

April 27, 2001

## Consolidated financial summary

(For fiscal year ended March 31, 2001)

(1) Operating results (from April 1, 2000 to March 31, 2001)

Note : All figures in the financial statements are rounded down to the nearest millionth.

" - " indicates a loss or negative figure.

	Operating revenues	Yr/yr	Operating Income	Yr/yr	Ordinary income	Yr/yr
	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change
Fiscal 2000 (2001/3)	718,113	( 9.7)	179,866	( - 20.7)	177,795	( - 20.7 )
Fiscal 1999 (2000/3)	654,650		226,929		224,121	

	Net income	Yr/yr	Earnings /share	Fully diluted Earnings/share	Return on stockholders' equity
	Millions of yen	% change	Yen	Yen	%
Fiscal 2000 (2001/3)	64,550	( - 38.7)	48.62	46.26	9.3
Fiscal 1999 (2000/3)	105,375		79.43	76.19	16.1

Note 1. Equity in earnings: Fiscal 2000 761 million yen  
 Fiscal 1999 -551 million yen

Note 2. Average number of shares outstanding:  
 Fiscal 2000 1,327,472,109 shares  
 Fiscal 1999 1,326,636,446 shares

Note 3. 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 Mar. 31, 2001	9,250,223	716,817	9.3	539.72
As of Mar. 31, 2000	8,514,213	666,071	10.0	502.05

Note 1. Number of shares outstanding:  
 As of Mar. 31, 2001 1,328,107,481 shares  
 As of Mar. 31, 2000 1,326,678,819 shares

Note 2. Stockholders' equity ratio  
 Stockholders' equity ratio = Total stockholders' equity / {(Total liabilities\*) + Minority interest + Total stockholders' equity}

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

(3) Cash flow

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2000 (2001/3)	-240,930	4,968	42,797	303,398
Fiscal 1999 (2000/3)	-459,015	140,803	306,867	488,865

(4) Scope of consolidation and equity method

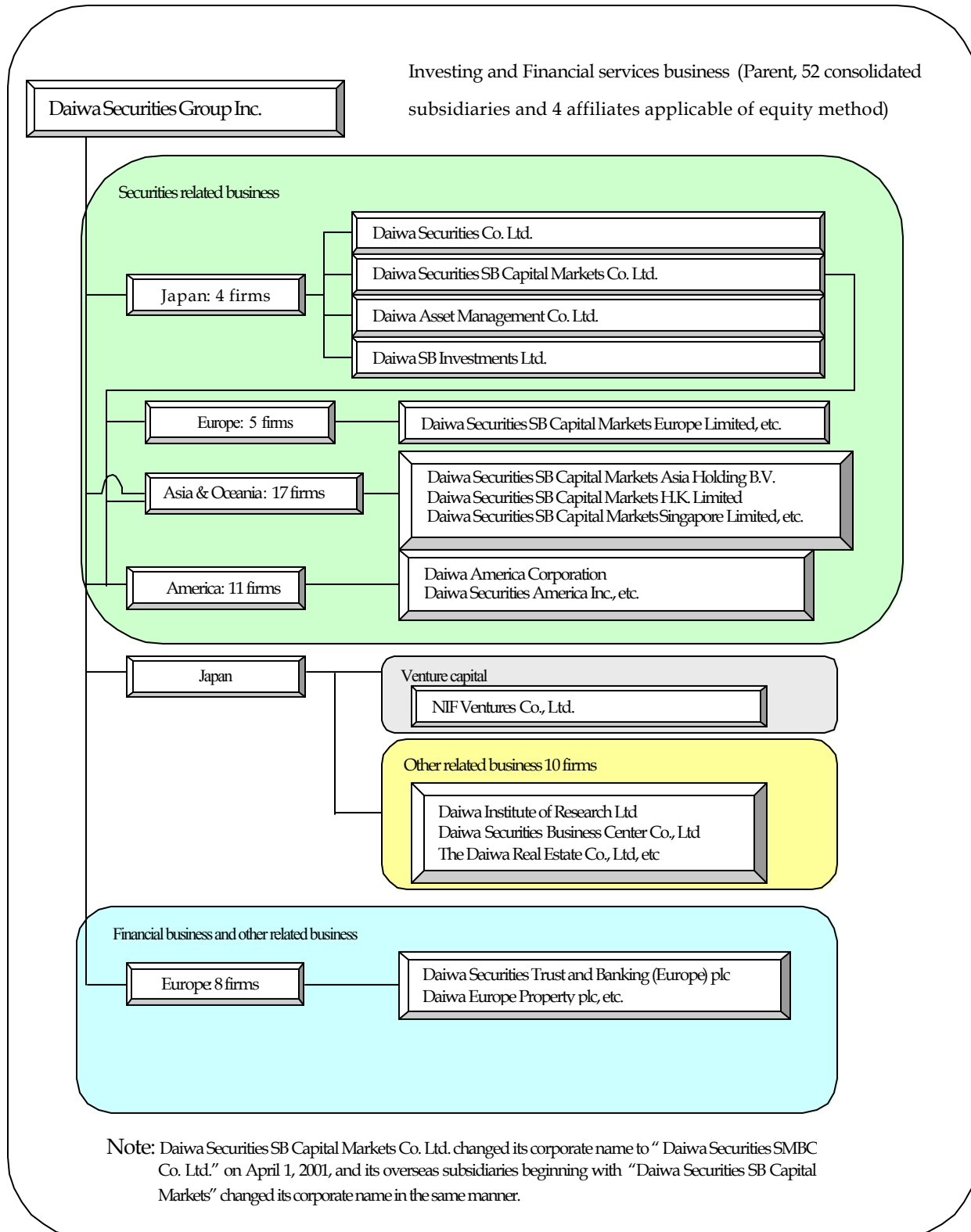
Consolidated subsidiaries: 52 Companies Affiliates applicable of equity method: 4 Companies

(5) Change in scope of consolidation and equity method

Consolidation (Exclusion): 4 Companies

**Information on Group Companies**

The Company and its related companies, 52 consolidated subsidiaries and 4 affiliates applicable of equity method, predominantly operate in investing and financial segment, focusing on securities businesses such as “trading and brokerage of securities and derivatives”, “underwriting and distribution of securities”, “subscription and 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 our 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

We have announced the 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, we have announced the "Brand Statement." The "Brand Statement" is the Group's commitment to our clients and represents our eternal core values. The three core values are "Exceptional Customer Orientation" "Seamless Services building on Group Synergy" and "Continuous Innovation"

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, we aim to continuously maximize shareholder value including the distribution of profits.

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

With this in mind, at the annual general meeting for shareholders', we would like to suggest a dividend of 13 yen, the same as last year.

#### 4. Establishing Group Management Infrastructure

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

##### (1) Group governance

Our 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 we have (a) Enhanced the function of Group executive officers by incorporating presidents of main Group companies, (b) Enhanced the function of the Group management meeting, (c) Established the remuneration committee to provide advice on the remuneration policy and system of Group directors and senior management and (d) Expanded membership and function of the Advisory committee.

##### (2) Personnel policies

To establish a personnel structure that reflects the needs of each business entity while balancing the needs of the Group as a whole, we will (a) Increase the number of personnel engaging in securities related businesses (b) Train personnel to reach professional levels (c) Encourage activities of Group management by newly establishing the “Daiwa Management Academy” (d) Strategically employ stock price linked incentives such as stock options and incentive warrants.

##### (3) Finance strategy

We 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. We are 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

We will develop a proactive public relations program as well as a shareholder and investor communications program to establish the Group’s corporate brand.

##### (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) appointed last April, 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.

## 5. Management Strategy for Each Business Sector

### (1) Daiwa Securities (Retail securities business)

The “Three Service Packages” was introduced to take advantages of opportunities provided by the introduction of a defined contribution plan in the corporate pension system and by the expected mobilization of bank deposits related to the reintroduction of the payoff system. Furthermore a project addressing branch office reforms has been formed to strengthen the consultancy aspect of retail sales.

### (2) Daiwa Securities SMBC (Former name: Daiwa Securities SB Capital Markets) (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 1<sup>st</sup> 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 expand and with the introduction of the defined contribution plan.

Daiwa Asset Management will continue its efforts to improve fund performance. 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, to 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)

In November last year, Daiwa Securities Business Center became the first securities back office company to obtain the internationally recognized ISO9001 for its high quality services.

Daiwa Securities Business Center will contribute to the Group's cost cutting efforts by providing specialized and highly efficient services.

6. Issues Outstanding

This fiscal year due to the lackluster equities market and the exodus of individual investors from the stock market, the environment surrounding the Japanese securities industry was very challenging. Furthermore, the management environment has changed dramatically with the entry of online securities companies and the expansion of bank securities subsidiaries following the consolidation of large domestic banks. The company expects these trends to accelerate into the 21<sup>st</sup> century.

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 fiscal 2000**

## 1. Summary of operating results (12 months)

Consolidated operating revenues amounted to 718,113 million yen (109.7% of fiscal 1999) and consolidated operating expenses, to 538,247 million yen (125.8% of fiscal 1999). Ordinary income decreased to 177,795 million yen (79.3% of fiscal 1999).

Consolidated net income posted 64,550 million yen (61.3% of fiscal 1999) with minority interest in income (loss for Daiwa Securities Group companies) of 32,217 million yen.

## (1) Commissions

## (i) Brokerage commission

“Brokerage” commission decreased to 82,880 million yen (56.2% of fiscal 1999), due mainly to correction phase of stock markets in the second half and resultant decrease in daily average trading value on Tokyo Stock Exchange (91.2% of fiscal 1999).

## (ii) Underwriting &amp; distribution commission

“Underwriting & distribution” commission in investment banking expanded to 38,858 million yen (111.4% of fiscal 1999), as the commissions in connection with initial public offering were in a good shape.

## (iii) Subscription &amp; distribution commission

“Subscription & distribution” commission diminished to 39,609 million yen (44.9% of fiscal 1999), as the depressed stock market condition caused a decrease in commission on sale of investment trust.

## (iv) Other commission

Trust fee on investment trust stayed flat at 70,420 million yen (100.0% of fiscal 1999). Resultantly, “Other” commission totaled 93,356 million yen (99.8% of fiscal 1999).

## (2) Net trading gains/losses

Although net trading gains on “Bond and other” decreased, net trading gains on “Stock and other” jumped to 130,300 million yen (248.9% of fiscal 1999). Total net gains on trading increased to 165,637 million yen (140.8% of fiscal 1999).

## (3) Financial income

Net financial income augmented to 28,024 million yen (209.8% of fiscal 1999), with interest and dividend income of 223,992 million yen and financial expenses of 195,968 million yen.

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

Selling, general & administrative expenses edged down to 286,948 million yen (99.8% of fiscal 1999), as curtailment in real estate expenses offset an increase in commission and other expenses caused by increment in advertisement expenses.

## (5) Extraordinary gains/losses

Extraordinary gains posted 4,206 million yen, including gain on sale of investment securities of 3,960 million yen. Extraordinary losses posted 15,385 million yen, including write-off of investment securities of 3,669 million yen, loss on sale or disposal of fixed assets of 2,996 million yen, loss on sale of investment securities of 1,956 million yen and loss on sale of loan receivables of 1,519 million yen.

## (6) Cash flow

Net cash used in operating activities was 240,930 million yen, primarily because of increase in securities trading position including expanded repurchase agreement transaction. Net cash provided by investing activities was 4,968 million yen, reflecting progress in sale of investment securities. Net cash provided by financing activities was 42,797 million yen, mainly due to bond issuance. Cash and cash equivalent after effect of exchange rate changes decreased by 185,467 million yen to 303,398 million yen.

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

Ordinary income for the fourth quarter of fiscal 2000 sharply recovered to 81,353 million yen (Third quarter of fiscal 2000; loss of 8,616 million yen) on increase of consolidated operating revenues to 220,979 million yen (158.0% of the previous quarter).

The main reason for the sharp rebound was that active equity transaction against corporate customers, especially basket transaction, pushed up ordinary income of Daiwa Securities SB Capital Markets Co. Ltd. (Wholesale securities company) to 79,905 million yen for the fourth quarter.

Whilst, ordinary income of Daiwa Securities Co. Ltd. (Retail securities company) decreased to loss of 678 million yen, owing to the sluggish stock market condition. Ordinary income before payment of royalty on trademark of 1,868 million yen to Daiwa Securities Group Inc. was 1,190 million yen.

## 3. Operating results of overseas subsidiaries for fiscal 2000

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

America	Europe	Asia & Oceania	Total
11,254	5,233	810	17,297

**Consolidated balance sheet**

(millions of yen)

	(A) Fiscal 2000 Mar. 31, 2001	(B) Fiscal 1999 Mar. 31, 2000	(A)-(B) Increase/ decrease
<i>Assets</i>			
<b>Current assets:</b>	<b>8,451,951</b>	<b>7,661,139</b>	<b>790,812</b>
Cash and time deposits	399,564	732,475	-332,910
Cash segregated as deposits related to securities transactions	8,975	8,060	915
Notes receivable and accounts receivable	16,886	24,559	-7,673
Receivables	19,003	23,217	-4,214
Advance payments on securities subscribed	1,100	709	390
Short-term loans receivable	409,455	142,491	266,963
Accrued income	24,591	17,797	6,793
Securities	99,032	65,276	33,755
Operational investment securities	48,564	44,742	3,821
Less: Allowance for possible investment losses	-1,107	-570	-537
Trading assets:	2,829,022	2,859,623	-30,600
Trading securities and others	2,513,079	2,736,870	-223,790
Options transactions	43,022	12,409	30,612
Derivative valuation accounts	272,920	110,343	162,577
Other inventories	8,016	24,072	-16,056
Receivables related to margin transactions:	228,292	393,629	-165,336
Loans receivable from customers for margin transactions	88,171	308,326	-220,155
Cash deposits as collateral for securities borrowed from securities finance companies	140,120	85,302	54,818
Receivables related to gensaki transactions	217,451	24,099	193,351
Cash deposits as collateral for securities borrowed	2,512,269	1,368,118	1,144,151
Securities in custody	1,556,172	1,820,905	-264,733
Deferred income tax assets-current	8,833	15,463	-6,629
Other current assets	73,991	104,294	-30,302
Less: Allowance for doubtful accounts-current	-8,163	-7,827	-335
<b>Non-current assets:</b>	<b>798,271</b>	<b>828,447</b>	<b>-30,175</b>
Tangible fixed assets	313,905	324,561	-10,655
Intangible fixed assets	46,801	31,869	14,932
Investments and others	437,564	472,016	-34,452
Investment securities	227,875	220,072	7,802
Long-term loans receivable	15,782	26,125	-10,342
Long-term guarantee deposits	32,487	33,672	-1,184
Deferred income tax assets-non-current	83,366	98,074	-14,708
Other investments	92,442	284,665	-192,222
Less: Allowance for doubtful accounts-non-current	-14,390	-190,593	176,202
Translation adjustments	-	24,626	-24,626
<b>Total assets</b>	<b>9,250,223</b>	<b>8,514,213</b>	<b>736,010</b>

	(millions of yen)		
	(A) Fiscal 2000 Mar. 31, 2001	(B) Fiscal 1999 Mar. 31, 2000	(A)-(B) Increase/ decrease
<i>Liabilities</i>			
<b>Current liabilities:</b>	<b>7,715,514</b>	<b>7,042,463</b>	<b>673,051</b>
Notes payable and accounts payable	5,012	6,090	-1,078
Short-term borrowings	600,028	783,242	-183,214
Commercial paper	516,300	145,600	370,700
Bonds due within one year	17,419	58,245	-40,826
Mortgage backed securities sold	-	42,823	-42,823
Deposits received	110,335	148,407	-38,071
Trade date accrual	13,813	57,537	-43,723
Advance receipts on securities subscribed	1,823	7,299	-5,476
Trading liabilities:	1,412,369	1,234,298	178,071
Trading securities and others	1,109,527	1,117,439	-7,911
Option transactions	40,049	10,591	29,457
Derivative valuation accounts	262,793	106,267	156,525
Payables related to margin transactions:	29,771	53,617	-23,846
Loans from securities finance companies for margin transactions	14,453	24,915	-10,462
Proceeds of securities sold for margin transactions	15,318	28,701	-13,383
Payables related to gensaki transactions	741,938	1,123,837	-381,899
Cash deposits as collateral for securities loaned	2,509,282	1,294,650	1,214,632
Short-term securities borrowed	1,219,710	1,340,903	-121,193
Cash deposits received from customers	89,282	84,265	5,017
Securities deposits by customers as collateral	336,461	485,821	-149,359
Accrued income taxes	30,344	74,429	-44,085
Deferred income tax liabilities-current	1,836	-	1,836
Accrued bonuses	18,747	19,490	-742
Other current liabilities	61,037	81,901	-20,863
<b>Non-current liabilities:</b>	<b>637,810</b>	<b>662,853</b>	<b>-25,043</b>
Bonds	287,400	121,013	166,386
Convertible bonds	135,695	135,697	-2
Long-term borrowings	152,324	361,557	-209,232
Long-term securities borrowed	6,000	6,000	-
Deferred income tax liabilities-non-current	13,234	-	13,234
Accrued retirement benefits	7,522	4,792	2,730
Multiemployer pension plan	28,442	28,442	-
Other non-current liabilities	7,190	5,350	1,839
<b>Statutory reserves:</b>	<b>1,974</b>	<b>980</b>	<b>993</b>
<b>Total liabilities</b>	<b>8,355,299</b>	<b>7,706,298</b>	<b>649,001</b>
<b>Minority interest</b>	<b>178,106</b>	<b>141,843</b>	<b>36,263</b>
<i>Stockholders' equity</i>			
Common stock	138,431	138,430	0
Additional paid-in capital	117,786	117,785	0
Retained earnings	459,994	413,468	46,525
Net unrealized gain on securities net of tax effect	18,984	-	18,984
Translation adjustments	-15,807	-	-15,807
Treasury stock	-2,572	-3,613	1,040
<b>Total stockholders' equity</b>	<b>716,817</b>	<b>666,071</b>	<b>50,745</b>
<b>Total liabilities, minority interest and stockholders' equity</b>	<b>9,250,223</b>	<b>8,514,213</b>	<b>736,010</b>

**Consolidated income statement**

(millions of yen)

	(A) Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001	(B) Fiscal 1999 Apr. 1, 1999 - Mar. 31, 2000	(A)-(B) Increase/ decrease	(A)/(B) Comparison(%)
<b>Operating revenues:</b>	<b>718,113</b>	<b>654,650</b>	<b>63,463</b>	<b>109.7</b>
Commissions	254,704	364,115	-109,411	70.0
Net gain on trading	165,637	117,625	48,012	140.8
Net gain on operational investment securities	3,853	8,199	-4,345	47.0
Net gain on other commodities trading	15	345	-329	4.6
Interest and dividend income	223,992	103,882	120,110	215.6
Other sales revenues	69,909	60,481	9,427	115.6
<b>Operating expenses:</b>	<b>538,247</b>	<b>427,720</b>	<b>110,526</b>	<b>125.8</b>
Interest expenses	195,968	90,523	105,444	216.5
Cost of sales	55,330	49,698	5,632	111.3
Selling, general and administrative expenses:	286,948	287,498	-549	99.8
Commission and other expenses	55,618	49,203	6,414	113.0
Employees' compensation and benefits	140,426	140,647	-221	99.8
Real estate expenses	38,662	40,787	-2,124	94.8
Data processing and office supplies	17,367	20,873	-3,506	83.2
Depreciation expenses	15,494	14,780	714	104.8
Taxes other than income taxes	7,553	7,311	242	103.3
Others	11,825	13,892	-2,067	85.1
<b>Operating income</b>	<b>179,866</b>	<b>226,929</b>	<b>-47,063</b>	<b>79.3</b>
Non-operating income	5,926	7,432	-1,505	79.7
Equity in earnings (profit)	761	-	761	-
Others	5,165	7,432	-2,267	69.5
Non-operating expenses	7,997	10,240	-2,243	78.1
Equity in earnings (loss)	-	551	-551	-
Others	7,997	9,689	-1,692	82.5
<b>Ordinary income</b>	<b>177,795</b>	<b>224,121</b>	<b>-46,326</b>	<b>79.3</b>
Extraordinary gains	4,206	20,669	-16,462	20.4
Extraordinary losses	15,385	109,618	-94,232	14.0
<b>Income before income taxes and others</b>	<b>166,616</b>	<b>135,173</b>	<b>31,443</b>	<b>123.3</b>
Income taxes-current	48,019	77,643	-29,623	61.8
Income taxes-deferred	21,829	-15,272	37,102	-
Minority interest in income	32,217	-	32,217	-
Minority interest in loss	-	32,572	-32,572	-
<b>Net income</b>	<b>64,550</b>	<b>105,375</b>	<b>-40,825</b>	<b>61.3</b>

## Consolidated statement of retained earnings

( millions of yen )

	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001	Fiscal 1999 Apr. 1, 1999 - Mar. 31, 2000
<b>Beginning balance of retained earnings</b>	<b>413,468</b>	<b>383,671</b>
<b>Increase in retained earnings:</b>	-	<b>7,503</b>
Increase in retained earnings due to expanded scope of equity method	-	7,503
<b>Decrease in retained earnings:</b>	<b>18,024</b>	<b>83,081</b>
Decrease in retained earnings due to expanded scope of consolidation	-	76,414
Decrease in retained earnings due to change in stake in consolidated subsidiaries	497	-
Dividends	17,246	6,658
Directors' bonuses	280	8
<b>Net income:</b>	<b>64,550</b>	<b>105,375</b>
<b>Ending balance of retained earnings</b>	<b>459,994</b>	<b>413,468</b>

## Consolidated cash flow statement

	(millions of yen)	
	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001	Fiscal 1999 Apr. 1, 1999 - Mar. 31, 2000
<b>1. Cash flows from operating activities:</b>		
Income before income taxes and others	166,616	135,173
Depreciation	15,494	14,780
Decrease in allowance for retirement benefits	-	-2,584
Increase in allowance for retirement benefits	4,253	-
Increase in allowance for doubtful accounts	1,403	3,357
Interest and dividends income	-218,143	-94,572
Interest expenses	207,440	92,480
Equity in earnings	-761	551
Adjustment of extraordinary gains/losses items		
Gain on sale of fixed assets	-245	-1,983
Loss on sale or disposal of fixed assets	2,996	8,677
Valuation loss of fixed assets	227	2,489
Write-off of related companies' stocks	1,080	-
Gain on sale of investment securities	-3,960	-13,887
Loss on sale of investment securities	1,956	1,145
Write-off of investment securities	3,669	4,103
Valuation loss on investment securities	-	1,659
Gain on sale of related companies' stocks	-	-4,014
Expenses for reorganization of related companies	-	10,552
Provision for multiemployer pension plan	-	28,442
Provision for doubtful accounts	2,942	30,602
Write-off of goodwill	-	8,000
Non-deductible consumption taxes derived from goodwill	-	4,359
Loss on sale of loan receivables	1,519	-
Others	993	6,502
Increase in deposits segregated for customer	-	-143,710
Decrease in deposits segregated for customer	149,800	-
Increase in loan receivables	-259,198	-
Decrease in loan receivables	-	76,470
Increase in operational investment securities	-	-4,922
Decrease in operational investment securities	2,559	-
Increase in trading assets	-	-408,398
Decrease in trading assets	134,805	-
Increase in receivables related to margin transactions	-	-263,189
Decrease in receivables related to margin transactions	141,490	-
Increase in receivables related to gensaki transactions and collateral (assets)	-510,205	-
Increase in payables related to gensaki transactions and collateral (liabilities)	-	205,822
Others	-2,262	-143,509
<b>Sub-total</b>	<b>-155,527</b>	<b>-445,603</b>
Interest and dividends received	211,216	91,464
Interest paid	-205,945	-93,939
Income taxes paid	-90,673	-10,937
<b>Net cash provided by (used in) operating activities</b>	<b>-240,930</b>	<b>-459,015</b>
<b>2. Cash flows from investing activities:</b>		
Purchase of securities	-129,783	-87,029
Sales and maturity of securities	124,439	68,899
Purchase of tangible fixed assets	-10,408	-14,681
Proceeds from sale of tangible fixed assets	6,297	9,755
Purchase of intangible fixed assets	-21,242	-9,061
Purchase of investment securities	-16,218	-30,502
Proceeds from sale and maturity of investment securities	43,758	205,783
Purchase of subsidiaries' stocks from non-Group shareholders	-497	-57,824
Loan made	-517	-10,109
Proceeds from collection of loan receivables	7,908	39,054
Others	1,232	26,518
<b>Net cash provided by (used in) investing activities</b>	<b>4,968</b>	<b>140,803</b>
<b>3. Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	59,441	121,138
Proceeds from issuance of bonds and convertible bonds	192,109	80,000
Payments for redemption of bonds and convertible bonds	-67,707	-39,409
Proceeds from long-term borrowings	26,000	69,428
Repayment of long-term borrowings	-152,904	-79,398
Issuance of stocks to shareholder with minority interest	2,145	162,000
Proceeds from exercise of stock option	990	-
Dividends paid	-17,246	-6,658
Dividends paid to minority shareholder	-29	-233
<b>Net cash provided by (used in) financing activities</b>	<b>42,797</b>	<b>306,867</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>7,696</b>	<b>8,839</b>
<b>5. Net change in cash and cash equivalents</b>	<b>-185,467</b>	<b>-2,505</b>
<b>6. Cash and cash equivalents at beginning of year</b>	<b>488,865</b>	<b>471,500</b>
<b>7. Increase in cash and cash equivalents due to change in scope of consolidation</b>	<b>-</b>	<b>22,701</b>
<b>8. Decrease in cash and cash equivalents due to change in scope of consolidation</b>	<b>-</b>	<b>-2,831</b>
<b>9. Cash and cash equivalents at end of year</b>	<b>303,398</b>	<b>488,865</b>

**Notes to consolidated financial statements**

The consolidated financial statements of the Company for fiscal 2000 ended March 31, 2001 are prepared in accordance with the "Cabinet Office Ordinance Concerning Securities Companies" (Prime Minister's Office Ordinance and MOF Ordinance No.32, 1998), and the "Uniform Accounting Standards of Securities Companies" (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on the "Regulations of Consolidated Financial Statements" (MOF Ordinance No.28, 1976) and its Article 46 and 68.

**Basis of consolidated financial statements**

## 1. Scope of consolidation

Consolidated subsidiaries .....52 Companies

*Major companies:*

Daiwa Securities Co. Ltd.  
 Daiwa Securities SB Capital Markets 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 SB Capital Markets Europe Limited  
 Daiwa Securities Trust and Banking (Europe) plc  
 Daiwa Europe Property plc  
 Daiwa America Corporation  
 Daiwa Securities America Inc.  
 Daiwa Securities SB Capital Markets Asia Holding B.V.  
 Daiwa Securities SB Capital Markets H.K. Limited  
 Daiwa Securities SB Capital Markets Singapore Limited

Daiwa Finance Co. Ltd. and Nippon Investment & Finance Co. Ltd. were merged and changed its corporate name to "NIF Ventures Co., Ltd." on April 1, 2000. Three overseas subsidiaries are excluded from scope of consolidation, due to liquidation.

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 fiscal year of one affiliate applicable of equity method ends other than March 31, the financial statements for the relevant fiscal year are reflected.

### 3. Fiscal 2000 of consolidated subsidiaries

As fiscal year of one consolidated subsidiary ends other than March 31, the financial statements for the relevant fiscal year 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 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. In terms of consolidated subsidiaries overseas, straight-line method is mainly applied.

##### (ii) Intangible fixed assets, and investments and others

Straight-line method is primarily applied. Software for in-house use is depreciated under straight-line method based on internal estimated useful life.

#### (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 consolidated subsidiaries overseas 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 March 31, 2001, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year. Some consolidated subsidiaries provide accrued retirement benefits based on projected benefit obligation. As for the closed pension fund, accrued retirement benefits 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. 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

## (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 Mar. 31, 2001.....	6,773 million yen
As of Mar. 31, 2000.....	1,571 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 Mar. 31, 2001.....	40,000 million yen
As of Mar. 31, 2000.....	40,000 million yen

3. Gensaki and securities lending/borrowing transactions are accounted for in accordance with the "Uniform Accounting Standards of Securities Companies" (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on Japanese Institute of Certified Public Accountants Auditing Committee Report No.17 "Auditing and Accounting Treatment regarding Application of Accounting Standards for Financial Instruments to Securities Companies" dated July 6, 2000, although "Accounting Standards for Financial Instruments" is introduced this fiscal year.

4. Other securities than trading or held-to-maturity securities are valued at fair value on the closing date if fair value is available. Net unrealized gain on securities net of tax effect is posted in stockholders' equity.

5. Translation adjustment that was posted in assets until fiscal 1999 are included in shareholders' equity in accordance with "Accounting Standards for Effects of Changes in Foreign Exchange Rates" amended by "Opinions on Revision of Accounting Standards for Effects of Changes in Foreign Exchange Rates (Business Accounting Deliberation Council, October 22, 1999)".

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

	(millions of yen)	
	Fiscal 2000	Fiscal 1999
	Apr. 1, 2000 - Mar. 31, 2001	Apr. 1, 1999 - Mar. 31, 2000
Extraordinary gains		
Gain on sale of fixed assets.....	245	1,983
Gain on sale of investment securities.....	3,960	13,887
Gain on sale of related companies' stocks.....	-	4,014
Reversal of reserve for securities transaction liabilities.....	-	779
Reversal of reserve for financial futures transaction liabilities.....	-	4
Extraordinary losses		
Valuation loss of fixed assets.....	227	2,489
Write-off of investment securities.....	3,669	4,103
Write-off of related companies' stocks.....	1,080	-
Loss on sale or disposal of fixed assets.....	2,996	8,677
Loss on sale of investment securities.....	1,956	1,145
Loss on sale of loan receivables.....	1,519	-
Valuation loss of investment securities.....	-	1,659
Expenses for reorganization of related companies.....	-	12,418
Relocation related expenses.....	-	434
Loss on liquidation of employees' retirement plans.....	-	3,170
Provision for multiemployer pension plan.....	-	28,442
Provision for doubtful accounts.....	2,942	30,602
Write-off of goodwill.....	-	8,000
Consumption tax incurred regarding goodwill not falling under other deductions..	-	4,359
Expenses for foundation of subsidiaries.....	-	3,134
Provision for securities transaction liabilities.....	993	980
Provision for financial futures transaction liabilities.....	0	0

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

	(millions of yen)	
	Fiscal 2000	Fiscal 1999
	Mar. 31, 2001	Mar. 31, 2000
Cash and deposits	399,564	732,475
Deposits segregated for customers	-85,500	-235,300
Time deposit more than 3 months	-10,665	-8,309
Cash and cash equivalents	303,398	488,865

**2. Important non-cash transactions**

	(millions of yen)	
	Fiscal 2000	Fiscal 1999
	Apr. 1, 2000 - Mar. 31, 2001	Apr. 1, 1999 - Mar. 31, 2000
Conversion of convertible bonds (CB)		
Increase in capital by conversion of CB	0	5
Increase in additional paid-in capital by conversion of CB	0	5
Decrease in CB by conversion	2	11

**Segment information**

## 1. Sales (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. Sales (operating revenue) by geographic area

Operating revenues, expenses and operating income by geographic area are as follows:

Fiscal 2000 ended March 31, 2001

	( millions of yen)						
	Japan	America	Europe	Asia & Oceania	Total	Elimination or Unallocated	Consolidated
1. Operating revenues and expenses							
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	<u>504,041</u>	<u>197,935</u>	<u>23,782</u>	<u>7,768</u>	<u>733,527</u>	<u>(15,414)</u>	<u>718,113</u>
Operating expenses	<u>330,499</u>	<u>186,779</u>	<u>18,989</u>	<u>6,702</u>	<u>542,972</u>	<u>(4,724)</u>	<u>538,247</u>
Operating income (loss)	<u>173,542</u>	<u>11,155</u>	<u>4,792</u>	<u>1,065</u>	<u>190,555</u>	<u>(10,689)</u>	<u>179,866</u>
2. Asset	7,104,228	1,817,111	572,243	76,507	9,570,091	(319,867)	9,250,223

Fiscal 1999 ended March 31, 2000

	( millions of yen)						
	Japan	America	Europe	Asia & Oceania	Total	Elimination or Unallocated	Consolidated
1. Operating revenues and expenses							
Operating revenues:							
Outside customers	528,090	85,359	31,968	9,231	654,650	-	654,650
Inter-area	17,703	(516)	(1,960)	(454)	14,772	(14,772)	-
Total	<u>545,793</u>	<u>84,842</u>	<u>30,008</u>	<u>8,777</u>	<u>669,422</u>	<u>(14,772)</u>	<u>654,650</u>
Operating expenses	<u>325,440</u>	<u>82,304</u>	<u>23,877</u>	<u>7,226</u>	<u>438,849</u>	<u>(11,129)</u>	<u>427,720</u>
Operating income (loss)	<u>220,352</u>	<u>2,538</u>	<u>6,131</u>	<u>1,550</u>	<u>230,572</u>	<u>(3,642)</u>	<u>226,929</u>
2. Asset	7,807,068	709,836	339,697	57,809	8,914,412	(400,199)	8,514,213

(Note) 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

## 3. Overseas operating revenues

Overseas operating revenues include those of the Company and its consolidated subsidiaries (excluding inter-company profit) are as follows:

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%

Fiscal 1999 ended March 31, 2000

	America	Europe	Asia & Oceania	(millions of yen) Total
Overseas operating revenues	79,516	23,668	10,529	113,713
Consolidated operating revenues				654,650
% of total revenues	12.1%	3.6%	1.6%	17.4%

(Note) Method of segmentation by geographic area and principal countries of area belonging to each segment are same as "2. Sales (operating revenue) by geographic area".

**Notes to Post-Employment benefit plan**

## 1. Post-Employment benefit plan

The Company and domestic consolidated subsidiaries adopt retirement lump-sum system and are members of multiemployer pension plan. Some of domestic companies adopt the closed pension fund applied only to annuitant.

## 2. Post-employment benefit obligation and Provision for employees' retirement allowance on consolidated financial statement

Fiscal 2000 (Mar. 31, 2001)

## (1) Post -employment benefit obligation

Accrued retirement benefits:

7,522 million yen

## (2) Provision for employees' retirement allowance

Provision for employees' retirement allowance:

7,392 million yen

Note: Provision for employees' retirement allowance is included in " Employees' compensation and benefits " of "Selling, general and administrative expenses".

## 3. Basis of measurement of post -employment benefit obligation

(1) Method of allocation of projected post-employment methods:	Straight-line period method
(2) Discount rate:	1.5% to 3.0%
(3) Expected rates of return on asset:	1.5% to 3.0%
(4) Term of amortization of net actuarial loss:	5 years

**Supplemental information for fiscal 2000**

## 1. Breakdown of commission income

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 & distribution (Stock and other)	-	-	-	38,858	-	38,858
(Bond and other)	-	-	-	(31,131)	-	(31,131)
Subscription & distribution	-	-	37,509	2,099	-	39,609
Other commission (Agency commission)	2,620	3,084	70,420	7,137	10,093	93,356
	-	(2,949)	(38,637)	-	-	(41,587)
Total	84,850	3,726	107,938	48,096	10,093	254,704

Fiscal 1999 ended March 31, 2000

(millions of yen)

	Equity	Fixed income (Bond)	Asset Management	Investment Banking	Others	Total
Brokerage commission	145,968	1,487	7	-	12	147,476
Underwriting & distribution (Stock and other)	-	-	-	34,887	-	34,887
(Bond and other)	-	-	-	(26,151)	-	(26,151)
Subscription & distribution	-	-	86,763	1,439	-	88,203
Other commission (Agency commission)	2,876	3,394	70,430	7,217	9,629	93,548
	-	(2,943)	(40,685)	-	-	(43,628)
Total	148,844	4,882	157,202	43,544	9,642	364,115

Note: Brokerage commission of "Equity" section includes brokerage commissions on CB and warrants.

Commission revenue on "Stock and other" includes commission revenue on CBs and warrants. Figures for "Fiscal 1999" are reclassified in such a manner.

Year to year comparison (Fiscal 2000 / Fiscal 1999)

(%)

	Equity	Fixed income (Bond)	Asset Management	Investment Banking	Others	Total
Brokerage commission	56.3	43.2	114.3	-	0.0	56.2
Underwriting & distribution (Stock and other)	-	-	-	111.4	-	111.4
(Bond and other)	-	-	-	(119.0)	-	(119.0)
Subscription & distribution	-	-	43.2	145.9	-	44.9
Other commission (Agency commission)	91.1	90.9	100.0	98.9	104.8	99.8
	-	(100.2)	(95.0)	-	-	(95.3)
Total	57.0	76.3	68.7	110.5	104.7	70.0

## 2. Breakdown of net trading gains

(millions of yen)

	Fiscal 2000 (A) (2001/3)	Fiscal 1999(B) (2000/3)	(A)/(B) %
Stock and other	130,300	52,346	248.9
Bond, Forex and other	35,336	65,278	54.1
(Bond and other)	(32,523)	(60,198)	(54.0)
(Forex and other)	(2,813)	(5,080)	(55.4)
Total	165,637	117,625	140.8

(Reference Data)

**Quarterly consolidated income statement**

(millions of yen)

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

April 27, 2001

**Daiwa Securities Group Inc.**  
Non-consolidated financial summary  
 (For fiscal year ended March 31, 2001)

(1) Operating results (from April 1, 2000 to March 31, 2001)

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

	Operating revenues		Operating income		Ordinary income	
	Millions of yen	Yr/yr % change	Millions of yen	Yr/yr % change	Millions of yen	Yr/yr % change
Fiscal 2000 (2001/3)	29,909	( - 27.6 )	13,041	( 29.5)	12,419	( 47.6 )
Fiscal 1999 (2000/3)	41,283	( - 83.9 )	10,068	( -41.2)	8,414	( -49.3)

	Net income		Earnings / share	Fully diluted earnings / share	Return on equity
	Millions of yen	Yr/yr % change	Yen	Yen	%
Fiscal 2000 (2001/3)	8,859	( -92.9)	6.65	6.60	1.2
Fiscal 1999 (2000/3)	125,070	( - )	93.91	89.89	18.2

Note: 1. Average number of shares outstanding:

For fiscal 2000; 1,331,734,572 shares  
 For fiscal 1999; 1,331,725,051 shares

2. Change in accounting policies: None

(2) Dividends

	Dividend / share			Dividends Millions of yen	Pay-out Ratio %	Dividends on equity %
	Yen	Interim Yen	Full year Yen			
Fiscal 2000 (2001/3)	13.00	-	13.00	17,265	194.9	2.3
Fiscal 1999 (2000/3)	13.00	-	13.00	17,246	13.8	2.3

(3) Financial conditions

	Total assets Millions of yen	Stockholders' equity Millions of yen	Stockholders' equity ratio %	Stockholders' equity / share Yen
As of Mar. 31, 2001	1,321,097	753,635	57.0	565.90
As of Mar. 31, 2000	1,498,350	744,617	49.7	559.13

Note: Number of shares outstanding:

As of March 31, 2001; 1,331,735,258 shares  
 As of March 31, 2000; 1,331,733,430 shares

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

(millions of yen)

	(A) Fiscal 2000 Mar. 31, 2000	(B) Fiscal 1999 Mar. 31, 2000	(A)-(B) Increase/ decrease
<b>Assets</b>			
<b>Current assets:</b>	<b>399,284</b>	<b>572,168</b>	<b>-172,884</b>
Cash and time deposits	82,542	194,301	-111,758
Short-term loans receivable	264,620	355,640	-91,019
Accrued income	2,921	5,119	-2,198
Securities	30,000	-	30,000
Other current assets	22,078	19,999	2,078
Less: Allowance for doubtful accounts-current	-2,878	-2,891	13
<b>Non-current assets:</b>	<b>921,813</b>	<b>926,182</b>	<b>-4,368</b>
Tangible fixed assets	10,733	11,282	-548
Intangible fixed assets	1,425	1,415	9
Investments and others:	909,654	913,484	-3,829
Investment securities	735,766	729,157	6,609
Long-term loans receivable	98,619	104,250	-5,630
Long-term guarantee deposits	60,014	62,737	-2,723
Others	16,232	18,151	-1,919
Less: Allowance for doubtful accounts-non-current	-978	-812	-166
<b>Total assets</b>	<b>1,321,097</b>	<b>1,498,350</b>	<b>-177,253</b>

	(A) Fiscal 2000 Mar. 31, 2000	(B) Fiscal 1999 Mar. 31, 2000	(A)-(B) Increase/ decrease
<i>Liabilities</i>			
<b>Current liabilities:</b>	<b>193,143</b>	<b>360,838</b>	<b>-167,694</b>
Short-term borrowings	133,410	222,460	-89,050
Bonds due within one year	-	38,662	-38,662
Cash deposits as collateral for securities loaned	55,084	83,320	-28,236
Accrued income taxes	14	21	-6
Accrued bonuses	490	700	-210
Stock purchase warrant	501	-	501
Other current liabilities	3,643	15,674	-12,031
<b>Non-current liabilities:</b>	<b>374,317</b>	<b>392,894</b>	<b>-18,576</b>
Bonds	108,400	-	108,400
Convertible bonds	135,695	135,697	-2
Long-term borrowings	65,000	203,000	-138,000
Long-term cash deposits received	48,854	50,982	-2,127
Deferred income taxes liabilities-non-current	12,708	-	12,708
Accrued retirement benefits	724	1,000	-276
Multiemployer pension plan	2,200	2,200	-
Other non-current liabilities	735	15	720
<b>Total liabilities</b>	<b>567,461</b>	<b>753,733</b>	<b>-186,271</b>
<i>Stockholders' equity</i>			
Common stock	138,431	138,430	0
Additional paid-in capital	117,786	117,785	0
Earned surplus reserve	45,335	45,335	-
Retained earnings:	434,568	443,065	-8,497
General-purpose reserve	417,000	317,000	100,000
Unappropriated retained earnings	17,568	126,065	-108,497
(Net income for the current term )	(8,859)	(125,070)	-116,210
Net unrealized gain on investment securities net of tax effect	17,514	-	17,514
<b>Total stockholders' equity</b>	<b>753,635</b>	<b>744,617</b>	<b>9,018</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,321,097</b>	<b>1,498,350</b>	<b>-177,253</b>

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

(millions of yen)

	(A)	(B)	(A)-(B)	(A)/(B)
	Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001	Fiscal 1999 Apr. 1, 1999 - Mar. 31, 2000	Increase/ Decrease	Comparison(%)
<b>Operating revenues:</b>	<b>29,909</b>	<b>41,283</b>	<b>-11,373</b>	<b>72.4</b>
Dividends from related companies	12,255	20	12,235	60,983.6
Interest on loans to related companies	5,275	5,141	133	102.6
Other interest and dividend income	3,430	3,621	-190	94.7
Royalty on trademark	8,947	12,914	-3,966	69.3
Commissions	-	17,711	-17,711	-
Net gain on trading	-	1,874	-1,874	-
<b>Operating expenses:</b>	<b>16,868</b>	<b>31,214</b>	<b>-14,346</b>	<b>54.0</b>
Selling, general and administrative expenses:	9,720	21,951	-12,231	44.3
Commission and other expenses	1,619	3,037	-1,417	53.3
Employees' compensation and benefits	3,616	8,832	-5,216	40.9
Real estate expenses	841	3,216	-2,375	26.1
Data processing and office supplies	1,300	2,743	-1,443	47.4
Depreciation expenses	812	1,021	-209	79.5
Others	1,529	3,099	-1,569	49.4
Interest expenses	7,148	9,263	-2,114	77.2
<b>Operating income</b>	<b>13,041</b>	<b>10,068</b>	<b>2,972</b>	<b>129.5</b>
Non-operating income	244	1,047	-802	23.4
Non-operating expenses	866	2,701	-1,834	32.1
<b>Ordinary income</b>	<b>12,419</b>	<b>8,414</b>	<b>4,004</b>	<b>147.6</b>
Extraordinary gains	2,776	218,291	-215,515	1.3
Extraordinary losses	6,322	19,815	-13,493	31.9
<b>Income before income taxes</b>	<b>8,873</b>	<b>206,891</b>	<b>-198,017</b>	<b>4.3</b>
Income taxes-current	14	21	-6	68.7
Income taxes-deferred	-	81,800	-81,800	-
<b>Net income</b>	<b>8,859</b>	<b>125,070</b>	<b>-116,210</b>	<b>7.1</b>
Unappropriated retained earnings-carryforward	8,708	995	7,713	875.2
<b>Unappropriated retained earnings at ending</b>	<b>17,568</b>	<b>126,065</b>	<b>-108,497</b>	<b>13.9</b>

**Daiwa Securities Group Inc.**  
**Statement of appropriation of retained earnings**

(millions of yen)

( Appropriation plan )

	Fiscal 2000 Apr. 1, 2000- Mar. 31, 2001		Fiscal 1999 Apr. 1, 1999- Mar. 31, 2000	
	Unappropriated retained earnings	17,568		126,065
Appropriations of retained earnings		17,400		117,356
Cash dividends(*)	17,265		17,246	
Directors' bonuses	135		110	
General reserve	-		100,000	
Unappropriated retained earnings carried forward	167		8,708	

(\*) Cash dividends for fiscal year 1999: 13 yen per share

Cash dividends for fiscal year 2000: 13 yen per share (planned)

## **Notes to financial statements**

The financial statements of the Company for fiscal 2000 ended March 31, 2001 are prepared in accordance with "Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements" (MOF Ordinance No. 59, 1963).

### **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 primarily applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998.

(ii) Intangible fixed assets, and investments and others

Straight-line method is applied. Software for in-house use is depreciated under straight-line method based on internal estimated useful life.

3. Amortization of deferred assets

Bond issue costs are amortized in a lump when incurred.

4. 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 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 March 31, 2001, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year. As for the closed pension fund, accrued retirement benefits 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.

5. Accounting for certain lease transactions

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

6. Hedging transaction

Interests received or paid on interest rate swap for hedging are accrued without marking-to-market, and premium or discount on forward foreign exchange contract for hedging is allocated to each fiscal term without marking-to-market.

7. Other material items

(Accounting for consumption taxes)

Consumption taxes are separately recorded.

**Notes to balance sheet**

1. Accumulated depreciation of tangible fixed assets:

<u>As of March 31, 2001</u> 3,919 million yen	<u>As of March 31, 2000</u> 4,991 million yen
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2. Guarantee:

<u>As of March 31, 2001</u> 179,811 million yen	<u>As of March 31, 2000</u> 197,017 million yen
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3. Treasury stock included in other current assets:

<u>As of March 31, 2001</u> 38,777 shares 46 million yen	<u>As of March 31, 2000</u> 50,611 shares 90 million yen
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4. Treasury stock included in investments and others:

<u>As of March 31, 2001</u> 3,589,000 shares 2,526 million yen	<u>As of March 31, 2000</u> 5,004,000 shares 3,522 million yen
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(Treasury stock negotiable to directors and employees under Article 210-2 of the Commercial Law)

5. Details of increase in number of shares outstanding for fiscal 2000:

	<u>Number of shares issued</u>	<u>Issued amount</u>	<u>Increase of common stock</u>
Conversion of Convertible Bonds	1 thousand shares	1 million yen	0 million yen

6. Other securities than subsidiary stocks and affiliated company stocks are valued at fair value on the closing date if fair value is available. Net unrealized gain on investment securities net of tax effect is posted in stockholders' equity.

**Notes to income statement**

	Fiscal 2000 Apr. 1, 2000- Mar. 31, 2001	(millions of yen) Fiscal 1999 Apr. 1, 1999- Mar. 31, 2000
<b>Extraordinary gains</b>		
Gain on transferring goodwill.....	-	200,000
Gain on sale of fixed assets.....	42	2,224
Gain on sale of investment securities.....	2,734	10,171
Gain on sale of subsidiaries' stocks.....	-	5,111
Reversal of reserve for securities transaction liabilities .....	-	779
Reversal of reserve for financial futures transaction liabilities....	-	4
<b>Extraordinary losses</b>		
Valuation loss of fixed assets .....	129	1,264
Write-off of investment securities.....	3,512	2,706
Write-off of related companies' stocks.....	77	-
Loss on sale or disposal of fixed assets.....	230	1,128
Loss on sale of investment securities.....	1,589	884
Valuation loss of investment securities .....	-	1,448
Expenses for reorganization of related companies .....	-	4,941
Loss on financial assistance to subsidiaries .....	-	3,600
Provision for multiemployer pension plan .....	-	2,200
Provision for doubtful accounts .....	781	1,641