

**Daiwa Securities Group Inc.**

April 25, 2003

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

**Consolidated financial summary**

(For fiscal year ended March 31, 2003)

Note: Page 1, 7, 8, 9, 12 and 17 of this "Consolidated financial summary" reflect the press release "Amendment of consolidated financial summary of Daiwa Securities Group Inc. for fiscal year ended March 31, 2003" dated May 7, 2003.

## (1) Operating results (from April 1, 2002 to March 31, 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	
Fiscal 2002 (2003/3)	387,658	(-20.6)%	270,809	(-5.0)%	24,108	(5.9)%	29,200	(13.0)%
Fiscal 2001 (2002/3)	488,044	(-32.0)%	284,932	(-)%	22,769	(-87.3)%	25,849	(-85.5)%

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
Fiscal 2002 (2003/3)	-6,322	(-)%	-4.75	Yen	-	Yen	-1.1	%
Fiscal 2001 (2002/3)	-130,547	(-)%	-98.27		-		-20.3	

(Note)

## 1. Equity in earnings

Fiscal 2002 (2003/3): 265 million yen      Fiscal 2001 (2002/3): 963 million yen

## 2. Average number of shares outstanding (shares)

Fiscal 2002 (2003/3): 1,328,445,508      Fiscal 2001 (2002/3): 1,328,421,515

## 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
Fiscal 2002 (2003/3)	9,502,825	541,718	5.7 %	407.84 Yen
Fiscal 2001 (2002/3)	7,827,306	570,839	7.3	429.68

(Note)

Number of shares outstanding (shares)

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

As of Mar. 31, 2002: 1,328,519,143

## (3) Cash flow summary

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalents
Fiscal 2002 (2003/3)	368,024	67,966	-447,391	422,684
Fiscal 2001 (2002/3)	-875,274	-117,152	1,119,245	439,981

## (4) Scope of consolidation and equity method

Consolidated subsidiaries: 51 companies      Affiliates applicable of equity method: 4 companies

## (5) Change in scope of consolidation and equity method

Consolidated subsidiaries: Addition: 1 company      Exclusion: 1 company

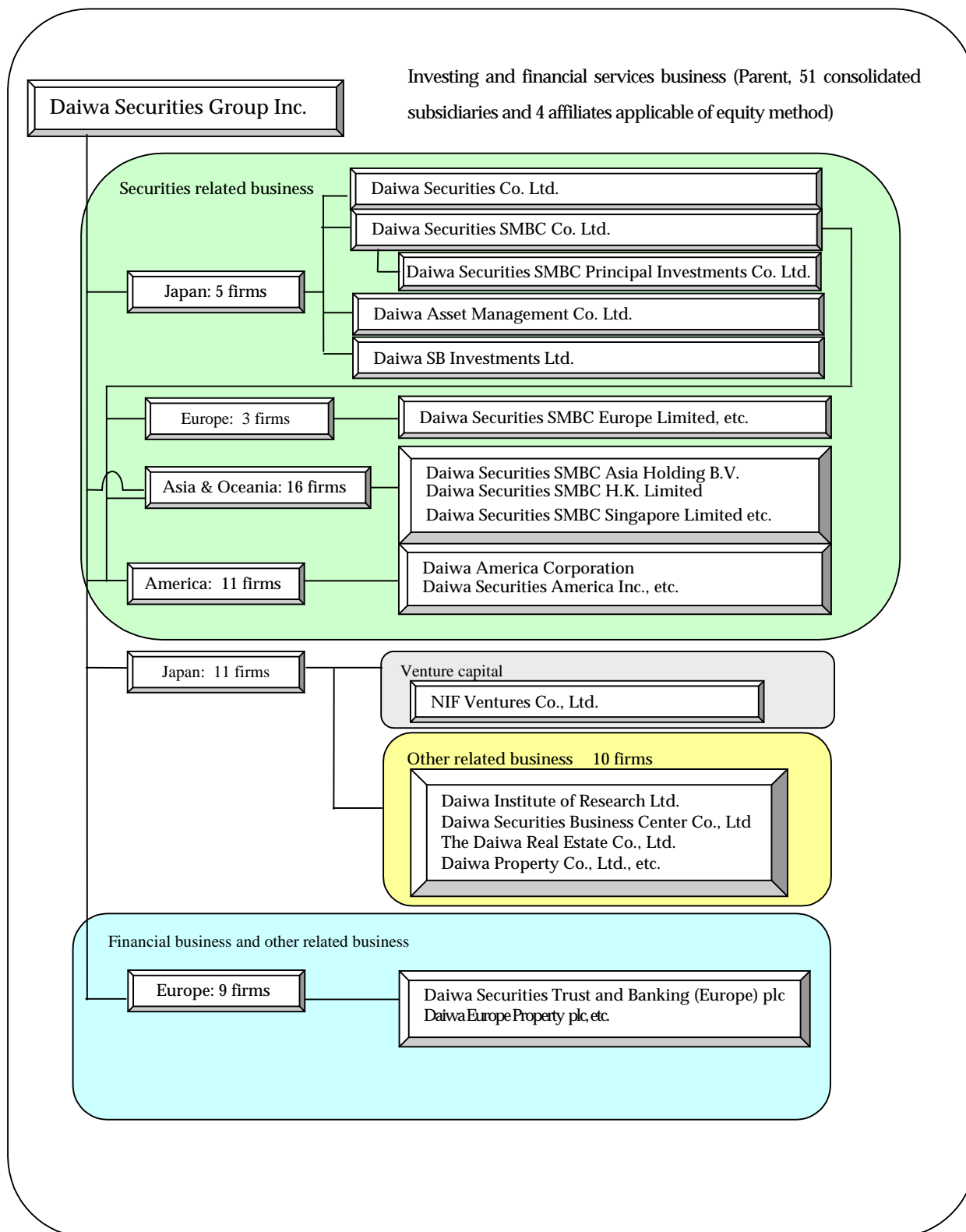
(Note) The Group's principal business is securities business, and the performance is influenced by the market environment. Therefore, the Group considers it difficult to forecast the performance. Instead of forecast, the Group continues to timely disclose quarterly results as beneficial information.

Representative: Yoshinari Hara, President and CEO

Contact: Junichiro Wakimizu, Director and Executive Officer, Phone: +813-3243-2100

### Information on Group Companies

The Company and its related companies, 51 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.



## 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, we aim sustainable growth by considering broader stakeholders such as society and environment.

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

#### (1) Personnel policies

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

We will grow talented people by enforcing our performance-based compensation system and 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.

#### (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 aim to become the number one brokerage house by customer satisfaction by improvement in all sales staffs' consulting skills, reinforcement in product lines with whole group's ability, and thorough after-care.

(2) Daiwa Securities SMBC (Wholesale securities business)

Daiwa Securities SMBC aim to become "The strongest investment bank in Japan", and attempt to expand customer base by offering high-quality products and solutions, and diversified business lines that won't be affected by market condition by strategically investing management resources.

(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. We aim to complete internal control system as well as internal audit system in order to improve effectiveness and efficiency of business by understanding our business risks and evaluating it properly.

Daiwa has one outside director and one outside statutory director.

(2) The present condition of action in order to the repleteness of corporate governance (recent business year)

In order to improve the transparency and to maintain the objectivity of the management supervisory function, we appointed one outside director for the first time, and shortened the director's term of office from two years to one year, at the general meeting of stockholders held on June 2002. And we also introduced exercise of voting via Internet, following the revision of commercial code.

We established Internal Audit and Corporate Ethics Department in February 2003 as written (1) above.

**a. Consolidated operating results for fiscal 2002**

## 1. Summary of operating results for 12 months (comparison with fiscal 2001)

Consolidated net operating revenues decreased 5.0% to 270,809 million yen mainly because a brokerage commission and financial income decreased, although trading gains increased. Consolidated ordinary income increased 13.0% to 29,200 million yen, due to a decrease in selling, general and administrative expenses. Consolidated net income resulted in a loss of 6,322 million yen due to extraordinary losses such as write-down of investment securities.

## (1) Commissions

## (i) Brokerage commission

Brokerage commission declined 21.6% to 46,842 million yen, in line with a decrease of 10.0% in daily average trading value on the Tokyo Stock Exchange.

## (ii) Underwriting commission

Underwriting commission increased 0.5% to 27,945 million yen, as the commissions on public offering increased and underwriting commissions derived from fixed income are favorable, although commissions on initial public offering decreased because of stagnant secondary stock market.

## (iii) Distribution commission

Distribution commission dropped 6.0% to 14,666 million yen, due to a decrease in commission arising from sale of beneficiary certificate.

## (iv) Other commission

Other commission on investment trust decreased 42.8% to 26,535 million yen, due to a decline in trust fee rates and in net asset value of beneficiary certificate. Total other commission declined 20.2% to 54,828 million yen owing to the contribution of M&A and annuities product commissions.

## (2) Net trading gains/losses

Net trading gains on bond, forex and other sharply increased 113.5% to 91,995 million yen, in line with favorable sales of non-Japanese bonds. As a result, total net trading gains increased 48.2% to 93,932 million yen although net trading gains on stock and other decreased 90.5% to 1,936 million yen.

## (3) Financial income

Net financial income decreased 23.3% to 24,113 million yen, with interest and dividend income of 114,707 million yen and interest expenses of 90,594 million yen, primarily due to squeezed profit margin in repurchase agreement transactions in overseas subsidiaries in line with declining interest rates.

## (4) Selling, general &amp; administrative expenses

Selling, general & administrative expenses decreased 5.9% to 246,701 million yen mainly because of decrease in 'commission and other expenses' caused by curtailment in advertisement expenses and 'data processing and office supplies'.

## (5) Extraordinary gains/losses

Extraordinary gains totaled 15,589 million yen, including gain on sale of investment securities of 10,148 million yen and gain on sale of fixed assets of 4,629 million yen. Extraordinary losses totaled 32,945 million yen, including write-down of investment securities of 19,778 million yen and losses on sale or disposal of fixed assets of 4,574 million yen.

## 2. Summary of operating results for 3 months (comparison with the third quarter of fiscal 2002)

Consolidated net operating revenues for the fourth quarter of fiscal 2002 decreased 2.9% to 66,126 million yen because stock-related brokerage commissions decreased due to no transactions for fixing taxpayer's basis for their investments in line with the tax reform from the fourth quarter, and because losses were incurred in operational investment securities. Selling, general & administrative expenses for the fourth quarter decreased 1.2% to 60,494 million yen in line with curtailment despite the increase derived from the reform of social security tax system. As a result, consolidated ordinary income decreased 21.7% to 5,985 million yen. Net income plunged into a loss of 10,998 million yen for this quarter (three months) because of extraordinary losses such as write-down of investment securities of 20,557 million yen.

## 3. Operating results of overseas subsidiaries for fiscal 2002 (12 months)

Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
-2,836	3,528	220	912

**b. Cash flow**

Net cash provided by operating activities was 368,024 million mainly due to increase in payables on collateralized securities transactions, in spite of increase in trading assets, compared with -875,274 million yen for fiscal 2001. Net cash provided by investing activities was 67,966 million yen due to sales of fixed assets and investment securities compared with -117,152 million yen for fiscal 2001. Net cash provided by financing activities was -447,391 million yen due to repayment of borrowings and redemption of bonds compared with 1,119,245 million yen for fiscal 2001. Consequently, cash and cash equivalents after effect of exchange rate fluctuation decreased by 17,296 million yen to 422,684 million yen in comparison with March 31, 2002.

**Consolidated balance sheet****Assets:**

(millions of yen)	<b>Fiscal 2002</b> Mar. 31, 2003	<b>Fiscal 2001</b> Mar. 31, 2002	<b>Increase/ Decrease</b>
<b>Current assets:</b>	<b>8,863,899</b>	<b>7,058,589</b>	<b>1,805,310</b>
Cash and time deposits	438,248	454,559	-16,310
Cash segregated as deposits	105,641	108,610	-2,968
Notes receivable and trade accounts receivable	6,959	15,247	-8,288
Securities	34,893	43,277	-8,384
Trading assets:	4,529,437	2,426,316	2,103,120
Trading securities and others	3,952,894	2,081,231	1,871,662
Derivative assets	576,543	345,085	231,457
Operational investment securities	45,270	42,638	2,631
Allowance for possible investment losses	-4,894	-1,540	-3,353
Other inventories	912	2,559	-1,647
Receivables related to margin transactions:	106,873	125,272	-18,398
Loans receivable from customers for margin transactions	34,419	49,227	-14,807
Cash deposits as collateral for securities borrowed from securities finance companies	72,454	76,045	-3,590
Receivables on collateralized securities transactions:	3,264,811	3,493,653	-228,841
Cash deposits as collateral for securities borrowed	3,264,811	3,355,930	-91,119
Receivables related to gensaki transactions	-	137,722	-137,722
Receivables	4,259	5,631	-1,371
Short-term loans receivable	81,159	104,039	-22,880
Accrued income	15,574	16,597	-1,023
Deferred income tax assets-current	9,145	10,468	-1,323
Other current assets	226,254	214,218	12,036
Less: Allowance for doubtful accounts	-647	-2,960	2,312
<b>Non-current assets:</b>	<b>638,926</b>	<b>768,717</b>	<b>-129,790</b>
Tangible fixed assets	162,339	188,451	-26,112
Intangible fixed assets	53,951	51,047	2,904
Investments and others:	422,634	529,218	-106,583
Investment securities	214,409	310,273	-95,864
Long-term loans receivable	13,605	14,745	-1,140
Long-term guarantee deposits	29,159	31,519	-2,360
Deferred income tax assets-non-current	67,587	79,095	-11,507
Other investments	116,471	111,111	5,359
Less: Allowance for doubtful accounts (non-current)	-18,598	-17,527	-1,071
<b>Total assets</b>	<b>9,502,825</b>	<b>7,827,306</b>	<b>1,675,519</b>

**Liabilities:**

(millions of yen)	<b>Fiscal 2002</b> Mar. 31, 2003	<b>Fiscal 2001</b> Mar. 31, 2002	<b>Increase/ Decrease</b>
<b>Current liabilities:</b>	<b>8,214,980</b>	<b>6,509,555</b>	<b>1,705,424</b>
Notes payable and accounts payable	2,638	4,224	-1,585
Trading liabilities:	1,520,775	1,187,846	332,929
Trading securities and others	996,691	880,968	115,723
Derivative liabilities	524,084	306,878	217,205
Trade date accrual	79,625	169,346	-89,721
Payables related to margin transactions:	53,158	42,432	10,725
Loans from securities finance companies for margin transactions	2,914	3,590	-675
Proceeds of securities sold for margin transactions	50,243	38,842	11,400
Payables on collateralized securities transactions:	4,355,308	2,467,714	1,887,593
Cash deposits as collateral for securities loaned	3,718,029	2,389,617	1,328,412
Payables related to gensaki transactions	637,278	78,096	559,181
Deposits received	140,279	110,320	29,958
Cash deposits received from customers	40,172	43,899	-3,727
Short-term borrowings	1,475,900	1,742,389	-266,488
Commercial paper	332,800	442,100	-109,300
Bonds due within one year	46,010	111,457	-65,447
Accrued income taxes	2,812	2,785	27
Deferred income tax liabilities-current	-	2,086	-2,086
Accrued bonuses	12,053	14,582	-2,528
Provision for real estate business reorganization	-	10,076	-10,076
Other current liabilities	153,444	158,292	-4,847
<b>Non-current liabilities:</b>	<b>588,177</b>	<b>591,274</b>	<b>-3,097</b>
Bonds	414,448	327,213	87,235
Convertible bonds	79,986	116,255	-36,269
Long-term borrowings	71,154	121,917	-50,763
Deferred income tax liabilities-non-current	2,614	8,407	-5,792
Accrued retirement benefits	14,170	11,256	2,914
Other non-current liabilities	5,802	6,225	-422
<b>Statutory reserves</b>	<b>3,891</b>	<b>2,932</b>	<b>959</b>
<b>Total liabilities</b>	<b>8,807,049</b>	<b>7,103,762</b>	<b>1,703,286</b>
<b>Minority interest</b>	<b>154,058</b>	<b>152,704</b>	<b>1,354</b>

**Stockholders' equity:**

(millions of yen)	<b>Fiscal 2002</b> Mar. 31, 2003	<b>Fiscal 2001</b> Mar. 31, 2002	<b>Increase/ Decrease</b>
Common stock	-	138,431	-
Additional paid-in capital	-	117,786	-
Retained earnings	-	311,719	-
Net unrealized gain on securities, net of tax effect	-	12,696	-
Translation adjustments	-	-7,511	-
Treasury stock	-	-2,282	-
Common stock	138,431	-	-
Capital surplus	117,786	-	-
Earned surplus	297,404	-	-
Net unrealized gain on securities, net of tax effect	1,823	-	-
Translation adjustments	-11,321	-	-
Treasury stock	-2,406	-	-
<b>Total stockholders' equity</b>	<b>541,718</b>	<b>570,839</b>	<b>-29,120</b>
<b>Total liabilities, minority interest and stockholders' equity</b>	<b>9,502,825</b>	<b>7,827,306</b>	<b>1,675,519</b>

**Consolidated income statement**

(millions of yen)	<b>Fiscal 2002</b> Apr. 1, 2002- Mar. 31, 2003	<b>Fiscal 2001</b> Apr. 1, 2001- Mar. 31, 2002	<b>Increase / Decrease</b>	<b>Yr/yr % change</b>
<b>Operating revenues:</b>	<b>387,658</b>	<b>488,044</b>	<b>-100,385</b>	<b>-20.6</b>
Commissions	144,282	171,869	-27,586	-16.1
Net gain on trading	93,932	63,392	30,539	48.2
Net gain on operational investment securities	-2,624	3,855	-6,480	-
Interest and dividend income	114,707	195,934	-81,227	-41.5
Other sales revenues	37,361	52,992	-15,630	-29.5
<b>Interest expenses</b>	<b>90,594</b>	<b>164,505</b>	<b>-73,911</b>	<b>-44.9</b>
<b>Cost of sales</b>	<b>26,254</b>	<b>38,606</b>	<b>-12,351</b>	<b>-32.0</b>
<b>Net operating revenues</b>	<b>270,809</b>	<b>284,932</b>	<b>-14,122</b>	<b>-5.0</b>
<b>Selling, general and administrative expenses:</b>	<b>246,701</b>	<b>262,163</b>	<b>-15,462</b>	<b>-5.9</b>
Commission and other expenses	40,652	47,023	-6,370	-13.5
Employees' compensation and benefits	123,904	129,972	-6,068	-4.7
Real estate expenses	33,348	35,090	-1,742	-5.0
Data processing and office supplies	14,708	16,473	-1,765	-10.7
Depreciation expenses	21,067	18,774	2,292	12.2
Taxes other than income taxes	4,670	5,328	-657	-12.3
Others	8,349	9,500	-1,150	-12.1
<b>Operating income</b>	<b>24,108</b>	<b>22,769</b>	<b>1,339</b>	<b>5.9</b>
Non-operating income:	8,157	8,615	-457	-5.3
Equity in earnings	265	963	-698	-72.5
Others	7,892	7,651	240	3.1
Non-operating expenses	3,066	5,535	-2,468	-44.6
<b>Ordinary income</b>	<b>29,200</b>	<b>25,849</b>	<b>3,350</b>	<b>13.0</b>
Extraordinary gains	15,589	31,977	-16,387	-51.2
Extraordinary losses	32,945	177,795	-144,850	-81.5
<b>Income before income taxes and others</b>	<b>11,844</b>	<b>-119,969</b>	<b>131,814</b>	<b>-</b>
<b>Income taxes-current</b>	<b>2,670</b>	<b>2,612</b>	<b>57</b>	<b>2.2</b>
<b>Income taxes-deferred</b>	<b>12,685</b>	<b>2,989</b>	<b>9,696</b>	<b>324.3</b>
<b>Minority interest in income</b>	<b>-2,810</b>	<b>-4,976</b>	<b>2,165</b>	<b>-</b>
<b>Net income</b>	<b>-6,322</b>	<b>-130,547</b>	<b>124,225</b>	<b>-</b>

**Consolidated statement of retained earnings**

(millions of yen)	<b>Fiscal 2002</b> Apr. 1, 2002 -Mar. 31, 2003		<b>Fiscal 2001</b> Apr. 1, 2001 -Mar. 31, 2002
<b>Capital surplus</b>		<b>Beginning balance of retained earnings</b>	<b>459,994</b>
<b>Beginning balance of capital surplus</b>	<b>117,786</b>	Decrease in retained earnings	<b>17,727</b>
Increase in capital surplus	-	Dividends	17,265
Decrease in capital surplus	-	Directors' bonuses	462
		Net income	-130,547
<b>Ending balance of capital surplus</b>	<b>117,786</b>	<b>Ending balance of retained earnings</b>	<b>311,719</b>
<b>Earned surplus</b>			
<b>Beginning balance of earned surplus</b>	<b>311,719</b>		
Increase in earned surplus:	-6,322		
Net income	-6,322		
Decrease in earned surplus:	7,992		
Dividends	7,971		
Directors' bonuses	14		
Net loss on disposal of treasury stock	6		
<b>Ending balance of earned surplus</b>	<b>297,404</b>		

**Consolidated cash flow statement**

(millions of yen)	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003	Fiscal 2001 Apr. 1, 2001- Mar. 31, 2002
<b>1. Cash flows from operating activities:</b>		
Income before income taxes and others	11,844	-119,969
Depreciation	21,067	18,774
Increase in allowance for retirement benefits	2,914	3,728
Increase in allowance for doubtful accounts	126	445
Interest and dividend income	-108,921	-194,617
Interest expenses	91,754	168,339
Equity in earnings	-265	-963
Adjustment of extraordinary gains/losses items:		
Gain on sale of fixed assets	-4,629	-349
Loss on sale or disposal of fixed assets	4,574	2,340
Valuation loss of fixed assets	272	247
Write-down of related companies' stocks	519	5,381
Gain on sale of subsidiary stocks	-	-4,278
Gain on sale of investment securities	-10,148	-9,588
Gain on change in stake in subsidiary	-	-4,068
Loss on sale of investment securities	1,908	9,764
Write-down of investment securities	19,778	21,233
Reversal of multiemployer pension plan	-	-13,691
Reversal of provision for real estate business reorganization	-811	-
Loss on sale of loans receivable	-	128
Expenses for real estate business reorganization	-	127,400
Provision for doubtful accounts	4,151	4,517
Amortization of goodwill	-	5,000
Non-deductible consumption tax relating to goodwill	-	93
Others	1,740	957
(Increase) Decrease in deposits segregated for customer	80	-5,200
Decrease in loans receivable	11,862	306,623
(Increase) Decrease in operational investment securities	-4,357	2,633
(Increase) Decrease in trading assets, net of trading liability	-1,861,066	338,228
(Increase) Decrease in receivables related to margin transactions, net of payables related to margin transactions	29,123	115,681
(Increase) Decrease in receivables on collateralized securities transactions, net of payables on collateralized securities transactions	2,113,919	-1,549,167
Payment on withdrawal from multiemployer pension plan	-	-15,252
Others	11,484	-84,573
<b>Sub-total</b>	<b>336,922</b>	<b>-870,200</b>
Interest and dividend received	110,411	201,303
Interest paid	-92,311	-174,980
Income taxes refunded (paid)	13,001	-31,397
<b>Net cash provided by (used in) operating activities</b>	<b>368,024</b>	<b>-875,274</b>

	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003	Fiscal 2001 Apr. 1, 2001- Mar. 31, 2002
<b>2. Cash flows from investing activities:</b>		
Payments for purchase of securities	-32,853	-97,779
Proceeds from sale and redemption of securities	42,810	159,588
Payments for purchase of tangible fixed assets	-6,106	-11,753
Proceeds from sale of tangible fixed assets	21,114	8,856
Payments for purchase of intangible fixed assets	-14,321	-21,520
Payments for purchase of investment securities	-18,771	-170,670
Proceeds from sale and redemption of investment securities	86,904	51,892
Payments for purchase of subsidiaries' stocks from non-Group shareholders	-320	-15,200
Proceeds from sale of subsidiary stocks	-	6,580
Payments for loan made	-277	-1,321
Proceeds from collection of loan receivables	1,341	1,497
Others	-11,555	-27,322
<b>Net cash provided by (used in) investing activities</b>	<b>67,966</b>	<b>-117,152</b>
<b>3. Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	-416,056	1,152,333
Proceeds from issuance of bonds and convertible bonds	167,690	161,903
Payments for redemption of bonds and convertible bonds	-182,137	-46,835
Proceeds from long-term borrowings	21,800	3,500
Payments for repayment of long-term borrowings	-30,496	-120,704
Issuance of stocks to shareholder with minority interest	-	6,580
Proceeds from exercise of stock option	112	312
Dividends paid	-7,971	-17,265
Dividends paid to minority shareholder	-89	-20,579
Others	-243	-
<b>Net cash provided by (used in) financing activities</b>	<b>-447,391</b>	<b>1,119,245</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>-5,895</b>	<b>9,764</b>
<b>5. Net change in cash and cash equivalents</b>	<b>-17,296</b>	<b>136,582</b>
<b>6. Cash and cash equivalents at beginning of term</b>	<b>439,981</b>	<b>303,398</b>
<b>7. Cash and cash equivalents at end of term</b>	<b>422,684</b>	<b>439,981</b>

## **Notes to consolidated financial statements**

The consolidated financial statements of the Company for fiscal year ended March 31, 2003 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No. 32, 1998), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, September 28, 2001), based on the 'Regulations of Consolidated Financial Statements' (Ministry of Finance Ordinance No. 28, 1976) and its Article 48 and 69.

### **Basis of consolidated financial statements**

#### 1. Scope of consolidation

Consolidated subsidiaries: 51 companies

*Major companies:*

Daiwa Securities Co. Ltd.  
 Daiwa Securities SMBC Co. Ltd.  
 Daiwa Asset Management Co. Ltd.  
 Daiwa Institute of Research Ltd.  
 NIF Ventures Co., Ltd.  
 Daiwa Securities Business Center Co. Ltd.  
 The Daiwa Real Estate Co., Ltd.  
 Daiwa Property Co., Ltd.  
 Daiwa Securities SMBC Europe Limited  
 Daiwa Securities Trust and Banking (Europe) plc  
 Daiwa 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 added to the scope of consolidation due to acquisition of shares, and one overseas subsidiary is excluded from the scope due to liquidation for the current fiscal year.

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 fiscal year of one affiliate applicable of equity method ends other than March 31, 2003, the financial statements for the relevant fiscal year are reflected.

#### 3. Fiscal period of subsidiaries

As the fiscal year of one consolidated subsidiary ends other than March 31, 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) Amortization for deferred assets
  - Bond issue costs are amortized in a lump sum when incurred.
- (4) Accounting policies for various provisions
  - (i) Provision for doubtful accounts
    - The domestic consolidated companies provide the 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 March 31, 2003, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year. Some consolidated subsidiaries provide accrued retirement benefits based on projected benefit obligation. As for the closed pension fund, accrued retirement benefits for the portion of 12 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2003. As for the closed pension fund of some consolidated subsidiaries, the companies accounted their plans as an expiration, according to Item 1 of the Accounting Standards Board (ASB) Guideline and Item 2 of The Practical Issues Task Force (PITF), which has little influence on the consolidated financial statements as a whole.
- (5) Accounting for certain lease transactions
  - Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.
- (6) Hedging transaction
  - Valuation gain or loss on hedging instrument is mainly deferred as assets or liabilities until the gain or loss on underlying hedged instruments is realized. A part of interests received or paid on interest rate swap for hedging are accrued without marking-to-market, and a part of premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without marking-to-market.
- (7) Other material items
  - (Accounting for consumption taxes)
    - Consumption taxes are separately recorded.
  - (Consolidated tax system)
    - Some consolidated subsidiaries apply the consolidated tax system from this fiscal year.
  - (Accounting Standards for the Company's Own Shares and the Withdrawal of Legal Reserve)
    - The Company adopts Accounting Standards for the Company's Own Shares and the Withdrawal of Legal Reserve (ASB Statement No.1) after April 1 2002. Stockholders' equity as of March 31, 2003 is presented in accordance with the amended Regulations of Financial Statements.
- 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. 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 sheet**

## 1. Guarantee

As of Mar. 31, 2003	6,069 million yen
As of Mar. 31, 2002	4,914 million yen

## 2. Subordinated borrowings

Long-term borrowings include the subordinated borrowings stipulated by Article 2 of the 'Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies' (Cabinet Office Ordinance No. 23, 2001).

As of Mar. 31, 2003	40,000 million yen
As of Mar. 31, 2002	40,000 million yen

**Notes to consolidated income statement****Details of extraordinary gains/losses**

(millions of yen)

	<b>Fiscal 2002</b>	<b>Fiscal 2001</b>
	Apr. 1, 2002-	Apr. 1, 2001-
	Mar. 31, 2003	Mar. 31, 2002
<b>Extraordinary gains:</b>		
Gain on sale of fixed assets	4,629	349
Gain on sale of subsidiary stocks	-	4,278
Gain on sale of investment securities	10,148	9,588
Gain on change in stake in subsidiary	-	4,068
Reversal of multiemployer pension plan (Note)	-	13,691
Reversal of provision for real estate business reorganization	811	-
<b>Extraordinary losses:</b>		
Write-down of related companies' stocks	519	5,381
Write-down of investment securities	19,778	21,233
Valuation loss of fixed assets	272	247
Loss on sale or disposal of fixed assets	4,574	2,340
Loss on sale of investment securities	1,908	9,764
Loss on sale of loans receivable	-	128
Provision for doubtful accounts	4,151	4,517
Expenses for real estate business reorganization	-	127,400
Early retirement benefit	-	730
Amortization of goodwill	-	5,000
Non-deductible consumption tax relating to goodwill	-	93
Provision for securities transaction liabilities	959	957
Other	780	-

(Note): The reversal of the provision for multiemployer pension plan is the amount after the deduction of expenses actually paid to Securities Companies' Welfare Pension Fund upon withdrawal.

**Notes to consolidated cash flow statement**

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

	(millions of yen)	
	<b>Fiscal 2002</b>	<b>Fiscal 2001</b>
	Apr. 1, 2002- Mar. 31, 2003	Apr. 1, 2001- Mar. 31, 2002
Cash and deposits	438,248	454,559
Time deposit more than 3 months	-15,563	-14,577
Cash and equivalents	422,684	439,981

**Segment information**

## 1. Net operating revenues by business segment

The Company and its consolidated subsidiaries' world-wide activities include (a) trading in securities and derivatives, (b) brokerage of securities and derivatives, (c) underwriting and distribution of securities, (d) other business related to securities transactions and (e) private offering of securities. These activities include financing and other services. Accordingly, the Company and its subsidiaries operate in a single industry segment, 'Investment and financial services'.

## 2. Net operating revenues by geographic area

'Net operating revenues', 'Selling, general and administrative expenses (S.G. & A. expenses)' and 'Operating income' by geographic area are as follows.

**Fiscal 2002 ended March 31, 2003**

## 1. Net operating revenues and expenses

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

**Fiscal 2001 ended March 31, 2002**

## 1. Net operating revenues and expenses

(millions of yen)	Japan	America	Europe	Asia and Oceania	Total	Elimination/ Unallocated	Consolidated
Net operating revenues from external customers	240,541	16,434	23,022	4,933	284,932	-	284,932
Intersegment revenues	9,724	648	1,530	762	12,665	(12,665)	-
Net operating revenues	250,266	17,082	24,552	5,696	297,598	(12,665)	284,932
S.G. & A. expenses	226,435	15,109	19,501	6,267	267,313	(5,150)	262,163
Operating income (loss)	23,831	1,973	5,051	(571)	30,284	(7,515)	22,769
2. Assets	5,560,405	1,757,738	661,297	72,098	8,051,539	(224,233)	7,827,306

Note: Method of segmentation by geographic area and principal countries of the area belonging to each segment are as follows:

- (1) Method of segmentation by geographic area: Geographical adjacency
- (2) Principal countries of area belonging to each segment area:
  - America: USA
  - Europe: United Kingdom, Germany, Switzerland and France
  - Asia and Oceania: Hong Kong and Singapore

### 3. Overseas net operating revenues

Overseas net operating revenues include those of the Company and its consolidated subsidiaries (excluding inter-company profit) are as follows.

#### **Fiscal 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

#### **Fiscal 2001 ended March 31, 2002**

(millions of yen)	America	Europe	Asia and Oceania	Total
Overseas net operating revenues	20,389	21,195	7,358	48,942
Consolidated net operating revenues	-	-	-	284,932
Percentage of total revenues	7.2	7.4	2.6	17.2

Note: Method of segmentation by geographic area and principal countries of area belonging to each segment are same as '2. Net operating revenues by geographic area'.

## **Notes to Post-Employment benefit plan**

### 1. Post-Employment benefit plan

The Company and domestic consolidated subsidiaries adopt retirement lump-sum system and some of domestic companies adopt the closed pension fund applied only to annuitant. The Company and almost all of domestic consolidated subsidiaries introduced defined contribution pension plan in December, 2001. Some overseas-consolidated subsidiaries adopt defined contribution pension plan.

### 2. Post-employment benefit obligation and provision for employees' retirement allowance on consolidated financial statement

	<u>Fiscal 2002 (Mar. 31, 2003)</u>	<u>Fiscal 2001 (Mar. 31, 2002)</u>
(1) Post-employment benefit obligation		
Accrued retirement benefits:	14,170 million yen	11,256 million yen
(2) Provision for employees' retirement allowance		
Provision for employees' retirement allowance:	6,341 million yen	6,412 million yen

Note: Provision for employees' retirement allowance is included in "Employees' compensation and benefits" of "Selling, general and administrative expenses".

## 3. Basis of measurement of post –employment benefit obligation

(1) Method of allocation of projected post-employment benefit obligation: Straight-line period method

	<u>Fiscal 2002 (Mar. 31, 2003)</u>	<u>Fiscal 2001 (Mar. 31, 2002)</u>
(2) Discount rate:	0.5% to 0.7%	1.5% to 1.75%
(3) Expected rates of return on asset:	0.5% to 1.0%	1.5% to 1.75%
(4) Term of amortization of net actuarial loss:	5 years	5 years

**Supplemental information for fiscal 2002**

## 1. Breakdown of commission income

**Fiscal year ended March 31, 2003 (A)**

(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	11,803	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

**Fiscal year ended March 31, 2002 (B)**

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	58,280	1,228	244	-	-	59,752
Underwriting	-	-	-	27,818	-	27,818
(Stock and other)	(-)	(-)	(-)	(17,112)	(-)	(17,112)
(Bond and other)	(-)	(-)	(-)	(9,070)	(-)	(9,070)
Distribution	-	-	14,734	875	-	15,610
Other commission	2,387	3,441	46,424	7,619	8,814	68,687
(Agency commission)	(-)	(3,277)	(25,507)	(-)	(-)	(28,785)
Total	60,667	4,670	61,403	36,313	8,814	171,869

**Yr/yr percentage change (Fiscal 2002 ended Mar. 31, 2003 (A) / Fiscal 2001 ended Mar. 31, 2002 (B) - 1)**

(percentage)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	-22.1	-5.3	12.7	-	-	-21.6
Underwriting	-	-	-	0.5	-	0.5
(Stock and other)	(-)	(-)	(-)	(5.7)	(-)	(5.7)
(Bond and other)	(-)	(-)	(-)	(5.0)	(-)	(5.0)
Distribution	-	-	-4.6	-30.5	-	-6.0
Other commission	-23.0	-0.6	-42.8	45.5	35.5	-20.2
(Agency commission)	(-)	(3.5)	(-47.0)	(-)	(-)	(-41.3)
Total	-22.1	-1.8	-33.4	9.2	35.5	-16.1

## 2. Breakdown of net trading gains

	Fiscal 2002 (2003/3)	Fiscal 2001 (2002/3)	Yr/yr % change (%)
Stock and other	1,936	20,307	-90.5
Bond, forex and other	91,995	43,084	113.5
(Bond and other)	(67,194)	(32,943)	(104.0)
(Forex and other)	(24,801)	(10,141)	(144.5)
Total	93,932	63,392	48.2

**Quarterly consolidated income statement (Reference Data)**

(millions of yen)	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
	Jan. 1, 2002- Mar. 31, 2002	Apr. 1, 2002- Jun. 30, 2002	Jul. 1, 2002- Sep. 30, 2002	Oct. 1, 2002- Dec. 31, 2002	Jan. 1, 2003- Mar. 31, 2003
Operating revenue	119,174	100,717	95,198	100,114	91,628
Commissions	41,453	38,990	37,507	34,480	33,305
Brokerage commission	15,331	15,562	10,753	12,328	8,197
(Stock and other)	14,991	15,202	10,399	11,922	7,878
(Bond and other)	252	278	258	340	285
Underwriting commission	5,413	5,988	6,893	7,077	7,986
(Stock and other)	3,382	3,609	4,585	5,014	4,883
(Bond and other)	2,019	2,379	2,194	2,002	2,945
Distribution commission	3,369	3,965	3,634	2,961	4,105
(Beneficiary certificates)	3,028	3,952	3,548	2,868	3,689
Other commission	17,338	13,472	16,226	12,113	13,015
(Beneficiary certificates)	9,587	8,215	7,288	5,876	5,155
Net gain on trading	24,779	24,355	18,686	25,099	25,790
(Stock and other)	8,733	6,276	2,128	3,334	-9,803
(Bond and other)	12,136	12,062	9,657	17,384	28,088
(Forex and other)	3,909	6,016	6,900	4,379	7,504
Net gain on operational investment securities	902	1,001	-744	-281	-2,599
Interest and dividend income	30,755	27,123	30,695	32,218	24,669
Other sales revenues	21,283	9,246	9,054	8,597	10,462
Interest expenses	21,351	21,720	24,716	25,701	18,455
Cost of sales	15,085	6,756	6,162	6,290	7,046
Net operating revenues	82,737	72,240	64,319	68,123	66,126
Selling general and administrative expenses	64,799	62,502	62,465	61,238	60,494
Commission and other expenses	10,716	10,277	10,833	9,958	9,583
Employees' compensation and benefits	32,741	31,923	30,764	30,781	30,434
Real estate expenses	8,956	8,097	9,004	8,384	7,861
Data processing and office supplies	4,172	3,503	3,621	3,872	3,711
Depreciation expenses	5,217	5,143	5,190	5,219	5,513
Taxes other than income taxes	956	1,446	1,101	1,016	1,106
Others	2,037	2,110	1,949	2,006	2,283
Operating income	17,938	9,738	1,853	6,884	5,631
Non-operating income	3,052	2,854	2,746	1,186	1,370
Non-operating expenses	1,490	666	959	423	1,016
Ordinary income	19,500	11,926	3,640	7,647	5,985
Extraordinary gains	8,568	2,325	5,804	961	6,498
Extraordinary losses	8,688	2,195	3,664	6,527	20,557
Income before income taxes and others	19,380	12,056	5,780	2,081	-8,073
Income taxes-current	406	1,447	2,471	261	-1,509
Income taxes-deferred	3,506	2,976	1,015	2,774	5,918
Minority interest in income	-2,668	-1,845	-859	-1,589	1,484
Net income	12,798	5,785	1,434	-2,544	-10,998

**Daiwa Securities Group Inc.**

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

April 25, 2003

**Non-consolidated financial summary**  
(For fiscal year ended March 31, 2003)

## (1) Operating results (from April 1, 2002 to March 31, 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	
Fiscal 2002 (2003/3)	70,124	(28.0)%	56,303	(38.2)%	57,235	(35.0)%
Fiscal 2001 (2002/3)	54,793	(83.2)%	40,737	(212.4)%	42,400	(241.4)%

	Net income		Earnings/share		Fully diluted earnings/share		Return on stockholders' equity (annual basis)	
Fiscal 2002 (2003/3)	-19,794	(-)%	-14.89	Yen	-	Yen	-3.3	%
Fiscal 2001 (2002/3)	-109,612	(-)%	-82.51		-		-16.0	

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

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

Fiscal 2001 (2002/3): 1,328,421,515

2. Change in accounting policies: None

## (2) Dividends

	Dividend / share			Dividends Millions of yen	Pay-out ratio %	Dividends on stockholders' equity %
	Yen	Interim Yen	Full year Yen			
Fiscal 2002 (2003/3)	6.00	-	6.00	7,969	-	1.4
Fiscal 2001 (2002/3)	6.00	-	6.00	7,971	-	1.3

## (3) Financial conditions

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

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity/share
Fiscal 2002 (2003/3)	1,216,271	582,658	47.9 %	438.66 Yen
Fiscal 2001 (2002/3)	1,262,149	617,697	48.9	464.95

Note 1. Number of shares outstanding (shares)

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

As of Mar. 31, 2002: 1,328,519,143

2. Treasury stock (shares)

As of Mar. 31, 2003: 3,469,769

As of Mar. 31, 2002: 3,216,115

(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: Junichiro Wakimizu, Director and Executive Officer, Phone: +813-3243-2100

**Balance Sheet**

<b>Assets</b> <b>(millions of yen)</b>	<b>Fiscal 2002</b> Mar. 31, 2003	<b>Fiscal 2001</b> Mar. 31, 2002	<b>Increase/ Decrease</b>
<b>Current assets:</b>	<b>300,909</b>	<b>432,321</b>	<b>-131,411</b>
Cash and time deposits	145,599	123,264	22,334
Short-term loans receivable	136,729	293,536	-156,806
Accounts receivable	14,734	12,516	2,217
Accrued income	1,650	2,589	-938
Other current assets	2,195	2,064	130
Less: Allowance for doubtful accounts	-	-1,650	1,650
<b>Non-current assets:</b>	<b>915,361</b>	<b>829,828</b>	<b>85,533</b>
Tangible fixed assets	10,151	10,368	-217
Intangible fixed assets	577	626	-48
Investments and others:	904,632	818,833	85,799
Investment securities	628,494	693,854	-65,359
Long-term loans receivable	231,440	75,710	155,729
Long-term guarantee deposits	33,017	35,799	-2,782
Others	12,443	16,028	-3,584
Less: Allowance for doubtful accounts	-763	-2,559	1,796
<b>Total assets</b>	<b>1,216,271</b>	<b>1,262,149</b>	<b>-45,878</b>

<b>Liabilities</b> <b>(millions of yen)</b>	<b>Fiscal 2002</b> Mar. 31, 2003	<b>Fiscal 2001</b> Mar. 31, 2002	<b>Increase/ Decrease</b>
<b>Current liabilities:</b>	<b>411,129</b>	<b>322,386</b>	<b>88,742</b>
Short-term borrowings	287,360	166,660	120,700
Commercial paper	43,000	76,000	-33,000
Bonds due within one year	36,269	19,440	16,829
Payables on collateralized securities transactions	40,529	45,776	-5,247
Accrued income taxes	9	13	-4
Accrued bonuses	250	370	-120
Provision for subsidiaries' real estate business reorganization	-	10,076	-10,076
Stock purchase warrant	501	501	-
Other current liabilities	3,209	3,548	-338
<b>Non-current liabilities:</b>	<b>222,483</b>	<b>322,065</b>	<b>-99,581</b>
Bonds	108,400	108,400	-
Convertible bonds	79,986	116,255	-36,269
Long-term borrowings	6,000	62,000	-56,000
Long-term cash deposits received	23,148	25,675	-2,527
Deferred income taxes liabilities	2,535	7,888	-5,352
Accrued retirement benefits	2,098	1,386	711
Other non-current liabilities	315	459	-143
<b>Total liabilities</b>	<b>633,612</b>	<b>644,452</b>	<b>-10,839</b>
<b>Stockholders' equity:</b>			
Common stock	-	138,431	-
Additional paid-in capital	-	117,786	-
Earned surplus reserve	-	45,335	-
Other surplus	-	307,554	-
General-purpose reserve	-	417,000	-
Unappropriated retained earnings including net income -109,612 million yen for Fiscal 2001	-	-109,445	-
Net unrealized gain on investment securities, net of tax effect	-	10,871	-
Treasury stock	-	-2,282	-
Common stock	138,431	-	-
Capital surplus	117,786	-	-
Additional paid-in capital	117,786	-	-
Earned surplus	325,118	-	-
Earned surplus reserve	45,335	-	-
General-purpose reserve	299,000	-	-
Unappropriated retained earnings including net income -19,794 million yen for the current term	-19,216	-	-
Net unrealized gain on investment securities, net of tax effect	3,727	-	-
Treasury stock	-2,405	-	-
<b>Total stockholders' equity</b>	<b>582,658</b>	<b>617,697</b>	<b>-35,039</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,216,271</b>	<b>1,262,149</b>	<b>-45,878</b>

**Income Statement**

<b>(millions of yen)</b>	<b>Fiscal 2002</b> Apr. 1, 2002 - Mar. 31, 2003	<b>Fiscal 2001</b> Apr. 1, 2001 - Mar. 31, 2002	<b>Increase/ Decrease</b>	<b>Yr/yr % change</b>
<b>Operating revenues:</b>	<b>70,124</b>	<b>54,793</b>	<b>15,330</b>	<b>28.0</b>
Dividends from related companies	61,235	42,988	18,246	42.4
Interest on loans to related companies	6,233	5,350	883	16.5
Other interest and dividend income	59	77	-18	-23.6
Royalty on trademark	2,596	6,377	-3,780	-59.3
<b>Operating expenses:</b>	<b>13,821</b>	<b>14,056</b>	<b>-234</b>	<b>-1.7</b>
Selling, general and administrative expenses:	7,582	8,165	-583	-7.1
Commission and other expenses	1,249	1,469	-219	-15.0
Employees' compensation and benefits	3,394	3,334	60	1.8
Real estate expenses	605	798	-192	-24.1
Data processing and office supplies	904	828	76	9.2
Depreciation expenses	364	554	-190	-34.3
Others	1,062	1,180	-118	-10.0
Interest expenses	6,239	5,890	348	5.9
<b>Operating income</b>	<b>56,303</b>	<b>40,737</b>	<b>15,565</b>	<b>38.2</b>
Non-operating income	1,634	2,436	-802	-32.9
Non-operating expenses	701	773	-72	-9.3
<b>Ordinary income</b>	<b>57,235</b>	<b>42,400</b>	<b>14,835</b>	<b>35.0</b>
Extraordinary gains	7,477	10,542	-3,064	-29.1
Extraordinary losses	84,498	162,540	-78,041	-48.0
<b>Income before income taxes</b>	<b>-19,785</b>	<b>-109,598</b>	<b>89,813</b>	<b>-</b>
Income taxes-current	9	14	-5	-37.5
Income taxes-deferred	-	-	-	-
<b>Net income</b>	<b>-19,794</b>	<b>-109,612</b>	<b>89,818</b>	<b>-</b>
Net loss on disposal of treasury stock	6	-	-	-
Unappropriated retained earnings-carryforward	583	167	416	248.3
<b>Unappropriated retained earnings at ending</b>	<b>-19,216</b>	<b>-109,445</b>	<b>90,228</b>	<b>-</b>

**Statement of appropriation of retained earnings**

(millions of yen)

( Appropriation plan )

	Fiscal 2002 Apr. 1, 2002- Mar. 31, 2003		Fiscal 2001 Apr. 1, 2001- Mar. 31, 2002	
	Unappropriated retained earnings		-19,216	
Reversal of voluntary reserve		28,000		118,000
Reversal of other reserve	28,000		118,000	
Total		8,783		8,554
Appropriations of retained earnings		7,969		7,971
Cash dividends (*)	7,969		7,971	
Unappropriated retained earnings carried forward		813		583

(\*) Cash dividends for fiscal year 2001: 6 yen per share

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

**Notes to financial statements**

The financial statements of the Company for fiscal 2002 ended March 31, 2003 are prepared in accordance with 'Regulations of Financial Statements' (MOF Ordinance No. 59, 1963).

In accordance with the amendment of the 'Regulations of Financial Statements', the method of presentation for balance sheet for this fiscal year are changed.

**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 March 31, 2002, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year. As for the closed pension fund, accrued retirement benefits for the portion of 12 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2003.

## 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.

## (Accounting Standards for the Company's Own Shares and the Withdrawal of Legal Reserve)

The Company adopts Accounting Standards for the Company's Own Shares and the Withdrawal of Legal Reserve (ASB Statement No.1) after April 1 2002. Stockholders' equity as of March 31, 2003 is presented in accordance with the amended Regulations of Financial Statements.

**Notes to balance sheet**

## 1. Accumulated depreciation of tangible fixed assets

As of Mar. 31, 2003	As of Mar. 31, 2002
3,257 million yen	3,643 million yen

## 2. Guarantee

As of Mar. 31, 2003	As of Mar. 31, 2002
22,461 million yen	116,770 million yen

## 3. Fair value of subsidiary and affiliated company stocks as of Mar. 31, 2003 (millions of yen)

	Carrying value	Fair value	Difference
Subsidiary	16,121	16,121	-
Affiliated company	274	274	-

**Notes to income statement**

Details of extraordinary gains/losses

(millions of yen)

	<b><u>Fiscal 2002</u></b> Apr. 1, 2002- Mar. 31, 2003	<b><u>Fiscal 2001</u></b> Apr. 1, 2001- Mar. 31, 2002
<b>Extraordinary gains:</b>		
Gain on sale of fixed assets	27	125
Gain on sale of investment securities	6,638	9,189
Reversal of multiemployer pension plan (Note)	-	1,227
Reversal of provision for subsidiaries' real estate business reorganization	811	-
<b>Extraordinary losses:</b>		
Write-down of related companies' stocks	69,030	8,005
Write-down of investment securities	14,329	18,022
Valuation loss of fixed assets	-	31
Loss on sale or disposal of fixed assets	200	78
Loss on sale of investment securities	700	6,215
Provision for doubtful accounts	235	2,793
Expenses for subsidiaries' real estate business reorganization	-	127,286
Early retirement benefit	-	107

(Note): The reversal of the provision for multiemployer pension plan is the amount after the deduction of expenses actually paid to Securities Companies' Welfare Pension Fund upon withdrawal.