

**Quarterly Consolidated Financial Statements**

**Nomura Research Institute, Ltd.**

*For the Quarterly Period Ended 30th June, 2008 (Unaudited)*

Nomura Research Institute, Ltd.

Quarterly Consolidated Financial Statements

For the quarterly period ended 30th June, 2008

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>30th June, 2008</b>	<b>31st March, 2008</b>	<b>30th June, 2008</b>
	(Unaudited)		(Unaudited)
<b>Assets</b>			
Current assets:			
Cash and bank deposits ( <i>Note 7</i> )	¥ 15,139	¥ 17,710	\$ 142,257
Accounts receivable and other receivables	53,588	79,423	503,552
Short-term investment securities ( <i>Notes 4 and 7</i> )	67,473	84,988	634,026
Inventories	356	160	3,345
Deferred income taxes	6,873	6,837	64,584
Other current assets	3,137	1,874	29,478
Allowance for doubtful accounts	(57)	(82)	(536)
Total current assets	146,509	190,910	1,376,706
Property and equipment:			
Land	11,292	11,292	106,108
Buildings, net	29,643	29,929	278,547
Machinery and equipment, net	17,916	17,032	168,352
Leased assets, net	296	–	2,781
Property and equipment, net	59,147	58,253	555,788
Software and other intangibles	32,855	30,258	308,730
Investment securities ( <i>Note 4</i> )	55,802	46,683	524,356
Investments in affiliates ( <i>Note 4</i> )	2,173	2,026	20,419
Deferred income taxes	11,761	13,116	110,515
Long-term loans receivable	7,399	7,372	69,526
Investment in leased assets	1,163	–	10,928
Other assets	13,415	13,831	126,058
Allowance for doubtful accounts	(22)	(1)	(207)
Total assets	<u>¥330,202</u>	<u>¥362,448</u>	<u>\$3,102,819</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>30th June, 2008</b>	<b>31st March, 2008</b>	<b>30th June, 2008</b>
	(Unaudited)		(Unaudited)
<b>Liabilities and net assets</b>			
Current liabilities:			
Accounts payable	¥ 19,461	¥ 33,431	\$ 182,870
Lease obligations	880	–	8,269
Accrued expenses	10,999	16,629	103,355
Income taxes payable	5,564	12,526	52,283
Other current liabilities	14,614	12,193	137,324
Total current liabilities	<u>51,518</u>	<u>74,779</u>	<u>484,101</u>
Convertible bonds	49,997	49,997	469,808
Lease obligations	877	–	8,241
Long-term accrued expenses	2,953	4,512	27,749
Deferred income taxes	6	5	56
Allowance for employees' retirement benefits	25,743	25,791	241,900
Net assets ( <i>Notes 6 and 8</i> ):			
Shareholders' equity:			
Common stock	18,600	18,600	174,779
Additional paid-in capital	14,889	14,884	139,908
Retained earnings	226,656	225,780	2,129,825
Treasury stock, at cost	(72,934)	(61,161)	(685,341)
Total shareholders' equity	<u>187,211</u>	<u>198,103</u>	<u>1,759,171</u>
Valuation and translation adjustments:			
Unrealized gain on other securities ( <i>Note 4</i> )	11,523	9,650	108,279
Translation adjustments	(334)	(997)	(3,139)
Total valuation and translation adjustments	<u>11,189</u>	<u>8,653</u>	<u>105,140</u>
Share subscription rights ( <i>Note 6</i> )	708	608	6,653
Total net assets	<u>199,108</u>	<u>207,364</u>	<u>1,870,964</u>
Total liabilities and net assets	<u>¥330,202</u>	<u>¥362,448</u>	<u>\$3,102,819</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Three months ended 30th June, 2008</b>	<b>Three months ended 30th June, 2007</b>	<b>Three months ended 30th June, 2008</b>
	(Unaudited)	(Unaudited)	(Unaudited)
Sales	¥79,496	¥77,486	\$747,002
Cost of sales	56,518	54,837	531,084
Gross profit	22,978	22,649	215,918
Selling, general and administrative expenses (Notes 9 and 10)	13,118	11,906	123,266
Operating profit	9,860	10,743	92,652
Other income (expenses):			
Interest and dividend income	1,034	1,485	9,716
Equity in earnings of affiliates	29	32	273
Interest expense	(3)	–	(28)
Gain on investment securities	–	1,365	–
Impact of applying lease accounting standards	(352)	–	(3,308)
Other, net	(1)	68	(10)
Income before income taxes	707	2,950	6,643
Income before income taxes	10,567	13,693	99,295
Provision for income taxes (Note 2)	4,516	5,632	42,435
Net income (Note 8)	¥ 6,051	¥ 8,061	\$ 56,860

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Changes in Net Assets

*Millions of yen*

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Total net assets
<b>Balance at 31st March, 2008</b>	¥18,600	¥14,884	¥225,780	¥(61,161)	¥198,103	¥ 9,650	¥(997)	¥ 8,653	¥608	¥207,364
Purchases of treasury stock	-	-	-	(11,870)	(11,870)	-	-	-	-	(11,870)
Disposition of treasury stock	-	-	-	97	97	-	-	-	-	97
Net income	-	-	6,051	-	6,051	-	-	-	-	6,051
Cash dividends paid	-	-	(5,175)	-	(5,175)	-	-	-	-	(5,175)
Gain on disposition of treasury stock	-	5	-	-	5	-	-	-	-	5
Net changes other than in shareholders' equity	-	-	-	-	-	1,873	663	2,536	100	2,636
<b>Balance at 30th June, 2008 (unaudited)</b>	¥18,600	¥14,889	¥226,656	¥(72,934)	¥187,211	¥11,523	¥(334)	¥11,189	¥708	¥199,108

*Millions of yen*

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Total net assets
<b>Balance at 31st March, 2007</b>	¥18,600	¥14,800	¥206,990	¥(47,157)	¥193,233	¥22,194	¥ 499	¥22,693	¥307	¥216,233
Purchases of treasury stock	-	-	-	-	-	-	-	-	-	-
Disposition of treasury stock	-	-	-	134	134	-	-	-	-	134
Net income	-	-	8,061	-	8,061	-	-	-	-	8,061
Cash dividends paid	-	-	(4,477)	-	(4,477)	-	-	-	-	(4,477)
Loss on disposition of treasury stock	-	-	(18)	-	(18)	-	-	-	-	(18)
Net changes other than in shareholders' equity	-	-	-	-	-	(3,065)	571	(2,494)	103	(2,391)
<b>Balance at 30th June, 2007 (unaudited)</b>	¥18,600	¥14,800	¥210,556	¥(47,023)	¥196,933	¥19,129	¥1,070	¥20,199	¥410	¥217,542

*Thousands of U.S. dollars (Note 3)*

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Total net assets
<b>Balance at 31st March, 2008</b>	\$174,779	\$139,861	\$2,121,594	\$(574,714)	\$1,861,520	\$90,678	\$(9,368)	\$81,310	\$5,714	\$1,948,544
Purchases of treasury stock	-	-	-	(111,539)	(111,539)	-	-	-	-	(111,539)
Disposition of treasury stock	-	-	-	912	912	-	-	-	-	912
Net income	-	-	56,860	-	56,860	-	-	-	-	56,860
Cash dividends paid	-	-	(48,629)	-	(48,629)	-	-	-	-	(48,629)
Gain on disposition of treasury stock	-	47	-	-	47	-	-	-	-	47
Net changes other than in shareholders' equity	-	-	-	-	-	17,601	6,229	23,830	939	24,769
<b>Balance at 30th June, 2008 (unaudited)</b>	\$174,779	\$139,908	\$2,129,825	\$(685,341)	\$1,759,171	\$108,279	\$(3,139)	\$105,140	\$6,653	\$1,870,964

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statements of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June, 2008</b>
	<b>2008</b>	<b>2007</b>	<b>(Unaudited)</b>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 10,567	¥ 13,693	\$ 99,295
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	4,600	3,430	43,225
Interest and dividend income	(1,034)	(1,485)	(9,716)
Interest expense	3	–	28
Gain on investment securities	–	(1,365)	–
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	27,459	18,454	258,025
Allowance for doubtful accounts	(4)	(21)	(38)
Accounts payable	(15,544)	(14,052)	(146,063)
Inventories	(196)	(1,463)	(1,842)
Allowance for employees' retirement benefits and welfare pension plan	(48)	(509)	(451)
Impact of applying lease accounting standards	352	–	3,308
Other	(4,062)	(6,900)	(38,169)
Subtotal	22,093	9,782	207,602
Interest and dividends received	966	1,527	9,077
Interest paid	(3)	(1)	(28)
Income taxes paid	(11,002)	(12,718)	(103,383)
Net cash provided by (used in) operating activities	12,054	(1,410)	113,268
<b>Cash flows from investing activities</b>			
Payments for time deposits	–	(3,625)	–
Proceeds from time deposits	–	3,683	–
Increase in short-term investment securities	(7,973)	(11,962)	(74,920)
Proceeds from sales and redemption of short-term investment securities	12,000	–	112,761
Acquisition of property and equipment	(5,146)	(7,442)	(48,356)
Proceeds from sales of property and equipment	–	88	–
Increase in software and other intangibles	(4,543)	(4,341)	(42,689)
Increase in investment securities	(6,105)	(4)	(57,367)
Proceeds from sales and redemption of investment securities	6	2,287	56
Increase in investments in affiliates	(36)	–	(338)
Other	5	14	47
Net cash used in investing activities	(11,792)	(21,302)	(110,806)
<b>Cash flows from financing activities</b>			
Repayment of obligation under capital leases	(117)	–	(1,099)
Proceeds from sales of treasury stock	59	117	554
Purchases of treasury stock	(11,870)	–	(111,539)
Cash dividends paid	(5,023)	(4,211)	(47,200)
Net cash used in financing activities	(16,951)	(4,094)	(159,284)
Effect of exchange rate changes on cash and cash equivalents	149	134	1,400
Net decrease in cash and cash equivalents	(16,540)	(26,672)	(155,422)
Cash and cash equivalents at beginning of period	75,525	115,854	709,688
Cash and cash equivalents at end of period (Note 7)	¥ 58,985	¥ 89,182	\$ 554,266

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

30th June, 2008

**1. Description of Business, Basis of Presentation, Changes in Scope of Application of Equity Method, and Accounting Change**

*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 13.

*Basis of Presentation*

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

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

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

*Changes in Scope of Application of Equity Method*

MC NRI Global Solutions Inc., a newly established affiliated company during the quarterly period ended 30th June, 2008, is included in the scope of application of the equity method.



## **1. Description of Business, Basis of Presentation, Changes in Scope of Application of Equity Method, and Accounting Change (continued)**

### ***Accounting Change***

Effective the first quarter ended 30th June, 2008 the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9) has been applied, and now inventories are stated at cost, based on the identified cost method, which evaluates the amount of the inventories shown on the balance sheet by writing them down based on their decrease in profitability. Previously, inventories were stated at cost, based on the identified cost method. The effects of adopting the new standard were immaterial.

Effective the first quarter ended 30th June, 2008, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18) has been applied. The effects of adopting the new standard were nil.

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

For the finance lease assets which do not transfer ownership, depreciation expenses is recognized based on declining balance method over the lease period.

As a result of this accounting change, operating profit for the three months ended 30th June, 2008 increased by ¥57 million (\$536 thousand) and income before income taxes decreased by ¥297 million (\$2,791 thousand) from the corresponding amounts which would have been recorded under the previous method.

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

## **2. Specific Accounting Policy Adopted in Preparing Quarterly Consolidated Financial Statements**

### ***Calculation of Tax Expense***

At the end of each interim period the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. Tax expenses for interim periods are computed multiplying income before income taxes by the aforementioned estimated annual effective tax rate for the annual period. Deferred income taxes are included in provision for income taxes on the quarterly consolidated statements of income.

### 3. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥106.42 = U.S.\$1.00, the rate of exchange prevailing on 30th June, 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, realized or settled in U.S. dollars at the above or any other rate.

### 4. Investments

The Company did not hold any trading securities or held-to-maturity securities with determinable market value at 30th June, 2008 or at 31st March, 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 30th June, 2008 and at 31st March, 2008:

#### *Marketable Securities Classified As Other Securities*

	<i>Millions of yen</i>					
	<b>30th June, 2008</b>			<b>31st March, 2008</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>
	(Unaudited)					
Equity securities	¥13,420	¥32,921	¥19,501	¥13,294	¥29,638	¥16,344
Debt securities:						
Government debt securities	3,998	3,998	–	7,992	7,992	–
Corporate debt securities	8,981	8,890	(91)	5,000	4,946	(54)
	12,979	12,888	(91)	12,992	12,938	(54)
Other	988	992	4	1,047	1,039	(8)
Total	<u>¥27,387</u>	<u>¥46,801</u>	<u>¥19,414</u>	<u>¥27,333</u>	<u>¥43,615</u>	<u>¥16,282</u>

	<i>Thousands of U.S. dollars</i>		
	<b>30th June, 2008</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>
	(Unaudited)		
Equity securities	\$126,104	\$309,350	\$183,246
Debt securities:			
Government debt securities	37,568	37,568	–
Corporate debt securities	84,392	83,537	(855)
	121,960	121,105	(855)
Other	9,284	9,321	37
Total	<u>\$257,348</u>	<u>\$439,776</u>	<u>\$182,428</u>

#### 4. Investments (continued)

Loss on devaluation of the marketable securities classified as other securities as a result of a permanent decline in value for the three months ended 30th June, 2008 and the year ended 31st March, 2008 was nil and ¥589 million, respectively. 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.

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

#### 5. Derivatives

The Company and its consolidated subsidiaries had no open derivatives position at 30th June, 2008 or 31st March, 2008.

#### 6. Net Assets

The Corporation Law of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million (\$5,356 thousand) and ¥570 million at 30th June, 2008 and 31st March, 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 three months ended 30th June, 2008 and for the year ended 31st March, 2008 are summarized as follows:

	<b>30th June, 2008</b>		<b>31st March, 2008</b>	
	<b>Shares in issue</b>	<b>Treasury stock</b>	<b>Shares in issue</b>	<b>Treasury stock</b>
	(Unaudited)			
Number of shares at beginning of period	225,000,000	25,944,292	45,000,000	4,291,620
Increase in number of shares	–	4,645,836	180,000,000	22,106,382
Decrease in number of shares	–	41,000	–	453,710
Number of shares at the end of period	<u>225,000,000</u>	<u>30,549,128</u>	<u>225,000,000</u>	<u>25,944,292</u>

\* The increase of 4,645,836 shares of treasury stock was due to stock repurchases from the open market, which resulted in an increase of 4,645,700 shares, and purchases of odd-lot shares.

The decrease of 41,000 shares of treasury stock was due to the exercise of stock options.

## 6. Net Assets (continued)

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2008 relate to the Company's stock option plans described in Note 12.

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

The following appropriation of retained earnings applicable to the year ended 31st March, 2008 was approved at a meeting of the Board of Directors held on 13th May, 2008 and went into effect on 2nd June, 2008:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 13th May, 2008 (¥26.00 = U.S.\$0.24 per share)	¥5,175	\$48,629

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

## 7. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows at 30th June, 2008 and 2007 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>30th June,</b>		<b>30th June,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥ 15,139	¥ 17,589	\$ 142,257
Short-term investment securities	67,473	101,540	634,026
Time deposits with maturities of more than three months when deposited	(7,651)	(7,989)	(71,894)
Bonds and other investments maturing in more than three months from the acquisition date	(15,976)	(21,958)	(150,123)
Cash and cash equivalents	¥ 58,985	¥ 89,182	\$ 554,266

## 8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>
	(Unaudited)		(Unaudited)
Earnings per share – basic	¥ 30.63	¥ 39.60	\$0.29
Earnings per share – diluted	28.88	37.37	0.27

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>30th June, 2008</b>	<b>31st March, 2008</b>	<b>30th June, 2008</b>
	(Unaudited)		(Unaudited)
Net assets per share	¥1,020.31	¥1,038.68	\$9.59

The computation of earnings and net assets per share is based on the weighted-average number of shares of common stock outstanding during each period 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 three months ended 30th June, 2008 and 2007 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥6,051	¥8,061	\$56,860
Earnings not available to common shareholders	–	–	–
Earnings available to common shareholders	¥6,051	¥8,061	\$56,860
Denominator:			
Weighted-average number of shares of common stock outstanding– basic	197,553,918	203,580,515	197,553,918
Potentially dilutive shares of common stock	11,965,869	12,146,653	11,965,869
Weighted-average number of shares of common stock outstanding– diluted	209,519,787	215,727,168	209,519,787

## 8. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect, and thus have not been included in the diluted earnings per share calculation for the three months ended 30th June, 2008:

	<i>Yen</i>	<i>U.S. dollars</i>
	<b>Three months ended 30th June, 2008</b>	<b>Three months ended 30th June, 2008</b>
	(Unaudited)	(Unaudited)
a) 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	392,500	392,500
Exercise price per share	¥ 3,282	\$ 30.84
Average share price for the exercise period	¥ 2,529.52	\$ 23.77
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	\$ 34.58
Average share price for the exercise period	¥ 2,529.52	\$ 23.77

The computation of net assets per share at 30th June, 2008 and 31st March, 2008 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>30th June, 2008</b>	<b>31st March, 2008</b>	<b>30th June, 2008</b>
	(Unaudited)	(Unaudited)	(Unaudited)
Numerator:			
Net assets	¥199,108	¥207,364	\$1,870,964
Stock subscription rights	(708)	(608)	(6,653)
Net assets attributable to common stock	<u>¥198,400</u>	<u>¥206,756</u>	<u>\$1,864,311</u>
Denominator:			
Number of shares of common stock outstanding	194,450,872	199,055,708	194,450,872

## 9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the three months ended 30th June, 2008 and 2007 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>
	(Unaudited)		(Unaudited)
Personnel expenses	¥ 6,792	¥ 6,169	\$ 63,823
Rent	1,129	1,068	10,609
Subcontractor costs	1,928	1,606	18,117
Other	3,269	3,063	30,717
Total	<u>¥13,118</u>	<u>¥11,906</u>	<u>\$123,266</u>

## 10. Research and Development Costs

Research and development expenses included in selling, general and administrative expenses for the three months ended 30th June, 2008 and 2007 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>
	(Unaudited)		(Unaudited)
	<u>¥731</u>	<u>¥639</u>	<u>\$6,869</u>

## 11. Contingent Liabilities

There were no material contingent liabilities at 30th June, 2008 and 31st March, 2008.

## 12. Stock Option Plans

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

For stock options issued on and after 1st May, 2006, compensation costs are valued based on the fair value of the stock options and recognized in the consolidated statements 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 Share-based Payments” (Accounting Standards Board of Japan, Guidance No. 11).

## 12. Stock Option Plans (continued)

For the three months ended 30th June, 2008 and 2007, the Company recognized and allocated share-based compensation cost as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June, 2008</b>	<b>2007</b>	<b>Three months ended 30th June, 2008</b>
	(Unaudited)		(Unaudited)
Cost of sales	¥ 67	¥ 54	\$ 630
Selling, general and administrative expenses	75	47	704
	<u>¥142</u>	<u>¥101</u>	<u>\$1,334</u>

No stock options were granted in the first quarter. On 8th July, 2008, two types of stock options, based on the resolution of the Board of Directors on 20th June, 2008, in accordance with the Corporation Law of Japan were issued as follows:

	<b>10th stock option plan</b>	<b>11th stock option plan</b>
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries	39 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	417,500	95,500
Grant date	8th July, 2008	8th July, 2008
Vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed
Exercise period	1st July, 2011 to 30th June, 2015	1st July, 2009 to 30th June, 2010
Exercise price	¥2,650 (= U.S.\$24.90)	¥1 (= U.S.\$0.01)



### 13. Segment Information

#### *Business segments*

Business segment information was presented under the following two categories:

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

Business segment information of the Company and its consolidated subsidiaries for the three months ended 30th June, 2008 and 2007 is summarized as follows:

<i>Millions of yen</i>					
<b>Three months ended 30th June, 2008</b>					
<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>	
(Unaudited)					
Sales and operating profit:					
Sales to external customers	¥7,381	¥72,115	¥79,496	¥ –	¥79,496
Intersegment sales or transfers	100	175	275	(275)	–
Total sales	7,481	72,290	79,771	(275)	79,496
Operating expenses	6,971	62,940	69,911	(275)	69,636
Operating profit	¥ 510	¥ 9,350	¥ 9,860	¥ –	¥ 9,860

<i>Millions of yen</i>					
<b>Three months ended 30th June, 2007</b>					
<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>	
(Unaudited)					
Sales and operating profit:					
Sales to external customers	¥6,389	¥71,097	¥77,486	¥ –	¥77,486
Intersegment sales or transfers	64	233	297	(297)	–
Total sales	6,453	71,330	77,783	(297)	77,486
Operating expenses	6,256	60,784	67,040	(297)	66,743
Operating profit	¥ 197	¥10,546	¥10,743	¥ –	¥10,743

<i>Thousands of U.S. dollars</i>					
<b>Three months ended 30th June, 2008</b>					
<b>Consulting services</b>	<b>IT solutions services</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>	
(Unaudited)					
Sales and operating profit:					
Sales to external customers	\$ 69,357	\$677,645	\$747,002	\$ –	\$747,002
Intersegment sales or transfers	940	1,644	2,584	(2,584)	–
Total sales	70,297	679,289	749,586	(2,584)	747,002
Operating expenses	65,505	591,429	656,934	(2,584)	654,350
Operating profit	\$ 4,792	\$ 87,860	\$ 92,652	\$ –	\$ 92,652

### **13. Segment Information (continued)**

#### ***Business Segments (continued)***

Effective 1st April, 2008, the Company and its domestic consolidated subsidiaries adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guideline No. 16), originally issued by the Business Accounting Deliberation Counsel on 17th June, 1993 and by the Japanese Institute of Certified Public Accountants on 18th January, 1994, respectively, and both revised by the ASBJ on 30th March, 2007. As a result of this change, operating expenses in the IT solutions services segment for the three months ended 30th June, 2008 increased by ¥57 million (\$536 thousand) and operating profit decreased by the same amount compared with the corresponding amount which would have been recorded under the previous method. The effects on the consulting services segment were immaterial.

#### ***Geographical Segments***

Because sales and assets in the domestic segment constituted more than 90% of total sales and assets for the three months ended 30th June, 2008 and 2007, geographical segment information has not been presented.

#### ***Overseas Sales***

Because overseas sales constituted less than 10% of consolidated sales for the three months ended 30th June, 2008 and 2007, no disclosure of overseas sales has been made.

### **14. Business Combinations**

Not applicable.

### **15. Subsequent Events**

Not applicable.

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

The accompanying quarterly 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 quarterly consolidated financial statements. In addition, no attempt has been made to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements.

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

### **1. Leases Capitalized as Assets**

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

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

### **2. Compensated Absences**

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

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

[Appendix 2]

**SUBSIDIARIES AND AFFILIATES**

The Company conducts its business together with its subsidiaries and affiliates (being companies over which the Company holds significant influence with respect to its finances, operations or businesses).

At 30<sup>th</sup> June, 2008, the Company had 16 subsidiaries, all of which were consolidated subsidiaries.

At the same date, the Company had 2 affiliates, all of which were accounted for by the equity method in the Company's financial statements.

The following table sets forth information on the Company's direct and indirect subsidiaries and affiliates as of 30<sup>th</sup> June, 2008.

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

<b>Name</b>	<b>Country</b>	<b>Main Business</b>
<b>Affiliate</b>		
Nippon Clearing Services Co., Ltd.	Japan	Back-office services for mid-tier securities companies
MC NRI GLOBAL SOLUTIONS, INC. (Note 1)	Japan	Holding Company, holding the shares of system development firm in China.

\*(Note1) The movement of the Company's certain significant subsidiary and affiliate with the change in its scope of consolidation during the period is as follows.

<b>Name</b>	<b>Country</b>	<b>Issued Capital (thousands)</b>	<b>Equity held by the Company (%)</b>
<b>Affiliate</b>			
MC NRI GLOBAL SOLUTIONS, INC.	Japan	¥10,000	49.0