

Daiwa Securities SMBC Co. Ltd.

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October 31, 2008

Consolidated financial summary
(For the 6-month period ended September 30, 2008)

(Note) All figures in the financial statements are rounded down to the nearest millionth except percentage.

Financial result (from April 1, 2008 to September 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
6-month period (2008/9)	64,150	-	27,364	-	(49,099)	-
6-month period (2007/9)	139,063	(1.4)%	101,772	(13.8)%	20,131	(49.4)%

	Ordinary income		Net income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
6-month period (2008/9)	(48,416)	-	(42,590)	-
6-month period (2007/9)	21,829	(47.5)%	13,062	(37.6)%

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Sep. 30, 2008	12,255,417	560,702	4.6%
As of Mar. 31, 2008	13,881,604	615,921	4.4%

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

As of Sep. 30, 2008 559,313 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 6-month period of fiscal 2008 (from April 1, 2008 to September 30, 2008), net operating revenues came to 27,364 million yen. Since selling, general and administrative expenses came to 76,464 million yen, ordinary income resulted in a loss of 48,416 million yen. Including extraordinary losses, income before income taxes and minority interests came to in a loss of 51,228 million yen, and net income adjusted by tax and other resulted in a loss of 42,590 million yen.

(1) Commissions

Total commission revenues amounted to 25,912 million yen. In segments, 10,154 million yen were earned in equity, and 13,190 million yen in investment banking.

a) Brokerage commissions

Total brokerage commissions came to 10,246 million yen, and of this total, 10,064 million yen were earned in equity.

b) Underwriting commissions

Underwriting commissions derived from equity came to 2,163 million yen, and underwriting commissions derived from fixed income came to 5,338 million yen. Total underwriting commissions amounted to 7,562 million yen.

c) Distribution commissions

Revenues in distribution commissions generated 187 million yen. In segments, 104 million yen were earned in investment trust, and 82 million yen in investment banking.

d) Other commissions

Other commissions in investment banking came to 5,545 million yen, and other commissions totaled 7,916 million yen.

(2) Net gain (loss) on trading

Net gain on trading amounted to 10,765 million yen. Net trading gain in equity came to 9,121 million yen, and net trading gain from fixed income together with those from foreign exchange transactions came to 1,643 million yen.

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

Due to bad condition in the real estate and the stock market, net gain (loss) on private equity and other securities totaled in a loss of 14,753 million yen.

(4) Net interest and dividend income

Interest and dividend income totaled 41,607 million yen, whereas interest expenses totaled 36,492 million yen. Net interest and dividend income came to 5,115 million yen.

(5) Selling, general and administrative expenses

Commission and other expenses came to 22,267 million yen, employees' compensation and benefits came to 21,508 million yen, data processing and office supplies came to 11,785 million yen, and selling, general and administrative expenses totaled 76,464 million yen.

2. Financial Condition

Total assets amounted to 12,255.4 billion yen. It mainly includes 5,411.5 billion yen of receivables on collateralized short-term financing agreements and 5,367.5 billion yen of trading assets.

Total liabilities amounted to 11,694.7 billion yen. It mainly includes 4,949 billion yen of payables on collateralized short-term financing agreements and 3,783.3 billion yen of trading liabilities. The company newly issued 123.9 billion yen of medium-term notes to raise its funds during current period.

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

(Millions of yen)

	Fiscal 2008 As of Sep.30,2008	Fiscal 2007 As of Mar.31,2008
Assets		
Current assets:		
Cash and deposits	122,745	124,858
Cash segregated as deposits for regulatory purposes	69,711	47,361
Trading assets:	5,367,508	7,234,037
Trading securities and others	3,848,592	5,651,286
Derivative assets	1,518,916	1,582,751
Trading receivables, net	366,753	196,872
Private equity and other securities	390,363	419,042
Less: Allowance for possible investment losses	(5,245)	(4,332)
Loans receivable from customers	10,178	9,669
Receivables related to margin transactions:	139,366	175,217
Customer margin loans	231	788
Cash deposits as collateral for securities borrowed	139,135	174,429
Collateralized short-term financing agreements:	5,411,512	5,200,592
Cash deposits as collateral for securities borrowed	5,197,115	4,662,481
Receivables related to gensaki transactions	214,397	538,110
Short-term loans receivable	92,956	147,345
Accrued income	8,879	14,189
Deferred tax assets	17,772	8,522
Other current assets	153,656	197,076
Less: Allowance for doubtful accounts	(34)	(69)
Total current assets	12,146,125	13,770,381
Non-current assets:		
Tangible fixed assets	5,782	5,820
Intangible fixed assets	57,809	54,542
Investments and others:	45,700	50,859
Investment securities	27,596	25,883
Long-term loans receivable	43	49
Long-term guarantee deposits	6,017	9,767
Deferred tax assets	5,665	5,576
Other	6,775	10,012
Less: Allowance for doubtful accounts	(398)	(430)
Total non-current assets	109,292	111,222
Total assets	12,255,417	13,881,604

(Millions of yen)

	Fiscal 2008 As of Sep.30,2008	Fiscal 2007 As of Mar.31,2008
Liabilities		
Current liabilities:		
Trading liabilities:	3,783,376	4,313,463
Trading securities and others	2,672,085	3,112,125
Derivative liabilities	1,111,290	1,201,337
Payables related to margin transactions:	141,844	180,124
Proceeds of securities sold for customers' accounts	141,844	180,124
Collateralized short-term financing agreements:	4,949,055	4,991,917
Cash deposits as collateral for securities loaned	4,573,002	3,817,074
Payables related to gensaki transactions	376,052	1,174,842
Deposits received	30,753	39,640
Cash deposits received as guarantee	42,463	26,429
Short-term borrowings	1,107,638	2,111,330
Commercial paper	464,550	488,300
Medium-term notes due within one year	8,863	10,613
Income taxes payable	521	597
Deferred tax liabilities	-	134
Allowance for relocation costs of headquarter office	1,884	5,018
Other current liabilities	115,751	115,293
Total current liabilities	10,646,702	12,282,861
Non-current liabilities:		
Medium-term notes	858,060	787,341
Long-term debts	178,500	185,000
Retirement benefits	4,971	4,654
Other non-current liabilities	708	414
Total non-current liabilities	1,042,239	977,410
Statutory reserves	5,774	5,409
Total liabilities	11,694,715	13,265,682
Net Assets		
Owners' equity:		
Common stock	255,700	255,700
Capital surplus	167,421	167,421
Retained earnings	145,305	187,896
Total owners' equity	568,426	611,017
Valuation and translation adjustments:		
Net unrealized gain (loss) on securities, net of tax effect	(9,344)	(47)
Deferred gain (loss) on hedges	(22)	(75)
Translation adjustments	252	3,851
Total valuation and translation adjustments	(9,113)	3,727
Minority interests	1,388	1,176
Total net assets	560,702	615,921
Total liabilities and net assets	12,255,417	13,881,604

(2) Consolidated statement of income

(Millions of yen)

	6-month period Apr. 1, 2008 - Sep. 30, 2008
Operating revenues:	
Commissions	25,912
Net gain (loss) on trading:	10,765
Net gain (loss) on trading in equity	9,121
Net gain (loss) on trading in bond, forex and other	1,643
Net gain (loss) on private equity and other securities	(14,753)
Interest and dividend income	41,607
Other sales	617
Total operating revenues	64,150
Interest expenses	36,492
Cost of sales	293
Net operating revenues	27,364
Selling, general and administrative expenses:	
Commission and other expenses	22,267
Employees' compensation and benefits	21,508
Occupancy and rental	9,420
Data processing and office supplies	11,785
Depreciation expenses	7,558
Taxes other than income taxes	1,543
Other	2,380
Total selling, general and administrative expenses	76,464
Operating income	(49,099)
Non-operating income:	
Other	2,140
Total non-operating income	2,140
Non-operating expenses:	
Other	1,457
Total non-operating expenses	1,457
Ordinary income	(48,416)
Extraordinary losses:	
Loss on disposal of loans receivable	2,175
Provision for financial instruments business liabilities	364
Other	271
Total extraordinary losses	2,811
Income before income taxes and minority interests	(51,228)
Income taxes-current	88
Income taxes-deferred	(8,732)
Total income taxes and other	(8,643)
Minority interests	6
Net income	(42,590)
Net financial income included in net operating revenues	5,115

(Reference)**Financial statement for the 6-month period ended September 30, 2007**

(Summary) Consolidated statement of income

(Millions of yen)

	6-month period Apr. 1, 2007 - Sep. 30, 2007
Operating revenues	
Commissions	37,562
Net gain (loss) on trading:	44,873
Net gain (loss) on trading in equity	10,240
Net gain (loss) on trading in bond, forex and other	34,632
Net gain (loss) on private equity and other securities	14,672
Interest and dividend income	41,954
Total operating revenues	139,063
Interest expenses	37,290
Net operating revenues	101,772
Selling, general and administrative expenses:	
Commission and other expenses	30,062
Employees' compensation and benefits	23,493
Occupancy and rental	7,100
Data processing and office supplies	10,482
Depreciation expenses	6,386
Taxes other than income taxes	1,977
Other	2,137
Total selling, general and administrative expenses	81,641
Operating income	20,131
Non-operating income:	
Other	2,174
Total non-operating income	2,174
Non-operating expenses:	
Other	476
Total non-operating expenses	476
Ordinary income	21,829
Extraordinary gains:	
Reversal of reserve for securities transaction liabilities	6
Total extraordinary gains	6
Extraordinary losses:	
Relocation costs of headquarter office	456
Total extraordinary losses	456
Income before income taxes and minority interests	21,378
Income taxes-current	8,525
Income taxes-deferred	(307)
Total income taxes and other	8,218
Minority interests	97
Net income	13,062
Net financial income included in net operating revenues	4,663

4. Supplemental information

(1) Breakdown of commissions

(Millions of yen)

	6-month period ended Sep. 30, 2008 (A)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	10,064	146	35	-	-	10,246
Underwriting commission:	-	-	-	7,562	-	7,562
Stock and other	-	-	-	2,163	-	2,163
Bond and other	-	-	-	5,338	-	5,338
Distribution commission	-	-	104	82	-	187
Other commission	90	321	814	5,545	1,144	7,916
Total	10,154	468	954	13,190	1,144	25,912

(Millions of yen)

	6-month period ended Sep. 30, 2007 (B)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
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
Total	14,361	678	1,406	20,300	815	37,562

(%)

	Yr/yr % change ((A)/(B)-1)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	(28.4)	(25.9)	(37.2)	-	-	(28.4)
Underwriting commission:	-	-	-	(45.2)	-	(45.2)
Stock and other	-	-	-	(73.9)	-	(73.9)
Bond and other	-	-	-	0.7	-	0.7
Distribution commission	-	-	(77.4)	(77.0)	-	(77.2)
Other commission	(69.7)	(33.1)	(8.1)	(9.6)	40.4	(8.1)
Total	(29.3)	(31.0)	(32.1)	(35.0)	40.4	(31.0)

(2) Capital adequacy ratio (Non-consolidated)

(Millions of yen)

		Fiscal 2008 As of Sep. 30, 2008	Fiscal 2007 As of Sep. 30, 2007
Basic item (A)		526,371	559,296
Supplementary item	Valuation profits of investment securities	288	1,337
	Statutory reserve	5,774	5,359
	Allowance for doubtful accounts	84	155
	Subordinated borrowings	160,000	160,000
Total (B)		166,146	166,852
Assets excluded from capital (C)		156,075	127,648
Net capital (D):(A)+(B)-(C)		536,442	598,500
Risk equivalent	Market risk equivalent	60,310	79,351
	Counterparty risk equivalent	50,916	45,801
	Basic risk equivalent	41,011	36,718
	Total (E)	152,239	161,871
Capital adequacy ratio (D)/(E)		352.3%	369.7%

(3) Quarterly consolidated statements of operations

(Millions of yen)

	Fiscal 2007			Fiscal 2008	
	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	Second quarter Jul.1,2008- Sep.30,2008
Operating revenues:					
Commissions:	18,630	17,022	22,876	13,288	12,623
Brokerage commission:	7,187	6,838	5,677	5,431	4,815
Stock and other	7,070	6,718	5,579	5,322	4,741
Bond and other	85	82	82	88	57
Underwriting commission:	6,484	5,022	6,614	4,263	3,299
Stock and other	4,136	2,290	3,886	1,263	899
Bond and other	2,255	2,572	2,576	2,996	2,342
Distribution commission:	281	241	684	80	106
Investment trust	179	115	79	46	58
Other commission:	4,677	4,919	9,900	3,513	4,402
Investment trust	439	421	380	398	415
Net gain (loss) on trading:	11,439	29,061	(19,314)	9,343	1,422
Net gain (loss) on trading in equity	(5,999)	2,655	(10,081)	18,381	(9,259)
Net gain (loss) on trading in bond, forex and other	17,438	26,405	(9,232)	(9,037)	10,681
Net gain (loss) on private equity and other securities	7,063	942	8,105	(1,715)	(13,037)
Interest and dividend income	19,431	22,049	22,462	22,664	18,943
Other sales	-	-	-	-	617
Total operating revenues	56,563	69,075	34,130	43,581	20,569
Interest expenses	19,022	21,601	21,423	19,005	17,486
Cost of sales	-	-	-	-	293
Net operating revenues	37,541	47,474	12,707	24,576	2,788
Selling general and administrative expenses:					
Commission and other expenses	15,706	13,732	14,308	10,541	11,726
Employees' compensation and benefits	10,896	11,774	10,013	11,000	10,507
Occupancy and rental	3,599	3,994	4,274	4,685	4,734
Data processing and office supplies	5,358	5,556	5,538	5,864	5,920
Depreciation expenses	3,322	3,420	3,653	3,858	3,699
Taxes other than income taxes	918	894	782	784	758
Others	978	1,198	1,396	1,163	1,216
Total selling general and administrative expenses	40,781	40,571	39,967	37,899	38,564
Operating income	(3,239)	6,902	(27,259)	(13,323)	(35,776)
Non-operating income	862	384	1,146	1,262	877
Non-operating expenses	201	382	1,188	413	1,044
Ordinary income	(2,578)	6,904	(27,302)	(12,473)	(35,943)
Extraordinary gains	0	(1)	(4)	-	-
Extraordinary losses	456	-	1,090	2,982	(171)
Income before income taxes and minority interests	(3,036)	6,902	(28,397)	(15,456)	(35,771)
Income taxes - current	629	1,374	(7,255)	253	(165)
Income taxes - deferred	(1,650)	1,900	1,285	(4,465)	(4,267)
Total income taxes and other	(1,020)	3,274	(5,970)	(4,211)	(4,432)
Minority interests	52	20	80	10	(3)
Net income	(2,067)	3,607	(22,506)	(11,254)	(31,336)
Net financial income included in net operating revenues	408	447	1,039	3,658	1,456