

Nomura Research Institute
Annual Report
2010 (Year ended 31st March, 2010)



**Creating a New Era with
Navigation and Solutions**

Dream up the future.

The interaction of individual elements gives birth to an unprecedented new value and order, raising the level of the whole—we refer to this phenomenon as “Dreaming up the future.”

By dreaming up the future, the NRI Group creates new values throughout the world, while changing social paradigms to create a positive future.

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Pushing further ahead with the melding of navigation and solution services, NRI is embarking on its third founding. Steadily moving forward with the implementation of measures aimed at achieving the goals of NRI Vision 2015, we are also taking steps that will return us to a growth path in fiscal 2010.

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28 Special Feature 1: Human Resources Generating Competitiveness for NRI



Professionals with expert knowledge and skills are the source of the added value provided by the NRI Group and one of the Group's key strengths. In this section, Representative Director and Corporate Executive Vice President Masahiro Muroi discusses NRI's system for developing professionals.

32 Special Feature 2: Business Partners Supporting NRI's Competitiveness

The human resources available to NRI include not only its own employees but also personnel at domestic business partners and offshore partners. The depth of human resources it can effectively bring to bear in meeting clients' needs is a major competitive advantage for NRI

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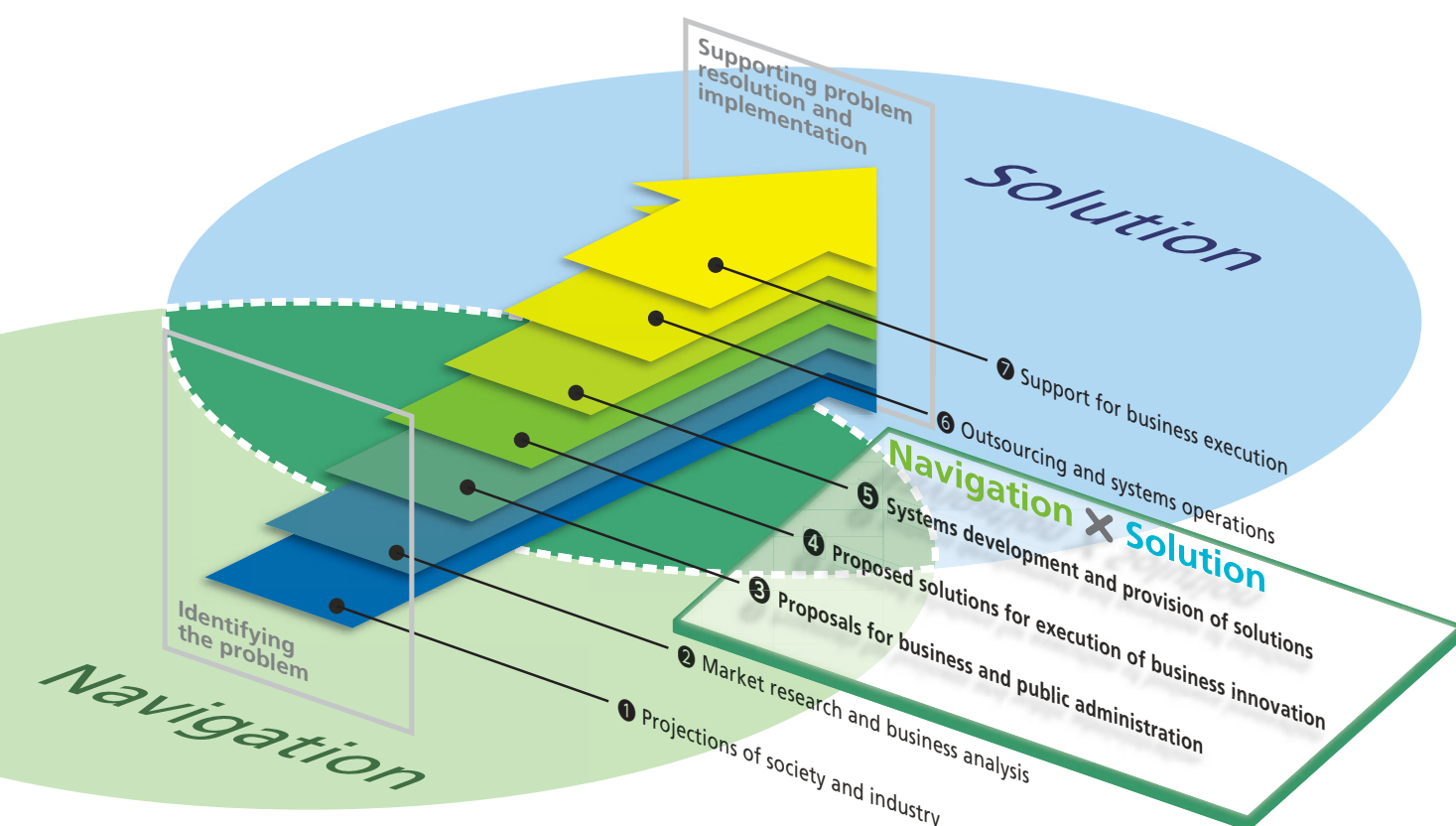
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Cautionary Note on Forward-Looking Statements:

This Annual Report was prepared for the purpose of providing information on our performance in the year ended 31st March, 2010 and our strategy for the coming years, not for the purpose of attracting investment in stocks issued by NRI. In addition, this report contains absolutely no guarantees or pledges. The opinions and outlook contained herein reflect the views of management at the time of preparation. We do not offer any guarantees or pledges as to the accuracy or completeness of such information, which, moreover, is subject to alteration without advance notice. Nomura Research Institute, Ltd. holds all rights to each and every part of the annual report, which may not be reproduced, transmitted or otherwise duplicated by any means, whether electronic or mechanical, whatever the purpose, without its express permission.

Creating a New Era with Navigation and Solutions

Aiming to increase corporate value through “Navigation × Solution” services



NRI was born through the 1988 merger of Nomura Research Institute, Japan’s first private-sector think tank, and Nomura Computer Systems, a pioneer in the field of system integration. Assimilating the strengths inherited from these companies — for example, the ability to envision the future and make forecasts across a broad range of areas, the ability to consider problems from the client’s perspective, and an unrelenting focus on quality — we have made our way as a company that sees and acts on the future.

“Navigation × Solution” is at the core of our efforts to “Dream up the future.”

“Navigation” refers to everything from problem identification to solution development, through activities such as forecasting, analysis, and policy recommendation. “Solution” refers to the realization of solutions through operational reforms and system design, construction, and operation. Eliciting the synergistic functioning of the two, NRI aims to increase corporate values by creating new value for the world.

NRI at a Glance

NRI's Operations and Business Model

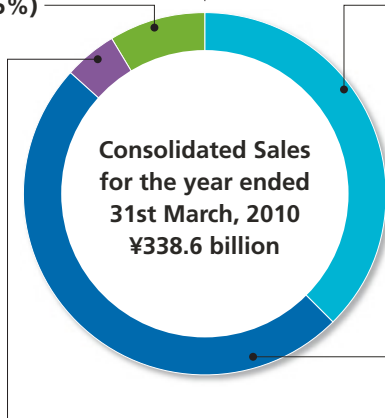
One of NRI's strengths is its unique business model, which makes the most of excellent "Navigation x Solution" synergy. Consulting enables navigation toward finding answers for clients' problems, while IT allows the realization of optimal solutions for clients.

Consulting Services

- **Consulting Services** ¥28.8 billion (8.5%)
 - Management consulting
 - System consulting

IT Solution Services

- **System Development & System Application Sales** ¥126.8 billion (37.5%)
 - System integration (development on contract basis)
 - Sales of self-developed packaged software
- **System Management & Operation Services** ¥167.0 billion (49.3%)
 - Outsourcing services
 - Shared-online services (usage fee)
- **Product Sales** ¥15.9 billion (4.7%)
 - Sales of third-party hardware and software



*Numbers in parentheses are component percentages.

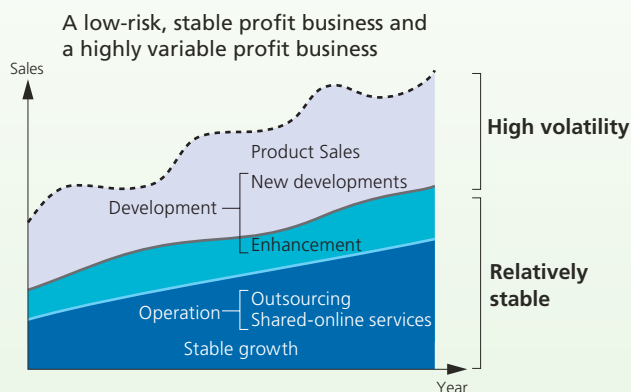
Consulting Services, which account for about 10% of NRI's overall sales, are divided into management consulting and system consulting.

Management consulting projects address a wide variety of needs, including anything from proposing and providing implementation assistance for business strategies, to recommending operational reforms or policy changes. With a corps of well-experienced management consultants across a broad range of fields, we perform nearly 1,000 projects every year. In our system consulting practice, we offer comprehensive services starting with IT asset assessment and problem diagnosis, including everything up through the development of IT strategies and recommendations of solutions integrating IT with actual operations.

IT Solution Services make up approximately 90% of NRI's overall sales. Our IT Solution Services business model consists of three elements: System development, operation outsourcing services, and shared-online services.

In system development, we create new systems for individual companies. We can then undertake the operation of the systems we develop in our data centers, which offer rock-solid reliability. Having accumulated a wealth of expertise and know-how through the performance of these services, we are also developing shared-online services that set industry standards.

IT Solution Services profit structure

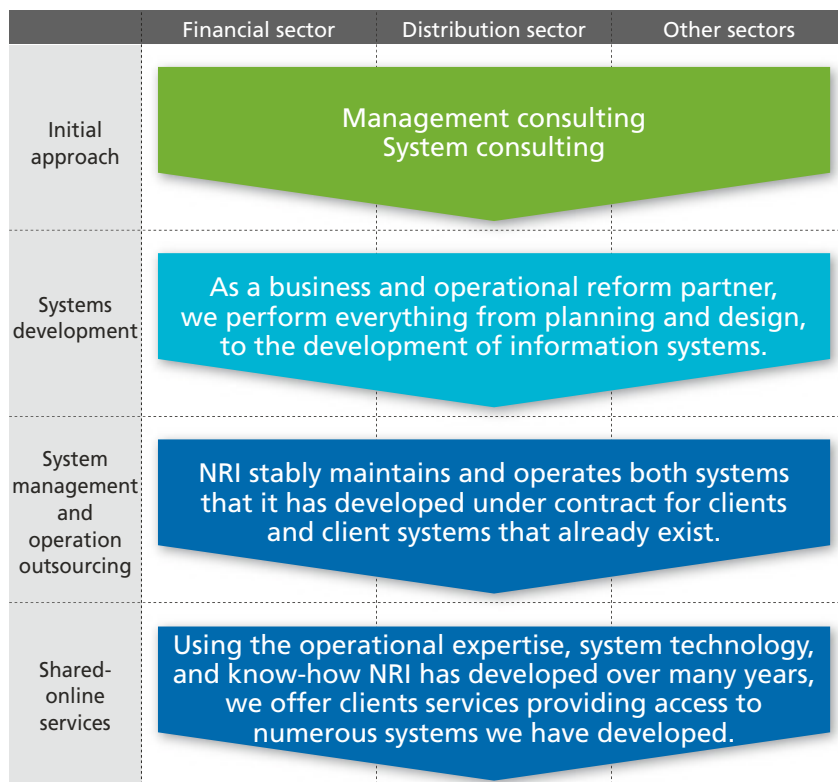


IT Solution Services profit structure

Broadly speaking, IT Solution Services profits come from development, a highly variable source, and the significantly more stable system management and operations services.

A significant strength of NRI, and one of the reasons for its high profitability, is that it has secured stable profits from the linking of development, operation outsourcing, and shared-online services.

NRI's business model



Business development making the most of powerful synergies "Navigation x Solution"

We aim to tap our consulting client base, which spans a wide range of industries and is a rich resource in other ways as well, to offer system development, operation outsourcing, and other IT Solution Services.

Business platform developed by NRI

Examples of shared-online services (in financial sector)

STAR-IV	Integrated back-office system for retail securities companies	68 <small>(Note 2)</small>
I-STAR	Integrated back-office system for wholesale securities companies	36 <small>(Note 3)</small>
T-STAR	Trust asset management system for investment trust management companies	73
BESTWAY	Account management system for over-the-counter sales of investment trusts	112

Shared-online services provided by NRI are used by numerous clients in the financial sector, where we account for a major share of the industry's infrastructure.

Looking ahead, we aim to provide shared-online services that become the standard for other industry sectors, as well.

- (Notes) 1. Client numbers are as of 31st March, 2010.
 2. The STAR-IV client figure includes companies using only select services.
 3. The I-STAR client figure excludes users of subsystems.

NRI's Data Centers



Yokohama Data Center 1



Yokohama Data Center 2



New Data Center scheduled to complete in fiscal 2012, in Tama City, Tokyo (image at completion)



Osaka Data Center



Hiyoshi Data Center

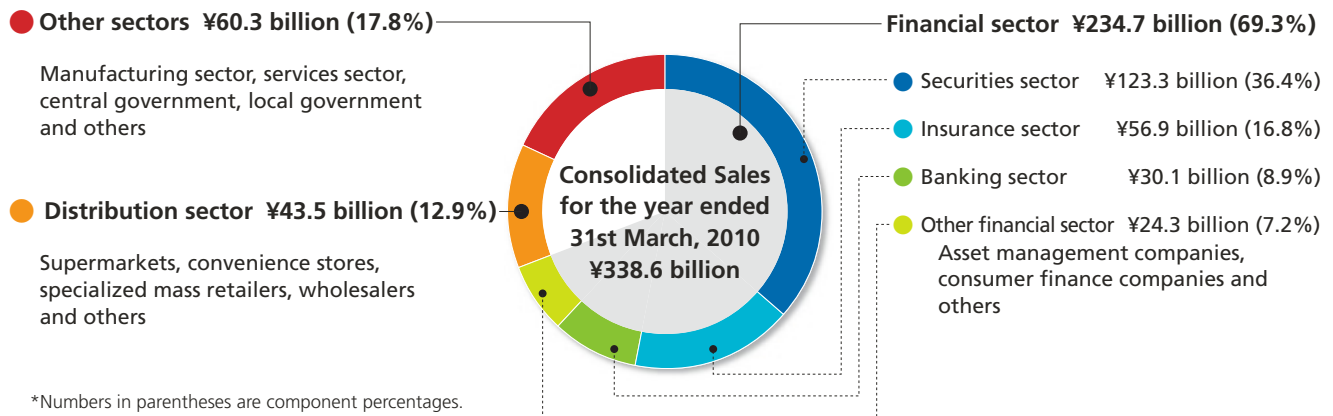
Offering the services of data centers, which are entrusted with and operate clients' information systems and shared-online services, is an extremely important role NRI plays for businesses.

NRI's data center operations deliver sophisticated security measures, disaster-resistance, and other measures of extreme reliability.

(Refer to Messages from the New Segment Managers on p.26-27.)

NRI Operations Extending Across a Wide Range of Fields

The NRI Group supports the businesses of clients in the financial, distribution, and a wide range of other industries and sectors. It contributes to the lives of people in all parts of society and will continue to do so in the future.



Services for the securities sector



NRI's services provide broad-ranging support to the securities industry, from the development of information systems to run a securities company's core operations to online trading systems.

- Nomura Securities' backbone system and information system
- SBI SECURITIES' online trading system
- THE STAR, a back-office system for securities companies, adopted by more than 50 second-tier and medium-sized securities companies
- I-STAR, a shared-online back-office system for wholesale securities companies, adopted by many foreign-capital securities companies participating in the stock exchange in Japan
- Market Bridge, a service that enables automatic, real-time processing of overseas stock trades equivalent to processing for domestic stocks

Services for the banking sector



NRI supports the diversification of financial services that embrace a more user-friendly perspective with the use of information systems, such as 24-hour ATMs and access to banking services using mobile phones.

- ATM network system for Seven Bank and account systems
- Internet banking system for SBI Sumishin Net Bank
- InterCollage, an aggregation service that enhances convenience for the exclusive Website for Mizuho Bank's Mizuho Mileage Club members
- BESTWAY, an over-the-counter sales solution for investment trusts widely used in the Japanese banking industry
- TriMaster/PX, a package system primarily for trust banks that support trust fund management for pensions and others

Services for the insurance sector



Insurance against injuries, illnesses and accidents is essential for overall peace of mind. NRI provides systems that enable efficient, accurate insurance operations, thus supporting daily life.

- Development of a backbone system for Tokio Marine & Nichido Fire Insurance
- Japan Post Insurance's comprehensive information system
- e-JIBAI, a shared-online service used by 13 insurance companies and one association for compulsory automobile liability insurance
- Total system tailored to direct-sales insurance companies
- Shared-online service enabling cashless service for the payment of insurance premiums

Services for the distribution sector



NRI's information systems support product flows from production to distribution and sales, and help to enhance consumer convenience.

- Comprehensive information system for Seven-Eleven Japan
- Proprietary e-money service, "nanaco", for Seven & i Group
- Integrated system for Seven & i Group
- Backbone system for Belle Maison Net, Senshukai's comprehensive online store for women
- BizMart, a solution that connects the manufacturing industry, wholesale industry and retail industry to improve the sophistication and efficiency of intra-company and inter-company distribution

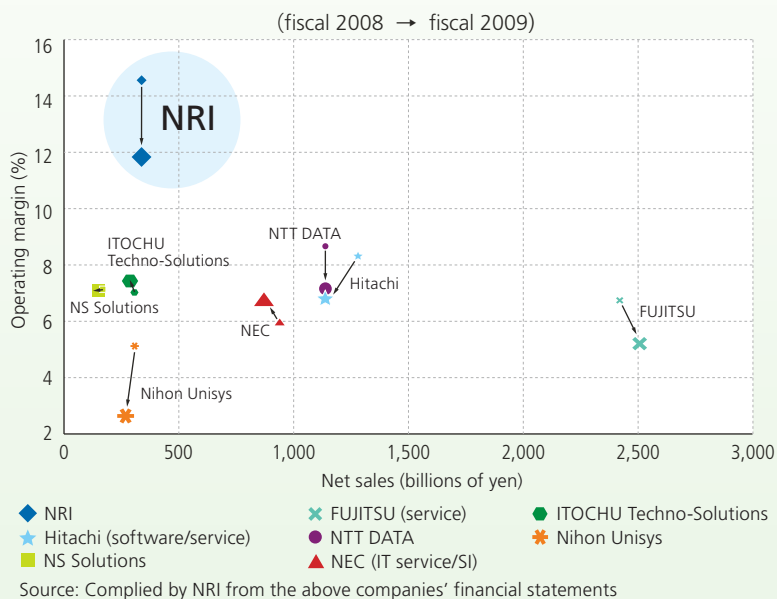
High Profitability

- Comprehensive ability to provide total solutions
- Business model that makes the most of assets
- Solid client base
- Extensive human resource network consisting of employees, business partners, and others

(▶ Refer to the Special Feature section on p.28-33.)

With strengths like these, NRI has achieved profitability (operating margin) that ranks among the highest in the industry.

Industrywide comparison of net sales and operating margin



Services for the public sector



Consulting services on policy formulation and information systems supporting public services help to revitalize Japan and facilitate its development as it nears a major turning point.

- Developed the Guidelines for the Tokyo Metropolitan Earthquake Emergency Response Plan for the Cabinet Office's Central Disaster Prevention Council
- Support for the Ministry of Internal Affairs and Communications in realizing a ubiquitous society
- Research study on policies for low-income earners overseas for the Ministry of Health, Labour and Welfare
- The Cabinet Office's Disaster Information System (DIS)
- "Ageless 80" to support business operations for groups and offices running more than 1,000 Silver Human Resources centers nationwide

Services for the manufacturing sector



The NRI Group's information systems support a range of activities in the manufacturing industry, from the identification and analysis of consumer needs to product development, quality management and distribution management.

- Mobile phone-based solutions for Sapporo Breweries' field staff to support quality management
- Sales support system, electronic data management system, information-sharing base and network to support global business for Eisai
- NRI Cyber Patent Desk, a patent information service used by approximately 3,000 enterprises and organizations

Services for the service sector



The NRI Group helps to improve lifestyles and convenience for consumers by building information systems for the service industry, such as transportation, education services and the information and telecommunications field.

- Reservation site for Japan Airlines to book international flights and stays at affiliated hotels
- Operation and infrastructure repairs for Kumon Educational Japan's student instruction and classroom management system
- Financial portal service "Money Square" to support asset development for company employees
- *Zenyoku Annai*, a comprehensive mobile phone navigation service and independently generated road-based traffic information systems.
- Provision of infrastructure for system linkage and user identification technology for *Nikkei ID*, an essential tool for enhancing convenience for the exclusive website for *Nikkei ID*'s members

Services for Asia



The NRI Group contributes to the development of society and industries in China and other Asian countries by providing advice on regional development and industrial policy, as well as strategy consulting services and development and operating services for information systems for Japanese companies located overseas.

- Support for developing the 12th Five Year Environmental Protection Plan in Tianjin, China
- Technical support for the Asian Bond Market Initiative (ABMI) for ASEAN+3 (Japan, China and South Korea)
- Support for designing the development plan for the Taiwan Taoyuan International Airport and its surrounding area
- Development and operation of information systems for supermarkets and convenience stores in China and other countries on an outsourcing basis
- Development of information systems for southeast Asian regionally integrated companies in Singapore

Message from the President

NRI is now making its way through its Third Founding as a company.

In the first stage, Nomura Research Institute, in its original form, and Nomura Computer Systems were established and coexisted as separate entities. The second stage was defined by the merger of these two companies, and a symbiosis of consulting and IT solution services. Now, in the third stage, we are committed to creating a new era of joint creativity by taking our exercise of consulting and IT solution synergies to a higher level.

In leading NRI, my emphasis will be on progressive, trust, and quality. We will take note of those parts of society that are already advanced and develop and implement insights on new social paradigms. We will do everything possible to be worthy of our clients' trust, and work for our mutual benefit. Moreover, we will strive to be a company that grows together with society, markets, and its clients by emphasizing quality and providing products and services that can be used with total confidence.



President,
Representative Director,
CEO & COO



Background

1976

Joined Nomura Computer Systems, Co., Ltd. after graduating from the Faculty of Engineering at Kyoto University.

Worked on the development of middleware for the handling of equity orders at Nomura Securities Co., Ltd., acquiring valuable experience for development as a system engineer.

1988

Nomura Research Institute, in its original form, and Nomura Computer Systems merged.

Shimamoto gained his first real experience with "Navigation" and "Solution" synergies by working for the first time with consulting unit personnel. This also became the experience that led to his concept of "co-creation."

2001

Appointed Director, Division Manager of Advanced Information Technology Division and System Technology Division No. 1.

In the following year, appointed Corporate Vice President, Division Manager of Advanced Information Technology Division.

2008

Appointed Representative Director, Corporate Executive Vice President in charge of Supervising of Business Divisions. Formulated NRI Vision 2015, NRI's long-term business plan.

April 2010

Appointed President, Representative Director.

Interview with Top Management

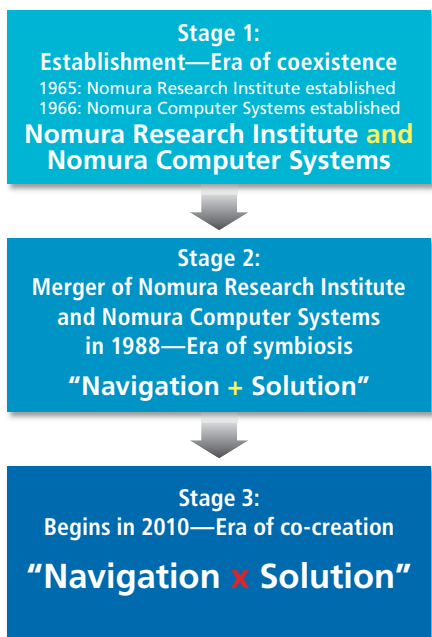


We will pursue NRI's Third Founding by further advancing navigation and solution services.

Steadily moving forward with initiatives aimed at achieving the objectives set forth in our long-term business plan, NRI Vision 2015, we will put NRI back on a growth track during fiscal 2010 (ending 31st March, 2011) and achieve meaningful progress in creating the infrastructure that will underpin significant achievements in the future.

Tadashi Shimamoto
President, Representative Director, CEO & COO

NRI's three stages of development



What is the point of further developing the synergies between consulting and IT solutions during NRI's Third Founding?

NRI's Consulting and IT Solutions Divisions are each exceedingly competitive in their own rights and until now have produced adequate growth without actively cooperating. Looking ahead, however, factors like changes in society's needs and client preferences will result in a significant expansion in the areas in which consulting and IT solutions cross paths.

The Consulting Division is seeing a rise in needs for business consulting, which spans the gap between strategic consulting and system consulting — areas for which the Consulting Division has traditionally provided services. Now that IT has been incorporated in nearly all aspects of society, business reforms entail system issues and that means even more opportunities for NRI to apply the full range of its capabilities in both consulting and IT solutions.

From a different perspective, NRI's IT Solutions Division has already gained a large share of business in the financial sector, an area in which it specializes, so future growth necessitates the development of business in other sectors. It is imperative, therefore, that the IT Solutions Division gain new core clients by working with the Consulting Division, which has a long track record of performing projects in numerous industrial sectors.

That is why we must take the implementation of our “Navigation and Solution” service to a new level and redouble our emphasis on combining our consulting and IT solution functions.

Have you had a particular experience that you can say enlightened you on the power of pursuing the “Navigation x Solution” strategy?

In 1988, the year following the merger of NRI, in its original form, and Nomura Computer Systems, I was helping develop an SIS (Strategic Information System) framework for a client. As a system engineer, it was my first opportunity to

work with NRI's consultants. Coming into contact with these people, whose professional culture was very different from that of system engineers, was eye-opening.

Initially, those cultural differences led to some conflicts. System engineers lacked the big picture in terms of clearly identifying a client's business problems, while consultants were not thinking about how to actually implement their recommendations on real systems.

Nevertheless, the two sides managed to inspire each other while butting heads and, in the end, managed to come up with a system framework that turned out to be optimal for the client. That experience showed me that when people with outstanding capabilities challenge each other to their fullest, unexpected and wonderful results can be produced. It has also had a significant impact on my development at NRI.

How are "Navigation × Solution" initiatives being pursued?

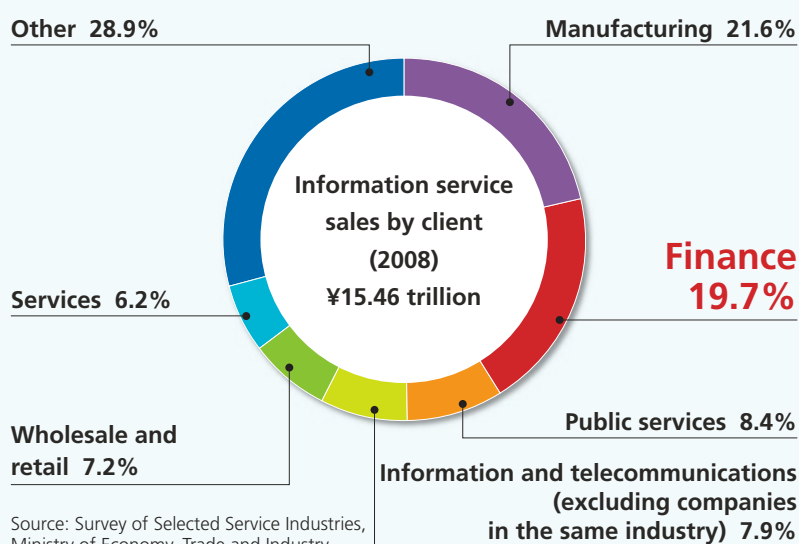
We are advancing the prime account strategy. To achieve the ultimate goal of developing new industrial clients, this strategy aims to acquire system development orders over the mid- to long-term by appointing executives to take charge of marketing efforts targeting core industrial companies. The financial sector accounts for no more than 20% of all information service sales in Japan*1. The market for information services for non-finance businesses, therefore, is extremely large, leaving NRI much room to grow. NRI has performed a large number of consulting projects for industrial clients and will use consulting to gain a leg up in providing IT solutions.

We have already acquired several new IT solution clients and aim to gain more as we move forward.

Prime Account Strategy

Continuously perform consulting and IT solution projects for core industrial companies. Use consulting as an opportunity for gaining system development and outsourcing work.

*1 Financial sector accounts for no more than 20% of all information service sales





Has your appointment as president meant any changes in the long-term business plan, NRI Vision 2015?

As the Corporate Executive Vice President in charge of Supervising of Business Divisions, I was involved in formulating and promoting NRI Vision 2015 (*2 Refer to the diagram below), so there have been no changes in its basic directions.

“Offering more advanced services for the financial sector” means a shift from consignment-based system development for individual companies to the provision of access to shared-online services developed by NRI to multiple clients. For the financial sector, we are already providing access to THE STAR and other shared-online services, which have gained high market shares and have become industry standards.

NRI refers to these kinds of system solutions aimed at offering services that cut across industry and market borders as “next-generation business platforms” and will continue to focus on initiatives aimed at their expansion.

In expanding our business in industrial sectors, we will use the aforementioned prime account strategy and other measures to enlarge the industrial (non-finance businesses) client base, and accumulate expertise and know-how concerning businesses in targeted industries. That expertise and know-how will, in turn, serve as a foundation for providing business platforms in the future.

In strengthening and expanding our business in China and other parts of Asia, we are building operations capable of providing end-to-end services in both consulting and IT solutions, with the ultimate objective of founding a second NRI for China and other Asian markets.

As for production innovations and human resource development, we are taking steps such as strengthening project management to advance efforts to boost quality and productivity in system development, system management and operations services. In addition, through measures like opening a new Human Resource Development Center in April of this year, we are moving ahead with efforts to create systems for the strategic training and development of the core human resources that will lead the next generation.

THE STAR

Shared-online back-office systems NRI is providing to securities companies

(▶ Refer to Messages from the New Segment Managers on p.22-23.)

*2 NRI Vision 2015 (from fiscal 2008)

Aspiration for 2015

- Become a major player with an overwhelming presence in the industry
- Establish second and third key profit sources beyond the core business serving the financial sector



Next-generation business platform advantages

<Users>

- Lower costs
- Use of well-established, highly reliable systems

<NRI>

- Systematic, steady business development
- Stable, high profits from systems that become industry standards

<Society in general>

- Cost savings redounding to the benefit of the general public/consumers

Examples of next-generation business platforms

We have developed the following shared-online services for the financial sector and are pursuing marketing activities to expand the client base for each.

Securities Sector	I-STAR/GV Back office system supporting global business development for securities companies
Banking Sector	Internet Banking Internet banking system applying know-how from the development of net trading systems for the securities sector
Other Financial Sectors	Daybreak/PL System that helps banks, credit card companies, consumer finance companies and other organizations connect to designated credit information bureaus to report and make inquiries about credit information

***3 In April 2008, we entered into a tie-up with Mitsubishi Corporation to jointly pursue our IT business interests in China. Applying both Mitsubishi's client base and NRI's navigation and solution services, we are working to increase our business with Japanese companies, and others, in China.**

What are the benefits of the next-generation business platform for users, NRI, and society in general?

Until now, Japanese companies tended to build their own information systems from scratch and it was not unusual to see them invest enormous amounts of manpower and money in doing so. Much of the back-office operations done by companies in the same industry is very similar. If multiple companies jointly use industry-standard platforms provided by NRI, system construction and operating costs can be shared among them, lowering these costs for individual companies or clients. Clients also greatly benefit, for example, from the ability to use systems that are already up and running and shown to be highly reliable.

For NRI, there are benefits in terms of being able to systematically and steadily develop business. Of course, we could expand sales by increasing the number of individual system development projects we have performed, but that would require a commensurate investment of resources. Furthermore, system development sales tend to fluctuate significantly with economic ups and downs. In contrast, if a shared-online service becomes an industry standard used by many clients, it can generate high, stable profits. And those profits can be used to upgrade services and fuel a positive cycle of expanding market share.

For society in general, using a shared platform allows companies to spend less on systems and use the savings to add value to original products and services, reduce prices, and take other steps that can benefit the consumer.

What is the status of efforts to strengthen and expand business in Asia?

We are moving forward mainly by assisting the Seven & i Group with its business development in China and other Asian countries, and through a tie-up*³ with Mitsubishi Corporation that began in 2008. We are also moving beyond the distribution sector, where we have a substantial track record, to strengthen our approaches to component, equipment, and other manufacturers pursuing business on a global scale.

Since 2009, to accelerate the development of our business in China, we began to hire over 20 local staffs through Nomura Research Institute (Beijing), Ltd., an our overseas affiliated company, and to develop them into critical human resources for our business in China and other parts of Asia.

How was business performance for fiscal 2009?

With clients still hesitating to invest in information systems, and system development orders from the securities sector yet to recover, we took steps like turning our attention to the insurance and banking sectors, which offer business expansion opportunities. We also worked to gain new orders from the service and manufacturing sectors to strengthen our business base. Because of these efforts, we managed to keep our sales approximately where they were last year, despite worse-than-expected business conditions.

Regarding costs, we pushed ahead with measures aimed at controlling spending on external subcontracting. Operating profit, however, still came in below the last year's level because of rising upfront costs related to new projects for the industrial sector and higher depreciation related to software investments for the provision of large-scale outsourcing services.

Sales by sector

	2009.3	2010.3	Difference (millions of yen)	YoY Change (%)
	Amount (millions of yen)	Amount (millions of yen)		
Securities sector	132,460	123,362	(9,098)	(6.9)
Insurance sector	50,161	56,910	6,748	13.5
Banking sector	25,672	30,139	4,466	17.4
Other financial sectors	28,621	24,348	(4,272)	(14.9)
Financial sector	236,915	234,760	(2,155)	(0.9)
Distribution sector	42,925	43,524	599	1.4
Other sectors	61,438	60,344	(1,094)	(1.8)
Total	341,279	338,629	(2,649)	(0.8)

Outlook for fiscal 2010

Our top priorities for the year will be, first of all, getting ourselves back on a growth track, and then further enhancing our preparations for the mid- to long-term. These include training and developing human resources and developing new clients.

What is the outlook for fiscal 2010?

When NRI Vision 2015 was formulated, we established the goal of growing an average of 7% a year. However, because of the recession following the Lehman shock, sales have remained flat since fiscal 2008. Now, in 2010, observers are generally saying that economic conditions are improving, but because company IT investments tend to lag an economic recovery, I don't think we can expect business conditions to improve rapidly in the first half of the fiscal 2010. I am, however, expecting to see IT investments recover, mainly in the financial sector, beginning in the second half, and to see higher sales and profits for the year as a whole.

With that as a backdrop, our top priorities for the year will be, first of all, getting ourselves back on a growth track, and then further enhancing our preparations for the mid- to long-term. These include training and developing human resources and developing new clients.

3D Holographic Scanner



3D holographic scanners and x-ray inspection devices are used to check people and items entering and exiting data centers.

(▶ Refer to Special Feature 1: Human Resources Generating Competitiveness for NRI on p.28-31.)

What is NRI doing in the way of information security?

NRI handles large volumes of confidential information, like that of individual customer data of financial institutions, so we have done everything we can in the way of information security. Of course, this includes physical security at the entrances and exits of offices and data centers, and we have implemented strict network access controls and information management measures that cover business partners, as well.

In addition, because we operate numerous systems constituting key social infrastructure, we have invested significant time and effort in measures such as the development of business continuity plans in preparation for natural disasters and accidents.

What are your thoughts on the kind of human resources NRI is seeking and strategies for developing them?

Human resources are NRI's most important assets. To continue growing, NRI is moving to develop business in a greatly expanded range of business sectors, so human resources are taking on even greater importance.

To help ensure a supply of people capable of creating new businesses, we have established a new Human Resource Development Center. Moving forward, we will focus on developing core human resources capable of building businesses in Asia and the rest of the world, as well.

Could you say a few words about matters like dividends and business investment?

It goes without saying that I want us to generate solid profits and pay returns to shareholders. Our goal is to achieve a consolidated dividend payout ratio of 30%, but our emphasis is on stable dividends and we will do our best to make sure there is no decline in the per-share dividend.

In terms of business investment, we spend upwards of ¥30 billion a year on data center equipment additions and upgrades and purchases of platforms for purposes like shared-online services, and we will continue investing to lay the groundwork for growth over the mid- to long-term.

What is your message to investors?

I highly value mutual respect as a management philosophy. I say that because I believe that when outstanding individuals acknowledge and respect each other's strengths, new strengths, along new dimensions, are created and become the source of joint creativity in consulting and IT solutions.

Now that I have been appointed president, I would like to extend this spirit to all of our relationships with our stakeholders. Respecting the various perspectives of clients, shareholders, business partners, employees, and everyone else with an interest in our company, I will spare no effort in working for the benefit of NRI during its Third Founding.



Consolidated Financial Highlights

	millions of yen				thousands of U.S. dollars (Note 5)	
	2006.3	2007.3	2008.3	2009.3	2010.3	2010.3
Sales	285,585	322,531	342,289	341,279	338,629	3,639,226
Cost of sales	213,706	234,578	238,537	240,854	245,641	2,639,892
Selling, general and administrative expenses	35,409	44,055	51,087	50,711	52,911	568,630
Operating profit	36,469	43,897	52,664	49,713	40,077	430,704
Ordinary profit	38,252	46,099	55,517	51,731	40,947	440,055
Income before income taxes	37,535	46,744	47,987	44,181	37,328	401,161
Net income	22,518	27,019	28,157	24,513	21,856	234,884
Cash flows from operating activities	48,875	39,583	31,806	46,180	58,060	623,966
Cash flows from investing activities	17,853	(18,578)	(47,925)	(70,994)	(16,175)	(173,831)
Cash flows from financing activities	(54,828)	44,040	(23,537)	(22,414)	(10,348)	(111,220)
Capital expenditures	18,343	29,903	36,438	70,083	29,000	311,660
Depreciation and amortization	16,574	19,795	16,517	20,763	30,915	332,251
Research and development expenses	2,501	2,864	4,915	4,104	3,561	38,270
Net assets (at year-end)	209,301	216,232	207,363	205,466	220,237	2,366,867
Total assets (at year-end)	311,786	371,458	362,447	354,487	363,368	3,905,083
Number of employees (persons) (at year-end)	5,013	5,303	5,711	6,118	6,263	—
Per share information (yen) (Note 2)						
Net income (EPS)	103.94	132.95	138.52	125.54	112.32	1.21
Cash dividends	28	36	50	52	52	0.56
Net assets	1,030.55	1,060.84	1,038.68	1,051.65	1,125.63	12.10
Stock information (based on the closing price as of 31st March)						
Stock price (Note 2) (yen)	2,886	3,470	2,605	1,530	2,130	22.89
Market capitalization (billions of yen)	649.3	780.7	586.1	344.3	479.3	5,150,457
Ratios (%)						
ROE (Note 3)	10.2	12.7	13.3	11.9	10.3	—
ROA (Note 4)	12.2	13.5	15.1	14.4	11.4	—
Operating margin	12.8	13.6	15.4	14.6	11.8	—
Net income to sales ratio	7.9	8.4	8.2	7.2	6.5	—
Equity ratio	67.1	58.1	57.0	57.7	60.3	—
Dividend payout ratio	26.2	27.1	35.7	41.3	46.3	—

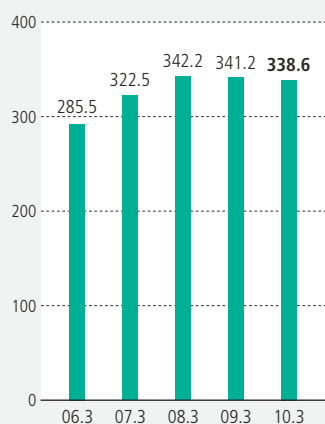
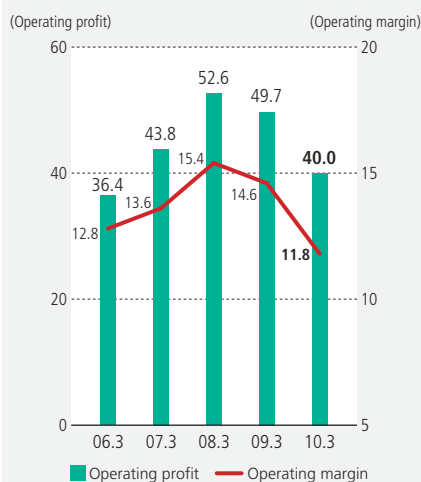
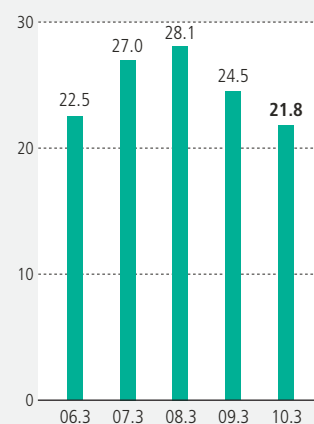
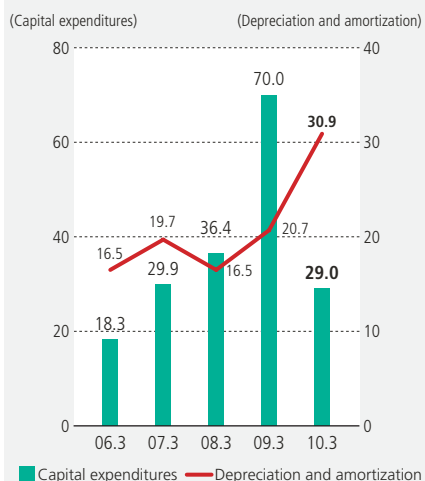
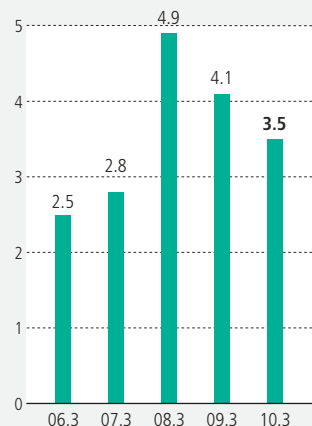
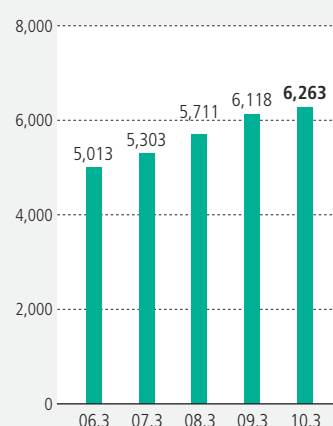
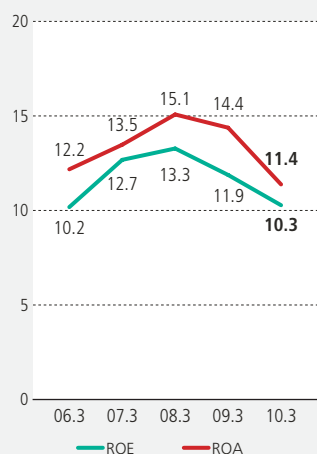
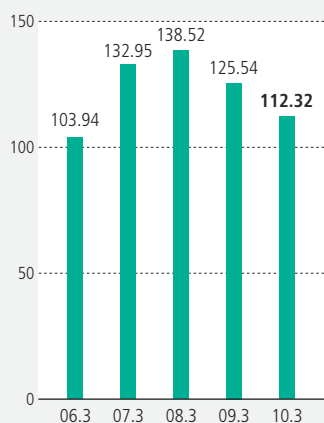
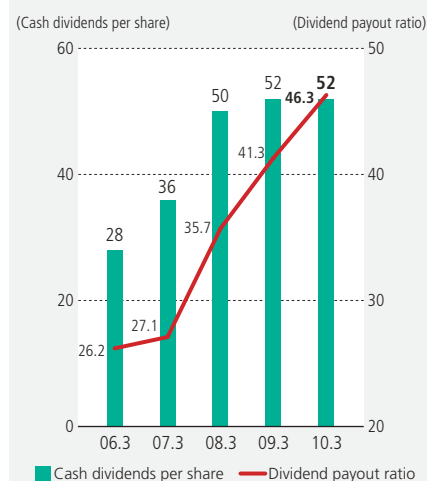
Notes: 1. Amounts of less than million yen were rounded down.

2. Per share information and stock price have been retroactively restated for prior fiscal years to reflect the effect of stock splits.

3. ROE = (Net income / Average net assets) × 100

4. ROA = (Ordinary profit / Average total assets) × 100

5. U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥93.05 = U.S. \$1.00, the rate of exchange prevailing on 31st March, 2010. 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 that originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

Sales (billions of yen)**Operating profit/
Operating margin** (billions of yen/%)**Net income** (billions of yen)**Capital expenditures/
Depreciation and amortization** (billions of yen)**Research and
development expenses** (billions of yen)**Number of employees** (persons)**ROE/ROA** (%)**EPS** (yen)**Cash dividends per share/
Dividend payout ratio** (yen/%)

*Amounts of less than 100 million yen were rounded down.

Segment Performance Overview

Consulting Services

Operating Environment and Business Results for Fiscal 2009

Consulting needs decline significantly due to poor economic conditions.

Feeling the impact of business cost-cutting in the face of poor economic conditions, both management and system consulting services saw a significant decline in engagements. As a result, Consulting Services reported sales of ¥28.8 billion during fiscal 2009, down 12.1% year on year, and an operating loss of ¥60 million. The operating margin, at -0.2%, declined 12.8 percentage points from the 12.6% reported for the previous fiscal year.

	2009.3		2010.3		Difference (Millions of yen)	YoY Change (%)
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)		
Sales	32,866	9.6	28,883	8.5	(3,982)	(12.1)
Operating profit	4,126	—	(65)	—	(4,192)	—
Operating margin	12.6%	—	(0.2%)	—	(12.8P)	—

(Note) Component percentages are based on consolidated net sales.

IT Solution Services

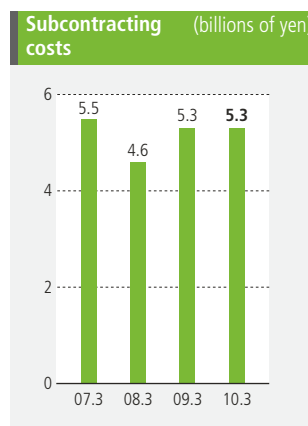
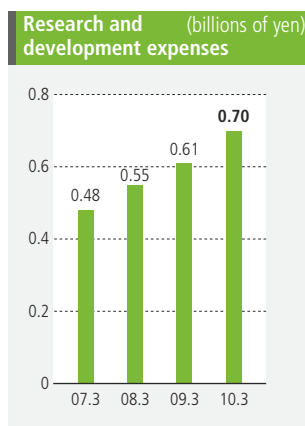
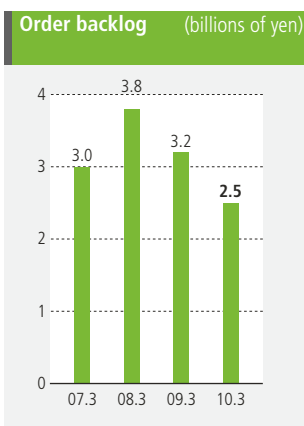
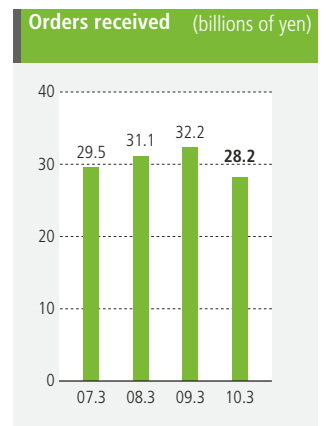
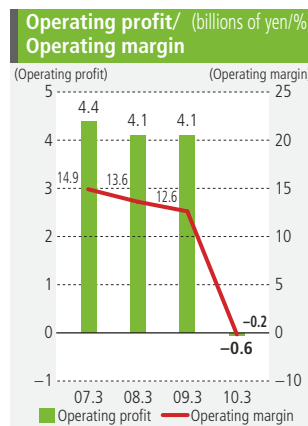
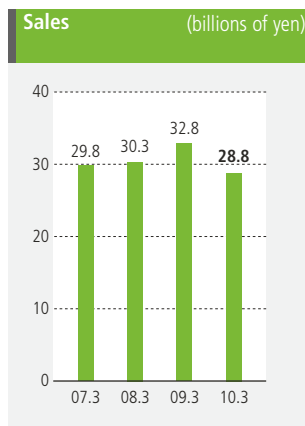
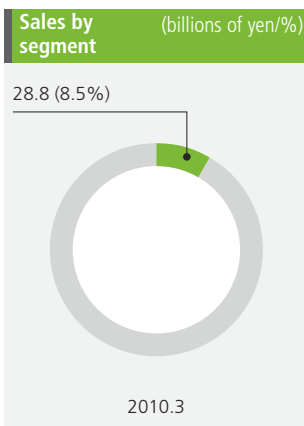
Operating Environment and Business Results for Fiscal 2009

Drastic reductions in client IT expenditures continued throughout the fiscal year.

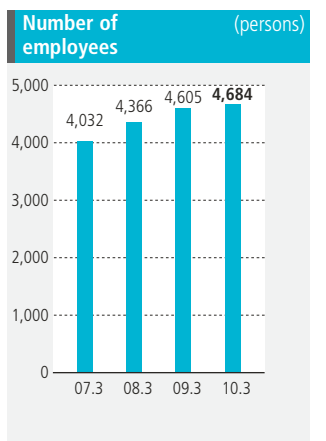
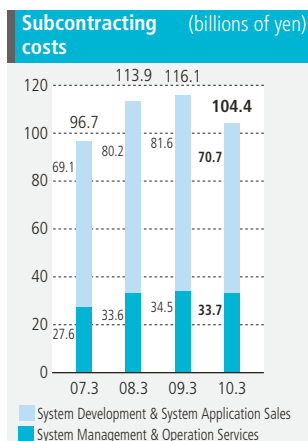
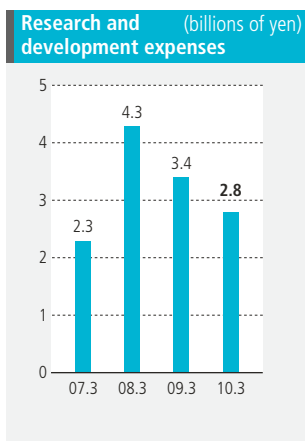
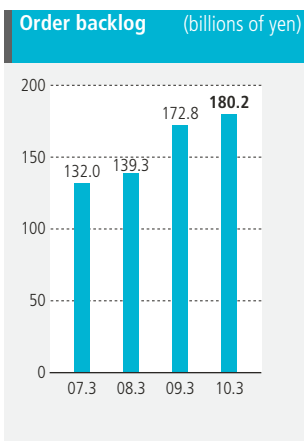
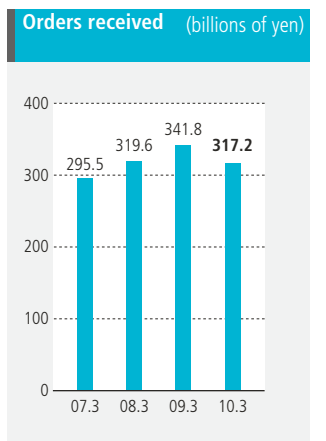
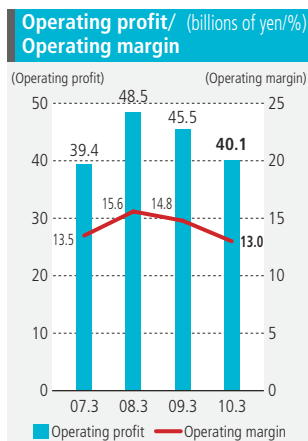
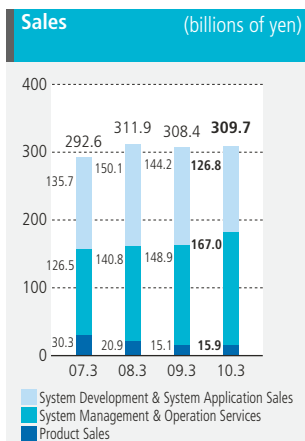
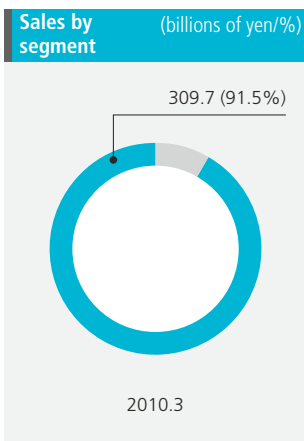
With companies still reluctant to invest in information systems, sales to the securities sector, asset management and other financial sectors declined. In response, we redirected resources to the insurance and banking sectors, which are forecast to expand, and focused on gaining system development orders. Despite a downturn in the securities sector sales in our System Development & System Application Sales operations, the start of large outsourcing engagements for major securities sector clients by our System Management & Operation Services, and developments like the acquisition of new clients for shared-online services, led to higher sales. As a result, IT Solution Services reported sales of ¥309.7 billion during fiscal 2009, up 0.4% year on year. In the area of costs, lower external subcontracting costs were outweighed by increases in depreciation related to software investments, upfront costs for new projects, and other areas, which held operating profit to ¥40.1 billion, down 11.9%. The operating margin fell 1.8 percentage points, from 14.8% to 13.0%.

	2009.3		2010.3		Difference (Millions of yen)	YoY Change (%)
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)		
System Development & System Application Sales	144,249	42.3	126,821	37.5	(17,428)	(12.1)
System Management & Operation Services	148,985	43.7	167,010	49.3	18,024	12.1
Product Sales	15,178	4.4	15,914	4.7	736	4.9
Sales	308,413	90.4	309,746	91.5	1,332	0.4
Operating profit	45,587	—	40,143	—	(5,444)	(11.9)
Operating margin	14.8%	—	13.0%	—	(1.8P)	—

(Note) Component percentages are based on consolidated net sales.



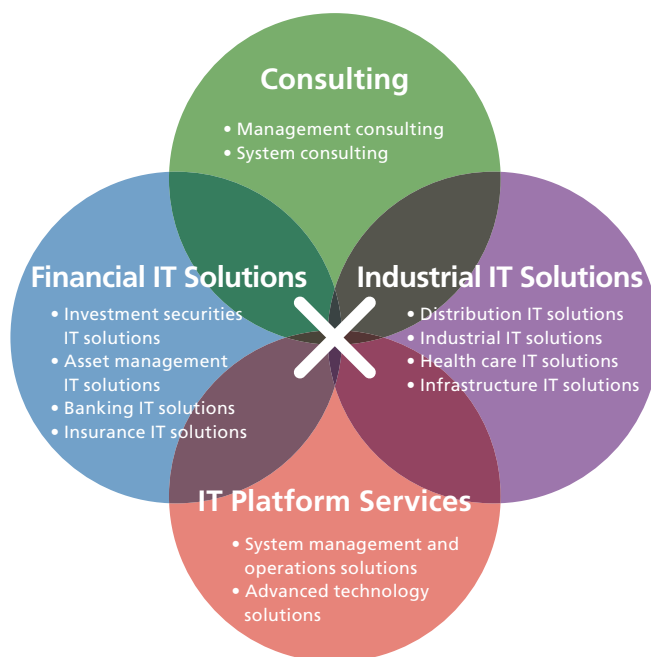
*Amounts of less than 100 million yen were rounded down.



*Amounts of less than 100 million yen were rounded down.

New Segments Based on a Management Approach

Beginning with the fiscal year commencing 1st April, 2010, information on segments identified based on a management approach must be disclosed. NRI, therefore, will disclose information on four segments: Consulting, Financial IT Solutions, Industrial IT Solutions, and IT Platform Services.



Consulting

Accurately gauging society, industry, and companies and leading the way to the future

As the leader in the field, NRI's Consulting Services contribute to society and the development of industries and companies. In addition to management consulting in which we support the implementation of management and business strategies, and organizational reforms, we also provide system consulting services for all aspects of IT management.

Financial IT Solutions

Providing indispensable system services for the financial sector

We provide IT solution services to securities, insurance, banking, and other financial sector clients. We offer system development and outsourcing services for individual clients and numerous shared-online services applying know-how and operational expertise NRI has developed over the years.

Industrial IT Solutions

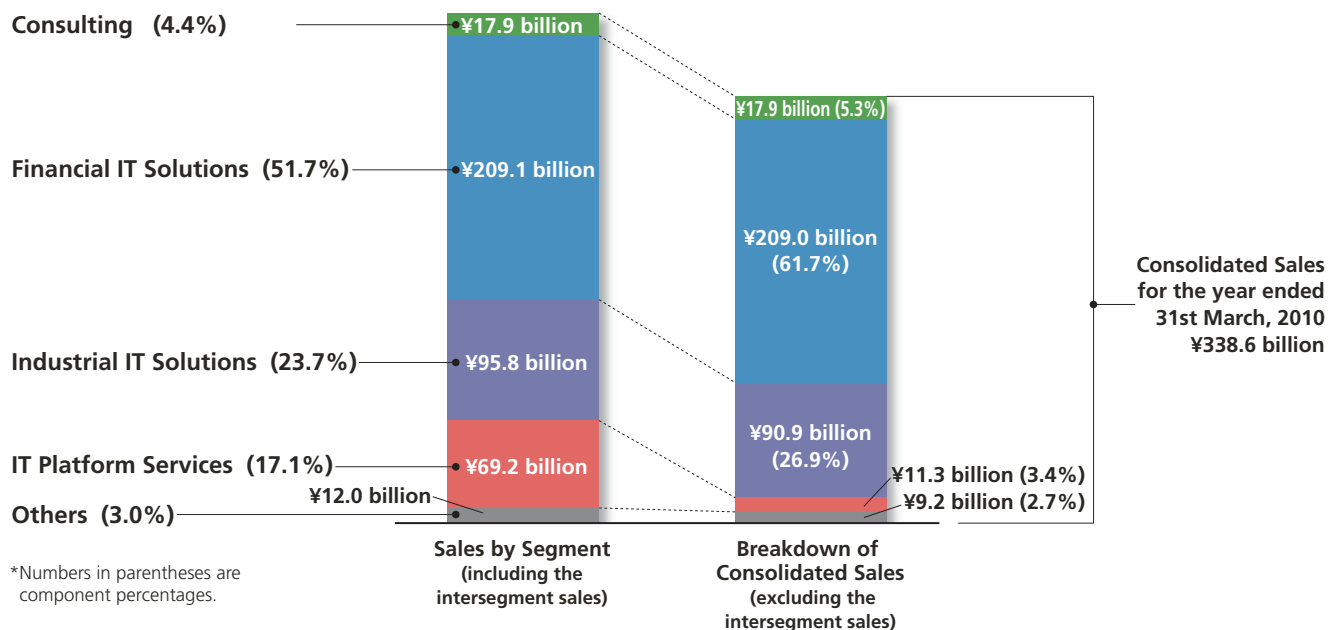
Crossing industry and system boundaries in supporting growth and change

We serve the needs of a wide variety of distribution, manufacturing and service clients with system development, outsourcing, wide-ranging shared-online services, and other IT solution services. We also provide information security services for a broad array of industries.

IT Platform Services

Pursuing safety, reliability, and cutting-edge technology in supporting social infrastructure

We provide data center operation and management, IT Platform construction support, network construction support and other services for clients in the financial, industrial, and IT solutions sectors. We also perform research for the development of new IT solutions service businesses and products, and research on cutting-edge information technologies.



New Segment Managers

Interview Page



Shiro Tanikawa
 Director,
 Corporate Senior Vice President

p.20



Keiichi Ishibashi
 Director,
 Corporate Executive Vice President

p.22



Mitsuru Sawada
 Director,
 Corporate Executive Vice President

p.24



Mamoru Suenaga
 Corporate Executive Vice President

p.26

Messages from the New Segment Managers

Consulting



NRI is working to uniquely position itself as a world-class consulting firm based in Asia. We are leading all others in developing business in this segment in China and other parts of Asia. In addition, by advancing our prime account strategy, we are making a significant contribution to the expansion of our industrial-sector client base, a major theme of NRI Vision 2015.

Shiro Tanikawa

Director,
Corporate Senior Vice President

Sources of Strengths of NRI's Consulting Segment

Integrated support for strategic, operational, and system reforms

With approximately 800 consultants performing strategic, operational, and system consulting services, NRI is Japan's largest consulting firm. Our services range from policy recommendations and strategy consulting, to operational reform and system construction consulting. In addition, we have assembled a strong track record of performing consulting engagements for both government and private companies in China and other parts of Asia.

Strategic Consulting

Our strategic consulting services support clients across a wide range of areas* (theme & industries) with depth of expertise. Our client base includes many companies listed on the First Section of the Tokyo Stock Exchange as well as Asian governmental entities.

Business Consulting

Armed with a deep understanding of their businesses, we enhance the competitiveness of our client companies with operational reforms encompassing system construction.

System Consulting

From our vendor-free position, we provide comprehensive and practical services in all areas of IT management for clients in the financial, manufacturing, distribution, service, and other industries and for governmental agencies as well. Our strengths lie in our broad expertise and unique methodology and know-how.

Forecasts of the Future and Policy Recommendations

As a segment with a think tank function, we perform our own research to develop pictures of how the economy, society, and industries will look in the future. The forecasts we develop are not only used in NRI's business activities but also actively disseminated through channels like publications, symposiums, and policy recommendations.

What are the strengths and characteristics of NRI's consulting business?

Its most defining characteristic is that it offers consulting and IT services under one roof. As expressed in the words "Navigation × Solution," we are able to take advantage of synergies between and among system consulting, business consulting, and other services intimately related to IT solutions.

At NRI, we practice highly effective consulting based on solid facts. In other words, we take an on-site, hands-on approach to our work. We propose competitive, highly differentiating solutions based on a deep understanding of each client's business.

NRI's corps of approximately 800 consultants is the largest in Japan and our client base, with numerous companies listed on the First Section of the Tokyo Stock Exchange is quite extensive. **In Asia, we have put together a strong track record in the performance of consulting projects for clients including governmental entities in China and other parts of Asia.**

What is the Consulting Segment's role in the achievement of NRI Vision 2015 objectives?

We are advancing the prime account strategy with the aim of expanding our industry clientele (▶ Refer to Interview with Top Management on p.9.)

It is now impossible to implement management strategies without IT solutions. NRI aims to build relationships over the long term and provide industry-leading companies with services that combine management strategy, operational reform, and other consulting services with IT solutions. Go-

***Our Consulting Domains and Themes**

Themes	Government	Education and Research	Transport	Environment	Energy	Construction and Real Estate	Finance/Insurance	Distribution/Services	Food Products	Biotechnology and Health	Information and Communications	Electrical/Precision Equipment	Chemical/Pharmaceutical Products	Industrial Machinery	Electronics	Automotive
Drafting business strategies, corporate restructuring, new business development, M&As, alliance strategies																
Organizational and personnel reforms, vitalization of human resources; design, knowledge management																
Drafting medium-term management plan, operational management, public management																
Investor relations, financial strategies, administrative accounting reform																
CRM, marketing strategies, branding strategies																
SCM, distribution and logistics reforms																
Business reforms, BPR, systems development support (PMO)																
Privatization, PFI, public management																
Global strategies, overseas business expansion support																
Future paradigms																

ing beyond management consulting, we aim to also provide system development and outsourcing services in support of strategy implementation.

What is the outlook for the Consulting Segment's Asian business?

As a mid- to long-term goal, **we are aiming to build a unique position as a world-class consulting firm based in Asia.** Within NRI, consulting already has one of the highest overseas business percentages. We intend, however, to continue leading the Company in efforts to expand business in China and other parts of Asia — one of the objectives of NRI Vision 2015.

The areas we are focusing on are cross-border, cross-industry, and cross-sector (public-private). For example, we believe infrastructure-related business is promising. Areas like water processing, urban development, electric power, and transportation constitute complex industries involving information systems, environmental management, and other elements. We see these as opportunities to apply the experience we accumulated helping to manage traffic flows and pollution in Japan. NRI has already performed infrastructure-related projects in China and other countries, and we would like to expand this aspect of our business in other Asian countries.

What kind of business opportunities do you see in the public sector?

I think the change of governments in Japan will create public-sector business opportunities for NRI.

In the United States and Europe, an arrangement has taken hold in which think tanks and consulting companies support policymaking, and the public sector implements them. In the United States and other countries, changes in governments bring changes among top bureaucratic personnel, and private-sector people with expertise in particular areas are recruited to fill top policy-making positions. Many of these people have think tank experience, so think tanks can be seen as playing a significant role in that sense.

If a change of government takes hold in Japan too, think tanks should come to play an increasingly important role. NRI has expert knowledge in areas like financial and industrial policy, and we will continue to focus our efforts in areas like these.

Is there anything you would like to say to investors?

“Navigation × Solution” continues to embody our objectives, which go beyond combining consulting and IT solutions. Ultimately, **we aim to provide comprehensive services that increase client competitiveness in a totally new business format.** I believe NRI has the potential to accomplish this aim.

Working with a client to increase its competitiveness and receiving that client's praise for the final result is the ultimate reward for NRI consultants and what motivates us in our work.

Looking ahead, we aim to further develop ties with IT solutions, from the client's perspective, as we bring all of NRI's capabilities to bear in supporting our clients.

Financial IT Solutions



I believe expanding and further developing our strength in financial IT solutions, one of NRI's specialties, will contribute to its sustainable growth. In securities and asset management, fields in which we are very strong, we aim to develop our business with a view toward Asia. In our sales activities, we will strengthen efforts targeting the banking and insurance sectors while maintaining our focus on the security sector, asset management, and other existing specialties and work to create IT infrastructure capable of providing one-stop financial services.

Keiichi Ishibashi

Director,
Corporate Executive Vice President

Sources of Strengths of NRI's Financial IT Solutions Segment

Providing systems that set the standard in Japan's financial sector

This segment provides system development, operation outsourcing, shared-online services, and other IT solutions for the securities sector, insurance sector, banking sector, and other financial sectors (asset management, consumer finance, etc.)

Securities and Asset Management Sectors

We provide advanced information system services to a broad client base, including Nomura Holdings, Inc. Applying the experience we have accumulated along the way, we have developed shared-online services that have become industry standards for the securities, asset management, trust banking, and other sectors in Japan and abroad.

Insurance Sector

We have handled major projects for firms like Japan Post Insurance Co., Ltd. and are strong in systems for nonlife insurance adjustment and direct-sales nonlife insurers. We also offer the e-JIBAI shared system for compulsory automobile liability insurance.

Banking Sector

NRI already enjoys a strong reputation in the securities and asset-management-related businesses that banks are expanding. In addition, we are planning to begin providing shared-online Internet banking services for financial institutions beginning in fiscal 2011 and taking other steps to intensify our focus on these businesses.

R&D

We have established a specialized unit to conduct timely research and analysis of trends in the industry-leading financial sectors of the United States and Europe and to consider new business opportunities. This work will contribute significantly to the provision of even better system services to our clients.

What are the strengths and characteristics of NRI's financial IT solutions?

In the securities sector, we have provided Japan's most advanced systems to Nomura Holdings, Inc. Applying the experience we have accumulated in that work, we have developed, and made available to securities firms, our own shared-online services (Refer to the right table) and acquired a significant share of this market. **The business model in which shared-online services, which provide industry-leading system services, are developed based on know-how accumulated in developing systems for industry-leading companies is an NRI strength that we are exercising for the field of asset management.**

In the insurance field, factors like the declining birthrate have given rise to forecasts of severe business conditions in the long term. Our business, however, has recently grown because of projects undertaken for Japan Post Insurance Co., Ltd., insurance company efforts to adjust to system changes, and M&A-related work stemming from industry restructuring, and we expect it to continue growing.

The banking field is an area in which we aim to expand our business over the mid- to long-term. However, as a latecomer to business in this field, we will have to find ways to overcome barriers in the form of existing vendors.

Meanwhile, in the area of asset management — and regarding equity investment, in particular — Japanese shares are now only one option in Asia, so we have to address the issue of how to provide system support for asset management activities encompassing Asian and BRIC shares, which are in high demand.

Shared-online services supporting NRI's high profitability*

STAR-IV	Comprehensive back-office system for retail securities companies
I-STAR	Comprehensive back-office system for wholesale securities companies
T-STAR	Trust asset management system for investment trust management companies
BESTWAY	Account management system for over-the-counter sales of investment trusts

*Systems NRI was developed to provide multiple clients with access to information services. These systems are developed with the know-how we have accumulated through individual system development projects.

*1 Benefits for NRI include: 1) Reliable, stable sales; 2) Long-term human resource allocation; and 3) Acceleration of system efficiency measures.
*2 Service is scheduled to begin in fiscal 2011. Includes a full set of banking functions to handle account transfers, time deposits, foreign currency deposits, investment trusts, government bonds, loans, etc., and can be used from PCs and cell phones.

What is the outlook for the business in the securities and asset management sectors?

After the Lehman shock, there was a major pullback in financial sector system investments. It appears that the effects will linger through the first half of fiscal 2010, but we expect to see improvement beginning in the second half.

Regarding the securities sector, NRI acquired from Nomura Securities Co., Ltd. system assets for domestic retail operations in March 2009 and began using them to provide outsourcing services back to Nomura Securities*1. As the system partner for Nomura Securities, we aim to further solidify our relationship with that company by reliably providing it with high-level services.

As for the further expansion of THE STAR and other shared-online services, which have garnered significant market shares, **we believe there are still growth opportunities in steering the development of these systems toward specialization for wholesale, middle (administrative), and frontline (trading, client relations, etc.) applications.** Regarding the development of frontline applications, in particular, we are anticipating growing needs for automated trading systems.

We would also like to see the upgraded T-STAR and BESTWAY systems we have invested in over the past several years make solid contributions to profits. Moreover, we see opportunities for expanding our still-low market share in pension management by leveraging T-STAR's ability to handle both investment trusts and pension management on the same platform.

What is the outlook for the insurance and banking sectors?

In the insurance sector, system integration required by the restructuring of the nonlife field will begin to come into full swing. For that and other reasons, I think NRI's business opportunities are set to expand.

As for the banking sector, which is focusing on mid- to long-term business expansion, **we should set our sights initially on getting our foot in the door through securi-**

ties-related needs and net banking, an area where we already have a track record and are strong, rather than immediately targeting backbone operations, and that is what we are doing. To acquire more users for the shared-online Internet banking system*2 we announced in March 2010, we will strengthen sales efforts targeting regional banks.

How is global business development being pursued?

I think a key issue to address is how to provide services to the United States and European investment companies that centralized their Asian operations in Hong Kong and Singapore. In the Chinese market, cost competitiveness and other reasons make it imperative that we move forward with the localization of our operations there, and we are taking steps to recruit and train local human resources toward that end.

What is the role of this segment with regard to NRI Vision 2015 and what progress has been made?

NRI already has the STAR series and numerous other information systems functioning as industry standards, and **we will continue to develop our business with the aim of providing more systems that set industry standards.** For instance, we are hoping to contribute to society by providing systems that set industry standards for areas like financial income tax unification, the Japanese version of the UK's Individual Savings Accounts, and the introduction of electronic promissory notes. We aim to lead efforts to introduce new, expanded and enhanced business platforms, one of the key aspects of NRI Vision 2015.

In addition, we have established the Center for Financial Markets and Technology Research to examine the advanced financial technologies of the United States and Europe and support efforts to provide high-value-added system services to clients. We aim to further enhance NRI's presence **by actively moving forward with financial institution R&D and strengthening our information gathering and dissemination activities.**

Industrial IT Solutions



Industrial IT solutions are one of the fields targeted for client base expansion in NRI Vision 2015. To increase the percentage of NRI's business portfolio comprised of industrial fields, we will deepen our relationships with existing clients and work to significantly boost client satisfaction, while also increasing the number of new clients through steps like advancing the prime account strategy and pursuing business development at the global level.

Mitsuru Sawada

Director,
Corporate Executive Vice President

Sources of Strengths of NRI's Industrial IT Solutions Segment

Beginning with the distribution sector, the provision of high value-added systems

We have a long track record of planning, building, and operating business systems as an IT partner for distribution and retailing companies. Information systems applying our know-how in areas such as the building of supply chain management (SCM) systems and client management is another one of our strengths. We make broadly available cross-industry shared-online services that support electronic commercial transactions.

Critical Fields for the Future

Manufacturers of Consumer Products

NRI undertakes system development, outsourcing, and other services for the apparel, food, and other fields related to distribution, and we aim to further expand this aspect of our business.

Health Care

We will promote not only our traditional system development work for the pharmaceutical and drug distribution sectors but also industrial IT solution plans for the medical and long-term care support, health insurance, and other such sectors.

Public-Interest and Telecommunications

Applying the client-account-management, settlement, and other know-how we developed in the securities sector, we will work to broaden our provision of solutions to the public-interest and telecommunications sectors, which serve a massive number of clients.

Business Development in Asia

Moving forward, we will redouble our focus on supporting existing domestic clients' efforts to develop business in China and on providing the Asian operations of Japanese manufacturers with access to enterprise resource planning packages through ASP services. We will also enhance a broad range of initiatives including alliances.

What are the strengths and characteristics of NRI's industrial IT solutions?

In the 1970s, we performed information system development work for Seven-Eleven Japan Co., Ltd. Since that time, **we have been strong in the provision of IT solutions to the distribution and retailing sectors** and have expanded our client base to include the wholesaling, apparel, food, and other closely related sectors in consumer product manufacturing.

One of the defining characteristics of NRI is its unrelenting emphasis on quality. Many of the client systems NRI is responsible for have mission-critical status with demanding requirements for quality and reliability. In the case of retailers, for example, order-processing systems must be able to handle enormous volumes of orders from throughout the country, 365 days a year, without fail.

In addition to outstanding quality and technical capabilities, **NRI also counts among its strengths the overall capability to provide systems that apply its consulting capabilities to improve client operations.** In constructing a supply chain management*1 system, for example, we provide implementation support that delves deeply into the client's operations.

What does the Industrial IT Solutions Segment aspire to in the future?

Expansion of our industrial client base is an important theme of NRI Vision 2015. NRI's mid- to long-term growth depends not only on the financial sector, where it has already won a high market share, but also, critically, on expansion of the industrial client base. The latter will help lessen sales

dependence on the financial sector and help preserve NRI's overall business balance.

For the future, we aim to contribute to sales expansion by providing shared-online services that, like those we provide for the financial sector, set industry standards.

What are the strategies for acquiring new clients in individual areas?

To begin with, we believe that further deepening our relationships with existing clients and winning even stronger client assessments of our quality and technical capabilities will attract new clients.

Regarding new clients, **we will also pursue our prime account strategy** (▶ Refer to the Interview with Top Management on p.9.) **Our aim in this sense is to work with the consulting division, which has already performed numerous projects for industrial clients, to acquire new core clients for the IT Solution Services.**

Looking ahead, we will work to achieve further business expansion by focusing our energies on apparel, food, and other consumer product manufacturers that we have worked for and are closely related to the distribution sector. We will also strengthen our approach to component and machinery manufacturers and other B-to-B companies. At present, this field is experiencing an expansion in direct exports of products manufactured at foreign locations. As a result, there is a demand for systems required for adjusting demand and supply on a global basis, and **we believe this presents an opportunity for NRI to exercise its strengths in management strategy and supply chain management system construction, areas where we have a long track record.** As for enterprise resource planning packages, we are already providing shared-online services to more than 90 locations owned by Japanese manufacturers and will work to increase this number.

In the health care business, our activities to date have consisted mainly of individual system development projects for pharmaceutical and drug distribution companies. Moving forward, we will also advance solution plans encompassing the medical and long-term care support, health insurance, and other such sectors.

The public-interest and telecommunications sectors offer business opportunities in which we can apply our experience in developing systems for the financial sector. Electric utilities, telecommunications companies, Internet companies, and others employ massive databases in managing tasks like billing and providing supplementary services, and these represent prime opportunities to apply the client management and settlement know-how we have accumulated in the securities sector.

What are the technical themes you are focusing on in the industrial sector?

One technology we are paying attention to is OpenID*2, which allows access to multiple business information services with the use of a single ID. NRI has built a track record of performing consigned public-sector trials of this technology and is hopeful that this will develop into a new business area.

The NRI Group recognized the importance of information security in the mid-1990s, when it was not receiving as much attention as it is now, and was one of the first companies to offer information security services. **Applying the advanced information security technology and know-how we have accumulated** since then, we aim to further develop our service offerings across industries and throughout the world.

BPM and BI*3 packages are another technology we are interested in, and we are moving ahead with the provision of system solutions that use these packages to respond to needs for overall management resource optimization and global integration. For Japanese companies, which tend to have a large number of business divisions, these are matters of pressing concern. For NRI, this is a promising business area.

Lastly, what are your aspirations for the future?

Over the mid- to long-term, **I would like to see NRI's strength in shared-online services extended to industrial sectors as well.** Shared-online services let client companies cut costs in administrative areas not directly related to diversification, and reallocate management resources to core operations. **I would very much like to see NRI help improve the competitiveness of Japanese companies by providing IT solutions.**

With that in mind, advancing the prime account strategy will enable us to expand our client base among core industrial companies and secure a presence in industrial sectors.

- *1 Supply chain management is an approach for optimally managing as a single chain the flow of goods and information from procurement through production, sales, and distribution.
- *2 OpenID is an ID authentication technology that makes it possible to use a single user ID to access multiple web-based services. Once an ID is obtained from a website that uses OpenID, the same ID can be used to access other websites that use OpenID. For users, OpenID means simpler, more secure ID and data management. For operators of websites, OpenID offers the advantage of being able to gain users registered on other websites.
- *3 **BPM, or Business Process Management**, applies management cycle activities, like planning, execution, assessment, and improvement, to business processes, and reflects the business improvement concept of optimizing overall business flows through continuous improvements.
BI, or Business Intelligence, refers to the accumulation, analysis, and processing of enormous amounts of data, from business systems and other sources, for application in decision-making.

IT Platform Services



The IT Platform Services Segment is in charge of supporting financial and industrial systems with cutting-edge information technologies and system management and operation services, and bolstering R&D for increasing NRI's competitiveness.

In addition to initiatives involving current information processing themes, such as cloud computing, this segment pursues R&D on information technologies clients genuinely need.

Mamoru Suenaga
Corporate Executive Vice President

Sources of Strengths of NRI's IT Platform Services Segment

Provides technologies and facilities support for high-quality system construction and operation

The IT Platform Services Segment performs a vital role as a unit providing infrastructure support aimed at achieving even higher quality and added value for the information system services provided by NRI.

We support NRI's system operations with R&D on production technologies and on the system infrastructure technologies that affect information system quality. We are also in charge of system management and operations at NRI's data centers, which boast solid information security and strong business continuity measures to counter the effects of disasters.

IT Infrastructure and Production Technologies

With our early recognition of the importance of IT infrastructure technologies, which impact the quality of entire systems, we have been developing system development approaches and platforms and accumulating development tools.

R&D

We continuously develop mid- to long-term forecasts and perform R&D in the field of IT, and provide advanced technologies that meet user needs and can be used with confidence.

System Management

With high-spec data centers, human resources offering a wealth of experience, operating skills, and other assets, we provide clients with stable, efficient system operation.

What is the IT Platform Services Segment's role at NRI?

The IT Platform Services Segment employs human resources who have outstanding IT skills and **support financial and industrial system operations with research and practical experience in applying information and production technologies**. Furthermore, this segment is also in charge of operations at NRI's data centers, which protect systems through advanced security and strong business continuity measures to counter the effects of disasters.

Smooth system operation and the prevention of system problems begin with the design stage of system development and, therefore, require a systematic approach. In the IT Platform Services Segment, we are advancing the production innovations included in NRI Vision 2015 to both prevent system problems and reduce the need for rework in system development.

What are NRI's strengths and characteristics with regard to system infrastructure technology?

We have standardized procedures, development platforms, and development tools for efficient system development and **we help efficiently construct high-quality systems**.

In addition, we prepare IT Roadmap*¹ that we apply as we perform R&D. **That allows us to accurately judge the promise of new technologies and make decisions about implementation timing, which adds up to strength in actually incorporating new technologies in systems.**

What are the strengths and characteristics of system management (system management and operations) services?

A culture of emphasizing system operation, rather than construction, has taken hold at NRI, which incorporated outsourcing in its business model early on.

This emphasis on operation is manifested in the development of Senju and other examples of our own operating management software and in our early acquisition of ISO20000 certification for our data centers. We are constantly aware that we are responsible for numerous systems, like those used by securities firms, that constitute important infrastructure for society, and we strive to operate systems as reliably as possible.

In terms of facilities, we have scheduled the construction of a new data center*2, slated for completion in fiscal 2012, in Tama City, Tokyo. With plans calling for the use of highly energy-efficient, environmentally friendly technologies, cutting-edge security, and other advanced technologies, this data center will be state-of-the-art. After completion, it will be used for our growing outsourcing business and as the core facility for our cloud services*3.

What are the key initiatives for the future and what is the outlook for this segment?

Beyond its function supporting the system business divisions, the IT Platform Services Segment is playing an expanding role as an area responsible for the competitiveness that is critical for business expansion.

Regarding R&D, while NRI has traditionally been strong in responding to the technical demands of its main clients, moving forward, **we are taking a more central position in strategically selecting high-priority themes and focusing investments of management resources.** High-priority themes include: 1) cloud computing; 2) IT modernization (IT infrastructure optimization and modernization); and 3) high-speed, large-scale distributed databases. We are approaching cloud computing with initiatives characterized by solid system infrastructure and exacting middleware. In our IT modernization activities, we will develop efficient methods for reconstructing aging distributed systems. What to do about aging system infrastructure is a critical issue at many companies. Some will turn to cloud computing as they address system reconstruction, and there will be significant synergies to leverage. Regarding high-speed, large-scale distributed databases, our aim is to respond to needs for the management and advanced application of burgeoning volumes of data, with cloud computing as one option.

Is there anything you would like to emphasize to investors?

The IT Platform Services Segment established a system engineer career path and has devoted significant attention to the development of human resources since early in its history. Meanwhile, in R&D, we are focusing management resource investments on high-priority themes in an effort to acquire technologies that will strengthen our business.

Through outstanding human resources and the acquisition of advanced technologies, **NRI is putting together the best advanced technologies for meeting client needs and is striving to provide systems that genuinely please users.**



*1 NRI has been continuously preparing IT Roadmap since 2001 and publishing them in book form.

*2 New data center (image at completion)



Facility overview

Environment	Effective use of renewable energy and high-efficiency equipment
Security	Seismically isolated and vibration-controlled structure, incorporation of cutting-edge security, etc.
Reliability	Redundant, high-capacity power supplies and air conditioning systems

*3 Service that makes it possible to use hardware, software, or various information system platforms via Internet.

Special Feature 1

Human Resources Generating Competitiveness for NRI —A system that nurtures professional development—



Masahiro Muroi
Representative Director,
Corporate Executive Vice President
in charge of Supervising of Corporate
Administration and Internal Control

Professionals with expert knowledge and capabilities are the source of the added value provided by the NRI Group, and are one of the Group's key strengths.

What sets NRI's human resources apart are outstanding expertise and the spirit of boldly taking on challenges to achieve objectives. All NRI employees share two things — an unrelenting passion to provide clients with the best solutions possible, and the feeling that nothing is more rewarding than winning the praise and trust of clients.

Realizing the aspirations outlined in our long-term business plan, NRI Vision 2015, provides an added incentive to redouble our human resource development efforts.

Hiring new graduates with excellent potential and painstakingly nurturing them is fundamental

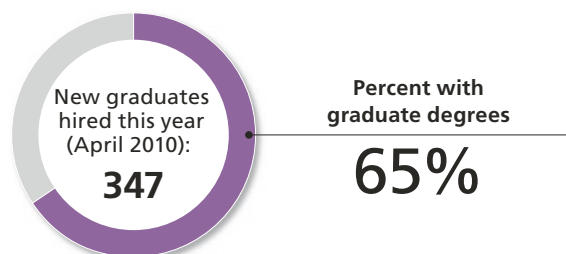
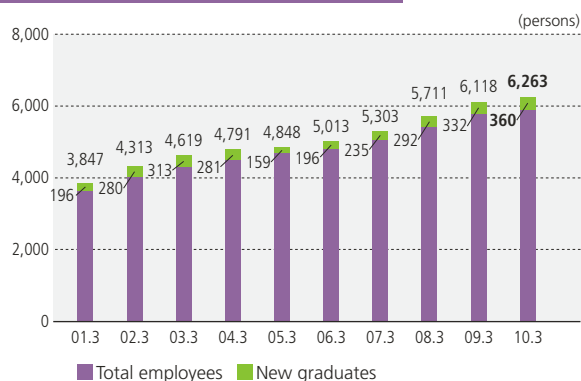
By the end of fiscal 2009, the NRI Group's entire workforce had grown by about 60% over the previous 10 years, to 6,263. Human resources are critical for the business expansion of the NRI Group and must be steadily expanded as we move forward.

Hiring includes the year-round addition of mid-career individuals with outstanding expertise, but it is fundamentally important that we regularly take on and painstakingly nurture the development of new college graduates. Though we have cut back on new-graduate hiring in past economic downturns, we believe it is critical from a mid- to long-term perspective that we maintain at least a certain level of hiring. Over the past several years, we have hired over 300 new graduates, over 60% of whom have completed graduate degrees. Every one of these individuals offers outstanding potential.

In our hiring activities, we try to attract a broad diversity of students and take steps such as introducing our company online to make it easy for students outside the Tokyo area to participate. Our recruiting efforts also extend overseas, where we target Japanese students studying abroad. With the expansion of our Chinese operations in mind, we began in 2009 to undertake new-graduate recruiting activities through NRI Beijing. This effort paid off with the recruitment of excellent local individuals, whom we envision will drive NRI's Chinese operations in the future.

Women are a key element of our human resources and we have taken significant steps to create an environment that helps women to succeed. Examples include implementing career management support and measures aimed at helping women meet both professional and child-rearing demands. As a result of these efforts, NRI is ranked among the companies that offer the most rewarding work and most appealing work environments. That we are constantly considered among the most popular companies to work for is probably a major factor behind our ability to hire some of the most promising new graduates.

Total employees and new-graduates hired



On-the-job experience for tempering and training and self-development for refinement into true professionals

The human resources the NRI Group aims to develop are professionals with expert knowledge and capabilities. We aim to create NRI professionals who, with outstanding expertise, the ability to exercise initiative in working toward self-set goals, and the will to boldly take on challenges without fear of change, can provide clients with high added value.

Developing such human resources requires on-the-job training (OJT), formal training, and self-development. The combination of these elements is what enables the creation of competence as a professional.

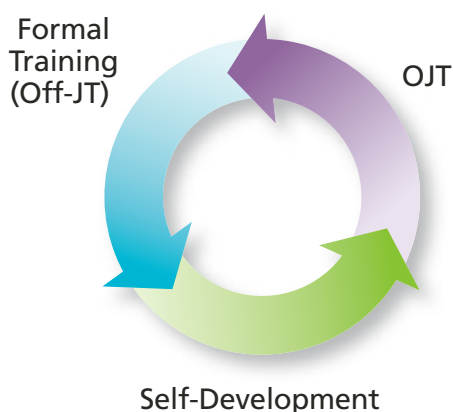
OJT is the core of human resources development. With OJT, employees develop the expertise and skills they need through the performance of their daily work. The NRI Group offers employees an environment enriched with senior staff and coworkers with outstanding expertise in a broad range of fields and top-flight clients. Engaging in actual work offers the best opportunity to develop and enhance professional capabilities.

OJT alone, however, tends to be limited to the scope of an individual's work. We, therefore, have prepared an extensive training menu that allows employees to sort out and deepen the knowledge they acquire through work and gain knowledge and skills OJT cannot provide.

Of course, constant effort and self-development are also essential, and the NRI Group offers various forms of support for self-development as well.

Three elements of human resource development

- Organic mix of **on-the-job training (OJT), formal training, and self-development**
- **OJT as the core of human resource development**



On-The-Job Training (OJT):

Job experience is the best opportunity for developing professional capabilities

- Systematic job assignments and rotation
- Instructor program (for new hires)
- Trainee system

Formal Training (Off-JT):

System for helping employees sort out and deepen knowledge gained through OJT
System for helping employees gain knowledge and skills OJT cannot provide

- Internal group training (required, recommended, voluntary)
- Outside training, e-learning

Self-Development:

System for supporting the constant efforts of individuals

- Support for acquiring external qualifications (reimbursement of test fees, assistance with class fees)
- Conducting of tests and test-preparation classes

Instructor program and other arrangements to enhance OJT

NRI has created various systems to support OJT and help ensure the effectiveness of human resource development efforts.

One example is our introduction of an instructor program in which an experienced employee is paired off with a new employee whom they will provide with one-on-one instruction for a period of one year. Each new employee then learns very well to not only perform the jobs they are assigned but also think about questions like what they should do and why they are doing it. As instructors, we basically select employees with at least five years of experience, a true ability to nurture capabilities in others, and the desire to do so.

It is important that employees use their first five years to develop a sound set of fundamental skills for their future endeavors. To help young system engineers develop basic skills, we have put together a “growth story” with guidelines for objectives to be achieved by the end of their fifth year.

Extensive training system

NRI establishes annual objectives for the number of days employees should devote to training in order to encourage participation in formal training. Employees can select train-

ing options from among a large number of training menus. Examples include level-based training, which is required for all employees up to a certain level, training for individual techniques and skills, and business leader training, which aims to develop human resources who can take charge of business creation for the NRI Group.

To develop human resources with a global perspective, we provide employees with a variety of opportunities to participate in overseas training and study abroad, not only in the United States and Europe but in China, India, and other Asian countries, as well. Participants in these programs may do any number of things like study languages, attend business schools, and participate in IT-related classes. Every year we send as many as ten employees to study overseas. Until now, most of these employees have attended schools in the United States and Europe. Looking ahead, however, we intend to increase the number of employees studying in China.



Yokohama Learning Center:
The NRI Group conducts much of its in-house training at this dedicated training facility.

Skill enhancement through formal training (Off-JT)

Training System

Categories	Comprehensive Career Tracks	Specialists	Vice Head Specialists	Head Specialists	Senior Specialists	
Level-Based/ Role-Based	Introductory Group Training upon hiring	Promotion to Specialist	Promotion to Sub Assistant Manager	Promotion to Assistant Manager	Promotion to Manager	Group Manager General Manager
Business Leader				Assistant Manager Level	Manager Level	Dream Up the Future Academy
IT Solutions	Elemental Technologies/Basic Skills		System Design Development		Project Management	
					Career Enhancement	
General Business	Basic Skills (Business manners, verbal communication, writing, presentations, negotiation, logical thinking, problem identification, self-management, organizational management and financial analysis, market analysis, management strategy)		BA (Business Analyst) Skills			
			Business School (Keio Business School, Nomura-Wharton, Columbia, INSEAD, etc.)			
Self-Development Support			Language Study (Chinese)			
			IT (Information processing, PMP, ITIL, IT Coordinator)			
			Finance (Book-keeping, Securities Analysts)			
			Language Study (English, Chinese)			

Support for gaining external qualifications

To promote self-development among employees, the NRI Group provides support for gaining appropriate external qualifications. Given that formal professional qualifications are very valuable in winning the trust of clients in Japan, some qualifications are deemed eligible for test fee reimbursement. In addition, for the Information-Technology Engineers and other tests, we also offer test-preparation classes.

Formal qualifications gained

Qualifications	As of 31st March, 2010 (persons)
Information-Technology Engineer (Advanced)	1,908
IT Coordinator	141
PMP (Project Management Professional)	129
CMA (Chartered Member of the Securities Analysts Association of Japan)	196
Chief Telecommunications Engineer	122

(Note) Information-Technology Engineer (Advanced): The NRI Group designates Information-Technology Engineers other than IT Passport, Fundamental Information Technology Engineers and Applied Information Technology Engineers as "Advanced."

Information Technology Engineer qualifications gained

Qualifications	As of 31st March, 2010 (persons)
Systems Auditor	239
Information Technology Strategist	366
Project Manager	421
System Architect	667
Network Specialist	708
Database Specialist	379
Information Technology Service Manager	224
Information Security Specialist	696



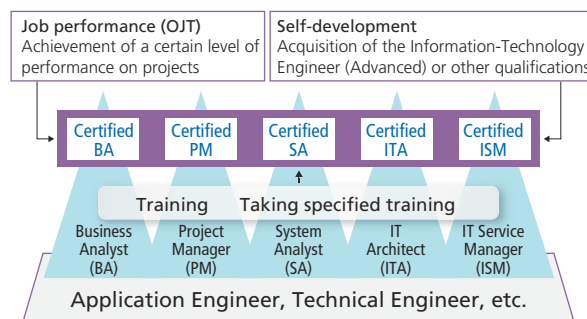
Use of professionals with NRI certifications as model employees

The NRI Group, to promote the development of core human resources for systems-related positions and provide employees with career-development guidelines, has created the NRI certification system to internally recognize human resources with particularly high expertise.

Based on the results of internal reviews, internal certifications are awarded to employees who have achieved a certain level of performance in their work, took specified training, and gained specified external qualifications like the Information-Technology Engineer advanced qualification.

Presently, the certification system has awarded approximately 250 employees designations as Certified Business Analysts, Certified Project Managers, Certified System Analysts, Certified IT Architects, or Certified IT Service Managers. As human resources providing clients with high-value-added advanced services, these people also serve as model employees, providing others with examples to emulate.

NRI certification system overview



Robustly promoting the development of human resources capable of creating new businesses

Successfully implementing mid- to long-term strategies requires that we systematically and continuously develop human resources capable of providing high added value. To robustly pursue human resource development for an NRI Group workforce now exceeding 6,000 at an even higher level than we have to date, we have taken the steps of opening the Human Resources Development Center in April 2010, and increasing the size of our human resource development staff.

In the future, we will need an even greater number of human resources capable of creating new businesses. With that in mind, we intend to increase the corporate value of the NRI Group by having the Human Resources Development Center take the lead in developing the human resources that will lead our future growth.

Special Feature 2

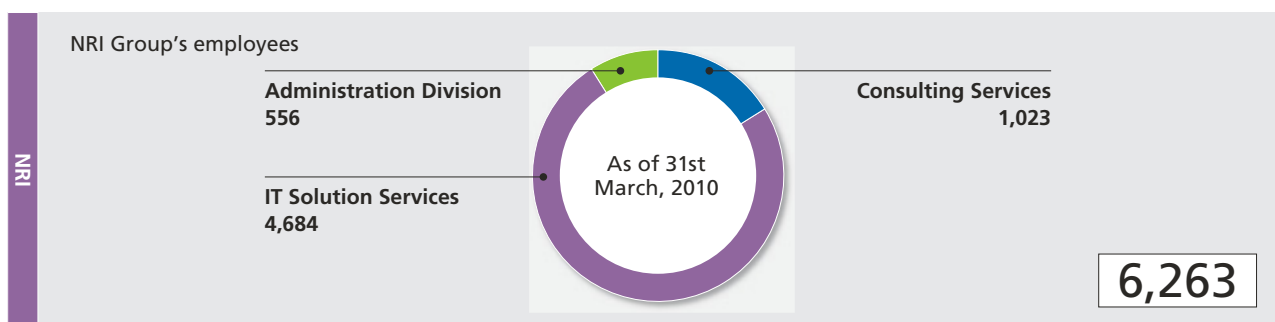
Business Partners Supporting NRI's Competitiveness

—Domestic and international business partners forming a broad human resource network—

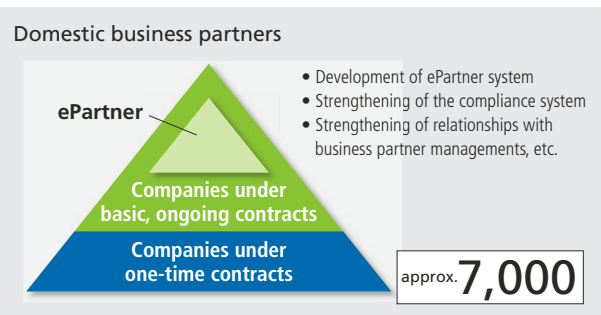
Successful outcomes in system development work result not only from the efforts of NRI employees but also from smooth relationships with business partners. Moreover, with globalization taking hold throughout the world, we are expanding our relationships with business partners in Japan and other countries, mainly China, as well.

The depth of human resources — employees, domestic partners, and offshore partners — available to NRI is one its greatest strengths.

NRI Group's employees, and domestic and Chinese partners (persons)



(Note) Personnel figures are as of 31st March, 2010.



Business partners critical to NRI's business

At NRI, projects are advanced through a sharing of roles and responsibilities with business partners at each phase of system development. As project size increases, so does the need for human resources to work on system development, and so, too, does the need for cooperative arrangements with numerous business partners.

NRI projects often involve the development of client companies' core systems or other such large-scale undertakings, making smooth relationships with business partners absolutely essential. In addition, achieving the high quality and reliability NRI aims for in every aspect of its projects demands outstanding technical capabilities and expertise on the part of business partners. NRI, therefore, work with its business partners to ensure they provide high productivity, excellent quality, and tight information security.

Deep connections with NRI business partners

NRI works to build smooth relationships with business partners and create the system development arrangements and know-how that enable the exercise of each side's expertise.

Over the years, NRI and its business partners have undertaken the sharing of NRI Group management policies, worked together to improve quality, and engaged in numerous other endeavors, all of which have added up to relationships built on trust. We have entered into ePartner contracts with business partners that are particularly strong in operational expertise or information technology and pursue projects in close cooperation with these partners. As of 31st March, 2010, we had seven ePartners in Japan and two in China.

As a measure to improve system development quality, the NRI Group meets with business partners at crucial project turning points to confirm project status and identify

issues and risks. We pursue enhancement operations* for innovation together with ePartners to improve quality and productivity.

We also conduct practical training on project supervision and system development to assist business partners with human resource development.

* This work continuously makes detailed improvements and adds or revises functions through system maintenance and management activities. It also includes the expansion of system functions to address factors like changes in the client's business environment.

NRI business partners expanding abroad

NRI's history of offshore development goes back to the early 1990s, when we started to undertake the training of Chinese IT engineers.

In the second half of the 1990s, we began offshore development in China on a trial basis and began researching and collecting data on matters like offshore development approaches. After several years spent gaining know-how, we launched a full-scale offshore development effort in China in the 2000s. This effort began with a focus on the development of new systems for the securities sector, but soon expanded to the development of systems for the distribution sector, non-securities financial firms, and other clients as well.

Now, the outsourcing scope has expanded to include enhancement operations, which demand expertise in both systems and operations. Considerable education and experience are required before one can acquire skills for manipulating systems without affecting existing operations and optimizing systems that are online, and skills for responding to a client request for assistance and swiftly restoring a system that has experienced a failure.

That offshore development in China has grown to the point where it is capable of handling not only system

development but also enhancement operations is truly a major advance.

NRI's strengths in offshore development

One of the merits of offshore development is low development cost. Even while realizing lower cost, however, we must also provide the high quality, information security, and reliability clients demand.

One of the difficulties of offshore development is communication. Differences in language, culture, perspective, and hurdles like geographic distance, can cause communication problems and result in the need for rework.

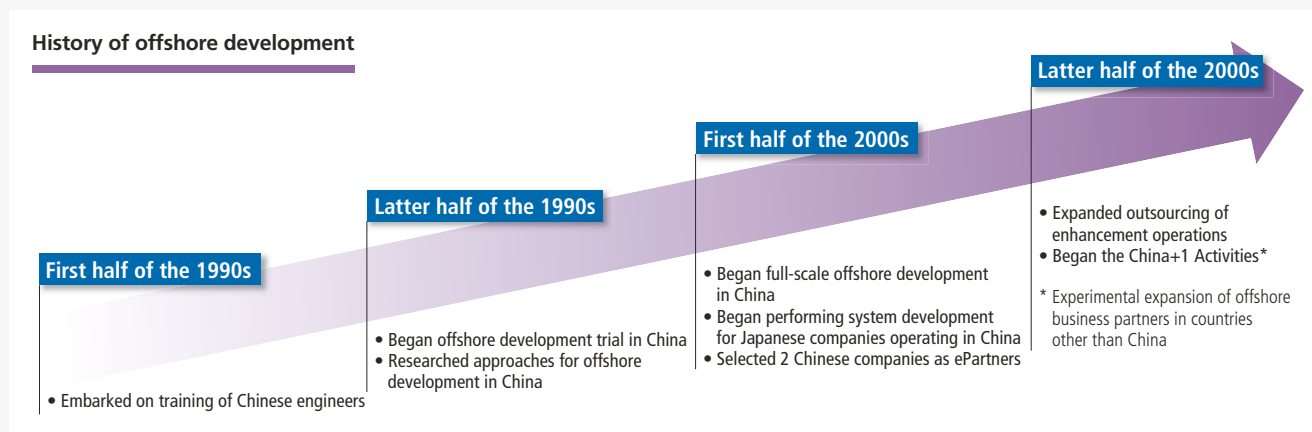
At NRI, we share information with business partners over our own information exchange system to avoid the need for rework and ensure a high standard of information security. Furthermore, both NRI and its business partners clearly specify the points that should be checked when development work is outsourced and when the finished product is returned. In employing strict procedures for handover and acceptance, we are working to reduce the need for rework.

Through the use of various innovations and know-how, and years of trial and error, NRI has become an IT service industry leader in offshore development in China.

Business partners as a source of competitiveness

The close, cooperative relationships we have built with business partners in Japan and abroad, and our know-how in effectively applying external human resources are the results of various initiatives we have taken over many years. The depth of the human resources, including those of business partners, available to NRI is one of the sources of our competitiveness.

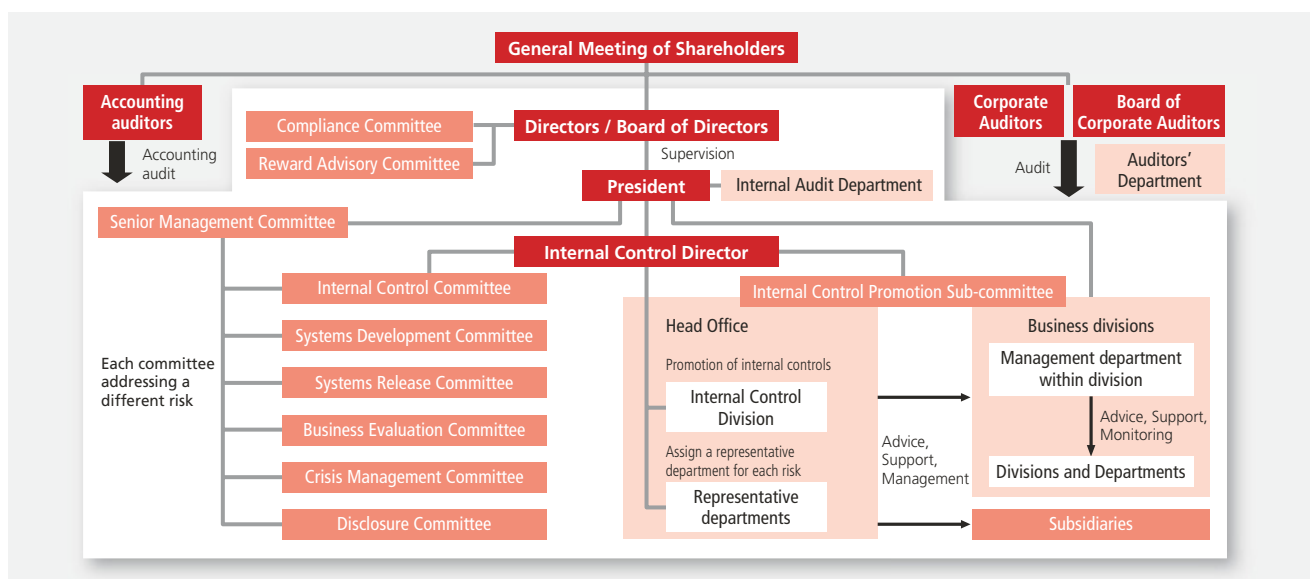
To achieve even greater productivity and quality moving forward, NRI will strengthen its relationships with business partners both at home and abroad.



Corporate Governance (As of 23rd June, 2010)

Basic Policy on Corporate Governance

NRI considers that the key objective of corporate governance is to increase its corporate value by making prompt and accurate decisions for its business execution and implementing fair and efficient management, which is transparent to all its stakeholders. NRI makes effective use of corporate auditors and the Board of Corporate Auditors, while building the system's discussed below to further enhance NRI's corporate governance. We believe that NRI's corporate governance system, underpinned by the organizational arrangements of a company with a Board of Corporate Auditors, is functioning effectively.



Measures Aimed at Ensuring Meaningful General Meetings of Shareholders

To help invigorate General Meetings of Shareholders and facilitate the exercise of voting rights, we take steps like setting meeting dates with the aim of maximizing shareholder attendance and sending meeting notices early on, and have adopted an electronic voting system and a platform that allows institutional investors to exercise voting rights electronically. We also undertake activities to improve communications with shareholders. One example is the holding of management debriefing sessions following General Meetings of Shareholders to explain the status of NRI's business and future initiatives primarily to individual investors.

Business Management and Execution System

NRI has 11 directors, including two outside directors. Directors are elected for a one-year term, creating a management system that can respond quickly to changes in the business environment and clarifying all management responsibilities for each fiscal year. By inviting outside directors, NRI will energize the Board of Directors and realize fairer, more transparent management. In selecting these directors, NRI places particular emphasis on independence and the ability to provide an objective perspective on NRI's business execution. The Board of Directors, in principle, convenes once a month and on an extraordinary basis as needs dictate. Jurisdiction and responsibility for business execution are largely delegated to executive officers, while the Board of Directors is responsible for decisions that become the basis for the Company's business execution and for the supervision of business execution.

NRI has established the Reward Advisory Committee, made up of knowledgeable members from outside the Company, to provide advice on director compensation.

Executive officers appointed through a resolution by the Board of Directors are responsible for the execution of business based on policies adopted by the Board. Two representative directors hold a Senior Management Committee with executive

officers once a week and deliberate on the key issues for general business Senior Management Committee to coordinate the Company's business activities and build consensus in executing business operations.

Corporate Auditor System

Currently, NRI has five corporate auditors, including three outside corporate auditors*. In addition to participating on the Board of Directors and on other important committees, corporate auditors may request reports from employees and executives to provide impartial supervision of business execution by the directors. The outside auditors are selected for their ability to formulate fair opinions and to audit the directors' business execution objectively in order to maintain impartiality and independence of the corporate auditing system. The Board of Corporate Auditors discusses and decides auditing policies and other important matters related to auditing and formulates and expresses audit opinions. In carrying out audits, corporate auditors coordinate with the accounting auditors and the Internal Audit Department over such matters as receiving reports on the audit plans and current status of audits from the accounting auditors as well as the results of internal audits from the Internal Audit Department. In addition, the corporate auditors appropriately receive internal control status reports providing information like monitoring results on compliance with various regulations from the Internal Control Division, which is responsible for promoting internal controls. To ensure that audits are effectively conducted by the corporate auditors, the Auditors' Department has been established to support the work of the corporate auditors. To determine the personnel for this department, the representative directors or directors responsible for personnel consult with the auditors, while maintaining the independence of the department.

*Among the corporate auditors, Hiroshi Izumitani has business experience in the accounting department at Murata Manufacturing Co., Ltd. and experience as the executive in charge of accounting at that company, and Sosuke Yasuda holds professional qualifications as both a Certified Public Accountant and a tax accountant. Both of these individuals have significant expertise in finance and accounting.

Executive Compensation

[Executive Compensation Amounts]

Executive compensation for fiscal 2009 is as shown below.

Category	Total compensation (millions of yen)	Compensation by type (Millions of yen)			No. of eligible individuals
		Basic compensation	Bonus	Stock options	
Directors (Excluding outside directors)	651	351	147	152	12
Corporate auditors (Excluding outside corporate auditors)	82	66	15	—	2
Outside directors and outside corporate auditors	83	75	7	—	5

(Notes) 1. The fair market value of stock options granted to directors is expensed proportionately over the period beginning with the time granted and ending at the beginning of the period during which they may be exercised. The amount (including stock options granted prior to fiscal 2009) shown in the table above is based on that expense recognition approach.

2. "No. of eligible individuals" in the table above is the number of eligible individuals for fiscal 2009, and not the number of individuals currently in office.

[Policies for the Determination of Director Compensation and Other Matters]

The Reward Advisory Committee, which is comprised of three knowledgeable outside individuals, was established to enhance transparency regarding director compensation and other such matters. The committee deliberates matters regarding compensation systems and standards from an objective and fair perspective. Using the results of the committee's inquiries, the Board of Directors sets policies for the determination of director compensation and other matters.

The director compensation system is based on executive position, but, in the interest of enhancing business results, the system emphasizes connections to business performance. The standards employed by the system have been set with reference to market standards and trends and other factors, with the goal of establishing standards appropriate for a leading company in the information services industry.

The compensation system for directors is outlined below:

a. Basic Compensation

Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each director's post, and variable pay, which is based on the Company's business performance in the previous fiscal year.

b. Bonus

The bonus is based on the Company's business performance during the current fiscal year, while taking into consideration individual evaluations.

c. Stock-based Compensation (Stock options)

The NRI Group, to provide incentives for improving its performance and enhancing morale over the medium- to long-term, and to align employee interests with those of shareholders, grants stock options as stock-based compensation. Two types of stock options — one with an exercise price set at market price and another with an exercise price of ¥1 per share — are granted in accordance with executive position.

Outside directors do not receive the variable pay portion of the basic compensation, bonus shares, or stock-based compensation.

[Policies for the Determination of Corporate Auditor Compensation and Other Matters]

Policies for the determination of corporate auditor compensation and other matters are set by through discussions among the corporate auditors. The role of the corporate auditors is to audit the directors in the performance of their duties and to do so from an independent standpoint. However, given that the standing corporate auditors share with the directors the objective of realizing sound, sustainable growth for the NRI Group, their compensation, in addition to a fixed amount, includes a variable portion that changes in accordance with the Company's business performance.

Levels of compensation have been set based on the need to secure human resources capable of playing important roles in the establishment and operation of effective corporate governance.

The compensation system for corporate auditors is outlined below:

a. Basic Compensation

Basic compensation consists of fixed pay (basic pay and position pay) based on each auditor's career, knowledge, responsibilities, and variable pay (for standing corporate auditors only) based on the Company's business performance level in the previous fiscal year.

b. Bonus

The bonus is only paid to standing corporate auditors, and it is based on the Company's business performance during the current fiscal year.

Equity Holdings

1. The number of issues and total carrying amount of the equity securities held not for pure investment purposes
54 issues ¥39,086 million
2. The issues, numbers of shares held, carrying amount, and purposes for holding equity securities (excluding unlisted shares) held not for pure investment purpose

Issues	Numbers of shares held (shares)	Carrying amount (millions of yen)	Purpose for holding equity securities
JAFCO Co., Ltd.	4,198,000	10,306	These shares are being held in a cross-shareholding arrangement to maintain and strengthen the close relationship with this client, which began with the client's establishment.
Seven & i Holdings Co., Ltd.	3,002,174	6,781	These shares are being held to maintain and strengthen the friendly relationship with this client company group.
Seven Bank, Ltd.	10,000	1,880	These shares are being held to maintain and strengthen the friendly relationship with this client company.
Takagi Securities Co., Ltd.	6,248,941	1,093	These shares are being held to maintain and strengthen the friendly relationship with this client company.
SinoCom Software Group Limited	72,356,100	1,032	These shares are being held to maintain and strengthen the friendly relationship with this outsourcing service company group.
Daiko Clearing Services Corporation	2,535,000	1,014	These shares are being held to maintain and strengthen the relationship with this tie-up partner.
Benesse Holdings, Inc.	183,600	738	These shares are being held to maintain and strengthen the friendly relationship with this client company group.
Ichiyoshi Securities Co., Ltd.	879,968	562	These shares are being held to maintain and strengthen the friendly relationship with this client company.
Kyokuto Securities Co., Ltd.	500,000	440	These shares are being held to maintain and strengthen the friendly relationship with this client company.
Aizawa Securities Co., Ltd.	1,000,000	211	These shares are being held to maintain and strengthen the friendly relationship with this client company.

3. Equity securities held for pure investment purposes
None.

Internal Controls and Compliance

In order to develop an effective internal control system for the entire NRI Group and to provide continuous improvements to the system, we have appointed an Internal Control Director and established an Internal Control Division. In addition, we hold Internal Control Committee to check internal control status. We have thus firmly established the internal control system throughout the Group, using the Internal Control Promotion Sub-committee along with each business division. Each of the risks associated with the Company's business activities are discussed and addressed by a committee with the necessary expertise as occasion arises and are controlled by the representative department in collaboration with business division in an appropriate manner.

In addition, in order to ensure the effectiveness of the Company's ethics and compliance systems, NRI has appointed a Chief Ethics Officer and Compliance Officer, established the Compliance Committee, which functions directly under the Board of Directors, and set regulations on "the principles of corporate activities", a code of ethics, basic business practices and compliance. The Company continuously carries out training and educational activities on risk management and compliance to enhance the system and improve efficiency. Basic Policy establishes the scope of these activities and states that the NRI Group will maintain absolutely no relationship with any antisocial forces including any business activities. Representative departments are in charge of gathering information on this issues and ensuring that management does not engage in transactions with such organizations.

The Internal Audit Department (15 employees), which functions directly under the President, audits NRI Group to ensure the effectiveness of risk management and compliance systems and to maintain the efficiency of the business execution of directors. The results of such audits are reported to the President, and when corrections or improvements are required, the Internal Control Department, representative departments and business division, collaborate to introduce improvements.

Promoting Information Disclosure

In order to improve management transparency and achieve accountability to shareholders, investors and other stakeholders, NRI is striving to enhance the level of information disclosure and IR functions, as well as ensuring the timely disclosure of information. To enhance the reliability of disclosure materials, we have formed the Disclosure Committee to assist in the preparation process of financial statements and financial reports and confirm their fairness. Moreover, targeting individual investors, we hold several company presentation meetings as well as expanding the NRI website by adding pages targeting individual investors (<http://www.nri.co.jp/ir/english/index.html>).

Interviews with Outside Directors



Nobuya Minami

Outside director
(Since 2006)
Adviser of the Tokyo Electric
Power Company, Incorporated

What Is Your Opinion of NRI's Corporate Governance?

I do not think that there are many companies that can parallel NRI's record for orderly information sharing, full comprehension of business content by top management and animated discussion, including by the Board of Directors. The policy of only consigning work deemed to contribute to clients also shows that NRI's governance is well controlled.

Issues for NRI to Address

NRI has numerous financial-sector clients amid the ongoing global financial crisis and, as a management consultant and think tank, must actively provide recommendations regarding the sound development of financial markets. Based on my deep sense that reliability is what clients value most at this time, I expect NRI will do two things: 1) Further refine capabilities and reliability long-cultivated through its track record in system development and; 2) Actively apply these strengths for the benefit of a broad range of non-financial businesses.

What Is Your Message to NRI's Shareholders?

Being highly regarded by clients and society is how NRI generates profits. The Company is unfaltering in its management as this sort of an enterprise. At the same time, it is setting high targets and promoting a management style that never fails to link these objectives to subsequent vision and growth. In putting these concepts into practice, processes (which are to say the contents of management) are of vital importance as well as results. From an external point of view, I check these processes and offer advice, striving to build a company in which shareholders will want to commit to long term holdings.



Takashi Sawada

Outside director
(Since 2008)
Representative Director of
Revamp Corporation

What Is Your Opinion of NRI's Corporate Governance?

My impression is that NRI has a well-balanced management process in which top management sets an appropriate direction, the individual business divisions develop specific plans based on this direction, and operations are implemented. I also believe there is good two-way communication between top management and front-line employees and that NRI is a company fully exercising its organizational capabilities.

Issues for NRI to Address

From my position as someone involved in supporting business restructurings and in the management of a venture company, I do my best to provide advice from a perspective different from that of NRI insiders. As a result of the economic recession following the Lehman shock, NRI's business environment has changed significantly and it is critical that business plans be thoroughly vetted with that in mind. For my part, I will continue to pay close attention to ensure that proper steps are taken with regard to matters like tightening project supervision and thoroughly controlling costs.

What Is Your Message to NRI's Shareholders?

I consider NRI and its employees truly sincere and conscientious. Conscientiousness is very important in corporate activities, but it is by no means an attribute of all companies. It is no overstatement to say that conscientiousness epitomizes the spirit of NRI, to the extent that, in this corporate climate, it is virtually taken for granted. However, this is an important foundation of the Company.

I believe that with its excellent human resources and stable business infrastructure, NRI has the capacity to rise to the challenges of creating new values for society based on this foundation. NRI should not become complacent with its current situation, but strive to create even higher values in response to the world in its state of radical change. I intend to cooperate in the realization of these goals. Under the President Shimamoto's management system, I too would like to do even more to make this a reality.

Directors, Corporate Auditors and Executive Officers

(As of 23rd June, 2010)

Directors



Akihisa Fujinuma
Chairman, Director



Takashi Narusawa
Vice Chairman, Director



Hisashi Imai
Vice Chairman, Director



Tadashi Shimamoto
President,
Representative Director,
CEO & COO
in charge of Supervising of Business Divisions



Masahiro Muroi
Representative Director,
Corporate Executive Vice President
in charge of Supervising of Corporate Administration
and Internal Control



Keiichi Ishibashi
Director,
Corporate Executive Vice President
in charge of Financial Systems
Division Manager of Securities IT Services Division



Mitsuru Sawada
Director,
Corporate Executive Vice President
in charge of Industrial Systems and
Asia Region Systems



Shigeru Hirota
Director,
Corporate Executive Vice President
in charge of Compliance, Accounting, Finance,
and Internal Control



Shiro Tanikawa
Director,
Corporate Senior Vice President
in charge of Consulting
Division Manager of Systems Consulting Division



Nobuya Minami (Note 1)
Director
(Advisor of The Tokyo Electric
Power Company, Incorporated)



Takashi Sawada (Note 1)
Director
(Representative Director of
Revamp Corporation)

Corporate Auditors



Takayoshi Kurinomaru
Corporate Auditor (full-time)



Takaharu Yamagata
Corporate Auditor (full-time)



Masato Tanaka (Note 2)
Corporate Auditor (full-time)



Hiroshi Izumitani (Note 2)
Corporate Auditor



Sosuke Yasuda (Note 2)
Corporate Auditor
(Senior Advisor of GYOSEI & CO.,
Managing Partner of
GYOSEI Certified Public Tax &
Accountants' Co.)

Notes:

1. Nobuya Minami and Takashi Sawada are Outside Directors. The Company specifies them as Independent Directors pursuant to the Securities Listing Regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.
2. Masato Tanaka, Hiroshi Izumitani and Sosuke Yasuda are Outside Corporate Auditors. The Company specifies Hiroshi Izumitani and Sosuke Yasuda as Independent Corporate Auditors pursuant to the Securities Listing Regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.

Executive Officers (excluding those also serving as directors)

Corporate Executive Vice President

Mamoru Suenaga

Corporate Senior Vice Presidents

Koji Yamada
Sawaaki Yamada
Akihiko Nakamura
Yoshihito Mitsugi
Yoshiyuki Kurihara
Shin Kusunoki
Hiroshi Itano
Akira Horibe
Harumi Saitou
Shingo Konomoto

Corporate Vice Presidents

Tetsuo Shibauchi
Hideaki Nakano
Shigeki Higashiyama
Masahide Nakamura
Koji Sato
Yoshihiko Murowaki
Tatsuya Watahiki
Masaki Takimoto
Hajime Ueda
Yutaka Harada

Ayumu Ueno
Hiroshi Funakura
Takuji Nakamura
Masahiro Fuchida
Tomoyasu Miura
Yoshio Usumi
Yoshio Murata
Takuhito Sakata
Fumihiko Sagano

CSR

NRI's CSR Policy

The first objective of NRI's CSR is to fulfill the Company's responsibilities to society through its business activities.

At the same time, we are ever mindful of avoiding errors and impropriety in the execution of business in our efforts to build relationships of trust with society.

Above all, we aim to contribute to society through the cumulative effect of daily activities. Through social contributions that reach to the hearts of people, we form strong bonds with our stakeholders.



“NRI’s Unique Contribution to Society” **Development of Society** Helping to create the framework for a better society

Through its membership in economic and industry groups, participation on committees organized by the national and local governments and independent administrative agencies, and the recommendations and other contributions it makes in these activities, NRI is putting forth proposals for realizing a new social framework.

Sponsorship of the “IT and New Society Design Forum 2010”

Together with NTT DATA CORPORATION, NRI sponsored the “IT and New Society Design Forum 2010” in February 2010.

Japanese society and industry are commonly said to be at a turning point in which they face significant changes in global society and the business environment. NRI and NTT DATA sponsored this forum based on their common desire to apply IT in finding answers to the issues at hand and invigorate the IT services industry.

At the forum, NRI discussed how the infrastructure crisis — the aging of gas and water lines, public facilities, and other social infrastructure built during the period of high

economic growth — should be addressed and what will be required to successfully rebuild infrastructure that can be flexibly adapted to future growth, and do so with limited financial resources. We also put forth recommendations on the role the IT services industry should play in developing solutions.

NTT DATA proposed a new vision of IT human resources for realizing the potential of IT and an image of what the IT services industry should aspire to.

Moving forward, NRI intends to continue exploring possibilities for how the IT services industry should evolve and keep contributing as a company whose business activities support social infrastructure.

“NRI’s Unique Contribution to Society” **Information Transmission** Providing society with information that helps to shape the future

NRI uses books, magazine articles, reports, Internet, and various other channels to transmit recommendations, and results of surveys and research addressing, society, industry, management, IT, and other topics, all of which help shape the future.

5th “Questionnaire Survey of 10,000 Consumers” Conducted

Since 1997, NRI has been conducting the “Questionnaire Survey of 10,000 Consumers” every third year to analyze the values and consumption behavior of ordinary people.

Through this survey, NRI has gathered consumer information on value and lifestyle changes accompanying societal developments like the falling birthrate and aging of the population, internationalization, and economic uncertainty,

and on consumption behavior changes resulting from the growing application of IT. From the results of the fifth survey conducted in 2009 it emerged that more and more consumers who value information are becoming increasingly discriminating in their consumption behavior.

Survey results are being used as basic data for the consideration of matters like policies reflecting trends among ordinary people and company marketing strategies. Going forward, NRI will continue to transmit the results of surveys and research on changes in society.

Trends revealed by the “Questionnaire Survey of 10,000 Consumers”

1st Survey (1997)

Ongoing individualization (trend toward emphasis on the individual) and stratification (economic stratification, awareness diversification, etc.). Growing number of people focusing on local community life.

2nd Survey (2000)

Consumption behavior characterized by awareness of others, as birds are aware of others in their flock, and growing price sensitivity. Rising purchases of IT-related products due to the rapid spread of IT. Change in the convenience-store-centered buying channel.

3rd Survey (2003)

The emergence of four consumption types: 1) Convenience-oriented consumption; 2) Premium consumption; 3) Price-oriented consumption; and 4) Thorough search consumption. Firm establishment of Internet-based sales. Growing patronage of large home appliance retailers and shopping centers.

4th Survey (2006)

Widespread adoption of broadband leading to “always-on” Internet connections, and an expansion of user-generated information via blogs and social networking services (Mixi, etc.). Increase in deliberative populace due to a shift in the control of information.

5th Survey (2009)

Growing trend toward discriminating consumption using resources like word-of-mouth information sites on the Internet. Emphasis on quality, environmental consciousness, safety, and other forms of added value. Increase in the number of consumers using electronic money or points as selection criteria.

“NRI’s Unique Contribution to Society” **Human Resource Development** Supporting the development of the young people and managers who will lead the next generation

In contributing to the development of human resources to lead the next generation in Japan as well as abroad, NRI undertakes activities like offering courses for company managers at the Nomura School of Advanced Management, receiving student visitors and dispatching instructors to universities, and sponsoring essay contests.

Introduction of the “NRI Consultant-for-a-Day Program”

In fiscal 2009, NRI began its “NRI Consultant-for-a-Day Program” for high school students.

Through this program, NRI provides a place where students can learn about topics ranging from problem identification to solution recommendation and participate in groups to practice logical thinking, team thinking, and giving clear presentations, all under the guidance of NRI management consultants.

The second iteration of this program saw participation by 75 students from three different high schools. Reflecting on the program, students said that they learned things like the difficulty of communicating ideas and the importance of examining solution possibilities in a group atmosphere and consider their participation to have been valuable for aspects like the presentation of discussion results.



Group work

Presenting discussion results

4th NRI Student Essay Contest

Since 2006, NRI has been sponsoring the NRI Student Essay Contest to provide the university and high school students who will lead the next generation with an opportunity to think about the future of Japan.

For the fourth annual contest, held in 2009, university students (including foreign students) were invited to submit essays on the topic of “Japan-originated businesses applying IT.” High school students were asked to write on the topic

of “areas in which Japan could lead the world.” Of the 330 essays submitted, 267 were by high school students, far more than the 62 submitted by high school students in 2008.

This contest is operated by a group of NRI Group volunteers who solicit essay submissions and perform the initial round of judging every year. Volunteers solicit essay submissions by contacting and visiting their alma maters, and inviting students at universities where some of the volunteers teach to participate.

Final judging for the latest contest was performed with the help of the journalist, Akira Ikegami, and the non-fiction writer, Hazuki Saisho. Eleven essays were selected for recognition.

Prior to the awards ceremony, the winners in the university student essay category presented their works and engaged in discussions with NRI Group employees.



2009 contest winners



Book comprised of student essays

Establishment of a Scholarship System at Beijing’s Tsinghua University

In September 2009, NRI established a scholarship fund at Tsinghua University in Beijing to promote the development of human resources who will support the growth of IT in China.

The “Tsinghua — Nomura Research Institute Dream Up the Future Scholarships” will be awarded in amounts totaling approximately ¥12 million over five years to students in the university’s School of Information Science and Technology.

NRI aims to contribute to the development of human resources not only in Japan but in China and other parts of Asia as well.

Financial Section

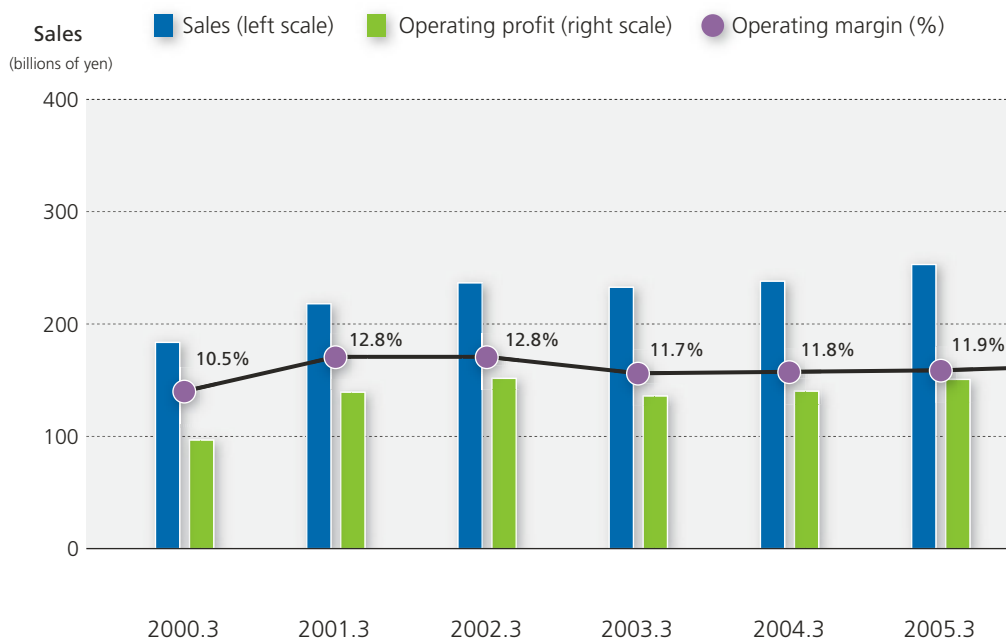
野村総合研究所 Nomura Research Institute

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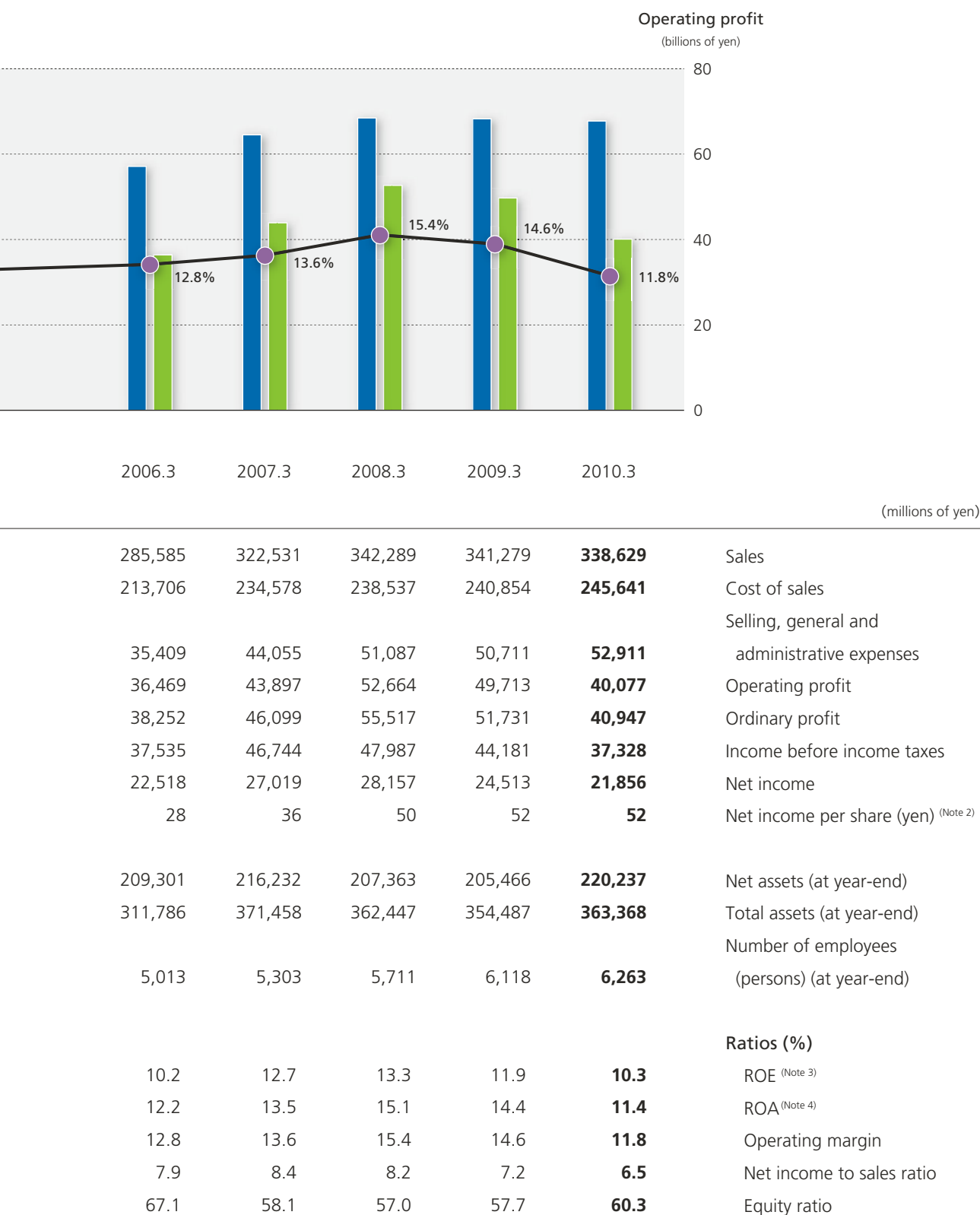
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Consolidated 11-year Financial Summary



Sales	183,616	217,984	236,569	232,743	238,067	252,963
Cost of sales	138,395	160,643	173,636	173,545	178,096	190,732
Selling, general and administrative expenses	25,906	29,497	32,568	32,034	31,948	32,071
Operating profit	19,315	27,842	30,364	27,164	28,022	30,159
Ordinary profit	20,781	31,550	32,953	27,627	29,293	30,987
Income before income taxes	9,590	43,629	39,009	27,177	32,927	27,361
Net income	5,130	25,381	22,363	15,459	18,269	16,303
Net income per share (yen) ^(Note 2)	1	1	4	4	8	20
Net assets (at year-end)	91,837	165,171	195,564	185,350	229,331	231,766
Total assets (at year-end)	168,274	289,104	299,892	256,798	326,799	317,341
Number of employees (persons) (at year-end)	3,600	3,847	4,313	4,619	4,791	4,848
Ratios (%)						
ROE ^(Note 3)	5.9	19.8	12.4	8.1	8.8	7.1
ROA ^(Note 4)	13.0	13.8	11.2	9.9	10.0	9.6
Operating margin	10.5	12.8	12.8	11.7	11.8	11.9
Net income to sales ratio	2.8	11.6	9.5	6.6	7.7	6.4
Equity ratio	54.6	57.1	65.2	72.2	70.2	73.0

Notes: 1. Amounts of less than million yen were rounded down.
 2. Net income per share has been retroactively restated for the prior fiscal years.
 3. ROE = (Net income / Average net assets) x 100
 4. ROA = (Ordinary profit / Average total assets) x 100



Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

In the fiscal year ended 31st March, 2010, corporate revenues and capital investment in the Japanese economy weakened because of the global economic recession. Although the economy began to gradually recover in the latter half of the current fiscal year, the autonomy of this recovery was weak and the situation continued to be difficult to predict. In this environment, companies remained very cautious about investing in information systems, and as a result, the business environment surrounding the information services industry continued to be difficult.

Operating in such an environment, the NRI Group carried out its business activities with the combined strength of the group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. With regard to sector trends, in addition to focusing its energy on projects for the insurance and banking sectors, the NRI Group also worked on new projects for the service and manufacturing sectors in hopes of strengthening the business platform, but experienced a decrease in projects for the securities sector. In the area of cost, in addition to reducing subcontracting costs, there were ongoing initiatives to improve quality and productivity and strengthening human resource development through corporate education and training programs.

As a result of these activities, sales by the NRI Group for the current fiscal year were ¥338,629 million (down 0.8% year on year), thereby maintaining a level on par with the previous fiscal year. With respect to cost of sales, which was ¥245,641 million (up 2.0%), although subcontracting costs were lower, the NRI Group's depreciation and amortization expenses increased as a result of software investment for the provision of large-scale outsourcing services and it also recorded an increase in costs accompanying office expansion in readiness for future business expansion. Incurring selling, general and administrative expenses of ¥52,911 million (up 4.3%) due to the implementation of measures aimed at mid- to long-term growth and for other reasons, the NRI Group posted operating profit of ¥40,077 million (down 19.4%), ordinary profit of ¥40,947 million (down 20.8%) and net income of ¥21,856 million (down 10.8%).

Business Results by Segment

Consulting Services

Due to a considerably reduced number of projects impacted by the weak economy, the consulting services segment posted sales (sales to external customers) of ¥28,883 million (down 12.1% year on year) and operating loss of ¥65 million (compared with operating profit of ¥4,126 million in the previous fiscal year).

IT Solution Services

The sales trends for each type of IT solution services are as follows. In System Development & Application Sales, sales were ¥126,821 million (down 12.1% year on year) with sales to the insurance and banking sectors increasing but sales to the securities sector decreasing. In System Management & Operation Services, sales were ¥167,010 million (up 12.1%) thanks mainly to the provision of large-scale outsourcing services aimed at major customers in the securities sector and the acquisition of new customers in shared-online services for the securities sector. In System Application Sales, sales were ¥15,914 million (up 4.9%).

In the area of cost, despite a decrease in subcontracting costs, depreciation and amortization expenses increased as a consequence of software investment.

As a result, sales by IT solution services (sales to external customers) were ¥309,746 million (up 0.4%) and operating profit was ¥40,143 million (down 11.9%).

Results of Operations—Fiscal 2009 Compared with Fiscal 2008

The following table compares the business results of fiscal 2009 to those from the previous year.

Summary of consolidated statements of income

Items	Year ended 31st March, 2009	Year ended 31st March, 2010	Changes from previous year	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Rate of Change (%)
Sales	341,279	338,629	(2,649)	(0.8)
Cost of sales	240,854	245,641	4,787	2.0
Gross profit	100,425	92,988	(7,436)	(7.4)
(Gross margin)	29.4%	27.5%	(2.0) points	—
Selling, general and administrative expenses	50,711	52,911	2,199	4.3
Operating profit	49,713	40,077	(9,636)	(19.4)
(Operating margin)	14.6%	11.8%	(2.7) points	—
Non-operating income	2,302	1,569	(733)	(31.8)
Non-operating expenses	284	699	414	145.6
Ordinary profit	51,731	40,947	(10,784)	(20.8)
Extraordinary income	625	195	(430)	(68.8)
Extraordinary loss	8,175	3,814	(4,361)	(53.3)
Income before income taxes	44,181	37,328	(6,853)	(15.5)
Provision for income taxes	19,668	15,476	(4,192)	(21.3)
Minority interests in loss	—	(4)	(4)	—
Net income	24,513	21,856	(2,657)	(10.8)

<1> Sales

As mentioned in “Business Results by Segment” (page 48), sales from consulting services were ¥28,883 million and sales from IT solution services were ¥309,746 million. As a result, sales slipped 0.8%, to ¥338,629 million.

<2> Cost of sales, selling, general and administrative expenses, and operating profit

Cost of sales increased to ¥245,641 million (up 2.0% year on year), with the cost-of-sales ratio rising to 72.5%, from 70.6% for the previous fiscal year. Though external subcontracting costs declined, higher depreciation related to major software investments, incurred to expand the scope of consignment outsourcing services, and cost increases related to new development projects and office expansion in preparation for future business growth caused cost of sales to increase.

Selling, general and administrative expenses rose to ¥52,911 million (up 4.3%). Behind this increase were higher labor costs resulting from staffing increases, depreciation on assets related to activities for improving quality and productivity, and equipment and fixture expenses incurred as a result of office relocation.

Given the higher costs discussed above, operating profit came to ¥40,077 million (down 19.4%), with an operating margin of 11.8%, down from 14.6% for the previous fiscal year.

<3> Non-operating income/expenses and ordinary profit

The NRI Group reported non-operating income of ¥1,569 million (down 31.8% year on year), and non-operating expenses of

¥699 million (up 145.6%). This resulted in total non-operating profit of ¥870 million (down 56.9%). Interest income declined on factors like a lower balance of funds invested, and the Group recorded equity in losses of affiliates due to a downturn in the results of affiliated companies accounted for by the equity method.

Ordinary profit, therefore, came to ¥40,947 million (down 20.8%).

<4> Extraordinary income/loss, provision for income taxes, and net income

The sale of shares in the Mitsubishi UFJ Financial Group, Inc. and other factors resulted in extraordinary income of ¥195 million (down 68.8% year on year), while office relocation expenses related to the opening of Yokohama Minato Center and impairment loss on equity holdings contributed to an extraordinary loss of ¥3,814 million (down 53.3%). Altogether, extraordinary loss totaled ¥3,618 million (compared to extraordinary loss of ¥7,549 million for the previous fiscal year).

With the application of tax-effect accounting, the provision for income taxes came to ¥15,476 million (down 21.3%) and the effective tax rate was 41.5%. Minority interests in loss totaling ¥4 million (no comparative figure for the previous fiscal year) were also recorded.

Net income for the year came to ¥21,856 million (down 10.8%).

Reference: Results of Operations—Fiscal 2008 Compared with Fiscal 2007

The following table compares the business results of fiscal 2008 to those from the previous year.

Summary of consolidated statements of income

Items	Year ended 31st March, 2008	Year ended 31st March, 2009	Changes from previous year	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Rate of Change (%)
Sales	342,289	341,279	(1,009)	(0.3)
Cost of sales	238,537	240,854	2,317	1.0
Gross profit	103,751	100,425	(3,326)	(3.2)
(Gross margin)	30.3%	29.4%	(0.9) point	—
Selling, general and administrative expenses	51,087	50,711	(375)	(0.7)
Operating profit	52,664	49,713	(2,951)	(5.6)
(Operating margin)	15.4%	14.6%	(0.8) point	—
Non-operating income	3,031	2,302	(728)	(24.0)
Non-operating expenses	178	284	106	60.1
Ordinary profit	55,517	51,731	(3,786)	(6.8)
Extraordinary income	2,655	625	(2,029)	(76.4)
Extraordinary loss	10,185	8,175	(2,010)	(19.7)
Income before income taxes	47,987	44,181	(3,806)	(7.9)
Provision for income taxes	19,829	19,668	(161)	(0.8)
Net income	28,157	24,513	(3,644)	(12.9)

<1> Sales

Sales totaled ¥341,279 million (down 0.3% year on year). The Consulting Services segment had to contend with a lower number of management consulting projects due to the sudden downturn in economic conditions, but an increase in system consulting projects, primarily for financial sector clients, pushed sales up to ¥32,866 million (up 8.4%).

By service type, System Development & System Application Sales totaled ¥144,249 million (down 3.9%) as higher sales to the insurance sector were outweighed by lower sales to the securities sector. System Management & Operation Services sales came to ¥148,985 million (up 5.8%) on the impact of new clients acquired in the latter half of the previous fiscal year, an increase in the provision of shared-online services to the financial sector, and solid results for the provision of system management and operation services to the distribution sector. Product sales reached only ¥15,178 million (down 27.4%) due to a decline in equipment purchases related to system development.

As a result, Overall IT Solution Services sales ended the year at ¥308,413 million (down 1.1%).

<2> Cost of sales, selling, general and administrative expenses, and operating profit

Cost of sales totaled ¥240,854 million, up 1.0% from the previous fiscal year, with the cost-to-sales ratio growing from 69.7% in the preceding fiscal year, to 70.6%. This was primarily due to reduction in equipment purchases on the back of lower product sales, despite growth in depreciation and amortization in step

with data center related investment, mainly during the second half of the previous fiscal year; higher subcontracting costs accompanying launches of new shared-online services; and software amortization. Selling, general and administrative expenses amounted to ¥50,711 million, down 0.7%, attributable to increased labor costs to cover a larger workforce and higher subcontracting costs for clerical work and equipment and fixture costs arising from promotion of overhead expense reductions. As a result, operating profit decreased 5.6%, to ¥49,713 million, and the operating margin fell from 15.4% to 14.6%.

<3> Non-operating income/expenses and ordinary profit

Non-operating income totaled ¥2,302 million, down 24.0% from the previous fiscal year, and non-operating expenses reached ¥284 million, a jump of 60.1%. This resulted in total non-operating profit of ¥2,017 million, 29.3% lower than during the previous fiscal year. The main factors behind this decline were decreases in interest income, due to a falloff in operating funds, and dividend income, owing to reduction of dividends and disposal of capital holdings. In addition, income from operation and maintenance of equity investment partnerships diminished because of the deteriorating operating environment for equity investments for venture capital investment limited partnerships. These resulted in a 6.8% drop in ordinary profit, to ¥51,731 million.

<4> Extraordinary income/loss, provision for income taxes, and net income

Extraordinary income of ¥625 million, down 76.4% from the previous fiscal year, resulted mainly from the sale of shares in the Mitsubishi UFJ Financial Group, Inc. Impairment loss on shares and software resulted extraordinary loss of ¥8,175 million, down 19.7%. Overall, the extraordinary loss was ¥7,549 million, 0.3% more than during the previous year. The provision

for income taxes fell 0.8% to ¥19,668 million, with an effective tax rate of 44.5% after the application of tax-effect accounting. The effective tax rate exceeded the statutory tax rate as a result of an unrecognized stock appraisal loss recorded as a temporary difference because of uncertainty over future dissolutions.

Accordingly, net income decreased 12.9%, to ¥24,513 million during the year.

Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year

<1> Policy for distribution of profits

NRI considers the ongoing growth of its corporate value to be the most important return to its shareholders. Its basic policy for distribution of profits is to provide accurate and stable dividends while paying full consideration to the need for sufficient retained earnings for its long-term business development. The Company's actual decisions regarding standards are based on the operating revenue and cash flow situation, but it aims for a consolidated dividend payout ratio of 30%.

Retained earnings will be utilized as a source for business expansion, including investing in facilities for enhancing shared-online services; expanding system management and operations services; cultivating new businesses and improving the productivity of system development; and investing in facilities, R&D, and human resources development for the purpose of quality improvement. Retained earnings may also be utilized to purchase treasury stock, as part of its flexible capital management

aimed at improving capital efficiency and responding to the changes in the business environment.

As stipulated in Article 459 of the Companies Act, NRI stipulates in its Articles of Incorporation that it may pay dividends from retained earnings by a resolution of the Board of Directors with record dates of 30th September and 31st March.

<2> Payment of dividends from retained earnings

NRI decided to pay cash dividends of ¥26 per share to shareholders on the record date of the end of fiscal 2009 (31st March, 2010). Combined with interim cash dividends paid in November 2009 (the record date of interim dividends was 30th September, 2009), the annual dividend payment will be ¥52 per share, for a consolidated dividend payout ratio of 46.3%.

The payments of dividends from retained earnings with record dates falling in the current fiscal year are listed below.

Date of Board resolution	Total cash dividends	Cash dividends per share	Record date
23rd October, 2009	5,059 million yen	26 yen	30th September, 2009
14th May, 2010	5,060 million yen	26 yen	31st March, 2010

Analysis of Financial Position at the End of Fiscal 2009

Summary of consolidated balance sheets

Items	31st March, 2009 (millions of yen)	31st March, 2010 (millions of yen)	Changes from previous year (millions of yen)
Assets			
Current assets	122,572	137,744	15,172
Cash and bank deposit	20,307	15,055	(5,252)
Accounts receivable	56,408	52,874	(3,533)
Accrued income from system developments	21,245	15,158	(6,087)
Short-term investment securities (Cash equivalents)	13,999	44,719	30,720
Other current assets	10,610	9,935	(674)
Fixed assets	231,915	225,623	(6,291)
Tangible fixed assets	58,274	58,965	690
Intangible fixed assets	74,886	68,319	(6,567)
Investment and other assets	98,754	98,339	(414)
Investment securities and investments in affiliates	57,667	55,303	(2,364)
(Securities)	37,212	40,781	3,569
(Others)	20,455	14,522	(5,933)
Long-term guarantee deposits and long-term loans receivable	18,447	20,029	1,582
Other	22,639	23,007	367
Total assets	354,487	363,368	8,880

Items	31st March, 2009 (millions of yen)	31st March, 2010 (millions of yen)	Changes from previous year (millions of yen)
Liabilities			
Current liabilities	70,026	67,195	(2,831)
Accounts payable	28,961	24,155	(4,805)
Lease obligations	655	293	(362)
Accrued payables	4,812	7,599	2,786
Accrued expenses	4,466	5,743	1,276
Other current liabilities	31,130	29,404	(1,726)
Fixed liabilities	78,994	75,936	(3,058)
Convertible bonds	49,997	49,997	—
Lease obligations	414	328	(86)
Long-term accrued expenses	2,938	1,457	(1,480)
Deferred income taxes	2	0	(1)
Allowance for employees' retirement benefits	25,642	24,152	(1,489)
Total liabilities	149,020	143,131	(5,889)
Net assets			
Shareholders' equity	200,882	212,891	12,009
Common stock and additional paid-in capital	33,574	33,617	42
Retained earnings	240,061	251,800	11,739
Treasury stock, at cost	(72,753)	(72,526)	227
Valuation and translation adjustments	3,692	6,179	2,487
Unrealized gain on other securities	5,850	8,436	2,585
Translation adjustments	(2,158)	(2,256)	(97)
Share subscription rights	892	1,154	262
Minority interests	—	10	10
Total net assets	205,466	220,237	14,770
Total liabilities and net assets	354,487	363,368	8,880

<1> Summary

At the end of the current fiscal year (31st March, 2010), current assets were ¥137,744 million (up 12.4% from the end of the previous fiscal year), fixed assets were ¥225,623 million (down 2.7%), current liabilities were ¥67,195 million (down 4.0%), fixed liabilities were ¥75,936 million (down 3.9%), total net assets were ¥220,237 million (up 7.2%) and total assets were ¥363,368 million (up 2.5%).

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

Accounts receivable and other receivables decreased by ¥9,621 million, and short-term investment securities increased by ¥30,720 million. Ongoing depreciation of software investments brought intangible fixed assets down by ¥6,567 million.

<2> Securities

Securities totaled ¥100,023 million (up 39.6% from the end of the previous fiscal year) and accounted for 27.5% of total assets. Securities include short-term investment securities under current assets, and investment securities and investments in affiliates under fixed assets.

i. Short-term investment securities under current assets

An increase in cash on hand, a reduction in length of investment terms, and other factors caused an increase in cash equivalent securities. Short-term investment securities under current assets, therefore, ended the year at ¥44,719 million (up 219.4% from the end of the previous fiscal year). All of these investments were in bond investment trusts (cash equivalents).

ii Investment securities and investments in affiliates under fixed assets

Although market prices rose for equity shares held, investment terms for funds under management shortened, resulting in a balance of ¥55,303 million (down 4.1% from the end of the previous fiscal year) for investment securities and investment in affiliates under fixed assets. Making up this total were ¥25,309 million in marketable securities, ¥15,471 million in equity shares for which it was deemed extremely difficult to determine a market price, ¥14,062 million in bonds, and ¥460 million in investment fund shares and other investments. Please refer to “<5> Investment in stocks” in section (2), “Risks Concerning Business Strategy,” under “Business and Other Risks.”

For more details on securities held, please refer to “4. Investments” in “Notes to the Consolidated Financial Statements” section of “Consolidated Financial Statements.”

<3> Software

Software and software suspense accounts make up the majority of intangible fixed assets. Together, software and software suspense accounts totaled ¥74,330 million as of the end of the previous fiscal year and ¥67,786 million as of the end of the fiscal year under review, making up 21.0% and 18.7% of total assets, respectively. For the fiscal year under review, software investment, which included development of shared-online services for the financial sector and other activities, came to ¥15,176 million (down 73.7% from the end of the previous fiscal year). For more information on software investment, please refer to “<4> Investment in software” in section (2), “Risks Concerning Business Strategy,” under “Business and Other Risks.”

Cash Flows

Net cash provided by operating activities in the current fiscal year totaled ¥58,060 million (up 25.7% compared with the previous fiscal year). The major contributing factors were as follows. Income before income taxes was ¥37,328 million (down 15.5%), depreciation and amortization was ¥30,915 million (up 48.9%), and a decrease in accounts receivable and other receivables was ¥8,979 million (up 225.4%).

Net cash used in investing activities was ¥16,175 million (down 77.2%). The major contributing factors were the acquisition of property and equipment such as machinery and equipment at data centers and office facilities and an increase in software and other intangibles relating to the development of shared-online services offsetting the redemption of investment securities and proceeds from time deposits.

Net cash used in financing activities was ¥10,348 million (down 53.8%) mainly due to the payment of dividends.

As a result of the above, cash and cash equivalents at the end of the current fiscal year totaled ¥59,775 million (up 111.8% from the end of the previous fiscal year).

Facilities

During fiscal 2009, the NRI Group's total capital expenditures came to ¥29,000 million. This mainly comprised development of shared-online services to expand high value-added services and

capital expenditures related to data centers and office expansions in IT Solution Services.

Major Facilities

(1) NRI

Name of office (Location)	Name of segment by business type	Buildings and structures (millions of yen)	Machinery (millions of yen)	Equipment (millions of yen)	Land		Lease assets (millions of yen)	Software (millions of yen)	Total (millions of yen)	Employees (persons)
					Area (m ²)	Amount (millions of yen)				
Marunouchi Center (Chiyoda-ku, Tokyo)	Consulting Services	846	15	383	—	—	0	3,669	4,914	1,381 [379]
Kiba Center (Koto-ku, Tokyo)	IT Solution Services	1,391	43	677	—	—	0	41,430	43,542	595 [83]
Yokohama Center (Hodogaya-ku, Yokohama)	IT Solution Services	806	43	1,606	—	—	0	7,766	10,222	1,650 [359]
Yokohama Minato Center (Kanagawa-ku, Yokohama)	IT Solution Services	1,486	44	688	—	—	—	7,954	10,175	867 [306]
Osaka Center (Kita-ku, Osaka)	IT Solution Services	33	0	21	—	—	—	1	57	62 [2]
Hiyoshi Data Center (Kohoku-ku, Yokohama)	IT Solution Services	5,128	606	219	14,112	4,952	—	1	10,908	53 [91]
Yokohama Data Center 1 (Tsuzuki-ku, Yokohama)	IT Solution Services	6,135	3,678	1,481	(6,748)	—	11	26	11,332	43 [154]
Yokohama Data Center 2 (Hodogaya-ku, Yokohama)	IT Solution Services	9,978	584	762	4,602	2,312	0	—	13,638	8 [3]
Osaka Data Center (Shimonoe-ku, Osaka)	IT Solution Services	5,020	916	459	13,200	2,221	0	1	8,618	26 [28]
Yokohama Learning Center (Tsuzuki-ku, Yokohama)	Company-wide (common use)	207	0	89	—	—	—	44	341	26 [7]
Shiodome Center (Minato-ku, Tokyo)	IT Solution Services	88	4	61	—	—	—	917	1,072	148 [47]

Notes: 1. The figures are book values as of 31st March, 2010.

2. A portion of land and buildings are rented (including subleasing to domestic subsidiaries) with annual rental expense of ¥10,772 million. Leased land area is listed inside brackets ().

3. In the "Employees" column, the numbers in square brackets [] represent the average number of temporary employees throughout the year.

4. The descriptions listed in "Name of segment by business type" are the main segment categories under which each office operates.

5. In the "Name of office" column, a representative office for each region is listed and offices in the same proximity are included in the listings.

6. Yokohama Minato Center was established in February 2010.

(2) Domestic and Overseas Subsidiaries

Name of office (Location)	Name of segment by business type	Buildings and structures (millions of yen)	Machinery (millions of yen)	Equipment (millions of yen)	Land		Lease assets (millions of yen)	Software (millions of yen)	Total (millions of yen)	Employees (persons)
					Area (m ²)	Amount (millions of yen)				
(Domestic Subsidiary)										
NRI Network Communications, Ltd. Head Office and others (Kita-ku, Osaka)	IT Solution Services	129	—	289	—	—	—	170	588	272 [81]
NRI Source Technologies, Ltd. Head Office and others (Miinato-ku, Tokyo)	IT Solution Services	84	—	629	—	—	20	597	1,331	172 [35]
NRI Workplace Services, Ltd. Head Office and others/ Dormitory (Hodogaya-ku, Yokohama)	Company-wide (common use)	680	—	20	7,385	1,805	—	3	2,509	105 [41]
NRI Data iTech, Ltd. Head Office and others (Chiyoda-ku, Tokyo)	IT Solution Services	17	—	14	—	—	—	53	86	139 [24]
(Overseas Subsidiary)										
Nomura Research Institute (Beijing), Ltd. (Beijing, China)	IT Solution Services	9	—	50	—	—	—	31	91	82 [—]

Notes: 1. The figures are book values as of 31st March, 2010.

2. A portion of land and buildings are rented with annual rental expense of ¥81 million. Annual rental expense does not include sublease amounts from NRI.

3. In the "Employees" column, the numbers in square brackets [] represent the average number of temporary employees throughout the year.

4. The breakdown of the land of NRI Workplace Services, Ltd., is given below.

Category	Name	Location	Area (m ²)
Dormitory	Hiyoshi Dormitory	Kohoku-ku Yokohama	5,621
	Higashiterao Dormitory	Tsurumi-ku Yokohama	1,764

Capital Expenditure Plans for Fiscal 2010

We have capital expenditure plans of ¥30,000 million for fiscal 2010, and the breakdown by business segment is listed below. Other than these, there are no plans to dispose of or sell major

facilities, excluding the disposal or sale of facilities for regular updating.

Name of segment by business type	Facilities	Planned investment (millions of yen)	Major items and purpose
IT Solution Services	Software	15,800	Development of internal use software for providing customer service and software for sale
	Hardware	12,200	Equipment for system development and equipment for providing management and operation services for computer systems and networks
Company-wide (common use)	Office facilities	2,000	Personal computers and acquisition of property and facilities
Total		30,000	—

Note: Planned capital expenditures will be provided by the Company's funds.

Research and Developments

The NRI Group's research and development activities are concentrated in three areas:

- Research and feasibility studies, development of prototypes, and experimental trials, all of which lead to the development of new businesses and products
- Research into advanced information technologies, platform technologies, and production and development technologies
- Surveys and research on new social systems

Research and development activities are routinely pursued by the Advanced Information Technology Division, which is in charge of technology development for the NRI Group, and the Center for Knowledge Exchange & Creation (renamed the "Center for Strategic Management and Innovation" as of 1st April, 2010), which is in charge of policy recommendations and advanced technology functions. In addition, individual business divisions, in pursuing mid- to long-term development of business and new products engage in research and development activities via cross-functional arrangements as necessary. In addition to introducing R&D strategies, we have introduced R&D meetings to provide opportunities to select R&D projects in priority areas from a company-wide perspective. These meetings serve as a forum for investigating projects from the planning stage through applications of results. In fiscal 2009, our research and development expenses amounted to ¥3,561 million. The research and development activities by each segment are as follows.

Consulting Services

Regarding investigative research into new social systems, we have focused on research related to Asian markets, including investigative research into construction of earthquake disaster prevention systems for China, and investigative research into economic conditions in such emerging economies as China, India and Vietnam. Furthermore, with a view toward the post-BRICs era, we conducted survey research focused on coastal areas, Mexico, Indonesia, Turkey, Thailand, and other locations. Looking to the future of the manufacturing sector, through 2025, we also conducted research examining transformation and reform directions for Japanese companies to pursue in sustaining growth in emerging markets.

As a result of these activities, our research and development expenses for Consulting Services amounted to ¥701 million.

IT Solution Services

We conducted research and development on cutting-edge solutions for cultivating new businesses and products.

In the financial sector, we have conducted research into risk management for financial institutions and trading systems that facilitate high-volume, high-speed processing of securities transactions, and investigations of the financial IT market and service trends in the United States and Europe. In addition, using a proprietary analytical approach, we conducted research into and development of services that automate the creation of proposal

materials provided by manufacturers to retailers, and verified of their feasibility and implemented measures to prepare for standardization and technology and product evaluation activities in our R&D relating to the OpenID*¹ protocol. In the field of information technology, our research included efforts to produce of an IT roadmap targeting mid-term technological trends and cloud computing*² technologies. We also conducted research aimed at improving the quality and productivity of upstream system development work, automating testing for system development, and focused on application analysis infrastructure for improving system maintenance.

As a result of these activities, our research and development expenses for IT Solution Services amounted to ¥2,859 million.

*1 OpenID: A technology that facilitates common user IDs to be used for multiple Internet services

*2 Cloud computing: A computer configuration that can provide extensive IT resources as services through the Internet

Management Policy and Tasks

(1) Basic Management Policy

The NRI Group's corporate statement is "Dream up the future." We view our mission as the combination of "Winning the trust of clients and prospering together with them" and "Gaining insight into the paradigms of a future society and propelling its realization." Based on our corporate statement, we have formulated our management basic strategy of "Navigation and Solution," where "Navigation" refers to proposing the directions that clients, and therefore society, should take, and "Solution" means realizing client goals even when it involves taking responsibility.

(2) Management Goal and Management Indices

The management objective of the NRI Group is to enhance its corporate value by continuously expanding its business. As management indices, we focus on operating profit and operating cash flows, which express a business's profitability, and seek to increase these figures.

(3) Medium-term Management Strategy

Taking advantage of information technology is essential to corporate management. The information service industry is increasingly demanding visible evidence of the return on investments and the speedy delivery of new services. In addition, as clients' businesses transcend national and industry boundaries, the realization of global response and functional links that cross industry barriers is becoming important for providing an edge over competitors in the information service industry. In the construction and operation of information systems for companies, there is an accelerating trend toward outsourcing some operations to external specialists, rather than a company itself taking on the entire job autonomously. Neither do companies own their own systems, as their business configurations move toward IT functions being provided as services by external contactors.

In response to these changes in the operating environment, the NRI Group is supplementing its conventional system development and maintenance for separate clients. Our management strategy provides IT functions as services through business platforms that cut across industry and market boundaries, reinforcing our system of swiftly and efficiently developing and supplying high-quality services. Further, in China, with its prospects for market expansion, we are fortifying our "Navigation and Solution" service provision system in a bid to create another NRI in Asia in both qualitative and quantitative terms.

(4) Management Tasks

Recovery from the recession that began in the second half of 2008 is gradually gaining speed, but companies remain hesitant to invest in IT, and intense cost-benefit analyses are resulting in the postponement or freezing of projects, and downward price pressure.

Based on these business conditions, the development and enhancement of shared-online services and other cost-competitive new IT services have become pressing issues.

Further, the NRI Group's client base is heavily weighted with securities companies and other players in the financial sector. To avoid the risk of sales fluctuations arising from this industry-specific concentration, we need to increase clients in non-financial sectors. In addition, we recognize that we must reinforce the NRI Group's capacity for global response to ensure medium- to long-term growth.

To develop new, competitive services, it is vital to enhance and integrate operational understanding and know-how in consulting and system development and operation—the NRI Group's areas of particular strength. We are focused on development of services centered on settlement and client management functions gleaned through our business in the financial sector to gain new clients in the non-financial sectors. We are moving toward this goal through cooperation between specialists in the financial and non-financial sectors. Our global response focuses on areas of expected market expansion—Asia and especially China. While responding positively to the overseas development of our existing clients, we aim to attract new clients and facilitate cooperation within the group. Moreover, to ensure the steady progression of these plans, we need to advance in Japan and overseas through partnerships with technologically advanced, experienced companies and mergers and acquisitions, utilizing external expertise.

To swiftly and efficiently develop and provide new high-quality services, we will proceed to strengthen quality control from the planning and proposal phases. In addition, to improve productivity, we will deploy development methods and tools among subcontracting partners, and work to achieve even greater efficiency throughout the development process by optimizing the division of labor with subcontracting partners.

The NRI Group, based on the understanding that human resources are what create and provide new value, is strengthening its training management system by formulating and advancing systems and policies aimed at strategically developing the human resources that will lead the next generation. Regarding the enhancement of internal control systems, it is necessary to continuously maintain and improve compliance awareness among executives and employees, and we have revised our ethics-related compliance regulations, organizing them in a new easily understood structure. Looking ahead, we will continuously conduct training and education activities aimed at promoting compliance. Moreover, we are continuing our endeavors for thorough information security management, business continuity in the event of disasters, and improvement and consolidation of the risk management system.

Overview of Fiscal 2010

The NRI Group is observing a trend of recovery in the economy. Although the recovery's autonomous driving factors are weak, the economy is benefiting from improvement in the overseas economy, the effect of various economic measures and other factors.

Operating in such an environment, the NRI Group aims to utilize the combined strength of the group so that it can seamlessly provide services encompassing consulting through to system development and operations. While working to strengthen its

proposals to existing customers and enhance its existing businesses, the NRI Group will also acquire new customers and foray into new areas of business. At the same time, the NRI Group will continue its measures to achieve mid- to long-term growth such as R&D and human resource development, along with its efforts to strengthen project management, implement activities to improve productivity and cut costs such as subcontracting costs.

The forecasts of financial results for the next fiscal year are as follows.

Forecast of financial results

	Year ended 31st March, 2010	Year ended 31st March, 2011	Change	
	(Results) (billions of yen)	(Forecast) (billions of yen)	Amount (billions of yen)	Rate (%)
Consulting services	28.8	30.0	1.1	3.9
IT solutions services	309.7	320.0	10.2	3.3
Sales	338.6	350.0	11.3	3.4
Operating profit	40.0	44.0	3.9	9.8
Ordinary profit	40.9	45.0	4.0	9.9
Net income	21.8	26.0	4.1	19.0
Annual dividends per share (yen)	52.00	52.00	—	—

Forecasts for the fiscal year ending 31st March, 2011 were announced in April 2010. These were based on information available and assumptions deemed reasonable at that time.

Accordingly, actual sales and income results may differ from forecasts as a result of uncertain factors intrinsic to these fore-

casts and changes to future business operating conditions.

Moreover, the annual dividend per share was determined based on current business conditions and forecast business results.

Business and Other Risks

Items that could have an important influence on investor judgments in the NRI Group's business and other operations are outlined below.

The risks that we list here are representative risks inherent to our business as of 31st March, 2010, but the potential risks are not limited to those listed below. Furthermore, items herein relating to future events are based on judgments by the NRI Group as of the end of the fiscal year under review.

(1) Risks Concerning the Business Environment

<1> Price competition in the information services industry

Competition is fierce among service providers in the information services industry. Intense price competition could occur in the future as a result of the continuing participation by new service providers from other industries, emergence of overseas providers, and an increase in demand for packaged products.

Under these business circumstances, the NRI Group strives to differentiate its services from those of its competitors by offering high value-added services that enhance its ability to offer end-to-end services from consulting to system development and system management and operation. We are also striving to improve productivity.

However, if price competition becomes more intense than forecast, the NRI Group's business performance may be adversely affected.

<2> Stability of management and operation services business

Expansion of system management and operation services requires various investments such as real estate for data centers and equipment for operations and software. Return on such investments is obtained over the long term through client contracts. Many contracts for system management and operation services span more than one year or are automatically renewed in the case of one-year contracts. Accordingly, sales are deemed relatively stable; moreover, the NRI Group strives to achieve steady return on investments through careful management of works in progress and continuous credit control of clients.

Nevertheless, there is no guarantee that this stability in sales of system management and operation will continue in the future; each time a client business undergoes a merger or bankruptcy, or when a client decides to overhaul its information systems strategies, there is a possibility that it will not renew its contract with the NRI Group.

<3> Capital relationship with Nomura Holdings, Inc., and its affiliates

As of 31st March, 2010, Nomura Holdings, Inc., held 38.5% of the voting rights of NRI (including 31.9% of indirectly held voting rights, and of that 22.3% is held by its wholly owned subsidiary Nomura Asset Management Co., Ltd.). In addition, affiliated companies, including JAFCO Co., Ltd., held 8.2% of NRI's voting rights.

However, there is no guarantee that the current stability of the percentage of shares held by Nomura Holdings, Inc., and its affiliates will continue in the future.

<4> Hazard risks

As a result of the advance of globalization of business activity and widely networked environment, significant damage may be caused by unexpected events such as disasters and system failures, requiring the reinforcement of a crisis management system.

The NRI Group has prepared a contingency plan outlining the emergency response system and action guidelines in the event of a large-scale disaster occurs; moreover, we are endeavoring to enhance and fortify the risk management system through construction of a system for smooth business continuity, infrastructure improvements requisite for business continuity and other measures.

However, there is still a possibility that our management resources such as offices and employees will suffer serious damage from an unexpected disaster. In this case, our business operations may be suspended for a long time, possibly preventing the NRI Group from being able to continue providing the same level of services as agreed upon with clients. This may adversely affect our business performance.

(2) Risks Concerning Business Strategy

<1> Dependence on specific business categories and clients

The NRI Group sales showed strong dependence on specific business sectors and clients. In fiscal 2009, the NRI Group's combined sales to financial services accounted for slightly less than 70% of total sales. Moreover, the NRI Group's combined sales to its major clients, Nomura Holdings, Inc. and its subsidiaries, and Seven & i Holdings Co., Ltd. and its subsidiaries, amounted to slightly less than 40% of total sales.

The NRI Group possesses the operational know-how gleaned from its businesses for the financial sector and large-scale and advanced system construction and operation expertise. The NRI Group is aggressively cultivating new clients, and is differentiating itself from its competitors by utilizing these strengths in services for other sectors. In terms of its approach to major competitors by becoming even more adept in its areas of strength, it is strengthening its client relationships through strategic deployment of human resources.

However, it is possible that in the future the NRI Group will experience an enormous impact on business performance if the business environment is transformed as a result of changes to the legal system in a specific sector, if the business circumstances of our major clients change, or they radically reexamine their information systems strategies. There is also a possibility that the NRI Group, against expectations, will be unable to secure new clients.

<2> Technological changes in the information services industry

In the information services industry, we must constantly respond to match market needs that change as information technology evolves.

Acknowledging such a changing business climate, the NRI Group is striving to respond rapidly to technological innovations by being active in investigation and research of advanced, basic, and developmental IT technologies through implementing a cross-sectional system.

However, if technological innovations advance in a wide range of areas, and if our response to these changes is delayed, it could adversely affect the NRI Group's business performance.

<3> Human resources

The NRI Group believes that the specialized expertise of our employees is the foundation of our high value-added services. In addition, hiring and fostering highly specialized human resources and establishing personnel systems and workplace environments that allow these individuals to demonstrate their full potential is necessary to build long-term trusting relationships between the NRI Group and its clients and ultimately enable the Group to achieve medium- to long-term growth.

We at the NRI Group perceive our employees as valuable "human assets," and we are dedicated to creating a system that allows us to secure and develop these assets. We are striving to recruit top-level specialized staff through our internship system, while focusing on the work-life balance of employees, constructing a personnel system that accommodates diverse working methods and values, and implementing improvements to the working environment. As part of our strategies for personnel development systems, we offer assistance to and subsidize our employees to obtain various licenses and qualifications and hold many human resource development seminars at a facility dedicated to employee education and training. We encourage employees to improve themselves by taking advantage of the NRI Group's in-house certification scheme.

Despite these efforts, if we fail to secure and develop professionals who can respond to the highly specialized demands of our clients, the NRI Group's performance could suffer. Furthermore, if workplace conditions worsen and cause employees' mental and physical health to deteriorate, this could possibly lead to a drop in worker productivity and attrition.

<4> Investment in software

The NRI Group invests in software to expand its business, including product sales, shared-online services and outsourcing services. In many cases the software is designed for specific use and cannot be readily readapted for other applications, which means that careful consideration must go into the decision to make such an investment.

At the NRI Group, we exhaustively discuss the legitimacy of each business plan before commencing software development. We also have an internal system whereby regular checks on

the plan's progress enable prompt revision to the plan when necessary, both in the development stage and after completion.

However, with this type of software investment, there is never a total guarantee that the initial investment will be recovered, and there is a chance the capital will not be recovered and a loss will be incurred.

<5> Investment in stocks

With a view to cultivating future business opportunities, the NRI Group invests in various companies as well as in the equity of its clients after examining the expected return on investments in order to strengthen business ties. As of 31st March, 2010, the NRI Group's stock investments accounted for more than 10% of total assets.

In the event of bankruptcy or business deterioration of a company in which the NRI Group has invested, the Group may incur an impairment loss or be unable to recover the amount of its investment. Moreover, the marketable shares have the inherent risk of market price fluctuations due to changes in the economic climate and corporate profitability, which, in turn, could affect the NRI Group's financial position.

(3) Risks Concerning Business Management

<1> Quality

The NRI Group aims to provide clients with high value-added services by taking advantage of its total capabilities from consulting through system development and system management and operation by following a basic strategy of "Navigation and Solution," which is to propose strategies to achieve those objectives, and provide measures to bring such strategies to fruition. Our clients expect a high-quality service.

i. Consulting services

In our consulting services, we are working hard to establish systems that offer high-quality services such as the provision of infrastructure that allows the company-wide sharing of information on the expertise accumulated within the NRI Group.

In addition, we are committed to continuing to improve quality in the future by conducting client satisfaction surveys, analyzing results and providing feedback.

However, if we are unable to provide the high-quality service that our clients expect, this may hinder prospects for future business contracts.

ii. System development

Generally, system development projects are undertaken on a contract basis. We are obliged, under such a contract, to complete an information system and deliver it by the specified deadline. However, there may be times when more man-hours are required than initially estimated because of the customer's requests for a more advanced and complex system as well as requirement changes made before completion, which may delay delivery. Even after delivery, more work than expected may be needed to complete the contract, such as carrying out additional

improvements on system performance. In particular, long-term projects that take several years to complete have a higher likelihood of being affected by requirement changes to respond to the changes in both technology and the surrounding environment.

Therefore in order to deal with these situations, the NRI Group is making efforts to ensure that project estimate examination before contract signing as well as project management after contract signing are done properly, for example, improving the management abilities of our project managers through training programs, and providing quality management systems based on ISO (International Organization for Standardization) 9001. In particular, we have established exclusive examination bodies, such as the system development committee, for projects over a certain size in order to thoroughly review the progress of projects through system delivery and operation.

However, in the event that extra costs are incurred, such as an increase in man-hours or performance improvement work conducted after delivery, the project's final profitability may deteriorate. Moreover, if the client's business is harmed because of a delay in delivery or because of problems with the delivered information system, not only may we be liable for the loss, but the situation might damage the reputation of the NRI Group.

iii. System management and operation services

The information systems developed by the NRI Group are often important platforms for client business and it is essential that these systems operate stably after completion. Regarding financial sector systems, in particular, there are cases in which credibility is on the line not only for our clients but also for entire financial markets, and we are keenly aware of the weight of that reality.

The NRI Group is seeking to improve the quality of system management and operation. We are constantly striving to maintain and improve the quality of services we provide, based on the ISO9001 quality management system, ISO27001 information security management system, and ISO20000 IT service management system. Concerning financial sector systems, we perform management status and other inspections on a prioritized basis and are formulating measures for responding to failures in the unlikely event they occur.

Still, in cases where stable operation according to the standard agreed upon with the client cannot be achieved for reasons including human error such as neglecting to follow correct operating procedures, malfunction of the equipment and others, not only may the NRI Group's business performance be adversely affected, but it may also be detrimental to the reputation of the NRI Group.

<2> Subcontracting partners

To improve productivity and make use of the highly specialized know-how of outside corporations, the NRI Group is outsourcing some business operations. Many of these outsourcing operations are carried out under subcontracting contracts.

i. Good business relationships with subcontractors

In fiscal 2009, our subcontractors were responsible for a little more than 50% of the Group's actual production. It is essential to secure top-level subcontractors and maintain a good business relationship with them in order to carry out the Group's operation.

At the NRI Group, we strive to secure superior subcontracting partners by performing corporate screening regularly and searching for new collaborating partners both domestically and overseas.

Furthermore, we are conducting activities to raise productivity and quality, including activities with subcontracting partners, through such measures as sharing of project risks with ePartner Contracts, a contracted business partner with high levels of specialized business expertise, and demands for greater security and thorough information management on the part of subcontracting partners. Our subcontracting partners are not only in Japan, but also in various overseas locations, including China. Currently, Chinese companies account for more than 10% of subcontracting costs. We are therefore striving to strengthen this system of cooperation by regularly dispatching executives to China to visit subcontracting partners and check status of projects.

In spite of all these efforts, in case we fail to secure superior subcontracting partners or maintain a good business relationship with them, we might not be able to conduct business smoothly. Especially in subcontracting to a subcontracting partner overseas, an unexpected event might occur caused by political, economic, or social factors in Japan.

ii. Contract work

There have been calls for appropriate responses to so-called disguised contract work for business outsourcing carried out under service contracts.

The NRI Group has formulated guidelines relating to contract work to raise common awareness of this problem and to allow the awareness to take root in the Company. In addition, we host meetings to explain our policies to subcontracting partners as part of our drive for entirely appropriate business outsourcing.

In spite of these efforts, if work outside the scope of the contract work is carried out, the NRI Group may lose credibility.

<3> Intellectual property rights

We are witnessing a growing importance of intellectual property rights related to information systems and software, such as patents for business models related to electronic commercial transactions.

With these circumstances in mind, in the development of information systems, the NRI Group is constantly investigating whether it is possibly breaching another party's patent. Furthermore, through education, training and other measures, we are raising employee awareness of intellectual property rights. At the same time, we recognize that intellectual property is an important business resource, so by proactively investing in applications for patents, we are rigorously protecting the

intellectual property of the NRI Group.

If despite these measures, the product or service of the NRI Group breaches the intellectual property rights of a third party, not only would this potentially make the NRI Group liable for reparation, but the Company might also be ordered to stop using an information system, or service, which could interfere with business execution. There is also the possibility that the NRI Group's intellectual property could be breached.

<4> Assets and liabilities related to retirement benefits

The NRI Group has established a defined contribution pension system and a retirement allowance system as its defined-benefit system. The allowance for employee retirement benefits will fluctuate according to changes in the amount of retirement benefit obligations and pension plan assets. Retirement benefit obligations are calculated using a number of assumptions and estimates, such as employment termination trends and discount rates. A change in any of these factors could change the amount.

Meanwhile, pension plan assets fluctuate according to trends in the stock market and interest rates.

Therefore, the pension plan assets run the risk of fluctuating with changes in the shares' market prices.

Moreover, if any change in the pension plan is adopted, it could affect the liabilities of retirement benefit obligations.

(4) Risks Concerning Information Security

With the Internet, the dissemination of information is instantaneous. While such advances in technology have increased the number of users and made life much more convenient, security management has become a serious problem in society, as with the full enforcement of the Personal Information Protection Law. In the information services industry, where we are constantly handling clients' confidential data, there is an even greater demand for security.

Being keenly aware of this situation, the NRI Group carries out thorough security management with cross-sectional management system. In addition, we are constantly working hard to maintain an advanced level of security with the introduction of an entry/exit control system, thorough security control of personal computers in offices, and by training of our employees on the protection of personal information. Particularly in our data centers, where we operate our clients' backbone systems, we have introduced stricter entry/exit controls such as x-ray scanning of articles being brought into and out of the facilities.

However, if information leaks occur despite our efforts, it may not only harm our business results, but also damage the reputation of the NRI Group.

Significant Accounting Policies and Estimates

The accompanying financial statements for the NRI Group have been prepared in accordance with generally accepted accounting principles and practices in Japan. The compilation of these financial statements has required certain assumptions and estimates that may influence the assets and liabilities at the end of the fiscal year and the income and expenses during the accounting period. An estimate deemed reasonable from historical experience or circumstances may differ from the actual results when an assumption or condition changes. The following are major assumptions and estimates used in the application of significant accounting policies that may greatly influence the NRI Group's financial statements.

<1> The percentage-of-completion method

The NRI Group in principle uses the percentage-of-completion method for recognizing sales of subcontracted software development and consulting projects. In practice, cost of sales is recognized as incurred for individual projects, and sales are recorded in accordance with the rate of accrued cost on the work in progress (actual costs incurred as a percentage of total estimated costs for each project).

Revenues are recorded regardless of billings to clients, while the corresponding amounts are recorded under accounts receivable including development.

Unlike the completed contracts method, which records revenue in one lump sum at the time of completion or delivery, the percentage-of-completion method has the advantage of lending legitimacy to the profit and loss statement as a fair reflection of profit/loss during the period in question.

The percentage-of-completion method is adopted on the assumption that overall costs as a percent of each project, which are the bases for revenue recognition, may be reasonably estimated at the time orders are received and at the end of each month. Since improving our project management structure, we at NRI Group have been accurately estimating costs at the time orders are received and appropriately evaluating works in progress. Should a project deviate from the initial estimates to a degree beyond the prescribed limits, the estimates must be revised immediately. Because of these measures, we are confident that such revenues are being recorded with a high level of accuracy.

<2> Accounting method for software

In the amortization of software packages, shared-online and outsourcing services, instead of recording subcontracting costs and labor costs for the development of information systems as expenses, these amounts may be recorded as assets for NRI Group investments in software or recorded in the software suspense accounts. In such cases, sale of the completed information system to the client or the provision of services generates product sales revenue and system management and operation revenue, in turn enabling the Group to collect its returns on its development investments in the medium to long term.

Based on this system of recovering investments, software for sale including the packaged products are amortized based on the forecasted sales quantity or sales revenue with the bottom

limit amount set according to the uniform distribution method, based on the remaining valid period of generally three years.

Amortization of the software used by the Company to provide customer services as part of shared-online services is carried out according to the fixed amount method for the usable period, which is a maximum of five years. In addition to the above amortization, in cases where rapid change occurs in a business environment, we may estimate the amount recoverable and record the loss.

For more details, please refer to "<4> Investment in software" in section (2), "Risks Concerning Business Strategy," under "Business and Other Risks."

<3> Accounting method for employee retirement benefits

Accounting for employee retirement benefits requires numerous assumptions and estimates, such as employment termination trends, and agreement on certain basic rates, such as the discount rate and the expected rate of return on pension plan assets. In calculating these basic rates, the NRI Group has adopted estimates that are both reasonable and conservative.

The discount rate, which is one of the important basic rates, is reviewed each year by comparing it to the yields of highly safe long-term bonds. For the fiscal year under review, we used the same discount rate as in the previous year, 2.1%.

Actuarial differences occur as a result of discrepancies between the estimated amounts of the expected return on plan assets and the actual return itself and also because of changes in estimated amounts such as the discount rate. Over the last five years, the NRI Group recorded actuarial differences of (favorable differences are denoted in parentheses) ¥(9,344) million, ¥4,789 million, ¥7,940 million, ¥5,764 million, and ¥(3,141) million for the years ended 31st March, 2006, 2007, 2008, 2009, and 2010, respectively.

Actuarial differences are amortized by the straight-line method over a defined period not exceeding the average remaining service time (15 years) of the participants in the plan and is recognized as a pension cost. Unrecognized actuarial loss at the end of the fiscal year under review stood at ¥3,567 million.

For more details, please refer to "<4> Assets and liabilities related to retirement benefits" in section (3), "Risks Concerning Business Management," under "Business and Other Risks."

<4> Deferred income tax assets

The NRI Group records deferred income tax assets with a reasonable estimate of future taxable income and careful judgment of its collectability. Since future taxable income is estimated from the results of past business performance, there is a possibility of fluctuation in the amount of deferred income tax assets if the estimate of taxable income differs from actual results due to changes in the business environment.

For further details of deferred income tax assets, please see "9. Income Taxes" in "Notes to the Consolidated Financial Statements" section of "Consolidated Financial Statements."

Consolidated Financial Statements **Nomura Research Institute, Ltd.**

*At 31st March, 2010 and 2009 and
for the years ended 31st March, 2010, 2009 and 2008
with Report of Independent Auditors*

Nomura Research Institute, Ltd.
Consolidated Financial Statements
31st March, 2010, 2009 and 2008

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Report of Independent Auditors

The Board of Directors
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated balance sheets of Nomura Research Institute, Ltd. and its consolidated subsidiaries as of 31st March, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years ended 31st March, 2010, 2009 and 2008, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries at 31st March, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years ended 31st March, 2010, 2009 and 2008, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

21st June, 2010

Nomura Research Institute, Ltd.

Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2010	2009	2010
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 3 and 12</i>)	¥ 15,056	¥ 20,308	\$ 161,805
Short-term investment securities (<i>Notes 3, 4 and 12</i>)	44,720	14,000	480,602
Accounts receivable and other receivables (<i>Notes 3 and 6</i>)	68,033	77,654	731,145
Inventories	432	256	4,643
Deferred income taxes (<i>Note 10</i>)	7,268	7,308	78,109
Other current assets	2,305	3,130	24,770
Allowance for doubtful accounts	(70)	(84)	(752)
Total current assets	137,744	122,572	1,480,322
Property and equipment (<i>Note 7</i>):			
Land	12,323	11,292	132,434
Buildings, net	32,376	29,429	347,942
Machinery and equipment, net	14,231	17,420	152,940
Leased assets, net (<i>Note 14</i>)	35	134	376
Property and equipment, net	58,965	58,275	633,692
Software and other intangibles	68,319	74,887	734,218
Investment securities (<i>Notes 3 and 4</i>)	53,699	55,436	577,098
Investments in affiliates (<i>Note 3</i>)	1,604	2,232	17,238
Deferred income taxes (<i>Note 10</i>)	19,238	19,129	206,749
Long-term loans receivable (<i>Note 3</i>)	7,593	7,482	81,601
Lease investment assets	534	747	5,739
Other assets (<i>Note 8</i>)	15,792	13,845	169,716
Allowance for doubtful accounts	(120)	(117)	(1,290)
Total assets	¥363,368	¥354,488	\$3,905,083

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2010	2009	2010
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 3)	¥ 24,155	¥ 28,961	\$ 259,592
Lease obligations	293	656	3,149
Accrued expenses	16,628	16,525	178,700
Income taxes payable	9,879	13,397	106,169
Other current liabilities	16,240	10,487	174,529
Total current liabilities	67,195	70,026	722,139
Convertible bonds (Note 3)	49,997	49,997	537,313
Lease obligations	328	415	3,525
Long-term accrued expenses	1,458	2,938	15,669
Deferred income taxes (Note 10)	1	2	11
Allowance for employees' retirement benefits (Note 9)	24,152	25,643	259,559
Commitments and contingent liabilities (Note 19)			
Net assets (Notes 11 and 13):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2010 and 2009			
Issued – 225,000,000 shares at 31st March, 2010 and 2009	18,600	18,600	199,893
Additional paid-in capital	15,018	14,975	161,397
Retained earnings	251,800	240,061	2,706,072
Treasury stock, at cost:			
– 30,378,314 shares at 31st March, 2010 and 30,473,495 shares at 31st March, 2009	(72,526)	(72,753)	(779,431)
Total shareholders' equity	212,892	200,883	2,287,931
Valuation and translation adjustments:			
Unrealized gain on other securities (Note 4)	8,436	5,851	90,661
Translation adjustments	(2,256)	(2,159)	(24,245)
Total valuation and translation adjustments	6,180	3,692	66,416
Share subscription rights (Note 20)	1,155	892	12,413
Minority interests	10	–	107
Total net assets	220,237	205,467	2,366,867
Total liabilities and net assets	¥363,368	¥354,488	\$3,905,083

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.
Consolidated Statements of Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2010	2009	2008	2010
Sales	¥338,630	¥341,279	¥342,289	\$3,639,226
Cost of sales	245,642	240,854	238,537	2,639,892
Gross profit	92,988	100,425	103,752	999,334
Selling, general and administrative expenses (<i>Notes 15 and 16</i>)	52,911	50,712	51,088	568,630
Operating profit	40,077	49,713	52,664	430,704
Other income (expenses):				
Interest and dividend income	1,367	1,861	2,588	14,691
Equity in earnings (losses) of affiliates	(564)	143	144	(6,061)
Interest expense	(13)	(13)	–	(140)
Impairment loss on software (<i>Note 17</i>)	–	(3,050)	–	–
Gain (loss) on investment securities (<i>Notes 4 and 17</i>)	(841)	(3,386)	2,037	(9,038)
Loss on investments in affiliates (<i>Note 17</i>)	–	(762)	–	–
Provision for transfer of the retirement benefit plan (<i>Notes 9 and 17</i>)	–	–	(9,567)	–
Office integration and relocation expenses (<i>Note 17</i>)	(2,778)	–	–	(29,855)
Impact of applying lease accounting standards (<i>Note 14</i>)	–	(352)	–	–
Other, net	80	27	122	860
	(2,749)	(5,532)	(4,676)	(29,543)
Income before income taxes and minority interests	37,328	44,181	47,988	401,161
Provision for income taxes (<i>Note 10</i>):				
Current	17,402	23,560	23,419	187,018
Deferred	(1,926)	(3,892)	(3,589)	(20,699)
	15,476	19,668	19,830	166,319
Minority interests in loss	(4)	–	–	(42)
Net income (<i>Note 13</i>)	¥ 21,856	¥ 24,513	¥ 28,158	\$ 234,884

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Net Assets

Millions of yen

	Shareholders' equity					Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at 31st March, 2007	¥18,600	¥14,800	¥206,990	¥(47,157)	¥193,233	¥ 22,194	¥ 499	¥ 22,693	¥ 307	¥ –	¥216,233
Purchases of treasury stock	–	–	–	(15,001)	(15,001)	–	–	–	–	–	(15,001)
Disposition of treasury stock	–	–	–	997	997	–	–	–	–	–	997
Net income	–	–	28,158	–	28,158	–	–	–	–	–	28,158
Cash dividends paid	–	–	(9,368)	–	(9,368)	–	–	–	–	–	(9,368)
Gain on disposition of treasury stock	–	84	–	–	84	–	–	–	–	–	84
Net changes other than in shareholders' equity	–	–	–	–	–	(12,544)	(1,496)	(14,040)	301	–	(13,739)
Balance at 31st March, 2008	18,600	14,884	225,780	(61,161)	198,103	9,650	(997)	8,653	608	–	207,364
Purchases of treasury stock	–	–	–	(11,871)	(11,871)	–	–	–	–	–	(11,871)
Disposition of treasury stock	–	–	–	279	279	–	–	–	–	–	279
Net income	–	–	24,513	–	24,513	–	–	–	–	–	24,513
Cash dividends paid	–	–	(10,232)	–	(10,232)	–	–	–	–	–	(10,232)
Gain on disposition of treasury stock	–	91	–	–	91	–	–	–	–	–	91
Net changes other than in shareholders' equity	–	–	–	–	–	(3,799)	(1,162)	(4,961)	284	–	(4,677)
Balance at 31st March, 2009	18,600	14,975	240,061	(72,753)	200,883	5,851	(2,159)	3,692	892	–	205,467
Purchases of treasury stock	–	–	–	(1)	(1)	–	–	–	–	–	(1)
Disposition of treasury stock	–	–	–	228	228	–	–	–	–	–	228
Net income	–	–	21,856	–	21,856	–	–	–	–	–	21,856
Cash dividends paid	–	–	(10,117)	–	(10,117)	–	–	–	–	–	(10,117)
Gain on disposition of treasury stock	–	43	–	–	43	–	–	–	–	–	43
Net changes other than in shareholders' equity	–	–	–	–	–	2,585	(97)	2,488	263	10	2,761
Balance at 31st March, 2010	¥18,600	¥15,018	¥251,800	¥(72,526)	¥212,892	¥ 8,436	¥(2,256)	¥ 6,180	¥1,155	¥10	¥220,237

Thousands of U.S. dollars (Note 2)

	Shareholders' equity					Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on other securities	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at 31st March, 2009	\$199,893	\$160,935	\$2,579,914	\$(781,870)	\$2,158,872	\$62,880	\$(23,201)	\$39,679	\$ 9,586	\$ –	\$2,208,137
Purchases of treasury stock	–	–	–	(11)	(11)	–	–	–	–	–	(11)
Disposition of treasury stock	–	–	–	2,450	2,450	–	–	–	–	–	2,450
Net income	–	–	234,884	–	234,884	–	–	–	–	–	234,884
Cash dividends paid	–	–	(108,726)	–	(108,726)	–	–	–	–	–	(108,726)
Gain on disposition of treasury stock	–	462	–	–	462	–	–	–	–	–	462
Net changes other than in shareholders' equity	–	–	–	–	–	27,781	(1,044)	26,737	2,827	107	29,671
Balance at 31st March, 2010	\$199,893	\$161,397	\$2,706,072	\$(779,431)	\$2,287,931	\$90,661	\$(24,245)	\$66,416	\$12,413	\$107	\$2,366,867

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2010	2009	2008	2010
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 37,328	¥ 44,181	¥ 47,988	\$ 401,161
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	30,916	20,763	16,517	332,251
Interest and dividend income	(1,367)	(1,861)	(2,588)	(14,691)
Interest expense	13	13	–	140
Impairment loss on software	–	3,050	–	–
Loss (gain) on investment securities	841	3,386	(2,037)	9,038
Loss on investments in affiliates	–	762	–	–
Impact of applying lease accounting standards	–	352	–	–
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	8,980	2,759	(10,935)	96,507
Allowance for doubtful accounts	(12)	119	8	(129)
Accounts payable	(4,782)	(6,043)	174	(51,392)
Inventories	(179)	(96)	134	(1,924)
Allowance for employees' retirement benefits and welfare pension plan	(1,427)	(148)	2,439	(15,336)
Other	7,064	(367)	1,745	75,917
Subtotal	77,375	66,870	53,445	831,542
Interest and dividends received	1,425	1,994	2,381	15,314
Interest paid	(13)	(13)	–	(140)
Income taxes paid	(20,727)	(22,670)	(24,020)	(222,750)
Net cash provided by operating activities	58,060	46,181	31,806	623,966
Cash flows from investing activities				
Payments for time deposits	–	(6,874)	(7,202)	–
Proceeds from time deposits	6,009	6,930	6,579	64,578
Increase in short-term investment securities	–	(7,973)	(40,878)	–
Proceeds from sales and redemption of short-term investment securities	–	28,000	31,000	–
Acquisition of property and equipment	(12,499)	(14,105)	(21,381)	(134,326)
Proceeds from sales of property and equipment	10	–	132	107
Increase in software and other intangibles	(15,116)	(57,863)	(17,485)	(162,450)
Proceeds from sales of software and other intangibles	3	–	2	32
Increase in investment securities	(3,436)	(20,776)	(3,461)	(36,926)
Proceeds from sales and redemption of investment securities	8,447	2,251	4,665	90,779
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	665	–	–	7,147
Increase in investments in affiliates	(299)	(616)	–	(3,213)
Other	41	32	103	441
Net cash used in investing activities	(16,175)	(70,994)	(47,926)	(173,831)
Cash flows from financing activities				
Increase in short-term loans payable	6,500	–	–	69,855
Decrease in short-term loans payable	(6,500)	–	–	(69,855)
Repayment of obligation under finance leases	(235)	(389)	–	(2,526)
Proceeds from sales of treasury stock	–	73	824	–
Purchases of treasury stock	(1)	(11,871)	(15,001)	(11)
Cash dividends paid	(10,113)	(10,228)	(9,360)	(108,683)
Net cash used in financing activities	(10,349)	(22,415)	(23,537)	(111,220)
Effect of exchange rate changes on cash and cash equivalents	11	(68)	(672)	117
Net increase (decrease) in cash and cash equivalents	31,547	(47,296)	(40,329)	339,032
Cash and cash equivalents at beginning of year	28,229	75,525	115,854	303,375
Cash and cash equivalents at end of year (Note 12)	¥ 59,776	¥ 28,229	¥ 75,525	\$ 642,407

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2010

1. Significant Accounting Policies

Description of Business

Nomura Research Institute, Ltd. (the “Company”) is a leading provider in Japan of IT solutions services and consulting services. IT solutions services include the development, installation, operation and management of computer systems and networks, information services, and sales of computer equipment and related products. Consulting services include conducting research on macroeconomic trends, providing management consulting advice, and rendering system consulting services. Information on the Company’s operations by segment is included in Note 21.

Basis of Presentation

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

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

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

The amounts included herein are expressed in millions of yen and thousands of U.S. dollars, with fractional amounts rounded off, unless otherwise noted.

Basis of Consolidation and Application of Equity Method

The accompanying consolidated financial statements for the years ended 31st March, 2010, 2009 and 2008 include the accounts of the Company and any significant companies which are controlled directly or indirectly by the Company. All subsidiaries (14, 16 and 16 for the years ended 31st March, 2010, 2009 and 2008, respectively) have been consolidated. The major consolidated subsidiary is Nomura Research Institute (Beijing), Ltd. as of 31st March, 2010.

The Company’s investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the Company’s share of such affiliates’ income is included in consolidated income. All affiliated companies (2, 2 and 1 for the years ended 31st March, 2010, 2009 and 2008, respectively) have been accounted for by the equity method.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

Investments in two affiliated companies, Nihon Clearing Services Co., Ltd. and MC NRI Global Solutions Inc., are accounted for by the equity method for the years ended 31st March, 2010.

NRI Learning Network, Ltd. and Insurance System & Technology, Ltd. are excluded from the scope of consolidation due to the sale of all outstanding shares in April 2009.

NRI BPO Services, Ltd., a newly established subsidiary during the year ended 31st March, 2010, is included in the scope of consolidation. NRI Network Communications, Ltd. and NRI WEBrandia, Ltd. merged in April 2009.

Cash Equivalents

Cash equivalents, as presented in the consolidated statements of cash flows, are defined as low-risk, highly liquid, short-term investments maturing within three months from their respective acquisition dates which are readily convertible into cash.

Investment Securities

The Company holds investment securities in its major shareholder, Nomura Holdings, Inc. The Company's investment in Nomura Holdings, Inc. is included in "Investments in affiliates."

The Company and its consolidated subsidiaries determine the appropriate classification of investment securities as either trading, held-to-maturity or other securities based on their holding objectives. Other securities include marketable securities and non-marketable securities.

Securities held for trading purposes are stated at market value and the cost of securities sold is determined by the moving average method.

Held-to-maturity debt securities are carried at amortized cost.

Marketable securities classified as other securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealized gain or loss on marketable securities classified as other securities is included as a separate component of net assets, net of the applicable taxes.

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

Inventories

Inventories are stated at cost based on the identified cost method (in cases where profitability has declined, the book value is reduced accordingly).

1. Significant Accounting Policies (continued)

Depreciation of Property and Equipment (other than Leased Assets)

Property and equipment is stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the related assets. The Company and its domestic consolidated subsidiaries individually estimated the useful lives of a portion of their machinery and equipment by determining when the machinery and equipment can be judged to be significantly obsolete because of advancements in technology. Buildings (excluding structures attached to the buildings) acquired on or after 1st April, 1998 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over their respective estimated useful lives.

Amortization of Software and Other Intangibles (other than Leased Assets)

Development costs of computer software to be sold are amortized based on the estimated volume of sales or the estimated sales revenue with the minimum amortization amount calculated by the straight-line method based on a useful life of three years. Software intended for use by the Company for the purpose of rendering customer services is being amortized by the straight-line method over useful lives of up to five years.

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

Depreciation and Amortization of Leased Assets

Leased tangible assets under finance lease transactions that do not transfer ownership are depreciated by the declining-balance method over the lease period. Leased intangible assets under finance lease transactions that do not transfer ownership are amortized by the straight-line method over the lease period.

Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided based on the Company's and its consolidated subsidiaries' historical experience with respect to write-offs and an estimate of the amount of specific uncollectible accounts.

Retirement and Severance Benefits for Employees

The allowance for employees' retirement benefits has been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets. The retirement benefit obligation at transition was fully expensed upon transition. Prior service cost is amortized by the straight-line method over a period which falls within the average remaining years of service (15 years) of the participants in the plan. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a defined period not exceeding the average remaining period of employment (15 years) of the participants in the plan and is recognized as a pension cost.

1. Significant Accounting Policies (continued)

Revenue Recognition

In principle, revenues arising from made-to-order software and consulting projects are recognized by the percentage-of-completion method. The percent completed is estimated by the ratio of the costs incurred to the estimated total costs.

Research and Development Expenses

Research and development expenses are charged to selling, general and administrative expenses as incurred.

Appropriation of Capital Surplus and Retained Earnings

Under the Corporation Law of Japan, the appropriation of capital surplus and retained earnings with respect to a given period is made by resolution of the shareholders at a general meeting or by resolution of the Board of Directors. Appropriations from capital surplus and retained earnings are reflected in the consolidated financial statements applicable to the period in which such resolutions are approved.

Accounting Change

Effective the year ended 31st March, 2010, the “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 15) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18) has been applied. The effects of adopting the new standard are immaterial because the percentage-of-completion method has already been applied to revenue recognition of made-to-order software.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥93.05 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2010. 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.

3. Financial Instruments

Effective the year ended 31st March, 2010, the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) and its Implementation Guidance “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19) has been applied.

1) Qualitative information

(a) Policy for financial instruments

In the course of business operations, the Company raises short-term funds through bank loans, and raises long-term funds through bank loans and issuances of corporate bonds. The Company manages funds by utilizing low-risk financial instruments. It is the policy of the Company to only enter into derivative transactions to reduce risks, and not for speculative purposes.

(b) Details of financial instruments and related risk and risk management system

Although accounts receivable and other receivables, are exposed to customers' credit risk, the historical loan loss ratio is low and those receivables are usually settled in a short period of time. The Company tries to reduce credit risk by managing due dates and balances of each customer, as well as monitoring and analyzing customers' credit status. The Company has little exposure of foreign currency exchange risk, since those receivables are mostly in Japanese yen. Investment securities, comprised of shares of companies with which the Company has operational relationships, bonds and bond investment trusts, are exposed to issuers' credit risk, risks of volatility of market prices, and foreign currency exchange and interest rates. To reduce these risks, the Company monitors market value and the issuers' financial status periodically. Long-term loans receivable is comprised of deposits and guarantee money due January 2017. Accounts payable are settled in a short period of time. Redemption of the convertible bonds, issued by the Company for capital expenditures, is March 2014. The Company reduces liquidity risk relating to raising funds by developing a cash flow plan to manage all surplus fund in the group, and by ensuring the maintenance of stable fund suppliers.

(c) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, and when there is no quoted market price available, fair value is based on management assumption. Since various assumptions and factors are reflected in estimating the fair value, differences in the assumptions and factors may result in different indications of fair value.

3. Financial Instruments (continued)

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2010 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine fair values. (see Note 2).

	<i>Millions of yen</i>		
	Carrying amount	Estimated fair value	Difference
	31st March, 2010		
Assets:			
Cash and bank deposits	¥ 15,056	¥ 15,056	¥ –
Accounts receivable and other receivables	68,033	68,033	–
Short-term investment securities, Investment securities, and Investments in affiliates	84,092	84,092	–
Long-term receivable	7,593	7,911	318
Total	<u>¥174,774</u>	<u>¥175,092</u>	<u>¥ 318</u>
Liabilities:			
Accounts payable	¥ 24,155	¥ 24,155	¥ –
Convertible bond	49,997	47,897	(2,100)
Total	<u>¥ 74,152</u>	<u>¥ 72,052</u>	<u>¥(2,100)</u>
	<i>Thousands of U.S. dollars</i>		
	Carrying amount	Estimated fair value	Difference
	31st March, 2010		
Assets:			
Cash and bank deposits	\$ 161,805	\$ 161,805	\$ –
Accounts receivable and other receivables	731,145	731,145	–
Short-term investment securities, Investment securities and Investments in affiliates	903,729	903,729	–
Long-term receivable	81,601	85,019	3,418
Total	<u>\$1,878,280</u>	<u>\$1,881,698</u>	<u>\$ 3,418</u>
Liabilities:			
Accounts payable	\$ 259,592	\$ 259,592	\$ –
Convertible bond	537,313	514,745	(22,568)
Total	<u>\$ 796,905</u>	<u>\$ 774,337</u>	<u>\$(22,568)</u>

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

Assets

a. Cash and bank deposits, accounts receivable and other receivables

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

b. 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.

c. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables are based on the present value of the total future cash flows, which are the principal and the interest, discounted by 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.

Note 2: The following financial instruments are not included in short-term investment securities, investment securities and investments in affiliates because no quoted market price is available and it is extremely difficult to determine the fair value.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2010	31st March, 2010
Unlisted companies' share	¥15,471	\$166,265
Investments in partnership	460	4,944

*1. Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and it is extremely difficult to determine fair value. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥915 million (\$9,834 thousand) as of 31st March, 2010.

*2. For investments in partnerships, if fair value for part or all of the components is extremely difficult to determine, such components are not measured at fair value.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 3: Redemption schedule for receivables and marketable securities with maturities at 31st March, 2010

	<i>Millions of yen</i>		
	31st March, 2010		
	Due within one year	Due after one year through five years	Due after five years through 10 years
Cash and bank deposits	¥15,056	¥ –	¥ –
Accounts receivables	52,874	–	–
Investment securities		–	–
Other securities with maturity date			
Corporate bonds	6,000	5,000	–
Long-term loan receivable	–	–	8,400
	<u>¥73,930</u>	<u>¥5,000</u>	<u>¥8,400</u>

* Other receivables are not included as there is no applicable redemption schedule.

	<i>Thousands of U.S. dollars</i>		
	31st March, 2010		
	Due within one year	Due after one year through five years	Due after five years through 10 years
Cash and bank deposits	\$161,805	\$ –	\$ –
Accounts receivables	568,233	–	–
Investment securities			–
Other securities with maturity date			
Corporate bonds	64,481	53,735	
Long-term loan receivable	–	–	90,274
	<u>\$794,519</u>	<u>\$53,735</u>	<u>\$90,274</u>

Note 4: Repayment schedule for convertible bonds at 31st March, 2010

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2010	31st March, 2010
	Due after three years through four years	Due after three years through four years
Convertible bond	¥49,997	\$537,313
	<u>¥49,997</u>	<u>\$537,313</u>

4. Investments

The Company did not hold any trading securities or held-to-maturity securities with determinable market value at 31st March, 2010 and 2009.

The following is a summary of the information concerning other securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2010 and 2009:

a) Securities classified as other securities

	<i>Millions of yen</i>					
	31st March, 2010			31st March, 2009		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥25,617	¥39,866	¥14,249	¥10,649	¥20,852	¥10,203
Debt securities:						
Government debt securities	–	–	–	3,000	3,001	1
Corporate debt securities	14,015	14,062	47	19,022	18,817	(205)
	14,015	14,062	47	22,022	21,818	(204)
Other	45,274	45,180	(94)	710	637	(73)
Total	¥84,906	¥99,108	¥14,202	¥33,381	¥43,307	¥ 9,926

	<i>Thousands of U.S. dollars</i>		
	31st March, 2010		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$275,304	\$ 428,436	\$153,132
Debt securities:			
Government debt securities	–	–	–
Corporate debt securities	150,618	151,123	505
	150,618	151,123	505
Other	486,555	485,546	(1,009)
Total	\$912,477	\$1,065,105	\$152,628

As of 31st March, 2009, only marketable securities were included in the above table.

Impairment loss on the marketable securities classified as other securities as a result of a permanent decline in value for the year ended 31st March, 2009 was ¥4,286 million. The Company has established a policy for the recognition of impairment losses for marketable securities under the following conditions as of 31st March, 2009:

- i) All securities whose fair value has declined by 50% or more, and
- ii) Securities whose fair value has declined by 30% or more but less than 50% and for which a recovery to fair value is not deemed probable.

4. Investments (continued)

a) Securities classified as other securities (continued)

As of 31st March, 2010 securities whose estimated fair value is deemed extremely difficult to measure were included in the above table. Impairment loss on the securities classified as other securities as a result of a permanent decline in value for the year ended 31st March, 2010 was ¥1,025 million (\$11,016 thousand), consisting of ¥704 million (\$7,566 thousand) for securities whose fair value is determinable and ¥321 million (\$3,450 thousand) for securities whose estimated fair value is deemed extremely difficult to measure. The Company has established a policy for the recognition of impairment losses under the following conditions as of 31st March, 2010:

- i) For securities whose fair value has declined by 30% or more and for which a recovery to fair value is not deemed probable.
- ii) For securities whose estimated fair value is deemed extremely difficult to measure, the Company recognizes impairment if the net asset value of the investment has declined by 50% or more and for which a recovery to acquisition cost is not deemed probable.

Proceeds from sales of other securities during the years ended 31st March, 2010, 2009 and 2008 were as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2010	2009	2008	31st March,
				2010
Proceeds	¥2,335	¥2,041	¥4,289	\$25,094
Gross gain	195	373	2,655	2,096
Gross loss	-	-	-	-

b) Non-marketable securities classified as other securities

	<i>Millions of yen</i>
	31st March, 2009
Other securities:	
Equity securities	¥14,624
Cash reserve funds	12,000

4. Investments (continued)

c) Maturities of debt securities

	<i>Millions of yen</i>		
	31st March, 2009		
	Due within one year	Due after one year through five years	Other
Debt securities:			
Government debt securities	¥3,000	¥ –	¥ –
Corporate debt securities	5,000	11,000	–
	<u>¥8,000</u>	<u>¥11,000</u>	<u>¥ –</u>

5. Derivatives

The Company had no open derivatives positions during the year ended 31st March, 2010 and 2009.

6. Accounts Receivable and Other Receivables

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥15,159 million (\$162,912 thousand) and ¥21,246 million at 31st March, 2010 and 2009, respectively.

7. Property and Equipment

Property and equipment is summarized as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
		Useful Life	31st March, 2010	2009
Land		¥ 12,323	¥ 11,292	\$ 132,434
Buildings	15 – 50	64,616	59,077	694,422
Machinery and equipment	3 – 15	53,707	51,934	577,184
Leased assets		764	1,505	8,211
Accumulated depreciation		(72,445)	(65,533)	(778,559)
Property and equipment, net		<u>¥ 58,965</u>	<u>¥ 58,275</u>	<u>\$ 633,692</u>

8. Other Assets

Other assets consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2010	2009	2010
Lease deposits	¥12,436	¥10,965	\$133,649
Other	3,356	2,880	36,067
Other assets	¥15,792	¥13,845	\$169,716

Other includes golf club memberships.

9. Retirement and Severance Benefits

The Company has a defined benefit pension plan, a lump-sum payment plan and a defined contribution pension plan. In addition to the plans, an extra retirement payment may be provided. On 1st April, 2008, the Company transferred its retirement annuity plan and a portion of the lump-sum payment plan to its defined contribution pension plan and the defined benefit pension plan, respectively. The Company also has an employee retirement benefit trust. The Company's certain consolidated subsidiaries have defined benefit lump-sum payment plans and defined contribution pension plans.

The following table sets forth the funded and accrued status of the retirement and severance benefit plans and the amounts recognized in the accompanying consolidated balance sheets at 31st March, 2010 and 2009 for the Company's and its consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2010	2009	2010
Retirement benefit obligation	¥(61,038)	¥(57,241)	\$(655,970)
Plan assets at fair value	35,849	27,304	385,266
Unfunded retirement benefit obligation	(25,189)	(29,937)	(270,704)
Unrecognized actuarial gain	3,568	7,020	38,345
Unrecognized prior service cost	(2,531)	(2,726)	(27,200)
Unfunded retirement benefit obligation recognized on the balance sheets	¥(24,152)	¥(25,643)	\$(259,559)

Plan assets at fair value include those of the employee retirement benefit trust of ¥6,670 million (\$71,682 thousand) and ¥5,251 million at 31st March, 2010 and 2009, respectively.

9. Retirement and Severance Benefits (continued)

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

The amortization period of actuarial gain or loss is 15 years (amortized by the straight-line method over periods which fall within the average remaining years of service of the participants in the plan from the fiscal year following the respective fiscal year of occurrence).

The components of retirement benefit expenses for the years ended 31st March, 2010, 2009 and 2008 are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2010	2009	2008	31st March,
				2010
Service cost	¥3,558	¥3,402	¥ 4,675	\$38,238
Interest cost	1,174	1,104	1,513	12,617
Expected return on plan assets	(331)	(342)	(702)	(3,557)
Recognized actuarial (gain) loss	312	(73)	(573)	3,353
Recognized prior service gain	(195)	(195)	–	(2,096)
Provision for transfer of the retirement benefit plan	–	–	9,567	–
Subtotal	4,518	3,896	14,480	48,555
Other	1,507	1,386	338	16,195
Total	¥6,025	¥5,282	¥14,818	\$64,750

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

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

	31st March,		
	2010	2009	2008
Discount rates at the end of the year	2.1%	2.1%	2.1%
Expected rate of return on plan assets	1.5%	1.5%	1.5%

10. Income Taxes

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2010	2009	2010
Deferred income tax assets:			
Employees' retirement benefits	¥13,201	¥14,400	\$141,870
Depreciation	11,190	8,801	120,258
Accrued bonuses	4,390	4,856	47,179
Other	3,988	3,551	42,859
	<u>32,769</u>	<u>31,608</u>	<u>352,166</u>
Deferred income tax liabilities:			
Unrealized gain on other securities	(5,766)	(3,999)	(61,967)
Special tax-purpose reserve	(470)	(1,032)	(5,051)
Undistributed earnings of foreign subsidiaries	(27)	(140)	(290)
Other	(1)	(2)	(11)
	<u>(6,264)</u>	<u>(5,173)</u>	<u>(67,319)</u>
Deferred income tax assets, net	<u>¥26,505</u>	<u>¥26,435</u>	<u>\$284,847</u>

Income taxes applicable to the Company and its consolidated subsidiaries consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended 31st March, 2010, 2009 and 2008.

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statements of income for the years ended 31st March, 2010 and 2008 have been omitted because the differences were immaterial in the consolidated statements of income.

A reconciliation for the year ended 31st March, 2009 was as follows:

	<u>31st March, 2009</u>
Statutory income tax rate	40.6%
Reconciliation:	
Non-taxable permanent differences such as dividends received	(0.5)
Non-deductible permanent differences such as entertainment expenses	1.1
Changes in non-deductible write-down of investment securities and other temporary difference items	5.0
Reversal of deferred tax liability due to the change in tax law on dividends received from foreign subsidiaries	(1.8)
Others, net	0.1
Effective income tax rate after deferred tax effect	<u><u>44.5%</u></u>

11. Net Assets

The Corporation Law of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570million (\$6,126 thousand) and ¥570 million at 31st March, 2010 and 2009, respectively.

Shares in Issue and Treasury stock

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the year ended 31st March, 2010 are summarized as follows:

	31st March, 2010	
	Shares in issue	Treasury stock
Number of shares at 31st March, 2009	225,000,000	30,473,495
Increase in number of shares	–	319
Decrease in number of shares	–	95,500
Number of shares at 31st March, 2010	<u>225,000,000</u>	<u>30,378,314</u>

- * The increase of 319 shares of treasury stock was due to the purchases of odd-lot shares.
The decrease of 95,500 shares of treasury stock was due to the exercise of stock options.

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2010 relate to the Company's stock option plans described in Note 20.

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

Dividends

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 15th May, 2009 and 23rd October, 2009 and were paid to shareholders of record as of 31st March, 2009 and 30th September, 2009, respectively, during the year ended 31st March, 2010:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 15th May, 2009 (¥26.00 = U.S.\$0.28 per share)	¥5,058	\$54,358
Cash dividends approved on 23rd October, 2009 (¥26.00 = U.S.\$0.28 per share)	5,060	54,379

11. Net Assets (continued)

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2010, was approved at a meeting of the Board of Directors held on 14th May, 2010 and went into effect on 2nd June, 2010:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥26.00 = U.S.\$0.28 per share)	¥5,060	\$54,379

12. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows at 31st March, 2010 and 2009 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2010	2009	2010
Cash and bank deposits	¥15,056	¥20,308	\$161,805
Short-term investment securities	44,720	14,000	480,602
Time deposits with maturities of more than three months when deposited	–	(6,079)	–
Cash and cash equivalents	<u>¥59,776</u>	<u>¥28,229</u>	<u>\$642,407</u>

There were no significant non-cash transactions for the years ended 31st March, 2010 and 2009.

13. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2010	2009	2008	2010
Earnings per share	¥112.32	¥125.54	¥138.52	\$1.21
Diluted earnings per share	105.81	118.29	130.70	1.14

	<i>Yen</i>		<i>U.S. dollars</i>
	31st March,		31st March,
	2010	2009	2010
Net assets per share	¥1,125.63	¥1,051.65	\$12.10

The computation of earnings and net assets per share is based on the weighted-average number of shares of common stock outstanding during each year and the number of shares of common stock outstanding at each balance sheet date, respectively.

13. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2010, 2009 and 2008 is as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2010	2009	2008	2010
Numerator:				
Earnings	¥21,856	¥24,513	¥28,158	\$234,884
Earnings not available to common shareholders	—	—	—	—
Earnings available to common shareholders	<u>¥21,856</u>	<u>¥24,513</u>	<u>¥28,158</u>	<u>\$234,884</u>
	<i>Thousands of shares</i>			
Denominator:				
(Weighted-average number of shares of common stock):				
Denominator for earnings per share	194,587	195,266	203,281	194,587
Potentially dilutive shares of common stock	<u>11,968</u>	<u>11,966</u>	<u>12,161</u>	<u>11,968</u>
Denominator for diluted earnings per share	<u>206,555</u>	<u>207,232</u>	<u>215,442</u>	<u>206,555</u>

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2010, 2009 and 2008:

	<i>Shares</i>		
	31st March,		
	2010	2009	2008
a) 1st share subscription rights	—	—	325,000
b) 3rd share subscription rights	0*	39,000	—
c) 4th share subscription rights	224,500	224,500	—
d) 6th share subscription rights	392,500	392,500	—
e) 8th share subscription rights	415,000	415,000	415,000
f) 10th share subscription rights	417,500	417,500	—
g) 12th share subscription rights	440,000	—	—

* The exercise period ended 30th June, 2009.

13. Per Share Data (continued)

The computation of net assets per share at 31st March, 2010 and 2009 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2010	2009	2010
Numerator:			
Net assets	¥220,237	¥205,467	\$2,366,867
Subscription rights to shares	(1,155)	(892)	(12,413)
Minority interests	(10)	–	(107)
Net assets related to shares of common stock	<u>¥219,072</u>	<u>¥204,575</u>	<u>\$2,354,347</u>
	<i>Thousands of shares</i>		
Denominator:			
Number of shares of common stock outstanding	194,622	194,527	194,622

14. Leases

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

1) As lessee

The Company leases mainly computers and related devices, some of which are classified as finance leases. Please refer to 1. Significant Accounting Policies for depreciation method applied to leased assets.

Future minimum lease payments for noncancelable operating leases at 31st March, 2010 and 2009 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2010	2009	2010
Future minimum lease payments:			
Due within one year	¥ 7,703	¥2,500	\$ 82,783
Thereafter	27,381	4,686	294,262
Total	<u>¥35,084</u>	<u>¥7,186</u>	<u>\$377,045</u>

14. Leases (continued)

1) As lessee (continued)

Lease payments, depreciation/amortization and interest expense for these finance leases for the years ended 31st March, 2008 are summarized as follows (accounting policy applied before the application of new accounting standard for lease transactions):

	<i>Millions of yen</i>
	31st March, 2008
Lease payments	¥805
Depreciation/amortization	765
Interest expense	17

2) As lessor

There were no finance lease transactions as lessor for the years ended 31st March, 2010 and 2009.

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2010 and 2009 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2010	2009	2010
Future minimum lease payments to be received:			
Due within one year	¥ 9,139	¥ 9,228	\$ 98,216
Thereafter	8,800	17,698	94,573
Total	<u>¥17,939</u>	<u>¥26,926</u>	<u>\$192,789</u>

15. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2010, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2010	2009	2008	2010
Personnel expenses	¥28,576	¥26,198	¥24,573	\$307,104
Rent	4,444	4,429	4,068	47,759
Subcontractor costs	7,271	8,168	9,788	78,141
Other	12,620	11,917	12,659	135,626
Total	<u>¥52,911</u>	<u>¥50,712</u>	<u>¥51,088</u>	<u>\$568,630</u>

16. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2010, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2010	2009	2008	31st March,
				2010
Research and development expenses	¥3,561	¥4,104	¥4,916	\$38,270

17. Other Income (Expenses)

1) Gain (loss) on investment securities

Loss on investment securities for the year ended 31st March, 2010 consisted of gain on investment securities of ¥195 million (\$2,096 thousand) and loss on investment securities of ¥1,036 million (\$11,134 thousand). Gain on investment securities for the year ended 31st March, 2010 consisted principally of gain on the sales of shares of Mitsubishi UFJ Financial Group, Inc. Loss on investment securities consisted principally of impairment loss on Daiko Clearing Services Corporation as a result of the impairment having been deemed other than temporary.

Loss on investment securities for the year ended 31st March, 2009 consisted of gain on investment securities of ¥373 million and loss on investment securities of ¥3,759 million. Gain on investment securities for the year ended 31st March, 2009 consisted principally of gain on the sales of shares of Mitsubishi UFJ Financial Group, Inc. Loss on investment securities consisted principally of impairment loss on Seven & i Holdings Co., Ltd. as a result of the impairment having been deemed other than temporary.

Gain on investment securities for the year ended 31st March, 2008 consisted of gain on investment securities of ¥2,655 million and loss on investment securities of ¥618 million. Gain on investment securities for the year ended 31st March, 2008 consisted principally of gain on the sales of shares of Seven Bank, Ltd., Argo 21 Corporation and NET MARKS, INC. Loss on investment securities consisted principally of impairment loss on AIZAWA SECURITIES CO., LTD. as a result of the impairment having been deemed other than temporary.

2) Loss on investments in affiliates

Loss on investments in affiliates for the year ended 31st March, 2009 consisted of gain on investments in affiliates of ¥252 million and loss on investments in affiliates of ¥1,014 million. Gain on investments in affiliates consisted principally of gain on sales of investments in Insurance System & Technology, Ltd. Loss on investments in affiliates consisted principally of loss on sales of investments in NRI Learning Network, Ltd. and impairment loss on investments in Nomura Holdings, Inc.

3) Impairment loss on software

Due to a rapid change in the business environment because of the money market crisis, the Company recorded impairment loss on software, which is used for financial service businesses, in the consolidated statement of income for the year ended 31st March, 2009.

17. Other Income (Expenses) (continued)

4) Provision for transfer of the retirement benefit plan

Provision for transfer of the retirement benefit plan for the year ended 31st March, 2008 arose due to a revision made to the retirement benefit plan.

5) Office integration and relocation expenses

Office integration and relocation expenses for the year ended 31st March, 2010 arose primarily from the integration of certain offices and the relocation to Yokohama Minato Center.

18. Related Party Transactions

Related party transactions for the years ended 31st March, 2010, 2009 and 2008 and the respective balances at 31st March, 2010 and 2009 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2010	2009	2008	31st March, 2010
a) Major shareholder:					
Nomura Holdings, Inc.	Sales	¥49,211	¥74,070	¥84,413	\$528,866
	Purchase of back office operation information system hardware and software for retail domestic securities *1	—	38,419	—	—
b) Major shareholder's subsidiaries:					
Nomura Securities Co., Ltd.	Purchase of back office operation information system hardware and software for retail domestic securities *2	—	*2	—	—
Nomura Trust and Banking Co., Ltd.	Money held in trust related to acquisition of treasury stock	—	15,010	15,010	—
	Charges for acquisition of treasury stock	—	8	5	—
c) Directors and principal private shareholders, etc:					
Ken Ohno (Director of the Company and a subsidiary)	Grant of stock options *3	—	—	15	—

*1 Based on an agreement between Nomura Holdings Inc., Nomura Securities Co., Ltd. and the Company, the Company purchased from the two parties certain hardware and software assets as a single package. The terms and conditions of the agreement were determined through discussions among the three parties based on an objective appraisal the value of the package as a whole. As per the agreement, the amount shown above is the total acquisition cost that the Company has paid to the two parties.

*2 The transaction is the same as *1 presented above.

*3 These stock options were granted to Mr. Ken Ohno for his position as a director of a subsidiary (which he resigned on 31st August, 2007), and valued based on the fair value of the stock options.

18. Related Party Transactions (continued)

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March, 2010	2009	U.S. dollars
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables	¥5,237	¥10,919	\$56,282

19. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2010 and 2009.

20. Stock Option Plans

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

For the years ended 31st March, 2010, 2009 and 2008, the Company recognized and allocated share-based compensation cost as follows:

	Millions of yen			Thousands of
	2010	2009	2008	U.S. dollars
Cost of sales	¥243	¥281	¥282	\$2,611
Selling, general and administrative expenses	290	299	274	3,117
Total	¥533	¥580	¥556	\$5,728

A description of each stock option plan as of 31st March, 2010 is summarized as follows:

	3rd stock option plan	4th stock option plan	6th stock option plan
Grantee categories and numbers of grantees	34 directors, managing officers or employees of the Company, and 12 directors of its subsidiaries	32 directors, managing officers or employees of the Company, and 12 directors of its subsidiaries	36 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	422,500	407,500	400,000
Grant date	24th June, 2004	1st July, 2005	11th September, 2006
Vesting conditions*	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2006	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2007	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2009
Service period*	From 1st July, 2004 to 30th June, 2006	From 1st July, 2005 to 30th June, 2007	From 1st July, 2006 to 30th June, 2009
Exercisable period	1st July, 2006 to 30th June, 2009	1st July, 2007 to 30th June, 2010	1st July, 2009 to 30th June, 2013

20. Stock Option Plans (continued)

	<u>8th stock option plan</u>	<u>9th stock option plan</u>	<u>10th stock option plan</u>
Grantee categories and numbers of grantees	37 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	422,500	96,500	417,500
Grant date	10th July, 2007	10th July, 2007	8th July, 2008
Vesting conditions*	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2008	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period*	From 1st July, 2007 to 30th June, 2010	From 1st July, 2007 to 30th June, 2008	From 1st July, 2008 to 30th June, 2011
Exercisable period	1st July, 2010 to 30th June, 2014	1st July, 2008 to 30th June, 2009	1st July, 2011 to 30th June, 2015
	<u>11th stock option plan</u>	<u>12th stock option plan</u>	<u>13th stock option plan</u>
Grantee categories and numbers of grantees	39 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	42 directors, managing officers or employees of the Company, and 7 directors of its subsidiaries
Number of shares reserved	95,500	440,000	102,000
Grant date	8th July, 2008	15th July, 2009	15th July, 2009
Vesting conditions*	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2009	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010
Service period*	From 1st July, 2008 to 30th June, 2009	From 1st July, 2009 to 30th June, 2012	From 1st July, 2009 to 30th June, 2010
Exercisable period	1st July, 2009 to 30th June, 2010	1st July, 2012 to 30th June, 2016	1st July, 2010 to 30th June, 2011

* The terms vesting conditions and service period are not specifically defined as such in the agreements. The vesting conditions and service period presented above represent information abstracted from the agreements that is closely analogous to those terms.

20. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2009 is summarized as follows:

	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>
Grantee categories and numbers of grantees	33 directors or managing officers of the Company, and 11 directors of its domestic subsidiaries	34 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries	32 directors, managing officers or employees of the Company, and 12 directors of its domestic subsidiaries
Number of shares reserved	415,000	422,500	407,500
Grant date	12th August, 2003	24th June, 2004	1st July, 2005
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2005 to 30th June, 2008	1st July, 2006 to 30th June, 2009	1st July, 2007 to 30th June, 2010
	<u>6th stock option plan</u>	<u>7th stock option plan</u>	<u>8th stock option plan</u>
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	400,000	94,500	422,500
Grant date	11th September, 2006	11th September, 2006	10th July, 2007
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2009 to 30th June, 2013	1st July, 2007 to 30th June, 2008	1st July, 2010 to 30th June, 2014
	<u>9th stock option plan</u>	<u>10th stock option plan</u>	<u>11th stock option plan</u>
Grantee categories and numbers of grantees	40 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries	36 directors or managing officers of the Company, and 6 directors of its domestic subsidiaries	39 directors, managing officers or employees of the Company, and 6 directors of its domestic subsidiaries
Number of shares reserved	96,500	417,500	95,500
Grant date	10th July, 2007	8th July, 2008	8th July, 2008
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Service period	Not prescribed	Not prescribed	Not prescribed
Exercisable period	1st July, 2008 to 30th June, 2009	1st July, 2011 to 30th June, 2015	1st July, 2009 to 30th June, 2010

20. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2010:

	3rd stock option plan	4th stock option plan	6th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan
Non-vested:									
Beginning of the year	–	–	400,000	422,500	–	417,000	95,500	–	–
Granted	–	–	–	–	–	–	–	440,000	102,000
Forfeited	–	–	–	–	–	–	–	–	–
Vested	–	–	400,000	–	–	–	95,500	–	–
End of the year	–	–	–	422,500	–	417,000	–	440,000	102,000
Vested:									
Beginning of the year	39,000	224,500	–	–	26,500	–	–	–	–
Vested	–	–	400,000	–	–	–	95,500	–	–
Exercised	–	–	–	–	(24,000)	–	(71,500)	–	–
Forfeited	(39,000)	–	–	–	(2,500)	–	–	–	–
End of the year	–	224,500	400,000	–	–	–	24,000	–	–

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2009:

	2nd stock option plan	3rd stock option plan	4th stock option plan	6th stock option plan	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan
Non-vested:									
Beginning of the year	–	–	–	400,000	–	422,500	96,500	–	–
Granted	–	–	–	–	–	–	–	417,500	95,500
Forfeited	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	–	–	96,500	–	–
End of the year	–	–	–	400,000	–	422,500	–	417,500	95,500
Vested:									
Beginning of the year	22,500	42,000	240,000	–	13,500	–	–	–	–
Vested	–	–	–	–	–	–	96,500	–	–
Exercised	(15,000)	(3,000)	(15,500)	–	(13,500)	–	(70,000)	–	–
Forfeited	(7,500)	–	–	–	–	–	–	–	–
End of the year	–	39,000	224,500	–	–	–	26,500	–	–

Price information per option for each stock option plan as of 31st March, 2010 is summarized as follows:

	Yen								
	3rd stock option plan	4th stock option plan	6th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan
Exercise price	¥2,284	¥2,319	¥3,282	¥3,680	¥ 1	¥2,650	¥ 1	¥2,090	¥ 1
Average price on exercise	–	–	–	–	1,777	–	2,115	–	–
Fair value on grant date	–	–	865	1,030	3,619	631	2,572	539	2,012
	U.S. dollars								
	3rd stock option plan	4th stock option plan	6th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan
Exercise price	\$24.55	\$24.92	\$35.27	\$39.55	\$ 0.01	\$28.48	\$ 0.01	\$22.46	\$ 0.01
Average price on exercise	–	–	–	–	19.10	–	22.73	–	–
Fair value on grant date	–	–	9.30	11.07	38.89	6.78	27.64	5.79	21.62

20. Stock Option Plans (continued)

Price information per option for each stock option plan as of 31st March, 2009 is summarized as follows:

	<i>Yen</i>								
	<u>2nd stock option plan</u>	<u>3rd stock option plan</u>	<u>4th stock option plan</u>	<u>6th stock option plan</u>	<u>7th stock option plan</u>	<u>8th stock option plan</u>	<u>9th stock option plan</u>	<u>10th stock option plan</u>	<u>11th stock option plan</u>
Exercise price	¥2,018	¥2,284	¥2,319	¥3,282	¥ 1	¥3,680	¥ 1	¥2,650	¥ 1
Average price on exercise	2,705	2,380	2,466	-	2,479	-	2,096	-	-
Fair value on grant date	-	-	-	4,322	15,733	1,030	3,619	631	2,572

The exercise price and fair value on grant date as of 31st March, 2010 reflect the five-for-one stock split on 1st April, 2007.

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2010 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>12th stock option plan</u>	<u>13th stock option plan</u>
Expected volatility *1	37.2%	54.6%
Expected remaining period *2	5 years	1 year and 6 months
Expected dividend yield *3	¥52 per share	¥52 per share
Risk-free interest rate *4	0.683%	0.191%

*1 Expected volatility is estimated based on the actual stock price in the period from July 2004 to July 2009 for the 12th stock option plan, and in the period from January 2008 to July 2009 for the 13th stock option plan.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2010 as of the date of the grant.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

20. Stock Option Plans (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2009 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>10th stock option plan</u>	<u>11th stock option plan</u>
Expected volatility *1	31.5%	36.5%
Expected remaining period *2	5 years	1 year and 6 months
Expected dividend yield *3	¥52 per share	¥52 per share
Risk-free interest rate *4	1.290%	0.805%

*1 Expected volatility is estimated based on the actual stock price in the period from July 2003 to July 2008 for the 10th stock option plan, and in the period from January 2007 to July 2008 for the 11th stock option plan.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2009 as of the date of the grant.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

21. Segment Information

Business segments

Business segment information is presented under the following two categories:

- the consulting services business, which includes research services; management consulting services; and system consulting services.
- the IT solutions services business, which includes developing and managing computer systems and selling software packages; providing outsourcing services, multi-user systems and information services; and selling computer equipment and related products.

Business segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2010, 2009 and 2008 is summarized as follows:

<i>Millions of yen</i>					
Year ended 31st March, 2010					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥28,884	¥309,746	¥338,630	¥ –	¥338,630
Intersegment sales or transfers	469	670	1,139	(1,139)	–
Total sales	29,353	310,416	339,769	(1,139)	338,630
Operating expenses	29,418	270,274	299,692	(1,139)	298,553
Operating profit (loss)	¥ (65)	¥ 40,142	¥ 40,077	¥ –	¥ 40,077
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥18,686	¥226,803	¥245,489	¥117,879	¥363,368
Depreciation and amortization	441	30,475	30,916	–	30,916
Capital expenditures	735	28,265	29,000	–	29,000

<i>Millions of yen</i>					
Year ended 31st March, 2009					
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥32,866	¥308,413	¥341,279	¥ –	¥341,279
Intersegment sales or transfers	528	943	1,471	(1,471)	–
Total sales	33,394	309,356	342,750	(1,471)	341,279
Operating expenses	29,268	263,769	293,037	(1,471)	291,566
Operating profit	¥ 4,126	¥ 45,587	¥ 49,713	¥ –	¥ 49,713
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥18,980	¥241,317	¥260,297	¥94,191	¥354,488
Depreciation and amortization	491	20,272	20,763	–	20,763
Capital expenditures	356	69,727	70,083	–	70,083

21. Segment Information (continued)

	<i>Millions of yen</i>				
	Year ended 31st March, 2008				
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥30,333	¥311,956	¥342,289	¥ –	¥342,289
Intersegment sales or transfers	394	1,025	1,419	(1,419)	–
Total sales	30,727	312,981	343,708	(1,419)	342,289
Operating expenses	26,588	264,456	291,044	(1,419)	289,625
Operating profit	¥ 4,139	¥ 48,525	¥ 52,664	¥ –	¥ 52,664
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥19,500	¥186,593	¥206,093	¥156,355	¥362,448
Depreciation and amortization	389	16,128	16,517	–	16,517
Capital expenditures	584	35,854	36,438	–	36,438
	<i>Thousands of U.S. dollars</i>				
	Year ended 31st March, 2010				
	Consulting services	IT solutions services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	\$310,414	\$3,328,812	\$3,639,226	\$ –	\$3,639,226
Intersegment sales or transfers	5,040	7,201	12,241	(12,241)	–
Total sales	315,454	3,336,013	3,651,467	(12,241)	3,639,226
Operating expenses	316,153	2,904,610	3,220,763	(12,241)	3,208,522
Operating profit (loss)	\$ (699)	\$ 431,403	\$ 430,704	\$ –	\$ 430,704
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	\$200,817	\$2,437,431	\$2,638,248	\$1,266,835	\$3,905,083
Depreciation and amortization	4,739	327,512	332,251	–	332,251
Capital expenditures	7,899	303,761	311,660	–	311,660

Effective 1st April, 2008, the Company and its domestic consolidated subsidiaries have applied the new accounting standard “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16), originally issued by the Business Accounting Deliberation Council on 17th June, 1993 and by the Japanese Institute of Certified Public Accountants on 18th January, 1994, respectively, and both revised by the ASBJ on 30th March, 2007. As a result of this accounting change, operating profit in the IT solutions services segment for the year ended 31st March, 2009 increased by ¥175 million from the corresponding amount which would have been recorded under the previous method. For the consulting services, the change was immaterial.

21. Segment Information (continued)

Geographical segments

Because sales and assets in the domestic segment constituted more than 90% of total sales and assets for the years ended 31st March, 2010, 2009 and 2008, geographical segment information has not been presented.

Overseas sales

Because overseas sales constituted less than 10% of consolidated sales for the years ended 31st March, 2010, 2009 and 2008, no disclosure of overseas sales has been made.

22. Business Combinations

Not applicable.

23. Subsequent Events

Not applicable.

[Appendix]

SUBSIDIARIES AND AFFILIATES

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

At 31st March, 2010, the Company had 14 subsidiaries, all of which were consolidated subsidiaries. At the same date, the Company had 2 affiliates, all of which were accounted for by the equity method in the Company's financial statements.

The following table sets forth information on the Company's direct and indirect subsidiaries and affiliates as of 31st March, 2010.

Name	Country	Main Business
Subsidiaries		
NRI Network Communications, Ltd. *1	Japan	Software development and sales, mainly in the Kansai area
NRI SecureTechnologies, Ltd.	Japan	Network security services
NRI Cyber Patent, Ltd.	Japan	Provide patent and other intellectual property information to subscribers
NRI Workplace Services, Ltd.	Japan	Office and real estate management
NRI Data i Tech, Ltd.	Japan	Maintaining systems equipment of Nomura Holdings and its subsidiaries and affiliates
NRI Social Information System Services, Ltd.	Japan	Software development and sales
UBIQLINK, Ltd.	Japan	Provide direction navigate services to consumer
NRI BPO Services, Ltd.	Japan	Provide BPO services
Nomura Research Institute America, Inc.	USA	Research and development and operation of information management systems in the U.S.
Nomura Research Institute Europe Limited	England	Research and development and operation of information management systems in Europe
Nomura Research Institute Beijing Limited	China	Development and operation of information management systems in China
Nomura Research Institute Shanghai Limited	China	Consulting in China
Nomura Research Institute Hong Kong Limited	China	Research and development and operation of information management systems in Asia
Nomura Research Institute (Singapore) Private Limited	Singapore	Research and development and operation of information management systems in Asia

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

MAJOR SHAREHOLDERS

Shareholders	Number of Shares Owned (thousands)	Ratio of Outstanding Shares (%)
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFSCO Co., Ltd.	15,020	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV	9,368	4.16
CBNY-ORBIS FUNDS	9,242	4.11
NRI Group Employee Stock Ownership Association	6,546	2.91
Japan Trustee Services Bank, Ltd. (Trust Account)	5,522	2.45
State Street Bank And Trust Company 505223	3,556	1.58
The Master Trust Bank of Japan, Ltd.(Trust Account)	3,400	1.51

*NRI owns 30,378 thousand shares as treasury stock.

NRI Group

(As of 30th August, 2010)

Nomura Research Institute, Ltd.

<http://www.nri.co.jp/>

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<Nippon Building>

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Yokohama Center

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Yokohama Minato Center

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Osaka Center

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Taipei Branch

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Manila Branch

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Moscow Branch

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NRI Network Communications, Ltd.

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<http://www.nri-net.com/>

NRI Secure Technologies, Ltd.

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North America Branch

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NRI Cyber Patent, Ltd.

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<http://www.patent.ne.jp/>

NRI Workplace Services, Ltd.

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Tel. +81(45)336-8600

NRI Data iTech, Ltd.

Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan
Tel. +81(3)6660-9700
<http://www.n-itech.com/>

NRI Social Information System Services, Ltd.

Tower S, 1-5-25 Kiba, Koto-ku,
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<http://www.nri-social.co.jp/>

UBIQLINK, Ltd.

134 Godo-cho, Hodogaya-ku,
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<http://www.ubiqlink.co.jp/>

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Beijing Office

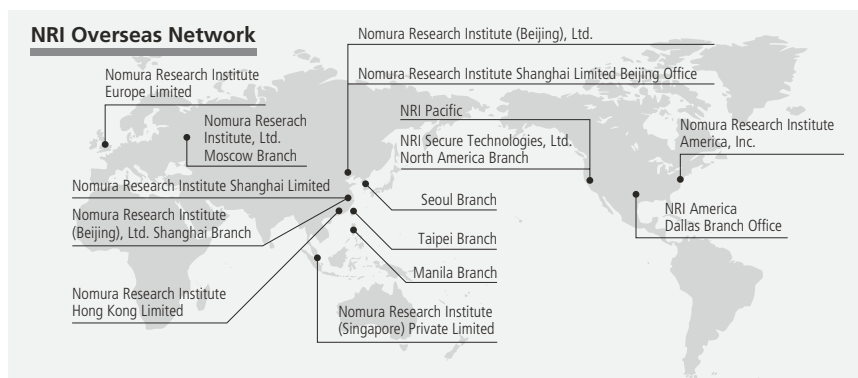
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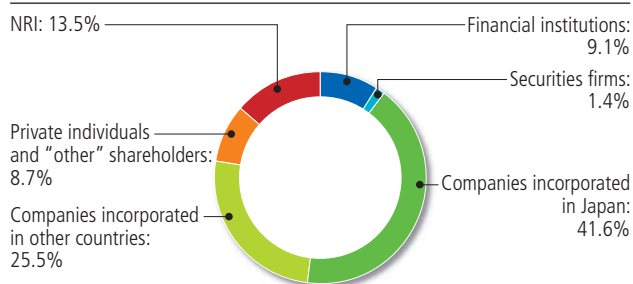
Corporate Data

Corporate Outline

Name	Nomura Research Institute, Ltd.
Head office address	Marunouchi Kitaguchi Building, 1-6-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Tel. +81(3)5533-2111
Capital	18,600 million yen
Representative	President, CEO & COO Tadashi Shimamoto
Number of employees	5,314 (6,263 in the entire NRI Group) (As of 31st March, 2010)

Breakdown of Shares by Shareholder Category

(As of 31st March, 2010)



Major Shareholders (As of 31st March, 2010)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Nomura Asset Management Co., Ltd.	43,387	19.28
Nomura Facilities, Inc.	18,600	8.27
JAFCO Co., Ltd.	15,020	6.68
Nomura Holdings, Inc.	13,000	5.78
CBNY-ORBIS SICAV (Standing Proxy Agent: Citibank Japan Ltd.)	9,368	4.16
CBNY-ORBIS FUNDS (Standing Proxy Agent: Citibank Japan Ltd.)	9,242	4.11
NRI Group Employee Stock Ownership Association	6,546	2.91
Japan Trustee Services Bank, Ltd. (Trust Account)	5,522	2.45
State Street Bank and Trust Company 505223 (Standing Proxy Agent: Mizuho Corporate Bank, Ltd.)	3,556	1.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,400	1.51

Note: NRI owns 30,378 thousand shares of the treasury stock, but the figure excludes the shares mentioned above.

Stock Data (As of 31st March, 2010)

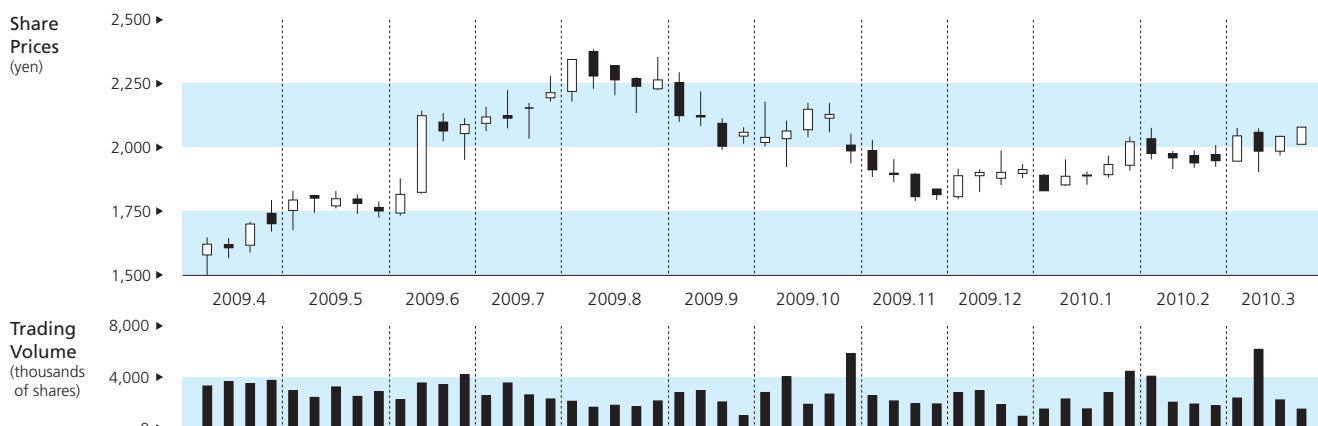
Total number of issuable shares	750,000,000
Total number of issued shares	225,000,000
Number of shareholders	17,112

Shareholder Information

- In line with the electronic share certificate system, changes in the shareholder's address, purchase requests and other procedures should in principle be handled through the account management institution (securities company or other institution) with which the shareholder holds an account. Please contact the securities company or other institution with which you hold an account. Please note that the custodian of the shareholders register (Mitsubishi UFJ Trust and Banking Corporation) cannot handle such procedures.
- Mitsubishi UFJ Trust and Banking is the account management institution for procedures involving shares recorded in special accounts, so please contact the special account management institution (Mitsubishi UFJ Trust and Banking) indicated below. Business can be conducted at any Mitsubishi UFJ Trust and Banking branch in Japan.
- Dividend payments that have not yet been received will be paid at the main branch of Mitsubishi UFJ Trust and Banking.

Fiscal year	1st April to 31st March of the following year
Ordinary general meeting of shareholders	Every June
Unit of share sales	100 shares
Method of public notice	Electronic notification (However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the <i>Nihon Keizai Shimbun</i> newspaper.) The Company's website: http://www.nri.co.jp/
Custodian of shareholder register	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
Account management institution of special accounts	Mitsubishi UFJ Trust and Banking Corporation
Transfer agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
(address for inquiries and posts)	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Tel: 0120-232-711 (toll-free)

Stock Performance



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