

Daiwa Securities SMBC Co. Ltd.

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Tokyo 100-8289, Japan

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

January 29, 2007

Consolidated financial summary
(For the third quarter ended December 31, 2006)

(1) Consolidated Operating results (from April 1, 2006 to December 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
Third quarter (2006/12)	231,331	(1.0)%	192,840	(5.5)%	66,061	(24.2)%
Third quarter (2005/12)	233,694	35.8%	204,144	34.5%	87,173	72.7%
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)
Third quarter (2006/12)	67,979	(23.5)%	35,989	(37.2)%	7.9%
Third quarter (2005/12)	88,810	72.2%	57,332	71.9%	15.6%
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 Dec. 31, 2006	10,734,559	673,256	6.3%	458.1%
As of Dec. 31, 2005	10,717,979	510,642	4.8%	417.6%
As of Mar. 31, 2006	11,524,914	544,985	4.7%	336.1%

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

As of Dec. 31, 2006: 3,800

As of Dec. 31, 2005: 3,200

As of Mar. 31, 2006: 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: 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 third quarter of fiscal 2005)****(1) Commissions**

For the third quarter ended December 31, 2006, total commission revenues amounted to 83,117 million yen (32.4% up). In segments, 18,510 million yen (14.1% up) were earned in Equity, 1,423 million yen (11.9% down) in Fixed Income, 2,095 million yen (25.4% up) in Investment Trust, and 59,590 million yen (42.8% up) in Investment Banking. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total brokerage commissions increased to 18,543 million yen (12.2% up) due to the increase in brokerage volume.

b) Underwriting Commissions

Underwriting commissions increased to 44,232 million yen (43.9% up). Underwriting commissions derived from equities increased to 36,766 million yen (62.2% up). On the other hand, underwriting commissions derived from fixed income decreased to 6,534 million yen (1.0% down).

c) Distribution Commissions

Revenues in distribution commissions generated 855 million yen (5.4% up).

d) Other Commissions

Other commissions increased to 19,486 million yen (32.3% up). Other commissions in Investment Banking increased to 15,164 million yen (41.7% up) due to increased fees received in M&A operations etc.

(2) Net Gain(Loss) on Trading

Net gain on trading decreased to 80,491 million yen (35.1% down). Net trading gains in equities decreased to 17,990 million yen (73.6% down), and net trading gains from fixed income together with those from foreign exchange transactions increased to 62,500 million yen (12.1% up).

(3) Net Interest and Dividend Income

Interest and dividend income totaled 47,292 million yen, whereas interests expenses totaled 38,491 million yen. Net interest and dividend income came to 8,801 million yen.

(4) Selling, General and Administrative Expenses

Of the selling, general and administrative expenses, commission and other expenses totaled 51,972 million yen (13.2% up), personnel expenses totaled 35,496 million yen (5.5% up), data processing & office supplies totaled 13,123 million yen (3.8% up), occupancy and rental expenses totaled 10,251 million yen (2.0% up), and depreciation expenses totaled 8,828 million yen (3.1% down). Overall selling, general and administrative expenses came to 126,779 million yen, an 8.4% increase compared to the third quarter of last year.

In conclusion, Operating Revenues for the third quarter of fiscal 2006 came to 231,331 million yen (1.0% down), and Net Operating Revenues to 192,840 million yen (5.5% down). Operational Income came to 66,061 million yen (24.2% down), and Ordinary Income to 67,979 million yen (23.5% down). Finally, considering net extraordinary income, income taxes and minority interests, Net Income for the third quarter of fiscal 2006 came to 35,989 million yen (37.2% down).

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

For the third quarter ended December 31, 2006, total assets decreased by 790.3billion yen to 10,734.5billion yen reflecting decreases in trading assets by 495.5billion yen and receivables on collateralized short-term financing agreements by 278 billion yen, and an increase in private equity and other securities by 50.3 billion yen.

Total liabilities decreased by 917.5billion yen to 10,061.3 billion yen, which is primarily attributable to decreases in trading liabilities by 710.0 billion yen and short-term borrowings by 565.1 billion yen, and an increase in payables on collateralized short-term financing agreements by 279.7 billion yen. 350.1 billion yen of Medium-term note were newly issued to raise 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 673.2 billion yen as at December 31, 2006.

Consolidated balance sheets

(millions of yen)

	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Assets				
Current assets:	10,654,836	10,647,619	7,216	11,448,030
Cash and deposits	107,631	132,171	(24,540)	134,581
Cash segregated as deposits for regulatory purposes	33,795	37,582	(3,786)	77,680
Trading assets:	5,449,436	5,442,956	6,480	5,944,944
Trading securities and others	4,599,865	4,242,546	357,319	4,275,818
Derivative assets	849,570	1,200,409	(350,839)	1,669,126
Private equity and other securities	376,843	189,453	187,390	326,506
Less: Allowance for possible investment losses	(2,360)	(1,974)	(386)	(2,715)
Receivables related to margin transactions:	248,312	200,017	48,295	205,935
Customer margin loans	11,202	3,360	7,841	3,535
Cash deposits as collateral for securities borrowed	237,110	196,656	40,453	202,399
Collateralized short-term financing agreements:	4,323,645	4,522,785	(199,140)	4,601,711
Cash deposits as collateral for securities borrowed	3,993,426	4,294,501	(301,074)	4,210,347
Receivables related to gensaki transactions	330,219	228,284	101,934	391,364
Short-term loans receivable	13,404	34,184	(20,779)	53,744
Accrued income	15,787	10,679	5,108	16,178
Deferred tax assets-current	956	1,320	(363)	4,328
Other current assets	87,501	78,666	8,834	85,332
Less: Allowance for doubtful accounts-current	(118)	(222)	103	(197)
Non-current assets:	79,723	70,359	9,363	76,883
Tangible fixed assets	5,363	5,110	253	5,476
Intangible fixed assets	39,150	30,300	8,849	31,813
Investments and others:	35,208	34,948	260	39,593
Investment securities	20,163	17,194	2,969	21,089
Long-term loans receivable	209	733	(524)	728
Long-term guarantee deposits	5,949	5,968	(18)	5,963
Deferred tax assets-non-current	4,108	3,287	820	4,881
Others	5,536	8,330	(2,794)	7,673
Less: Allowance for doubtful accounts-non-current	(757)	(566)	(191)	(743)
Total assets	10,734,559	10,717,979	16,580	11,524,914

(millions of yen)

	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Liabilities				
Current liabilities:	9,169,044	9,407,961	(238,917)	10,219,735
Trading liabilities:	4,080,052	4,262,004	(181,952)	4,790,083
Trading securities and others	3,398,766	3,153,803	244,962	3,232,925
Derivative liabilities	681,285	1,108,201	(426,915)	1,557,157
Trading payables, net	340,654	766	339,888	252,020
Payables related to margin transactions:	204,962	157,681	47,280	176,268
Payable to securities finance companies	-	136	(136)	-
Proceeds of securities sold for customers' accounts	204,962	157,545	47,416	176,268
Collateralized short-term financing agreements:	3,204,768	2,913,545	291,223	2,925,045
Cash deposits as collateral for securities loaned	2,547,660	1,909,464	638,195	2,360,788
Payables related to gensaki transactions	657,108	1,004,080	(346,972)	564,257
Deposits received	39,153	34,745	4,407	34,765
Cash deposits received as guarantee	38,904	29,810	9,094	26,328
Short-term borrowings	1,005,510	1,746,496	(740,986)	1,570,629
Commercial paper	155,196	117,299	37,896	234,210
Medium-term notes due within one year	20,304	50,693	(30,388)	79,606
Income taxes payable	1,294	33,099	(31,805)	56,588
Deferred tax liabilities-current	15,182	4,038	11,144	1,394
Other current liabilities	63,061	57,780	5,280	72,794
Non-current liabilities:	887,071	794,002	93,068	753,933
Medium-term notes	726,175	621,359	104,816	581,153
Long-term debt	155,000	167,012	(12,012)	167,004
Retirement benefits	4,358	3,937	421	4,233
Other non-current liabilities	1,536	1,693	(156)	1,542
Statutory reserves:	5,186	4,342	844	5,177
Reserve for securities transaction liabilities	5,186	4,342	844	5,177
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	10,061,302	10,206,307	(145,004)	10,978,846
Minority interests	-	1,029	-	1,082
Shareholders' equity				
Common stock	-	205,600	-	205,600
Capital surplus	-	117,321	-	117,321
Retained earnings	-	162,963	-	197,514
Net unrealized gain (loss) on securities, net of tax effect	-	16,859	-	15,920
Translation adjustments	-	7,898	-	8,629
Total shareholders' equity	-	510,642	-	544,985
Total liabilities, minority interests and shareholders' equity	-	10,717,979	-	11,524,914
Net Assets				
Owners' equity	626,851	-	-	-
Common stock	255,700	-	-	-
Capital surplus	167,421	-	-	-
Retained earnings	203,730	-	-	-
Valuation and translation adjustments	45,324	-	-	-
Net unrealized gain (loss) on securities, net of tax effect	27,776	-	-	-
Deferred gain(loss) on hedges	13	-	-	-
Translation adjustments	17,534	-	-	-
Minority interests	1,080	-	-	-
Total net assets	673,256	-	-	-
Total liabilities and Net assets	10,734,559	-	-	-

Consolidated statements of operations

(millions of yen)

	Third quarter Apr. 1, 2006 - Dec. 31, 2006	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Yr/yr % change	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006
Operating revenues:	231,331	233,694	(1.0)%	350,818
Commissions	83,117	62,796	32.4%	111,298
Net gain (loss) on trading	80,491	124,024	(35.1)%	175,531
Net gain (loss) on private equity and other securities	20,430	10,860	88.1%	16,966
Interest and dividend income	47,292	36,012	31.3%	47,021
Interest expenses	38,491	29,549	30.3%	39,250
Net operating revenues	192,840	204,144	(5.5)%	311,568
Selling, general and administrative expenses:	126,779	116,971	8.4%	171,905
Commission and other expenses	51,972	45,927	13.2%	74,098
Employees' compensation and benefits	35,496	33,657	5.5%	46,820
Occupancy and rental	10,251	10,047	2.0%	13,702
Data processing and office supplies	13,123	12,648	3.8%	17,003
Depreciation expenses	8,828	9,114	(3.1)%	12,184
Taxes other than income taxes	3,613	3,369	7.2%	4,774
Other	3,492	2,207	58.2%	3,322
Operating income	66,061	87,173	(24.2)%	139,662
Non-operating income	2,790	2,092	33.3%	2,697
Non-operating expenses	872	455	91.4%	777
Ordinary income	67,979	88,810	(23.5)%	141,582
Extraordinary gains	-	3,525	-	3,569
Extraordinary losses	937	52	-	1,422
Income before income taxes and minority interests	67,041	92,284	(27.4)%	143,729
Income taxes-current	20,819	36,848	(43.5)%	60,204
Income taxes-deferred	10,191	(1,939)	-	(8,446)
Minority interests	(41)	(42)	-	(87)
Net income	35,989	57,332	(37.2)%	91,883
Net financial income included in net operating revenues	8,801	6,463	36.2%	7,771

Notes to consolidated financial statements

The consolidated financial statements of the Company for the third quarter ended December 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 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, its domestic consolidated subsidiaries (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 third quarter ends other than December 31, 2006, the financial statements for the relevant third quarter are reflected.

Practical Issues Task Force No.20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," has been applied from this fiscal year. This rule has no effect over the financial statements so far.

3. Fiscal period of subsidiaries

For subsidiaries which the third quarter ends are not December 31, 2006, the financial statements for the relevant third quarter are compiled with and material transactions occurred between the different closing dates are adjusted for these 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.

() 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 net assets. Private equity and other securities held by certain consolidated subsidiaries are categorized in current assets.

(2) Depreciation of depreciable assets

(i) Tangible fixed assets

Property and equipment are stated at cost. 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 bonuses

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

(iv) Accrued retirement benefits

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

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

(4) Accounting for certain lease transactions

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

(5) Hedging transactions

Marked-to-market profits and losses on hedging instruments are principally deferred as assets or liabilities until the profits or losses on the hedged instruments are realized.

(6) Other material items

(i) Consumption taxes

Consumption taxes are separately recorded.

(ii) 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 third quarter ended December 31, 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 this fiscal year. Amount of shareholders' equity provided by the former accounting standard is 672,162 million yen.

2. Accounting for directors' bonus

The consolidated financial statements of the Company for the third quarter ended December 31, 2006 are adapted to "Accounting Standard for Directors' Bonus (ASBJ Statement No.4)." from this fiscal year, 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 Dec.31, 2006	As of Dec.31, 2005	As of Mar.31, 2006
14,522 million yen	12,980 million yen	12,948 million yen

2. Guarantee

As of Dec.31, 2006	As of Dec.31, 2005	As of Mar.31, 2006
309 million yen	368 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 Dec.31, 2006	As of Dec. 31, 2005	As of Mar. 31, 2006
Short-term borrowings	62,004 million yen	50,000 million yen	50,000 million yen
Long-term borrowings	150,000 million yen	162,012 million yen	162,004 million yen

4. Based on "Practical Solution on Accounting for the Book Value of Class Shares at the Balance Sheet Date" (Practical Issues Task Force No.10), Net unrealized gain on securities, net of tax effect as of December 2006 includes 17,309 million yen derived from the investments in two corporations' class shares, which are in period convertible into common shares.

Especially, Net unrealized gain on securities, net of tax effect from the investment in Series 3 Class B preferred shares of Sumitomo Mitsui Construction Co., Ltd. (acquisition cost 16,265 million yen) accounts for 16,879 million yen, subtracting a tax effect of 11,581 million yen from its unrealized gain of 28,460 million yen.

Notes to consolidated statements of operations

(millions of yen)

Details of extraordinary gains/losses

	Third quarter Apr. 1, 2006 - Dec. 31, 2006	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006
Extraordinary gains			
Gain on sale of investment securities	-	3,516	3,569
Reversal of Reserve for securities transaction liabilities	-	9	-
Extraordinary losses			
Write-down of related companies' stocks	200	-	-
Write-down of investment securities	465	36	378
Loss on sale of investment securities	262	3	3
Valuation loss of fixed assets	-	11	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 - Dec.31, 2006)

1. Breakdown of commissions

(millions of yen)

	Third quarter Dec. 31, 2006 (A)					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	
Brokerage commission	18,142	325	75	-	-	18,543
Underwriting commission	-	-	-	44,232	-	44,232
Stock and other	-	-	-	36,766	-	36,766
Bond and other	-	-	-	6,534	-	6,534
Distribution commission	-	-	661	193	-	855
Other commission	368	1,097	1,359	15,164	1,497	19,486
Agency commission	-	1,093	1,316	-	-	2,409
Total	18,510	1,423	2,095	59,590	1,497	83,117

(millions of yen)

	Third quarter Dec. 31, 2005 (B)					Total
	Equity	Fixed income (bond)	Investment trust	Investment banking	Other	
Brokerage commission	16,031	418	74	-	-	16,524
Underwriting commission	-	-	-	30,733	-	30,733
Stock and other	-	-	-	22,671	-	22,671
Bond and other	-	-	-	6,598	-	6,598
Distribution commission	-	-	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

(%)

	Yr/yr % change ((A)/(B)-1)					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	
Brokerage commission	13.2%	(22.2)%	0.7%	-	-	12.2%
Underwriting commission	-	-	-	43.9%	-	43.9%
Stock and other	-	-	-	62.2%	-	62.2%
Bond and other	-	-	-	(1.0)%	-	(1.0)%
Distribution commission	-	-	29.2%	(35.4)%	-	5.4%
Other commission	87.6%	(8.2)%	25.3%	41.7%	(3.4)%	32.3%
Agency commission	-	(7.1)%	26.6%	-	-	8.7%
Total	14.1%	(11.9)%	25.4%	42.8%	(3.4)%	32.4%

(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)

	Third quarter (2006/12)	Third quarter (2005/12)	Yr/yr % change	Fiscal 2005 (2006/03)
Stock and other	17,990	68,260	(73.6)%	111,117
Bond, forex and other	62,500	55,764	12.1%	64,413
Bond and other	18,348	25,898	(29.2)%	27,978
Forex and other	44,151	29,865	47.8%	36,435
Total	80,491	124,024	(35.1)%	175,531

Quarterly consolidated statements of operations

(millions of yen)

	Fiscal 2005		Fiscal 2006		
	Third quarter Oct. 1, 2005 Dec. 31, 2005	Fourth quarter Jan. 1, 2006 Mar. 31, 2006	First quarter Apr. 1, 2006 - Jun. 30, 2006	Second quarter Jul. 1, 2006 - Sep. 30, 2006	Third quarter Oct. 1, 2006 Dec. 31, 2006
Operating revenues	91,556	117,124	66,207	74,843	90,280
Commissions	28,837	48,502	17,093	24,447	41,577
Brokerage commission	6,651	7,067	6,505	5,413	6,624
(Stock and other)	6,429	6,987	6,361	5,266	6,514
Underwriting commission	16,444	33,809	6,735	12,506	24,990
(Stock and other)	13,587	31,353	4,300	10,167	22,298
(Bond and other)	2,257	2,227	2,185	1,829	2,519
Distribution commission	228	567	168	337	349
(Beneficiary certificates)	162	395	147	231	282
Other commission	5,512	7,056	3,684	6,190	9,611
(Beneficiary certificates)	397	343	436	456	466
Net gain (loss) on trading	45,577	51,507	24,447	28,779	27,263
(Stock and other)	26,983	42,857	15,390	(6,721)	9,321
(Bond and other)	3,936	2,079	(5,315)	24,956	(1,292)
(Forex and other)	14,657	6,570	14,372	10,544	19,234
Net gain (loss) on private equity and other securities	5,403	6,106	10,750	6,873	2,806
Interest and dividend income	11,737	11,008	13,916	14,743	18,632
Interest expenses	10,112	9,700	10,523	12,418	15,548
Net operating revenues	81,443	107,423	55,684	62,424	74,731
Selling general and administrative expenses:	43,409	54,934	35,902	42,452	48,424
Commission and other expenses	18,145	28,171	11,585	18,380	22,006
Employees' compensation and benefits	12,316	13,162	11,860	11,026	12,610
Occupancy and rental	3,476	3,655	3,155	3,519	3,576
Data processing and office supplies	4,377	4,355	4,323	4,461	4,337
Depreciation expenses	3,042	3,069	2,888	2,972	2,966
Taxes other than income taxes	1,282	1,404	983	1,005	1,624
Others	768	1,115	1,105	1,084	1,302
Operating income	38,033	52,489	19,781	19,972	26,307
Non-operating income	645	604	972	1,449	368
Non-operating expenses	88	321	470	156	244
Ordinary income	38,590	52,772	20,283	21,265	26,430
Extraordinary gains	3,412	43	-	-	-
Extraordinary losses	(7)	1,370	8	645	283
Income before income taxes and minority interests	42,010	51,444	20,274	20,619	26,147
Income taxes - current	16,477	23,355	5,438	9,201	6,179
Income taxes - deferred	(530)	(6,507)	2,383	2,908	4,898
Minority interests	(5)	(45)	(14)	(21)	(4)
Net income	26,056	34,551	12,437	8,487	15,064
Net financial income included in net operating revenues	1,625	1,307	3,393	2,324	3,083

<Reference>

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

Balance sheets

(millions of yen)

	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Assets				
Current assets:	9,562,417	10,041,416	(478,999)	10,658,663
Cash and deposits	50,790	71,118	(20,328)	71,980
Cash segregated as deposits for regulatory purposes	31,051	36,012	(4,960)	75,165
Trading assets:	5,002,534	5,201,762	(199,227)	5,686,385
Trading securities and others	4,153,404	4,002,438	150,965	4,018,917
Derivative assets	849,130	1,199,323	(350,193)	1,667,467
Trading receivables, net	-	7,204	(7,204)	-
Receivables related to margin transactions:	248,312	200,017	48,295	205,935
Customer margin loans	11,202	3,360	7,841	3,535
Cash deposits as collateral for securities borrowed	237,110	196,656	40,453	202,399
Collateralized short-term financing agreements:	3,917,840	4,326,472	(408,631)	4,303,263
Cash deposits as collateral for securities borrowed	3,560,108	3,931,125	(371,017)	3,738,214
Receivables related to gensaki transactions	357,732	395,346	(37,614)	565,049
Short-term guarantee money deposited	26,891	26,148	743	30,809
Short-term loans receivable	238,194	131,075	107,118	242,753
Accrued income	10,749	7,833	2,916	9,827
Deferred tax assets-current	649	4,185	(3,536)	7,520
Other current assets	35,587	29,629	5,957	25,268
Less: Allowance for doubtful accounts-current	(185)	(43)	(142)	(248)
Non-current assets:	112,356	103,691	8,664	106,517
Tangible fixed assets	3,550	3,542	8	3,836
Intangible fixed assets	36,666	27,890	8,776	29,275
Investments and others:	72,139	72,259	(119)	73,405
Investment securities	61,160	58,974	2,186	62,698
Long-term loans receivable	2,430	2,590	(159)	2,577
Long-term guarantee deposits	5,014	5,071	(56)	5,062
Deferred tax assets-non-current	1,605	3,537	(1,932)	1,072
Others	2,437	2,605	(168)	2,501
Less: Allowance for doubtful accounts-non-current	(509)	(520)	11	(507)
Total assets	9,674,773	10,145,108	(470,334)	10,765,181

(millions of yen)

	Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Liabilities				
Current liabilities:	8,214,602	8,907,542	(692,939)	9,543,458
Trading liabilities:	3,817,993	4,063,430	(245,436)	4,622,071
Trading securities and others	3,132,653	2,956,060	176,593	3,066,728
Derivative liabilities	685,339	1,107,369	(422,029)	1,555,342
Trading payables, net	325,650	-	325,650	195,318
Payables related to margin transactions:	204,962	157,681	47,280	176,268
Payable to securities finance companies	-	136	(136)	-
Proceeds of securities sold for customers' accounts	204,962	157,545	47,416	176,268
Collateralized short-term financing agreements:	2,677,988	2,723,759	(45,770)	2,632,402
Cash deposits as collateral for securities loaned	1,756,379	1,396,844	359,534	1,760,389
Payables related to gensaki transactions	921,609	1,326,915	(405,305)	872,013
Deposits received	25,526	20,193	5,332	18,891
Cash deposits received as guarantee	34,867	25,162	9,704	22,139
Short-term borrowings	916,454	1,686,389	(769,934)	1,466,299
Commercial paper	153,190	116,220	36,970	234,210
Medium-term notes due within one year	20,304	50,693	(30,388)	79,606
Accrued expenses	11,844	11,397	446	14,589
Income taxes payable	9	32,529	(32,519)	55,013
Other current liabilities	25,810	20,084	5,725	26,649
Non-current liabilities:	885,807	790,820	94,987	750,822
Medium-term notes	726,175	621,359	104,816	581,153
Long-term debt	155,000	165,000	(10,000)	165,000
Retirement benefits	4,318	3,920	398	4,194
Other non-current liabilities	313	541	(227)	474
Statutory reserves:	5,186	4,342	844	5,177
Reserve for securities transaction liabilities	5,186	4,342	844	5,177
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	9,105,597	9,702,704	(597,107)	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	-	118,476	-	140,849
Net unrealized gain (loss) on securities, net of tax effect	-	1,006	-	1,951
Total shareholders' equity	-	442,403	-	465,721
Total liabilities and shareholders' equity	-	10,145,108	-	10,765,181
Net Assets				
Owners' equity	567,674	-	-	-
Common stock	255,700	-	-	-
Capital surplus	167,421	-	-	-
Retained earnings	144,553	-	-	-
Valuation and translation adjustments	1,501	-	-	-
Net unrealized gain (loss) on securities, net of tax effect	1,501	-	-	-
Total net assets	569,176	-	-	-
Total liabilities and net assets	9,674,773	-	-	-

Statements of operations

(millions of yen)

	Third quarter Apr. 1, 2006 - Dec. 31, 2006	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Yr/yr % change	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006
Operating revenues	176,476	194,306	(9.2)%	292,446
Commissions	72,807	58,108	25.3%	102,488
Net gain (loss) on trading	71,183	113,479	(37.3)%	160,488
Interest and dividend income	32,485	22,718	43.0%	29,470
Interest expenses	26,843	19,220	39.7%	25,997
Net operating revenues	149,632	175,086	(14.5)%	266,449
Selling, general and administrative expenses:	110,051	103,148	6.7%	152,975
Commission and other expenses	55,107	48,935	12.6%	78,731
Employees' compensation and benefits	22,652	22,364	1.3%	30,928
Occupancy and rental	8,122	8,131	(0.1)%	11,119
Data processing and office supplies	12,191	11,771	3.6%	15,713
Depreciation expenses	7,878	8,391	(6.1)%	11,191
Taxes other than income taxes	2,118	2,351	(9.9)%	3,329
Others	1,980	1,201	64.9%	1,961
Operating income	39,581	71,938	(45.0)%	113,473
Non-operating income	15,715	1,992	688.6%	3,078
Non-operating expenses	638	207	207.9%	372
Ordinary income	54,658	73,723	(25.9)%	116,180
Extraordinary gains	-	3,525	-	3,568
Extraordinary losses	937	52	-	1,422
Income before income taxes	53,720	77,197	(30.4)%	118,325
Income taxes-current	13,596	32,734	(58.5)%	53,007
Income taxes-deferred	6,647	(1,780)	-	(3,298)
Net income	33,477	46,243	(27.6)%	68,616
Unappropriated retained earnings-carryforward	-	32,851	-	32,851
Unappropriated retained earnings	-	79,094	-	101,468
Net financial income included in net operating revenues	5,641	3,498	61.3%	3,472

Supplemental information for the third quarter ended December 31, 2006

(Apr. 1, 2006 – Dec. 31, 2006)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	Third quarter (2006/12)	Third quarter (2005/12)	Yr/yr Change	Fiscal 2005 (2006/3)
Brokerage commission	14,296	13,069	9.4%	18,611
Stock and other	14,199	12,955	9.6%	18,462
Underwriting commission	40,065	29,389	36.3%	58,830
Stock and other	32,854	21,623	51.9%	48,626
Bond and other	6,280	6,359	(1.2)%	8,569
Distribution commission	855	811	5.4%	1,379
Beneficiary certificates	661	511	29.2%	907
Other commission	17,590	14,837	18.6%	23,666
Beneficiary certificates	1,359	1,084	25.3%	1,498
Total	72,807	58,108	25.3%	102,488

(2) Asset class

(millions of yen)

	Third quarter (2006/12)	Third quarter (2005/12)	Yr/yr Change	Fiscal 2005 (2006/3)
Stock and other	48,097	35,145	36.9%	68,587
Bond and other	7,735	7,940	(2.6)%	10,780
Beneficiary certificates	2,098	1,764	18.9%	2,601
Others	14,876	13,257	12.2%	20,518
Total	72,807	58,108	25.3%	102,488

2. Breakdown of net gains on trading

(millions of yen)

	Third quarter (2006/12)	Third quarter (2005/12)	Yr/yr Change	Fiscal 2005 (2006/3)
Stock and other	13,027	63,072	(79.3)%	103,599
Bond, Forex and other	58,156	50,407	15.4%	56,888
Bond and other	13,938	20,308	(31.4)%	20,249
Forex and other	44,217	30,098	46.9%	36,639
Total	71,183	113,479	(37.3)%	160,488

3. Capital adequacy ratio

(millions of yen)

		Third quarter Dec. 31, 2006	Third quarter Dec. 31, 2005	Fiscal 2005 Mar. 31, 2006
Basic item (A)		567,674	441,397	433,997
Supplementary item	Valuation profits of investment securities	1,501	1,006	1,951
	Statutory reserve	5,186	4,342	5,177
	Allowance for doubtful accounts	185	43	248
	Subordinated borrowings	210,000	210,000	210,000
Total (B)		216,873	215,391	217,376
Assets excluded from capital (C)		116,311	151,928	196,125
Net capital (A)+(B)-(C) (D)		668,236	504,860	455,248
Risk equivalent	Market risk equivalent	68,991	62,517	67,251
	Counterparty risk equivalent	42,853	30,742	39,111
	Basic risk equivalent	34,012	27,608	29,071
	Total (E)	145,857	120,868	135,433
Capital adequacy ratio (D)/(E)		458.1%	417.6%	336.1%

Quarterly statements of operations

(millions of yen)

	Fiscal 2005		Fiscal 2006		
	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
	Oct. 1, 2005 - Dec. 31, 2005	Jan. 1, 2006 - Mar. 31, 2006	Apr. 1, 2006 - Jun. 30, 2006	Jul. 1, 2006 - Sep. 30, 2006	Oct. 1, 2006 - Dec. 31, 2006
Operating revenues	76,758	98,140	46,662	58,872	70,941
Commissions	26,575	44,379	14,989	22,366	35,451
Brokerage commissions	5,289	5,541	4,948	4,366	4,982
(Stock and other)	5,249	5,506	4,909	4,333	4,956
Underwriting commission	15,505	29,440	6,041	11,213	22,810
(Stock and other)	12,843	27,002	3,763	8,872	20,217
(Bond and other)	2,120	2,210	2,027	1,832	2,420
Distribution commission	228	567	168	337	349
(Beneficiary certificate)	162	395	147	231	282
Other commission	5,551	8,829	3,832	6,449	7,308
(Beneficiary certificate)	397	413	436	456	466
Net gain (loss) on trading	41,432	47,008	22,186	26,271	22,725
(Stock and other)	24,568	40,527	13,812	(8,123)	7,338
(Bond and other)	2,213	(59)	(6,014)	23,815	(3,861)
(Forex and other)	14,650	6,540	14,388	10,580	19,249
Interest and dividend income	8,751	6,751	9,487	10,234	12,764
Interest expenses	7,927	6,777	7,149	8,884	10,810
Net operating revenues	68,831	91,362	39,513	49,988	60,131
Selling, general and administrative expenses	38,817	49,826	30,480	37,483	42,087
Commission and other expenses	19,668	29,795	12,416	19,647	23,043
Employees' compensation and benefits	8,244	8,564	7,756	6,931	7,964
Occupancy and rental	2,738	2,987	2,475	2,814	2,832
Data processing and office supplies	4,040	3,942	4,033	4,178	3,980
Depreciation expenses	2,780	2,800	2,607	2,642	2,627
Taxes other than income taxes	918	977	582	662	873
Others	427	759	608	606	765
Operating income	30,013	41,535	9,032	12,505	18,043
Non-operating income	772	1,085	5,121	10,105	488
Non-operating expenses	86	165	432	37	168
Ordinary income	30,699	42,456	13,722	22,572	18,363
Extraordinary gains	3,412	42	-	-	-
Extraordinary losses	(7)	1,370	8	645	283
Income before income taxes	34,118	41,128	13,713	21,926	18,080
Income taxes - current	14,489	20,272	1,228	6,936	5,431
Income taxes - deferred	(504)	(1,517)	2,266	2,300	2,079
Net income	20,133	22,373	10,217	12,689	10,569
Net financial income included in net operating revenues	823	(25)	2,337	1,350	1,954