

Consolidated financial summary

(For the third quarter ended December 31, 2002)

(1) Operating results (from April 1, 2002 to December 31, 2002)

(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
Third quarter (2002/12)	296,030 (-19.7)%	204,683 (1.2)%	18,477 (282.5)%	23,214 (265.6)%
Third quarter (2001/12)	368,869	202,194	4,830	6,348
Fiscal 2001 (2002/3)	488,044	284,932	22,769	25,849

	Net income	Earnings/share	Fully diluted earnings/share	Return on stockholders' equity (annual basis)
Third quarter (2002/12)	4,676 (-)%	3.51 Yen	3.46 Yen	1.1 %
Third quarter (2001/12)	-143,346	-107.90	-	-30.0
Fiscal 2001 (2002/3)	-130,547	-98.27	-	-20.3

(Note)

1. Equity in earnings

Third quarter (2002/12): 388 million yen Third quarter (2001/12): 497 million yen Fiscal 2001 (2002/3): 963 million yen

2. Average number of shares outstanding (shares)

Third quarter (2002/12): 1,328,513,626 Third quarter (2001/12): 1,328,393,685 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
Third quarter (2002/12)	9,782,838	553,120	5.7 %	416.42 Yen
Third quarter (2001/12)	8,207,073	558,589	6.8	420.46
Fiscal 2001 (2002/3)	7,827,306	570,839	7.3	429.68

(Note)

Number of shares outstanding (shares)

As of Dec. 31, 2002: 1,328,271,334 As of Dec. 31, 2001: 1,328,495,426 As of Mar. 31, 2002: 1,328,519,143

(3) Scope of consolidation and equity method

Consolidated subsidiaries: 50 Companies Affiliates applicable of equity method: 4 Companies

(4) Change in scope of consolidation and equity method

Consolidated subsidiaries (Exclusion): 1 Company

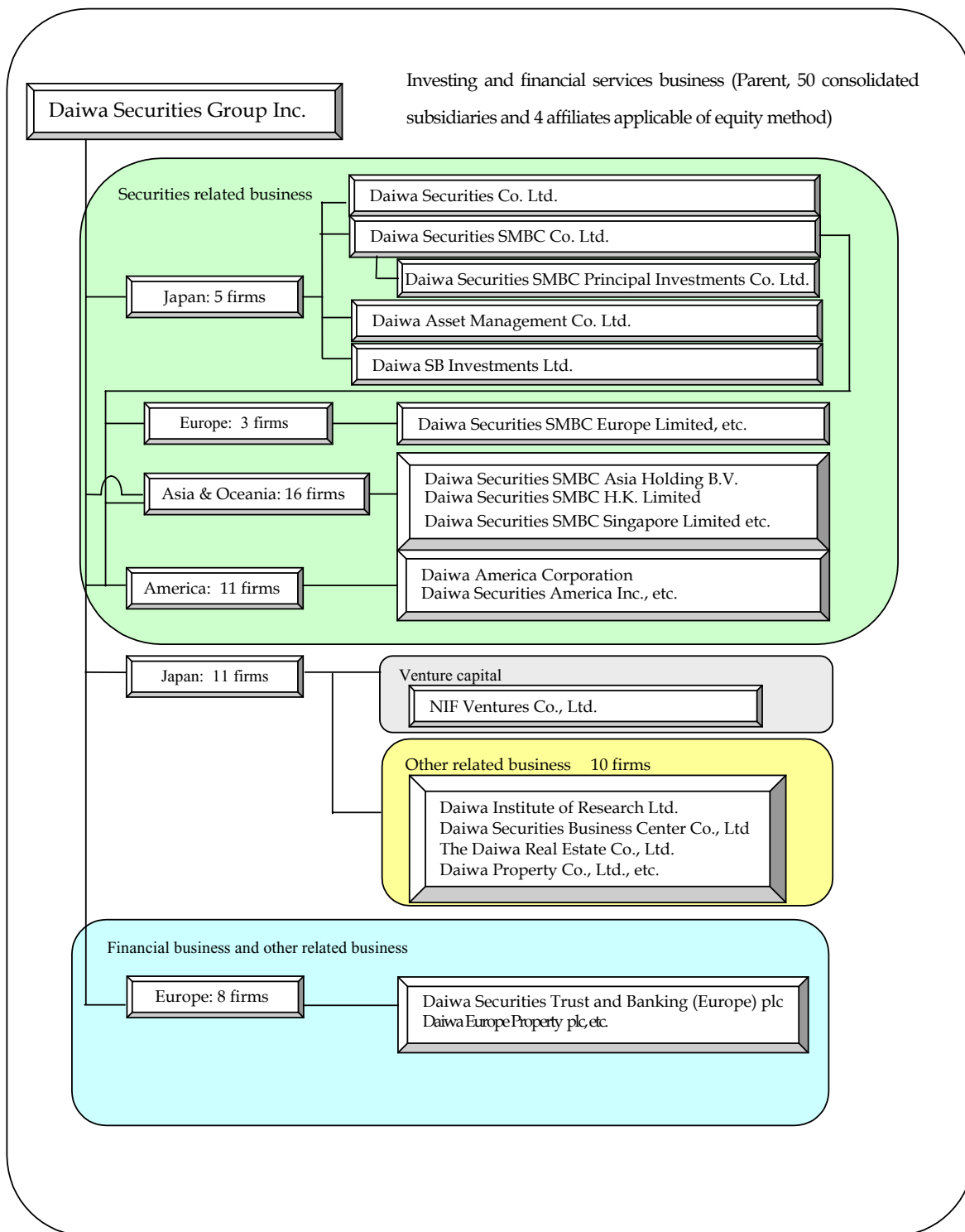
(Note) The Group's principal business is securities business, and the performance is influenced by the market environment. Therefore, the Group considers it difficult to forecast the performance. Instead of forecast, the Group continues to timely disclose quarterly results as beneficial information.

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, 50 consolidated subsidiaries and 4 affiliates applicable of equity method, predominantly operate in investing and financial segment, focusing on securities businesses such as trading and brokerage of securities and derivatives, underwriting of securities, distribution of securities, private offering of securities and other business related to securities and financial fields. The Group provides wide range of services, satisfying the worldwide customers needs for raising and investing of funds through the global networks linking major financial markets in Japan, America, Europe and Asia & Oceania.



a. Consolidated operating results for the third quarter of fiscal 2002

1. Summary of operating results for 9 months (comparison with the third quarter of fiscal 2001)

Consolidated net operating revenues increased 1.2% to 204,683 million yen mainly because trading gains increased, although a brokerage commission and financial income decreased. Consolidated ordinary income considerably increased to 23,214 million yen, due to a decrease in selling, general and administrative expenses. Consolidated net income turned into a profit of 4,676 million yen, despite extraordinary losses such as write-down of investment securities.

(1) Commissions

(i) Brokerage commission

Brokerage commission declined 13.0% to 38,644 million yen, in line with a decrease of 5.7% in daily average trading value on the Tokyo Stock Exchange.

(ii) Underwriting commission

Underwriting commission diminished 10.9% to 19,959 million yen, as the stagnant secondary stock market damped the primary stock market.

(iii) Distribution commission

Distribution commission dropped 13.7% to 10,561 million yen, due to a decrease in commission arising from sale of equity-related beneficiary certificate.

(iv) Other commission

Other commission in investment trust decreased 42.0% to 21,380 million yen, due to a decline in trust fee rates and in net asset value of bond-related beneficiary certificate. Total other commission decreased 18.6% to 41,812 million yen.

(2) Net trading gains/losses

Net trading gains on stock and other slightly increased 1.4% to 11,739 million yen. Meanwhile, net trading gains on bond, forex and other sharply increased 108.6% to 56,402 million yen, in line with favorable sales of non-Japanese bonds.

(3) Financial income

Net financial income decreased 18.7% to 17,899 million yen, with interest and dividend income of 90,038 million yen and interest expenses of 72,138 million yen, primarily due to squeezed profit margin in repurchase agreement transactions in overseas subsidiaries in line with declining interest rates.

(4) Selling, general & administrative expenses

Selling, general & administrative expenses decreased 5.7% to 186,206 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 9,090 million yen, including gain on sale of investment securities of 5,993 million yen and gain on sale of fixed assets of 3,097 million yen. Extraordinary losses totaled 12,387 million yen, including write-down of investment securities of 6,564 million yen, loss on sale of investment securities of 1,627 million yen, and loss on sale or disposal of fixed assets of 1,589 million yen.

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

Consolidated net operating revenues for the 3rd quarter of fiscal 2002 increased 5.9% to 68,123 million yen, although stock market did not show any sign of recovery. Selling, general & administrative expenses for the 3rd quarter decreased 2.0% to 61,238 million yen in line with decrease in 'commission and other expenses' caused by curtailment in advertisement expenses. As a result, consolidated ordinary income sharply increased 110.0% to 7,647 million yen. Nevertheless, net income plunged into a loss of 2,544 million yen for this quarter (three months), because of extraordinary losses such as write-down and loss on sale of investment securities.

3. Operating results of overseas subsidiaries for the third quarter of fiscal 2002 (9 months)

Ordinary income by geographic area (millions of yen)

<u>America</u>	<u>Europe</u>	<u>Asia & Oceania</u>	<u>Total</u>
-2,145	1,648	-63	-559

b. Financial conditions (comparison with Mar. 31, 2002)

Total assets increased by 1,955,532 million yen to 9,782,838 million yen, and total liabilities increased by 1,970,715 million yen to 9,074,478 million yen. On assets side, trading assets increased by 1,768,925 million yen, mainly because bond trading positions increased. On liabilities side, payables on collateralized securities transactions sharply increased by 2,014,958 million yen through bond lending transaction. On stockholders' equity side, net unrealized gain on securities net of tax effect sharply decreased in line with a decline of market price of investment securities.

Consolidated balance sheet

Assets:

(millions of yen)	Third quarter	Third quarter	Increase/	Fiscal 2001
	Dec. 31, 2002	Dec 31, 2001	Decrease	Mar. 31, 2002
Current assets:	9,129,823	7,554,805	1,575,018	7,058,589
Cash and time deposits	393,946	558,440	-164,493	454,559
Cash segregated as deposits	113,786	111,381	2,404	108,610
Notes receivable and accounts receivable	7,314	10,465	-3,150	15,247
Securities	43,332	68,033	-24,701	43,277
Trading assets:	4,195,242	2,771,319	1,423,922	2,426,316
Trading securities and others	3,694,142	2,425,527	1,268,615	2,081,231
Derivative assets	501,099	345,792	155,307	345,085
Trade date accrual	157,227	132,455	24,772	-
Operational investment securities	37,132	41,856	-4,724	42,638
Allowance for possible investment losses	-1,839	-1,470	-368	-1,540
Other inventories	2,677	9,784	-7,106	2,559
Receivables related to margin transactions:	98,976	106,389	-7,412	125,272
Loans receivable from customers for margin transactions	34,919	43,180	-8,260	49,227
Cash deposits as collateral for securities borrowed from securities finance companies	64,057	63,208	848	76,045
Receivables on collateralized securities transactions:	3,739,971	2,850,334	889,636	3,493,653
Cash deposits as collateral for securities borrowed	3,739,971	2,774,334	965,636	3,355,930
Receivables related to gensaki transactions	-	75,999	-75,999	137,722
Receivables	2,608	3,747	-1,139	5,631
Short-term loans receivable	111,801	124,728	-12,926	104,039
Accrued income	14,811	23,548	-8,736	16,597
Deferred income tax assets-current	9,908	28,108	-18,200	10,468
Other current assets	204,197	717,987	-513,789	214,218
Less: Allowance for doubtful accounts	-1,272	-2,302	1,030	-2,960
Non-current assets:	653,014	652,267	747	768,717
Tangible fixed assets	171,330	193,652	-22,321	188,451
Intangible fixed assets	49,830	48,326	1,504	51,047
Investments and others:	431,853	410,288	21,564	529,218
Investment securities	217,364	195,918	21,446	310,273
Long-term loans receivable	13,912	14,219	-307	14,745
Long-term guarantee deposits	30,009	38,167	-8,158	31,519
Deferred income tax assets-non-current	72,990	63,552	9,438	79,095
Other investments	115,787	116,383	-596	111,111
Less: Allowance for doubtful accounts	-18,210	-17,953	-257	-17,527
Total assets	9,782,838	8,207,073	1,575,765	7,827,306

Liabilities:

(millions of yen)	Third quarter	Third quarter	Increase/ Decrease	Fiscal 2001
	Dec. 31, 2002	Dec. 31, 2001		Mar. 31, 2002
Current liabilities:	8,509,106	6,896,061	1,613,044	6,509,555
Notes payable and accounts payable	1,532	2,683	-1,150	4,224
Trading liabilities:	1,709,056	1,133,438	575,617	1,187,846
Trading securities and others	1,258,136	805,442	452,694	880,968
Derivative liabilities	450,919	327,996	122,922	306,878
Trade date accrual	-	-	-	169,346
Payables related to margin transactions:	42,519	46,184	-3,664	42,432
Loans from securities finance companies for margin transactions	2,275	4,587	-2,311	3,590
Proceeds of securities sold for margin transactions	40,243	41,596	-1,353	38,842
Payables on collateralized securities transactions:	4,482,672	3,191,207	1,291,464	2,467,714
Cash deposits as collateral for securities loaned	4,145,369	2,896,465	1,248,904	2,389,617
Payables related to gensaki transactions	337,302	294,742	42,559	78,096
Deposits received	113,049	139,303	-26,253	110,320
Cash deposits received from customers	34,007	60,292	-26,285	43,899
Short-term borrowings	1,473,381	1,111,113	362,267	1,742,389
Commercial paper	426,600	419,500	7,100	442,100
Bonds due within one year	46,498	111,041	-64,543	111,457
Accrued income taxes	2,708	1,597	1,110	2,785
Deferred income tax liabilities-current	-	1,420	-1,420	2,086
Accrued bonuses	7,612	8,164	-551	14,582
Provision for real estate business reorganization	10,076	10,495	-419	10,076
Other current liabilities	159,392	659,619	-500,226	158,292
Non-current liabilities:	561,720	603,960	-42,239	591,274
Bonds	394,874	326,422	68,451	327,213
Convertible bonds	79,986	116,255	-36,269	116,255
Long-term borrowings	65,399	133,974	-68,575	121,917
Deferred income tax liabilities-non-current	3,069	7,942	-4,872	8,407
Accrued retirement benefits	13,234	10,324	2,910	11,256
Other non-current liabilities	5,156	9,041	-3,884	6,225
Statutory reserves	3,650	2,697	953	2,932
Total liabilities	9,074,478	7,502,720	1,571,757	7,103,762
Minority interest	155,240	145,762	9,477	152,704

Stockholders' equity:

(millions of yen)	Third quarter	Third quarter	Increase/ Decrease	Fiscal 2001
	Dec. 31, 2002	Dec. 31, 2001		Mar. 31, 2002
Common stock	-	138,431	-	138,431
Additional paid-in capital	-	117,786	-	117,786
Retained earnings	-	298,920	-	311,719
Net unrealized gain on securities, net of tax effect	-	13,042	-	12,696
Translation adjustments	-	-7,292	-	-7,511
Treasury stock	-	-2,298	-	-2,282
Common stock	138,431	-	-	-
Capital surplus	117,786	-	-	-
Earned surplus	308,403	-	-	-
Net unrealized gain on securities, net of tax effect	791	-	-	-
Translation adjustments	-9,895	-	-	-
Treasury stock	-2,397	-	-	-
Total stockholders' equity	553,120	558,589	-5,469	570,839
Total liabilities, minority interest and stockholders' equity	9,782,838	8,207,073	1,575,765	7,827,306

Consolidated income statement

(millions of yen)	Third quarter Apr. 1, 2002- Dec. 31, 2002	Third quarter Apr. 1, 2001- Dec. 31, 2001	Yr/yr % change	Fiscal 2001 Apr. 1, 2001- Mar. 31, 2002
Operating revenues:	296,030	368,869	-19.7	488,044
Commissions	110,977	130,415	-14.9	171,869
Net gain on trading	68,141	38,613	76.5	63,392
Net gain on operational investment securities	-25	2,953	-	3,855
Interest and dividend income	90,038	165,179	-45.5	195,934
Other sales revenues	26,898	31,708	-15.2	52,992
Interest expenses	72,138	143,154	-49.6	164,505
Cost of sales	19,208	23,520	-18.3	38,606
Net operating revenues	204,683	202,194	1.2	284,932
Selling, general and administrative expenses:	186,206	197,364	-5.7	262,163
Commission and other expenses	31,069	36,306	-14.4	47,023
Employees' compensation and benefits	93,469	97,230	-3.9	129,972
Real estate expenses	25,486	26,134	-2.5	35,090
Data processing and office supplies	10,996	12,301	-10.6	16,473
Depreciation expenses	15,554	13,556	14.7	18,774
Taxes other than income taxes	3,564	4,371	-18.5	5,328
Others	6,066	7,462	-18.7	9,500
Operating income	18,477	4,830	282.5	22,769
Non-operating income:	6,786	5,562	22.0	8,615
Equity in earnings	388	497	-22.1	963
Others	6,398	5,064	26.3	7,651
Non-operating expenses	2,049	4,044	-49.3	5,535
Ordinary income	23,214	6,348	265.6	25,849
Extraordinary gains	9,090	23,408	-61.2	31,977
Extraordinary losses	12,387	169,106	-92.7	177,795
Income before income taxes and others	19,918	-139,349	-	-119,969
Income taxes-current	4,180	2,205	89.5	2,612
Income taxes-deferred	6,766	-517	-	2,989
Minority interest in income	-4,295	-2,307	-	-4,976
Net income	4,676	-143,346	-	-130,547

Consolidated statement of retained earnings

(millions of yen)	Third quarter Apr. 1, 2002 -Dec. 31, 2002		Third quarter Apr. 1, 2001 -Dec. 31, 2001	Fiscal 2001 Apr. 1, 2001 -Mar. 31, 2002
<i>Capital surplus</i>		Beginning balance of retained earnings	459,994	459,994
Beginning balance of capital surplus	117,786	Decrease in retained earnings	17,727	17,727
Increase in capital surplus	-	Dividends	17,265	17,265
Decrease in capital surplus	-	Directors' bonuses	462	462
		Net income	-143,346	-130,547
Ending balance of capital surplus	117,786	Ending balance of retained earnings	298,920	311,719
<i>Earned surplus</i>				
Beginning balance of earned surplus	311,719			
Increase in earned surplus:	4,676			
Net income	4,676			
Decrease in earned surplus:	7,992			
Dividends	7,971			
Directors' bonuses	14			
Net loss on disposal of treasury stock	6			
Ending balance of earned surplus	308,403			

Notes to consolidated financial statements

The consolidated financial statements of the Company for the third quarter ended December 31, 2002 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and MOF 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 Interim Consolidated Financial Statements' (MOF Ordinance No. 24, 1999) and its Article 48 and 69.

In accordance with the amendment of the 'Regulations of Interim Consolidated Financial Statements', the method of presentation for consolidated balance sheet and consolidated statement of retained earnings for this fiscal year are changed.

Basis of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries: 50 companies

Major companies:

Daiwa Securities Co. Ltd.
 Daiwa Securities SMBC Co. Ltd.
 Daiwa Asset Management Co. Ltd.
 Daiwa Institute of Research Ltd.
 NIF Ventures Co., Ltd.
 Daiwa Securities Business Center Co. Ltd.
 The Daiwa Real Estate Co., Ltd.
 Daiwa Property Co., Ltd.
 Daiwa Securities SMBC Europe Limited
 Daiwa Securities Trust and Banking (Europe) plc
 Daiwa Europe Property plc
 Daiwa America Corporation
 Daiwa Securities America Inc.
 Daiwa Securities SMBC Asia Holding B.V.
 Daiwa Securities SMBC H.K. Limited
 Daiwa Securities SMBC Singapore Limited

One overseas subsidiary is excluded from the scope of consolidation due to liquidation for this third quarter. Each amount of assets, operating revenues (or sales), net income and retained earnings 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 retained earnings 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 third quarter of one affiliate applicable of equity method ends other than December 31, 2002, the financial statements for the relevant fiscal year are reflected.

3. Fiscal period of subsidiaries

As the third quarter of one consolidated subsidiary ends other than December 31, 2002, 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 domestic consolidated subsidiaries and operational investment securities are categorized in current assets.

- (iii) Valuation of other inventories
Cost method determined by the specific identification method is mainly applied.
- (2) Depreciation of depreciable assets
- (i) Tangible fixed assets
In terms of domestic consolidated companies, declining-balance method is mainly applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is mainly based on Corporation Tax Law. In terms of consolidated overseas subsidiaries, straight-line method is mainly applied.
- (ii) Intangible fixed assets, and investments and others
Straight-line method is primarily applied. Useful life for depreciation is based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5 years).
- (3) Accounting policies for various provisions
- (i) Provision for doubtful accounts
The domestic consolidated companies provide the allowance based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans. The consolidated overseas subsidiaries mainly provide the allowance specifically assessed.
- (ii) Accrued employees' bonuses
Estimated amount of employees' bonuses is accrued based on each company's bylaws.
- (iii) Accrued retirement benefits
The parent company and most of domestic consolidated subsidiaries provide accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of December 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. 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 9 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.
- (iv) Provision for real estate business reorganization
The Company's board of directors resolved to reorganize some subsidiaries' real estate business and to initiate working on how to provide financial assistance to them including capital injection, aiming at improving the Group financial condition on October 26, 2001. Provision for real estate reorganization is based on anticipated financial assistance as of December 31, 2002.
- (4) Accounting for certain lease transactions
Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.
- (5) Hedging transaction
Valuation gain or loss on hedging instrument is mainly deferred as assets or liabilities until the gain or loss on underlying hedged instruments is realized. A part of interests received or paid on interest rate swap for hedging are accrued without marking-to-market, and a part of premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without marking-to-market.
- (6) Other material items
- (i) Accounting for consumption taxes
Consumption taxes are separately recorded.
- (ii) Amortization for deferred assets
Issue costs for bonds are amortized in a lump sum when incurred.

Notes to consolidated balance sheet

1. Guarantee

As of Dec. 31, 2002	4,598 million yen
As of Dec. 31, 2001	5,062 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 Dec. 31, 2002	40,000 million yen
As of Dec. 31, 2001	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)	Third quarter Apr. 1, 2002- Dec. 31, 2002	Third quarter Apr. 1, 2001- Dec. 31, 2001	Fiscal 2001 Apr. 1, 2001- Mar. 31, 2002
Extraordinary gains:			
Gain on sale of fixed assets	3,097	749	349
Gain on sale of subsidiary stocks	-	-	4,278
Gain on sale of investment securities	5,993	8,966	9,588
Gain on change in stake in subsidiary	-	-	4,068
Reversal of multiemployer pension plan (Note)	-	13,691	13,691
Extraordinary losses:			
Write-down of related companies' stocks	562	3,166	5,381
Write-down of investment securities	6,564	22,851	21,233
Valuation loss of fixed assets	-	112	247
Loss on sale or disposal of fixed assets	1,589	2,044	2,340
Loss on sale of investment securities	1,627	6,117	9,764
Loss on sale of loan receivables	-	30	128
Provision for doubtful accounts	1,323	1,443	4,517
Expenses for real estate business reorganization	-	127,516	127,400
Early retirement benefit	-	-	730
Amortization of goodwill	-	5,000	5,000
Non-deductible consumption tax relating to goodwill	-	98	93
Provision for securities transaction liabilities	718	722	957

(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 the third quarter of fiscal 2002

1. Breakdown of commission income

Third quarter ended December 31, 2002 (A)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	37,524	878	241	-	-	38,644
Underwriting	-	-	-	19,959	-	19,959
(Stock and other)	(-)	(-)	(-)	(13,208)	(-)	(13,208)
(Bond and other)	(-)	(-)	(-)	(6,577)	(-)	(6,577)
Distribution	-	-	10,369	192	-	10,561
Other commission	1,583	1,951	21,380	7,546	9,350	41,812
(Agency commission)	(-)	(1,912)	(10,930)	(-)	(-)	(12,843)
Total	39,108	2,829	31,991	27,697	9,350	110,977

Third quarter ended December 31, 2001 (B)

(millions of yen)	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
Brokerage commission	43,288	976	156	-	-	44,421
Underwriting	-	-	-	22,404	-	22,404
(Stock and other)	(-)	(-)	(-)	(13,729)	(-)	(13,729)
(Bond and other)	(-)	(-)	(-)	(7,050)	(-)	(7,050)
Distribution	-	-	11,706	534	-	12,240
Other commission	1,807	2,112	36,836	3,901	6,690	51,349
(Agency commission)	(-)	(1,978)	(20,302)	(-)	(-)	(22,281)
Total	45,096	3,089	48,698	26,840	6,690	130,415

Yr/yr percentage change (Third quarter ended Dec. 31, 2002 (A) / Third quarter ended Dec. 31, 2001 (B) - 1)

(percentage)	Equity	Fixed income (Bond)	Investment Trust	Investment banking	Others	Total
Brokerage commission	-13.3	-10.1	55.0	-	-	-13.0
Underwriting	-	-	-	-10.9	-	-10.9
(Stock and other)	(-)	(-)	(-)	(-3.8)	(-)	(-3.8)
(Bond and other)	(-)	(-)	(-)	(-6.7)	(-)	(-6.7)
Distribution	-	-	-11.4	-64.1	-	-13.7
Other commission	-12.4	-7.6	-42.0	93.5	39.7	-18.6
(Agency commission)	(-)	(-3.3)	(-46.2)	(-)	(-)	(-42.4)
Total	-13.3	-8.4	-34.3	3.2	39.7	-14.9

Fiscal 2001 ended Mar. 31, 2002

(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

2. Breakdown of net gain on trading (millions of yen)

	Third quarter (2002/12)	Third quarter (2001/12)	Yr/yr % change (%)	Fiscal 2001 (2002/3)
Stock and other	11,739	11,574	1.4	20,307
Bond, forex and other	56,402	27,038	108.6	43,084
(Bond and other)	(39,105)	(20,806)	(87.9)	(32,943)
(Forex and other)	(17,296)	(6,232)	(177.5)	(10,141)
Total	68,141	38,613	76.5	63,392

Quarterly consolidated income statement (Reference Data)

(millions of yen)	3 rd quarter Oct. 1, 2001- Dec. 31, 2001	4 th quarter Jan. 1, 2002- Mar. 31, 2002	1 st quarter Apr. 1, 2002- Jun. 30, 2002	2 nd quarter Jul. 1, 2002- Sep. 30, 2002	3 rd quarter Oct. 1, 2002- Dec. 31, 2002
Operating revenue	112,491	119,174	100,717	95,198	100,114
Commissions	39,662	41,453	38,990	37,507	34,480
Brokerage commission	12,728	15,331	15,562	10,753	12,328
(Stock and other)	12,347	14,991	15,202	10,399	11,922
(Bond and other)	337	252	278	258	340
Underwriting commission	7,733	5,413	5,988	6,893	7,077
(Stock and other)	4,358	3,382	3,609	4,585	5,014
(Bond and other)	1,759	2,019	2,379	2,194	2,002
Distribution commission	3,543	3,369	3,965	3,634	2,961
(Beneficiary certificates)	3,268	3,028	3,952	3,548	2,868
Other commission	15,657	17,338	13,472	16,226	12,113
(Beneficiary certificates)	10,877	9,587	8,215	7,288	5,876
Net gain on trading	14,290	24,779	24,355	18,686	25,099
(Stock and other)	6,011	8,733	6,276	2,128	3,334
(Bond and other)	8,977	12,136	12,062	9,657	17,384
(Forex and other)	-698	3,909	6,016	6,900	4,379
Net gain on operational investment securities	1,791	902	1,001	-744	-281
Interest and dividend income	46,304	30,755	27,123	30,695	32,218
Other sales revenues	10,443	21,283	9,246	9,054	8,597
Interest expenses	37,276	21,351	21,720	24,716	25,701
Cost of sales	7,740	15,085	6,756	6,162	6,290
Net operating revenues	67,474	82,737	72,240	64,319	68,123
Selling general and administrative expenses	62,988	64,799	62,502	62,465	61,238
Commission and other expenses	11,033	10,716	10,277	10,833	9,958
Employees' compensation and benefits	31,048	32,741	31,923	30,764	30,781
Real estate expenses	8,661	8,956	8,097	9,004	8,384
Data processing and office supplies	3,850	4,172	3,503	3,621	3,872
Depreciation expenses	4,688	5,217	5,143	5,190	5,219
Taxes other than income taxes	1,237	956	1,446	1,101	1,016
Others	2,467	2,037	2,110	1,949	2,006
Operating income	4,486	17,938	9,738	1,853	6,884
Non-operating income	1,911	3,052	2,854	2,746	1,186
Non-operating expenses	1,224	1,490	666	959	423
Ordinary income	5,173	19,500	11,926	3,640	7,647
Extraordinary gains	1,431	8,568	2,325	5,804	961
Extraordinary losses	15,389	8,688	2,195	3,664	6,527
Income before income taxes and others	-8,785	19,380	12,056	5,780	2,081
Income taxes-current	751	406	1,447	2,471	261
Income taxes-deferred	118	3,506	2,976	1,015	2,774
Minority interest in income	-2,114	-2,668	-1,845	-859	-1,589
Net income	-11,769	12,798	5,785	1,434	-2,544

Daiwa Securities Group Inc.

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

January 31, 2003

Non-consolidated financial summary
(For the third quarter ended December 31, 2002)

(1) Operating results (from April 1, 2002 to December 31, 2002)

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	
Third quarter (2002/12)	68,004	(31.3)%	57,643	(39.1)%	58,344	(35.6)%
Third quarter (2001/12)	51,784		41,450		43,018	
Fiscal 2001 (2002/3)	54,793		40,737		42,400	

	Net income		Earnings/share	
Third quarter (2002/12)	32,234	(-)%	24.26	Yen
Third quarter (2001/12)	-105,046		-79.07	
Fiscal 2001 (2002/3)	-109,612		-82.51	

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

Third quarter (2002/12): 1,328,542,120 Third quarter (2001/12): 1,328,393,685 Fiscal 2001 (2002/3): 1,328,421,515

Treasury stocks are excluded in computing the earnings/share for fiscal 2001 and for the third quarter of fiscal 2002.

2. Change in accounting policies: None

(2) Financial conditions

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

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity/share
Third quarter (2002/12)	1,270,332	635,128	50.0 %	478.15 Yen
Third quarter (2001/12)	1,330,182	622,079	46.8	468.25
Fiscal 2001 (2002/3)	1,262,149	617,697	48.9	464.95

Note 1. Number of shares outstanding (shares)

As of Dec. 31, 2002: 1,328,280,832 As of Dec. 31, 2001: 1,328,495,426 As of Mar. 31, 2002: 1,328,519,143

Treasury stocks are excluded in computing the stockholders' equity/share as of Mar. 31, 2002 and as of Dec. 31, 2002.

2. Treasury stock (shares)

As of Dec. 31, 2002: 3,454,426 As of Dec. 31, 2001: 3,239,832 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

Assets (millions of yen)	Third quarter Dec. 31, 2002	Third quarter Dec. 31, 2001	Increase/ Decrease	Fiscal 2001 Mar. 31, 2002
Current assets:	296,447	474,015	-177,568	432,321
Cash and time deposits	137,048	174,696	-37,647	123,264
Short-term loans receivable	142,683	285,980	-143,297	293,536
Accrued income	1,179	2,309	-1,129	2,589
Other current assets	15,536	14,694	841	14,581
Less: Allowance for doubtful accounts	-	-3,664	3,664	-1,650
Non-current assets:	973,885	856,166	117,718	829,828
Tangible fixed assets	10,191	10,412	-221	10,368
Intangible fixed assets	592	837	-244	626
Investments and others:	963,100	844,916	118,184	818,833
Investment securities	681,582	698,561	-16,979	693,854
Long-term loans receivable	235,720	95,710	140,009	75,710
Long-term guarantee deposits	33,429	36,273	-2,844	35,799
Others	15,098	16,580	-1,481	16,028
Less: Allowance for doubtful accounts	-2,730	-2,210	-520	-2,559
Total assets	1,270,332	1,330,182	-59,849	1,262,149

Liabilities (millions of yen)	Third quarter	Third quarter	Increase/ Decrease	Fiscal 2001
	Dec. 31, 2002	Dec. 31, 2001		Mar. 31, 2002
Current liabilities:	412,123	386,167	25,956	322,386
Short-term borrowings	287,560	75,960	211,600	166,660
Commercial paper	35,000	110,000	-75,000	76,000
Bonds due within one year	36,269	19,440	16,829	19,440
Payables on collateralized securities transactions	39,045	48,535	-9,490	45,776
Accrued income taxes	6	10	-3	13
Accrued bonuses	140	160	-20	370
Provision for subsidiaries' real estate business reorganization	10,076	127,566	-117,489	10,076
Stock purchase warrant	501	501	-	501
Other current liabilities	3,524	3,993	-469	3,548
Non-current liabilities:	223,080	321,935	-98,854	322,065
Bonds	108,400	108,400	-	108,400
Convertible bonds	79,986	116,255	-36,269	116,255
Long-term borrowings	6,000	62,000	-56,000	62,000
Long-term cash deposits received	23,603	26,023	-2,419	25,675
Deferred income taxes liabilities	3,018	7,766	-4,747	7,888
Accrued retirement benefits	1,775	1,077	698	1,386
Other non-current liabilities	295	412	-116	459
Total liabilities	635,203	708,102	-72,898	644,452
Stockholders' equity:				
Common stock	-	138,431	-	138,431
Legal reserve	-	163,121	-	163,121
Additional paid-in capital	-	117,786	-	117,786
Earned surplus reserve	-	45,335	-	45,335
Other surplus	-	312,121	-	307,554
General-purpose reserve	-	417,000	-	417,000
Unappropriated retained earnings including net income -105,046 million yen for Dec. 2001 and net income -109,612 million yen for Fiscal 2001	-	-104,878	-	-109,445
Net unrealized gain on investment securities, net of tax effect	-	10,703	-	10,871
Treasury stock	-	-2,298	-	-2,282
Common stock	138,431	-	-	-
Capital surplus	117,786	-	-	-
Additional paid-in capital	117,786	-	-	-
Earned surplus	377,147	-	-	-
Earned surplus reserve	45,335	-	-	-
General-purpose reserve	299,000	-	-	-
Unappropriated retained earnings including net income 32,234 million yen for the current term	32,811	-	-	-
Net unrealized gain on investment securities, net of tax effect	4,160	-	-	-
Treasury stock	-2,397	-	-	-
Total stockholders' equity	635,128	622,079	13,048	617,697
Total liabilities and stockholders' equity	1,270,332	1,330,182	-59,849	1,262,149

Income Statement

(millions of yen)	Third quarter Apr. 1, 2002 - Dec. 31, 2002	Third quarter Apr. 1, 2001 - Dec. 31, 2001	Yr/yr % change	Fiscal 2001 Apr. 1, 2001- Mar. 31, 2002
Operating revenues:	68,004	51,784	31.3	54,793
Dividends from related companies	61,232	42,985	42.4	42,988
Interest on loans to related companies	4,828	4,017	20.2	5,350
Other interest and dividend income	35	56	-36.5	77
Royalty on trademark	1,907	4,725	-59.6	6,377
Operating expenses:	10,360	10,334	0.3	14,056
Selling, general and administrative expenses:	5,646	5,964	-5.3	8,165
Commission and other expenses	1,003	1,187	-15.5	1,469
Employees' compensation and benefits	2,214	2,271	-2.5	3,334
Real estate expenses	527	596	-11.6	798
Data processing and office supplies	675	622	8.5	828
Depreciation expenses	277	446	-37.8	554
Others	948	838	13.0	1,180
Interest expenses	4,713	4,369	7.9	5,890
Operating income	57,643	41,450	39.1	40,737
Non-operating income	1,320	2,266	-41.7	2,436
Non-operating expenses	620	698	-11.2	773
Ordinary income	58,344	43,018	35.6	42,400
Extraordinary gains	2,596	10,254	-74.7	10,542
Extraordinary losses	28,699	158,307	-81.9	162,540
Income before income taxes	32,241	-105,034	-	-109,598
Income taxes-current	6	11	-41.3	14
Income taxes-deferred	-	-	-	-
Net income	32,234	-105,046	-	-109,612
Net loss on disposal of treasury stock	6	-	-	-
Unappropriated retained earnings-carryforward	583	167	248.3	167
Unappropriated retained earnings at ending	32,811	-104,878	-	-109,445

Notes to financial statements

The financial statements of the Company for the third quarter ended December 31, 2002 are prepared in accordance with 'Regulations of Interim Financial Statements' (MOF Ordinance No. 38, 1977).

In accordance with the amendment of the 'Regulations of Interim 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 appendices) 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 December 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 9 months are provided based on the difference between projected benefit obligation and fund fair value expected on March 31, 2003.

(4) Provision for subsidiaries' real estate business reorganization

The Company's board of directors resolved to reorganize some subsidiaries' real estate business and to initiate working on how to provide financial assistance to them including capital injection, aiming at improving the Group financial condition on October 26, 2001. Provision for subsidiaries' real estate reorganization is based on anticipated financial assistance as of December 31, 2002.

4. Accounting for certain lease transactions

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

5. Hedging transaction

Interests received or paid on interest rate swap for hedging are accrued without marking-to-market, and premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without marking-to-market.

6. Other material items

(Accounting for consumption taxes)

Consumption taxes are separately recorded.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets

As of Dec. 31, 2002	As of Dec. 31, 2001	As of Mar. 31, 2002
3,226 million yen	3,582 million yen	3,643 million yen

2. Guarantee

As of Dec. 31, 2002	As of Dec. 31, 2001	As of Mar. 31, 2002
26,985 million yen	119,355 million yen	116,770 million yen

3. Fair value of subsidiary and affiliated company stocks as of Dec. 31, 2002 (millions of yen)

	Carrying value	Fair value	Difference
Subsidiary	17,606	17,606	-
Affiliated company	395	395	-

Notes to income statement

Details of extraordinary gains/losses

(millions of yen)

	<u>Third quarter</u> Apr. 1, 2002- Dec. 31, 2002	<u>Third quarter</u> Apr. 1, 2001- Dec. 31, 2001	<u>Fiscal 2001</u> Apr. 1, 2001- Mar. 31, 2002
Extraordinary gains:			
Gain on sale of fixed assets	20	125	125
Gain on sale of investment securities	2,575	8,901	9,189
Reversal of multiemployer pension plan (Note)	-	1,227	1,227
Extraordinary losses:			
Write-down of related companies' stocks	22,976	5,219	8,005
Write-down of investment securities	4,833	17,588	18,022
Valuation loss of fixed assets	-	8	31
Loss on sale or disposal of fixed assets	103	38	78
Loss on sale of investment securities	495	5,826	6,215
Provision for doubtful accounts	290	2,060	2,793
Expenses for subsidiaries' real estate business reorganization	-	127,566	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.