

**Daiwa Securities Group Inc.**

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(URL <http://www.daiwa-grp.jp/ir/english/>)

April 27, 2007

**Consolidated financial summary**

(For the fiscal year ended March 31, 2007)

**1. Consolidated financial result (from April 1, 2006 to March 31, 2007)****(1) Consolidated operating results**

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

‘-’ indicates a loss or negative figure.

(Millions of yen except per share data and percentage)

	Operating revenues	Net operating revenues	Operating income	Ordinary income
<b>Fiscal 2006 (2007/3)</b>	917,307 ( 8.5)%	526,764 ( -9.1)%	186,391 (-26.7)%	195,415 (-25.0)%
<b>Fiscal 2005 (2006/3)</b>	845,659 (62.8)%	579,358 (48.4)%	254,159 (121.2)%	260,651 (116.4)%

	Net income	Earnings/share	Fully diluted earnings/share	Return on equity
<b>Fiscal 2006 (2007/3)</b>	92.724 (-33.7)%	67.90 Yen	66.07 Yen	10.8 %
<b>Fiscal 2005 (2006/3)</b>	139,948 (165.7)%	103.90 Yen	98.61 Yen	19.4 %

Equity in earnings: Fiscal 2006 1,424 million yen Fiscal 2005: 1,528 million yen

**(2) Consolidated financial condition**

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio	Net assets /share
<b>As of Mar. 31, 2007</b>	14,411,265	1,223,225 (*1)	6.5 %	665.98 Yen(*2)
<b>As of Mar. 31, 2006</b>	14,898,890	792,281	5.3 %	598.27 Yen

Equity (i.e. “Owners’ equity” and “valuation and translation adjustment”):

Fiscal 2006: 929,525 million yen Fiscal 2005: - million yen

(Note) 1. Net assets for the fiscal year ended March 31, 2007 is calculated based on new calculation method of “Accounting Standard for Presentation of Net Assets in the Balance Sheet”.

2. “Net assets / share” for the fiscal year ended March 31, 2007 is calculated as follows:

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

**(3) Consolidated cash flow summary**

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalents
<b>Fiscal 2006 (2007/3)</b>	-14,469	-73,288	43,162	352,779
<b>Fiscal 2005 (2006/3)</b>	369,860	-911	-324,056	392,350

**2. Dividends**

(Millions of yen except per share data and percentage)

	Dividends per share (yen)			Annual total of dividend	Payout ratio	Net assets dividend ratio
	First half	Second half	Fiscal			
<b>Fiscal 2005 (2006/3)</b>	12.00	22.00	34.00	45,032	32.7 %	6.3 %
<b>Fiscal 2006 (2007/3)</b>	12.00	16.00	28.00	39,072	41.2 %	4.4 %
<b>Fiscal 2007 (2008/3) (expected)</b>	Not yet determined(*)	Not yet determined(*)	Not yet determined(*)		Not yet Determined(*)	

(\*) The Group doesn’t disclose expected dividends for the reason described in the following “3. Forecasts of consolidated operating results”.

Representative: Shigeharu Suzuki, President

Contact: Mikita Komatsu, General Manager, Finance Department

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**3. Forecasts of consolidated operating results for Fiscal 2007 (from April 1, 2007 to March 31, 2008)**

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.

**4. Other information**

(1) Change in scope of consolidation: None

(2) Change in accounting principle, procedure and presentation preparing the consolidated financial statements (noted on changes in "Basis of consolidated financial statements")

1. Change due to amendment to accounting standard: Yes

2. Change due to other than above : None

(Note) Please see "Basis of consolidated financial statements" on page 15 for details

(3) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock

Fiscal year (2007/3): 1,404,664,772 Fiscal year (2006/3): 1,332,460,109

2. Number of treasury stock

Fiscal year (2007/3): 8,946,245 Fiscal year (2006/3): 11,295,133

(Note) Please see "Information on per share" on page 20 regarding number of share for calculation of earnings/share

(Reference)

**Non-consolidated financial result (from April 1, 2006 to March 31, 2007)**

(1) Non- consolidated operating results

(Millions of yen except per share data and percentage)

	Operating revenues		Operating income		Ordinary income	
<b>Fiscal 2006 (2007/3)</b>	78,806	(123.8)%	65,343	(183.7)%	69,415	(176.1)%
<b>Fiscal 2005 (2006/3)</b>	35,215	( 34.2)%	23,033	( 65.9)%	25,140	( 54.2)%

	Net income		Earnings/share		Fully diluted earnings/share	
<b>Fiscal 2006 (2007/3)</b>	74,874	(45.9)%	54.83	Yen	53.36	Yen
<b>Fiscal 2005 (2006/3)</b>	51,335	(59.3)%	38.62	Yen	36.79	Yen

(2) Non- consolidated financial conditions

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio	Net assets /share
<b>As of Mar. 31, 2007</b>	1,279,636	724,072 (*)	56.5 %	518.36 Yen
<b>As of Mar. 31, 2006</b>	1,224,643	613,824	50.1 %	464.60 Yen

Equity (i.e. "Owners' equity" and "valuation and translation adjustment"):

Fiscal 2006: 723,504 million yen Fiscal 2005: - million yen

(\*) Net assets for the fiscal year ended March 31, 2007 is calculated based on new calculation method of "Accounting Standard for Presentation of Net Assets in the Balance Sheet".

**Results of Operation and Financial Conditions****a. Consolidated operating results for fiscal 2006**

1. Summary of operating results for 12 months (comparison with the fiscal 2005)

Net operating revenues decreased 9.1% to 526,764 million yen mainly because total net gains on trading decreased. Selling, general and administrative expenses increased 4.7% to 340,372 million yen. As a result, ordinary income decreased 25.0% to 195,415 million yen. Net income decreased 33.7% to 92,724 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 fiscal year, was not posted.

(1) Commissions

(i) Brokerage commission

Brokerage commission decreased 17.9% to 98,072 million yen, because commission rate and market share on Tokyo Stock Exchange (TSE) decreased, although daily average trading value on the TSE increased 15.5% to 2,777.4 billion yen.

(ii) Underwriting commission

Underwriting commission derived from equity decreased 19.5% to 43,510 million yen mainly because the Group acted as manager for IPO and PO decreased. As a result, underwriting commission decreased 15.9% to 54,068 million yen.

(iii) Distribution commission

Distribution commission decreased 12.1% to 38,520 million yen because sales of investment trust decreased.

## (iv) Other commission

Total other commission increased 42.4% to 116,074 million yen primarily due to an increase in trust fee in line with expanded outstanding balance of equity investment trust.

## (2) Net gains on trading

Total net gains on trading decreased 30.0% to 157,332 million yen mainly because net gains on trading in equity dropped 74.8% to 31,288 million yen.

## (3) Financial income

Interest and dividend income increased 52.3% to 373,452 million yen and interest expenses also increased 53.0% to 354,245 million yen. Net financial income increased 40.8% to 19,207 million yen due to an increase in interests received on bonds.

## (4) Selling, general and administrative expenses

Employees' compensation and benefits decreased 4.5% to 163,379 million yen due to a decrease in bonus linked to performance. Commission and other expenses increased 11.8% to 71,438 million yen, due to an increase in trust fee of investment trust. Occupancy and rental expenses increased 18.9% to 38,846 due to an increase in renewal cost of Daiwa Securities' branch office. Administrative fee increased 33.3% to 23,020 million yen. As a result, selling, general and administrative expenses increased 4.7% to 340,372 million yen.

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

Net gains on trading in bonds increased, meanwhile underwriting commission decreased because of drop in number of business regarding IPO and PO. Consequently, consolidated net operating revenues for the fourth quarter of fiscal 2006 increased 1.1% to 143,501 million yen. Selling, general and administrative increased 3.3% to 90,882 million yen mainly due to an increase in bond commission paid. As a result, consolidated ordinary income decreased 5.2% to 53,034 million yen. Net income decreased 3.4% to 25,842 million yen for the fourth quarter of fiscal 2006, posting extraordinary gains/losses, income taxes, and minority interest.

## 3. Operating results of overseas subsidiaries for fiscal 2006 (12 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
1,625	8,415	3,829	13,870

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

Cash flows from operating activities decreased 14,469 million yen. (Last fiscal year, those increased 369,860 million yen.) Cash flows from investing activities decreased 73,288 million yen mainly due to investments in system development. (Last fiscal year, those decreased 911 million yen.) Cash flows from financing activities increased 43,162 million yen mainly due to an issue of new bonds. (Last fiscal year, those decreased 324,056 million yen.) Consequently, cash and cash equivalents decreased by 39,806 million yen to 352,779 million yen in comparison with March 31, 2006.

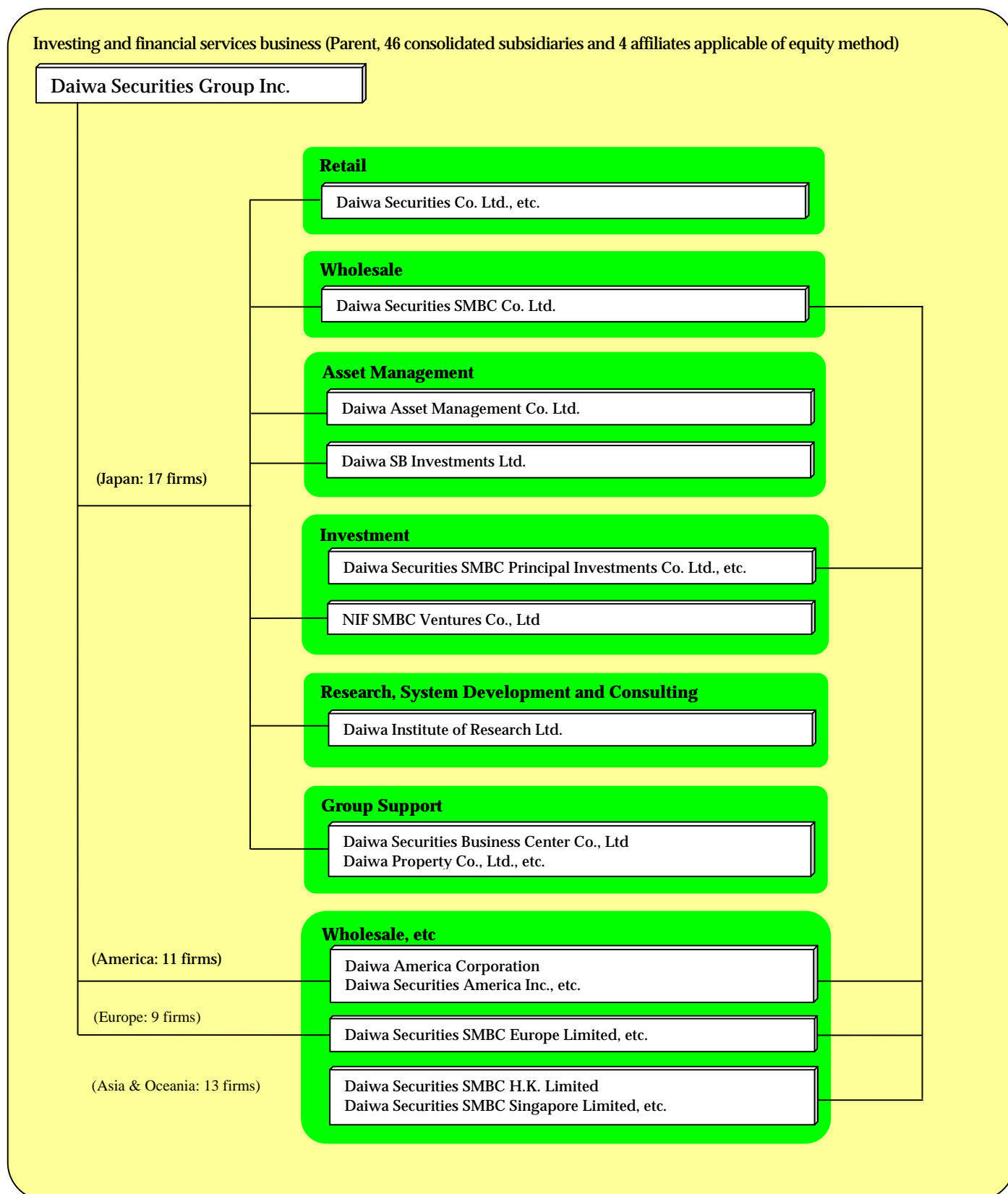
**c. Principle Policy on the Distribution of Profits**

We aim to improve shareholder value including distribution of profits continually. Considering the consolidated financial results, we will pay dividends based on a pay-out ratio of approximately 30% semi-annually. However, if we consider the amount of retained earnings to be enough for future business expansion and the financial situation to be stable, we intend to proactively implement measures to distribute profits such as share repurchase.

We plan to pay a dividend of 16 yen per share for this period. Since we paid an interim dividend of 12 yen per share in last December according to the resolution of the Board held on 26th October, 2006, the total amount of dividends will be 28 yen per share for this fiscal year. The dividend pay-out-ratio for the 2nd half will be 42.4% and that of the fiscal year will be 41.2%. The Group's estimated operating result is difficult to forecast because 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 dividends per share of fiscal 2007.

## Information on Group Companies

Daiwa Securities Group Inc. (the ‘Company’) and its related companies, 46 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.



## Management Policy

### (a) Principle Management Policy

We provide various high-quality products and services, in order to meet the needs of our clients. We aim to become “the No.1” in each business area. We will maximize each division’s potential by improving inner communication and will provide integrated supreme services. We will develop into the “Japan’s Leading Securities Group” by becoming the one and only partner for each and every client.

### (b) Management targets

We have set the following as the main medium-term management targets.

- (1) Consolidated ordinary income : ¥350 billion or higher
- (2) Consolidated ROE : 15% or higher
- (3) Retail assets under custody : ¥45 trillion or higher
- (4) Wholesale investment banking : No. 1 in each League table (equity, fixed income, M&A)

### (c) Mid to Long Term Management Strategies

We have established a medium-term management plan titled –“Passion for the Best”2008- for the three-year period from FY2006 to FY2008.

The following is the vision for the group set in the medium-term management plan.

“The Japan’s Leading Securities Group, built on customers’ trust and employees’ passion  
-Imagination and our will to realize-”.

We aim to become the best in Japan in various fields such as productivity, customer satisfaction and employee satisfaction, as well as various business results.

We have formulated the basic strategies for the group and those for the main group companies, in order to accomplish the targets noted above and develop into “The Japan’s Best Securities Group”. Basic strategies for the group are as follows.

#### (1) Personnel affairs

We will develop an environment and framework where people with the highest skills in the financial industry can gather and work with high motivation. We will establish an appropriate compensation package as the leading company in the financial industry. As for recruitment, we will increase opportunities to interact with students and continuously acquire sophisticated and loyal students and strengthen our presence.

#### (2) Financial affairs

We aim to manage risks, return, and capital in an integrated manner and aim to maintain our profitability as long as our financial soundness in order to improve the corporate value along with the growth strategy set in the medium-term management plan. In each business segment, we aim to maintain the profit ratio above the capital cost which is derived considering the risks associated with those segments. We will also refine the schemes to take and control risks.

#### (3) Information technology (IT) strategy

In order to use the system related resources effectively and to reduce the development period, we will promote measures such as the centralization of IT functions and the standardization of software used within the group.

We will proactively make IT investments to expand our business or to further promote new businesses and products.

#### (4) Risk management/ Internal control

We will organize the framework for broad-based risk management, such as the BCP (Business Continuity Plan). As for internal control, we will implement measures to create the “Internal control report” and to respond to the obligation for external audit.

#### (5) Investor relations/ Public relations/ Advertisement

We aim to establish the most advanced IR and disclosure framework in Japan, by strengthening timely and appropriate disclosure which should be appropriate for “Japan’s leading securities group”.

#### (6) Corporate social responsibility (CSR)

We aim to improve our social reputation and to contribute to the sound development of the economic society by proactively increasing communication with our stakeholders. We will focus on topics such as education in economics and finance, socially responsible investments and environment related matters.

Strategies for each business are as follows.

#### (1) Retail securities business (Daiwa Securities)

‘The Accumulation of No.1’ is Daiwa Securities’ basic strategy.

By establishing a unique business model (“value-added consulting” by the sales representative, “Daiwa Direct” which has various products and information, “SMA”, the original separately managed account service for the wealthy class), Daiwa Securities will provide highly competitive financial products and services.

- (2) Wholesale securities business (Daiwa Securities SMBC)  
 Daiwa Securities SMBC will provide various financial services with investment banking services at its core. We will be the No.1 in customer satisfaction, by building up firm relationships with them. We aim to continuously develop and provide the world's 1<sup>st</sup> or Japan's 1<sup>st</sup> products. We will retain the No.1 position in each league table. These measures will enable us to become 'The Japan's Best Investment Bank' with a 1<sup>st</sup> grade reputation internationally.
- (3) Asset management business (Daiwa Asset Management, Daiwa SB Investments)  
 In the mutual fund business, we will provide products with global focus and broad investment methods. We will become the leading company in the industry with excellent asset management capabilities, various products and various strong sales channels.  
 In the investment advisory business, we will provide services not only to the pension funds and the institutional investors in Japan, but also to those abroad. We aim to become a top-class firm in terms of assets under management within the industry in Japan, and especially try to maintain our high reputation as the leading firm in managing Japanese equity.  
 Daiwa Asset Management will increase the amount of assets under management by strengthening its capabilities to manage the funds and customer support and by selling mutual funds through commercial banks.  
 Daiwa SB Investments will improve external evaluations by focusing on improving capabilities to manage assets. We will meet the needs of domestic pension funds and foreign investors, by diversifying fixed income related products and alternative products which adopt a contingent fee system.
- (4) Investment business (Daiwa Securities SMBC PI, NIF SMBC Ventures)  
 Daiwa Securities SMBC PI nurtures new businesses and firms in new industries, by investing in non-performing loans, real estate and also by helping firms restructure their businesses.  
 NIF SMBC Ventures will promote full-line private equity investment utilizing its infrastructure in the venture capital business. It will also work to promote commission based businesses by expanding peripheral services related to its existing fund management business.
- (5) Research and System business (Daiwa Institute of Research)  
 In the research and consulting business, Daiwa Institute of Research will provide high-quality and value-added research and consulting services, in order to contribute to the group's securities business which is becoming diversified and sophisticated.  
 In the information system business, Daiwa Institute of Research will provide system solution services which contribute to the business strategies of each segment in the group

#### (d) Current Challenges

FY 2007 is the second year of the mid-term management plan "Passion for the Best" 2008. To completely achieve the performance targets set in the plan, we must extend our business performance by steadily executing the action plan in each business.

In Japan, the shift of individual financial assets from savings to investment is accelerating. We will further expand our customer base by unifying all the resources within the group and by offering a wide range of financial products tailored to meet customers' needs. Japanese corporations are actively utilizing the capital market to execute their business plans. We will expand our business by supporting our clients' growth strategies with comprehensive solutions including finance and M&A. As for the global expansion, we will rebuild our presence in the overseas financial markets by focusing primarily on Asia.

The action plans for each business in FY2007 are as follows.

- (1) Retail securities business
- (i) Expand assets under custody by offering a wide range of financial products tailored to meet our customers' needs.
  - (ii) Cultivate new customers through the integration of branches and internet.
  - (iii) Enlarge the number of customers who hold equity investment trusts and serve the needs of the baby-boom generation.
  - (iv) Improve asset management capabilities and increase the number of investment styles of Daiwa SMA. Introduce and promote fund wrap services.
  - (v) Boost product supply capabilities by strengthening collaboration with other Group companies.
  - (vi) Reinforce businesses relating to corporations by fulfilling their diversified needs for fund-raising and asset management.
- (2) Wholesale securities business
- (i) Strengthen overseas businesses focusing on Asia.
  - (ii) Strengthen cross-border M&A businesses related to Japanese corporations.
  - (iii) Strengthen deal origination capabilities through interdivisional collaboration.
  - (iv) Diversify product portfolio related to credit, loan and funds, and strengthen marketing capabilities.
  - (v) Enhance trading capabilities including derivatives.

(3) Asset management business

Daiwa Asset Management

- (i) Strengthen overseas asset management capabilities especially in Asia. Diversify lineup of investment trusts.
- (ii) Strengthen marketing of investment trusts according to the needs of each sales channel.
- (iii) Develop large-scale funds that meet customers' need by utilizing marketing research.

Daiwa SB Investments

- (i) Diversify lineup of domestic pension fund products and strengthen fund management capabilities.
- (ii) Expand into overseas markets, mainly offering Japanese equity products.
- (iii) Strengthen marketing of equity investment trusts.

(4) Investment business

- (i) Exit from current investments in private equities and monetary claims.
- (ii) Strengthen deal marketing and enhance overseas sourcing capabilities of private equity deals. Target ¥100 billion of new lucrative investments.

(5) Research, consulting and systems business

- (i) Regain the No.1 position in research ranking.
- (ii) Strengthen research capabilities for Asia and emerging markets.
- (iii) Focus on management consulting in the IT, Asia and financial fields.

Realize the Group's IT strategy and develop human resources.

**Consolidated balance sheets**

(millions of yen)	<b>Fiscal 2006</b> Mar. 31, 2007	<b>Fiscal 2005</b> Mar. 31, 2006	<b>Increase/ Decrease</b>
<b>Assets</b>			
<b>Current assets:</b>	<b>13,891,106</b>	<b>14,392,393</b>	<b>-501,286</b>
Cash and deposits	365,310	407,889	-42,579
Cash segregated as deposits for regulatory purposes	256,434	297,878	-41,443
Notes receivable and trade accounts receivable	15,661	11,368	4,292
Securities	44,202	20,205	23,997
Trading assets:	5,082,219	6,162,242	-1,080,023
Trading securities and others	4,228,894	4,491,212	-262,318
Derivative assets	853,324	1,671,029	-817,705
Private equity and other securities	448,964	390,917	58,047
Less: Allowance for possible investment losses	-8,787	-8,496	-290
Other inventories	2,766	2,271	495
Receivables related to margin transactions:	575,457	563,537	11,919
Customer margin loans	339,104	359,331	-20,227
Cash deposits as collateral for securities borrowed	236,353	204,206	32,146
Collateralized short-term financing agreements:	6,814,612	6,274,505	540,106
Cash deposits as collateral for securities borrowed	6,814,603	6,274,385	540,218
Receivables related to gensaki transactions	8	120	-112
Receivables	10,038	25,940	-15,901
Short-term loans receivable	145,391	59,997	85,394
Accrued income	40,602	36,558	4,043
Deferred tax assets-current	12,471	20,187	-7,716
Other current assets	85,901	127,683	-41,781
Less: Allowance for doubtful accounts-current	-140	-293	153
<b>Non-current assets:</b>	<b>520,158</b>	<b>506,497</b>	<b>13,660</b>
Tangible fixed assets	134,536	126,531	8,004
Intangible fixed assets	81,315	68,813	12,501
Investments and others:	304,307	311,153	-6,846
Investment securities	234,102	249,647	-15,545
Long-term loans receivable	11,491	11,866	-374
Long-term guarantee deposits	23,729	23,538	191
Deferred tax assets-non-current	13,208	9,300	3,908
Other investments	23,373	18,651	4,722
Less: Allowance for doubtful accounts-non-current	-1,599	-1,851	251
<b>Total assets</b>	<b>14,411,265</b>	<b>14,898,890</b>	<b>-487,625</b>

(millions of yen)	<b>Fiscal 2006</b> Mar. 31, 2007	<b>Fiscal 2005</b> Mar. 31, 2006	<b>Increase/ Decrease</b>
<b><i>Liabilities</i></b>			
<b>Current liabilities:</b>	<b>11,939,922</b>	<b>12,812,909</b>	<b>-872,987</b>
Notes payable and trade accounts payable	6,292	5,138	1,153
Trading liabilities:	4,105,362	4,879,188	-773,826
Trading securities and others	3,417,833	3,321,855	95,977
Derivative liabilities	687,528	1,557,332	-869,804
Trading payables, net	67,771	302,572	-234,801
Payables related to margin transactions:	233,352	197,482	35,869
Payable to securities finance companies	14,446	7,569	6,876
Proceeds of securities sold for customers' accounts	218,906	189,912	28,993
Collateralized short-term financing agreements:	5,159,100	4,744,007	415,093
Cash deposits as collateral for securities loaned	5,000,747	4,525,203	475,544
Payables related to gensaki transactions	158,352	218,803	-60,451
Deposits received	148,173	166,508	-18,335
Cash deposits received as guarantee	100,494	99,224	1,269
Short-term borrowings	1,644,417	1,795,320	-150,903
Commercial paper	302,391	234,210	68,181
Bonds and notes due within one year	27,912	159,400	-131,487
Income taxes payable	12,550	73,779	-61,228
Deferred tax liabilities-current	9,287	2,898	6,388
Accrued bonuses	31,200	41,713	-10,513
Other current liabilities	91,615	111,462	-19,846
<b>Non-current liabilities:</b>	<b>1,240,220</b>	<b>1,049,956</b>	<b>190,263</b>
Bonds and notes	1,018,873	819,559	199,313
Long-term debt	165,895	167,952	-2,057
Deferred tax liabilities-non-current	24,002	39,007	-15,005
Retirement benefits	22,590	19,912	2,678
Provision for relocation costs of headquarter office	3,757	-	3,757
Provision for litigation losses	623	-	623
Other non-current liabilities	4,478	3,525	953
<b>Statutory reserves</b>	<b>7,896</b>	<b>7,024</b>	<b>872</b>
<b>Total liabilities</b>	<b>13,188,039</b>	<b>13,869,891</b>	<b>-681,851</b>
<b>Minority interests</b>	<b>-</b>	<b>236,718</b>	<b>-</b>
<b><i>Shareholders' equity</i></b>			
Common stock	-	138,828	-
Capital surplus	-	118,339	-
Retained earnings	-	476,216	-
Net unrealized gain (loss) on securities, net of tax effect	-	72,694	-
Translation adjustments	-	863	-
Treasury stock	-	-14,660	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>792,281</b>	<b>-</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>-</b>	<b>14,898,890</b>	<b>-</b>
<b><i>Net assets</i></b>			
<b>Owners' equity</b>	<b>844,854</b>	<b>-</b>	<b>-</b>
Common stock	178,324	-	-
Capital surplus	157,678	-	-
Retained earnings	520,474	-	-
Treasury stock	-11,628	-	-
Paid-in money for treasury stock	4	-	-
<b>Valuation and translation adjustments</b>	<b>84,671</b>	<b>-</b>	<b>-</b>
Net unrealized gain (loss) on securities, net of tax effect	75,657	-	-
Deferred gain (loss) on hedges	467	-	-
Translation adjustments	8,546	-	-
<b>Stock subscription rights</b>	<b>610</b>	<b>-</b>	<b>-</b>
<b>Minority interests</b>	<b>293,088</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>1,223,225</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>14,411,265</b>	<b>-</b>	<b>-</b>

**Consolidated statements of operations**

(millions of yen)	<b>Fiscal 2006</b> Apr. 1, 2006 - Mar. 31, 2007	<b>Fiscal 2005</b> Apr. 1, 2005 - Mar. 31, 2006	<b>Increase/ Decrease</b>	<b>Yr/yr % change</b>
<b>Operating revenues:</b>	<b>917,307</b>	<b>845,659</b>	<b>71,648</b>	<b>8.5</b>
Commissions	306,736	309,188	-2,452	-0.8
Net gain (loss) on trading	157,332	224,912	-67,579	-30.0
Net gain (loss) on private equity and other securities	32,818	21,539	11,278	52.4
Interest and dividend income	373,452	245,210	128,241	52.3
Other sales revenues	46,967	44,808	2,158	4.8
<b>Interest expenses</b>	<b>354,245</b>	<b>231,572</b>	<b>122,673</b>	<b>53.0</b>
<b>Cost of sales</b>	<b>36,298</b>	<b>34,729</b>	<b>1,569</b>	<b>4.5</b>
<b>Net operating revenues</b>	<b>526,764</b>	<b>579,358</b>	<b>-52,594</b>	<b>-9.1</b>
<b>Selling, general and administrative expenses:</b>	<b>340,372</b>	<b>325,199</b>	<b>15,173</b>	<b>4.7</b>
Commission and other expenses	71,438	63,909	7,528	11.8
Employees' compensation and benefits	163,379	171,061	-7,682	-4.5
Occupancy and rental	38,846	32,659	6,186	18.9
Data processing and office supplies	23,020	17,273	5,747	33.3
Depreciation expenses	23,117	22,640	476	2.1
Taxes other than income taxes	8,264	8,071	192	2.4
Others	12,306	9,582	2,724	28.4
<b>Operating income</b>	<b>186,391</b>	<b>254,159</b>	<b>-67,768</b>	<b>-26.7</b>
Non-operating income:	10,937	8,697	2,240	25.8
Equity in earnings	1,424	1,528	-104	-6.8
Others	9,513	7,168	2,344	32.7
Non-operating expenses	1,913	2,204	-290	-13.2
<b>Ordinary income</b>	<b>195,415</b>	<b>260,651</b>	<b>-65,236</b>	<b>-25.0</b>
Extraordinary gains	3,601	14,825	-11,224	-75.7
Extraordinary losses	13,093	17,122	-4,028	-23.5
<b>Income before income taxes and minority interests</b>	<b>185,922</b>	<b>258,355</b>	<b>-72,432</b>	<b>-28.0</b>
<b>Income taxes-current</b>	<b>65,794</b>	<b>77,675</b>	<b>-11,881</b>	<b>-15.3</b>
<b>Income taxes-deferred</b>	<b>3,657</b>	<b>391</b>	<b>3,265</b>	<b>834.0</b>
<b>Minority interests</b>	<b>-23,746</b>	<b>-40,339</b>	<b>16,592</b>	<b>-</b>
<b>Net income</b>	<b>92,724</b>	<b>139,948</b>	<b>-47,223</b>	<b>-33.7</b>
<b>Net financial income included in net operating revenues</b>	<b>19,207</b>	<b>13,638</b>	<b>5,568</b>	<b>40.8</b>

**Consolidated statements of changes in net assets**

( Apr. 1, 2006 - Mar. 31, 2007)

( millions of yen )	Owners' equity					Total owners' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Paid-in money for treasury stock	
<b>Beginning balance as of Mar. 31, 2006</b>	<b>138,828</b>	<b>118,339</b>	<b>476,216</b>	<b>-14,660</b>	-	<b>718,723</b>
<b>Changes of items during the fiscal year</b>						
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	-	-	92,724	-	-	92,724
Acquisition of treasury stock	-	-	-	-311	-	-311
Disposal of treasury stock	-	-156	-1,238	3,344	-	1,949
Subsidiaries' merger	-	-	406	-	-	406
Other	-	-	-	-	4	4
<b>Total changes of items during the fiscal year</b>	<b>39,495</b>	<b>39,339</b>	<b>44,258</b>	<b>3,032</b>	<b>4</b>	<b>126,131</b>
<b>Ending balance as of Mar. 31, 2007</b>	<b>178,324</b>	<b>157,678</b>	<b>520,474</b>	<b>-11,628</b>	<b>4</b>	<b>844,854</b>

( 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		
<b>Beginning balance as of Mar. 31, 2006</b>	<b>72,694</b>	-	<b>863</b>	<b>73,557</b>	-	<b>236,718</b>
<b>Changes of items during the fiscal year</b>						
Net changes of items other than owners' equity	2,963	467	7,682	11,113	610	56,370
<b>Total changes of items during the fiscal year</b>	<b>2,963</b>	<b>467</b>	<b>7,682</b>	<b>11,113</b>	<b>610</b>	<b>56,370</b>
<b>Ending balance as of Mar. 31, 2007</b>	<b>75,657</b>	<b>467</b>	<b>8,546</b>	<b>84,671</b>	<b>610</b>	<b>293,088</b>

**Consolidated statements of capital surplus and retained earnings**

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

**Consolidated statements of cash flows**

(millions of yen)	<b>Fiscal 2006</b> Apr. 1, 2006- Mar. 31, 2007	<b>Fiscal 2005</b> Apr. 1, 2005- Mar. 31, 2006
<b>1. Cash flows from operating activities:</b>		
Income before income taxes and others	185,922	258,355
Depreciation	23,117	22,640
Increase in allowance for retirement benefits	1,027	738
Interest and dividend income	-375,860	-245,724
Interest expenses	353,802	231,335
Equity in earnings	-1,424	-1,528
Adjustment of extraordinary gains/losses items:		
Loss on sale or disposal of fixed assets	1,395	548
Write-down of fixed assets	1,510	-
Gain on sale of related companies' stocks	-147	-3,714
Write-down of related companies' stocks	200	-
Gain on sale of investment securities	-3,453	-6,385
Loss on sale of investment securities	363	69
Write-down of investment securities	535	499
Gain on change in stake in subsidiary	-	-4,725
Allowance for doubtful accounts	316	-
Loss on litigation settlement	-	1,279
Provision for litigation losses	550	-
Loss on impairment of fixed assets	2,974	6,850
Extraordinary depreciation	-	4,439
Foreign exchange loss from overseas subsidiary capital reduction	-	1,563
Relocation costs of headquarter office	4,680	-
Provision for securities transaction liabilities	566	1,374
Contribution to the Securities Market Infrastructure Improvement Fund	-	200
Others	-	297
(Increase) Decrease in deposits segregated for customer	69,633	-137,291
(Increase) Decrease in loans receivable	-86,086	17,495
(Increase) Decrease in private equity and other securities	-45,409	-192,644
(Increase) Decrease in trading assets, net of trading liabilities	79,203	615,610
(Increase) Decrease in receivables related to margin transactions, net of payables related to margin transactions	27,247	-195,882
(Increase) Decrease in receivables on collateralized short-term financing agreements, net	-150,763	-63,703
Others	-14,984	59,506
<b>Sub-total</b>	<b>74,917</b>	<b>371,203</b>
Interest and dividend received	370,690	232,214
Interest paid	-348,265	-222,153
Income taxes refunded (paid)	-111,811	-11,404
<b>Net cash flows provided by (used in) operating activities</b>	<b>-14,469</b>	<b>369,860</b>

(millions of yen)	<b>Fiscal 2006</b> Apr. 1, 2006- Mar. 31, 2007	<b>Fiscal 2005</b> Apr. 1, 2005- Mar. 31, 2006
<b>2. Cash flows from investing activities:</b>		
Increase in time deposits	-36,290	-10,685
Decrease in time deposits	30,995	55,201
Payments for purchase of securities	-33,661	-14,382
Proceeds from sale and redemption of securities	18,085	10,423
Payments for purchase of tangible fixed assets	-18,438	-12,525
Proceeds from sale of tangible fixed assets	539	718
Payments for purchase of intangible fixed assets	-34,647	-24,311
Purchase of subsidiary's stock due to change in scope of consolidation	1,356	-
Payments for purchase of related companies	-3,415	-7,582
Proceeds from sale of related companies	1,469	13,416
Payments for purchase of investment securities	-10,451	-29,589
Proceeds from sale and redemption of investment securities	16,998	19,763
Payments for loan made	-1,182	-116
Proceeds from collection of loans receivable	306	253
Others	-4,953	-1,496
<b>Net cash flows provided by (used in) investing activities</b>	<b>-73,288</b>	<b>-911</b>
<b>3. Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	-97,429	-446,189
Payments for redemption of bonds and convertible bonds	-362,305	-401,373
Proceeds from issuance of bonds and convertible bonds	509,086	505,357
Proceeds from sinking fund of convertible bonds	61,877	-
Payments for sinking fund of convertible bonds	-61,877	-
Payments for repayment of long-term debt	-38,440	-70,004
Proceeds from long-term debt	48,800	128,500
Dividends paid	-45,806	-26,611
Dividends paid to minority shareholders	-12,039	-9,176
Proceeds from minority shareholders due to issuance of shares	40,080	9,999
Proceeds from sale of treasury stocks	1,949	21
Others	-732	-14,578
<b>Net cash flows provided by (used in) financing activities</b>	<b>43,162</b>	<b>-324,056</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>4,788</b>	<b>7,428</b>
<b>5. Net change in cash and cash equivalents</b>	<b>-39,806</b>	<b>52,321</b>
<b>6. Cash and cash equivalents at beginning of term</b>	<b>392,350</b>	<b>338,697</b>
<b>7. Increase in cash and cash equivalents due to merger of subsidiaries</b>	<b>235</b>	<b>1,331</b>
<b>8. Cash and cash equivalents at end of term</b>	<b>352,779</b>	<b>392,350</b>

## **Notes to consolidated financial statements**

The consolidated financial statements of the Company for the fiscal year ended March 31, 2007 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. 28, 1976) and its Article 46 and 68.

### **Basis of consolidated financial statements**

#### 1. Scope of consolidation

Consolidated subsidiaries: 46 companies

*Major companies:*

Daiwa Securities Co. Ltd.  
 Daiwa Securities SMBC Co. Ltd.  
 Daiwa Asset Management Co. Ltd.  
 Daiwa Institute of Research Ltd.  
 Daiwa Securities Business Center Co., Ltd.  
 Daiwa Property Co., Ltd.  
 NIF SMBC Ventures 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 fiscal year ended Mar 31, 2007, one company was added to scope of consolidation by additional acquisition of equities and one company was excluded from scope of consolidation due to the progress of the liquidation. 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 fiscal year ending other than March 31, 2007, the financial statements for the relevant fiscal year 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 impact on the financial statements so far.

#### 3. Fiscal period of subsidiaries

For subsidiaries with the fiscal ending other than March 31, 2007, the financial statements for the relevant fiscal year 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 at 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 balance sheets date, 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.

(vi) Provision for relocation costs of headquarter office

Estimated amount of expenses is accrued to relocate headquarter office

The company omits to disclose other than above information because there is no change in the information from the description of the recent financial statements report (submitted on June 26, 2006) and interim financial statements report (submitted on December 18, 2006).

**Changes in the accounting standards**

1. Presentation of net assets on consolidated balance sheet  
The consolidated financial statements of the Company for the fiscal year ended Mar 31, 2007 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 929,058 million yen.
2. Accounting for directors’ bonus  
The consolidated financial statements of the Company for the fiscal year ended Mar 31, 2007, 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 fiscal year ended Mar 31, 2007, 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 Mar. 31, 2007	As of Mar. 31, 2006
	111,054 million yen	105,753 million yen
2. Guarantee

	As of Mar. 31, 2007	As of Mar. 31, 2006
	1,683 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 Mar. 31, 2007	As of Mar. 31, 2006
	42,000 million yen	20,000 million yen
Long-term borrowings	As of Mar. 31, 2007	As of Mar. 31, 2006
	60,000 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 includes 7,974 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>Fiscal 2006</u> Apr. 1, 2006- Mar. 31, 2007	<u>Fiscal 2005</u> Apr. 1, 2005- Mar. 31, 2006
<b>Extraordinary gains:</b>		
Gain on sale of related companies' stocks	147	3,714
Gain on sale of investment securities	3,453	6,385
Gain on change in stake in subsidiary	-	4,725
<b>Extraordinary losses:</b>		
Loss on litigation settlement	-	1,279
Write-down of related companies' stocks	200	-
Write-down of investment securities	535	499
Write-down of fixed assets	1,510	-
Loss on sale or disposal of fixed assets	1,395	548
Loss on impairment of fixed assets	2,974	6,850
Extraordinary depreciation	-	4,439
Loss on sale of investment securities	363	69
Foreign exchange loss from overseas subsidiary capital reduction	-	1,563
Provision for litigation losses	550	-
Allowance for doubtful accounts	316	-
Relocation costs of headquarter office	4,680	-
Provision for securities transaction liabilities	566	1,374
Contribution to the Securities Market Infrastructure Improvement Funds	-	200
Other	-	297

**Notes to consolidated statements of changes in net assets**

## Stock subscription rights

	Item	Number of shares				As of Mar. 31, 2007 (millions of yen)
		As of Mar. 31, 2006	Increase	Decrease	As of Mar. 31, 2007	
The Company	Stock subscription rights issued on July, 2006	-	301,000	3,000	298,000	410
	(Treasury stock subscription rights)	(-)	(3,000)	(-)	(3,000)	(-)
The Company	Series 3 stock subscription rights	-	2,593,000	22,000	2,571,000	156
	(Treasury stock subscription rights)	(-)	(22,000)	(-)	(22,000)	(-)
Consolidated subsidiary	Series 1 stock subscription rights issued on September, 2006	-	31	-	31	12
Consolidated subsidiary	Series 2 stock subscription rights issued on September, 2006	-	50	-	50	20
Consolidated subsidiary	Series 3 stock subscription rights issued on August, 2006	-	343	11	332	11
	(Treasury stock subscription rights)	(-)	(11)	(-)	(11)	(-)
<b>Total</b>						<b>610</b> (-)

- (1) Above all shares of stock subscription rights is common stock.
- (2) Above consolidated subsidiary is NIF SMBC ventures Co., Ltd.
- (3) Exercise period of the company's "series 3 stock subscription rights" and consolidated subsidiary's "series 3 stock subscription rights issued on August, 2006" have not yet started.

**Notes to consolidated statements of cash flow**

Reconciliation for “Cash and cash equivalents at end of term” and “Cash and deposits” on consolidated balance sheet

(millions of yen)	(Fiscal 2006)	(Fiscal 2005)
Cash and deposits	365,310	407,889
Time deposit more than 3 months	-21,031	-15,539
Negotiable deposit less than 3 months	8,500	-
Cash and cash equivalents	352,779	392,350

**Segment information****1. Net operating revenues by business segment**

The Company and its consolidated subsidiaries' world-wide activities include (a) trading in securities and derivatives, (b) brokerage of securities and derivatives, (c) underwriting and distribution of securities, (d) other business related to securities transactions and (e) private offering of securities. These activities include financing and other services. Accordingly, the Company and its subsidiaries operate in a single industry segment, 'Investment and financial services'.

**2. Net operating revenues by geographic area**

'Net operating revenues', 'Selling, general and administrative expenses (S.G. & A. expenses)', 'Operating income' and 'Assets' by geographic area are as follows.

**Fiscal year ended March 31, 2007**

## i. Net operating revenue and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/Unallocated	Consolidated
Net operating revenues from external customers	483,875	9,587	19,869	13,431	526,764	-	526,764
Intersegment revenues	(8,700)	5,096	16,034	1,297	13,727	(13,727)	-
Net operating revenues	475,174	14,683	35,903	14,729	540,491	(13,727)	526,764
S.G. & A. expenses	302,606	13,079	27,562	10,850	354,098	(13,725)	340,372
Operating income	172,568	1,604	8,340	3,878	186,392	(1)	186,391
ii. Assets	10,808,697	3,372,711	1,238,351	81,731	15,501,492	(1,090,227)	14,411,265

**Fiscal year ended March 31, 2006**

## i. Net operating revenue and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/Unallocated	Consolidated
Net operating revenues from external customers	541,666	5,527	21,672	10,492	579,358	-	579,358
Intersegment revenues	1,529	8,758	12,085	1,605	23,979	(23,979)	-
Net operating revenues	543,195	14,286	33,758	12,097	603,337	(23,979)	579,358
S.G. & A. expenses	294,984	11,920	23,679	8,471	339,055	(13,856)	325,199
Operating income	248,211	2,366	10,078	3,625	264,281	(10,122)	254,159
ii. Assets	12,239,341	2,807,086	1,145,933	72,880	16,265,243	(1,366,352)	14,898,890

Note: Method of segmentation by geographic area and principal countries of the area belonging to each segment are as follows:

- (1) Method of segmentation by geographic area: Geographical adjacency
- (2) Principal countries of area belonging to each segment area:
  - America: USA
  - Europe: United Kingdom, Germany, Switzerland and France
  - Asia and Oceania: Hong Kong and Singapore

**3. Overseas net operating revenues**

Overseas net operating revenues include those of the Company and its consolidated subsidiaries (excluding inter-company profit) are as follows.

**Fiscal year ended March 31, 2007**

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	19,325	13,100	11,902	44,327
Consolidated net operating revenues				526,764
Percentage of total revenues	3.7%	2.5%	2.3%	8.4%

**Fiscal year ended March 31, 2006**

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	10,312	19,370	11,015	40,698
Consolidated net operating revenues				579,358
Percentage of total revenues	1.8%	3.3%	1.9%	7.0%

Note: Method of segmentation by geographic area and principal countries of area belonging to each segment are same as '2. Net operating revenues by geographic area'.

**Information on per share**

	<b>Fiscal 2006</b> Apr. 1, 2006- Mar. 31, 2007	<b>Fiscal 2005</b> Apr. 1, 2005- Mar. 31, 2006
<b>Earnings/share</b> (millions of yen)		
Net income	92,724	139,948
Net income not attributable to common stockholder	-	1,862
(Director's bonus paid from retained earning)	(-)	(1,862)
Net income attributable to common stock (millions of yen)	92,724	138,085
Average number of common shares outstanding during the year (thousands of shares)	1,365,486	1,328,967
<b>Fully diluted earnings/share</b>		
Adjusted net income (millions of yen)	59	286
(Interest expenses: after deduction for tax)	(0)	(277)
(Commission expenses: after deduction for tax)	(61)	(13)
Increase in common stock (thousands of shares)	38,667	74,244
(Convertible bonds)	(35,195)	(72,388)
(Stock subscription rights)	(3,471)	(1,855)
Summary of potential shares that are not included in calculation of fully diluted earnings/share due to a lack of dilution effect (thousands of shares)	Stock subscription right granted by shareholders' meeting on June 24, 2006 and Executive Committee on August 24, 2006.  Common stock 2,593	-

**Subsequent events**

Not applicable

**Other notes**

The note regarding "Accounting for certain lease transactions", "Tallying transactions with related parties", "Deferred tax accounting", "Securities", "Derivatives trading", "Retirement benefits" and "Stock option" are omitted because those accounts have low priority on this disclosure.

**Supplemental information for fiscal 2006****1. Breakdown of commissions**

Fiscal year ended March 31, 2007 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	97,061	693	317	-	-	98,072
<b>Underwriting commission</b>	-	-	-	54,068	-	54,068
(Stock and other)	(-)	(-)	(-)	(43,510)	(-)	(43,510)
(Bond and other)	(-)	(-)	(-)	(9,406)	(-)	(9,406)
<b>Distribution commission</b>	-	-	37,210	1,309	-	38,520
<b>Other commission</b>	1,925	1,972	69,378	19,607	23,190	116,074
(Agency commission)	(-)	(1,947)	(35,711)	(-)	(-)	(37,658)
<b>Total</b>	<b>98,986</b>	<b>2,666</b>	<b>106,906</b>	<b>74,985</b>	<b>23,190</b>	<b>306,736</b>

Fiscal year ended March 31, 2006 (B)

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

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

(percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	-17.9	-24.9	-5.7	-	-	-17.9
<b>Underwriting commission</b>	-	-	-	-15.9	-	-15.9
(Stock and other)	(-)	(-)	(-)	(-19.5)	(-)	(-19.5)
(Bond and other)	(-)	(-)	(-)	(10.0)	(-)	(10.0)
<b>Distribution commission</b>	-	-	-11.0	-35.5	-	-12.1
<b>Other commission</b>	-1.6	-13.4	72.3	19.6	12.4	42.4
(Agency commission)	(-)	(-13.8)	(60.3)	(-)	(-)	(53.5)
<b>Total</b>	<b>-17.7</b>	<b>-16.7</b>	<b>29.7</b>	<b>-9.4</b>	<b>12.4</b>	<b>-0.8</b>

**2. Breakdown of net gains on trading**

(millions of yen)	Fiscal 2006 (2007/3)	Fiscal 2005 (2006/3)	Yr/yr % change
<b>Stock and other</b>	31,288	124,270	-74.8
<b>Bond, forex and other</b>	126,044	100,641	25.2
(Bond and other)	(48,693)	(39,025)	(24.8)
(Forex and other)	(77,351)	(61,615)	(25.5)
<b>Total</b>	<b>157,332</b>	<b>224,912</b>	<b>-30.0</b>

**Quarterly consolidated statements of operations**

(millions of yen)	<b>4th quarter</b> Jan. 1, 2006- Mar.31, 2006	<b>1st quarter</b> Apr.1, 2006- Jun. 30, 2006	<b>2nd quarter</b> Jul. 1, 2006- Sep. 30, 2006	<b>3rd quarter</b> Oct. 1, 2006- Dec. 31, 2006	<b>4th quarter</b> Jan. 1, 2007- Mar. 31, 2007
<b>Operating revenues</b>	269,562	207,638	211,752	242,778	255,138
Commissions	111,351	67,858	67,110	90,278	81,489
Brokerage commission	36,482	26,593	19,534	23,621	28,323
(Stock and other)	36,249	26,269	19,335	23,416	28,040
(Bond and other)	136	224	141	143	185
Underwriting commission	33,482	6,678	12,559	25,093	9,737
(Stock and other)	31,398	4,370	10,181	22,301	6,657
(Bond and other)	1,854	2,059	1,869	2,619	2,858
Distribution commission	13,796	10,624	7,846	8,380	11,668
(Beneficiary certificates)	13,321	10,126	7,576	8,161	11,345
Other commission	27,590	23,961	27,170	33,182	31,760
(Beneficiary certificates)	12,584	14,485	16,012	18,155	20,498
Net gain (loss) on trading	62,810	35,234	37,833	37,219	47,044
(Stock and other)	46,690	17,563	-5,336	10,902	8,159
(Bond and other)	4,471	-1,821	27,188	1,154	22,171
(Forex and other)	11,648	19,492	15,982	25,162	16,713
Net gain (loss) on private equity and other securities	6,421	11,602	7,058	6,159	7,997
Interest and dividend income	75,892	83,400	88,361	98,432	103,258
Other sales revenues	13,087	9,542	11,388	10,688	15,348
<b>Interest expenses</b>	73,107	78,166	83,870	92,834	99,373
<b>Cost of sales</b>	9,843	7,381	8,629	8,024	12,263
<b>Net operating revenues</b>	186,612	122,090	119,252	141,919	143,501
<b>Selling, general and administrative expenses:</b>	88,824	78,942	82,580	87,968	90,882
Commission and other expenses	18,503	15,037	18,080	17,954	20,367
Employees' compensation and benefits	46,260	40,143	39,364	41,811	42,059
Occupancy and rental	8,557	7,868	9,187	10,756	11,033
Data processing and office supplies	4,569	5,761	5,364	5,626	6,268
Depreciation expenses	5,830	5,364	5,642	5,910	6,199
Taxes other than income taxes	2,363	1,856	2,016	2,375	2,016
Others	2,739	2,911	2,923	3,533	2,937
<b>Operating income</b>	97,788	43,148	36,672	53,950	52,618
Non-operating income	1,838	3,223	4,622	2,091	999
Non-operating expenses	1,338	955	261	112	583
<b>Ordinary income</b>	98,287	45,416	41,034	55,929	53,034
Extraordinary gains	921	834	1,081	480	1,204
Extraordinary losses	14,640	107	2,050	558	10,377
<b>Income before income taxes and minority interests</b>	84,569	46,143	40,065	55,850	43,862
<b>Income taxes-current</b>	31,558	6,241	18,980	13,282	27,290
<b>Income taxes-deferred</b>	-17,591	11,435	606	8,010	-16,396
<b>Minority interests</b>	-15,279	-5,347	-3,470	-7,803	-7,125
<b>Net income</b>	55,322	23,118	17,008	26,754	25,842
<b>Net financial income included in net operating revenues</b>	2,785	5,233	4,491	5,597	3,884

**Non-consolidated financial statements****Balance sheets**

(millions of yen)	<b>Fiscal 2006</b> Mar. 31, 2007	<b>Fiscal 2005</b> Mar. 31, 2006	<b>Increase/ Decrease</b>
<i>Assets</i>			
<b>Current assets:</b>	<b>312,519</b>	<b>313,632</b>	<b>-1,113</b>
Cash and deposits	92,768	129,130	-36,362
Securities	13,088	3,542	9,546
Short-term loans receivable	177,550	133,404	44,145
Account receivable	26,100	44,244	-18,143
Accrued income	1,327	753	574
Deferred tax assets-current	-	564	-564
Other current assets	1,683	1,993	-309
<b>Non-current assets:</b>	<b>967,117</b>	<b>911,010</b>	<b>56,107</b>
Tangible fixed assets	45,397	10,026	35,371
Intangible fixed assets	877	755	122
Investments and others:	920,842	900,228	20,614
Investment securities	786,653	706,934	79,719
Long-term loans receivable	113,400	170,946	-57,546
Long-term guarantee deposits	11,364	12,885	-1,521
Others	9,843	9,911	-67
Less: Allowance for doubtful accounts	-419	-449	30
<b>Total assets</b>	<b>1,279,636</b>	<b>1,224,643</b>	<b>54,993</b>

(millions of yen)	Fiscal 2006 Mar. 31, 2007	Fiscal 2005 Mar. 31, 2006	Increase/ Decrease
<b>Liabilities</b>			
<b>Current liabilities:</b>	<b>183,015</b>	<b>278,064</b>	<b>-95,048</b>
Short-term borrowings	91,345	62,235	29,110
Bonds and notes due within one year	-	79,193	-79,193
Collateralized short-term financing agreements	80,676	132,112	-51,435
Income taxes payable	6,963	176	6,786
Deferred tax liabilities-current	54	-	54
Accrued bonuses	1,021	1,613	-592
Other current liabilities	2,955	2,734	220
<b>Non-current liabilities:</b>	<b>372,549</b>	<b>332,754</b>	<b>39,794</b>
Bonds and notes	291,400	236,400	55,000
Long-term debt	49,000	49,000	-
Long-term cash deposits received as guarantee	2,829	4,042	-1,212
Deferred tax liabilities-non-current	25,986	38,739	-12,752
Retirement benefits	1,684	2,361	-677
Provision for litigation losses	211	-	211
Other non-current liabilities	1,436	2,211	-774
<b>Total liabilities</b>	<b>555,564</b>	<b>610,819</b>	<b>-55,254</b>
<b>Shareholders' equity</b>			
Common stock	-	138,828	-
Capital surplus	-	118,339	-
Additional paid-in capital	-	118,182	-
Other capital surplus reserve	-	156	-
Net gain on sales of treasury stock	-	156	-
Retained earnings	-	314,133	-
Earned surplus reserve	-	45,335	-
General-purpose reserve	-	218,000	-
Unappropriated retained earnings	-	50,798	-
Net unrealized gain (loss) on securities, net of tax effect	-	57,183	-
Treasury stock	-	-14,660	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>613,824</b>	<b>-</b>
<b>Total liabilities and shareholders' equity</b>	<b>-</b>	<b>1,224,643</b>	<b>-</b>
<b>Net assets</b>			
<b>Owners' equity</b>	<b>666,343</b>	-	-
Common stock	178,324	-	-
Capital surplus	157,678	-	-
Retained earnings	341,963	-	-
Treasury stock	-11,627	-	-
Paid-in money for treasury stock	4	-	-
<b>Valuation and translation adjustments</b>	<b>57,161</b>	-	-
Net unrealized gain (loss) on securities, net of tax effect	56,740	-	-
Deferred gain (loss) on hedges	421	-	-
<b>Stock subscription rights</b>	<b>567</b>	-	-
<b>Total net assets</b>	<b>724,072</b>	-	-
<b>Total liabilities and net assets</b>	<b>1,279,636</b>	-	-

**Statements of operations**

(millions of yen)	<b>Fiscal 2006</b> Apr. 1, 2006 - Mar. 31, 2007	<b>Fiscal 2005</b> Apr. 1, 2005 - Mar. 31, 2006	<b>Increase/ Decrease</b>	<b>Yr/yr % change</b>
<b>Operating revenues:</b>	<b>78,806</b>	<b>35,215</b>	<b>43,591</b>	<b>123.8</b>
Dividends from related companies	73,920	32,257	41,662	129.2
Interest on loans to related companies	4,098	2,805	1,293	46.1
Other	786	152	634	417.7
<b>Operating expenses:</b>	<b>13,462</b>	<b>12,181</b>	<b>1,280</b>	<b>10.5</b>
Selling, general and administrative expenses:	9,494	9,210	283	3.1
Commission and other expenses	1,631	1,747	-115	-6.6
Employees' compensation and benefits	3,675	4,130	-455	-11.0
Occupancy and rental	521	614	-92	-15.0
Data processing and office supplies	1,270	855	414	48.5
Depreciation expenses	571	350	221	63.3
Others	1,823	1,512	310	20.5
Interest expenses	3,968	2,971	996	33.5
<b>Operating income</b>	<b>65,343</b>	<b>23,033</b>	<b>42,310</b>	<b>183.7</b>
Non-operating income	4,421	2,841	1,580	55.6
Non-operating expenses	349	733	-384	-52.4
<b>Ordinary income</b>	<b>69,415</b>	<b>25,140</b>	<b>44,275</b>	<b>176.1</b>
Extraordinary gains	7,390	9,681	-2,290	-23.7
Extraordinary losses	2,245	3,255	-1,009	-31.0
<b>Income before income taxes</b>	<b>74,561</b>	<b>31,566</b>	<b>42,994</b>	<b>136.2</b>
<b>Income taxes-current</b>	<b>-955</b>	<b>-37,973</b>	<b>37,018</b>	<b>-</b>
<b>Income taxes-deferred</b>	<b>642</b>	<b>18,205</b>	<b>-17,563</b>	<b>-96.5</b>
<b>Net income</b>	<b>74,874</b>	<b>51,335</b>	<b>23,538</b>	<b>45.9</b>
<b>Unappropriated retained earnings-carryforward</b>	<b>-</b>	<b>15,429</b>	<b>-</b>	<b>-</b>
<b>Interim dividends</b>	<b>-</b>	<b>15,966</b>	<b>-</b>	<b>-</b>
<b>Unappropriated retained earnings</b>	<b>-</b>	<b>50,798</b>	<b>-</b>	<b>-</b>

**Statements of changes in net assets**

(Apr. 1, 2006 – Mar. 31, 2007)

(millions of yen)	Owners' equity								
	Common stock	Capital surplus		Retained earning			Treasury stock	Paid-in money for treasury stock	Total
		Additional paid-in capital	Other capital surplus reserve	Earning surplus reserve	Other earned surplus reserve				
					General-purpose reserve	Deferred earned surplus			
<b>Beginning balance as of Mar. 31, 2006</b>	<b>138,828</b>	<b>118,182</b>	<b>156</b>	<b>45,335</b>	<b>218,000</b>	<b>50,798</b>	<b>-14,660</b>	<b>-</b>	<b>556,640</b>
<b>Changes of items during the fiscal year</b>									
Issuance of new shares	39,495	39,495	-	-	-	-	-	-	78,991
Dividends	-	-	-	-	-	-45,806	-	-	-45,806
Net income	-	-	-	-	-	74,874	-	-	74,874
Purchase of treasury stock	-	-	-	-	-	-	-311	-	-311
Disposal of treasury stock	-	-	-156	-	-	-1,238	3,344	-	1,949
Others	-	-	-	-	-	-	-	4	4
<b>Total changes of items during the fiscal year</b>	<b>39,495</b>	<b>39,495</b>	<b>-156</b>	<b>-</b>	<b>-</b>	<b>27,829</b>	<b>3,032</b>	<b>4</b>	<b>109,702</b>
<b>Ending balance as of Mar. 31, 2007</b>	<b>178,324</b>	<b>157,678</b>	<b>-</b>	<b>45,335</b>	<b>218,000</b>	<b>78,627</b>	<b>-11,627</b>	<b>4</b>	<b>666,343</b>

(millions of yen)	Valuation and translation adjustments		Stock subscription rights
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gains and losses on hedges	
<b>Beginning balance as of Mar. 31, 2006</b>	<b>57,183</b>	<b>-</b>	<b>-</b>
<b>Changes of items during the fiscal year</b>			
Net changes of items other than owners' equity	-442	421	567
<b>Total changes of items during the fiscal year</b>	<b>-442</b>	<b>421</b>	<b>567</b>
<b>Ending balance as of Mar. 31, 2007</b>	<b>56,740</b>	<b>421</b>	<b>567</b>

**Statement of appropriation of retained earnings**

(millions of yen)	Fiscal 2005 Apr. 1, 2005- Mar. 31, 2006	
Unappropriated retained earnings		50,798
<b>Total</b>		<b>50,798</b>
Appropriations of retained earnings		
Dividends (*)	29,065 (22 yen per share)	29,065
<b>Unappropriated retained earnings carried forward</b>		<b>21,732</b>

(\*)The Company paid interim dividend of 15,966 million yen (12 yen per share) on December 1, 2005.