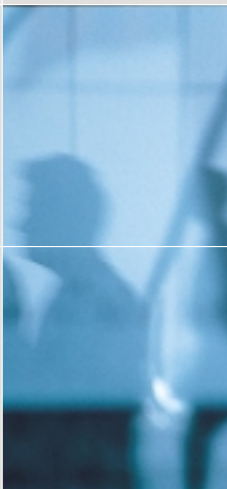
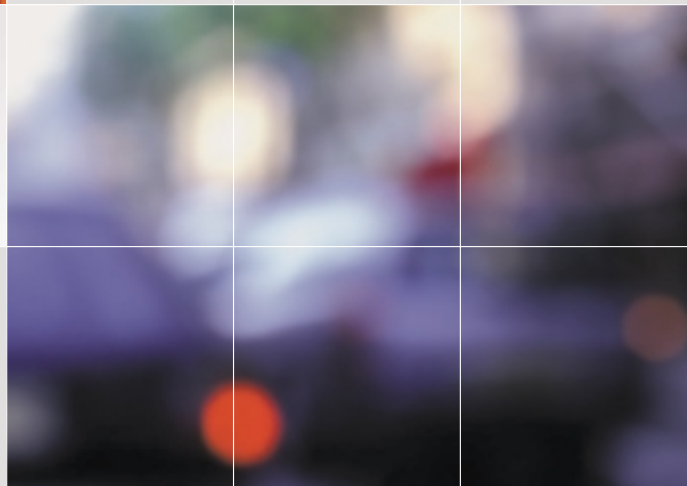
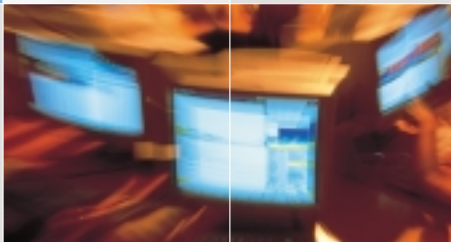
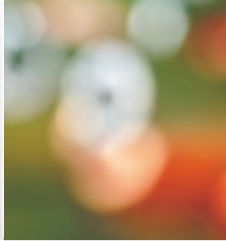




Annual Report 2002

Year Ended March 31, 2002



Dream up the future.

“Dream up the future” is a statement expressing the NRI Group philosophy of foreseeing the paradigms of tomorrow and creating new business models for them.

We have taken upon ourselves the challenging mission of ushering in an ever-new future through knowledge creation and integration.

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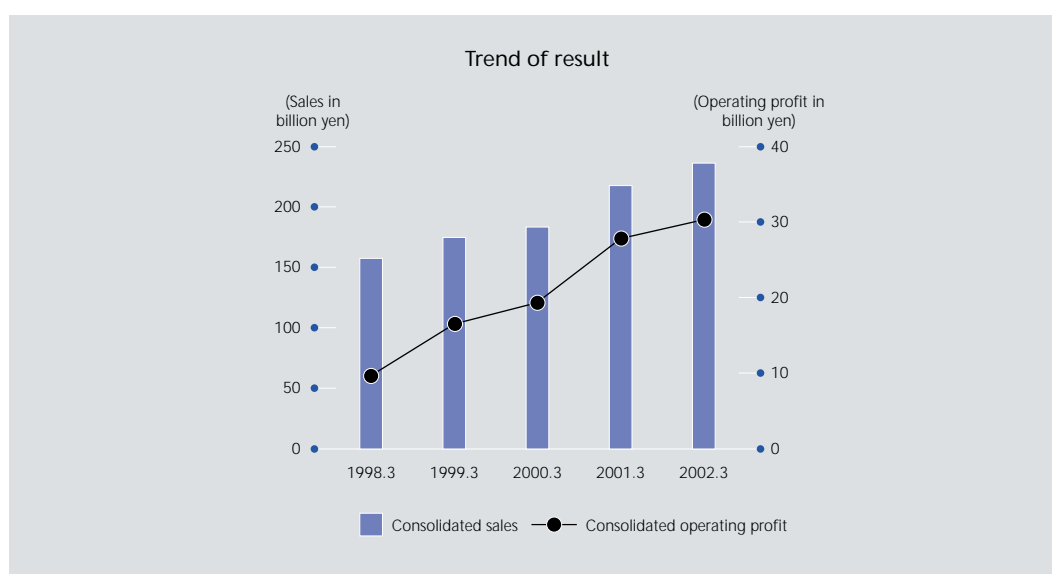
Financial Highlights (Consolidated)

	(billion yen)				
Fiscal years ended 31st March:	1998	1999	2000	2001	2002
Sales	157.8	175.1	183.6	218.0	236.6
Operating profit	9.4	16.6	19.3	27.8	30.4
Net income	4.8	8.1	5.1	25.4	22.4
Total assets	146.5	152.2	168.3	289.1	299.9
Shareholders' equity	67.5	81.2	91.8	165.2	195.6
Earnings per share					
(EPS; net income per share)	¥112	¥190	¥119	¥590	¥513

Notes 1: Amounts of less than 100 million yen (1 yen in the case of EPS) were rounded.

2: Effective 8th August 2000, stock with a face value of 500 yen per share was split into 10 shares, each with a face value of 50 yen.
The figures for EPS before FY1999 (ended 31st March 2000) are conversions in terms of this 50-yen face value.

3: The EPS for FY2000 (ended 31st March 2001) was calculated on the premise of execution of the stock split at the start of the term.



To Our Shareholders



On 1st April 2002, I succeeded Mr. Shozo Hashimoto in the post of President of Nomura Research Institute, Ltd. (NRI).

Since our consolidation in 1988 with the former Nomura Computer Systems Corporation, we at NRI have probed new paradigms for the hyper-information society of the 21st century under our watchwords of “dreaming up the future.” In so doing, we have joined hands with clients and partners to usher these paradigms into reality. Recently, we have been predicting the arrival of the “ubiquitous network society,” our new vision for the future.

Like our strict commitment to quality, this aspiration of discovering a better tomorrow, working for its fruition, and prospering in it with our customers is perfectly in the vein of NRI’s long-standing tradition. We believe NRI’s role is even more important today, when it is becoming increasingly difficult to tell what lies over the horizon. Moreover, we are convinced in our ability to raise NRI’s value even higher by performing fully up to these expectations.

As we see it, NRI has three key features.

In the first place, our possession of both navigation and solution capabilities allows us to furnish clients with total solutions. We deliver solutions that are truly total, through services ranging from research and consulting to the development and operation of information systems, to resolve not only problems confronting clients but also those liable to confront them in the future. In recent years, systems firms have begun to put resources into the consulting field, and consulting firms, conversely, have been developing business in the systems field. In contrast, NRI has been equipped for both fields and building up the interaction between them for the last nearly 15 years.

In the second place, NRI’s business is grounded in deep knowledge of those of its clients. We offer fabrication and steady operation of large-scale, advanced systems designed through in-depth elaboration with our clients, which generally rank among the top in their respective industries.

NRI’s third key strength lies in its first-rate human resources endowed with both a highly professional spirit and an acute sense of professional morals. To further heighten the caliber of our staff, we are promoting both a refinement of skills (by, for example, an augmentation of our in-house scheme of certified qualifications) and an ongoing reform of our personnel affairs arrangements.

We are sharpening these advantages as we work to develop solutions that genuinely benefit the client.



In fiscal 2001 (ended 31st March 2002), we posted consolidated sales of 236.6 billion yen and operating profit of 30.4 billion yen, up 8.5 and 9.1 percent, respectively, from fiscal 2000. These increases came in spite of the worldwide economic downturn, and were supported by IT expenditures by our clients, especially in the securities and financial industry. While there are not good prospects for a rapid improvement of the situation in the market, we hope to turn in an even better performance over the coming years.

Our business policy is grounded in a supply of holistic services that is not confined to consulting and systems development but extends to outsourcing, and revolves around three components: 1) an increase in our assortment of bureau (joint-use) services for a plural number of clients in the financial and distribution fields, 2) a wider provision of comprehensive as well as bureau services for clients in the service and manufacturing sectors, and 3) build-up of business in system infrastructure solutions in areas such as network integration and network security.

In the interest of better corporate governance, we are revamping the board of directors and striving for higher levels of efficiency and transparency. After 1st April 2002, we instated the scheme of executive officers, reduced the number of directors, appointed an outside director, and increased the number of outside corporate auditors. We intend to continue disclosing information regularly on our activities and otherwise discharging our explanatory obligations to our shareholders and the market, while reinforcing our provisions in the aspects of investor relations (IR) and compliance.

We have pledged to do our utmost for the further advancement of NRI, a listed corporation, and request your support in our endeavors.

August 2002

A. Fujinuma

Akihisa Fujinuma
President, CEO and COO
Nomura Research Institute, Ltd.

Two services in NRI

NRI's business consists of two types of service: system solutions, and consulting and knowledge. The two types create a synergy enabling supply of total solutions to the client.

In fiscal 2001 (ended 31st March 2002), system solution services accounted for 84.4 percent of all of our external sales, and consulting and knowledge services, for 15.6 percent.

System Solution Services

— **A steadfast partner in business and operation renewal applying advanced Information Technology (IT)**

In its system solution services, NRI executes dedicated information system projects with involvement in all phases from planning and design to development and operation, in domains including financing, distribution, and the public sector. Our assortment encompasses system integration (SI) service extending from consultation for individual systems to systematization planning, design, and development; outsourcing service for total maintenance and operation of the systems constructed; and bureau service for joint utilization of systems by a plural number of clients. In recent years, we have been actively packaging the expertise acquired through our construction of systems in the form of software. Operation service is a stable source of income, and occupies a high proportion of the total sales at NRI. In fiscal 2001, it accounted for 36.7 percent of the consolidated sales.

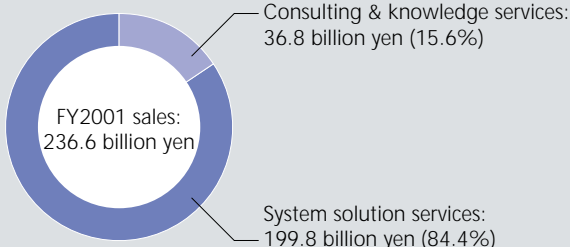
Along with the spread and expansion of Internet utilization, we are also taking an active approach to the development of business models, construction and operation of systems, and provision of solutions harnessing advanced network technology. On the Group level, we also offer services in design, construction, and operation of Internet infrastructures for management service provider (MSP) business and network security services.

Consulting and Knowledge Services

— **Knowledge-based client problem-solving and creation of new business**

As Japan's first full-fledged private sector think tank, NRI has been providing services in studies, research, and consulting for all kinds of companies, national agencies, and local governmental bodies in a wide range of fields, including economics, financing, industry, and community life, for more than 35 years. Our diverse activities span the areas of proposal of corporate strategies, support for management innovation, recommendation of policy, and assistance with execution. We employ numerous researchers and consultants who make proposals that are both practicable and specific.

Our wealth of research data and analytical know-how furnish solid footing for provision of knowledge services, such as financial information and analytical procedures for assets management, to institutional investors such as investment consultants, investment trusts, insurance firms, and trust banks. We also have earned a sterling reputation for our institutional recommendations related to introduction of 401 k-type corporate pension plans and data services for all kinds of investment information.



Services	Amount (billion yen)	As percentage of total (%)
System solution services	199.8	84.4
Development and product sales	93.6	39.6
Operation services	86.9	36.7
Commodity sales	19.2	8.1
Consulting & knowledge services	36.8	15.6
Total	236.6	100.0

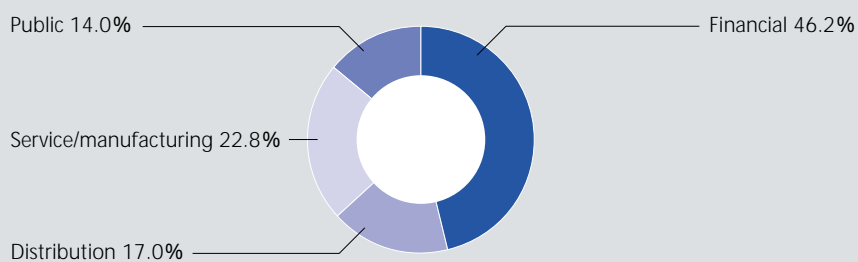
Notes 1: Figures indicate sales to outside clients, exclusive of internal sales or transfers between service segments.
 2: Amounts of less than 100 million yen were rounded. Figures do not include consumption tax and other taxes.

Solid customer base

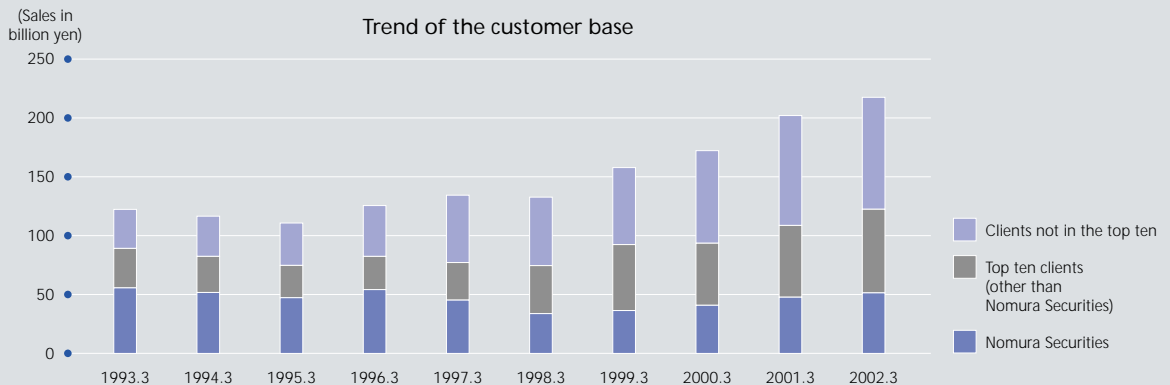
NRI has much depth in business in the financial, distribution, and public-sector fields. In the financial and distribution fields, we have developed business and grown up along with leading entrants in their respective industries, including Nomura Securities, Seven-Eleven, and Ito Yokado. In the public-sector field, we enjoy an all-around business bred by our long history of research and consulting activities.

A high share of our total sales is occupied by jobs for long-standing clients such as Nomura Securities. In recent years, however, our sales to clients other than Nomura Securities have been growing at a faster rate. As this indicates, we are gradually broadening our base of new customers thanks to our accumulated store of the professional expertise required for supply of genuinely total solutions.

Sales by customer sector (overall)



Trend of the customer base



Note: Figures are on the non-consolidated basis.
 The amount for Nomura Securities in fiscal 2001 is the sum of the sales to Nomura Holdings and Nomura Securities.

Approaches in each business

Consulting Sector

e-Solution Sector

Financial Solution Sector

Financial & Insurance Solution Sector

Distribution & Social Solution Sector

Economic & Capital Market Research Division

Systems Consulting Division

Products Solution Division

NRI Data Services, Ltd. (Service Solution Sector)

NRI Network Communications, Ltd.

NRI Learning Network, Ltd.

NRI Secure Technologies, Ltd.

NRI Cyber Patent, Ltd.

Consulting Sector

Our activities in the Consulting Sector revolve mainly around assistance with management reform for some of the leading enterprises in Japan and support for policy-making by official agencies. Our staff of roughly 400 consultants constitutes a diverse corps of expertise in the plotting of management strategy, development of new business, and business process reengineering in all major industries.

We execute over 500 projects annually and have become a leading case center for the most advanced tasks and solutions in Japan. To build on these achievements, we are also developing services in management and policy research, and are constantly refining our consulting capabilities.

Result in FY2001 (ended 31st March 2002)

In fiscal 2001, the demand for consulting services remained firm as inclinations for reform continued to run high among major corporate enterprises and governmental offices.

In the field of management strategy, there were increases in projects concerning the instatement of balanced score cards (BSC), construction of systems for customer relationship management (CRM) and supply chain management (SCM), and renewal of corporate cultures. There were also greater needs for consulting services for more sophisticated marketing activities through techniques such as data base marketing and brand management.

In the field of business strategy, we had more assignments involving the planning and development of solution service business, which is coming to the fore as a new area of work for large manufacturers. We also did more consulting for the construction of new-age business models by clients restructuring their activities in fields that are being deregulated, such as financing, electric power, information & communications, and health care.

In the public-sector field, there was a higher demand for services of research and consulting related to intelligent transport systems (ITS), e-government, environmental problems, and administrative assessment.

As a result, our sales and profits were both up from fiscal 2000.

Outlook for FY2002 (ended 31st March 2003)

With the start of fiscal 2002, wants and needs for consulting remained stable in both the private and public sectors. In many cases, jobs are marked by a higher level of sophistication and practicality, and extend to support for execution.

In response to the demands of the times, we are putting more resources into the development of human resources and solutions. Similarly, we are placing priority on achieving higher degrees of quality control and customer satisfaction, and are also making project responsibilities clearer and preparing a manual for project execution.

In step with the spread of globalization, we opened a consulting office in Shanghai in July 2002, following those already opened in Seoul and Taipei. This evidences our commitment to ongoing consulting to support the development of strategy for China on the part of Japanese firms.



Sector COO Takashi Narusawa

BSC (Balanced Score Card)

An approach that, although taking financial result (i.e., the financial indicators) as its ultimate objective, applies a definition of result that also encompasses a variety of non-financial indicators (for items such as customer satisfaction, internal business process, learning, and growth). In addition, it rigorously quantifies the degree of attainment for each such item. Through its stimulation of smooth communication throughout the organization, it encourages the achievement of financial results that remain firm over the medium and long terms.

ITS (Intelligent Transport Systems)

Systems harnessing information communication technology and linking road facilities, vehicles, and drivers. They are coming into the limelight as a fundamental solution for congestion, accidents, and environmental problems deriving from automobile traffic, and also as an engine for industrial growth.



Sector COO Masahiro Muroi

SCM (Supply Chain Management)

A design concept for management systems to maximize cash flow in entire supply chains through dynamic adjustment of activities by all components (customers, stores, distributors, warehouses, plants, and suppliers), in order to cope with increasing uncertainty in the marketplace. Instead of mere information systems, NRI offers total solutions whose design subjects encompass intercorporate transactions as well as business processes, organization, result assessment, and estimation of economic effect.

CRM

(Customer Relationship Management)

A marketing model for construction of proper partnerships between firms and their customers. CRM is aimed at an ongoing maintenance of bonds of confidence through repetition of the sequence of learning customer wants, providing goods and services matching these wants, and getting feedback from the customer, all while engaged in interaction under a relationship of mutual trust.

True Teller

A total system for text mining, based on investigation of the huge loads of text data obtained from customers through inquiries to call centers and responses to questionnaires, and their utilization for development of new products and improvement of services. Since its debut in late September 2001, True Teller has been installed by major manufacturers in fields such as housing, automobiles, pharmaceuticals, and beverages as well as marketing survey companies. It is being extensively applied for surveys of customer satisfaction, product development, daily sales reports, and studies of corporate and product image.

Aqualink

A group of high-reliability IP multicast distribution products based on metacontents technology. It eliminates the need for up-bound communications and enables filing without a complicated management system and an environment of large-scale servers and large-capacity circuits.

It is the mission of the e-Solution Sector to deliver total corporate solutions that meet the demands of the e-business age and fuse NRI's capabilities in consulting and system construction.

We draw on our rich store of business consulting experience and solution work to support the business of our clients with an integrated value chain stretching from the drafting of strategy to system construction and operation in various fields, including e-business, **SCM**, **CRM**, knowledge management, and digital information distribution.

Our solutions have been put into practice by some of Japan's best firms in a wide range of industries, such as manufacturing, construction, real estate, communications, utilities, publishing/media, and services.

Result in FY2001 (ended 31st March 2002)

In fiscal 2001, our sales showed strong growth. In the domain of digital information distribution, we recorded a particularly high rate of growth thanks to a continuation of big contracts in fields such as information, publishing, newspapers, and travel. In the industrial sector, we succeeded in constructing information systems for firms in fields such as pharmaceuticals, real estate, and utilities, and made a positive contribution to the maintenance and expansion of their assets.

In our development of new business, we have earned the complete confidence of our clients through our SCM consulting services for manufacturers, and were able to link it to contracts for construction of immense systems.

In the area of CRM, we unveiled **True Teller**, our text mining tool for swift analysis of huge loads of data. It is now being put to widespread use for analysis of customer comments, chiefly by the quality control and marketing departments of big firms.

In preparation for the arrival of the broadband age, we partnered with the U.S. firm Digital Fountain to create **Aqualink**, a landmark new digital distribution system, which we sold to and installed for several network firms. Broadband network links are forecast to find their way into more than 10 million Japanese households by the end of 2003, and we have high hopes for a surge in demand for our innovative contents distribution technology.

Outlook for FY2002 (ended 31st March 2003)

Our division continues to take up the challenge of staying in the vanguard of the planning and development of innovative new-age solutions.

To this end, we are working to reinforce and augment our capabilities for consulting related to e-business and SCM while also forming strategic partnerships with other firms and pursuing the planning and development of high-value-added, industry-specific solutions.

We are paying particular attention to business in SCM and digital information distribution, where we are engaged in a vigorous proposal and creation of new goods and services funded with independent investment.

Financial Solution Sector

At the Financial Solution Sector, our clientele are financial institutions, and we offer them all sorts of system services in support of their direct financing business in particular. Our circle of clients encompasses institutional investors such as entities operating pension funds and investment trust companies, securities firms trading the securities held by institutional investors, and trust banks and life insurance companies undertaking the management of the assets operated. At the same time, we also do work for banks, which have become new sales channels for individual securities. The main items in our assortment of services are **PLEIADES** (for investment analysis), **T-STAR 21** (for calculation of investment trust value), **I-STAR** (a system for wholesale securities), and **BESTWAY** (an investment trust sales management system). Each enjoys the support of numerous customers as the standard systems in the industry. Armed with this assortment, NRI is now Japan's top service supplier in this field in both qualitative and quantitative terms.

Result in FY2001 (ended 31st March 2002)

Under the extremely tough circumstances in the financial sector, we took aggressive action on the objective of reforming the securities settlement scheme to streamline the entire financial market, and made considerable progress. More specifically, we expanded our services in connection with the Bank of Japan scheme of real-time gross settlement (**RTGS**), provided various straight-through processing (**STP**) solutions for next-day settlement (T+1) of securities transactions, and completed T-STAR 21, which became the industry standard. We are also doing our utmost to meet demand associated with reform of pension arrangements, a key priority in this age of falling birthrates and population aging. We prepared systems to cope with 401k-type plans, provided systems for sales of investment trusts as pension investment products, and developed portal business in occupational financing.

We also made active investments in business assets for the future. In step with the schedule for reform of the securities settlement institution, we proceeded with development of the next-generation versions of I-STAR and BESTWAY, the latter to handle regular sales of all other kinds of financial products in addition to investment trusts by banks. Meanwhile, we avidly set about constructing systems for automatic teller machines (ATM) installations in convenience stores, which are newcomers to the financial industry, and new systems applying the Internet and cellular telephones as sales channels. In all such activities, we had to do our best to meet customer requirements for lower costs given the harsh business climate, but nevertheless attained a higher degree of customer satisfaction while maintaining and even expanding the scope of our activities as well as assuring our earnings.

Outlook for FY2002 (ended 31st March 2003)

While remaining keenly aware of the severity of circumstances faced by our clients in their business, we intend to expand our share of the market and create new business assets by correctly conveying the excellence of the value delivered by NRI services. Our priority tasks are business process reengineering (for reduction of fixed indirect costs and their conversion into variable costs), settlement scheme reform, risk management, and diversification of financial institution sales and channels for direct financial products. On the front of internal reform, we are promoting three major measures, i.e., improvement of the customer service center for a higher CS, further human resource development, and increase in system development productivity.



Sector COO Hisashi Imai

PLEIADES

An integrated information service for support of assets operation in all aspects, from management to analysis and valuation. Pleiades is a package of diverse capabilities and data in areas such as portfolio contract and book value management, comparison of characteristic values with benchmarks, performance assessment and factor analysis, scenario-based simulation studies, and support for preparation of statements disclosing finances.

T-STAR 21

A service for support of all investment trust back-office work, including calculation of standard values, management of transactions for issues in hand, and completion of legal forms. Boasting the top share of the market, it is the standard system in the industry and is patronized by numerous firms.

I-STAR

A joint-use, multicurrency total system service for financial institutions engaged in wholesale business and other securities business on a global scale. It is also the industry standard, and is utilized by more than 50 institutions, including foreign-affiliated companies and bank-affiliated securities firms.

BESTWAY

A sales and account management system for investment trusts as the focus of the "big bang" of financial-sector reform in Japan. It can handle all sorts of investment trust products, and has a high affinity with investment trust sales networks and analysis systems. As the industry standard, it has garnered over 120 firms as customers.

Bank of Japan RTGS (Real-Time Gross Settlement)

A new settlement scheme for government bonds and current deposits, initiated by the Bank of Japan in January 2001. It is one of the methods of interbank transfer at the central bank, and is aimed at lessening settlement risks through performance of processing in real time and gross terms.

STP (Straight Through Processing)

Straight-through (end-to-end) processing of the whole chain of transactional work, from order placement by securities firms to execution, commitment, and settlement, by means of a standard network for all transactions, internal or external.



Sector COO Mamoru Suenaga

STAR III (The STAR, next-generation system)

A total bureau-type system service to support securities business based on multistore expansion. Besides on-line processing for accounts, it offers various other solutions for tasks such as support for sales and business strategy, strengthening of setups for transaction and customer management, and reduction of total operation costs.

T+1

A new settlement formula for completion of settlement processing for securities transactions no later than the next day. "T" stands for the day of transaction, and "+1" for the day after. Japan currently applies the "T+3" formula, under which processing is completed on the third day after the day of transaction. T+1 is becoming the norm in the United States and other countries, and Japan, too, will have to make the same transition.

The Financial & Insurance Solution Sector was established by the consolidation of NRI's system solution business for the securities and insurance industries. We provide services in system integration (SI), outsourcing, bureau-type systems, and system product sales for firms in these industries both inside and outside Japan.

NRI's systems sector dates from 1966, when the computer sector of Nomura Securities was detached and set up as a separate company. Our most valuable asset is a vast reservoir of expertise in the construction, operation, and maintenance of systems for financial institutions built up over the many intervening years.

In the financial field, we supply Nomura Securities with outsourcing service and have won many customers among other securities firms with STAR, which was Japan's first on-line bureau system in the securities industry when it went into operation in 1974. (The current version is the third generation, [STAR III](#).)

In the insurance field, we have constructed and maintain total information systems for the postal life insurance program operated at over 20,000 post offices nationwide. We also offer all kinds of quality, high-performance solutions to numerous insurance companies.

Result in FY2001 (ended 31st March 2002)

In the bearish atmosphere of the stock market, the securities firms and insurance companies that constitute our customer pool were compelled to carry out regimens of further cost reduction. In spite of these difficult straits, we managed to increase our sales, thanks to demand for integration of systems along with corporate merger and for system adjustment to accommodate new institutions.

In the financial field, we improved our home trading system and addressed new settlement systems while strengthening our partnership with Nomura Securities. For quasi-major and middle-ranking customers, we drew on our powers for putting together sophisticated securities systems in supplying services in SI, outsourcing, and bureau-type applications, and thereby backed their deployment of IT strategies. By the fusion of systems accompanying mergers, we played a vital role as a system integrator.

In the insurance field, we took active steps to cultivate new customers while promoting the smooth continuation of dealings with our existing ones. Our vigorous campaign in solution sales won us many customers for a diversity of solutions among medium-sized and foreign-affiliated insurance companies.

Coupled with these activities, we strove to develop new business by working from both currents in the market and trends in technology.

Outlook for FY2002 (ended 31st March 2003)

In the new fiscal year, we want to determine the proper orientation for the evolution of our existing business and achieve expansion by approaching new business and drafting strategy geared for growth.

In the securities field, we are initiating service in The STAR, the system succeeding STAR-III. This is a state-of-the-art service that can handle next-day settlement ([T+1](#)) for stock trading and is constructed around a server in a decentralized environment. We expect it to be welcomed not only by our current STAR-III customers but also a mass of additional ones.

In the insurance field, we hope to furnish even more customers with SI and operation outsourcing services by making the most of our abundance of knowledge about the business and our high-order system-building skills. Furthermore, we are planning a well-timed launch of business related to institutional reform and the social infrastructure.

Distribution & Social Solution Sector

The Distribution & Social Solution Sector provides distribution-related firms and governmental offices with total solutions spanning all phases from system design and development to maintenance and operation. Our strength resides in our technical capabilities for swift construction of systems to keep abreast of change and for networks to carry information throughout the business flow and assist business reform. As we see it, distribution is the cement linking consumers, retailers, wholesalers, and producers. For the distribution industry, excellent information and communications networks are therefore absolute necessities for the construction and operation of trunk business process systems. In 1979, NRI became the first company in Japan to install a packet exchange network, which is still being used through the Internet today. Over the years, our division has constructed networks linking several tens of thousands of points in all, including over 20,000 post offices, 10,000 convenience stores, and 5,000 filling stations. At present, we are in the process of converting these networks for broadband communications. Our all-around competence in design, construction, and operation of information communication systems has been given high ratings by our customers.

Result in FY2001 (ended 31st March 2002)

In the **BizMart** framework, we inaugurated a new communications infrastructure service for adaptation to the demands of the broadband IP network age. This service was applied by many retail chains, which favored it as a network marked by an excellence in reliability and confidentiality. We also achieved good results in our solution service for more efficient SCM in the food product and consumption goods segments of distribution. Among customers including a big brewery, this service acted to reduce inventory loss by increasing the precision of supply-demand management.

In outsourcing work involving a logistics center system for perishable foods at a leading retailer, we reduced system operation costs by applying broadband technology and concentrating the processing, which had been dispersed among the servers at the various logistics centers, in our computer center. In our provision of total solutions, we took complete charge of all work, from formulation of business strategy to construction of a business model and even supply of the system, to enable the big retailer Ito Yokado to get its IY Card business off the ground in a short time. In the public-sector field, we built large LANs and installed nationwide networks for various official agencies. These clients, too, praised our capabilities for multivendor management, which is another one of our hallmarks, and asked us to operate and maintain the systems installed as well.

Outlook for FY2002 (ended 31st March 2003)

In fiscal 2002, we will continue to propose intercorporate and in-house systems utilizing broadband networks to make our clients more competitive. With our **MASTRETAIL/CVS** system, which was commercialized in fiscal 2001, we can now supply systems to big distributors in all parts of Asia. Our provision of systems applying network technology, which enables production and distribution of products in optimal volumes for the sales situation on the retail side, eliminates loss due to waste, discounting, and redundant or needless work. This, in turn, will help society as a whole operate more smoothly and become more friendly to the environment.



Sector COO Takao Shiino

BizMart

A service package of support for bolstering intercorporate transactions and optimizing supply-demand management by member firms. There is a diversity of services for different purposes. The assortment includes a data interchange infrastructure service (consisting of a high-performance, low-cost broadband service with a constant network connection and a high-speed file transfer interpoint data collection and distribution service) and a solution service for better SCM in distribution of food products and consumer goods.

MASTRETAIL/CVS

A new-age retailing system applicable for convenience store (CVS) chains of all sizes in Japan and other Asian countries. It allows real-time information-sharing between head offices and stores, is easy to customize, and offers excellent maintainability and extensibility.



Division manager Takashi Yakabe

The Economic & Capital Market Research Division is commissioned, mainly by Nomura Securities and other members of the Nomura Group, to carry out projects of investigation, research, and forecasting of the economy and capital market in Japan and other key countries. Through our activities, we strive to make a positive contribution to the management and investment activities of our clients and their customers, and thereby to enhance our reputation as NRI's research arm.

To keep abreast of developments in a wide range of fields, we have an internationally integrated setup of offices in Tokyo, New York, London, Hongkong, and Singapore.

Result in FY2001 (ended 31st March 2002)

In our investigation and research activities, we handle subjects of two major types: those which require constant monitoring and those that are studied as the occasion demands. In the case of economic research, the former may be exemplified by the political and economic situations, finances, and money markets in Japan, the United States, Europe, Asia, and Australia; country risks in emerging economies; crude oil prices; and the international movement of capital. In our capital market research, we study subjects such as institutions in the money and capital markets in Japan, the United States, Europe, and Asia, and trends among investors, parties procuring funds, and financial service suppliers. As in past years, we kept abreast of developments in these areas and compiled findings into many reports and other output.

We also tackled numerous subjects of the latter type. In our economic research, we focused on issues such as the approach to structural reform and its lack of progress in Japan, economic woes induced by the bursting of the IT bubble and dubious accounting practices in the United States, and China's economic rise. The specific project titles included "Forecast of the Mid-Term Economy 2002 - 2006," "The IT Revolution - Fact and Fiction," "Where the Crisis in Argentina is Leading," and "China in the Wake of WTO Admission." Our capital market research was shaped by the same concerns, and included titles such as "Enron's Collapse and Issues in the U.S. Capital Market," "Financial and Securities Tax Reform," "The Ceiling on Government Guarantees for Bank Deposits and its Influence," "Problems in Disclosure of Corporate Performance," "Assets Management by Local Governments," and "The Changing Chinese Money and Capital Markets."

Outlook for FY2002 (ended 31st March 2003)

In fiscal 2002, we will move ahead with our standing research on subjects continuing from the previous term. In the economic field, we are pursuing projects entitled "Future Course of the Japanese, U.S., and EU Economies," "Movement of International Capital and Trends in the Exchange Market," "Dynamism of the Chinese and Asian Economies," "Assessment of Country Risks in Latin America, Turkey, and Other Countries," and "Crude Oil Price Trend and Impact." In our capital market research, the main projects are "Activities of Financial Service Suppliers in Japan, the United States, and Europe," "Internal and External Capital Market Institutions," and "Investment Trends Among the Wealthy and Other Private Investors."

In our research specifically for this term, our selection of subjects took account of background factors such as the problems of structural reform, falling birthrates and population aging in Japan; the slumping economic performance in the United States and orientation of policy on the Mideast; and difficulties saddling emerging economies. The projects under consideration include "Mideast Policy of the Bush Administration and its Influence," "The Future of Japan's Manufacturing Industry," "Proposals for Reform of Japan's National Pension System," "Effects of Low Birthrates and Population Aging on Women Workers and Prospective Countermeasures," "Problems with U.S.-style Capitalism and the Securities Market," "Amendment of Commercial Law and Corporate Governance," "Reform of the Local Bond Market," and "Stock Option Accounting." As this indicates, we are remain committed to execution of timely investigation and research.

Systems Consulting Division

The Systems Consulting Division provides services for IT management, business process systems, and system infrastructures. We furnish our customers with support in all phases of the business process, from system conception and planning to design, development, and operation, with full consideration of the particular management and business strategy of each of them.

Resting on collaboration between IT strategists and architects, our services are characterized by the following features: 1) total support for IT management, business process systems, and system infrastructure; 2) assistance from an objective, vendor-free standpoint; and 3) organized, practical help by teams of experts with exclusion of person-dependent characteristics as far as possible. In each project, our work is anchored in assessment and analysis of the status quo and attuned to the situation of the specific client.

Result in FY2001 (ended 31st March 2002)

In fiscal 2001, we were awarded contracts for a record-high number of projects and bettered our result in fiscal 2000. Our clients came from a wide range of segments in the financial, distribution, manufacturing, and public-sector markets. The project concerns extended from NRI fortes such as IT management evaluation, system planning, and design of system infrastructure patterns to assessment of system security and the IT procurement process, which are attracting increasing interest in the context of corporate governance.

Client wants and needs for system consulting service are growing more diverse and sophisticated. For the purpose of more prompt and flexible response to this situation, we revamped our organization for a better fit with our service assortment.

In connection with system infrastructures, the mounting urgency of the need to address rising costs, greater complexity, higher levels of integration, and multivendor arrangements led to a jump in client inquiries about consulting services in the field of IT architecture. We therefore instituted two new departments (IT Architecture Consulting and IT Solution Consulting) to make more effective use of know-how in the possession of the Information Technology Division, NRI's core IT unit.

Outlook for FY2002 (ended 31st March 2003)

In fiscal 2002, we intend to improve the skills of our consultants and develop new services while running our organization in accordance with the setup instated in fiscal 2001. We hope to complement our conventional services in assessment and planning with newly created ones delivering a high cost performance and offering support for project implementation and investment decision-making, all tailored to the customer's management and business situation. This should raise our Customer Satisfaction level even higher and help us to turn in a performance that is even better than that in fiscal 2001.



Division Manager Mitsuru Sawada



Division Manager Masaki Tochizawa

IDC (Internet Data Center)

A data center revolving around Internet connection. It is outfitted with the same level of facilities and equipment in ordinary data centers for conventional large-scale general-purpose machines, and also offers Internet access with high degrees of reliability and resiliency.

Business continuity service

A service for data back-up and a full line of temporary offices, equipment, and communications facilities, for continuation of core operations by financial institutions and other firms in the event of disasters and other serious disruptions.

ASP (Application Service Provider)

A business providing the functions of application software and other technology through the Internet instead of selling the articles per se. Customers can utilize the application by accessing the data center of the provider through the Internet or equivalent means.

Aggregation service

Service consisting of collection of information on items such as personal financial transactions, itemized credit card statements, and mileage from various Internet sites, and display of the same on a single screen. IDs and passwords are centrally managed.

POSTUB

An e-postal service on the Internet for secure use by any parties at any time and place. It is a new-age messaging infrastructure for resolution of security and digital divide problems.

Advances in information technology driven by the Internet have modified the mechanism of change in corporate information systems as compared to the days of host-centered systems. Lately, progress in system technology has been concentrated in infrastructure elements such as networks, computers and peripherals, and operating devices. The strides in this area are heightening our ability to serve the corporate market and making new business models and structures possible.

We in the Products Solution Division do business mainly in connection with these increasingly important system infrastructures. We furnish clients with solutions based on new system infrastructure concepts. At the same time, we are deepening our partnership with vendors of hardware and software components, and have the role of assisting the construction of system infrastructures in the various NRI system divisions.

Result in FY2001 (ended 31st March 2002)

Partly because of the bursting of the Internet bubble, our income and expenditure stayed on a low level overall. However, we made efforts to launch promising new business and were able to solidify our foundation for the future.

In our system infrastructure construction services, we registered expanded sales of equipment to new clients including a nonlife insurance company, but this was not enough to offset the steep plunge in projects for existing ones. In our system product business, we won a big contract for a life insurance company and recorded higher sales than in fiscal 2000.

In the Internet data center (IDC) market, the demand traces a trend of firm expansion, but our sales were up only slightly from the previous year owing to price competition deriving from the large number of entrants.

In our network business, there was a rise in demand for **business continuity services** spurred by the September-eleventh terrorist attacks, and this brought us some new orders. We also enjoyed a smooth increase in orders for large-scale network installation in national agencies and office relocation service accompanying corporate reorganization.

As for new business, we launched an Internet-based **aggregation service** and started supplying it to Nomura Securities in October 2001. In January 2002, we conducted a community test of **POSTUB** in cooperation with the Ministry of Public Management, Home Affairs, Posts and Telecommunications to explore the future possibilities of an e-messaging infrastructure. We also set about activities aimed at commercialization based on the results.

Outlook for FY2002 (ended 31st March 2003)

For fiscal 2002, we have posted the following five major agenda items.

- 1) Support and proxy outsourcing service for procurement of equipment from the client's perspective; this will be based on close partnership with vendors.
- 2) Receipt of more contracts for business community service, which swelled in fiscal 2001, through a vigorous campaign among financial institutions inside and outside Japan.
- 3) Placement of the two ASP businesses on track, i.e., the Aggregation service launched in fiscal 2001 and POSTUB.
- 4) Receipt of more contracts for the growing number of e-government projects as part of the IDC business.
- 5) Planning in input of web/mail protection tools and other new products.

NRI Data Services, Ltd. (Service Solution Sector)

In the context of the NRI Group, NRI Data Services, Ltd. functions as a corps of professionals in the fields of total system operation, and design and construction of system infrastructures and networks. We are developing **management service provider (MSP)** business in order to build IT infrastructures and operate IT systems embodying the best in reliability and extensibility.

Pursuing respective missions of planning, selling, making, and doing, our four divisions constantly act in coordination with each other to supply clients with total solutions.

Result in FY2001 (ended 31st March 2002)

In fiscal 2001, we continued to offer quality outsourcing service for operation of data centers, distributed servers, and networks as well as desk-top maintenance, all 24 hours a day, 365 days a year. These activities rest on our long record of outsourcing work for many trunk systems in the financial, securities, insurance, distribution, and social fields.

In December 2001, we launched a new service called Internet Management Solution Platform (**IMSP**). It enables more sophisticated monitoring and operation for more stable system operation by Internet firms and their end users.

We promoted aggressive programs of research and development with a view to providing clients with more refined and efficient services of network design and development applying the latest technology. As a result of our emphasis on boosting the security and integrity of system operation, in November 2001, we became the first company in Japan to be awarded accreditation under the Information Security Management System (ISMS). We also completed the transition to ISO9001:2000.

Outlook for FY2002 (ended 31st March 2003)

As NRI's service solution sector, we plan to forge even stronger ties with the other NRI sectors. More specifically, we want to broaden the business base of the NRI Group through wider interaction in outsourcing work, and in design and construction of networks and other infrastructural elements. In our own business involving MSP and **Senju**, too, we will work for a closer coordination with other NRI sectors and for more alliances so that we can deliver our quality total solutions to an ever-larger circle of clients.



President Ken Ono

Management Service Provider (MSP)

A business furnishing a plural number of customers with a network-based operation and management service for IT infrastructures such as systems and networks. Customers pay a monthly fee based on a contract guaranteeing the level of service.

IMSP

Internet Management Solution Platform, one of the many MSP services of NRI Data Service, Ltd. It is a high-value-added service for operation of the systems of Internet firms doing business utilizing mission-critical web systems running on the Internet or intranets, and their end users.

Senju

An integrated operation management tool for wide-ranging system operation support. With a name meaning "almighty," Senju was developed on the foundation provided by over 30 years of experience in system operation. Its support extends from the monitoring of server operation in decentralized environments and job scheduling to web system security and service level control. The company also offers e-Senju, an operation management tool for Internet systems.

NRI Network Communications, Ltd.



President Toichi Kimura

Linux

A UNIX-clone operating system (OS) running mainly on personal computers. Its utilization is spreading for Internet servers owing to its stability, affinity with the Internet, and free supply.

As a member of the NRI Group, NRI Network Communications, Ltd. handles the construction and operation of Internet web systems, which will be of essential importance in the broadband age. Although we are a young and rather small company (employing about 150 with an average age of about 30), we are swiftly turning the most advanced technology and business models into viable business.

First and foremost, we supply the Internet distribution systems used in all major student cooperatives nationwide as well as Internet connection services to their members. The Internet-based sales of books and CDs through these systems are among the largest in the country. We have obtained the latest **Linux** technology straight from Silicon Valley in the United States to hold down development costs. In addition, we supply construction and operation services for websites of all types, including on-line stock trading systems, the IY Bank site, and sites launched by drug companies to provide information to physicians and by manufacturers to assist their customers. Our watchwords in these services are "reasonable," "quick," and "quality."

In management, we shall continue to aspire to full customer satisfaction as well as high levels of earnings, efficiency, and growth.

NRI Learning Network, Ltd.



President Yoshitaka Sugiyama

e-learning

Receipt of instruction and training through IT tools such as computers and cyber networks, for effective learning unencumbered by restraints of time and place.

XML (eXtensible Markup Language)

An expansion on hyper text markup language (HTML), which is used for preparation of websites. Developed as a successor to HTML, XML facilitates interaction among all types of information systems.

JAVA

An object-oriented programming language developed by the U.S. firm Sun Microsystems in 1995.

It is a multiplatform language, meaning that, even under execution environments with different OS and hardware, programs are converted into executable formats through mediation of the differences by the virtual Java machine OS.

NRI Learning Network, Ltd. is the member of the NRI Group dedicated to education. It brings together high-order expertise and practical know-how for supply of solutions for human resource development in a variety of areas, from IT to management. In the **e-learning** field, we are creating leading-edge educational systems and preparing all sorts of instructional contents.

In fiscal 2001, we increased our orders from major customers and greatly expanded our sales in the field of training for IT engineers, where clients gave high marks to our competence amid the intensifying competition in the business as a whole. In the domain of training in advanced technologies, we made a vigorous effort to prepare new courses for **XML**, the web, and **Java**. And in our e-learning business, we conducted proving tests for an advanced e-learning environment looking to the broadband age. We regard this as a major achievement anticipating the shape of education and training in the not-too-distant future.

Besides a further improvement and expansion of our existing business, our main goals for fiscal 2002 are cultivation of business in new fields by making the most of the respective advantages of collective training and e-learning, and a rise in our service level.

NRI Secure Technologies, Ltd.

Established in August 2000, NRI Secure Technologies, Ltd. is the NRI Group affiliate devoted to business in information security. We provide one-stop services related to such security (e.g., consultation, security diagnosis, firewall management, and security education) to help our clients protect themselves from illicit computer access, information leaks, and the like.

In fiscal 2001, our **Firewall Network Center Service** broadened its customer base, mainly in the securities, insurance, and banking industries. We also initiated **Kuriputo-Bin**, a new service for secure interchange of cyber files through the Internet. In our consulting service, we built up our supply of solutions in information security policy and other such matters for clients in the financial and manufacturing sectors. In our security diagnosis service, we began collaborating with providers such as Japan Telecom, Internet Initiative, and JENS, and expanded our business base.

For the future, besides deepening our expertise as an information security specialist, we are determined to make full exercise of our capabilities in coordination with other members of the NRI Group, to endow our services with even higher degrees of advancement and diversity.



President Hiroshi Terada

Firewall Network Center Service

A service for all kinds of security management indispensable for the conduct of business. The tasks include prevention of illicit access to the in-house network, containment of any damage from computer virus invasion, protection of networks from even the most persistent attacks, prevention of any external leakage of confidential documents and files, and establishment of an authority for access to designated systems.

Kuriputo-Bin

A new ASP service applying advanced security technology for safe and sure interchange of files through the Internet. With Kuriputo-Bin, users can readily send and receive confidential information, critical documents, and all other kinds of e-files with high requirements for Internet security, regardless of the place.

NRI Cyber Patent, Ltd.

The mounting interest in intellectual property rights in industry is reflected in high expectations for patent information services. Meanwhile, with the spread of the Internet, researchers as prospective inventors want to be able to access such information directly from their own computers.

In this climate, we are pursuing business around services enabling easy retrieval and perusal of patent information through the Internet.

NRI Cyber Patent, Ltd. was founded in July 2001 as a spin-off from NRI, for the purpose of providing vanguard services in the area of intellectual property rights. Fiscal 2001 was therefore the year of our founding and our first term. In it, we strove to fill out and strengthen our foundation, especially as regards facilities and functions for patent information services. We also set out in quest of new business through steady marketing campaigns. To execute these activities and achieve high levels of productivity, we made substantial investments in computers and software for use in Internet patent information services, but were nevertheless able to post a net surplus in our first year.

For fiscal 2002, our strategy is aimed at maximal demonstration of our potential as a specialist in business in intellectual properties. In keeping with this strategy, we intend to enrich our contents, bolster our service infrastructure, and otherwise heighten the VA level of our services as an underlying principle. We are also going to take active approaches to strengthening our business as a whole by building alliances for higher efficiency and better services.



President Seiji Takano

Approaches to research and development

Advanced Information Technology Division



Division Manager Tadashi Shimamoto

Objectworks R3.0

Middleware developed by NRI for a more than 50-percent increase in the productivity of Java/web system construction based on the combination of system interaction and development framework functions. NRI's middleware is core software for bolstering powers of system development through multivendor accommodation, prompt adaptation to new technology, and assurance of reliability and continuity. It is the crystallization of the experience and knowledge acquired by NRI through its creation of all kinds of large-scale systems for general use.

Open source

Software whose source (program code) is made available on the Internet for the purpose of development and refinement on the volunteer basis (in contrast to commercial software products developed exclusively by a certain manufacturer). The foremost example of software developed in this manner is Linux. Distributed and improved through the Internet, Linux is attracting attention for its fast-paced spread among users.

The Advanced Information Technology Division is the NRI unit engaged in the drafting and implementation of IT strategy. It is our aim to use our technical skills to create the future.

In keeping with this aim, we continually investigate and acquire a systematic apprehension of all kinds of IT inside and outside Japan. For advanced technologies thought to be valuable for our business, we make more practical-minded, in-depth assessments, and promote R&D to produce technical output up to NRI standards. To see that the results are put to effective use and linked to higher quality and productivity as well as cost competitiveness in the system solution business, we get directly involved in the technical aspects of the projects for system development conducted by other sectors. Through these activities, we also pursue the creation of new IT business revolving around leading-edge technology.

For extensive absorption of the latest technology from inside and outside Japan, we established the Frontier Technology Laboratory Kyoto as a seat of collaboration with universities in May 2001, and also strengthened R&D coordination with NRI Pacific, the R&D arm of the NRI Group. To provide information on the fruits of these efforts and NRI's approaches to advanced technology, we launched publication of "Gijutsu Sohatsu" (Technical Creation), a regular report on IT.

We also took part in major projects of system development led by other sectors, including the Nomura Home Trading system of Nomura Securities, with the assignment of building the system infrastructure. Meanwhile, we developed Objectworks R3.0 as a common platform and development framework for the construction of web-based systems.

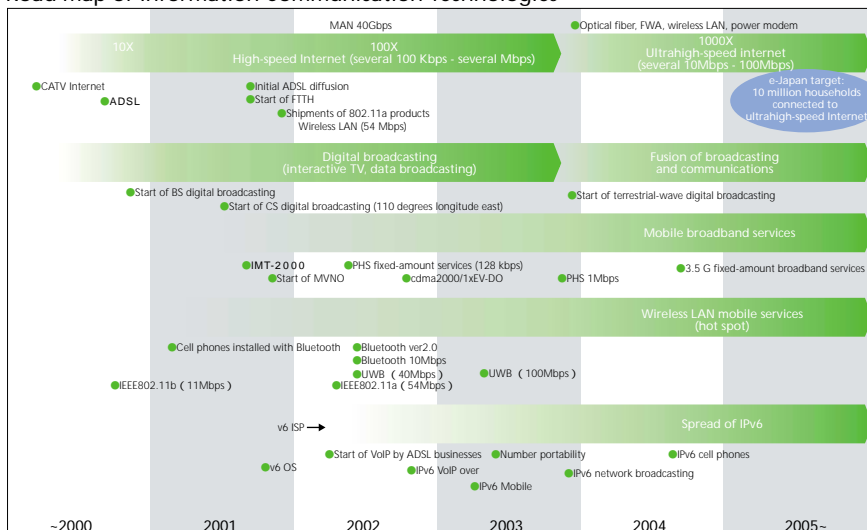
Application of Objectworks by divisional projects was instrumental in raising the productivity of system development. In cooperation with the System Consulting Division, we began selling it outside the company as one of NRI's key solution packages.

To further enhance NRI's fabrication of systems, the Fukuoka System Development Department was instituted within our division in April 2001, joining an analogous department instituted previously in Sapporo. These departments recruit talented local personnel and participate in divisional projects as remote sites of development.

In our development activities in fiscal 2002, we will emphasize technology for innovation of information system construction applying elements such as ubiquitous network infrastructures, web services, component technologies, and open sources. As a new field of activity, we will also work to establish business in basic solutions cutting across industrial borders.

To publicize NRI's technical prowess, we plan to launch our own website and otherwise generate more opportunities to provide information on our activities and spread knowledge of them in society as a whole.

Road map of Information Communication Technologies



Approaches to quality control

Quality Management Division

At NRI, a commitment to quality is at the foundation of management. Fulfillment of this commitment is one of the key roles of our division.

In fiscal 2001, we compiled the procedures and guidelines applied in NRI's development units into NRI Quality Management System (NRI-QMS) for use by all system solution divisions in common. We also obtained ISO9001:2000 certification for it.

NRI-QMS stipulates not only the process of system solution business and the documents to be prepared, but also the procedures of project management. In high-risk projects, it requires reviews of the results of each step by a system development council composed of specially selected experts from throughout the company, for early detection and resolution of project risks.

We also carry out regular surveys of customer satisfaction. We verify the quality of NRI goods and services from the customer's standpoint and work for prompt corrections if there are any problems.

We are convinced that the observance and growth of NRI-QMS will contribute to the provision of excellent system goods and services.

In the area of information system development, our role lies in fortifying partnerships with consignee firms, domestic and foreign. In fiscal 2001, we pushed much offshore development in China and other countries.

For fiscal 2002, we plan to improve and expand our setup for development in China, induce even closer coordination with consignee firms in Japan, and otherwise boost development yield and power.

Our division also has the role of bolstering measures to counter computer viruses and other arrangements for information security. NRI has long focused on information security, and this emphasis led to the founding of NRI Secure Technologies, Ltd., which is exclusively devoted to it. We draw on the expertise and know-how of this firm in taking needed measures in the physical, system, operational, and other aspects, and constantly check and improve security setups.



Division Manager Takayoshi Kurinomaru



Policy on quality
Higher levels of customer satisfaction through ongoing quality improvement as a company "dreaming up the future"

Operation Chief, Quality Management Division Manager

Approaches to overseas business

International Division



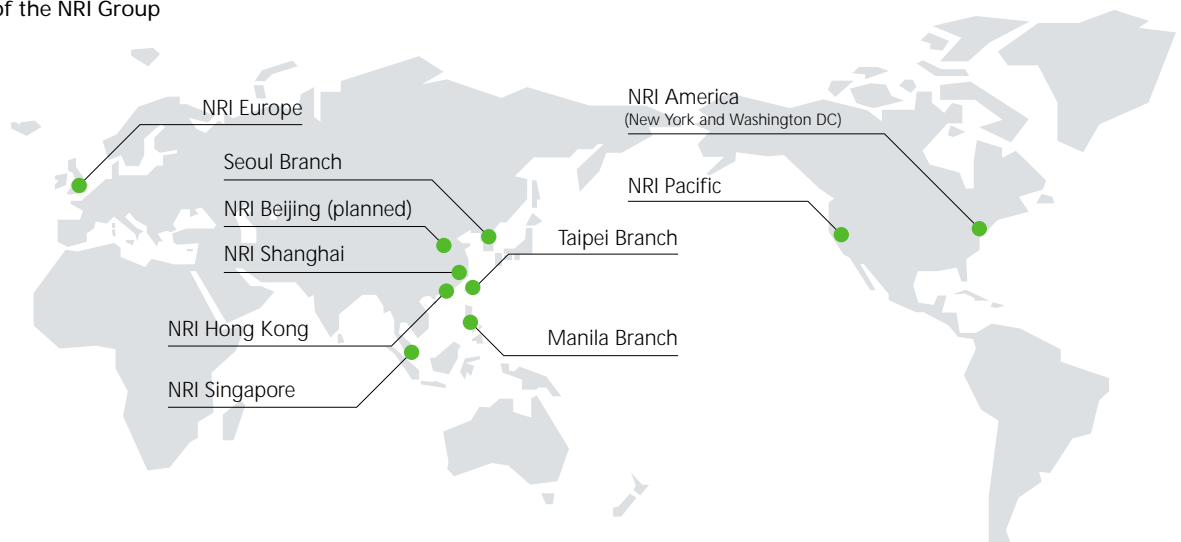
Division Manager Jun Umeda

As of August 2002, NRI had offices in ten cities outside Japan, i.e., Seoul, Taipei, Shanghai, Hong Kong, Singapore, Manila, New York, Washington DC, San Mateo (Silicon Valley), and London. We are joining with these offices and the other divisions in Japan in an aggressive effort to internationalize NRI's major business. Since the mid 1990s, we have been making an all-out effort to develop and build up business in consulting and system solutions services for firms (including Japanese-affiliated ones) and governments in other Asian countries while expanding our network of locations and reinforcing our programs for the grooming of professionals hired in them. These endeavors have been undertaken in addition to our usual job of doing research for and supporting the global information system of the Nomura Securities Group, and carrying out R&D assignments for the NRI Group.

In fiscal 2001, we intensified our input of resources into priority areas and domains. As a result, we achieved a steady increase in our sales and succeeded in greatly improving our profit rate. We made particularly big strides in our business in Asia, which has promising growth prospects. In the field of consulting, we won the contract for a large project worth more than 100 million yen in Taiwan, and also received an increasing number of inquiries from major firms, key governmental agencies, and big municipalities in Korea. Similarly, in the system solution field, our global SCM system business for Japanese firms exhibited substantial progress, partly thanks to the start of our provision of ASP solutions. We were asked by a leading insurance firm to reconstruct their system for support of their Chinese locations, and managed to release it on schedule. This achievement surely did much to raise our credibility among clients. In operations for the Nomura Securities Groups, our programs of overseas business system standardization and development of new-age foreign securities systems for the asset management division reached fruition. And in operations for the NRI Group, we achieved a measure of results in several innovative projects, including the development of e-learning materials for corporate entrepreneurs with Babson College in the United States.

In fiscal 2002, we want to build on the achievements of fiscal 2001 through an even more forceful promotion of growth in both our consulting and system solution businesses in other Asian countries. NRI is making a concerted companywide effort to advance its business in the Chinese market, where siting by Japanese firms has been gathering momentum since China's admission into the World Trade Organization (WTO). NRI set up a wholly-owned subsidiary in Shanghai in July 2002 to serve as a base for consulting activities, and intends to plant an office licensed for system solution business in Beijing before the end of the year.

Overseas network of the NRI Group



Approaches to social contribution

Center for Knowledge Exchange & Creation

NRI pursues research and development activities in the four fields of technology-oriented, study-oriented, business-oriented and society-oriented. In the field of society-oriented R&D, it conducts R&D programs premised on disclosure of at least part of the results for the purpose of assisting the resolution of various problems in the social system. We at NRI are keenly concerned about social contribution by corporate enterprises. Our consultants and system engineers make full use of their specialized talents and our store of intellectual resources in doing research aimed at solving all kinds of social, economic, and technical issues, and make the results available to all. We consider this to be a mode of social contribution best befitting NRI.

In fiscal 2001, we researched **ubiquitous networks** and published the findings in a book entitled "Ubiquitous Networks and New Social Systems" while also presenting them on various other opportunities.

NRI has long envisioned the arrival of the "ubiquitous network society" in which all members would be able to access a network at any time or place. In 2000, we brought out a first book entitled "Ubiquitous Network" setting forth the research results on the subject to that point. This was a forerunning message about the impact of such networks on industry and society, and the need for related rule-making. Even after the publication, we pressed ahead with this research in the belief that ubiquitous networks could serve as the engine for recovery of Japan's industrial competitiveness. The ensuing years saw a swift rise in recognition of ubiquitous networks and awareness of their potential to change the shape of society.

Our latest book estimates the latent demand associated with ubiquitous social system applications at 10 trillion yen just in the three areas of health systems, automotive network systems, and education and learning systems. We are now studying measures for the diffusion of this technology.

By publishing our findings in this fashion, we hope to accelerate related approaches by Japan's IT industry and help to usher in Japan's economic revival.

To this end of rebuilding the competitiveness of Japanese industry, we are resolved to forge ahead with our activities of research and proposal utilizing our skills of industrial navigation.

Ubiquitous networks

Networks for Internet protocol (IP). The word "ubiquitous" is from the Latin word "ubique" meaning "everywhere." The term was coined by NRI in 1999 to indicate environments in the Internet age, on analogy with the "ubiquitous computing" advocated by Mark Weiser of Xerox Palo Alto Laboratories in the late 1980s. In specific terms, it refers to mobile broadband networks that are constantly connected and accessible at any place, and link a variety of IT devices (e.g., cell phones, video game units, car navigation systems, personal digital assistants, digital TV sets, IT home appliances, web cameras, and radio frequency identification (RFID) chips with IP (preferably IPv6)). Such networks would provide an information environment facilitating seamless interchange of a rich abundance of contents among people, companies, and authorities, unbound by constraints of space and time.



Financial Section

Business Outline in FY2001

Production, Orders, and Sales

Challenges Ahead

Important Contracts, etc.

Research and Development

Facilities

Status of the Company

Financial Statements

Auditor's Certificate

Business Outline in FY2001 (ended 31st March 2002)

Business Results for the Year

The Japanese economy generally stayed stagnant during the year ended 31st March 2002, witnessing declining corporate earnings, especially in the manufacturing industry, and lower levels of investment in both the private and public sectors. Prices continued to fall, and business activities remained sluggish. However, around the end of the year, when the U.S. economy began to show signs of improvement in private consumption and inventory levels, the Japanese economy apparently hit bottom overall as indicated by real progress in inventory adjustment.

In the information service industry, demand for services for management innovation, enhancement of competitiveness, and other purposes continued to be strong throughout the year. Major contributing factors included mergers of financial institutions and outsourcing contracts from information systems divisions of companies. At the same time, however, competition in the industry further intensified, partly because of corporate customers' stepped-up efforts to cut back on costs among corporate clients and partly because of the entry of some hardware makers into the solution business.

Under these circumstances, we at the NRI Group made continued efforts to strengthen our business base. While demand for information services increased at an accelerating rate because of greater interest by companies in strengthening their competitive positions, ongoing structural reform in the public sector, and computerization of administrative services, we provided consulting and knowledge services to back up these efforts and system solution services to help implement information technology strategies. In addition, as in the previous years, we transmitted numerous types of information to society, including recommendations to the government about securities taxation, domestic and overseas economic forecasts, and fact-finding surveys concerning the use of information and telecommunications.

With respect to information system development, we strove to enhance our development capability and productivity. At home, we set up a system development base in Fukuoka; abroad, we promoted cooperation with development service companies in China and other countries. As a means of demonstrating our already-established quality improvement activities, we obtained ISO 9001: 2000 certification.

In addition, we founded the Yokohama Learning Center in the district of Hodogaya-ku, Yokohama, in July 2001, in an effort to further bolster human resources development in the NRI Group. We improved training curriculums and promoted in-house qualification programs for project managers and other specialists in system development. We endeavored to maintain and enhance service quality through these personnel development and project management efforts.

NRI, NRI Data Service, and NRI Network Communications withdrew from the Japan Securities Dealers Employees' Pension Fund on 31st August 2001, in preparation for the introduction of defined-contribution pension programs. In this connection, an extraordinary income of 8.1 billion yen was recorded as a result of the reversal of the welfare pension fund allowance.

For the year ended 31st March 2002, sales amounted to 236.6 billion yen, an 8.5 percent increase over the previous year. Operating income increased 9.1 percent to 30.4 billion yen, and net income declined 11.9 percent to 22.4 billion yen. The decline in net income is attributable to the fact that the previous year's extraordinary income, including gains on sale of investment securities, amounted to 26.6 billion yen.

Meanwhile, we were listed on the Tokyo Stock Exchange (first section) on 17th December 2001. This listing helped us further strengthen our financial base.

Sales

Revenues from both system solution services and consulting and knowledge services increased, and consolidated sales totaled 236.6 billion yen, an increase of 18.6 billion yen (8.5 percent) over the previous year. The sales increase is largely attributable to increased demand resulting from the reconstruction of information systems of merged or otherwise integrated companies and from more active management consulting in many industries.

Operating Profit

Operating profit amounted to 30.4 billion yen, an increase of 2.5 billion yen (9.1 percent) over the previous year. Major contributing factors included the pursuit of even higher development ability and productivity as well as high levels of investment in quality management, human resources development, and research and development.

Net Income

Despite the extraordinary income from the reversal of the employees' pension fund allowance, net income for the year stood at 22.4 billion yen, a decrease of 3.0 billion yen (11.9 percent) from the previous year, in which there were large gains from the sale of investment securities.

Total Assets

We made a public share issue when our stock was listed, and invested the proceeds in activities such as the development of software for a next-generation bureau system. As a result, total assets amounted to 299.9 billion yen, an increase of 10.8 billion yen (3.7 percent) from the previous year.

Shareholders' Equity

The gain from appreciation of other securities decreased as a result of declines in the market prices of securities, etc., held. However, net assets stood at 195.6 billion yen, an increase of 30.4 billion yen (18.4 percent) over the previous year, due to the public share issue and retained earnings.

Earnings per Share

Earnings per share declined 77 yen (13.0 percent) from the previous year to 513 yen because of the decrease in net income and an increase in the number of outstanding shares.

System Solution Services

With respect to development and product sales in the financial field, we saw steady progress in the construction of information systems to respond to new developments such as the start of sales of investment trusts and the introduction of defined-contribution pension programs, in the sale of related products, and in the reconstruction of information systems resulting from the consolidation of financial institutions. In the distribution area, we worked on the concentration of key systems in an operation center in an effort to cut back on costs. In the public sector, we saw progress in system development for government agencies' integrated information and communications networks and in the sales of products. Operation services fared well, whereas sales of packaged products decreased as a result of a decrease in hardware demand.

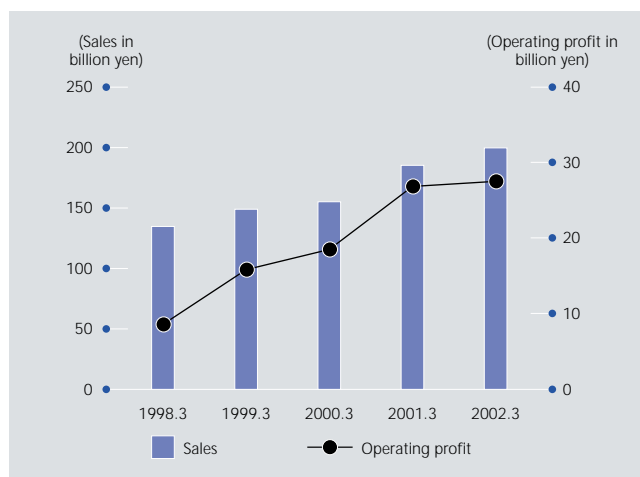
We endeavored to more strictly manage service quality, project operation, and information system security, and made active efforts for research and development and for the cultivation of new businesses.

As a consequence, sales (external sales) of system solution services totaled 199.8 billion yen, an increase of 7.8 percent over the previous year, and operating profit increased 2.5 percent to 27.5 billion yen. Of the sales, development and product sales accounted for 93.6 billion yen, up 15.7 percent from the previous year; operational processing 86.9 billion yen, up 6.9 percent; and sales of packaged products, etc., 19.2 billion yen, down 17.0 percent.

Trend of Sales and Operating Profit from System Solution Services

(billion yen)

	1998.3	1999.3	2000.3	2001.3	2002.3
Sales	134.8	149.0	155.2	185.4	199.8
Operating profit	8.6	15.8	18.5	26.9	27.5



Notes 1: Figures indicate sales to outside clients, exclusive of internal sales or transfers between service segments.

2: Amounts of less than 100 million yen were rounded. Figures do not include consumption tax and other taxes.

Consulting and Knowledge Services

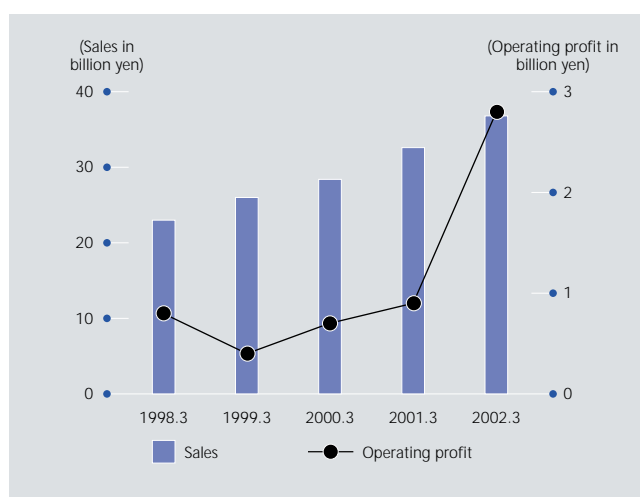
The level of orders received was high for consulting services such as the formulation of administrative and business management strategies, structural reform, organizational or operational reform, and implementation support. Demand also continued to grow for information services for the financial industry, such as asset management and investment information. The business of supporting information distribution over the Internet was fully established, contributing to the growth of sales. In addition, we set up a wholly owned subsidiary, NRI Cyber Patent, on 2nd July 2001, to launch a patent information service using the Internet.

Consequently, sales (external sales) of consulting and knowledge services totaled 36.8 billion yen, an increase of 12.8 percent over the previous year, while operating profit jumped 186.8 percent to 2.8 billion yen.

Trends of Sales and Operating Profit from Consulting and Knowledge Services

(billion yen)

	1998.3	1999.3	2000.3	2001.3	2002.3
Sales	23.0	26.0	28.4	32.6	36.8
Operating profit	0.8	0.5	0.8	1.0	2.8



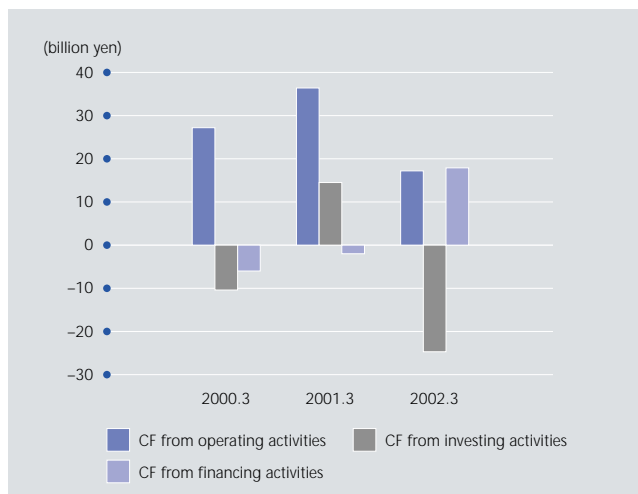
Notes 1: Figures indicate sales to outside clients, exclusive of internal sales or transfers between service segments.
2: Amounts of less than 100 million yen were rounded. Figures do not include consumption tax and other taxes.

Cash Flows

Although we had a good year in fiscal 2001 (ended 31st March 2002), cash flows from operating activities stood at 17.3 billion yen, a 52.6 percent decrease from a year earlier, because of increased corporation tax and other payments on the previous year's income. Cash flows from investing activities was at a deficit of 24.7 billion yen, compared with the positive level of 14.5 billion yen in the previous year, because of increased investment, primarily in software. The proceeds from the public share issue at the time of stock listing helped increase cash flows from financing activities to 18.0 billion yen, compared with a deficit of 2.1 billion yen a year earlier. Cash and cash equivalents at the end of the year totaled 95.2 billion yen, a year-on-year increase of 11.1 billion yen (13.2 percent).

	2000.3	2001.3	2002.3
CF from operating activities	27.2	36.5	17.3
CF from investing activities	-10.5	14.5	-24.7
CF from financing activities	-6.1	-2.1	18.0
Year-end balance of cash and cash equivalents	34.4	84.1	95.2

Note: Amounts of less than 100 million yen were rounded.



Cash Flows from Operating Activities

We had favorable operating results for the fiscal 2001, registering an increase of 2.5 billion yen (9.1 percent) in operating profit over the previous year. Increased sales, primarily in government projects, resulted in a hefty 10.0 billion yen (298.8 percent) increase in trade receivables from a year earlier. Long-term guarantee deposits also increased 1.7 billion yen (286.7 percent) from a year earlier as a result of the expansion of business establishments, in response to an increase in personnel, and as a result of the opening of a new training center. At the same time, corporation tax and other payments increased 75.4 percent to 20.1 billion yen, due largely to the tax payment on the gain from the sale of investment securities in fiscal 2001. A special contribution of 3.4 billion yen was made in connection with the withdrawal from the Japan Securities Dealers Employees' Pension Fund. As a consequence, cash flows from operating activities stood at 17.3 billion yen, down 52.6 percent from the year-earlier level.

Cash Flows from Investment Activities

Expenditures to acquire computer-related equipment and of tangible fixed assets, such as buildings and improvements, for the expansion of business establishments totaled 7.0 billion yen, a 2.7-percent rise from the previous year. Expenditures to acquire intangible fixed assets amounted to 15.9 billion yen, a year-on-year increase of 48.8 percent, due largely to the active development of a next-generation bureau system. In addition, 2.2 billion yen was spent acquiring investment securities. Consequently, cash flows from investing activities resulted in a deficit of 24.7 billion yen, compared with a surplus of 14.5 billion yen in fiscal 2001.

Cash Flows from Financing Activities

At the time when our stock was listed, we raised 20.9 billion yen by making a public offering of 2,000,000 new shares, and repaid 2.7 billion yen in short- and long-term loans. As a result, cash flows from financing activities amounted to 18.0 billion yen, compared with a deficit of 2.1 billion yen in fiscal 2001.

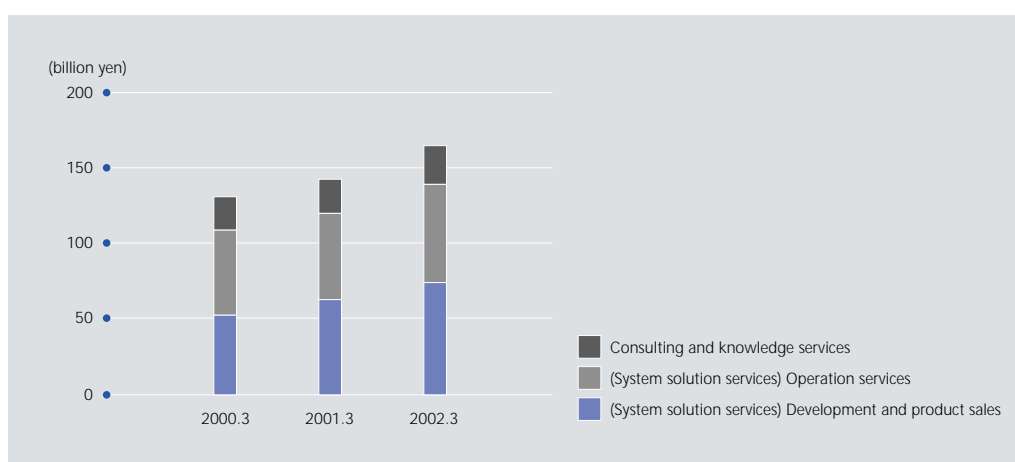
Production, Orders, and Sales

Actual production

Segment by type of business	2000.3	2001.3	(billion yen)	
			2002.3	Change from previous year (%)
System solution services	109.2	120.2	139.4	16.0
Development and product sales	52.8	63.0	74.3	17.9
Operation services	56.4	57.1	65.0	13.8
Consulting and knowledge services	22.2	22.7	25.7	13.1
Total	131.4	142.8	165.0	15.5

Notes 1: Amounts are based on manufacturing costs.

2: Amounts of less than 100 million yen were rounded. Figures do not include consumption tax and other taxes.



Orders received

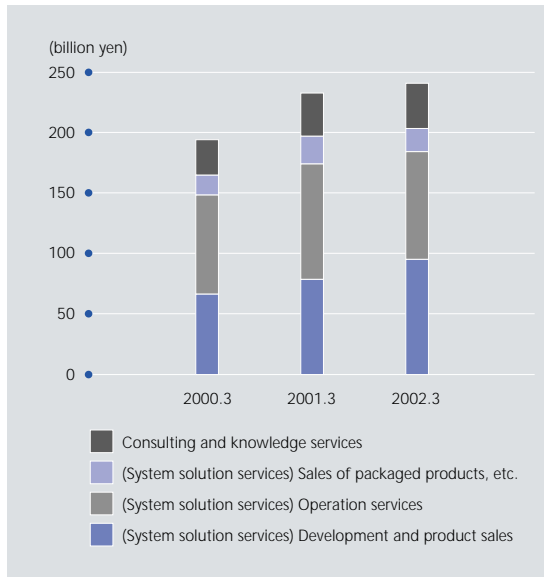
Segment by type of business	2000.3		2001.3		2002.3			
	Orders received	Order backlog	Orders received	Order backlog	Orders received	Order backlog	Change from the previous year (%)	Change from the previous year (%)
System solution services	165.3	69.5	197.5	81.6	203.6	85.4	3.1	4.6
Development and product sales	66.6	6.0	79.0	4.0	95.3	5.5	20.6	37.5
Operation services	82.1	63.5	95.4	77.6	89.1	79.8	-6.6	2.8
Sales of packaged products, etc.	16.7	-	23.1	-	19.2	-	-17.0	-
Consulting and knowledge services	29.3	12.5	35.7	15.3	37.4	15.9	4.9	3.4
Total	194.6	82.0	233.2	97.0	241.0	101.2	3.4	4.4

Notes 1: Amounts are based on sales prices.

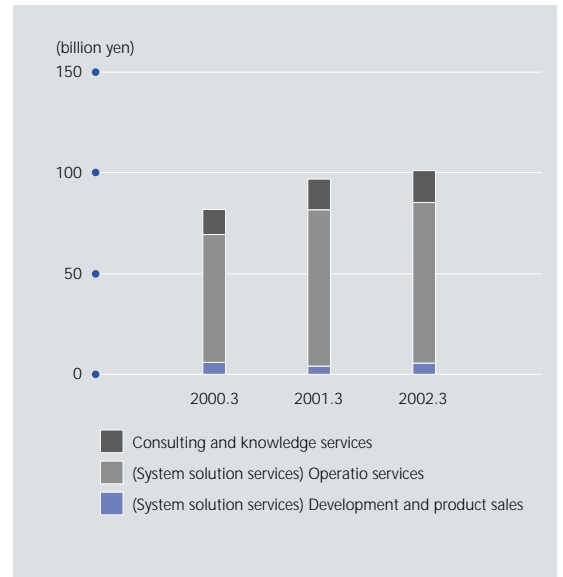
2: Amounts of less than 100 million yen were rounded. Figures do not include consumption tax and other taxes.

3: With respect to services that are provided on a continuous basis and are paid for on the basis of usage, expected sales during the next year are recorded as orders received at the end of each fiscal year.

Trend of Orders received



Trend of Order backlog



Sales by Industry and Sales Component Ratios

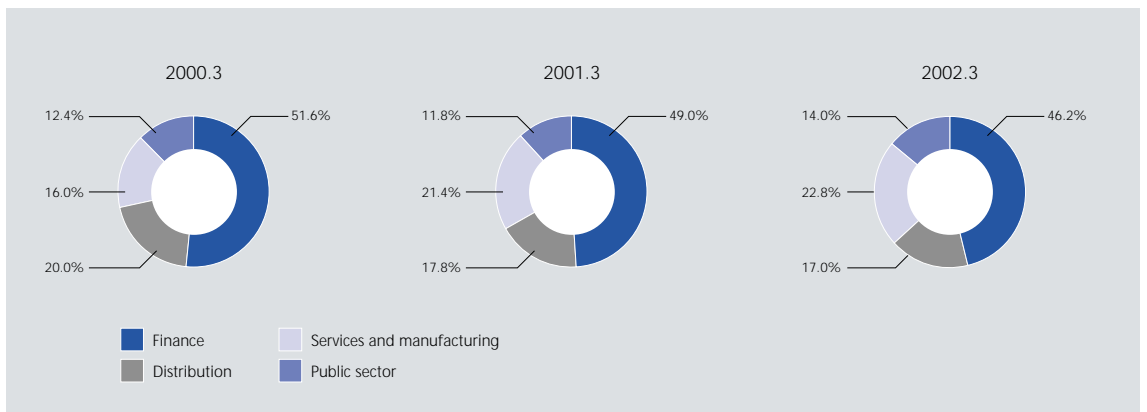
Sales by industry	2000.3		2001.3		2002.3	
	Amount	Component ratio (%)	Amount	Component ratio (%)	Amount	Component ratio (%)
Finance	94.7	51.6	106.8	49.0	109.3	46.2
Nomura Securities	38.0	20.7	48.9	22.4	53.2	22.5
Distribution	36.7	20.0	38.7	17.8	40.3	17.0
Services and manufacturing	29.5	16.0	46.6	21.4	53.8	22.8
Public sector	22.8	12.4	25.9	11.8	33.1	14.0
Total	183.6	100.0	218.0	100.0	236.6	100.0

Notes 1: Amounts of less than 100 million yen were rounded. Figures do not include consumption tax and other taxes.

2: The financial service industry includes not only financial institutions, such as securities firms, banks, and insurance companies, but also securities investment trust management companies, investment advisory companies, and consumer finance companies.

3: The figure represents the year's total sales to Nomura Holdings and Nomura Securities, which were created by a corporate breakup.

Sales by industry



Challenges Ahead

While there is growing demand for new services utilizing information technology, the information service industry is seeing increasingly intense competition for reasons such as the entry of hardware makers.

In this business environment, the NRI Group will strive to further sharpen its competitive edge by providing new goods and services that promptly accommodate institutional reforms in the financial industry and actively developing next-generation bureau systems. For the distribution industry, we will provide products and services in response to progress in the distribution revolution in order to better satisfy customers and strengthen our customer base. At the same time, we will enhance concerted actions among the in-house divisions and cooperative relationships with development companies at home and abroad. In particular, we will pursue even more productive system development by improving development remote facilities including overseas countries, mainly China, and standardizing development techniques.

In addition, the NRI Group will place a greater emphasis on new businesses and new services, especially in connection with the POSTUB social experiment* and the digital information distribution network business. Business development will be a key consideration in our research and development.

In the development of human resources, we will help employees improve their specialized skills by bolstering in-house qualification programs and providing training based on "e-learning" systems (education and training systems utilizing information technology). We will also take measures to enhance the abilities of mid-level managers on whom our future prosperity rests.

Meanwhile, for better corporate governance, we are reforming of our board of directors to ensure more efficient and transparent management. In fiscal 2002, we introduced the executive officer system, reduced the number of directors, and appointed outside directors and additional outside statutory auditors. The NRI Group will continue to fulfill its responsibility of effecting timely disclosures and making sufficient explanations to the market and shareholders. To this end, we will endeavor to strengthen our investor relations (IR) and compliance functions.

* The POSTUB social experiment is an experimental test we are making to verify the feasibility of next-generation messaging infrastructure. The Ministry of Public Management, Home Affairs, Posts and Telecommunications, and several firms are also involved in this project.

Important Contracts, etc

Principal Contracts Concerning the Liquidation of the Osaka Data Center

NRI concluded contracts for the liquidation of its Osaka Data Center in March 1999 in order to diversify sources of funds, reduce assets, and thus improve return on assets (ROA). The principal contracts concluded by us, South Plaza (a special-purpose company established under the Commercial Code), and NRI Data Service for the liquidation of real assets are outlined below.

Date concluded	Contract	Partner	Description
March 1999	Trust Agreement for Management and Disposal of Real Estate	Daiwa Bank	We shall entrust the land, building, and cash of our Osaka Data Center to Daiwa Bank for the purposes of management, operation, and disposal in the interest of the beneficiary for the period from 30th March 1999, to 22nd March 2004.
March 1999	Agreement for Assignment of Beneficial Interest in Trust	South Plaza	We shall assign, with the consent of Daiwa Bank, our beneficial interest in trust under the Trust Agreement for Management and Disposal of Real Estate to South Plaza.
March 1999	Agreement for Underwriting Unsecured Debentures of South Plaza (with NRI guarantees and a special clause restricting liable assets) (restricted to qualified institutional investors)	Nomura Securities	South Plaza shall issue unsecured debentures (principal and interest guaranteed by us) supported by the cash flow arising from such liable assets as the beneficial interest in trust mentioned above. Nomura Securities shall underwrite the entire issue on a bought deal basis.
March 1999	Real Estate Disposal Option Contract	Daiwa Bank	Daiwa Bank shall acquire, within the trust period under the Real Estate Disposal Option Contract, the option to sell the land and building of the Osaka Data Center to NRI Data Service at a price prescribed in the agreement. If the bank does not exercise the option and sells the assets at a price higher than the above prescribed price, NRI Data Service shall have the right of first refusal until the date prescribed in the agreement.

Note: The Osaka Data Center had previously been used by NRI Data Service under a lease from us. As a result of the agreement mentioned above, NRI Data Service concluded in March 1999 a building lease agreement with the Daiwa Bank for the use of the Osaka Data Center.

Research and Development

The NRI Group's research and development activities include the following:

- (1) Research on basic and advanced information technologies and on production and development technologies (technology-oriented R&D)
- (2) Basic studies on business management, public administration, and social systems (study-oriented R&D)
- (3) New-business feasibility studies, prototype development, and demonstration experiments (business-oriented R&D)
- (4) Proposals and the transmission of other information to society at large (society-oriented R&D)

The main players in these R&D activities include NRI's Advanced Information Technology Division and Center for Knowledge Exchange & Creation. In addition, the Research & Development Committee, which directly reports to our Board of Directors, reviews the stages ranging from the formulation of project plans to the utilization of results in order to ensure further qualitative improvement of R&D activities.

System Solution Services

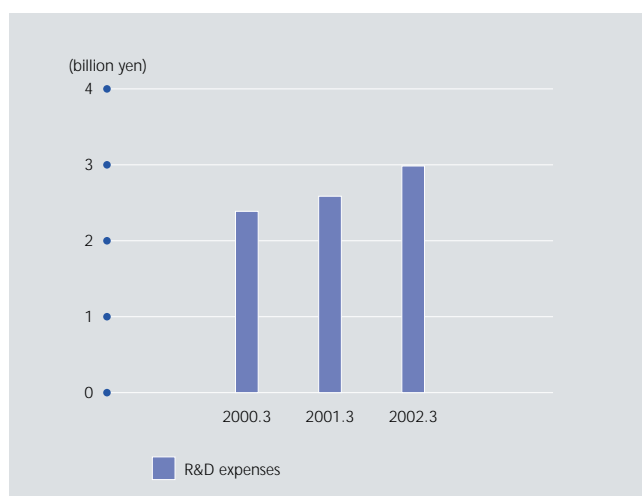
In consideration of the latest trends in technology, we worked on new business models for both the business and the administrative sector. In particular, we conducted experiments to verify the practicability of electronic mail. We also performed surveys and research on financial portal services for company and other employees, and developed tools to assist local governments in procuring information systems. To improve the productivity and quality of system development, we made continued efforts to put development techniques utilizing cutting-edge software to practical use, develop components for software development, and study software combination techniques. As a result, R&D expenses related to system solution services totaled 2.2 billion yen.

Consulting and Knowledge Services

We conducted research and studies concerning next-generation management styles and new social systems. Specifically, we studied business administration in the era of ubiquitous networks*, analyzed excellent companies' corporate cultures and organization-vitalizing factors, and looked into business models based on actual cases in countries advanced in broadband usage. In addition, we continued to make proposals and suggestions about business administration and policy formulation, and conducted activities to transmit information to society. Consequently, R&D expenses related to consulting and knowledge services totaled 0.8 billion yen.

* A ubiquitous network is a network that allows anyone to send and receive information anytime, anywhere.

	2000.3	2001.3	(billion yen) 2002.3
R&D expenses	2.5	2.6	3.1



Note: Amounts of less than 100 million yen were rounded. Figures do not include consumption tax and other taxes.

Facilities

Facility Investment, etc.

Facility investment during the year under review totaled 22.7 billion yen. Investments were made for items including software development, installation of additional equipment to meet the needs of the expanding outsourcing business, and the updating of personal computers used for development purposes. The investment amount includes the amount of investment in software. The investment was financed by retained earnings and part of the proceeds of the public share issue.

System Solution Services

Facility investment amounted to 19.3 billion yen as a result of the development of software to serve the financial industry, the purchase of system operation equipment to meet the needs of the expanding outsourcing business, and the updating of personal computers used for development purposes.

Consulting and Knowledge Services

Facility investment totaled 3.5 billion yen. Investments were made for items including the development of software to provide information services, such as asset management and investment information, for the financial industry and the updating of personal computers for business use.

Plans for Facility Construction, Disposal, etc.

We have a 26.5 billion yen equipment investment plan for this fiscal year. The investment will be financed by retained earnings and part of the proceeds of the public share issue. We do not have plans to sell or otherwise dispose of important facilities, except for sales and other disposal accompanying the regular updating of facilities.

Segment by type of business	Facilities	Planned investment (billion yen)	Major items and uses
System solution services	Software	13.1	Development of software for internal use to provide customer services and software for sale
	Hardware	7.8	System development equipment, and equipment for providing operational processing services related to computer systems and networks
Consulting and knowledge services	Software	2.3	Development of software for internal use to provide knowledge solution services
	Hardware	1.0	Equipment for providing knowledge solution services
Company-wide (common use)	Office facilities	2.3	Office enhancement
Total		26.5	—

Note: Amounts of less than 100 million yen were rounded. Figures do not include consumption tax and other taxes.

Status of the Company

Introduction of a Stock Option Plan

Pursuant to Articles 280-20 and 280-21 of the Commercial Code, the shareholders passed a special resolution at their ordinary meeting on 26th June 2002 to introduce a stock option plan under which reservation rights can be issued without compensation under specially advantageous conditions to directors and executive officers of NRI and to directors of NRI's subsidiaries in Japan.

This plan is outlined below:

Date resolved	26th June 2002
Category and number of grantees	Directors and executive officers of NRI and directors of NRI's subsidiaries in Japan who are designated by the respective boards of directors
Class of stock concerned	Common stock
Number of shares	A maximum of 90,000 shares (Note 1)
Amount payable when exercising reservation rights	(Note 2)
Period for exercising reservation rights	1st July 2004 through 30th June 2007
Conditions for exercising reservation rights	(Note 3)
Assignment of reservation rights	Assignment of reservation rights requires the approval of the board of directors.
Causes and conditions for canceling reservation rights	(Note 4)

Notes 1: When the Company executes a stock split or a reverse stock split, the number of shares will be adjusted in accordance with the formula shown below. However, that adjustment will be made only with respect to the number of shares covered by the reservation rights not yet exercised at that point in time. Any fraction of a share that may arise in that adjustment shall be discarded.

$$\text{Number of shares after adjustment} = \text{number of shares before adjustment} \times \text{split (or reverse split) ratio}$$

The Company will also make such adjustment of the number of shares as it considers necessary in cases in which (i) the Company merges and the surviving or resulting company takes over the Company's obligations concerning reservation rights, or (ii) the Company carries out a corporate partition and the resulting company or the company that takes over the business as a result takes over the Company's obligations concerning reservation rights.

- 2: The amount payable is 1.05 times the average of the closing prices in ordinary transactions in the Company's common stock on the Tokyo Stock Exchange on all the days (except days without closing prices) of the month just preceding the month to which the day of issuing reservation rights belongs. Any fraction less than one yen will be rounded up. However, if the amount thus calculated is less than the closing price on the day of issue of reservation rights (in the absence of such closing price, then the closing price on the nearest preceding day), then the amount payable is equal to the said closing price.
- When the Company executes a stock split or a reverse stock split, the amount payable will be adjusted in accordance with the formula shown below. Any fraction less than one yen that may arise in the adjustment will be treated as one yen.

$$\text{Amount payable after adjustment} = \text{amount payable before adjustment} \times (1 / \text{split (or reverse split) ratio})$$

The Company will also make such adjustment of the amount payable as it considers necessary in cases in which (i) the Company merges and the surviving or resulting company takes over the Company's obligations concerning reservation rights or (ii) the Company carries out a corporate partition and the resulting company or the company that takes over the business as a result takes over the Company's obligations concerning reservation rights.

- 3: (1) At the time of exercising reservation rights, a grantee must be a director, executive officer, or official in an equivalent position of the Company or a domestic subsidiary of the Company (hereinafter referred to as the "qualification to exercise rights"). However, in such cases as are designated by the board of directors as cases (such as death or expiration of the terms of office of grantees) in which grantees (or heirs in case of death of grantees) should be permitted to exercise reservation rights in view of the objectives of issuing reservation rights even after losing their qualification to exercise rights, grantees (or heirs in case of death of grantees) may exercise the reservation rights outstanding at the date of losing their qualification to exercise rights for a period determined by the board of directors.
- (2) If a grantee commits an act that constitutes a serious violation of law, the Articles of Incorporation, or a contract between the grantee and the Company, or if a grantee goes bankrupt or falls into an equivalent situation, the grantee may not exercise reservation rights from the date of occurrence of such an event.
- (3) In addition to the above provisions, the Company may, in contracts concerning the allocation of reservation rights to be concluded with individual grantees, provide for additional restrictions on the exercise of reservation rights, causes requiring the return of reservation rights, and other matters.

- 4: (1) In the event that a grantee ceases to meet those conditions for exercising reservation rights that are prescribed in (1) of Note 3, falls under such a case as is prescribed in (2) of Note 3, or waives reservation rights, then the Company may cancel, without compensation, the reservation rights issued to the grantee.
- (2) If the Company merges and the surviving or resulting company does not take over the Company's obligations concerning reservation rights, or if the Company becomes a wholly-owned subsidiary of another company through a share transfer or a share swap, then the Company may cancel reservation rights without compensation.
- (3) In addition to the cases prescribed above, the Company may, at any time, acquire reservation rights and cancel them without compensation.

Dividend Policy

NRI's basic policy is to bolster retained earnings for lasting business development and return profits to the shareholders in an appropriate, stable manner.

With respect to the dividend for the year, the board of directors proposed a dividend rate of 20 yen per share, an increase of 15 yen per share over the previous year, in accordance with the above policy. The shareholders approved the proposal at their ordinary meeting. As a result, the payout ratio for the year stood at 5.2 percent.

Retained earnings will be used for future business development. They will be invested in the enhancement of bureau systems that are expected to grow rapidly in the future, in development projects to increase value added, in research and development to cultivate new businesses and improve system development efficiency, in measures to further enhance quality management and information security, and in other efforts to further strengthen our competitive position, such as the training of personnel to support our future growth.

Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Changes in Shareholders' Equity

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

Report of Independent Certified Public Accountants

Appendix (1) Summary of Significant Differences between Japanese and U.S. Generally
Accepted Accounting Principles

Appendix (2) Subsidiaries and Affiliates, Major Shareholders

Consolidated Balance Sheets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2001	2002	2002
Assets			
Current assets:			
Cash and bank deposits <i>(Note 14)</i>	¥ 64,131	¥ 33,181	\$ 249,013
Short-term investment securities <i>(Notes 3 and 14)</i>	20,001	62,022	465,456
Accounts receivable and other receivables <i>(Notes 5 and 20)</i>	34,172	43,998	330,191
Inventories	353	215	1,614
Deferred income taxes <i>(Note 12)</i>	3,355	3,385	25,403
Other current assets	1,463	927	6,957
Allowance for doubtful accounts	(90)	(84)	(630)
Total current assets	123,385	143,644	1,078,004
Property and equipment <i>(Notes 6 and 8)</i> :			
Land	8,089	7,635	57,298
Buildings, net	12,519	12,931	97,043
Machinery and equipment, net	11,405	11,256	84,473
Property and equipment, net	32,013	31,822	238,814
Software and other intangibles	16,973	25,736	193,141
Investment securities <i>(Notes 3 and 20)</i>	94,901	75,921	569,763
Investments in affiliates <i>(Note 3)</i>	8,985	8,748	65,651
Deferred income taxes <i>(Note 12)</i>	1,715	1,075	8,068
Other assets <i>(Notes 7 and 20)</i>	11,135	12,951	97,193
Allowance for doubtful accounts	(3)	(4)	(30)
Total assets	¥289,104	¥299,893	\$2,250,604

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>31st March,</u>		<u>31st March,</u>
	<u>2001</u>	<u>2002</u>	<u>2002</u>
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings <i>(Note 9)</i>	¥ 100	¥ –	\$ –
Long-term debt due within one year <i>(Notes 8 and 9)</i>	2,608	608	4,563
Accounts payable	22,024	28,748	215,745
Accrued expenses	9,976	10,134	76,053
Income taxes payable	17,159	8,496	63,760
Other current liabilities	6,007	5,045	37,861
Total current liabilities	<u>57,874</u>	<u>53,031</u>	<u>397,982</u>
Long-term debt <i>(Notes 8 and 9)</i>	3,526	2,918	21,899
Allowance for employees' retirement benefits <i>(Note 10)</i>	19,732	21,754	163,257
Allowance for the welfare pension plan <i>(Note 10)</i>	11,548	–	–
Deferred income taxes <i>(Note 12)</i>	26,258	21,510	161,426
Other long-term liabilities <i>(Notes 11 and 20)</i>	4,994	5,116	38,394
Commitments and contingent liabilities <i>(Note 21)</i>			
Shareholders' equity <i>(Notes 13, 15 and 20)</i> :			
Authorised – 150,000,000 shares at 31st March, 2001 and 2002			
Issued – 43,000,000 and 45,000,000 shares at 31st March, 2001 and 2002, respectively	10,100	18,600	139,587
Additional paid-in capital	2,400	14,800	111,069
Retained earnings	104,290	126,136	946,611
Unrealised gain on other securities <i>(Note 3)</i>	48,518	35,593	267,114
Translation adjustments	(136)	437	3,280
Treasury stock, at cost – 100 shares at 31st March, 2002	–	(2)	(15)
Total shareholders' equity	<u>165,172</u>	<u>195,564</u>	<u>1,467,646</u>
Total liabilities and shareholders' equity	<u>¥ 289,104</u>	<u>¥ 299,893</u>	<u>\$ 2,250,604</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2000	2001	2002	2002
Sales (Note 20)	¥183,616	¥217,984	¥236,569	\$1,775,377
Cost of sales (Note 20)	138,395	160,643	173,636	1,303,084
Gross profit	45,221	57,341	62,933	472,293
Selling, general and administrative expenses (Notes 17, 18 and 20)	25,906	29,498	32,568	244,413
Operating profit	19,315	27,843	30,365	227,880
Other income (expenses):				
Interest and dividend income (Note 20)	1,533	3,368	2,385	17,899
Equity in earnings of affiliates	113	350	297	2,229
Interest expense (Note 9)	(168)	(140)	(135)	(1,013)
Loss on property and equipment (Note 20)	(756)	(5,456)	(320)	(2,402)
(Loss) gain on investment securities (Notes 3, 19 and 20)	(705)	25,437	(516)	(3,872)
Gain on investments in affiliates (Notes 19 and 20)	813	–	–	–
Provision for net retirement benefit obligation at transition (Note 10)	–	(344)	–	–
Actuarial loss (Notes 10 and 19)	–	(6,122)	(1,195)	(8,968)
Provision for the welfare pension plan (Note 10)	(10,574)	(974)	–	–
Reversal of allowance for the welfare pension plan (Notes 10 and 19)	–	–	8,147	61,141
Other, net	19	(333)	(18)	(136)
	(9,725)	15,786	8,645	64,878
Income before income taxes	9,590	43,629	39,010	292,758
Provision for income taxes (Note 12):				
Current	9,880	22,129	11,426	85,749
Deferred	(5,420)	(3,882)	5,220	39,174
	4,460	18,247	16,646	124,923
Net income (Note 15)	¥ 5,130	¥ 25,382	¥ 22,364	\$ 167,835

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

	<i>Millions of yen</i>						Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Unrealised gain on other securities	Translation adjustments	Treasury stock	
Balance at 31st March, 1999	¥10,100	¥2,400	¥68,692	¥	¥	¥	¥ 81,192
Net income	–	–	5,130	–	–	–	5,130
Cumulative effect of adoption of tax-effect accounting	–	–	4,689	–	–	–	4,689
Increase resulting from merger of a consoli- dated subsidiary	–	–	1,201	–	–	–	1,201
Cash dividends paid	–	–	(215)	–	–	–	(215)
Bonuses to directors and statutory auditors	–	–	(160)	–	–	–	(160)
Balance at 31st March, 2000	10,100	2,400	79,337	–	–	–	91,837
Net income	–	–	25,382	–	–	–	25,382
Cash dividends paid	–	–	(215)	–	–	–	(215)
Bonuses to directors and statutory auditors	–	–	(214)	–	–	–	(214)
Unrealised gain on other securities	–	–	–	48,518	–	–	48,518
Translation adjustments	–	–	–	–	(136)	–	(136)
Balance at 31st March, 2001	10,100	2,400	104,290	48,518	(136)	–	165,172
Issuance of 2,000,000 new shares	8,500	12,400	–	–	–	–	20,900
Purchase of treasury stock	–	–	–	–	–	(2)	(2)
Net income	–	–	22,364	–	–	–	22,364
Cash dividends paid	–	–	(215)	–	–	–	(215)
Bonuses to directors and statutory auditors	–	–	(303)	–	–	–	(303)
Unrealised gain on other securities	–	–	–	(12,925)	–	–	(12,925)
Translation adjustments	–	–	–	–	573	–	573
Balance at 31st March, 2002	¥18,600	¥14,800	¥126,136	¥ 35,593	¥437	¥(2)	¥195,564
	<i>Thousands of U.S. dollars (Note 2)</i>						
	Common stock	Additional paid-in capital	Retained earnings	Unrealised gain on other securities	Translation adjustments	Treasury stock	Total shareholders' equity
Balance at 31st March, 2001	\$ 75,797	\$ 18,011	\$782,664	\$364,113	\$(1,021)	\$ –	\$1,239,564
Issuance of 2,000,000 new shares	63,790	93,058	–	–	–	–	156,848
Purchase of treasury stock	–	–	–	–	–	(15)	(15)
Net income	–	–	167,835	–	–	–	167,835
Cash dividends paid	–	–	(1,614)	–	–	–	(1,614)
Bonuses to directors and statutory auditors	–	–	(2,274)	–	–	–	(2,274)
Unrealised gain on other securities	–	–	–	(96,999)	–	–	(96,999)
Translation adjustments	–	–	–	–	4,301	–	4,301
Balance at 31st March, 2002	\$139,587	\$111,069	\$946,611	\$267,114	\$ 3,280	\$(15)	\$1,467,646

See accompanying notes to consolidated financial statements.

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,
	2000	2001	2002	2002
Cash flows from operating activities				
Income before income taxes	¥ 9,590	¥ 43,629	¥ 39,010	\$ 292,758
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortisation	13,005	13,660	12,420	93,208
Interest and dividend income	(1,533)	(3,368)	(2,385)	(17,899)
Interest expense	168	140	135	1,013
Loss on property and equipment	765	5,456	320	2,402
Loss (gain) on investment securities	705	(25,437)	516	3,872
Gain on investments in affiliates	(813)	-	-	-
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	(1,537)	(2,501)	(9,976)	(74,867)
Allowance for doubtful accounts	(26)	(29)	(5)	(38)
Accounts payable	(430)	3,925	6,724	50,462
Inventories	(196)	44	138	1,036
Allowance for employees' retirement benefits and welfare pension plan	10,920	8,148	(9,526)	(71,490)
Other	1,974	(147)	(1,014)	(7,609)
Subtotal	32,592	43,520	36,357	272,848
Interest and dividends received	1,605	4,562	1,168	8,765
Interest paid	(148)	(147)	(143)	(1,073)
Income taxes paid	(6,818)	(11,453)	(20,089)	(150,761)
Net cash provided by operating activities	27,231	36,482	17,293	129,779
Cash flows from investing activities				
Acquisition of property and equipment	(10,146)	(6,824)	(7,006)	(52,578)
Proceeds from sales of property and equipment	423	2,023	428	3,212
Increase in software and other intangibles	(8,384)	(10,668)	(15,879)	(119,167)
Proceeds from sales of software and other intangibles	-	668	72	540
Increase in investment securities	(739)	(77)	(2,167)	(16,263)
Proceeds from sales of investment securities	403	30,185	-	-
Increase in investments in affiliates	(400)	(197)	(30)	(225)
Proceeds from sales of investments in affiliates	8,295	60	14	105
Other	49	(624)	(169)	(1,268)
Net cash (used in) provided by investing activities	(10,499)	14,546	(24,737)	(185,644)
Cash flows from financing activities				
Net repayment of short-term borrowings	(2,393)	(400)	(100)	(750)
Proceeds from long-term debt	-	4,169	-	-
Repayment of long-term debt	(3,470)	(5,635)	(2,608)	(19,572)
Proceeds from issuance of new stock	-	-	20,900	156,848
Purchase of treasury stock	-	-	(2)	(15)
Cash dividends paid	(215)	(215)	(215)	(1,614)
Net cash (used in) provided by financing activities	(6,078)	(2,081)	17,975	134,897
Effect of exchange rate changes on cash and cash equivalents	(964)	784	549	4,120
Net increase in cash and cash equivalents	9,690	49,731	11,080	83,152
Cash and cash equivalents at beginning of year	24,702	34,392	84,123	631,317
Cash and cash equivalents at end of year <i>(Note 14)</i>	¥ 34,392	¥ 84,123	¥ 95,203	\$ 714,469

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Description of Business

Nomura Research Institute, Ltd. (the “Company”) is a leading provider in Japan of system solutions services and consulting/knowledge services. System solutions services include the development, installation, operation and management of computer systems and networks. In conjunction with these services, the Company also procures systems equipment and related products for its clients’ systems. Consulting/knowledge services include research on macroeconomic trends, management consulting advice, asset management analyses and information services. Information on the Company’s operations by segment is included in Note 22.

Basis of Presentation

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been compiled from those prepared by the Company and its consolidated subsidiaries as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles and practices 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

In accordance with a revised accounting standard for consolidation which became effective 1st April, 1999, the accompanying consolidated financial statements for the years ended 31st March, 2000, 2001 and 2002 include the accounts of the Company and significant companies which are controlled directly or indirectly by the Company. All subsidiaries, eleven, thirteen and fourteen for the years ended 31st March, 2000, 2001 and 2002, respectively, have been consolidated. The major consolidated subsidiary is NRI Data Service, Ltd. Effective the year ended 31st March, 2002, NRI Cyber Patent, Ltd., which was formed in 2002, has been initially consolidated.

1. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

All significant intercompany balances and transactions have been eliminated in consolidation. 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 the Company's share of those affiliates' income is included in consolidated income. The major affiliate accounted for by the equity method is NIWS Co. As the Company sold all its shares in Union Computer Service Co. during the year ended 31st March, 2001, Union Computer Service Co. was excluded from the scope of the consolidation for the year ended 31st March, 2002. ViewPalette Planning, Inc., which was both established and liquidated during the year ended 31st March, 2002, has been initially accounted for by the equity method. As a result, the Company's share of the related income for the period up to the selling date or the liquidation date has been included in equity in earnings of affiliates for the years ended 31st March, 2001 and 2002, respectively.

Cash Equivalents

Cash equivalents, as presented in the statements of cash flows, are defined as low-risk, highly liquid, short-term investments (maturing within three months from the acquisition date) which are readily convertible to cash.

Investment Securities

The Company holds investment securities in its major shareholders, The Nomura Holdings, Inc. (formerly The Nomura Securities Co., Ltd.) and Nomura Land and Building Co., Ltd, which are included in "investments in affiliates" in the balance sheets. The Company's accounting policy for those investments is the same as its accounting policy for investment securities described below.

Year ended 31st March, 2000

Listed investment securities are stated principally at the lower of cost or market, and the cost of such securities sold has been determined by the moving average method. Non-listed investment securities are stated at cost and the cost of such securities sold during the year has been determined by the moving average method.

Years ended 31st March, 2001 and 2002

The Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments issued by the Business Accounting Deliberation Council which became effective 1st April, 2000. This standard requires that securities be classified by their holding objectives into "trading," "held-to-maturity" and "other" securities. Other securities include marketable securities and non-marketable securities.

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

Debt securities held-to-maturity are carried at amortised cost.

1. Significant Accounting Policies (continued)

Investment Securities (continued)

Marketable securities classified as other securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealised gain or loss on marketable securities classified as other securities is included as a component of shareholders' equity, net of the applicable taxes. Under this accounting standard, if the fair value of the marketable securities classified as other securities has declined significantly, such securities are written down to fair value thus establishing a new cost basis, and the amount of each write-down is charged to income as an impairment loss, unless the fair value is deemed to be recoverable. The Company has established a policy for the recognition of an impairment loss under the following conditions:

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

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

As a result of the adoption of this standard, income before income taxes for the year ended 31st March, 2001 decreased by ¥488 million from the amount which would have been recorded under the method followed in the prior year. In addition, investment securities, investments in affiliates and other assets reflected at 31st March, 2001 were higher than the corresponding amounts which would have been recorded under the method followed in the prior year by ¥81,879 million, ¥878 million and ¥405 million, respectively. As a result, total assets at 31st March, 2001 increased by ¥83,162 million over the amount which would have been recorded if the previous year's method had been followed.

Derivative Financial Instruments

Derivative financial instruments are generally required to be stated at fair value. However, the Company and certain consolidated subsidiaries may from time to time enter into interest rate swap agreements in order to manage certain risks arising from adverse fluctuations in the interest rates on their bank loans. The Company and certain consolidated subsidiaries have implemented internal regulations under which they will so hedge any significant interest rate risks. These interest rate swaps meet the criteria for special hedge accounting, under which interest on the swap agreements is accrued as incurred. Hedge accounting has been used, although no evaluation of the effectiveness of the interest rate swaps which meet the above conditions has been undertaken, as is permitted by the accounting standard for financial instruments.

Inventories

Inventories are stated at cost determined based on the identified cost method.

1. Significant Accounting Policies (continued)

Depreciation of Property and Equipment

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

Amortisation of Software and Other Intangibles

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

A revised accounting standard for research and development costs issued by the Business Accounting Deliberation Council became effective 1st April, 1999. The Company, however, has continued to follow the former accounting policy both for software to be sold and software intended for internal use if the development was commenced during or prior to the year ended 31st March, 1999. Under this prior accounting policy, software to be sold was recorded as an inventory item and was amortised based on its estimated volume of sales. Subcontractor costs related to software intended for internal use were recorded as long-term prepaid expenses and amortised by the straight-line method over their estimated useful lives.

The presentation of software for the year ended 31st March, 2000 was changed in accordance with the current standard. As a result of adopting the new standard, software included in inventories and long-term prepaid expenses in prior years has been reclassified as "software and other intangibles" in the accompanying consolidated financial statements for the years ended 31st March, 2000, 2001 and 2002.

Intangible assets other than computer software to be sold and software intended for internal use were amortised by the straight-line method over their estimated useful lives for the years ended 31st March, 2001 and 2002.

Allowance for Doubtful Accounts

The allowance for doubtful accounts was provided at the maximum amount allowable for income tax purposes, plus an estimate of the amount of specific uncollectible accounts, for the year ended 31st March, 2000.

For the years ended 31st March, 2001 and 2002, 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.

1. Significant Accounting Policies (continued)

Goodwill

Goodwill is expensed at the time of the related acquisition.

Retirement and Severance Benefits for Employees

The allowance for the welfare pension plan was estimated and provided in order to prepare for future payments under the welfare pension plan needed to cover the portion of the pension liability exceeding the fair appraisal value of the pension plan assets, allocated to the Company and certain of its domestic consolidated subsidiaries for the years ended 31st March, 2000 and 2001.

The allowance for employees' retirement benefits was provided the unamortised total amount which would have been required to have been paid if all eligible employees voluntarily terminated their employment at the balance sheet date, less the benefits to be covered by the employee pension plans, through the year ended 31st March, 2000.

The Company and its domestic consolidated subsidiaries adopted a revised accounting standard for employees' retirement benefits, which was issued by the Business Accounting Deliberation Council and became effective on 1st April, 2000. As a result, the allowance for employees' retirement benefits for the years ended 31st March, 2001 and 2002 have 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 expensed upon transition. Actuarial gain or loss is charged to income as incurred.

The effect of the adoption of the new standard for retirement benefits was to decrease operating profit and income before income taxes by ¥686 million and ¥7,152 million, respectively, for the year ended 31st March, 2001.

Accrual for Retirement Benefits for Directors and Statutory Auditors

The Company and its domestic consolidated subsidiaries provide an accrual for retirement benefits for directors and statutory auditors at the amount which would be required to be paid in accordance with the Company's or its domestic consolidated subsidiaries' internal regulations if all directors and statutory auditors resigned as of the balance sheet date.

Translation Adjustments

The Company and its consolidated subsidiaries adopted a revised accounting standard for foreign currency translation effective 1st April, 2000. Adoption of this standard had no material impact on the consolidated financial position or results of operations for the year ended 31st March, 2001, except for the reclassification of translation adjustments from a component of assets to shareholders' equity.

1. Significant Accounting Policies (continued)

Leases

Where financing leases do not transfer ownership of the leased property to the lessee, the leased property is not capitalised and the related rental and lease expenses are charged to income as incurred.

Revenue Recognition

In principle, revenue arising from research, consulting projects and system development projects is recognised based on the percentage-of-completion method and revenue from other projects is recognised when these services have been rendered.

Research and Development Expenses

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

Income Taxes

Effective 1st April, 1999, the Company and its consolidated subsidiaries adopted tax-effect accounting in accordance with an accounting standard issued by the Business Accounting Deliberation Council in March 1998. As a result, net income increased by ¥5,396 million and retained earnings increased by ¥10,085 million for the year ended 31st March, 2000. The cumulative effect of this change at 1st April, 1999 was credited directly to retained earnings and was reported as "Cumulative effect of adoption of tax-effect accounting" in the consolidated statement of changes in shareholders' equity for the year ended 31st March, 2000.

Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial year. The accounts for that period do not, therefore, reflect such appropriations. See Note 23.

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 ¥133.25 = US\$1.00, the rate of exchange prevailing on 31st March, 2002. 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, realised or settled in U.S. dollars at the above or any other rate.

3. Investments

The following is a summary of market value information regarding other securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2001 and 2002:

a) Marketable securities classified as other securities

	<i>Millions of yen</i>					
	Acquisition cost		Carrying amount		Unrealised gain	
	31st March,					
	2001	2002	2001	2002	2001	2002
Equity securities	¥2,602	¥3,085	¥85,360	¥64,662	¥82,758	¥61,577

	<i>Thousands of U.S. dollars</i>		
	Acquisition cost	Carrying amount	Unrealised gain
	31st March, 2002		
Equity securities	\$23,152	\$485,268	\$462,116

Proceeds from gain and loss on marketable securities classified as other securities during the year ended 31st March, 2001 were as follows:

	<i>Millions of yen</i>
Proceeds	¥30,185
Gross gain	26,496
Gross loss	797

During the year ended 31st March, 2002, no marketable securities classified as other securities were sold.

Losses on devaluation of the marketable securities classified as other securities as a result of the permanent decline totaled ¥119 million (\$893 thousand) for the year ended 31st March, 2002.

b) Non-marketable securities classified as other securities

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2001	2002	2002
Noncurrent:			
Equity securities	¥10,642	¥11,810	\$ 88,630
Domestic bonds due within five years	7,000	7,000	52,533
Other (money management funds)	20,001	20,016	150,214
Other (free financial funds)	–	30,008	225,201
Other (commercial paper)	–	11,998	90,041

3. Investments (continued)

Investments in affiliates include investments in net assets of affiliate companies accounted for under the equity method totaling ¥884 million and ¥1,197 million (\$8,983 thousand) at ended 31st March, 2001 and 2002, respectively.

4. Derivatives

Because all derivatives held by a certain consolidated subsidiary at 31st March, 2001 and 2002 were for hedging purposes, the related information on their respective market value has not been presented.

5. Accounts Receivable and Other Receivables

For projects which have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue considered to be earned from each project has been included in accounts receivable and other receivables in amounts of ¥6,218 million and ¥7,720 million (\$57,936 thousand) for the years ended 31st March, 2001 and 2002, respectively.

6. Property and Equipment

Property and equipment are summarised as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of U.S.</i>
		<i>31st March,</i>		<i>dollars</i>
	<i>Useful life</i>	<i>2001</i>	<i>2002</i>	<i>31st March,</i> <i>2002</i>
Land		¥ 8,089	¥ 7,635	\$ 57,298
Buildings	15 - 50	30,613	31,652	237,538
Machinery and equipment	3 - 15	43,296	42,975	322,514
Accumulated depreciation		(49,985)	(50,440)	(378,536)
Property and equipment, net		¥ 32,013	¥ 31,822	\$238,814

7. Other Assets

Other assets consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S.</i>
	<i>31st March,</i>		<i>dollars</i>
	<i>2001</i>	<i>2002</i>	<i>31st March,</i> <i>2002</i>
Lease deposits	¥ 6,862	¥ 8,517	\$63,918
Investment partnerships	2,193	2,503	18,784
Other	2,080	1,931	14,491
Other assets	¥11,135	¥12,951	\$97,193

Other includes golf club memberships.

8. Pledged Assets

The following assets at 31st March, 2001 and 2002 were pledged as collateral for obligations of the Company:

	<i>Millions of yen</i>		<i>Thousands of U.S.</i>
	<u>31st March,</u>		<u>dollars</u>
	<u>2001</u>	<u>2002</u>	<u>31st March,</u> <u>2002</u>
Land	¥2,682	¥2,682	\$20,128
Buildings, net	1,197	1,159	8,698
	<u>¥3,879</u>	<u>¥3,841</u>	<u>\$28,826</u>

The obligations secured by such collateral at 31st March, 2001 and 2002 were:

	<i>Millions of yen</i>		<i>Thousands of U.S.</i>
	<u>31st March,</u>		<u>dollars</u>
	<u>2001</u>	<u>2002</u>	<u>31st March,</u> <u>2002</u>
Long-term debt due within one year	¥ 208	¥ 208	\$ 1,561
Long-term debt	2,726	2,518	18,897
	<u>¥2,934</u>	<u>¥2,726</u>	<u>\$20,458</u>

9. Short-Term Borrowings and Long-Term Debt

Unsecured short-term borrowings at 31st March, 2001 represent short-term bank borrowings, which were scheduled to mature within one year at weighted average interest rate of 0.7%. At 31st March, 2002, no short-term bank borrowings were recorded.

Long-term debt consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S.</i>
	<u>31st March,</u>		<u>dollars</u>
	<u>2001</u>	<u>2002</u>	<u>31st March,</u> <u>2002</u>
Loans principally from banks and insurance companies due through 2015	¥6,134	¥3,526	\$26,462
Less current portion	2,608	608	4,563
Long-term debt	<u>¥3,526</u>	<u>¥2,918</u>	<u>\$21,899</u>

The weighted average interest rates on long-term debt due within one year were 1.9% and 2.4% at 31st March, 2001 and 2002, respectively, and the weighted average interest rates on the noncurrent portion of long-term debt were 3.0% and 3.1% at 31st March, 2001 and 2002, respectively.

9. Short-Term Borrowings and Long-Term Debt (continued)

The annual maturities of long-term debt subsequent to 31st March, 2002 are summarised as follows:

Years to maturities	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2002	31st March, 2002
Due within one year	¥ 608	\$ 4,563
Due in 1 - 2 years	608	4,563
Due in 2 - 3 years	208	1,561
Due in 3 - 4 years	208	1,561
Due after 4 years	1,894	14,214
Total	¥3,526	\$26,462

10. Retirement and Severance Benefits

Employees of the Company and its domestic consolidated subsidiaries who terminate their employment are entitled, under most circumstances, to lump-sum payments and/or annuity payments as described below, determined by reference to their current basic rate of pay, length of service and the conditions under which the termination occurs.

The Company and certain of its domestic consolidated subsidiaries have noncontributory defined benefit pension plans funded through trust banks and insurance companies (the "employee pension plans").

In addition, substantially all employees of the Company and employees of its consolidated domestic subsidiaries were covered under an industry-wide, multi-employer welfare pension plan administered by the Japan Securities Dealers Employees' Pension Fund in coordination with the contributory governmental welfare pension plan (the "welfare pension plan") until the withdrawal of the Company and certain of its domestic consolidated subsidiaries from the welfare pension plan during the year ended 31st March, 2002. The welfare pension plan consisted of a contributory and a non-contributory portion. The non-contributory portion of the welfare pension plan was funded as an additional portion of the contributory governmental welfare pension plan in conformity with the funding requirements and with the applicable regulations stipulated by the Japanese government.

During the year ended 31st March, 2000, the Company noted that the welfare pension plan was facing certain difficulties due to the low rate of return on the plan assets, primarily as a result of the low interest rates in Japan and the decrease in the number of participants. The Company and certain of its domestic consolidated subsidiaries calculated the future benefit payment obligation in excess of the fair value of the assets funded for the welfare pension plan, and recorded a liability of ¥10,574 million for the year ended 31st March, 2000 and increased this liability by ¥974 million which arose primarily as a result of a change of the discount rate for the year ended 31st March, 2001. However, the allowance for the welfare pension plan was reversed as of 31st March, 2002 because of the withdrawal from the welfare pension plan. Upon withdrawal, ¥3,401 million (U.S. \$25,523 thousand) of the allowance was contributed to the fund and the remaining ¥8,147 million (U.S. \$61,141 thousand) was recorded in other income for the year ended 31st March, 2002. The required contributions to the welfare pension plan until the withdrawal from the welfare pension plan were accounted for as service cost based on the revised accounting standard for retirement benefits for employees, Supplement No. 12.

10. Retirement and Severance Benefits (continued)

The following table sets forth the funded and accrued status of the retirement and severance benefit plans, and the amounts recognised in the consolidated balance sheets at 31st March, 2001 and 2002 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,
	2001	2002	2002
Retirement benefit obligation	¥(40,546)	¥(43,727)	\$(328,158)
Plan assets at fair value	20,814	21,973	164,901
Unfunded retirement benefit obligation recognised on the balance sheets	¥(19,732)	¥(21,754)	\$(163,257)

In addition to the above pension plan assets, the assets of the welfare pension plan amounted to ¥22,757 million at 31st March, 2001.

The components of retirement benefit expenses for the years ended 31st March, 2001 and 2002 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2001	2002	2002
Service cost	¥ 3,242	¥3,467	\$26,019
Interest cost	999	961	7,212
Expected return on plan assets	(310)	(312)	(2,341)
Provision for net retirement benefit obligation at transition	344	–	–
Actuarial loss	6,122	1,195	8,968
Total	¥10,397	¥5,311	\$39,858

Contributions to the welfare pension plan made by the time of the Company's withdrawal from the welfare pension plan are included in service cost presented above.

In addition to the above, the special contribution of ¥3,400 million (\$25,516 thousand) was made at the time of the Company's withdrawal from the welfare pension plan.

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

	31st March,	
	2001	2002
Discount rate at end of the year	2.4%	2.3%
Expected rate of return on plan assets	1.5%	1.5%

Discount rate at 1st April, 2000 was 3.0 per cent.

11. Other Long-Term Liabilities

Other long-term liabilities included an accrual for retirement benefits for directors and statutory auditors in amounts of ¥995 million and ¥1,116 million (\$8,375 thousand) at 31st March, 2001 and 2002, respectively.

12. Income Taxes

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

	<i>Millions of yen</i>		<i>Thousands of U.S.</i>
	31st March,		31st March,
	2001	2002	2002
Deferred income tax assets:			
Employees' retirement benefits	¥ 6,876	¥ 7,759	\$ 58,229
Welfare pension plan	4,850	—	—
Depreciation	3,811	3,163	23,737
Accrued bonuses	1,577	2,040	15,310
Other	2,752	2,613	19,610
	<u>19,866</u>	<u>15,575</u>	<u>116,886</u>
Deferred income tax liabilities:			
Unrealised gain on other securities	(35,133)	(25,774)	(193,426)
Special tax-purpose reserve	(5,861)	(6,798)	(51,017)
Other	(60)	(53)	(398)
	<u>(41,054)</u>	<u>(32,625)</u>	<u>(244,841)</u>
Deferred tax liabilities, net	<u>¥(21,188)</u>	<u>¥(17,050)</u>	<u>\$(127,955)</u>

Income taxes applicable to the Company and its consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 42 percent for each of the years ended 31st March, 2000, 2001 and 2002. The effective tax rates reflected in the accompanying consolidated statements of income differ from the statutory tax rate primarily due to the effect of permanent nondeductible expenses; however, such difference was not material. The difference in these tax rates for the year ended 31st March, 2000 was considered to be immaterial after the deduction of the additional tax paid during the year from the computation of the effective tax rate.

13. Shareholders' Equity

On 1st October, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of 1st October, 2001. The Amendment also provides that all share issuances after 30th September, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

13. Shareholders' Equity (continued)

The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings should be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of additional paid-in capital account and the legal reserve exceed 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. In accordance with the Code, the Company has provided a legal reserve which is included in retained earnings. This reserve amounted to ¥525 million and ¥570 million (\$4,278 thousand) as of 31st March, 2001 and 2002, respectively.

Unrealised gain on other securities is not available for dividends.

On 18th May, 2000, the Board of Directors of the Company approved a resolution for a stock split (from a par value of ¥500 to ¥50) effective 8th August, 2000, which resulted in an increase of 38,700,000 in the number of shares of common stock in issue. An amendment to the Articles of Incorporation of the Company to reflect this stock split was approved at a shareholders' meeting held on 30th June, 2000.

Unrealised gain on other securities includes an unrealised gain of ¥517 million and an Unrealised loss of ¥122 million (\$916 thousand) on investment partnerships recorded as other assets for the years ended 31st March, 2001 and 2002, respectively.

14. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the consolidated balance sheets at 31st March, 2001 and 2002 and cash and cash equivalents in the corresponding statements of cash flows is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>31st March,</u>		<u>31st March,</u>
	<u>2001</u>	<u>2002</u>	<u>2002</u>
Cash and bank deposits	¥64,131	¥33,181	\$249,013
Short-term investments maturing within three months from the acquisition dates	20,001	62,022	465,456
Total	84,132	95,203	714,469
Time deposits with a maturity of more than three months when deposited	(9)	—	—
Cash and cash equivalents	<u>¥84,123</u>	<u>¥95,203</u>	<u>\$714,469</u>

15. Per Share Data

Per share data are summarised as follows:

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2000	2001	2002	2002
Per share data:				
Net income	¥ 119.32	¥ 590.27	¥ 513.24	\$ 3.85
Shareholders' equity	2,135.76	3,841.20	4,345.88	32.61

The computation of basic net income 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 outstanding at each balance sheet date, respectively. Diluted net income per share has not been computed as neither the Company nor its consolidated subsidiaries have issued debentures, convertible bonds, stock options or warrants which would be potentially dilutive.

The per share data as of and for the year ended 31st March, 2000 and 2001 has been adjusted retroactively for the stock split which became effective on 8th August, 2000.

16. Leases

1) Lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of 31st March, 2001 and 2002, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	<i>Millions of yen</i>					
	Acquisition costs		Accumulated depreciation		Net book value	
	31st March,		31st March,		31st March,	
	2001	2002	2001	2002	2001	2002
Machinery and equipment	¥14,518	¥15,326	¥6,137	¥7,997	¥8,381	¥7,329
Software	733	1,045	158	344	575	701
Total	¥15,251	¥16,371	¥6,295	¥8,341	¥8,956	¥8,030

	<i>Thousands of U.S. dollars</i>		
	Acquisition costs	Accumulated depreciation	Net book value
	31st March, 2002		
Machinery and equipment	\$115,017	\$60,015	\$55,002
Software	7,842	2,582	5,260
Total	\$122,859	\$62,597	\$60,262

16. Leases (continued)

1) Lessee (continued)

Lease payments, depreciation and interest expense for these finance leases are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2000	2001	2002	2002
Lease payments	¥2,684	¥2,899	¥3,445	\$25,854
Depreciation	2,560	2,779	3,258	24,450
Interest expense	178	172	187	1,403

Future minimum lease payments on finance leases accounted for as operating leases and noncancelable operating leases are summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	Finance leases		Operating leases		Finance leases	Operating leases
	31st March,		31st March,		31st March,	
	2001	2002	2001	2002	2002	
Future minimum lease payments due:						
Within one year	¥ 3,385	¥3,678	¥223	¥293	\$27,602	\$2,199
Thereafter	6,960	5,753	592	532	43,174	3,992
Total	¥10,345	¥9,431	¥815	¥825	\$70,776	\$6,191

2) Lessor

The following amounts represents the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at 31st March, 2001 and 2002.

	<i>Millions of yen</i>					
	Acquisition costs		Accumulated depreciation		Net book value	
	31st March,					
	2001	2002	2001	2002	2001	2002
Machinery and equipment	¥1,193	¥1,169	¥731	¥1,078	¥462	¥ 91
Software	142	142	86	131	56	11
Total	¥1,335	¥1,311	¥817	¥1,209	¥518	¥102

16. Leases (continued)

2) Lessor(continued)

	<i>Thousands of U.S. dollars</i>		
	Acquisition costs	Accumulated depreciation	Net book value
	31st March, 2002		
Machinery and equipment	\$8,773	\$8,090	\$683
Software	1,066	983	83
Total	\$9,839	\$9,073	\$766

Lease revenue, depreciation and interest income for these finance leases are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	Year ended 31st March,			Year ended 31st March,
	2000	2001	2002	2002
Lease revenue	¥1,113	¥765	¥501	\$3,760
Depreciation	871	597	412	3,092
Interest income	377	143	55	413

Future minimum lease income for finance leases is summarised as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	Finance leases		Subleases*		Finance leases	Sub-leases*
	31st March,		31st March,		31st March,	
	2001	2002	2001	2002	2002	
Future minimum lease income due:						
Within one year	¥501	¥131	¥ 872	¥ 990	\$983	\$ 7,430
Thereafter	139	—	1,658	1,867	—	14,011
Total	¥640	¥131	¥2,530	¥2,857	\$983	\$21,441

* Approximately the same amount has been included in the lessees' future minimum lease payments due.

17. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses are summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S.</i>
	<i>dollars</i>			
	31st March,			31st March,
	2000	2001	2002	2002
Personnel expenses	¥12,383	¥13,503	¥14,818	\$111,205
Rent	3,050	2,690	4,103	30,792
Subcontractor costs	3,719	5,183	5,136	38,544
Other	6,754	8,122	8,511	63,872
Total	¥25,906	¥29,498	¥32,568	\$244,413

18. Research and Development Costs

Research and development costs included in selling, general and administrative expenses are summarised as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S.</i>
	<i>dollars</i>		
	31st March,		31st March,
	2001	2002	2002
	¥2,620	¥3,051	\$22,897

19. Other Income (Expenses)

1) Gain on investment securities

Gain on investment securities for the year ended 31st March, 2001 consisted principally of gain on the sale of 19,955,708 shares of Kokusai Securities Co., Ltd., net of loss on the sale of 61,500 shares of Nomura Finance Co., Ltd.

2) Loss on investment securities

Loss on investment securities for the year ended 31st March, 2000 consisted principally of loss on the devaluation of shares of Nomura Finance Co., Ltd.

Loss on investment securities for the year ended 31st March, 2002 consisted principally of loss on the devaluation of shares of 7dream.com and ARGO 21 Corp. as a result of their decline in value which was deemed permanent.

19. Other Income (Expenses)

3) Gain on investments in affiliates

Gain on investments in affiliates for the years ended 31st March, 2000, 2001 and 2002 is summarised as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S.</i>
	<u>31st March,</u>			<u>31st March,</u>
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2002</u>
Gain on sales of investments in affiliates	¥1,836	¥ –	¥ –	\$ –
Gain on liquidation of an affiliate	1	–	–	–
Loss on sales of investments in affiliates	(408)	–	–	–
Loss on liquidation of affiliates	(616)	–	–	–
	<u>¥ 813</u>	<u>¥ –</u>	<u>¥ –</u>	<u>\$ –</u>

Gain on sales of investments in affiliates for the year ended 31st March, 2000 reflects sales of 768,700 shares of Nomura Asset Management Co., Ltd. in 2000.

Gain on the liquidation of an affiliate for the year ended 31st March, 2000 relates to the liquidation of Nomura Research International Company Limited in 2000.

Loss on sales of investments in affiliates for the year ended 31st March, 2000 mainly relates to the sale of 12,500 shares of Nomura Europe Investment Holding B.V.

Loss on the liquidation of affiliates for the year ended 31st March, 2000 relates to the liquidation of Naigai Data Service Co., Ltd. and Nomura Computer Systems Europe Limited in amounts of ¥415 million and ¥201 million, respectively.

4) Actuarial loss

Actuarial loss for the years ended 31st March, 2001 and 2002 arose primarily as a result of a change in the discount rates and lower actual return on pension plan assets than expected.

5) Reversal of allowance for the welfare pension plan

Reversal of allowance for the welfare pension plan for the year ended 31st March, 2002 resulted from the Company's withdrawal from the welfare pension plan.

20. Related Party Transactions

Related party transactions for the years ended 31st March, 2000, 2001 and 2002 and the respective balances at 31st March, 2001 and 2002 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of U.S. dollars
		31st March,			31st March,
		2000	2001	2002	2002
a) Major shareholders					
Nomura Holdings, Inc.	Sales	¥36,462	¥46,421	¥48,967	\$367,482
(formerly The Nomura Securities Co., Ltd.) *1	Sale of investment in Nomura Investor Relations Co., Ltd.	134	–	–	–
	Gain on above sale	54	–	–	–
	Sale of investment in Nomura Satellite Communications Co., Ltd.	131	–	–	–
	Gain on above sale	11	–	–	–
	Sale of investment securities of Nomura Research and Advisory Co., Ltd.	110	–	–	–
	Gain on above sale	60	–	–	–
	Sale of investment in Nomura Asset Management Co., Ltd.	6,918	–	–	–
	Gain on above sale	1,827	–	–	–
Nomura Land and Building Co., Ltd.	Sale of investment in Nomura Europe Investment Holding B.V.	384	–	–	–
	Loss on above sale	518	–	–	–
Nomura Asset Management Co., Ltd.	Sale of investment in Axa Rosenberg Investment Management Co., Ltd.	86	–	–	–
	Loss on above sale	13	–	–	–
	Sale of investment securities of Nomura Asset Management U.S.A. Inc.	249	–	–	–
	Loss on above sale	147	–	–	–

20. Related Party Transactions (continued)

1) Transactions (continued)

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2000	2001	2002	31st March, 2002
b) Consolidated subsidiary					
NRI Shared Service Co., Ltd.	Sale of land and buildings	¥ –	¥4,119	¥ –	\$ –
	Gain on above sale *	–	53	–	–
	Loss on above sale	–	4,516	–	–
	* This gain has been eliminated in the process of consolidation.				
c) Major shareholders' subsidiaries					
Nomura Real Estate Development Co., Ltd.	Rent	3,974	3,703	3,865	29,006
Nomura Finance Co., Ltd.	Purchase of leased assets and lease receivables	1,411	–	–	–
N.F. Biru Investments Co., Ltd.	Interest received	202	202	201	1,508
The Nomura Securities Co., Ltd. *1 *2	Subscription received for new stocks	–	–	20,900	156,848
	Underwriting commission of new stocks	–	–	(1,100)	(8,255)
Nomura Financial Resources Corporation	Loan	–	–	20,000	150,094
	Interest received on loan	–	–	2	15

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2001	2002	31st March, 2002
a) Major shareholders				
Nomura Holdings, Inc. (formerly The Nomura Securities Co., Ltd.) *1	Accounts receivable and other receivables	¥4,794	¥5,768	\$43,287
	Lease deposits received	4,000	4,000	30,019
b) Major shareholders' subsidiaries				
Nomura Real Estate Development Co., Ltd.	Lease deposits paid	2,984	3,543	26,589
N.F. Biru Investments Co., Ltd.	Investment securities (bonds)	7,000	7,000	52,533

20. Related Party Transactions (continued)

2) Balances (continued)

*1 The former Nomura Securities Co., Ltd. separated its securities and other businesses and became a holding company of the current Nomura Securities Co., Ltd. on 1st October, 2001. Accordingly, the former Nomura Securities Co., Ltd. changed its business name to Nomura Holdings, Inc. on the same date. As a result, the securities and other businesses of the former Nomura Securities Co., Ltd. were transferred to the current Nomura Securities Co., Ltd.

Transactions with Nomura Holdings, Inc. and the current Nomura Securities Co., Ltd. were equal to those with the former Nomura Securities. Sales to Nomura Holdings, Inc. and the current Nomura Securities Co., Ltd. totaled ¥50,752 million (\$380,878 thousand) and the corresponding accounts receivable amounted to ¥5,879 million (\$44,120 thousand) as of 31st March, 2002.

*2 For issuance of the Company's new stocks, the capital subscription was paid to the Company at subscription price of ¥10,450 per share and the new stocks were issued at ¥11,000 per share.

21. Contingent Liabilities

The Company guaranteed unsecured bonds issued by South Plaza Co. in amounts of ¥10,992 million and ¥10,728 million (\$80,510 thousand) at 31st March, 2001 and 2002, respectively. In March 1999, the Company entered into a trust agreement (effective from 30th March, 1999 to 22nd March, 2004) for real estate management and disposal, and contributed land and buildings which had been used as its Osaka Data Center to the trust in exchange for a beneficial interest in this trust, for which the Daiwa Bank was engaged as custodian. The Daiwa Bank has the option of selling the real estate to one of the Company's domestic subsidiaries if the price of the real estate declined below a specific level. The Company then sold this beneficial interest to South Plaza Co., which is a domestic special purpose company. South Plaza Co. issued unsecured bonds as a means of securitisation and the Company guaranteed these bonds. Cash flows generated by the real estate assets in the trust are being utilised for the future repayment of the principal of the bonds and payment of interest on the bonds.

22. Segment Information

Business segment information is presented under two categories:

- the systems solution services business, which includes developing and managing computer systems, selling software packages and selling computer equipment and related products.
- the consulting/knowledge services business, which includes providing investigation/research services, management consulting services and support services relating to the asset management business and the Company's e-commerce information technology business.

22. Segment Information (continued)

The business segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2000, 2001 and 2002 is summarised as follows:

Business segments

		<i>Millions of yen</i>			
		Year ended 31st March, 2000			
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥ 155,201	¥ 28,415	¥ 183,616	¥ –	¥ 183,616
Intersegment sales or transfers	2,018	342	2,360	(2,360)	–
Total sales	157,219	28,757	185,976	(2,360)	183,616
Operating expenses	138,700	27,962	166,662	(2,361)	164,301
Operating profit	¥ 18,519	¥ 795	¥ 19,314	¥ 1	¥ 19,315
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥ 90,259	¥ 23,116	¥ 113,375	¥ 54,899	¥ 168,274
Depreciation and amortisation	11,080	1,925	13,005	–	13,005
Capital expenditures	12,581	6,810	19,391	(30)	19,361

		<i>Millions of yen</i>			
		Year ended 31st March, 2001			
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥ 185,351	¥ 32,633	¥ 217,984	¥ –	¥ 217,984
Intersegment sales or transfers	2,489	1,620	4,109	(4,109)	–
Total sales	187,840	34,253	222,093	(4,109)	217,984
Operating expenses	160,979	33,264	194,243	(4,102)	190,141
Operating profit	¥ 26,861	¥ 989	¥ 27,850	¥ (7)	¥ 27,843
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥ 85,839	¥ 23,435	¥ 109,274	¥ 179,830	¥ 289,104
Depreciation and amortisation	10,357	3,303	13,660	–	13,660
Capital expenditures	13,943	3,447	17,390	–	17,390

		<i>Millions of yen</i>			
		Year ended 31st March, 2002			
	System solutions services	Consulting/knowledge services	Total	Eliminations and corporate	Consolidated
I. Sales and operating profit					
Sales to external customers	¥ 199,758	¥ 36,811	¥ 236,569	¥ –	¥ 236,569
Intersegment sales or transfers	2,758	1,567	4,325	(4,325)	–
Total sales	202,516	38,378	240,894	(4,325)	236,569
Operating expenses	174,981	35,541	210,522	(4,318)	206,204
Operating profit	¥ 27,535	¥ 2,837	¥ 30,372	¥ (7)	¥ 30,365
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	¥ 106,019	¥ 22,944	¥ 128,963	¥ 170,930	¥ 299,893
Depreciation and amortisation	9,043	3,377	12,420	–	12,420
Capital expenditures	19,271	3,456	22,727	–	22,727

22. Segment Information (continued)

Business segments (continued)

Corporate assets included under "Eliminations and corporate" at 31st March, 2000, 2001 and 2002 amounted to ¥55,107 million, ¥180,809 million and ¥171,356 million (\$1,285,974 thousand), respectively, and consisted principally of surplus funds and investment securities.

	<i>Thousands of U.S. dollars</i>				
	Year ended 31st March, 2002				
	System solutions services	Consulting/ knowledge services	Total	Eliminations and corporate	Consoli- dated
I. Sales and operating profit					
Sales to external customers	\$ 1,499,122	\$ 276,255	\$ 1,775,377	\$ –	\$ 1,775,377
Intersegment sales or transfers	20,698	11,760	32,458	(32,458)	–
Total sales	1,519,820	288,015	1,807,835	(32,458)	1,775,377
Operating expenses	1,313,178	266,724	1,579,902	(32,405)	1,547,497
Operating profit	<u>\$ 206,642</u>	<u>\$ 21,291</u>	<u>\$ 227,933</u>	<u>\$ (53)</u>	<u>\$ 227,880</u>
II. Total assets, depreciation and amortisation and capital expenditures					
Total assets	\$ 795,640	\$ 172,187	\$ 967,827	\$ 1,282,777	\$ 2,250,604
Depreciation and amortisation	67,865	25,343	93,208	–	93,208
Capital expenditures	144,623	25,936	170,559	–	170,559

Geographical segments

Because sales in the domestic segment constituted more than 90% of total segment sales for the years ended 31st March, 2000, 2001 and 2002, geographical segment information has not been presented.

Overseas sales

Because overseas sales were less than 10% of consolidated sales for the years ended 31st March, 2000, 2001 and 2002, no disclosure of overseas sales has been made.

23. Subsequent Event

- 1) On 26th June, 2002, a stock option plan in accordance with the Commercial Code of Japan was approved at the annual general meeting of the Company's shareholders. Under this plan, subscription rights to purchase up to 90,000 new shares of the Company's common stock are to be granted to the Company's directors and executive directors and the directors of its domestic subsidiaries subject to the approval of the Board of Directors. The subscription rights are exercisable at 105% of the average closing price of Company's shares of common stock on the Tokyo Stock Exchange for the month prior to the month in which the subscription rights are issued, or at the closing price on the date of issuance, whichever is higher. These subscription rights are exercisable over a three-year period from 1st July, 2004 to 30th June, 2007 provided that the directors, as of the exercise date, remain in their positions with the Company and its domestic subsidiaries.

Approval of the Board of Directors is necessary in order to transfer ownership of the subscription rights.

- 2) The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended 31st March, 2002, were approved at a meeting of the shareholders held on 26th June, 2002:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Year-end cash dividends (¥20.00 = \$0.15 per share)	¥899	\$6,747
Directors' bonuses inclusive of statutory auditors' portion of ¥24 million (\$180 thousand)	269	2,019

Report of Independent Certified Public Accountants

The Board of Directors and Shareholders
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated balance sheets of Nomura Research Institute, Ltd. and its consolidated subsidiaries as of 31st March, 2001 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended 31st March, 2002, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in Japanese yen, present fairly the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries at 31st March, 2001 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended 31st March, 2002 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1, Nomura Research Institute, Ltd. and its consolidated subsidiaries adopted new accounting standards for consolidation, research and development costs, and tax-effect accounting in the preparation of their consolidated financial statements for the year ended 31st March, 2000. In addition, Nomura Research Institute, Ltd. and its consolidated subsidiaries also adopted new accounting standards for financial instruments and employees' retirement benefits in the preparation of their consolidated financial statements for the year ended 31st March, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.



26th June, 2002

See Note 1 which explains the basis of preparation of the consolidated financial statements of Nomura Research Institute, Ltd. under Japanese accounting principles and practices.

Appendix

Appendix (1) Summary of Significant Differences between Japanese and U.S. Generally
Accepted Accounting Principles

Appendix (2) Subsidiaries and Affiliates, Major Shareholders

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. Valuation of Securities

Until the year ended 31st March, 2000, under Japanese GAAP, investments in marketable securities as well as non-marketable securities, could be stated at cost. Effective the financial year commencing on or after 1st April, 2000, the current market value and unrealized gains or losses on securities held for trading purposes are to be recognized based on the market value method and to be charged to income. Debt securities held-to-maturity are to be stated by the amortized cost method and the amortized costs are to be charged to income. Marketable securities other than securities held for trading purposes and debt securities held-to-maturity are to be stated by the market value and the related unrealized gains or losses are recognized and presented as a component of shareholders' equity, net of the applicable taxes.

The new standard is effective for the financial years beginning on or after 1st April, 2000, and requires the classification of certain investments in debt securities and equity securities similar to the classification under U.S. GAAP.

The Company has neither securities held for trading purposes nor debt securities held-to-maturity as of 31st March, 2000, 2001 and 2002.

Under U.S. GAAP, investments in equity securities which have readily determinable fair values, except for all investments accounted for by the equity method, and all investments in debt securities, are to be classified in three categories and accounted for as follows:

- (i) Debt securities which the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Unrealized gains and losses are not reported in the financial statements until realized or until a decline in fair value below cost is deemed to be other than temporary.
- (ii) Debt and marketable equity securities which are acquired and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.
- (iii) Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as other securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity.

2. Leases Capitalized as Assets

Under Japanese GAAP, for finance leases where ownership is not deemed to be transferred from the lessor to the lessee, the lessee may choose not to capitalize lease expenses and may account for the lease in a manner similar to that applicable to operating leases. The Company's policy is to account for finance leases in a manner similar to operating leases.

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

3. Impairment of Long-Lived Assets

Japanese GAAP requires carrying tangible and intangible fixed assets at cost less depreciation, and does not require any review for impairment of such assets.

U.S. GAAP requires review for impairment of long-lived assets and certain identifiable intangibles to be held and used wherever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the expected future cash flows are less than the carrying amount of such an asset, an impairment loss is recognized.

4. Transferors of Real Estate to Special Purpose Entities

In Japan, an accounting standard for transferors of real estate to special purpose entities was issued in July 2000. Retroactive application of this standard is not mandatory. This accounting standard is similar to the US GAAP of sales of real estate.

Prior to the adoption of this standard, the related accounting practices under accounting principles generally accepted in Japan were not clearly established. Therefore, under Japanese GAAP, real estate sales contracts were examined on a case by case basis in applying the full accrual method.

5. Accounting for Compensated Absences

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

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

6. Stock Option Plans

Under Japanese GAAP, there is no specific accounting standard for stock option plans. Generally, if subscription rights have no intrinsic value at the date of issuance, no expense for the issuance of share subscription rights is recognized.

Under U.S. GAAP, stock options are accounted for under the fair value method or the intrinsic value method. When the intrinsic value method is applied, pro forma disclosures as if the fair value method was being applied, are required. Such disclosure is not currently required under Japanese GAAP.

7. Interest Rate Swap

Under Japanese GAAP, as for interest rate swaps used for converting receipts or payments of interest on an asset or a liability, if principal terms of the interest rate swaps such as notional amount, index of interest rates, date and interval of interest payments, contract period are essentially the same as those of the hedged asset or liability, such interest rate swaps may not be measured at fair value, but the related interests may be adjusted to the interests on the hedged asset or liability on an accrual basis.

Under U.S. GAAP, interest rate swaps are measured at fair value in any case. If interest rate swaps meet the criteria for the fair value hedge accounting, the hedged items are also measured at fair value to match the income statement impact. If interest rate swaps meet the criteria for the cash flow hedge accounting, the valuation difference on the interest rate swaps is directly recognized as a component of equity.

8. Accounting for Income Taxes

Until the year ended 31st March, 1999, under Japanese GAAP, income taxes were principally provided for based on taxable income for the period, determined in accordance with applicable tax laws. Deferred income taxes are recognized for temporary differences between the tax bases of the assets or liabilities and the reported amounts in the financial statements effective the fiscal year commencing on or subsequent to 1st April, 1999.

U.S. GAAP requires that deferred income taxes be recognized for temporary differences between the tax bases of the assets or liabilities and the reported amounts in the financial statements.

9. Accounting for Employees' Retirement Benefits

Until the year ended 31st March, 2000, under Japanese GAAP, provisions were generally made for the amount which would be required to be paid under unfunded lump-sum benefit plans if all eligible employees voluntarily terminated their services at the balance sheet date. Contributions to non contributory defined pension plans were expensed when they were paid. Effective the fiscal year commencing on or subsequent to 1st April, 2000, a new method of accounting for retirement benefits is to be applied. The new accounting method employs an approach similar to that of U.S. GAAP, but will also reflect the special characteristics of retirement benefits in Japan.

Under U.S. GAAP, pension costs are recognized and computed using a particular actuarial approach known as the projected unit credit method.

10. Foreign Currency Translation

Until the year ended 31st March, 2000, under Japanese GAAP, monetary accounts denominated in a foreign currency were translated as stated below.

- (i) Foreign currencies and short-term monetary accounts are translated at the rate prevailing on the balance sheet date. The resulting translation gain or loss is included in the determination of net income for the year.
- (ii) Long-term monetary accounts and non-monetary accounts are translated at the applicable historical exchange rates prevailing at the time of the transactions.

Effective the financial year commencing on or after 1st April, 2000, monetary receivables and payables denominated in foreign currencies are to be translated at the current exchange rates in effect as of the balance sheet date. Translation adjustments resulting from translating the foreign currency financial statements of foreign subsidiaries are to be accumulated and reported as a component of shareholders' equity.

Under U.S. GAAP, monetary assets and liabilities denominated in a foreign currency, whether short-term or long-term, are translated at the exchange rate at the balance sheet date. Exchange differences are recorded in the income statement.

The financial statements of foreign subsidiaries where the local currency is the functional currency are translated into Yen in accordance with FASB Statement No. 52, Foreign Currency Translation. All balance sheet accounts are translated using the exchange rates in effect at the balance sheet date. Income statement amounts are translated using the exchange rate in effect during the year. Translation adjustments resulting from translating the foreign currency financial statements of subsidiaries are accumulated and reported as a component of shareholders' equity.

11. Bonuses to Directors and Statutory Auditors

Under Japanese GAAP, bonuses to directors are accounted for as an appropriation of retained earnings and are recorded after approval by the shareholders.

Under U.S. GAAP, such bonuses are accounted for as expenses and are charged to operations in the year to which the bonus relates.

12. Revenue Recognition

Under Japanese GAAP, recognition of software revenue is permitted by various methods including the percentage-of-completion method, the policy followed by the Company.

Under U.S. GAAP, software revenue is recognized when all the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered elements, the vendor's fee is fixed or determinable and collectibility is probable.

SUBSIDIARIES AND AFFILIATES

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

At 31st March, 2002, the Company had 14 subsidiaries, all of which were consolidated subsidiaries.

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

The following table sets forth information on the Company's direct and indirect subsidiaries and affiliates as of 31st March, 2002.

Name	Country	Main Business	Issued Capital (thousands)	Equity held by the Company (percent)
Subsidiaries				
NRI Data Services, Ltd.	Japan	Data center operation; on-site operation of information and telecommunications systems	¥1,000,000	100.0
NRI Network Communications, Ltd.	Japan	Software development and sales, mainly in the Kansai area	¥450,000	100.0
NRI Learning Network, Ltd.	Japan	Training related to information and telecommunications systems	¥300,000	100.0
NRI Secure Technologies, Ltd.	Japan	Network security services	¥450,000	100.0
NRI Cyber Patent, Ltd.	Japan	Provide patent and other intellectual property information to subscribers	¥300,000	100.0
NRI Shared Services, Ltd.	Japan	Office and real estate management	¥450,000	100.0
NRI Data i Tech, Ltd.	Japan	Maintaining systems equipment of Nomura Holdings and its subsidiaries and affiliates	¥10,000	100.0
NRI Holding America Inc.	USA	U.S. holding company	U.S.\$14,500	100.0
Nomura Research Institute America, Inc.	USA	Research and development and operation of information management systems in the U.S.	U.S.\$12,000	100.0
NRI Pacific Inc.	USA	Research on developments in the U.S. information technology industry	U.S.\$2,000	100.0
NRI Investment America, Inc.	USA	Investments in companies or venture capital funds in the information technology industry	U.S.\$6,000	100.0
Nomura Research Institute Europe Limited	England	Research and development and operation of information management systems in Europe	£1,350	100.0
Nomura Research Institute Hong Kong Limited	China	Research and development and operation of information management systems in Asia	HK\$16,181	100.0
Nomura Research Institute (Singapore) Private Limited	Singapore	Research and development and operation of information management systems in Asia	Sing\$1,400	100.0

Name	Country	Main Business	Issued Capital (thousands)	Equity held by the Company (percent)
Affiliates				
Nippon Clearing Services Co., Ltd	Japan	Back-office services for mid-tier securities companies	¥300,000	40.0
NIWS Co., Ltd.	Japan	Software development and sales	¥500,000	33.4
Nomura Funds Research and Technologies Co., Ltd.	Japan	Management of fund-of-funds, valuation of funds, pension consulting	¥400,000	49.0

MAJOR SHAREHOLDERS

Shareholders	Number of Shares Owned (thousands)	Percentage of Shares Outstanding
Nomura Land and Building Co., Ltd.	13,971	31.05
Nomura Asset Management Co., Ltd.	8,677	19.28
JAFCO Co., Ltd.	3,880	8.62
Nomura Holdings, Inc.	2,150	4.78
Japan Trustee Services Bank, Ltd.	1,309	2.91
Mitsui Asset Trust and Banking Company, Ltd.	1,193	2.65
The Mitsubishi Trust and Banking Corporation	1,089	2.42
UFJ Trust Bank Limited	901	2.00
World Nichiei Securities Co., Ltd.	866	1.93
NRI Group Employee Stock Ownership Association	800	1.78

Management (as of 26th June 2002)



Shozo Hashimoto
Chairman and Director



Kiyochika Ohta
Vice Chairman and Director



Akihisa Fujinuma
President and Representative Director, CEO and COO



Hitoshi Okuda
Representative Director, Corporate Executive Vice President



Takashi Narusawa
Representative Director, Corporate Executive Vice President



Takashi Yakabe
Director, Corporate Senior Vice President



Hisashi Imai
Director, Corporate Senior Vice President



Takayoshi Kurinomaru
Director, Corporate Senior Vice President



Jun Umeda
Director, Corporate Senior Vice President



Hisao Kayo
Director, Corporate Senior Vice President



Takao Shiino
Director, Corporate Senior Vice President



Masahiro Muroi
Director, Corporate Senior Vice President



Mamoru Suenaga
Director, Corporate Senior Vice President



Kunio Takeda
Director (President and CEO of Takeda Chemical Industries, Ltd.)



Osamu Takahashi
Corporate Auditor



Hajime Fukushima
Corporate Auditor



Ryoichi Kobayashi
Corporate Auditor



Ken Tamura
Corporate Auditor



Hiroshi Izumitani
Corporate Auditor (Corporate Executive Vice President of Murata Manufacturing Co., Ltd.)

Executive officers

(excluding those also serving as directors)

Corporate Senior Vice President:

Hiroyuki Gomi

Toshiyuki Koyama

Corporate Vice President:

Shin Takeuchi

Jun Suzuki

Kenji Okada

Yoshitaka Sugiyama

Tadashi Shimamoto

Mitsuru Sawada

Akira Yasuoka

Masaki Tochizawa

Nobuo Murakami

Koji Yamada

Yoshiaki Ogawa

Toshinobu Ukawa

Sawaaki Yamada

Shigenori Nagata

Yoshihito Mitsugi

Shiro Tanikawa

The NRI Group (as of August 2002)

Nomura Research Institute, Ltd.

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

Head Office/Otemachi Center

Shin-Otemachi Building, 2-2-1 Otemachi,
Chiyoda-ku, Tokyo 100-0004, Japan

Tel. 03-5255-1800

Nippon Building Center

Nippon Building, 2-6-2 Otemachi, Chiyoda-ku,
Tokyo 100-0004, Japan

Tel. 03-5255-1800

Ochanomizu Center

2-2-9 Hongo, Bunkyo-ku, Tokyo 113-0033,
Japan

Tel. 03-5255-1800

Yokohama Center

134 Godocho, Hodogaya,
Yokohama 240-8511, Japan

Tel. 045-333-8100

Osaka Center

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

Tel. 06-4797-2700

Seoul Branch

11th Fl. Youngpoong Bldg. 33 Seorin-Dong,
Chongro-ku, Seoul, 110-752 Korea

Tel. +82(2)399-5111

Taipei Branch

13F-E, No.168, Tun-Hwa N. Rd.

Taipei, Taiwan R.O.C.

Tel. +886(2)2718-7620

Manila Branch

27th Fl. Yuchengco Tower, RCBC Plaza
6819 Ayala cor Sen. Gil J. Puyat

Avenues, 1200

Makati City, Philippines

Tel. +63(2)757-1946

NRI Data Services, Ltd.

129-6 Godocho, Hodogaya-ku,
Yokohama 240-8513, Japan

Tel.045-336-1000

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

NRI Network Communications, Ltd.

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

Tel.06-4797-2800

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

NRI Learning Network, Ltd.

Otemachi Building, 1-6-1 Otemachi,
Chiyoda-ku, Tokyo 100-0004, Japan

Tel.03-3282-1311

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

NRI Secure Technologies, Ltd.

Otemachi Building, 1-6-1 Otemachi,
Chiyoda-ku, Tokyo 100-0004, Japan

Tel.03-5220-2022

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

NRI Shared Services, Ltd.

134 Godocho, Hodogaya-ku,
Yokohama 240-0005, Japan

Tel.045-336-8600

NRI Cyber Patent, Ltd.

Otemachi Building, 1-6-1 Otemachi,
Chiyoda-ku, Tokyo 100-0004, Japan

Tel.03-5208-1011

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

NRI Holding America Inc.

Nomura Research Institute America, Inc.
40 Wall St. 34th Fl.

New York, NY 10005, U.S.A.

Tel. +1(212)607-2900

Washington Office

The Homer Bldg.

601 13th St. N.W.

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San Mateo, CA 94404, U.S.A.

Tel. +1(650)638-7250

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London EC1A 4NP, England

Tel. +44(20)7521-2000

Nomura Research Institute Shanghai Limited

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Nan Jing Road West,

Shanghai 200040, China

Tel. +86(21)5298-6700

Nomura Research Institute Hong Kong Limited

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3 Garden Rd.

Central, Hong Kong

Tel. +852(2536)1900

Nomura Research Institute (Singapore)

Private Limited

6 Battery Rd. #36-01

The Standard Chartered Bank Bldg.

Singapore 049909, Singapore

Tel. +65(225)8441

Corporate data (as of 31st March 2002)

Corporate outline

Name

Nomura Research Institute, Ltd.

Head office address

Shin-Otemachi Building, 2-2-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

History

4/1965: establishment of Nomura Research Institute, Ltd. (NRI)
1/1966: establishment of Nomura Computing Center, Ltd. (NCC)
1/1988: merger of NRI and NCC

Capital

JPY18,600,000,000

Number of employees

3,096 (4,313 in the entire NRI Group)

Professionals

Information processing engineers

System analysts..... 100

Project managers 98

Application engineers

(including the former specialty category) 373

Technical engineers

(networks; including the former on-line category) 257

Technical engineers (data bases) 97

Securities analysts..... 135

Top ten shareholders

Shareholder	Number of shares held (thousands)	Shareholding rate (%)
Nomura Land and Building Co., Ltd.	13,971	31.05
Nomura Asset Management Co., Ltd.	8,677	19.28
JAFCO Co., Ltd.	3,880	8.62
Nomura Holdings, Inc.	2,150	4.78
Japan Trustee Service Bank	1,309	2.91
Mitsui Asset Trust and Banking Company, Limited	1,193	2.65
The Mitsubishi Trust and Banking Corporation	1,089	2.42
UFJ Trust Bank Limited	901	2.00
World Nichiei Securities Co., Ltd.	866	1.93
NRI Group employee Stock Ownership Association	800	1.78

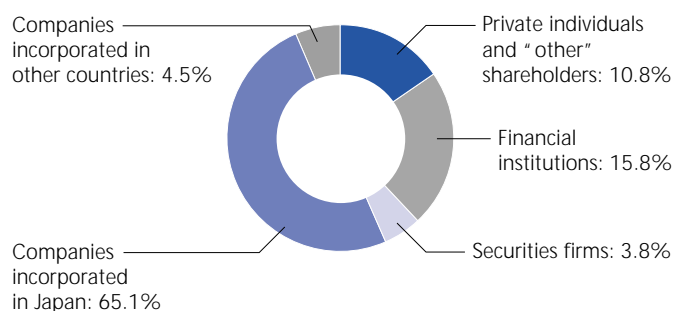
Stock data

Total number of shares 150,000,000

Total number of shares issued 45,000,000

Number of shareholders..... 19,903

Breakdown of shares by shareholder category



Shareholder memo

Ordinary general meeting of shareholders

Every June

Transfer agent

UFJ Trust Bank Limited,
1-4-3 Marunouchi, Chiyoda-ku, Tokyo, Japan

Transfer agent office (address for inquiries and posts)

Securities Agent Department, UFJ Trust Bank Limited,
7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan
Tel: 03-5683-5111 (key)

Mediation offices

All branch offices of UFJ and all offices (head and branch) of Nomura Securities, nationwide

Unit of share sales

100 shares

Newspaper of public notice

Nippon Keizai Shinbun (Japan Economic Journal)

Note:

* This annual report was prepared for the purpose of presenting information on NRI's fiscal 2001 (ended 31st March 2002) result and its strategy for the future, not of attracting investment in the securities issued by NRI or making some type of guarantee or pledge. The opinions and forecasts contained herein represent NRI's estimates at the time of the report's preparation; NRI does not make any guarantee or pledge about the accuracy or completeness of this information, which is also subject to future change without notice.

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* In some cases, the names of products are trademarks.

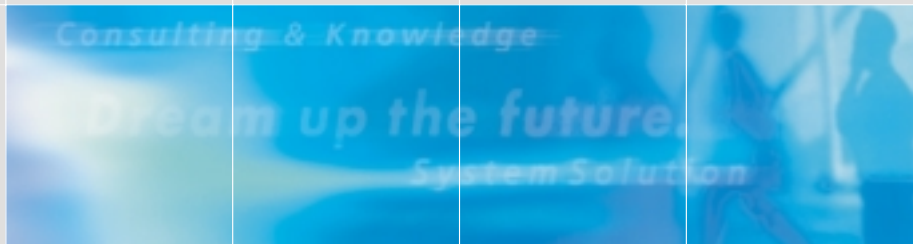
Inquiries

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