

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

(URL <http://www.daiwa.jp/>)

April 27, 2007

Non-consolidated financial summary

(For the fiscal year ended March 31, 2007)

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

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

“ - ” indicates a loss or negative figure.

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
Fiscal 2006 (2007/3)	230,649	(-10.9)%	229,171	(-11.2)%	74,500	(-26.2)%
Fiscal 2005 (2006/3)	258,943	(57.1)%	257,988	(56.9)%	100,997	(313.2)%

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)
Fiscal 2006 (2007/3)	74,477	(-26.3)%	43,468	(-25.3)%	17.6%
Fiscal 2005 (2006/3)	101,057	(317.3)%	58,174	(319.6)%	25.9%

(2) Financial conditions

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen		
As of Mar. 31, 2007	782,594	(Note) 245,888	31.4%	319.3%
As of Mar. 31, 2006	836,931	249,376	29.8%	323.6%

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

Fiscal 2006: 245,888 million yen Fiscal 2005: - million yen

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

It is the same as the amounts of shareholder's equity that is calculated by old method

2. Other information

Change in accounting policy

(1) Change in amendment to accounting standard: Yes

(2) Change in other than those above : None

(Note) Please see “Basis of financial statements” on page 6 for details

Representative: Shigeharu Suzuki, President

Contact: Tetsuya Kawaguchi, General Manager, Finance Department

Phone: +813-3243-2111

Balance sheets

(millions of yen)

	Fiscal 2006 Mar. 31, 2007	Fiscal 2005 Mar. 31, 2006	Increase/ Decrease
Assets			
Current assets:	710,255	776,188	-65,932
Cash and deposits	114,194	104,366	9,827
Cash segregated as deposits for regulatory purposes	183,982	206,516	-22,533
Trading assets:	38,506	38,006	499
Trading securities and others	37,402	37,430	-27
Derivative assets	1,103	576	527
Trading receivables, net	2,036	2,283	-246
Receivables related to margin transactions:	323,213	357,602	-34,388
Customer margin loans	320,476	355,795	-35,318
Cash deposits as collateral for securities borrowed	2,737	1,806	930
Collateralized short-term financing agreements:	9,133	13,759	-4,626
Cash deposits as collateral for securities borrowed	9,133	13,759	-4,626
Receivables	9,496	18,324	-8,828
Short-term guarantee money deposited	5,764	5,282	482
Short-term loans receivable	1,289	1,411	-122
Accrued income	14,413	14,394	19
Deferred tax assets-current	5,861	12,239	-6,377
Other current assets	2,403	2,174	228
Less: Allowance for doubtful accounts-current	-41	-173	132
Non-current assets:	72,338	60,742	11,595
Tangible fixed assets	7,632	3,839	3,792
Intangible fixed assets	34,990	27,930	7,060
Investments and others:	29,715	28,973	742
Investment securities	2,944	1,825	1,118
Long-term loans receivable	4,874	4,874	-
Long-term guarantee deposits	15,518	17,221	-1,702
Deferred tax assets-non-current	5,308	4,210	1,097
Other investments	2,594	1,948	645
Less: Allowance for doubtful accounts-non-current	-1,523	-1,106	-417
Total assets	782,594	836,931	-54,337

(millions of yen)

	Fiscal 2006 Mar. 31, 2007	Fiscal 2005 Mar. 31, 2006	Increase/ Decrease
Liabilities			
Current liabilities:	479,106	546,028	-66,921
Trading liabilities:	608	544	64
Trading securities and others	48	56	-8
Derivative liabilities	560	487	73
Payables related to margin transactions:	22,628	21,214	1,414
Payable to securities finance companies	5,116	7,569	-2,453
Proceeds of securities sold for customers' accounts	17,512	13,644	3,867
Deposits received	108,070	127,912	-19,841
Cash deposits received as guarantee	75,825	72,997	2,827
Short-term borrowings	160,200	190,000	-29,800
Short-term borrowings from parent company	70,000	51,000	19,000
Account payable	19,551	40,234	-20,682
Accrued expenses	6,974	5,733	1,240
Income taxes payable	657	14,920	-14,262
Accrued bonuses	12,800	20,000	-7,200
Other current liabilities	1,789	1,471	318
Non-current liabilities:	55,404	39,679	15,725
Long-term debt	29,000	15,000	14,000
Long-term debt from parent company	16,000	16,000	-
Accrued retirement benefits	9,579	8,503	1,076
Provision for litigation losses	411	-	411
Other non-current liabilities	413	176	237
Statutory reserves:	2,194	1,847	347
Reserve for securities transaction liabilities	2,194	1,847	347
Total liabilities	536,705	587,554	-50,848
Shareholders' equity			
Common stock	-	100,000	-
Capital surplus:	-	50,010	-
Additional paid-in capital	-	50,010	-
Retained earnings:	-	98,717	-
Earned surplus reserve	-	2,430	-
Reserve for special depreciation	-	112	-
Unappropriated retained earnings	-	96,175	-
(Net income for the current term)	-	(58,174)	-
Net unrealized gain (loss) on securities, net of tax effect	-	649	-
Total shareholders' equity	-	249,376	-
Total liabilities and shareholders' equity	-	836,931	-
Net assets			
Owners' equity:	244,965	-	-
Common stock	100,000	-	-
Capital surplus:	50,010	-	-
Additional paid-in capital	50,010	-	-
Retained earnings:	94,955	-	-
Earned surplus reserve	2,430	-	-
Other retained surplus:	92,525	-	-
Reserve for special depreciation	23	-	-
Unappropriated retained earnings	92,501	-	-
Valuation and translation adjustments:	923	-	-
Net unrealized gain (loss) on securities, net of tax effect	923	-	-
Total net assets	245,888	-	-
Total liabilities and net assets	782,594	-	-

Statements of operations

(millions of yen)

	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006	Increase/ Decrease	Yr/yr change (%)
Operating revenues:	230,649	258,943	-28,293	-10.9
Commissions	185,751	207,787	-22,036	-10.6
Net gain (loss) on trading	37,324	46,569	-9,245	-19.9
Interest and dividend income	7,573	4,585	2,987	65.1
Interest expenses	1,478	955	523	54.8
Net operating revenues	229,171	257,988	-28,816	-11.2
Selling, general and administrative expenses:	154,670	156,990	-2,319	-1.5
Commission and other expenses	21,520	22,445	-924	-4.1
Employees' compensation and benefits	76,493	84,408	-7,915	-9.4
Occupancy and rental	23,124	18,118	5,006	27.6
Data processing and office supplies	20,304	19,406	898	4.6
Depreciation expenses	9,225	8,556	668	7.8
Taxes other than income taxes	1,353	1,615	-261	-16.2
Others	2,647	2,438	208	8.6
Operating income	74,500	100,997	-26,497	-26.2
Non-operating income	462	401	61	15.2
Non-operating expenses	485	342	143	41.9
Ordinary income	74,477	101,057	-26,579	-26.3
Extraordinary gains	-	-	-	-
Extraordinary losses	1,424	836	588	70.4
Income before income taxes and others	73,052	100,220	-27,168	-27.1
Income taxes-current	24,492	49,575	-25,082	-50.6
Income taxes-deferred	5,092	-7,529	12,621	-
Net income	43,468	58,174	-14,706	-25.3
Unappropriated retained earnings-carryforward		38,000		
Unappropriated retained earnings		96,175		
Net financial income included in Net operating revenues	6,094	3,630	2,464	67.9

Statements of changes in net asset

(Apr. 1, 2006 – Mar. 31, 2007)

(millions of yen)

	Owners' equity						Total owners' equity
	Common stock	Capital surplus	Retained earnings			Total retained earnings	
		Additional paid-in capital	Earned surplus reserve	Other retained surplus			
				Reserve for special depreciation	Unappropriated retained earnings		
Beginning balance as of Mar. 31, 2006	100,000	50,010	2,430	112	96,175	98,717	248,727
Changes of items during the fiscal year							
Reversal of reserve for special depreciation (*)	-	-	-	-88	88	-	-
Dividends(*)	-	-	-	-	-46,400	-46,400	-46,400
Bonus to directors(*)	-	-	-	-	-830	-830	-830
Net income	-	-	-	-	43,468	43,468	43,468
Total changes of items during the fiscal year	-	-	-	-88	-3,673	-3,762	-3,762
Ending balance as of Mar. 31, 2007	100,000	50,010	2,430	23	92,501	94,955	244,965

	Valuation and translation adjustments	Total net assets
	Net unrealized gain (loss) on securities, net of tax effect	
Beginning balance as of Mar. 31, 2006	649	249,376
Changes of items during the fiscal year		
Reversal of reserve for special depreciation (*)	-	-
Dividends(*)	-	-46,400
Bonus to directors(*)	-	-830
Net income	-	43,468
Net changes of items other than owners' equity	273	273
Total changes of items during the fiscal year	273	-3,488
Ending balance as of Mar. 31, 2007	923	245,888

* This statements of changes in net assets retain appropriation of earnings at annual shareholders' meeting as of June, 2006

Statement of appropriation of retained earnings

(Apr. 1, 2005 – Mar. 31, 2006)

(millions of yen)

	Fiscal 2005	
Unappropriated retained earnings	96,175	
Reversal of reserve for special depreciation	44	
Total	96,219	
Appropriations of retained earnings	47,230	
Cash dividends (*)	46,400	
Director's bonuses	830	
Unappropriated retained earnings carried forward	48,989	

(*) Dividends : 14,500,000 yen per share

Notes to financial statements

The financial statements of the Company for 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 Financial Statements' (Ministry of Finance Ordinance No. 59, 1963) and its Article 2.

Basis of financial statements

1. Valuation of financial instruments

(1) Valuation of trading account

Securities and derivative transactions in trading account are recorded at fair value.

(2) Valuation of non-trading securities

Other securities than trading or held-to-maturity securities are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in shareholders' equity, if their fair value is available. 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.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

Declining-balance method is applied, and straight-line method is applied to the building (excluding annexes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

Straight-line method is applied. Useful life for depreciation is based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5 years).

3. Accounting policies for various provisions

(1) Allowance for doubtful accounts

The Company provides the allowance based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans.

(2) Accrued bonuses

Estimated amount of employees' bonuses is accrued based on the Company's bylaws.

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of March 31, 2007 as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year.

(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.

Changes in the accounting standards

1. Presentation of net assets on balance sheet

The financial statements of the Company for the fiscal year ended March 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 as same amount as net assets by new accounting standard.

2. Accounting for directors’ bonus

The financial statements of the Company for the fiscal year ended March 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 annual shareholders’ meeting.

Notes to balance sheets

(millions of yen)

	Fiscal, 2006 <u>Mar. 31, 2007</u>	Fiscal 2005 <u>Mar. 31, 2006</u>
1 . Accumulated depreciation of tangible fixed assets	12,232	11,522
2 . Guarantee	524	641

Notes to statements of operations

(millions of yen)

Details of extraordinary gains/losses

	Fiscal, 2006 <u>Apr. 1, 2006 – Mar. 31, 2007</u>	Fiscal 2005 <u>Apr. 1, 2005 – Mar. 31, 2006</u>
Extraordinary losses		
Provision for doubtful accounts	412	-
Relocation costs of headquarter office	354	-
Provision for securities transaction liabilities	347	548
Provision for litigation losses	309	-
Reorganization costs for retail branch	-	187
Dormitory lease cancellation payment	-	100

Supplemental information for the fiscal year ended March 31, 2007

(Apr. 1, 2006 – Mar. 31, 2007)

1. Breakdown of commission revenue

(1) Activity (millions of yen)

	Fiscal, 2006 <u>Apr. 1, 2006 –</u> <u>Mar. 31, 2007</u>	Fiscal, 2005 <u>Apr. 1, 2005 –</u> <u>Mar. 31, 2006</u>	Yr/yr change
Brokerage commission	65,947	91,474	-27.9%
(Stock and other)	(65,739)	(91,240)	(-27.9%)
Underwriting commission			
Distribution commission	60,531	70,082	-13.6%
(Stock and other)	(16,006)	(19,996)	(-20.0%)
(Bond and other)	(8,449)	(9,147)	(-7.6%)
(Beneficiary certificates)	(36,075)	(40,938)	(-11.9%)
Other commission	59,272	46,230	28.2%
(Beneficiary certificates)	(34,001)	(20,951)	(62.3%)
Total	185,751	207,787	-10.6 %

(2) Asset class (millions of yen)

	Fiscal, 2006 <u>Apr. 1, 2006 –</u> <u>Mar. 31, 2007</u>	Fiscal, 2005 <u>Apr. 1, 2005 –</u> <u>Mar. 31, 2006</u>	Yr/yr change
Stock and other	85,614	114,801	-25.4%
Bond and other	18,120	18,216	-0.5%
Beneficiary certificates	70,285	62,123	13.1%
Others	11,731	12,646	-7.2%
Total	185,751	207,787	-10.6%

2. Breakdown of trading gains/losses

(millions of yen)

	Fiscal, 2006 <u>Apr. 1, 2006 –</u> <u>Mar. 31, 2007</u>	Fiscal, 2005 <u>Apr. 1, 2005 –</u> <u>Mar. 31, 2006</u>	Yr/yr change
Stock and other	5,761	11,371	-49.3%
Bond, Forex and other	31,562	35,197	-10.3%
(Bond and other)	(9,283)	(10,046)	(-7.6%)
(Forex and other)	(22,279)	(25,151)	(-11.4%)
Total	37,324	46,569	-19.9%

3. Capital adequacy ratio

(millions of yen)

		Fiscal, 2006 Apr. 1, 2006 – Mar. 31, 2007	Fiscal 2005 Apr. 1, 2005 – Mar. 31, 2006
Basic item	(A)	219,365	201,497
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	923	649
	Statutory reserves	2,194	1,847
	Allowance for doubtful accounts	41	173
	Total	(B) 3,159	2,670
Assets excluded from capital	(C)	72,144	60,978
Net capital	(A)+(B)-(C) (D)	150,380	143,188
Risk equivalent	Market risk equivalent	735	829
	Counterparty risk equivalent	8,407	9,075
	Basic risk equivalent	37,952	34,338
	Total	(E) 47,096	44,243
Capital adequacy ratio	(D)/(E)	319.3%	323.6%

Quarterly statements of operations

(millions of yen)

	Fiscal 2005	Fiscal 2006			
	Fourth quarter Jan. 1, 2006 - Mar. 31, 2006	First quarter Apr. 1, 2006 - Jun. 30, 2006	Second quarter Jul. 1, 2006 - Sep. 30, 2006	Third quarter Oct. 1, 2006- Dec. 31, 2006	Fourth quarter Jan. 1, 2007 - Mar.31, 2007
Operating revenues:	81,395	57,152	51,747	58,706	63,042
Commissions:	69,583	46,096	41,178	47,795	50,681
Brokerage commission	28,185	18,812	13,263	15,173	18,697
(Stock and other)	28,116	18,744	13,230	15,129	18,634
Underwriting commission	-	-	-	-	-
Distribution commission	26,456	13,817	13,323	17,991	15,399
(Stock and other)	10,961	1,828	3,988	7,959	2,229
(Bond and other)	2,569	2,009	1,989	2,309	2,140
(Beneficiary certificates)	12,925	9,979	7,345	7,722	11,028
Other commission	14,942	13,466	14,592	14,630	16,584
(Beneficiary certificates)	6,612	7,407	8,039	8,900	9,652
Net gain on trading	10,119	9,264	8,613	9,127	10,318
(Stock and other)	3,068	1,710	1,167	1,341	1,542
(Bond and other)	2,002	2,500	2,030	1,873	2,878
(Forex and other)	5,048	5,054	5,415	5,912	5,897
Interest and dividend income	1,691	1,790	1,955	1,783	2,042
Interest expenses	363	248	317	400	511
Net operating revenue	81,031	56,903	51,430	58,306	62,530
Selling, general and administrative expenses:	41,650	37,391	37,505	39,128	40,644
Commission and other expenses	6,314	5,398	5,282	5,190	5,649
Employees' compensation and benefits	22,650	19,158	18,844	19,009	19,481
Occupancy and rental	4,706	4,655	5,145	6,543	6,779
Data processing and office supplies	4,629	5,109	5,191	4,942	5,061
Depreciation expenses	2,257	2,020	2,169	2,416	2,618
Taxes other than income taxes	486	386	306	304	355
Others	606	661	565	721	698
Operating income	39,381	19,512	13,924	19,178	21,885
Non-operating income	225	114	181	80	86
Non-operating expenses	242	52	180	79	172
Ordinary income	39,364	19,573	13,924	19,178	21,800
Extraordinary gains	-	-	-	-	-
Extraordinary losses	258	99	385	95	844
Income before income taxes and others	39,106	19,474	13,539	19,083	20,955
Income taxes-current	21,885	60	7,110	4,990	12,331
Income taxes-deferred	-5,262	7,206	-1,567	2,993	-3,539
Net income	22,484	12,208	7,995	11,100	12,163
Net financial income included in Net operating revenues	1,328	1,542	1,638	1,383	1,530