

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 September, 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.



MEMBERSHIP

25th October, 2013

Consolidated Financial Results For the Quarterly Period Ended 30th September, 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.com/jp/>
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Scheduled date to file Quarterly Securities Report: 30th October, 2013
 Scheduled date to commence dividend payments: 29th November, 2013
 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 September, 2013 (from 1st April, 2013 to 30th September, 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 September, 2013	182,557	4.7	23,281	13.1	25,325	17.4	15,977	19.2
30th September, 2012	174,359	8.0	20,575	2.5	21,565	2.5	13,406	(32.0)

Note: Comprehensive income

Quarterly period ended 30th September, 2013: ¥21,976 million [91.1%]

Quarterly period ended 30th September, 2012: ¥11,497 million [(35.8)%]

	Net income per share – basic	Net income per share – diluted
Quarterly period ended	Yen	Yen
30th September, 2013	80.63	75.87
30th September, 2012	68.20	64.30

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
30th September, 2013	463,891	308,912	66.4
31st March, 2013	432,249	290,862	66.9

Reference: Equity

As of 30th September, 2013: ¥307,926 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	–	26.00			
Fiscal year ending 31st March, 2014 (Forecasts)			–	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	161.49

Note: Revisions to the forecasts of financial results most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the current six 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 September, 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 September, 2013	26,335,993 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 September, 2013	198,153,730 shares
Quarterly period ended 30th September, 2012	196,567,622 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 above forecasts 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 these forecasts due to various factors.

Qualitative information regarding second-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

During the six months ended 30th September, 2013 (from 1st April, 2013 to 30th September, 2013), the Japanese economy followed a trend of moderate recovery against the backdrop of depreciation in the yen and strengthening equity markets. Business confidence is improving and companies are becoming more upbeat about investment in information systems.

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 steadily respond to regulatory changes in order to further expand its multi-user services business.

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 there are ample opportunities for the NRI Group to expand its business. The Company’s 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, it 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 six months ended 30th September, 2013, the NRI Group’s sales increased year on year to ¥182,557 million (up 4.7%). Cost of sales was ¥129,567 million (up 3.6%) and gross profit was ¥52,989 million (up 7.6%). Selling, general and administrative expenses were ¥29,708 million (up 3.6%), 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 ¥23,281 million (up 13.1%), operating margin was 12.8% (up 1.0 points), ordinary profit was ¥25,325 million (up 17.4%), and net income was ¥15,977 million (up 19.2%).

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, the Company completed the procedures of investing in an Indian market research company and made it an affiliated company in July. In addition to supporting Japanese companies moving into overseas markets, particularly in Asia where business expansion is expected, the Company is also expanding service provision to local governments and companies. During the six months ended 30th September, 2013, the economy picked up and business consulting increased. Consulting for the public sector also increased, comprising mainly consulting to assist the formulation and implementation of policy. As a result, the Consulting segment posted sales of ¥11,708 million (up 9.5% year on year) and operating profit of ¥1,790 million (up 73.4%).

(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, preparations for the introduction of Japanese ISAs are under way. After completing the response for the commencement of account establishment procedures in October 2013, the NRI Group is currently preparing for the system's start in January 2014. Going forward, the Company will steadily respond to regulatory changes in order to further expand its multi-user services business. In addition, the Company is steadily expanding its client base through efforts 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 six months ended 30th September, 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 ¥106,589 million (up 1.7% year on year) and operating profit of ¥13,222 million (up 36.0%).

(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 six months ended 30th September, 2013, the segment posted an increase in sales mainly from system development and application sales in the manufacturing and service and distribution sectors, benefiting from increased system development using ERP packages to help enhance management efficiency. 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 ¥41,846 million (up 3.6% year on year) and operating profit of ¥3,430 million (up 26.1%).

(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 six months ended 30th September, 2013, sales to external customers increased, centered on system development and application sales, partly reflecting a large-scale IT platform architecture project. In addition to increases in subcontracting costs and personnel expenses due to the above project, the Company also incurred costs related to the start of operations at Tokyo Data Center I. With the impact from unprofitable projects also a factor, profitability declined.

As a result of the above, the IT Platform Services segment posted sales of ¥54,631 million (up 5.6% year on year) and operating profit of ¥3,831 million (down 33.4%).

(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 six months ended 30th September, 2013, the Others segment posted sales of ¥7,178 million (up 15.6% year on year) and operating profit of ¥429 million (down 34.9%).

(2) Qualitative information regarding consolidated financial position

(Assets, liabilities and net assets)

At the end of the second quarter (30th September, 2013), current assets were ¥208,406 million (up 10.1% from the end of the previous fiscal year), noncurrent assets were ¥255,485 million (up 5.1%), current liabilities were ¥116,354 million (down 1.6%), noncurrent liabilities were ¥38,624 million (up 66.5%), net assets were ¥308,912 million (up 6.2%), and total assets were ¥463,891 million (up 7.3%).

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

Accounts receivable declined ¥10,542 million to ¥43,496 million and other receivables increased ¥16,211 million to ¥38,700 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.

Short-term investment securities increased ¥13,758 million to ¥103,943 million and investment securities increased ¥11,435 million to ¥99,813 million. These increases reflected the purchase of securities and an increase in the value of the Company's shareholdings.

In the second quarter, the Company issued straight corporate bonds to record bonds of ¥30,000 million. This amount was procured as redemption funds for convertible bonds that will reach maturity in March 2014.

Effective 1st April, 2013, the Company adopted 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). Moreover, in the second quarter, the Company contributed ¥15,000 million to establish an employee retirement benefit trust. Consequently, as of the end of the second quarter (30th September, 2013), assets related to retirement benefits were ¥751 million and liabilities related to retirement benefits were ¥4,407 million (as of the end of the previous fiscal year, employees' retirement benefits were ¥17,964 million).

(Cash flow position)

Cash and cash equivalents as of the end of the second quarter (30th September, 2013) stood at ¥112,842 million (up ¥13,219 million from the end of the previous fiscal year).

Net cash provided by operating activities in the six months ended 30th September, 2013 was ¥7,077 million, a decrease of ¥19,136 million compared with the same period of the previous fiscal year.

This reflected the contribution of ¥15,000 million to establish an employee retirement benefit trust and changes in accounts receivable and other receivables shifted to a large increase in the second quarter.

Net cash used in investing activities was ¥19,883 million, a decline of ¥8,943 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 provided by financing activities was ¥25,966 million, compared with ¥5,200 million used in the same period of the previous fiscal year. This reflected ¥30,000 million provided by the issuance of straight corporate bonds and ¥5,135 million used to pay cash dividends.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Six-Month Period Ended 30th September, 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 six-month period ended 30th September, 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>
	31st March, 2013	30th September, 2013	30th September, 2013
		(Unaudited)	(Unaudited)
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 7</i>)	¥ 10,274	¥ 9,471	\$ 96,950
Short-term investment securities (<i>Notes 4, 5 and 7</i>)	90,186	103,944	1,064,019
Accounts receivable and other receivables (<i>Note 4</i>)	76,530	82,198	841,417
Inventories	223	1,015	10,390
Deferred income taxes	7,291	7,302	74,747
Other current assets	4,803	4,556	46,636
Allowance for doubtful accounts	(74)	(80)	(819)
Total current assets	189,233	208,406	2,133,340
Property and equipment:			
Land	12,141	12,153	124,404
Buildings, net	40,502	40,332	412,858
Machinery and equipment, net	10,743	11,648	119,234
Leased assets, net	70	57	583
Property and equipment, net	63,456	64,190	657,079
Software and other intangibles	42,854	42,830	438,428
Investment securities (<i>Notes 4 and 5</i>)	88,378	99,814	1,021,742
Investments in affiliates (<i>Notes 4 and 5</i>)	10,441	12,140	124,271
Deferred income taxes	14,381	12,193	124,813
Long-term loans receivable (<i>Note 4</i>)	7,937	7,996	81,851
Lease investment assets	436	550	5,630
Net defined benefit asset	–	751	7,688
Other assets	15,179	15,088	154,447
Allowance for doubtful accounts	(46)	(66)	(676)
Total assets	¥432,249	¥463,892	\$4,748,613

Thousands of
U.S. dollars
(Note 3)

	<i>Millions of yen</i>		
	31st March, 2013	30th September, 2013	30th September, 2013
		(Unaudited)	(Unaudited)
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 4)	¥ 20,498	¥ 18,800	\$ 192,445
Current portion of convertible bonds	49,996	49,996	511,782
Current portion of long-term loans payable (Note 4)	2,453	2,345	24,005
Lease obligations, current	268	262	2,682
Accrued expenses	18,664	20,632	211,199
Income taxes payable	11,318	9,890	101,239
Advance payments received	5,184	6,770	69,301
Asset retirement obligations	3	101	1,034
Other current liabilities	9,806	7,559	77,377
Total current liabilities	118,190	116,355	1,191,064
Bonds (Note 4)	–	30,000	307,094
Long-term loans payable (Note 4)	4,250	3,161	32,357
Lease obligations	342	414	4,238
Deferred income taxes	38	48	491
Provision for retirement benefits	17,965	–	–
Net defined benefit liability	–	4,408	45,122
Asset retirement obligations	601	531	5,436
Other long-term liabilities	–	62	635
Net assets (Notes 6 and 8):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2013 and 30th September, 2013			
Issued – 225,000,000 shares at 31st March, 2013 and 30th September, 2013	18,600	18,600	190,398
Additional paid-in capital	14,800	15,144	155,021
Retained earnings	305,058	317,024	3,245,204
Treasury stock, at cost:			
– 27,384,993 shares at 31st March, 2013 and 26,335,993 shares at 30th September, 2013	(65,381)	(62,877)	(643,638)
Total shareholders' equity	273,077	287,891	2,946,985
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 5)	17,937	23,770	243,321
Deferred losses on hedges	–	(40)	(409)
Foreign currency translation adjustment	(1,640)	(1,458)	(14,925)
Remeasurements of defined benefit plans	–	(2,237)	(22,899)
Total accumulated other comprehensive income	16,297	20,035	205,088
Share subscription rights	1,411	914	9,356
Minority interests	78	73	747
Total net assets	290,863	308,913	3,162,176
Total liabilities and net assets	¥432,249	¥463,892	\$4,748,613

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>
	Six months ended 30th September,		Six months ended 30th September,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Sales	¥174,359	¥182,557	\$1,868,738
Cost of sales	125,113	129,567	1,326,308
Gross profit	49,246	52,990	542,430
Selling, general and administrative expenses (<i>Notes 9 and 10</i>)	28,670	29,708	304,105
Operating profit	20,576	23,282	238,325
Other income (expenses):			
Interest and dividend income	923	1,373	14,055
Interest expense	(30)	(21)	(215)
Equity in earnings of affiliates	108	707	7,237
Bonds issuance cost	–	(91)	(932)
Gain (loss) on investment securities	(68)	31	317
Reversal of share-based compensation	158	296	3,030
Other, net	(12)	75	769
	1,079	2,370	24,261
Income before income taxes and minority interests	21,655	25,652	262,586
Provision for income taxes (<i>Note 2</i>)	8,248	9,680	99,089
Income before minority interests	13,407	15,972	163,497
Minority interests in loss	–	(5)	(51)
Net income (<i>Note 8</i>)	¥ 13,407	¥ 15,977	\$ 163,548
Minority interests in loss	¥ –	¥ (5)	\$ (51)
Income before minority interests	13,407	15,972	163,497
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,556)	5,788	59,248
Deferred losses on hedges	–	(40)	(409)
Foreign currency translation adjustment	(342)	176	1,802
Remeasurements of defined benefit plans, net of tax	–	27	276
Share of other comprehensive income of affiliates	(11)	54	553
Total other comprehensive income	(1,909)	6,005	61,470
Comprehensive income	¥ 11,498	¥ 21,977	\$ 224,967
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 11,498	¥ 21,982	\$ 225,018
Comprehensive income attributable to minority interests	–	(5)	(51)

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				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	
Balance at 1st April, 2012	¥18,600	¥14,800	¥286,907	¥(68,841)	¥251,466
Disposition of treasury stock	-	-	-	1,795	1,795
Loss on disposition of treasury stock	-	-	(502)	-	(502)
Net income	-	-	13,407	-	13,407
Cash dividends paid	-	-	(5,100)	-	(5,100)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 30th September, 2012 (unaudited)	¥18,600	¥14,800	¥294,712	¥(67,046)	¥261,066

Millions of yen

	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	
Balance at 1st April, 2012	¥ 7,966	¥ -	¥(2,575)	¥ -	¥ 5,391	¥1,420	¥ -	¥258,277
Disposition of treasury stock	-	-	-	-	-	-	-	1,795
Loss on disposition of treasury stock	-	-	-	-	-	-	-	(502)
Net income	-	-	-	-	-	-	-	13,407
Cash dividends paid	-	-	-	-	-	-	-	(5,100)
Net changes other than in shareholders' equity	(1,556)	-	(353)	-	(1,909)	(128)	82	(1,955)
Balance at 30th September, 2012 (unaudited)	¥ 6,410	¥ -	¥(2,928)	¥ -	¥ 3,482	¥1,292	¥82	¥265,922

Millions of yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	
Balance at 1st April, 2013	¥18,600	¥14,800	¥305,058	¥(65,381)	¥273,077
Cumulative effect of changes in accounting policies	-	-	1,126	-	1,126
Balance as restated	18,600	14,800	306,184	(65,381)	274,203
Disposition of treasury stock	-	-	-	2,504	2,504
Gain on disposition of treasury stock	-	344	-	-	344
Net income	-	-	15,977	-	15,977
Cash dividends paid	-	-	(5,137)	-	(5,137)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 30th September, 2013 (unaudited)	¥18,600	¥15,144	¥317,024	¥(62,877)	¥287,891

Millions of yen

	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	
Balance at 1st April, 2013	¥17,937	¥ -	¥(1,640)	¥ -	¥16,297	¥1,411	¥78	¥290,863
Cumulative effect of changes in accounting policies	-	-	-	(2,266)	(2,266)	-	-	(1,140)
Balance as restated	17,937	-	(1,640)	(2,266)	14,031	1,411	78	289,723
Disposition of treasury stock	-	-	-	-	-	-	-	2,504
Gain on disposition of treasury stock	-	-	-	-	-	-	-	344
Net income	-	-	-	-	-	-	-	15,977
Cash dividends paid	-	-	-	-	-	-	-	(5,137)
Net changes other than in shareholders' equity	5,833	(40)	182	29	6,004	(497)	(5)	5,502
Balance at 30th September, 2013 (unaudited)	¥23,770	¥(40)	¥(1,458)	¥(2,237)	¥20,035	¥ 914	¥73	¥308,913

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Changes in Net Assets (Continued)

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	
Balance at 1st April, 2013	\$190,398	\$151,500	\$3,122,714	\$(669,270)	\$2,795,342
Cumulative effect of changes in accounting policies	–	–	11,526	–	11,526
Balance as restated	190,398	151,500	3,134,240	(669,270)	2,806,868
Disposition of treasury stock	–	–	–	25,632	25,632
Gain on disposition of treasury stock	–	3,521	–	–	3,521
Net income	–	–	163,548	–	163,548
Cash dividends paid	–	–	(52,584)	–	(52,584)
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 30th September, 2013 (unaudited)	\$190,398	\$155,021	\$3,245,204	\$(643,638)	\$2,946,985

Thousands of U.S. dollars (Note 3)

	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	
Balance at 1st April, 2013	\$183,612	\$ –	\$(16,788)	\$ –	\$166,824	\$14,444	\$798	\$2,977,408
Cumulative effect of changes in accounting policies	–	–	–	(23,196)	(23,196)	–	–	(11,670)
Balance as restated	183,612	–	(16,788)	(23,196)	143,628	14,444	798	2,965,738
Disposition of treasury stock	–	–	–	–	–	–	–	25,632
Gain on disposition of treasury stock	–	–	–	–	–	–	–	3,521
Net income	–	–	–	–	–	–	–	163,548
Cash dividends paid	–	–	–	–	–	–	–	(52,584)
Net changes other than in shareholders' equity	59,709	(409)	1,863	297	61,460	(5,088)	(51)	56,321
Balance at 30th September, 2013 (unaudited)	\$243,321	\$(409)	\$(14,925)	\$(22,899)	\$205,088	\$ 9,356	\$747	\$3,162,176

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>
	Six months ended 30th September,		Six months ended 30th September,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 21,655	¥ 25,652	\$ 262,586
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	15,159	14,602	149,473
Interest and dividend income	(923)	(1,373)	(14,055)
Interest expense	30	21	215
Loss (gain) on investment securities	68	(31)	(317)
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	6,535	(3,989)	(40,833)
Allowance for doubtful accounts	(11)	26	266
Accounts payable	(4,085)	170	1,740
Inventories	48	(792)	(8,107)
Provision for retirement benefits	(781)	(17,568)	(179,834)
Net defined benefit liability	–	1,913	19,582
Other	(2,697)	(1,984)	(20,310)
Subtotal	34,998	16,647	170,406
Interest and dividends received	1,102	1,617	16,552
Interest paid	(29)	(18)	(184)
Income taxes paid	(9,857)	(11,169)	(114,331)
Net cash provided by operating activities	26,214	7,077	72,443
Cash flows from investing activities			
Payments for time deposits	(344)	(200)	(2,047)
Proceeds from time deposits	393	508	5,200
Proceeds from sales and redemption of short-term investment securities	11,800	–	–
Acquisition of property and equipment	(12,994)	(6,774)	(69,342)
Proceeds from sales of property and equipment	1	0	0
Purchase of software and other intangibles	(9,292)	(9,683)	(99,120)
Payments for asset retirement obligations	(11)	(0)	(0)
Purchase of investment securities	(20,404)	(2,906)	(29,747)
Proceeds from sales and redemption of investment securities	2,216	63	645
Purchase of investments in affiliates	(199)	(901)	(9,223)
Other	7	9	92
Net cash used in investing activities	¥(28,827)	¥(19,884)	\$ (203,542)

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Six months ended 30th September,		Six months ended 30th September,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Cash flows from financing activities			
Increase in short-term loans payable	¥ 51	¥ –	\$ –
Repayment of long-term loans payable	(1,256)	(1,197)	(12,253)
Proceeds from issuance of bonds	–	29,909	306,162
Repayment of obligation under finance leases	(56)	(48)	(491)
Proceeds from sales of treasury stock	1,157	2,438	24,956
Cash dividends paid	(5,097)	(5,135)	(52,564)
Net cash provided by (used in) financing activities	(5,201)	25,967	265,810
Effect of exchange rate changes on cash and cash equivalents	(213)	60	615
Net increase (decrease) in cash and cash equivalents	(8,027)	13,220	135,326
Cash and cash equivalents at beginning of period	77,044	99,623	1,019,787
Cash and cash equivalents at end of period <i>(Note 7)</i>	¥69,017	¥112,843	\$1,155,113

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

30th September, 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 (4 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.

The Company acquired shares of Market Xcel Data Matrix Private Limited during the quarterly period ended 30th September, 2013. As a result, Market Xcel Data Matrix Private Limited is newly accounted for by the equity method.

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.

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

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.

In accordance with transitional treatment in Article 37 of the retirement benefits accounting standard, at the beginning of the six-month period ended 30th September, 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 six-month period ended 30th September, 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.

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

Additional Information (continued)

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

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 3,150,500 shares of the Company at 30th September, 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 ¥97.69 = U.S.\$1.00, the rate of exchange prevailing on 30th September, 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 September, 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>					
	31st March, 2013			30th September, 2013		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
					(Unaudited)	
Assets:						
Cash and bank deposits	¥ 10,274	¥ 10,274	¥ –	¥ 9,471	¥ 9,471	¥ –
Accounts receivable and other receivables	76,530	76,530	–	82,198	82,198	–
Short-term investment securities, investment securities, and investments in affiliates	180,870	178,257	(2,613)	204,692	201,761	(2,931)
Long-term loans receivable	7,937	8,367	430	7,996	8,360	364
Total	¥275,611	¥273,428	¥(2,183)	¥304,357	¥301,790	¥(2,567)
Liabilities:						
Accounts payable	¥ 20,498	¥ 20,498	¥ –	¥ 18,800	¥ 18,800	¥ –
Bonds	–	–	–	30,000	30,009	9
Convertible bonds *1	49,996	49,996	–	49,996	50,871	875
Long-term loans payable *2	6,703	6,703	–	5,506	5,506	–
Total	¥ 77,197	¥ 77,197	¥ –	¥104,302	¥105,186	¥ 884

	<i>Thousands of U.S. dollars</i>		
	30th September, 2013		
	Carrying amount	Estimated fair value	Difference
			(Unaudited)
Assets:			
Cash and bank deposits	\$ 96,950	\$ 96,950	\$ –
Accounts receivable and other receivables	841,417	841,417	–
Short-term investment securities, investment securities, and investments in affiliates	2,095,321	2,065,318	(30,003)
Long-term loans receivable	81,851	85,577	3,726
Total	\$3,115,539	\$3,089,262	\$(26,277)
Liabilities:			
Accounts payable	\$ 192,445	\$ 192,445	\$ –
Bonds	307,094	307,186	92
Convertible bonds *1	511,782	520,740	8,958
Long-term loans payable *2	56,362	56,362	–
Total	\$1,067,683	\$1,076,733	\$ 9,050

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

*2 Long-term loans payable included the current portion of long-term loans payable totaling ¥2,453 million and ¥2,345 million (\$24,005 thousand) as of 31st March, 2013 and 30th September, 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. Bonds

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

c. Convertible bonds

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

d. 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>
	31st March, 2013	30th September, 2013	30th September, 2013
		(Unaudited)	(Unaudited)
Unlisted companies' shares *1	¥7,959	¥10,997	\$112,570
Investments in partnerships *2	176	208	2,129

*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 ¥1,264 million (\$12,939 thousand) as of 31st March, 2013 and 30th September, 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 September, 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 September, 2013:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2013			30th September, 2013		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 17,506	¥ 43,263	¥25,757	¥ 20,329	¥ 55,050	¥34,721
Bonds:					(Unaudited)	
Government bonds	45,451	45,516	65	75,292	75,318	26
Other	90,411	90,362	(49)	74,195	74,155	(40)
Total	<u>¥153,368</u>	<u>¥179,141</u>	<u>¥25,773</u>	<u>¥169,816</u>	<u>¥204,523</u>	<u>¥34,707</u>

	<i>Thousands of U.S. dollars</i>		
	30th September, 2013		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 208,097	\$ 563,517	\$355,420
Bonds:			
Government bonds	770,724	770,990	266
Other	759,494	759,085	(409)
Total	<u>\$1,738,315</u>	<u>\$2,093,592</u>	<u>\$355,277</u>

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 six months ended 30th September, 2013 amounted to ¥69 million and ¥16 million (\$164 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 (\$5,835 thousand) at 31st March, 2013 and 30th September, 2013, respectively.

Dividends

For the six months ended 30th September, 2012

1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen) *	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 17th May, 2012	Common Stock	¥5,100	¥26.00	31st March, 2012	4th June, 2012	Retained earnings

* Dividends of ¥126 million paid to the ESOP Trust are not included in the total dividends amount.

2) Dividends with a cut-off date in the six-month period ended 30th September, 2012 and an effective date in the following period.

Resolution	Type of shares	Total dividends (Millions of yen) *	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 26th October, 2012	Common Stock	¥5,120	¥26.00	30th September, 2012	30th November, 2012	Retained earnings

* Dividends of ¥109 million paid to the ESOP Trust are not included in the total dividends amount.

6. Net Assets (continued)

Dividends (continued)

For the six months ended 30th September, 2013

1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen) *	Total dividends (Thousands of U.S. dollars) *	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 15th May, 2013	Common Stock	¥5,137	\$52,584	¥26.00	\$0.27	31st March, 2013	3rd June, 2013	Retained earnings

* Dividends of ¥92 million (\$942 thousand) paid to the ESOP Trust are not included in the total dividends amount.

2) Dividends with a cut-off date in the six-month period ended 30th September, 2013 and an effective date in the following period.

Resolution	Type of shares	Total dividends (Millions of yen) *	Total dividends (Thousands of U.S. dollars) *	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 25th October, 2013	Common Stock	¥5,166	\$52,882	¥26.00	\$0.27	30th September, 2013	29th November, 2013	Retained earnings

* Dividends of ¥82 million (\$839 thousand) paid to the ESOP Trust are not included in the 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 September, 2012 and 2013 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	30th September, 2012	30th September, 2013	30th September, 2013
	(Unaudited)	(Unaudited)	(Unaudited)
Cash and bank deposits	¥ 8,099	¥ 9,471	\$ 96,950
Short-term investment securities	61,526	103,944	1,064,019
Time deposits with maturities of more than three months when deposited	(608)	(572)	(5,856)
Cash and cash equivalents	<u>¥69,017</u>	<u>¥112,843</u>	<u>\$1,155,113</u>

8. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	Six months ended 30th September,		Six months ended 30th September,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Earnings per share	¥68.20	¥80.63	\$0.83
Diluted earnings per share	64.30	75.87	0.78

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

The computation of earnings per share and diluted earnings per share for the six months ended 30th September, 2012 and 2013 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Six months ended 30th September,		Six months ended 30th September,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥13,407	¥15,977	\$163,548
Earnings not attributable to common shareholders	(–)	(–)	(–)
Earnings attributable to common shareholders	¥13,407	¥15,977	\$163,548
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *	196,568	198,154	198,154
Potentially dilutive shares of common stock:			
Convertible bonds	11,839	11,839	11,839
Stock options	87	596	596
Total	11,926	12,435	12,435
Weighted-average number of shares of common stock outstanding – diluted	208,494	210,589	210,589

* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 4,191,500 and 3,150,500 shares of the Company as of 30th September, 2012 and 2013, respectively.

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 six months ended 30th September, 2012 and 2013:

	<i>Shares</i>	
	Six months ended 30th September,	
	2012	2013
	(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	—
g) 18th share subscription rights	385,000	—
h) 20th share subscription rights	—	385,000

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

9. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the six months ended 30th September, 2012 and 2013 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Six months ended 30th September,		Six months ended 30th September,
	2012	2013	2013
	(Unaudited)		(Unaudited)
Personnel expenses	¥15,638	¥16,739	\$171,348
Rent	2,352	2,378	24,342
Subcontractor costs	4,263	4,296	43,976
Other	6,417	6,295	64,439
Total	¥28,670	¥29,708	\$304,105

10. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥1,642 million and ¥1,552 million (\$15,887 thousand) for the six months ended 30th September, 2012 and 2013, respectively.

11. Contingent Liabilities

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

12. Segment Information

Net sales and profit (loss) by reportable segments

Millions of yen

Six months ended 30th September, 2012									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	¥10,628	¥104,698	¥40,384	¥14,209	¥169,919	¥4,439	¥174,358	¥ 1	¥174,359
Intersegment sales or transfers	61	90	21	37,547	37,719	1,771	39,490	(39,490)	–
Total	10,689	104,788	40,405	51,756	207,638	6,210	213,848	(39,489)	174,359
Segment profit	¥ 1,033	¥ 9,726	¥ 2,720	¥ 5,752	¥ 19,231	¥ 660	¥ 19,891	¥ 685	¥ 20,576

Millions of yen

Six months ended 30th September, 2013									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	¥11,608	¥106,521	¥41,820	¥17,865	¥177,814	¥4,743	¥182,557	¥ –	¥182,557
Intersegment sales or transfers	100	69	26	36,767	36,962	2,436	39,398	(39,398)	–
Total	11,708	106,590	41,846	54,632	214,776	7,179	221,955	(39,398)	182,557
Segment profit	¥ 1,791	¥ 13,222	¥ 3,431	¥ 3,832	¥ 22,276	¥ 430	¥ 22,706	¥ 576	¥ 23,282

Thousands of U.S. dollars

Six months ended 30th September, 2013									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	\$118,825	\$1,090,398	\$428,089	\$182,874	\$1,820,186	\$48,552	\$1,868,738	\$ –	\$1,868,738
Intersegment sales or transfers	1,024	706	266	376,364	378,360	24,936	403,296	(403,296)	–
Total	119,849	1,091,104	428,355	559,238	2,198,546	73,488	2,272,034	(403,296)	1,868,738
Segment profit	\$ 18,334	\$ 135,346	\$ 35,121	\$ 39,226	\$ 228,027	\$ 4,402	\$ 232,429	\$ 5,896	\$ 238,325

*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.