

**Daiwa Securities SMBC Co. Ltd.**

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July 31, 2009

**Consolidated financial summary**

(For the 3-month period ended June 30, 2009)

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

**Financial result (from April 1, 2009 to June 30, 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
3-month period (2009/6)	64,358	(47.7)%	54,998	(123.8)%	9,306	-
3-month period (2008/6)	43,581	-	24,576	-	(13,323)	-

	Ordinary income		Net income	
	Millions of yen	Yr/yr Change	Millions of yen	Yr/yr change
3-month period (2009/6)	10,177	-	10,135	-
3-month period (2008/6)	(12,473)	-	(11,254)	-

## (2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Jun. 30, 2009	11,991,428	670,246	5.6%
As of Mar. 31, 2009	11,137,793	530,978	4.8%

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

As of Jun. 30, 2009 668,943 million yen; As of Mar. 31, 2009 529,743 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

### 1. Overview of Operating Income (Comparisons in parenthesis are made versus the 3-month period of fiscal 2008)

For the 3-month period of fiscal 2009 (from April 1, 2009 to June 30, 2009), net operating revenues substantially increased to 54,998 million yen (123.8% up) due to the favorable performance in investment banking. Since selling, general and administrative expenses came to 45,692 million yen (20.6% up), ordinary income returned to a profit of 10,177 million yen from a loss of 12,473 million yen for the 3-month period of fiscal 2008. As a result, net income totaled 10,135 million yen including extraordinary income, taxes, etc.

#### (1) Commissions

Total commission revenues amounted to 31,699 million yen (138.5% up). In segments, 26,250 million yen (289.8% up) in investment banking, and 4,804 million yen (10.4% down) were earned in equity.

##### a) Brokerage commissions

Total brokerage commissions came to 4,717 million yen (13.1% down), and of this total, 4,688 million yen (11.9% down) were earned in equity.

##### b) Underwriting commissions

Underwriting commissions derived from equity came to 20,734 million yen due to the underwriting as a lead manager for a large public offering. Underwriting commissions derived from fixed income came to 3,405 million yen (13.6% up), and underwriting commissions totaled 24,237 million yen (468.5% up).

##### c) Other commissions

Other commissions in investment banking came to 1,996 million yen (18.1% down), and other commissions totaled 2,713 million yen (22.8% down).

#### (2) Net gain on trading

Net gain on trading amounted to 22,258 million yen (138.2% up). Net trading gain in equity came to 12,395 million yen (32.6% down). Net trading gain from fixed income together with those from foreign exchange transactions came to 9,862 million yen, although it marked a loss of 9,037 million yen for the 3-month period of fiscal 2008.

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

Net gain (loss) on private equity and other securities totaled 919 million yen, although it marked a loss of 1,715 million yen for the 3-month period of fiscal 2008.

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

Interest and dividend income totaled 9,380 million yen (58.6% down), whereas interest expenses totaled 9,275 million yen (51.2% down). Net interest and dividend income came to 105 million yen (97.1% down).

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

Commission and other expenses increased to 17,829 million yen (69.1% up) due to the increase of commission paid related to a large public offering, and employees' compensation and benefits increased to 11,810 million yen (7.4% up) due to the increase of bonuses and etc. As a result, selling, general and administrative expenses totaled 45,692 million yen (20.6% up).

### 2. Financial Condition (Comparisons are made versus the fiscal 2008)

Total assets amounted to 11,991.4 billion yen. It mainly includes trading assets which increased by 635 billion yen to 6,279.7 billion yen, and receivables on collateralized short-term financing agreements which increased by 188.8 billion yen to 4,262.3 billion yen.

Total liabilities amounted to 11,321.1 billion yen. It mainly includes trading liabilities which increased by 13.2 billion yen to 4,634 billion yen, and payables on collateralized short-term financing agreements which decreased by 48.5 billion yen to 3,236.6 billion yen. The company newly issued 43.7 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 197,083 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 190,435 million yen.

**Financial statements****Consolidated balance sheets**

(Millions of yen)

	Fiscal 2009 As of Jun.30,2009	Fiscal 2008 As of Mar.31,2009
<b>Assets</b>		
Current assets:		
Cash and deposits	120,774	113,265
Cash segregated as deposits for regulatory purposes	131,125	67,730
Trading assets:	6,279,780	5,644,743
Trading securities and others	3,927,812	3,012,413
Derivative assets	2,351,967	2,632,330
Trading receivables, net	—	179,248
Private equity and other securities	692,710	490,510
Less: Allowance for possible investment losses	(21,462)	(24,496)
Loans receivable from customers	11,478	10,503
Receivables related to margin transactions:	132,445	158,514
Customer margin loans	220	19
Cash deposits as collateral for securities borrowed	132,225	158,494
Collateralized short-term financing agreements:	4,262,346	4,073,497
Cash deposits as collateral for securities borrowed	4,243,637	4,061,801
Receivables related to gensaki transactions	18,708	11,695
Short-term loans receivable	310	10,272
Accrued income	8,909	7,136
Deferred tax assets	7,084	5,289
Other current assets	267,756	302,471
Less: Allowance for doubtful accounts	(65)	(89)
Total current assets	11,893,197	11,038,599
Non-current assets:		
Tangible fixed assets	3,929	4,400
Intangible fixed assets	60,862	60,658
Investments and others:	33,439	34,135
Investment securities	21,436	21,783
Long-term guarantee deposits	6,172	6,116
Deferred tax assets	997	923
Other	5,193	5,668
Less: Allowance for doubtful accounts	(360)	(356)
Total non-current assets	98,231	99,194
Total assets	11,991,428	11,137,793

(Millions of yen)

	Fiscal 2009 As of Jun.30,2009	Fiscal 2008 As of Mar.31,2009
<b>Liabilities</b>		
Current liabilities:		
Trading liabilities:		
Trading securities and others	4,634,027	4,620,770
Derivative liabilities	2,791,537	2,458,396
Trading payables, net	1,842,490	2,162,373
Payables related to margin transactions:	479,219	—
Proceeds of securities sold for customers' accounts	104,565	107,776
Collateralized short-term financing agreements:	104,565	107,776
Cash deposits as collateral for securities loaned	3,236,605	3,285,156
Payables related to gensaki transactions	2,385,428	2,454,930
Deposits received	851,177	830,226
Cash deposits received as guarantee	107,179	46,283
Short-term borrowings	221,822	278,072
Commercial paper	788,329	759,814
Medium-term notes due within one year	420,180	320,400
Income taxes payable	13,541	9,632
Deferred tax liabilities	301	312
Other current liabilities	108,730	22,517
Total current liabilities	94,587	36,221
	10,209,090	9,486,956
Non-current liabilities:		
Medium-term notes	822,860	840,126
Long-term debts	280,000	270,500
Deferred tax liabilities	532	338
Retirement benefits	5,261	5,065
Other non-current liabilities	339	728
Total non-current liabilities	1,108,992	1,116,759
Statutory reserves	3,098	3,098
Total liabilities	11,321,181	10,606,814
<b>Net Assets</b>		
Owners' equity:		
Common stock	255,700	255,700
Capital surplus	167,421	167,421
Retained earnings	53,073	42,937
Total owners' equity	476,194	466,058
Valuation and translation adjustments:		
Net unrealized gain on securities, net of tax effect	202,716	78,733
Translation adjustments	(9,968)	(15,048)
Total valuation and translation adjustments	192,748	63,684
Minority interests	1,303	1,235
Total net assets	670,246	530,978
Total liabilities and net assets	11,991,428	11,137,793

**Consolidated statement of income**

(Millions of yen)

	3-month period Apr. 1, 2008 - Jun. 30, 2008	3-month period Apr. 1, 2009 - Jun. 30, 2009
Operating revenues:		
Commissions	13,288	31,699
Net gain on trading:	9,343	22,258
Net gain on trading in equity	18,381	12,395
Net gain (loss) on trading in bond, forex and other	(9,037)	9,862
Net gain (loss) on private equity and other securities	(1,715)	919
Interest and dividend income	22,664	9,380
Other sales	—	100
Total operating revenues	43,581	64,358
Interest expenses	19,005	9,275
Cost of sales	—	84
Net operating revenues	24,576	54,998
Selling, general and administrative expenses:		
Commission and other expenses	10,541	17,829
Employees' compensation and benefits	11,000	11,810
Occupancy and rental	4,685	3,823
Data processing and office supplies	5,864	5,633
Depreciation	3,858	4,426
Taxes other than income taxes	784	1,147
Other	1,163	1,022
Total selling, general and administrative expenses	37,899	45,692
Operating income	(13,323)	9,306
Non-operating income:		
Other	1,262	1,257
Total non-operating income	1,262	1,257
Non-operating expenses:		
Other	413	386
Total non-operating expenses	413	386
Ordinary income	(12,473)	10,177
Extraordinary losses:		
Allowance for doubtful accounts	2,270	—
Provision for financial instruments business liabilities	364	—
Write-down of investment securities	—	521
Other	348	—
Total extraordinary losses	2,982	521
Income before income taxes and minority interests	(15,456)	9,655
Income taxes-current	253	36
Income taxes-deferred	(4,465)	(564)
Total income taxes and other	(4,211)	(527)
Minority interests	10	48
Net income	(11,254)	10,135
Net financial income included in net operating revenues	3,658	105

**Supplemental information**

## (1) Breakdown of commissions

(Millions of yen)

	3-month period of fiscal 2008 (from April 1, 2008 to June 30, 2008) (A)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	<b>5,322</b>	<b>88</b>	<b>20</b>	-	-	<b>5,431</b>
<b>Underwriting commission:</b>	-	-	-	<b>4,263</b>	-	<b>4,263</b>
Stock and other	-	-	-	1,263	-	1,263
Bond and other	-	-	-	2,996	-	2,996
<b>Distribution commission</b>	-	-	<b>46</b>	<b>34</b>	-	<b>80</b>
<b>Other commission</b>	<b>39</b>	<b>184</b>	<b>398</b>	<b>2,437</b>	<b>453</b>	<b>3,513</b>
<b>Total</b>	<b>5,361</b>	<b>273</b>	<b>464</b>	<b>6,735</b>	<b>453</b>	<b>13,288</b>

(Millions of yen)

	3-month period of fiscal 2009 (from April 1, 2009 to June 30, 2009) (B)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	<b>4,688</b>	<b>16</b>	<b>13</b>	-	-	<b>4,717</b>
<b>Underwriting commission:</b>	-	-	-	<b>24,237</b>	-	<b>24,237</b>
Stock and other	-	-	-	20,734	-	20,734
Bond and other	-	-	-	3,405	-	3,405
<b>Distribution commission</b>	-	-	<b>13</b>	<b>17</b>	-	<b>30</b>
<b>Other commission</b>	<b>116</b>	<b>51</b>	<b>245</b>	<b>1,996</b>	<b>304</b>	<b>2,713</b>
<b>Total</b>	<b>4,804</b>	<b>67</b>	<b>271</b>	<b>26,250</b>	<b>304</b>	<b>31,699</b>

(% )

	Yr/yr % change ((B)/(A)-1)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	<b>(11.9)</b>	<b>(81.2)</b>	<b>(35.3)</b>	-	-	<b>(13.1)</b>
<b>Underwriting commission:</b>	-	-	-	<b>468.5</b>	-	<b>468.5</b>
Stock and other	-	-	-	-	-	-
Bond and other	-	-	-	13.6	-	13.6
<b>Distribution commission</b>	-	-	<b>(71.5)</b>	<b>(50.0)</b>	-	<b>(62.5)</b>
<b>Other commission</b>	<b>197.1</b>	<b>(72.3)</b>	<b>(38.3)</b>	<b>(18.1)</b>	<b>(32.9)</b>	<b>(22.8)</b>
<b>Total</b>	<b>(10.4)</b>	<b>(75.2)</b>	<b>(41.5)</b>	<b>289.8</b>	<b>(32.9)</b>	<b>138.5</b>

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

(Millions of yen)

		Fiscal 2009 As of Jun. 30, 2009	Fiscal 2008 As of Mar. 31, 2009
Basic item	(A)	480,674	475,057
Supplementary item	Valuation profits of investment securities	-	-
	Statutory reserve	3,098	3,098
	Allowance for doubtful accounts	1,592	1,384
	Subordinated borrowings	259,875	255,000
Total	(B)	264,566	259,482
Assets excluded from capital	(C)	185,837	168,462
Net capital	(D):(A)+(B)-(C)	559,403	566,077
Risk equivalent	Market risk equivalent	50,322	65,763
	Counterparty risk equivalent	57,683	58,780
	Basic risk equivalent	37,314	40,042
	Total	(E)	145,320
Capital adequacy ratio	(D)/(E)	384.9%	343.9%

## (3) Quarterly consolidated statements of operations

(Millions of yen)

	Fiscal 2008				Fiscal 2009
	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	First quarter Apr.1,2009- Jun.30,2009
Operating revenues:					
Commissions:	13,288	12,623	16,028	14,344	31,699
Brokerage commission:	5,431	4,815	4,221	3,746	4,717
Stock and other	5,322	4,741	4,172	3,697	4,688
Bond and other	88	57	29	36	16
Underwriting commission:	4,263	3,299	7,846	5,340	24,237
Stock and other	1,263	899	5,599	2,105	20,734
Bond and other	2,996	2,342	2,123	3,119	3,405
Distribution commission:	80	106	73	64	30
Investment trust	46	58	57	33	17
Other commission:	3,513	4,402	3,887	5,192	2,713
Investment trust	398	415	322	241	245
Net gain (loss) on trading:	9,343	1,422	(33,224)	17,703	22,258
Net gain (loss) on trading in equity	18,381	(9,259)	(49,227)	8,600	12,395
Net gain (loss) on trading in bond, forex and other	(9,037)	10,681	16,003	9,103	9,862
Net gain (loss) on private equity and other securities	(1,715)	(13,037)	(34,726)	(25,712)	919
Interest and dividend income	22,664	18,943	17,008	9,783	9,380
Other sales	-	617	(1)	161	100
Total operating revenues	43,581	20,569	(34,916)	16,280	64,358
Interest expenses	19,005	17,486	17,689	10,880	9,275
Cost of sales	-	293	-	148	84
Net operating revenues	24,576	2,788	(52,606)	5,251	54,998
Selling general and administrative expenses:					
Commission and other expenses	10,541	11,726	10,494	9,703	17,829
Employees' compensation and benefits	11,000	10,507	10,629	9,780	11,810
Occupancy and rental	4,685	4,734	3,702	3,754	3,823
Data processing and office supplies	5,864	5,920	5,825	5,838	5,633
Depreciation	3,858	3,699	3,681	4,581	4,426
Taxes other than income taxes	784	758	748	781	1,147
Others	1,163	1,216	1,089	1,435	1,022
Total selling general and administrative expenses	37,899	38,564	36,170	35,875	45,692
Operating income	(13,323)	(35,776)	(88,776)	(30,623)	9,306
Non-operating income	1,262	877	264	1,522	1,257
Non-operating expenses	413	1,044	1,035	404	386
Ordinary income	(12,473)	(35,943)	(89,546)	(29,505)	10,177
Extraordinary gains	-	-	-	2,311	-
Extraordinary losses	2,982	(171)	1,278	1,404	521
Income before income taxes and minority interests	(15,456)	(35,771)	(90,825)	(28,598)	9,655
Income taxes - current	253	(165)	(81)	(117)	36
Income taxes - deferred	(4,465)	(4,267)	(11,799)	(5,054)	(564)
Total income taxes and other	(4,211)	(4,432)	(11,881)	(5,172)	(527)
Minority interests	10	(3)	(10)	7	48
Net income	(11,254)	(31,336)	(78,933)	(23,434)	10,135
Net financial income included in net operating revenues	3,658	1,456	(681)	(1,097)	105