

Daiwa Securities Co. Ltd.2-6-4 Otemachi Chiyoda-ku
Tokyo 100-8101, Japan

October 26, 2001

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		Net Operating revenues		Operating income	
	Millions of yen	Yr/yr % change	Millions of yen	Yr/yr % change	Millions of yen	Yr/yr % change
First half (2001/9)	65,215	(-36.2)	64,788	(-)	-7,762	(-)
First half (2000/9)	102,260		-		22,543	
Fiscal 2000 (2001/3)	178,959		-		23,994	

	Ordinary income		Net income	
	Millions of yen	Yr/yr % change	Millions of yen	Yr/yr % change
First half (2001/9)	-7,660	(-)	-876	(-)
First half (2000/9)	22,763		12,822	
Fiscal 2000 (2001/3)	24,355		13,396	

Note: Change in accounting policies: None

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen	%	%
As of Sep. 30, 2001	348,509	189,665	54.4	318.5
As of Sep. 30, 2000	755,107	202,070	38.3	272.1
As of Mar. 31, 2001	586,653	202,644	48.5	251.3

Note: Stockholders' equity ratio for fiscal 2000 is calculated as follows.

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

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

Daiwa Securities Co. Ltd.
Balance Sheet

(millions of yen)		(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:	291,381	Current assets:	682,241	507,636
Cash and time deposits	86,747	Cash and time deposits	201,259	118,831
Cash segregated as deposits	61,411	Cash segregated as deposits related to securities transactions	1,390	1,363
Trading assets:	35,256	Receivables	5,910	8,545
Trading securities and others	35,156	Trade date accrual	3,132	687
Derivative assets	100	Advance payments on securities subscribed	532	293
Trade date accrual	442	Short-term loans receivable	12,827	61,103
Receivables related to margin transactions:	71,150	Accrued income	11,155	8,670
Loans receivable from customers for margin transactions	68,819	Trading assets:	6,311	36,331
Cash deposits as collateral for securities borrowed from securities finance	2,331	Trading securities and others	6,280	36,217
Receivables on collateralized securities transactions	5,849	Derivative valuation accounts	30	113
Cash deposits as collateral for securities borrowed	5,849	Receivables related to margin transactions:	194,672	90,644
Receivables	3,194	Loans receivable from customers for margin transactions	193,689	88,171
Advance payments on securities subscribed	318	Cash deposits as collateral for securities borrowed from securities finance	983	2,472
Short-term guarantee money deposited	6,168	Cash deposits as collateral for securities borrowed	6,618	6,035
Short-term loans receivable	2,214	Securities in custody	227,933	168,527
Accrued income	6,829	Short-term guarantee money deposited	6,230	2,587
Deferred income tax assets-current	8,436	Deferred income tax assets-current	2,426	2,018
Other current assets	3,699	Other current assets	2,296	2,415
Less: Allowance for doubtful accounts-current	-337	Less: Allowance for doubtful accounts-current	-455	-417
Non-current assets:	57,128	Non-current assets:	72,866	79,017
Tangible fixed assets	6,545	Tangible fixed assets	4,907	6,717
Intangible fixed assets	13,995	Intangible fixed assets	6,191	10,936
Investments and others:	36,587	Investments and others:	61,767	61,362
Investment securities	164	Investment securities	-	28
Long-term loans receivable	4,937	Long-term loans receivable	5,000	5,000
Long-term guarantee deposits	27,889	Long-term guarantee deposits	47,712	46,724
Deferred income tax assets-non-current	1,511	Deferred income tax assets-non-current	7,238	7,511
Other investments	2,308	Other investments	1,833	2,326
Less: Allowance for doubtful accounts-non-current	-223	Less: Allowance for doubtful accounts-non-current	-16	-227
Total assets	348,509	Total assets	755,107	586,653

Daiwa Securities Co. Ltd.
Balance Sheet

(millions of yen)		(millions of yen)		
	First half Sep. 30, 2001		First half Sep. 30, 2000	Fiscal 2000 Mar. 31, 2001
<i>Liabilities</i>		<i>Liabilities</i>		
Current liabilities:	154,167	Current liabilities:	533,903	364,922
Trading liabilities:	35	Short-term borrowings	147,000	67,500
Trading securities and others	0	Deposits received	61,851	57,164
Derivative liabilities	35	Advance receipts on securities subscribed	625	811
Payables related to margin transactions:	18,402	Accrued expenses	7,543	6,245
Loans from securities finance companies for margin transactions	10,174	Trading liabilities:	13	56
Proceeds of securities sold for margin transactions	8,227	Trading securities and others	5	-
Deposits received	53,925	Derivative valuation accounts	8	56
Cash deposits received from customers	25,178	Payables related to margin transactions:	28,888	23,367
Short-term borrowings	42,005	Loans from securities finance companies for margin transactions	21,949	14,453
Accrued expenses	6,267	Proceeds of securities sold for margin transactions	6,938	8,913
Accrued income taxes	129	Short-term securities borrowed	12,060	12,015
Accrued bonuses	6,250	Cash deposits received from customers	43,818	29,812
Other current liabilities	1,974	Securities deposited by customers as collateral	215,873	156,511
Non-current liabilities:	4,146	Accrued income taxes	5,095	297
Accrued retirement benefits	3,975	Accrued bonuses	8,600	8,100
Other non-current liabilities	170	Other current liabilities	2,532	3,040
Statutory reserves:	530	Non-current liabilities:	18,783	18,653
Reserve for securities transaction liabilities	530	Accrued retirement benefits	2,404	3,189
		Multiemployer pension plan	15,220	15,220
		Other non-current liabilities	1,159	243
		Statutory reserves:	350	433
		Reserve for securities transaction liabilities	350	433
Total liabilities	158,844	Total liabilities	553,037	384,009
<i>Stockholders' equity</i>		<i>Stockholders' equity</i>		
Common stock	100,000	Common stock	100,000	100,000
Legal reserve:	52,440	Legal reserve:	51,220	51,220
Additional paid-in capital	50,010	Additional paid-in capital	50,010	50,010
Earned surplus reserve	2,430	Earned surplus reserve	1,210	1,210
Retained earnings:	37,225	Retained earnings:	50,850	51,424
General-purpose reserve	367	General-purpose reserve	238	238
Unappropriated retained earnings	36,858	Unappropriated retained earnings	50,611	51,185
(Net income for the current term)	(- 876)	(Net income for the current term)	(12,822)	(13,396)
Total stockholders' equity	189,665	Total stockholders' equity	202,070	202,644
Total liabilities and stockholders' equity	348,509	Total liabilities and stockholders' equity	755,107	586,653

Daiwa Securities Co. Ltd.

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	65,215	Operating revenues	102,260	178,959
Commissions	56,271	Commissions	94,174	157,918
Net gain on trading securities	7,858	Net gain on trading securities	5,821	17,021
Net gain on other commodities trading	-	Net gain on other commodities trading	5	13
Interest and dividend income	1,085	Interest and dividend income	2,258	4,006
Interest expenses	426	Operating expenses	79,717	154,965
Net operating revenues	64,788	Selling, general and administrative expenses	79,107	153,638
Selling, general and administrative expenses	72,551	Commission and other expenses	17,508	33,022
Commission and other expenses	14,545	Employees' compensation and benefits	34,532	66,243
Employees' compensation and benefits	29,912	Real estate expenses	13,225	26,613
Real estate expenses	12,832	Data processing and office supplies	11,151	22,066
Data processing and office supplies	11,588	Depreciation expenses	943	2,233
Depreciation expenses	2,011	Taxes other than income taxes	216	483
Taxes other than income taxes	243	Others	1,529	2,976
Others	1,417	Interest expenses	609	1,326
Operating income	-7,762	Operating income	22,543	23,994
Non-operating income	150	Non-operating income	747	1,083
Non-operating expenses	48	Non-operating expenses	526	722
Ordinary income	-7,660	Ordinary income	22,763	24,355
Extraordinary gains	6,756	Extraordinary gains	-	-
Extraordinary losses	240	Extraordinary losses	113	196
Income before income taxes and others	-1,144	Income before income taxes and others	22,649	24,158
Income taxes-current	150	Income taxes-current	5,300	6,100
Income taxes-deferred	-418	Income taxes-deferred	4,527	4,662
Net income	-876	Net income	12,822	13,396
Unappropriated retained earnings-carryforward	37,734	Unappropriated retained earnings-carryforward	37,788	37,788
Unappropriated retained earnings	36,858	Unappropriated retained earnings	50,611	51,185

Note: Royalty on trademark paid to Daiwa Securities Group Inc. of 3,260 million yen in the 1st half of fiscal 2001 and 5,113 million yen in the 1st half of fiscal 2000 is included in "Commission and other expenses".

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 the "Regulations regarding Balance Sheets, Income Statements, Operating Reports and Schedules under the Commercial Law" (Ministry of Justice Ordinance No.31, 1963), the "Cabinet Office Ordinance Concerning Securities Companies" (Prime Minister's Office Ordinance and MOF Ordinance No.32, 1998), and the "Uniform Accounting Standards of Securities Companies" (set by the board of directors of the Japan Securities Dealers' Association, September 28, 2001).

Basis of financial statements

1. Valuation of securities

(1) Valuation of trading account

Securities and derivative transactions in trading account are recorded at fair value.

(2) Valuation of non-trading securities

Securities in non-trading account are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in stockholders' equity, if their fair value is available. Those securities cost is based on moving average method. Other securities are valued at moving average cost method, if their fair value is not available.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

Declining-balance method is applied, and straight-line method is applied to the building (excluding annexes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

Straight-line method is applied. Useful life for depreciation is based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5 years).

3. Accounting policies for various provisions

(1) Provision for doubtful accounts

The Company provides the allowance based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans.

(2) Accrued employees' bonuses

Estimated amount of employees' bonuses is accrued based on the Company's bylaws.

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of September 30, 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.

4. Accounting for certain lease transactions

Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.

5. Other material items

(Consumption Taxes)

Consumption taxes are separately recorded.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets

<u>As of Sep. 30, 2001</u>	<u>As of Sep. 30, 2000</u>	<u>As of Mar. 31, 2001</u>
3,705	1,916	2,746

millions of yen

2. Changes in 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" is presented as a sub-account of newly introduced "Receivables on collateralized securities transactions".

Notes to income statement

1. Details of extraordinary gains/losses

	First half	First half	Fiscal 2000
	Apr. 1, 2001 -	Apr. 1, 2000 -	Apr. 1, 2000 -
	<u>Sep. 30, 2001</u>	<u>Sep. 30, 2000</u>	<u>Mar. 31, 2001</u>
Extraordinary gains			
Reversal of multiemployer pension plan (Note).	6,562	-	-
Reversal of allowance for doubtful accounts	194	-	-
Extraordinary losses			
Valuation loss of fixed assets	142	-	-
Provision for securities transaction liabilities	97	113	196

(millions of yen)

(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 income statement due to amendment of the "Uniform Accounting Standards of Securities Companies"

"Net operating revenues", a deduction of "Interest expenses" and "Cost of sales" from "Operating revenues", is presented.

Supplemental information for the first half ended September 30, 2001

1. Breakdown of commission income

(1) Activity

(millions of yen)

	First half (2001/9)	First half (2000/9)	Comparison (%)	Fiscal 2000 (2001/3)
Brokerage commission	24,270	40,391	60.1%	65,764
(Stock and other)	(24,159)	(40,386)	59.8%	(65,747)
(Bond and other)	(2)	(3)	75.7%	(14)
Underwriting	-	-	-	-
Distribution	14,397	32,595	44.2%	52,312
(Beneficiary certificate)	(7,961)	(22,437)	35.5%	(35,783)
Other commission	17,603	21,187	83.1%	39,841
(Beneficiary certificate)	(12,227)	(15,972)	76.6%	(29,939)
Total	56,271	94,174	59.8%	157,918

(2) Asset class

(millions of yen)

	First half (2001/9)	First half (2000/9)	Comparison (%)	Fiscal 2000 (2001/3)
Stock and other	28,763	47,392	60.7%	78,609
Bond and other	6,345	7,363	86.2%	11,720
Beneficiary certificate	20,297	38,411	52.8%	65,725
Others	866	1,007	85.9%	1,863
Total	56,271	94,174	59.8%	157,918

2. Breakdown of trading gains/losses

(millions of yen)

	First half (2001/9)	First half (2000/9)	Comparison (%)	Fiscal 2000 (2001/3)
Stock and other	-283	132	-	203
Bond, Forex and other	8,141	5,689	143.1%	16,818
(Bond and other)	(5,616)	(3,406)	164.9%	(10,765)
(Forex and other)	(2,524)	(2,282)	110.6%	(6,053)
Total	7,858	5,821	135.0%	17,021

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	First half (2001/9)		First half (2000/9)		Comparison (%)		Fiscal 2000 (2001/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	4,786	3,416,803	5,597	6,413,510	85.5%	53.3%	9,631	10,221,530
(Dealing) (a)	(239)	(231,455)	(361)	(627,225)	66.4%	36.9%	(593)	(958,064)
(Brokerage) (b)	(4,546)	(3,185,347)	(5,236)	(5,786,285)	86.8%	55.0%	(9,037)	(9,263,466)
(b)/(a + b)	95.0%	93.2%	93.5%	90.2%	/		93.8%	90.6%
TSE share	2.0%	1.4%	2.9%	2.1%			2.5%	1.9%
Brokerage commission/Share	5.09 yen		7.34 yen				6.90 yen	

4. Underwriting activities

(millions of share, millions of yen)

	First half (2001/9)	First half (2000/9)	Comparison (%)	Fiscal 2000 (2001/3)
<u>Underwriting:</u>				
Stock (number of shares)	-	-	-	-
(yen amount)	-	-	-	-
Bond (face value)	-	-	-	-
CP & others (face value)	-	-	-	-
<u>Distribution (*)</u>				
Stock (number of shares)	28	31	90.3%	59
(yen amount)	128,730	200,372	64.2%	528,329
Bond (face value)	517,135	435,332	118.8%	710,519
Beneficiary certificates (face value)	4,705,981	6,336,495	74.3%	10,640,152
CP & others (face value)	-	-	-	-

(*) Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		Sept. 30, 2001	Sept. 30, 2000	Mar. 31, 2001
Basic item	Total stockholders' equity (A)	189,665	202,070	190,542
Supplementary item	Statutory reserve	530	350	433
	Allowance for doubtful accounts	65	472	215
	Total (B)	595	822	648
Assets excluded from capital (C)		60,725	75,916	82,487
Capital after exclusion (A)+(B)-(C) (D)		129,536	126,976	108,702
Risk equivalent	Market risk equivalent	464	585	565
	Counterparty risk equivalent	2,864	5,103	3,605
	Fundamental risk equivalent	37,332	40,964	39,068
	Total (E)	40,660	46,653	43,239
Capital adequacy ratio (D) / (E) X 100%		318.5%	272.1%	251.3%

(Reference Data)

Quarterly income statement

(millions of yen)

	Fiscal 2000				Fiscal 2001	
	Second quarter Jul. 1, 2000 - Sep. 30, 2000	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
Operating revenue	47,775	39,320	37,378	Operating revenue	36,713	28,501
Commissions	43,811	32,999	30,744	Commissions	32,335	23,936
Brokerage commission	17,762	12,399	12,973	Brokerage commission	14,900	9,369
(Stock and other)	17,759	12,397	12,963	(Stock and other)	14,897	9,262
(Bond and other)	2	1	9	(Bond and other)	2	0
Underwriting commission	-	-	-	Underwriting commission	-	-
(Stock and other)	-	-	-	(Stock and other)	-	-
(Bond and other)	-	-	-	(Bond and other)	-	-
Distribution commission	15,209	11,523	8,193	Distribution commission	8,513	5,884
(Beneficiary certificate)	9,364	7,392	5,953	(Beneficiary certificate)	5,755	2,205
Other commission	10,839	9,076	9,577	Other commission	8,921	8,681
(Beneficiary certificate)	8,166	7,137	6,828	(Beneficiary certificate)	6,467	5,760
Net gain on trading	2,899	5,400	5,798	Net gain on trading	3,842	4,015
(Stock and other)	317	-55	125	(Stock and other)	115	-398
(Bond and other)	1,532	3,537	3,821	(Bond and other)	2,392	3,223
(Forex and other)	1,049	1,918	1,851	(Forex and other)	1,334	1,190
Net gain on other commodities trading	5	7	0	Net gain on other commodities trading	-	-
Interest and dividend income	1,058	912	835	Interest and dividend income	535	549
Operating expenses	39,979	37,090	38,157	Interest expenses	198	227
Selling, general and administrative expenses:	39,596	36,760	37,770	Net operating revenues	36,515	28,273
Commission and other expenses	8,679	8,106	7,408	Selling, general and administrative expenses:	36,351	36,199
Employees' compensation and benefits	16,912	15,544	16,166	Commission and other expenses	7,577	6,967
Real estate expenses	6,790	6,609	6,778	Employees' compensation and benefits	14,994	14,918
Data processing and office supplies	5,732	5,212	5,701	Real estate expenses	6,404	6,428
Depreciation expenses	493	541	748	Data processing and office supplies	5,741	5,846
Taxes other than income taxes	74	139	127	Depreciation expenses	985	1,026
Others	914	606	840	Taxes other than income taxes	158	85
Interest expenses	382	329	387	Others	490	926
Operating income	7,795	2,229	-779	Operating income	163	-7,926
Non-operating income	177	136	199	Non-operating income	26	124
Non-operating expenses	152	96	99	Non-operating expenses	27	21
Ordinary income	7,820	2,270	-678	Ordinary income	161	-7,822
Extraordinary gains	-	-	-	Extraordinary gains	-	6,756
Extraordinary losses	51	39	42	Extraordinary losses	60	180
Income before income taxes and others	7,769	2,230	-721	Income before income taxes and others	101	-1,246
Income taxes-current	4,800	-350	1,150	Income taxes-current	52	98
Income taxes-deferred	-1,359	1,410	-1,275	Income taxes-deferred	33	-451
Net income	4,328	1,170	-596	Net income	16	-893

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.