

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

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.

	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
Fiscal 2005 (2006/3)	258,943	(57.1)%	257,988	(56.9)%	100,997	(313.2)%
Fiscal 2004 (2005/3)	164,792	(-4.0)%	164,419	(-4.0)%	24,443	(-30.3)%

	Ordinary income		Net income		Return on shareholders' equity (Annual basis)
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	
Fiscal 2005 (2006/3)	101,057	(317.3)%	58,174	(319.6)%	25.9%
Fiscal 2004 (2005/3)	24,216	(-31.2)%	13,863	(-28.1)%	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 Mar. 31, 2006	836,931	249,376	29.8%	323.6%
As of Mar. 31, 2005	481,990	198,989	41.3%	351.3%

(Note) Number of shares outstanding (shares):

As of Mar. 31, 2006: 3,200

As of Mar. 31, 2005: 3,200

Representative: Shigeharu Suzuki, President

Contact: Tetsuya Kawaguchi, General Manager, Finance Department

Phone: +813-3243-2111

Balance sheets

(millions of yen)

	Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005	Increase/ Decrease
Assets			
Current assets:	776,188	423,581	352,606
Cash and deposits	104,366	99,986	4,380
Cash segregated as deposits for regulatory purposes	206,516	123,209	83,307
Trading assets:	38,006	37,669	337
Trading securities and others	37,430	37,344	85
Derivative assets	576	325	251
Trading receivables, net	2,283	526	1,756
Receivables related to margin transactions:	357,602	128,445	229,156
Customer margin loans	355,795	124,843	230,952
Cash deposits as collateral for securities borrowed	1,806	3,602	-1,795
Collateralized short-term financing agreements:	13,759	6,220	7,539
Cash deposits as collateral for securities borrowed	13,759	6,220	7,539
Receivables	18,324	8,839	9,484
Short-term guarantee money deposited	5,282	2,394	2,888
Short-term loans receivable	1,411	1,354	56
Accrued income	14,394	8,361	6,032
Deferred tax assets-current	12,239	4,602	7,637
Other current assets	2,174	2,049	125
Less: Allowance for doubtful accounts-current	-173	-78	-95
Non-current assets:	60,742	58,409	2,333
Tangible fixed assets	3,839	4,150	-310
Intangible fixed assets	27,930	24,427	3,503
Investments and others:	28,973	29,831	-858
Investment securities	1,825	835	990
Long-term loans receivable	4,874	4,874	-
Long-term guarantee deposits	17,221	18,496	-1,274
Deferred tax assets-non-current	4,210	4,660	-449
Other investments	1,948	2,092	-144
Less: Allowance for doubtful accounts-non-current	-1,106	-1,127	20
Total assets	836,931	481,990	354,940

(millions of yen)

	Fiscal 2005 Mar. 31, 2006	Fiscal 2004 Mar. 31, 2005	Increase/ Decrease
<i>Liabilities</i>			
Current liabilities:	546,028	273,802	272,225
Trading liabilities:	544	325	218
Trading securities and others	56	261	-204
Derivative liabilities	487	63	423
Payables related to margin transactions:	21,214	14,774	6,439
Payable to securities finance companies	7,569	2,981	4,588
Proceeds of securities sold for customers' accounts	13,644	11,793	1,851
Deposits received	127,912	81,024	46,887
Cash deposits received as guarantee	72,997	31,341	41,655
Short-term borrowings	190,000	119,000	71,000
Short-term borrowings from parent company	51,000	-	51,000
Accounts payable	40,234	8,557	31,677
Accrued expenses	5,733	6,896	-1,162
Income taxes payable	14,920	1,610	13,309
Accrued bonuses	20,000	9,100	10,900
Other current liabilities	1,471	1,171	299
Non-current liabilities:	39,679	7,899	31,780
Long-term debt	15,000	-	15,000
Long-term debt from parent company	16,000	-	16,000
Accrued retirement benefits	8,503	7,568	935
Other non-current liabilities	176	331	-155
Statutory reserves:	1,847	1,298	548
Reserve for securities transaction liabilities	1,847	1,298	548
Total liabilities	587,554	283,001	304,553
<i>Shareholders' equity</i>			
Common stock	100,000	100,000	-
Capital surplus:	50,010	50,010	-
Additional paid-in capital	50,010	50,010	-
Retained earnings:	98,717	48,828	49,888
Earned surplus reserve	2,430	2,430	-
Reserve for special depreciation	112	156	-44
Unappropriated retained earnings	96,175	46,242	49,932
(Net income for the current term)	(58,174)	(13,863)	(44,311)
Net unrealized gain (loss) on securities, net of tax effect	649	151	498
Total shareholders' equity	249,376	198,989	50,386
Total liabilities and shareholders' equity	836,931	481,990	354,940

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	258,943	164,792	94,150	57.1
Commissions	207,787	134,267	73,520	54.8
Net gain (loss) on trading	46,569	28,409	18,160	63.9
Interest and dividend income	4,585	2,115	2,470	116.7
Interest expenses	955	372	582	156.4
Net operating revenues	257,988	164,419	93,568	56.9
Selling, general and administrative expenses:	156,990	139,975	17,014	12.2
Commission and other expenses	22,445	22,827	-381	-1.7
Employees' compensation and benefits	84,408	67,073	17,335	25.8
Occupancy and rental	18,118	19,165	-1,047	-5.5
Data processing and office supplies	19,406	20,382	-975	-4.8
Depreciation expenses	8,556	7,126	1,429	20.1
Taxes other than income taxes	1,615	1,127	487	43.2
Others	2,438	2,272	165	7.3
Operating income	100,997	24,443	76,554	313.2
Non-operating income	401	263	137	52.2
Non-operating expenses	342	491	-148	-30.3
Ordinary income	101,057	24,216	76,840	317.3
Extraordinary gains	-	-	-	-
Extraordinary losses	836	148	688	464.8
Income before income taxes and others	100,220	24,068	76,152	316.4
Income taxes-current	49,575	10,496	39,078	372.3
Income taxes-deferred	-7,529	-292	-7,237	-
Net income	58,174	13,863	44,311	319.6
Unappropriated retained earnings-carryforward	38,000	32,378	5,621	17.4
Unappropriated retained earnings	96,175	46,242	49,932	108.0
Net financial income included in Net operating revenues	3,630	1,743	1,887	108.3

Statement of appropriation of retained earnings

	(Appropriation plan)		(millions of yen)	
	Fiscal 2005		Fiscal 2004	
Unappropriated retained earnings	96,175		46,242	
Reversal of reserve for special depreciation	44		44	
Total	96,219		46,286	
Appropriations of retained earnings	47,230		8,286	
Cash dividends(*)	46,400		8,000	
Director's bonuses	830		286	
Unappropriated retained earnings carried forward	48,989		38,000	

(*) Cash dividends for fiscal year 2004: 2,500,000 yen per share

Cash dividends for fiscal year 2005: 14,500,000 yen per share (plan)

Notes to financial statements

The financial statements of the Company for 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 Financial Statements' (Ministry of Finance Ordinance No. 59, 1963) and its Article 2.

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 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 March 31, 2006 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 Mar. 31, 2006</u>	<u>As of Mar. 31, 2005</u>
1 . Accumulated depreciation of tangible fixed assets	11,522	10,798
2 . Guarantee	641	769

Notes to statements of operations

(millions of yen)

Details of extraordinary gains/losses

	Fiscal 2005 <u>Apr. 1, 2005 – Mar. 31, 2006</u>	Fiscal 2004 <u>Apr. 1, 2004 – Mar. 31, 2005</u>
Extraordinary losses		
Provision for securities transaction liabilities	548	148
Reorganization costs for retail branch	187	-
Dormitory lease cancellation payment	100	-

Supplemental information for the fiscal 2005 ended March 31, 2006

(Apr. 1, 2005 –Mar. 31, 2006)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr change
Brokerage commission	91,474	62,554	46.2%
(Stock and other)	(91,240)	(62,460)	(46.1%)
Underwriting commission	-	-	-
Distribution commission	70,082	44,106	58.9%
(Stock and other)	(19,996)	(14,596)	(37.0%)
(Bond and other)	(9,147)	(10,535)	(-13.2%)
(Beneficiary certificates)	(40,938)	(18,973)	(115.8%)
Other commission	46,230	27,606	67.5%
(Beneficiary certificates)	(20,951)	(12,958)	(61.7%)
Total	207,787	134,267	54.8%

(2) Asset class

(millions of yen)

	Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr change
Stock and other	114,801	80,293	43.0%
Bond and other	18,216	15,836	15.0%
Beneficiary certificates	62,123	32,027	94.0%
Others	12,646	6,111	106.9%
Total	207,787	134,267	54.8%

2. Breakdown of trading gains/losses

(millions of yen)

	Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr change
Stock and other	11,371	6,120	85.8%
Bond, Forex and other	35,197	22,288	57.9%
(Bond and other)	(10,046)	(8,578)	(17.1%)
(Forex and other)	(25,151)	(13,710)	(83.5%)
Total	46,569	28,409	63.9%

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

	Fiscal 2005 (2006/3)		Fiscal 2004 (2005/3)		Yr/yr change	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	27,339	20,238,758	16,116	10,129,487	69.6%	99.8%
(Dealing) (a)	(2,880)	(1,914,759)	(1,834)	(917,671)	(57.0%)	(108.7%)
(Brokerage) (b)	(24,458)	(18,323,998)	(14,281)	(9,211,816)	(71.3%)	(98.9%)
b / (a + b)	89.5%	90.5%	88.6%	90.9%		
TSE share	1.7%	1.4%	1.4%	1.1%		

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

		Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)	Yr/yr Change
<u>Underwriting:</u>				
Stock	(number of shares)	-	-	-
	(yen amount)	-	-	-
Bond	(face value)	-	-	-
CP & others	(face value)	-	-	-
<u>Distribution (*)</u>				
Stock	(number of shares)	1,814	723	150.8%
	(yen amount)	1,009,227	644,327	56.6%
Bond	(face value)	1,367,840	1,464,645	-6.6%
Beneficiary certificates	(face value)	10,472,567	6,406,345	63.5%
CP & others	(face value)	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Fiscal 2005 (2006/3)	Fiscal 2004 (2005/3)
Basic item	Shareholders' equity (A)	201,497	190,552
Supplementary item	Net unrealized gain on securities, net of tax effect etc.	649	151
	Statutory reserve	1,847	1,298
	Allowance for doubtful accounts	173	78
	Total (B)	2,670	1,528
Assets excluded from capital (C)		60,978	59,448
Net capital (A)+(B)-(C) (D)		143,188	132,632
Risk equivalent	Market risk equivalent	829	689
	Counterparty risk equivalent	9,075	3,987
	Basic risk equivalent	34,338	33,070
	Total (E)	44,243	37,747
Capital adequacy ratio (D)/(E)		323.6%	351.3%

Quarterly statements of operations

(millions of yen)

	Fiscal 2004		Fiscal 2005		
	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	Fourth quarter Jan. 1, 2006 - Mar.31, 2006
Operating revenues	45,448	43,416	57,867	76,264	81,395
Commissions	37,720	31,602	43,582	63,019	69,583
Brokerage commission	16,904	12,705	19,430	31,152	28,185
(Stock and other)	16,886	12,685	19,391	31,047	28,116
Underwriting commission	-	-	-	-	-
Distribution commission	12,860	10,592	13,316	19,717	26,456
(Stock and other)	3,960	1,179	2,791	5,064	10,961
(Bond and other)	2,775	2,587	1,850	2,139	2,569
(Beneficiary certificates)	6,125	6,826	8,674	12,512	12,925
Other commission	7,955	8,303	10,834	12,149	14,942
(Beneficiary certificates)	3,584	3,994	4,693	5,650	6,612
Net gain on trading	7,185	11,090	13,360	11,998	10,119
(Stock and other)	1,966	2,308	2,661	3,332	3,068
(Bond and other)	1,933	2,626	2,982	2,434	2,002
(Forex and other)	3,285	6,155	7,716	6,230	5,048
Interest and dividend income	542	723	924	1,246	1,691
Interest expenses	82	101	321	169	363
Net operating revenue	45,366	43,314	57,546	76,095	81,031
Selling, general and administrative expenses:	36,847	34,439	38,463	42,437	41,650
Commission and other expenses	5,884	5,286	5,343	5,501	6,314
Employees' compensation and benefits	17,984	16,787	20,648	24,323	22,650
Occupancy and rental	4,926	4,476	4,512	4,422	4,706
Data processing and office supplies	5,233	4,889	4,945	4,942	4,629
Depreciation expenses	2,021	2,033	2,108	2,157	2,257
Taxes other than income taxes	187	344	346	437	486
Others	609	621	558	652	606
Operating income	8,518	8,874	19,083	33,658	39,381
Non-operating income	129	79	42	53	225
Non-operating expenses	188	26	50	22	242
Ordinary income	8,459	8,927	19,074	33,689	39,364
Extraordinary gains	-	-	-	-	-
Extraordinary losses	-	-	186	391	258
Income before income taxes and others	8,459	8,927	18,888	33,298	39,106
Income taxes-current	6,180	1,250	12,320	14,120	21,885
Income taxes-deferred	-2,543	2,548	-4,525	-289	-5,262
Net income	4,822	5,129	11,093	19,467	22,484
Net financial income included in Net operating revenues	460	621	603	1,077	1,328