

October 29, 2003

Non-consolidated financial summary
 (For the first half ended September 30, 2003)

(1) Operating results (from April 1, 2003 to September 30, 2003)

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

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	change	Yr/yr change
First half (2003/9)	77,465	36.8%	72,955	37.2%	19,702	185.6%
First half (2002/9)	56,606	18.1%	53,160	20.3%	6,899	-
Fiscal 2002 (2003/3)	118,300		110,875		15,473	

	Ordinary income		Net income		Return on stockholders' equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)
First half (2003/9)	20,440	156.4%	12,197	186.4%	6.8%
First half (2002/9)	7,971	-	4,259	-	2.4%
Fiscal 2002 (2003/3)	16,565		6,357		1.8%

Note. Change in accounting policies: None

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen		
As of Sep. 30, 2003	5,620,610	360,672	6.4%	424.2%
As of Sep. 30, 2002	5,984,184	351,719	5.9%	462.1%
As of Mar. 31, 2003	6,222,012	353,792	5.7%	369.9%

Note. Number of shares outstanding:

As of Sep. 30, 2003: 3,200

As of Sep. 30, 2002: 3,200

As of Mar. 31, 2003: 3,200

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This non-consolidated financial summary has reflected the revision made on with "Revisions on the financial summaries (Supplemental Information) of Daiwa Securities SMBC Co. Ltd." released on November 11, 2005 and other prior related press releases.

Results of Operation

(A) Overview of Operating Income (Comparisons in parenthesis are made versus the first half of Fiscal 2002)

(1) Commissions

For the first half ended September 30, 2003, total commission revenues amounted to 24,713 million yen (1.0% down), of which 14,016 million yen (13.6% up) were derived from equity, 6,287 million yen (20.1% up) from fixed income, and 596 million yen (61.7% down) from Beneficiary Certificates. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total Brokerage commissions increased to 5,426 million yen (17.3% up) due to the increased daily average volume of stocks traded on the Tokyo Stock Exchange (1,011.9 billion yen, 24.6% up).

b) Underwriting Commissions

Underwriting Commissions increased to 12,750 million yen (8.4% up). Underwriting commissions derived from equity increased to 8,183 million yen (8.1% up) primarily due to increased profits earned from IPO issues. Underwriting Commissions derived from fixed income also increased to 4,422 million yen (8.5% up).

c) Distribution Commissions

Revenues from distribution commissions generated 281 million yen (53.7% down).

d) Other Commissions

Other Commissions amounted to 6,254 million yen (21.5% down). Other commissions from M&A, Financial Advisory Service, IPO consulting, and so forth generated 3,668 million yen (35.8% down). On the other hand, agency fees in fixed income administration business increased.

(2) Net Gain on Trading

Net trading gains in equity trading increased to 25,629 million yen (287.7% up). On the other hand, net trading gains from fixed income together with those from foreign exchange transactions decreased to 10,225 million yen (34.5% down). Consequently, overall Net Gain on Trading increased to 35,854 million yen (61.3% up).

(3) Net Interest and Dividend Income

Interest and Dividend Income totaled 16,897 million yen, whereas Interests Expenses totaled 4,509 million yen. Net Interest and Dividend Income came to 12,388 million yen (107.3% up), reflecting low interest expenses and increased dividends and interest revenues.

(4) Selling, General and Administrative Expenses

Of the Selling, General and Administration Expenses, Commissions paid, Depreciation expenses, personnel expenses, Real Estate expenses, and Data processing & office supplies came to 22,352 million yen (31.7% up), 4,891 million yen (20.0% up), 12,110 million yen (10.9% up), 5,087 million yen (1.6% down) and 7,010 million yen (5.3% down), respectively. As a whole, Selling, General and Administration Expenses totaled 53,252 million yen (15.1% up).

In conclusion, Operating Revenues for this first half came to 77,465 million yen (36.8% up), and Net Operating Revenues to 72,955 million yen (37.2% up). Furthermore, Operational Income came to 19,702 million yen (185.6% up), and Ordinary Income to 20,440 million yen (156.4% up). Furthermore, net extraordinary income resulted in loss of 667 million yen. Finally, Net Income for this first half of fiscal 2003 recorded a large increase to 12,197 million yen (186.4% up).

(B) Financial Condition (Comparisons in parenthesis are made versus the fiscal 2002)

For the first half of fiscal 2003, total assets decreased by 601.4 billion yen to 5,620.6 billion yen due to a decrease of Trading assets by 1,205.0 billion yen. Receivable on Collateralized Securities Transactions and Short Term Loans Receivable increased by 285.7 billion yen and 67.5 billion yen, respectively.

Total liabilities decreased 5,259.9 billion yen, a 608.2 billion yen less than last year, which was mostly attributable to a decrease of Payable on Collateralized Securities Transactions by 482.0 billion yen. The company newly issued 109.5 billion yen of corporate bond in order to raise funds. Total Stockholder's Equity increased by 6.8 billion yen to 360.6 billion yen over last year.

Balance Sheets

(millions of yen)

	First half Sep. 30, 2003	First half Sep. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Assets				
Current assets:	5,491,218	5,844,296	(353,077)	6,079,947
Cash and time deposits	65,814	62,749	3,064	105,018
Cash segregated as deposits	31,027	20,017	11,009	20,008
Trading assets:	3,011,567	3,066,607	(55,040)	4,216,614
Trading securities and others	2,515,634	2,624,189	(108,554)	3,644,400
Derivative assets	495,932	442,418	53,514	572,213
Trade date accrual	248,633	287,142	(38,508)	-
Receivables related to margin transactions:	116,739	58,070	58,668	68,944
Loans receivable from customers for margin transactions	1,359	70	1,288	55
Cash deposits as collateral for securities borrowed from securities finance companies	115,379	57,999	57,380	68,889
Receivables on collateralized securities transactions:	1,834,817	2,150,260	(315,442)	1,549,050
Cash deposits as collateral for securities borrowed	1,783,289	1,928,992	(145,703)	1,487,949
Receivables related to Gensaki transactions	51,528	221,267	(169,739)	61,100
Short-term guarantee money deposited	11,056	10,696	359	9,407
Short-term loans receivable	153,175	168,886	(15,711)	85,622
Accrued income	6,921	10,239	(3,318)	9,161
Deferred income tax assets	1,452	847	605	818
Other current assets	10,028	8,846	1,182	15,348
Less: Allowance for doubtful accounts-current	(15)	(69)	53	(45)
Non-current assets:	129,391	139,888	(10,496)	142,065
Tangible fixed assets	3,860	3,867	(6)	4,120
Intangible fixed assets	32,189	25,837	6,351	29,725
Investments and others:	93,342	110,183	(16,841)	108,219
Investment securities	43,181	43,777	(595)	42,941
Long-term loans receivable	1,031	1,038	(6)	1,033
Long-term guarantee deposits	6,429	6,253	176	6,403
Deferred income tax assets	39,098	54,916	(15,818)	48,278
Other investments	4,134	4,636	(501)	10,045
Less: Allowance for doubtful accounts-non-current	(534)	(438)	(95)	(482)
Total assets	5,620,610	5,984,184	(363,574)	6,222,012

(millions of yen)

	First half Sep. 30, 2003	First half Sep. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Liabilities				
Current liabilities:	4,793,432	5,283,460	(490,028)	5,469,446
Trading liabilities:	1,583,994	1,573,727	10,266	1,372,131
Trading securities and others	1,127,292	1,167,161	(39,868)	850,362
Derivative liabilities	456,701	406,566	50,135	521,768
Trade date accrual	-	-	-	58,765
Payables related to margin transactions:	67,742	18,189	49,553	42,790
Loans from securities finance companies for margin transactions	31	4	27	-
Proceeds of securities sold for margin transactions	67,711	18,184	49,526	42,790
Payables on collateralized securities transactions	2,060,078	2,031,306	28,771	2,542,096
Cash deposits as collateral for securities loaned	1,338,390	1,865,162	(526,772)	1,902,792
Payables related to Gensaki transactions	721,687	166,143	555,543	639,304
Deposits received	5,198	6,435	(1,237)	59,382
Cash deposits received from customers	14,032	6,915	7,117	17,800
Short-term borrowings	797,000	1,200,673	(403,673)	1,068,817
Commercial paper	236,950	430,500	(193,550)	289,800
Bonds due within one year	15,493	5,312	10,181	5,766
Accrued expenses	6,100	6,445	(345)	7,203
Accrued income taxes	-	23	(23)	-
Other current liabilities	6,841	3,930	2,910	4,891
Non-current liabilities:	463,409	346,306	117,103	395,708
Bonds	359,307	242,900	116,407	291,950
Long-term borrowings	100,000	100,000	-	100,000
Accrued retirement benefits	3,419	2,775	644	3,041
Other non-current liabilities	682	630	51	716
Statutory reserves:	3,096	2,698	398	3,065
Reserve for securities transaction liabilities	3,096	2,698	398	3,065
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	5,259,938	5,632,464	(372,526)	5,868,220
Stockholders' equity				
Common stock	205,600	205,600	-	205,600
Capital surplus	117,321	117,321	-	117,321
Additional paid-in capital	117,321	117,321	-	117,321
Earned surplus	37,774	29,078	8,695	31,176
Earned surplus reserve	5,141	5,141	-	5,141
Reserve for special depreciation	250	301	(50)	301
Unappropriated retained earnings including net income 12,197 million yen for Sep. 2003, net income 4,259 million yen for Sep. 2002 and net income 6,357 million yen for FY2002.	32,382	23,636	8,746	25,734
Revaluation reserve for investment securities, net of tax effect	(22)	(280)	257	(305)
Total stockholders' equity	360,672	351,719	8,952	353,792
Total liabilities and stockholders' equity	5,620,610	5,984,184	(363,574)	6,222,012

Income Statements

(millions of yen)

	Fiscal 2003 Apr. 1, 2003 - Sep. 30, 2003	Fiscal 2002 Apr. 1, 2002 - Sep. 30, 2002	Yr/yr change	Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003
Operating revenues	77,465	56,606	36.8%	118,300
Commissions	24,713	24,956	(1.0)%	52,073
Net gain on trading	35,854	22,228	61.3%	44,308
Interest and dividend income	16,897	9,421	79.4%	21,919
Interest expenses	4,509	3,446	30.9%	7,425
Net operating revenues	72,955	53,160	37.2%	110,875
Selling, general and administrative expenses:	53,252	46,261	15.1%	95,401
Commission and other expenses	22,352	16,978	31.7%	37,571
Employees' compensation and benefits	12,110	10,919	10.9%	21,582
Real estate expenses	5,087	5,168	(1.6)%	10,320
Data processing and office supplies	7,010	7,403	(5.3)%	14,132
Depreciation expenses	4,891	4,077	20.0%	8,566
Taxes other than income taxes	1,073	906	18.5%	1,737
Others	725	806	(10.0)%	1,490
Operating income	19,702	6,899	185.6%	15,473
Non-operating income	1,027	1,436	(28.5)%	1,953
Non-operating expenses	289	363	(20.5)%	861
Ordinary income	20,440	7,971	156.4%	16,565
Extraordinary gains	357	45	683.3%	61
Extraordinary losses	1,025	718	42.6%	2,401
Income before income taxes and others	19,772	7,297	170.9%	14,226
Income taxes-current	(652)	263	-	(1,576)
Refund of Income taxes	125	48	158.0%	52
Reversal of accrued income taxes	-	2	-	-
Income taxes-deferred	8,353	2,825	195.6%	9,497
Net income	12,197	4,259	186.4%	6,357
Unappropriated retained earnings-carryforward	20,185	19,376	4.2%	19,376
Unappropriated retained earnings	32,382	23,636	37.0%	25,734

Notes to financial statements

The financial statements of the Company for the first half ended September 30, 2003 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 Financial Statements' (Ministry of Finance Ordinance No. 38, 1977) and its Article 38 and 57.

Basis of financial statements

1. Valuation of financial instruments

(1) Valuation of trading account

Securities and derivative transactions in trading account are recorded at fair value.

(2) Valuation of non-trading securities

(a) Subsidiary and related company stocks are valued at moving average cost method.

(b) Other securities in non-trading account 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. Those securities cost 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, and 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 policies for various provisions

(1) Allowance 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 bonuses

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

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of September 30, 2003, 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.

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. Hedge transaction

A premium or discount on forward foreign exchange contracts to hedge foreign currency denominated deposits is allocated to each fiscal term without marking-to-market.

6. Other material items

(1) Consumption Taxes

Consumption taxes are separately recorded.

(2) Deferred assets

Expenses for issue of bond are amortized in a lump when incurred.

(3) Consolidation Tax System

Consolidation tax system is applied.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets

	<u>As of Sep. 30, 2003</u>	<u>As of Sep. 30, 2002</u>	(millions of yen) <u>As of Mar. 31, 2003</u>
	7,970	6,518	7,295

2. Guarantee

	<u>As of Sep. 30, 2003</u>	<u>As of Sep. 30, 2002</u>	(millions of yen) <u>As of Mar. 31, 2003</u>
	413	440	428

3. Long-term borrowings are 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).

Notes to income statements

	(millions of yen)		
Details of extraordinary gains/losses	First half <u>Apr. 1, 2003 – Sep. 30, 2003</u>	First half <u>Apr. 1, 2002 – Sep. 30, 2002</u>	Fiscal 2002 <u>Apr. 1, 2002 – Mar. 31, 2003</u>
Extraordinary gains			
Gain on sale of investment securities	357	40	49
Reversal of allowance for doubtful accounts	-	5	12
Extraordinary losses			
Write-down of investment securities	546	49	1,257
Valuation loss of fixed assets	66	202	259
Loss on sale of investment securities	-	78	129
Provision for securities transaction liabilities	30	387	754
Relocation cost of headquarter office	381	-	-

Supplemental information for the first half ended September 30, 2003

(Apr. 1, 2003 – Sep. 30 2003)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First half (2003/9)	First half (2002/9)	Yr/yr change	Fiscal 2002 (2003/3)
Brokerage commission	5,426	4,623	17.3%	8,367
Stock and other	5,386	4,539	18.7%	8,228
Bond and other	17	63	(72.7)%	99
Underwriting	12,750	11,758	8.4%	24,896
Stock and other	8,183	7,573	8.1%	16,144
Bond and other	4,422	4,075	8.5%	8,424
Distribution	281	608	(53.7)%	1,159
Beneficiary certificates	75	509	(85.3)%	795
Other commission	6,254	7,966	(21.5)%	17,649
Beneficiary certificates	499	1,028	(51.4)%	1,809
Total	24,713	24,956	(1.0)%	52,073

(2) Asset class

(millions of yen)

	First half (2003/9)	First half (2002/9)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	14,016	12,339	13.6%	24,869
Bond and other	6,287	5,235	20.1%	11,505
Beneficiary certificates	596	1,558	(61.7)%	2,644
Others	3,813	5,822	(34.5)%	13,053
Total	24,713	24,956	(1.0)%	52,073

2. Breakdown of trading gains/losses

(millions of yen)

	First half (2003/9)	First half (2002/9)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	25,629	6,610	287.7%	(1,646)
Bond, Forex and other	10,225	15,618	(34.5)%	45,954
Bond and other	7,047	10,294	(31.5)%	38,569
Forex and other	3,177	5,323	(40.3)%	7,385
Total	35,854	22,228	61.3%	44,308

3. Trading volume of stocks (excluding futures transaction) (millions of share, millions of yen)

	First half (2003/9)		First half (2002/9)		Yr/yr change		Fiscal 2002 (2003/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	26,799	21,781,669	19,204	20,063,454	39.5%	8.6%	37,527	35,748,055
Dealing (a)	14,603	11,779,200	10,900	10,910,834	34.0%	8.0%	21,078	19,431,316
Brokerage (b)	12,196	10,002,469	8,304	9,152,619	46.9%	9.3%	16,449	16,316,739
b/(a + b)	45.5%	45.9%	43.2%	45.6%			43.8%	45.6%
TSE share	5.9%	6.7%	6.8%	7.0%			6.9%	7.2%

4. Underwriting activities (millions of share, millions of yen)

	First half (2003/9)	First half (2002/9)	Yr/yr change	Fiscal 2002 (2003/3)
Underwriting:				
Stock (number of shares)	338	89	277.2%	164
(yen amount)	260,118	167,020	55.7%	319,658
Bond (face value)	2,077,801	2,641,730	(21.3)%	5,063,041
CP & others (face value)	501,464	797,370	(37.1)%	1,466,260
Distribution (*)				
Stock (number of shares)	325	90	261.6%	165
(yen amount)	259,680	168,601	54.0%	343,934
Bond (face value)	2,079,686	2,639,928	(21.2)%	4,903,100
Beneficiary certificates (face value)	223,446	614,035	(63.6)%	1,112,711
CP & others (face value)	495,432	759,370	(34.8)%	1,406,460

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		First half Sep. 30, 2003	First half Sep. 30, 2002	Fiscal 2002 Mar. 31, 2003
Basic item	Stockholders' equity (A)	360,672	351,719	348,192
Supplementary item	Valuation profits of investment securities	-	-	-
	Statutory reserve	3,096	2,698	3,065
	Allowance for doubtful accounts	15	69	45
	Subordinated borrowings	100,000	100,000	100,000
	Total (B)	103,112	102,767	103,111
	Assets excluded from capital (C)	127,168	137,487	140,270
	Net capital (A)+(B)-(C) (D)	336,616	317,000	311,033
Risk equivalent	Market risk equivalent	38,675	35,890	47,442
	Counterparty risk equivalent	17,846	12,882	15,887
	Basic risk equivalent	22,820	19,823	20,738
	Total (E)	79,342	68,596	84,068
	Capital adequacy ratio (D)/(E)	424.2%	462.1%	369.9%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2002			Fiscal 2003	
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
	Jul. 1, 2002 - Sep. 30, 2002	Oct. 1, 2002 - Dec. 31, 2002	Jan. 1, 2003 - Mar. 31, 2003	Apr. 1, 2003- Jun. 30, 2003	Jul. 1, 2003 - Sep. 30, 2003
Operating revenues	27,722	31,828	29,866	39,027	38,438
Commissions	13,996	12,121	14,994	8,767	15,946
Brokerage commission	2,072	1,791	1,951	2,361	3,064
(Stock and other)	2,027	1,763	1,924	2,345	3,040
(Bond and other)	32	14	21	7	9
Underwriting commission	6,344	6,391	6,746	3,875	8,875
(Stock and other)	4,356	4,457	4,113	996	7,187
(Bond and other)	1,878	1,878	2,470	2,781	1,640
Distribution commission	444	209	342	92	189
(Beneficiary certificates)	358	117	169	18	56
Other commission	5,134	3,729	5,954	2,438	3,816
(Beneficiary certificates)	484	420	361	244	254
Net gain on trading	8,326	13,708	8,371	22,148	13,706
(Stock and other)	1,366	2,472	(10,729)	7,268	18,360
(Bond and other)	4,201	10,470	17,804	10,022	(2,974)
(Forex and other)	2,758	765	1,295	4,856	(1,679)
Interest and dividend income	5,400	5,998	6,500	8,111	8,785
Interest expenses	1,711	1,921	2,057	2,319	2,190
Net operating revenues	26,011	29,906	27,808	36,707	36,247
Selling, general and administrative expenses	23,936	23,291	25,849	27,467	25,785
Commission and other expenses	9,211	9,057	11,534	12,164	10,188
Employees' compensation and benefits	5,392	5,276	5,385	6,181	5,928
Real estate expenses	2,749	2,595	2,555	2,456	2,631
Data processing and office supplies	3,799	3,569	3,159	3,593	3,417
Depreciation expenses	2,063	2,093	2,395	2,261	2,630
Taxes other than income taxes	383	362	469	415	657
Others	337	335	348	393	331
Operating income	2,074	6,614	1,959	9,240	10,461
Non-operating income	1,201	231	286	636	390
Non-operating expenses	281	84	412	27	262
Ordinary income	2,994	6,761	1,832	9,850	10,590
Extraordinary gains	41	18	(2)	-	357
Extraordinary losses	498	678	1,003	30	994
Income before income taxes and others	2,538	6,101	826	9,819	9,953
Income taxes-current	27	(5)	(1,834)	(6)	(646)
Refund of income taxes	47	-	3	-	125
Reversal of accrued income taxes	2	0	(2)	-	-
Income taxes-deferred	1,069	2,617	4,054	3,916	4,436
Net income	1,490	3,489	(1,391)	5,908	6,288