

Daiwa Securities SMBC Co. Ltd.



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.

	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
First half (2004/9)	101,273	30.7%	93,607	28.3%	35,752	81.5%
First half (2003/9)	77,465	36.8%	72,955	37.2%	19,702	185.6%
Fiscal 2003 (2004/3)	161,681		152,216		40,884	

	Ordinary income		Net income		Return on stockholders' equity (Annual basis)
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
First half (2004/9)	36,584	79.0%	22,331	83.1%	11.7%
First half (2003/9)	20,440	156.4%	12,197	186.4%	6.8%
Fiscal 2003 (2004/3)	41,873		23,227		6.4%

(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, 2004	9,196,118	393,745	4.3%	366.4%
As of Sep. 30, 2003	5,620,610	360,672	6.4%	424.2%
As of Mar. 31, 2004	7,575,808	372,213	4.9%	336.8%

(Note) Number of shares outstanding:

As of Sep. 30, 2004: 3,200

As of Sep. 30, 2003: 3,200

As of Mar. 31, 2004: 3,200

Representative: Tatsuei Saito, 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 first half of fiscal 2003)

(1) Commissions

For the first half ended September 30, 2004, total commission revenues amounted to 38,849 million yen (57.2% up), of which 25,358 million yen (80.9% up) were derived from equity, 5,628 million yen (10.5% down) from fixed income, and 955 million yen (60.2% up) from Beneficiary Certificates. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total Brokerage commissions increased to 7,149 million yen (31.8% up) reflecting the active market condition with increased daily average volume of stocks traded on the Tokyo Stock Exchange (1,445.1 billion yen, 42.8% up).

b) Underwriting Commissions

Underwriting Commissions increased to 22,101 million yen (73.3% up). Underwriting commissions derived from equity dramatically increased to 17,448 million yen (113.2% up) due to an increase of PO underwriting issues. On the other hand, underwriting Commissions derived from fixed income decreased to 3,959 million yen (10.5% down).

c) Distribution Commissions

Revenues in distribution commissions generated 359 million yen (27.8% up).

d) Other Commissions

Other Commissions amounted to 9,238 million yen (47.7% up). Other commissions from M&A, Financial Advisory Service, IPO consulting, and so forth increased to 6,214 million yen (69.4% up).

(2) Net Gain on Trading

Net trading gains in equity trading decreased to 24,965 million yen (2.6% down). On the other hand, net trading gains from fixed income together with those from foreign exchange transactions largely increased to 30,178 million yen (195.1% up). Consequently, overall Net Gain on Trading increased to 55,143 million yen (53.8% up).

(3) Net Interest and Dividend Income

Interest and Dividend Income totaled 7,280 million yen, whereas Interests Expenses totaled 7,666 million yen. Net Interest and Dividend Income came to a loss of 385 million yen.

(4) Selling, General and Administrative Expenses

Of the Selling, General and Administrative Expenses during the first half of fiscal 2004, Commissions paid totaled 24,584 million yen (10.0% up), personnel expenses totaled 12,807 million yen (5.8% up), Data processing & office supplies totaled 7,541 million yen (7.6% up), Depreciation expenses totaled 5,663 million yen (15.8% up), and Real estate expenses totaled 5,010 million yen (1.5% down). Overall Selling, General and Administrative Expenses came to 57,855 million yen, an 8.6% increase compared to the first half of last year.

In conclusion, Operating Revenues for the first half of fiscal 2004 came to 101,273 million yen (30.7% up), and Net Operating Revenues to 93,607 million yen (28.3% up). Operational Income came to 35,752 million yen (81.5% up), and Ordinary Income to 36,584 million yen (79.0% up). Adjusted with 166 million yen of net extraordinary income and 14,419 million yen of income taxes, Net Income for this first half came to 22,331 million yen (83.1% up).

(B) Financial Condition (Comparisons in parenthesis are made versus the fiscal 2003)

For the first half of fiscal 2004, total assets increased by 1,620.3 billion yen to 9,196.1 billion yen reflecting increases in Trading assets by 608.9 billion yen, Receivable on collateralized securities transactions by 1,347.0 billion yen, and a decrease in Trade date accrual by 312.6 billion yen.

Total liabilities increased by 1,598.7 billion yen to 8,802.3 billion yen, which is primarily attributable to increases in Trading liabilities by 484.7 billion yen, Payable on collateralized securities transactions by 215.1 billion yen, and short-term borrowings by 985.6 million yen. The company newly issued 144.2 billion yen of corporate bonds to raise its funds. Total stockholders' equity increased by 21.5 billion yen to 393.7 billion yen compared to the fiscal 2003.

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:	9,068,548	5,491,218	3,577,329	7,446,596
Cash and deposits	90,614	65,814	24,799	67,093
Cash segregated as deposits	20,027	31,027	(11,000)	20,024
Trading assets:	4,306,880	3,011,567	1,295,313	3,697,892
Trading securities and others	3,778,233	2,515,634	1,262,598	3,200,420
Derivative assets	528,647	495,932	32,715	497,472
Trade date accrual	106,873	248,633	(141,759)	419,550
Receivables related to margin transactions:	168,437	116,739	51,697	141,196
Loans receivable from customers for margin transactions	2,345	1,359	985	1,972
Cash deposits as collateral for securities borrowed from securities finance companies	166,091	115,379	50,712	139,223
Receivables on collateralized securities transactions:	4,266,366	1,834,817	2,431,548	2,919,298
Cash deposits as collateral for securities borrowed	4,021,898	1,783,289	2,238,609	2,818,287
Receivables related to Gensaki transactions	244,467	51,528	192,939	101,010
Short-term guarantee money deposited	12,077	11,056	1,021	11,820
Short-term loans receivable	80,362	153,175	(72,812)	130,293
Accrued income	7,269	6,921	348	6,361
Deferred income tax assets	2,344	1,452	892	1,664
Other current assets	7,320	10,028	(2,708)	31,431
Less: Allowance for doubtful accounts-current	(27)	(15)	(11)	(31)
Non-current assets:	127,570	129,391	(1,821)	129,212
Tangible fixed assets	4,198	3,860	337	4,764
Intangible fixed assets	30,435	32,189	(1,753)	32,237
Investments and others:	92,936	93,342	(405)	92,210
Investment securities	53,385	43,181	10,203	51,418
Long-term loans receivable	2,264	1,031	1,233	26
Long-term guarantee deposits	5,161	6,429	(1,267)	5,734
Deferred income tax assets	15,083	39,098	(24,015)	30,837
Other investments	17,616	4,134	13,482	4,747
Less: Allowance for doubtful accounts-non-current	(575)	(534)	(41)	(554)
Total assets	9,196,118	5,620,610	3,575,507	7,575,808

	First half Sep. 30, 2004	First half Sep. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
Liabilities				
Current liabilities:	8,243,509	4,793,432	3,450,076	6,680,982
Trading liabilities:	3,171,723	1,583,994	1,587,729	2,687,007
Trading securities and others	2,731,070	1,127,292	1,603,777	2,219,915
Derivative liabilities	440,653	456,701	(16,048)	467,092
Payables related to margin transactions:	117,090	67,742	49,347	80,149
Loans from securities finance companies for margin transactions	14	31	(17)	-
Proceeds of securities sold for margin transactions	117,075	67,711	49,364	80,149
Payables on collateralized securities transactions	2,584,562	2,060,078	524,483	2,369,385
Cash deposits as collateral for securities loaned	1,784,819	1,338,390	446,428	1,678,734
Payables related to Gensaki transactions	799,742	721,687	78,055	690,651
Deposits received	7,206	5,198	2,007	8,834
Cash deposits received from customers	17,510	14,032	3,477	14,441
Short-term borrowings	2,209,921	797,000	1,412,921	1,224,300
Commercial paper	98,220	236,950	(138,730)	273,722
Bonds due within one year	14,039	15,493	(1,454)	10,173
Accrued expenses	8,302	6,100	2,201	6,174
Other current liabilities	14,933	6,841	8,092	6,793
Non-current liabilities:	554,883	463,409	91,474	518,629
Bonds	500,740	359,307	141,432	413,959
Long-term borrowings	50,000	100,000	(50,000)	100,000
Accrued retirement benefits	3,702	3,419	282	3,639
Other non-current liabilities	441	682	(241)	1,031
Statutory reserves:	3,980	3,096	883	3,982
Reserve for securities transaction liabilities	3,980	3,096	883	3,981
Reserve for financial futures transaction liabilities	-	0	0	0
Total liabilities	8,802,372	5,259,938	3,542,434	7,203,594
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	70,883	37,774	33,109	48,804
Earned surplus reserve	5,141	5,141	-	5,141
Reserve for special depreciation	39,752	250	39,501	250
Unappropriated retained earnings including net income 22,331 million yen for Sep. 2004, net income 12,197 million yen for Sep. 2003 and net income 23,227 million yen for FY2003.	25,990	32,382	(6,391)	43,412
Revaluation reserve for investment securities, net of tax effect	(59)	(22)	(36)	488
Total stockholders' equity	393,745	360,672	33,073	372,213
Total liabilities and stockholders' equity	9,196,118	5,620,610	3,575,507	7,575,808

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	101,273	77,465	30.7%	161,681
Commissions	38,849	24,713	57.2%	68,508
Net gain on trading	55,143	35,854	53.8%	65,829
Interest and dividend income	7,280	16,897	(56.9)%	27,343
Interest expenses	7,666	4,509	70.0%	9,465
Net operating revenues	93,607	72,955	28.3%	152,216
Selling, general and administrative expenses:	57,855	53,252	8.6%	111,332
Commission and other expenses	24,584	22,352	10.0%	48,393
Employees' compensation and benefits	12,807	12,110	5.8%	24,263
Real estate expenses	5,010	5,087	(1.5)%	10,442
Data processing and office supplies	7,541	7,010	7.6%	13,919
Depreciation expenses	5,663	4,891	15.8%	10,686
Taxes other than income taxes	1,490	1,073	38.8%	2,109
Others	757	725	4.4%	1,516
Operating income	35,752	19,702	81.5%	40,884
Non-operating income	902	1,027	(12.1)%	1,567
Non-operating expenses	70	289	(75.7)%	578
Ordinary income	36,584	20,440	79.0%	41,873
Extraordinary gains	375	357	4.9%	456
Extraordinary losses	208	1,025	(79.6)%	4,203
Income before income taxes and others	36,750	19,772	85.9%	38,126
Income taxes-current	(695)	(652)	-	(1,305)
Refund of Income taxes	-	125	-	181
Income taxes-deferred	15,115	8,353	80.9%	16,386
Net income	22,331	12,197	83.1%	23,227
Unappropriated retained earnings-carryforward	3,658	20,185	(81.9)%	20,185
Unappropriated retained earnings	25,990	32,382	(19.7)%	43,412
Net financial income included in Net operating revenues	(385)	12,388	-	17,878

Notes to financial statements

The 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 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, 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) 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 last fiscal year ended on March 31, 2004.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets

	<u>As of Sep. 30, 2004</u>	<u>As of Sep. 30, 2003</u>	(millions of yen) <u>As of Mar. 31, 2004</u>
	8,377	7,970	7,603

2. Guarantee

	<u>As of Sep. 30, 2004</u>	<u>As of Sep. 30, 2003</u>	(millions of yen) <u>As of Mar. 31, 2004</u>
	22,491	413	521

3. The amounts of 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) are as followings.

	<u>As of Sep. 30, 2004</u>	<u>As of Sep. 30, 2003</u>	(millions of yen) <u>As of Mar. 31, 2004</u>
Short-term borrowings	100,000	-	-
Long-term borrowings	50,000	100,000	100,000

Notes to income statements

	(millions of yen)		
Details of extraordinary gains/losses	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</u>
Extraordinary gains			
Gain on sale of investment securities	373	357	456
Reversal of Reserve for securities transaction liabilities	1	-	-
Reversal of Reserve for financial futures transaction liabilities	0	-	-
Extraordinary losses			
Write-down of investment securities	159	546	1,386
Valuation loss of fixed assets	48	66	101
Loss on sale of investment securities	-	-	77
Provision for securities transaction liabilities	-	30	916
Relocation cost of headquarter office	-	381	1,405
Othres	-	-	315

Supplemental information for the first half ended September 30, 2004

(Apr. 1, 2004 – Sep. 30, 2004)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First half (2004/9)	First half (2003/9)	Yr/yr change	Fiscal 2003 (2004/3)
Brokerage commission	7,149	5,426	31.8%	11,665
Stock and other	7,083	5,386	31.5%	11,584
Underwriting	22,101	12,750	73.3%	42,160
Stock and other	17,448	8,183	113.2%	32,776
Bond and other	3,959	4,422	(10.5)%	8,619
Distribution	359	281	27.8%	861
Beneficiary certificates	293	75	291.2%	532
Other commission	9,238	6,254	47.7%	13,820
Beneficiary certificates	622	499	24.7%	1,084
Total	38,849	24,713	57.2%	68,508

(2) Asset class

(millions of yen)

	First half (2004/9)	First half (2003/9)	Yr/yr change	Fiscal 2003 (2004/3)
Stock and other	25,358	14,016	80.9%	45,387
Bond and other	5,628	6,287	(10.5)%	12,220
Beneficiary certificates	955	596	60.2%	1,660
Others	6,907	3,813	81.2%	9,238
Total	38,849	24,713	57.2%	68,508

2. Breakdown of trading gains/losses

(millions of yen)

	First half (2004/9)	First half (2003/9)	Yr/yr change	Fiscal 2003 (2004/3)
Stock and other	24,965	25,629	(2.6)%	42,136
Bond, Forex and other	30,178	10,225	195.1%	23,692
Bond and other	24,012	7,047	240.7%	18,904
Forex and other	6,165	3,177	94.1%	4,787
Total	55,143	35,854	53.8%	65,829

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

	First half (2004/9)		First half (2003/9)		Yr/yr change		Fiscal 2003 (2004/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	26,807	27,339,402	26,799	21,781,669	0.0%	25.5%	49,001	43,326,386
Dealing (a)	16,351	16,158,548	14,603	11,779,200	12.0%	37.2%	26,977	23,700,575
Brokerage (b)	10,456	11,180,853	12,196	10,002,469	(14.3)%	11.8%	22,023	19,625,810
b/(a + b)	39.0%	40.9%	45.5%	45.9%			44.9%	45.3%
TSE share	6.1%	6.5%	5.9%	6.7%			5.5%	6.0%

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

	First half (2004/9)	First half (2003/9)	Yr/yr change	Fiscal 2003 (2004/3)
Underwriting:				
Stock (number of shares)	365	338	7.9%	863
(yen amount)	399,145	260,118	53.4%	863,754
Bond (face value)	2,501,868	2,077,801	20.4%	5,133,737
CP & others (face value)	692,820	501,464	38.2%	1,275,086
Distribution (*)				
Stock (number of shares)	366	325	12.5%	851
(yen amount)	404,502	259,680	55.8%	880,338
Bond (face value)	2,492,355	2,079,686	19.8%	5,116,145
Beneficiary certificates (face value)	397,974	223,446	78.1%	683,574
CP & others (face value)	680,020	495,432	37.3%	1,255,929

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		First half Sep. 30, 2004	First half Sep. 30, 2003	Fiscal 2003 Mar. 31, 2004
Basic item	Stockholders' equity (A)	393,745	360,672	371,473
Supplementary item	Valuation profits of investment securities	-	-	488
	Statutory reserve	3,980	3,096	3,982
	Allowance for doubtful accounts	27	15	31
	Subordinated borrowings	150,000	100,000	100,000
	Total (B)	154,007	103,112	104,502
	Assets excluded from capital (C)	146,876	127,168	134,092
	Net capital (A)+(B)-(C) (D)	400,875	336,616	341,882
Risk equivalent	Market risk equivalent	60,107	38,675	56,376
	Counterparty risk equivalent	27,279	17,846	22,462
	Basic risk equivalent	22,002	22,820	22,656
	Total (E)	109,389	79,342	101,495
	Capital adequacy ratio (D)/(E)	366.4%	424.2%	336.8%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2003			Fiscal 2004	
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
	Jul. 1, 2003 - Sep. 30, 2003	Oct. 1, 2003 - Dec. 31, 2003	Jan. 1, 2004 - Mar. 31, 2004	Apr. 1, 2004- Jun. 30, 2004	Jul. 1, 2004 - Sep. 30, 2004
Operating revenues	38,438	39,200	45,015	49,789	51,483
Commissions	15,946	19,833	23,961	14,644	24,205
Brokerage commission	3,064	2,731	3,507	4,225	2,923
(Stock and other)	3,040	2,712	3,484	4,176	2,906
Underwriting commission	8,875	13,977	15,432	7,658	14,443
(Stock and other)	7,187	11,838	12,754	5,296	12,152
(Bond and other)	1,640	2,097	2,099	2,208	1,751
Distribution commission	189	227	352	226	133
(Beneficiary certificates)	56	132	324	206	87
Other commission	3,816	2,896	4,668	2,533	6,704
(Beneficiary certificates)	254	282	302	308	313
Net gain on trading	13,706	13,896	16,078	31,274	23,869
(Stock and other)	18,360	7,102	9,405	16,893	8,072
(Bond and other)	(2,974)	2,448	9,408	11,290	12,722
(Forex and other)	(1,679)	4,345	(2,735)	3,090	3,075
Interest and dividend income	8,785	5,471	4,975	3,871	3,409
Interest expenses	2,190	2,417	2,538	3,398	4,267
Net operating revenues	36,247	36,783	42,476	46,391	47,216
Selling, general and administrative expenses	25,785	27,086	30,992	26,752	31,102
Commission and other expenses	10,188	11,616	14,423	10,229	14,355
Employees' compensation and benefits	5,928	5,934	6,218	6,526	6,281
Real estate expenses	2,631	2,471	2,883	2,419	2,590
Data processing and office supplies	3,417	3,568	3,340	3,619	3,921
Depreciation expenses	2,630	2,626	3,168	2,884	2,778
Taxes other than income taxes	657	568	467	702	787
Others	331	301	489	369	387
Operating income	10,461	9,696	11,484	19,638	16,113
Non-operating income	390	219	320	386	515
Non-operating expenses	262	251	37	20	49
Ordinary income	10,590	9,665	11,767	20,004	16,579
Extraordinary gains	357	89	9	1	373
Extraordinary losses	994	885	2,292	-	208
Income before income taxes and others	9,953	8,868	9,484	20,006	16,744
Income taxes-current	(646)	(125)	(528)	(220)	(475)
Refund of income taxes	125	43	12	-	-
Income taxes-deferred	4,436	3,789	4,244	8,305	6,809
Net income	6,288	5,248	5,781	11,921	10,410
Net financial income included in Net operating revenues	6,595	3,053	2,436	472	(858)

(Reference information)

Daiwa Securities SMBC Co. Ltd. Consolidated financial summary

(For the first half ended September 30, 2004)

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	121,562	94,842	28.2%	197,882
Commissions	45,209	27,941	61.8%	76,782
Net gain on trading	61,271	43,311	41.5%	78,167
Interest and dividend income	15,081	23,588	(36.1)%	42,932
Interest expenses	11,510	8,363	37.6%	16,596
Net operating revenues	110,052	86,478	27.3%	181,285
Selling, general and administrative expenses	68,026	62,049	9.6%	128,084
Operating income	42,025	24,428	72.0%	53,200
Non-operating income	950	986	(3.6)%	1,588
Non-operating expenses	179	377	(52.5)%	670
Ordinary income	42,796	25,037	70.9%	54,118
Extraordinary gains	375	357	4.9%	477
Extraordinary losses	208	1,037	(79.9)%	4,306
Income before income taxes and others	42,963	24,358	76.4%	50,290
Income taxes-current	281	470	(40.1)%	516
Income taxes-deferred	14,931	7,868	89.8%	16,512
Minority interest in income	(23)	(39)	-	(104)
Net income	27,726	15,979	73.5%	33,156

Consolidated balance sheets

(millions of yen)

	First half Sep.30, 2004	First half Sep.30, 2003	Fiscal 2003 Mar.31, 2004
Current assets:	9,714,566	6,109,828	8,046,267
Trading assets	4,603,019	3,180,620	3,921,178
Receivables on collateralized securities transactions	4,600,928	2,195,311	3,137,096
Other current assets	510,617	733,895	987,993
Non-current assets	150,243	123,421	149,008
Total assets	9,864,810	6,233,249	8,195,276
Current liabilities:	8,868,033	5,375,886	7,263,653
Trading liabilities	3,355,839	1,717,687	2,881,439
Payables on collateralized securities transactions	2,958,584	2,430,899	2,696,366
Other current liabilities	2,553,609	1,227,299	1,685,847
Non-current liabilities	560,076	470,177	524,793
Statutory reserves	3,980	3,096	3,982
Total liabilities	9,432,089	5,849,160	7,792,429
Minority interest	917	875	900
Total stockholders' equity	431,802	383,213	401,946
Total liabilities, minority interest and stockholders' equity	9,864,810	6,233,249	8,195,276

(Scope of consolidation and equity method)

Consolidated subsidiaries: 17 Companies (*Major companies*: Daiwa Securities SMBC Europe Limited, Daiwa Securities SMBC Asia Holding B.V., Daiwa Securities SMBC H.K. Limited, Daiwa Securities SMBC Singapore Limited, Daiwa Securities SMBC Principal Investments Co. Ltd.)

Affiliates applicable of equity method: 1 company