

Daiwa Securities SMBC Co. Ltd.

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Tokyo 100-8289, Japan

(URL <http://www.daiwasmbc.co.jp/>)

October 28, 2005

Consolidated financial summary

(For the first half ended September 30, 2005)

(1) Consolidated Operating results (from April 1, 2005 to September 30, 2005)

(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 (2005/9)	142,137	16.9%	122,700	11.5%	49,139	16.9%
First half (2004/9)	121,562		110,052		42,025	
Fiscal 2004 (2005/3)	249,649		222,390		83,560	

	Ordinary income		Net income		Return on shareholders' equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)
First half (2005/9)	50,219	17.3%	31,276	12.8%	13.2%
First half (2004/9)	42,796		27,726		13.6%
Fiscal 2004 (2005/3)	85,176		54,034		12.4%

(Note) Change in accounting policies: None

(2) Consolidated Financial conditions

	Total assets	Shareholders' equity	Shareholders' equity ratio	Capital adequacy ratio(Note2)
	Millions of yen	Millions of yen		
As of Sep. 30, 2005	11,591,787	482,906	4.2%	373.1%
As of Sep. 30, 2004	9,864,810	431,802	4.4%	366.4%
As of Mar. 31, 2005	9,675,380	466,751	4.8%	355.4%

(Note) 1.Number of shares outstanding (consolidated):

As of Sep. 30, 2005: 3,200

As of Sep. 30, 2004: 3,200

As of Mar. 31, 2005: 3,200

2.Capital adequacy ratio is non-consolidated figure of Daiwa Securities SMBC Co. Ltd.

(3) Scope of consolidation and equity method

Consolidated subsidiaries: 17 Companies

Affiliates applicable of equity method: 1Company

(4) Changes in scope of consolidation and equity method : None

Representative: Tatsuei Saito, President

Contact: Tenzan Watanabe, General Manager, Treasury Department

Parent Company: Daiwa Securities Group Inc. (Securities code : 8601), 60% share holder

Phone: +813-5533-8000

This 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 2004)

(1) Commissions

For the first half ended September 30, 2005, total commission revenues amounted to 33,959 million yen (24.9% down). In segments, 9,720 million yen (10.8% up) were earned in Equity, 1,010 million yen (18.4% down) in Fixed Income, 1,080 million yen (13.0% up) in Investment Trust, and 21,044 million yen (36.9% down) in Investment Banking. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total brokerage commissions increased to 9,872 million yen (10.3% up) reflecting the active market condition with increased daily average volume of stocks traded on the Tokyo Stock Exchange (1,692.7 billion yen, 17.1% up).

b) Underwriting Commissions

Underwriting commissions decreased to 14,289 million yen (48.0% down). Underwriting commissions derived from equities decreased to 9,083 million yen (60.2% down). On the other hand, underwriting commissions derived from fixed income increased to 4,340 million yen (8.9% up).

c) Distribution Commissions

Revenues in distribution commissions generated 583 million yen (62.1% up).

d) Other Commissions

Other commissions increased to 9,213 million yen (9.4% up). Other commissions in Investment Banking increased to 6,521 million yen (12.6% up) due to increased fees received in M&A operations etc.

(2) Net Gain(Loss) on Trading

Net gain on trading increased to 78,446 million yen (28.0% up). Net trading gains in equities increased to 41,276 million yen (48.8% up), and net trading gains from fixed income together with those from foreign exchange transactions increased to 37,170 million yen (10.8% up).

(3) Net Interest and Dividend Income

Interest and dividend income totaled 24,274 million yen, whereas interests expenses totaled 19,436 million yen. Net interest and dividend income came to 4,837 million yen.

(4) Selling, General and Administrative Expenses

Of the selling, general and administrative expenses, commissions paid totaled 27,781 million yen (13.0% up), personnel expenses totaled 21,340 million yen (8.5% up), data processing & office supplies totaled 8,270 million yen (0.0% down), occupancy and rental expenses totaled 6,570 million yen (7.6% up), and depreciation expenses totaled 6,071 million yen (0.8% down). Overall selling, general and administrative expenses came to 73,561 million yen, an 8.1% increase compared to the first half of last year.

In conclusion, Operating Revenues for the first half of fiscal 2005 came to 142,137 million yen (16.9% up), and Net Operating Revenues to 122,700 million yen (11.5% up). Operational Income came to 49,139 million yen (16.9% up), and Ordinary Income to 50,219 million yen (17.3% up). Finally, considering net extraordinary income, income taxes and minority interests, Net Income for the first half of fiscal 2005 came to 31,276 million yen (12.8% up).

(B) Financial Condition (Comparisons in parenthesis are made versus the fiscal 2004)

For the first half ended September 30, 2005, total assets increased by 1,916.4 billion yen to 11,591.7 billion yen reflecting increases in trading assets by 1,049.4 billion yen, receivables on collateralized short-term financing agreements by 352.8 billion yen and private equity and other securities by 90.6 billion yen.

Total liabilities increased by 1,900.2 billion yen to 11,107.9 billion yen, which is primarily attributable to increases in payables on collateralized short-term financing agreements by 1,648.6 billion yen, trading liabilities by 205.5 billion yen, and long-term debt by 104.9 billion yen. The company newly issued 176.0 billion yen of Medium-term note to raise its funds. Total shareholders' equity increased by 16.1 billion yen to 482.9 billion yen compared to the fiscal 2004.

Consolidated balance sheets

(millions of yen)

	First half Sep. 30, 2005	First half Sep. 30, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Assets				
Current assets:	11,518,437	9,714,566	1,803,871	9,603,353
Cash and deposits	133,368	139,907	(6,538)	114,712
Cash segregated as deposits for regulatory purposes	26,609	22,621	3,988	21,411
Trading assets:	6,132,361	4,603,019	1,529,341	5,082,914
Trading securities and others	5,484,308	4,074,118	1,410,189	4,535,355
Derivative assets	648,053	528,901	119,151	547,559
Trading receivables, net	433,889	74,615	359,274	34,726
Private equity and other securities	189,761	15,137	174,623	99,104
Less: Allowance for possible investment losses	(1,974)	-	(1,974)	(1,165)
Receivables related to margin transactions:	197,932	168,437	29,495	183,698
Customer margin loans	1,823	2,345	(521)	1,843
Cash deposits as collateral for securities borrowed	196,108	166,091	30,016	181,855
Collateralized short-term financing agreements:	4,290,574	4,600,928	(310,354)	3,937,749
Cash deposits as collateral for securities borrowed	4,015,833	4,396,644	(380,811)	3,801,100
Receivables related to gensaki transactions	274,741	204,284	70,457	136,649
Short-term loans receivable	51,399	41,262	10,136	67,881
Accrued income	10,974	10,125	849	9,640
Deferred tax assets-current	1,189	2,087	(897)	644
Other current assets	52,572	36,605	15,966	52,222
Less: Allowance for doubtful accounts-current	(221)	(181)	(39)	(187)
Non-current assets:	73,349	150,243	(76,894)	72,027
Tangible fixed assets	5,437	5,730	(293)	5,835
Intangible fixed assets	30,424	32,456	(2,031)	31,710
Investments and others:	37,487	112,056	(74,569)	34,481
Investment securities	21,472	10,794	10,678	18,618
Long-term loans receivable	856	524	331	514
Long-term guarantee deposits	5,939	5,977	(38)	6,092
Deferred tax assets-non-current	2,230	15,890	(13,659)	2,945
Other investments	7,574	79,472	(71,898)	6,830
Less: Allowance for doubtful accounts-non-current	(585)	(603)	18	(520)
Total assets	11,591,787	9,864,810	1,726,977	9,675,380

(millions of yen)

	First half Sep. 30, 2005	First half Sep. 30, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Liabilities				
Current liabilities:	10,271,467	8,868,033	1,403,433	8,548,482
Trading liabilities:	3,782,581	3,355,839	426,742	3,576,997
Trading securities and others	3,198,274	2,914,814	283,459	3,116,237
Derivative liabilities	584,307	441,024	143,282	460,759
Payables related to margin transactions:	154,262	117,090	37,172	127,198
Payable to securities finance companies	-	14	(14)	-
Proceeds of securities sold for customers' accounts	154,262	117,075	37,186	127,198
Collateralized short-term financing agreements:	4,056,897	2,958,584	1,098,312	2,408,224
Cash deposits as collateral for securities loaned	3,123,462	2,271,017	852,444	2,017,492
Payables related to gensaki transactions	933,434	687,566	245,868	390,731
Deposits received	41,951	22,909	19,042	23,249
Cash deposits received as guarantee	30,942	27,278	3,663	22,000
Short-term borrowings	1,979,645	2,241,279	(261,633)	2,129,930
Commercial paper	116,681	98,220	18,461	175,220
Medium-term notes due within one year	48,803	14,039	34,764	27,397
Income taxes payable	20,327	1,284	19,042	7,604
Deferred tax liabilities-current	4,040	90	3,950	548
Other current liabilities	35,333	31,417	3,915	50,111
Non-current liabilities:	832,092	560,076	272,015	654,825
Medium-term notes	609,616	500,740	108,875	537,131
Long-term debt	216,985	54,009	162,976	111,997
Retirement benefits	3,805	3,716	88	4,034
Other non-current liabilities	1,685	1,609	75	1,661
Statutory reserves:	4,350	3,980	370	4,351
Reserve for securities transaction liabilities	4,350	3,980	370	4,351
Reserve for financial futures transaction liabilities	0	-	0	0
Total liabilities	11,107,910	9,432,089	1,675,820	9,207,659
Minority interests	970	917	53	969
Shareholders' equity				
Common stock	205,600	205,600	-	205,600
Capital surplus	117,321	117,321	-	117,321
Retained earnings	136,906	102,156	34,749	128,464
Net unrealized gain (loss) on securities, net of tax effect	17,816	2,096	15,720	10,426
Translation adjustments	5,261	4,628	633	4,940
Total shareholders' equity	482,906	431,802	51,103	466,751
Total liabilities, minority interests and shareholders' equity	11,591,787	9,864,810	1,726,977	9,675,380

Consolidated statements of operations

(millions of yen)

	First half Apr. 1, 2005 - Sep. 30, 2005	First half Apr. 1, 2004 - Sep. 30, 2004	Yr/yr % change	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Operating revenues:	142,137	121,562	16.9%	249,649
Commissions	33,959	45,209	(24.9)%	91,732
Net gain (loss) on trading	78,446	61,271	28.0%	118,304
Net gain (loss) on private equity and other securities (*1)	5,457	-	-	-
Net gain (loss) on private equity and other securities (*2)	-	-	-	(1,165)
Interest and dividend income	24,274	15,081	61.0%	40,777
Interest expenses	19,436	11,510	68.9%	27,258
Net operating revenues	122,700	110,052	11.5%	222,390
Selling, general and administrative expenses:	73,561	68,026	8.1%	138,830
Commission and other expenses	27,781	24,592	13.0%	51,144
Employees' compensation and benefits	21,340	19,665	8.5%	39,857
Occupancy and rental	6,570	6,104	7.6%	12,636
Data processing and office supplies	8,270	8,274	(0.0)%	16,368
Depreciation expenses	6,071	6,120	(0.8)%	12,326
Taxes other than income taxes	2,087	1,964	6.3%	3,804
Other	1,438	1,304	10.3%	2,692
Operating income	49,139	42,025	16.9%	83,560
Non-operating income	1,447	950	52.2%	1,945
Non-operating expenses	366	179	104.7%	329
Ordinary income	50,219	42,796	17.3%	85,176
Extraordinary gains	113	375	(69.7)%	2,107
Extraordinary losses	59	208	(71.6)%	1,150
Income before income taxes and minority interests	50,274	42,963	17.0%	86,133
Income taxes-current	20,370	281	-	7,992
Income taxes-deferred	(1,408)	14,931	-	24,064
Minority interests	(36)	(23)	-	(42)
Net income	31,276	27,726	12.8%	54,034
Net financial income included in net operating revenues	4,837	3,571	35.5%	13,518

Note:

*1. Includes share of net income raised by the investments in limited partnerships and similar partnerships.

*2. Excludes share of net income raised by the investments in limited partnerships and similar partnerships.

Consolidated statements of capital surplus and retained earnings

(millions of yen)

	First half Apr. 1, 2005 - Sep. 30, 2005	First half Apr. 1, 2004 - Sep. 30, 2004	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Capital surplus			
Beginning balance of capital surplus	117,321	117,321	117,321
Increase in capital surplus	-	-	-
Decrease in capital surplus	-	-	-
Ending balance of capital surplus	117,321	117,321	117,321
Retained earnings			
Beginning balance of retained earnings	128,464	74,682	74,682
Increase in retained earnings:	31,276	27,726	54,034
Net income	31,276	27,726	54,034
Decrease in retained earnings:	22,834	252	252
Cash dividends paid	22,400	-	-
Bonuses to directors	434	252	252
Ending balance of retained earnings	136,906	102,156	128,464

Notes to consolidated financial statements

The consolidated financial statements of the Company for the first half ended September 30, 2005 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

The consolidated financial statements include the accounts of Daiwa Securities SMBC Co. Limited ("Company"), a Japanese corporation, Daiwa Securities SMBC Principal Investments Co. Limited, its domestic consolidated subsidiary (together with the Company, "Domestic Companies"), and its overseas consolidated subsidiaries (together with the Domestic Companies, "Daiwa SMBC"). The Company's principal consolidated subsidiaries include:

Daiwa Securities SMBC Europe Limited
Daiwa Securities SMBC Asia Holding B.V.
Daiwa Securities SMBC Hong Kong Limited
Daiwa Securities SMBC Singapore Limited
Daiwa Securities SMBC Principal Investments Co. Limited.

Consolidated subsidiaries: 17 Companies

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: 1 Company

Company Name: Daiwa SMBC – SSC Securities Co. Ltd.

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, 2005, the financial statements for the relevant first half are reflected.

3. Fiscal period of subsidiaries

For subsidiaries which the first half ends are not September 30, 2005, the financial statements for the relevant first half are compiled with and material transactions occurred between the different closing dates are adjusted for this consolidated financial statements.

4. Accounting Policies

(1) Valuation of financial instruments and inventories

(i) Valuation of trading assets and liabilities

Trading assets and liabilities, including securities and financial derivatives for trading purposes held by a securities company are recorded mainly on a trade date basis in the consolidated balance sheet at either market or fair value. Revenues and expenses related to trading securities transactions are recorded on a trade date basis.

() Valuation of non-trading securities

Equities issued by subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with market value are stated at market value, based on quoted market prices. Realized gains and losses on sale of such securities are computed using the moving-average cost. Available-for-sale equities for which a market value is not available

are stated at the moving-average cost.

Of those securities with no fair value available, investments in limited partnership, share of net income raised by partnerships has been reflected on statements of operation of this first half and share of net unrealized profits and losses on securities held by the partnership directly into shareholder's equity. Private equity and other securities held by a certain consolidated subsidiary are categorized in current assets.

(2) Depreciation of depreciable assets

(i) Tangible fixed assets

Property and equipment are stated at cost. Impairment losses recognized have been deducted from the acquisition costs. The Domestic Companies compute depreciation principally by the declining-balance method over estimated useful life as stipulated by the corporation tax law of Japan. Depreciation for buildings purchased in Japan after April 1, 1998 is computed by the straight-line method. In overseas consolidated subsidiaries, depreciation is computed by the straight-line method.

(ii) Intangible fixed assets, and investments and others

Intangible fixed assets, and investments and others are generally amortized under the straight-line method. The Domestic Companies compute depreciation over estimated useful life as stipulated by the corporation tax law of Japan, and over internally estimated useful life (5 years) for software of in-house use.

(3) Accounting policies for various provisions

(i) Provision for doubtful accounts

Provisions for doubtful accounts are provided based on the estimated historical default rate for normal loans, and based on individually assessed amounts for doubtful accounts.

(ii) Allowance for possible investment losses

Certain consolidated subsidiary provides the allowance based on estimated losses on private equity and other securities held at the first half end, assessing the financial conditions of invested companies.

(iii) Accrued employees' bonuses

Accrued employees' bonuses represent liabilities estimated as of the balance sheets date.

(iv) Accrued retirement benefits

The Domestic Companies provide unfunded defined contribution plan for eligible employees, which defines the amount to be contributed to the individual employee's account in return for services rendered each year.

The contributions under this plan are accumulated on an annual basis and earn a guaranteed hypothetical return at a rate predetermined by the Domestic Companies each year.

(4) Accounting for certain lease transactions

Financial leases, whose ownership does not transfer to the lessee at the end of the lease term (non-capitalized finance leases) are not capitalized and are accounted for in the same manner as operating leases.

(5) Hedging transactions

Interest received or paid on interest swaps for hedging purposes is accrued without being marked-to-market. The premium or discount on forward foreign exchange contract for hedging purpose is allocated to each fiscal term without being marked-to-market.

(6) Other material items

(i) Consumption taxes

Consumption taxes are separately recorded.

(ii) Deferred assets

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

(iii) Consolidated tax system

The Domestic Companies comply with the consolidated tax system.

Changes in Presentation

Profits and losses related to the investments in limited partnerships alike were formerly included in 'Interest and dividend income.' However, from this fiscal 2005, those are included in 'Net gain (loss) on private equity and other securities.' In this effect, 'Interest and dividend income' decreased by 6,266 million yen compared to the corresponding presentation in previous years.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

	As of Sep.30, 2005	As of Sep.30, 2004	As of Mar.31, 2005
	13,101 million yen	11,480 million yen	12,124 million yen

2. Guarantee

	As of Sep.30, 2005	As of Sep.30, 2004	As of Mar.31, 2005
	382 million yen	534 million yen	448 million yen

3. Short-term and 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) and so on.

	As of Sep.30, 2005	As of Sep. 30, 2004	As of Mar. 31, 2005
Short-term borrowings	1,998 million yen	100,501 million yen	102,004 million yen
Long-term borrowings	211,985 million yen	54,009 million yen	111,997 million yen

Notes to consolidated statements of operations

Details of extraordinary gains/losses	(millions of yen)		
	First half Apr. 1, 2005 - Sep. 30, 2005	First half Apr. 1, 2004 - Sep. 30, 2004	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Extraordinary gains			
Gain on sale of investment securities	113	373	2,107
Reversal of Reserve for securities transaction liabilities	0	1	-
Reversal of Reserve for financial futures transaction liabilities	-	0	-
Extraordinary losses			
Write-down of investment securities	46	159	159
Loss on sale of investment securities	1	-	-
Valuation loss of fixed assets	11	48	77
Loss on sale or disposal of fixed assets	-	-	544
Provision for securities transaction liabilities	-	-	369

Supplemental information for the Fiscal 2005
(Apr.1, 2005 - Sep.30, 2005)

1. Breakdown of commissions (millions of yen)

	First half Sep. 30, 2005 (A)					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Others	Total
Brokerage commission	9,601	228	43	-	-	9,872
Underwriting	-	-	-	14,289	-	14,289
Stock and other	-	-	-	9,083	-	9,083
Bond and other	-	-	-	4,340	-	4,340
Distribution	-	-	349	233	-	583
Other commission	119	782	687	6,521	1,102	9,213
Agency commission	-	769	657	-	-	1,427
Total	9,720	1,010	1,080	21,044	1,102	33,959

(millions of yen)

	First half Sep. 30, 2004 (B)					
	Equity	Fixed income (bond)	Investment Trust	Investment Banking	Other	Total
Brokerage commission	8,664	246	39	-	-	8,950
Underwriting	-	-	-	27,479	-	27,479
Stock and other	-	-	-	22,801	-	22,801
Bond and other	-	-	-	3,984	-	3,984
Distribution	-	-	293	65	-	359
Other commission	110	991	622	5,793	901	8,418
Agency commission	-	953	590	-	-	1,544
Total	8,774	1,238	955	33,339	901	45,209

(%)

	Yr/yr % change ((A)/(B)-1)					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Other	Total
Brokerage commission	10.8%	(7.6)%	10.7%	-	-	10.3
Underwriting	-	-	-	(48.0)%	-	(48.0)%
Stock and other	-	-	-	(60.2)%	-	(60.2)%
Bond and other	-	-	-	8.9%	-	8.9%
Distribution	-	-	19.0%	253.9%	-	62.1%
Other commission	8.0%	(21.0)%	10.4%	12.6%	22.4%	9.4%
Agency commission	-	(19.3)%	11.3%	-	-	(7.6)%
Total	10.8%	(18.4)%	13.0%	(36.9)%	22.4%	(24.9)%

(millions of yen)

	Fiscal 2004 ended Mar. 31, 2005					
	Equity	Fixed income (Bond)	Investment Trust	Investment Banking	Others	Total
Brokerage commission	16,967	654	64	-	-	17,687
Underwriting	-	-	-	54,456	-	54,456
Stock and other	-	-	-	44,547	-	44,547
Bond and other	-	-	-	8,573	-	8,573
Distribution	-	-	713	300	-	1,013
Other commission	315	2,050	1,305	12,786	2,118	18,575
Agency commission	-	1,927	1,248	-	-	3,175
Total	17,283	2,704	2,083	67,542	2,118	91,732

2. Breakdown of net gains on trading (millions of yen)

	First half (2005/09)	First half (2004/09)	Yr/yr % change	Fiscal 2004 (2005/03)
Stock and other	41,276	27,739	48.8%	50,537
Bond, forex and other	37,170	33,531	10.8%	67,767
Bond and other	21,962	27,373	(19.8)%	48,965
Forex and other	15,207	6,158	146.9%	18,801
Total	78,446	61,271	28.0%	118,304

Quarterly consolidated statements of operations

(millions of yen)

	Fiscal 2004			Fiscal 2005	
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
	Jul. 1, 2004 - Sep. 30, 2004	Oct. 1, 2004 Dec. 31, 2004	Jan. 1, 2005 Mar. 31, 2005	Apr. 1, 2005 - Jun. 30, 2005	Jul. 1, 2005 - Sep. 30, 2005
Operating revenues	62,355	50,518	77,569	52,042	90,095
Commissions	27,264	19,813	26,710	12,993	20,965
Brokerage commission	3,699	4,049	4,686	4,202	5,670
(Stock and other)	3,562	3,843	4,459	4,063	5,537
Underwriting commission	17,293	11,796	15,179	5,181	9,108
(Stock and other)	15,001	9,836	11,908	2,428	6,654
(Bond and other)	1,751	1,764	2,824	2,344	1,996
Distribution commission	133	148	506	207	375
(Beneficiary certificates)	87	124	295	122	226
Other commission	6,138	3,819	6,337	3,401	5,811
(Beneficiary certificates)	313	323	359	325	362
Net gain (loss) on trading	27,032	19,690	37,342	24,612	53,834
(Stock and other)	9,429	2,816	19,981	5,046	36,229
(Bond and other)	14,524	15,264	6,326	17,916	4,046
(Forex and other)	3,078	1,609	11,034	1,649	13,557
Net gain (loss) on private equity and other securities (*1)	-	-	-	2,567	2,889
Net gain (loss) on private equity and other securities (*2)	-	-	(1,165)	-	-
Interest and dividend income	8,059	11,014	14,681	11,868	12,406
Interest expenses	6,498	8,796	6,951	8,639	10,796
Net operating revenues	55,857	41,721	70,617	43,402	79,298
Selling general and administrative expenses:	36,350	33,279	37,523	32,978	40,582
Commission and other expenses	14,354	12,212	14,339	11,663	16,118
Employees' compensation and benefits	9,698	9,282	10,910	9,774	11,565
Occupancy and rental	3,142	3,106	3,425	3,152	3,418
Data processing and office supplies	4,437	4,131	3,962	3,884	4,386
Depreciation expenses	3,007	3,031	3,174	3,031	3,040
Taxes other than income taxes	1,042	877	962	817	1,270
Others	668	638	749	654	784
Operating income	19,507	8,441	33,093	10,423	38,715
Non-operating income	474	366	628	971	476
Non-operating expenses	81	25	124	127	238
Ordinary income	19,899	8,783	33,596	11,266	38,952
Extraordinary gains	373	0	1,732	0	113
Extraordinary losses	208	(16)	958	-	59
Income before income taxes and minority interests	20,064	8,798	34,371	11,267	39,006
Income taxes - current	166	191	7,518	2,130	18,239
Income taxes - deferred	6,637	2,979	6,154	2,088	(3,496)
Minority interests	(13)	(4)	(13)	(16)	(20)
Net income	13,246	5,623	20,684	7,032	24,243
Net financial income included in net operating revenues	1,561	2,217	7,729	3,228	1,609

Note:

*1. Includes share of net income raised by the investments in limited partnerships and similar partnerships.

*2. Excludes share of net income raised by the investments in limited partnerships and similar partnerships.

<Reference>

Non-consolidated financial summary of Daiwa Securities SMBC Co. Ltd.

Balance sheets

(millions of yen)

	First half Sep. 30, 2005	First half Sep. 30, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Assets				
Current assets:	10,896,843	9,068,548	1,828,295	8,932,207
Cash and deposits	73,391	90,614	(17,223)	58,900
Cash segregated as deposits for regulatory purposes	25,010	20,027	4,982	20,050
Trading assets:	5,880,270	4,306,880	1,573,389	4,771,070
Trading securities and others	5,233,891	3,778,233	1,455,657	4,224,157
Derivative assets	646,379	528,647	117,731	546,913
Trading receivables, net	422,978	106,873	316,104	42,064
Receivables related to margin transactions:	197,932	168,437	29,495	183,698
Customer margin loans	1,823	2,345	(521)	1,843
Cash deposits as collateral for securities borrowed	196,108	166,091	30,016	181,855
Collateralized short-term financing agreements:	4,106,080	4,266,366	(160,286)	3,697,303
Cash deposits as collateral for securities borrowed	3,748,022	4,021,898	(273,875)	3,498,225
Receivables related to gensaki transactions	358,057	244,467	113,589	199,078
Short-term guarantee money deposited	18,586	12,077	6,509	12,300
Short-term loans receivable	145,585	80,362	65,222	126,346
Accrued income	7,568	7,269	298	5,920
Deferred tax assets-current	3,680	2,344	1,335	2,076
Other current assets	15,806	7,320	8,485	12,514
Less: Allowance for doubtful accounts-current	(46)	(27)	(19)	(40)
Non-current assets:	107,497	127,570	(20,072)	107,024
Tangible fixed assets	3,849	4,198	(348)	4,342
Intangible fixed assets	28,057	30,435	(2,378)	29,344
Investments and others:	75,590	92,936	(17,345)	73,337
Investment securities	63,348	53,385	9,963	60,838
Long-term loans receivable	2,598	2,264	334	2,207
Long-term guarantee deposits	5,080	5,161	(81)	5,236
Deferred tax assets-non-current	2,469	15,083	(12,613)	2,898
Other investments	2,639	17,616	(14,977)	2,725
Less: Allowance for doubtful accounts-non-current	(546)	(575)	28	(569)
Total assets	11,004,341	9,196,118	1,808,223	9,039,231

(millions of yen)

	First half Sep. 30, 2005	First half Sep. 30, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Liabilities				
Current liabilities:	9,747,211	8,243,509	1,503,702	7,962,726
Trading liabilities:	3,603,507	3,171,723	431,784	3,310,902
Trading securities and others	3,020,896	2,731,070	289,825	2,850,464
Derivative liabilities	582,611	440,653	141,958	460,437
Trading payables, net	-	-	-	-
Payables related to margin transactions:	154,262	117,090	37,172	127,198
Payable to securities finance companies	-	14	(14)	-
Proceeds of securities sold for customers' accounts	154,262	117,075	37,186	127,198
Collateralized short-term financing agreements:	3,844,360	2,584,562	1,259,798	2,170,275
Cash deposits as collateral for securities loaned	2,608,127	1,784,819	823,308	1,626,237
Payables related to gensaki transactions	1,236,232	799,742	436,489	544,037
Deposits received	21,283	7,206	14,077	8,148
Cash deposits received as guarantee	27,723	17,510	10,213	17,607
Short-term borrowings	1,890,016	2,209,921	(319,904)	2,098,647
Commercial paper	116,000	98,220	17,780	175,220
Medium-term notes due within one year	48,803	14,039	34,764	27,397
Accrued expenses	11,558	8,302	3,255	8,862
Income taxes payable	19,533	455	19,077	5,617
Other current liabilities	10,161	14,478	(4,316)	12,849
Non-current liabilities:	828,952	554,883	274,069	651,748
Medium-term notes	609,616	500,740	108,875	537,131
Long-term debt	215,000	50,000	165,000	110,000
Retirement benefits	3,788	3,702	86	4,009
Other non-current liabilities	548	441	106	607
Statutory reserves:	4,350	3,980	370	4,351
Reserve for securities transaction liabilities	4,350	3,980	370	4,351
Reserve for financial futures transaction liabilities	0	-	0	0
Total liabilities	10,580,515	8,802,372	1,778,142	8,618,826
Shareholders' 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
Retained earnings	98,342	70,883	27,458	95,067
Net unrealized gain (loss) on securities, net of tax effect	2,563	(59)	2,622	2,416
Total shareholders' equity	423,826	393,745	30,081	420,404
Total liabilities and shareholders' equity	11,004,341	9,196,118	1,808,223	9,039,231

Statements of operations

(millions of yen)

	First half Apr. 1, 2005 - Sep. 30, 2005	First half Apr. 1, 2004 - Sep. 30, 2004	Yr/yr % change	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Operating revenues	117,547	101,273	16.1%	203,609
Commissions	31,533	38,849	(18.8)%	80,288
Net gain (loss) on trading	72,047	55,143	30.7%	105,927
Interest and dividend income	13,967	7,280	91.8%	17,392
Interest expenses	11,292	7,666	47.3%	18,235
Net operating revenues	106,255	93,607	13.5%	185,373
Selling, general and administrative expenses:	64,330	57,855	11.2%	118,239
Commission and other expenses	29,267	24,584	19.0%	51,132
Employees' compensation and benefits	14,120	12,807	10.2%	25,954
Occupancy and rental	5,393	5,010	7.6%	10,433
Data processing and office supplies	7,731	7,541	2.5%	14,933
Depreciation expenses	5,610	5,663	(0.9)%	11,448
Taxes other than income taxes	1,433	1,490	(3.8)%	2,794
Others	774	757	2.2%	1,543
Operating income	41,924	35,752	17.3%	67,133
Non-operating income	1,220	902	35.2%	6,827
Non-operating expenses	121	70	72.6%	179
Ordinary income	43,024	36,584	17.6%	73,781
Extraordinary gains	113	375	(69.7)%	2,083
Extraordinary losses	59	208	(71.6)%	1,131
Income before income taxes and others	43,078	36,750	17.2%	74,734
Income taxes-current	18,245	(695)	-	2,350
Income taxes-deferred	(1,275)	15,115	-	25,868
Net income	26,109	22,331	16.9%	46,514
Unappropriated retained earnings-carryforward	32,851	3,658	797.8%	3,658
Unappropriated retained earnings	58,961	25,990	126.9%	50,173
Net financial income included in net operating revenues	2,674	(385)	-	(843)

Supplemental information for the first half ended September 30, 2005

(Apr. 1, 2005 – Sep. 30, 2005)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First half (2005/9)	First half (2004/9)	Yr/yr change	Fiscal 2004 (2005/3)
Brokerage commission	7,779	7,149	8.8%	13,887
Stock and other	7,706	7,083	8.8%	13,721
Underwriting	13,884	22,101	(37.2)%	45,775
Stock and other	8,779	17,448	(49.7)%	36,068
Bond and other	4,238	3,959	7.0%	8,371
Distribution	583	359	62.1%	1,013
Beneficiary certificates	349	293	19.0%	713
Other commission	9,285	9,238	0.5%	19,612
Beneficiary certificates	687	622	10.4%	1,305
Total	31,533	38,849	(18.8)%	80,288

(2) Asset class

(millions of yen)

	First half (2005/9)	First half (2004/9)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	16,741	25,358	(34.0)%	51,267
Bond and other	5,319	5,628	(5.5)%	11,571
Beneficiary certificates	1,079	955	13.1%	2,082
Others	8,392	6,907	21.5%	15,367
Total	31,533	38,849	(18.8)%	80,288

2. Breakdown of net gains on trading

(millions of yen)

	First half (2005/9)	First half (2004/9)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	38,503	24,965	54.2%	45,072
Bond, Forex and other	33,544	30,178	11.2%	60,854
Bond and other	18,095	24,012	(24.6)%	42,051
Forex and other	15,448	6,165	150.6%	18,803
Total	72,047	55,143	30.7%	105,927

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

	First half (2005/9)		First half (2004/9)		Yr/yr change		Fiscal 2004 (2005/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	31,034	30,881,134	26,807	27,339,402	15.8%	13.0%	54,022	54,222,684
Dealing (a)	18,399	17,754,066	16,351	16,158,548	12.5%	9.9%	33,165	31,557,115
Brokerage (b)	12,634	13,127,067	10,456	11,180,853	20.8%	17.4%	20,857	22,665,568
b/(a + b)	40.7%	42.5%	39.0%	40.9%			38.6%	41.8%
TSE share	5.2%	6.4%	6.1%	6.5%			5.9%	6.7%

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

	First half (2005/9)	First half (2004/9)	Yr/yr change	Fiscal 2004 (2005/3)
Underwriting:				
Stock (number of shares)	869	365	138.3%	822
(yen amount)	323,029	399,145	(19.1)%	845,390
Bond (face value)	3,607,214	2,501,868	44.2%	5,508,702
CP & others (face value)	1,036,300	692,820	49.6%	1,583,040
Distribution (*)				
Stock (number of shares)	870	366	137.6%	824
(yen amount)	327,199	404,502	(19.1)%	860,651
Bond (face value)	3,501,140	2,492,355	40.5%	5,541,871
Beneficiary certificates (face value)	341,185	397,974	(14.3)%	628,212
CP & others (face value)	1,060,063	680,020	55.9%	1,546,343

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		First half Sep. 30, 2005	First half Sep. 30, 2004	Fiscal 2004 Mar. 31, 2005
Basic item	Shareholders' equity (A)	421,263	393,745	395,154
Supplementary item	Valuation profits of investment securities	2,563	-	2,416
	Statutory reserve	4,350	3,980	4,351
	Allowance for doubtful accounts	46	27	40
	Subordinated borrowings	210,000	150,000	210,000
Total (B)		216,960	154,007	216,809
Assets excluded from capital (C)		179,178	146,876	246,528
Net capital (A)+(B)-(C) (D)		459,045	400,875	365,434
Risk equivalent	Market risk equivalent	66,674	60,107	52,530
	Counterparty risk equivalent	30,046	27,279	26,225
	Basic risk equivalent	26,293	22,002	24,040
	Total (E)	123,014	109,389	102,797
Capital adequacy ratio (D)/(E)		373.1%	366.4%	355.4%

Quarterly statements of operations

(millions of yen)

	Fiscal 2004			Fiscal 2005	
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
	Jul. 1, 2004 - Sep. 30, 2004	Oct. 1, 2004 - Dec. 31, 2004	Jan. 1, 2005 - Mar. 31, 2005	Apr. 1, 2005 - Jun. 30, 2005	Jul. 1, 2005 - Sep. 30, 2005
Operating revenues	51,483	39,832	62,503	40,546	77,001
Commissions	24,205	17,341	24,097	11,523	20,009
Brokerage commissions	2,923	3,058	3,678	3,273	4,506
(Stock and other)	2,906	2,996	3,641	3,238	4,468
Underwriting commission	14,443	10,063	13,610	4,970	8,913
(Stock and other)	12,152	8,105	10,514	2,266	6,513
(Bond and other)	1,751	1,762	2,649	2,294	1,943
Distribution commission	133	148	506	207	375
(Beneficiary certificate)	87	124	295	122	226
Other commission	6,704	4,071	6,302	3,071	6,214
(Beneficiary certificate)	313	323	359	325	362
Net gain (loss) on trading	23,869	16,847	33,936	22,078	49,968
(Stock and other)	8,072	1,632	18,475	3,789	34,714
(Bond and other)	12,722	13,617	4,421	16,525	1,569
(Forex and other)	3,075	1,597	11,039	1,763	13,684
Interest and dividend income	3,409	5,643	4,468	6,944	7,022
Interest expenses	4,267	5,947	4,621	4,885	6,407
Net operating revenues	47,216	33,884	57,881	35,661	70,594
Selling, general and administrative expenses	31,102	28,034	32,349	28,344	35,986
Commission and other expenses	14,355	12,036	14,510	12,092	17,174
Employees' compensation and benefits	6,281	5,900	7,246	6,253	7,866
Occupancy and rental	2,590	2,583	2,839	2,564	2,828
Data processing and office supplies	3,921	3,751	3,640	3,689	4,041
Depreciation expenses	2,778	2,820	2,964	2,828	2,782
Taxes other than income taxes	787	586	718	579	854
Others	387	355	430	335	438
Operating income	16,113	5,850	25,531	7,317	34,607
Non-operating income	515	5,279	645	790	430
Non-operating expenses	49	33	75	67	53
Ordinary income	16,579	11,095	26,101	8,039	34,984
Extraordinary gains	373	0	1,709	0	113
Extraordinary losses	208	(16)	939	-	59
Income before income taxes and others	16,744	11,110	26,872	8,040	35,038
Income taxes - current	(475)	(811)	3,857	1,398	16,847
Income taxes - deferred	6,809	3,359	7,394	1,677	(2,953)
Net income	10,410	8,563	15,619	4,965	21,144
Net financial income included in net operating revenues	(858)	(304)	(153)	2,059	615