



April 26, 2006

Consolidated financial summary
 (For the fiscal year ended March 31, 2006)

(1) Operating results (from April 1, 2005 to March 31, 2006)

(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 2005 (2006/3)	845,659	(62.8)%	579,358	(48.4)%	254,159	(121.2)%	260,651	(116.4)%
Fiscal 2004 (2005/3)	519,337	(14.4)%	390,432	(10.8)%	114,887	(24.2)%	120,433	(25.3)%

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
Fiscal 2005 (2006/3)	139,948	(165.7)%	103.90	Yen	98.61	Yen	19.4	%
Fiscal 2004 (2005/3)	52,665	(23.5)%	39.03	Yen	37.36	Yen	8.4	%

(Note)

1. Equity in earnings

Fiscal 2005 (2006/3): 1,528 million yen

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

2. Average number of shares outstanding (shares)

Fiscal 2005 (2006/3): 1,328,967,253

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

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
As of Mar. 31, 2006	14,898,890	792,281	5.3	%	598.27 Yen
As of Mar. 31, 2005	12,378,961	648,332	5.2	%	486.70 Yen

Number of shares outstanding (shares)

As of Fiscal: 2005 (2006/3): 1,321,164,976 As of Fiscal: 2004 (2005/3): 1,330,602,933

(3) Cash flow summary

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalents
Fiscal 2005 (2006/3)	369,860	-911	-324,056	392,350
Fiscal 2004 (2005/3)	-1,002,888	-26,062	883,867	338,697

(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

Consolidation: Addition 1 company; Exclusion 1 company; 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.

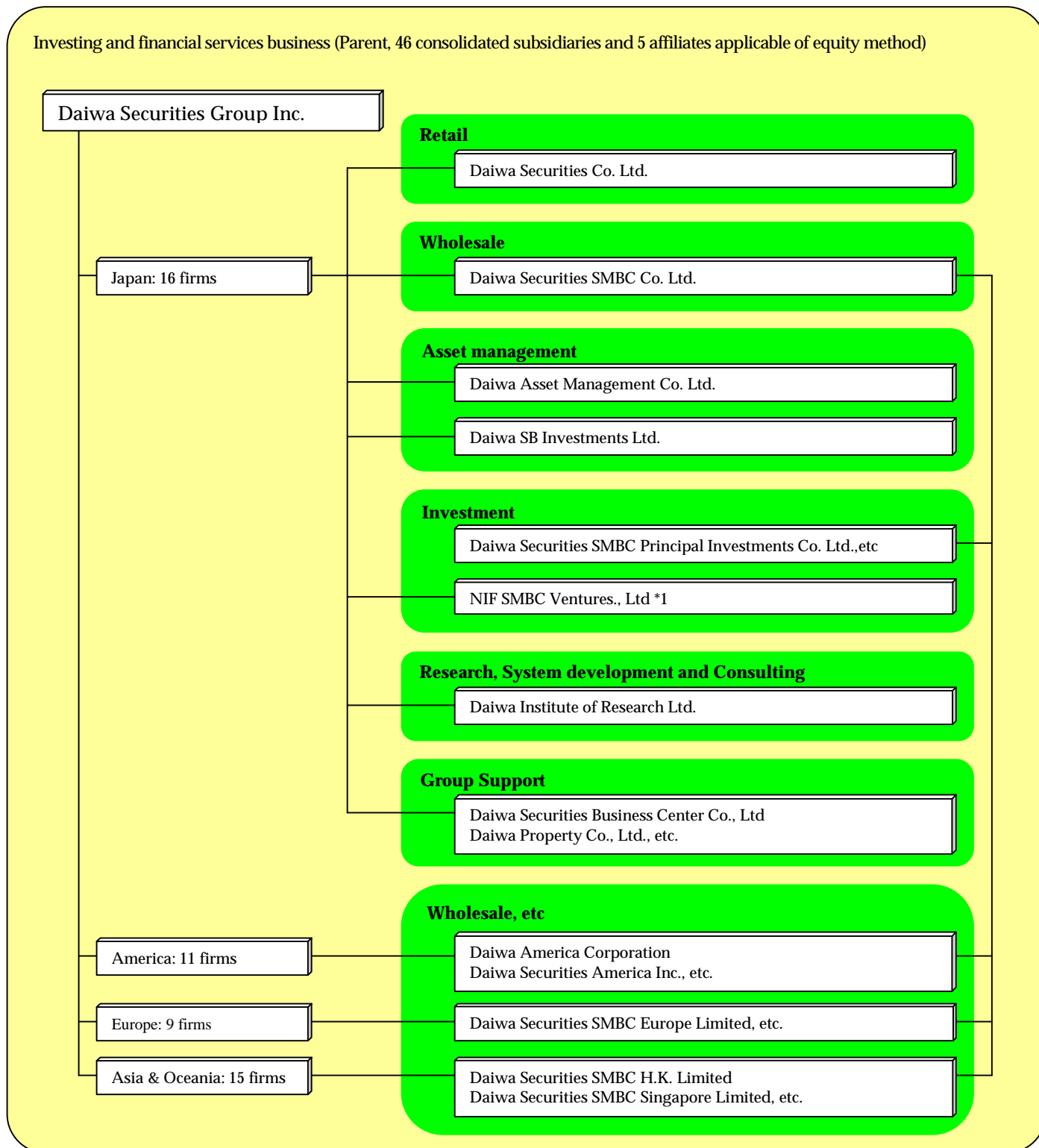
Therefore, the Group doesn't disclose the estimated operating result, considering the difficulty to forecast the performance.

Representative: Shigeharu Suzuki, President

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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.



*1 NIF Ventures Co., Ltd. changed the company name to NIF SMBC Ventures., Ltd. following the merger of SMBC Capital Co., Ltd. on October 1, 2005.

Management Policy

(a) Principle Management Policy

We provide various high-quality products and services, in order to respond to the needs of our clients. We aim to become 'the No.1' in each business area. We will maximize each division's potential by improving inner communication and will provide integrated supreme services.

(b) Principle Policy on the Distribution of Profits

We aim to maximize shareholder value including distribution of profits. Considering the consolidated financial results, we will pay dividends based on a pay-out ratio of approximately 30% semi-annually. However, if we consider the amount of retained earnings to be enough for future business expansion and the financial situation to be stable, we intend to proactively implement measures to distribute profits such as share repurchase.

We plan to pay a dividend of 22 yen per share for this period. Since we paid an interim dividend of 12 yen per share in last December according to the resolution of the Board held on 28th October, 2005, the total amount of dividends will be 34 yen per share for this fiscal year. The dividend pay-out-ratio for the 2nd half will be 30.9% and that of the fiscal year will be 32.2%.

(c) Principle Policy on New Unit Share System

Taking into account our business results, share price and advantages and disadvantages to the shareholders and the Company, we are examining the lowering of the minimum share trading unit of our shares.

(d) Management targets

We have set the following as the main medium-term management targets.

- (1) Consolidated ordinary income : ¥350 billion or higher
- (2) Consolidated ROE : 15% or higher
- (3) Retail assets under custody : ¥45 trillion or higher
- (4) Wholesale investment banking : No. 1 in each League table (equity, fixed income, M&A)

(e) Mid to Long Term Management Strategies

We have established a medium-term management plan titled -'Passion for the Best'2008- for the three-year period from FY2006 to FY2008.

The following is the vision for the group set in the medium-term management plan.

'The Japan's Leading Securities Group, built on customers' trust and employees' passion
-Imagination and our will to realize-'

We aim to become the best in Japan in various fields such as productivity, customer satisfaction and employee satisfaction, as well as various business results.

We have formulated the basic strategies for the group and those for the main group companies, in order to accomplish the targets noted above and develop into 'The Japan's Best Securities Group'. Basic strategies for the group are as follows.

(1) Personnel affairs

We will develop an environment and framework where people with the highest skills in the financial industry can gather and work with high motivation. We will establish an appropriate compensation package as the leading company in the financial industry. As for recruitment, we will increase opportunities to interact with students and continuously acquire sophisticated and loyal students and strengthen our presence.

(2) Financial affairs

We aim to manage risks, return, and capital in an integrated manner and aim to maintain our profitability as long as our financial soundness in order to improve the corporate value along with the growth strategy set in the medium-term management plan. In each business segment, we aim to maintain the profit ratio above the capital cost which is derived considering the risks associated with those segments. We will also refine the schemes to take and control risks.

(3) Information technology (IT) strategy

In order to use the system related resources effectively and to reduce the development period, we will promote measures such as the centralization of IT functions and the standardization of software used within the group. We will proactively make IT investments to expand our business or to further promote new businesses and products.

(4) Risk management/ Internal control

We will organize the framework for broad-based risk management, such as the BCP (Business Continuity Plan). As for internal control, we will implement measures to create the 'Internal control report' and to respond to the obligation for external audit.

- (5) Investor relations/ Public relations/ Advertisement
We aim to establish the most advanced IR and disclosure framework in Japan, by strengthening timely and appropriate disclosure which should be appropriate for 'Japan's leading securities group'.
- (6) Corporate social responsibility (CSR)
We aim to improve our social reputation and to contribute to the sound development of the economic society by proactively increasing communication with our stakeholders. We will focus on topics such as education in economics and finance, socially responsible investments and environment related matters.

Strategies for the main group companies.

- (1) Retail (Daiwa Securities)
'The Accumulation of No.1' is Daiwa Securities' basic strategy.
By establishing a unique business model ('value-added consulting' by the sales representative, 'Daiwa Direct' which has various products and information, 'SMA', the original separately managed account service for the wealthy class), Daiwa Securities will provide highly competitive financial products and services.
- (2) Wholesale investment banking (Daiwa Securities SMBC)
Daiwa Securities SMBC will provide various financial services with investment banking services at its core. We will be the No.1 in customer satisfaction, by building up firm relationships with them. We aim to continuously develop and provide the world's 1st or Japan's 1st products. We will retain the No.1 position in each league table. These measures will enable us to become 'The Japan's Best Investment Bank' with a 1st grade reputation internationally.
- (3) Asset management (Daiwa Asset Management, Daiwa SB Investments)
In the mutual fund business, we will provide products with global focus and broad investment methods. We will become the leading company in the industry with excellent asset management capabilities, various products and various strong sales channels.
In the investment advisory business, we will provide services not only to the pension funds and the institutional investors in Japan, but also to those abroad. We aim to become a top-class firm in terms of assets under management within the industry in Japan, and especially try to maintain our high reputation as the leading firm in managing Japanese equity.
Daiwa Asset Management will increase the amount of assets under management by strengthening its capabilities to manage the funds and customer support and by selling mutual funds through commercial banks.
Daiwa SB Investments will improve external evaluations by focusing on improving capabilities to manage assets. We will meet the needs of domestic pension funds and foreign investors, by diversifying fixed income related products and alternative products which adopt a contingent fee system.
- (4) Investment (Daiwa Securities SMBC PI, NIF SMBC Ventures)
Daiwa Securities SMBC PI nurtures new businesses and firms in new industries, by investing in non-performing loans, real estate and also by helping firms restructure their businesses.
On October 1, 2005, NIF merged with SMBC Capital to establish NIF SMBC Ventures. NIF SMBC Ventures will promote full-line private equity investment utilizing its infrastructure in the venture capital business. It will also work to promote commission based businesses by expanding peripheral services related to its existing fund management business.
- (5) Research/ System (Daiwa Institute of Research)
In the research and consulting business, Daiwa Institute of Research will provide high-quality and value-added research and consulting services, in order to contribute to the group's securities business which is becoming diversified and sophisticated.
In the information system business, Daiwa Institute of Research will provide system solution services which contribute to the business strategies of each segment in the group.

(f) Current Challenges

Under the condition that Japanese economy keeps recovering steadily and the shift 'from savings to investment' accelerate, the capital market undertakes more important roles as a highly public platform. And our social mission, to develop and support a sound capital market, is becoming more important than ever. Under this condition, our business chance is expanding dramatically.

Based on this understanding, we think that this fiscal year, which is the first fiscal year for the medium-term management plan, will be a step toward our future leap. With that in mind, we recognize that our task is to carry out the action plan of each division according to the business policy below in this fiscal year.

We determine our business policy of this fiscal year to be 'Passion, Creation, Execution and Evolution -Full Throttle-'. We respond to the customers' need which is changing minute by minute and will stimulate new customers' needs. All of our management and employees will join together and aim to become 'The Japan's Leading Securities Group'.

While the share market turn into mid and long term upturn, abundant individual financial assets are flowing into the capital market. Under this condition, in the retail division, we try to expand our business by increasing assets under custody, by refining the framework, that we can respond to all of the customers' needs, with three platforms, 'Consulting', 'Daiwa Direct' and 'SMA'.

Reorganization and M&As by Japanese companies are intensifying. Therefore, both the needs of investment activity and those of financing are becoming diverse. Our business opportunity are increasing, such as in the principal finance, SPS, and in the traditional investment banking area. Under this condition, in the wholesale division, we try to expand our business field, by strengthening our origination capabilities and by providing the best solution related to investment activities and financing.

In the asset management division, by strengthening the asset management and product development capabilities, we aim to increase the amount of mutual fund and fiduciary assets under management.

Considering the tasks above, we aim to develop into 'The Japan's Leading Securities Group' by accumulating the No.1 performances in each business field.

(g)Matters related to its parent

None

Results of Operation and Financial Conditions

a. Consolidated operating results for fiscal 2005

1. Summary of operating results for 12 months (comparison with the fiscal 2004)

Net operating revenues increased 48.4% to 579,358 million yen mainly because commissions and net gains on trading grew. Selling, general and administrative expenses increased 18.0% to 325,199 million yen. As a result, ordinary income increased 116.4% to 260,651 million yen and net income increased 165.7% to 139,948 million yen.

(1) Commissions

(i) Brokerage commission

Daily average trading value on the Tokyo Stock Exchange increased 68.7% to 2,404.5 billion yen. Brokerage commission increased 43.1% to 119,520 million yen.

(ii) Underwriting commission

Underwriting commission derived from equity increased 21.1% to 54,066 million yen mainly because the Group actively acted as lead-manager for public offering of large amount. As a result, underwriting commission increased 17.5% to 64,313 million yen.

(iii) Distribution commission

Distribution commission grew 88.2% to 43,830 million yen because distribution commissions in investment trust increased 112.3% to 41,798 million yen, due to an increase in commission arising from sale of beneficiary certificate.

(iv) Other commission

Other commission on investment trust increase 56.1% to 40,268 million yen primarily due to an increase in trust fee in line with expanded outstanding balance of equity-related beneficiary certificate, and other commission on investment banking and others increased contribution of M&A and management fee for limited partnerships and similar partnerships. As a result, total other commission increased 48.7% to 81,523 million yen.

(2) Net gains on trading

Net gains on trading in stock and other increased 121.5% to 124,270 million yen. As a result, total net gains on trading increased 48.8% to 224,912 million yen.

(3) Financial income

Interest and dividend income increased 107.8% to 245,210 million yen and interest expenses increased 123.4% to 231,572 million yen. Net financial income decrease 4.9% to 13,638 million yen due to the change in presentation of share of net income raised by the investments in limited partnerships and similar partnerships.

(4) Selling, general and administrative expenses

Employees' compensation and benefits increased due to an increase in accrued bonuses in line with operating result. Commission and other expenses increased in line with the increment of transaction. As a result, selling, general and administrative expenses increased 18.0% to 325,199 million yen.

2. Summary of operating results for 3 months (comparison with the third quarter of fiscal 2005)

Consolidated net operating revenues for the fourth quarter of fiscal 2005 increased 14.6% to 186,612 million yen as a result of an increase in commissions and net gains on trading. Selling, general and administrative expenses for the fourth quarter increased 2.8% to 88,824 million yen. As a result, consolidated ordinary income increased 25.4% to 98,287 million yen. Net income increased 42.6% to 55,322 million yen for the fourth quarter of fiscal 2005, posting extraordinary gains/losses, income taxes, and minority interest.

3. Operating results of overseas subsidiaries for fiscal 2005 (12 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
2,695	10,185	3,442	16,322

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

Net cash provided by operating was 369,860 million yen compared with -1,002,888 million yen for fiscal 2004. Net cash used in investment activities was 911 million yen due to payments for purchase of investment securities in spite of a decrease in time deposit, compared 26,062 million yen for fiscal 2004. Net cash used in financing activities was 324,056 million yen mainly due to decrease in short-term borrowings, compared with -883,867 million yen for fiscal 2004. Consequently, cash and cash equivalents increased by 53,652 million yen to 392,350 million yen in comparison with March 31, 2005.

Consolidated balance sheets

(millions of yen)	Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005	Increase/ Decrease
Assets			
Current assets:	14,392,393	11,936,024	2,456,368
Cash and deposits	407,889	398,688	9,201
Cash segregated as deposits for regulatory purposes	297,878	153,516	144,361
Notes receivable and trade accounts receivable	11,368	8,635	2,733
Securities	20,205	15,037	5,167
Trading assets:	6,162,242	5,242,319	919,922
Trading securities and others	4,491,212	4,690,548	-199,335
Derivative assets	1,671,029	551,771	1,119,258
Trading receivables, net	-	9,419	-9,419
Private equity and other securities	390,917	149,598	241,319
Less: Allowance for possible investment losses	-8,496	-7,051	-1,445
Other inventories	2,271	816	1,455
Receivables related to margin transactions:	563,537	312,144	251,393
Customer margin loans	359,331	126,686	232,644
Cash deposits as collateral for securities borrowed	204,206	185,457	18,748
Collateralized short-term financing agreements:	6,274,505	5,348,915	925,589
Cash deposits as collateral for securities borrowed	6,274,385	5,348,915	925,469
Receivables related to gensaki transactions	120	-	120
Receivables	25,940	11,458	14,481
Securities failed to deliver	25,717	130,176	-104,458
Short-term loans receivable	59,997	75,781	-15,784
Accrued income	36,558	17,463	19,095
Deferred tax assets-current	20,187	9,076	11,110
Other current assets	101,965	60,354	41,610
Less: Allowance for doubtful accounts-current	-293	-328	34
Non-current assets:	506,497	442,937	63,560
Tangible fixed assets	126,531	137,619	-11,088
Intangible fixed assets	68,813	62,052	6,760
Investments and others:	311,153	243,265	67,888
Investment securities	249,647	178,163	71,484
Long-term loans receivable	11,866	11,681	184
Long-term guarantee deposits	23,538	23,410	127
Deferred tax assets-non-current	9,300	12,839	-3,539
Other investments	18,651	25,715	-7,064
Less: Allowance for doubtful accounts-non-current	-1,851	-8,546	6,694
Total assets	14,898,890	12,378,961	2,519,928

(millions of yen)	Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005	Increase/ Decrease
<i>Liabilities</i>			
Current liabilities:	12,812,909	10,685,604	2,127,304
Notes payable and trade accounts payable	5,138	3,369	1,768
Trading liabilities:	4,879,188	3,658,544	1,220,644
Trading securities and others	3,321,855	3,196,633	125,222
Derivative liabilities	1,557,332	461,911	1,095,421
Trading payables, net	302,572	-	302,572
Payables related to margin transactions:	197,482	141,972	55,510
Payable to securities finance companies	7,569	2,981	4,588
Proceeds of securities sold for customers' accounts	189,912	138,991	50,921
Collateralized short-term financing agreements:	4,744,007	3,877,730	866,276
Cash deposits as collateral for securities loaned	4,525,203	3,687,840	837,362
Payables related to gensaki transactions	218,803	189,890	28,913
Deposits received	166,508	110,415	56,093
Cash deposits received as guarantee	99,224	53,302	45,922
Securities failed to receive	20,188	138,288	-118,099
Short-term borrowings	1,795,320	2,295,928	-500,608
Commercial paper	234,210	200,220	33,990
Bonds and notes due within one year	159,400	129,401	29,998
Income taxes payable	73,779	10,596	63,182
Deferred tax liabilities-current	2,898	951	1,946
Accrued bonuses	41,713	22,811	18,902
Other current liabilities	91,273	42,071	49,202
Non-current liabilities:	1,049,956	850,180	199,776
Bonds and notes	819,559	666,136	153,422
Convertible bonds	-	79,985	-79,985
Long-term debt	167,952	74,195	93,757
Deferred tax liabilities-non-current	39,007	6,225	32,782
Retirement benefits	19,912	19,173	738
Other non-current liabilities	3,525	4,465	-940
Statutory reserves	7,024	5,650	1,374
Total liabilities	13,869,891	11,541,435	2,328,455
Minority interests	236,718	189,193	47,524
<i>Shareholders' equity</i>			
Common stock	138,828	138,432	395
Capital surplus	118,339	117,941	398
Retained earnings	476,216	362,948	113,267
Net unrealized gain (loss) on securities, net of tax effect	72,694	35,674	37,020
Translation adjustments	863	-5,877	6,740
Treasury stock	-14,660	-786	-13,873
Total shareholders' equity	792,281	648,332	143,948
Total liabilities, minority interests and shareholders' equity	14,898,890	12,378,961	2,519,928

Consolidated statements of operations

(millions of yen)	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005	Increase/ Decrease	Yr/yr % change
Operating revenues:	845,659	519,337	326,322	62.8
Commissions	309,188	216,386	92,801	42.9
Net gain (loss) on trading	224,912	151,117	73,794	48.8
Net gain (loss) on private equity and other securities (*1)	21,539	-	21,539	-
Net gain (loss) on private equity and other securities (*2)	-	171	-171	-
Interest and dividend income	245,210	118,019	127,191	107.8
Other sales revenues	44,808	33,641	11,167	33.2
Interest expenses	231,572	103,676	127,895	123.4
Cost of sales	34,729	25,228	9,500	37.7
Net operating revenues	579,358	390,432	188,926	48.4
Selling, general and administrative expenses:	325,199	275,544	49,654	18.0
Commission and other expenses	63,909	46,720	17,189	36.8
Employees' compensation and benefits	171,061	142,751	28,310	19.8
Occupancy and rental	32,659	32,697	-38	-0.1
Data processing and office supplies	17,273	16,804	468	2.8
Depreciation expenses	22,640	22,129	511	2.3
Taxes other than income taxes	8,071	6,755	1,316	19.5
Others	9,582	7,685	1,896	24.7
Operating income	254,159	114,887	139,271	121.2
Non-operating income:	8,697	7,909	787	10.0
Equity in earnings	1,528	1,893	-365	-19.3
Others	7,168	6,015	1,153	19.2
Non-operating expenses	2,204	2,363	-159	-6.7
Others	2,204	2,363	-159	-6.7
Ordinary income	260,651	120,433	140,218	116.4
Extraordinary gains	14,825	9,552	5,272	55.2
Extraordinary losses	17,122	17,383	-260	-1.5
Income before income taxes and minority interests	258,355	112,603	145,751	129.4
Income taxes-current	77,675	11,933	65,742	550.9
Income taxes-deferred	391	28,233	-27,841	-98.6
Minority interest	-40,339	-19,770	-20,568	-
Net income	139,948	52,665	87,282	165.7
Net financial income included in net operating revenues	13,638	14,342	-703	-4.9

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)	Fiscal 2005 Apr. 1, 2005- Mar. 31, 2006	Fiscal 2004 Apr. 1, 2004- Mar. 31, 2005
<i>Capital surplus</i>		
Beginning balance of capital surplus	117,941	117,939
Increase in capital surplus	398	1
Conversion of convertible bonds	395	0
Net gains on sales of treasury stock	2	1
Decrease in capital surplus	-	-
Ending balance of capital surplus	118,339	117,941
<i>Retained earnings</i>		
Beginning balance of retained earnings	362,948	330,780
Increase in retained earnings:	140,557	52,665
Net income	139,948	52,665
Increase due to merger of subsidiaries	609	-
Decrease in retained earnings:	27,290	20,497
Cash dividends paid	26,611	19,960
Bonuses to directors	678	536
Ending balance of retained earnings	476,216	362,948

Consolidated statements of cash flows

(millions of yen)	Fiscal 2005 Apr. 1, 2005- Mar. 31, 2006	Fiscal 2004 Apr. 1, 2004- Mar. 31, 2005
1. Cash flows from operating activities:		
Income before income taxes and others	258,355	112,603
Depreciation	22,640	22,129
Increase in allowance for retirement benefits	738	1,871
Interest and dividend income	-245,724	-106,958
Interest expenses	231,335	103,539
Equity in earnings	-1,528	-1,893
Adjustment of extraordinary gains/losses items:		
Gain on sale of fixed assets	-	-2,000
Loss on sale or disposal of fixed assets	548	1,535
Valuation loss of fixed assets	-	114
Gain on sale of related companies' stocks	-3,714	-
Write-down of related companies' stocks	-	40
Gain on liquidation of related companies	-	-599
Loss on liquidation of related companies	-	650
Gain on sale of investment securities	-6,385	-6,451
Loss on sale of investment securities	69	892
Write-down of investment securities	499	3,430
Loss on sale of loans receivable	-	7,595
Reversal of stock purchase warrant	-	-501
Gain on change in stake in subsidiary	-4,725	-
Provision for doubtful accounts	-	1,638
Loss on litigation settlement	1,279	-
Loss on impairment of fixed assets	6,850	-
Extraordinary depreciation	4,439	-
Multiemployer pension plan settlement cost in subsidiaries	-	188
Reorganization costs of an overseas banking subsidiary	-	779
Foreign exchange loss from overseas subsidiary capital reduction	1,563	-
Provision for securities transaction liabilities	1,374	-
Contribution to the Securities Market Infrastructure Improvement Fund	200	-
Others	297	517
(Increase) Decrease in deposits segregated for customer	-137,291	-43,042
(Increase) Decrease in loans receivable	17,495	22,278
(Increase) Decrease in private equity and other securities	-192,644	-18,342
(Increase) Decrease in trading assets, net of trading liabilities	615,610	111,197
(Increase) Decrease in receivables related to margin transactions, net of payables related to margin transactions	-195,882	-28,086
(Increase) Decrease in receivables on collateralized short-term financing agreements, net	-63,703	-1,183,394
Others	59,506	7,739
Sub-total	371,203	-992,528
Interest and dividend received	232,214	106,770
Interest paid	-222,153	-103,440
Income taxes refunded (paid)	-11,404	-13,689
Net cash provided by (used in) operating activities	369,860	-1,002,888

(millions of yen)	Fiscal 2005 Apr. 1, 2005- Dec. 31, 2006	Fiscal 2004 Apr. 1, 2004- Mar. 31, 2005
2. Cash flows from investing activities:		
Increase in time deposits	-10,685	-53,041
Decrease in time deposits	55,201	-
Payments for purchase of securities	-14,382	-20,130
Proceeds from sale and redemption of securities	10,423	44,628
Payments for purchase of tangible fixed assets	-12,525	-7,786
Proceeds from sale of tangible fixed assets	718	5,315
Payments for purchase of intangible fixed assets	-24,311	-19,108
Payments for purchase of investment securities	-29,589	-15,348
Proceeds from sale and redemption of investment securities	19,763	53,979
Payments for purchase of subsidiaries' stocks from non-Group shareholders	-	-13
Proceeds from sale of related companies	13,416	-
Payments for purchase of related companies	-7,582	-
Payments for loan made	-116	-77
Proceeds from collection of loans receivable	253	334
Others	-1,496	-14,814
Net cash provided by (used in) investing activities	-911	-26,062
3. Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	-446,189	759,982
Proceeds from issuance of bonds and convertible bonds	505,357	225,874
Payments for redemption of bonds and convertible bonds	-401,373	-97,102
Proceeds from long-term debt	128,500	28,800
Payments for repayment of long-term debt	-70,004	-14,011
Dividends paid	-26,611	-19,960
Dividends paid to minority shareholders	-9,176	-167
Proceeds from minority shareholders due to issuance of shares	9,999	-
Proceeds from sale of treasury stocks	21	33
Others	-14,578	418
Net cash provided by (used in) financing activities	-324,056	883,867
4. Effect of exchange rate changes on cash and cash equivalents	7,428	3,819
5. Net change in cash and cash equivalents	52,321	-141,263
6. Cash and cash equivalents at beginning of term	338,697	480,123
7. Increase in cash and cash equivalents due to merger of subsidiaries	1,331	-
8. Decrease in cash and cash equivalents due to exclusion from scope of consolidation	-	-161
9. Cash and cash equivalents at end of term	392,350	338,697

Notes to consolidated financial statements

The consolidated financial statements of the Company for the fiscal year ended March 31, 2006 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 SMBC Ventures Co., Ltd.
 Daiwa Securities Business Center Co. Ltd.
 Daiwa Property Co., Ltd.
 Daiwa Securities SMBC Europe Limited
 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 non-consolidated subsidiary is added to scope of consolidation due to its increased materiality on the consolidated financial statement. One consolidated subsidiary is excluded from the scope of consolidation, as two consolidated subsidiaries merged with a non-consolidated subsidiary during this fiscal year. 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.
 Daiwa SMBC-SSC Securities Co. Ltd.
 Totan Holdings Co., Ltd.
 The Tokyo Tanshi Co., Ltd.

One company is newly added to the scope of equity method due to purchase of shares during this fiscal year. One affiliate is excluded from the scope of equity method due to merger with a consolidated subsidiary during this fiscal year. A 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 with the fiscal year ending other than March 31, 2006, the financial statements for the fiscal year are reflected.

3. Fiscal period of subsidiaries

For subsidiaries with the fiscal year ending other than March 31, 2006, the financial statements for the relevant fiscal year 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 securities companies are recorded mainly on a trade date basis in the consolidated balance sheet at either market or fair value.

(ii) Valuation of non-trading assets and liabilities

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

Trading securities are carried at fair value with unrealized gains or losses included in income. Held-to-maturity debt securities are stated at amortized 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 available, share of net income raised by the investments in limited partnerships is reflected on consolidated statements of operations and share of net unrealized profits and losses on securities held by the partnerships is directly posted into stockholders' equity. Private equity and other securities held by certain consolidated subsidiaries 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

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.

(Additional Information)

The removal of headquarters of the Company and some consolidated subsidiaries has been resolve. The useful lives of buildings and equipments for those headquarters are shortened up to the removal. Extraordinary depreciation of 4,439 million yen was recorded as extraordinary losses, due to shortened useful lives. 'Income before income taxes minority interests' decreased by that amount as a result.

(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) 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

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

(ii) Allowance for possible investment losses

Some consolidated subsidiaries provide the allowances based on estimated losses on private equity and other securities held, assessing the financial conditions of invest 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. 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, 2006.

- (5) 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.
- (6) Hedging transaction
Marked-to-market profits and losses on hedging instruments are principally deferred as assets or liabilities until the profits or losses on the hedged instruments are realized. Interest received or paid on certain eligible 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.
- (7) Other material items
(i) Accounting for consumption taxes
Consumption taxes are separately recorded.
(ii) Consolidated tax payments system
The consolidated tax payments system is applied.
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 earnings in the consolidated statement of retained earnings 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

Regarding the investments in limited partnerships and similar partnerships regarded as securities, 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 17,142 million yen, due to this change in presentation.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets
- | | As of Mar. 31, 2006 | As of Mar. 31, 2005 |
|--|---------------------|---------------------|
| | 105,753 million yen | 97,300 million yen |
2. Guarantee
- | | As of Mar. 31, 2006 | As of Mar. 31, 2005 |
|--|---------------------|---------------------|
| | 2,506 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 Mar. 31, 2006 | As of Mar. 31, 2005 |
|--|---------------------|---------------------|
| | 20,000 million yen | 40,000 million yen |
- Long-term borrowings
- | | As of Mar. 31, 2006 | As of Mar. 31, 2005 |
|--|---------------------|---------------------|
| | 82,000 million yen | 20,000 million yen |

Notes to consolidated statements of operations

Details of extraordinary gains/losses

(million of yen)	<u>Fiscal 2005</u> Apr. 1, 2005- Mar. 31, 2006	<u>Fiscal 2004</u> Apr. 1, 2004- Mar. 31, 2005
Extraordinary gains:		
Gain on sale of fixed assets	-	2,000
Gain on liquidation of related companies	-	599
Gain on sale of related companies' stock	3,714	-
Gain on sale of investment securities	6,385	6,451
Reversal of stock purchase warrant	-	501
Gain on change in stake in subsidiary	4,725	-
Extraordinary losses:		
Loss on litigation settlement	1,279	-
Write-down of related companies stocks	-	40
Write-down of investment securities	499	3,430
Valuation loss of fixed assets	-	114
Loss on sale or disposal of fixed assets	548	1,535
Loss on impairment of fixed assets	6,850	-
Extraordinary depreciation	4,439	-
Loss on liquidation of related companies	-	650
Loss on sale of investment securities	69	892
Loss on sale of loans receivable	-	7,595
Provision for doubtful accounts	-	1,638
Reorganization costs for overseas banking subsidiary	-	779
Foreign exchange loss from overseas subsidiary capital reduction	1,563	-
Multiemployer pension plan settlement cost in consolidated subsidiaries	-	188
Provision for securities transaction liabilities	1,374	517
Contribution to the Securities Market Infrastructure Improvement Fund	200	-
Others	297	-

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)	<u>Fiscal 2005</u> Mar. 31, 2006	<u>Fiscal 2004</u> Mar. 31, 2005
Cash and deposits	407,889	398,688
Time deposit more than 3 months	-15,539	-59,990
Cash and cash equivalents	392,350	338,697

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 2005 ended March 31, 2006

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	541,666	5,527	21,672	10,492	579,358	-	579,358
Intersegment revenues	1,529	8,758	12,085	1,605	23,979	(23,979)	-
Net operating revenues	543,195	14,286	33,758	12,097	603,337	(23,979)	579,358
S.G. & A. expenses	294,984	11,920	23,679	8,471	339,055	(13,856)	325,199
Operating income	248,211	2,366	10,078	3,625	264,281	(10,122)	254,159

ii. Assets	12,239,341	2,807,086	1,145,933	72,880	16,265,243	(1,366,352)	14,898,890
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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	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
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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 2005 ended March 31, 2006

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	10,312	19,370	11,015	40,698
Consolidated net operating revenues	-	-	-	579,358
Percentage of total revenues	1.8	3.3	1.9	7.0

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

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 2005 (Mar. 31, 2006)</u>	<u>Fiscal 2004 (Mar. 31, 2005)</u>
(1) Post-employment benefit obligation		
Accrued retirement benefits:	19,912million yen	19,173 million yen
(2) Provision for employees' retirement allowance		
Provision for employees' retirement allowance:	6,156million yen	6,247million 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 2005 (Mar. 31, 2006)</u>	<u>Fiscal 2004 (Mar. 31, 2005)</u>
(2) Discount rate:	Mainly 0.8% to 1.2%	Mainly 0.6% to 0.8%
(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 2005**1. Breakdown of commissions****Fiscal 2005 ended March 31, 2006 (A)**

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	118,261	923	336	-	-	119,520
Underwriting commission	-	-	-	64,313	-	64,313
(Stock and other)	(-)	(-)	(-)	(54,066)	(-)	(54,066)
(Bond and other)	(-)	(-)	(-)	(8,554)	(-)	(8,554)
Distribution commission	-	-	41,798	2,031	-	43,830
Other commission	1,955	2,278	40,268	16,389	20,631	81,523
(Agency commission)	(-)	(2,259)	(22,275)	(-)	(-)	(24,535)
Total	120,216	3,202	82,403	82,735	20,631	309,188

Fiscal 2004 ended March 31, 2005 (B)

(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

Yr/yr percentage change ((A) / (B) - 1)

(percentage)	Equity	Fixed income (Bond)	Investment Trust	Investment banking	Others	Total
Brokerage commission	44.4	-36.9	111.4	-	-	43.1
Underwriting commission	-	-	-	17.5	-	17.5
(Stock and other)	(-)	(-)	(-)	(21.1)	(-)	(21.1)
(Bond and other)	(-)	(-)	(-)	(-0.2)	(-)	(-0.2)
Distribution commission	-	-	112.3	-43.5	-	88.2
Other commission	-0.6	-18.6	56.1	27.8	80.6	48.7
(Agency commission)	(-)	(-17.8)	(58.9)	(-)	(-)	(46.4)
Total	43.3	-24.9	80.6	16.2	80.6	42.9

2. Breakdown of net gains on trading

(millions of yen)	Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr % change
Stock and other	124,270	56,104	121.5
Bond, forex and other	100,641	95,012	5.9
(Bond and other)	(39,025)	(62,407)	(-37.5)
(Forex and other)	(61,615)	(32,605)	(89.0)
Total	224,912	151,117	48.8

Quarterly consolidated statements of operation

(millions of yen)	4th quarter Jan. 1, 2005- Mar. 31, 2005	1st quarter Apr.1, 2005- Jun. 30, 2005	2nd quarter Jul.1, 2005- Sep. 30, 2005	3rd quarter Oct.1, 2005- Dec. 31, 2005	4th quarter Jan.1, 2006- Mar. 31, 2006
Operating revenues	158,088	135,435	195,376	245,284	269,562
Commissions	62,268	45,039	62,944	89,853	111,351
Brokerage commission	22,408	17,756	26,209	39,072	36,482
(Stock and other)	21,939	17,467	25,916	38,628	36,249
(Bond and other)	439	251	228	307	136
Underwriting commission	15,405	5,320	9,132	16,378	33,482
(Stock and other)	11,991	2,501	6,661	13,504	31,398
(Bond and other)	2,824	2,410	2,011	2,277	1,854
Distribution commission	7,659	7,515	9,305	13,214	13,796
(Beneficiary certificates)	6,420	6,949	8,900	12,627	13,321
Other commission	16,795	14,447	18,297	21,188	27,590
(Beneficiary certificates)	7,006	7,663	9,049	10,796	12,584
Net gain (loss) on trading	44,397	35,804	68,547	57,749	62,810
(Stock and other)	21,577	7,435	39,042	31,102	46,690
(Bond and other)	8,531	20,566	8,236	5,751	4,471
(Forex and other)	14,288	7,802	21,268	20,896	11,648
Net gain (loss) on private equity and other securities (*1)	-	4,009	2,071	9,037	6,421
Net gain (loss) on private equity and other securities (*2)	-1,563	-	-	-	-
Interest and dividend income	41,374	42,965	52,483	73,869	75,892
Other sales revenues	11,612	7,616	9,330	14,774	13,087
Interest expenses	32,137	38,531	49,507	70,425	73,107
Cost of sales	8,720	5,621	7,178	12,085	9,843
Net operating revenues	117,230	91,282	138,689	162,773	186,612
Selling, general and administrative expenses:	73,581	69,878	80,106	86,389	88,824
Commission and other expenses	13,086	13,748	15,509	16,148	18,503
Employees' compensation and benefits	38,036	34,961	42,485	47,355	46,260
Occupancy and rental	8,443	7,746	8,312	8,042	8,557
Data processing and office supplies	4,571	4,309	4,014	4,379	4,569
Depreciation expenses	5,758	5,551	5,588	5,669	5,830
Taxes other than income taxes	1,556	1,594	2,004	2,109	2,363
Others	2,129	1,966	2,191	2,685	2,739
Operating income	43,649	21,404	58,582	76,383	97,788
Non-operating income	1,891	2,705	1,957	2,196	1,838
Non-operating expenses	389	308	384	172	1,338
Ordinary income	45,151	23,800	60,155	78,407	98,287
Extraordinary gains	5,307	321	10,562	3,020	921
Extraordinary losses	13,608	-	614	1,867	14,640
Income before income taxes and minority interests	36,850	24,122	70,102	79,560	84,569
Income taxes-current	9,795	2,698	22,478	20,940	31,558
Income taxes-deferred	1,539	6,690	4,104	7,187	-17,591
Minority interests	-6,479	-3,096	-9,333	-12,629	-15,279
Net income	19,035	11,636	34,185	38,803	55,322
Net financial income included in net operating revenues	9,236	4,434	2,975	3,444	2,785

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.

Daiwa Securities Group Inc.

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Tokyo 100-8101, Japan

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

April 26, 2006

Non-consolidated financial summary

(For the fiscal year ended March 31, 2006)

(1) Operating results (from April 1, 2005 to March 31, 2006)

(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 2005 (2006/3)	35,215	(34.2)%	23,033	(65.9)%	25,140	(54.2)%
Fiscal 2004 (2005/3)	26,236	(67.6)%	13,884	(921.5)%	16,302	(778.5)%

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
Fiscal 2005 (2006/3)	51,335	(59.3)%	38.62	Yen	36.79	Yen	8.7	%
Fiscal 2004 (2005/3)	32,228	(-)%	24.21	Yen	23.31		5.7	%

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

Fiscal 2005 (2006/3): 1,328,976,751

Fiscal 2004 (2005/3): 1,330,684,146

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 2005 (2006/3)	34.00	12.00	22.00	45,032	88.0	7.3
Fiscal 2004 (2005/3)	13.00	5.00	8.00	17,298	53.7	3.1

(3) Financial conditions

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

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity/share
As of Mar. 31, 2006	1,224,643	613,824	50.1 %	464.60 Yen
As of Mar. 31, 2005	1,088,665	573,115	52.6	430.71

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

As of Mar. 31, 2006: 1,321,174,474

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

2. Treasury stock (shares)

As of Mar. 31, 2006: 11,285,635

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: Mikita Komatsu, General Manager, Finance Department

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Balance sheets

(millions of yen)	Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005	Increase/ Decrease
Assets			
Current assets:	313,632	227,816	85,816
Cash and deposits	129,130	117,897	11,233
Securities	3,542	-	3,542
Short-term loans receivable	133,404	87,369	46,034
Account receivable	44,244	17,728	26,515
Accrued income	753	1,845	-1,092
Deferred tax assets-current	564	1,886	-1,321
Other current assets	1,993	1,088	904
Non-current assets:	911,010	860,849	50,161
Tangible fixed assets	10,026	10,187	-161
Intangible fixed assets	755	717	38
Investments and others:	900,228	849,944	50,284
Investment securities	706,934	658,209	48,724
Long-term loans receivable	170,946	171,406	-460
Long-term guarantee deposits	12,885	12,471	413
Others	9,911	8,351	1,559
Less: Allowance for doubtful accounts	-449	-494	45
Total assets	1,224,643	1,088,665	135,977

(millions of yen)	Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005	Increase/ Decrease
<i>Liabilities</i>			
Current liabilities:	278,064	263,444	14,620
Short-term borrowings	62,235	67,710	-5,475
Commercial paper	-	25,000	-25,000
Bonds and notes due within one year	79,193	100,000	-20,807
Collateralized short-term financing agreements	132,112	66,855	65,256
Income taxes payable	176	138	38
Accrued bonuses	1,613	769	843
Other current liabilities	2,734	2,970	-235
Non-current liabilities:	332,754	252,105	80,649
Bonds and notes	236,400	124,900	111,500
Convertible bonds	-	79,985	-79,985
Long-term debt	49,000	37,000	12,000
Long-term cash deposits received as guarantee	4,042	4,100	-58
Deferred tax liabilities-non-current	38,739	1,916	36,822
Retirement benefits	2,361	3,408	-1,047
Other non-current liabilities	2,211	793	1,417
Total liabilities	610,819	515,549	95,269
<i>Shareholders' equity</i>			
Common stock	138,828	138,432	395
Capital surplus	118,339	117,941	398
Additional paid-in capital	118,182	117,786	395
Other capital surplus reserve	156	154	2
Net gains on sales of treasury stock	156	154	2
Retained earnings	314,133	289,409	24,723
Earned surplus reserve	45,335	45,335	-
General-purpose reserve	218,000	218,000	-
Unappropriated retained earnings	50,798	26,074	24,723
Net unrealized gain (loss) on securities, net of tax effect	57,183	28,119	29,063
Treasury stock	-14,660	-786	-13,873
Total shareholders' equity	613,824	573,115	40,708
Total liabilities and shareholders' equity	1,224,643	1,088,665	135,977

Statements of operations

(millions of yen)	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006	Fiscal 2004 Apr. 1, 2004 - Mar. 31, 2005	Increase/ Decrease	Yr/yr % change
Operating revenues:	35,215	26,236	8,978	34.2
Dividends from related companies	32,257	19,136	13,121	68.6
Interest on loans to related companies	2,805	3,704	-898	-24.3
Other interest and dividend income	-	100	-100	-
Royalty on trademark	-	3,295	-3,295	-
Other	152	-	152	-
Operating expenses:	12,181	12,352	-170	-1.4
Selling, general and administrative expenses:	9,210	7,731	1,478	19.1
Commission and other expenses	1,747	917	829	90.5
Employees' compensation and benefits	4,130	3,650	480	13.2
Occupancy and rental	614	681	-67	-9.9
Data processing and office supplies	855	870	-15	-1.7
Depreciation expenses	350	428	-78	-18.2
Others	1,512	1,182	329	27.9
Interest expenses	2,971	4,620	-1,649	-35.7
Operating income	23,033	13,884	9,148	65.9
Non-operating income	2,841	2,669	171	6.4
Non-operating expenses	733	251	482	191.4
Ordinary income	25,140	16,302	8,838	54.2
Extraordinary gains	9,681	9,149	531	5.8
Extraordinary losses	3,255	3,396	-141	-4.2
Income before income taxes	31,566	22,055	9,511	43.1
Income taxes-current	-37,973	-8,064	-29,908	-
Income taxes-deferred	18,205	-2,109	20,314	-
Net income	51,335	32,228	19,106	59.3
Unappropriated retained earnings-carryforward	15,429	498	14,930	-
Interim dividends	15,966	6,653	9,313	-
Unappropriated retained earnings	50,798	26,074	24,723	-

Statement of appropriation of retained earnings

(millions of yen)

(Appropriation plan)

	Fiscal 2005		Fiscal 2004	
	Apr. 1, 2005- Mar. 31, 2006		Apr. 1, 2004- Mar. 31, 2005	
Unappropriated retained earnings		50,798		26,074
Total		50,798		26,074
Appropriations of retained earnings				
Dividends (*)	29,065 (Note 1)	29,065	10,644 (Note 2)	10,644
Unappropriated retained earnings carried forward		21,732		15,429

(Note 1): 22 yen per share

(Note 2): 8 yen per share

(*)The Company paid interim dividend of 6,653 million yen (5 yen per share) on December 1, 2004 and 15,966 million yen (12 yen per share) on December 1, 2005.

Notes to financial statements

The financial statements of the Company for fiscal 2005 ended March 31, 2006 are prepared in accordance with 'Regulations of Financial Statements' (MOF Ordinance No. 59, 1963).

Basis of financial statements

1. Valuation of securities

The Company examines the intent of holding each securities and classifies those securities as (a) debt and equity securities intended to held for trading purpose ("trading 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").

Trading securities are carried at fair value with unrealized gains or losses included in income. 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 available, share of net income raised by the investments in limited partnerships is reflected on statements of operations and share of net unrealized profits and losses on securities held by the partnerships is directly posted into stockholders' 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 12 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2006.

4. Deferred assets

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

5. 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.

6. Hedging transaction

Marked-to-market profits and losses on hedging instruments are principally deferred as assets or liabilities until the profits or losses on the hedged instruments are realized. Interest received or paid on certain eligible 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.

7. Other material items

(1) Accounting for consumption taxes

Consumption taxes are separately recorded.

(2) 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 fiscal 2005 are 134 million yen and 12 million yen, respectively.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets				
	As of Mar. 31, 2006		As of Mar. 31, 2005	
	3,054 million yen		3,218 million yen	
2. Guarantee				
	As of Mar. 31, 2006		As of Mar. 31, 2005	
	4,589 million yen		8,969 million yen	
3. Details of increase in shares out standing				
		<u>Number of shares issued</u>	<u>Issuance amount</u>	<u>Capitalized amount</u>
Conversion of convertible bonds		723,937	791 million yen	395 million yen

Notes to statements of operations

Details of extraordinary gains/losses

	<u>Fiscal 2005</u> Apr. 1, 2005- Mar. 31, 2006	(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	1,200	5,529
Gain on sale of related companies' stocks	6,146	-
Gain on sale of investment securities	2,333	3,098
Reversal of stock purchase warrant	-	501
Extraordinary losses:		
Loss on litigation settlement	1,279	-
Write-down of related companies' stocks	-	42
Write-down of investment securities	75	3,035
Loss on sale of investment securities	4	-
Valuation loss of fixed assets	-	52
Loss on sale or disposal of fixed assets	120	116
Provision for doubtful accounts	211	150
Foreign exchange loss from overseas subsidiary capital reduction	1,563	-

Notes to securities

Fair value of subsidiary and affiliated company stocks as of Mar. 31, 2006

	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Subsidiary	19,648	142,464	122,816
Affiliated company	274	649	375

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.