

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku
Tokyo 100-8101, Japan
(URL <http://www.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.

| | 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 |
| Fiscal 2002 (2003/3) | 129,817 | (1.8) % | 129,311 | (2.1) % | 3,500 | (-) % |
| Fiscal 2001 (2002/3) | 127,541 | | 126,713 | | -11,253 | |

| | Ordinary income | | Net income | | Return on stockholders' equity | |
|----------------------|-----------------|--------------|-----------------|--------------|--------------------------------|---|
| | Millions of yen | Yr/yr change | Millions of yen | Yr/yr change | (Annual basis) | % |
| Fiscal 2002 (2003/3) | 3,531 | (-) % | 1,047 | (-) % | 0.6 | |
| Fiscal 2001 (2002/3) | -11,028 | | -3,641 | | -1.9 | |

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 Mar. 31, 2003 | 301,822 | 187,947 | 62.3 | 379.5 |
| As of Mar. 31, 2002 | 330,137 | 186,900 | 56.6 | 328.0 |

Note. Number of shares outstanding (shares):

As of Mar. 31, 2003: 3,200

As of Mar. 31, 2002: 3,200

Representative: Yoshinari Hara, President
Contact: Yoshiaki Bai, General Manager, Finance Department

Phone: +813-3243-2111

Balance Sheet

(millions of yen)

| | Fiscal 2002 Mar. 31 2003 | Fiscal 2001 Mar. 31 2002 | Increase/ Decrease |
|---|-----------------------------|-----------------------------|-----------------------|
| <i>Assets</i> | | | |
| Current assets: | 243,428 | 268,909 | -25,481 |
| Cash and time deposits | 61,552 | 70,856 | -9,303 |
| Cash segregated as deposits | 70,143 | 70,591 | -447 |
| Trading assets: | 36,746 | 36,316 | 430 |
| Trading securities and others | 36,136 | 35,779 | 357 |
| Derivative assets | 609 | 536 | 72 |
| Trade date accrual | 377 | 2,279 | -1,901 |
| Receivables related to margin transactions: | 37,928 | 55,019 | -17,090 |
| Loans receivable from customers for margin transactions | 34,363 | 49,218 | -14,854 |
| Cash deposits as collateral for securities borrowed from securities finance companies | 3,565 | 5,800 | -2,235 |
| Receivable on collateralized securities transactions | 3,599 | 6,025 | -2,425 |
| Cash deposits as collateral for securities borrowed | 3,599 | 6,025 | -2,425 |
| Receivables | 3,914 | 4,013 | -99 |
| Short-term guarantee money deposited | 2,464 | 2,625 | -160 |
| Short-term loans receivable | 11,512 | 2,637 | 8,874 |
| Accrued income | 5,941 | 7,431 | -1,489 |
| Deferred income tax assets-current | 7,272 | 9,752 | -2,480 |
| Other current assets | 2,002 | 1,756 | 246 |
| Less: Allowance for doubtful accounts-current | -27 | -393 | 366 |
| Non-current assets: | 58,394 | 61,227 | -2,833 |
| Tangible fixed assets | 7,226 | 10,116 | -2,890 |
| Intangible fixed assets | 18,464 | 16,784 | 1,680 |
| Investments and others: | 32,703 | 34,326 | -1,623 |
| Investment securities | 686 | 516 | 170 |
| Long-term loans receivable | 4,874 | 4,874 | 0 |
| Long-term guarantee deposits | 22,877 | 25,284 | -2,407 |
| Deferred income tax assets-non-current | 2,831 | 1,830 | 1,001 |
| Other investments | 2,534 | 2,030 | 504 |
| Less: Allowance for doubtful accounts-non-current | -1,101 | -208 | -892 |
| Total assets | 301,822 | 330,137 | -28,315 |

(millions of yen)

| | Fiscal 2002 Mar. 31 2003 | Fiscal 2001 Mar. 31 2002 | Increase/ Decrease |
|---|-----------------------------|-----------------------------|-----------------------|
| <i>Liabilities</i> | | | |
| Current liabilities: | 107,035 | 137,753 | -30,718 |
| Trading liabilities: | 115 | 488 | -373 |
| Trading securities and others | 0 | 443 | -443 |
| Derivative liabilities | 115 | 45 | 70 |
| Payables related to margin transactions: | 10,367 | 17,881 | -7,513 |
| Loans from securities finance companies for margin transaction | 2,914 | 3,590 | -675 |
| Proceeds of securities sold for margin transactions | 7,452 | 14,290 | -6,837 |
| Deposits received | 46,976 | 53,303 | -6,327 |
| Cash deposits received from customers | 10,500 | 14,854 | -4,353 |
| Short-term borrowings | 27,000 | 37,000 | -10,000 |
| Accrued expenses | 5,468 | 6,165 | -697 |
| Accrued income taxes | 266 | 118 | 148 |
| Accrued bonuses | 4,700 | 5,500 | -800 |
| Other current liabilities | 1,640 | 2,441 | -800 |
| Non-current liabilities: | 6,013 | 4,861 | 1,151 |
| Accrued retirement benefits | 5,688 | 4,636 | 1,051 |
| Other non-current liabilities | 324 | 224 | 99 |
| Statutory reserves: | 826 | 621 | 204 |
| Reserve for securities transaction liabilities | 826 | 621 | 204 |
| Total liabilities | 113,874 | 143,237 | -29,362 |
| <i>Stockholders' equity</i> | | | |
| Common stock | - | 100,000 | - |
| Legal reserve: | - | 52,440 | - |
| Additional paid-in capital | - | 50,010 | - |
| Earned surplus reserve | - | 2,430 | - |
| Retained earnings: | - | 34,460 | - |
| Special reserve for depreciation | - | 367 | - |
| Unappropriated retained earnings | - | 34,093 | - |
| including net income -3,641 million yen for FY2001 | | | |
| Common stock | 100,000 | - | - |
| Capital surplus | 50,010 | - | - |
| Additional paid-in capital | 50,010 | - | - |
| Earned surplus | 37,937 | - | - |
| Earned surplus reserve | 2,430 | - | - |
| Special reserve for depreciation | 238 | - | - |
| Unappropriated retained earnings | 35,269 | - | - |
| including net income 1,047 million yen for the FY2002 | | | |
| Total stockholders' equity | 187,947 | 186,900 | 1,047 |
| Total liabilities and stockholders' equity | 301,822 | 330,137 | -28,315 |

Income Statement

(millions of yen)

| | Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003 | Fiscal 2001 Apr. 1, 2001 - Mar. 31, 2002 | Increase/ Decrease | Yr/yr Change (%) |
|---|--|--|-----------------------|---------------------|
| Operating revenues | 129,817 | 127,541 | 2,276 | 1.8 |
| Commissions | 93,204 | 103,774 | -10,569 | -10.2 |
| Net gain on trading securities | 34,990 | 21,897 | 13,092 | 59.8 |
| Interest and dividend income | 1,623 | 1,869 | -246 | -13.2 |
| Interest expenses | 505 | 828 | -322 | -38.9 |
| Net operating revenues | 129,311 | 126,713 | 2,598 | 2.1 |
| Selling, general and administrative expenses | 125,810 | 137,966 | -12,155 | -8.8 |
| Commission and other expenses | 20,105 | 26,988 | -6,882 | -25.5 |
| Employees' compensation and benefits | 56,091 | 56,721 | -629 | -1.1 |
| Real estate expenses | 20,274 | 24,337 | -4,062 | -16.7 |
| Data processing and office supplies | 19,684 | 21,955 | -2,271 | -10.3 |
| Depreciation expenses | 6,869 | 4,845 | 2,024 | 41.8 |
| Taxes other than income taxes | 458 | 419 | 38 | 9.3 |
| Others | 2,326 | 2,699 | -372 | -13.8 |
| Operating income | 3,500 | -11,253 | 14,753 | - |
| Non-operating income | 278 | 300 | -22 | -7.5 |
| Non-operating expenses | 247 | 75 | 171 | 226.2 |
| Ordinary income | 3,531 | -11,028 | 14,559 | - |
| Extraordinary gains | - | 6,673 | -6,673 | - |
| Extraordinary losses | 755 | 1,090 | -334 | -30.7 |
| Income before income taxes and others | 2,776 | -5,444 | 8,220 | - |
| Income taxes-current | 250 | 250 | - | - |
| Income taxes-deferred | 1,479 | -2,053 | 3,532 | - |
| Net income | 1,047 | -3,641 | 4,688 | - |
| Unappropriated retained earnings-carryforward | 34,221 | 37,734 | -3,512 | -9.3 |
| Unappropriated retained earnings | 35,269 | 34,093 | 1,175 | 3.4 |

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (2,596 million yen for 2003/3 and 6,377 million yen for 2002/3) is included in "Commission and other expenses".

Statement of appropriation of retained earnings

| | (Appropriation plan) | | (millions of yen) | |
|--|----------------------|--|-------------------|--|
| | Fiscal 2002 | | Fiscal 2001 | |
| Unappropriated retained earnings | 35,269 | | 34,093 | |
| Reversal of reserve for special depreciation | 38 | | 128 | |
| Total | 35,307 | | 34,221 | |
| Appropriations of retained earnings | 3,200 | | - | |
| Cash dividends(*) | 3,200 | | - | |
| Unappropriated retained earnings carried forward | 32,107 | | 34,221 | |

(*) Cash dividends for fiscal year 2002: 1,000,000 yen per share

Notes to financial statements

The financial statements of the Company for fiscal 2002 ended March 31, 2003 are prepared in accordance with the "Enforcement Regulations of Commercial Law" (Ministry of Justice Ordinance No.22, 2002), 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).

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 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.

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

A premium or discount on forward foreign exchange contracts to hedge foreign currency denominated deposits is allocated to each fiscal term without marking-to-market.

6. Other material items

(1) Consumption taxes

Consumption taxes are separately recorded.

(2) Changes in presentation of stockholders' equity

Stockholders' equity as of March 31, 2003 is presented in accordance with the "Enforcement Regulations of Commercial Law".

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets

| <u>As of Mar. 31, 2003</u> | <u>As of Mar. 31, 2002</u> |
|----------------------------|----------------------------|
| 7,941 | 4,972 |

(millions of yen)

Notes to income statement

Details of extraordinary gains/losses

| | Fiscal 2002 <u>Apr. 1, 2002 – Mar. 31, 2003</u> | Fiscal 2001 <u>Apr. 1, 2001 – Mar. 31, 2002</u> |
|--|--|--|
| Extraordinary gains | | |
| Reversal of the provision for multiemployer pension plan(Note) | - | 6,562 |
| Reversal of allowance for doubtful accounts | - | 111 |
| Extraordinary losses | | |
| Early retirement benefit | - | 338 |
| Valuation loss of fixed assets | 125 | 217 |
| Provision for securities transaction liabilities | 204 | 188 |
| Loss on sale or disposal of fixed assets | - | 173 |
| Cancel money for lease | - | 172 |
| Provision for doubtful accounts | 425 | - |

(millions of yen)

(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.

Supplemental information for fiscal 2002

(Apr. 1, 2002 – Mar. 31, 2003)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

| | Fiscal 2002 (2003/3) | Fiscal 2001 (2002/3) | Yr/yr change |
|----------------------------|-------------------------|-------------------------|-----------------|
| Brokerage commission | 34,414 | 43,466 | -20.8% |
| (Stock and other) | (34,177) | (43,234) | -20.9% |
| (Bond and other) | (0) | (3) | -76.9% |
| Underwriting | - | - | - |
| Distribution | 31,980 | 26,100 | 22.5% |
| (Beneficiary certificates) | (13,207) | (14,047) | -6.0% |
| Other commission | 26,808 | 34,207 | -21.6% |
| (Beneficiary certificates) | (12,425) | (22,097) | -43.8% |
| Total | 93,204 | 103,774 | -10.2% |

(2) Asset class

(millions of yen)

| | Fiscal 2002 (2003/3) | Fiscal 2001 (2002/3) | Yr/yr change |
|--------------------------|-------------------------|-------------------------|-----------------|
| Stock and other | 43,014 | 52,125 | -17.5% |
| Bond and other | 18,789 | 12,505 | 50.3% |
| Beneficiary certificates | 25,869 | 36,373 | -28.9% |
| Others | 5,531 | 2,769 | 99.7% |
| Total | 93,204 | 103,774 | -10.2% |

2. Breakdown of trading gains/losses

(millions of yen)

| | Fiscal 2002 (2003/3) | Fiscal 2001 (2002/3) | Yr/yr change |
|-----------------------|-------------------------|-------------------------|-----------------|
| Stock and other | 274 | 64 | 326.9% |
| Bond, Forex and other | 34,715 | 21,832 | 59.0% |
| Bond and other | (17,446) | (13,684) | 27.5% |
| Forex and other | (17,269) | (8,148) | 111.9% |
| Total | 34,990 | 21,897 | 59.8% |

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

| | Fiscal 2002 (2003/3) | | Fiscal 2001 (2002/3) | | Yr/yr change | |
|--------------------------------|-------------------------|-------------|-------------------------|-------------|---------------------|--------|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount |
| Total | 10,128 | 8,696,724 | 9,262 | 6,340,116 | 9.3% | 37.2% |
| Dealing (a) | (1,115) | (2,044,243) | (509) | (491,521) | 118.9% | 315.9% |
| Brokerage (b) | (9,012) | (6,652,480) | (8,753) | (5,848,595) | 3.0% | 13.7% |
| b/(a + b) | 89.0% | 76.5% | 94.5% | 92.2% | / | |
| TSE share | 1.9% | 1.5% | 1.9% | 1.3% | | |
| Brokerage commission/Shares | 3.63 yen | | 4.72 yen | | | |

4. Underwriting activities

(millions of share, millions of yen)

| | Fiscal 2002 (2003/3) | Fiscal 2001 (2002/3) | Yr/yr change |
|---------------------------------------|-------------------------|-------------------------|-----------------|
| <u>Underwriting:</u> | - | - | - |
| Stock (number of shares) | - | - | - |
| (yen amount) | - | - | - |
| Bond (face value) | - | - | - |
| CP & others (face value) | - | - | - |
| <u>Distribution (*)</u> | | | |
| Stock (number of shares) | 128 | 51 | 150.5% |
| (yen amount) | 246,216 | 216,025 | 14.0% |
| Bond (face value) | 1,268,892 | 873,391 | 45.3% |
| Beneficiary certificates (face value) | 5,967,171 | 8,120,265 | -26.5% |
| CP & others (face value) | - | - | - |

(*)Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

| | | Mar. 31, 2003 | Mar. 31, 2002 |
|----------------------------------|---------------------------------|---------------|---------------|
| Basic item | Stockholders' equity (A) | 184,747 | 186,900 |
| Supplementary item | Statutory reserve | 826 | 621 |
| | Allowance for doubtful accounts | 22 | 53 |
| | Total (B) | 848 | 675 |
| Assets excluded from capital (C) | | 59,903 | 63,679 |
| Net capital (A)+(B)-(C) (D) | | 125,693 | 123,896 |
| Risk equivalent | Market risk equivalent | 353 | 513 |
| | Counterparty risk equivalent | 2,476 | 2,688 |
| | Basic risk equivalent | 30,283 | 34,568 |
| | Total (E) | 33,113 | 37,770 |
| Capital adequacy ratio (D)/(E) | | 379.5% | 328.0% |

(Reference Data)

Quarterly income statement

(millions of yen)

| | Fiscal 2001 | Fiscal 2002 | | | |
|---|---|--|---|--|---|
| | Fourth quarter Jan. 1, 2002 - Mar. 31, 2002 | 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 |
| Operating revenue | 33,031 | 33,769 | 30,653 | 30,930 | 34,463 |
| Commissions | 25,027 | 25,861 | 22,717 | 23,027 | 21,597 |
| Brokerage commission | 10,208 | 11,773 | 7,684 | 9,512 | 5,443 |
| (Stock and other) | 10,130 | 11,700 | 7,601 | 9,460 | 5,415 |
| (Bond and other) | 0 | 0 | 0 | 0 | 0 |
| Underwriting commission | - | - | - | - | - |
| (Stock and other) | - | - | - | - | - |
| (Bond and other) | - | - | - | - | - |
| Distribution commission | 5,954 | 6,905 | 7,224 | 7,364 | 10,486 |
| (Beneficiary certificate) | 2,734 | 3,756 | 3,184 | 2,747 | 3,518 |
| Other commission | 8,863 | 7,181 | 7,808 | 6,149 | 5,667 |
| (Beneficiary certificate) | 4,708 | 3,781 | 3,528 | 2,702 | 2,413 |
| Net gain on trading | 7,620 | 7,500 | 7,430 | 7,539 | 12,518 |
| (Stock and other) | 162 | 155 | 9 | 18 | 91 |
| (Bond and other) | 4,652 | 3,934 | 3,336 | 3,939 | 6,235 |
| (Forex and other) | 2,805 | 3,410 | 4,084 | 3,581 | 6,192 |
| Interest and dividend income | 383 | 407 | 505 | 363 | 347 |
| Interest expenses | 203 | 125 | 131 | 114 | 134 |
| Net operating revenue | 32,827 | 33,644 | 30,522 | 30,815 | 34,329 |
| Selling, general and administrative expenses: | 32,968 | 31,883 | 31,515 | 31,271 | 31,139 |
| Commission and other expenses | 6,327 | 4,862 | 5,118 | 4,747 | 5,376 |
| Employees' compensation and benefits | 13,878 | 14,735 | 13,845 | 13,877 | 13,634 |
| Real estate expenses | 5,648 | 4,852 | 5,171 | 5,135 | 5,114 |
| Data processing and office supplies | 4,787 | 4,916 | 5,074 | 5,082 | 4,611 |
| Depreciation expenses | 1,631 | 1,666 | 1,696 | 1,743 | 1,763 |
| Taxes other than income taxes | 64 | 202 | 86 | 101 | 68 |
| Others | 629 | 648 | 523 | 583 | 571 |
| Operating income | -140 | 1,760 | -992 | -456 | 3,189 |
| Non-operating income | 119 | 69 | 59 | 51 | 98 |
| Non-operating expenses | -137 | 14 | 66 | 26 | 140 |
| Ordinary income | 116 | 1,815 | -999 | -431 | 3,147 |
| Extraordinary gains | -94 | - | - | - | - |
| Extraordinary losses | 802 | 52 | 137 | 404 | 161 |
| Income before income taxes and others | -780 | 1,763 | -1,137 | -835 | 2,985 |
| Income taxes-current | 50 | 60 | 60 | 60 | 70 |
| Income taxes-deferred | -264 | 809 | -414 | -301 | 1,385 |
| Net income | -566 | 894 | -783 | -594 | 1,530 |