

Daiwa Securities Group Inc.

July 24, 2003

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Tokyo 100-8101, Japan
(URL <http://www.ir.daiwa.co.jp>)

Consolidated financial summary

(For the first quarter ended June 30, 2003)

(1) Basis of consolidated financial summary

(a) Change in accounting policies: None

(b) Change in scope of consolidation and equity method: 1 exclusion of consolidated subsidiary (50 consolidated subsidiaries, 4 affiliates under equity method)

(2) (A) Operating results (from April 1, 2003 to June 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 quarter (2003/6)	111,996	(11.2)%	84,579	(17.1)%	21,906	(124.9)%	23,682	(98.6)%
First quarter (2002/6)	100,717	(-28.1)%	72,240	(-)%	9,738	(-7.5)%	11,926	(13.0)%
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 quarter (2003/6)	11,028	(90.6)%	8.30		7.94	Yen	8.0	%
First quarter (2002/6)	5,785	(14.8)%	4.35		4.19		4.1	
Fiscal 2002 (2003/3)	-6,322		-4.75		-		-1.1	

(Note)

1. Equity in earnings

First quarter (2003/6): 116 million yen First quarter (2002/6): 141 million yen Fiscal 2002 (2003/3): 265 million yen

2. Average number of shares outstanding (shares)

First quarter (2003/6): 1,328,250,785 First quarter (2002/6): 1,328,547,726 Fiscal 2002 (2003/3): 1,328,445,508

(B) Financial conditions

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

	Total assets	Stockholders' equity	Stockholders' equity ratio		Stockholders' equity/share	
First quarter (2003/6)	11,378,630	557,770	4.9	%	419.90	Yen
First quarter (2002/6)	8,764,022	560,261	6.4		421.68	
Fiscal 2002 (2003/3)	9,502,825	541,718	5.7		407.84	

(Note)

Number of shares outstanding (shares)

As of Jun. 30, 2003: 1,328,312,899 As of Jun. 30, 2002: 1,328,614,409 As of Mar. 31, 2003: 1,328,255,991

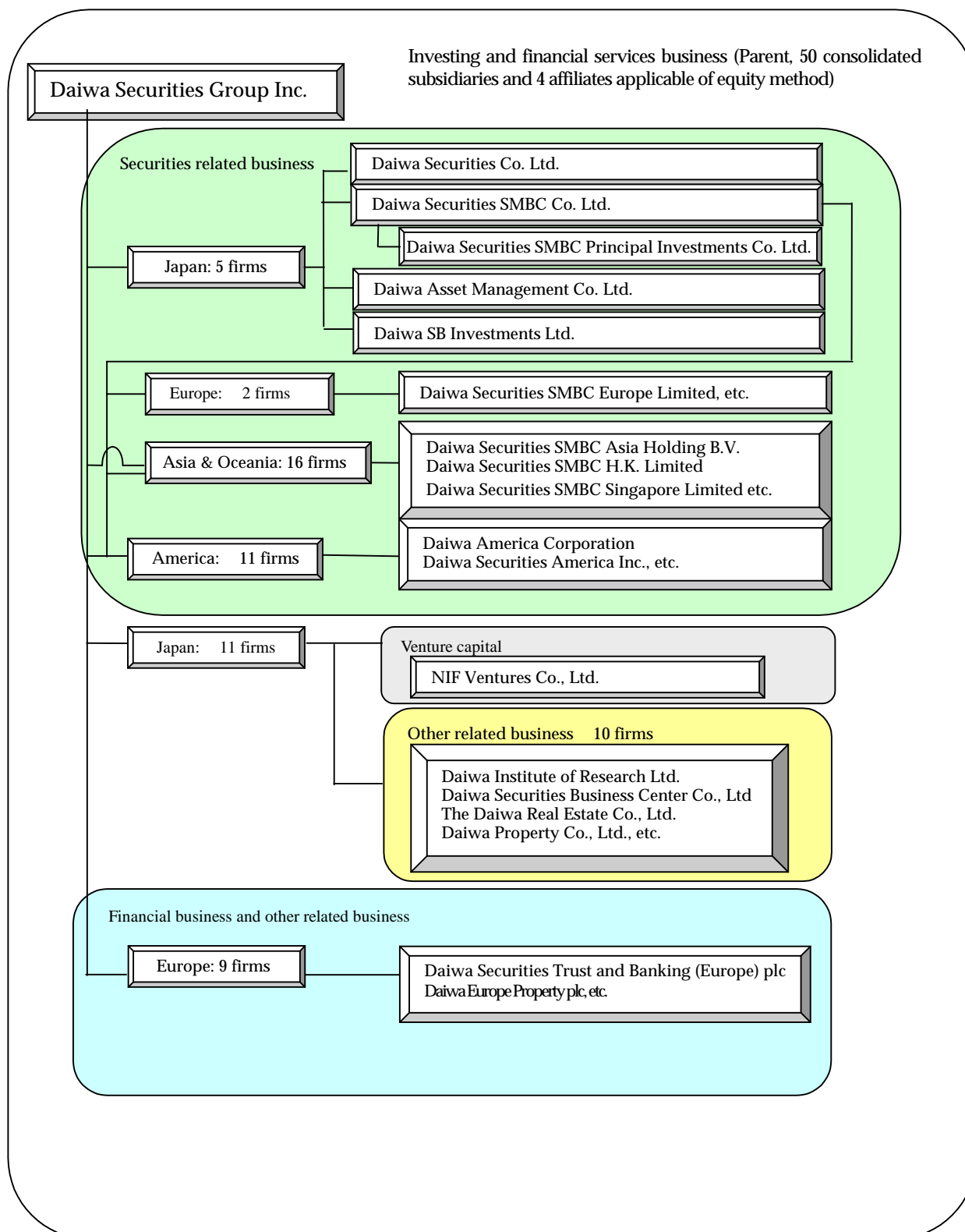
(Note) The Group's principal business is securities business, and the performance is influenced by the market environment. Therefore, the Group considers it difficult to forecast the performance. Instead of forecast, the Group continues to timely disclose quarterly results as beneficial information.

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 4 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 customers needs for raising and investing of funds through the global networks linking major financial markets in Japan, America, Europe and Asia & Oceania.



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

1. Summary of operating results for 3 months (comparison with the first quarter of fiscal 2002)

Consolidated net operating revenues increased 17.1% to 84,579 million yen mainly because trading gains sharply increased. Consolidated ordinary income increased 98.6% to 23,682 million yen and consolidated net income increased 90.6% to 11,028 million yen because the selling, general and administrative expenses stayed almost flat.

(1) Commissions

(i) Brokerage commission

Brokerage commission declined 16.9% to 12,939 million yen, in line with a decrease of 10.4% to 793,900 million yen in daily average trading value on the Tokyo Stock Exchange, although the stock prices started to rise since this May.

(ii) Underwriting commission

Underwriting commission fell 32.0% to 4,073 million yen mainly due to a decrease in equity public offering.

(iii) Distribution commission

Distribution commission grew 34.4% to 5,328 million yen, due to an increase in commission arising from sale of non-Japanese beneficiary certificate.

(iv) Other commission

Other commission on investment trust decreased 44.7% to 4,545 million yen, due to a decline in trust fee rates and in net asset value of beneficiary certificate. As a result, total other commission declined 31.7% to 9,206 million yen.

(2) Net trading gains/losses

Net trading gains on bond, forex and other sharply increased 92.7% to 34,830 million yen, in line with favorable sales of non-Japanese bonds. Net trading gains on stock and other increased 41.0% to 8,849 million yen. As a result, total net trading gains increased 79.3% to 43,679 million yen.

(3) Financial income

Net financial income increased 20.9% to 6,531 million yen, with an increase of 5.1% to 28,516 million yen in interest and dividend income due to an increase in bond interests received, and with an increase of 1.2% to 21,985 million yen in interest expenses.

(4) Selling, general & administrative expenses

Selling, general & administrative expenses edged up 0.3% to 62,672 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. Operating results of overseas subsidiaries for the first quarter of 2003 (3 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
39	1,819	219	2,078

b. Financial conditions (comparison with March 31, 2003)

Total assets increased by 1,875,804 million yen to 11,378,630 million yen, and total liabilities increased by 1,857,740 million yen to 10,664,789 million yen. On assets side, receivables on collateralized securities transactions increased by 1,075,171 million yen. Likewise, on liabilities side, payables on collateralized securities transactions increased by 1,567,180 million yen.

Consolidated balance sheets

(millions of yen)	First quarter Jun. 30, 2003	First quarter Jun. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Assets				
Current assets:	10,738,000	8,014,013	2,723,987	8,863,899
Cash and time deposits	387,037	313,941	73,096	438,248
Cash segregated as deposits	102,048	102,669	-620	105,641
Notes receivable and trade accounts receivable	4,924	9,849	-4,924	6,959
Securities	27,312	44,780	-17,468	34,893
Trading assets:	4,198,794	3,432,680	766,114	4,529,437
Trading securities and others	3,671,778	3,031,544	640,234	3,952,894
Derivative assets	527,016	401,136	125,880	576,543
Trade date accrual	615,784	-	615,784	-
Operational investment securities	45,671	39,246	6,425	45,270
Allowance for possible investment losses	-4,693	-1,539	-3,154	-4,894
Other inventories	2,086	3,248	-1,161	912
Receivables related to margin transactions:	144,069	159,310	-15,241	106,873
Loans receivable from customers for margin transactions	38,581	79,750	-41,169	34,419
Cash deposits as collateral for securities borrowed from securities finance companies	105,487	79,559	25,928	72,454
Receivables on collateralized securities transactions:	4,339,983	3,497,680	842,302	3,264,811
Cash deposits as collateral for securities borrowed	4,339,335	3,388,009	951,325	3,264,811
Receivables related to gensaki transactions	647	109,670	-109,022	-
Receivables	2,113	2,763	-650	4,259
Securities failed to deliver	633,341	24,816	608,524	148,325
Short-term loans receivable	139,158	276,573	-137,415	81,159
Accrued income	14,182	12,277	1,904	15,574
Deferred income tax assets-current	4,648	9,857	-5,209	9,145
Other current assets	82,194	87,191	-4,996	77,929
Less: Allowance for doubtful accounts- current	-656	-1,332	675	-647
Non-current assets:	640,629	750,008	-109,379	638,926
Tangible fixed assets	157,919	180,952	-23,033	162,339
Intangible fixed assets	54,780	49,503	5,276	53,951
Investments and others:	427,930	519,552	-91,622	422,634
Investment securities	232,873	310,741	-77,867	214,409
Long-term loans receivable	13,384	14,660	-1,275	13,605
Long-term guarantee deposits	28,371	30,477	-2,106	29,159
Deferred income tax assets-non-current	62,444	75,675	-13,230	67,587
Other investments	109,281	105,423	3,857	116,471
Less: Allowance for doubtful accounts- non-current	-18,425	-17,426	-999	-18,598
Total assets	11,378,630	8,764,022	2,614,607	9,502,825

(millions of yen)	First quarter Jun. 30, 2003	First quarter Jun. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
<i>Liabilities</i>				
Current liabilities:	9,987,833	7,504,692	2,483,141	8,214,980
Notes payable and accounts payable	2,872	2,031	840	2,638
Trading liabilities:	1,650,970	1,624,213	26,756	1,520,775
Trading securities and others	1,161,779	1,272,168	-110,388	996,691
Derivative liabilities	489,190	352,045	137,144	524,084
Trade date accrual	-	767,117	-767,117	79,625
Payables related to margin transactions:	74,894	32,643	42,251	53,158
Loans from securities finance companies for margin transactions	2,895	1,927	968	2,914
Proceeds of securities sold for margin transactions	71,999	30,716	41,282	50,243
Payables on collateralized securities transactions:	5,922,489	2,834,170	3,088,318	4,355,308
Cash deposits as collateral for securities loaned	5,257,338	2,762,738	2,494,600	3,718,029
Payables related to gensaki transactions	665,150	71,432	593,718	637,278
Deposits received	106,784	100,995	5,788	140,279
Cash deposits received from customers	46,988	48,844	-1,856	40,172
Securities failed to receive	582,446	7,568	574,877	120,590
Short-term borrowings	1,241,979	1,579,591	-337,611	1,475,900
Commercial paper	260,200	397,500	-137,300	332,800
Bonds due within one year	47,061	39,438	7,623	46,010
Accrued income taxes	2,744	1,761	982	2,812
Deferred income tax liabilities-current	717	-	717	-
Accrued bonuses	8,541	6,882	1,658	12,053
Provision for real estate business reorganization	-	10,076	-10,076	-
Other current liabilities	39,143	51,856	-12,712	32,854
Non-current liabilities:	673,034	542,477	130,556	588,177
Bonds	460,796	336,024	124,771	414,448
Convertible bonds	79,986	116,255	-36,269	79,986
Long-term borrowings	105,461	64,637	40,824	71,154
Deferred income tax liabilities-non-current	6,398	8,484	-2,085	2,614
Accrued retirement benefits	14,774	11,610	3,163	14,170
Other non-current liabilities	5,617	5,466	151	5,802
Statutory reserves	3,922	3,186	735	3,891
Total liabilities	10,664,789	8,050,356	2,614,432	8,807,049
Minority interest	156,069	153,403	2,665	154,058
<i>Stockholders' equity</i>				
Common stock	138,431	138,431	-	138,431
Capital surplus	117,786	117,786	-	117,786
Earned surplus	300,460	309,514	-9,053	297,404
Net unrealized gain on securities, net of tax effect	10,561	11,283	-722	1,823
Translation adjustments	-7,106	-14,539	7,432	-11,321
Treasury stock	-2,362	-2,215	-147	-2,406
Total stockholders' equity	557,770	560,261	-2,490	541,718
Total liabilities, minority interest and stockholders' equity	11,378,630	8,764,022	2,614,607	9,502,825

Consolidated income statements

(millions of yen)	First quarter Apr. 1, 2003- Jun. 30, 2003	First quarter Apr. 1, 2002- Jun. 30, 2002	Yr/yr % change	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003
Operating revenues:	111,996	100,717	11.2	387,658
Commissions	31,547	38,990	-19.1	144,282
Net gain on trading	43,679	24,355	79.3	93,932
Net gain on operational investment securities	288	1,001	-71.1	-2,624
Interest and dividend income	28,516	27,123	5.1	114,707
Other sales revenues	7,963	9,246	-13.9	37,361
Interest expenses	21,985	21,720	1.2	90,594
Cost of sales	5,431	6,756	-19.6	26,254
Net operating revenues	84,579	72,240	17.1	270,809
Selling, general and administrative expenses:	62,672	62,502	0.3	246,701
Commission and other expenses	9,174	10,277	-10.7	40,652
Employees' compensation and benefits	34,099	31,923	6.8	123,904
Real estate expenses	7,846	8,097	-3.1	33,348
Data processing and office supplies	3,529	3,503	0.8	14,708
Depreciation expenses	4,964	5,143	-3.5	21,067
Taxes other than income taxes	1,172	1,446	-19.0	4,670
Others	1,886	2,110	-10.6	8,349
Operating income	21,906	9,738	124.9	24,108
Non-operating income:	2,654	2,854	-7.0	8,157
Equity in earnings	116	141	-18.1	265
Others	2,538	2,712	-6.4	7,892
Non-operating expenses	878	666	31.8	3,066
Ordinary income	23,682	11,926	98.6	29,200
Extraordinary gains	314	2,325	-86.5	15,589
Extraordinary losses	394	2,195	-82.0	32,945
Income before income taxes and others	23,602	12,056	95.8	11,844
Income taxes-current	904	1,447	-37.6	2,670
Income taxes-deferred	8,537	2,976	186.8	12,685
Minority interest in income	-3,133	-1,845	-	-2,810
Net income	11,028	5,785	90.6	-6,322

Consolidated statements of retained earnings

(millions of yen)	First quarter Apr. 1, 2003- Jun. 30, 2003	First quarter Apr. 1, 2002- Jun. 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:	11,028	5,785	-6,322
Net income	11,028	5,785	-6,322
Decrease in earned surplus:	7,972	7,991	7,992
Dividends	7,969	7,971	7,971
Directors' bonuses	-	14	14
Net loss on disposal of treasury stock	2	5	6
Ending balance of earned surplus	300,460	309,514	297,404

Notes to consolidated financial statements

The consolidated financial statements of the Company for the first quarter ended June 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 for this first quarter.

Each amount of total assets, operating revenues (or sales), net income and earned surplus 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: 4 companies

Major companies:

Daiwa SB Investments Ltd.
 The Tokyo Tanshi Co., Ltd.

Each amount of net income and earned surplus 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 quarter of one affiliate applicable of equity method ends other than June 30, 2003, the financial statements for the relevant fiscal year are reflected.

3. Fiscal period of subsidiaries

As the first quarter of one consolidated subsidiary ends other than June 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) Accrued employees' bonuses

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

(iii) 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 June 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 3 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

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.

(Amortization for deferred assets)

Issue costs for bonds 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 the fair value when the majority of ownership is acquired.

6. 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.

Notes to consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets

	As of Jun. 30, 2003	As of Jun. 30, 2002	As of Mar. 31, 2003
	97,274 million yen	99,004 million yen	99,225 million yen

2. Guarantee

	As of Jun. 30, 2003	As of Jun. 30, 2002	As of Mar. 31, 2003
	5,748 million yen	4,686 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 Jun. 30, 2003	As of Jun. 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 quarter Apr. 1, 2003- Jun. 30, 2003	First quarter Apr. 1, 2002- Jun. 30, 2002	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003
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Extraordinary gains:

Gain on sale of fixed assets	3	1,804	4,629
Gain on sale of investment securities	310	520	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	-	1,179	19,778
Valuation loss of fixed assets	-	-	272
Loss on sale or disposal of fixed assets	166	698	4,574
Loss on sale of investment securities	8	62	1,908
Provision for doubtful accounts	189	-	4,151
Provision for securities transaction liabilities	30	254	959
Other	-	-	780

Supplemental information for the first quarter of fiscal 2003

1. Breakdown of commission income

First quarter ended June 30, 2003 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	12,581	319	37	-	-	12,939
Underwriting	-	-	-	4,073	-	4,073
(Stock and other)	(-)	(-)	(-)	(1,078)	(-)	(1,078)
(Bond and other)	(-)	(-)	(-)	(2,897)	(-)	(2,897)
Distribution	-	-	5,200	127	-	5,328
Other commission	476	684	4,545	929	2,570	9,206
(Agency commission)	(-)	(679)	(2,375)	(-)	(-)	(3,055)
Total	13,058	1,004	9,783	5,130	2,570	31,547

First quarter ended June 30, 2002 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	15,202	278	81	-	-	15,562
Underwriting	-	-	-	5,988	-	5,988
(Stock and other)	(-)	(-)	(-)	(3,609)	(-)	(3,609)
(Bond and other)	(-)	(-)	(-)	(2,379)	(-)	(2,379)
Distribution	-	-	3,952	13	-	3,965
Other commission	604	591	8,215	1,422	2,637	13,472
(Agency commission)	(-)	(544)	(4,153)	(-)	(-)	(4,698)
Total	15,807	870	12,249	7,425	2,637	38,990

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

(percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	-17.2	14.8	-53.8	-	-	-16.9
Underwriting	-	-	-	-32.0	-	-32.0
(Stock and other)	(-)	(-)	(-)	(-70.1)	(-)	(-70.1)
(Bond and other)	(-)	(-)	(-)	(21.7)	(-)	(21.7)
Distribution	-	-	31.6	862.7	-	34.4
Other commission	-21.2	15.7	-44.7	-34.6	-2.5	-31.7
(Agency commission)	(-)	(24.8)	(-42.8)	(-)	(-)	(-35.0)
Total	-17.4	15.4	-20.1	-30.9	-2.5	-19.1

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 yens)

	First quarter (2003/6)	First quarter (2002/6)	Yr/yr % change	Fiscal 2002 (2003/3)
Stock and other	8,849	6,276	41.0	1,936
Bond, forex and other	34,830	18,079	92.7	91,995
(Bond and other)	(22,256)	(12,062)	(84.5)	(67,194)
(Forex and other)	(12,573)	(6,016)	(109.0)	(24,801)
Total	43,679	24,355	79.3	93,932

Quarterly consolidated income statements (Reference Data)

(millions of yen)	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter
	Apr. 1, 2002- Jun. 30, 2002	Jul. 1, 2002- Sep. 30, 2002	Oct. 1, 2002- Dec. 31, 2002	Jan. 1, 2003- Mar. 31, 2003	Apr. 1, 2003- Jun. 30, 2003
Operating revenue	100,717	95,198	100,114	91,628	111,996
Commissions	38,990	37,507	34,480	33,305	31,547
Brokerage commission	15,562	10,753	12,328	8,197	12,939
(Stock and other)	15,202	10,399	11,922	7,878	12,581
(Bond and other)	278	258	340	285	319
Underwriting commission	5,988	6,893	7,077	7,986	4,073
(Stock and other)	3,609	4,585	5,014	4,883	1,078
(Bond and other)	2,379	2,194	2,002	2,945	2,897
Distribution commission	3,965	3,634	2,961	4,105	5,328
(Beneficiary certificates)	3,952	3,548	2,868	3,689	5,200
Other commission	13,472	16,226	12,113	13,015	9,206
(Beneficiary certificates)	8,215	7,288	5,876	5,155	4,545
Net gain on trading	24,355	18,686	25,099	25,790	43,679
(Stock and other)	6,276	2,128	3,334	-9,803	8,849
(Bond and other)	12,062	9,657	17,384	28,088	22,256
(Forex and other)	6,016	6,900	4,379	7,504	12,573
Net gain on operational investment securities	1,001	-744	-281	-2,599	288
Interest and dividend income	27,123	30,695	32,218	24,669	28,516
Other sales revenues	9,246	9,054	8,597	10,462	7,963
Interest expenses	21,720	24,716	25,701	18,455	21,985
Cost of sales	6,756	6,162	6,290	7,046	5,431
Net operating revenues	72,240	64,319	68,123	66,126	84,579
Selling general and administrative expenses	62,502	62,465	61,238	60,494	62,672
Commission and other expenses	10,277	10,833	9,958	9,583	9,174
Employees' compensation and benefits	31,923	30,764	30,781	30,434	34,099
Real estate expenses	8,097	9,004	8,384	7,861	7,846
Data processing and office supplies	3,503	3,621	3,872	3,711	3,529
Depreciation expenses	5,143	5,190	5,219	5,513	4,964
Taxes other than income taxes	1,446	1,101	1,016	1,106	1,172
Others	2,110	1,949	2,006	2,283	1,886
Operating income	9,738	1,853	6,884	5,631	21,906
Non-operating income	2,854	2,746	1,186	1,370	2,654
Non-operating expenses	666	959	423	1,016	878
Ordinary income	11,926	3,640	7,647	5,985	23,682
Extraordinary gains	2,325	5,804	961	6,498	314
Extraordinary losses	2,195	3,664	6,527	20,557	394
Income before income taxes and others	12,056	5,780	2,081	-8,073	23,602
Income taxes-current	1,447	2,471	261	-1,509	904
Income taxes-deferred	2,976	1,015	2,774	5,918	8,537
Minority interest in income	-1,845	-859	-1,589	1,484	-3,133
Net income	5,785	1,434	-2,544	-10,998	11,028

Daiwa Securities Group Inc.

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Tokyo 100-8101, Japan

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

July 24, 2003

Non-consolidated financial summary
(For the first quarter ended June 30, 2003)

(1) Operating results (from April 1, 2003 to June 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 quarter (2003/6)	9,088	(-85.7)%	5,523	(-90.8)%	5,811	(-90.5)%
First quarter (2002/6)	63,531	(34.8)%	60,161	(38.6)%	61,031	(39.9)%
Fiscal 2002 (2003/3)	70,124		56,303		57,235	

	Net income		Earnings/share	
First quarter (2003/6)	5,749	(-90.5)%	4.32	Yen
First quarter (2002/6)	60,230	(32.1)%	45.33	
Fiscal 2002 (2003/3)	-19,794		-14.89	

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

First quarter (2003/6): 1,328,279,279

First quarter (2002/6): 1,328,557,224

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

2. 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 quarter (2003/6)	1,189,581	585,928	49.3 %	441.10 Yen
First quarter (2002/6)	1,339,978	670,440	50.0 %	504.61
Fiscal 2002 (2003/3)	1,216,271	582,658	47.9 %	438.66 Yen

Note 1. Number of shares outstanding (shares)

As of Jun. 30, 2003: 1,328,322,397

As of Jun. 30, 2002: 1,328,623,907

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

2. Treasury stock (shares)

As of Jun. 30, 2003: 3,412,861

As of Jun. 30, 2002: 3,111,351

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 quarter Jun. 30, 2003	First quarter Jun. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Assets				
Current assets:	272,381	319,177	-46,795	300,909
Cash and time deposits	119,779	74,241	45,537	145,599
Short-term loans receivable	134,425	217,224	-82,798	136,729
Accounts receivable	14,844	24,600	-9,755	14,734
Accrued income	1,447	1,209	237	1,650
Other current assets	1,884	1,902	-17	2,195
Less: Allowance for doubtful accounts	-	-0	0	-
Non-current assets:	917,199	1,020,801	-103,602	915,361
Tangible fixed assets	10,121	10,329	-208	10,151
Intangible fixed assets	591	617	-26	577
Investments and others:	906,487	1,009,854	-103,367	904,632
Investment securities	636,691	693,362	-56,670	628,494
Long-term loans receivable	227,290	269,060	-41,770	231,440
Long-term guarantee deposits	31,482	33,913	-2,431	33,017
Others	11,665	16,062	-4,396	12,443
Less: Allowance for doubtful accounts	-642	-2,543	1,901	-763
Total assets	1,189,581	1,339,978	-150,397	1,216,271

(millions of yen)	First quarter Jun. 30, 2003	First quarter Jun. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
<i>Liabilities</i>				
Current liabilities:	345,754	405,153	-59,399	411,129
Short-term borrowings	231,460	287,860	-56,400	287,360
Commercial paper	30,000	40,000	-10,000	43,000
Bonds due within one year	36,269	19,440	16,829	36,269
Payables on collateralized securities transactions	42,926	42,464	462	40,529
Accrued income taxes	2	2	-	9
Accrued bonuses	232	170	62	250
Provision for subsidiaries' real estate business reorganization	-	10,076	-10,076	-
Stock purchase warrant	501	501	-	501
Other current liabilities	4,363	4,639	-276	3,209
Non-current liabilities:	257,898	264,384	-6,486	222,483
Bonds	108,400	108,400	-	108,400
Convertible bonds	79,986	116,255	-36,269	79,986
Long-term borrowings	39,000	6,000	33,000	6,000
Long-term cash deposits received	21,612	23,806	-2,193	23,148
Deferred income taxes liabilities	6,243	8,193	-1,950	2,535
Accrued retirement benefits	2,361	1,474	886	2,098
Other non-current liabilities	293	255	38	315
Total liabilities	603,652	669,538	-65,885	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	322,896	405,144	-82,248	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	6,560	60,809	-54,248	-19,216
(Net income for the current term)	(5,749)	(60,230)	(-54,481)	(-19,794)
Net unrealized gain on investment securities, net of tax effect	9,176	11,292	-2,115	3,727
Treasury stock	-2,362	-2,215	-147	-2,405
Total stockholders' equity	585,928	670,440	-84,511	582,658
Total liabilities and stockholders' equity	1,189,581	1,339,978	-150,397	1,216,271

Income statements

(millions of yen)	First quarter Apr. 1, 2003 - Jun. 30, 2003	First quarter Apr. 1, 2002 - Jun. 30, 2002	Yr/yr % Change	Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003
Operating revenues:	9,088	63,531	-85.7	70,124
Dividends from related companies	6,963	61,162	-88.6	61,235
Interest on loans to related companies	1,251	1,681	-25.6	6,233
Other interest and dividend income	12	11	5.2	59
Royalty on trademark	861	675	27.5	2,596
Operating expenses:	3,565	3,369	5.8	13,821
Selling, general and administrative expenses:	1,921	1,771	8.5	7,582
Commission and other expenses	309	350	-11.7	1,249
Employees' compensation and benefits	1,014	707	43.3	3,394
Real estate expenses	149	199	-25.2	605
Data processing and office supplies	141	156	-9.3	904
Depreciation expenses	77	100	-22.5	364
Others	228	256	-10.9	1,062
Interest expenses	1,643	1,597	2.8	6,239
Operating income	5,523	60,161	-90.8	56,303
Non-operating income	826	908	-9.0	1,634
Non-operating expenses	538	39	1,279.5	701
Ordinary income	5,811	61,031	-90.5	57,235
Extraordinary gains	153	120	27.4	7,477
Extraordinary losses	212	918	-76.9	84,498
Income before income taxes	5,751	60,232	-90.5	-19,785
Income taxes-current	2	2	-	9
Income taxes-deferred	-	-	-	-
Net income	5,749	60,230	-90.5	-19,794
Net loss on disposal of treasury stock	2	5	-45.4	6
Unappropriated retained earnings-carryforward	813	583	39.4	583
Unappropriated retained earnings at ending	6,560	60,809	-89.2	-19,216

Notes to financial statements

The financial statements of the Company for the first quarter ended June 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 the fair value on the closing date with posting net unrealized gains 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 June 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 3 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.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets	As of Jun. 30, 2003	As of Jun. 30, 2002	As of Mar. 31, 2003
	3,284 million yen	3,672 million yen	3,257 million yen
2. Guarantee	As of Jun. 30, 2003	As of Jun. 30, 2002	As of Mar. 31, 2003
	22,302 million yen	34,178 million yen	22,461 million yen
3. Fair value of subsidiary and affiliated company stocks as of Jun. 30, 2003 (millions of yen)			
	Carrying value	Fair value	Difference
Subsidiary	16,121	19,918	3,797
Affiliated company	274	401	127

Notes to income statement

Details of extraordinary gains/losses

(millions of yen)

	<u>First quarter</u> Apr. 1, 2003- Jun. 30, 2003	<u>First quarter</u> Apr. 1, 2002- Jun. 30, 2002	<u>Fiscal 2002</u> Apr. 1, 2002- Mar. 31, 2003
Extraordinary gains:			
Gain on sale of fixed assets	2	16	27
Gain on sale of investment securities	150	103	6,638
Reversal of provision for subsidiaries' real estate business reorganization	-	-	811
Extraordinary losses:			
Write-down of related companies' stocks	-	-	69,030
Write-down of investment securities	-	884	14,329
Loss on sale or disposal of fixed assets	28	2	200
Loss on sale of investment securities	7	31	700
Provision for doubtful accounts	176	-	235