

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.

	Operating revenues	Yr/yr change	Net operating revenues	Yr/yr Change	Operating income	Yr/yr change
	Millions of yen		Millions of yen		Millions of yen	
Third quarter (2002/12)	88,434	17.3%	83,066	18.5%	13,513	473.3%
Third quarter (2001/12)	75,405		70,123		2,357	
Fiscal 2001 (2002/3)	109,481		102,670		12,381	

	Ordinary income	Yr/yr change	Net income	Yr/yr Change	Return on stockholders' equity
	Millions of yen		Millions of yen		(Annual basis)
Third quarter (2002/12)	14,732	387.5%	7,749	- %	2.9%
Third quarter (2001/12)	3,021		160		0.1%
Fiscal 2001 (2002/3)	13,231		5,426		1.5%

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	6,053,828	355,164	5.9%	392.0%
As of Dec. 31, 2001	4,267,937	342,331	8.0%	415.8%
As of Mar. 31, 2002	4,344,082	347,628	8.0%	500.2%

Note. Number of shares outstanding:

As of Dec. 31, 2002: 3,200

As of Dec. 31, 2001: 3,200

As of Mar. 31, 2002: 3,200

Representative: Akira Kiyota, President

Contact: Tenzan Watanabe, General Manager, Treasury Department

Phone: +813-3243-2211

This non-consolidated financial summary has reflected the revision made on with "Revisions on the financial summaries (Supplemental Information) of Daiwa Securities SMBC Co. Ltd." released on November 11, 2005 and other prior related press releases.

Results of Operation

(A) Overview of Operating Income (Comparisons in parenthesis are made versus the third quarter of fiscal 2001)

(1) Commissions

For the third quarter ended December 31, 2002, total commission revenues amounted to 37,078 million yen (8.7% down), of which 18,674 million yen (7.7% down) were derived from equity, 7,745 million yen (13.3% down) from fixed income, and 2,108 million yen (63.9% down) from Beneficiary Certificates. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total Brokerage commissions decreased to 6,415 million yen (19.8% down) due to the declined daily average volume of stocks traded on the Tokyo Stock Exchange Market (764.8 billion yen, 5.7% down).

b) Underwriting Commissions

Underwriting Commissions totaled 18,150 million yen (12.0% down). Underwriting commissions derived from equity were 12,031 million yen, which is comparable to the same period of last year. Underwriting commissions derived from fixed income decreased to 5,954 million yen (14.8% down).

c) Distribution Commissions

Revenues from distribution commissions decreased to 817 million yen (30.8% down). Distribution commissions received from Investment Trust decreased compared to the third quarter of last year.

d) Other Commissions

Other Commissions amounted to 11,695 million yen, 8.4% higher than the same period of last year. Fees derived from asset management of Investment Trust decreased by 59.2% to 1,448 million yen. On the other hand, the other commissions derived from M & A, Financial Advisory Service, IPO consulting, and so forth significantly increased to 10,246 million yen (41.5% up).

(2) Net Gain on Trading Securities

Net trading gain derived from equity sales amounted to 9,082 million yen (23.9% up). Net trading gain from fixed income together with net trading gain from foreign exchange transactions increased to 26,854 million yen (463.7% up). Consequently, total net trading gain for this third quarter came to 35,937 million yen (197.1% up).

(3) Net Interest and Dividend Income

Interest and Dividend Income totaled 15,419 million yen, whereas Interests Expenses totaled 5,368 million yen. Net Interest and Dividend Income came to 10,051 million yen, a 42.3% decrease compared with the third quarter of last year. Taking advantage of the current money market with low interest rate, interest expenses were relatively low, although whose positive effect was overall offset by the decrease of dividends and interest revenues.

(4) Selling, General and Administrative Expenses

With the company's constant effort of expenditure control, real estate expenses and employment expenses decreased to 7,764 million yen (7.4% down) and 16,196 million yen (3.4% down), respectively. On the other hand, Commissions paid, depreciation expenses, and data processing & office supplies were increased to 26,036 million yen (11.2% up), 6,171 million yen (10.9% up), and 10,973 million yen (1.9% up), respectively. Overall, Selling General and Administration Expenses totaled 69,552 million yen (2.6% up).

In conclusion, Operating Revenues for the third quarter of fiscal 2002 were 88,434 million yen (17.3% up), and Net Operating Revenue became 83,066 million yen (18.5% up). Furthermore, Operational Income came to 13,513 million yen (473.3% up), and Ordinary Income 14,732 million yen (387.5% up). Net Extraordinary income resulted in loss of 1,333 million yen. Finally, the Net Income for this third quarter increased to 7,749 million yen.

(B) Financial Condition (Comparisons in parenthesis are made versus fiscal 2001)

During the third quarter of fiscal 2002, the total assets were increased by 1,709.7 billion yen to 6,053.8 billion yen compared with its balance at the end of fiscal 2001. Increased position of government bonds principally caused trading security account increased by 1,674.9 billion yen.

On the other hand, the total liabilities were 5,698.6 billion yen, a 1,702.2 billion yen more than last year. Payable on Collateralized Securities Transactions increased by 1,847.9 billion yen, and trading security account increased by 303.7 billion yen. The company newly issued 138.1 billion yen of corporate bond in order to raise funds. Total Shareholder's Equity increased by 7.5 billion yen to 355.1 billion yen compared to last year.

Balance Sheet

(millions of yen)

	Third quarter Dec. 31, 2002	Third quarter Dec. 31, 2001	Increase/ Decrease	Fiscal 2001 Mar. 31, 2002
Assets				
Current assets:	5,905,289	4,132,686	1,772,603	4,197,042
Cash and time deposits	60,021	96,759	(36,738)	87,985
Cash segregated as deposits	25,002	22,097	2,904	22,233
Trading assets:	3,865,780	2,570,531	1,295,248	2,190,816
Trading securities and others	3,368,671	2,227,775	1,140,896	1,848,322
Derivative assets	497,108	342,755	154,352	342,493
Trade date accrual	88,405	163,064	(74,659)	-
Receivables related to margin transactions:	60,893	55,635	5,258	70,253
Loans receivable from customers for margin transactions	24	-	24	8
Cash deposits as collateral for securities borrowed from securities finance companies	60,868	55,635	5,233	70,244
Receivable on collateralized securities transactions:	1,692,932	1,081,129	611,803	1,696,982
Cash deposits as collateral for securities borrowed	1,551,310	1,005,129	546,181	1,559,260
Receivables related to Gensaki transactions	141,621	75,999	65,621	137,722
Receivables	432	72	360	1,980
Short-term guarantee money deposited	9,516	5,640	3,875	9,109
Short-term loans receivable	82,361	81,703	658	87,174
Accrued income	7,127	11,676	(4,548)	5,613
Deferred income tax assets	521	18,194	(17,673)	-
Other current assets	12,333	26,226	(13,893)	24,945
Less: Allowance for doubtful accounts-current	(37)	(44)	6	(52)
Non-current assets:	148,538	135,251	13,287	147,039
Tangible fixed assets	3,772	4,552	(779)	4,376
Intangible fixed assets	25,728	25,245	483	26,660
Investments and others:	119,037	105,453	13,583	116,002
Investment securities	43,205	42,145	1,060	43,919
Long-term loans receivable	1,040	40	999	1,042
Long-term guarantee deposits	6,218	13,822	(7,603)	7,427
Deferred income tax assets	52,658	44,466	8,191	58,927
Other investments	16,356	5,168	11,188	4,928
Less: Allowance for doubtful accounts-non-current	(441)	(188)	(252)	(243)
Total assets	6,053,828	4,267,937	1,785,891	4,344,082

(millions of yen)

	Third quarter Dec. 31, 2002	Third quarter Dec. 31, 2001	Increase/ Decrease	Fiscal 2001 Mar. 31, 2002
Liabilities				
Current liabilities:	5,320,823	3,622,889	1,697,933	3,690,236
Trading liabilities:	1,376,564	1,007,353	369,211	1,072,774
Trading securities and others	927,698	681,122	246,575	767,688
Derivative liabilities	448,866	326,230	122,635	305,085
Trade date accrual	-	-	-	178,643
Payables related to margin transactions:	32,063	26,514	5,548	25,267
Loans from securities finance companies for margin transactions	3	-	3	-
Proceeds of securities sold for margin transactions	32,060	26,514	5,545	25,267
Payables on collateralized securities transactions	2,426,495	1,420,369	1,006,125	578,574
Cash deposits as collateral for securities loaned	2,084,272	1,125,627	958,645	500,477
Payables related to Gensaki transactions	342,223	294,742	47,480	78,096
Deposits received	10,448	6,455	3,993	10,537
Cash deposits received from customers	10,864	33,840	(22,975)	23,273
Short-term borrowings	1,061,531	809,364	252,167	1,413,104
Commercial paper	391,600	309,500	82,100	366,100
Bonds due within one year	5,263	3,605	1,657	4,604
Accrued expenses	3,855	3,837	17	4,884
Accrued income taxes	9	-	9	50
Deferred income tax liabilities	-	-	-	460
Other current liabilities	2,128	2,048	79	11,961
Non-current liabilities:	374,975	300,596	74,378	303,906
Bonds	271,400	197,500	73,900	200,800
Long-term borrowings	100,000	100,000	-	100,000
Accrued retirement benefits	2,909	2,533	376	2,530
Other non-current liabilities	665	562	102	576
Statutory reserves:	2,865	2,119	745	2,310
Reserve for securities transaction liabilities	2,865	2,119	745	2,310
Reserve for financial futures transaction liabilities	0	0	-	0
Total liabilities	5,698,664	3,925,606	1,773,057	3,996,453
Stockholders' equity				
Common stock	-	205,600	(205,600)	205,600
Legal reserve:	-	122,462	(122,462)	122,462
Additional paid-in capital	-	117,321	(117,321)	117,321
Earned surplus reserve	-	5,141	(5,141)	5,141
Retained earnings:	-	14,412	(14,412)	19,678
Special reserve for depreciation	-	359	(359)	359
Unappropriated retained earnings including net income 160 mil. yen for Dec. 2001, net income 5,426 mil. yen for FY2001	-	14,053	(14,053)	19,319
Revaluation reserve for investment securities, net of tax effect	-	(142)	142	(112)
Common stock	205,600	-	205,600	-
Capital surplus	117,321	-	117,321	-
Additional paid-in capital	117,321	-	117,321	-
Earned surplus	32,568	-	32,568	-
Earned surplus reserve	5,141	-	5,141	-
Special reserve for depreciation	301	-	301	-
Unappropriated retained earnings including net income 7,749 million yen for Dec. 2002	27,126	-	27,126	-
Revaluation reserve for investment securities, net of tax effect	(325)	-	(325)	-
Total stockholders' equity	355,164	342,331	12,833	347,628
Total liabilities and stockholders' equity	6,053,828	4,267,937	1,785,891	4,344,082

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	88,434	75,405	17.3%	109,481
Commissions	37,078	40,611	(8.7)%	54,724
Net gain on trading securities	35,937	12,095	197.1%	26,089
Interest and dividend income	15,419	22,698	(32.1)%	28,667
Interest expenses	5,368	5,282	1.6%	6,810
Net operating revenues	83,066	70,123	18.5%	102,670
Selling, general and administrative expenses:	69,552	67,766	2.6%	90,288
Commission and other expenses	26,036	23,408	11.2%	31,222
Employees' compensation and benefits	16,196	16,767	(3.4)%	22,491
Real estate expenses	7,764	8,389	(7.4)%	11,316
Data processing and office supplies	10,973	10,769	1.9%	13,985
Depreciation expenses	6,171	5,564	10.9%	7,607
Taxes other than income taxes	1,268	1,694	(25.1)%	1,967
Others	1,142	1,173	(2.6)%	1,697
Operating income	13,513	2,357	473.3%	12,381
Non-operating income	1,667	799	108.5%	1,069
Non-operating expenses	448	135	232.2%	220
Ordinary income	14,732	3,021	387.5%	13,231
Extraordinary gains	64	3,666	(98.2)%	3,604
Extraordinary losses	1,397	5,996	(76.7)%	6,650
Income before income taxes and others	13,399	692	-	10,184
Income taxes-current	258	32	706.4%	87
Refund of Income taxes	48	190	(74.5)%	190
Reversal of accrued income taxes	2	33	(93.1)%	33
Income taxes-deferred	5,442	723	652.3%	4,894
Net income	7,749	160	-	5,426
Unappropriated retained earnings-carryforward	19,376	13,892	39.5%	13,892
Unappropriated retained earnings	27,126	14,053	93.0%	19,319

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 "Enforcement Regulations of Commercial Law" (Ministry of Justice Ordinance No.22, 2002), the "Cabinet Office Ordinance Concerning Securities Companies" (Prime Minister's Office Ordinance and 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

(a) Subsidiary and related company stocks are valued at moving average cost method.

(b) Other 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, and 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. Other material items

(Consumption Taxes)

Consumption taxes are separately recorded.

(Deferred assets)

Expenses for issue of bond are amortized in a lump when incurred.

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>	(millions of yen) <u>As of Mar. 31, 2002</u>
	6,886	5,353	5,827

2. Guarantee

	<u>As of Dec. 31, 2002</u>	<u>As of Dec. 31, 2001</u>	(millions of yen) <u>As of Mar. 31, 2002</u>
	442	934	410

3. Long-term borrowings are 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).

Notes to income statement

Details of extraordinary gains/losses	Third quarter <u>Apr. 1, 2002 - Dec. 31, 2002</u>	Third quarter <u>Apr. 1, 2001 - Dec. 31, 2001</u>	(millions of yen) Fiscal 2001 <u>Apr. 1, 2001 - Mar. 31, 2002</u>
Extraordinary gains			
Gain on sale of investment securities	44	233	233
Reversal of the provision for multiemployer pension plan (Note 1)	-	2,599	2,599
Reversal of allowance for doubtful accounts	19	834	771
Extraordinary losses			
Write-down of investment securities	554	122	480
Valuation loss of fixed assets	205	162	272
Loss on sale of investment securities	83	33	33
Amortization of goodwill (Note2)	-	5,000	5,000
Non-deductible consumption tax relating to goodwill	-	98	93
Provision for securities transaction liabilities	554	578	769

(Note 1): 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.

(Note 2): Amortization of goodwill is incurred as a result of the acquisition of goodwill from former Sakura Securities Company Ltd. in April 2001.

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	6,415	8,002	(19.8)%	10,727
Stock and other	6,303	7,868	(19.9)%	10,517
Bond and other	78	121	(35.5)%	190
Underwriting	18,150	20,636	(12.0)%	26,306
Stock and other	12,031	12,036	(0.0)%	15,716
Bond and other	5,954	6,984	(14.8)%	8,973
Distribution	817	1,181	(30.8)%	1,709
Beneficiary certificates	626	664	(5.7)%	953
Other commission	11,695	10,792	8.4%	15,980
Beneficiary certificates	1,448	3,548	(59.2)%	4,240
Total	37,078	40,611	(8.7)%	54,724

(2) Asset class

(millions of yen)

	Third quarter (2002/12)	Third quarter (2001/12)	Yr/yr change	Fiscal 2001 (2002/3)
Stock and other	18,674	20,229	(7.7)%	26,684
Bond and other	7,745	8,936	(13.3)%	12,411
Beneficiary certificates	2,108	5,841	(63.9)%	6,829
Others	8,550	5,604	52.6%	8,798
Total	37,078	40,611	(8.7)%	54,724

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	9,082	7,331	23.9%	14,753
Bond, Forex and other	26,854	4,764	463.7%	11,335
Bond and other	20,764	4,014	417.2%	9,566
Forex and other	6,089	749	712.8%	1,768
Total	35,937	12,095	197.1%	26,089

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	27,591	27,967,821	28,672	33,669,485	(3.8)%	(16.9)%	38,404	43,419,448
Dealing (a)	15,545	15,172,733	15,898	18,305,512	(2.2)%	(17.1)%	21,040	23,460,803
Brokerage (b)	12,046	12,795,088	12,774	15,363,973	(5.7)%	(16.7)%	17,364	19,958,645
b/(a + b)	43.7%	45.7%	44.6%	45.6%			45.2%	46.0%
TSE share	6.7%	7.0%	6.4%	7.2%			6.5%	7.1%

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

	Third quarter (2002/12)	Third quarter (2001/12)	Yr/yr change	Fiscal 2001 (2002/3)
Underwriting:				
Stock (number of shares)	156	48	221.6%	63
(yen amount)	254,664	227,961	11.7%	272,702
Bond (face value)	3,640,787	2,793,516	30.3%	3,605,953
Beneficiary Certificates (face value)	-	52,500	(100.0)%	52,500
CP & others (face value)	1,203,370	1,260,110	(4.5)%	1,600,110
Distribution (*)				
Stock (number of shares)	156	48	221.8%	63
(yen amount)	256,246	229,636	11.6%	272,887
Bond (face value)	3,568,578	2,605,159	37.0%	3,393,263
Beneficiary certificates (face value)	856,703	1,383,865	(38.1)%	1,610,511
CP & others (face value)	1,154,870	1,260,110	(8.4)%	1,584,110

(*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Third quarter Dec. 31, 2002	Third quarter Dec. 31, 2001	Fiscal 2001 Mar. 31, 2002
Basic item	Stockholders' equity (A)	355,164	342,331	347,628
Supplementary item	Valuation profits of investment securities	-	-	-
	Statutory reserve	2,865	2,119	2,310
	Allowance for doubtful accounts	37	44	52
	Subordinated borrowings	100,000	100,000	100,000
	Total (B)	102,902	102,164	102,362
	Assets excluded from capital (C)	146,375	132,683	144,253
	Net capital (A)+(B)-(C) (D)	311,692	311,812	305,738
Risk equivalent	Market risk equivalent	45,921	39,703	27,250
	Counterparty risk equivalent	13,226	14,087	13,364
	Basic risk equivalent	20,360	21,199	20,498
	Total (E)	79,508	74,990	61,112
	Capital adequacy ratio (D)/(E)	392.0%	415.8%	500.2%

(Reference Data)

Quarterly income statement

(millions of yen)

	Fiscal 2001		Fiscal 2002		
	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
	Oct. 1, 2001 - Dec. 31, 2001	Jan. 1, 2002 - Mar. 31, 2002	Apr. 1, 2002- Jun. 30, 2002	Jul. 1, 2002 - Sep. 30, 2002	Oct. 1, 2002 - Dec. 31, 2002
Operating revenue	27,482	34,075	28,883	27,722	31,828
Commissions	13,030	14,112	10,960	13,996	12,121
Brokerage commission	2,535	2,725	2,551	2,072	1,791
(Stock and other)	2,489	2,649	2,512	2,027	1,763
(Bond and other)	38	69	30	32	14
Underwriting commission	6,571	5,669	5,413	6,344	6,391
(Stock and other)	3,228	3,680	3,217	4,356	4,457
(Bond and other)	1,727	1,989	2,196	1,878	1,878
Distribution commission	479	528	163	444	209
(Beneficiary certificates)	203	289	150	358	117
Other commission	3,444	5,188	2,831	5,134	3,729
(Beneficiary certificates)	1,001	691	543	484	420
Net gain on trading	3,031	13,993	13,902	8,326	13,708
(Stock and other)	5,048	7,422	5,243	1,366	2,472
(Bond and other)	1,559	5,551	6,093	4,201	10,470
(Forex and other)	(3,576)	1,019	2,565	2,758	765
Interest and dividend income	11,419	5,968	4,021	5,400	5,998
Interest expenses	1,531	1,528	1,734	1,711	1,921
Net operating revenues	25,951	32,546	27,149	26,011	29,906
Selling, general and administrative expenses	20,975	22,522	22,324	23,936	23,291
Commission and other expenses	6,975	7,813	7,767	9,211	9,057
Employees' compensation and benefits	5,042	5,723	5,527	5,392	5,276
Real estate expenses	2,726	2,927	2,418	2,749	2,595
Data processing and office supplies	3,429	3,215	3,604	3,799	3,569
Depreciation expenses	1,946	2,043	2,014	2,063	2,093
Taxes other than income taxes	483	272	522	383	362
Others	370	524	469	337	335
Operating income	4,975	10,024	4,824	2,074	6,614
Non-operating income	422	269	234	1,201	231
Non-operating expenses	(94)	85	82	281	84
Ordinary income	5,492	10,209	4,976	2,994	6,761
Extraordinary gains	18	(62)	4	41	18
Extraordinary losses	187	653	220	498	678
Income before income taxes and others	5,323	9,492	4,759	2,538	6,101
Income taxes-current	4	55	236	27	(5)
Refund of income taxes	65	0	1	47	-
Reversal of accrued income taxes	-	-	-	2	0
Income taxes-deferred	2,166	4,171	1,756	1,069	2,617
Net income	3,217	5,266	2,768	1,490	3,489