

Daiwa Securities SMBC Co. Ltd.

1-8-1 Marunouchi Chiyoda-ku

Tokyo 100-8289, Japan

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

April 26, 2006

Consolidated financial summary

(For fiscal year ended March 31, 2006)

(1) Consolidated Operating results (from April 1, 2005 to March 31, 2006)

(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
Fiscal 2005 (2006/3)	350,818	40.5%	311,568	40.1%	139,662	67.1%
Fiscal 2004 (2005/3)	249,649	26.2%	222,390	22.7%	83,560	57.1%

	Ordinary income		Net income		Return on shareholders' equity (Annual basis)
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
Fiscal 2005 (2006/3)	141,582	66.2%	91,883	70.0%	18.2%
Fiscal 2004 (2005/3)	85,176	57.4%	54,034	63.0%	12.4%

(Note) Change in accounting policies: None

(2) Consolidated Financial conditions

	Total assets	Shareholders' equity	Shareholders' equity	Capital adequacy
	Millions of yen	Millions of yen	ratio	ratio(Note2)
As of Mar. 31, 2006	11,524,914	544,985	4.7%	336.1%
As of Mar. 31, 2005	9,675,380	466,751	4.8%	355.4%

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

As of Mar. 31, 2006: 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: 18 Companies

Affiliates applicable of equity method: 1Company

(4) Changes in scope of consolidation and equity method : 1Company

Representative: Tatsuei Saito, President

Contact: Shokichi Utsunomiya, 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 fiscal 2004)

(1) Commissions

For the fiscal year ended March 31, 2006, total commission revenues amounted to 111,298 million yen (21.3% up). In segments, 23,374 million yen (35.2% up) were earned in Equity, 2,105 million yen (22.2% down) in Fixed Income, 2,508 million yen (20.4% up) in Investment Trust, and 81,233 million yen (20.3% up) in Investment Banking. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total brokerage commissions increased to 23,592 million yen (33.4% up).

b) Underwriting Commissions

Underwriting commissions increased to 64,543 million yen (18.5% up). Underwriting commissions derived from equities increased to 54,024 million yen (21.3% up). Underwriting commissions derived from fixed income increased to 8,825 million yen (2.9% up).

c) Distribution Commissions

Revenues in distribution commissions generated 1,379 million yen (36.0% up).

d) Other Commissions

Other commissions increased to 21,783 million yen (17.3% up). Other commissions in Investment Banking increased to 16,217 million yen (26.8% up) due to increased fees received in M&A operations etc.

(2) Net Gain(Loss) on Trading

Net gain on trading increased to 175,531 million yen (48.4% up). Net trading gains in equities increased to 111,117 million yen (119.9% up), and net trading gains from fixed income together with those from foreign exchange transactions decreased to 64,413 million yen (4.9% down).

(3) Net Interest and Dividend Income

Interest and dividend income totaled 47,021 million yen, whereas interests expenses totaled 39,250 million yen. Net interest and dividend income came to 7,771 million yen.

(4) Selling, General and Administrative Expenses

Of the selling, general and administrative expenses, commission and other expenses totaled 74,098 million yen (44.9% up), personnel expenses totaled 46,820 million yen (17.5% up), data processing & office supplies totaled 17,003 million yen (3.9% up), occupancy and rental expenses totaled 13,702 million yen (8.4% up), and depreciation expenses totaled 12,184 million yen (1.2% down). Overall selling, general and administrative expenses came to 171,905 million yen, a 23.8% increase compared to the last year.

In conclusion, Operating Revenues for the fiscal 2005 came to 350,818 million yen (40.5% up), and Net Operating Revenues to 311,568 million yen (40.1% up). Operational Income came to 139,662 million yen (67.1% up), and Ordinary Income to 141,582 million yen (66.2% up). Finally, considering net extraordinary income, income taxes and minority interests, Net Income for the fiscal 2005 came to 91,883 million yen (70.0% up).

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

For the fiscal year ended March 31, 2006, total assets increased by 1,849.5 billion yen to 11,524.9 billion yen reflecting increases in receivables on trading assets by 862.0 billion yen, and collateralized short-term financing agreements by 663.9 billion yen.

Total liabilities increased by 1,771.1 billion yen to 10,978.8 billion yen, which is primarily attributable to increases in payables on trading liabilities by 1,213.0 billion yen, and collateralized short-term financing agreements by 516.8 billion yen, and a decrease in short-term borrowings by 559.3 billion yen. The company newly issued 393.8 billion yen of Medium-term note to raise its funds. Total shareholders' equity increased by 78.2 billion yen to 544.9 billion yen compared to the fiscal 2004.

Consolidated balance sheets

(millions of yen)

	Fiscal2005 Mar. 31, 2006	Fiscal2004 Mar. 31, 2005	Increase/ Decrease
Assets			
Current assets:	11,448,030	9,603,353	1,844,677
Cash and deposits	134,581	114,712	19,868
Cash segregated as deposits for regulatory purposes	77,680	21,411	56,268
Trading assets:	5,944,944	5,082,914	862,029
Trading securities and others	4,275,818	4,535,355	(259,537)
Derivative assets	1,669,126	547,559	1,121,566
Trading receivables, net	-	34,726	(34,726)
Private equity and other securities	326,506	99,104	227,401
Less: Allowance for possible investment losses	(2,715)	(1,165)	(1,550)
Receivables related to margin transactions:	205,935	183,698	22,236
Customer margin loans	3,535	1,843	1,692
Cash deposits as collateral for securities borrowed	202,399	181,855	20,544
Collateralized short-term financing agreements:	4,601,711	3,937,749	663,961
Cash deposits as collateral for securities borrowed	4,210,347	3,801,100	409,246
Receivables related to gensaki transactions	391,364	136,649	254,714
Short-term loans receivable	53,744	67,881	(14,136)
Accrued income	16,178	9,640	6,538
Deferred tax assets-current	4,328	644	3,684
Other current assets	85,332	52,222	33,110
Less: Allowance for doubtful accounts-current	(197)	(187)	(9)
Non-current assets:	76,883	72,027	4,856
Tangible fixed assets	5,476	5,835	(358)
Intangible fixed assets	31,813	31,710	102
Investments and others:	39,593	34,481	5,112
Investment securities	21,089	18,618	2,471
Long-term loans receivable	728	514	213
Long-term guarantee deposits	5,963	6,092	(129)
Deferred tax assets-non-current	4,881	2,945	1,936
Other investments	7,673	6,830	842
Less: Allowance for doubtful accounts-non-current	(743)	(520)	(223)
Total assets	11,524,914	9,675,380	1,849,533

(millions of yen)

	Fiscal2005 Mar. 31, 2006	Fiscal2004 Mar. 31, 2005	Increase/ Decrease
Liabilities			
Current liabilities:	10,219,735	8,548,482	1,671,252
Trading liabilities:	4,790,083	3,576,997	1,213,085
Trading securities and others	3,232,925	3,116,237	116,687
Derivative liabilities	1,557,157	460,759	1,096,398
Trading payables, net	252,020	-	252,020
Payables related to margin transactions:	176,268	127,198	49,070
Proceeds of securities sold for customers' accounts	176,268	127,198	49,070
Collateralized short-term financing agreements:	2,925,045	2,408,224	516,820
Cash deposits as collateral for securities loaned	2,360,788	2,017,492	343,295
Payables related to gensaki transactions	564,257	390,731	173,525
Deposits received	34,765	23,249	11,515
Cash deposits received as guarantee	26,328	22,000	4,327
Short-term borrowings	1,570,629	2,129,930	(559,300)
Commercial paper	234,210	175,220	58,990
Medium-term notes due within one year	79,606	27,397	52,208
Income taxes payable	56,588	7,604	48,984
Deferred tax liabilities-current	1,394	548	846
Other current liabilities	72,794	50,111	22,682
Non-current liabilities:	753,933	654,825	99,108
Medium-term notes	581,153	537,131	44,021
Long-term debt	167,004	111,997	55,007
Retirement benefits	4,233	4,034	198
Other non-current liabilities	1,542	1,661	(118)
Statutory reserves:	5,177	4,351	826
Reserve for securities transaction liabilities	5,177	4,351	826
Reserve for financial futures transaction liabilities	0	0	-
Total liabilities	10,978,846	9,207,659	1,771,187
Minority interests	1,082	969	112
Shareholders' equity			
Common stock	205,600	205,600	-
Capital surplus	117,321	117,321	-
Retained earnings	197,514	128,464	69,049
Net unrealized gain (loss) on securities, net of tax effect	15,920	10,426	5,494
Translation adjustments	8,629	4,940	3,689
Total shareholders' equity	544,985	466,751	78,233
Total liabilities, minority interests and shareholders' equity	11,524,914	9,675,380	1,849,533

Consolidated statements of operations

(millions of yen)

	Fiscal2005 Apr. 1, 2005 - Mar. 31, 2006	Fiscal2004 Apr. 1, 2004 - Mar. 31, 2005	Increase/ Decrease	Yr/yr % change
Operating revenues:	350,818	249,649	101,168	40.5%
Commissions	111,298	91,732	19,566	21.3%
Net gain (loss) on trading	175,531	118,304	57,226	48.4%
Net gain (loss) on private equity and other securities (*1)	16,966	-	16,966	-
Net gain (loss) on private equity and other securities (*2)	-	(1,165)	1,165	-
Interest and dividend income	47,021	40,777	6,244	15.3%
Interest expenses	39,250	27,258	11,991	44.0%
Net operating revenues	311,568	222,390	89,177	40.1%
Selling, general and administrative expenses:	171,905	138,830	33,074	23.8%
Commission and other expenses	74,098	51,144	22,953	44.9%
Employees' compensation and benefits	46,820	39,857	6,962	17.5%
Occupancy and rental	13,702	12,636	1,065	8.4%
Data processing and office supplies	17,003	16,368	635	3.9%
Depreciation expenses	12,184	12,326	(142)	(1.2)%
Taxes other than income taxes	4,774	3,804	969	25.5%
Other	3,322	2,692	630	23.4%
Operating income	139,662	83,560	56,102	67.1%
Non-operating income	2,697	1,945	751	38.6%
Non-operating expenses	777	329	447	136.0%
Ordinary income	141,582	85,176	56,405	66.2%
Extraordinary gains	3,569	2,107	1,461	69.4%
Extraordinary losses	1,422	1,150	271	23.6%
Income before income taxes and minority interests	143,729	86,133	57,595	66.9%
Income taxes-current	60,204	7,992	52,211	653.3%
Income taxes-deferred	(8,446)	24,064	(32,511)	-
Minority interests	(87)	(42)	(45)	-
Net income	91,883	54,034	37,849	70.0%
Net financial income included in net operating revenues	7,771	13,518	(5,747)	(42.5)%

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)

	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Capital surplus		
Beginning balance of capital surplus	117,321	117,321
Increase in capital surplus	-	-
Decrease in capital surplus	-	-
Ending balance of capital surplus	117,321	117,321
Retained earnings		
Beginning balance of retained earnings	128,464	74,682
Increase in retained earnings:	91,883	54,034
Net income	91,883	54,034
Decrease in retained earnings:	22,834	252
Cash dividends paid	22,400	-
Bonuses to directors	434	252
Ending balance of retained earnings	197,514	128,464

Notes to consolidated financial statements

The consolidated financial statements of the Company for fiscal year ended March 31, 2006 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 Consolidated Financial Statements' (Ministry of Finance Ordinance No.28, 1976) and its Article 46 and 68.

Basis of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries: 18 Companies

Major Companies: 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. Ltd.

One of the non-consolidated subsidiaries is added to scope of consolidation during this fiscal year due to its increasing materiality to the consolidated financial statements.

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 fiscal year ends other than March 31, 2006, the financial statements for the relevant fiscal year are reflected.

3. Fiscal period of subsidiaries

For subsidiaries with the fiscal year ending other than March 31, 2006, the financial statements for the relevant fiscal year are employed and important transactions occurred by discrepancies with closing account date are adjusted for this consolidated financial statements.

4. Accounting Policies

(1) Valuation of financial instruments and inventories

(i) Valuation of trading securities

In terms of domestic consolidated companies, securities, derivative transactions, and assets or liabilities in trading account are recorded at fair value. In terms of consolidated overseas subsidiaries, those policies are mainly applied.

() 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 shareholders' equity, 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 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
In terms of domestic consolidated companies, declining-balance method is mainly applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is mainly based on Corporation Tax Law. In terms of consolidated overseas subsidiaries, straight-line method is mainly applied.
 - (ii) Intangible fixed assets, and investments and others
Straight-line method is applied, and useful life for depreciation is mainly based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5years).
 - (3) Deferred assets
Expenses for issue of bond are amortized in a lump when incurred.
 - (4) 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 operational investment securities held at the consolidated fiscal year end, assessing the financial conditions of invested companies.
 - (iii) Accrued employees' bonuses
Estimated amount of employees' bonuses is accrued based on the Company's bylaws.
 - (iv) Accrued retirement benefits
The domestic consolidated companies provide accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of March 31, 2006, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year. Other consolidated subsidiaries provide the estimated amounts of retirements benefits payable as of March 31, 2006.
 - (5) Accounting for certain lease transactions
Finance lease in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.
 - (6) Hedging transactions
A part of interests received or paid on interest rate swap for hedging are accrued without mark-to-market, and a premium or discount on forward exchange contracts to hedge foreign currency denominated deposits is allocated to each fiscal term without mark-to-market.
 - (7) Other material items
 - (i) Consumption taxes
Consumption taxes are separately recorded.
 - (ii) Consolidated tax system
Consolidated tax system is applied.
5. Valuation of assets and liabilities of consolidated subsidiaries
Assets and liabilities of the consolidated subsidiaries are valued at fair value when the majority of ownership is acquired.
6. Amortization of consolidation adjustment account
Consolidation adjustment account is amortized in a lump sum when incurred due to its immateriality in amount.
7. Recording of appropriation of retained earnings
Appropriations of consolidated retained earnings in the consolidated statement of retained earning are recorded in the fiscal year when the appropriations are resolved.

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 17,142 million yen compared to the previous year.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

As of Mar.31, 2006	As of Mar.31, 2005
12,948 million yen	12,124 million yen

2. Guarantee

As of Mar.31, 2006	As of Mar.31, 2005
364 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 Mar. 31, 2006	As of Mar. 31, 2005
Short-term borrowings	50,000 million yen	102,004 million yen
Long-term borrowings	162,004 million yen	111,997 million yen

Notes to consolidated statements of operations

(millions of yen)

Details of extraordinary gains / losses

	As of Mar.31, 2006 million yen	As of Mar.31, 2005 million yen
Extraordinary gains:		
Gain on sale of investment securities	3,569	2,107
Extraordinary losses:		
Write-down of investment securities	378	159
Valuation loss of fixed assets	14	77
Loss on sale or disposal of fixed assets	-	544
Loss on sale of investment securities	3	-
Provision for securities transaction liabilities	826	369
Contribution to the Securities Market Infrastructure Improvement Fund	200	-

Supplemental information for the Fiscal 2005
(Apr.1, 2005 - Mar.31, 2006)

1. Breakdown of commissions (millions of yen)

	Fiscal 2005 ended Mar. 31, 2006 (A)					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Others	Total
Brokerage commission	23,018	471	102	-	-	23,592
Underwriting	-	-	-	64,543	-	64,543
Stock and other	-	-	-	54,024	-	54,024
Bond and other	-	-	-	8,825	-	8,825
Distribution	-	-	907	471	-	1,379
Other commission	356	1,634	1,498	16,217	2,076	21,783
Agency commission	-	1,608	1,428	-	-	3,037
Total	23,374	2,105	2,508	81,233	2,076	111,298

(millions of yen)

	Fiscal 2004 ended Mar. 31, 2005 (B)					
	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

(%)

	Yr/yr % change ((A)/(B)-1)					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Other	Total
Brokerage commission	35.7%	(28.1)%	59.3%	-	-	33.4%
Underwriting	-	-	-	18.5%	-	18.5%
Stock and other	-	-	-	21.3%	-	21.3%
Bond and other	-	-	-	2.9%	-	2.9%
Distribution	-	-	27.1%	57.3%	-	36.0%
Other commission	12.9%	(20.3)%	14.7%	26.8%	(1.9)%	17.3%
Agency commission	-	(16.5)%	14.4	-	-	(4.4)%
Total	35.2%	(22.2)%	20.4%	20.3	(1.9)%	21.3%

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

	Fiscal 2005 (2006/03)	Fiscal 2004 (2005/03)	Yr/yr % change
Stock and other	111,117	50,537	119.9%
Bond, forex and other	64,413	67,767	(4.9)%
Bond and other	27,978	48,965	(42.9)%
Forex and other	36,435	18,801	93.8%
Total	175,531	118,304	48.4%

Quarterly consolidated statements of operations

(millions of yen)

	Fiscal 2004	Fiscal 2005			
	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
	Jan. 1, 2005 Mar. 31, 2005	Apr. 1, 2005 - Jun. 30, 2005	Jul. 1, 2005 - Sep. 30, 2005	Oct. 1, 2005 Dec. 31, 2005	Jan. 1, 2006 Mar. 31, 2006
Operating revenues	77,569	52,042	90,095	91,556	117,124
Commissions	26,710	12,993	20,965	28,837	48,502
Brokerage commission	4,686	4,202	5,670	6,651	7,067
(Stock and other)	4,459	4,063	5,537	6,429	6,987
Underwriting commission	15,179	5,181	9,108	16,444	33,809
(Stock and other)	11,908	2,428	6,654	13,587	31,353
(Bond and other)	2,824	2,344	1,996	2,257	2,227
Distribution commission	506	207	375	228	567
(Beneficiary certificates)	295	122	226	162	395
Other commission	6,337	3,401	5,811	5,512	7,056
(Beneficiary certificates)	359	325	362	397	343
Net gain (loss) on trading	37,342	24,612	53,834	45,577	51,507
(Stock and other)	19,981	5,046	36,229	26,983	42,857
(Bond and other)	6,326	17,916	4,046	3,936	2,079
(Forex and other)	11,034	1,649	13,557	14,657	6,570
Net gain (loss) on private equity and other securities (*1)	-	2,567	2,889	5,403	6,106
Net gain (loss) on private equity and other securities (*2)	(1,165)	-	-	-	-
Interest and dividend income	14,681	11,868	12,406	11,737	11,008
Interest expenses	6,951	8,639	10,796	10,112	9,700
Net operating revenues	70,617	43,402	79,298	81,443	107,423
Selling general and administrative expenses:	37,523	32,978	40,582	43,409	54,934
Commission and other expenses	14,339	11,663	16,118	18,145	28,171
Employees' compensation and benefits	10,910	9,774	11,565	12,316	13,162
Occupancy and rental	3,425	3,152	3,418	3,476	3,655
Data processing and office supplies	3,962	3,884	4,386	4,377	4,355
Depreciation expenses	3,174	3,031	3,040	3,042	3,069
Taxes other than income taxes	962	817	1,270	1,282	1,404
Others	749	654	784	768	1,115
Operating income	33,093	10,423	38,715	38,033	52,489
Non-operating income	628	971	476	645	604
Non-operating expenses	124	127	238	88	321
Ordinary income	33,596	11,266	38,952	38,590	52,772
Extraordinary gains	1,732	0	113	3,412	43
Extraordinary losses	958	-	59	(7)	1,370
Income before income taxes and minority interests	34,371	11,267	39,006	42,010	51,444
Income taxes - current	7,518	2,130	18,239	16,477	23,355
Income taxes - deferred	6,154	2,088	(3,496)	(530)	(6,507)
Minority interests	(13)	(16)	(20)	(5)	(45)
Net income	20,684	7,032	24,243	26,056	34,551
Net financial income included in net operating revenues	7,729	3,228	1,609	1,625	1,307

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)

	Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005	Increase/ Decrease
Assets			
Current assets:	10,658,663	8,932,207	1,726,456
Cash and deposits	71,980	58,900	13,080
Cash segregated as deposits for regulatory purposes	75,165	20,050	55,114
Trading assets:	5,686,385	4,771,070	915,314
Trading securities and others	4,018,917	4,224,157	(205,240)
Derivative assets	1,667,467	546,913	1,120,554
Trading receivables, net	-	42,064	(42,064)
Receivables related to margin transactions:	205,935	183,698	22,236
Customer margin loans	3,535	1,843	1,692
Cash deposits as collateral for securities borrowed	202,399	181,855	20,544
Collateralized short-term financing agreements:	4,303,263	3,697,303	605,960
Cash deposits as collateral for securities borrowed	3,738,214	3,498,225	239,988
Receivables related to gensaki transactions	565,049	199,078	365,971
Short-term guarantee money deposited	30,809	12,300	18,509
Short-term loans receivable	242,753	126,346	116,406
Accrued income	9,827	5,920	3,906
Deferred tax assets-current	7,520	2,076	5,443
Other current assets	25,268	12,514	12,754
Less: Allowance for doubtful accounts-current	(248)	(40)	(207)
Non-current assets:	106,517	107,024	(506)
Tangible fixed assets	3,836	4,342	(505)
Intangible fixed assets	29,275	29,344	(69)
Investments and others:	73,405	73,337	67
Investment securities	62,698	60,838	1,859
Long-term loans receivable	2,577	2,207	370
Long-term guarantee deposits	5,062	5,236	(173)
Deferred tax assets-non-current	1,072	2,898	(1,826)
Other investments	2,501	2,725	(224)
Less: Allowance for doubtful accounts-non-current	(507)	(569)	62
Total assets	10,765,181	9,039,231	1,725,949

(millions of yen)

	Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005	Increase/ Decrease
Liabilities			
Current liabilities:	9,543,458	7,962,726	1,580,732
Trading liabilities:	4,622,071	3,310,902	1,311,169
Trading securities and others	3,066,728	2,850,464	216,264
Derivative liabilities	1,555,342	460,437	1,094,904
Trading payables, net	195,318	-	195,318
Payables related to margin transactions:	176,268	127,198	49,070
Proceeds of securities sold for customers' accounts	176,268	127,198	49,070
Collateralized short-term financing agreements:	2,632,402	2,170,275	462,127
Cash deposits as collateral for securities loaned	1,760,389	1,626,237	134,151
Payables related to gensaki transactions	872,013	544,037	327,976
Deposits received	18,891	8,148	10,742
Cash deposits received as guarantee	22,139	17,607	4,531
Short-term borrowings	1,466,299	2,098,647	(632,348)
Commercial paper	234,210	175,220	58,990
Medium-term notes due within one year	79,606	27,397	52,208
Accrued expenses	14,589	8,862	5,727
Income taxes payable	55,013	5,617	49,395
Other current liabilities	26,649	12,849	13,800
Non-current liabilities:	750,822	651,748	99,074
Medium-term notes	581,153	537,131	44,021
Long-term debt	165,000	110,000	55,000
Retirement benefits	4,194	4,009	184
Other non-current liabilities	474	607	(132)
Statutory reserves:	5,177	4,351	826
Reserve for securities transaction liabilities	5,177	4,351	826
Reserve for financial futures transaction liabilities	0	0	-
Total liabilities	10,299,459	8,618,826	1,680,632
Shareholders' equity			
Common stock	205,600	205,600	-
Capital surplus	117,321	117,321	-
Additional paid-in capital	117,321	117,321	-
Retained earnings	140,849	95,067	45,782
Net unrealized gain (loss) on securities, net of tax effect	1,951	2,416	(465)
Total shareholders' equity	465,721	420,404	45,316
Total liabilities and shareholders' equity	10,765,181	9,039,231	1,725,949

Statements of operations

(millions of yen)

	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005	Increase/ Decrease	Yr/yr % change
Operating revenues	292,446	203,609	88,837	43.6%
Commissions	102,488	80,288	22,199	27.6%
Net gain (loss) on trading	160,488	105,927	54,560	51.5%
Interest and dividend income	29,470	17,392	12,078	69.4%
Interest expenses	25,997	18,235	7,762	42.6%
Net operating revenues	266,449	185,373	81,075	43.7%
Selling, general and administrative expenses:	152,975	118,239	34,735	29.4%
Commission and other expenses	78,731	51,132	27,599	54.0%
Employees' compensation and benefits	30,928	25,954	4,974	19.2%
Occupancy and rental	11,119	10,433	685	6.6%
Data processing and office supplies	15,713	14,933	780	5.2%
Depreciation expenses	11,191	11,448	(256)	(2.2)%
Taxes other than income taxes	3,329	2,794	534	19.1%
Others	1,961	1,543	418	27.1%
Operating income	113,473	67,133	46,340	69.0%
Non-operating income	3,078	6,827	(3,748)	(54.9)%
Non-operating expenses	372	179	192	107.3%
Ordinary income	116,180	73,781	42,398	57.5%
Extraordinary gains	3,568	2,083	1,484	71.2%
Extraordinary losses	1,422	1,131	291	25.7%
Income before income taxes	118,325	74,734	43,591	58.3%
Income taxes-current	53,007	2,350	50,657	-
Income taxes-deferred	(3,298)	25,868	(29,167)	-
Net income	68,616	46,514	22,101	47.5%
Unappropriated retained earnings-carryforward	32,851	3,658	29,192	797.8%
Unappropriated retained earnings	101,468	50,173	51,294	102.2%
Net financial income included in net operating revenues	3,472	(843)	4,316	-

Supplemental information for fiscal 2005

(Apr. 1, 2005 – Mar. 31, 2006)

1. Breakdown of commission revenue

(1) Activity (millions of yen)

	Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr Change
Brokerage commission	18,611	13,887	34.0%
Stock and other	18,462	13,721	34.6%
Underwriting	58,830	45,775	28.5%
Stock and other	48,626	36,068	34.8%
Bond and other	8,569	8,371	2.4%
Distribution	1,379	1,013	36.0%
Beneficiary certificates	907	713	27.1%
Other commission	23,666	19,612	20.7%
Beneficiary certificates	1,498	1,305	14.7%
Total	102,488	80,288	27.6%

(2) Asset class (millions of yen)

	Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr Change
Stock and other	68,587	51,267	33.8%
Bond and other	10,780	11,571	(6.8)%
Beneficiary certificates	2,601	2,082	24.9%
Others	20,518	15,367	33.5%
Total	102,488	80,288	27.6%

2. Breakdown of net gains on trading

(millions of yen)

	Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr change
Stock and other	103,599	45,072	129.8%
Bond, Forex and other	56,888	60,854	(6.5)%
Bond and other	20,249	42,051	(51.8)%
Forex and other	36,639	18,803	94.9%
Total	160,488	105,927	51.5%

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

	Fiscal 2005 (2006/3)		Fiscal 2004 (2005/3)		Yr/yr change	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	64,464	74,370,671	54,022	54,222,684	19.3%	37.2%
Dealing (a)	38,595	42,581,383	33,165	31,557,115	16.4%	34.9%
Brokerage (b)	25,869	31,789,287	20,857	22,665,568	24.0%	40.3%
b/(a + b)	40.1%	42.7%	38.6%	41.8%		
TSE share	4.8%	5.6%	5.9%	6.7%		

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

	Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr change
Underwriting:			
Stock (number of shares)	1,971	822	139.6%
(yen amount)	1,331,497	845,390	57.5%
Bond (face value)	7,786,495	5,508,702	41.3%
Beneficiary certificates (face value)	9,551	-	-
CP & others (face value)	1,854,626	1,583,040	17.2%
Distribution (*)			
Stock (number of shares)	1,966	824	138.5%
(yen amount)	1,322,425	860,651	53.7%
Bond (face value)	7,559,953	5,541,871	36.4%
Beneficiary certificates (face value)	886,332	628,212	41.1%
CP & others (face value)	1,915,371	1,546,343	23.9%

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005
Basic item	Shareholders' equity (A)	433,997	395,154
Supplementary item	Valuation profits of investment securities	1,951	2,416
	Statutory reserve	5,177	4,351
	Allowance for doubtful accounts	248	40
	Subordinated borrowings	210,000	210,000
	Total (B)	217,376	216,809
	Assets excluded from capital (C)	196,125	246,528
	Net capital (A)+(B)-(C) (D)	455,248	365,434
Risk equivalent	Market risk equivalent	67,251	52,530
	Counterparty risk equivalent	39,111	26,225
	Basic risk equivalent	29,071	24,040
	Total (E)	135,433	102,797
	Capital adequacy ratio (D)/(E)	336.1%	355.4%

Quarterly statements of operations

(millions of yen)

	Fiscal 2004	Fiscal 2005			
	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
	Jan. 1, 2005 - Mar. 31, 2005	Apr. 1, 2005 - Jun. 30, 2005	Jul. 1, 2005 - Sep. 30, 2005	Oct. 1, 2005 - Dec. 31, 2005	Jan. 1, 2006 - Mar. 31, 2006
Operating revenues	62,503	40,546	77,001	76,758	98,140
Commissions	24,097	11,523	20,009	26,575	44,379
Brokerage commission	3,678	3,273	4,506	5,289	5,541
(Stock and other)	3,641	3,238	4,468	5,249	5,506
Underwriting commission	13,610	4,970	8,913	15,505	29,440
(Stock and other)	10,514	2,266	6,513	12,843	27,002
(Bond and other)	2,649	2,294	1,943	2,120	2,210
Distribution commission	506	207	375	228	567
(Beneficiary certificates)	295	122	226	162	395
Other commission	6,302	3,071	6,214	5,551	8,829
(Beneficiary certificates)	359	325	362	397	413
Net gain (loss) on trading	33,936	22,078	49,968	41,432	47,008
(Stock and other)	18,475	3,789	34,714	24,568	40,527
(Bond and other)	4,421	16,525	1,569	2,213	(59)
(Forex and other)	11,039	1,763	13,684	14,650	6,540
Interest and dividend income	4,468	6,944	7,022	8,751	6,751
Interest expenses	4,621	4,885	6,407	7,927	6,777
Net operating revenues	57,881	35,661	70,594	68,831	91,362
Selling, general and administrative expenses	32,349	28,344	35,986	38,817	49,826
Commission and other expenses	14,510	12,092	17,174	19,668	29,795
Employees' compensation and benefits	7,246	6,253	7,866	8,244	8,564
Occupancy and rental	2,839	2,564	2,828	2,738	2,987
Data processing and office supplies	3,640	3,689	4,041	4,040	3,942
Depreciation expenses	2,964	2,828	2,782	2,780	2,800
Taxes other than income taxes	718	579	854	918	977
Others	430	335	438	427	759
Operating income	25,531	7,317	34,607	30,013	41,535
Non-operating income	645	790	430	772	1,085
Non-operating expenses	75	67	53	86	165
Ordinary income	26,101	8,039	34,984	30,699	42,456
Extraordinary gains	1,709	0	113	3,412	42
Extraordinary losses	939	-	59	(7)	1,370
Income before income taxes	26,872	8,040	35,038	34,118	41,128
Income taxes - current	3,857	1,398	16,847	14,489	20,272
Income taxes - deferred	7,394	1,677	(2,953)	(504)	(1,517)
Net income	15,619	4,965	21,144	20,133	22,373
Net financial income included in net operating revenues	(153)	2,059	615	823	(25)