

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku
Tokyo 100-8101, Japan
(URL <http://www.daiwa.co.jp/>)



January 28, 2005

Non-consolidated financial summary

(For the third quarter ended December 31, 2004)

(1) Operating results (from April 1, 2004 to December 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
Third quarter (2004/12)	119,343	(-3.9)%	119,053	(-3.9)%	15,924	(-32.5)%
Third quarter (2003/12)	124,195	(30.2)%	123,884	(30.4)%	23,577	(-)%
Fiscal 2003 (2004/3)	171,605		171,216		35,079	

	Ordinary income		Net income		Return on stockholders' equity (Annual basis)
	Millions of yen	Yr/yr Change	Millions of yen	Yr/yr change	
Third quarter (2004/12)	15,756	(-33.2)%	9,040	(-28.9)%	6.1%
Third quarter (2003/12)	23,601	(-)%	12,722	(-)%	8.8%
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 Dec. 31, 2004	380,078	194,108	51.1%	370.8%
As of Dec. 31, 2003	349,475	197,470	56.5%	419.4%
As of Mar. 31, 2004	379,876	204,020	53.7%	363.3%

(Note) Number of shares outstanding (shares):

As of Dec. 31, 2004: 3,200

As of Dec. 31, 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

This non-consolidated financial summary has reflected the revision made on page 8 with "Revision on the Non-consolidated financial summary for the third quarter ended December 31, 2004 of Daiwa Securities Co. Ltd.," released on April 18, 2005 and April 26, 2005.

Balance Sheets

(millions of yen)

	Third quarter Dec. 31, 2004	Third quarter Dec. 31, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
<i>Assets</i>				
Current assets:	322,044	292,235	29,809	321,683
Cash and deposits	86,211	66,108	20,102	81,647
Cash segregated as deposits	85,158	80,151	5,007	80,164
Trading assets:	38,082	35,087	2,994	34,434
Trading securities and others	37,891	35,037	2,854	34,278
Derivative assets	190	50	140	155
Trade date accrual	1,435	390	1,045	910
Receivables related to margin transactions:	88,352	85,029	3,323	94,339
Loans receivable from customers for margin transactions	84,546	83,754	791	90,859
Cash deposits as collateral for securities borrowed from securities finance companies	3,806	1,274	2,531	3,479
Receivable on collateralized securities transactions:	5,328	5,138	189	5,419
Cash deposits as collateral for securities borrowed	5,328	5,138	189	5,419
Receivables	2,760	7,147	-4,387	5,665
Short-term guarantee money deposited	2,867	3,350	-483	2,678
Short-term loans receivable	954	1,026	-72	1,690
Accrued income	6,504	4,956	1,547	7,511
Deferred income tax assets-current	2,175	2,277	-101	5,019
Other current assets	2,278	1,619	659	2,273
Less: Allowance for doubtful accounts-current	-66	-49	-17	-71
Non-current assets:	58,034	57,240	794	58,193
Tangible fixed assets	4,386	5,722	-1,336	5,959
Intangible fixed assets	23,441	20,524	2,916	21,288
Investments and others:	30,206	30,992	-785	30,944
Investment securities	736	686	50	580
Long-term loans receivable	4,874	4,874	-	4,874
Long-term guarantee deposits	18,986	20,766	-1,779	20,278
Deferred income tax assets-non-current	4,583	3,450	1,133	4,054
Other investments	2,169	2,358	-188	2,257
Less: Allowance for doubtful accounts-non-current	-1,144	-1,142	-2	-1,101
Total assets	380,078	349,475	30,603	379,876

(millions of yen)

	Third quarter Dec. 31, 2004	Third quarter Dec. 31, 2003	Increase/ Decrease	Fiscal 2003 Mar. 31, 2004
<i>Liabilities</i>				
Current liabilities:	176,876	144,380	32,496	167,640
Trading liabilities:	84	5	79	105
Trading securities and others	44	-	44	1
Derivative liabilities	39	5	34	103
Payables related to margin transactions:	10,964	7,987	2,977	13,300
Loans from securities finance companies for margin transaction	1,358	1,969	-610	3,636
Proceeds of securities sold for margin transactions	9,606	6,017	3,588	9,664
Deposits received	80,723	51,353	29,369	69,617
Cash deposits received from customers	25,420	23,279	2,141	24,094
Short-term borrowings	45,000	43,000	2,000	28,000
Accrued expenses	6,354	7,169	-814	6,838
Accrued income taxes	-	5,500	-5,500	13,447
Accrued bonuses	3,400	3,700	-300	8,400
Other current liabilities	4,928	2,384	2,543	3,836
Non-current liabilities:	7,794	6,696	1,097	7,064
Accrued retirement benefits	7,501	6,416	1,084	6,766
Other non-current liabilities	292	279	12	298
Statutory reserves:	1,298	927	371	1,150
Reserve for securities transaction liabilities	1,298	927	371	1,150
Total liabilities	185,969	152,004	33,965	175,856
<i>Stockholders' equity</i>				
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:	44,005	47,460	-3,454	54,010
Earned surplus reserve	2,430	2,430	-	2,430
Reserve for special depreciation	156	200	-43	200
Unappropriated retained earnings	41,419	44,830	-3,410	51,379
(Net income for the current term)	(9,040)	(12,722)	(-3,681)	(19,272)
Net unrealized gain on securities, net of tax effect	92	-	92	-
Total stockholders' equity	194,108	197,470	-3,362	204,020
Total liabilities and stockholders' equity	380,078	349,475	30,603	379,876

Income Statements

(millions of yen)

	Third quarter Apr. 1, 2004 - Dec. 31, 2004	Third quarter Apr. 1, 2003 - Dec. 31, 2003	Yr/yr change (%)	Fiscal 2003 Apr. 1, 2003 - Mar. 31, 2004
Operating revenues	119,343	124,195	-3.9	171,605
Commissions	96,546	94,500	2.2	133,388
Net gain on trading	21,223	28,641	-25.9	36,724
Interest and dividend income	1,573	1,053	49.3	1,492
Interest expenses	290	311	-6.7	388
Net operating revenues	119,053	123,884	-3.9	171,216
Selling, general and administrative expenses	103,128	100,306	2.8	136,136
Commission and other expenses	16,942	16,415	3.2	22,635
Employees' compensation and benefits	49,089	47,437	3.5	64,406
Real estate expenses	14,239	14,872	-4.3	19,975
Data processing and office supplies	15,148	14,719	2.9	19,901
Depreciation expenses	5,105	4,668	9.4	6,268
Taxes other than income taxes	940	397	136.7	504
Others	1,662	1,796	-7.4	2,445
Operating income	15,924	23,577	-32.5	35,079
Non-operating income	134	143	-6.4	306
Non-operating expenses	302	119	153.6	167
Ordinary income	15,756	23,601	-33.2	35,219
Extraordinary gains	-	-	-	-
Extraordinary losses	148	945	-84.3	1,360
Income before income taxes and others	15,608	22,656	-31.1	33,858
Income taxes-current	4,316	5,557	-22.3	13,557
Income taxes-deferred	2,251	4,376	-48.6	1,028
Net income	9,040	12,722	-28.9	19,272
Unappropriated retained earnings-carryforward	32,378	32,107	0.8	32,107
Unappropriated retained earnings	41,419	44,830	-7.6	51,379
Net financial income included in Net operating revenues	1,282	742	72.8	1,104

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (2,386 million yen for 2004/12, 2,483 million yen for 2003/12 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 the third quarter ended December 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 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 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 December 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) 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 Dec. 31, 2004</u>	<u>As of Dec. 31, 2003</u>	<u>As of Mar. 31, 2004</u>
10,512	9,365	9,841

2. Guarantee

<u>As of Dec. 31, 2004</u>	<u>As of Dec. 31, 2003</u>	<u>As of Mar. 31, 2004</u>
794	902	898

Notes to income statements

(millions of yen)

Details of extraordinary gains/losses

	<u>Third quarter Apr. 1, 2004 - Dec. 31, 2004</u>	<u>Third quarter Apr. 1, 2003 - Dec. 31, 2003</u>	<u>Fiscal 2003 Apr, 2003 - Mar. 31, 2004</u>
Extraordinary losses			
Provision for securities transaction liabilities	148	101	324
Reorganization costs for retail branch	-	818	913
Loss on sale of investment securities	-	-	77
Valuation loss of fixed assets	-	25	45

Supplemental information for the third quarter ended December 31, 2004

(Apr. 1, 2004 - Dec. 31, 2004)

1. Breakdown of commission revenue

(1) Activity		(millions of yen)		
	Third quarter (2004/12)	Third quarter (2003/12)	Yr/yr change	Fiscal 2003 (2004/3)
Brokerage commission	45,650	43,502	4.9%	61,647
(Stock and other)	(45,573)	(43,385)	(5.0%)	(61,486)
Underwriting	-	-	-	-
Distribution	31,245	33,401	-6.5%	48,038
(Stock and other)	(10,636)	(8,726)	(21.9%)	(14,115)
(Bond and other)	(7,760)	(9,767)	(-20.5%)	(12,556)
(Beneficiary certificates)	(12,848)	(14,908)	(-13.8%)	(21,366)
Other commission	19,650	17,596	11.7%	23,701
(Beneficiary certificates)	(9,374)	(7,368)	(27.2%)	(10,218)
Total	96,546	94,500	2.2%	133,388

(2) Asset class		(millions of yen)		
	Third quarter (2004/12)	Third quarter (2003/12)	Yr/yr change	Fiscal 2003 (2004/3)
Stock and other	58,677	54,002	8.7%	78,132
Bond and other	11,418	14,424	-20.8%	18,946
Beneficiary certificates	22,299	22,393	-0.4%	31,744
Others	4,151	3,680	12.8%	4,564
Total	96,546	94,500	2.2%	133,388

2. Breakdown of trading gains/losses

		(millions of yen)		
	Third quarter (2004/12)	Third quarter (2003/12)	Yr/yr change	Fiscal 2003 (2004/3)
Stock and other	4,153	738	462.8%	1,222
Bond, Forex and other	17,069	27,903	-38.8%	35,501
(Bond and other)	(6,644)	(14,494)	(-54.2%)	(17,458)
(Forex and other)	(10,425)	(13,409)	(-22.3%)	(18,042)
Total	21,223	28,641	-25.9%	36,724

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

	Third quarter (2004/12)		Third quarter (2003/12)		Yr/yr change		Fiscal 2003 (2004/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	11,176	7,300,447	11,439	6,344,426	-2.3%	15.1%	16,129	9,023,453
(Dealing) (a)	(1,095)	(610,705)	(314)	(257,362)	(248.2%)	(137.3%)	(455)	(379,558)
(Brokerage) (b)	(10,081)	(6,689,742)	(11,124)	(6,087,063)	(-9.4%)	(9.9%)	(15,673)	(8,643,895)
b / (a + b)	90.2%	91.6%	97.3%	95.9%			97.2%	95.8%
TSE share	1.4%	1.1%	1.9%	1.3%			1.8%	1.3%
Brokerage commission/shares	4.45yen		3.82yen				3.85yen	

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

		Third quarter (2004/12)	Third quarter (2003/12)	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)	653	659	-1.0%	736
	(yen amount)	505,934	401,361	26.1%	649,068
Bond	(face value)	1,085,851	908,604	19.5%	1,265,300
Beneficiary certificates	(face value)	4,574,493	4,460,946	2.5%	6,233,157
CP & others	(face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Third quarter (2004/12)	Third quarter (2003/12)	Fiscal 2003 (2004/3)
Basic item	Stockholders' equity (A)	194,015	197,470	184,975
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	92	-	-
	Statutory reserve	1,298	927	1,150
	Allowance for doubtful accounts	66	49	71
	Total (B)	1,457	976	1,222
	Assets excluded from capital (C)	59,725	58,704	59,708
	Net capital (A)+(B)-(C) (D)	135,748	139,743	126,488
Risk equivalent	Market risk equivalent	849	336	338
	Counterparty risk equivalent	2,940	3,153	3,440
	Basic risk equivalent	32,815	29,827	31,032
	Total (E)	36,605	33,318	34,811
	Capital adequacy ratio (D)/(E)	370.8%	419.4%	363.3%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2003		Fiscal 2004		
	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	Third quarter Oct. 1, 2004 - Dec. 31, 2004
Operating revenues	39,385	47,409	44,230	36,134	38,978
Commissions	33,642	38,887	37,387	30,167	28,992
Brokerage commission	16,752	18,144	21,425	12,360	11,864
(Stock and other)	16,717	18,100	21,384	12,341	11,847
Underwriting commission	-	-	-	-	-
Distribution commission	11,301	14,637	9,749	10,598	10,897
(Stock and other)	5,093	5,389	2,083	5,065	3,487
(Bond and other)	1,810	2,789	2,731	2,185	2,843
(Beneficiary certificate)	4,397	6,458	4,934	3,347	4,566
Other commission	5,588	6,105	6,211	7,208	6,230
(Beneficiary certificate)	2,656	2,849	3,017	3,099	3,256
Net gain on trading	5,274	8,082	6,305	5,410	9,507
(Stock and other)	273	484	742	599	2,811
(Bond and other)	2,771	2,964	2,816	2,121	1,706
(Forex and other)	2,229	4,633	2,746	2,689	4,989
Interest and dividend income	468	439	537	556	478
Interest expenses	80	77	95	103	91
Net operating revenue	39,304	47,332	44,135	36,031	38,886
Selling, general and administrative expenses:	33,520	35,829	35,312	34,392	33,423
Commission and other expenses	5,622	6,219	5,701	5,902	5,337
Employees' compensation and benefits	15,796	16,969	17,562	16,004	15,521
Real estate expenses	4,892	5,103	4,638	4,854	4,745
Data processing and office supplies	5,012	5,181	4,841	5,160	5,146
Depreciation expenses	1,558	1,599	1,632	1,672	1,800
Taxes other than income taxes	98	107	370	233	336
Others	539	649	564	563	535
Operating income	5,784	11,502	8,822	1,638	5,463
Non-operating income	52	162	44	35	54
Non-operating expenses	29	48	58	171	72
Ordinary income	5,806	11,617	8,809	1,501	5,445
Extraordinary gains	-	-	-	-	-
Extraordinary losses	658	415	89	58	-
Income before income taxes and others	5,147	11,202	8,719	1,443	5,445
Income taxes-current	740	7,999	1,226	2,780	310
Income taxes-deferred	1,582	-3,347	2,342	-2,105	2,014
Net income	2,825	6,549	5,150	769	3,121
Net financial income included in Net operating revenues	387	361	442	452	386