

This financial report is composed of two parts. The first part is an abridged translation of “Kessan Tanshin (earnings report)” for the quarterly period ended 30th June, 2013, which includes the summary and the qualitative information sections. The second part is the “Quarterly Consolidated Financial Statements,” which are basically prepared based on the “Kessan Tanshin (earnings report)” but applied for some items different presentation methods.



25th July, 2013

## Consolidated Financial Results For the Quarterly Period Ended 30th June, 2013 <under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 4307  
 URL: <http://www.nri.co.jp/>  
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Scheduled date to file Quarterly Securities Report: 30th July, 2013  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly consolidated financial results: Yes  
 Announcement for quarterly consolidated financial results (for institutional investors and analysts): Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated performance for the quarterly period ended 30th June, 2013 (from 1st April, 2013 to 30th June, 2013)

#### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Quarterly period ended								
30th June, 2013	88,250	4.5	10,510	27.5	12,249	34.9	7,804	36.9
30th June, 2012	84,411	7.6	8,246	(4.6)	9,077	(5.0)	5,699	(55.8)

Note: Comprehensive income

Quarterly period ended 30th June, 2013: ¥10,729 million [181.4%]

Quarterly period ended 30th June, 2012: ¥3,813 million [(70.1)%]

	Net income per share – basic	Net income per share – diluted
Quarterly period ended	Yen	Yen
30th June, 2013	39.45	37.12
30th June, 2012	29.03	27.37

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
30th June, 2013	428,297	296,249	68.9
31st March, 2013	432,249	290,862	66.9

Reference: Equity

As of 30th June, 2013: ¥295,158 million    As of 31st March, 2013: ¥289,373 million

## 2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
Fiscal year ended 31st March, 2013	Yen –	Yen 26.00	Yen –	Yen 26.00	Yen 52.00
Fiscal year ending 31st March, 2014	–				
Fiscal year ending 31st March, 2014 (Forecasts)		26.00	–	26.00	52.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

## 3. Forecasts of financial results for the fiscal year ending 31st March, 2014 (from 1st April, 2013 to 31st March, 2014)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 31st March, 2014	375,000	3.1	49,000	11.3	51,500	12.3	32,000	11.8	161.76

Note: Revisions to the forecasts of financial results most recently announced: Yes

Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on pages 7-8.

### \* Notes

- (1) Changes in significant subsidiaries during the current three months (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Adoption of specific accounting in preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
  - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
  - b. Changes in accounting policies due to other reasons: Yes
  - c. Changes in accounting estimates: None
  - d. Restatement of prior period financial statements after error corrections: None
- (4) Number of shares in issue (common stock)
  - a. Total number of shares in issue at the end of the period (including treasury stock)
 

As of 30th June, 2013	225,000,000 shares
As of 31st March, 2013	225,000,000 shares
  - b. Number of shares of treasury stock at the end of the period
 

As of 30th June, 2013	26,905,393 shares
As of 31st March, 2013	27,384,993 shares
  - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 

Quarterly period ended 30th June, 2013	197,828,671 shares
Quarterly period ended 30th June, 2012	196,331,288 shares

Note: The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury stock.

\* Indication regarding execution of quarterly review procedures

This quarterly consolidated financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this quarterly consolidated financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Law are incomplete.

\* Proper use of forecasts of financial results, and other special matters

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on pages 7-8 for the assumptions for the forecasts of business results and cautions concerning the use thereof.

## Qualitative information regarding first-quarter settlement of accounts

### (1) Qualitative information regarding consolidated operating results

During the three months ended 30th June, 2013 (from 1st April, 2013 to 30th June, 2013), the Japanese economy picked up against the backdrop of depreciation in the yen and strengthening equity markets since the end of 2012. Although the economic upturn is expected to take time to spread to corporate investment in information systems, companies are gradually becoming more upbeat on investment.

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

In the financial sector, the Company has already started work on preparing for the introduction of Japanese ISAs (individual savings accounts that provide tax exemptions for small-scale investments), scheduled for launch in January 2014. Going forward, the Company will work to further expand its multi-user services business by steadily responding to regulatory changes in the sector.

In the datacenter business, the Company completed construction of Tokyo Data Center I and began providing services via the facility in the previous fiscal year. The new data center incorporates cutting-edge technology to enhance security, expandability and environmental performance.

Recognizing that data centers are important infrastructure that support business and society, the Company will work to further enhance the security and reliability of its facilities, including existing data centers, and ensure systems operate in a stable manner.

In the overseas business, the Company is establishing a system to provide both consulting and IT solution services, mainly in Asia, where growth is likely to remain strong. Its goal is to provide support to Japanese companies moving into overseas markets and expand service provision to local governments and companies. Also, in human resources, the Company will push ahead with efforts to foster a work force capable of performing global business, including steps to further upgrade its overseas training systems.

During the three months ended 30th June, 2013, the NRI Group’s sales increased year on year to ¥88,250 million (up 4.5%). Profitability improved due to a decline in the impact from unprofitable projects. Cost of sales was ¥62,498 million (up 1.5%) and gross profit was ¥25,752 million (up 12.9%). Selling, general and administrative expenses were ¥15,241 million (up 4.7%), reflecting a rise in personnel expenses due to an increase in personnel to support future business expansion and higher welfare costs related to the Trust-Type Employee Stock Ownership Incentive Plan. Operating profit was ¥10,510 million (up 27.5%), the operating profit margin was 11.9% (up 2.1 points), ordinary profit was ¥12,249 million (up 34.9%), and net income was ¥7,804 million (up 36.9%).

## Segment information

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

### (Consulting)

This segment provides policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management. Overseas, mainly in Asia, where growth is likely to remain strong, the Company is aiming to provide support to Japanese companies moving into overseas markets, while also expanding service provision to local governments and companies.

During the three months ended 30th June, 2013, business consulting and consulting for the public sector increased. As a result, the Consulting segment posted sales of ¥5,103 million (up 10.2% year on year) and operating profit of ¥229 million (compared with an operating loss of ¥147 million in the same period of the previous fiscal year).

### (Financial IT Solutions)

In this segment, the main clients are in the financial sector, including the securities, insurance and banking sectors. The segment provides system consulting, system development and system management and operation services, and it provides IT solutions such as multi-user systems.

In the financial sector, the Company has already started work on preparing for the introduction of Japanese ISAs (individual savings accounts that provide tax exemptions for small-scale investments), scheduled for launch in January 2014. Going forward, the Company will work to further expand its multi-user services business by steadily responding to regulatory changes in the sector. In addition, the Company will aim to secure more customers for its front office systems, which support consulting-based sales of financial products, and for its multi-user type Internet banking system.

During the three months ended 30th June, 2013, sales generated from system development and application sales in the securities and insurance sectors declined. However, there was an increase in system management and operation services, mainly in the securities sector, due to the start of THE STAR services for major clients in the securities sector and increased activity in equities markets. Although the Company incurred costs related to system disruption in system management and operation services for the securities sector, profitability improved due to a decline in the impact from unprofitable projects.

As a result of the above, the Financial IT Solutions segment posted sales of ¥51,787 million (up 1.0% year on year) and operating profit of ¥6,059 million (up 66.9%).

### (Industrial IT Solutions)

This segment provides system consulting, system development, system management and operation services, and other services to the distribution, manufacturing, service and public sectors.

In this segment, the Company has been making efforts to provide IT solution proposals while working closely with the Consulting segment, which has a large number of customers in the industrial sector, to expand the client base. Also, as individual companies are finding it increasingly difficult to handle IT themselves, the Company is using its system consulting and IT solutions services to help companies restructure their IT divisions.

During the three months ended 30th June, 2013, the segment posted an increase in sales, mainly from system development and application sales in the manufacturing and service and distribution sectors. Although there was an increase in costs related to projects aimed at expanding the client base, profitability improved due to efforts to strengthen project management.

As a result of the above, the Industrial IT Solutions segment posted sales of ¥20,700 million (up 5.3% year on year) and operating profit of ¥1,650 million (up 47.3%).

### (IT Platform Services)

This segment mainly provides services such as the management and administration of data centers and IT platform and network architecture to the Financial IT Solutions and Industrial IT Solutions segments. It also provides IT platform solutions and information security services to customers of various industries. In addition, it conducts research for the development of new business operations and new products related to IT solutions, and research related to leading-edge information technologies.

In this segment, the Company has been making efforts to expand its client base by not only

renewing customers' IT platforms, but also by proposing IT platform solutions to customers that help them improve their businesses and revenues.

During the three months ended 30th June, 2013, sales to external customers increased, centered on system development and application sales, partly reflecting a large-scale IT platform architecture project. With respect to costs, there was an increase in subcontracting costs due to the above project and the Company also incurred one-time costs related to the start of operations at Tokyo Data Center I.

As a result of the above, the IT Platform Services segment posted sales of ¥26,072 million (up 2.7% year on year) and operating profit of ¥1,981 million (down 29.8%).

(Others)

The Others segment comprises subsidiaries and others that provide system development and system management and operation services not included in the other four segments.

During the three months ended 30th June, 2013, the Others segment posted sales of ¥3,597 million (up 16.2% year on year) and operating profit of ¥110 million (down 64.5%).

## (2) Qualitative information regarding consolidated financial position

(Assets, liabilities and net assets)

At the end of the first quarter (30th June, 2013), current assets were ¥180,623 million (down 4.5% from the end of the previous fiscal year), noncurrent assets were ¥247,673 million (up 1.9%), current liabilities were ¥107,684 million (down 8.9%), noncurrent liabilities were ¥24,364 million (up 5.0%), net assets were ¥296,249 million (up 1.9%), and total assets were ¥428,297 million (down 0.9%).

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

Accounts receivable declined ¥24,165 million to ¥29,873 million and other receivables increased ¥12,091 million to ¥34,581 million. The NRI Group recognizes revenues based on the percentage-of-completion method. The number of projects completed at the end of the fiscal year is comparatively large, and accordingly, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for accounts receivable and large values for other receivables.

Investment securities increased ¥3,958 million to ¥92,336 million, mainly reflecting an increase in the value of the Company's shareholdings.

As for other items, accounts payable declined ¥2,559 million to ¥17,938 million, accrued amount payable fell ¥1,718 million to ¥3,000 million, accrued expenses increased ¥3,510 million to ¥8,354 million, income taxes payable declined ¥6,433 million to ¥4,884 million, and allowance for bonuses declined ¥6,727 million to ¥7,093 million.

Effective 1st April, 2013, the Company has decided to adopt early the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of 17th May, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of 17th May, 2012). As a result, on the balance sheet, employees' retirement benefits (¥17,964 million as of the end of the previous fiscal year) has been replaced by assets related to retirement benefits of ¥613 million and liabilities related to retirement benefits of ¥19,137 million.

(Cash flow position)

Cash and cash equivalents as of the end of the first quarter (30th June, 2013) stood at ¥101,478 million (up ¥1,855 million from the end of the previous fiscal year).

Net cash provided by operating activities in the three months ended 30th June, 2013 was ¥16,046 million, a decrease of ¥381 million compared with the same period of the previous fiscal year. This reflected an increase in operating profit and a switch to increase in accounts payable, against a smaller decrease in accounts receivable.

Net cash used in investing activities was ¥10,314 million, a decline of ¥9,248 million from the same period of the previous fiscal year. Cash was mainly used for the acquisition of property and equipment related to data centers and the acquisition of software and other intangibles related to the development of multi-user systems.

Net cash used in financing activities was ¥3,980 million, a decline of ¥475 million from the same period of the previous fiscal year. The main item of expenditure was cash dividends paid.

### (3) Qualitative information regarding forecasts of financial results

The Japanese economy has been picking up against the backdrop of depreciation in the yen and strengthening equity markets since the end of 2012.

In the first quarter, sales grew more strongly than projected, supported by a solid performance in system management and operation services, particularly in the securities sector due to increased activity in equity markets. Orders have also been favorable recently, with the Financial IT Solutions and IT Platform Services segments seeing particularly strong growth.

In light of these conditions, the Company revised its business forecasts announced on 25th April, 2013. Details are as follows.

#### (I) Forecast for the fiscal year ending 31st March, 2014

Consolidated performance for the fiscal year ending 31st March, 2014

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Sales	370,000	375,000	5,000	1.4	363,891
Operating profit	47,000	49,000	2,000	4.3	44,013
Ordinary profit	48,500	51,500	3,000	6.2	45,854
Net income	30,000	32,000	2,000	6.7	28,610
Net income per share (Yen)	151.81	161.76			145.28

#### (II) Forecast for the six months ending 30th September, 2013

Consolidated performance for the six months ending 30th September, 2013

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Sales	178,000	183,000	5,000	2.8	174,359
Operating profit	22,000	23,500	1,500	6.8	20,575
Ordinary profit	23,000	25,500	2,500	10.9	21,565
Net income	14,000	16,000	2,000	14.3	13,406

\* No forecast is presented for the six months ending 30th September, 2013 on account of the Company conducting earnings management on an annual basis. However, basing the values on past trends, we disclose reference values for the six-month operating results.

(III) Others

a. Consolidated sales by segment for the fiscal year ending 31st March, 2014

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting	24,000	24,000	–	–	22,761
Financial IT Solutions	220,000	220,000	–	–	219,754
Securities sector	106,000	111,000	5,000	4.7	115,904
Insurance sector	58,000	51,000	(7,000)	(12.1)	50,162
Banking sector	30,000	30,000	–	–	27,909
Other financial sector, etc.	26,000	28,000	2,000	7.7	25,778
Industrial IT Solutions	84,000	84,000	–	–	83,615
Distribution sector	45,000	42,500	(2,500)	(5.6)	44,806
Manufacturing and service sectors	39,000	41,500	2,500	6.4	38,808
IT Platform Services	33,000	37,000	4,000	12.1	28,850
Others	9,000	10,000	1,000	11.1	8,910
Total	370,000	375,000	5,000	1.4	363,891

\* The breakdowns of the segments are comprised of sales by customer sector.

b. Consolidated sales by service for the fiscal year ending 31st March, 2014

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting services	39,000	38,000	(1,000)	(2.6)	39,078
System development & application sales	141,000	142,000	1,000	0.7	140,478
System management & operation services	181,000	185,000	4,000	2.2	174,990
Product sales	9,000	10,000	1,000	11.1	9,344
Total	370,000	375,000	5,000	1.4	363,891

(Caution concerning forward-looking statements)

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions (suppositions) judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Material factors that could possibly affect the actual business results, etc. include, but are not limited to, the domestic and overseas economic situation, demand in the IT services market, competition with competitors, and changes in taxation and other systems. Note the Company will not always revise business forecasts, etc. upon every occurrence of new information or event.



## **Quarterly Consolidated Financial Statements**

**Nomura Research Institute, Ltd.**

*For the Quarterly Period Ended 30th June, 2013*  
*(Unaudited)*

Unless otherwise noted, the amounts included in the financial statements are expressed in millions of yen and thousands of U.S. dollars with fractional amounts rounded off.

Nomura Research Institute, Ltd.

Quarterly Consolidated Financial Statements

For the quarterly period ended 30th June, 2013

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>31st March, 2013</b>	<b>30th June, 2013</b>	<b>30th June, 2013</b>
		(Unaudited)	(Unaudited)
<b>Assets</b>			
Current assets:			
Cash and bank deposits ( <i>Notes 4 and 7</i> )	¥ 10,274	¥ 11,319	\$ 114,820
Short-term investment securities ( <i>Notes 4, 5 and 7</i> )	90,186	91,066	923,778
Accounts receivable and other receivables ( <i>Note 4</i> )	76,530	64,455	653,834
Inventories	223	986	10,002
Deferred income taxes	7,291	7,330	74,356
Other current assets	4,803	5,530	56,097
Allowance for doubtful accounts	(74)	(62)	(629)
Total current assets	189,233	180,624	1,832,258
Property and equipment:			
Land	12,141	12,154	123,291
Buildings, net	40,502	41,280	418,746
Machinery and equipment, net	10,743	10,425	105,752
Leased assets, net	70	57	578
Property and equipment, net	63,456	63,916	648,367
Software and other intangibles	42,854	42,340	429,499
Investment securities ( <i>Notes 4 and 5</i> )	88,378	92,337	936,671
Investments in affiliates ( <i>Notes 4 and 5</i> )	10,441	11,639	118,067
Deferred income taxes	14,381	13,852	140,515
Long-term loans receivable ( <i>Note 4</i> )	7,937	7,967	80,818
Lease investment assets	436	430	4,362
Net defined benefit asset	-	614	6,228
Other assets	15,179	14,627	148,376
Allowance for doubtful accounts	(46)	(48)	(487)
Total assets	¥432,249	¥428,298	\$4,344,674

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>31st March, 2013</b>	<b>30th June, 2013</b>	<b>30th June, 2013</b>
		(Unaudited)	(Unaudited)
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable ( <i>Note 4</i> )	¥ 20,498	¥ 17,938	\$ 181,964
Current portion of convertible bonds	49,996	49,996	507,162
Current portion of long-term loans payable ( <i>Note 4</i> )	2,453	2,453	24,883
Lease obligations, current	268	249	2,526
Accrued expenses	18,664	15,447	156,695
Income taxes payable	11,318	4,884	49,544
Advance payments received	5,184	6,579	66,737
Asset retirement obligations	3	–	–
Other current liabilities	9,806	10,138	102,840
Total current liabilities	118,190	107,684	1,092,351
Long-term loans payable ( <i>Note 4</i> )	4,250	4,250	43,112
Lease obligations	342	331	3,358
Deferred income taxes	38	41	416
Provision for retirement benefits	17,965	–	–
Net defined benefit liability	–	19,137	194,127
Asset retirement obligations	601	605	6,137
Net assets ( <i>Notes 6 and 8</i> ):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2013 and 30th June, 2013			
Issued – 225,000,000 shares at 31st March, 2013 and 30th June, 2013	18,600	18,600	188,679
Additional paid-in capital	14,800	14,979	151,948
Retained earnings	305,058	308,851	3,132,999
Treasury stock, at cost:			
– 27,384,993 shares at 31st March, 2013 and 26,905,393 shares at 30th June, 2013	(65,381)	(64,236)	(651,613)
Total shareholders' equity	273,077	278,194	2,822,013
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities ( <i>Note 5</i> )	17,937	20,619	209,160
Foreign currency translation adjustment	(1,640)	(1,402)	(14,222)
Remeasurements of defined benefit plans	–	(2,252)	(22,844)
Total accumulated other comprehensive income	16,297	16,965	172,094
Share subscription rights	1,411	1,022	10,367
Minority interests	78	69	699
Total net assets	290,863	296,250	3,005,173
Total liabilities and net assets	¥432,249	¥428,298	\$4,344,674

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Income and Comprehensive Income

	<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,</b>
	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(Unaudited)		(Unaudited)
Sales	¥84,412	¥88,251	\$895,222
Cost of sales	61,605	62,499	633,993
Gross profit	22,807	25,752	261,229
Selling, general and administrative expenses ( <i>Notes 9 and 10</i> )	14,560	15,242	154,615
Operating profit	8,247	10,510	106,614
Other income (expenses):			
Interest and dividend income	813	1,280	12,984
Interest expense	(15)	(9)	(91)
Equity in earnings of affiliates	46	425	4,311
Gain (loss) on investment securities	(69)	20	203
Reversal of share-based compensation	158	296	3,003
Other, net	(13)	43	436
	920	2,055	20,846
Income before income taxes and minority interests	9,167	12,565	127,460
Provision for income taxes ( <i>Note 2</i> )	3,467	4,770	48,387
Income before minority interests	5,700	7,795	79,073
Minority interests in loss	–	(10)	(101)
Net income ( <i>Note 8</i> )	¥ 5,700	¥ 7,805	\$ 79,174
Minority interests in loss	¥ –	¥ (10)	\$ (101)
Income before minority interests	5,700	7,795	79,073
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,569)	2,691	27,298
Foreign currency translation adjustment	(312)	221	2,242
Remeasurements of defined benefit plans, net of tax	–	13	132
Share of other comprehensive income of affiliates	(6)	10	101
Total other comprehensive income	(1,887)	2,935	29,773
Comprehensive income	¥ 3,813	¥10,730	\$108,846
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 3,813	¥10,740	\$108,947
Comprehensive income attributable to minority interests	–	(10)	(101)

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Changes in Net Assets

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income							
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
<b>Balance at 1st April, 2012</b>	¥18,600	¥14,800	¥286,907	¥(68,841)	¥251,466	¥ 7,966	¥(2,575)	¥ –	¥ 5,391	¥1,420	¥ –	¥258,277
Disposition of treasury stock	–	–	–	938	938	–	–	–	–	–	–	938
Loss on disposition of treasury stock	–	–	(261)	–	(261)	–	–	–	–	–	–	(261)
Net income	–	–	5,700	–	5,700	–	–	–	–	–	–	5,700
Cash dividends paid	–	–	(5,100)	–	(5,100)	–	–	–	–	–	–	(5,100)
Net changes other than in shareholders' equity	–	–	–	–	–	(1,569)	(318)	–	(1,887)	(101)	–	(1,988)
<b>Balance at 30th June, 2012 (unaudited)</b>	¥18,600	¥14,800	¥287,246	¥(67,903)	¥252,743	¥ 6,397	¥(2,893)	¥ –	¥ 3,504	¥1,319	¥ –	¥257,566

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income							
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
<b>Balance at 1st April, 2013</b>	¥18,600	¥14,800	¥305,058	¥(65,381)	¥273,077	¥17,937	¥(1,640)	¥ –	¥16,297	¥1,411	¥78	¥290,863
Cumulative effect of changes in accounting policies	–	–	1,126	–	1,126	–	–	(2,266)	(2,266)	–	–	(1,140)
Balance as restated	18,600	14,800	306,184	(65,381)	274,203	17,937	(1,640)	(2,266)	14,031	1,411	78	289,723
Disposition of treasury stock	–	–	–	1,145	1,145	–	–	–	–	–	–	1,145
Gain on disposition of treasury stock	–	179	–	–	179	–	–	–	–	–	–	179
Net income	–	–	7,805	–	7,805	–	–	–	–	–	–	7,805
Cash dividends paid	–	–	(5,138)	–	(5,138)	–	–	–	–	–	–	(5,138)
Net changes other than in shareholders' equity	–	–	–	–	–	2,682	238	14	2,934	(389)	(9)	2,536
<b>Balance at 30th June, 2013 (unaudited)</b>	¥18,600	¥14,979	¥308,851	¥(64,236)	¥278,194	¥20,619	¥(1,402)	¥(2,252)	¥16,965	¥1,022	¥69	¥296,250

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				Accumulated other comprehensive income							
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
<b>Balance at 1st April, 2013</b>	\$188,679	\$150,132	\$3,094,522	\$(663,228)	\$2,770,105	\$181,954	\$(16,636)	\$ –	\$165,318	\$14,314	\$791	\$2,950,528
Cumulative effect of changes in accounting policies	–	–	11,423	–	11,423	–	–	(22,986)	(22,986)	–	–	(11,563)
Balance as restated	188,679	150,132	3,105,945	(663,228)	2,781,528	181,954	(16,636)	(22,986)	142,332	14,314	791	2,938,965
Disposition of treasury stock	–	–	–	11,615	11,615	–	–	–	–	–	–	11,615
Gain on disposition of treasury stock	–	1,816	–	–	1,816	–	–	–	–	–	–	1,816
Net income	–	–	79,174	–	79,174	–	–	–	–	–	–	79,174
Cash dividends paid	–	–	(52,120)	–	(52,120)	–	–	–	–	–	–	(52,120)
Net changes other than in shareholders' equity	–	–	–	–	–	27,206	2,414	142	29,762	(3,947)	(92)	25,723
<b>Balance at 30th June, 2013 (unaudited)</b>	\$188,679	\$151,948	\$3,132,999	\$(651,613)	\$2,822,013	\$209,160	\$(14,222)	\$(22,844)	\$172,094	\$10,367	\$699	\$3,005,173

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement 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,</b>
	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(Unaudited)		(Unaudited)
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 9,167	¥ 12,565	\$ 127,460
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	7,442	7,111	72,134
Interest and dividend income	(813)	(1,280)	(12,984)
Interest expense	15	9	91
Loss (gain) on investment securities	69	(20)	(203)
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	21,140	13,569	137,645
Allowance for doubtful accounts	(25)	(10)	(101)
Accounts payable	(3,223)	1,011	10,256
Inventories	(102)	(763)	(7,740)
Provision for retirement benefits	(1,046)	(17,568)	(178,211)
Net defined benefit liability	–	16,780	170,217
Other	(7,328)	(5,919)	(60,043)
Subtotal	25,296	25,485	258,521
Interest and dividends received	853	1,674	16,981
Interest paid	(1)	(1)	(10)
Income taxes paid	(9,720)	(11,112)	(112,721)
Net cash provided by operating activities	16,428	16,046	162,771
<b>Cash flows from investing activities</b>			
Payments for time deposits	(15)	(36)	(365)
Proceeds from time deposits	199	–	–
Proceeds from sales and redemption of short-term investment securities	4,100	–	–
Acquisition of property and equipment	(8,669)	(5,077)	(51,501)
Proceeds from sales of property and equipment	–	1	10
Purchase of software and other intangibles	(4,870)	(4,404)	(44,674)
Payments for asset retirement obligations	(4)	(0)	(0)
Purchase of investment securities	(10,314)	(54)	(548)
Proceeds from sales and redemption of investment securities	1	9	91
Purchase of investments in affiliates	–	(760)	(7,710)
Other	8	7	71
Net cash used in investing activities	(19,564)	(10,314)	(104,626)
<b>Cash flows from financing activities</b>			
Repayment of obligation under finance leases	(31)	(24)	(243)
Proceeds from sales of treasury stock	644	1,151	11,676
Cash dividends paid	(5,069)	(5,108)	(51,816)
Net cash used in financing activities	(4,456)	(3,981)	(40,383)
Effect of exchange rate changes on cash and cash equivalents	(215)	105	1,065
Net increase (decrease) in cash and cash equivalents	(7,807)	1,856	18,827
Cash and cash equivalents at beginning of period	77,044	99,623	1,010,580
Cash and cash equivalents at end of period (Note 7)	¥ 69,237	¥101,479	\$1,029,407

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

30th June, 2013

**1. Description of Business, Basis of Presentation, Accounting Change, and Additional Information**

*Description of Business*

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 21 consolidated subsidiaries) and its affiliates (3 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the Company’s operations by segment is included in Note 12.

*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.

*Accounting Change*

*(Changes in accounting policies)*

The Company has early adopted “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of 17th May, 2012) and “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of 17th May, 2012)” from the quarterly period ended 30th June, 2013. Under these accounting standards, unrecognized actuarial gains and losses and unrecognized prior service costs after tax are recorded in the net assets section as a component of accumulated other comprehensive income, and the amounts of retirement benefit obligations minus pension assets are recorded as a net defined benefit liability (or as a net defined benefit asset if the amounts of pension assets exceeds the retirement benefit obligations). In addition, the Company reviewed the calculation method regarding retirement benefit obligations and service costs and changed the method of attributing expected retirement benefits to accounting periods from the straight-line basis to the benefit formula basis.



## **1. Description of Business, Basis of Presentation, Accounting Change, and Additional Information (continued)**

### ***Accounting Change (continued)***

In accordance with transitional treatment in Article 37 of the retirement benefits accounting standard, at the beginning of the quarterly period ended 30th June, 2013, the amounts of the impacts resulting from recognition of net defined benefit liabilities were added to, or deducted from, remeasurements of defined benefit plans in accumulated other comprehensive income. In addition, the amounts of the impacts resulting from changes of calculation method of retirement benefit obligations and prior service costs were added to, or deducted from, retained earnings.

The application of these accounting standards did not have a material effect on the accompanying quarterly consolidated financial statements for the three-month period ended 30th June, 2013.

### ***Additional Information***

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

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

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

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

The ESOP Trust owned 3,308,200 shares of the Company at 30th June, 2013.

## **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 and minority interests by the aforementioned estimated annual effective tax rate for the annual period. Deferred income taxes are included in provision for income taxes in the quarterly consolidated statement of income and comprehensive 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 ¥98.58 = U.S.\$1.00, the rate of exchange prevailing on 30th June, 2013. 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. Financial Instruments

##### Fair value of financial instruments

The carrying amount of financial instruments on the quarterly consolidated balance sheet as of 31st March, 2013 and 30th June, 2013 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	<i>Millions of yen</i>					
	<b>31st March, 2013</b>			<b>30th June, 2013</b>		
	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>
					(Unaudited)	
<b>Assets:</b>						
Cash and bank deposits	¥ 10,274	¥ 10,274	¥ –	¥ 11,319	¥ 11,319	¥ –
Accounts receivable and other receivables	76,530	76,530	–	64,455	64,455	–
Short-term investment securities, investment securities, and investments in affiliates	180,870	178,257	(2,613)	186,821	183,585	(3,236)
Long-term loans receivable	7,937	8,367	430	7,967	8,342	375
Total	<u>¥275,611</u>	<u>¥273,428</u>	<u>¥(2,183)</u>	<u>¥270,562</u>	<u>¥267,701</u>	<u>¥(2,861)</u>
<b>Liabilities:</b>						
Accounts payable	¥ 20,498	¥ 20,498	¥ –	¥ 17,938	¥ 17,938	¥ –
Convertible bonds *	49,996	49,996	–	49,996	51,871	1,875
Long-term loans payable **	6,703	6,703	–	6,703	6,703	–
Total	<u>¥ 77,197</u>	<u>¥ 77,197</u>	<u>¥ –</u>	<u>¥ 74,637</u>	<u>¥76,512</u>	<u>¥ 1,875</u>

	<i>Thousands of U.S. dollars</i>		
	<b>30th June, 2013</b>		
	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>
			(Unaudited)
<b>Assets:</b>			
Cash and bank deposits	\$ 114,820	\$ 114,820	\$ –
Accounts receivable and other receivables	653,834	653,834	–
Short-term investment securities, investment securities, and investments in affiliates	1,895,121	1,862,295	(32,826)
Long-term loans receivable	80,818	84,622	3,804
Total	<u>\$2,744,593</u>	<u>\$2,715,571</u>	<u>\$(29,022)</u>
<b>Liabilities:</b>			
Accounts payable	\$ 181,964	\$ 181,964	\$ –
Convertible bonds *	507,162	526,182	19,020
Long-term loans payable **	67,995	67,995	–
Total	<u>\$ 757,121</u>	<u>\$ 776,141</u>	<u>\$ 19,020</u>

\* Convertible bonds as of 31st March, 2013 and 30th June, 2013 are the current portion of convertible bonds.

\*\* Long-term loans payable included the current portion of long-term loans payable totaling ¥2,453 million and ¥2,453 million (\$24,883 thousand) as of 31st March, 2013 and 30th June, 2013, respectively.

#### **4. Financial Instruments (continued)**

Fair value of financial instruments (continued)

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

##### Assets

a. Cash and bank deposits

Their carrying amount approximates the fair value due to the short maturity of these instruments.

b. Accounts receivable and other receivables

Their carrying amount approximates the fair value due to the generally short maturities of these instruments. For those receivables due after one year, the present value is further discounted by the rate corresponding to the credit risk and the amount is presented in the consolidated balance sheet, therefore, the carrying amount approximates fair value.

c. Short-term investment securities, investment securities and investments in affiliates

The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities.

d. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by the risk free rate relating to the time remaining until maturity.

##### Liabilities

a. Accounts payable

Their carrying amount approximates the fair value due to the short maturity of these instruments.

b. Convertible bonds

The fair value of convertible bonds is based on the quoted market price.

c. Long-term loans payable

The fair value of long-term loans payable, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates over a short term.

#### 4. Financial Instruments (continued)

Fair value of financial instruments (continued)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>31st March, 2013</b>	<b>30th June, 2013</b>	<b>30th June, 2013</b>
		(Unaudited)	(Unaudited)
Unlisted companies' shares	¥7,959	¥8,001	\$81,163
Investments in partnerships	176	220	2,232

- \*1 Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥1,069 million and ¥1,070 million (\$10,854 thousand) as of 31st March, 2013 and 30th June, 2013, respectively.
- \*2 For investments in partnerships, when all or a part of the assets of partnership consist of non-marketable securities whose fair value is not readily determinable, such components are not measured at fair value.

## 5. Investments

The Company did not hold any held-to-maturity securities with determinable market value at 31st March, 2013 and 30th June, 2013.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2013 and 30th June, 2013:

### *Securities Classified as Available-for-Sale Securities*

	<i>Millions of yen</i>					
	31st March, 2013			30th June, 2013		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 17,506	¥ 43,263	¥25,757	¥ 17,533	¥ 47,459	¥29,926
Bonds:					(Unaudited)	
Government bonds	45,451	45,516	65	55,373	55,388	15
Other	90,411	90,362	(49)	81,334	81,287	(47)
Total	¥153,368	¥179,141	¥25,773	¥154,240	¥184,134	¥29,894

	<i>Thousands of U.S. dollars</i>		
	30th June, 2013		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 177,856	\$ 481,426	\$303,570
Bonds:			
Government bonds	561,706	561,858	152
Other	825,056	824,580	(476)
Total	\$1,564,618	\$1,867,864	\$303,246

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the year ended 31st March, 2013 and the three months ended 30th June, 2013 amounted to ¥69 million and ¥16 million (\$162 thousand). The Company has established a policy for the recognition of impairment losses under the following conditions:

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

## 6. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥570 million (\$5,782 thousand) at 31st March, 2013 and 30th June, 2013, respectively.

### *Dividends*

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 17th May, 2012 and were paid to shareholders based on the record as of 31st March, 2012 during the three months ended 30th June, 2013:

	<i>Millions of yen</i>
Cash dividends approved on 17th May, 2012 * (¥26.00 per share)	¥5,100
* Dividends of ¥126 million paid to the ESOP Trust are not included in total dividends amount.	

The following appropriation of cash dividends to shareholders of common stock applicable to the year ended 31st March, 2013 was approved at a meeting of the Board of Directors held on 15th May, 2013 and went into effect on 3rd June, 2013:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 15th May, 2013 (¥26.00 = U.S.\$0.26 per share)	¥5,138	\$52,120
* Dividends of ¥92 million (\$933 thousand) paid to the ESOP Trust are not included in total dividends amount.		

## 7. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheet and cash and cash equivalents in the accompanying quarterly consolidated statement of cash flows at 30th June, 2012 and 2013 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>30th June,</b>		<b>30th June,</b>
	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥10,739	¥ 11,319	\$ 114,820
Short-term investment securities	66,671	91,066	923,778
Time deposits with maturities of more than three months when deposited	(478)	(906)	(9,191)
Bonds and other investments maturing in more than three months from the acquisition date	(7,695)	—	—
Cash and cash equivalents	<u>¥69,237</u>	<u>¥101,479</u>	<u>\$1,029,407</u>

## 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>2012</b>	<b>2013</b>	<b>2013</b>
	(Unaudited)		(Unaudited)
Earnings per share	¥29.03	¥39.45	\$0.40
Diluted earnings per share	27.37	37.12	0.38

The computation of earnings per share is based on the weighted-average number of shares of common stock outstanding during each period.



## 8. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the three months ended 30th June, 2012 and 2013 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>2012</b>	<b>2013</b>	<b>2013</b>
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥5,700	¥7,805	\$79,174
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	<u>¥5,700</u>	<u>¥7,805</u>	<u>\$79,174</u>
<i>Thousands of Shares</i>			
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *	196,331	197,829	197,829
Potentially dilutive shares of common stock:			
Convertible bonds	11,839	11,839	11,839
Stock options	104	580	580
Total	<u>11,943</u>	<u>12,419</u>	<u>12,419</u>
Weighted-average number of shares of common stock outstanding – diluted	<u>208,274</u>	<u>210,248</u>	<u>210,248</u>

\* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 4,493,700 and 3,308,200 shares of the Company as of 30th June, 2012 and 2013, respectively.

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, 2012 and 2013:

	<i>Shares</i>	
	<b>Three months ended 30th June,</b>	
	<b>2012</b>	<b>2013</b>
	(Unaudited)	
a) 6th share subscription rights	280,000	0*
b) 8th share subscription rights	315,000	262,500
c) 10th share subscription rights	335,000	–
d) 12th share subscription rights	440,000	–
e) 14th share subscription rights	445,000	–
f) 16th share subscription rights	392,500	–

\* The exercise period expired on 30th June, 2013.

## 9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the three months ended 30th June, 2012 and 2013 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>2012</b>	<b>2013</b>	<b>2013</b>
	(Unaudited)		(Unaudited)
Personnel expenses	¥ 7,857	¥ 8,689	\$ 88,142
Rent	1,195	1,203	12,203
Subcontractor costs	1,995	1,964	19,923
Other	3,513	3,386	34,347
Total	<u>¥14,560</u>	<u>¥15,242</u>	<u>\$154,615</u>

## 10. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥608 million and ¥571 million (\$5,792 thousand) for the three months ended 30th June, 2012 and 2013, respectively.

## 11. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2013 and 30th June, 2013.

## 12. Segment Information

Net sales and profit (loss) by reportable segments

*Millions of yen*

	Three months ended 30th June, 2012								
	Reportable segment				Subtotal	Others *1	Total	Adjustments *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
	(Unaudited)								
Net sales:									
Sales to external customers	¥4,604	¥51,221	¥19,631	¥ 6,672	¥ 82,128	¥2,283	¥ 84,411	¥ 1	¥84,412
Intersegment sales or transfers	28	33	31	18,720	18,812	814	19,626	(19,626)	-
Total	4,632	51,254	19,662	25,392	100,940	3,097	104,037	(19,625)	84,412
Segment profit(loss)	¥ (148)	¥ 3,631	¥ 1,120	¥ 2,823	¥ 7,426	¥ 311	¥ 7,737	¥ 510	¥ 8,247

*Millions of yen*

	Three months ended 30th June, 2013								
	Reportable segment				Subtotal	Others *1	Total	Adjustments *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
	(Unaudited)								
Net sales:									
Sales to external customers	¥5,029	¥51,764	¥20,686	¥ 8,344	¥ 85,823	¥2,428	¥ 88,251	¥ -	¥88,251
Intersegment sales or transfers	74	23	15	17,728	17,840	1,170	19,010	(19,010)	-
Total	5,103	51,787	20,701	26,072	103,663	3,598	107,261	(19,010)	88,251
Segment profit	¥ 229	¥ 6,059	¥ 1,650	¥ 1,982	¥ 9,920	¥ 110	¥ 10,030	¥ 480	¥10,510

*Thousands of U.S. dollars*

	Three months ended 30th June, 2013								
	Reportable segment				Subtotal	Others *1	Total	Adjustments *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
	(Unaudited)								
Net sales:									
Sales to external customers	\$51,014	\$525,096	\$209,840	\$ 84,642	\$ 870,592	\$24,630	\$ 895,222	\$ -	\$895,222
Intersegment sales or transfers	751	233	152	179,834	180,970	11,868	192,838	(192,838)	-
Total	51,765	525,329	209,992	264,476	1,051,562	36,498	1,088,060	(192,838)	895,222
Segment profit	\$ 2,323	\$ 61,463	\$ 16,738	\$ 20,105	\$ 100,629	\$ 1,116	\$ 101,745	\$ 4,869	\$106,614

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

\*2 Individual items included in adjustment of segment profit were immaterial.

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

## 13. Subsequent Events

Not applicable.