

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

January 27, 2006

Non-consolidated financial summary

(For the third quarter ended December 31, 2005)

(1) Operating results (from April 1, 2005 to December 31, 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
Third quarter (2005/12)	177,548	(48.8)%	176,956	(48.6)%	61,616	(286.9)%
Third quarter (2004/12)	119,343	(-3.9)%	119,053	(-3.9)%	15,924	(-32.5)%
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	
Third quarter (2005/12)	61,692	(291.5)%	35,690	(294.8)%	22.4%
Third quarter (2004/12)	15,756	(-33.2)%	9,040	(-28.9)%	6.1%
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 Dec. 31, 2005	759,733	226,550	29.8%	404.9%
As of Dec. 31, 2004	380,078	194,108	51.1%	370.8%
As of Mar. 31, 2005	481,990	198,989	41.3%	351.3%

(Note) Number of shares outstanding (shares):

As of Dec. 31, 2005: 3,200

As of Dec. 31, 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)

	Third quarter Dec. 31, 2005	Third quarter Dec. 31, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Assets				
Current assets:	701,167	322,044	379,123	423,581
Cash and deposits	85,984	86,211	-226	99,986
Cash segregated as deposits for regulatory purposes	210,678	85,158	125,519	123,209
Trading assets:	39,068	38,082	986	37,669
Trading securities and others	37,593	37,891	-298	37,344
Derivative assets	1,475	190	1,284	325
Trading receivables, net	2,250	1,435	815	526
Receivables related to margin transactions:	301,411	88,352	213,059	128,445
Customer margin loans	297,414	84,546	212,868	124,843
Cash deposits as collateral for securities borrowed	3,996	3,806	190	3,602
Collateralized short-term financing agreements:	12,242	5,328	6,913	6,220
Cash deposits as collateral for securities borrowed	12,242	5,328	6,913	6,220
Receivables	24,081	2,760	21,320	8,839
Short-term guarantee money deposited	3,535	2,867	668	2,394
Short-term loans receivable	1,012	954	58	1,354
Accrued income	12,445	6,504	5,941	8,361
Deferred tax assets-current	6,491	2,175	4,315	4,602
Other current assets	2,147	2,278	-130	2,049
Less: Allowance for doubtful accounts-current	-183	-66	-116	-78
Non-current assets:	58,565	58,034	531	58,409
Tangible fixed assets	3,322	4,386	-1,064	4,150
Intangible fixed assets	25,958	23,441	2,517	24,427
Investments and others:	29,284	30,206	-922	29,831
Investment securities	1,249	736	512	835
Long-term loans receivable	4,874	4,874	-	4,874
Long-term guarantee deposits	17,500	18,986	-1,485	18,496
Deferred tax assets-non-current	4,929	4,583	346	4,660
Other investments	1,824	2,169	-345	2,092
Less: Allowance for doubtful accounts-non-current	-1,094	-1,144	50	-1,127
Total assets	759,733	380,078	379,654	481,990

(millions of yen)

	Third quarter Dec. 31, 2005	Third quarter Dec. 31, 2004	Increase/ Decrease	Fiscal 2004 Mar. 31, 2005
Liabilities				
Current liabilities:	507,073	176,876	330,196	273,802
Trading liabilities:	937	84	853	325
Trading securities and others	171	44	126	261
Derivative liabilities	765	39	726	63
Payables related to margin transactions:	26,441	10,964	15,476	14,774
Payable to securities finance companies	6,725	1,358	5,367	2,981
Proceeds of securities sold for customers' accounts	19,715	9,606	10,109	11,793
Deposits received	146,305	80,723	65,582	81,024
Cash deposits received as guarantee	64,421	25,420	39,000	31,341
Short-term borrowings	219,000	45,000	174,000	119,000
Accrued expenses	6,454	6,354	100	6,896
Income taxes payable	7,627	-	7,627	1,610
Accrued bonuses	10,300	3,400	6,900	9,100
Other current liabilities	25,584	4,928	20,656	9,729
Non-current liabilities:	24,420	7,794	16,626	7,899
Long-term debt	16,000	-	16,000	-
Accrued retirement benefits	8,259	7,501	758	7,568
Other non-current liabilities	160	292	-131	331
Statutory reserves:	1,689	1,298	390	1,298
Reserve for securities transaction liabilities	1,689	1,298	390	1,298
Total liabilities	533,182	185,969	347,212	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:	76,232	44,005	32,227	48,828
Earned surplus reserve	2,430	2,430	-	2,430
Reserve for special depreciation	112	156	-44	156
Unappropriated retained earnings	73,690	41,419	32,271	46,242
(Net income for the current term)	(35,690)	(9,040)	(26,649)	(13,863)
Net unrealized gain (loss) on securities, net of tax effect	307	92	214	151
Total shareholders' equity	226,550	194,108	32,441	198,989
Total liabilities and shareholders' equity	759,733	380,078	379,654	481,990

Statements of operations

(millions of yen)

	Third quarter Apr. 1, 2005 - Dec. 31, 2005	Third quarter Apr. 1, 2004 - Dec. 31, 2004	Yr/yr change (%)	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005
Operating revenues	177,548	119,343	48.8	164,792
Commissions	138,204	96,546	43.1	134,267
Net gain (loss) on trading	36,449	21,223	71.7	28,409
Interest and dividend income	2,894	1,573	84.0	2,115
Interest expenses	592	290	103.8	372
Net operating revenues	176,956	119,053	48.6	164,419
Selling, general and administrative expenses:	115,340	103,128	11.8	139,975
Commission and other expenses	16,131	16,942	-4.8	22,827
Employees' compensation and benefits	61,758	49,089	25.8	67,073
Occupancy and rental	13,411	14,239	-5.8	19,165
Data processing and office supplies	14,777	15,148	-2.5	20,382
Depreciation expenses	6,299	5,105	23.4	7,126
Taxes other than income taxes	1,129	940	20.1	1,127
Others	1,832	1,662	10.2	2,272
Operating income	61,616	15,924	286.9	24,443
Non-operating income	176	134	31.2	263
Non-operating expenses	100	302	-66.9	491
Ordinary income	61,692	15,756	291.5	24,216
Extraordinary gains	-	-	-	-
Extraordinary losses	578	148	290.4	148
Income before income taxes and others	61,114	15,608	291.5	24,068
Income taxes-current	27,690	4,316	541.5	10,496
Income taxes-deferred	-2,266	2,251	-	-292
Net income	35,690	9,040	294.8	13,863
Unappropriated retained earnings-carryforward	38,000	32,378	17.4	32,378
Unappropriated retained earnings	73,690	41,419	77.9	46,242
Net financial income included in Net operating revenues	2,302	1,282	79.5	1,743

Notes to financial statements

The financial statements of the Company for the third quarter ended December 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 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 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 December 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.

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)

	<u>As of Dec. 31, 2005</u>	<u>As of Dec. 31, 2004</u>	<u>As of Mar. 31, 2005</u>
1 . Accumulated depreciation of tangible fixed assets	11,578	10,512	10,798
2 . Guarantee	658	794	769

Notes to statements of operations

(millions of yen)

Details of extraordinary gains/losses

	<u>Third quarter Apr. 1, 2005 – Dec. 31, 2005</u>	<u>Third quarter Apr. 1, 2004 – Dec. 31, 2004</u>	<u>Fiscal 2004 Apr. 1, 2004 – Mar. 31, 2005</u>
Extraordinary losses			
Provision for securities transaction liabilities	390	148	148
Reorganization costs for retail branch	187	-	-

Supplemental information for third quarter ended December 31, 2005

(Apr. 1, 2005 –Dec. 31, 2005)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	Third quarter (2005/12)	Third quarter (2004/12)	Yr/yr change	Fiscal 2004 (2005/3)
Brokerage commission	63,289	45,650	38.6%	62,554
(Stock and other)	(63,124)	(45,573)	(38.5%)	(62,460)
Underwriting commission	-	-	-	-
Distribution commission	43,626	31,245	39.6%	44,106
(Stock and other)	(9,035)	(10,636)	(-15.1%)	(14,596)
(Bond and other)	(6,577)	(7,760)	(-15.2%)	(10,535)
(Beneficiary certificates)	(28,013)	(12,848)	(118.0%)	(18,973)
Other commission	31,288	19,650	59.2%	27,606
(Beneficiary certificates)	(14,338)	(9,374)	(53.0%)	(12,958)
Total	138,204	96,546	43.1%	134,267

(2) Asset class

(millions of yen)

	Third quarter (2005/12)	Third quarter (2004/12)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	74,427	58,677	26.8%	80,293
Bond and other	13,163	11,418	15.3%	15,836
Beneficiary certificates	42,516	22,299	90.7%	32,027
Others	8,097	4,151	95.0%	6,111
Total	138,204	96,546	43.1%	134,267

2. Breakdown of trading gains/losses

(millions of yen)

	Third quarter (2005/12)	Third quarter (2004/12)	Yr/yr change	Fiscal 2004 (2005/3)
Stock and other	8,303	4,153	99.9%	6,120
Bond, Forex and other	28,146	17,069	64.9%	22,288
(Bond and other)	(8,043)	(6,644)	(21.0%)	(8,578)
(Forex and other)	(20,103)	(10,425)	(92.8%)	(13,710)
Total	36,449	21,223	71.7%	28,409

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

	Third quarter (2005/12)		Third quarter (2004/12)		Yr/yr change		Fiscal 2004 (2005/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	21,020	13,410,991	11,176	7,300,447	88.1%	83.7%	16,116	10,129,487
(Dealing) (a)	(2,257)	(1,270,187)	(1,095)	(610,705)	(106.1%)	(108.0%)	(1,834)	(917,671)
(Brokerage) (b)	(18,762)	(12,140,803)	(10,081)	(6,689,742)	(86.1%)	(81.5%)	(14,281)	(9,211,816)
b / (a + b)	89.3%	90.5%	90.2%	91.6%			88.6%	90.9%
TSE share	1.7%	1.4%	1.4%	1.1%			1.4%	1.1%

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

		Third quarter (2005/12)	Third quarter (2004/12)	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)	1,724	653	164.0%	723
	(yen amount)	493,659	505,934	-2.4%	644,327
Bond	(face value)	942,595	1,085,851	-13.2%	1,464,645
Beneficiary certificates	(face value)	7,282,538	4,574,493	59.2%	6,406,345
CP & others	(face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Third quarter (2005/12)	Third quarter (2004/12)	Fiscal 2004 (2005/3)
Basic item	Shareholders' equity (A)	226,242	194,015	190,552
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	307	92	151
	Statutory reserve	1,689	1,298	1,298
	Allowance for doubtful accounts	183	66	78
	Total (B)	2,180	1,457	1,528
Assets excluded from capital (C)		59,370	59,725	59,448
Net capital (A)+(B)-(C) (D)		169,052	135,748	132,632
Risk equivalent	Market risk equivalent	648	849	689
	Counterparty risk equivalent	7,850	2,940	3,987
	Basic risk equivalent	33,243	32,815	33,070
	Total (E)	41,742	36,605	37,747
Capital adequacy ratio (D)/(E)		404.9%	370.8%	351.3%

Quarterly statements of operations

(millions of yen)

	Fiscal 2004		Fiscal 2005		
	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	Third quarter Oct. 1, 2005 - Dec. 31, 2005
Operating revenues	38,978	45,448	43,416	57,867	76,264
Commissions	28,992	37,720	31,602	43,582	63,019
Brokerage commission	11,864	16,904	12,705	19,430	31,152
(Stock and other)	11,847	16,886	12,685	19,391	31,047
Underwriting commission	-	-	-	-	-
Distribution commission	10,897	12,860	10,592	13,316	19,717
(Stock and other)	3,487	3,960	1,179	2,791	5,064
(Bond and other)	2,843	2,775	2,587	1,850	2,139
(Beneficiary certificates)	4,566	6,125	6,826	8,674	12,512
Other commission	6,230	7,955	8,303	10,834	12,149
(Beneficiary certificates)	3,256	3,584	3,994	4,693	5,650
Net gain on trading	9,507	7,185	11,090	13,360	11,998
(Stock and other)	2,811	1,966	2,308	2,661	3,332
(Bond and other)	1,706	1,933	2,626	2,982	2,434
(Forex and other)	4,989	3,285	6,155	7,716	6,230
Interest and dividend income	478	542	723	924	1,246
Interest expenses	91	82	101	321	169
Net operating revenue	38,886	45,366	43,314	57,546	76,095
Selling, general and administrative expenses:	33,423	36,847	34,439	38,463	42,437
Commission and other expenses	5,337	5,884	5,286	5,343	5,501
Employees' compensation and benefits	15,521	17,984	16,787	20,648	24,323
Occupancy and rental	4,745	4,926	4,476	4,512	4,422
Data processing and office supplies	5,146	5,233	4,889	4,945	4,942
Depreciation expenses	1,800	2,021	2,033	2,108	2,157
Taxes other than income taxes	336	187	344	346	437
Others	535	609	621	558	652
Operating income	5,463	8,518	8,874	19,083	33,658
Non-operating income	54	129	79	42	53
Non-operating expenses	72	188	26	50	22
Ordinary income	5,445	8,459	8,927	19,074	33,689
Extraordinary gains	-	-	-	-	-
Extraordinary losses	-	-	-	186	391
Income before income taxes and others	5,445	8,459	8,927	18,888	33,298
Income taxes-current	310	6,180	1,250	12,320	14,120
Income taxes-deferred	2,014	-2,543	2,548	-4,525	-289
Net income	3,121	4,822	5,129	11,093	19,467
Net financial income included in Net operating revenues	386	460	621	603	1,077