

Daiwa Securities SMBC Co. Ltd.

January 29, 2004

Non-consolidated financial summary

(For the third quarter ended December 31, 2003)

(1) Operating results (from April 1, 2003 to December 31, 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	Millions of yen	Yr/yr change
Third quarter (2003/12)	116,666	31.9%	109,739	32.1%	29,399	117.5%
Third quarter (2002/12)	88,434	17.3%	83,066	18.5%	13,513	473.3%
Fiscal 2002 (2003/3)	118,300		110,875		15,473	

	Ordinary income		Net income		Return on stockholders' equity (Annual basis)
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
Third quarter (2003/12)	30,105	104.3%	17,445	125.1%	6.5%
Third quarter (2002/12)	14,732	387.5%	7,749	-	2.9%
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 Dec. 31, 2003	5,754,415	366,267	6.4%	426.6%
As of Dec. 31, 2002	6,053,828	355,164	5.9%	392.0%
As of Mar. 31, 2003	6,222,012	353,792	5.7%	369.9%

Note. Number of shares outstanding:

As of Dec. 31, 2003: 3,200

As of Dec. 31, 2002: 3,200

As of Mar. 31, 2003: 3,200

Representative: Akira Kiyota, President

Contact: Tenzan Watanabe, General Manager, Treasury Department

Phone: +813-5533-8000

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 third quarter of Fiscal 2002)

(1) Commissions

For the third quarter ended December 31, 2003, total commission revenues amounted to 44,546 million yen (20.1% up), of which 28,989 million yen (55.2% up) were derived from equity, 9,141 million yen (18.0% up) from fixed income, and 1,020 million yen (51.6% down) from Beneficiary Certificates. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total Brokerage commissions increased to 8,157 million yen (27.2% up) reflecting an active market condition with increased daily average volume of stocks traded on the Tokyo Stock Exchange (1,092.2 billion yen, 42.8% up).

b) Underwriting Commissions

Underwriting Commissions increased to 26,728 million yen (47.3% up). Underwriting commissions derived from equity increased to 20,022 million yen (66.4% up) due to an increase of both PO and IPO underwriting issues. Underwriting Commissions derived from fixed income increased to 6,519 million yen (9.5% up).

c) Distribution Commissions

Revenues from distribution commissions generated 508 million yen (37.8% down).

d) Other Commissions

Other Commissions amounted to 9,151 million yen (21.7% down). Other commissions from M&A, Financial Advisory Service, IPO consulting, and so forth generated 5,208 million yen (37.9% 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 32,731 million yen (260.4% up). On the other hand, net trading gains from fixed income together with those from foreign exchange transactions decreased to 17,019 million yen (36.6% down). Consequently, overall Net Gain on Trading increased to 49,750 million yen (38.4% up).

(3) Net Interest and Dividend Income

Interest and Dividend Income totaled 22,368 million yen, whereas Interests Expenses totaled 6,927 million yen. Net Interest and Dividend Income came to 15,441 million yen (53.6% up), reflecting low interest expenses and increased interests on bond received.

(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 33,969 million yen (30.5% up), 7,518 million yen (21.8% up), 18,044 million yen (11.4% up), 7,559 million yen (2.6% down) and 10,579 million yen (3.6% down), respectively. As a whole, Selling, General and Administration Expenses totaled 80,339 million yen (15.5% up).

In conclusion, Operating Revenues for this third quarter came to 116,666 million yen (31.9% up), and Net Operating Revenues to 109,739 million yen (32.1% up). Operational Income came to 29,399 million yen (117.5% up), and Ordinary Income to 30,105 million yen (104.3% up). Net extraordinary income resulted in a loss of 1,463 million yen mainly due to expenses booked relating to the company's relocation as at November 1, 2003. Finally, Net Income for the third quarter of fiscal 2003 recorded a large increase to 17,445 million yen (125.1% up).

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

For the third quarter of fiscal 2003, total assets decreased by 467.5 billion yen to 5,754.4 billion yen due to a decrease of Trading assets by 1,145.4 billion yen. Receivable on collateralized securities transactions and Receivables related to margin transactions increased by 613.3 billion yen and 39.7 billion yen, respectively.

On the other hand, total liabilities decreased to 5,388.1 billion yen, a 480.0 billion yen less than last year, which was mostly attributable to a decrease of Payable on collateralized securities transactions by 774.3 billion yen. The company newly issued 155.2 billion yen of corporate bond in order to raise funds. Total Stockholder's Equity increased by 12.4 billion yen to 366.2 billion yen over last year.

Balance Sheets

(millions of yen)

	Third quarter Dec. 31, 2003	Third quarter Dec. 31, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Assets				
Current assets:	5,627,390	5,905,289	(277,899)	6,079,947
Cash and time deposits	63,389	60,021	3,368	105,018
Cash segregated as deposits	20,432	25,002	(4,570)	20,008
Trading assets:	3,071,141	3,865,780	(794,638)	4,216,614
Trading securities and others	2,601,674	3,368,671	(766,997)	3,644,400
Derivative assets	469,466	497,108	(27,641)	572,213
Trade date accrual	67,915	88,405	(20,490)	-
Receivables related to margin transactions:	108,666	60,893	47,772	68,944
Loans receivable from customers for margin transactions	2,196	24	2,172	55
Cash deposits as collateral for securities borrowed from securities finance companies	106,469	60,868	45,600	68,889
Receivables on collateralized securities transactions:	2,162,387	1,692,932	469,455	1,549,050
Cash deposits as collateral for securities borrowed	2,071,547	1,551,310	520,237	1,487,949
Receivables related to Gensaki transactions	90,839	141,621	(50,782)	61,100
Short-term guarantee money deposited	15,304	9,516	5,788	9,407
Short-term loans receivable	95,335	82,361	12,974	85,622
Accrued income	7,237	7,127	110	9,161
Deferred income tax assets	925	521	404	818
Other current assets	14,674	12,765	1,908	15,348
Less: Allowance for doubtful accounts-current	(20)	(37)	17	(45)
Non-current assets:	127,024	148,538	(21,514)	142,065
Tangible fixed assets	3,531	3,772	(240)	4,120
Intangible fixed assets	31,485	25,728	5,756	29,725
Investments and others:	92,007	119,037	(27,029)	108,219
Investment securities	43,697	43,205	491	42,941
Long-term loans receivable	1,027	1,040	(13)	1,033
Long-term guarantee deposits	7,506	6,218	1,287	6,403
Deferred income tax assets	35,821	52,658	(16,836)	48,278
Other investments	4,510	16,356	(11,845)	10,045
Less: Allowance for doubtful accounts-non-current	(554)	(441)	(113)	(482)
Total assets	5,754,415	6,053,828	(299,413)	6,222,012

(millions of yen)

	Third quarter Dec. 31, 2003	Third quarter Dec. 31, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Liabilities				
Current liabilities:	4,885,561	5,320,823	(435,261)	5,469,446
Trading liabilities:	1,852,955	1,376,564	476,391	1,372,131
Trading securities and others	1,420,883	927,698	493,185	850,362
Derivative liabilities	432,072	448,866	(16,794)	521,768
Trade date accrual	-	-	-	58,765
Payables related to margin transactions:	75,451	32,063	43,387	42,790
Loans from securities finance companies for margin transactions	110	3	107	-
Proceeds of securities sold for margin transactions	75,340	32,060	43,280	42,790
Payables on collateralized securities transactions	1,767,764	2,426,495	(658,730)	2,542,096
Cash deposits as collateral for securities loaned	1,246,237	2,084,272	(838,035)	1,902,792
Payables related to Gensaki transactions	521,527	342,223	179,304	639,304
Deposits received	26,577	10,448	16,109	59,382
Cash deposits received from customers	12,411	10,864	1,546	17,800
Short-term borrowings	913,900	1,061,531	(147,631)	1,068,817
Commercial paper	220,650	391,600	(170,950)	289,800
Bonds due within one year	7,510	5,263	2,247	5,766
Accrued expenses	4,354	3,855	499	7,203
Accrued income taxes	-	9	(9)	-
Other current liabilities	4,006	2,128	1,877	4,891
Non-current liabilities:	499,489	374,975	124,514	395,708
Bonds	394,950	271,400	123,550	291,950
Long-term borrowings	100,000	100,000	-	100,000
Accrued retirement benefits	3,608	2,909	699	3,041
Other non-current liabilities	929	665	264	716
Statutory reserves:	3,096	2,865	231	3,065
Reserve for securities transaction liabilities	3,096	2,865	231	3,065
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	5,388,147	5,698,664	(310,516)	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	43,022	32,568	10,453	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 17,445 million yen for Dec. 2003, net income 7,749 million yen for Dec. 2002 and net income 6,357 million yen for FY2002.	37,630	27,126	10,504	25,734
Revaluation reserve for investment securities, net of tax effect	324	(325)	649	(305)
Total stockholders' equity	366,267	355,164	11,102	353,792
Total liabilities and stockholders' equity	5,754,415	6,053,828	(299,413)	6,222,012

Income Statements

(millions of yen)

	Third quarter Apr. 1, 2003 - Dec. 31, 2003	Third quarter Apr. 1, 2002 - Dec. 31, 2002	Yr/yr change	Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003
Operating revenues	116,666	88,434	31.9%	118,300
Commissions	44,546	37,078	20.1%	52,073
Net gain on trading	49,750	35,937	38.4%	44,308
Interest and dividend income	22,368	15,419	45.1%	21,919
Interest expenses	6,927	5,368	29.0%	7,425
Net operating revenues	109,739	83,066	32.1%	110,875
Selling, general and administrative expenses:	80,339	69,552	15.5%	95,401
Commission and other expenses	33,969	26,036	30.5%	37,571
Employees' compensation and benefits	18,044	16,196	11.4%	21,582
Real estate expenses	7,559	7,764	(2.6)%	10,320
Data processing and office supplies	10,579	10,973	(3.6)%	14,132
Depreciation expenses	7,518	6,171	21.8%	8,566
Taxes other than income taxes	1,641	1,268	29.4%	1,737
Others	1,027	1,142	(10.1)%	1,490
Operating income	29,399	13,513	117.5%	15,473
Non-operating income	1,246	1,667	(25.2)%	1,953
Non-operating expenses	540	448	20.5%	861
Ordinary income	30,105	14,732	104.3%	16,565
Extraordinary gains	447	64	595.1%	61
Extraordinary losses	1,910	1,397	36.7%	2,401
Income before income taxes and others	28,641	13,399	113.8%	14,226
Income taxes-current	(777)	258	-	(1,576)
Refund of Income taxes	168	48	247.5%	52
Reversal of accrued income taxes	-	2	-	-
Income taxes-deferred	12,142	5,442	123.1%	9,497
Net income	17,445	7,749	125.1%	6,357
Unappropriated retained earnings-carryforward	20,185	19,376	4.2%	19,376
Unappropriated retained earnings	37,630	27,126	38.7%	25,734

Notes to financial statements

The financial statements of the Company for the third quarter ended December 31, 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 December 31, 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 Dec. 31, 2003</u>	<u>As of Dec. 31, 2002</u>	(millions of yen) <u>As of Mar. 31, 2003</u>
	7,963	6,886	7,295

2. Guarantee

	<u>As of Dec. 31, 2003</u>	<u>As of Dec. 31, 2002</u>	(millions of yen) <u>As of Mar. 31, 2003</u>
	542	442	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	Third quarter <u>Apr. 1, 2003 - Dec. 31, 2003</u>	Third quarter <u>Apr. 1, 2002 - Dec. 31, 2002</u>	Fiscal 2002 <u>Apr. 1, 2002 - Mar. 31, 2003</u>
Extraordinary gains			
Gain on sale of investment securities	447	44	49
Reversal of allowance for doubtful accounts	-	19	12
Extraordinary losses			
Write-down of investment securities	554	554	1,257
Valuation loss of fixed assets	86	205	259
Loss on sale of investment securities	-	83	129
Provision for securities transaction liabilities	30	554	754
Relocation cost of headquarter office	1,238	-	-

Supplemental information for the third quarter ended December 31, 2003

(Apr. 1, 2003 – Dec. 31, 2003)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	Third quarter (2003/12)	Third quarter (2002/12)	Yr/yr change	Fiscal 2002 (2003/3)
Brokerage commission	8,157	6,415	27.2%	8,367
Stock and other	8,099	6,303	28.5%	8,228
Bond and other	27	78	(65.3)%	99
Underwriting	26,728	18,150	47.3%	24,896
Stock and other	20,022	12,031	66.4%	16,144
Bond and other	6,519	5,954	9.5%	8,424
Distribution	508	817	(37.8)%	1,159
Beneficiary certificates	207	626	(66.8)%	795
Other commission	9,151	11,695	(21.7)%	17,649
Beneficiary certificates	781	1,448	(46.0)%	1,809
Total	44,546	37,078	20.1%	52,073

(2) Asset class

(millions of yen)

	Third quarter (2003/12)	Third quarter (2002/12)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	28,989	18,674	55.2%	24,869
Bond and other	9,141	7,745	18.0%	11,505
Beneficiary certificates	1,020	2,108	(51.6)%	2,644
Others	5,394	8,550	(36.9)%	13,053
Total	44,546	37,078	20.1%	52,073

2. Breakdown of trading gains/losses

(millions of yen)

	Third quarter (2003/12)	Third quarter (2002/12)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	32,731	9,082	260.4%	(1,646)
Bond, Forex and other	17,019	26,854	(36.6)%	45,954
Bond and other	9,495	20,764	(54.3)%	38,569
Forex and other	7,523	6,089	23.5%	7,385
Total	49,750	35,937	38.4%	44,308

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

	Third quarter (2003/12)		Third quarter (2002/12)		Yr/yr change		Fiscal 2002 (2003/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	37,138	31,735,021	27,591	27,967,821	34.6%	13.5%	37,527	35,748,055
Dealing (a)	20,403	17,207,246	15,545	15,172,733	31.2%	13.4%	21,078	19,431,316
Brokerage (b)	16,734	14,527,775	12,046	12,795,088	38.9%	13.5%	16,449	16,316,739
b/(a + b)	45.1%	45.8%	43.7%	45.7%			43.8%	45.6%
TSE share	5.7%	6.2%	6.7%	7.0%			6.9%	7.2%

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

	Third quarter (2003/12)	Third quarter (2002/12)	Yr/yr change	Fiscal 2002 (2003/3)
Underwriting:				
Stock (number of shares)	758	156	386.2%	164
(yen amount)	546,086	254,664	114.4%	319,658
Bond (face value)	3,509,428	3,640,787	(3.6)%	5,063,041
CP & others (face value)	807,464	1,203,370	(32.9)%	1,466,260
Distribution (*)				
Stock (number of shares)	745	156	377.1%	165
(yen amount)	551,907	256,246	115.4%	343,934
Bond (face value)	3,499,115	3,568,578	(1.9)%	4,903,100
Beneficiary certificates (face value)	416,854	856,703	(51.3)%	1,112,711
CP & others (face value)	793,207	1,154,870	(31.3)%	1,406,460

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Third quarter Dec. 31, 2003	Third quarter Dec. 31, 2002	Fiscal 2002 Mar. 31, 2003
Basic item	Stockholders' equity (A)	365,943	355,164	348,192
Supplementary item	Valuation profits of investment securities	324	-	-
	Statutory reserve	3,096	2,865	3,065
	Allowance for doubtful accounts	20	37	45
	Subordinated borrowings	100,000	100,000	100,000
	Total (B)	103,440	102,902	103,111
	Assets excluded from capital (C)	124,711	146,375	140,270
	Net capital (A)+(B)-(C) (D)	344,672	311,692	311,033
Risk equivalent	Market risk equivalent	41,014	45,921	47,442
	Counterparty risk equivalent	17,194	13,226	15,887
	Basic risk equivalent	22,579	20,360	20,738
	Total (E)	80,788	79,508	84,068
	Capital adequacy ratio (D)/(E)	426.6%	392.0%	369.9%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2002		Fiscal 2003		
	Third quarter Oct. 1, 2002 - Dec. 31, 2002	Fourth quarter Jan. 1, 2003 - Mar. 31, 2003	First quarter Apr. 1, 2003- Jun. 30, 2003	Second quarter Jul. 1, 2003 - Sep. 30, 2003	Third quarter Oct. 1, 2003 - Dec. 31, 2003
Operating revenues	31,828	29,866	39,027	38,438	39,200
Commissions	12,121	14,994	8,767	15,946	19,833
Brokerage commission	1,791	1,951	2,361	3,064	2,731
(Stock and other)	1,763	1,924	2,345	3,040	2,712
(Bond and other)	14	21	7	9	9
Underwriting commission	6,391	6,746	3,875	8,875	13,977
(Stock and other)	4,457	4,113	996	7,187	11,838
(Bond and other)	1,878	2,470	2,781	1,640	2,097
Distribution commission	209	342	92	189	227
(Beneficiary certificates)	117	169	18	56	132
Other commission	3,729	5,954	2,438	3,816	2,896
(Beneficiary certificates)	420	361	244	254	282
Net gain on trading	13,708	8,371	22,148	13,706	13,896
(Stock and other)	2,472	(10,729)	7,268	18,360	7,102
(Bond and other)	10,470	17,804	10,022	(2,974)	2,448
(Forex and other)	765	1,295	4,856	(1,679)	4,345
Interest and dividend income	5,998	6,500	8,111	8,785	5,471
Interest expenses	1,921	2,057	2,319	2,190	2,417
Net operating revenues	29,906	27,808	36,707	36,247	36,783
Selling, general and administrative expenses	23,291	25,849	27,467	25,785	27,086
Commission and other expenses	9,057	11,534	12,164	10,188	11,616
Employees' compensation and benefits	5,276	5,385	6,181	5,928	5,934
Real estate expenses	2,595	2,555	2,456	2,631	2,471
Data processing and office supplies	3,569	3,159	3,593	3,417	3,568
Depreciation expenses	2,093	2,395	2,261	2,630	2,626
Taxes other than income taxes	362	469	415	657	568
Others	335	348	393	331	301
Operating income	6,614	1,959	9,240	10,461	9,696
Non-operating income	231	286	636	390	219
Non-operating expenses	84	412	27	262	251
Ordinary income	6,761	1,832	9,850	10,590	9,665
Extraordinary gains	18	(2)	-	357	89
Extraordinary losses	678	1,003	30	994	885
Income before income taxes and others	6,101	826	9,819	9,953	8,868
Income taxes-current	(5)	(1,834)	(6)	(646)	(125)
Refund of income taxes	-	3	-	125	43
Reversal of accrued income taxes	0	(2)	-	-	-
Income taxes-deferred	2,617	4,054	3,916	4,436	3,789
Net income	3,489	(1,391)	5,908	6,288	5,248