

July 27, 2001

## Consolidated financial summary

(For the first quarter ended June 30, 2001)

### (1) Operating results (from April 1, 2001 to June 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 quarter (2001/6)	140,159	(-17.1)	10,526	(-82.1)	10,553	(-82.5)
First quarter (2000/6)	169,091		58,737		60,362	
Fiscal 2000 (2001/3)	718,113	( 9.7)	179,866	(-20.7)	177,795	(-20.7)

	Net income	Yr/yr	Earnings /share	Fully diluted Earnings/share	Return on stockholders' equity (Annual basis)
	Millions of yen	% change	Yen	Yen	%
First quarter (2001/6)	5,041	(-83.0)	3.79	3.66	2.8
First quarter (2000/6)	29,590		22.30	21.42	17.5
Fiscal 2000 (2001/3)	64,550	(-38.7)	48.62	46.26	9.3

Note 1. Equity in earnings:

First quarter (2001/6)	43 million yen
First quarter (2000/6)	2,249 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 Jun. 30, 2001	9,604,985	704,298	8.6	530.21
As of Jun. 30, 2000	10,297,157	686,476	8.1	517.42
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.

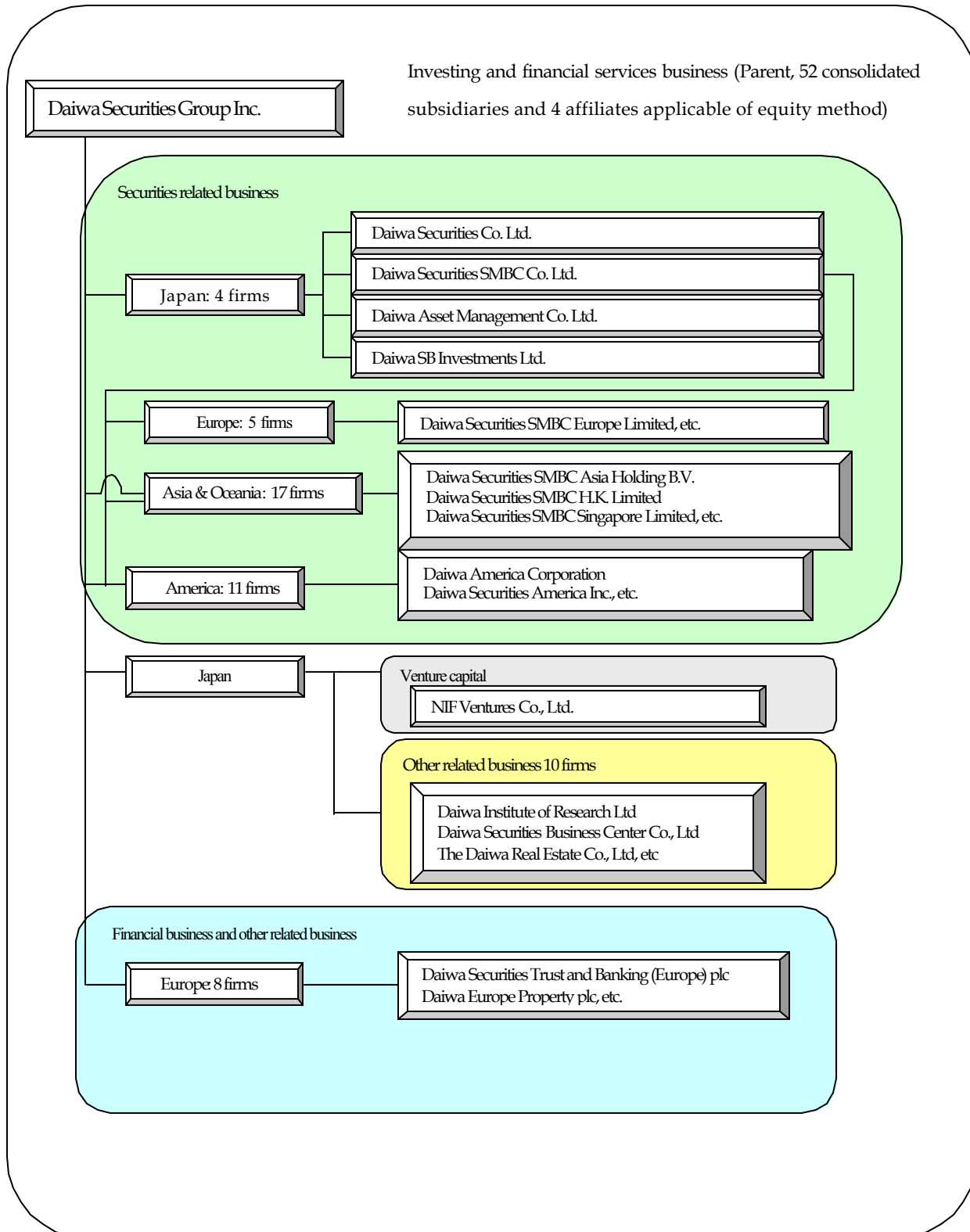
### (3) Scope of consolidation and equity method

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

### (4) Change in scope of consolidation and equity method: None

**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 first quarter of fiscal 2001**

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

Consolidated operating revenues amounted to 140,159 million yen (82.9% of the 1st quarter of fiscal 2000), mainly due to a decrease in trading gains and brokerage commission. Consolidated operating expenses amounted to 129,632 million yen (117.5% of the 1st quarter of fiscal 2000), primarily due to an increase in interest expenses. As a result, ordinary income decreased to 10,553 million yen (17.5% of the 1st quarter of fiscal 2000). Consolidated net income posted 5,041 million yen (17.0% of the 1st quarter of fiscal 2000) with minority interest in income (loss for Daiwa Securities Group companies) of 1,006 million yen.

## (1) Commissions

## (i) Brokerage commission

“Brokerage” commission declined to 18,663 million yen (67.1% of the 1st quarter of fiscal 2000), in line with Nikkei Average tumbling down from above 14,000 to below 13,000 with a decrease in daily average trading value on Tokyo Stock Exchange (87.1% of the 1st quarter of fiscal 2000).

## (ii) Underwriting commission

“Underwriting” commission diminished to 6,685 million yen (73.3% of the 1st quarter of fiscal 2000), as the stagnant secondary stock market damped the primary stock market.

## (iii) Distribution commission

“Distribution” commission dropped to 5,942 million yen (41.4% of the 1st quarter of fiscal 2000), as the depressed stock market affected commission on sale of beneficiary certificate.

## (iv) Other commission

“Other” commission in “Asset Management” decreased to 13,826 million yen (71.3% of the 1st quarter of fiscal 2000), as a decline in trust fee rates and in net asset value of equity-related beneficiary certificate eroded an increasing momentum of the outstanding principal of beneficiary certificate. Resultantly, “Other” commission totaled 18,810 million yen (76.0% of the 1st quarter of fiscal 2000).

## (2) Net trading gains/losses

Net trading gains on “Stock and other” plunged to 7,139 million yen (22.6% of the 1st quarter of fiscal 2000), as the less volatile market trimmed trading opportunity. Net trading gains on “Bond, Forex and other” decreased to 7,695 million yen (80.8% of the 1st quarter of fiscal 2000), as well.

## (3) Financial income

Net financial income augmented to 8,467 million yen (119.4% of the 1st quarter of fiscal 2000), with interest and dividend income of 61,933 million yen and interest expenses of 53,466 million yen, mainly due to expanded repurchase agreement transactions in overseas subsidiaries.

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

The lackluster 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 67,539 million yen (94.3% of the 1st quarter of fiscal 2000).

## (5) Extraordinary gains/losses

Extraordinary gains posted 8,247 million yen, including gain on sale of investment securities of 6,994 million yen. Extraordinary losses posted 11,747 million yen, including write-off of goodwill on transferred Sakura Securities Co., Ltd. of 5,000 million yen, write-off of investment securities of 3,018 million yen, and loss on sale of investment securities of 2,899 million yen.

## 2. Operating results of overseas subsidiaries for the first quarter of fiscal 2001

## Ordinary income by geographic area (millions of yen)

America	Europe	Asia & Oceania	Total
1,492	1,856	-42	3,306

**Consolidated balance sheet**

(millions of yen)

	(A) First quarter Jun. 30, 2001	(B) First quarter Jun. 30, 2000	(A)-(B) Increase/ decrease	Fiscal 2000 Mar. 31, 2001
<i>Assets</i>				
<b>Current assets:</b>	<b>8,824,606</b>	<b>9,439,374</b>	<b>-614,768</b>	<b>8,451,951</b>
Cash and time deposits	448,418	928,606	-480,187	399,564
Cash segregated as deposits related to securities transaction	9,259	8,106	1,153	8,975
Notes receivable and accounts receivable	15,161	18,413	-3,252	16,886
Receivables	22,888	12,852	10,035	19,003
Trade date accrual	-	706,557	-706,557	-
Advance payments on securities subscribed	3,065	2,490	574	1,100
Short-term loans receivable	169,931	101,345	68,586	409,455
Accrued income	26,677	23,814	2,862	24,591
Securities	75,155	61,736	13,418	99,032
Operational investment securities	48,091	55,233	-7,142	48,564
Less: Allowance for possible investment losses	-1,220	-560	-659	-1,107
Trading assets:	2,822,982	3,208,235	-385,252	2,829,022
Trading securities and others	2,453,228	3,058,387	-605,159	2,513,079
Options transactions	34,837	23,834	11,003	43,022
Derivative valuation accounts	334,916	126,013	208,903	272,920
Other inventories	8,344	21,984	-13,640	8,016
Receivables related to margin transactions:	202,656	282,706	-80,050	228,292
Loans receivable from customers for margin transactions	96,320	203,208	-106,888	88,171
Cash deposits as collateral for securities borrowed from securities finance companies	106,336	79,498	26,838	140,120
Receivables related to gensaki transactions	612,128	97,184	514,943	217,451
Cash deposits as collateral for securities borrowed	2,819,781	2,062,041	757,740	2,512,269
Securities in custody	1,461,970	1,777,677	-315,706	1,556,172
Deferred income tax assets-current	11,201	6,637	4,564	8,833
Other current assets	75,146	72,057	3,088	73,991
Less: Allowance for doubtful accounts-current	-7,033	-7,748	714	-8,163
<b>Non-current assets:</b>	<b>780,379</b>	<b>857,783</b>	<b>-77,404</b>	<b>798,271</b>
Tangible fixed assets	311,609	320,194	-8,585	313,905
Intangible fixed assets	47,384	34,893	12,491	46,801
Investments and others	421,385	502,694	-81,309	437,564
Investment securities	214,748	261,941	-47,193	227,875
Long-term loans receivable	15,405	26,253	-10,847	15,782
Long-term guarantee deposits	32,186	33,771	-1,585	32,487
Deferred income tax assets-non-current	80,539	93,115	-12,575	83,366
Other investments	92,887	283,604	-190,717	92,442
Less: Allowance for doubtful accounts-non-current	-14,381	-195,992	181,610	-14,390
<b>Total assets</b>	<b>9,604,985</b>	<b>10,297,157</b>	<b>-692,172</b>	<b>9,250,223</b>

(millions of yen)

	(A) First quarter Jun. 30, 2001	(B) First quarter Jun. 30, 2000	(A)-(B) Increase/ decrease	Fiscal 2000 Mar. 31, 2001
<i>Liabilities</i>				
<b>Current liabilities:</b>	<b>8,158,858</b>	<b>8,687,930</b>	<b>-529,071</b>	<b>7,715,514</b>
Notes payable and accounts payable	3,392	4,147	-754	5,012
Short-term borrowings	490,670	664,913	-174,242	600,028
Commercial paper	304,742	154,000	150,742	516,300
Bonds due within one year	91,693	66,873	24,820	17,419
Mortgage backed securities sold	-	25,647	-25,647	-
Deposits received	122,857	133,229	-10,371	110,335
Trade date accrual	69,669	-	69,669	13,813
Advance receipts on securities subscribed	3,839	2,939	900	1,823
Trading liabilities:	1,307,903	1,266,276	41,626	1,412,369
Trading securities and others	957,549	1,137,741	-180,192	1,109,527
Option transactions	29,270	15,782	13,487	40,049
Derivative valuation accounts	321,083	112,752	208,331	262,793
Payables related to margin transactions:	47,308	30,479	16,829	29,771
Loans from securities finance companies for margin transactions	14,384	19,112	-4,727	14,453
Proceeds of securities sold for margin transactions	32,923	11,367	21,556	15,318
Payables related to gensaki transactions	345,402	1,819,665	-1,474,262	741,938
Cash deposits as collateral for securities loaned	3,750,515	2,565,817	1,184,698	2,509,282
Short-term securities borrowed	1,146,879	1,330,499	-183,620	1,219,710
Cash deposits received from customers	82,977	78,066	4,910	89,282
Securities deposits by customers as collateral	315,091	458,247	-143,155	336,461
Accrued income taxes	1,347	8,924	-7,576	30,344
Deferred income tax liabilities-current	2,048	4,816	-2,768	1,836
Other current liabilities	72,517	73,386	-869	79,785
<b>Non-current liabilities:</b>	<b>581,075</b>	<b>767,277</b>	<b>-186,201</b>	<b>637,810</b>
Bonds	232,824	225,976	6,847	287,400
Convertible bonds	135,695	135,696	-1	135,695
Long-term borrowings	149,740	336,290	-186,549	152,324
Long-term securities borrowed	6,000	6,000	-	6,000
Deferred income tax liabilities-non-current	13,546	23,105	-9,559	13,234
Accrued retirement benefits	8,142	4,179	3,963	7,522
Multiemployer pension plan	28,442	28,442	-	28,442
Other non-current liabilities	6,684	7,586	-902	7,190
<b>Statutory reserves:</b>	<b>2,225</b>	<b>1,244</b>	<b>980</b>	<b>1,974</b>
<b>Total liabilities</b>	<b>8,742,159</b>	<b>9,456,452</b>	<b>-714,292</b>	<b>8,355,299</b>
<b>Minority interest</b>	<b>158,527</b>	<b>154,229</b>	<b>4,298</b>	<b>178,106</b>
<i>Stockholders' equity</i>				
Common stock	138,431	138,431	0	138,431
Additional paid-in capital	117,786	117,785	0	117,786
Retained earnings	447,308	425,034	22,273	459,994
Net unrealized gain on securities net of tax effect	20,031	37,404	-17,373	18,984
Translation adjustments	-16,847	-28,611	11,764	-15,807
Treasury stock	-2,413	-3,569	1,155	-2,572
<b>Total stockholders' equity</b>	<b>704,298</b>	<b>686,476</b>	<b>17,821</b>	<b>716,817</b>
<b>Total liabilities, minority interest and stockholders' equity</b>	<b>9,604,985</b>	<b>10,297,157</b>	<b>-692,172</b>	<b>9,250,223</b>

**Consolidated income statement**

(millions of yen)

	(A) First quarter Apr. 1, 2001 - Jun. 30, 2001	(B) First quarter Apr. 1, 2000 - Jun. 30, 2000	(A)/(B) Comparison (%)	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
<b>Operating revenues:</b>	<b>140,159</b>	<b>169,091</b>	<b>82.9</b>	<b>718,113</b>
Commissions	50,101	76,037	65.9	254,704
Net gain on trading	14,834	41,141	36.1	165,637
Net gain on operational investment securities	2,104	2,536	83.0	3,853
Net gain on other commodities trading	-	0	-	15
Interest and dividend income	61,933	32,945	188.0	223,992
Other sales revenues	11,184	16,429	68.1	69,909
<b>Operating expenses:</b>	<b>129,632</b>	<b>110,354</b>	<b>117.5</b>	<b>538,247</b>
Interest expenses	53,466	25,854	206.8	195,968
Cost of sales	8,625	12,858	67.1	55,330
Selling, general and administrative expenses:	67,539	71,641	94.3	286,948
Commission and other expenses	12,544	14,412	87.0	55,618
Employees' compensation and benefits	33,495	36,332	92.2	140,426
Real estate expenses	8,746	8,534	102.5	38,662
Data processing and office supplies	4,565	4,619	98.8	17,367
Depreciation expenses	4,308	3,485	123.6	15,494
Taxes other than income taxes	1,768	2,295	77.0	7,553
Others	2,111	1,961	107.6	11,825
<b>Operating income</b>	<b>10,526</b>	<b>58,737</b>	<b>17.9</b>	<b>179,866</b>
Non-operating income	1,412	3,829	36.9	5,926
Equity in earnings (profit)	43	2,249	1.9	761
Others	1,369	1,580	86.7	5,165
Non-operating expenses	1,386	2,204	62.9	7,997
<b>Ordinary income</b>	<b>10,553</b>	<b>60,362</b>	<b>17.5</b>	<b>177,795</b>
Extraordinary gains	8,247	515	1,601.3	4,206
Extraordinary losses	11,747	537	2,187.0	15,385
<b>Income before income taxes and others</b>	<b>7,053</b>	<b>60,340</b>	<b>11.7</b>	<b>166,616</b>
Income taxes-current	959	8,773	10.9	48,019
Income taxes-deferred	45	12,609	0.4	21,829
Minority interest in income	-1,006	-9,365	-	-32,217
<b>Net income</b>	<b>5,041</b>	<b>29,590</b>	<b>17.0</b>	<b>64,550</b>

**Consolidated statement of retained earnings**

(millions of yen)

	<b>First quarter</b> Apr. 1, 2001 - Jun. 30, 2001	<b>First quarter</b> Apr. 1, 2000 - Jun. 30, 2000	<b>Fiscal 2000</b> 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>5,041</b>	<b>29,590</b>	<b>64,550</b>
<b>Ending balance of retained earnings</b>	<b>447,308</b>	<b>425,034</b>	<b>459,994</b>

**Notes to consolidated financial statements**

The consolidated financial statements of the Company for the first quarter of fiscal 2001 ended June 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, November 14, 1974), 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.

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 quarter of one affiliate applicable of equity method ends other than June 30, the financial statements for the relevant first quarter are reflected.

## 3. First quarter of consolidated subsidiaries

As the first quarter of one consolidated subsidiary ends other than June 30, the financial statements for the relevant first 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 specified trading account

In terms of domestic consolidated subsidiaries, securities, assets and derivative transactions in specified 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 mainly based on moving average method when sold. 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 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 June 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 are provided based on the difference between projected benefit obligation and fund fair value on the closing date.

## (iv) Multiemployer pension plan

Most of domestic consolidated subsidiaries are members of multiemployer pension plan. The companies' liabilities are calculated by reasonable method, based on the difference between projected benefit obligation and fund fair value.

## (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.

## (ii) Amortization of deferred assets

Bond issue costs are amortized in a lump when incurred.

**Notes to consolidated balance sheet**

## 1. Guarantee

As of Jun. 30, 2001.....	5,710 million yen
As of Jun. 30, 2000.....	7,998 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 Jun. 30, 2001.....	40,000 million yen
As of Jun. 30, 2000.....	40,000 million yen
As of Mar. 31, 2001.....	40,000 million yen

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

(millions of yen)

	<b>First quarter</b>	<b>First quarter</b>	<b>Fiscal 2000</b>
	<b>Apr. 1, 2001 -</b>	<b>Apr. 1, 2000 -</b>	<b>Apr. 1, 2000 -</b>
	<b><u>Jun. 30, 2001</u></b>	<b><u>Jun. 30, 2000</u></b>	<b><u>Mar. 31, 2001</u></b>
Extraordinary gains			
Gain on sale of fixed assets.....	121	44	245
Gain on sale of investment securities.....	6,994	470	3,960
Reversal of provision for doubtful accounts.....	1,131	-	-
Extraordinary losses			
Valuation loss of fixed assets.....	-	-	227
Write-off of investment securities.....	3,018	117	3,669
Write-off of related companies' stocks.....	-	-	1,080
Loss on sale or disposal of fixed assets.....	480	123	2,996
Loss on sale of investment securities.....	2,899	31	1,956
Loss on sale of loan receivables.....	-	-	1,519
Provision for doubtful accounts.....	-	-	2,942
Write-off of goodwill.....	5,000	-	-
Consumption tax incurred regarding goodwill not falling under other deductions....	98	-	-
Provision for securities transaction liabilities.....	250	263	993
Provision for financial futures transaction liabilities.....	-	0	0

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

## 1. Breakdown of commission income

First quarter ended June 30, 2001 (A)

(millions of yen)

	Equity	Fixed income (Bond)	Asset Management	Investment Banking	Others	Total
Brokerage commission	18,339	322	0	-	-	18,663
Underwriting	-	-	-	6,685	-	6,685
(Stock and other)	-	-	-	(4,063)	-	(4,063)
(Bond and other)	-	-	-	(2,622)	-	(2,622)
Distribution	-	-	5,891	51	-	5,942
Other commission	577	494	13,826	1,188	2,722	18,810
(Agency commission)	-	(467)	(7,655)	-	-	(8,123)
Total	18,917	817	19,718	7,924	2,722	50,101

First quarter ended June 30, 2000 (B)

(millions of yen)

	Equity	Fixed income (Bond)	Asset Management	Investment Banking	Others	Total
Brokerage commission	27,567	241	6	-	-	27,815
Underwriting	-	-	-	9,118	-	9,118
(Stock and other)	-	-	-	(6,584)	-	(6,584)
(Bond and other)	-	-	-	(2,524)	-	(2,524)
Distribution	-	-	13,771	591	-	14,362
Other commission	689	760	19,390	553	3,345	24,740
(Agency commission)	-	(685)	(10,513)	-	-	(11,199)
Total	28,257	1,002	33,168	10,263	3,345	76,037

First quarter to first quarter comparison (June 30, 2001 (A) / June 30, 2000 (B))

(%)

	Equity	Fixed income (Bond)	Asset Management	Investment Banking	Others	Total
Brokerage commission	66.5	133.4	12.0	-	-	67.1
Underwriting	-	-	-	73.3	-	73.3
(Stock and other)	-	-	-	(61.7)	-	(61.7)
(Bond and other)	-	-	-	(103.9)	-	(103.9)
Distribution	-	-	42.8	8.7	-	41.4
Other commission	83.8	65.0	71.3	214.5	81.4	76.0
(Agency commission)	-	(68.1)	(72.8)	-	-	(72.5)
Total	66.9	81.5	59.5	77.2	81.4	65.9

Fiscal 2000 ended March 31, 2001

(millions of yen)

	Equity	Fixed income (Bond)	Asset Management	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 quarter (A) (2001/6)	First quarter (B) (2000/6)	(A)/(B) %	Fiscal 2000 (2001/3)
Stock and other	7,139	31,622	22.6	130,300
Bond, Forex and other	7,695	9,519	80.8	35,336
(Bond and other)	(9,204)	(9,087)	(101.3)	(32,523)
(Forex and other)	(-1,509)	(431)	( - )	(2,813)
Total	14,834	41,141	36.1	165,637

(Reference Data)

**Quarterly consolidated income statement**

(millions of yen)

	Fiscal 2000				Fiscal 2001
	First quarter Apr. 1, 2000 - Jun. 30, 2000	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
<b>Operating revenue</b>	<b>169,091</b>	<b>188,220</b>	<b>139,821</b>	<b>220,979</b>	<b>140,159</b>
Commissions	76,037	71,737	53,322	53,606	50,101
Brokerage commission	27,815	22,166	16,153	16,744	18,663
(Stock and other)	27,567	22,027	16,031	16,603	18,339
(Bond and other)	241	139	121	139	322
Underwriting commission	9,118	14,624	8,518	6,596	6,685
(Stock and other)	6,584	12,406	6,971	5,169	4,063
(Bond and other)	2,524	2,204	1,523	1,413	2,622
Distribution commission	14,362	10,435	7,749	7,060	5,942
(Beneficiary certificate)	13,771	9,724	7,583	6,429	5,891
Other commission	24,740	24,510	20,900	23,204	18,810
(Beneficiary certificate)	19,390	19,065	16,805	15,158	13,826
Net gain on trading	41,141	33,382	-4,378	95,491	14,834
(Stock and other)	31,622	23,413	-8,052	83,318	7,139
(Bond and other)	9,087	8,577	3,645	11,212	9,204
(Forex and other)	431	1,391	29	960	-1,509
Net gain on operational investment securities	2,536	1,308	388	-380	2,104
Net gain on other commodities trading	0	5	9	0	-
Interest and dividend income	32,945	60,448	73,175	57,423	61,933
Other sales revenues	16,429	21,337	17,302	14,838	11,184
<b>Operating expenses</b>	<b>110,354</b>	<b>143,727</b>	<b>146,690</b>	<b>137,474</b>	<b>129,632</b>
Interest expenses	25,854	50,937	67,142	52,033	53,466
Cost of sales	12,858	18,922	12,031	11,517	8,625
Selling, general and administrative expenses:	71,641	73,867	67,515	73,923	67,539
Commission and other expenses	14,412	14,515	13,035	13,653	12,544
Employees' compensation and benefits	36,332	35,611	31,930	36,551	33,495
Real estate expenses	8,534	10,020	9,711	10,396	8,746
Data processing and office supplies	4,619	3,329	5,083	4,334	4,565
Depreciation expenses	3,485	3,865	3,973	4,170	4,308
Taxes other than income taxes	2,295	1,566	1,800	1,891	1,768
Others	1,961	4,957	1,980	2,925	2,111
<b>Operating income</b>	<b>58,737</b>	<b>44,492</b>	<b>-6,869</b>	<b>83,505</b>	<b>10,526</b>
Non-operating income	3,829	1,795	237	65	1,412
Non-operating expenses	2,204	1,591	1,984	2,216	1,386
<b>Ordinary income</b>	<b>60,362</b>	<b>44,696</b>	<b>-8,616</b>	<b>81,353</b>	<b>10,553</b>
Extraordinary gains	515	2,075	1,275	340	8,247
Extraordinary losses	537	7,818	971	6,059	11,747
<b>Income before income taxes and others</b>	<b>60,340</b>	<b>38,953</b>	<b>-8,311</b>	<b>75,635</b>	<b>7,053</b>
Income taxes-current	8,773	17,890	-10,583	31,937	959
Income taxes-deferred	12,609	1,330	6,315	1,574	45
Minority interest in income	-9,365	-7,378	3,402	-18,875	-1,006
<b>Net income</b>	<b>29,590</b>	<b>12,354</b>	<b>-641</b>	<b>23,246</b>	<b>5,041</b>

July 27, 2001

**Daiwa Securities Group Inc.**  
Non-consolidated financial summary  
 (For the first quarter ended June 30, 2001)

(1) Operating results (from April 1, 2001 to June 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 quarter (2001/6)	47,136	( 164.6 )	43,396	( 224.0)	43,635	( 236.8 )
First quarter (2000/6)	17,811		13,392		12,957	
Fiscal 2000 (2001/3)	29,909		13,041		12,419	

	Net income	Yr/yr	Earnings /share
	Millions of yen	% change	Yen
First quarter (2001/6)	45,593	( 241.6)	34.23
First quarter (2000/6)	13,348		10.02
Fiscal 2000 (2001/3)	8,859		6.65

Note: 1. Average number of shares outstanding:

First quarter of fiscal 2001: 1,331,735,258 shares

First quarter of fiscal 2000: 1,331,734,039 shares

Fiscal 2000: 1,331,734,572 shares

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 Jun. 30, 2001	1,283,532	781,935	60.9	587.15
As of Jun. 30, 2000	1,486,537	772,440	52.0	580.02
As of Mar. 31, 2001	1,321,097	753,635	57.0	565.90

Note: Number of shares outstanding:

As of June 30, 2001: 1,331,735,258 shares

As of June 30, 2000: 1,331,734,344 shares

As of March 31, 2001: 1,331,735,258 shares

**Daiwa Securities Group Inc.**  
**Balance sheet**

(millions of yen)

	(A) First quarter Jun. 30, 2001	(B) First quarter Jun. 30, 2000	(A)-(B) Increase/ decrease	Fiscal 2000 Mar. 31, 2001
<i>Assets</i>				
<b>Current assets:</b>	<b>396,426</b>	<b>530,661</b>	<b>-134,234</b>	<b>399,284</b>
Cash and time deposits	127,192	289,788	-162,596	82,542
Short-term loans receivable	248,779	222,594	26,184	264,620
Accrued income	2,656	3,772	-1,115	2,921
Securities	1	-	1	30,000
Other current assets	20,692	17,396	3,295	22,078
Less: Allowance for doubtful accounts-current	-2,897	-2,891	-5	-2,878
<b>Non-current assets:</b>	<b>887,105</b>	<b>955,876</b>	<b>-68,770</b>	<b>921,813</b>
Tangible fixed assets	10,665	11,192	-527	10,733
Intangible fixed assets	923	1,363	-439	1,425
Investments and others:	875,517	943,320	-67,802	909,654
Investment securities	722,352	760,326	-37,974	735,766
Long-term loans receivable	98,616	103,975	-5,359	98,619
Long-term guarantee deposits	39,009	61,839	-22,829	60,014
Others	16,517	17,991	-1,473	16,232
Less: Allowance for doubtful accounts-non-current	-978	-812	-166	-978
<b>Total assets</b>	<b>1,283,532</b>	<b>1,486,537</b>	<b>-203,005</b>	<b>1,321,097</b>

	(A) First quarter Jun. 30, 2001	(B) First quarter Jun. 30, 2000	(A)-(B) Increase/ decrease	Fiscal 2000 Mar. 31, 2001
<i>Liabilities</i>				
<b>Current liabilities:</b>	<b>146,027</b>	<b>202,760</b>	<b>-56,733</b>	<b>193,143</b>
Short-term borrowings	72,710	65,910	6,800	133,410
Commercial paper	5,000	-	5,000	-
Bonds due within one year	-	38,662	-38,662	-
Cash deposits as collateral for securities loaned	60,891	90,278	-29,386	55,084
Accrued income taxes	3	4	0	14
Stock purchase warrant	501	-	501	501
Other current liabilities	6,920	7,905	-985	4,133
<b>Non-current liabilities:</b>	<b>355,569</b>	<b>511,336</b>	<b>-155,767</b>	<b>374,317</b>
Bonds	108,400	100,000	8,400	108,400
Convertible bonds	135,695	135,696	-1	135,695
Long-term borrowings	65,000	199,000	-134,000	65,000
Long-term cash deposits received	30,292	50,289	-19,997	48,854
Deferred income taxes liabilities-non-current	12,786	23,097	-10,311	12,708
Accrued retirement benefits	811	412	398	724
Multiemployer pension plan	2,200	2,200	-	2,200
Other non-current liabilities	384	641	-256	735
<b>Total liabilities</b>	<b>501,596</b>	<b>714,096</b>	<b>-212,500</b>	<b>567,461</b>
<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:	462,761	439,056	23,704	434,568
General-purpose reserve	417,000	417,000	-	417,000
Unappropriated retained earnings	45,761	22,056	23,704	17,568
(Net income for the current term )	(45,593)	(13,348)	(32,245)	(8,859)
Net unrealized gain on investment securities net of tax effect	17,620	31,830	-14,209	17,514
<b>Total stockholders' equity</b>	<b>781,935</b>	<b>772,440</b>	<b>9,495</b>	<b>753,635</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,283,532</b>	<b>1,486,537</b>	<b>-203,005</b>	<b>1,321,097</b>

**Daiwa Securities Group Inc.**  
**Income statement**

(millions of yen)

	(A) First quarter Apr. 1, 2001 - Jun. 30, 2001	(B) First quarter Apr. 1, 2000 - Jun. 30, 2000	(A)/(B) Comparison (%)	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001
<b>Operating revenues:</b>	<b>47,136</b>	<b>17,811</b>	<b>264.6</b>	<b>29,909</b>
Dividends from related companies	42,983	12,218	351.8	12,255
Interest on loans to related companies	1,309	1,238	105.7	5,275
Other interest and dividend income	1,007	1,630	61.8	3,430
Royalty on trademark	1,835	2,724	67.4	8,947
<b>Operating expenses:</b>	<b>3,739</b>	<b>4,418</b>	<b>84.6</b>	<b>16,868</b>
Selling, general and administrative expenses:	2,168	2,613	83.0	9,720
Commission and other expenses	422	369	114.5	1,619
Employees' compensation and benefits	824	888	92.8	3,616
Real estate expenses	187	231	80.9	841
Data processing and office supplies	197	234	84.2	1,300
Depreciation expenses	166	216	76.7	812
Others	370	672	55.0	1,529
Interest expenses	1,570	1,804	87.0	7,148
<b>Operating income</b>	<b>43,396</b>	<b>13,392</b>	<b>324.0</b>	<b>13,041</b>
Non-operating income	258	108	238.6	244
Non-operating expenses	20	543	3.7	866
<b>Ordinary income</b>	<b>43,635</b>	<b>12,957</b>	<b>336.8</b>	<b>12,419</b>
Extraordinary gains	7,774	470	1,651.4	2,776
Extraordinary losses	5,811	75	7,662.8	6,322
<b>Income before income taxes</b>	<b>45,598</b>	<b>13,352</b>	<b>341.5</b>	<b>8,873</b>
Income taxes-current	4	4	111.4	14
Income taxes-deferred	-	-	-	-
<b>Net income</b>	<b>45,593</b>	<b>13,348</b>	<b>341.6</b>	<b>8,859</b>
Unappropriated retained earnings-carryforward	167	8,708	1.9	8,708
<b>Unappropriated retained earnings at ending</b>	<b>45,761</b>	<b>22,056</b>	<b>207.5</b>	<b>17,568</b>

## **Notes to financial statements**

The financial statements of the Company for the first quarter of fiscal 2001 ended June 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. Those securities are valued at moving average cost method if their fair value is not available.

2. Depreciation of depreciable assets

(i) 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.

(ii) 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 June 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 are provided based on the difference between projected benefit obligation and fund fair value.

(4) Multiemployer pension plan

The Company is a member of multiemployer pension plan. The Company's liability is calculated by reasonable method, based on the difference between projected benefit obligation and fund fair value.

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 June 30, 2001</u>	<u>As of June 30, 2000</u>	<u>As of March 31, 2001</u>
3,964 million yen	5,091 million yen	3,919 million yen

## 2. Guarantee:

<u>As of June 30, 2001</u>	<u>As of June 30, 2000</u>	<u>As of March 31, 2001</u>
171,823 million yen	217,896 million yen	179,811 million yen

## 3. Treasury stock included in other current assets:

<u>As of June 30, 2001</u>	<u>As of June 30, 2000</u>	<u>As of March 31, 2001</u>
33,423 shares	37,146 shares	38,777 shares
42 million yen	59 million yen	46 million yen

## 4. Treasury stock included in investments and others:

<u>As of June 30, 2001</u>	<u>As of June 30, 2000</u>	<u>As of March 31, 2001</u>
3,368,000 shares	4,985,000 shares	3,589,000 shares
2,371 million yen	3,509 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**

	(millions of yen)		
	<b>First quarter</b>	<b>First quarter</b>	<b>Fiscal 2000</b>
	<u>Apr. 1, 2001-</u>	<u>Apr. 1, 2000-</u>	<u>Apr. 1, 2000-</u>
	<u>Jun. 30, 2001</u>	<u>Jun. 30, 2000</u>	<u>Mar. 31, 2001</u>
<b>Extraordinary gains</b>			
Gain on sale of fixed assets.....	96	-	42
Gain on sale of investment securities.....	7,677	470	2,734
<b>Extraordinary losses</b>			
Valuation loss of fixed assets .....	-	-	129
Write-off of investment securities.....	2,984	43	3,512
Write-off of related companies' stocks.....	-	-	77
Loss on sale or disposal of fixed assets.....	-	-	230
Loss on sale of investment securities.....	2,827	31	1,589
Provision for doubtful accounts .....	-	-	781