



# **1<sup>st</sup> Quarter FY March 2007 Financial Results**

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**Nomura Research Institute, Ltd.**

**July 26, 2006**

## I. 1Q FY March 2007 Financial Results (Consolidated)

### (1) Highlights

(Unit: JPY million)

	1Q FY Mar.2006 (Apr.2005- Jun.2005)		1Q FY Mar.2007 (Apr.2006- Jun.2006)		YoY		FY Mar.2006 (Apr.2005 - Mar.2006)	
	Amount		Amount		Diff.	Change (%)	Amount	
<b>Sales</b>	<b>60,664</b>		<b>68,383</b>		<b>7,718</b>	<b>12.7</b>	<b>285,585</b>	
<b>Operating Profit</b>	<b>6,267</b>		<b>8,220</b>		<b>1,953</b>	<b>31.2</b>	<b>36,469</b>	
<b>Net Income</b>	<b>3,961</b>		<b>5,647</b>		<b>1,686</b>	<b>42.6</b>	<b>22,518</b>	
<b>Operating Profit Margin</b>	<b>10.3%</b>		<b>12.0%</b>		<b>1.7P</b>		<b>12.8%</b>	
<b>Earnings per Share</b>	<b>JPY88.14</b>		<b>JPY 139.02</b>		<b>JPY 50.89</b>	<b>57.7</b>	<b>JPY 519.72</b>	

### (2) Sales by sector

(Unit: JPY million)

	1Q FY Mar.2006 (Apr.2005- Jun.2005)		1Q FY Mar.2007 (Apr.2006- Jun.2006)		YoY		FY Mar.2006 (Apr.2005- Mar.2006)	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)	Amount	Share (%)
<b>Financial</b>	<b>35,771</b>	<b>59.0</b>	<b>42,878</b>	<b>62.7</b>	<b>7,106</b>	<b>19.9</b>	<b>178,168</b>	<b>62.4</b>
<b>Distribution</b>	<b>11,776</b>	<b>19.4</b>	<b>11,659</b>	<b>17.1</b>	<b>116</b>	<b>1.0</b>	<b>49,681</b>	<b>17.4</b>
<b>Other Private</b>	<b>9,159</b>	<b>15.1</b>	<b>7,935</b>	<b>11.6</b>	<b>1,223</b>	<b>13.4</b>	<b>36,720</b>	<b>12.9</b>
<b>Public</b>	<b>3,957</b>	<b>6.5</b>	<b>5,909</b>	<b>8.6</b>	<b>1,952</b>	<b>49.3</b>	<b>21,014</b>	<b>7.4</b>
<b>Total</b>	<b>60,664</b>	<b>100.0</b>	<b>68,383</b>	<b>100.0</b>	<b>7,718</b>	<b>12.7</b>	<b>285,585</b>	<b>100.0</b>
*Sales by major counterparties within the foregoing amounts								
<b>Nomura Holdings</b>	<b>14,632</b>	<b>24.1</b>	<b>19,926</b>	<b>29.1</b>	<b>5,293</b>	<b>36.2</b>	<b>88,725</b>	<b>31.1</b>
<b>SEVEN &amp; i HOLDINGS</b>	<b>8,658</b>	<b>14.3</b>	<b>8,013</b>	<b>11.7</b>	<b>644</b>	<b>7.4</b>	<b>34,907</b>	<b>12.2</b>

\*Figures, in principle, include sales to subsidiaries. Sales via leasing and other companies include sales to customers ultimately receiving services and other products. These figures were calculated starting in the FY March 2006, but figures in the 1Q FY March 2006 were also calculated retroactively.

\*Amounts of less than JPY million were rounded down.

## I. 1Q FY March 2007 Financial Results (Consolidated)

### (3) Sales and Operating Profit by segment

System Solution Services							(Unit: JPY million)	
	1Q FY Mar.2006 (Apr.2005 - Jun.2005)		1Q FY Mar.2007 (Apr.2006 - Jun.2006)		YoY		FY Mar.2006 (Apr.2005 - Mar.2006)	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)	Amount	Share (%)
System Development & System Application Sales	22,644	37.3	25,398	37.1	2,754	12.2	104,395	36.6
System Management & Operations	25,007	41.2	26,626	38.9	1,618	6.5	106,212	37.2
Product Sales	3,190	5.3	5,170	7.6	1,979	62.0	30,392	10.6
<b>Sales</b>	<b>50,842</b>	<b>83.8</b>	<b>57,195</b>	<b>83.6</b>	<b>6,352</b>	<b>12.5</b>	<b>241,000</b>	<b>84.4</b>
<b>Operating Profit</b>	<b>5,665</b>		<b>7,382</b>		<b>1,716</b>	<b>30.3</b>	<b>31,332</b>	
<b>Operating Profit Margin</b>	<b>11.1%</b>		<b>12.9%</b>		<b>1.8P</b>		<b>13.0%</b>	

Consulting & Knowledge Services							(Unit: JPY million)	
	1Q FY Mar.2006 (Apr.2005- Jun.2005)		1Q FY Mar.2006 (Apr.2006- Jun.2006)		YoY		FY Mar.2006 Apr.2005 - Mar.2006	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)	Amount	Share (%)
<b>Sales</b>	<b>9,821</b>	<b>16.2</b>	<b>11,187</b>	<b>16.4</b>	<b>1,366</b>	<b>13.9</b>	<b>44,584</b>	<b>15.6</b>
<b>Operating Profit</b>	<b>601</b>		<b>822</b>		<b>220</b>	<b>36.7</b>	<b>5,158</b>	
<b>Operating Profit Margin</b>	<b>6.1%</b>		<b>7.3%</b>		<b>1.2P</b>		<b>11.6%</b>	

\*Amounts of less than JPY million were rounded down.

## I. 1Q FY March 2007 Financial Results (Consolidated)

### (4) Order Volume and Order Backlog

#### Order Volume

(Unit: JPY million)

	1Q FY Mar.2006 (Apr.2005- Jun.2005)	1Q FY Mar.2007 (Apr.2006- Jun.2006)	YoY	
	Amount	Amount	Diff.	Change (%)
System Development & System Application Sales	30,843	35,371	4,528	14.7
System Management & Operations	4,938	7,319	2,381	48.2
Product Sales	3,190	4,148	957	30.0
System Solution Services	38,972	46,840	7,867	20.2
Consulting & Knowledge Services	9,277	11,357	2,080	22.4
<b>Total</b>	<b>48,249</b>	<b>58,197</b>	<b>9,948</b>	<b>20.6</b>

#### Order Backlog

(Unit: JPY million)

	At the end of Jun.2005	At the end of Jun.2006	YoY	
	Amount	Amount	Diff.	Change (%)
System Development & System Application Sales	22,175	30,669	8,493	38.3
System Management & Operations	67,881	73,303	5,421	8.0
System Solution Services	90,056	103,972	13,915	15.5
Consulting & Knowledge Services	15,483	17,848	2,365	15.3
<b>Total</b>	<b>105,540</b>	<b>121,821</b>	<b>16,280</b>	<b>15.4</b>

\*Amounts of less than JPY million were rounded down.

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## I. 1Q FY March 2007 Financial Results (Consolidated)

### (5) Subcontracting Costs

#### Subcontracting Costs by segment & Percentage in actual production

(Unit: JPY million)

	1Q FY Mar.2006 (Apr.2005- Jun.2005)		1Q FY Mar.2007 (Apr.2006- Jun.2006)		YoY		FY Mar.2006 (Apr.2005- Mar.2006)	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)	Amount	Share (%)
System Development & System Application Sales	11,099	59.0	12,880	62.7	1,781	16.0	50,566	62.0
System Management & Operations	5,454	30.6	5,837	31.9	383	7.0	25,561	34.1
System Solution Services	16,553	45.2	18,717	48.2	2,164	13.1	76,128	48.6
Consulting & Knowledge Services	2,423	37.6	2,760	39.2	337	13.9	11,207	38.7
<b>Total</b>	<b>18,976</b>	<b>44.0</b>	<b>21,478</b>	<b>46.8</b>	<b>2,502</b>	<b>13.2</b>	<b>87,335</b>	<b>47.1</b>
(Subcontracting Costs to China)	2,062	10.9	2,440	11.4	377	18.3	10,019	11.5

\* Subcontracting costs to China & Percentage in total subcontracting costs

\*Amounts of less than JPY million were rounded down.

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## I. 1Q FY March 2007 Financial Results (Consolidated)

### (6) Cash Flow

(Unit: JPY million)

	1Q		YoY		FY Mar.2006 (Apr.2005 -Mar.2006) Amount
	FY Mar.2006 (Apr.2005- Jun.2005)	FY Mar.2007 (Apr.2006- Jun.2006)	Diff.	Change (%)	
	Amount	Amount			
Income before income taxes	6,560	9,383	2,822	43.0	37,535
Gain/Loss from non-operating activities	(507)	(1,147)	(639)	126.0	(1,706)
Extraordinary gain/loss	251	7	(243)	(97.0)	717
Depreciation and amortization	3,110	4,024	913	29.4	16,574
Accounts receivable and other receivable, net of advance payments received	7,731	1,656	(6,075)	(78.6)	10,511
Allowance	(5,689)	(5,219)	469	(8.3)	928
Other	3,314	1,296	(2,017)	(60.9)	1,505
<b>Subtotal</b>	<b>14,771</b>	<b>10,001</b>	<b>(4,769)</b>	<b>(32.3)</b>	<b>66,066</b>
Interest and dividends received	497	811	314	63.2	1,180
Income taxes paid	(11,693)	(12,532)	(839)	7.2	(18,371)
<b>Operating Activities</b>	<b>3,575</b>	<b>(1,719)</b>	<b>(5,294)</b>	<b>-</b>	<b>48,875</b>
Acquisition of property and equipment	(1,195)	(1,279)	(84)	7.0	(9,799)
Increase in software and other intangibles	(2,029)	(2,277)	(247)	12.2	(8,211)
<b>Subtotal: Capital expenditure</b>	<b>(3,225)</b>	<b>(3,557)</b>	<b>(332)</b>	<b>10.3</b>	<b>(18,011)</b>
Increase in time deposits	(45)	(49)	(4)	9.9	(6,778)
Proceeds from time deposits	-	47	47	-	6,523
Increase in investment securities	(9,679)	(3,000)	6,679	(69.0)	(30,300)
Proceeds from sales and redemption of investment securities	4,052	10,621	6,569	162.1	65,812
Other	70	21	(49)	(69.6)	608
<b>Investing Activities</b>	<b>(8,826)</b>	<b>4,083</b>	<b>12,910</b>	<b>-</b>	<b>17,853</b>
<b>Free Cash Flow</b>	<b>(5,250)</b>	<b>2,364</b>	<b>7,615</b>	<b>-</b>	<b>66,729</b>
(Free Cash Flow except Cash management purpose investment)	588	(5,067)	(5,656)	-	22,672
Net repayment of long-term debt	(60)	(60)	-	-	(840)
Purchase of treasury stock	(1,000)	52	1,052	-	(48,147)
Cash dividends paid	(3,472)	(3,516)	(43)	1.3	(5,840)
<b>Financing Activities</b>	<b>(4,532)</b>	<b>(3,523)</b>	<b>1,009</b>	<b>(22.3)</b>	<b>(54,828)</b>
<b>Effect of exchange rate changes on Cash and cash equivalents</b>	<b>43</b>	<b>(27)</b>	<b>(70)</b>	<b>-</b>	<b>174</b>
<b>Net increase in Cash and cash equivalents</b>	<b>(9,740)</b>	<b>(1,186)</b>	<b>8,553</b>	<b>(87.8)</b>	<b>12,075</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>38,677</b>	<b>50,752</b>	<b>12,075</b>	<b>31.2</b>	<b>38,677</b>
<b>Cash and cash equivalents at end of year</b>	<b>28,937</b>	<b>49,566</b>	<b>20,629</b>	<b>71.3</b>	<b>50,752</b>
<b>Cash and cash equivalents + Cash Management purpose investment</b>	<b>104,322</b>	<b>67,829</b>	<b>(36,492)</b>	<b>(35.0)</b>	<b>76,432</b>

\*Amounts of less than JPY million were rounded down.

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## I. 1Q FY March 2007 Financial Results (Consolidated)

Note: Cash management purpose investment are the investments to 3 months over time deposits and government bonds etc..  
Cash management purpose investment (included in investing activities) are as follows.

	1Q	1Q	YoY		FY Mar.2006
	FY Mar.2006 (Apr.2005- Jun.2005)	FY Mar.2007 (Apr.2006- Jun.2006)	Diff.	Change (%)	(Apr.2005 -Mar.2006)
	Amount	Amount			Amount
Increase in time deposits	(45)	(49)	(4)	9.9	(6,778)
Proceeds from time deposits	-	47	47	-	6,523
Increase in investment securities	(9,677)	(2,995)	6,681	(69.0)	(20,270)
Proceeds from sales and redemption of investment securities	3,882	10,430	6,547	168.6	64,582
<b>(Total)</b>					
<b>Cash management purpose investment</b>	<b>(5,839)</b>	<b>7,432</b>	<b>13,271</b>	<b>-</b>	<b>44,056</b>

\*Amounts of less than JPY million were rounded down.

## I. 1Q FY March 2007 Financial Results (Consolidated)

### (7) Capital Expenditure

(Unit: JPY million)

	FY Mar.2006 (Apr.2005 - Jun.2005)	FY Mar.2007 (Apr.2006 - Jun.2006)	YoY		FY Mar.2006 (Apr.2005 - Mar.2006)
	Amount	Amount	Diff.	Change (%)	Amount
Tangible	1,371	909	(462)	(33.7)	10,038
Intangible	1,985	2,346	361	18.2	8,305
<b>Total</b>	<b>3,357</b>	<b>3,256</b>	<b>(100)</b>	<b>(3.0)</b>	<b>18,343</b>

### (8) Depreciation and Amortization

(Unit: JPY million)

	1Q FY Mar.2006 (Apr.2005- Jun.2005)	1Q FY Mar.2007 (Apr.2006- Jun.2006)	YoY		FY Mar.2006 (Apr.2005 - Mar.2006)
	Amount	Amount	Diff.	Change (%)	Amount
Tangible	1,341	1,481	140	10.4	6,278
Intangible	1,769	2,542	773	43.7	10,295
<b>Total</b>	<b>3,110</b>	<b>4,024</b>	<b>913</b>	<b>29.4</b>	<b>16,574</b>

### (9) R&D Expenditure

(Unit: JPY million)

	1Q FY Mar.2006 (Apr.2005- Jun.2005)	1Q FY Mar.2007 (Apr.2006- Jun.2006)	YoY		FY Mar.2006 (Apr.2005 - Mar.2006)
	Amount	Amount	Diff.	Change (%)	Amount
System Solution Services	255	238	(17)	(6.8)	1,312
Consulting & Knowledge Services	211	156	(54)	(25.9)	1,189
<b>Total</b>	<b>466</b>	<b>394</b>	<b>(72)</b>	<b>(15.5)</b>	<b>2,501</b>

\*Amounts of less than JPY million were rounded down.



## II. FY March 2007 Financial Results Forecasts (Consolidated)

### (1) Highlights

(Unit: JPY billion)

	FY Mar.2006 (Results)	FY Mar.2007 (Forecasts)	YoY	
	Amount	Amount	Diff.	Change (%)
<b>Sales</b>	285.5	300.0	14.4	5.0
<b>Operating Profit</b>	36.4	40.0	3.5	9.7
<b>Net Income</b>	22.5	25.5	2.9	13.2
<b>Operating Profit Margin</b>	12.8%	13.3%	0.5P	
<b>Earnings per share</b>	JPY519.72	JPY 627.70	JPY 107.97	20.8
<b>1<sup>st</sup> Half</b>	JPY50.00	JPY 70.00	JPY 20.00	40.0
<b>Fiscal Year</b>	JPY 90.00	JPY 100.00	JPY 10.00	11.1
<b>Dividends per share</b>	JPY 140.00	JPY 170.00	JPY 30.00	21.4
<b>Dividend payout ratio</b>	26.2%	27.1%	0.9P	

[1<sup>st</sup> Half]

	1 <sup>st</sup> half FY Mar.2006 (Results)	1 <sup>st</sup> half FY Mar.2007 (Forecasts)	YoY	
	Amount	Amount	Diff.	Change (%)
<b>Sales</b>	132.5	142.0	9.4	7.2
<b>Operating Profit</b>	16.4	19.0	2.5	15.4
<b>Net Income</b>	10.3	12.3	1.9	18.6
<b>Operating Profit Margin</b>	12.4%	13.4%	1.0P	

[2<sup>nd</sup> Half]

	2 <sup>nd</sup> half FY Mar.2006 (Results)	2 <sup>nd</sup> half FY Mar.2007 (Forecasts)	YoY	
	Amount	Amount	Diff.	Change (%)
<b>Sales</b>	153.0	158.0	4.9	3.2
<b>Operating Profit</b>	20.0	21.0	0.9	5.0
<b>Net Income</b>	12.1	13.2	1.0	8.7
<b>Operating Profit Margin</b>	13.1%	13.3%	0.2P	

## II. FY March 2007 Financial Results Forecasts (Consolidated)

### (2) Sales by sector

(Unit: JPY billion)

	FY Mar.2006 (Results)		FY Mar.2007 (Forecasts)		YoY	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)
<b>Financial</b>	<b>178.1</b>	<b>62.4</b>	<b>191.0</b>	<b>63.7</b>	<b>12.8</b>	<b>7.2</b>
<b>Distribution</b>	<b>49.6</b>	<b>17.4</b>	<b>50.0</b>	<b>16.7</b>	<b>0.3</b>	<b>0.6</b>
<b>Other private</b>	<b>36.7</b>	<b>12.9</b>	<b>34.0</b>	<b>11.3</b>	<b>(2.7)</b>	<b>(7.4)</b>
<b>Public</b>	<b>21.0</b>	<b>7.4</b>	<b>25.0</b>	<b>8.3</b>	<b>3.9</b>	<b>19.0</b>
<b>Total</b>	<b>285.5</b>	<b>100.0</b>	<b>300.0</b>	<b>100.0</b>	<b>14.4</b>	<b>5.0</b>

[1<sup>st</sup> Half]

	1 <sup>st</sup> half FY Mar.2006 (Results)		1 <sup>st</sup> half FY Mar.2007 (Forecasts)		YoY	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)
<b>Financial</b>	<b>79.8</b>	<b>60.3</b>	<b>89.5</b>	<b>63.0</b>	<b>9.6</b>	<b>12.0</b>
<b>Distribution</b>	<b>24.6</b>	<b>18.6</b>	<b>24.5</b>	<b>17.3</b>	<b>(0.1)</b>	<b>(0.5)</b>
<b>Other private</b>	<b>18.8</b>	<b>14.2</b>	<b>16.5</b>	<b>11.6</b>	<b>(2.3)</b>	<b>(12.4)</b>
<b>Public</b>	<b>9.1</b>	<b>6.9</b>	<b>11.5</b>	<b>8.1</b>	<b>2.3</b>	<b>25.5</b>
<b>Total</b>	<b>132.5</b>	<b>100.0</b>	<b>142.0</b>	<b>100.0</b>	<b>9.4</b>	<b>7.2</b>

[2<sup>nd</sup> Half]

	2 <sup>nd</sup> half FY Mar.2006 (Results)		2 <sup>nd</sup> half FY Mar.2007 (Forecasts)		YoY	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)
<b>Financial</b>	<b>98.2</b>	<b>64.2</b>	<b>101.5</b>	<b>64.2</b>	<b>3.2</b>	<b>3.3</b>
<b>Distribution</b>	<b>25.0</b>	<b>16.4</b>	<b>25.5</b>	<b>16.1</b>	<b>0.4</b>	<b>1.7</b>
<b>Other private</b>	<b>17.8</b>	<b>11.7</b>	<b>17.5</b>	<b>11.1</b>	<b>(0.3)</b>	<b>(2.1)</b>
<b>Public</b>	<b>11.8</b>	<b>7.7</b>	<b>13.5</b>	<b>8.5</b>	<b>1.6</b>	<b>13.9</b>
<b>Total</b>	<b>153.0</b>	<b>100.0</b>	<b>158.0</b>	<b>100.0</b>	<b>4.9</b>	<b>3.2</b>

## II. FY March 2007 Financial Results Forecasts (Consolidated)

### (3) Sales by segment

(Unit: JPY billion)

	FY Mar.2006 (Results)		FY Mar.2007 (Forecasts)		YoY	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)
System Development & System Application Sales	104.3	36.6	116.0	38.7	11.6	11.1
System Management & Operations	106.2	37.2	111.0	37.0	4.7	4.5
Product Sales	30.3	10.6	26.0	8.7	(4.3)	(14.5)
System Solution Services	241.0	84.4	253.0	84.3	11.9	5.0
Consulting & Knowledge Services	44.5	15.6	47.0	15.7	2.4	5.4
<b>Total</b>	<b>285.5</b>	<b>100.0</b>	<b>300.0</b>	<b>100.0</b>	<b>14.4</b>	<b>5.0</b>

[1<sup>st</sup> Half]

	1 <sup>st</sup> half FY Mar.2006 (Results)		1 <sup>st</sup> half FY Mar.2007 (Forecasts)		YoY	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)
System Development & System Application Sales	49.4	37.3	52.5	37.0	3.0	6.2
System Management & Operations	51.1	38.6	54.5	38.4	3.3	6.5
Product Sales	10.6	8.0	12.0	8.5	1.3	13.0
System Solution Services	111.2	83.9	119.0	83.8	7.7	7.0
Consulting & Knowledge Services	21.2	16.1	23.0	16.2	1.7	8.0
<b>Total</b>	<b>132.5</b>	<b>100.0</b>	<b>142.0</b>	<b>100.0</b>	<b>9.4</b>	<b>7.2</b>

[2<sup>nd</sup> Half]

	2 <sup>nd</sup> half FY Mar.2006 (Results)		2 <sup>nd</sup> half FY Mar.2007 (Forecasts)		YoY	
	Amount	Share (%)	Amount	Share (%)	Diff.	Change (%)
System Development & System Application Sales	54.9	35.9	63.5	40.2	8.5	15.5
System Management & Operations	55.0	36.0	56.5	35.8	1.4	2.7
Product Sales	19.7	12.9	14.0	8.9	(5.7)	(29.2)
System Solution Services	129.7	84.8	134.0	84.8	4.2	3.2
Consulting & Knowledge Services	23.2	15.2	24.0	15.2	0.7	3.0
<b>Total</b>	<b>153.0</b>	<b>100.0</b>	<b>158.0</b>	<b>100.0</b>	<b>4.9</b>	<b>3.2</b>

## II. FY March 2007 Financial Results Forecasts (Consolidated)

### (4) Capital Expenditure

(Unit: JPY billion)

	FY Mar.2006 (Results)	FY Mar.2007 (Forecasts)	YoY	
	Amount	Amount	Diff.	Change (%)
<b>Tangible</b>	<b>10.0</b>	<b>21.0</b>	<b>10.9</b>	<b>109.2</b>
<b>Intangible</b>	<b>8.3</b>	<b>15.0</b>	<b>6.6</b>	<b>80.6</b>
<b>Total</b>	<b>18.3</b>	<b>36.0</b>	<b>17.6</b>	<b>96.3</b>

### (5) Depreciation & Amortization

(Unit: JPY billion)

	FY Mar.2006 (Results)	FY Mar.2007 (Forecasts)	YoY	
	Amount	Amount	Diff.	Change (%)
<b>Total</b>	<b>16.5</b>	<b>17.5</b>	<b>0.9</b>	<b>5.6</b>

### (6) R&D Expenditure

(Unit: JPY billion)

	FY Mar.2006 (Results)	FY Mar.2007 (Forecasts)	YoY	
	Amount	Amount	Diff.	Change (%)
<b>Total</b>	<b>2.5</b>	<b>3.4</b>	<b>0.8</b>	<b>35.9</b>

\* Nomura Research Institute, Ltd. revised the financial results forecast for the fiscal year ended March 31, 2007 on July 26, 2006.