



April 27, 2004

Consolidated financial summary

(For fiscal year ended March 31, 2004)

(1) Operating results (from April 1, 2003 to March 31, 2004)

(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 2003 (2004/3)	453,813	(17.1)%	352,434	(30.1)%	92,519	(283.8)%	96,130	(229.2)%
Fiscal 2002 (2003/3)	387,658	(-20.6)%	270,809	(-5.0)%	24,108	(5.9)%	29,200	(13.0)%

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
Fiscal 2003 (2004/3)	42,637	(-)%	31.66	Yen	30.28	Yen	7.4	%
Fiscal 2002 (2003/3)	-6,322	(-)%	-4.75	Yen	-	Yen	-1.1	%

(Note)

1. Equity in earnings

Fiscal 2003 (2004/3): 90 million yen Fiscal 2002 (2003/3): 265 million yen

2. Average number of shares outstanding (shares)

Fiscal 2003 (2004/3): 1,329,304,723 Fiscal 2002 (2003/3): 1,328,445,508

3. Change in accounting policies: Early application has been made for 'Accounting Standards for Impairment of Fixed Assets'.

(2) Financial conditions

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

	Total assets	Stockholders' equity	Stockholders' equity ratio		Stockholders' equity/share	
Fiscal 2003 (2004/3)	10,765,665	604,170	5.6	%	453.60	Yen
Fiscal 2002 (2003/3)	9,502,825	541,718	5.7	%	407.84	Yen

(Note)

Number of shares outstanding (shares)

As of Mar. 31, 2004: 1,330,732,981

As of Mar. 31, 2003: 1,328,255,991

(3) Cash flow summary

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalents
Fiscal 2003 (2004/3)	-111,252	58,818	114,406	480,123
Fiscal 2002 (2003/3)	368,024	67,966	-447,391	422,684

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 51 companies Affiliates applicable of equity method: 5 companies

(5) Change in scope of consolidation and equity method

Consolidated subsidiaries: Addition: 2 companies Exclusion: 2 companies

Affiliates applicable of equity method: Addition: 1 company

Note: The Group's principal business is securities business, and the performance is influenced by the market environment.

Therefore, the Group considers it difficult to forecast the performance. Instead of forecast, the Group continues to timely disclose quarterly results as beneficial information.

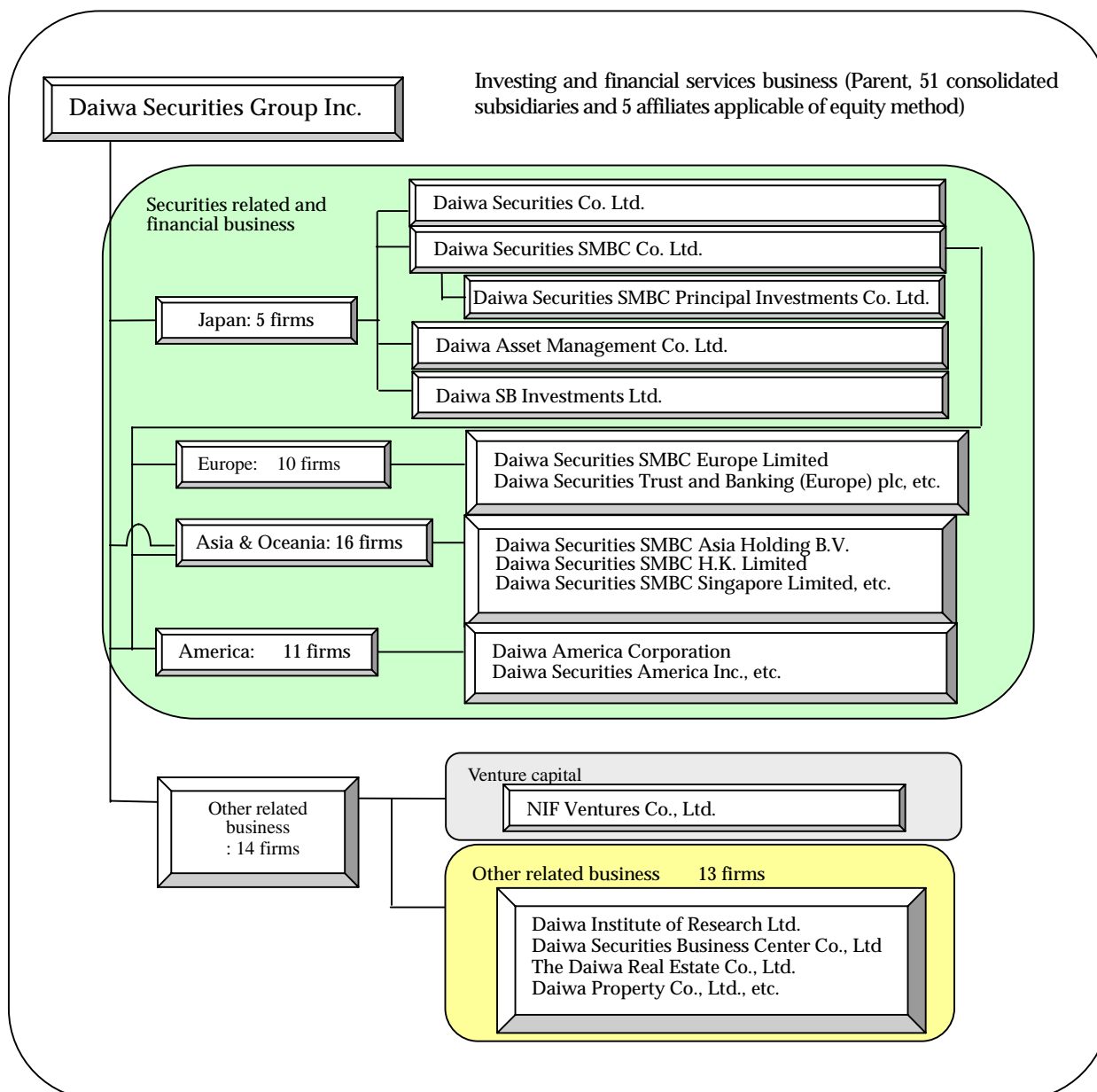
Representative: Yoshinari Hara, President and CEO

Contact: Hironaka Takada, General Manager, Finance Department

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Information on Group Companies

The Company and its related companies, 51 consolidated subsidiaries and 5 affiliates applicable of equity method, predominantly operate in investing 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 securities and financial fields. The Group provides wide range of services, satisfying the worldwide customer needs for raising and investing of funds through the global networks linking major financial markets in Japan, America, Europe and Asia and Oceania.



Management Policy

(a) Principle Management Policy

Daiwa aims to become Japan's strongest securities group and maximize group corporate value, by developing its securities related businesses by utilizing the holding company structure and concentrating group management resources on securities related businesses.

(b) Principle Policy on the Distribution of Profits

We aim to continuously maximize shareholder value including the distribution of profits.

We will determine dividends taking into account retention of profits necessary to grow and build up our financial strength. While conscious of maintaining a stable dividend flow for our investors, we will also reflect our financial performance on a consolidated basis. Under the "Group Medium-term Management Plan", we will appropriately distribute and manage shareholders' equity including any profits that we retain.

With this in mind, at the annual general meeting for shareholders, we would like to suggest a dividend of 10 yen per share.

(c) Principle Policy on New Unit Share System

We recognize that reducing the number of shares per unit is an important measure to contribute to the revitalization of the Japanese stock market and to expand participation in the market.

To this extent, we will continue to look into the reduction in the number of Daiwa's shares per unit by considering its advantages and disadvantages over our financial position, share price level, and the cost effectiveness of the reduction.

(d) Group Medium-Term Management goals

In the Group medium-term management plan, we declare following two points as the medium-term management goals.

- (1) In order for the Group to achieve sustainable growth, we have to be identified as the leading company by not only its financial results as a consequence, but also its customer satisfaction. Therefore, we will aim to become the number one in quality of products and services as a whole group for the next three years.
- (2) Under tough management circumstance, we endeavor to raise the capability of each employee and rationalize the business process across the whole group without easy expansion of corporate scale. By enhancing the structure to provide customers with high-quality products and services promptly and effectively, we will aim to become the number one in productivity.

Based on the policy mentioned above, we will aim to achieve sustainable growth by pursuing best-balanced profit structure and attempting to reinforce the Group cooperation.

(e) Mid to Long Term Management Targets

We announced the "Brand Statement" in March 2001. The "Brand Statement" presents our three core values, which are "Exceptional Customer Orientation" "Seamless Services building on Group Synergy" and "Continuous Innovation". We aim to improve the Daiwa brand by having all of our employees preserve these core values of the Brand Statement.

And, by publishing sustainable report for inside and outside of the Group, we disclose information about our social responsibility and our endeavor for sustainable management in terms of economy, society, and environment, and consider broader stakeholders.

Furthermore, under "Group Medium-term Management Plan" mentioned above, we are in the process of taking steps to strengthen the following Group management infrastructure.

(1) Personnel policies

We will manage and establish a unique personnel structure that reflects the needs of each business entity while balancing the needs of the Group as a whole.

We will aim to build satisfactory personnel system by enhancing performance-based evaluation system, providing diverse career options, and implementing a fair evaluation system. Specifically, we will promote management level personnel exchanges between Group companies and extend the intra-group job posting system to improve employees' career management.

And, we grow talented people by continuously holding of management development programs such as "Daiwa Management Academy" and a wide variety of training programs.

(2) Finance strategy

We will appropriately allocate management resources mainly in securities related businesses, maintaining the financial stability of the Group as a whole. To catch profit chances promptly, we establish the financial base with margin for suitable capital investment.

(3) Public relations / Investors relations strategy

Based on the Disclosure Policy that defines the Group's attitude toward disclosure of corporate information, we will endeavor to achieve fair and timely disclosure so that all stakeholders including shareholders, investors, and securities analysts understand and maintain realistic expectations of the Daiwa Securities Group.

And, we will aim to establish the Group brand by putting consistent, effective and active advertisements to continuously send the Group's vision and endeavor through various means of media.

(4) Information technology (IT) strategy

While reinforcing IT functions that contribute to our core businesses, we will establish the IT governance structure to appropriately manage and evaluate IT investments that have been increasing every year.

Besides, mid to long term management strategies for the Group's each business are as follows.

(1) Daiwa Securities (Retail securities business)

We will strengthen retail securities business, the foundation of the Group, with the whole Group's ability. In addition to various program to improve sales staffs' consulting skills, Daiwa Securities will establish structure to quickly offer products that meet customer needs by enhancing its marketing function.

We will improve products and services in quality, and aim to become the number one brokerage house by customer satisfaction.

(2) Daiwa Securities SMBC (Wholesale securities business)

Daiwa Securities SMBC aims to become "The strongest investment bank in Japan", and attempts to expand customer base by offering high-quality products and solutions.

By strategically investing management resources, we also attempt to expand diversified business lines that won't be affected by the market condition.

Furthermore, we will reinforce businesses such as M&A and principal finance to attempt to improve the company presence as an investment bank that contributes to revival of Japanese economy.

(3) Daiwa Asset Management, Daiwa SB Investments (Asset management business)

Daiwa Asset Management aims to become a high-quality asset manager. It will improve fund management capabilities and product development capabilities. It will also thoroughly manage fund quality and accountability for investors.

Daiwa SB Investments will establish differentiated brand by continuing competitive fund performance in annuity market and well-kept customer service to expand its fund business, and aim to become an asset manager with high management efficiency

(4) Daiwa Institute of Research "DIR" (Research and system development business)

DIR operates as one of Japan's leading think tanks and provides research and systems services.

Through its research operations, DIR will provide clients with high quality information such as economic forecasts and analyst reports as well as making well-timed policy proposals to contribute to the revitalization of the Japanese economy.

Through its systems operations, DIR will provide state of the art technology to the Group and the Group's clients, mainly in the areas of finance and capital markets.

(5) NIF Ventures (Venture capital business)

As one of Japan's leading venture capital firms, NIF Ventures actively supports start-ups that are the key to revive Japanese economy not only for their financing but also for their management by utilizing NIF's track record and credibility as well as its information gathering and marketing capability it has grown from its global practice.

(6) Daiwa Securities Business Center (Back office operations)

Daiwa Securities Business Center aims to minimize the whole Group's back office work costs, mainly for Daiwa Securities and Daiwa Securities SMBC.

Daiwa Securities Business Center will continuously endeavor to improve quality and increase efficiency to achieve better service.

(f) Current Challenges

In order for Japan to continue to play a very important role in the World economy, we believe that it is necessary to promote transition to direct financing. As one of the supporters for capital markets, Daiwa Group will fulfill the social mission by rapidly expanding our business base and contributing to social sustainability in our core business.

In the Year 2004, the second year for the medium-term management plan, we put "establishing firm position in financial industry" as our management policy to ensure the Group's sustainable growth, and accelerate to achieve the medium-term management plan on a basis of the environmental change in economy and financial industry.

(g) Basic notion concerning the corporate governance, and the present condition of the policy

(Basic notion concerning the corporate governance)

(1) Where globalization and institutionalization of markets have been progressing and structure of corporate governance has been emphasized in investment decision, Daiwa group that practices group management with holding company structure will establish its corporate governance structure that has as high transparency and objectivity as the global standard.

In addition, we will realize high efficiency and specialty in administration function for the group companies, promote the group operation with high accountability, and establish the group management structure with a sense of unity, which puts out synergy between each group company.

(2) Based on the medium-term management plan, we will transit to a committee system after officially approved at the ordinary general meeting of shareholders scheduled for June 2004. The transition to a committee system is the extension of governance reform and various policies we have carried out to increase synergy among the Group companies. We believe that transfer of authority from the Board to the Group Executive Officers will increase mobility of the decision-making process. Furthermore an increase in the number of outside board members and the establishment of three committees; the Nominating, Audit and Compensation Committees will enhance the supervisory function of the Board and increase transparency of management.

(The Present Condition of Corporate Governance Structure)

(1) Group Management Infrastructure for decision-making, business execution, and supervision on management

Daiwa's corporate governance structure is composed mainly of the Board of Directors and the Board of Statutory Auditors as the Group management supervisory system, a hierarchy of meetings as the Group management activity execution mechanism, and various advisory boards.

The Group activity execution mechanism is composed of The Management Committee and The Executive Committee. The Management Committee consists of executive officers excluding Group executive officers (serving concurrently as Group Companies' Presidents). Its brief is to consider crucial management matters such as the formulation of basic management plan and budgets.

The Executive Committee, which consists of executive officers and Group executive officers, considers essential strategies covering the whole Group and coordinate executive steps to overcome structural problems of importance across Group units.

We established the Compensation Committee (all except the CEO appointed from outside the Group) as an advisory board for the CEO. The Compensation Committee is mandated to increase transparency as to how Directors' and Executive Officers' Compensation and fees are determined, and to consider appropriate levels thereof. The Compensation Committee will be disestablished as an advisory board as the establishment of the committee system is approved at the ordinary general meeting of shareholders scheduled for June 2004, and a Compensation Committee as an organization based on Commercial Law will be established. And, The Advisory Board established to offer the CEO recommendations and advices based on their long-accumulated experience and knowledge in their respective fields was disestablished in March 2004 because the supervisory function of the Board will be enhanced by an increase in the number of outside board members entailed in transit to a committee system.

We newly established Internal Audit Dept. under the direct control of the Board of Directors in February 2003. In April 2003, we also established Internal Audit Regulations, which define basic guidelines for the internal audit practice and contribute to sound and efficient internal control. Furthermore, we established an Internal Control Committee in July 2003 to deliberate and approve items related to internal control, risk management, and internal audit for the Group, and will continue to improve effectiveness and efficiency of operations.

In February 2004, we established a Disclosure Policy that defines the Group's attitude toward disclosure of corporate information, which is to promote a greater understanding of the Group among all stakeholders including shareholders, investors and the local communities, and to contribute to their forming of realistic expectations of the Group. We have also established Disclosure Regulations, which define the creation of a Disclosure Committee and other matters relating to disclosure in order to realize the spirit of the Disclosure Policy.

(2) The present condition of action to promote corporate governance

At the general meeting of shareholders held in June 2003, we disclosed total director and auditor compensation and increased Outside Directors from one to two. Of the seven Directors of the Company, two are now outside Directors. The number of outside Statutory Directors is one.

As Written (1) above, we established Internal Audit Regulations and Internal Control Committee in April and July 2003 respectively. We also established Disclosure Policy and Disclosure Regulations, and newly set up a Disclosure Committee in February 2004.

Results of Operation and Cash Flow

a. Consolidated operating results for fiscal 2003

1. Summary of operating results for 12 months (comparison with fiscal 2002)

Consolidated net operating revenues increased 30.1% to 352,434 million yen mainly because commissions and trading gains increased. As the selling, general and administrative expenses increased by 5.4% to 259,914 million yen, ordinary income increased 229.2% to 96,130 million yen and consolidated net income increased to 42,637 million yen.

As a result of early application of 'Accounting Standards for Impairment of Fixed Assets', impairment loss of 12,796 million yen has been incurred as extraordinary losses. In addition, in line with application of 'Consolidated Tax System' by the Company beginning from fiscal year ending March 31, 2005, income taxes-deferred of 17,152 million yen has been recorded as profit.

(1) Commissions

(i) Brokerage commission

Brokerage commission increased 70.0% to 79,645 million yen, in line with an increase of 58.5% to 1,172.4 billion yen in daily average trading value on the Tokyo Stock Exchange.

(ii) Underwriting commission

Underwriting commission went up 64.9% to 46,093 million yen due to an increase in equity underwriting commission, primarily due to lead-managed large-scale deals.

(iii) Distribution commission

Distribution commission grew 60.7% to 23,565 million yen, mainly due to an increase in commission arising from the sale of equity and foreign beneficiary certificate.

(iv) Other commission

Other commission on investment trust decreased 21.1% to 20,932 million yen, primarily due to a decline in trust fee rates of beneficiary certificate. As a result, total other commission declined 18.2% to 44,858 million yen.

(2) Net trading gains/losses

Net trading gains on stock and other increased sharply from the previous fiscal year to 50,024 million yen, owing to the upward trend in stock market.

Although net trading gains on bond, forex and other declined 23.7% to 70,171 million yen, total net trading gains increased 28.0% to 120,195 million yen.

(3) Financial income

As both income and expenses arising from repo transactions by overseas subsidiaries decreased, interest and dividend income decreased 10.0% to 103,223 million yen and interest expenses went down 14.6% to 77,331 million yen. Net financial income increased 7.4% to 25,892 million yen.

(4) Selling, general and administrative expenses

Although employees' compensation and benefits including bonuses increased in line with the recovery of operating results, commission and other expenses including advertisement expenses and real estate expenses decreased. As a result, selling, general and administrative expenses increased 5.4% to 259,914 million.

2. Summary of operating results for 3 months (comparison with the third quarter of fiscal 2003)

Consolidated net operating revenues for the fourth quarter of fiscal 2003 increased 12.9% to 96,708 million yen as a result of an increase in commission income and trading gains. Selling, general and administrative expenses for the fourth quarter increased 8.0% to 68,820 million yen. As a result, consolidated ordinary income increased 27.4% to 28,603 million yen. Net income increased 56.5% to 14,244 million yen for the fourth quarter of fiscal 2003, posting extraordinary gains/losses, income taxes, and minority interest in income.

3. Operating results of overseas subsidiaries for fiscal 2003 (12 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
1,270	7,538	1,977	10,786

b. Cash flow

Net cash provided by operating activities was -111,252 million yen because of an increase in receivables on collateralized securities transactions and a decrease in payables on collateralized securities transactions, compared with 368,024 million yen for fiscal 2002. Net cash provided by investing activities was 58,818 million yen due to sales of investment securities compared with 67,966 million yen for fiscal 2002. Net cash provided by financing activities was 114,406 million yen mainly due to issuance of bonds compared with -447,391 million yen for fiscal 2002. Consequently, cash and cash equivalents after effect of exchange rate fluctuation increased by 57,438 million yen to 480,123 million yen in comparison with March 31, 2003.

Consolidated balance sheets

(millions of yen)	Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003	Increase/ Decrease
Assets			
Current assets:	10,210,037	8,863,899	1,346,137
Cash and time deposits	486,932	438,248	48,683
Cash segregated as deposits	109,940	105,641	4,299
Notes receivable and trade accounts receivable	8,057	6,959	1,098
Securities	38,650	34,893	3,757
Trading assets:	4,031,944	4,529,437	-497,492
Trading securities and others	3,529,917	3,952,894	-422,977
Derivative assets	502,027	576,543	-74,515
Trade date accrual	580,674	-	580,674
Operational investment securities	40,733	45,270	-4,536
Less: Allowance for possible investment losses	-5,172	-4,894	-278
Other inventories	816	912	-95
Receivables related to margin transactions:	235,535	106,873	128,661
Loans receivable from customers for margin transactions	92,832	34,419	58,413
Cash deposits as collateral for securities borrowed from securities finance companies	142,703	72,454	70,248
Receivables on collateralized securities transactions:	4,391,437	3,264,811	1,126,625
Cash deposits as collateral for securities borrowed	4,391,437	3,264,811	1,126,625
Receivables	26,481	4,259	22,221
Short-term loans receivable	96,780	81,159	15,621
Accrued income	16,934	15,574	1,360
Deferred income tax assets-current	15,224	9,145	6,079
Other current assets	135,420	226,254	-90,834
Less: Allowance for doubtful accounts- current	-355	-647	292
Non-current assets:	555,628	638,926	-83,297
Tangible fixed assets	143,123	162,339	-19,216
Intangible fixed assets	59,458	53,951	5,506
Investments and others:	353,046	422,634	-69,587
Investment securities	187,437	214,409	-26,971
Long-term loans receivable	12,388	13,605	-1,216
Long-term guarantee deposits	25,522	29,159	-3,636
Deferred income tax assets-non-current	42,259	67,587	-25,328
Other investments	97,757	116,471	-18,714
Less: Allowance for doubtful accounts- non-current	-12,319	-18,598	6,279
Total assets	10,765,665	9,502,825	1,262,839

(millions of yen)	Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003	Increase/ Decrease
Liabilities			
Current liabilities:	9,122,137	8,214,980	907,157
Notes payable and trade accounts payable	2,861	2,638	222
Trading liabilities:	2,914,555	1,520,775	1,393,780
Trading securities and others	2,445,560	996,691	1,448,869
Derivative liabilities	468,995	524,084	-55,089
Trade date accrual	-	79,625	-79,625
Payables related to margin transactions:	93,449	53,158	40,291
Loans from securities finance companies for margin transactions	3,636	2,914	721
Proceeds of securities sold for margin transactions	89,813	50,243	39,570
Payables on collateralized securities transactions:	4,092,022	4,355,308	-263,285
Cash deposits as collateral for securities loaned	3,769,690	3,718,029	51,660
Payables related to gensaki transactions	322,332	637,278	-314,946
Deposits received	144,580	140,279	4,300
Cash deposits received from customers	49,208	40,172	9,036
Short-term borrowings	1,408,775	1,475,900	-67,125
Commercial paper	273,722	332,800	-59,078
Bonds due within one year	21,102	46,010	-24,907
Accrued income taxes	15,406	2,812	12,593
Deferred income tax liabilities-current	190	-	190
Accrued bonuses	19,375	12,053	7,321
Other current liabilities	86,887	153,444	-66,557
Non-current liabilities:	868,560	588,177	280,383
Bonds	645,589	414,448	231,140
Convertible bonds	79,986	79,986	-
Long-term borrowings	112,813	71,154	41,659
Deferred income tax liabilities-non-current	6,643	2,614	4,028
Accrued retirement benefits	17,301	14,170	3,130
Other non-current liabilities	6,226	5,802	423
Statutory reserves	5,132	3,891	1,240
Total liabilities	9,995,830	8,807,049	1,188,781
Minority interest	165,664	154,058	11,606
Stockholders' equity			
Common stock	138,431	138,431	-
Capital surplus	117,939	117,786	153
Earned surplus	330,780	297,404	33,375
Net unrealized gain on securities, net of tax effect	27,297	1,823	25,473
Translation adjustments	-9,588	-11,321	1,732
Treasury stock	-689	-2,406	1,716
Total stockholders' equity	604,170	541,718	62,451
Total liabilities, minority interest and stockholders' equity	10,765,665	9,502,825	1,262,839

Consolidated income statements

(millions of yen)	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003	Increase/ Decrease	Yr/yr % change
Operating revenues:	453,813	387,658	66,154	17.1
Commissions	194,162	144,282	49,880	34.6
Net gain on trading	120,195	93,932	26,263	28.0
Net gain on operational investment securities	1,817	-2,624	4,442	-
Interest and dividend income	103,223	114,707	-11,483	-10.0
Other sales revenues	34,413	37,361	-2,947	-7.9
Interest expenses	77,331	90,594	-13,263	-14.6
Cost of sales	24,047	26,254	-2,207	-8.4
Net operating revenues	352,434	270,809	81,625	30.1
Selling, general and administrative expenses:	259,914	246,701	13,213	5.4
Commission and other expenses	39,786	40,652	-866	-2.1
Employees' compensation and benefits	136,963	123,904	13,059	10.5
Real estate expenses	32,518	33,348	-829	-2.5
Data processing and office supplies	14,898	14,708	190	1.3
Depreciation expenses	21,530	21,067	463	2.2
Taxes other than income taxes	5,617	4,670	946	20.3
Others	8,599	8,349	249	3.0
Operating income	92,519	24,108	68,411	283.8
Non-operating income:	6,013	8,157	-2,144	-26.3
Equity in earnings	90	265	-174	-66.0
Others	5,923	7,892	-1,969	-25.0
Non-operating expenses	2,402	3,066	-663	-21.6
Ordinary income	96,130	29,200	66,930	229.2
Extraordinary gains	8,962	15,589	-6,627	-42.5
Extraordinary losses	28,167	32,945	-4,777	-14.5
Income before income taxes and others	76,925	11,844	65,080	549.5
Income taxes-current	15,169	2,670	12,499	468.1
Income taxes-deferred	5,637	12,685	-7,048	-55.6
Minority interest in income	-13,480	-2,810	-10,669	-
Net income	42,637	-6,322	48,959	-
Net financial income included in Net operating revenues	25,892	24,113	1,779	7.4

Consolidated statements of retained earnings

(millions of yen)	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003
<i>Capital surplus</i>		
Beginning balance of capital surplus	117,786	117,786
Increase in capital surplus	153	-
Net gain on disposal of treasury stock	153	-
Decrease in capital surplus	-	-
Ending balance of capital surplus	117,939	117,786
<i>Earned surplus</i>		
Beginning balance of earned surplus	297,404	311,719
Increase in earned surplus:	42,637	-
Net income	42,637	-
Decrease in earned surplus:	9,261	14,314
Net loss	-	6,322
Decrease in earned surplus due to expansion of scope of consolidation	1,291	
Dividends	7,969	7,971
Directors' bonuses	-	14
Net loss on disposal of treasury stock	-	6
Ending balance of earned surplus	330,780	297,404

Consolidated cash flow statements

(millions of yen)	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003
1. Cash flows from operating activities:		
Income before income taxes and others	76,925	11,844
Depreciation	21,530	21,067
Increase in allowance for retirement benefits	3,130	2,914
Increase in allowance for doubtful accounts	32	126
Interest and dividend income	-98,524	-108,921
Interest expenses	78,102	91,754
Equity in earnings	-90	-265
Adjustment of extraordinary gains/losses items:		
Gain on sale of fixed assets	-1,063	-4,629
Loss on sale or disposal of fixed assets	1,222	4,574
Valuation loss of fixed assets	58	272
Loss on impairment of fixed assets	12,796	-
Write-down of related companies' stocks	-	519
Loss on sale of related companies' stocks	752	-
Loss on liquidation of related companies	4,220	-
Gain on sale of investment securities	-7,899	-10,148
Loss on sale of investment securities	442	1,908
Write-down of investment securities	2,691	19,778
Reversal of provision for real estate business reorganization	-	-811
Loss on sale of loans receivable	557	-
Provision for doubtful accounts	648	4,151
Reorganization and relocation costs for business offices and branches	2,473	-
Reorganization costs of an overseas banking subsidiary	594	-
Others	1,710	1,740
(Increase) Decrease in deposits segregated for customer	-9,540	80
Increase in loans receivable	-5,169	-
Decrease in loans receivable	-	11,862
(Increase) Decrease in operational investment securities	6,032	-4,357
(Increase) Decrease in trading assets, net of trading liabilities	1,224,767	-1,861,066
(Increase) Decrease in receivables related to margin transactions, net of payables related to margin transactions	-88,369	29,123
(Increase) Decrease in receivables on collateralized securities transactions, net of payables on collateralized securities transactions	-1,369,799	2,113,919
Others	8,025	11,484
Sub-total	-133,741	336,922
Interest and dividend received	98,314	110,411
Interest paid	-74,076	-92,311
Income taxes refunded (paid)	-1,749	13,001
Net cash provided by (used in) operating activities	-111,252	368,024

(millions of yen)	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003
2. Cash flows from investing activities:		
Payments for purchase of securities	-24,510	-32,853
Proceeds from sale and redemption of securities	21,597	42,810
Payments for purchase of tangible fixed assets	-8,147	-6,106
Proceeds from sale of tangible fixed assets	6,144	21,114
Payments for purchase of intangible fixed assets	-19,079	-14,321
Payments for purchase of investment securities	-11,058	-18,771
Proceeds from sale and redemption of investment securities	79,281	86,904
Payments for purchase of subsidiaries' stocks from non-Group shareholders	-839	-320
Proceeds from liquidation of related companies	1,215	-
Payments for loan made	-91	-277
Proceeds from collection of loans receivable	1,159	1,341
Proceeds from sale of overseas investment properties	29,504	-
Others	-16,357	-11,555
Net cash provided by (used in) investing activities	58,818	67,966
3. Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	-66,936	-416,056
Proceeds from issuance of bonds and convertible bonds	318,831	167,690
Payments for redemption of bonds and convertible bonds	-112,675	-182,137
Proceeds from long-term borrowings	56,000	21,800
Payments for repayment of long-term borrowings	-72,294	-30,496
Proceeds from exercise of stock options	51	112
Dividends paid	-7,969	-7,971
Dividends paid to minority shareholders	-2,328	-89
Proceeds from sale of treasury stocks	1,817	-
Others	-90	-243
Net cash provided by (used in) financing activities	114,406	-447,391
4. Effect of exchange rate changes on cash and cash equivalents	-4,915	-5,895
5. Net change in cash and cash equivalents	57,057	-17,296
6. Cash and cash equivalents at beginning of term	422,684	439,981
7. Increase in cash and cash equivalents due to addition to scope of consolidation	380	-
8. Cash and cash equivalents at end of term	480,123	422,684

Notes to consolidated financial statements

The consolidated financial statements of the Company for fiscal year ended March 31, 2004 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: 51 companies

Major companies:

Daiwa Securities Co. Ltd.
 Daiwa Securities SMBC Co. Ltd.
 Daiwa Asset Management Co. Ltd.
 Daiwa Institute of Research Ltd.
 NIF Ventures Co., Ltd.
 Daiwa Securities Business Center Co. Ltd.
 The Daiwa Real Estate Co., Ltd.
 Daiwa Property Co., Ltd.
 Daiwa Securities SMBC Europe Limited
 Daiwa Securities Trust and Banking (Europe) plc
 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 overseas subsidiary is added to scope of consolidation due to establishment, and two overseas subsidiaries are excluded from the scope due to liquidation during this fiscal year. Daiwa Pension Consulting Co., Ltd. is newly added to the scope of consolidation due to its increased materiality on the consolidated financial statements.

Each amount of total assets, operating revenues (or sales), net income corresponding to equity holdings and earned surplus 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.
 Totan Holdings Co., Ltd
 The Tokyo Tanshi Co., Ltd.

Totan Holdings Co., Ltd., which has been established as a holding company of The Tokyo Tanshi Co., Ltd., is newly added to the scope during this fiscal year. Each amount of net income corresponding to equity holdings and earned surplus 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 whose fiscal year end other than March 31, 2004, the financial statements for the relevant fiscal year are reflected.

3. Fiscal period of subsidiaries

For subsidiaries whose fiscal year end other than March 31, 2004, 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 securities

In terms of domestic consolidated subsidiaries, securities, derivative transactions, and assets or liabilities in trading account are recorded at fair value. In terms of consolidated overseas subsidiaries, those policies are mainly applied.

(ii) Valuation of non-trading securities

Non-trading securities are valued as follows.

(a) Held-to-maturity securities

Held-to-maturity securities are valued at amortized cost.

(b) Other 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 stockholders' equity, if their fair value is available. The cost of those securities is mainly based on moving average method. Other securities are valued at moving average cost method, if their fair value is not available. Some portions of securities held by some consolidated subsidiaries and operational investment securities 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

In terms of domestic consolidated companies, declining-balance method is mainly applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is mainly based on Corporation Tax Law. In terms of consolidated overseas subsidiaries, straight-line method is mainly applied.

(ii) Intangible fixed assets, and investments and others

Straight-line method is mainly applied. Useful life for depreciation is mainly 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) Deferred Assets

Bond issue costs are amortized in a lump sum when incurred.

(4) Accounting policies for various provisions

(i) Provision for doubtful accounts

The domestic consolidated companies provide the allowances based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans. The consolidated overseas subsidiaries mainly provide the allowances specifically assessed.

(ii) Allowance for possible investment losses

Some consolidated subsidiaries provide the allowances based on estimated losses on operational investment securities held at the consolidated fiscal-year end, assessing the financial conditions of investee companies.

(iii) Accrued employees' bonuses

Estimated amount of employees' bonuses is accrued based on each company's bylaws.

(iv) Accrued retirement benefits

The parent company and most of domestic consolidated subsidiaries provide accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of March 31, 2004, 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. Some consolidated subsidiaries provide accrued retirement benefits based on projected benefit obligation. 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, 2004.

(5) Accounting for certain lease transactions

Finance leases in which ownership is not transferred to a lessee are mainly accounted for in the same manner as operating leases.

(6) Hedging transaction

Valuation gain or loss on hedging instrument is mainly deferred as assets or liabilities until the gain or loss on underlying hedged instruments is realized. A part of interests received or paid on interest rate swap for hedging are accrued without marking-to-market, and a part of premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without marking-to-market.

(7) Other material items

(Accounting for consumption taxes)

Consumption taxes are separately recorded.

(Consolidated tax system)

Some consolidated subsidiaries apply the consolidated tax system.

(Application of 'Accounting Standards for Impairment of Fixed Assets')

Accounting Standards Board of Japan issued 'Accounting Standards for Impairment of Fixed Assets' ('Opinion on Establishing Accounting Standards for Impairment of Fixed Assets' issued by Accounting Standards Board of Japan on August 9, 2002) and 'Guidance on Application of Accounting Standards for Impairment of Fixed Assets' (Application Guidance on Accounting Standards number 6, issued on October 31, 2003). Accordingly the company complied with this standard for the fiscal year ended as of March 31, 2004.

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.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

As of Mar. 31, 2004	As of Mar. 31, 2003
98,934 million yen	99,225 million yen

2. Guarantee

As of Mar. 31, 2004	As of Mar. 31, 2003
4,591 million yen	6,069 million yen

3. Subordinated borrowings

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).

As of Mar. 31, 2004	As of Mar. 31, 2003
40,000 million yen	40,000 million yen

Notes to consolidated income statements

Details of extraordinary gains/losses

(millions of yen)

	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003
Extraordinary gains:		
Gain on sale of fixed assets	1,063	4,629
Gain on sale of investment securities	7,899	10,148
Reversal of provision for real estate business reorganization	-	811
Extraordinary losses:		
Write-down of related companies' stocks	-	519
Write-down of investment securities	2,691	19,778
Valuation loss of fixed assets	58	272
Loss on sale or disposal of fixed assets	1,222	4,574
Loss on impairment of fixed assets	12,796	-
Loss on liquidation of related companies	4,220	-
Loss on sale of related companies' stocks	752	-
Loss on sale of investment securities	442	1,908
Loss on sale of loans receivable	557	-
Provision for doubtful accounts	648	4,151
Reorganization and relocation costs for business offices and branches	2,473	-
Reorganization costs for an overseas banking subsidiary	594	-
Provision for securities transaction liabilities	1,240	959
Other	469	780

Notes to consolidated cash flow statements

Reconciliation for “cash and cash equivalents at end of year” and “cash and time deposits” on consolidated balance sheet

(millions of yen)

	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003
Cash and deposits	486,932	438,248
Time deposit more than 3 months	-6,809	-15,563
Cash and cash equivalents	480,123	422,684

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)' and 'Operating income' by geographic area are as follows.

Fiscal 2003 ended March 31, 2004

1. Net operating revenues and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	314,190	7,748	23,956	6,539	352,434	-	352,434
Intersegment revenues	1,389	3,467	3,413	1,132	9,402	(9,402)	-
Net operating revenues	315,579	11,216	27,369	7,671	361,837	(9,402)	352,434
S.G. & A. expenses	232,269	10,197	20,413	6,110	268,990	(9,075)	259,914
Operating income (loss)	83,309	1,018	6,956	1,560	92,846	(326)	92,519
2. Assets	8,617,452	1,948,621	768,712	63,531	11,398,318	(632,652)	10,765,665

Fiscal 2002 ended March 31, 2003

1. Net operating revenues and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	237,464	6,976	21,130	5,237	270,809	-	270,809
Intersegment revenues	2,254	699	2,200	624	5,779	(5,779)	-
Net operating revenues	239,719	7,676	23,330	5,862	276,589	(5,779)	270,809
S.G. & A. expenses	215,664	11,080	19,944	5,795	252,485	(5,784)	246,701
Operating income (loss)	24,054	-3,403	3,385	66	24,103	5	24,108
2. Assets	7,270,670	1,817,690	656,448	63,720	9,808,529	(305,703)	9,502,825

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 2003 ended March 31, 2004

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	10,945	20,352	8,249	39,547
Consolidated net operating revenues	-	-	-	352,434
Percentage of total revenues	3.1	5.8	2.3	11.2

Fiscal 2002 ended March 31, 2003

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	8,143	21,589	6,951	36,683
Consolidated net operating revenues	-	-	-	270,809
Percentage of total revenues	3.0	8.0	2.6	13.5

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 2003 (Mar. 31, 2004)</u>	<u>Fiscal 2002 (Mar. 31, 2003)</u>
(1) Post-employment benefit obligation		
Accrued retirement benefits:	17,301 million yen	14,170 million yen
(2) Provision for employees' retirement allowance		
Provision for employees' retirement allowance:	6,973million yen	6,341 million 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 2003 (Mar. 31, 2004)</u>	<u>Fiscal 2002 (Mar. 31, 2003)</u>
(2) Discount rate:	Mainly 0.6% to 0.7%	Mainly 0.5% to 0.7%
(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 5 years

Supplemental information for fiscal 2003

1. Breakdown of commission income

Fiscal year ended March 31, 2004 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	78,193	1,242	208	-	-	79,645
Underwriting	-	-	-	46,093	-	46,093
(Stock and other)	(-)	(-)	(-)	(36,927)	(-)	(36,927)
(Bond and other)	(-)	(-)	(-)	(8,400)	(-)	(8,400)
Distribution	-	-	21,904	1,661	-	23,565
Other commission	1,866	3,977	20,932	8,049	10,032	44,858
(Agency commission)	(-)	(3,952)	(10,940)	(-)	(-)	(14,892)
Total	80,060	5,219	43,045	55,805	10,032	194,162

Fiscal year ended March 31, 2003 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	45,403	1,163	275	-	-	46,842
Underwriting	-	-	-	27,945	-	27,945
(Stock and other)	(-)	(-)	(-)	(18,092)	(-)	(18,092)
(Bond and other)	(-)	(-)	(-)	(9,522)	(-)	(9,522)
Distribution	-	-	14,058	608	-	14,666
Other commission	1,838	3,422	26,535	11,083	11,947	54,828
(Agency commission)	(-)	(3,393)	(13,506)	(-)	(-)	(16,900)
Total	47,242	4,585	40,870	39,637	11,947	144,282

Yr/yr percentage change (Fiscal 2003 end Mar. 31, 2004 (A) / Fiscal 2002 ended Mar. 31, 2003 (B) - 1)

(percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	72.2	6.8	-24.2	-	-	70.0
Underwriting	-	-	-	64.9	-	64.9
(Stock and other)	(-)	(-)	(-)	(104.1)	(-)	(104.1)
(Bond and other)	(-)	(-)	(-)	(-11.8)	(-)	(-11.8)
Distribution	-	-	55.8	173.2	-	60.7
Other commission	1.5	16.2	-21.1	-27.4	-16.0	-18.2
(Agency commission)	(-)	(16.5)	(-19.0)	(-)	(-)	(-11.9)
Total	69.5	13.8	5.3	40.8	-16.0	34.6

2. Breakdown of net trading gains

(millions of yen)	Fiscal 2003 (2004/3)	Fiscal 2002 (2003/3)	Yr/yr % change
Stock and other	50,024	1,936	-
Bond, forex and other	70,171	91,995	-23.7
(Bond and other)	(47,267)	(67,194)	(-29.7)
(Forex and other)	(22,904)	(24,801)	(-7.7)
Total	120,195	93,932	28.0

Quarterly consolidated income statements (Reference Data)

(millions of yen)	4 th quarter	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
	Jan. 1, 2003- Mar. 31, 2003	Apr. 1, 2003- Jun. 30, 2003	Jul. 1, 2003- Sep. 30, 2003	Oct. 1, 2003- Dec. 31, 2003	Jan. 1, 2004- Mar. 31, 2004
Operating revenues	91,628	111,996	110,362	108,462	122,991
Commissions	33,305	31,547	49,441	52,960	60,213
Brokerage commission	8,197	12,939	21,911	21,069	23,724
(Stock and other)	7,878	12,581	21,597	20,373	23,641
(Bond and other)	285	319	247	653	21
Underwriting commission	7,986	4,073	10,241	15,656	16,122
(Stock and other)	4,883	1,078	8,963	13,447	13,437
(Bond and other)	2,945	2,897	1,230	2,166	2,106
Distribution commission	4,105	5,328	5,631	5,136	7,469
(Beneficiary certificates)	3,689	5,200	5,389	4,530	6,782
Other commission	13,015	9,206	11,657	11,098	12,896
(Beneficiary certificates)	5,155	4,545	5,104	5,431	5,738
Net gain on trading	25,790	43,679	24,958	23,221	28,336
(Stock and other)	-9,803	8,849	20,544	9,179	11,450
(Bond and other)	28,088	22,256	2,586	7,453	14,970
(Forex and other)	7,504	12,573	1,827	6,588	1,915
Net gain on operational investment securities	-2,599	288	136	599	793
Interest and dividend income	24,669	28,516	27,763	23,830	23,113
Other sales revenues	10,462	7,963	8,063	7,850	10,535
Interest expenses	18,455	21,985	19,591	17,467	18,285
Cost of sales	7,046	5,431	5,295	5,322	7,997
Net operating revenues	66,126	84,579	85,475	85,672	96,708
Selling general and administrative expenses	60,494	62,672	64,702	63,718	68,820
Commission and other expenses	9,583	9,174	9,925	10,119	10,566
Employees' compensation and benefits	30,434	34,099	33,352	33,966	35,545
Real estate expenses	7,861	7,846	8,205	7,661	8,805
Data processing and office supplies	3,711	3,529	3,933	3,619	3,816
Depreciation expenses	5,513	4,964	5,242	5,221	6,101
Taxes other than income taxes	1,106	1,172	2,018	1,202	1,224
Others	2,283	1,886	2,025	1,926	2,761
Operating income	5,631	21,906	20,772	21,953	27,887
Non-operating income	1,370	2,654	1,328	954	1,075
Non-operating expenses	1,016	878	699	465	359
Ordinary income	5,985	23,682	21,401	22,442	28,603
Extraordinary gains	6,498	314	2,047	748	5,851
Extraordinary losses	20,557	394	3,774	3,026	20,971
Income before income taxes and others	-8,073	23,602	19,674	20,164	13,483
Income taxes-current	-1,509	904	6,110	1,165	6,990
Income taxes-deferred	5,918	8,537	1,972	6,515	-11,387
Minority interest in income	1,484	-3,133	-3,328	-3,383	-3,635
Net income	-10,998	11,028	8,263	9,100	14,244

Net financial income included in Net operating revenues	6,213	6,531	8,171	6,362	4,827
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April 27, 2004

Non-consolidated financial summary

(For fiscal year ended March 31, 2004)

(1) Operating results (from April 1, 2003 to March 31, 2004)

(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 2003 (2004/3)	15,656	(-77.7)%	1,359	(-97.6)%	1,855	(-96.8)%
Fiscal 2002 (2003/3)	70,124	(28.0)%	56,303	(38.2)%	57,235	(35.0)%

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
Fiscal 2003 (2004/3)	-39,891	(-)%	-30.09	Yen	-	Yen	-7.0	%
Fiscal 2002 (2003/3)	-19,794	(-)%	-14.89		-		-3.3	

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

Fiscal 2003 (2004/3): 1,329,314,221 Fiscal 2002 (2003/3): 1,328,474,002

2. Change in accounting policies: Early application has been made for 'Accounting Standards for Impairment of Fixed Assets'.

(2) Dividends

	Dividend / share			Dividends Millions of yen	Pay-out ratio %	Dividends on stockholders' equity %
	Yen	Interim Yen	Full year Yen			
Fiscal 2003 (2004/3)	10.00	-	10.00	13,307	-	2.4
Fiscal 2002 (2003/3)	6.00	-	6.00	7,969	-	1.4

(3) Financial conditions

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

	Total assets	Stockholders' equity	Stockholders' equity ratio		Stockholders' equity/share	
Fiscal 2003 (2004/3)	1,121,183	558,157	49.8	%	419.34	Yen
Fiscal 2002 (2003/3)	1,216,271	582,658	47.9		438.66	

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

As of Mar. 31, 2004: 1,330,742,479 As of Mar. 31, 2003: 1,328,265,489

2. Treasury stock (shares)

As of Mar. 31, 2004: 992,779 As of Mar. 31, 2003: 3,469,769

(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 market environment affects their performance. Therefore, the Company considers it difficult to forecast the performance. Instead of forecast, the Company continues to timely disclose quarterly results as beneficial information.

Representative: Yoshinari Hara, President

Contact: Hironaka Takada, General Manager, Finance Department

Phone: +813-3243-2100

Balance sheets

(millions of yen)	Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003	Increase/ Decrease
Assets			
Current assets:	252,906	300,909	-48,003
Cash and time deposits	157,251	145,599	11,652
Short-term loans receivable	81,983	136,729	-54,746
Accrued income	1,857	1,650	206
Deferred income tax assets-current	7,043	-	7,043
Other current assets	4,769	16,929	-12,159
Non-current assets:	868,277	915,361	-47,084
Tangible fixed assets	10,422	10,151	270
Intangible fixed assets	935	577	358
Investments and others:	856,919	904,632	-47,713
Investment securities	666,328	628,494	37,834
Long-term loans receivable	150,781	231,440	-80,659
Long-term guarantee deposits	29,251	33,017	-3,765
Others	11,046	12,443	-1,396
Less: Allowance for doubtful accounts	-488	-763	274
Total assets	1,121,183	1,216,271	-95,087

(millions of yen)	Fiscal 2003 Mar. 31, 2004	Fiscal 2002 Mar. 31, 2003	Increase/ Decrease
<i>Liabilities</i>			
Current liabilities:	193,219	411,129	-217,909
Short-term borrowings	113,360	287,360	-174,000
Commercial paper	-	43,000	-43,000
Bonds due within one year	8,400	36,269	-27,869
Payables on collateralized securities transactions	66,795	40,529	26,265
Accrued income taxes	9	9	-
Accrued bonuses	425	250	175
Stock purchase warrant	501	501	-
Other current liabilities	3,728	3,209	518
Non-current liabilities:	369,805	222,483	147,322
Bonds	220,000	108,400	111,600
Convertible bonds	79,986	79,986	-
Long-term borrowings	38,000	6,000	32,000
Long-term cash deposits received	20,243	23,148	-2,904
Deferred income tax liabilities	7,192	2,535	4,656
Accrued retirement benefits	3,005	2,098	907
Other non-current liabilities	1,378	315	1,062
Total liabilities	563,025	633,612	-70,587
<i>Stockholders' equity</i>			
Common stock	138,431	138,431	-
Capital surplus	117,939	117,786	153
Additional paid-in capital	117,786	117,786	-
Other capital surplus reserve	153	-	153
Net gain on disposal of treasury stock	153	-	153
Earned surplus	277,257	325,118	-47,861
Earned surplus reserve	45,335	45,335	-
General-purpose reserve	271,000	299,000	-28,000
Unappropriated retained earnings	-39,077	-19,216	-19,861
Net unrealized gain on investment securities, net of tax effect	25,218	3,727	21,491
Treasury stock	-689	-2,405	1,716
Total stockholders' equity	558,157	582,658	-24,500
Total liabilities and stockholders' equity	1,121,183	1,216,271	-95,087

Income statements

(millions of yen)	Fiscal 2003 Apr. 1, 2003 - Mar. 31, 2004	Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003	Increase/ Decrease	Yr/yr % Change
Operating revenues:	15,656	70,124	-54,468	-77.7
Dividends from related companies	7,359	61,235	-53,876	-88.0
Interest on loans to related companies	4,800	6,233	-1,432	-23.0
Other interest and dividend income	64	59	4	8.4
Royalty on trademark	3,432	2,596	835	32.2
Operating expenses:	14,297	13,821	475	3.4
Selling, general and administrative expenses:	8,155	7,582	573	7.6
Commission and other expenses	989	1,249	-259	-20.8
Employees' compensation and benefits	3,600	3,394	205	6.1
Real estate expenses	587	605	-18	-3.1
Data processing and office supplies	806	904	-98	-10.9
Depreciation expenses	364	364	0	0.1
Others	1,807	1,062	744	70.1
Interest expenses	6,141	6,239	-97	-1.6
Operating income	1,359	56,303	-54,943	-97.6
Non-operating income	1,724	1,634	90	5.5
Non-operating expenses	1,228	701	526	75.1
Ordinary income	1,855	57,235	-55,380	-96.8
Extraordinary gains	5,287	7,477	-2,190	-29.3
Extraordinary losses	64,178	84,498	-20,320	-24.0
Income before income taxes	-57,034	-19,785	-37,249	-
Income taxes-current	9	9	0	-
Income taxes-deferred	-17,152	-	-17,152	-
Net income	-39,891	-19,794	-20,097	-
Net loss on disposal of treasury stock	-	6	-6	-
Unappropriated retained earnings-carryforward	813	583	230	39.4
Unappropriated retained earnings at ending	-39,077	-19,216	-19,861	-

Statement of appropriation of retained earnings

(millions of yen)

(Appropriation plan)

	Fiscal 2003 Apr. 1, 2003- Mar. 31, 2004		Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003	
	Unappropriated retained earnings		-39,077	
Reversal of voluntary reserve		53,000		28,000
Reversal of other reserve	53,000		28,000	
Total		13,922		8,783
Appropriations of retained earnings		13,423		7,969
Dividends (*)	13,307		7,969	
Directors' bonuses	116		-	
Unappropriated retained earnings carried forward		498		813

(*) Cash dividends for fiscal year 2002: 6 yen per share

Cash dividends for fiscal year 2003: 10 yen per share (planned)

Notes to financial statements

The financial statements of the Company for fiscal 2003 ended March 31, 2004 are prepared in accordance with 'Regulations of Financial Statements' (MOF Ordinance No. 59, 1963).

Basis of financial statements

1. Valuation of investment securities

- (1) Subsidiary stocks and affiliated company stocks are valued at moving average cost method.
- (2) Other securities than subsidiary stocks and affiliated company stocks are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in stockholders' 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 appendixes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

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

3. Accounting for various provisions

(1) Provision 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 employees' bonus

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

(3) Accrued retirement benefits

Accrued retirement benefits for employees are provided in conformity with the bylaws to meet obligations as of March 31, 2004, 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. 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, 2004.

4. Deferred assets

Bond issue costs are amortized in a lump sum when incurred.

5. 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.

6. Hedging transaction

Interests received or paid on interest rate swap for hedging are accrued without marking-to-market, and premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without marking-to-market.

7. Other material items

(1) Accounting for consumption taxes

Consumption taxes are separately recorded.

(2) Application of 'Accounting Standards for Impairment of Fixed Assets'

Accounting Standards Board of Japan issued 'Accounting Standards for Impairment of Fixed Assets' ('Opinion on Establishing Accounting Standards for Impairment of Fixed Assets' issued by Accounting Standards Board of Japan on August 9, 2002) and 'Guidance on Application of Accounting Standards for Impairment of Fixed Assets' (Application Guidance on Accounting Standards number 6, issued on October 31, 2003). Accordingly the Company complied with this standard for the fiscal year ended as of March 31, 2004.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets	As of Mar. 31, 2004	As of Mar. 31, 2003	
	3,292 million yen	3,257 million yen	
2. Guarantee	As of Mar. 31, 2004	As of Mar. 31, 2003	
	17,746 million yen	22,461 million yen	
3. Fair value of subsidiary and affiliated company stocks as of Mar. 31, 2004			(millions of yen)
	Carrying value	Fair value	Difference
Subsidiary	16,121	51,546	35,424
Affiliated company	274	456	182

Notes to income statements

Details of extraordinary gains/losses

(millions of yen)

	Fiscal 2003 Apr. 1, 2003- <u>Mar. 31, 2004</u>	Fiscal 2002 Apr. 1, 2002- <u>Mar. 31, 2003</u>
Extraordinary gains:		
Gain on sale of fixed assets	11	27
Gain on sale of investment securities	5,276	6,638
Reversal of provision for subsidiaries' real estate business reorganization	-	811
Extraordinary losses:		
Write-down of related companies' stocks	1,230	69,030
Write-down of investment securities	1,151	14,329
Valuation loss of fixed assets	25	-
Loss on sale or disposal of fixed assets	36	200
Loss on impairment of fixed assets	848	-
Loss on sale of related companies' stocks	265	-
Loss on sale of investment securities	269	700
Provision for doubtful accounts	60,350	235