

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

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



January 30, 2009

Non-consolidated financial summary

(For the 9-month period ended December 31, 2008)

1. Financial result (from April 1, 2008 to December 31, 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
9-month period (2008/12)	123,387	-	121,908	-	16,037	-
9-month period (2007/12)	180,200	7.5%	178,442	7.1%	58,174	10.6%

	Ordinary income	Yr/yr change	Net income	Yr/yr change
9-month period (2008/12)	16,470	-	9,790	-
9-month period (2007/12)	58,377	10.8%	33,829	8.1%

(2) Financial conditions

(Millions of yen except percentage)

	Total assets	Net assets	Equity ratio
As of Dec. 31, 2008	516,388	238,684	46.2%
As of Mar. 31, 2008	656,019	260,975	39.8%

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

As of Dec. 31, 2008: 238,684 million yen As of Mar. 31, 2008: 260,975 million yen

Representative: Shigeharu Suzuki, President

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2. Financial Statements

(1) Balance sheets

(Millions of yen)

	Fiscal 2008 As of Dec. 31, 2008	Fiscal 2007 As of Mar. 31, 2008
<i>Assets</i>		
Current assets:		
Cash and deposits	81,761	107,406
Cash segregated as deposits for regulatory purposes	147,627	160,082
Trading assets:	63,483	62,497
Trading securities and others	57,824	58,478
Derivative assets	5,658	4,018
Trading receivables, net	4,751	5,092
Receivables related to margin transactions:	91,869	187,807
Customer margin loans	86,492	185,119
Cash deposits as collateral for securities borrowed	5,377	2,688
Collateralized short-term financing agreements:	9,527	8,691
Cash deposits as collateral for securities borrowed	9,527	8,691
Receivables	6,083	9,526
Short-term guarantee money deposited	7,533	5,710
Short-term loans receivable	269	648
Accrued income	7,847	14,172
Deferred tax assets	1,638	4,509
Other current assets	9,624	2,871
Less: Allowance for doubtful accounts	80	183
Total current assets	431,935	568,834
Non-current assets:		
Tangible fixed assets	7,702	9,931
Intangible fixed assets	45,868	44,687
Investments and others:	30,882	32,565
Investment securities	1,754	2,041
Long-term loans receivable	4,898	4,907
Long-term guarantee deposits	16,587	17,500
Deferred tax assets	6,395	6,503
Others	3,648	3,989
Less: Allowance for doubtful accounts	2,401	2,375
Total non-current assets	84,452	87,185
Total assets	516,388	656,019

(Millions of yen)

	Fiscal 2008 As of Dec. 31, 2008	Fiscal 2007 As of Mar. 31, 2008
<i>Liabilities</i>		
Current liabilities:		
Trading liabilities:	1,549	1,014
Trading securities and others	-	108
Derivative liabilities	1,549	905
Payables related to margin transactions:	20,786	18,160
Payable to securities finance companies	3,866	5,045
Proceeds of securities sold for customers' accounts	16,919	13,115
Deposits received	85,033	89,011
Cash deposits received as guarantee	62,528	74,296
Short-term borrowings	36,200	109,200
Short-term borrowings from parent company	15,000	-
Account payable	1,317	22,288
Accrued expenses	5,909	5,947
Income taxes payable	-	5,779
Accrued bonuses	1,750	5,700
Other current liabilities	1,423	2,375
Total current liabilities	231,496	333,773
Non-current liabilities:		
Long-term debt	32,500	31,500
Long-term debt from parent company	-	16,000
Accrued retirement benefits	11,164	10,351
Provision for litigation losses	469	474
Other non-current liabilities	651	750
Total non-current liabilities	44,785	59,077
Statutory reserves	1,421	2,193
Total liabilities	277,704	395,043
<i>Net assets</i>		
Owners' equity:		
Common stock	100,000	100,000
Capital surplus	50,010	50,010
Additional paid-in capital	50,010	50,010
Retained earnings	88,154	110,364
Total owners' equity	238,164	260,374
Valuation and translation adjustments:		
Net unrealized gain (loss) on securities, net of tax effect	520	601
Total valuation and translation adjustments	520	601
Total net assets	238,684	260,975
Total liabilities and net assets	516,388	656,019

(2) Statement of income

(Millions of yen)

	9-month period Apr. 1, 2008 - Dec. 31, 2008
Operating revenues:	
Commissions	93,011
Net gain (loss) on trading	25,637
Net gain (loss) on trading in equity	3,652
Net gain (loss) on trading in bond, forex and other	21,984
Interest and dividend income	4,738
Total operating revenues	123,387
Interest expenses	1,478
Net operating revenues	121,908
Selling, general and administrative expenses:	
Commission and other expenses	13,613
Employees' compensation and benefits	45,876
Occupancy and rental	14,537
Data processing and office supplies	17,509
Depreciation expenses	11,407
Taxes other than income taxes	842
Others	2,084
Total selling, general and administrative expenses	105,870
Operating income	16,037
Non-operating income:	
Others	623
Total non-operating income	623
Non-operating expenses:	
Others	190
Total non-operating expenses	190
Ordinary income	16,470
Extraordinary gains:	
Reversal of reserve for financial instruments business liabilities	771
Total extraordinary gains	771
Extraordinary losses:	
Loss on disposal of fixed assets	493
Write-down of related company's stock	262
Write-down of investment security	115
Total extraordinary losses	871
Income before income taxes and others	16,370
Income taxes-current	3,545
Income taxes-deferred	3,034
Total income taxes	6,580
Net income	9,790
Net financial income included in Net operating revenues	3,259

(References)

Condensed statement of income for the 9-month period ended December 31, 2007

Statement of income

(Millions of yen)

	9-month period Apr. 1, 2007 - Dec. 31, 2007
Operating revenues:	
Commissions	137,715
Net gain (loss) on trading	35,452
Net gain (loss) on trading in equity	5,823
Net gain (loss) on trading in bond, forex and other	29,629
Interest and dividend income	7,032
Total operating revenues	180,200
Interest expenses	1,757
Net operating revenues	178,442
Selling, general and administrative expenses:	
Commission and other expenses	18,679
Employees' compensation and benefits	56,975
Occupancy and rental	14,894
Data processing and office supplies	16,721
Depreciation expenses	8,495
Taxes other than income taxes	1,095
Others	3,406
Total selling, general and administrative expenses	120,268
Operating income	58,174
Non-operating income:	
Others	339
Total non-operating income	339
Non-operating expenses:	
Others	136
Total non-operating expenses	136
Ordinary income	58,377
Extraordinary gains:	
Reversal of reserve for securities transaction liabilities	1
Total extraordinary gains	1
Extraordinary losses:	
Relocation costs of headquarter office	550
Total extraordinary losses	550
Income before income taxes and others	57,828
Income taxes-current	22,162
Income taxes-deferred	1,836
Total income taxes	23,999
Net income	33,829
Net financial income included in Net operating revenues	5,274

3. Other information

(1) Breakdown of commissions

(i) Activity (Millions of yen)

	9-month period Apr. 1, 2008 – Dec. 31, 2008	9-month period Apr. 1, 2007 – Dec. 31, 2007	Yr/yr Change(%)
Brokerage commission	26,129	40,822	(36.0%)
Stock and other	25,784	40,582	(36.5%)
Distribution commission	22,574	43,534	(48.1%)
Stock and other	1,321	3,850	(65.7%)
Bond and other	7,131	7,174	(0.6%)
Investment fund	14,120	32,509	(56.6%)
Other commission	44,307	53,358	(17.0%)
Investment fund	29,048	34,627	(16.1%)
Total	93,011	137,715	(32.5%)

(ii) Asset class (Millions of yen)

	9-month period Apr. 1, 2008 – Dec. 31, 2008	9-month period Apr. 1, 2007 – Dec. 31, 2007	Yr/yr change(%)
Stock and other	28,812	46,493	(38.0%)
Bond and other	11,114	12,935	(14.1%)
Investment fund	43,514	67,377	(35.4%)
Others	9,570	10,908	(12.3%)
Total	93,011	137,715	(32.5%)

(2) Capital adequacy ratio (Millions of yen)

		As of Dec. 31, 2008	As of Mar. 31, 2008
Basic item	(A)	238,164	228,374
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	520	601
	Statutory reserve	1,421	2,193
	Allowance for doubtful accounts	80	183
	Total	2,022	2,977
Assets excluded from capital	(C)	85,507	87,525
Net capital	(A)+(B)-(C) (D)	154,679	143,826
Risk equivalent	Market risk equivalent	1,298	1,307
	Counterparty risk equivalent	3,381	5,832
	Basic risk equivalent	34,437	37,834
	Total	39,117	44,973
Capital adequacy ratio	(D)/(E)	395.4%	319.7%

Quarterly statements of income

(Millions of yen)

	Fiscal 2007		Fiscal 2008		
	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	3rd quarter Oct. 1, 2008 - Dec.31, 2008
Operating revenues:					
Commissions	42,995	34,325	35,557	31,288	26,165
Brokerage commission	11,864	9,028	10,116	7,185	8,827
Stock and other	11,752	8,918	10,030	7,119	8,633
Distribution commission	13,257	8,757	9,204	8,361	5,008
Stock and other	865	1,058	27	238	1,056
Bond and other	1,687	1,956	2,160	3,061	1,909
Investment fund	10,704	5,742	7,016	5,061	2,042
Other commission	17,874	16,538	16,237	15,741	12,329
Investment fund	12,058	10,911	11,052	10,586	7,409
Net gain (loss) on trading	12,036	9,826	11,144	8,202	6,289
Net gain (loss) on trading in equity	1,896	686	2,319	654	678
Net gain (loss) on trading in bond, forex and other	10,139	9,140	8,824	7,548	5,610
Interest and dividend income	2,298	1,920	1,663	1,766	1,308
Total operating revenues	57,330	46,072	48,365	41,258	33,763
Interest expenses	575	505	482	511	484
Net operating revenues	56,755	45,567	47,882	40,746	33,278
Selling, general and administrative expenses:					
Commission and other expenses	5,588	4,700	4,753	4,504	4,354
Employees' compensation and benefits	18,666	13,148	16,147	15,168	14,560
Occupancy and rental	4,842	4,768	4,775	5,105	4,656
Data processing and office supplies	5,780	6,125	5,495	5,971	6,042
Depreciation expenses	3,080	3,241	3,503	3,773	4,129
Taxes other than income taxes	314	305	384	247	211
Others	651	697	688	682	713
Total selling, general and administrative expenses	38,924	32,987	35,749	35,455	34,666
Operating income	17,831	12,579	12,133	5,291	(1,387)
Non-operating income	122	87	258	195	170
Non-operating expenses	32	16	27	73	90
Ordinary income	17,922	12,649	12,364	5,413	(1,307)
Extraordinary gains	-	365	771	-	-
Extraordinary losses	-	722	155	660	55
Income before income taxes and others	17,922	12,292	12,980	4,752	(1,363)
Income taxes-current	4,400	6,571	2,263	3,381	(2,100)
Income taxes-deferred	3,103	(1,458)	2,695	(1,362)	1,701
Total income taxes	7,503	5,112	4,959	2,019	(398)
Net income	10,418	7,180	8,021	2,733	(964)
Net financial income included in Net operating revenues	1,723	1,415	1,180	1,255	823