

**Daiwa Securities Co. Ltd.**(URL <http://www.daiwa.jp/>)

Parent Company: Daiwa Securities Group Inc. (Code No. 8601), 100% share holder



January 30, 2008

**Non-consolidated financial summary**

(For the third quarter ended December 31, 2007)

**1. Financial result (from April 1, 2007 to December 31, 2007)****(1) Operating results**

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

" - " indicates a loss or negative figure.

(Millions of yen except per share data and percentage)

	Operating revenues	Yr/yr change	Net operating revenues	Yr/yr change	Operating income	Yr/yr change
Third quarter 2007 (2007/12)	180,200	7.5%	178,442	7.1%	58,174	10.6%
Third quarter 2006 (2006/12)	167,607	-5.6%	166,640	-5.8%	52,615	-14.6%
Fiscal 2006 (2007/3)	230,649		229,171		74,500	

	Ordinary income	Yr/yr change	Net income	Yr/yr change	Return on equity (Annual basis)
Third quarter 2007 (2007/12)	58,377	10.8%	33,829	8.1%	18.1%
Third quarter 2006 (2006/12)	52,677	-14.6%	31,304	-12.3%	17.3%
Fiscal 2006 (2007/3)	74,477		43,468		17.6%

**(2) Financial conditions**

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
Third quarter 2007 (2007/12)	681,642	253,895	37.2%	382.2%
Third quarter 2006 (2006/12)	675,570	233,606	34.6%	359.0%
Fiscal 2006 (2007/3)	782,594	245,888	31.4%	319.3%

**2. Other information**

1. Adoption of the concise accounting policies: None

2. Change in the accounting policies from the fiscal year ended March 31, 2007: Yes

(Note) Please see "Change in the accounting policies from the fiscal year ended March 31, 2007" on page 6 for details.

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**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>606,064</b>	<b>602,369</b>	<b>710,255</b>	<b>-107,885</b>	<b>-15.2%</b>
Cash and deposits	93,031	76,633	114,194	-37,560	-32.9%
Cash segregated as deposits for regulatory purposes	158,635	165,851	183,982	-18,131	-9.9%
Trading assets:	39,460	68,557	38,506	30,051	78.0%
Trading securities and others	38,619	66,749	37,402	29,347	78.5%
Derivative assets	840	1,808	1,103	704	63.8%
Trading receivables, net	1,261	1,358	2,036	-678	-33.3%
Receivables related to margin transactions:	262,158	249,437	323,213	-73,776	-22.8%
Customer margin loans	258,662	247,391	320,476	-73,084	-22.8%
Cash deposits as collateral for securities borrowed	3,496	2,045	2,737	-691	-25.3%
Collateralized short-term financing agreements:	9,127	9,347	9,133	213	2.3%
Cash deposits as collateral for securities borrowed	9,127	9,347	9,133	213	2.3%
Receivables	16,029	7,718	9,496	-1,777	-18.7%
Short-term guarantee money deposited	3,866	4,055	5,764	-1,709	-29.7%
Short-term loans receivable	990	561	1,289	-727	-56.4%
Accrued income	12,991	14,019	14,413	-394	-2.7%
Deferred tax assets-current	2,828	3,426	5,861	-2,435	-41.5%
Other current assets	5,808	1,662	2,403	-741	-30.8%
Less: Allowance for doubtful accounts-current	-127	-260	-41	-219	-
<b>Non-current assets:</b>	<b>69,506</b>	<b>79,272</b>	<b>72,338</b>	<b>6,934</b>	<b>9.6%</b>
Tangible fixed assets	6,211	7,469	7,632	-162	-2.1%
Intangible fixed assets	33,218	42,055	34,990	7,065	20.2%
Investments and others:	30,076	29,748	29,715	32	0.1%
Investment securities	2,744	2,569	2,944	-374	-12.7%
Long-term loans receivable	4,874	4,910	4,874	35	0.7%
Long-term guarantee deposits	16,727	15,057	15,518	-461	-3.0%
Deferred tax assets-non-current	4,883	6,058	5,308	750	14.1%
Other investments	1,912	3,540	2,594	946	36.5%
Less: Allowance for doubtful accounts-non-current	-1,066	-2,387	-1,523	-864	-
<b>Total assets</b>	<b>675,570</b>	<b>681,642</b>	<b>782,594</b>	<b>-100,951</b>	<b>-12.9%</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>383,012</b>	<b>366,216</b>	<b>479,106</b>	<b>-112,889</b>	<b>-23.6%</b>
Trading liabilities:	617	1,210	608	602	99.1%
Trading securities and others	-	-	48	-48	-
Derivative liabilities	617	1,210	560	650	116.1%
Payables related to margin transactions:	21,709	18,712	22,628	-3,916	-17.3%
Payable to securities finance companies	2,564	6,365	5,116	1,248	24.4%
Proceeds of securities sold for customers' accounts	19,145	12,346	17,512	-5,165	-29.5%
Deposits received	137,701	119,760	108,070	11,690	10.8%
Cash deposits received as guarantee	69,151	74,690	75,825	-1,134	-1.5%
Short-term borrowings	80,200	65,200	160,200	-95,000	-59.3%
Short-term borrowings from parent company	50,000	50,000	70,000	-20,000	-28.6%
Account payable	9,955	18,246	19,551	-1,305	-6.7%
Accrued expenses	5,931	7,881	6,974	906	13.0%
Income taxes payable	-	3,478	657	2,820	429.2%
Accrued bonuses	6,400	5,000	12,800	-7,800	-60.9%
Other current liabilities	1,344	2,036	1,789	247	13.8%
<b>Non-current liabilities:</b>	<b>56,834</b>	<b>59,337</b>	<b>55,404</b>	<b>3,932</b>	<b>7.1%</b>
Long-term debt	31,000	32,500	29,000	3,500	12.1%
Long-term debt from parent company	16,000	16,000	16,000	-	-
Accrued retirement benefits	9,017	10,101	9,579	521	5.4%
Provision for litigation losses	326	364	411	-46	-11.4%
Other non-current liabilities	490	371	413	-41	-10.2%
<b>Statutory reserves:</b>	<b>2,117</b>	<b>2,193</b>	<b>2,194</b>	<b>-1</b>	<b>-0.1%</b>
<b>Total liabilities</b>	<b>441,964</b>	<b>427,747</b>	<b>536,705</b>	<b>-108,958</b>	<b>-20.3%</b>
<i>Net assets</i>					
<b>Owners' equity:</b>	<b>232,801</b>	<b>253,194</b>	<b>244,965</b>	<b>8,229</b>	<b>3.4%</b>
<b>Common stock</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>
<b>Capital surplus:</b>	<b>50,010</b>	<b>50,010</b>	<b>50,010</b>	<b>-</b>	<b>-</b>
Additional paid-in capital	50,010	50,010	50,010	-	-
<b>Retained earnings:</b>	<b>82,791</b>	<b>103,184</b>	<b>94,955</b>	<b>8,229</b>	<b>8.7%</b>
Earned surplus reserve	2,430	2,430	2,430	-	-
Other retained surplus:	80,361	100,754	92,525	8,229	8.9%
Reserve for special depreciation	34	5	23	-17	-75.0%
Unappropriated retained earnings	80,326	100,748	92,501	8,247	8.9%
<b>Valuation and translation adjustments:</b>	<b>804</b>	<b>700</b>	<b>923</b>	<b>-222</b>	<b>-24.1%</b>
Net unrealized gain (loss) on securities, net of tax effect	804	700	923	-222	-24.1%
<b>Total net assets</b>	<b>233,606</b>	<b>253,895</b>	<b>245,888</b>	<b>8,007</b>	<b>3.3%</b>
<b>Total liabilities and net assets</b>	<b>675,570</b>	<b>681,642</b>	<b>782,594</b>	<b>-100,951</b>	<b>-12.9%</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>167,607</b>	<b>180,200</b>	<b>12,593</b>	<b>7.5%</b>	<b>230,649</b>
Commissions	135,070	137,715	2,664	2.0%	185,751
Net gain (loss) on trading	27,006	35,452	8,446	31.3%	37,324
Interest and dividend income	5,530	7,032	1,502	27.2%	7,573
<b>Interest expenses</b>	<b>966</b>	<b>1,757</b>	<b>791</b>	<b>81.9%</b>	<b>1,478</b>
<b>Net operating revenues</b>	<b>166,640</b>	<b>178,442</b>	<b>11,802</b>	<b>7.1%</b>	<b>229,171</b>
<b>Selling, general and administrative expenses:</b>	<b>114,025</b>	<b>120,268</b>	<b>6,243</b>	<b>5.5%</b>	<b>154,670</b>
Commission and other expenses	15,871	18,679	2,808	17.7%	21,520
Employees' compensation and benefits	57,012	56,975	-36	-0.1%	76,493
Occupancy and rental	16,344	14,894	-1,449	-8.9%	23,124
Data processing and office supplies	15,242	16,721	1,478	9.7%	20,304
Depreciation expenses	6,607	8,495	1,887	28.6%	9,225
Taxes other than income taxes	998	1,095	97	9.7%	1,353
Others	1,948	3,406	1,457	74.8%	2,647
<b>Operating income</b>	<b>52,615</b>	<b>58,174</b>	<b>5,559</b>	<b>10.6%</b>	<b>74,500</b>
Non-operating income	375	339	-36	-9.8%	462
Non-operating expenses	313	136	-177	-56.6%	485
<b>Ordinary income</b>	<b>52,677</b>	<b>58,377</b>	<b>5,699</b>	<b>10.8%</b>	<b>74,477</b>
Extraordinary gains	-	1	1	-	-
Extraordinary losses	580	550	-29	-5.2%	1,424
<b>Income before income taxes and others</b>	<b>52,097</b>	<b>57,828</b>	<b>5,731</b>	<b>11.0%</b>	<b>73,052</b>
Income taxes-current	12,160	22,162	10,001	82.2%	24,492
Income taxes-deferred	8,632	1,836	-6,795	-78.7%	5,092
<b>Net income</b>	<b>31,304</b>	<b>33,829</b>	<b>2,525</b>	<b>8.1%</b>	<b>43,468</b>
<b>Net financial income included in Net operating revenues</b>	<b>4,564</b>	<b>5,274</b>	<b>710</b>	<b>15.6%</b>	<b>6,094</b>

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

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

**Basis of financial statements for the third quarter ended December 31,2007**

## 1. Valuation of financial instruments

## (1) Valuation of trading account

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

## (2) Valuation of non-trading securities

Other securities than trading or held-to-maturity securities are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in shareholders' equity, if their fair value is available. The cost of those securities is based on moving average method. Other securities are valued at moving average cost method, if their fair value is not available.

## 2. Depreciation of depreciable assets

## (1) Tangible fixed assets

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

## (2) Intangible fixed assets, and investments and others

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

## 3. Accounting policies for various provisions

## (1) Allowance for doubtful accounts

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

## (2) Accrued bonuses

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

## (3) Accrued retirement benefits

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

## (4) Provision for litigation losses

Estimated amount of restitution is accrued to provide for future monetary damages of litigation regarding financial services based on the status of progress as of December 31, 2007.

**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 has 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 financial statements was immaterial.

**Notes to balance sheets**

(Millions of yen)

	Third quarter 2006 <u>Dec. 31, 2006</u>	Third quarter 2007 <u>Dec. 31, 2007</u>	Fiscal 2006 <u>Mar. 31, 2007</u>
1 . Accumulated depreciation of tangible fixed assets	12,153	13,834	12,232
2 . Guarantee	542	616	524

**Notes to statements of operations**

(Millions of yen)

Details of extraordinary gains/losses

	Third quarter 2006 <u>Apr. 1, 2006 – Dec. 31, 2006</u>	Third quarter 2007 <u>Apr. 1, 2007 – Dec. 31, 2007</u>	Fiscal 2006 <u>Apr. 1, 2006 – Mar. 31, 2007</u>
Extraordinary gains			
Reversal of Reserve for securities transaction liabilities	-	1	-
Extraordinary losses			
Relocation costs of headquarter office	-	550	354
Provision for doubtful accounts	-	-	412
Provision for securities transaction liabilities	270	-	347
Provision for litigation losses	309	-	309

**Supplemental information for the third quarter ended December 31, 2007**

(Apr. 1, 2007 – Dec. 31, 2007)

## 1. Breakdown of commission revenue

## (1) Activity

(Millions of yen)

	Third quarter 2006 <u>Apr. 1, 2006 –</u> <u>Dec. 31, 2006</u>	Third quarter 2007 <u>Apr. 1, 2007 –</u> <u>Dec. 31, 2007</u>	Yr/yr change (%)	Fiscal 2006 <u>Apr. 1, 2006 –</u> <u>Mar. 31, 2007</u>
Brokerage commission	<b>47,249</b>	<b>40,822</b>	-13.6%	<b>65,947</b>
Stock and other	47,105	40,582	-13.8%	65,739
Underwriting commission	--	--	--	--
Distribution commission	<b>45,132</b>	<b>43,534</b>	-3.5%	<b>60,531</b>
Stock and other	13,776	3,850	-72.1%	16,006
Bond and other	6,308	7,174	13.7%	8,449
Beneficiary certificates	25,046	32,509	29.8%	36,075
Other commission	<b>42,688</b>	<b>53,358</b>	<b>25.0%</b>	<b>59,272</b>
Beneficiary certificates	24,348	34,627	42.2%	34,001
Total	135,070	137,715	2.0%	185,751

## (2) Asset class

(Millions of yen)

	Third quarter 2006 <u>Apr. 1, 2006 –</u> <u>Dec. 31, 2006</u>	Third quarter 2007 <u>Apr. 1, 2007 –</u> <u>Dec. 31, 2006</u>	Yr/yr change (%)	Fiscal 2006 <u>Apr. 1, 2006 –</u> <u>Mar. 31, 2007</u>
Stock and other	63,652	46,493	-27.0%	85,614
Bond and other	13,119	12,935	-1.4%	18,120
Beneficiary certificates	49,539	67,377	36.0%	70,285
Others	8,759	10,908	24.5%	11,731
Total	135,070	137,715	2.0%	185,751

## 2. Breakdown of trading gains/losses

(Millions of yen)

	Third quarter 2006 <u>Apr. 1, 2006 –</u> <u>Dec. 31, 2006</u>	Third quarter 2007 <u>Apr. 1, 2007 –</u> <u>Dec. 31, 2007</u>	Yr/yr change (%)	Fiscal 2006 <u>Apr. 1, 2006 –</u> <u>Mar. 31, 2007</u>
Stock and other	4,219	5,823	38.0%	5,761
Bond, Forex and other	22,786	29,629	30.0%	31,562
Total	27,006	35,452	31.3%	37,324

3. Capital adequacy ratio

(Millions of yen)

		Third quarter 2006 <u>Apr. 1, 2006 –</u> <u>Dec. 31, 2006</u>	Third quarter 2007 <u>Apr. 1, 2007 –</u> <u>Dec. 31, 2007</u>	Fiscal 2006 <u>Apr. 1, 2006 –</u> <u>Mar. 31, 2007</u>
Basic item (A)		232,801	253,194	219,365
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	804	700	923
	Statutory reserve	2,117	2,193	2,194
	Allowance for doubtful accounts	127	260	41
	Total (B)	3,049	3,154	3,159
Assets excluded from capital (C)		69,584	79,387	72,144
Net capital (A)+(B)-(C) (D)		166,266	176,962	150,380
Risk equivalent	Market risk equivalent	1,289	1,449	735
	Counterparty risk equivalent	6,997	6,953	8,407
	Basic risk equivalent	38,017	37,887	37,952
	Total (E)	46,304	46,291	47,096
Capital adequacy ratio (D)/(E)		359.0%	382.2%	319.3%

**Quarterly statements of operations**

(Millions of yen)

	Fiscal 2006		Fiscal 2007		
	Third quarter Oct. 1, 2006- Dec. 31, 2006	Fourth quarter Jan. 1, 2007 - Mar.31, 2007	First quarter Apr. 1, 2007 - Jun.30, 2007	Second quarter Jul. 1, 2007 - Sep.30, 2007	Third quarter Oct. 1, 2007- Dec. 31, 2007
<b>Operating revenues</b>	<b>58,706</b>	<b>63,042</b>	<b>64,456</b>	<b>58,413</b>	<b>57,330</b>
<b>Commissions</b>	<b>47,795</b>	<b>50,681</b>	<b>50,381</b>	<b>44,337</b>	<b>42,995</b>
<b>Brokerage commission</b>	<b>15,173</b>	<b>18,697</b>	<b>15,190</b>	<b>13,767</b>	<b>11,864</b>
Stock and other	15,129	18,634	15,144	13,685	11,752
<b>Underwriting commission</b>	-	-	-	-	-
<b>Distribution commission</b>	<b>17,991</b>	<b>15,399</b>	<b>17,862</b>	<b>12,413</b>	<b>13,257</b>
Stock and other	7,959	2,229	1,616	1,368	865
Bond and other	2,309	2,140	3,050	2,436	1,687
Beneficiary certificates	7,722	11,028	13,195	8,609	10,704
<b>Other commission</b>	<b>14,630</b>	<b>16,584</b>	<b>17,328</b>	<b>18,155</b>	<b>17,874</b>
Beneficiary certificates	8,900	9,652	10,935	11,634	12,058
<b>Net gain on trading</b>	<b>9,127</b>	<b>10,318</b>	<b>11,818</b>	<b>11,597</b>	<b>12,036</b>
Stock and other	1,341	1,542	2,184	1,741	1,896
Bond, Forex and other	7,785	8,775	9,633	9,855	10,139
<b>Interest and dividend income</b>	<b>1,783</b>	<b>2,042</b>	<b>2,256</b>	<b>2,478</b>	<b>2,298</b>
<b>Interest expenses</b>	<b>400</b>	<b>511</b>	<b>593</b>	<b>589</b>	<b>575</b>
<b>Net operating revenue</b>	<b>58,306</b>	<b>62,530</b>	<b>63,863</b>	<b>57,823</b>	<b>56,755</b>
Selling, general and administrative expenses:	39,128	40,644	41,981	39,363	38,924
Commission and other expenses	5,190	5,649	6,053	7,038	5,588
Employees' compensation and benefits	19,009	19,481	20,883	17,426	18,666
Occupancy and rental	6,543	6,779	4,853	5,198	4,842
Data processing and office supplies	4,942	5,061	5,301	5,638	5,780
Depreciation expenses	2,416	2,618	2,579	2,835	3,080
Taxes other than income taxes	304	355	458	322	314
Others	721	698	1,850	904	651
<b>Operating income</b>	<b>19,178</b>	<b>21,885</b>	<b>21,882</b>	<b>18,460</b>	<b>17,831</b>
Non-operating income	80	86	156	59	122
Non-operating expenses	79	172	39	64	32
<b>Ordinary income</b>	<b>19,178</b>	<b>21,800</b>	<b>21,999</b>	<b>18,456</b>	<b>17,922</b>
Extraordinary gains	-	-	1	-	-
Extraordinary losses	95	844	-	550	-
<b>Income before income taxes and others</b>	<b>19,083</b>	<b>20,955</b>	<b>22,001</b>	<b>17,905</b>	<b>17,922</b>
Income taxes-current	4,990	12,331	7,450	10,312	4,400
Income taxes-deferred	2,993	-3,539	1,747	-3,013	3,103
<b>Net income</b>	<b>11,100</b>	<b>12,163</b>	<b>12,803</b>	<b>10,606</b>	<b>10,418</b>
<b>Net financial income included in Net operating revenues</b>	<b>1,383</b>	<b>1,530</b>	<b>1,662</b>	<b>1,888</b>	<b>1,723</b>