

**Daiwa Securities Group Inc.**

Code No. 8601

Stock Exchange Listings: Tokyo, Osaka, Nagoya

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

October 26, 2007

**Consolidated financial summary**

(For the first half ended September 30, 2007)

**1. Consolidated financial result (from April 1, 2007 to September 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	
<b>First half (2007/9)</b>	465,695	11.0%	255,632	5.9%	70,352	-11.9%	75,296	-12.9%
<b>First half (2006/9)</b>	419,391	26.8%	241,343	4.9%	79,821	-0.2%	86,451	3.0%
<b>Fiscal 2006 (2007/3)</b>	917,307		526,764		186,391		195,415	
	Net income		Earnings/share		Fully diluted earnings/share		Return on equity (Annual basis)	
<b>First half (2007/9)</b>	42,074	4.9%	30.25	Yen	30.19	Yen	9.2	%
<b>First half (2006/9)</b>	40,127	-12.4%	30.04	Yen	28.50	Yen	9.7	%
<b>Fiscal 2006 (2007/3)</b>	92,724		67.90	Yen	66.07	Yen	10.8	%

(Note) Equity in earnings

First half (2007/9): 1,209 million yen    First half (2006/9): 578 million yen    Fiscal 2006 (2007/3): 1,424 million yen

**(2) Consolidated financial conditions**

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio		Net assets/share
<b>As of Sep. 30, 2007</b>	16,009,537	1,194,358	5.7	%	661.84Yen
<b>As of Sep. 30, 2006</b>	14,300,872	1,142,402	6.1	%	624.25Yen
<b>As of Mar. 31, 2007</b>	14,411,265	1,223,225	6.5	%	665.98Yen

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

First half (2007/9): 907,597 million yen    First half (2006/9): 870,853 million yen    Fiscal 2006 (2007/3): 929,525 million yen

**(3) Cash flow summary**

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalents
<b>First half (2007/9)</b>	25,293	-72,231	30,400	336,412
<b>First half (2006/9)</b>	725,596	-11,598	-827,096	281,211
<b>Fiscal 2006 (2007/3)</b>	-14,469	-73,288	43,162	352,779

**2. Dividends**

	Dividends per share (yen)		
	First half	Second half	Fiscal
<b>Fiscal 2006</b>	12.00	16.00	28.00
<b>Fiscal 2007 (actual)</b>	12.00	-	Not yet determined
<b>Fiscal 2007 (expected)</b>	-	Not yet determined	

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

**3. Forecasts of consolidated financial 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 forecasts of consolidated operating results, considering the difficulty to forecast the performance.

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**4. Other information**

- (1) Reclassification of significant subsidiaries during the period (Reclassification due to change in scope of consolidation):  
None
- (2) Change in accounting principle, procedure and presentation preparing the consolidated financial statements (noted on changes in "Change in the basis of financial statements for the first half ended September 30, 2007")
- (i) Change due to amendment to accounting standard: None
- (ii) Change due to other than above: Yes  
(Note) Please see "Change in the basis of financial statements for the first half ended September 30, 2007" on page 18 for details
- (3) Number of outstanding shares (common shares)
- (i) Number of outstanding shares including treasury stock  
First half (2007/9): 1,404,664,772 First half (2006/9): 1,404,664,772 Fiscal year (2007/3): 1,404,664,772
- (ii) Number of treasury stock  
First half (2007/9): 33,357,652 First half (2006/9): 9,624,690 Fiscal year (2007/3): 8,946,245  
(Note) Please see "Information on per share" on page 22 regarding number of share for calculation of earnings/share

(Reference)

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

(1) Non-consolidated operating results (Millions of yen except per share data and percentage)

	Operating revenues		Operating income		Ordinary income	
First half (2007/9)	54,958	-27.7%	46,610	-32.8%	47,659	-34.1%
First half (2006/9)	76,039	125.8%	69,362	149.3%	72,343	146.6%
Fiscal 2006 (2007/3)	78,806		65,343		69,415	

	Net income		Earnings/share	
First half (2007/9)	47,176	-38.5%	33.92	Yen
First half (2006/9)	76,719	115.7%	57.43	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 Sep. 30, 2007	1,302,257	710,947	54.5 %	517.62 Yen
As of Sep. 30, 2006	1,281,242	732,884	57.2 %	525.03 Yen
As of Mar. 31, 2007	1,279,636	724,072	56.5 %	518.36 Yen

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

First half (2007/9): 709,829 million yen First half (2006/9): 732,452 million yen Fiscal 2006 (2007/3): 723,504 million yen

## [ Qualitative Information and Financial Statements ]

Consolidated operating resultsa. Consolidated operating results for the first half of fiscal 2007

## 1. Summary of consolidated operating results for 6 months (comparison with the first half of fiscal 2006)

Net operating revenues increased by 5.9% to 255,632 million yen mainly because commissions increased. Selling, general and administrative expenses increased by 14.7% to 185,280 million yen. As a result, ordinary income decreased by 12.9% to 75,296 million yen. First half year of 2006, tax expense related dividend from overseas consolidated subsidiaries has occurred, however, no tax expense occurred for this first half year because overseas consolidated subsidiaries didn't distributed a dividend. Consequently, net income increased by 4.9% to 42,074 million yen.

## (1) Commissions

## (i) Brokerage commission

Daily average trading value on the Tokyo Stock Exchange increased by 19.6% to 3,097.1 billion yen. Market share of personal investors, however, decreased. As a result, brokerage commission increased by 2.2% to 47,165 million yen.

## (ii) Underwriting commission

Underwriting commission decreased by 28.0% to 13,857 million yen. Although underwriting commission derived from bonds increased by 36.0% to 5,342 million yen, underwriting commission derived from equity decreased by 42.9% to 8,306 million yen, due to less large-scale public offering, initial public offering and REIT business because of stagnant secondary stock market.

## (iii) Distribution commission

Total distribution commission grew by 32.6% to 24,499 million yen, because distribution commissions in investment trust increased by 27.1% to 22,501 million yen due to excellent sales for investment trust.

## (iv) Other commission

Total other commission increased by 34.8% to 68,916 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

Net gains on trading in equity increased by 24.6% to 15,230 million yen. Net gains on trading in bond, forex and other, however, decreased by 8.0% to 55,960 million yen. As a result, total net gains on trading decreased by 2.6% to 71,190 million yen

## (3) Financial income

Interest and dividend income increased by 17.5% to 201,802 million yen and interest expenses also increased by 18.3% to 191,720 million yen. Net financial income increased by 3.7% to 10,082 million yen .

## (4) Selling, general and administrative expenses

Commission and other expenses increased by 31.0% to 43,372 million yen due to an increase in trust fee of investment trust. Employees' compensation and benefits increased by 4.6% to 83,158 million yen due to an increase in employees. Depreciation expenses increased by 19.7% to 13,179 million yen due to an increase in system investment. As a result, selling, general and administrative expenses increased by 14.7% to 185,280 million yen.

## 2. Summary of consolidated operating results for 3 months (comparison with the first quarter of fiscal 2007)

Net operating revenues decreased by 22.6% to 111,563 million yen mainly because commissions and net gains on trading decreased due to stagnant secondary stock market. Selling, general and administrative expenses decreased by 2.1% to 91,660 million yen. As a result, ordinary income decreased by 60.8% to 21,204 million yen. Net income decreased by 46.1% to 14,739 million yen.

## 3. Operating results of overseas subsidiaries for 6 months

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
642	-107	2,370	2,905

**b. Consolidated financial conditions (comparison with March 31, 2007)**

Total assets increased by 1,598,272 million yen to 16,009,537 million yen, mainly because trading assets and collateralized short-term financing agreements increased. Total liabilities increased by 1,627,139 million yen to 14,815,178 million yen, because collateralized short-term financing agreements increased. Net assets decreased by 28,866 million yen to 1,194,358 million yen. As a result, equity ratio became to 5.7%.

Cash flows from operating activities increased by 25,293 million yen. Cash flows from investing activities decreased 72,231 million yen mainly due to investments in system development and purchase of securities. Cash flows from financing activities increased 30,400 million yen mainly due to an issue of new bonds.

Consequently, cash and cash equivalents decreased by 16,366 million yen to 336,412 million yen in comparison with March 31, 2007.

**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 will pay an interim dividend of 12 yen per share, according to the resolution of the Board held on October 26, 2007. The dividend pay-out ratio of this period will be 39.7%.

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 the second half.

## Information on Group Companies

Daiwa Securities Group Inc. (the 'Company') and its related companies, 46 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, 46 consolidated subsidiaries and 6 affiliates applicable of equity method)

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

#### <Group Core Business >

##### <Retail>

Daiwa Securities Co.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.

##### <Asset Management>

Daiwa Asset Management Co. Ltd.

Daiwa SB Investments Ltd.

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.

## Management Policy

### (a) Principle Management Policy

The Daiwa Securities Group provides various high-quality products and services, in order to respond to 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.

"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 each business, 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. Moreover, we will actively take measures to support women and senior employees.

#### (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 products and services.

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

In addition to financial risk, 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.

Basic 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)

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 helps firms restructure their businesses and also nurtures new businesses and firms in new industries, by investing in private equity, non-performing loans and real estate.

NIF SMBC Ventures will promote full-line private equity investment utilizing its infrastructure in the venture capital business. It will also work to expand 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 respond to individual investors' 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 respond to 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.
  - (iv) Realize the Group's IT strategy and develop human resources.

**Consolidated balance sheets**

(millions of yen)	First half Sep. 30, 2007	First half Sep. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<b>Assets</b>				
<b>Current assets:</b>	<b>15,452,594</b>	<b>13,805,066</b>	<b>1,647,527</b>	<b>13,891,106</b>
Cash and deposits	357,234	287,135	70,099	365,310
Cash segregated as deposits for regulatory purposes	361,509	203,547	157,962	256,434
Notes receivable and trade accounts receivable	13,600	11,728	1,872	15,661
Securities	36,994	23,722	13,272	44,202
Trading assets:	6,193,182	5,392,907	800,275	5,082,219
Trading securities and others	5,084,123	4,572,141	511,982	4,228,894
Derivative assets	1,109,059	820,766	288,292	853,324
Trading receivables, net	-	227,853	-227,853	-
Private equity and other securities	489,866	416,326	73,540	448,964
Less: Allowance for possible investment losses	-9,857	-8,527	-1,329	-8,787
Other inventories	3,287	2,082	1,205	2,766
Receivables related to margin transactions:	492,580	547,883	-55,302	575,457
Customer margin loans	281,307	329,096	-47,788	339,104
Cash deposits as collateral for securities borrowed	211,273	218,786	-7,513	236,353
Collateralized short-term financing agreements:	7,268,372	6,430,302	838,069	6,814,612
Cash deposits as collateral for securities borrowed	7,268,120	6,430,177	837,943	6,814,603
Receivables related to gensaki transactions	251	125	126	8
Receivables	14,070	13,786	283	10,038
Short-term loans receivable	103,843	44,891	58,951	145,391
Accrued income	38,013	36,059	1,954	40,602
Deferred tax assets-current	12,723	10,504	2,219	12,471
Other current assets	77,934	165,086	-87,151	85,901
Less: Allowance for doubtful accounts-current	-763	-224	-539	-140
<b>Non-current assets:</b>	<b>556,943</b>	<b>495,805</b>	<b>61,137</b>	<b>520,158</b>
Tangible fixed assets	142,424	126,569	15,854	134,536
Intangible fixed assets	89,359	76,248	13,111	81,315
Investments and others:	325,158	292,987	32,171	304,307
Investment securities	251,823	232,135	19,688	234,102
Long-term loans receivable	11,589	10,659	929	11,491
Long-term guarantee deposits	23,540	24,253	-713	23,729
Deferred tax assets-non-current	12,845	10,350	2,495	13,208
Other investments	26,811	18,264	8,546	23,373
Less: Allowance for doubtful accounts-non-current	-1,451	-2,676	1,224	-1,599
<b>Total assets</b>	<b>16,009,537</b>	<b>14,300,872</b>	<b>1,708,665</b>	<b>14,411,265</b>

(millions of yen)	First half Sep. 30, 2007	First half Sep. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<b><i>Liabilities</i></b>				
<b>Current liabilities:</b>	<b>13,636,015</b>	<b>11,964,023</b>	<b>1,671,992</b>	<b>11,939,922</b>
Notes payable and trade accounts payable	4,126	6,218	-2,092	6,292
Trading liabilities:	4,282,815	4,050,230	232,584	4,105,362
Trading securities and others	3,382,923	3,440,617	-57,693	3,417,833
Derivative liabilities	899,891	609,613	290,277	687,528
Trading payables, net	16,383	-	16,383	67,771
Payables related to margin transactions:	223,933	239,768	-15,834	233,352
Payable to securities finance companies	14,846	16,297	-1,451	14,446
Proceeds of securities sold for customers' accounts	209,087	223,470	-14,383	218,906
Collateralized short-term financing agreements:	6,525,857	6,031,486	494,370	5,159,100
Cash deposits as collateral for securities loaned	6,000,286	5,287,122	713,163	5,000,747
Payables related to gensaki transactions	525,570	744,363	-218,793	158,352
Deposits received	192,049	198,778	-6,728	148,173
Cash deposits received as guarantee	116,304	99,967	16,336	100,494
Short-term borrowings	1,662,521	903,476	759,044	1,644,417
Commercial paper	305,450	272,710	32,740	302,391
Bonds and notes due within one year	153,958	28,496	125,461	27,912
Income taxes payable	20,495	18,351	2,144	12,550
Deferred tax liabilities-current	5,319	1,328	3,990	9,287
Accrued bonuses	22,759	23,736	-976	31,200
Provision for relocation costs of headquarter office	4,090	-	4,090	-
Other current liabilities	99,951	89,473	10,478	91,615
<b>Non-current liabilities:</b>	<b>1,171,271</b>	<b>1,186,932</b>	<b>-15,660</b>	<b>1,240,220</b>
Bonds and notes	951,607	965,645	-14,038	1,018,873
Long-term debt	175,845	164,129	11,716	165,895
Deferred tax liabilities-non-current	18,119	31,444	-13,325	24,002
Retirement benefits	22,822	21,738	1,084	22,590
Provision for relocation costs of headquarter office	-	-	-	3,757
Provision for litigation losses	695	550	144	623
Other non-current liabilities	2,181	3,424	-1,242	4,478
<b>Statutory reserves</b>	<b>7,891</b>	<b>7,513</b>	<b>377</b>	<b>7,896</b>
<b>Total liabilities</b>	<b>14,815,178</b>	<b>13,158,469</b>	<b>1,656,709</b>	<b>13,188,039</b>
<b><i>Net assets</i></b>				
<b>Owners' equity</b>	<b>837,459</b>	<b>808,140</b>	<b>29,319</b>	<b>844,854</b>
Common stock	178,324	178,324	-	178,324
Capital surplus	157,678	157,678	-	157,678
Retained earnings	539,733	484,637	55,095	520,474
Treasury stock	-38,277	-12,501	-25,776	-11,628
Paid-in money for treasury stock	0	0	0	4
<b>Valuation and translation adjustments</b>	<b>70,137</b>	<b>62,713</b>	<b>7,423</b>	<b>84,671</b>
Net unrealized gain (loss) on securities, net of tax effect	61,351	57,145	4,205	75,657
Deferred gain (loss) on hedges	459	485	-25	467
Translation adjustments	8,326	5,082	3,243	8,546
<b>Stock subscription rights</b>	<b>1,194</b>	<b>468</b>	<b>726</b>	<b>610</b>
<b>Minority interests</b>	<b>285,567</b>	<b>271,080</b>	<b>14,486</b>	<b>293,088</b>
<b>Total net assets</b>	<b>1,194,358</b>	<b>1,142,402</b>	<b>51,956</b>	<b>1,223,225</b>
<b>Total liabilities and net assets</b>	<b>16,009,537</b>	<b>14,300,872</b>	<b>1,708,665</b>	<b>14,411,265</b>

**Consolidated statements of operations**

(millions of yen)	First half Apr. 1, 2007 - Sep. 30, 2007	First half Apr. 1, 2006 - Sep. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
<b>Operating revenues:</b>	<b>465,695</b>	<b>419,391</b>	<b>11.0</b>	<b>917,307</b>
Commissions	154,438	134,968	14.4	306,736
Net gain (loss) on trading	71,190	73,068	-2.6	157,332
Net gain (loss) on private equity and other securities	14,305	18,660	-23.3	32,818
Interest and dividend income	201,802	171,762	17.5	373,452
Other sales revenues	23,957	20,930	14.5	46,967
<b>Interest expenses</b>	<b>191,720</b>	<b>162,037</b>	<b>18.3</b>	<b>354,245</b>
<b>Cost of sales</b>	<b>18,342</b>	<b>16,010</b>	<b>14.6</b>	<b>36,298</b>
<b>Net operating revenues</b>	<b>255,632</b>	<b>241,343</b>	<b>5.9</b>	<b>526,764</b>
<b>Selling, general and administrative expenses:</b>	<b>185,280</b>	<b>161,522</b>	<b>14.7</b>	<b>340,372</b>
Commission and other expenses	43,372	33,117	31.0	71,438
Employees' compensation and benefits	83,158	79,508	4.6	163,379
Occupancy and rental	18,762	17,055	10.0	38,846
Data processing and office supplies	14,329	11,125	28.8	23,020
Depreciation expenses	13,179	11,006	19.7	23,117
Taxes other than income taxes	3,895	3,872	0.6	8,264
Others	8,581	5,835	47.1	12,306
<b>Operating income</b>	<b>70,352</b>	<b>79,821</b>	<b>-11.9</b>	<b>186,391</b>
Non-operating income:	5,952	7,846	-24.1	10,937
Equity in earnings	1,209	578	109.1	1,424
Others	4,742	7,268	-34.7	9,513
Non-operating expenses	1,007	1,216	-17.2	1,913
<b>Ordinary income</b>	<b>75,296</b>	<b>86,451</b>	<b>-12.9</b>	<b>195,415</b>
Extraordinary gains	1,934	1,916	0.9	3,601
Extraordinary losses	2,228	2,157	3.3	13,093
<b>Income before income taxes and minority interests</b>	<b>75,002</b>	<b>86,209</b>	<b>-13.0</b>	<b>185,922</b>
<b>Income taxes-current</b>	<b>30,740</b>	<b>25,221</b>	<b>21.9</b>	<b>65,794</b>
<b>Income taxes-deferred</b>	<b>-2,874</b>	<b>12,042</b>	<b>-</b>	<b>3,657</b>
<b>Minority interests</b>	<b>-5,061</b>	<b>-8,817</b>	<b>-</b>	<b>-23,746</b>
<b>Net income</b>	<b>42,074</b>	<b>40,127</b>	<b>4.9</b>	<b>92,724</b>
<b>Net financial income included in net operating revenues</b>	<b>10,082</b>	<b>9,725</b>	<b>3.7</b>	<b>19,207</b>

**Consolidated statements of changes in net assets**  
( Apr. 1, 2007 - Sep. 30, 2007)

(millions of yen)	Owners' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Paid-in money for treasury stock	Total owners' equity
<b>Beginning balance as of Mar. 31, 2007</b>	178,324	157,678	520,474	-11,628	4	844,854
<b>Changes of items during the fiscal year</b>						
Dividends	-	-	-22,331	-	-	-22,331
Net income	-	-	42,074	-	-	42,074
Acquisition of treasury stock	-	-	-	-27,483	-	-27,483
Disposal of treasury stock	-	-	-312	833	-	521
Decrease in retained earnings due to addition of a consolidated subsidiary	-	-	-172	-	-	-172
Other	-	-	-	-	-3	-3
<b>Total changes of items during the fiscal year</b>	-	-	19,258	-26,649	-3	-7,394
<b>Ending balance as of Sep. 30, 2007</b>	178,324	157,678	539,733	-38,277	0	837,459

(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, 2007</b>	75,657	467	8,546	84,671	610	293,088
<b>Changes of items during the fiscal year</b>						
Net changes of items other than owners' equity	-14,306	-7	-219	-14,533	583	-7,521
<b>Total changes of items during the fiscal year</b>	-14,306	-7	-219	-14,533	583	-7,521
<b>Ending balance as of Sep. 30, 2007</b>	61,351	459	8,326	70,137	1,194	285,567

**Consolidated statements of changes in net assets**  
( Apr. 1, 2006 - Sep. 30, 2006)

(millions of yen)	Owners' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Paid-in money for treasury stock	Total owners' equity
<b>Beginning balance as of Mar. 31, 2006</b>	138,828	118,339	476,216	-14,660	-	718,723
<b>Changes of items during the fiscal year</b>						
Issuance of new shares	39,495	39,495	-	-	-	78,991
Dividends	-	-	-29,065	-	-	-29,065
Bonus to directors and executive officers	-	-	-1,827	-	-	-1,827
Net income	-	-	40,127	-	-	40,127
Acquisition of treasury stock	-	-	-	-162	-	-162
Disposal of treasury stock	-	-156	-813	2,322	-	1,353
Other	-	-	-	-	0	0
<b>Total changes of items during the fiscal year</b>	39,495	39,339	8,420	2,160	0	89,416
<b>Ending balance as of Sep. 30, 2006</b>	178,324	157,678	484,637	-12,500	0	808,140

(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>	72,694	-	863	73,557	-	236,718
<b>Changes of items during the fiscal year</b>						
Net changes of items other than owners' equity	-15,548	485	4,218	-10,844	468	34,362
<b>Total changes of items during the fiscal year</b>	-15,548	485	4,218	-10,844	468	34,362
<b>Ending balance as of Sep. 30, 2006</b>	57,145	485	5,082	62,713	468	271,080

**Consolidated statements of changes in net assets**  
( Apr. 1, 2006 - Mar. 31, 2007)

(millions of yen)	Owners' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Paid-in money for treasury stock	Total owners' equity
<b>Beginning balance as of Mar. 31, 2006</b>	138,828	118,339	476,216	-14,660	-	718,723
<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>	39,495	39,339	44,258	3,032	4	126,131
<b>Ending balance as of Mar. 31, 2007</b>	178,324	157,678	520,474	-11,628	4	844,854

(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>	72,694	-	863	73,557	-	236,718
<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>	2,963	467	7,682	11,113	610	56,370
<b>Ending balance as of Mar. 31, 2007</b>	75,657	467	8,546	84,671	610	293,088

**Consolidated statements of cash flows**

(millions of yen)	First half Apr. 1, 2007- Sep. 30, 2007	First half Apr. 1, 2006- Sep. 30, 2006	Fiscal 2006 Apr. 1, 2006- Mar. 31, 2007
<b>1. Cash flows from operating activities:</b>			
Income before income taxes and others	75,002	86,209	185,922
Depreciation expenses	13,179	11,006	23,117
Increase in allowance for retirement benefits	232	174	1,027
Interest and dividend income	-201,760	-175,038	-375,860
Interest expenses	191,511	161,848	353,802
Equity in earnings	-1,209	-578	-1,424
Adjustment of extraordinary gains/losses items:			
Loss on sale or disposal of fixed assets	-	437	1,395
Write-down of fixed assets	-	-	1,510
Gain on sale of related companies' stocks	-	-147	-147
Write-down of related companies' stocks	-	200	200
Gain on sale of investment securities	-1,928	-1,768	-3,453
Loss on sale of investment securities	-	238	363
Write-down of investment securities	1,279	546	535
Allowance for doubtful accounts	-	-	316
Provision for litigation losses	-	550	550
Loss on impairment of fixed assets	-	-	2,974
Relocation costs of headquarter office	949	-	4,680
Provision for securities transaction liabilities	-5	183	566
(Increase) Decrease in deposits segregated for customer	-92,020	104,734	69,633
(Increase) Decrease in loans receivable	41,425	16,369	-86,086
(Increase) Decrease in private equity and other securities	-47,145	-25,536	-45,409
(Increase) Decrease in trading assets, net of trading liabilities	-986,391	-582,960	79,203
(Increase) Decrease in receivables related to margin transactions, net of payables related to margin transactions	73,457	61,237	27,247
(Increase) Decrease in receivables on collateralized short-term financing agreements, net	908,170	1,110,005	-150,763
(Increase) Decrease in deposits received	44,208	23,924	-26,854
Others	3,590	-4,418	11,869
<b>Sub-total</b>	<b>22,544</b>	<b>787,218</b>	<b>74,917</b>
Interest and dividend received	206,818	172,784	370,690
Interest paid	-196,272	-159,816	-348,265
Income taxes refunded (paid)	-7,798	-74,589	-111,811
<b>Net cash flows provided by (used in) operating activities</b>	<b>25,293</b>	<b>725,596</b>	<b>-14,469</b>

(millions of yen)	First half Apr. 1, 2007- Sep. 30, 2007	First half Apr. 1, 2006- Sep. 30, 2006	Fiscal 2006 Apr. 1, 2006- Mar. 31, 2007
<b>2. Cash flows from investing activities:</b>			
Increase in time deposits	-30,120	-2,602	-36,290
Decrease in time deposits	30,321	12,602	30,995
Payments for purchase of securities	-17,973	-16,791	-33,661
Proceeds from sale and redemption of securities	17,681	13,093	18,085
Payments for purchase of tangible fixed assets	-13,798	-5,000	-18,438
Proceeds from sale of tangible fixed assets	14	265	539
Payments for purchase of intangible fixed assets	-18,033	-15,634	-34,647
Purchase of subsidiary's stock due to change in scope of consolidation	-	1,356	1,356
Payments for purchase of related companies	-6,996	-1,765	-3,415
Proceeds from sale of related companies	143	302	1,469
Payments for purchase of investment securities	-32,980	-8,474	-10,451
Proceeds from sale and redemption of investment securities	4,464	9,859	16,998
Payments for loan made	-1,344	-35	-1,182
Proceeds from collection of loans receivable	1,241	168	306
Others	-4,851	1,057	-4,953
<b>Net cash flows provided by (used in) investing activities</b>	<b>-72,231</b>	<b>-11,598</b>	<b>-73,288</b>
<b>3. Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	56,418	-891,941	-97,429
Proceeds from issuance of bonds and convertible bonds	253,899	285,622	509,086
Payments for redemption of bonds and convertible bonds	-195,066	-191,462	-362,305
Proceeds from sinking fund of convertible bonds	-	-	61,877
Payments for sinking fund of convertible bonds	-	-61,877	-61,877
Proceeds from long-term debt	22,500	42,300	48,800
Payments for repayment of long-term debt	-47,098	-9,487	-38,440
Dividends paid	-22,331	-29,065	-45,806
Proceeds from minority shareholders due to issuance of shares	-	40,080	40,080
Dividends paid to minority shareholders	-10,893	-12,033	-12,039
Proceeds from sale of treasury stocks	521	1,353	1,949
Payments for purchases of treasury stocks	-27,483	-	-
Others	-65	-583	-732
<b>Net cash flows provided by (used in) financing activities</b>	<b>30,400</b>	<b>-827,096</b>	<b>43,162</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>-317</b>	<b>1,959</b>	<b>4,788</b>
<b>5. Net change in cash and cash equivalents</b>	<b>-16,855</b>	<b>-111,138</b>	<b>-39,806</b>
<b>6. Cash and cash equivalents at beginning of term</b>	<b>352,779</b>	<b>392,350</b>	<b>392,350</b>
<b>7. Increase in cash and cash equivalents due to merger of subsidiaries</b>	<b>-</b>	<b>-</b>	<b>235</b>
<b>8. Increase in cash equivalents due to addition of a consolidated subsidiary</b>	<b>488</b>	<b>-</b>	<b>-</b>
<b>9. Cash and cash equivalents at end of term</b>	<b>336,412</b>	<b>281,211</b>	<b>352,779</b>

**Notes to consolidated financial statements for the first half ended September 30, 2007**

The consolidated financial statements of the Company for the first half year ended September 30, 2007 are prepared in accordance with the 'Cabinet Order on financial instruments business' (Cabinet Office Ordinance No.52, 2007), and the 'Uniform Accounting Standards of Securities Companies' (Self-Regulation of the Japan Securities Dealers' Association, September 30, 2007), based on the 'Regulations of Interim Financial Statements' (Ministry of Finance Ordinance No. 24, 1999) and its Article 48 and 69.

**Basis of consolidated financial statements for the first half ended September 30, 2007**

## 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 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 half year ended September 30, 2007, one company was added to scope of consolidation due to the increase of materiality. One company under the liquidation process was excluded from the scope of consolidation. 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 half ending other than September 30, 2007, one company prepared tentative financial statements for consolidation purpose as of September 30, 2007, and other companies prepared financial statements for the relevant first half, and those were reflected.

## 3. Fiscal period of subsidiaries

For subsidiaries with the first half ending other than September 30, 2007, the financial statements for the relevant first half 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) Provision for relocation costs of headquarter office

Estimated amount of expenses is accrued to relocate headquarter office

(v) 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.

(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.

5. Scope of 'Cash and cash equivalents' in consolidated cash flow statements

'Cash and cash equivalents' in consolidated cash flow statements is defined as liquid fund including cash in hand, current account deposits, and ordinary deposits.

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

## **Change in the basis of financial statements for the first half ended September 30, 2007**

(Change in the depreciation method of tangible fixed assets)

In connection with the current corporate tax law reform, the Company and domestic consolidated subsidiaries have changed the depreciation method to that of complied with new corporate tax law for the property and equipment purchased on or after April 1, 2007.

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 consolidated balance sheets**

1.	Accumulated depreciation of tangible fixed assets	As of Sep. 30, 2007	As of Sep. 30, 2006	As of Mar. 31, 2007
		109,022 million yen	109,422 million yen	111,054 million yen
2.	Guarantee	As of Sep. 30, 2007	As of Sep. 30, 2006	As of Mar. 31, 2007
		1,825 million yen	1,997 million yen	1,683 million yen
3.	Short-term and long-term borrowings include the subordinated borrowings stipulated by Article 176 of the 'Cabinet Order on financial instruments business' (Cabinet Office Ordinance No.52, 2007).			
	Short-term borrowings	As of Sep. 30, 2007	As of Sep. 30, 2006	As of Mar. 31, 2007
		-	62,000 million yen	42,000 million yen
	Long-term borrowings	As of Sep. 30, 2007	As of Sep. 30, 2006	As of Mar. 31, 2007
		70,000 million yen	60,000 million yen	60,000 million yen

**Notes to consolidated statements of operations**

Details of extraordinary gains/losses

(millions of yen)	<b>First half</b> Apr. 1, 2007- Sep. 30, 2007	<b>First half</b> Apr. 1, 2006- Sep. 30, 2006	<b>Fiscal 2006</b> Apr. 1, 2006- Mar. 31, 2007
<b>Extraordinary gains:</b>			
Gain on sale of related companies' stocks	-	147	147
Gain on sale of investment securities	1,928	1,768	3,453
Reversal on Reserve for securities transaction liabilities	5	-	-
<b>Extraordinary losses:</b>			
Write-down of related companies' stocks	-	200	200
Write-down of investment securities	1,279	546	535
Write-down of fixed assets	-	-	1,510
Loss on impairment of fixed assets	-	-	2,974
Loss on sale or disposal of fixed assets	-	437	1,395
Loss on sale of investment securities	-	238	363
Allowance for doubtful accounts	-	-	316
Relocation costs of headquarter office	949	-	4,680
Provision for litigation losses	-	550	550
Provision for securities transaction liabilities	-	183	566

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

Stock subscription rights and Treasury stock subscription rights

	Item	Number of shares				As of Sep. 30, 2007 (millions of yen)
		As of Mar. 31, 2007	Increase	Decrease	As of Sep. 30, 2007	
<b>The Company</b>	Stock subscription rights issued on July, 2006	298,000	-	-	298,000	406
	Treasury stock subscription rights	3,000	-	3,000	-	-
	Series 3 stock subscription rights	2,571,000	-	13,000	2,558,000	291
	Treasury stock subscription rights	22,000	13,000	-	35,000	-
	Stock subscription rights issued on July, 2007	-	309,000	-	309,000	405
	Series 4 stock subscription rights	-	2,570,000	2,000	2,568,000	15
	Treasury stock subscription rights	-	2,000	-	2,000	-
<b>Consolidated subsidiary</b>	Series 1 stock subscription rights issued on September, 2006	31	-	-	31	12
	Series 2 stock subscription rights issued on September, 2006	50	-	-	50	20
	Series 3 stock subscription rights issued on August, 2006	332	-	21	311	20
	Treasury stock subscription rights	11	21	-	32	-
	Series 1 stock subscription rights issued on 2007	-	67	-	67	8
	Series A stock subscription rights issued on 2007	-	120	-	120	14
	Series B stock subscription rights issued on 2007	-	359	1	358	0
	Treasury stock subscription rights	-	1	-	1	-
				<b>Total</b>	1,194	-

Note:

- (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 "Series 3 stock subscription rights" and "Series 4 stock subscription rights" which the Company issued and "Series 3 stock subscription rights issued on August, 2006" and "Series B stock subscription rights issued on 2007" which consolidated subsidiary issued 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)	First half (2007/9)	First half (2006/9)	Fiscal 2006
Cash and deposits	357,234	287,135	365,310
Time deposit more than 3 months	-20,822	-5,924	-21,031
Negotiable deposit less than 3 months	-	-	8,500
Cash and cash equivalents	336,412	281,211	352,779

## 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) sale on a commission basis of securities, 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)' and 'Operating income' by geographic area are as follows.

#### Fiscal half ended September 30, 2007

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	234,205	4,558	8,219	8,648	255,632	-	255,632
Intersegment revenues	-3,828	2,777	4,552	396	3,898	-3,898	-
Net operating revenues	230,376	7,336	12,772	9,045	259,530	-3,898	255,632
S.G. & A. expenses	162,234	6,685	13,686	6,570	189,177	-3,897	185,280
Operating income	68,142	650	-914	2,474	70,352	-0	70,352

#### Fiscal half ended September 30, 2006

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	224,087	6,002	5,255	5,998	241,343	-	241,343
Intersegment revenues	-2,931	570	8,367	423	6,430	-6,430	-
Net operating revenues	221,155	6,573	13,622	6,422	247,773	-6,430	241,343
S.G. & A. expenses	144,090	6,281	12,398	5,181	167,952	-6,430	161,522
Operating income	77,065	291	1,223	1,240	79,821	0	79,821

#### Fiscal year ended March 31, 2007

(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

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.

**First half ended September 30, 2007**

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	10,602	4,696	7,637	22,936
Consolidated net operating revenues				255,632
Percentage of total revenues	4.1%	1.8%	3.0%	9.0%

**First half ended September 30, 2006**

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	10,133	3,954	5,388	19,475
Consolidated net operating revenues				241,343
Percentage of total revenues	4.2%	1.6%	2.2%	8.1%

**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%

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>First half</b> Apr. 1, 2007- Sep. 30, 2007	<b>First half</b> Apr. 1, 2006- Sep. 30, 2006	<b>Fiscal 2006</b> Apr. 1, 2006- Mar. 31, 2007
<b>Earnings/share</b>			
Net income (millions of yen)	42,074	40,127	92,724
Net income not attributable to common stockholder (millions of yen)	-	-	-
Net income attributable to common stock (millions of yen)	42,074	40,127	92,724
Average number of common shares outstanding during the year (thousands of shares)	1,390,583	1,335,725	1,365,486
<b>Fully diluted earnings/share</b>			
Adjusted net income (millions of yen)	-	61	59
Interest expenses: after deduction for tax	-	0	0
Commission expenses: after deduction for tax	-	61	61
Increase in common stock (thousands of shares)	2,820	74,237	38,667
Convertible bonds	-	70,390	35,195
Stock subscription rights	2,820	3,847	3,471
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 option by stock subscription right Series 3 stock subscription rights 2,593 Series 4 stock subscription rights 2,570	Stock option by stock subscription right Series 3 stock subscription rights 2,593	Stock option by stock subscription right Series 3 stock subscription rights 2,593

Note: The amount of stock option in terms of number of shares is listed.

**Subsequent events**

Not applicable

**Other notes**

The note regarding “Accounting for certain lease transactions”, “Securities”, “Derivatives trading” and “Stock option” are omitted because those accounts have low priority on this disclosure.

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

First half ended September 30, 2007 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	46,508	471	186	-	-	47,165
<b>Underwriting commission</b>	-	-	-	13,857	-	13,857
Stock and other	-	-	-	8,306	-	8,306
Bond and other	-	-	-	5,342	-	5,342
<b>Distribution commission</b>	-	-	22,501	1,997	-	24,499
<b>Other commission</b>	950	700	48,319	6,321	12,624	68,916
Agency commission	-	699	23,458	-	-	24,157
<b>Total</b>	<b>47,459</b>	<b>1,171</b>	<b>71,007</b>	<b>22,175</b>	<b>12,624</b>	<b>154,438</b>

First half ended September 30, 2006 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	45,604	365	158	-	-	46,128
<b>Underwriting commission</b>	-	-	-	19,238	-	19,238
Stock and other	-	-	-	14,551	-	14,551
Bond and other	-	-	-	3,928	-	3,928
<b>Distribution commission</b>	-	-	17,703	767	-	18,471
<b>Other commission</b>	917	1,135	30,608	6,786	11,682	51,131
Agency commission	-	1,135	16,202	-	-	17,338
<b>Total</b>	<b>46,521</b>	<b>1,501</b>	<b>48,470</b>	<b>26,792</b>	<b>11,682</b>	<b>134,968</b>

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

(percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	2.0	28.9	17.7	-	-	2.2
<b>Underwriting commission</b>	-	-	-	-28.0	-	-28.0
Stock and other	-	-	-	-42.9	-	-42.9
Bond and other	-	-	-	36.0	-	36.0
<b>Distribution commission</b>	-	-	27.1	160.3	-	32.6
<b>Other commission</b>	3.6	-38.4	57.9	-6.9	8.1	34.8
Agency commission	-	-38.4	44.8	-	-	39.3
<b>Total</b>	<b>2.0</b>	<b>-22.0</b>	<b>46.5</b>	<b>-17.2</b>	<b>8.1</b>	<b>14.4</b>

Fiscal year ended March 31, 2007

(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>

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

(millions of yen)	First half Apr. 1, 2007- Sep. 30, 2007	First half Apr. 1, 2006- Sep. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006- Mar. 31, 2007
<b>Stock and other</b>	15,230	12,226	24.6	31,288
<b>Bond, forex and other</b>	55,960	60,841	-8.0	126,044
Bond and other	22,045	25,366	-13.1	48,693
Forex and other	33,914	35,475	-4.4	77,351
<b>Total</b>	<b>71,190</b>	<b>73,068</b>	<b>-2.6</b>	<b>157,332</b>

**Quarterly consolidated statements of operations**

(millions of yen)	Fiscal 2006			Fiscal 2007	
	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	2nd quarter Jul. 1, 2007- Sep. 30, 2007
<b>Operating revenues</b>	<b>211,752</b>	<b>242,778</b>	<b>255,138</b>	<b>253,982</b>	<b>211,712</b>
Commissions	67,110	90,278	81,489	79,875	74,562
Brokerage commission	19,534	23,621	28,323	24,274	22,890
Stock and other	19,335	23,416	28,040	24,034	22,473
Bond and other	141	143	185	168	302
Underwriting commission	12,559	25,093	9,737	7,435	6,421
Stock and other	10,181	22,301	6,657	4,166	4,139
Bond and other	1,869	2,619	2,858	3,152	2,189
Distribution commission	7,846	8,380	11,668	14,822	9,676
Beneficiary certificates	7,576	8,161	11,345	13,606	8,895
Other commission	27,170	33,182	31,760	33,342	35,573
Beneficiary certificates	16,012	18,155	20,498	23,431	24,752
Net gain (loss) on trading	37,833	37,219	47,044	46,749	24,440
Stock and other	-5,336	10,902	8,159	19,380	-4,150
Bond and other	27,188	1,154	22,171	-22,129	44,175
Forex and other	15,982	25,162	16,713	49,498	-15,583
Net gain (loss) on private equity and other securities	7,058	6,159	7,997	7,996	6,309
Interest and dividend income	88,361	98,432	103,258	105,893	95,909
Other sales revenues	11,388	10,688	15,348	13,468	10,489
<b>Interest expenses</b>	<b>83,870</b>	<b>92,834</b>	<b>99,373</b>	<b>99,362</b>	<b>92,357</b>
<b>Cost of sales</b>	<b>8,629</b>	<b>8,024</b>	<b>12,263</b>	<b>10,551</b>	<b>7,791</b>
<b>Net operating revenues</b>	<b>119,252</b>	<b>141,919</b>	<b>143,501</b>	<b>144,068</b>	<b>111,563</b>
<b>Selling, general and administrative</b>	<b>82,580</b>	<b>87,968</b>	<b>90,882</b>	<b>93,619</b>	<b>91,660</b>
Commission and other expenses	18,080	17,954	20,367	20,301	23,071
Employees' compensation and benefits	39,364	41,811	42,059	44,335	38,823
Occupancy and rental	9,187	10,756	11,033	8,958	9,804
Data processing and office supplies	5,364	5,626	6,268	6,855	7,474
Depreciation expenses	5,642	5,910	6,199	6,368	6,810
Taxes other than income taxes	2,016	2,375	2,016	2,102	1,792
Others	2,923	3,533	2,937	4,698	3,883
<b>Operating income</b>	<b>36,672</b>	<b>53,950</b>	<b>52,618</b>	<b>50,449</b>	<b>19,902</b>
Non-operating income	4,622	2,091	999	4,129	1,823
Non-operating expenses	261	112	583	486	521
<b>Ordinary income</b>	<b>41,034</b>	<b>55,929</b>	<b>53,034</b>	<b>54,092</b>	<b>21,204</b>
Extraordinary gains	1,081	480	1,204	793	1,140
Extraordinary losses	2,050	558	10,377	213	2,015
<b>Income before income taxes and minority interests</b>	<b>40,065</b>	<b>55,850</b>	<b>43,862</b>	<b>54,672</b>	<b>20,329</b>
<b>Income taxes-current</b>	<b>18,980</b>	<b>13,282</b>	<b>27,290</b>	<b>16,524</b>	<b>14,215</b>
<b>Income taxes-deferred</b>	<b>606</b>	<b>8,010</b>	<b>-16,396</b>	<b>4,527</b>	<b>-7,402</b>
<b>Minority interests</b>	<b>-3,470</b>	<b>-7,803</b>	<b>-7,125</b>	<b>-6,285</b>	<b>1,223</b>
<b>Net income</b>	<b>17,008</b>	<b>26,754</b>	<b>25,842</b>	<b>27,335</b>	<b>14,739</b>
<b>Net financial income included in net operating revenues</b>	<b>4,491</b>	<b>5,597</b>	<b>3,884</b>	<b>6,530</b>	<b>3,551</b>

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

(millions of yen)	First half Sep. 30, 2007	First half Sep. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<i>Assets</i>				
<b>Current assets:</b>	<b>311,463</b>	<b>291,849</b>	<b>19,613</b>	<b>312,519</b>
Cash and deposits	97,113	47,572	49,540	92,768
Securities	3,816	3,277	538	13,088
Short-term loans receivable	187,330	157,483	29,847	177,550
Account receivable	19,279	70,716	-51,437	26,100
Accrued income	1,472	1,484	-11	1,327
Deferred tax assets-current	-	195	-195	-
Other current assets	2,450	11,118	-8,668	1,683
<b>Non-current assets:</b>	<b>990,794</b>	<b>989,392</b>	<b>1,401</b>	<b>967,117</b>
Tangible fixed assets	45,168	10,003	35,165	45,397
Intangible fixed assets	709	809	-99	877
Investments and others:	944,916	978,580	-33,663	920,842
Investment securities	810,304	777,338	32,966	786,653
Long-term loans receivable	113,400	178,480	-65,080	113,400
Long-term guarantee deposits	11,399	13,189	-1,790	11,364
Others	10,232	10,013	219	9,843
Less: Allowance for doubtful accounts	-420	-441	21	-419
<b>Total assets</b>	<b>1,302,257</b>	<b>1,281,242</b>	<b>21,015</b>	<b>1,279,636</b>

(millions of yen)	First half Sep. 30, 2007	First half Sep. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
<i>Liabilities</i>				
<b>Current liabilities:</b>	<b>302,735</b>	<b>172,040</b>	<b>130,695</b>	<b>183,015</b>
Short-term borrowings	103,345	93,385	9,960	91,345
Bonds and notes due within one year	120,000	-	120,000	-
Collateralized short-term financing agreements	69,598	74,314	-4,716	80,676
Income taxes payable	5,621	117	5,503	6,963
Deferred tax liabilities-current	154	-	154	54
Accrued bonuses	674	696	-22	1,021
Other current liabilities	3,342	3,526	-183	2,955
<b>Non-current liabilities:</b>	<b>288,574</b>	<b>376,317</b>	<b>-87,742</b>	<b>372,549</b>
Bonds and notes	221,400	287,900	-66,500	291,400
Long-term debt	39,000	49,000	-10,000	49,000
Long-term cash deposits received as guarantee	2,987	3,569	-581	2,829
Deferred tax liabilities-non-current	22,170	32,387	-10,216	25,986
Retirement benefits	1,361	1,805	-443	1,684
Provision for litigation losses	253	240	12	211
Other non-current liabilities	1,401	1,414	-12	1,436
<b>Total liabilities</b>	<b>591,310</b>	<b>548,357</b>	<b>42,952</b>	<b>555,564</b>
<i>Net assets</i>				
<b>Owners' equity</b>	<b>664,222</b>	<b>684,477</b>	<b>-20,255</b>	<b>666,343</b>
Common stock	178,324	178,324	-	178,324
Capital surplus	157,678	157,678	-	157,678
Additional paid-in capital	157,678	157,678	-	157,678
Retained earning	366,495	360,974	5,521	341,963
Earned surplus reserve	45,335	45,335	-	45,335
General - purpose reserve	218,000	218,000	-	218,000
Deferred earned surplus	103,160	97,638	5,521	78,627
Treasury stock	-38,277	-12,500	-25,776	-11,627
Paid-in money for treasury stock	0	0	0	4
<b>Valuation and translation adjustments</b>	<b>45,606</b>	<b>47,974</b>	<b>-2,367</b>	<b>57,161</b>
Net unrealized gain (loss) on securities, net of tax effect	45,238	47,455	-2,217	56,740
Deferred gain (loss) on hedges	368	519	-150	421
<b>Stock subscription rights</b>	<b>1,118</b>	<b>432</b>	<b>685</b>	<b>567</b>
<b>Total net assets</b>	<b>710,947</b>	<b>732,884</b>	<b>-21,937</b>	<b>724,072</b>
<b>Total liabilities and net assets</b>	<b>1,302,257</b>	<b>1,281,242</b>	<b>21,015</b>	<b>1,279,636</b>

**Statements of operations**

(millions of yen)	First half Apr. 1, 2007 - Sep. 30, 2007	First half Apr. 1, 2006 - Sep. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
<b>Operating revenues:</b>	<b>54,958</b>	<b>76,039</b>	<b>-27.7</b>	<b>78,806</b>
Dividends from related companies	51,528	73,894	-30.3	73,920
Interest on loans to related companies	2,198	1,968	11.7	4,098
Other	1,231	176	597.6	786
<b>Operating expenses:</b>	<b>8,348</b>	<b>6,677</b>	<b>25.0</b>	<b>13,462</b>
Selling, general and administrative expenses:	5,780	4,873	18.6	9,494
Commission and other expenses	892	733	21.6	1,631
Employees' compensation and benefits	2,233	1,875	19.1	3,675
Occupancy and rental	326	280	16.5	521
Data processing and office supplies	508	791	-35.8	1,270
Depreciation expenses	702	153	358.1	571
Others	1,117	1,038	7.6	1,823
Interest expenses	2,567	1,804	42.3	3,968
<b>Operating income</b>	<b>46,610</b>	<b>69,362</b>	<b>-32.8</b>	<b>65,343</b>
Non-operating income	1,572	3,551	-55.7	4,421
Non-operating expenses	523	569	-8.1	349
<b>Ordinary income</b>	<b>47,659</b>	<b>72,343</b>	<b>-34.1</b>	<b>69,415</b>
Extraordinary gains	278	6,273	-95.6	7,390
Extraordinary losses	1,504	1,862	-19.2	2,245
<b>Income before income taxes</b>	<b>46,432</b>	<b>76,755</b>	<b>-39.5</b>	<b>74,561</b>
<b>Income taxes-current</b>	<b>-622</b>	<b>-299</b>	<b>-</b>	<b>-955</b>
<b>Income taxes-deferred</b>	<b>-120</b>	<b>334</b>	<b>-</b>	<b>642</b>
<b>Net income</b>	<b>47,176</b>	<b>76,719</b>	<b>-38.5</b>	<b>74,874</b>

**Statements of changes in net assets**

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

(millions of yen)	Owners' equity								Total
	Common stock	Capital surplus		Retained earnings			Treasury stock	Paid-in money for treasury stock	
		Additional paid-in capital	Other capital surplus reserve	Earned surplus reserve	Other earned surplus reserve				
					General - purpose reserve	Deferred earned surplus			
<b>Beginning balance as of Mar. 31, 2007</b>	178,324	157,678	-	45,335	218,000	78,627	-11,627	4	666,343
<b>Changes of items during the fiscal year</b>									
Dividends	-	-	-	-	-	-22,331	-	-	-22,331
Net income	-	-	-	-	-	47,176	-	-	47,176
Purchase of treasury stock	-	-	-	-	-	-	-27,483	-	-27,483
Disposal of treasury stock	-	-	-	-	-	-312	833	-	521
Other	-	-	-	-	-	-	-	-3	-3
<b>Total changes of items during the fiscal year</b>	-	-	-	-	-	24,532	-26,649	-3	-2,120
<b>Ending balance as of Sep. 30, 2007</b>	178,324	157,678	-	45,335	218,000	103,160	-38,277	0	664,222

(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, 2007</b>	56,740	421	567
<b>Changes of items during the fiscal year</b>			
Net changes of items other than owners' equity during the fiscal year	-11,501	-53	551
<b>Total changes of items during the fiscal year</b>	-11,501	-53	551
<b>Ending balance as of Sep. 30, 2007</b>	45,238	368	1,118

**Statements of changes in net assets**

( Apr. 1, 2006 - Sep. 30, 2006)

(millions of yen)	Owners' equity								
	Common stock	Capital surplus		Retained earnings			Treasury stock	Paid-in money for treasury stock	Total
		Additional paid-in capital	Other capital surplus reserve	Earned surplus reserve	Other earned surplus reserve				
					General - purpose reserve	Deferred earned surplus			
<b>Beginning balance as of Mar. 31, 2006</b>	138,828	118,182	156	45,335	218,000	50,798	-14,660	-	556,640
<b>Changes of items during the fiscal year</b>									
Issuance of new shares	39,495	39,495	-	-	-	-	-	-	78,991
Dividends	-	-	-	-	-	-29,065	-	-	-29,065
Net income	-	-	-	-	-	76,719	-	-	76,719
Purchase of treasury stock	-	-	-	-	-	-	-162	-	-162
Disposal of treasury stock	-	-	-156	-	-	-813	2,321	-	1,352
Other	-	-	-	-	-	-	-	0	0
<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>46,840</b>	<b>2,159</b>	<b>0</b>	<b>127,836</b>
<b>Ending balance as of Sep. 30, 2006</b>	<b>178,324</b>	<b>157,678</b>	<b>-</b>	<b>45,335</b>	<b>218,000</b>	<b>97,638</b>	<b>-12,500</b>	<b>0</b>	<b>684,477</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>	57,183	-	-
<b>Changes of items during the fiscal year</b>			
Net changes of items other than owners' equity during the fiscal year	-9,727	519	432
<b>Total changes of items during the fiscal year</b>	<b>-9,727</b>	<b>519</b>	<b>432</b>
<b>Ending balance as of Sep. 30, 2006</b>	<b>47,455</b>	<b>519</b>	<b>432</b>

### Statements of changes in net assets

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

(millions of yen)	Owners' equity								
	Common stock	Capital surplus		Retained earnings			Treasury stock	Paid-in money for treasury stock	Total
		Additional paid-in capital	Other capital surplus reserve	Earned surplus reserve	Other earned surplus reserve				
					General - purpose reserve	Deferred earned surplus			
<b>Beginning balance as of Mar. 31, 2006</b>	138,828	118,182	156	45,335	218,000	50,798	14,660	-	556,640
<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
Other	-	-	-	-	-	-	-	4	4
<b>Total changes of items during the fiscal year</b>	39,495	39,495	-156	-	-	27,829	3,032	4	109,702
<b>Ending balance as of Mar. 30, 2007</b>	178,324	157,678	-	45,335	218,000	78,627	11,627	4	666,343

(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>	57,183	-	-
<b>Changes of items during the fiscal year</b>			
Net changes of items other than owners' equity during the fiscal year	-442	421	567
<b>Total changes of items during the fiscal year</b>	-442	421	567
<b>Ending balance as of Mar. 30, 2007</b>	56,740	421	567