

Daiwa Securities SMBC Co. Ltd.

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Tokyo 100-8289, Japan

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January 27, 2006

Consolidated financial summary
(For the third quarter ended December 31, 2005)

(1) Consolidated Operating results (from April 1, 2005 to December 31, 2005)

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

	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
Third quarter (2005/12)	233,694	35.8%	204,144	34.5%	87,173	72.7%
Third quarter (2004/12)	172,080		151,773		50,466	
Fiscal 2004 (2005/3)	249,649		222,390		83,560	

	Ordinary income		Net income		Return on shareholders' equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)
Third quarter (2005/12)	88,810	72.2%	57,332	71.9%	15.6%
Third quarter (2004/12)	51,579		33,349		10.6%
Fiscal 2004 (2005/3)	85,176		54,034		12.4%

(Note) Change in accounting policies: None

(2) Consolidated Financial conditions

	Total assets	Shareholders' equity	Shareholders' equity ratio	Capital adequacy ratio(Note2)
	Millions of yen	Millions of yen		
As of Dec. 31, 2005	10,717,979	510,642	4.8%	417.6%
As of Dec. 31, 2004	9,945,438	437,082	4.4%	385.1%
As of Mar. 31, 2005	9,675,380	466,751	4.8%	355.4%

(Note) 1. Number of shares outstanding (consolidated):

As of Dec. 31, 2005: 3,200

As of Dec. 31, 2004: 3,200

As of Mar. 31, 2005: 3,200

2. Capital adequacy ratio is non-consolidated figure of Daiwa Securities SMBC Co. Ltd.

(3) Scope of consolidation and equity method

Consolidated subsidiaries: 17 Companies

Affiliates applicable of equity method: 1 Company

(4) Changes in scope of consolidation and equity method : None

Representative: Tatsuei Saito, President

Contact: Tenzan Watanabe, General Manager, Treasury Department

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

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Results of Operation**(A) Overview of Operating Income (Comparisons in parenthesis are made versus the third quarter of fiscal 2004)****(1) Commissions**

For the third quarter ended December 31, 2005, total commission revenues amounted to 62,796 million yen (3.4% down). In segments, 16,227 million yen (27.8% up) were earned in Equity, 1,614 million yen (11.7% down) in Fixed Income, 1,671 million yen (17.9% up) in Investment Trust, and 41,733 million yen (12.3% down) in Investment Banking. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total brokerage commissions increased to 16,524 million yen (27.1% up).

b) Underwriting Commissions

Underwriting commissions decreased to 30,733 million yen (21.7% down). Underwriting commissions derived from equities decreased to 22,671 million yen (30.5% down). On the other hand, underwriting commissions derived from fixed income increased to 6,598 million yen (14.8% up).

c) Distribution Commissions

Revenues in distribution commissions generated 811 million yen (59.8% up).

d) Other Commissions

Other commissions increased to 14,726 million yen (20.3% up). Other commissions in Investment Banking increased to 10,699 million yen (30.1% up) due to increased fees received in M&A operations etc.

(2) Net Gain(Loss) on Trading

Net gain on trading increased to 124,024 million yen (53.2% up). Net trading gains in equities increased to 68,260 million yen (123.4% up), and net trading gains from fixed income together with those from foreign exchange transactions increased to 55,764 million yen (10.6% up).

(3) Net Interest and Dividend Income

Interest and dividend income totaled 36,012 million yen, whereas interests expenses totaled 29,549 million yen. Net interest and dividend income came to 6,463 million yen (11.7% up).

(4) Selling, General and Administrative Expenses

Of the selling, general and administrative expenses, commission and other expenses totaled 45,927 million yen (24.8% up), personnel expenses totaled 33,657 million yen (16.3% up), data processing & office supplies totaled 12,648 million yen (1.9% up), occupancy and rental expenses totaled 10,047 million yen (9.1% up), and depreciation expenses totaled 9,114 million yen (0.4% down). Overall selling, general and administrative expenses came to 116,971 million yen, a 15.5% increase compared to the third quarter of last year.

In conclusion, Operating Revenues for the third quarter of fiscal 2005 came to 233,694 million yen (35.8% up), and Net Operating Revenues to 204,144 million yen (34.5% up). Operational Income came to 87,173 million yen (72.7% up), and Ordinary Income to 88,810 million yen (72.2% up). Finally, considering net extraordinary income, income taxes and minority interests, Net Income for the third quarter of fiscal 2005 came to 57,332 million yen (71.9% up).

(B) Financial Condition (Comparisons in parenthesis are made versus the fiscal 2004)

For the third quarter ended December 31, 2005, total assets increased by 1,042.5 billion yen to 10,717.9 billion yen reflecting increases in receivables on collateralized short-term financing agreements by 585.0 billion yen, trading assets by 360.0 billion yen and private equity and other securities by 90.3 billion yen.

Total liabilities increased by 998.6 billion yen to 10,206.3 billion yen, which is primarily attributable to increases in payables on collateralized short-term financing agreements by 505.3 billion yen and trading liabilities by 685.0 billion yen, and a decrease in short-term borrowings by 383.4 billion yen. The company newly issued 281.4 billion yen of Medium-term note to raise its funds. Total shareholders' equity increased by 43.8 billion yen to 510.6 billion yen compared to the fiscal 2004.

Consolidated balance sheets

(millions of yen)

	Third quarter Dec. 31, 2005	Third quarter Dec. 31, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Assets				
Current assets:	10,647,619	9,800,050	847,569	9,603,353
Cash and deposits	132,171	128,967	3,204	114,712
Cash segregated as deposits for regulatory purposes	37,582	27,642	9,939	21,411
Trading assets:	5,442,956	5,102,422	340,533	5,082,914
Trading securities and others	4,242,546	4,582,528	(339,982)	4,535,355
Derivative assets	1,200,409	519,893	680,515	547,559
Trading receivables, net	-	-	-	34,726
Private equity and other securities	189,453	21,319	168,134	99,104
Less: Allowance for possible investment losses	(1,974)	-	(1,974)	(1,165)
Receivables related to margin transactions:	200,017	164,349	35,667	183,698
Customer margin loans	3,360	3,236	124	1,843
Cash deposits as collateral for securities borrowed	196,656	161,113	35,543	181,855
Collateralized short-term financing agreements:	4,522,785	4,247,330	275,455	3,937,749
Cash deposits as collateral for securities borrowed	4,294,501	4,010,093	284,407	3,801,100
Receivables related to gensaki transactions	228,284	237,237	(8,952)	136,649
Short-term loans receivable	34,184	41,396	(7,212)	67,881
Accrued income	10,679	9,320	1,358	9,640
Deferred tax assets-current	1,320	943	376	644
Other current assets	78,666	56,543	22,123	52,222
Less: Allowance for doubtful accounts-current	(222)	(185)	(37)	(187)
Non-current assets:	70,359	145,388	(75,028)	72,027
Tangible fixed assets	5,110	5,376	(266)	5,835
Intangible fixed assets	30,300	31,498	(1,197)	31,710
Investments and others:	34,948	108,513	(73,564)	34,481
Investment securities	17,194	24,612	(7,418)	18,618
Long-term loans receivable	733	575	157	514
Long-term guarantee deposits	5,968	5,921	46	6,092
Deferred tax assets-non-current	3,287	13,828	(10,540)	2,945
Other investments	8,330	64,150	(55,819)	6,830
Less: Allowance for doubtful accounts-non-current	(566)	(575)	9	(520)
Total assets	10,717,979	9,945,438	772,540	9,675,380

(millions of yen)

	Third quarter Dec. 31, 2005	Third quarter Dec. 31, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Liabilities				
Current liabilities:	9,407,961	8,924,618	483,343	8,548,482
Trading liabilities:	4,262,004	3,485,192	776,812	3,576,997
Trading securities and others	3,153,803	3,031,077	122,726	3,116,237
Derivative liabilities	1,108,201	454,115	654,086	460,759
Trading payables, net	766	181,150	(180,383)	-
Payables related to margin transactions:	157,681	122,967	34,714	127,198
Payable to securities finance companies	136	15	121	-
Proceeds of securities sold for customers' accounts	157,545	122,952	34,593	127,198
Collateralized short-term financing agreements:	2,913,545	2,813,540	100,004	2,408,224
Cash deposits as collateral for securities loaned	1,909,464	2,154,521	(245,056)	2,017,492
Payables related to gensaki transactions	1,004,080	659,019	345,061	390,731
Deposits received	34,745	23,654	11,090	23,249
Cash deposits received as guarantee	29,810	20,708	9,101	22,000
Short-term borrowings	1,746,496	2,126,688	(380,191)	2,129,930
Commercial paper	117,299	98,700	18,599	175,220
Medium-term notes due within one year	50,693	18,347	32,345	27,397
Income taxes payable	33,099	1,232	31,867	7,604
Deferred tax liabilities-current	4,038	207	3,831	548
Other current liabilities	57,780	32,227	25,553	50,111
Non-current liabilities:	794,002	578,837	215,165	654,825
Medium-term notes	621,359	521,326	100,032	537,131
Long-term debt	167,012	52,028	114,983	111,997
Retirement benefits	3,937	3,895	42	4,034
Other non-current liabilities	1,693	1,586	107	1,661
Statutory reserves:	4,342	3,980	361	4,351
Reserve for securities transaction liabilities	4,342	3,980	361	4,351
Reserve for financial futures transaction liabilities	0	-	0	0
Total liabilities	10,206,307	9,507,436	698,870	9,207,659
Minority interests	1,029	920	109	969
Shareholders' equity				
Common stock	205,600	205,600	-	205,600
Capital surplus	117,321	117,321	-	117,321
Retained earnings	162,963	107,779	55,183	128,464
Net unrealized gain (loss) on securities, net of tax effect	16,859	2,597	14,262	10,426
Translation adjustments	7,898	3,783	4,114	4,940
Total shareholders' equity	510,642	437,082	73,560	466,751
Total liabilities, minority interests and shareholders' equity	10,717,979	9,945,438	772,540	9,675,380

Consolidated statements of operations

(millions of yen)

	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Third quarter Apr. 1, 2004 - Dec. 31, 2004	Yr/yr % change	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Operating revenues:	233,694	172,080	35.8%	249,649
Commissions	62,796	65,022	(3.4)%	91,732
Net gain (loss) on trading	124,024	80,962	53.2%	118,304
Net gain (loss) on private equity and other securities (*1)	10,860	-	-	-
Net gain (loss) on private equity and other securities (*2)	-	-	-	(1,165)
Interest and dividend income	36,012	26,095	38.0%	40,777
Interest expenses	29,549	20,307	45.5%	27,258
Net operating revenues	204,144	151,773	34.5%	222,390
Selling, general and administrative expenses:	116,971	101,306	15.5%	138,830
Commission and other expenses	45,927	36,805	24.8%	51,144
Employees' compensation and benefits	33,657	28,947	16.3%	39,857
Occupancy and rental	10,047	9,210	9.1%	12,636
Data processing and office supplies	12,648	12,406	1.9%	16,368
Depreciation expenses	9,114	9,152	(0.4)%	12,326
Taxes other than income taxes	3,369	2,842	18.6%	3,804
Other	2,207	1,942	13.6%	2,692
Operating income	87,173	50,466	72.7%	83,560
Non-operating income	2,092	1,317	58.9%	1,945
Non-operating expenses	455	204	122.7%	329
Ordinary income	88,810	51,579	72.2%	85,176
Extraordinary gains	3,525	374	841.1%	2,107
Extraordinary losses	52	192	(73.0)%	1,150
Income before income taxes and minority interests	92,284	51,761	78.3%	86,133
Income taxes-current	36,848	473	-	7,992
Income taxes-deferred	(1,939)	17,910	-	24,064
Minority interests	(42)	(28)	-	(42)
Net income	57,332	33,349	71.9%	54,034
Net financial income included in net operating revenues	6,463	5,788	11.7%	13,518

Note:

*1. Includes share of net income raised by the investments in limited partnerships and similar partnerships.

*2. Excludes share of net income raised by the investments in limited partnerships and similar partnerships.

Consolidated statements of capital surplus and retained earnings

(millions of yen)

	Third quarter Apr. 1, 2005 - Dec. 30, 2005	Third quarter Apr. 1, 2004 - Dec. 30, 2004	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Capital surplus			
Beginning balance of capital surplus	117,321	117,321	117,321
Increase in capital surplus	-	-	-
Decrease in capital surplus	-	-	-
Ending balance of capital surplus	117,321	117,321	117,321
Retained earnings			
Beginning balance of retained earnings	128,464	74,682	74,682
Increase in retained earnings:	57,332	33,349	54,034
Net income	57,332	33,349	54,034
Decrease in retained earnings:	22,834	252	252
Cash dividends paid	22,400	-	-
Bonuses to directors	434	252	252
Ending balance of retained earnings	162,963	107,779	128,464

Notes to consolidated financial statements

The consolidated financial statements of the Company for the third quarter ended December 31, 2005 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

The consolidated financial statements include the accounts of Daiwa Securities SMBC Co. Limited ("Company"), a Japanese corporation, Daiwa Securities SMBC Principal Investments Co. Limited, its domestic consolidated subsidiary (together with the Company, "Domestic Companies"), and its overseas consolidated subsidiaries (together with the Domestic Companies, "Daiwa SMBC"). The Company's principal consolidated subsidiaries include:

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

Consolidated subsidiaries: 17 Companies

Each amount of total assets, operating revenues (or sales), net income corresponding to equity holdings and earned surplus 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 earned surplus 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 third quarter ends other than December 31, 2005, the financial statements for the relevant third quarter are reflected.

3. Fiscal period of subsidiaries

For subsidiaries which the third quarter ends are not December 31, 2005, the financial statements for the relevant third quarter are complied with and material transactions occurred between the different closing dates are adjusted for this consolidated financial statements.

4. Accounting Policies

(1) Valuation of financial instruments and inventories

(i) Valuation of trading assets and liabilities

Trading assets and liabilities, including securities and financial derivatives for trading purposes held by a securities company are recorded mainly on a trade date basis in the consolidated balance sheets at either market or fair value. Revenues and expenses related to trading securities transactions are recorded on a trade date basis.

() Valuation of non-trading securities

Equities issued by subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with market value are stated at market value, based on quoted market prices. Realized gains and losses on sale of such securities are computed using the moving-average cost. Available-for-sale equities for which a market value is not available

are stated at the moving-average cost.

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

(2) Depreciation of depreciable assets

(i) Tangible fixed assets

Property and equipment are stated at cost. Impairment losses recognized have been deducted from the acquisition costs. The Domestic Companies compute depreciation principally by the declining-balance method over estimated useful life as stipulated by the corporation tax law of Japan. Depreciation for buildings purchased in Japan after April 1, 1998 is computed by the straight-line method. In overseas consolidated subsidiaries, depreciation is computed by the straight-line method.

(ii) Intangible fixed assets, and investments and others

Intangible fixed assets, and investments and others are generally amortized under the straight-line method. The Domestic Companies compute depreciation over estimated useful life as stipulated by the corporation tax law of Japan, and over internally estimated useful life (5 years) for software of in-house use.

(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 the third quarter end, assessing the financial conditions of invested companies.

(iii) Accrued employees' bonuses

Accrued employees' 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.

(4) Accounting for certain lease transactions

Financial leases, whose ownership does not transfer to the lessee at the end of the lease term (non-capitalized finance leases) are not capitalized and are accounted for in the same manner as operating leases.

(5) Hedging transactions

Interest received or paid on interest swaps for hedging purposes is accrued without being marked-to-market. The premium or discount on forward foreign exchange contract for hedging purpose is allocated to each fiscal term without being marked-to-market.

(6) Other material items

(i) Consumption taxes

Consumption taxes are separately recorded.

(ii) Deferred assets

Expenses for issue of bond are booked in a lump when incurred.

(iii) Consolidated tax system

The Domestic Companies comply with the consolidated tax system.

Changes in Presentation

Profits and losses related to the investments in limited partnerships alike were formerly included in 'Interest and dividend income.' However, from this fiscal 2005, those are included in 'Net gain (loss) on private equity and other securities.' In this effect, 'Interest and dividend income' decreased by 10,281 million yen compared to the corresponding presentation in previous years.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

	As of Dec.31, 2005	As of Dec.31, 2004	As of Mar.31, 2005
	12,980 million yen	11,895 million yen	12,124 million yen

2. Guarantee

	As of Dec.31, 2005	As of Dec.31, 2004	As of Mar.31, 2005
	368 million yen	497 million yen	448 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 Dec.31, 2005	As of Dec. 31, 2004	As of Mar. 31, 2005
Short-term borrowings	50,000 million yen	102,032million yen	102,004 million yen
Long-term borrowings	162,012 million yen	52,028 million yen	111,997 million yen

Notes to consolidated statements of operations

Details of extraordinary gains/losses	(millions of yen)		
	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Third quarter Apr. 1, 2004 - Dec. 31, 2004	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Extraordinary gains			
Gain on sale of investment securities	3,516	373	2,107
Reversal of Reserve for securities transaction liabilities	9	0	-
Reversal of Reserve for financial futures transaction liabilities	-	0	-
Extraordinary losses			
Write-down of investment securities	36	159	159
Loss on sale of investment securities	3	-	-
Valuation loss of fixed assets	11	32	77
Loss on sale or disposal of fixed assets	-	-	544
Provision for securities transaction liabilities	-	-	369

Supplemental information for the Fiscal 2005
(Apr.1, 2005 - Dec.31, 2005)

1. Breakdown of commissions (millions of yen)

	Third quarter Dec. 31, 2005 (A)					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Others	Total
Brokerage commission	16,031	418	74	-	-	16,524
Underwriting	-	-	-	30,733	-	30,733
Stock and other	-	-	-	22,671	-	22,671
Bond and other	-	-	-	6,598	-	6,598
Distribution	-	-	511	299	-	811
Other commission	196	1,195	1,084	10,699	1,550	14,726
Agency commission	-	1,176	1,039	-	-	2,215
Total	16,227	1,614	1,671	41,733	1,550	62,796

(millions of yen)

	Third quarter Dec. 31, 2004 (B)					
	Equity	Fixed income (bond)	Investment Trust	Investment Banking	Other	Total
Brokerage commission	12,508	439	53	-	-	13,000
Underwriting	-	-	-	39,276	-	39,276
Stock and other	-	-	-	32,638	-	32,638
Bond and other	-	-	-	5,749	-	5,749
Distribution	-	-	418	89	-	507
Other commission	188	1,389	946	8,224	1,488	12,238
Agency commission	-	1,278	901	-	-	2,179
Total	12,696	1,829	1,417	47,590	1,488	65,022

(%)

	Yr/yr % change ((A)/(B)-1)					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Other	Total
Brokerage commission	28.2%	(4.6)%	40.7%	-	-	27.1%
Underwriting	-	-	-	(21.7)%	-	(21.7)%
Stock and other	-	-	-	(30.5)%	-	(30.5)%
Bond and other	-	-	-	14.8%	-	14.8%
Distribution	-	-	22.3%	236.4%	-	59.8%
Other commission	4.0%	(14.0)%	14.6%	30.1%	4.1%	20.3%
Agency commission	-	(8.0)%	15.4%	-	-	1.7%
Total	27.8%	(11.7)%	17.9%	(12.3)%	4.1%	(3.4)%

(millions of yen)

	Fiscal 2004 ended Mar. 31, 2005					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Others	Total
Brokerage commission	16,967	654	64	-	-	17,687
Underwriting	-	-	-	54,456	-	54,456
Stock and other	-	-	-	44,547	-	44,547
Bond and other	-	-	-	8,573	-	8,573
Distribution	-	-	713	300	-	1,013
Other commission	315	2,050	1,305	12,786	2,118	18,575
Agency commission	-	1,927	1,248	-	-	3,175
Total	17,283	2,704	2,083	67,542	2,118	91,732

2. Breakdown of net gains on trading (millions of yen)

	Third quarter (2005/12)	Third quarter (2004/12)	Yr/yr % change	Fiscal 2004 (2005/03)
Stock and other	68,260	30,555	123.4%	50,537
Bond, forex and other	55,764	50,406	10.6%	67,767
Bond and other	25,898	42,638	(39.3)%	48,965
Forex and other	29,865	7,767	284.5%	18,801
Total	124,024	80,962	53.2%	118,304

Quarterly consolidated statements of operations

(millions of yen)

	Fiscal 2004		Fiscal 2005		
	Third quarter Oct. 1, 2004 Dec. 31, 2004	Fourth quarter Jan. 1, 2005 Mar. 31, 2005	First quarter Apr. 1, 2005 - Jun. 30, 2005	Second quarter Jul. 1, 2005 - Sep. 30, 2005	Third quarter Oct. 1, 2005 Dec. 31, 2005
Operating revenues	50,518	77,569	52,042	90,095	91,556
Commissions	19,813	26,710	12,993	20,965	28,837
Brokerage commission	4,049	4,686	4,202	5,670	6,651
(Stock and other)	3,843	4,459	4,063	5,537	6,429
Underwriting commission	11,796	15,179	5,181	9,108	16,444
(Stock and other)	9,836	11,908	2,428	6,654	13,587
(Bond and other)	1,764	2,824	2,344	1,996	2,257
Distribution commission	148	506	207	375	228
(Beneficiary certificates)	124	295	122	226	162
Other commission	3,819	6,337	3,401	5,811	5,512
(Beneficiary certificates)	323	359	325	362	397
Net gain (loss) on trading	19,690	37,342	24,612	53,834	45,577
(Stock and other)	2,816	19,981	5,046	36,229	26,983
(Bond and other)	15,264	6,326	17,916	4,046	3,936
(Forex and other)	1,609	11,034	1,649	13,557	14,657
Net gain (loss) on private equity and other securities (*1)	-	-	2,567	2,889	5,403
Net gain (loss) on private equity and other securities (*2)	-	(1,165)	-	-	-
Interest and dividend income	11,014	14,681	11,868	12,406	11,737
Interest expenses	8,796	6,951	8,639	10,796	10,112
Net operating revenues	41,721	70,617	43,402	79,298	81,443
Selling general and administrative expenses:	33,279	37,523	32,978	40,582	43,409
Commission and other expenses	12,212	14,339	11,663	16,118	18,145
Employees' compensation and benefits	9,282	10,910	9,774	11,565	12,316
Occupancy and rental	3,106	3,425	3,152	3,418	3,476
Data processing and office supplies	4,131	3,962	3,884	4,386	4,377
Depreciation expenses	3,031	3,174	3,031	3,040	3,042
Taxes other than income taxes	877	962	817	1,270	1,282
Others	638	749	654	784	768
Operating income	8,441	33,093	10,423	38,715	38,033
Non-operating income	366	628	971	476	645
Non-operating expenses	25	124	127	238	88
Ordinary income	8,783	33,596	11,266	38,952	38,590
Extraordinary gains	0	1,732	0	113	3,412
Extraordinary losses	(16)	958	-	59	(7)
Income before income taxes and minority interests	8,798	34,371	11,267	39,006	42,010
Income taxes - current	191	7,518	2,130	18,239	16,477
Income taxes - deferred	2,979	6,154	2,088	(3,496)	(530)
Minority interests	(4)	(13)	(16)	(20)	(5)
Net income	5,623	20,684	7,032	24,243	26,056
Net financial income included in net operating revenues	2,217	7,729	3,228	1,609	1,624

Note:

*1. Includes share of net income raised by the investments in limited partnerships and similar partnerships.

*2. Excludes share of net income raised by the investments in limited partnerships and similar partnerships.

<Reference>

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

Balance sheets

(millions of yen)

	Third quarter Dec. 31, 2005	Third quarter Dec. 31, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Assets				
Current assets:	10,041,416	9,277,409	764,006	8,932,207
Cash and deposits	71,118	67,632	3,486	58,900
Cash segregated as deposits for regulatory purposes	36,012	25,035	10,977	20,050
Trading assets:	5,201,762	4,828,187	373,574	4,771,070
Trading securities and others	4,002,438	4,308,761	(306,322)	4,224,157
Derivative assets	1,199,323	519,425	679,897	546,913
Trading receivables, net	7,204	-	7,204	42,064
Receivables related to margin transactions:	200,017	164,349	35,667	183,698
Customer margin loans	3,360	3,236	124	1,843
Cash deposits as collateral for securities borrowed	196,656	161,113	35,543	181,855
Collateralized short-term financing agreements:	4,326,472	4,064,685	261,786	3,697,303
Cash deposits as collateral for securities borrowed	3,931,125	3,772,828	158,296	3,498,225
Receivables related to gensaki transactions	395,346	291,857	103,489	199,078
Short-term guarantee money deposited	26,148	12,845	13,303	12,300
Short-term loans receivable	131,075	89,658	41,416	126,346
Accrued income	7,833	5,856	1,976	5,920
Deferred tax assets-current	4,185	1,452	2,733	2,076
Other current assets	29,629	17,735	11,893	12,514
Less: Allowance for doubtful accounts-current	(43)	(30)	(13)	(40)
Non-current assets:	103,691	123,562	(19,870)	107,024
Tangible fixed assets	3,542	3,916	(373)	4,342
Intangible fixed assets	27,890	29,356	(1,466)	29,344
Investments and others:	72,259	90,289	(18,030)	73,337
Investment securities	58,974	66,638	(7,664)	60,838
Long-term loans receivable	2,590	2,143	446	2,207
Long-term guarantee deposits	5,071	5,175	(104)	5,236
Deferred tax assets-non-current	3,537	12,670	(9,132)	2,898
Other investments	2,605	4,219	(1,614)	2,725
Less: Allowance for doubtful accounts-non-current	(520)	(558)	38	(569)
Total assets	10,145,108	9,400,971	744,136	9,039,231

(millions of yen)

	Third quarter Dec. 31, 2005	Third quarter Dec. 31, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Liabilities				
Current liabilities:	8,907,542	8,419,059	488,482	7,962,726
Trading liabilities:	4,063,430	3,294,135	769,294	3,310,902
Trading securities and others	2,956,060	2,841,377	114,682	2,850,464
Derivative liabilities	1,107,369	452,758	654,611	460,437
Trading payables, net	-	185,502	(185,502)	-
Payables related to margin transactions:	157,681	122,967	34,714	127,198
Payable to securities finance companies	136	15	121	-
Proceeds of securities sold for customers' accounts	157,545	122,952	34,593	127,198
Collateralized short-term financing agreements:	2,723,759	2,578,132	145,627	2,170,275
Cash deposits as collateral for securities loaned	1,396,844	1,758,202	(361,357)	1,626,237
Payables related to gensaki transactions	1,326,915	819,930	506,985	544,037
Deposits received	20,193	10,638	9,555	8,148
Cash deposits received as guarantee	25,162	15,010	10,152	17,607
Short-term borrowings	1,686,389	2,085,784	(399,394)	2,098,647
Commercial paper	116,220	98,700	17,520	175,220
Medium-term notes due within one year	50,693	18,347	32,345	27,397
Accrued expenses	11,397	6,279	5,118	8,862
Income taxes payable	32,529	630	31,898	5,617
Other current liabilities	20,084	2,931	17,153	12,849
Non-current liabilities:	790,820	575,701	215,118	651,748
Medium-term notes	621,359	521,326	100,032	537,131
Long-term debt	165,000	50,000	115,000	110,000
Retirement benefits	3,920	3,878	41	4,009
Other non-current liabilities	541	496	44	607
Statutory reserves:	4,342	3,980	361	4,351
Reserve for securities transaction liabilities	4,342	3,980	361	4,351
Reserve for financial futures transaction liabilities	0	-	0	0
Total liabilities	9,702,704	8,998,742	703,962	8,618,826
Shareholders' equity				
Common stock	205,600	205,600	-	205,600
Capital surplus	117,321	117,321	-	117,321
Additional paid-in capital	117,321	117,321	-	117,321
Retained earnings	118,476	79,447	39,029	95,067
Net unrealized gain (loss) on securities, net of tax effect	1,006	(138)	1,144	2,416
Total shareholders' equity	442,403	402,229	40,173	420,404
Total liabilities and shareholders' equity	10,145,108	9,400,971	744,136	9,039,231

Statements of operations

(millions of yen)

	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Third quarter Apr. 1, 2004 - Dec. 31, 2004	Yr/yr % change	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Operating revenues	194,306	141,106	37.7%	203,609
Commissions	58,108	56,190	3.4%	80,288
Net gain (loss) on trading	113,479	71,991	57.6%	105,927
Interest and dividend income	22,718	12,923	75.8%	17,392
Interest expenses	19,220	13,614	41.2%	18,235
Net operating revenues	175,086	127,492	37.3%	185,373
Selling, general and administrative expenses:	103,148	85,889	20.1%	118,239
Commission and other expenses	48,935	36,621	33.6%	51,132
Employees' compensation and benefits	22,364	18,707	19.5%	25,954
Occupancy and rental	8,131	7,594	7.1%	10,433
Data processing and office supplies	11,771	11,293	4.2%	14,933
Depreciation expenses	8,391	8,484	(1.1)%	11,448
Taxes other than income taxes	2,351	2,076	13.2%	2,794
Others	1,201	1,112	8.0%	1,543
Operating income	71,938	41,602	72.9%	67,133
Non-operating income	1,992	6,181	(67.8)%	6,827
Non-operating expenses	207	103	99.4%	179
Ordinary income	73,723	47,680	54.6%	73,781
Extraordinary gains	3,525	374	842.1%	2,083
Extraordinary losses	52	192	(73.0)%	1,131
Income before income taxes	77,197	47,861	61.3%	74,734
Income taxes-current	32,734	(1,507)	-	2,350
Income taxes-deferred	(1,780)	18,474	-	25,868
Net income	46,243	30,894	49.7%	46,514
Unappropriated retained earnings-carryforward	32,851	3,658	797.8%	3,658
Unappropriated retained earnings	79,094	34,553	128.9%	50,173
Net financial income included in net operating revenues	3,498	(690)	-	(843)

Supplemental information for the third quarter ended December 31, 2005

(Apr. 1, 2005 –Dec. 31, 2005)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	Third quarter (2005/12)	Third quarter (2004/12)	Yr/yr Change	Fiscal 2004 (2005/3)
Brokerage commission	13,069	10,208	28.0%	13,887
Stock and other	12,955	10,079	28.5%	13,721
Underwriting	29,389	32,164	(8.6)%	45,775
Stock and other	21,623	25,554	(15.4)%	36,068
Bond and other	6,359	5,721	11.1%	8,371
Distribution	811	507	59.8%	1,013
Beneficiary certificates	511	418	22.3%	713
Other commission	14,837	13,309	11.5%	19,612
Beneficiary certificates	1,084	946	14.6%	1,305
Total	58,108	56,190	3.4%	80,288

(2) Asset class

(millions of yen)

	Third quarter (2005/12)	Third quarter (2004/12)	Yr/yr Change	Fiscal 2004 (2005/3)
Stock and other	35,145	36,751	(4.4)%	51,267
Bond and other	7,940	8,077	(1.7)%	11,571
Beneficiary certificates	1,764	1,417	24.5%	2,082
Others	13,257	9,944	33.3%	15,367
Total	58,108	56,190	3.4%	80,288

2. Breakdown of net gains on trading

(millions of yen)

	Third quarter (2005/12)	Third quarter (2004/12)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	63,072	26,597	137.1%	45,072
Bond, Forex and other	50,407	45,393	11.0%	60,854
Bond and other	20,308	37,630	(46.0)%	42,051
Forex and other	30,098	7,763	287.7%	18,803
Total	113,479	71,991	57.6%	105,927

3. Trading volume of stocks (excluding futures transaction) (millions of share, millions of yen)

	Third quarter (2005/12)		Third quarter (2004/12)		Yr/yr change		Fiscal 2004 (2005/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	48,697	52,368,823	39,964	40,704,368	21.9%	28.7%	54,022	54,222,684
Dealing (a)	28,982	30,018,751	24,484	23,573,076	18.4%	27.3%	33,165	31,557,115
Brokerage (b)	19,714	22,350,071	15,480	17,131,291	27.4%	30.5%	20,857	22,665,568
b/(a + b)	40.5%	42.7%	38.7%	42.1%			38.6%	41.8%
TSE share	4.8%	5.8%	6.1%	6.8%			5.9%	6.7%

4. Underwriting activities (millions of share, millions of yen)

	Third quarter (2005/12)	Third quarter (2004/12)	Yr/yr change	Fiscal 2004 (2005/3)
Underwriting:				
Stock (number of shares)	1,867	736	153.5%	822
(yen amount)	654,292	648,713	0.9%	845,390
Bond (face value)	5,883,614	3,908,409	50.5%	5,508,702
Beneficiary certificates (face value)	9,551	-	-	-
CP & others (face value)	1,529,526	1,009,920	51.5%	1,583,040
Distribution (*)				
Stock (number of shares)	1,861	738	152.3%	824
(yen amount)	638,153	656,083	(2.7)%	860,651
Bond (face value)	5,723,147	3,906,170	46.5%	5,541,871
Beneficiary certificates (face value)	672,271	511,501	31.4%	628,212
CP & others (face value)	1,580,687	991,930	59.4%	1,546,343

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Third quarter Dec. 31, 2005	Third quarter Dec. 31, 2004	Fiscal 2004 Mar. 31, 2005
Basic item	Shareholders' equity (A)	441,397	402,229	395,154
Supplementary item	Valuation profits of investment securities	1,006	-	2,416
	Statutory reserve	4,342	3,980	4,351
	Allowance for doubtful accounts	43	30	40
	Subordinated borrowings	210,000	150,000	210,000
	Total (B)	215,391	154,011	216,809
	Assets excluded from capital (C)	151,928	122,234	246,528
	Net capital (A)+(B)-(C) (D)	504,860	434,006	365,434
Risk equivalent	Market risk equivalent	62,517	64,040	52,530
	Counterparty risk equivalent	30,742	25,900	26,225
	Basic risk equivalent	27,608	22,737	24,040
	Total (E)	120,868	112,678	102,797
	Capital adequacy ratio (D)/(E)	417.6%	385.1%	355.4%

Quarterly statements of operations

(millions of yen)

	Fiscal 2004		Fiscal 2005		
	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
	Oct. 1, 2004 - Dec. 31, 2004	Jan. 1, 2005 - Mar. 31, 2005	Apr. 1, 2005 - Jun. 30, 2005	Jul. 1, 2005 - Sep. 30, 2005	Oct. 1, 2005 - Dec. 31, 2005
Operating revenues	39,832	62,503	40,546	77,001	76,758
Commissions	17,341	24,097	11,523	20,009	26,575
Brokerage commissions	3,058	3,678	3,273	4,506	5,289
(Stock and other)	2,996	3,641	3,238	4,468	5,249
Underwriting commission	10,063	13,610	4,970	8,913	15,505
(Stock and other)	8,105	10,514	2,266	6,513	12,843
(Bond and other)	1,762	2,649	2,294	1,943	2,120
Distribution commission	148	506	207	375	228
(Beneficiary certificate)	124	295	122	226	162
Other commission	4,071	6,302	3,071	6,214	5,551
(Beneficiary certificate)	323	359	325	362	397
Net gain (loss) on trading	16,847	33,936	22,078	49,968	41,432
(Stock and other)	1,632	18,475	3,789	34,714	24,568
(Bond and other)	13,617	4,421	16,525	1,569	2,213
(Forex and other)	1,597	11,039	1,763	13,684	14,650
Interest and dividend income	5,643	4,468	6,944	7,022	8,751
Interest expenses	5,947	4,621	4,885	6,407	7,927
Net operating revenues	33,884	57,881	35,661	70,594	68,831
Selling, general and administrative expenses	28,034	32,349	28,344	35,986	38,817
Commission and other expenses	12,036	14,510	12,092	17,174	19,668
Employees' compensation and benefits	5,900	7,246	6,253	7,866	8,244
Occupancy and rental	2,583	2,839	2,564	2,828	2,738
Data processing and office supplies	3,751	3,640	3,689	4,041	4,040
Depreciation expenses	2,820	2,964	2,828	2,782	2,780
Taxes other than income taxes	586	718	579	854	918
Others	355	430	335	438	427
Operating income	5,850	25,531	7,317	34,607	30,013
Non-operating income	5,279	645	790	430	772
Non-operating expenses	33	75	67	53	86
Ordinary income	11,095	26,101	8,039	34,984	30,699
Extraordinary gains	0	1,709	0	113	3,412
Extraordinary losses	(16)	939	-	59	(7)
Income before income taxes	11,110	26,872	8,040	35,038	34,118
Income taxes - current	(811)	3,857	1,398	16,847	14,489
Income taxes - deferred	3,359	7,394	1,677	(2,953)	(504)
Net income	8,563	15,619	4,965	21,144	20,133
Net financial income included in net operating revenues	(304)	(153)	2,059	615	823