

Daiwa Securities SMBC Co. Ltd.

April 27, 2004

Non-consolidated financial summary

(For fiscal year ended March 31, 2004)

(1) Operating results (from April 1, 2003 to March 31, 2004)

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
Fiscal 2003 (2004/3)	161,681	36.7%	152,216	37.3%	40,884	164.2%
Fiscal 2002 (2003/3)	118,300	8.1%	110,875	8.0%	15,473	25.0%

	Ordinary income		Net income		Return on stockholders' equity (Annual basis)
	Millions of yen	Yr/yr Change	Millions of yen	Yr/yr Change	
Fiscal 2003 (2004/3)	41,873	152.8%	23,227	265.4%	6.4%
Fiscal 2002 (2003/3)	16,565	25.2%	6,357	17.1%	1.8%

Note. Change in accounting policies: The company applies the standard for Impairment of Fixed Assets in effect from the fiscal 2003. There is no impairment loss occurred in this year.

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen		
As of Mar. 31, 2004	7,575,808	372,213	4.9%	336.8%
As of Mar. 31, 2003	6,222,012	353,792	5.7%	369.9%

Note. Number of shares outstanding:

As of Mar. 31, 2004: 3,200

As of Mar. 31, 2003: 3,200

Representative: Akira Kiyota, President

Contact: Tenzan Watanabe, General Manager, Treasury Department

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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 fiscal 2002)

(1) Commissions

For the year ended March 31, 2004, total commission revenues amounted to 68,508 million yen (31.6% up), of which 45,387 million yen (82.5% up) were derived from equity, 12,220 million yen (6.2% up) from fixed income, and 1,660 million yen (37.2% down) from Beneficiary Certificates. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total Brokerage commissions significantly increased to 11,665 million yen (39.4% up) reflecting an active market condition with increased daily average volume of stocks traded on the Tokyo Stock Exchange (1,172.4 billion yen, 58.5% up).

b) Underwriting Commissions

Underwriting Commissions significantly increased to 42,160 million yen (69.3% up). Underwriting commissions derived from equity increased to 32,776 million yen (103.0% up) due to an increase of both PO and IPO underwriting issues. Underwriting Commissions derived from fixed income increased to 8,619 million yen (2.3% up).

c) Distribution Commissions

Revenues in distribution commissions generated 861 million yen (25.7% down) reflecting decreasing distribution commissions derived from Beneficiary Certificates and so forth.

d) Other Commissions

Other Commissions amounted to 13,820 million yen (21.7% down). Other commissions from M&A, Financial Advisory Service, IPO consulting, and so forth generated 8,473 million yen (33.4% down). On the other hand, agency fees in fixed income administration business increased.

(2) Net Gain on Trading

Net trading gains in equity trading significantly increased to 42,136 million yen compared to the net loss of 1,646 million yen in last year. On the other hand, net trading gains from fixed income together with those from foreign exchange transactions decreased to 23,692 million yen (48.4% down). Consequently, overall Net Gain on Trading increased to 65,829 million yen (48.6% up).

(3) Net Interest and Dividend Income

Interest and Dividend Income totaled 27,343 million yen, whereas Interests Expenses totaled 9,465 million yen. Net Interest and Dividend Income came to 17,878 million yen (23.4% up), reflecting increased revenues earned from interests on bonds and so forth.

(4) Selling, General and Administrative Expenses

Commissions paid, personnel expenses, and Real estate expenses increased to 48,393 million yen (28.8% up), 24,263 million yen (12.4% up), and 10,442 million yen (1.2% up), respectively. Data processing & office supply expenses decreased to 13,919 million yen (1.5% down). Taxes other than income taxes increased to 2,109 million yen (21.4% up), and Depreciation expenses to 10,686 million yen (24.7% up). Overall Selling, General and Administration Expenses came to 111,332 million yen, a 16.7% increase compared to last year.

In conclusion, Operating Revenues for the fiscal 2003 came to 161,681 million yen (36.7% up), and Net Operating Revenues to 152,216 million yen (37.3% up). Operational Income came to 40,884 million yen (164.2% up), and Ordinary Income to 41,873 million yen (152.8% up). Net extraordinary income resulted in a loss of 3,747 million yen mainly due to expenses relating to the company's relocation as at November 1, 2003 (1,405 million yen) and devaluation of investment securities (1,386 million yen). Finally, Net Income recorded a large increase to 23,227 million yen (265.4% up).

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

For the fiscal 2003, total assets increased by 1,353.7 billion yen to 7,575.8 billion yen due to increases in Receivable on collateralized securities transactions by 1,370.2 billion yen and Trade date accrual by 419.5 billion yen, and a decrease in Trading assets by 518.7 billion yen.

On the other hand, total liabilities increased by 1,335.3 billion yen to 7,203.5 billion yen, which was mostly attributable to an increase in Trading liabilities by 1,314.8 billion yen. The company newly issued 198.8 billion yen of corporate bond in order to raise funds. Total Stockholder's Equity increased by 18.4 billion yen to 372.2 billion yen over last year.

Balance Sheets

(millions of yen)

	Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003	Increase/ Decrease
Assets			
Current assets:	7,446,596	6,079,947	1,366,649
Cash and time deposits	67,093	105,018	(37,925)
Cash segregated as deposits	20,024	20,008	16
Trading assets:	3,697,892	4,216,614	(518,721)
Trading securities and others	3,200,420	3,644,400	(443,979)
Derivative assets	497,472	572,213	(74,741)
Trade date accrual	419,550	-	419,550
Receivables related to margin transactions:	141,196	68,944	72,251
Loans receivable from customers for margin transactions	1,972	55	1,917
Cash deposits as collateral for securities borrowed from securities finance companies	139,223	68,889	70,333
Receivables on collateralized securities transactions:	2,919,298	1,549,050	1,370,248
Cash deposits as collateral for securities borrowed	2,818,287	1,487,949	1,330,338
Receivables related to Gensaki transactions	101,010	61,100	39,910
Short-term guarantee money deposited	11,820	9,407	2,413
Short-term loans receivable	130,293	85,622	44,670
Accrued income	6,361	9,161	(2,799)
Deferred income tax assets	1,664	818	846
Other current assets	31,431	15,348	16,083
Less: Allowance for doubtful accounts-current	(31)	(45)	14
Non-current assets:	129,212	142,065	(12,853)
Tangible fixed assets	4,764	4,120	643
Intangible fixed assets	32,237	29,725	2,512
Investments and others:	92,210	108,219	(16,009)
Investment securities	51,418	42,941	8,477
Long-term loans receivable	26	1,033	(1,006)
Long-term guarantee deposits	5,734	6,403	(669)
Deferred income tax assets	30,837	48,278	(17,440)
Other investments	4,747	10,045	(5,298)
Less: Allowance for doubtful accounts-non-current	(554)	(482)	(71)
Total assets	7,575,808	6,222,012	1,353,795

(millions of yen)

	Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003	Increase/ Decrease
Liabilities			
Current liabilities:	6,680,982	5,469,446	1,211,536
Trading liabilities:	2,687,007	1,372,131	1,314,876
Trading securities and others	2,219,915	850,362	1,369,552
Derivative liabilities	467,092	521,768	(54,676)
Trade date accrual	-	58,765	(58,765)
Payables related to margin transactions:	80,149	42,790	37,359
Proceeds of securities sold for margin transactions	80,149	42,790	37,359
Payables on collateralized securities transactions	2,369,385	2,542,096	(172,711)
Cash deposits as collateral for securities loaned	1,678,734	1,902,792	(224,058)
Payables related to Gensaki transactions	690,651	639,304	51,346
Deposits received	8,834	59,382	(50,547)
Cash deposits received from customers	14,441	17,800	(3,359)
Short-term borrowings	1,224,300	1,068,817	155,482
Commercial paper	273,722	289,800	(16,078)
Bonds due within one year	10,173	5,766	4,406
Accrued expenses	6,174	7,203	(1,028)
Other current liabilities	6,793	4,891	1,901
Non-current liabilities:	518,629	395,708	122,921
Bonds	413,959	291,950	122,009
Long-term borrowings	100,000	100,000	-
Accrued retirement benefits	3,639	3,041	597
Other non-current liabilities	1,031	716	314
Statutory reserves:	3,982	3,065	916
Reserve for securities transaction liabilities	3,981	3,065	916
Reserve for financial futures transaction liabilities	0	0	-
Total liabilities	7,203,594	5,868,220	1,335,374
Stockholders' equity			
Common stock	205,600	205,600	-
Capital surplus	117,321	117,321	-
Additional paid-in capital	117,321	117,321	-
Earned surplus	48,804	31,176	17,627
Earned surplus reserve	5,141	5,141	-
Reserve for special depreciation	250	301	(50)
Unappropriated retained earnings including net income 23,227 million yen for FY2003, and net income 6,357 million yen for FY2002.	43,412	25,734	17,678
Revaluation reserve for investment securities, net of tax effect	488	(305)	793
Total stockholders' equity	372,213	353,792	18,421
Total liabilities and stockholders' equity	7,575,808	6,222,012	1,353,795

Income Statements

(millions of yen)

	Fiscal 2003 Apr. 1, 2003 - Mar. 31, 2004	Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003	Increase/ Decrease	Yr/yr change
Operating revenues	161,681	118,300	43,380	36.7%
Commissions	68,508	52,073	16,434	31.6%
Net gain on trading	65,829	44,308	21,521	48.6%
Interest and dividend income	27,343	21,919	5,424	24.7%
Interest expenses	9,465	7,425	2,039	27.5%
Net operating revenues	152,216	110,875	41,340	37.3%
Selling, general and administrative expenses:	111,332	95,401	15,930	16.7%
Commission and other expenses	48,393	37,571	10,821	28.8%
Employees' compensation and benefits	24,263	21,582	2,681	12.4%
Real estate expenses	10,442	10,320	122	1.2%
Data processing and office supplies	13,919	14,132	(212)	(1.5)%
Depreciation expenses	10,686	8,566	2,119	24.7%
Taxes other than income taxes	2,109	1,737	372	21.4%
Others	1,516	1,490	25	1.7%
Operating income	40,884	15,473	25,410	164.2%
Non-operating income	1,567	1,953	(385)	(19.8)%
Non-operating expenses	578	861	(282)	(32.8)%
Ordinary income	41,873	16,565	25,307	152.8%
Extraordinary gains	456	61	394	638.6%
Extraordinary losses	4,203	2,401	1,801	75.0%
Income before income taxes and others	38,126	14,226	23,899	168.0%
Income taxes-current	(1,305)	(1,576)	270	-
Refund of Income taxes	181	52	129	247.7%
Income taxes-deferred	16,386	9,497	6,889	72.5%
Net income	23,227	6,357	16,870	265.4%
Unappropriated retained earnings-carryforward	20,185	19,376	808	4.2%
Unappropriated retained earnings	43,412	25,734	17,678	68.7%
Net financial income included in Net operating revenues	17,878	14,493	3,385	23.4%

Statement of appropriation of retained earnings

	(Appropriation plan)		(millions of yen)	
	Fiscal 2003		Fiscal 2002	
Unappropriated retained earnings	43,412		25,734	
Reversal of reserve for special depreciation	59		50	
Total	43,471		25,785	
Appropriations of retained earnings				
Cash dividends(*)	-		5,600	
Bonuses to directors	252		-	
Voluntary reserve				
Reserve for special depreciation	1,560		-	
Special reserve	38,000	39,812	-	5,600
Unappropriated retained earnings carried forward	3,658		20,185	

(*) Cash dividends for fiscal year 2002: 1,750,000 yen per share

Notes to financial statements

The financial statements of the Company for fiscal 2003 ended March 31, 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 Financial Statements' (Ministry of Finance Ordinance No. 59, 1963) and its Article 2.

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 March 31, 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.

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.

(4) 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 complied with this standard for the fiscal year ended as of March 31, 2004.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets

	<u>As of Mar. 31, 2004</u>	(millions of yen) <u>As of Mar. 31, 2003</u>
	7,603	7,295

2. Guarantee

	<u>As of Mar. 31, 2004</u>	(millions of yen) <u>As of Mar. 31, 2003</u>
	521	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	Fiscal 2003	Fiscal 2002
	<u>Apr. 1, 2003 - Mar. 31, 2004</u>	<u>Apr. 1, 2002 - Mar. 31, 2003</u>
Extraordinary gains		
Gain on sale of investment securities	456	49
Reversal of allowance for doubtful accounts	-	12
Extraordinary losses		
Write-down of investment securities	1,386	1,257
Valuation loss of fixed assets	101	259
Loss on sale of investment securities	77	129
Provision for securities transaction liabilities	916	754
Relocation cost of headquarter offices	1,405	-
Others	315	-

Supplemental information for fiscal 2003

(Apr. 1, 2003 – Mar. 31, 2004)

1. Breakdown of commission revenue

(1) Activity	(millions of yen)		
	Fiscal 2003 (2004/3)	Fiscal 2002 (2003/3)	Yr/yr change
Brokerage commission	11,665	8,367	39.4%
Stock and other	11,584	8,228	40.8%
Bond and other	37	99	(62.5)%
Underwriting	42,160	24,896	69.3%
Stock and other	32,776	16,144	103.0%
Bond and other	8,619	8,424	2.3%
Distribution	861	1,159	(25.7)%
Beneficiary certificates	532	795	(33.1)%
Other commission	13,820	17,649	(21.7)%
Beneficiary certificates	1,084	1,809	(40.1)%
Total	68,508	52,073	31.6%

(2) Asset class

(millions of yen)

	Fiscal 2003 (2004/3)	Fiscal 2002 (2003/3)	Yr/yr change
Stock and other	45,387	24,869	82.5%
Bond and other	12,220	11,505	6.2%
Beneficiary certificates	1,660	2,644	(37.2)%
Others	9,238	13,053	(29.2)%
Total	68,508	52,073	31.6%

2. Breakdown of trading gains/losses

(millions of yen)

	Fiscal 2003 (2004/3)	Fiscal 2002 (2003/3)	Yr/yr change
Stock and other	42,136	(1,646)	- %
Bond, Forex and other	23,692	45,954	(48.4)%
Bond and other	18,904	38,569	(51.0)%
Forex and other	4,787	7,385	(35.2)%
Total	65,829	44,308	48.6%

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

	Fiscal 2003 (2004/3)		Fiscal 2002 (2003/3)		Yr/yr change	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	49,001	43,326,386	37,527	35,748,055	30.6%	21.2%
Dealing (a)	26,977	23,700,575	21,078	19,431,316	28.0%	22.0%
Brokerage (b)	22,023	19,625,810	16,449	16,316,739	33.9%	20.3%
b/(a + b)	44.9%	45.3%	43.8%	45.6%		
TSE share	5.5%	6.0%	6.9%	7.2%		

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

	Fiscal 2003 (2004/3)	Fiscal 2002 (2003/3)	Yr/yr change
Underwriting:			
Stock (number of shares)	863	164	423.5%
(yen amount)	863,754	319,658	170.2%
Bond (face value)	5,133,737	5,063,041	1.4%
CP & others (face value)	1,275,086	1,466,260	(13.0)%
Distribution (*)			
Stock (number of shares)	851	165	414.7%
(yen amount)	880,338	343,934	156.0%
Bond (face value)	5,116,145	4,903,100	4.3%
Beneficiary certificates (face value)	683,574	1,112,711	(38.6)%
CP & others (face value)	1,255,929	1,406,460	(10.7)%

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Mar. 31, 2004	Mar. 31, 2003
Basic item	Stockholders' equity (A)	371,473	348,192
Supplementary item	Valuation profits of investment securities	488	-
	Statutory reserve	3,982	3,065
	Allowance for doubtful accounts	31	45
	Subordinated borrowings	100,000	100,000
	Total (B)	104,502	103,111
	Assets excluded from capital (C)	134,092	140,270
	Net capital (A)+(B)-(C) (D)	341,882	311,033
Risk equivalent	Market risk equivalent	56,376	47,442
	Counterparty risk equivalent	22,462	15,887
	Basic risk equivalent	22,656	20,738
	Total (E)	101,495	84,068
	Capital adequacy ratio (D)/(E)	336.8%	369.9%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2002	Fiscal 2003			
	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
	Jan. 1, 2003 - Mar. 31, 2003	Apr. 1, 2003- Jun. 30, 2003	Jul. 1, 2003 - Sep. 30, 2003	Oct. 1, 2003 - Dec. 31, 2003	Jan. 1, 2004 - Mar. 31, 2004
Operating revenues	29,866	39,027	38,438	39,200	45,015
Commissions	14,994	8,767	15,946	19,833	23,961
Brokerage commission	1,951	2,361	3,064	2,731	3,507
(Stock and other)	1,924	2,345	3,040	2,712	3,484
(Bond and other)	21	7	9	9	10
Underwriting commission	6,746	3,875	8,875	13,977	15,432
(Stock and other)	4,113	996	7,187	11,838	12,754
(Bond and other)	2,470	2,781	1,640	2,097	2,099
Distribution commission	342	92	189	227	352
(Beneficiary certificates)	169	18	56	132	324
Other commission	5,954	2,438	3,816	2,896	4,668
(Beneficiary certificates)	361	244	254	282	302
Net gain on trading	8,371	22,148	13,706	13,896	16,078
(Stock and other)	(10,729)	7,268	18,360	7,102	9,405
(Bond and other)	17,804	10,022	(2,974)	2,448	9,408
(Forex and other)	1,295	4,856	(1,679)	4,345	(2,735)
Interest and dividend income	6,500	8,111	8,785	5,471	4,975
Interest expenses	2,057	2,319	2,190	2,417	2,538
Net operating revenues	27,808	36,707	36,247	36,783	42,476
Selling, general and administrative expenses	25,849	27,467	25,785	27,086	30,992
Commission and other expenses	11,534	12,164	10,188	11,616	14,423
Employees' compensation and benefits	5,385	6,181	5,928	5,934	6,218
Real estate expenses	2,555	2,456	2,631	2,471	2,883
Data processing and office supplies	3,159	3,593	3,417	3,568	3,340
Depreciation expenses	2,395	2,261	2,630	2,626	3,168
Taxes other than income taxes	469	415	657	568	467
Others	348	393	331	301	489
Operating income	1,959	9,240	10,461	9,696	11,484
Non-operating income	286	636	390	219	320
Non-operating expenses	412	27	262	251	37
Ordinary income	1,832	9,850	10,590	9,665	11,767
Extraordinary gains	(2)	-	357	89	9
Extraordinary losses	1,003	30	994	885	2,292
Income before income taxes and others	826	9,819	9,953	8,868	9,484
Income taxes-current	(1,834)	(6)	(646)	(125)	(528)
Refund of income taxes	3	-	125	43	12
Reversal of accrued income taxes	(2)	-	-	-	-
Income taxes-deferred	4,054	3,916	4,436	3,789	4,244
Net income	(1,391)	5,908	6,288	5,248	5,781
Net financial income included in Net operating revenues	4,442	5,792	6,595	3,053	2,436