

Daiwa Securities SMBC Co. Ltd.

1-8-1 Marunouchi Chiyoda-ku

Tokyo 100-8289, Japan

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April 27, 2007

Consolidated financial summary

(For the fiscal year ended March 31, 2007)

(Rounded down to the nearest millionth)

(1) Consolidated operating results (from April 1, 2006 to March 31, 2007)

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
Fiscal 2006 (2007/3)	317,118	(9.6)%	260,700	(16.3)%	90,907	(34.9)%
Fiscal 2005 (2006/3)	350,818	40.5%	311,568	40.1%	139,662	67.1%

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
Fiscal 2006 (2007/3)	92,866	(34.4)%	51,945	(43.5)%	8.5%
Fiscal 2005 (2006/3)	141,582	66.2%	91,883	70.0%	18.2%

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Mar. 31, 2007	10,448,648	683,247(Note)	6.5%
As of Mar. 31, 2006	11,524,914	544,985	4.7%

Equity("Owners' equity" and "Valuation and translation adjustment"):

Fiscal 2006, 682,161 million yen; Fiscal 2005, - million yen

(Note) "Net assets" as of Mar. 31, 2007 is based on "Accounting Standard for Presentation of Net Assets in the Balance Sheet."

(3) Changes in scope of consolidation: None

(4) Changes in accounting principle, procedure and presentation preparing the consolidated financial statements (noted on changes in "Basis of consolidated financial statements"):

(i) Changes due to amendment in accounting standard: Applicable (for details, please see "Basis of consolidated financial statements" on page 8)

(ii) Changes due to other than (i): None

Representative: Shin Yoshidome, President

Contact: Hisaharu Momoshima, General Manager, Treasury Department

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

Phone: +813-5533-8000

(Reference)

(1) Non- consolidated operating results (from April 1, 2006 to March 31, 2007)

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
Fiscal 2006	240,709	(17.7)%	201,919	(24.2)%	55,815	(50.8)%
Fiscal 2005	292,446	43.6%	266,449	43.7%	113,473	69.0%

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
Fiscal 2006	70,992	(38.9)%	39,869	(41.9)%	7.7%
Fiscal 2005	116,180	57.5%	68,616	47.5%	15.5%

(2) Non- consolidated financial conditions

	Total assets Millions of yen	Net assets Millions of yen	Equity ratio	Capital adequacy ratio
As of Mar. 31, 2007	9,319,505	575,797(Note)	6.2%	465.3%
As of Mar. 31, 2006	10,765,181	465,721	4.3%	336.1%

Equity("Owners' equity" and "Valuation and translation adjustment"):

Fiscal 2006, 575,797 million yen; Fiscal 2005, - million yen

(Note) "Net assets" as of Mar. 31, 2007 is based on "Accounting Standard for Presentation of Net Assets in the Balance Sheet".

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

For the fiscal year ended March 31, 2007, total commission revenues amounted to 106,530 million yen (4.3% down). In segments, 26,119 million yen (11.7% up) were earned in Equity, 1,835 million yen (12.8% down) in Fixed Income, 2,850 million yen (13.7% up) in Investment Trust, and 73,663 million yen (9.3% down) in Investment Banking. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total brokerage commissions increased to 26,158 million yen (10.9% up) due to the increase in brokerage volume.

b) Underwriting Commissions

Underwriting commissions decreased to 53,905 million yen (16.5% down). Underwriting commissions derived from equities decreased to 43,416 million yen (19.6% down). On the other hand, underwriting commissions derived from fixed income increased to 9,336 million yen (5.8% up).

c) Distribution Commissions

Distribution commissions generated 1,248 million yen (9.5% down).

d) Other Commissions

Other commissions increased to 25,216 million yen (15.8% up). Other commissions in Investment Banking increased to 19,388 million yen (19.5% up) due to increased fees received in M&A operations etc.

(2) Net Gain(Loss) on Trading

Net gain on trading decreased to 116,629 million yen (33.6% down). Net trading gains in equities decreased to 24,146 million yen (78.3% down), and net trading gains from fixed income together with those from foreign exchange transactions increased to 92,482 million yen (43.6% up).

(3) Net Interest and Dividend Income

Interest and dividend income totaled 66,258 million yen, whereas interests expenses totaled 56,417 million yen. Net interest and dividend income came to 9,841 million yen.

(4) Selling, General and Administrative Expenses

Of the selling, general and administrative expenses, commission and other expenses totaled 69,368 million yen (6.4% down), personnel expenses totaled 47,694 million yen (1.9% up), data processing & office supplies totaled 17,969 million yen (5.7% up), occupancy and rental expenses totaled 13,951 million yen (1.8% up), and depreciation expenses totaled 11,836 million yen (2.9% down). Overall selling, general and administrative expenses came to 169,793 million yen, a 1.2% decrease compared to the last year.

In conclusion, Operating Revenues for the fiscal 2006 came to 317,118 million yen (9.6% down), and Net Operating Revenues to 260,700 million yen (16.3% down). Operational Income came to 90,907 million yen (34.9% down), and Ordinary Income to 92,866 million yen (34.4% down). Finally, considering net extraordinary income, income taxes and minority interests, Net Income for the fiscal 2006 came to 51,945 million yen (43.5% down).

(B) Financial Condition (Comparisons are versus the fiscal 2005)

For the fiscal year ended March 31, 2007, total assets decreased by 1,076.2billion yen to 10,448.6billion yen reflecting a decrease in trading assets by 1,138.2billion yen, and increases in short-term loans receivables by 76.0 billion yen and private equity and other securities by 52.0 billion yen.

Total liabilities decreased by 1,213.4billion yen to 9,765.4 billion yen, which is primarily attributable to decreases in trading liabilities by 998.1 billion yen and short-term borrowings by 157.6 billion yen, and an increase in payables on collateralized short-term financing agreements by 74.0 billion yen. 450.5 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 683.2 billion yen as at March 31, 2007.

Consolidated balance sheets

	(millions of yen)		
	Fiscal 2006 Mar. 31, 2007	Fiscal 2005 Mar. 31, 2006	Increase/ Decrease
Assets			
Current assets:	10,358,038	11,448,030	(1,089,992)
Cash and deposits	115,685	134,581	(18,895)
Cash segregated as deposits for regulatory purposes	46,161	77,680	(31,518)
Trading assets:	4,806,680	5,944,944	(1,138,263)
Trading securities and others	3,954,559	4,275,818	(321,258)
Derivative assets	852,120	1,669,126	(817,005)
Private equity and other securities	378,579	326,506	52,073
Less: Allowance for possible investment losses	(3,818)	(2,715)	(1,103)
Receivables related to margin transactions:	241,058	205,935	35,123
Customer margin loans	7,570	3,535	4,035
Cash deposits as collateral for securities borrowed	233,488	202,399	31,088
Collateralized short-term financing agreements:	4,561,371	4,601,711	(40,339)
Cash deposits as collateral for securities borrowed	4,197,712	4,210,347	(12,634)
Receivables related to gensaki transactions	363,659	391,364	(27,704)
Short-term loans receivable	129,766	53,744	76,021
Accrued income	14,979	16,178	(1,199)
Deferred tax assets-current	3,000	4,328	(1,327)
Other current assets	64,735	85,332	(20,596)
Less: Allowance for doubtful accounts-current	(162)	(197)	34
Non-current assets:	90,610	76,883	13,726
Tangible fixed assets	5,601	5,476	125
Intangible fixed assets	42,031	31,813	10,217
Investments and others:	42,977	39,593	3,384
Investment securities	20,899	21,089	(190)
Long-term loans receivable	60	728	(667)
Long-term guarantee deposits	5,929	5,963	(34)
Deferred tax assets-non-current	6,013	4,881	1,132
Others	10,836	7,673	3,162
Less: Allowance for doubtful accounts-non-current	(762)	(743)	(18)
Total assets	10,448,648	11,524,914	(1,076,265)

(millions of yen)

	Fiscal 2006 Mar. 31, 2007	Fiscal 2005 Mar. 31, 2006	Increase/ Decrease
Liabilities			
Current liabilities:	8,863,658	10,219,735	(1,356,076)
Trading liabilities:	3,791,978	4,790,083	(998,104)
Trading securities and others	3,107,261	3,232,925	(125,663)
Derivative liabilities	684,716	1,557,157	(872,441)
Trading payables, net	1,482	252,020	(250,538)
Payables related to margin transactions:	201,105	176,268	24,836
Payable to securities finance companies	22	-	22
Proceeds of securities sold for customers' accounts	201,082	176,268	24,814
Collateralized short-term financing agreements:	2,999,136	2,925,045	74,091
Cash deposits as collateral for securities loaned	2,417,161	2,360,788	56,372
Payables related to gensaki transactions	581,975	564,257	17,718
Deposits received	31,132	34,765	(3,632)
Cash deposits received as guarantee	22,671	26,328	(3,656)
Short-term borrowings	1,412,959	1,570,629	(157,669)
Commercial paper	302,391	234,210	68,181
Medium-term notes due within one year	25,912	79,606	(53,693)
Income taxes payable	2,464	56,588	(54,124)
Deferred tax liabilities-current	7,234	1,394	5,840
Other current liabilities	65,187	72,794	(7,606)
Non-current liabilities:	896,376	753,933	142,443
Medium-term notes	727,473	581,153	146,320
Long-term debt	158,500	167,004	(8,504)
Retirement benefits	4,482	4,233	249
Allowance for relocation costs of headquarter office	4,320	-	4,320
Other non-current liabilities	1,600	1,542	58
Statutory reserves:	5,365	5,177	188
Reserve for securities transaction liabilities	5,365	5,177	188
Reserve for financial futures transaction liabilities	0	0	-
Total liabilities	9,765,401	10,978,846	(1,213,445)
Minority interests	-	1,082	-
Shareholders' equity			
Common stock	-	205,600	-
Capital surplus	-	117,321	-
Retained earnings	-	197,514	-
Net unrealized gain (loss) on securities, net of tax effect	-	15,920	-
Translation adjustments	-	8,629	-
Total shareholders' equity	-	544,985	-
Total liabilities, minority interests and shareholders' equity	-	11,524,914	-
Net assets			
Owners' equity	642,808	-	-
Common stock	255,700	-	-
Capital surplus	167,421	-	-
Retained earnings	219,686	-	-
Valuation and translation adjustments	39,353	-	-
Net unrealized gain (loss) on securities, net of tax effect	22,450	-	-
Deferred gain(loss) on hedges	(5)	-	-
Translation adjustments	16,908	-	-
Minority interests	1,085	-	-
Total net assets	683,247	-	-
Total liabilities and Net assets	10,448,648	-	-

Consolidated statements of operations

(millions of yen)

	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006	Increase/ Decrease	Yr/yr % change
Operating revenues:	317,118	350,818	(33,700)	(9.6)%
Commissions	106,530	111,298	(4,768)	(4.3)%
Net gain (loss) on trading	116,629	175,531	(58,902)	(33.6)%
Net gain (loss) on private equity and other securities	27,699	16,966	10,732	63.3%
Interest and dividend income	66,258	47,021	19,237	40.9%
Interest expenses	56,417	39,250	17,167	43.7%
Net operating revenues	260,700	311,568	(50,867)	(16.3)%
Selling, general and administrative expenses:	169,793	171,905	(2,112)	(1.2)%
Commission and other expenses	69,368	74,098	(4,730)	(6.4)%
Employees' compensation and benefits	47,694	46,820	874	1.9%
Occupancy and rental	13,951	13,702	249	1.8%
Data processing and office supplies	17,969	17,003	965	5.7%
Depreciation expenses	11,836	12,184	(347)	(2.9)%
Taxes other than income taxes	4,607	4,774	(166)	(3.5)%
Other	4,366	3,322	1,043	31.4%
Operating income	90,907	139,662	(48,755)	(34.9)%
Non-operating income	3,094	2,697	396	14.7%
Non-operating expenses	1,134	777	357	46.0%
Ordinary income	92,866	141,582	(48,716)	(34.4)%
Extraordinary gains	-	3,569	(3,569)	-
Extraordinary losses	6,189	1,422	4,766	335.0%
Income before income taxes and minority interests	86,677	143,729	(57,051)	(39.7)%
Income taxes-current	32,553	60,204	(27,650)	(45.9)%
Income taxes-deferred	2,111	(8,446)	10,558	-
Minority interests	(66)	(87)	20	-
Net income	51,945	91,883	(39,938)	(43.5)%
Net financial income included in net operating revenues	9,841	7,771	2,070	26.6%

Consolidated statements of changes in net assets

(Apr.1, 2006 - Mar.31, 2007)

(millions of yen)

	Owners' equity			
	Common stock	Capital surplus	Retained earnings	Total owner's equity
Beginning balance as of Mar. 31, 2006	205,600	117,321	197,514	520,435
Changes of items during the fiscal year				
Issuance of new shares	50,100	50,100	-	100,200
Dividends	-	-	(28,800)	(28,800)
Bonus to directors	-	-	(973)	(973)
Net income	-	-	51,945	51,945
Total changes of items during the fiscal year	50,100	50,100	22,172	122,372
Ending balance as of Mar. 31, 2007	255,700	167,421	219,686	642,808

	Valuation and translation adjustments				Minority interests
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges	Translation adjustments	Total Valuation and translation adjustments	
Beginning balance as of Mar. 31, 2006	15,920	-	8,629	24,550	1,082
Changes of items during the fiscal year					
Net changes of items other than owners' equity	6,529	(5)	8,279	14,803	3
Total changes of items during the fiscal year	6,529	(5)	8,279	14,803	3
Ending balance as of Mar. 31, 2007	22,450	(5)	16,908	39,353	1,085

Consolidated statements of capital surplus and retained earnings

(millions of yen)

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

Notes to consolidated financial statements

The consolidated financial statements for fiscal year ended March 31, 2007 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No.32, 1998), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on the 'Regulations of 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.

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, 2007, the financial statements for the relevant fiscal year 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 with the fiscal year ending other than March 31, 2007, 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

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

(ii) Valuation of non-trading securities

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

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

(2) Depreciation of depreciable assets

(i) Tangible fixed assets

The domestic companies compute depreciation 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 mainly 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 fiscal year end, assessing the financial conditions of invested companies.

(iii) Accrued bonuses

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

(iv) Accrued retirement benefits

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

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

(v) Allowance for relocation costs of headquarter office

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

Changes in Presentation

1. Presentation of net assets on consolidated balance sheets

The consolidated financial statements for the fiscal year ended March 31, 2007 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 682,167 million yen.

2. Accounting for directors' bonus

The consolidated financial statements for the fiscal year ended March 31, 2007 are adapted to "Accounting Standard for Directors' Bonus (ASBJ Statement No.4)." from this fiscal year. Consequently, 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 Mar.31, 2007	As of Mar.31, 2006
	12,880 million yen	12,948 million yen

2. Guarantee

	As of Mar.31, 2007	As of Mar.31, 2006
	292 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 Mar. 31, 2007	As of Mar. 31, 2006
Short-term borrowings	62,001 million yen	50,000 million yen
Long-term borrowings	150,000 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 March 2007 includes 13,290 million yen derived from the investments in two corporations' class shares, which are in period convertible into common shares.

Especially, Net unrealized gain on securities, net of tax effect from the investment in Series 3 Class B preferred shares of Sumitomo Mitsui Construction Co., Ltd. (acquisition cost 15,164 million yen) accounts for 12,879 million yen, subtracting a tax effect of 8,837 million yen from its unrealized gain of 21,716 million yen.

Notes to consolidated statements of operations

(millions of yen)

Details of extraordinary gains / losses

	As of Mar.31, 2007	As of Mar.31, 2006
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Extraordinary gains:

Gain on sale of investment securities	-	3,569
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Extraordinary losses:

Write-down of related companies' stocks	200	-
Write-down of investment securities	466	378
Loss on sale of investment securities	262	3
Valuation loss of fixed assets	-	14
Loss on disposal of fixed assets	209	-
Provision for securities transaction liabilities	188	826
Contribution to the Securities Market Infrastructure Improvement Fund	-	200
Relocation costs of headquarter office	4,861	-

Supplemental information for the Fiscal 2006
(Apr.1, 2006 - Mar.31, 2007)

1. Breakdown of commissions (millions of yen)

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

(millions of yen)

	Fiscal 2005 ended Mar. 31, 2006 (B)					
	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

(%)

	Yr/yr % change ((A)/(B)-1)					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Other	Total
Brokerage commission	11.2%	(4.6)%	5.3%	-	-	10.9%
Underwriting	-	-	-	(16.5)%	-	(16.5)%
Stock and other	-	-	-	(19.6)%	-	(19.6)%
Bond and other	-	-	-	5.8%	-	5.8%
Distribution	-	-	(3.1)%	(21.6)%	-	(9.5)%
Other commission	45.5%	(15.2)%	24.4%	19.5%	(0.8)%	15.8%
Agency commission	-	(14.2)%	26.1%	-	-	4.8%
Total	11.7%	(12.8)%	13.7%	(9.3)%	(0.8)%	(4.3)%

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

	Fiscal 2006 (2007/03)	Fiscal 2005 (2006/03)	Yr/yr % change
Stock and other	24,146	111,117	(78.3)%
Bond, forex and other	92,482	64,413	43.6%
Bond and other	37,528	27,978	34.1%
Forex and other	54,954	36,435	50.8%
Total	116,629	175,531	(33.6)%

Quarterly consolidated statements of operations

(millions of yen)

	Fiscal 2005	Fiscal 2006			
	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
	Jan. 1, 2006 Mar. 31, 2006	Apr. 1, 2006 - Jun. 30, 2006	Jul. 1, 2006 - Sep. 30, 2006	Oct. 1, 2006 Dec. 31, 2006	Jan. 1, 2007 Mar. 31, 2007
Operating revenues	117,124	66,207	74,843	90,280	85,786
Commissions	48,502	17,093	24,447	41,577	23,412
Brokerage commission	7,067	6,505	5,413	6,624	7,615
(Stock and other)	6,987	6,361	5,266	6,514	7,458
Underwriting commission	33,809	6,735	12,506	24,990	9,673
(Stock and other)	31,353	4,300	10,167	22,298	6,650
(Bond and other)	2,227	2,185	1,829	2,519	2,801
Distribution commission	567	168	337	349	393
(Beneficiary certificates)	395	147	231	282	217
Other commission	7,056	3,684	6,190	9,611	5,730
(Beneficiary certificates)	343	436	456	466	504
Net gain (loss) on trading	51,507	24,447	28,779	27,263	36,138
(Stock and other)	42,857	15,390	(6,721)	9,321	6,155
(Bond and other)	2,079	(5,315)	24,956	(1,292)	19,179
(Forex and other)	6,570	14,372	10,544	19,234	10,802
Net gain (loss) on private equity and other securities	6,106	10,750	6,873	2,806	7,269
Interest and dividend income	11,008	13,916	14,743	18,632	18,966
Interest expenses	9,700	10,523	12,418	15,548	17,926
Net operating revenues	107,423	55,684	62,424	74,731	67,859
Selling general and administrative expenses:	54,934	35,902	42,452	48,424	43,013
Commission and other expenses	28,171	11,585	18,380	22,006	17,395
Employees' compensation and benefits	13,162	11,860	11,026	12,610	12,197
Occupancy and rental	3,655	3,155	3,519	3,576	3,699
Data processing and office supplies	4,355	4,323	4,461	4,337	4,845
Depreciation expenses	3,069	2,888	2,972	2,966	3,008
Taxes other than income taxes	1,404	983	1,005	1,624	993
Others	1,115	1,105	1,084	1,302	873
Operating income	52,489	19,781	19,972	26,307	24,845
Non-operating income	604	972	1,449	368	303
Non-operating expenses	321	470	156	244	262
Ordinary income	52,772	20,283	21,265	26,430	24,887
Extraordinary gains	43	-	-	-	-
Extraordinary losses	1,370	8	645	283	5,251
Income before income taxes and minority interests	51,444	20,274	20,619	26,147	19,635
Income taxes - current	23,355	5,438	9,201	6,179	11,733
Income taxes - deferred	(6,507)	2,383	2,908	4,898	(8,079)
Minority interests	(45)	(14)	(21)	(4)	(25)
Net income	34,551	12,437	8,487	15,064	15,956
Net financial income included in net operating revenues	1,307	3,393	2,324	3,083	1,039

<Reference>

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

Balance sheets

(millions of yen)

	Fiscal 2006 Mar. 31, 2007	Fiscal 2005 Mar. 31, 2006	Increase/ Decrease
Assets			
Current assets:	9,190,900	10,658,663	(1,467,763)
Cash and deposits	52,658	71,980	(19,322)
Cash segregated as deposits for regulatory purposes	30,043	75,165	(45,122)
Trading assets:	4,364,842	5,686,385	(1,321,542)
Trading securities and others	3,511,488	4,018,917	(507,428)
Derivative assets	853,353	1,667,467	(814,114)
Trading receivables, net	9,784	-	9,784
Receivables related to margin transactions:	241,058	205,935	35,123
Customer margin loans	7,570	3,535	4,035
Cash deposits as collateral for securities borrowed	233,488	202,399	31,088
Collateralized short-term financing agreements:	4,067,408	4,303,263	(235,855)
Cash deposits as collateral for securities borrowed	3,690,354	3,738,214	(47,859)
Receivables related to gensaki transactions	377,053	565,049	(187,996)
Short-term guarantee money deposited	31,781	30,809	971
Short-term loans receivable	361,580	242,753	118,826
Accrued income	9,483	9,827	(343)
Deferred tax assets-current	2,552	7,520	(4,968)
Other current assets	19,931	25,268	(5,337)
Less: Allowance for doubtful accounts-current	(226)	(248)	21
Non-current assets:	128,605	106,517	22,087
Tangible fixed assets	3,796	3,836	(40)
Intangible fixed assets	39,529	29,275	10,253
Investments and others:	85,279	73,405	11,874
Investment securities	64,373	62,698	1,675
Long-term loans receivable	10,618	2,577	8,041
Long-term guarantee deposits	5,009	5,062	(53)
Deferred tax assets-non-current	3,391	1,072	2,319
Others	2,397	2,501	(104)
Less: Allowance for doubtful accounts-non-current	(511)	(507)	(3)
Total assets	9,319,505	10,765,181	(1,445,675)

(millions of yen)

	Fiscal 2006 Mar. 31, 2007	Fiscal 2005 Mar. 31, 2006	Increase/ Decrease
Liabilities			
Current liabilities:	7,843,373	9,543,458	(1,700,085)
Trading liabilities:	3,535,328	4,622,071	(1,086,743)
Trading securities and others	2,838,818	3,066,728	(227,909)
Derivative liabilities	696,509	1,555,342	(858,833)
Trading payables, net	-	195,318	(195,318)
Payables related to margin transactions:	201,105	176,268	24,836
Payable to securities finance companies	22	-	22
Proceeds of securities sold for customers' accounts	201,082	176,268	24,814
Collateralized short-term financing agreements:	2,383,944	2,632,402	(248,458)
Cash deposits as collateral for securities loaned	1,598,568	1,760,389	(161,820)
Payables related to gensaki transactions	785,375	872,013	(86,638)
Deposits received	17,604	18,891	(1,287)
Cash deposits received as guarantee	17,841	22,139	(4,298)
Short-term borrowings	1,313,049	1,466,299	(153,249)
Commercial paper	301,500	234,210	67,290
Medium-term notes due within one year	25,912	79,606	(53,693)
Accrued expenses	14,981	14,589	392
Income taxes payable	239	55,013	(54,773)
Other current liabilities	31,867	26,649	5,218
Non-current liabilities:	894,968	750,822	144,145
Medium-term notes	727,473	581,153	146,320
Long-term debt	158,500	165,000	(6,500)
Retirement benefits	4,446	4,194	251
Allowance for relocation costs of headquarter office	4,200	-	4,200
Other non-current liabilities	349	474	(125)
Statutory reserves:	5,365	5,177	188
Reserve for securities transaction liabilities	5,365	5,177	188
Reserve for financial futures transaction liabilities	0	0	-
Total liabilities	8,743,707	10,299,459	(1,555,751)
Shareholders' equity			
Common stock	-	205,600	-
Capital surplus	-	117,321	-
Additional paid-in capital	-	117,321	-
Retained earnings	-	140,849	-
Net unrealized gain (loss) on securities, net of tax effect	-	1,951	-
Total shareholders' equity	-	465,721	-
Total liabilities and shareholders' equity	-	10,765,181	-
Net assets			
Owners' equity	574,067	-	-
Common stock	255,700	-	-
Capital surplus	167,421	-	-
Retained earnings	150,946	-	-
Valuation and translation adjustments	1,730	-	-
Net unrealized gain (loss) on securities, net of tax effect	1,730	-	-
Total net assets	575,797	-	-
Total liabilities and net assets	9,319,505	-	-

Statements of operations

(millions of yen)

	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006	Increase/ Decrease	Yr/yr % change
Operating revenues	240,709	292,446	(51,737)	(17.7)%
Commissions	92,633	102,488	(9,854)	(9.6)%
Net gain (loss) on trading	103,271	160,488	(57,217)	(35.7)%
Interest and dividend income	44,804	29,470	15,334	52.0%
Interest expenses	38,789	25,997	12,792	49.2%
Net operating revenues	201,919	266,449	(64,529)	(24.2)%
Selling, general and administrative expenses:	146,103	152,975	(6,871)	(4.5)%
Commission and other expenses	73,156	78,731	(5,574)	(7.1)%
Employees' compensation and benefits	30,042	30,928	(886)	(2.9)%
Occupancy and rental	11,057	11,119	(61)	(0.6)%
Data processing and office supplies	16,355	15,713	641	4.1%
Depreciation expenses	10,544	11,191	(647)	(5.8)%
Taxes other than income taxes	2,742	3,329	(587)	(17.6)%
Others	2,205	1,961	243	12.4%
Operating income	55,815	113,473	(57,658)	(50.8)%
Non-operating income	15,970	3,078	12,891	418.7%
Non-operating expenses	793	372	421	113.1%
Ordinary income	70,992	116,180	(45,187)	(38.9)%
Extraordinary gains	-	3,568	(3,568)	-
Extraordinary losses	6,068	1,422	4,645	326.5%
Income before income taxes	64,924	118,325	(53,401)	(45.1)%
Income taxes-current	22,253	53,007	(30,754)	(58.0)%
Income taxes-deferred	2,800	(3,298)	6,098	-
Net income	39,869	68,616	(28,746)	(41.9)%
Unappropriated retained earnings-carryforward	-	32,851	-	-
Unappropriated retained earnings	-	101,468	-	-
Net financial income included in net operating revenues	6,014	3,472	2,542	73.2%

Supplemental information for fiscal 2006

(Apr. 1, 2006 – Mar. 31, 2007)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	Fiscal 2006 (2007/3)	Fiscal 2005 (2006/3)	Yr/yr Change
Brokerage commission	19,902	18,611	6.9%
Stock and other	19,767	18,462	7.1%
Underwriting commission	48,314	58,830	(17.9)%
Stock and other	38,235	48,626	(21.4)%
Bond and other	8,926	8,569	4.2%
Distribution commission	1,248	1,379	(9.5)%
Beneficiary certificates	879	907	(3.1)%
Other commission	23,168	23,666	(2.1)%
Beneficiary certificates	1,863	1,498	24.4%
Total	92,633	102,488	(9.6)%

(2) Asset class

(millions of yen)

	Fiscal 2006 (2007/3)	Fiscal 2005 (2006/3)	Yr/yr Change
Stock and other	59,301	68,587	(13.5)%
Bond and other	10,761	10,780	(0.2)%
Beneficiary certificates	2,853	2,601	9.7%
Others	19,717	20,518	(3.9)%
Total	92,633	102,488	(9.6)%

2. Breakdown of net gains on trading

(millions of yen)

	Fiscal 2006 (2007/3)	Fiscal 2005 (2006/3)	Yr/yr Change
Stock and other	17,298	103,599	(83.3)%
Bond, Forex and other	85,972	56,888	51.1%
Bond and other	30,967	20,249	52.9%
Forex and other	55,004	36,639	50.1%
Total	103,271	160,488	(35.7)%

3. Capital adequacy ratio

(millions of yen)

		Fiscal 2006 Mar. 31, 2007	Fiscal 2005 Mar. 31, 2006
Basic item	(A)	548,113	433,997
Supplementary item	Valuation profits of investment securities	1,730	1,951
	Statutory reserve	5,365	5,177
	Allowance for doubtful accounts	226	248
	Subordinated borrowings	210,000	210,000
Total	(B)	217,322	217,376
Assets excluded from capital	(C)	126,881	196,125
Net capital	(A)+(B)-(C) (D)	638,553	455,248
Risk equivalent	Market risk equivalent	59,041	67,251
	Counterparty risk equivalent	43,408	39,111
	Basic risk equivalent	34,775	29,071
	Total	(E)	137,225
Capital adequacy ratio	(D)/(E)	465.3%	336.1%

Quarterly statements of operations

(millions of yen)

	Fiscal 2005	Fiscal 2006			
	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
	Jan. 1, 2006 - Mar. 31, 2006	Apr. 1, 2006 - Jun. 30, 2006	Jul. 1, 2006 - Sep. 30, 2006	Oct. 1, 2006 - Dec. 31, 2006	Jan. 1, 2007 - Mar. 31, 2007
Operating revenues	98,140	46,662	58,872	70,941	64,232
Commissions	44,379	14,989	22,366	35,451	19,826
Brokerage commissions	5,541	4,948	4,366	4,982	5,605
(Stock and other)	5,506	4,909	4,333	4,956	5,567
Underwriting commission	29,440	6,041	11,213	22,810	8,248
(Stock and other)	27,002	3,763	8,872	20,217	5,381
(Bond and other)	2,210	2,027	1,832	2,420	2,645
Distribution commission	567	168	337	349	393
(Beneficiary certificate)	395	147	231	282	217
Other commission	8,829	3,832	6,449	7,308	5,577
(Beneficiary certificate)	413	436	456	466	504
Net gain (loss) on trading	47,008	22,186	26,271	22,725	32,087
(Stock and other)	40,527	13,812	(8,123)	7,338	4,271
(Bond and other)	(59)	(6,014)	23,815	(3,861)	17,029
(Forex and other)	6,540	14,388	10,580	19,249	10,786
Interest and dividend income	6,751	9,487	10,234	12,764	12,318
Interest expenses	6,777	7,149	8,884	10,810	11,946
Net operating revenues	91,362	39,513	49,988	60,131	52,286
Selling, general and administrative expenses	49,826	30,480	37,483	42,087	36,052
Commission and other expenses	29,795	12,416	19,647	23,043	18,049
Employees' compensation and benefits	8,564	7,756	6,931	7,964	7,390
Occupancy and rental	2,987	2,475	2,814	2,832	2,934
Data processing and office supplies	3,942	4,033	4,178	3,980	4,163
Depreciation expenses	2,800	2,607	2,642	2,627	2,666
Taxes other than income taxes	977	582	662	873	623
Others	759	608	606	765	224
Operating income	41,535	9,032	12,505	18,043	16,234
Non-operating income	1,085	5,121	10,105	488	254
Non-operating expenses	165	432	37	168	155
Ordinary income	42,456	13,722	22,572	18,363	16,333
Extraordinary gains	42	-	-	-	-
Extraordinary losses	1,370	8	645	283	5,130
Income before income taxes	41,128	13,713	21,926	18,080	11,203
Income taxes - current	20,272	1,228	6,936	5,431	8,657
Income taxes - deferred	(1,517)	2,266	2,300	2,079	(3,846)
Net income	22,373	10,217	12,689	10,569	6,392
Net financial income included in net operating revenues	(25)	2,337	1,350	1,954	372