

Daiwa Securities Capital Markets Co. Ltd.

1-9-1 Marunouchi Chiyoda-ku

Tokyo 100-6753, Japan

(URL <http://www.daiwacm.com/jp>)

January 29, 2010

Consolidated financial summary

(For the 9-month period ended December 31, 2009)

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

Financial result (from April 1, 2009 to December 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
9-month period (2009/12)	225,355	(670.9%)	200,651	-	63,398	-
9-month period (2008/12)	29,234	-	(25,241)	-	(137,876)	-

	Ordinary income		Net income	
	Millions of yen	Yr/yr Change	Millions of yen	Yr/yr change
9-month period (2009/12)	64,380	-	35,350	-
9-month period (2008/12)	(137,963)	-	(121,524)	-

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	
As of Dec. 31, 2009	11,687,474	494,090	4.2%
As of Mar. 31, 2009	11,137,793	530,978	4.8%

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

As of Dec. 31, 2009 492,819 million yen; As of Mar. 31, 2009 529,743 million yen

As of January 1, 2010, the company changed its name from "Daiwa Securities SMBC Co. Ltd." to "Daiwa Securities Capital Markets Co. Ltd."

Representative: Shin Yoshidome, President

Contact: Sunao Otsuka, General Manager, Treasury Department

Parent Company: Daiwa Securities Group Inc. (Securities code: 8601)

Phone: +813-5555-3111

Qualitative Information and Financial Statements

1. Overview of Operating Income (Comparisons in parenthesis are made versus the 9-month period of fiscal 2008)

For the 9-month period of fiscal 2009 (from April 1, 2009 to December 31, 2009), net operating revenues substantially increased to 200,651 million yen due to the favorable performance in investment banking and the recovery in net gain on trading and net gain on private equity and other securities. Selling, general and administrative expenses came to 137,253 million yen (21.9% up) due to commission and other expenses and employees' compensation and benefits. As a result, ordinary income returned to a profit of 64,380 million yen from a loss of 137,963 million yen for the 9-month period of fiscal 2008. Net income totaled 35,350 million yen including extraordinary income, taxes, etc.

(1) Commissions

Total commission revenues amounted to 81,637 million yen (94.6% up). In segments, 64,836 million yen (168.5% up) in investment banking, and 13,698 million yen (4.9% down) in equity were earned.

a) Brokerage commissions

Total brokerage commissions came to 13,557 million yen (6.3% down), and of this total, 13,467 million yen (5.4% down) were earned in equity.

b) Underwriting commissions

Underwriting commissions derived from equity came to 43,204 million yen from 7,763 million yen for the 9-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 9,108 million yen (22.1% up), and underwriting commissions totaled 52,567 million yen (241.1% up).

c) Other commissions

Other commissions in investment banking came to 11,971 million yen (38.6% up) due to purchasing an investment bank in Europe, and other commissions totaled 15,144 million yen (28.3% up).

(2) Net gain on trading

Net gain on trading amounted to 33,807 million yen through financial crisis recovery. Net trading gain from fixed income together with those from foreign exchange transactions came to 23,749 million yen. Net trading gain in equity substantially increased to 10,057 million yen from a loss of 40,106 million yen for the 9-month period of fiscal 2008.

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

Net gain (loss) on private equity and other securities substantially increased to 84,270 million yen from a loss of 49,479 million yen for the 9-month period of fiscal 2008 due to proceed from tender offer for shares of SANYO Electric Co., Ltd.

(4) Net interest and dividend income

Interest and dividend income totaled 25,538 million yen (56.4% down), whereas interest expenses totaled 24,619 million yen (54.6% down). Net interest and dividend income came to 918 million yen (79.3% down).

(5) Selling, general and administrative expenses

Commission and other expenses increased to 47,044 million yen (43.6% up) due to the increase of commission paid related to a large public offering, and employees' compensation and benefits increased to 41,546 million yen (29.3% up) due to the increase of allowance for bonuses. As a result, selling, general and administrative expenses totaled 137,253 million yen (21.9% up).

2. Financial Condition

Total assets amounted to 11,687,474 million yen. It mainly includes trading assets which increased by 910,863 million yen to 6,555,607 million yen, and receivables on collateralized short-term financing agreements which decreased by 146,324 million yen to 3,927,172 million yen, and private equity and other securities which decreased by 266,115 million yen due to selling shares of SANYO Electric Co., Ltd. to 224,394 million yen.

Total liabilities amounted to 11,193,384 million yen. It mainly includes payables on collateralized short-term financing agreements which decreased by 448,719 million yen to 2,836,436 million yen, and short-term borrowings which increased by 1,748,505 million yen to 2,508,319 million yen.

Financial statements**Consolidated balance sheets**

(Millions of yen)

	Fiscal 2009 As of Dec.31,2009	Fiscal 2008 As of Mar.31,2009
Assets		
Current assets:		
Cash and deposits	453,233	113,265
Cash segregated as deposits for regulatory purposes	53,396	67,730
Trading assets:	6,555,607	5,644,743
Trading securities and others	4,543,217	3,012,413
Derivative assets	2,012,390	2,632,330
Trading receivables, net	139,678	179,248
Private equity and other securities	224,394	490,510
Less: Allowance for possible investment losses	(27,198)	(24,496)
Loans receivable from customers	10,394	10,503
Receivables related to margin transactions:	52,253	158,514
Customer margin loans	5,646	19
Cash deposits as collateral for securities borrowed	46,607	158,494
Collateralized short-term financing agreements:	3,927,172	4,073,497
Cash deposits as collateral for securities borrowed	3,911,078	4,061,801
Receivables related to gensaki transactions	16,094	11,695
Short-term loans receivable	2,333	10,272
Accrued income	8,705	7,136
Deferred tax assets	4,969	5,289
Other current assets	179,942	302,471
Less: Allowance for doubtful accounts	(209)	(89)
Total current assets	11,584,674	11,038,599
Non-current assets:		
Tangible fixed assets	3,675	4,400
Intangible fixed assets	70,442	60,658
Investments and others:	28,682	34,135
Investment securities	16,855	21,783
Long-term guarantee deposits	6,417	6,116
Deferred tax assets	1,351	923
Other	4,418	5,668
Less: Allowance for doubtful accounts	(361)	(356)
Total non-current assets	102,799	99,194
Total assets	11,687,474	11,137,793

(Millions of yen)

	Fiscal 2009 As of Dec.31,2009	Fiscal 2008 As of Mar.31,2009
Liabilities		
Current liabilities:		
Trading liabilities:	3,945,313	4,620,770
Trading securities and others	2,422,385	2,458,396
Derivative liabilities	1,522,928	2,162,373
Payables related to margin transactions:	43,520	107,776
Proceeds of securities sold for customers' accounts	43,520	107,776
Collateralized short-term financing agreements:	2,836,436	3,285,156
Cash deposits as collateral for securities loaned	1,879,979	2,454,930
Payables related to gensaki transactions	956,457	830,226
Deposits received	60,376	46,283
Cash deposits received as guarantee	198,848	278,072
Short-term borrowings	2,508,319	759,814
Commercial paper	386,100	320,400
Bonds and notes due within one year	36,157	9,632
Income taxes payable	243	312
Deferred tax liabilities	97	22,517
Other current liabilities	34,236	36,221
Total current liabilities	10,049,649	9,486,956
Non-current liabilities:		
Bonds and notes	828,799	840,126
Long-term debts	305,000	270,500
Deferred tax liabilities	427	338
Retirement benefits	6,044	5,065
Other non-current liabilities	365	728
Total non-current liabilities	1,140,636	1,116,759
Statutory reserves	3,098	3,098
Total liabilities	11,193,384	10,606,814
Net Assets		
Owners' equity:		
Common stock	255,700	255,700
Capital surplus	167,421	167,421
Retained earnings	78,288	42,937
Total owners' equity	501,409	466,058
Valuation and translation adjustments:		
Net unrealized gain on securities, net of tax effect	6,745	78,733
Translation adjustments	(15,335)	(15,048)
Total valuation and translation adjustments	(8,589)	63,684
Minority interests	1,270	1,235
Total net assets	494,090	530,978
Total liabilities and net assets	11,687,474	11,137,793

Consolidated statement of income

(Millions of yen)

	9-month period Apr. 1, 2008 - Dec. 31, 2008	9-month period Apr. 1, 2009 - Dec. 31, 2009
Operating revenues:		
Commissions	41,941	81,637
Net gain on trading:	(22,458)	33,807
Net gain on trading in equity	(40,106)	10,057
Net gain on trading in bond, forex and other	17,647	23,749
Net gain (loss) on private equity and other securities	(49,479)	84,270
Interest and dividend income	58,615	25,538
Other sales	616	101
Total operating revenues	29,234	225,355
Interest expenses	54,181	24,619
Cost of sales	293	84
Net operating revenues	(25,241)	200,651
Selling, general and administrative expenses:		
Commission and other expenses	32,762	47,044
Employees' compensation and benefits	32,138	41,546
Occupancy and rental	13,122	12,468
Data processing and office supplies	17,610	16,130
Depreciation	11,239	13,445
Taxes other than income taxes	2,292	2,900
Other	3,469	3,717
Total selling, general and administrative expenses	112,635	137,253
Operating income	(137,876)	63,398
Non-operating income:		
Other	2,405	2,109
Total non-operating income	2,405	2,109
Non-operating expenses:		
Other	2,492	1,126
Total non-operating expenses	2,492	1,126
Ordinary income	(137,963)	64,380
Extraordinary losses:		
Loss on disposal of loans receivable	1,967	—
Write-down of investment securities	1,511	521
Provision for financial instruments business liabilities	364	—
Other	245	—
Total extraordinary losses	4,089	521
Income before income taxes and minority interests	(142,053)	63,859
Income taxes-current	7	211
Income taxes-deferred	(20,532)	28,248
Total income taxes and other	(20,525)	28,459
Minority interests	(3)	48
Net income	(121,524)	35,350
Net financial income included in net operating revenues	4,433	918

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
Brokerage commission	14,237	175	54	-	-	14,467
Underwriting commission:	-	-	-	15,409	-	15,409
Stock and other	-	-	-	7,763	-	7,763
Bond and other	-	-	-	7,462	-	7,462
Distribution commission	-	-	162	98	-	260
Other commission	168	335	1,136	8,637	1,524	11,803
Total	14,406	511	1,353	24,145	1,524	41,941

(Millions of yen)

	9-month period of fiscal 2009 (from April 1, 2009 to December 31, 2009) (B)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	13,467	55	34	-	-	13,557
Underwriting commission:	-	-	-	52,567	-	52,567
Stock and other	-	-	-	43,204	-	43,204
Bond and other	-	-	-	9,108	-	9,108
Distribution commission	-	-	70	297	-	367
Other commission	230	121	742	11,971	2,077	15,144
Total	13,698	177	848	64,836	2,077	81,637

(%)

	Yr/yr % change ((B)/(A)-1)					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	(5.4)	(68.5)	(36.3)	-	-	(6.3)
Underwriting commission:	-	-	-	241.1	-	241.1
Stock and other	-	-	-	456.5	-	456.5
Bond and other	-	-	-	22.1	-	22.1
Distribution commission	-	-	(56.4)	202.3	-	41.2
Other commission	36.6	(63.7)	(34.7)	38.6	36.2	28.3
Total	(4.9)	(65.3)	(37.3)	168.5	36.2	94.6

(2) Capital adequacy ratio (Non-consolidated)

(Millions of yen)

		Fiscal 2009 As of Dec. 31, 2009	Fiscal 2008 As of Mar. 31, 2009
Basic item	(A)	438,760	475,057
Supplementary item	Valuation profits of investment securities	-	-
	Statutory reserve	3,098	3,098
	Allowance for doubtful accounts	925	1,384
	Subordinated borrowings	291,600	255,000
Total	(B)	295,623	259,482
Assets excluded from capital	(C)	195,064	168,462
Net capital	(D):(A)+(B)-(C)	539,319	566,077
Risk equivalent	Market risk equivalent	58,565	65,763
	Counterparty risk equivalent	40,040	58,780
	Basic risk equivalent	33,035	40,042
	Total	(E)	131,640
Capital adequacy ratio	(D)/(E)	409.6%	343.9%

(3) Quarterly consolidated statements of operations

(Millions of yen)

	Fiscal 2008		Fiscal 2009		
	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	Third quarter Oct.1,2009- Dec.31,2009
Operating revenues:					
Commissions:	16,028	14,344	31,699	23,729	26,208
Brokerage commission:	4,221	3,746	4,717	4,414	4,425
Stock and other	4,172	3,697	4,688	4,385	4,393
Bond and other	29	36	16	14	24
Underwriting commission:	7,846	5,340	24,237	13,262	15,067
Stock and other	5,599	2,105	20,734	9,880	12,588
Bond and other	2,123	3,119	3,405	3,254	2,448
Distribution commission:	73	64	30	88	248
Investment trust	57	33	17	18	35
Other commission:	3,887	5,192	2,713	5,962	6,467
Investment trust	322	241	245	248	248
Net gain (loss) on trading:	(33,224)	17,703	22,258	17,600	(6,051)
Net gain (loss) on trading in equity	(49,227)	8,600	12,395	191	(2,529)
Net gain (loss) on trading in bond, forex and other	16,003	9,103	9,862	17,409	(3,522)
Net gain (loss) on private equity and other securities	(34,726)	(25,712)	919	(3,615)	86,966
Interest and dividend income	17,008	9,783	9,380	8,415	7,742
Other sales	(1)	161	100	-	1
Total operating revenues	(34,916)	16,280	64,358	46,128	114,867
Interest expenses	17,689	10,880	9,275	7,461	7,882
Cost of sales	-	148	84	-	-
Net operating revenues	(52,606)	5,251	54,998	38,666	106,985
Selling general and administrative expenses:					
Commission and other expenses	10,494	9,703	17,829	14,215	14,999
Employees' compensation and benefits	10,629	9,780	11,810	12,631	17,104
Occupancy and rental	3,702	3,754	3,823	4,172	4,472
Data processing and office supplies	5,825	5,838	5,633	5,414	5,082
Depreciation	3,681	4,581	4,426	4,466	4,552
Taxes other than income taxes	748	781	1,147	855	898
Others	1,089	1,435	1,022	1,321	1,373
Total selling general and administrative expenses	36,170	35,875	45,692	43,076	48,484
Operating income	(88,776)	(30,623)	9,306	(4,409)	58,500
Non-operating income	264	1,522	1,257	574	278
Non-operating expenses	1,035	404	386	263	476
Ordinary income	(89,546)	(29,505)	10,177	(4,099)	58,302
Extraordinary gains	-	2,311	-	-	-
Extraordinary losses	1,278	1,404	521	-	-
Income before income taxes and minority interests	(90,825)	(28,598)	9,655	(4,099)	58,302
Income taxes - current	(81)	(117)	36	121	53
Income taxes - deferred	(11,799)	(5,054)	(564)	(3,373)	32,185
Total income taxes and other	(11,881)	(5,172)	(527)	(3,252)	32,239
Minority interests	(10)	7	48	7	(7)
Net income	(78,933)	(23,434)	10,135	(854)	26,070
Net financial income included in net operating revenues	(681)	(1,097)	105	953	(139)