

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

April 27, 2005

Non-consolidated financial summary

(For fiscal year ended March 31, 2005)

(1) Operating results (from April 1, 2004 to March 31, 2005)

(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 2004 (2005/3)	164,792	(-4.0)%	164,419	(-4.0)%	24,443	(-30.3)%
Fiscal 2003 (2004/3)	171,605	(32.2)%	171,216	(32.4)%	35,079	(902.1)%

	Ordinary income		Net income		Return on stockholders' equity (Annual basis)
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
Fiscal 2004 (2005/3)	24,216	(-31.2)%	13,863	(-28.1)%	6.9%
Fiscal 2003 (2004/3)	35,219	(897.2)%	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 Mar. 31, 2005	481,990	198,989	41.3%	351.3%
As of Mar. 31, 2004	379,876	204,020	53.7%	363.3%

(Note) Number of shares outstanding (shares):

As of Mar. 31, 2005: 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)

	Fiscal 2004 Mar. 31, 2005	Fiscal 2003 Mar. 31, 2004	Increase/ Decrease
<i>Assets</i>			
Current assets:	423,581	321,683	101,898
Cash and deposits	99,986	81,647	18,338
Cash segregated as deposits	123,209	80,164	43,044
Trading assets:	37,669	34,434	3,234
Trading securities and others	37,344	34,278	3,065
Derivative assets	325	155	169
Trade date accrual	526	910	-383
Receivables related to margin transactions:	128,445	94,339	34,106
Loans receivable from customers for margin transactions	124,843	90,859	33,983
Cash deposits as collateral for securities borrowed from securities finance companies	3,602	3,479	122
Receivable on collateralized securities transactions:	6,220	5,419	800
Cash deposits as collateral for securities borrowed	6,220	5,419	800
Receivables	8,839	5,665	3,174
Short-term guarantee money deposited	2,394	2,678	-284
Short-term loans receivable	1,354	1,690	-335
Accrued income	8,361	7,511	850
Deferred income tax assets-current	4,602	5,019	-416
Other current assets	2,049	2,273	-223
Less: Allowance for doubtful accounts-current	-78	-71	-7
Non-current assets:	58,409	58,193	215
Tangible fixed assets	4,150	5,959	-1,809
Intangible fixed assets	24,427	21,288	3,138
Investments and others:	29,831	30,944	-1,113
Investment securities	835	580	254
Long-term loans receivable	4,874	4,874	-
Long-term guarantee deposits	18,496	20,278	-1,782
Deferred income tax assets-non-current	4,660	4,054	605
Other investments	2,092	2,257	-164
Less: Allowance for doubtful accounts-non-current	-1,127	-1,101	-25
Total assets	481,990	379,876	102,114

(millions of yen)

	Fiscal 2004 Mar. 31, 2005	Fiscal 2003 Mar. 31, 2004	Increase/ Decrease
<i>Liabilities</i>			
Current liabilities:	273,802	167,640	106,161
Trading liabilities:	325	105	220
Trading securities and others	261	1	260
Derivative liabilities	63	103	-40
Payables related to margin transactions:	14,774	13,300	1,473
Loans from securities finance companies for margin transaction	2,981	3,636	-654
Proceeds of securities sold for margin transactions	11,793	9,664	2,128
Deposits received	81,024	69,617	11,406
Cash deposits received from customers	31,341	24,094	7,247
Short-term borrowings	119,000	28,000	91,000
Accrued expenses	6,896	6,838	57
Accrued income taxes	1,610	13,447	-11,836
Accrued bonuses	9,100	8,400	700
Other current liabilities	9,729	3,836	5,892
Non-current liabilities:	7,899	7,064	834
Accrued retirement benefits	7,568	6,766	801
Other non-current liabilities	331	298	33
Statutory reserves:	1,298	1,150	148
Reserve for securities transaction liabilities	1,298	1,150	148
Total liabilities	283,001	175,856	107,144
<i>Stockholders' equity</i>			
Common stock	100,000	100,000	-
Capital surplus:	50,010	50,010	-
Additional paid-in capital	50,010	50,010	-
Earned surplus:	48,828	54,010	-5,181
Earned surplus reserve	2,430	2,430	-
Reserve for special depreciation	156	200	-43
Unappropriated retained earnings	46,242	51,379	-5,137
(Net income for the current term)	(13,863)	(19,272)	(-5,408)
Net unrealized gain on securities, net of tax effect	151	-	151
Total stockholders' equity	198,989	204,020	-5,030
Total liabilities and stockholders' equity	481,990	379,876	102,114

Income Statements

(millions of yen)

	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005	Fiscal 2003 Apr. 1, 2003 - Mar. 31, 2004	Increase/ Decrease	Yr/yr change (%)
Operating revenues	164,792	171,605	-6,813	-4.0
Commissions	134,267	133,388	879	0.7
Net gain on trading	28,409	36,724	-8,315	-22.6
Interest and dividend income	2,115	1,492	622	41.7
Interest expenses	372	388	-16	-4.1
Net operating revenues	164,419	171,216	-6,797	-4.0
Selling, general and administrative expenses	139,975	136,136	3,839	2.8
Commission and other expenses	22,827	22,635	191	0.8
Employees' compensation and benefits	67,073	64,406	2,666	4.1
Real estate expenses	19,165	19,975	-809	-4.1
Data processing and office supplies	20,382	19,901	481	2.4
Depreciation expenses	7,126	6,268	858	13.7
Taxes other than income taxes	1,127	504	623	123.7
Others	2,272	2,445	-172	-7.1
Operating income	24,443	35,079	-10,636	-30.3
Non-operating income	263	306	-42	-13.9
Non-operating expenses	491	167	323	193.4
Ordinary income	24,216	35,219	-11,002	-31.2
Extraordinary gains	-	-	-	-
Extraordinary losses	148	1,360	-1,212	-89.1
Income before income taxes and others	24,068	33,858	-9,789	-28.9
Income taxes-current	10,496	13,557	-3,060	-22.6
Income taxes-deferred	-292	1,028	-1,320	-
Net income	13,863	19,272	-5,408	-28.1
Unappropriated retained earnings-carryforward	32,378	32,107	270	0.8
Unappropriated retained earnings	46,242	51,379	-5,137	-10.0
Net financial income included in Net operating revenues	1,743	1,104	639	57.9

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (3,295 million yen for fiscal 2004 and 3,432 million yen for fiscal 2003) is included in "Commission and other expenses".

Statement of appropriation of retained earnings

(millions of yen)

	(Appropriation plan)			
	Fiscal 2004		Fiscal 2003	
Unappropriated retained earnings	46,242		51,379	
Reversal of reserve for special depreciation	44		43	
Total	46,286		51,423	
Appropriations of retained earnings	8,286		19,045	
Cash dividends(*)	8,000		18,880	
Director's bonuses	286		165	
Unappropriated retained earnings carried forward	38,000		32,378	

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

Cash dividends for fiscal year 2004: 2,500,000 yen per share (plan)

Notes to financial statements

The financial statements of the Company for fiscal year ended March 31, 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 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

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 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, 2005 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 Mar. 31, 2005</u>	<u>As of Mar. 31, 2004</u>
	10,798	9,841
2. Guarantee	<u>As of Mar. 31, 2005</u>	<u>As of Mar. 31, 2004</u>
	769	898

Notes to income statements

(millions of yen)

Details of extraordinary gains/losses

	<u>Fiscal 2004</u> <u>Apr. 1, 2004 –</u> <u>Mar. 31, 2005</u>	<u>Fiscal 2003</u> <u>Apr. 1, 2003 –</u> <u>Mar. 31, 2004</u>
Extraordinary losses		
Provision for securities transaction liabilities	148	324
Reorganization costs for retail branch	-	913
Loss on sale of investment securities	-	77
Valuation loss of fixed assets	-	45

Supplemental information for fiscal 2004 ended March 31, 2005

(Apr. 1, 2004 –Mar. 31, 2005)

1. Breakdown of commission revenue

(1) Activity (millions of yen)

	Fiscal 2004 (2005/3)	Fiscal 2003 (2004/3)	Yr/yr Change
Brokerage commission	62,554	61,647	1.5%
(Stock and other)	(62,460)	(61,486)	(1.6%)
Underwriting commission	-	-	-
Distribution commission	44,106	48,038	-8.2%
(Stock and other)	(14,596)	(14,115)	(3.4%)
(Bond and other)	(10,535)	(12,556)	(-16.1%)
(Beneficiary certificates)	(18,973)	(21,366)	(-11.2%)
Other commission	27,606	23,701	16.5%
(Beneficiary certificates)	(12,958)	(10,218)	(26.8%)
Total	134,267	133,388	0.7%

(2) Asset class (millions of yen)

	Fiscal 2004 (2005/3)	Fiscal 2003 (2004/3)	Yr/yr Change
Stock and other	80,293	78,132	2.8%
Bond and other	15,836	18,946	-16.4%
Beneficiary certificates	32,027	31,744	0.9%
Others	6,111	4,564	33.9%
Total	134,267	133,388	0.7%

2. Breakdown of trading gains/losses

(millions of yen)

	Fiscal 2004 (2005/3)	Fiscal 2003 (2004/3)	Yr/yr Change
Stock and other	6,120	1,222	400.6%
Bond, Forex and other	22,288	35,501	-37.2%
(Bond and other)	(8,578)	(17,458)	(-50.9%)
(Forex and other)	(13,710)	(18,042)	(-24.0%)
Total	28,409	36,724	-22.6%

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

	Fiscal 2004 (2005/3)		Fiscal 2003 (2004/3)		Yr/yr change	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	16,116	10,129,487	16,129	9,023,453	-0.1%	12.3%
(Dealing) (a)	(1,834)	(917,671)	(455)	(379,558)	(303.0%)	(141.8%)
(Brokerage) (b)	(14,281)	(9,211,816)	(15,673)	(8,643,895)	(-8.9%)	(6.6%)
b / (a + b)	88.6%	90.9%	97.2%	95.8%		
TSE share	1.4%	1.1%	1.8%	1.3%		
Brokerage commission / shares	4.30yen		3.85yen			

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

	Fiscal 2004 (2005/3)	Fiscal 2003 (2004/3)	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)	723	736	-1.7%
(yen amount)	644,327	649,068	-0.7%
Bond (face value)	1,464,645	1,265,300	15.8%
Beneficiary certificates (face value)	6,406,345	6,233,157	2.8%
CP & others (face value)	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Fiscal 2004 (2005/3)	Fiscal 2003 (2004/3)
Basic item	Stockholders' equity (A)	190,552	184,975
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	151	-
	Statutory reserve	1,298	1,150
	Allowance for doubtful accounts	78	71
	Total (B)	1,528	1,222
Assets excluded from capital (C)		59,448	59,708
Net capital (A)+(B)-(C) (D)		132,632	126,488
Risk equivalent	Market risk equivalent	689	338
	Counterparty risk equivalent	3,987	3,440
	Basic risk equivalent	33,070	31,032
	Total (E)	37,747	34,811
Capital adequacy ratio (D)/(E)		351.3%	363.3%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2003	Fiscal 2004			
	Fourth quarter Jan. 1, 2004 - Mar. 31, 2004	First quarter Apr. 1, 2004 - Jun. 30, 2004	Second quarter Jul. 1, 2004 - Sep. 30, 2004	Third quarter Oct. 1, 2004 - Dec. 31, 2004	Fourth quarter Jan. 1, 2005 - Mar.31, 2005
Operating revenues	47,409	44,230	36,134	38,978	45,448
Commissions	38,887	37,387	30,167	28,992	37,720
Brokerage commission	18,144	21,425	12,360	11,864	16,904
(Stock and other)	18,100	21,384	12,341	11,847	16,886
Underwriting commission	-	-	-	-	-
Distribution commission	14,637	9,749	10,598	10,897	12,860
(Stock and other)	5,389	2,083	5,065	3,487	3,960
(Bond and other)	2,789	2,731	2,185	2,843	2,775
(Beneficiary certificate)	6,458	4,934	3,347	4,566	6,125
Other commission	6,105	6,211	7,208	6,230	7,955
(Beneficiary certificate)	2,849	3,017	3,099	3,256	3,584
Net gain on trading	8,082	6,305	5,410	9,507	7,185
(Stock and other)	484	742	599	2,811	1,966
(Bond and other)	2,964	2,816	2,121	1,706	1,933
(Forex and other)	4,633	2,746	2,689	4,989	3,285
Interest and dividend income	439	537	556	478	542
Interest expenses	77	95	103	91	82
Net operating revenue	47,332	44,135	36,031	38,886	45,366
Selling, general and administrative expenses:	35,829	35,312	34,392	33,423	36,847
Commission and other expenses	6,219	5,701	5,902	5,337	5,884
Employees' compensation and benefits	16,969	17,562	16,004	15,521	17,984
Real estate expenses	5,103	4,638	4,854	4,745	4,926
Data processing and office supplies	5,181	4,841	5,160	5,146	5,233
Depreciation expenses	1,599	1,632	1,672	1,800	2,021
Taxes other than income taxes	107	370	233	336	187
Others	649	564	563	535	609
Operating income	11,502	8,822	1,638	5,463	8,518
Non-operating income	162	44	35	54	129
Non-operating expenses	48	58	171	72	188
Ordinary income	11,617	8,809	1,501	5,445	8,459
Extraordinary gains	-	-	-	-	-
Extraordinary losses	415	89	58	-	-
Income before income taxes and others	11,202	8,719	1,443	5,445	8,459
Income taxes-current	7,999	1,226	2,780	310	6,180
Income taxes-deferred	-3,347	2,342	-2,105	2,014	-2,543
Net income	6,549	5,150	769	3,121	4,822
Net financial income included in Net operating revenues	361	442	452	386	460