

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

(URL <http://www.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.

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
First quarter (2003/6)	43,066	(27.5)%	42,943	(27.6)%	10,059	(471.5)%
First quarter (2002/6)	33,769	(-8.0)%	33,644	(-)%	1,760	(977.2)%
Fiscal 2002 (2003/3)	129,817		129,311		3,500	

	Ordinary income		Net income		Return on stockholders' equity	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)	%
First quarter (2003/6)	10,098	(456.3)%	5,838	(552.9)%	12.3	
First quarter (2002/6)	1,815	(-)%	894	(-)%	1.9	
Fiscal 2002 (2003/3)	3,531		1,047		0.6	

Note: Change in accounting policies: None

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen	%	%
As of Jun. 30, 2003	317,651	190,586	60.0	412.1
As of Jun. 30, 2002	341,161	187,794	55.0	351.7
As of Mar. 31, 2003	301,822	187,947	62.3	379.5

Note. Number of shares outstanding (shares):

As of Jun. 30, 2003: 3,200

As of Jun. 30, 2002: 3,200

As of Mar. 31, 2003: 3,200

Representative: Yoshinari Hara, President

Contact: Yoshiaki Bai, General Manager, Finance Department

Phone: +813-3243-2111

Balance Sheets

(millions of yen)

	First quarter Jun. 30, 2003	First quarter Jun. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
<i>Assets</i>				
Current assets:	260,493	281,915	-21,422	243,428
Cash and time deposits	77,436	62,860	14,575	61,552
Cash segregated as deposits	70,134	70,053	80	70,143
Trading assets:	36,171	35,927	244	36,746
Trading securities and others	35,839	35,350	489	36,136
Derivative assets	332	577	-244	609
Trade date accrual	268	632	-364	377
Receivables related to margin transactions:	42,371	82,307	-39,936	37,928
Loans receivable from customers for margin transactions	38,061	79,693	-41,631	34,363
Cash deposits as collateral for securities borrowed from securities finance companies	4,309	2,614	1,695	3,565
Receivable on collateralized securities transactions	3,929	5,817	-1,888	3,599
Cash deposits as collateral for securities borrowed	3,929	5,817	-1,888	3,599
Receivables	1,906	2,439	-532	3,914
Short-term guarantee money deposited	2,529	2,966	-437	2,464
Short-term loans receivable	16,492	2,130	14,361	11,512
Accrued income	4,361	5,673	-1,312	5,941
Deferred income tax assets-current	2,870	8,520	-5,650	7,272
Other current assets	2,050	2,633	-582	2,002
Less: Allowance for doubtful accounts-current	-28	-47	19	-27
Non-current assets:	57,158	59,246	-2,087	58,394
Tangible fixed assets	6,750	9,348	-2,597	7,226
Intangible fixed assets	18,879	16,648	2,231	18,464
Investments and others:	31,527	33,249	-1,722	32,703
Investment securities	686	686	-	686
Long-term loans receivable	4,874	4,874	-	4,874
Long-term guarantee deposits	21,549	23,658	-2,109	22,877
Deferred income tax assets-non-current	3,043	2,253	790	2,831
Other investments	2,432	2,370	61	2,534
Less: Allowance for doubtful accounts-non-current	-1,057	-592	-464	-1,101
Total assets	317,651	341,161	-23,509	301,822

	First quarter Jun. 30, 2003	First quarter Jun. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Liabilities				
Current liabilities:	120,123	147,593	-27,470	107,035
Trading liabilities:	84	203	-119	115
Trading securities and others	-	0	0	0
Derivative liabilities	84	202	-118	115
Payables related to margin transactions:	13,922	10,862	3,060	10,367
Loans from securities finance companies for margin transaction	2,883	1,927	956	2,914
Proceeds of securities sold for margin transactions	11,038	8,934	2,103	7,452
Deposits received	54,821	52,322	2,499	46,976
Cash deposits received from customers	13,581	18,934	-5,352	10,500
Short-term borrowings	27,000	57,000	-30,000	27,000
Accrued expenses	5,482	4,386	1,096	5,468
Accrued income taxes	128	76	52	266
Accrued bonuses	3,900	2,800	1,100	4,700
Other current liabilities	1,202	1,008	194	1,640
Non-current liabilities:	6,116	5,099	1,016	6,013
Accrued retirement benefits	5,873	4,844	1,029	5,688
Other non-current liabilities	242	255	-13	324
Statutory reserves:	826	673	152	826
Reserve for securities transaction liabilities	826	673	152	826
Total liabilities	127,065	153,366	-26,301	113,874
Stockholders' equity				
Common stock	100,000	100,000	-	100,000
Capital surplus	50,010	50,010	-	50,010
Additional paid-in capital	50,010	50,010	-	50,010
Earned surplus	40,576	37,784	2,791	37,937
Earned surplus reserve	2,430	2,430	-	2,430
Reserve for special depreciation	200	238	-38	238
Unappropriated retained earnings	37,945	35,116	2,829	35,269
(Net income for the current term)	(5,838)	(894)	(4,944)	(1,047)
Total stockholders' equity	190,586	187,794	2,791	187,947
Total liabilities and stockholders' equity	317,651	341,161	-23,509	301,822

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	43,066	33,769	27.5	129,817
Commissions	26,975	25,861	4.3	93,204
Net gain on trading securities	15,793	7,500	110.6	34,990
Interest and dividend income	297	407	-27.0	1,623
Interest expenses	123	125	-1.9	505
Net operating revenues	42,943	33,644	27.6	129,311
Selling, general and administrative expenses	32,884	31,883	3.1	125,810
Commission and other expenses	4,968	4,862	2.2	20,105
Employees' compensation and benefits	15,868	14,735	7.7	56,091
Real estate expenses	4,847	4,852	-0.1	20,274
Data processing and office supplies	4,824	4,916	-1.9	19,684
Depreciation expenses	1,542	1,666	-7.4	6,869
Taxes other than income taxes	204	202	0.9	458
Others	628	648	-3.0	2,326
Operating income	10,059	1,760	471.5	3,500
Non-operating income	95	69	38.1	278
Non-operating expenses	56	14	299.7	247
Ordinary income	10,098	1,815	456.3	3,531
Extraordinary gains	-	-	-	-
Extraordinary losses	-	52	-	755
Income before income taxes and others	10,098	1,763	472.7	2,776
Income taxes-current	70	60	16.7	250
Income taxes-deferred	4,190	809	417.9	1,479
Net income	5,838	894	552.9	1,047
Unappropriated retained earnings-carryforward	32,107	34,221	-6.2	34,221
Unappropriated retained earnings	37,945	35,116	8.1	35,269

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (861million yen for 2003/6, 675 million yen for 2002/6 and 2,596 million yen for 2003/3) is included in "Commission and other expenses".

Notes to financial statements

The financial statements of the Company for the 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 Financial Statements' (Ministry of Finance Ordinance No. 38, 1977) and its Article 38 and 57.

Basis of financial statements

1. Valuation of financial instruments

(1) Valuation of trading account

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

(2) Valuation of non-trading securities

Securities in non-trading account are valued at moving average cost method, if their fair value is not available.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

Declining-balance method is applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

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

3. Accounting policies for various provisions

(1) Allowance for doubtful accounts

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

(2) Accrued bonuses

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

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of 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.

4. Accounting for certain lease transactions

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

5. Other material items

(Consumption taxes)

Consumption taxes are separately recorded.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets

	<u>As of Jun. 30, 2003</u>	<u>As of Jun. 30, 2002</u>	<u>As of Mar. 31, 2003</u>
	8,473	5,751	7,941

(millions of yen)

Notes to income statements

Details of extraordinary gains/losses

(millions of yen)

	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</u>
Extraordinary losses			
Provision for securities transaction liabilities	-	52	204
Valuation loss of fixed assets	-	-	125
Provision for doubtful accounts	-	-	425

Supplemental information for the first quarter ended June 30, 2003

(Apr. 1, 2003 – Jun. 30, 2003)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First quarter (2003/6)	First quarter (2002/6)	Yr/yr change	Fiscal 2002 (2003/3)
Brokerage commission	9,360	11,773	-20.5%	34,414
(Stock and other)	(9,330)	(11,700)	(-20.3%)	(34,177)
(Bond and other)	(0)	(0)	(3.6%)	(0)
Underwriting	-	-	-	-
Distribution	11,777	6,905	70.5%	31,980
(Bond and other)	(6,072)	(1,804)	(236.5%)	(12,412)
(Beneficiary certificates)	(5,179)	(3,756)	(37.9%)	(13,207)
Other commission	5,838	7,181	-18.7%	26,808
(Beneficiary certificates)	(2,216)	(3,781)	(-41.4%)	(12,425)
Total	26,975	25,861	4.3%	93,204

(2) Asset class

(millions of yen)

	First quarter (2003/6)	First quarter (2002/6)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	10,435	13,705	-23.9%	43,014
Bond and other	7,650	3,278	133.3%	18,789
Beneficiary certificates	7,425	7,611	-2.4%	25,869
Others	1,464	1,266	15.6%	5,531
Total	26,975	25,861	4.3%	93,204

2. Breakdown of trading gains/losses

(millions of yen)

	First quarter (2003/6)	First quarter (2002/6)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	206	155	32.9%	274
Bond, Forex and other	15,587	7,345	112.2%	34,715
Bond and other	(7,903)	(3,934)	(100.9%)	(17,446)
Forex and other	(7,683)	(3,410)	(125.3%)	(17,269)
Total	15,793	7,500	110.6%	34,990

3. Trading volume of stocks (excluding futures transaction) (millions of share, millions of yen)

	First quarter (2003/6)		First quarter (2002/6)		Yr/yr change		Fiscal 2002 (2003/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	3,263	1,336,155	2,576	2,708,099	26.7%	-50.7%	10,128	8,696,724
Dealing (a)	(79)	(56,992)	(218)	(616,288)	(-63.8%)	(-90.8%)	(1,115)	(2,044,243)
Brokerage (b)	(3,184)	(1,279,163)	(2,357)	(2,091,810)	(35.1%)	(-38.8%)	(9,012)	(6,652,480)
b/(a + b)	97.6%	95.7%	91.5%	77.2%	/		89.0%	76.5%
TSE share	1.8%	1.1%	1.9%	1.6%			1.9%	1.5%
Brokerage commission/shares	2.83yen		4.76yen				3.63yen	

4. Underwriting activities (millions of share, millions of yen)

	First quarter (2003/6)	First quarter (2002/6)	Yr/yr change	Fiscal 2002 (2003/6)
Underwriting:	-	-	-	-
Stock (number of shares)	-	-	-	-
(yen amount)	-	-	-	-
Bond (face value)	-	-	-	-
CP & others (face value)	-	-	-	-
Distribution (*)				
Stock (number of shares)	113	8	-	128
(yen amount)	32,113	78,392	-59.0%	246,216
Bond (face value)	500,428	224,151	123.3%	1,268,892
Beneficiary certificates (face value)	1,344,145	1,975,396	-32.0%	5,967,171
CP & others (face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		First quarter Jun. 30, 2003	First quarter Jun. 30, 2002	Fiscal 2002 Mar. 31, 2003
Basic item	Stockholders' equity (A)	190,586	187,794	184,747
Supplementary item	Statutory reserve	826	673	826
	Allowance for doubtful accounts	25	42	22
	Total (B)	851	716	848
	Assets excluded from capital (C)	58,559	61,147	59,903
	Net capital (A)+(B)-(C) (D)	132,878	127,364	125,693
Risk equivalent	Market risk equivalent	371	465	353
	Counterparty risk equivalent	2,210	2,819	2,476
	Basic risk equivalent	29,661	32,920	30,283
	Total (E)	32,244	36,205	33,113
	Capital adequacy ratio (D)/(E)	412.1%	351.7%	379.5%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2002				Fiscal 2003
	First quarter Apr. 1, 2002 - Jun. 30, 2002	Second quarter Jul. 1, 2002 - Sep. 30, 2002	Third quarter Oct. 1, 2002 - Dec. 31, 2002	Fourth quarter Jan. 1, 2003 - Mar. 31, 2003	First quarter Apr. 1, 2003 - Jun. 30, 2003
Operating revenue	33,769	30,653	30,930	34,463	43,066
Commissions	25,861	22,717	23,027	21,597	26,975
Brokerage commission	11,773	7,684	9,512	5,443	9,360
(Stock and other)	11,700	7,601	9,460	5,415	9,330
(Bond and other)	0	0	0	0	0
Underwriting commission	-	-	-	-	-
(Stock and other)	-	-	-	-	-
(Bond and other)	-	-	-	-	-
Distribution commission	6,905	7,224	7,364	10,486	11,777
(Bond and other)	1,804	2,751	2,507	5,349	6,072
(Beneficiary certificate)	3,756	3,184	2,747	3,518	5,179
Other commission	7,181	7,808	6,149	5,667	5,838
(Beneficiary certificate)	3,781	3,528	2,702	2,413	2,216
Net gain on trading	7,500	7,430	7,539	12,518	15,793
(Stock and other)	155	9	18	91	206
(Bond and other)	3,934	3,336	3,939	6,235	7,903
(Forex and other)	3,410	4,084	3,581	6,192	7,683
Interest and dividend income	407	505	363	347	297
Interest expenses	125	131	114	134	123
Net operating revenue	33,644	30,522	30,815	34,329	42,943
Selling, general and administrative expenses:	31,883	31,515	31,271	31,139	32,884
Commission and other expenses	4,862	5,118	4,747	5,376	4,968
Employees' compensation and benefits	14,735	13,845	13,877	13,634	15,868
Real estate expenses	4,852	5,171	5,135	5,114	4,847
Data processing and office supplies	4,916	5,074	5,082	4,611	4,824
Depreciation expenses	1,666	1,696	1,743	1,763	1,542
Taxes other than income taxes	202	86	101	68	204
Others	648	523	583	571	628
Operating income	1,760	-992	-456	3,189	10,059
Non-operating income	69	59	51	98	95
Non-operating expenses	14	66	26	140	56
Ordinary income	1,815	-999	-431	3,147	10,098
Extraordinary gains	-	-	-	-	-
Extraordinary losses	52	137	404	161	-
Income before income taxes and others	1,763	-1,137	-835	2,985	10,098
Income taxes-current	60	60	60	70	70
Income taxes-deferred	809	-414	-301	1,385	4,190
Net income	894	-783	-594	1,530	5,838