

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

(URL <http://www.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.

	Operating revenues	Yr/yr	Net operating revenues	Yr/yr	Operating income	Yr/yr
	Millions of yen	change	Millions of yen	change	Millions of yen	change
Third quarter (2002/12)	95,353	(0.9)%	94,982	(1.2)%	311	(-)%
Third quarter (2001/12)	94,509		93,885		-11,112	
Fiscal 2001 (2002/3)	127,541		126,713		-11,253	

	Ordinary income	Yr/yr	Net income	Yr/yr	Return on stockholders' equity
	Millions of yen	change	Millions of yen	change	(Annual basis) %
Third quarter (2002/12)	384	(-)%	-483	(-)%	-0.3
Third quarter (2001/12)	-11,144		-3,074		-2.1
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 Dec. 31, 2002	309,098	186,417	60.3	383.9
As of Dec. 31, 2001	378,700	187,467	49.5	323.8
As of Mar. 31, 2002	330,137	186,900	56.6	328.0

Note. Number of shares outstanding (shares):

As of Dec. 31, 2002: 3,200

As of Dec. 31, 2001: 3,200

As of Mar. 31, 2002: 3,200

Representative: Yoshinari Hara, President

Contact: Yoshiaki Bai, General Manager, Finance Department

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Balance Sheet

(millions of yen)

	Third quarter Dec. 31 2002	Third quarter Dec. 31 2001	Increase/ Decrease	Fiscal 2001 Mar. 31 2002
<i>Assets</i>				
Current assets:	250,136	321,580	-71,443	268,909
Cash and time deposits	70,874	120,485	-49,611	70,856
Cash segregated as deposits	70,109	65,686	4,422	70,591
Trading assets:	34,580	34,497	82	36,316
Trading securities and others	34,376	34,208	167	35,779
Derivative assets	203	289	-85	536
Trade date accrual	2,205	1,144	1,090	2,279
Receivables related to margin transactions:	38,083	50,753	-12,670	55,019
Loans receivable from customers for margin transactions	34,894	43,180	-8,285	49,218
Cash deposits as collateral for securities borrowed from securities finance companies	3,188	7,573	-4,385	5,800
Receivable on collateralized securities transactions	3,593	5,792	-2,198	6,025
Cash deposits as collateral for securities borrowed	3,593	5,792	-2,198	6,025
Receivables	2,014	3,916	-1,901	4,013
Short-term guarantee money deposited	2,807	1,017	1,789	2,625
Short-term loans receivable	11,358	21,873	-10,514	2,637
Accrued income	4,013	4,981	-968	7,431
Deferred income tax assets-current	8,869	9,650	-781	9,752
Other current assets	1,641	2,175	-534	1,756
Less: Allowance for doubtful accounts-current	-14	-365	351	-393
Non-current assets:	58,962	57,119	1,842	61,227
Tangible fixed assets	8,021	7,939	82	10,116
Intangible fixed assets	17,877	14,893	2,983	16,784
Investments and others:	33,063	34,287	-1,223	34,326
Investment securities	686	481	204	516
Long-term loans receivable	4,874	4,874	-	4,874
Long-term guarantee deposits	23,359	25,370	-2,011	25,284
Deferred income tax assets-non-current	2,619	1,668	951	1,830
Other investments	2,531	2,107	424	2,030
Less: Allowance for doubtful accounts-non-current	-1,007	-215	-792	-208
Total assets	309,098	378,700	-69,601	330,137

(millions of yen)

	Third quarter Dec. 31 2002	Third quarter Dec. 31 2001	Increase/ Decrease	Fiscal 2001 Mar. 31 2002
<i>Liabilities</i>				
Current liabilities:	116,186	186,080	-69,893	137,753
Trading liabilities:	27	72	-45	488
Trading securities and others	-	0	0	443
Derivative liabilities	27	72	-44	45
Payables related to margin transactions:	10,455	19,735	-9,279	17,881
Loans from securities finance companies for margin transaction	2,272	4,587	-2,315	3,590
Proceeds of securities sold for margin transactions	8,183	15,147	-6,964	14,290
Deposits received	57,031	50,427	6,604	53,303
Cash deposits received from customers	10,710	12,220	-1,509	14,854
Short-term borrowings	29,000	94,000	-65,000	37,000
Accrued expenses	4,566	5,704	-1,138	6,165
Accrued income taxes	196	68	128	118
Accrued bonuses	2,550	2,600	-50	5,500
Other current liabilities	1,648	1,251	396	2,441
Non-current liabilities:	5,709	4,573	1,135	4,861
Accrued retirement benefits	5,403	4,382	1,020	4,636
Other non-current liabilities	305	191	114	224
Statutory reserves:	785	577	207	621
Reserve for securities transaction liabilities	785	577	207	621
Total liabilities	122,681	191,232	-68,550	143,237
<i>Stockholders' equity</i>				
Common stock	-	100,000	-	100,000
Legal reserve:	-	52,440	-	52,440
Additional paid-in capital	-	50,010	-	50,010
Earned surplus reserve	-	2,430	-	2,430
Retained earnings:	-	35,027	-	34,460
Special reserve for depreciation	-	367	-	367
Unappropriated retained earnings including net income -3,074 million yen for Dec.2001, -3,641million yen for FY2001	-	34,660	-	34,093
Common stock	100,000	-	-	-
Capital surplus	50,010	-	-	-
Additional paid-in capital	50,010	-	-	-
Earned surplus	36,407	-	-	-
Earned surplus reserve	2,430	-	-	-
Special reserve for depreciation	238	-	-	-
Unappropriated retained earnings including net income -483 million yen for the current term	33,738	-	-	-
Total stockholders' equity	186,417	187,467	-1,050	186,900
Total liabilities and stockholders' equity	309,098	378,700	-69,601	330,137

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	95,353	94,509	0.9	127,541
Commissions	71,606	78,747	-9.1	103,774
Net gain on trading securities	22,471	14,276	57.4	21,897
Interest and dividend income	1,275	1,486	-14.2	1,869
Interest expenses	371	624	-40.5	828
Net operating revenues	94,982	93,885	1.2	126,713
Selling, general and administrative expenses	94,670	104,997	-9.8	137,966
Commission and other expenses	14,728	20,660	-28.7	26,988
Employees' compensation and benefits	42,457	42,842	-0.9	56,721
Real estate expenses	15,160	18,688	-18.9	24,337
Data processing and office supplies	15,072	17,167	-12.2	21,955
Depreciation expenses	5,106	3,213	58.9	4,845
Taxes other than income taxes	389	354	10.0	419
Others	1,754	2,070	-15.2	2,699
Operating income	311	-11,112	-	-11,253
Non-operating income	179	181	-0.7	300
Non-operating expenses	107	213	-49.7	75
Ordinary income	384	-11,144	-	-11,028
Extraordinary gains	-	6,768	-	6,673
Extraordinary losses	593	287	106.5	1,090
Income before income taxes and others	-209	-4,663	-	-5,444
Income taxes-current	180	200	-10.0	250
Income taxes-deferred	94	-1,789	-	-2,053
Net income	-483	-3,074	-	-3,641
Unappropriated retained earnings-carryforward	34,221	37,734	-9.3	37,734
Unappropriated retained earnings	33,738	34,660	-2.7	34,093

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (1,907million yen for 2002/12, 4,725million yen for 2001/12, and 6,377million yen for 2002/3) is included in "Commission and other expenses".

Notes to financial statements

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

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 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. Those securities cost is based on moving average method. 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 policies 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' 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 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.
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
(Consumption Taxes)
Consumption taxes are separately recorded.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets

<u>As of Dec. 31, 2002</u>	<u>As of Dec. 31, 2001</u>	<u>As of Mar. 31, 2002</u>	(millions of yen)
7,230	4,260	4,972	

Notes to income statement

Details of extraordinary gains/losses

	<u>Third quarter</u> <u>Apr. 1, 2002 -</u> <u>Dec. 31, 2002</u>	<u>Third quarter</u> <u>Apr. 1, 2001 -</u> <u>Dec. 31, 2001</u>	(millions of yen) Fiscal 2001 <u>Apr. 1, 2001 -</u> <u>Mar. 31, 2002</u>
Extraordinary gains			
Reversal of the provision for multiemployer pension plan(Note)	-	6,562	6,562
Reversal of allowance for doubtful accounts	-	206	111
Extraordinary losses			
Early retirement benefit	-	-	338
Valuation loss of fixed assets	90	142	217
Provision for securities transaction liabilities	164	144	188
Loss on sale or disposal of fixed assets	-	-	173
Cancel money for lease	-	-	172
Provision for doubtful accounts	338	-	-

(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 ended December 31, 2002

(Apr. 1, 2002 - Dec. 31, 2002)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	Third quarter (2002/12)	Third quarter (2001/12)	Yr/yr change	Fiscal 2001 (2002/3)
Brokerage commission	28,971	33,257	-12.9%	43,466
(Stock and other)	(28,762)	(33,104)	(-13.1%)	(43,234)
(Bond and other)	(0)	(2)	(-80.0%)	(3)
Underwriting	-	-	-	-
Distribution	21,494	20,145	6.7%	26,100
(Beneficiary certificates)	(9,688)	(11,312)	(-14.4%)	(14,047)
Other commission	21,140	25,344	-16.6%	34,207
(Beneficiary certificates)	(10,012)	(17,388)	(-42.4%)	(22,097)
Total	71,606	78,747	-9.1%	103,774

(2) Asset class

(millions of yen)

	Third quarter (2002/12)	Third quarter (2001/12)	Yr/yr change	Fiscal 2001 (2002/3)
Stock and other	35,534	39,674	-10.4%	52,125
Bond and other	11,276	8,637	30.6%	12,505
Beneficiary certificates	19,909	28,852	-31.0%	36,373
Others	4,886	1,583	208.7%	2,769
Total	71,606	78,747	-9.1%	103,774

2. Breakdown of trading gains/losses

(millions of yen)

	Third quarter (2002/12)	Third quarter (2001/12)	Yr/yr change	Fiscal 2001 (2002/3)
Stock and other	183	-98	-	64
Bond, Forex and other	22,288	14,375	55.0%	21,832
Bond and other	(11,210)	(9,032)	(24.1%)	(13,684)
Forex and other	(11,077)	(5,342)	(107.3%)	(8,148)
Total	22,471	14,276	57.4%	21,897

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

	Third quarter (2002/12)		Third quarter (2001/12)		Yr/yr change		Fiscal 2001 (2002/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of Shares	Amount
Total	8,124	7,857,023	7,115	4,789,537	14.2%	64.0%	9,262	6,340,116
Dealing (a)	(1,041)	(1,994,753)	(374)	(355,682)	(177.9%)	(460.8%)	(509)	(491,521)
Brokerage (b)	(7,082)	(5,862,269)	(6,740)	(4,433,854)	(5.1%)	(32.2%)	(8,753)	(5,848,595)
b/(a + b)	87.2%	74.6%	94.7%	92.6%			94.5%	92.2%
TSE share	2.0%	1.6%	2.0%	1.3%			1.9%	1.3%
Brokerage commission/Shares	3.89yen		4.70 yen				4.72 yen	

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

	Third quarter (2002/12)	Third quarter (2001/12)	Yr/yr change	Fiscal 2001 (2002/3)
<u>Underwriting:</u>				
Stock (number of shares)	-	-	-	-
(yen amount)	-	-	-	-
Bond (face value)	-	-	-	-
CP & others (face value)	-	-	-	-
<u>Distribution (*)</u>				
Stock (number of shares)	120	36	229.8%	51
(yen amount)	199,232	169,580	17.5%	216,025
Bond (face value)	868,363	664,466	30.7%	873,391
Beneficiary certificates (face value)	4,864,871	6,594,869	-26.2%	8,120,265
CP & others (face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Third quarter (2002/12)	Third quarter (2001/12)	Fiscal 2001 Mar. 31, 2002
Basic item	Stockholders' equity (A)	186,417	187,467	186,900
Supplementary item	Statutory reserve	785	577	621
	Allowance for doubtful accounts	12	55	53
	Total (B)	798	633	675
Assets excluded from capital (C)		60,473	61,764	63,679
Net capital (A)+(B)-(C) (D)		126,742	126,336	123,896
Risk equivalent	Market risk equivalent	325	467	513
	Counterparty risk equivalent	1,908	2,144	2,688
	Basic risk equivalent	30,773	36,403	34,568
	Total (E)	33,006	39,016	37,770
Capital adequacy ratio (D)/(E)		383.9%	323.8%	328.0%

(Reference Data)

Quarterly income statement

(millions of yen)

	Fiscal 2001		Fiscal 2002		
	Third quarter Oct. 1, 2001 - Dec. 31, 2001	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
Operating revenue	29,294	33,031	33,769	30,653	30,930
Commissions	22,475	25,027	25,861	22,717	23,027
Brokerage commission	8,986	10,208	11,773	7,684	9,512
(Stock and other)	8,944	10,130	11,700	7,601	9,460
(Bond and other)	0	0	0	0	0
Underwriting commission	-	-	-	-	-
(Stock and other)	-	-	-	-	-
(Bond and other)	-	-	-	-	-
Distribution commission	5,747	5,954	6,905	7,224	7,364
(Beneficiary certificate)	3,351	2,734	3,756	3,184	2,747
Other commission	7,740	8,863	7,181	7,808	6,149
(Beneficiary certificate)	5,160	4,708	3,781	3,528	2,702
Net gain on trading	6,418	7,620	7,500	7,430	7,539
(Stock and other)	184	162	155	9	18
(Bond and other)	3,415	4,652	3,934	3,336	3,939
(Forex and other)	2,818	2,805	3,410	4,084	3,581
Interest and dividend income	400	383	407	505	363
Interest expenses	198	203	125	131	114
Net operating revenue	29,096	32,827	33,644	30,522	30,815
Selling, general and administrative expenses:	32,446	32,968	31,883	31,515	31,271
Commission and other expenses	6,115	6,327	4,862	5,118	4,747
Employees' compensation and benefits	12,929	13,878	14,735	13,845	13,877
Real estate expenses	5,855	5,648	4,852	5,171	5,135
Data processing and office supplies	5,579	4,787	4,916	5,074	5,082
Depreciation expenses	1,201	1,631	1,666	1,696	1,743
Taxes other than income taxes	111	64	202	86	101
Others	653	629	648	523	583
Operating income	-3,349	-140	1,760	-992	-456
Non-operating income	30	119	69	59	51
Non-operating expenses	164	-137	14	66	26
Ordinary income	-3,483	116	1,815	-999	-431
Extraordinary gains	12	-94	-	-	-
Extraordinary losses	47	802	52	137	404
Income before income taxes and others	-3,519	-780	1,763	-1,137	-835
Income taxes-current	50	50	60	60	60
Income taxes-deferred	-1,371	-264	809	-414	-301
Net income	-2,198	-566	894	-783	-594