

Daiwa Securities SMBC Co. Ltd.

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April 28, 2009

Consolidated financial summary
(For the fiscal year ended March 31, 2009)

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

Financial result (from April 1, 2008 to March 31, 2009)**(1) Consolidated operating results**

	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 2008 (2009/3)	45,514	(81.2)%	(19,989)	-	(168,499)	-
Fiscal 2007 (2008/3)	242,269	(23.6)%	161,954	(37.9)%	(225)	-

	Ordinary income		Net income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
Fiscal 2008 (2009/3)	(167,468)	-	(144,958)	-
Fiscal 2007 (2008/3)	1,431	(98.5)%	(5,836)	-

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Mar. 31, 2009	11,137,793	530,978	4.8%
As of Mar. 31, 2008	13,881,604	615,921	4.4%

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

As of Mar. 31, 2009 529,743 million yen; As of Mar. 31, 2008 614,745 million yen

Representative: Shin Yoshidome, President

Contact: Sunao Otsuka, 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

Overview of Operating Income (Comparisons in parenthesis are made versus the fiscal 2007)

For the fiscal year ended March 31, 2009 (from April 1, 2008 to March 31, 2009), net operating revenues came to 19,989 million yen due to the significant loss of net gain (loss) on private equity and other securities. Since selling, general and administrative expenses came to 148,510 million yen (8.4% down) and its decrease was small, ordinary income resulted in a big loss of 167,468 million yen. As a result, net income amounted to a loss of 144,958 million yen.

(1) Commissions

Total commission revenues amounted to 56,285 million yen (27.3% down). In segments, 18,147 million yen (32.7% down) were earned in equity, and 34,054 million yen (24.3% down) in investment banking.

a) Brokerage commissions

Total brokerage commissions came to 18,214 million yen (32.1% down), and of this total, 17,934 million yen (32.0% down) were earned in equity.

b) Underwriting commissions

Underwriting commissions derived from equity came to 9,868 million yen (31.8% down), and underwriting commissions derived from fixed income came to 10,581 million yen (1.2% up). Total underwriting commissions amounted to 20,749 million yen (18.5% down).

c) Other commissions

Other commissions in investment banking came to 13,176 million yen (28.5% down) due to decreased fees received in M&A operations, and other commissions totaled 16,996 million yen (27.5% down).

(2) Net gain (loss) on trading

Net gain (loss) on trading amounted to in a loss of 4,754 million yen. Net trading gain from fixed income together with those from foreign exchange transactions came to 26,750 million yen (48.4% down), and net trading gain (loss) in equity came to in a loss of 31,505 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 75,191 million yen.

(4) Net interest and dividend income

Interest and dividend income totaled 68,399 million yen (20.9% down), whereas interest expenses totaled 65,062 million yen (19.0% down). Net interest and dividend income came to 3,336 million yen (45.8% down).

(5) Selling, general and administrative expenses

Commission and other expenses came to 42,465 million yen (26.9% down) reflecting decreased commission paid, employees' compensation and benefits came to 41,918 million yen (7.4% down), and selling, general and administrative expenses totaled 148,510 million yen (8.4% down).

Financial Condition (Comparisons in parenthesis are made versus the fiscal 2007)

Total assets decreased by 2,743.8 billion yen to 11,137.7 billion yen reflecting decreases in trading assets by 1,589.2 billion yen, and receivables on collateralized short-term financing agreements by 1,127 billion yen.

Total liabilities decreased by 2,658.8 billion yen to 10,606.8 billion yen, which is primarily attributable to decreases in payables on collateralized short-term financing agreements by 1,706.7 billion yen, and short-term borrowings by 1,351.5 billion yen. The company newly issued 148.3 billion yen of medium-term notes to raise its funds during the fiscal 2008.

Others

"Net unrealized gain on securities, net of tax effect" includes the gain for the Class Shares of 78,514 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 80,295 million yen.

Financial statements**Consolidated balance sheets**

(Millions of yen)

	Fiscal 2007 As of Mar.31,2008	Fiscal 2008 As of Mar.31,2009
Assets		
Current assets:		
Cash and deposits	124,858	113,265
Cash segregated as deposits for regulatory purposes	47,361	67,730
Trading assets:	7,234,037	5,644,743
Trading securities and others	5,651,286	3,012,413
Derivative assets	1,582,751	2,632,330
Trading receivables, net	196,872	179,248
Private equity and other securities	419,042	490,510
Less: Allowance for possible investment losses	(4,332)	(24,496)
Loans receivable from customers	9,669	10,503
Receivables related to margin transactions:	175,217	158,514
Customer margin loans	788	19
Cash deposits as collateral for securities borrowed	174,429	158,494
Collateralized short-term financing agreements:	5,200,592	4,073,497
Cash deposits as collateral for securities borrowed	4,662,481	4,061,801
Receivables related to gensaki transactions	538,110	11,695
Short-term loans receivable	147,345	10,272
Accrued income	14,189	7,136
Deferred tax assets	8,522	5,289
Other current assets	197,076	302,471
Less: Allowance for doubtful accounts	(69)	(89)
Total current assets	13,770,381	11,038,599
Non-current assets:		
Tangible fixed assets	5,820	4,400
Intangible fixed assets	54,542	60,658
Investments and others:	50,859	34,135
Investment securities	25,883	21,783
Long-term loans receivable	49	34
Long-term guarantee deposits	9,767	6,116
Deferred tax assets	5,576	923
Other	10,012	5,633
Less: Allowance for doubtful accounts	(430)	(356)
Total non-current assets	111,222	99,194
Total assets	13,881,604	11,137,793

(Millions of yen)

	Fiscal 2007 As of Mar.31,2008	Fiscal 2008 As of Mar.31,2009
Liabilities		
Current liabilities:		
Trading liabilities:	4,313,463	4,620,770
Trading securities and others	3,112,125	2,458,396
Derivative liabilities	1,201,337	2,162,373
Payables related to margin transactions:	180,124	107,776
Proceeds of securities sold for customers' accounts	180,124	107,776
Collateralized short-term financing agreements:	4,991,917	3,285,156
Cash deposits as collateral for securities loaned	3,817,074	2,454,930
Payables related to gensaki transactions	1,174,842	830,226
Deposits received	39,640	46,283
Cash deposits received as guarantee	26,429	278,072
Short-term borrowings	2,111,330	759,814
Commercial paper	488,300	320,400
Medium-term notes due within one year	10,613	9,632
Income taxes payable	597	312
Deferred tax liabilities	134	22,517
Provision for relocation costs of headquarter office	5,018	-
Other current liabilities	115,293	36,221
Total current liabilities	12,282,861	9,486,956
Non-current liabilities:		
Medium-term notes	787,341	840,126
Long-term debts	185,000	270,500
Deferred tax liabilities	-	338
Retirement benefits	4,654	5,065
Other non-current liabilities	414	728
Total non-current liabilities	977,410	1,116,759
Statutory reserves	5,409	3,098
Total liabilities	13,265,682	10,606,814
Net Assets		
Owners' equity:		
Common stock	255,700	255,700
Capital surplus	167,421	167,421
Retained earnings	187,896	42,937
Total owners' equity	611,017	466,058
Valuation and translation adjustments:		
Net unrealized gain (loss) on securities, net of tax effect	(47)	78,733
Deferred gain (loss) on hedges	(75)	-
Translation adjustments	3,851	(15,048)
Total valuation and translation adjustments	3,727	63,684
Minority interests	1,176	1,235
Total net assets	615,921	530,978
Total liabilities and net assets	13,881,604	11,137,793

Consolidated statement of income

(Millions of yen)

	Fiscal 2007 Apr. 1, 2007 - Mar. 31, 2008	Fiscal 2008 Apr. 1, 2008 - Mar. 31, 2009
Operating revenues:		
Commissions	77,461	56,285
Net gain (loss) on trading:	54,620	(4,754)
Net gain (loss) on trading in equity	2,814	(31,505)
Net gain on trading in bond, forex and other	51,806	26,750
Net gain (loss) on private equity and other securities	23,720	(75,191)
Interest and dividend income	86,466	68,399
Other sales	-	777
Total operating revenues	242,269	45,514
Interest expenses	80,315	65,062
Cost of sales	-	441
Net operating revenues	161,954	(19,989)
Selling, general and administrative expenses:		
Commission and other expenses	58,104	42,465
Employees' compensation and benefits	45,281	41,918
Occupancy and rental	15,368	16,877
Data processing and office supplies	21,576	23,449
Depreciation	13,460	15,820
Taxes other than income taxes	3,654	3,073
Other	4,733	4,904
Total selling, general and administrative expenses	162,179	148,510
Operating income	(225)	(168,499)
Non-operating income:		
Other	3,704	3,927
Total non-operating income	3,704	3,927
Non-operating expenses:		
Other	2,047	2,896
Total non-operating expenses	2,047	2,896
Ordinary income	1,431	(167,468)
Extraordinary gains		
Reversal of reserve for financial futures transaction liabilities	-	2,311
Other	0	-
Total extraordinary gains	0	2,311
Extraordinary losses:		
Write-down of investment securities	-	3,427
Loss on disposal of loans receivable	-	1,837
Relocation costs of headquarter office	1,503	-
Other	44	229
Total extraordinary losses	1,547	5,494
Income before income taxes and minority interests	(115)	(170,651)
Income taxes-current	2,644	(110)
Income taxes-deferred	2,878	(25,586)
Total income taxes and other	5,522	(25,697)
Minority interests	197	4
Net income	(5,836)	(144,958)
Net financial income included in net operating revenues	6,151	3,336

Consolidated statements of changes in net assets

Fiscal 2007 (from April 1, 2007 to March 31, 2008)

(Millions of yen)

	Owners' equity			
	Common stock	Capital surplus	Retained earnings	Total owner's equity
Beginning balance as of Mar. 31, 2007	255,700	167,421	219,686	642,808
Changes of items during the fiscal year				
Dividends	-	-	(25,954)	(25,954)
Net income	-	-	(5,836)	(5,836)
Total changes of items during the fiscal year	-	-	(31,790)	(31,790)
Ending balance as of Mar. 31, 2008	255,700	167,421	187,896	611,017

	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 year					
Net changes of items other than owners' equity	(22,498)	(70)	(13,057)	(35,626)	91
Total changes of items during the fiscal year	(22,498)	(70)	(13,057)	(35,626)	91
Ending balance as of Mar. 31, 2008	(47)	(75)	3,851	3,727	1,176

Fiscal 2008 (from April 1, 2008 to March 31, 2009)

(Millions of yen)

	Owners' equity			
	Common stock	Capital surplus	Retained earnings	Total owner's equity
Beginning balance as of Mar. 31, 2008	255,700	167,421	187,896	611,017
Changes of items during the fiscal year				
Net income	-	-	(144,958)	(144,958)
Total changes of items during the fiscal year	-	-	(144,958)	(144,958)
Ending balance as of Mar. 31, 2009	255,700	167,421	42,937	466,058

	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, 2008	(47)	(75)	3,851	3,727	1,176
Changes of items during the fiscal year					
Net changes of items other than owners' equity	78,780	75	(18,899)	59,957	58
Total changes of items during the fiscal year	78,780	75	(18,899)	59,957	58
Ending balance as of Mar. 31, 2009	78,733	-	(15,048)	63,684	1,235

Supplemental information

(1) Breakdown of commissions

(Millions of yen)

	Fiscal 2007 ended Mar. 31, 2008 (A)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	26,360	362	110	-	-	26,833
Underwriting commission:	-	-	-	25,445	-	25,445
Stock and other	-	-	-	14,474	-	14,474
Bond and other	-	-	-	10,452	-	10,452
Distribution commission	-	-	658	1,089	-	1,748
Other commission	602	767	1,687	18,429	1,948	23,435
Total	26,963	1,129	2,456	44,963	1,948	77,461

(Millions of yen)

	Fiscal 2008 ended Mar. 31, 2009 (B)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	17,934	212	66	-	-	18,214
Underwriting commission:	-	-	-	20,749	-	20,749
Stock and other	-	-	-	9,868	-	9,868
Bond and other	-	-	-	10,581	-	10,581
Distribution commission	-	-	195	128	-	324
Other commission	212	357	1,378	13,176	1,872	16,996
Total	18,147	569	1,640	34,054	1,872	56,285

(%)

	Yr/yr % change ((B)/(A)-1)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	(32.0)	(41.3)	(39.5)	-	-	(32.1)
Underwriting commission:	-	-	-	(18.5)	-	(18.5)
Stock and other	-	-	-	(31.8)	-	(31.8)
Bond and other	-	-	-	1.2	-	1.2
Distribution commission	-	-	(70.3)	(88.2)	-	(81.4)
Other commission	(64.7)	(53.5)	(18.3)	(28.5)	(3.9)	(27.5)
Total	(32.7)	(49.6)	(33.2)	(24.3)	(3.9)	(27.3)

(2) Capital adequacy ratio (Non-consolidated)

(Millions of yen)

		As of Mar. 31, 2008	As of Mar. 31, 2009
Basic item (A)		545,086	475,057
Supplementary item	Valuation profits of investment securities	657	0
	Statutory reserve	5,409	3,098
	Allowance for doubtful accounts	114	1,384
	Subordinated borrowings	160,000	255,000
Total (B)		166,180	259,482
Assets excluded from capital (C)		151,000	168,462
Net capital (D):(A)+(B)-(C)		560,266	566,077
Risk equivalent	Market risk equivalent	93,036	65,763
	Counterparty risk equivalent	50,089	58,780
	Basic risk equivalent	38,964	40,042
	Total (E)	182,090	164,587
Capital adequacy ratio (D)/(E)		307.6%	343.9%

(3) Quarterly consolidated statements of operations

(Millions of yen)

	Fiscal 2007	Fiscal 2008			
	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	Fourth quarter Jan.1,2009- Mar.31,2009
Operating revenues:					
Commissions:	22,876	13,288	12,623	16,028	14,344
Brokerage commission:	5,677	5,431	4,815	4,221	3,746
Stock and other	5,579	5,322	4,741	4,172	3,697
Bond and other	82	88	57	29	36
Underwriting commission:	6,614	4,263	3,299	7,846	5,340
Stock and other	3,886	1,263	899	5,599	2,105
Bond and other	2,576	2,996	2,342	2,123	3,119
Distribution commission:	684	80	106	73	64
Investment trust	79	46	58	57	33
Other commission:	9,900	3,513	4,402	3,887	5,192
Investment trust	380	398	415	322	491
Net gain (loss) on trading:	(19,314)	9,343	1,422	(33,224)	17,703
Net gain (loss) on trading in equity	(10,081)	18,381	(9,259)	(49,227)	8,600
Net gain (loss) on trading in bond, forex and other	(9,232)	(9,037)	10,681	16,003	9,103
Net gain (loss) on private equity and other securities	8,105	(1,715)	(13,037)	(34,726)	(25,712)
Interest and dividend income	22,462	22,664	18,943	17,008	9,783
Other sales	-	-	617	(1)	161
Total operating revenues	34,130	43,581	20,569	(34,916)	16,280
Interest expenses	21,423	19,005	17,486	17,689	10,880
Cost of sales	-	-	293	-	148
Net operating revenues	12,707	24,576	2,788	(52,606)	5,251
Selling general and administrative expenses:					
Commission and other expenses	14,308	10,541	11,726	10,494	9,703
Employees' compensation and benefits	10,013	11,000	10,507	10,629	9,780
Occupancy and rental	4,274	4,685	4,734	3,702	3,754
Data processing and office supplies	5,538	5,864	5,920	5,825	5,838
Depreciation	3,653	3,858	3,699	3,681	4,581
Taxes other than income taxes	782	784	758	748	781
Others	1,396	1,163	1,216	1,089	1,435
Total selling general and administrative expenses	39,967	37,899	38,564	36,170	35,875
Operating income	(27,259)	(13,323)	(35,776)	(88,776)	(30,623)
Non-operating income	1,146	1,262	877	264	1,522
Non-operating expenses	1,188	413	1,044	1,035	404
Ordinary income	(27,302)	(12,473)	(35,943)	(89,546)	(29,505)
Extraordinary gains	(4)	-	-	-	2,311
Extraordinary losses	1,090	2,982	(171)	1,278	1,404
Income before income taxes and minority interests	(28,397)	(15,456)	(35,771)	(90,825)	(28,598)
Income taxes - current	(7,255)	253	(165)	(81)	(117)
Income taxes - deferred	1,285	(4,465)	(4,267)	(11,799)	(5,054)
Total income taxes and other	(5,970)	(4,211)	(4,432)	(11,881)	(5,172)
Minority interests	80	10	(3)	(10)	7
Net income	(22,506)	(11,254)	(31,336)	(78,933)	(23,434)
Net financial income included in net operating revenues	1,039	3,658	1,456	(681)	(1,097)