

Daiwa Securities Group Inc.

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July 26, 2006

Consolidated financial summary

(For the first quarter ended June 30, 2006)

1. Preparation of consolidated financial summary

- (1) Simplified accounting policy: None
- (2) Change in accounting policy: None
- (3) Change in scope of consolidation and equity method: None
Scope of consolidation and equity method
Consolidated subsidiaries: 46 companies
Affiliates applicable of equity method: 5 companies

2. Consolidated financial results (from April 1, 2006 to June 30, 2006)

(Note) All figures in the financial statements are rounded down to the nearest millionth.
'-' indicates a loss or negative figure.

(1) Operating results (from April 1, 2006 to June 30, 2006)

(Millions of yen except for per share data and yr/yr % change)

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
First quarter (2006/6)	207,638	(53.3)%	122,090	(33.8)%	43,148	(101.6)%	45,416	(90.8)%
First quarter (2005/6)	135,435	(8.6)%	91,282	(-9.7)%	21,404	(-34.6)%	23,800	(-30.4)%
Fiscal 2005 (2006/3)	845,659		579,358		254,159		260,651	

	Net income		Earnings/share		Fully diluted earnings/share		Return on equity (annual basis)	
First quarter (2006/6)	23,118	(98.7)%	17.47	Yen	16.59	Yen	11.8	%
First quarter (2005/6)	11,636	(-18.5)%	8.74	Yen	8.33	Yen	7.2	%
Fiscal 2005 (2006/3)	139,948		103.90	Yen	98.61	Yen	19.4	%

(Note)

1. Equity in earnings

First quarter (2006/6): 330 million yen First quarter (2005/6): 158 million yen Fiscal 2005 (2006/3): 1,528 million yen

2. Average number of shares outstanding (shares)

First quarter (2006/6): 1,323,133,836 First quarter (2005/6): 1,330,593,553 Fiscal 2005 (2006/3): 1,328,967,253

(2) Financial conditions

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

	Total assets	Net assets	Equity ratio	Net assets /share
As of Jun. 30, 2006	14,746,974	1,041,568 *2	5.3 %	585.14 *3 Yen
As of Jun. 30, 2005	12,453,733	650,923	5.2 %	489.20 Yen
As of Mar. 31, 2006	14,898,890	792,281	5.3 %	598.27 Yen

(Note)

1. Number of shares outstanding (shares)

As of Jun. 30, 2006 : 1,323,186,155 As of Jun. 30, 2005 : 1,330,584,470 As of Mar. 31, 2006 : 1,321,164,976

2. Net assets for the first quarter ended June 30, 2006 is calculated based on the new method according to "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No.5)".

3. "Net assets / share" is calculated as follows:

Net assets / share = (net assets - minority interests) / number of shares outstanding

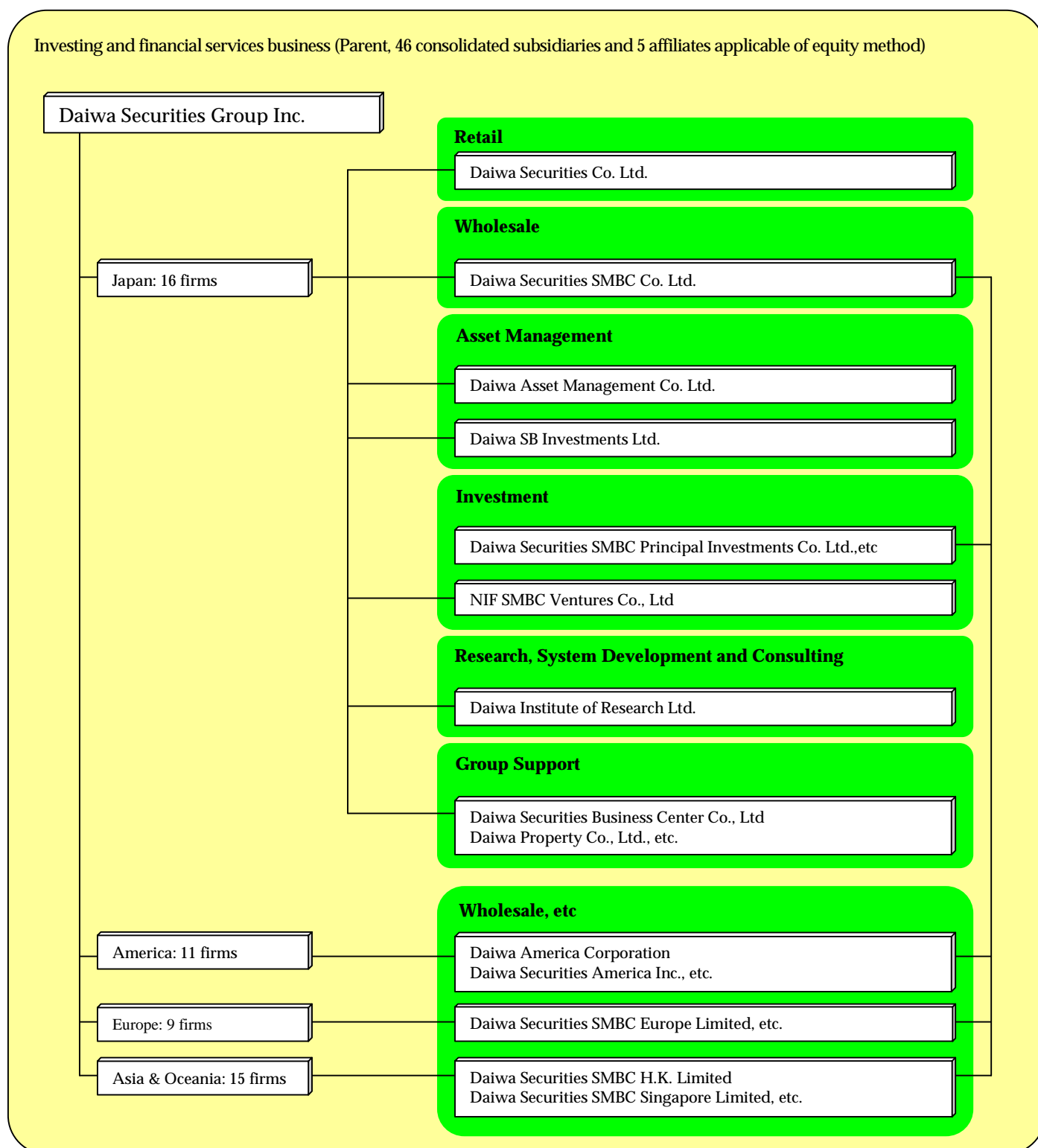
(Note) The Group's principal business is securities business, and the performance is influenced by the economic and market environment. Therefore, the Group doesn't disclose the estimated operating result, considering the difficulty to forecast the performance.

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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 & Oceania.



Results of Operation and Financial Conditions

a. Consolidated operating results for the first quarter of fiscal 2006

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

Net operating revenues increase 33.8% to 122,090 million yen mainly because commissions and net gains on private equity and other securities increased. Selling, general and administrative expenses increased 13.0% to 78,942 million yen. As a result, ordinary income increased 90.8% to 45,416 million yen and net income increased 98.7% to 23,118 million yen.

(1) Commissions

(i) Brokerage commission

Brokerage commission increased 49.8% to 26,593 million yen, because daily average trading value on the Tokyo Stock Exchange increased 102.6% to 2,842.8 billion yen in line with the active market condition.

(ii) Underwriting commission

Underwriting commission derived from equity increased 74.7% to 4,370 million yen despite poor market conditions for large deals. Underwriting commission derived from fixed income decreased 14.6% to 2,059 million yen. As a result, underwriting commission increased 25.5% to 6,678 million yen.

(iii) Distribution commission

Distribution commission grew 41.4% to 10,624 million yen because distribution commissions in investment trust increased 45.7% to 10,126 million yen, due to an increase in commission arising from sale of beneficiary certificate.

(iv) Other commission

Total other commission increased 65.8% to 23,961 million yen primarily due to an increase in trust fee in line with expanded out standing balance of equity-related beneficiary certificate.

(2) Net gains on trading

Net gains on trading in stock and other increased 136.2% to 17,563 million yen. Net gains on trading in bond, forex and other decreased 37.7% to 17,671 million yen. As a result, total net gains on trading decreased 1.6% to 35,234 million yen.

(3) Financial income

Interest and dividend income increased 94.1% to 83,400 million yen and interest expenses increased 102.9% to 78,166 million yen. Net financial income increased 18.0% to 5,233 million yen due to an increase in interests received on securities borrowed.

(4) Selling, general and administrative expenses

Employees' compensation and benefits increased 14.8% to 40,143 million yen due to increase in accrued bonuses in line with operating result and date processing and office supplies increased 33.7% to 5,761 million. As a result, selling, general and administrative expenses increased 13.0% to 78,942 million yen.

2. Operating results of overseas subsidiaries for the first quarter of fiscal 2006 (3 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
550	-204	887	1,234

b. Financial conditions (comparison with March 31, 2006)

Total assets decreased by 151,916 million yen to 14,746,974 million yen, mainly because trading assets decreased by 112,270 million yen. Total liabilities decreased by 164,484 million yen to 13,705,406 million yen, because short-term borrowings decreased by 312,500 million yen, while bonds and notes increased by 95,603 million yen.

Consolidated balance sheets

(millions of yen)	First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Assets				
Current assets:	14,255,499	12,013,642	2,241,856	14,392,393
Cash and deposits	407,214	325,242	81,972	407,889
Cash segregated as deposits for regulatory purposes	201,540	140,734	60,805	297,878
Notes receivable and trade accounts receivable	11,431	6,694	4,736	11,368
Securities	18,415	18,904	-488	20,205
Trading assets:	6,049,971	5,258,515	791,455	6,162,242
Trading securities and others	4,667,161	4,562,301	104,859	4,491,212
Derivative assets	1,382,810	696,214	686,596	1,671,029
Private equity and other securities	366,639	159,255	207,384	390,917
Less: Allowance for possible investment losses	-8,663	-6,803	-1,859	-8,496
Other inventories	3,331	1,982	1,349	2,271
Receivables related to margin transactions:	564,389	338,545	225,844	563,537
Customer margin loans	354,045	145,577	208,468	359,331
Cash deposits as collateral for securities borrowed	210,343	192,967	17,375	204,206
Collateralized short-term financing agreements:	6,345,424	5,479,641	865,782	6,274,505
Cash deposits as collateral for securities borrowed	6,345,303	5,479,641	865,661	6,274,385
Receivables related to gensaki transactions	121	-	121	120
Receivables	16,934	23,997	-7,063	25,940
Securities failed to deliver	31,689	101,862	-70,173	25,717
Short-term loans receivable	99,939	77,019	22,920	59,997
Accrued income	34,486	21,166	13,320	36,558
Deferred tax assets-current	11,355	4,727	6,627	20,187
Other current assets	101,657	62,525	39,131	101,965
Less: Allowance for doubtful accounts-current	-258	-369	110	-293
Non-current assets:	491,475	440,090	51,384	506,497
Tangible fixed assets	125,973	137,209	-11,236	126,531
Intangible fixed assets	72,136	61,837	10,298	68,813
Investments and others:	293,365	241,043	52,322	311,153
Investment securities	233,309	176,619	56,689	249,647
Long-term loans receivable	11,578	11,716	-137	11,866
Long-term guarantee deposits	23,871	23,060	811	23,538
Deferred tax assets-non-current	8,024	12,050	-4,026	9,300
Other investments	18,428	25,403	-6,975	18,651
Less: Allowance for doubtful accounts-non-current	-1,846	-7,807	5,961	-1,851
Total assets	14,746,974	12,453,733	2,293,241	14,898,890

(millions of yen)	First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
<i>Liabilities</i>				
Current liabilities:	12,567,431	10,619,683	1,947,747	12,812,909
Notes payable and trade accounts payable	4,696	2,814	1,882	5,138
Trading liabilities:	4,868,352	3,686,215	1,182,136	4,879,188
Trading securities and others	3,685,908	3,077,863	608,045	3,321,855
Derivative liabilities	1,182,444	608,352	574,091	1,557,332
Trading payables, net	389,069	211,429	177,640	302,572
Payables related to margin transactions:	218,979	156,341	62,637	197,482
Payable to securities finance companies	5,768	1,757	4,010	7,569
Proceeds of securities sold for customers' accounts	213,210	154,584	58,626	189,912
Collateralized short-term financing agreements:	4,786,962	4,251,532	535,430	4,744,007
Cash deposits as collateral for securities loaned	4,616,577	4,005,214	611,363	4,525,203
Payables related to gensaki transactions	170,385	246,318	-75,933	218,803
Deposits received	178,911	118,433	60,477	166,508
Cash deposits received as guarantee	106,750	56,007	50,742	99,224
Securities failed to receive	23,680	84,276	-60,595	20,188
Short-term borrowings	1,482,819	1,820,536	-337,716	1,795,320
Commercial paper	286,310	128,918	157,391	234,210
Bonds and notes due within one year	113,433	33,098	80,334	159,400
Income taxes payable	6,075	9,437	-3,362	73,779
Deferred tax liabilities-current	1,597	5,130	-3,533	2,898
Accrued bonuses	12,700	8,839	3,860	41,713
Other current liabilities	87,090	46,670	40,420	91,273
Non-current liabilities:	1,130,842	990,663	140,178	1,049,956
Bonds and notes	915,162	727,708	187,453	819,559
Convertible bonds	-	79,985	-79,985	-
Long-term debt	160,879	154,074	6,805	167,952
Deferred tax liabilities-non-current	31,619	5,891	25,727	39,007
Retirement benefits	19,991	19,280	711	19,912
Other non-current liabilities	3,189	3,723	-534	3,525
Statutory reserves	7,132	5,649	1,482	7,024
Total liabilities	13,705,406	11,615,997	2,089,409	13,869,891
Minority interests	-	186,812	-	236,718
<i>Shareholders' equity</i>				
Common stock	-	138,432	-	138,828
Capital surplus	-	117,940	-	118,339
Retained earnings	-	363,261	-	476,216
Net unrealized gain (loss) on securities, net of tax effect	-	37,571	-	72,694
Translation adjustments	-	-5,483	-	863
Treasury stock	-	-799	-	-14,660
Total shareholders' equity	-	650,923	-	792,281
Total liabilities, minority interests and shareholders' equity	-	12,453,733	-	14,898,890
<i>Net assets</i>				
Owners' equity	713,138	-	-	-
Common stock	139,951	-	-	-
Capital surplus	119,455	-	-	-
Retained earnings	468,441	-	-	-
Treasury stock	-14,710	-	-	-
Valuation and translation adjustments	61,112	-	-	-
Net unrealized gain (loss) on securities, net of tax effect	59,676	-	-	-
Deferred gain (loss) on hedges	-3	-	-	-
Translation adjustments	1,439	-	-	-
Minority interests	267,316	-	-	-
Total net assets	1,041,568	-	-	-
Total liabilities and net assets	14,746,974	-	-	-

Consolidated statements of operations

(millions of yen)	First quarter Apr. 1, 2006 - Jun. 30, 2006	First quarter Apr. 1, 2005 - Jun. 30, 2005	Yr/yr % change	Fiscal 2005 Apr. 1, 2005- Mar. 31, 2006
Operating revenues:	207,638	135,435	53.3	845,659
Commissions	67,858	45,039	50.7	309,188
Net gain (loss) on trading	35,234	35,804	-1.6	224,912
Net gain (loss) on private equity and other securities	11,602	4,009	189.4	21,539
Interest and dividend income	83,400	42,965	94.1	245,210
Other sales revenues	9,542	7,616	25.3	44,808
Interest expenses	78,166	38,531	102.9	231,572
Cost of sales	7,381	5,621	31.3	34,729
Net operating revenues	122,090	91,282	33.8	579,358
Selling, general and administrative expenses:	78,942	69,878	13.0	325,199
Commission and other expenses	15,037	13,748	9.4	63,909
Employees' compensation and benefits	40,143	34,961	14.8	171,061
Occupancy and rental	7,868	7,746	1.6	32,659
Data processing and office supplies	5,761	4,309	33.7	17,273
Depreciation expenses	5,364	5,551	-3.4	22,640
Taxes other than income taxes	1,856	1,594	16.4	8,071
Others	2,911	1,966	48.1	9,582
Operating income	43,148	21,404	101.6	254,159
Non-operating income:	3,223	2,705	19.2	8,697
Equity in earnings	330	158	108.7	1,528
Others	2,893	2,546	13.6	7,168
Non-operating expenses	955	308	209.8	2,204
Ordinary income	45,416	23,800	90.8	260,651
Extraordinary gains	834	321	159.4	14,825
Extraordinary losses	107	-	-	17,122
Income before income taxes and minority interests	46,143	24,122	91.3	258,355
Income taxes-current	6,241	2,698	131.3	77,675
Income taxes-deferred	11,435	6,690	70.9	391
Minority interests	-5,347	-3,096	-	-40,339
Net income	23,118	11,636	98.7	139,948

Net financial income included in net operating revenues	5,233	4,434	18.0	13,638
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Consolidated statements of changes in net assets

(millions of yen)	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Beginning balance as of Mar. 31, 2006	138,828	118,339	476,216	-14,660	718,723
Changes of items during the fiscal year					
Issuance of new shares	1,122	1,122	-	-	2,245
Dividends	-	-	-29,065	-	-29,065
Bonus to directors	-	-	-1,827	-	-1,827
Net income	-	-	23,118	-	23,118
Acquisition of treasury stock	-	-	-	-58	-58
Disposal of treasury stock	-	-6	-	8	2
Total changes of items during the fiscal year	1,122	1,116	-7,774	-49	-5,584
Ending balance as of Jun. 30, 2006	139,951	119,455	468,441	-14,710	713,138

(millions of yen)	Valuation and translation adjustments				Minority interests
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges	Translation adjustments	Total valuation and translation adjustments	
Beginning balance as of Mar. 31, 2006	72,694	-	863	73,557	236,718
Changes of items during the fiscal year					
Net changes of items other than owners' equity	-13,017	-3	576	-12,445	30,598
Total changes of items during the fiscal year	-13,017	-3	576	-12,445	30,598
Ending balance as of Jun. 30, 2006	59,676	-3	1,439	61,112	267,316

Consolidated statements of capital surplus and retained earnings

(millions of yen)	First quarter Apr. 1, 2005- Jun. 30, 2005		Fiscal 2005 Apr. 1, 2005- Mar. 31, 2006	
Capital surplus				
Beginning balance of capital surplus		117,941		117,941
Increase in capital surplus				
Conversion of convertible bonds	-		395	
Net gain on sales of treasury stock	-	-	2	398
Decrease in capital surplus				
Net loss on sales of treasury stock	0	0	-	-
Ending balance of capital surplus		117,940		118,339
Retained earnings				
Beginning balance of retained earnings		362,948		362,948
Increase in retained earnings:				
Net income	11,636		139,948	
Increase due to merger of subsidiaries	-	11,636	609	140,557
Decrease in retained earnings:				
Cash dividends paid	10,644		26,611	
Bonuses to directors	678	11,323	678	27,290
Ending balance of retained earnings		363,261		476,216

Notes to consolidated financial statements

The consolidated financial statements of the Company for the first quarter ended June 30, 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. 24, 1998) and its Article 48 and 69.

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

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, and is therefore excluded from the scope of consolidation.

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.

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, and is therefore excluded from the scope of consolidation. For affiliates applicable of equity method with the first quarter ending other than June 30, 2006, the financial statements for the relevant first quarter are reflected.

3. Fiscal period of subsidiaries

For subsidiaries with the first quarter ending other than June 30, 2006, the financial statements for the relevant first quarter are employed and important transactions occurred by discrepancies with closing account date are adjusted for these 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 a securities company 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 net assets. 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.

(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) 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 accounts.

(ii) Allowance for possible investment losses

Some consolidated subsidiaries provide the allowances based on estimated losses on private equity and other securities held at the first quarter end, assessing the financial conditions of investee companies.

(iii) Accrued bonuses

Accrued bonuses represent liabilities estimated as of the balance sheets date.

(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.

(4) 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.

(5) 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.

- (6) Other material items
- (i) Accounting for consumption taxes
Consumption taxes are separately recorded.
- (ii) Deferred assets
Stock issue costs and bond issue costs are amortized in a lump sum when incurred.
- (iii) Consolidated tax payments system
Starting from fiscal 2004 ended March 31, 2005, the consolidated tax payments system was applied, designating the Company and NIF Ventures as parent companies of the consolidated tax payments. Daiwa Securities SMBC has applied the consolidated tax payments system as parent company since the year ended March 31, 2003.

Changes in the accounting standards

1. Presentation of net assets on consolidated balance sheet
The consolidated financial statements of the Company for the first quarter ended June 30, 2006 are adapted to “Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No.5)” and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No.8)” from the beginning of this first quarter. Amount of shareholders’ equity by the former accounting standard is 774,254 million yen.
2. Accounting for directors’ bonus
The consolidated financial statements of the Company for the first quarter ended June 30, 2006 are adapted to “Accounting Standard for Directors’ Bonus (ASBJ Statement No.4)”. From the beginning of this first quarter, directors’ bonus is expensed when it is realized, instead of decreasing retained earnings upon approval at each consolidated subsidiary’s annual shareholders’ meeting.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets
- | | As of Jun. 30, 2006 | As of Jun. 30, 2005 | As of Mar. 31, 2006 |
|--|---------------------|---------------------|---------------------|
| | 107,735 million yen | 98,352 million yen | 105,753 million yen |
2. Guarantee
- | | As of Jun. 30, 2006 | As of Jun. 30, 2005 | As of Mar. 31, 2006 |
|--|---------------------|---------------------|---------------------|
| | 2,316 million yen | 3,321 million yen | 2,506 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 Jun. 30, 2006 | As of Jun. 30, 2005 | As of Mar. 31, 2006 |
|--|---------------------|---------------------|---------------------|
| | 62,000 million yen | - | 20,000 million yen |
- Long-term borrowings
- | | As of Jun. 30, 2006 | As of Jun. 30, 2005 | As of Mar. 31, 2006 |
|--|---------------------|---------------------|---------------------|
| | 60,000 million yen | 102,000 million yen | 82,000 million yen |

Notes to consolidated statements of operations

Details of extraordinary gains/losses

(millions of yen)	<u>First quarter</u> Apr. 1, 2006- Jun. 30, 2006	<u>First quarter</u> Apr. 1, 2005- Jun. 30, 2005	<u>Fiscal 2005</u> Apr. 1, 2005- Mar. 31, 2006
Extraordinary gains:			
Gain on sale of related companies' stock	131	-	3,714
Gain on sale of investment securities	703	321	6,385
Reversal of securities transaction liabilities	-	0	-
Gain on change in stake in subsidiary	-	-	4,725
Extraordinary losses:			
Loss on litigation settlement	-	-	1,279
Write-down of investment securities	-	-	499
Loss on sale or disposal of fixed assets	-	-	548
Loss on impairment of fixed assets	-	-	6,850
Extraordinary depreciation	-	-	4,439
Loss on sale of investment securities	-	-	69
Foreign exchange loss from overseas subsidiary capital reduction	-	-	1,563
Provision for securities transaction liabilities	107	-	1,374
Contribution to the Securities Market Infrastructure Improvement Funds	-	-	200
Other	-	-	297

Supplemental information for the first quarter of fiscal 2006**1. Breakdown of commissions**

First quarter ended June 30, 2006 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	26,269	224	100	-	-	26,593
Underwriting commission	-	-	-	6,678	-	6,678
(Stock and other)	(-)	(-)	(-)	(4,370)	(-)	(4,370)
(Bond and other)	(-)	(-)	(-)	(2,059)	(-)	(2,059)
Distribution commission	-	-	10,126	497	-	10,624
Other commission	594	520	14,540	2,264	6,042	23,961
(Agency commission)	(-)	(519)	(7,778)	(-)	(-)	(8,298)
Total	26,863	744	24,766	9,440	6,042	67,858

First quarter ended June 30, 2005 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	17,467	251	38	-	-	17,756
Underwriting commission	-	-	-	5,320	-	5,320
(Stock and other)	(-)	(-)	(-)	(2,501)	(-)	(2,501)
(Bond and other)	(-)	(-)	(-)	(2,410)	(-)	(2,410)
Distribution commission	-	-	6,949	566	-	7,515
Other commission	497	466	7,702	2,345	3,436	14,447
(Agency commission)	(-)	(453)	(4,284)	(-)	(-)	(4,737)
Total	17,964	717	14,689	8,231	3,436	45,039

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

(percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	50.4	-10.6	162.4	-	-	49.8
Underwriting commission	-	-	-	25.5	-	25.5
(Stock and other)	(-)	(-)	(-)	(74.7)	(-)	(74.7)
(Bond and other)	(-)	(-)	(-)	(-14.6)	(-)	(-14.6)
Distribution commission	-	-	45.7	-12.0	-	41.4
Other commission	19.4	11.6	88.8	-3.4	75.8	65.8
(Agency commission)	(-)	(14.7)	(81.6)	(-)	(-)	(75.2)
Total	49.5	3.8	68.6	14.7	75.8	50.7

Fiscal 2005 ended March 31, 2006

(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

2. Breakdown of net gains on trading

(millions of yen)	First quarter (2006/6)	First quarter (2005/6)	Yr/yr % change	Fiscal 2005 (2006/3)
Stock and other	17,563	7,435	136.2	124,270
Bond, forex and other	17,671	28,369	-37.7	100,641
(Bond and other)	(-1,821)	(20,566)	(-)	(39,025)
(Forex and other)	(19,492)	(7,802)	(149.8)	(61,615)
Total	35,234	35,804	-1.6	224,912

Quarterly consolidated statements of operations

(millions of yen)	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	1st quarter Apr.1, 2006- June 30, 2006
Operating revenues	135,435	195,376	245,284	269,562	207,638
Commissions	45,039	62,944	89,853	111,351	67,858
Brokerage commission	17,756	26,209	39,072	36,482	26,593
(Stock and other)	17,467	25,916	38,628	36,249	26,269
(Bond and other)	251	228	307	136	224
Underwriting commission	5,320	9,132	16,378	33,482	6,678
(Stock and other)	2,501	6,661	13,504	31,398	4,370
(Bond and other)	2,410	2,011	2,277	1,854	2,059
Distribution commission	7,515	9,305	13,214	13,796	10,624
(Beneficiary certificates)	6,949	8,900	12,627	13,321	10,126
Other commission	14,447	18,297	21,188	27,590	23,961
(Beneficiary certificates)	7,663	9,049	10,796	12,584	14,485
Net gain (loss) on trading	35,804	68,547	57,749	62,810	35,234
(Stock and other)	7,435	39,042	31,102	46,690	17,563
(Bond and other)	20,566	8,236	5,751	4,471	-1,821
(Forex and other)	7,802	21,268	20,896	11,648	19,492
Net gain (loss) on private equity and other securities	4,009	2,071	9,037	6,421	11,602
Interest and dividend income	42,965	52,483	73,869	75,892	83,400
Other sales revenues	7,616	9,330	14,774	13,087	9,542
Interest expenses	38,531	49,507	70,425	73,107	78,166
Cost of sales	5,621	7,178	12,085	9,843	7,381
Net operating revenues	91,282	138,689	162,773	186,612	122,090
Selling, general and administrative expenses:	69,878	80,106	86,389	88,824	78,942
Commission and other expenses	13,748	15,509	16,148	18,503	15,037
Employees' compensation and benefits	34,961	42,485	47,355	46,260	40,143
Occupancy and rental	7,746	8,312	8,042	8,557	7,868
Data processing and office supplies	4,309	4,014	4,379	4,569	5,761
Depreciation expenses	5,551	5,588	5,669	5,830	5,364
Taxes other than income taxes	1,594	2,004	2,109	2,363	1,856
Others	1,966	2,191	2,685	2,739	2,911
Operating income	21,404	58,582	76,383	97,788	43,148
Non-operating income	2,705	1,957	2,196	1,838	3,223
Non-operating expenses	308	384	172	1,338	955
Ordinary income	23,800	60,155	78,407	98,287	45,416
Extraordinary gains	321	10,562	3,020	921	834
Extraordinary losses	-	614	1,867	14,640	107
Income before income taxes and minority interests	24,122	70,102	79,560	84,569	46,143
Income taxes-current	2,698	22,478	20,940	31,558	6,241
Income taxes-deferred	6,690	4,104	7,187	-17,591	11,435
Minority interests	-3,096	-9,333	-12,629	-15,279	-5,347
Net income	11,636	34,185	38,803	55,322	23,118
Net financial income included in net operating revenues	4,434	2,975	3,444	2,785	5,233

Daiwa Securities Group Inc.

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Tokyo 100-8101, Japan

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

July 26, 2006

Non-consolidated financial summary

(For the first quarter ended June 30, 2006)

1. Preparation of non-consolidated financial summary

(1) Simplified accounting policy: None

(2) Change in accounting policy: None

2. Operating results

(1) Operating results (from April 1, 2006 to June 30, 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	
First quarter (2006/6)	74,904	(227.9)%	72,054	(263.0)%	73,052	(249.9)%
First quarter (2005/6)	22,842	(8.0)%	19,848	(11.7)%	20,877	(8.8)%
Fiscal 2005 (2006/3)	35,215		23,033		25,140	

	Net income		Earnings/share	
First quarter (2006/6)	72,978	(248.5)%	55.15	Yen
First quarter (2005/6)	20,942	(13.7)%	15.73	Yen
Fiscal 2005 (2006/3)	51,335		38.62	Yen

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

First quarter (2006/6): 1,323,143,334 First quarter (2005/6): 1,330,603,051 Fiscal 2005 (2006/3): 1,328,976,751

2. Change in accounting policies: None

(2) Financial conditions

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

	Total assets	Net assets	Equity ratio	Net assets/share
As of Jun. 30, 2006	1,351,645	651,421	48.2 %	492.30 Yen
As of Jun. 30, 2005	976,315	582,418	59.7 %	437.71 Yen
As of Mar. 31, 2006	1,224,643	613,824	50.1 %	464.60 Yen

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

As of Jun. 30, 2006: 1,323,195,653 As of Jun. 30, 2005: 1,330,593,968 As of Mar. 31, 2006: 1,321,174,474

2. Treasury stock (shares)

As of Jun. 30, 2006: 11,317,464 As of Jun. 30, 2005: 1,142,204 As of Mar. 31, 2006: 11,285,635

(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 Phone: +813-3243-2100

Balance sheets

(millions of yen)	First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Assets				
Current assets:	382,651	99,583	283,068	313,632
Cash and deposits	160,086	45,453	114,632	129,130
Securities	4,469	-	4,469	3,542
Short-term loans receivable	155,349	16,931	138,417	133,404
Accounts receivable	44,667	23,420	21,246	44,244
Accrued income	922	11,239	-10,316	753
Deferred tax assets-current	343	1,396	-1,052	564
Other current assets	16,811	1,140	15,670	1,993
Non-current assets:	968,994	876,731	92,262	911,010
Tangible fixed assets	9,996	10,130	-133	10,026
Intangible fixed assets	849	698	150	755
Investments and others:	958,148	865,902	92,245	900,228
Investment securities	753,093	656,954	96,138	706,934
Long-term loans receivable	182,376	188,426	-6,050	170,946
Long-term guarantee deposits	13,220	12,474	746	12,885
Others	9,899	8,537	1,362	9,911
Less: Allowance for doubtful accounts	-441	-489	48	-449
Total assets	1,351,645	976,315	375,330	1,224,643

(millions of yen)	First quarter Jun. 30, 2006	First quarter Jun. 30, 2005	Increase/ Decrease	Fiscal 2005 Mar. 31, 2006
Liabilities				
Current liabilities:	322,836	142,384	180,451	278,064
Short-term borrowings	124,035	70,710	53,325	62,235
Commercial paper	20,000	-	20,000	-
Bonds and notes due within one year	76,947	-	76,947	79,193
Collateralized short-term financing agreements	94,811	67,435	27,375	132,112
Income taxes payable	77	28	49	176
Accrued bonuses	349	246	102	1,613
Other current liabilities	6,615	3,962	2,652	2,734
Non-current liabilities:	377,387	251,512	125,875	332,754
Bonds and notes	287,400	126,900	160,500	236,400
Convertible bonds	-	79,985	-79,985	-
Long-term debt	49,000	35,000	14,000	49,000
Long-term cash deposits received as guarantee	3,593	4,118	-524	4,042
Deferred tax liabilities-non-current	32,911	1,244	31,667	38,739
Retirement benefits	2,285	3,484	-1,198	2,361
Other non-current liabilities	2,196	780	1,416	2,211
Total liabilities	700,223	393,896	306,327	610,819
Shareholders' equity				
Common stock	-	138,432	-	138,828
Capital surplus	-	117,940	-	118,339
Additional paid-in capital	-	117,786	-	118,182
Other capital surplus reserve	-	153	-	156
Retained earnings	-	299,707	-	314,133
Earned surplus reserve	-	45,335	-	45,335
General-purpose reserve	-	218,000	-	218,000
Unappropriated retained earnings	-	36,372	-	50,798
(Net income for the current term)	-	(20,942)	-	(51,335)
Net unrealized gain (loss) on securities, net of tax effect	-	27,136	-	57,183
Treasury stock	-	-799	-	-14,660
Total shareholders' equity	-	582,418	-	613,824
Total liabilities and shareholders' equity	-	976,315	-	1,224,643
Net assets				
Owners' equity	602,744	-	-	-
Common stock	139,951	-	-	-
Capital surplus	119,455	-	-	-
Retained earnings	358,046	-	-	-
Treasury stock	-14,710	-	-	-
Valuation and translation adjustments	48,677	-	-	-
Net unrealized gain (loss) on securities, net of tax effect	48,681	-	-	-
Deferred gain (loss) on hedges	-3	-	-	-
Total net assets	651,421	-	-	-
Total liabilities, net assets	1,351,645	-	-	-

Statements of operations

(millions of yen)	First quarter Apr. 1, 2006 - Jun. 30, 2006	First quarter Apr. 1, 2005 - Jun. 30, 2005	Yr/yr % change	Fiscal 2005 Apr. 1, 2005 - Mar. 31, 2006
Operating revenues:	74,904	22,842	227.9	35,215
Dividends from related companies	73,894	22,120	234.1	32,257
Interest on loans to related companies	936	694	34.9	2,805
Other	73	28	156.4	152
Operating expenses:	2,850	2,994	-4.8	12,181
Selling, general and administrative expenses:	1,984	2,068	-4.1	9,210
Commission and other expenses	424	485	-12.5	1,747
Employees' compensation and benefits	777	747	4.0	4,130
Occupancy and rental	104	149	-30.1	614
Data processing and office supplies	244	285	-14.5	855
Depreciation expenses	76	87	-12.7	350
Others	357	312	14.2	1,512
Interest expenses	866	925	-6.4	2,971
Operating income	72,054	19,848	263.0	23,033
Non-operating income	1,546	1,064	45.2	2,841
Non-operating expenses	547	35	-	733
Ordinary income	73,052	20,877	249.9	25,140
Extraordinary gains	131	53	145.8	9,681
Extraordinary losses	-	-	-	3,255
Income before income taxes	73,184	20,931	249.6	31,566
Income taxes-current	2	-504	-	-37,973
Income taxes-deferred	203	492	-58.7	18,205
Net income	72,978	20,942	248.5	51,335
Unappropriated retained earnings-carryforward	-	15,429	-	15,429
Interim dividends	-	-	-	15,966
Unappropriated retained earnings	-	36,372	-	50,798

Statements of changes in net assets

(millions of yen)	Owners' equity			
	Common stock	Capital surplus		
		Additional paid - in capital	Other capital surplus reserve	Total capital surplus
Beginning balance as of Mar. 31, 2006	138,828	118,182	156	118,339
Changes of items during the fiscal year				
Issuance of new shares	1,122	1,122	-	1,122
Disposal of treasury stock	-	-	-6	-6
Total changes of items during the fiscal year	1,122	1,122	-6	1,116
Ending balance as of Jun. 30, 2006	139,951	119,305	149	119,455

(millions of yen)	Owners' equity					
	Retained earnings				Treasury stock	Total
	Earned surplus reserve	Other earned surplus reserve		Total retained earnings		
		General - purpose reserve	Deferred earned surplus			
Beginning balance as of Mar. 31, 2006	45,335	218,000	50,798	314,133	-14,660	556,640
Changes of items during the fiscal year						
Issuance of new share	-	-	-	-	-	2,245
Dividends	-	-	-29,065	-29,065	-	-29,065
Purchase of treasury stock	-	-	-	-	-58	-58
Disposal of treasury stock	-	-	-	-	8	2
Net income	-	-	72,978	72,978	-	72,978
Total change during the fiscal year	-	-	43,913	43,913	-49	46,103
Ending balance as of Jun. 30, 2006	45,335	218,000	94,711	358,046	-14,710	602,744

(millions of yen)	Valuation and translation adjustments			Total net assets
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gains and losses on hedges	Total valuation and translation adjustments	
Beginning balance as of Mar. 31, 2006	57,183	-	57,183	613,824
Changes of items during the fiscal year				
Issuance of new shares	-	-	-	2,245
Dividends	-	-	-	-29,065
Purchase of treasury stock	-	-	-	-58
Disposal of treasury stock	-	-	-	2
Net income	-	-	-	72,978
Net changes of items other than owners' equity during the fiscal year	-8,502	-3	-8,505	-8,505
Total changes of items during the fiscal year	-8,502	-3	-8,505	37,597
Ending balance as of Jun. 30, 2006	48,681	-3	48,677	651,421

Notes to financial statements

The financial statements of the Company for the first quarter ended June 30, 2006 are prepared in accordance with 'Regulations of Interim Financial Statements' (MOF Ordinance No. 38, 1977).

Basis of financial statements

1. Valuation of securities

- (1) 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.
- (2) Subsidiary stocks and affiliated company stocks are valued at moving average cost method.
- (3) Other securities than subsidiary stocks and affiliated company stocks are valued at fair value on the closing date if their fair value is available. Net unrealized gains net of tax effect directly are posted in owners' equity, and 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. Investment limited partnership and similar partnership are posted as investment securities according to the share of net income raised by the partnership. Share of net unrealized profits and losses on securities held by the partnerships are directly posted into shareholders' 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 3 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.

Changes in the accounting standards

1. Presentation of Net assets on Balance Sheet

The financial statements of company for the first quarter ended June 30, 2006 are adapted to "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statements No.5)" and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No.8)" from the beginning of this first quarter. Amount of shareholders' equity by the former accounting standard is 651,425 million yen.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets

As of Jun. 30, 2006	As of Jun. 30, 2005	As of Mar. 31, 2006
3,084 millions yen	2,969 million yen	3,054 million yen

2. Guarantee

As of Jun. 30, 2006	As of Jun. 30, 2005	As of Mar. 31, 2006
4,437 millions yen	8,803 million yen	4,589 million yen

3. Details of increasing number of shares outstanding for the first quarter

	<u>Number of shares outstanding</u>	<u>Equity in earning</u>	<u>Capitalized surplus</u>
Increase by conversion of convertible bonds	2,053,008	2,245	1,122

4. Fair value of subsidiary and affiliated company stocks as of Jun. 30, 2006 (millions of yen)

	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Subsidiary	19,648	95,439	75,791

Notes to statements of operations

Details of extraordinary gains/losses

	<u>First quarter</u> Apr. 1, 2006- Jun. 30, 2006	<u>First quarter</u> Apr. 1, 2005- Jun. 30, 2005	(millions of yen) <u>Fiscal 2005</u> Apr. 1, 2005- Mar. 31, 2006
Extraordinary gains:			
Gain on liquidation of related companies	-	-	1,200
Gain on sale of related companies	131	-	6,146
Gain on sale of investment securities	-	53	2,333
Extraordinary losses:			
Loss on litigation settlement	-	-	1,279
Write-down of investment securities	-	-	75
Loss on sale of investment securities	-	-	4
Loss on impairment of fixed assets	-	-	120
Provision for doubtful accounts	-	-	211
Foreign exchange loss from overseas subsidiary capital reduction	-	-	1,563