

Daiwa Securities Group Inc.

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

July 29, 2005

Consolidated financial summary

(For the first quarter ended June 30, 2005)

1. (1) Change in accounting policy: None
 (2) Change in scope of consolidation and equity method: None
 Scope of consolidation and equity method
 Consolidated subsidiaries: 46 companies
 Affiliates applicable of equity method: 5 companies

2. Consolidated financial results (from April 1, 2005 to June 30, 2005)

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

'-' indicates a loss or negative figure.

(1) Operating results (from April 1, 2005 to June 30, 2005)

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

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
First quarter (2005/6)	135,435	(8.6)%	91,282	(-9.7)%	21,404	(-34.6)%	23,800	(-30.4)%
First quarter (2004/6)	124,660	(11.3)%	101,058	(19.5)%	32,738	(49.4)%	34,193	(44.4)%
Fiscal 2004 (2005/3)	519,337		390,432		114,887		120,433	

	Net income		Earnings/share		Fully diluted earnings/share		Return on shareholders' equity (annual basis)	
First quarter (2005/6)	11,636	(-18.5)%	8.74	Yen	8.33	Yen	7.2	%
First quarter (2004/6)	14,284	(29.5)%	10.73	Yen	10.22	Yen	9.4	%
Fiscal 2004 (2005/3)	52,665		39.03	Yen	37.36	Yen	8.4	%

(Note)

1. Equity in earnings

First quarter (2005/6): 158 million yen First quarter (2004/6): 115 million yen Fiscal 2004 (2005/3): 1,893 million yen

2. Average number of shares outstanding (shares)

First quarter (2005/6): 1,330,593,553 First quarter (2004/6): 1,330,720,666 Fiscal 2004 (2005/3): 1,330,674,648

(2) Financial conditions

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

	Total assets	Shareholders' equity	Shareholders' equity ratio		Shareholders' equity/share	
As of Jun. 30, 2005	12,453,733	650,923	5.2	%	489.20	Yen
As of Jun. 30, 2004	10,871,681	610,102	5.6	%	458.47	Yen
As of Mar. 31, 2005	12,378,961	648,332	5.2	%	486.70	Yen

(Note)

Number of shares outstanding (shares)

As of Jun. 30, 2005 : 1,330,584,470 As of Jun. 30, 2004 : 1,330,715,469 As of Mar. 31, 2005 : 1,330,602,933

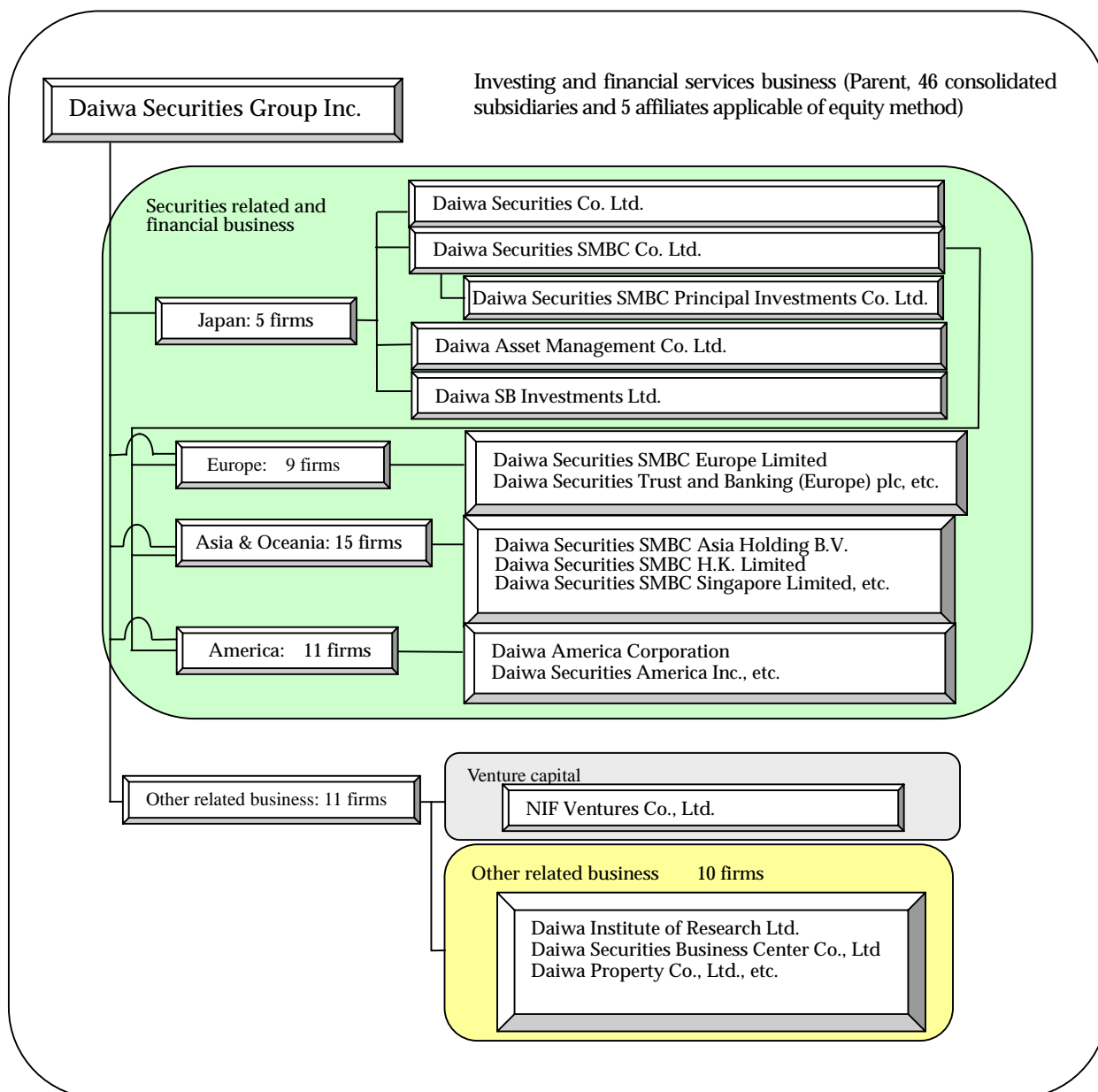
(Note) The Group's principal business is securities business, and the performance is influenced by the economic and market environment. Therefore, the Group doesn't disclose the estimated operating result, considering the difficulty to forecast the performance.

Representative: Shigeharu Suzuki, President

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

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.



Results of Operation and Financial Conditions

a. Consolidated operating results for the first quarter of fiscal 2005

1. Summary of operating results for 3 months (comparison with the first quarter of fiscal 2004)

Net operating revenues decreased 9.7% to 91,282 million yen mainly because commissions and net gains on trading decreased. Selling, general and administrative expenses increased 2.3% to 69,878 million yen. As a result, ordinary income decreased 30.4% to 23,800 million yen and net income decreased 18.5% to 11,636 million yen.

(1) Commissions

(i) Brokerage commission

Brokerage commission decreased 35.5% to 17,756 million yen, because brokerage commission in equity declined 35.7% to 17,467 million yen in line with a decrease of 15.3% to 1,403.3 billion yen in daily average trading value on the Tokyo Stock Exchange.

(ii) Underwriting commission

Underwriting commission derived from equity declined 68.1% to 2,501 million yen because public offerings of listed companies diminished. Underwriting commission derived from fixed income increased 7.9% to 2,410 million yen. As a result, underwriting commission dropped 48.0% to 5,320 million yen.

(iii) Distribution commission

Distribution commission grew 28.4% to 7,515 million yen because distribution commissions in investment trust increased 35.2% to 6,949 million yen, due to an increase in commission arising from sale of beneficiary certificate.

(iv) Other commission

Other commission in investment trust increased 27.4% to 7,702 million yen primarily due to an increase in trust fee in line with expanded outstanding balance of equity-related beneficiary certificate, and other commission in investment banking increased due to contribution of M&A fee. As a result, total other commission increased 35.5% to 14,447 million yen.

(2) Net gains on trading

Net gains on trading in stock and other decreased 61.4% to 7,435 million yen. Net gains on trading in bond, forex and other increased 22.5% to 28,369 million yen. As a result, total net gains on trading decreased 15.6% to 35,804 million yen.

(3) Financial income

Interest and dividend income increased 120.4% to 42,965 million yen and interest expenses increased 114.9% to 38,531 million yen. Net financial income increased 182.2% to 4,434 million yen due to an increase in interests received on bonds.

(4) Selling, general and administrative expenses

Employees' compensation and benefits decreased 5.6% to 34,961 million yen due to a decrease in accrued bonuses in line with operating result. Commission and other expenses, however, increased 30.2% to 13,748 million yen due to an increase in advertisement expenses and bond commission paid. As a result, selling, general and administrative expenses increased 2.3% to 69,878 million yen.

2. Operating results of overseas subsidiaries for the first quarter of fiscal 2005 (3 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
-72	365	394	687

b. Financial conditions (comparison with March 31, 2005)

Total assets increased by 74,771 million yen to 12,453,733 million yen, because trading assets and collateralized short-term financing agreements increased by 16,196 million yen and 130,725 million yen, respectively, while cash and deposits decreased by 73,446 million yen. Total liabilities increased by 74,561 million yen to 11,615,997 million yen, because collateralized short-term financing agreements increased by 373,801 million yen, and trading receivable (payables), net posted on the asset side as of March 31, 2005 was recorded on the liabilities side in 211,429 million yen, while short-term borrowings decreased by 475,392 million yen.

Consolidated balance sheets

(millions of yen)	First quarter Jun. 30, 2005	First quarter Jun. 30, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Assets				
Current assets:	12,013,642	10,325,304	1,688,337	11,936,024
Cash and deposits	325,242	473,373	-148,131	398,688
Cash segregated as deposits for regulatory purposes	140,734	115,643	25,091	153,516
Notes receivable and trade accounts receivable	6,694	6,767	-72	8,635
Securities	18,904	27,133	-8,229	15,037
Trading assets:	5,258,515	4,239,080	1,019,435	5,242,319
Trading securities and others	4,562,301	3,683,002	879,299	4,690,548
Derivative assets	696,214	556,078	140,136	551,771
Trading receivables, net	-	-	-	9,419
Private equity and other securities	159,255	41,151	118,104	149,598
Less: Allowance for possible investment losses	-6,803	-5,357	-1,446	-7,051
Other inventories	1,982	1,097	885	816
Receivables related to margin transactions:	338,545	261,205	77,339	312,144
Customer margin loans	145,577	122,041	23,536	126,686
Cash deposits as collateral for securities borrowed	192,967	139,164	53,803	185,457
Collateralized short-term financing agreements:	5,479,641	4,797,418	682,223	5,348,915
Cash deposits as collateral for securities borrowed	5,479,641	4,793,418	686,223	5,348,915
Receivables related to gensaki transactions	-	4,000	-4,000	-
Receivables	23,997	16,339	7,657	11,458
Securities failed to deliver	101,862	138,213	-36,350	130,176
Short-term loans receivable	77,019	100,383	-23,364	75,781
Accrued income	21,166	16,284	4,881	17,463
Deferred tax assets-current	4,727	11,655	-6,928	9,076
Other current assets	62,525	85,287	-22,761	60,354
Less: Allowance for doubtful accounts-current	-369	-372	3	-328
Non-current assets:	440,090	546,376	-106,286	442,937
Tangible fixed assets	137,209	141,664	-4,455	137,619
Intangible fixed assets	61,837	59,207	2,630	62,052
Investments and others:	241,043	345,504	-104,461	243,265
Investment securities	176,619	186,600	-9,980	178,163
Long-term loans receivable	11,716	11,401	314	11,681
Long-term guarantee deposits	23,060	25,386	-2,326	23,410
Deferred tax assets-non-current	12,050	32,689	-20,638	12,839
Other investments	25,403	101,323	-75,920	25,715
Less: Allowance for doubtful accounts-non-current	-7,807	-11,896	4,089	-8,546
Total assets	12,453,733	10,871,681	1,582,051	12,378,961

(millions of yen)	First quarter Jun. 30, 2005	First quarter Jun. 30, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
<i>Liabilities</i>				
Current liabilities:	10,619,683	9,314,554	1,305,129	10,685,604
Notes payable and trade accounts payable	2,814	2,407	406	3,369
Trading liabilities:	3,686,215	3,213,745	472,470	3,658,544
Trading securities and others	3,077,863	2,721,424	356,438	3,196,633
Derivative liabilities	608,352	492,320	116,031	461,911
Trading payables, net	211,429	149,109	62,320	-
Payables related to margin transactions:	156,341	100,701	55,640	141,972
Payable to securities finance companies	1,757	3,292	-1,535	2,981
Proceeds of securities sold for customers' accounts	154,584	97,408	57,175	138,991
Collateralized short-term financing agreements:	4,251,532	3,686,929	564,602	3,877,730
Cash deposits as collateral for securities loaned	4,005,214	3,220,607	784,606	3,687,840
Payables related to gensaki transactions	246,318	466,322	-220,003	189,890
Deposits received	118,433	179,304	-60,870	110,415
Cash deposits received as guarantee	56,007	64,016	-8,009	53,302
Securities failed to receive	84,276	134,695	-50,419	138,288
Short-term borrowings	1,820,536	1,441,802	378,734	2,295,928
Commercial paper	128,918	159,722	-30,803	200,220
Bonds and notes due within one year	33,098	128,312	-95,214	129,401
Income taxes payable	9,437	2,486	6,951	10,596
Deferred tax liabilities-current	5,130	124	5,005	951
Accrued bonuses	8,839	10,658	-1,818	22,811
Other current liabilities	46,670	40,537	6,132	42,071
Non-current liabilities:	990,663	769,644	221,019	850,180
Bonds and notes	727,708	590,184	137,524	666,136
Convertible bonds	79,985	79,986	-1	79,985
Long-term debt	154,074	67,409	86,664	74,195
Deferred tax liabilities-non-current	5,891	8,947	-3,055	6,225
Retirement benefits	19,280	17,283	1,996	19,173
Other non-current liabilities	3,723	5,834	-2,110	4,465
Statutory reserves	5,649	5,220	429	5,650
Total liabilities	11,615,997	10,089,419	1,526,577	11,541,435
Minority interests	186,812	172,159	14,653	189,193
<i>Shareholders' equity</i>				
Common stock	138,432	138,431	0	138,432
Capital surplus	117,940	117,940	0	117,941
Retained earnings	363,261	331,221	32,040	362,948
Net unrealized gain (loss) on securities, net of tax effect	37,571	30,964	6,606	35,674
Translation adjustments	-5,483	-7,749	2,265	-5,877
Treasury stock	-799	-705	-94	-786
Total shareholders' equity	650,923	610,102	40,820	648,332
Total liabilities, minority interests and shareholders' equity	12,453,733	10,871,681	1,582,051	12,378,961

Consolidated statements of operations

(millions of yen)	First quarter Apr. 1, 2005 - Jun. 30, 2005	First quarter Apr. 1, 2004 - Jun. 30, 2004	Yr/yr % change	Fiscal 2004 Apr. 1, 2004- Mar. 31, 2005
Operating revenues:	135,435	124,660	8.6	519,337
Commissions	45,039	54,299	-17.1	216,386
Net gain (loss) on trading	35,804	42,437	-15.6	151,117
Net gain (loss) on private equity and other securities (*1)	4,009	-	-	-
Net gain (loss) on private equity and other securities (*2)	-	950	-	171
Interest and dividend income	42,965	19,498	120.4	118,019
Other sales revenues	7,616	7,475	1.9	33,641
Interest expenses	38,531	17,926	114.9	103,676
Cost of sales	5,621	5,675	-1.0	25,228
Net operating revenues	91,282	101,058	-9.7	390,432
Selling, general and administrative expenses:	69,878	68,319	2.3	275,544
Commission and other expenses	13,748	10,559	30.2	46,720
Employees' compensation and benefits	34,961	37,043	-5.6	142,751
Occupancy and rental	7,746	7,901	-2.0	32,697
Data processing and office supplies	4,309	3,784	13.9	16,804
Depreciation expenses	5,551	5,458	1.7	22,129
Taxes other than income taxes	1,594	1,829	-12.9	6,755
Others	1,966	1,743	12.8	7,685
Operating income	21,404	32,738	-34.6	114,887
Non-operating income:	2,705	2,439	10.9	7,909
Equity in earnings	158	115	36.4	1,893
Others	2,546	2,323	9.6	6,015
Non-operating expenses	308	984	-68.7	2,363
Ordinary income	23,800	34,193	-30.4	120,433
Extraordinary gains	321	319	0.8	9,552
Extraordinary losses	-	777	-	17,383
Income before income taxes and minority interests	24,122	33,734	-28.5	112,603
Income taxes-current	2,698	890	202.9	11,933
Income taxes-deferred	6,690	12,625	-47.0	28,233
Minority interest	-3,096	-5,933	-	-19,770
Net income	11,636	14,284	-18.5	52,665
Net financial income included in net operating revenues	4,434	1,571	182.2	14,342

Note:

*1. Includes share of net income raised by the investments in limited partnerships and similar partnerships.

*2. Excludes share of net income raised by the investments in limited partnerships and similar partnerships. The details are mentioned in 'Change in presentation'.

Consolidated statements of capital surplus and retained earnings

(millions of yen)	First quarter Apr. 1, 2005- Jun. 30, 2005	First quarter Apr. 1, 2004- Jun. 30, 2004	Fiscal 2004 Apr. 1, 2004- Mar. 31, 2005
<i>Capital surplus</i>			
Beginning balance of capital surplus	117,941	117,939	117,939
Increase in capital surplus	-	0	1
Conversion of convertible bonds	-	-	0
Net gains on sales of treasury stock	-	0	1
Decrease in capital surplus	0	-	-
Net losses on sales of treasury stock	0	-	-
Ending balance of capital surplus	117,940	117,940	117,941
<i>Retained earnings</i>			
Beginning balance of retained earnings	362,948	330,780	330,780
Increase in retained earnings:	11,636	14,284	52,665
Net income	11,636	14,284	52,665
Decrease in retained earnings:	11,323	13,843	20,497
Cash dividends paid	10,644	13,307	19,960
Bonuses to directors	678	536	536
Ending balance of retained earnings	363,261	331,221	362,948

Notes to consolidated financial statements

The consolidated financial statements of the Company for the first quarter ended June 30, 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. 24, 1998) and its Article 48 and 69.

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

Each amount of total assets, operating revenues (or sales), net income corresponding to equity holdings and retained earnings 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.

Each amount of net income corresponding to equity holdings and retained earnings 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 first quarter other than June 30, 2005, the financial statements for the relevant first quarter are reflected.

3. Fiscal period of subsidiaries

For subsidiaries with the first quarter ending other than June 30, 2005, the financial statements for the relevant first quarter are employed and important transactions occurred by discrepancies with closing account date are adjusted for this consolidated financial statements.

4. Accounting policies

(1) Valuation of financial instruments and inventories

(i) Valuation of trading assets and liabilities

Trading assets and liabilities, including securities and financial derivatives for trading purposes held by a securities company are recorded mainly on a trade date basis in the consolidated balance sheet at either market or fair value.

(ii) Valuation of non-trading securities

The Group examines the intent of holding each securities and classifies those securities as (a) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (b) equity securities issued by subsidiaries and affiliated companies, or (c) all other securities not classified in any of the above categories ("available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with market value are stated at market value, based on quoted market prices. Realized gains and losses on sale of such securities are computed using the moving-average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the shareholders' equity.

Debt in available-for-sale securities for which a market value is not available, are stated at the amortized cost, net of the amount considered not collectible. Equity in available-for-sale securities for which a market value is not available, are stated at the moving-average cost.

Of those securities with no fair value, investments in limited partnerships and similar partnerships which are regarded as equivalent to securities by the Article 2 (2) of Securities Exchange Act in 2004, share of net income raised by the partnership has been reflected on consolidated statements of operations of last fiscal year and share of net unrealized profits and losses held by the partnerships directly into stockholders' equity.

(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

Property and equipment are stated at cost. The Company and domestic consolidated subsidiaries compute depreciation principally by the declining-balance method over estimated useful lives as stipulated by Corporation Tax Law of Japan. Depreciation for buildings purchased in Japan after April 1, 1998 is computed by the straight-line method. In overseas consolidated subsidiaries, depreciation is mainly computed by the straight-line method.

(ii) Intangible fixed assets

Intangible fixed assets are generally amortized under the straight-line method. The Company and domestic consolidated subsidiaries compute amortization over estimated useful lives as stipulated by Corporation Tax Law of Japan, and over internally estimated useful lives (5 years) for software of in-house use.

(3) Accounting policies for various provisions

(i) Provision for doubtful accounts

Provisions for doubtful accounts are provided based on the estimated historical default rate for normal loans, and based on individually assessed amounts for doubtful accounts.

(ii) Allowance for possible investment losses

Some consolidated subsidiaries provide the allowances based on estimated losses on private equity and other securities held at the first quarter end, assessing the financial conditions of investee companies.

(iii) Accrued bonuses

The Company and domestic consolidated subsidiaries follow the Japanese practice of paying bonuses to employees in June and December. Accrued employees' bonuses represent liabilities estimated as of the balance sheet date. Bonuses to directors and corporate executive officers of the Company, which are subject to approval at the Compensation Committee, represent liabilities as of the balance sheet date. Compensation 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. Bonuses to directors of consolidated subsidiaries, which are subject to approval at the shareholders' meeting, are accounted for as an appropriation of retained earnings.

(iv) Retirement benefits

The Company and most of domestic consolidated subsidiaries provide an unfunded defined contribution plan to their employees in return for services rendered each year, where the amount to be contributed to the individual employee's account is defined by the plan. Contributions by the Company and most of domestic consolidated subsidiaries under the unfunded defined contribution plan are accumulated on an annual basis and earn a guaranteed hypothetical return at a rate predetermined by the Company and most of domestic consolidated subsidiaries each year.

(4) Accounting for certain lease transactions

Financial leases, whose ownership does not transfer to the lessee at the end of the lease term (non-capitalized finance leases) are not capitalized and are accounted for in the same manner as operating leases.

(5) Hedging transaction

The Group states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses unless the derivative financial instruments are used for hedging purposes. Valuation gains or losses on hedging instruments are mainly deferred as assets or liabilities until the gains or losses on the underlying hedged instruments are realized. Interest received or paid on interest swaps for hedging purposes is accrued without being marked-to-market. The premium or discount on forward foreign exchange for hedging purpose is allocated to each fiscal term without being marked-to-market.

(6) Other material items

(i) Accounting for consumption taxes

Consumption taxes are separately recorded.

(ii) Deferred assets

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

(iii) Consolidated tax payments system

Starting from fiscal 2004 ended March 31, 2005, the consolidated tax payments system was applied, designating the Company and NIF Ventures as parent companies of the consolidated tax payments. Daiwa Securities SMBC has applied the consolidated tax payments system as parent company since the year ended March 31, 2003.

Change in presentation

Regarding the investments in limited partnerships and a sort of partnerships which are regarded as equivalent to securities by the Article 2 (2) of Securities Exchange Act, the profits and losses related to these investments had been included in 'Interest and dividend income' until fiscal 2004, but those are included in 'Net gain (loss) on private equity and other securities' since the beginning of this fiscal year. 'Interest and dividend income' decreased by 2,567 million yen, due to this change in presentation.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets	As of Jun. 30, 2005	As of Jun. 30, 2004	As of Mar. 31, 2005
	98,352 million yen	101,282 million yen	97,300 million yen
2. Guarantee	As of Jun. 30, 2005	As of Jun. 30, 2004	As of Mar. 31, 2005
	3,321 million yen	4,269 million yen	3,513 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 Jun. 30, 2005	As of Jun. 30, 2004	As of Mar. 31, 2005
	-	40,000 million yen	40,000 million yen
Long-term borrowings	As of Jun. 30, 2005	As of Jun. 30, 2004	As of Mar. 31, 2005
	102,000 million yen	-	20,000 million yen

Notes to consolidated statements of operations

Details of extraordinary gains/losses

(million of yen)	<u>First quarter</u> Apr. 1, 2005- Jun. 30, 2005	<u>First quarter</u> Apr. 1, 2004- Jun. 30, 2004	<u>Fiscal 2004</u> Apr. 1, 2004- Mar. 31, 2005
Extraordinary gains:			
Gain on sale of fixed assets	-	7	2,000
Gain on liquidation of related companies	-	-	599
Gain on sale of investment securities	321	311	6,451
Reversal of reserve for securities transaction liabilities	0	-	-
Reversal of reserve for financial futures transaction liabilities	-	0	-
Reversal of stock purchase warrant	-	-	501
Extraordinary losses:			
Write-down of related companies stocks	-	-	40
Write-down of investment securities	-	-	3,430
Valuation loss of fixed assets	-	-	114
Loss on sale or disposal of fixed assets	-	93	1,535
Loss on liquidation of related companies	-	-	650
Loss on sale of investment securities	-	257	892
Loss on sale of loans receivable	-	-	7,595
Provision for doubtful accounts	-	-	1,638
Reorganization costs for overseas banking subsidiary	-	338	779
Multiemployer pension plan settlement cost in consolidated subsidiaries	-	-	188
Provision for securities transaction liabilities	-	87	517

Supplemental information for the first quarter of fiscal 2005

1. Breakdown of commissions

First quarter ended June 30, 2005 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	17,467	251	38	-	-	17,756
Underwriting commission	-	-	-	5,320	-	5,320
(Stock and other)	(-)	(-)	(-)	(2,501)	(-)	(2,501)
(Bond and other)	(-)	(-)	(-)	(2,410)	(-)	(2,410)
Distribution commission	-	-	6,949	566	-	7,515
Other commission	497	466	7,702	2,345	3,436	14,447
(Agency commission)	(-)	(453)	(4,284)	(-)	(-)	(4,737)
Total	17,964	717	14,689	8,231	3,436	45,039

First quarter ended June 30, 2004 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	27,171	312	60	-	-	27,544
Underwriting commission	-	-	-	10,236	-	10,236
(Stock and other)	(-)	(-)	(-)	(7,843)	(-)	(7,843)
(Bond and other)	(-)	(-)	(-)	(2,232)	(-)	(2,232)
Distribution commission	-	-	5,141	711	-	5,852
Other commission	551	510	6,046	1,152	2,405	10,665
(Agency commission)	(-)	(509)	(3,233)	(-)	(-)	(3,743)
Total	27,723	822	11,248	12,100	2,405	54,299

Yr/yr percentage change (First quarter ended Jun. 30, 2005 (A) / First quarter ended Jun. 30, 2004 (B) - 1)

(percentage)	Equity	Fixed income (Bond)	Investment Trust	Investment banking	Others	Total
Brokerage commission	-35.7	-19.5	-37.3	-	-	-35.5
Underwriting commission	-	-	-	-48.0	-	-48.0
(Stock and other)	(-)	(-)	(-)	(-68.1)	(-)	(-68.1)
(Bond and other)	(-)	(-)	(-)	(7.9)	(-)	(7.9)
Distribution commission	-	-	35.2	-20.4	-	28.4
Other commission	-9.7	-8.6	27.4	103.4	42.9	35.5
(Agency commission)	(-)	(-11.1)	(32.5)	(-)	(-)	(26.6)
Total	-35.2	-12.8	30.6	-32.0	42.9	-17.1

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

2. Breakdown of net gains on trading

(millions of yen)	First quarter (2005/6)	First quarter (2004/6)	Yr/yr % change	Fiscal 2004 (2005/3)
Stock and other	7,435	19,285	-61.4	56,104
Bond, forex and other	28,369	23,151	22.5	95,012
(Bond and other)	(20,566)	(17,228)	(19.4)	(62,407)
(Forex and other)	(7,802)	(5,922)	(31.7)	(32,605)
Total	35,804	42,437	-15.6	151,117

Quarterly consolidated statements of operations

(millions of yen)	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	1st quarter Apr.1, 2005- Mar. 31, 2005
Operating revenues	124,660	118,519	118,067	158,088	135,435
Commissions	54,299	53,116	46,702	62,268	45,039
Brokerage commission	27,544	16,831	16,757	22,408	17,756
(Stock and other)	27,171	16,485	16,322	21,939	17,467
(Bond and other)	312	307	404	439	251
Underwriting commission	10,236	17,299	11,801	15,405	5,320
(Stock and other)	7,843	15,001	9,822	11,991	2,501
(Bond and other)	2,232	1,751	1,764	2,824	2,410
Distribution commission	5,852	4,155	5,617	7,659	7,515
(Beneficiary certificates)	5,141	3,434	4,691	6,420	6,949
Other commission	10,665	14,829	12,524	16,795	14,447
(Beneficiary certificates)	6,016	6,169	6,491	7,006	7,663
Net gain (loss) on trading	42,437	33,831	30,452	44,397	35,804
(Stock and other)	19,285	9,606	5,635	21,577	7,435
(Bond and other)	17,228	18,431	18,216	8,531	20,566
(Forex and other)	5,922	5,794	6,600	14,288	7,802
Net gain (loss) on private equity and other securities (*1)	-	-	-	-	4,009
Net gain (loss) on private equity and other securities (*2)	950	583	201	-1,563	-
Interest and dividend income	19,498	23,761	33,385	41,374	42,965
Other sales revenues	7,475	7,226	7,326	11,612	7,616
Interest expenses	17,926	23,145	30,466	32,137	38,531
Cost of sales	5,675	5,410	5,420	8,720	5,621
Net operating revenues	101,058	89,963	82,180	117,230	91,282
Selling, general and administrative expenses:	68,319	67,640	66,002	73,581	69,878
Commission and other expenses	10,559	11,779	11,295	13,086	13,748
Employees' compensation and benefits	37,043	34,199	33,472	38,036	34,961
Occupancy and rental	7,901	8,359	7,992	8,443	7,746
Data processing and office supplies	3,784	4,223	4,225	4,571	4,309
Depreciation expenses	5,458	5,426	5,486	5,758	5,551
Taxes other than income taxes	1,829	1,751	1,617	1,556	1,594
Others	1,743	1,900	1,911	2,129	1,966
Operating income	32,738	22,322	16,177	43,649	21,404
Non-operating income	2,439	1,141	2,436	1,891	2,705
Non-operating expenses	984	397	591	389	308
Ordinary income	34,193	23,066	18,022	45,151	23,800
Extraordinary gains	319	1,883	2,043	5,307	321
Extraordinary losses	777	1,607	1,388	13,608	-
Income before income taxes and minority interests	33,734	23,341	18,676	36,850	24,122
Income taxes-current	890	939	307	9,795	2,698
Income taxes-deferred	12,625	7,384	6,683	1,539	6,690
Minority interests	-5,933	-5,136	-2,221	-6,479	-3,096
Net income	14,284	9,881	9,464	19,035	11,636
Net financial income included in net operating revenues	1,571	615	2,918	9,236	4,434

Note:

*1. Includes share of net income raised by the investments in limited partnerships and similar partnerships.

*2. Excludes share of net income raised by the investments in limited partnerships and similar partnerships.

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Tokyo 100-8101, Japan

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

July 29, 2005

Non-consolidated financial summary

(For the first quarter ended June 30, 2005)

(1) Operating results (from April 1, 2005 to June 30, 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	
First quarter (2005/6)	22,842	(8.0)%	19,848	(11.7)%	20,877	(8.8)%
First quarter (2004/6)	21,148	(132.7)%	17,766	(221.7)%	19,186	(230.2)%
Fiscal 2004 (2005/3)	26,236		13,884		16,302	

	Net income		Earnings/share	
First quarter (2005/6)	20,942	(13.7)%	15.73	Yen
First quarter (2004/6)	18,419	(220.4)%	13.84	Yen
Fiscal 2004 (2005/3)	32,228		24.21	Yen

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

First quarter (2005/6): 1,330,603,051 First quarter (2004/6): 1,330,730,164 Fiscal 2004 (2005/3): 1,330,684,146

2. Change in accounting policies: None

(2) Financial conditions

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

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity/share
As of Jun. 30, 2005	976,315	582,418	59.7 %	437.71 Yen
As of Jun. 30, 2004	1,113,965	565,494	50.8	424.95
As of Mar. 31, 2005	1,088,665	573,115	52.6	430.71

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

As of Jun. 30, 2005: 1,330,593,968 As of Jun. 30, 2004: 1,330,724,967 As of Mar. 31, 2005: 1,330,612,431

2. Treasury stock (shares)

As of Jun. 30, 2005: 1,142,204 As of Jun. 30, 2004: 1,010,291 As of Mar. 31, 2005: 1,123,741

(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 economic and market environment affects their performance. Therefore, the Company 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 Phone: +813-3243-2100

Balance sheets

(millions of yen)	First quarter Jun. 30, 2005	First quarter Jun. 30, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Assets				
Current assets:	99,583	263,917	-164,334	227,816
Cash and deposits	45,453	179,047	-133,593	117,897
Short-term loans receivable	16,931	67,533	-50,602	87,369
Accounts receivable	23,420	7,720	15,700	17,728
Accrued income	11,239	1,531	9,707	1,845
Deferred tax assets-current	1,396	6,870	-5,474	1,886
Other current assets	1,140	1,214	-73	1,088
Non-current assets:	876,731	850,047	26,684	860,849
Tangible fixed assets	10,130	10,358	-227	10,187
Intangible fixed assets	698	819	-120	717
Investments and others:	865,902	838,869	27,033	849,944
Investment securities	656,954	656,297	656	658,209
Long-term loans receivable	188,426	144,183	44,242	171,406
Long-term guarantee deposits	12,474	27,808	-15,334	12,471
Others	8,537	11,015	-2,478	8,351
Less: Allowance for doubtful accounts	-489	-436	-52	-494
Total assets	976,315	1,113,965	-137,650	1,088,665

(millions of yen)	First quarter Jun. 30, 2005	First quarter Jun. 30, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
<i>Liabilities</i>				
Current liabilities:	142,384	277,076	-134,692	263,444
Short-term borrowings	70,710	94,410	-23,700	67,710
Commercial paper	-	-	-	25,000
Bonds and notes due within one year	-	108,400	-108,400	100,000
Collateralized short-term financing agreements	67,435	68,966	-1,530	66,855
Income taxes payable	28	79	-50	138
Accrued bonuses	246	315	-68	769
Stock purchase warrant	-	501	-501	-
Other current liabilities	3,962	4,405	-442	2,970
Non-current liabilities:	251,512	271,393	-19,881	252,105
Bonds and notes	126,900	120,000	6,900	124,900
Convertible bonds	79,985	79,986	-1	79,985
Long-term debt	35,000	38,000	-3,000	37,000
Long-term cash deposits received as guarantee	4,118	18,746	-14,628	4,100
Deferred tax liabilities-non-current	1,244	10,347	-9,103	1,916
Retirement benefits	3,484	3,105	378	3,408
Other non-current liabilities	780	1,208	-427	793
Total liabilities	393,896	548,470	-154,574	515,549
<i>Shareholders' equity</i>				
Common stock	138,432	138,431	0	138,432
Capital surplus	117,940	117,940	0	117,941
Additional paid-in capital	117,786	117,786	0	117,786
Other capital surplus reserve	153	153	0	154
Net gains on sales of treasury stock	153	153	0	154
Retained earnings	299,707	282,254	17,453	289,409
Earned surplus reserve	45,335	45,335	-	45,335
General-purpose reserve	218,000	218,000	-	218,000
Unappropriated retained earnings	36,372	18,918	17,453	26,074
(Net income for the current term)	(20,942)	(18,419)	(2,523)	(32,228)
Net unrealized gain (loss) on securities, net of tax effect	27,136	27,573	-437	28,119
Treasury stock	-799	-704	-94	-786
Total shareholders' equity	582,418	565,494	16,923	573,115
Total liabilities and shareholders' equity	976,315	1,113,965	-137,650	1,088,665

Statements of operations

(millions of yen)	First quarter Apr. 1, 2005 - Jun. 30, 2005	First quarter Apr. 1, 2004 - Jun. 30, 2004	Yr/yr % change	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Operating revenues:	22,842	21,148	8.0	26,236
Dividends from related companies	22,120	19,127	15.6	19,136
Interest on loans to related companies	694	1,109	-37.4	3,704
Other interest and dividend income	-	27	-	100
Royalty on trademark	-	884	-	3,295
Other	28	-	-	-
Operating expenses:	2,994	3,382	-11.5	12,352
Selling, general and administrative expenses:	2,068	1,980	4.5	7,731
Commission and other expenses	485	179	171.0	917
Employees' compensation and benefits	747	971	-23.0	3,650
Occupancy and rental	149	197	-24.4	681
Data processing and office supplies	285	248	14.8	870
Depreciation expenses	87	107	-19.2	428
Others	312	274	13.8	1,182
Interest expenses	925	1,401	-34.0	4,620
Operating income	19,848	17,766	11.7	13,884
Non-operating income	1,064	1,443	-26.2	2,669
Non-operating expenses	35	23	52.1	251
Ordinary income	20,877	19,186	8.8	16,302
Extraordinary gains	53	160	-66.7	9,149
Extraordinary losses	-	85	-	3,396
Income before income taxes	20,931	19,261	8.7	22,055
Income taxes-current	-504	-870	-	-8,064
Income taxes-deferred	492	1,712	-71.2	-2,109
Net income	20,942	18,419	13.7	32,228
Unappropriated retained earnings-carryforward	15,429	498	-	498
Interim dividends	-	-	-	6,653
Unappropriated retained earnings	36,372	18,918	92.3	26,074

Notes to financial statements

The financial statements of the Company for the first quarter ended June 30, 2005 are prepared in accordance with 'Regulations of Interim Financial Statements' (MOF Ordinance No. 38, 1977).

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 shareholders' 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 Article 2 (2) of Securities and Exchange Act, share of net income raised by the partnership is reflected on statements of operations and share of net unrealized profits and losses on securities held by the partnerships are directly posted into shareholders' equity.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

The Company computes depreciation by the declining-balance method over estimated useful lives as stipulated by Corporation Tax Law of Japan. Depreciation for buildings purchased in Japan after April 1, 1998 is computed by the straight-line method.

(2) Intangible fixed assets, and investments and others

Intangible fixed assets are amortized under the straight-line method. The Company computes amortization over estimated useful lives as stipulated by Corporation Tax Law of Japan, and over internally estimated useful lives (5 years) for software of in-house use.

3. Accounting for various provisions

(1) Provision for doubtful accounts

Provisions for doubtful accounts are provided based on the estimated historical default rate for normal loans, and based on individually assessed amounts for doubtful accounts.

(2) Accrued bonus

Accrued employees' bonuses represent liabilities estimated as of the balance sheet date. Bonuses to directors and corporate executive officers, which are subject to approval at the Compensation Committee, represent liabilities as of the balance sheet date.

(3) Retirement benefits

The Company provides an unfunded defined contribution plan to its employees in return for services rendered each year, where the amount to be contributed to the individual employee's account is defined by the plan. Contributions by the Company under the unfunded defined contribution plan are accumulated on an annual basis and earn a guaranteed hypothetical return at a rate predetermined by the Company each year. As for the closed pension fund, accrued retirement benefits for the portion of 3 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2006.

4. Accounting for certain lease transactions

Financial leases, whose ownership does not transfer to the lessee at the end of the lease term (non-capitalized finance leases) are not capitalized and are accounted for in the same manner as operating leases.

5. Hedging transaction

Interest received or paid on interest swaps for hedging purposes is accrued without being marked-to-market. The premium or discount on forward foreign exchange for hedging purpose is allocated to each fiscal term without being marked-to-market.

6. Other material items

(1) Accounting for consumption taxes

Consumption taxes are separately recorded.

(2) Deferred assets

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

(3) Consolidated tax payments system

The consolidated tax payments system is applied.

Change in presentation

'Other interest and dividend income' and 'Royalty on trademark' which had been separately presented until fiscal 2004 are included in 'Other' of Operating revenues from the beginning of this fiscal year, due to lessened materiality in amount. 'Other interest and dividend income' and 'Royalty on trademark' for the first quarter of fiscal 2005 are 25 million yen and 3 million yen, respectively.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets	As of Jun. 30, 2005	As of Jun. 30, 2004	As of Mar. 31, 2005
	2,969 million yen	3,356 million yen	3,218 million yen
2. Guarantee	As of Jun. 30, 2005	As of Jun. 30, 2004	As of Mar. 31, 2005
	8,803 million yen	14,844 million yen	8,969 million yen
3. Fair value of subsidiary and affiliated company stocks as of Jun. 30, 2005 (millions of yen)			
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Subsidiary	16,121	39,667	23,545
Affiliated company	274	546	272

Notes to statements of operations

Details of extraordinary gains/losses

	<u>First quarter</u> Apr. 1, 2005- Jun. 30, 2005	<u>First quarter</u> Apr. 1, 2004- Jun. 30, 2004	(millions of yen) <u>Fiscal 2004</u> Apr. 1, 2004- Mar. 31, 2005
Extraordinary gains:			
Gain on sale of fixed assets	-	-	20
Gain on liquidation of related companies	-	-	5,529
Gain on sale of investment securities	53	160	3,098
Reversal of stock purchase warrant	-	-	501
Extraordinary losses:			
Write-down of related companies' stocks	-	-	42
Write-down of investment securities	-	-	3,035
Valuation loss of fixed assets	-	-	52
Loss on sale or disposal of fixed assets	-	85	116
Provision for doubtful accounts	-	-	150