

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

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



April 28, 2008

**Non-consolidated financial summary**

(For the fiscal year ended March 31, 2008)

**1. Financial result (from April 1, 2007 to March 31, 2008)****(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 |
|----------------------|--------------------|--------------|------------------------|--------------|------------------|--------------|
| Fiscal 2007 (2008/3) | 226,273            | -1.9%        | 224,010                | -2.3%        | 70,753           | -5.0%        |
| Fiscal 2006 (2007/3) | 230,649            | -10.9%       | 229,171                | -11.2%       | 74,500           | -26.2%       |

|                      | Ordinary income | Yr/yr change | Net income | Yr/yr change | Return on equity (Annual basis) |
|----------------------|-----------------|--------------|------------|--------------|---------------------------------|
| Fiscal 2007 (2008/3) | 71,026          | -4.6%        | 41,009     | -5.7%        | 16.2%                           |
| Fiscal 2006 (2007/3) | 74,477          | -26.3%       | 43,468     | -25.3%       | 17.6%                           |

**(2) Financial conditions**

(Millions of yen except per share data and percentage)

|                     | Total assets | Net assets | Equity ratio | Capital adequacy ratio |
|---------------------|--------------|------------|--------------|------------------------|
| As of Mar. 31, 2008 | 656,019      | 260,975    | 39.8%        | 319.7%                 |
| As of Mar. 31, 2007 | 782,594      | 245,888    | 31.4%        | 319.3%                 |

Equity (i.e. “Owners’ equity” and “valuation and translation adjustment”):

Fiscal 2007: 260,975 million yen      Fiscal 2006: 245,888 million yen

**2. Other information**

Change in accounting principle, procedure and presentation preparing the financial statements (noted on changes in “Change in the basis of financial statements for the fiscal year ended March 31, 2008”)

1. Change due to amendment to accounting standard: none
2. Change due to other than above : yes

(Note) Please see “Change in the basis of financial statements for the fiscal year ended March 31, 2008” on page 7 for details

Representative: Shigeharu Suzuki, President

Contact: Tetsuya Kawaguchi, General Manager, Finance Department

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**Balance sheets**

(Millions of yen)

|   | Fiscal 2006<br>Mar. 31, 2007 | Fiscal 2007<br>Mar. 31, 2008 | Comparison with Mar.31, 2007 |                     |
|---|------------------------------|------------------------------|------------------------------|---------------------|
|   |                              |                              | Increase/<br>Decrease        | Yr/yr<br>change (%) |
| <i>Assets</i>                                       |                              |                              |                              |                     |
| <b>Current assets:</b>                              | <b>710,255</b>               | <b>568,834</b>               | <b>-141,421</b>              | <b>-19.9%</b>       |
| Cash and deposits                                   | 114,194                      | 107,406                      | -6,787                       | -5.9%               |
| Cash segregated as deposits for regulatory purposes | 183,982                      | 160,082                      | -23,900                      | -13.0%              |
| Trading assets:                                     | 38,506                       | 62,497                       | 23,991                       | 62.3%               |
| Trading securities and others                       | 37,402                       | 58,478                       | 21,076                       | 56.4%               |
| Derivative assets                                   | 1,103                        | 4,018                        | 2,915                        | 264.1%              |
| Trading receivables, net                            | 2,036                        | 5,092                        | 3,055                        | 150.0%              |
| Receivables related to margin transactions:         | 323,213                      | 187,807                      | -135,406                     | -41.9%              |
| Customer margin loans                               | 320,476                      | 185,119                      | -135,357                     | -42.2%              |
| Cash deposits as collateral for securities borrowed | 2,737                        | 2,688                        | -49                          | -1.8%               |
| Collateralized short-term financing agreements:     | 9,133                        | 8,691                        | -442                         | -4.8%               |
| Cash deposits as collateral for securities borrowed | 9,133                        | 8,691                        | -442                         | -4.8%               |
| Receivables   | 9,496                        | 9,526                        | 30                           | 0.3%                |
| Short-term guarantee money deposited                | 5,764                        | 5,710                        | -54                          | -0.9%               |
| Short-term loans receivable                         | 1,289                        | 648                          | -640                         | -49.7%              |
| Accrued income                                      | 14,413                       | 14,172                       | -241                         | -1.7%               |
| Deferred tax assets-current                         | 5,861                        | 4,509                        | -1,352                       | -23.1%              |
| Other current assets                                | 2,403                        | 2,871                        | 468                          | 19.5%               |
| Less: Allowance for doubtful accounts-current       | -41                          | -183                         | -141                         | -                   |
| <b>Non-current assets:</b>                          | <b>72,338</b>                | <b>87,185</b>                | <b>14,846</b>                | <b>20.5%</b>        |
| Tangible fixed assets                               | 7,632                        | 9,931                        | 2,299                        | 30.1%               |
| Intangible fixed assets                             | 34,990                       | 44,687                       | 9,697                        | 27.7%               |
| Investments and others:                             | 29,715                       | 32,565                       | 2,850                        | 9.6%                |
| Investment securities                               | 2,944                        | 2,041                        | -902                         | -30.7%              |
| Long-term loans receivable                          | 4,874                        | 4,907                        | 32                           | 0.7%                |
| Long-term guarantee deposits                        | 15,518                       | 17,500                       | 1,981                        | 12.8%               |
| Deferred tax assets-non-current                     | 5,308                        | 6,503                        | 1,195                        | 22.5%               |
| Other investments                                   | 2,594                        | 3,989                        | 1,394                        | 53.8%               |
| Less: Allowance for doubtful accounts-non-current   | -1,523                       | -2,375                       | -851                         | -                   |
| <b>Total assets</b>                                 | <b>782,594</b>               | <b>656,019</b>               | <b>-126,574</b>              | <b>-16.2%</b>       |

(Millions of yen)

|   | Fiscal 2006<br>Mar. 31, 2007 | Fiscal 2007<br>Mar. 31, 2008 | Comparison with Mar.31, 2007 |                     |
|---|------------------------------|------------------------------|------------------------------|---------------------|
|   |                              |                              | Increase/<br>Decrease        | Yr/yr<br>change (%) |
| <i>Liabilities</i>  |                              |                              |                              |                     |
| <b>Current liabilities:</b>                                 | <b>479,106</b>               | <b>333,773</b>               | <b>-145,332</b>              | <b>-30.3%</b>       |
| Trading liabilities:  | 608                          | 1,014                        | 406                          | 66.8%               |
| Trading securities and others                               | 48                           | 108                          | 60                           | 126.7%              |
| Derivative liabilities                                      | 560                          | 905                          | 345                          | 61.6%               |
| Payables related to margin transactions:                    | 22,628                       | 18,160                       | -4,468                       | -19.7%              |
| Payable to securities finance companies                     | 5,116                        | 5,045                        | -71                          | -1.4%               |
| Proceeds of securities sold for customers' accounts         | 17,512                       | 13,115                       | -4,396                       | -25.1%              |
| Deposits received   | 108,070                      | 89,011                       | -19,059                      | -17.6%              |
| Cash deposits received as guarantee                         | 75,825                       | 74,296                       | -1,528                       | -2.0%               |
| Short-term borrowings                                       | 160,200                      | 109,200                      | -51,000                      | -31.8%              |
| Short-term borrowings from parent company                   | 70,000                       | -                            | -70,000                      | -                   |
| Account payable   | 19,551                       | 22,288                       | 2,736                        | 14.0%               |
| Accrued expenses  | 6,974                        | 5,947                        | -1,026                       | -14.7%              |
| Income taxes payable  | 657                          | 5,779                        | 5,122                        | 779.4%              |
| Accrued bonuses   | 12,800                       | 5,700                        | -7,100                       | -55.5%              |
| Other current liabilities                                   | 1,789                        | 2,375                        | 585                          | 32.7%               |
| <b>Non-current liabilities:</b>                             | <b>55,404</b>                | <b>59,077</b>                | <b>3,672</b>                 | <b>6.6%</b>         |
| Long-term debt  | 29,000                       | 31,500                       | 2,500                        | 8.6%                |
| Long-term debt from parent company                          | 16,000                       | 16,000                       | -                            | -                   |
| Accrued retirement benefits                                 | 9,579                        | 10,351                       | 771                          | 8.1%                |
| Provision for litigation losses                             | 411                          | 474                          | 63                           | 15.5%               |
| Other non-current liabilities                               | 413                          | 750                          | 337                          | 81.5%               |
| <b>Statutory reserves</b>                                   | <b>2,194</b>                 | <b>2,193</b>                 | <b>-1</b>                    | <b>-0.1%</b>        |
| <b>Total liabilities</b>                                    | <b>536,705</b>               | <b>395,043</b>               | <b>-141,661</b>              | <b>-26.4%</b>       |
| <i>Net assets</i>   |                              |                              |                              |                     |
| <b>Owners' equity:</b>                                      | <b>244,965</b>               | <b>260,374</b>               | <b>15,409</b>                | <b>6.3%</b>         |
| <b>Common stock</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>-</b>                     | <b>-</b>            |
| Additional paid-in capital                                  | 50,010                       | 50,010                       | -                            | -                   |
| <b>Retained earnings</b>                                    | <b>94,955</b>                | <b>110,364</b>               | <b>15,409</b>                | <b>16.2%</b>        |
| Earned surplus reserve                                      | 2,430                        | 2,430                        | -                            | -                   |
| Other retained surplus:                                     | 92,525                       | 107,934                      | 15,409                       | 16.7%               |
| Reserve for special depreciation                            | 23                           | -                            | -23                          | -                   |
| Unappropriated retained earnings                            | 92,501                       | 107,934                      | 15,433                       | 16.7%               |
| <b>Valuation and translation adjustments:</b>               | <b>923</b>                   | <b>601</b>                   | <b>-321</b>                  | <b>-34.9%</b>       |
| Net unrealized gain (loss) on securities, net of tax effect | 923                          | 601                          | -321                         | -34.9%              |
| <b>Total net assets</b>                                     | <b>245,888</b>               | <b>260,975</b>               | <b>15,087</b>                | <b>6.1%</b>         |
| <b>Total liabilities and net assets</b>                     | <b>782,594</b>               | <b>656,019</b>               | <b>-126,574</b>              | <b>-16.2%</b>       |

**Statements of operations**

(Millions of yen)

|  | Fiscal 2006<br>Apr. 1, 2006 -<br>Mar. 31, 2007 | Fiscal 2007<br>Apr. 1, 2007 -<br>Mar. 31, 2008 | Comparison with Mar.31, 2007 |                     |
|--|--|--|------------------------------|---------------------|
|  |  |  | Increase/<br>Decrease        | Yr/yr<br>change (%) |
| <b>Operating revenues:</b>                                     | <b>230,649</b>                                 | <b>226,273</b>                                 | <b>-4,376</b>                | <b>-1.9%</b>        |
| Commissions  | 185,751  | 172,040  | -13,711                      | -7.4%               |
| Net gain (loss) on trading                                     | 37,324   | 45,279   | 7,954                        | 21.3%               |
| Interest and dividend income                                   | 7,573  | 8,953  | 1,380                        | 18.2%               |
| <b>Interest expenses</b>                                       | <b>1,478</b>                                   | <b>2,263</b>                                   | <b>784</b>                   | <b>53.1%</b>        |
| <b>Net operating revenues</b>                                  | <b>229,171</b>                                 | <b>224,010</b>                                 | <b>-5,161</b>                | <b>-2.3%</b>        |
| <b>Selling, general and administrative expenses:</b>           | <b>154,670</b>                                 | <b>153,256</b>                                 | <b>-1,413</b>                | <b>-0.9%</b>        |
| Commission and other expenses                                  | 21,520   | 23,380   | 1,859                        | 8.6%                |
| Employees' compensation and benefits                           | 76,493   | 70,124   | -6,368                       | -8.3%               |
| Occupancy and rental   | 23,124   | 19,663   | -3,460                       | -15.0%              |
| Data processing and office supplies                            | 20,304   | 22,846   | 2,541                        | 12.5%               |
| Depreciation expenses  | 9,225  | 11,736   | 2,511                        | 27.2%               |
| Taxes other than income taxes                                  | 1,353  | 1,400  | 47                           | 3.5%                |
| Others   | 2,647  | 4,104  | 1,456                        | 55.0%               |
| <b>Operating income</b>  | <b>74,500</b>                                  | <b>70,753</b>                                  | <b>-3,747</b>                | <b>-5.0%</b>        |
| Non-operating income   | 462  | 426  | -36                          | -7.8%               |
| Non-operating expenses   | 485  | 152  | -332                         | -68.5%              |
| <b>Ordinary income</b>   | <b>74,477</b>                                  | <b>71,026</b>                                  | <b>-3,450</b>                | <b>-4.6%</b>        |
| Extraordinary gains  | -  | 367  | 367                          | -                   |
| Extraordinary losses   | 1,424  | 1,272  | -152                         | -10.7%              |
| <b>Income before income taxes and others</b>                   | <b>73,052</b>                                  | <b>70,121</b>                                  | <b>-2,931</b>                | <b>-4.0%</b>        |
| Income taxes-current   | 24,492   | 28,733   | 4,241                        | 17.3%               |
| Income taxes-deferred  | 5,092  | 378  | -4,714                       | -92.6%              |
| <b>Net income</b>  | <b>43,468</b>                                  | <b>41,009</b>                                  | <b>-2,458</b>                | <b>-5.7%</b>        |
| <b>Net financial income included in Net operating revenues</b> | <b>6,094</b>                                   | <b>6,690</b>                                   | <b>595</b>                   | <b>9.8%</b>         |

**Statements of changes in net assets**

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

(Millions of yen)

|  | Owners' equity |                            |                        |                                  |                                  |                         | Total owners' equity |
|--|----------------|----------------------------|------------------------|----------------------------------|----------------------------------|-------------------------|----------------------|
|  | Common stock   | Capital surplus            |                        | Retained earnings                |                                  |                         |                      |
|  |                | Additional paid-in capital | Earned surplus reserve | Other retained surplus           |                                  | Total retained earnings |                      |
|  |                |                            |                        | Reserve for special depreciation | Unappropriated retained earnings |                         |                      |
| Beginning balance as of Mar. 31, 2006              | 100,000        | 50,010                     | 2,430                  | 112                              | 96,175                           | 98,717                  | 248,727              |
| Changes of items during the fiscal year            |                |                            |                        |                                  |                                  |                         |                      |
| Reversal of reserve for special depreciation ( * ) | -              | -                          | -                      | -88                              | 88                               | -                       | -                    |
| Dividends(*)                                       | -              | -                          | -                      | -                                | -46,400                          | -46,400                 | -46,400              |
| Bonus to directors(*)                              | -              | -                          | -                      | -                                | -830                             | -830                    | -830                 |
| Net income   | -              | -                          | -                      | -                                | 43,468                           | 43,468                  | 43,468               |
| Total changes of items during the fiscal year      | -              | -                          | -                      | -88                              | -3,673                           | -3,762                  | -3,762               |
| Ending balance as of Mar. 31, 2007                 | 100,000        | 50,010                     | 2,430                  | 23                               | 92,501                           | 94,955                  | 244,965              |

|  | Valuation and translation adjustments                       | Total net assets |
|--|---|------------------|
|  | Net unrealized gain (loss) on securities, net of tax effect |                  |
| Beginning balance as of Mar. 31, 2006              | 649   | 249,376          |
| Changes of items during the fiscal year            |   |                  |
| Reversal of reserve for special depreciation ( * ) | -   | -                |
| Dividends(*)                                       | -   | -46,400          |
| Bonus to directors(*)                              | -   | -830             |
| Net income   | -   | 43,468           |
| Net changes of items other than owners' equity     | 273   | 273              |
| Total changes of items during the fiscal year      | 273   | -3,488           |
| Ending balance as of Mar. 31, 2007                 | 923   | 245,888          |

\* This statements of changes in net assets retain appropriation of earnings at annual shareholders' meeting as of June, 2006

**Statements of changes in net assets**

(Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)

|   | Owners' equity |                            |                        |                                  |                                  |                         | Total owners' equity |
|---|----------------|----------------------------|------------------------|----------------------------------|----------------------------------|-------------------------|----------------------|
|   | Common stock   | Capital surplus            |                        | Retained earnings                |                                  |                         |                      |
|   |                | Additional paid-in capital | Earned surplus reserve | Other retained surplus           |                                  | Total retained earnings |                      |
|   |                |                            |                        | Reserve for special depreciation | Unappropriated retained earnings |                         |                      |
| Beginning balance as of Mar. 31, 2007         | 100,000        | 50,010                     | 2,430                  | 23                               | 92,501                           | 94,955                  | 244,965              |
| Changes of items during the fiscal year       |                |                            |                        |                                  |                                  |                         |                      |
| Reversal of reserve for special depreciation  | -              | -                          | -                      | -23                              | 23                               | -                       | -                    |
| Dividends                                     | -              | -                          | -                      | -                                | -25,600                          | -25,600                 | -25,600              |
| Net income                                    | -              | -                          | -                      | -                                | 41,009                           | 41,009                  | 41,009               |
| Total changes of items during the fiscal year | -              | -                          | -                      | -23                              | 15,433                           | 15,409                  | 15,409               |
| Ending balance as of Mar. 31, 2008            | 100,000        | 50,010                     | 2,430                  | -                                | 107,934                          | 110,364                 | 260,374              |

|  | Valuation and translation adjustments                       | Total net assets |
|--|---|------------------|
|  | Net unrealized gain (loss) on securities, net of tax effect |                  |
| Beginning balance as of Mar. 31, 2007          | 923   | 245,888          |
| Changes of items during the fiscal year        |   |                  |
| Reversal of reserve for special depreciation   | -   | -                |
| Dividends                                      | -   | -25,600          |
| Net income                                     | -   | 41,009           |
| Net changes of items other than owners' equity | -321  | -321             |
| Total changes of items during the fiscal year  | -321  | 15,087           |
| Ending balance as of Mar. 31, 2008             | 601   | 260,975          |

**Notes to financial statements for the fiscal year ended March 31, 2008**

The financial statements of the company for the fiscal year ended March 31, 2008 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 Financial Statements' (Ministry of Finance Ordinance No. 59, 1963) and its Article 2.

**Basis of financial statements for the fiscal year ended March 31, 2008**

## 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 appendices) 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 in conformity with the bylaws to meet obligations as of March 31, 2008 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 March 31, 2008.

**Change in the basis of financial statements for the fiscal year ended March 31, 2008**

## (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)

|   | <b><u>As of Mar. 31, 2007</u></b> | <b><u>As of Mar. 31, 2008</u></b> |
|---|-----------------------------------|-----------------------------------|
| 1 . Accumulated depreciation of tangible fixed assets | 12,232                            | 10,247                            |
| 2 . Guarantee   | 524                               | 593                               |

**Notes to statements of operations**

(Millions of yen)

**Details of extraordinary gains/losses**

|  | <b><u>Fiscal 2006</u></b><br>Apr. 1, 2006 –<br>Mar. 31, 2007 | <b><u>Fiscal 2007</u></b><br>Apr. 1, 2007 –<br>Mar. 31, 2008 |
|--|--|--|
| <b>Extraordinary gains:</b>                                |  |  |
| Retroactive adjustment of depreciation of fixed assets     | -  | 365  |
| Reversal of Reserve for securities transaction liabilities | -  | 1  |
| <b>Extraordinary losses:</b>                               |  |  |
| Relocation costs of headquarter office                     | 354  | 663  |
| Write-down of subsidiary stock                             | -  | 375  |
| Loss on disposal of fixed assets                           | -  | 234  |
| Provision for doubtful accounts                            | 412  | -  |
| Provision for securities transaction liabilities           | 347  | -  |
| Provision for litigation losses                            | 309  | -  |

**Supplemental information for the fiscal year ended March 31, 2008**

(Apr. 1, 2007 – Mar. 31, 2008)

## 1. Breakdown of commission revenue

## (1) Activity

(Millions of yen)

|                         | <b>Fiscal 2006</b><br>Apr. 1, 2006 –<br>Mar. 31, 2007 | <b>Fiscal 2007</b><br>Apr. 1, 2007 –<br>Mar. 31, 2008 | Yr/yr<br>change(%) |
|-------------------------|---|---|--------------------|
| Brokerage commission    | <b>65,947</b>   | <b>49,851</b>   | <b>-24.4%</b>      |
| Stock and other         | 65,739  | 49,500  | -24.7%             |
| Underwriting commission | -   | -   | -                  |
| Distribution commission | <b>60,531</b>   | <b>52,292</b>   | <b>-13.6%</b>      |
| Stock and other         | 16,006  | 4,908   | -69.3%             |
| Bond and other          | 8,449   | 9,131   | 8.1%               |
| Investment fund         | 36,075  | 38,252  | 6.0%               |
| Other commission        | <b>59,272</b>   | <b>69,897</b>   | <b>17.9%</b>       |
| Investment fund         | 34,001  | 45,539  | 33.9%              |
| Total                   | 185,751   | 172,040   | -7.4%              |

## (2) Asset class

(Millions of yen)

|                 | <b>Fiscal 2006</b><br>Apr. 1, 2006 –<br>Mar. 31, 2007 | <b>Fiscal 2007</b><br>Apr. 1, 2007 –<br>Mar. 31, 2008 | Yr/yr<br>change(%) |
|-----------------|---|---|--------------------|
| Stock and other | 85,614  | 57,442  | -32.9%             |
| Bond and other  | 18,120  | 16,632  | -8.2%              |
| Investment fund | 70,285  | 84,142  | 19.7%              |
| Others          | 11,731  | 13,823  | 17.8%              |
| Total           | 185,751   | 172,040   | -7.4%              |

## 2. Breakdown of trading gains/losses

(Millions of yen)

|                       | <b>Fiscal 2006</b><br>Apr. 1, 2006 –<br>Mar. 31, 2007 | <b>Fiscal 2007</b><br>Apr. 1, 2007 –<br>Mar. 31, 2008 | Yr/yr<br>change(%) |
|-----------------------|---|---|--------------------|
| Stock and other       | 5,761   | 6,509   | 13.0%              |
| Bond, Forex and other | 31,562  | 38,769  | 22.8%              |
| Total                 | 37,324  | 45,279  | 21.3%              |

3. Capital adequacy ratio

(Millions of yen)

|                                  |   | <b>Fiscal 2006</b><br>Apr. 1, 2006 –<br>Mar. 31, 2007 | <b>Fiscal 2007</b><br>Apr. 1, 2007 –<br>Mar. 31, 2008 |
|----------------------------------|---|---|---|
| Basic item (A)                   |   | 219,365   | 228,374   |
| Supplementary item               | Net unrealized gain on securities, net of tax effect etc. | 923   | 601   |
|                                  | Statutory reserve   | 2,194   | 2,193   |
|                                  | Allowance for doubtful accounts                           | 41  | 183   |
|                                  | Total (B)   | 3,159   | 2,977   |
| Assets excluded from capital (C) |   | 72,144  | 87,525  |
| Net capital (A)+(B)-(C) (D)      |   | 150,380   | 143,826   |
| Risk equivalent                  | Market risk equivalent                                    | 735   | 1,307   |
|                                  | Counterparty risk equivalent                              | 8,407   | 5,832   |
|                                  | Basic risk equivalent                                     | 37,952  | 37,834  |
|                                  | Total (E)   | 47,096  | 44,973  |
| Capital adequacy ratio (D)/(E)   |   | 319.3%  | 319.7%  |

**Quarterly statements of operations**

(Millions of yen)

|  | Fiscal 2006                                   |   | Fiscal 2007                                   |   |   |  |
|--|---|---|---|---|---|--|
|  | 4th quarter<br>Jan. 1, 2007 -<br>Mar.31, 2007 | 1st quarter<br>Apr. 1, 2007 -<br>Jun.30, 2007 | 2nd quarter<br>Jul. 1, 2007 -<br>Sep.30, 2007 | 3rd quarter<br>Oct. 1, 2007-<br>Dec. 31, 2007 | 4th quarter<br>Jan. 1, 2008 -<br>Mar.31, 2008 |  |
| <b>Operating revenues</b>                                      | <b>63,042</b>                                 | <b>64,456</b>                                 | <b>58,413</b>                                 | <b>57,330</b>                                 | <b>46,072</b>                                 |  |
| <b>Commissions</b>   | <b>50,681</b>                                 | <b>50,381</b>                                 | <b>44,337</b>                                 | <b>42,995</b>                                 | <b>34,325</b>                                 |  |
| <b>Brokerage commission</b>                                    | <b>18,697</b>                                 | <b>15,190</b>                                 | <b>13,767</b>                                 | <b>11,864</b>                                 | <b>9,028</b>                                  |  |
| Stock and other  | 18,634  | 15,144  | 13,685  | 11,752  | 8,918   |  |
| <b>Underwriting commission</b>                                 | -   | -   | -   | -   | -   |  |
| <b>Distribution commission</b>                                 | <b>15,399</b>                                 | <b>17,862</b>                                 | <b>12,413</b>                                 | <b>13,257</b>                                 | <b>8,757</b>                                  |  |
| Stock and other  | 2,229   | 1,616   | 1,368   | 865   | 1,058   |  |
| Bond and other   | 2,140   | 3,050   | 2,436   | 1,687   | 1,956   |  |
| Investment fund  | 11,028  | 13,195  | 8,609   | 10,704  | 5,742   |  |
| <b>Other commission</b>  | <b>16,584</b>                                 | <b>17,328</b>                                 | <b>18,155</b>                                 | <b>17,874</b>                                 | <b>16,538</b>                                 |  |
| Investment fund  | 9,652   | 10,935  | 11,634  | 12,058  | 10,911  |  |
| <b>Net gain on trading</b>                                     | <b>10,318</b>                                 | <b>11,818</b>                                 | <b>11,597</b>                                 | <b>12,036</b>                                 | <b>9,826</b>                                  |  |
| Stock and other  | 1,542   | 2,184   | 1,741   | 1,896   | 686   |  |
| Bond, Forex and other  | 8,775   | 9,633   | 9,855   | 10,139  | 9,140   |  |
| <b>Interest and dividend income</b>                            | <b>2,042</b>                                  | <b>2,256</b>                                  | <b>2,478</b>                                  | <b>2,298</b>                                  | <b>1,920</b>                                  |  |
| <b>Interest expenses</b>                                       | <b>511</b>                                    | <b>593</b>                                    | <b>589</b>                                    | <b>575</b>                                    | <b>505</b>                                    |  |
| <b>Net operating revenue</b>                                   | <b>62,530</b>                                 | <b>63,863</b>                                 | <b>57,823</b>                                 | <b>56,755</b>                                 | <b>45,567</b>                                 |  |
| Selling, general and administrative expenses:                  | 40,644  | 41,981  | 39,363  | 38,924  | 32,987  |  |
| Commission and other expenses                                  | 5,649   | 6,053   | 7,038   | 5,588   | 4,700   |  |
| Employees' compensation and benefits                           | 19,481  | 20,883  | 17,426  | 18,666  | 13,148  |  |
| Occupancy and rental   | 6,779   | 4,853   | 5,198   | 4,842   | 4,768   |  |
| Data processing and office supplies                            | 5,061   | 5,301   | 5,638   | 5,780   | 6,125   |  |
| Depreciation expenses  | 2,618   | 2,579   | 2,835   | 3,080   | 3,241   |  |
| Taxes other than income taxes                                  | 355   | 458   | 322   | 314   | 305   |  |
| Others   | 698   | 1,850   | 904   | 651   | 697   |  |
| <b>Operating income</b>  | <b>21,885</b>                                 | <b>21,882</b>                                 | <b>18,460</b>                                 | <b>17,831</b>                                 | <b>12,579</b>                                 |  |
| Non-operating income   | 86  | 156   | 59  | 122   | 87  |  |
| Non-operating expenses   | 172   | 39  | 64  | 32  | 16  |  |
| <b>Ordinary income</b>   | <b>21,800</b>                                 | <b>21,999</b>                                 | <b>18,456</b>                                 | <b>17,922</b>                                 | <b>12,649</b>                                 |  |
| Extraordinary gains  | -   | 1   | -   | -   | 365   |  |
| Extraordinary losses   | 844   | -   | 550   | -   | 722   |  |
| <b>Income before income taxes and others</b>                   | <b>20,955</b>                                 | <b>22,001</b>                                 | <b>17,905</b>                                 | <b>17,922</b>                                 | <b>12,292</b>                                 |  |
| Income taxes-current   | 12,331  | 7,450   | 10,312  | 4,400   | 6,571   |  |
| Income taxes-deferred  | -3,539  | 1,747   | -3,013  | 3,103   | -1,458  |  |
| <b>Net income</b>  | <b>12,163</b>                                 | <b>12,803</b>                                 | <b>10,606</b>                                 | <b>10,418</b>                                 | <b>7,180</b>                                  |  |
| <b>Net financial income included in Net operating revenues</b> | <b>1,530</b>                                  | <b>1,662</b>                                  | <b>1,888</b>                                  | <b>1,723</b>                                  | <b>1,415</b>                                  |  |