

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

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.

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
First quarter (2005/6)	43,416	(-1.8)%	43,314	(-1.9)%	8,874	(0.6)%
First quarter (2004/6)	44,230	(2.7)%	44,135	(2.8)%	8,822	(-12.3)%
Fiscal 2004 (2005/3)	164,792		164,419		24,443	

	Ordinary income		Net income		Return on shareholders' equity (Annual basis)
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
First quarter (2005/6)	8,927	(1.3)%	5,129	(-0.4)%	10.4%
First quarter (2004/6)	8,809	(-12.8)%	5,150	(-11.8)%	10.5%
Fiscal 2004 (2005/3)	24,216		13,863		6.9%

(Note) Change in accounting policies: None

(2) Financial conditions

	Total assets	Shareholders' equity	Shareholders' equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen		
As of Jun. 30, 2005	477,924	195,836	41.0%	362.7%
As of Jun. 30, 2004	386,115	190,242	49.3%	363.5%
As of Mar. 31, 2005	481,990	198,989	41.3%	351.3%

(Note) Number of shares outstanding (shares):

As of Jun. 30, 2005: 3,200

As of Jun. 30, 2004: 3,200

As of Mar. 31, 2005: 3,200

Representative: Shigeharu Suzuki, President

Contact: Hikari Sakagami, General Manager, Finance Department

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Balance sheets

(millions of yen)

	First quarter Jun. 30, 2005	First quarter Jun. 30, 2004	Yr/yr change (%)	Fiscal 2004 Mar. 31, 2005
<i>Assets</i>				
Current assets:	419,902	328,976	90,925	423,581
Cash and deposits	81,640	66,289	15,350	99,986
Cash segregated as deposits for regulatory purposes	110,264	80,171	30,093	123,209
Trading assets:	38,401	34,913	3,488	37,669
Trading securities and others	37,428	34,884	2,543	37,344
Derivative assets	973	28	944	325
Trading receivables, net	411	641	-229	526
Receivables related to margin transactions:	149,651	121,827	27,823	128,445
Customer margin loans	143,695	119,610	24,084	124,843
Cash deposits as collateral for securities borrowed	5,956	2,217	3,739	3,602
Collateralized short-term financing agreements:	6,591	5,227	1,364	6,220
Cash deposits as collateral for securities borrowed	6,591	5,227	1,364	6,220
Receivables	17,291	3,022	14,268	8,839
Short-term guarantee money deposited	2,403	5,125	-2,722	2,394
Short-term loans receivable	1,168	1,461	-292	1,354
Accrued income	8,039	6,098	1,941	8,361
Deferred tax assets-current	1,950	2,492	-542	4,602
Other current assets	2,177	1,795	381	2,049
Less: Allowance for doubtful accounts-current	-91	-91	0	-78
Non-current assets:	58,022	57,139	883	58,409
Tangible fixed assets	3,857	5,532	-1,674	4,150
Intangible fixed assets	24,762	21,625	3,136	24,427
Investments and others:	29,401	29,981	-579	29,831
Investment securities	840	778	62	835
Long-term loans receivable	4,874	4,874	-	4,874
Long-term guarantee deposits	18,049	19,049	-999	18,496
Deferred tax assets-non-current	4,761	4,158	603	4,660
Other investments	2,001	2,252	-250	2,092
Less: Allowance for doubtful accounts-non-current	-1,126	-1,131	5	-1,127
Total assets	477,924	386,115	91,808	481,990

(millions of yen)

	First quarter Jun. 30, 2005	First quarter Jun. 30, 2004	Yr/yr change (%)	Fiscal 2004 Mar. 31, 2005
Liabilities				
Current liabilities:	272,820	187,450	85,369	273,802
Trading liabilities:	614	218	396	325
Trading securities and others	282	209	73	261
Derivative liabilities	331	8	322	63
Payables related to margin transactions:	15,067	9,776	5,291	14,774
Payable to securities finance companies	1,757	3,224	-1,466	2,981
Proceeds of securities sold for customers' accounts	13,309	6,551	6,757	11,793
Deposits received	89,591	79,543	10,047	81,024
Cash deposits received as guarantee	37,374	30,892	6,481	31,341
Short-term borrowings	109,000	52,000	57,000	119,000
Accrued expenses	5,447	6,162	-714	6,896
Income taxes payable	690	579	111	1,610
Accrued bonuses	3,900	5,000	-1,100	9,100
Other current liabilities	11,134	3,278	7,856	9,729
Non-current liabilities:	7,969	7,181	787	7,899
Accrued retirement benefits	7,813	6,949	863	7,568
Other non-current liabilities	156	231	-75	331
Statutory reserves:	1,298	1,240	58	1,298
Reserve for securities transaction liabilities	1,298	1,240	58	1,298
Total liabilities	282,088	195,873	86,215	283,001
Shareholders' equity				
Common stock	100,000	100,000	-	100,000
Capital surplus:	50,010	50,010	-	50,010
Additional paid-in capital	50,010	50,010	-	50,010
Retained earnings:	45,671	40,115	5,556	48,828
Earned surplus reserve	2,430	2,430	-	2,430
Reserve for special depreciation	112	156	-44	156
Unappropriated retained earnings	43,129	37,529	5,600	46,242
(Net income for the current term)	(5,129)	(5,150)	(-21)	(13,863)
Net unrealized gain (loss) on securities, net of tax effect	154	117	37	151
Total shareholders' equity	195,836	190,242	5,593	198,989
Total liabilities and shareholders' equity	477,924	386,115	91,808	481,990

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	43,416	44,230	-1.8	164,792
Commissions	31,602	37,387	-15.5	134,267
Net gain (loss) on trading	11,090	6,305	75.9	28,409
Interest and dividend income	723	537	34.4	2,115
Interest expenses	101	95	7.2	372
Net operating revenues	43,314	44,135	-1.9	164,419
Selling, general and administrative expenses:	34,439	35,312	-2.5	139,975
Commission and other expenses	5,286	5,701	-7.3	22,827
Employees' compensation and benefits	16,787	17,562	-4.4	67,073
Occupancy and rental	4,476	4,638	-3.5	19,165
Data processing and office supplies	4,889	4,841	1.0	20,382
Depreciation expenses	2,033	1,632	24.5	7,126
Taxes other than income taxes	344	370	-7.1	1,127
Others	621	564	10.1	2,272
Operating income	8,874	8,822	0.6	24,443
Non-operating income	79	44	77.7	263
Non-operating expenses	26	58	-53.8	491
Ordinary income	8,927	8,809	1.3	24,216
Extraordinary gains	-	-	-	-
Extraordinary losses	-	89	-100.0	148
Income before income taxes and others	8,927	8,719	2.4	24,068
Income taxes-current	1,250	1,226	1.9	10,496
Income taxes-deferred	2,548	2,342	8.8	-292
Net income	5,129	5,150	-0.4	13,863
Unappropriated retained earnings-carryforward	38,000	32,378	17.4	32,378
Unappropriated retained earnings	43,129	37,529	14.9	46,242
Net financial income included in Net operating revenues	621	442	40.3	1,743

Notes to financial statements

The 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 'Interim Regulations of Financial Statements' (Ministry of Finance Ordinance No. 38, 1977) and its Article 38 and 57.

Basis of financial statements

1. Valuation of financial instruments

(1) Valuation of trading account

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

(2) Valuation of non-trading securities

Other securities than trading or held-to-maturity securities are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in shareholders' equity, if their fair value is available. The cost of those securities is mainly based on moving average method. Other securities are valued at moving average cost method, if their fair value is not available.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

Declining-balance method is applied, and straight-line method is applied to the building (excluding annexes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

Straight-line method is applied. Useful life for depreciation is based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5 years).

3. Accounting policies for various provisions

(1) Allowance for doubtful accounts

The Company provides the allowance based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans.

(2) Accrued bonuses

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

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of June 30, 2005 as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year.

4. Accounting for certain lease transactions

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

5. Other material items

(1) Consumption taxes

Consumption taxes are separately recorded.

(2) Consolidated tax system

The consolidated tax system is applied.

Notes to balance sheets

(millions of yen)

1 . Accumulated depreciation of tangible fixed assets

<u>As of Jun. 30, 2005</u>	<u>As of Jun. 30, 2004</u>	<u>As of Mar. 31, 2005</u>
11,093	10,281	10,798

2 . Guarantee

<u>As of Jun. 30, 2005</u>	<u>As of Jun. 30, 2004</u>	<u>As of Mar. 31, 2005</u>
734	863	769

Notes to statements of operations

(millions of yen)

Details of extraordinary gains/losses

	<u>First quarter Apr. 1, 2005 – Jun. 30, 2005</u>	<u>First quarter Apr. 1, 2004 – Jun. 30, 2004</u>	<u>Fiscal 2004 Apr. 1, 2004 – Mar. 31, 2005</u>
Extraordinary losses			
Provision for securities transaction liabilities	-	89	148

Supplemental information for first quarter ended June 30, 2005

(Apr. 1, 2005 –Jun. 30, 2005)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First quarter (2005/6)	First quarter (2004/6)	Yr/yr change	Fiscal 2004 (2005/3)
Brokerage commission	12,705	21,425	-40.7%	62,554
(Stock and other)	(12,685)	(21,384)	(-40.7%)	(62,460)
Underwriting commission	-	-	-	-
Distribution commission	10,592	9,749	8.6%	44,106
(Stock and other)	(1,179)	(2,083)	(-43.4%)	(14,596)
(Bond and other)	(2,587)	(2,731)	(-5.3%)	(10,535)
(Beneficiary certificates)	(6,826)	(4,934)	(38.3%)	(18,973)
Other commission	8,303	6,211	33.7%	27,606
(Beneficiary certificates)	(3,994)	(3,017)	(32.4%)	(12,958)
Total	31,602	37,387	-15.5%	134,267

(2) Asset class

(millions of yen)

	First quarter (2005/6)	First quarter (2004/6)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	14,561	24,310	-40.1%	80,293
Bond and other	4,396	3,901	12.7%	15,836
Beneficiary certificates	10,841	7,993	35.6%	32,027
Others	1,803	1,180	52.7%	6,111
Total	31,602	37,387	-15.5%	134,267

2. Breakdown of trading gains/losses

(millions of yen)

	First quarter (2005/6)	First quarter (2004/6)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	2,308	742	210.9%	6,120
Bond, Forex and other	8,782	5,562	57.9%	22,288
(Bond and other)	(2,626)	(2,816)	(-6.7%)	(8,578)
(Forex and other)	(6,155)	(2,746)	(124.2%)	(13,710)
Total	11,090	6,305	75.9%	28,409

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

	First quarter (2005/6)		First quarter (2004/6)		Yr/yr change		Fiscal 2004 (2005/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	4,514	2,400,985	4,461	3,224,853	1.2%	-25.5%	16,116	10,129,487
(Dealing) (a)	(741)	(300,123)	(232)	(171,769)	(218.9%)	(74.7%)	(1,834)	(917,671)
(Brokerage) (b)	(3,773)	(2,100,861)	(4,228)	(3,053,084)	(-10.8%)	(-31.2%)	(14,281)	(9,211,816)
b / (a + b)	83.6%	87.5%	94.8%	94.7%			88.6%	90.9%
TSE share	1.3%	1.0%	1.6%	1.3%			1.4%	1.1%

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

		First quarter (2005/6)	First quarter (2004/6)	Yr/yr change	Fiscal 2004 (2005/3)
<u>Underwriting:</u>					
Stock	(number of shares)	-	-	-	-
	(yen amount)	-	-	-	-
Bond	(face value)	-	-	-	-
CP & others	(face value)	-	-	-	-
<u>Distribution (*)</u>					
Stock	(number of shares)	682	183	271.2%	723
	(yen amount)	68,330	123,296	-44.6%	644,327
Bond	(face value)	414,804	397,461	4.4%	1,464,645
Beneficiary certificates	(face value)	1,723,523	1,765,053	-2.4%	6,406,345
CP & others	(face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		First quarter (2005/6)	First quarter (2004/6)	Fiscal 2004 (2005/3)
Basic item	Shareholders' equity (A)	195,681	190,125	190,552
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	154	117	151
	Statutory reserve	1,298	1,240	1,298
	Allowance for doubtful accounts	91	91	78
	Total (B)	1,544	1,449	1,528
Assets excluded from capital (C)		58,942	58,164	59,448
Net capital (A)+(B)-(C) (D)		138,284	133,410	132,632
Risk equivalent	Market risk equivalent	698	402	689
	Counterparty risk equivalent	4,278	3,607	3,987
	Basic risk equivalent	33,141	32,687	33,070
	Total (E)	38,118	36,697	37,747
Capital adequacy ratio (D)/(E)		362.7%	363.5%	351.3%

Quarterly statements of operations

(millions of yen)

	Fiscal 2004				Fiscal 2005
	First quarter Apr. 1, 2004 - Jun. 30, 2004	Second quarter Jul. 1, 2004 - Sep. 30, 2004	Third quarter Oct. 1, 2004 - Dec. 31, 2004	Fourth quarter Jan. 1, 2005 - Mar. 31, 2005	First quarter Apr. 1, 2005 - Jun. 30, 2005
Operating revenues	44,230	36,134	38,978	45,448	43,416
Commissions	37,387	30,167	28,992	37,720	31,602
Brokerage commission	21,425	12,360	11,864	16,904	12,705
(Stock and other)	21,384	12,341	11,847	16,886	12,685
Underwriting commission	-	-	-	-	-
Distribution commission	9,749	10,598	10,897	12,860	10,592
(Stock and other)	2,083	5,065	3,487	3,960	1,179
(Bond and other)	2,731	2,185	2,843	2,775	2,587
(Beneficiary certificates)	4,934	3,347	4,566	6,125	6,826
Other commission	6,211	7,208	6,230	7,955	8,303
(Beneficiary certificates)	3,017	3,099	3,256	3,584	3,994
Net gain on trading	6,305	5,410	9,507	7,185	11,090
(Stock and other)	742	599	2,811	1,966	2,308
(Bond and other)	2,816	2,121	1,706	1,933	2,626
(Forex and other)	2,746	2,689	4,989	3,285	6,155
Interest and dividend income	537	556	478	542	723
Interest expenses	95	103	91	82	101
Net operating revenue	44,135	36,031	38,886	45,366	43,314
Selling, general and administrative expenses:					
Commission and other expenses	35,312	34,392	33,423	36,847	34,439
Employees' compensation and benefits	5,701	5,902	5,337	5,884	5,286
Occupancy and rental	17,562	16,004	15,521	17,984	16,787
Data processing and office supplies	4,638	4,854	4,745	4,926	4,476
Depreciation expenses	4,841	5,160	5,146	5,233	4,889
Taxes other than income taxes	1,632	1,672	1,800	2,021	2,033
Taxes	370	233	336	187	344
Others	564	563	535	609	621
Operating income	8,822	1,638	5,463	8,518	8,874
Non-operating income	44	35	54	129	79
Non-operating expenses	58	171	72	188	26
Ordinary income	8,809	1,501	5,445	8,459	8,927
Extraordinary gains	-	-	-	-	-
Extraordinary losses	89	58	-	-	-
Income before income taxes and others	8,719	1,443	5,445	8,459	8,927
Income taxes-current	1,226	2,780	310	6,180	1,250
Income taxes-deferred	2,342	-2,105	2,014	-2,543	2,548
Net income	5,150	769	3,121	4,822	5,129
Net financial income included in Net operating revenues	442	452	386	460	621