

Daiwa Securities SMBC Co. Ltd.

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Tokyo 100-8289, Japan

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October 26, 2007

Consolidated financial summary
(For the first half ended September 30, 2007)

(Rounded down to the nearest millionth)

(1) Consolidated operating results (from April 1, 2007 to September 30, 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
First half (2007/9)	139,063	(1.4)%	101,772	(13.8)%	20,131	(49.4)%
First half (2006/9)	141,051	(0.8)%	118,109	(3.7)%	39,754	(19.1)%
Fiscal 2006 (2007/3)	317,118		260,700		90,907	

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
First half (2007/9)	21,829	(47.5)%	13,062	(37.6)%	3.9%
First half (2006/9)	41,548	(17.3)%	20,924	(33.1)%	7.1%
Fiscal 2006 (2007/3)	92,866		51,945		8.5%

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Sep. 30, 2007	12,144,219	668,647	5.5%
As of Sep. 30, 2006	10,788,826	634,460	5.9%
As of Mar. 31, 2007	10,448,648	683,247	6.5%

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

Fiscal half (2007/9) 667,521 million yen; Fiscal half (2006/9) 633,410 million yen; Fiscal 2006, 682,161 million yen

(3) Changes in scope of consolidation: None

(4) Change 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: None

(ii) Changes due to other than (i): Applicable (for details, please see "Changes in Basis of consolidated financial statements" on page 11)

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, 2007 to September 30, 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
First half (2007/9)	99,417	(5.8)%	74,109	(17.2)%	7,153	(66.8)%
First half (2006/9)	105,535	(10.2)%	89,501	(15.8)%	21,537	(48.6)%
Fiscal 2006 (2007/3)	240,709		201,919		55,815	

	Ordinary income		Net income		Return on equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
First half (2007/9)	14,972	(58.7)%	11,183	(51.2)%	3.9%
First half (2006/9)	36,294	(15.6)%	22,907	(12.3)%	8.9%
Fiscal 2006 (2007/3)	70,992		39,869		7.7%

(2) Non- consolidated financial conditions

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen		
As of Sep. 30, 2007	11,165,997	560,634	5.0%	369.7%
As of Sep. 30, 2006	9,930,528	558,091	5.6%	478.8%
As of Mar. 31, 2007	9,319,505	575,797	6.2%	465.3%

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

Fiscal half (2007/9) 560,634 million yen; Fiscal half (2006/9) 558,091 million yen; Fiscal 2006, 575,797 million yen

Results of Operation and Financial Conditions

(A) Overview of Operating Income (Comparisons in parenthesis are made versus the first half of fiscal 2006)

(1) Commissions

For the first half ended September 30, 2007, total commission revenues amounted to 37,562 million yen (9.6% down). In segments, 14,361 million yen (21.1% up) were earned in Equity, 678 million yen (37.6% down) in Fixed Income, 1,406 million yen (5.7% up) in Investment Trust, and 20,300 million yen (22.5% down) in Investment Banking. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total brokerage commissions increased to 14,317 million yen (20.1% up) due to increased trading volume compared to the first half of fiscal 2006.

b) Underwriting Commissions

Underwriting commissions decreased to 13,808 million yen (28.2% down). Underwriting commissions derived from equities decreased to 8,297 million yen (42.7% down). On the other hand, underwriting commissions derived from fixed income increased to 5,302 million yen (32.1% up).

c) Distribution Commissions

Revenues in distribution commissions generated 822 million yen (62.7% up).

d) Other Commissions

Other commissions decreased to 8,614 million yen (12.8% down). Other commissions in Investment Banking decreased to 6,133 million yen (10.1% down) due to decreased fees received in M&A operations etc.

(2) Net Gain(Loss) on Trading

Net gain on trading decreased to 44,873 million yen (15.7% down). Net trading gains in equities increased to 10,240 million yen (18.1% up), and net trading gains from fixed income together with those from foreign exchange transactions decreased to 34,632 million yen (22.3% down).

(3) Net Interest and Dividend Income

Interest and dividend income totaled 41,954 million yen, whereas interests expenses totaled 37,290 million yen. Net interest and dividend income came to 4,663 million yen.

(4) Selling, General and Administrative Expenses

Of the selling, general and administrative expenses, commission and other expenses totaled 30,062 million yen (0.3% up), personnel expenses totaled 23,493 million yen (2.7% up), data processing & office supplies totaled 10,482 million yen (19.3% up), occupancy and rental expenses totaled 7,100 million yen (6.4% up), and depreciation expenses totaled 6,386 million yen (9.0% up). Overall selling, general and administrative expenses came to 81,641 million yen, 4.2% increase compared to the first half of last year.

In conclusion, Operating Revenues for the first half of fiscal 2007 came to 139,063 million yen (1.4% down), and Net Operating Revenues to 101,772 million yen (13.8% down). Operational Income came to 20,131 million yen (49.4% down), and Ordinary Income to 21,829 million yen (47.5% down). Finally, considering net extraordinary income, income taxes and minority interests, Net Income for the first half of fiscal 2007 came to 13,062 million yen (37.6% down).

(B) Financial Condition (Comparisons are made versus the fiscal 2006)

For the first half ended September 30, 2007, total assets increased by 1,695.5 billion yen to 12,144.2 billion yen reflecting increases in trading assets by 1,034.9 billion yen, and receivables on collateralized short-term financing agreements by 617.1 billion yen.

Total liabilities increased by 1,710.1 billion yen to 11,475.5 billion yen, which is primarily attributable to increases in payables on collateralized short-term financing agreements by 1,315 billion yen, trading liabilities by 292.6 billion yen and short-term borrowings by 58.1 billion yen. The company newly issued 203.8 billion yen of Medium-term notes to raise its funds during the first half of fiscal 2007.

Consolidated balance sheets

(millions of yen)

	First half Sep. 30, 2007	First half Sep. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
Assets				
Current assets:	12,049,773	10,712,052	1,337,721	10,358,038
Cash and deposits	115,034	99,795	15,239	115,685
Cash segregated as deposits for regulatory purposes	162,821	22,814	140,007	46,161
Trading assets:	5,841,639	5,183,567	658,071	4,806,680
Trading securities and others	4,733,956	4,364,834	369,121	3,954,559
Derivative assets	1,107,683	818,733	288,949	852,120
Trading receivables, net	-	165,754	(165,754)	-
Private equity and other securities	420,545	345,512	75,032	378,579
Less: Allowance for possible investment losses	(4,179)	(2,208)	(1,970)	(3,818)
Receivables related to margin transactions:	213,089	229,118	(16,028)	241,058
Customer margin loans	4,074	12,734	(8,660)	7,570
Cash deposits as collateral for securities borrowed	209,015	216,384	(7,368)	233,488
Collateralized short-term financing agreements:	5,178,508	4,545,331	633,177	4,561,371
Cash deposits as collateral for securities borrowed	4,745,497	4,386,169	359,327	4,197,712
Receivables related to gensaki transactions	433,010	159,161	273,849	363,659
Short-term loans receivable	45,392	43,278	2,113	129,766
Accrued income	13,240	15,933	(2,692)	14,979
Deferred tax assets-current	3,476	2,917	559	3,000
Other current assets	60,312	60,310	2	64,735
Less: Allowance for doubtful accounts-current	(109)	(74)	(35)	(162)
Non-current assets:	94,446	76,774	17,671	90,610
Tangible fixed assets	5,181	5,281	(99)	5,601
Intangible fixed assets	45,597	36,327	9,269	42,031
Investments and others:	43,667	35,165	8,502	42,977
Investment securities	23,003	19,570	3,433	20,899
Long-term loans receivable	203	365	(161)	60
Long-term guarantee deposits	6,045	5,641	404	5,929
Deferred tax assets-non-current	4,731	5,665	(933)	6,013
Other investments	10,369	4,660	5,708	10,836
Less: Allowance for doubtful accounts-non-current	(685)	(737)	51	(762)
Total assets	12,144,219	10,788,826	1,355,393	10,448,648

(millions of yen)

	First half Sep. 30, 2007	First half Sep. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
Liabilities				
Current liabilities:	10,561,861	9,310,787	1,251,073	8,863,658
Trading liabilities:	4,084,588	3,888,266	196,322	3,791,978
Trading securities and others	3,184,886	3,279,642	(94,755)	3,107,261
Derivative liabilities	899,701	608,623	291,078	684,716
Trading payables, net	15,576	-	15,576	1,482
Payables related to margin transactions:	195,192	209,585	(14,393)	201,105
Payable to securities finance companies	-	-	-	22
Proceeds of securities sold for customers' accounts	195,192	209,585	(14,393)	201,082
Collateralized short-term financing agreements:	4,314,232	4,037,818	276,413	2,999,136
Cash deposits as collateral for securities loaned	3,358,617	2,875,763	482,854	2,417,161
Payables related to gensaki transactions	955,614	1,162,055	(206,440)	581,975
Deposits received	37,783	44,590	(6,807)	31,132
Cash deposits received as guarantee	39,803	24,789	15,013	22,671
Short-term borrowings	1,471,107	735,271	735,836	1,412,959
Commercial paper	305,450	272,710	32,740	302,391
Medium-term notes due within one year	31,960	28,396	3,563	25,912
Income taxes payable	6,404	13,520	(7,115)	2,464
Deferred tax liabilities-current	4,389	652	3,737	7,234
Allowance for relocation costs of headquarter office	4,546	-	4,546	-
Other current liabilities	50,826	55,186	(4,360)	65,187
Non-current liabilities:	908,351	838,392	69,958	896,376
Medium-term notes	730,207	675,740	54,467	727,473
Long-term debt	173,000	157,063	15,936	158,500
Retirement benefits	4,535	4,165	370	4,482
Allowance for relocation costs of headquarter office	-	-	-	4,320
Other non-current liabilities	607	1,423	(815)	1,600
Statutory reserves:	5,359	5,186	173	5,365
Total liabilities	11,475,572	10,154,366	1,321,205	9,765,401
Net Assets				
Owners' equity	629,916	611,786	18,130	642,808
Common stock	255,700	255,700	-	255,700
Capital surplus	167,421	167,421	-	167,421
Retained earnings	206,795	188,665	18,130	219,686
Valuation and translation adjustments	37,604	21,624	15,980	39,353
Net unrealized gain (loss) on securities, net of tax effect	19,996	8,501	11,494	22,450
Deferred gains(losses) on hedges	1	(55)	57	(5)
Translation adjustments	17,606	13,177	4,428	16,908
Minority interests	1,125	1,049	76	1,085
Total net assets	668,647	634,460	34,187	683,247
Total liabilities and Net assets	12,144,219	10,788,826	1,355,393	10,448,648

Consolidated statements of operations

(millions of yen)

	First half Apr. 1, 2007 - Sep. 30, 2007	First half Apr. 1, 2006 - Sep. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
Operating revenues:	139,063	141,051	(1.4)%	317,118
Commissions	37,562	41,540	(9.6)%	106,530
Net gain (loss) on trading	44,873	53,227	(15.7)%	116,629
Net gain (loss) on private equity and other securities	14,672	17,623	(16.7)%	27,699
Interest and dividend income	41,954	28,660	46.4%	66,258
Interest expenses	37,290	22,942	62.5%	56,417
Net operating revenues	101,772	118,109	(13.8)%	260,700
Selling, general and administrative expenses:	81,641	78,354	4.2%	169,793
Commission and other expenses	30,062	29,966	0.3%	69,368
Employees' compensation and benefits	23,493	22,886	2.7%	47,694
Occupancy and rental	7,100	6,675	6.4%	13,951
Data processing and office supplies	10,482	8,785	19.3%	17,969
Depreciation expenses	6,386	5,861	9.0%	11,836
Taxes other than income taxes	1,977	1,988	(0.6)%	4,607
Other	2,137	2,190	(2.4)%	4,366
Operating income	20,131	39,754	(49.4)%	90,907
Non-operating income	2,174	2,421	(10.2)%	3,094
Non-operating expenses	476	627	(24.1)%	1,134
Ordinary income	21,829	41,548	(47.5)%	92,866
Extraordinary gains	6	-	-	-
Extraordinary losses	456	654	(30.2)%	6,189
Income before income taxes and minority interests	21,378	40,894	(47.7)%	86,677
Income taxes-current	8,525	14,640	(41.8)%	32,553
Income taxes-deferred	(307)	5,292	-	2,111
Minority interests	(97)	(36)	-	(66)
Net income	13,062	20,924	(37.6)%	51,945
Net financial income included in net operating revenues	4,663	5,717	(18.4)%	9,841

Consolidated statements of changes in net assets

First half (2007/9)

(millions of yen)

	Owners' equity			
	Common stock	Capital surplus	Retained earnings	Total owners' equity
Beginning balance as of Mar. 31, 2007	255,700	167,421	219,686	642,808
Changes of items during the fiscal half				
Dividends	-	-	(25,954)	(25,954)
Net income	-	-	13,062	13,062
Total changes of items during the period	-	-	(12,891)	(12,891)
Ending balance as of Sep. 30, 2007	255,700	167,421	206,795	629,916

	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, 2007	22,450	(5)	16,908	39,353	1,085
Changes of items during the fiscal half					
Net changes of items other than owners' equity	(2,453)	7	697	(1,748)	40
Total changes of items during the period	(2,453)	7	697	(1,748)	40
Ending balance as of Sep. 30, 2007	19,996	1	17,606	37,604	1,125

Consolidated statements of changes in net assets

First half (2006/9)

(millions of yen)

	Owners' equity			
	Common stock	Capital surplus	Retained earnings	Total owners' equity
Beginning balance as of Mar. 31, 2006	205,600	117,321	197,514	520,435
Changes of items during the fiscal half				
Issuance of new shares	50,100	50,100	-	100,200
Dividends	-	-	(28,800)	(28,800)
Bonus to directors	-	-	(973)	(973)
Net income	-	-	20,924	20,924
Total changes of items during the period	50,100	50,100	(8,848)	91,351
Ending balance as of Sep. 30, 2006	255,700	167,421	188,665	611,786

	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 half					
Net changes of items other than owners' equity	(7,418)	(55)	4,548	(2,925)	(32)
Total changes of items during the period	(7,418)	(55)	4,548	(2,925)	(32)
Ending balance as of Sep. 30, 2006	8,501	(55)	13,177	21,624	1,049

Consolidated statements of changes in net assets

Fiscal 2006 (2007/3)

(millions of yen)

	Owners' equity			
	Common stock	Capital surplus	Retained earnings	Total owners' 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 period	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 period	6,529	(5)	8,279	14,803	3
Ending balance as of Mar. 31, 2007	22,450	(5)	16,908	39,353	1,085

Notes to consolidated financial statements

The consolidated financial statements of the company for the first half ended September 30, 2007 are prepared in accordance with the 'Cabinet Order on financial instruments business' (Cabinet Office Ordinance No.52, 2007), and the 'Uniform Accounting Standards of Securities Companies' (Self Regulation of the Japan Securities Dealers' Association, September 30, 2007), 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

Consolidated subsidiaries: 17 Companies

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

For the first half year, one company under liquidation process has been excluded from the scope of consolidation.

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 half ends other than September 30, 2007, the financial statements for the relevant first half are reflected.

3. Fiscal period of subsidiaries

For subsidiaries of which the first half end is not September 30, 2007, the financial statements for the relevant first half are compiled, and material transactions occurred between the different closing dates are adjusted for the 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 material depreciable assets
- (i) Tangible fixed assets
- For the domestic companies, the declining-balance method is applied, and the straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is based on Corporate Tax Law.
- For overseas consolidated subsidiaries, straight-line method is mainly applied.
- (ii) Intangible fixed assets, and investments and others
- The straight-line method is mainly applied. Useful life for depreciation is based on Corporate Tax Law, except for software of in-house use, which is based on internally estimated useful life (mainly 5 years).
- (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 half 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 Basis of consolidated financial statements

In connection with the current Corporate Tax Law reform, the domestic consolidated companies have changed the depreciation method to that of complied with new Corporate Tax Law for the property and equipment purchased on or after April 1, 2007.

For property and equipment purchased before April 1, 2007, depreciation is computed by the former depreciation method, i.e. property and equipment is depreciated until depreciable limit. However, after such assets have been depreciated to the depreciable limit, the remaining value is amortized over five years in pro rata from the following fiscal year until its book value is reduced to 1 yen.

The effect on the consolidated financial statements was immaterial.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets	As of Sep.30, 2007	As of Sep.30, 2006	As of Mar.31, 2007
	12,939 million yen	13,929 million yen	12,880 million yen
2. Guarantee	As of Sep.30, 2007	As of Sep.30, 2006	As of Mar.31, 2007
	274 million yen	320 million yen	292 million yen
3. Short-term and long-term borrowings include the subordinated borrowings stipulated by Article 176 of the 'Cabinet Order on financial instruments business' (Cabinet Office Ordinance No.52, 2007) and so on.			
	As of Sep.30, 2007	As of Sep. 30, 2006	As of Mar. 31, 2007
Short-term borrowings	1,998 million yen	110,000 million yen	62,001 million yen
Long-term borrowings	160,000 million yen	152,063 million yen	150,000 million yen

Notes to consolidated statements of operations

			(millions of yen)
Details of extraordinary gains/losses	First half	First half	Fiscal 2006
	Apr. 1, 2007 - Sep. 30, 2007	Apr. 1, 2006 - Sep. 30, 2006	Apr. 1, 2006 - Mar. 31, 2007
Extraordinary gains			
Reversal of Reserve for securities transaction liabilities	6	-	-
Extraordinary losses			
Write-down of related companies' stocks	-	200	200
Write-down of investment securities	-	444	466
Loss on sale of investment securities	-	-	262
Loss on disposal of fixed assets	-	-	209
Provision for securities transaction liabilities	-	8	188
Relocation costs of headquarter office	456	-	4,861

Supplemental information for the first half of Fiscal 2007

(Apr.1, 2007 - Sep.30, 2007)

1. Breakdown of commissions

(millions of yen)

	First half Sep. 30, 2007 (A)					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	
Brokerage commission	14,062	197	57	-	-	14,317
Underwriting commission	-	-	-	13,808	-	13,808
Stock and other	-	-	-	8,297	-	8,297
Bond and other	-	-	-	5,302	-	5,302
Distribution commission	-	-	463	358	-	822
Other commission	299	481	885	6,133	815	8,614
Agency commission	-	473	868	-	-	1,342
Total	14,361	678	1,406	20,300	815	37,562

(millions of yen)

	First half Sep. 30, 2006 (B)					Total
	Equity	Fixed income (bond)	Investment trust	Investment banking	Other	
Brokerage commission	11,627	232	58	-	-	11,918
Underwriting commission	-	-	-	19,241	-	19,241
Stock and other	-	-	-	14,468	-	14,468
Bond and other	-	-	-	4,015	-	4,015
Distribution commission	-	-	379	126	-	505
Other commission	234	855	892	6,822	1,069	9,874
Agency commission	-	853	864	-	-	1,717
Total	11,862	1,088	1,329	26,189	1,069	41,540

(%)

	Yr/yr % change ((A)/(B)-1)					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	
Brokerage commission	20.9%	(15.2)%	(1.7)%	-	-	20.1%
Underwriting commission	-	-	-	(28.2)%	-	(28.2)%
Stock and other	-	-	-	(42.7)%	-	(42.7)%
Bond and other	-	-	-	32.1%	-	32.1%
Distribution commission	-	-	22.3%	184.0%	-	62.7%
Other commission	27.6%	(43.8)%	(0.8)%	(10.1)%	(23.8)%	(12.8)%
Agency commission	-	(44.5)%	0.5%	-	-	(21.9)%
Total	21.1%	(37.6)%	5.7%	(22.5)%	(23.8)%	(9.6)%

(millions of yen)

	Fiscal 2006 ended Mar. 31, 2007					Total
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	
Brokerage commission	25,601	449	108	-	-	26,158
Underwriting commission	-	-	-	53,905	-	53,905
Stock and other	-	-	-	43,416	-	43,416
Bond and other	-	-	-	9,336	-	9,336
Distribution commission	-	-	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

2. Breakdown of net gains on trading

(millions of yen)

	First half (2007/09)	First half (2006/09)	Yr/yr % change	Fiscal 2006 (2007/03)
Stock and other	10,240	8,669	18.1%	24,146
Bond, forex and other	34,632	44,558	(22.3)%	92,482
Bond and other	14,363	19,641	(26.9)%	37,528
Forex and other	20,268	24,916	(18.7)%	54,954
Total	44,873	53,227	(15.7)%	116,629

Quarterly consolidated statements of operations

(millions of yen)

	Fiscal 2006			Fiscal 2007	
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
	Jul. 1, 2006 - Sep. 30, 2006	Oct. 1, 2006 - Dec. 31, 2006	Jan. 1, 2007 - Mar. 31, 2007	Apr. 1, 2007 - Jun. 30, 2007	Jul. 1, 2007 - Sep. 30, 2007
Operating revenues	74,843	90,280	85,786	82,499	56,563
Commissions	24,447	41,577	23,412	18,932	18,630
Brokerage commission	5,413	6,624	7,615	7,130	7,187
(Stock and other)	5,266	6,514	7,458	6,992	7,070
Underwriting commission	12,506	24,990	9,673	7,323	6,484
(Stock and other)	10,167	22,298	6,650	4,160	4,136
(Bond and other)	1,829	2,519	2,801	3,046	2,255
Distribution commission	337	349	393	541	281
(Beneficiary certificates)	231	282	217	283	179
Other commission	6,190	9,611	5,730	3,936	4,677
(Beneficiary certificates)	456	466	504	445	439
Net gain (loss) on trading	28,779	27,263	36,138	33,434	11,439
(Stock and other)	(6,721)	9,321	6,155	16,239	(5,999)
(Bond and other)	24,956	(1,292)	19,179	(25,704)	40,068
(Forex and other)	10,544	19,234	10,802	42,898	(22,629)
Net gain (loss) on private equity and other securities	6,873	2,806	7,269	7,609	7,063
Interest and dividend income	14,743	18,632	18,966	22,523	19,431
Interest expenses	12,418	15,548	17,926	18,268	19,022
Net operating revenues	62,424	74,731	67,859	64,231	37,541
Selling general and administrative expenses:	42,452	48,424	43,013	40,859	40,781
Commission and other expenses	18,380	22,006	17,395	14,356	15,706
Employees' compensation and benefits	11,026	12,610	12,197	12,597	10,896
Occupancy and rental	3,519	3,576	3,699	3,500	3,599
Data processing and office supplies	4,461	4,337	4,845	5,123	5,358
Depreciation expenses	2,972	2,966	3,008	3,063	3,322
Taxes other than income taxes	1,005	1,624	993	1,059	918
Others	1,084	1,302	873	1,159	978
Operating income	19,972	26,307	24,845	23,371	(3,239)
Non-operating income	1,449	368	303	1,311	862
Non-operating expenses	156	244	262	274	201
Ordinary income	21,265	26,430	24,887	24,408	(2,578)
Extraordinary gains	-	-	-	6	0
Extraordinary losses	645	283	5,251	-	456
Income before income taxes and minority interests	20,619	26,147	19,635	24,415	(3,036)
Income taxes - current	9,201	6,179	11,733	7,896	629
Income taxes - deferred	2,908	4,898	(8,079)	1,343	(1,650)
Minority interests	(21)	(4)	(25)	(45)	(52)
Net income	8,487	15,064	15,956	15,130	(2,067)
Net financial income included in net operating revenues	2,324	3,083	1,039	4,255	408

<Reference>

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

Balance sheets

(millions of yen)

	First half Sep. 30, 2007	First half Sep. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
Assets				
Current assets:	11,036,152	9,821,545	1,214,606	9,190,900
Cash and deposits	54,997	49,004	5,992	52,658
Cash segregated as deposits for regulatory purposes	134,256	20,096	114,160	30,043
Trading assets:	5,616,239	4,801,649	814,590	4,364,842
Trading securities and others	4,507,370	3,983,173	524,197	3,511,488
Derivative assets	1,108,869	818,476	290,392	853,353
Trading receivables, net	-	162,835	(162,835)	9,784
Receivables related to margin transactions:	213,089	229,118	(16,028)	241,058
Customer margin loans	4,074	12,734	(8,660)	7,570
Cash deposits as collateral for securities borrowed	209,015	216,384	(7,368)	233,488
Collateralized short-term financing agreements:	4,625,742	4,243,346	382,395	4,067,408
Cash deposits as collateral for securities borrowed	4,188,935	3,974,977	213,957	3,690,354
Receivables related to gensaki transactions	436,806	268,368	168,438	377,053
Short-term guarantee money deposited	34,474	28,728	5,746	31,781
Short-term loans receivable	327,154	264,191	62,963	361,580
Accrued income	9,686	12,673	(2,986)	9,483
Deferred tax assets-current	4,642	2,848	1,793	2,552
Other current assets	16,023	7,219	8,804	19,931
Less: Allowance for doubtful accounts-current	(155)	(166)	11	(226)
Non-current assets:	129,844	108,983	20,861	128,605
Tangible fixed assets	3,338	3,591	(253)	3,796
Intangible fixed assets	42,797	33,798	8,998	39,529
Investments and others:	83,708	71,592	12,116	85,279
Investment securities	66,608	60,600	6,008	64,373
Long-term loans receivable	8,208	2,456	5,752	10,618
Long-term guarantee deposits	5,086	4,742	343	5,009
Deferred tax assets-non-current	1,929	1,838	90	3,391
Other investments	2,352	2,461	(108)	2,397
Less: Allowance for doubtful accounts-non-current	(476)	(507)	30	(511)
Total assets	11,165,997	9,930,528	1,235,468	9,319,505

(millions of yen)

	First half Sep. 30, 2007	First half Sep. 30, 2006	Increase/ Decrease	Fiscal 2006 Mar. 31, 2007
Liabilities				
Current liabilities:	9,692,137	8,532,056	1,160,081	7,843,373
Trading liabilities:	3,963,783	3,659,921	303,861	3,535,328
Trading securities and others	3,032,896	3,051,327	(18,430)	2,838,818
Derivative liabilities	930,886	608,594	322,292	696,509
Trading payables, net	26,435	-	26,435	-
Payables related to margin transactions:	195,192	209,585	(14,393)	201,105
Payable to securities finance companies	-	-	-	22
Proceeds of securities sold for customers' accounts	195,192	209,585	(14,393)	201,082
Collateralized short-term financing agreements:	3,730,458	3,628,447	102,010	2,383,944
Cash deposits as collateral for securities loaned	2,651,100	2,205,301	445,798	1,598,568
Payables related to gensaki transactions	1,079,358	1,423,146	(343,787)	785,375
Deposits received	21,130	31,242	(10,111)	17,604
Cash deposits received as guarantee	24,533	18,176	6,357	17,841
Short-term borrowings	1,343,863	631,928	711,935	1,313,049
Commercial paper	305,450	272,710	32,740	301,500
Medium-term notes due within one year	31,960	28,396	3,563	25,912
Accrued expenses	13,168	14,017	(848)	14,981
Income taxes payable	4,771	11,360	(6,588)	239
Allowance for relocation costs of headquarter office	4,426	-	4,426	-
Other current liabilities	26,963	26,270	692	31,867
Non-current liabilities:	907,865	835,194	72,670	894,968
Medium-term notes	730,207	675,740	54,467	727,473
Long-term debt	173,000	155,000	18,000	158,500
Retirement benefits	4,488	4,129	358	4,446
Allowance for relocation costs of headquarter office	-	-	-	4,200
Other non-current liabilities	168	324	(155)	349
Statutory reserves:	5,359	5,186	173	5,365
Total liabilities	10,605,363	9,372,437	1,232,926	8,743,707
Net Assets				
Owners' equity	559,296	557,104	2,191	574,067
Common stock	255,700	255,700	-	255,700
Capital surplus	167,421	167,421	-	167,421
Retained earnings	136,175	133,983	2,191	150,946
Valuation and translation adjustments	1,337	986	350	1,730
Net unrealized gain (loss) on securities, net of tax effect	1,337	986	350	1,730
Total net assets	560,634	558,091	2,542	575,797
Total liabilities and net assets	11,165,997	9,930,528	1,235,468	9,319,505

Statements of operations

(millions of yen)

	First half Apr. 1, 2007 - Sep. 30, 2007	First half Apr. 1, 2006 - Sep. 30, 2006	Yr/yr % change	Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
Operating revenues	99,417	105,535	(5.8)%	240,709
Commissions	31,697	37,356	(15.1)%	92,633
Net gain (loss) on trading	39,969	48,458	(17.5)%	103,271
Interest and dividend income	27,751	19,721	40.7%	44,804
Interest expenses	25,308	16,033	57.8%	38,789
Net operating revenues	74,109	89,501	(17.2)%	201,919
Selling, general and administrative expenses:	66,956	67,963	(1.5)%	146,103
Commission and other expenses	29,425	32,063	(8.2)%	73,156
Employees' compensation and benefits	14,409	14,687	(1.9)%	30,042
Occupancy and rental	5,502	5,289	4.0%	11,057
Data processing and office supplies	9,558	8,211	16.4%	16,355
Depreciation expenses	5,684	5,250	8.3%	10,544
Taxes other than income taxes	1,234	1,245	(0.9)%	2,742
Others	1,141	1,215	(6.0)%	2,205
Operating income	7,153	21,537	(66.8)%	55,815
Non-operating income	8,038	15,227	(47.2)%	15,970
Non-operating expenses	218	470	(53.5)%	793
Ordinary income	14,972	36,294	(58.7)%	70,992
Extraordinary gains	6	-	-	-
Extraordinary losses	448	654	(31.4)%	6,068
Income before income taxes	14,530	35,640	(59.2)%	64,924
Income taxes-current	3,704	8,165	(54.6)%	22,253
Income taxes-deferred	(357)	4,567	-	2,800
Net income	11,183	22,907	(51.2)%	39,869
Net financial income included in net operating revenues	2,442	3,687	(33.8)%	6,014

Supplemental information for the first half ended September 30, 2007

(Apr. 1, 2007 – Sep. 30, 2007)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First half (2007/9)	First half (2006/9)	Yr/yr Change	Fiscal 2006 (2007/3)
Brokerage commission	9,799	9,314	5.2%	19,902
Stock and other	9,731	9,242	5.3%	19,767
Underwriting commission	12,730	17,254	(26.2)%	48,314
Stock and other	7,522	12,636	(40.5)%	38,235
Bond and other	4,998	3,860	29.5%	8,926
Distribution commission	853	505	68.9%	1,248
Beneficiary certificates	463	379	22.3%	879
Other commission	8,314	10,281	(19.1)%	23,168
Beneficiary certificates	885	892	(0.8)%	1,863
Total	31,697	37,356	(15.1)%	92,633

(2) Asset class

(millions of yen)

	First half (2007/9)	First half (2006/9)	Yr/yr Change	Fiscal 2006 (2007/3)
Stock and other	17,754	22,328	(20.5)%	59,301
Bond and other	5,627	4,982	12.9%	10,761
Beneficiary certificates	1,406	1,329	5.7%	2,853
Others	6,909	8,714	(20.7)%	19,717
Total	31,697	37,356	(15.1)%	92,633

2. Breakdown of net gains on trading

(millions of yen)

	First half (2007/9)	First half (2006/9)	Yr/yr Change	Fiscal 2006 (2007/3)
Stock and other	7,312	5,689	28.5%	17,298
Bond, Forex and other	32,656	42,769	(23.6)%	85,972
Bond and other	12,506	17,800	(29.7)%	30,967
Forex and other	20,149	24,968	(19.3)%	55,004
Total	39,969	48,458	(17.5)%	103,271

3. Capital adequacy ratio

(millions of yen)

		First half Sep. 30, 2007	First half Sep. 30, 2006	Fiscal 2006 Mar. 31, 2007	
Basic item	(A)	559,296	557,104	548,113	
Supplementary item	Valuation profits of investment securities	1,337	986	1,730	
	Statutory reserve	5,359	5,186	5,365	
	Allowance for doubtful accounts	155	166	226	
	Subordinated borrowings	160,000	260,000	210,000	
Total	(B)	166,852	266,339	217,322	
Assets excluded from capital	(C)	127,648	167,425	126,881	
Net capital	(A)+(B)-(C)	(D)	598,500	656,018	638,553
Risk equivalent	Market risk equivalent	79,351	63,540	59,041	
	Counterparty risk equivalent	45,801	40,781	43,408	
	Basic risk equivalent	36,718	32,662	34,775	
Total	(E)	161,871	136,984	137,225	
Capital adequacy ratio	(D)/(E)	369.7%	478.8%	465.3%	

Quarterly statements of operations

(millions of yen)

	Fiscal 2006			Fiscal 2007	
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
	Jul. 1, 2006 - Sep. 30, 2006	Oct. 1, 2006 - Dec. 31, 2006	Jan. 1, 2007 - Mar. 31, 2007	Apr. 1, 2007 - Jun. 30, 2007	Jul. 1, 2007 - Sep. 30, 2007
Operating revenues	58,872	70,941	64,232	58,894	40,523
Commissions	22,366	35,451	19,826	16,044	15,652
Brokerage commissions	4,366	4,982	5,605	5,216	4,582
(Stock and other)	4,333	4,956	5,567	5,186	4,545
Underwriting commission	11,213	22,810	8,248	6,423	6,306
(Stock and other)	8,872	20,217	5,381	3,597	3,925
(Bond and other)	1,832	2,420	2,645	2,710	2,288
Distribution commission	337	349	393	541	312
(Beneficiary certificate)	231	282	217	283	179
Other commission	6,449	7,308	5,577	3,863	4,451
(Beneficiary certificate)	456	466	504	445	439
Net gain (loss) on trading	26,271	22,725	32,087	29,810	10,158
(Stock and other)	(8,123)	7,338	4,271	14,595	(7,282)
(Bond and other)	23,815	(3,861)	17,029	(27,678)	40,184
(Forex and other)	10,580	19,249	10,786	42,893	(22,743)
Interest and dividend income	10,234	12,764	12,318	13,039	14,711
Interest expenses	8,884	10,810	11,946	11,595	13,712
Net operating revenues	49,988	60,131	52,286	47,298	26,811
Selling, general and administrative expenses	37,483	42,087	36,052	33,652	33,304
Commission and other expenses	19,647	23,043	18,049	14,167	15,258
Employees' compensation and benefits	6,931	7,964	7,390	7,923	6,485
Occupancy and rental	2,814	2,832	2,934	2,722	2,779
Data processing and office supplies	4,178	3,980	4,163	4,816	4,741
Depreciation expenses	2,642	2,627	2,666	2,711	2,972
Taxes other than income taxes	662	873	623	726	508
Others	606	765	224	584	557
Operating income	12,505	18,043	16,234	13,646	(6,492)
Non-operating income	10,105	488	254	7,987	50
Non-operating expenses	37	168	155	198	19
Ordinary income	22,572	18,363	16,333	21,434	(6,461)
Extraordinary gains	-	-	-	6	0
Extraordinary losses	645	283	5,130	-	448
Income before income taxes	21,926	18,080	11,203	21,441	(6,911)
Income taxes - current	6,936	5,431	8,657	5,387	(1,683)
Income taxes - deferred	2,300	2,079	(3,846)	655	(1,013)
Net income	12,689	10,569	6,392	15,398	(4,214)
Net financial income included in net operating revenues	1,350	1,954	372	1,443	999