

**Daiwa Securities Group Inc.**

Code No. 8601

Stock Exchange Listings: Tokyo, Osaka, Nagoya

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

January 30, 2008

## Consolidated financial summary

(For the third quarter ended December 31, 2007)

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

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

'-' indicates a loss or negative figure.

(Millions of yen except per share data and percentage)

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
<b>Third quarter (2007/12)</b>	681,153	2.9%	377,059	-1.6%	99,491	-25.6%	105,808	-25.7%
<b>Third quarter (2006/12)</b>	662,169	14.9%	383,262	-2.4%	133,772	-14.5%	142,380	-12.3%
<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>Third quarter (2007/12)</b>	59,339	-11.3%	42.87	Yen	42.79	Yen	8.7	%
<b>Third quarter (2006/12)</b>	66,881	-21.0%	49.34	Yen	47.61	Yen	10.6	%
<b>Fiscal 2006 (2007/3)</b>	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	
<b>As of Dec. 31, 2007</b>	17,786,335	1,178,456	5.0	%	651.36	Yen
<b>As of Dec. 31, 2006</b>	14,493,949	1,186,895	6.2	%	643.34	Yen
<b>As of Mar. 31, 2007</b>	14,411,265	1,223,225	6.5	%	665.98	Yen

**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	

**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) 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 4 for details

(Reference)

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

## (1) Non-consolidated operating results

(Millions of yen except per share data and percentage)

	Operating revenues		Operating income		Ordinary income	
<b>Third quarter (2007/12)</b>	56,841	-26.5%	44,504	-34.0%	45,908	-35.5%
<b>Third quarter (2006/12)</b>	77,317	124.6%	67,389	166.4%	71,150	158.0%
<b>Fiscal 2006 (2007/3)</b>	78,806		65,343		69,415	

	Net income		Earnings/share	
<b>Third quarter (2007/12)</b>	46,761	-38.5%	33.78	Yen
<b>Third quarter (2006/12)</b>	75,984	125.7%	56.05	Yen
<b>Fiscal 2006 (2007/3)</b>	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	
<b>As of Dec. 31, 2007</b>	1,294,180	684,242	52.8	%	498.07	Yen
<b>As of Dec. 31, 2006</b>	1,270,361	714,584	56.2	%	511.84	Yen
<b>As of Mar. 31, 2007</b>	1,279,636	724,072	56.5	%	518.36	Yen

**[ Qualitative Information and Financial Statements ]****Consolidated operating results for the third quarter of fiscal 2007**

## 1. Summary of operating results for 9 months (comparison with the third quarter of fiscal 2006)

Net operating revenues decreased by 1.6% to 377,059 million yen mainly because underwriting commissions decreased while commissions in investment trust increased. Selling, general and administrative expenses increased by 11.3% to 277,568 million yen. As a result, ordinary income decreased by 25.7% to 105,808 million yen. Net income decreased by 11.3% to 59,339 million yen.

## (1) Commissions

## (i) Brokerage commission

Daily average trading value on the Tokyo Stock Exchange increased by 16.5% to 3,018.6 billion yen, however, market share of personal investors decreased, as a result, brokerage commission decreased by 3.0% to 67,668 million yen.

## (ii) Underwriting commission

Underwriting commission greatly decreased by 57.2% to 18,955 million yen. Although underwriting commission derived from equity greatly decreased by 71.2% to 10,596 million yen, because of poor equity finance market, underwriting commission derived from bonds increased by 22.1% to 7,992 million yen.

## (iii) Distribution commission

Total distribution commission grew by 33.8% to 35,921 million yen, because distribution commissions in investment trust increased by 29.2% to 33,422 million yen due to the good performance of the sales for investment trust.

## (iv) Other commission

Total other commission increased by 23.9% to 104,495 million yen primarily due to an increase of trust fee in line with the expanded outstanding balance of equity investment trust.

## (2) Net gains on trading

Net gains on trading in equity decreased by 11.1% to 20,559 million yen. Net gains on trading in bond, forex and other, however, increased by 5.9% to 92,281 million yen. As a result, total net gains on trading increased by 2.3% to 112,840 million yen.

## (3) Financial income

Interest and dividend income increased by 7.0% to 289,044 million yen and interest expenses also increased by 8.1% to 275,614 million yen. Net financial income decreased by 12.4% to 13,430 million yen.

## (4) Selling, general and administrative expenses

Commission and other expenses increased by 24.9% to 63,805 million yen due to an increase in trust fee of investment trust. Data processing and office supplies increased by 30.6% to 21,887 million yen. As a result, selling, general and administrative expenses increased by 11.3% to 277,568 million yen.

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

Brokerage and underwriting commission decreased due to poor global equity market. Net gain on trading, however, increased. Consequently, net operating revenues increased by 8.8% to 121,427 million yen. Selling, general and administrative expenses increased by 0.7% to 92,288 million yen. As a result, ordinary income increased by 43.9% to 30,511 million yen. Net income increased by 17.1% to 17,264 million yen.

## 3. Operating results of overseas subsidiaries for the third quarter of fiscal 2007 (9 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
948	-1,412	3,508	3,044

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

Trading assets increased by 2,196,101 million yen and collateralized short-term financing agreements increased by 1,160,555 million yen. As a result, total assets increased by 3,375,070 million yen to 17,786,335 million yen. Total liabilities increased by 3,419,839 million yen to 16,607,879 million yen, because collateralized short-term financing agreements increased by 2,286,732 million yen.

## Other information

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

**Consolidated balance sheets**

(Millions of yen)

	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2007	Fiscal 2006 Mar. 31, 2007	Comparison with Mar.31, 2007	
				Increase/ Decrease	Yr/yr % Change
<i>Assets</i>					
<b>Current assets:</b>	<b>13,991,976</b>	<b>17,230,074</b>	<b>13,891,106</b>	<b>3,338,967</b>	<b>24.0%</b>
Cash and deposits	334,262	312,994	365,310	-52,315	-14.3%
Cash segregated as deposits for regulatory purposes	219,001	243,123	256,434	-13,310	-5.2%
Notes receivable and trade accounts receivable	13,420	14,647	15,661	-1,013	-6.5%
Securities	48,468	34,059	44,202	-10,142	-22.9%
Trading assets:	5,833,610	7,278,320	5,082,219	2,196,101	43.2%
Trading securities and others	4,982,115	6,041,374	4,228,894	1,812,479	42.9%
Derivative assets	851,494	1,236,946	853,324	383,621	45.0%
Trading receivables, net	-	84,319	-	84,319	-
Private equity and other securities	453,277	478,069	448,964	29,104	6.5%
Less: Allowance for possible investment losses	-7,991	-10,066	-8,787	-1,279	-
Other inventories	3,499	2,868	2,766	101	3.7%
Receivables related to margin transactions:	520,879	492,194	575,457	-83,262	-14.5%
Customer margin loans	279,916	258,155	339,104	-80,948	-23.9%
Cash deposits as collateral for securities borrowed	240,962	234,039	236,353	-2,313	-1.0%
Collateralized short-term financing agreements:	6,281,007	7,975,168	6,814,612	1,160,555	17.0%
Cash deposits as collateral for securities borrowed	6,281,006	7,974,924	6,814,603	1,160,321	17.0%
Receivables related to gensaki transactions	1	243	8	234	-
Receivables	20,140	8,423	10,038	-1,614	-16.1%
Short-term loans receivable	33,543	87,329	145,391	-58,062	-39.9%
Accrued income	41,731	41,890	40,602	1,287	3.2%
Deferred tax assets-current	5,007	8,473	12,471	-3,997	-32.1%
Other current assets	192,312	179,455	85,901	93,554	108.9%
Less: Allowance for doubtful accounts-current	-194	-1,198	-140	-1,057	-
<b>Non-current assets:</b>	<b>501,973</b>	<b>556,261</b>	<b>520,158</b>	<b>36,103</b>	<b>6.9%</b>
Tangible fixed assets	129,322	147,176	134,536	12,640	9.4%
Intangible fixed assets	81,162	93,615	81,315	12,300	15.1%
Investments and others:	291,488	315,469	304,307	11,162	3.7%
Investment securities	231,844	239,662	234,102	5,559	2.4%
Long-term loans receivable	11,598	11,462	11,491	-29	-0.3%
Long-term guarantee deposits	24,334	29,836	23,729	6,106	25.7%
Deferred tax assets-non-current	9,306	13,298	13,208	89	0.7%
Other investments	17,044	23,043	23,373	-330	-1.4%
Less: Allowance for doubtful accounts-non-current	-2,640	-1,833	-1,599	-234	-
<b>Total assets</b>	<b>14,493,949</b>	<b>17,786,335</b>	<b>14,411,265</b>	<b>3,375,070</b>	<b>23.4%</b>

(Millions of yen)

	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2007	Fiscal 2006 Mar. 31, 2007	Comparison with Mar.31, 2007	
				Increase/ Decrease	Yr/yr % Change
<b>Liabilities</b>					
<b>Current liabilities:</b>	<b>12,058,374</b>	<b>15,396,854</b>	<b>11,939,922</b>	<b>3,456,932</b>	<b>29.0%</b>
Notes payable and trade accounts payable	4,306	4,254	6,292	-2,037	-32.4%
Trading liabilities:	4,432,147	4,811,035	4,105,362	705,673	17.2%
Trading securities and others	3,750,191	3,852,768	3,417,833	434,935	12.7%
Derivative liabilities	681,955	958,266	687,528	270,738	39.4%
Trading payables, net	448,968	-	67,771	-67,771	-
Payables related to margin transactions:	235,727	206,192	233,352	-27,159	-11.6%
Payable to securities finance companies	11,222	11,814	14,446	-2,631	-18.2%
Proceeds of securities sold for customers' accounts	224,505	194,377	218,906	-24,528	-11.2%
Collateralized short-term financing agreements:	5,062,737	7,445,833	5,159,100	2,286,732	44.3%
Cash deposits as collateral for securities loaned	4,830,377	6,791,757	5,000,747	1,791,009	35.8%
Payables related to gensaki transactions	232,360	654,075	158,352	495,723	313.1%
Deposits received	187,792	159,334	148,173	11,160	7.5%
Cash deposits received as guarantee	109,398	124,008	100,494	23,514	23.4%
Short-term borrowings	1,162,431	2,059,847	1,644,417	415,430	25.3%
Commercial paper	155,196	230,980	302,391	-71,411	-23.6%
Bonds and notes due within one year	22,403	140,138	27,912	112,225	402.1%
Income taxes payable	3,306	14,863	12,550	2,312	18.4%
Deferred tax liabilities-current	17,829	3,215	9,287	-6,071	-65.4%
Accrued bonuses	17,403	14,658	31,200	-16,542	-53.0%
Provision for relocation costs of headquarter office	-	4,090	-	4,090	-
Other current liabilities	198,723	178,401	91,615	86,785	94.7%
<b>Non-current liabilities:</b>	<b>1,241,050</b>	<b>1,203,059</b>	<b>1,240,220</b>	<b>-37,161</b>	<b>-3.0%</b>
Bonds and notes	1,019,075	974,686	1,018,873	-44,186	-4.3%
Long-term debt	164,580	188,970	165,895	23,075	13.9%
Deferred tax liabilities-non-current	31,050	11,655	24,002	-12,347	-51.4%
Retirement benefits	22,285	23,262	22,590	671	3.0%
Provision for relocation costs of headquarter office	-	-	3,757	-3,757	-
Provision for litigation losses	577	612	623	-10	-1.7%
Other non-current liabilities	3,481	3,872	4,478	-605	-13.5%
<b>Statutory reserves</b>	<b>7,628</b>	<b>7,965</b>	<b>7,896</b>	<b>68</b>	<b>0.9%</b>
<b>Total liabilities</b>	<b>13,307,053</b>	<b>16,607,879</b>	<b>13,188,039</b>	<b>3,419,839</b>	<b>25.9%</b>
<b>Net assets</b>					
<b>Owners' equity</b>	<b>818,176</b>	<b>838,247</b>	<b>844,854</b>	<b>-6,606</b>	<b>-0.8%</b>
Common stock	178,324	178,324	178,324	-	-
Capital surplus	157,678	157,678	157,678	-	-
Retained earnings	494,581	540,525	520,474	20,050	3.9%
Treasury stock	-12,415	-38,281	-11,628	-26,652	-
Paid-in money for treasury stock	7	-	4	-4	-
<b>Valuation and translation adjustments</b>	<b>79,356</b>	<b>54,975</b>	<b>84,671</b>	<b>-29,695</b>	<b>-35.1%</b>
Net unrealized gain (loss) on securities, net of tax effect	69,530	48,225	75,657	-27,431	-36.3%
Deferred gain (loss) on hedges	462	729	467	262	56.1%
Translation adjustments	9,363	6,020	8,546	-2,526	-29.6%
<b>Stock subscription rights</b>	<b>539</b>	<b>1,314</b>	<b>610</b>	<b>703</b>	<b>115.2%</b>
<b>Minority interests</b>	<b>288,824</b>	<b>283,918</b>	<b>293,088</b>	<b>-9,170</b>	<b>-3.1%</b>
<b>Total net assets</b>	<b>1,186,895</b>	<b>1,178,456</b>	<b>1,223,225</b>	<b>-44,769</b>	<b>-3.7%</b>
<b>Total liabilities and net assets</b>	<b>14,493,949</b>	<b>17,786,335</b>	<b>14,411,265</b>	<b>3,375,070</b>	<b>23.4%</b>

**Consolidated statements of operations**

(Millions of yen)

	Third quarter Apr. 1, 2006 - Dec. 31, 2006	Third quarter Apr. 1, 2007 - Dec. 31, 2007	Comparison with Dec.31, 2006		Fiscal 2006 Apr. 1,2006- Mar. 31, 2007
			Increase/ Decrease	Yr/yr % Change	
<b>Operating revenues:</b>	<b>662,169</b>	<b>681,153</b>	<b>18,983</b>	<b>2.9%</b>	<b>917,307</b>
Commissions	225,247	227,041	1,794	0.8%	306,736
Net gain (loss) on trading	110,288	112,840	2,552	2.3%	157,332
Net gain (loss) on private equity and other securities	24,820	15,029	-9,791	-39.4%	32,818
Interest and dividend income	270,194	289,044	18,850	7.0%	373,452
Other sales revenues	31,619	37,197	5,577	17.6%	46,967
<b>Interest expenses</b>	<b>254,871</b>	<b>275,614</b>	<b>20,742</b>	<b>8.1%</b>	<b>354,245</b>
<b>Cost of sales</b>	<b>24,035</b>	<b>28,478</b>	<b>4,443</b>	<b>18.5%</b>	<b>36,298</b>
<b>Net operating revenues</b>	<b>383,262</b>	<b>377,059</b>	<b>-6,203</b>	<b>-1.6%</b>	<b>526,764</b>
<b>Selling, general and administrative expenses:</b>	<b>249,490</b>	<b>277,568</b>	<b>28,077</b>	<b>11.3%</b>	<b>340,372</b>
Commission and other expenses	51,071	63,805	12,733	24.9%	71,438
Employees' compensation and benefits	121,319	124,197	2,877	2.4%	163,379
Occupancy and rental	27,812	28,472	659	2.4%	38,846
Data processing and office supplies	16,752	21,887	5,134	30.6%	23,020
Depreciation expenses	16,917	20,441	3,524	20.8%	23,117
Taxes other than income taxes	6,248	5,636	-611	-9.8%	8,264
Others	9,368	13,128	3,759	40.1%	12,306
<b>Operating income</b>	<b>133,772</b>	<b>99,491</b>	<b>-34,281</b>	<b>-25.6%</b>	<b>186,391</b>
Non-operating income:	9,938	8,227	-1,710	-17.2%	10,937
Equity in earnings	1,094	1,623	529	48.4%	1,424
Others	8,844	6,604	-2,239	-25.3%	9,513
Non-operating expenses	1,329	1,910	580	43.7%	1,913
<b>Ordinary income</b>	<b>142,380</b>	<b>105,808</b>	<b>-36,572</b>	<b>-25.7%</b>	<b>195,415</b>
Extraordinary gains	2,396	2,153	-243	-10.2%	3,601
Extraordinary losses	2,716	2,162	-553	-20.4%	13,093
<b>Income before income taxes and minority interests</b>	<b>142,060</b>	<b>105,798</b>	<b>-36,261</b>	<b>-25.5%</b>	<b>185,922</b>
<b>Income taxes-current</b>	<b>38,503</b>	<b>38,589</b>	<b>85</b>	<b>0.2%</b>	<b>65,794</b>
<b>Income taxes-deferred</b>	<b>20,053</b>	<b>1,961</b>	<b>-18,092</b>	<b>-90.2%</b>	<b>3,657</b>
<b>Minority interests</b>	<b>-16,621</b>	<b>-5,908</b>	<b>10,713</b>	<b>-</b>	<b>-23,746</b>
<b>Net income</b>	<b>66,881</b>	<b>59,339</b>	<b>-7,542</b>	<b>-11.3%</b>	<b>92,724</b>
<b>Net financial income included in net operating revenues</b>	<b>15,322</b>	<b>13,430</b>	<b>-1,892</b>	<b>-12.4%</b>	<b>19,207</b>

**Notes to consolidated financial statements for the third quarter ended December 31, 2007**

The consolidated financial statements of the Company for the third quarter ended December 31, 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, 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 third quarter ended December 31, 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 third quarter ended December 31, 2007, one company was added to scope of consolidation due to the increase of materiality and one company was added to scope of consolidation due to the establishment of a company. 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 third quarter ending other than December 31, 2007, one company prepared tentative financial statements for consolidation purpose as of December 31, 2007, and other companies prepared financial statements for the relevant third quarter, and those were reflected.

## 3. Fiscal period of subsidiaries

For subsidiaries with the third quarter ending other than December 31, 2007, the financial statements for the relevant third 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 Corporate 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 Corporate 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.

**Notes to consolidated balance sheets**

1.	Accumulated depreciation of tangible fixed assets	As of Dec. 31, 2006	As of Dec. 31, 2007	As of Mar. 31, 2007
		111,252 million yen	111,028 million yen	111,054 million yen
2.	Guarantee	As of Dec. 31, 2006	As of Dec. 31, 2007	As of Mar. 31, 2007
		1,863 million yen	1,768 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 Dec. 31, 2006	As of Dec. 31, 2007	As of Mar. 31, 2007
		42,000 million yen	-	42,000 million yen
	Long-term borrowings	As of Dec. 31, 2006	As of Dec. 31, 2007	As of Mar. 31, 2007
		60,000 million yen	70,000 million yen	60,000 million yen

**Notes to consolidated statements of operations**

Details of extraordinary gains/losses

(Millions of yen)	<u>Third quarter</u> Apr. 1, 2006- Dec. 31, 2006	<u>Third quarter</u> Apr. 1, 2007- Dec. 31, 2007	<u>Fiscal 2006</u> 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	2,248	2,153	3,453
Reversal of Reserve for financial futures transaction liabilities	-	0	-
<b>Extraordinary losses:</b>			
Write-down of related companies' stocks	200	-	200
Write-down of investment securities	595	1,213	535
Write-down of fixed assets	-	-	1,510
Loss on impairment of fixed assets	-	-	2,974
Loss on sale or disposal of fixed assets	737	-	1,395
Loss on sale of investment securities	333	-	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	298	0	566

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

Third quarter ended December 31, 2006 (A)

(Millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	69,020	508	220	-	-	69,749
Underwriting commission	-	-	-	44,331	-	44,331
Stock and other	-	-	-	36,852	-	36,852
Bond and other	-	-	-	6,548	-	6,548
Distribution commission	-	-	25,865	986	-	26,851
Other commission	1,396	1,497	48,814	15,185	17,419	84,313
<b>Total</b>	<b>70,417</b>	<b>2,006</b>	<b>74,900</b>	<b>60,504</b>	<b>17,419</b>	<b>225,247</b>

Third quarter ended December 31, 2007 (B)

(Millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	66,608	723	337	-	-	67,668
Underwriting commission	-	-	-	18,955	-	18,955
Stock and other	-	-	-	10,596	-	10,596
Bond and other	-	-	-	7,992	-	7,992
Distribution commission	-	-	33,422	2,498	-	35,921
Other commission	1,429	933	73,643	10,266	18,221	104,495
<b>Total</b>	<b>68,037</b>	<b>1,656</b>	<b>107,403</b>	<b>31,721</b>	<b>18,221</b>	<b>227,041</b>

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

(Percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	-3.5%	42.2%	53.2%	-	-	-3.0%
Underwriting commission	-	-	-	-57.2%	-	-57.2%
Stock and other	-	-	-	-71.2%	-	-71.2%
Bond and other	-	-	-	22.1%	-	22.1%
Distribution commission	-	-	29.2%	153.3%	-	33.8%
Other commission	2.4%	-37.7%	50.9%	-32.4%	4.6%	23.9%
<b>Total</b>	<b>-3.4%</b>	<b>-17.4%</b>	<b>43.4%</b>	<b>-47.6%</b>	<b>4.6%</b>	<b>0.8%</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
<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)

	Third quarter Apr. 1, 2006- Dec. 31, 2006	Third quarter Apr. 1, 2007- Dec. 31, 2007	Yr/yr change (%)	Fiscal 2006 Apr. 1, 2006- Mar. 31, 2007
Stock and other	23,129	20,559	-11.1%	31,288
Bond, forex and other	87,159	92,281	5.9%	126,044
<b>Total</b>	<b>110,288</b>	<b>112,840</b>	<b>2.3%</b>	<b>157,332</b>

**Quarterly consolidated statements of operations**

(Millions of yen)

	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	3rd quarter Oct. 1, 2007- Dec. 31, 2007
<b>Operating revenues</b>	<b>242,778</b>	<b>255,138</b>	<b>253,982</b>	<b>211,712</b>	<b>215,457</b>
Commissions	90,278	81,489	79,875	74,562	72,602
Brokerage commission	23,621	28,323	24,274	22,890	20,503
Stock and other	23,416	28,040	24,034	22,473	20,100
Bond and other	143	185	168	302	252
Underwriting commission	25,093	9,737	7,435	6,421	5,098
Stock and other	22,301	6,657	4,166	4,139	2,289
Bond and other	2,619	2,858	3,152	2,189	2,650
Distribution commission	8,380	11,668	14,822	9,676	11,421
Beneficiary certificates	8,161	11,345	13,606	8,895	10,920
Other commission	33,182	31,760	33,342	35,573	35,578
Net gain (loss) on trading	37,219	47,044	46,749	24,440	41,650
Stock and other	10,902	8,159	19,380	-4,150	5,329
Bond, forex and other	26,317	38,885	27,368	28,591	36,321
Net gain (loss) on private equity and other securities	6,159	7,997	7,996	6,309	723
Interest and dividend income	98,432	103,258	105,893	95,909	87,242
Other sales revenues	10,688	15,348	13,468	10,489	13,239
<b>Interest expenses</b>	<b>92,834</b>	<b>99,373</b>	<b>99,362</b>	<b>92,357</b>	<b>83,894</b>
<b>Cost of sales</b>	<b>8,024</b>	<b>12,263</b>	<b>10,551</b>	<b>7,791</b>	<b>10,136</b>
<b>Net operating revenues</b>	<b>141,919</b>	<b>143,501</b>	<b>144,068</b>	<b>111,563</b>	<b>121,427</b>
<b>Selling, general and administrative expenses:</b>	<b>87,968</b>	<b>90,882</b>	<b>93,619</b>	<b>91,660</b>	<b>92,288</b>
Commission and other expenses	17,954	20,367	20,301	23,071	20,432
Employees' compensation and benefits	41,811	42,059	44,335	38,823	41,038
Occupancy and rental	10,756	11,033	8,958	9,804	9,709
Data processing and office supplies	5,626	6,268	6,855	7,474	7,557
Depreciation expenses	5,910	6,199	6,368	6,810	7,262
Taxes other than income taxes	2,375	2,016	2,102	1,792	1,741
Others	3,533	2,937	4,698	3,883	4,546
<b>Operating income</b>	<b>53,950</b>	<b>52,618</b>	<b>50,449</b>	<b>19,902</b>	<b>29,138</b>
Non-operating income	2,091	999	4,129	1,823	2,274
Non-operating expenses	112	583	486	521	902
<b>Ordinary income</b>	<b>55,929</b>	<b>53,034</b>	<b>54,092</b>	<b>21,204</b>	<b>30,511</b>
Extraordinary gains	480	1,204	793	1,140	219
Extraordinary losses	558	10,377	213	2,015	-65
<b>Income before income taxes and minority interests</b>	<b>55,850</b>	<b>43,862</b>	<b>54,672</b>	<b>20,329</b>	<b>30,796</b>
<b>Income taxes-current</b>	<b>13,282</b>	<b>27,290</b>	<b>16,524</b>	<b>14,215</b>	<b>7,849</b>
<b>Income taxes-deferred</b>	<b>8,010</b>	<b>-16,396</b>	<b>4,527</b>	<b>-7,402</b>	<b>4,835</b>
<b>Minority interests</b>	<b>-7,803</b>	<b>-7,125</b>	<b>-6,285</b>	<b>1,223</b>	<b>-846</b>
<b>Net income</b>	<b>26,754</b>	<b>25,842</b>	<b>27,335</b>	<b>14,739</b>	<b>17,264</b>
<b>Net financial income included in net operating revenues</b>	<b>5,597</b>	<b>3,884</b>	<b>6,530</b>	<b>3,551</b>	<b>3,347</b>

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

(Millions of yen)

	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2007	Fiscal 2006 Mar. 31, 2007	Comparison with Mar.31, 2007	
				Increase/ Decrease	Yr/yr % change
<i>Assets</i>					
<b>Current assets:</b>	<b>282,823</b>	<b>310,080</b>	<b>312,519</b>	<b>-2,438</b>	<b>-0.8%</b>
Cash and deposits	99,144	71,978	92,768	-20,790	-22.4%
Securities	23,586	6,530	13,088	-6,557	-50.1%
Short-term loans receivable	138,132	200,203	177,550	22,653	12.8%
Account receivable	13,705	25,089	26,100	-1,010	-3.9%
Accrued income	1,221	1,540	1,327	212	16.0%
Deferred tax assets-current	137	149	-	149	-
Other current assets	6,896	4,589	1,683	2,905	172.5%
<b>Non-current assets:</b>	<b>987,538</b>	<b>984,100</b>	<b>967,117</b>	<b>16,982</b>	<b>1.8%</b>
Tangible fixed assets	9,992	45,150	45,397	-246	-0.5%
Intangible fixed assets	798	977	877	99	11.4%
Investments and others:	976,746	937,972	920,842	17,129	1.9%
Investment securities	776,814	797,430	786,653	10,776	1.4%
Long-term loans receivable	177,850	114,000	113,400	600	0.5%
Long-term guarantee deposits	12,538	16,386	11,364	5,022	44.2%
Others	9,959	10,575	9,843	731	7.4%
Less: Allowance for doubtful accounts	-416	-420	-419	-0	-
<b>Total assets</b>	<b>1,270,361</b>	<b>1,294,180</b>	<b>1,279,636</b>	<b>14,543</b>	<b>1.1%</b>

(Millions of yen)

	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2007	Fiscal 2006 Mar. 31, 2007	Comparison with Mar.31, 2007	
				Increase/ Decrease	Yr/yr % change
<i>Liabilities</i>					
<b>Current liabilities:</b>	<b>175,036</b>	<b>328,110</b>	<b>183,015</b>	<b>145,094</b>	<b>79.3%</b>
Short-term borrowings	93,345	125,845	91,345	34,500	37.8%
Bonds and notes due within one year	-	120,000	-	120,000	-
Collateralized short-term financing agreements	75,957	65,739	80,676	-14,937	-18.5%
Income taxes payable	155	9,630	6,963	2,667	38.3%
Deferred tax liabilities-current	-	-	54	-54	-
Accrued bonuses	606	465	1,021	-556	-54.5%
Other current liabilities	4,972	6,431	2,955	3,475	117.6%
<b>Non-current liabilities:</b>	<b>380,740</b>	<b>281,827</b>	<b>372,549</b>	<b>-90,721</b>	<b>-24.4%</b>
Bonds and notes	292,900	216,400	291,400	-75,000	-25.7%
Long-term debt	49,000	44,000	49,000	-5,000	-10.2%
Long-term cash deposits received as guarantee	3,568	2,843	2,829	14	0.5%
Deferred tax liabilities-non-current	31,741	15,920	25,986	-10,066	-38.7%
Retirement benefits	1,783	1,325	1,684	-358	-21.3%
Provision for litigation losses	250	248	211	36	17.1%
Other non-current liabilities	1,496	1,089	1,436	-347	-24.2%
<b>Total liabilities</b>	<b>555,777</b>	<b>609,938</b>	<b>555,564</b>	<b>54,373</b>	<b>9.8%</b>
<i>Net assets</i>					
<b>Owners' equity</b>	<b>667,024</b>	<b>647,331</b>	<b>666,343</b>	<b>-19,011</b>	<b>-2.9%</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	343,428	349,608	341,963	7,645	2.2%
Earned surplus reserve	45,335	45,335	45,335	-	-
General - purpose reserve	218,000	218,000	218,000	-	-
Deferred earned surplus	80,093	86,273	78,627	7,645	9.7%
Treasury stock	-12,415	-38,280	-11,627	-26,652	-
Paid-in money for treasury stock	7	-	4	-4	-
<b>Valuation and translation adjustments</b>	<b>47,060</b>	<b>35,679</b>	<b>57,161</b>	<b>-21,482</b>	<b>-37.6%</b>
Net unrealized gain (loss) on securities, net of tax effect	46,607	34,994	56,740	-21,745	-38.3%
Deferred gain (loss) on hedges	453	684	421	263	62.4%
<b>Stock subscription rights</b>	<b>499</b>	<b>1,231</b>	<b>567</b>	<b>664</b>	<b>117.3%</b>
<b>Total net assets</b>	<b>714,584</b>	<b>684,242</b>	<b>724,072</b>	<b>-39,829</b>	<b>-5.5%</b>
<b>Total liabilities and net assets</b>	<b>1,270,361</b>	<b>1,294,180</b>	<b>1,279,636</b>	<b>14,543</b>	<b>1.1%</b>

**Statements of operations**

(Millions of yen)

	Third quarter Apr. 1, 2006 - Dec. 31, 2006	Third quarter Apr. 1, 2007 - Dec. 31, 2007	Comparison with Dec. 31, 2006		Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
			Increase/ Decrease	Yr/yr % change	
<b>Operating revenues:</b>	<b>77,317</b>	<b>56,841</b>	<b>-20,476</b>	<b>-26.5%</b>	<b>78,806</b>
Dividends from related companies	73,894	51,528	-22,366	-30.3%	73,920
Interest on loans to related companies	3,116	3,495	379	12.2%	4,098
Other	306	1,817	1,510	492.5%	786
<b>Operating expenses:</b>	<b>9,927</b>	<b>12,336</b>	<b>2,409</b>	<b>24.3%</b>	<b>13,462</b>
Selling, general and administrative expenses:	7,046	8,210	1,163	16.5%	9,494
Commission and other expenses	1,123	1,246	123	11.0%	1,631
Employees' compensation and benefits	2,826	3,145	319	11.3%	3,675
Occupancy and rental	418	615	197	47.3%	521
Data processing and office supplies	1,031	931	-100	-9.8%	1,270
Depreciation expenses	230	732	502	217.8%	571
Others	1,416	1,538	121	8.6%	1,823
Interest expenses	2,881	4,126	1,245	43.2%	3,968
<b>Operating income</b>	<b>67,389</b>	<b>44,504</b>	<b>-22,885</b>	<b>-34.0%</b>	<b>65,343</b>
Non-operating income	4,244	2,463	-1,780	-41.9%	4,421
Non-operating expenses	483	1,059	576	119.2%	349
<b>Ordinary income</b>	<b>71,150</b>	<b>45,908</b>	<b>-25,241</b>	<b>-35.5%</b>	<b>69,415</b>
Extraordinary gains	6,436	280	-6,155	-95.6%	7,390
Extraordinary losses	1,862	1,378	-483	-26.0%	2,245
<b>Income before income taxes</b>	<b>75,723</b>	<b>44,810</b>	<b>-30,913</b>	<b>-40.8%</b>	<b>74,561</b>
<b>Income taxes-current</b>	<b>-635</b>	<b>-1,249</b>	<b>-614</b>	-	<b>-955</b>
<b>Income taxes-deferred</b>	<b>374</b>	<b>-701</b>	<b>-1,076</b>	-	<b>642</b>
<b>Net income</b>	<b>75,984</b>	<b>46,761</b>	<b>-29,222</b>	<b>-38.5%</b>	<b>74,874</b>