

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

October 26, 2004

Non-consolidated financial summary

(For the first half ended September 30, 2004)

(1) Operating results (from April 1, 2004 to September 30, 2004)

(Note) All figures in the financial statements are rounded down to the nearest millionth.

" - " 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 half (2004/9)	80,365	(-5.2)%	80,166	(-5.2)%	10,461	(-41.2)%
First half (2003/9)	84,810	(31.6)%	84,579	(31.8)%	17,793	(-)%
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 half (2004/9)	10,311	(-42.1)%	5,919	(-40.2)%	6.0	
First half (2003/9)	17,795	(-)%	9,897	(-)%	10.3	
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 Sep. 30, 2004	402,144	190,996	47.5	365.1
As of Sep. 30, 2003	364,405	194,645	53.4	410.9
As of Mar. 31, 2004	379,876	204,020	53.7	363.3

(Note) Number of shares outstanding (shares):

As of Sep. 30, 2004: 3,200

As of Sep. 30, 2003: 3,200

As of Mar. 31, 2004: 3,200

Representative: Shigeharu Suzuki, President

Contact: Hikari Sakagami, General Manager, Finance Department

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Balance Sheets

(millions of yen)

	First half Sep. 30, 2004	First half Sep. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
Assets				
Current assets:	344,567	307,260	37,307	321,683
Cash and deposits	81,819	85,901	-4,082	81,647
Cash segregated as deposits	83,148	85,094	-1,946	80,164
Trading assets:	37,345	35,848	1,497	34,434
Trading securities and others	36,468	35,116	1,352	34,278
Derivative assets	876	731	145	155
Trade date accrual	—	1,631	-1,631	910
Receivables related to margin transactions:	114,733	72,353	42,379	94,339
Loans receivable from customers for margin transactions	113,504	69,504	43,999	90,859
Cash deposits as collateral for securities borrowed from securities finance companies	1,228	2,849	-1,620	3,479
Receivable on collateralized securities transactions:	4,717	5,722	-1,005	5,419
Cash deposits as collateral for securities borrowed	4,717	5,722	-1,005	5,419
Receivables	4,268	3,321	947	5,665
Short-term guarantee money deposited	2,727	3,462	-735	2,678
Short-term loans receivable	1,350	1,537	-186	1,690
Accrued income	7,776	6,209	1,566	7,511
Deferred income tax assets-current	4,376	4,041	335	5,019
Other current assets	2,391	2,178	212	2,273
Less: Allowance for doubtful accounts-current	-86	-42	-44	-71
Non-current assets:	57,576	57,144	431	58,193
Tangible fixed assets	4,710	6,278	-1,567	5,959
Intangible fixed assets	22,632	19,625	3,007	21,288
Investments and others:	30,232	31,240	-1,007	30,944
Investment securities	752	686	65	580
Long-term loans receivable	4,874	4,874	—	4,874
Long-term guarantee deposits	19,129	21,129	-2,000	20,278
Deferred income tax assets-non-current	4,391	3,268	1,123	4,054
Other investments	2,216	2,426	-210	2,257
Less: Allowance for doubtful accounts-non-current	-1,132	-1,145	13	-1,101
Total assets	402,144	364,405	37,738	379,876

(millions of yen)

	First half Sep. 30, 2004	First half Sep. 30, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
Liabilities				
Current liabilities:	202,339	162,506	39,832	167,640
Trading liabilities:	384	305	79	105
Trading securities and others	59	0	59	1
Derivative liabilities	324	304	19	103
Trade date accrual	353	-	353	-
Payables related to margin transactions:	9,693	16,322	-6,629	13,300
Loans from securities finance companies for margin transaction	4,992	4,471	520	3,636
Proceeds of securities sold for margin transactions	4,701	11,851	-7,150	9,664
Deposits received	85,789	72,630	13,158	69,617
Cash deposits received from customers	29,502	20,404	9,097	24,094
Short-term borrowings	55,000	32,000	23,000	28,000
Accrued expenses	6,318	6,534	-215	6,838
Accrued income taxes	1,648	4,760	-3,111	13,447
Accrued bonuses	8,700	7,700	1,000	8,400
Other current liabilities	4,949	1,848	3,100	3,836
Non-current liabilities:	7,509	6,427	1,082	7,064
Accrued retirement benefits	7,249	6,166	1,082	6,766
Other non-current liabilities	260	261	-0	298
Statutory reserves:	1,298	826	472	1,150
Reserve for securities transaction liabilities	1,298	826	472	1,150
Total liabilities	211,147	169,760	41,387	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:	40,884	44,635	-3,750	54,010
Earned surplus reserve	2,430	2,430	-	2,430
Reserve for special depreciation	156	200	-43	200
Unappropriated retained earnings	38,298	42,004	-3,706	51,379
(Net income for the current term)	(5,919)	(9,897)	(-3,977)	(19,272)
Net unrealized gain on securities, net of tax effect	101	-	101	-
Total stockholders' equity	190,996	194,645	-3,648	204,020
Total liabilities and stockholders' equity	402,144	364,405	37,738	379,876

Income Statements

(millions of yen)

	First half Apr. 1, 2004 - Sep. 30, 2004	First half Apr. 1, 2003 - Sep. 30, 2003	Yr/yr change (%)	Fiscal 2003 Apr. 1, 2003 - Mar. 31, 2004
Operating revenues	80,365	84,810	-5.2	171,605
Commissions	67,554	60,857	11.0	133,388
Net gain on trading	11,715	23,367	-49.9	36,724
Interest and dividend income	1,094	585	86.9	1,492
Interest expenses	198	230	-14.0	388
Net operating revenues	80,166	84,579	-5.2	171,216
Selling, general and administrative expenses	69,705	66,786	4.4	136,136
Commission and other expenses	11,604	10,793	7.5	22,635
Employees' compensation and benefits	33,567	31,640	6.1	64,406
Real estate expenses	9,493	9,979	-4.9	19,975
Data processing and office supplies	10,001	9,706	3.0	19,901
Depreciation expenses	3,305	3,110	6.3	6,268
Taxes other than income taxes	604	298	102.5	504
Others	1,127	1,257	-10.3	2,445
Operating income	10,461	17,793	-41.2	35,079
Non-operating income	80	91	-12.4	306
Non-operating expenses	230	89	157.9	167
Ordinary income	10,311	17,795	-42.1	35,219
Extraordinary gains	-	-	-	-
Extraordinary losses	148	286	-48.4	1,360
Income before income taxes and others	10,163	17,508	-42.0	33,858
Income taxes-current	4,006	4,817	-16.8	13,557
Income taxes-deferred	236	2,794	-91.5	1,028
Net income	5,919	9,897	-40.2	19,272
Unappropriated retained earnings-carryforward	32,378	32,107	0.8	32,107
Unappropriated retained earnings	38,298	42,004	-8.8	51,379
Net financial income included in Net operating revenues	895	354	152.7	1,104

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (1,607 million yen for 2004/9, 1,696 million yen for 2003/9 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 half ended September 30, 2004 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No. 32, 1998), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on the 'Regulations of Interim Financial Statements' (Ministry of Finance Ordinance No. 38, 1977) and its Article 38 and 57.

Basis of financial statements

1. Valuation of financial instruments

(1) Valuation of trading account

Securities and derivative transactions in trading account are recorded at fair value.

(2) Valuation of non-trading securities

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 annexes) 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 September 30, 2004 as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year.

4. Accounting for certain lease transactions

Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.

5. 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 these standards since the fiscal year ended on March 31, 2004.

Notes to balance sheets

(millions of yen)

1 . Accumulated depreciation of tangible fixed assets

<u>As of Sep. 30, 2004</u>	<u>As of Sep. 30, 2003</u>	<u>As of Mar. 31, 2004</u>
10,104	8,963	9,841

2 . Guarantee

<u>As of Sep. 30, 2004</u>	<u>As of Sep. 30, 2003</u>	<u>As of Mar. 31, 2004</u>
826	789	898

Notes to income statements

(millions of yen)

Details of extraordinary gains/losses

	<u>First half Apr. 1, 2004 – Sep. 30, 2004</u>	<u>First half Apr. 1, 2003 – Sep. 30, 2003</u>	<u>Fiscal 2003 April, 2003 – Mar. 31, 2004</u>
Extraordinary losses			
Provision for securities transaction liabilities	148	-	324
Reorganization costs for retail branch	-	260	913
Loss on sale of investment securities	-	-	77
Valuation loss of fixed assets	-	25	45

Supplemental information for the first half ended September 30, 2004

(Apr. 1, 2004 – Sep. 30, 2004)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First half (2004/9)	First half (2003/9)	Yr/yr change	Fiscal 2003 (2004/3)
Brokerage commission	33,786	26,750	26.3%	61,647
(Stock and other)	(33,725)	(26,667)	(26.5%)	(61,486)
Underwriting	-	-	-	-
Distribution	20,347	22,100	-7.9%	48,038
(Stock and other)	(7,148)	(3,632)	(96.8%)	(14,115)
(Bond and other)	(4,916)	(7,956)	(-38.2%)	(12,556)
(Beneficiary certificates)	(8,282)	(10,510)	(-21.2%)	(21,366)
Other commission	13,420	12,007	11.8%	23,701
(Beneficiary certificates)	(6,117)	(4,712)	(29.8%)	(10,218)
Total	67,554	60,857	11.0%	133,388

(2) Asset class

(millions of yen)

	First half (2004/9)	First half (2003/9)	Yr/yr change	Fiscal 2003 (2004/3)
Stock and other	42,511	31,514	34.9%	78,132
Bond and other	7,509	11,438	-34.3%	18,946
Beneficiary certificates	14,460	15,304	-5.5%	31,744
Others	3,073	2,600	18.2%	4,564
Total	67,554	60,857	11.0%	133,388

2. Breakdown of trading gains/losses

(millions of yen)

	First half (2004/9)	First half (2003/9)	Yr/yr change	Fiscal 2003 (2004/3)
Stock and other	1,341	464	188.7%	1,222
Bond, Forex and other	10,374	22,902	-54.7%	35,501
(Bond and other)	(4,938)	(11,722)	(-57.9%)	(17,458)
(Forex and other)	(5,435)	(11,180)	(-51.4%)	(18,042)
Total	11,715	23,367	-49.9%	36,724

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	First half (2004/9)		First half (2003/9)		Yr/yr change		Fiscal 2003 (2004/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	7,376	5,148,617	7,573	3,875,560	-2.6%	32.8%	16,129	9,023,453
(Dealing) (a)	(440)	(307,262)	(209)	(155,262)	(110.9%)	(97.9%)	(455)	(379,558)
(Brokerage) (b)	(6,935)	(4,841,354)	(7,364)	(3,720,297)	(-5.8%)	(30.1%)	(15,673)	(8,643,895)
b / (a + b)	94.0%	94.0%	97.2%	96.0%			97.2%	95.8%
TSE share	1.4%	1.1%	1.9%	1.3%			1.8%	1.3%
Brokerage commission/shares	4.79yen		3.54yen				3.85yen	

4. Underwriting activities

(millions of share, millions of yen)

		First half (2004/9)	First half (2003/9)	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)	305	302	1.1%	736
	(yen amount)	310,235	169,323	83.2%	649,068
Bond	(face value)	690,653	682,461	1.2%	1,265,300
Beneficiary certificates	(face value)	3,071,053	2,971,147	3.4%	6,233,157
CP & others	(face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		First half (2004/9)	First half (2003/9)	Fiscal 2003 (2004/3)
Basic item	Stockholders' equity (A)	190,894	194,645	184,975
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	101	-	-
	Statutory reserve	1,298	826	1,150
	Allowance for doubtful accounts	86	42	71
	Total (B)	1,486	868	1,222
Assets excluded from capital (C)		58,648	58,611	59,708
Net capital (A)+(B)-(C) (D)		133,732	136,902	126,488
Risk equivalent	Market risk equivalent	433	343	338
	Counterparty risk equivalent	3,518	3,230	3,440
	Basic risk equivalent	32,667	29,736	31,032
	Total (E)	36,619	33,310	34,811
Capital adequacy ratio (D)/(E)		365.1%	410.9%	363.3%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2003			Fiscal 2004	
	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	Second quarter Jul. 1, 2004 - Sep. 30, 2004
Operating revenues	41,743	39,385	47,409	44,230	36,134
Commissions	33,881	33,642	38,887	37,387	30,167
Brokerage commission	17,390	16,752	18,144	21,425	12,360
(Stock and other)	17,337	16,717	18,100	21,384	12,341
Underwriting commission	-	-	-	-	-
Distribution commission	10,322	11,301	14,637	9,749	10,598
(Stock and other)	3,107	5,093	5,389	2,083	5,065
(Bond and other)	1,884	1,810	2,789	2,731	2,185
(Beneficiary certificate)	5,331	4,397	6,458	4,934	3,347
Other commission	6,168	5,588	6,105	6,211	7,208
(Beneficiary certificate)	2,495	2,656	2,849	3,017	3,099
Net gain on trading	7,573	5,274	8,082	6,305	5,410
(Stock and other)	258	273	484	742	599
(Bond and other)	3,819	2,771	2,964	2,816	2,121
(Forex and other)	3,496	2,229	4,633	2,746	2,689
Interest and dividend income	287	468	439	537	556
Interest expenses	107	80	77	95	103
Net operating revenue	41,636	39,304	47,332	44,135	36,031
Selling, general and administrative expenses:	33,902	33,520	35,829	35,312	34,392
Commission and other expenses	5,825	5,622	6,219	5,701	5,902
Employees' compensation and benefits	15,771	15,796	16,969	17,562	16,004
Real estate expenses	5,132	4,892	5,103	4,638	4,854
Data processing and office supplies	4,882	5,012	5,181	4,841	5,160
Depreciation expenses	1,567	1,558	1,599	1,632	1,672
Taxes other than income taxes	94	98	107	370	233
Others	628	539	649	564	563
Operating income	7,733	5,784	11,502	8,822	1,638
Non-operating income	-4	52	162	44	35
Non-operating expenses	32	29	48	58	171
Ordinary income	7,697	5,806	11,617	8,809	1,501
Extraordinary gains	-	-	-	-	-
Extraordinary losses	286	658	415	89	58
Income before income taxes and others	7,410	5,147	11,202	8,719	1,443
Income taxes-current	4,747	740	7,999	1,226	2,780
Income taxes-deferred	-1,396	1,582	-3,347	2,342	-2,105
Net income	4,058	2,825	6,549	5,150	769
Net financial income included in Net operating revenues	180	387	361	442	452