

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

July 28, 2004

Non-consolidated financial summary

(For the first quarter ended June 30, 2004)

(1) Operating results (from April 1, 2004 to June 30, 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
First quarter (2004/6)	44,230	(2.7)%	44,135	(2.8)%	8,822	(-12.3)%
First quarter (2003/6)	43,066	(27.5)%	42,943	(27.6)%	10,059	(471.5)%
Fiscal 2003 (2004/3)	171,605		171,216		35,079	

	Ordinary income		Net income		Return on stockholders' equity	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)	%
First quarter (2004/6)	8,809	(-12.8)%	5,150	(-11.8)%	10.5	
First quarter (2003/6)	10,098	(456.3)%	5,838	(552.9)%	12.3	
Fiscal 2003 (2004/3)	35,219		19,272		9.8	

(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 Jun. 30, 2004	386,115	190,242	49.3	363.5
As of Jun. 30, 2003	317,651	190,586	60.0	412.1
As of Mar. 31, 2004	379,876	204,020	53.7	363.3

(Note) Number of shares outstanding (shares):

As of Jun. 30, 2004: 3,200

As of Jun. 30, 2003: 3,200

As of Mar. 31, 2004: 3,200

Representative: Shigeharu Suzuki, President

Contact: Hikari Sakagami, General Manager, Finance Department

Phone: +813-3243-2111

Balance Sheets

(millions of yen)

	First quarter Jun. 30, 2004	First quarter Jun. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
Assets				
Current assets:	328,976	260,493	68,483	321,683
Cash and time deposits	66,289	77,436	-11,146	81,647
Cash segregated as deposits	80,171	70,134	10,037	80,164
Trading assets:	34,913	36,171	-1,258	34,434
Trading securities and others	34,884	35,839	-954	34,278
Derivative assets	28	332	-303	155
Trade date accrual	641	268	373	910
Receivables related to margin transactions:	121,827	42,371	79,456	94,339
Loans receivable from customers for margin transactions	119,610	38,061	81,549	90,859
Cash deposits as collateral for securities borrowed from securities finance companies	2,217	4,309	-2,092	3,479
Receivable on collateralized securities transactions:	5,227	3,929	1,297	5,419
Cash deposits as collateral for securities borrowed	5,227	3,929	1,297	5,419
Receivables	3,022	1,906	1,116	5,665
Short-term guarantee money deposited	5,125	2,529	2,596	2,678
Short-term loans receivable	1,461	16,492	-15,031	1,690
Accrued income	6,098	4,361	1,736	7,511
Deferred income tax assets-current	2,492	2,870	-377	5,019
Other current assets	1,795	2,050	-255	2,273
Less: Allowance for doubtful accounts-current	-91	-28	-63	-71
Non-current assets:	57,139	57,158	-19	58,193
Tangible fixed assets	5,532	6,750	-1,218	5,959
Intangible fixed assets	21,625	18,879	2,745	21,288
Investments and others:	29,981	31,527	-1,546	30,944
Investment securities	778	686	92	580
Long-term loans receivable	4,874	4,874	—	4,874
Long-term guarantee deposits	19,049	21,549	-2,499	20,278
Deferred income tax assets-non-current	4,158	3,043	1,115	4,054
Other investments	2,252	2,432	-180	2,257
Less: Allowance for doubtful accounts-non-current	-1,131	-1,057	-74	-1,101
Total assets	386,115	317,651	68,464	379,876

(millions of yen)

	First quarter Jun. 30, 2004	First quarter Jun. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
Liabilities				
Current liabilities:	187,450	120,123	67,327	167,640
Trading liabilities:	218	84	134	105
Trading securities and others	209	-	209	1
Derivative liabilities	8	84	-75	103
Payables related to margin transactions:	9,776	13,922	-4,146	13,300
Loans from securities finance companies for margin transaction	3,224	2,883	340	3,636
Proceeds of securities sold for margin transactions	6,551	11,038	-4,486	9,664
Deposits received	79,543	54,821	24,722	69,617
Cash deposits received from customers	30,892	13,581	17,311	24,094
Short-term borrowings	52,000	27,000	25,000	28,000
Accrued expenses	6,162	5,482	679	6,838
Accrued income taxes	579	128	450	13,447
Accrued bonuses	5,000	3,900	1,100	8,400
Other current liabilities	3,278	1,202	2,075	3,836
Non-current liabilities:	7,181	6,116	1,065	7,064
Accrued retirement benefits	6,949	5,873	1,076	6,766
Other non-current liabilities	231	242	-10	298
Statutory reserves:	1,240	826	414	1,150
Reserve for securities transaction liabilities	1,240	826	414	1,150
Total liabilities	195,873	127,065	68,807	175,856
Stockholders' equity				
Common stock	100,000	100,000	-	100,000
Capital surplus:	50,010	50,010	-	50,010
Additional paid-in capital	50,010	50,010	-	50,010
Earned surplus:	40,115	40,576	-460	54,010
Earned surplus reserve	2,430	2,430	-	2,430
Reserve for special depreciation	156	200	-43	200
Unappropriated retained earnings	37,529	37,945	-416	51,379
(Net income for the current term)	(5,150)	(5,838)	(-687)	(19,272)
Net unrealized gain on securities, net of tax effect	117	-	117	-
Total stockholders' equity	190,242	190,586	-343	204,020
Total liabilities and stockholders' equity	386,115	317,651	68,464	379,876

Income Statements

(millions of yen)

	First quarter Apr. 1, 2004 - Jun. 30, 2004	First quarter Apr. 1, 2003 - Jun. 30, 2003	Yr/yr change (%)	Fiscal 2003 Apr. 1, 2003 - Mar. 31, 2004
Operating revenues	44,230	43,066	2.7	171,605
Commissions	37,387	26,975	38.6	133,388
Net gain on trading	6,305	15,793	-60.1	36,724
Interest and dividend income	537	297	80.8	1,492
Interest expenses	95	123	-22.9	388
Net operating revenues	44,135	42,943	2.8	171,216
Selling, general and administrative expenses	35,312	32,884	7.4	136,136
Commission and other expenses	5,701	4,968	14.8	22,635
Employees' compensation and benefits	17,562	15,868	10.7	64,406
Real estate expenses	4,638	4,847	-4.3	19,975
Data processing and office supplies	4,841	4,824	0.3	19,901
Depreciation expenses	1,632	1,542	5.9	6,268
Taxes other than income taxes	370	204	81.6	504
Others	564	628	-10.2	2,445
Operating income	8,822	10,059	-12.3	35,079
Non-operating income	44	95	-53.1	306
Non-operating expenses	58	56	2.5	167
Ordinary income	8,809	10,098	-12.8	35,219
Extraordinary gains	-	-	-	-
Extraordinary losses	89	-	-	1,360
Income before income taxes and others	8,719	10,098	-13.7	33,858
Income taxes-current	1,226	70	-	13,557
Income taxes-deferred	2,342	4,190	-44.1	1,028
Net income	5,150	5,838	-11.8	19,272
Unappropriated retained earnings-carryforward	32,378	32,107	0.8	32,107
Unappropriated retained earnings	37,529	37,945	-1.1	51,379
Net financial income included in Net operating revenues	442	174	154.2	1,104

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (884 million yen for 2004/6, 861 million yen for 2003/6 and 3,432 million yen for 2004/3) is included in "Commission and other expenses".

Notes to financial statements

The financial statements of the Company for first quarter ended June 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

Other securities than trading or held-to-maturity securities 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. The cost of those securities is mainly 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 appendices) 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 June 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. Other material items

(1) Consumption taxes

Consumption taxes are separately recorded.

(2) Consolidated tax system

The consolidated tax system is applied starting from this fiscal year.

(3) 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 this standard since the last fiscal year.

Notes to balance sheets

(millions of yen)

1. Accumulated depreciation of tangible fixed assets

<u>As of Jun. 30, 2004</u>	<u>As of Jun. 30, 2003</u>	<u>As of Mar. 31, 2004</u>
10,281	8,473	9,841

2. Guarantee

<u>As of Jun. 30, 2004</u>	<u>As of Jun. 30, 2003</u>	<u>As of Mar. 31, 2004</u>
863	803	898

Notes to income statements

(millions of yen)

Details of extraordinary gains/losses

	<u>First quarter Apr. 1, 2004 – Jun. 30, 2004</u>	<u>First quarter Apr. 1, 2003 – Jun. 30, 2003</u>	<u>Fiscal 2003 April, 2003 – Mar. 31, 2004</u>
Extraordinary losses			
Provision for securities transaction liabilities	89	-	324
Reorganization costs for retail branch	-	-	913
Loss on sale of investment securities	-	-	77
Valuation loss of fixed assets	-	-	45

Supplemental information for the first quarter ended June 30, 2004

(Apr. 1, 2004 – Jun. 30, 2004)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First quarter (2004/6)	First quarter (2003/6)	Yr/yr change	Fiscal 2003 (2004/3)
Brokerage commission	21,425	9,360	128.9%	61,647
(Stock and other)	(21,384)	(9,330)	(129.2%)	(61,486)
(Bond and other)	(0)	(0)	(-86.4%)	(0)
Underwriting	-	-	-	-
Distribution	9,749	11,777	-17.2%	48,038
(Stock and other)	(2,083)	(525)	(296.2%)	(14,115)
(Bond and other)	(2,731)	(6,072)	(-55.0%)	(12,556)
(Beneficiary certificates)	(4,934)	(5,179)	(-4.7%)	(21,366)
Other commission	6,211	5,838	6.4%	23,701
(Beneficiary certificates)	(3,017)	(2,216)	(36.2%)	(10,218)
Total	37,387	26,975	38.6%	133,388

(2) Asset class

(millions of yen)

	First quarter (2004/6)	First quarter (2003/6)	Yr/yr change	Fiscal 2003 (2004/3)
Stock and other	24,310	10,435	133.0%	78,132
Bond and other	3,901	7,650	-49.0%	18,946
Beneficiary certificates	7,993	7,425	7.7%	31,744
Others	1,180	1,464	-19.4%	4,564
Total	37,387	26,975	38.6%	133,388

2. Breakdown of trading gains/losses

(millions of yen)

	First quarter (2004/6)	First quarter (2003/6)	Yr/yr change	Fiscal 2003 (2004/3)
Stock and other	742	206	260.2%	1,222
Bond, Forex and other	5,562	15,587	-64.3%	35,501
(Bond and other)	(2,816)	(7,903)	(-64.4%)	(17,458)
(Forex and other)	(2,746)	(7,683)	(-64.3%)	(18,042)
Total	6,305	15,793	-60.1%	36,724

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	First quarter (2004/6)		First quarter (2003/6)		Yr/yr change		Fiscal 2003 (2004/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	4,461	3,224,853	3,263	1,336,155	36.7%	141.4%	16,129	9,023,453
(Dealing) (a)	(232)	(171,769)	(79)	(56,992)	(193.8%)	(201.4%)	(455)	(379,558)
(Brokerage) (b)	(4,228)	(3,053,084)	(3,184)	(1,279,163)	(32.8%)	(138.7%)	(15,673)	(8,643,895)
b / (a + b)	94.8%	94.7%	97.6%	95.7%			97.2%	95.8%
TSE share	1.6%	1.3%	1.8%	1.1%			1.8%	1.3%
Brokerage commission/shares	4.99yen		2.83yen				3.85yen	

4. Underwriting activities

(millions of share, millions of yen)

		First quarter (2004/6)	First quarter (2003/6)	Yr/yr change	Fiscal 2003 (2004/3)
<u>Underwriting:</u>					
Stock	(number of shares)	-	-	-	-
	(yen amount)	-	-	-	-
Bond	(face value)	-	-	-	-
CP & others	(face value)	-	-	-	-
<u>Distribution (*)</u>					
Stock	(number of shares)	183	113	62.0%	736
	(yen amount)	123,296	32,113	283.9%	649,068
Bond	(face value)	397,461	500,428	-20.6%	1,265,300
Beneficiary certificates	(face value)	1,765,053	1,344,145	31.3%	6,233,157
CP & others	(face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		First quarter (2004/6)	First quarter (2003/6)	Fiscal 2003 (2004/3)
Basic item	Stockholders' equity (A)	190,125	190,586	184,975
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	117	-	-
	Statutory reserve	1,240	826	1,150
	Allowance for doubtful accounts	91	25	71
	Total (B)	1,449	851	1,222
Assets excluded from capital (C)	58,164	58,559	59,708	
Net capital (A)+(B)-(C) (D)	133,410	132,878	126,488	
Risk equivalent	Market risk equivalent	402	371	338
	Counterparty risk equivalent	3,607	2,210	3,440
	Basic risk equivalent	32,687	29,661	31,032
	Total (E)	36,697	32,244	34,811
Capital adequacy ratio (D)/(E)	363.5%	412.1%	363.3%	

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2003				Fiscal 2004
	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	First quarter Apr. 1, 2004 - Jun. 30, 2004
Operating revenues	43,066	41,743	39,385	47,409	44,230
Commissions	26,975	33,881	33,642	38,887	37,387
Brokerage commission	9,360	17,390	16,752	18,144	21,425
(Stock and other)	9,330	17,337	16,717	18,100	21,384
(Bond and other)	0	0	0	-	0
Underwriting commission	-	-	-	-	-
(Stock and other)	-	-	-	-	-
(Bond and other)	-	-	-	-	-
Distribution commission	11,777	10,322	11,301	14,637	9,749
(Stock and other)	525	3,107	5,093	5,389	2,083
(Bond and other)	6,072	1,884	1,810	2,789	2,731
(Beneficiary certificate)	5,179	5,331	4,397	6,458	4,934
Other commission	5,838	6,168	5,588	6,105	6,211
(Beneficiary certificate)	2,216	2,495	2,656	2,849	3,017
Net gain on trading	15,793	7,573	5,274	8,082	6,305
(Stock and other)	206	258	273	484	742
(Bond and other)	7,903	3,819	2,771	2,964	2,816
(Forex and other)	7,683	3,496	2,229	4,633	2,746
Interest and dividend income	297	287	468	439	537
Interest expenses	123	107	80	77	95
Net operating revenue	42,943	41,636	39,304	47,332	44,135
Selling, general and administrative expenses:	32,884	33,902	33,520	35,829	35,312
Commission and other expenses	4,968	5,825	5,622	6,219	5,701
Employees' compensation and benefits	15,868	15,771	15,796	16,969	17,562
Real estate expenses	4,847	5,132	4,892	5,103	4,638
Data processing and office supplies	4,824	4,882	5,012	5,181	4,841
Depreciation expenses	1,542	1,567	1,558	1,599	1,632
Taxes other than income taxes	204	94	98	107	370
Others	628	628	539	649	564
Operating income	10,059	7,733	5,784	11,502	8,822
Non-operating income	95	-4	52	162	44
Non-operating expenses	56	32	29	48	58
Ordinary income	10,098	7,697	5,806	11,617	8,809
Extraordinary gains	-	-	-	-	-
Extraordinary losses	-	286	658	415	89
Income before income taxes and others	10,098	7,410	5,147	11,202	8,719
Income taxes-current	70	4,747	740	7,999	1,226
Income taxes-deferred	4,190	-1,396	1,582	-3,347	2,342
Net income	5,838	4,058	2,825	6,549	5,150
Net financial income included in Net operating revenues	174	180	387	361	442