

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

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.

" - " indicates a loss or negative figure.

	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)	171,605	(32.2)%	171,216	(32.4)%	35,079	(902.1)%
Fiscal 2002 (2003/3)	129,817	(1.8)%	129,311	(2.1)%	3,500	(-)%

	Ordinary income		Net income		Return on stockholders' equity
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis) %
Fiscal 2003 (2004/3)	35,219	(897.2)%	19,272	(-)%	9.8
Fiscal 2002 (2003/3)	3,531	(-)%	1,047	(-)%	0.6

Note: Change in accounting policies: Early application has been made for 'Accounting Standards for Impairment of Fixed Assets'. No impairment losses have been recognized for this fiscal 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	379,876	204,020	53.7	363.3
As of Mar. 31, 2003	301,822	187,947	62.3	379.5

Note. Number of shares outstanding (shares):

As of Mar. 31, 2004: 3,200

As of Mar. 31, 2003: 3,200

Representative: Yoshinari Hara, President

Contact: Yoshiaki Bai, General Manager, Finance Department

Phone: +813-3243-2111

Note: Page 1 and 10 of this "Non-consolidated financial summary" reflect the press release "Amendment of non-consolidated financial summary of Daiwa Securities Co. Ltd. for fiscal year ended March 31, 2004" dated July 20, 2004.

Balance Sheets

(millions of yen)

	Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003	Increase/ Decrease
Assets			
Current assets:	321,683	243,428	78,254
Cash and time deposits	81,647	61,552	20,095
Cash segregated as deposits	80,164	70,143	10,020
Trading assets	34,434	36,746	-2,311
Trading securities and others	34,278	36,136	-1,858
Derivative assets	155	609	-453
Trade date accrual	910	377	532
Receivables related to margin transactions:	94,339	37,928	56,410
Loans receivable from customers for margin transactions	90,859	34,363	56,495
Cash deposits as collateral for securities borrowed from securities finance companies	3,479	3,565	-85
Receivable on collateralized securities transactions:	5,419	3,599	1,819
Cash deposits as collateral for securities borrowed	5,419	3,599	1,819
Receivables	5,665	3,914	1,751
Short-term guarantee money deposited	2,678	2,464	213
Short-term loans receivable	1,690	11,512	-9,821
Accrued income	7,511	5,941	1,569
Deferred income tax assets-current	5,019	7,272	-2,252
Other current assets	2,273	2,002	271
Less: Allowance for doubtful accounts-current	-71	-27	-43
Non-current assets:	58,193	58,394	-200
Tangible fixed assets	5,959	7,226	-1,266
Intangible fixed assets	21,288	18,464	2,824
Investments and others:	30,944	32,703	-1,758
Investment securities	580	686	-105
Long-term loans receivable	4,874	4,874	-
Long-term guarantee deposits	20,278	22,877	-2,599
Deferred income tax assets-non-current	4,054	2,831	1,223
Other investments	2,257	2,534	-277
Less: Allowance for doubtful accounts-non-current	-1,101	-1,101	-0
Total assets	379,876	301,822	78,053

(millions of yen)

	Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003	Increase/ Decrease
Liabilities			
Current liabilities:	167,640	107,035	60,605
Trading liabilities:	105	115	-10
Trading securities and others	1	0	0
Derivative liabilities	103	115	-11
Payables related to margin transactions:	13,300	10,367	2,932
Loans from securities finance companies for margin transaction	3,636	2,914	721
Proceeds of securities sold for margin transactions	9,664	7,452	2,211
Deposits received	69,617	46,976	22,641
Cash deposits received from customers	24,094	10,500	13,593
Short-term borrowings	28,000	27,000	1,000
Accrued expenses	6,838	5,468	1,370
Accrued income taxes	13,447	266	13,180
Accrued bonuses	8,400	4,700	3,700
Other current liabilities	3,836	1,640	2,196
Non-current liabilities:	7,064	6,013	1,051
Accrued retirement benefits	6,766	5,688	1,078
Other non-current liabilities	298	324	-26
Statutory reserves:	1,150	826	324
Reserve for securities transaction liabilities	1,150	826	324
Total liabilities	175,856	113,874	61,981
Stockholders' equity			
Common stock	100,000	100,000	-
Capital surplus:	50,010	50,010	-
Additional paid-in capital	50,010	50,010	-
Earned surplus:	54,010	37,937	16,072
Earned surplus reserve	2,430	2,430	-
Reserve for special depreciation	200	238	-38
Unappropriated retained earnings	51,379	35,269	16,110
(Net income for the current term)	(19,272)	(1,047)	(18,225)
Total stockholders' equity	204,020	187,947	16,072
Total liabilities and stockholders' equity	379,876	301,822	78,053

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	171,605	129,817	41,787	32.2
Commissions	133,388	93,204	40,183	43.1
Net gain on trading	36,724	34,990	1,734	5.0
Interest and dividend income	1,492	1,623	-130	-8.0
Interest expenses	388	505	-117	-23.2
Net operating revenues	171,216	129,311	41,905	32.4
Selling, general and administrative expenses	136,136	125,810	10,325	8.2
Commission and other expenses	22,635	20,105	2,529	12.6
Employees' compensation and benefits	64,406	56,091	8,315	14.8
Real estate expenses	19,975	20,274	-298	-1.5
Data processing and office supplies	19,901	19,684	216	1.1
Depreciation expenses	6,268	6,869	-601	-8.8
Taxes other than income taxes	504	458	45	10.0
Others	2,445	2,326	118	5.1
Operating income	35,079	3,500	31,579	902.1
Non-operating income	306	278	28	10.2
Non-operating expenses	167	247	-79	-32.3
Ordinary income	35,219	3,531	31,687	897.2
Extraordinary gains	-	-	-	-
Extraordinary losses	1,360	755	605	80.1
Income before income taxes and others	33,858	2,776	31,082	-
Income taxes-current	13,557	250	13,307	-
Income taxes-deferred	1,028	1,479	-450	-30.4
Net income	19,272	1,047	18,225	-
Unappropriated retained earnings-carryforward	32,107	34,221	-2,114	-6.2
Unappropriated retained earnings	51,379	35,269	16,110	45.7
Net financial income included in Net operating revenues	1,104	1,117	-13	-1.2

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (3,432 million yen for 2004/3, 2,596 million yen for 2003/3) is included in "Commission and other expenses".

Statement of appropriation of retained earnings

(millions of yen)

(Appropriation plan)

	Fiscal 2003		Fiscal 2002	
Unappropriated retained earnings	51,379		35,269	
Reversal of reserve for special depreciation	43		38	
Total	51,423		35,307	
Appropriations of retained earnings	19,045		3,200	
Cash dividends(*)	18,880		3,200	
Director's bonuses	165		-	
Unappropriated retained earnings carried forward	32,378		32,107	

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

Cash dividends for fiscal year 2003: 5,900,000 yen per share

Notes to financial statements

The financial statements of the Company for fiscal year 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
Securities in non-trading account 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. 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. Other material items
 - (1) Consumption taxes
Consumption taxes are separately recorded.
 - (2) 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 complied with this standard for the fiscal year ended as of March 31, 2004.

Notes to balance sheets

	(millions of yen)	
	<u>As of Mar. 31, 2004</u>	<u>As of Mar. 31, 2003</u>
1 . Accumulated depreciation of tangible fixed assets	9,841	7,941
2 . Guarantee	898	804

Notes to income statements

	(millions of yen)	
	Fiscal 2003 <u>Apr. 1, 2003 – Mar. 31, 2004</u>	Fiscal 2002 <u>Apr. 1, 2002 – Mar. 31, 2003</u>
Details of extraordinary gains/losses		
Extraordinary losses		
Reorganization costs for retail branch	913	-
Provision for securities transaction liabilities	324	204
Sales loss of Investment securities	77	-
Valuation loss of fixed assets	45	125
Provision for doubtful accounts	-	425

Supplemental information for fiscal ended March 31, 2004

(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	61,647	34,414	79.1%
(Stock and other)	(61,486)	(34,177)	(79.9%)
(Bond and other)	(0)	(0)	(18.9%)
Underwriting	-	-	-
Distribution	48,038	31,980	50.2%
(Stock and other)	(14,115)	(6,360)	(121.9%)
(Bond and other)	(12,556)	(12,412)	(1.2%)
(Beneficiary certificates)	(21,366)	(13,207)	(61.8%)
Other commission	23,701	26,808	-11.6%
(Beneficiary certificates)	(10,218)	(12,425)	(-17.8%)
Total	133,388	93,204	43.1%

(2) Asset class (millions of yen)

	Fiscal 2003 (2004/3)	Fiscal 2002 (2003/3)	Yr/yr change
Stock and other	78,132	43,014	81.6%
Bond and other	18,946	18,789	0.8%
Beneficiary certificates	31,744	25,869	22.7%
Others	4,564	5,531	-17.5%
Total	133,388	93,204	43.1%

2. Breakdown of trading gains/losses

(millions of yen)

	Fiscal 2003 (2004/3)	Fiscal 2002 (2003/3)	Yr/yr change
Stock and other	1,222	274	345.4%
Bond, Forex and other	35,501	34,715	2.3%
(Bond and other)	(17,458)	(17,446)	(0.1%)
(Forex and other)	(18,042)	(17,269)	(4.5%)
Total	36,724	34,990	5.0%

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	16,129	9,023,453	10,128	8,696,724	59.3%	3.8%
Dealing (a)	(455)	(379,558)	(1,115)	(2,044,243)	(-59.2%)	(-81.4%)
Brokerage (b)	(15,673)	(8,643,895)	(9,012)	(6,652,480)	(73.9%)	(29.9%)
b/(a + b)	97.2%	95.8%	89.0%	76.5%		
TSE share	1.8%	1.3%	1.9%	1.5%		
Brokerage commission/shares	3.85yen		3.63yen			

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

		Fiscal 2003 (2004/3)	Fiscal 2002 (2003/3)	Yr/yr Change
<u>Underwriting:</u>				
Stock	(number of shares)	-	-	-
	(yen amount)	-	-	-
Bond	(face value)	-	-	-
CP & others	(face value)	-	-	-
<u>Distribution (*)</u>				
Stock	(number of shares)	736	128	472.6%
	(yen amount)	649,068	246,216	163.6%
Bond	(face value)	1,265,300	1,268,892	-0.3%
Beneficiary certificates	(face value)	6,233,157	5,967,171	4.5%
CP & others	(face value)	-	-	-

(*)Including secondary offering and private placement

5 . Capital adequacy ratio (millions of yen)

		Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003
Basic item	Stockholders' equity (A)	184,975	184,747
Supplementary item	Statutory reserve	1,150	826
	Allowance for doubtful accounts	71	22
	Total (B)	1,222	848
	Assets excluded from capital (C)	59,708	59,903
	Net capital (A)+(B)-(C) (D)	126,488	125,693
Risk equivalent	Market risk equivalent	338	353
	Counterparty risk equivalent	3,440	2,476
	Basic risk equivalent	31,032	30,283
	Total (E)	34,811	33,113
	Capital adequacy ratio (D)/(E)	363.3%	379.5%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2002		Fiscal 2003		
	Fourth quarter Jan. 1, 2003 - Mar. 31, 2003	First quarter Apr. 1, 2003 - Jun. 30, 2003	Second quarter Jul. 1, 2003 - Sep. 30, 2003	Third quarter Oct. 1, 2003 - Dec. 31, 2003	Fourth quarter Jan. 1, 2004 - Mar. 31, 2004
Operating revenues	34,463	43,066	41,743	39,385	47,409
Commissions	21,597	26,975	33,881	33,642	38,887
Brokerage commission	5,443	9,360	17,390	16,752	18,144
(Stock and other)	5,415	9,330	17,337	16,717	18,100
(Bond and other)	0	0	0	0	-
Underwriting commission	-	-	-	-	-
(Stock and other)	-	-	-	-	-
(Bond and other)	-	-	-	-	-
Distribution commission	10,486	11,777	10,322	11,301	14,637
(Stock and other)	1,618	525	3,107	5,093	5,389
(Bond and other)	5,349	6,072	1,884	1,810	2,789
(Beneficiary certificate)	3,518	5,179	5,331	4,397	6,458
Other commission	5,667	5,838	6,168	5,588	6,105
(Beneficiary certificate)	2,413	2,216	2,495	2,656	2,849
Net gain on trading	12,518	15,793	7,573	5,274	8,082
(Stock and other)	91	206	258	273	484
(Bond and other)	6,235	7,903	3,819	2,771	2,964
(Forex and other)	6,192	7,683	3,496	2,229	4,633
Interest and dividend income	347	297	287	468	439
Interest expenses	134	123	107	80	77
Net operating revenue	34,329	42,943	41,636	39,304	47,332
Selling, general and administrative expenses:	31,139	32,884	33,902	33,520	35,829
Commission and other expenses	5,376	4,968	5,825	5,622	6,219
Employees' compensation and benefits	13,634	15,868	15,771	15,796	16,969
Real estate expenses	5,114	4,847	5,132	4,892	5,103
Data processing and office supplies	4,611	4,824	4,882	5,012	5,181
Depreciation expenses	1,763	1,542	1,567	1,558	1,599
Taxes other than income taxes	68	204	94	98	107
Others	571	628	628	539	649
Operating income	3,189	10,059	7,733	5,784	11,502
Non-operating income	98	95	-4	52	162
Non-operating expenses	140	56	32	29	48
Ordinary income	3,147	10,098	7,697	5,806	11,617
Extraordinary gains	-	-	-	-	-
Extraordinary losses	161	-	286	658	415
Income before income taxes and others	2,985	10,098	7,410	5,147	11,202
Income taxes-current	70	70	4,747	740	7,999
Income taxes-deferred	1,385	4,190	-1,396	1,582	-3,347
Net income	1,530	5,838	4,058	2,825	6,549
Net financial income included in Net operating revenues	213	174	180	387	361