

Future focused. Results driven.

Annual Report 2013

(Year ended 31st March, 2013)

Nomura Research Institute

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Future focused. Results driven.

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The initiatives we have been implementing over the last few years are starting to bear fruit, as evidenced by two straight years of growth in sales and profit. President & CEO, Representative Director, Member of the Board Tadashi Shimamoto discusses progress with Vision 2015, the outlook for the operating environment, and the Company's strategies.

20 Special Feature: Growth strategies that leverage our strengths and the accomplishments of Vision 2015

Five years into Vision 2015, our strategy is steadily producing results and the path toward our goals is now looking even clearer.

In this year's Special Feature, we explain specific benefits that have emerged so far and hear from executives in charge of each segment on how they plan to achieve the goals of Vision 2015.

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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, 2013 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.

Message from the President



Tadashi Shimamoto

Tadashi Shimamoto

President & CEO,
Representative Director,
Member of the Board

In the year ended 31st March, 2013, signs of economic improvement began emerging in the second half after the strong yen corrected and share prices rebounded, and investment in information systems started to pick up in some sectors. In this operating climate, the NRI Group achieved a second straight year of growth in both sales and profits at the consolidated level, with sales of ¥363.8 billion (up 8.4% year on year) and operating profit of ¥44.0 billion (up 2.0%).

We have three years left to achieve the goals of our Vision 2015 long-term management strategy, which we launched in fiscal 2008. We are now reaping the benefits of this strategy, which has seen us expand the scope of our industry-standard business platforms (shared online services) in the financial sector and broaden our client base in the industrial sector. Against a backdrop of regulatory change and increasing obsolescence in existing corporate information systems, investment by companies in information systems is now on a clear recovery path, especially in the financial sector—a field in which we are particularly strong. We intend to accelerate this momentum as we move toward the goals of Vision 2015, and we expect the trend among Japanese companies toward shift from ownership to use of information systems to provide a tailwind.

To ensure that we remain firmly on a growth trajectory in medium to long term, we will make sure that the whole NRI Group is focused on achieving our objectives.

We will do our utmost to live up to your expectations.

Profile of NRI

Corporate Philosophy

Dream up the future. That's the Nomura Research Institute Group corporate philosophy.

Dream up the future.

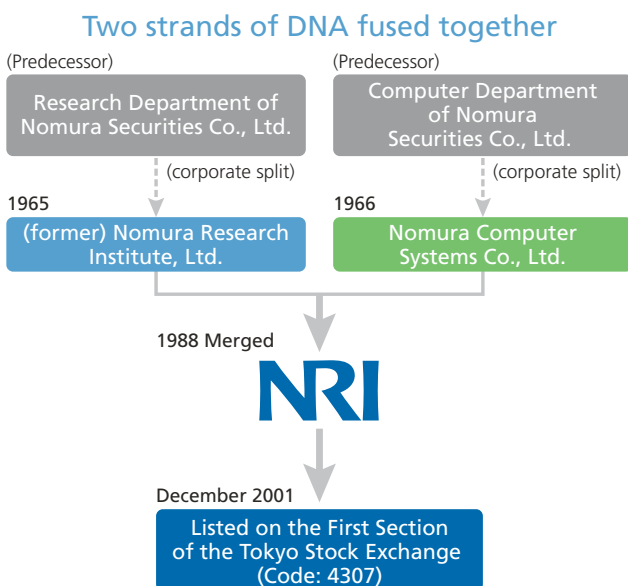
Today, the world is changing so fast that no one can read the future. We have placed ourselves on the leading edge, creating and innovating for the future while keeping an eye focused on society.

By creating new value, we will make a positive contribution to society that will benefit our world.

“Dream up the future” is about creating and innovating the future, which is how the Nomura Research Institute Group continues to enhance our strength and challenge the status quo.

NRI's Corporate DNA

NRI was created as a merged entity of former Nomura Research Institute, Japan's first private think tank, and Nomura Computer Systems, a pioneer in systems integration.



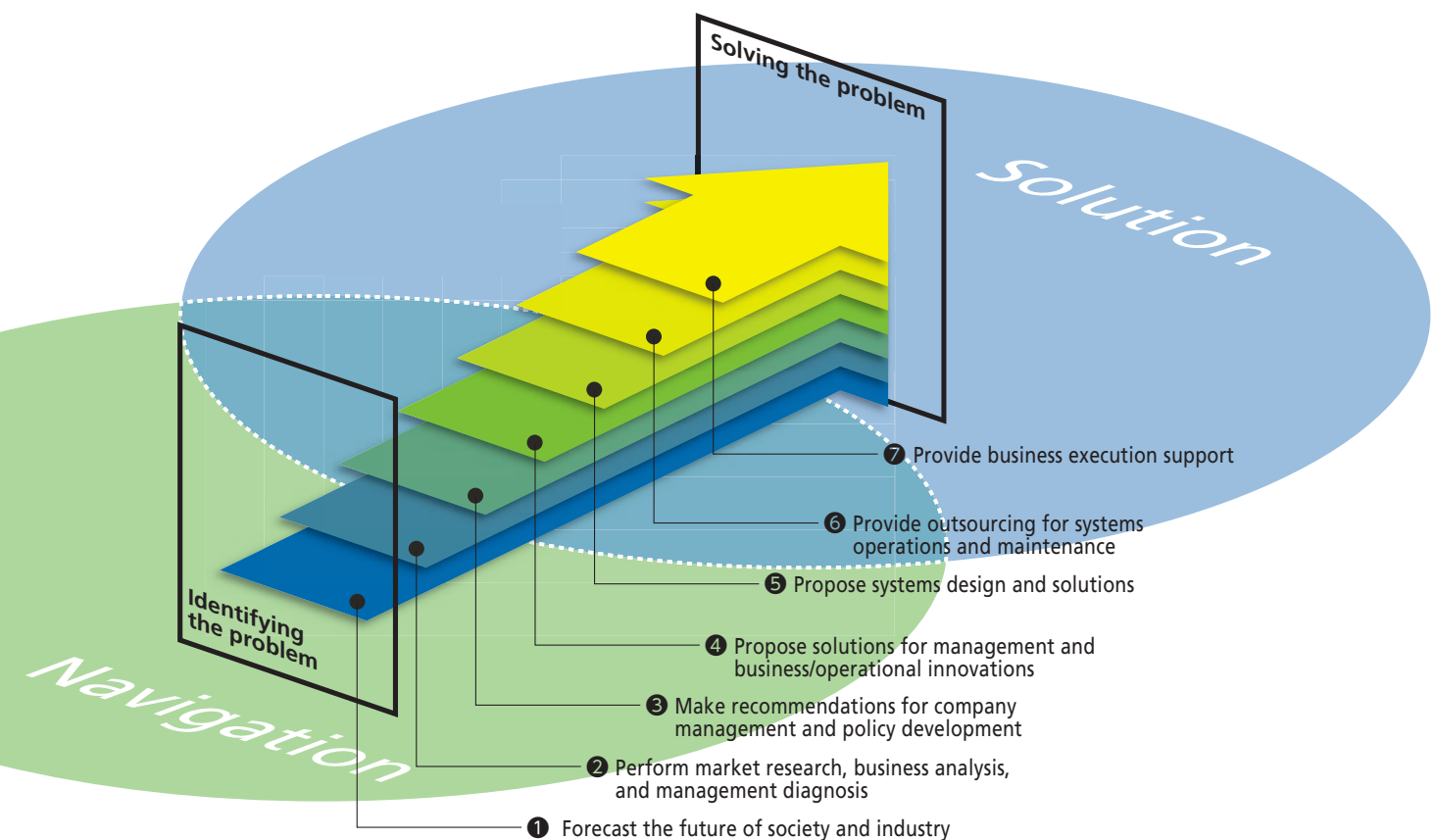
Established in 1965 as a spin-off from the Research Department of Nomura Securities Co., Ltd., the former Nomura Research Institute, Ltd. expanded the scope of its activities beyond research for Nomura Securities to encompass management consulting, a field in which it carved out a position as one of the leading firms in Japan. In 1966, Nomura Computer Systems Co., Ltd. was spun-off from the Computer Department of Nomura Securities Co., Ltd. This company supported the IT strategy of Nomura Securities, and in 1974 it drew upon its accumulated knowhow to launch STAR, a multi-user online services for securities companies that can be regarded as the forerunner of today's shared online services. The company subsequently expanded into systems integration and began offering services to the retail sector, installing a new ordering system at Seven-Eleven Japan Co., Ltd. in 1979.

The former Nomura Research Institute, Ltd. and Nomura Computer Systems Co., Ltd. merged in January 1988, giving rise to the new Nomura Research Institute, Ltd. The Company was listed on the First Section of the Tokyo Stock Exchange in December 2001.

Navigation × Solution

The two predecessors have come together to conduct business activities that keep us one step ahead of the times. NRI discerns future trends and provides recommendations that benefit society. We inherited our corporate DNA from our forerunners, addressing issues from the standpoint of our clients, always mindful of offering the highest quality.

Today, the approach of Navigation × Solutions is the foundation to create and innovate upon the future. Navigation is the phase in which we identify problems and resolve issues, through forecasting, analysis, and strategic policy creation. Solution is the phase in which we help clients implement specific business process reengineering, systems designs, development, and operations to resolve the issues. The combination of Navigation and Solution functions as the means with which NRI creates a new future for clients and society.



NRI's Strengths

Business Composition

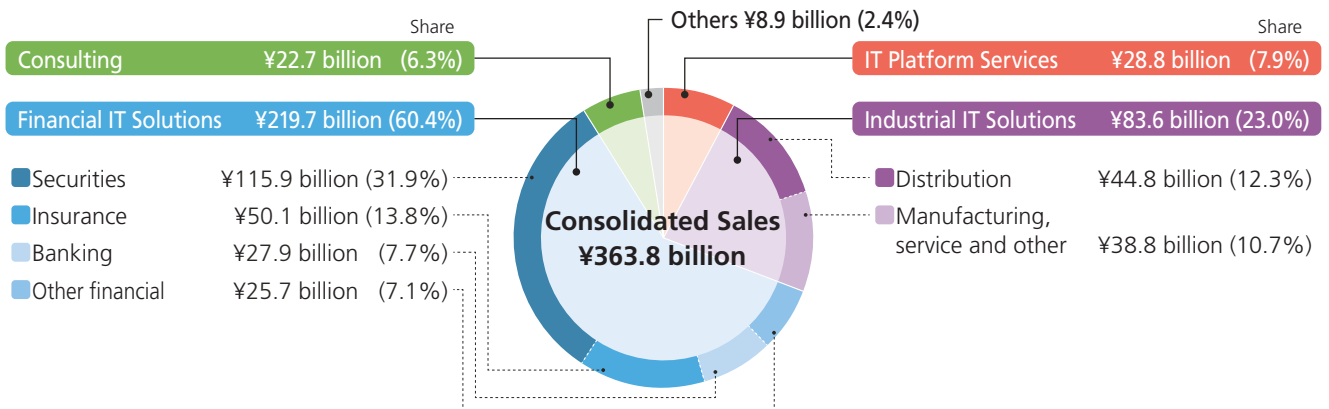
NRI offers consulting services, in areas such as research, management consulting, and system consulting, as well as IT solution services encompassing information system development, application sales, system management and operation services, and related product sales.

NRI aims to support the creation of social systems, the businesses of client companies and the comfortable lives of the people via operations in the four segments of Consulting, Financial IT Solutions, Industrial IT Solutions, and IT Platform

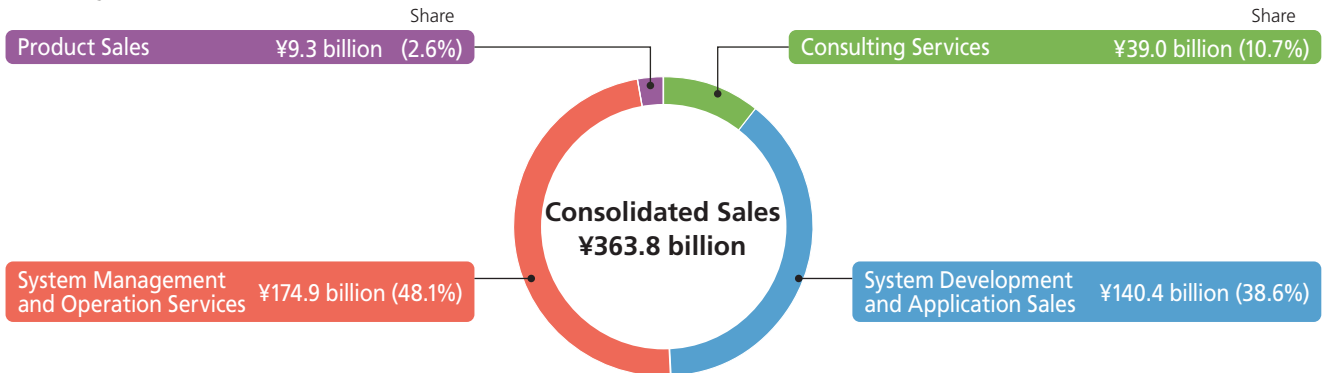
Services. At the core of our business activities is "Navigation x Solution." Utilizing the "Navigation x Solution" approach at our businesses either individually or cross-segmentally enables us to increase the value added of our services.

NRI is strong in financial IT solutions, particularly in the securities sector, where it is able draw upon the vast amount of knowhow it possesses as a result of the circumstances of its founding.

•Sales by Segment* (Year ended 31st March, 2013)



•Sales by Services* (Year ended 31st March, 2013)



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

NRI placed ninth in FinTech 100 global ranking for third straight year



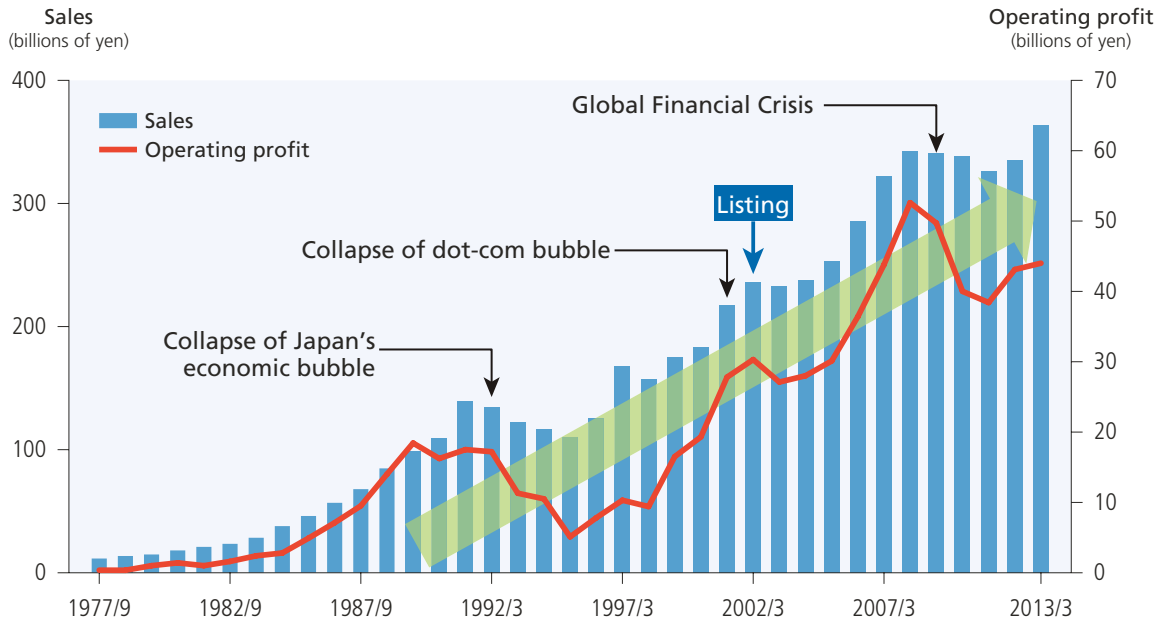
NRI came ninth in the 2012 FinTech 100 ranking of the top global financial technology providers. We were the only Japanese company to be ranked in the top ten, and have now achieved a top-ten ranking for three consecutive years.

Rank	Companies
1	FIS
2	Tata Consultancy Services Limited (TCS)
3	Fiserv
4	SunGard
5	NCR
6	Diebold
7	First Data
8	Cognizant Technology Solutions
9	Nomura Research Institute
10	Infosys Limited

Source: An excerpt from <http://www.americanbanker.com/fintech100/2012-rankings/>

Stable Growth

Although short-term earnings fluctuate in line with the economic climate, NRI has to date maintained underlying long-term growth in both sales and profit.

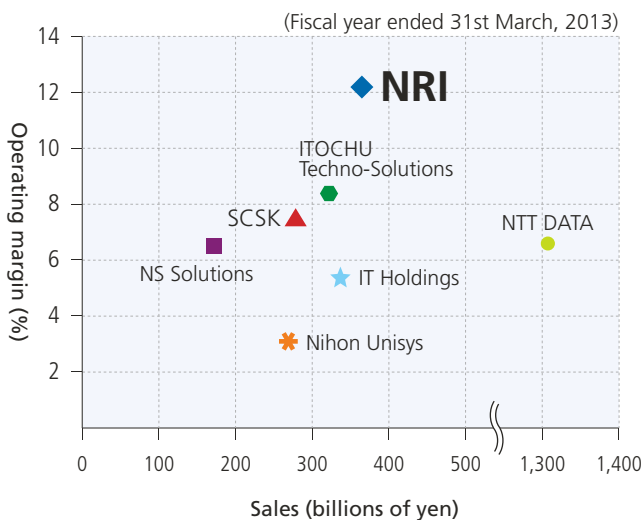


Notes: 1. Figures through 1987 are combined totals for former Nomura Research Institute and Nomura Computer Systems.
2. Figures for 1988-1996 are for NRI parent, figures for 1997 onward are consolidated.
3. Owing to change of fiscal year-end, 1989 was six-month accounting period (October 1988 – March 1989).
For convenience, graph shows six-month figures x 2.

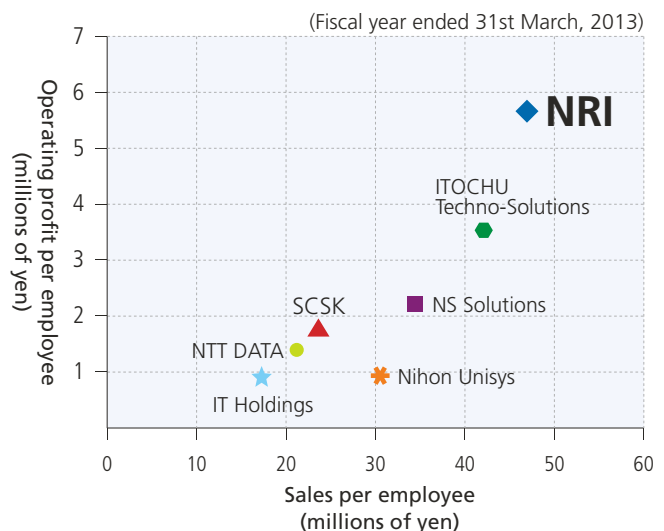
High Levels of Profitability and Productivity

NRI's profitability (operating margin) and productivity (sales and operating profit per employee) are among the highest in the industry.

•Industry-wide Comparison of Sales and Operating Margin



•Industry-wide Comparison of Sales and Operating Profit per Employee



Source: Compiled by NRI from the above companies' financial statements

Sources of Strength

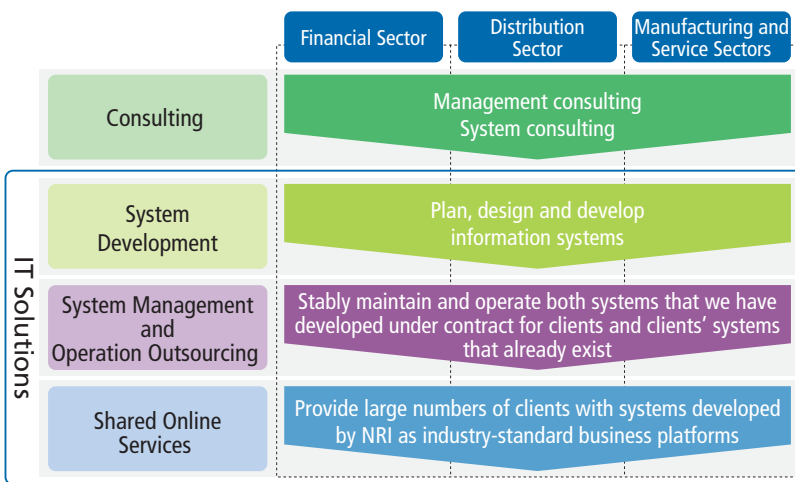
Unique Business Model

Over the years, NRI has developed and operated numerous systems for sector-leading client companies, including Nomura Holdings, Inc. and Seven & i Holdings Co., Ltd. Using the expertise it acquired in such projects, NRI has been developing the systems independently that integrate the standardized functions needed across a particular industry, and to provide these platforms to multiple clients as the industry-standard business platforms (shared online services). As various client companies share a single system, these services not only contribute to increasing the efficiency of clients' IT expenditure but also represent a highly efficient business for NRI.

We provide a wide range of shared online services for use in the insurance, banking, distribution, manufacturing and other sectors, and have a particularly strong presence in the securities and asset management sectors.

Our shared online services are used by a large number of clients in the financial sector in particular, where they have become the industry's de facto standard. We intend to continue expanding and enhancing our shared online services, and we expect the increasing shift from ownership to use of information systems to provide a boost. (See Special Feature, pp. 22-25)

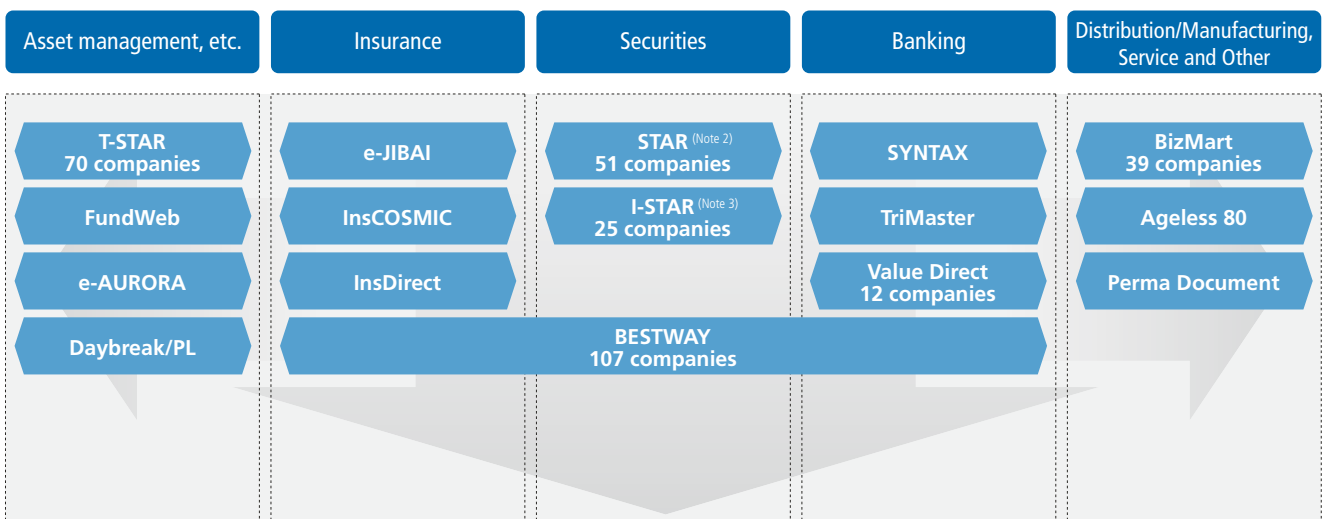
•NRI's Business Model



•Examples of Industry-standard Business Platforms Offered by NRI

		(Companies)
STAR	Integrated back-office system for retail securities companies	51 (Note 2)
I-STAR	Integrated back-office system for wholesale securities companies	25 (Note 3)
T-STAR	Trust asset management system for investment trust management companies	70
BESTWAY	Account management system for over-the-counter sales of investment trusts	107

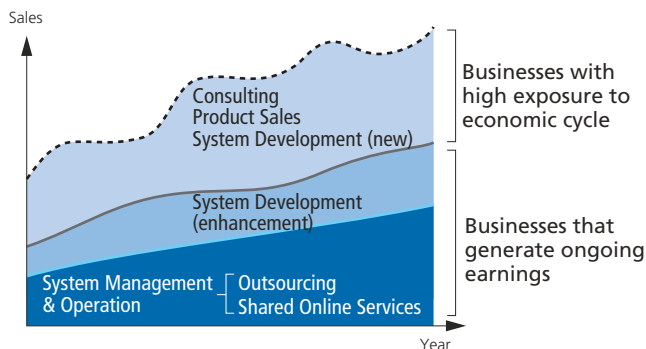
•Shared Online Services



Notes: 1. The number of companies are as of 31st March 2013.
 2. The STAR client figure includes companies using only select services.
 3. The I-STAR client figures exclude users of subsystems.

•NRI's Profit Structure

A stable profit business and a highly variable profit business



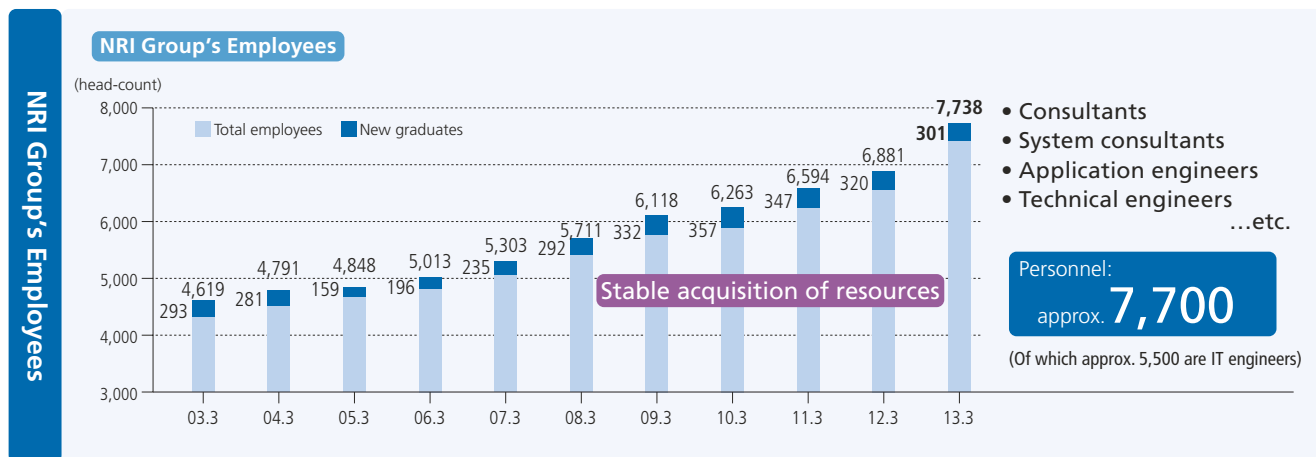
NRI's profit structure varies depending on the type of service. Consulting, product sales, and system development (new systems) are highly exposed to the economic cycle, and earnings tend to fluctuate substantially. In system development (enhancement of existing systems), operation outsourcing, and shared online services, however, ongoing orders are more likely and sales tend to be booked throughout the year, increasing prospects for stable growth. As operation outsourcing and shared online services account for approximately 50% of NRI's sales, the overall profit structure is stable. This structure is one factor that helps support business performance during periods of economic downturn.

Highly Capable Human Resources

The highly capable human resources are also the competitive advantage of NRI. By effectively mobilizing NRI Group employees, domestic business partners, and offshore partners mainly in China, NRI can provide high value-added services efficiently.

With regard to offshore partners, NRI has built and actively expanded solid relationships with reliable and technologi-

cally adept partners thanks to many years of being an industry front-runner. In addition to our efforts in China, in July 2012 we made an Indian IT company into a subsidiary, further strengthening our ability to support the global operations of financial institutions.



Note: Figures are as of 31st March, 2013.

Consolidated Financial Highlights

Second straight year of growth in both sales and profit

Sales

Up **8.4%** ↑

¥363.8 billion

Sales rose 8.4% year on year, to ¥363.8 billion, principally on an increase in sales to the securities sector that reflected a contribution from the installation of the STAR system at Nomura Securities Co., Ltd. and an increase in sales to manufacturing, service and other sectors, the latter reflecting the start of services for Ajinomoto Co., Inc. in the year under review. Consulting revenues also increased strongly, as did sales to the banking, asset management, and distribution sectors.

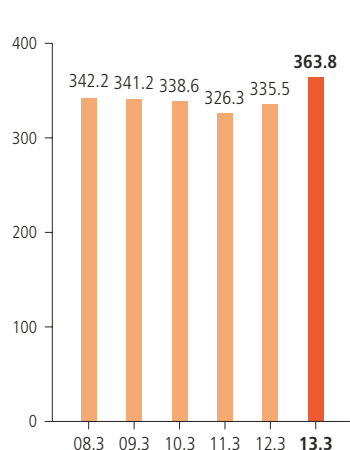
Operating Profit

Up **2.0%** ↑

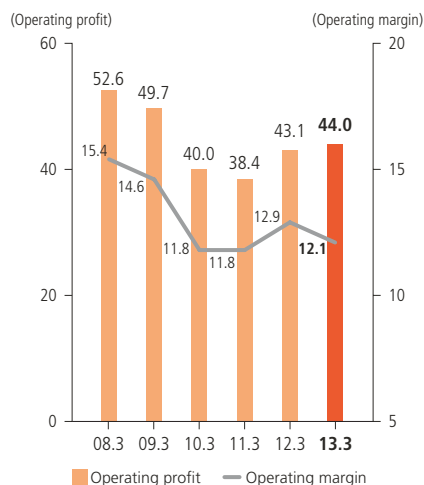
¥44.0 billion

The increase in sales to the financial sector boosted operating rates, in addition to which there was an improvement in profitability on development projects for the manufacturing, services, and other sectors. However, additional costs arose on a large-scale development project in the insurance sector, and costs related to acquiring new clients in the industrial sector also increased. As a result, operating profit rose 2.0% year on year, to ¥44.0 billion.

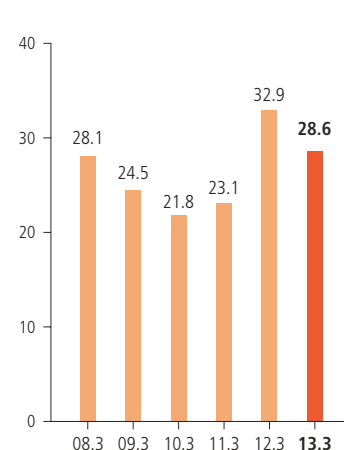
Sales (billions of yen)



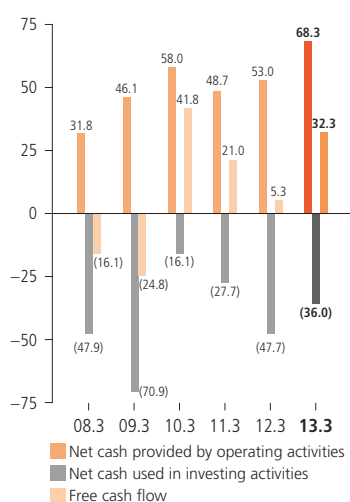
Operating profit/ Operating margin (billions of yen/%)



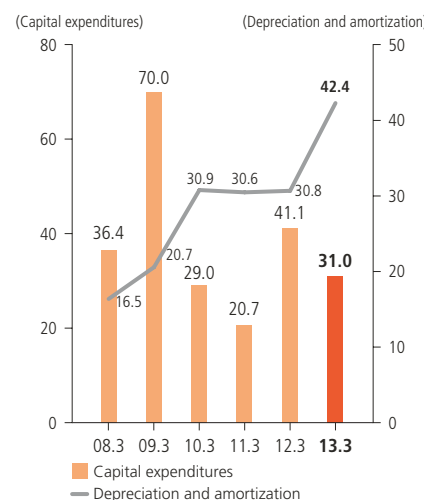
Net income (billions of yen)



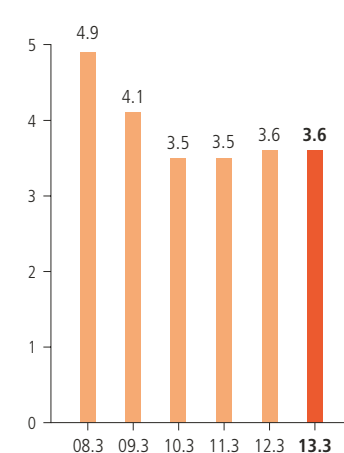
Cash flows (billions of yen)



Capital expenditures/ Depreciation and amortization (billions of yen)



Research and development expenses (billions of yen)



Net Income

Down **13.1%** ↓

¥28.6 billion

Net income declined 13.1% year on year, to ¥28.6 billion, owing mainly to the absence of the ¥8.5 billion gain on the sale of investments in affiliates that was booked as an extraordinary item in the previous fiscal year, as well as the absence of the previous year's ¥3.0 billion in special dividend income.

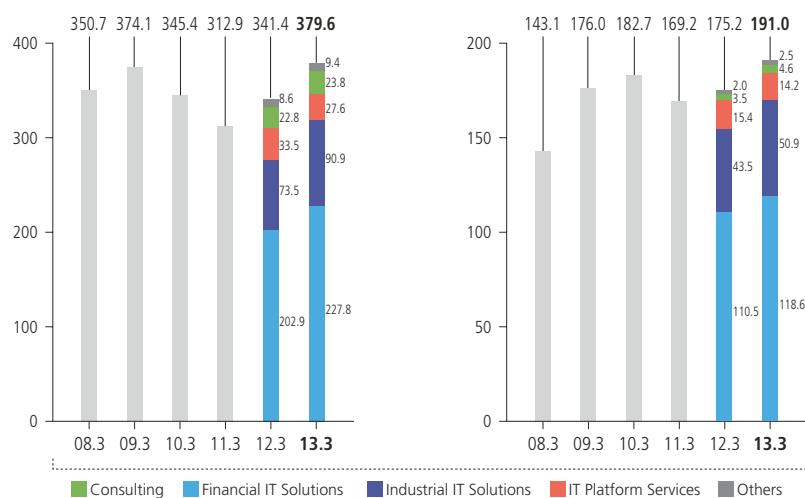
Order Backlog

Up **9.0%** ↑

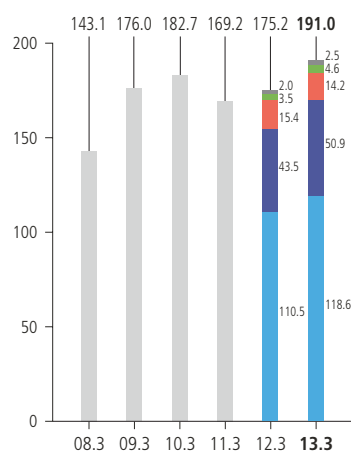
¥191.0 billion

The order backlog increased 9.0% year on year, to ¥191.0 billion, primarily owing to a rise in orders from the securities sector and the manufacturing, service and other sectors, as well as healthy consulting orders. Of these orders, the portion that we expect to be booked as sales in the fiscal year ending 31st March, 2014 was ¥190.2 billion, an increase of 9.1% year on year.

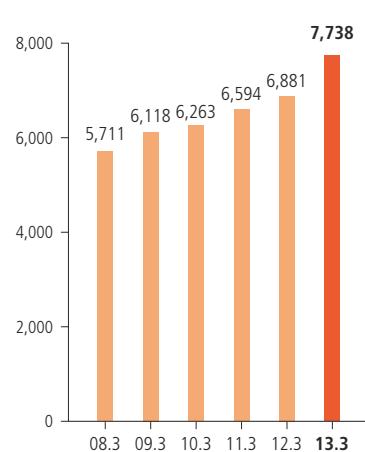
Orders received (billions of yen)



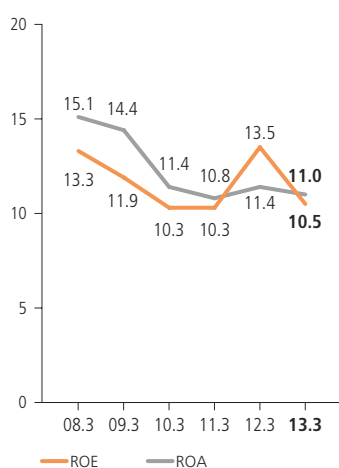
Order backlog (billions of yen)



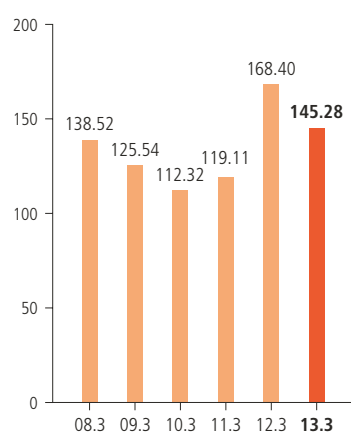
Number of employees (persons)



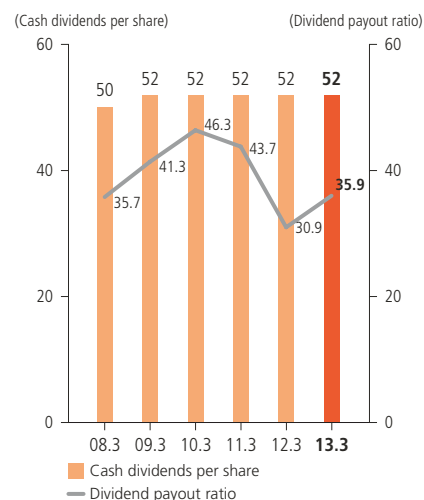
ROE/ROA (%)



EPS (yen)



Cash dividends per share/ Dividend payout ratio (yen/%)



Business Overview by Segment

Characteristics and Strengths

Consulting

Our services range from policy recommendations, strategy consulting and operational consulting offering support for business reform to system consulting for all phases of IT management.

We also have a strong track record in the Asian market, where we have been tapped for numerous consulting projects by Japanese companies as well as local companies and governments in China and other parts of Asia.

Past Projects

- Global strategy formulation in a large number of industries and emerging country strategy formulation and execution
- Head office reorganization for manufacturing and financial groups, etc.
- New channel and new business development for consumer goods manufacturers and the retail service industry
- Implementation of key public policy and project
- Infrastructure development planning in major Asian regions (airports, ports, railways, etc.)

Financial IT Solutions

NRI provides IT solutions, including system consulting, system development, operation outsourcing, and shared online services mainly for such industries as securities, insurance, banking, and other financial sectors (asset management, consumer financing, etc.).

NRI aims to strengthen business in sectors including securities and asset management while also expanding business in the banking and insurance industries to attract new clients and broaden the use of shared online services.

- Nomura Securities Co., Ltd.' core business system and information system
- STAR, a back-office system for securities companies, adopted by more than 50 second-tier, small and medium-sized securities firms
- ATM network system for Seven Bank, Ltd. and account systems
- BESTWAY, an account management system for over-the-counter sales of investment trusts
- Value Direct, an internet banking solution
- e-JIBAI, a shared online system for compulsory automobile liability insurance agencies

Industrial IT Solutions

Operations in this segment comprise system consulting, system development and system operation services for the distribution, manufacturing, service and public sectors.

Information systems applying our know-how in areas such as the building of supply chain management (SCM) systems and client management are one of our strengths, and we also broadly make available cross-industry shared online services that support e-commerce.

- Ordering system and POS data analysis system for Seven & i Holdings Co., Ltd.
- General IT system support for Ajinomoto group companies
- Sales and logistics systems that support the ordering and distribution functions of food wholesaler KOKUBU & CO., LTD.
- Online business of Shiseido Company, Limited
- BizMart system, which links manufacturers, wholesalers and retailers and improves and raises the efficiency of inter- and intra-company distribution

IT Platform Services

Operations in this segment comprise the provision of services such as the management and operation of data centers and IT platform/network construction to the Financial IT Solutions and Industrial IT Solutions businesses. This business also provides IT platform solutions and information security services to customers in various industries. We also carry out research toward development of new IT solution businesses and products, and research in cutting-edge information technology.

- Tokyo Data Center I opened in November 2012, giving the Company four data centers in the Tokyo area and one in the Osaka area.
- FNC (Firewall Network Center) service, a secure internal network design, construction, and operation service provided by NRI Secure Technologies, Ltd.

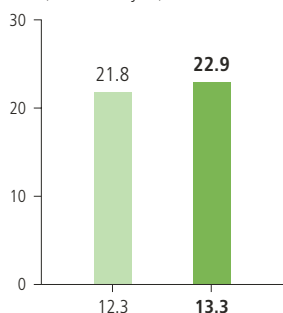
Highlights of the Year

Strong performances in public sector consulting and system consulting

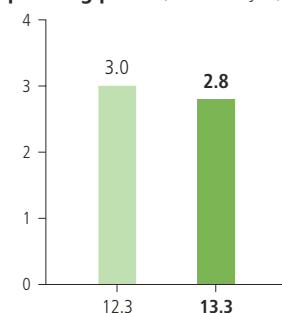
Sales from public sector consulting increased, as did sales from system consulting in support of customers' project implementation. There was a decline in overseas sales, however, including sales in China.

As a result, sales were held to ¥22,908 million (up 5.0% year on year), and operating profit came in at ¥2,807 million (down 6.7%), as the division was unable to absorb the impact of higher personnel costs that resulted from the increased headcount.

Sales (billions of yen)



Operating profit (billions of yen)

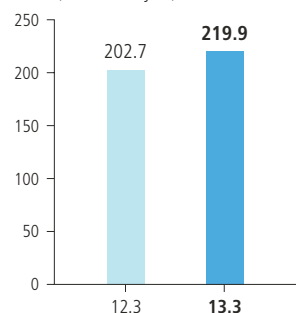


Large-scale project for Nomura Securities contributed to higher sales

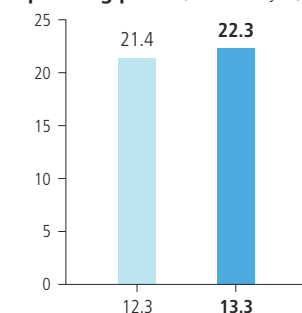
The installation of STAR at Nomura Securities Co., Ltd. contributed to sales growth, in addition to which we recorded higher system development and application sales to the banking sector and to other companies in the financial sector. However, we incurred additional costs on a large-scale project for the insurance sector.

As a result, sales totaled ¥219,916 million (up 8.5% year on year) and operating profit was ¥22,300 million (up 4.0%).

Sales (billions of yen)



Operating profit (billions of yen)

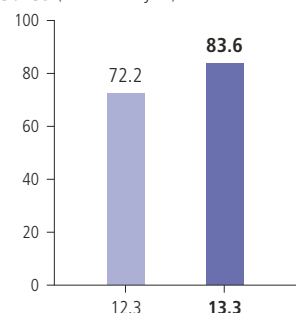


Sales rose on the start of services for new clients

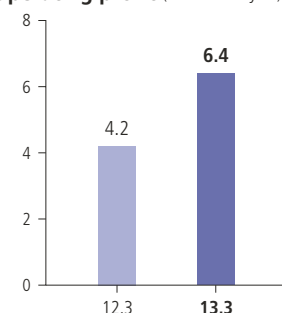
Sales increased year on year, owing primarily to growth in system management and operation services and higher development and application sales for manufacturing, service and other sectors, with the launch of new services for Ajinomoto Co., Inc. making a contribution. Although there was an increase in costs associated with client acquisition, margins improved owing to a reduction in unprofitable projects.

As a result, sales came in at ¥83,662 million (up 15.8% year on year) and operating profits totaled ¥6,486 million (up 52.3%).

Sales (billions of yen)



Operating profit (billions of yen)

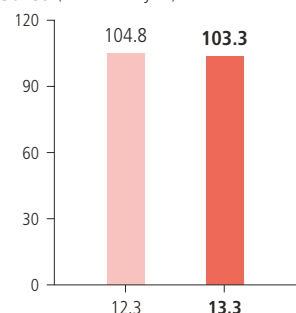


Opening of new data center

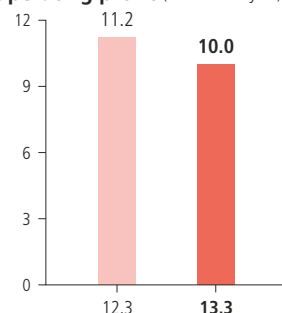
Product sales to the securities sector declined year on year. On the cost side, the start of operations at Tokyo Data Center I resulted in higher depreciation expense on property and equipment.

As a result, sales came in at ¥103,376 million (down 1.4%) and operating profit was ¥10,070 million (down 10.3%).

Sales (billions of yen)



Operating profit (billions of yen)



Notes: 1. Amounts of less than 100 million yen were rounded down.
2. Each segment includes intersegment sales.

Future focused. Results driven.

Interview with Top Management



The initiatives we have been implementing over the last few years are starting to bear fruit, as evidenced by two straight years of growth in sales and profit. We also stand to benefit from certain trends in the operating environment, such as the shift from ownership to use of information systems among Japanese companies, and the acceleration of their global expansion efforts.

Against a backdrop of regulatory change and increasing obsolescence in currently installed information systems, we aim to achieve strong growth by focusing on areas of strength. In the financial sector, this will mean broadening the scope of our industry-standard business platforms (shared online services). In the industrial sector, we will expand our client base in consumer industries using an approach based on close collaboration between consulting services and IT solutions.

Question 1

How would you assess NRI's performance in the year under review?

In the year ended 31st March 2013, we achieved a second straight year of growth in both sales and profit, having last year reported increases in both sales and profit for the first time in four years. We think this shows that the measures we have implemented are steadily yielding results.

The highlight of the year came in January 2013, when we began providing our STAR shared online service to Nomura Securities Co., Ltd. as a back-office system. We started work on this project two years ago as part of a wider effort to upgrade Nomura Securities' domestic systems, and the commencement of this service represented the successful conclusion of the largest project we have ever undertaken. STAR is already used by more than 50 second-tier, small and medium-sized securities firms, and we think its adoption by Nomura Securities firmly establishes STAR's position as the industry's de facto standard business platform (see Special Feature, pp.22-25).

In the Consulting segment, we saw strong demand for both public-sector consulting and system consulting to support the implementation of customers' system projects. In the Financial IT Solutions segment, we achieved solid results not only on projects in the securities sector, but also in banking and other financial sectors. In the Industrial IT Solutions segment, our efforts to expand the client base paid off when we began providing services for Ajinomoto Co., Inc., among others. While there was an increase in costs associated with the acquisition of new customers, profitability improved owing to a reduction in unprofitable projects.

•Sales by Segment

	2012.3	Share	2013.3	Share	Increase/Decrease	Percentage change
					(millions of yen)	
Consulting	21,685	6.5%	22,761	6.3%	+1,075	+5.0%
Financial IT Solutions	202,628	60.4%	219,754	60.4%	+17,125	+8.5%
Securities	99,887	29.8%	115,904	31.9%	+16,016	+16.0%
Insurance	54,594	16.3%	50,162	13.8%	(4,432)	(8.1%)
Banking	25,471	7.6%	27,909	7.7%	+2,437	+9.6%
Other financial	22,674	6.8%	25,778	7.1%	+3,104	+13.7%
Industrial IT Solutions	71,918	21.4%	83,615	23.0%	+11,696	+16.3%
Distribution	42,527	12.7%	44,806	12.3%	+2,279	+5.4%
Manufacturing, service and other	29,391	8.8%	38,808	10.7%	+9,416	+32.0%
IT Platform Services	30,788	9.2%	28,850	7.9%	(1,938)	(6.3%)
Others	8,532	2.5%	8,910	2.4%	+377	+4.4%
Total	335,554	100.0%	363,891	100.0%	+28,336	+8.4%
Nomura Holdings	89,473	26.7%	100,984	27.8%	+11,510	+12.9%
Seven & i Holdings	39,998	11.9%	44,984	12.4%	+4,986	+12.5%

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

2. Sales to Nomura Holdings, Inc. and Seven & i Holdings Co., Ltd. include sales to their subsidiaries.

3. Some segment classifications were changed from the year ended 31st March, 2013. Year-on-year change is based on prior-year figures that have been adjusted to reflect the new classifications.

4. Breakdown for each segment shows segment sales by customer industry.

Question 2

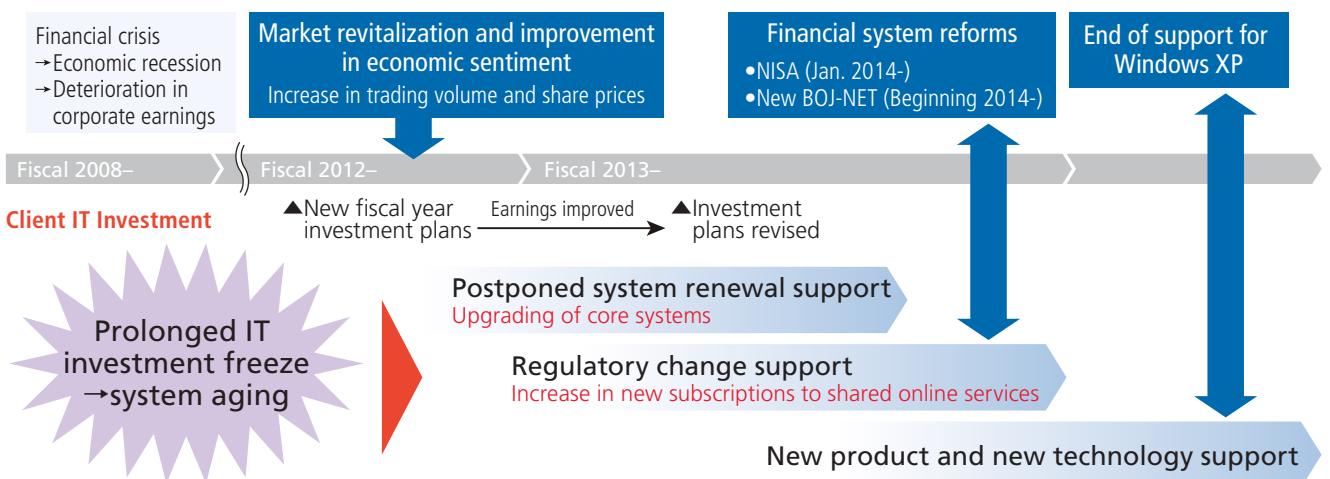
What are your thoughts on the medium- to long-term operating environment and NRI's business development plans for the year ending 31st March, 2014 and beyond?

The overall environment started improving in the second half of the year under review, with the strong yen correcting and share prices rising. IT investment sentiment among financial institutions in particular has changed significantly compared with a year ago. In addition, regulatory changes such as the introduction of the NISA (Japanese version of Individual Savings Account; tax-exempt small-scale investment accounts) and the new BOJ-NET will require an IT response. We would also note that many customers reined in investment in information systems during and after the Global Financial Crisis of 2008, as a result of which systems on the whole are becoming increasingly outdated. The upturn in the economy has prompted some companies to consider renewing core systems.

Nevertheless, we expect growth in the overall IT market in Japan to mirror GDP growth, which is likely to be lower than the 7% growth we are targeting. Accordingly, we plan to focus our resources on three markets for which we anticipate strong growth, as outlined the following.



External Environment (Short-term)



*1:

Historically, many Japanese companies developed their own information systems, but in recent years companies have increasingly sought to use outside providers—in the form of data centers, commodity application services, and outsourcing services—to enable them to concentrate resources on their core businesses.

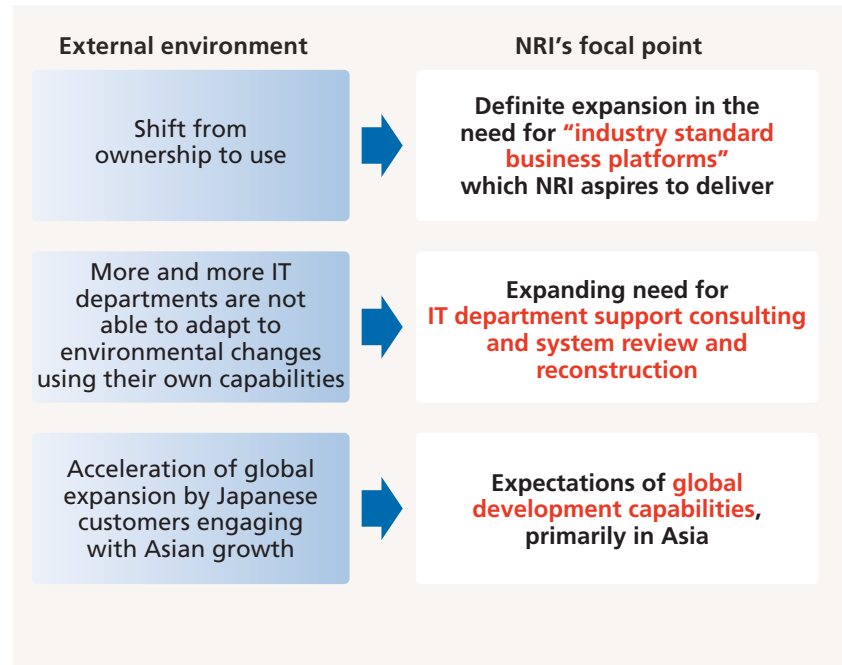
*2:

Using the expertise and experience gained in the development of systems for individual companies, NRI has developed independently systems that integrate the standardized functions needed by a particular industry. NRI offers these systems as a service to numerous clients.

Our first target is the market that stands to benefit from the trend toward the shift from ownership to use of information systems*¹, as exemplified by cloud services. The adoption of STAR by Nomura Securities Co., Ltd. for its back-office systems is a prime example, and demand for industry-standard business platforms (shared online services)*² is steadily rising. In the financial sector in particular, we intend to further expand our businesses by targeting the need for financial institutions to respond to regulatory change.

Our second target is the market for providing operational support to the IT departments of client companies. Many Japanese companies struggle to secure sufficient numbers of employees with the skills necessary to fully upgrade their systems or meet the system needs of new businesses. At the same time, they have a pressing need to update their information systems, and this is creating widespread demand for both system and operational support. We are receiving an increasing number of requests for support, and we expect demand to rise further. We think NRI is well positioned to capture this demand for system review and reconstruction.

•External Environment (Medium to long-term)



Our third target area is global expansion. Japanese companies are stepping up overseas expansion in search of growth opportunities, particularly in Asia. We expect this to translate into rising demand for global information systems that are seamlessly integrated throughout the company, including at overseas business bases. We intend to provide support via both consulting services and IT solutions.

These three areas are already the focus of key initiatives in our Vision 2015 long-term management strategy. We intend to meet the targets of Vision 2015 and achieve growth in the medium to long term by directing more resources to these key areas.

•Management Vision Driving toward Further Growth: Vision 2015

Developing a strong and future-oriented business portfolio

Growth potential:
To achieve **7% growth**
Earning capacity:
Operationg margin of
13% or more

Increased advancement of services in financial sector

Providing industry-standard business platforms to meet wide-ranging needs for more clients in financial sector

Expansion into industrial sector

Expanding the range of companies we serve and the services we offer, principally in consumer industries* directly reaching people
*Industries that have direct contact with consumers such as distribution companies and consumer goods manufactures

Reinforcement and expansion of business in China and Asia

Building another NRI in China/Asia and contributing to enterprises and society through "Navigation x Solution"

Productivity improvement and human resource development

Under the slogan, "Challenge the Status Quo, Innovate Ourselves" instituting a human resources training program that looks beyond the bounds of established frameworks

Vision 2015

Question 3

What is the current status of progress toward Vision 2015? First, please tell us about the advancement of services in the financial sector.

Since fiscal 2008, NRI has been moving ahead with Vision 2015, a long-term management strategy that has fiscal 2015, ending 31st March, 2016, as its final year. We have implemented numerous measures under the key policy aims of Vision 2015, which are (1) advancement of services in the financial sector, (2) expansion in the industrial sector, (3) reinforcement and expansion of business in China and Asia, and (4) productivity improvement and human resource development. The measures have yielded steady results over the last five years, and the path toward our goal is now looking even clearer.

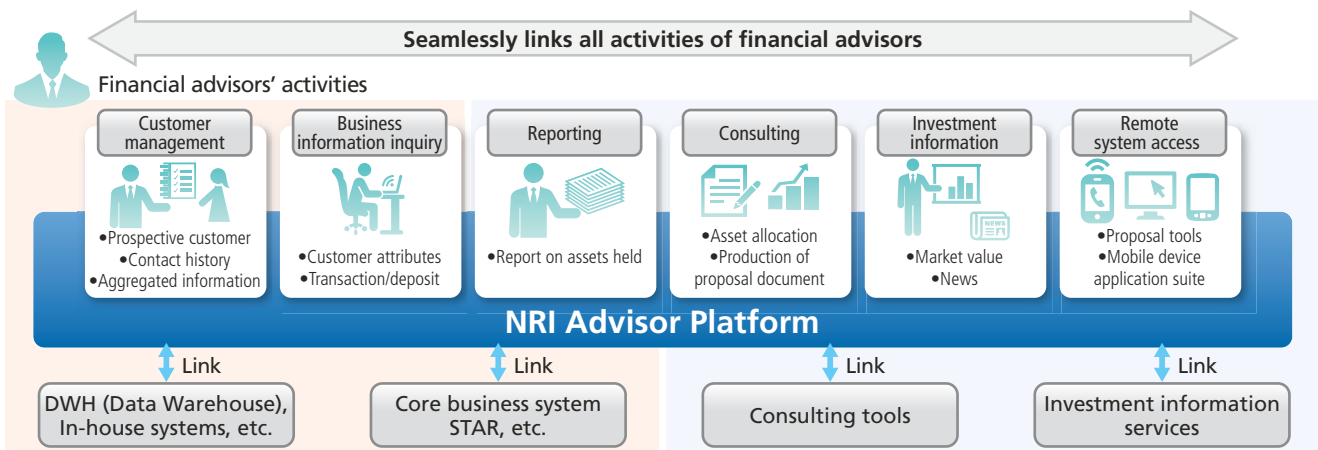
Regarding the advancement of services in the financial sector, we have made considerable progress with expanding adoption of our industry-standard business platforms. STAR is close to becoming the industry's de facto standard following its introduction at Nomura Securities Co., Ltd., the largest companies in the sector, and we expect factors such as the introduction of the NISA and the need for a system response to provide further opportunities to broaden our client base. We will also be looking to win new customers through

*3:

NRI Advisor Platform is a front-office solution for financial advisors undertaking asset management consultations and formulating proposals involving new financial instruments. The system provides swift access to individual customers' past transactions and current positions across multiple accounts.

the NRI Advisor Platform*³ (see figure below), which came on line at Nomura Securities Co., Ltd. in January 2013 together with STAR. The NRI Advisor Platform is a solution for financial institutions that helps advisors make financial proposals, and we expect the platform to be adopted by a variety of financial institutions, not just securities companies. In the banking sector, we have seen increasing use of BESTWAY, in addition to which more than a dozen banks (mainly regional banks) have now signed up to use our Value Direct internet banking solution. In addition to the above, we intend to expand sales of our T-STAR system for the asset management sector, while in the insurance sector we will be looking to expand our ins-CALI compulsory automobile liability insurance contract management system. By offering a broader range of services, we seek to expand our businesses on the back of improving business conditions in the financial sector (see Special Feature, pp.22-25).

•NRI Advisor Platform Concept



Question 4

How is expansion into the industrial sector progressing?

*4:

In addition to Seven & i Holdings Co., Ltd., whose information systems we have handled for many years, our customers include major wholesalers, home improvement retailers, and apparel companies, and we have considerable expertise in IT solutions relating to the manufacturing, distribution, and marketing of consumer goods.

We have been working to expand our client base in the industrial sector to create second and third pillars of earnings alongside our main pillar, the financial sector. We have narrowed our focus to consumer industries*⁴, which is where we have existing strengths, and we are pursuing a prime account strategy, in which our consulting and IT solutions divisions coordinate to create proposals to leading sector companies with a view to gaining major IT solutions projects. This approach led to the strategic alliance with Ajinomoto Co., Inc., and to Ajinomoto's IT subsidiary becoming a member of the NRI Group in April 2012. Also as a result of our prime account strategy, we were able to support the establishment of an online business by Shiseido Company, Limited handling all aspects from planning through system construction.

Question 5

How much progress have you made with plans to reinforce and expand your businesses in China and Asia?

*5:

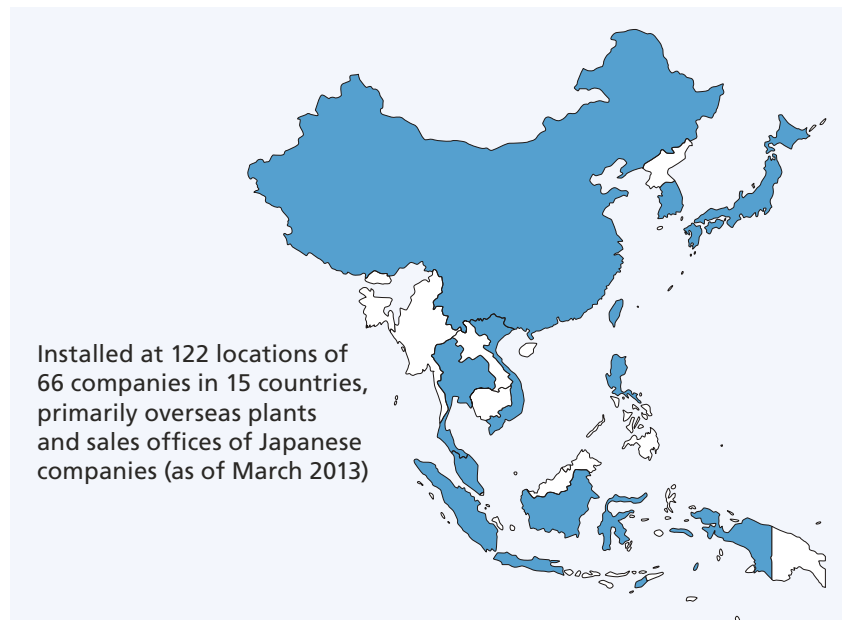
Our global SCM solutions are outsourcing services for various types of business support systems, provided by NRI to Japanese companies operating overseas. We offer solutions that enable the global sharing of business information, supply chain visibility, and data exchange between companies, along with core business support centering on ERP packages.

Alongside the prime account strategy, we intend to offer operational support for IT departments of client companies, thereby concentrating our proposals on a relatively small group of core clients (see Special Feature, p.28).

We have been working to establish a structure capable of delivering both consulting services and IT solutions in China and elsewhere in Asia, in line with our goal of reinforcing and expanding our businesses in the region. In the consulting field, we set up NRI India as a local consulting subsidiary in November 2011. At the same time, we formed a business alliance and invested in the Indian research company Market Xcel Data Matrix Pvt. Ltd. These moves coincided with increasing efforts by Japanese companies to tap the Indian market, which helped get our businesses off to a good start. In January 2013, we established a local subsidiary in Thailand, and we are positive about the future. In IT solutions, we are steadily expanding our provision of global SCM solutions*⁵ as ASP services to the sales and production bases of Japanese manufacturers and wholesalers in the ASEAN region.

Although our near-term objective is to support the overseas expansion of Japanese companies, as we build up local experience we plan to expand orders from local companies and government bodies, initially for our consulting services. We aim to gradually increase the weighting of our overseas operations as we establish stronger networks and train up personnel (see Special Feature, p.29).

•Expanding Global SCM Solutions



Question 6

You are also focusing on setting up a new data center and strengthening the competitiveness of your IT platforms.

*6:
Business Continuity Plan (BCP) and Disaster Recovery (DR): preparations and emergency response measures that will enable a business to continue operating in the event of major earthquakes and other disasters.

In November 2012, we opened Tokyo Data Center I in the Tama district of Tokyo, and operations have been going smoothly. The new data center is a state-of-the-art facility that is also environment-friendly, and we will be using it as a base for the NRI Financial Cloud that will house our industry-standard business platforms (shared online services). The term "Financial Cloud" refers to the building of IT infrastructure in the cloud for the provision of industry-standard business platforms to the financial sector. These services combine high levels of quality with cost efficiency.

We plan to open a second data center in the Osaka area, which we intend to use mainly for BCP/DR*⁶ purposes.

IT platforms are a key source of NRI's value added and as such support the Company's business model. Accordingly, we intend to raise their quality to ensure that we meet the stringent requirements of the financial sector in terms of disaster-preparedness and information security (see Special Feature, pp.26-27).

Question 7

What is your message for investors, including your stance on shareholder returns?

In terms of returns to shareholders, our fundamental policy is to make appropriate, stable dividend payments, targeting a consolidated dividend payout ratio of around 30%. At the same time, we intend to use cash to raise enterprise value, mainly by investing in our industry-standard business platforms or by gaining more outsourcing contracts with purchasing clients' IT assets to expand our client base. We are also planning to form new business alliances. By investing cash primarily in our businesses, we aim to sustain strong growth. If we are left with surplus cash after this, we will consider additional shareholder returns.

As we work toward the goals of Vision 2015, we are looking to achieve growth by concentrating on the fields where we can best leverage our strengths. While doing so, we aim to further strengthen our distinctive global expansion strategy and bolster the ability of our people to come up with and transmit innovative ideas. Moreover, we will seek to further validate Dream up the Future, our corporate philosophy, which encapsulates NRI's endeavours to continually make proposals that create future value for companies and for society as a whole. Such efforts aimed at long-term growth should raise both our enterprise and brand value, and we think this will also benefit shareholders.



Growth strategies that leverage our strengths and the accomplishments of Vision 2015

Messages from Division Heads

Consulting

Stepping up growth through the expansion of consulting services

Shiro Tanikawa

Member of the Board, Senior Executive Managing Director



Financial IT Solutions

Targeting growth by using our industry-standard business platforms to capture IT investment demand

Keiichi Ishibashi

Senior Executive Vice President, Representative Director, Member of the Board



Industrial IT Solutions

Drawing upon our strengths to expand the client base

Mitsuru Sawada

Representative Director, Member of the Board, Senior Executive Managing Director



IT Platform Services

Research and utilization of leading-edge information/production technologies and provision of high-performance data centers

Keiichi Ishibashi

Senior Executive Vice President, Representative Director, Member of the Board



Corporate Administration

Providing strong support for the implementation of Vision 2015

Masahiro Muroi

Senior Executive Vice President, Representative Director, Member of the Board



Understanding the current situation of society, industry, and business and navigation to the future

With approximately 900 consultants, our domestic consulting operation is the largest in Japan as well as being a market leader in terms of quality. We have also been strengthening service capabilities at our overseas bases. We now have six overseas bases, mainly in Asia, at which we deploy around 100 local consultants.

The consulting needs of client companies are changing, with many now looking for a partner with whom they can work to realize new businesses, as well as for help with the

more traditional issues of strategy formulation. Accordingly, it is crucial for an information services company to have the business consulting capabilities that enable it to design new business processes together with clients, and also the system consulting capabilities to support those new businesses. At NRI, we intend to help clients improve their competitiveness using our ability to provide integrated services that extend from business consulting to system consulting.

Supporting the financial sector through IT services by making maximum use of our knowhow

The decision by Nomura Securities Co., Ltd. to adopt STAR, one of our shared online services, has cemented its status as an industry-standard business platform. We offer a number of industry-standard business platforms and have a particularly strong presence in the securities and asset management sectors, where we can draw upon considerable expertise and experience. We intend to further expand our business, taking advantage of the

shift from ownership to use of information systems, while at the same time leveraging the benefits our capabilities of responding rapidly to regulatory changes such as the introduction of NISA. We are also focusing on expanding our lineup of new services for the banking, insurance, and other financial sectors.

Increasing the breadth of our business portfolio through expansion in new fields

Expanding our client base in the industrial sector is a key medium- to long-term theme. To date, we have won major contracts with a number of companies by pursuing our prime account strategy, in which we focus on particular sectors, most notably the consumer industries where we have existing strengths. We now intend to further narrow our focus to intensively target several key clients using proposal-based marketing. In addition, we will

be collaborating with the Consulting Division to offer operational support to the IT departments of client companies.

Continuing to pursue security, reliability, cutting-edge technology

The IT Platform Services Division provides the IT infrastructure that underpins NRI's solutions, from system development to system management and operation outsourcing and the provision of shared online services.

In data centers, we intend to meet the needs created by our expanding provision of shared online services, while also catering to BCP/DR demand. We have been moving ahead with

the construction of the NRI Financial Cloud at locations such as Tokyo Data Center I, which opened in November 2012, and we aim to increase our cost competitiveness in IT infrastructure by providing cloud-based IT platform services that meet the exacting standards required by financial institutions. We plan to open a new data center in the Osaka area, which we will use mainly as a base for BCP/DR.

Supporting growth of business divisions by responding rapidly to changes in the operating environment

In today's rapidly changing operating environment, it is essential that we have flexibility in our organizational structure and human resources. We have implemented various measures in response to the increasing number of overseas bases such as improving local recruitment and training programs and upgrading training programs to develop global human resources.

Another key objective is to further improve the reliability and quality of our services, as these characteristics give us a

strong competitive advantage. At the Corporate Administration Division, we intend to contribute to NRI's growth by supporting the pursuit of these goals.

Meeting rising needs created by shift from ownership to use of information systems

NRI's proprietary industry-standard business platforms (shared online services) are the embodiment of its unique business model, and are one factor behind the Company's strong standing within the information services sector. We independently develop information systems that integrate the standardized functions needed in particular industries, and provide them to multiple clients as a service. The benefits for clients include lower costs compared with if they were to construct their own systems.

The business expertise and skills that we have built up over the years in our system development activities now underpin the high value added provided by our shared online services. Our wealth of experience in the financial sector, especially in the securities sector, is a particular source of strength. Providing shared online services using accumulated knowledge and skills also helps NRI to generate high levels of profitability. The expansion of our industry-standard business platforms is a key pillar of Vision 2015, and in the following section we discuss our progress.

Unique Business Model

High value-added services that only NRI can deliver

A major strength of NRI's shared online services is their standardization of the information systems needed by customers to conduct their business.

We have been involved in the construction of systems for Nomura Securities Co., Ltd. since the era of NRI's forerunner, Nomura Computer Systems Co., Ltd. Using the business knowledge and skills acquired through these projects, we developed our STAR shared online system, which integrates the standardized functions needed by a securities company. We launched STAR in 1974, and that early system can be regarded as the first step toward today's shared online services.

STAR is an integrated back-office system for retail securities companies. We have been continually developing and upgrading it for more than 40 years, and it is the leading example of our shared online services. STAR is used by a large number of clients such as second-tier and small and medium-sized securities firms, and has become the industry's de facto standard business platform.

The securities industry requires systems that provide advanced functions, scalability, reliability, and security. These are all characteristics of our shared online services. We actualize the high levels of service quality demanded by financial institutions by basing the systems at our own data centers. Our IT platform is therefore one of the key sources of NRI's value added (see pp.26-27).

Seamless response to regulatory changes

We develop systems that integrate the standardized functions required by a particular industry and provide them to multiple clients in the form of our shared online services. Shared use by multiple clients means lower IT costs for customers, and it also eliminates the need for them to respond individually to regulatory changes. Adapting information systems to meet the demands of regulatory changes tends to place a major cost and technical burden on companies. With our shared online services, however, we take responsibility for dealing with such changes, and this can be a considerable benefit for clients.

A significant strength of NRI's shared online services, which are based on our accumulated knowhow, is that they enable a rapid and assured response to regulatory and other changes.

Broad client base across various industries

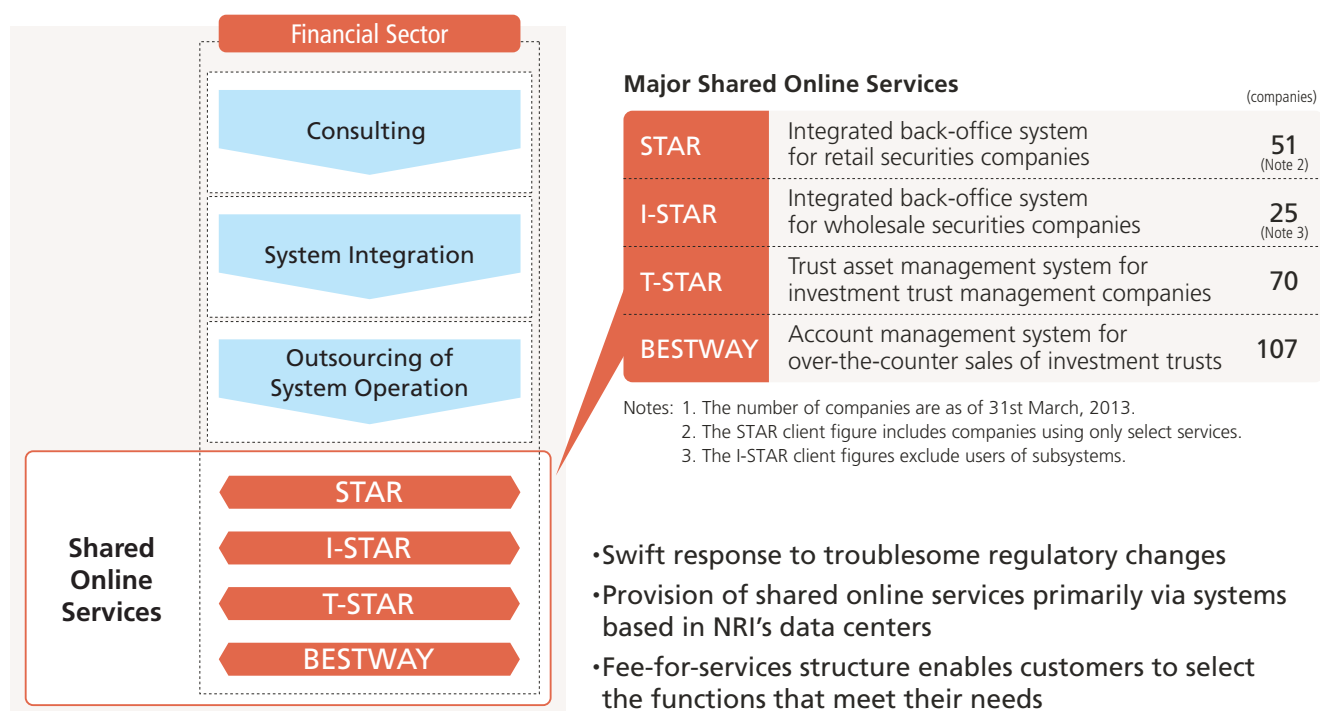
As well as STAR, we have a number of other shared online services that have become de facto standard systems in the securities and asset management sectors, including the I-STAR integrated back-office system for wholesale securities companies, and the T-STAR trust asset management system for investment trust management companies. In the banking sector, we have the BESTWAY account management system for over-the-counter sales of investment trusts, and in the non-life insurance sector we have the e-JIBAI shared online system for compulsory automobile liability insurance agencies. Each system has attracted large numbers of customers in its respective sector.

The trend toward increasing shift from ownership to use of information systems* is also resulting in more opportunities to provide shared online services, and we think this factor will help boost NRI's growth in the medium to long term.

* Historically, many Japanese companies developed their own information systems, but in recent years companies have increasingly sought to use outside providers—in the form of data centers, commodity application services, and outsourcing services—to enable them to concentrate resources on their core businesses.

Shared Online Services

Providing systems developed by NRI to multiple clients



Expanding Deployment of Shared Online Services

Adoption by Nomura Securities raises status as industry standard

STAR entered a new phase when the system went live at Nomura Securities Co., Ltd. in January 2013.

STAR had previously been adopted by numerous companies, but they were mainly second-tier, small and medium-sized securities firms. The adoption of STAR by Nomura Securities for its core back-office business systems indicates that, after two years of work to substantially expand its functionality, STAR's spec now meets the needs of even the largest company in the sector.

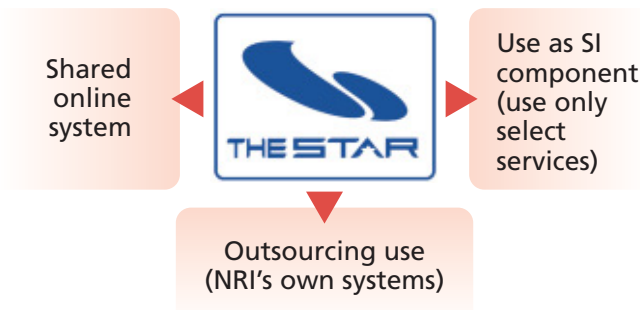
This not only raises the possibility of rolling out the system to other major securities firms, but it has also enabled us to raise service levels for existing customers. It would be fair to say that STAR's status as an industry-standard system is now even higher.

Regulatory changes such as the launch of NISA should also provide a boost

Japan's financial sector is currently gearing up for a major regulatory change upon the introduction of the NISA (Japanese version of Individual Savings Account; a tax-exempt small-scale investment scheme) in January 2014. Adapting information systems to the new scheme will place a major burden on financial institutions, and we think the change will further highlight the benefits of STAR, as NRI takes responsibility for upgrading STAR and providing additional services as necessary.

We will be focusing all the more on expanding our STAR business by meeting the needs of customers who are looking not only to reduce costs, but also to use a service that is reliable and adaptable to regulatory changes.

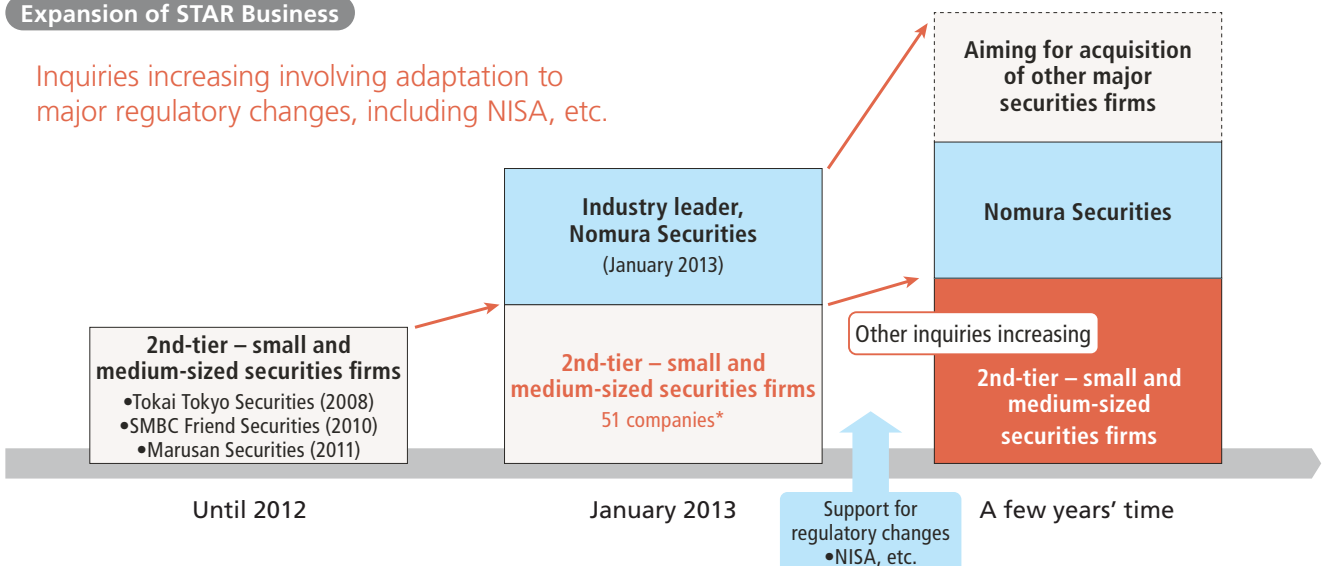
Broadening the Use of STAR



STAR can be used in various ways, including as the shared online service, as a customized outsourcing service, or as an SI component embedded in a client's own system.

Expansion of STAR Business

Inquiries increasing involving adaptation to major regulatory changes, including NISA, etc.



Expanding the Service Lineup

Value Direct plays a vital role in the provision of online banking services to regional banks

Expansion of the target sectors and operations covered by shared online services is contributing to NRI's growth.

The rollout of our Value Direct internet banking solution to regional and other banks marks the first step of NRI's full-scale move into the banking sector, and adoption of the system has been increasing steadily. We took our earlier experience in the securities sector with individual online transactions and applied it to internet banking, and the system has been well received. Our marketing collaboration with Nihon Unisys, Ltd., which provides numerous core business systems for banks, is also yielding results.

Also, we are making progress in shared online services for the insurance sector, where a number of companies are already using our ins-CALI shared online system for compulsory automobile liability insurance

contract management, which we began offering in August 2012.

From back-office processing to marketing support

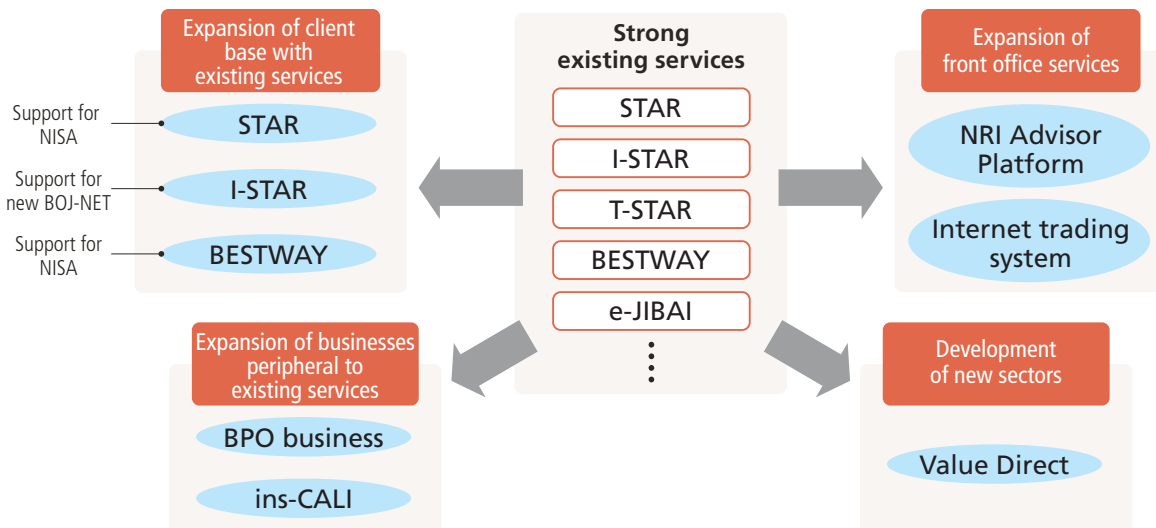
NRI's shared online services had previously focused primarily on back-office functions, but the Company has now developed the NRI Advisor Platform, a front-office solution for financial advisors undertaking asset management consultations and formulating proposals involving all kinds of financial instruments (front-office services). The system went online at Nomura Securities Co., Ltd. in January 2013.

The addition of this system means that we can now offer our customers a one-stop service menu that extends from back-office to front-office operations. We see considerable scope for increasing the adoption of front-office shared online services, and we think the compatibility of the new system with STAR should help us expand uptake.

New Lineup of Shared Online Services

I-STAR/GV	Integrated back-office solution for overseas bases of wholesale securities
T-STAR/GV	Global back-office solution for investment trust management companies
Value Direct	Internet banking solution
ins-CALI	Shared online system for compulsory automobile liability insurance contract management
NRI Advisor Platform	Proposal-oriented marketing support solution for financial institutions

Expand Territory in Shared Online Services



Advanced data centers support NRI's business model

BCP/DR* is becoming an increasingly important issue in the management and operation of information systems. At the same time, there is a rising need to deal with new technologies such as big data, cloud computing and other technologies. We responded by opening our fifth data center, the Tokyo Data Center I (T1DC), in November 2012, making our IT solutions even more competitive. We also plan to build a new data center in the Osaka area. T1DC is a state-of-the-art data center that features cutting-edge equipment and scalability. The new data center plays a key role as an IT platform from which to operate information systems that meet the highest standards demanded by financial institutions, offering customers total reliability and the ability to respond rapidly to change.

*Business Continuity Plan (BCP) and Disaster Recovery (DR): preparations and emergency response measures that will enable a business to continue operating in the event of major earthquakes and other disasters.

Key Facilities that Underpin Our Business Model

Lifelines of corporate activity

Stable operation is an absolute requirement of the shared online services provided by NRI and the information systems of clients that we operate on an outsourcing basis, as we are in charge of information systems that are vital to the business activities of clients.

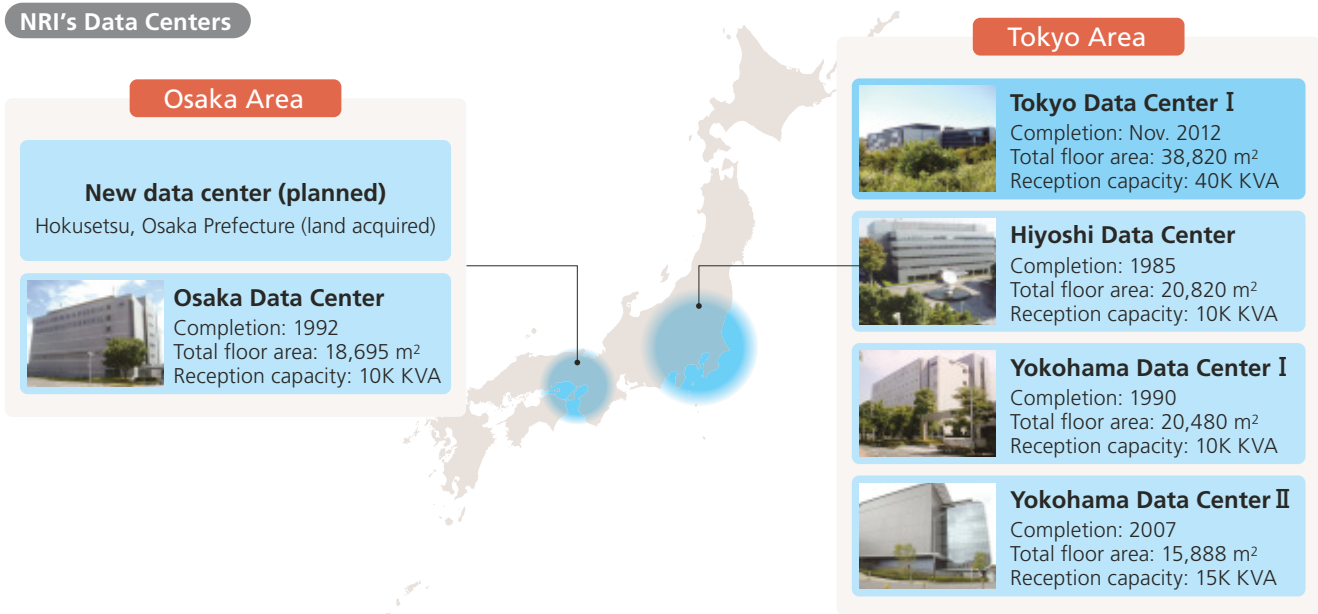
To date, we have supported the stable operation of information systems via three data centers in the Tokyo area and one in the Osaka area. Each data center has met the high expectations demanded by clients in terms of fire and earthquake resistance and advanced security and monitoring systems to prevent data leaks and other problems.

Offering high value-added services

The demands placed on data centers are becoming higher and more diverse owing to the rising importance

of BCP/DR and the requirements of cloud computing and other new technologies. Specific examples include the need to keep data that is essential to business continuity safe in the event of major disasters or disruptions, to respond flexibly to requests for system changes accompanying changes in the business environment (scalability), to reduce the environmental impact (environmental performance), and to offer security and reliability.

Tokyo Data Center I and the new data center in Osaka area are our answer to these demands. We are positioning Tokyo Data Center I as the core facility from which to provide our shared online services and house the NRI Financial Cloud, while the new data center will cater to rising BCP/DR demand and general demand in the Osaka area. For NRI, data centers underpin our business model and are an important source of value added.



Case Study: The Opening of Tokyo Data Center I

A new center providing “financial quality”

Tokyo Data Center I (T1DC), our fifth data center, opened for business in November 2012 and has been operating smoothly since the start-up. We regard T1DC as a hub for “financial quality.”

Financial institutions such as securities companies and banks have particularly stringent requirements of their information systems as regards operating stability and information security. Providing services that meet these strict demands is what we regard as “financial quality.”

A base for shared online services and the NRI Financial Cloud

Realizing T1DC’s “financial quality” began with a two-year search for the optimum site. We selected a location where the ground is hard enough to withstand earthquakes and the elevation provides safety from tsunamis. The location is also within 30km of central Tokyo, which enables a rapid emergency response. The building complies with the safety and anti-seismic standards applied by financial institutions, and it also incorporates the latest seismic isolation technology that reduces the impact of vertical shaking.

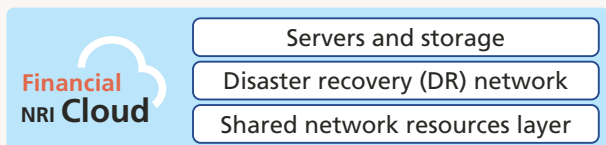
NRI is pushing ahead with construction of the NRI Financial Cloud, basing it at T1DC and Yokohama Data Center II, and will progressively transfer its shared online services for the financial sector to the cloud platforms of these two data centers. We intend to raise

platform cost competitiveness by shifting IT platform to the cloud, which will improve cost efficiency.

We are also issuing SOC2 reports for T1DC, which was the first data center in Japan to undergo this kind of audit. SOC2 reports are compiled in accordance with American Institute of Certified Public Accountants guidance, which conforms with Center for Financial Industry Information Systems (FISC) safety criteria. This will guarantee safe, high-quality data center services for customers and also fulfil their obligation to keep stakeholders informed. At the same time, the report will clarify details of the internal controls that are in place at T1DC, thereby improving efficiency and effectiveness in the administration of outsourcing operations for clients. We expect these measures to support further business expansion in the financial sector, an area of strength for NRI.

NRI Financial Cloud

Provide Cloud Services Tailored to the Level of Demand at Financial Institutions



Expansion of Client Base in Industrial Sector

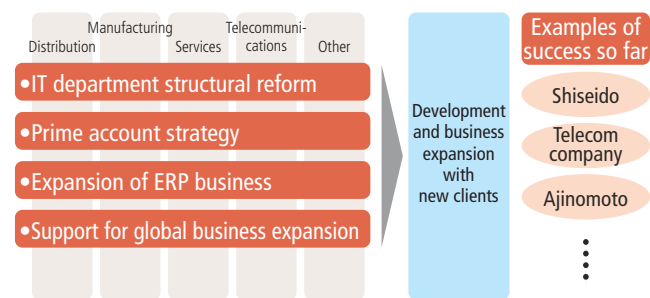
Focusing on areas of strength as we seek new clients

Expanding Our Businesses via Prime Account Strategy

NRI possesses solid expertise in the financial sector, which in recent years has accounted for more than 60% of total sales (see p.4). We have been seeking to establish second and third pillars of earnings to reduce our dependence on specific fields and ensure stable growth in the medium to long term.

Expansion in the industrial sector is one of the key policies of Vision 2015. So far, we have gone about this via our prime account strategy, in which our consulting and IT solutions divisions coordinate to create proposals to leading companies in industrial sectors with the goal of capturing major IT solutions projects. We have focused on areas in which we have existing strengths (consumer industries*, etc.), and this is starting to yield results. This approach led to the formation of a strategic alliance with Ajinomoto Co., Inc., one of Japan's leading food manufacturers, and to Ajinomoto's information system subsidiary becoming a member of the

NRI Group (see Case Study, below). We also supported the establishment of the online business of cosmetics major Shiseido Company, Limited. The business began operating in April 2012, and we helped with all aspects from business model planning through system design, development, and monitoring. Also resulting from this strategy was the expansion of services to a major telecommunications company.



*Industries that have direct contact with consumers such as distribution companies and consumer goods manufactures.

The Next Step toward Client Base Expansion

Alongside our prime account strategy, we are also intensifying our efforts to approach potential clients from new angles, making use of NRI's key strengths.

One such strategy is to offer operational support to companies' IT departments. Dramatic changes in the operating environment and information technology make it difficult for corporate IT departments to formulate IT strategy and upgrade systems by themselves. Drawing upon our expertise in system consulting and IT solutions, we intend to step up our support to

clients' IT departments.

Another approach we are using is to provide system construction support for companies expanding globally. We will further bolster our network in China and elsewhere in Asia (see p.29), and improve our ability to respond to the support needs of clients.

Also, using ERP package installation support as an entry point, we will be looking to expand our services to existing clients and also to gain new clients.

Case Study: NRI System Techno

A model example of a strategic business alliance and client base expansion

In February 2012, NRI agreed to form a strategic IT service alliance with Ajinomoto Co., Inc. On 1st April, 2012, NRI acquired a 51% stake in Ajinomoto's system information subsidiary Ajinomoto System Techno Corporation, making it an NRI Group subsidiary under the new name NRI System Techno, LTD. The subsidiary now provides comprehensive information system support to the Ajinomoto Group, primarily in Japan.

The new entity combines the industry and business process experience and knowhow of Ajinomoto's former systems subsidiary with NRI's consulting and IT solution capabilities. We aim to use this combined strength to provide IT systems that boost business competitiveness across the Ajinomoto Group.

Expansion of Business in China and Asia

Stepping up business development in both consulting and IT

Aggressive Expansion in China and Asia

NRI has to date focused its business expansion efforts on services for domestic clients, but expansion in overseas growth areas as well as in Japan will be crucial to further growth. Many Japanese companies are planning to move aggressively into China and elsewhere in Asia, and the need for systems-related support is increasing as a result. We also see strong potential demand among local companies and government agencies for the consulting expertise that NRI has acquired through its domestic operations.

Given these circumstances, Vision 2015 called for strengthening and expanding operations in China and elsewhere in Asia, to which end NRI has been working

to establish a business structure that enables it to offer both consulting services and IT solutions.

So far, we have focused overseas business development for our consulting services on local companies in the telecommunications and retail sectors, as well as local government agencies and Japanese companies. In IT solution services, we have been involved mainly in the global expansion of Japanese companies. Examples include supporting the expansion of Seven & i Holdings Co., Ltd. in North America and Asia and installing global SCM solutions at the overseas bases of manufacturers and retailers.

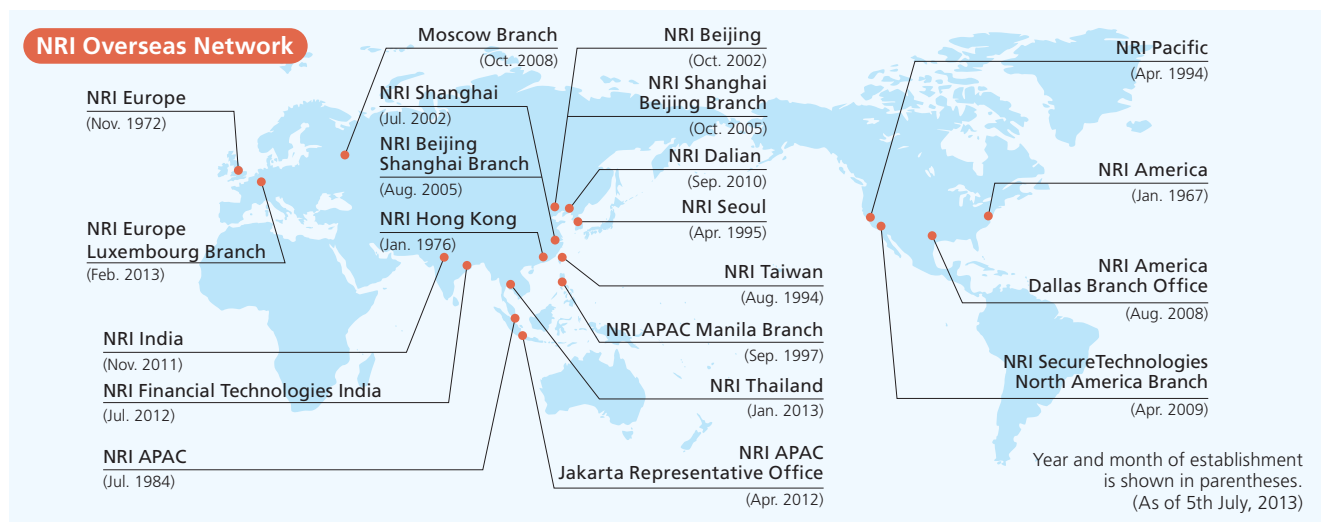
Strengthening Overseas Business Structure to Drive Further Growth

In the fiscal year ended 31st March, 2013, we accelerated considerably the expansion and realignment of our operating bases. In April 2012, we opened an office in Indonesia with a view to providing consulting and IT solution services to distribution and retail companies. In July 2012, we made an Indian IT company into a subsidiary (NRI Financial Technologies India), strengthening our ability to support the global operations of financial institutions. In January 2013, we set up local subsidiary in Thailand (NRI Thailand) to provide consulting and IT solution services to the automobile sector, other parts of the manufacturing sector, and the service sector. We also made progress with the conversion of branches

into overseas subsidiaries.

We have given Singapore-based subsidiary NRI Asia Pacific a central role in our overseas expansion, putting in place a unified operational support structure for Asia that will further business expansion in the region.

In consulting services, we intend to develop a stable client base by drawing upon our years of experience in Japan, with the aim of becoming Asia's leading consulting firm. In IT solution services, we will be extending our services to local companies as well as stepping up our efforts to support the overseas business strategies of Japanese companies.



NRI Group's CSR Policy

The first objective of NRI Group's CSR is to fulfill our social responsibilities through our business activities.

At the same time, we strive to avoid business errors and impropriety and endeavor to deepen social trust.

Above all, we aim to contribute to society through the cumulative effect of our daily activities. We reach out to people through social contributions to create solid bonds with stakeholders.

The first objective of NRI's CSR activities is to fulfill the Company's responsibilities to society through its business activities. This incorporates advocating a new order for future society and building information systems that support society. Navigation × Solution is the essence of CSR activity for the Company; we have only to continue conducting this business to fulfill our social responsibilities. By helping clients hone their competitiveness and improve their performance, and by working toward the sustainable growth of the Japanese economy, we are helping to create a better society.

Priorities: •Business Activities •Research and Development

Proactive CSR

Fulfilling our responsibilities to society through our business activities

Fundamental CSR

Building relationships of trust with society

NRI's Unique Contributions to Society

Striving for social contributions that reach the hearts of people

We strive to strengthen bonds with society through social contributions that reach the hearts of people. To forge bonds that epitomize NRI, the Company is disseminating information to provide insights into a new society and supporting the cultivation of the younger generation and managers who will bear the responsibilities of the next generation. Along with our stakeholders, we are striving aggressively to build the framework for a better society. We take every opportunity to foster communications with stakeholders and to pass on easily comprehensible information on the positive CSR activities that we conduct in the pursuit of our business to parties inside and outside the Company.

Priorities: •Propagation of Intellectual Asset
•Development of Human Resources
•Development of Society

In the execution of our business activities, we take the utmost care to avoid errors and impropriety.

To build relationships of trust with society and protect the NRI Group's corporate value, we comply with all pertinent laws and regulations and avoid violating social and cultural morals. To achieve these goals, we are building and thoroughly maintaining the following systems and frameworks.

Priorities: •Corporate Governance/Internal Control •Risk Management
•Compliance •Quality Management
•Information Security Management •Intellectual Property Management
•Environmental Protection

Engagement with Stakeholders

Our core stakeholders are our clients, employees and their families, shareholders and investors, and business partners, but in a broader sense, our stakeholders encompass consumers, the media, regional communities, industry organizations, competitors, governments, educational and research institutes and students as well as NGOs and NPOs. While maintaining close communication with our various stakeholders in ways suited to their particular qualities, we intend to build a better future society and stronger bonds of trust with society.

NRI's Unique Contributions to Society

Seminars and Forums on Management and Social Issues

NRI holds seminars and forums for shareholders, clients, and the general public in order to convey our information and recommendations for the future to the wider society.

Among these events, one of the largest is the Dream Up the Future Forum, which has been held annually since 2003. This forum, on the theme "The challenge of opening up new possibilities for a better future" was held in Tokyo and Nagoya in October 2012, attracting about 3,500 participants in total.

At the forum, a group of panellists comprising outside experts and NRI staff members gave presentations and held a panel discussion. The discussion focused on what needs to be done to unearth new possibilities and drive innovation with a view to overcoming the issues faced by society as a whole as it approaches a major turning point. Contributions from the floor and via Facebook were included, and highlights of the day were broadcast via Ustream.



Dream up the Future Forum 2012
Participants filled up the Forum site (in Tokyo)



Panel discussion (in Nagoya)

NRI supports Japanese language studies at Tsinghua University, Beijing

As part of our efforts to nurture people who will support future Japan-China relations, we hold an annual speech contest in Beijing for university students who are learning Japanese (The Tsinghua-NRI Cup: Japan-China Economic Presentation Contest).

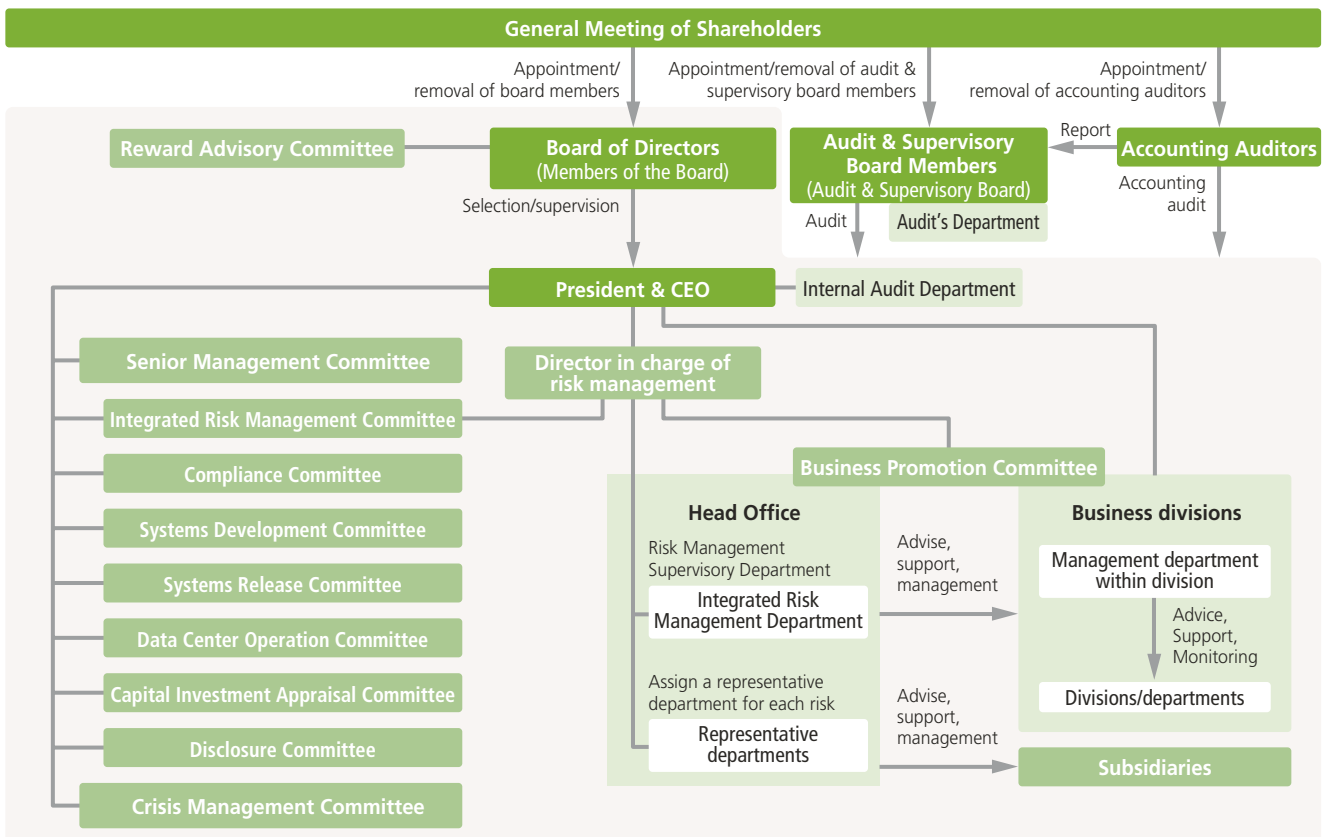
The competition is run by the Nomura Research Institute–Tsinghua University China Research Center (established within Tsinghua University in 2007), with the help of local Japanese language teachers. Contestants in the March 2013 competition were asked to speak about the positive characteristics of the Chinese people. We asked the students to sing their own praises with a view to deepening friendship and mutual understanding between the two countries. The contest gave students an opportunity to demonstrate their progress with the Japanese language via speeches that, among other things, touched upon the importance of close personal relationships to the Chinese, using examples from close to home. The contest also attracted considerable media attention, both in China and Japan. Through such activities, NRI aims to support the development of people not only in Japan, but also in China and elsewhere in Asia.



The Tsinghua-NRI Cup: Japan-China Economic Presentation Contest

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 is a company with Audit & Supervisory Board Members. NRI makes effective use of Audit & Supervisory Board Members and the Audit & Supervisory Board, 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 Audit & Supervisory Board, is functioning effectively.



Measures Aimed at Ensuring Meaningful General Meeting of Shareholders

To help invigorate General Meeting 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 Internet-based system for exercising voting rights 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 Meeting of Shareholders to explain the status of NRI's business and future initiatives primarily to individual investors.

Business Management and Execution System

NRI has nine Members of the Board, including three Outside Members of the Board. Members of the Board 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 Members of the Board, NRI will energize the Board of Directors and realize fairer, more transparent management. In selecting these Members of the Board, NRI places particular emphasis on independence, considerable experience 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 Senior Managing Directors, 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 Members of the Board compensation.

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

Audit & Supervisory System

Currently, NRI has five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members*. In addition to participating on the Board of Directors and on other important committees, Audit & Supervisory Board Members may request reports from employees and executives to provide impartial supervision of business execution by the Members of the Board. The Outside Audit & Supervisory Board Members are selected for their ability to formulate fair opinions and to audit the Members of the Board business execution objectively in order to maintain impartiality and independence of the corporate auditing system. The Audit & Supervisory Board discusses and decides auditing policies and other important matters related to auditing and formulate and express audit opinions. In carrying out audits, Audit & Supervisory Board Members 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, which is responsible for promoting internal controls. In addition, the Audit & Supervisory Board Members appropriately receive internal control status reports providing information like monitoring results on compliance with various regulations from the Risk Management Supervisory Department. To ensure that audits are effectively conducted by the Audit & Supervisory Board Members, the Audit's Department has been established to support the work of the Audit & Supervisory Board Members. To determine the personnel for this department, the representative directors or directors responsible for personnel consult with the Audit & Supervisory Members, while maintaining the independence of the department.

* Among the Audit & Supervisory Board Members, Souske Yasuda holds professional qualifications as a Certified Public Accountant and tax accountant and has significant expertise in finance and accounting.

Executive Compensation

[Executive Compensation Amounts]

Executive compensation for the fiscal year ended 31st March, 2013 is as shown below.

Category	Total compensation (millions of yen)	Compensation by type (millions of yen)				No. of eligible individuals (persons)
		Basic compensation	Bonus	Stock options	Other	
Members of the Board (Excluding Outside Members of the Board)	462	275	104	79	2	10
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	83	67	15	—	1	3
Outside Members of the Board and Outside Audit & Supervisory Board Members	85	77	7	—	0	5

(Notes) 1. "No. of eligible individuals" in the table above is the number of eligible individuals, and not the number of individuals currently in office.

2. Also includes contributions for the defined contribution pension plan and insurance premiums for casualty insurance.

[Policies for the Determination of Member of the Board Compensation and Other Matters]

Maximum total Member of the Board compensation is ¥1.0 billion annually (including stock options, but excluding employee salaries for Members of the Board who serve concurrently as employees). The Reward Advisory Committee, which is comprised of three knowledgeable outside individuals, was established to enhance transparency regarding Member of the Board 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 Member of the Board compensation and other matters.

The Member of the Board 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 Members of the Board is outlined below:

a. Basic Compensation

Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each Member of the Board'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. Note that, based on the Stock Ownership Guidelines for Executive Officers, Members of the Board are expected to hold more than a certain number of shares of the Company's stock, in accordance with their respective positions.

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

[Policies for the Determination of Audit & Supervisory Board Member Compensation and Other Matters]

Maximum total Audit & Supervisory Board Member compensation is ¥250 million. Policies for the determination of Audit & Supervisory Board Member compensation and other matters are set by through discussions among the Audit & Supervisory Board Members. The role of the Audit & Supervisory Board Members is to audit the Members of the Board in the performance of their duties and to do so from an independent standpoint. However, given that the Audit & Supervisory Board Members (full-time) share with the Members of the Board 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 Audit & Supervisory Board Members is outlined below:

a. Basic Compensation

Basic compensation consists of fixed pay (basic pay and position pay) based on each Audit & Supervisory Board Member's career, knowledge, responsibilities, and variable pay (for Audit & Supervisory Board Members (full-time) only) based on the Company's business performance level in the previous fiscal year.

b. Bonus

The bonus is only paid to Audit & Supervisory Board Members (full-time), and it is based on the Company's business performance during the current fiscal year.

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 a director in charge of risk management and established Risk Management Supervisory Department. In addition, Integrated Risk Management Committee meets to check company-wide internal control status as appropriate. The Business Promotion Committee, which all business divisions attend, also works to ensure that the internal control system is implemented. Each of the major risks associated with the Company's business activities is 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, 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 these issues and ensuring that management does not engage in transactions with such organizations.

The Internal Audit Department (21 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 Members of the Board. The results of such audits are reported to the President, and when corrections or improvements are required, the Risk Management Supervisory Department, the representative departments and the business divisions, collaborate to introduce improvements. In addition, the Internal Audit Department works to cooperate with the accounting auditor through regular exchange of opinions regarding plans for conducting internal audit and their results.

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.



Investor Relations front page
<http://www.nri.co.jp/ir/english/index.html>



Individual Investor Relations front page
 (Japanese only)
<http://www.nri.co.jp/ir/individual/index.html>



Company presentation meeting for individual investors

Members of the Board, Audit & Supervisory Board Members

Members of the Board



Akihisa Fujinuma

Chairman, Member of the Board



Tadashi Shimamoto

President & CEO,
Representative Director,
Member of the Board



Masahiro Muroi

Senior Executive Vice President,
Representative Director,
Member of the Board

In charge of Supervising of Corporate
Administration, Quality Management & Systems
Development Innovation and Risk Management



Keiichi Ishibashi

Senior Executive Vice President,
Representative Director,
Member of the Board

In charge of Supervising of Financial
Solutions and Systems Platform



Mitsuru Sawada

Representative Director,
Member of the Board,
Senior Executive Managing Director

In charge of Supervising of Industrial Solutions,
China & Asia Region Systems, Center for Corporate
Planning, Kansai Regional Headquarters and
Chubu Regional Headquarters



Shiro Tanikawa

Member of the Board,
Senior Executive Managing Director

In charge of Supervising of Consulting
Division Manager of Center for Strategic
Management & Innovation



Nobuya Minami (Note 1)

Member of the Board



Takashi Sawada (Note 1)

Member of the Board
(President and CEO of Revamp Corporation)



Akira Maruyama (Note 1)

Member of the Board
(President & Chief Executive Officer,
Representative Director of Nomura Institute of
Capital Markets Research)

Audit & Supervisory Board Members



Mamoru Suenaga
Audit & Supervisory Board Member
(full-time)



Sawaaki Yamada
Audit & Supervisory Board Member
(full-time)



Toshio Hirota (Note 2)
Audit & Supervisory Board Member
(full-time)



Sosuke Yasuda (Note 2)
Audit & Supervisory Board Member
(Senior Adviser of GYOSEI & CO.,
Managing Partner of GYOSEI Certified
Public Tax & Accountants' Co.)



Hisatsugu Nonaka (Note 2)
Audit & Supervisory Board Member

Notes:

1. Nobuya Minami, Takashi Sawada and Akira Maruyama are Outside Directors. NRI specifies Nobuya Minami and Takashi Sawada as Independent Directors pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.
2. Toshio Hirota, Sosuke Yasuda and Hisatsugu Nonaka are Outside Audit & Supervisory Board Members. NRI specifies Sosuke Yasuda and Hisatsugu Nonaka as Independent Audit & Supervisory Board Members pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.

Senior Managing Directors (excluding those also serving as Members of the Board)

Senior Corporate Managing Directors

Akihiko Nakamura
Yoshihito Mitsugi
Shin Kusunoki
Hiroshi Itano
Harumi Saitou
Shingo Konomoto
Masahide Nakamura
Tatsuya Watahiki
Yutaka Harada
Ayumu Ueno

Senior Managing Directors

Shigeki Higashiyama
Yoshihiko Murowaki
Masaki Takimoto
Hajime Ueda
Hiroshi Funakura
Takuji Nakamura
Masahiro Fuchida
Kenji Yokoyama
Tomoyasu Miura
Yoshio Usumi
Yoshio Murata

Takuhito Sakata
Fumihiko Sagano
Yasuo Fukami
Yasuki Okai
Shigeki Hayashi
Yoichi Inada
Hiroshi Masutani
Katsuhiko Fujita
Akio Yamamoto
Tomoshiro Takemoto

Consolidated 11-year Financial Summary

	2003.3	2004.3	2005.3	2006.3
For the year				
Sales	232,743	238,067	252,963	285,585
Cost of sales	173,545	178,096	190,732	213,706
Selling, general and administrative expenses	32,034	31,948	32,071	35,409
Operating profit	27,164	28,022	30,159	36,469
Ordinary profit	27,627	29,293	30,987	38,252
Income before income taxes and minority interests	27,177	32,927	27,361	37,535
Net income	15,459	18,269	16,303	22,518
Capital expenditures	20,456	24,244	17,351	18,343
Depreciation and amortization	13,244	17,750	18,402	16,574
Research and development expenses	2,508	2,216	1,646	2,501
At year-end				
Net assets	185,350	229,331	231,766	209,301
Total assets	256,798	326,799	317,341	311,786
Number of employees (persons)	4,619	4,791	4,848	5,013
Cash flows				
Cash flows from operating activities	14,611	29,312	27,569	48,875
Cash flows from investing activities	(18,994)	(19,143)	(81,981)	17,853
Cash flows from financing activities	(1,503)	(1,508)	(3,928)	(54,828)
Cash and cash equivalents at end of year	88,760	96,812	38,677	50,752
Per share information (yen) ^(Note 2)				
Net income (EPS)	67.45	79.89	72.46	103.94
Net assets	822.52	1,017.94	1,030.09	1,030.55
Cash dividends	4	8	20	28
Stock information (based on the closing price as of 31st March)				
Stock price ^(Note 2) (yen)	1,286	2,368	2,000	2,886
Market capitalization (billions of yen)	289.3	532.8	450.0	649.3
Ratios (%)				
ROE	8.1	8.8	7.1	10.2
ROA	9.9	10.0	9.6	12.2
Operating margin	11.7	11.8	11.9	12.8
Net income to sales ratio	6.6	7.7	6.4	7.9
Equity ratio	72.2	70.2	73.0	67.1
Dividend payout ratio	5.8	9.9	27.6	26.2

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.

(millions of yen)

2007.3	2008.3	2009.3	2010.3	2011.3	2012.3	2013.3
322,531	342,289	341,279	338,629	326,328	335,554	363,891
234,578	238,537	240,854	245,641	233,119	235,515	262,315
44,055	51,087	50,711	52,911	54,782	56,886	57,561
43,897	52,664	49,713	40,077	38,426	43,152	44,013
46,099	55,517	51,731	40,947	40,073	44,686	45,854
46,744	47,987	44,181	37,328	39,853	56,204	42,866
27,019	28,157	24,513	21,856	23,188	32,920	28,610
29,903	36,438	70,083	29,000	20,755	41,165	31,048
19,795	16,517	20,763	30,915	30,665	30,875	42,474
2,864	4,915	4,104	3,561	3,564	3,643	3,643
216,232	207,363	205,466	220,237	231,074	258,276	290,862
371,458	362,447	354,487	363,368	380,032	402,784	432,249
5,303	5,711	6,118	6,263	6,594	6,881	7,738
39,583	31,806	46,180	58,060	48,777	53,067	68,364
(18,578)	(47,925)	(70,994)	(16,175)	(27,723)	(47,731)	(36,019)
44,040	(23,537)	(22,414)	(10,348)	1,590	(10,438)	(10,487)
115,854	75,524	28,228	59,775	82,085	77,043	99,623
132.95	138.52	125.54	112.32	119.11	168.40	145.28
1,060.84	1,038.68	1,051.65	1,125.63	1,179.92	1,309.39	1,464.33
36	50	52	52	52	52	52
3,470	2,605	1,530	2,130	1,836	2,053	2,416
780.7	586.1	344.3	479.3	413.1	461.9	543.6
12.7	13.3	11.9	10.3	10.3	13.5	10.5
13.5	15.1	14.4	11.4	10.8	11.4	11.0
13.6	15.4	14.6	11.8	11.8	12.9	12.1
8.4	8.2	7.2	6.5	7.1	9.8	7.9
58.1	57.0	57.7	60.3	60.5	63.8	66.9
27.1	35.7	41.3	46.3	43.7	30.9	35.9

Management's Discussion and Analysis of Financial

•Business Overview

In the current fiscal year (from 1st April, 2012, to 31st March, 2013), the Japanese economy showed signs of a pickup, in line with the depreciation in the yen and equity markets strengthening from the second half of the fiscal year. Although there were some signs that companies are becoming more upbeat on investment in information systems, they remained cautious throughout the year, resulting in a severe business environment for the information services industry.

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

A large project for Nomura Securities Co., Ltd., which involved the transition from its own dedicated back-office system to a shared online system developed by the Company, began operating in the fourth quarter of the current fiscal year. This project is part of Nomura Securities Co., Ltd.'s wider efforts to renew its domestic IT systems, and the Company will continue to work with the customer to develop these systems and support its transition to the Company's shared online systems.

In addition, effective from the current fiscal year, an IT system related subsidiary of Ajinomoto Co., Inc. became a consolidated subsidiary of the Company, significantly contributing to sales growth in the industrial sector. The company became a subsidiary through an investment based on an agreement for an IT service alliance concluded with Ajinomoto Co., Inc. Going forward, the Company will actively work to further expand its client base by leveraging its wealth of expertise, as well as by such means as forging alliances with other companies and through M&A.

As part of overseas business development, the Company established and expanded bases, mainly in Asia, in order to strengthen its global operations. The Company made an Indian IT company a subsidiary, established a local subsidiary in Thailand

and a new base in Indonesia, converted branch offices in Taipei and Seoul into local subsidiaries, and established a new base in Luxembourg. Also, in human resources, the Company significantly upgraded its overseas training systems and made progress in fostering a work force capable of performing global business. In the datacenter business, the Company completed construction of Tokyo Data Center I and began providing services via the facility in the third quarter of the current fiscal year. The new data center incorporates cutting-edge technology to enhance security, expandability and environmental performance. Data centers are important infrastructure that support business and society, and the Company will continue to focus on further enhancing the security and reliability of its facilities, including existing data centers.

For the current fiscal year, the NRI Group's sales increased to ¥363,891 million (up 8.4% year on year). Cost of sales was ¥262,315 million (up 11.4%), as a result of additional costs related to a large-scale development project for the insurance sector and an increase in costs related to the acquisition of new customers in the industrial sector, while gross profit was ¥101,575 million (up 1.5%). Selling, general and administrative expenses were ¥57,561 million (up 1.2%) due to increases in subcontracting costs and education and training expenses to foster a globally capable work force. Operating profit was ¥44,013 million (up 2.0%), the operating margin was 12.1% (down 0.8 percentage points), and ordinary profit was ¥45,854 million (up 2.6%). The Company recorded extraordinary income (gains on negative goodwill) related to Daiko Clearing Services Corporation, which became an equity-method affiliate, and an extraordinary loss due to the transfer of the Osaka Data Center* related to plans to construct a new data center in the Osaka area.

Net income was ¥28,610 million (down 13.1%), but this decline mainly reflected the absence of a gain on sales of investments in affiliates recorded in the previous fiscal year.

*The Company will continue to use the Osaka Data Center under a lease contract after the facility's transfer.

•Business Results by Segment

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

Effective from the current fiscal year, the classification of the segments has been partially changed. Consequently, comparisons between segments with the previous fiscal year shown below are based on amounts restated in accordance with the classifications following this change.

Consulting

This segment provides policy recommendations and strategy consulting, as well as operational consulting to support business reform and system consulting for overall IT management.

In the current fiscal year, as part of efforts to strengthen its business in Asia, the Company pushed forward with the development and expansion of bases in the ASEAN region, including the establishment of a local subsidiary in Thailand.

Condition and Results of Operations

Consulting for the public sector and system consulting to support the execution of customers' system projects increased, but overseas sales declined, mainly in China. As a result, the Consulting segment posted sales of ¥22,908 million (up 5.0% year on year), which was insufficient to cover the increase in personnel expenses accompanying an increase in personnel, resulting in operating profit of ¥2,807 million (down 6.7%).

Financial IT Solutions

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

A large project for Nomura Securities Co., Ltd., which involved the transition to a shared online back-office system developed by the Company, began operating in the fourth quarter of the current fiscal year. In the banking sector, where Internet banking is becoming an increasingly important business channel, the Company made further progress in acquiring new customers for its shared Internet banking system. The Company also began providing new services, such as front-office systems that support consulting-based sales of financial products.

During the current fiscal year, sales generated from system development and application sales in the insurance sector declined, but there was strong growth in application sales to major clients in the securities sector. In a large-scale development project for the insurance sector, additional costs were incurred because of an increase in development expenses and a delay in development, and this project has become unprofitable.

As a result of the above, the Financial IT Solutions segment posted sales of ¥219,916 million (up 8.5% year on year) and operating profit of ¥22,300 million (up 4.0%).

Industrial IT Solutions

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

In this segment, the Company has been making efforts to provide IT solution proposals while working closely with the Consulting segment, which has a large number of customers in the industrial sector, to expand the client base. In addition, effective from the current fiscal year, an IT system related subsidiary of Ajinomoto Co., Inc. became a consolidated subsidiary of the Company through an investment based on an agreement for an IT service alliance concluded with Ajinomoto Co., Inc.

During the current fiscal year, sales in the segment increased year on year, mainly from system management and operation services and system development and application sales for the manufacturing and service sectors, partly helped by a contribution from the newly consolidated subsidiary. Although costs related to the acquisition of new customers increased, profitability improved due to a decline in unprofitable projects.

As a result, the Industrial IT Solutions segment posted sales of ¥83,662 million (up 15.8% year on year) and operating profit of ¥6,486 million (up 52.3%).

IT Platform Services

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

In this segment, the Company has been making efforts to expand its client base by not only renewing customers' IT platforms, but also by proposing IT platform solutions to customers to help them improve their businesses and revenues. In the datacenter business, the Company completed Tokyo Data Center I and began providing services via the facility in the third quarter of the current fiscal year.

In terms of sales to external customers, there were decreases mainly in product sales to major customers in the securities sector, while in intersegment sales, there were increases in system consulting services and system management and operation services to the Consulting and Industrial IT Solutions segments. With respect to costs, there was an increase in depreciation and amortization expenses for property and equipment due to the start of operations at Tokyo Data Center I.

As a result, the IT Platform Services segment posted sales of ¥103,376 million (down 1.4% year on year) and operating profit of ¥10,070 million (down 10.3%).

Others

Some subsidiaries and others provide system development and system management and operation services as a business segment that is separate from those shown above.

The Others segment posted sales of ¥12,719 million (up 7.8% year on year) and operating profit of ¥1,136 million (up 56.3%).

•Results of Operations of the Fiscal Year ended 31st March, 2013

<1> Sales and operating revenue

As mentioned in "Business Overview," sales were ¥363,891 million (up 8.4% year on year) and operating profit was ¥44,013 million (up 2.0%). As a result, the operating margin was 12.1% (down 0.8 percentage points).

<2> Non-operating income/expenses and ordinary profit

Equity in earnings of affiliates increased on the new inclusion of Daiko Clearing Services Corporation as an equity method affiliated company and on higher profits at equity method affiliated companies. In addition, the Company recorded a foreign currency gain, compared with a loss in the previous fiscal year. As a result, non-operating income totaled ¥1,910 million (up 10.7% from the previous fiscal year) and non-operating expenses were ¥69 million (down 64.0%). Non-operating profit was thus ¥1,841 million (up 20.1%), and ordinary profit came to ¥45,854 million (up 2.6%).

<3> Extraordinary income/loss, provision for income taxes, and net income

Extraordinary income amounted to ¥4,821 million (down 59.1% from the previous fiscal year) which included gains on negative goodwill that arose when Daiko Clearing Services Corporation became an equity method affiliated company. Extraordinary loss was ¥7,810 million (compared with ¥279 million in the previous fiscal year), reflecting in part a loss on the sale of fixed assets that was booked upon the sale of the Osaka Data Center. Overall, this resulted in an extraordinary loss of ¥2,988 million (versus an extraordinary profit of ¥11,518 million in the previous fiscal year).

With the application of tax-effect accounting, the effective tax rate was 33.3% and provision for income taxes came to ¥14,260 million (down 38.8%).

As a result of the above, net income for the year came to ¥28,610 million (down 13.1%). The decline reflects the absence of gains on the sale of investments in affiliates that were booked as extraordinary income in the previous fiscal year.

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

(1) Policy for distribution of profits

The Company considers the ongoing growth of its corporate value to be the most important return to its shareholders. The Company's basic policy on the payment of dividends from surplus is to continue to provide stable dividends while securing sufficient retained earnings for its medium- to long-term business development. The Company's 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 capital investment and R&D investment for enhancing existing businesses and cultivating new businesses, investment in human resource development, and strategic investment such as M&A. Retained earnings may also be utilized to purchase treasury stock, as part of its flexible capital management aimed to improve capital efficiency and respond to the

changes in the business environment.

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

(2) Payment of dividends from surplus

The Company decided to pay cash dividends of ¥26 per share with the record date of the end of the current fiscal year (31st March, 2013) in light of the policy above and the business results in the current fiscal year. Combined with interim cash dividends paid in November 2012 (the record date of interim dividends was 30th September, 2012), the annual dividend payment was ¥52 per share, for a consolidated dividend payout ratio of 35.9%.

Date of Board resolution	Total cash dividends	Cash dividends per share	Record date
26th October, 2012	5,119 million yen	26 yen	30th September, 2012
15th May, 2013	5,137 million yen	26 yen	31st March, 2013

Note: The total cash dividends do not include dividends for trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2012 was ¥108 million and the planned portion to be decided by resolution in May 2013 is ¥91 million).

•Analysis of Financial Position at the End of the Fiscal Year ended 31st March, 2013

<1>Summary

At the end of the fiscal year (31st March, 2013), the NRI Group had current assets of ¥189,233 million (up 7.0% from the end of the previous fiscal year), noncurrent assets of ¥243,016 million (up 7.5%), current liabilities of ¥118,190 million (up 70.3%) and noncurrent liabilities of ¥23,196 million (down 69.1%). Net assets were ¥290,862 million (up 12.6%) and total assets were ¥432,249 million (up 7.3%).

<2>Securities

At the end of the fiscal year, the Company held short-term investment securities totaling ¥90,185 million, an increase of 11.2%, or ¥9,106 million, from the end of the previous fiscal year, and investment securities of ¥88,378 million, an increase of ¥27,104 million, or 44.2%. These increases reflected the investment of surplus funds in government bonds, etc., and the effect of rising market prices on equity holdings. Short-term investment securities comprised entirely bond investment trusts (cash equivalents). Investment securities comprised ¥42,686 million in equities (up 46.7%), ¥45,516 million in bonds (up 42.0%), and ¥175 million in equity investment partnerships and other investments (up 55.3%).

Investments in affiliates increased by ¥9,188 million, to ¥10,441 million, owing to the acquisition of shares in Daiko Clearing Services Corporation and the emergence of negative goodwill when that company became an equity method affiliate.

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

<3>Fixed assets

Under property and equipment, buildings, net increased ¥7,334 million to ¥40,502 million (up 22.1% year on year) and land declined ¥1,459 million to ¥12,140 million (down 10.7%). The increase for buildings, net reflected the completion of Tokyo

Data Center I, while the decline for land was due to the transfer of the Osaka Data Center. Property and equipment totaled ¥63,456 million (down 6.1%) and accounted for 14.7% of total assets. The Company invested ¥14,880 million in property and equipment during the fiscal year, a decline of 24.8% from the previous year.

<4>Software

Software (including software suspense accounts) declined by ¥16,055 million, or 28.1%, to ¥41,115 million, accounting for 9.5% of total assets. The decline reflected an increase in product sales, which resulted in higher amortization. Software investment during the fiscal year was ¥16,167 million (down 24.4%), the bulk of which related to the development of shared online systems.

<5>Others

The increase in current liabilities and the decline in noncurrent liabilities from the end of the previous fiscal year reflected the transfer of ¥49,996 million in convertible bonds that are now due to mature within one year from noncurrent liabilities to current liabilities. Long-term loans payable (including the current portion of long-term loans payable) decreased by ¥2,504 million, or 27.2%, to ¥6,703 million. These loans were taken out upon the introduction of the trust-type employee stock ownership incentive plan in March 2011, and the decline reflects half-yearly repayments using the proceeds from the sale of shares to NRI Group Employee Stock Ownership Group. As a result of these share sales, the amount of treasury stock deducted from net assets declined ¥3,460 million, or 5.0%, to ¥65,380 million.

Accounts receivable declined ¥2,446 million, or 4.3%, to ¥54,039 million, and accrued income from system development increased ¥2,784 million, or 14.1%, to ¥22,489 million.

•Cash Flow Position

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2013) stood at ¥99,623 million (up ¥22,579 million from the end of the previous fiscal year).

Net cash provided by operating activities in the current fiscal year was ¥68,364 million, which was ¥15,297 million greater compared with the previous fiscal year. This was due to the increase in depreciation and amortization and decrease in income taxes paid.

Net cash used in investing activities was ¥36,019 million,

a decline of ¥11,712 million from the previous fiscal year. Cash was mainly used for the acquisition of property and equipment related to data centers, the acquisition of software and other intangibles related to the development of multi-user systems, and the purchase of investment securities for fund management purposes.

Net cash used in financing activities was ¥10,487 million, which was roughly the same as the previous fiscal year. The main item of expenditure for both periods was cash dividends paid.

Facilities

During the fiscal year ended 31st March, 2013, the NRI Group's total capital expenditures came to ¥31,048 million.

In the IT Platform Services segment, the Company completed construction of Tokyo Data Center I in autumn 2012 and purchased related equipment. The Company also renewed emergency power systems and air conditioning equipment at existing data centers. In the Financial IT Solutions segment, the Company

developed shared online systems to expand the provision of high value-added services.

During the fiscal year, the Company sold the Osaka Data Center, for which book value was ¥8,477 million at the start of the fiscal year (IT Platform Services segment). The Company continues to use the Osaka Data Center under a lease contract.

•Major Facilities

The major facilities of the NRI Group are as follows.

(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	364	0	157	—	—	—	333	855	1,021 [123]
Kiba Center (Koto-ku, Tokyo)	Financial IT Solutions	999	7	401	—	—	—	15,038	16,446	1,346 [356]
Yokohama Center (Hodogaya-ku, Yokohama)	Industrial IT Solutions, IT Platform Services	722	18	1,317	—	—	—	6,726	8,784	1,391 [264]
Yokohama Minato Center (Kanagawa-ku, Yokohama)	Financial IT Solutions	944	13	243	—	—	0	10,404	11,605	1,244 [268]
Osaka Center (Kita-ku, Osaka)	Industrial IT Solutions	27	0	14	—	—	—	2	44	67 [2]
Tokyo Data Center I (Tama, Tokyo)	IT Platform Services	14,971	99	421	19,496	2,308	—	—	17,801	5 [1]
Hiyoshi Data Center (Yokohama)	IT Platform Services	5,335	467	136	14,112	4,952	—	—	10,891	40 [61]
Yokohama Data Center I (Yokohama)	IT Platform Services	6,922	1,765	1,167	— [6,748]	—	60	1	9,918	53 [180]
Yokohama Data Center II (Yokohama)	IT Platform Services	8,674	1,113	625	4,602	2,312	—	—	12,725	8 [8]
Osaka Data Center (Osaka)	IT Platform Services	30	371	358	—	—	—	0	760	29 [30]
Yokohama Learning Center (Hodogaya-ku, Yokohama)	Company-wide (common use)	127	0	50	—	—	—	19	198	42 [13]
Shiodome Center (Minato-ku, Tokyo)	IT Platform Services	53	13	27	—	—	—	1,540	1,634	170 [21]

Notes: 1. The figures are book values as of 31st March, 2013.

2. In the listings above, some of the facilities include neighboring offices.

3. Some portions of land and buildings at offices are rented, with the exceptions of Tokyo Data Center I, Hiyoshi Data Center, and Yokohama Data Center II. Annual rental expense for leased facilities totals ¥11,096 million (includes facilities that are sublet to domestic subsidiaries). Leased land area is shown in square brackets [].

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

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

6. For the facilities in the listings above, data centers are mainly data center facilities, and others include office facilities and software and system development facilities.

(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 Netcom, Ltd. Head Office (Kita-ku, Osaka)	Others	136	—	206	—	—	—	139	481	290 [69]
NRI Secure Technologies, Ltd. Head Office (Miinato-ku, Tokyo)	IT Platform Services	69	—	671	—	—	1	456	1,198	213 [43]
NRI Workplace Services, Ltd. Head Office (Hodogaya-ku, Yokohama)	Company-wide (common use)	646	—	15	7,385	1,805	—	4	2,472	130 [45]
NRI Data iTech, Ltd. Head Office (Koto-ku, Tokyo)	IT Platform Services	25	—	19	—	—	—	18	62	150 [31]
NRI Process Innovation, Ltd. Head Office (Kanagawa-ku, Yokohama)	Financial IT Solutions	3	2	9	—	—	—	3	18	87 [116]
NRI System Techno, LTD. Head Office (Hodogaya-ku, Yokohama)	Industrial IT Solutions	37	—	33	—	—	3	52	127	322 [16]
(Overseas Subsidiary)										
Nomura Research Institute (Beijing), Ltd. Head Office (Beijing, China)	Industrial IT Solutions	4	—	72	—	—	—	61	138	141 [1]
Nomura Research Institute Shanghai, Limited Head Office (Shanghai, China)	Consulting	16	—	9	—	—	—	—	25	81 [1]
Nomura Research Institute Financial Technologies India Private Limited Head Office (Kolkata, India)	Financial IT Solutions	—	—	68	2,023	14	—	56	139	234 [9]

Notes: 1. The figures are book values as of 31st March, 2013.

2. As individual facilities of subsidiaries are small, facilities are not listed individually but grouped together under each subsidiary.

3. Some portions of land and buildings at all facilities are rented, with annual rental expense of ¥276 million (excluding rent for facilities sublet to subsidiaries by NRI).

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

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

6. The facilities in the listings above are mainly office facilities and software and system development facilities. The facilities of NRI Workplace Services, Ltd. are mainly dormitories.

•Capital Expenditure Plans for the Fiscal Year ended 31st March, 2014

We have capital expenditure plans of ¥32,000 million for the fiscal year ending 31st March, 2014, 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	Facilities	Planned investment (millions of yen)	Major items and purposes
Consulting	Software	10	Personal computers and others
	Hardware		
Financial IT Solutions	Software	14,200	Software for internal use to provide services for financial industry and other clients, software development for sale purposes, etc.
	Hardware	3,800	Equipment for system development to provide services for financial industry and other clients, equipment to provide services installed in data centers
Industrial IT Solutions	Software	2,900	Software development for internal use to provide services for clients in the distribution, manufacturing, service, and other industries; software development for sale etc.
	Hardware	1,200	Equipment for system development to provide services for clients in the distribution, manufacturing, service and other industries; equipment to provide services installed in data centers
IT Platform Services	Facilities in centers	9,000	Acquisition of data center related facilities, etc.
Others	Software	700	Software for internal use to provide client services, equipment, etc.
	Hardware		
Company-wide (common use)	Office facilities	190	Property equipment, furniture, fixtures, etc.
Total		32,000	

Research and Development

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

1. Research and feasibility studies, development of prototypes, and experimental trials, all of which lead to the development of new businesses and products
2. Research into advanced information technologies, platform technologies, and production and development technologies
3. 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 Strategic Management and Innovation, which is in charge of policy recommendations and advanced technology functions. In addition, individual business divisions, in pursuing medium- 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 the fiscal year ended 31st March, 2013, our research and development expenses amounted to ¥3,643 million. The research and development activities by each segment are as follows.

Consulting

In the consumer field, we conducted a questionnaire survey of 10,000 consumers and carried out market research focusing on the ASEAN region. In the industrial field, our research focused on mitigating risk at businesses in China, in addition to which we conducted surveys and carried out research on M&As by Japanese companies targeting Indian companies.

Research and development expenditure in the segment amounted to ¥420 million.

Financial IT Solutions

We undertook research and development on cutting-edge solutions for new business and new product development. We also developed front-end solutions for securities companies and marketing support solutions that make use of investment product information. We conducted research related to the expansion of business process outsourcing (BPO) services, worked on the development of infrastructure to meet the demands of rising cross-border transaction volume at investment banks, and conducted surveys on the financial IT market and service trends in the United States and Europe.

Our research and development expenses for the segment amounted to ¥1,552 million.

Industrial IT Solutions

We conducted research into the application of ERP (Enterprise Resource Planning) packages to core businesses in the food and beverages industry, and into new website creation techniques for e-commerce sites.

Our research and development expenses for the segment amounted to ¥365 million.

IT Platform Services

Our efforts included the creation of an IT roadmap of promising medium-term technology trends, research into the use of Big Data*1, the development of interfaces for tablets and other smart devices, and research into next-generation database technologies. Our research and development activities related to OpenID*2 protocol focused on standardization efforts and the evaluation of technologies and products. We also conducted research on the advanced use of the development framework. Our research and development expenses for the segment amounted to ¥1,085 million.

Others

In addition to the above, we worked to further improve quality control by expanding the functionality of project management support tools to broaden the scope of their application, and we evaluated the effects. Other research focused on methods of extracting system design information from an existing system for use when reconstructing the system.

Our research and development expenses for the segment amounted to ¥218 million.

*1 Big Data: Huge, complex data arrays that cannot be managed with existing technology

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

Management Policy and Tasks

(1) Basic Management Policy

The NRI Group's corporate statement is "Dream up the future." The Company views its 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- to Long-term Management Strategy

With IT use in business management becoming increasingly sophisticated, needs are increasing for faster and cheaper information system set-up and operation. In the set-up and operation of corporate information systems, a shift is underway toward outsourcing some operations to external specialists instead of the company itself conducting the operations independently. Companies also increasingly do not own their own systems, but rather use IT functions provided as third-party services. These third-party service providers must improve their ability to provide services. In addition, as clients' businesses transcend national and industry boundaries, achieving global response and functional links that cross industry barriers is increasingly important in the information service industry.

In response to these changes in the business environment, NRI is developing business under the following management strategy.

- To provide cross-industry business platforms, mainly in financial areas, and expand and upgrade the services we provide
- In industrial areas, to expand industries and operations in which we specialize by providing services and attracting industry-leading clients, mainly wholesalers/retailers and businesses such as food or clothing manufacturers, etc. catering to consumers
- To expand our operations in the Asian region, for example China, India and the ASEAN economies, where future market growth is expected.

Under this strategy, the NRI Group aims to achieve sustained growth in Japan and abroad while improving productivity, ensuring quality, and changing the mindsets and improving the skills of the human resources supporting these productivity and quality control.

(4) Management Tasks

When investing in information systems, companies are increasingly looking for systems that will keep pace with the rapidly changing IT environment, and they are also seeking to establish or strengthen structures that will enable business continuity in the event of a disaster or other emergency. Customers' expectations of information services companies are thus rising, but at the same time they are becoming increasingly focused on the cost of investment versus the benefits. Against this backdrop, the NRI Group is expanding and upgrading its shared online services, which, as industry-standard business platforms, offer outstanding return on investment. At the same time, we are focused on designing and developing optimal information systems, ensuring stable system operation, protecting data in the event of disasters, and further strengthening information asset backup systems within our data centers.

Expanding our client base will be essential if we are to achieve growth over the medium to long term. A considerable proportion of the NRI Group's clients are securities companies. To reduce the risk of sales fluctuations arising from a high exposure to a specific sector, we believe it is crucial to broaden our client base in the banking sector and in industry-related fields, and to expand overseas. In the banking sector, we are looking to expand the functionality of our shared online systems, and we will also be looking to leverage business alliances with other companies to offer proposals to clients. In industrial fields, we will be looking to attract new clients by integrating the consulting and system engineering functions. We will also respond to the needs of distribution companies and other domestic clients who are expanding overseas. In terms of global expansion, we intend to acquire new customers in Asia, where prospects for market growth are favorable, by opening more offices mainly in the ASEAN region and enhancing our business promotion framework. In addition, we will be looking to hire and train local personnel and improve our domestic human resources development programs with a view to ensuring that our people can operate in a global business environment. To ensure steady and efficient progress toward these aims, we will be proactive in the use of external resources. This will mean business collaboration and M&As with domestic and foreign companies that have the requisite new technologies, experience, and superior networks.

We will also promote the standardization of development techniques, etc., and enhance our system of checks to ensure that system development proceeds in line with plans. By continually strengthening our operating structures and training our employees, we aim to prevent system disruptions from occurring. As information services company, we are entrusted with the information assets of our clients. Accordingly, as well as taking a painstaking approach to information security management, we will be implementing stricter management controls at our data centers, which constitute the lifeline of information services.

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, 2013, 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> 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> 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.

<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> Dependence on specific business categories and clients

The NRI Group sales showed strong dependence on specific business sectors and clients. In the fiscal year ended 31st March, 2013, sales of Financial IT Solutions to external customers mainly in the financial sector accounted for 60% 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, accounted for 40% of consolidated 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 if 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.

<6> Investments, M&As, alliances

The NRI Group invests in various companies with a view to developing future business opportunities, and it also takes equity stakes in clients to strengthen business relationships, considering expected return on investment. The NRI Group also undertakes M&As and forms business alliances with a view to strengthening the operating base.

Such actions involve careful prior examination of the target

company's financial standing and its business activities, and decisions are made only after all the necessary information has been gathered and due diligence exercised.

Despite this approach, there is a possibility that investments, M&As, and alliances have an adverse impact on the NRI Group's performance in the event that unforeseen problems arise after deals have been completed, or that the expected benefits fail to materialize.

<7> *Capital relationship with Nomura Holdings, Inc., and its affiliates*

As of 31st March, 2013, Nomura Holdings, Inc., held 38.2% of the voting rights of NRI (including 31.7% of indirectly held voting rights). In addition, affiliated companies, including JAFCO Co., Ltd. and Takagi Securities Ltd., held 8.9% of NRI's voting rights.

There is no guarantee that the percentage of voting rights held by Nomura Holdings, Inc., and its affiliates will remain stable. Furthermore, the exercise of voting rights by Nomura Holdings, Inc., and its affiliates may not necessarily be aligned with the interests of other NRI shareholders.

(2) Business continuation

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 (emergency response plan) outlining the emergency response system and action guidelines in the event a large-scale disaster, disruption, accident, or other incident occurs that affects the business and execution of operations. While taking proactive measures and conducting repeated drills, we will work to upgrade and reinforce our crisis management structure, including preparing the infrastructure necessary for business continuation and establishing a structure to achieve smoother business continuation. The data centers held by the NRI Group meet the highest Japanese standards for disaster preparation, in terms of security measures and earthquake resistance among other aspects. We intend to further reinforce our backup systems for the NRI Group's information assets contained within these data centers as well as take measures based on standards agreed upon with clients regarding their information assets in our keeping.

However, in the event of a contingency or situation that exceeds the capabilities of one company, in which business disruption is unavoidable, provision of services at the standards agreed upon with clients may not be feasible and could potentially affect the NRI Group's performance.

(3) Intellectual property rights

The Company are witnessing a growing importance of intellectual property rights related to information systems and software, such as patents for business models related to e-commerce.

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) Laws and regulations

The NRI Group is subject to domestic and overseas laws and regulations when conducting its business activities. The NRI Group has established a compliance structure and makes every effort to ensure compliance with laws and regulations.

However, there is a possibility that the breach of laws and regulations or the implementation of new laws and regulations could have a negative impact on the NRI Group's operations and performance.

(5) Information Security

With the penetration of Internet infrastructure, dissemination of all kinds of information throughout society has become instantaneous. While these technological advances have broadened the range of users and increased convenience, they have also heightened the risk of information leaks, for example through improper external access. The question of security management is now being closely scrutinized by society in general. In the information services industry, where the Company constantly handles clients' confidential data, more sophisticated information security management and comprehensive employee training is needed.

In the area of personal information management, we have obtained Privacy Mark certification accrediting our management system to protect personal information. We conduct appropriate management of confidential information, and a portion of our business has obtained Information Security Management System certification. Among the steps we take to consistently maintain a high level of security, we have systems that control entering and exiting of buildings, ensure rigorous computer security management, and conduct training sessions on 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.

(6) Quality of services

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 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. Information systems are important social infrastructure, and quality management and risk management are essential from the development stage to achieve stable operation after system completion. We strongly recognize that, for systems in the financial services sector in particular, the systems not only involve the reliability of NRI's client, but also the entire financial market.

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 Systems Development Committee, for projects over a certain size in order to thoroughly review the progress of projects through system delivery and operation. We will further develop examinations for and improvements to the system development process for systems in the financial services sector.

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 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.

Data centers play a crucial role in the economy and society, and we are keenly aware of their importance. As well as putting in place an operating structure that enhances the security of its data centers, the NRI Group has set up a data center steering committee that comprises experts from both inside and outside the Company. The committee regularly checks and evaluates the status of data center management.

Nevertheless, there is a possibility that the stability of data center operations may not meet the standards agreed to with clients despite our efforts, as a result of human failure to follow correct operating procedures, equipment failure, or power outages and other infrastructure-related problems. Such adverse developments could not only have a negative impact on our performance but could also damage the reputation of the NRI Group.

(7) 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 the fiscal year ended 31st March, 2013, our subcontractors were responsible for less 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 15% 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.

If despite these efforts, work outside the scope of the contract work is carried out and disguised contract issues and so forth arise, the NRI Group may lose credibility.

(8) 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 strive to recruit highly capable staff with specialized skills, 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.

(9) Marketable securities holdings

The NRI Group holds stocks of client companies with a view to strengthening business ties, and it holds bonds for investment purposes.

In the event of business deterioration or bankruptcy at an issuer, the Group may incur an impairment loss or be unable to recover its investment. Moreover, market prices for these securities fluctuate in line with the economic environment, market trends, and earnings at issuers. Such fluctuations can affect the NRI Group's financial position.

(10) Assets and liabilities related to retirement benefit

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.

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

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 influence the stated value of assets, liabilities, income and expenditure. An estimate deemed reasonable in view of historical experience or current circumstances may differ from the actual figure, owing to the inherent uncertainty of estimates.

The significant accounting policies used in the preparation of the NRI Group's consolidated financial statements are described in Consolidated Financial Statements and Notes to the Consolidated Financial Statements (Significant Accounting Policies). We think the following accounting policies and estimates in particular could have significant influence on 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 and cost of sales of subcontracted software development and consulting projects. In practice, cost of sales is recognized as incurred, 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). Receivables corresponding to sales on projects that are incomplete at the end of the fiscal year are recorded on the consolidated balance sheet as accounts receivable including development.

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. We have put in place a project management structure that enables us to accurately estimate costs at the time orders are received and to monitor work in progress. We revise our estimates immediately if a project deviates beyond prescribed limits from initial estimates. Accordingly, we are confident that such revenues are 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 services as part of shared online systems is carried out according

to the straight-line 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.

<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 discount rate of 1.4% (weighted average).

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) ¥5,764 million, (¥3,141) million, ¥1,404 million, ¥3,500 million and (¥2,667) million for the years ended 31st March, 2009, 2010, 2011, 2012 and 2013 respectively.

Actuarial differences are amortized by the straight-line method over a defined period not exceeding the average remaining service time (10–15 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 ¥5,699 million.

<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 tax system and the business environment.

<5> *Accounting procedures for the Trust-type Employee Stock Ownership Incentive Plan*

NRI introduced a trust-type employee stock ownership incentive plan in March 2011. The plan was set up to enable all employees who are members of the NRI Group Employee Stock Ownership Group to benefit from gains in NRI's share price. The Employee Stock Ownership Trust (hereafter the "ESOP Trust") which was set up for this incentive plan, acquired in advance a lump sum of NRI stock from the NRI Group commensurate with the amount of stock expected to be acquired by the NRI Group Employee Stock Ownership Group during the five-year period from the ESOP Trust's establishment. This stock is sold when the NRI Group Employee Stock Ownership Group acquires it. If a rise in the share price has resulted in a gain within the trust when the trust is to be terminated, the amount will be distributed to beneficiaries in proportion to their contribution. NRI guarantees

the debt used by the ESOP Trust to acquire NRI shares, and any debt remaining upon termination of the trust will be repaid by NRI under the terms of the guarantee.

Accounting for the ESOP Trust is integrated with that for NRI. As such, ESOP Trust assets, liabilities, expenses and profit are recorded in the consolidated financial statements. Therefore, NRI stock held by the ESOP Trust is treated as NRI treasury stock and the ESOP Trust debt financing is treated as NRI debt financing. Furthermore, NRI stock that NRI sells to the ESOP Trust is not recognized as transferred at the time it is sold to the ESOP Trust; each time the ESOP Trust subsequently sells the stock to the Employee Stock Ownership Group, the transaction is treated as a transfer of treasury stock. Since the amount equivalent to gain on the sale of ESOP Trust stock is distributed to beneficiaries after the ESOP Trust terminates, it is treated as an expense in the fiscal year in question.

Consolidated Financial Statements Nomura Research Institute, Ltd.

*At 31st March, 2013 and 2012 and
for the years ended 31st March, 2013 and 2012, and
for the year ended 31st March, 2011 (unaudited)
with Independent Auditor's Report*

Nomura Research Institute, Ltd.

Consolidated Financial Statements

31st March, 2013, 2012 and 2011 (unaudited)

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Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 20, 2013
Tokyo, Japan

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,
	2013	2012	2013
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 3 and 11</i>)	¥ 10,274	¥ 8,462	\$ 109,286
Short-term investment securities (<i>Notes 3, 4 and 11</i>)	90,186	81,079	959,323
Accounts receivable and other receivables (<i>Notes 3 and 5</i>)	76,530	76,192	814,062
Inventories	223	178	2,372
Deferred income taxes (<i>Note 9</i>)	7,291	7,066	77,556
Other current assets	4,803	3,906	51,091
Allowance for doubtful accounts	(74)	(79)	(787)
Total current assets	<u>189,233</u>	<u>176,804</u>	<u>2,012,903</u>
Property and equipment (<i>Note 6</i>):			
Land	12,141	13,600	129,146
Buildings, net	40,502	33,167	430,826
Machinery and equipment, net	10,743	12,899	114,275
Leased assets, net (<i>Note 13</i>)	70	114	745
Construction in progress	–	7,789	–
Property and equipment, net	<u>63,456</u>	<u>67,569</u>	<u>674,992</u>
Software and other intangibles	42,854	57,862	455,845
Investment securities (<i>Notes 3 and 4</i>)	88,378	61,273	940,091
Investments in affiliates (<i>Notes 3 and 4</i>)	10,441	1,253	111,063
Deferred income taxes (<i>Note 9</i>)	14,381	15,778	152,973
Long-term loans receivable (<i>Note 3</i>)	7,937	7,821	84,427
Lease investment assets	436	446	4,638
Other assets (<i>Note 7</i>)	15,179	14,024	161,461
Allowance for doubtful accounts	(46)	(46)	(489)
Total assets	<u>¥432,249</u>	<u>¥402,784</u>	<u>\$4,597,904</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2013	2012	2013
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 3)	¥ 20,498	¥ 21,811	\$ 218,041
Current portion of convertible bonds (Note 3)	49,996	–	531,816
Current portion of long-term loans payable (Note 3)	2,453	2,531	26,093
Lease obligations, current	268	201	2,851
Accrued expenses	18,664	19,781	198,532
Income taxes payable	11,318	10,093	120,391
Advance payments received	5,184	4,807	55,143
Asset retirement obligations	3	8	32
Other current liabilities	9,806	10,149	104,308
Total current liabilities	118,190	69,381	1,257,207
Convertible bonds (Note 3)	–	49,997	–
Long-term loans payable (Note 3)	4,250	6,677	45,208
Lease obligations	342	411	3,638
Deferred income taxes (Note 9)	38	27	404
Employees' retirement benefits (Note 8)	17,965	17,251	191,096
Asset retirement obligations	601	699	6,393
Guarantee deposits received	–	64	–
Commitments and contingent liabilities (Note 18)			
Net assets (Notes 10 and 12):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000,000 shares at 31st March, 2013 and 2012			
Issued – 225,000,000 shares at 31st March, 2013 and 2012	18,600	18,600	197,851
Additional paid-in capital	14,800	14,800	157,430
Retained earnings	305,058	286,907	3,244,953
Treasury stock, at cost:			
– 27,384,993 shares at 31st March, 2013 and 28,834,693 shares at 31st March, 2012	(65,381)	(68,841)	(695,469)
Total shareholders' equity	273,077	251,466	2,904,765
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	17,937	7,966	190,799
Foreign currency translation adjustment	(1,640)	(2,575)	(17,445)
Total accumulated other comprehensive income	16,297	5,391	173,354
Share subscription rights (Note 19)	1,411	1,420	15,009
Minority interests	78	–	830
Total net assets	290,863	258,277	3,093,958
Total liabilities and net assets	¥432,249	¥402,784	\$4,597,904

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Income and Comprehensive Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2013	2012	2011	2013
			(Unaudited)	
Sales	¥363,891	¥335,555	¥326,329	\$3,870,769
Cost of sales	262,315	235,516	233,120	2,790,288
Gross profit	101,576	100,039	93,209	1,080,481
Selling, general and administrative expenses (Notes 14 and 15)	57,562	56,886	54,782	612,297
Operating profit	44,014	43,153	38,427	468,184
Other income (expenses):				
Interest and dividend income	1,268	1,363	1,585	13,488
Interest expense	(57)	(71)	(8)	(606)
Equity in earnings (losses) of affiliates	339	111	(12)	3,606
Loss on property and equipment	(7,732)	-	-	(82,247)
Gain (loss) on investment securities (Note 4)	(75)	(130)	130	(798)
Gain on bargain purchase	4,661	-	-	49,580
Gain on investments in affiliates (Note 4)	-	8,564	-	-
Special dividend income	-	3,011	-	-
Reversal of share-based compensation (Note 19)	158	73	-	1,681
Impact of applying accounting standard for asset retirement obligations	-	-	(364)	-
Other, net	291	131	96	3,095
	(1,147)	13,052	1,427	(12,201)
Income before income taxes and minority interests	42,867	56,205	39,854	455,983
Provision for income taxes (Note 9):				
Current	16,679	19,501	14,865	177,417
Deferred	(2,419)	3,783	1,799	(25,731)
	14,260	23,284	16,664	151,686
Income before minority interests	28,607	32,921	23,190	304,297
Income (loss) attributable to minority interests	(3)	-	2	(32)
Net income (Note 12)	¥ 28,610	¥ 32,921	¥ 23,188	\$ 304,329
Income (loss) attributable to minority interests	¥ (3)	¥ -	¥ 2	\$ (32)
Income before minority interests	28,607	32,921	23,190	304,297
Other comprehensive income (Note 16):				
Valuation difference on available-for-sale securities	9,701	1,708	(2,178)	103,191
Foreign currency translation adjustment	898	94	(406)	9,552
Share of other comprehensive income of affiliates	307	6	(13)	3,266
Total other comprehensive income	10,906	1,808	(2,597)	116,009
Comprehensive income	¥ 39,513	¥ 34,729	¥ 20,593	\$ 420,306
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	¥ 39,516	¥ 34,729	¥ 20,591	\$ 420,338
Comprehensive income attributable to minority interests	(3)	-	2	(32)

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statements of Changes in Net Assets

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share subscription rights	Minority interests	
Balance at 1st April, 2010 (Unaudited)	¥18,600	¥15,018	¥251,800	¥(72,526)	¥212,892	¥ 8,436	¥ (2,256)	¥ 6,180	¥1,155	¥10	¥220,237
Disposition of treasury stock	-	-	-	241	241	-	-	-	-	-	241
Loss on disposition of treasury stock	-	(24)	-	-	(24)	-	-	-	-	-	(24)
Net income	-	-	23,188	-	23,188	-	-	-	-	-	23,188
Cash dividends paid	-	-	(10,122)	-	(10,122)	-	-	-	-	-	(10,122)
Net changes other than in shareholders' equity	-	-	-	-	-	(2,178)	(419)	(2,597)	162	(10)	(2,445)
Balance at 1st April, 2011 (Unaudited)	18,600	14,994	264,866	(72,285)	226,175	6,258	(2,675)	3,583	1,317	-	231,075
Disposition of treasury stock	-	-	-	3,444	3,444	-	-	-	-	-	3,444
Loss on disposition of treasury stock	-	(194)	(735)	-	(929)	-	-	-	-	-	(929)
Net income	-	-	32,921	-	32,921	-	-	-	-	-	32,921
Cash dividends paid	-	-	(10,145)	-	(10,145)	-	-	-	-	-	(10,145)
Net changes other than in shareholders' equity	-	-	-	-	-	1,708	100	1,808	103	-	1,911
Balance at 1st April, 2012	18,600	14,800	286,907	(68,841)	251,466	7,966	(2,575)	5,391	1,420	-	258,277
Disposition of treasury stock	-	-	-	3,460	3,460	-	-	-	-	-	3,460
Loss on disposition of treasury stock	-	-	(944)	-	(944)	-	-	-	-	-	(944)
Net income	-	-	28,610	-	28,610	-	-	-	-	-	28,610
Cash dividends paid	-	-	(10,220)	-	(10,220)	-	-	-	-	-	(10,220)
Change of scope of equity method	-	-	705	-	705	-	-	-	-	-	705
Net changes other than in shareholders' equity	-	-	-	-	-	9,971	935	10,906	(9)	78	10,975
Balance at 31st March, 2013	¥18,600	¥14,800	¥305,058	¥(65,381)	¥273,077	¥17,937	¥(1,640)	¥16,297	¥1,411	¥78	¥290,863

Thousands of U.S. dollars (Note 2)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share subscription rights	Minority interests	
Balance at 1st April, 2012	\$197,851	\$157,430	\$3,051,877	\$(732,273)	\$2,674,885	\$ 84,736	\$(27,391)	\$ 57,345	\$15,106	\$ -	\$2,747,336
Disposition of treasury stock	-	-	-	36,804	36,804	-	-	-	-	-	36,804
Loss on disposition of treasury stock	-	-	(10,041)	-	(10,041)	-	-	-	-	-	(10,041)
Net income	-	-	304,329	-	304,329	-	-	-	-	-	304,329
Cash dividends paid	-	-	(108,712)	-	(108,712)	-	-	-	-	-	(108,712)
Change of scope of equity method	-	-	7,500	-	7,500	-	-	-	-	-	7,500
Net changes other than in shareholders' equity	-	-	-	-	-	106,063	9,946	116,009	(97)	830	116,742
Balance at 31st March, 2013	\$197,851	\$157,430	\$3,244,953	\$(695,469)	\$2,904,765	\$190,799	\$(17,445)	\$173,354	\$15,009	\$830	\$3,093,958

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,
	2013	2012	2011 (Unaudited)	2013
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 42,867	¥ 56,205	¥ 39,854	\$ 455,983
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	42,475	30,875	30,666	451,814
Interest and dividend income	(1,268)	(4,374)	(1,585)	(13,488)
Interest expense	57	71	8	606
Loss on property and equipment	7,732	–	–	82,247
Loss (gain) on investment securities	75	130	(130)	798
Gain on bargain purchase	(4,661)	–	–	(49,580)
Gain on investments in affiliates	–	(8,564)	–	–
Impact of applying accounting standard for asset retirement obligations	–	–	364	–
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	1,834	(5,728)	(1,727)	19,509
Allowance for doubtful accounts	(7)	(42)	(23)	(74)
Accounts payable	(4,218)	1,482	(4,305)	(44,868)
Inventories	(18)	78	176	(191)
Employees' retirement benefits	(1,728)	(3,438)	(3,463)	(18,381)
Other	(683)	834	2,872	(7,266)
Subtotal	82,457	67,529	62,707	877,109
Interest and dividends received	1,528	4,499	1,395	16,254
Interest paid	(56)	(72)	(5)	(596)
Income taxes paid	(15,564)	(18,889)	(15,319)	(165,557)
Net cash provided by operating activities	68,365	53,067	48,778	727,210
Cash flows from investing activities				
Payments for time deposits	(1,111)	(782)	(1,129)	(11,818)
Proceeds from time deposits	1,051	853	331	11,180
Purchase of short-term investment securities	–	(13,234)	(19,933)	–
Proceeds from sales and redemption of short-term investment securities	11,800	14,910	6,300	125,519
Acquisition of property and equipment	(15,668)	(20,848)	(9,565)	(166,663)
Proceeds from sales of property and equipment	1,158	34	5	12,318
Purchase of software and other intangibles	(16,162)	(21,399)	(10,211)	(171,918)
Proceeds from sales of software and other intangibles	–	346	–	–
Payments for asset retirement obligations	(40)	(31)	(64)	(425)
Purchase of investment securities	(21,415)	(29,285)	(31)	(227,795)
Proceeds from sales and redemption of investment securities	6,614	5,351	6,558	70,354
Purchase of investments in affiliates	(2,264)	–	(15)	(24,083)
Proceeds from sales of investments in affiliates (Note 17)	–	16,326	–	–
Other	17	27	30	180
Net cash used in investing activities	¥(36,020)	¥(47,732)	¥(27,724)	\$ (383,151)

Nomura Research Institute, Ltd.

Consolidated Statements of Cash Flows (continued)

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2013	2012	2011	2013
			(Unaudited)	
Cash flows from financing activities				
Increase in short-term loans payable	¥ 554	¥ 6,922	¥ 3,500	\$ 5,893
Decrease in short-term loans payable	(554)	(6,922)	(3,500)	(5,893)
Proceeds from long-term loans payable	-	-	11,783	-
Repayment of long-term loans payable	(2,506)	(2,575)	-	(26,657)
Proceeds from issuance of short-term bonds	-	-	9,997	-
Redemption of short-term bonds	-	-	(10,000)	-
Repayment of obligation under finance leases	(107)	(53)	(69)	(1,138)
Proceeds from sales of treasury stock	2,344	2,337	(0)	24,934
Cash dividends paid	(10,219)	(10,148)	(10,121)	(108,702)
Net cash provided by (used in) financing activities	(10,488)	(10,439)	1,590	(111,563)
Effect of exchange rate changes on cash and cash equivalents	722	63	(335)	7,680
Net increase (decrease) in cash and cash equivalents	22,579	(5,041)	22,309	240,176
Cash and cash equivalents at beginning of year	77,044	82,085	59,776	819,530
Cash and cash equivalents at end of year <i>(Note 11)</i>	¥ 99,623	¥ 77,044	¥ 82,085	\$1,059,706

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2013, 2012 and 2011 (unaudited)

1. Significant Accounting Policies***Description of Business***

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 21 consolidated subsidiaries) and its affiliates (3 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the Company’s operations by segment is included in Note 20.

Basis of Presentation

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

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

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

Basis of Consolidation and Application of Equity Method

The accompanying consolidated financial statements for the years ended 31st March, 2013, 2012 and 2011 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (21, 15 and 15 for the years ended 31st March, 2013, 2012 and 2011, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., and NRI System Techno, LTD. as of 31st March, 2013.

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 or loss is included in consolidated income. All affiliated companies (3, 2 and 2 for the years ended 31st March, 2013, 2012 and 2011, respectively) have been accounted for by the equity method. The affiliated companies are Nippon Clearing Services Co., Ltd., and MC NRI GLOBAL SOLUTIONS, INC., and Daiko Clearing Services Corporation (“Daiko Clearing Services”) as of 31st March, 2013.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

NRI System Techno, LTD., Nomura Research Institute Financial Technologies India Private Limited and UBsecure, Inc., newly acquired subsidiaries, and Nomura Research Institute Taiwan Co., Ltd. and Nomura Research Institute Seoul Co., Ltd., newly established subsidiaries during the year ended 31st March, 2013, are included in the scope of consolidation.

The Company acquired additional shares of Daiko Clearing Services during the year ended 31st March, 2013. As a result, this affiliated company is newly accounted for by the equity method.

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 available-for-sale securities based on their holding objectives. Available-for-sale 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 securities are carried at amortized cost.

Marketable securities classified as available-for-sale 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 available-for-sale securities is included as a separate component of net assets, net of the applicable taxes.

Non-marketable securities classified as available-for-sale 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. 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 by the straight-line method over a useful life of three years, based on the estimated volume of sales or the estimated sales revenue with the minimum amortization amount. 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.

Other intangible assets are amortized by the straight-line method over their respective estimated useful lives.

Depreciation and Amortization of Leased Assets

Leased tangible assets under finance leases that do not transfer ownership are mainly depreciated by the declining-balance method over the lease period. Leased intangible assets under finance leases 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 liability is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years). Actuarial gain or loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (10 to 15 years) from the next fiscal year after the incurrence.

Revenue Recognition

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.

1. Significant Accounting Policies (continued)

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In response to a revision of the Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries have changed the method of depreciation for tangible fixed assets acquired on or after 1st April, 2012 in accordance with the provisions of the revised Corporation Tax Law. As a result of this change, operating profit and income before income taxes and minority interests for the year ended 31st March, 2013 increased by ¥348 million (\$3,702 thousand) from the corresponding amounts which would have been recorded under the previous method.

Accounting Standards to Be Applied

“Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of 17th May, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of 17th May, 2012)

1) Overview

From the perspective of improving financial reporting and in light of global trends, the accounting standard and related guidance have been revised mainly in the areas of the accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service costs, the calculation method for retirement benefit obligations and service costs and the enhancement of disclosure.

2) Scheduled date of application

From the beginning of annual periods beginning on or after 1st April, 2013

3) Impact of application of accounting standards

The impact of the application of these accounting standards on the consolidated financial statements is expected to be immaterial.

1. Significant Accounting Policies (continued)

Additional Information

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

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

This is an incentive plan under which gains from the Company’s share price appreciation are returned to all participants in the Employee Stock Ownership Group (the “ESOP Group”).

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

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

The ESOP Trust owned 3,520,800 shares of the Company’s at 31st March, 2013.

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 ¥94.01 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2013. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Financial Instruments

1) Qualitative information

(a) Policy for financial instruments

In the course of business operations, the Company raises short-term funds through bank loans and commercial paper, and raises long-term funds through bank loans and issuances of corporate bonds. The Company manages funds by utilizing low-risk financial instruments. The Company's policy is 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 a construction assistance fund receivable 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. Long-term loans payable relates to the borrowing by the ESOP Trust to introduce the "Trust-type Employee Stock Ownership Incentive Plan." Final installment payment is April 2016. Variable interest rates applied to long-term loans payable are exposed to interest rate fluctuation risk. The Company reduces liquidity risk relating to raising funds by developing a cash flow plan to manage all surplus funds in the Group, and by holding various financing methods.

(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 sheets as of 31st March, 2013 and 2012 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	<i>Millions of yen</i>					
	31st March, 2013			31st March, 2012		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥ 10,274	¥ 10,274	¥ -	¥ 8,462	¥ 8,462	¥ -
Accounts receivable and other receivables	76,530	76,530	-	76,192	76,192	-
Short-term investment securities, investment securities, and investments in affiliates	180,870	178,257	(2,613)	135,869	135,869	-
Long-term loans receivable	7,937	8,367	430	7,821	8,274	453
Total	<u>¥275,611</u>	<u>¥273,428</u>	<u>¥(2,183)</u>	<u>¥228,344</u>	<u>¥228,797</u>	<u>¥ 453</u>
Liabilities:						
Accounts payable	¥ 20,498	¥ 20,498	¥ -	¥ 21,811	¥ 21,811	¥ -
Convertible bonds *	49,996	49,996	-	49,997	49,297	(700)
Long-term loans payable **	6,703	6,703	-	9,208	9,208	-
Total	<u>¥ 77,197</u>	<u>¥ 77,197</u>	<u>¥ -</u>	<u>¥ 81,016</u>	<u>¥ 80,316</u>	<u>¥(700)</u>

	<i>Thousands of U.S. dollars</i>		
	31st March, 2013		
	Carrying amount	Estimated fair value	Difference
Assets:			
Cash and bank deposits	\$ 109,286	\$ 109,286	\$ -
Accounts receivable and other receivables	814,062	814,062	-
Short-term investment securities, investment securities, and investments in affiliates	1,923,945	1,896,150	(27,795)
Long-term loans receivable	84,427	89,001	4,574
Total	<u>\$2,931,720</u>	<u>\$2,908,499</u>	<u>\$(23,221)</u>
Liabilities:			
Accounts payable	\$ 218,041	\$ 218,041	\$ -
Convertible bonds *	531,816	531,816	-
Long-term loans payable **	71,301	71,301	-
Total	<u>\$ 821,158</u>	<u>\$ 821,158</u>	<u>\$ -</u>

* Convertible bonds as of 31st March, 2013 are the current portion of convertible bonds.

** Long-term loans payable included the current portion of long-term loans payable totaling ¥2,453 million (\$26,093 thousand) and ¥2,531 million as of 31st March, 2013 and 2012, respectively.

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

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

b. Accounts receivable and other receivables

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

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

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

d. Long-term loans receivable

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

Liabilities

a. Accounts payable

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

b. Convertible bonds

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

c. Long-term loans payable

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2013	31st March, 2012	31st March, 2013
Unlisted companies' shares	¥7,959	¥7,623	\$84,661
Investments in partnerships	176	113	1,871

*1. Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥1,069 million (\$11,371 thousand) and ¥887 million as of 31st March, 2013 and 2012, respectively.

*2. For investments in partnerships, when all or a part of the asset of partnership consist of non-marketable securities whose fair value is not readily determinable, such components are not measured at fair value.

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2013 and 2012

	<i>Millions of yen</i>					
	31st March, 2013			31st March, 2012		
	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and bank deposits	¥10,274	¥ –	¥ –	¥ 8,462	¥ –	¥ –
Accounts receivable	53,959	80	1	56,486	–	–
Investment securities:						
Available-for-sale securities with maturities:						
Government bonds	10,000	35,001	–	–	25,000	1
Corporate bonds	–	–	–	18,300	–	–
Other	–	–	–	100	–	–
Long-term loans receivable	–	8,400	–	–	8,400	–
	¥74,233	¥43,481	¥ 1	¥83,348	¥33,400	¥ 1

* Other receivables are not included in the above table as there is no applicable redemption schedule.

	<i>Thousands of U.S. dollars</i>		
	31st March, 2013		
	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and bank deposits	\$109,286	\$ –	\$ –
Accounts receivable	573,971	851	11
Investment securities:			
Available-for-sale securities with maturities:			
Government bonds	106,372	372,312	–
Corporate bonds	–	–	–
Other	–	–	–
Long-term loans receivable	–	89,352	–
	\$789,629	\$462,515	\$11

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 4: Repayment schedule for convertible bonds and long-term loans payable at 31st March, 2013 and 2012

		<i>Millions of yen</i>				
		31st March, 2013				
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	
Convertible bonds	¥49,996	¥ –	¥ –	¥ –	¥ –	
Long-term loans payable*	2,453	2,416	1,834	–	–	
	<u>¥52,449</u>	<u>¥2,416</u>	<u>¥1,834</u>	<u>¥ –</u>	<u>¥ –</u>	

		<i>Millions of yen</i>				
		31st March, 2012				
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	
Convertible bonds	¥ –	¥49,997	¥ –	¥ –	¥ –	
Long-term loans payable*	2,531	2,487	2,442	1,748	–	
	<u>¥2,531</u>	<u>¥52,484</u>	<u>¥2,442</u>	<u>¥1,748</u>	<u>¥ –</u>	

		<i>Thousands of U.S. dollars</i>				
		31st March, 2013				
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	
Convertible bonds	\$531,816	\$ –	\$ –	\$ –	\$ –	
Long-term loans payable*	26,093	25,699	19,509	–	–	
	<u>\$557,909</u>	<u>\$25,699</u>	<u>\$19,509</u>	<u>\$ –</u>	<u>\$ –</u>	

* Long-term loans payable represents loans by the ESOP Trust upon introduction of the “Trust-type Employee Stock Ownership Incentive Plan.” Under the loan contracts, the timing of the installment payments is determined, but the amount of each installment payment is not specified. Therefore, the repayment schedule was calculated at an estimated amount by reference to the acquisition price of the Company’s shares that the ESOP Group was expected to purchase from the ESOP Trust.

4. Investments

The Company did not hold any held-to-maturity securities with determinable market value at 31st March, 2013 and 2012.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2013 and 2012:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2013			31st March, 2012		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 17,506	¥ 43,263	¥25,757	¥ 17,558	¥ 29,465	¥11,907
Bonds:						
Government bonds	45,451	45,516	65	25,440	25,456	16
Corporate bonds	–	–	–	18,329	18,296	(33)
	45,451	45,516	65	43,769	43,752	(17)
Other	90,411	90,362	(49)	69,559	69,501	(58)
Total	<u>¥153,368</u>	<u>¥179,141</u>	<u>¥25,773</u>	<u>¥130,886</u>	<u>¥142,718</u>	<u>¥11,832</u>

	<i>Thousands of U.S. dollars</i>		
	31st March, 2013		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 186,214	\$ 460,196	\$273,982
Bonds:			
Government bonds	483,470	484,161	691
Corporate bonds	–	–	–
	483,470	484,161	691
Other	961,717	961,196	(521)
Total	<u>\$1,631,401</u>	<u>\$1,905,553</u>	<u>\$274,152</u>

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the years ended 31st March, 2013 and 2012 amounted to ¥69 million (\$734 thousand) and ¥237 million, respectively. The Company has established a policy for the recognition of impairment losses under the following conditions:

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

4. Investments (continued)

Securities Classified as Available-for-Sale Securities (continued)

Proceeds from sales of available-for-sale securities during the years ended 31st March, 2013, 2012 and 2011 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2012	2011	2013
Proceeds (<i>Note 17</i>)	¥2	¥16,546	¥226	\$21
Gross gain	–	8,714	168	–
Gross loss	–	(22)	–	–

Non-marketable securities whose fair value is not readily determinable were included in the above table.

5. 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 ¥22,490 million (\$239,229 thousand) and ¥19,706 million at 31st March, 2013 and 2012, respectively.

6. Property and Equipment

Property and equipment at 31st March, 2013 and 2012 is summarized as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
		31st March,		31st March,
		2013	2012	2013
Land		¥ 12,141	¥ 13,600	\$ 129,146
Buildings	15 – 50	78,756	70,842	837,741
Machinery and equipment	3 – 15	55,780	56,907	593,341
Leased assets		545	320	5,797
Construction in progress		–	7,789	–
Accumulated depreciation		(83,766)	(81,889)	(891,033)
Property and equipment, net		¥ 63,456	¥ 67,569	\$ 674,992

7. Other Assets

Other assets at 31st March, 2013 and 2012 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2013	2012	2013
Lease deposits	¥10,839	¥10,720	\$115,296
Other	4,340	3,304	46,165
Other assets	¥15,179	¥14,024	\$161,461

“Other” includes golf club memberships.

8. 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. The Company also has an employee retirement benefit trust. Certain consolidated subsidiaries have defined benefit pension plans, defined benefit lump-sum payment plans, employees' pension fund trusts 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, 2013 and 2012 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,
	2013	2012	2013
Retirement benefit obligation	¥(90,743)	¥(73,273)	\$(965,248)
Plan assets at fair value	69,423	49,989	738,464
Unfunded retirement benefit obligation	(21,320)	(23,284)	(226,784)
Unrecognized actuarial gain	5,699	8,175	60,622
Unrecognized prior service cost	(1,947)	(2,142)	(20,711)
Net retirement benefit obligation	(17,568)	(17,251)	(186,873)
Prepaid pension cost	397	-	4,223
Employees' retirement benefits	¥(17,965)	¥(17,251)	\$(191,096)

Certain consolidated subsidiaries adopt the simplified method for calculating retirement benefit obligations.

Plan assets at fair value include those of the employee retirement benefit trust of ¥8,109 million (\$86,257 thousand) and ¥6,371 million at 31st March, 2013 and 2012, respectively.

The substitutional portion of the employees' pension fund is included in the above table.

8. Retirement and Severance Benefits (continued)

Prior service liability is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years).

Actuarial gain or loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (10 to 15 years, 15 years and 15 years ended 31st March, 2013, 2012 and 2011, respectively) from the next fiscal year after the incurrence.

The components of retirement benefit expenses for the years ended 31st March, 2013, 2012 and 2011 are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2012	2011	2013
Service cost	¥4,834	¥4,070	¥3,928	\$51,420
Interest cost	1,362	1,332	1,245	14,488
Expected return on plan assets	(676)	(546)	(438)	(7,191)
Recognized actuarial loss	515	196	102	5,478
Recognized prior service liability	(195)	(195)	(195)	(2,074)
Subtotal	5,840	4,857	4,642	62,121
Other	1,809	1,728	1,617	19,243
Total	¥7,649	¥6,585	¥6,259	\$81,364

Retirement benefit expenses for the consolidated subsidiaries that adopt the simplified method are included in "Service cost."

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

The amount of employee contributions to the employees' pension fund is excluded from the above table.

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

	31st March,		
	2013	2012	2011
Discount rates at the end of the year	1.4%	1.8%	2.1%
Expected rate of return on plan assets	1.5	1.5	1.5

Weighted-average rates are used as of 31st March, 2013 in the above table.

9. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2013 and 2012 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2013	2012	31st March, 2013
Deferred income tax assets:			
Employees' retirement benefits	¥ 8,283	¥ 8,355	\$ 88,108
Depreciation	13,425	10,417	142,804
Accrued bonuses	5,230	4,968	55,632
Other	3,245	3,246	34,518
	<u>30,183</u>	<u>26,986</u>	<u>321,062</u>
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	(8,043)	(3,866)	(85,555)
Special tax-purpose reserve	(300)	(257)	(3,191)
Undistributed earnings of foreign subsidiaries	(103)	(19)	(1,096)
Other	(103)	(27)	(1,095)
	<u>(8,549)</u>	<u>(4,169)</u>	<u>(90,937)</u>
Deferred income tax assets, net	<u>¥21,634</u>	<u>¥22,817</u>	<u>\$230,125</u>

Income taxes applicable to the Company and its consolidated subsidiaries consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 38.0%, 40.6% and 40.6% for the years ended 31st March, 2013, 2012 and 2011, respectively.

A reconciliation of the difference between the statutory income tax rate and the effective income tax rate after deferred tax effect in the consolidated statements of income and comprehensive income for the year ended 31st March, 2013 is as follows:

	31st March, 2013
Statutory income tax rate	38.0%
Reconciliation:	
Non-deductible permanent differences such as entertainment expenses	0.7
Non-taxable permanent differences such as dividend income	(0.4)
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	(1.2)
Gain on bargain purchase	(4.1)
Others, net	0.3
Effective income tax rate after deferred tax effect	<u>33.3%</u>

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 and comprehensive income for the years ended 31st March, 2012 and 2011 have been omitted because the differences were immaterial.

10. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million (\$6,063 thousand) and ¥570 million at 31st March, 2013 and 2012, respectively.

Shares Issued and Treasury Stock

The total number and periodic changes in the number of shares issued and treasury stock for the years ended 31st March, 2013 and 2012 are summarized as follows:

	Shares issued	Treasury stock
Number of shares at 31st March, 2011	225,000,000	30,277,343
Increase in number of shares	–	50
Decrease in number of shares	–	1,442,700
Number of shares at 31st March, 2012	225,000,000	28,834,693
Increase in number of shares	–	36
Decrease in number of shares	–	1,449,736
Number of shares at 31st March, 2013	<u>225,000,000</u>	<u>27,384,993</u>

*1 The number of common shares of treasury stock increased by 36 and 50 due to the purchases of odd-lot shares for the years ended 31 March, 2013 and 2012, respectively. The number of common shares of treasury stock decreased by 1,344,500 and 1,336,200 due to the transfer of treasury stock from the ESOP Trust to the ESOP Group and decreased by 105,000 and 106,500 due to the exercise of stock options for the years ended 31 March, 2013 and 2012, respectively, and decreased by 236 due to the exercise of convertible bonds for the year ended 31st March, 2013.

*2 Treasury stock included 3,520,800 and 4,865,300 common shares of the Company owned by the ESOP Trust as of 31st March, 2013 and 2012, respectively.

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2013 relate to the Company's stock option plans described in Note 19.

10. Net Assets (continued)

Dividends

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 17th May, 2012 and 26th October, 2012 and were paid to shareholders based on the record as of 31st March, 2012 and 30th September, 2012, respectively, during the year ended 31st March, 2013:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 17th May, 2012 * (¥26.00 = U.S.\$0.28 per share)	¥5,100	\$54,250
Cash dividends approved on 26th October, 2012 ** (¥26.00 = U.S.\$0.28 per share)	¥5,120	\$54,462

* The record date and effective date were 31st March, 2012 and 4th June, 2012, respectively.

Dividends of ¥126 million (\$1,340 thousand) paid to the ESOP Trust are not included in the total dividends amount.

** The record date and effective date were 30th September, 2012 and 30th November, 2012, respectively.

Dividends of ¥109 million (\$1,159 thousand) paid to the ESOP Trust are not included in total dividends amount.

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2013, was approved at a meeting of the Board of Directors held on 15th May, 2013 and went into effect on 3rd June, 2013:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends approved on 15th May, 2013 * (¥26.00 = U.S.\$0.28 per share)	¥5,138	\$54,654

* The record date and effective date were 31st March, 2013 and 3rd June, 2013, respectively.

Dividends of ¥92 million (\$979 thousand) paid to the ESOP Trust are not included in the total dividends amount.

10. Net Assets (continued)

Dividends (continued)

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 18th May, 2011 and 28th October, 2011 and were paid to shareholders based on the record as of 31st March, 2011 and 30th September, 2011, respectively, during the year ended 31st March, 2012:

	<i>Millions of yen</i>
	<hr/>
Cash dividends approved on 18th May, 2011 * (¥26.00 per share)	¥5,063
Cash dividends approved on 28th October, 2011 ** (¥26.00 per share)	5,082

* The record date and effective date were 31st March, 2011 and 3rd June, 2011, respectively.

Dividends of ¥161 million paid to the ESOP Trust are not included in the total dividends amount.

** The record date and effective date were 30th September, 2011 and 30th November, 2011, respectively.

Dividends of ¥144 million paid to the ESOP Trust are not included in the total dividends amount.

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2012, was approved at a meeting of the Board of Directors held on 17th May, 2012 and went into effect on 4th June, 2012:

	<i>Millions of yen</i>
	<hr/>
Cash dividends approved on 17th May, 2012 * (¥26.00 per share)	¥5,100

* The record date and effective date were 31st March, 2012 and 4th June, 2012, respectively.

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

11. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows at 31st March, 2013 and 2012 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2013	2012	31st March, 2013
Cash and bank deposits	¥10,274	¥ 8,462	\$ 109,286
Short-term investment securities	90,186	81,079	959,323
Time deposits with maturities of more than three months when deposited	(837)	(706)	(8,903)
Bond and other investments maturing in more than three months from the acquisition date	—	(11,791)	—
Cash and cash equivalents	<u>¥99,623</u>	<u>¥ 77,044</u>	<u>\$1,059,706</u>

12. Per Share Data

Earnings per share for the years ended at 31st March, 2013, 2012, and 2011 and net assets per share at 31st March, 2013 and 2012 are summarized as follows:

	<i>Yen</i>			<i>U.S. dollars</i>
	2013	2012	2011	31st March, 2013
Earnings per share	¥145.28	¥168.40	¥119.11	\$1.55
Diluted earnings per share	136.97	158.69	112.22	1.46

	<i>Yen</i>		<i>U.S. dollars</i>
	2013	2012	31st March, 2013
Net assets per share	¥1,464.33	¥1,309.39	\$15.58

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.

12. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2013, 2012 and 2011 is as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2012	2011	2013
Numerator:				
Earnings	¥28,610	¥32,921	¥23,188	\$304,329
Earnings not attributable to common shareholders	(–)	(–)	(–)	(–)
Earnings attributable to common shareholders	<u>¥28,610</u>	<u>¥32,921</u>	<u>¥23,188</u>	<u>\$304,329</u>
	<i>Thousands of shares</i>			
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *	196,937	195,492	194,677	
Potentially dilutive shares of common stock:				
Convertible bonds	11,839	11,839	11,836	
Stock options	100	119	121	
Total	<u>11,939</u>	<u>11,958</u>	<u>11,957</u>	
Weighted-average number of shares of common stock outstanding – diluted	<u>208,876</u>	<u>207,450</u>	<u>206,634</u>	

* The Company's shares owned by the ESOP Trust are included in treasury stock.

The ESOP Trust owned 3,520,800 and 4,865,300 shares of the Company as of 31st March, 2013 and 2012, respectively.

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2013, 2012 and 2011:

	<i>Shares</i>		
	31st March,		
	2013	2012	2011
a) 6th share subscription rights	280,000	340,000	367,500
b) 8th share subscription rights	315,000	367,500	415,000
c) 10th share subscription rights	335,000	417,500	417,500
d) 12th share subscription rights	428,000	440,000	440,000
e) 14th share subscription rights	445,000	445,000	445,000
f) 16th share subscription rights	392,500	392,500	–
g) 18th share subscription rights	385,000	–	–

12. Per Share Data (continued)

The computation of net assets per share at 31st March, 2013 and 2012 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2013	2012	2013
Numerator:			
Net assets	¥290,863	¥258,277	\$3,093,958
Share subscription rights	(1,411)	(1,420)	(15,009)
Minority interests	(78)	–	(830)
Net assets attributable to common stock	<u>¥289,374</u>	<u>¥256,857</u>	<u>\$3,078,119</u>
	<i>Thousands of shares</i>		
Denominator:			
Number of shares of common stock outstanding*	197,615	196,165	197,615

* The Company's shares owned by the ESOP Trust are included in treasury stock.

The ESOP Trust owned 3,520,800 and 4,865,300 shares of the Company as of 31st March, 2013 and 2012, respectively.

13. Leases

1) As lessee

The Company leases mainly computers and related devices, some of which are classified as finance leases.

Future minimum lease payments for noncancelable operating leases at 31st March, 2013 and 2012 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2013	2012	2013
Future minimum lease payments:			
Due within one year	¥ 5,579	¥ 5,179	\$ 59,345
Thereafter	11,689	14,409	124,338
Total	<u>¥17,268</u>	<u>¥19,588</u>	<u>\$183,683</u>

13. Leases (continued)

2) As lessor

There were no finance lease transactions as lessor for the years ended 31st March, 2013 and 2012.

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2013 and 2012 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2013	2012	31st March,
			2013
Future minimum lease payments to be received:			
Due within one year	¥129	¥202	\$1,372
Thereafter	14	35	149
Total	¥143	¥237	\$1,521

14. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2013, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2013	2012	2011	31st March,
				2013
Personnel expenses	¥31,630	¥31,491	¥30,447	\$336,454
Rent	4,701	4,716	5,126	50,005
Subcontractor costs	8,823	8,401	6,832	93,852
Other	12,408	12,278	12,377	131,986
Total	¥57,562	¥56,886	¥54,782	\$612,297

15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2013, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2013	2012	2011	31st March,
				2013
Research and Development Expenses	¥3,643	¥3,643	¥3,564	\$38,751

16. Consolidated Statements of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2013 and 2012 are summarized as follows.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2013	2012	2013
Valuation difference on available-for-sale securities			
Amount arising during the fiscal year	¥13,941	¥ 9,867	\$148,293
Reclassification adjustments	–	(8,546)	–
Valuation difference on available-for-sale securities	13,941	1,321	148,293
Foreign currency translation adjustment			
Amount arising during the fiscal year	898	94	9,552
Foreign currency translation adjustment	898	94	9,552
Share of other comprehensive income of affiliates accounted for using the equity method			
Amount arising during the fiscal year	307	6	3,266
Share of other comprehensive income of affiliates accounted for using the equity method	307	6	3,266
Total other comprehensive income before tax effect adjustment	15,146	1,421	161,111
Tax effect	(4,240)	387	(45,102)
Total other comprehensive income	¥10,906	¥ 1,808	\$116,009

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2013 and 2012 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2013	2012	2013
Valuation difference on available-for-sale securities			
Before-tax amount	¥13,941	¥1,321	\$148,293
Tax benefit (expense)	(4,240)	387	(45,102)
Net-of-tax amount	9,701	1,708	103,191
Foreign currency translation adjustment			
Before-tax amount	898	94	9,552
Tax benefit (expense)	–	–	–
Net-of-tax amount	898	94	9,552
Share of other comprehensive income of affiliates accounted for using the equity method			
Before-tax amount	307	6	3,266
Tax benefit (expense)	–	–	–
Net-of-tax amount	307	6	3,266
Total other comprehensive income			
Before-tax amount	15,146	1,421	161,111
Tax benefit (expense)	(4,240)	387	(45,102)
Net-of-tax amount	¥10,906	¥1,808	\$116,009

17. Related Party Transactions

Related party transactions for the years ended 31st March, 2013, 2012 and 2011 and the respective balances at 31st March, 2013 and 2012 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of U.S. dollars
		31st March,			31st March,
		2013	2012	2011	2013
a) Major shareholder: Nomura Holdings, Inc.	Sales *1	¥66,427	¥51,750	¥41,037	\$706,595
	Exchange of shares *2	—	17,873	—	—
b) Major shareholder's subsidiaries:					
The Nomura Trust & Banking Co., Ltd.	Borrowings *3	—	—	9,283	—
	Repayment of borrowings *3	1,973	2,028	—	20,987
	Payments of interest *3	39	53	1	415
Nomura Real Estate Development Co., Ltd. *4	Rent *5	1,637	1,637	—	17,413

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of U.S. dollars
		31st March,		31st March,
		2013	2012	2013
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥7,542	¥11,738	\$80,226
b) Major shareholder's subsidiaries:				
The Nomura Trust & Banking Co., Ltd.	Long-term loans payable *3	5,281	7,255	56,175
Nomura Real Estate Development Co., Ltd. *4	Long-term loans receivable *5	7,937	7,821	84,427
	Lease deposits *5	1,793	1,793	19,072

*1 The terms and conditions of the agreements were determined in the same way as ordinary transactions with non-related parties through discussions with consideration of costs associated with system development, application sales and system management and operation.

*2 The share exchange involved shares of Nomura Land and Building Co., Ltd. owned by the Company and shares of Nomura Holdings, Inc. The Company received 118 shares of Nomura Holdings, Inc. for each Nomura Land and Building Co., Ltd. share in reference to the valuation results provided by third-party appraisers and the results of the calculation after applying the average market share price method.

The amount above was calculated based on the market value as of the effective date.

The Company sold the shares of Nomura Holdings, Inc. that it received in the exchange to a third party, and a gain on the sale of the shares is recognized as "Gain on investments in affiliates" in the accompanying consolidated statements of income and comprehensive income for the year ended 31st March, 2012.

*3 The borrowing represents loans by the ESOP Trust upon introduction of the "Trust-type Employee Stock Ownership Incentive Plan." The term of the borrowing is five years (final repayment is in April 2016), with variable interest rates. The borrowing is being repaid semiannually in installments, and the borrowing rate has been determined based on the Company's credit risk.

17. Related Party Transactions (continued)

- *4 Nomura Real Estate Development Co., Ltd., which was a subsidiary of the Company's major shareholder "Nomura Holdings, Inc.," ceased to be a Nomura Holdings Inc.'s subsidiary and related party of the Company as of 21st March, 2013. In the above table, however, transactions with Nomura Real Estate Development Co., Ltd. cover transactions to the end of the year ended 31st March, 2013, and balances are those as of 31st March, 2013.
- *5 Long-term loans receivable is a construction assistance fund receivable corresponding to an office lease deposit to be refunded in a lump sum 10 years after the initial guarantee deposit was made (January 2017). The difference between the initial fair value, calculated as the disbursement amount discounted by the market interest rate, and the initial loan amount is recognized as a long-term prepaid expense and is being allocated as rent expense over 10 years (amount is not included in the transaction amount of the rent presented above). The difference between the initial fair value and the reimbursement amount is being allocated as an interest receivable over 10 years.

With regard to the rent, as presented above, the Company pays rent and a lease deposit (guarantee deposit), which were determined by considering market prices of similar properties.

18. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2013 and 2012.

19. Stock Option Plans

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

For the years ended 31st March, 2013, 2012 and 2011, the Company recognized and allocated share-based compensation cost as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2013	2012	2011	31st March,
				2013
Cost of sales	¥158	¥167	¥173	\$1,681
Selling, general and administrative expenses	158	184	206	1,681
Total	¥316	¥351	¥379	\$3,362

For the years ended 31st March, 2013, 2012 and 2011, the Company recognized reversal of share-based compensation as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2013	2012	2011	31st March,
				2013
Reversal of share-based compensation	¥158	¥73	¥-	\$1,681

19. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2013 is summarized as follows:

	<u>6th stock option plan</u>	<u>8th stock option plan</u>	<u>10th stock option plan</u>
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	36 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	400,000	422,500	417,500
Grant date	11th September, 2006	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, 2009	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, 2011
Service period	From 1st July, 2006 to 30th June, 2009	From 1st July, 2007 to 30th June, 2010	From 1st July, 2008 to 30th June, 2011
Exercisable period	1st July, 2009 to 30th June, 2013	1st July, 2010 to 30th June, 2014	1st July, 2011 to 30th June, 2015
	<u>12th stock option plan</u>	<u>14th stock option plan</u>	<u>15th stock option plan</u>
Grantee categories and numbers of grantees	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	39 directors or managing officers of the Company, and 8 directors of its subsidiaries	41 directors, managing officers or employees of the Company, and 8 directors of its subsidiaries
Number of shares reserved	440,000	445,000	103,000
Grant date	15th July, 2009	18th August, 2010	18th August, 2010
Vesting conditions	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, 2013	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period	From 1st July, 2009 to 30th June, 2012	From 1st July, 2010 to 30th June, 2013	From 1st July, 2010 to 30th June, 2011
Exercisable period	1st July, 2012 to 30th June, 2016	1st July, 2013 to 30th June, 2017	1st July, 2011 to 30th June, 2012

19. Stock Option Plans (continued)

	<u>16th stock option plan</u>	<u>17th stock option plan</u>	<u>18th stock option plan</u>
Grantee categories and numbers of grantees	37 directors or managing officers of the Company, and 5 directors of its subsidiaries	38 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries	35 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	392,500	90,500	385,000
Grant date	11th July, 2011	11th July, 2011	13th July, 2012
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	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, 2015
Service period	From 1st July, 2011 to 30th June, 2014	From 1st July, 2011 to 30th June, 2012	From 1st July, 2012 to 30th June, 2015
Exercisable period	1st July, 2014 to 30th June, 2018	1st July, 2012 to 30th June, 2013	1st July, 2015 to 30th June, 2019
	<u>19th stock option plan</u>		
Grantee categories and numbers of grantees	36 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries		
Number of shares reserved	88,500		
Grant date	13th July, 2012		
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013		
Service period	From 1st July, 2012 to 30th June, 2013		
Exercisable period	1st July, 2013 to 30th June, 2014		

19. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2013:

	6th stock option plan	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan	19th stock option plan
Non-vested:										
Beginning of the year	–	–	–	440,000	445,000	–	392,500	90,500	–	–
Granted	–	–	–	–	–	–	–	–	385,000	88,500
Forfeited	–	–	–	–	–	–	–	–	–	–
Vested	–	–	–	440,000	–	–	–	90,500	–	–
End of the year	–	–	–	–	445,000	–	392,500	–	385,000	88,500
Vested:										
Beginning of the year	340,000	367,500	417,500	–	–	21,500	–	–	–	–
Vested	–	–	–	440,000	–	–	–	90,500	–	–
Exercised	–	–	–	(12,000)	–	(21,500)	–	(71,500)	–	–
Forfeited	(60,000)	(52,500)	(82,500)	–	–	–	–	–	–	–
End of the year	280,000	315,000	335,000	428,000	–	–	–	19,000	–	–

* For the stock options which become unexercisable, the Company has applied the same accounting treatment as to forfeited stock options. The numbers of stock options presented above reflect such accounting treatment.

Price information per option for each stock option plan as of 31st March, 2013 is summarized as follows:

	<i>Yen</i>									
	6th stock option plan	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan	19th stock option plan
Exercise price	¥3,282	¥3,680	¥2,650	¥2,090	¥2,010	¥ 1	¥1,869	¥ 1	¥1,766	¥ 1
Average price on exercise	–	–	–	2,321	–	1,740	–	1,727	–	–
Fair value on grant date	865	1,030	631	539	284	1,534	460	1,792	412	1,690
	<i>U.S. dollars</i>									
	6th stock option plan	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan	19th stock option plan
Exercise price	\$34.91	\$39.14	\$28.19	\$22.23	\$21.38	\$ 0.01	\$19.88	\$ 0.01	\$ 18.79	\$ 0.01
Average price on exercise	–	–	–	24.69	–	18.51	–	18.37	–	–
Fair value on grant date	9.20	10.96	6.71	5.73	3.02	16.32	4.89	19.06	4.38	17.98

The exercise price and fair value on grant date as of 31st March, 2013 reflect the five-for-one stock split on 1st April, 2007.

19. Stock Option Plans (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2013 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>18th stock option plan</u>	<u>19th stock option plan</u>
Expected volatility *1	36.5%	22.6%
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	0.175%	0.101%

- *1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each 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, 2013 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. Segment Information

Segment Information

1) Outline of reportable segments

The Company's reportable segments, for which separate financial information is available, are evaluated periodically by management in deciding the allocation of management resources and in assessing business performances. The Company has classified its segments, comprehensively considering services, customers and markets totally, and four segments have been determined as reportable segments.

Consulting

In addition to management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform etc., system consulting is provided for all aspects of IT management.

20. Segment Information (continued)

Segment Information (continued)

1) Outline of reportable segments (continued)

Financial IT Solutions

Customers in the financial sector, who usually belong to the securities, insurance, or banking industries, are provided with services including system consulting, system development and system management and operation and IT solutions, such as multi-user systems.

Industrial IT Solutions

The main customers in this segment include not only the distribution, manufacturing and service sectors, but also governments and other public agencies. The services provided include system consulting, system development and system management and operation.

IT Platform Services

Services including system operation, management and administration of data centers and IT platform and network architecture related services are provided to mainly the Financial IT Solutions segment and Industrial IT Solutions segment. Customers in various sectors are provided with IT Platform solution and information security services.

This segment also conducts research for the development of new business operations and new products related to IT solutions and research related to leading-edge information technologies.

The Company implemented an organizational change on 1st April, 2012. This organizational change is reflected in the presentation of segment information for the year ended 31st March, 2012.

2) Methods of calculating net sales, profit (loss), assets and other items by reportable segment

The accounting policies for reportable segments are generally the same as described in "Significant Accounting Policies." Segment profit is based on operating profit. Intersegment sales or transfers are based on current market prices.

20. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment

Millions of yen

	Year ended 31st March, 2013								
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	¥22,761	¥219,755	¥83,615	¥ 28,850	¥354,981	¥ 8,908	¥363,889	¥ 2	¥363,891
Intersegment sales or transfers	148	162	48	74,526	74,884	3,812	78,696	(78,696)	–
Total	22,909	219,917	83,663	103,376	429,865	12,720	442,585	(78,694)	363,891
Segment profit	¥ 2,808	¥ 22,301	¥ 6,487	¥ 10,070	¥ 41,666	¥ 1,137	¥ 42,803	¥ 1,211	¥ 44,014
Segment assets	¥11,436	¥ 91,287	¥34,788	¥ 72,704	¥210,215	¥ 8,085	¥218,300	¥213,949	¥432,249
Other items:									
Depreciation and amortization	¥ 71	¥ 27,952	¥ 1,680	¥ 11,138	¥ 40,841	¥ 383	¥ 41,224	¥ 1,251	¥ 42,475
Investment in affiliates	–	9,582	–	–	9,582	282	9,864	–	9,864
Increase in tangible and intangible fixed assets	75	12,469	3,150	14,211	29,905	723	30,628	420	31,048

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥213,949 million is comprised of corporate assets not allocated to a reportable segment of ¥215,672 million and the eliminations of intersegment receivables of ¥(1,723) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

20. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

Millions of yen

	Year ended 31st March, 2012								
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	¥21,686	¥202,628	¥71,919	¥ 30,789	¥327,022	¥ 8,520	¥335,542	¥ 13	¥335,555
Intersegment sales or transfers	122	91	317	74,069	74,599	3,282	77,881	(77,881)	–
Total	21,808	202,719	72,236	104,858	401,621	11,802	413,423	(77,868)	335,555
Segment profit	¥ 3,011	¥ 21,435	¥ 4,259	¥ 11,230	¥ 39,935	¥ 727	¥ 40,662	¥ 2,491	¥ 43,153
Segment assets	¥10,505	¥101,371	¥26,053	¥ 74,488	¥212,417	¥ 5,893	¥218,310	¥184,474	¥402,784
Other items:									
Depreciation and amortization	¥ 78	¥ 16,331	¥ 1,371	¥ 11,086	¥ 28,866	¥ 364	¥ 29,230	¥ 1,645	¥ 30,875
Investment in affiliates	–	729	–	–	729	158	887	–	887
Increase in tangible and intangible fixed assets	94	19,566	3,913	16,903	40,476	342	40,818	347	41,165

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥184,474 million is comprised of corporate assets not allocated to a reportable segment of ¥186,003 million and the eliminations of intersegment receivables of ¥(1,529) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

20. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

Millions of yen

	Year ended 31st March, 2011								
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	¥19,725	¥194,939	¥87,975	¥15,365	¥318,004	¥ 8,320	¥326,324	¥ 5	¥326,329
Intersegment sales or transfers	53	66	4,784	63,187	68,090	3,096	71,186	(71,186)	–
Total	19,778	195,005	92,759	78,552	386,094	11,416	397,510	(71,181)	326,329
Segment profit (loss)	¥ 1,218	¥ 18,504	¥ 6,344	¥ 9,652	¥ 35,718	¥ 292	¥ 36,010	¥ 2,417	¥ 38,427
Segment assets	¥ 8,867	¥ 98,207	¥36,288	¥52,666	¥196,028	¥ 5,642	¥201,670	¥178,363	¥380,033
Other items:									
Depreciation and amortization	¥ 72	¥ 15,958	¥ 3,562	¥ 8,615	¥ 28,207	¥ 480	¥ 28,687	¥ 1,979	¥ 30,666
Increase in tangible and intangible fixed assets	81	7,990	3,981	7,404	19,456	307	19,763	993	20,756

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥178,363 million is comprised of corporate assets not allocated to a reportable segment of ¥179,974 million and the eliminations of intersegment receivables of ¥(1,611) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

20. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

Thousands of U.S. dollars

Year ended 31st March, 2013									
	Reportable segment					Others	Total	Adjustment *	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	\$242,113	\$2,337,570	\$889,427	\$ 306,881	\$3,775,991	\$ 94,757	\$3,870,748	\$ 21	\$3,870,769
Intersegment sales or transfers	1,574	1,723	511	792,746	796,554	40,548	837,102	(837,102)	—
Total	243,687	2,339,293	889,938	1,099,627	4,752,545	135,305	4,707,850	(837,081)	3,870,769
Segment profit	\$ 29,869	\$ 237,219	\$ 69,003	\$ 107,117	\$ 443,208	\$ 12,095	\$ 455,303	\$ 12,881	\$ 468,184
Segment assets	\$121,647	\$ 971,035	\$370,046	\$ 773,364	\$2,236,092	\$ 86,001	\$2,322,093	\$2,275,811	\$4,597,904
Other items:									
Depreciation and amortization	\$ 755	\$ 297,330	\$ 17,870	\$ 118,478	\$ 434,433	\$ 4,074	\$ 438,507	\$ 13,307	\$ 451,814
Investment in affiliates	—	101,925	—	—	101,925	3,000	104,925	—	104,925
Increase in tangible and intangible fixed assets	798	132,635	33,507	151,165	318,105	7,690	325,795	4,468	330,263

* The segment asset adjustment of \$2,275,811 thousand is comprised of corporate assets of \$2,294,139 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of \$(18,328) thousand.

4) Information about changes in reportable segments

- (a) In response to a revision of the Corporation Tax Law, the method of depreciation used by the reportable segments for tangible fixed assets acquired on or after 1st April, 2012 has been changed in accordance with the provisions of the revised Corporation Tax Law. As a result of this change, total segment profit for the year ended 31st March, 2013 increased by ¥348 million (\$3,702 thousand) from the corresponding amount which would have been recorded under the previous method. The impact on each segment is omitted because the amounts are immaterial.
- (b) The Company partially changed its segment reporting structure as of 1st April, 2012. The information security business and IT platform solution business, which had previously been included in the Industrial IT Solutions segment, were newly included in the IT Platform Services segment. Segment information for the year ended 31st March, 2013 in the above table reflects the new segment reporting structure.

20. Segment Information (continued)

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2013, 2012 and 2011 is summarized as follows:

	31st March, 2013		
	Millions of yen	Thousands of U.S. dollars	YoY Change
Consulting services	¥ 39,079	\$ 415,690	8.3%
System development and application sales	140,478	1,494,288	11.9
System management and operation services	174,990	1,861,397	6.6
Product sales	9,344	99,394	(4.8)
Total	¥363,891	\$3,870,769	8.4%

	31st March, 2012	
	Millions of yen	YoY Change
Consulting services	¥ 36,099	9.5%
System development and application sales	125,557	7.2
System management and operation services	164,084	(1.5)
Product sales	9,815	1.1
Total	¥335,555	2.8%

	31st March, 2011	
	Millions of yen	YoY Change
Consulting services	¥ 32,967	14.1%
System development and application sales	117,076	(7.7)
System management and operation services	166,580	(0.3)
Product sales	9,706	(39.0)
Total	¥326,329	(3.6)%

2) Information by geographical area

Information by geographical area is omitted, because sales and tangible fixed assets in Japan constituted more than 90% of total sales and tangible fixed assets for the years ended 31st March, 2013 and 2012.

20. Segment Information (continued)

Related information (continued)

3) Information by major customer

	31st March, 2013				Related segment
	Millions of yen	Thousands of U.S. dollars	Percentage of total sales	YoY Change	
Nomura Holdings, Inc.	¥100,984	\$1,074,184	27.8%	12.9%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	44,984	478,502	12.4	12.5	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

	31st March, 2012				Related segment
	Millions of yen	Percentage of total sales	Change	YoY Change	
Nomura Holdings, Inc.	¥89,474	26.7%	17.9%		Financial IT Solutions
Seven & i Holdings Co., Ltd.	39,998	11.9	0.9		Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2013 and 2012

Not applicable.

Information about amortized amount of goodwill and unamortized balance of goodwill for each reportable segment

Years ended 31st March, 2013

Information is omitted because the amount is immaterial.

Years ended 31st March, 2012

Not applicable.

Information about gains on bargain purchase for each reportable segment

Years ended 31st March, 2013

In the Financial IT Solutions segment, the Company acquired additional shares of Daiko Clearing Services during the year ended 31st March, 2013. As a result, Daiko Clearing Services is newly accounted for by the equity method. A gain on bargain purchase of ¥4,661 million (\$49,580 thousand) was recorded by the Company as an extraordinary gain for the year ended 31st March, 2013 in relation to this transaction.

Years ended 31st March, 2012

Not applicable.

21. Subsequent Events

Not applicable.

[Appendix 1]

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

The accompanying consolidated financial statements of the Company have been prepared in conformity with Japanese GAAP, which differs from U.S. GAAP in certain material respects. Such differences are discussed below and address only those differences related to the consolidated financial statements. In addition, no attempt has been made to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements.

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

1. Trust-type Employee Stock Ownership Incentive Plan

The Company introduced a "Trust-type Employee Stock Ownership Incentive Plan" in March 2011. Please see Note 1, "Significant Accounting Policies: *Accounting for Trust-type Employee Stock Ownership Incentive Plan*" for an outline of this plan and corresponding accounting treatment under Japanese GAAP.

U.S. GAAP requires the adoption of ASC 718 for an Employee Stock Ownership Plan ("ESOP"), which is an employee retirement and severance benefit plan using company treasury stock to make the employees' property. However, the incentive plan introduced by the Company differs from an ESOP, and ASC 718 is not applied.

NRI Group (As of 5th July, 2013)

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1-7 Kinkou-cho, Kanagawa-ku,
Yokohama 221-0056, Japan

Osaka Center
Aqua Dojima West Tower,
1-4-16 Dojimahama, Kita-ku,
Osaka 530-0004, Japan

Moscow Branch
107045 Moscow, Trubnaya St.12,
Millenium House, Russian Federation

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Aqua Dojima West Tower,
1-4-16 Dojimahama, Kita-ku,
Osaka 530-0004, Japan
http://www.nri-net.com

NRI Secure Technologies, Ltd.
Shiodome City Center,
1-5-2 Higashi Shinbashi,
Minato-ku, Tokyo 105-7113, Japan
http://www.nri-secure.co.jp

North America Branch
2102 Business Center Drive,
Suite 130, Irvine, CA 92612, U.S.A.

NRI Workplace Services, Ltd.
134 Godo-cho, Hodogaya-ku,
Yokohama 240-0005, Japan

NRI Data iTech, Ltd.
Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan
http://www.n-itech.com

NRI Cyber Patent, Ltd.
Nippon Building, 2-6-2 Otemachi,
Chiyoda-ku, Tokyo 100-0004, Japan
http://www.patent.ne.jp

NRI Social Information System Services, Ltd.
Tower S, 1-5-25 Kiba, Koto-ku,
Tokyo 135-0042, Japan
http://www.nri-social.co.jp

NRI Process Innovation, Ltd.
Dia Building,
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Yokohama 221-0056, Japan

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Kowloon, Hong Kong

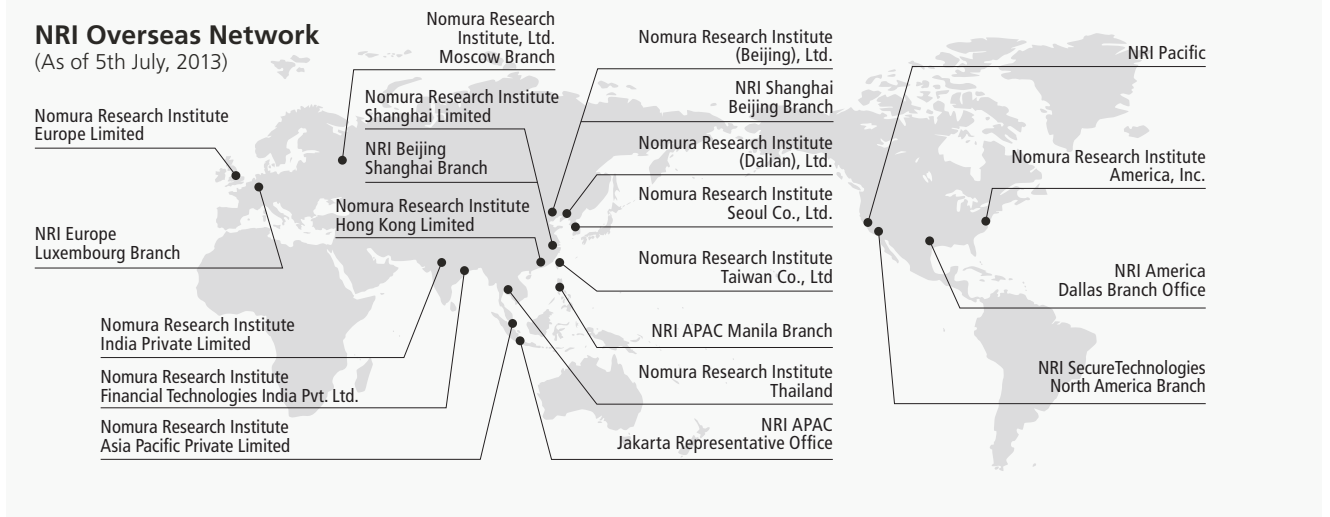
Nomura Research Institute Taiwan Co., Ltd
10th Fl-F, No.168, Tun-Hwa N. Rd.,
Taipei, Taiwan R.O.C.

Nomura Research Institute Seoul Co., Ltd.
20th Fl., One IFC, 10 Gukjegeumyung-Ro,
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Nomura Research Institute Financial Technologies India Pvt. Ltd.
Globsyn Crystal, Tower I, 6th Floor XI-11&12,
Block EP, Sector V, Salt Lake Electronics
Complex Salt Lake, Kolkata 700091, India

Nomura Research Institute Thailand
399, Interchange 21 Bldg.,
Unit 2304, 23F, Sukhumvit Rd.,
Klongtoey Nua, Wattana,
Bangkok 10110, Thailand



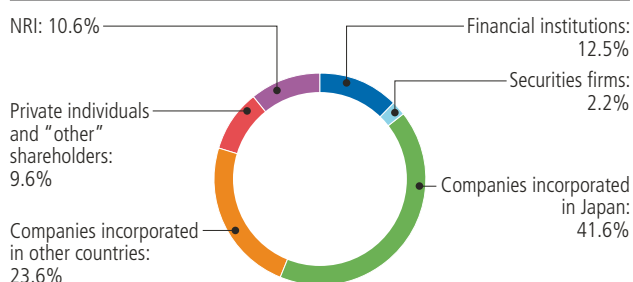
Corporate Data

Corporate Outline

Name	Nomura Research Institute, Ltd.
Head office address	Marunouchi Kitaguchi Building, 1-6-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Capital	18,600 million yen
Representative	President & CEO Tadashi Shimamoto
Number of employees	5,823 (7,738 in the entire NRI Group) (As of 31st March, 2013)

Breakdown of Shares by Shareholder Category

(As of 31st March, 2013)

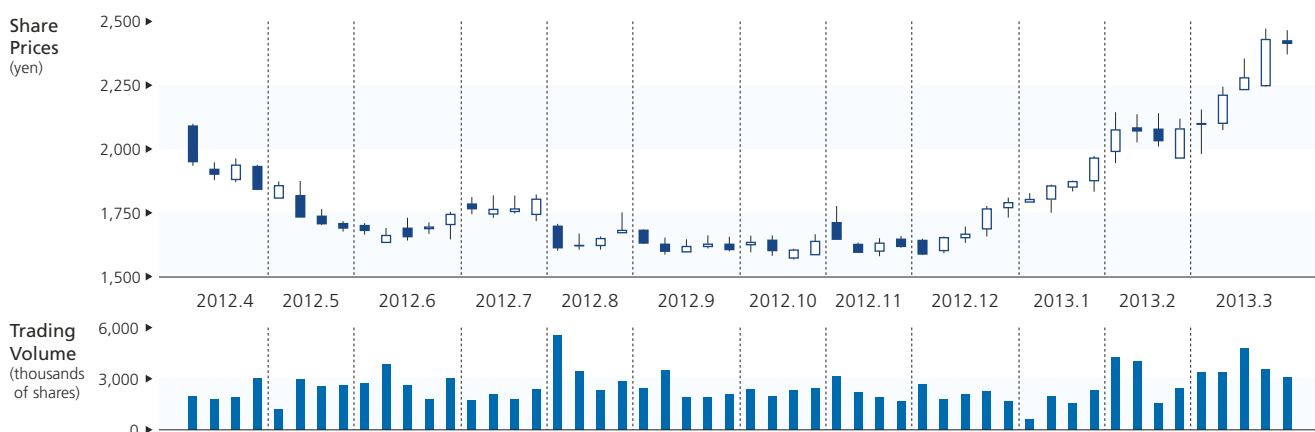


Shareholder Information

- 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 Nihon Keizai Shimbun 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



Major Shareholders (As of 31st March, 2013)

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.	15,005	6.67
Nomura Holdings, Inc.	13,000	5.78
State Street Bank and Trust Company (Standing Agent: The Hongkong and Shanghai Banking Corporation, Tokyo branch)	11,141	4.95
NRI Group Employee Stock Ownership Group	8,496	3.78
State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Corporate Bank, Ltd., settlement division)	6,989	3.11
Japan Trustee Services Bank, Ltd. (Trust Account)	5,901	2.62
National Mutual Insurance Federation of Agricultural Cooperatives (Standing Agent: The Master Trust Bank of Japan, Ltd.)	3,687	1.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,523	1.57

Note: NRI owns 23,864 thousand shares of the treasury stock, but the figure excludes the shares mentioned above.

Stock Data (As of 31st March, 2013)

Total number of issuable shares	750,000,000
Total number of issued shares	225,000,000
Number of shareholders	15,181

Nomura Research Institute, Ltd.

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