

Daiwa Securities Group Inc.

October 29, 2003

2-6-4 Otemachi, Chiyoda-ku
Tokyo 100-8101, Japan
(URL <http://www.ir.daiwa.co.jp>)

Consolidated financial summary
(For the first half ended September 30, 2003)

(1) Operating results (from April 1, 2003 to September 30, 2003)

(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 | |
|----------------------|--------------------|---------|------------------------|---------|------------------|----------|-----------------|----------|
| First half (2003/9) | 222,359 | (13.5)% | 170,054 | (24.5)% | 42,678 | (268.2)% | 45,084 | (189.6)% |
| First half (2002/9) | 195,916 | (-23.6) | 136,560 | (1.4) | 11,592 | (-) | 15,567 | (-) |
| Fiscal 2002 (2003/3) | 387,658 | | 270,809 | | 24,108 | | 29,200 | |

| | Net income | | Earnings/share | | Fully diluted earnings/share | | Return on stockholders' equity (annual basis) | |
|----------------------|------------|----------|----------------|-----|------------------------------|-----|---|---|
| First half (2003/9) | 19,292 | (167.2)% | 14.52 | Yen | 13.91 | Yen | 7.0 | % |
| First half (2002/9) | 7,220 | (-) | 5.43 | | 5.23 | | 2.5 | |
| Fiscal 2002 (2003/3) | -6,322 | | -4.75 | | - | | -1.1 | |

(Note)

1. Equity in earnings

First half (2003/9): 297 million yen First half (2002/9): 277 million yen Fiscal 2002 (2003/3): 265 million yen

2. Average number of shares outstanding (shares)

First half (2003/9): 1,328,277,975 First half (2002/9): 1,328,556,963 Fiscal 2002 (2003/3): 1,328,445,508

3. Change in accounting policies: None

(2) Financial conditions

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

| | Total assets | Stockholders' equity | Stockholders' equity ratio | Stockholders' equity/share |
|----------------------|--------------|----------------------|----------------------------|----------------------------|
| First half (2003/9) | 9,213,245 | 565,502 | 6.1 % | 425.74 Yen |
| First half (2002/9) | 9,338,404 | 561,930 | 6.0 | 422.95 |
| Fiscal 2002 (2003/3) | 9,502,825 | 541,718 | 5.7 | 407.84 |

(Note)

Number of shares outstanding (shares)

As of Sep. 30, 2003: 1,328,273,739 As of Sep. 30, 2002: 1,328,582,983 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 |
|----------------------|----------------------|----------------------|----------------------|---|
| First half (2003/9) | 317,015 | 17,249 | -301,725 | 450,095 |
| First half (2002/9) | 90,652 | 25,245 | -227,280 | 324,014 |
| Fiscal 2002 (2003/3) | 368,024 | 67,966 | -447,391 | 422,684 |

(4) Scope of consolidation and equity method

Consolidated subsidiary: 50 companies

Affiliates applicable of equity method: 5 companies

(5) Change in scope of consolidation and equity method

Consolidated subsidiary: Exclusion: 1 company

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.

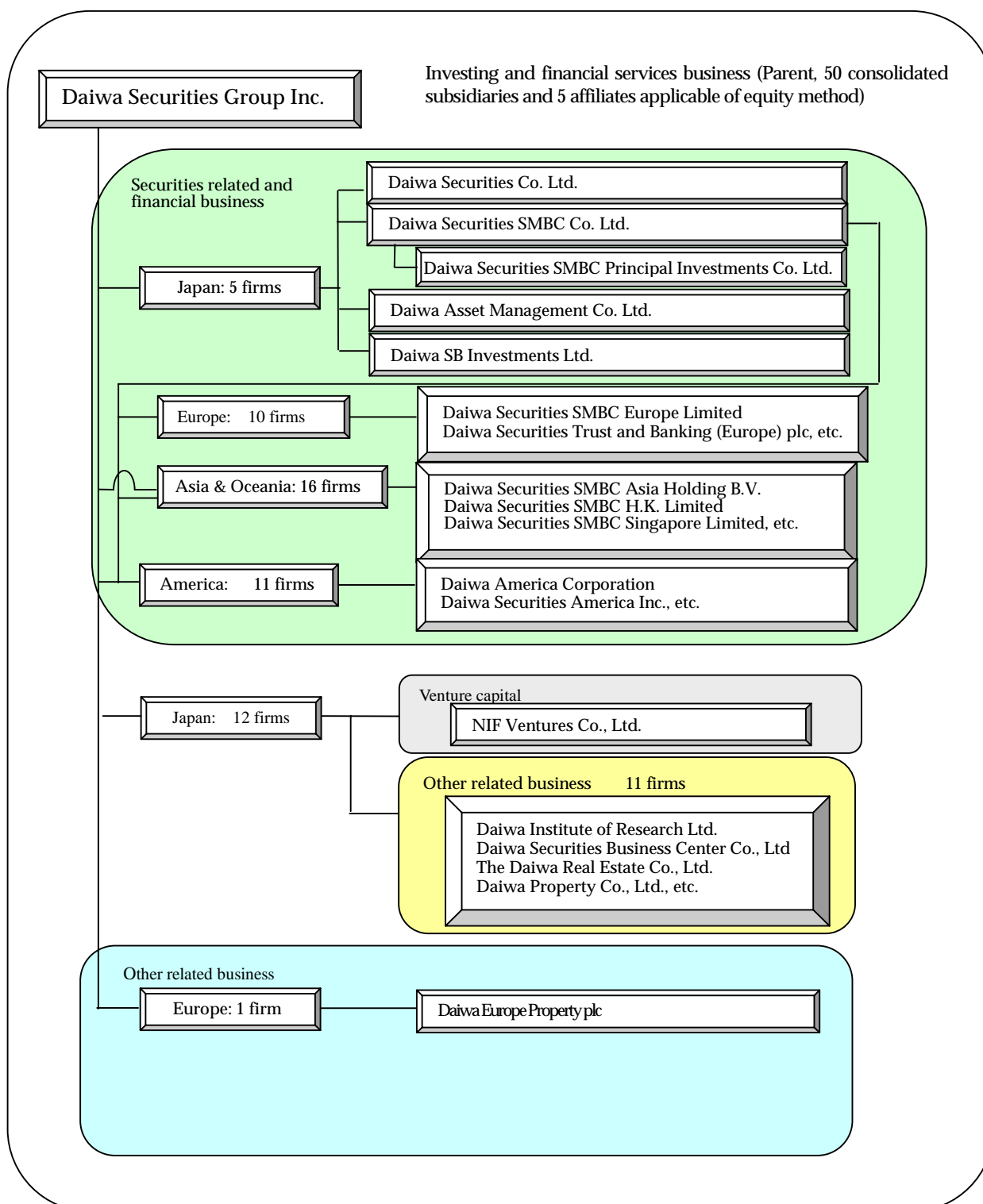
Representative: Yoshinari Hara, President and CEO

Contact: Hironaka Takada, General Manager, Phone: +813-3243-2100

Information on Group Companies

The Company and its related companies, 50 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.

On October 29, 2003, the Company resolved that Daiwa Securities Investment (HK) Limited, the Company's consolidated subsidiary in Asia and Oceania region, would be dissolved and the liquidation procedure has currently been in process. The liquidation of the company has no material effect on the consolidated financial statements.



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 6 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 that should contribute to the revitalization of the Japanese stock market by expanding 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 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.

In order to aim satisfactory personnel system, we enhance performance-based evaluation system, provide diverse career options, and implement a fair evaluation system.

We grow talented people by continuously holding of "Daiwa Management Academy", training program geared to future executives, and "Daiwa Leadership Program" to provide high-level training for young leaders systematically.

(2) Finance strategy

We will allocate management resources appropriately, 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

We will develop an effective, aggressive, and consistent public relations and investor relations activities. We will also make a timely, appropriate and fair disclosure to be eligible for investment judgment by market participants such as shareholders, investors, and securities analysts.

And, we will aim to establish the Group brand by continuously sending 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)

Daiwa Securities will expand employee education program and in-house certification system to improve sales staffs' consulting skills, and establish structure to quickly offer products that meet customer needs with whole group's ability. We reinforce post-sales after-care 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 to adapt to market environment, 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)

NIF Ventures, as one of Japan's leading venture capital firms, will utilize its track record and credibility as well as its information gathering capacities and marketing experience it has gained in overseas market as a member of the Group, to provide start-ups not only with funds but support through management advice and introduction of personnel.

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

Daiwa Securities Business Center will contribute to the Group's cost cutting efforts by providing Daiwa Securities and Daiwa Securities SMBC with back office support.

Daiwa Securities Business Center will make efforts to streamline and increase efficiencies and to provide specialized services in our back office support activities.

(f) Current Challenges

As mentioned above, Daiwa Group will practice the policies to achieve the Group medium term goals, and aim to create a stronger brand and achieve sustainable growth with consideration of environment and society.

We carry "rapid progress in quality and productivity" for our management policy for the purpose of steady practice of each business segments' action plans and achievement of the management targets in the Year 2003, the first year for the new medium term management plan. Especially, we emphasize, "thorough grasp of the customer needs" and "quick response to the customer needs" as two concrete and important concentrations.

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

(Basic notion concerning the corporate governance)

Where globalization and organization 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.

Also, 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.

(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.

The Advisory Board and the Remuneration Committee have advisory roles for the CEO.

Members of The Advisory Board, all appointed from outside the Group, offer the CEO recommendations and advice based on their long-accumulated experience and knowledge in their respective fields. Members of The Remuneration Committee, all except the CEO appointed from outside the Group, are mandated to increase transparency as to how Directors' and Executive Officers' remuneration and fees are determined, and to consider appropriate levels thereof.

Daiwa newly established Internal Audit Dept. under the direct control of the Board of Directors in February 2003.

Additionally, Internal Control Committee, headed up by CEO, was founded in July 2003. We will continue to step up internal control system in order to improve effectiveness and efficiency of business.

Daiwa has two outside Directors and one outside Statutory Director.

(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.

We established Internal Control Committee in July 2003 as written (1) above.

a. Consolidated operating results for the first half of fiscal 2003

1. Summary of operating results for 6 months (comparison with the first half of fiscal 2002)

Consolidated net operating revenues increased 24.5% to 170,054 million yen mainly because trading gains sharply increased. Consolidated ordinary income increased 189.6% to 45,084 million yen and consolidated net income increased 167.2% to 19,292 million yen because the selling, general and administrative expenses stayed almost flat.

(1) Commissions

(i) Brokerage commission

Brokerage commission increased 32.4% to 34,850 million yen, in line with an increase of 24.6% to 1,011.9 billion yen in daily average trading value on the Tokyo Stock Exchange.

(ii) Underwriting commission

Underwriting commission went up 11.1% to 14,315 million yen mainly due to an increase in equity underwriting.

(iii) Distribution commission

Distribution commission grew 44.2% to 10,959 million yen, mainly due to an increase in commission arising from the sale of equity and foreign bond beneficiary certificate.

(iv) Other commission

Other commission on investment trust decreased 37.8% to 9,650 million yen, primarily due to a decline in trust fee rates of beneficiary certificate. As a result, total other commission declined 29.7% to 20,863 million yen.

(2) Net trading gains/losses

Net trading gains on stock and other increased 249.7% to 29,394 million yen, owing to the upward trend in stock market. Net trading gains on bond, forex and other rose 13.3% to 39,244 million yen, in line with favorable sales of non-Japanese bonds. As a result, total net trading gains increased 59.5% to 68,638 million yen.

(3) Financial income

Net financial income increased 29.2% to 14,702 million yen, with a decrease of 2.7% to 56,280 million yen in interest and dividend income and with a decrease of 10.5% to 41,577 million yen in interest expenses.

(4) Selling, general and administrative expenses

Selling, general and administrative expenses edged up 1.9% to 127,375 million yen because the decrease in commission and other expenses caused by curtailment in advertisement expenses offset the increase in accrued bonuses in line with the recovery of operating results.

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

Consolidated net operating revenues for the second quarter of fiscal 2003 increased 1.1% to 85,475 million yen because the increase in commission income offset the decrease in the trading gains. Selling, general and administrative expenses for the second quarter rose 3.2% to 64,702 million yen in line with the increase in commission and other expenses. As a result, consolidated ordinary income decreased 9.6% to 21,401 million yen. Net income decreased 25.1% to 8,263 million yen for the second quarter of fiscal 2003, posing extraordinary gains/losses, income taxes-current, and minority interest in income.

3. Operating results of overseas subsidiaries for the first half of fiscal 2003 (6 months)

Ordinary income by geographic area (millions of yen)

| America | Europe | Asia & Oceania | Total |
|---------|--------|----------------|-------|
| 201 | 3,650 | 759 | 4,610 |

b. Cash flow

Net cash provided by operating activities was 317,015 million mainly due to decrease in trading assets, compared with 368,024 million yen for fiscal 2002. Net cash provided by investing activities was 17,249 million yen due to sales of investment securities compared with 67,966 million yen for fiscal 2002. Net cash provided by financing activities was -301,725 million yen due to repayment of borrowings compared with -447,391 million yen for fiscal 2002. Consequently, cash and cash equivalents after effect of exchange rate fluctuation increased by 27,412 million yen to 450,095 million yen in comparison with March 31, 2003.

Consolidated balance sheets

| (millions of yen) | First half Sep. 30, 2003 | First half Sep. 30, 2002 | Increase/ Decrease | Fiscal 2002 Mar. 31, 2003 |
|---|-----------------------------|-----------------------------|-----------------------|------------------------------|
| Assets | | | | |
| Current assets: | 8,583,292 | 8,607,989 | -24,696 | 8,863,899 |
| Cash and time deposits | 470,502 | 336,017 | 134,485 | 438,248 |
| Cash segregated as deposits | 126,444 | 106,114 | 20,329 | 105,641 |
| Notes receivable and trade accounts receivable | 5,539 | 9,221 | -3,682 | 6,959 |
| Securities | 27,494 | 38,334 | -10,840 | 34,893 |
| Trading assets: | 3,405,938 | 3,274,064 | 131,873 | 4,529,437 |
| Trading securities and others | 2,904,793 | 2,827,623 | 77,169 | 3,952,894 |
| Derivative assets | 501,144 | 446,440 | 54,703 | 576,543 |
| Trade date accrual | 201,654 | 243,704 | -42,049 | - |
| Operational investment securities | 43,561 | 37,774 | 5,786 | 45,270 |
| Less: Allowance for possible investment losses | -4,947 | -1,825 | -3,121 | -4,894 |
| Other inventories | 1,739 | 3,139 | -1,399 | 912 |
| Receivables related to margin transactions: | 189,092 | 129,734 | 59,358 | 106,873 |
| Loans receivable from customers for margin transactions | 70,863 | 68,953 | 1,910 | 34,419 |
| Cash deposits as collateral for securities borrowed from securities finance companies | 118,229 | 60,781 | 57,447 | 72,454 |
| Receivables on collateralized securities transactions: | 3,643,061 | 4,077,473 | -434,412 | 3,264,811 |
| Cash deposits as collateral for securities borrowed | 3,643,061 | 4,067,310 | -424,249 | 3,264,811 |
| Receivables related to gensaki transactions | - | 10,162 | -10,162 | - |
| Receivables | 3,529 | 4,147 | -618 | 4,259 |
| Short-term loans receivable | 138,868 | 193,311 | -54,443 | 81,159 |
| Accrued income | 12,709 | 20,078 | -7,368 | 15,574 |
| Deferred income tax assets-current | 6,861 | 10,521 | -3,660 | 9,145 |
| Other current assets | 311,879 | 127,483 | 184,396 | 226,254 |
| Less: Allowance for doubtful accounts- current | -637 | -1,307 | 670 | -647 |
| Non-current assets: | 629,952 | 730,414 | -100,461 | 638,926 |
| Tangible fixed assets | 155,988 | 175,838 | -19,850 | 162,339 |
| Intangible fixed assets | 56,593 | 49,939 | 6,653 | 53,951 |
| Investments and others: | 417,371 | 504,636 | -87,265 | 422,634 |
| Investment securities | 237,294 | 299,034 | -61,740 | 214,409 |
| Long-term loans receivable | 13,356 | 14,762 | -1,406 | 13,605 |
| Long-term guarantee deposits | 27,913 | 30,488 | -2,574 | 29,159 |
| Deferred income tax assets-non-current | 58,153 | 75,237 | -17,083 | 67,587 |
| Other investments | 93,058 | 103,271 | -10,213 | 116,471 |
| Less: Allowance for doubtful accounts- non-current | -12,405 | -18,158 | 5,752 | -18,598 |
| Total assets | 9,213,245 | 9,338,404 | -125,158 | 9,502,825 |

| (millions of yen) | First half Sep. 30, 2003 | First half Sep. 30, 2002 | Increase/ Decrease | Fiscal 2002 Mar. 31, 2003 |
|--|-----------------------------|-----------------------------|-----------------------|------------------------------|
| Liabilities | | | | |
| Current liabilities: | 7,674,089 | 8,080,380 | -406,291 | 8,214,980 |
| Notes payable and accounts payable | 2,440 | 1,862 | 578 | 2,638 |
| Trading liabilities: | 1,817,585 | 1,747,516 | 70,068 | 1,520,775 |
| Trading securities and others | 1,358,520 | 1,335,602 | 22,918 | 996,691 |
| Derivative liabilities | 459,064 | 411,914 | 47,150 | 524,084 |
| Trade date accrual | - | - | - | 79,625 |
| Payables related to margin transactions: | 84,065 | 27,633 | 56,432 | 53,158 |
| Loans from securities finance companies for margin transactions | 4,503 | 2,502 | 2,000 | 2,914 |
| Proceeds of securities sold for margin transactions | 79,562 | 25,130 | 54,432 | 50,243 |
| Payables on collateralized securities transactions: | 3,956,131 | 3,915,695 | 40,436 | 4,355,308 |
| Cash deposits as collateral for securities loaned | 3,514,613 | 3,813,075 | -298,462 | 3,718,029 |
| Payables related to gensaki transactions | 441,518 | 102,619 | 338,899 | 637,278 |
| Deposits received | 143,223 | 132,010 | 11,212 | 140,279 |
| Cash deposits received from customers | 42,520 | 34,677 | 7,842 | 40,172 |
| Short-term borrowings | 1,032,828 | 1,629,521 | -596,693 | 1,475,900 |
| Commercial paper | 291,950 | 450,500 | -158,550 | 332,800 |
| Bonds due within one year | 25,893 | 47,090 | -21,196 | 46,010 |
| Accrued income taxes | 8,429 | 4,247 | 4,182 | 2,812 |
| Deferred income tax liabilities-current | 50 | - | 50 | - |
| Accrued bonuses | 16,063 | 11,655 | 4,408 | 12,053 |
| Provision for real estate business reorganization | - | 10,076 | -10,076 | - |
| Other current liabilities | 252,906 | 67,894 | 185,011 | 153,444 |
| Non-current liabilities: | 811,025 | 538,927 | 272,097 | 588,177 |
| Bonds | 592,313 | 368,291 | 224,022 | 414,448 |
| Convertible bonds | 79,986 | 79,986 | - | 79,986 |
| Long-term borrowings | 105,021 | 65,749 | 39,272 | 71,154 |
| Deferred income tax liabilities-non-current | 12,764 | 7,234 | 5,530 | 2,614 |
| Accrued retirement benefits | 15,783 | 12,440 | 3,343 | 14,170 |
| Other non-current liabilities | 5,156 | 5,226 | -70 | 5,802 |
| Statutory reserves | 3,922 | 3,418 | 503 | 3,891 |
| Total liabilities | 8,489,037 | 8,622,727 | -133,689 | 8,807,049 |
| Minority interest | 158,705 | 153,746 | 4,959 | 154,058 |
| Stockholders' equity | | | | |
| Common stock | 138,431 | 138,431 | - | 138,431 |
| Capital surplus | 117,786 | 117,786 | - | 117,786 |
| Earned surplus | 308,724 | 310,947 | -2,222 | 297,404 |
| Net unrealized gain on securities, net of tax effect | 19,050 | 6,760 | 12,289 | 1,823 |
| Translation adjustments | -16,098 | -9,760 | -6,337 | -11,321 |
| Treasury stock | -2,392 | -2,235 | -157 | -2,406 |
| Total stockholders' equity | 565,502 | 561,930 | 3,571 | 541,718 |
| Total liabilities, minority interest and stockholders' equity | 9,213,245 | 9,338,404 | -125,158 | 9,502,825 |

Consolidated income statements

| (millions of yen) | First half Apr. 1, 2003- Sep. 30, 2003 | First half Apr. 1, 2002- Sep. 30, 2002 | Yr/yr % change | Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003 |
|--|--|--|----------------------|---|
| Operating revenues: | 222,359 | 195,916 | 13.5 | 387,658 |
| Commissions | 80,988 | 76,497 | 5.9 | 144,282 |
| Net gain on trading | 68,638 | 43,042 | 59.5 | 93,932 |
| Net gain on operational investment securities | 424 | 256 | 65.7 | -2,624 |
| Interest and dividend income | 56,280 | 57,819 | -2.7 | 114,707 |
| Other sales revenues | 16,027 | 18,301 | -12.4 | 37,361 |
| Interest expenses | 41,577 | 46,437 | -10.5 | 90,594 |
| Cost of sales | 10,727 | 12,918 | -17.0 | 26,254 |
| Net operating revenues | 170,054 | 136,560 | 24.5 | 270,809 |
| Selling, general and administrative expenses: | 127,375 | 124,967 | 1.9 | 246,701 |
| Commission and other expenses | 19,100 | 21,111 | -9.5 | 40,652 |
| Employees' compensation and benefits | 67,451 | 62,687 | 7.6 | 123,904 |
| Real estate expenses | 16,051 | 17,102 | -6.1 | 33,348 |
| Data processing and office supplies | 7,463 | 7,124 | 4.8 | 14,708 |
| Depreciation expenses | 10,207 | 10,334 | -1.2 | 21,067 |
| Taxes other than income taxes | 3,190 | 2,547 | 25.2 | 4,670 |
| Others | 3,912 | 4,059 | -3.6 | 8,349 |
| Operating income | 42,678 | 11,592 | 268.2 | 24,108 |
| Non-operating income: | 3,983 | 5,600 | -28.9 | 8,157 |
| Equity in earnings | 297 | 277 | 7.1 | 265 |
| Others | 3,686 | 5,322 | -30.7 | 7,892 |
| Non-operating expenses | 1,577 | 1,625 | -3.0 | 3,066 |
| Ordinary income | 45,084 | 15,567 | 189.6 | 29,200 |
| Extraordinary gains | 2,361 | 8,129 | -70.9 | 15,589 |
| Extraordinary losses | 4,169 | 5,860 | -28.9 | 32,945 |
| Income before income taxes and others | 43,277 | 17,836 | 142.6 | 11,844 |
| Income taxes-current | 7,014 | 3,919 | 79.0 | 2,670 |
| Income taxes-deferred | 10,509 | 3,991 | 163.3 | 12,685 |
| Minority interest in income | -6,461 | -2,705 | - | -2,810 |
| Net income | 19,292 | 7,220 | 167.2 | -6,322 |

Consolidated statements of retained earnings

| (millions of yen) | First half Apr. 1, 2003- Sep. 30, 2003 | First half Apr. 1, 2002- Sep. 30, 2002 | Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003 |
|---|---|---|--|
| <i>Capital surplus</i> | | | |
| Beginning balance of capital surplus | 117,786 | 117,786 | 117,786 |
| Increase in capital surplus | - | - | - |
| Decrease in capital surplus | - | - | - |
| Ending balance of capital surplus | 117,786 | 117,786 | 117,786 |
| <i>Earned surplus</i> | | | |
| Beginning balance of earned surplus | 297,404 | 311,719 | 311,719 |
| Increase in earned surplus: | 19,292 | 7,220 | -6,322 |
| Net income | 19,292 | 7,220 | -6,322 |
| Decrease in earned surplus: | 7,972 | 7,992 | 7,992 |
| Dividends | 7,969 | 7,971 | 7,971 |
| Directors' bonuses | - | 14 | 14 |
| Net loss on disposal of treasury stock | 2 | 6 | 6 |
| Ending balance of earned surplus | 308,724 | 310,947 | 297,404 |

Consolidated cash flow statements

| (millions of yen) | First half Apr. 1, 2003- Sep. 30, 2003 | First half Apr. 1, 2002- Sep. 30, 2002 | Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003 |
|---|--|--|---|
| 1. Cash flows from operating activities: | | | |
| Income before income taxes and others | 43,277 | 17,836 | 11,844 |
| Depreciation | 10,207 | 10,334 | 21,067 |
| Increase in allowance for retirement benefits | 1,612 | 1,188 | 2,914 |
| Increase in allowance for doubtful accounts | 0 | 73 | 126 |
| Interest and dividend income | -55,793 | -55,285 | -108,921 |
| Interest expenses | 42,241 | 47,210 | 91,754 |
| Equity in earnings | -297 | -277 | -265 |
| Adjustment of extraordinary gains/losses items: | | | |
| Gain on sale of fixed assets | -73 | -2,242 | -4,629 |
| Loss on sale or disposal of fixed assets | 808 | 1,157 | 4,574 |
| Valuation loss of fixed assets | - | - | 272 |
| Write-down of related companies' stocks | - | 220 | 519 |
| Gain on sale of investment securities | -2,287 | -5,886 | -10,148 |
| Loss on sale of investment securities | 115 | 164 | 1,908 |
| Write-down of investment securities | 1,399 | 3,059 | 19,778 |
| Reversal of provision for real estate business reorganization | - | - | -811 |
| Loss on sale of loans receivable | 557 | - | - |
| Provision for doubtful accounts | 335 | 772 | 4,151 |
| Reorganization and relocation costs for business offices and branches | 922 | - | - |
| Others | 30 | 486 | 1,740 |
| (Increase) Decrease in deposits segregated for customer | -25,794 | 27 | 80 |
| Increase in loans receivable | -58,383 | -90,437 | - |
| Decrease in loans receivable | - | - | 11,862 |
| (Increase) Decrease in operational investment securities | 2,276 | 789 | -4,357 |
| (Increase) Decrease in trading assets, net of trading liabilities | 1,136,089 | -703,680 | -1,861,066 |
| (Increase) Decrease in receivables related to margin transactions, net of payables related to margin transactions | -51,311 | -19,262 | 29,123 |
| (Increase) Decrease in receivables on collateralized securities transactions, net of payables on collateralized securities transactions | -764,183 | 866,145 | 2,113,919 |
| Others | 20,951 | -1,863 | 11,484 |
| Sub-total | 302,700 | 70,530 | 336,922 |
| Interest and dividend received | 57,813 | 53,568 | 110,411 |
| Interest paid | -42,173 | -48,765 | -92,311 |
| Income taxes refunded (paid) | -1,325 | 15,318 | 13,001 |
| Net cash provided by (used in) operating activities | 317,015 | 90,652 | 368,024 |

| (millions of yen) | First half Apr. 1, 2003- Sep. 30, 2003 | First half Apr. 1, 2002- Sep. 30, 2002 | Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003 |
|---|--|--|---|
| 2. Cash flows from investing activities: | | | |
| Payments for purchase of securities | -9,718 | -18,458 | -32,853 |
| Proceeds from sale and redemption of securities | 17,646 | 25,416 | 42,810 |
| Payments for purchase of tangible fixed assets | -2,513 | -2,016 | -6,106 |
| Proceeds from sale of tangible fixed assets | 3,231 | 10,457 | 21,114 |
| Payments for purchase of intangible fixed assets | -9,266 | -4,497 | -14,321 |
| Payments for purchase of investment securities | -8,847 | -5,766 | -18,771 |
| Proceeds from sale and redemption of investment securities | 14,787 | 11,696 | 86,904 |
| Payments for purchase of subsidiaries' stocks from non-Group shareholders | -122 | -320 | -320 |
| Payments for loan made | -67 | -125 | -277 |
| Proceeds from collection of loans receivable | 71 | 241 | 1,341 |
| Others | 12,048 | 8,618 | -11,555 |
| Net cash provided by (used in) investing activities | 17,249 | 25,245 | 67,966 |
| 3. Cash flows from financing activities: | | | |
| Increase (decrease) in short-term borrowings | -425,100 | -155,844 | -416,056 |
| Proceeds from issuance of bonds and convertible bonds | 229,553 | 96,412 | 167,690 |
| Payments for redemption of bonds and convertible bonds | -71,774 | -155,874 | -182,137 |
| Proceeds from long-term borrowings | 41,000 | 9,000 | 21,800 |
| Payments for repayment of long-term borrowings | -65,117 | -13,024 | -30,496 |
| Proceeds from exercise of stock option | 51 | 110 | 112 |
| Dividends paid | -7,969 | -7,971 | -7,971 |
| Dividends paid to minority shareholder | -2,328 | -89 | -89 |
| Others | -40 | - | -243 |
| Net cash provided by (used in) financing activities | -301,725 | -227,280 | -447,391 |
| 4. Effect of exchange rate changes on cash and cash equivalents | -5,127 | -4,584 | -5,895 |
| 5. Net change in cash and cash equivalents | 27,412 | -115,967 | -17,296 |
| 6. Cash and cash equivalents at beginning of term | 422,684 | 439,981 | 439,981 |
| 7. Cash and cash equivalents at end of term | 450,095 | 324,014 | 422,684 |

Notes to consolidated financial statements

The consolidated financial statements of the Company for the first half ended September 30, 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 Consolidated Financial Statements' (Ministry of Finance Ordinance No. 24, 1999) and its Article 48 and 69.

Basis of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries: 50 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 Europe Property 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 excluded from the scope due to liquidation during this first half.

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 first half. 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.

As the first half of one affiliate applicable of equity method ends other than September 30, 2003, the financial statements for the relevant fiscal year are reflected.

3. Fiscal period of subsidiaries

As the first half of one consolidated subsidiary ends other than September 30, 2003, 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 account

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 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 primarily 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

(i) Provision for doubtful accounts

The domestic consolidated companies provide the allowance 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 allowance 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 half-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 September 30, 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. 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 6 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2004.

(4) 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.

(5) 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.

(6) Other material items

(Accounting for consumption taxes)

Consumption taxes are separately recorded.

(Deferred assets)

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

(Consolidated tax system)

Some consolidated subsidiaries apply the consolidated tax system.

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 earning in the consolidated statement of retained earning 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 Sep. 30, 2003 | As of Sep. 30, 2002 | As of Mar. 31, 2003 |
| | 98,543 million yen | 98,617 million yen | 99,225 million yen |

2. Guarantee

| | | | |
|--|---------------------|---------------------|---------------------|
| | As of Sep. 30, 2003 | As of Sep. 30, 2002 | As of Mar. 31, 2003 |
| | 5,081 million yen | 4,531 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 Sep. 30, 2003 | As of Sep. 30, 2002 | As of Mar. 31, 2003 |
| | 40,000 million yen | 40,000 million yen | 40,000 million yen |

Notes to consolidated income statements

Details of extraordinary gains/losses

(millions of yen)

| | First half Apr. 1, 2003- Sep. 30, 2003 | First half Apr. 1, 2002- Sep. 30, 2002 | Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003 |
|---|---|---|--|
| Extraordinary gains: | | | |
| Gain on sale of fixed assets | 73 | 2,242 | 4,629 |
| Gain on sale of investment securities | 2,287 | 5,886 | 10,148 |
| Reversal of provision for real estate business reorganization | - | - | 811 |
| Extraordinary losses: | | | |
| Write-down of related companies' stocks | - | 220 | 519 |
| Write-down of investment securities | 1,399 | 3,059 | 19,778 |
| Valuation loss of fixed assets | - | - | 272 |
| Loss on sale or disposal of fixed assets | 808 | 1,157 | 4,574 |
| Loss on sale of investment securities | 115 | 164 | 1,908 |
| Loss on sale of loans receivable | 557 | - | - |
| Provision for doubtful accounts | 335 | 772 | 4,151 |
| Reorganization and relocation costs for business offices and branches | 922 | - | - |
| Provision for securities transaction liabilities | 30 | 486 | 959 |
| Other | - | - | 780 |

Notes to consolidated cash flow statements

Reconciliation of 'cash and time deposits' on the consolidated balance sheet to 'cash and cash equivalents at end of term'

| (millions of yen) | First half Sep. 30, 2003 | First half Sep. 30, 2002 | Fiscal 2002 Mar. 31, 2003 |
|---------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| Cash and time deposits | 470,502 | 336,017 | 438,248 |
| Time deposit more than 3 months | -20,406 | -12,003 | -15,563 |
| Cash and cash equivalents | 450,095 | 324,014 | 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.

First half ended September 30, 2003

| (millions of yen) | Japan | America | Europe | Asia and Oceania | Total | Elimination/ Unallocated | Consolidated |
|--|---------|---------|--------|---------------------|---------|-----------------------------|--------------|
| Net operating revenues from external customers | 151,181 | 3,572 | 12,628 | 2,671 | 170,054 | - | 170,054 |
| Intersegment revenues | 856 | 1,255 | 909 | 540 | 3,561 | -3,561 | - |
| Net operating revenues | 152,038 | 4,828 | 13,537 | 3,211 | 173,616 | -3,561 | 170,054 |
| S.G. & A. expenses | 113,316 | 4,811 | 9,958 | 2,851 | 130,938 | -3,562 | 127,375 |
| Operating income | 38,721 | 16 | 3,579 | 359 | 42,677 | 1 | 42,678 |

First half ended September 30, 2002

| (millions of yen) | Japan | America | Europe | Asia and Oceania | Total | Elimination/ Unallocated | Consolidated |
|--|---------|---------|--------|---------------------|---------|-----------------------------|--------------|
| Net operating revenues from external customers | 120,846 | 3,848 | 9,114 | 2,751 | 136,560 | - | 136,560 |
| Intersegment revenues | 913 | 54 | 1,221 | 240 | 2,430 | -2,430 | - |
| Net operating revenues | 121,759 | 3,903 | 10,335 | 2,991 | 138,990 | -2,430 | 136,560 |
| S.G. & A. expenses | 109,163 | 5,688 | 9,428 | 3,106 | 127,386 | -2,419 | 124,967 |
| Operating income | 12,596 | -1,785 | 907 | -114 | 11,604 | -11 | 11,592 |

Fiscal 2002 ended March 31, 2003

| (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 | 24,054 | -3,403 | 3,385 | 66 | 24,103 | 5 | 24,108 |

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 net operating revenues) are as follows.

First half ended September 30, 2003

| (millions of yen) | America | Europe | Asia and Oceania | Total |
|-------------------------------------|---------|--------|------------------|---------|
| Overseas net operating revenues | 5,453 | 11,314 | 3,778 | 20,547 |
| Consolidated net operating revenues | - | - | - | 170,054 |
| Percentage of total revenues | 3.2 | 6.7 | 2.2 | 12.1 |

First half ended September 30, 2002

| (millions of yen) | America | Europe | Asia and Oceania | Total |
|-------------------------------------|---------|--------|------------------|---------|
| Overseas net operating revenues | 5,205 | 9,529 | 3,866 | 18,602 |
| Consolidated net operating revenues | - | - | - | 136,560 |
| Percentage of total revenues | 3.8 | 7.0 | 2.8 | 13.6 |

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'.

Supplemental information for the first half of fiscal 2003

1. Breakdown of commission income

First half ended September 30, 2003 (A)

| (millions of yen) | Equity | Fixed income (Bond) | Investment trust | Investment banking | Others | Total |
|----------------------|---------------|---------------------|------------------|--------------------|--------------|---------------|
| Brokerage commission | 34,178 | 567 | 103 | - | - | 34,850 |
| Underwriting | - | - | - | 14,315 | - | 14,315 |
| (Stock and other) | (-) | (-) | (-) | (10,042) | (-) | (10,042) |
| (Bond and other) | (-) | (-) | (-) | (4,127) | (-) | (4,127) |
| Distribution | - | - | 10,590 | 368 | - | 10,959 |
| Other commission | 965 | 1,987 | 9,650 | 3,242 | 5,018 | 20,863 |
| (Agency commission) | (-) | (1,956) | (5,040) | (-) | (-) | (6,996) |
| Total | 35,144 | 2,554 | 20,344 | 17,926 | 5,018 | 80,988 |

First half ended September 30, 2002 (B)

| (millions of yen) | Equity | Fixed income (Bond) | Investment trust | Investment banking | Others | Total |
|----------------------|---------------|---------------------|------------------|--------------------|--------------|---------------|
| Brokerage commission | 25,602 | 537 | 176 | - | - | 26,316 |
| Underwriting | - | - | - | 12,881 | - | 12,881 |
| (Stock and other) | (-) | (-) | (-) | (8,194) | (-) | (8,194) |
| (Bond and other) | (-) | (-) | (-) | (4,574) | (-) | (4,574) |
| Distribution | - | - | 7,500 | 98 | - | 7,599 |
| Other commission | 1,111 | 1,424 | 15,503 | 5,258 | 6,400 | 29,699 |
| (Agency commission) | (-) | (1,367) | (7,980) | (-) | (-) | (9,348) |
| Total | 26,713 | 1,962 | 23,180 | 18,239 | 6,400 | 76,497 |

Yr/yr percentage change (First half ended Sep. 30, 2003 (A) / First half ended Sep. 30, 2002 (B) - 1)

| (percentage) | Equity | Fixed income (Bond) | Investment trust | Investment banking | Others | Total |
|----------------------|-------------|---------------------|------------------|--------------------|--------------|------------|
| Brokerage commission | 33.5 | 5.6 | -41.4 | - | - | 32.4 |
| Underwriting | - | - | - | 11.1 | - | 11.1 |
| (Stock and other) | (-) | (-) | (-) | (22.6) | (-) | (22.6) |
| (Bond and other) | (-) | (-) | (-) | (-9.8) | (-) | (-9.8) |
| Distribution | - | - | 41.2 | 272.7 | - | 44.2 |
| Other commission | -13.2 | 39.5 | -37.8 | -38.3 | -21.6 | -29.7 |
| (Agency commission) | (-) | (43.0) | (-36.8) | (-) | (-) | (-25.2) |
| Total | 31.6 | 30.2 | -12.2 | -1.7 | -21.6 | 5.9 |

Fiscal 2002 ended March 31, 2003

| (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 |

2. Breakdown of net trading gains

| (millions of yen) | First half (2003/9) | First half (2002/9) | Yr/yr % change | Fiscal 2002 (2003/3) |
|-----------------------|------------------------|------------------------|----------------|-------------------------|
| Stock and other | 29,394 | 8,404 | 249.7 | 1,936 |
| Bond, forex and other | 39,244 | 34,637 | 13.3 | 91,995 |
| (Bond and other) | (24,843) | (21,720) | (14.4) | (67,194) |
| (Forex and other) | (14,400) | (12,917) | (11.5) | (24,801) |
| Total | 68,638 | 43,042 | 59.5 | 93,932 |

Quarterly consolidated income statements (Reference Data)

| (millions of yen) | 2 nd quarter | 3 rd quarter | 4 th quarter | 1 st quarter | 2 nd quarter |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Jul. 1, 2002- Sep. 30, 2002 | Oct. 1, 2002- Dec. 31, 2002 | Jan. 1, 2003- Mar. 31, 2003 | Apr. 1, 2003- Jun. 30, 2003 | Jul. 1, 2003- Sep. 30, 2003 |
| Operating revenues | 95,198 | 100,114 | 91,628 | 111,996 | 110,362 |
| Commissions | 37,507 | 34,480 | 33,305 | 31,547 | 49,441 |
| Brokerage commission | 10,753 | 12,328 | 8,197 | 12,939 | 21,911 |
| (Stock and other) | 10,399 | 11,922 | 7,878 | 12,581 | 21,597 |
| (Bond and other) | 258 | 340 | 285 | 319 | 247 |
| Underwriting commission | 6,893 | 7,077 | 7,986 | 4,073 | 10,241 |
| (Stock and other) | 4,585 | 5,014 | 4,883 | 1,078 | 8,963 |
| (Bond and other) | 2,194 | 2,002 | 2,945 | 2,897 | 1,230 |
| Distribution commission | 3,634 | 2,961 | 4,105 | 5,328 | 5,631 |
| (Beneficiary certificates) | 3,548 | 2,868 | 3,689 | 5,200 | 5,389 |
| Other commission | 16,226 | 12,113 | 13,015 | 9,206 | 11,657 |
| (Beneficiary certificates) | 7,288 | 5,876 | 5,155 | 4,545 | 5,104 |
| Net gain on trading | 18,686 | 25,099 | 25,790 | 43,679 | 24,958 |
| (Stock and other) | 2,128 | 3,334 | -9,803 | 8,849 | 20,544 |
| (Bond and other) | 9,657 | 17,384 | 28,088 | 22,256 | 2,586 |
| (Forex and other) | 6,900 | 4,379 | 7,504 | 12,573 | 1,827 |
| Net gain on operational investment securities | -744 | -281 | -2,599 | 288 | 136 |
| Interest and dividend income | 30,695 | 32,218 | 24,669 | 28,516 | 27,763 |
| Other sales revenues | 9,054 | 8,597 | 10,462 | 7,963 | 8,063 |
| Interest expenses | 24,716 | 25,701 | 18,455 | 21,985 | 19,591 |
| Cost of sales | 6,162 | 6,290 | 7,046 | 5,431 | 5,295 |
| Net operating revenues | 64,319 | 68,123 | 66,126 | 84,579 | 85,475 |
| Selling general and administrative expenses | 62,465 | 61,238 | 60,494 | 62,672 | 64,702 |
| Commission and other expenses | 10,833 | 9,958 | 9,583 | 9,174 | 9,925 |
| Employees' compensation and benefits | 30,764 | 30,781 | 30,434 | 34,099 | 33,352 |
| Real estate expenses | 9,004 | 8,384 | 7,861 | 7,846 | 8,205 |
| Data processing and office supplies | 3,621 | 3,872 | 3,711 | 3,529 | 3,933 |
| Depreciation expenses | 5,190 | 5,219 | 5,513 | 4,964 | 5,242 |
| Taxes other than income taxes | 1,101 | 1,016 | 1,106 | 1,172 | 2,018 |
| Others | 1,949 | 2,006 | 2,283 | 1,886 | 2,025 |
| Operating income | 1,853 | 6,884 | 5,631 | 21,906 | 20,772 |
| Non-operating income | 2,746 | 1,186 | 1,370 | 2,654 | 1,328 |
| Non-operating expenses | 959 | 423 | 1,016 | 878 | 699 |
| Ordinary income | 3,640 | 7,647 | 5,985 | 23,682 | 21,401 |
| Extraordinary gains | 5,804 | 961 | 6,498 | 314 | 2,047 |
| Extraordinary losses | 3,664 | 6,527 | 20,557 | 394 | 3,774 |
| Income before income taxes and others | 5,780 | 2,081 | -8,073 | 23,602 | 19,674 |
| Income taxes-current | 2,471 | 261 | -1,509 | 904 | 6,110 |
| Income taxes-deferred | 1,015 | 2,774 | 5,918 | 8,537 | 1,972 |
| Minority interest in income | -859 | -1,589 | 1,484 | -3,133 | -3,328 |
| Net income | 1,434 | -2,544 | -10,998 | 11,028 | 8,263 |

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October 29, 2003

Non-consolidated financial summary
(For the first half ended September 30, 2003)

(1) Operating results (from April 1, 2003 to September 30, 2003)

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 half (2003/9) | 11,238 | (-82.9)% | 3,495 | (-94.1)% | 3,416 | (-94.2)% |
| First half (2002/9) | 65,859 | (34.6) | 58,820 | (40.8) | 59,258 | (38.3) |
| Fiscal 2002 (2003/3) | 70,124 | | 56,303 | | 57,235 | |

| | Net income | | Earnings/share | |
|----------------------|------------|----------|----------------|-----|
| First half (2003/9) | 2,850 | (-95.2)% | 2.14 | Yen |
| First half (2002/9) | 59,248 | (-) | 44.59 | |
| Fiscal 2002 (2003/3) | -19,794 | | -14.89 | |

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

First half (2003/9): 1,328,287,473

First half (2002/9): 1,328,585,457

Fiscal 2002 (2003/3): 1,328,474,002

2. Change in accounting policies: None

(2) Dividends

| | Interim dividends/share | | Annual dividends/share | |
|----------------------|-------------------------|-----|------------------------|-----|
| First half (2003/9) | - | Yen | - | Yen |
| First half (2002/9) | - | | - | |
| Fiscal 2002 (2003/3) | - | | 6.00 | |

(3) Financial conditions

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

| | Total assets | Stockholders' equity | Stockholders' equity ratio | Stockholders' equity/share |
|----------------------|--------------|----------------------|----------------------------|----------------------------|
| First half (2003/9) | 1,231,884 | 591,078 | 48.0 % | 444.99 Yen |
| First half (2002/9) | 1,301,362 | 667,788 | 51.3 | 502.62 |
| Fiscal 2002 (2003/3) | 1,216,271 | 582,658 | 47.9 | 438.66 |

Note 1. Number of shares outstanding (shares)

As of Sep. 30, 2003: 1,328,283,237

As of Sep. 30, 2002: 1,328,592,481

As of Mar. 31, 2003: 1,328,265,489

2. Treasury stock (shares)

As of Sep. 30, 2003: 3,452,021

As of Sep. 30, 2002: 3,142,777

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, Phone: +813-3243-2100

Balance sheets

| (millions of yen) | First half Sep. 30, 2003 | First half Sep. 30, 2002 | Increase/ Decrease | Fiscal 2002 Mar. 31, 2003 |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------|------------------------------|
| Assets | | | | |
| Current assets: | 311,473 | 292,077 | 19,395 | 300,909 |
| Cash and time deposits | 165,124 | 58,593 | 106,531 | 145,599 |
| Short-term loans receivable | 139,901 | 214,885 | -74,984 | 136,729 |
| Accrued income | 1,844 | 1,475 | 369 | 1,650 |
| Other current assets | 4,602 | 17,123 | -12,520 | 16,929 |
| Non-current assets: | 920,410 | 1,009,284 | -88,873 | 915,361 |
| Tangible fixed assets | 10,090 | 10,228 | -138 | 10,151 |
| Intangible fixed assets | 580 | 592 | -11 | 577 |
| Investments and others: | 909,740 | 998,463 | -88,723 | 904,632 |
| Investment securities | 655,198 | 716,299 | -61,101 | 628,494 |
| Long-term loans receivable | 212,510 | 235,780 | -23,270 | 231,440 |
| Long-term guarantee deposits | 31,108 | 33,928 | -2,820 | 33,017 |
| Others | 11,532 | 15,145 | -3,612 | 12,443 |
| Less: Allowance for doubtful accounts | -608 | -2,689 | 2,081 | -763 |
| Total assets | 1,231,884 | 1,301,362 | -69,477 | 1,216,271 |

| (millions of yen) | First half Sep. 30, 2003 | First half Sep. 30, 2002 | Increase/ Decrease | Fiscal 2002 Mar. 31, 2003 |
|---|-----------------------------|-----------------------------|-----------------------|------------------------------|
| <i>Liabilities</i> | | | | |
| Current liabilities: | 266,852 | 406,454 | -139,602 | 411,129 |
| Short-term borrowings | 137,460 | 287,560 | -150,100 | 287,360 |
| Commercial paper | 55,000 | 20,000 | 35,000 | 43,000 |
| Bonds due within one year | 8,400 | 36,269 | -27,869 | 36,269 |
| Payables on collateralized securities transactions | 61,833 | 48,280 | 13,552 | 40,529 |
| Accrued income taxes | 4 | 4 | - | 9 |
| Accrued bonuses | 434 | 300 | 134 | 250 |
| Provision for subsidiaries' real estate business reorganization | - | 10,076 | -10,076 | - |
| Stock purchase warrant | 501 | 501 | - | 501 |
| Other current liabilities | 3,218 | 3,462 | -244 | 3,209 |
| Non-current liabilities: | 373,953 | 227,119 | 146,834 | 222,483 |
| Bonds | 220,000 | 108,400 | 111,600 | 108,400 |
| Convertible bonds | 79,986 | 79,986 | - | 79,986 |
| Long-term borrowings | 38,000 | 6,000 | 32,000 | 6,000 |
| Long-term cash deposits received | 21,285 | 23,829 | -2,544 | 23,148 |
| Deferred income taxes liabilities | 11,740 | 6,997 | 4,742 | 2,535 |
| Accrued retirement benefits | 2,633 | 1,630 | 1,002 | 2,098 |
| Other non-current liabilities | 308 | 275 | 32 | 315 |
| Total liabilities | 640,805 | 633,574 | 7,231 | 633,612 |
| <i>Stockholders' equity</i> | | | | |
| Common stock | 138,431 | 138,431 | - | 138,431 |
| Capital surplus | 117,786 | 117,786 | - | 117,786 |
| Additional paid-in capital | 117,786 | 117,786 | - | 117,786 |
| Earned surplus | 319,997 | 404,161 | -84,163 | 325,118 |
| Earned surplus reserve | 45,335 | 45,335 | - | 45,335 |
| General-purpose reserve | 271,000 | 299,000 | -28,000 | 299,000 |
| Unappropriated retained earnings (Net income for the current term) | 3,662 (2,850) | 59,825 (59,248) | -56,163 (-56,397) | -19,216 (-19,794) |
| Net unrealized gain on investment securities, net of tax effect | 17,255 | 9,643 | 7,611 | 3,727 |
| Treasury stock | -2,392 | -2,234 | -157 | -2,405 |
| Total stockholders' equity | 591,078 | 667,788 | -76,709 | 582,658 |
| Total liabilities and stockholders' equity | 1,231,884 | 1,301,362 | -69,477 | 1,216,271 |

Income statements

| (millions of yen) | First half Apr. 1, 2003 - Sep. 30, 2003 | First half Apr. 1, 2002 - Sep. 30, 2002 | Yr/yr % change | Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003 |
|---|---|---|----------------------|--|
| Operating revenues: | 11,238 | 65,859 | -82.9 | 70,124 |
| Dividends from related companies | 7,023 | 61,162 | -88.5 | 61,235 |
| Interest on loans to related companies | 2,493 | 3,383 | -26.3 | 6,233 |
| Other interest and dividend income | 26 | 24 | 6.5 | 59 |
| Royalty on trademark | 1,696 | 1,288 | 31.6 | 2,596 |
| Operating expenses: | 7,743 | 7,039 | 10.0 | 13,821 |
| Selling, general and administrative expenses: | 4,613 | 3,862 | 19.4 | 7,582 |
| Commission and other expenses | 537 | 755 | -28.8 | 1,249 |
| Employees' compensation and benefits | 1,943 | 1,462 | 32.9 | 3,394 |
| Real estate expenses | 296 | 371 | -20.1 | 605 |
| Data processing and office supplies | 460 | 541 | -15.0 | 904 |
| Depreciation expenses | 149 | 186 | -19.8 | 364 |
| Others | 1,224 | 545 | 124.7 | 1,062 |
| Interest expenses | 3,130 | 3,177 | -1.5 | 6,239 |
| Operating income | 3,495 | 58,820 | -94.1 | 56,303 |
| Non-operating income | 1,056 | 994 | 6.3 | 1,634 |
| Non-operating expenses | 1,135 | 555 | 104.4 | 701 |
| Ordinary income | 3,416 | 59,258 | -94.2 | 57,235 |
| Extraordinary gains | 468 | 2,584 | -81.9 | 7,477 |
| Extraordinary losses | 1,029 | 2,590 | -60.2 | 84,498 |
| Income before income taxes | 2,855 | 59,252 | -95.2 | -19,785 |
| Income taxes-current | 4 | 4 | - | 9 |
| Income taxes-deferred | - | - | - | - |
| Net income | 2,850 | 59,248 | -95.2 | -19,794 |
| Net loss on disposal of treasury stock | 2 | 6 | -58.6 | 6 |
| Unappropriated retained earnings-carryforward | 813 | 583 | 39.4 | 583 |
| Unappropriated retained earnings at ending | 3,662 | 59,825 | -93.9 | -19,216 |

Notes to financial statements

The financial statements of the Company for the first half ended September 30, 2003 are prepared in accordance with 'Regulations of Interim Financial Statements' (MOF Ordinance No. 38, 1977).

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. 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 September 30, 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. As for the closed pension fund, accrued retirement benefits for the portion of 6 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2004.

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. 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.

6. Other material items

(Accounting for consumption taxes)

Consumption taxes are separately recorded.

(Deferred assets)

Bond issue costs are amortized in a lump when incurred.

Notes to balance sheets

| | | | |
|---|---------------------|---------------------|---------------------|
| 1. Accumulated depreciation of tangible fixed assets | As of Sep. 30, 2003 | As of Sep. 30, 2002 | As of Mar. 31, 2003 |
| | 3,292 million yen | 3,192 million yen | 3,257 million yen |
| 2. Guarantee | As of Sep. 30, 2003 | As of Sep. 30, 2002 | As of Mar. 31, 2003 |
| | 19,046 million yen | 31,825 million yen | 22,461 million yen |
| 3. Fair value of subsidiary and affiliated company stocks as of Sep. 30, 2003 (millions of yen) | | | |
| | Carrying value | Fair value | Difference |
| Subsidiary | 16,121 | 50,485 | 34,364 |
| Affiliated company | 274 | 418 | 144 |

Notes to income statements

Details of extraordinary gains/losses

(millions of yen)

| | <u>First half</u> Apr. 1, 2003- Sep. 30, 2003 | <u>First half</u> Apr. 1, 2002- Sep. 30, 2002 | <u>Fiscal 2002</u> Apr. 1, 2002- Mar. 31, 2003 |
|---|--|--|---|
| Extraordinary gains: | | | |
| Gain on sale of fixed assets | 2 | 17 | 27 |
| Gain on sale of investment securities | 466 | 2,567 | 6,638 |
| Reversal of provision for subsidiaries' real estate business reorganization | - | - | 811 |
| Extraordinary losses: | | | |
| Write-down of related companies' stocks | - | 15 | 69,030 |
| Write-down of investment securities | 800 | 2,237 | 14,329 |
| Loss on sale or disposal of fixed assets | 29 | 100 | 200 |
| Loss on sale of investment securities | 9 | 89 | 700 |
| Provision for doubtful accounts | 190 | 147 | 235 |