

October 26, 2001

Consolidated financial summary

(For the first half ended September 30, 2001)

(1) Operating results (from April 1, 2001 to September 30, 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
First half (2001/9)	256,377	(-28.2)	134,719	(-)	344	(-99.7)	1,175	(-98.9)
First half (2000/9)	357,312		-		103,230		105,058	
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		%	
First half (2001/9)	-131,576	(-)	-99.05		-		-41.4	
First half (2000/9)	41,945		31.60		29.92		12.4	
Fiscal 2000(2001/3)	64,550		48.62		46.26		9.3	

Note 1. Equity in earnings:

First half (2001/9)	310 million yen
First half (2000/9)	2,284 million yen
Fiscal 2000 (2001/3)	761 million yen

Note 2. Change in accounting policies: None

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity / share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2001	8,402,049	553,484	6.6	416.63
As of Sep. 30, 2000	9,829,200	691,621	8.7	520.98
As of Mar. 31, 2001	9,250,223	716,817	9.3	539.72

Note: 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

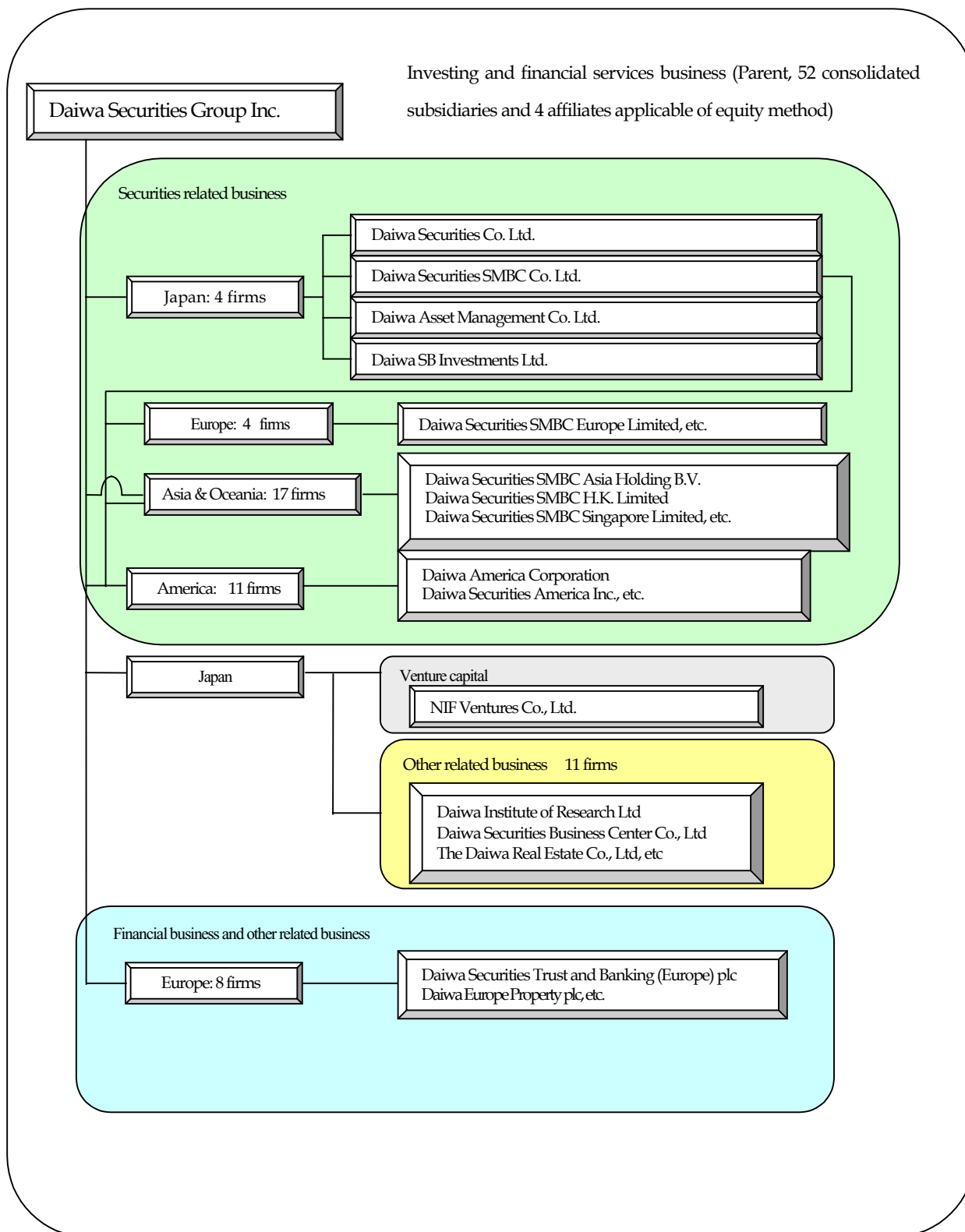
Consolidated subsidiaries: 52 Companies Affiliates applicable of equity method: 4 Companies

(4) Change in scope of consolidation and equity method

Consolidated subsidiaries: Addition...1 Company, Exclusion...1 Company

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.



Management Policy

1. Principle Management Policy

Daiwa aims to become Japan's strongest securities company and maximize group corporate value, by developing its securities related businesses by utilizing the holding company structure and concentrating group management resources on securities related businesses.

2. Mid to Long Term Management Targets

The company has announced a three year, "Group Medium-term Management Plan" starting April 2000. The three main targets of the "Group Medium-term Management Plan" are (a) Sustain a minimum ROE of 15% on a consolidated basis, (b) Double retail assets under custody (to 28.3 trillion yen) and (c) Obtain rating of A or above (by the two securities company subsidiaries)

Furthermore, this March, in preparation to build the Daiwa Securities Group corporate brand, the company has announced the "Brand Statement." The "Brand Statement" is the Group's commitment to its clients, and represents the eternal core values. The three core values are, "We shall provide products and services that exceed expectations", "We shall bring the full strength of the Group to bear" and " We shall continually challenge the limits of financial best practice"

The Group will continue to actively implement various brand management strategies for the realization of the statement.

3. Principle Policy on the Distribution of Profits

Under the management policy mentioned above, the company aims to continuously maximize shareholder value including the distribution of profits.

The company will determine dividends taking into account the retention of profits necessary to grow and build its financial strength. While conscious of maintaining a stable dividend flow for its investors, the company will also reflect financial performance on a consolidated basis. Under the "Group Medium-term Management Plan", the company will appropriately distribute and manage shareholders' equity including any profits that it retains.

4. Establishing Group Management Infrastructure

To achieve the management targets mentioned above, the company is in the process of establishing the following Group management infrastructure.

(1) Group governance

The company's aim is first, to create a structure enabling development of a comprehensive Group business strategy, second to establish Group governance by defining authorities of the Group holding company and Group companies and third to increase transparency of management for outside shareholders. To achieve

these targets the company has (a) Enhanced the function of the Group management meeting, and (b) Enhanced legal and compliance divisions to enhance the Group's legal structure. The company will continue to review its corporate governance structure in view of future amendments to the commercial law.

(2) Personnel policies

The Group's personnel policy is to establish a personnel structure that reflects the needs of each business entity while balancing the needs of the Group as a whole. More specifically the company will (a) Educate and train employees to professional standards, (b) Establish a remuneration structure based on performance and capability, (c) Continue training programs for management candidates for the development of a skilled manager class ("Daiwa Academy" will be start training its fourth group in November) and (d) Conduct a training program on Group branding for new recruits and certain group of employees to develop their understanding of the Group's core values.

(3) Finance strategy

The company will concentrate and rationally allocate management resources and efficiently manage risks for the purpose of concentrating Group resources to securities related businesses. For the immediate future the emphasis will be on increasing stable income and diversifying revenue sources to improve our financial stability. The company is in the process of implementing the Group cash management system to make efficient use of Group funds and monitor liquidity risk.

(4) Public relations/ Investor relations strategy

The company will develop a proactive public relations program as well as a shareholder and investor communications program to establish the Group brand. Following the issuance of the brand statement, during the first half of this fiscal year, the Group companies have proceeded to integrate the Group's visual identity by unifying company emblems and logos and by implementing a Group branding mark.

Furthermore, the company has obtained approval to produce and manage programs for broadcasting, via Daiwa Securities Media Networks Co. Ltd. The company aims to contribute to the development of the securities markets by providing high quality finance related programs to the public.

(5) Information technology (IT) strategy

The securities business is strongly associated with the information industry, thus strategic application is essential in maintaining competitive superiority. Headed by the Chief Information Officer (CIO), the Group IT strategy meeting will structure the Group's IT strategic model, facilitate quick decision making and make efficient use of capital regarding IT related projects.

Management Strategy for Each Business Sector

(1) Daiwa Securities (Retail securities business)

Daiwa Securities introduced the “Three Service Packages” to pursue increasing customer satisfaction. The “Three Service Packages” was further enhanced to take advantages of opportunities provided by policies to activate the securities market, the introduction of a defined contribution plan to the corporate pension system and the expected mobilization of bank deposits related to the reintroduction of the payoff system. Based on the “Next generation innovation project” introduced in the second half of last fiscal year, Daiwa Securities has reinforced its sales force by revamping its personnel structure and reviewing its branch strategies. Furthermore, in pursuit of providing high quality services, Daiwa Securities has moved to open its branch offices on Saturdays, enforced its training programs and is engaging in a company wide program to establish the Daiwa Securities brand.

(2) Daiwa Securities SMBC (Wholesale securities business)

As a leading investment bank, various infrastructure to (a) Secure its position as a market leader in both equity and fixed income products, (b) Increase IPO business, (c) Increase contribution of revenues by the Structured Finance, Derivatives and M&A businesses, (d) Rebuild a global organization concentrating on Japan related cross border transactions and, (e) Establish a business structure, personnel structure, has been put in place. Furthermore, from April 1st this year Daiwa Securities SMBC has integrated the businesses of Sakura Securities. Having consolidated the investment banking businesses such as M&A of Sakura Bank into Daiwa Securities SMBC, the revenue base has been further strengthened.

(3) Daiwa Asset Management, Daiwa SB Investments (Asset management business)

The asset management business is becoming increasingly important as individual investors’ acceptance of investment trust products expands and with the introduction of the defined contribution plan.

Daiwa Asset Management will continue its efforts to improve fund performance by increasing its research and fund management capabilities. Furthermore it will firmly establish its position as a leading investment trust fund manager by strengthening its product development capabilities.

Daiwa SB Investments, as one of Japan’s leading investment advisory companies, will aim to be identified by its superior performance and increase its assets under management. Furthermore it will expand its investment trust products to maintain a steady inflow of funds under management.

(4) Daiwa Institute of Research “DIR” (Research and system development business)

DIR operates as one of Japan’s leading think tanks and provides research and systems services.

Through its research operations, DIR will provide clients with high quality information such as economic forecasts and analyst reports as well as making well timed policy proposals to contribute to the revitalization of the Japanese economy.

Through its systems operations, DIR will provide state of the art technology to the Group and the Group’s clients, mainly in the areas of finance and capital markets.

(5) NIF Ventures (Venture capital business)

NIF Ventures will utilize its track record and credibility as well as its information gathering capacities and marketing experience it has gained in overseas market as a member of the Group. It will provide venture capital firms not only with funds but support through management advice and introduction of personnel. Furthermore, NIF Ventures will engage in IPO, M&A and MBO etc of venture capital companies.

(6) Daiwa Securities Business Center (Back office operations)

Daiwa Securities Business Center will review its operations and concentrate on minimizing back office costs for the Group. At the same time, various steps to pursue efficiency, specialty and high levels of services will be taken.

5. Policies to promote securities education

To familiarize the public in securities through educational programs, during the first half of this fiscal year, the company has formed a comprehensive alliance with the Hitotsubashi University Graduate School of International Corporate Strategy. Through this alliance the company will actively participate in joint research programs, joint proposals, conferences and symposiums as well as provide lecturers and internships to students. Furthermore the company will be sponsoring a course at Keio University's Faculty of Policy Management.

6. Issues Outstanding

Due to the lackluster equities market, the exodus of individual investors from the stock market, and the terrorist related activities in the US, the uncertainty of the international situation prevails, forcing the securities industry to continue operating under adverse business environments. But at the same time, activating the securities market has become the general public's priority for the reconstruction of the Japanese economy. Taking this into consideration, and to achieve the medium-term management plan mentioned above, the company has announced the following three management principals for FY 2001 to maximize Group corporate value. (a) Establish the Daiwa Securities Group brand, (b) Expand retail assets under custody, and (c) Breakthrough in investment banking.

Consolidated operating results for the first half of fiscal 2001

1. Summary of operating results (6 months)

Consolidated operating revenues amounted to 256,377 million yen (71.8% of the 1st half of fiscal 2000), mainly due to a decrease in brokerage commission and trading gains. Consolidated ordinary income decreased to 1,175 million yen (1.1% of the 1st half of fiscal 2000). Consolidated net loss of 131,576 million yen was posted, mainly due to expenses for real estate business reorganization as an extraordinary item.

(1) Commissions

(i) Brokerage commission

“Brokerage” commission declined to 31,692 million yen (63.4% of the 1st half 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 (86.8% of the 1st half of fiscal 2000).

(ii) Underwriting commission

“Underwriting” commission diminished to 14,671 million yen (61.8% of the 1st half of fiscal 2000), as the stagnant secondary stock market damped the primary stock market.

(iii) Distribution commission

“Distribution” commission dropped to 8,697 million yen (35.1% of the 1st half 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 25,958 million yen (67.5% of the 1st half 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 35,692 million yen (72.5% of the 1st half of fiscal 2000).

(2) Net trading gains/losses

Net trading gains on “Stock and other” plunged to 5,562 million yen (10.1% of the 1st half of fiscal 2000), primarily due to lackluster trading by corporate clients. Net trading gains on “Bond, Forex and other” edged down to 18,759 million yen (96.3% of the 1st half of fiscal 2000).

(3) Financial income

Net financial income amounted to 12,997 million yen, with an increase in interest and dividend income of 118,875 million yen and in interest expenses of 105,877 million yen, primarily due to expanded repurchase agreement transactions in overseas subsidiaries.

(4) Selling, general & administrative expenses

The depressed stock market caused curtailment in commission and other expenses, while depreciation expenses on information technology-related investment increased. On balance, selling, general & administrative expenses decreased to 134,375 million yen (92.3% of the 1st half of fiscal 2000).

(5) Extraordinary gains/losses

Extraordinary gains totaled 21,976 million yen, including gain on sale of investment securities of 8,089 million yen and reversal of multiemployer pension plan of 13,691 million yen. Extraordinary losses totaled 153,717 million yen, including expenses for real estate business reorganization of 127,516 million yen, write-off of related companies’ stocks of 3,043 million yen, write-off of goodwill on transferred Sakura Securities Co., Ltd. of 5,000 million yen, write-off of investment securities of 7,888 million yen, and loss on sale of investment securities of 4,668 million yen.

2. Summary of operating results (3 months)

Consolidated operating revenues for the second quarter decreased to 117,209 million yen (84.2% of the 1st quarter of fiscal 2001), mainly due to a decrease in brokerage commission and trading gains. Consolidated ordinary loss of 9,377 million yen was incurred for the second quarter, as interest expenses and selling, general & administrative expenses for the second quarter stayed almost flat in comparison with the first quarter. Net loss of 136,618 million yen was incurred for the second quarter because of swollen extraordinary losses.

3. Operating results of overseas subsidiaries for the first half of fiscal 2001

Ordinary income by geographic area (millions of yen)

<u>America</u>	<u>Europe</u>	<u>Asia & Oceania</u>	<u>Total</u>
983	2,763	-320	3,427

Consolidated balance sheet

(millions of yen)

	First half Sep. 30, 2001		First half Sep. 30, 2000	Fiscal 2000 Mar. 31, 2001
<i>Assets</i>		<i>Assets</i>		
Current assets:	7,768,777	Current assets:	8,999,588	8,451,951
Cash and time deposits	380,377	Cash and time deposits	460,075	399,564
Cash segregated as deposits	104,704	Cash segregated as deposits related to securities transactions	7,991	8,975
Notes receivable and accounts receivable	12,837	Notes receivable and accounts receivable	20,363	16,886
Securities	62,833	Receivables	10,919	19,003
Trading assets:	2,732,009	Advance payments on securities subscribed	64,272	1,100
Trading securities and others	2,360,988	Short-term loans receivable	212,007	409,455
Derivative assets	371,021	Accrued income	27,271	24,591
Trade date accrual	35,043	Securities	137,315	99,032
Operational investment securities	39,187	Operational investment securities	49,998	48,564
Less: Allowance for possible investment losses	-1,215	Less: Allowance for possible investment losses	-639	-1,107
Other inventories	9,115	Trading assets:	3,208,008	2,829,022
Receivables related to margin transactions:	177,140	Trading securities and others	3,066,179	2,513,079
Loans receivable from customers for margin transactions	68,880	Options transactions	19,983	43,022
Cash deposits as collateral for securities borrowed from securities finance companies	108,260	Derivative valuation accounts	121,844	272,920
Receivables on collateralized securities transactions	3,580,351	Other inventories	14,912	8,016
Cash deposits as collateral for securities borrowed	3,377,687	Receivables related to margin transactions:	306,064	228,292
Receivables related to gensaki transactions	202,664	Loans receivable from customers for margin transactions	193,779	88,171
Receivables	4,588	Cash deposits as collateral for securities borrowed from securities finance companies	112,285	140,120
Advance payments on securities subscribed	371	Receivables related to gensaki transactions	153,890	217,451
Short-term loans receivable	97,382	Cash deposits as collateral for securities borrowed	2,377,701	2,512,269
Accrued income	26,678	Securities in custody	1,870,724	1,556,172
Deferred income tax assets-current	25,175	Deferred income tax assets-current	8,110	8,833
Other current assets	489,660	Other current assets	77,755	73,991
Less: Allowance for doubtful accounts-current	-7,466	Less: Allowance for doubtful accounts-current	-7,155	-8,163
Non-current assets:	633,271	Non-current assets:	829,612	798,271
Tangible fixed assets	193,752	Tangible fixed assets	315,526	313,905
Intangible fixed assets	47,607	Intangible fixed assets	39,400	46,801
Investments and others	391,910	Investments and others	474,685	437,564
Investment securities	203,404	Investment securities	253,228	227,875
Long-term loans receivable	14,203	Long-term loans receivable	16,164	15,782
Long-term guarantee deposits	31,966	Long-term guarantee deposits	33,679	32,487
Deferred income tax assets-non-current	67,105	Deferred income tax assets-non-current	90,761	83,366
Other investments	93,314	Other investments	98,293	92,442
Less: Allowance for doubtful accounts-non-current	-18,083	Less: Allowance for doubtful accounts-non-current	-17,441	-14,390
Total assets	8,402,049	Total assets	9,829,200	9,250,223

(millions of yen)

	First half Sep. 30, 2001		First half Sep. 30, 2000	Fiscal 2000 Mar. 31, 2001
<i>Liabilities</i>				
Current liabilities:	7,156,145	Current liabilities:	8,285,702	7,715,514
Notes payable and accounts payable	2,680	Notes payable and accounts payable	4,146	5,012
Trading liabilities:	1,164,580	Short-term borrowings	723,312	600,028
Trading securities and others	817,467	Commercial paper	345,000	516,300
Derivative liabilities	347,112	Bonds due within one year	28,981	17,419
Payables related to margin transactions:	57,927	Deposits received	114,371	110,335
Loans from securities finance companies for margin transactions	10,174	Mortgage backed securities sold	9,062	-
Proceeds of securities sold for margin transactions	47,753	Trade date accrual	262,693	13,813
Payables on collateralized securities transactions	3,820,437	Advance receipts on securities subscribed	85,568	1,823
Cash deposits as collateral for securities loaned	3,534,145	Trading liabilities:	1,126,163	1,412,369
Payables related to gensaki transactions	286,291	Trading securities and others	1,009,862	1,109,527
Deposits received	107,047	Option transactions	19,330	40,049
Cash deposits received from customers	74,302	Derivative valuation accounts	96,969	262,793
Short-term borrowings	998,290	Payables related to margin transactions:	64,755	29,771
Commercial paper	339,500	Loans from securities finance companies for margin transactions	21,949	14,453
Bonds due within one year	110,104	Proceeds of securities sold for margin transactions	42,805	15,318
Accrued income taxes	2,037	Payables related to gensaki transactions	986,879	741,938
Deferred income tax liabilities-current	36	Cash deposits as collateral for securities loaned	2,457,438	2,509,282
Accrued bonuses	13,491	Short-term securities borrowed	1,452,367	1,219,710
Provision for real estate business reorganization	10,495	Cash deposits received from customers	79,860	89,282
Other current liabilities	455,214	Securities deposited by customers as collateral	424,626	336,461
		Accrued income taxes	25,702	30,344
		Deferred income tax liabilities-current	2,824	1,836
		Accrued bonuses	18,747	18,747
		Other current liabilities	73,201	61,037
Non-current liabilities:	545,666	Non-current liabilities:	689,536	637,810
Bonds	261,506	Bonds	273,593	287,400
Convertible bonds	116,255	Convertible bonds	135,696	135,695
Long-term borrowings	142,068	Long-term borrowings	212,994	152,324
Deferred income tax liabilities-non-current	5,258	Long-term securities borrowed	6,000	6,000
Accrued retirement benefits	9,253	Deferred income tax liabilities-non-current	19,669	13,234
Other non-current liabilities	11,323	Accrued retirement benefits	5,267	7,522
		Multiemployer pension plan	28,442	28,442
		Other non-current liabilities	7,873	7,190
Statutory reserves:	2,444	Statutory reserves:	1,508	1,974
Total liabilities	7,704,256	Total liabilities	8,976,748	8,355,299
Minority interest	144,307	Minority interest	160,831	178,106
<i>Stockholders' equity</i>				
Common stock	138,431	Common stock	138,431	138,431
Additional paid-in capital	117,786	Additional paid-in capital	117,785	117,786
Retained earnings	310,690	Retained earnings	437,389	459,994
Net unrealized gain on securities net of tax effect	6,960	Net unrealized gain on securities net of tax effect	30,099	18,984
Translation adjustments	-18,066	Translation adjustments	-29,100	-15,807
Treasury stock	-2,317	Treasury stock	-2,983	-2,572
Total stockholders' equity	553,484	Total stockholders' equity	691,621	716,817
Total liabilities, minority interest and stockholders' equity	8,402,049	Total liabilities, minority interest and stockholders' equity	9,829,200	9,250,223

Consolidated income statement

(millions of yen)

	First half Apr. 1, 2001 - Sep. 30, 2001		First half Apr. 1, 2000 - Sep. 30, 2000	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
Operating revenues:	256,377	Operating revenues:	357,312	718,113
Commissions	90,753	Commissions	147,775	254,704
Net gain on trading	24,322	Net gain on trading	74,523	165,637
Net gain on operational investment securities	1,162	Net gain on operational investment securities	3,845	3,853
Interest and dividend income	118,875	Net gain on other commodities trading	5	15
Other sales revenues	21,264	Interest and dividend income	93,394	223,992
Interest expenses	105,877	Other sales revenues	37,767	69,909
Cost of sales	15,780	Operating expenses:	254,082	538,247
Net operating revenues	134,719	Interest expenses	76,791	195,968
Selling, general and administrative expenses:	134,375	Cost of sales	31,781	55,330
Commission and other expenses	25,273	Selling, general and administrative expenses:	145,508	286,948
Employees' compensation and benefits	66,182	Commission and other expenses	28,928	55,618
Real estate expenses	17,472	Employees' compensation and benefits	71,944	140,426
Data processing and office supplies	8,450	Real estate expenses	18,555	38,662
Depreciation expenses	8,868	Data processing and office supplies	7,949	17,367
Taxes other than income taxes	3,133	Depreciation expenses	7,350	15,494
Others	4,995	Taxes other than income taxes	3,861	7,553
Operating income	344	Others	6,919	11,825
Non-operating income	3,650	Operating income	103,230	179,866
Equity in earnings (profit)	310	Non-operating income	5,624	5,926
Others	3,340	Equity in earnings (profit)	2,284	761
Non-operating expenses	2,819	Others	3,339	5,165
Others	2,819	Non-operating expenses	3,796	7,997
Ordinary income	1,175	Others	3,796	7,997
Extraordinary gains	21,976	Ordinary income	105,058	177,795
Extraordinary losses	153,717	Extraordinary gains	2,590	4,206
Income before income taxes and others	-130,564	Extraordinary losses	8,355	15,385
Income taxes-current	1,454	Income before income taxes and others	99,293	166,616
Income taxes-deferred	-636	Income taxes-current	26,664	48,019
Minority interest in income	-193	Income taxes-deferred	13,939	21,829
Net income	-131,576	Minority interest in income	-16,744	-32,217
		Net income	41,945	64,550

Consolidated statement of retained earnings

(millions of yen)

	First half Apr. 1, 2001 - Sep. 30, 2001	First half Apr. 1, 2000 - Sep. 30, 2000	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
Beginning balance of retained earnings	459,994	413,468	413,468
Decrease in retained earnings:	17,727	18,024	18,024
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
Net income:	-131,576	41,945	64,550
Ending balance of retained earnings	310,690	437,389	459,994

Consolidated cash flow statement

(millions of yen)

	First half Apr. 1, 2001 - Sep. 30, 2001	First half Apr. 1, 2000 - Sep. 30, 2000	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
1. Cash flows from operating activities:			
Income before income taxes and others	-130,564	99,293	166,616
Depreciation	8,868	7,350	15,494
Increase in allowance for retirement benefits	1,733	2,009	4,253
Increase in allowance for doubtful accounts	-	1,179	1,403
Interest and dividends income	-116,344	-87,368	-218,143
Interest expenses	108,030	78,703	207,440
Equity in earnings	-310	-2,284	-761
Adjustment of extraordinary gains/losses items			
Gain on sale of fixed assets	-195	-178	-245
Loss on sale or disposal of fixed assets	1,819	1,890	2,996
Valuation loss of fixed assets	112	160	227
Write-off of related companies' stocks	3,043	142	1,080
Gain on sale of investment securities	-8,089	-2,412	-3,960
Loss on sale of investment securities	4,668	441	1,956
Write-off of investment securities	7,888	2,856	3,669
Reversal of multiemployer pension plan	-13,691	-	-
Expenses for real estate business reorganization	127,516	-	-
Provision for doubtful accounts	3,099	952	2,942
Write-off of goodwill	5,000	-	-
Consumption tax incurred regarding goodwill not falling under other deductions	98	-	-
Loss on sale of loan receivables	-	1,371	1,519
Others	470	527	993
Decrease in deposits segregated for customer	10,000	80,000	149,800
Increase in loan receivables	-	-60,501	-259,198
Decrease in loan receivables	312,804	-	-
Decrease in operational investment securities	3,348	3,503	2,559
Increase in trading assets	-200,789	-251,542	-
Decrease in trading assets	-	-	134,805
Decrease in receivables related to margin transactions	79,308	98,702	141,490
Increase in receivables on collateralized securities transactions	-282,767	-111,141	-510,205
Payment on withdrawal from multiemployer pension plan	-15,252	-	-
Others	-46,422	10,261	-2,262
Sub-total	-136,617	-126,083	-155,527
Interest and dividends received	119,344	78,850	211,216
Interest paid	-115,983	-77,997	-205,945
Income taxes paid	-29,758	-73,921	-90,673
Net cash provided by (used in) operating activities	-163,014	-199,151	-240,930
2. Cash flows from investing activities:			
Payments for purchase of securities	-27,024	-97,063	-129,783
Proceeds from sale and maturity of securities	66,487	28,255	124,439
Payments for purchase of tangible fixed assets	-3,011	-4,087	-10,408
Proceeds from sale of tangible fixed assets	1,300	3,249	6,297
Payments for purchase of intangible fixed assets	-13,140	-9,148	-21,242
Payments for purchase of investment securities	-21,917	-10,444	-16,218
Proceeds from sale and maturity of investment securities	20,457	24,527	43,758
Payments for purchase of subsidiaries' stocks from non-Group shareholders	-13,254	-412	-497
Payments for loan made	-208	-212	-517
Proceeds from collection of loan receivables	805	7,265	7,908
Others	249	5,154	1,232
Net cash provided by (used in) investing activities	10,742	-52,914	4,968
3. Cash flows from financing activities:			
Proceeds from short-term borrowings	283,569	42,518	59,441
Proceeds from issuance of bonds and convertible bonds	68,007	166,789	192,109
Payments for redemption of bonds and convertible bonds	-20,880	-42,507	-67,707
Proceeds from long-term borrowings	2,000	19,750	26,000
Payments for repayment of long-term borrowings	-73,526	-104,331	-152,904
Issuance of stocks to shareholder with minority interest	-	-	2,145
Proceeds from exercise of stock option	235	607	990
Dividends paid	-17,265	-17,246	-17,246
Dividends paid to minority shareholder	-20,522	-29	-29
Net cash provided by (used in) financing activities	221,617	65,549	42,797
4. Effect of exchange rate changes on cash and cash equivalents	-2,468	-3,902	7,696
5. Net change in cash and cash equivalents	66,876	-190,417	-185,467
6. Cash and cash equivalents at beginning of term	303,398	488,865	488,865
7. Cash and cash equivalents at end of term	370,275	298,447	303,398

Notes to consolidated financial statements

The consolidated financial statements of the Company for the first half of fiscal 2001 ended September 30, 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." is added to scope of consolidation due to establishment and one overseas subsidiary is 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 first half of one affiliate applicable of equity method ends other than September 30, the financial statements for the relevant first half are reflected.

3. First half of consolidated subsidiaries

As the first half of one consolidated subsidiary ends other than September 30, the financial statements for the relevant first half 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 annexes) 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 September 30, 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 6 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 September 30, 2001.

(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

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.

(6) 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.

4. Scope of "Cash and cash equivalents" in consolidated cash flow statements

"Cash and cash equivalents" in consolidated cash flow statements is defined as liquid fund including cash in hand, current account deposits, and ordinary deposits

Notes to consolidated balance sheet

1. Guarantee

As of Sep. 30, 2001.....	5,408 million yen
As of Sep. 30, 2000.....	6,291 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 Sep. 30, 2001.....	40,000 million yen
As of Sep. 30, 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 borrows" 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**

	(millions of yen)		
	First half	First half	Fiscal 2000
	Apr. 1, 2001 - Sep. 30, 2001	Apr. 1, 2000 - Sep. 30, 2000	Apr. 1, 2000 - Mar. 31, 2001
Extraordinary gains			
Gain on sale of fixed assets.....	195	178	245
Gain on sale of investment securities.....	8,089	2,412	3,960
Reversal of multiemployer pension plan (Note).....	13,691	-	-
Extraordinary losses			
Valuation loss of fixed assets.....	112	160	227
Write-off of investment securities.....	7,888	2,856	3,669
Write-off of related companies' stocks.....	3,043	142	1,080
Loss on sale or disposal of fixed assets.....	1,819	1,904	2,996
Loss on sale of investment securities.....	4,668	441	1,956
Loss on sale of loan receivables.....	-	1,371	1,519
Expenses for real estate business reorganization.....	127,516	-	-
Provision for doubtful accounts.....	3,099	952	2,942
Write-off of goodwill.....	5,000	-	-
Consumption tax incurred regarding goodwill not falling under other deductions.....	98	-	-
Provision for securities transaction liabilities.....	470	527	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".

Notes to consolidated cash flow statement**1. Reconciliation for "cash and cash equivalents at term end" and "cash and time deposits" on consolidated balance sheet**

	(millions of yen)		
	First half	First half	Fiscal 2000
	Sep. 30, 2001	Sep. 30, 2000	Mar. 31, 2001
Cash and deposits	380,377	460,075	399,564
Deposits segregated for customers	-	-155,300	-85,500
Time deposit more than 3 months	-10,101	-6,327	-10,665
Cash and cash equivalents	370,275	298,447	303,398

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

"Receivables related to gensaki transactions and collateral" is renamed as "Receivables on collateralized securities transactions".

Segment information

1. Net operating revenues by business segment

The Company and its consolidated subsidiaries' world-wide activities include (a) trading in securities, (b) brokerage of securities, (c) underwriting and distribution of securities, (d) other business related to securities transactions and (e) private offering of securities. These activities include financing and other services. Accordingly, the Company and its subsidiaries operate in a single industry segment, "Investment and financial services".

2. Net operating revenues by geographic area

"Net operating revenues", "Selling, general and administrative expenses (S.G. & A. expenses)" and "Operating income" by geographic area are as follows. For fiscal 2000 and its first half, "Operating revenues", "Operating expenses", and "Operating income" are presented.

First half ended September 30, 2001

	(millions of yen)						
	Japan	America	Europe	Asia & Oceania	Total	Elimination or Unallocated	Consolidated
Net operating revenues:							
Outside customers	111,471	9,176	11,550	2,522	134,719	-	134,719
Inter-area	5,190	(228)	259	75	5,298	(5,298)	-
Total	116,662	8,947	11,810	2,597	140,018	(5,298)	134,719
S.G. & A. expenses	117,175	7,337	9,349	3,025	136,887	(2,511)	134,375
Operating income (loss)	(512)	1,610	2,460	(427)	3,130	(2,786)	344

First half ended September 30, 2000

	(millions of yen)						
	Japan	America	Europe	Asia & Oceania	Total	Elimination or Unallocated	Consolidated
Operating revenues:							
Outside customers	260,033	81,193	11,714	4,370	357,312	-	357,312
Inter-area	9,480	(391)	302	8	9,399	(9,399)	-
Total	269,514	80,801	12,016	4,378	366,711	(9,399)	357,312
Operating expenses	170,505	73,421	9,092	3,402	256,422	(2,340)	254,082
Operating income (loss)	99,008	7,380	2,924	976	110,289	(7,059)	103,230

Fiscal 2000 ended March 31, 2001

	(millions of yen)						
	Japan	America	Europe	Asia & Oceania	Total	Elimination or Unallocated	Consolidated
Operating revenues:							
Outside customers	488,513	198,305	23,643	7,651	718,113	-	718,113
Inter-area	15,528	(370)	138	116	15,414	(15,414)	-
Total	504,041	197,935	23,782	7,768	733,527	(15,414)	718,113
Operating expenses	330,499	186,779	18,989	6,702	542,972	(4,724)	538,247
Operating income (loss)	173,542	11,155	4,792	1,065	190,555	(10,689)	179,866

Note1. Method of segmentation by geographic area and principal countries of area belonging to each segment are as follows:

- (1) Method of segmentation by geographic area: Geographical adjacency

- (2) Principal countries of area belonging to each segment area:
 America: USA
 Europe: United Kingdom, Germany, Switzerland and France
 Asia & Oceania: Hong Kong and Singapore

Note2. "Net operating revenues" is presented instead of "Operating revenues" for the first half of fiscal 2001, due to amendment of "Uniform Accounting Standards of Securities Companies".

3. Overseas net operating revenues

Overseas net operating revenues include those of the Company and its consolidated subsidiaries (excluding inter-company profit) are as follows. For fiscal 2000 and its first half, "Operating revenues" is presented.

First half ended September 30, 2001

	America	Europe	Asia & Oceania	(millions of yen) Total
Overseas net operating revenues	7,928	9,982	3,177	21,088
Consolidated net operating revenues				134,719
% of total revenues	5.9%	7.4%	2.4%	15.7%

First half ended September 30, 2000

	America	Europe	Asia & Oceania	(millions of yen) Total
Overseas operating revenues	75,455	13,897	4,908	94,261
Consolidated operating revenues				357,312
% of total revenues	21.1%	3.9%	1.4%	26.4%

Fiscal 2000 ended March 31, 2001

	America	Europe	Asia & Oceania	(millions of yen) Total
Overseas operating revenues	188,739	22,045	7,631	218,416
Consolidated operating revenues				718,113
% of total revenues	26.3%	3.1%	1.1%	30.4%

Note1. Method of segmentation by geographic area and principal countries of area belonging to each segment are same as "2. Net operating revenues by geographic area".

2. "Net operating revenues" is presented instead of "Operating revenues" for the first half of fiscal 2001, due to amendment of "Uniform Accounting Standards of Securities Companies".

Supplemental information for the first half of fiscal 2001

1. Breakdown of commission income

First half ended September 30, 2001 (A)

(millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment Banking	Others	Total
Brokerage commission	30,940	639	112	-	-	31,692
Underwriting	-	-	-	14,671	-	14,671
(Stock and other)	-	-	-	(9,371)	-	(9,371)
(Bond and other)	-	-	-	(5,290)	-	(5,290)
Distribution	-	-	8,437	259	-	8,697
Other commission	1,092	1,452	25,958	2,527	4,660	35,692
(Agency commission)	-	(1,449)	(14,382)	-	-	(15,831)
Total	32,033	2,091	34,509	17,458	4,660	90,753

First half ended September 30, 2000 (B)

(millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment Banking	Others	Total
Brokerage commission	49,594	381	6	-	-	49,982
Underwriting	-	-	-	23,743	-	23,743
(Stock and other)	-	-	-	(18,874)	-	(18,874)
(Bond and other)	-	-	-	(4,845)	-	(4,845)
Distribution	-	-	23,496	1,301	-	24,798
Other commission	1,367	1,599	38,455	2,978	4,849	49,251
(Agency commission)	-	(1,481)	(21,094)	-	-	(22,576)
Total	50,962	1,980	61,959	28,023	4,849	147,775

First half to first half comparison (September 30, 2001 (A) / September 30, 2000 (B))

(%)

	Equity	Fixed income (Bond)	Investment trust	Investment Banking	Others	Total
Brokerage commission	62.4	167.7	-	-	-	63.4
Underwriting	-	-	-	61.8	-	61.8
(Stock and other)	-	-	-	(49.7)	-	(49.7)
(Bond and other)	-	-	-	(109.2)	-	(109.2)
Distribution	-	-	35.9	19.9	-	35.1
Other commission	79.9	90.8	67.5	84.9	96.1	72.5
(Agency commission)	-	(97.8)	(68.2)	-	-	(70.1)
Total	62.9	105.6	55.7	62.3	96.1	61.4

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)

	First half (A) (2001/9)	First half (B) (2000/9)	(A)/(B) %	Fiscal 2000 (2001/3)
Stock and other	5,562	55,035	10.1	130,300
Bond, Forex and other	18,759	19,488	96.3	35,336
(Bond and other)	(11,829)	(17,665)	(67.0)	(32,523)
(Forex and other)	(6,930)	(1,823)	(380.1)	(2,813)
Total	24,322	74,523	32.6	165,637

(Reference Data)

Quarterly consolidated income statement

	Fiscal 2000			(millions of yen)		Fiscal 2001	
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter		
	Jul. 1, 2000 - Sep. 30, 2000	Oct. 1, 2000 - Dec. 31, 2000	Jan. 1, 2001 - Mar. 31, 2001	Apr. 1, 2001 - Jun. 30, 2001	Jul. 1, 2001 - Sep. 30, 2001		
Operating revenue	188,220	139,821	220,979	139,168	117,209		
Commissions	71,737	53,322	53,606	50,101	40,651		
Brokerage commission	22,166	16,153	16,744	18,663	13,029		
(Stock and other)	22,027	16,031	16,603	18,339	12,601		
(Bond and other)	139	121	139	322	316		
Underwriting commission	14,624	8,518	6,596	6,685	7,985		
(Stock and other)	12,406	6,971	5,169	4,063	5,307		
(Bond and other)	2,204	1,523	1,413	2,622	2,677		
Distribution commission	10,435	7,749	7,060	5,942	2,754		
(Beneficiary certificate)	9,724	7,583	6,429	5,891	2,546		
Other commission	24,510	20,900	23,204	18,810	16,881		
(Beneficiary certificate)	19,065	16,805	15,158	13,826	12,132		
Net gain on trading	33,382	-4,378	95,491	14,834	9,487		
(Stock and other)	23,413	-8,052	83,318	7,139	-1,576		
(Bond and other)	8,577	3,645	11,212	9,204	2,624		
(Forex and other)	1,391	29	960	-1,509	8,439		
Net gain on operational investment securities	1,308	388	-380	2,104	-942		
Net gain on other commodities trading	5	9	0	60,943	57,931		
Interest and dividend income	60,448	73,175	57,423	11,184	10,080		
Other sales revenues	21,337	17,302	14,838	53,362	52,514		
Operating expenses	143,727	146,690	137,474	8,625	7,154		
Interest expenses	50,937	67,142	52,033				
Cost of sales	18,922	12,031	11,517				
Selling, general and administrative expenses:	73,867	67,515	73,923	67,539	66,835		
Commission and other expenses	14,515	13,035	13,653	12,544	12,729		
Employees' compensation and benefits	35,611	31,930	36,551	33,495	32,686		
Real estate expenses	10,020	9,711	10,396	8,746	8,726		
Data processing and office supplies	3,329	5,083	4,334	4,565	3,884		
Depreciation expenses	3,865	3,973	4,170	4,308	4,559		
Taxes other than income taxes	1,566	1,800	1,891	1,768	1,365		
Others	4,957	1,980	2,925	2,111	2,883		
Operating income	44,492	-6,869	83,505	9,640	-9,295		
Non-operating income	1,795	237	65	2,383	1,267		
Non-operating expenses	1,591	1,984	2,216	1,470	1,349		
Ordinary income	44,696	-8,616	81,353	10,553	-9,377		
Extraordinary gains	2,075	1,275	340	8,247	13,729		
Extraordinary losses	7,818	971	6,059	11,747	141,969		
Income before income taxes and others	38,953	-8,311	75,635	7,053	-137,617		
Income taxes-current	17,890	-10,583	31,937	959	495		
Income taxes-deferred	1,330	6,315	1,574	45	-681		
Minority interest in income	-7,378	3,402	-18,875	-1,006	813		
Net income	12,354	-641	23,246	5,041	-136,618		

Note: The operating results for the first half of fiscal 2001 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). The operating results for the first quarter of fiscal 2001 are reclassified in that manner.

October 26, 2001

Daiwa Securities Group Inc.
Non-consolidated financial summary
 (For the first half ended September 30, 2001)

(1) Operating results (from April 1, 2001 to September 30, 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
First half (2001/9)	48,936	(117.7)	41,771	(215.5)	42,836	(237.3)
First half (2000/9)	22,479		13,241		12,700	
Fiscal 2000 (2001/3)	29,909		13,041		12,419	

	Net income	Yr/yr	Earnings /share
	Millions of yen	% change	Yen
First half (2001/9)	-89,689	(-)	-67.34
First half (2000/9)	11,054		8.30
Fiscal 2000 (2001/3)	8,859		6.65

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

1st half of fiscal 2001: 1,331,735,258 1st half of fiscal 2000: 1,331,734,191 Fiscal 2000: 1,331,734,572

2. Change in accounting policies: Applied

(2) Dividends

	Dividend / share		Dividend / share	
	Interim	Yen	Full year	Yen
First half (2001/9)	-		-	
First half (2000/9)	-		-	
Fiscal 2000 (2001/3)	-		13.00	

(3) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity/share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2001	1,243,266	635,663	51.1	477.31
As of Sep. 30, 2000	1,392,236	765,159	55.0	574.55
As of Mar. 31, 2001	1,321,097	753,635	57.0	565.90

Note: Number of shares outstanding (shares):

1st half of fiscal 2001: 1,331,735,258 1st half of fiscal 2000: 1,331,734,344 Fiscal 2000: 1,331,735,258

Daiwa Securities Group Inc.
Balance sheet

(millions of yen)

	(A) First half Sep. 30, 2001	(B) First half Sep. 30, 2000	(A)-(B) Increase/ decrease	Fiscal 2000 Mar. 31, 2001
<i>Assets</i>				
Current assets:	372,531	456,262	-83,730	399,284
Cash and time deposits	50,374	56,853	-6,479	82,542
Short-term loans receivable	308,300	296,411	11,888	264,620
Accrued income	2,240	3,294	-1,053	2,921
Securities	-	85,000	-85,000	30,000
Other current assets	15,281	17,615	-2,334	22,078
Less: Allowance for doubtful accounts-current	-3,664	-2,912	-752	-2,878
Non-current assets:	870,735	935,974	-65,239	921,813
Tangible fixed assets	10,620	11,026	-406	10,733
Intangible fixed assets	884	1,305	-420	1,425
Investments and others:	859,229	923,642	-64,412	909,654
Investment securities	708,343	746,698	-38,354	735,766
Long-term loans receivable	95,713	98,873	-3,159	98,619
Long-term guarantee deposits	38,770	61,336	-22,566	60,014
Others	18,614	17,608	1,006	16,232
Less: Allowance for doubtful accounts-non-current	-2,212	-874	-1,337	-978
Total assets	1,243,266	1,392,236	-148,969	1,321,097

(millions of yen)

	(A) First half Sep. 30, 2001	(B) First half Sep. 30, 2000	(A)-(B) Increase/ decrease	Fiscal 2000 Mar. 31, 2001
<i>Liabilities</i>				
Current liabilities:	286,306	189,158	97,148	193,143
Short-term borrowings	75,960	100,910	-24,950	133,410
Commercial paper	5,000	-	5,000	-
Bonds due within one year	19,440	-	19,440	-
Cash deposits as collateral for securities loaned	51,429	82,918	-31,489	55,084
Accrued income taxes	7	8	0	14
Accrued bonuses	310	600	-290	490
Stock purchase warrant	501	501	-	501
Provision for subsidiaries' real estate business reorganization	127,566	-	127,566	-
Other current liabilities	6,092	4,220	1,872	3,643
Non-current liabilities:	321,296	437,919	-116,622	374,317
Bonds	108,400	108,400	-	108,400
Convertible bonds	116,255	135,696	-19,441	135,695
Long-term borrowings	62,000	121,000	-59,000	65,000
Long-term cash deposits received	28,482	50,006	-21,523	48,854
Deferred income taxes liabilities-non-current	4,812	19,478	-14,665	12,708
Accrued retirement benefits	952	450	502	724
Multiemployer pension plan	-	2,200	-2,200	2,200
Other non-current liabilities	392	687	-294	735
Total liabilities	607,602	627,077	-19,474	567,461
<i>Stockholders' equity</i>				
Common stock	138,431	138,431	0	138,431
Legal reserve:	163,121	163,121	0	163,121
Additional paid-in capital	117,786	117,785	0	117,786
Earned surplus reserve	45,335	45,335	-	45,335
Retained earnings:	327,477	436,762	-109,285	434,568
General-purpose reserve	417,000	417,000	-	417,000
Unappropriated retained earnings	-89,522	19,762	-109,285	17,568
(Net income for the current term)	(-89,689)	(11,054)	(-100,744)	(8,859)
Net unrealized gain on investment securities net of tax effect	6,632	26,843	-20,211	17,514
Total stockholders' equity	635,663	765,159	-129,495	753,635
Total liabilities and stockholders' equity	1,243,266	1,392,236	-148,969	1,321,097

Daiwa Securities Group Inc.
Income statement

(millions of yen)

	(A) First half Apr. 1, 2001 - Sep. 30, 2001	(B) First half Apr. 1, 2000 - Sep. 30, 2000	(A)/(B) Comparison (%)	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
Operating revenues:	48,936	22,479	217.7	29,909
Dividends from related companies	42,983	12,248	350.9	12,255
Interest on loans to related companies	2,653	2,575	103.0	5,275
Other interest and dividend income	38	2,542	1.5	3,430
Royalty on trademark	3,260	5,113	63.8	8,947
Operating expenses:	7,165	9,238	77.6	16,868
Selling, general and administrative expenses:	4,273	5,554	76.9	9,720
Commission and other expenses	938	905	103.6	1,619
Employees' compensation and benefits	1,542	1,888	81.7	3,616
Real estate expenses	374	502	74.4	841
Data processing and office supplies	456	710	64.2	1,300
Depreciation expenses	326	427	76.3	812
Others	635	1,119	56.8	1,529
Interest expenses	2,892	3,684	78.5	7,148
Operating income	41,771	13,241	315.5	13,041
Non-operating income	1,585	159	996.9	244
Non-operating expenses	520	699	74.3	866
Ordinary income	42,836	12,700	337.3	12,419
Extraordinary gains	9,868	2,351	419.6	2,776
Extraordinary losses	142,387	3,989	3,569.0	6,322
Income before income taxes	-89,681	11,062	-	8,873
Income taxes-current	8	8	100.6	14
Income taxes-deferred	-	-	-	-
Net income	-89,689	11,054	-	8,859
Unappropriated retained earnings-carryforward	167	8,708	1.9	8,708
Unappropriated retained earnings at ending	-89,522	19,762	-	17,568

Notes to financial statements

The financial statements of the Company for the first half of fiscal 2001 ended September 30, 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 September 30, 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 6 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 and improving the Group financial condition on October 26, 2001. Provision for subsidiaries' real estate reorganization is based on anticipated financial assistance as of September 30, 2001.

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

(Accounting for consumption taxes)

Consumption taxes are separately recorded.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets:	<u>As of September 30, 2001</u>	<u>As of September 30, 2000</u>	<u>As of March 31, 2001</u>
	3,993 million yen	4,717 million yen	3,919 million yen
2. Guarantee:	<u>As of September 30, 2001</u>	<u>As of September 30, 2000</u>	<u>As of March 31, 2001</u>
	122,713 million yen	205,770 million yen	179,811 million yen
3. Treasury stock included in other current assets:	<u>As of September 30, 2001</u>	<u>As of September 30, 2000</u>	<u>As of March 31, 2001</u>
	32,438 shares	40,171 shares	38,777 shares
	37 million yen	54 million yen	46 million yen
4. Treasury stock included in investments and others:	<u>As of September 30, 2001</u>	<u>As of September 30, 2000</u>	<u>As of March 31, 2001</u>
	3,238,000 shares	4,160,000 shares	3,589,000 shares
	2,279 million yen	2,928 million yen	2,526 million yen

(Treasury stock negotiable to directors and employees under Article 210-2 of the Commercial Law)

Notes to income statement

1. Details of extraordinary items

	First half Apr. 1, 2001- Sep. 30, 2001	First half Apr. 1, 2000- Sep. 30, 2000	(millions of yen) Fiscal 2000 Apr. 1, 2000- Mar. 31, 2001
Extraordinary gains			
Gain on sale of fixed assets.....	124	33	42
Gain on sale of investment securities.....	8,516	2,317	2,734
Reversal of multiemployer pension plan (Note)	1,227	-	-
Extraordinary losses			
Valuation loss of fixed assets.....	8	75	129
Write-off of investment securities.....	3,184	2,837	3,512
Write-off of related companies' stocks.....	5,164	-	77
Loss on sale or disposal of fixed assets	8	72	230
Loss on sale of investment securities	4,392	410	1,589
Provision for doubtful accounts.....	2,062	594	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 first half.