



October 26, 2004

Consolidated financial summary
 (For the first half ended September 30, 2004)

(1) Operating results (from April 1, 2004 to September 30, 2004)

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

“-” indicates a loss or negative figure.

(Millions of yen except for per share data and yr/yr % change)

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
First half (2004/9)	243,180	(9.4)%	191,021	(12.3)%	55,060	(29.0)%	57,259	(27.0)%
First half (2003/9)	222,359	(13.5)%	170,054	(24.5)%	42,678	(268.2)%	45,084	(189.6)%
Fiscal 2003 (2004/3)	453,813		352,434		92,519		96,130	

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
First half (2004/9)	24,165	(25.3)%	18.16	Yen	17.31	Yen	7.9	%
First half (2003/9)	19,292	(167.2)%	14.52	Yen	13.91	Yen	7.0	%
Fiscal 2003 (2004/3)	42,637		31.66	Yen	30.28	Yen	7.4	%

(Note)

1. Equity in earnings

First half (2004/9): 333 million yen First half (2003/9): 297 million yen Fiscal 2003 (2004/3): 90 million yen

2. Average number of shares outstanding (shares)

First half (2004/9): 1,330,709,045 First half (2003/9): 1,328,277,975 Fiscal 2003 (2004/3): 1,329,304,723

3. Change in accounting policies: None

(2) Financial conditions

(Millions of yen except for per share data and percentage)

	Total assets	Stockholders' equity	Stockholders' equity ratio		Stockholders' equity/share	
First half (2004/9)	12,430,836	615,303	4.9	%	462.39	Yen
First half (2003/9)	9,213,245	565,502	6.1	%	425.74	Yen
Fiscal 2003 (2004/3)	10,765,665	604,170	5.6	%	453.60	Yen

(Note)

Number of shares outstanding (shares)

As of Sep. 30, 2004 : 1,330,690,056 As of Sep. 30, 2003 : 1,328,273,739 As of Mar. 31, 2004 : 1,330,732,981

(3) Cash flow summary

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalents
First half (2004/9)	-861,135	-5,077	841,693	460,663
First half (2003/9)	317,015	17,249	-301,725	450,095
Fiscal 2003 (2004/3)	-111,252	58,818	114,406	480,123

(4) Scope of consolidation and equity method

Consolidated subsidiary: 50 companies

Affiliates applicable of equity method: 6 companies

(5) Change in scope of consolidation and equity method

Consolidated subsidiary: Exclusion: 1 company

Equity method: Addition: 1 company

(Note) The Group's principal business is securities business, and the performance is influenced by the market environment.

Therefore, the Group doesn't disclose the estimated operating result, considering the difficulty to forecast the performance.

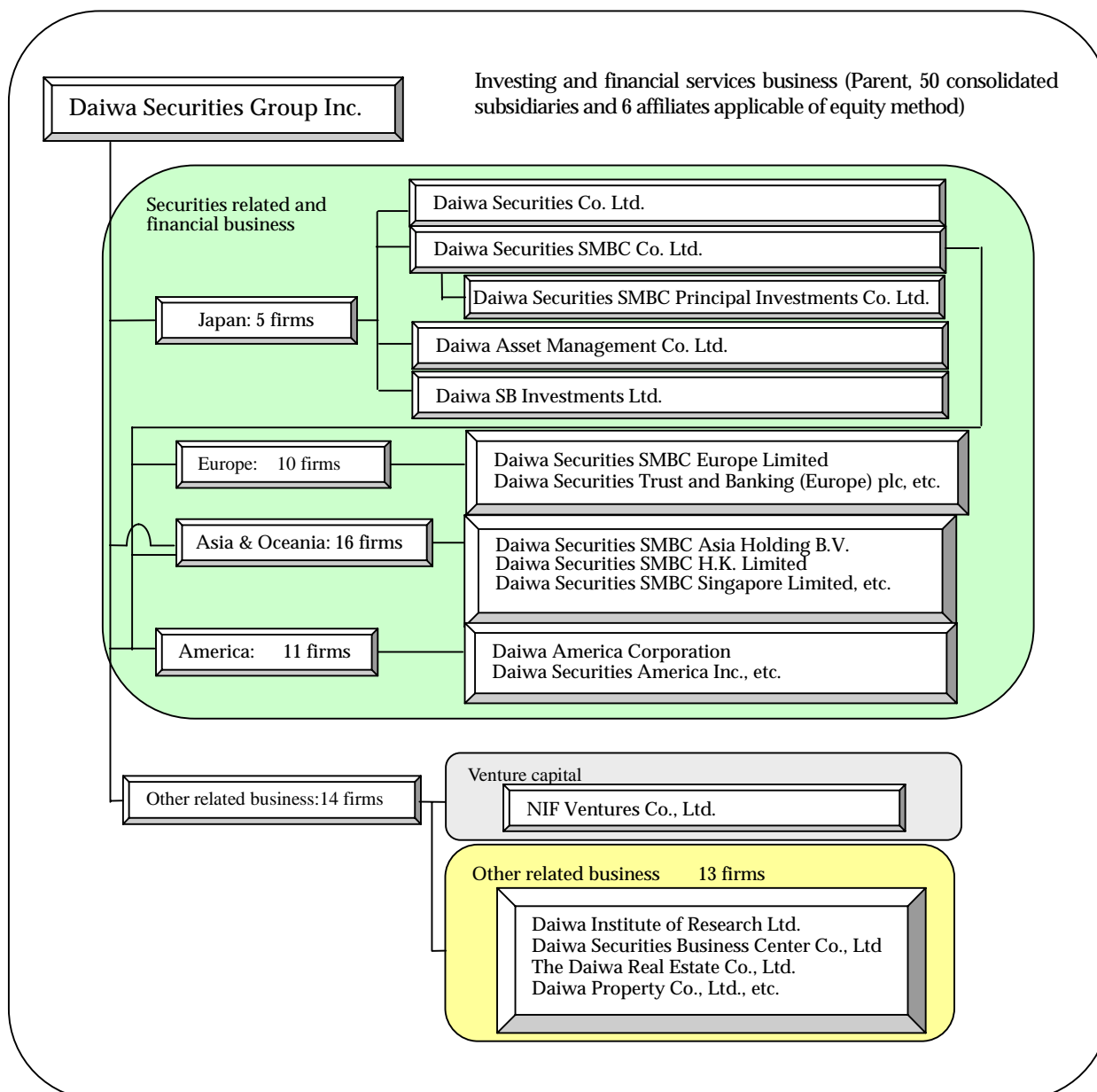
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Information on Group Companies

The Company and its related companies, 50 consolidated subsidiaries and 6 affiliates applicable of equity method, predominantly operate in investing and financial segment, focusing on securities businesses such as trading and brokerage of securities and derivatives, underwriting of securities, distribution of securities, private offering of securities and other business related to securities and financial fields. The Group provides wide range of services, satisfying the worldwide customer needs for raising and investing of funds through the global networks linking major financial markets in Japan, America, Europe and Asia and Oceania.



Management Policy

(a) Principle Management Policy

Daiwa aims to become Japan's strongest securities group and maximize group corporate value, by developing its securities related businesses by utilizing the holding company structure and concentrating group management resources on securities related businesses.

(b) Principle Policy on the Distribution of Profits

We aim to continuously maximize shareholder value including the distribution of profits.

We will determine dividends taking into account retention of profits necessary to grow and build up our financial strength. While conscious of maintaining a stable dividend flow for our investors, we will also reflect our financial performance on a consolidated basis. Under the "Group Medium-term Management Plan", we will appropriately distribute and manage shareholders' equity including any profits that we retain.

We introduced interim dividend system from the current fiscal year to make our own stocks more attractive to shareholders and investors. We will pay an interim dividend of 5 yen per share for this period.

(c) Principle Policy on New Unit Share System

We recognize that reducing the number of shares per unit is an important measure to contribute to the revitalization of the Japanese stock market and to expand participation in the market.

To this extent, we will continue to look into the reduction in the number of Daiwa's shares per unit by considering its advantages and disadvantages over our financial position, share price level, and the cost effectiveness of the reduction.

(d) Group medium-term management goals (from fiscal 2003 to fiscal 2005)

In the Group medium-term management plan, we declare following two points as the medium-term management goals.

- (1) In order for the Group to achieve sustainable growth, we have to be identified as the leading company by not only its financial results as a consequence, but also its customer satisfaction. Therefore, we will aim to become the number one in quality of products and services as a whole group for the next three years.
- (2) Under tough management circumstance, we endeavor to raise the capability of each employee and rationalize the business process across the whole group without easy expansion of corporate scale. By enhancing the structure to provide customers with high-quality products and services promptly and effectively, we will aim to become the number one in productivity.

Based on the policy mentioned above, we will aim to achieve sustainable growth by pursuing best-balanced profit structure and attempting to reinforce the Group cooperation.

(e) Mid to Long Term Management Targets

We announced the "Brand Statement" in March 2001. The "Brand Statement" presents our three core values, which are "Exceptional Customer Orientation" "Seamless Services building on Group Synergy" and "Continuous Innovation". We aim to improve the Daiwa brand by having all of our employees preserve these core values of the Brand Statement.

And, by publishing sustainable report for inside and outside of the Group, we disclose information about our social responsibility and our endeavor for sustainable management in terms of economy, society, and environment, and consider broader stakeholders.

Furthermore, under "Group Medium-term Management Plan" mentioned above, we are in the process of taking steps to strengthen the following Group management infrastructure.

(1) Personnel policies

We will manage and establish a unique personnel structure that reflects the needs of each business entity while balancing the needs of the Group as a whole.

We will aim to build satisfactory personnel system by enhancing performance-based evaluation system, providing diverse career options, and implementing a fair evaluation system. Specifically, we will promote management level personnel exchanges between Group companies and extend the intra-group job posting system to improve employees' career management.

And, we grow talented people by continuously holding of management development programs such as "Daiwa Management Academy" and a wide variety of training programs.

(2) Finance strategy

We will appropriately allocate management resources mainly in securities related businesses, maintaining the financial stability of the Group as a whole. To catch profit chances promptly, we establish the financial base with margin for suitable capital investment.

(3) Public relations / Investors relations strategy

Based on the Disclosure Policy that defines the Group's attitude toward disclosure of corporate information, we will endeavor to achieve fair and timely disclosure so that all stakeholders including shareholders, investors, and securities analysts understand and maintain realistic expectations of the Daiwa Securities Group.

And, we will aim to establish the Group brand by putting consistent, effective and active advertisements to continuously send the Group's vision and endeavor through various means of media.

(4) Information technology (IT) strategy

While reinforcing IT functions that contribute to our core businesses, we will establish the IT governance structure to appropriately manage and evaluate IT investments that have been increasing every year.

Besides, mid to long term management strategies for the Group's each business are as follows.

(1) Daiwa Securities (Retail securities business)

We will strengthen retail securities business, the foundation of the Group, with the whole Group's ability. In addition to various program to improve sales staffs' consulting skills, Daiwa Securities will establish structure to quickly offer products that meet customer needs by enhancing its marketing function.

We will improve products and services in quality, and aim to become the number one brokerage house by customer satisfaction.

(2) Daiwa Securities SMBC (Wholesale securities business)

Daiwa Securities SMBC aims to become "The strongest investment bank in Japan", and attempts to expand customer base by offering high-quality products and solutions.

By strategically investing management resources, we also attempt to expand diversified business lines that won't be affected by the market condition.

Furthermore, we will reinforce businesses such as M&A and principal finance to attempt to improve the company presence as an investment bank that contributes to revival of Japanese economy.

(3) Daiwa Asset Management, Daiwa SB Investments (Asset management business)

Daiwa Asset Management aims to become a high-quality asset manager. It will improve fund management capabilities and product development capabilities. It will also thoroughly manage fund quality and accountability for investors.

Daiwa SB Investments will establish differentiated brand by continuing competitive fund performance in annuity market and well-kept customer service to expand its fund business, and aim to become an asset manager with high management efficiency.

(4) Daiwa Institute of Research "DIR" (Research and system development business)

DIR operates as one of Japan's leading think tanks and provides research and systems services.

Through its research operations, DIR will provide clients with high quality information such as economic forecasts and analyst reports as well as making well-timed policy proposals to contribute to the revitalization of the Japanese economy.

Through its systems operations, DIR will provide state of the art technology to the Group and the Group's clients, mainly in the areas of finance and capital markets.

(5) NIF Ventures (Venture capital business)

As one of Japan's leading venture capital firms, NIF Ventures actively supports start-ups that are the key to revive Japanese economy not only for their financing but also for their management by utilizing NIF's track record and credibility as well as its information gathering and marketing capability it has grown from its global practice.

(6) Daiwa Securities Business Center (Back office operations)

Daiwa Securities Business Center aims to minimize the whole Group's back office work costs, mainly for Daiwa Securities and Daiwa Securities SMBC.

Daiwa Securities Business Center will continuously endeavor to improve quality and increase efficiency to achieve better service.

(f) Current Challenges

In order for Japan to continue to play a very important role in the World economy, we believe that it is necessary to promote transition to direct financing. As one of the supporters for capital markets, Daiwa Group will fulfill the social mission by rapidly expanding our business base and contributing to social sustainability in our core business.

In the Year 2004, the second year for the medium-term management plan, we put "establishing firm position in financial industry" as our management policy to ensure the Group's sustainable growth, and accelerate to achieve the medium-term management plan on a basis of the environmental change in economy and financial industry.

(g) Basic notion concerning the corporate governance, and the present condition of the policy(Basic notion concerning the corporate governance)

(1) Where globalization and institutionalization of markets have been progressing and structure of corporate governance has been emphasized in investment decision, Daiwa group that practices group management with holding company structure will establish its corporate governance structure that has as high transparency and objectivity as the global standard.

In addition, we will realize high efficiency and specialty in administration function for the group companies, promote the group operation with high accountability, and establish the group management structure with a sense of unity, which puts out synergy between each group company.

- (2) We suppose that the corporate governance is a structure to put CSR into practice. CSR has so many aspects, including offering superior products and services to customers, dealing with customers sincerely, bringing a reasonable profit to shareholders and disclosing information to them, taking steps to improve the work environment for employees and evaluate personnel, as well as assuring legal compliance, corporate ethics, environmental management and social contributions. We will organize appropriate structure to put CSR into practice, always asking ourselves if the action will win the trust of society.
- (3) The general shareholders' meeting of Daiwa Securities Group Inc. in June 2004 featured a vote to revise the Articles of Incorporation and transition to a "committee system" of corporate governance based on the 2002 revisions to the Commercial Code. We believe that transfer of authority from the Board to the Corporate Executive Officers increases mobility of the decision-making process. Furthermore, an increase in the number of outside board members and the establishment of three committees; the Nominating, Audit and Compensation Committees enhance the supervisory function of the Board and increase transparency of management.

(The Present Condition of Corporate Governance Structure)

- (1) Group Management Infrastructure for decision-making, business execution, and supervision on management
Daiwa's corporate governance structure is composed mainly of the Board of Directors and three committees; the Nominating, Audit and Compensation Committees as the Group management supervisory system, Executive Committee and its subcommittees; Internal Control Committee, Disclosure Committee and Group IT Strategic Meeting as the Group management activity execution mechanism.

(i) The Board of Directors

Headed by a Chairman, the Board of Directors, consisting of 13 members, hold meetings at least once every three months. The authority of the Board is delegated to Corporate Executive Officers to maximum extent possible in order to strengthen the Group operational control function. The Board decides such matters as basic management policies, matters needed for performance of the Audit Committee, and matters related to dividing the duties of Corporate Executive Officers and the decision making process.

The number of the outside directors was increased from two to four at the general shareholders' meeting held on June 23, 2004.

There is no personal, capital, dealing and other conflicts of interest between any outside directors and Daiwa Securities Group Inc.

(ii) Nominating, Audit and Compensation Committees

We established three committees; the Nominating, Audit and Compensation Committees as internal organizations of the Board of Directors, based on the Commercial Code. Majority of each committee consists of outside directors.

A brief profile of each committee is as follows.

<Nominating Committee>

The Committee mainly determines the content of proposals to appoint and dismiss Directors, submitted to the general shareholders' meeting for their approval. The Chairman of the Board chairs the committee, while three out of five committee members are outside directors.

<Audit Committee>

The Committee engages in the following businesses: inspecting the duties of Directors and Corporate Executive Officers, determining the content of proposals to appoint and dismiss accounting auditors (submitted to the general shareholders' meeting for their approval), demanding a stop to any improper conduct by Corporate Executive Officers, auditing accounts and writing accounting reports. Additionally, the committee works with an internal audit department to carry out its duties as needed. A director who does not have another concurrent post chairs the committee, while two out of three committee members are outside directors.

<Compensation Committee>

The Committee sets policies for deciding compensation of individual Directors and Corporate Executive Officers and determines compensation content for each individual. The Chairman of the Board chairs the committee, while three out of five committee members are outside directors.

(iii) Executive Committee

Committee members are all Corporate Executive Officers. Meetings are held in principle once in a month. The Executive Committee deliberates and rules on cross-Group business strategy and management issues and on important financial matters. The authority is transferred from the Board to Corporate Executive Officers to maximum extent possible by law, except matters that the Board has to decide, in order to accelerate decision-making.

The Committee has subcommittees; Internal Control Committee, Disclosure Committee and Group IT Strategic Meeting. Internal Control Committee analyzes and decides matters concerning the improvement of internal control, risk management systems and the internal audit system of the Group. The Committee tries to improve corporate efficiency, to ensure reliability of financial reports and to comply fully with laws and rules by holding a meeting in principle once every three months.

Disclosure Committee monitors important information, determines what information to disclose and so on to assure disclosure that is fair, timely and appropriate.

Group IT Strategic Meeting proposes the IT investment budget, appoints system personnel appropriate, reorganizes Group system departments, evaluates and monitors IT investment implementation at Group companies, deliberates issues concerning cross-Group system development, and so on.

An Internal Audit Department, under the direct supervision of CEO, has been established at Daiwa Securities Group Inc. The Internal Audit Department has authority over the preparation of Daiwa Securities Group Inc.'s internal control systems and internal audits and has the additional objective of preparing internal control and improving internal audit systems Group-wide by working with corporate planning departments and internal audit departments of Group companies.

(2) The present condition of action to promote corporate governance

In February 2004, we established a Disclosure Policy that defines the Group's attitude towards fair, timely and appropriate disclosure of corporate information, which is to promote a greater understanding of the Group among all stakeholders and to contribute to their ability to form realistic expectations concerning the Group.

We have also established Disclosure Regulations, which mandate the creation of a Disclosure Committee and other matters relating to disclosure in order to implement the Disclosure Policy.

As written above, following official approval given at the general shareholders' meeting held in June 2004, we executed a transition to a "committee system" of corporate governance. We also abolished the retirement gratuities system for retiring Directors at Daiwa Securities Group Inc. to make an executive compensation framework more transparent and closely linked to performance.

We have emphasized on CSR so far, and we set up its CSR Promotion Department with the aim of using CSR more in our management in July 2004.

In September 2004, we issued stock options as a way of increasing motivation for improving consolidated performance.

Results of Operation and Financial Conditions

a. Consolidated operating results for the first half of fiscal 2004

1. Summary of operating results for 6 months (comparison with the first half of fiscal 2003)

Consolidated net operating revenues increased 12.3% to 191,021 million yen mainly because commissions and trading gains increased. The selling, general and administrative expenses increased 6.7% to 135,960 million yen. As a result, ordinary income increased 27.0% to 57,259 million yen and consolidated net income increased 25.3% to 24,165 million yen.

(1) Commissions

(i) Brokerage commission

Brokerage commission increased 27.3% to 44,376 million yen, in line with an increase of 42.8% to 1,445.1 billion yen in daily average trading value on the Tokyo Stock Exchange.

(ii) Underwriting commission

Underwriting commission went up 92.4% to 27,536 million yen because the Group actively acted as lead-manager for public-offerings of listed companies under primary market in favorable circumstances.

(iii) Distribution commission

Distribution commission decreased 8.7% to 10,008 million yen because commission on investment trust decreased 19.0% to 8,576 million yen.

(iv) Other commission

Other commission on investment trust increased 26.8% to 12,234 million yen primarily due to an increase in trust fee of mutual fund in line with an expansion in the balance of equity-related beneficiary certificate, and other commission on investment banking increased due to contribution of M&A fee. As a result, total other commission increased 22.2% to 25,495 million yen.

(2) Net trading gains/losses

Net trading gains on stock and other decreased 1.7% to 28,891 million yen. Net trading gains on bond, forex and other increased 20.7% to 47,376 million yen. As a result, total net trading gains increased 11.1% to 76,268 million yen.

(3) Financial income

Interest and dividend income diminished 23.1% to 43,259 million yen and interest expenses decreased 1.2% to 41,072 million yen. Net financial income reduced 85.1% to 2,187 million yen due to a decrease in interests received on bonds.

(4) Selling, general and administrative expenses

Selling, general and administrative expenses increased 6.7% to 135,960 million yen, mainly due to an increase in employees' compensation and benefits including bonuses reflecting a rise in operating results, and due to an increase in commission and other expenses in line with the increment of transactions.

2. Summary of operating results for 3 months (comparison with the first quarter of fiscal 2004)

Consolidated net operating revenues for the second quarter of fiscal 2004 decreased 11.0% to 89,963 million yen as a result of a decrease in commission income and trading gains. Selling, general and administrative expenses for the second quarter decreased 1.0% to 67,640 million yen. As a result, consolidated ordinary income declined 32.5% to 23,066 million yen. Net income decreased 30.8% to 9,881 million yen for the second quarter of fiscal 2004, posting extraordinary gains/losses, income taxes, and minority interest in income.

3. Operating results of overseas subsidiaries for the first half of fiscal 2004 (6 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
39	3,584	788	4,412

b. Financial conditions (comparison with March 31, 2004)

Net cash provided by operating activities was -861,135 million yen because of an increase in receivables on collateralized securities transactions and a decrease in payables on collateralized securities transactions, compared with -111,252 million yen for fiscal 2003. Net cash provided by investing activities was -5,077 million yen because of an increase in investment and others compared with 58,818 million yen for fiscal 2003. Net cash provided by financing activities was 841,693 million yen mainly due to an increase in short-term borrowings compared with 114,406 million yen for fiscal 2003. Consequently, cash and cash equivalents after effect of exchange rate fluctuation decreased by 19,459 million yen to 460,663 million yen in comparison with March 31, 2004.

Consolidated balance sheets

(millions of yen)	First half Sep. 30, 2004	First half Sep. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
Assets				
Current assets:	11,890,564	8,583,292	3,307,271	10,210,037
Cash and deposits	464,667	470,502	-5,834	486,932
Cash segregated as deposits	115,985	126,444	-10,458	109,940
Notes receivable and trade accounts receivable	6,486	5,539	947	8,057
Securities	27,402	27,494	-91	38,650
Trading assets:	4,777,900	3,405,938	1,371,962	4,031,944
Trading securities and others	4,243,586	2,904,793	1,338,793	3,529,917
Derivative assets	534,313	501,144	33,168	502,027
Trade date accrual	94,930	201,654	-106,724	580,674
Operational investment securities	45,553	43,561	1,991	40,733
Less: Allowance for possible investment losses	-5,429	-4,947	-481	-5,172
Other inventories	1,465	1,739	-274	816
Receivables related to margin transactions:	283,170	189,092	94,077	235,535
Loans receivable from customers for margin transactions	115,849	70,863	44,985	92,832
Cash deposits as collateral for securities borrowed from securities finance companies	167,320	118,229	49,091	142,703
Receivables on collateralized securities transactions:	5,895,740	3,643,061	2,252,678	4,391,437
Cash deposits as collateral for securities borrowed	5,895,740	3,643,061	2,252,678	4,391,437
Receivables	4,670	3,529	1,141	26,481
Short-term loans receivable	62,824	138,868	-76,043	96,780
Accrued income	16,612	12,709	3,902	16,934
Deferred income tax assets-current	14,471	6,861	7,610	15,224
Other current assets	84,460	311,879	-227,419	135,420
Less: Allowance for doubtful accounts- current	-350	-637	287	-355
Non-current assets:	540,272	629,952	-89,680	555,628
Tangible fixed assets	141,294	155,988	-14,694	143,123
Intangible fixed assets	59,985	56,593	3,392	59,458
Investments and others:	338,992	417,371	-78,378	353,046
Investment securities	174,968	237,294	-62,325	187,437
Long-term loans receivable	11,776	13,356	-1,580	12,388
Long-term guarantee deposits	24,835	27,913	-3,078	25,522
Deferred income tax assets-non-current	24,745	58,153	-33,408	42,259
Other investments	114,982	93,058	21,923	97,757
Less: Allowance for doubtful accounts- non-current	-12,314	-12,405	90	-12,319
Total assets	12,430,836	9,213,245	3,217,591	10,765,665

(millions of yen)	First half Sep. 30, 2004	First half Sep. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
<i>Liabilities</i>				
Current liabilities:	10,816,873	7,674,089	3,142,784	9,122,137
Notes payable and trade accounts payable	2,378	2,440	-62	2,861
Trading liabilities:	3,797,037	1,817,585	1,979,452	2,914,555
Trading securities and others	3,346,765	1,358,520	1,988,245	2,445,560
Derivative liabilities	450,272	459,064	-8,792	468,995
Payables related to margin transactions:	126,783	84,065	42,718	93,449
Loans from securities finance companies for margin transactions	5,006	4,503	503	3,636
Proceeds of securities sold for margin transactions	121,777	79,562	42,214	89,813
Payables on collateralized securities transactions:	3,987,853	3,956,131	31,722	4,092,022
Cash deposits as collateral for securities loaned	3,789,989	3,514,613	275,376	3,769,690
Payables related to gensaki transactions	197,864	441,518	-243,654	322,332
Deposits received	149,276	143,223	6,052	144,580
Cash deposits received from customers	56,895	42,520	14,375	49,208
Short-term borrowings	2,396,779	1,032,828	1,363,950	1,408,775
Commercial paper	98,220	291,950	-193,730	273,722
Bonds due within one year	115,541	25,893	89,647	21,102
Accrued income taxes	4,013	8,429	-4,415	15,406
Deferred income tax liabilities-current	368	50	318	190
Accrued bonuses	19,511	16,063	3,447	19,375
Other current liabilities	62,213	252,906	-190,693	86,887
Non-current liabilities:	816,449	811,025	5,423	868,560
Bonds	629,547	592,313	37,233	645,589
Convertible bonds	79,986	79,986	-	79,986
Long-term borrowings	77,708	105,021	-27,312	112,813
Deferred income tax liabilities-non-current	5,632	12,764	-7,132	6,643
Accrued retirement benefits	18,040	15,783	2,257	17,301
Other non-current liabilities	5,534	5,156	377	6,226
Statutory reserves	5,278	3,922	1,356	5,132
Total liabilities	11,638,602	8,489,037	3,149,564	9,995,830
Minority interest	176,930	158,705	18,224	165,664
<i>Stockholders' equity</i>				
Common stock	138,431	138,431	-	138,431
Capital surplus	117,940	117,786	154	117,939
Earned surplus	341,102	308,724	32,377	330,780
Net unrealized gain on securities, net of tax effect	24,339	19,050	5,288	27,297
Translation adjustments	-5,785	-16,098	10,312	-9,588
Treasury stock	-724	-2,392	1,668	-689
Total stockholders' equity	615,303	565,502	49,801	604,170
Total liabilities, minority interest and stockholders' equity	12,430,836	9,213,245	3,217,591	10,765,665

Consolidated income statements

(millions of yen)	First half Apr. 1, 2004- Sep. 30, 2004	First half Apr. 1, 2003- Sep. 30, 2003	Yr/yr % change	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004
Operating revenues:	243,180	222,359	9.4	453,813
Commissions	107,416	80,988	32.6	194,162
Net gains on trading	76,268	68,638	11.1	120,195
Net gains on operational investment securities	1,533	424	260.9	1,817
Interest and dividend income	43,259	56,280	-23.1	103,223
Other sales revenues	14,702	16,027	-8.3	34,413
Interest expenses	41,072	41,577	-1.2	77,331
Cost of sales	11,086	10,727	3.3	24,047
Net operating revenues	191,021	170,054	12.3	352,434
Selling, general and administrative expenses:	135,960	127,375	6.7	259,914
Commission and other expenses	22,339	19,100	17.0	39,786
Employees' compensation and benefits	71,242	67,451	5.6	136,963
Real estate expenses	16,261	16,051	1.3	32,518
Data processing and office supplies	8,007	7,463	7.3	14,898
Depreciation expenses	10,884	10,207	6.6	21,530
Taxes other than income taxes	3,581	3,190	12.3	5,617
Others	3,644	3,912	-6.8	8,599
Operating income	55,060	42,678	29.0	92,519
Non-operating income:	3,581	3,983	-10.1	6,013
Equity in earnings	333	297	12.0	90
Others	3,248	3,686	-11.9	5,923
Non-operating expenses	1,382	1,577	-12.4	2,402
Ordinary income	57,259	45,084	27.0	96,130
Extraordinary gains	2,202	2,361	-6.8	8,962
Extraordinary losses	2,385	4,169	-42.8	28,167
Income before income taxes and others	57,076	43,277	31.9	76,925
Income taxes-current	1,830	7,014	-73.9	15,169
Income taxes-deferred	20,010	10,509	90.4	5,637
Minority interest in income	-11,070	-6,461	-	-13,480
Net income	24,165	19,292	25.3	42,637
Net financial income included in net operating revenues	2,187	14,702	-85.1	25,892

Consolidated statements of retained earnings

(millions of yen)	First half Apr. 1, 2004- Sep. 30, 2004	First half Apr. 1, 2003- Sep. 30, 2003	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004
<i>Capital surplus</i>			
Beginning balance of capital surplus	117,939	117,786	117,786
Increase in capital surplus	1	-	153
Net gains on sales of treasury stock	1	-	153
Decrease in capital surplus	-	-	-
Ending balance of capital surplus	117,940	117,786	117,939
<i>Earned surplus</i>			
Beginning balance of earned surplus	330,780	297,404	297,404
Increase in earned surplus:	24,165	19,292	42,637
Net income	24,165	19,292	42,637
Decrease in earned surplus:	13,843	7,972	9,261
Decrease in earned surplus due to expansion of scope of consolidation	-	-	1,291
Dividends	13,307	7,969	7,969
Directors' bonuses	536	-	-
Net losses on sales of treasury stock	-	2	-
Ending balance of earned surplus	341,102	308,724	330,780

Consolidated cash flow statements

(millions of yen)	First half Apr. 1, 2004- Sep. 30, 2004	First half Apr. 1, 2003- Sep. 30, 2003	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004
1. Cash flows from operating activities:			
Income before income taxes and others	57,076	43,277	76,925
Depreciation	10,884	10,207	21,530
Increase in allowance for retirement benefits	738	1,612	3,130
Increase in allowance for doubtful accounts	-	0	32
Interest and dividend income	-41,100	-55,793	-98,524
Interest expenses	40,713	42,241	78,102
Equity in earnings	-333	-297	-90
Adjustment of extraordinary gains/losses items:			
Gain on sale of fixed assets	-153	-73	-1,063
Loss on sale or disposal of fixed assets	203	808	1,222
Valuation loss of fixed assets	46	-	58
Loss on impairment of fixed assets	-	-	12,796
Write-down of related companies' stocks	40	-	-
Loss on sale of related companies' stocks	-	-	752
Gain on liquidation of related companies	-594	-	-
Loss on liquidation of related companies	-	-	4,220
Gain on sale of investment securities	-952	-2,287	-7,899
Loss on sale of investment securities	482	115	442
Write-down of investment securities	491	1,399	2,691
Loss on sale of loans receivable	-	557	557
Reversal of stock purchase warrant	-501	-	-
Provision for doubtful accounts	576	335	648
Reorganization and relocation costs for business offices and Branches	-	922	2,473
Reorganization costs of an overseas banking subsidiary	398	-	594
Others	146	30	1,710
(Increase) Decrease in deposits segregated for customer	-2,972	-25,794	-9,540
Increase in loans receivable	35,046	-58,383	-5,169
(Increase) Decrease in operational investment securities	-4,084	2,276	6,032
(Increase) Decrease in trading assets, net of trading liabilities	629,253	1,136,089	1,224,767
(Increase) Decrease in receivables related to margin transactions, net of payables related to margin transactions	-14,300	-51,311	-88,369
(Increase) Decrease in receivables on collateralized securities transactions, net of payables on collateralized securities transactions	-1,627,678	-764,183	-1,369,799
Others	65,398	20,951	8,025
Sub-total	-851,175	302,700	-133,741
Interest and dividend received	42,916	57,813	98,314
Interest paid	-39,288	-42,173	-74,076
Income taxes refunded (paid)	-13,588	-1,325	-1,749
Net cash provided by (used in) operating activities	-861,135	317,015	-111,252

(millions of yen)	First half Apr. 1, 2004- Sep. 30, 2004	First half Apr. 1, 2003- Sep. 30, 2003	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004
2. Cash flows from investing activities:			
Payments for purchase of securities	-5,235	-9,718	-24,510
Proceeds from sale and redemption of securities	17,511	17,646	21,597
Payments for purchase of tangible fixed assets	-2,935	-2,513	-8,147
Proceeds from sale of tangible fixed assets	307	3,231	6,144
Payments for purchase of intangible fixed assets	-8,050	-9,266	-19,079
Payments for purchase of investment securities	-6,153	-8,847	-11,058
Proceeds from sale and redemption of investment securities	12,573	14,787	79,281
Payments for purchase of subsidiaries' stocks from non-Group shareholders	-3	-122	-839
Proceeds from liquidation of related companies	-	-	1,215
Payments for loan made	-53	-67	-91
Proceeds from collection of loans receivable	238	71	1,159
Proceeds from sale of overseas investment properties	-	-	29,504
Others	-13,275	12,048	-16,357
Net cash provided by (used in) investing activities	-5,077	17,249	58,818
3. Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	763,486	-425,100	-66,936
Proceeds from issuance of bonds and convertible bonds	144,274	229,553	318,831
Payments for redemption of bonds and convertible bonds	-65,807	-71,774	-112,675
Proceeds from long-term borrowings	20,600	41,000	56,000
Payments for repayment of long-term borrowings	-7,145	-65,117	-72,294
Proceeds from exercise of stock options	-	51	51
Dividends paid	-13,307	-7,969	-7,969
Dividends paid to minority shareholders	-167	-2,328	-2,328
Proceeds from sale of treasury stocks	15	-	1,817
Others	-255	-40	-90
Net cash provided by (used in) financing activities	841,693	-301,725	114,406
4. Effect of exchange rate changes on cash and cash equivalents	5,060	-5,127	-4,915
5. Net change in cash and cash equivalents	-19,459	27,412	57,057
6. Cash and cash equivalents at beginning of term	480,123	422,684	422,684
7. Increase in cash and cash equivalents due to addition to scope of consolidation	-	-	380
8. Cash and cash equivalents at end of term	460,663	450,095	480,123

Notes to consolidated financial statements

The consolidated financial statements of the Company for the first half ended September 30, 2004 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No. 32, 1998), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on the 'Regulations of Interim Consolidated Financial Statements' (Ministry of Finance Ordinance No. 24, 1999) and its Article 48 and 69.

Basis of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries: 50 companies

Major companies:

Daiwa Securities Co. Ltd.
 Daiwa Securities SMBC Co. Ltd.
 Daiwa Asset Management Co. Ltd.
 Daiwa Institute of Research Ltd.
 NIF Ventures Co., Ltd.
 Daiwa Securities Business Center Co. Ltd.
 The Daiwa Real Estate Co., Ltd.
 Daiwa Property Co., Ltd.
 Daiwa Securities SMBC Europe Limited
 Daiwa Securities Trust and Banking (Europe) plc
 Daiwa America Corporation
 Daiwa Securities America Inc.
 Daiwa Securities SMBC Asia Holding B.V.
 Daiwa Securities SMBC H.K. Limited
 Daiwa Securities SMBC Singapore Limited

One overseas subsidiary is excluded from the scope of consolidation due to commencement of liquidation proceedings during this first half. Each amount of total assets, operating revenues (or sales), net income corresponding to equity holdings and earned surplus corresponding to equity holdings of non-consolidated subsidiaries has little influence on the consolidated financial statements and has little materiality as a whole.

2. Application of equity method

Affiliates applicable of equity method: 6 companies

Major companies:

Daiwa SB Investments Ltd.
 Totan Holdings Co., Ltd.
 The Tokyo Tanshi Co., Ltd.
 Daiwa SMBC-SSC Securities Co. Ltd.

Daiwa SMBC-SSC Securities Co. Ltd., is newly added to the scope of equity method due to foundation during this first half. Each amount of net income corresponding to equity holdings and earned surplus corresponding to equity holdings of both non-consolidated subsidiaries and affiliates inapplicable of equity method has little influence on the consolidated financial statements and has little materiality as a whole.

For affiliates applicable of equity method whose first half ends other than September 30, 2004, the financial statements for the relevant first half are reflected.

3. Fiscal period of subsidiaries

For subsidiaries with the first half ending other than September 30, 2004, the financial statements for the relevant first half are employed and important transactions occurred by discrepancies with closing account date are adjusted for this consolidated financial statements.

4. Accounting policies

(1) Valuation of financial instruments and inventories

(i) Valuation of trading securities

In terms of domestic consolidated subsidiaries, securities, derivative transactions, and assets or liabilities in trading account are recorded at fair value. In terms of consolidated overseas subsidiaries, those policies are mainly applied.

(ii) Valuation of non-trading securities

Non-trading securities are valued as follows.

(a) Held-to-maturity securities

Held-to-maturity securities are valued at amortized cost.

(b) Other securities

Other securities than trading or held-to-maturity securities are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in stockholders' equity, if their fair value is available. The cost of those securities is mainly based on moving average method. Other securities are valued at moving average cost method, if their fair value is not available. Some portions of securities held by some consolidated subsidiaries and operational investment securities are categorized in current assets.

(iii) Valuation of other inventories

Cost method determined by the specific identification method is mainly applied.

(2) Depreciation of depreciable assets

(i) Tangible fixed assets

In terms of domestic consolidated companies, declining-balance method is mainly applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is mainly based on Corporation Tax Law. In terms of consolidated overseas subsidiaries, straight-line method is mainly applied.

(ii) Intangible fixed assets, and investments and others

Straight-line method is mainly applied. Useful life for depreciation is mainly based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5 years).

(3) Accounting policies for various provisions

(i) Provision for doubtful accounts

The domestic consolidated companies provide the allowances based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans. The consolidated overseas subsidiaries mainly provide the allowances specifically assessed.

(ii) Allowance for possible investment losses

Some consolidated subsidiaries provide the allowances based on estimated losses on operational investment securities held at the consolidated first-half end, assessing the financial conditions of investee companies.

(iii) Accrued employees' bonuses

Estimated amount of employees' bonuses is accrued based on each company's bylaws.

(iv) Accrued retirement benefits

The parent company and most of domestic consolidated subsidiaries provide accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of September 30, 2004, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year. Some consolidated subsidiaries provide accrued retirement benefits based on projected benefit obligation. As for the closed pension fund, accrued retirement benefits for the portion of 6 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2005.

(4) Accounting for certain lease transactions

Finance leases in which ownership is not transferred to a lessee are mainly accounted for in the same manner as operating leases.

(5) Hedging transaction

Valuation gain or loss on hedging instrument is mainly deferred as assets or liabilities until the gain or loss on underlying hedged instruments is realized. A part of interests received or paid on interest rate swap for hedging are accrued without marking-to-market, and a part of premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without marking-to-market.

(6) Other material items

(Accounting for consumption taxes)

Consumption taxes are separately recorded.

(Deferred Assets)

Issue costs for stocks and bonds are amortized in a lump sum when incurred.

(Consolidated tax system)

The consolidated tax system is applied starting from this fiscal year.

(Application of 'Accounting Standards for Impairment of Fixed Assets')

Accounting Standards Board of Japan issued 'Accounting Standards for Impairment of Fixed Assets' ('Opinion on Establishing Accounting Standards for Impairment of Fixed Assets' issued by Accounting Standards Board of Japan on August 9, 2002) and 'Guidance on Application of Accounting Standards for Impairment of Fixed Assets' (Application Guidance on Accounting Standards number 6, issued on October 31, 2003). Accordingly, the company has complied with these standards since the fiscal year ended on March 31, 2004.

5. Scope of "Cash and cash equivalents" in consolidated cash flow statements

"Cash and cash equivalents" in consolidated cash flow statements is defined as liquid fund including cash in hand, current account deposits, and ordinary deposits.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

	As of Sep. 30, 2004 102,420 million yen	As of Sep. 30, 2003 98,543 million yen	As of Mar. 31, 2004 98,934 million yen
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2. Guarantee

	As of Sep. 30, 2004 3,928 million yen	As of Sep. 30, 2003 5,081 million yen	As of Mar. 31, 2004 4,591 million yen
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3. Subordinated borrowings

Long-term borrowings include the subordinated borrowings stipulated by Article 2 of the 'Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies' (Cabinet Office Ordinance No. 23, 2001).

Short-term borrowings

	As of Sep. 30, 2004 40,000 million yen	As of Sep. 30, 2003 -	As of Mar. 31, 2004 -
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Long-term borrowings

	As of Sep. 30, 2004 20,000 million yen	As of Sep. 30, 2003 40,000 million yen	As of Mar. 31, 2004 40,000 million yen
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Notes to consolidated income statements

Details of extraordinary gains/losses

	(millions of yen)		
	<u>First half</u> Apr. 1, 2004- Sep. 30, 2004	<u>First half</u> Apr. 1, 2003- Sep. 30, 2003	<u>Fiscal 2003</u> Apr. 1, 2003- Mar. 31, 2004
Extraordinary gains:			
Gain on sale of fixed assets	153	73	1,063
Gain on liquidation of related companies	594	-	-
Gain on sale of investment securities	952	2,287	7,899
Reversal of reserve for financial futures transactions liabilities	0	-	-
Reversal of stock purchase warrant	501	-	-
Extraordinary losses:			
Write-down of related companies stocks	40	-	-
Write-down of investment securities	491	1,399	2,691
Valuation loss of fixed assets	46	-	58
Loss on sale or disposal of fixed assets	203	808	1,222
Loss on impairment of fixed assets	-	-	12,796
Loss on liquidation of related companies	-	-	4,220
Loss on sale of related companies' stocks	-	-	752
Loss on sale of investment securities	482	115	442
Loss on sale of loans receivable	-	557	557
Provision for doubtful accounts	576	335	648
Reorganization and relocation costs for business offices and branches	-	922	2,473
Reorganization costs for overseas banking subsidiary	398	-	594
Provision for securities transaction liabilities	146	30	1,240
Other	-	-	469

Notes to consolidated cash flow statements

Reconciliation for “cash and cash equivalents at end of term” and “cash and time deposits” on consolidated balance sheet

(millions of yen)

	First half Apr. 1, 2004- Sep. 30, 2004	First half Apr. 1, 2003- Sep. 30, 2003	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004
Cash and deposits	464,667	470,502	486,932
Time deposit more than 3 months	-4,003	-20,406	-6,809
Cash and cash equivalents	460,663	450,095	480,123

Segment information

1. Net operating revenues by business segment

The Company and its consolidated subsidiaries' world-wide activities include (a) trading in securities and derivatives, (b) brokerage of securities and derivatives, (c) underwriting and distribution of securities, (d) other business related to securities transactions and (e) private offering of securities. These activities include financing and other services. Accordingly, the Company and its subsidiaries operate in a single industry segment, 'Investment and financial services'.

2. Net operating revenues by geographic area

'Net operating revenues', 'Selling, general and administrative expenses (S.G. & A. expenses)' and 'Operating income' by geographic area are as follows.

First half ended September 30, 2004

Net operating revenues and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	171,734	2,145	13,813	3,328	191,021	-	191,021
Intersegment revenues	(31)	2,795	2,203	632	5,599	(5,599)	-
Net operating revenues	171,702	4,941	16,016	3,960	196,620	(5,599)	191,021
S.G. & A. expenses	121,076	4,903	12,319	3,259	141,558	(5,598)	135,960
Operating income (loss)	50,626	38	3,696	701	55,062	(1)	55,060

First half ended September 30, 2003

Net operating revenues and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	151,181	3,572	12,628	2,671	170,054	-	170,054
Intersegment revenues	856	1,255	909	540	3,561	(3,561)	-
Net operating revenues	152,038	4,828	13,537	3,211	173,616	(3,561)	170,054
S.G. & A. expenses	113,316	4,811	9,958	2,851	130,938	(3,562)	127,375
Operating income (loss)	38,721	16	3,579	359	42,677	1	42,678

Fiscal 2003 ended March 31, 2004

Net operating revenues and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	314,190	7,748	23,956	6,539	352,434	-	352,434
Intersegment revenues	1,389	3,467	3,413	1,132	9,402	(9,402)	-
Net operating revenues	315,579	11,216	27,369	7,671	361,837	(9,402)	352,434
S.G. & A. expenses	232,269	10,197	20,413	6,110	268,990	(9,075)	259,914
Operating income (loss)	83,309	1,018	6,956	1,560	92,846	(326)	92,519

Note: Method of segmentation by geographic area and principal countries of the area belonging to each segment are as follows:

(1) Method of segmentation by geographic area: Geographical adjacency

(2) Principal countries of area belonging to each segment area:

America: USA

Europe: United Kingdom, Germany, Switzerland and France

Asia and Oceania: Hong Kong and Singapore

3. Overseas net operating revenues

Overseas net operating revenues include those of the Company and its consolidated subsidiaries (excluding inter-company profit) are as follows.

First half ended September 30, 2004

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	4,613	12,525	3,828	20,966
Consolidated net operating revenues	-	-	-	191,021
Percentage of total revenues	2.4	6.6	2.0	11.0

First half ended September 30, 2003

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	5,453	11,314	3,778	20,547
Consolidated net operating revenues	-	-	-	170,054
Percentage of total revenues	3.2	6.7	2.2	12.1

Fiscal 2003 ended March 31, 2004

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	10,945	20,352	8,249	39,547
Consolidated net operating revenues	-	-	-	352,434
Percentage of total revenues	3.1	5.8	2.3	11.2

Note: Method of segmentation by geographic area and principal countries of area belonging to each segment are same as '2. Net operating revenues by geographic area'.

Other notes

The Group omits to disclose the notes concerning the 'Lease transactions' and the 'Derivative transactions' on this financial summary. The information will be disclosed through EDINET, electronic disclosure system in accordance with Japanese Securities Exchange Law.

The Group will disclose the notes concerning the 'Securities' as the 'Additional information on financial summary' as soon as it is available.

Supplemental information for the first half of fiscal 2004

1. Breakdown of commissions

First half ended September 30, 2004 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment Trust	Investment banking	Others	Total
Brokerage commission	43,657	619	99	-	-	44,376
Underwriting	-	-	-	27,536	-	27,536
(Stock and other)	(-)	(-)	(-)	(22,845)	(-)	(22,845)
(Bond and other)	(-)	(-)	(-)	(3,984)	(-)	(3,984)
Distribution	-	-	8,576	1,432	-	10,008
Other commission	939	1,432	12,234	5,930	4,957	25,495
(Agency commission)	(-)	(1,400)	(6,558)	(-)	(-)	(7,958)
Total	44,596	2,051	20,910	34,899	4,957	107,416

First half ended September 30, 2003 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment Trust	Investment banking	Others	Total
Brokerage commission	34,178	567	103	-	-	34,850
Underwriting	-	-	-	14,315	-	14,315
(Stock and other)	(-)	(-)	(-)	(10,042)	(-)	(10,042)
(Bond and other)	(-)	(-)	(-)	(4,127)	(-)	(4,127)
Distribution	-	-	10,590	368	-	10,959
Other commission	965	1,987	9,650	3,242	5,018	20,863
(Agency commission)	(-)	(1,956)	(5,040)	(-)	(-)	(6,996)
Total	35,144	2,554	20,344	17,926	5,018	80,988

Yr/yr percentage change (First half ended Sep. 30, 2004 (A) / First half ended Sep. 30, 2003 (B) - 1)

(percentage)	Equity	Fixed income (Bond)	Investment Trust	Investment banking	Others	Total
Brokerage commission	27.7	9.0	-3.4	-	-	27.3
Underwriting	-	-	-	92.4	-	92.4
(Stock and other)	(-)	(-)	(-)	(127.5)	(-)	(127.5)
(Bond and other)	(-)	(-)	(-)	(-3.5)	(-)	(-3.5)
Distribution	-	-	-19.0	288.5	-	-8.7
Other commission	-2.7	-27.9	26.8	82.9	-1.2	22.2
(Agency commission)	(-)	(-28.4)	(30.1)	(-)	(-)	(13.7)
Total	26.9	-19.7	2.8	94.7	-1.2	32.6

Fiscal 2003 ended March 31, 2004

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	78,193	1,242	208	-	-	79,645
Underwriting	-	-	-	46,093	-	46,093
(Stock and other)	(-)	(-)	(-)	(36,927)	(-)	(36,927)
(Bond and other)	(-)	(-)	(-)	(8,400)	(-)	(8,400)
Distribution	-	-	21,904	1,661	-	23,565
Other commission	1,866	3,977	20,932	8,049	10,032	44,858
(Agency commission)	(-)	(3,952)	(10,940)	(-)	(-)	(14,892)
Total	80,060	5,219	43,045	55,805	10,032	194,162

2. Breakdown of net gains on trading

(millions of yen)

	First half (2004/9)	First half (2003/9)	Yr/yr % change	Fiscal 2003 (2004/3)
Stock and other	28,891	29,394	-1.7	50,024
Bond, forex and other	47,376	39,244	20.7	70,171
(Bond and other)	(35,659)	(24,843)	(43.5)	(47,267)
(Forex and other)	(11,716)	(14,400)	(-18.6)	(22,904)
Total	76,268	68,638	11.1	120,195

Quarterly consolidated income statements (Reference Data)

(millions of yen)	2nd quarter Jul. 1, 2003- Sep. 30, 2003	3rd quarter Oct. 1, 2003- Dec. 31, 2003	4 th quarter Jan. 1, 2004- Mar. 31, 2004	1st quarter Apr. 1, 2004- Jun. 30, 2004	2nd quarter Jul. 1, 2004- Sep. 30, 2004
Operating revenues	110,362	108,462	122,991	124,660	118,519
Commissions	49,441	52,960	60,213	54,299	53,116
Brokerage commission	21,911	21,069	23,724	27,544	16,831
(Stock and other)	21,597	20,373	23,641	27,171	16,485
(Bond and other)	247	653	21	312	307
Underwriting commission	10,241	15,656	16,122	10,236	17,299
(Stock and other)	8,963	13,447	13,437	7,843	15,001
(Bond and other)	1,230	2,166	2,106	2,232	1,751
Distribution commission	5,631	5,136	7,469	5,852	4,155
(Beneficiary certificates)	5,389	4,530	6,782	5,141	3,434
Other commission	11,657	11,098	12,896	10,665	14,829
(Beneficiary certificates)	5,104	5,431	5,738	6,016	6,169
Net gains on trading	24,958	23,221	28,336	42,437	33,831
(Stock and other)	20,544	9,179	11,450	19,285	9,606
(Bond and other)	2,586	7,453	14,970	17,228	18,431
(Forex and other)	1,827	6,588	1,915	5,922	5,794
Net gains on operational investment Securities	136	599	793	950	583
Interest and dividend income	27,763	23,830	23,113	19,498	23,761
Other sales revenues	8,063	7,850	10,535	7,475	7,226
Interest expenses	19,591	17,467	18,285	17,926	23,145
Cost of sales	5,295	5,322	7,997	5,675	5,410
Net operating revenues	85,475	85,672	96,708	101,058	89,963
Selling general and administrative expenses:	64,702	63,718	68,820	68,319	67,640
Commission and other expenses	9,925	10,119	10,566	10,559	11,779
Employees' compensation and benefits	33,352	33,966	35,545	37,043	34,199
Real estate expenses	8,205	7,661	8,805	7,901	8,359
Data processing and office supplies	3,933	3,619	3,816	3,784	4,223
Depreciation expenses	5,242	5,221	6,101	5,458	5,426
Taxes other than income taxes	2,018	1,202	1,224	1,829	1,751
Others	2,025	1,926	2,761	1,743	1,900
Operating income	20,772	21,953	27,887	32,738	22,322
Non-operating income	1,328	954	1,075	2,439	1,141
Non-operating expenses	699	465	359	984	397
Ordinary income	21,401	22,442	28,603	34,193	23,066
Extraordinary gains	2,047	748	5,851	319	1,883
Extraordinary losses	3,774	3,026	20,971	777	1,607
Income before income taxes and others	19,674	20,164	13,483	33,734	23,341
Income taxes-current	6,110	1,165	6,990	890	939
Income taxes-deferred	1,972	6,515	-11,387	12,625	7,384
Minority interest in income	-3,328	-3,383	-3,635	-5,933	-5,136
Net income	8,263	9,100	14,244	14,284	9,881
Net financial income included in net operating revenues	8,171	6,362	4,827	1,571	615

Daiwa Securities Group Inc.

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(URL <http://www.daiwa.jp/ir/english/>)

October 26, 2004

Non-consolidated financial summary
(For the first half ended September 30, 2004)

(1) Operating results (from April 1, 2004 to September 30, 2004)

Note :All figures in the financial statements are rounded down to the nearest millionth.

‘-’ indicates a loss or negative figure.

(Millions of yen except for per share data and yr/yr % change)

	Operating revenues		Operating income		Ordinary income	
First half (2004/9)	22,692	(101.9)%	16,102	(360.7)%	17,699	(418.0)%
First half (2003/9)	11,238	(-82.9)%	3,495	(-94.1)%	3,416	(-94.2)%
Fiscal 2003 (2004/3)	15,656		1,359		1,855	

	Net income		Earnings/share	
First half (2004/9)	18,213	(538.9)%	13.68	Yen
First half (2003/9)	2,850	(-95.2)%	2.14	Yen
Fiscal 2003 (2004/3)	-39,891		-30.09	Yen

(Note)

1. Average number of shares outstanding (shares)

First half (2004/9): 1,330,718,543

First half (2003/9): 1,328,287,473

Fiscal 2003 (2004/3): 1,329,314,221

2. Change in accounting policies: None

(2) Dividends

	Interim dividends/share		Annual dividends/share	
First half (2004/9)	5.00	Yen	-	Yen
First half (2003/9)	-		-	
Fiscal 2003 (2004/3)	-		10.00	

Interim dividend system is introduced from the current fiscal year.

(3) Financial conditions

(Millions of yen except for per share data and percentage)

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity/share
First half (2004/9)	1,101,131	559,794	50.8 %	420.67 Yen
First half (2003/9)	1,231,884	591,078	48.0 %	444.99 Yen
Fiscal 2003 (2004/3)	1,121,183	558,157	49.8 %	419.34 Yen

(Note)

1. Number of shares outstanding (shares)

As of Sep. 30, 2004: 1,330,699,554

As of Sep. 30, 2003: 1,328,283,237

As of Mar. 31, 2004: 1,330,742,479

2. Treasury stock (shares)

As of Sep. 30, 2004: 1,035,704

As of Sep. 30, 2003: 3,452,021

As of Mar. 31, 2004: 992,779

(Note) The Company, the holding company for the Daiwa Securities Group, is influenced by the performance of subsidiaries.

The subsidiaries' principal business is securities business, and the market environment affects their performance.

Therefore, the Company doesn't disclose the estimated operating result, considering the difficulty to forecast the performance.

Representative: Shigeharu Suzuki, President

Contact: Hironaka Takada, General Manager, Finance Department Phone: +813-3243-2100

Balance sheets

(millions of yen)	First half Sep. 30, 2004	First half Sep. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
Assets				
Current assets:	302,755	311,473	-8,718	252,906
Cash and deposits	153,488	165,124	-11,636	157,251
Short-term loans receivable	131,683	139,901	-8,217	81,983
Accrued income	1,646	1,844	-198	1,857
Deferred income tax assets-current	6,346	-	6,346	7,043
Other current assets	9,590	4,602	4,987	4,769
Non-current assets:	798,376	920,410	-122,034	868,277
Tangible fixed assets	10,308	10,090	217	10,422
Intangible fixed assets	787	580	206	935
Investments and others:	787,280	909,740	-122,459	856,919
Investment securities	649,007	655,198	-6,190	666,328
Long-term loans receivable	114,103	212,510	-98,406	150,781
Long-term guarantee deposits	13,473	31,108	-17,634	29,251
Others	11,206	11,532	-325	11,046
Less: Allowance for doubtful accounts	-510	-608	98	-488
Total assets	1,101,131	1,231,884	-130,753	1,121,183

(millions of yen)	First half Sep. 30, 2004	First half Sep. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
<i>Liabilities</i>				
Current liabilities:	286,309	266,852	19,456	193,219
Short-term borrowings	123,910	137,460	-13,550	113,360
Commercial paper	-	55,000	-55,000	-
Bonds due within one year	100,000	8,400	91,600	8,400
Payables on collateralized securities transactions	58,884	61,833	-2,948	66,795
Accrued income taxes	133	4	128	9
Accrued bonuses	597	434	163	425
Stock purchase warrant	-	501	-501	501
Other current liabilities	2,784	3,218	-433	3,728
Non-current liabilities:	255,027	373,953	-118,926	369,805
Bonds	120,000	220,000	-100,000	220,000
Convertible bonds	79,986	79,986	-	79,986
Long-term borrowings	38,000	38,000	-	38,000
Long-term cash deposits received	4,411	21,285	-16,873	20,243
Deferred income taxes liabilities	8,288	11,740	-3,452	7,192
Accrued retirement benefits	3,273	2,633	640	3,005
Other non-current liabilities	1,068	308	759	1,378
Total liabilities	541,336	640,805	-99,469	563,025
<i>Stockholders' equity</i>				
Common stock	138,341	138,431	-	138,431
Capital surplus	117,940	117,786	154	117,939
Additional paid-in capital	117,786	117,786	-	117,786
Other capital surplus reserve	154	-	154	153
Net gains on sales of treasury stock	154	-	154	153
Earned surplus	282,048	319,997	-37,949	277,257
Earned surplus reserve	45,335	45,335	-	45,335
General-purpose reserve	218,000	271,000	-53,000	271,000
Unappropriated retained earnings	18,712	3,662	15,050	-39,077
(Net income for the current term)	(18,213)	(2,850)	(15,362)	(-39,891)
Net unrealized gains on investment securities, net of tax effect	22,098	17,255	4,843	25,218
Treasury stock	-724	-2,392	1,667	-689
Total stockholders' equity	559,794	591,078	-31,284	558,157
Total liabilities and stockholders' equity	1,101,131	1,231,884	-130,753	1,121,183

Income statements

(millions of yen)	First half Apr. 1, 2004 - Sep. 30, 2004	First half Apr. 1, 2003 - Sep. 30, 2003	Yr/yr % Change	Fiscal 2003 Apr. 1, 2003 - Mar. 31, 2004
Operating revenues:	22,692	11,238	101.9	15,656
Dividends from related companies	19,127	7,023	172.3	7,359
Interest on loans to related companies	1,903	2,493	-23.6	4,800
Other interest and dividend income	54	26	107.2	64
Royalty on trademark	1,607	1,696	-5.2	3,432
Operating expenses:	6,589	7,743	-14.9	14,297
Selling, general and administrative expenses:	3,897	4,613	-15.5	8,155
Commission and other expenses	422	537	-21.3	989
Employees' compensation and benefits	1,832	1,943	-5.7	3,600
Real estate expenses	384	296	29.4	587
Data processing and office supplies	441	460	-4.1	806
Depreciation expenses	215	149	43.7	364
Others	600	1,224	-50.9	1,807
Interest expenses	2,692	3,130	-14.0	6,141
Operating income	16,102	3,495	360.7	1,359
Non-operating income	1,713	1,056	62.1	1,724
Non-operating expenses	117	1,135	-89.7	1,228
Ordinary income	17,699	3,416	418.0	1,855
Extraordinary gains	1,587	468	238.8	5,287
Extraordinary losses	301	1,029	-70.8	64,178
Income before income taxes	18,985	2,855	564.9	-57,034
Income taxes-current	-3,161	4	-	9
Income taxes-deferred	3,933	-	-	-17,152
Net income	18,213	2,850	538.9	-39,891
Net losses on sales of treasury stock	-	2	-	-
Unappropriated retained earnings-carryforward	498	813	-38.7	813
Unappropriated retained earnings at ending	18,712	3,662	411.0	-39,077

Notes to financial statements

The financial statements of the Company for the first half ended September 30, 2004 are prepared in accordance with 'Regulations of Interim Financial Statements' (MOF Ordinance No. 38, 1977).

Basis of financial statements

1. Valuation of investment securities

- (1) Subsidiary stocks and affiliated company stocks are valued at moving average cost method.
- (2) Other securities than subsidiary stocks and affiliated company stocks are valued at fair value on the closing date with posting net unrealized gains net of tax effect directly in stockholders' equity, if their fair value is available. The cost of those securities is based on moving average method. Other securities are valued at moving average cost method if their fair value is not available.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

Declining-balance method is applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

Straight-line method is applied. Useful life for depreciation is based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5 years).

3. Accounting for various provisions

(1) Provision for doubtful accounts

The Company provides the allowance based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans.

(2) Accrued employees' bonus

Estimated amount of employees' bonuses is accrued based on the bylaws.

(3) Accrued retirement benefits

Accrued retirement benefits for employees are provided in conformity with the bylaws to meet obligations as of September 30, 2004, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year. As for the closed pension fund, accrued retirement benefits for the portion of 3 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2005.

4. Accounting for certain lease transactions

Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.

5. Hedging transaction

Interests received or paid on interest rate swap for hedging are accrued without marking-to-market.

6. Other material items

(1) Accounting for consumption taxes

Consumption taxes are separately recorded.

(2) Consolidated tax system

The consolidated tax system is applied starting from the current fiscal year.

(3) Application of 'Accounting Standards for Impairment of Fixed Assets'

Accounting Standards Board of Japan issued 'Accounting Standards for Impairment of Fixed Assets' ('Opinion on Establishing Accounting Standards for Impairment of Fixed Assets' issued by Accounting Standards Board of Japan on August 9, 2002) and 'Guidance on Application of Accounting Standards for Impairment of Fixed Assets' (Application Guidance on Accounting Standards number 6, issued on October 31, 2003).

Accordingly, the Company has complied with these standards since the fiscal year ended on March 31, 2004.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets	As of Sep. 30, 2004	As of Sep. 30, 2003	As of Mar. 31, 2004
	3,418 million yen	3,292 million yen	3,292 million yen
2. Guarantee	As of Sep. 30, 2004	As of Sep. 30, 2003	As of Mar. 31, 2004
	13,484 million yen	19,046 million yen	17,746 million yen
3. Fair value of subsidiary and affiliated company stocks as of Sep. 30, 2004 (millions of yen)			
	Carrying value	Fair value	Difference
Subsidiary	16,121	31,818	15,697
Affiliated company	274	527	253

Notes to income statements

Details of extraordinary gains/losses

(millions of yen)

	<u>First half</u> Apr. 1, 2004- Sep. 30, 2004	<u>First half</u> Apr. 1, 2003- Sep. 30, 2003	<u>Fiscal 2003</u> Apr. 1, 2003- Mar. 31, 2004
Extraordinary gains:			
Gain on sale of fixed assets	-	2	11
Gain on liquidation of related companies	698	-	-
Gain on sale of investment securities	387	466	5,276
Reversal of stock purchase warrant	501	-	-
Extraordinary losses:			
Write-down of related companies' stocks	37	-	1,230
Write-down of investment securities	40	800	1,151
Valuation loss of fixed assets	42	-	25
Loss on sale or disposal of fixed assets	85	29	36
Loss on impairment of fixed assets	-	-	848
Loss on sale of related companies' stocks	-	-	265
Loss on sale of investment securities	-	-	269
Provision for doubtful accounts	94	9	60,350

Other notes

The Company omits to disclose the notes concerning the 'Lease transactions' on this financial summary. The information will be disclosed through EDINET, electronic disclosure system in accordance with Japanese Securities Exchange Law.