

January 29, 2002

**Consolidated financial summary**  
 (For the third quarter ended December 31, 2001)

(1) Operating results (from April 1, 2001 to December 31, 2001)

Note : All figures in the financial statements are rounded down to the nearest millionth. " - " indicates a loss or negative figure.

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
Third quarter (2001/12)	368,869	(-25.8)%	202,194	( - )	4,830	(-95.0)%	6,348	(-93.4)%
Third quarter (2000/12)	497,133		-		96,361		96,442	
Fiscal 2000 (2001/3)	718,113		-		179,866		177,795	

	Net income		Earnings / share		Fully diluted Earnings/share		Return on stockholders' equity (Annual basis)	
	Millions of yen	Yr/yr change	Yen		Yen		%	
Third quarter(2001/12)	-143,346	( - )	-107.90		-		-30.0	
Third quarter(2000/12)	41,303		31.11		29.67		8.1	
Fiscal 2000(2001/3)	64,550		48.62		46.26		9.3	

Note 1. Equity in earnings

Third quarter (2001/12): 497 million yen Third quarter (2000/12): 2,242 million yen Fiscal 2000 (2001/3): 761 million yen

2. Average number of shares outstanding (shares)

Third quarter (2001/12): 1,328,393,685 Third quarter (2000/12): 1,327,280,702 Fiscal 2000 (2001/3): 1,327,472,109

3. Change in accounting policies: None

(2) Financial conditions

	Total assets		Stockholders' equity	
	Millions of yen		Millions of yen	
As of Dec. 31, 2001	8,207,073	558,589	6.8	420.46
As of Dec. 31, 2000	9,024,304	685,673	9.5	516.37
As of Mar. 31, 2001	9,250,223	716,817	9.3	539.72

Note 1. Number of shares outstanding (shares)

As of Dec. 31, 2001: 1,328,495,426 As of Dec. 31, 2000: 1,327,861,598 As of Mar. 31, 2000: 1,328,107,481

2. Stockholders' equity ratio

Stockholders' equity ratio = Total stockholders' equity / {(Total liabilities\*) + Minority interest + Total stockholders' equity}

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

(3) Scope of consolidation and equity method

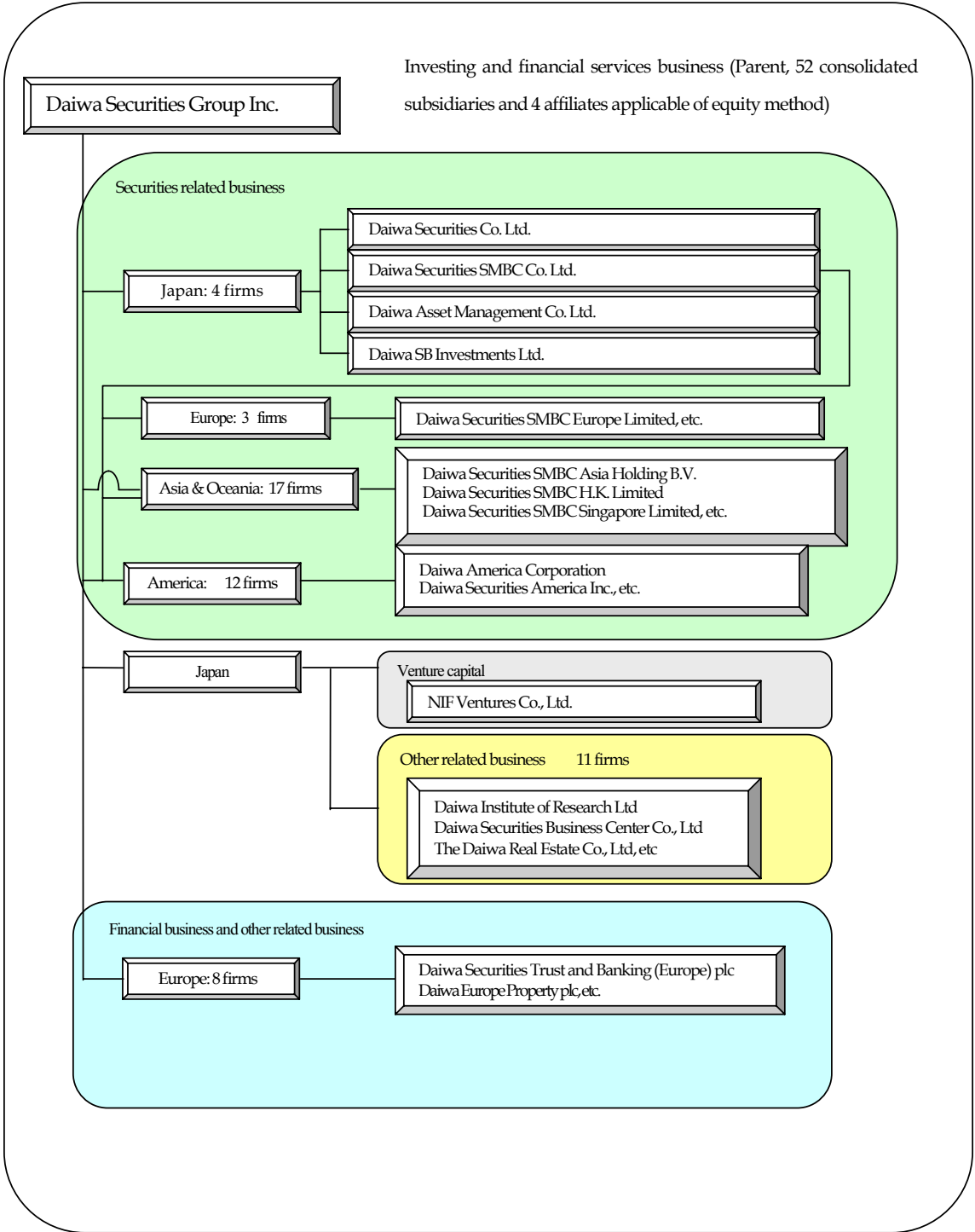
Consolidated subsidiaries: 52 Companies Affiliates applicable of equity method: 4 Companies

(4) Change in scope of consolidation and equity method

Consolidated subsidiaries: Addition...2 Companies, Exclusion...2 Companies

**Information on Group Companies**

The Company and its related companies, 52 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.



**Consolidated operating results for the third quarter of fiscal 2001**

## 1. Summary of operating results (9 months)

Consolidated operating revenues declined to 368,869 million yen (74.2% of the 3rd quarter of fiscal 2000), mainly due to a decrease in brokerage commission and trading gains. Consolidated net operating revenues amounted to 202,194 million yen. Consolidated ordinary income decreased to 6,348 million yen (6.6% of the 3rd quarter of fiscal 2000). Consolidated net loss of 143,346 million yen was posted, mainly due to expenses for real estate business reorganization and write-off of investment securities as an extraordinary item.

The Company has decided to reconsider the numerical targets described in "Group Medium-term Management Plan" adapting to a change in business environments, although the framework itself is maintained.

## (1) Commissions

## (i) Brokerage commission

"Brokerage" commission declined to 44,421 million yen (67.2% of the 3rd quarter of fiscal 2000), in line with depressed Nikkei Average of around 10,000 with a decrease in daily average trading value on Tokyo Stock Exchange (91.2% of the 3rd quarter of fiscal 2000).

## (ii) Underwriting commission

"Underwriting" commission diminished to 22,404 million yen (69.4% of the 3rd quarter of fiscal 2000), as the stagnant secondary stock market damped the primary stock market.

## (iii) Distribution commission

"Distribution" commission dropped to 12,240 million yen (37.6% of the 3rd quarter of fiscal 2000), as the depressed stock market affected commission on sale of equity-related beneficiary certificate.

## (iv) Other commission

"Other" commission in "Investment trust" decreased to 36,836 million yen (66.7% of the 3rd quarter of fiscal 2000), due to a decline in trust fee rates and in net asset value of equity-related beneficiary certificate. Resultantly, "Other" commission totaled 51,349 million yen (73.2% of the 3rd quarter of fiscal 2000).

## (2) Net trading gains/losses

Net trading gains on "Stock and other" plunged to 11,574 million yen (24.6% of the 3rd quarter of fiscal 2000), primarily due to lackluster trading by clients. While, net trading gains on "Bond, Forex and other" increased to 27,038 million yen (116.7% of the 3rd quarter of fiscal 2000).

## (3) Financial income

Net financial income amounted to 22,024 million yen, with an increase in interest and dividend income of 165,179 million yen and in interest expenses of 143,154 million yen, primarily due to expanded repurchase agreement transactions in overseas subsidiaries.

## (4) Selling, general &amp; administrative expenses

"Commission and other expenses" and bonuses included in "Employees' compensation and benefits" were curtailed in line with a decrease in revenues, while "Depreciation expenses" on information technology-related investment increased. On balance, selling, general & administrative expenses decreased to 197,364 million yen (92.6% of the 3rd quarter of fiscal 2000).

## (5) Extraordinary gains/losses

Extraordinary gains totaled 23,408 million yen, including gain on sale of investment securities of 8,966 million yen and reversal of multiemployer pension plan of 13,691 million yen. Extraordinary losses totaled 169,106 million yen, including expenses for real estate business reorganization of 127,516 million yen, write-off of investment securities of 22,851 million yen.

## 2. Summary of operating results (3 months)

Consolidated operating revenues for the 3rd quarter (3 months) decreased to 112,491 million yen (96.0% of the 2nd quarter of fiscal 2001). Consolidated net operating revenues increased to 67,474 million yen (117.3% of the 2nd quarter of fiscal 2001) mainly because of an increase in net trading gains. Selling, general & administrative expenses decreased to 62,988 million yen (94.2% of the 2nd quarter of fiscal 2001). As a result, consolidated ordinary income amounted to 5,173 million yen. Net loss of 11,769 million yen was incurred, mainly because of write-off of investment securities resulting from the depressed stock markets.

## 3. Operating results of overseas subsidiaries for the third quarter of fiscal 2001 (9 months)

Ordinary income by geographic area (millions of yen)

<u>America</u>	<u>Europe</u>	<u>Asia &amp; Oceania</u>	<u>Total</u>
2,561	4,155	-183	6,533

**Consolidated balance sheet**

(millions of yen)

	Third quarter Dec. 31, 2001		Third quarter Dec. 31, 2000	Fiscal 2000 Mar. 31, 2001
<i>Assets</i>				
<b>Current assets:</b>	<b>7,554,805</b>	<b>Current assets:</b>	<b>8,220,094</b>	<b>8,451,951</b>
Cash and time deposits	558,440	Cash and time deposits	409,527	399,564
Cash segregated as deposits	111,381	Cash segregated as deposits related to securities transactions	8,487	8,975
Notes receivable and accounts receivable	10,465	Notes receivable and accounts receivable	18,477	16,886
Securities	68,033	Receivables	5,609	19,003
Trading assets:	2,771,319	Advance payments on securities subscribed	2,459	1,100
Trading securities and others	2,425,527	Short-term loans receivable	271,629	409,455
Derivative assets	345,792	Accrued income	28,718	24,591
Trade date accrual	132,455	Securities	52,875	99,032
Operational investment securities	41,856	Operational investment securities	44,466	48,564
Less: Allowance for possible investment losses	-1,470	Less: Allowance for possible investment losses	-714	-1,107
Other inventories	9,784	Trading assets:	2,571,837	2,829,022
Receivables related to margin transactions:	106,389	Trading securities and others	2,344,824	2,513,079
Loans receivable from customers for margin transactions	43,180	Options transactions	38,329	43,022
Cash deposits as collateral for securities borrowed from securities finance companies	63,208	Derivative valuation accounts	188,684	272,920
Receivables on collateralized securities transactions	2,850,334	Other inventories	9,949	8,016
Cash deposits as collateral for securities borrowed	2,774,334	Receivables related to margin transactions:	185,140	228,292
Receivables related to gensaki transactions	75,999	Loans receivable from customers for margin transactions	124,928	88,171
Receivables	3,747	Cash deposits as collateral for securities borrowed from securities finance companies	60,211	140,120
Advance payments on securities subscribed	331	Receivables related to gensaki transactions	239,240	217,451
Securities failed to deliver	578,787	Cash deposits as collateral for securities borrowed	2,504,057	2,512,269
Short-term loans receivable	124,728	Securities in custody	1,803,265	1,556,172
Accrued income	23,548	Deferred income tax assets-current	6,063	8,833
Deferred income tax assets-current	28,108	Other current assets	67,166	73,991
Other current assets	138,868	Less: Allowance for doubtful accounts-current	-8,162	-8,163
Less: Allowance for doubtful accounts-current	-2,302			
<b>Non-current assets:</b>	<b>652,267</b>	<b>Non-current assets:</b>	<b>804,209</b>	<b>798,271</b>
Tangible fixed assets	193,652	Tangible fixed assets	314,000	313,905
Intangible fixed assets	48,326	Intangible fixed assets	42,349	46,801
Investments and others	410,288	Investments and others	447,859	437,564
Investment securities	195,918	Investment securities	229,589	227,875
Long-term loans receivable	14,219	Long-term loans receivable	15,933	15,782
Long-term guarantee deposits	38,167	Long-term guarantee deposits	33,100	32,487
Deferred income tax assets-non-current	63,552	Deferred income tax assets-non-current	87,845	83,366
Other investments	116,383	Other investments	98,755	92,442
Less: Allowance for doubtful accounts-non-current	-17,953	Less: Allowance for doubtful accounts-non-current	-17,364	-14,390
<b>Total assets</b>	<b>8,207,073</b>	<b>Total assets</b>	<b>9,024,304</b>	<b>9,250,223</b>

(millions of yen)

	Third quarter Dec. 31, 2001		Third quarter Dec. 31, 2000	Fiscal 2000 Mar. 31, 2001
<i>Liabilities</i>				
<b>Current liabilities:</b>	<b>6,896,061</b>	<b>Current liabilities:</b>	<b>7,511,845</b>	<b>7,715,514</b>
Notes payable and accounts payable	2,683	Notes payable and accounts payable	3,129	5,012
Trading liabilities:	1,133,438	Short-term borrowings	635,454	600,028
Trading securities and others	805,442	Commercial paper	473,300	516,300
Derivative liabilities	327,996	Bonds due within one year	23,941	17,419
Payables related to margin transactions:	46,184	Deposits received	101,247	110,335
Loans from securities finance companies for margin transactions	4,587	Mortgage backed securities sold	1,986	-
Proceeds of securities sold for margin transactions	41,596	Trade date accrual	3,557	13,813
Payables on collateralized securities transactions	3,191,207	Advance receipts on securities subscribed	1,753	1,823
Cash deposits as collateral for securities loaned	2,896,465	Trading liabilities:	1,298,389	1,412,369
Payables related to gensaki transactions	294,742	Trading securities and others	1,101,844	1,109,527
Deposits received	139,303	Option transactions	30,046	40,049
Cash deposits received from customers	60,292	Derivative valuation accounts	166,498	262,793
Securities failed to receive	612,632	Payables related to margin transactions:	34,546	29,771
Short-term borrowings	1,111,113	Loans from securities finance companies for margin transactions	19,050	14,453
Commercial paper	419,500	Proceeds of securities sold for margin transactions	15,495	15,318
Bonds due within one year	111,041	Payables related to gensaki transactions	485,909	741,938
Accrued income taxes	1,597	Cash deposits as collateral for securities loaned	2,497,294	2,509,282
Deferred income tax liabilities-current	1,420	Short-term securities borrowed	1,480,258	1,219,710
Accrued bonuses	8,164	Cash deposits received from customers	61,246	89,282
Provision for real estate business reorganization	10,495	Securities deposited by customers as collateral	325,256	336,461
Other current liabilities	46,986	Accrued income taxes	1,793	30,344
		Deferred income tax liabilities-current	424	1,836
		Accrued bonuses	8,312	18,747
		Other current liabilities	74,044	61,037
<b>Non-current liabilities:</b>	<b>603,960</b>	<b>Non-current liabilities:</b>	<b>667,278</b>	<b>637,810</b>
Bonds	326,422	Bonds	276,339	287,400
Convertible bonds	116,255	Convertible bonds	135,695	135,695
Long-term borrowings	133,974	Long-term borrowings	194,897	152,324
Deferred income tax liabilities-non-current	7,942	Long-term securities borrowed	6,000	6,000
Accrued retirement benefits	10,324	Deferred income tax liabilities-non-current	12,472	13,234
Other non-current liabilities	9,041	Accrued retirement benefits	6,333	7,522
		Multiemployer pension plan	28,442	28,442
		Other non-current liabilities	7,097	7,190
<b>Statutory reserves:</b>	<b>2,697</b>	<b>Statutory reserves:</b>	<b>1,697</b>	<b>1,974</b>
<b>Total liabilities</b>	<b>7,502,720</b>	<b>Total liabilities</b>	<b>8,180,822</b>	<b>8,355,299</b>
<b>Minority interest</b>	<b>145,762</b>	<b>Minority interest</b>	<b>157,808</b>	<b>178,106</b>
<i>Stockholders' equity</i>				
Common stock	138,431	Common stock	138,431	138,431
Additional paid-in capital	117,786	Additional paid-in capital	117,786	117,786
Retained earnings	298,920	Retained earnings	436,747	459,994
Net unrealized gain on securities net of tax effect	13,042	Net unrealized gain on securities net of tax effect	16,761	18,984
Translation adjustments	-7,292	Translation adjustments	-21,305	-15,807
Treasury stock	-2,298	Treasury stock	-2,748	-2,572
<b>Total stockholders' equity</b>	<b>558,589</b>	<b>Total stockholders' equity</b>	<b>685,673</b>	<b>716,817</b>
<b>Total liabilities, minority interest and stockholders' equity</b>	<b>8,207,073</b>	<b>Total liabilities, minority interest and stockholders' equity</b>	<b>9,024,304</b>	<b>9,250,223</b>

## Consolidated income statement

(millions of yen)

	Third quarter Apr. 1, 2001 - Dec. 31, 2001		Third quarter Apr. 1, 2000 - Dec. 31, 2000	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
Operating revenues:	368,869	Operating revenues:	497,133	718,113
Commissions	130,415	Commissions	201,098	254,704
Net gain on trading	38,613	Net gain on trading	70,145	165,637
Net gain on operational investment securities	2,953	Net gain on operational investment securities	4,234	3,853
Interest and dividend income	165,179	Net gain on other commodities trading	15	15
Other sales revenues	31,708	Interest and dividend income	166,569	223,992
Interest expenses	143,154	Other sales revenues	55,070	69,909
Cost of sales	23,520	Operating expenses:	400,772	538,247
Net operating revenues	202,194	Interest expenses	143,934	195,968
		Cost of sales	43,813	55,330
Selling, general and administrative expenses:	197,364	Selling, general and administrative expenses:	213,024	286,948
Commission and other expenses	36,306	Commission and other expenses	41,964	55,618
Employees' compensation and benefits	97,230	Employees' compensation and benefits	103,875	140,426
Real estate expenses	26,134	Real estate expenses	28,266	38,662
Data processing and office supplies	12,301	Data processing and office supplies	13,032	17,367
Depreciation expenses	13,556	Depreciation expenses	11,324	15,494
Taxes other than income taxes	4,371	Taxes other than income taxes	5,661	7,553
Others	7,462	Others	8,899	11,825
Operating income	4,830	Operating income	96,361	179,866
Non-operating income	5,662	Non-operating income	5,861	5,926
Equity in earnings (profit)	497	Equity in earnings (profit)	2,242	761
Others	5,064	Others	3,619	5,165
Non-operating expenses	4,044	Non-operating expenses	5,780	7,997
Ordinary income	6,348	Ordinary income	96,442	177,795
Extraordinary gains	23,408	Extraordinary gains	3,866	4,206
Extraordinary losses	169,106	Extraordinary losses	9,326	15,385
Income before income taxes and others	-139,349	Income before income taxes and others	90,981	166,616
Income taxes-current	2,205	Income taxes-current	16,081	48,019
Income taxes-deferred	-517	Income taxes-deferred	20,255	21,829
Minority interest in income	-2,307	Minority interest in income	-13,341	-32,217
Net income	-143,346	Net income	41,303	64,550

**Consolidated statement of retained earnings**

(millions of yen)

	Third quarter Apr. 1, 2001 - Dec. 31, 2001	Third quarter Apr. 1, 2000 - Dec. 31, 2000	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
<b>Beginning balance of retained earnings</b>	<b>459,994</b>	<b>413,468</b>	<b>413,468</b>
<b>Decrease in retained earnings:</b>	<b>17,727</b>	<b>18,024</b>	<b>18,024</b>
Decrease in retained earnings due to change in stake in consolidated subsidiaries	-	497	497
Dividends	17,265	17,246	17,246
Directors' bonuses	462	280	280
<b>Net income:</b>	<b>-143,346</b>	<b>41,303</b>	<b>64,550</b>
<b>Ending balance of retained earnings</b>	<b>298,920</b>	<b>436,747</b>	<b>459,994</b>

**Notes to consolidated financial statements**

The consolidated financial statements of the Company for the third quarter of fiscal 2001 ended December 31, 2001 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.

**Basis of consolidated financial statements**

## 1. Scope of consolidation

Consolidated subsidiaries.....52 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 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

Daiwa Securities SB Capital Markets Co. Ltd. changed its corporate name to "Daiwa Securities SMBC Co. Ltd." on April 1, 2001, and its overseas subsidiaries beginning with "Daiwa Securities SB Capital Markets" changed the corporate names in the same manner.

"Daiwa Securities SMBC Principal Investments Co. Ltd." and one overseas subsidiary are added to scope of consolidation due to establishment, and two overseas subsidiaries are excluded from scope of consolidation due to liquidation.

Each amount of assets, operating revenues (or sales), net gain 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 gains/losses 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, the financial statements for the relevant third quarter are reflected.

## 3. Third quarter of consolidated subsidiaries

As the third quarter of one consolidated subsidiary ends other than December 31, the financial statements for the relevant third quarter 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 securities 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 overseas consolidated 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. 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.

Some portion of securities held by some domestic consolidated subsidiaries and operational investment securities are categorized as 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 based on Corporation Tax Law. In terms of overseas consolidated 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 overseas consolidated 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, 2001, 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, 2002.

(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, 2001.

- (4) Translation of accounts denominated in foreign currencies  
Financial assets and liabilities denominated in foreign currencies are translated into Japanese yen using exchange rates as of the balance sheet date. Gains and losses resulting from translation are reflected in the income statement. Assets and liabilities of overseas subsidiaries are translated into Japanese yen with exchange rates as of the balance sheet date while revenues and expenses translated with average exchange rates, and translation differences are reflected as "Translation adjustments" in stockholders' equity.
- (5) 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.
- (6) 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.
- (7) Other material items
- (i) Consumption Tax  
Consumption taxes are separately recorded. Non-deductible consumption taxes imposed on certain assets are expensed when incurred.
  - (ii) Amortization of deferred assets  
Expenses for issue of bond and stocks are amortized in a lump when incurred.

## Notes to consolidated balance sheet

### 1. Guarantee

As of Dec. 31, 2001.....	5,062 million yen
As of Dec. 31, 2000.....	6,171 million yen
As of Mar. 31, 2001.....	6,773 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, 2001.....	40,000 million yen
As of Dec. 31, 2000.....	40,000 million yen
As of Mar. 31, 2001.....	40,000 million yen

### 3. Changes in consolidated balance sheet due to amendment of the "Uniform Accounting Standards of Securities Companies"

- (i) Domestic trusted money segregated for customers as fiduciary assets were previously included in "Cash and time deposits" in accordance with Clause 3, Article 47 of the Securities and Exchange Act of Japan. The newly introduced "Cash segregated as deposits" is made up of the domestic trusted money segregated for customers as fiduciary assets and the former "Cash segregated as deposits related to securities transactions".
- (ii) "Securities in custody", "Securities deposited by customers as collateral" and "Short-term securities borrowed" are removed from balance sheet accounts.
- (iii) "Option transactions" and "Derivative valuation accounts" were previously presented separately. Those aggregated amounts are presented as "Derivative assets" or "Derivative liabilities".
- (iv) "Cash deposits as collateral for securities borrowed" and "Receivables related to gensaki transactions" are presented as a sub-account of newly introduced "Receivables on collateralized securities transactions".
- (v) "Cash deposits as collateral for securities loaned" and "Payables related to gensaki transactions" are presented as a sub-account of newly introduced "Payables on collateralized securities transactions".

**Notes to consolidated income statement****1. Details of extraordinary gains/losses**

	<b>Third quarter</b>	<b>Third quarter</b>	(millions of yen)
	Apr. 1, 2001 -	Apr. 1, 2000 -	<b>Fiscal 2000</b>
	<u>Dec. 31, 2001</u>	<u>Dec. 31, 2000</u>	Apr. 1, 2000 -
			<u>Mar. 31, 2001</u>
Extraordinary gains			
Gain on sale of fixed assets.....	749	219	245
Gain on sale of investment securities.....	8,966	3,646	3,960
Reversal of multiemployer pension plan (Note).....	13,691	-	-
Extraordinary losses			
Valuation loss of fixed assets.....	112	132	227
Write-off of investment securities.....	22,851	1,863	3,669
Write-off of related companies' stocks.....	3,166	142	1,080
Loss on sale or disposal of fixed assets.....	2,044	2,253	2,996
Loss on sale of investment securities.....	6,117	1,933	1,956
Loss on sale of loan receivables.....	30	1,363	1,519
Expenses for real estate business reorganization.....	127,516	-	-
Provision for doubtful accounts.....	1,443	920	2,942
Write-off of goodwill.....	5,000	-	-
Consumption tax incurred regarding goodwill not falling under other deductions.....	98	-	-
Provision for securities transaction liabilities.....	722	716	993
Provision for financial futures transaction liabilities.....	-	0	0

(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.

**2. Changes in consolidated income statement due to amendment of the "Uniform Accounting Standards of Securities Companies"**

- (1) "Net operating revenues", a deduction of "Interest expenses" and "Cost of sales" from "Operating revenues", is presented.
- (2) Dividends received on stocks held for the purpose of business other than securities and related businesses are removed to "Non-operating income" from "Interest and dividend income" of "Operating revenues".

**Supplemental information for the third quarter of fiscal 2001**

## 1. Breakdown of commission income

Third quarter ended December 31, 2001 (A)

(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

Third quarter ended December 31, 2000 (B)

(millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment Banking	Others	Total
Brokerage commission	65,626	502	7	-	-	66,136
Underwriting	-	-	-	32,261	-	32,261
(Stock and other)	-	-	-	(25,962)	-	(25,962)
(Bond and other)	-	-	-	(6,253)	-	(6,253)
Distribution	-	-	31,079	1,468	-	32,548
Other commission	1,999	2,085	55,261	4,212	6,593	70,151
(Agency commission)	-	(1,956)	(30,091)	-	-	(32,048)
Total	67,625	2,587	86,349	37,942	6,593	201,098

Third quarter to third quarter comparison (December 31, 2001 (A) / December 31, 2000 (B))

(%)

	Equity	Fixed income (Bond)	Investment trust	Investment Banking	Others	Total
Brokerage commission	66.0	194.4	-	-	-	67.2
Underwriting	-	-	-	69.4	-	69.4
(Stock and other)	-	-	-	(52.9)	-	(52.9)
(Bond and other)	-	-	-	(112.7)	-	(112.7)
Distribution	-	-	37.7	36.4	-	37.6
Other commission	90.4	101.3	66.7	92.6	101.5	73.2
(Agency commission)	-	(101.1)	(67.5)	-	-	(69.5)
Total	66.7	119.4	56.4	70.7	101.5	64.9

Fiscal 2000 ended March 31, 2001

(millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment Banking	Others	Total
Brokerage commission	82,230	642	8	-	-	82,880
Underwriting	-	-	-	38,858	-	38,858
(Stock and other)	-	-	-	(31,131)	-	(31,131)
(Bond and other)	-	-	-	(7,727)	-	(7,727)
Distribution	-	-	37,509	2,099	-	39,609
Other commission	2,620	3,084	70,420	7,137	10,093	93,356
(Agency commission)	-	(2,949)	(38,637)	-	-	(41,587)
Total	84,850	3,726	107,938	48,096	10,093	254,704

## 2. Breakdown of net trading gains

(millions of yen)

	Third quarter (A) (2001/12)	Third quarter (B) (2000/12)	(A)/(B) %	Fiscal 2000 (2001/3)
Stock and other	11,574	46,982	24.6	130,300
Bond, Forex and other	27,038	23,162	116.7	35,336
(Bond and other)	(20,806)	(21,310)	(97.6)	(32,523)
(Forex and other)	(6,232)	(1,852)	(336.5)	(2,813)
Total	38,613	70,145	55.0	165,637

(Reference Data)

**Quarterly consolidated income statement**

(millions of yen)

	Fiscal 2000			Fiscal 2001		
	Third quarter Oct. 1, 2000 - Dec. 31, 2000	Fourth quarter Jan. 1, 2001 - Mar. 31, 2001		First quarter Apr. 1, 2001 - Jun. 30, 2001	Second quarter Jul. 1, 2001 - Sep. 30, 2001	Third quarter Oct. 1, 2001 - Dec. 31, 2001
Operating revenue	139,821	220,979	Operating revenue	139,168	117,209	112,491
Commissions	53,322	53,606	Commissions	50,101	40,651	39,662
Brokerage commission	16,153	16,744	Brokerage commission	18,663	13,029	12,728
(Stock and other)	16,031	16,603	(Stock and other)	18,339	12,601	12,347
(Bond and other)	121	139	(Bond and other)	322	316	337
Underwriting commission	8,518	6,596	Underwriting commission	6,685	7,985	7,733
(Stock and other)	6,971	5,169	(Stock and other)	4,063	5,307	4,358
(Bond and other)	1,523	1,413	(Bond and other)	2,621	2,669	1,759
Distribution commission	7,749	7,060	Distribution commission	5,942	2,754	3,543
(Beneficiary certificate)	7,583	6,429	(Beneficiary certificates)	5,891	2,546	3,268
Other commission	20,900	23,204	Other commission	18,810	16,881	15,657
(Beneficiary certificate)	16,805	15,158	(Beneficiary certificates)	13,826	12,132	10,877
Net gain on trading	-4,378	95,491	Net gain on trading	14,834	9,487	14,290
(Stock and other)	-8,052	83,318	(Stock and other)	7,139	-1,576	6,011
(Bond and other)	3,645	11,212	(Bond and other)	9,204	2,624	8,977
(Forex and other)	29	960	(Forex and other)	-1,509	8,439	-698
Net gain on operational investment securities	388	-380	Net gain on operational investment securities	2,104	-942	1,791
Net gain on other commodities trading	9	0	Interest and dividend income	60,943	57,931	46,304
Interest and dividend income	73,175	57,423	Other sales revenues	11,184	10,080	10,443
Other sales revenues	17,302	14,838	Interest expenses	53,362	52,514	37,276
Operating expenses	146,690	137,474	Cost of sales	8,625	7,154	7,740
Interest expenses	67,142	52,033	Net operating revenues	77,180	57,539	67,474
Cost of sales	12,031	11,517	Selling, general and administrative expenses	67,539	66,835	62,988
Selling, general and administrative expenses:	67,515	73,923	Commission and other expenses	12,544	12,729	11,033
Commission and other expenses	13,035	13,653	Employees' compensation and benefits	33,495	32,686	31,048
Employees' compensation and benefits	31,930	36,551	Real estate expenses	8,746	8,726	8,661
Real estate expenses	9,711	10,396	Data processing and office supplies	4,565	3,884	3,850
Data processing and office supplies	5,083	4,334	Depreciation expenses	4,308	4,559	4,688
Depreciation expenses	3,973	4,170	Taxes other than income taxes	1,768	1,365	1,237
Taxes other than income taxes	1,800	1,891	Others	2,111	2,883	2,467
Others	1,980	2,925	Operating income	9,640	-9,295	4,486
Operating income	-6,869	83,505	Non-operating income	2,383	1,267	1,911
Non-operating income	237	65	Non-operating expenses	1,470	1,349	1,224
Non-operating expenses	1,984	2,216	Ordinary income	10,553	-9,377	5,173
Ordinary income	-8,616	81,353	Extraordinary gains	8,247	13,729	1,431
Extraordinary gains	1,275	340	Extraordinary losses	11,747	141,969	15,389
Extraordinary losses	971	6,059	Income before income taxes and others	7,053	-137,617	-8,785
Income before income taxes and others	-8,311	75,635	Income taxes-current	959	495	751
Income taxes-current	-10,583	31,937	Income taxes-deferred	45	-681	118
Income taxes-deferred	6,315	1,574	Minority interest in income	-1,006	813	-2,114
Minority interest in income	3,402	-18,875	Net income	5,041	-136,618	-11,769
Net income	-641	23,246				

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 2nd quarter of fiscal 2001. The operating results for the 1st quarter of fiscal 2001 are reclassified in that manner.

January 29, 2002

Daiwa Securities Group Inc.  
Non-consolidated financial summary  
 (For the third quarter ended December 31, 2001)

(1) Operating results (from April 1, 2001 to December 31, 2001)

Note :All figures in the financial statements are rounded down to the nearest millionth.  
 "-" indicates a loss or negative figure.

	Operating revenues	Yr/yr	Operating income	Yr/yr	Ordinary income	Yr/yr
	Millions of yen	change	Millions of yen	change	Millions of yen	change
Third quarter (2001/12)	51,784	(95.9)%	41,450	(204.2)%	43,018	(228.6)%
Third quarter (2000/12)	26,436		13,624		13,090	
Fiscal 2000 (2001/3)	29,909		13,041		12,419	

	Net income	Yr/yr	Earnings /share
	Millions of yen	change	Yen
Third quarter (2001/12)	-105,046	(-)	-79.07
Third quarter (2000/12)	11,378		8.54
Fiscal 2000 (2001/3)	8,859		6.65

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

Third quarter of Fiscal 2001:	1,328,393,685
Third quarter of fiscal 2000:	1,331,734,344
Fiscal 2000:	1,331,734,572

2. Change in accounting policies: Applied

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity/share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2001	1,330,182	622,079	46.8	468.25
As of Dec. 31, 2000	1,298,104	755,829	58.2	567.55
As of Mar. 31, 2002	1,321,097	753,635	57.0	565.90

Note 1. Number of shares outstanding (shares):

As of December 31, 2001:	1,328,495,426
As of December 31, 2000:	1,331,735,258
As of March 31, 2001:	1,331,735,258

2. Treasury stock (shares)

As of December 31, 2001:	3,239,832
--------------------------	-----------

**Balance sheet**

(millions of yen)

	(A) Third quarter Dec. 31, 2001	(B) Third quarter Dec. 31, 2000	(A)-(B) Increase/ decrease	Fiscal 2000 Mar. 31, 2001
<i>Assets</i>				
<b>Current assets:</b>	<b>474,015</b>	<b>381,125</b>	<b>92,890</b>	<b>399,284</b>
Cash and time deposits	174,696	91,181	83,514	82,542
Short-term loans receivable	285,980	270,438	15,541	264,620
Accrued income	2,309	2,956	-647	2,921
Securities	-	-	-	30,000
Other current assets	14,694	19,485	-4,791	22,078
Less: Allowance for doubtful accounts-current	-3,664	-2,937	-727	-2,878
<b>Non-current assets:</b>	<b>856,166</b>	<b>916,979</b>	<b>-60,812</b>	<b>921,813</b>
Tangible fixed assets	10,412	10,971	-559	10,733
Intangible fixed assets	837	1,269	-431	1,425
Investments and others:	844,916	904,738	-59,822	909,654
Investment securities	698,561	729,152	-30,590	735,766
Long-term loans receivable	95,710	98,621	-2,910	98,619
Long-term guarantee deposits	36,273	61,046	-24,772	60,014
Others	16,580	16,795	-214	16,232
Less: Allowance for doubtful accounts-non-current	-2,210	-877	-1,333	-978
<b>Total assets</b>	<b>1,330,182</b>	<b>1,298,104</b>	<b>32,077</b>	<b>1,321,097</b>

(millions of yen)

	(A) Third quarter Dec. 31, 2001	(B) Third quarter Dec. 31, 2000	(A)-(B) Increase/ decrease	Fiscal 2000 Mar. 31, 2001
<i>Liabilities</i>				
<b>Current liabilities:</b>	<b>386,167</b>	<b>131,547</b>	<b>254,619</b>	<b>193,143</b>
Short-term borrowings	75,960	60,910	15,050	133,410
Commercial paper	110,000	-	110,000	-
Bonds due within one year	19,440	-	19,440	-
Cash deposits as collateral for securities loaned	48,535	65,112	-16,577	55,084
Accrued income taxes	10	11	-0	14
Accrued bonuses	160	200	-40	490
Provision for subsidiaries' real estate business reorganization	127,566	-	127,566	-
Stock purchase warrant	501	501	-	501
Other current liabilities	3,993	4,812	-818	3,643
<b>Non-current liabilities:</b>	<b>321,935</b>	<b>410,728</b>	<b>-88,792</b>	<b>374,317</b>
Bonds	108,400	108,400	-	108,400
Convertible bonds	116,255	135,695	-19,440	135,695
Long-term borrowings	62,000	101,000	-39,000	65,000
Long-term cash deposits received	26,023	49,772	-23,748	48,854
Deferred income taxes liabilities-non-current	7,766	12,472	-4,705	12,708
Accrued retirement benefits	1,077	458	619	724
Multiemployer pension plan	-	2,200	-2,200	2,200
Other non-current liabilities	412	730	-317	735
<b>Total liabilities</b>	<b>708,102</b>	<b>542,275</b>	<b>165,826</b>	<b>567,461</b>
<i>Stockholders' equity</i>				
Common stock	138,431	138,431	-	138,431
Legal reserve:	163,121	163,121	-	163,121
Additional paid-in capital	117,786	117,786	-	117,786
Earned surplus reserve	45,335	45,335	-	45,335
Retained earnings:	312,121	437,086	-124,965	434,568
General-purpose reserve	417,000	417,000	-	417,000
Unappropriated retained earnings	-104,878	20,086	-124,965	17,568
(Net income for the current term )	(-105,046)	(11,378)	(-116,424)	(8,859)
Net unrealized gain on investment securities net of tax effect	10,703	17,188	-6,485	17,514
Treasury stock	-2,298	-	-2,298	-
<b>Total stockholders' equity</b>	<b>622,079</b>	<b>755,829</b>	<b>-133,749</b>	<b>753,635</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,330,182</b>	<b>1,298,104</b>	<b>32,077</b>	<b>1,321,097</b>

**Income statement**

(millions of yen)

	(A)	(B)	(A)/(B)	
	Third quarter Apr. 1, 2001 - Dec. 31, 2001	Third quarter Apr. 1, 2000 - Dec. 31, 2000	Comparison (%)	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
<b>Operating revenues:</b>	<b>51,784</b>	<b>26,436</b>	<b>195.9</b>	<b>29,909</b>
Dividends from related companies	42,985	12,252	350.8	12,255
Interest on loans to related companies	4,017	3,937	102.0	5,275
Other interest and dividend income	56	3,166	1.8	3,430
Royalty on trademark	4,725	7,079	66.8	8,947
<b>Operating expenses:</b>	<b>10,334</b>	<b>12,811</b>	<b>80.7</b>	<b>16,868</b>
Selling, general and administrative expenses:	5,964	7,370	80.9	9,720
Commission and other expenses	1,187	1,267	93.7	1,619
Employees' compensation and benefits	2,271	2,600	87.3	3,616
Real estate expenses	596	658	90.6	841
Data processing and office supplies	622	860	72.3	1,300
Depreciation expenses	446	643	69.5	812
Others	838	1,339	62.6	1,529
Interest expenses	4,369	5,440	80.3	7,148
<b>Operating income</b>	<b>41,450</b>	<b>13,624</b>	<b>304.2</b>	<b>13,041</b>
Non-operating income	2,266	209	1,080.2	244
Non-operating expenses	698	743	94.0	866
<b>Ordinary income</b>	<b>43,018</b>	<b>13,090</b>	<b>328.6</b>	<b>12,419</b>
Extraordinary gains	10,254	2,486	412.4	2,776
Extraordinary losses	158,307	4,188	3,780.0	6,322
<b>Income before income taxes</b>	<b>-105,034</b>	<b>11,389</b>	<b>-</b>	<b>8,873</b>
Income taxes-current	11	11	103.8	14
Income taxes-deferred	-	-	-	-
<b>Net income</b>	<b>-105,046</b>	<b>11,378</b>	<b>-</b>	<b>8,859</b>
Unappropriated retained earnings-carryforward	167	8,708	1.9	8,708
<b>Unappropriated retained earnings at ending</b>	<b>-104,878</b>	<b>20,086</b>	<b>-</b>	<b>17,568</b>

## Notes to financial statements

The financial statements of the Company for the third quarter of fiscal 2001 ended December 31, 2001 are prepared in accordance with "Regulations of Interim Financial Statements" (MOF Ordinance No. 38, 1977).

### Basis of financial statements

1. Valuation of securities and investment securities

Subsidiary stocks and affiliated company stocks are valued at moving average cost method. 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 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 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, 2001, 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, 2002.

(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, 2001.

4. Translation of accounts denominated in foreign currencies

Financial assets and liabilities denominated in foreign currencies are translated into Japanese yen using exchange rates as of the balance sheet date. Gains and losses resulting from translation are reflected in income statement.

5. 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.

6. 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.

7. Other material items

(Accounting for consumption taxes)

Consumption taxes are separately recorded.

**Notes to balance sheet**

1. Accumulated depreciation of tangible fixed assets	<u>As of Dec. 31, 2001</u> 3,582 million yen	<u>As of Dec. 31, 2000</u> 4,702 million yen	<u>As of Mar. 31, 2001</u> 3,919 million yen
2. Guarantee	<u>As of Dec. 31, 2001</u> 119,355 million yen	<u>As of Dec. 31, 2000</u> 188,398 million yen	<u>As of Mar. 31, 2001</u> 179,811 million yen
3. Treasury stock	Treasury stock is presented as a deduction of stockholders' equity in accordance with the amendment of "Regulations of Interim Financial Statements" (Cabinet Office Ordinance No.76, 2001) as of December 31, 2001.		
(1) Treasury stock included in other current assets	<u>As of Dec. 31, 2001</u>	<u>As of Dec. 31, 2000</u>	<u>As of Mar. 31, 2001</u>
- shares		35,660 shares	38,777 shares
- million yen		46 million yen	46 million yen
(2) Treasury stock included in investments and others	<u>As of Dec. 31, 2001</u>	<u>As of Dec. 31, 2000</u>	<u>As of Mar. 31, 2001</u>
- shares		3,838,000 shares	3,589,000 shares
- million yen		2,701 million yen	2,526 million yen
4. Fair value of subsidiary and affiliated company stocks	<u>Value on balance sheet as of Dec. 31, 2001: (A)</u> 334 million yen	<u>Fair value as of Dec. 31, 2001: (B)</u> 334 million yen	<u>Difference: (A) - (B)</u> -

**Notes to income statement**

## 1. Details of extraordinary items

	(millions of yen)		
	<b>Third quarter</b> <u>Apr. 1, 2001-</u> <u>Dec. 31, 2001</u>	<b>Third quarter</b> <u>Apr. 1, 2000-</u> <u>Dec. 31, 2000</u>	<b>Fiscal 2000</b> <u>Apr. 1, 2000-</u> <u>Mar. 31, 2001</u>
<b>Extraordinary gains</b>			
Gain on sale of fixed assets .....	125	42	42
Gain on sale of investment securities .....	8,901	2,444	2,734
Reversal of multiemployer pension plan (Note) .....	1,227	-	-
<b>Extraordinary losses</b>			
Valuation loss of fixed assets.....	8	75	129
Write-off of investment securities.....	17,588	1,843	3,512
Write-off of related companies' stocks.....	5,219	-	77
Loss on sale or disposal of fixed assets .....	38	78	230
Loss on sale of investment securities.....	5,826	1,568	1,589
Provision for doubtful accounts.....	2,060	622	781
Expenses for subsidiaries' real estate business Reorganization.....	127,566	-	-

(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.

## 2. Change in accounting policies in accordance with amendment of "Uniform Accounting Standards of Securities Companies"

The Company's financial statements are prepared, based on "Regulations of Financial Statements" (MOF Ordinance No. 59, 1963). The "Uniform Accounting Standards of Securities Companies" applied to the Group's main operating field, investing and financial business focusing on securities business, was amended on September 28, 2001. Therefore, "Dividends from non-related companies" and "Interest on loans to non-related companies" that were included in "Other interest and dividend income" of "Operating revenues" until fiscal 2000 are treated as "Non-operating income", and "Interest expenses to non-related companies" that was included in "Interest expenses" of "Operating expenses" are treated as "Non-operating expenses" for the current third quarter.