

Daiwa Securities SMBC Co. Ltd.

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Tokyo 100-8289, Japan

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

July 26, 2006

Consolidated financial summary

(For the first quarter ended June 30, 2006)

(1) Consolidated Operating results (from April 1, 2006 to June 30, 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
First quarter (2006/6)	66,207	27.2%	55,684	28.3%	19,781	89.8%
First quarter (2005/6)	52,042	(12.1)%	43,402	(19.9)%	10,423	(53.7)%
Fiscal 2005 (2006/3)	350,818		311,568		139,662	

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)
First quarter (2006/6)	20,283	80.0%	12,437	76.9%	8.5%
First quarter (2005/6)	11,266	(50.8)%	7,032	(51.4)%	6.1%
Fiscal 2005 (2006/3)	141,582		91,883		18.2%

(Note) Change in accounting policies: None

(2) Consolidated Financial conditions

	Total assets	Net assets	Equity ratio	Capital adequacy Ratio(Note2)
	Millions of yen	Millions of yen		
As of Jun. 30, 2006	11,016,972	624,167	5.7%	445.1%
As of Jun. 30, 2005	9,598,030	459,927	4.8%	412.9%
As of Mar. 31, 2006	11,524,914	544,985	4.7%	336.1%

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

As of Jun. 30, 2006: 3,800

As of Jun. 30, 2005: 3,200

As of Mar. 31, 2006: 3,200

Daiwa Securities SMBC Co. Ltd. has newly issued the common stock to allocate pro rata to the existing shareholders on May 31, 2006.

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: 1 Company

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

Representative: Tatsuei Saito, President

Contact: Shokichi Utsunomiya, General Manager, Treasury Department

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

Phone: +813-5533-8000

Results of Operation and Financial Conditions**(A) Overview of Operating Income (Comparisons in parenthesis are made versus the first quarter of fiscal 2005)****(1) Commissions**

For the first quarter ended June 30, 2006, total commission revenues amounted to 17,093 million yen (31.5% up). In segments, 6,515 million yen (57.9% up) were earned in Equity, 513 million yen (12.1% up) in Fixed Income, 616 million yen (32.3% up) in Investment Trust, and 9,008 million yen (21.2% up) in Investment Banking. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total brokerage commissions increased to 6,505 million yen (54.8% up).

b) Underwriting Commissions

Underwriting commissions increased to 6,735 million yen (30.0% up). Underwriting commissions derived from equities increased to 4,300 million yen (77.1% up). On the other hand, underwriting commissions derived from fixed income decreased to 21,085 million yen (6.8% down).

c) Distribution Commissions

Revenues in distribution commissions generated 168 million yen (19.0% down).

d) Other Commissions

Other commissions increased to 3,684 million yen (8.3% up). Other commissions in Investment Banking increased to 2,252 million yen (4.0% up) due to increased fees received in M&A operations etc.

(2) Net Gain(Loss) on Trading

Net gain on trading decreased to 24,447 million yen (0.7% down). Net trading gains in equities increased to 15,390 million yen (205.0% up), and net trading gains from fixed income together with those from foreign exchange transactions decreased to 9,056 million yen (53.7% down).

(3) Net Interest and Dividend Income

Interest and dividend income totaled 13,916 million yen, whereas interests expenses totaled 10,523 million yen. Net interest and dividend income came to 3,393 million yen (5.1% up).

(4) Selling, General and Administrative Expenses

Of the selling, general and administrative expenses, personnel expenses totaled 11,860 million yen (21.3% up), commission and other expenses totaled 11,585 million yen (0.7% down), data processing & office supplies totaled 4,323 million yen (11.3% up), occupancy and rental expenses totaled 3,155 million yen (0.1% up), and depreciation expenses totaled 2,888 million yen (4.7% down). Overall selling, general and administrative expenses came to 35,902 million yen, an 8.9% increase compared to the first quarter of last year.

In conclusion, Operating Revenues for the first quarter of fiscal 2006 came to 66,207 million yen (27.2% up), and Net Operating Revenues to 55,684 million yen (28.3% up). Operational Income came to 19,781 million yen (89.8% up), and Ordinary Income to 20,283 million yen (80.0% up). Finally, considering net extraordinary income, income taxes and minority interests, Net Income for the first quarter of fiscal 2006 came to 12,437 million yen (76.9% up).

(B) Financial Condition (Comparisons in parenthesis are made versus the fiscal 2005)

For the first quarter ended June 30, 2006, total assets decreased by 507.9 billion yen to 11,016.9 billion yen reflecting decreases in receivables on collateralized short-term financing agreements by 374.7 billion yen and trading assets by 96.8 billion yen.

Total liabilities decreased by 586.0 billion yen to 10,392.8 billion yen, which is primarily attributable to decreases in payables on collateralized short-term financing agreements by 410.6 billion yen and in short-term borrowings by 263.9 billion yen. The company newly issued 121.3 billion yen of Medium-term note to raise its funds.

As a result of the capital increase of the company, the common stock and capital surplus have increased each by 50.1 billion yen. Total net assets came to 624.1 billion yen as at June 30, 2006.

Consolidated balance sheets

(millions of yen)

	First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Assets				
Current assets:	10,938,844	9,524,717	1,414,127	11,448,030
Cash and deposits	131,854	140,367	(8,512)	134,581
Cash segregated as deposits for regulatory purposes	23,398	21,861	1,536	77,680
Trading assets:	5,848,097	5,033,621	814,475	5,944,944
Trading securities and others	4,467,547	4,339,984	127,563	4,275,818
Derivative assets	1,380,550	693,637	686,912	1,669,126
Private equity and other securities	302,455	108,201	194,253	326,506
Less: Allowance for possible investment losses	(2,784)	(1,165)	(1,619)	(2,715)
Receivables related to margin transactions:	215,240	188,893	26,347	205,935
Customer margin loans	5,486	1,881	3,604	3,535
Cash deposits as collateral for securities borrowed	209,754	187,011	22,742	202,399
Collateralized short-term financing agreements:	4,226,959	3,873,379	353,580	4,601,711
Cash deposits as collateral for securities borrowed	3,963,959	3,659,437	304,522	4,210,347
Receivables related to gensaki transactions	263,000	213,941	49,058	391,364
Short-term loans receivable	104,134	69,569	34,565	53,744
Accrued income	14,455	9,842	4,613	16,178
Deferred tax assets-current	5,149	302	4,847	4,328
Other current assets	70,010	80,061	(10,050)	85,332
Less: Allowance for doubtful accounts-current	(127)	(217)	89	(197)
Non-current assets:	78,128	73,313	4,815	76,883
Tangible fixed assets	5,352	5,552	(200)	5,476
Intangible fixed assets	33,958	30,675	3,283	31,813
Investments and others:	38,817	37,085	1,731	39,593
Investment securities	21,094	21,357	(262)	21,089
Long-term loans receivable	437	545	(108)	728
Long-term guarantee deposits	5,756	6,070	(314)	5,963
Deferred tax assets-non-current	4,941	2,265	2,676	4,881
Other investments	7,335	7,441	(105)	7,673
Less: Allowance for doubtful accounts-non-current	(748)	(594)	(153)	(743)
Total assets	11,016,972	9,598,030	1,418,942	11,524,914

(millions of yen)

	First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Liabilities				
Current liabilities:	9,599,382	8,318,808	1,280,574	10,219,735
Trading liabilities:	4,736,648	3,450,384	1,286,263	4,790,083
Trading securities and others	3,555,261	2,842,418	712,842	3,232,925
Derivative liabilities	1,181,387	607,966	573,420	1,557,157
Trading payables, net	435,054	193,841	241,213	252,020
Payables related to margin transactions:	204,536	141,274	63,261	176,268
Proceeds of securities sold for customers' accounts	204,536	141,274	63,261	176,268
Collateralized short-term financing agreements:	2,514,401	2,662,260	(147,859)	2,925,045
Cash deposits as collateral for securities loaned	2,113,375	2,135,796	(22,421)	2,360,788
Payables related to gensaki transactions	401,025	526,464	(125,438)	564,257
Deposits received	41,066	25,403	15,663	34,765
Cash deposits received as guarantee	17,222	18,671	(1,449)	26,328
Short-term borrowings	1,306,686	1,591,278	(284,591)	1,570,629
Commercial paper	246,310	128,918	117,391	234,210
Medium-term notes due within one year	35,888	31,099	4,788	79,606
Income taxes payable	4,891	8,152	(3,261)	56,588
Deferred tax liabilities-current	476	4,109	(3,632)	1,394
Other current liabilities	56,200	63,413	(7,212)	72,794
Non-current liabilities:	788,235	813,929	(25,693)	753,933
Medium-term notes	625,759	596,697	29,061	581,153
Long-term debt	157,043	212,011	(54,967)	167,004
Retirement benefits	4,036	3,712	323	4,233
Other non-current liabilities	1,396	1,508	(111)	1,542
Statutory reserves:	5,186	4,350	835	5,177
Reserve for securities transaction liabilities	5,186	4,350	835	5,177
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	10,392,804	9,137,088	1,255,716	10,978,846
Minority interests	-	1,014	-	1,082
Shareholders' equity				
Common stock	-	205,600	-	205,600
Capital surplus	-	117,321	-	117,321
Retained earnings	-	117,803	-	197,514
Net unrealized gain (loss) on securities, net of tax effect	-	14,065	-	15,920
Translation adjustments	-	5,137	-	8,629
Total shareholders' equity	-	459,927	-	544,985
Total liabilities, minority interests and shareholders' equity	-	9,598,030	-	11,524,914
Net Assets				
Owners' equity	603,299	-	-	-
Common stock	255,700	-	-	-
Capital surplus	167,421	-	-	-
Retained earnings	180,178	-	-	-
Valuation and translation adjustments	19,786	-	-	-
Net unrealized gain (loss) on securities, net of tax effect	9,964	-	-	-
Translation adjustments	9,822	-	-	-
Minority interests	1,081	-	-	-
Total net assets	624,167	-	-	-
Total liabilities and Net assets	11,016,972	-	-	-

Consolidated statements of operations

(millions of yen)

	First quarter Apr. 1, 2006 - Jun. 30, 2006	First quarter Apr. 1, 2005 - Jun. 30, 2005	Yr/yr % change	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006
Operating revenues:	66,207	52,042	27.2%	350,818
Commissions	17,093	12,993	31.5%	111,298
Net gain (loss) on trading	24,447	24,612	(0.7)%	175,531
Net gain (loss) on private equity and other securities	10,750	2,567	318.7%	16,966
Interest and dividend income	13,916	11,868	17.3%	47,021
Interest expenses	10,523	8,639	21.8%	39,250
Net operating revenues	55,684	43,402	28.3%	311,568
Selling, general and administrative expenses:	35,902	32,978	8.9%	171,905
Commission and other expenses	11,585	11,663	(0.7)%	74,098
Employees' compensation and benefits	11,860	9,774	21.3%	46,820
Occupancy and rental	3,155	3,152	0.1%	13,702
Data processing and office supplies	4,323	3,884	11.3%	17,003
Depreciation expenses	2,888	3,031	(4.7)%	12,184
Taxes other than income taxes	983	817	20.3%	4,774
Other	1,105	654	68.9%	3,322
Operating income	19,781	10,423	89.8%	139,662
Non-operating income	972	971	0.2%	2,697
Non-operating expenses	470	127	268.2%	777
Ordinary income	20,283	11,266	80.0%	141,582
Extraordinary gains	-	0	-	3,569
Extraordinary losses	8	-	-	1,422
Income before income taxes and minority interests	20,274	11,267	79.9%	143,729
Income taxes-current	5,438	2,130	155.2%	60,204
Income taxes-deferred	2,383	2,088	14.2%	(8,446)
Minority interests	(14)	(16)	-	(87)
Net income	12,437	7,032	76.9%	91,883
Net financial income included in net operating revenues	3,393	3,228	5.1%	7,771

Notes to consolidated financial statements

The consolidated financial statements of the Company for the first quarter ended June 30, 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 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: 18 Companies

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, 2006, the financial statements for the relevant first quarter are reflected.

3. Fiscal period of subsidiaries

For subsidiaries which the first quarter ends are not June 30, 2006, the financial statements for the relevant first quarter are compiled 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 first quarter 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 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 first 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

Stock issue costs and bond issue costs are amortized in a lump sum when incurred.

(iii) Consolidated tax system

The Domestic Companies comply with the consolidated tax system.

Changes in the accounting standards

1. Presentation of net assets on consolidated balance sheets

The consolidated financial statements of the Company for the first quarter ended June 30, 2006 are adapted to “Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statements No.5)” and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No.8)” from the beginning of this first quarter. Amount of shareholders’ equity provided by the former accounting standard is 623,086 million yen.

2. Accounting for directors’ bonus

The consolidated financial statements of the Company for the first quarter ended June 30, 2006 are adapted to “Accounting Standard for Directors’ Bonus (ASBJ Statement No.4).” From the beginning of this first quarter, directors’ bonus is expensed when occurred without directly decreasing retained earnings upon approval of annual shareholders’ meeting.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

As of Jun.30, 2006	As of Jun.30, 2005	As of Mar.31, 2006
13,384 million yen	12,584 million yen	12,948 million yen

2. Guarantee

As of Jun.30, 2006	As of Jun.30, 2005	As of Mar.31, 2006
336 million yen	414 million yen	364 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, 2006	As of Jun. 30, 2005	As of Mar. 31, 2006
Short-term borrowings	110,000 million yen	2,008 million yen	50,000 million yen
Long-term borrowings	152,043 million yen	212,011 million yen	162,004 million yen

Notes to consolidated statements of operations

(millions of yen)

Details of extraordinary gains/losses

	First quarter Apr. 1, 2006 - Jun. 30, 2006	First quarter Apr. 1, 2005 - Jun. 30, 2005	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006
Extraordinary gains			
Gain on sale of investment securities	-	-	3,569
Reversal of Reserve for securities transaction liabilities	-	0	-
Extraordinary losses			
Write-down of investment securities	-	-	378
Loss on sale of investment securities	-	-	3
Valuation loss of fixed assets	-	-	14
Provision for securities transaction liabilities	8	-	826
Contribution to the Securities Market Infrastructure Improvement Fund	-	-	200

Supplemental information for the Fiscal 2006

(Apr.1, 2006 - Jun.30, 2006)

1. Breakdown of commissions

(millions of yen)

	First quarter Jun. 30, 2006 (A)					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	
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

(millions of yen)

	First quarter Jun. 30, 2005 (B)					Total
	Equity	Fixed income (bond)	Investment trust	Investment banking	Other	
Brokerage commission	4,063	121	17	-	-	4,202
Underwriting commission	-	-	-	5,181	-	5,181
Stock and other	-	-	-	2,428	-	2,428
Bond and other	-	-	-	2,344	-	2,344
Distribution commission	-	-	122	85	-	207
Other commission	61	336	325	2,165	512	3,401
Agency commission	-	322	311	-	-	633
Total	4,124	458	465	7,432	512	12,993

(%)

	Yr/yr % change ((A)/(B)-1)					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	
Brokerage commission	56.5%	(8.1)%	84.7%	-	-	54.8%
Underwriting commission	-	-	-	30.0%	-	30.0%
Stock and other	-	-	-	77.1%	-	77.1%
Bond and other	-	-	-	(6.8)%	-	(6.8)%
Distribution commission	-	-	20.1%	(75.5)%	-	(19.0)%
Other commission	150.8%	19.3%	34.1%	4.0%	(14.2)%	8.3%
Agency commission	-	24.5%	35.7%	-	-	30.0%
Total	57.9%	12.1%	32.3%	21.2%	(14.2)%	31.5%

(millions of yen)

	Fiscal 2005 ended Mar. 31, 2006					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	
Brokerage commission	23,018	471	102	-	-	23,592
Underwriting commission	-	-	-	64,543	-	64,543
Stock and other	-	-	-	54,024	-	54,024
Bond and other	-	-	-	8,825	-	8,825
Distribution commission	-	-	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

2. Breakdown of net gains on trading

(millions of yen)

	First quarter (2006/06)	First quarter (2005/06)	Yr/yr % change	Fiscal 2005 (2006/03)
Stock and other	15,390	5,046	205.0%	111,117
Bond, forex and other	9,056	19,565	(53.7)%	64,413
Bond and other	(5,315)	17,916	-	27,978
Forex and other	14,372	1,649	771.3%	36,435
Total	24,447	24,612	(0.7)%	175,531

Quarterly consolidated statements of operations

(millions of yen)

	Fiscal 2005				Fiscal 2006
	First quarter Apr. 1, 2005 - Jun. 30, 2005	Second quarter Jul. 1, 2005 - Sep. 30, 2005	Third quarter Oct. 1, 2005 Dec. 31, 2005	Fourth quarter Jan. 1, 2006 Mar. 31, 2006	First quarter Apr. 1, 2006 - Jun. 30, 2006
Operating revenues	52,042	90,095	91,556	117,124	66,207
Commissions	12,993	20,965	28,837	48,502	17,093
Brokerage commission	4,202	5,670	6,651	7,067	6,505
(Stock and other)	4,063	5,537	6,429	6,987	6,361
Underwriting commission	5,181	9,108	16,444	33,809	6,735
(Stock and other)	2,428	6,654	13,587	31,353	4,300
(Bond and other)	2,344	1,996	2,257	2,227	2,185
Distribution commission	207	375	228	567	168
(Beneficiary certificates)	122	226	162	395	147
Other commission	3,401	5,811	5,512	7,056	3,684
(Beneficiary certificates)	325	362	397	343	436
Net gain (loss) on trading	24,612	53,834	45,577	51,507	24,447
(Stock and other)	5,046	36,229	26,983	42,857	15,390
(Bond and other)	17,916	4,046	3,936	2,079	(5,315)
(Forex and other)	1,649	13,557	14,657	6,570	14,372
Net gain (loss) on private equity and other securities	2,567	2,889	5,403	6,106	10,750
Interest and dividend income	11,868	12,406	11,737	11,008	13,916
Interest expenses	8,639	10,796	10,112	9,700	10,523
Net operating revenues	43,402	79,298	81,443	107,423	55,684
Selling general and administrative expenses:	32,978	40,582	43,409	54,934	35,902
Commission and other expenses	11,663	16,118	18,145	28,171	11,585
Employees' compensation and benefits	9,774	11,565	12,316	13,162	11,860
Occupancy and rental	3,152	3,418	3,476	3,655	3,155
Data processing and office supplies	3,884	4,386	4,377	4,355	4,323
Depreciation expenses	3,031	3,040	3,042	3,069	2,888
Taxes other than income taxes	817	1,270	1,282	1,404	983
Others	654	784	768	1,115	1,105
Operating income	10,423	38,715	38,033	52,489	19,781
Non-operating income	971	476	645	604	972
Non-operating expenses	127	238	88	321	470
Ordinary income	11,266	38,952	38,590	52,772	20,283
Extraordinary gains	0	113	3,412	43	-
Extraordinary losses	-	59	(7)	1,370	8
Income before income taxes and minority interests	11,267	39,006	42,010	51,444	20,274
Income taxes - current	2,130	18,239	16,477	23,355	5,438
Income taxes - deferred	2,088	(3,496)	(530)	(6,507)	2,383
Minority interests	(16)	(20)	(5)	(45)	(14)
Net income	7,032	24,243	26,056	34,551	12,437
Net financial income included in net operating revenues	3,228	1,609	1,625	1,307	3,393

<Reference>

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

Balance sheets

(millions of yen)

	First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Assets				
Current assets:	10,131,007	8,831,711	1,299,296	10,658,663
Cash and deposits	81,709	88,949	(7,239)	71,980
Cash segregated as deposits for regulatory purposes	20,055	20,071	(15)	75,165
Trading assets:	5,490,831	4,719,884	770,947	5,686,385
Trading securities and others	4,110,701	4,026,539	84,162	4,018,917
Derivative assets	1,380,130	693,345	686,784	1,667,467
Receivables related to margin transactions:	215,240	188,893	26,347	205,935
Customer margin loans	5,486	1,881	3,604	3,535
Cash deposits as collateral for securities borrowed	209,754	187,011	22,742	202,399
Collateralized short-term financing agreements:	4,022,062	3,633,357	388,704	4,303,263
Cash deposits as collateral for securities borrowed	3,636,162	3,324,778	311,384	3,738,214
Receivables related to gensaki transactions	385,900	308,579	77,320	565,049
Short-term guarantee money deposited	26,628	14,223	12,404	30,809
Short-term loans receivable	247,997	132,685	115,312	242,753
Accrued income	8,005	5,948	2,057	9,827
Deferred tax assets-current	5,381	942	4,439	7,520
Other current assets	13,288	26,800	(13,512)	25,268
Less: Allowance for doubtful accounts-current	(194)	(44)	(150)	(248)
Non-current assets:	108,138	107,634	503	106,517
Tangible fixed assets	3,752	4,025	(272)	3,836
Intangible fixed assets	31,392	28,266	3,125	29,275
Investments and others:	72,993	75,342	(2,349)	73,405
Investment securities	62,709	63,516	(806)	62,698
Long-term loans receivable	2,406	2,266	139	2,577
Long-term guarantee deposits	4,861	5,194	(333)	5,062
Deferred tax assets-non-current	1,029	2,216	(1,186)	1,072
Other investments	2,494	2,717	(223)	2,501
Less: Allowance for doubtful accounts-non-current	(507)	(569)	62	(507)
Total assets	10,239,146	8,939,346	1,299,799	10,765,181

(millions of yen)

	First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Liabilities				
Current liabilities:	8,902,614	7,716,301	1,186,312	9,543,458
Trading liabilities:	4,454,083	3,252,866	1,201,216	4,622,071
Trading securities and others	3,272,028	2,646,344	625,683	3,066,728
Derivative liabilities	1,182,055	606,521	575,533	1,555,342
Trading payables, net	431,085	163,876	267,208	195,318
Payables related to margin transactions:	204,536	141,274	63,261	176,268
Proceeds of securities sold for customers' accounts	204,536	141,274	63,261	176,268
Collateralized short-term financing agreements:	2,285,276	2,376,260	(90,983)	2,632,402
Cash deposits as collateral for securities loaned	1,459,942	1,562,121	(102,178)	1,760,389
Payables related to gensaki transactions	825,333	814,138	11,194	872,013
Deposits received	24,718	10,032	14,686	18,891
Cash deposits received as guarantee	11,721	14,859	(3,138)	22,139
Short-term borrowings	1,180,168	1,554,571	(374,402)	1,466,299
Commercial paper	246,310	128,220	118,090	234,210
Medium-term notes due within one year	35,888	31,099	4,788	79,606
Accrued expenses	8,952	8,237	714	14,589
Income taxes payable	3,300	7,548	(4,247)	55,013
Other current liabilities	16,573	27,455	(10,881)	26,649
Non-current liabilities:	785,102	810,813	(25,711)	750,822
Medium-term notes	625,759	596,697	29,061	581,153
Long-term debt	155,000	210,000	(55,000)	165,000
Retirement benefits	4,001	3,688	313	4,194
Other non-current liabilities	340	428	(87)	474
Statutory reserves:	5,186	4,350	835	5,177
Reserve for securities transaction liabilities	5,186	4,350	835	5,177
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	9,692,903	8,531,466	1,161,436	10,299,459
Shareholders' equity				
Common stock	-	205,600	-	205,600
Capital surplus	-	117,321	-	117,321
Additional paid-in capital	-	117,321	-	117,321
Retained earnings	-	82,339	-	140,849
Net unrealized gain (loss) on securities, net of tax effect	-	2,619	-	1,951
Total shareholders' equity	-	407,879	-	465,721
Total liabilities and shareholders' equity	-	8,939,346	-	10,765,181
Net Assets				
Owners' equity	544,415	-	-	-
Common stock	255,700	-	-	-
Capital surplus	167,421	-	-	-
Retained earnings	121,294	-	-	-
Valuation and translation adjustments	1,827	-	-	-
Net unrealized gain (loss) on securities, net of tax effect	1,827	-	-	-
Total net assets	546,242	-	-	-
Total liabilities and net assets	10,239,146	-	-	-

Statements of operations

(millions of yen)

	First quarter Apr. 1, 2006 - Jun. 30, 2006	First quarter Apr. 1, 2005 - Jun. 30, 2005	Yr/yr % change	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006
Operating revenues	46,662	40,546	15.1%	292,446
Commissions	14,989	11,523	30.1%	102,488
Net gain (loss) on trading	22,186	22,078	0.5%	160,488
Interest and dividend income	9,487	6,944	36.6%	29,470
Interest expenses	7,149	4,885	46.4%	25,997
Net operating revenues	39,513	35,661	10.8%	266,449
Selling, general and administrative expenses:	30,480	28,344	7.5%	152,975
Commission and other expenses	12,416	12,092	2.7%	78,731
Employees' compensation and benefits	7,756	6,253	24.0%	30,928
Occupancy and rental	2,475	2,564	(3.5)%	11,119
Data processing and office supplies	4,033	3,689	9.3%	15,713
Depreciation expenses	2,607	2,828	(7.8)%	11,191
Taxes other than income taxes	582	579	0.6%	3,329
Others	608	335	81.6%	1,961
Operating income	9,032	7,317	23.4%	113,473
Non-operating income	5,121	790	548.0%	3,078
Non-operating expenses	432	67	540.0%	372
Ordinary income	13,722	8,039	70.7%	116,180
Extraordinary gains	-	0	-	3,568
Extraordinary losses	8	-	-	1,422
Income before income taxes	13,713	8,040	70.6%	118,325
Income taxes-current	1,228	1,398	(12.1)%	53,007
Income taxes-deferred	2,266	1,677	35.1%	(3,298)
Net income	10,217	4,965	105.8%	68,616
Unappropriated retained earnings-carryforward	-	32,851	-	32,851
Unappropriated retained earnings	-	37,816	-	101,468
Net financial income included in net operating revenues	2,337	2,059	13.5%	3,472

Supplemental information for the first quarter ended June 30, 2006

(Apr. 1, 2006 –Jun. 30, 2006)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First quarter (2006/6)	First quarter (2005/6)	Yr/yr Change	Fiscal 2005 (2006/3)
Brokerage commission	4,948	3,273	51.2%	18,611
Stock and other	4,909	3,238	51.6%	18,462
Underwriting commission	6,041	4,970	21.5%	58,830
Stock and other	3,763	2,266	66.1%	48,626
Bond and other	2,027	2,294	(11.6)%	8,569
Distribution commission	168	207	(19.0)%	1,379
Beneficiary certificates	147	122	20.1%	907
Other commission	3,832	3,071	24.8%	23,666
Beneficiary certificates	436	325	34.1%	1,498
Total	14,989	11,523	30.1%	102,488

(2) Asset class

(millions of yen)

	First quarter (2006/6)	First quarter (2005/6)	Yr/yr Change	Fiscal 2005 (2006/3)
Stock and other	8,847	5,608	57.8%	68,587
Bond and other	2,586	2,736	(5.5)%	10,780
Beneficiary certificates	616	465	32.4%	2,601
Others	2,939	2,712	8.4%	20,518
Total	14,989	11,523	30.1%	102,488

2. Breakdown of net gains on trading

(millions of yen)

	First quarter (2006/6)	First quarter (2005/6)	Yr/yr Change	Fiscal 2005 (2006/3)
Stock and other	13,812	3,789	264.5%	103,599
Bond, Forex and other	8,373	18,289	(54.2)%	56,888
Bond and other	(6,014)	16,525	-	20,249
Forex and other	14,388	1,763	715.7%	36,639
Total	22,186	22,078	0.5%	160,488

3. Capital adequacy ratio

(millions of yen)

		First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Fiscal 2005 Mar. 31, 2006	
Basic item	(A)	544,415	400,119	433,997	
Supplementary item	Valuation profits of investment securities	1,827	2,619	1,951	
	Statutory reserve	5,186	4,350	5,177	
	Allowance for doubtful accounts	194	44	248	
	Subordinated borrowings	260,000	210,000	210,000	
Total	(B)	267,208	217,014	217,376	
Assets excluded from capital	(C)	198,823	196,259	196,125	
Net capital	(A)+(B)-(C)	(D)	612,799	420,874	455,248
Risk equivalent	Market risk equivalent	66,882	51,211	67,251	
	Counterparty risk equivalent	38,614	25,831	39,111	
	Basic risk equivalent	32,169	24,880	29,071	
	Total	(E)	137,667	101,923	135,433
Capital adequacy ratio	(D)/(E)	445.1%	412.9%	336.1%	

Quarterly statements of operations

(millions of yen)

	Fiscal 2005				Fiscal 2006
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter
	Apr. 1, 2005 - Jun. 30, 2005	Jul. 1, 2005 - Sep. 30, 2005	Oct. 1, 2005 - Dec. 31, 2005	Jan. 1, 2006 - Mar. 31, 2006	Apr. 1, 2006 - Jun. 30, 2006
Operating revenues	40,546	77,001	76,758	98,140	46,662
Commissions	11,523	20,009	26,575	44,379	14,989
Brokerage commissions	3,273	4,506	5,289	5,541	4,948
(Stock and other)	3,238	4,468	5,249	5,506	4,909
Underwriting commission	4,970	8,913	15,505	29,440	6,041
(Stock and other)	2,266	6,513	12,843	27,002	3,763
(Bond and other)	2,294	1,943	2,120	2,210	2,027
Distribution commission	207	375	228	567	168
(Beneficiary certificate)	122	226	162	395	147
Other commission	3,071	6,214	5,551	8,829	3,832
(Beneficiary certificate)	325	362	397	413	436
Net gain (loss) on trading	22,078	49,968	41,432	47,008	22,186
(Stock and other)	3,789	34,714	24,568	40,527	13,812
(Bond and other)	16,525	1,569	2,213	(59)	(6,014)
(Forex and other)	1,763	13,684	14,650	6,540	14,388
Interest and dividend income	6,944	7,022	8,751	6,751	9,487
Interest expenses	4,885	6,407	7,927	6,777	7,149
Net operating revenues	35,661	70,594	68,831	91,362	39,513
Selling, general and administrative expenses	28,344	35,986	38,817	49,826	30,480
Commission and other expenses	12,092	17,174	19,668	29,795	12,416
Employees' compensation and benefits	6,253	7,866	8,244	8,564	7,756
Occupancy and rental	2,564	2,828	2,738	2,987	2,475
Data processing and office supplies	3,689	4,041	4,040	3,942	4,033
Depreciation expenses	2,828	2,782	2,780	2,800	2,607
Taxes other than income taxes	579	854	918	977	582
Others	335	438	427	759	608
Operating income	7,317	34,607	30,013	41,535	9,032
Non-operating income	790	430	772	1,085	5,121
Non-operating expenses	67	53	86	165	432
Ordinary income	8,039	34,984	30,699	42,456	13,722
Extraordinary gains	0	113	3,412	42	-
Extraordinary losses	-	59	(7)	1,370	8
Income before income taxes	8,040	35,038	34,118	41,128	13,713
Income taxes - current	1,398	16,847	14,489	20,272	1,228
Income taxes - deferred	1,677	(2,953)	(504)	(1,517)	2,266
Net income	4,965	21,144	20,133	22,373	10,217
Net financial income included in net operating revenues	2,059	615	823	(25)	2,337