

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

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



October 31, 2008

**Non-consolidated financial summary**

(For the 6-months period ended September 30, 2008)

**1. Financial result (from April 1, 2008 to September 30, 2008)**

## (1) Operating results (year-to-date)

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

(Millions of yen except percentage)

	Operating revenues	Yr/yr change	Net operating revenues	Yr/yr change	Operating income	Yr/yr change
6-months period 2008 (2008/9)	89,623	-	88,629	-	17,425	-
6-months period 2007 (2007/9)	122,870	12.8%	121,687	12.3%	40,342	20.7%

	Ordinary income	Yr/yr change	Net income	Yr/yr change
6-months period 2008 (2008/9)	17,777	-	10,754	-
6-months period 2007 (2007/9)	40,455	20.8%	23,410	15.9%

## (2) Financial conditions

(Millions of yen except percentage)

	Total assets	Net assets	Equity ratio
As of Sep. 30, 2008	579,639	239,498	41.3%
As of Mar. 31, 2008	656,019	260,975	39.8%

(References) Equity (i.e. "Owners' equity" and "valuation and translation adjustment"):

As of Sep. 30, 2008: 239,498 million yen As of Mar. 31, 2008: 260,975 million yen

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**2. Financial Statements**

## (1) Balance sheets

(Millions of yen)

	Second quarter Sep. 30, 2008	Fiscal 2007 Mar. 31, 2008
<i>Assets</i>		
<b>Current assets:</b>		
Cash and deposits	106,380	107,406
Cash segregated as deposits for regulatory purposes	128,431	160,082
Trading assets:	68,868	62,497
Trading securities and others	61,285	58,478
Derivative assets	7,583	4,018
Trading receivables, net	3,993	5,092
Receivables related to margin transactions:	149,848	187,807
Customer margin loans	145,160	185,119
Cash deposits as collateral for securities borrowed	4,687	2,688
Collateralized short-term financing agreements:	7,852	8,691
Cash deposits as collateral for securities borrowed	7,852	8,691
Receivables	6,138	9,526
Short-term guarantee money deposited	3,527	5,710
Short-term loans receivable	722	648
Accrued income	11,831	14,172
Deferred tax assets	2,835	4,509
Other current assets	2,680	2,871
Less: Allowance for doubtful accounts	132	183
<b>Total current assets</b>	<b>492,979</b>	<b>568,834</b>
<b>Non-current assets:</b>		
Tangible fixed assets	8,539	9,931
Intangible fixed assets	46,550	44,687
Investments and others:	31,570	32,565
Investment securities	1,545	2,041
Long-term loans receivable	4,901	4,907
Long-term guarantee deposits	16,897	17,500
Deferred tax assets	7,002	6,503
Others	3,607	3,989
Less: Allowance for doubtful accounts	2,384	2,375
<b>Total non-current assets</b>	<b>86,660</b>	<b>87,185</b>
<b>Total assets</b>	<b>579,639</b>	<b>656,019</b>

(Millions of yen)

	<b>Second quarter Sep. 30, 2008</b>	<b>Fiscal 2007 Mar. 31, 2008</b>
<i>Liabilities</i>		
<b>Current liabilities:</b>		
Trading liabilities:	3,679	1,014
Trading securities and others	76	108
Derivative liabilities	3,602	905
Payables related to margin transactions:	18,189	18,160
Payable to securities finance companies	3,936	5,045
Proceeds of securities sold for customers' accounts	14,253	13,115
Deposits received	94,278	89,011
Cash deposits received as guarantee	73,605	74,296
Short-term borrowings	67,200	109,200
Account payable	5,724	22,288
Accrued expenses	5,823	5,947
Income taxes payable	2,288	5,779
Accrued bonuses	4,000	5,700
Other current liabilities	2,386	2,375
<b>Total current liabilities</b>	<b>277,177</b>	<b>333,773</b>
<b>Non-current liabilities:</b>		
Long-term debt	33,500	31,500
Long-term debt from parent company	16,000	16,000
Accrued retirement benefits	10,893	10,351
Provision for litigation losses	471	474
Other non-current liabilities	677	750
<b>Total non-current liabilities:</b>	<b>61,542</b>	<b>59,077</b>
<b>Statutory reserves</b>	<b>1,421</b>	<b>2,193</b>
<b>Total liabilities</b>	<b>340,141</b>	<b>395,043</b>
<i>Net assets</i>		
<b>Owners' equity:</b>		
<b>Common stock</b>	<b>100,000</b>	<b>100,000</b>
<b>Capital surplus</b>	<b>50,010</b>	<b>50,010</b>
Additional paid-in capital	50,010	50,010
<b>Retained earnings</b>	<b>89,119</b>	<b>110,364</b>
Earned surplus reserve	2,430	2,430
Other retained surplus:	86,689	107,934
Unappropriated retained earnings	86,689	107,934
<b>Total owners' equity</b>	<b>239,129</b>	<b>260,374</b>
<b>Valuation and translation adjustments:</b>		
Net unrealized gain (loss) on securities, net of tax effect	369	601
<b>Total valuation and translation adjustments:</b>	<b>369</b>	<b>601</b>
<b>Total net assets</b>	<b>239,498</b>	<b>260,975</b>
<b>Total liabilities and net assets</b>	<b>579,639</b>	<b>656,019</b>

**(2) Statement of income**

(Millions of yen)

	<b>6-months period Apr. 1, 2008 - Sep. 30, 2008</b>
<b>Operating revenues:</b>	
Commissions	66,846
Net gain (loss) on trading	19,347
Net gain (loss) on trading in equity	2,973
Net gain (loss) on trading in bond, forex and other	16,373
Interest and dividend income	3,430
<b>Total operating revenues</b>	<b>89,623</b>
<b>Interest expenses</b>	<b>994</b>
<b>Net operating revenues</b>	<b>88,629</b>
<b>Selling, general and administrative expenses:</b>	
Commission and other expenses	9,258
Employees' compensation and benefits	31,316
Occupancy and rental	9,881
Data processing and office supplies	11,467
Depreciation expenses	7,277
Taxes other than income taxes	631
Allowance for doubtful accounts	8
Others	1,362
<b>Total selling, general and administrative expenses</b>	<b>71,204</b>
<b>Operating income</b>	<b>17,425</b>
Non-operating income	
Others	453
Total non-operating income	453
Non-operating expenses	
Others	100
Total non-operating expenses	100
<b>Ordinary income</b>	<b>17,777</b>
Extraordinary gains	
Reversal of Reserve for financial instruments business liabilities	771
Total extraordinary gains	771
Extraordinary losses	
Loss on disposal of fixed assets	484
Write-down of related company's stock	216
Write-down of investment security	115
Total extraordinary losses	816
<b>Income before income taxes and others</b>	<b>17,733</b>
Income taxes-current	5,645
Income taxes-deferred	1,333
Total income taxes	6,978
<b>Net income</b>	<b>10,754</b>
<b>Net financial income included in Net operating revenues</b>	<b>2,435</b>

**(References)**

Financial Statement for the 6-months period ended September 30, 2007

Statement of income

(Millions of yen)

	<b>6-months period Apr. 1, 2007 - Sep. 30, 2007</b>
<b>Operating revenues:</b>	
Commissions	94,719
Net gain (loss) on trading	23,416
Net gain (loss) on trading in equity	3,926
Net gain (loss) on trading in bond, forex and other	19,489
Interest and dividend income	4,734
<b>Total operating revenues</b>	<b>122,870</b>
<b>Interest expenses</b>	<b>1,182</b>
<b>Net operating revenues</b>	<b>121,687</b>
<b>Selling, general and administrative expenses:</b>	
Commission and other expenses	13,091
Employees' compensation and benefits	38,309
Occupancy and rental	10,051
Data processing and office supplies	10,940
Depreciation expenses	5,415
Taxes other than income taxes	781
Allowance for doubtful accounts	1,414
Others	1,340
<b>Total selling, general and administrative expenses</b>	<b>81,344</b>
<b>Operating income</b>	<b>40,342</b>
Non-operating income	
Others	216
<b>Total non-operating income</b>	<b>216</b>
Non-operating expenses	
Others	103
<b>Total non-operating expenses</b>	<b>103</b>
<b>Ordinary income</b>	<b>40,455</b>
Extraordinary gains	
Reversal of Reserve for securities transaction liabilities	1
<b>Total extraordinary gains</b>	<b>1</b>
Extraordinary losses	
Relocation costs of headquarter office	550
<b>Total extraordinary losses</b>	<b>550</b>
<b>Income before income taxes and others</b>	<b>39,906</b>
Income taxes-current	17,762
Income taxes-deferred	(1,266)
<b>Total income taxes</b>	<b>16,495</b>
<b>Net income</b>	<b>23,410</b>
<b>Net financial income included in Net operating revenues</b>	<b>3,551</b>

**3. Other information**

(1) Supplemental information for the 6-months period ended September 30, 2008

(i) Breakdown of commission revenue

(1) Activity (Millions of yen)

	<b>6-months period</b> Apr. 1, 2008 – Sep. 30, 2008	<b>6-months period</b> Apr. 1, 2007 – Sep. 30, 2007	Yr/yr Change(%)
Brokerage commission	<b>17,302</b>	<b>28,958</b>	<b>(40.3%)</b>
Stock and other	17,150	28,829	(40.5%)
Distribution commission	<b>17,565</b>	<b>30,276</b>	<b>(42.0%)</b>
Stock and other	265	2,984	(91.1%)
Bond and other	5,222	5,487	(4.8%)
Investment fund	12,078	21,805	(44.6%)
Other commission	<b>31,978</b>	<b>35,484</b>	<b>(9.9%)</b>
Investment fund	21,638	22,569	(4.1%)
Total	<b>66,846</b>	<b>94,719</b>	<b>(29.4%)</b>

(2) Asset class (Millions of yen)

	<b>6-months period</b> Apr. 1, 2008 – Sep. 30, 2008	<b>6-months period</b> Apr. 1, 2007 – Sep. 30, 2007	Yr/yr change(%)
Stock and other	18,473	33,008	(44.0%)
Bond and other	7,981	9,557	(16.5%)
Investment fund	33,868	44,503	(23.9%)
Others	6,522	7,649	(14.7%)
Total	<b>66,846</b>	<b>94,719</b>	<b>(29.4%)</b>

(ii) Capital adequacy ratio (Millions of yen)

		As of Sep. 30, 2008	As of Sep. 30, 2007
Basic item	(A)	239,129	242,775
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	369	679
	Statutory reserve	1,421	2,193
	Allowance for doubtful accounts	132	281
	Total	(B) 1,923	3,154
Assets excluded from capital	(C)	87,598	77,412
Net capital	(A)+(B)-(C) (D)	153,453	168,517
Risk equivalent	Market risk equivalent	1,135	1,512
	Counterparty risk equivalent	4,861	7,472
	Basic risk equivalent	34,961	37,494
	Total	(E) 40,958	46,479
Capital adequacy ratio	(D)/(E)	374.6%	362.5%

**Quarterly statements of income**

(Millions of yen)

	Fiscal 2007			Fiscal 2008	
	2nd quarter Jul. 1, 2007 - Sep.30, 2007	3rd quarter Oct. 1, 2007- Dec. 31, 2007	4th quarter Jan. 1, 2008 - Mar.31, 2008	1st quarter Apr. 1, 2008 - Jun.30, 2008	2nd quarter Jul. 1, 2008 - Sep.30, 2008
<b>Operating revenues</b>					
<b>Commissions</b>	<b>44,337</b>	<b>42,995</b>	<b>34,325</b>	<b>35,557</b>	<b>31,288</b>
<b>Brokerage commission</b>	<b>13,767</b>	<b>11,864</b>	<b>9,028</b>	<b>10,116</b>	<b>7,185</b>
Stock and other	13,685	11,752	8,918	10,030	7,119
<b>Distribution commission</b>	<b>12,413</b>	<b>13,257</b>	<b>8,757</b>	<b>9,204</b>	<b>8,361</b>
Stock and other	1,368	865	1,058	27	238
Bond and other	2,436	1,687	1,956	2,160	3,061
Investment fund	8,609	10,704	5,742	7,016	5,061
<b>Other commission</b>	<b>18,155</b>	<b>17,874</b>	<b>16,538</b>	<b>16,237</b>	<b>15,741</b>
Investment fund	11,634	12,058	10,911	11,052	10,586
<b>Net gain on trading</b>	<b>11,597</b>	<b>12,036</b>	<b>9,826</b>	<b>11,144</b>	<b>8,202</b>
Net gain (loss) on trading in equity	1,741	1,896	686	2,319	654
Net gain (loss) on trading in bond, forex and other	9,855	10,139	9,140	8,824	7,548
<b>Interest and dividend income</b>	<b>2,478</b>	<b>2,298</b>	<b>1,920</b>	<b>1,663</b>	<b>1,766</b>
<b>Total operating revenues</b>	<b>58,413</b>	<b>57,330</b>	<b>46,072</b>	<b>48,365</b>	<b>41,258</b>
<b>Interest expenses</b>	<b>589</b>	<b>575</b>	<b>505</b>	<b>482</b>	<b>511</b>
<b>Net operating revenue</b>	<b>57,823</b>	<b>56,755</b>	<b>45,567</b>	<b>47,882</b>	<b>40,746</b>
Selling, general and administrative expenses:					
Commission and other expenses	7,038	5,588	4,700	4,753	4,504
Employees' compensation and benefits	17,426	18,666	13,148	16,147	15,168
Occupancy and rental	5,198	4,842	4,768	4,775	5,105
Data processing and office supplies	5,638	5,780	6,125	5,495	5,971
Depreciation expenses	2,835	3,080	3,241	3,503	3,773
Taxes other than income taxes	322	314	305	384	247
Allowance for doubtful accounts	218	(19)	(89)	3	4
Others	685	670	787	684	678
<b>Total selling, general and administrative expenses:</b>	<b>39,363</b>	<b>38,924</b>	<b>32,987</b>	<b>35,749</b>	<b>35,455</b>
<b>Operating income</b>	<b>18,460</b>	<b>17,831</b>	<b>12,579</b>	<b>12,133</b>	<b>5,291</b>
Non-operating income	59	122	87	258	195
Non-operating expenses	64	32	16	27	73
<b>Ordinary income</b>	<b>18,456</b>	<b>17,922</b>	<b>12,649</b>	<b>12,364</b>	<b>5,413</b>
Extraordinary gains	-	-	365	771	-
Extraordinary losses	550	-	722	155	660
<b>Income before income taxes and others</b>	<b>17,905</b>	<b>17,922</b>	<b>12,292</b>	<b>12,980</b>	<b>4,752</b>
Income taxes-current	10,312	4,400	6,571	2,263	3,381
Income taxes-deferred	(3,013)	3,103	(1,458)	2,695	(1,362)
Total income taxes	7,298	7,503	5,112	4,959	2,019
<b>Net income</b>	<b>10,606</b>	<b>10,418</b>	<b>7,180</b>	<b>8,021</b>	<b>2,733</b>
<b>Net financial income included in Net operating revenues</b>	<b>1,888</b>	<b>1,723</b>	<b>1,415</b>	<b>1,180</b>	<b>1,255</b>