



3Q FY2004 Earnings Announcement



January 28, 2005
Daiwa Securities Group Inc.

This presentation may contain forward-looking statements about the Daiwa Securities Group. You can identify these statements by the fact that they do not relate strictly to historic or current facts. These statements discuss future expectations, identify strategies, contain projections of results of operations or of financial condition or state other “forward-looking” information. These statements are based on currently available information and represent the beliefs of the management of the Daiwa Securities Group. These statements are subject to numerous risks and uncertainties that could cause the Daiwa Securities Group’s actual results, performance, achievements or financial condition to differ materially from those described or implied in the forward-looking statements. The Daiwa Securities Group undertakes no obligation to publicly update any forward-looking statements after the date of this presentation. These potential risks and uncertainties include, but are not limited to: competition within the financial services industries in Japan and overseas, our ability to adjust our business focus and to maintain profitable strategic alliances, volatile and sudden movements in the international securities markets, foreign exchange and global economic situations affecting the Daiwa Securities Group.



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3Q FY2004 Financial Summary

- Consolidated -

(Millions of Yen)	FY2004 3Q	FY2004 2Q	%Change vs 2Q FY04	FY2004 1-3Q	FY2003 1-3Q	%Change vs 1-3Q FY03
Operating revenues	118,067	118,519	-0.4%	361,248	330,822	9.2%
Net operating revenues	82,180	89,963	-8.7%	273,201	255,726	6.8%
SG&A	66,002	67,640	-2.4%	201,963	191,094	5.7%
Ordinary income	18,022	23,066	-21.9%	75,282	67,527	11.5%
Net income	9,464	9,881	-4.2%	33,630	28,392	18.4%
Total asset	12,856,244	12,430,836		12,856,244	9,486,031	
Shareholders' equity	620,472	615,303		620,472	580,500	
EPS	7.11	7.43		25.27	21.36	
BPS	466.29	462.39		466.29	436.21	
ROE (Annualized)	6.1%	6.5%		7.3%	6.7%	

1-3Q/04 ROE(Annualized)

Daiwa Securities	6.1%
Daiwa Securities SMBC	10.6%



3Q FY2004 Financial Overview

- Consolidated -

(Millions of Yen)	FY2004		% Change vs 2Q FY04	FY2004 FY2003			FY2004 1-3Q	% Change vs 1-3Q FY03
	3Q	2Q		1Q	4Q	3Q		
Operating revenues	118,067	118,519	-0.4%	124,660	122,991	108,462	361,248	9.2%
Commissions	46,702	53,116	-12.1%	54,299	60,213	52,960	154,118	15.1%
Net gain on trading	30,452	33,831	-10.0%	42,437	28,336	23,221	106,720	16.2%
Net gain on operational investment securities	201	583	-65.4%	950	793	599	1,735	69.4%
Financial revenues	33,385	23,761	40.5%	19,498	23,113	23,830	76,645	-4.3%
Other revenues	7,326	7,226	1.4%	7,475	10,535	7,850	22,028	-7.7%
Interest expenses	30,466	23,145	31.6%	17,926	18,285	17,467	71,539	21.2%
Cost of sales	5,420	5,410	0.2%	5,675	7,997	5,322	16,507	2.8%
Net operating revenues	82,180	89,963	-8.7%	101,058	96,708	85,672	273,201	6.8%
SG&A	66,002	67,640	-2.4%	68,319	68,820	63,718	201,963	5.7%
Operating income	16,177	22,322	-27.5%	32,738	27,887	21,953	71,238	10.2%
Non-operating income	2,436	1,141	113.4%	2,439	1,075	954	6,018	21.9%
Non-operating expenses	591	397	48.9%	984	359	465	1,974	-3.4%
Ordinary income	18,022	23,066	-21.9%	34,193	28,603	22,442	75,282	11.5%
Net income	9,464	9,881	-4.2%	14,284	14,244	9,100	33,630	18.4%



Operating Revenues by Business Sector

- Consolidated -

(Millions of Yen)	FY2004		% Change vs 2Q FY04	FY2004		FY2003		FY2004 1-3Q	% Change vs 1-3Q FY03
	3Q	2Q		1Q	4Q	3Q			
Total commission	46,702	53,116	-12.1%	54,299	60,213	52,960	154,118	15.1%	
Equity	16,791	16,873	-0.5%	27,723	24,107	20,808	61,388	9.7%	
Bond	907	1,229	-26.2%	822	1,311	1,352	2,958	-24.3%	
Investment trust	11,239	9,662	16.3%	11,248	12,695	10,005	32,149	5.9%	
Investment banking	15,274	22,798	-33.0%	12,100	19,813	18,064	50,173	39.4%	
Others (Life insurance sales commission, etc)	2,489	2,552	-2.5%	2,405	2,285	2,728	7,447	-3.9%	
Total gain/loss on trading	30,452	33,831	-10.0%	42,437	28,336	23,221	106,720	16.2%	
Gain/loss on trading (Equity)	5,635	9,606	-41.3%	19,285	11,450	9,179	34,526	-10.5%	
Gain/loss on trading (Bond and Forex)	24,816	24,225	2.4%	23,151	16,885	14,041	72,193	35.5%	
Net financial income	2,918	615	373.9%	1,571	4,827	6,362	5,105	-75.8%	



Highlights of 3Q Earnings Results

<Overall>

- Although investment banking and trading revenues at Daiwa Securities SMBC decreased from 2Q, revenues from sales of foreign equities, bonds and equity investment trusts at Daiwa Securities increased, limiting the decline in consolidated net operating revenues to 9%. SG&A was down 2% due to a decrease in consolidated personnel costs and commission and other expenses at Daiwa Securities SMBC, resulting in consolidated ordinary income of JPY 18bil., down 22%, and a net income of JPY 9.4bil., down 4% from 2Q.

<Equity>

- Average daily trading value on the TSE was JPY 1,270bil., up 2% from 2Q. Brokerage commission decreased 1%, while the adjusted brokerage commission rate was 69bp. Online ratio for trading value by individual investors was 36%.

<Investment Trust>

- Distribution commission increased sharply from 2Q due to a boost in sales of foreign bond and principal protection type of equity investment trusts. Other commissions including agency commissions increased by 5% extending its gains to six consecutive quarters. This is due to a stronger focus on expanding net assets under custody.

<Investment Banking>

- Although Daiwa Securities SMBC kept its No.1 position in the 1-3Q/04 league table, lead-managed value of primary and secondary equity offerings declined, resulting in a decrease in equity underwriting commission from 2Q. On the other hand, it improved its position to No.2 in the IPO lead-manager league table, owing to major lead managed issues during 3Q.

<Trading>

- Despite Daiwa Securities experiencing an increase in trading revenues due to a boost in sales of foreign equities, consolidated revenues from the equity division posted an 11% decline from 2Q due to a fall in market volatility and order flow. Revenues from the bond division decreased 4% although sales of foreign bonds recovered from 2Q.

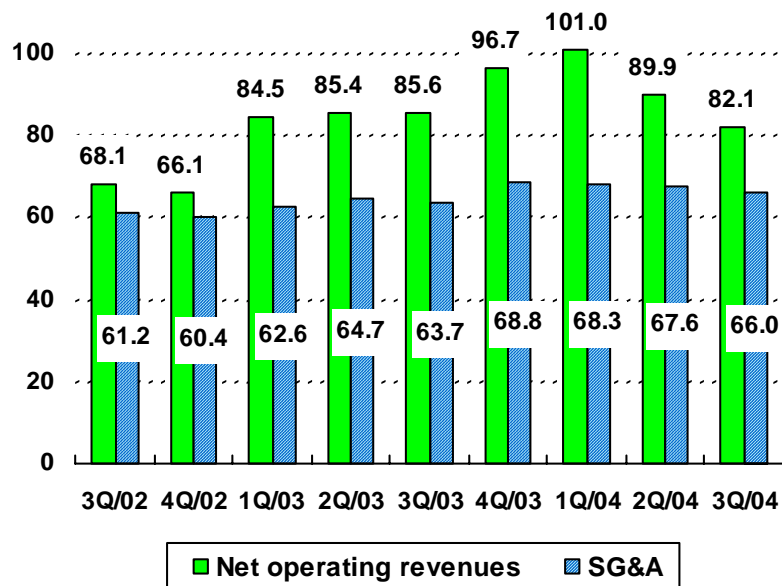


Trends in Net Operating Revenues

- Consolidated -

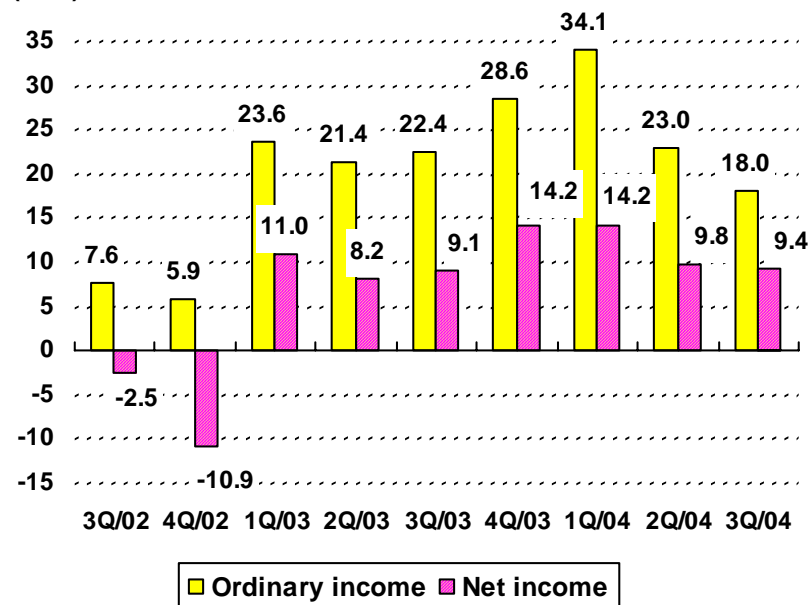
Trends in
Net Operating Revenues and SG&A

(Y bil)



Trends in
Ordinary Income and Net Income

(Y bil)

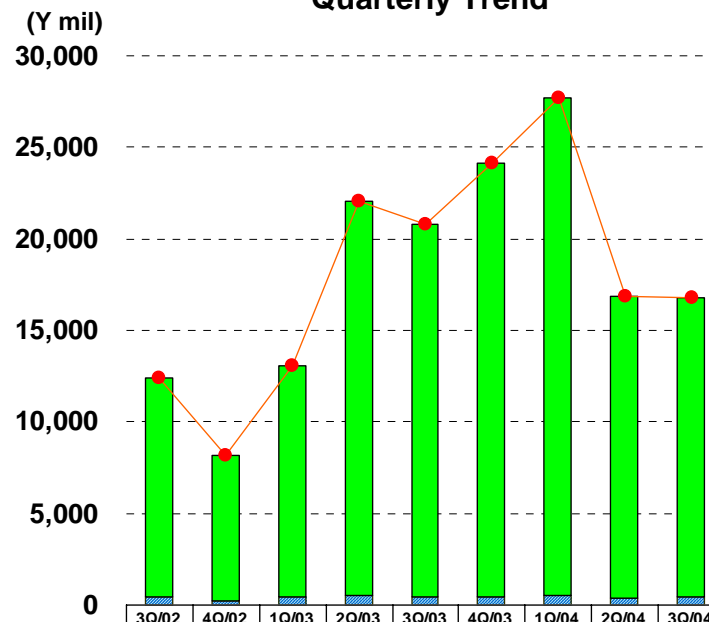




Equity Brokerage Commission - Consolidated -

(Millions of Yen)	FY2004 3Q	% Change vs 2Q FY04	FY2004 1-3Q	% Change vs 1-3Q FY03
Brokerage commission	16,322	-1.0%	59,980	9.9%
Others	469	20.9%	1,408	0.6%
Total	16,791	-0.5%	61,388	9.7%

Quarterly Trend



■ Brokerage commission	11,922	7,878	12,581	21,597	20,373	23,641	27,171	16,485	16,322
■ Others	471	255	476	488	435	465	551	388	469
● Total	12,394	8,134	13,058	22,086	20,808	24,107	27,723	16,873	16,791

- Average daily trading value on the TSE was JPY 1,270bil., up 2% from 2Q.
- Brokerage commission revenues remained flat.
- Online ratio for trading value by individuals was 36%.
- Adjusted brokerage commission rate at Daiwa Securities was 69bp.



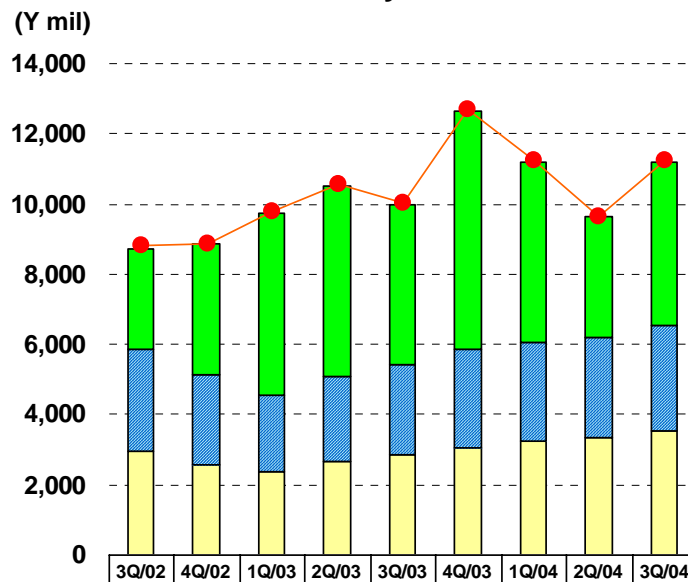
Investment Trust Commission - Consolidated -

(Millions of Yen)	FY2004 3Q	% Change vs 2Q FY04	FY2004 1-3Q	% Change vs 1-3Q FY03
Brokerage commission	29	-23.2%	129	-11.7%
Distribution commission	4,691	36.6%	13,267	-12.3%
Others	6,518	5.3%	18,752	24.3%
Agency commission	3,546	6.7%	10,105	28.2%
Total	11,239	16.3%	32,149	5.9%

- Distribution commission increased 37% from 2Q due to an increase in sales of foreign bond and principal protection type of equity investment trusts.
- Funds under management for equity investment trusts steadily increased, resulting in other commissions including agency commissions to increase by 5% from 2Q, up six consecutive quarters.
- Net assets of Daiwa Global Bond Fund managed by Daiwa Asset Management significantly expanded.

9/04: JPY 48.7bil. → 12/04: JPY 150.7bil.
(1/24/05 JPY 208bil.)

Quarterly Trend



	3Q/02	4Q/02	1Q/03	2Q/03	3Q/03	4Q/03	1Q/04	2Q/04	3Q/04
Distribution commission	2,868	3,689	5,200	5,389	4,530	6,782	5,141	3,434	4,691
Others (not including agency commission)	2,926	2,579	2,169	2,439	2,591	2,790	2,812	2,863	2,971
Agency commission	2,949	2,576	2,375	2,664	2,839	3,060	3,233	3,324	3,546
Total*	8,810	8,878	9,783	10,560	10,005	12,695	11,248	9,662	11,239

(*)Total includes brokerage commission for ETFs.

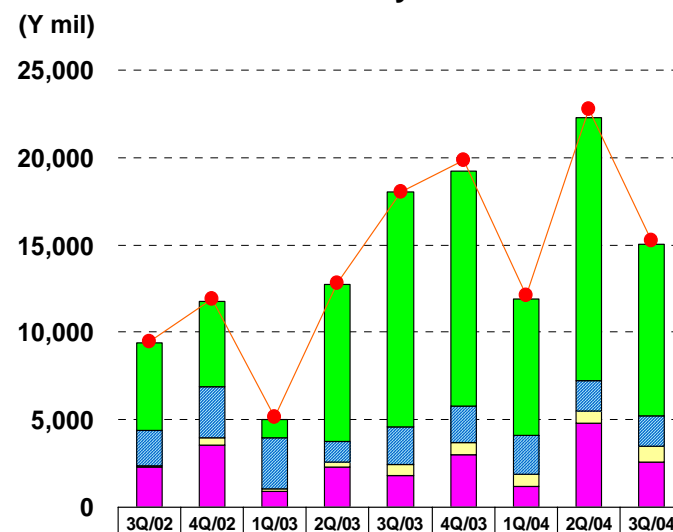


Investment Banking Commission - consolidated -

(Millions of Yen)	FY2004 3Q	% Change vs 2Q FY04	FY2004 1-3Q	% Change vs 1-3Q FY03
Underwriting commission (Equity)	9,822	-34.5%	32,667	39.1%
Underwriting commission (Bond)	1,764	0.7%	5,749	-8.7%
Distribution commission	926	28.6%	2,359	142.1%
Others (M&A commissions etc.)	2,546	-46.7%	8,477	68.0%
Total	15,274	-33.0%	50,173	39.4%

- Equity underwriting commission decreased 35% from 2Q due to a decline in underwriting of primary and secondary equity offerings. Maintained top position in 1-3Q/04 league table.
- Total IPO market for 3Q was JPY 912.6bil (2Q: JPY 112bil). Daiwa Securities SMBC lead-managed JPY 132.4bil out of the total, climbing to No.2 in the 1-3Q/04 league table. Major issues in 3Q were Elpida Memory, Inc. and INPEX CORPORATION.

Quarterly Trend



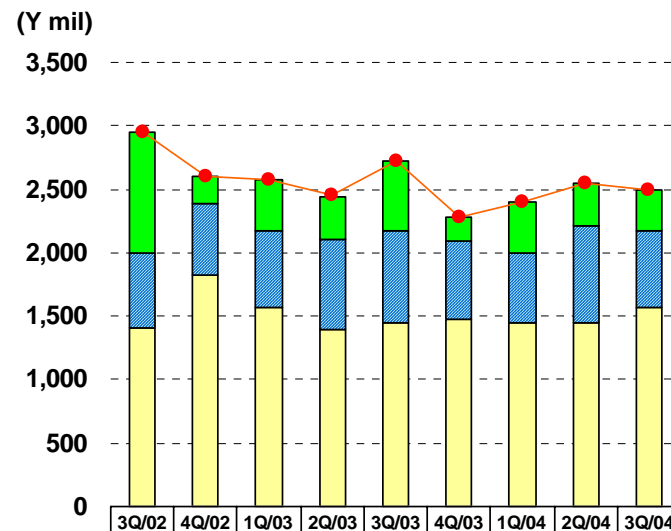
Underwriting commission (Equity)	5,014	4,883	1,078	8,963	13,447	13,437	7,843	15,001	9,822
Underwriting commission (Bond)	2,002	2,945	2,897	1,230	2,166	2,106	2,232	1,751	1,764
Distribution commission	93	416	127	241	605	687	711	720	926
Others (M&A commission etc.)	2,288	3,536	929	2,312	1,802	3,004	1,152	4,778	2,546
Total	9,458	11,939	5,130	12,796	18,064	19,813	12,100	22,798	15,274



Other Commissions - Consolidated -

(Millions of Yen)	FY2004 3Q	% Change vs 2Q FY04	FY2004 1-3Q	% Change vs 1-3Q FY03
Life insurance sales commission	314	-7.8%	1,059	-18.1%
Investment enterprise partnership administration fee	605	-21.3%	1,920	-5.4%
Others	1,569	8.8%	4,466	1.0%
Total	2,489	-2.5%	7,447	-3.9%

Quarterly Trend



- Life Insurance sales commission down 8% from 2Q.
- Investment enterprise partnership administration fee posted 21% decrease vs 2Q.

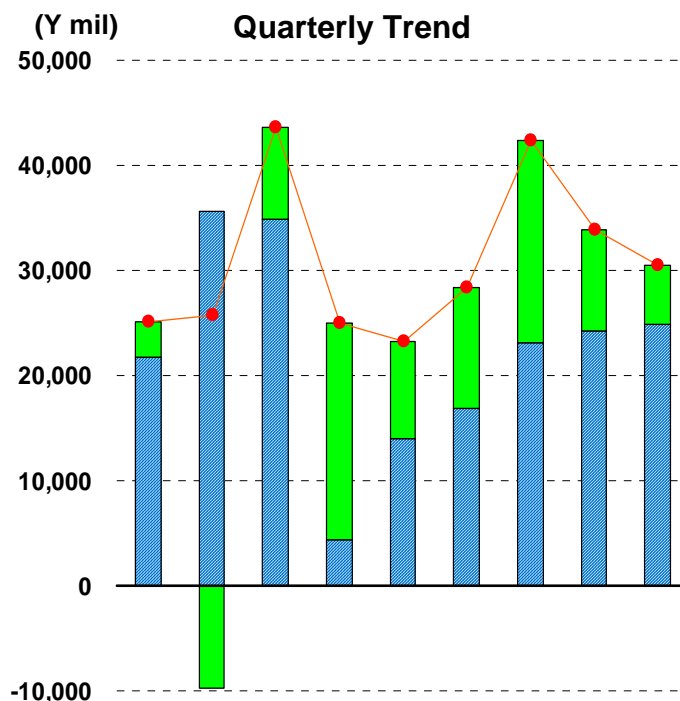
	3Q/02	4Q/02	1Q/03	2Q/03	3Q/03	4Q/03	1Q/04	2Q/04	3Q/04
Life insurance sales commission	952	205	397	345	550	191	404	340	314
Investment enterprise partnership administration fee	592	566	599	704	727	620	546	768	605
Others	1,404	1,825	1,573	1,398	1,450	1,472	1,453	1,442	1,569
Total	2,949	2,597	2,570	2,448	2,728	2,285	2,405	2,552	2,489

(*)Figures for Investment enterprise partnership administration fees include fees generated by Daiwa Securities SMBC Principal Investments from 2Q/03.



Net Gain/Loss on Trading - Consolidated -

(Millions of Yen)		FY2004 3Q	% Change vs 2Q FY04	FY2004 1-3Q	% Change vs 1-3Q FY03
Equity trading gain and loss		5,635	-41.3%	34,526	-10.5%
Bond and forex trading gain and loss	Bond	18,216	-1.2%	53,876	66.8%
	Forex	6,600	13.9%	18,317	-12.7%
	Sub total	24,816	2.4%	72,193	35.5%
Total		30,452	-10.0%	106,720	16.2%



<Reference>

Revenues recorded by equity and bond divisions
(Trading gain/loss + net financial income)

(Y Bil)	FY2004 3Q	%Change vs 2Q/04	FY2004 1-3Q	%Change vs 1-3Q/03
Equity	8.0	-11%	30.5	39%
Bond	22.0	-4%	73.0	-8%
Total	30.0	-6%	103.5	2%

- Although sales of foreign equities at Daiwa Securities increased, overall revenues from the equity division fell 11% vs 2Q due to a decline in market volatility and order flow.
- Revenues from the bond division decreased 4% despite a recovery in sales of foreign bonds from 2Q.

	3Q/02	4Q/02	1Q/03	2Q/03	3Q/03	4Q/03	1Q/04	2Q/04	3Q/04
Equity	3,334	-9,803	8,849	20,544	9,179	11,450	19,285	9,606	5,635
Bond and forex	21,764	35,593	34,830	4,413	14,041	16,885	23,151	24,225	24,816
Total	25,099	25,790	43,679	24,958	23,221	28,336	42,437	33,831	30,452



Breakdown of SG&A - Consolidated -

(Millions of Yen)	FY2004		% Change vs 2Q FY04	FY2004			FY2004 1-3Q	% Change vs 1-3Q FY03
	3Q	2Q		1Q	4Q	3Q		
SG&A	66,002	67,640	-2.4%	68,319	68,820	63,718	201,963	5.7%
Commission and other expenses	11,295	11,779	-4.1%	10,559	10,566	10,119	33,634	15.1%
(Advertising expenses)	1,772	1,805	-1.8%	1,525	1,578	1,507	5,103	17.5%
Personnel	33,472	34,199	-2.1%	37,043	35,545	33,966	104,715	3.3%
Real estate expenses	7,992	8,359	-4.4%	7,901	8,805	7,661	24,253	2.3%
Office expenses	4,225	4,223	0.0%	3,784	3,816	3,619	12,233	10.4%
Depreciation	5,486	5,426	1.1%	5,458	6,101	5,221	16,371	6.1%
Taxes other than income taxes	1,617	1,751	-7.6%	1,829	1,224	1,202	5,199	18.4%
Others	1,911	1,900	0.6%	1,743	2,761	1,926	5,556	-4.8%



Balance Sheet - Consolidated -

Consolidated Balance Sheet (12/04)

*Figures in parenthesis indicate change from 3/04
(Billions of Yen)

(Billions of Yen)		(Millions of yen)	
Trading assets	5,384.4 (+1,352.5)	Current assets	12,325,076
· <u>Trading securities and others</u>	<u>4,858.9 (+1,329.0)</u>	· Receivables on collateralized securities transactions	5,717,590
- Stocks, convertible bonds	214.7 (-78.9)	· Trading assets	5,384,447
- Bonds	4,452.6 (+1,369.8)	· Operating investment securities	50,854
- Beneficiary certificates	154.7 (+43.5)	Non-current assets	531,167
- CD/CP and others	36.7 (-5.4)	· Tangible assets	138,445
· <u>Derivative assets</u>	<u>525.5 (+23.4)</u>	· Intangible assets	60,140
		· Investments	332,582
		· Investment securities	188,988
		· Other investments	98,295
Investment securities	188.9 (+1.5)		
- Marketable equities	119.6 (+13.1)		
- Non-marketable equities	23.9 (-0.2)		
- Others	45.3 (-11.3)		
Other investments	98.2 (+0.5)		
- Long-term loans receivables	20.7 (-0.4)		
- Monetary claims	59.3 (+3.1)		
		Current liabilities	11,214,880
		· Payables on collateralized securities transactions	3,991,451
		· Trading liabilities	3,918,718
		· Short-term borrowings	2,196,039
		· CP	98,700
		· Current portion of bonds	121,356
		Long term liabilities	836,301
		· SB/CB	726,941
		· Long-term borrowings	75,523
		Minority interests	179,311
		Shareholder's equity	620,472
		· Common stock	138,431
		· Capital surplus	117,940
		· Earned surplus	343,913



Daiwa Securities Financial Summary

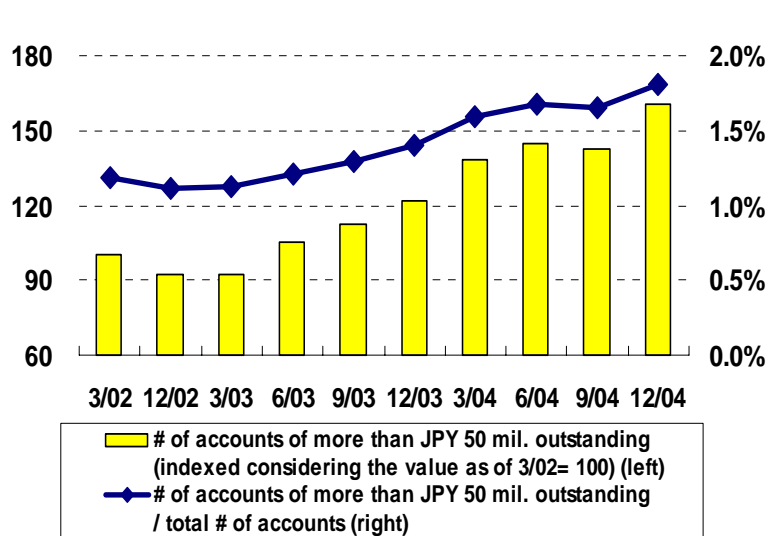
(Millions of yen)	FY2004		% Change vs 2Q FY04	FY2004			FY2004 1-3Q	% Change vs 1-3Q FY03
	3Q	2Q		1Q	4Q	3Q		
Operating revenues	38,978	36,134	7.9%	44,230	47,409	39,385	119,343	-3.9%
Commissions	28,992	30,167	-3.9%	37,387	38,887	33,642	96,546	2.2%
Brokerage (Stock and others)	11,847	12,341	-4.0%	21,384	18,100	16,717	45,573	5.0%
Distribution	10,897	10,598	2.8%	9,749	14,637	11,301	31,245	-6.5%
(Stock and others)	3,487	5,065	-31.1%	2,083	5,389	5,093	10,636	21.9%
(Bond and others)	2,843	2,185	30.1%	2,731	2,789	1,810	7,760	-20.5%
(Investment trust)	4,566	3,347	36.4%	4,934	6,458	4,397	12,848	-13.8%
Other commission	6,230	7,208	-13.6%	6,211	6,105	5,588	19,650	11.7%
(Investment trust)	3,256	3,099	5.1%	3,017	2,849	2,656	9,374	27.2%
Net gain on trading securities	9,507	5,410	75.7%	6,305	8,082	5,274	21,223	-25.9%
Stock and others	2,811	599	369.4%	742	484	273	4,153	462.8%
Bond, forex and others	6,695	4,811	39.2%	5,562	7,598	5,000	17,069	-38.8%
Interest and dividend income	478	556	-14.0%	537	439	468	1,573	49.3%
Interest expenses	91	103	-11.3%	95	77	80	290	-6.7%
Net operating revenues	38,886	36,031	7.9%	44,135	47,332	39,304	119,053	-3.9%
SG&A	33,423	34,392	-2.8%	35,312	35,829	33,520	103,128	2.8%
Ordinary income	5,445	1,501	262.6%	8,809	11,617	5,806	15,756	-33.2%
Net income	3,121	769	305.7%	5,150	6,549	2,825	9,040	-28.9%
Capital adequacy ratio	370.8%	365.1%	-	363.5%	363.3%	419.4%	370.8%	-



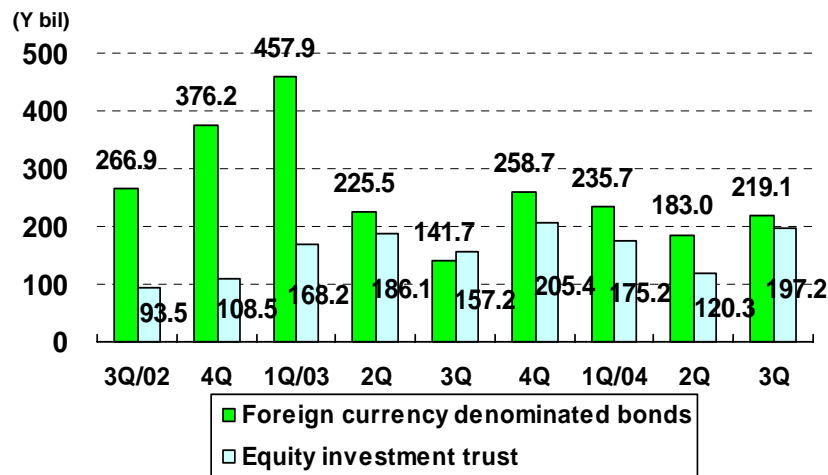
Daiwa Securities

- Due to a surge in stock certificates deposited for safekeeping and an emphasis on expanding net assets under custody, net inflow of retail assets was the highest since FY2000.
- Sales of both foreign currency denominated bonds and equity investment trusts increased during 2Q. Sales of JGB to individual investors in December was JPY 180.5bil.
- Completed tie-up agreements with 20 regional banks to engage in securities intermediary businesses.
- Net assets of Daiwa SMA, introduced in September, expanded steadily to JPY 5bil.

Accounts of More Than JPY 50 mil Outstanding



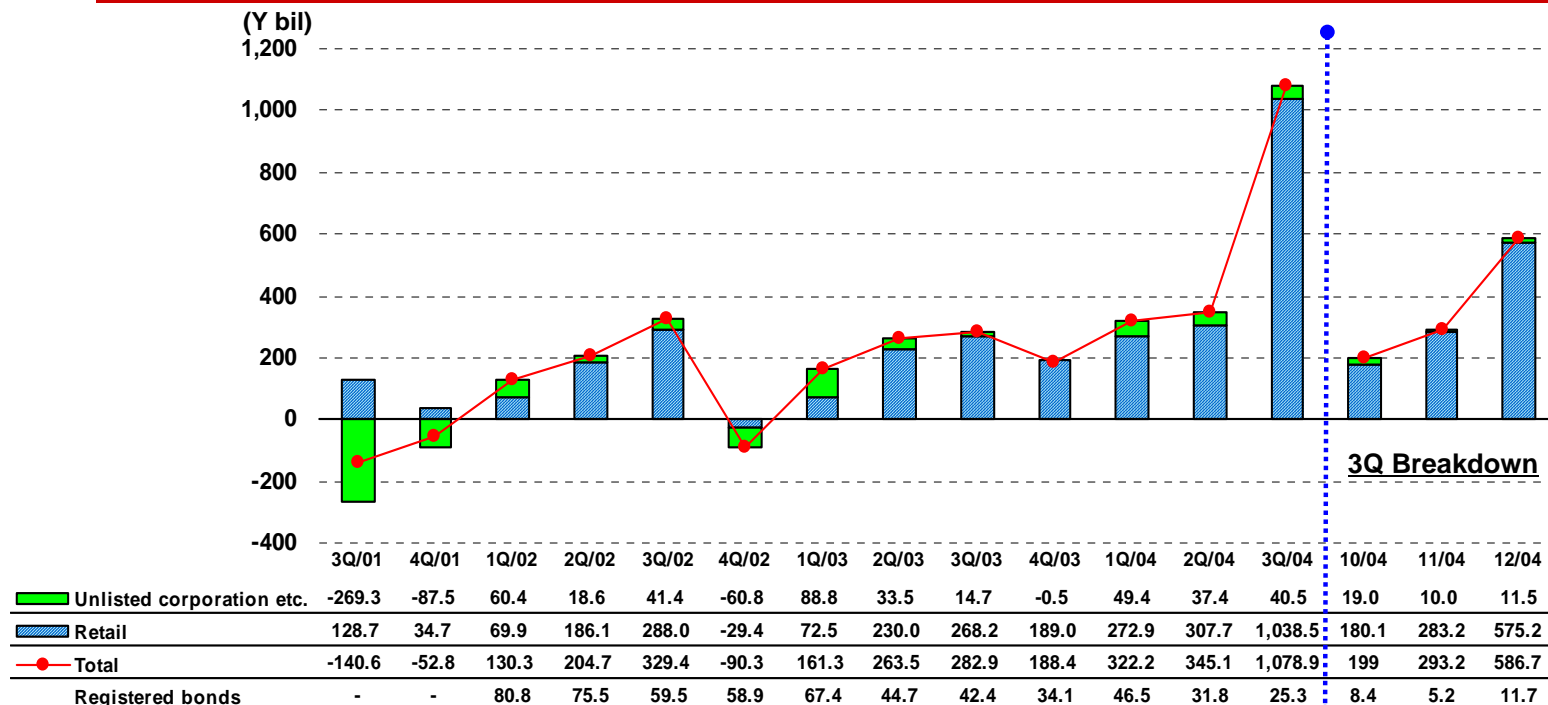
Sales of Core Products



*Prior to 4Q/03, figures for equity investment trust excludes sales to listed corporations and financial institutions



Daiwa Securities Net Inflow of Retail Assets



Inflow(+) = net inflow/outflow of funds + net deposit/withdrawal of securities

3Q FY2004

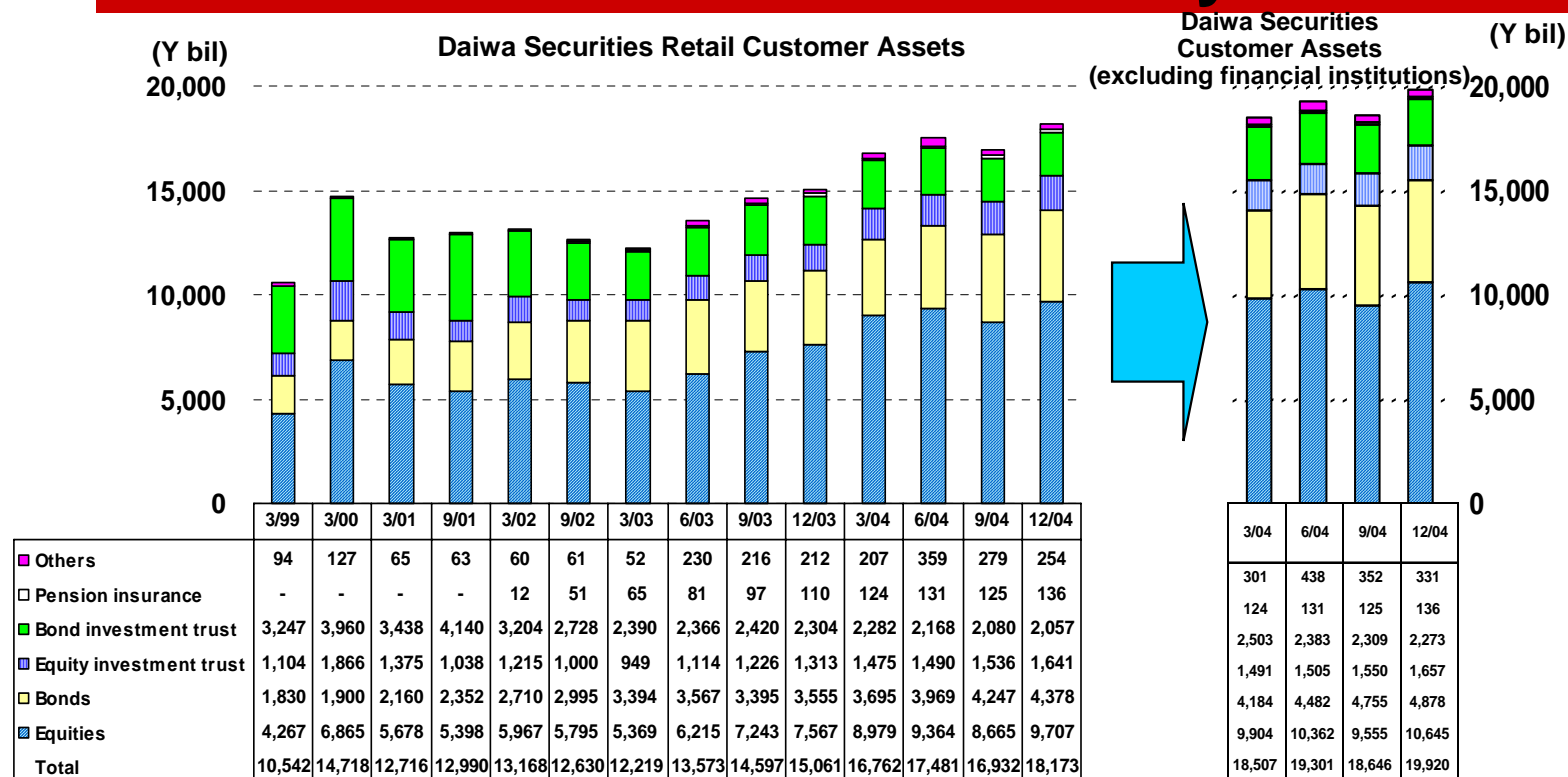
(Billions of yen)

	Funds	Securities	Total
Retail	+83.3	+955.1	+1,038.5
Unlisted coporates	+21.3	+19.1	+40.5
Total	+104.6	+974.2	+1,079.0
Registered bonds			+25.3

+ indicates inflow, - indicates outflow



Daiwa Securities Trends in Assets Under Custody



(*) Figures from 3/02 include pension insurance.

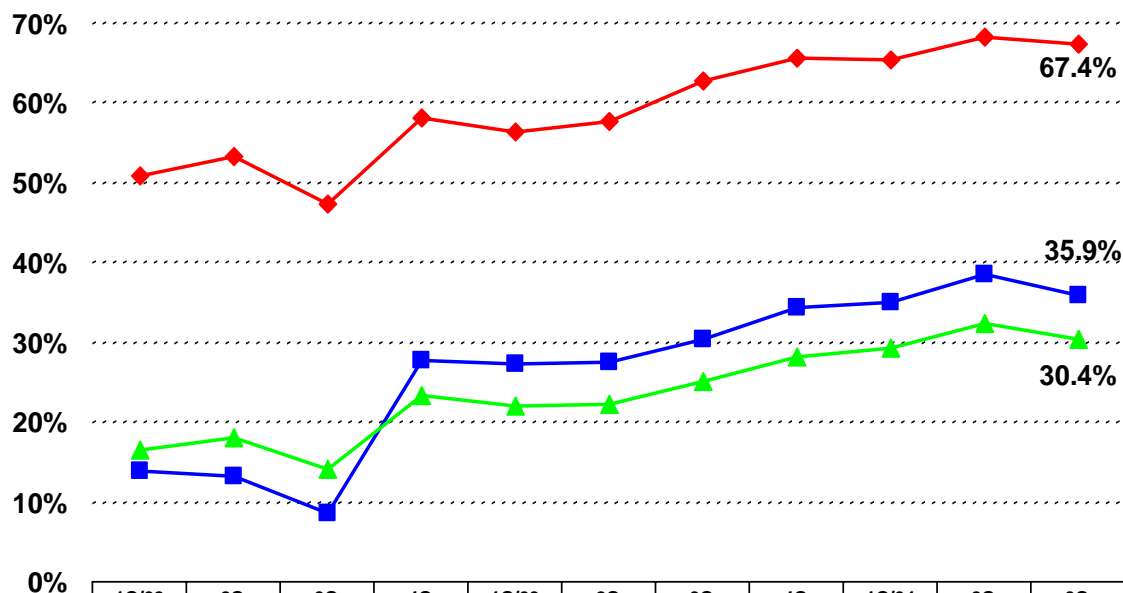
“Other” includes customer assets of Daiwa Securities held under custody at Daiwa Securities SMBC from 6/03.

“Daiwa Securities customer assets include corporate customers’ assets (ex financial institutions) of Daiwa Securities branches.

- ◆ Daiwa Securities Customer Assets include all corporate customer assets under custody (excluding financial institutions) to highlight the priority of developing corporate customers.



Daiwa Securities Online Trading



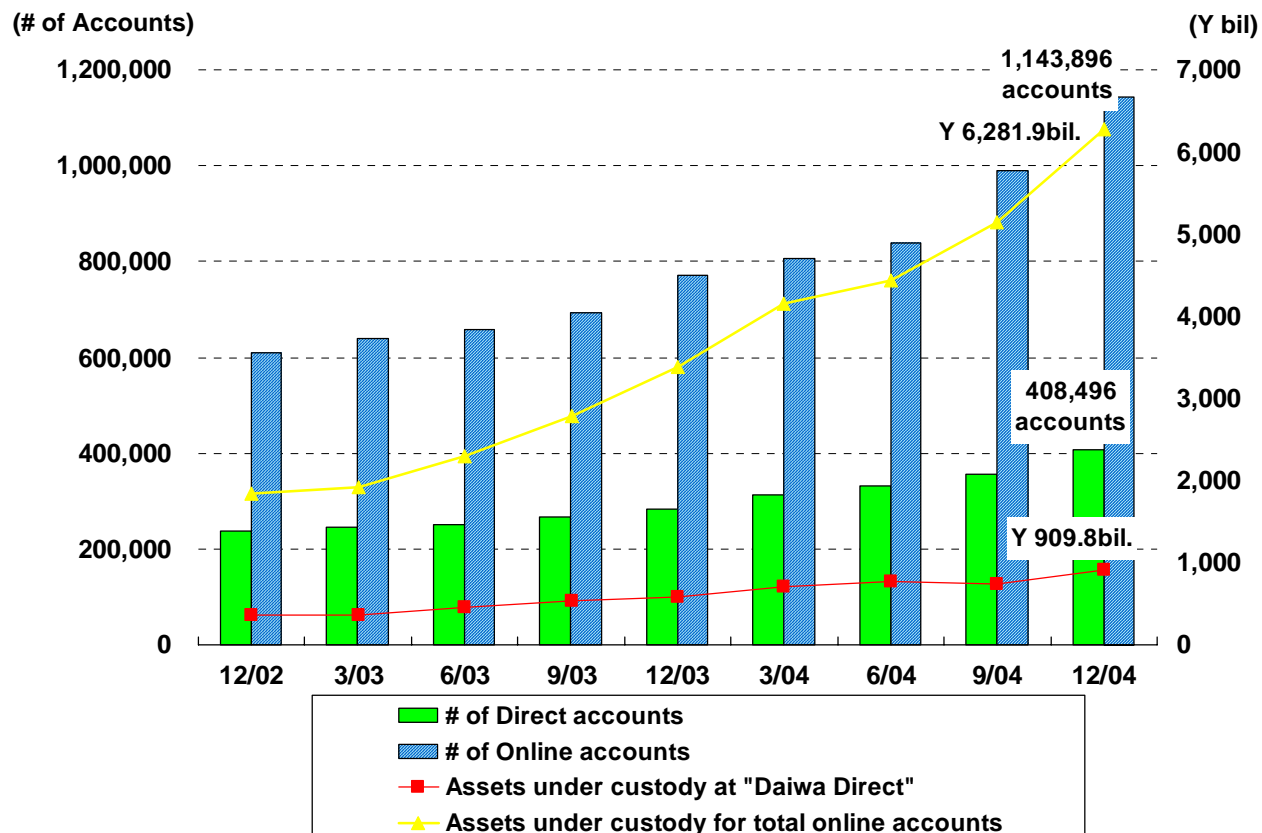
	1Q/02	2Q	3Q	4Q	1Q/03	2Q	3Q	4Q	1Q/04	2Q	3Q
Online ratio(# of contracts)	50.8%	53.2%	47.3%	58.2%	56.4%	57.6%	62.7%	65.7%	65.3%	68.2%	67.4%
Online ratio(trading volume)	13.9%	13.1%	8.6%	27.7%	27.4%	27.5%	30.4%	34.4%	35.1%	38.6%	35.9%
Online ratio(commission)	16.5%	18.1%	14.0%	23.3%	22.0%	22.3%	25.1%	28.2%	29.3%	32.3%	30.4%
Total # of online contracts	568,071	440,742	434,597	407,225	650,407	1,031,269	1,032,771	1,217,725	1,396,698	940,605	876,529
Total online trading value(Millions of yen)	244,255	169,482	167,084	152,289	270,305	543,172	590,289	715,120	904,377	551,813	495,048
Total online equity commission(Millions of yen)	1,643	1,165	1,143	1,038	1,796	3,462	3,769	4,529	5,674	3,500	3,138

Note: Number of contracts made via the call center were included from 3Q/03.



Daiwa Securities Online Accounts

Accounts and Assets under Custody of Online and Daiwa Direct Accounts





Daiwa Securities SMBC Financial Summary

(Millions of yen)	FY2004		% Change vs 2Q FY04	FY2004			FY2004 1-3Q	% Change vs 1-3Q FY03
	3Q	2Q		1Q	4Q	3Q		
Operating revenues	39,832	51,483	-22.6%	49,789	45,015	39,200	141,106	20.9%
Commissions	17,341	24,205	-28.4%	14,644	23,961	19,833	56,190	26.1%
Brokerage (Stock and others)	2,996	2,906	3.1%	4,176	3,484	2,712	10,079	24.4%
Underwriting commission (Stock and others)	8,105	12,152	-33.3%	5,296	12,754	11,838	25,554	27.6%
Underwriting commission (Bond and others)	1,762	1,751	0.6%	2,208	2,099	2,097	5,721	-12.2%
Distribution	148	133	11.2%	226	352	227	507	-0.1%
Other commissions (M&A and others)	4,071	6,704	-39.3%	2,533	4,668	2,896	13,309	45.4%
Net gain/loss on trading securities	16,847	23,869	-29.4%	31,274	16,078	13,896	71,991	44.7%
Stock and others	1,632	8,072	-79.8%	16,893	9,405	7,102	26,597	-18.7%
Bond, forex and others	15,215	15,797	-3.7%	14,381	6,673	6,793	45,393	166.7%
Interest and dividend income	5,643	3,409	65.5%	3,871	4,975	5,471	12,923	-42.2%
Interest expenses	5,947	4,267	39.4%	3,398	2,538	2,417	13,614	96.5%
Net operating revenues	33,884	47,216	-28.2%	46,391	42,476	36,783	127,492	16.2%
SG&A	28,034	31,102	-9.9%	26,752	30,992	27,086	85,889	6.9%
Ordinary income ----- (A)	11,095	16,579	-33.1%	20,004	11,767	9,665	47,680	58.4%
Net income	8,563	10,410	-17.7%	11,921	5,781	5,248	30,894	77.1%
Capital adequacy ratio	385.3%	366.6%	-	337.7%	336.9%	426.7%	385.3%	-
Daiwa Securities SMBC PI's ordinary income --- (B)	1,403	1,242	13.0%	925	1,649	2,128	3,571	-6.6%
Ordinary income total ----- (A)+(B)	7,599	17,821	-57.4%	20,930	13,417	11,793	46,351	36.6%

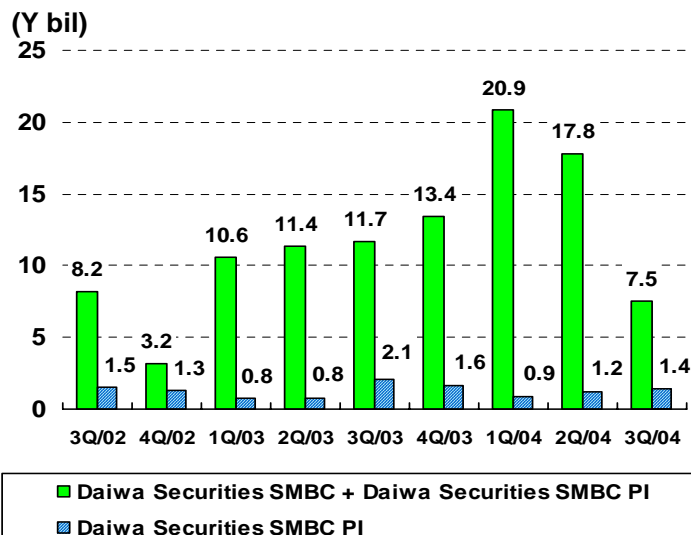
Dividend of JPY 4.9bil. (3Q/FY2004) paid from Daiwa SMBC PI to Daiwa Securities SMBC were deducted from total ordinary income.



Daiwa Securities SMBC

- Lead-managed 10 IPO deals worth JPY 132.4bil, improving ranking to No.2 in the 1-3Q/04 league table.
- Daiwa Securities SMBC PI invested in Daiwa Seiko, Inc. (listed on TSE 1st section) and participated in the launch of “Tochigi region corporate revival fund”.
- Revenues generated by cooperation with SMBC
3Q: JPY 12bil. (-42% vs 2Q) 1-3Q: JPY 40bil. (+38% vs 1-3Q/03)

Trends in Ordinary Income



Main Issues during 3Q FY2004

- <Corporate Bonds>
 Sumitomo Mitsui Banking Corporation (Total JPY 165bil.),
 Mitsui Sumitomo Insurance Co., Ltd. (Total JPY 100bil.),
 Kansai Electric Power Co., Inc. (JPY 30bil.) etc.
- <Structured Finance>
 RMBS issued by The Chuo Mitsui Trust and Banking Company, Limited (Issue JPY 100bil., Underwriting JPY 72.1bil.) etc.
- <IPO>
 Elpida Memory, Inc. (JPY 78.7bil.),
 Inpex Corporation (JPY 46bil.) etc.
- <Equity primary and secondary offering>
 Nippon Electric Glass Co., Ltd. (Secondary offering JPY 41.2bil.)
 Sumitomo Rubber Industries, Ltd. (Primary, secondary offering, JPY 20.5bil.) etc.



Daiwa Securities SMBC FY04(Apr.-Dec.) Lead Manager League Table

Ranked No.1 in total corporate bonds, and primary and secondary offerings

	Total corporate bonds (Corporate & Agency bonds)	IPO	Primary and secondary equity offerings	SAMURAI	ABS
1st	Daiwa Sec. SMBC 23.5%	Nomura 49.4%	Daiwa Sec. SMBC 30.8%	Mizuho 20.0%	Mizuho 23.7%
2nd	Nomura 19.1%	Daiwa Sec. SMBC 14.1%	Nomura 26.5%	Merrill Lynch 11.3%	Daiwa Sec. SMBC 16.0%
3rd	Mizuho 14.9%	UBS 10.3%	Nikko Citigroup 19.7%	Daiwa Sec. SMBC 10.1%	Shinsei 11.4%
4th	Nikko Citigroup 13.7%	Nikko Citigroup 8.5%	Merrill Lynch 5.4%	Nomura 9.8%	UFJ Tsubasa 6.2%
5th	Mitsubishi 11.9%	Shinko 4.1%	Mitsubishi 4.9%	Mitsubishi 9.2%	Nikko Citigroup 6.2%

Note: Primary and secondary equity offering based on settlement dates, IPO based on listing dates, SB and Samurai-bond based on launch dates. Joint lead manager allotment based on underwritten amount. REITs not included.

Source: Daiwa Securities SMBC, Nikkei Bonds & Financial Weekly for ABS table

Ranking

M&A advisory league table for any Japanese involvement

Jan 2004 - Dec 2004 **1st**

Source: THOMSON FINANCIAL, based on transaction value



Daiwa Securities SMBC

Principal Finance Operations

Investments outstanding as of 12/04: JPY 77.0bil.(-6.6bil. vs 09/04) *including Daiwa Securities SMB CPI

• Private equity JPY 24.0bil. (+5.5bil.), non-performing loans JPY 34.0bil. (-14.4bil.), real estate JPY 6.0bil. (+0.3bil.), funds for which Daiwa Securities SMBC is involved in management JPY 13.0bil. (+2.0bil.)

◆ Private equity investment

Daiwa Seiko, Inc. (listed on TSE 1st section)

• By accepting third-party allocation, acquired 43,479,000 shares of common stocks equivalent to 32.65% of Daiwa Seiko's outstanding shares after allocation.

◆ Real estate investment

Domestic real estate "Japan Real Estate Recovery Fund"

- Purchased approximately 20 properties including office buildings and company dormitories located nationwide to launch sixth series.
- Cumulative investments including above is JPY 26.5bil.

◆ Fund operations

Launch of "Tochigi region corporate revival fund"

- Twin fund consists of one fund focusing on small-to-medium-sized companies (launched 10/04) and the other on medium-sized companies (launched 8/04).
- Industrial Revitalization Corporation is first co-investment fund.
Tochigi Leather Co., Ltd. / Kanto Automobile Corporation

Launch of "Tokyo challenge fund"

- Corporate revitalization fund for small to medium enterprises (Investment LPS)

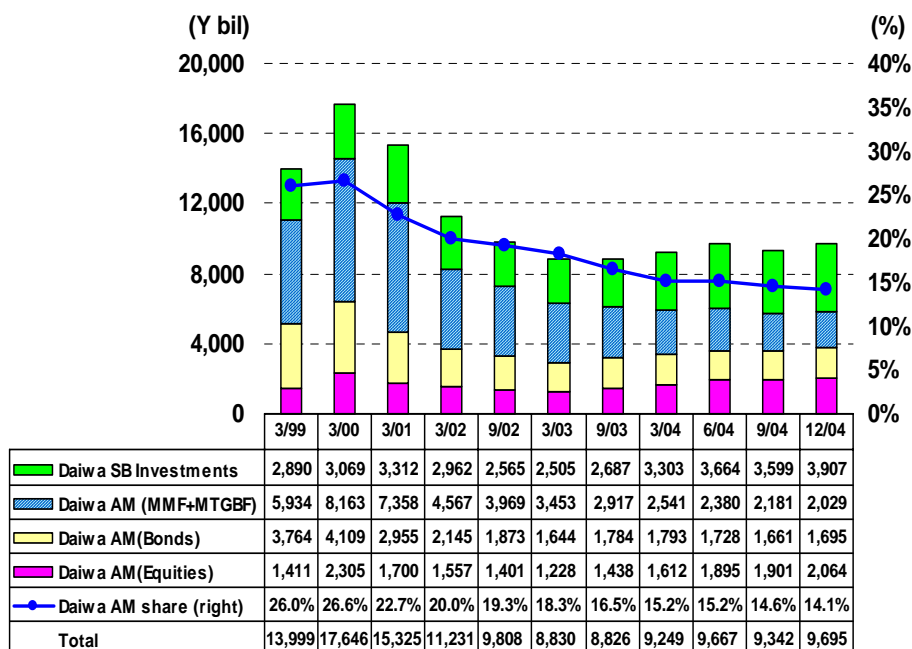


Asset Management

- Net assets under management of Daiwa Global Bond Fund by Daiwa Asset Management significantly expanded.
9/04 JPY 48.7bil. → 12/04 JPY 150.7bil. (1/24/05 JPY 208.0bil.)
- Launched “Daiwa commodity index fund (Jim Rogers Sekai-Tankenki)”, the first fund related to commodity futures in Japan.

Funds under Management (Daiwa AM, Daiwa SB Investments)

Main Funds Launched during 3Q FY04



Daiwa Asset Management

- **Daiwa Commodity Index Fund (Jim Rogers Sekai-Tankenki)**
Launched in December, net asset as of the end of December: JPY 8bil.
- **Income & Cash** 2004-10, 2004-11, 2004-12
2004-10:
Launched in October, initial amount: JPY 1.9bil.
2004-11:
Launched in November, initial amount: JPY 1.8bil.
2004-12:
Launched in December, initial amount: JPY 1.0bil.



Overseas Performance

3Q FY2004 Income Summary

Operating revenues	JPY 39.2 bil.	(% Change vs 2Q FY04 +22.0%)
Net operating revenues	JPY 12.2 bil.	(% Change vs 2Q FY04 +0.1%)
Ordinary income	JPY 1.6 bil.	(% Change vs 2Q FY04 -15.7%)

Quarterly Trends in Ordinary Income by Region

(Millions of Yen)	FY2004		%Change vs 2Q FY04	FY2003			FY2004 1-3Q	%Change vs 1-3Q FY03
	3Q	2Q		1Q	4Q	3Q		
America	239	-302	-	342	343	725	278	-69.9%
Europe	1,018	1,847	-44.9%	1,737	2,006	1,882	4,602	-16.8%
Asia/Oceania	411	435	-5.4%	352	889	328	1,200	10.3%
Total	1,669	1,980	-15.7%	2,432	3,239	2,936	6,081	-19.4%



Ordinary Income of Main Group Companies

(Millions of Yen)	FY2004		% Change vs 2Q FY04	FY2004			FY2004 1-3Q	% Change vs 1-3Q FY03
	3Q	2Q		1Q	4Q	3Q		
Daiwa Securities Group Inc.	-643	-1,487	-	19,186	-947	-613	17,055	508.5%
Daiwa Securities	5,445	1,501	262.6%	8,809	11,617	5,806	15,756	-33.2%
Daiwa Securities SMBC	11,095	16,579	-33.1%	20,004	11,767	9,665	47,680	58.4%
Daiwa Securities SMBC Principal	1,403	1,242	13.0%	925	1,649	2,128	3,571	-6.6%
Daiwa Asset Management	455	475	-4.4%	251	153	315	1,183	91.2%
Daiwa Institution of Research	1,455	1,110	31.0%	668	1,373	1,550	3,234	-22.2%
Daiwa SB Investments	646	499	29.6%	521	272	66	1,667	563.0%
Daiwa Securities Business Center	235	163	44.5%	104	147	229	502	67.0%
Daiwa Property	995	966	2.9%	544	1,010	1,049	2,506	-16.7%
NIF Ventures	-284	133	-	588	125	333	438	29.0%
Overseas	1,669	1,980	-15.7%	2,432	3,239	2,936	6,081	-19.4%



< Contact >

Daiwa Securities Group Inc.

Investor Relations

TEL: +81-3-3243-3841 FAX: +81-3-3242-0955

E-mail: ir-section@dsgi.daiwa.co.jp

URL: <http://www.daiwa.jp/ir/english/>