

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

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

July 25, 2002

Non-consolidated financial summary

(For the first quarter ended June 30, 2002)

(1) Operating results (from April 1, 2002 to June 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 quarter (2002/6)	33,769	(-8.0)%	33,644	(-)	1,760	(977.2)%
First quarter (2001/6)	36,713		-		163	
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 quarter (2002/6)	1,815	(1,021.8) %	894	(5,242.3)%	1.9
First quarter (2001/6)	161		16		0.0
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 Jun. 30, 2002	341,161	187,794	55.0	351.7
As of Jun. 30, 2001	520,409	190,558	52.3	298.4
As of Mar. 31, 2002	330,137	186,900	56.6	328.0

Note.1 . Number of shares outstanding (shares):

As of Jun. 30, 2002: 3,200

As of Jun. 30, 2001: 3,200

As of Mar. 31, 2002: 3,200

Note.2 Stockholders' equity ratio = Total stockholders' equity / (Total liabilities* + Total stockholders' equity)

(*)Excluding securities deposited by customers as collateral and short-term securities borrowed.

Contact: Yoshiaki Bai, General Manager, Finance Department

Phone: +813-3243-2111

Balance Sheet

(millions of yen)

(millions of yen)

	First quarter (Jun.30 2002)	Fiscal 2002 (Mar.31 2002)		First quarter (Jun.30 2001)
<i>Assets</i>			<i>Assets</i>	
Current assets:	281,915	268,909	Current assets:	457,011
Cash and time deposits	62,860	70,856	Cash and time deposits	129,678
Cash segregated as deposits	70,053	70,591	Cash segregated as deposits related to securities transactions	1,427
Trading assets:	35,927	36,316	Receivables	4,873
Trading securities and others	35,350	35,779	Trade date accrual	565
Derivative assets	577	536	Advance payments on securities subscribed	346
Trade date accrual	632	2,279	Short-term loans receivable	2,207
Receivables related to margin transactions:	82,307	55,019	Accrued income	7,037
Loans receivable from customers for margin transactions	79,693	49,218	Trading assets:	34,646
Cash deposits as collateral for securities borrowed from securities finance companies	2,614	5,800	Trading securities and others	34,563
Receivable on collateralized securities transactions	5,817	6,025	Derivative valuation accounts	83
Cash deposits as collateral for securities borrowed	5,817	6,025	Receivables related to margin transactions:	101,095
Receivables	2,439	4,013	Loans receivable from customers for margin transactions	96,320
Short-term guarantee money deposited	2,966	2,625	Cash deposits as collateral for securities borrowed from securities finance companies	4,775
Short-term loans receivable	2,130	2,637	Cash deposits as collateral for securities borrowed	8,824
Accrued income	5,673	7,431	Securities in custody	156,254
Deferred income tax assets-current	8,520	9,752	Short-term guarantee money deposited	5,479
Other current assets	2,633	1,756	Deferred income tax assets-current	1,829
Less: Allowance for doubtful accounts-current	-47	-393	Other current assets	3,060
			Less: Allowance for doubtful accounts-current	-313
Non-current assets:	59,246	61,227	Non-current assets:	63,397
Tangible fixed assets	9,348	10,116	Tangible fixed assets	6,627
Intangible fixed assets	16,648	16,784	Intangible fixed assets	12,575
Investments and others:	33,249	34,326	Investments and others:	44,193
Investment securities	686	516	Long-term loans receivable	5,000
Long-term loans receivable	4,874	4,874	Long-term guarantee deposits	29,303
Long-term guarantee deposits	23,658	25,284	Deferred income tax assets-non-current	7,667
Deferred income tax assets-non-current	2,253	1,830	Other investments	2,407
Other investments	2,370	2,030	Less: Allowance for doubtful accounts-non-current	-184
Less: Allowance for doubtful accounts-non-current	-592	-208		
Total assets	341,161	330,137	Total assets	520,409

(millions of yen)

(millions of yen)

	First quarter (Jun.30 2002)	Fiscal 2001 (Mar.31 2002)		First quarter (Jun.30 2001)
<i>Liabilities</i>			<i>Liabilities</i>	
Current liabilities:	147,593	137,753	Current liabilities:	310,457
Trading liabilities:	203	488	Short-term borrowings	29,000
Trading securities and others	0	443	Deposits received	58,279
Derivative liabilities	202	45	Advance receipts on securities subscribed	449
Payables related to margin transactions:	10,862	17,881	Accrued expenses	6,397
Loans from securities finance companies for margin transaction	1,927	3,590	Trading liabilities:	47
Proceeds of securities sold for margin transactions	8,934	14,290	Trading securities and others	21
Deposits received	52,322	53,303	Derivative valuation accounts	25
Cash deposits received from customers	18,934	14,854	Payables related to margin transactions:	26,138
Short-term borrowings	57,000	37,000	Loans from securities finance companies for margin transaction	14,384
Accrued expenses	4,386	6,165	Proceeds of securities sold for margin transactions	11,754
Accrued income taxes	76	118	Short-term securities borrowed	14,647
Other current liabilities	3,808	7,941	Cash deposits received from customers	27,680
Non-current liabilities:	5,099	4,861	Securities deposited by customers as collateral	141,607
Accrued retirement benefits	4,844	4,636	Accrued income taxes	42
Other non-current liabilities	255	224	Other current liabilities	6,167
Statutory reserves:	673	621	Non-current liabilities:	18,899
Reserve for securities transaction liabilities	673	621	Accrued retirement benefits	3,529
			Multiemployer pension plan	15,220
			Other non-current liabilities	150
			Statutory reserves:	493
			Reserve for securities transaction liabilities	493
Total liabilities	153,366	143,237	Total liabilities	329,850
<i>Stockholders' equity</i>			<i>Stockholders' equity</i>	
Common stock	100,000	100,000	Common stock	100,000
Capital surplus	50,010	-		
Additional paid-in capital	50,010	-		
Earned surplus	37,784	-		
Earned surplus reserve	2,430	-		
Special reserve for depreciation	238	-		
Unappropriated retained earnings including net income 894 million yen for the current term	35,116	-		
Legal reserve:	-	52,440	Legal reserve:	52,440
Additional paid-in capital	-	50,010	Additional paid-in capital	50,010
Earned surplus reserve	-	2,430	Earned surplus reserve	2,430
Retained earnings:	-	34,460	Retained earnings:	38,118
Special reserve for depreciation	-	367	Special reserve for depreciation	367
Unappropriated retained earnings including net income -3,641million yen for the current term	-	34,093	Unappropriated retained earnings including net income 16 million yen for the current term	37,751
Total stockholders' equity	187,794	186,900	Total stockholders' equity	190,558
Total liabilities and stockholders' equity	341,161	330,137	Total liabilities and stockholders' equity	520,409

Income Statement

(millions of yen)

(millions of yen)

	First quarter Apr.1 2002 - Jun.30 2002	Fiscal 2001 Apr.1 2001- Mar.31 2002		First quarter Apr.1 2001- Jun.30 2001
Operating revenues	33,769	127,541	Operating revenues	36,713
Commissions	25,861	103,774	Commissions	32,335
Net gain on trading securities	7,500	21,897	Net gain on trading securities	3,842
Interest and dividend income	407	1,869	Net gain on other commodities trading	-
			Interest and dividend income	535
Interest expenses	125	828	Operating expenses	36,550
Net operating revenues	33,644	126,713	Selling, general and administrative expenses	36,351
Selling, general and administrative expenses	31,883	137,966	Commission and other expenses	7,577
Commission and other expenses	4,862	26,988	Employees' compensation and benefits	14,994
Employees' compensation and benefits	14,735	56,721	Real estate expenses	6,404
Real estate expenses	4,852	24,337	Data processing and office supplies	5,741
Data processing and office supplies	4,916	21,955	Depreciation expenses	985
Depreciation expenses	1,666	4,845	Taxes other than income taxes	158
Taxes other than income taxes	202	419	Others	490
Others	648	2,699	Interest expenses	198
Operating income	1,760	-11,253	Operating income	163
Non-operating income	69	300	Non-operating income	26
Non-operating expenses	14	75	Non-operating expenses	27
Ordinary income	1,815	-11,028	Ordinary income	161
Extraordinary gains	-	6,673	Extraordinary gains	-
Extraordinary losses	52	1,090	Extraordinary losses	60
Income before income taxes and others	1,763	-5,444	Income before income taxes and others	101
Income taxes-current	60	250	Income taxes-current	52
Income taxes-deferred	809	-2,053	Income taxes-deferred	33
Net income	894	-3,641	Net income	16
Unappropriated retained earnings-carryforward	34,221	37,734	Unappropriated retained earnings-carryforward	37,734
Unappropriated retained earnings	35,116	34,093	Unappropriated retained earnings	37,751

Note:Royalty on trademark paid to Daiwa Securities Group Inc. (675million yen for 1st Qtr of fiscal 2002, 6,377million yen for fiscal 2001, and 1,835million yen for 1st Qtr of fiscal 2001) is included in "Commission and other expenses".

Notes to financial statements

The financial statements of the Company for first quarter of fiscal 2002 ended June 30, 2002 are prepared in accordance with the "Commercial Code Enforcement Regulation" (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 June 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 Jun.30, 2002</u>	<u>As of Mar.31, 2002</u>	<u>As of Jun.30, 2001</u>	(millions of yen)
5,751	4,972	3,219	

Notes to income statement

1. Details of extraordinary gains/losses

	Fiscal 2002 <u>Apr. 1, 2002 -</u> <u>Jun. 30, 2002</u>	Fiscal 2001 <u>Apr. 1, 2001 -</u> <u>Mar. 31, 2002</u>	Fiscal 2001 <u>Apr.1, 2001-</u> <u>Jun.30, 2001</u>	(millions of yen)
Extraordinary gains				
Reversal of multiemployer pension plan (Note)	-	6,562	-	-
Reversal of allowance for doubtful accounts	-	111	-	-
Extraordinary losses				
Early retirement benefit	-	338	-	-
Valuation loss of fixed assets	-	217	-	-
Provision for securities transaction liabilities	52	188	60	60
Loss on sale or disposal of fixed assets	-	173	-	-
Cancel money for lease	-	172	-	-

(Note): Reversal of multiemployer pension plan is a deduction of actual obligation on withdrawal from the Securities Companies' Welfare Pension Fund from the provision for multiemployer pension plan.

Supplemental information for the first quarter ended June 30, 2002

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First quarter (2002/6)	First quarter (2001/6)	Yr/yr change	Fiscal 2001 (2002/3)
Brokerage commission	11,773	14,900	-21.0%	43,466
(Stock and other)	(11,700)	(14,897)	-21.5%	(43,234)
(Bond and other)	(0)	(2)	-91.0%	(3)
Underwriting	-	-	-	-
Distribution	6,905	8,513	-18.9%	26,100
(Beneficiary certificates)	(3,756)	(5,755)	-34.7%	(14,047)
Other commission	7,181	8,921	-19.5%	34,207
(Beneficiary certificates)	(3,781)	(6,467)	-41.5%	(22,097)
Total	25,861	32,335	-20.0%	103,774

(2) Asset class

(millions of yen)

	First quarter (2002/6)	First quarter (2001/6)	Yr/yr change	Fiscal 2001 (2002/3)
Stock and other	13,705	16,707	-18.0%	52,125
Bond and other	3,278	2,996	9.4%	12,505
Beneficiary certificates	7,611	12,224	-37.7%	36,373
Others	1,266	406	211.4%	2,769
Total	25,861	32,335	-20.0%	103,774

2. Breakdown of trading gains/losses

(millions of yen)

	First quarter (2002/6)	First quarter (2001/6)	Yr/yr change	Fiscal 2001 (2002/3)
Stock and other	155	115	34.3%	64
Bond, Forex and other	7,345	3,727	97.1%	21,832
Bond and other	(3,934)	(2,392)	64.4%	(13,684)
Forex and other	(3,410)	(1,334)	155.6%	(8,148)
Total	7,500	3,842	95.2%	21,897

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

	First quarter (2002/6)		First quarter (2001/6)		Yr/yr change		Fiscal 2001 (2002/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of Shares	Amount
Total	2,576	2,708,099	2,958	2,096,558	-12.9%	29.2%	9,262	6,340,116
Dealing (a)	(218)	(616,288)	(137)	(140,570)	58.9%	338.4%	(509)	(491,521)
Brokerage (b)	(2,357)	(2,091,810)	(2,820)	(1,955,988)	-16.4%	6.9%	(8,753)	(5,848,595)
b/(a + b)	91.5%	77.2%	95.3%	93.3%			94.5%	92.2%
TSE share	1.9%	1.6%	2.3%	1.6%			1.9%	1.3%
Brokerage commission/Shares	4.76 yen		5.07 yen				4.72 yen	

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

	First quarter (2002/6)	First quarter (2001/6)	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)	8	7	6.7%	51
(yen amount)	78,392	40,137	95.3%	216,027
Bond (face value)	224,151	226,134	-0.9%	873,391
Beneficiary certificates (face value)	1,975,396	2,672,188	-26.1%	8,120,265
CP & others (face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		First quarter Jun.30, 2002	First quarter Jun.30, 2001	Fiscal 2001 (2002/3)
Basic item	Stockholders' equity (A)	187,794	190,558	186,900
Supplementary item	Statutory reserve	673	493	621
	Allowance for doubtful accounts	42	98	53
	Total (B)	716	591	675
Assets excluded from capital	(C)	61,147	67,034	63,679
Net capital	(A)+(B)-(C) (D)	127,364	124,116	123,896
Risk equivalent	Market risk equivalent	465	570	513
	Counterparty risk equivalent	2,819	3,042	2,688
	Basic risk equivalent	32,920	37,972	34,568
	Total (E)	36,205	41,585	37,770
Capital adequacy ratio	(D)/(E)	351.7%	298.4%	328.0%

(Reference Data)

Quarterly income statement

(millions of yen)

	Fiscal 2001				Fiscal 2002
	First quarter Apr. 1, 2001 - Jun. 30, 2001	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
Operating revenue	36,713	28,501	29,294	33,031	33,769
Commissions	32,335	23,936	22,475	25,027	25,861
Brokerage commission	14,900	9,369	8,986	10,208	11,773
(Stock and other)	14,897	9,262	8,944	10,130	11,700
(Bond and other)	2	0	0	0	0
Underwriting commission	-	-	-	-	-
(Stock and other)	-	-	-	-	-
(Bond and other)	-	-	-	-	-
Distribution commission	8,513	5,884	5,747	5,954	6,905
(Beneficiary certificate)	5,755	2,205	3,351	2,734	3,756
Other commission	8,921	8,681	7,740	8,863	7,181
(Beneficiary certificate)	6,467	5,760	5,160	4,708	3,781
Net gain on trading	3,842	4,015	6,418	7,620	7,500
(Stock and other)	115	-398	184	162	155
(Bond and other)	2,392	3,223	3,415	4,652	3,934
(Forex and other)	1,334	1,190	2,818	2,805	3,410
Interest and dividend income	535	549	400	383	407
Interest expenses	198	227	198	203	125
Net operating revenue	36,515	28,273	29,096	32,827	33,644
Selling, general and administrative expenses:	36,351	36,199	32,446	32,968	31,883
Commission and other expenses	7,577	6,967	6,115	6,327	4,862
Employees' compensation and benefits	14,994	14,918	12,929	13,878	14,735
Real estate expenses	6,404	6,428	5,855	5,648	4,852
Data processing and office supplies	5,741	5,846	5,579	4,787	4,916
Depreciation expenses	985	1,026	1,201	1,631	1,666
Taxes other than income taxes	158	85	111	64	202
Others	490	926	653	629	648
Operating income	163	-7,926	-3,349	-140	1,760
Non-operating income	26	124	30	119	69
Non-operating expenses	27	21	164	-137	14
Ordinary income	161	-7,822	-3,483	116	1,815
Extraordinary gains	-	6,756	12	-94	-
Extraordinary losses	60	180	47	802	52
Income before income taxes and others	101	-1,246	-3,519	-780	1,763
Income taxes-current	52	98	50	50	60
Refund of income taxes	-	-	-	-	-
Reversal of accrued income taxes	-	-	-	-	-
Income taxes-deferred	33	-451	-1,371	-264	809
Net income	16	-893	-2,198	-566	894

Note: The operating results are presented in accordance with the amended "Uniform Accounting Standards of Securities Companies" (set by the board of directors of the Japan Securities Dealers' Association, September 28, 2001) since the first half of fiscal 2001. The operating results for the first quarter of fiscal 2001 are reclassified in that manner.