

# Daiwa Securities Group Inc.

Code No. 8601

Stock Exchange Listings: Tokyo, Osaka, Nagoya

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

July 26, 2007

## Consolidated financial summary

(For the first quarter ended June 30, 2007)

### 1. Consolidated financial result (from April 1, 2007 to June 30, 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	
First quarter (2007/6)	253,982	22.3%	144,068	18.0%	50,449	16.9%	54,092	19.1%
First quarter (2006/6)	207,638	53.3%	122,090	33.8%	43,148	101.6%	45,416	90.8%
Fiscal 2006 (2007/3)	917,307		526,764		186,391		195,415	

	Net income		Earnings/share		Fully diluted earnings/share		Return on equity (Annual basis)	
First quarter (2007/6)	27,335	18.2%	19.58	Yen	19.54	Yen	11.7	%
First quarter (2006/6)	23,118	98.7%	17.47	Yen	16.59	Yen	11.8	%
Fiscal 2006 (2007/3)	92,724		67.90	Yen	66.07	Yen	10.8	%

#### (2) Consolidated financial conditions

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio		Net assets/share	
As of Jun. 30, 2007	15,062,647	1,231,638	6.2	%	674.26	Yen
As of Jun. 30, 2006	14,746,974	1,041,568	5.3	%	585.14	Yen
As of Mar. 31, 2007	14,411,265	1,223,225	6.5	%	665.98	Yen

Representative: Shigeharu Suzuki, President

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**2. 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.

**3. Other information**

(1) Reclassification of significant subsidiaries during the period (Reclassification due to change in scope of consolidation): None

(2) Adoption of the concise accounting policies: None

(3) Change in the accounting policies from the fiscal year ended March 31, 2007: Yes

(Note) Please see "Qualitative Information and Financial Statements - Other information" on page 5 for details

(Reference)

**Non-consolidated financial result (from April 1, 2007 to June 30, 2007)**

(1) Non-consolidated operating results

(Millions of yen except per share data and percentage)

	Operating revenues		Operating income		Ordinary income	
First quarter (2007/6)	53,208	-29.0%	48,953	-32.1%	50,402	-31.0%
First quarter (2006/6)	74,904	227.9%	72,054	263.0%	73,052	249.9%
Fiscal 2006 (2007/3)	78,806		65,343		69,415	

	Net income		Earnings/share	
First quarter (2007/6)	50,545	-30.7%	36.21	Yen
First quarter (2006/6)	72,978	248.5%	55.15	Yen
Fiscal 2006 (2007/3)	74,874		54.83	Yen

(2) Non-consolidated financial conditions

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio	Net assets/share
As of Jun. 30, 2007	1,306,077	752,303	57.6 %	538.53 Yen
As of Jun. 30, 2006	1,351,645	651,421	48.2 %	492.30 Yen
As of Mar. 31, 2007	1,279,636	724,072	56.5 %	518.36 Yen

## [ Qualitative Information and Financial Statements ]

**Consolidated operating results for the first quarter of fiscal 2007**

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

Net operating revenues increased 18.0% to 144,068 million yen mainly because commissions and net gains on trading increased. Selling, general and administrative expenses increased 18.6% to 93,619 million yen. As a result, ordinary income increased 19.1% to 54,092 million yen. Net income increased 18.2% to 27,335 million yen.

## (1) Commissions

## (i) Brokerage commission

Daily average trading value on the Tokyo Stock Exchange increased 8.7% to 3,103.4 billion yen. Market share of personal investors, however, decreased. As a result, brokerage commission decreased 8.7% to 24,274 million yen.

## (ii) Underwriting commission

Underwriting commission increased 11.3% to 7,435 million yen. Underwriting commission derived from bonds greatly increased 53.1% to 3,152 million yen, although underwriting commission derived from equity decreased 4.7% to 4,166 million yen.

## (iii) Distribution commission

Total distribution commission grew 39.5% to 14,822 million yen, because distribution commissions in investment trust increased 34.4% to 13,606 million yen due to excellent sales for investment trust.

## (iv) Other commission

Total other commission increased 39.2% to 33,342 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 increased 32.7% to 46,749 million yen mainly because net gains on trading in equity increased 10.3% to 19,380 million yen and net gains on trading in bond, forex and other also increased 54.9% to 27,368 million yen.

## (3) Financial income

Interest and dividend income increased 27.0% to 105,893 million yen and interest expenses also increased 27.1% to 99,362 million yen. Net financial income increased 24.8% to 6,530 million yen due to an increase in dividend income.

## (4) Selling, general and administrative expenses

Commission and other expenses increased 35.0% to 20,301 million yen due to an increase in trust fee of investment trust. Employees' compensation and benefits increased 10.4% to 44,335 million yen. As a result, selling, general and administrative expenses increased 18.6% to 93,619 million yen.

## 2. Operating results of overseas subsidiaries for the first quarter of fiscal 2007 (3 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
56	586	1,407	2,049

**Consolidated Financial conditions (comparison with March 31, 2007)**

Total assets increased by 651,382 million yen to 15,062,647 million yen, mainly because trading assets increased by 436,889 million yen. Total liabilities increased by 642,968 million yen to 13,831,008 million yen, because collateralized short-term financing agreements increased by 840,476 million yen, while short-term borrowings decreased by 569,865 million yen.

## Information on Group Companies

Daiwa Securities Group Inc. (the 'Company') and its related companies, 47 consolidated subsidiaries and 6 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.

### Investing and financial services business (Parent, 47 consolidated subsidiaries and 6 affiliates applicable of equity method)

**<Holding company>**  
Daiwa Securities Group Inc.

#### <Group Core Business >

##### <Retail>

Daiwa Securities Co.Ltd.

etc.

##### <Asset Management>

Daiwa Asset Management Co. Ltd.

Daiwa SB Investments Ltd.

etc.

##### <Wholesale>

Daiwa Securities SMBC Co. Ltd.

Daiwa Securities SMBC Europe Limited

Daiwa Securities SMBC Asia Holding B.V.

Daiwa Securities SMBC H.K. Limited

Daiwa Securities SMBC Singapore Limited

Daiwa America Corporation

Daiwa Securities America Inc.

etc.

##### <Investment>

Daiwa Securities SMBC Principal Investments Co. Ltd.

NIF SMBC Ventures Co., Ltd.

etc.

#### <Group Support Business>

##### <Research, System Development and Consulting>

Daiwa Institute of Research Ltd.

##### <Securities Business Administration, Branch Office Administration, etc.>

Daiwa Securities Business Center Co., Ltd.

Daiwa Property Co., Ltd.

etc.

## Other information

### **Change in the accounting policies from the fiscal year ended March 31,2007**

(Change in the depreciation method of tangible fixed assets)

According to 2007 tax reform, the Company and domestic consolidated subsidiaries changed depreciation method. Under the new depreciation method, the Company and domestic consolidated subsidiaries depreciate property and equipment purchased on or after April 1, 2007 over their useful lives until the book value is 1 yen and adopt the new depreciation rate for such assets.

For property and equipment purchased before April 1, 2007, depreciation is computed by the former depreciation method, i.e. property and equipment is depreciated until depreciable limit. However, after such assets have been depreciated to the depreciable limit, the remaining value is amortized over five years in pro rata from the following fiscal year until its book value is reduced to 1 yen. The effect on the consolidated financial statements was immaterial.

Consolidated balance sheets

(millions of yen)	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<b>Assets</b>				
<b>Current assets:</b>	<b>14,518,659</b>	<b>14,255,499</b>	<b>263,160</b>	<b>13,891,106</b>
Cash and deposits	379,447	407,214	-27,767	365,310
Cash segregated as deposits for regulatory purposes	265,875	201,540	64,335	256,434
Notes receivable and trade accounts receivable	14,546	11,431	3,115	15,661
Securities	39,512	18,415	21,096	44,202
Trading assets:	5,519,108	6,049,971	-530,863	5,082,219
Trading securities and others	4,419,382	4,667,161	-247,778	4,228,894
Derivative assets	1,099,726	1,382,810	-283,084	853,324
Trading receivables, net	222,147	-	222,147	-
Private equity and other securities	454,257	366,639	87,617	448,964
Less: Allowance for possible investment losses	-9,061	-8,663	-398	-8,787
Other inventories	2,752	3,331	-579	2,766
Receivables related to margin transactions:	594,551	564,389	30,162	575,457
Customer margin loans	340,643	354,045	-13,402	339,104
Cash deposits as collateral for securities borrowed	253,908	210,343	43,565	236,353
Collateralized short-term financing agreements:	6,711,995	6,345,424	366,570	6,814,612
Cash deposits as collateral for securities borrowed	6,711,728	6,345,303	366,425	6,814,603
Receivables related to gensaki transactions	266	121	145	8
Receivables	10,425	16,934	-6,508	10,038
Short-term loans receivable	148,244	99,939	48,305	145,391
Accrued income	42,092	34,486	7,606	40,602
Deferred tax assets-current	8,293	11,355	-3,061	12,471
Other current assets	114,606	133,347	-18,740	85,901
Less: Allowance for doubtful accounts-current	-136	-258	121	-140
<b>Non-current assets:</b>	<b>543,987</b>	<b>491,475</b>	<b>52,512</b>	<b>520,158</b>
Tangible fixed assets	134,369	125,973	8,396	134,536
Intangible fixed assets	85,691	72,136	13,555	81,315
Investments and others:	323,925	293,365	30,560	304,307
Investment securities	254,072	233,309	20,762	234,102
Long-term loans receivable	11,587	11,578	9	11,491
Long-term guarantee deposits	23,699	23,871	-172	23,729
Deferred tax assets-non-current	13,543	8,024	5,519	13,208
Other investments	22,276	18,428	3,848	23,373
Less: Allowance for doubtful accounts-non-current	-1,253	-1,846	593	-1,599
<b>Total assets</b>	<b>15,062,647</b>	<b>14,746,974</b>	<b>315,672</b>	<b>14,411,265</b>

(millions of yen)	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<b>Liabilities</b>				
<b>Current liabilities:</b>	<b>12,598,890</b>	<b>12,567,431</b>	<b>31,459</b>	<b>11,939,922</b>
Notes payable and trade accounts payable	4,213	4,696	-483	6,292
Trading liabilities:	4,556,463	4,868,352	-311,888	4,105,362
Trading securities and others	3,561,275	3,685,908	-124,633	3,417,833
Derivative liabilities	995,188	1,182,444	-187,255	687,528
Trading payables, net	-	389,069	-389,069	67,771
Payables related to margin transactions:	232,640	218,979	13,660	233,352
Payable to securities finance companies	15,085	5,768	9,316	14,446
Proceeds of securities sold for customers' accounts	217,554	213,210	4,344	218,906
Collateralized short-term financing agreements:	5,999,577	4,786,962	1,212,614	5,159,100
Cash deposits as collateral for securities loaned	5,751,591	4,616,577	1,135,014	5,000,747
Payables related to gensaki transactions	247,985	170,385	77,600	158,352
Deposits received	214,793	178,911	35,881	148,173
Cash deposits received as guarantee	117,065	106,750	10,315	100,494
Short-term borrowings	1,074,551	1,482,819	-408,268	1,644,417
Commercial paper	208,859	286,310	-77,450	302,391
Bonds and notes due within one year	37,048	113,433	-76,384	27,912
Income taxes payable	10,624	6,075	4,549	12,550
Deferred tax liabilities-current	10,327	1,597	8,730	9,287
Accrued bonuses	14,367	12,700	1,667	31,200
Other current liabilities	118,357	110,771	7,585	91,615
<b>Non-current liabilities:</b>	<b>1,224,228</b>	<b>1,130,842</b>	<b>93,385</b>	<b>1,240,220</b>
Bonds and notes	1,000,920	915,162	85,757	1,018,873
Long-term debt	169,145	160,879	8,265	165,895
Deferred tax liabilities-non-current	23,280	31,619	-8,338	24,002
Retirement benefits	22,597	19,991	2,605	22,590
Provision for relocation costs of headquarter office	3,757	-	3,757	3,757
Provision for litigation losses	637	-	637	623
Other non-current liabilities	3,890	3,189	700	4,478
<b>Statutory reserves</b>	<b>7,889</b>	<b>7,132</b>	<b>756</b>	<b>7,896</b>
<b>Total liabilities</b>	<b>13,831,008</b>	<b>13,705,406</b>	<b>125,601</b>	<b>13,188,039</b>
<b>Net assets</b>				
<b>Owners' equity</b>	<b>849,685</b>	<b>713,138</b>	<b>136,547</b>	<b>844,854</b>
Common stock	178,324	139,951	38,372	178,324
Capital surplus	157,678	119,455	38,222	157,678
Retained earnings	525,278	468,441	56,837	520,474
Treasury stock	-11,603	-14,710	3,107	-11,628
Paid-in money for treasury stock	6	-	6	4
<b>Valuation and translation adjustments</b>	<b>91,424</b>	<b>61,112</b>	<b>30,311</b>	<b>84,671</b>
Net unrealized gain (loss) on securities, net of tax effect	75,655	59,676	15,979	75,657
Deferred gain (loss) on hedges	254	-3	257	467
Translation adjustments	15,513	1,439	14,074	8,546
<b>Stock subscription rights</b>	<b>682</b>	<b>-</b>	<b>682</b>	<b>610</b>
<b>Minority interests</b>	<b>289,846</b>	<b>267,316</b>	<b>22,529</b>	<b>293,088</b>
<b>Total net assets</b>	<b>1,231,638</b>	<b>1,041,568</b>	<b>190,070</b>	<b>1,223,225</b>
<b>Total liabilities and net assets</b>	<b>15,062,647</b>	<b>14,746,974</b>	<b>315,672</b>	<b>14,411,265</b>

Consolidated statements of operations

(millions of yen)	First quarter Apr. 1, 2007 - Jun. 30, 2007	First quarter Apr. 1, 2006 - Jun. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007-
<b>Operating revenues:</b>	<b>253,982</b>	<b>207,638</b>	<b>22.3</b>	<b>917,307</b>
Commissions	79,875	67,858	17.7	306,736
Net gain (loss) on trading	46,749	35,234	32.7	157,332
Net gain (loss) on private equity and other securities	7,996	11,602	-31.1	32,818
Interest and dividend income	105,893	83,400	27.0	373,452
Other sales revenues	13,468	9,542	41.1	46,967
<b>Interest expenses</b>	<b>99,362</b>	<b>78,166</b>	<b>27.1</b>	<b>354,245</b>
<b>Cost of sales</b>	<b>10,551</b>	<b>7,381</b>	<b>43.0</b>	<b>36,298</b>
<b>Net operating revenues</b>	<b>144,068</b>	<b>122,090</b>	<b>18.0</b>	<b>526,764</b>
<b>Selling, general and administrative expenses:</b>	<b>93,619</b>	<b>78,942</b>	<b>18.6</b>	<b>340,372</b>
Commission and other expenses	20,301	15,037	35.0	71,438
Employees' compensation and benefits	44,335	40,143	10.4	163,379
Occupancy and rental	8,958	7,868	13.9	38,846
Data processing and office supplies	6,855	5,761	19.0	23,020
Depreciation expenses	6,368	5,364	18.7	23,117
Taxes other than income taxes	2,102	1,856	13.3	8,264
Others	4,698	2,911	61.4	12,306
<b>Operating income</b>	<b>50,449</b>	<b>43,148</b>	<b>16.9</b>	<b>186,391</b>
Non-operating income:	4,129	3,223	28.1	10,937
Equity in earnings	419	330	27.2	1,424
Others	3,709	2,893	28.2	9,513
Non-operating expenses	486	955	-49.1	1,913
<b>Ordinary income</b>	<b>54,092</b>	<b>45,416</b>	<b>19.1</b>	<b>195,415</b>
Extraordinary gains	793	834	-5.0	3,601
Extraordinary losses	213	107	97.4	13,093
<b>Income before income taxes and minority interests</b>	<b>54,672</b>	<b>46,143</b>	<b>18.5</b>	<b>185,922</b>
<b>Income taxes-current</b>	<b>16,524</b>	<b>6,241</b>	<b>164.8</b>	<b>65,794</b>
<b>Income taxes-deferred</b>	<b>4,527</b>	<b>11,435</b>	<b>-60.4</b>	<b>3,657</b>
<b>Minority interests</b>	<b>-6,285</b>	<b>-5,347</b>	<b>-</b>	<b>-23,746</b>
<b>Net income</b>	<b>27,335</b>	<b>23,118</b>	<b>18.2</b>	<b>92,724</b>
<b>Net financial income included in net operating revenues</b>	<b>6,530</b>	<b>5,233</b>	<b>24.8</b>	<b>19,207</b>

**Notes to consolidated financial statements for the first quarter ended June 30, 2007**

The consolidated financial statements of the Company for the first quarter ended June 30, 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 Interim Consolidated Financial Statements' (Ministry of Finance Ordinance No. 24, 1999) and its Article 48 and 69.

**Basis of consolidated financial statements for the first quarter ended June 30, 2007**

## 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.  
 Daiwa Securities Business Center Co., Ltd.  
 Daiwa Property Co., Ltd.  
 NIF SMBC Ventures Co., Ltd.  
 Daiwa Securities SMBC Principal Investments Co. Ltd.  
 Daiwa America Corporation  
 Daiwa Securities America Inc.  
 Daiwa Securities SMBC Europe Limited  
 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 first quarter ended June 30, 2007, one company was added to scope of consolidation due to the increase of materiality. 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: 6 companies

*Major company:*

Daiwa SB Investments Ltd.

Two companies were added to the scope of equity method due to capital investment. 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 equity method. For affiliates applicable of equity method with the first quarter ending other than June 30, 2007, one company prepared tentative financial statements for consolidation purpose as of June 30, 2007, and other companies prepared financial statements for the relevant first quarter, and those were reflected.

## 3. Fiscal period of subsidiaries

For subsidiaries with the first quarter ending other than June 30, 2007, the financial statements for the relevant first 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 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

Tangible 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.

(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 of employees and directors represent liabilities estimated as of the balance sheets date.

(iv) Retirement benefits

The Company and most of domestic consolidated subsidiaries provide an unfunded retirement benefit 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. Benefits of the 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 relocation costs of headquarter office

Estimated amount of expenses is accrued to relocate headquarter office

(vi) 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.

## Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

As of Jun. 30, 2007	As of Jun. 30, 2006	As of Mar. 31, 2007
113,848 million yen	107,735 million yen	111,054 million yen

2. Guarantee

As of Jun. 30, 2007	As of Jun. 30, 2006	As of Mar. 31, 2007
1,867 million yen	2,316 million yen	1,683 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 Jun. 30, 2007	As of Jun. 30, 2006	As of Mar. 31, 2007
- million yen	62,000 million yen	42,000 million yen

Long-term borrowings

As of Jun. 30, 2007	As of Jun. 30, 2006	As of Mar. 31, 2007
70,000 million yen	60,000 million yen	60,000 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 7,693 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>First quarter</u> Apr. 1, 2007- Jun. 30, 2007	<u>First quarter</u> Apr. 1, 2006- Jun. 30, 2006	<u>Fiscal 2006</u> Apr. 1, 2006- Mar. 31, 2007
<b>Extraordinary gains:</b>			
Gain on sale of related companies' stocks	-	131	147
Gain on sale of investment securities	785	703	3,453
Reversal of Reserve for securities transaction liabilities	7	-	-
<b>Extraordinary losses:</b>			
Write-down of related companies' stocks	-	-	200
Write-down of investment securities	213	-	535
Write-down of fixed assets	-	-	1,510
Loss on sale or disposal of fixed assets	-	-	1,395
Loss on impairment of fixed assets	-	-	2,974
Loss on sale of investment securities	-	-	363
Provision for litigation losses	-	-	550
Allowance for doubtful accounts	-	-	316
Relocation costs of headquarter office	-	-	4,680
Provision for securities transaction liabilities	-	107	566

**Supplemental information for the first quarter of fiscal 2007****1. Breakdown of commissions**

First quarter ended June 30, 2007 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	24,034	168	71	-	-	24,274
Underwriting commission	-	-	-	7,435	-	7,435
Stock and other	-	-	-	4,166	-	4,166
Bond and other	-	-	-	3,152	-	3,152
Distribution commission	-	-	13,606	1,215	-	14,822
Other commission	493	393	23,502	2,725	6,227	33,342
Agency commission	-	393	11,382	-	-	11,775
<b>Total</b>	<b>24,528</b>	<b>562</b>	<b>37,181</b>	<b>11,376</b>	<b>6,227</b>	<b>79,875</b>

First quarter ended June 30, 2006 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	26,269	224	100	-	-	26,593
Underwriting commission	-	-	-	6,678	-	6,678
Stock and other	-	-	-	4,370	-	4,370
Bond and other	-	-	-	2,059	-	2,059
Distribution commission	-	-	10,126	497	-	10,624
Other commission	594	520	14,540	2,264	6,042	23,961
Agency commission	-	519	7,778	-	-	8,298
<b>Total</b>	<b>26,863</b>	<b>744</b>	<b>24,766</b>	<b>9,440</b>	<b>6,042</b>	<b>67,858</b>

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

(percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	-8.5	-24.9	-28.4	-	-	-8.7
Underwriting commission	-	-	-	11.3	-	11.3
Stock and other	-	-	-	-4.7	-	-4.7
Bond and other	-	-	-	53.1	-	53.1
Distribution commission	-	-	34.4	144.2	-	39.5
Other commission	-17.0	-24.3	61.6	20.4	3.1	39.2
Agency commission	-	-24.3	46.3	-	-	41.9
<b>Total</b>	<b>-8.7</b>	<b>-24.5</b>	<b>50.1</b>	<b>20.5</b>	<b>3.1</b>	<b>17.7</b>

Fiscal year ended March 31, 2007

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	97,061	693	317	-	-	98,072
Underwriting commission	-	-	-	54,068	-	54,068
Stock and other	-	-	-	43,510	-	43,510
Bond and other	-	-	-	9,406	-	9,406
Distribution commission	-	-	37,210	1,309	-	38,520
Other commission	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>

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

(millions of yen)	First quarter Apr. 1, 2007- Jun. 30, 2007	First quarter Apr. 1, 2006- Jun. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006- Mar. 31, 2007
Stock and other	19,380	17,563	10.3	31,288
Bond, forex and other	27,368	17,671	54.9	126,044
Bond and other	-22,129	-1,821	-	48,693
Forex and other	49,498	19,492	153.9	77,351
<b>Total</b>	<b>46,749</b>	<b>35,234</b>	<b>32.7</b>	<b>157,332</b>

**Quarterly consolidated statements of operations**

(millions of yen)	1st quarter Apr.1, 2006- Jun. 30, 2006	2nd quarter Jul. 1, 2006- Sep. 30, 2006	3rd quarter Oct. 1, 2006- Dec. 31, 2006	4th quarter Jan. 1, 2007- Mar. 31, 2007	1st quarter Apr. 1, 2007- Jun. 30, 2007
<b>Operating revenues</b>	<b>207,638</b>	<b>211,752</b>	<b>242,778</b>	<b>255,138</b>	<b>253,982</b>
Commissions	67,858	67,110	90,278	81,489	79,875
Brokerage commission	26,593	19,534	23,621	28,323	24,274
(Stock and other)	26,269	19,335	23,416	28,040	24,034
(Bond and other)	224	141	143	185	168
Underwriting commission	6,678	12,559	25,093	9,737	7,435
(Stock and other)	4,370	10,181	22,301	6,657	4,166
(Bond and other)	2,059	1,869	2,619	2,858	3,152
Distribution commission	10,624	7,846	8,380	11,668	14,822
(Beneficiary certificates)	10,126	7,576	8,161	11,345	13,606
Other commission	23,961	27,170	33,182	31,760	33,342
(Beneficiary certificates)	14,485	16,012	18,155	20,498	23,431
Net gain (loss) on trading	35,234	37,833	37,219	47,044	46,749
(Stock and other)	17,563	-5,336	10,902	8,159	19,380
(Bond and other)	-1,821	27,188	1,154	22,171	-22,129
(Forex and other)	19,492	15,982	25,162	16,713	49,498
Net gain (loss) on private equity and other securities	11,602	7,058	6,159	7,997	7,996
Interest and dividend income	83,400	88,361	98,432	103,258	105,893
Other sales revenues	9,542	11,388	10,688	15,348	13,468
<b>Interest expenses</b>	<b>78,166</b>	<b>83,870</b>	<b>92,834</b>	<b>99,373</b>	<b>99,362</b>
<b>Cost of sales</b>	<b>7,381</b>	<b>8,629</b>	<b>8,024</b>	<b>12,263</b>	<b>10,551</b>
<b>Net operating revenues</b>	<b>122,090</b>	<b>119,252</b>	<b>141,919</b>	<b>143,501</b>	<b>144,068</b>
<b>Selling, general and administrative expenses:</b>	<b>78,942</b>	<b>82,580</b>	<b>87,968</b>	<b>90,882</b>	<b>93,619</b>
Commission and other expenses	15,037	18,080	17,954	20,367	20,301
Employees' compensation and benefits	40,143	39,364	41,811	42,059	44,335
Occupancy and rental	7,868	9,187	10,756	11,033	8,958
Data processing and office supplies	5,761	5,364	5,626	6,268	6,855
Depreciation expenses	5,364	5,642	5,910	6,199	6,368
Taxes other than income taxes	1,856	2,016	2,375	2,016	2,102
Others	2,911	2,923	3,533	2,937	4,698
<b>Operating income</b>	<b>43,148</b>	<b>36,672</b>	<b>53,950</b>	<b>52,618</b>	<b>50,449</b>
Non-operating income	3,223	4,622	2,091	999	4,129
Non-operating expenses	955	261	112	583	486
<b>Ordinary income</b>	<b>45,416</b>	<b>41,034</b>	<b>55,929</b>	<b>53,034</b>	<b>54,092</b>
Extraordinary gains	834	1,081	480	1,204	793
Extraordinary losses	107	2,050	558	10,377	213
<b>Income before income taxes and minority interests</b>	<b>46,143</b>	<b>40,065</b>	<b>55,850</b>	<b>43,862</b>	<b>54,672</b>
<b>Income taxes-current</b>	<b>6,241</b>	<b>18,980</b>	<b>13,282</b>	<b>27,290</b>	<b>16,524</b>
<b>Income taxes-deferred</b>	<b>11,435</b>	<b>606</b>	<b>8,010</b>	<b>-16,396</b>	<b>4,527</b>
<b>Minority interests</b>	<b>-5,347</b>	<b>-3,470</b>	<b>-7,803</b>	<b>-7,125</b>	<b>-6,285</b>
<b>Net income</b>	<b>23,118</b>	<b>17,008</b>	<b>26,754</b>	<b>25,842</b>	<b>27,335</b>
<b>Net financial income included in net operating revenues</b>	<b>5,233</b>	<b>4,491</b>	<b>5,597</b>	<b>3,884</b>	<b>6,530</b>

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

(millions of yen)	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<i>Assets</i>				
<b>Current assets:</b>	<b>320,270</b>	<b>382,651</b>	<b>-62,380</b>	<b>312,519</b>
Cash and deposits	107,698	160,086	-52,387	92,768
Securities	14,724	4,469	10,254	13,088
Short-term loans receivable	180,693	155,349	25,344	177,550
Account receivable	9,444	44,667	-35,222	26,100
Accrued income	1,224	922	301	1,327
Deferred tax assets-current	-	343	-343	-
Other current assets	6,484	16,811	-10,326	1,683
<b>Non-current assets:</b>	<b>985,806</b>	<b>968,994</b>	<b>16,812</b>	<b>967,117</b>
Tangible fixed assets	45,104	9,996	35,107	45,397
Intangible fixed assets	865	849	16	877
Investments and others:	939,836	958,148	-18,311	920,842
Investment securities	805,511	753,093	52,418	786,653
Long-term loans receivable	113,400	182,376	-68,976	113,400
Long-term guarantee deposits	11,398	13,220	-1,822	11,364
Others	9,945	9,899	45	9,843
Less: Allowance for doubtful accounts	-419	-441	22	-419
<b>Total assets</b>	<b>1,306,077</b>	<b>1,351,645</b>	<b>-45,568</b>	<b>1,279,636</b>

(millions of yen)	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<i>Liabilities</i>				
<b>Current liabilities:</b>	<b>190,937</b>	<b>322,836</b>	<b>-131,898</b>	<b>183,015</b>
Short-term borrowings	103,345	124,035	-20,690	91,345
Commercial paper	-	20,000	-20,000	-
Bonds and notes due within one year	-	76,947	-76,947	-
Collateralized short-term financing agreements	80,714	94,811	-14,096	80,676
Income taxes payable	414	77	336	6,963
Deferred tax liabilities-current	141	-	141	54
Accrued bonuses	441	349	91	1,021
Other current liabilities	5,881	6,615	-733	2,955
<b>Non-current liabilities:</b>	<b>362,835</b>	<b>377,387</b>	<b>-14,551</b>	<b>372,549</b>
Bonds and notes	291,400	287,400	4,000	291,400
Long-term debt	39,000	49,000	-10,000	49,000
Long-term cash deposits received as guarantee	2,888	3,593	-705	2,829
Deferred tax liabilities-non-current	25,747	32,911	-7,164	25,986
Retirement benefits	1,656	2,285	-629	1,684
Provision for litigation losses	253	-	253	211
Other non-current liabilities	1,890	2,196	-306	1,436
<b>Total liabilities</b>	<b>553,773</b>	<b>700,223</b>	<b>-146,449</b>	<b>555,564</b>
<i>Net assets</i>				
<b>Owners' equity</b>	<b>694,557</b>	<b>602,744</b>	<b>91,813</b>	<b>666,343</b>
Common stock	178,324	139,951	38,372	178,324
Capital surplus	157,678	119,455	38,222	157,678
Retained earning	370,150	358,046	12,103	341,963
Treasury stock	-11,602	-14,710	3,107	-11,627
Paid-in money for treasury stock	6	-	6	4
<b>Valuation and translation adjustments</b>	<b>57,111</b>	<b>48,677</b>	<b>8,433</b>	<b>57,161</b>
Net unrealized gain (loss) on securities, net of tax effect	56,987	48,681	8,306	56,740
Deferred gain (loss) on hedges	124	-3	127	421
<b>Stock subscription rights</b>	<b>634</b>	<b>-</b>	<b>634</b>	<b>567</b>
<b>Total net assets</b>	<b>752,303</b>	<b>651,421</b>	<b>100,881</b>	<b>724,072</b>
<b>Total liabilities and net assets</b>	<b>1,306,077</b>	<b>1,351,645</b>	<b>-45,568</b>	<b>1,279,636</b>

**Statements of operations**

(millions of yen)	First quarter Apr. 1, 2007 - Jun. 30, 2007	First quarter Apr. 1, 2006 - Jun. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
<b>Operating revenues:</b>	<b>53,208</b>	<b>74,904</b>	<b>-29.0</b>	<b>78,806</b>
Dividends from related companies	51,528	73,894	-30.3	73,920
Interest on loans to related companies	1,046	936	11.8	4,098
Other	633	73	758.2	786
<b>Operating expenses:</b>	<b>4,255</b>	<b>2,850</b>	<b>49.3</b>	<b>13,462</b>
Selling, general and administrative expenses:	2,988	1,984	50.6	9,494
Commission and other expenses	521	424	22.8	1,631
Employees' compensation and benefits	1,092	777	40.5	3,675
Occupancy and rental	89	104	-13.9	521
Data processing and office supplies	227	244	-6.7	1,270
Depreciation expenses	349	76	359.2	571
Others	707	357	98.1	1,823
Interest expenses	1,266	866	46.2	3,968
<b>Operating income</b>	<b>48,953</b>	<b>72,054</b>	<b>-32.1</b>	<b>65,343</b>
Non-operating income	1,581	1,546	2.3	4,421
Non-operating expenses	132	547	-75.8	349
<b>Ordinary income</b>	<b>50,402</b>	<b>73,052</b>	<b>-31.0</b>	<b>69,415</b>
Extraordinary gains	242	131	83.8	7,390
Extraordinary losses	177	-	-	2,245
<b>Income before income taxes</b>	<b>50,467</b>	<b>73,184</b>	<b>-31.0</b>	<b>74,561</b>
<b>Income taxes-current</b>	<b>-81</b>	<b>2</b>	<b>-</b>	<b>-955</b>
<b>Income taxes-deferred</b>	<b>2</b>	<b>203</b>	<b>-98.6</b>	<b>642</b>
<b>Net income</b>	<b>50,545</b>	<b>72,978</b>	<b>-30.7</b>	<b>74,874</b>