

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

July 26, 2007

Non-consolidated financial summary

(For the fiscal year ended June 30, 2007)

1. Financial result (from April 1, 2007 to June 30, 2007)**(1) 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	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
First quarter 2007 (2007/6)	64,456	12.8%	63,863	12.2%	21,882	12.1%
First quarter 2006 (2006/6)	57,152	31.6%	56,903	31.4%	19,512	119.9%
Fiscal 2006	230,649		229,171		74,500	

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)
First quarter 2007 (2007/6)	21,999	12.4%	12,803	4.9%	21.4%
First quarter 2006 (2006/6)	19,573	119.3%	12,208	138.0%	21.1%
Fiscal 2006	74,477		43,468		17.6%

(2) Financial conditions

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen		
First quarter 2007 (2007/6)	774,460	232,936	30.1%	350.9%
First quarter 2006 (2006/6)	741,171	214,302	28.9%	328.6%
Fiscal 2006	782,594	245,888	31.4%	319.3%

2. Other information

1. Adoption of the concise accounting policies: none
2. Change in accounting policies from the fiscal year ended March 31, 2007: yes

Representative: Shigeharu Suzuki, President

Contact: Tetsuya Kawaguchi, General Manager, Finance Department

Parent Company: Daiwa Securities Group Inc. (Securities code: 8601), 100% share holder

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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>				
Current assets:	699,862	678,518	21,344	710,255
Cash and deposits	97,890	79,418	18,472	114,194
Cash segregated as deposits for regulatory purposes	189,613	162,500	27,113	183,982
Trading assets:	37,947	38,136	-188	38,506
Trading securities and others	36,517	36,996	-479	37,402
Derivative assets	1,430	1,139	291	1,103
Trading receivables, net	2,195	1,658	536	2,036
Receivables related to margin transactions:	325,490	349,148	-23,658	323,213
Customer margin loans	323,230	348,559	-25,329	320,476
Cash deposits as collateral for securities borrowed	2,259	589	1,670	2,737
Collateralized short-term financing agreements:	12,652	6,331	6,320	9,133
Cash deposits as collateral for securities borrowed	12,652	6,331	6,320	9,133
Receivables	9,047	16,644	-7,597	9,496
Short-term guarantee money deposited	4,345	4,938	-593	5,764
Short-term loans receivable	1,110	1,117	-6	1,289
Accrued income	14,206	11,916	2,290	14,413
Deferred tax assets-current	3,627	4,698	-1,070	5,861
Other current assets	1,777	2,179	-402	2,403
Less: Allowance for doubtful accounts-current	-41	-169	127	-41
Non-current assets:	74,598	62,653	11,945	72,338
Tangible fixed assets	7,611	3,924	3,686	7,632
Intangible fixed assets	36,963	29,664	7,299	34,990
Investments and others:	30,022	29,064	958	29,715
Investment securities	2,682	1,797	885	2,944
Long-term loans receivable	4,874	4,874	—	4,874
Long-term guarantee deposits	15,420	16,923	-1,502	15,518
Deferred tax assets-non-current	5,901	4,581	1,320	5,308
Other investments	3,553	1,983	1,570	2,594
Less: Allowance for doubtful accounts-non-current	-2,409	-1,094	-1,314	-1,523
Total assets	774,460	741,171	33,289	782,594

(millions of yen)

	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<i>Liabilities</i>				
Current liabilities:	481,832	469,130	12,701	479,106
Trading liabilities:	1,251	989	262	608
Trading securities and others	198	30	167	48
Derivative liabilities	1,053	958	94	560
Payables related to margin transactions:	24,114	14,443	9,671	22,628
Payable to securities finance companies	4,847	5,768	-920	5,116
Proceeds of securities sold for customers' accounts	19,266	8,674	10,591	17,512
Deposits received	154,839	130,915	23,923	108,070
Cash deposits received as guarantee	79,239	89,426	-10,187	75,825
Short-term borrowings	145,200	111,200	34,000	160,200
Short-term borrowings from parent company	50,000	51,000	-1,000	70,000
Commercial Paper	—	20,000	-20,000	—
Account payable	8,808	36,863	-28,054	19,551
Accrued expenses	6,796	5,613	1,183	6,974
Income taxes payable	2,677	606	2,071	657
Accrued bonuses	6,800	6,100	700	12,800
Other current liabilities	2,103	1,972	130	1,789
Non-current liabilities:	57,498	55,792	1,706	55,404
Long-term debt	31,000	31,000	—	29,000
Long-term debt from parent company	16,000	16,000	—	16,000
Accrued retirement benefits	9,714	8,599	1,115	9,579
Provision for litigation losses	384	—	384	411
Other non-current liabilities	399	193	206	413
Statutory reserves:	2,193	1,946	246	2,194
Reserve for securities transaction liabilities	2,193	1,946	246	2,194
Total liabilities	541,524	526,869	14,654	536,705
<i>Net assets</i>				
Owners' equity:	232,168	213,705	18,463	244,965
Common stock	100,000	100,000	—	100,000
Capital surplus:	50,010	50,010	—	50,010
Additional paid-in capital	50,010	50,010	—	50,010
Retained earnings:	82,158	63,695	18,463	94,955
Earned surplus reserve	2,430	2,430	—	2,430
Other retained surplus:	79,728	61,265	18,463	92,525
Reserve for special depreciation	17	67	-50	23
Unappropriated retained earnings	79,711	61,197	18,513	92,501
Valuation and translation adjustments:	767	597	170	923
Net unrealized gain (loss) on securities, net of tax effect	767	597	170	923
Total net assets	232,936	214,302	18,634	245,888
Total liabilities and net assets	774,460	741,171	33,289	782,594

Statements of operations

(millions of yen)

	First quarter Apr. 1, 2007 - Jun. 30, 2007	First quarter Apr. 1, 2006 - Jun. 30, 2006	Yr/yr changes (%)	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
Operating revenues:	64,456	57,152	12.8	230,649
Commissions	50,381	46,096	9.3	185,751
Net gain (loss) on trading	11,818	9,264	27.6	37,324
Interest and dividend income	2,256	1,790	26.0	7,573
Interest expenses	593	248	138.9	1,478
Net operating revenues	63,863	56,903	12.2	229,171
Selling, general and administrative expenses:	41,981	37,391	12.3	154,670
Commission and other expenses	6,053	5,398	12.1	21,520
Employees' compensation and benefits	20,883	19,158	9.0	76,493
Occupancy and rental	4,853	4,655	4.2	23,124
Data processing and office supplies	5,301	5,109	3.8	20,304
Depreciation expenses	2,579	2,020	27.7	9,225
Taxes other than income taxes	458	386	18.6	1,353
Others	1,850	661	179.6	2,647
Operating income	21,882	19,512	12.1	74,500
Non-operating income	156	114	36.7	462
Non-operating expenses	39	52	-25.2	485
Ordinary income	21,999	19,573	12.4	74,477
Extraordinary gains	1	—	—	—
Extraordinary losses	—	99	—	1,424
Income before income taxes and others	22,001	19,474	13.0	73,052
Income taxes-current	7,450	60	—	24,492
Income taxes-deferred	1,747	7,206	-75.8	5,092
Net income	12,803	12,208	4.9	43,468
Net financial income included in Net operating revenues	1,662	1,542	7.8	6,094

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

The 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 'Interim Regulations of Financial Statements' (Ministry of Finance Ordinance No. 38, 1977) and its Article 38 and 57.

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

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

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

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of June 30, 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 as of June 30, 2007.

Change in the accounting standards 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.

Notes to balance sheets

(millions of yen)

	First quarter, 2007 <u>Jun. 30, 2007</u>	First quarter, 2006 <u>Jun. 30, 2006</u>	Fiscal 2006 <u>Mar. 31, 2007</u>
1. Accumulated depreciation of tangible fixed assets	12,714	11,775	12,232
2. Guarantee	641	606	524

Notes to statements of operations

(millions of yen)

Details of extraordinary gains/losses

	First quarter, 2007 <u>Apr. 1, 2007 - Jun. 30, 2007</u>	First quarter, 2006 <u>Apr. 1, 2006 - Jun. 30, 2006</u>	Fiscal 2006 <u>Apr. 1, 2006 - Mar. 31, 2007</u>
Extraordinary gains			
Reversal of Provision for securities transaction liabilities	1	—	—
Extraordinary losses			
Provision for doubtful accounts	—	—	412
Relocation costs of headquarter office	—	—	354
Provision for securities transaction liabilities	—	99	347
Provision for litigation losses	—	—	309

Supplemental information for the first quarter ended June 30, 2007

(Apr. 1, 2007 - Jun. 30, 2007)

1. Breakdown of commission revenue

(1) Activity (millions of yen)

	First quarter, 2007 <u>Apr. 1, 2007 -</u> <u>Jun. 30, 2007</u>	First quarter, 2006 <u>Apr. 1, 2006 -</u> <u>Jun. 30, 2006</u>	Yr/yr changes	Fiscal, 2006 <u>Apr. 1, 2006 -</u> <u>Mar. 31, 2007</u>
Brokerage commission	15,190	18,812	-19.3%	65,947
Stock and other	15,144	18,744	-19.2%	65,739
Underwriting commission	—	—	—	—
Distribution commission	17,862	13,817	29.3%	60,531
Stock and other	1,616	1,828	-11.6%	16,006
Bond and other	3,050	2,009	51.8%	8,449
Beneficiary certificates	13,195	9,979	32.2%	36,075
Other commission	17,328	13,466	28.7%	59,272
Beneficiary certificates	10,935	7,407	47.6%	34,001
Total	50,381	46,096	9.3%	185,751

(2) Asset class (millions of yen)

	First quarter, 2007 <u>Apr. 1, 2007 -</u> <u>Jun. 30, 2006</u>	First quarter, 2006 <u>Apr. 1, 2006 -</u> <u>Jun. 30, 2006</u>	Yr/yr changes	Fiscal, 2006 <u>Apr. 1, 2006 -</u> <u>Mar. 31, 2007</u>
Stock and other	17,415	21,380	-18.5%	85,614
Bond and other	5,016	3,702	35.5%	18,120
Beneficiary certificates	24,176	17,454	38.5%	70,285
Others	3,773	3,558	6.0%	11,731
Total	50,381	46,096	9.3%	185,751

2. Breakdown of trading gains/losses

(millions of yen)

	First quarter, 2007 <u>Apr. 1, 2007 -</u> <u>Jun. 30, 2007</u>	First quarter, 2006 <u>Apr. 1, 2006 -</u> <u>Jun. 30, 2006</u>	Yr/yr changes	Fiscal, 2006 <u>Apr. 1, 2006 -</u> <u>Mar. 31, 2007</u>
Stock and other	2,184	1,710	27.7%	5,761
Bond, Forex and other	9,633	7,554	27.5%	31,562
Bond and other	3,041	2,500	21.6%	9,283
Forex and other	6,592	5,054	30.4%	22,279
Total	11,818	9,264	27.6%	37,324

3. Capital adequacy ratio

(millions of yen)

		First quarter, 2007 <u>Apr. 1, 2007 -</u> <u>Jun. 30, 2007</u>	First quarter, 2006 <u>Apr. 1, 2006 -</u> <u>Jun. 30, 2006</u>	Fiscal 2006 <u>Apr. 1, 2006 -</u> <u>Mar. 31, 2007</u>
Basic item (A)		232,168	213,705	219,365
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	767	597	923
	Statutory reserve	2,193	1,946	2,194
	Allowance for doubtful accounts	41	169	41
	Total (B)	3,002	2,713	3,159
Assets excluded from capital (C)		74,677	62,902	72,144
Net capital (A)+(B)-(C) (D)		160,493	153,515	150,380
Risk equivalent	Market risk equivalent	667	844	735
	Counterparty risk equivalent	8,358	8,523	8,407
	Basic risk equivalent	36,708	37,348	37,952
	Total (E)	45,735	46,716	47,096
Capital adequacy ratio (D)/(E)		350.9%	328.6%	319.3%

Quarterly statements of operations

(millions of yen)

	Fiscal 2006				Fiscal 2007
	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	First quarter Apr. 1, 2007 - Jun. 30, 2007
Operating revenues	57,152	51,747	58,706	63,042	64,456
Commissions	46,096	41,178	47,795	50,681	50,381
Brokerage commission	18,812	13,263	15,173	18,697	15,190
Stock and other	18,744	13,230	15,129	18,634	15,144
Underwriting commission	-	-	-	-	-
Distribution commission	13,817	13,323	17,991	15,399	17,862
Stock and other	1,828	3,988	7,959	2,229	1,616
Bond and other	2,009	1,989	2,309	2,140	3,050
Beneficiary certificates	9,979	7,345	7,722	11,028	13,195
Other commission	13,466	14,592	14,630	16,584	17,328
Beneficiary certificates	7,407	8,039	8,900	9,652	10,935
Net gain on trading	9,264	8,613	9,127	10,318	11,818
Stock and other	1,710	1,167	1,341	1,542	2,184
Bond and other	2,500	2,030	1,873	2,878	3,041
Forex and other	5,054	5,415	5,912	5,897	6,592
Interest and dividend income	1,790	1,955	1,783	2,042	2,256
Interest expenses	248	317	400	511	593
Net operating revenue	56,903	51,430	58,306	62,530	63,863
Selling, general and administrative expenses:	37,391	37,505	39,128	40,644	41,981
Commission and other expenses	5,398	5,282	5,190	5,649	6,053
Employees' compensation and benefits	19,158	18,844	19,009	19,481	20,883
Occupancy and rental	4,655	5,145	6,543	6,779	4,853
Data processing and office supplies	5,109	5,191	4,942	5,061	5,301
Depreciation expenses	2,020	2,169	2,416	2,618	2,579
Taxes other than income taxes	386	306	304	355	458
Others	661	565	721	698	1,850
Operating income	19,512	13,924	19,178	21,885	21,882
Non-operating income	114	181	80	86	156
Non-operating expenses	52	180	79	172	39
Ordinary income	19,573	13,924	19,178	21,800	21,999
Extraordinary gains	-	-	-	-	1
Extraordinary losses	99	385	95	844	-
Income before income taxes and others	19,474	13,539	19,083	20,955	22,001
Income taxes-current	60	7,110	4,990	12,331	7,450
Income taxes-deferred	7,206	-1,567	2,993	-3,539	1,747
Net income	12,208	7,995	11,100	12,163	12,803
Net financial income included in Net operating revenues	1,542	1,638	1,383	1,530	1,662