

**Daiwa Securities SMBC Co. Ltd.**

1-9-1 Marunouchi Chiyoda-ku

Tokyo 100-6753, Japan

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

January 30, 2009

**Consolidated financial summary**  
(For the 9-month period ended December 31, 2008)

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

**Financial result (from April 1, 2008 to December 31, 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
9-month period (2008/12)	29,234	-	(25,241)	-	(137,876)	-
9-month period (2007/12)	208,139	(10.0)%	149,246	(22.6)%	27,034	(59.1)%

	Ordinary income		Net income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
9-month period (2008/12)	(137,963)	-	(121,524)	-
9-month period (2007/12)	28,733	(57.7)%	16,670	(53.7)%

**(2) Consolidated financial conditions**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Dec. 31, 2008	12,340,342	571,317	4.6%
As of Mar. 31, 2008	13,881,604	615,921	4.4%

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

As of Dec. 31, 2008 570,114 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

Phone: +813-5555-3111

**Qualitative Information and Financial Statements****1. Overview of Operating Income**

For the 9-month period of fiscal 2008 (from April 1, 2008 to December 31, 2008), net operating revenues came to 25,241 million yen due to the unfavorable performance of net gain (loss) on trading and net gain (loss) on private equity and other securities. Since selling, general and administrative expenses came to 112,635 million yen, ordinary income resulted in a loss of 137,963 million yen. Including extraordinary losses, taxes, etc. net income resulted in a loss of 121,524 million yen.

**(1) Commissions**

Total commission revenues amounted to 41,941 million yen. In segments, 14,406 million yen were earned in equity, and 24,145 million yen in investment banking.

**a) Brokerage commissions**

Total brokerage commissions came to 14,467 million yen, and of this total, 14,237 million yen were earned in equity.

**b) Underwriting commissions**

Underwriting commissions derived from equity came to 7,763 million yen, and underwriting commissions derived from fixed income came to 7,462 million yen. Total underwriting commissions amounted to 15,409 million yen.

**c) Other commissions**

Other commissions in investment banking came to 8,637 million yen, and other commissions totaled 11,803 million yen.

**(2) Net gain (loss) on trading**

Net gain (loss) on trading amounted to in a loss of 22,458 million yen. Net trading gain from fixed income together with those from foreign exchange transactions came to 17,647 million yen, however, net trading gain (loss) in equity came to in a loss of 40,106 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 49,479 million yen.

**(4) Net interest and dividend income**

Interest and dividend income totaled 58,615 million yen, whereas interest expenses totaled 54,181 million yen. Net interest and dividend income came to 4,433 million yen.

**(5) Selling, general and administrative expenses**

Commission and other expenses came to 32,762 million yen, employees' compensation and benefits came to 32,138 million yen, data processing and office supplies came to 17,610 million yen, and selling, general and administrative expenses totaled 112,635 million yen.

**2. Financial Condition**

Total assets amounted to 12,340.3 billion yen. It mainly includes 6,511.1 billion yen of trading assets and 4,232.8 billion yen of receivables on collateralized short-term financing agreements.

Total liabilities amounted to 11,769 billion yen. It mainly includes 4,383.9 billion yen of trading liabilities and 3,708.5 billion yen of payables on collateralized short-term financing agreements. The company newly issued 139 billion yen of medium-term notes to raise its funds during current period.

**3. Others**

“Net unrealized gain on securities, net of tax effect” includes the gain for the Class Shares of 98,189 million yen which was measured at fair value based on “Practical Solution on Accounting for the Book Value of Class Shares at the Balance Sheet Date” (ASBJ Practical Issues Task Force No.10).

Especially, “net unrealized gain on securities, net of tax effect” from the investment in Series 1 Class A and Class B preferred shares of SANYO Electric Co., Ltd. accounts for 101,476 million yen.

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

(Millions of yen)

	Fiscal 2008 As of Dec.31,2008	Fiscal 2007 As of Mar.31,2008
<b>Assets</b>		
Current assets:		
Cash and deposits	179,433	124,858
Cash segregated as deposits for regulatory purposes	76,302	47,361
Trading assets:		
Trading securities and others	6,511,189	7,234,037
Derivative assets	3,830,038	5,651,286
Derivative assets	2,681,151	1,582,751
Trading receivables, net	81,404	196,872
Private equity and other securities	553,639	419,042
Less: Allowance for possible investment losses	(25,812)	(4,332)
Loans receivable from customers	10,178	9,669
Receivables related to margin transactions:		
Customer margin loans	118,735	175,217
Customer margin loans	54	788
Cash deposits as collateral for securities borrowed	118,681	174,429
Collateralized short-term financing agreements:		
Cash deposits as collateral for securities borrowed	4,232,857	5,200,592
Cash deposits as collateral for securities borrowed	4,212,933	4,662,481
Receivables related to gensaki transactions	19,924	538,110
Short-term loans receivable	124,782	147,345
Accrued income	10,112	14,189
Deferred tax assets	3,772	8,522
Other current assets	362,562	197,076
Less: Allowance for doubtful accounts	(14)	(69)
Total current assets	12,239,144	13,770,381
Non-current assets:		
Tangible fixed assets	4,575	5,820
Intangible fixed assets	58,247	54,542
Investments and others:		
Investment securities	38,374	50,859
Investment securities	23,587	25,883
Long-term loans receivable	35	49
Long-term guarantee deposits	6,057	9,767
Deferred tax assets	2,551	5,576
Other	6,577	10,012
Less: Allowance for doubtful accounts	(433)	(430)
Total non-current assets	101,197	111,222
Total assets	12,340,342	13,881,604

(Millions of yen)

	Fiscal 2008 As of Dec.31,2008	Fiscal 2007 As of Mar.31,2008
<b>Liabilities</b>		
Current liabilities:		
Trading liabilities:	4,383,987	4,313,463
Trading securities and others	2,120,822	3,112,125
Derivative liabilities	2,263,164	1,201,337
Payables related to margin transactions:	127,258	180,124
Proceeds of securities sold for customers' accounts	127,258	180,124
Collateralized short-term financing agreements:	3,708,510	4,991,917
Cash deposits as collateral for securities loaned	3,262,777	3,817,074
Payables related to gensaki transactions	445,733	1,174,842
Deposits received	50,751	39,640
Cash deposits received as guarantee	225,940	26,429
Short-term borrowings	1,808,625	2,111,330
Commercial paper	292,300	488,300
Medium-term notes due within one year	10,904	10,613
Income taxes payable	188	597
Deferred tax liabilities	42,097	134
Provision for relocation costs of headquarter office	989	5,018
Other current liabilities	22,560	115,293
Total current liabilities	10,674,114	12,282,861
Non-current liabilities:		
Medium-term notes	847,519	787,341
Long-term debts	236,000	185,000
Retirement benefits	4,937	4,654
Other non-current liabilities	679	414
Total non-current liabilities	1,089,136	977,410
Statutory reserves	5,774	5,409
Total liabilities	11,769,024	13,265,682
<b>Net Assets</b>		
Owners' equity:		
Common stock	255,700	255,700
Capital surplus	167,421	167,421
Retained earnings	66,372	187,896
Total owners' equity	489,493	611,017
Valuation and translation adjustments:		
Net unrealized gain (loss) on securities, net of tax effect	99,147	(47)
Deferred gain (loss) on hedges	(33)	(75)
Translation adjustments	(18,491)	3,851
Total valuation and translation adjustments	80,621	3,727
Minority interests	1,202	1,176
Total net assets	571,317	615,921
Total liabilities and net assets	12,340,342	13,881,604

## (2) Consolidated statement of income

(Millions of yen)

	9-month period Apr. 1, 2008 - Dec. 31, 2008
Operating revenues:	
Commissions	41,941
Net gain (loss) on trading:	(22,458)
Net gain (loss) on trading in equity	(40,106)
Net gain on trading in bond, forex and other	17,647
Net gain (loss) on private equity and other securities	(49,479)
Interest and dividend income	58,615
Other sales	616
Total operating revenues	29,234
Interest expenses	54,181
Cost of sales	293
Net operating revenues	(25,241)
Selling, general and administrative expenses:	
Commission and other expenses	32,762
Employees' compensation and benefits	32,138
Occupancy and rental	13,122
Data processing and office supplies	17,610
Depreciation	11,239
Taxes other than income taxes	2,292
Other	3,469
Total selling, general and administrative expenses	112,635
Operating income	(137,876)
Non-operating income:	
Other	2,405
Total non-operating income	2,405
Non-operating expenses:	
Other	2,492
Total non-operating expenses	2,492
Ordinary income	(137,963)
Extraordinary losses:	
Write-down of investment securities	1,511
Loss on disposal of loans receivable	1,967
Provision for financial instruments business liabilities	364
Other	245
Total extraordinary losses	4,089
Income before income taxes and minority interests	(142,053)
Income taxes-current	7
Income taxes-deferred	(20,532)
Total income taxes and other	(20,525)
Minority interests	(3)
Net income	(121,524)
Net financial income included in net operating revenues	4,433

## (Reference)

## Financial statement for the 9-month period ended December 31, 2007

( Summary ) Consolidated statement of income

(Millions of yen)

	9-month period Apr. 1, 2007 - Dec. 31, 2007
Operating revenues	
Commissions	54,585
Net gain on trading:	73,934
Net gain on trading in equity	12,896
Net gain on trading in bond, forex and other	61,038
Net gain on private equity and other securities	15,615
Interest and dividend income	64,003
Total operating revenues	208,139
Interest expenses	58,892
Net operating revenues	149,246
Selling, general and administrative expenses:	
Commission and other expenses	43,795
Employees' compensation and benefits	35,267
Occupancy and rental	11,094
Data processing and office supplies	16,038
Depreciation	9,806
Taxes other than income taxes	2,872
Other	3,336
Total selling, general and administrative expenses	122,212
Operating income	27,034
Non-operating income:	
Other	2,558
Total non-operating income	2,558
Non-operating expenses:	
Other	859
Total non-operating expenses	859
Ordinary income	28,733
Extraordinary gains:	
Reversal of reserve for securities transaction liabilities	4
Total extraordinary gains	4
Extraordinary losses:	
Relocation costs of headquarter office	456
Total extraordinary losses	456
Income before income taxes and minority interests	28,281
Income taxes-current	9,900
Income taxes-deferred	1,592
Total income taxes and other	11,493
Minority interests	117
Net income	16,670
Net financial income included in net operating revenues	5,111

## 5. Supplemental information

## (1) Breakdown of commissions

(Millions of yen)

	9-month period of fiscal 2008 (from April 1, 2008 to December 31, 2008) (A)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	14,237	175	54	-	-	14,467
<b>Underwriting commission:</b>	-	-	-	15,409	-	15,409
Stock and other	-	-	-	7,763	-	7,763
Bond and other	-	-	-	7,462	-	7,462
<b>Distribution commission</b>	-	-	162	98	-	260
<b>Other commission</b>	168	335	1,136	8,637	1,524	11,803
<b>Total</b>	14,406	511	1,353	24,145	1,524	41,941

(Millions of yen)

	9-month period of fiscal 2007 (from April 1, 2007 to December 31, 2007) (B)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	20,781	280	94	-	-	21,156
<b>Underwriting commission:</b>	-	-	-	18,830	-	18,830
Stock and other	-	-	-	10,587	-	10,587
Bond and other	-	-	-	7,875	-	7,875
<b>Distribution commission</b>	-	-	578	485	-	1,063
<b>Other commission</b>	397	614	1,307	9,922	1,292	13,534
<b>Total</b>	21,179	894	1,980	29,238	1,292	54,585

(%)

	Yr/yr % change ((A)/(B)-1)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	(31.5)	(37.2)	(42.4)	-	-	(31.6)
<b>Underwriting commission:</b>	-	-	-	(18.2)	-	(18.2)
Stock and other	-	-	-	(26.7)	-	(26.7)
Bond and other	-	-	-	(5.2)	-	(5.2)
<b>Distribution commission</b>	-	-	(72.0)	(79.7)	-	(75.5)
<b>Other commission</b>	(57.5)	(45.5)	(13.1)	(12.9)	18.0	(12.8)
<b>Total</b>	(32.0)	(42.9)	(31.7)	(17.4)	18.0	(23.2)

## (2) Capital adequacy ratio (Non-consolidated)

(Millions of yen)

		Fiscal 2008 As of Dec. 31, 2008	Fiscal 2007 As of Mar. 31, 2008
<b>Basic item (A)</b>		485,766	545,086
<b>Supplementary item</b>	Valuation profits of investment securities	53	657
	Statutory reserve	5,774	5,409
	Allowance for doubtful accounts	59	114
	Subordinated borrowings	220,000	160,000
<b>Total (B)</b>		225,886	166,180
<b>Assets excluded from capital (C)</b>		170,744	151,000
<b>Net capital (D):(A)+(B)-(C)</b>		540,908	560,268
<b>Risk equivalent</b>	Market risk equivalent	48,029	93,036
	Counterparty risk equivalent	54,610	50,089
	Basic risk equivalent	41,917	38,964
	<b>Total (E)</b>	144,557	182,089
<b>Capital adequacy ratio (D)/(E)</b>		374.1%	307.6%

## (3) Quarterly consolidated statements of operations

(Millions of yen)

	Fiscal 2007		Fiscal 2008		
	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	Third quarter Oct.1,2008- Dec.31,2008
Operating revenues:					
Commissions:	17,022	22,876	13,288	12,623	16,028
Brokerage commission:	6,838	5,677	5,431	4,815	4,221
Stock and other	6,718	5,579	5,322	4,741	4,172
Bond and other	82	82	88	57	29
Underwriting commission:	5,022	6,614	4,263	3,299	7,846
Stock and other	2,290	3,886	1,263	899	5,599
Bond and other	2,572	2,576	2,996	2,342	2,123
Distribution commission:	241	684	80	106	73
Investment trust	115	79	46	58	57
Other commission:	4,919	9,900	3,513	4,402	3,887
Investment trust	421	380	398	415	322
Net gain (loss) on trading:	29,061	(19,314)	9,343	1,422	(33,224)
Net gain (loss) on trading in equity	2,655	(10,081)	18,381	(9,259)	(49,227)
Net gain (loss) on trading in bond, forex and other	26,405	(9,232)	(9,037)	10,681	16,003
Net gain (loss) on private equity and other securities	942	8,105	(1,715)	(13,037)	(34,726)
Interest and dividend income	22,049	22,462	22,664	18,943	17,008
Other sales	-	-	-	617	(1)
Total operating revenues	69,075	34,130	43,581	20,569	(34,916)
Interest expenses	21,601	21,423	19,005	17,486	17,689
Cost of sales	-	-	-	293	-
Net operating revenues	47,474	12,707	24,576	2,788	(52,606)
Selling general and administrative expenses:					
Commission and other expenses	13,732	14,308	10,541	11,726	10,494
Employees' compensation and benefits	11,774	10,013	11,000	10,507	10,629
Occupancy and rental	3,994	4,274	4,685	4,734	3,702
Data processing and office supplies	5,556	5,538	5,864	5,920	5,825
Depreciation	3,420	3,653	3,858	3,699	3,681
Taxes other than income taxes	894	782	784	758	748
Others	1,198	1,396	1,163	1,216	1,089
Total selling general and administrative expenses	40,571	39,967	37,899	38,564	36,170
Operating income	6,902	(27,259)	(13,323)	(35,776)	(88,776)
Non-operating income	384	1,146	1,262	877	264
Non-operating expenses	382	1,188	413	1,044	1,035
Ordinary income	6,904	(27,302)	(12,473)	(35,943)	(89,546)
Extraordinary gains	(1)	(4)	-	-	-
Extraordinary losses	-	1,090	2,982	(171)	1,278
Income before income taxes and minority interests	6,902	(28,397)	(15,456)	(35,771)	(90,825)
Income taxes - current	1,374	(7,255)	253	(165)	(81)
Income taxes - deferred	1,900	1,285	(4,465)	(4,267)	(11,799)
Total income taxes and other	3,274	(5,970)	(4,211)	(4,432)	(11,881)
Minority interests	20	80	10	(3)	(10)
Net income	3,607	(22,506)	(11,254)	(31,336)	(78,933)
Net financial income included in net operating revenues	447	1,039	3,658	1,456	(681)