

**Daiwa Securities Group Inc.**

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

April 27, 2005

**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.

(Millions of yen except for per share data and yr/yr % change)

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
Fiscal 2004 (2005/3)	519,337	(14.4)%	390,432	(10.8)%	114,887	(24.2)%	120,433	(25.3)%
Fiscal 2003 (2004/3)	453,813	(17.1)%	352,434	(30.1)%	92,519	(283.8)%	96,130	(229.2)%

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
Fiscal 2004 (2005/3)	52,665	(23.5)%	39.03	Yen	37.36	Yen	8.4	%
Fiscal 2003 (2004/3)	42,637	( - )%	31.66	Yen	30.28	Yen	7.4	%

(Note)

## 1. Equity in earnings

Fiscal 2004 (2005/3): 1,893 million yen

Fiscal 2003 (2004/3): 90 million yen

## 2. Average number of shares outstanding (shares)

Fiscal 2004 (2005/3): 1,330,674,648

Fiscal 2003 (2004/3): 1,329,304,723

## 3. Change in accounting policies: None

## (2) Financial conditions

(Millions of yen except for per share data and percentage)

	Total assets	Stockholders' equity	Stockholders' equity ratio		Stockholders' equity/share	
Fiscal 2004 (2005/3)	12,378,961	648,332	5.2	%	486.70	Yen
Fiscal 2003 (2004/3)	10,765,665	604,170	5.6	%	453.60	Yen

(Note)

Number of shares outstanding (shares)

As of Mar. 31, 2005 : 1,330,602,933

As of Mar. 31, 2004 : 1,330,732,981

## (3) Cash flow summary

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalents
Fiscal 2004 (2005/3)	-1,002,888	-26,062	883,867	338,697
Fiscal 2003 (2004/3)	-111,252	58,818	114,406	480,123

## (4) Scope of consolidation and equity method

Consolidated subsidiaries: 46 companies

Affiliates applicable of equity method: 5 companies

## (5) Change in scope of consolidation and equity method

Consolidated subsidiaries: Addition: 1 company, Exclusion: 6 companies

Equity method: Addition: 1 company, Exclusion: 1 company

(Note) The Group's principal business is securities business, and the performance is influenced by the market environment.

Therefore, the Group doesn't disclose the estimated operating result, considering the difficulty to forecast the performance.

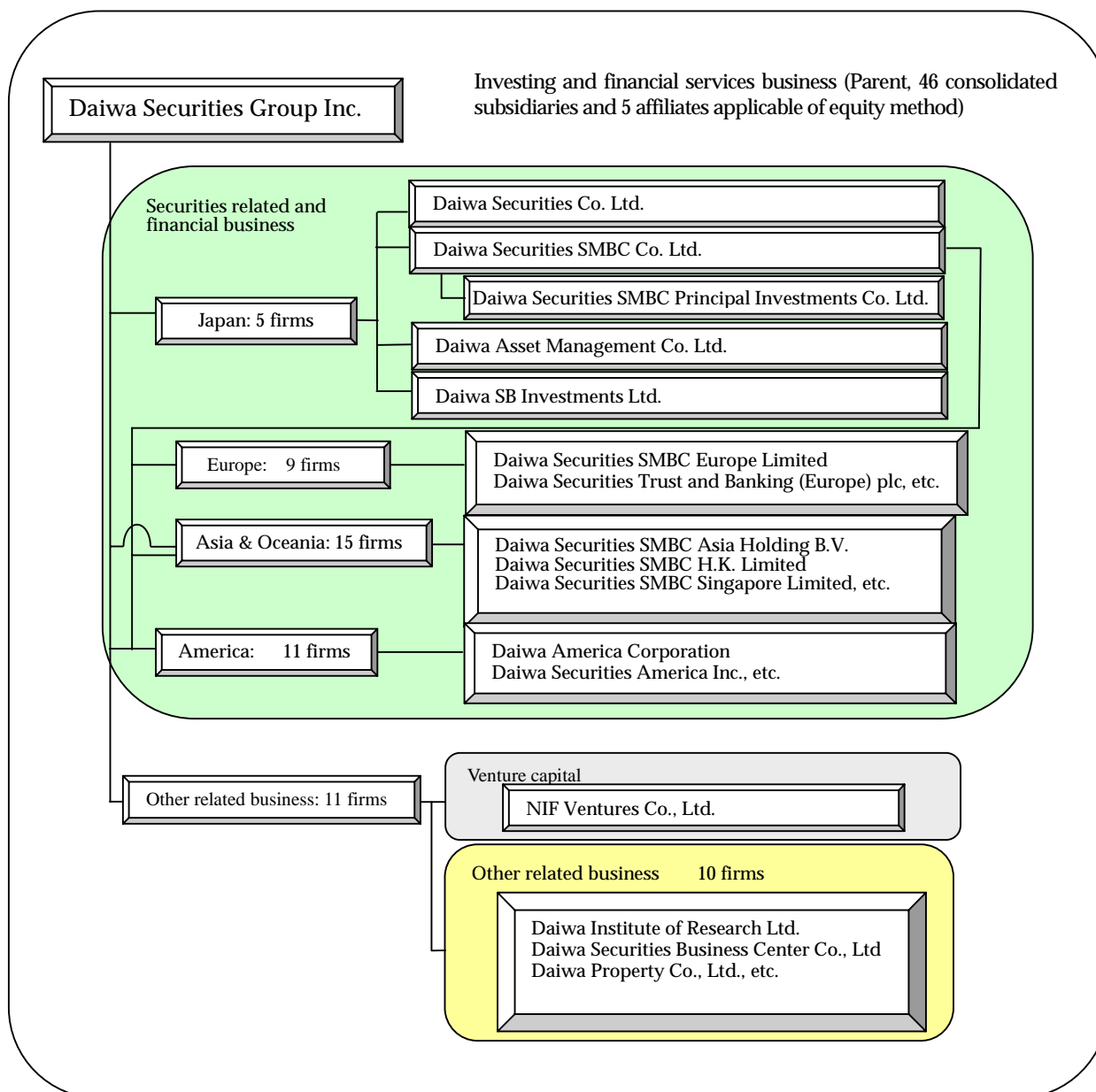
Representative: Shigeharu Suzuki, President

Contact: Hironaka Takada, General Manager, Finance Department

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### Information on Group Companies

Daiwa Securities Group Inc. (the ‘Company’) and its related companies, 46 consolidated subsidiaries and 5 affiliates applicable of equity method (collectively the ‘Group’), predominantly operate in the investment and financial segment, focusing on securities businesses such as trading and brokerage of securities and derivatives, underwriting of securities, distribution of securities, private offering of securities and other business related to the securities and financial fields. The Group provides wide range of services, to meet the worldwide customer needs for raising and investing of funds through its global networks linking major financial markets in Japan, America, Europe and Asia and Oceania.



## **Management Policy**

### **(a) Principle Management Policy**

We aim to become Japan's strongest securities group and maximize group corporate value, by developing its securities related businesses by utilizing the holding company structure and concentrating group management resources on securities related businesses.

### **(b) Principle Policy on the Distribution of Profits**

We aim to continuously maximize shareholder value including through the distribution of profits.

Our policy is to payout dividends every half-year, based on a pay-out ratio of approximately 30%, on a consolidated basis. However we will further increase returns to our shareholders through share buybacks and other means after having retained a sufficient level of retained earnings for further grow and considering a degree of stability.

We will pay a dividend of eight yen per share for this period. As we paid an interim dividend of five yen per share last December, subsequent to a decision by the Board on October 26th, 2004, the total dividend for this fiscal year will be thirteen yen per share. The pay-out ratio for the second half of this fiscal year will be 37.4% and that of the fiscal year will be 32.8%.

### **(c) Principle Policy on New Unit Share System**

We recognize that reducing the number of shares per unit is an important measure to contribute to the revitalization of the Japanese stock market and to encourage participation in the market.

To this extent, we will continue to look into the timing and method of reducing in the number of the Company's shares per unit by considering its advantages and disadvantages over our financial position, share price level, and the cost effectiveness of the reduction.

### **(d) Medium to Long Term Management Targets**

We have created a medium-term management plan titled 'Best Brand Daiwa 2005' for the three-year period from FY2003 to FY2005.

In the group medium-term management plan, we have declared the following two points as the medium-term management goals.

- (1) For the Group to achieve sustainable growth, we must be identified as the leading company by not only our financial results, but also our ability to achieve customer satisfaction. Therefore, as a Group, we aim to become the number one in the quality of products and services we provide for the next three years.
- (2) Under tough management circumstance, we endeavor to raise the capability of each employee and rationalize the business process across the whole group without ready expansion of our corporate scale. By enhancing our structure to provide customers with high-quality products and services promptly and effectively, we aim to become the number one in productivity.

Based on the policy mentioned above, we aim to achieve sustainable growth by pursuing the optimum balanced consolidated profit structure and undertaking to reinforce the cooperative relationship among the Group companies.

Furthermore, by having published a sustainable report since FY2002, we have been disclosing information about our social responsibility and efforts for sustainable management in economic, social, and environmental areas, to commit to a wide range of stakeholders.

#### **(1) Personnel policies**

We will manage and establish a unique personnel structure that reflects the needs of each business entity while balancing the needs of the Group as a whole.

We aim to build a satisfactory personnel system by enhancing a performance-based evaluation system, providing diverse career options, and implementing a fair evaluation system. Specifically, we will promote management level personnel exchanges within the Group companies and extend the intra-group job posting system to improve employees' career management.

And, we will also develop talented people by continuously holding of management development programs such as 'Daiwa Management Academy' and a wide variety of training programs.

#### **(2) Finance strategy**

We will appropriately allocate management resources mainly in securities related businesses, maintaining the financial stability of the Group as a whole. To take advantage profit-making opportunities promptly, we will establish a financial base that allows for appropriate capital investment.

#### **(3) Public relations / Investors relations strategy**

Based on the Disclosure Policy that defines the Group's attitude toward disclosure of corporate information, we will endeavor to observe fair and timely disclosure so that all stakeholders including shareholders, investors, and securities analysts understand and maintain realistic expectations of the Group.

We also aim to establish the Group brand by actively placing consistent and effective advertisements to continuously communicate the Group's vision and endeavor through various means of media.

## (4) Information technology (IT) strategy

While reinforcing IT functions that contribute to our core businesses, we will establish an IT governance structure to appropriately manage and evaluate IT investments that have been increasing every year.

Medium to long term management strategies for each of the Group's businesses are as follows.

## (1) Daiwa Securities (Retail securities business)

In addition to various program to improve sales staffs' consulting skills, Daiwa Securities will establish a structure to timely offer products that meet customer needs by enhancing its marketing function. It will improve the quality of its products and services, and aim to become the number one brokerage house in terms of customer satisfaction by fully utilizing the resources of the Group's ability.

## (2) Daiwa Securities SMBC (Wholesale securities business)

Daiwa Securities SMBC aims to become 'The strongest investment bank in Japan', and its intentions are to expand its customer base by offering high-quality products and solutions. And by strategically allocating management resources, it also intends to diversify into business lines that will not be affected by the market condition. Furthermore, it will reinforce businesses such as M&A and principal finance to increase its presence as an investment bank that contributes to revival of the Japanese economy.

## (3) Daiwa Asset Management, Daiwa SB Investments (Asset management business)

Daiwa Asset Management aims to become a high-quality asset manager. It will improve fund management capabilities and product development capabilities. It will also thoroughly manage fund quality and accountability for investors.

Daiwa SB Investments will establish a differentiated brand by maintaining its competitive fund performance in the annuity market and well-established customer service. This will be the base to expand its investment fund business, and its aim to become a efficiently managed asset manager.

## (4) Daiwa Institute of Research (Research and system development business)

Daiwa Institute of Research ('DIR') operates as one of Japan's leading think tanks and provides research and systems services.

Through its research operations, DIR will provide clients with high quality information such as economic forecasts and analyst reports as well as making well-timed policy proposals to contribute to the revitalization of the Japanese economy.

Through its systems operations, based on the new medium-term management vision from FY2005, DIR plans to set a clear goal and to create an action plan in order to provide state of the art technology to the Group and the Group's clients, mainly in the areas of finance and capital markets.

## (5) NIF Ventures (Venture capital business)

The core businesses of NIF Ventures are venture investments in promising unlisted firms expected to go public and buyout investments in supporting the turnaround of companies with superior management resources.

This February, NIF Ventures reached a basic agreement with SMBC Capital to merge into a new company on October 1, 2005(scheduled). This will enable the new company to utilize the search network and expertise of both the Daiwa Securities Group and Sumitomo Mitsui Financial Group in addition to tapping into its venture capital expertise.

## (6) Daiwa Securities Business Center (Back office operations)

Daiwa Securities Business Center ('DSC') is a provider of back office services related to securities business. DSC's diverse activities include securities custody, settlement of foreign bonds, and customer account management services, mainly for Daiwa Securities and Daiwa Securities SMBC.

DSC will continue targeting higher levels of service and efficiency in an effort to improve productivity throughout the securities business in order to maximize customer satisfaction, which is its basic strategy.

(e) Current Challenges

Diversification in both asset management and fund raising businesses has become noticeable in the Japanese capital markets. The Japanese economy has recovered from a long period of decline. For the economy to enter into a new growth phase, we must meet the needs of various parties expecting the capital markets to sufficiently carry out its original function. We recognize that the Group's social mission is to meet these expectations. Our challenge for this fiscal year is to demonstrate our presence backed by actual results as a main player in the capital market. As the economy starts to pick up, risk capital such as equity will draw attention in both asset management and fund raising businesses.

Now that we have witnessed the medium to long-term bottom of the stock market, the demand for high quality consultancy in equity investments is growing especially in the retail business.

Maximizing shareholder value is an important issue for companies as reorganization becomes common practice and the presence of institutional and foreign shareholders increases. Under this environment, expertise in equity is required not only in the traditional trading or underwriting businesses, but also in various areas such as M&A and private equity. The Group will further improve its skills in both asset management and financing to provide high-quality solutions to its clients. Moreover, the Group will achieve high performance, particularly in equity investment trusts, and work to direct individual financial assets to the capital market.

The Group, with the ability to handle risk which is required for those engaged in the capital market, will accurately grasp changes in the market and utilize its high professionalism to take advantage of large scale business opportunities with speed and vigor. By doing so, the Group will endeavor to achieve the no.1 position in various strategic areas, demonstrate high business performance, lead the Japanese economy to recovery, and earn the trust from a wide range of stakeholders.

(f) Basic notion concerning the corporate governance, and the present condition of the policy (Basic notion concerning the corporate governance)

- (1) Globalization and institutionalization of markets have been progressing and the structure of corporate governance has become to influence investment decisions. Under such circumstances, the Group will establish a corporate governance structure that maintains transparency and objectivity that meets global standards under the holding company structure. Furthermore, we will realize high efficiency and specialty for the administration function for the group companies, promote the group operations with high accountability, and establish a group management structure with a sense of unity, which nurtures synergy between each group company.
- (2) We regard corporate governance as a system to put CSR into practice. CSR has many aspects, including offering superior products and services to customers with sincerity, returning a reasonable profit to shareholders and disclosing information, taking steps to improve the work environment for employees and evaluation systems, as well as assuring legal compliance, corporate ethics, environmental management and social contributions. We will organize an appropriate structure to put CSR into practice, always asking ourselves if our actions will win the trust of society.
- (3) The general shareholders' meeting of the Company in June 2004 featured a vote to revise the Articles of Incorporation for transition to a 'committee system' of corporate governance based on the 2002 revisions to the Commercial Code. We believe that the transfer of authority from the Board to the Corporate Executive Officers increases mobility of the decision-making process. Furthermore, an increase in the number of outside board members and the establishment of three committees, the Nominating, Audit and Compensation Committees, will enhance the supervisory function of the Board and increase transparency of management.

(The Present Condition of Corporate Governance Structure)

- (A) Group Management Infrastructure for decision-making, business execution, and supervision on management  
Daiwa's corporate governance structure is composed mainly of the Board of Directors and three committees; the Nominating, Audit and Compensation Committees as the Group management supervisory system, Executive Committee and its subcommittees; Internal Control Committee, Disclosure Committee and Group IT Strategic Meeting are responsible for the execution of Group management decision.

a. Organization

(i) The Board of Directors

Headed by the Chairman, the Board of Directors, consisting of 13 members, hold meetings at least once every three months.

The authority of the Board is delegated to the Corporate Executive Officers to the maximum extent possible in order to strengthen the Group's operational control function. The Board decides such matters as basic management policies, matters needed for performance of the Audit Committee, and matters related to the division of duties and process of the Corporate Executive Officers.

The number of outside directors was increased from two to four at the general shareholders' meeting held on June 23, 2004.

(ii) Nominating, Audit and Compensation Committees

We established three committees; the Nominating, Audit and Compensation Committees as internal organizations of the Board of Directors, based on the Commercial Code. Outside directors make up the majority of each committee.

A brief profile of each committee is as follows.

<Nominating Committee>

The Committee mainly determines the content of proposals to appoint and dismiss Directors submitted to the general shareholders' meeting for their approval. The Chairman of the Board chairs the committee, while three out of five committee members are outside directors.

<Audit Committee>

The Committee engages in the following: inspecting the duties of Directors and Corporate Executive Officers, determining the content of proposals to appoint and dismiss accounting auditors (submitted to the general shareholders' meeting for their approval), demanding a stop to any improper conduct by Corporate Executive Officers, auditing accounts and writing accounting reports. Additionally, the committee works with the internal audit department to carry out its duties as needed. A director who does not have another concurrent post chairs the committee, while two out of three committee members are outside directors.

<Compensation Committee>

The Committee sets policies for deciding compensation of individual Directors and Corporate Executive Officers and determines compensation content for each individual. The Chairman of the Board chairs the committee, while three out of five committee members are outside directors.

## (iii) Executive Committee

Committee members consist of all Corporate Executive Officers. Meetings are held in principle once a month. The Executive Committee deliberates and rules on Group wide business strategy and management issues and on important financial matters. The authority is transferred from the Board to Corporate Executive Officers to the maximum extent possible allowed by law, except for matters that require timely decision making by management, in which case the Board has sole authority to decide.

The Committee has established the following subcommittees; Internal Control Committee, Disclosure Committee and Group IT Strategic Meeting.

The Internal Control Committee analyzes and decides matters concerning the improvement of internal control, risk management systems and the internal audit system of the Group. The Committee holds a meeting in principle once every three months.

The Disclosure Committee monitors and determines what information to disclose to assure fair, timely and appropriate disclosure.

The Group IT Strategic Meeting proposes the IT investment budget, appoints system personnel where appropriate, reorganizes Group system departments, evaluates and monitors IT investment implementation at Group companies, and deliberates issues concerning Group wide system development.

## b. The present condition of internal control structure

The Internal Control Committee discusses and decides matters concerning the improvement of internal control, risk management systems and the internal audit system of the Group. As we recognize internal audit as an important function to strengthen our internal control structure, we have established the internal audit function to perform audit comprehensively on a Group basis. Major group companies have their own internal audit departments. Internal audits for companies that do not have their own internal audit function are conducted by, the Company's Internal Audit Department which is under the direct supervision of CEO.

## c. The present condition of risk management system

We recognize that, identifying and evaluating the various types of risks that are generated from our business activities and managing them appropriately is important in order to maintain a healthy financial and earnings structure.

In June 2004, we established a risk management regulation. In this regulation, market risk, credit risk, liquidity risk, legal compliance risk, system risk, reputation risk and operational risk were defined. Each director and department in the holding company is monitoring and managing those risks respectively.

## d. Audit Committee, Internal Audit and Independent Auditor

The Audit Committee audits the execution of the directors' and executive officers' duties, and has the authority to decide on the proposals submitted to the General Shareholders Meeting of for the appointment or dismissal of the independent auditor. The Audit Committee reviews in advance the annual audit plan of the independent auditor, receives their reports and discusses with them status of the audits relating to the Company and its significant Group companies. In addition, the Audit Committee discusses, when appropriate, the status of audits of the major Group companies with the relevant corporate auditors.

In accordance with the internal audit plan, the internal audit departments regularly conduct internal audits to confirm appropriateness of various internal controls. The Company's Internal Audit Department regularly communicates with the internal audit departments of Group companies in order to strengthen its internal audit function.

The internal audit plan of the Company is approved by and is reported to the Internal Control Committee. The internal audit plan of other Group companies is approved by and reported to the Legal Affairs & Compliance Committee or a committee that has similar functions. The reporting of the Internal Audit Department is also made at the Audit Committee. The Audit Committee performs audits appropriately and efficiently in cooperation with the Internal Audit Department of the Company. The Audit Committee can entrust, when appropriate, the investigations required for the audits to the Internal Audit Department.

The independent auditor for auditing our consolidated financial statements are Messrs. Toshiharu Kawai, Kimitaka Mori, Yoichi Ozawa, who have been engaged in auditing our financials for 6 years, 5 years and 2 years, respectively. All of them are Designated Partners of KPMG AZSA & Co. stipulated by Article 34-10-4 of the 'Certified Public Accountant Law'. 8 Certified Public Accountants, 7 Assistant Certified Public Accountants and 1 other member have assisted the abovementioned Partners in auditing our financials.

## e. Compensation for Directors, Corporate Executive Officers and Corporate Auditors, and Fees to Independent Auditor

The aggregate compensation paid by the Company to Directors and Corporate Auditors during the period from April 1, 2004 to June 23, 2004, prior to the transition of 'committee system', was 258 million yen, including compensation of 25 million yen to Outside Directors and Outside Corporate Auditors. The aggregate compensation paid to Directors and Corporate Executive Officers during the period from June 23, 2004 to March 31, 2005 was 471 million yen, including compensation of 50 million yen to Outside Directors. 13 Directors, including 4 Outside Directors, and 16 Executive Officers were in office as of March 31, 2005. 8 Directors served concurrently as Corporate Executive Officers.

Fees to Independent Auditor, KPMG AZSA & Co. during the fiscal year ended March 31, 2005 are as follows:

(millions of yen)	The Company	The Company & Consolidated Subsidiaries
Audit fees stipulated by Article 2 (1) of 'Certified Public Accountant Law' (Law No. 103, 1948)	31	179
Other fees	3	44

(B) Conflicts of interests between the Company and outside directors

The Company's outside directors are Tetsuro Kawakami, Advisor of Sumitomo Electric Industries, Ltd., Ryuji Yasuda, Professor, Hitotsubashi University, Graduate School of International Corporate Strategy, Keisuke Kitajima, Attorney at law, and Koichi Uno, Certified Public Accountant. We have no conflict of interest such as capital and personal relationships with outside directors.

(C) The present condition of action to promote corporate governance

As written above, following official approval given at the general shareholders' meeting held in June 2004, we made the transition to a 'committee system' of corporate governance. We also abolished the retirement gratuities system for retiring Directors. This is the one of the actions for increasing transparency of our executive compensation framework and to establish a closer link with consolidated performance.

In July 2004, we established the CSR Promotion Department to further incorporate CSR, in our management framework.

In September 2004, we issued stock acquisition rights as stock options to Directors, Executive officers and certain employees of the Company and its subsidiaries as an incentive to contribute towards increasing consolidated performance and to enable recruiting of talented personnel.

(g) Parent Companies

We have no parent company.

## **Results of Operation and Financial Conditions**

### **a. Consolidated operating results for fiscal 2004**

#### 1. Summary of operating results for 12 months (comparison with the fiscal 2003)

Net operating revenues increased 10.8% to 390,432 million yen mainly because commissions and net gains on trading increased. Selling, general and administrative expenses increased 6.0% to 275,544 million yen. As a result, ordinary income increased 25.3% to 120,433 million yen and net income increased 23.5% to 52,665 million yen.

#### (1) Commissions

##### (i) Brokerage commission

Brokerage commission increased 4.9% to 83,542 million yen, in line with an increase of 21.6% to 1,425.5 billion yen in daily average trading value on the Tokyo Stock Exchange.

##### (ii) Underwriting commission

Underwriting commission went up 18.8% to 54,743 million yen because the Group actively acted as lead-manager for public offerings of listed companies under primary market in favorable circumstances.

##### (iii) Distribution commission

Distribution commission decreased 1.2% to 23,285 million yen because commission on investment trust decreased 10.1% to 19,687 million yen.

##### (iv) Other commission

Other commission on investment trust increased 23.2% to 25,793 million yen primarily due to an increase in trust fee of mutual fund in line with an expansion in the balance of equity-related beneficiary certificate, and other commission on investment banking increased due to contribution of M&A fee. As a result, total other commission increased 22.2% to 54,815 million yen.

#### (2) Net gains on trading

Net gains on trading in stock and other increased 12.2% to 56,104 million yen. Net gains on trading in bond, forex and other increased 35.4% to 95,012 million yen. As a result, total net gains on trading increased 25.7% to 151,117 million yen.

#### (3) Financial income

Interest and dividend income increased 14.3% to 118,019 million yen and interest expenses increased 34.1% to 103,676 million yen. Net financial income reduced 44.6% to 14,342 million yen due to a decrease in interests received on bonds.

#### (4) Selling, general and administrative expenses

Selling, general and administrative expenses increased 6.0% to 275,544 million yen, mainly due to an increase in employees' compensation and benefits including bonuses and salaries reflecting a rise in operating results, and due to an increase in commission and other expenses in line with the increment of transactions.

#### 2. Summary of operating results for 3 months (comparison with the third quarter of fiscal 2004)

Net operating revenues for the fourth quarter of fiscal 2004 increased 42.7% to 117,230 million yen as a result of an increase in underwriting commission and net gains on trading. Selling, general and administrative expenses for the fourth quarter increased 11.5% to 73,581 million yen. As a result, ordinary income went up 150.5% to 45,151 million yen. Net income also went up 101.1% to 19,035 million yen for the fourth quarter of fiscal 2004, posting extraordinary gains and losses, income taxes, and minority interest in income.

#### 3. Operating results of overseas subsidiaries for fiscal 2004 (12 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
270	5,941	1,928	8,140

### **b. Financial conditions (comparison with March 31, 2004)**

Net cash used in operating activities was 1,002,888 million yen because of an increase in receivables on collateralized securities transactions, net of payables on collateralized securities transaction, compared with 111,252 million yen for fiscal 2003. Net cash used in investment activities was 26,062 million yen due to increase in time deposit in spite of proceeds from sale and redemption of investment securities, compared with net cash provided for 58,818 million yen in fiscal 2003. Net cash provided by financing activities was 883,867 million yen mainly due to increase in short-term borrowings and issuance of bonds compared with 114,406 million yen for fiscal 2003. Consequently, cash and cash equivalents after effect of exchange rate changes decreased by 141,425 million yen to 338,697 million yen in comparison with March 31, 2004.

**Consolidated balance sheets**

(millions of yen)	<b>Fiscal 2004</b> Mar. 31, 2005	<b>Fiscal 2003</b> Mar. 31, 2004	<b>Increase/ Decrease</b>
<b>Assets</b>			
<b>Current assets:</b>	<b>11,936,024</b>	<b>10,210,037</b>	<b>1,725,987</b>
Cash and deposits	398,688	486,932	-88,243
Cash segregated as deposits	153,516	109,940	43,576
Notes receivable and trade accounts receivable	8,635	8,057	578
Securities	15,037	38,650	-23,613
Trading assets:	5,242,319	4,031,944	1,210,374
Trading securities and others	4,690,548	3,529,917	1,160,631
Derivative assets	551,771	502,027	49,743
Trade date accrual	9,419	580,674	-571,254
Operational investment securities	149,598	40,733	108,864
Less: Allowance for possible investment losses	-7,051	-5,172	-1,878
Other inventories	816	816	0
Receivables related to margin transactions:	312,144	235,535	76,609
Loans receivable from customers for margin transactions	126,686	92,832	33,854
Cash deposits as collateral for securities borrowed from securities finance companies	185,457	142,703	42,754
Receivables on collateralized securities transactions:	5,348,915	4,391,437	957,478
Cash deposits as collateral for securities borrowed	5,348,915	4,391,437	957,478
Receivables	11,458	26,481	-15,022
Securities failed to deliver	130,176	63,871	66,305
Short-term loans receivable	75,781	96,780	-20,999
Accrued income	17,463	16,934	528
Deferred income tax assets-current	9,076	15,224	-6,148
Other current assets	60,354	71,549	-11,194
Less: Allowance for doubtful accounts- current	-328	-355	27
<b>Non-current assets:</b>	<b>442,937</b>	<b>555,628</b>	<b>-112,691</b>
Tangible fixed assets	137,619	143,123	-5,503
Intangible fixed assets	62,052	59,458	2,593
Investments and others:	243,265	353,046	-109,781
Investment securities	178,163	187,437	-9,273
Long-term loans receivable	11,681	12,388	-707
Long-term guarantee deposits	23,410	25,522	-2,112
Deferred income tax assets-non-current	12,839	42,259	-29,419
Other investments	25,715	97,757	-72,041
Less: Allowance for doubtful accounts- non-current	-8,546	-12,319	3,773
<b>Total assets</b>	<b>12,378,961</b>	<b>10,765,665</b>	<b>1,613,296</b>

(millions of yen)	<b>Fiscal 2004</b> Mar. 31, 2005	<b>Fiscal 2003</b> Mar. 31, 2004	<b>Increase/ Decrease</b>
<b><i>Liabilities</i></b>			
<b>Current liabilities:</b>	<b>10,685,604</b>	<b>9,122,137</b>	<b>1,563,467</b>
Notes payable and trade accounts payable	3,369	2,861	508
Trading liabilities:	3,658,544	2,914,555	743,988
Trading securities and others	3,196,633	2,445,560	751,072
Derivative liabilities	461,911	468,995	-7,083
Payables related to margin transactions:	141,972	93,449	48,522
Loans from securities finance companies for margin transactions	2,981	3,636	-654
Proceeds of securities sold for margin transactions	138,991	89,813	49,177
Payables on collateralized securities transactions:	3,877,730	4,092,022	-214,291
Cash deposits as collateral for securities loaned	3,687,840	3,769,690	-81,849
Payables related to gensaki transactions	189,890	322,332	-132,442
Deposits received	110,415	144,580	-34,165
Cash deposits received from customers	53,302	49,208	4,094
Securities failed to receive	138,288	44,790	93,497
Short-term borrowings	2,295,928	1,408,775	887,153
Commercial paper	200,220	273,722	-73,502
Bonds due within one year	129,401	21,102	108,299
Accrued income taxes	10,596	15,406	-4,809
Deferred income tax liabilities-current	951	190	761
Accrued bonuses	22,811	19,375	3,435
Other current liabilities	42,071	42,096	-25
<b>Non-current liabilities:</b>	<b>850,180</b>	<b>868,560</b>	<b>-18,379</b>
Bonds	666,136	645,589	20,547
Convertible bonds	79,985	79,986	-1
Long-term borrowings	74,195	112,813	-38,618
Deferred income tax liabilities-non-current	6,225	6,643	-417
Accrued retirement benefits	19,173	17,301	1,871
Other non-current liabilities	4,465	6,226	-1,760
<b>Statutory reserves</b>	<b>5,650</b>	<b>5,132</b>	<b>517</b>
<b>Total liabilities</b>	<b>11,541,435</b>	<b>9,995,830</b>	<b>1,545,604</b>
<b>Minority interest</b>	<b>189,193</b>	<b>165,664</b>	<b>23,529</b>
<b><i>Stockholders' equity</i></b>			
Common stock	138,432	138,431	0
Capital surplus	117,941	117,939	1
Earned surplus	362,948	330,780	32,168
Net unrealized gain on securities, net of tax effect	35,674	27,297	8,376
Translation adjustments	-5,877	-9,588	3,711
Treasury stock	-786	-689	-96
<b>Total stockholders' equity</b>	<b>648,332</b>	<b>604,170</b>	<b>44,161</b>
<b>Total liabilities, minority interest and stockholders' equity</b>	<b>12,378,961</b>	<b>10,765,665</b>	<b>1,613,296</b>

**Consolidated income statements**

(millions of yen)	<b>Fiscal 2004</b> Apr. 1, 2004- Mar. 31, 2005	<b>Fiscal 2003</b> Apr. 1, 2003- Mar. 31, 2004	<b>Increase/ Decrease</b>	<b>Yr/yr % change</b>
<b>Operating revenues:</b>	<b>519,337</b>	<b>453,813</b>	<b>65,523</b>	<b>14.4</b>
Commissions	216,386	194,162	22,223	11.4
Net gains on trading	151,117	120,195	30,922	25.7
Net gains on operational investment securities	171	1,817	-1,645	-90.5
Interest and dividend income	118,019	103,223	14,795	14.3
Other sales revenues	33,641	34,413	-772	-2.2
<b>Interest expenses</b>	<b>103,676</b>	<b>77,331</b>	<b>26,345</b>	<b>34.1</b>
<b>Cost of sales</b>	<b>25,228</b>	<b>24,047</b>	<b>1,180</b>	<b>4.9</b>
<b>Net operating revenues</b>	<b>390,432</b>	<b>352,434</b>	<b>37,997</b>	<b>10.8</b>
<b>Selling, general and administrative expenses:</b>	<b>275,544</b>	<b>259,914</b>	<b>15,629</b>	<b>6.0</b>
Commission and other expenses	46,720	39,786	6,934	17.4
Employees' compensation and benefits	142,751	136,963	5,787	4.2
Real estate expenses	32,697	32,518	178	0.5
Data processing and office supplies	16,804	14,898	1,905	12.8
Depreciation expenses	22,129	21,530	598	2.8
Taxes other than income taxes	6,755	5,617	1,138	20.3
Others	7,685	8,599	-914	-10.6
<b>Operating income</b>	<b>114,887</b>	<b>92,519</b>	<b>22,367</b>	<b>24.2</b>
Non-operating income:	7,909	6,013	1,896	31.5
Equity in earnings	1,893	90	1,803	-
Others	6,015	5,923	92	1.6
Non-operating expenses	2,363	2,402	-39	-1.6
Others	2,363	2,402	-39	-1.6
<b>Ordinary income</b>	<b>120,433</b>	<b>96,130</b>	<b>24,303</b>	<b>25.3</b>
Extraordinary gains	9,552	8,962	590	6.6
Extraordinary losses	17,383	28,167	-10,784	-38.3
<b>Income before income taxes and others</b>	<b>112,603</b>	<b>76,925</b>	<b>35,678</b>	<b>46.4</b>
<b>Income taxes-current</b>	<b>11,933</b>	<b>15,169</b>	<b>-3,236</b>	<b>-21.3</b>
<b>Income taxes-deferred</b>	<b>28,233</b>	<b>5,637</b>	<b>22,595</b>	<b>400.8</b>
<b>Minority interest in income</b>	<b>-19,770</b>	<b>-13,480</b>	<b>-6,289</b>	<b>-</b>
<b>Net income</b>	<b>52,665</b>	<b>42,637</b>	<b>10,028</b>	<b>23.5</b>
<b>Net financial income included in net operating revenues</b>	<b>14,342</b>	<b>25,892</b>	<b>-11,549</b>	<b>-44.6</b>

**Consolidated statements of retained earnings**

(millions of yen)	<b>Fiscal 2004</b> Apr. 1, 2004- Mar. 31, 2005	<b>Fiscal 2003</b> Apr. 1, 2003- Mar. 31, 2004
<b>Capital surplus</b>		
<b>Beginning balance of capital surplus</b>	<b>117,939</b>	<b>117,786</b>
Increase in capital surplus	1	153
Conversion of convertible bonds	0	-
Net gains on sales of treasury stock	1	153
Decrease in capital surplus	-	-
<b>Ending balance of capital surplus</b>	<b>117,941</b>	<b>117,939</b>
<b>Earned surplus</b>		
<b>Beginning balance of earned surplus</b>	<b>330,780</b>	<b>297,404</b>
Increase in earned surplus:	52,665	42,637
Net income	52,665	42,637
Decrease in earned surplus:	20,497	9,261
Decrease in earned surplus due to expansion of scope of consolidation	-	1,291
Dividends	19,960	7,969
Directors' bonuses	536	-
<b>Ending balance of earned surplus</b>	<b>362,948</b>	<b>330,780</b>

**Consolidated cash flow statements**

(millions of yen)	Fiscal 2004 Apr. 1, 2004- Mar. 31, 2005	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004
<b>1. Cash flows from operating activities:</b>		
Income before income taxes and others	112,603	76,925
Depreciation	22,129	21,530
Increase in allowance for retirement benefits	1,871	3,130
Increase in allowance for doubtful accounts	-	32
Interest and dividend income	-106,958	-98,524
Interest expenses	103,539	78,102
Equity in earnings	-1,893	-90
Adjustment of extraordinary gains/losses items:		
Gain on sale of fixed assets	-2,000	-1,063
Loss on sale or disposal of fixed assets	1,535	1,222
Valuation loss of fixed assets	114	58
Loss on impairment of fixed assets	-	12,796
Write-down of related companies' stocks	40	-
Loss on sale of related companies' stocks	-	752
Gain on liquidation of related companies	-599	-
Loss on liquidation of related companies	650	4,220
Gain on sale of investment securities	-6,451	-7,899
Loss on sale of investment securities	892	442
Write-down of investment securities	3,430	2,691
Loss on sale of loans receivable	7,595	557
Reversal of stock purchase warrant	-501	-
Provision for doubtful accounts	1,638	648
Reorganization and relocation costs for business offices and branches	-	2,473
Multiemployer pension plan settlement cost in subsidiaries	188	-
Reorganization costs of an overseas banking subsidiary	779	594
Others	517	1,710
Increase in deposits segregated for customer	-43,042	-9,540
(Increase) Decrease in loans receivable	22,278	-5,169
(Increase) Decrease in operational investment securities	-18,342	6,032
Decrease in trading assets, net of trading liabilities	111,197	1,224,767
Increase in receivables related to margin transactions, net of payables related to margin transactions	-28,086	-88,369
Increase in receivables on collateralized securities transactions, net of payables on collateralized securities transactions	-1,183,394	-1,369,799
Others	7,739	8,025
<b>Sub-total</b>	<b>-992,528</b>	<b>-133,741</b>
Interest and dividend received	106,770	98,314
Interest paid	-103,440	-74,076
Income taxes refunded (paid)	-13,689	-1,749
<b>Net cash provided by (used in) operating activities</b>	<b>-1,002,888</b>	<b>-111,252</b>

(millions of yen)	Fiscal 2004 Apr. 1, 2004- Mar. 31, 2005	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004
<b>2. Cash flows from investing activities:</b>		
Increase in time deposits	-53,041	-
Payments for purchase of securities	-20,130	-24,510
Proceeds from sale and redemption of securities	44,628	21,597
Payments for purchase of tangible fixed assets	-7,786	-8,147
Proceeds from sale of tangible fixed assets	5,315	6,144
Payments for purchase of intangible fixed assets	-19,108	-19,079
Payments for purchase of investment securities	-15,348	-11,058
Proceeds from sale and redemption of investment securities	53,979	79,281
Payments for purchase of subsidiaries' stocks from non-Group shareholders	-13	-839
Proceeds from liquidation of related companies	-	1,215
Payments for loan made	-77	-91
Proceeds from collection of loans receivable	334	1,159
Proceeds from sale of overseas investment properties	-	29,504
Others	-14,814	-16,357
<b>Net cash provided by (used in) investing activities</b>	<b>-26,062</b>	<b>58,818</b>
<b>3. Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	759,982	-66,936
Proceeds from issuance of bonds and convertible bonds	225,874	318,831
Payments for redemption of bonds and convertible bonds	-97,102	-112,675
Proceeds from long-term borrowings	28,800	56,000
Payments for repayment of long-term borrowings	-14,011	-72,294
Proceeds from exercise of stock options	-	51
Dividends paid	-19,960	-7,969
Dividends paid to minority shareholders	-167	-2,328
Proceeds from sale of treasury stocks	33	1,817
Others	418	-90
<b>Net cash provided by (used in) financing activities</b>	<b>883,867</b>	<b>114,406</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,819</b>	<b>-4,915</b>
<b>5. Net change in cash and cash equivalents</b>	<b>-141,263</b>	<b>57,057</b>
<b>6. Cash and cash equivalents at beginning of term</b>	<b>480,123</b>	<b>422,684</b>
<b>7. Increase in cash and cash equivalents due to addition to scope of consolidation</b>	<b>-</b>	<b>380</b>
<b>8. Decrease in cash and cash equivalents due to exclusion from scope of consolidation</b>	<b>-161</b>	<b>-</b>
<b>9. Cash and cash equivalents at end of term</b>	<b>338,697</b>	<b>480,123</b>

**Notes to consolidated financial statements**

The consolidated 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 Consolidated Financial Statements' (Ministry of Finance Ordinance No. 28, 1976) and its Article 46 and 68.

**Basis of consolidated financial statements**

## 1. Scope of consolidation

Consolidated subsidiaries: 46 companies

*Major companies:*

Daiwa Securities Co. Ltd.  
 Daiwa Securities SMBC Co. Ltd.  
 Daiwa Asset Management Co. Ltd.  
 Daiwa Institute of Research Ltd.  
 NIF Ventures Co., Ltd.  
 Daiwa Securities Business Center Co. Ltd.  
 Daiwa Property Co., Ltd.  
 Daiwa Securities SMBC Europe Limited  
 Daiwa Securities Trust and Banking (Europe) plc  
 Daiwa America Corporation  
 Daiwa Securities America Inc.  
 Daiwa Securities SMBC Asia Holding B.V.  
 Daiwa Securities SMBC H.K. Limited  
 Daiwa Securities SMBC Singapore Limited

One overseas subsidiary is added to scope of consolidation due to establishment, and one domestic subsidiary and five overseas subsidiaries are excluded from the scope of consolidation due to liquidation during this fiscal year. Each amount of total assets, operating revenues (or sales), net income corresponding to equity holdings and earned surplus corresponding to equity holdings of non-consolidated subsidiaries has little influence on the consolidated financial statements and has little materiality as a whole.

## 2. Application of equity method

Affiliates applicable of equity method: 5 companies

*Major companies:*

Daiwa SB Investments Ltd.  
 Totan Holdings Co., Ltd.  
 The Tokyo Tanshi Co., Ltd.

Daiwa SMBC-SSC Securities Co. Ltd. is newly added to the scope of equity method due to foundation during this fiscal year. One affiliate is excluded from the scope of equity method due to liquidation during this fiscal year. Each amount of net income corresponding to equity holdings and earned surplus corresponding to equity holdings of both non-consolidated subsidiaries and affiliates inapplicable of equity method has little influence on the consolidated financial statements and has little materiality as a whole.

For affiliates applicable of equity method whose fiscal year end other than March 31, 2005, the financial statements for the relevant fiscal year are reflected.

## 3. Fiscal period of subsidiaries

For subsidiaries whose fiscal year end other than March 31, 2005, the financial statements for the relevant fiscal year end are employed and important transactions occurred by discrepancies with closing account date are adjusted for these consolidated financial statements.

## 4. Accounting policies

## (1) Valuation of financial instruments and inventories

## (i) Valuation of trading securities

In terms of domestic consolidated subsidiaries, securities, derivative transactions, and assets or liabilities in trading account are recorded at fair value. In terms of consolidated overseas subsidiaries, those policies are mainly applied.

## (ii) Valuation of non-trading securities

Non-trading securities are valued as follows.

## (a) Held-to-maturity securities

Held-to-maturity securities are valued at amortized cost.

## (b) Other 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. Of those securities with no fair value, investment limited partnership and similar partnership which are regarded as equivalent to securities by the amendment of Securities and Exchange Act in 2004, share of net income raised by the partnership has been reflected on consolidated income statements of this fiscal year and share of net unrealized profits and losses on securities held by the partnerships directly into stockholders' equity.

Some portions of securities held by some consolidated subsidiaries and operational investment securities are categorized in current assets.

## (iii) Valuation of other inventories

Cost method determined by the specific identification method is mainly applied.

## (2) Depreciation of depreciable assets

## (i) Tangible fixed assets

In terms of domestic consolidated companies, declining-balance method is mainly applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is mainly based on Corporation Tax Law. In terms of consolidated overseas subsidiaries, straight-line method is mainly applied.

## (ii) Intangible fixed assets, and investments and others

Straight-line method is mainly applied. Useful life for depreciation is mainly 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) Deferred assets

Stock issue costs and bond issue costs are amortized in a lump sum when incurred.

## (4) Accounting policies for various provisions

## (i) Provision for doubtful accounts

The domestic consolidated companies provide the allowances based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans. The consolidated overseas subsidiaries mainly provide the allowances specifically assessed.

## (ii) Allowance for possible investment losses

Some consolidated subsidiaries provide the allowances based on estimated losses on operational investment securities held at the consolidated fiscal year end, assessing the financial conditions of investee companies.

## (iii) Accrued employees' bonuses

Estimated amount of employees' bonuses is accrued based on each company's bylaws.

## (iv) Accrued retirement benefits

The parent company and most of domestic consolidated subsidiaries provide 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. Some consolidated subsidiaries provide accrued retirement benefits based on projected benefit obligation. As for the closed pension fund, accrued retirement benefits for the portion of 12 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2005.

## (5) Accounting for certain lease transactions

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

## (6) Hedging transaction

Valuation gain or loss on hedging instrument is mainly deferred as assets or liabilities until the gain or loss on underlying hedged instruments is realized. A part of interests received or paid on interest rate swap for hedging are accrued without being marked-to-market, and a part of premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without being marked-to-market.

## (7) Other material items

## (i) Accounting for consumption taxes

Consumption taxes are separately recorded.

## (ii) Consolidated tax system

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

## (iii) 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.

5. Valuation of assets and liabilities of consolidated companies  
Assets and liabilities of the consolidated subsidiaries are recorded at fair value when the majority of ownership is acquired.
6. Amortization of consolidation adjustment account  
Consolidation adjustment account is amortized in a lump sum when incurred due to its immateriality in amount.
7. Recording of appropriation of retained earnings  
Appropriations of consolidated retained earning in the consolidated statement of retained earning are recorded in the fiscal year when the appropriations are resolved.
8. Scope of 'Cash and cash equivalents' in consolidated cash flow statements  
'Cash and cash equivalents' in consolidated cash flow statements is defined as liquid fund including cash in hand, current account deposits, and ordinary deposits.

### **Change in presentation**

1. Investment in investment limited partnership and similar partnership regarded as securities due to the amendment of Securities and Exchange Act in 2004 are presented as securities. 'Other current assets' and 'Other investments' decreased by 20,654 million yen and by 60,169 million yen, respectively, and 'Operational investment securities' and 'Investment securities' increased by 76,744 million yen and 4,078 million yen, respectively, due to this change in presentation. There is no effect caused on income statement.
2. 'Securities failed to deliver' and 'Securities failed to receive' were separately presented, because those amount exceeded more than 1% of total assets as of March 31, 2005. 'Securities failed to deliver' included in 'Other current assets' and 'Securities failed to receive' included in 'Other current liabilities' as of March 31, 2004 were reclassified as 'Securities failed to deliver' and 'Securities failed to receive'.
3. Increase in time deposits that were included in others of cash provided by (used in) investing activities for fiscal 2003 were separately presented for fiscal 2004 due to materiality.

### **Notes to consolidated balance sheets**

1. Accumulated depreciation of tangible fixed assets
 

	As of Mar. 31, 2005	As of Mar. 31, 2004
	97,300 million yen	98,934 million yen
2. Guarantee
 

	As of Mar. 31, 2005	As of Mar. 31, 2004
	3,513 million yen	4,591 million yen
3. Short-term and long-term borrowings include the subordinated borrowings stipulated by Article 2 of the 'Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies' (Cabinet Office Ordinance No. 23, 2001).
 

Short-term borrowings		
	As of Mar. 31, 2005	As of Mar. 31, 2004
	40,000 million yen	-
Long-term borrowings		
	As of Mar. 31, 2005	As of Mar. 31, 2004
	20,000 million yen	40,000 million yen

**Notes to consolidated income statements**

Details of extraordinary gains/losses

(million of yen)	<b>Fiscal 2004</b> Apr. 1, 2004- Mar. 31, 2005	<b>Fiscal 2003</b> Apr. 1, 2003- Mar. 31, 2004
<b>Extraordinary gains:</b>		
Gain on sale of fixed assets	2,000	1,063
Gain on liquidation of related companies	599	-
Gain on sale of investment securities	6,451	7,899
Reversal of stock purchase warrant	501	-
<b>Extraordinary losses:</b>		
Write-down of related companies stocks	40	-
Write-down of investment securities	3,430	2,691
Valuation loss of fixed assets	114	58
Loss on sale or disposal of fixed assets	1,535	1,222
Loss on impairment of fixed assets	-	12,796
Loss on liquidation of related companies	650	4,220
Loss on sale of related companies' stocks	-	752
Loss on sale of investment securities	892	442
Loss on sale of loans receivable	7,595	557
Provision for doubtful accounts	1,638	648
Reorganization and relocation costs for business offices and branches	-	2,473
Reorganization costs for overseas banking subsidiary	779	594
Multiemployer pension plan settlement cost in subsidiaries	188	-
Provision for securities transaction liabilities	517	1,240
Other	-	469

**Notes to consolidated cash flow statements**

Reconciliation for 'cash and cash equivalents at end of term' and 'cash and time deposits' on consolidated balance sheet

(millions of yen)	<b>Fiscal 2004</b> Apr. 1, 2004- Mar. 31, 2005	<b>Fiscal 2003</b> Apr. 1, 2003- Mar. 31, 2004
Cash and deposits	398,688	486,932
Time deposit more than 3 months	-59,990	-6,809
Cash and cash equivalents	338,697	480,123

**Segment information**

## 1. Net operating revenues by business segment

The Company and its consolidated subsidiaries' world-wide activities include (a) trading in securities and derivatives, (b) brokerage of securities and derivatives, (c) underwriting and distribution of securities, (d) other business related to securities transactions and (e) private offering of securities. These activities include financing and other services. Accordingly, the Company and its subsidiaries operate in a single industry segment, 'Investment and financial services'.

## 2. Net operating revenues by geographic area

'Net operating revenues', 'Selling, general and administrative expenses (S.G. & A. expenses)', 'Operating income' and 'Assets' by geographic area are as follows.

**Fiscal 2004 ended March 31, 2005**

## i. Net operating revenue and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	353,827	3,970	25,377	7,255	390,432	-	390,432
Intersegment revenues	(2,370)	6,640	5,027	1,278	10,576	(10,576)	-
Net operating revenues	351,457	10,611	30,404	8,534	401,008	(10,576)	390,432
S.G. & A. expenses	244,543	10,594	24,202	6,781	286,122	(10,577)	275,544
Operating income (loss)	106,914	16	6,202	1,752	114,886	1	114,887

ii. Assets 10,078,853 2,098,375 811,191 62,560 13,050,981 (672,019) 12,378,961

**Fiscal 2003 ended March 31, 2004**

## i. Net operating revenue and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	314,190	7,748	23,956	6,539	352,434	-	352,434
Intersegment revenues	1,389	3,467	3,413	1,132	9,402	(9,402)	-
Net operating revenues	315,579	11,216	27,369	7,671	361,837	(9,402)	352,434
S.G. & A. expenses	232,269	10,197	20,413	6,110	268,990	(9,075)	259,914
Operating income (loss)	83,309	1,018	6,956	1,560	92,846	(326)	92,519

ii. Assets 8,617,452 1,948,621 768,712 63,531 11,398,318 (632,652) 10,765,665

Note: Method of segmentation by geographic area and principal countries of the area belonging to each segment are as follows:

(1) Method of segmentation by geographic area: Geographical adjacency

(2) Principal countries of area belonging to each segment area:

America: USA

Europe: United Kingdom, Germany, Switzerland and France

Asia and Oceania: Hong Kong and Singapore

## 3. Overseas net operating revenues

Overseas net operating revenues include those of the Company and its consolidated subsidiaries (excluding inter-company profit) are as follows.

**Fiscal 2004 ended March 31, 2005**

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	8,552	21,148	8,890	38,591
Consolidated net operating revenues	-	-	-	390,432
Percentage of total revenues	2.2	5.4	2.3	9.9

**Fiscal 2003 ended March 31, 2004**

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	10,945	20,352	8,249	39,547
Consolidated net operating revenues	-	-	-	352,434
Percentage of total revenues	3.1	5.8	2.3	11.2

Note: Method of segmentation by geographic area and principal countries of area belonging to each segment are same as '2. Net operating revenues by geographic area'.

**Notes to Post-Employment benefit plan**

## 1. Post-Employment benefit plan

The Company and domestic consolidated subsidiaries adopt retirement lump-sum system and some of domestic companies adopt the closed pension fund applied only to annuitant. The Company and almost all of domestic consolidated subsidiaries introduced defined contribution pension plan in December, 2001. Some overseas-consolidated subsidiaries adopt defined contribution pension plan.

2. Post-employment benefit obligation and provision for employees' retirement allowance on consolidated financial statement		
	<u>Fiscal 2004 (Mar. 31, 2005)</u>	<u>Fiscal 2003 (Mar. 31, 2004)</u>
(1) Post -employment benefit obligation		
Accrued retirement benefits:	19,173 million yen	17,301 million yen
(2) Provision for employees' retirement allowance		
Provision for employees' retirement allowance:	6,247million yen	6,973million yen

Note: Provision for employees' retirement allowance is included in 'Employees' compensation and benefits' of 'Selling, general and administrative expenses'.

3. Basis of measurement of post -employment benefit obligation		
(1) Method of allocation of projected post-employment benefit obligation: Straight-line period method		
	<u>Fiscal 2004 (Mar. 31, 2005)</u>	<u>Fiscal 2003 (Mar. 31, 2004)</u>
(2) Discount rate:	Mainly 0.6% to 0.8%	Mainly 0.6% to 0.7%
(3) Expected rates of return on asset:	Mainly 0.5% to 1.0%	Mainly 0.5% to 1.0%
(4) Term of amortization of net actuarial loss:	Mainly 4 to 5 years	Mainly 4 to 5 years

### **Other notes**

The Group omits to disclose the notes concerning the 'Lease transactions' and the 'Derivative transactions' on this financial summary. The information will be disclosed through EDINET, electronic disclosure system in accordance with Japanese Securities Exchange Law.

The Group will disclose the notes concerning 'Transactions with related parties', 'Deferred tax assets and liabilities, and "Securities' as the 'Additional information on financial summary' as soon as those are available.

**Supplemental information for fiscal year 2004**

## 1. Breakdown of commissions

**Fiscal 2004 ended March 31, 2005**

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	81,919	1,463	159	-	-	83,542
Underwriting commission	-	-	-	54,743	-	54,743
(Stock and other)	(-)	(-)	(-)	(44,659)	(-)	(44,659)
(Bond and other)	(-)	(-)	(-)	(8,573)	(-)	(8,573)
Distribution commission	-	-	19,687	3,597	-	23,285
Other commission	1,967	2,800	25,793	12,828	11,425	54,815
(Agency commission)	(-)	(2,748)	(14,014)	(-)	(-)	(16,763)
Total	83,887	4,263	45,640	71,170	11,425	216,386

**Fiscal 2003 ended March 31, 2004**

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	78,193	1,242	208	-	-	79,645
Underwriting commission	-	-	-	46,093	-	46,093
(Stock and other)	(-)	(-)	(-)	(36,927)	(-)	(36,927)
(Bond and other)	(-)	(-)	(-)	(8,400)	(-)	(8,400)
Distribution commission	-	-	21,904	1,661	-	23,565
Other commission	1,866	3,977	20,932	8,049	10,032	44,858
(Agency commission)	(-)	(3,952)	(10,940)	(-)	(-)	(14,892)
Total	80,060	5,219	43,045	55,805	10,032	194,162

**Yr/yr percentage change (Fiscal year ended Mar. 31, 2005 (A) / Fiscal year ended Mar. 31, 2004 (B) - 1)**

(percentage)	Equity	Fixed income (Bond)	Investment Trust	Investment banking	Others	Total
Brokerage commission	4.8	17.8	-23.8	-	-	4.9
Underwriting commission	-	-	-	18.8	-	18.8
(Stock and other)	(-)	(-)	(-)	(20.9)	(-)	(20.9)
(Bond and other)	(-)	(-)	(-)	(2.1)	(-)	(2.1)
Distribution commission	-	-	-10.1	116.5	-	-1.2
Other commission	5.4	-29.6	23.2	59.4	13.9	22.2
(Agency commission)	(-)	(-30.4)	(28.1)	(-)	(-)	(12.6)
Total	4.8	-18.3	6.0	27.5	13.9	11.4

## 2. Breakdown of net gains on trading

(millions of yen)	Fiscal 2004 (2005/3)	Fiscal 2003 (2004/3)	Yr/yr % change
Stock and other	56,104	50,024	12.2
Bond, forex and other	95,012	70,171	35.4
(Bond and other)	(62,407)	(47,267)	(32.0)
(Forex and other)	(32,605)	(22,904)	(42.4)
Total	151,117	120,195	25.7

**Quarterly consolidated income statements (Reference Data)**

(millions of yen)	4th quarter Jan. 1, 2004- Mar. 31, 2004	1st quarter Apr. 1, 2004- Jun. 30, 2004	2nd quarter Jul. 1, 2004- Sep. 30, 2004	3rd quarter Oct. 1, 2004- Dec. 31, 2004	4th quarter Jan. 1, 2005- Mar. 31, 2005
Operating revenues	122,991	124,660	118,519	118,067	158,088
Commissions	60,213	54,299	53,116	46,702	62,268
Brokerage commission	23,724	27,544	16,831	16,757	22,408
(Stock and other)	23,641	27,171	16,485	16,322	21,939
(Bond and other)	21	312	307	404	439
Underwriting commission	16,122	10,236	17,299	11,801	15,405
(Stock and other)	13,437	7,843	15,001	9,822	11,991
(Bond and other)	2,106	2,232	1,751	1,764	2,824
Distribution commission	7,469	5,852	4,155	5,617	7,659
(Beneficiary certificates)	6,782	5,141	3,434	4,691	6,420
Other commission	12,896	10,665	14,829	12,524	16,795
(Beneficiary certificates)	5,738	6,016	6,169	6,491	7,006
Net gains on trading	28,336	42,437	33,831	30,452	44,397
(Stock and other)	11,450	19,285	9,606	5,635	21,577
(Bond and other)	14,970	17,228	18,431	18,216	8,531
(Forex and other)	1,915	5,922	5,794	6,600	14,288
Net gains on operational investment Securities	793	950	583	201	-1,563
Interest and dividend income	23,113	19,498	23,761	33,385	41,374
Other sales revenues	10,535	7,475	7,226	7,326	11,612
Interest expenses	18,285	17,926	23,145	30,466	32,137
Cost of sales	7,997	5,675	5,410	5,420	8,720
Net operating revenues	96,708	101,058	89,963	82,180	117,230
Selling general and administrative expenses:	68,820	68,319	67,640	66,002	73,581
Commission and other expenses	10,566	10,559	11,779	11,295	13,086
Employees' compensation and benefits	35,545	37,043	34,199	33,472	38,036
Real estate expenses	8,805	7,901	8,359	7,992	8,443
Data processing and office supplies	3,816	3,784	4,223	4,225	4,571
Depreciation expenses	6,101	5,458	5,426	5,486	5,758
Taxes other than income taxes	1,224	1,829	1,751	1,617	1,556
Others	2,761	1,743	1,900	1,911	2,129
Operating income	27,887	32,738	22,322	16,177	43,649
Non-operating income	1,075	2,439	1,141	2,436	1,891
Non-operating expenses	359	984	397	591	389
Ordinary income	28,603	34,193	23,066	18,022	45,151
Extraordinary gains	5,851	319	1,883	2,043	5,307
Extraordinary losses	20,971	777	1,607	1,388	13,608
Income before income taxes and others	13,483	33,734	23,341	18,676	36,850
Income taxes-current	6,990	890	939	307	9,795
Income taxes-deferred	-11,387	12,625	7,384	6,683	1,539
Minority interest in income	-3,635	-5,933	-5,136	-2,221	-6,479
Net income	14,244	14,284	9,881	9,464	19,035
Net financial income included in net operating revenues	4,827	1,571	615	2,918	9,236

**Daiwa Securities Group Inc.**

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Tokyo 100-8101, Japan

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

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.

(Millions of yen except for per share data and yr/yr % change)

	Operating revenues		Operating income		Ordinary income	
Fiscal 2004 (2005/3)	26,236	(67.6)%	13,884	(921.5)%	16,302	(778.5)%
Fiscal 2003 (2004/3)	15,656	(-77.7)%	1,359	(-97.6)%	1,855	(-96.8)%

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
Fiscal 2004 (2005/3)	32,228	(-)%	24.21	Yen	23.31	Yen	5.7	%
Fiscal 2003 (2004/3)	-39,891	(-)%	-30.09	Yen	-		-7.0	%

## (Note) 1. Average number of shares outstanding (shares)

Fiscal 2004 (2005/3): 1,330,684,146      Fiscal 2003 (2004/3): 1,329,314,221

2. Change in accounting policies: None

## (2) Dividends

	Dividend / share			Dividends Millions of yen	Pay-out ratio %	Dividends on stockholders' equity %
	Yen	Interim Yen	Year-end Yen			
Fiscal 2004 (2005/3)	13.00	5.00	8.00	17,298	53.7	3.1
Fiscal 2003 (2004/3)	10.00	-	10.00	13,307	-	2.4

Interim dividend system is introduced from the current fiscal year.

## (3) Financial conditions

(Millions of yen except for per share data and percentage)

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity/share
Fiscal 2004 (2005/3)	1,088,665	573,115	52.6 %	430.71 Yen
Fiscal 2003 (2004/3)	1,121,183	558,157	49.8	419.34

## (Note) 1. Number of shares outstanding (shares)

As of Mar. 31, 2005: 1,330,612,431      As of Mar. 31, 2004: 1,330,742,479

## 2. Treasury stock (shares)

As of Mar. 31, 2005: 1,123,741      As of Mar. 31, 2004: 992,779

(Note) The Company, the holding company for the Daiwa Securities Group, is influenced by the performance of subsidiaries.

The subsidiaries' principal business is securities business, and the market environment affects their performance.

Therefore, the Company considers it difficult to forecast the performance.

Representative: Shigeharu Suzuki, President

Contact: Hironaka Takada, General Manager, Finance Department      Phone: +813-3243-2100

**Balance sheets**

(millions of yen)	<b>Fiscal 2004</b> Mar. 31, 2005	<b>Fiscal 2003</b> Mar. 31, 2004	<b>Increase/ Decrease</b>
<b>Assets</b>			
<b>Current assets:</b>	<b>227,816</b>	<b>252,906</b>	<b>-25,090</b>
Cash and deposits	117,897	157,251	-39,354
Short-term loans receivable	87,369	81,983	5,385
Accounts receivable	17,728	2,866	14,861
Accrued income	1,845	1,857	-11
Deferred income tax assets-current	1,886	7,043	-5,156
Other current assets	1,088	1,903	-815
<b>Non-current assets:</b>	<b>860,849</b>	<b>868,277</b>	<b>-7,427</b>
Tangible fixed assets	10,187	10,422	-234
Intangible fixed assets	717	935	-218
Investments and others:	849,944	856,919	-6,975
Investment securities	658,209	666,328	-8,119
Long-term loans receivable	171,406	150,781	20,624
Long-term guarantee deposits	12,471	29,251	-16,779
Others	8,351	11,046	-2,695
Less: Allowance for doubtful accounts	-494	-488	-6
<b>Total assets</b>	<b>1,088,665</b>	<b>1,121,183</b>	<b>-32,518</b>

(millions of yen)	<b>Fiscal 2004</b> Mar. 31, 2005	<b>Fiscal 2003</b> Mar. 31, 2004	<b>Increase/ Decrease</b>
<b><i>Liabilities</i></b>			
<b>Current liabilities:</b>	<b>263,444</b>	<b>193,219</b>	<b>70,224</b>
Short-term borrowings	67,710	113,360	-45,650
Commercial paper	25,000	-	25,000
Bonds due within one year	100,000	8,400	91,600
Payables on collateralized securities transactions	66,855	66,795	60
Accrued income taxes	138	9	129
Accrued bonuses	769	425	344
Stock purchase warrant	-	501	-501
Other current liabilities	2,970	3,728	-758
<b>Non-current liabilities:</b>	<b>252,105</b>	<b>369,805</b>	<b>-117,700</b>
Bonds	124,900	220,000	-95,100
Convertible bonds	79,985	79,986	-1
Long-term borrowings	37,000	38,000	-1,000
Long-term cash deposits received	4,100	20,243	-16,142
Deferred income taxes liabilities	1,916	7,192	-5,275
Accrued retirement benefits	3,408	3,005	403
Other non-current liabilities	793	1,378	-584
<b>Total liabilities</b>	<b>515,549</b>	<b>563,025</b>	<b>-47,475</b>
<b><i>Stockholders' equity</i></b>			
Common stock	138,432	138,431	0
Capital surplus	117,941	117,939	1
Additional paid-in capital	117,786	117,786	0
Other capital surplus reserve	154	153	1
Net gains on sales of treasury stock	154	153	1
Earned surplus	289,409	277,257	12,152
Earned surplus reserve	45,335	45,335	-
General-purpose reserve	218,000	271,000	-53,000
Unappropriated retained earnings	26,074	-39,077	65,152
Net unrealized gains on investment securities, net of tax effect	28,119	25,218	2,900
Treasury stock	-786	-689	-96
<b>Total stockholders' equity</b>	<b>573,115</b>	<b>558,157</b>	<b>14,957</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,088,665</b>	<b>1,121,183</b>	<b>-32,518</b>

**Income statements**

(millions of yen)	<b>Fiscal 2004</b> Apr. 1, 2004 - Mar. 31, 2005	<b>Fiscal 2003</b> Apr. 1, 2003 - Mar. 31, 2004	Increase/ Decrease	<b>Yr/yr</b> <b>%</b> <b>Change</b>
<b>Operating revenues:</b>	<b>26,236</b>	<b>15,656</b>	<b>10,579</b>	<b>67.6</b>
Dividends from related companies	19,136	7,359	11,776	160.0
Interest on loans to related companies	3,704	4,800	-1,096	-22.8
Other interest and dividend income	100	64	35	55.4
Royalty on trademark	3,295	3,432	-136	-4.0
<b>Operating expenses:</b>	<b>12,352</b>	<b>14,297</b>	<b>-1,945</b>	<b>-13.6</b>
Selling, general and administrative expenses:	7,731	8,155	-424	-5.2
Commission and other expenses	917	989	-72	-7.3
Employees' compensation and benefits	3,650	3,600	49	1.4
Real estate expenses	681	587	94	16.1
Data processing and office supplies	870	806	64	8.0
Depreciation expenses	428	364	63	17.4
Others	1,182	1,807	-624	-34.6
Interest expenses	4,620	6,141	-1,521	-24.8
<b>Operating income</b>	<b>13,884</b>	<b>1,359</b>	<b>12,525</b>	<b>921.5</b>
Non-operating income	2,669	1,724	944	54.8
Non-operating expenses	251	1,228	-976	-79.5
<b>Ordinary income</b>	<b>16,302</b>	<b>1,855</b>	<b>14,446</b>	<b>778.5</b>
Extraordinary gains	9,149	5,287	3,861	73.0
Extraordinary losses	3,396	64,178	-60,781	-94.7
<b>Income before income taxes</b>	<b>22,055</b>	<b>-57,034</b>	<b>79,089</b>	<b>-</b>
Income taxes-current	-8,064	9	-8,073	-
Income taxes-deferred	-2,109	-17,152	15,043	-
<b>Net income</b>	<b>32,228</b>	<b>-39,891</b>	<b>72,120</b>	<b>-</b>
Unappropriated retained earnings-carryforward	498	813	-314	-38.7
<b>Interim dividends</b>	<b>6,653</b>	<b>-</b>	<b>6,653</b>	<b>-</b>
<b>Unappropriated retained earnings at ending</b>	<b>26,074</b>	<b>-39,077</b>	<b>65,152</b>	<b>-</b>

**Statement of appropriation of retained earnings**

(millions of yen)

(Appropriation plan)

	Fiscal 2004		Fiscal 2003	
	Apr. 1, 2004- Mar. 31, 2005		Apr. 1, 2003- Mar. 31, 2004	
Unappropriated retained earnings		26,074		-39,077
Reversal of voluntary reserve				
Reversal of other reserve	-	-	53,000	53,000
Total		26,074		13,922
Appropriations of retained earnings				
Dividends (*)	10,644 (Note 1)		13,307 (Note 2)	
Directors' bonuses		10,644	116	13,423
Unappropriated retained earnings carried forward		15,429		498

(Note 1): 8 yen per share

(Note 2): 10 yen per share

(\*) Interim dividend system is introduced from fiscal 2004. The Company paid interim dividend of 6,653 million yen (5 yen per share) on December 1, 2004.

## **Notes to financial statements**

The financial statements of the Company for fiscal 2004 ended March 31, 2005 are prepared in accordance with 'Regulations of Financial Statements' (MOF Ordinance No. 59, 1963).

### **Basis of financial statements**

#### 1. Valuation of securities

- (1) Subsidiary stocks and affiliated company stocks are valued at moving average cost method.
- (2) Other securities than subsidiary stocks and affiliated company stocks are valued at fair value on the closing date with posting net unrealized gains net of tax effect directly in stockholders' equity, if their fair value is available. The cost of those securities is based on moving average method. Other securities are valued at moving average cost method if their fair value is not available. Of those securities with no fair value, investment limited partnership and similar partnership which are regarded as equivalent to securities by the amendment of Securities and Exchange Act in 2004, share of net income raised by the partnership has been reflected on income statements of this fiscal year and share of net unrealized profits and losses on securities held by the partnerships directly into stockholders' equity.

#### 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 for various provisions

##### (1) Provision 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 employees' bonus

Estimated amount of employees' bonuses is accrued based on the bylaws.

##### (3) Accrued retirement benefits

Accrued retirement benefits for employees are provided 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. As for the closed pension fund, accrued retirement benefits for the portion of 12 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2005.

#### 4. Deferred assets

Stock issue costs and bond issue costs are amortized in a lump sum when incurred.

#### 5. 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.

#### 6. Hedging transaction

Interests received or paid on interest rate swap for hedging are accrued without being marked-to-market, and premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without being marked-to-market.

#### 7. Other material items

##### (1) Accounting for consumption taxes

Consumption taxes are separately recorded.

##### (2) Consolidated tax system

The consolidated tax system is applied starting from the current 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.

**Change in presentation**

Investment in investment limited partnership and similar partnership regarded as securities due to the amendment of Securities and Exchange Act in 2004 are presented as securities. 'Others' of 'Investments and others' decreased by 2,240 million yen and 'Investments securities' of 'Investments and others' increased by the same amount. There is no effect caused on income statement.

**Notes to balance sheets**

## 1. Accumulated depreciation of tangible fixed assets

As of Mar. 31, 2005	As of Mar. 31, 2004
3,218 million yen	3,292 million yen

## 2. Guarantee

As of Mar. 31, 2005	As of Mar. 31, 2004
8,969 million yen	17,746 million yen

## 3. Details of increase in shares outstanding

	<u>Number of shares issued</u>	<u>Issuance amount</u>	<u>Capitalized amount</u>
Conversion of convertible bonds	914	0 million yen	0 million yen

**Notes to income statements**

Details of extraordinary gains/losses

	<u>Fiscal 2004</u>	<u>Fiscal 2003</u>
	Apr. 1, 2004- Mar. 31, 2005	Apr. 1, 2003- Mar. 31, 2004
	(millions of yen)	
<b>Extraordinary gains:</b>		
Gain on sale of fixed assets	20	11
Gain on liquidation of related companies	5,529	-
Gain on sale of investment securities	3,098	5,276
Reversal of stock purchase warrant	501	-
<b>Extraordinary losses:</b>		
Write-down of related companies' stocks	42	1,230
Write-down of investment securities	3,035	1,151
Valuation loss of fixed assets	52	25
Loss on sale or disposal of fixed assets	116	36
Loss on impairment of fixed assets	-	848
Loss on sale of related companies' stocks	-	265
Loss on sale of investment securities	-	269
Provision for doubtful accounts	150	60,350

**Notes to securities**

Fair value of subsidiary and affiliated company stocks as of Mar. 31, 2005 (millions of yen)

	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Subsidiary	16,121	36,273	20,151
Affiliated company	274	493	219

**Other notes**

The Company omits to disclose the notes concerning the 'Lease transactions' on this financial summary. The information will be disclosed through EDINET, electronic disclosure system in accordance with Japanese Securities Exchange Law. The Company will disclose the notes concerning the 'Deferred income tax assets and liabilities' as the 'Additional information on financial summary' as soon as it is available.