

Daiwa Securities Group Inc.

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January 29, 2007

Consolidated financial summary

(For the third quarter ended December 31, 2006)

1. Preparation of consolidated financial summary

- (1) Simplified accounting policy: None
- (2) Change in accounting policy: None
- (3) Change in scope of consolidation and equity method:
 - Consolidation: Addition 1 company Equity method: Exclusion 1 company
 - (Consolidated subsidiaries: 47 companies Affiliates applicable of equity method: 4 companies)

2. Consolidated financial results (from April 1, 2006 to December 31, 2006)

(Note) All figures in the financial statements are rounded down to the nearest millionth.

'-' indicates a loss or negative figure.

(1) Operating results (from April 1, 2006 to December 31, 2006)

(Millions of yen except for per share data and yr/yr % change)

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
Third quarter (2006/12)	662,169	(14.9)%	383,262	(-2.4)%	133,772	(-14.5)%	142,380	(-12.3)%
Third quarter (2005/12)	576,096	(59.5)%	392,745	(43.8)%	156,370	(119.5)%	162,363	(115.7)%
Fiscal 2005 (2006/3)	845,659		579,358		254,159		260,651	

	Net income		Earnings/share		Fully diluted earnings/share		Return on equity (annual basis)	
Third quarter (2006/12)	66,881	(-21.0)%	49.34	Yen	47.61	Yen	10.6	%
Third quarter (2005/12)	84,625	(151.6)%	63.60	Yen	60.38	Yen	16.2	%
Fiscal 2005 (2006/3)	139,948		103.90	Yen	98.61	Yen	19.4	%

(Note) 1. Equity in earnings

Third quarter (2006/12): 1,094 million yen Third quarter (2005/12): 1,068 million yen

Fiscal 2005 (2006/3): 1,528 million yen

2. Average number of shares outstanding (shares)

Third quarter(2006/12): 1,355,510,659 Third quarter (2005/12): 1,330,556,443 Fiscal 2005 (2006/3): 1,328,967,253

3. Change in accounting policies: None

(2) Financial conditions

(Millions of yen except for per share data and percentage)

	Total assets	Net assets	Equity ratio	Net assets /share
As of Dec. 31, 2006	14,493,949	1,186,895 *2	6.2 %	643.34 Yen*3
As of Dec. 31, 2005	14,486,363	742,387	5.1 %	557.98 Yen
As of Mar. 31, 2006	14,898,890	792,281	5.3 %	598.27 Yen

(Note) 1. Number of shares outstanding (shares)

As of Dec. 31, 2006 : 1,395,107,374 As of Dec. 31, 2005 : 1,330,489,176 As of Mar. 31, 2006 : 1,321,164,976

2. Net assets for the third quarter ended December 31, 2006 is calculated based on the new method according to "Accounting Standard for Presentation of Net Assets in the Balance Sheet".

3. "Net assets / share" for the third quarter ended December 31, 2006 is calculated as follows:

Net assets / share = (net assets - stock subscription rights - minority interests) / number of shares outstanding

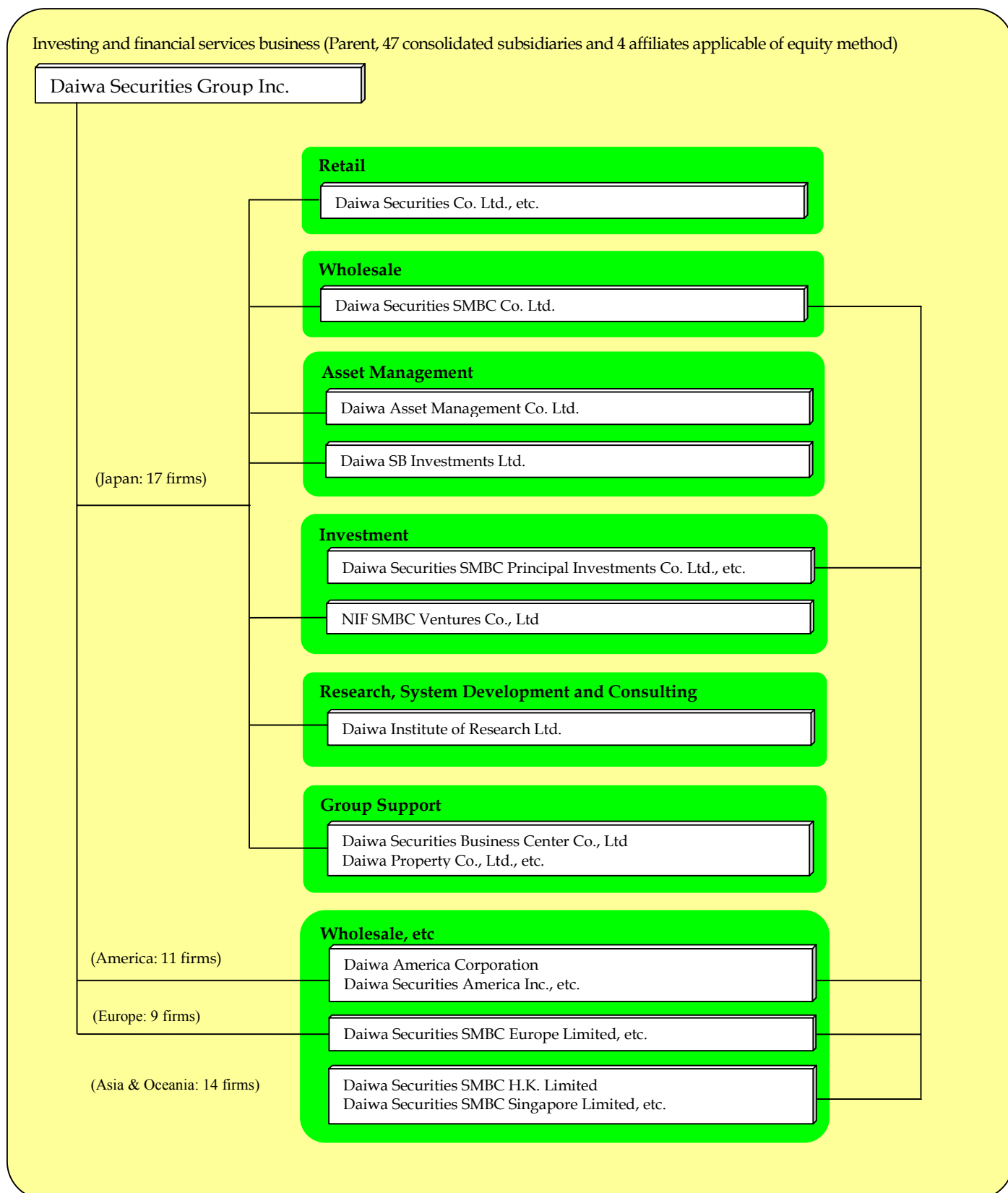
(Note) The Group's principal business is securities business, and the performance is influenced by the economic and market environment. Therefore, the Group doesn't disclose the estimated operating result, considering the difficulty to forecast the performance.

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Information on Group Companies

Daiwa Securities Group Inc. (the 'Company') and its related companies, 47 consolidated subsidiaries and 4 affiliates applicable of equity method (collectively the 'Group'), predominantly operate in the investment and financial segment, focusing on securities businesses such as trading and brokerage of securities and derivatives, underwriting of securities, distribution of securities, private offering of securities and other business related to the securities and financial fields. The Group provides wide range of services, to meet the worldwide customer needs for raising and investing of funds through its global networks linking major financial markets in Japan, America, Europe and Asia & Oceania.



Results of Operation and Financial Conditions

a. Consolidated operating results for the third quarter of fiscal 2006

1. Summary of operating results for 9 months (comparison with the third quarter of fiscal 2005)

Net operating revenues decreased 2.4% to 383,262 million yen mainly because total net gains on trading decreased. Selling, general and administrative expenses increased 5.5% to 249,490 million yen. As a result, ordinary income decreased 12.3% to 142,380 million yen. Net income decreased 21.0% to 66,881 million yen because an extraordinary gain such as gain on change in stake in subsidiary and gain on sale of related companies' stocks, which accrued for the last third quarter, was not posted.

(1) Commissions

(i) Brokerage commission

Brokerage commission decreased 16.0% to 69,749 million yen, because commission rate and market share on Tokyo Stock Exchange (TSE) decreased, although daily average trading value on the TSE increased 19.3% to 2,577 billion yen.

(ii) Underwriting commission

Underwriting commission derived from equity increased 62.6% to 36,852 million yen mainly because the Group acted as lead-manager for IPO of large amount. As a result, underwriting commission increased 43.8% to 44,331 million yen.

(iii) Distribution commission

Distribution commission decreased 10.6% to 26,851 million yen because sales total of foreign investment trust decreased.

(iv) Other commission

Total other commission increased 56.3% to 84,313 million yen primarily due to an increase in trust fee in line with expanded outstanding balance of equity-related beneficiary certificate.

(2) Net gains on trading

Total net gains on trading decreased 32.0% to 110,288 million yen mainly because net gains on trading in equity dropped 70.2% to 23,129 million yen.

(3) Financial income

Interest and dividend income increased 59.6% to 270,194 million yen and interest expenses also increased 60.8% to 254,871 million yen. Net financial income increased 41.2% to 15,322 million yen due to an increase in interests received on bonds.

(4) Selling, general and administrative expenses

Commission and other expenses increased 12.5% to 51,071 million yen due to an increase in custodian fee of beneficiary certificate. Occupancy and rental expenses increased 15.4% to 27,812 due to an increase in renewal cost of Daiwa Securities' branch office. Administrative fee increased 31.9% to 16,752 million yen. As a result, selling, general and administrative expenses increased 5.5% to 249,490 million yen.

2. Summary of operating results for 3 months (comparison with the second quarter of fiscal 2006)

Consolidated net operating revenues for the third quarter of fiscal 2006 increased 19.0% to 141,919 million yen due to an increase in underwriting commission because of acting as lead-manager for IPO of large amount. Selling, general and administrative increased 6.5% to 87,968 million yen due to an increase in employees' compensation and benefits such as accrued bonuses. As a result, consolidated ordinary income increased 36.3% to 55,929 million yen. Net income increased 57.3% to 26,754 million yen for the third quarter of fiscal 2006, posting extraordinary gains/losses, income taxes, and minority interest.

3. Operating results of overseas subsidiaries for the third quarter of fiscal 2006 (9 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
1,255	6,340	2,656	10,252

b. Financial conditions (comparison with March 31, 2006)

Total assets decreased by 404,941 million yen to 14,493,949 million yen, mainly because 'trading assets' decreased by 328,631 million yen. Total liabilities decreased by 562,837 million yen to 13,307,053 million yen, because 'trading liabilities' and 'short-term borrowings' decreased by 447,041 million yen and 632,889 million yen, respectively, while 'collateralized short-term financing agreement' and 'bonds and notes' decreased by 318,730 million yen and 199,516 million yen, respectively.

Consolidated balance sheets

(millions of yen)	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Assets				
Current assets:	13,991,976	13,993,098	-1,122	14,392,393
Cash and deposits	334,262	337,486	-3,223	407,889
Cash segregated as deposits for regulatory purposes	219,001	262,464	-43,462	297,878
Notes receivable and trade accounts receivable	13,420	10,339	3,081	11,368
Securities	48,468	61,788	-13,320	20,205
Trading assets:	5,833,610	5,766,267	67,343	6,162,242
Trading securities and others	4,982,115	4,563,866	418,249	4,491,212
Derivative assets	851,494	1,202,400	-350,906	1,671,029
Private equity and other securities	453,277	254,032	199,245	390,917
Less: Allowance for possible investment losses	-7,991	-7,816	-174	-8,496
Other inventories	3,499	1,942	1,557	2,271
Receivables related to margin transactions:	520,879	501,429	19,449	563,537
Customer margin loans	279,916	300,775	-20,859	359,331
Cash deposits as collateral for securities borrowed	240,962	200,653	40,308	204,206
Collateralized short-term financing agreements:	6,281,007	6,578,766	-297,759	6,274,505
Cash deposits as collateral for securities borrowed	6,281,006	6,577,648	-296,642	6,274,385
Receivables related to gensaki transactions	1	1,117	-1,116	120
Receivables	20,140	27,586	-7,446	25,940
Short-term loans receivable	33,543	40,596	-7,053	59,997
Accrued income	41,731	28,201	13,529	36,558
Deferred tax assets-current	5,007	11,018	-6,010	20,187
Other current assets	192,312	119,454	72,857	127,683
Less: Allowance for doubtful accounts-current	-194	-458	264	-293
Non-current assets:	501,973	493,265	8,708	506,497
Tangible fixed assets	129,322	136,488	-7,165	126,531
Intangible fixed assets	81,162	65,207	15,954	68,813
Investments and others:	291,488	291,569	-81	311,153
Investment securities	231,844	231,954	-110	249,647
Long-term loans receivable	11,598	11,896	-297	11,866
Long-term guarantee deposits	24,334	24,059	275	23,538
Deferred tax assets-non-current	9,306	6,409	2,897	9,300
Other investments	17,044	19,704	-2,660	18,651
Less: Allowance for doubtful accounts-non-current	-2,640	-2,454	-185	-1,851
Total assets	14,493,949	14,486,363	7,585	14,898,890

(millions of yen)	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Liabilities				
Current liabilities:	12,058,374	12,536,402	-478,027	12,812,909
Notes payable and trade accounts payable	4,306	4,301	5	5,138
Trading liabilities:	4,432,147	4,393,459	38,687	4,879,188
Trading securities and others	3,750,191	3,285,661	464,530	3,321,855
Derivative liabilities	681,955	1,107,798	-425,842	1,557,332
Trading payables, net	448,968	42,578	406,390	302,572
Payables related to margin transactions:	235,727	184,123	51,604	197,482
Payable to securities finance companies	11,222	6,862	4,359	7,569
Proceeds of securities sold for customers' accounts	224,505	177,261	47,244	189,912
Collateralized short-term financing agreements:	5,062,737	5,165,869	-103,131	4,744,007
Cash deposits as collateral for securities loaned	4,830,377	4,743,948	86,428	4,525,203
Payables related to gensaki transactions	232,360	421,920	-189,560	218,803
Deposits received	187,792	185,716	2,075	166,508
Cash deposits received as guarantee	109,398	94,132	15,265	99,224
Short-term borrowings	1,162,431	2,045,217	-882,786	1,795,320
Commercial paper	155,196	117,299	37,896	234,210
Bonds and notes due within one year	22,403	130,669	-108,265	159,400
Income taxes payable	3,306	41,728	-38,421	73,779
Deferred tax liabilities-current	17,829	5,207	12,622	2,898
Accrued bonuses	17,403	22,436	-5,033	41,713
Other current liabilities	198,723	103,660	95,062	111,462
Non-current liabilities:	1,241,050	980,334	260,716	1,049,956
Bonds and notes	1,019,075	760,874	258,201	819,559
Long-term debt	164,580	156,947	7,633	167,952
Deferred tax liabilities-non-current	31,050	39,162	-8,111	39,007
Retirement benefits	22,285	19,802	2,483	19,912
Provision for litigation losses	577	-	577	-
Other non-current liabilities	3,481	3,548	-67	3,525
Statutory reserves	7,628	6,031	1,597	7,024
Total liabilities	13,307,053	13,522,767	-215,714	13,869,891
Minority interests	-	221,208	-	236,718
Shareholders' equity				
Common stock	-	138,436	-	138,828
Capital surplus	-	117,946	-	118,339
Retained earnings	-	420,893	-	476,216
Net unrealized gain (loss) on securities, net of tax effect	-	67,345	-	72,694
Translation adjustments	-	-1,332	-	863
Treasury stock	-	-901	-	-14,660
Total shareholders' equity	-	742,387	-	792,281
Total liabilities, minority interests and shareholders' equity	-	14,486,363	-	14,898,890
Net assets				
Owners' equity	818,176	-	-	-
Common stock	178,324	-	-	-
Capital surplus	157,678	-	-	-
Retained earnings	494,581	-	-	-
Treasury stock	-12,415	-	-	-
Paid-in money for treasury shares	7	-	-	-
Valuation and translation adjustments	79,356	-	-	-
Net unrealized gain (loss) on securities, net of tax effect	69,530	-	-	-
Deferred gain (loss) on hedges	462	-	-	-
Translation adjustments	9,363	-	-	-
Stock subscription rights	539	-	-	-
Minority interests	288,824	-	-	-
Total net assets	1,186,895	-	-	-
Total liabilities and net assets	14,493,949	-	-	-

Consolidated statements of operations

(millions of yen)	Third quarter Apr. 1, 2006 - Dec. 31, 2006	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Yr/yr % change	Fiscal 2005 Apr. 1, 2005- Mar. 31, 2006
Operating revenues:	662,169	576,096	14.9	845,659
Commissions	225,247	197,837	13.9	309,188
Net gain (loss) on trading	110,288	162,101	-32.0	224,912
Net gain (loss) on private equity and other securities	24,820	15,117	64.2	21,539
Interest and dividend income	270,194	169,318	59.6	245,210
Other sales revenues	31,619	31,721	-0.3	44,808
Interest expenses	254,871	158,464	60.8	231,572
Cost of sales	24,035	24,886	-3.4	34,729
Net operating revenues	383,262	392,745	-2.4	579,358
Selling, general and administrative expenses:	249,490	236,374	5.5	325,199
Commission and other expenses	51,071	45,406	12.5	63,909
Employees' compensation and benefits	121,319	124,801	-2.8	171,061
Occupancy and rental	27,812	24,102	15.4	32,659
Data processing and office supplies	16,752	12,703	31.9	17,273
Depreciation expenses	16,917	16,809	0.6	22,640
Taxes other than income taxes	6,248	5,708	9.4	8,071
Others	9,368	6,843	36.9	9,582
Operating income	133,772	156,370	-14.5	254,159
Non-operating income:	9,938	6,859	44.9	8,697
Equity in earnings	1,094	1,068	2.4	1,528
Others	8,844	5,790	52.7	7,168
Non-operating expenses	1,329	866	53.5	2,204
Ordinary income	142,380	162,363	-12.3	260,651
Extraordinary gains	2,396	13,904	-82.8	14,825
Extraordinary losses	2,716	2,482	9.4	17,122
Income before income taxes and minority interests	142,060	173,785	-18.3	258,355
Income taxes-current	38,503	46,117	-16.5	77,675
Income taxes-deferred	20,053	17,982	11.5	391
Minority interests	-16,621	-25,060	-	-40,339
Net income	66,881	84,625	-21.0	139,948

Net financial income included in net operating revenues	15,322	10,853	41.2	13,638
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Consolidated statements of changes in net assets

(millions of yen)	Owners' equity					Total owners' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Paid-in money for treasury shares	
Beginning balance as of Mar. 31, 2006	138,828	118,339	476,216	-14,660	-	718,723
Changes of items during the fiscal year						
Issuance of new shares	39,495	39,495	-	-	-	78,991
Dividends	-	-	-45,806	-	-	-45,806
Bonus to directors and executive officers	-	-	-1,827	-	-	-1,827
Net income	-	-	66,881	-	-	66,881
Acquisition of treasury stock	-	-	-	-249	-	-249
Disposal of treasury stock	-	-156	-882	2,493	-	1,455
Other	-	-	-	-	7	7
Total changes of items during the fiscal year	39,495	39,339	18,365	2,244	7	99,453
Ending balance as of Dec. 31, 2006	178,324	157,678	494,581	-12,415	7	818,176

(millions of yen)	Valuation and translation adjustments				Stock subscription rights	Minority interests
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges	Translation adjustments	Total valuation and translation adjustments		
Beginning balance as of Mar. 31, 2006	72,694	-	863	73,557	-	236,718
Changes of items during the fiscal year						
Net changes of items other than owners' equity	-3,164	462	8,499	5,798	539	52,105
Total changes of items during the fiscal year	-3,164	462	8,499	5,798	539	52,105
Ending balance as of Dec. 31, 2006	69,530	462	9,363	79,356	539	288,824

Consolidated statements of capital surplus and retained earnings

(millions of yen)	Third quarter		Fiscal 2005	
	Apr. 1, 2005- Dec. 31, 2005		Apr. 1, 2005- Mar. 31, 2006	
<i>Capital surplus</i>				
Beginning balance of capital surplus		117,941		117,941
Increase in capital surplus				
Conversion of convertible bonds	4		395	
Net gain on sales of treasury stock	0	5	2	398
Decrease in capital surplus	-	-	-	-
Ending balance of capital surplus		117,946		118,339
<i>Retained earnings</i>				
Beginning balance of retained earnings		362,948		362,948
Increase in retained earnings:				
Net income	84,625		139,948	
Increase due to merger of subsidiaries	609	85,235	609	140,557
Decrease in retained earnings:				
Cash dividends paid	26,611		26,611	
Bonuses to directors	678	27,290	678	27,290
Ending balance of retained earnings		420,893		476,216

Notes to consolidated financial statements

The consolidated financial statements of the Company for the third quarter ended December 31, 2006 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No. 32, 1998), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on the 'Regulations of Consolidated Financial Statements' (Ministry of Finance Ordinance No. 24, 1998) and its Article 48 and 69.

Basis of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries: 47 companies

Major companies:

Daiwa Securities Co. Ltd.
 Daiwa Securities SMBC Co. Ltd.
 Daiwa Asset Management Co. Ltd.
 Daiwa Institute of Research Ltd.
 NIF SMBC Ventures Co., Ltd.
 Daiwa Securities Business Center Co., Ltd.
 Daiwa Property Co., Ltd.
 Daiwa Securities SMBC Europe Limited
 Daiwa America Corporation
 Daiwa Securities America Inc.
 Daiwa Securities SMBC Asia Holding B.V.
 Daiwa Securities SMBC H.K. Limited
 Daiwa Securities SMBC Singapore Limited

In consolidated financial statements of the company for the third quarter ended Dec 31, 2006, one company was added to scope of consolidation by additional acquisition. Each amount of total assets, operating revenues (or sales), net income corresponding to equity holdings and retained earnings corresponding to equity holdings of non-consolidated subsidiaries has little influence on the consolidated financial statements and has little materiality as a whole, and is therefore excluded from the scope of consolidation.

2. Application of equity method

Affiliates applicable of equity method: 4 companies

Major companies:

Daiwa SB Investments Ltd.
 Daiwa SMBC-SSC Securities Co. Ltd.
 Totan Holdings Co., Ltd.
 The Tokyo Tanshi Co., Ltd.

One company was excluded from application of equity method due to liquidation of a company. Each amount of net income corresponding to equity holdings and retained earnings corresponding to equity holdings of both non-consolidated subsidiaries and affiliates inapplicable of equity method has little influence on the consolidated financial statements and has little materiality as a whole, and is therefore excluded from the scope of consolidation. For affiliates applicable of equity method with the third quarter ending other than December 31, 2006, the financial statements for the relevant third quarter are reflected.

Practical Issues Task Force No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations", has been applied from this fiscal year. This rule has no effective over the financial statements so far.

3. Fiscal period of subsidiaries

For subsidiaries with the third quarter ending other than December 31, 2006, the financial statements for the relevant third quarter are employed and important transactions occurred by discrepancies with closing account date are adjusted for these consolidated financial statements.

4. Accounting policies

(1) Valuation of financial instruments and inventories

(i) Valuation of trading assets and liabilities

Trading assets and liabilities, including securities and financial derivatives for trading purposes held by a securities company are recorded mainly on a trade date basis in the consolidated balance sheet at either market or fair value.

(ii) Valuation of non-trading assets and liabilities

The Group examines the intent of holding each securities and classifies those securities as (a) debt and equity securities intended to held for trading by non-securities companies ("trading securities"), (b) debt securities intended to be held to maturity ("held-to-maturity debt securities"), or (c) all other securities not classified in any of the above categories ("available-for-sale securities").

Trading securities are carried at fair value with unrealized gains or losses included in income. Held-to-maturity debt securities are stated at amortized cost.

Available-for-sale securities with market value are stated at market value, based on quoted market prices. Realized gains and losses on sale of such securities are computed using the moving-average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets. Debt in available-for-sale securities for which a market value is not available, are stated at the amortized cost, net of the amount considered not collectible. Equity in available-for-sale securities for which a market value is not available, are stated at the moving-average cost.

Of those securities with no fair value available, share of net income raised by the investments in limited partnerships is reflected on consolidated statements of operations and share of net unrealized profits and losses on securities held by the partnerships is directly posted into net assets. Private equity and other securities held by certain consolidated subsidiaries are categorized in current assets.

(iii) Valuation of other inventories

Cost method determined by the specific identification method is mainly applied.

(2) Depreciation of depreciable assets

(i) Tangible fixed assets

Property and equipment are stated at cost. The Company and domestic consolidated subsidiaries compute depreciation principally by the declining-balance method over estimated useful lives as stipulated by Corporation Tax Law of Japan. Depreciation for buildings purchased in Japan after April 1, 1998 is computed by the straight-line method. In overseas consolidated subsidiaries, depreciation is mainly computed by the straight-line method.

(ii) Intangible fixed assets

Intangible fixed assets are generally amortized under the straight-line method. The Company and domestic consolidated subsidiaries compute amortization over estimated useful lives as stipulated by Corporation Tax Law of Japan, and over internally estimated useful lives (5 years) for software of in-house use.

(3) Accounting policies for various provisions

(i) Provision for doubtful accounts

Provisions for doubtful accounts are provided based on the estimated historical default rate for normal loans, and based on individually assessed amounts for doubtful accounts.

(ii) Allowance for possible investment losses

Some consolidated subsidiaries provide the allowances based on estimated losses on private equity and other securities held at the first half end, assessing the financial conditions of investee companies.

(iii) Accrued bonuses

Accrued bonuses represent liabilities estimated as of the balance sheets date.

(iv) Retirement benefits

The Company and most of domestic consolidated subsidiaries provide an unfunded defined contribution plan to their employees in return for services rendered each year, where the amount to be contributed to the individual employee's account is defined by the plan. Contributions by the Company and most of domestic consolidated subsidiaries under the unfunded defined contribution plan are accumulated on an annual basis and earn a guaranteed hypothetical return at a rate predetermined by the Company and most of domestic consolidated subsidiaries each year.

(v) Provision for litigation losses

Estimated amount of restitution is accrued to provide for future monetary damages of litigation regarding financial services based on the status of progress.

(Additional information)

The financial statements of the Company are posted the estimated amount of losses that is calculated under established method of estimation and method of the past payment result from this fiscal year.

(4) Accounting for certain lease transactions

Financial leases, whose ownership does not transfer to the lessee at the end of the lease are not capitalized and are accounted for in the same manner as operating leases.

(5) Hedging transaction

Marked-to-market profits and losses on hedging instruments are principally deferred as assets or liabilities until the profits or losses on the hedged instruments are realized. Interest received or paid on certain eligible interest swaps for hedging purposes is accrued without being marked-to-market. The premium or discount on forward foreign exchange for hedging purpose is allocated to each fiscal term without being marked-to-market.

- (6) Other material items
- (i) Accounting for consumption taxes
Consumption taxes are separately recorded.
 - (ii) Consolidated tax payments system
The consolidated tax payments system was applied.

Changes in the accounting standards

1. Presentation of net assets on consolidated balance sheet
The consolidated financial statements of the Company for the third quarter ended December 31, 2006 are adapted to "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No.5)" and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No.8)" from the beginning of this fiscal year. Amount of shareholders' equity by the former accounting standard is 897,069 million yen.
2. Accounting for directors' bonus
The consolidated financial statements of the Company for the third quarter ended December 31, 2006 are adapted to "Accounting Standard for Directors' Bonus (ASBJ Statement No.4)". From the beginning of this fiscal year, directors' bonus is expensed when it is realized, instead of decreasing retained earnings upon approval at each consolidated subsidiary's annual shareholders' meeting.
3. Accounting standard for share-based payment and its implementation
The consolidated financial statements of the Company for the third quarter ended December 31, 2006 are adapted to "Accounting standard for share-based payment and its implementation" (ASBJ Statement No.8) and "Implementation Guidance on Accounting Standard for share-based payment" (ASBJ Guidance No.11).

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

As of Dec. 31, 2006	As of Dec. 31, 2005	As of Mar. 31, 2006
111,252 million yen	101,392 million yen	105,753 million yen
2. Guarantee

As of Dec. 31, 2006	As of Dec. 31, 2005	As of Mar. 31, 2006
1,863 million yen	2,858 million yen	2,506 million yen
3. Short-term and long-term borrowings include the subordinated borrowings stipulated by Article 2 of the 'Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies' (Cabinet Office Ordinance No. 23, 2001).

Short-term borrowings		
As of Dec. 31, 2006	As of Dec. 31, 2005	As of Mar. 31, 2006
42,000 million yen	20,000 million yen	20,000 million yen
Long-term borrowings		
As of Dec. 31, 2006	As of Dec. 31, 2005	As of Mar. 31, 2006
60,000 million yen	82,000 million yen	82,000 million yen
4. Based on "Practical Solution on Accounting for the Book Value of Class Shares at the Balance Sheet Date" (Practical Issues Task Force No.10), net unrealized gain on securities, net of tax effect as of December 2006 includes 10,385 million yen derived from the investments in corporations' class shares, which are in period convertible into common shares.

Notes to consolidated statements of operations

Details of extraordinary gains/losses

(millions of yen)	<u>Third quarter</u> Apr. 1, 2006- Dec. 31, 2006	<u>Third quarter</u> Apr. 1, 2005- Dec. 31, 2005	<u>Fiscal 2005</u> Apr. 1, 2005- Mar. 31, 2006
Extraordinary gains:			
Gain on sale of related companies' stocks	147	3,714	3,714
Gain on sale of investment securities	2,248	5,464	6,385
Gain on change in stake in subsidiary	-	4,725	4,725
Extraordinary losses:			
Loss on litigation settlement	-	1,279	1,279
Write-down of related companies' stocks	200	-	-
Write-down of investment securities	595	112	499
Loss on sale or disposal of fixed assets	737	372	548
Loss on impairment of fixed assets	-	-	6,850
Extraordinary depreciation	-	-	4,439
Loss on sale of investment securities	333	44	69
Foreign exchange loss from overseas subsidiary capital reduction	-	-	1,563
Provision for litigation losses	550	-	-
Provision for securities transaction liabilities	298	381	1,374
Contribution to the Securities Market Infrastructure Improvement Funds	-	-	200
Other	-	292	297

Supplemental information for the third quarter of fiscal 2006**1. Breakdown of commissions**

Third quarter ended December 31, 2006 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	69,020	508	220	-	-	69,749
Underwriting commission	-	-	-	44,331	-	44,331
(Stock and other)	(-)	(-)	(-)	(36,852)	(-)	(36,852)
(Bond and other)	(-)	(-)	(-)	(6,548)	(-)	(6,548)
Distribution commission	-	-	25,865	986	-	26,851
Other commission	1,396	1,497	48,814	15,185	17,419	84,313
(Agency commission)	(-)	(1,497)	(25,570)	(-)	(-)	(27,067)
Total	70,417	2,006	74,900	60,504	17,419	225,247

Third quarter ended December 31, 2005 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	82,011	786	239	-	-	83,038
Underwriting commission	-	-	-	30,831	-	30,831
(Stock and other)	(-)	(-)	(-)	(22,667)	(-)	(22,667)
(Bond and other)	(-)	(-)	(-)	(6,699)	(-)	(6,699)
Distribution commission	-	-	28,477	1,557	-	30,034
Other commission	1,330	1,679	27,627	10,867	12,428	53,933
(Agency commission)	(-)	(1,666)	(15,315)	(-)	(-)	(16,982)
Total	83,342	2,466	56,343	43,255	12,428	197,837

Yr/yr percentage change ((A) / (B) - 1)

(percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	-15.8	-35.4	-8.2	-	-	-16.0
Underwriting commission	-	-	-	43.8	-	43.8
(Stock and other)	(-)	(-)	(-)	(62.6)	(-)	(62.6)
(Bond and other)	(-)	(-)	(-)	(-2.3)	(-)	(-2.3)
Distribution commission	-	-	-9.2	-36.7	-	-10.6
Other commission	5.0	-10.8	76.7	39.7	40.1	56.3
(Agency commission)	(-)	(-10.2)	(67.0)	(-)	(-)	(59.4)
Total	-15.5	-18.7	32.9	39.9	40.1	13.9

Fiscal 2005 ended March 31, 2006

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	118,261	923	336	-	-	119,520
Underwriting commission	-	-	-	64,313	-	64,313
(Stock and other)	(-)	(-)	(-)	(54,066)	(-)	(54,066)
(Bond and other)	(-)	(-)	(-)	(8,554)	(-)	(8,554)
Distribution commission	-	-	41,798	2,031	-	43,830
Other commission	1,955	2,278	40,268	16,389	20,631	81,523
(Agency commission)	(-)	(2,259)	(22,275)	(-)	(-)	(24,535)
Total	120,216	3,202	82,403	82,735	20,631	309,188

2. Breakdown of net gains on trading

(millions of yen)	Third quarter (2006/12)	Third quarter (2005/12)	Yr/yr % change	Fiscal 2005 (2006/3)
Stock and other	23,129	77,580	-70.2	124,270
Bond, forex and other	87,159	84,521	3.1	100,641
(Bond and other)	(26,521)	(34,554)	(-23.2)	(39,025)
(Forex and other)	(60,637)	(49,967)	(21.4)	(61,615)
Total	110,288	162,101	-32.0	224,912

Quarterly consolidated statements of operations

(millions of yen)	3rd quarter Oct. 1, 2005- Dec. 31, 2005	4th quarter Jan. 1, 2006- Mar.31, 2006	1st quarter Apr.1, 2006- Jun. 30, 2006	2nd quarter Jul. 1, 2006- Sep. 30, 2006	3rd quarter Oct. 1, 2006- Dec. 31, 2006
Operating revenues	245,284	269,562	207,638	211,752	242,778
Commissions	89,853	111,351	67,858	67,110	90,278
Brokerage commission	39,072	36,482	26,593	19,534	23,621
(Stock and other)	38,628	36,249	26,269	19,335	23,416
(Bond and other)	307	136	224	141	143
Underwriting commission	16,378	33,482	6,678	12,559	25,093
(Stock and other)	13,504	31,398	4,370	10,181	22,301
(Bond and other)	2,277	1,854	2,059	1,869	2,619
Distribution commission	13,214	13,796	10,624	7,846	8,380
(Beneficiary certificates)	12,627	13,321	10,126	7,576	8,161
Other commission	21,188	27,590	23,961	27,170	33,182
(Beneficiary certificates)	10,796	12,584	14,485	16,012	18,155
Net gain (loss) on trading	57,749	62,810	35,234	37,833	37,219
(Stock and other)	31,102	46,690	17,563	-5,336	10,902
(Bond and other)	5,751	4,471	-1,821	27,188	1,154
(Forex and other)	20,896	11,648	19,492	15,982	25,162
Net gain (loss) on private equity and other securities	9,037	6,421	11,602	7,058	6,159
Interest and dividend income	73,869	75,892	83,400	88,361	98,432
Other sales revenues	14,774	13,087	9,542	11,388	10,688
Interest expenses	70,425	73,107	78,166	83,870	92,834
Cost of sales	12,085	9,843	7,381	8,629	8,024
Net operating revenues	162,773	186,612	122,090	119,252	141,919
Selling, general and administrative expenses:	86,389	88,824	78,942	82,580	87,968
Commission and other expenses	16,148	18,503	15,037	18,080	17,954
Employees' compensation and benefits	47,355	46,260	40,143	39,364	41,811
Occupancy and rental	8,042	8,557	7,868	9,187	10,756
Data processing and office supplies	4,379	4,569	5,761	5,364	5,626
Depreciation expenses	5,669	5,830	5,364	5,642	5,910
Taxes other than income taxes	2,109	2,363	1,856	2,016	2,375
Others	2,685	2,739	2,911	2,923	3,533
Operating income	76,383	97,788	43,148	36,672	53,950
Non-operating income	2,196	1,838	3,223	4,622	2,091
Non-operating expenses	172	1,338	955	261	112
Ordinary income	78,407	98,287	45,416	41,034	55,929
Extraordinary gains	3,020	921	834	1,081	480
Extraordinary losses	1,867	14,640	107	2,050	558
Income before income taxes and minority interests	79,560	84,569	46,143	40,065	55,850
Income taxes-current	20,940	31,558	6,241	18,980	13,282
Income taxes-deferred	7,187	-17,591	11,435	606	8,010
Minority interests	-12,629	-15,279	-5,347	-3,470	-7,803
Net income	38,803	55,322	23,118	17,008	26,754
Net financial income included in net operating revenues	3,444	2,785	5,233	4,491	5,597

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January 29, 2007

Non-consolidated financial summary
(For the third quarter ended December 31, 2006)

1. Preparation of non-consolidated financial summary

- (1) Simplified accounting policy: None
(2) Change in accounting policy: None

2. Financial results

- (1) Operating results (from April 1, 2006 to December 31, 2006)

(Note) All figures in the financial statements are rounded down to the nearest millionth.

'-' indicates a loss or negative figure.

(Millions of yen except for per share data and yr/yr % change)

	Operating revenues		Operating income		Ordinary income	
Third quarter (2006/12)	77,317	(124.6)%	67,389	(166.4)%	71,150	(158.0)%
Third quarter (2005/12)	34,419	(41.1)%	25,300	(68.3)%	27,575	(61.7)%
Fiscal 2005 (2006/3)	35,215		23,033		25,140	

	Net income		Earnings/share	
Third quarter (2006/12)	75,984	(125.7)%	56.05	Yen
Third quarter (2005/12)	33,660	(89.3)%	25.29	Yen
Fiscal 2005 (2006/3)	51,335		38.62	Yen

(Note) 1. Average number of shares outstanding (shares)

Third quarter (2006/12): 1,355,520,157 Third quarter (2005/12): 1,330,565,941 Fiscal 2005 (2006/3): 1,328,976,751

(2) Financial conditions

(Millions of yen except for per share data and percentage)

	Total assets	Net assets	Equity ratio	Net assets /share
As of Dec. 31, 2006	1,270,361	714,584	56.2 %	511.84 Yen
As of Dec. 31, 2005	1,116,707	604,806	54.2 %	454.57 Yen
As of Mar. 31, 2006	1,224,643	613,824	50.1 %	464.60 Yen

(Note) 1. Number of shares outstanding (shares)

As of Dec. 31, 2006: 1,395,116,872 As of Dec. 31, 2005: 1,330,498,674 As of Mar. 31, 2006: 1,321,174,474

2. Treasury stock (shares)

As of Dec. 31, 2006: 9,547,900 As of Dec. 31, 2005: 1,245,724 As of Mar. 31, 2006: 11,285,635

(3) Dividends

	Dividends per share (yen)		
	First half	Second half	Fiscal
Fiscal 2005	12.00	22.00	34.00
Fiscal 2006 (actual)	12.00	-	Not yet determined
Fiscal 2006 (expected)	-	Not yet determined	

(Note) The Company, the holding company for the Daiwa Securities Group, is influenced by the performance of subsidiaries.

The subsidiaries' principal business is securities business, and the economic and market environment affects their performance. Therefore, the Company doesn't disclose the estimated operating result and expected dividends of second half and fiscal, considering the difficulty to forecast the performance.

Representative: Shigeharu Suzuki, President

Contact: Mikita Komatsu, General Manager, Finance Department Phone: +813-3243-2100

Balance sheets

(millions of yen)	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
<i>Assets</i>				
Current assets:	282,823	167,196	115,627	313,632
Cash and deposits	99,144	69,531	29,613	129,130
Securities	23,586	41,515	-17,929	3,542
Short-term loans receivable	138,132	25,956	112,175	133,404
Accrued income	1,221	438	783	753
Deferred tax assets-current	137	574	-436	564
Other current assets	20,601	29,180	-8,578	46,237
Non-current assets:	987,538	949,511	38,026	911,010
Tangible fixed assets	9,992	10,072	-79	10,026
Intangible fixed assets	798	707	91	755
Investments and others:	976,746	938,731	38,015	900,228
Investment securities	776,814	714,972	61,842	706,934
Long-term loans receivable	177,850	201,746	-23,896	170,946
Long-term guarantee deposits	12,538	13,613	-1,075	12,885
Others	9,959	8,895	1,064	9,911
Less: Allowance for doubtful accounts	-416	-496	80	-449
Total assets	1,270,361	1,116,707	153,654	1,224,643

(millions of yen)	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
<i>Liabilities</i>				
Current liabilities:	175,036	277,741	-102,704	278,064
Short-term borrowings	93,345	70,510	22,835	62,235
Bonds and notes due within one year	-	79,976	-79,976	79,193
Collateralized short-term financing agreements	75,957	120,376	-44,419	132,112
Income taxes payable	155	122	32	176
Accrued bonuses	606	855	-248	1,613
Other current liabilities	4,972	5,900	-928	2,734
Non-current liabilities:	380,740	234,159	146,580	332,754
Bonds and notes	292,900	136,400	156,500	236,400
Long-term debt	49,000	51,000	-2,000	49,000
Long-term cash deposits received as guarantee	3,568	4,071	-503	4,042
Deferred tax liabilities-non-current	31,741	38,987	-7,245	38,739
Retirement benefits	1,783	2,512	-728	2,361
Provision for litigation losses	250	-	250	-
Other non-current liabilities	1,496	1,188	307	2,211
Total liabilities	555,777	511,901	43,876	610,819
<i>Shareholders' equity</i>				
Common stock	-	138,436	-	138,828
Capital surplus	-	117,946	-	118,339
Additional paid-in capital	-	117,791	-	118,182
Other capital surplus reserve	-	154	-	156
Retained earnings	-	296,458	-	314,133
Earned surplus reserve	-	45,335	-	45,335
General-purpose reserve	-	218,000	-	218,000
Unappropriated retained earnings	-	33,123	-	50,798
(Net income for the current term)	-	(33,660)	-	(51,335)
Net unrealized gain (loss) on securities, net of tax effect	-	52,865	-	57,183
Treasury stock	-	-901	-	-14,660
Total shareholders' equity	-	604,806	-	613,824
Total liabilities and shareholders' equity	-	1,116,707	-	1,224,643
<i>Net assets</i>				
Owners' equity	667,024	-	-	-
Common stock	178,324	-	-	-
Capital surplus	157,678	-	-	-
Retained earning	343,428	-	-	-
Treasury stock	-12,415	-	-	-
Paid-in money for treasury shares	7	-	-	-
Valuation and translation adjustments	47,060	-	-	-
Net unrealized gain (loss) on securities, net of tax effect	46,607	-	-	-
Deferred gain (loss) on hedges	453	-	-	-
Stock subscription rights	499	-	-	-
Total net assets	714,584	-	-	-
Total liabilities and net assets	1,270,361	-	-	-

Statements of operations

(millions of yen)	Third quarter Apr. 1, 2006 - Dec. 31, 2006	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Yr/yr % change	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006
Operating revenues:	77,317	34,419	124.6	35,215
Dividends from related companies	73,894	32,243	129.2	32,257
Interest on loans to related companies	3,116	2,076	50.1	2,805
Other	306	99	206.9	152
Operating expenses:	9,927	9,118	8.9	12,181
Selling, general and administrative expenses:	7,046	6,942	1.5	9,210
Commission and other expenses	1,123	1,332	-15.7	1,747
Employees' compensation and benefits	2,826	3,124	-9.6	4,130
Occupancy and rental	418	455	-8.2	614
Data processing and office supplies	1,031	631	63.4	855
Depreciation expenses	230	264	-12.8	350
Others	1,416	1,133	25.0	1,512
Interest expenses	2,881	2,176	32.4	2,971
Operating income	67,389	25,300	166.4	23,033
Non-operating income	4,244	2,354	80.3	2,841
Non-operating expenses	483	79	506.3	733
Ordinary income	71,150	27,575	158.0	25,140
Extraordinary gains	6,436	9,160	-29.7	9,681
Extraordinary losses	1,862	1,479	25.9	3,255
Income before income taxes	75,723	35,255	114.8	31,566
Income taxes-current	-635	-19,810	-	-37,973
Income taxes-deferred	374	21,406	-98.2	18,205
Net income	75,984	33,660	125.7	51,335
Unappropriated retained earnings-carryforward	-	15,429	-	15,429
Interim dividends	-	15,966	-	15,966
Unappropriated retained earnings	-	33,123	-	50,798

Statements of changes in net assets

(millions of yen)	Owners' equity			
	Common stock	Capital surplus		
		Additional paid - in capital	Other capital surplus reserve	Total capital surplus
Beginning balance as of Mar. 31, 2006	138,828	118,182	156	118,339
Changes of items during the fiscal year				
Issuance of new shares	39,495	39,495	-	39,495
Disposal of treasury stock	-	-	-156	-156
Total changes of items during the fiscal year	39,495	39,495	-156	39,339
Ending balance as of Dec. 31, 2006	178,324	157,678	-	157,678

(millions of yen)	Owners' equity						
	Retained earnings				Treasury stock	Paid-in money for treasury shares	Total
	Earned surplus reserve	Other earned surplus reserve		Total retained earnings			
		General - purpose reserve	Deferred earned surplus				
Beginning balance as of Mar. 31, 2006	45,335	218,000	50,798	314,133	-14,660	-	556,640
Changes of items during the fiscal year							
Issuance of new shares	-	-	-	-	-	-	78,991
Dividends	-	-	-45,806	-45,806	-	-	-45,806
Net income	-	-	75,984	75,984	-	-	75,984
Purchase of treasury stock	-	-	-	-	-249	-	-249
Disposal of treasury stock	-	-	-882	-882	2,493	-	1,455
Others	-	-	-	-	-	7	7
Total changes of items during the fiscal year	-	-	29,295	29,295	2,244	7	110,383
Ending balance as of Dec. 31, 2006	45,335	218,000	80,093	343,428	-12,415	7	667,024

(millions of yen)	Valuation and translation adjustments			Stock subscription rights	Total net assets
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gains and losses on hedges	Total valuation and translation adjustments		
Beginning balance as of Mar. 31, 2006	57,183	-	57,183	-	613,824
Changes of items during the fiscal year					
Issuance of new shares	-	-	-	-	78,991
Dividends	-	-	-	-	-45,806
Net income	-	-	-	-	75,984
Purchase of treasury stock	-	-	-	-	-249
Disposal of treasury stock	-	-	-	-	1,455
Others	-	-	-	-	7
Net changes of items other than owners' equity during the fiscal year	-10,576	453	-10,122	499	-9,622
Total changes of items during the fiscal year	-10,576	453	-10,122	499	100,760
Ending balance as of Dec. 31, 2006	46,607	453	47,060	499	714,584

Notes to financial statements

The financial statements of the Company for the third quarter ended December 31, 2006 are prepared in accordance with 'Regulations of Interim Financial Statements' (MOF Ordinance No. 38, 1977).

Basis of financial statements

1. Valuation of securities

- (1) Trading assets and liabilities, including securities and financial derivatives for trading purposes held by securities companies are recorded mainly on a trade date basis in the consolidated Balance Sheet at either market or fair value.
- (2) Subsidiary stocks and affiliated company stocks are valued at moving average cost method.
- (3) Other securities than subsidiary stocks and affiliated company stocks are valued at fair value on the closing date if their fair value is available. Net unrealized gains net of tax effect directly are posted in owners' equity, and the cost of those securities is based on moving average method. Other securities are valued at moving average cost method if their fair value is not available. Investment limited partnership and similar partnership are posted as investment securities according to the share of net income raised by the partnership. Share of net unrealized profits and losses on securities held by the partnerships are directly posted into shareholders' equity.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

The Company computes depreciation by the declining-balance method over estimated useful lives as stipulated by Corporation Tax Law of Japan. Depreciation for buildings purchased in Japan after April 1, 1998 is computed by the straight-line method.

(2) Intangible fixed assets, and investments and others

Intangible fixed assets are amortized under the straight-line method. The Company computes amortization over estimated useful lives as stipulated by Corporation Tax Law of Japan, and over internally estimated useful lives (5 years) for software of in-house use.

3. Accounting for various provisions

(1) Provision for doubtful accounts

Provisions for doubtful accounts are provided based on the estimated historical default rate for normal loans, and based on individually assessed amounts for doubtful accounts.

(2) Accrued bonus

Accrued employees' bonuses represent liabilities estimated as of the balance sheet date. Bonuses to directors and corporate executive officers, which are subject to approval at the Compensation Committee, represent liabilities as of the balance sheet date.

(3) Retirement benefits

The Company provides an unfunded defined contribution plan to its employees in return for services rendered each year, where the amount to be contributed to the individual employee's account is defined by the plan. Contributions by the Company under the unfunded defined contribution plan are accumulated on an annual basis and earn a guaranteed hypothetical return at a rate predetermined by the Company each year. As for the closed pension fund, accrued retirement benefits for the portion of 6 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2007.

(4) Provision for litigation losses

Estimated amount of restitution is accrued to provide for future monetary damages of litigation regarding financial services based on the status of progress.

(Additional information)

The financial statements of the Company are posted the estimated amount of losses that is calculated under established method of estimation and method of the past payment result from this fiscal year.

4. Accounting for certain lease transactions

Financial leases, whose ownership does not transfer to the lessee at the end of the lease term are not capitalized and are accounted for in the same manner as operating leases.

5. Hedging transaction

Marked-to-market profits and losses on hedging instruments are principally deferred as assets or liabilities until the profits or losses on the hedged instruments are realized. Interest received or paid on certain eligible interest swaps for hedging purposes is accrued without being marked-to-market. The premium or discount on forward foreign exchange for hedging purpose is allocated to each fiscal term without being marked-to-market.

6. Other material items

(1) Accounting for consumption taxes

Consumption taxes are separately recorded.

(2) Consolidated tax payments system

The consolidated tax payments system is applied.

Changes in the accounting standards

1. Presentation of Net assets on Balance Sheet

The financial statements of company for the third quarter ended December 31, 2006 are adapted to "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statements No.5)" and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No.8)" from the beginning of this fiscal year. Amount of shareholders' equity by the former accounting standard is 713,631 million yen.

2. Accounting standard for share -based payment and its implementation

The consolidated financial statements of the Company for the third quarter ended December 31, 2006 are adapted to "Accounting standard for share-based payment and its implementation" (ASBJ Statement No.8) and "Implementation Guidance on Accounting Standard for share-based payment" (ASBJ Guidance No.11).

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets

As of Dec. 31, 2006	As of Dec. 31, 2005	As of Mar. 31, 2006
3,125 millions yen	3,028 million yen	3,054 million yen

2. Guarantee

As of Dec. 31, 2006	As of Dec. 31, 2005	As of Mar. 31, 2006
3,501 millions yen	5,488 million yen	4,589 million yen

3. Details of increasing number of shares outstanding for the third quarter

	<u>Number of shares outstanding</u>	<u>Equity in earning</u>	<u>Capitalized surplus</u>
Increase by conversion of convertible bonds	72,204,663	78,991 million yen	39,495 million yen

4. Fair value of subsidiary and affiliated company stocks as of Dec. 31, 2006 (millions of yen)

	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Subsidiary	19,648	58,533	38,885

Notes to statements of operations

Details of extraordinary gains/losses

	<u>Third quarter</u> Apr. 1, 2006- Dec. 31, 2006	<u>Third quarter</u> Apr. 1, 2005- Dec. 31, 2005	(millions of yen) <u>Fiscal 2005</u> Apr. 1, 2005- Mar. 31, 2006
Extraordinary gains:			
Gain on liquidation of related companies	-	1,200	1,200
Gain on sale of related companies	138	6,146	6,146
Gain on sale of investment securities	164	1,812	2,333
Reversal of doubtful accounts	6,134	-	-
Extraordinary losses:			
Loss on litigation settlement	-	1,279	1,279
Write-down of related companys' stocks	722	-	-
Write-down of investment securities	888	75	75
Loss on impairment of fixed assets	-	120	120
Loss on sale of investment securities	10	4	4
Provision for doubtful accounts	-	-	211
Foreign exchange loss from overseas subsidiary capital reduction	-	-	1,563
Provision for litigation losses	240	-	-