

Daiwa Securities SMBC Co. Ltd.

1-8-1 Marunouchi Chiyoda-ku

Tokyo 100-8289, Japan

(URL <http://www.daiwasmbc.co.jp/>)

July 26, 2007

Consolidated financial summary

(For the first quarter ended June 30, 2007)

(Rounded down to the nearest millionth)

(1) Consolidated operating results (from April 1, 2007 to June 30, 2007)

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
First Quarter (2007/6)	82,499	24.6%	64,231	15.3%	23,371	18.1%
First Quarter (2006/6)	66,207	27.2%	55,684	28.3%	19,781	89.8%
Fiscal 2006 (2007/3)	317,118		260,700		90,907	

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr Change	
First Quarter (2007/6)	24,408	20.3%	15,130	21.7%	8.9%
First Quarter (2006/6)	20,283	80.0%	12,437	76.9%	8.5%
Fiscal 2006 (2007/3)	92,866		51,945		8.5%

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of June 30, 2007	11,074,507	678,771	6.1%
As of June 30, 2006	11,016,972	624,167	5.7%
As of Mar. 31, 2007	10,448,648	683,247	6.5%

(3) Changes in scope of consolidation: None

(4) Adoption of the concise accounting policies: None

(5) Change in accounting policies from the fiscal year ended March 31, 2007: Applicable (notes) Please see "Results of Operation and Financial Conditions" on page 4 for details

Representative: Shin Yoshidome, President

Contact: Hisaharu Momoshima, General Manager, Treasury Department

Parent Company: Daiwa Securities Group Inc. (Securities code: 8601), 60% share holder

Phone: +813-5533-8000

(Reference)

(1) Non- consolidated operating results (from April 1, 2007 to June 30, 2007)

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
First Quarter (2007/6)	58,894	26.2%	47,298	19.7%	13,646	51.1%
First Quarter (2006/6)	46,662	15.1%	39,513	10.8%	9,032	23.4%
Fiscal 2006 (2007/3)	240,709		201,919		55,815	

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr Change	
First Quarter (2007/6)	21,434	56.2%	15,398	50.7%	10.8%
First Quarter (2006/6)	13,722	70.7%	10,217	105.8%	8.1%
Fiscal 2006 (2007/3)	70,992		39,869		7.7%

(2) Non- consolidated financial conditions

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen		
First quarter (2007/6)	9,999,344	565,190	5.7%	414.5%
First quarter (2006/6)	10,239,146	546,242	5.3%	445.1%
Fiscal 2006 (2007/3)	9,319,505	575,797	6.2%	465.3%

Results of Operation and Financial Conditions

(A) Overview of Operating Income (Comparisons in parenthesis are made versus the first quarter of fiscal 2006)

(1) Commissions

For the first quarter ended June 30, 2007, total commission revenues amounted to 18,932 million yen (10.8% up). In segments, 7,127 million yen (9.4% up) were earned in Equity, 395 million yen (23.1% down) in Fixed Income, 755 million yen (22.6% up) in Investment Trust, and 10,308 million yen (14.4% up) in Investment Banking. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total brokerage commissions increased to 7,130 million yen (9.6% up) due to increased trading volume compared to the first quarter of fiscal 2006.

b) Underwriting Commissions

Underwriting commissions increased to 7,323 million yen (8.7% up). Underwriting commissions derived from equities decreased to 4,160 million yen (3.3% down). On the other hand, underwriting commissions derived from fixed income increased to 3,046 million yen (39.4% up).

c) Distribution Commissions

Revenues in distribution commissions generated 541 million yen (221.4% up).

d) Other Commissions

Other commissions increased to 3,936 million yen (6.9% up). Other commissions in Investment Banking increased to 2,727 million yen (21.1% up) due to increased fees received in M&A operations etc.

(2) Net Gain(Loss) on Trading

Net gain on trading increased to 33,434 million yen (36.8% up). Net trading gains in equities increased to 16,239 million yen (5.5% up), and net trading gains from fixed income together with those from foreign exchange transactions increased to 17,194 million yen (89.9% up).

(3) Net Interest and Dividend Income

Interest and dividend income totaled 22,523 million yen, whereas interests expenses totaled 18,268 million yen. Net interest and dividend income came to 4,255 million yen.

(4) Selling, General and Administrative Expenses

Of the selling, general and administrative expenses, commission and other expenses totaled 14,356 million yen (23.9% up), personnel expenses totaled 12,597 million yen (6.2% up), data processing & office supplies totaled 5,123 million yen (18.5% up), occupancy and rental expenses totaled 3,500 million yen (10.9% up), and depreciation expenses totaled 3,063 million yen (6.1% up). Overall selling, general and administrative expenses came to 40,859 million yen, a 13.8% increase compared to the first quarter of last year.

In conclusion, Operating Revenues for the first quarter of fiscal 2007 came to 82,499 million yen (24.6% up), and Net Operating Revenues to 64,231 million yen (15.3% up). Operational Income came to 23,371 million yen (18.1% up), and Ordinary Income to 24,408 million yen (20.3% up). Finally, considering net extraordinary income, income taxes and minority interests, Net Income for the first quarter of fiscal 2007 came to 15,130 million yen (21.7% up).

(B) Financial Condition (Comparisons are made versus the fiscal 2006)

For the first quarter ended June 30, 2007, total assets increased by 625.8 billion yen to 11,074.5 billion yen reflecting increases in trading assets by 379 billion yen and private equity and other securities by 33.3 billion yen and a decrease in short-term loans receivables by 35.7 billion yen.

Total liabilities increased by 630.3 billion yen to 10,395.7 billion yen, which is primarily attributable to increases in payables on collateralized short-term financing agreements by 778.2 billion yen and trading liabilities by 506.9 billion yen, and a decrease in short-term borrowings by 587.9 billion yen. The company newly issued 93.6 billion yen of Medium-term notes to raise its funds during the first quarter of fiscal 2007.

(C) Other information

According to 2007 tax reform, the Company and domestic consolidated subsidiaries changed depreciation method. Under the new depreciation method, the Company and domestic consolidated subsidiaries depreciate property and equipment purchased on or after April 1, 2007 over their useful lives until the book value is ¥1 and adopt the new depreciation rate for such assets.

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)

	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
Assets				
Current assets:	10,978,480	10,938,844	39,635	10,358,038
Cash and deposits	122,601	131,854	(9,252)	115,685
Cash segregated as deposits for regulatory purposes	47,386	23,398	23,988	46,161
Trading assets:	5,185,742	5,848,097	(662,354)	4,806,680
Trading securities and others	4,089,822	4,467,547	(377,724)	3,954,559
Derivative assets	1,095,920	1,380,550	(284,629)	852,120
Trading receivables, net	210,084	-	210,084	-
Private equity and other securities	380,771	302,455	78,315	378,579
Less: Allowance for possible investment losses	(3,805)	(2,784)	(1,020)	(3,818)
Receivables related to margin transactions:	256,679	215,240	41,439	241,058
Customer margin loans	5,086	5,486	(400)	7,570
Cash deposits as collateral for securities borrowed	251,593	209,754	41,839	233,488
Collateralized short-term financing agreements:	4,594,756	4,226,959	367,796	4,561,371
Cash deposits as collateral for securities borrowed	4,148,665	3,963,959	184,706	4,197,712
Receivables related to gensaki transactions	446,090	263,000	183,090	363,659
Short-term loans receivable	94,048	104,134	(10,086)	129,766
Accrued income	15,721	14,455	1,265	14,979
Deferred tax assets-current	2,835	5,149	(2,313)	3,000
Other current assets	71,778	70,010	1,767	64,735
Less: Allowance for doubtful accounts-current	(122)	(127)	4	(162)
Non-current assets:	96,027	78,128	17,899	90,610
Tangible fixed assets	5,503	5,352	151	5,601
Intangible fixed assets	44,214	33,958	10,255	42,031
Investments and others:	46,309	38,817	7,492	42,977
Investment securities	24,251	21,094	3,156	20,899
Long-term loans receivable	199	437	(237)	60
Long-term guarantee deposits	5,874	5,756	117	5,929
Deferred tax assets-non-current	6,224	4,941	1,283	6,013
Other investments	10,534	7,335	3,199	10,836
Less: Allowance for doubtful accounts-non-current	(775)	(748)	(27)	(762)
Total assets	11,074,507	11,016,972	57,535	10,448,648

(millions of yen)

	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
Liabilities				
Current liabilities:	9,499,581	9,599,382	(99,801)	8,863,658
Trading liabilities:	4,298,906	4,736,648	(437,742)	3,791,978
Trading securities and others	3,304,702	3,555,261	(250,558)	3,107,261
Derivative liabilities	994,203	1,181,387	(187,183)	684,716
Trading payables, net	-	435,054	(435,054)	1,482
Payables related to margin transactions:	197,902	204,536	(6,633)	201,105
Payable to securities finance companies	8	-	8	22
Proceeds of securities sold for customers' accounts	197,894	204,536	(6,642)	201,082
Collateralized short-term financing agreements:	3,777,393	2,514,401	1,262,991	2,999,136
Cash deposits as collateral for securities loaned	3,018,747	2,113,375	905,372	2,417,161
Payables related to gensaki transactions	758,645	401,025	357,619	581,975
Deposits received	46,144	41,066	5,077	31,132
Cash deposits received as guarantee	35,444	17,222	18,222	22,671
Short-term borrowings	824,974	1,306,686	(481,712)	1,412,959
Commercial paper	208,859	246,310	(37,450)	302,391
Medium-term notes due within one year	35,060	35,888	(827)	25,912
Income taxes payable	6,549	4,891	1,658	2,464
Deferred tax liabilities-current	8,478	476	8,001	7,234
Other current liabilities	59,868	56,200	3,668	65,187
Non-current liabilities:	890,795	788,235	102,559	896,376
Medium-term notes	709,520	625,759	83,761	727,473
Long-term debt	171,000	157,043	13,956	158,500
Retirement benefits	4,396	4,036	360	4,482
Allowance for relocation costs of headquarter office	4,320	-	4,320	4,320
Other non-current liabilities	1,557	1,396	160	1,600
Statutory reserves:	5,359	5,186	172	5,365
Reserve for securities transaction liabilities	5,359	5,186	172	5,365
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	10,395,735	10,392,804	2,931	9,765,401
Net Assets				
Owners' equity	631,984	603,299	28,685	642,808
Common stock	255,700	255,700	-	255,700
Capital surplus	167,421	167,421	-	167,421
Retained earnings	208,863	180,178	28,685	219,686
Valuation and translation adjustments	45,615	19,786	25,828	39,353
Net unrealized gain (loss) on securities, net of tax effect	22,571	9,964	12,607	22,450
Deferred gains(losses) on hedges	94	-	94	(5)
Translation adjustments	22,949	9,822	13,126	16,908
Minority interests	1,171	1,081	90	1,085
Total net assets	678,771	624,167	54,604	683,247
Total liabilities and Net assets	11,074,507	11,016,972	57,535	10,448,648

Consolidated statements of operations

(millions of yen)

	First quarter Apr. 1, 2007 - Jun. 30, 2007	First quarter Apr. 1, 2006 - Jun. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
Operating revenues:	82,499	66,207	24.6%	317,118
Commissions	18,932	17,093	10.8%	106,530
Net gain (loss) on trading	33,434	24,447	36.8%	116,629
Net gain (loss) on private equity and other securities	7,609	10,750	(29.2)%	27,699
Interest and dividend income	22,523	13,916	61.8%	66,258
Interest expenses	18,268	10,523	73.6%	56,417
Net operating revenues	64,231	55,684	15.3%	260,700
Selling, general and administrative expenses:	40,859	35,902	13.8%	169,793
Commission and other expenses	14,356	11,585	23.9%	69,368
Employees' compensation and benefits	12,597	11,860	6.2%	47,694
Occupancy and rental	3,500	3,155	10.9%	13,951
Data processing and office supplies	5,123	4,323	18.5%	17,969
Depreciation expenses	3,063	2,888	6.1%	11,836
Taxes other than income taxes	1,059	983	7.7%	4,607
Other	1,159	1,105	4.9%	4,366
Operating income	23,371	19,781	18.1%	90,907
Non-operating income	1,311	972	34.9%	3,094
Non-operating expenses	274	470	(41.7)%	1,134
Ordinary income	24,408	20,283	20.3%	92,866
Extraordinary gains	6	-	-	-
Extraordinary losses	-	8	-	6,189
Income before income taxes and minority interests	24,415	20,274	20.4%	86,677
Income taxes-current	7,896	5,438	45.2%	32,553
Income taxes-deferred	1,343	2,383	(43.7)%	2,111
Minority interests	(45)	(14)	-	(66)
Net income	15,130	12,437	21.7%	51,945
Net financial income included in net operating revenues	4,255	3,393	25.4%	9,841

Notes to consolidated financial statements

The consolidated financial statements of the company for the first quarter ended June 30, 2007 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No.32, 1998), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors 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

1. Scope of consolidation

Consolidated subsidiaries: 18 Companies

Major Companies: Daiwa Securities SMBC Principal Investments Co. Limited.
Daiwa Securities SMBC Europe Limited
Daiwa Securities SMBC Asia Holding B.V.
Daiwa Securities SMBC Hong Kong Limited
Daiwa Securities SMBC Singapore Limited

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.

2. Application of equity method

Affiliates applicable of equity method: 1 Company

Company Name: Daiwa SMBC – SSC Securities Co. Ltd.

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.

For affiliates applicable of equity method whose first quarter ends other than June 30, 2007, the financial statements for the relevant first quarter are reflected.

3. Fiscal period of subsidiaries

For subsidiaries of which the first quarter end is not June 30, 2007, the financial statements for the relevant first quarter are compiled, and material transactions occurred between the different closing dates are adjusted for the consolidated financial statements.

4. Accounting Policies

(1) Valuation of financial instruments and inventories

(i) Valuation of trading securities

Securities, derivative transactions, and assets or liabilities in trading account are recorded at fair value.

(ii) Valuation of non-trading securities

Other securities in non-trading account are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in Net assets, if their fair value is available. Those securities cost is based on moving average method. Other securities are valued at moving average cost method, if their fair value is not available.

Of those securities with no fair value available, for investments in limited partnership, share of net income raised by partnerships has been reflected on statements of operations and share of net unrealized profits and losses on securities held by the partnership directly into Net assets. Private equity and other securities held by a certain consolidated subsidiary are categorized in current assets.

(2) Depreciation of material depreciable assets

(i) Tangible fixed assets

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

For overseas consolidated subsidiaries, straight-line method is applied.

(ii) Intangible fixed assets, and investments and others

The straight-line method is mainly applied. Useful life for depreciation is based on Corporation Tax Law, except for software of in-house use, which is based on internally estimated useful life (mainly 5 years).

(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

Certain consolidated subsidiary provides the allowance based on estimated losses on private equity and other securities held at fiscal year end, assessing the financial conditions of invested companies.

(iii) Accrued bonuses

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

(iv) Accrued retirement benefits

The domestic companies provide unfunded defined contribution plan for eligible employees, which defines the amount to be contributed to the individual employee's account in return for services rendered each year.

The contributions under this plan are accumulated on an annual basis and earn a guaranteed hypothetical return at a rate predetermined by the domestic companies each year.

(v) Allowance for relocation costs of headquarter office

Allowance for relocation costs of headquarter office has been booked based on reasonable estimation.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets
- | | As of Jun.30, 2007 | As of Jun.30, 2006 | As of Mar.31, 2007 |
|--|--------------------|--------------------|--------------------|
| | 13,366 million yen | 13,384 million yen | 12,880 million yen |
2. Guarantee
- | | As of Jun.30, 2007 | As of Jun.30, 2006 | As of Mar.31, 2007 |
|--|--------------------|--------------------|--------------------|
| | 280 million yen | 336 million yen | 292 million yen |
3. Short-term and long-term borrowings include the subordinated borrowings stipulated by Article 2 of the 'Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies' (Cabinet Office Ordinance No. 23, 2001) and so on.
- | | As of Jun.30, 2007 | As of Jun. 30, 2006 | As of Mar. 31, 2007 |
|-----------------------|---------------------|---------------------|---------------------|
| Short-term borrowings | 1,993 million yen | 110,000 million yen | 62,001 million yen |
| Long-term borrowings | 160,000 million yen | 152,043million yen | 150,000million yen |
4. Based on "Practical Solution on Accounting for the Book Value of Class Shares at the Balance Sheet Date" (Practical Issues Task Force No.10), Net unrealized gain on securities, net of tax effect as of June 2007 includes 12,822 million yen derived from the investments in two corporations' class shares, which are in period convertible into common shares.
- Especially, Net unrealized gain on securities, net of tax effect from the investment in Series 3 Class B preferred shares of Sumitomo Mitsui Construction Co., Ltd. (acquisition cost 15,164 million yen) accounts for 21,028 million yen, subtracting a tax effect of 8,557 million yen from its unrealized gain of 12,471 million yen.

Notes to consolidated statements of operations

Details of extraordinary gains/losses	(millions of yen)		
	First quarter Apr. 1, 2007 - Jun. 30, 2007	First quarter Apr. 1, 2006 - Jun. 30, 2006	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
Extraordinary gains			
Reversal of Reserve for securities transaction liabilities	6	-	
Extraordinary losses			
Write-down of related companies' stocks			200
Write-down of investment securities	-	-	466
Loss on sale of investment securities	-	-	262
Loss on disposal of fixed assets	-	-	209
Provision for securities transaction liabilities	-	8	188
Relocation costs of headquarter office	-	-	4,861

Supplemental information for the Fiscal 2007

(Apr.1, 2007 - Jun.30, 2007)

1. Breakdown of commissions

(millions of yen)

	First quarter Jun. 30, 2007 (A)					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	
Brokerage commission	6,992	112	26	-	-	7,130
Underwriting commission	-	-	-	7,323	-	7,323
Stock and other	-	-	-	4,160	-	4,160
Bond and other	-	-	-	3,046	-	3,046
Distribution commission	-	-	283	257	-	541
Other commission	135	282	445	2,727	345	3,936
Agency commission	-	278	437	-	-	715
Total	7,127	395	755	10,308	345	18,932

(millions of yen)

	First quarter Jun. 30, 2006 (B)					Total
	Equity	Fixed income (bond)	Investment trust	Investment banking	Other	
Brokerage commission	6,361	111	32	-	-	6,505
Underwriting commission	-	-	-	6,735	-	6,735
Stock and other	-	-	-	4,300	-	4,300
Bond and other	-	-	-	2,185	-	2,185
Distribution commission	-	-	147	20	-	168
Other commission	154	401	436	2,252	439	3,684
Agency commission	-	401	422	-	-	823
Total	6,515	513	616	9,008	439	17,093

(%)

	Yr/yr % change ((A)/(B)-1)					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	
Brokerage commission	9.9%	0.3%	(19.7)%	-	-	9.6%
Underwriting commission	-	-	-	8.7%	-	8.7%
Stock and other	-	-	-	(3.3)%	-	(3.3)%
Bond and other	-	-	-	39.4%	-	39.4%
Distribution commission	-	-	92.4%	-	-	221.4%
Other commission	(12.1)%	(29.6)%	2.1%	21.1%	(21.4)%	6.9%
Agency commission	-	(30.5)%	3.5%	-	-	(13.1)%
Total	9.4%	(23.1)%	22.6%	14.4%	(21.4)%	10.8%

(millions of yen)

	Fiscal 2006 ended Mar. 31, 2007					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	
Brokerage commission	25,601	449	108	-	-	26,158
Underwriting commission	-	-	-	53,905	-	53,905
Stock and other	-	-	-	43,416	-	43,416
Bond and other	-	-	-	9,336	-	9,336
Distribution commission	-	-	879	369	-	1,248
Other commission	518	1,386	1,863	19,388	2,060	25,216
Agency commission	-	1,380	1,801	-	-	3,182
Total	26,119	1,835	2,850	73,663	2,060	106,530

2. Breakdown of net gains on trading

(millions of yen)

	First quarter (2007/06)	First quarter (2006/06)	Yr/yr % change	Fiscal 2006 (2007/03)
Stock and other	16,239	15,390	5.5%	24,146
Bond, forex and other	17,194	9,056	89.9%	92,482
Bond and other	(25,704)	(5,315)	-	37,528
Forex and other	42,898	14,372	198.5%	54,954
Total	33,434	24,447	36.8%	116,629

Quarterly consolidated statements of operations

(millions of yen)

	Fiscal 2006				Fiscal 2007
	First quarter Apr. 1, 2006 - Jun. 30, 2006	Second quarter Jul. 1, 2006 - Sep. 30, 2006	Third quarter Oct. 1, 2006 Dec. 31, 2006	Fourth quarter Jan. 1, 2007 Mar. 31, 2007	First quarter Apr. 1, 2007 - Jun. 30, 2007
Operating revenues	66,207	74,843	90,280	85,786	82,499
Commissions	17,093	24,447	41,577	23,412	18,932
Brokerage commission	6,505	5,413	6,624	7,615	7,130
(Stock and other)	6,361	5,266	6,514	7,458	6,992
Underwriting commission	6,735	12,506	24,990	9,673	7,323
(Stock and other)	4,300	10,167	22,298	6,650	4,160
(Bond and other)	2,185	1,829	2,519	2,801	3,046
Distribution commission	168	337	349	393	541
(Beneficiary certificates)	147	231	282	217	283
Other commission	3,684	6,190	9,611	5,730	3,936
(Beneficiary certificates)	436	456	466	504	445
Net gain (loss) on trading	24,447	28,779	27,263	36,138	33,434
(Stock and other)	15,390	(6,721)	9,321	6,155	16,239
(Bond and other)	(5,315)	24,956	(1,292)	19,179	(25,704)
(Forex and other)	14,372	10,544	19,234	10,802	42,898
Net gain (loss) on private equity and other securities	10,750	6,873	2,806	7,269	7,609
Interest and dividend income	13,916	14,743	18,632	18,966	22,523
Interest expenses	10,523	12,418	15,548	17,926	18,268
Net operating revenues	55,684	62,424	74,731	67,859	64,231
Selling general and administrative expenses:	35,902	42,452	48,424	43,013	40,859
Commission and other expenses	11,585	18,380	22,006	17,395	14,356
Employees' compensation and benefits	11,860	11,026	12,610	12,197	12,597
Occupancy and rental	3,155	3,519	3,576	3,699	3,500
Data processing and office supplies	4,323	4,461	4,337	4,845	5,123
Depreciation expenses	2,888	2,972	2,966	3,008	3,063
Taxes other than income taxes	983	1,005	1,624	993	1,059
Others	1,105	1,084	1,302	873	1,159
Operating income	19,781	19,972	26,307	24,845	23,371
Non-operating income	972	1,449	368	303	1,311
Non-operating expenses	470	156	244	262	274
Ordinary income	20,283	21,265	26,430	24,887	24,408
Extraordinary gains	-	-	-	-	6
Extraordinary losses	8	645	283	5,251	-
Income before income taxes and minority interests	20,274	20,619	26,147	19,635	24,415
Income taxes - current	5,438	9,201	6,179	11,733	7,896
Income taxes - deferred	2,383	2,908	4,898	(8,079)	1,343
Minority interests	(14)	(21)	(4)	(25)	(45)
Net income	12,437	8,487	15,064	15,956	15,130
Net financial income included in net operating revenues	3,393	2,324	3,083	1,039	4,255

<Reference>

Non-consolidated financial summary of Daiwa Securities SMBC Co. Ltd.

Balance sheets

(millions of yen)

	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
Assets				
Current assets:	9,867,628	10,131,007	(263,379)	9,190,900
Cash and deposits	68,558	81,709	(13,150)	52,658
Cash segregated as deposits for regulatory purposes	23,079	20,055	3,024	30,043
Trading assets:	4,800,451	5,490,831	(690,380)	4,364,842
Trading securities and others	3,702,667	4,110,701	(408,033)	3,511,488
Derivative assets	1,097,784	1,380,130	(282,346)	853,353
Trading receivables, net	174,773	-	174,773	9,784
Receivables related to margin transactions:	256,679	215,240	41,439	241,058
Customer margin loans	5,086	5,486	(400)	7,570
Cash deposits as collateral for securities borrowed	251,593	209,754	41,839	233,488
Collateralized short-term financing agreements:	4,143,915	4,022,062	121,853	4,067,408
Cash deposits as collateral for securities borrowed	3,671,426	3,636,162	35,263	3,690,354
Receivables related to gensaki transactions	472,489	385,900	86,589	377,053
Short-term guarantee money deposited	29,249	26,628	2,621	31,781
Short-term loans receivable	337,137	247,997	89,139	361,580
Accrued income	8,292	8,005	286	9,483
Deferred tax assets-current	1,926	5,381	(3,454)	2,552
Other current assets	23,729	13,288	10,440	19,931
Less: Allowance for doubtful accounts-current	(166)	(194)	28	(226)
Non-current assets:	131,715	108,138	23,576	128,605
Tangible fixed assets	3,522	3,752	(229)	3,796
Intangible fixed assets	41,442	31,392	10,050	39,529
Investments and others:	86,750	72,993	13,756	85,279
Investment securities	67,781	62,709	5,071	64,373
Long-term loans receivable	8,758	2,406	6,352	10,618
Long-term guarantee deposits	4,919	4,861	58	5,009
Deferred tax assets-non-current	3,396	1,029	2,367	3,391
Other investments	2,373	2,494	(121)	2,397
Less: Allowance for doubtful accounts-non-current	(479)	(507)	28	(511)
Total assets	9,999,344	10,239,146	(239,802)	9,319,505

(millions of yen)

	First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
Liabilities				
Current liabilities:	8,539,546	8,902,614	(363,068)	7,843,373
Trading liabilities:	4,040,819	4,454,083	(413,264)	3,535,328
Trading securities and others	3,024,164	3,272,028	(247,863)	2,838,818
Derivative liabilities	1,016,654	1,182,055	(165,400)	696,509
Trading payables, net	-	431,085	(431,085)	-
Payables related to margin transactions:	197,902	204,536	(6,633)	201,105
Payable to securities finance companies	8	-	8	22
Proceeds of securities sold for customers' accounts	197,894	204,536	(6,642)	201,082
Collateralized short-term financing agreements:	3,226,689	2,285,276	941,412	2,383,944
Cash deposits as collateral for securities loaned	2,337,531	1,459,942	877,589	1,598,568
Payables related to gensaki transactions	889,157	825,333	63,823	785,375
Deposits received	31,410	24,718	6,692	17,604
Cash deposits received as guarantee	21,418	11,721	9,696	17,841
Short-term borrowings	730,324	1,180,168	(449,843)	1,313,049
Commercial paper	206,800	246,310	(39,510)	301,500
Medium-term notes due within one year	35,060	35,888	(827)	25,912
Accrued expenses	11,130	8,952	2,177	14,981
Income taxes payable	5,643	3,300	2,342	239
Other current liabilities	32,347	16,573	15,774	31,867
Non-current liabilities:	889,247	785,102	104,145	894,968
Medium-term notes	709,520	625,759	83,761	727,473
Long-term debt	171,000	155,000	16,000	158,500
Retirement benefits	4,352	4,001	350	4,446
Allowance for relocation costs of headquarter office	4,200	-	4,200	4,200
Other non-current liabilities	174	340	(165)	349
Statutory reserves:	5,359	5,186	172	5,365
Reserve for securities transaction liabilities	5,359	5,186	172	5,365
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	9,434,153	9,692,903	(258,749)	8,743,707
Net Assets				
Owners' equity	563,511	544,415	19,096	574,067
Common stock	255,700	255,700	-	255,700
Capital surplus	167,421	167,421	-	167,421
Retained earnings	140,390	121,294	19,096	150,946
Valuation and translation adjustments	1,679	1,827	(148)	1,730
Net unrealized gain (loss) on securities, net of tax effect	1,679	1,827	(148)	1,730
Total net assets	565,190	546,242	18,947	575,797
Total liabilities and net assets	9,999,344	10,239,146	(239,802)	9,319,505

Statements of operations

(millions of yen)

	First quarter Apr. 1, 2007 - Jun. 30, 2007	First quarter Apr. 1, 2006 - Jun. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
Operating revenues	58,894	46,662	26.2%	240,709
Commissions	16,044	14,989	7.0%	92,633
Net gain (loss) on trading	29,810	22,186	34.4%	103,271
Interest and dividend income	13,039	9,487	37.4%	44,804
Interest expenses	11,595	7,149	62.2%	38,789
Net operating revenues	47,298	39,513	19.7%	201,919
Selling, general and administrative expenses:	33,652	30,480	10.4%	146,103
Commission and other expenses	14,167	12,416	14.1%	73,156
Employees' compensation and benefits	7,923	7,756	2.2%	30,042
Occupancy and rental	2,722	2,475	10.0%	11,057
Data processing and office supplies	4,816	4,033	19.4%	16,355
Depreciation expenses	2,711	2,607	4.0%	10,544
Taxes other than income taxes	726	582	24.6%	2,742
Others	584	608	(4.0)%	2,205
Operating income	13,646	9,032	51.1%	55,815
Non-operating income	7,987	5,121	56.0%	15,970
Non-operating expenses	198	432	(54.0)%	793
Ordinary income	21,434	13,722	56.2%	70,992
Extraordinary gains	6	-	-	-
Extraordinary losses	-	8	-	6,068
Income before income taxes	21,441	13,713	56.4%	64,924
Income taxes-current	5,387	1,228	338.4%	22,253
Income taxes-deferred	655	2,266	(71.1)%	2,800
Net income	15,398	10,217	50.7%	39,869
Net financial income included in net operating revenues	1,443	2,337	(38.2)%	6,014

Supplemental information for the first quarter ended June 30, 2007

(Apr. 1, 2007 – Jun. 30, 2007)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First quarter (2007/6)	First quarter (2006/6)	Yr/yr Change	Fiscal 2006 (2007/3)
Brokerage commission	5,216	4,948	5.4%	19,902
Stock and other	5,186	4,909	5.7%	19,767
Underwriting commission	6,423	6,041	6.3%	48,314
Stock and other	3,597	3,763	(4.4)%	38,235
Bond and other	2,710	2,027	33.7%	8,926
Distribution commission	541	168	221.4%	1,248
Beneficiary certificates	283	147	92.4%	879
Other commission	3,863	3,832	0.8%	23,168
Beneficiary certificates	445	436	2.1%	1,863
Total	16,044	14,989	7.0%	92,633

(2) Asset class

(millions of yen)

	First quarter (2007/6)	First quarter (2006/6)	Yr/yr Change	Fiscal 2006 (2007/3)
Stock and other	9,092	8,847	2.8%	59,301
Bond and other	3,076	2,586	18.9%	10,761
Beneficiary certificates	755	616	22.6%	2,853
Others	3,120	2,939	6.2%	19,717
Total	16,044	14,989	7.0%	92,633

2. Breakdown of net gains on trading

(millions of yen)

	First quarter (2007/6)	First quarter (2006/6)	Yr/yr Change	Fiscal 2006 (2007/3)
Stock and other	14,595	13,812	5.7%	17,298
Bond, Forex and other	15,214	8,373	81.7%	85,972
Bond and other	(27,678)	(6,014)	-	30,967
Forex and other	42,893	14,388	198.1%	55,004
Total	29,810	22,186	34.4%	103,271

3. Capital adequacy ratio

(millions of yen)

		First quarter Jun. 30, 2007	First quarter Jun. 30, 2006	Fiscal 2006 Mar. 31, 2007	
Basic item	(A)	563,511	544,415	548,113	
Supplementary item	Valuation profits of investment securities	1,679	1,827	1,730	
	Statutory reserve	5,359	5,186	5,365	
	Allowance for doubtful accounts	166	194	226	
	Subordinated borrowings	160,000	260,000	210,000	
Total	(B)	167,204	267,208	217,322	
Assets excluded from capital	(C)	131,681	198,823	126,881	
Net capital	(A)+(B)-(C)	(D)	599,034	612,799	638,553
Risk equivalent	Market risk equivalent	65,113	66,882	59,041	
	Counterparty risk equivalent	44,655	38,614	43,408	
	Basic risk equivalent	34,742	32,169	34,775	
	Total	(E)	144,511	137,667	137,225
Capital adequacy ratio	(D)/(E)	414.5%	445.1%	465.3%	

Quarterly statements of operations

(millions of yen)

	Fiscal 2006				Fiscal 2007
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter
	Apr. 1, 2006 - Jun. 30, 2006	Jul. 1, 2006 - Sep. 30, 2006	Oct. 1, 2006 - Dec. 31, 2006	Jan. 1, 2007 - Mar. 31, 2007	Apr. 1, 2007 - Jun. 30, 2007
Operating revenues	46,662	58,872	70,941	64,232	58,894
Commissions	14,989	22,366	35,451	19,826	16,044
Brokerage commissions	4,948	4,366	4,982	5,605	5,216
(Stock and other)	4,909	4,333	4,956	5,567	5,186
Underwriting commission	6,041	11,213	22,810	8,248	6,423
(Stock and other)	3,763	8,872	20,217	5,381	3,597
(Bond and other)	2,027	1,832	2,420	2,645	2,710
Distribution commission	168	337	349	393	541
(Beneficiary certificate)	147	231	282	217	283
Other commission	3,832	6,449	7,308	5,577	3,863
(Beneficiary certificate)	436	456	466	504	445
Net gain (loss) on trading	22,186	26,271	22,725	32,087	29,810
(Stock and other)	13,812	(8,123)	7,338	4,271	14,595
(Bond and other)	(6,014)	23,815	(3,861)	17,029	(27,678)
(Forex and other)	14,388	10,580	19,249	10,786	42,893
Interest and dividend income	9,487	10,234	12,764	12,318	13,039
Interest expenses	7,149	8,884	10,810	11,946	11,595
Net operating revenues	39,513	49,988	60,131	52,286	47,298
Selling, general and administrative expenses	30,480	37,483	42,087	36,052	33,652
Commission and other expenses	12,416	19,647	23,043	18,049	14,167
Employees' compensation and benefits	7,756	6,931	7,964	7,390	7,923
Occupancy and rental	2,475	2,814	2,832	2,934	2,722
Data processing and office supplies	4,033	4,178	3,980	4,163	4,816
Depreciation expenses	2,607	2,642	2,627	2,666	2,711
Taxes other than income taxes	582	662	873	623	726
Others	608	606	765	224	584
Operating income	9,032	12,505	18,043	16,234	13,646
Non-operating income	5,121	10,105	488	254	7,987
Non-operating expenses	432	37	168	155	198
Ordinary income	13,722	22,572	18,363	16,333	21,434
Extraordinary gains	-	-	-	-	6
Extraordinary losses	8	645	283	5,130	-
Income before income taxes	13,713	21,926	18,080	11,203	21,441
Income taxes - current	1,228	6,936	5,431	8,657	5,387
Income taxes - deferred	2,266	2,300	2,079	(3,846)	655
Net income	10,217	12,689	10,569	6,392	15,398
Net financial income included in net operating revenues	2,337	1,350	1,954	372	1,443