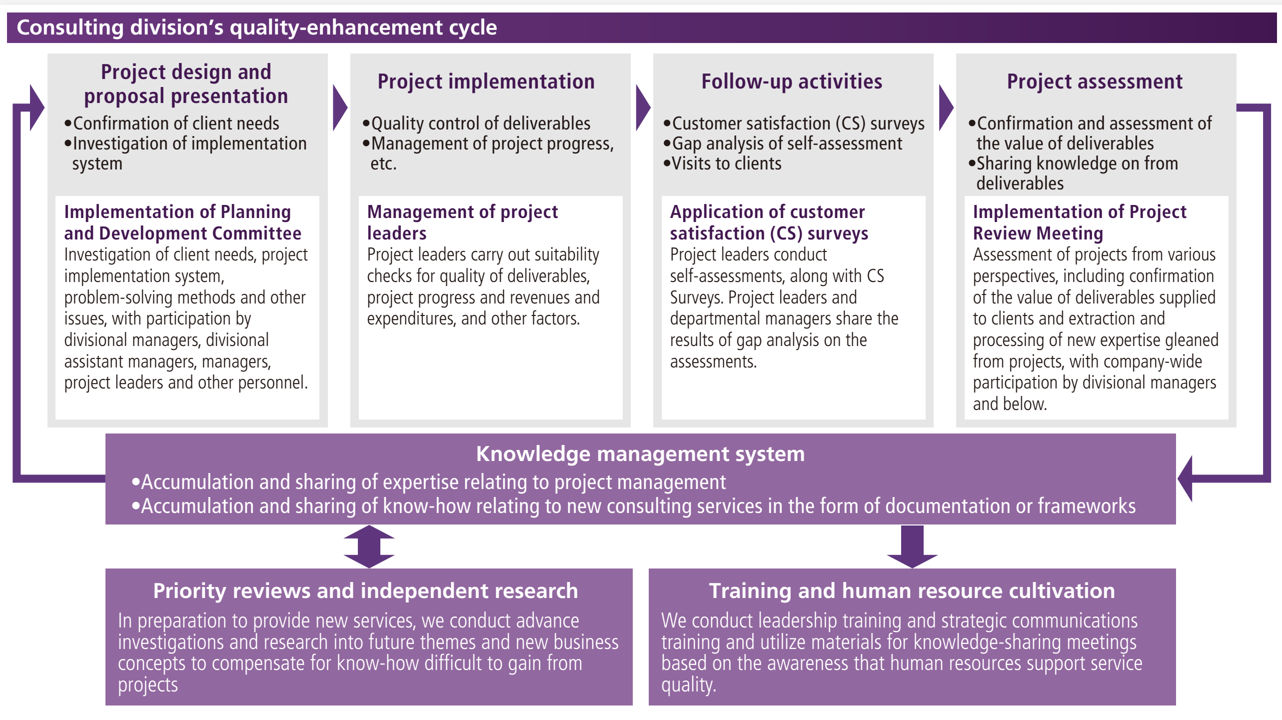
Promoting Improvement Proposal Activities for Management and Operations Quality

NRI is soliciting proposals for improvements to system management and operations quality from employees of the NRI Group and its partner companies that are involved in this aspect of its business. Specifically, we have established a system to recognize proposals of excellence, and during fiscal 2008, we collected more than 700 proposals. These are incorporated in measures and policies, while reflecting the opinions of system management and operations specialist staff, to be used for the improvement of quality.

Quality Control in Consulting

Implementing Quality-Enhancement Activities Attuned to Project Characteristics

The Consulting Division and System Consulting Division provide consulting services on a spectrum of management,



policy and information system issues to their client base across companies, public offices and other organizations in a variety of sectors and industries. Clients have wide-ranging business domains and themes and are faced with issues that become more complex year by year. Therefore, it has become vital to carry out appropriately timed quality control in line with project characteristics.

In response to these circumstances, the Consulting Division holds planning and development committees during the project design and proposal presentation stages and the project review meetings once work is completed. Further, customer satisfaction surveys are carried out as part of its follow-up activities. Information obtained from projects is loaded on a Knowledge Management System database for later use in new research, proposals and other activities. This quality-enhancement cycle provides a mechanism for constant improvements to consulting service quality.

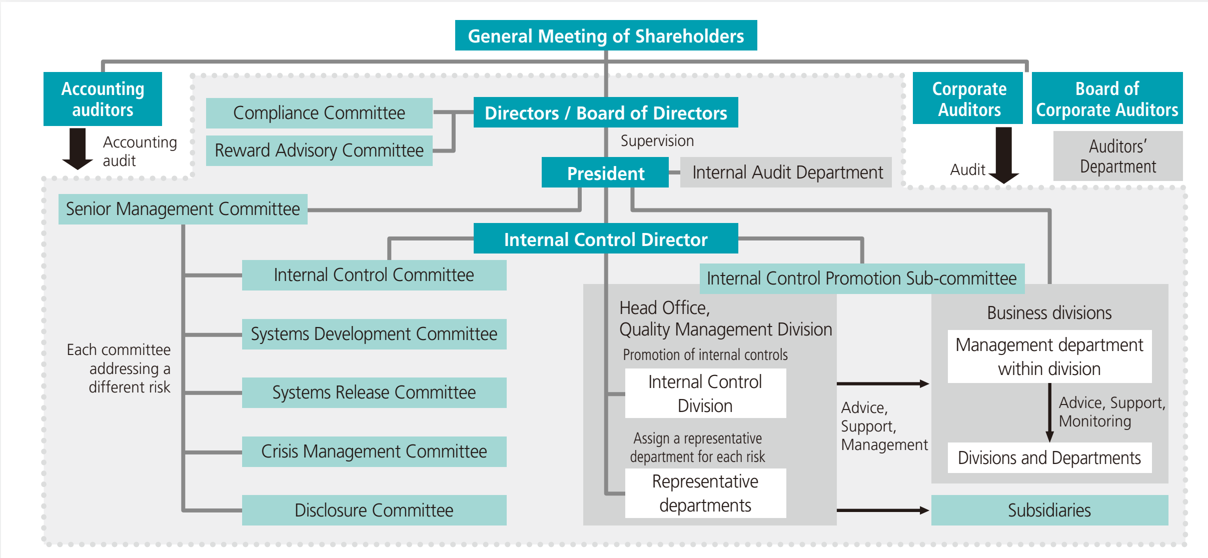
It is important for the Consulting Division to leverage its experience to create and deliver new value, based on four appraisal criteria, to earn the confidence of clients. Planning and development committees and project review meetings also base their investigations on these criteria.

Four criteria for evaluating a consulting project

- The issue that the client faces is clear, and the project will solve the problem.
- The tentative assumption and verification method that have been proposed indicate that NRI is uniquely able to solve the problem.
- Appropriate project management and operating methods have been proposed to the client, the client has approved this proposal, and the project will proceed with the client’s cooperation.
- The results will actually solve the client’s problem, or realize organizational or business innovation.

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 in implementing fair and efficient management, which is transparent to all its stakeholders. NRI is strengthening its corporate governance by enhancing the General Meeting of Shareholders, expediting decision-making by the Board of Directors and reinforcing its supervisory capabilities, increasing the auditing capabilities of corporate auditors, ensuring the transparency of the executive compensation system, and attaining a higher level of information disclosure.



Enhancement of the General Meeting of Shareholders

NRI believes that enhancement of the General Meeting of Shareholders is crucial to improving corporate governance. Therefore, the Company has implemented measures to invigorate the General Meeting of Shareholders and to ensure the smooth exercise of voting rights. These include establishing a date for the General Meeting of Shareholders that will maximate attendance, dispatching convocation notices well in advance and implementing an electronic voting system and electronic platform for institutional investors to exercise their voting rights. In addition, a management briefing meeting following the general meeting has been introduced to explain the current state of the Company, as well as future initiatives, mainly to individual shareholders.

Business Management and Execution System

NRI has 11 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 the Company'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. Three representative directors hold a management meeting with executive officers once a week and deliberate on the key issues for general business management in order to coordinate the Company's business activities and build consensus in executing business operations.

Note: No conflicts of interest exist between NRI and its outside directors.

Corporate Auditor System

Currently, NRI has five corporate auditors, including three outside 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 formulates and expresses 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. NRI also requires the Auditors' Department to support all auditing functions, ensuring the auditors carry out their audits.

To determine the personnel for this department, the representative directors or directors responsible for personnel consult with the auditors, considering the independence of the department.

Note: With regard to special-interest relationships between the Company and outside auditors, one outside auditor is a former director of Nomura Asset Management Co., Ltd., a wholly owned subsidiary of Nomura Holdings, Inc. As of 31st March, 2009, Nomura Holdings held 38.6% of the voting rights in NRI. This figure includes 31.9% of voting rights that are indirectly held, 22.3% of which are through Nomura Asset Management. In addition, Nomura Holdings and its subsidiaries constitute an important customer to NRI, which receives consignments for system development and operational development services.

Executive Compensation

Directors

NRI has established the Reward Advisory Committee, made up of three knowledgeable members from outside the company, to ensure the transparency of compensation for directors and to provide objective and fair deliberation of the compensation of executives.

In principle, the compensation for directors is based on each director's post. However, we introduced the compensation system with an emphasis on performance to enhance the Company's business performance. The directors' compensation, which should be that befitting a leading company of the information service industry, is based on such factors as market levels and trends. Furthermore, to ensure transparency, we have decsribed the process of determining directors' compensation in Company regulations.

The compensation system for directors is outlined below:

a. Basic Compensation

Basic compensation consists of fixed 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 are granted to directors as stock-based compensation to enhance their motivation and boost their morale with a view to improving the Company's performance over the medium- to long-term and to retaining and promoting talented personnel. These aspects also match the interests of shareholders. Stock-based compensation is a combination of stock options, for which exercise prices (amounts payable when exercising these options) are determined based on the market price, and stock compensation (subscription rights) for which the exercise price is ¥1 per share. The numbers of such grants are determined by each director's post.

Directors who are not in charge of the execution of business activities do not receive the variable pay portion of the basic compensation, bonus and stock-based compensation.

Corporate Auditors

Corporate auditors audit the directors' business execution from an independent standpoint. They also pursue common goals with directors to achieve the sound and sustainable growth of the NRI Group. Based on this principle, compensation for the standing corporate auditors includes variable pay based on the Company's business performance as well as fixed pay. The compensation level is determined so as to be able to retain talented auditors who are capable of taking an important role in establishing and enforcing good corporate governance. Furthermore, to ensure transparency, we have clearly stated the process of determining corporate auditors' compensation in Company regulations.

The compensation system for corporate auditors is outlined below:

a. Basic Compensation

Basic compensation consists of fixed pay based on each auditor's career, knowledge and 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.

Director and corporate auditor compensation (Fiscal 2008)

Items	Number	Amount
Directors	13 persons	¥740 million
Of which, outside directors	3 persons	¥27 million
Corporate auditors	6 persons	¥146 million
Total	19 persons	¥886 million

Notes:

1. At the 40th Ordinary General Meeting of Shareholders, held on 23rd June, 2005, the amount of compensation was limited to ¥1 billion or less per year for directors and corporate auditors (not including the employee salary portion for employees concurrently serving as directors), and the amount of corporate auditors' compensation was limited to ¥250 million or less per year. In addition, at the 41st Ordinary General Meeting of Shareholders held on 23rd June, 2006, it was approved to grant stock options in the form of subscription rights to directors, within the limits of compensation mentioned above.
2. As of the end of fiscal 2008 (31st March, 2009), there were 11 directors and five corporate auditors.
3. The above number of directors includes two directors who resigned at the end of the 43rd Ordinary General Meeting of Shareholders held on 20th June, 2008.
4. The above number of corporate auditors includes one corporate auditor who resigned at the end of the 43rd Ordinary General Meeting of Shareholders held on 20th June, 2008.
5. The compensation for directors mentioned above includes a subscription rights issuance cost of ¥169 million. During fiscal 2008, 1,350 subscription rights for the 10th issuance and 275 for the 11th issuance were granted to the directors, and the number of shares for subscription rights purposes is 100 shares per one subscription right.

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 an Internal Control Director and established an Internal Control Division. In addition, we hold Internal Control Committee to check internal control status. We have thus firmly established the internal control system throughout the Group, using the Internal Control Promotion Sub-committee along with each business division. In line with the internal control reporting system that was introduced in fiscal 2008, we have enhanced the reliability of financial reporting through spot checks of internal controls.

Each of the risks associated with the Company's business activities are discussed and reviewed 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. (Refer to 4 on page 41 for risk information.)

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, which functions directly under the Board of Directors, and set regulations on 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 this issues and ensuring that management does not engage in transactions with such organizations.

The Internal Audit Department (14 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 Internal Control Department, representative departments and business division, collaborate to introduce improvements.

Basic Policy on Constructing an Internal Control System

1. Approach to Determining Basic Policy

NRI's corporate mission comprises two components: "Winning the trust of clients and prospering together with them" and "Gaining insight into the paradigms of a future society and propelling its realization." By putting these concepts into practice, we contribute to the development of a broad range of economic communities. This is the foundation of our basic policy. Furthermore, NRI considers that the key objective of corporate governance lies in prompt and accurate decision-making in its business execution and in implementing fair, efficient and highly transparent management to increase its corporate value.

NRI has established the following Basic Policy on Constructing an Internal Control System to improve and strengthen its corporate governance.

2. System to Ensure Compliance in the Execution of Duties by Directors and Employees to Laws and Regulations and the Articles of Incorporation

NRI's directors and employees shall act in a fair and ethical manner. NRI has formulated the following directives to establish a management system that gains the trust of society.

(1) Directors and employees shall comply with laws and regulations and the Articles of Incorporation. Furthermore, to foster a corporate climate in which business activities are conducted in an ethical manner, NRI shall formulate compliance-related regulations and a Code of Ethics and Basic Business Practices applicable groupwide.

(2) To ensure the effectiveness of a system of compliance to laws and regulations and the Articles of Incorporation, NRI shall appoint, by resolution of the Board of Directors, a governing body and a corporate officer responsible for compliance-related issues that reports to the Chief Ethics Officer and functions directly under the Board of Directors. Officers in charge of these issues shall promote and manage training and various other necessary activities to ensure thorough adherence and application of compliance awareness among directors and employees.

(3) Divisional officers shall recognize division-specific compliance issues and risks and shall work with the representative department to improve and promote compliance with laws and regulations.

(4) NRI shall maintain absolutely no connection with any antisocial forces, including in its business transactions. The entire NRI Group will take resolute action against any undue claims arising from antisocial forces.
(5) NRI shall establish regulations relating to disclosure of information in the public interest to ensure proper treatment of any reports of actions in violation of laws and regulations from within the Company or the NRI Group. Moreover, the Company will set up a compliance hotline for reporting inside and outside the Company. Appropriate measures will be immediately implemented in the event that corrections or improvements are required.
(6) The Internal Audit Department carries out audits to ensure the effectiveness of the system of compliance to laws and regulations and the Articles of Incorporation. The representative department and the department being audited shall implement countermeasures immediately in the event that corrections or improvements are required.

3. System for the Storage and Preservation of Information Related to Director Duties
(1) The directors are to store and preserve (including via electromagnetic storage) important documents and information concerning the execution of their duties, as well as related materials used in management judgments. Further, the Company will establish a representative department responsible for document storage. Documents to be stored and preserved, the department responsible for storage, and the term and methods of storage shall be stipulated in Company regulations.
(2) Information concerning the execution of duties by directors should be maintained in such a way as to be accessible for inspection by the directors and auditors at any time.
(3) The representative department and department responsible for document storage will conduct ongoing activities to improve the storage and management of information concerning the execution of duties by directors.
(4) The Internal Audit Department shall audit the storage and management of information concerning the execution of duties by directors. The representative department and the department being audited shall implement countermeasures immediately in the event that corrections or improvements are required.

4. Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management Systems
NRI shall construct, as appropriate, a system spanning company-wide risk management, management of risk arising from business activities and risk management measures. NRI has formulated the following directives to raise effectiveness through appropriate monitoring of this system.
(1) To ensure the optimization of risk management, an officer responsible for internal control and an Internal Control Department shall be established by resolution of the Board of Directors. The Internal Control Department is to monitor risk management and internal control and promote improvements.
(2) Response to the various risks arising from business activities shall be carried out by the respective representative departments as stipulated in Company regulations relating to risk management, with deliberation by specialist governing bodies as needs arise. The representative department shall implement appropriate countermeasures after consultation with business division to bolster the effectiveness of risk management.
(3) NRI shall take appropriate preventative measures against major faults or defects relating to operations, serious leakage of information, loss of trust for NRI, natural disasters and other risks. In addition, the Company will determine crisis countermeasure guidelines and respond in accordance with these guidelines in the eventuality that a crisis occurs.
(4) NRI shall carry out ongoing activities to improve the risk management system of items (2) and (3) above and conduct suitable training to ensure the system's establishment.
(5) The Internal Audit Department shall audit the risk management system. The representative department and department being audited shall implement countermeasures immediately in the event that corrections or improvements are required.

5. System to Ensure Efficient Execution of Duties of Directors
NRI has formulated the following directives to promote and raise the effectiveness of agile decision-making and efficient execution of duties by directors.
(1) To ensure the effectiveness of the execution of duties by directors, NRI shall formulate regulations relating to the operation of the Board of Directors, which shall, in principle, convene once a month and on an extraordinary basis as needs dictate.
(2) An executive officer responsible for execution of duties who will delegate the Company's business shall be appointed by resolution of the Board of Directors. The executive officer shall carry out his or her duties based on corporate policies determined by the Board of Directors and the instructions of the President.
(3) NRI shall establish a Senior Management Committee to govern general coordination of business activities and unity of purpose in the execution of duties and to deliberate important company-wide issues. The Management Council shall, in principle, convene once a week.
(4) Based on its business plans, NRI shall establish numerical targets for each fiscal period and clarify the targets and responsibilities of each business department. Through variance analysis of budgets and performance, the Company will promote achievement of its performance targets.
(5) To balance raising management efficiency with risk management while ensuring the effective function of internal controls, NRI shall establish and will strive to improve a representative department for IT systems to optimize performance company-wide.

(6) The Internal Audit Department audits the efficiency and effectiveness of NRI's business activities. The Internal Control Department, representative department and department being audited shall collaborate in implementing countermeasures immediately in the event that corrections or improvements are required.

6. System to Ensure Reliability of Financial Reporting

(1) To ensure proper accounting practices and raise the reliability of its financial reporting, NRI shall formulate accounting procedures and enhance the effectiveness of its internal control system as it relates to financial reporting.

(2) The Internal Audit Department audits the efficiency and effectiveness internal controls relating to financial reporting. The representative department and department being audited shall implement countermeasures immediately in the event that corrections or improvements are required.

7. System to Ensure the Adequacy of Operations of the NRI Group

NRI has formulated the following directives to construct a legal compliance system targeting the entire NRI Group and to ensure appropriate business management of Group companies.

(1) NRI shall formulate a code of ethics and basic business practices applicable groupwide to ensure the adequacy of operations of the corporate group.

(2) NRI has established a representative department to ensure the effectiveness of the legal compliance system. This representative department shall provide support in the formulation of regulations relating to compliance and promote and manage various requisite activities, including training and publicizing the compliance hotline service for Group companies.

(3) The Internal Audit Department audits the effectiveness of the systems of compliance toward laws and regulations and the Articles of Incorporation of Group companies. The representative department shall provide appropriate guidance to ensure the immediate implementation of countermeasures in the event that corrections or improvements are required.

(4) Group companies shall conduct business activities in an integrated fashion, and regulations relating to the business management of Group companies shall be formulated to raise the corporate value of the entire Group. The representative department shall provide appropriate guidance in the event that Group companies conduct activities that have major impact on the management and finances of the entire Group.

8. Matters Concerning Employees Required by the Corporate Auditors for Placement to Support in the Duties of the Corporate Auditors

Full-time posts shall be established as a supporting framework for auditing to ensure the effective execution of audits by the corporate auditors.

9. Matters Concerning the Independence of Employees from the Directors

Matters relating to personnel issues for supporting personnel to the corporate auditors shall be determined through deliberations with the corporate auditors.

10. System for Reporting by Directors and Employees to Corporate Auditors and Other Systems for Reporting to Corporate Auditors

(1) At the request of the corporate auditors, directors and employees shall report on the status of business and internal controls and the Internal Audit Department shall report on the results of the internal audit.

(2) Directors and employees shall immediately report to the corporate auditors any perceived major violation of laws and regulations or the Articles of Incorporation, acts of corruption or misconduct, or matters that could cause significant damage to the Company.

11. Other Relevant Systems to Ensure the Effective Functioning of Audits by the Corporate Auditors

Corporate auditors may attend meetings of the Board of Directors, the Senior Management Committee and other important meetings to ensure understanding of important decision-making processes and the status of execution of business. In addition, any documentation requested by the corporate auditors must be provided.

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 (http://www.nri.co.jp/ir/english/index.html).

Interviews with Outside Directors

Nobuya Minami

Outside director
(Since 2006)
Adviser of The Tokyo Electric Power Company, Incorporated

What Is Your Opinion of NRI's Corporate Governance?

I do not think that there are many companies that can parallel NRI's record for orderly information sharing, full comprehension of business content by top management and animated discussion, including by the Board of Directors. The policy of consigning only work deemed to contribute to clients also shows that NRI's governance is well controlled.

Do You Have Any Concerns as an Outside Director?

In step with NRI's business expansion, I think the Company is taking on the burden of providing social infrastructure in the form of information systems. In light of my own experience in social infrastructure (specifically in the electricity industry), I am particularly conscious in my view of NRI of whether the Company is progressing as a socially acclaimed company, and, as such, whether it is not mistaken in its management judgments. Furthermore, I would like to see the benefits of the Company's accumulated technologies and expertise returned to society to a greater degree.

What Is Your Message to NRI's Shareholders?

Being highly regarded by clients and society is how NRI generates profits. The Company is unfaltering in its management as this sort of an enterprise. At the same time, it is setting high targets and promoting a management style that never fails to link these objectives to subsequent vision and growth. In putting these concepts into practice, processes (which is to say the contents of management) are of vital importance as well as results. From an external point of view, I check these processes and offer advice, striving to build a company in which shareholders will want to commit to long term holdings.

Takashi Sawada

Outside director
(Since 2008)
Representative Director of Revamp Corporation
Representative Director, CEO of Cold Stone Creamery Japan, Co., Ltd.

What Is Your Opinion of NRI's Corporate Governance?

I feel that NRI strikes a good balance in terms of a management process whereby top management indicates corporate direction, business divisions take this on board and make concrete plans, and business is carried out. There is also sufficient bilateral dialog between upper management and the shop floor, rendering NRI a company that fully uses its organizational capacity.

Do You Have Any Concerns as an Outside Director?

From my standpoint as someone involved providing corporate restructuring support and managing venture-capital companies, part of my role is to provide advice from a different perspective to NRI's in-house staff. My concerns as an outside director focus on whether there is sufficient validation of costs, whether environmental change is thoroughly verified in business planning and whether adjustments are being made in response to evolving needs.

What Is Your Message to NRI's Shareholders?

I consider NRI and its employees truly sincere and conscientious. Conscientiousness is very important in corporate activities, but it is by no means an attribute of all companies. It is no overstatement to say that conscientiousness epitomizes the spirit of NRI, to the extent that in this corporate climate it is virtually taken for granted. However, this is an important foundation of the Company.

I believe that with its excellent human resources and stable business infrastructure, NRI has the capacity to rise to the challenges of creating new values for society based on this foundation.

NRI should not rest contented with its current situation, but strive to create even higher values in response to the world in its state of radical change. I intend to cooperate in the realization of these goals.

Directors, Corporate Auditors and Corporate Officers (As of 24th June, 2009)

Directors

Akihisa Fujinuma

Chairman and President,
Representative Director,
CEO & COO

Takashi Narusawa

Vice Chairman,
Director

Hisashi Imai

Vice Chairman,
Director

Tadashi Shimamoto

Representative Director,
Corporate Executive Vice President

Supervising of Business Divisions
Marketing & Business Planning,
Retail & Industrial Systems,
Center for Innovative Systems Research for Management

Masahiro Muroi

Representative Director,
Corporate Executive Vice President

Supervising of Corporate Administration,
Internal Control,Corporate Planning,
Corporate Communications,
Information System Planning & Control

Keiichi Ishibashi

Director,
Corporate Executive Vice President

Securities & Financial Systems

Mitsuru Sawada

Director,
Corporate Executive Vice President

Securities IT Services

Shigeru Hirota

Director,
Corporate Senior Vice President

Accounting, Finance,
Internal Control

Tadaaki Kawano

Director

Compliance

Nobuya Minami

Director (outside)
(Adviser of The Tokyo Electric Power Company, Incorporated)

Takashi Sawada

Director (outside)
(Representative Director of
Revamp Corporation
Representative Director, CEO of
Cold Stone Creamery Japan, Co., Ltd.)

Corporate Auditors

Takayoshi Kurinomaru
Corporate Auditor (full-time)

Takaharu Yamagata
Corporate Auditor (full-time)

Masato Tanaka
Outside Corporate Auditor (full-time)

Hiroshi Izumitani
Outside Corporate Auditor
(Adviser of Murata Manufacturing, Co., Ltd.)

Sosuke Yasuda
Outside Corporate Auditor
(Senior Adviser ,Gyosei & Co.
Managing Partner,
GYOSEI Certified Public Tax &
Accountants' Co.)

Executive Officers (excluding those also serving as directors)

Corporate Executive Vice Presidents

Mamoru Suenaga
Jun Suzuki

Corporate Senior Vice Presidents

Koji Yamada
Toshinobu Ukawa
Shiro Tanikawa
Osamu Inatsuki
Sawaaki Yamada
Akihiko Nakamura
Yoshihito Mitsugi
Yoshiyuki Kurihara
Shin Kusunoki
Hiroshi Itano

Corporate Vice Presidents

Akira Horibe
Harumi Saito
Shingo Konomoto
Tetsuo Shibauchi
Hideaki Nakano
Shigeki Higashiyama
Masahide Nakamura
Koji Sato
Yoshihiko Murowaki
Tatsuya Watahiki
Masaki Takimoto
Hajime Ueda
Yutaka Harada
Ayumu Ueno
Hiroshi Funakura
Takuji Nakamura
Masahiro Fuchida
Tomoyasu Miura

NRI's CSR Policy

The first objective of NRI's CSR is to fulfill the Company's responsibilities to society through its business activities.

At the same time, we are ever mindful of avoiding errors and impropriety in the execution of business in our efforts to build relationships of trust with society.

Above all, we aim to contribute to society through the cumulative effect of daily activities.

Through social contributions that reach to the hearts of people, we form strong bonds with our stakeholders.

1. Fulfilling our responsibilities to society through our business activities (proactive CSR)

- Advocating a new order for society
- Building information systems that support society
- Contributing to honing competitiveness and improving performance for clients and sustainable growth of the Japanese economy to aid the emergence of a better future society

2. Building relationships of trust with society (fundamental CSR)

- Complying with laws and regulations and adhering to social and cultural moral standards to build relationships of trust with society and protect NRI Group's corporate value
- Building and thoroughly maintaining specific systems and frameworks

3. Striving for social contributions that reach to the hearts of people (NRI's Unique Contribution to Society)

- Disseminating information to provide insights into a new society
- Supporting the cultivation of younger generations and managers who will bear the responsibilities for the next generation
- Striving aggressively to build the framework for a better society

Engagement with Stakeholders

NRI's stakeholders primarily comprise shareholders and investors, clients, business partners and employees, but also extend in a broader sense to consumers, regional communities, industry organizations and competitors, public administration, educational and research institutions, students, NGOs and NPOs, and the environment. We maintain close communications with stakeholders tailored to their individual characteristics, as we fulfill our responsibilities to each stakeholder group.

Fulfilling our responsibilities to society through our business activities (proactive CSR)

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.

Contributing to Society by Promoting Business Platforms

NRI Vision 2015 targets proposals and expansion of the business platforms that it provides. Information systems are indispensable for companies and society. However, rather than enterprises and sectors investing in and retaining individual information systems, NRI provides platforms, which are systems with a facility for communal use. Each company uses such platforms as a service, reducing system costs in their business sector and society. NRI believes that companies can reinvest these savings to enhance corporate value, with the additional benefits of stimulating various business sectors, Japan in its entirety and society at large.

"Reinventing Ourselves, Reinventing the Future" is the theme of the Vision 2015, and, as such, NRI is in a state of self-transformation. By achieving these innovations and providing business platforms, we contribute to the invigoration of companies and society.

Building relationships of trust with society (fundamental CSR)

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 corporate the NRI Group's corporate value, we comply with all pertinent laws and regulations and avoids violating social and cultural mores.

To achieve these goals, we are building and thoroughly maintaining the following systems and frameworks.

- Corporate Governance
- Risk Management
- Compliance
- Quality Control
- Information Security Management
- Intellectual Property Management
- Environment-friendliness

Striving for social contributions that reach the hearts of people (NRI's Unique Contribution to Society)

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.

Information Dissemination and Recommendation Activities for the Future

NRI Group contributes to the creation of future society with regard to industry, management, IT and other social facets by publicizing the results of its investigations and research in books, monthly magazines and reports, and disseminating information through the mass-media and lectures. During fiscal 2008, we published 14 books based on knowledge gained from our investigations and research, consulting, system construction and other activities. In addition, some of these publications have been translated into Chinese and Korean for applications elsewhere in Asia. NRI also publishes monthly magazines, including: Knowledge Creation and Integration, for managers, policy-makers and other key personnel, featuring announcements and recommendations arising from investigations and research on matters of rising concern to society and industries; and IT Solution Frontier, for chief information officers and information system managers, with content focused on NRI's system solutions and cutting-edge IT. Based on the principle of "Understanding at a glance how things work and are changing in the world," the Company's website explores topics relating to new society and lifestyles under the banner of "NRI Future Navigator." We also deliver a video program featuring commentary by NRI's consultants on themes of current interest entitled "NRI Podcast."

In October 2008, we hosted the "Dream up the Future Forum 2008" in Tokyo and Nagoya with the theme of "2010, The Power to Create the Future, 'The Country's Third Opening'" These events were attended by 4,000 shareholders, clients and members of the general public. The forum featured a lecture on "The Galapagos Phenomenon," which describes the inability of advanced technologies and services unique to the Japanese market that differ from global standards to gain overseas market share as a result of high costs. In addition, the approach of Japan's industry and management to the future was explored in panel discussions.

Major Books Published during Fiscal 2008

Cultivating People for the Future

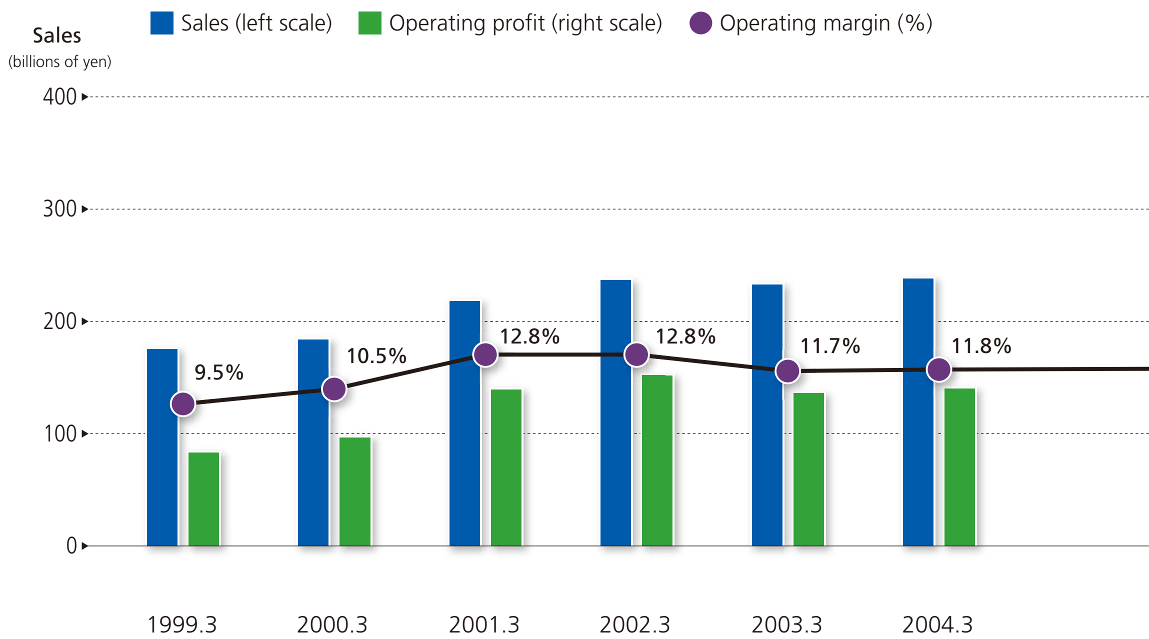
NRI conducts activities to cultivate human resources, such as the younger generation and managers who will assume the responsibilities of the next generation.

The Nomura School of Advanced Management (NSAM) was established in 1981 as a business school to nurture corporate management personnel. The experience in investigations, research and management consulting NRI has accumulated since NSAM's foundation is used in the running of the school. During the 28 years since NSAM's foundation, it has offered an Advanced Management Program concerned with business strategies for top management, which is delivered by teaching staff from Harvard Business School. The strategic focus of this program is to sharpen the management judgment. Since the inception of this highly acclaimed course, 121 of the 1,932 participants have become the presidents or chairpersons of listed companies. NSAM also offers courses by faculty members from the Wharton School of the University of Pennsylvania, the University of Tokyo and other business schools, covering finance and portfolio management. As of 31st March, 2009, 5,075 participants had completed courses at NSAM.

In addition, NRI cultivates human resources through such initiatives as Company visits for students, teachers and other parties, dispatching lecturers to universities, and hosting the NRI Student Essay Contest and presentation competitions. During fiscal 2008, 148 students from eight schools benefited from Company visits, in addition to eight teachers from Yokohama and Yamagata Prefecture.

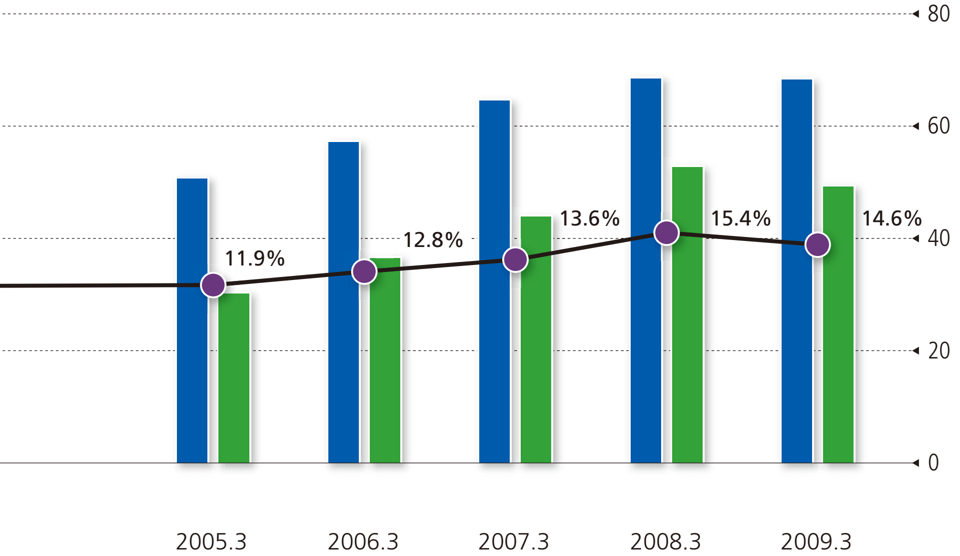
NRI dispatches consultants and system engineers to universities in Japan and overseas to deliver lectures on corporate management, IT and other subjects. During fiscal 2008, these activities involved 80 NRI specialists delivering courses at 32 universities.

Consolidated 11-year Financial Summary



	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3
Sales	175,058	183,616	217,984	236,569	232,743	238,067
Cost of sales	132,561	138,395	160,643	173,636	173,545	178,096
Selling, general and administrative expenses	25,928	25,906	29,497	32,568	32,034	31,948
Operating profit	16,568	19,315	27,842	30,364	27,164	28,022
Ordinary profit	18,610	20,781	31,550	32,953	27,627	29,293
Income before income taxes	15,171	9,590	43,629	39,009	27,177	32,927
Net income	8,148	5,130	25,381	22,363	15,459	18,269
Net income per share (yen) (Note 2)	1	1	1	4	4	8
Net assets (at year-end)	81,192	91,837	165,171	195,564	185,350	229,331
Total assets (at year-end)	152,163	168,274	289,104	299,892	256,798	326,799
Number of employees (persons) (at year-end) (Note 3)		3,600	3,847	4,313	4,619	4,791
Ratios (%)						
ROE (Note 4)	11.0	5.9	19.8	12.4	8.1	8.8
ROA (Note 5)	12.5	13.0	13.8	11.2	9.9	10.0
Operating margin	9.5	10.5	12.8	12.8	11.7	11.8
Net income to sales ratio	4.7	2.8	11.6	9.5	6.6	7.7
Equity ratio	53.4	54.6	57.1	65.2	72.2	70.2

Notes:
1. Amounts of less than JPY million were rounded down.
2. Net income per share has been retroactively restated for the prior fiscal years.
3. Number of employees was not released prior to fiscal year ended 31st March, 1999.
4. ROE = (Net income / Average net assets) x 100
5. ROA = (Ordinary profit / Average total assets) x 100



(millions of yen)

252,963	285,585	322,531	342,289	341,279	Sales
190,732	213,706	234,578	238,537	240,854	Cost of sales
32,071	35,409	44,055	51,087	50,711	Selling, general and administrative expenses
30,159	36,469	43,897	52,664	49,713	Operating profit
30,987	38,252	46,099	55,517	51,731	Ordinary profit
27,361	37,535	46,744	47,987	44,181	Income before income taxes
16,303	22,518	27,019	28,157	24,513	Net income
20	28	36	50	52	Net income per share (yen) (Note 2)
231,766	209,301	216,232	207,363	205,466	Net assets (at year-end)
317,341	311,786	371,458	362,447	354,487	Total assets (at year-end)
4,848	5,013	5,303	5,711	6,118	Number of employees (persons) (at year-end) (Note 3)
					Ratios (%)
7.1	10.2	12.7	13.3	11.9	ROE (Note 4) (Note 4)
9.6	12.2	13.5	15.1	14.4	ROA (Note 5) (Note 5)
11.9	12.8	13.6	15.4	14.6	Operating margin
6.4	7.9	8.4	8.2	7.2	Net income to sales ratio
73.0	67.1	58.1	57.0	57.7	Equity ratio

Business Overview

In fiscal 2008, ended 31st March, 2009, the Japanese economy was gripped by the global financial crisis that originated in the United States as a result of the subprime mortgage financial meltdown. The economy deteriorated rapidly, resulting in drastic reductions in corporate revenues, production and exports, and lower capital expenditures. In the information services industry, the securities industry demonstrated weaker interest in information system investment.

In response to this changing business environment, Nomura Research Institute and its consolidated subsidiaries (the "NRI Group") proceeded with shifting human resources to target customers in the insurance, service and manufacturing sectors, and reforming its cost structure by optimizing subcontracting costs and slashing expenses. In addition, the NRI Group sought to improving production by strengthening project management and launching initiatives to reduce system failure. The Group also endeavored to strengthen its business in Asia. By the end of the fiscal year, the NRI Group had developed an outsourcing service to perform work on large securities systems as part of its goal to create a long-term, stable business platform.

As a result of these activities, the NRI Group posted sales of ¥341,279 million, down 0.3% year on year, essentially on a par with the previous fiscal year. The Group reduced business subcontracting costs associated with indirect operations, thereby suppressing selling, general and administrative expenses. However, because of higher cost of sales, such as depreciation associated with capital expenditures for future business expansion, the NRI Group posted operating profit of ¥49,713 million, down 5.6%, and ordinary profit fell 6.8%, to ¥51,731 million. Net income declined 12.9%, to ¥24,513 million, limited by a loss on valuation of software and extraordinary loss arising from the fall in the market value of shares held by the NRI Group.

Business Results by Segment

Consulting Services

Management consulting projects declined as a result of the rapid economic deterioration, but system consulting projects, mainly for the financial services sector, increased. The consulting services segment posted sales to external customers of ¥32,866 million, an 8.4% increase, while operating profit fell 0.3%, to ¥4,126 million.

IT Solution Services

The sales trends for each type of IT Solution service are as follows. In system development and application sales, where projects increased for the insurance sector but fell for the securities sector, sales declined 3.9%, to ¥144,249 million. In system management and operation services—where multi-user system services increased in the financial services sector, due to the impact of new customers acquired in the second half of the previous fiscal year, and system operations remained firm in the distribution sector—sales grew 5.8%, to ¥148,985 million. In system application sales—marked by a decline in system development projects accompanying equipment installation—sales decreased 27.4%, to ¥15,178 million.

Subcontracting costs increased, owing to the impact of large system development projects, and depreciation costs of the Yokohama Data Center 2 increased. As a result, sales from IT solution services were down 1.1%, to ¥308,413 million, and operating profit fell 6.1%, to ¥45,587 million.

Reference: Results of Operations—Fiscal 2008 Compared to Fiscal 2007

The following table compares the business results of fiscal 2008 to those from the previous year.

Summary of consolidated statements of income

	Year ended 31st March, 2008	Year ended 31st March, 2009	Changes from previous year	
Items	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Rate of change (%)
Sales	342,289	341,279	(1,009)	(0.3)
Cost of sales	238,537	240,854	2,317	1.0
Gross profit	103,751	100,425	(3,326)	(3.2)
(Gross margin)	30.3%	29.4%	(0.9) points	—
Selling, general and administrative expenses	51,087	50,711	(375)	(0.7)
Operating profit	52,664	49,713	(2,951)	(5.6)
(Operating margin)	15.4%	14.6%	(0.8) points	—
Non-operating income	3,031	2,302	(728)	(24.0)
Non-operating expenses	178	284	106	60.1
Ordinary income	55,517	51,731	(3,786)	(6.8)
Extraordinary income	2,655	625	(2,029)	(76.4)
Extraordinary loss	10,185	8,175	(2,010)	(19.7)
Income before income taxes	47,987	44,181	(3,806)	(7.9)
Provision for income taxes	19,829	19,668	(161)	(0.8)
Net income	28,157	24,513	(3,644)	(12.9)

<1> Sales

As mentioned in “Business Results by Segment” (page 52), sales from consulting services were ¥32,866 million and sales from IT solution services were ¥308,413 million. As a result, sales slipped 0.3%, to ¥341,279 million.

<2> Cost of sales, selling, general and administrative expenses, and operating profit

Cost of sales totaled ¥240,854 million, up 1.0% from the previous fiscal year, with the cost-to-sales ratio growing from 69.7% in the preceding fiscal year, to 70.6%. This was primarily due to reduction in equipment purchases on the back of lower product sales, despite growth in depreciation and amortization in step with data center related investment, mainly during the second half of the previous fiscal year; higher subcontracting costs accompanying launches of new multi-user system services; and software amortization.

Selling, general and administrative expenses amounted to ¥50,711 million, down 0.7%, attributable to increased labor costs to cover a larger workforce and higher subcontracting costs for clerical work and equipment and fixtures costs arising from promotion of overhead expense reductions.

As a result, operating profit decreased 5.6%, to ¥49,713 million, and the operating margin fell from 15.4% to 14.6%.

<3> Non-operating income/expenses and ordinary profit

Non-operating income totaled ¥2,302 million, down 24.0% from the previous fiscal year, and non-operating expenses reached ¥284 million, a jump of 60.1%. This resulted in total non-operating profit of ¥2,017 million, 29.3% lower than during the previous fiscal year. The main factors behind this decline were decreases in interest income, due to a falloff in operating funds, and dividend income, owing to reduction of dividends and disposal of capital holdings. In addition, income from operation and maintenance of equity investment partnerships diminished because of the deteriorating operating environment for equity investments for venture capital investment limited partnerships.

These resulted in a 6.8% drop in ordinary profit, to ¥51,731 million.

<4> Extraordinary income/loss, provision for income taxes, and net income

Extraordinary income of ¥625 million, down 76.4% from the previous fiscal year, mainly resulting from the sale of shares in the Mitsubishi UFJ Financial Group, Inc. Appraisal loss on shares and software resulting extraordinary losses of ¥8,175 million, down 19.7%. Overall, the extraordinary loss was ¥7,549 million, 0.3% more than during the previous year. Provision for income taxes fell 0.8%, to ¥19,668 million, with an effective tax rate of 44.5% after the application of tax-effect accounting. The effective tax rate exceeded the statutory tax rate as a result of an unrecognized stock appraisal loss recorded as a temporary difference because of uncertainty over future dissolutions.

Accordingly, net income decreased 12.9%, to ¥24,513 million during the year.

Reference: Business Results—Fiscal 2007 Compared to Fiscal 2006

The following table compares the business results of fiscal 2007 with those from the previous year.

Summary of consolidated statements of income

Items	Year ended 31st March, 2007 Amount (millions of yen)	Year ended 31st March, 2008 Amount (millions of yen)	Changes from previous year Amount (millions of yen)	Changes from previous year Rate of change (%)
Sales	322,531	342,289	19,757	6.1
Cost of sales	234,578	238,537	3,958	1.7
Gross profit	87,953	103,751	15,798	18.0
(Gross margin)	27.3%	30.3%	3.0 points	—
Selling, general and administrative expenses	44,055	51,087	7,031	16.0
Operating profit	43,897	52,664	8,767	20.0
(Operating margin)	13.6%	15.4%	1.8 points	—
Non-operating income	2,419	3,031	611	25.3
Non-operating expenses	216	178	(38)	(17.9)
Ordinary profit	46,099	55,517	9,417	20.4
Extraordinary income	2,081	2,655	574	27.6
Extraordinary loss	1,436	10,185	8,748	608.9
Income before income taxes	46,744	47,987	1,243	2.7
Provision for income taxes	19,725	19,829	104	0.5
Net income	27,019	28,157	1,138	4.2

<1> Sales

Sales of consulting services were flat, while those of IT solution services rose favorably. As a result, sales reached their highest amount ever, rising 6.1%, to ¥342,289 million.

Sales from consulting services rose 1.5%, to ¥30,333 million, with an increase in consulting projects relating to internal control offsetting up-front investment activities to establish management consulting business in Asia.

IT solutions services, by service, saw an increase in development projects for the financial services sector, led by the securities sector, and a 10.7% rise in system development and application sales, to ¥150,177 million. Sales from system management and operations services advanced 11.3%, to ¥140,865 million, fueled by brisk performances by multi-user system services for the financial services sector and system management and operations for major clients in the distribution sector. Projects relating to the introduction of equipment fell off along with system development, leading to product sales of ¥20,913 million, down 31.1% from the previous year. As a result, overall sales of IT solutions services grew 6.6%%, to ¥311,955 million.

<2> Cost of sales, selling, general and administrative expenses, and operating profit

Cost of sales rose 1.7%, to ¥238,537 million, owing to several factors. These included higher subcontracting costs, arising from an increase in development projects, an expanded labor costs due to an increase in the number of employees, lower equipment purchases resulting from a decline in product sales, and a reduced amortization of software, owing to lower software sales.

The cost-to-sales ratio improved to 69.7%, from 72.7% in the previous fiscal year. Factors that contributed to this improvement included the implementation of thorough project management in system development projects, and an increase in the subcontracting of system development to Chinese companies. The cost-to-sales ratio of product sales also improved.

Selling, general and administrative expenses rose 16.0%, to ¥51,087 million. The increase resulted from such factors as the implementation of productivity improvements, investments in research and development, rebuilding our in-house information system, and enhancing security, all aimed at ensuring medium- to long-term growth. The Company also posted increases in such areas as labor costs (salaries, provision for bonus allowance, retirement benefit obligations and welfare expenses) and subcontracting costs for clerical work.

Due to the above factors, operating profit expanded 20.9%, to ¥52,664 million, and the operating margin improved from 13.6% to 15.4%.

<3> Non-operating income/expenses and ordinary profit

Non-operating income totaled ¥3,031 million, up 25.3% from the previous fiscal year, while non-operating expenses fell 17.9%, to ¥178 million, resulting in a non-operating profit of ¥2,853 million, up 29.5%. Interest income grew, due largely to a rise in short-term interest rates and a higher average balance of short-term operating funds. Dividend income also rose, due mainly because of an increase in dividends received. Owing to the sale of all our shares of Nomura Fund Research and Technologies Co., Ltd., an affiliated company accounted for by the equity method, equity in earnings of affiliates decreased.

As a result, ordinary profit rose 20.4%, to ¥55,517 million.

<4> Extraordinary income/loss, provision for income taxes, and net income

Extraordinary income of ¥2,655 million, up 27.6% from the previous fiscal year, resulted from the sale of shares in Seven Bank, Ltd., Netmarks Inc. and Argo 21 Corporation.

Extraordinary losses soared 608.9%, to ¥10,185 million, owing to a provision for transfer of the retirement benefit plan, due to revisions to the retirement system. The net extraordinary loss was ¥7,530 million, compared with extraordinary profit of ¥644 million in the previous year.

As a result of these, income before taxes in fiscal 2007 was ¥47,987 million, up 2.7%, and net income less provision for income taxes grew 4.2%, to ¥28,157 million.

Basic Policy Regarding Profit Distribution, and the Dividend Payments for the Current and Upcoming Years

<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. Its basic policy for distribution of profits is to provide accurate and stable dividends while paying full consideration to the need for sufficient retained earnings for its long-term business development. The Company's actual 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 are used to fund business expansion, including facility investments for enhancing multi-user system services; expanding system management and operations services; cultivating new businesses and improving the productivity of system development; and investments in facilities, R&D, and human resource development for the purpose of quality improvement.

Retained earnings may also be used to purchase treasury stock, as part of the Company's flexible capital management policy, which aims to improve capital efficiency and respond to the changes in the business environment.

With regard to the payment of dividends from retained earnings, as stipulated in Paragraph 1, Article 459, of the Companies Act, the Articles of Incorporation of the Company stipulates that such a decision shall be made by a resolution of the Board of Directors instead of a resolution taken at an Ordinary General Meeting of Shareholders, unless otherwise specified in laws and regulations.

<2> Payment of dividends from retained earnings

The Company decided to pay cash dividends of ¥26 per share to shareholders of record as of 31st March, 2009. Combined with interim cash dividends paid in November 2008 (record date of 30th September, 2008), the annual dividend payment totaled ¥52 per share, for a consolidated dividend payout ratio of 41.3%.

Payments of dividends from retained earnings with record dates falling in the current fiscal year are listed below.

Board resolution	Total cash dividends	Cash dividend per share	Record date
24th October, 2008	5,057 million yen	26 yen	30th September, 2008
15th May, 2009	5,057 million yen	26 yen	31st March, 2009

Analysis of Financial Position at the End of Fiscal 2008

Summary of consolidated balance sheets

Items	31st March, 2008 (millions of yen)	31st March, 2009 (millions of yen)	Changes from previous year (millions of yen)
Assets			
Current assets	190,910	122,572	(68,338)
Cash and bank deposit	17,709	20,307	2,598
Accounts receivable	61,164	56,408	(4,756)
Accrued income from system developments	18,258	21,245	2,987
Short-term investment securities	84,987	13,999	(70,987)
(Cash equivalents)	65,017	13,999	(51,017)
(Securities due over 3 months)	19,970	—	(19,970)
Other current assets	8,790	10,610	1,820
Fixed assets	171,537	231,915	60,378
Tangible fixed assets	58,253	58,274	21
Intangible fixed assets	30,257	74,886	44,628
Investment and other assets	83,026	98,754	15,728
Investment securities and investments in affiliates	48,708	57,667	8,959
(Securities)	44,723	37,212	(7,511)
(Others)	3,984	20,455	16,470
Long-term guarantee deposits and long-term loans receivable	18,485	18,447	(38)
Other	15,832	22,639	6,807
Total assets	362,447	354,487	(7,960)

Items	31st March, 2008 (millions of yen)	31st March, 2009 (millions of yen)	Changes from previous year (millions of yen)
Liabilities			
Current liabilities	74,779	70,026	(4,752)
Accounts payable	33,430	28,961	(4,469)
Lease obligations	—	655	655
Accrued payables	6,891	4,812	(2,079)
Accrued expenses	5,057	4,466	(591)
Other current liabilities	29,398	31,130	1,731
Fixed liabilities	80,305	78,994	(1,310)
Convertible bonds	49,997	49,997	—
Lease obligations	—	414	414
Long-term accrued expenses	4,512	2,938	(1,574)
Deferred income taxes	4	2	(2)
Allowance for employees' retirement benefits	25,790	25,642	(148)
Total liabilities	155,084	149,020	(6,063)
Net assets			
Shareholders' equity	198,103	200,882	2,779
Common stock and additional paid-in capital	33,484	33,574	90
Retained earnings	225,780	240,061	14,280
Treasury stock, at cost	(61,161)	(72,753)	(11,592)
Valuation and translation adjustments	8,652	3,692	(4,959)
Unrealized gain on other securities	9,649	5,850	(3,798)
Translation adjustments	(997)	(2,158)	(1,161)
Share subscription rights	608	892	284
Total net assets	207,363	205,466	(1,896)
Total liabilities and net assets	362,447	354,487	(7,960)

<1> Summary

As of 31st March, 2009, current assets were ¥122,572 million, down 35.8% from one year earlier. Fixed assets were 35.2% higher, at ¥231,915 million; current liabilities were 6.4% lower, at ¥70,026 million; and fixed liabilities were ¥78,994 million, down 1.6%. Net assets were down 0.9%, to ¥205,466 million, and total assets were down 2.2%, to ¥354,487 million.

Although accrued income from system developments increased, accounts receivable fell, causing accounts receivable and other receivables to decline. In addition, accounts payable fell, as did the accrued payable, in relation to capital expenditures during the previous fiscal year.

Software and other intangibles rose, owing to the acquisition of IT assets to provide outsourcing services and the development of multi-user systems. The Company also purchased treasury stock as part of its flexible capital management policy to improve capital efficiency and respond to the changes in the business environment. Owing to the allocation of funds for these purchases and other factors, short-term investment securities, chiefly cash equivalents, decreased.

Due to the fall in the market price of shares held by the NRI Group, unrealized gain on other securities decreased, and translation adjustments decreased, as a consequence of to ongoing yen appreciation. Although investment securities were affected by falling market prices, this line item increased due to higher investments in bonds for fund management.

<2> Securities

Securities had a total value of ¥71,667 million, down 46.4% from the previous fiscal year, and accounted for 20.2% of total assets. They were composed of 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

Due to their use for such things as capital expenditures and acquiring treasury stock, securities included among cash equivalents decreased, so that short-term investment securities under current assets totaled ¥13,999 million, down 83.5% from the previous fiscal year. They were composed of ¥12,000 million in bond investment trusts and ¥1,999 million in government bonds (all cash equivalents).

ii. Investment securities and investments in affiliates under fixed assets

Although market prices of the listed shares owned by the Company fell, the increase in investment in bonds for fund management resulted in a rise of 18.4% in investment securities and investments in affiliates, to ¥57,667 million. This amount breaks down as follows: ¥20,851 million in marketable securities; ¥16,360 million in nonmarketable securities; ¥19,818 million in bonds; and ¥636 million in equity investments for venture capital investment limited partnerships. For more information, please refer to "Business and Other Risks, (2) Risks Concerning Business Strategy, <5> Investment in stocks."

iii. Software

The majority of intangible fixed assets is accounted for by software and software suspense accounts. The total value of software and software suspense accounts was ¥74,330 million as of 31st March, 2009, up from ¥29,643 million one year earlier. These figures represent 21.0% and 8.2% of the relevant year's total assets, respectively. Investment in software during the year under review was ¥57,692 million, a leap of 228.9%. This was primarily attributable to acquisition of software to provide outsourcing services and development of multi-user system services for the financial services sector. For further information, refer to "Business and Other Risks, (2) Risks Concerning Business Strategy, <4> Investment in software."

Cash Flows

Net cash provided by operating activities in the current fiscal year was ¥46,180 million, 45.2% more than during the previous fiscal year. Principal sources of cash included income before income taxes, which provided ¥44,181 million, or 7.9% less than in the preceding term. Depreciation and amortization provided ¥20,763 million, 25.7% more than one year earlier. A decrease in accounts receivable and other receivables provided ¥2,759 million, whereas an increase in receivables used ¥10,934 million in cash during the previous fiscal year. Income taxes paid used ¥22,669 million, 5.6% less.

Net cash used in investing activities was ¥70,994 million, 48.1% more than the preceding term. Primary uses of cash included the acquisition of software and intangibles for the purchase of IT assets for the provision of outsourcing and the development of multi-user systems, the acquisition of property and equipment such as machinery and equipment at data centers, and the acquisition of investment securities for fund management.

Net cash used in financing activities came to ¥22,414 million, 4.8% less than in fiscal 2007. Major uses of cash were the acquisition of treasury stock and the payment of dividends.

As a result of those factors, cash and cash equivalents as of 31st March, 2009, stood at ¥28,228 million, down 62.6% from one year earlier.

During fiscal 2008, the NRI Group's total capital expenditures came to ¥70,083 million. This mainly comprised acquisition of IT assets to provide outsourcing services in the IT Solutions Services, development of multi-user system services to expand high-value-added services and capital expenditures related to data centers.

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: Area (m^2)	Land: Amount (millions of yen)	Lease assets (millions of yen)	Software (millions of yen)	Total (millions of yen)	Employees (persons)
Marunouchi Center (Chiyoda-ku Tokyo)	IT Solution Services	1,083	29	516	—	—	2	8,028	9,660	1,491 [337]
Kiba Center (Koto-ku Tokyo)	IT Solution Services	1,655	84	901	—	—	0	45,386	48,027	1,442 [448]
Yokohama Center (Hodogaya-ku Yokohama)	IT Solution Services	928	52	1,888	—	—	0	3,881	6,752	1,488 [393]
Osaka Center (Kita-ku Osaka)	IT Solution Services	38	1	29	—	—	0	1	70	49 [1]
Hiyoshi Data Center (Kohoku-ku Yokohama)	IT Solution Services	4,277	1,627	242	14,112	4,952	—	1	11,100	61 [86]
Yokohama Data Center 1 (Hodogaya-ku Yokohama)	IT Solution Services	5,911	4,889	1,998	(6,748) —	—	59	16	12,874	50 [170]
Yokohama Data Center 2 (Tsuzuki-ku Yokohama)	IT Solution Services	10,069	876	501	4,602	2,312	1	—	13,762	6 [3]
Osaka Data Center (Suminoe-ku Osaka)	IT Solution Services	4,166	1,354	292	13,200	2,221	1	1	8,037	24 [23]
Yokohama Learning Center (Hodogaya-ku Yokohama)	Company-wide (common use)	247	0	139	—	—	—	47	434	27 [7]

Notes: 1. The figures are book values as of 31st March, 2009.
2. A portion of land and buildings are rented (including subleasing to domestic subsidiaries) and the annual rental expense is ¥9,207 million. The land area that is leased is listed within brackets ( ).
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 by business type" are the main segment categories under which each office operates.
5. In the "Name of office" column, a representative office for each region is listed and offices in the same proximity are included in the listings.

(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: Area (m2)	Land: Amount (millions of yen)	Lease assets (millions of yen)	Software (millions of yen)	Total (millions of yen)	Employees (persons)
(Domestic subsidiary)										
NRI Network Communications, Ltd. Head Office and others (Kita-ku Osaka)	IT Solution Services	69	—	333	—	—	—	168	571	221 [84]
NRI Secure Technologies, Ltd. Head Office and others (Chiyoda-ku Tokyo)	IT Solution Services	20	—	629	—	—	62	205	918	126 [32]
NRI Workplace Services, Ltd. Head Office and others/Dormitory (Hodogaya-ku Yokohama)	Company-wide (common use)	705	—	16	7,385	1,805	—	5	2,533	105 [44]
Insurance System & Technology, Ltd. Head Office and others (Koto-ku Tokyo)	IT Solution Services	0	—	3	—	—	—	1	4	63 [—]
NRI Data iTech, Ltd. Head Office and others (Chiyoda-ku Tokyo)	IT Solution Services	21	—	25	—	—	—	41	87	129 [33]
(Overseas subsidiary)										
Nomura Research Institute Hong Kong Limited (Hong Kong, China)	IT Solution Services	—	—	12	—	—	—	24	36	149 [29]

Notes: 1. The figures are book values as of 31st March, 2009.
2. A portion of land and buildings are rented and the annual rental expense is ¥103 million. Moreover, the annual rental expense does not include the sub-leasing 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 breakdown of the land of 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

5. Insurance System & Technology, Ltd., ceased to be a subsidiary in April 2009.

Capital Expenditure Plans for Fiscal 2009

We have capital expenditure plans of ¥35,000 million for fiscal 2009, and the breakdown by business segment is listed below. Other than these, there are no plans to disposal of or sell major facilities, excluding the disposal and sale of facilities for regular updating.

Name of segment by business type	Facilities	Planned investment (millions of yen)	Major items and purpose
Consulting Services	Hardware	100	Personal computers and other facilities
IT Solution Services	Software	16,000	Development of internal use software for providing customer service and software for sale
	Hardware	13,700	Equipment for system development and equipment for providing management and operation services for computer systems and networks
Company-wide (common use)	Office facilities	5,200	Personal computers and acquisition of property and facilities
Total		35,000	—

Notes: 1. Figures above do not include consumption tax and other items.
2. The planned capital expenditures will be provided by the Company's internal funds.

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

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

These research and development activities are conducted at the Advanced Information Technology Division, the technology development arm of the NRI Group, and at the Center for Knowledge Exchange & Creation, which plays the role of making policy proposals and researching leading-edge information technologies. In addition, each of our divisions is actively involved in business and product development from a medium- to long-term perspective. These activities may be handled through the collaboration system among divisions by means of horizontal organizational structures.

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 to investigate projects from the planning stage through applications of results.

In fiscal 2008, our research and development expenses amounted to ¥4,104 million. The research and development activities by each segment are as follows.

Consulting Services

As investigative research into new social systems, NRI analyzes current issues relating to business development in newly emerging markets by Japanese enterprises and conducts research into future strategies after ascertaining the economic forecasts for each country. Against the background of a mature domestic market, we are researching innovator marketing, targeting the spread of products with immediate allure at the vanguard of the consumer market (innovators). We have also focused on research related to Asian markets, such as investigative research into construction of earthquake disaster prevention systems for China and investigative research into economic conditions in such emerging economies as China, India and Vietnam.

As a result of these activities, our research and development expenses for Consulting Services amounted to ¥614 million.

IT Solution Services

We conducted research and development on cutting-edge solutions for cultivating new businesses and products.

In the financial sector, we have conducted research into risk management for financial institutions and trading systems that facilitate high-volume, high-speed processing of securities transactions, and investigations into the European financial IT market and service trends among U.S. securities companies. Moreover, we conducted R&D into functional links to reinforce the competitive strength of mobile telephone services and to verify their feasibility and implemented measures to prepare for standardization and technology and product evaluation activities in our R&D relating to the OpenID*[1] protocol. In the field of information technology, our research included efforts to produce of an IT roadmap targeting mid-term technological trends and cloud computing*[2] technologies. To boost productivity and quality, NRI participated in the sharing of research on system development architectures (design concepts and basics designs), research into application analysis infrastructure to facilitate quantitative analysis of systems, and research relating to automation of test processes during system development. Moreover, we researched upgrading project management by incorporating our diverse accumulated expertise relating to project supervision into prototypes and implementing other measures.

As a result of these activities, our research and development expenses for IT Solution Services amounted to ¥3,489 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

(1) Basic Management Policy

The NRI Group corporate statement is "Dream up the future." We view our 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

Taking advantage of information technology is essential to corporate management. The information service industry is increasingly demanding visible evidence of the of investments and the speedy delivery of new services. In addition, as clients' businesses transcend national and industry boundaries, the realization of global response and functional links that cross industry barriers is becoming an important factor in providing an edge over competitors in the information service industry. In the construction and operation of information systems for companies, there is an accelerating trend toward outsourcing some operations to external specialists, rather than a company itself taking on the entire job autonomously. Neither do companies own their own systems, as their business configurations move toward IT functions being provided as services by external contactors.

In response to these changes in the operating environment, the NRI Group is supplementing its conventional system development and maintenance for separate clients. Our management strategy provides IT functions as services through business platforms that that cut across industry and market boundaries, reinforcing our system of swiftly and efficiently developing and supplying high-quality services. Further, in China, with its prospects for market expansion, we are fortifying our "Navigation and Solution" service provision system in a bid to create another NRI in Asia in both qualitative and quantitative terms.

(4) Management Tasks

Corporate IT investment is continuing to expand in response to globalization and improvements in business efficiency. However, awareness of the cost-effectiveness of IT investment has heightened rapidly as the impact of the worldwide economic slowdown has made itself felt since the latter half of 2008. This has been apparent in the postponement or freezing of any projects deemed nonessential or not urgent.

Based on these business conditions, the development and enhancement of multi-user system services and other cost-competitive new IT services have become pressing issues. Further, the NRI Group's client base is heavily weighted with securities companies and other players in the finance sector. To avoid the risk of sales fluctuations arising from this industry-specific concentration, we need to focus on developing services to gain clients in non-financial sectors. In addition, we recognize that we have to reinforce the Group's capacity for global response to ensure medium- to long-term growth.

To develop new, competitive services, it is vital to integrate operational understanding and know-how in consulting and system development and operation—NRI areas of particular strength. We are focused on development of services centered on settlement and client management functions gleaned through our business for the financial sector to gain new clients in the non-financial sectors. We are moving toward this goal through cooperation between specialists in the financial and non-financial sectors. Our global response focuses on areas of expected market expansion—Asia, and especially China. While responding positively to the overseas development of our existing clients, we aim to attract new clients and upgrade and fortify our development system in those regions. Moreover, to ensure the steady progression of these plans, we need to advance in Japan and overseas through partnerships with technologically advanced, experienced companies and mergers and acquisitions, utilizing external expertise.

To develop and provide high-quality new services swiftly and efficiently, it is important for NRI to continue refining its development methods and conduct thorough project management, including with cooperation with partner companies in Japan and overseas. Our policies to raise productivity and the results of these measures target improvements to the efficiency of development processes through sharing and application of information company-wide and beyond and ensuring optimal role-distribution with our partners. In addition, we are promoting innovations to our work style through such measures as raising the efficiency of meetings. We are also revising outsourcing expenses, setting appropriate levels for selling, general and administrative expenses and implementing other initiatives to raise business efficiency and optimize costs.

Personnel are the power source that fuels the NRI Group's drive to create and offer new values. Based on this awareness, we are redesigning our training system in the pursuit of new technologies, acquisition of knowledge and skills, and cultivation of proposal-oriented staff. On an ongoing basis, we also implement training for executives and employees, educational activities and other measures to ensure familiarity with the internal control system. Moreover, we are continuing with our endeavors for thorough information security management, business continuity in the event of disasters, and improvements and consolidation of the risk management system.

Based on the present outlook, the NRI Group expects economic deterioration to continue in the immediate term. The Group also anticipates ongoing weakness in the securities sector's interest in information system investment.

Despite such an environment, the NRI Group expects its sales to increase compared to the current fiscal year, because it expects more sales from the insurance sector, and new customers in the service sector and manufacturing sector, to offset declining sales from the securities sector. At the same time, the NRI Group, despite plans to devote an even greater effort to reducing expenses such as subcontracting costs, expects a decrease in operating profit due to capital expenditures for future business expansion and increased labor costs from increasing the number of employees.

Our forecast of financial results for the next fiscal year is as follows.

Forecast of financial results

	Year ended 31st March, 2009	Year ending 31st March, 2010	Change	
	(Results) (billions of yen)	(Forecast) (billions of yen)	Amount (billions of yen)	Rate (%)
Sales	341.2	350.0	8.7	3
Operating profit	49.7	43.0	(6.7)	(14)
Ordinary profit	51.7	44.0	(7.7)	(15)
Net income	24.5	24.5	—	—
Net income per share (yen)	125.54	125.95	0.41	0
Annual dividend per share (yen)	52	52	—	—

Forecasts for fiscal 2009 were announced in April 2009. These were based on information available and assumptions deemed reasonable at that time. Accordingly, actual sales and income results may differ from forecasts as a result of uncertain factors intrinsic to these forecasts and changes to future business operating conditions.

Moreover, the annual dividend per share was determined based on current business conditions and forecast business results.

We may announce the revisions to its financial results forecasts. For the latest information, please visit our website: http://www.nri.co.jp/english/index.html

Business and Other Risks

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, 2009, 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 due to the continuing participation of 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, the Company deems sales to be relatively stable. Moreover, we strive 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 for 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, 2009, Nomura Holdings, Inc., held 38.6% of the voting rights of the Company (including 31.9% of indirectly held voting rights, and of that 22.3% is held by its wholly-owned subsidiary Nomura Asset Management Co., Ltd.). In addition, affiliated companies, including JAFCO Co., Ltd., held 8.2% of the Company'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> Hazard risks

Due to 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, which require the reinforcement of a crisis management system.

The NRI Group has prepared a contingency plan outlining the emergency response system and action guidelines for when a large-scale disaster occurs. Moreover, we are endeavoring to enhance and fortify the risk management system through construction of a system for smooth business continuity, infrastructure improvements requisite for business continuity and other measures.

However, there is still a possibility that our management resources such as offices and employees will suffer serious damage from an unexpected disaster. In this case, our business operations may be suspended for a long time, which may prevent the NRI Group from being able to continue providing the same level of services as agreed upon with the clients. This may adversely affect our business 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 2008, the NRI Group's combined sales to the financial services accounted for slightly less than 70% 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 slightly less than 40% of total 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. We are aggressively cultivating new clients by utilizing these strengths in services for other sectors. In terms of its approach to major clients, the Company is differentiating itself from competitors by becoming even more adept in its areas of strength, and is strengthening its client relationships the through strategic deployment of human resources.

However, it is possible that in the future the NRI Group could experience an enormous impact on business performance if the business environment was transformed as a result of changes to the legal system in a specific sector, if the business circumstances of our major clients changed, 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 have to 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 the 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

We believe that the specialized expertise of our employees is the foundation of our high-value-added services. Also, 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 to enable the Group to achieve medium- to long-term growth.

We at the NRI Group perceive our employees as valuable "human assets," and are dedicated to creating a system that allows us to secure and develop these assets. We are striving to recruit top-level specialized staff through our internship system, 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 resources development seminars at a facility dedicated to employee education and training. We encourage employees to improve themselves through 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 the 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, multi-user system services and outsourcing services. In many cases the software is designed for specific use and it 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 of the capital not being recovered and a loss being recorded.

<5> Investment in stocks

With a view to cultivate 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, 2009, the NRI Group's stock investments accounted for more than 10% of total assets.

In the event of bankruptcy or business deterioration of a company the Group invests in, the Group may incur an impairment loss or might not be able 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 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 to 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 from us 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 company-wide sharing of information on the expertise accumulated within the NRI Group.

In addition, we are committed to continuing to improve quality in the future through 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 that 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 the 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 the requirement changes to respond to the changes in both technology and the surrounding environment.

Therefore, in order to deal with these situations, we are making efforts to ensure that project estimate examination before the contract signing as well as project management after the 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 9001.* In particular, we have established exclusive examination bodies, such as the system development committee, for projects over a certain size in order to thoroughly review the projects according to their progress right through to when the system is delivered and operational.

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 also may damage the reputation of the NRI Group.

*ISO 9001 is an international standard for quality management systems established by the ISO (International Organization for Standardization).

iii. System management and operation services

The information systems that the NRI Group develops are often important platforms for client business and it is essential that these systems operate stably after completion.

The NRI Group is seeking to improve the quality of system management and operation. We are continuously striving to maintain and improve the quality of services we provide, based on the ISO 9001 quality management system, ISO20007 information security management system* and other certification standards.

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

*ISO27001 is an international standard for information security management systems established by ISO.

<2> Subcontracting partners

In order 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 2008, 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 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 to subcontracting partners.

Our subcontracting partners are not only in Japan, they are also in various overseas locations, including China. Currently, Chinese companies account more than 10% of subcontracting costs. We are therefore striving to strengthen this system of cooperation by regularly dispatching executives to China to visit the subcontracting partners and check the project status.

In spite of all those 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 may occur caused by political, economic and social factors in Japan.

ii. Contract work

There have been calls for appropriate response 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 Company-wide. In addition, we host meetings to explain our policies to subcontracting partners as part of our drive for entirely appropriate business outsourcing.

In spite of all these efforts, if work outside the scope of the contract work is carried out, the NRI Group may lose credibility.

<3> Intellectual property rights

We are witnessing a growing importance of intellectual property rights related to information systems and software, such as patents for business models related to electronic commercial transactions.

With these circumstances in mind, in the development of information systems, the NRI Group is constantly investigating if there is a possibility of breaching another party's patent. Furthermore, through education, training and other measures, we are raising our employees' awareness of intellectual property rights. At the same time, we recognize that intellectual property is an important business resource, so through 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 we may also be ordered to stop using an information system, and be forced to stop a 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, the pension plan assets fluctuate according to the trends in the stock market and interest rates. Slightly less than 20% of the Group's pension plan assets are specified stocks for the employee retirement benefit trust.

Therefore, the pension plan assets run the risk of fluctuating with the changes in the shares' market prices.

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

(4) Risks Concerning Information Security

With the Internet, the dissemination of information is instantaneous. While such advances in technology have increased the number of users and made life much more convenient, security management has become a serious problem in society, as with the full enforcement of the Personal Information Protection Law. In the information services industry, where we are constantly handling clients' confidential data, there is an even greater demand for security.

Being keenly aware of this situation, the NRI Group carries out thorough security management, by putting a cross-sectional management system in place. In addition, we are constantly working hard to maintain an advanced level of security with the introduction of an entry/exit control system, thorough security control of personal computers in the offices, and by training our employees on the 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 may be damaging to the reputation of the NRI Group.

Significant Accounting Policies and Estimates

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 requires 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 the assumption or a 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, has adopted the percentage-of-completion method to recognize revenue from research and consulting projects, and information system development projects.

With the NRI Group's percentage-of-completion method, for each project we determine the cost of sales on an accrual basis, and then calculate the related sales according to the rate of accrued cost on the work in progress (the ratio of actual costs incurred to total estimated cost).

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 the profit/loss during the period in question.

The percentage-of-completion method is adopted on the assumption that the costs 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 the improvement of our project management structure, we at NRI Group have been accurately estimating costs at the time orders are received and have been 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, multi-user system services and outsourcing services, instead of recording subcontracting costs and labor costs for the development of information systems as expenses, these amounts may be recorded under assets for the NRI Group's 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, which in turn enables the Group to collect its returns on its development investments in the medium to long term.

Based on this system of recovering investments, the package products are amortized based on the forecasted sales quantity or forecasted of 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 multi-user system services is carried out according to the fixed amount 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.

For more details, please refer to "Business and Other Risks, (2) Risks Concerning Business Strategy, <4> Investment in software."

<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 on highly safe long-term bonds. For the fiscal year under review, we used the same discount rate as in the previous year, 2.1%.

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) ¥4,037 million, ¥9,344 million, ¥4,789 million and ¥7,940 million and ¥5,764 million for the years ended 31st March, 2005, 2006, 2007, 2008, and 2009, 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 ¥7,020 million.

For more details, please refer to "Business and Other Risks, (3) Risks Concerning Business Management <4> Assets and liabilities related to retirement benefits."

<4> Deferred income tax assets

The NRI Group records deferred income tax assets with a reasonable estimate of future taxable income and careful judgment for 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 the actual results due to changes in the business environment.

For further details of deferred income tax assets, please see "Notes to the Consolidated Financial Statements."

Consolidated Financial Statements
Nomura Research Institute, Ltd.

At 31st March, 2009 and 2008 and
for the years ended 31st March, 2009, 2008 and 2007
with Report of Independent Auditors

Nomura Research Institute, Ltd.
Consolidated Financial Statements
31st March, 2009, 2008 and 2007

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Report of Independent Auditors

The Board of Directors and Shareholders
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated balance sheets of Nomura Research Institute, Ltd. and its consolidated subsidiaries as of 31st March, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years ended 31st March, 2009, 2008 and 2007, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries at 31st March, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years ended 31st March, 2009, 2008 and 2007, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

22nd June, 2009

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars (Note 2)
	31st March,		31st March,
	2009	2008	2009
Assets			
Current assets:			
Cash and bank deposits *(Note 11)*	¥ 20,308	¥ 17,710	$ 206,738
Short-term investment securities *(Notes 3 and 11)*	14,000	84,988	142,521
Accounts receivable and other receivables *(Notes 5)*	77,654	79,423	790,532
Inventories	256	160	2,605
Deferred income taxes *(Note 9)*	7,308	6,837	74,393
Other current assets	3,130	1,874	31,875
Allowance for doubtful accounts	(84)	(82)	(858)
Total current assets	122,572	190,910	1,247,806
Property and equipment *(Note 6)*:			
Land	11,292	11,292	114,958
Buildings, net	29,429	29,929	299,598
Machinery and equipment, net	17,420	17,032	177,329
Leased assets, net *(Note 13)*	134	–	1,361
Property and equipment, net	58,275	58,253	593,246
Software and other intangibles	74,887	30,258	762,360
Investment securities *(Note 3)*	55,436	46,683	564,350
Investments in affiliates *(Note 3)*	2,232	2,026	22,719
Deferred income taxes *(Note 9)*	19,129	13,116	194,735
Long-term loans receivable	7,482	7,372	76,166
Investment in leased assets	747	–	7,610
Other assets *(Note 7)*	13,845	13,831	140,952
Allowance for doubtful accounts	(117)	(1)	(1,193)
Total assets	¥354,488	¥362,448	$3,608,751

	Millions of yen		Thousands of U.S. dollars (Note 2)
	31st March,		31st March,
	2009	**2008**	**2009**
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	¥ 28,961	¥ 33,431	$ 294,829
Lease obligations	656	–	6,676
Accrued expenses	16,525	16,629	168,228
Income taxes payable	13,397	12,526	136,384
Other current liabilities	10,487	12,193	106,763
Total current liabilities	70,026	74,779	712,880
Convertible bonds	49,997	49,997	508,979
Lease obligations	415	–	4,223
Long-term accrued expenses	2,938	4,512	29,913
Deferred income taxes *(Note 9)*	2	5	21
Allowance for employees' retirement benefits *(Note 8)*	25,643	25,791	261,043
Commitments and contingent liabilities *(Note 18)*			
Net assets *(Notes 10 and 12)*:			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2009 and 2008			
Issued – 225,000,000 shares at 31st March, 2009 and 2008	18,600	18,600	189,352
Additional paid-in capital	14,975	14,884	152,447
Retained earnings	240,061	225,780	2,443,867
Treasury stock, at cost:			
– 30,473,495 shares at 31st March, 2009 and 25,944,292 shares at 31st March, 2008	(72,753)	(61,161)	(740,644)
Total shareholders' equity	200,883	198,103	2,045,022
Valuation and translation adjustments:			
Unrealized gain on other securities *(Note 3)*	5,851	9,650	59,561
Translation adjustments	(2,159)	(997)	(21,973)
Total valuation and translation adjustments	3,692	8,653	37,588
Share subscription rights *(Note 10)*	892	608	9,082
Total net assets	205,467	207,364	2,091,692
Total liabilities and net assets	¥354,488	¥362,448	$3,608,751

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Income

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Year ended 31st March,			**Year ended 31st March,**
	2009	**2008**	**2007**	**2009**
Sales	¥341,279	¥342,289	¥322,532	$3,474,292
Cost of sales	240,854	238,537	234,579	2,451,944
Gross profit	100,425	103,752	87,953	1,022,348
Selling, general and administrative expenses *(Notes 14 and 15)*	50,712	51,088	44,056	516,256
Operating profit	49,713	52,664	43,897	506,092
Other income (expenses):				
Interest and dividend income	1,861	2,588	1,556	18,946
Equity in earnings of affiliates	143	144	511	1,460
Interest expense	(13)	–	(1)	(134)
Impairment loss on software *(Note 16)*	(3,050)	–	–	(31,053)
Gain (loss) on investment securities *(Notes 3 and 16)*	(3,386)	2,037	2,074	(34,469)
Loss on investment in affiliates	(762)	–	–	(7,754)
Provision for transfer of the retirement benefit plan *(Notes 8 and 16)*	–	(9,567)	–	–
Bond issuance cost	–	–	(60)	–
Office integration and relocation expenses *(Note 16)*	–	–	(1,429)	–
Impact of applying lease accounting standards *(Note 1)*	(352)	–	–	(3,583)
Other, net	27	122	196	271
	(5,532)	(4,676)	2,847	(56,316)
Income before income taxes	44,181	47,988	46,744	449,776
Provision for income taxes *(Note 9)*:				
Current	23,560	23,419	22,148	239,847
Deferred	(3,892)	(3,589)	(2,423)	(39,621)
	19,668	19,830	19,725	200,226
Net income *(Note 12)*	¥ 24,513	¥ 28,158	¥ 27,019	$ 249,550

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Net Assets

Millions of yen

	Shareholders' equity					Valuation and translation adjustments				
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock, at cost**	**Total shareholders' equity**	**Unrealized gain on other securities**	**Translation adjustments**	**Total valuation and translation adjustments**	**Share subscription rights**	**Total net assets**
Balance at 31st March, 2006	¥18,600	¥14,800	¥186,670	¥(48,133)	¥171,937	¥ 37,369	¥ (5)	¥ 37,364	¥ –	¥209,301
Purchases of treasury stock	–	–	–	(4)	(4)	–	–			(4)
Disposition of treasury stock	–	–	–	980	980	–	–			980
Net income	–	–	27,019	–	27,019	–	–			27,019
Cash dividends paid	–	–	(6,501)	–	(6,501)	–	–			(6,501)
Loss on disposition of treasury stock	–	–	(198)	–	(198)	–	–			(198)
Net changes other than in shareholders' equity	–	–	–	–	–	(15,175)	504	(14,671)	307	(14,364)
Balance at 31st March, 2007	18,600	14,800	206,990	(47,157)	193,233	22,194	499	22,693	307	216,233
Purchases of treasury stock	–	–	–	(15,001)	(15,001)	–	–	–	–	(15,001)
Disposition of treasury stock	–	–	–	997	997	–	–	–	–	997
Net income	–	–	28,158	–	28,158	–	–	–	–	28,158
Cash dividends paid	–	–	(9,368)	–	(9,368)	–	–	–	–	(9,368)
Gain on disposition of treasury stock	–	84	–	–	84	–	–	–	–	84
Net changes other than in shareholders' equity	–	–	–	–	–	(12,544)	(1,496)	(14,040)	301	(13,739)
Balance at 31st March, 2008	18,600	14,884	225,780	(61,161)	198,103	9,650	(997)	8,653	608	207,364
Purchases of treasury stock	–	–	–	(11,871)	(11,871)	–	–	–	–	(11,871)
Disposition of treasury stock	–	–	–	279	279	–	–	–	–	279
Net income	–	–	24,513	–	24,513	–	–	–	–	24,513
Cash dividends paid	–	–	(10,232)	–	(10,232)	–	–	–	–	(10,232)
Gain on disposition of treasury stock	–	91	–	–	91	–	–	–	–	91
Net changes other than in shareholders' equity	–	–	–	–	–	(3,799)	(1,162)	(4,961)	284	(4,677)
Balance at 31st March, 2009	¥18,600	¥14,975	¥240,061	¥(72,753)	¥200,883	¥ 5,851	¥(2,159)	¥ 3,692	¥892	¥205,467

Thousands of U.S. dollars (Note 2)

	Shareholders' equity					Valuation and translation adjustments				
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock, at cost**	**Total shareholders' equity**	**Unrealized gain on other securities**	**Translation adjustments**	**Total valuation and translation adjustments**	**Share subscription rights**	**Total net assets**
Balance at 31st March, 2008	$189,352	$151,522	$2,298,483	$(622,631)	$2,016,726	$ 98,239	$(10,150)	$ 88,089	$6,190	$2,111,005
Purchases of treasury stock	–	–	–	(120,849)	(120,849)	–	–	–	–	(120,849)
Disposition of treasury stock	–	–	–	2,836	2,836	–	–	–	–	2,836
Net income	–	–	249,550	–	249,550	–	–	–	–	249,550
Cash dividends paid	–	–	(104,166)	–	(104,166)	–	–	–	–	(104,166)
Gain on disposition of treasury stock	–	925	–	–	925	–	–	–	–	925
Net changes other than in shareholders' equity	–	–	–	–	–	(38,678)	(11,823)	(50,501)	2,892	(47,609)
Balance at 31st March, 2009	$189,352	$152,447	$2,443,867	$(740,644)	$2,045,022	$ 59,561	$(21,973)	$ 37,588	$9,082	$2,091,692

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Year ended 31st March,			Year ended 31st March,
	2009	2008	2007	2009
Cash flows from operating activities				
Income before income taxes	¥ 44,181	¥ 47,988	¥ 46,744	$ 449,776
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	20,763	16,517	19,796	211,371
Interest and dividend income	(1,861)	(2,588)	(1,556)	(18,946)
Interest expense	13	–	1	134
Impairment loss on software	3,050	–	–	31,053
Loss (gain) on investment securities	3,386	(2,037)	(2,074)	34,469
Loss on investments in affiliates	762	–	–	7,754
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	2,759	(10,935)	(11,826)	28,087
Allowance for doubtful accounts	119	8	8	1,211
Accounts payable	(6,043)	174	3,786	(61,519)
Inventories	(96)	134	936	(977)
Allowance for employees' retirement benefits and welfare pension plan	(148)	2,439	37	(1,507)
Impact of applying lease accounting standards	352	–	–	3,583
Other	(367)	1,745	4,378	(3,740)
Subtotal	66,870	53,445	60,230	680,749
Interest and dividends received	1,994	2,381	1,644	20,299
Interest paid	(13)	–	(1)	(132)
Income taxes paid	(22,670)	(24,020)	(22,289)	(230,785)
Net cash provided by operating activities	46,181	31,806	39,584	470,131
Cash flows from investing activities				
Payments for time deposits	(6,874)	(7,202)	(7,641)	(69,979)
Proceeds from time deposits	6,930	6,579	7,203	70,549
Increase in short-term investment securities	(7,973)	(40,878)	(30,951)	(81,167)
Proceeds from sales and redemption of short-term investment securities	28,000	31,000	33,910	285,045
Acquisition of property and equipment	(14,105)	(21,381)	(11,686)	(143,592)
Proceeds from sales of property and equipment	–	132	285	–
Increase in software and other intangibles	(57,863)	(17,485)	(12,435)	(589,056)
Proceeds from sales of software and other intangibles	–	2	11	–
Increase in investment securities	(20,776)	(3,461)	(343)	(211,503)
Proceeds from sales and redemption of investment securities	2,251	4,665	8,673	22,916
Proceeds from sales of investments in subsidiaries	–	–	322	–
Increase in investments in affiliates	(616)	–	–	(6,271)
Proceeds from sales of investments in affiliates	–	–	1,256	–
Increase in long-term loans receivable	–	–	(7,246)	–
Other	32	103	62	326
Net cash (used in) provided by investing activities	(70,994)	(47,926)	(18,580)	(722,732)
Cash flows from financing activities				
Repayment of long-term debt	–	–	(240)	–
Repayment of obligation under finance leases	(389)	–	–	(3,960)
Proceeds from issuance of convertible bonds	–	–	50,000	–
Proceeds from sales of treasury stock	73	824	782	743
Purchases of treasury stock	(11,871)	(15,001)	(4)	(120,849)
Cash dividends paid	(10,228)	(9,360)	(6,497)	(104,123)
Net cash (used in) provided by financing activities	(22,415)	(23,537)	44,041	(228,189)
Effect of exchange rate changes on cash and cash equivalents	(68)	(672)	56	(692)
Net (decrease) increase in cash and cash equivalents	(47,296)	(40,329)	65,101	(481,482)
Cash and cash equivalents at beginning of year	75,525	115,854	50,753	768,859
Cash and cash equivalents at end of year *(Note 11)*	¥ 28,229	¥ 75,525	¥115,854	$ 287,377

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2009

1. Significant Accounting Policies

Description of Business

Nomura Research Institute, Ltd. (the "Company") is a leading provider in Japan of IT solutions services and consulting services. IT solutions services include the development, installation, operation and management of computer systems and networks, asset management analyses, and information services and sales of related products. Consulting services include conducting research on macroeconomic trends, providing management consulting advice, and rendering system consulting services and information services. 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 Act of Japan.

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

The accompanying consolidated financial statements for the years ended 31st March, 2009, 2008 and 2007 include the accounts of the Company and any significant companies which are controlled directly or indirectly by the Company. All subsidiaries (16, 16 and 14 for the years ended 31st March, 2009, 2008 and 2007, respectively) have been consolidated. The major consolidated subsidiary is Nomura Research Institute America, Inc.

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 is included in consolidated income.

Investments in two affiliated companies, Nihon Clearing Services Co., Ltd., and MC NRI Global Solutions Inc., are accounted for by the equity method for the year ended 31st March, 2009. MC NRI Global Solutions Inc. is a new affiliated company established during the year ended 31st March, 2009.

1. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

During the year ended 31st March, 2009 the Company entered into two definitive agreements to sell all the shares of its wholly-owned subsidiary, NRI Learning Network, Ltd., to Canon Marketing Japan Inc. and all the shares of a second wholly-owned subsidiary, Insurance System & Technology, Ltd., to TOHO SYSTEM SCIENCE CO., LTD. These sales were completed in April, 2009.

NRI Network Communications, Ltd. and NRI WEBrandia, Ltd., both wholly-owned subsidiaries, agreed to merge during the year ended 31st March, 2009. This merger was completed in April 2009.

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 other securities based on their holding objectives. Other 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 debt securities are carried at amortized cost.

Marketable securities classified as other 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 other securities is included as a separate component of net assets, net of the applicable taxes. If the fair value of marketable securities classified as other securities declines significantly, such securities are written down to their respective fair value thus establishing a new cost basis and the amount of each write-down is charged to income as an impairment loss unless its fair value is deemed to be recoverable. The Company has established a policy for the recognition of impairment losses under the following conditions:

i) All securities whose fair value has declined by more than 50%, and

ii) Securities whose fair value has declined by more than 30% but less than 50% and for which a recovery to fair value is not deemed probable.

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

1. Significant Accounting Policies (continued)

Derivative Financial Instruments

Derivative financial instruments are generally required to be stated at fair value. Interest-rate swaps meet the criteria for special hedge accounting under which interest on the swap agreements is accrued as incurred. Hedge accounting is utilized, although no evaluation of the effectiveness of the interest-rate swaps which meet the above conditions is undertaken, as permitted by the accounting standard for financial instruments.

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. The Company and its domestic consolidated subsidiaries individually estimated the useful lives of a portion of their machinery and equipment by determining when the machinery and equipment can be judged to be significantly obsolete because of advancements in technology. 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.

Amortization of Software and Other Intangibles (other than Leased Assets)

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

Intangible assets other than computer software to be sold and software intended for internal use are amortized by the straight-line method over their respective estimated useful lives.

Depreciation and Amortization of Leased Assets

Leased tangible assets under finance lease transactions that do not transfer ownership are depreciated based on the declining balance method over the lease period. Leased intangible asset under finance lease transactions that do not transfer ownership are amortized based on 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.

1. Significant Accounting Policies (continued)

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 a period which falls within the average remaining years of service (15 years) of the participants in the plan. Actuarial gain or loss is amortized 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

In principle, revenues arising from research, consulting projects and system development projects are recognized by the percentage-of-completion method and revenues from other projects are recognized when the related services have been rendered.

Research and Development Expenses

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

Bond Issuance Cost

Bond issuance cost is expensed upon payment.

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 Changes

(Inventories)

Effective the year ended 31st March, 2009, the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 of 5th July, 2006) has been applied, and now inventories are stated at cost, based on the identified cost method, which evaluates the amount of the inventories shown on the balance sheet by writing them down based on their decrease in profitability. Previously, inventories were stated at cost, based on the identified cost method. The effects of adopting the new standard were immaterial.

1. Significant Accounting Policies (continued)

(Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements")

Effective the year ended 31st March, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18 of 17th May, 2006) has been applied. The effects of adopting the new standard were nil.

(Application of Accounting Standard for Lease Transactions)

Effective 1st April, 2008, the Company has adopted the new accounting standard "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16), originally issued by the Business Accounting Deliberation Council on 17th June, 1993 and by the Japanese Institute of Certified Public Accountants on 18th January, 1994, respectively, and both revised by the ASBJ on 30th March, 2007. Prior to adoption of the standard, the Company and its domestic consolidated subsidiaries accounted for finance lease transactions that do not transfer ownership as operating leases. Subsequent to the adoption of the standard, all finance leases are capitalized as assets.

As a result of this accounting change, operating profit increased by ¥175 million ($1,782 thousand) and income before income taxes decreased by ¥189 million ($1,924 thousand) for the year ended 31st March, 2009 from the corresponding amounts which would have been recorded under the previous method.

The effects of adopting the new standard on the segment information are discussed in the applicable section of these notes to the consolidated financial statements.

(Application of "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)")

Effective the year ended 31st March, 2009, the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19) has been applied. The effects of adopting the new standard were nil.

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 ¥98.23 = U.S.$1.00, the rate of exchange prevailing on 31st March, 2009. 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. Investments

The Company did not hold any trading securities or held-to-maturity securities with determinable market value at 31st March, 2009 and 2008.

The following is a summary of the market value information concerning other securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2009 and 2008:

a) Marketable securities classified as other securities

	Millions of yen					
	Acquisition cost		**Carrying amount**		**Unrealized gain (loss)**	
	31st March,		**31st March,**		**31st March,**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Equity securities	¥10,649	¥13,294	¥20,852	¥29,638	¥10,203	¥16,344
Debt securities:						
Government debt securities	3,000	7,992	3,001	7,992	1	–
Corporate debt securities	19,022	5,000	18,817	4,946	(205)	(54)
	22,022	12,992	21,818	12,938	(204)	(54)
Other	710	1,047	637	1,039	(73)	(8)
Total	¥33,381	¥27,333	¥43,307	¥43,615	¥ 9,926	¥16,282

	Thousands of U.S. dollars		
	Acquisition cost	**Carrying amount**	**Unrealized gain (loss)**
	31st March, 2009		
Equity securities	$108,409	$212,277	$103,868
Debt securities:			
Government debt securities	30,541	30,551	10
Corporate debt securities	193,647	191,560	(2,087)
	224,188	222,111	(2,077)
Other	7,228	6,485	(743)
Total	$339,825	$440,873	$101,048

Investment partnerships, which are valued at market value derived from their components, were included in other.

Proceeds from sales of marketable securities classified as other securities during the years ended 31st March, 2009, 2008 and 2007 were as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2009	**2008**	**2007**	**2009**
Proceeds	¥1,668	¥1,634	¥2,110	$16,981
Gross gain	373	2,655	2,081	3,797
Gross loss	–	–	–	–

3. Investments (continued)

a) Marketable securities classified as other securities (continued)

Impairment loss on the marketable securities classified as other securities as a result of a permanent decline in value for the years ended 31st March, 2009, 2008 and 2007 was ¥4,286 million ($43,632 thousand), ¥589 million and nil, respectively.

b) Non-marketable securities classified as other securities

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2009	**2008**	**2009**
Other securities:			
Equity securities	¥14,624	¥14,550	$148,875
Money management funds	–	4,586	–
Free financial funds	12,000	14,579	122,162
Cash reserve funds	–	10,954	–
Commercial paper	–	44,876	–

Investments in affiliates which are included in equity securities include investments in net assets of affiliated companies accounted for under the equity method totaling ¥1,248 million ($12,705 thousand) and ¥536 million at 31st March, 2009 and 2008, respectively.

c) Maturities of debt securities

Maturities of debt securities classified as other securities at 31st March, 2009 and 2008 are summarized as follows:

	Millions of yen		
	31st March, 2009		
	Debt securities		
	Government debt securities	**Corporate debt securities**	**Other**
Due within one year	¥3,000	¥5,000	–
Due after one year through five years	–	11,000	–
	¥3,000	¥16,000	–

	Millions of yen		
	31st March, 2008		
	Debt securities		
	Government debt securities	**Corporate debt securities**	**Other**
Due within one year	¥8,000	¥2,000	¥44,931

3. Investments (continued)

c) Maturities of debt securities (continued)

	Thousands of U.S. dollars		
	31st March, 2009		
	Debt securities		
	Government debt securities	**Corporate debt securities**	**Other**
Due within one year	$30,541	$ 50,901	–
Due after one year through five years	–	111,982	–
	$30,541	$162,883	–

4. Derivatives

The Company had no open derivatives positions at 31st March, 2009 and 2008.

5. Accounts Receivable and Other Receivables

For projects which 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 ¥21,246 million ($216,288 thousand) and ¥18,258 million at 31st March, 2009 and 2008.

6. Property and Equipment

Property and equipment is summarized as follows:

	Years	*Millions of yen*		*Thousands of U.S. dollars*
	Useful Life	**31st March,**		**31st March,**
		2009	**2008**	**2009**
Land		¥ 11,292	¥ 11,292	$114,958
Buildings	15 – 50	59,077	56,528	601,411
Machinery and equipment	3 – 15	51,934	48,510	528,700
Leased assets		134	–	1,361
Accumulated depreciation		(64,162)	(58,077)	(653,184)
Property and equipment, net		¥ 58,275	¥ 58,253	$593,246

7. Other Assets

Other assets consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2009	**2008**	**2009**
Lease deposits	¥10,965	¥11,114	$111,629
Other	2,880	2,717	29,323
Other assets	¥13,845	¥13,831	$140,952

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. On 1st April, 2008, the Company transferred its retirement annuity plan and a portion of the lump-sum payment plan to its defined contribution pension plan and the defined benefit pension plan, respectively. The Company also has an employee retirement benefit trust. Certain of the Company's domestic 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, 2009 and 2008 for the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2009	**2008 ***	**2009**
Retirement benefit obligation	¥(57,241)	¥(54,443)	$(582,724)
Plan assets at fair value	27,304	30,390	277,960
Unfunded retirement benefit obligation	(29,937)	(24,053)	(304,764)
Unrecognized actuarial gain	7,020	1,183	71,469
Unrecognized prior service cost	(2,726)	(2,921)	(27,748)
Unfunded retirement benefit obligation recognized on the balance sheets	¥(25,643)	¥(25,791)	$(261,043)

* Above amount is after revision made to the pension plan as of 1st April, 2008.

Plan assets at fair value include those of the employee retirement benefit trust of ¥5,251 million ($53,456 thousand) and ¥7,567 million at 31st March, 2009 and 2008, respectively.

The Company is in the process of transferring certain pension assets from its defined benefit pension plan to its defined contribution pension plan over a period of four years. The remaining pension asset balance of the defined pension plan as of 31st March, 2008 was included in accrued expenses and long-term accrued expenses.

8. Retirement and Severance Benefits (continued)

The amortization period of prior service gain is 15 years (amortized by the straight-line method over a period which falls within the average remaining years of service of the participants in the plan).

The amortization period of actuarial gain is 15 years (amortized by the straight-line method over periods which fall within the average remaining years of service of the participants in the plan from the fiscal year following the respective fiscal year of occurrence).

The components of retirement benefit expenses for the years ended 31st March, 2009, 2008 and 2007 are outlined as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2009	**2008**	**2007**	**2009**
Service cost	¥ 3,402	¥ 4,675	¥4,138	$34,633
Interest cost	1,104	1,513	1,199	11,239
Expected return on plan assets	(342)	(702)	(639)	(3,482)
Recognized actuarial gain	(73)	(573)	(892)	(743)
Recognized prior service gain	(195)	–	–	(1,985)
Provision for transfer of the retirement benefit plan	–	9,567	–	–
Subtotal	3,896	14,480	3,806	39,662
Other	1,386	338	315	14,110
Total	¥ 5,282	¥14,818	¥4,121	$53,772

Contributions to the defined contribution pension plan are included in "Other" in the table presented above.

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

	31st March,		
	2009	**2008**	**2007**
Discount rates at the end of the year	2.1%	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 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2009	**2008**	**2009**
Deferred income tax assets:			
Employees' retirement benefits	¥14,400	¥15,103	$146,595
Depreciation	8,801	6,427	89,596
Accrued bonuses	4,856	4,663	49,435
Other	3,551	3,206	36,149
	31,608	29,399	321,775
Deferred income tax liabilities:			
Unrealized gain on other securities	(3,999)	(6,595)	(40,713)
Special tax-purpose reserve	(1,032)	(1,931)	(10,508)
Undistributed earnings of foreign subsidiaries	(140)	(920)	(1,426)
Other	(2)	(5)	(21)
	(5,173)	(9,451)	(52,668)
Deferred income tax assets, net	¥26,435	¥19,948	$269,107

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 percent for the years ended 31st March, 2009, 2008 and 2007.

A reconciliation of the difference between the statutory income tax rate and the effective income tax rate after deferred tax effect in the consolidated statement of income for the year ended 31st March, 2009 was as follows:

	31st March, 2009
Statutory income tax rate	40.6%
Reconciliation:	
Non-taxable permanent differences such as dividends received	(0.5%)
Non-deductible permanent differences such as entertainment expenses	1.1%
Changes in valuation allowance on loss on investment securities and other temporary difference items	5.0%
Reversal of deferred tax liability due to the change in tax law on dividends received from foreign subsidiaries	(1.8%)
Others, net	0.1%
Effective income tax rate after deferred tax effect	44.5%

For the years ended 31st March, 2008 and 2007, such differences were immaterial in the consolidated statements of income.

10. Net Assets

The Corporation Law of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. 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 ($5,803 thousand) and ¥570 million at 31st March, 2009 and 2008, respectively.

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the year ended 31st March, 2009 are summarized as follows:

	31st March, 2009	
	Shares in issue	**Treasury stock**
Number of shares at beginning of year	225,000,000	25,944,292
Increase in number of shares	–	4,646,203
Decrease in number of shares	–	117,000
Number of shares at 31st March, 2009	225,000,000	30,473,495

* The increase of 4,646,203 shares of treasury stock was due to stock repurchases from the open market, which resulted in an increase of 4,645,700 shares, and purchases of odd-lot shares, which resulted in an increase of 503 shares.

The decrease of 117,000 shares of treasury stock was due to the exercise of stock options.

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2009 relate to the Company's stock option plans described in Note 19.

Unrealized gain on other securities was not available for the payment of cash dividends.

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 13th May, 2008 and 24th October, 2008, and were paid to shareholders of record as of 31st March, 2008 and 30th September, 2008, respectively, during the year ended 31st March, 2009:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends approved on 13th May, 2008 (¥26.00 = U.S.$0.26 per share)	¥5,175	$52,687
Cash dividends approved on 24th October, 2008 (¥26.00 = U.S.$0.26 per share)	5,057	51,488

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, 2009 and 2008 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2009	**2008**	**2009**
Cash and bank deposits	¥ 20,308	¥ 17,710	$ 206,738
Short-term investment securities maturing within three months from acquisition date	14,000	84,988	142,521
Time deposits with maturities of more than three months when deposited	(6,079)	(7,202)	(61,882)
Bonds and other investments maturing in more than three months from acquisition date	–	(19,971)	–
Cash and cash equivalents	¥ 28,229	¥ 75,525	$ 287,377

There were no significant non-cash transactions for the years ended 31st March, 2009, 2008 and 2007.

NRI Garden Network, Ltd. was excluded from the scope of consolidation as a result of the sale of all its shares of common stock during the year ended 31st March, 2007. Components of assets and liabilities of NRI Garden Network, Ltd., the amount of the sale, and the proceeds from the sale are summarized as follows:

	Millions of yen
	31st March, 2007
Current assets	¥ 579
Noncurrent assets	266
Current liabilities	(199)
Amount of the sale	646
Cash and cash equivalents of the subsidiary	(323)
Proceeds from the sale of the subsidiary	¥ 323

There were no such transactions for the years ended 31st March, 2009 and 2008.

12. Per Share Data

Per share data is summarized as follows:

	Yen			*U.S. dollars*
	31st March,			**31st March,**
	2009	**2008**	**2007**	**2009**
Earnings per share	¥125.54	¥138.52	¥664.77	$1.28
Diluted earnings per share	118.29	130.70	650.95	1.20

	Yen		*U.S. dollars*
	31st March,		**31st March,**
	2009	**2008**	**2009**
Net assets per share	¥1,051.65	¥1,038.68	$ 10.71

The Company made a five-for-one stock split on 1st April, 2007. Per share information for the year ended 31st March, 2007 with the assumption that this stock split took place at the beginning of the year is summarized as follows:

	Yen
	31st March, 2007
Earnings per share	¥ 132.95
Diluted earnings per share	130.19
Net assets per share	¥1,060.84

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, 2009, 2008 and 2007 is as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2009	**2008**	**2007**	**2009**
Numerator:				
Earnings	¥24,513	¥28,158	¥27,019	$249,550
Earnings not available to common shareholders	–	–	–	–
Earnings available to common shareholders	¥24,513	¥28,158	¥27,019	$249,550
Denominator:				
(Weighted-average number of shares of common stock):				
Denominator for earnings per share	195,265,802	203,281,201	40,644,174	195,265,802
Potentially dilutive shares of common stock	11,965,852	12,161,050	862,919	11,965,852
Denominator for diluted earnings per share	207,231,654	215,442,251	41,507,093	207,231,654

12. Per Share Data (continued)

The following potentially issuable shares of common stock would have an anti dilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2009, 2008 and 2007:

	Yen			*U.S. dollars*
	31st March,			**31st March,**
	2009	**2008**	**2007**	**2009**
a) Share subscription rights to 805 units issued on 27th June, 2002:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	–	325,000	65,000	–
Exercise price per share	–	¥3,583	¥17,913	–
Average share price for the exercise period	–	¥3,351.45	¥15,905.61	–
b) Share subscription rights to 78 units issued on 24th June, 2004:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	39,000	–	–	39,000
Exercise price per share	¥2,284	–	–	$23.25
Average share price for the exercise period	¥2,049.55	–	–	$20.86
c) Share subscription rights to 449 units issued on 1st July, 2005:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	224,500	–	–	224,500
Exercise price per share	¥2,319	–	–	$23.61
Average share price for the exercise period	¥2,049.55	–	–	$20.86

12. Per Share Data (continued)

	Yen			*U.S. dollars*
	31st March,			**31st March,**
	2009	**2008**	**2007**	**2009**
d) Share subscription rights to 785 units issued on 11th September, 2006:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	392,500	–	–	392,500
Exercise price per share	¥3,282	–	–	$33.41
Average share price for the exercise period	¥2,049.55	–	–	$20.86
e) Share subscription rights to 4,150 units issued on 10th July, 2007:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	415,000	415,000	–	415,000
Exercise price per share	¥3,680	¥3,680	–	$37.46
Average share price for the exercise period	¥2,049.55	¥3,550.90	–	$20.86
f) Share subscription rights to 4,175 units issued on 8th July, 2008:				
Number of shares reserved for new shares issuable upon exercise of share subscription rights	417,500	–	–	417,500
Exercise price per share	¥2,650	–	–	$26.98
Average share price for the exercise period	¥ 1,865.36	–	–	$18.99

12. Per Share Data (continued)

The computation of net assets per share at 31st March, 2009 and 2008 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2009	**2008**	**2009**
Numerator:			
Net assets	¥205,467	¥207,364	$2,091,692
Less subscription rights to shares	(892)	(608)	(9,082)
Net assets related to shares of common stock	¥204,575	¥206,756	$2,082,610
Denominator:			
Number of shares of common stock outstanding	194,526,505	199,055,708	194,526,505

13. Leases

Please refer to 1. Significant Accounting Policies for the accounting change on application of new accounting standard for lease transactions for the year ended 31st March, 2009.

1) As lessee

The Company leases mainly computers and related devices, some of which are classified as finance leases. Please refer to 1. Significant Accounting Policies for depreciation method applied to leased assets.

Future minimum lease payments for noncancelable operating leases at 31st March, 2009 and 2008 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2009	**2008**	**2009**
Future minimum lease payments:			
Due within one year	¥2,500	¥197	$25,450
Thereafter	4,686	248	47,704
Total	¥7,186	¥445	$73,154

13. Leases (continued)

1) As lessee (continued)

Future minimum lease payments for finance leases accounted for as operating leases (accounting policy applied before the application of new accounting standard for lease transactions) at 31st March, 2008 are summarized as follows:

	Millions of yen
	31st March, 2008
Future minimum lease payments:	
Due within one year	¥ 936
Thereafter	1,038
Total	¥1,974

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of 31st March, 2008, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases accounted for as operating leases (accounting policy applied before the application of new accounting standard for lease transactions):

	Millions of yen		
	31st March, 2008		
	Acquisition costs	**Accumulated Depreciation**	**Net book value**
Machinery and equipment	¥1,509	¥990	¥519
Total	¥1,509	¥990	¥519

Lease payments, depreciation/amortization and interest expense for these finance leases for the years ended 31st March, 2008 and 2007 are summarized as follows (accounting policy applied before the application of new accounting standard for lease transactions):

	Millions of yen	
	31st March,	
	2008	**2007**
Lease payments	¥805	¥1,235
Depreciation/amortization	765	1,181
Interest expense	17	36

13. Leases (continued)

2) As lessor

There were no finance lease transactions as lessor for the years ended 31st March, 2009, 2008 and 2007.

Future minimum lease payment to be received from operating leases as lessor at 31st March, 2009 and 2008 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2009	**2008**	**2009**
Future minimum lease payments to be received:			
Due within one year	¥ 9,228	¥28	$ 93,943
Thereafter	17,698	21	180,169
Total	¥26,926	¥49	$274,112

Future minimum lease payment to be received from subleases as lessor accounted for as finance leases (accounting policy applied before the application of new accounting standard for lease transactions) as at 31st March, 2008 is summarized as follows:

	Millions of yen
	31st March, 2008
Future minimum lease payment to be received: *	
Due within one year	¥1,259
Thereafter	1,637
Total	¥2,896

* The corresponding amounts of sublease income have been included in lessees' future minimum lease payments.

14. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2009	**2008**	**2007**	**2009**
Personnel expenses	¥26,198	¥24,573	¥21,778	$266,701
Rent	4,429	4,068	3,582	45,088
Subcontractor costs	8,168	9,788	5,882	83,152
Other	11,917	12,659	12,814	121,315
Total	¥50,712	¥51,088	¥44,056	$516,256

15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2009	**2008**	**2007**	**2009**
Research and development expenses	¥4,104	¥4,916	¥2,865	$41,779

16. Other Income (Expenses)

1) Gain (loss) on investment securities

Loss on investment securities for the year ended 31st March, 2009 consisted of gain on investment securities of ¥373 million ($3,798 thousand) and loss on investment securities of ¥3,759 million ($38,267 thousand). Gain on investment securities for the year ended 31st March, 2009 consisted principally of gain on the sales of shares of Mitsubishi UFJ Financial Group, Inc. Loss on investment securities consisted principally of impairment loss on Seven & i Holdings Co., Ltd. as a result of the impairment having been deemed other than temporary.

Gain on investment securities for the year ended 31st March, 2008 consisted of gain on investment securities of ¥2,655 million and loss on investment securities of ¥618 million. Gain on investment securities for the year ended 31st March, 2008 consisted principally of gain on the sales of shares of Seven Bank, Ltd., Argo 21 Corporation and NET MARKS, INC. Loss on investment securities consisted principally of impairment loss on AIZAWA SECURITIES CO., LTD. as a result of the impairment having been deemed other than temporary.

16. Other Income (Expenses)

1) Gain (loss) on investment securities (continued)

Gain on investment securities for the year ended 31st March, 2007 consisted of gain on investment securities of ¥2,081 million and loss on investment securities of ¥7 million. Gain on investment securities consisted principally of gain on the sale of shares of NIWS Co. HQ, Ltd. Loss on investment securities consisted principally of impairment loss on Nippon BS Broadcasting Corporation as a result of the impairment having been deemed other than temporary.

2) Loss on investments in affiliates

Loss on investments in affiliates for the year ended 31st March, 2009 consisted of gain on investments in affiliates of ¥252 million ($2,569 thousand) and loss on investments in affiliates of ¥1,014 million ($10,323 thousand). Gain on investments in affiliates consisted principally of gain on sales of investments in Insurance System & Technology, Ltd. Loss on investments in affiliates consisted principally of loss on sales of investments in NRI Learning Network, Ltd. and impairment loss on investments in Nomura Holdings, Inc..

3) Impairment loss on software

Due to a rapid change in the business environment because of the money market crisis, the Company recorded impairment loss on software, which is used for financial service businesses, in the consolidated statement of income for the year ended 31st March, 2009.

4) Office integration and relocation expenses

Office integration and relocation expenses for the year ended 31st March, 2007 arose primarily from the integration of certain offices and the relocation to Kiba Center.

5) Accrued expense for transfer of the retirement benefit plan

Accrued expense for transfer of the retirement benefit plan for the year ended 31st March, 2008 arose due to a revision made to the retirement benefit plan.

17. Related Party Transactions

Related party transactions for the years ended 31st March, 2009, 2008 and 2007 and the respective balances at 31st March, 2009 and 2008 were as follows:

1) Transactions

		Millions of yen			*Thousands of U.S. dollars*
		31st March,			**31st March,**
Related party	**Nature of transaction**	**2009**	**2008**	**2007**	**2009**
a) Major shareholder:					
Nomura Holdings, Inc.	Sales	¥74,070	¥84,413	¥88,508	$754,047
	Purchase of back office operation information system hardware and software for retail domestic securities *1	38,419	–	–	391,113
b) Major shareholder's subsidiaries:					
Nomura Securities Co., Ltd.	Sales of investment securities	–	–	2,101	–
	Gain on above sales	–	–	2,074	–
	Receipt of payment for convertible bonds	–	–	50,000	–
	Underwriting commission of convertible bonds	–	–	1,250	–
	Purchase of back office operation information system hardware and software for retail domestic securities *2	*2	–	–	*2
Nomura Trust and Banking Co., Ltd.	Money held in trust related to acquisition of treasury stock	15,010	15,010	–	152,805
	Charges for acquisition of treasury stock	8	5	–	81
c) Directors and principal private shareholders, etc:					
Ken Ohno (Director of the Company and a subsidiary)	Grant of stock options *3	–	15	13	–

*1 Based on an agreement between Nomura Holdings Inc., Nomura Securities Co., Ltd. and the Company, the Company purchased from the two parties certain hardware and software assets as a single package. The terms and conditions of the agreement were determined through discussions among the three parties based on an objective appraisal the value of the package as a whole. As per the agreement, the amount shown above is the total acquisition cost that the Company has paid to the two parties.

*2 The transition is the same as *1 presented above.

*3 These stock options were granted to Mr. Ken Ohno for his position as a director of a subsidiary (which he resigned on 31st August, 2007), and valued based on the fair value of the stock options.

17. Related Party Transactions (continued)

2) Balances

Related party	Nature of transaction	*Millions of yen* 31st March, 2009	*Millions of yen* 31st March, 2008	*Thousands of U.S. dollars* 31st March, 2009
a) Major shareholder:				
Nomura Holdings, Inc.	Accounts receivable and other receivables	¥10,919	¥14,262	$111,157
b) Directors and principal private shareholders, etc:				
Ken Ohno (Director of the Company and a subsidiary)	Grant of stock options*	–	11	–

* These stock options were granted to Mr. Ken Ohno for his position as a director of a subsidiary (which he resigned on 31st August, 2007), and valued based on the fair value of the stock options.

18. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2009 and 2008.

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 stock options issued on and after 1st May, 2006, compensation costs are valued based on the fair value of the stock options and recognized in the statements of income in accordance with "Accounting Standard for Share-based Payments" (ASBJ Statement No. 8) and "Guidance on Accounting Standard for Shared-based Payments" (ASBJ Guidance No. 11).

For the years ended 31st March, 2009 and 2008, the Company recognized and allocated share-based compensation cost as follows:

	Millions of yen 2009	*Millions of yen* 2008	*Thousands of U.S. dollars* 2009
Cost of sales	¥281	¥282	$2,861
Selling, general and administrative expenses	299	274	3,044
	¥580	¥556	$5,905

19. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2009 is summarized as follows:

	2nd stock option plan	3rd stock option plan	4th stock option plan
Grantee categories and numbers of grantees	33 directors or managing officers of the Company, and 11 directors of its domestic subsidiaries	34 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries	32 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries
Number of shares reserved	415,000	422,500	407,500
Grant date	12th August, 2003	24th June, 2004	1st July, 2005
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2005 to 30th June, 2008	1st July, 2006 to 30th June, 2009	1st July, 2007 to 30th June, 2010

	6th stock option plan	7th stock option plan	8th stock option plan
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	400,000	94,500	422,500
Grant date	11th September, 2006	11th September, 2006	10th July, 2007
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2009 to 30th June, 2013	1st July, 2007 to 30th June, 2008	1st July, 2010 to 30th June, 2014

	9th stock option plan	10th stock option plan	11th stock option plan
Grantee categories and numbers of grantees	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries	39 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	96,500	417,500	95,500
Grant date	10th July, 2007	8th July, 2008	8th July, 2008
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2008 to 30th June, 2009	1st July, 2011 to 30th June, 2015	1st July, 2009 to 30th June, 2010

19. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2008 is summarized as follows:

	1st stock option plan	2nd stock option plan	3rd stock option plan
Grantee categories and numbers of grantees	31 directors or managing officers of the Company, and 12 directors of its domestic subsidiaries	33 directors or managing officers of the Company, and 11 directors of its domestic subsidiaries	34 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries
Number of shares reserved	402,500	415,000	422,500
Grant date	27th June, 2002	12th August, 2003	24th June, 2004
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2004 to 30th June, 2007	1st July, 2005 to 30th June, 2008	1st July, 2006 to 30th June, 2009

	4th stock option plan	5th stock option plan	6th stock option plan
Grantee categories and numbers of grantees	32 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries	36 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	407,500	95,500	400,000
Grant date	1st July, 2005	1st July, 2005	11th September, 2006
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2007 to 30th June, 2010	1st July, 2006 to 30th June, 2007	1st July, 2009 to 30th June, 2013

	7th stock option plan	8th stock option plan	9th stock option plan
Grantee categories and numbers of grantees	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	94,500	422,500	96,500
Grant date	11th September, 2006	10th July, 2007	10th July, 2007
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2007 to 30th June, 2008	1st July, 2010 to 30th June, 2014	1st July, 2008 to 30th June, 2009

The Company made a five-for-one stock split on 1st April, 2007.

19. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2009:

	2nd stock option plan	3rd stock option plan	4th stock option plan	6th stock option plan	7th stock option plan	8th stock option plan	9th stock option plan
Non-vested:							
Beginning of the year	–	–		400,000		422,500	96,500
Granted	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–
Vested	–	–	–	–	(94,500)	–	96,500
End of the year	–	–	–	400,000	–	422,500	–
Vested:							
Beginning of the year	22,500	42,000	240,000	–	13,500	–	–
Vested	–	–	–	–		–	96,500
Exercised	(15,000)	(3,000)	(15,500)	–	(13,500)	–	(70,000)
Forfeited	(7,500)	–	–	–	–	–	–
End of the year	–	39,000	224,500	–	–	–	26,500

	10th stock option plan	11th stock option plan
Non-vested:		
Beginning of the year	–	–
Granted	417,500	95,500
Forfeited	–	–
Vested	–	–
End of the year	417,500	95,500
Vested:		
Beginning of the year	–	–
Vested	–	–
Exercised	–	–
Forfeited	–	–
End of the year	–	–

As none of the stock option plans have vesting conditions, the numbers of vested options in the above table represent the numbers of options which became exercisable.

19. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2008:

	1st stock option plan	2nd stock option plan	3rd stock option plan	4th stock option plan	5th stock option plan	6th stock option plan	7th stock option plan
Non-vested:							
Beginning of the year	340,000	–	–	407,500	–	400,000	94,500
Granted	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–
Vested	(340,000)	–	–	(407,500)	–	–	(94,500)
End of the year	–	–	–	–	–	400,000	–
Vested:							
Beginning of the year	–	81,000	181,000	–	7,000	–	–
Vested	340,000	–	–	407,500	–	–	94,500
Exercised	–	(58,500)	(139,000)	(167,500)	(7,000)	–	(81,000)
Forfeited	(340,000)		–	–	–	–	–
End of the year	–	22,500	42,000	240,000	–	–	13,500

	8th stock option plan	9th stock option plan
Non-vested:		
Beginning of the year	–	–
Granted	422,500	96,500
Forfeited	–	–
Vested	–	–
End of the year	422,500	96,500
Vested:		
Beginning of the year	–	–
Vested	–	–
Exercised	–	–
Forfeited	–	–
End of the year	–	–

As none of the stock option plans have vesting conditions, the numbers of vested options in the above table represent the numbers of options which became exercisable.

Beginning of the year figure has been modified based on the five-for-one stock split on 1st April, 2007.

19. Stock Option Plans (continued)

Price information per option for each stock option plan as of 31st March, 2009 is summarized as follows:

	Yen								
	2nd stock option plan	**3rd stock option plan**	**4th stock option plan**	**6th stock option plan**	**7th stock option plan**	**8th stock option plan**	**9th stock option plan**	**10th stock option plan**	**11th stock option plan**
Exercise price	¥2,018	¥2,284	¥2,319	¥3,282	¥ 1	¥3,680	¥ 1	¥2,650	¥ 1
Average price on exercise	2,705	2,380	2,466	–	2,479	–	2,096	–	–
Fair value on grant date	–	–	–	4,322	15,733	1,030	3,619	631	2,572

	U.S. dollars								
	2nd stock option plan	**3rd stock option plan**	**4th stock option plan**	**6th stock option plan**	**7th stock option plan**	**8th stock option plan**	**9th stock option plan**	**10th stock option plan**	**11th stock option plan**
Exercise price	$20.54	$23.25	$23.61	$33.41	$ 0.01	$37.46	$ 0.01	$26.98	$ 0.01
Average price on exercise	27.54	24.23	25.10	–	25.24	–	21.34	–	–
Fair value on grant date	–	–	–	44.00	160.16	10.49	36.84	6.42	26.18

Price information per option for each stock option plan as of 31st March, 2008 is summarized as follows:

	Yen								
	1st stock option plan	**2nd stock option plan**	**3rd stock option plan**	**4th stock option plan**	**5th stock option plan**	**6th stock option plan**	**7th stock option plan**	**8th stock option plan**	**9th stock option plan**
Exercise price	¥3,583	¥2,018	¥2,284	¥2,319	¥ 1	¥3,282	¥ 1	¥3,680	¥ 1
Average price on exercise	–	3,542	3,314	3,467	3,312	–	3,583	–	–
Fair value on grant date	–	–	–	–	–	4,322	15,733	1,030	3,619

The Company made a five-for-one stock split on 1st April, 2007

To reflect the split that was completed on 1st April, 2007, the respective exercise prices of the stock option plans which were issued before the stock split were adjusted as follows:

	Yen	*U.S. dollars*
	After adjustment	**After adjustment**
2nd stock option plan	¥2,018	$20.54
3rd stock option plan	2,284	23.25
4th stock option plan	2,319	23.61
6th stock option plan	3,282	33.41

Adjustments of exercise prices for the 1st, 5th and 7th stock option plans were not required.

19. Stock Option Plans (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2009 was estimated using the Black-Scholes option pricing model with the following assumptions:

	10th stock option plan	11th stock option plan
Expected volatility *1	31.5%	36.5%
Expected remaining period *2	5 years	1 year and six months
Expected dividend yield *3	¥52 per share	¥52 per share
Risk-free interest rate *4	1.290%	0.805%

*1 Expected volatility is estimated based on the actual stock price in the period from July 2003 to July 2008 for the 10th stock option plan, and in the period from January 2007 to July 2008 for the 11th stock option 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, 2009 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.

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2008 was estimated using the Black-Scholes option pricing model with the following assumptions:

	8th stock option plan	9th stock option plan
Expected volatility *1	33.0%	28.9%
Expected remaining period *2	5 years	1 year and six months
Expected dividend yield *3	¥40 per share	¥40 per share
Risk-free interest rate *4	1.548%	0.968%

*1 Expected volatility is estimated based on the actual stock price in the period from July 2002 to July 2007 for the 8th stock option plan, and in the period from January 2006 to July 2007 for the 9th stock option 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, 2008 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

Business segments

Business segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2009, 2008 and 2007 is summarized as follows:

	Millions of yen				
	Year ended 31st March, 2009				
	Consulting services	**IT solutions services**	**Total**	**Eliminations and corporate**	**Consolidated**
I. Sales and operating profit					
Sales to external customers	¥ 32,866	¥ 308,413	¥ 341,279	¥ –	¥ 341,279
Intersegment sales or transfers	528	943	1,471	(1,471)	–
Total sales	33,394	309,356	342,750	(1,471)	341,279
Operating expenses	29,268	263,769	293,037	(1,471)	291,566
Operating profit	¥ 4,126	¥ 45,587	¥ 49,713	¥ –	¥ 49,713
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 18,980	¥241,317	¥ 260,297	¥ 94,191	¥ 354,488
Depreciation and amortization	491	20,272	20,763	–	20,763
Capital expenditures	356	69,727	70,083	–	70,083

	Millions of yen				
	Year ended 31st March, 2008				
	Consulting services	**IT solutions services**	**Total**	**Eliminations and corporate**	**Consolidated**
I. Sales and operating profit					
Sales to external customers	¥ 30,333	¥ 311,956	¥ 342,289	¥ –	¥ 342,289
Intersegment sales or transfers	394	1,025	1,419	(1,419)	–
Total sales	30,727	312,981	343,708	(1,419)	342,289
Operating expenses	26,588	264,456	291,044	(1,419)	289,625
Operating profit	¥ 4,139	¥ 48,525	¥ 52,664	¥ –	¥ 52,664
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 19,500	¥ 186,593	¥ 206,093	¥ 156,355	¥ 362,448
Depreciation and amortization	389	16,128	16,517	–	16,517
Capital expenditures	584	35,854	36,438	–	36,438

	Millions of yen				
	Year ended 31st March, 2007				
	System solutions services	**Consulting/ knowledge services**	**Total**	**Eliminations and corporate**	**Consolidated**
I. Sales and operating profit					
Sales to external customers	¥ 29,870	¥ 292,662	¥ 322,532	¥ –	¥322,532
Intersegment sales or transfers	267	1,389	1,656	(1,656)	–
Total sales	30,137	294,051	324,188	(1,656)	322,532
Operating expenses	25,693	254,598	280,291	(1,656)	278,635
Operating profit	¥ 4,444	¥ 39,453	¥ 43,897	¥ –	¥ 43,897
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 17,024	¥ 148,945	¥ 165,969	¥ 205,489	¥ 371,458
Depreciation and amortization	257	19,539	19,796	–	19,796
Capital expenditures	820	29,083	29,903	–	29,903

20. Segment Information (continued)

Business segments (continued)

	Consulting services	IT solutions services	Total	Eliminations and corporate	Consoli-dated
	Thousands of U.S. dollars				
	Year ended 31st March, 2009				
I. Sales and operating profit					
Sales to external customers	$ 334,586	$3,139,706	$3,474,292	$ –	$3,474,292
Intersegment sales or transfers	5,375	9,600	14,975	(14,975)	–
Total sales	339,961	3,149,306	3,489,267	(14,975)	3,474,292
Operating expenses	297,954	2,685,218	2,983,172	(14,975)	2,968,200
Operating profit	$ 42,007	$ 464,088	$ 506,095	$ –	$ 506,092
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	$ 193,220	$2,456,653	$2,649,873	$ 958,878	$3,608,751
Depreciation and amortization	4,998	206,373	211,371	–	211,371
Capital expenditures	3,624	709,834	713,458	–	713,458

Effective 1st April, 2008, the Company and its domestic consolidated subsidiaries have applied the new accounting standard “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16), originally issued by the Business Accounting Deliberation Council on 17th June, 1993 and by the Japanese Institute of Certified Public Accountants on 18th January, 1994, respectively, and both revised by the ASBJ on 30th March, 2007. As a result of this accounting change, operating profit in the IT solutions services segment for the year ended 31st March, 2009 increased by ¥175 million ($1,782 thousand) from the corresponding amount which would have been recorded under the previous method.

Effective 1st April, 2007, the Company and its domestic consolidated subsidiaries have changed their depreciation method of property and equipment acquired on or after 1st April, 2007 pursuant to the revision of the Corporation Tax Law. As a result of this change, operating expenses in the consulting services segment and IT solutions services segment for the year ended 31st March, 2008 increased by ¥16 million and ¥487 million, respectively, and operating profit for these segments decreased by the same amounts compared with the corresponding amounts which would have been recorded under the previous method.

Effective 1st April, 2007, the Company and its domestic consolidated subsidiaries depreciate the residual value of property and equipment acquired prior to 1st April, 2007, to their respective memorandum value over a period of five years by the straight-line method, pursuant to the revision of the Corporation Tax Law. As a result of this change, operating expenses in the consulting services segment and IT solutions services segment for the year ended 31st March, 2008 increased by ¥4 million and ¥136 million, respectively, and operating profit for these segments decreased by the same amounts compared with the corresponding amounts which would have been recorded under the previous method.

Geographical segments

Because sales and assets in the domestic segment constituted more than 90% of total sales and assets for the years ended 31st March, 2009, 2008 and 2007, geographical segment information has not been presented.

20. Segment Information (continued)

Overseas sales

Because overseas sales constituted less than 10% of consolidated sales for the years ended 31st March, 2009, 2008 and 2007, no disclosure of overseas sales has been made.

21. Business Combinations

During the year ended 31st March, 2007, the Company merged with its wholly-owned subsidiary, NRI Data Services, Ltd., which was engaged in operating and monitoring information systems and also provided telecommunication system services. This business combination was implemented in order to enhance the Company's management efficiency, contribute to the competitiveness of the Group, strengthen integrated management and enable the Company to respond promptly to its customers' needs. As a result of this transaction, NRI Data Services, Ltd. was discontinued and its business operations were absorbed into the Company. There were no new share issuances nor was there any increase in capital relating to this merger.

In addition, during the year ended 31st March, 2007, Nomura Research Institute America, Inc., a wholly-owned subsidiary of the Company engaged in research investigation, and development and operation of IT systems, merged with NRI Holding America Inc., NRI Pacific, Inc. and NRI Investment America, Inc. which were also wholly-owned subsidiaries of the Company. This business combination was implemented in order to restructure the Group's business bases in North America and to enhance the Company's management efficiency.

These transactions have been eliminated as intercompany transactions since they were transactions between companies under common control. Therefore, this accounting treatment had no impact on the accompanying consolidated financial statements for the year ended 31st March, 2007.

There were no such transactions for the years ended 31st March, 2009 and 2008.

22. Subsequent Events

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2009, was approved at a meeting of the Board of Directors held on 15th May, 2009:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥26.00 = U.S.$0.26 per share)	¥5,058	$51,491

[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. Leases Capitalized as Assets

Under Japanese GAAP prior to adoption of a new accounting standard effective on 1st April, 2008, finance leases where ownership is not deemed to be transferred from the lessor to the lessee, the lessee may choose not to capitalize lease expenses and may account for the lease in a manner similar to that applicable to operating leases. The Company's policy before adoption of the new standard was to account for finance leases in a manner similar to operating leases. However, subsequent to the adoption of the new standard, all finance leases were required to be capitalized. Restatement of comparative prior year financial information upon adoption of the new standard is not required.

U.S. GAAP requires that leases which transfer essentially all the risks and rewards of ownership of the leased assets from the lessor to the lessee to be capitalized.

2. Compensated Absences

Under Japanese GAAP, there is no specific accounting standard for compensated absences, and this liability is not generally recognized in Japan.

Under U.S. GAAP, an employer accrues the liability for employees' compensation for future absences if certain conditions are met.

[Appendix 2]

SUBSIDIARIES AND AFFILIATES

The Company conducts its business together with its subsidiaries and affiliates (being companies over which the Company holds significant influence with respect to its finances, operations or businesses).
At 31st March, 2009, the Company had 16 subsidiaries, all of which were consolidated subsidiaries.At the same date, the Company had 2 affiliates, all of which were accounted for by the equity method in the Company's financial statements.

The following table sets forth information on the Company's direct and indirect subsidiaries and affiliates as of 31st March, 2009.

Name	Country	Main Business
Subsidiaries		
NRI Network Communications, Ltd. *1	Japan	Software development and sales, mainly in the Kansai area
NRI Learning Network, Ltd. *2	Japan	Training related to information and telecommunications systems
NRI SecureTechnologies, Ltd.	Japan	Network security services
NRI Cyber Patent, Ltd.	Japan	Provide patent and other intellectual property information to subscribers
NRI WEBrandia, Ltd. *1	Japan	Web Site development and management
NRI Workplace Services, Ltd.	Japan	Office and real estate management
NRI Data i Tech, Ltd.	Japan	Maintaining systems equipment of Nomura Holdings and its subsidiaries and affiliates
NRI Social Information System Services, Ltd.	Japan	Software development and sales
Insurance System & Technology, Ltd. *2	Japan	Software development for non-life insurance industry
UBIQLINK, Ltd.	Japan	Provide direction navigate services to consumer
Nomura Research Institute America, Inc.	USA	Research and development and operation of information management systems in the U.S.
Nomura Research Institute Europe Limited	England	Research and development and operation of information management systems in Europe
Nomura Research Institute Beijing Limited	China	Development and operation of information management systems in China
Nomura Research Institute Shanghai Limited	China	Consulting in China
Nomura Research Institute Hong Kong Limited	China	Research and development and operation of information management systems in Asia
Nomura Research Institute (Singapore) Private Limited	Singapore	Research and development and operation of information management systems in Asia

Name	Country	Main Business
Affiliate		
Nippon Clearing Services Co., Ltd.	Japan	Back-office services for mid-tier securities companies
MC NRI GLOBAL SOLUTIONS, INC.	Japan	Holding Company, holding the shares of system development firm in China.

*1 NRI Network Communications, Ltd. and NRI WEBrandia, Ltd. are merged on April, 2009.
*2 NRI sold entire shares of NRI Learning Network, Ltd. and Insurance System & Technology, Ltd. on April, 2009.

MAJOR SHAREHOLDERS

Shareholders	Number of Shares Owned (thousands)	Ratio of Outstanding Shares (%)
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFCO Co., Ltd.	15,040	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV	10,076	4.48
CBNY-ORBIS FUNDS	8,793	3.91
Japan Trustee Services Bank, Ltd. (Trust Account)	5,890	2.62
NRI Group Employee Stock Ownership Association	5,794	2.58
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	5,530	2.46
The Master Trust Bank of Japan, Ltd.(Trust Account)	3,970	1.76

*NRI owns 30,473 thousand shares as treasury stock.

NRI Group (As of 1st April, 2009)

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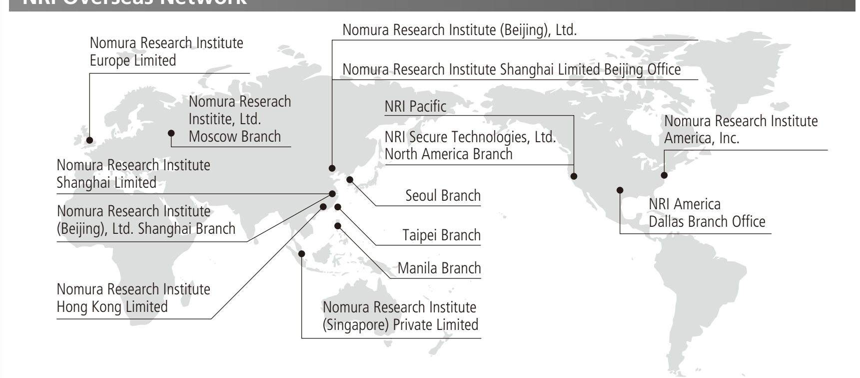
Tel. +852(2536)1900

Nomura Research Institute (Singapore) Private Limited
6 Battery Rd. #36-01,
Singapore 049909, Singapore
Tel. +65(6225)8441

NRI Overseas Network

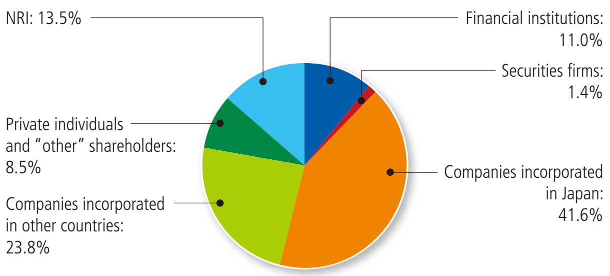


Corporate Data (As of 31st March, 2009)

Corporate Outline

Name	Nomura Research Institute, Ltd.
Head office address	Marunouchi Kitaguchi Building, 1-6-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Tel. +81(3)5533-2111
Capital	JPY18,600,000,000
Number of employees	5,030 (6,118 in the entire NRI Group)

Breakdown of Shares by Shareholder Category



Major Shareholders

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.	15,040	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV (Standing Proxy Agent: Citibank Japan Ltd.)	10,076	4.48
CBNY-ORBIS FUNDS (Standing Proxy Agent: Citibank Japan Ltd.)	8,793	3.91
Japan Trustee Services Bank, Ltd. (Trust Account)	5,890	2.62
NIR Group Employee Stock Ownership Association	5,794	2.58
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	5,530	2.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,970	1.76

Note: NRI owns 30,473 thousand shares of the treasury stock, but the figure excludes the shares mentioned above.

Stock Data

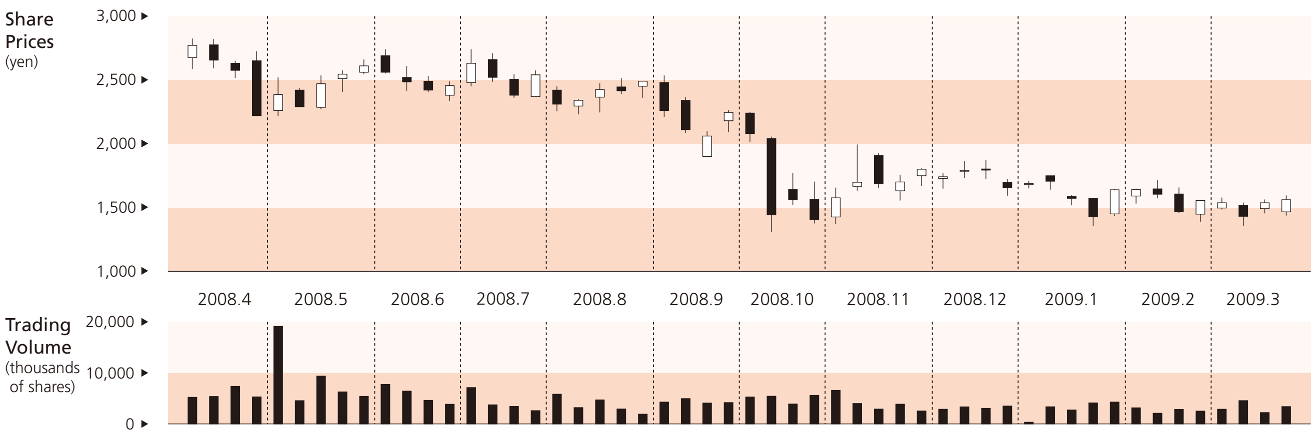
Total number of issuable shares	750,000,000
Total number of issued shares	225,000,000
Number of shareholders	18,209

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



Inquiries: IR Department Nomura Research Institute, Ltd. E-mail: ir@nri.co.jp

Nomura Research Institute, Ltd.

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