

Consolidated Financial Statements

Nomura Research Institute, Ltd.

*At 31st March, 2007 and 2008 and
for the years ended 31st March, 2006, 2007 and 2008
with Report of Independent Auditors*

Nomura Research Institute, Ltd.

Consolidated Financial Statements

31st March, 2006, 2007 and 2008

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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, 2007 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years then ended 31st March, 2008, 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, 2007 and 2008, and the consolidated results of their operations and their cash flows for each of the three years then ended 31st March, 2008 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, 2008 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

20th June, 2008

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2007	2008	2008
Assets			
Current assets:			
Cash and bank deposits (<i>Note 11</i>)	¥ 20,941	¥ 17,710	\$ 176,764
Short-term investment securities (<i>Notes 3 and 11</i>)	112,536	84,988	848,268
Accounts receivable and other receivables (<i>Notes 5 and 17</i>)	68,703	79,423	792,724
Inventories	294	160	1,597
Deferred income taxes (<i>Note 9</i>)	8,409	6,837	68,240
Other current assets	1,775	1,874	18,705
Allowance for doubtful accounts	(74)	(82)	(818)
Total current assets	<u>212,584</u>	<u>190,910</u>	<u>1,905,480</u>
Property and equipment (<i>Note 6</i>):			
Land	11,292	11,292	112,706
Buildings, net	18,069	29,929	298,722
Machinery and equipment, net	16,305	17,032	169,997
Construction in progress	3,813	–	–
Property and equipment, net	<u>49,479</u>	<u>58,253</u>	<u>581,425</u>
Software and other intangibles	19,652	30,258	302,006
Investment securities (<i>Notes 3 and 17</i>)	65,875	46,683	465,945
Investments in affiliates (<i>Note 3</i>)	2,873	2,026	20,222
Deferred income taxes (<i>Note 9</i>)	572	13,116	130,911
Long-term loans receivable	7,264	7,372	73,580
Other assets (<i>Notes 7 and 17</i>)	13,182	13,831	138,048
Allowance for doubtful accounts	(23)	(1)	(10)
Total assets	<u>¥371,458</u>	<u>¥362,448</u>	<u>\$3,617,607</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2007	2008	2008
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	¥ 33,202	¥ 33,431	\$ 333,676
Accrued expenses	20,583	16,629	165,975
Income taxes payable	12,839	12,526	125,022
Other current liabilities	14,115	12,193	121,699
Total current liabilities	80,739	74,779	746,372
Convertible bonds	50,000	49,997	499,022
Allowance for employees' retirement benefits (Note 8)	23,352	25,791	257,421
Long-term accrued expenses	–	4,512	45,034
Deferred income taxes (Note 9)	1,134	5	50
Commitments and contingent liabilities (Note 18)			
Net assets (Notes 10 and 12):			
Shareholders' equity:			
Common stock:			
Authorised – 150,000,000 shares at 31st March, 2007 and 750,000,000 shares at 31st March, 2008			
Issued – 45,000,000 shares at 31st March, 2007 and 225,000,000 shares at 31st March, 2008	18,600	18,600	185,647
Additional paid-in capital	14,800	14,884	148,558
Retained earnings	206,990	225,780	2,253,518
Treasury stock, at cost:			
– 4,291,620 shares at 31st March, 2007 and 25,944,292 shares at 31st March, 2008	(47,157)	(61,161)	(610,450)
Total shareholders' equity	193,233	198,103	1,977,273
Valuation and translation adjustments:			
Unrealised gain on other securities (Note 3)	22,194	9,650	96,317
Translation adjustments	499	(997)	(9,951)
Total valuation and translation adjustments	22,693	8,653	86,366
Share subscription rights (Note 10)	307	608	6,069
Total net assets	216,233	207,364	2,069,708
Total liabilities and net assets	¥371,458	¥362,448	\$3,617,607

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,			Year ended 31st March,
	2006	2007	2008	2008
Sales (<i>Note 17</i>)	¥285,585	¥322,532	¥342,289	\$3,416,399
Cost of sales (<i>Note 17</i>)	213,707	234,579	238,537	2,380,847
Gross profit	71,878	87,953	103,752	1,035,552
Selling, general and administrative expenses (<i>Notes 14, 15 and 17</i>)	35,409	44,056	51,088	509,911
Operating profit	36,469	43,897	52,664	525,641
Other income (expenses):				
Interest and dividend income (<i>Note 17</i>)	1,150	1,556	2,588	25,831
Equity in earnings of affiliates	563	511	144	1,437
Tender offer expense of treasury stock	(82)	–	–	–
Interest expense	(7)	(1)	–	–
Loss on property and equipment	(145)	–	–	–
Gain (loss) on investment securities (<i>Notes 3, 16 and 17</i>)	(572)	2,074	2,037	20,331
Provision for transfer of the retirement benefit plan(<i>Note 8</i>)	–	–	(9,567)	(95,489)
Bond issuance cost	–	(60)	–	–
Office integration and relocation expenses (<i>Note 16</i>)	–	(1,429)	–	–
Other, net	159	196	122	1,219
	1,066	2,847	(4,676)	(46,671)
Income before income taxes	37,535	46,744	47,988	478,970
Provision for income taxes (<i>Note 9</i>):				
Current	19,368	22,148	23,419	233,746
Deferred	(4,351)	(2,423)	(3,589)	(35,822)
	15,017	19,725	19,830	197,924
Net income (<i>Note 12</i>)	¥ 22,518	¥ 27,019	¥ 28,158	\$ 281,046

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	Unrealised gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Total net assets
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)
Loss on disposition of treasury stock	-	-	(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
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

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	Unrealised gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Total net assets
Balance at 31st March, 2007	\$185,647	\$147,719	\$2,065,975	\$(470,675)	\$1,928,666	\$ 221,519	\$ 4,981	\$ 226,500	\$3,063	\$2,158,229
Purchases of treasury stock	-	-	-	(149,726)	(149,726)	-	-	-	-	(149,726)
Disposition of treasury stock	-	-	-	9,951	9,951	-	-	-	-	9,951
Net income	-	-	281,046	-	281,046	-	-	-	-	281,046
Cash dividends paid	-	-	(93,503)	-	(93,503)	-	-	-	-	(93,503)
Gain on disposition of treasury stock	-	839	-	-	839	-	-	-	-	839
Net changes other than in shareholders' equity	-	-	-	-	-	(125,202)	(14,932)	(140,134)	3,006	(137,128)
Balance at 31st March, 2008	\$185,647	\$148,558	\$2,253,518	\$(610,450)	\$1,977,273	\$ 96,317	\$ (9,951)	\$ 86,366	\$6,069	\$2,069,708

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March, 2008
	2006	2007	2008	
Cash flows from operating activities				
Income before income taxes	¥ 37,535	¥ 46,744	¥ 47,988	\$ 478,970
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortisation	16,574	19,796	16,517	164,857
Interest and dividend income	(1,150)	(1,556)	(2,588)	(25,831)
Interest expense	7	1	-	-
Loss on property and equipment	145	-	-	-
(Gain) loss on investment securities	572	(2,074)	(2,037)	(20,331)
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	894	(11,826)	(10,935)	(109,143)
Allowance for doubtful accounts	(13)	8	8	80
Accounts payable	9,617	3,786	174	1,737
Inventories	(479)	936	134	1,337
Allowance for employees' retirement benefits and welfare pension plan	617	37	2,439	24,344
Other	1,747	4,378	1,745	17,416
Subtotal	66,066	60,230	53,445	533,436
Interest and dividends received	1,188	1,644	2,381	23,765
Interest paid	(7)	(1)	-	-
Income taxes paid	(18,371)	(22,289)	(24,020)	(239,744)
Net cash provided by operating activities	48,876	39,584	31,806	317,457
Cash flows from investing activities				
Payments for time deposits	(6,778)	(7,641)	(7,202)	(71,883)
Proceeds from time deposits	6,523	7,203	6,579	65,665
Increase in short-term investment securities	(18,265)	(30,951)	(40,878)	(408,005)
Proceeds from sales and redemption of short-term investment securities	31,214	33,910	31,000	309,412
Acquisition of property and equipment	(9,800)	(11,686)	(21,381)	(213,405)
Proceeds from sales of property and equipment	473	285	132	1,317
Increase in software and other intangibles	(8,212)	(12,435)	(17,485)	(174,518)
Proceeds from sales of software and other intangibles	60	11	2	20
Increase in investment securities	(11,976)	(343)	(3,461)	(34,544)
Proceeds from sales and redemption of investment securities	34,590	8,673	4,665	46,562
Proceeds from sales of investments in subsidiaries	-	322	-	-
Increase in investments in affiliates	(60)	-	-	-
Proceeds from sales of investments in affiliates	9	1,256	-	-
Increase in long-term loans receivable	-	(7,246)	-	-
Other	76	62	103	1,028
Net cash (used in) provided by investing activities	17,854	(18,580)	(47,926)	(478,351)
Cash flows from financing activities				
Repayment of long-term debt	(840)	(240)	-	-
Proceeds from issuance of convertible bonds	-	50,000	-	-
Proceeds from sales of treasury stock	380	782	824	8,224
Purchases of treasury stock	(48,528)	(4)	(15,001)	(149,726)
Cash dividends paid	(5,841)	(6,497)	(9,360)	(93,422)
Net cash (used in) provided by financing activities	(54,829)	44,041	(23,537)	(234,924)
Effect of exchange rate changes on cash and cash equivalents	174	56	(672)	(6,707)
Net (decrease) increase in cash and cash equivalents	12,075	65,101	(40,329)	(402,525)
Cash and cash equivalents at beginning of period	38,678	50,753	115,854	1,156,343
Cash and cash equivalents at end of period	¥ 50,753	¥ 115,854	¥ 75,525	\$ 753,818

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2008

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 Law.

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

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

Basis of Consolidation

The accompanying consolidated financial statements for the years ended 31st March, 2006, 2007 and 2008 include the accounts of the Company and any significant companies which are controlled directly or indirectly by the Company. All subsidiaries (19, 14 and 16 for the years ended 31st March, 2006, 2007 and 2008, respectively) have been consolidated. The major consolidated subsidiary is Nomura Research Institute America, Inc. Newly established subsidiaries, UBIQLINK, Ltd. and NRI Social Information System Services, Ltd., were included in consolidation for the year ended 31st March, 2008.

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

1. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

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.

Investment in one affiliated company, Nihon Clearing Services Co., Ltd., is accounted for by the equity method for the year ended 31st March, 2008.

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 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 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 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 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.

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 respective 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.

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 amortised 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 amortised 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 recognised as a pension cost.

1. Significant Accounting Policies (continued)

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 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 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 year ended 31st March, 2008 decreased by ¥503 million (\$5,020 thousand) from the corresponding amounts which would have been recorded under the previous method.

Supplementary Information

(Change of depreciation of fixed assets)

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 profit and income before income taxes for the year ended 31st March, 2008 decreased by ¥141 million (\$1,407 thousand) from the corresponding amounts which would have been recorded under the previous method.

1. Significant Accounting Policies (continued)

Supplementary Information (continued)

(Retirement benefit plan)

The Company had a retirement annuity plan, a lump-sum payment plan and a defined contribution pension plan. On 1st April, 2008, the Company transferred its retirement annuity plan and a portion of lump-sum payment plan to its defined contribution pension plan and defined benefit pension plan. The Company recorded other expenses of ¥9,567 million (\$95,489 thousand) for the year ended 31st March, 2008 as a result of the adoption of “Guidance on Accounting for Transfer between Retirement Benefit Plans” (Accounting Standards Board of Japan, Guidance No. 1) and “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (Accounting Standards Board of Japan, PITF No. 2).

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 ¥100.19 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2008. 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, 2007 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, 2007 and 2008:

a) Marketable securities classified as other securities

	<i>Millions of yen</i>					
	<u>Acquisition cost</u>		<u>Carrying amount</u>		<u>Unrealised gain (loss)</u>	
	<u>31st March,</u>		<u>31st March,</u>		<u>31st March,</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Equity securities	¥14,118	¥13,294	¥51,141	¥29,638	¥37,023	¥16,344
Debt securities:						
Government						
debt securities	17,982	7,992	17,982	7,992	–	–
Corporate debt						
securities	4,000	5,000	4,000	4,946	–	(54)
	21,982	12,992	21,982	12,938	–	(54)
Other	1,343	1,047	1,646	1,039	303	(8)
Total	<u>¥37,443</u>	<u>¥27,333</u>	<u>¥74,769</u>	<u>¥43,615</u>	<u>¥37,326</u>	<u>¥16,282</u>

3. Investments (continued)

a) Marketable securities classified as other securities (continued)

	<i>Thousands of U.S. dollars</i>		
	Acquisition cost	Carrying amount	Unrealised gain (loss)
	31st March, 2008		
Equity securities	\$132,688	\$295,818	\$163,130
Debt securities:			
Government debt securities	79,768	79,768	–
Corporate debt securities	49,905	49,366	(539)
	129,673	129,134	(539)
Other	10,450	10,371	(79)
Total	\$272,811	\$435,323	\$162,512

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, 2006, 2007 and 2008 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2006	2007	2008	2008
Proceeds	¥40,013	¥2,110	¥4,289	\$42,809
Gross gain	724	2,081	2,655	26,500
Gross loss	(98)	–	–	–

Loss on devaluation of the marketable securities classified as other securities as a result of a permanent decline in value for the years ended 31st March, 2006, 2007 and 2008 was nil, nil and ¥589 million (\$5,879 thousand), respectively.

b) Non-marketable securities classified as other securities

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2007	2008	2008
Other securities:			
Equity securities	¥15,543	¥14,550	\$145,224
Money management funds	6,565	4,586	45,773
Free financial funds	37,025	14,579	145,514
Cash reserve funds	8,002	10,954	109,332
Commercial paper	38,961	44,876	447,909

Investments in affiliates which are included in equity securities include investments in net assets of affiliated companies accounted for under the equity method totaling ¥418 million and ¥536 million (\$5,350 thousand) at 31st March, 2007 and 2008, respectively.

3. Investments (continued)

c) Maturities of debt securities

Maturities of debt securities classified as other securities at 31st March, 2007 and 2008 are summarised as follows:

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

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

	<i>Thousands of U.S. dollars</i>		
	31st March, 2008		
	Debt securities		
	Government debt securities	Corporate debt securities	Other
Due within one year	\$79,848	\$19,962	\$448,458

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 consolidated 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.

The Company had no open derivatives positions at 31st March, 2007 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 ¥17,148 million and ¥18,258 million (\$182,234 thousand) at 31st March, 2007 and 2008.

6. Property and Equipment

Property and equipment is summarised as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of</i>
		<i>Useful</i>	<i>31st March,</i>	
	<i>Life</i>	<i>2007</i>	<i>2008</i>	<i>31st March,</i>
				<i>2008</i>
Land		¥ 11,292	¥ 11,292	\$ 112,706
Buildings	15 – 50	42,471	56,528	564,208
Machinery and equipment	3 – 15	45,194	48,510	484,180
Construction in progress		3,813	–	–
Accumulated depreciation		(53,291)	(58,077)	(579,669)
Property and equipment, net		<u>¥ 49,479</u>	<u>¥ 58,253</u>	<u>\$ 581,425</u>

7. Other Assets

Other assets consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<i>31st March,</i>		<i>U.S. dollars</i>
	<i>2007</i>	<i>2008</i>	<i>31st March,</i>
			<i>2008</i>
Lease deposits	¥10,195	¥11,114	\$110,929
Other	2,987	2,717	27,119
Other assets	<u>¥13,182</u>	<u>¥13,831</u>	<u>\$138,048</u>

Other includes golf club memberships.

8. Retirement and Severance Benefits

The Company had a retirement annuity plan, a lump-sum payment plan and a defined contribution pension plan. On 1st April, 2008, the Company transferred its retirement annuity plan and a portion of its lump-sum payment plan to its defined contribution pension plan and the defined benefit pension plan. 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.

8. Retirement and Severance Benefits (continued)

The following table sets forth the funded and accrued status of the retirement and severance benefit plans and the amounts recognised in the accompanying consolidated balance sheets at 31st March, 2007 and 2008 for the Company's and its consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2007	2008 *	31st March,
			2008
Retirement benefit obligation	¥(74,048)	¥(54,443)	\$(543,398)
Plan assets at fair value	57,590	30,390	303,324
Unfunded retirement benefit obligation	(16,458)	(24,053)	(240,074)
Unrecognised actuarial gain (loss)	(6,894)	1,183	11,808
Unrecognised prior service cost	–	(2,921)	(29,155)
Unfunded retirement benefit obligation recognised on the balance sheets	¥(23,352)	¥(25,791)	\$(257,421)

* 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 ¥10,794 million and ¥7,568 million (\$75,536 thousand) at 31st March, 2007 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 benefit pension plan as of 31st March, 2008 is included in accrued expenses and long-term accrued expenses.

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

The components of retirement benefit expenses for the years ended 31st March, 2006, 2007 and 2008 are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2006	2007	2008	31st March,
				2008
Service cost	¥4,122	¥4,138	¥ 4,675	\$ 46,661
Interest cost	1,090	1,199	1,513	15,101
Expected return on plan assets	(492)	(639)	(702)	(7,007)
Recognised actuarial gain	(269)	(892)	(573)	(5,719)
Provision for transfer of the retirement benefit plan	–	–	9,567	95,489
Subtotal	4,451	3,806	14,480	144,525
Other	297	315	338	3,374
Total	¥4,748	¥4,121	¥14,818	\$147,899

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

8. Retirement and Severance Benefits (continued)

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

	31st March,		
	2006	2007	2008
Discount rates at the end of the year	1.9%	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:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2007	2008	2008
Deferred income tax assets:			
Employees' retirement benefits	¥ 11,639	¥15,103	\$150,744
Depreciation	5,944	6,427	64,148
Accrued bonuses	4,943	4,663	46,542
Other	4,440	3,206	31,998
	<u>26,966</u>	<u>29,399</u>	<u>293,432</u>
Deferred income tax liabilities:			
Unrealised gain on other securities	(15,122)	(6,595)	(65,825)
Special tax-purpose reserve	(3,109)	(1,931)	(19,273)
Undistributed earnings of foreign subsidiaries	(885)	(920)	(9,183)
Other	(3)	(5)	(50)
	<u>(19,119)</u>	<u>(9,451)</u>	<u>(94,331)</u>
Deferred income tax assets, net	<u>¥ 7,847</u>	<u>¥19,948</u>	<u>\$199,101</u>

Income taxes applicable to the Company and its consolidated subsidiaries consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6 percent for the years ended 31st March, 2006, 2007 and 2008.

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, 2006, 2007 and 2008.

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 and ¥570 million (\$5,689 thousand) at 31st March, 2007 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, 2008 are summarised as follows:

	31st March, 2008	
	Shares in issue	Treasury stock
Number of shares at beginning of year	45,000,000	4,291,620
Increase in number of shares	180,000,000	22,106,382
Decrease in number of shares	–	453,710
Number of shares at 31st March, 2008	<u>225,000,000</u>	<u>25,944,292</u>

*1 Shares in issue increased by 180,000,000 shares for the year ended 31st March, 2008 due to a five-for-one stock split made by the Company on 1st April, 2007.

*2 The increase of 22,106,382 shares of treasury stock was due to the stock split, which resulted in an increase of 17,166,480 shares, stock repurchases from the open market, which resulted in an increase of 4,939,600 shares, and purchases of odd-lot shares, which resulted in an increase of 302 shares.

The decrease of 453,710 shares of treasury stock was due to the exercise of stock options, which resulted in a decrease of 453,000 shares, and the conversion of a convertible bond with subscription warrants, which resulted in a decrease of 710 shares.

Share subscription rights recorded in the accompanying consolidated balance sheet at 31st March, 2008 relate to the Company's stock option plans described in Note 19.

Unrealised 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 15th May, 2007 and 25th October, 2007, and were paid to shareholders of record as of 31st March, 2007 and 30th September, 2007, respectively, during the year ended 31st March, 2008:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 15th May, 2007 (¥22.00 = U.S.\$0.22 per share)	¥4,478	\$44,695
Cash dividends approved on 25th October, 2007 (¥24.00 = U.S.\$0.24 per share)	4,890	48,808

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, 2007 and 2008 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2007	2008	31st March, 2008
Cash and bank deposits	¥ 20,941	¥ 17,710	\$ 176,764
Short-term investment securities maturing within three months from acquisition date	112,536	84,988	848,268
Time deposits with maturities of more than three months when deposited	(7,641)	(7,202)	(71,883)
Bonds and other investments maturing in more than three months from acquisition date	(9,982)	(19,971)	(199,331)
Cash and cash equivalents	<u>¥115,854</u>	<u>¥ 75,525</u>	<u>\$ 753,818</u>

There were no significant non-cash transactions for the years ended 31st March, 2006, 2007 and 2008.

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>
	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	<u>¥ 323</u>

There were no such transactions for the years ended 31st March, 2006 and 2008.

12. Per Share Data

Per share data is summarised as follows:

	<i>Yen</i>		
	31st March,		
	2006	2007	2008
Earnings per share	¥519.72	¥664.77	¥138.52
Diluted earnings per share	519.31	650.95	130.70

	<i>Yen</i>	
	31st March,	
	2007	2008
Net assets per share	¥5,304.20	¥1,038.68

	<i>U.S. dollars</i>
	31st March, 2008
Earnings per share	\$ 1.38
Diluted earnings per share	1.30
Net assets per share	10.37

* 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 summarised as follows:

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

12. 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, 2006, 2007 and 2008 is as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2006	2007	2008	2008
Numerator:				
Earnings	¥22,518	¥27,019	¥28,158	\$281,046
Earnings not available to common shareholders	—	—	—	—
Earnings available to common shareholders	<u>¥22,518</u>	<u>¥27,019</u>	<u>¥28,158</u>	<u>\$281,046</u>
Denominator:				
(Weighted-average number of shares of common stock):				
Denominator for earnings per share	43,327,189	40,644,174	203,281,201	203,281,201
Potentially dilutive shares of common stock	34,124	862,919	12,161,050	12,161,050
Denominator for diluted earnings per share	<u>43,361,313</u>	<u>41,507,093</u>	<u>215,442,251</u>	<u>215,442,251</u>

12. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2006, 2007 and 2008:

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2006	2007	2008	2008
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	68,000	65,000	325,000	325,000
Exercise price per share	¥ 17,913	¥ 17,913	¥ 3,583	\$35.76
Average share price for the exercise period	¥12,108.25	¥15,905.61	¥3,351.45	\$33.45
b) 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
Exercise price per share	–	–	¥ 3,680	\$36.73
Average share price for the exercise period	–	–	¥3,550.90	\$35.44

12. Per Share Data (continued)

The computation of net assets per share at 31st March, 2007 and 2008 is summarised as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2007	2008	2008
Numerator:			
Net assets	¥216,233	¥207,364	\$2,069,708
Less subscription rights to shares	(307)	(608)	(6,069)
Net assets related to shares of common stock	<u>¥215,926</u>	<u>¥206,756</u>	<u>\$2,063,639</u>
Denominator:			
Number of shares of common stock outstanding	40,708,380	199,055,708	199,055,708

13. 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, 2007 and 2008, which would have been reflected in the accompanying 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,	
	2007	2008	2007	2008	2007	2008
Machinery and equipment	¥4,743	¥1,509	¥3,318	¥990	¥1,425	¥519
Software	42	–	25	–	17	–
Total	<u>¥4,785</u>	<u>¥1,509</u>	<u>¥3,343</u>	<u>¥990</u>	<u>¥1,442</u>	<u>¥519</u>

	<i>Thousands of U.S. dollars</i>		
	Acquisition costs	Accumulated depreciation	Net book value
	31st March, 2008		
Machinery and equipment	\$15,061	\$9,881	\$5,180
Software	–	–	–
Total	<u>\$15,061</u>	<u>\$9,881</u>	<u>\$5,180</u>

13. Leases (continued)

1) As lessee (continued)

Lease payments, depreciation/amortisation and interest expense for these finance leases for the years ended 31st March, 2006, 2007 and 2008 are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2006	2007	2008	2008
Lease payments	¥1,903	¥1,235	¥805	\$8,035
Depreciation/amortisation	1,827	1,181	765	7,635
Interest expense	49	36	17	170

Future minimum lease payments for finance leases accounted for as operating leases and noncancelable operating leases subsequent to 31st March, 2007 and 2008 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,	
	2007	2008	2007	2008	2008	
Future minimum lease payments due:						
Within one year	¥1,339	¥ 936	¥251	¥197	\$ 9,342	\$1,966
Thereafter	1,558	1,038	458	248	10,360	2,475
Total	<u>¥2,897</u>	<u>¥1,974</u>	<u>¥709</u>	<u>¥445</u>	<u>\$19,702</u>	<u>\$4,441</u>

2) As lessor

There were no finance lease transactions for the years ended 31st March, 2006, 2007 and 2008.

Future minimum lease income from subleases accounted for as finance leases and operating leases subsequent to 31st March, 2007 and 2008 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,	
	2007	2008	2007	2008	2008	
Future minimum lease income due:						
Within one year	¥1,130	¥1,259	¥ 88	¥28	\$12,566	\$279
Thereafter	2,034	1,637	58	21	16,339	210
Total	<u>¥3,164</u>	<u>¥2,896</u>	<u>¥146</u>	<u>¥49</u>	<u>\$28,905</u>	<u>\$489</u>

* 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, 2006, 2007 and 2008 are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2006	2007	2008	2008
Personnel expenses	¥18,594	¥21,778	¥24,573	\$245,264
Rent	3,259	3,582	4,068	40,603
Subcontractor costs	4,600	5,882	9,788	97,694
Other	8,956	12,814	12,659	126,350
Total	<u>¥35,409</u>	<u>¥44,056</u>	<u>¥51,088</u>	<u>\$509,911</u>

15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2006, 2007 and 2008 are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2006	2007	2008	2008
Research and development expenses	¥2,502	¥2,865	¥4,916	\$49,067

16. Other Income (Expenses)

1) Gain (loss) on investment securities

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 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 loss on the devaluation of shares of Nippon BS Broadcasting Corporation as a result of their decline in value which was deemed permanent.

16. Other Income (Expenses) (continued)

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

Gain on investment securities for the year ended 31st March, 2008 consisted of gain on investment securities of ¥2,655 million (\$26,500 thousand) and loss on investment securities of ¥618 million (\$6,169 thousand). 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 loss on the devaluation of shares of AIZAWA SECURITIES CO., LTD. as a result of their decline in value which was deemed permanent.

2) 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.

3) Provision for transfer of the retirement benefit plan

Provision 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

The Company early adopted a new accounting standard entitled “Accounting Standard for Related Party Disclosures” (Accounting Standards Board of Japan, Statement No. 11) and “Guidance on Accounting Standard for Related Party Disclosures” (Accounting Standards Board of Japan, Guidance No. 13) effective the year ended 31st March, 2008. The adoption of this standard did not result in any changes to the scope of disclosure for related party transactions.

17. Related Party Transactions (continued)

Related party transactions for the years ended 31st March, 2006, 2007 and 2008 and the respective balances at 31st March, 2007 and 2008 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2006	2007	2008	31st March, 2008
a) Major shareholder: Nomura Holdings, Inc.	Sales	¥42,380	¥88,508	¥84,413	\$842,529
b) Major shareholder's subsidiaries:					
Nomura Securities Co., Ltd.	Sales	28,337	–	–	–
	Sales of investment securities	–	2,101	–	–
	Gain on above sales	–	2,074	–	–
	Payment for tender offer expense of treasury stock	80	–	–	–
	Receipt of payment for convertible bonds	–	50,000	–	–
	Underwriting commission of convertible bonds	–	1,250	–	–
Nomura Trust and Banking Co., Ltd.	Money held in trust related to acquisition of treasury stock	–	–	15,010	149,815
	Charges for acquisition of treasury stock	–	–	5	50
Nomura Facilities, Inc.	Purchases of treasury stock	44,000	–	–	–
c) Directors and principal private shareholders, etc:					
Ken Ohno (Director of the Company and a subsidiary)	Grant of stock options*	–	13	15	150

* 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.

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2007	2008	31st March, 2008
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables	¥10,100	¥14,262	\$142,350
b) Directors and principal private shareholders, etc:				
Ken Ohno (Director of the Company and a subsidiary)	Grant of stock options*	6	11	110

* 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, 2007 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 recognised in the statement of income in accordance with “Accounting standard for Share-based Payments” (Accounting Standards Board of Japan, Statement No. 8) and “Guidance on Accounting Standard for Shared-based Payments” (Accounting Standards Board of Japan, Guidance No. 11).

For the years ended 31st March, 2007 and 2008, the Company recognised and allocated share-based compensation cost as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2007	2008	2008
Cost of sales	¥162	¥282	\$2,815
Selling, general and administrative expenses	145	274	2,734
	<u>¥307</u>	<u>¥556</u>	<u>\$5,549</u>

A description of each stock option plan as of 31st March, 2007 is summarised 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	80,500	83,000	84,500
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

19. Stock Option Plans (continued)

	<u>4th stock option plan</u>	<u>5th stock option plan</u>	<u>6th stock option plan</u>
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	8 directors and 28 managing officers of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	81,500	19,100	80,000
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
	<u>7th 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	18,900		
Grant date	11th September, 2006		
Vesting conditions	No vesting conditions		
Service period	Not prescribed		
Exercisable period	1st July, 2007 to 30th June, 2008		

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

	<u>1st stock option plan</u>	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>
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

19. Stock Option Plans (continued)

	<u>4th stock option plan</u>	<u>5th stock option plan</u>	<u>6th stock option plan</u>
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
	<u>7th stock option plan</u>	<u>8th stock option plan</u>	<u>9th stock option plan</u>
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.

The following table summarises options activity under the stock option plans referred to above during the year ended 31st March, 2007:

	<u>1st stock option plan</u>	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>	<u>5th stock option plan</u>	<u>6th stock option plan</u>	<u>7th stock option plan</u>
Non-vested:							
Beginning of the year	80,500	–	84,500	81,500	19,100	–	–
Granted	–	–	–	–	–	80,000	18,900
Forfeited	(12,500)	–	(3,000)	–	–	–	–
Vested	–	–	(81,500)	–	(19,100)	–	–
End of the year	68,000	–	–	81,500	–	80,000	18,900
Vested:							
Beginning of the year	–	45,300	–	–	–	–	–
Vested	–	–	81,500	–	19,100	–	–
Exercised	–	(26,100)	(45,300)	–	(17,700)	–	–
Forfeited	–	(3,000)	–	–	–	–	–
End of the year	–	16,200	36,200	–	1,400	–	–

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 summarises options activity under the stock option plans referred to above during the year ended 31st March, 2008:

	<u>1st stock option plan</u>	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>	<u>5th stock option plan</u>	<u>6th stock option plan</u>	<u>7th stock option plan</u>
Non-vested:							
Beginning of the year	340,000	–	–	407,500	–	400,000	94,500
Granted	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–
Vested	–	–	–	–	–	–	(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
	<u>8th stock option plan</u>	<u>9th stock option plan</u>					
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.

Price information per option for each stock option plan as of 31st March, 2007 is summarised as follows:

	<i>Yen</i>						
	<u>1st stock option plan</u>	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>	<u>5th stock option plan</u>	<u>6th stock option plan</u>	<u>7th stock option plan</u>
Exercise price	¥17,913	¥10,088	¥11,418	¥11,594	¥ 1	¥16,409	¥ 1
Average price on exercise	–	15,958	17,245	–	15,920	–	–
Fair value on grant date	–	–	–	–	–	4,322	15,733

19. Stock Option Plans (continued)

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

	<i>Yen</i>						
	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
Exercise price	¥3,583	¥2,018	¥2,284	¥2,319	¥ 1	¥3,282	¥ 1
Average price on exercise	–	3,542	3,314	3,467	3,312	–	3,583
Fair value on grant date	–	–	–	–	–	4,322	15,733

	<i>Yen</i>	
	8th stock option plan	9th stock option plan
Exercise price	¥3,680	¥ 1
Average price on exercise	–	–
Fair value on grant date	1,030	3,619

	<i>U.S. dollars</i>						
	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
Exercise price	\$35.76	\$20.14	\$22.80	\$23.15	\$ 0.01	\$32.76	\$ 0.01
Average price on exercise	–	35.35	33.08	34.60	33.06	–	35.76
Fair value on grant date	–	–	–	–	–	43.14	157.03

	<i>U.S. dollars</i>	
	8th stock option plan	9th stock option plan
Exercise price	\$36.73	\$ 0.01
Average price on exercise	–	–
Fair value on grant date	10.28	36.12

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:

	<i>Yen</i>	<i>U.S. dollars</i>
	After adjustment	After adjustment
1st stock option plan	¥3,583	\$30.34
2nd stock option plan	2,018	17.09
3rd stock option plan	2,284	19.34
4th stock option plan	2,319	19.64
6th stock option plan	3,282	27.79

Adjustments of exercise prices for the 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, 2007 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>6th stock option plan</u>	<u>7th stock option plan</u>
Expected volatility *1	34.2%	29.7%
Expected remaining period *2	4 years and 10 months	1 year and four months
Expected dividend yield *3	¥170 per share	¥170 per share
Risk-free interest rate *4	1.178%	0.556%

*1 Expected volatility is estimated based on the actual stock price in the period from December 2001 to September 2006 for the 6th stock option plan, and in the period from May 2005 to September 2006 for the 7th 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, 2007 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:

	<u>8th stock option plan</u>	<u>9th stock option plan</u>
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.

19. Stock Option Plans (continued)

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.

On 20th June, 2008, issuance of two types of stock option plans in accordance with the Corporation Law of Japan was approved by resolution of the Board of Directors as follows:

(1) Stock option whose exercisable price is determined based on marketable value

Subscription rights to purchase 417,500 new shares of the Company's common stock are to be granted to the Company's directors, officers, employees who are in positions equivalent to directors or officers, and the directors of its domestic subsidiaries. The subscription rights are exercisable at 105% of the average closing market price of the Company's shares of common stock on the Tokyo Stock Exchange for the month prior to the month in which the subscription rights are issued, or at the closing price on the date of issuance, whichever is higher. These subscription rights are exercisable over a four-year period from 1st July, 2011 to 30th June, 2015.

(2) Stock option whose exercisable price is 1 yen per share

Subscription rights to purchase 95,500 new shares of the Company's common stock are to be granted to the Company's directors, officers, employees who are in positions equivalent to directors or officers, and the directors of its domestic subsidiaries. Each subscription right is exercisable at the cost of 1 yen. These subscription rights are exercisable over one-year period from 1st July, 2009 to 30th June, 2010.

20. Segment Information

Business segments

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

- the system 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 year ended 31st March, 2007, the Company revised its business segments to "Consulting services" and "IT solutions 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).

20. Segment Information (continued)

Business segments (continued)

- 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).

Business segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2006, 2007 and 2008 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 amortisation 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, 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	¥ 31,332	¥ 5,158	¥ 36,490	¥ (21)	¥ 36,469
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

<i>Millions of yen</i>					
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

20. Segment Information (continued)

Business segments (continued)

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 amortisation and capital expenditures					
Total assets	¥ 19,500	¥ 186,593	¥ 206,093	¥ 156,355	¥ 362,448
Depreciation and amortisation	389	16,128	16,517	–	16,517
Capital expenditures	584	35,854	36,438	–	36,438

Thousands of U.S. dollars

	Year ended 31st March, 2008				
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	\$ 302,755	\$3,113,644	\$3,416,399	\$ –	\$3,416,399
Intersegment sales or transfers	3,932	10,231	14,163	(14,163)	–
Total sales	306,687	3,123,875	3,430,562	(14,163)	3,416,399
Operating expenses	265,376	2,639,545	2,904,921	(14,163)	2,890,758
Operating profit	\$ 41,311	\$ 484,330	\$ 525,641	\$ –	\$ 525,641
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	\$ 194,630	\$1,862,392	\$2,057,022	\$1,560,585	\$3,617,607
Depreciation and amortisation	3,883	160,974	164,857	–	164,857
Capital expenditures	5,829	357,860	363,689	–	363,689

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:

Millions of yen

	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

20. 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 year ended 31st March, 2008 increased by ¥16 million (\$160 thousand) and ¥487 million (\$4,861 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 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 (\$40 thousand) and ¥136 million (\$1,357 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, 2006, 2007 and 2008, 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, 2006, 2007 and 2008, 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.

21. Business Combinations (continued)

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, 2006 and 2008.

22. Subsequent Events

- 1) The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2008, was approved at a meeting of the Board of Directors held on 13th May, 2008:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥26.00 = U.S.\$0.26 per share)	¥5,175	\$51,652

- 2) A resolution for the acquisition of treasury stock based on Article 459-1 of the Corporation Law was approved at the Board of Directors' meeting held on 13th May, 2008.

The reasons for the acquisition were to improve capital efficiency and to ensure a flexible capital policy enabling the Company to respond to changes in its business environment. Based on the approval of the resolution, the Company acquired treasury stock during the period from 14th May, 2008 to 13th June, 2008. The details of such acquisition are summarised as follows:

- (1) Type of shares acquired: common stock
- (2) Total number of shares acquired: 4,645,700
- (3) Total acquisition cost: ¥11,869,446,000

[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 the discussion addresses 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 consolidated 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 that for operating leases. However, effective the year ending 31st March, 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 be capitalized.

2. Compensated Absences

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

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

3. 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 on or after 1st May, 2006, compensation costs are valued based on the fair value of stock options and recognized in the statement of income.

Under U.S. GAAP, from the beginning of the annual reporting period that begins after 15th December, 2005, the 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 is outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the effective date, based on the grant-date fair value of those awards.

4. 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.

5. 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 such guarantee 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 31st March, 2008, the Company had 16 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 31st March, 2008.

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 Workplace 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
NRI Social Information System Services, Ltd.	Japan	Software development and sales	¥100,000	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.\$14,500	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

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

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
Japan Trustee Services Bank, Ltd. (Trust Account)	13,347	5.93
Nomura Holdings, Inc.	13,000	5.78
The Master Trust Bank of Japan, Ltd.(Trust Account)	10,219	4.54
NRI Group Employee Stock Ownership Association	4,866	2.16
BBH BOSTON FOR VARIABLE INS PRODUCTS FDIII MID CAP PORTFOLIO	3,095	1.38
TAKAGI SECURITIES CO.,LTD.	2,750	1.22
Seven-Eleven Japan Co., Ltd.	2,150	0.96

*NRI owns 25,944 thousand shares as treasury stock.