

Consolidated Financial Statements

Nomura Research Institute, Ltd.

*At 31st March, 2006 and 2007 and
for the years ended 31st March, 2005, 2006 and 2007
with Report of Independent Auditors*

and

*At 30th September, 2007 and for the six months ended
30th September, 2006 and 2007 (unaudited)*

Nomura Research Institute, Ltd.

Consolidated Financial Statements

At 31st March, 2006 and 2007 and
for the years ended 31st March, 2005, 2006 and 2007
with Report of Independent Auditors

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At 30th September, 2007 and for the six months ended
30th September, 2006 and 2007 (unaudited)

Index to Consolidated Financial Statements

	Page
Report of Independent Auditors	1
Consolidated Balance Sheets	2
Consolidated Statements of Income	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8

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, 2006 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended 31st March, 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, 2006 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended 31st March, 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, 2007 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

22nd June, 2007

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>	
	31st March,		30th September,	31st March,	30th September,
	2006	2007	2007	2007	2007
			(Unaudited)		(Unaudited)
Assets					
Current assets:					
Cash and bank deposits (Note 12)	¥ 26,005	¥ 20,941	¥ 20,559	\$ 181,370	\$ 178,062
Short-term investment securities (Notes 3 and 12)	44,439	112,536	121,666	974,675	1,053,750
Accounts receivable and other receivables (Notes 5 and 18)	56,898	68,703	59,616	595,037	516,335
Inventories	1,237	294	796	2,546	6,894
Deferred income taxes (Note 10)	7,656	8,409	7,136	72,830	61,805
Other current assets	1,604	1,775	2,553	15,375	22,111
Allowance for doubtful accounts	(60)	(74)	(62)	(641)	(537)
Total current assets	137,779	212,584	212,264	1,841,192	1,838,420
Property and equipment (Note 6):					
Land	11,282	11,292	11,292	97,800	97,800
Buildings, net	15,878	18,069	27,357	156,496	236,939
Machinery and equipment, net	12,805	16,305	16,424	141,218	142,249
Construction in progress	–	3,813	–	33,024	–
Property and equipment, net	39,965	49,479	55,073	428,538	476,988
Software and other intangibles	20,421	19,652	25,446	170,206	220,388
Investment securities (Notes 3 and 18)	97,683	65,875	50,422	570,544	436,705
Investments in affiliates (Note 3)	3,822	2,873	2,391	24,883	20,708
Deferred income taxes (Note 10)	1,615	572	5,405	4,954	46,813
Long-term loans receivable	–	7,264	7,318	62,914	63,381
Other assets (Notes 7 and 18)	10,531	13,182	12,370	114,169	107,138
Allowance for doubtful accounts	(29)	(23)	(22)	(199)	(191)
Total assets	¥311,787	¥371,458	¥370,667	\$3,217,201	\$3,210,350

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>	
	31st March,		30th September,	31st March,	30th September,
	2006	2007	2007	2007	2007
			(Unaudited)		(Unaudited)
Liabilities and Net Assets					
Current liabilities:					
Long-term debt due within one year (<i>Note 8</i>)	¥ 240	¥ –	¥ –	\$ –	\$ –
Accounts payable	29,453	33,202	35,632	287,563	308,609
Accrued expenses	14,948	20,583	17,287	178,270	149,723
Income taxes payable	13,002	12,839	11,036	111,199	95,583
Other current liabilities	7,260	14,115	11,285	122,249	97,739
Total current liabilities	64,903	80,739	75,240	699,281	651,654
Convertible bonds (<i>Note 8</i>)	–	50,000	50,000	433,050	433,050
Allowance for employees' retirement benefits (<i>Note 9</i>)	23,315	23,352	23,789	202,252	206,038
Deferred income taxes (<i>Note 10</i>)	14,268	1,134	2	9,822	17
Commitments and contingent liabilities (<i>Note 19</i>)					
Net assets (<i>Notes 11 and 13</i>):					
Shareholders' equity:					
Common stock:					
Authorised – 750,000,000 shares at 31st March, 2006 and 2007 and 30th September, 2007					
Issued – 225,000,000 shares at 31st March, 2006 and 2007 and 30th September, 2007	18,600	18,600	18,600	161,095	161,095
Additional paid-in capital	14,800	14,800	14,841	128,183	128,538
Retained earnings	186,670	206,990	220,850	1,792,742	1,912,784
Treasury stock, at cost:					
– 4,380,480 shares at 31st March, 2006, 4,291,620 shares at 31st March, 2007 and 21,242,218 shares at 30th September, 2007	(48,133)	(47,157)	(46,684)	(408,427)	(404,331)
Total shareholders' equity	171,937	193,233	207,607	1,673,593	1,798,086
Valuation and translation adjustments:					
Unrealised gain on other securities (<i>Note 3</i>)	37,369	22,194	13,224	192,222	114,533
Translation adjustments	(5)	499	414	4,322	3,586
Total valuation and translation adjustments	37,364	22,693	13,638	196,544	118,119
Share subscription rights (<i>Note 11</i>)	–	307	391	2,659	3,386
Total net assets	209,301	216,233	221,636	1,872,796	1,919,591
Total liabilities and net assets	¥311,787	¥371,458	¥370,667	\$3,217,201	\$3,210,350

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>			
	Year ended 31st March,			Six months ended 30th September,		Year ended 31st March,	Six months ended 30th September,
	2005	2006	2007	2006	2007	2007	2007
				(Unaudited)			(Unaudited)
Sales (<i>Note 18</i>)	¥252,963	¥285,585	¥322,532	¥146,452	¥165,145	\$2,793,452	\$1,430,322
Cost of sales (<i>Note 18</i>)	190,732	213,707	234,579	106,038	113,565	2,031,690	983,587
Gross profit	62,231	71,878	87,953	40,414	51,580	761,762	446,735
Selling, general and administrative expenses (<i>Notes 15, 16 and 18</i>)	32,072	35,409	44,056	19,574	24,165	381,570	209,294
Operating profit	30,159	36,469	43,897	20,840	27,415	380,192	237,441
Other income (expenses):							
Interest and dividend income (<i>Note 18</i>)	702	1,150	1,556	1,117	1,813	13,477	15,702
Equity in earnings of affiliates	227	563	511	467	73	4,426	632
Tender offer expense of treasury stock	-	(82)	-	-	-	-	-
Interest expense (<i>Note 8</i>)	(215)	(7)	(1)	(1)	-	(9)	-
Loss on property and equipment	(203)	(145)	-	-	-	-	-
Loss on impairment of software (<i>Note 17</i>)	(6,526)	-	-	-	-	-	-
Gain (loss) on investment securities (<i>Notes 3, 17 and 18</i>)	3,882	(572)	2,074	(8)	1,372	17,963	11,883
Gain on liquidation of a special purpose company (<i>Note 17</i>)	209	-	-	-	-	-	-
Bond issuance cost	-	-	(60)	-	-	(520)	-
Office integration and relocation expenses (<i>Note 17</i>)	(981)	-	(1,429)	-	-	(12,377)	-
Other, net	107	159	196	72	53	1,698	460
	(2,798)	1,066	2,847	1,647	3,311	24,658	28,677
Income before income taxes	27,361	37,535	46,744	22,487	30,726	404,850	266,118
Provision for income taxes (<i>Note 10</i>):							
Current	15,646	19,368	22,148	9,535	10,999	191,824	95,262
Deferred	(4,588)	(4,351)	(2,423)	(534)	1,390	(20,986)	12,039
	11,058	15,017	19,725	9,001	12,389	170,838	107,301
Net income (<i>Note 13</i>)	¥ 16,303	¥ 22,518	¥ 27,019	¥ 13,486	¥ 18,337	\$ 234,012	\$ 158,817

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					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealised gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	
Balance at 31st March, 2004	¥18,600	¥14,800	¥156,710	¥ (4)	¥190,106	¥40,082	¥(857)	¥ 39,225	¥ -	¥229,331
Purchases of treasury stock	-	-	-	(2)	(2)	-	-	-	-	(2)
Net income	-	-	16,303	-	16,303	-	-	-	-	16,303
Cash dividends paid	-	-	(2,700)	-	(2,700)	-	-	-	-	(2,700)
Bonuses to directors and statutory auditors	-	-	(295)	-	(295)	-	-	-	-	(295)
Net changes other than in shareholders' equity	-	-	-	-	-	(11,094)	224	(10,870)	-	(10,870)
Balance at 31st March, 2005	18,600	14,800	170,018	(6)	203,412	28,988	(633)	28,355	-	231,767
Purchases of treasury stock	-	-	-	(48,528)	(48,528)	-	-	-	-	(48,528)
Disposition of treasury stock	-	-	-	401	401	-	-	-	-	401
Net income	-	-	22,518	-	22,518	-	-	-	-	22,518
Cash dividends paid	-	-	(5,845)	-	(5,845)	-	-	-	-	(5,845)
Bonuses to directors and statutory auditors	-	-	(21)	-	(21)	-	-	-	-	(21)
Net changes other than in shareholders' equity	-	-	-	-	-	8,381	628	9,009	-	9,009
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

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				Valuation and translation adjustments					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealised gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	
Balance at 31st March, 2006	\$161,095	\$128,183	\$1,616,750	\$(416,880)	\$1,489,148	\$ 323,653	\$ (43)	\$ 323,610	\$ -	\$1,812,758
Purchases of treasury stock	-	-	-	(35)	(35)	-	-	-	-	(35)
Disposition of treasury stock	-	-	-	8,488	8,488	-	-	-	-	8,488
Net income	-	-	234,012	-	234,012	-	-	-	-	234,012
Cash dividends paid	-	-	(56,305)	-	(56,305)	-	-	-	-	(56,305)
Loss on disposition of treasury stock	-	-	(1,715)	-	(1,715)	-	-	-	-	(1,715)
Net changes other than in shareholders' equity	-	-	-	-	-	(131,431)	4,365	(127,066)	2,659	(124,407)
Balance at 31st March, 2007	\$161,095	\$128,183	\$1,792,742	\$(408,427)	\$1,673,593	\$ 192,222	\$4,322	\$ 196,544	\$2,659	\$1,872,796

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Net Assets (continued)

Millions of yen

	Shareholders' equity				Valuation and translation adjustments					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealised gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	
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	–	–	–	(2)	(2)	–	–	–	–	(2)
Disposition of treasury stock	–	–	–	242	242	–	–	–	–	242
Net income	–	–	13,486	–	13,486	–	–	–	–	13,486
Cash dividends paid	–	–	(3,655)	–	(3,655)	–	–	–	–	(3,655)
Loss on disposition of treasury stock	–	–	(110)	–	(110)	–	–	–	–	(110)
Net changes other than in shareholders' equity	–	–	–	–	–	(13,783)	296	(13,487)	102	(13,385)
Balance at 30th September, 2006 (Unaudited)	¥18,600	¥14,800	¥196,391	¥(47,893)	¥181,898	¥ 23,586	¥291	¥ 23,877	¥102	¥205,877

Millions of yen

	Shareholders' equity				Valuation and translation adjustments					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealised gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	
Balance at 31st March, 2007	¥18,600	¥14,800	¥206,990	¥(47,157)	¥193,233	¥22,194	¥499	¥22,693	¥307	¥216,233
Disposition of treasury stock	–	–	–	473	473	–	–	–	–	473
Net income	–	–	18,337	–	18,337	–	–	–	–	18,337
Cash dividends paid	–	–	(4,477)	–	(4,477)	–	–	–	–	(4,477)
Gain on disposition of treasury stock	–	41	–	–	41	–	–	–	–	41
Net changes other than in shareholders' equity	–	–	–	–	–	(8,970)	(85)	(9,055)	84	(8,971)
Balance at 30th September, 2007 (Unaudited)	¥18,600	¥14,841	¥220,850	¥(46,684)	¥207,607	¥13,224	¥414	¥13,638	¥391	¥221,636

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				Valuation and translation adjustments					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealised gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	
Balance at 31st March, 2007	\$161,095	\$128,183	\$1,792,742	\$(408,427)	\$1,673,593	\$192,222	\$4,322	\$196,544	\$2,659	\$1,872,796
Disposition of treasury stock	–	–	–	4,096	4,096	–	–	–	–	4,096
Net income	–	–	158,817	–	158,817	–	–	–	–	158,817
Cash dividends paid	–	–	(38,775)	–	(38,775)	–	–	–	–	(38,775)
Gain on disposition of treasury stock	–	355	–	–	355	–	–	–	–	355
Net changes other than in shareholders' equity	–	–	–	–	–	(77,689)	(736)	(78,425)	727	(77,698)
Balance at 30th September, 2007 (Unaudited)	\$161,095	\$128,538	\$1,912,784	\$(404,331)	\$1,798,086	\$114,533	\$3,586	\$118,119	\$3,386	\$1,919,591

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.
Consolidated Statements of Cash Flows

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars (Note 2)</i>		
	Year ended 31st March,		Six months ended 30th September,		Year ended	Six months ended	
	2005	2006	2007	2006	2007	31st March, 2007	30th September, 2007
			(Unaudited)			(Unaudited)	
Cash flows from operating activities							
Income before income taxes	¥ 27,361	¥ 37,535	¥ 46,744	¥ 22,487	¥ 30,726	\$ 404,850	\$ 266,118
Adjustments to reconcile income before income taxes to net cash provided by operating activities:							
Depreciation and amortisation	18,403	16,574	19,796	7,910	7,069	171,453	61,225
Interest and dividend income	(702)	(1,150)	(1,556)	(1,117)	(1,813)	(13,477)	(15,702)
Interest expense	215	7	1	1	-	9	-
Loss on property and equipment	203	145	-	-	-	-	-
Loss on impairment of software	6,526	-	-	-	-	-	-
(Gain) loss on investment securities	(3,882)	572	(2,074)	8	(1,372)	(17,963)	(11,883)
Gain on liquidation of a special purpose company	(209)	-	-	-	-	-	-
Changes in operating assets and liabilities:							
Accounts receivable and other receivables, net of advance payments received	(4,880)	894	(11,826)	(7,280)	9,180	(102,425)	79,508
Allowance for doubtful accounts	18	(13)	8	1	(13)	69	(114)
Accounts payable	(364)	9,617	3,786	1,124	2,352	32,791	20,371
Inventories	(658)	(479)	936	(1,146)	(502)	8,107	(4,348)
Allowance for employees' retirement benefits and welfare pension plan	73	617	37	(6)	437	320	3,785
Other	1,608	1,747	4,378	(1,415)	(3,843)	37,919	(33,284)
Subtotal	43,712	66,066	60,230	20,567	42,221	521,653	365,676
Interest and dividends received	742	1,188	1,644	1,273	1,757	14,239	15,217
Interest paid	(215)	(7)	(1)	(1)	-	(9)	-
Income taxes paid	(16,669)	(18,371)	(22,289)	(12,680)	(12,803)	(193,046)	(110,886)
Net cash provided by operating activities	27,570	48,876	39,584	9,159	31,175	342,837	270,007
Cash flows from investing activities							
Payments for time deposits	(6,148)	(6,778)	(7,641)	(7,288)	(8,146)	(66,179)	(70,553)
Proceeds from time deposits	-	6,523	7,203	7,029	7,557	62,385	65,451
Increase in short-term investment securities	(25,984)	(18,265)	(30,951)	(10,982)	(17,946)	(268,067)	(155,430)
Proceeds from sales and redemption of short-term investment securities	-	31,214	33,910	12,910	4,000	293,695	34,644
Acquisition of property and equipment	(8,052)	(9,800)	(11,686)	(3,923)	(11,838)	(101,213)	(102,529)
Proceeds from sales of property and equipment	837	473	285	10	6	2,468	52
Increase arising from liquidation of special purpose company	213	-	-	-	-	-	-
Increase in software and other intangibles	(9,327)	(8,212)	(12,435)	(5,534)	(8,802)	(107,700)	(76,234)
Proceeds from sales of software and other intangibles	113	60	11	5	-	95	-
Increase in investment securities	(39,889)	(11,976)	(343)	(37)	(6)	(2,971)	(52)
Proceeds from sales and redemption of investment securities	6,131	34,590	8,673	3,409	2,407	75,117	20,847
Proceeds from sales of investment in subsidiaries	-	-	322	-	-	2,789	-
Increase in investments in affiliates	-	(60)	-	-	-	-	-
Proceeds from sales of investments in affiliates	-	9	1,256	-	-	10,878	-
Increase in long-term loans receivable	-	-	(7,246)	-	-	(62,758)	-
Other	124	76	62	40	55	539	476
Net cash (used in) provided by investing activities	(81,982)	17,854	(18,580)	(4,361)	(32,713)	(160,922)	(283,328)
Cash flows from financing activities							
Proceeds from long-term debt	1,200	-	-	-	-	-	-
Repayment of long-term debt	(2,430)	(840)	(240)	(120)	-	(2,079)	-
Proceeds from issuance of convertible bonds	-	-	50,000	-	-	433,050	-
Proceeds from sales of treasury stock	-	380	782	132	347	6,773	3,005
Purchases of treasury stock	(2)	(48,528)	(4)	(2)	-	(35)	-
Cash dividends paid	(2,696)	(5,841)	(6,497)	(3,653)	(4,462)	(56,270)	(38,645)
Net cash (used in) provided by financing activities	(3,928)	(54,829)	44,041	(3,643)	(4,115)	381,439	(35,640)
Effect of exchange rate changes on cash and cash equivalents	206	174	56	28	(138)	486	(1,196)
Net (decrease) increase in cash and cash equivalents	(58,134)	12,075	65,101	1,183	(5,791)	563,840	(50,157)
Cash and cash equivalents at beginning of period	96,812	38,678	50,753	50,753	115,854	439,572	1,003,412
Cash and cash equivalents at end of period	¥ 38,678	¥ 50,753	¥ 115,854	¥ 51,936	¥ 110,063	\$ 1,003,412	\$ 953,255

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

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 21.

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 Securities and Exchange Law 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, 2005, 2006 and 2007 and for the six months ended 30th September, 2006 and 2007 include the accounts of the Company and any significant companies which are controlled directly or indirectly by the Company. All subsidiaries (19, 19 and 14 for the years ended 31st March, 2005, 2006 and 2007, respectively, and 18 and 15 for the six months ended 30th September, 2006 and 2007, respectively) have been consolidated. The major consolidated subsidiary is Nomura Research Institute America, Inc. Effective the six months ended 30th September, 2007, UBIQLINK, Ltd. has been initially consolidated. Effective the year ended 31st March, 2007, NRI Data Service, Ltd., which had been a major wholly-owned consolidated subsidiary, was excluded from the scope of consolidation resulting from its merger with the Company. On 1st October, 2006, the Company sold all its shares of common stock of NRI Garden Network, Ltd., which had been a wholly-owned consolidated subsidiary, and accordingly, it was excluded from the scope of consolidation. The results of its operations and cash flows through 1st October, 2006 have been consolidated into the Company.

1. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

All significant intercompany balances and transactions have been eliminated in consolidation.

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 are accounted for by the equity method for the year ended 31st March, 2007, one of which is Nomura Funds Research & Technologies Co., Ltd., and the other is Nihon Clearing Services Co., Ltd. Nomura Funds Research & Technologies Co., Ltd., which had been a major affiliated company, was excluded from the scope of the equity method as a result of a sale of all its shares during the year ended 31st March, 2007. The results of its operations through 1st October, 2006 have been included in the accompanying consolidated statement of income for the year ended 31st March, 2007.

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 acquisition dates which are readily convertible into cash.

Investment Securities

The Company holds investment securities in its major shareholder, Nomura Holdings, Inc. 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 amortised 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. Unrealised gain or loss on marketable securities classified as other securities is included as a 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 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.

1. Significant Accounting Policies (continued)

Investment Securities (continued)

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

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 utilised, 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.

Depreciation of Property and Equipment

Property and equipment is stated at cost. Depreciation is calculated principally by the declining-balance method over the 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 estimated useful lives.

Amortisation of Software and Other Intangibles

Development costs of computer software to be sold are amortised based on the estimated volume of sales or the estimated sales revenue with the minimum amortisation 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 amortised over useful lives of up to five years.

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

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. Actuarial gain or loss is amortised by the straight-line method over a defined period not exceeding the average remaining period of employment (15 years) and is recognised as a pension cost.

Accrual for Retirement Benefits for Directors and Statutory Auditors

Until the year ended 31st March, 2005, the Company and its domestic consolidated subsidiaries provided an accrual for retirement benefits for directors and statutory auditors at the amount which would have been required to be paid if all directors and statutory auditors resigned as of the balance sheet date in accordance with the Company's or its domestic consolidated subsidiaries' internal regulations.

Effective the year ended 31st March, 2006, the Company and its domestic consolidated subsidiaries have not provided such accrual for retirement benefits for directors and statutory auditors in accordance with the discontinuation of the retirement benefit program for these officers.

Leases

Where finance leases do not transfer ownership of the leased property to the lessee, the leased property is not capitalised and the related rental and lease expenses are charged to income as incurred.

Revenue Recognition

In principle, revenues arising from research, consulting projects and system development projects are recognised by the percentage-of-completion method and revenues from other projects are recognised 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 Costs

Bond issuance costs are 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. Appropriation from capital surplus and retained earnings are reflected in the financial statements in the period in which such resolutions are approved.

1. Significant Accounting Policies (continued)

Accounting Change

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 of Japan. As a result of this change, operating profit and income before income taxes for the six months ended 30th September, 2007 decreased by ¥89 million (\$771 thousand) from the corresponding amounts which would have been recorded under the previous method.

Supplementary Information

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 the 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 profit and income before income taxes for the six months ended 30th September, 2007 decreased by ¥80 million (\$693 thousand) from the corresponding amounts which would have been recorded under the previous method.

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 $¥115.46 = \text{U.S.}\$1.00$, the rate of exchange prevailing on 30th September, 2007. 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, realised 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, 2006 and 2007 and at 30th September, 2007.

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, 2006 and 2007 and 30th September, 2007:

a) Marketable securities classified as other securities

	<i>Millions of yen</i>					
	Acquisition cost		Carrying amount		Unrealised gain (loss)	
	31st March,		31st March,		31st March,	
	2006	2007	2006	2007	2006	2007
Equity securities	¥14,137	¥14,118	¥77,086	¥51,141	¥62,949	¥37,023
Debt securities:						
Government debt securities	–	17,982	–	17,982	–	–
Corporate debt securities	12,207	4,000	12,191	4,000	(16)	–
Other debt securities	1,712	–	1,711	–	(1)	–
	13,919	21,982	13,902	21,982	(17)	–
Other	2,995	1,343	2,978	1,646	(17)	303
Total	¥31,051	¥37,443	¥93,966	¥74,769	¥62,915	¥37,326

	<i>Millions of yen</i>		
	30th September, 2007		
	Acquisition cost	Carrying amount	Unrealised gain (loss)
		(Unaudited)	
Equity securities	¥13,256	¥35,329	¥22,073
Debt securities:			
Government debt securities	25,978	25,982	4
Corporate debt securities	6,000	5,994	(6)
	31,978	31,976	(2)
Other	1,278	1,484	206
Total	¥46,512	¥68,789	¥22,277

	<i>Thousands of U.S. dollars</i>					
	31st March, 2007			30th September, 2007		
	Acquisition cost	Carrying amount	Unrealised gain (loss)	Acquisition cost	Carrying amount	Unrealised gain (loss)
					(Unaudited)	
Equity securities	\$122,276	\$442,933	\$320,657	\$114,810	\$305,985	\$191,175
Debt securities:						
Government debt securities	155,742	155,742	–	224,996	225,030	34
Corporate debt securities	34,644	34,644	–	51,966	51,914	(52)
	190,386	190,386	–	276,962	276,944	(18)
Other	11,632	14,256	2,624	11,069	12,853	1,784
Total	\$324,294	\$647,575	\$323,281	\$402,841	\$595,782	\$192,941

3. Investments (continued)

a) Marketable securities classified as other securities (continued)

Investment partnerships, which are evaluated 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, 2005, 2006 and 2007 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2005	2006	2007	2007
Proceeds	¥6,032	¥40,013	¥2,110	\$18,275
Gross gain	5,524	724	2,081	18,024
Gross loss	(86)	(98)	-	-

There were no losses on devaluation of the marketable securities classified as other securities as a result of a permanent decline for the years ended 31st March, 2005, 2006 and 2007 or for the six months ended 30th September, 2006 and 2007.

b) Non-marketable securities classified as other securities

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	31st March,		30th September,	31st March,	30th September,
	2006	2007	2007	2007	2007
			(Unaudited)		(Unaudited)
Other securities:					
Equity securities	¥15,256	¥15,543	¥15,536	\$134,618	\$134,557
Money management funds	6,553	6,565	4,576	56,860	39,633
Free financial funds	15,000	37,025	23,051	320,674	199,645
Cash reserve funds	-	8,002	19,023	69,305	164,758
Commercial paper	13,973	38,961	43,041	337,442	372,778

Investments in affiliates which are included in equity securities include investments in net assets of affiliated companies accounted for under the equity method totaling ¥1,196 million and ¥418 million (\$3,620 thousand) at 31st March, 2006 and 2007, respectively.

3. Investments (continued)

c) Maturities of debt securities

Maturities of debt securities classified as other securities at 31st March, 2007 are summarised as follows:

	<i>Millions of yen</i>			
	31st March, 2007			
	Debt securities			
	Government debt securities	Corporate debt securities	Other debt securities	Other
Due within one year	¥18,000	¥4,000	¥39,000	¥ –

	<i>Thousands of U.S. dollars</i>			
	31st March, 2007			
	Debt securities			
	Government debt securities	Corporate debt securities	Other debt securities	Other
Due within one year	\$155,898	\$34,644	\$337,779	\$ –

4. Derivatives

The Company and certain of its consolidated subsidiaries enter into interest-rate swap agreements in order to manage certain risk arising from adverse fluctuation in the interest rates on their bank loans. Interest-rate swaps are used to hedge significant risk arising from fluctuation in the interest rates. No derivative transactions for trading purposes are permitted under the Company's internal regulations. Although the Company and certain of its subsidiaries are exposed to credit risk in the event of nonperformance by the counterparties, such risk is minimised by selecting counterparties with high credit ratings. Transactions are centrally controlled at the Company, and internal approval is necessary for entering into derivative transactions in accordance with internal approval policies.

All derivatives held by a consolidated subsidiary for the year ended 31st March, 2005 were for hedging purposes. The Company had no open derivatives positions at 31st March, 2006 and 2007 and 30th September, 2007. Because all derivatives positions were closed at 31st March, 2005, the related information on their respective market value has not been presented.

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 ¥12,271 million, ¥17,148 million (\$148,519 thousand) and ¥27,443 million (\$237,684 thousand) (unaudited) at 31st March, 2006 and 2007 and 30th September, 2007, respectively.

6. Property and Equipment

Property and equipment are summarised as follows:

	Years Useful life	Millions of yen			Thousands of U.S. dollars	
		31st March,		30th September,	31st March,	30th September,
		2006	2007	2007	2007	2007
				(Unaudited)		(Unaudited)
Land		¥ 11,282	¥ 11,292	¥ 11,292	\$ 97,800	\$ 97,800
Buildings	15 – 50	38,972	42,471	52,388	367,842	453,733
Machinery and equipment	3 – 15	41,256	45,194	47,262	391,426	409,337
Construction in progress		–	3,813	–	33,024	–
Accumulated depreciation		(51,545)	(53,291)	(55,869)	(461,554)	(483,882)
Property and equipment, net		¥ 39,965	¥ 49,479	¥ 55,073	\$ 428,538	\$ 476,988

7. Other Assets

Other assets consisted of the following:

	Millions of yen			Thousands of U.S. dollars	
	31st March,		30th September,	31st March,	30th September,
	2006	2007	2007	2007	2007
			(Unaudited)		(Unaudited)
Lease deposits	¥ 9,112	¥10,195	¥ 9,541	\$ 88,299	\$ 82,635
Other	1,419	2,987	2,829	25,870	24,503
Other assets	¥10,531	¥13,182	¥12,370	\$114,169	\$107,138

Other includes golf club memberships.

8. Long-Term Debt

At 31st March, 2006 and 2007 and 30th September, 2007, no short-term bank borrowings were outstanding.

Long-term debt consisted of the following:

	Millions of yen			Thousands of U.S. dollars	
	31st March,		30th September,	31st March,	30th September,
	2006	2007	2007	2007	2007
			(Unaudited)		(Unaudited)
Loans principally from banks	¥ 240	¥ –	¥ –	\$ –	\$ –
Convertible bonds	–	50,000	50,000	433,050	433,050
Less current portion	240	–	–	–	–
Long-term debt	¥ –	¥ 50,000	¥ 50,000	\$433,050	\$433,050

The weighted-average interest rate on long-term debt due within one year was 0.7% at 31st March, 2006. Convertible bonds bear no interest rate.

9. Retirement and Severance Benefits

Employees of the Company and its domestic consolidated subsidiaries who terminate their employment are entitled, under most circumstances, to lump-sum payments and/or annuity payments determined by reference to their current basic rate of pay, length of service and the conditions under which termination occurs.

The Company established an employee retirement benefit trust as of 28th March, 2003 by contributing certain marketable securities to it.

The Company and certain of its consolidated subsidiaries have also adopted defined contribution pension plans.

The following table sets forth the funded and accrued status of the retirement and severance benefit plans and the amounts recognised in the consolidated balance sheets at 31st March, 2006 and 2007 for the Company's and its consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2006	2007	2007
Retirement benefit obligation	¥(65,274)	¥(74,048)	\$(641,330)
Plan assets at fair value	54,536	57,590	498,787
Unfunded retirement benefit obligation	(10,738)	(16,458)	(142,543)
Unrecognised actuarial gain	(12,577)	(6,894)	(59,709)
Unfunded retirement benefit obligation recognised on the balance sheets	¥(23,315)	¥(23,352)	\$(202,252)

Plan assets at fair value include the employee retirement benefit trust of ¥11,949 million and ¥10,794 million (\$93,487 thousand) at 31st March, 2006 and 2007, respectively.

The components of retirement benefit expenses for the years ended 31st March, 2005, 2006 and 2007 are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2005	2006	2007	2007
Service cost	¥4,092	¥4,122	¥4,138	\$35,839
Interest cost	1,027	1,090	1,199	10,385
Expected return on plan assets	(429)	(492)	(639)	(5,534)
Recognised actuarial gain	(538)	(269)	(892)	(7,726)
Subtotal	4,152	4,451	3,806	32,964
Other	288	297	315	2,728
Total	¥4,440	¥4,748	¥4,121	\$35,692

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

9. Retirement and Severance Benefits (continued)

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

	31st March,		
	2005	2006	2007
Discount rates at the end of the year	1.8%	1.9%	2.1%
Expected rate of return on plan assets	1.5%	1.5%	1.5%

10. Income Taxes

The significant components of deferred income tax assets and liabilities were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2006	2007	2007
Deferred income tax assets:			
Employees' retirement benefits	¥ 11,616	¥ 11,639	\$ 100,805
Depreciation	4,798	5,944	51,481
Accrued bonuses	3,805	4,943	42,811
Other	5,033	4,440	38,456
	<u>25,252</u>	<u>26,966</u>	<u>233,553</u>
Deferred income tax liabilities:			
Unrealised gain on other securities	(25,542)	(15,122)	(130,972)
Special tax-purpose reserve	(4,617)	(3,109)	(26,927)
Undistributed earnings of foreign subsidiaries	-	(885)	(7,665)
Other	(90)	(3)	(27)
	<u>(30,249)</u>	<u>(19,119)</u>	<u>(165,591)</u>
Deferred income tax assets (liabilities), net	<u>¥ (4,997)</u>	<u>¥ 7,847</u>	<u>\$ 67,962</u>

Income taxes applicable to the Company and its consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6 per cent for the years ended 31st March, 2005, 2006 and 2007.

The effective tax rates reflected in the accompanying consolidated statements of income differ from the statutory tax rate primarily as a result of the effect of permanently nondeductible expenses; however, such differences were not material for the years ended 31st March, 2005, 2006 and 2007.

11. 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, ¥570 million (\$4,937 thousand) and ¥570 million (\$4,937 thousand) at 31st March, 2006 and 2007 and 30th September, 2007, 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, 2007 and for the six months ended 30th September, 2007 are summarised as follows:

	31st March, 2007		30th September, 2007	
	Shares in issue	Treasury stock	Shares in issue	Treasury stock
			(Unaudited)	
Number of shares at beginning of period	45,000,000	4,380,480	45,000,000	4,291,620
Increase in number of shares	–	240	180,000,000	17,166,598
Decrease in number of shares	–	89,100	–	216,000
Number of shares at the end of period	<u>45,000,000</u>	<u>4,291,620</u>	<u>225,000,000</u>	<u>21,242,218</u>

*1 Shares in issue increased by 180,000,000 shares for the six months ended 30th September, 2007 due to a five-for-one stock split made by the Company on 1st April, 2007.

*2 Treasury stock increased by 17,166,598 shares for the six months ended 30th September, 2007 due primarily to a five-for-one stock split implemented by the Company on 1st April, 2007. Treasury stock decreased by 216,000 shares resulting from disposition of treasury stock along with the execution of stock options.

Share subscription rights recorded in the consolidated balance sheet at 31st March, 2007 relate to the Company's stock option plan described in Note 20.

The following appropriation of retained earnings applicable to the year ended 31st March, 2007 was approved at a meeting of the Board of Directors held on 15th May, 2007 and went into effect on 1st June, 2007:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 15th May, 2007 (¥110.00 = U.S.\$0.95 per share)	¥4,478	\$38,784

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

12. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the consolidated balance sheets at 31st March, 2006 and 2007 and 30th September, 2007 and cash and cash equivalents in the corresponding statements of cash flows is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	31st March, 2006	2007	30th September, 2007 (Unaudited)	31st March, 2007 (Unaudited)
Cash and bank deposits	¥ 26,005	¥ 20,941	¥ 20,559	\$ 181,370
Short-term investment securities	44,439	112,536	121,666	974,675
Time deposits with maturities of more than three months when deposited	(6,778)	(7,641)	(8,184)	(66,179)
Bonds and other investments maturing in more than three months from the acquisition date	(12,913)	(9,982)	(23,978)	(86,454)
Cash and cash equivalents	<u>¥ 50,753</u>	<u>¥ 115,854</u>	<u>¥ 110,063</u>	<u>\$ 1,003,412</u>

There were no significant non-cash transactions for the years ended 31st March, 2005, 2006 and 2007 and for the six months ended 30th September, 2006 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 summarised as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2007	31st March, 2007
Current assets	¥ 579	\$ 5,015
Noncurrent assets	266	2,304
Current liabilities	(199)	(1,724)
Amount of the sale	646	5,595
Cash and cash equivalents of the subsidiary	(323)	(2,797)
Proceeds from the sale of the subsidiary	<u>¥ 323</u>	<u>\$ 2,798</u>

There were no such transactions for the years ended 31st March, 2005 and 2006.

13. Per Share Data

Per share data is summarised as follows:

	<i>Yen</i>				
	<u>31st March,</u>			<u>30th September,</u>	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
				(Unaudited)	(Unaudited)
Earnings per share	¥362.30	¥519.72	¥664.77	¥331.94	¥90.05
Diluted earnings per share	362.29	519.31	650.95	331.43	84.96

	<i>Yen</i>		
	<u>31st March,</u>		<u>30th September,</u>
	<u>2006</u>	<u>2007</u>	<u>2007</u>
			(Unaudited)
Net assets per share	¥5,152.73	¥5,304.20	¥1,085.82

	<i>U.S. dollars</i>	
	<u>31st March,</u>	<u>30th September,</u>
	<u>2007</u>	<u>2007</u>
		(Unaudited)
Earnings per share	\$ 5.76	\$ 0.78
Diluted earnings per share	5.64	0.74
Net assets per share	45.94	9.40

* The Company made a five-for-one stock split on 1st April, 2007. Per share information for the six months ended 30th September, 2006 and for the year ended 31st March, 2007 with the assumption that this stock split took place at the beginning of each period is summarised as follows:

	<i>Yen</i>	
	<u>30th September,</u>	<u>31st March,</u>
	<u>2006</u>	<u>2007</u>
		(Unaudited)
Earnings per share	¥66.39	¥132.95
Diluted earnings per share	66.29	130.19

	<i>Yen</i>	
	<u>30th September,</u>	<u>31st March,</u>
	<u>2006</u>	<u>2007</u>
		(Unaudited)
Net assets per share	¥1,012.63	¥1,060.84

	<i>U.S. dollars</i>	
	<u>30th September,</u>	<u>31st March,</u>
	<u>2006</u>	<u>2007</u>
		(Unaudited)
Earnings per share	\$0.58	\$1.15
Diluted earnings per share	0.57	1.13
Net assets per share	8.77	9.19

13. Per Share Data (continued)

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, 2005, 2006 and 2007 and the six months ended 30th September, 2006 and 2007 is as follows:

	<i>Millions of yen</i>				
	31st March,			30th September,	
	2005	2006	2007	2006	2007
	(Unaudited)				
Numerator:					
Earnings:	¥16,303	¥22,518	¥27,019	¥13,486	¥18,337
Earnings not available to common stockholders	—	—	—	—	—
Earnings available to common stockholders	<u>¥16,303</u>	<u>¥22,518</u>	<u>¥27,019</u>	<u>¥13,486</u>	<u>¥18,337</u>
Denominator:					
(Weighted-average number of shares of common stock):					
Denominator for earnings per share	44,999,553	43,327,189	40,644,174	40,628,950	203,639,610
Potentially dilutive shares of common stock	<u>1,457</u>	<u>34,124</u>	<u>862,919</u>	<u>61,789</u>	<u>12,199,574</u>
Denominator for diluted earnings per share	<u>45,001,010</u>	<u>43,361,313</u>	<u>41,507,093</u>	<u>40,690,739</u>	<u>215,839,184</u>
	<i>Thousands of U.S. dollars</i>				
	31st March,		30th September,		
	2007		2007		
	(Unaudited)				
Numerator:					
Earnings:	\$234,012	\$158,817			
Earnings not available to common stockholders	—	—			
Earnings available to common stockholders	<u>\$234,012</u>	<u>\$158,817</u>			
Denominator:					
(Weighted-average number of shares of common stock):					
Denominator for earnings per share	40,644,174	203,639,610			
Potentially dilutive shares of common stock	<u>862,919</u>	<u>12,199,574</u>			
Denominator for diluted earnings per share	<u>41,507,093</u>	<u>215,839,184</u>			

13. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect, and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2005, 2006 and 2007 and the six months ended 30th September, 2006 and 2007:

	<i>Yen</i>				
	31st March,			30th September,	
	2005	2006	2007	2006	2007
	(Unaudited)				
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	80,500	68,000	65,000	68,000	325,000
Exercise price per share	¥ 17,913	¥ 17,913	¥ 17,913	¥ 17,913	¥ 3,583
Average share price for the exercise period	¥10,268.33	¥12,108.25	¥15,905.61	¥14,445.76	¥3,351.45
b) Share subscription rights to 845 units issued on 24th June, 2004:					
Number of shares reserved for new shares issuable upon exercise of share subscription rights	84,500	–	–	–	–
Exercise price per share	¥ 11,418	–	–	–	–
Average share price for the exercise period	¥9,924.71	–	–	–	–
c) Share subscription rights to 800 units issued on 11th September, 2006:					
Number of shares reserved for new shares issuable upon exercise of share subscription rights	–	–	–	80,000	–
Exercise price per share	–	–	–	¥ 16,409	–
Average share price for the exercise period	–	–	–	¥15,872.86	–
d) Share subscription rights to 4,225 units issued on 10th July, 2007:					
Number of shares reserved for new shares issuable upon exercise of share subscription rights	–	–	–	–	422,500
Exercise price per share	–	–	–	–	¥ 3,680
Average share price for the exercise period	–	–	–	–	¥ 3,740.54

13. Per Share Data (continued)

	<i>U.S. dollars</i>	
	<u>31st March, 2007</u>	<u>30th September, 2007</u>
		(Unaudited)
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	65,000	325,000
Exercise price per share	\$155.14	\$31.03
Average share price for the exercise period	\$137.76	\$29.03
b) Share subscription rights to 845 units issued on 24th June, 2004:		
Number of shares reserved for new shares issuable upon exercise of share subscription rights	–	–
Exercise price per share	–	–
Average share price for the exercise period	–	–
c) Convertible bonds issued on 1st December, 2006:		
Number of shares reserved for new shares issuable upon conversion of convertible bonds	2,367,424	11,837,121
Conversion price	\$182.92	\$36.58
Average share price for the conversion period	\$152.97	\$30.65

The computation of net assets per share at 31st March, 2006 and 2007 and 30th September, 2007 is summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	<u>31st March, 2006</u>	<u>2007</u>	<u>30th September, 2007</u>	<u>31st March, 2007</u>	<u>30th September, 2007</u>
			(Unaudited)		(Unaudited)
Numerator:					
Net assets	¥209,301	¥216,233	¥221,636	\$1,872,796	\$1,919,591
Less subscription rights to shares	–	(307)	(391)	(2,659)	(3,386)
Net assets related to shares of common stock	<u>¥209,301</u>	<u>¥215,926</u>	<u>¥221,245</u>	<u>\$1,870,137</u>	<u>\$1,916,205</u>
Denominator:					
Number of shares of common stock outstanding	<u>40,619,520</u>	<u>40,708,380</u>	<u>203,757,782</u>	<u>40,708,380</u>	<u>203,757,782</u>

14. Leases

1) As lessee

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of 31st March, 2006 and 2007 and 30th September, 2007, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	<i>Millions of yen</i>					
	Acquisition costs		Accumulated depreciation		Net book value	
	31st March,		31st March,		31st March,	
	2006	2007	2006	2007	2006	2007
Machinery and equipment	¥6,001	¥4,743	¥3,672	¥3,318	¥2,329	¥1,425
Software	157	42	103	25	54	17
Total	¥6,158	¥4,785	¥3,775	¥3,343	¥2,383	¥1,442

	<i>Millions of yen</i>		
	30th September, 2007		
	Acquisition costs	Accumulated depreciation	Net book value
		(Unaudited)	
Machinery and equipment	¥3,838	¥2,912	¥926
Software	42	29	13
Total	¥3,880	¥2,941	¥939

	<i>Thousands of U.S. dollars</i>					
	31st March, 2007			30th September, 2007		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
					(Unaudited)	
Machinery and equipment	\$41,079	\$28,737	\$12,342	\$33,241	\$25,221	\$8,020
Software	364	217	147	364	251	113
Total	\$41,443	\$28,954	\$12,489	\$33,605	\$25,472	\$8,133

14. Leases (continued)

1) As lessee (continued)

Lease payments, depreciation and interest expense for these finance leases for the years ended 31st March, 2005, 2006 and 2007 and for the six months ended 30th September, 2006 and 2007 are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2005	2006	2007	2007
Lease payments	¥2,659	¥1,903	¥1,235	\$10,696
Depreciation	2,554	1,827	1,181	10,229
Interest expense	77	49	36	312

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	30th September,		30th September,
	2006	2007	2007
	(Unaudited)		(Unaudited)
Lease payments	¥686	¥502	\$4,348
Depreciation	656	482	4,175
Interest expense	21	11	95

Future minimum lease payments for finance leases accounted for as operating leases and noncancelable operating leases subsequent to 31st March, 2006 and 2007 and 30th September, 2007 are summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	Finance leases		Operating leases		Finance leases	Operating leases
	31st March,		31st March,		31st March,	
	2006	2007	2006	2007	2007	2007
Future minimum lease payments due:						
Within one year	¥1,610	¥1,339	¥177	¥251	\$11,597	\$2,174
Thereafter	2,297	1,558	369	458	13,494	3,967
Total	¥3,907	¥2,897	¥546	¥709	\$25,091	\$6,141

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	30th September, 2007		30th September, 2007	
	Finance leases	Operating leases	Finance leases	Operating leases
	(Unaudited)		(Unaudited)	
Future minimum lease payments due:				
Within one year	¥1,102	¥246	\$ 9,544	\$2,131
Thereafter	1,341	366	11,614	3,170
Total	¥2,443	¥612	\$21,158	\$5,301

14. Leases (continued)

2) As lessor

There were no finance lease transactions for the years ended 31st March, 2005, 2006 and 2007 and for the six months ended 30th September, 2006 and 2007.

Future minimum lease income from subleases accounted for as finance leases and operating leases subsequent to 31st March, 2006 and 2007 and 30th September, 2007 is summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	Subleases*		Operating leases		Subleases*	Operating leases
	31st March,		31st March,		31st March,	
	2006	2007	2006	2007	2007	
Future minimum lease income due:						
Within one year	¥ 946	¥ 1,130	¥142	¥88	\$ 9,787	\$ 762
Thereafter	2,077	2,034	145	58	17,616	502
Total	<u>¥3,023</u>	<u>¥3,164</u>	<u>¥287</u>	<u>¥146</u>	<u>\$27,403</u>	<u>\$1,264</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	30th September, 2007		30th September, 2007	
	Subleases*	Operating leases	Subleases*	Operating leases
	(Unaudited)		(Unaudited)	
Future minimum lease income due:				
Within one year	¥1,212	¥33	\$10,497	\$286
Thereafter	1,969	41	17,054	355
Total	<u>¥3,181</u>	<u>¥74</u>	<u>\$27,551</u>	<u>\$641</u>

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

15. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2005, 2006 and 2007 and for the six months ended 30th September, 2006 and 2007 are summarised as follows:

	<i>Millions of yen</i>					<i>Thousands of U.S. dollars</i>	
	31st March,			30th September,		31st March,	30th September,
	2005	2006	2007	2006	2007	2007	2007
				(Unaudited)			(Unaudited)
Personnel expenses	¥17,722	¥18,594	¥21,778	¥10,778	¥12,322	\$188,619	\$106,721
Rent	3,370	3,259	3,582	1,718	2,111	31,024	18,283
Subcontractor costs	3,254	4,600	5,882	2,331	3,916	50,944	33,917
Other	7,726	8,956	12,814	4,747	5,816	110,983	50,373
Total	<u>¥32,072</u>	<u>¥35,409</u>	<u>¥44,056</u>	<u>¥19,574</u>	<u>¥24,165</u>	<u>\$381,570</u>	<u>\$209,294</u>

16. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended 31st March, 2005, 2006 and 2007 and for the six months ended 30th September, 2006 and 2007 are summarised as follows:

<i>Millions of yen</i>					<i>Thousands of U.S. dollars</i>	
31st March,			30th September,		31st March,	30th September,
2005	2006	2007	2006	2007	2007	2007
			(Unaudited)			(Unaudited)
¥1,647	¥2,502	¥2,865	¥1,173	¥2,062	\$24,814	\$17,859

17. Other Income (Expenses)

1) Loss on impairment of software

Loss on impairment of software for the year ended 31st March, 2005 was recognised as a result of the revaluation of software costs due to drastic changes in the clients business environment.

2) Gain (loss) on investment securities

Gain on investment securities for the year ended 31st March, 2005 consisted of gain on investment securities of ¥5,524 million and loss on investment securities of ¥1,642 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 loss on the devaluation of shares of Saitama Development Co., Ltd. and Japan Investor Solutions & Technologies Co., Ltd. as a result of their decline in value which was deemed permanent.

Loss on investment securities for the year ended 31st March, 2006 consisted of gain on investment securities of ¥724 million and loss on investment securities of ¥1,296 million. Gain on investment securities consisted principally of gain on the sale of shares of Monex Beans Holdings, Inc. Loss on investment securities consisted principally of loss on the devaluation of shares of IY Card Service Co., Ltd., BELL NET CORPORATION and 7dream.com as a result of their decline in value which was deemed permanent and loss on the sale of an investment in OmniTrust Security System, Inc.

Gain on investment securities for the year ended 31st March, 2007 consisted of gain on investment securities of ¥2,081 million (\$18,024 thousand) and loss on investment securities of ¥7 million (\$61 thousand). 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 loss on the devaluation of shares of Nippon BS Broadcasting Corporation as a result of their decline in value which was deemed permanent.

Gain on investment securities for the six months ended 30th September, 2007 consisted principally of gain on the sales of Argo 21 Corporation and NET MARKS, INC.

17. Other Income (Expenses) (continued)

3) Gain on liquidation of a special purpose company

Gain on liquidation of a special purpose company for the year ended 31st March, 2005 was a gain on the liquidation of South Plaza Co., Ltd.

4) Office integration and relocation expenses

Office relocation expenses for the year ended 31st March, 2005 arose from the relocation of the head office of the Company and certain of its consolidated subsidiaries.

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.

18. Related Party Transactions

Related party transactions for the years ended 31st March, 2005, 2006 and 2007 and the respective balances at 31st March, 2006 and 2007 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of U.S. dollars
		31st March,			31st March,
		2005	2006	2007	2007
a) Major shareholder: Nomura Holdings, Inc.	Sales	¥36,284	¥42,380	¥88,508	\$766,569
b) Major shareholders' subsidiaries: Nomura Securities Co., Ltd.	Sales	16,495	28,337	–	–
	Sales of investment securities	5,605	–	2,101	18,197
	Gain on above sales	5,511	–	2,074	17,963
	Payment for tender offer expenses of treasury stock	–	80	–	–
	Receipt of payment for convertible bonds	–	–	50,000	433,050
	Underwriting commission of convertible bonds	–	–	1,250	10,826
Nomura Facilities, Inc.	Purchases of treasury stock	–	44,000	–	–
c) Directors and principal private shareholders, etc: Ken Ohno (Director of the Company)	Grant of stock options*	–	–	13	113

* These stock options were granted to Mr. Ken Ohno for his position as a director of a subsidiary, and evaluated based on the fair value of the stock options.

18. Related Party Transactions (continued)

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2006	2007	31st March,
				2007
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables	¥6,841	¥10,100	\$87,476
b) Major shareholders' subsidiaries: Nomura Securities Co., Ltd.	Accounts receivable and other receivables	3,177	–	–
c) Directors and principal private shareholders, etc: Ken Ohno (Director of the Company)	Grant of stock options*	–	6	52

* These stock options were granted to Mr. Ken Ohno for his position as a director of a subsidiary, and evaluated based on the fair value of the stock options.

19. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2006 and 2007 and 30th September, 2007.

20. 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.

Effective the year ended 31st March, 2007, the Company has issued subscription rights for the purchase of new shares of common stock in accordance with the Corporation Law of Japan. For such newly-issued share subscription rights, share-based compensation cost is to be evaluated based on the fair value of the stock options and recognised in the consolidated statements of income.

The Company recognised and allocated share-based compensation cost for the year ended 31st March, 2007 and six months ended 30th September, 2007 as follows:

	Millions of yen		Thousands of U.S. dollars	
	31st March, 2007	30th September, 2007	31st March, 2007	30th September, 2007
		(Unaudited)		(Unaudited)
Cost of sales	¥162	¥129	\$1,403	\$1,118
Selling, general and administrative expenses	145	123	1,256	1,065
	¥307	¥252	\$2,659	\$2,183

20. Stock Option Plans (continued)

A description of each stock option plan outstanding as of 30th September, 2007 is summarised as follows:

	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>
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 or managing officers of the Company, and 12 directors of its domestic subsidiaries
Number of shares reserved	43,500	116,500	354,000
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
Exercise period	1st July, 2005 to 30th June, 2008	1st July, 2006 to 30th June, 2009	1st July, 2007 to 30th June, 2010
	<u>6th stock option plan</u>	<u>7th stock option plan</u>	<u>8th stock option plan</u>
Grantee categories and numbers of grantees	8 directors and 28 managing officers of the Company, and 6 directors of its domestic subsidiaries	8 directors and 32 managing officers of the Company, and 6 directors of its domestic subsidiaries	8 directors and 29 managing officers of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	400,000	41,000	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
Exercise period	1st July, 2009 to 30th June, 2013	1st July, 2007 to 30th June, 2008	1st July, 2010 to 30th June, 2014
	<u>9th stock option plan</u>		
Grantee categories and numbers of grantees	8 directors and 32 managing officers of the Company, and 6 directors of its domestic subsidiaries		
Number of shares reserved	96,500		
Grant date	10th July, 2007		
Vesting conditions	No vesting conditions		
Service period	Not prescribed		
Exercise period	1st July, 2008 to 30th June, 2009		

20. Stock Option Plans (continued)

Exercise price on each stock option is summarised as follows:

	<i>Yen</i>						
	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
Exercise price	¥2,018	¥2,284	¥2,319	¥3,282	¥1	¥3,680	¥1

	<i>U.S. dollars</i>						
	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
Exercise price	\$17.48	\$19.78	\$20.08	\$28.43	\$0.01	\$31.87	\$0.01

21. Segment Information

Business segment

Business segment information prior to 1st April, 2006 was presented under the following two categories:

- the systems solutions services business, which includes developing and managing computer systems, selling software packages and selling computer equipment and related products.
- the consulting/knowledge services business, which includes research services, management consulting services and support services relating to the asset management business.

Effective the six months ended 30th September, 2006, the Company has revised its business segments to “Consulting services” and “IT solution services” in order to better reflect its business operations based on similarities of the type and nature of the services rendered. These business segments are summarised as follows:

- the consulting services business, which includes research services, management consulting services (both of which were previously included in the consulting/knowledge segment) and system consulting services (which was previously included in the system solutions services segment).
- the IT solutions services business, which includes developing and managing computer systems, selling software packages, selling computer equipment and related products (which were previously included in the system solutions services segment), and support services relating to the asset management business (which was previously included in the consulting/knowledge services segment).

21. Segment Information (continued)

Business segments (continued)

Business segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2005, 2006 and 2007 and for the six months ended 30th September, 2006 and 2007 is summarised as follows. However, in accordance with accounting standards generally accepted in Japan, segment information prior to 1st April, 2006 has not been restated and has instead been presented using the former business segments. In order to keep consistencies in figures, segment information on sales and operating profit, and total assets, depreciation and amortization and capital expenditures for the year ended 31st March, 2006 has been reclassified and presented based on the new business segments in the latter part of the tables below.

<i>Millions of yen</i>					
Year ended 31st March, 2005					
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥213,230	¥39,733	¥252,963	¥ –	¥252,963
Intersegment sales or transfers	2,756	1,865	4,621	(4,621)	–
Total sales	215,986	41,598	257,584	(4,621)	252,963
Operating expenses	191,503	35,905	227,408	(4,604)	222,804
Operating profit	<u>¥ 24,483</u>	<u>¥ 5,693</u>	<u>¥ 30,176</u>	<u>¥ (17)</u>	<u>¥ 30,159</u>
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥124,868	¥22,819	¥147,687	¥169,654	¥317,341
Depreciation and amortisation	16,025	2,381	18,406	(3)	18,403
Capital expenditures	15,216	2,155	17,371	(20)	17,351
<i>Millions of yen</i>					
Year ended 31st March, 2006					
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥241,001	¥ 44,584	¥285,585	¥ –	¥285,585
Intersegment sales or transfers	3,467	2,525	5,992	(5,992)	–
Total sales	244,468	47,109	291,577	(5,992)	285,585
Operating expenses	213,136	41,951	255,087	(5,971)	249,116
Operating profit	<u>¥ 31,332</u>	<u>¥ 5,158</u>	<u>¥ 36,490</u>	<u>¥ (21)</u>	<u>¥ 36,469</u>
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥127,591	¥25,739	¥153,330	¥158,457	¥311,787
Depreciation and amortisation	13,999	2,597	16,596	(22)	16,574
Capital expenditures	15,498	2,891	18,389	(45)	18,344

21. Segment Information (continued)

Business segments (continued)

Millions of yen

Year ended 31st March, 2007					
	Consulting services	IT solutions 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 amortisation and capital expenditures					
Total assets	¥ 17,024	¥ 148,945	¥ 165,969	¥ 205,489	¥ 371,458
Depreciation and amortisation	257	19,539	19,796	–	19,796
Capital expenditures	820	29,083	29,903	–	29,903

Thousands of U.S. dollars

Year ended 31st March, 2007					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	\$ 258,704	\$2,534,748	\$2,793,452	\$ –	\$2,793,452
Intersegment sales or transfers	2,313	12,030	14,343	(14,343)	–
Total sales	261,017	2,546,778	2,807,795	(14,343)	2,793,452
Operating expenses	222,528	2,205,075	2,427,603	(14,343)	2,413,260
Operating profit	\$ 38,489	\$ 341,703	\$ 380,192	\$ –	\$ 380,192
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	\$ 147,445	\$1,290,014	\$1,437,459	\$1,779,742	\$3,217,201
Depreciation and amortisation	2,226	169,227	171,453	–	171,453
Capital expenditures	7,102	251,888	258,990	–	258,990

Millions of yen

Six months ended 30th September, 2006 (Unaudited)					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥13,332	¥133,120	¥146,452	¥ –	¥146,452
Intersegment sales or transfers	137	607	744	(744)	–
Total sales	13,469	133,727	147,196	(744)	146,452
Operating expenses	11,368	114,988	126,356	(744)	125,612
Operating profit	¥ 2,101	¥ 18,739	¥ 20,840	¥ –	¥ 20,840

21. Segment Information (continued)

Business segments (continued)

<i>Millions of yen</i>					
Six months ended 30th September, 2007 (Unaudited)					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥13,779	¥151,366	¥165,145	¥ –	¥165,145
Intersegment sales or transfers	167	481	648	(648)	–
Total sales	13,946	151,847	165,793	(648)	165,145
Operating expenses	12,519	125,859	138,378	(648)	137,730
Operating profit	¥ 1,427	¥ 25,988	¥ 27,415	¥ –	¥ 27,415

<i>Thousands of U.S. dollars</i>					
Six months ended 30th September, 2007 (Unaudited)					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	\$119,340	\$1,310,982	\$1,430,322	\$ –	\$1,430,322
Intersegment sales or transfers	1,446	4,166	5,612	(5,612)	–
Total sales	120,786	1,315,148	1,435,934	(5,612)	1,430,322
Operating expenses	108,427	1,090,066	1,198,493	(5,612)	1,192,881
Operating profit	\$ 12,359	\$ 225,082	\$ 237,441	\$ –	\$ 237,441

As mentioned above, segment information on sales and operating profit, and total assets, depreciation and amortisation and capital expenditures for the year ended 31st March, 2006 has been reclassified using the new business segments as follows:

<i>Millions of yen</i>					
Year ended 31st March, 2006					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥ 26,293	¥ 259,292	¥ 285,585	¥ –	¥ 285,585
Intersegment sales or transfers	406	1,141	1,547	(1,547)	–
Total sales	26,699	260,433	287,132	(1,547)	285,585
Operating expenses	22,907	227,757	250,664	(1,548)	249,116
Operating profit	¥ 3,792	¥ 32,676	¥ 36,468	¥ 1	¥ 36,469
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥ 15,968	¥ 128,972	¥ 144,940	¥ 166,847	¥ 311,787
Depreciation and amortisation	393	16,181	16,574	–	16,574
Capital expenditures	292	18,052	18,344	–	18,344

21. Segment Information (continued)

Business segments (continued)

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 six months ended 30th September, 2007 increased by ¥4 million (\$35 thousand) and ¥85 million (\$736 thousand), 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 the 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 six months ended 30th September, 2007 increased by ¥2 million (\$17 thousand) and ¥78 million (\$676 thousand), 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, 2005, 2006 and 2007 and the six months ended 30th September, 2006 and 2007, geographical segment information has not been presented.

Overseas sales

Because overseas sales constituted less than 10% of consolidated sales for the years ended 31st March, 2005, 2006 and 2007 and the six months ended 30th September, 2006 and 2007, no disclosure of overseas sales has been made.

22. Business Combination

Effective 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.

22. Business Combination (continued)

In addition, effective 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, these accounting treatments had no impact on the accompanying consolidated financial statements for the year ended 31st March, 2007.

There were no such transactions for the six months ended 30th September, 2007.

23. Subsequent Event

The following appropriation of cash dividends, which has not been reflected in the consolidated financial statements for the six months ended 30th September 2007, was approved at a meeting of the Board of Directors held on 25th October, 2007:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥24.00 = U.S.\$0.21 per share)	¥4,890	\$42,352

[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, for 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 is to account for finance leases in a manner similar to operating leases. However, from the period beginning on and after 1st April, 2009, all finance leases will be required to be capitalized.

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. Impairment of Long-Lived Assets

Japanese GAAP requires carrying tangible and intangible fixed assets at cost less depreciation, and requires review for impairment of such assets for financial statements issued for fiscal years beginning after 31st March, 2005 whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the expected future cash flows are less than the carrying amount of such an asset, an impairment loss is recognized.

U.S. GAAP requires review and recognition of impairment of long-lived assets and certain identifiable intangibles to be held and used on such a basis as described in Japanese GAAP above.

3. 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.

4. Stock Option Plans

Under Japanese GAAP, in previous years, no liability and expense were recognized until the subscription rights were exercised. However, for stock options issued after 1st May 2006, compensation costs are evaluated based on the fair value of stock options and recognized in income statements.

Under U.S. GAAP, from the beginning of the annual reporting period that begins after 15th December, 2005, fair-value-based method applies to all stock options. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the effective date, based on grant-date fair value of those awards.

5. Interest Rate Swap

Under Japanese GAAP, as for interest rate swaps used for converting receipts or payments of interest on an asset or a liability, if principal terms of the interest rate swaps such as notional amount, index of interest rates, date and interval of interest payments, contract period are essentially the same as those of the hedged asset or liability, such interest rate swaps may not be measured at fair value, but the related interests may be adjusted to the interests on the hedged asset or liability on an accrual basis.

Under U.S. GAAP, interest rate swaps are measured at fair value in any case. If interest rate swaps meet the criteria for the fair value hedge accounting, the hedged items are also measured at fair value to match the income statement impact. If interest rate swaps meet the criteria for the cash flow hedge accounting, the valuation difference on the interest rate swaps is directly recognized as a component of equity.

6. Revenue Recognition

Under Japanese GAAP, recognition of software revenue is permitted by various methods including the percentage-of-completion method, the policy followed by the Company.

Under U.S. GAAP, software revenue is recognized when all the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered elements, the vendor's fee is fixed or determinable and collectibility is probable.

7. Guarantor's Accounting for Guarantees

Under Japanese GAAP, a guarantor does not recognize a liability for a guarantee in its statement of financial position unless it is probable that payments will be required under that guarantee.

Under U.S. GAAP, at the inception of a guarantee, the guarantor recognizes a liability in its statement of financial position for the fair value of all guarantees issued or modified after 31st December, 2002, even if it is not probable that payments will be required under that guarantee.

[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 30th September, 2007, the Company had 15 subsidiaries, all of which were consolidated subsidiaries.

At the same date, the Company had 1 affiliate, 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 affiliate as of 30th September, 2007.

Name	Country	Main Business	Issued Capital (thousands)	Equity held by the Company (%)
Subsidiaries				
NRI Network Communications, Ltd.	Japan	Software development and sales, mainly in the Kansai area	¥450,000	100.0
NRI Learning Network, Ltd.	Japan	Training related to information and telecommunications systems	¥300,000	100.0
NRI SecureTechnologies, Ltd.	Japan	Network security services	¥450,000	100.0
NRI Cyber Patent, Ltd.	Japan	Provide patent and other intellectual property information to subscribers	¥300,000	100.0
NRI WEBrandia, Ltd.	Japan	Web Site development and management	¥200,000	100.0
NRI Shared Services, Ltd.	Japan	Office and real estate management	¥450,000	100.0
NRI Data i Tech, Ltd.	Japan	Maintaining systems equipment of Nomura Holdings and its subsidiaries and affiliates	¥10,000	100.0
Insurance System & Technology, Ltd.	Japan	Software development for non-life insurance industry	¥495,000	100.0
UBIQLINK, Ltd.	Japan	Provide direction navigate services to consumer	¥495,000	100.0
Nomura Research Institute America, Inc.	USA	Research and development and operation of information management systems in the U.S.	U.S.\$31,444	100.0
Nomura Research Institute Europe Limited	England	Research and development and operation of information management systems in Europe	£1,350	100.0
Nomura Research Institute Beijing Limited	China	Development and operation of information management systems in China	U.S.\$3,000	100.0
Nomura Research Institute Shanghai Limited	China	Consulting in China	U.S.\$6,050	100.0
Nomura Research Institute Hong Kong Limited	China	Research and development and operation of information management systems in Asia	HK\$16,181	100.0

<u>Name</u>	<u>Country</u>	<u>Main Business</u>	<u>Issued Capital</u> (thousands)	<u>Equity held by the Company</u> (%)
Subsidiaries (continued)				
Nomura Research Institute (Singapore) Private Limited	Singapore	Research and development and operation of information management systems in Asia	Sing\$1,400	100.0
Affiliate				
Nippon Clearing Services Co., Ltd	Japan	Back-office services for mid-tier securities companies	¥300,000	40.0

MAJOR SHAREHOLDERS

<u>Shareholders</u>	<u>Number of Shares Owned</u> (thousands)	<u>Shareholding Ratio</u> (%)
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFCO Co., Ltd.	15,050	6.69
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,448	6.42
Japan Trustee Services Bank, Ltd. (Trust Account)	14,207	6.31
Nomura Holdings, Inc.	13,000	5.78
NRI Group Employee Stock Ownership Association	4,953	2.20
BBH BOSTON FOR VARIABLE INS PRODUCTS FDIII MID CAP PORTFOLIO	2,894	1.29
TAKAGI SECURITIES CO.,LTD.	2,750	1.22
Japan Trustee Services Bank, Ltd. (Trust Account4)	2,576	1.15

*NRI split common stock into 1:5 on April 1, 2007.

*NRI owns 21,242 thousand shares.