

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

October 25, 2002

Non-consolidated financial summary

(For the first half ended September 30, 2002)

(1) Operating results (from April 1, 2002 to September 30, 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
First half (2002/9)	64,423	(-1.2)%	64,166	(-1.0)%	767	(-)%
First half (2001/9)	65,215		64,788		-7,762	
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) %
First half (2002/9)	815	(-)%	110	(-)%	0.1
First half (2001/9)	-7,660		-876		-0.9
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 Sep. 30, 2002	332,537	187,011	56.2	361.0
As of Sep. 30, 2001	343,042	189,665	55.3	318.5
As of Mar. 31, 2002	330,137	186,900	56.6	328.0

Note. Number of shares outstanding (shares):

As of Sep. 30, 2002: 3,200

As of Sep. 30, 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)

	First half Sep.30 2002	First half Sep.30 2001	Increase/ Decrease	Fiscal 2001 Mar.31 2002
<i>Assets</i>				
Current assets:	273,444	285,914	-12,469	268,909
Cash and time deposits	72,757	86,747	-13,990	70,856
Cash segregated as deposits	70,090	61,411	8,679	70,591
Trading assets:	25,882	35,256	-9,374	36,316
Trading securities and others	24,455	35,156	-10,701	35,779
Derivative assets	1,427	100	1,327	536
Trade date accrual	1,456	442	1,013	2,279
Receivables related to margin transactions:	71,664	71,150	513	55,019
Loans receivable from customers for margin transactions	68,882	68,819	62	49,218
Cash deposits as collateral for securities borrowed from securities finance companies	2,781	2,331	450	5,800
Receivable on collateralized securities transactions	5,213	5,849	-636	6,025
Cash deposits as collateral for securities borrowed	5,213	5,849	-636	6,025
Receivables	3,838	3,194	644	4,013
Short-term guarantee money deposited	3,023	701	2,322	2,625
Short-term loans receivable	1,780	2,214	-433	2,637
Accrued income	7,418	6,829	589	7,431
Deferred income tax assets-current	8,840	8,436	404	9,752
Other current assets	1,508	4,017	-2,509	1,756
Less: Allowance for doubtful accounts-current	-29	-337	307	-393
Non-current assets:	59,092	57,128	1,964	61,227
Tangible fixed assets	8,579	6,545	2,033	10,116
Intangible fixed assets	17,286	13,995	3,291	16,784
Investments and others:	33,226	36,587	-3,361	34,326
Investment securities	686	164	521	516
Long-term loans receivable	4,874	4,937	-62	4,874
Long-term guarantee deposits	23,730	27,889	-4,159	25,284
Deferred income tax assets-non-current	2,347	1,511	836	1,830
Other investments	2,269	2,308	-39	2,030
Less: Allowance for doubtful accounts-non-current	-680	-223	-456	-208
Total assets	332,537	343,042	-10,504	330,137

(millions of yen)

	First half Sep.30 2002	First half Sep.30 2001	Increase/ Decrease	Fiscal 2001 Mar.31 2002
<i>Liabilities</i>				
Current liabilities:	139,393	148,699	-9,306	137,753
Trading liabilities:	520	35	484	488
Trading securities and others	-	0	0	443
Derivative liabilities	520	35	485	45
Payables related to margin transactions:	9,443	18,402	-8,959	17,881
Loans from securities finance companies for margin transaction	2,497	10,174	-7,677	3,590
Proceeds of securities sold for margin transactions	6,945	8,227	-1,281	14,290
Deposits received	52,833	53,925	-1,092	53,303
Cash deposits received from customers	16,570	19,710	-3,139	14,854
Short-term borrowings	49,000	42,005	6,995	37,000
Accrued expenses	4,799	6,267	-1,467	6,165
Accrued income taxes	136	129	6	118
Accrued bonuses	4,900	6,250	-1,350	5,500
Other current liabilities	1,190	1,974	-783	2,441
Non-current liabilities:	5,411	4,146	1,265	4,861
Accrued retirement benefits	5,131	3,975	1,155	4,636
Other non-current liabilities	280	170	109	224
Statutory reserves:	720	530	189	621
Reserve for securities transaction liabilities	720	530	189	621
Total liabilities	145,525	153,376	-7,850	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:	-	37,225	-	34,460
Special reserve for depreciation	-	367	-	367
Unappropriated retained earnings including net income -876 million yen for Sep.2001, -3,641million yen for FY2001	-	36,858	-	34,093
Common stock	100,000	-	-	-
Capital surplus	50,010	-	-	-
Additional paid-in capital	50,010	-	-	-
Earned surplus	37,001	-	-	-
Earned surplus reserve	2,430	-	-	-
Special reserve for depreciation	238	-	-	-
Unappropriated retained earnings including net income 110 million yen for the current term	34,332	-	-	-
Total stockholders' equity	187,011	189,665	-2,654	186,900
Total liabilities and stockholders' equity	332,537	343,042	-10,504	330,137

Income Statement

(millions of yen)

	First half Apr. 1, 2002 - Sep. 30, 2002	First half Apr. 1, 2001 - Sep. 30, 2001	Yr/yr % change	Fiscal 2001 Apr. 1, 2001 - Mar. 31, 2002
Operating revenues	64,423	65,215	-1.2	127,541
Commissions	48,579	56,271	-13.7	103,774
Net gain on trading securities	14,931	7,858	90.0	21,897
Interest and dividend income	912	1,085	-15.9	1,869
Interest expenses	256	426	-39.8	828
Net operating revenues	64,166	64,788	-1.0	126,713
Selling, general and administrative expenses	63,399	72,551	-12.6	137,966
Commission and other expenses	9,981	14,545	-31.4	26,988
Employees' compensation and benefits	28,580	29,912	-4.5	56,721
Real estate expenses	10,024	12,832	-21.9	24,337
Data processing and office supplies	9,990	11,588	-13.8	21,955
Depreciation expenses	3,363	2,011	67.2	4,845
Taxes other than income taxes	288	243	18.7	419
Others	1,171	1,417	-17.3	2,699
Operating income	767	-7,762	-	-11,253
Non-operating income	128	150	-14.7	300
Non-operating expenses	80	48	65.0	75
Ordinary income	815	-7,660	-	-11,028
Extraordinary gains	-	6,756	-	6,673
Extraordinary losses	189	240	-21.1	1,090
Income before income taxes and others	625	-1,144	-	-5,444
Income taxes-current	120	150	-20.0	250
Income taxes-deferred	395	-418	-	-2,053
Net income	110	-876	-	-3,641
Unappropriated retained earnings-carryforward	34,221	37,734	-9.3	37,734
Unappropriated retained earnings	34,332	36,858	-6.9	34,093

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (1,288million yen for 2002/9, 3,260million yen for 2001/9, 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 first half of fiscal 2002 ended September 30, 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 securities
 - (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 September 30, 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 Sep. 30, 2002</u>	<u>As of Sep. 30, 2001</u>	<u>As of Mar. 31, 2002</u>	(millions of yen)
6,461	3,705	4,972	

Notes to income statement

Details of extraordinary gains/losses

	First half <u>Apr. 1, 2002 - Sep. 30, 2002</u>	First half <u>Apr. 1, 2001 - Sep. 30, 2001</u>	(millions of yen) Fiscal 2001 <u>Apr. 1, 2001 - 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	-	194	111
Extraordinary losses			
Early retirement benefit	-	-	338
Valuation loss of fixed assets	90	142	217
Provision for securities transaction liabilities	98	97	188
Loss on sale or disposal of fixed assets	-	-	173
Cancel money for lease	-	-	172

(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 first half ended September 30, 2002

(Apr. 1, 2002 - Sep. 30, 2002)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First half (2002/9)	First half (2001/9)	Yr/yr change	Fiscal 2001 (2002/3)
Brokerage commission	19,458	24,270	-19.8%	43,466
(Stock and other)	(19,301)	(24,159)	-20.1%	(43,234)
(Bond and other)	(0)	(2)	-81.5%	(3)
Underwriting	-	-	-	-
Distribution	14,130	14,397	-1.9%	26,100
(Beneficiary certificates)	(6,941)	(7,961)	-12.8%	(14,047)
Other commission	14,990	17,603	-14.8%	34,207
(Beneficiary certificates)	(7,309)	(12,227)	-40.2%	(22,097)
Total	48,579	56,271	-13.7%	103,774

(2) Asset class

(millions of yen)

	First half (2002/9)	First half (2001/9)	Yr/yr change	Fiscal 2001 (2002/3)
Stock and other	23,178	28,763	-19.4%	52,125
Bond and other	7,559	6,345	19.1%	12,505
Beneficiary certificates	14,406	20,297	-29.0%	36,373
Others	3,435	866	296.6%	2,769
Total	48,579	56,271	-13.7%	103,774

2. Breakdown of trading gains/losses

(millions of yen)

	First half (2002/9)	First half (2001/9)	Yr/yr change	Fiscal 2001 (2002/3)
Stock and other	164	-283	-	64
Bond, Forex and other	14,766	8,141	81.4%	21,832
Bond and other	(7,271)	(5,616)	29.5%	(13,684)
Forex and other	(7,495)	(2,524)	196.9%	(8,148)
Total	14,931	7,858	90.0%	21,897

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

	First half (2002/9)		First half (2001/9)		Yr/yr change		Fiscal 2001 (2002/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of Shares	Amount
Total	4,881	4,780,611	4,783	3,401,626	2.1%	40.5%	9,262	6,340,116
Dealing (a)	(521)	(1,126,074)	(239)	(231,434)	(117.2%)	(386.6%)	(509)	(491,521)
Brokerage (b)	(4,360)	(3,654,536)	(4,543)	(3,170,208)	(-4.0%)	(15.3%)	(8,753)	(5,848,595)
b/(a + b)	89.3%	76.4%	95.0%	93.2%			94.5%	92.2%
TSE share	1.8%	1.5%	2.0%	1.4%			1.9%	1.3%
Brokerage commission/Shares	4.23 yen		5.09 yen				4.72 yen	

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

	First half (2002/9)	First half (2001/9)	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)	71	28	148.2%	51
(yen amount)	129,972	128,730	1.0%	216,025
Bond (face value)	438,539	517,424	-15.2%	873,391
Beneficiary certificates (face value)	3,388,926	4,705,981	-28.0%	8,120,265
CP & others (face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		First half Sep. 30, 2002	First half Sep. 30, 2001	Fiscal 2001 Mar. 31, 2002
Basic item	Stockholders' equity (A)	187,011	189,665	186,900
Supplementary item	Statutory reserve	720	530	621
	Allowance for doubtful accounts	23	65	53
	Total (B)	744	595	675
Assets excluded from capital (C)		60,956	60,725	63,679
Net capital (A)+(B)-(C) (D)		126,799	129,536	123,896
Risk equivalent	Market risk equivalent	340	464	513
	Counterparty risk equivalent	3,199	2,864	2,688
	Basic risk equivalent	31,577	37,332	34,568
	Total (E)	35,117	40,660	37,770
Capital adequacy ratio (D)/(E)		361.0%	318.5%	328.0%

(Reference Data)

Quarterly income statement

(millions of yen)

	Fiscal 2001			Fiscal 2002	
	Second quarter Jul. 1, 2001 - Sep. 30, 2001	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
Operating revenue	28,501	29,294	33,031	33,769	30,653
Commissions	23,936	22,475	25,027	25,861	22,717
Brokerage commission	9,369	8,986	10,208	11,773	7,684
(Stock and other)	9,262	8,944	10,130	11,700	7,601
(Bond and other)	0	0	0	0	0
Underwriting commission	-	-	-	-	-
(Stock and other)	-	-	-	-	-
(Bond and other)	-	-	-	-	-
Distribution commission	5,884	5,747	5,954	6,905	7,224
(Beneficiary certificate)	2,205	3,351	2,734	3,756	3,184
Other commission	8,681	7,740	8,863	7,181	7,808
(Beneficiary certificate)	5,760	5,160	4,708	3,781	3,528
Net gain on trading	4,015	6,418	7,620	7,500	7,430
(Stock and other)	-398	184	162	155	9
(Bond and other)	3,223	3,415	4,652	3,934	3,336
(Forex and other)	1,190	2,818	2,805	3,410	4,084
Interest and dividend income	549	400	383	407	505
Interest expenses	227	198	203	125	131
Net operating revenue	28,273	29,096	32,827	33,644	30,522
Selling, general and administrative expenses:	36,199	32,446	32,968	31,883	31,515
Commission and other expenses	6,967	6,115	6,327	4,862	5,118
Employees' compensation and benefits	14,918	12,929	13,878	14,735	13,845
Real estate expenses	6,428	5,855	5,648	4,852	5,171
Data processing and office supplies	5,846	5,579	4,787	4,916	5,074
Depreciation expenses	1,026	1,201	1,631	1,666	1,696
Taxes other than income taxes	85	111	64	202	86
Others	926	653	629	648	523
Operating income	-7,926	-3,349	-140	1,760	-992
Non-operating income	124	30	119	69	59
Non-operating expenses	21	164	-137	14	66
Ordinary income	-7,822	-3,483	116	1,815	-999
Extraordinary gains	6,756	12	-94	-	-
Extraordinary losses	180	47	802	52	137
Income before income taxes and others	-1,246	-3,519	-780	1,763	-1,137
Income taxes-current	98	50	50	60	60
Income taxes-deferred	-451	-1,371	-264	809	-414
Net income	-893	-2,198	-566	894	-783