

**Daiwa Securities SMBC Co. Ltd.**

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October 30, 2009

**Consolidated financial summary**  
(For the 6-month period ended September 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 September 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
6-month period (2009/9)	110,487	(72.2)%	93,665	(242.3)%	4,897	-
6-month period (2008/9)	64,150	-	27,364	-	(49,099)	-

	Ordinary income		Net income	
	Millions of yen	Yr/yr Change	Millions of yen	Yr/yr change
6-month period (2009/9)	6,078	-	9,280	-
6-month period (2008/9)	(48,416)	-	(42,590)	-

## (2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Sep. 30, 2009	12,887,842	612,738	4.7%
As of Mar. 31, 2009	11,137,793	530,978	4.8%

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

As of Sep. 30, 2009 611,471 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 6-month period of fiscal 2008)

For the 6-month period of fiscal 2009 (from April 1, 2009 to September 30, 2009), net operating revenues substantially increased to 93,665 million yen (242.3% up) due to the favorable performance in investment banking. Since selling, general and administrative expenses came to 88,768 million yen (16.1% up), ordinary income returned to a profit of 6,078 million yen from a loss of 48,416 million yen for the 6-month period of fiscal 2008. As a result, net income totaled 9,280 million yen including extraordinary income, taxes, etc.

#### (1) Commissions

Total commission revenues amounted to 55,428 million yen (113.9% up). In segments, 44,165 million yen (234.8% up) in investment banking, and 9,241 million yen (9.0% down) were earned in equity.

##### a) Brokerage commissions

Total brokerage commissions came to 9,132 million yen (10.9% down), and of this total, 9,074 million yen (9.8% down) were earned in equity.

##### b) Underwriting commissions

Underwriting commissions derived from equity came to 30,615 million yen from 2,163 million yen for the 6-month period of fiscal 2008 due to the underwriting as a lead manager for a large public offering. Underwriting commissions derived from fixed income came to 6,659 million yen (24.7% up), and underwriting commissions totaled 37,500 million yen (395.8% up).

##### c) Other commissions

Other commissions in investment banking came to 6,581 million yen (18.7% up) due to purchasing an investment bank in Europe, and other commissions totaled 8,676 million yen (9.6% up).

#### (2) Net gain on trading

Net gain on trading amounted to 39,859 million yen (270.2% up). Net trading gain in equity came to 12,587 million yen (38.0% up). Net trading gain from fixed income together with those from foreign exchange transactions substantially increased to 27,272 million yen from 1,643 million yen for the 6-month period of fiscal 2008.

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

Net gain (loss) on private equity and other securities was loss of 2,696 million yen, although it marked a loss of 14,753 million yen for the 6-month period of fiscal 2008.

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

Interest and dividend income totaled 17,795 million yen (57.2% down), whereas interest expenses totaled 16,736 million yen (54.1% down). Net interest and dividend income came to 1,058 million yen (79.3% down).

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

Commission and other expenses increased to 32,044 million yen (43.9% up) due to the increase of commission paid related to a large public offering, and employees' compensation and benefits increased to 24,442 million yen (13.6% up). As a result, selling, general and administrative expenses totaled 88,768 million yen (16.1% up).

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

Total assets amounted to 12,887.8 billion yen. It mainly includes trading assets which increased by 1,377.4 billion yen to 7,022.2 billion yen, and receivables on collateralized short-term financing agreements which increased by 560 billion yen to 4,633.5 billion yen.

Total liabilities amounted to 12,275.1 billion yen. It mainly includes payables on collateralized short-term financing agreements which increased by 721 billion yen to 4,006.1 billion yen, and short-term borrowings which increased by 552.7 billion yen to 1,312.5 billion yen.

### 3. Others

"Net unrealized gain on securities, net of tax effect" includes the gain for the Class Shares of 131,296 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 130,387 million yen.

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

(Millions of yen)

	Fiscal 2009 As of Sep.30,2009	Fiscal 2008 As of Mar.31,2009
<b>Assets</b>		
Current assets:		
Cash and deposits	135,941	113,265
Cash segregated as deposits for regulatory purposes	65,634	67,730
Trading assets:	7,022,215	5,644,743
Trading securities and others	4,679,720	3,012,413
Derivative assets	2,342,494	2,632,330
Trading receivables, net	—	179,248
Private equity and other securities	603,252	490,510
Less: Allowance for possible investment losses	(21,961)	(24,496)
Loans receivable from customers	11,905	10,503
Receivables related to margin transactions:	128,377	158,514
Customer margin loans	280	19
Cash deposits as collateral for securities borrowed	128,096	158,494
Collateralized short-term financing agreements:	4,633,553	4,073,497
Cash deposits as collateral for securities borrowed	4,632,071	4,061,801
Receivables related to gensaki transactions	1,481	11,695
Short-term loans receivable	496	10,272
Accrued income	7,489	7,136
Deferred tax assets	2,034	5,289
Other current assets	195,420	302,471
Less: Allowance for doubtful accounts	(166)	(89)
Total current assets	12,784,192	11,038,599
Non-current assets:		
Tangible fixed assets	3,977	4,400
Intangible fixed assets	70,058	60,658
Investments and others:	29,612	34,135
Investment securities	17,202	21,783
Long-term guarantee deposits	6,293	6,116
Deferred tax assets	1,620	923
Other	4,856	5,668
Less: Allowance for doubtful accounts	(359)	(356)
Total non-current assets	103,649	99,194
Total assets	12,887,842	11,137,793

(Millions of yen)

	Fiscal 2009 As of Sep.30,2009	Fiscal 2008 As of Mar.31,2009
<b>Liabilities</b>		
Current liabilities:		
Trading liabilities:	4,556,262	4,620,770
Trading securities and others	2,726,186	2,458,396
Derivative liabilities	1,830,075	2,162,373
Trading payables, net	395,991	—
Payables related to margin transactions:	108,251	107,776
Proceeds of securities sold for customers' accounts	108,251	107,776
Collateralized short-term financing agreements:	4,006,184	3,285,156
Cash deposits as collateral for securities loaned	2,698,888	2,454,930
Payables related to gensaki transactions	1,307,296	830,226
Deposits received	46,119	46,283
Cash deposits received as guarantee	213,739	278,072
Short-term borrowings	1,312,565	759,814
Commercial paper	337,800	320,400
Bonds and notes due within one year	27,375	9,632
Income taxes payable	440	312
Deferred tax liabilities	67,339	22,517
Other current liabilities	45,953	36,221
Total current liabilities	11,118,022	9,486,956
Non-current liabilities:		
Bonds and notes	846,542	840,126
Long-term debts	301,000	270,500
Deferred tax liabilities	462	338
Retirement benefits	5,633	5,065
Other non-current liabilities	344	728
Total non-current liabilities	1,153,982	1,116,759
Statutory reserves	3,098	3,098
Total liabilities	12,275,103	10,606,814
<b>Net Assets</b>		
Owners' equity:		
Common stock	255,700	255,700
Capital surplus	167,421	167,421
Retained earnings	52,218	42,937
Total owners' equity	475,339	466,058
Valuation and translation adjustments:		
Net unrealized gain on securities, net of tax effect	153,205	78,733
Translation adjustments	(17,073)	(15,048)
Total valuation and translation adjustments	136,131	63,684
Minority interests	1,267	1,235
Total net assets	612,738	530,978
Total liabilities and net assets	12,887,842	11,137,793

**Consolidated statement of income**

(Millions of yen)

	6-month period Apr. 1, 2008 - Sep. 30, 2008	6-month period Apr. 1, 2009 - Sep. 30, 2009
Operating revenues:		
Commissions	25,912	55,428
Net gain on trading:	10,765	39,859
Net gain on trading in equity	9,121	12,587
Net gain on trading in bond, forex and other	1,643	27,272
Net gain (loss) on private equity and other securities	(14,753)	(2,696)
Interest and dividend income	41,607	17,795
Other sales	617	100
Total operating revenues	64,150	110,487
Interest expenses	36,492	16,736
Cost of sales	293	84
Net operating revenues	27,364	93,665
Selling, general and administrative expenses:		
Commission and other expenses	22,267	32,044
Employees' compensation and benefits	21,508	24,442
Occupancy and rental	9,420	7,995
Data processing and office supplies	11,785	11,047
Depreciation	7,558	8,892
Taxes other than income taxes	1,543	2,002
Other	2,380	2,343
Total selling, general and administrative expenses	76,464	88,768
Operating income	(49,099)	4,897
Non-operating income:		
Other	2,140	1,831
Total non-operating income	2,140	1,831
Non-operating expenses:		
Other	1,457	650
Total non-operating expenses	1,457	650
Ordinary income	(48,416)	6,078
Extraordinary losses:		
Allowance for doubtful accounts	2,175	—
Provision for financial instruments business liabilities	364	—
Write-down of investment securities	—	521
Other	271	—
Total extraordinary losses	2,811	521
Income before income taxes and minority interests	(51,228)	5,556
Income taxes-current	88	157
Income taxes-deferred	(8,732)	(3,937)
Total income taxes and other	(8,643)	(3,780)
Minority interests	6	56
Net income	(42,590)	9,280
Net financial income included in net operating revenues	5,115	1,058

**Supplemental information**

## (1) Breakdown of commissions

(Millions of yen)

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

(Millions of yen)

	6-month period of fiscal 2009 (from April 1, 2009 to September 30, 2009) (B)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	<b>9,074</b>	<b>31</b>	<b>27</b>	-	-	<b>9,132</b>
<b>Underwriting commission:</b>	-	-	-	<b>37,500</b>	-	<b>37,500</b>
Stock and other	-	-	-	30,615	-	30,615
Bond and other	-	-	-	6,659	-	6,659
<b>Distribution commission</b>	-	-	<b>35</b>	<b>83</b>	-	<b>119</b>
<b>Other commission</b>	<b>167</b>	<b>88</b>	<b>493</b>	<b>6,581</b>	<b>1,346</b>	<b>8,676</b>
<b>Total</b>	<b>9,241</b>	<b>119</b>	<b>556</b>	<b>44,165</b>	<b>1,346</b>	<b>55,428</b>

(% )

	Yr/yr % change ((B)/(A)-1)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Brokerage commission</b>	<b>(9.8)</b>	<b>(78.7)</b>	<b>(23.4)</b>	-	-	<b>(10.9)</b>
<b>Underwriting commission:</b>	-	-	-	<b>395.8</b>	-	<b>395.8</b>
Stock and other	-	-	-	-	-	-
Bond and other	-	-	-	24.7	-	24.7
<b>Distribution commission</b>	-	-	<b>(66.1)</b>	<b>1.3</b>	-	<b>(36.3)</b>
<b>Other commission</b>	<b>84.4</b>	<b>(72.6)</b>	<b>(39.3)</b>	<b>18.7</b>	<b>17.6</b>	<b>9.6</b>
<b>Total</b>	<b>(9.0)</b>	<b>(74.5)</b>	<b>(41.7)</b>	<b>234.8</b>	<b>17.6</b>	<b>113.9</b>

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

(Millions of yen)

		Fiscal 2009 As of Sep. 30, 2009	Fiscal 2008 As of Mar. 31, 2009
Basic item (A)		463,594	475,057
Supplementary item	Valuation profits of investment securities	-	-
	Statutory reserve	3,098	3,098
	Allowance for doubtful accounts	1,573	1,384
	Subordinated borrowings	291,600	255,000
Total (B)		296,272	259,482
Assets excluded from capital (C)		192,651	168,462
Net capital (D):(A)+(B)-(C)		567,215	566,077
Risk equivalent	Market risk equivalent	57,210	65,763
	Counterparty risk equivalent	56,886	58,780
	Basic risk equivalent	34,876	40,042
	Total (E)	148,974	164,587
Capital adequacy ratio (D)/(E)		380.7%	343.9%

## (3) Quarterly consolidated statements of operations

(Millions of yen)

	Fiscal 2008			Fiscal 2009	
	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	Second quarter Jul.1,2009- Sep.30,2009
Operating revenues:					
Commissions:	12,623	16,028	14,344	31,699	23,729
Brokerage commission:	4,815	4,221	3,746	4,717	4,414
Stock and other	4,741	4,172	3,697	4,688	4,385
Bond and other	57	29	36	16	14
Underwriting commission:	3,299	7,846	5,340	24,237	13,262
Stock and other	899	5,599	2,105	20,734	9,880
Bond and other	2,342	2,123	3,119	3,405	3,254
Distribution commission:	106	73	64	30	88
Investment trust	58	57	33	17	18
Other commission:	4,402	3,887	5,192	2,713	5,962
Investment trust	415	322	241	245	248
Net gain (loss) on trading:	1,422	(33,224)	17,703	22,258	17,600
Net gain (loss) on trading in equity	(9,259)	(49,227)	8,600	12,395	191
Net gain (loss) on trading in bond, forex and other	10,681	16,003	9,103	9,862	17,409
Net gain (loss) on private equity and other securities	(13,037)	(34,726)	(25,712)	919	(3,615)
Interest and dividend income	18,943	17,008	9,783	9,380	8,415
Other sales	617	(1)	161	100	-
Total operating revenues	20,569	(34,916)	16,280	64,358	46,128
Interest expenses	17,486	17,689	10,880	9,275	7,461
Cost of sales	293	-	148	84	-
Net operating revenues	2,788	(52,606)	5,251	54,998	38,666
Selling general and administrative expenses:					
Commission and other expenses	11,726	10,494	9,703	17,829	14,215
Employees' compensation and benefits	10,507	10,629	9,780	11,810	12,631
Occupancy and rental	4,734	3,702	3,754	3,823	4,172
Data processing and office supplies	5,920	5,825	5,838	5,633	5,414
Depreciation	3,699	3,681	4,581	4,426	4,466
Taxes other than income taxes	758	748	781	1,147	855
Others	1,216	1,089	1,435	1,022	1,321
Total selling general and administrative expenses	38,564	36,170	35,875	45,692	43,076
Operating income	(35,776)	(88,776)	(30,623)	9,306	(4,409)
Non-operating income	877	264	1,522	1,257	574
Non-operating expenses	1,044	1,035	404	386	263
Ordinary income	(35,943)	(89,546)	(29,505)	10,177	(4,099)
Extraordinary gains	-	-	2,311	-	-
Extraordinary losses	(171)	1,278	1,404	521	-
Income before income taxes and minority interests	(35,771)	(90,825)	(28,598)	9,655	(4,099)
Income taxes - current	(165)	(81)	(117)	36	121
Income taxes - deferred	(4,267)	(11,799)	(5,054)	(564)	(3,373)
Total income taxes and other	(4,432)	(11,881)	(5,172)	(527)	(3,252)
Minority interests	(3)	(10)	7	48	7
Net income	(31,336)	(78,933)	(23,434)	10,135	(854)
Net financial income included in net operating revenues	1,456	(681)	(1,097)	105	953