

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

January 29, 2004

Non-consolidated financial summary

(For the third quarter ended December 31, 2003)

(1) Operating results (from April 1, 2003 to December 31, 2003)

Note : All figures in the financial statements are rounded down to the nearest millionth.

“ - ” indicates a loss or negative figure.

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
Third quarter (2003/12)	124,195	(30.2)%	123,884	(30.4)%	23,577	(-)%
Third quarter (2002/12)	95,353	(0.9)%	94,982	(1.2)%	311	(-)%
Fiscal 2002 (2003/3)	129,817		129,311		3,500	

	Ordinary income		Net income		Return on stockholders' equity	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)	%
Third quarter (2003/12)	23,601	(-)%	12,722	(-)%	8.8	
Third quarter (2002/12)	384	(-)%	-483	(-)%	-0.3	
Fiscal 2002 (2003/3)	3,531		1,047		0.6	

Note: Change in accounting policies: None

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen	%	%
As of Dec. 31, 2003	349,475	197,470	56.5	419.4
As of Dec. 31, 2002	309,098	186,417	60.3	383.9
As of Mar. 31, 2003	301,822	187,947	62.3	379.5

Note. Number of shares outstanding (shares):

As of Dec. 31, 2003: 3,200

As of Dec. 31, 2002: 3,200

As of Mar. 31, 2003: 3,200

Representative: Yoshinari Hara, President

Contact: Yoshiaki Bai, General Manager, Finance Department

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Balance Sheets

(millions of yen)

	Third quarter Dec. 31, 2003	Third quarter Dec. 31, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
<i>Assets</i>				
Current assets:	292,235	250,136	42,098	243,428
Cash and time deposits	66,108	70,874	-4,766	61,552
Cash segregated as deposits	80,151	70,109	10,041	70,143
Trading assets	35,087	34,580	507	36,746
Trading securities and others	35,037	34,376	660	36,136
Derivative assets	50	203	-153	609
Trade date accrual	390	2,205	-1,814	377
Receivables related to margin transactions:	85,029	38,083	46,946	37,928
Loans receivable from customers for margin transactions	83,754	34,894	48,860	34,363
Cash deposits as collateral for securities borrowed from securities finance companies	1,274	3,188	-1,913	3,565
Receivable on collateralized securities transactions:	5,138	3,593	1,545	3,599
Cash deposits as collateral for securities borrowed	5,138	3,593	1,545	3,599
Receivables	7,147	2,014	5,133	3,914
Short-term guarantee money deposited	3,350	2,807	543	2,464
Short-term loans receivable	1,026	11,358	-10,331	11,512
Accrued income	4,956	4,013	943	5,941
Deferred income tax assets-current	2,277	8,869	-6,592	7,272
Other current assets	1,619	1,641	-22	2,002
Less: Allowance for doubtful accounts-current	-49	-14	-34	-27
Non-current assets:	57,240	58,962	-1,722	58,394
Tangible fixed assets	5,722	8,021	-2,299	7,226
Intangible fixed assets	20,524	17,877	2,647	18,464
Investments and others:	30,992	33,063	-2,070	32,703
Investment securities	686	686	-	686
Long-term loans receivable	4,874	4,874	-	4,874
Long-term guarantee deposits	20,766	23,359	-2,592	22,877
Deferred income tax assets-non-current	3,450	2,619	831	2,831
Other investments	2,358	2,531	-173	2,534
Less: Allowance for doubtful accounts-non-current	-1,142	-1,007	-135	-1,101
Total assets	349,475	309,098	40,376	301,822

(millions of yen)

	Third quarter Dec. 31, 2003	Third quarter Dec. 31, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Liabilities				
Current liabilities:	144,380	116,186	28,193	107,035
Trading liabilities:	5	27	-22	115
Trading securities and others	-	-	-	0
Derivative liabilities	5	27	-22	115
Payables related to margin transactions:	7,987	10,455	-2,467	10,367
Loans from securities finance companies for margin transaction	1,969	2,272	-302	2,914
Proceeds of securities sold for margin transactions	6,017	8,183	-2,165	7,452
Deposits received	51,353	57,031	-5,678	46,976
Cash deposits received from customers	23,279	10,710	12,568	10,500
Short-term borrowings	43,000	29,000	14,000	27,000
Accrued expenses	7,169	4,566	2,603	5,468
Accrued income taxes	5,500	196	5,303	266
Accrued bonuses	3,700	2,550	1,150	4,700
Other current liabilities	2,384	1,648	736	1,640
Non-current liabilities:	6,696	5,709	987	6,013
Accrued retirement benefits	6,416	5,403	1,013	5,688
Other non-current liabilities	279	305	-25	324
Statutory reserves:	927	785	141	826
Reserve for securities transaction liabilities	927	785	141	826
Total liabilities	152,004	122,681	29,322	113,874
Stockholders' equity				
Common stock	100,000	100,000	-	100,000
Capital surplus	50,010	50,010	-	50,010
Additional paid-in capital	50,010	50,010	-	50,010
Earned surplus	47,460	36,407	11,053	37,937
Earned surplus reserve	2,430	2,430	-	2,430
Reserve for special depreciation	200	238	-38	238
Unappropriated retained earnings	44,830	33,738	11,092	35,269
(Net income for the current term)	(12,722)	(-483)	(13,206)	(1,047)
Total stockholders' equity	197,470	186,417	11,053	187,947
Total liabilities and stockholders' equity	349,475	309,098	40,376	301,822

Income Statements

(millions of yen)

	Third quarter Apr. 1, 2003 - Dec. 31, 2003	Third quarter Apr. 1, 2002 - Dec. 31, 2002	Yr/yr change (%)	Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003
Operating revenues	124,195	95,353	30.2	129,817
Commissions	94,500	71,606	32.0	93,204
Net gain on trading	28,641	22,471	27.5	34,990
Interest and dividend income	1,053	1,275	-17.4	1,623
Interest expenses	311	371	-16.1	505
Net operating revenues	123,884	94,982	30.4	129,311
Selling, general and administrative expenses	100,306	94,670	6.0	125,810
Commission and other expenses	16,415	14,728	11.5	20,105
Employees' compensation and benefits	47,437	42,457	11.7	56,091
Real estate expenses	14,872	15,160	-1.9	20,274
Data processing and office supplies	14,719	15,072	-2.3	19,684
Depreciation expenses	4,668	5,106	-8.6	6,869
Taxes other than income taxes	397	389	1.9	458
Others	1,796	1,754	2.4	2,326
Operating income	23,577	311	-	3,500
Non-operating income	143	179	-20.3	278
Non-operating expenses	119	107	11.2	247
Ordinary income	23,601	384	-	3,531
Extraordinary gains	-	-	-	-
Extraordinary losses	945	593	59.2	755
Income before income taxes and others	22,656	-209	-	2,776
Income taxes-current	5,557	180	-	250
Income taxes-deferred	4,376	94	-	1,479
Net income	12,722	-483	-	1,047
Unappropriated retained earnings-carryforward	32,107	34,221	-6.2	34,221
Unappropriated retained earnings	44,830	33,738	32.9	35,269

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (2,483 million yen for 2003/12, 1,907 million yen for 2002/12 and 2,596 million yen for 2003/3) is included in "Commission and other expenses".

Notes to financial statements

The financial statements of the Company for the third quarter ended December 31, 2003 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No. 32, 1998), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on the 'Regulations of Interim Financial Statements' (Ministry of Finance Ordinance No. 38, 1977) and its Article 38 and 57.

Basis of financial statements

1. Valuation of financial instruments

(1) Valuation of trading account

Securities and derivative transactions in trading account are recorded at fair value.

(2) Valuation of non-trading securities

Securities in non-trading account 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 policies for various provisions

(1) Allowance for doubtful accounts

The Company provides the allowance based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans.

(2) Accrued bonuses

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

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of December 31, 2003, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year.

4. Accounting for certain lease transactions

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

5. Other material items

(Consumption taxes)

Consumption taxes are separately recorded.

Notes to balance sheets

Accumulated depreciation of tangible fixed assets

	<u>As of Dec. 31, 2003</u>	<u>As of Dec. 31, 2002</u>	<u>As of Mar. 31, 2003</u>
	9,365	7,230	7,941

(millions of yen)

Notes to income statements

Details of extraordinary gains/losses

(millions of yen)

	<u>Third quarter</u> <u>Apr. 1, 2003 –</u> <u>Dec. 31, 2003</u>	<u>Third quarter</u> <u>Apr. 1, 2002 –</u> <u>Dec. 31, 2002</u>	<u>Fiscal 2002</u> <u>Apr. 1, 2002 –</u> <u>Mar. 31, 2003</u>
Extraordinary losses			
Reorganization costs for retail branch	818	-	-
Provision for securities transaction liabilities	101	164	204
Valuation loss of fixed assets	25	90	125
Provision for doubtful accounts	-	338	425

Supplemental information for the Third quarter ended December 31, 2003

(Apr. 1, 2003 – Dec. 31, 2003)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	Third quarter (2003/12)	Third quarter (2002/12)	Yr/yr change	Fiscal 2002 (2003/3)
Brokerage commission	43,502	28,971	50.2%	34,414
(Stock and other)	(43,385)	(28,762)	(50.8%)	(34,177)
(Bond and other)	(0)	(0)	(46.4%)	(0)
Underwriting	-	-	-	-
Distribution	33,401	21,494	55.4%	31,980
(Bond and other)	(9,767)	(7,063)	(38.3%)	(12,412)
(Beneficiary certificates)	(14,908)	(9,688)	(53.9%)	(13,207)
Other commission	17,596	21,140	-16.8%	26,808
(Beneficiary certificates)	(7,368)	(10,012)	(-26.4%)	(12,425)
Total	94,500	71,606	32.0%	93,204

(2) Asset class

(millions of yen)

	Third quarter (2003/12)	Third quarter (2002/12)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	54,002	35,534	52.0%	43,014
Bond and other	14,424	11,276	27.9%	18,789
Beneficiary certificates	22,393	19,909	12.5%	25,869
Others	3,680	4,886	-24.7%	5,531
Total	94,500	71,606	32.0%	93,204

2. Breakdown of trading gains/losses

(millions of yen)

	Third quarter (2003/12)	Third quarter (2002/12)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	738	183	302.3%	274
Bond, Forex and other	27,903	22,288	25.2%	34,715
(Bond and other)	(14,494)	(11,210)	(29.3%)	(17,446)
(Forex and other)	(13,409)	(11,077)	(21.1%)	(17,269)
Total	28,641	22,471	27.5%	34,990

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	Third quarter (2003/12)		Third quarter (2002/12)		Yr/yr change		Fiscal 2002 (2003/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	11,439	6,344,426	8,124	7,857,023	40.8%	-19.3%	10,128	8,696,724
Dealing (a)	(314)	(257,362)	(1,041)	(1,994,753)	(-69.8%)	(-87.1%)	(1,115)	(2,044,243)
Brokerage (b)	(11,124)	(6,087,063)	(7,082)	(5,862,269)	(57.1%)	(3.8%)	(9,012)	(6,652,480)
b/(a + b)	97.3%	95.9%	87.2%	74.6%			89.0%	76.5%
TSE share	1.9%	1.3%	2.0%	1.6%			1.9%	1.5%
Brokerage commission/shares	3.82yen		3.89yen				3.63yen	

4. Underwriting activities

(millions of share, millions of yen)

	Third quarter (2003/12)	Third quarter (2002/12)	Yr/yr change	Fiscal 2002 (2003/3)
<u>Underwriting:</u>				
Stock (number of shares)	-	-	-	-
(yen amount)	-	-	-	-
Bond (face value)	-	-	-	-
CP & others (face value)	-	-	-	-
<u>Distribution (*)</u>				
Stock (number of shares)	659	120	447.0%	128
(yen amount)	401,361	199,232	101.5%	246,216
Bond (face value)	908,604	868,363	4.6%	1,268,892
Beneficiary certificates (face value)	4,460,946	4,864,871	-8.3%	5,967,171
CP & others (face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		Third quarter Dec. 31, 2003	Third quarter Dec. 31, 2002	Fiscal 2002 Mar. 31, 2003
Basic item	Stockholders' equity (A)	197,470	186,417	184,747
Supplementary item	Statutory reserve	927	785	826
	Allowance for doubtful accounts	49	12	22
	Total (B)	976	798	848
	Assets excluded from capital (C)	58,704	60,473	59,903
	Net capital (A)+(B)-(C) (D)	139,743	126,742	125,693
Risk equivalent	Market risk equivalent	336	325	353
	Counterparty risk equivalent	3,153	1,908	2,476
	Basic risk equivalent	29,827	30,773	30,283
	Total (E)	33,318	33,006	33,113
	Capital adequacy ratio (D)/(E)	419.4%	383.9%	379.5%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2002		Fiscal 2003		
	Third quarter Oct. 1, 2002 - Dec. 31, 2002	Fourth quarter Jan. 1, 2003 - Mar. 31, 2003	First quarter Apr. 1, 2003 - Jun. 30, 2003	Second quarter Jul. 1, 2003 - Sep. 30, 2003	Third quarter Oct. 1, 2003 - Dec. 31, 2003
Operating revenues	30,930	34,463	43,066	41,743	39,385
Commissions	23,027	21,597	26,975	33,881	33,642
Brokerage commission	9,512	5,443	9,360	17,390	16,752
(Stock and other)	9,460	5,415	9,330	17,337	16,717
(Bond and other)	0	0	0	0	0
Underwriting commission	-	-	-	-	-
(Stock and other)	-	-	-	-	-
(Bond and other)	-	-	-	-	-
Distribution commission	7,364	10,486	11,777	10,322	11,301
(Bond and other)	2,507	5,349	6,072	1,884	1,810
(Beneficiary certificate)	2,747	3,518	5,179	5,331	4,397
Other commission	6,149	5,667	5,838	6,168	5,588
(Beneficiary certificate)	2,702	2,413	2,216	2,495	2,656
Net gain on trading	7,539	12,518	15,793	7,573	5,274
(Stock and other)	18	91	206	258	273
(Bond and other)	3,939	6,235	7,903	3,819	2,771
(Forex and other)	3,581	6,192	7,683	3,496	2,229
Interest and dividend income	363	347	297	287	468
Interest expenses	114	134	123	107	80
Net operating revenue	30,815	34,329	42,943	41,636	39,304
Selling, general and administrative expenses:	31,271	31,139	32,884	33,902	33,520
Commission and other expenses	4,747	5,376	4,968	5,825	5,622
Employees' compensation and benefits	13,877	13,634	15,868	15,771	15,796
Real estate expenses	5,135	5,114	4,847	5,132	4,892
Data processing and office supplies	5,082	4,611	4,824	4,882	5,012
Depreciation expenses	1,743	1,763	1,542	1,567	1,558
Taxes other than income taxes	101	68	204	94	98
Others	583	571	628	628	539
Operating income	-456	3,189	10,059	7,733	5,784
Non-operating income	51	98	95	-4	52
Non-operating expenses	26	140	56	32	29
Ordinary income	-431	3,147	10,098	7,697	5,806
Extraordinary gains	-	-	-	-	-
Extraordinary losses	404	161	-	286	658
Income before income taxes and others	-835	2,985	10,098	7,410	5,147
Income taxes-current	60	70	70	4,747	740
Income taxes-deferred	-301	1,385	4,190	-1,396	1,582
Net income	-594	1,530	5,838	4,058	2,825