

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

October 28, 2005

Non-consolidated financial summary

(For the first half ended September 30, 2005)

(1) Operating results (from April 1, 2005 to September 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 half (2005/9)	101,283	(26.0)%	100,860	(25.8)%	27,957	(167.2)%
First half (2004/9)	80,365	(-5.2)%	80,166	(-5.2)%	10,461	(-41.2)%
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 half (2005/9)	28,002	(171.6)%	16,222	(174.0)%	16.0%
First half (2004/9)	10,311	(-42.1)%	5,919	(-40.2)%	6.0%
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 Sep. 30, 2005	557,908	206,998	37.1%	381.5%
As of Sep. 30, 2004	402,144	190,996	47.5%	365.1%
As of Mar. 31, 2005	481,990	198,989	41.3%	351.3%

(Note) Number of shares outstanding (shares):

As of Sep. 30, 2005: 3,200

As of Sep. 30, 2004: 3,200

As of Mar. 31, 2005: 3,200

Representative: Shigeharu Suzuki, President

Contact: Tetsuya Kawaguchi, General Manager, Finance Department

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Balance sheets

(millions of yen)

	First half Sep. 30, 2005	First half Sep. 30, 2004	Yr/yr change (%)	Fiscal 2004 Mar. 31, 2005
<i>Assets</i>				
Current assets:	499,818	344,567	155,250	423,581
Cash and deposits	97,926	81,819	16,106	99,986
Cash segregated as deposits for regulatory purposes	139,660	83,148	56,511	123,209
Trading assets:	39,800	37,345	2,454	37,669
Trading securities and others	37,970	36,468	1,502	37,344
Derivative assets	1,829	876	952	325
Trading receivables, net	1,884	—	1,884	526
Receivables related to margin transactions:	171,167	114,733	56,434	128,445
Customer margin loans	161,412	113,504	47,908	124,843
Cash deposits as collateral for securities borrowed	9,754	1,228	8,525	3,602
Collateralized short-term financing agreements:	10,658	4,717	5,940	6,220
Cash deposits as collateral for securities borrowed	10,658	4,717	5,940	6,220
Receivables	14,315	4,268	10,046	8,839
Short-term guarantee money deposited	2,355	2,727	-371	2,394
Short-term loans receivable	1,648	1,350	297	1,354
Accrued income	11,563	7,776	3,787	8,361
Deferred tax assets-current	6,295	4,376	1,919	4,602
Other current assets	2,648	2,391	257	2,049
Less: Allowance for doubtful accounts-current	-104	-86	-18	-78
Non-current assets:	58,089	57,576	513	58,409
Tangible fixed assets	3,585	4,710	-1,125	4,150
Intangible fixed assets	25,142	22,632	2,509	24,427
Investments and others:	29,361	30,232	-870	29,831
Investment securities	1,106	752	354	835
Long-term loans receivable	4,874	4,874	—	4,874
Long-term guarantee deposits	17,693	19,129	-1,436	18,496
Deferred tax assets-non-current	4,894	4,391	503	4,660
Other investments	1,900	2,216	-315	2,092
Less: Allowance for doubtful accounts-non-current	-1,108	-1,132	23	-1,127
Total assets	557,908	402,144	155,764	481,990

(millions of yen)

	First half Sep. 30, 2005	First half Sep. 30, 2004	Yr/yr change (%)	Fiscal 2004 Mar. 31, 2005
<i>Liabilities</i>				
Current liabilities:	329,902	202,339	127,563	273,802
Trading liabilities:	1,321	384	937	325
Trading securities and others	600	59	541	261
Derivative liabilities	721	324	396	63
Trading payable, net	—	353	-353	—
Payables related to margin transactions:	33,553	9,693	23,860	14,774
Payable to securities finance companies	8,126	4,992	3,134	2,981
Proceeds of securities sold for customers' accounts	25,427	4,701	20,726	11,793
Deposits received	112,996	85,789	27,207	81,024
Cash deposits received as guarantee	48,204	29,502	18,702	31,341
Short-term borrowings	99,001	55,000	44,001	119,000
Accrued expenses	5,356	6,318	-961	6,896
Income taxes payable	4,829	1,648	3,180	1,610
Accrued bonuses	11,500	8,700	2,800	9,100
Other current liabilities	13,138	4,949	8,188	9,729
Non-current liabilities:	19,709	7,509	12,199	7,899
Long-term debt	11,500	—	11,500	—
Accrued retirement benefits	8,050	7,249	801	7,568
Other non-current liabilities	158	260	-101	331
Statutory reserves:	1,298	1,298	—	1,298
Reserve for securities transaction liabilities	1,298	1,298	—	1,298
Total liabilities	350,910	211,147	139,762	283,001
<i>Shareholders' equity</i>				
Common stock	100,000	100,000	—	100,000
Capital surplus:	50,010	50,010	—	50,010
Additional paid-in capital	50,010	50,010	—	50,010
Retained earnings:	56,765	40,884	15,880	48,828
Earned surplus reserve	2,430	2,430	—	2,430
Reserve for special depreciation	112	156	-44	156
Unappropriated retained earnings	54,223	38,298	15,924	46,242
(Net income for the current term)	(16,222)	(5,919)	(10,303)	(13,863)
Net unrealized gain (loss) on securities, net of tax effect	223	101	121	151
Total shareholders' equity	206,998	190,996	16,001	198,989
Total liabilities and shareholders' equity	557,908	402,144	155,764	481,990

Statements of operations

(millions of yen)

	First half Apr. 1, 2005 - Sep. 30, 2005	First half Apr. 1, 2004 - Sep. 30, 2004	Yr/yr change (%)	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Operating revenues	101,283	80,365	26.0	164,792
Commissions	75,184	67,554	11.3	134,267
Net gain (loss) on trading	24,451	11,715	108.7	28,409
Interest and dividend income	1,647	1,094	50.6	2,115
Interest expenses	422	198	113.0	372
Net operating revenues	100,860	80,166	25.8	164,419
Selling, general and administrative expenses:	72,902	69,705	4.6	139,975
Commission and other expenses	10,629	11,604	-8.4	22,827
Employees' compensation and benefits	37,435	33,567	11.5	67,073
Occupancy and rental	8,989	9,493	-5.3	19,165
Data processing and office supplies	9,834	10,001	-1.7	20,382
Depreciation expenses	4,142	3,305	25.3	7,126
Taxes other than income taxes	691	604	14.4	1,127
Others	1,179	1,127	4.6	2,272
Operating income	27,957	10,461	167.2	24,443
Non-operating income	122	80	52.9	263
Non-operating expenses	77	230	-66.2	491
Ordinary income	28,002	10,311	171.6	24,216
Extraordinary gains	—	—	—	—
Extraordinary losses	186	148	26.1	148
Income before income taxes and others	27,815	10,163	173.7	24,068
Income taxes-current	13,570	4,006	238.7	10,496
Income taxes-deferred	-1,977	236	—	-292
Net income	16,222	5,919	174.0	13,863
Unappropriated retained earnings-carryforward	38,000	32,378	17.4	32,378
Unappropriated retained earnings	54,223	38,298	41.6	46,242
Net financial income included in Net operating revenues	1,224	895	36.7	1,743

Notes to financial statements

The financial statements of the Company for the first half ended September 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 Interim Financial Statements' (Ministry of Finance Ordinance No. 38, 1977) and its Article 38 and 57.

Basis of financial statements

1. Valuation of financial instruments

(1) Valuation of trading account

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

(2) Valuation of non-trading securities

Other securities than trading or held-to-maturity securities are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in 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 appendixes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

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

3. Accounting policies for various provisions

(1) Allowance for doubtful accounts

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

(2) Accrued bonuses

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

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of September 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 Sep. 30, 2005</u>	<u>As of Sep. 30, 2004</u>	<u>As of Mar. 31, 2005</u>
11,273	10,104	10,798

2. Guarantee

<u>As of Sep. 30, 2005</u>	<u>As of Sep. 30, 2004</u>	<u>As of Mar. 31, 2005</u>
719	826	769

Notes to statements of operations

(millions of yen)

Details of extraordinary gains/losses

	<u>First half Apr. 1, 2005 - Sep. 30, 2005</u>	<u>First half Apr. 1, 2004 - Sep. 30, 2004</u>	<u>Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005</u>
Extraordinary losses			
Provision for securities transaction liabilities	—	148	148
Reorganization costs for retail branch	186	—	—

Supplemental information for first half ended September 30, 2005

(Apr. 1, 2005 - Sep. 30, 2005)

1. Breakdown of commission revenue

(1) Activity		(millions of yen)		
	First half (2005/9)	First half (2004/9)	Yr/yr change	Fiscal 2004 (2005/3)
Brokerage commission	32,136	33,786	-4.9%	62,554
(Stock and other)	(32,076)	(33,725)	(-4.9%)	(62,460)
Underwriting commission	-	-	-	-
Distribution commission	23,908	20,347	17.5%	44,106
(Stock and other)	(3,970)	(7,148)	(-44.5%)	(14,596)
(Bond and other)	(4,438)	(4,916)	(-9.7%)	(10,535)
(Beneficiary certificates)	(15,500)	(8,282)	(87.1%)	(18,973)
Other commission	19,138	13,420	42.6%	27,606
(Beneficiary certificates)	(8,687)	(6,117)	(42.0%)	(12,958)
Total	75,184	67,554	11.3%	134,267

(2) Asset class		(millions of yen)		
	First half (2005/9)	First half (2004/9)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	37,433	42,511	-11.9%	80,293
Bond and other	8,914	7,509	18.7%	15,836
Beneficiary certificates	24,247	14,460	67.7%	32,027
Others	4,588	3,073	49.3%	6,111
Total	75,184	67,554	11.3%	134,267

2. Breakdown of trading gains/losses

		(millions of yen)		
	First half (2005/9)	First half (2004/9)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	4,970	1,341	270.4%	6,120
Bond, Forex and other	19,480	10,374	87.8%	22,288
(Bond and other)	(5,608)	(4,938)	(13.6%)	(8,578)
(Forex and other)	(13,872)	(5,435)	(155.2%)	(13,710)
Total	24,451	11,715	108.7%	28,409

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

	First half (2005/9)		First half (2004/9)		Yr/yr change		Fiscal 2004 (2005/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	12,155	6,550,080	7,376	5,148,617	64.8%	27.2%	16,116	10,129,487
(Dealing) (a)	(1,607)	(693,040)	(440)	(307,262)	(264.7%)	(125.6%)	(1,834)	(917,671)
(Brokerage) (b)	(10,548)	(5,857,040)	(6,935)	(4,841,354)	(52.1%)	(21.0%)	(14,281)	(9,211,816)
b / (a + b)	86.8%	89.4%	94.0%	94.0%			88.6%	90.9%
TSE share	1.5%	1.2%	1.4%	1.1%			1.4%	1.1%

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

		First half (2005/9)	First half (2004/9)	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)	813	305	166.0%	723
	(yen amount)	278,620	310,235	-10.2%	644,327
Bond	(face value)	693,084	690,653	0.4%	1,464,645
Beneficiary certificates	(face value)	3,970,932	3,071,053	29.3%	6,406,345
CP & others	(face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		First half (2005/9)	First half (2004/9)	Fiscal 2004 (2005/3)
Basic item	Shareholders' equity (A)	206,775	190,894	190,552
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	223	101	151
	Statutory reserve	1,298	1,298	1,298
	Allowance for doubtful accounts	104	86	78
	Total (B)	1,626	1,486	1,528
	Assets excluded from capital (C)	58,843	58,648	59,448
	Net capital (A)+(B)-(C) (D)	149,559	133,732	132,632
Risk equivalent	Market risk equivalent	688	433	689
	Counterparty risk equivalent	5,171	3,518	3,987
	Basic risk equivalent	33,342	32,667	33,070
	Total (E)	39,202	36,619	37,747
	Capital adequacy ratio (D)/(E)	381.5%	365.1%	351.3%

Quarterly statements of operations

(millions of yen)

	Fiscal 2004			Fiscal 2005	
	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	Second quarter Jul. 1, 2005 - Sep. 30, 2005
Operating revenues	36,134	38,978	45,448	43,416	57,867
Commissions	30,167	28,992	37,720	31,602	43,582
Brokerage commission	12,360	11,864	16,904	12,705	19,430
(Stock and other)	12,341	11,847	16,886	12,685	19,391
Underwriting commission	-	-	-	-	-
Distribution commission	10,598	10,897	12,860	10,592	13,316
(Stock and other)	5,065	3,487	3,960	1,179	2,791
(Bond and other)	2,185	2,843	2,775	2,587	1,850
(Beneficiary certificates)	3,347	4,566	6,125	6,826	8,674
Other commission	7,208	6,230	7,955	8,303	10,834
(Beneficiary certificates)	3,099	3,256	3,584	3,994	4,693
Net gain on trading	5,410	9,507	7,185	11,090	13,360
(Stock and other)	599	2,811	1,966	2,308	2,661
(Bond and other)	2,121	1,706	1,933	2,626	2,982
(Forex and other)	2,689	4,989	3,285	6,155	7,716
Interest and dividend income	556	478	542	723	924
Interest expenses	103	91	82	101	321
Net operating revenue	36,031	38,886	45,366	43,314	57,546
Selling, general and administrative expenses:	34,392	33,423	36,847	34,439	38,463
Commission and other expenses	5,902	5,337	5,884	5,286	5,343
Employees' compensation and benefits	16,004	15,521	17,984	16,787	20,648
Occupancy and rental	4,854	4,745	4,926	4,476	4,512
Data processing and office supplies	5,160	5,146	5,233	4,889	4,945
Depreciation expenses	1,672	1,800	2,021	2,033	2,108
Taxes other than income taxes	233	336	187	344	346
Others	563	535	609	621	558
Operating income	1,638	5,463	8,518	8,874	19,083
Non-operating income	35	54	129	79	42
Non-operating expenses	171	72	188	26	50
Ordinary income	1,501	5,445	8,459	8,927	19,074
Extraordinary gains	-	-	-	-	-
Extraordinary losses	58	-	-	-	186
Income before income taxes and others	1,443	5,445	8,459	8,927	18,888
Income taxes-current	2,780	310	6,180	1,250	12,320
Income taxes-deferred	-2,105	2,014	-2,543	2,548	-4,525
Net income	769	3,121	4,822	5,129	11,093
Net financial income included in Net operating revenues	452	386	460	621	603