

Daiwa Securities SMBC Co. Ltd.

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July 30, 2008

Consolidated financial summary

(For the first quarter ended June 30, 2008)

(Rounded down to the nearest millionth)

Financial result (from April 1, 2008 to June 30, 2008)

(1) Consolidated operating results (year-to-date)

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
First quarter (2008/6)	43,581	-	24,576	-	(13,323)	-
First quarter (2007/6)	82,499	24.6%	64,231	15.3%	23,371	18.1%

	Ordinary income		Net income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
First quarter (2008/6)	(12,473)	-	(11,254)	-
First quarter (2007/6)	24,408	20.3%	15,130	21.7%

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Jun. 30, 2008	12,736,134	613,355	4.8%
As of Mar. 31, 2008	13,881,604	615,921	4.4%

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

As of Jun. 30, 2008 611,775 million yen; As of Mar. 31, 2008 614,745 million yen

Representative: Shin Yoshidome, President

Contact: Hisaharu Momoshima, General Manager, Treasury Department

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

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Qualitative Information and Financial Statements

1. Overview of Operating Income

For the first quarter ended June 30, 2008, Net Operating Revenues came to 24,576 million yen. Since Selling, general and administrative expenses came to 37,899 million yen, Ordinary Income resulted in a loss of 12,473 million yen, and Net Income adjusted by tax and other resulted in a loss of 11,254 million yen.

(1) Commissions

Total commission revenues amounted to 13,288 million yen for the first quarter. In segments, 5,361 million yen were earned in Equity, and 6,735 million yen in Investment Banking.

a) Brokerage Commissions

Total Brokerage commissions came to 5,431 million yen. 5,322 million yen were earned in Equity, and 88 million yen in Fixed Income.

b) Underwriting Commissions

Underwriting commissions derived from equities came to 1,263 million yen, and underwriting commissions derived from fixed income came to 2,996 million yen. Total Underwriting commissions amounted to 4,263 million yen.

c) Distribution Commissions

Revenues in Distribution commissions generated 80 million yen. In segments, 46 million yen were earned in Investment Trust, and 34 million yen in Investment Banking.

d) Other Commissions

Other commissions in Investment Banking came to 2,437 million yen, and other commissions totaled 3,513 million yen.

(2) Net Gain (Loss) on Trading

Net gain on trading amounted to 9,343 million yen. Net trading gain in equities came to 18,381 million yen, on the other hand, Net trading gain from fixed income together with those from foreign exchange transactions resulted in a loss of 9,037 million yen.

(3) Net gain (loss) on private equity and other securities

Net gain (loss) on private equity and other securities totaled in a loss of 1,715 million yen due to write-down of private equity investments etc.

(4) Net Interest and Dividend Income

Interest and dividend income totaled 22,664 million yen, whereas Interests expenses totaled 19,005 million yen. Net interest and dividend income came to 3,658 million yen.

(5) Selling, General and Administrative Expenses

Employees' compensation and benefits came to 11,000 million yen, Commission and other expenses came to 10,541 million yen, Data processing and office supplies came to 5,864 million yen, and Selling, general and administrative expenses totaled 37,899 million yen.

2. Financial Condition

For the first quarter ended June 30, 2008, Total assets amounted to 12,736.1 billion yen. It mainly includes 5,704.7 billion yen of Receivables on collateralized short-term financing agreements and 5,483.3 billion yen of Trading assets.

Total liabilities amounted to 12,122.7 billion yen. It mainly includes 4,625.3 billion yen of Trading liabilities and 3,892.3 billion yen of Payables on collateralized short-term financing agreements. The company newly issued 74.6 billion yen of Medium-term notes to raise its funds during the first quarter of fiscal 2008.

3. Quarterly financial statements**(1) Consolidated balance sheets**

(Millions of yen)

	First quarter Jun.30,2008	Fiscal 2007 Mar.31,2008
Assets		
Current assets		
Cash and deposits	123,948	124,858
Cash segregated as deposits for regulatory purposes	47,412	47,361
Trading assets:	5,483,380	7,234,037
Trading securities and others	4,187,554	5,651,286
Derivative assets	1,295,826	1,582,751
Trading receivables, net	29,651	196,872
Private equity and other securities	416,204	419,042
Less: Allowance for possible investment losses	(4,769)	(4,332)
Loans receivable from customers	9,669	9,669
Receivables related to margin transactions:	181,156	175,217
Customer margin loans	232	788
Cash deposits as collateral for securities borrowed	180,923	174,429
Collateralized short-term financing agreements:	5,704,720	5,200,592
Cash deposits as collateral for securities borrowed	5,557,541	4,662,481
Receivables related to gensaki transactions	147,179	538,110
Short-term loans receivable	23,304	147,345
Accrued income	10,222	14,189
Deferred tax assets	9,528	8,522
Other current assets	589,244	197,076
Less: Allowance for doubtful accounts	(35)	(69)
Total current assets	12,623,637	13,770,381
Non-current assets		
Tangible fixed assets	6,270	5,820
Intangible fixed assets	56,029	54,542
Investments and others:	50,196	50,859
Investment securities	28,929	25,883
Long-term loans receivable	46	49
Long-term guarantee deposits	9,913	9,767
Deferred tax assets	7,266	5,576
Other investments	6,738	10,012
Less: Allowance for doubtful accounts	(2,697)	(430)
Total non-current assets	112,496	111,222
Total assets	12,736,134	13,881,604

(Millions of yen)

	First quarter Jun.30,2008	Fiscal 2007 Mar.31,2008
Liabilities		
Current liabilities		
Trading liabilities:	4,625,363	4,313,463
Trading securities and others	3,671,050	3,112,125
Derivative liabilities	954,313	1,201,337
Payables related to margin transactions:	149,296	180,124
Proceeds of securities sold for customers' accounts	149,296	180,124
Collateralized short-term financing agreements:	3,892,316	4,991,917
Cash deposits as collateral for securities loaned	3,675,625	3,817,074
Payables related to gensaki transactions	216,691	1,174,842
Deposits received	34,796	39,640
Cash deposits received as guarantee	43,301	26,429
Short-term borrowings	1,357,871	2,111,330
Commercial paper	437,272	488,300
Medium-term notes due within one year	9,231	10,613
Income taxes payable	603	597
Deferred tax liabilities	126	134
Allowance for relocation costs of headquarter office	4,815	5,018
Other current liabilities	546,184	115,293
Total current liabilities	11,101,181	12,282,861
Non-current liabilities		
Medium-term notes	835,454	787,341
Long-term debt	175,000	185,000
Retirement benefits	4,814	4,654
Other non-current liabilities	554	414
Total non-current liabilities	1,015,823	977,410
Statutory reserves	5,774	5,409
Total liabilities	12,122,778	13,265,682
Net Assets		
Owners' equity		
Common stock	255,700	255,700
Capital surplus	167,421	167,421
Retained earnings	176,641	187,896
Total owners' equity	599,762	611,017
Valuation and translation adjustments		
Net unrealized gain (loss) on securities, net of tax effect	2,723	(47)
Deferred gain (loss) on hedges	(16)	(75)
Translation adjustments	9,304	3,851
Total valuation and translation adjustments	12,012	3,727
Minority interests	1,580	1,176
Total net assets	613,355	615,921
Total liabilities and Net assets	12,736,134	13,881,604

(2) Consolidated statement of income

(Millions of yen)

	First quarter Apr. 1, 2008 - Jun. 30, 2008
Operating revenues	
Commissions	13,288
Net gain (loss) on trading:	9,343
Net gain (loss) on trading in equity	18,381
Net gain (loss) on trading in bond, forex and other	(9,037)
Net gain (loss) on private equity and other securities	(1,715)
Interest and dividend income	22,664
Total operating revenues	43,581
Interest expenses	19,005
Net operating revenues	24,576
Selling, general and administrative expenses	
Commission and other expenses	10,541
Employees' compensation and benefits	11,000
Occupancy and rental	4,685
Data processing and office supplies	5,864
Depreciation expenses	3,858
Taxes other than income taxes	784
Other	1,163
Total Selling, general and administrative expenses	37,899
Operating income	(13,323)
Non-operating income	
Other	1,262
Total non-operating income	1,262
Non-operating expenses	
Other	413
Total non-operating expenses	413
Ordinary income	(12,473)
Extraordinary losses	
Allowance for doubtful accounts	2,270
Provision for financial instruments business liabilities	364
Other	348
Total extraordinary losses	2,982
Income before income taxes and minority interests	(15,456)
Income taxes-current	253
Income taxes-deferred	(4,465)
Total income taxes and other	(4,211)
Minority interests	10
Net income	(11,254)
Net financial income included in net operating revenues	3,658

(Reference)**Financial Statement for the first quarter ended June 30, 2007**

(Summary) Consolidated balance sheet

(Millions of yen)

	First quarter Apr. 1, 2007 - Jun. 30, 2007
Operating revenues	
Commissions	18,932
Net gain (loss) on trading:	33,434
Net gain (loss) on trading in equity	16,239
Net gain (loss) on trading in bond, forex and other	17,194
Net gain (loss) on private equity and other securities	7,609
Interest and dividend income	22,523
Total operating revenues	82,499
Interest expenses	18,268
Net operating revenues	64,231
Selling, general and administrative expenses	
Commission and other expenses	14,356
Employees' compensation and benefits	12,597
Occupancy and rental	3,500
Data processing and office supplies	5,123
Depreciation expenses	3,063
Taxes other than income taxes	1,059
Other	1,159
Total Selling, general and administrative expenses	40,859
Operating income	23,371
Non-operating income	
Other	1,311
Total non-operating income	1,311
Non-operating expenses	
Other	274
Total non-operating expenses	274
Ordinary income	24,408
Extraordinary gains	
Reversal of Reserve for securities transaction liabilities	6
Total extraordinary gains	6
Income before income taxes and minority interests	24,415
Income taxes-current	7,896
Income taxes-deferred	1,343
Total income taxes and other	9,239
Minority interests	45
Net income	15,130
Net financial income included in net operating revenues	4,255

4. Supplemental information

(1) Breakdown of commissions

(Millions of yen)

	First quarter Jun. 30, 2008 (A)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	5,322	88	20	-	-	5,431
Underwriting commission	-	-	-	4,263	-	4,263
Stock and other	-	-	-	1,263	-	1,263
Bond and other	-	-	-	2,996	-	2,996
Distribution commission	-	-	46	34	-	80
Other commission	39	184	398	2,437	453	3,513
Total	5,361	273	464	6,735	453	13,288

(Millions of yen)

	First quarter Jun. 30, 2007 (B)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	6,992	112	26	-	-	7,130
Underwriting commission	-	-	-	7,323	-	7,323
Stock and other	-	-	-	4,160	-	4,160
Bond and other	-	-	-	3,046	-	3,046
Distribution commission	-	-	283	257	-	541
Other commission	135	282	445	2,727	345	3,936
Total	7,127	395	755	10,308	345	18,932

(%)

	Yr/yr % change ((A)/(B)-1)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	(23.9)	(21.3)	(22.5)	-	-	(23.8)
Underwriting commission	-	-	-	(41.8)	-	(41.8)
Stock and other	-	-	-	(69.6)	-	(69.6)
Bond and other	-	-	-	(1.6)	-	(1.6)
Distribution commission	-	-	(83.6)	(86.8)	-	(85.1)
Other commission	(71.1)	(34.6)	(10.6)	(10.6)	31.3	(10.7)
Total	(24.8)	(30.8)	(38.5)	(34.7)	31.3	(29.8)

(2) Capital adequacy ratio (Non-consolidated)

(Millions of yen)

		First quarter Jun. 30, 2008	First quarter Jun. 30, 2007
Basic item (A)		541,584	563,511
Supplementary item	Valuation profits of investment securities	812	1,679
	Statutory reserve	5,774	5,359
	Allowance for doubtful accounts	70	166
	Subordinated borrowings	160,000	160,000
Total (B)		166,656	167,204
Assets excluded from capital (C)		157,527	131,681
Net capital (D):(A)+(B)-(C)		550,714	599,034
Risk equivalent	Market risk equivalent	70,491	65,113
	Counterparty risk equivalent	48,149	44,655
	Basic risk equivalent	39,496	34,742
	Total (E)	158,137	144,511
Capital adequacy ratio (D)/(E)		348.2%	414.5%

(3) Quarterly consolidated statements of operations

(Millions of yen)

	Fiscal 2007				Fiscal 2008
	First quarter Apr.1,2007- Jun.30,2007	Second quarter Jul.1,2007- Sep.30,2007	Third quarter Oct.1,2007- Dec.31,2007	Fourth quarter Jan.1,2008- Mar.31,2008	First quarter Apr.1,2008- Jun.30,2008
Operating revenues					
Commissions	18,932	18,630	17,022	22,876	13,288
Brokerage commission	7,130	7,187	6,838	5,677	5,431
(Stock and other)	6,992	7,070	6,718	5,579	5,322
(Bond and other)	112	85	82	82	88
Underwriting commission	7,323	6,484	5,022	6,614	4,263
(Stock and other)	4,160	4,136	2,290	3,886	1,263
(Bond and other)	3,046	2,255	2,572	2,576	2,996
Distribution commission	541	281	241	684	80
(Investment trust)	283	179	115	79	46
Other commission	3,936	4,677	4,919	9,900	3,513
(Investment trust)	445	439	421	380	398
Net gain (loss) on trading	33,434	11,439	29,061	(19,314)	9,343
Net gain (loss) on trading in equity	16,239	(5,999)	2,655	(10,081)	18,381
Net gain (loss) on trading in bond, forex and other	17,194	17,438	26,405	(9,232)	(9,037)
Net gain (loss) on private equity and other securities	7,609	7,063	942	8,105	(1,715)
Interest and dividend income	22,523	19,431	22,049	22,462	22,664
Total operating revenues	82,499	56,563	69,075	34,130	43,581
Interest expenses	18,268	19,022	21,601	21,423	19,005
Net operating revenues	64,231	37,541	47,474	12,707	24,576
Selling general and administrative expenses					
Commission and other expenses	14,356	15,706	13,732	14,308	10,541
Employees' compensation and benefits	12,597	10,896	11,774	10,013	11,000
Occupancy and rental	3,500	3,599	3,994	4,274	4,685
Data processing and office supplies	5,123	5,358	5,556	5,538	5,864
Depreciation expenses	3,063	3,322	3,420	3,653	3,858
Taxes other than income taxes	1,059	918	894	782	784
Others	1,159	978	1,198	1,396	1,163
Total selling general and administrative expenses	40,859	40,781	40,571	39,967	37,899
Operating income	23,371	(3,239)	6,902	(27,259)	(13,323)
Non-operating income	1,311	862	384	1,146	1,262
Non-operating expenses	274	201	382	1,188	413
Ordinary income	24,408	(2,578)	6,904	(27,302)	(12,473)
Extraordinary gains	6	0	(1)	(4)	-
Extraordinary losses	-	456	-	1,090	2,982
Income before income taxes and minority interests	24,415	(3,036)	6,902	(28,397)	(15,456)
Income taxes - current	7,896	629	1,374	(7,255)	253
Income taxes - deferred	1,343	(1,650)	1,900	1,285	(4,465)
Total income taxes and other	9,239	(1,020)	3,274	(5,970)	(4,211)
Minority interests	45	52	20	80	10
Net income	15,130	(2,067)	3,607	(22,506)	(11,254)
Net financial income included in net operating revenues	4,255	408	447	1,039	3,658