

**Daiwa Securities SB Capital Markets Co. Ltd.**

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October 27, 2000

**Non-consolidated financial summary**

(For the first half ended September 30, 2000)

(1) Operating results (from April 1, 2000 to September 30, 2000)

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
First half (2000/9)	115,077	( 44.0 )	61,686	( 105.7 )	61,758	( 107.2 )
First half (1999/9)	79,901	( - )	29,987	( - )	29,812	( - )
Last fiscal year (2000/3)	172,069	( - )	72,581	( - )	73,010	( - )

	Net income	
	millions of yen	Yr/yr % change
First half (2000/9)	34,868	( - )
First half (1999/9)	-107,327	( - )
Last fiscal year (2000/3)	-85,080	( - )

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen	%	%
As of Sep. 30, 2000	6,569,637	358,266	7.5	471.9
As of Sep. 30, 1999	4,233,550	300,674	11.0	743.9
As of Mar. 31, 2000	5,686,652	322,921	8.0	507.4

Note:

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

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

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## Daiwa Securities SB Capital Markets Co. Ltd.

**Balance Sheet**

(millions of yen)

Assets					
	(A) First half Sep. 30, 2000	(B) Fiscal 1999 Mar. 31, 2000	(A) -(B) Increase/ Decrease	(C) First half Sep. 30, 1999	(A) - (C) Increase/ Decrease
<b>Current assets:</b>	<b>6,431,089</b>	<b>5,545,267</b>	<b>885,822</b>	<b>4,134,487</b>	<b>2,296,602</b>
Cash and time deposits	64,419	118,356	-53,937	232,424	-168,005
Cash segregated as deposits related to securities transactions	1,254	785	468	929	324
Receivables	500	5,942	-5,441	782	-281
Advance payments on securities subscribed	63,739	199	63,540	199	63,540
Short-term loans	121,327	31,835	89,492	22,334	98,992
Accrued income	16,213	4,863	11,349	7,822	8,391
Trading assets:	2,938,352	2,592,120	346,231	1,236,594	1,701,757
Trading securities and others	2,797,749	2,470,177	327,572	1,109,036	1,688,713
Option transactions	19,497	12,343	7,153	5,364	14,132
Derivative valuation accounts	121,104	109,599	11,505	122,192	-1,087
Receivables related to margin transactions:	111,392	85,418	25,973	93,973	17,419
Loans receivable from customers for margin transactions	90	315	-225	870	-780
Cash deposits as collateral for securities borrowed from securities finance companies	111,302	85,103	26,198	93,102	18,199
Receivables related to gensaki transactions	153,890	24,099	129,790	82,997	70,892
Cash deposits as collateral for securities borrowed	1,131,695	1,004,175	127,520	951,979	179,716
Securities in custody	1,803,711	1,659,021	144,689	1,490,613	313,097
Short-term guarantee money deposited	19,470	9,547	9,923	7,695	11,775
Deferred income tax assets-current	4,562	4,387	175	5,113	-551
Other current assets	1,024	4,583	-3,558	1,081	-56
Less: Allowance for doubtful accounts	-464	-70	-393	-53	-410
<b>Non-current assets:</b>	<b>138,548</b>	<b>141,385</b>	<b>-2,837</b>	<b>99,063</b>	<b>39,484</b>
Tangible fixed assets	4,999	5,333	-333	4,781	217
Intangible fixed assets	16,291	11,543	4,747	8,242	8,048
Investments and others:	117,257	124,508	-7,251	86,039	31,218
Investment securities	2,181	590	1,590	9	2,172
Investment in subsidiaries	34,928	34,928	-	90	34,838
Long-term loans	37	35	2	43	-6
Long-term guarantee deposits	8,708	8,336	371	8,291	416
Deferred income tax assets-non-current	65,327	74,272	-8,945	72,478	-7,151
Other investments	6,082	6,344	-262	5,126	956
Less: Allowance for doubtful accounts	-8	-0	-8	-	-8
<b>Total assets</b>	<b>6,569,637</b>	<b>5,686,652</b>	<b>882,985</b>	<b>4,233,550</b>	<b>2,336,086</b>

(millions of yen)

Liabilities					
	(A) First half Sep. 30, 2000	(B) Fiscal 1999 Mar. 31, 2000	(A) -(B) Increase/ Decrease	(C) First half Sep. 30, 1999	(A) - (C) Increase/ Decrease
<b>Current liabilities:</b>	<b>6,051,031</b>	<b>5,257,012</b>	<b>794,019</b>	<b>3,831,320</b>	<b>2,219,711</b>
Short-term borrowings	332,372	230,200	102,172	188,100	144,272
Commercial paper	345,000	145,600	199,400	44,000	301,000
Bonds due within one year	4,000	-	4,000	-	4,000
Deposits received	7,953	10,763	-2,809	9,844	-1,890
Trade date accrual	311,741	125,262	186,478	34,758	276,983
Advance receipts on securities subscribed	84,942	6,574	78,368	12,338	72,604
Accrued expenses	5,840	4,853	986	6,555	-714
Trading liabilities:	918,871	1,078,232	-159,361	745,094	173,777
Trading securities and others	799,297	962,454	-163,157	628,067	171,230
Option transactions	22,886	12,806	10,079	3,023	19,862
Derivative valuation accounts	96,687	102,971	-6,283	114,002	-17,315
Payables related to margin transactions:	43,568	34,198	9,369	35,342	8,226
Loans from securities finance companies for margin transactions	-	168	-168	21	-21
Proceeds of securities sold for margin transactions	43,568	34,030	9,537	35,320	8,247
Payables related to gensaki transactions	986,879	1,123,837	-136,958	613,573	373,305
Cash deposits as collateral for securities loaned	1,148,706	803,975	344,730	628,753	519,952
Short-term securities borrowed	1,594,958	1,451,897	143,061	1,295,072	299,885
Cash deposits received from customers	25,111	12,737	12,373	17,731	7,379
Securities deposited by customers as collateral	208,752	207,124	1,628	195,540	13,212
Accrued income taxes	17,463	16,878	585	156	17,307
Accrued bonuses	3,650	3,300	350	2,380	1,270
Other current liabilities	11,220	1,576	9,644	2,079	9,141
<b>Non-current liabilities:</b>	<b>159,181</b>	<b>105,974</b>	<b>53,206</b>	<b>101,248</b>	<b>57,932</b>
Bonds	52,700	-	52,700	-	52,700
Long-term borrowings	100,000	100,000	-	100,000	-
Accrued retirement benefits	1,340	1,029	310	577	763
Provision for multiemployer pension plan	4,232	4,232	-	-	4,232
Other non-current liabilities	908	712	196	671	236
<b>Statutory reserves:</b>	<b>1,158</b>	<b>744</b>	<b>413</b>	<b>307</b>	<b>851</b>
Reserve for securities transaction liabilities	1,158	744	413	306	851
Reserve for financial futures transaction liabilities	0	0	0	0	0
<b>Total liabilities</b>	<b>6,211,371</b>	<b>5,363,731</b>	<b>847,639</b>	<b>3,932,876</b>	<b>2,278,495</b>
<b>Stockholders' equity</b>					
Common stock	205,600	205,600	-	205,600	-
Legal reserve:	117,321	202,410	-85,088	202,410	-85,088
Additional paid-in capital	117,321	202,410	-85,088	202,410	-85,088
Retained earnings:	34,868	-85,088	119,956	-107,335	142,203
Special reserve for depreciation	517	-	517	-	517
Unappropriated retained earnings	34,350	-85,088	119,439	-107,335	141,685
(Net income for the current term)	34,868	-85,080	119,948	-107,327	142,195
Revaluation reserve for Investment securities, net of tax	477	-	477	-	477
<b>Total stockholders' equity</b>	<b>358,266</b>	<b>322,921</b>	<b>35,345</b>	<b>300,674</b>	<b>57,591</b>
<b>Total liabilities and stockholders' equity</b>	<b>6,569,637</b>	<b>5,686,652</b>	<b>882,985</b>	<b>4,233,550</b>	<b>2,336,086</b>

## Daiwa Securities SB Capital Markets Co. Ltd.

Income Statement

(millions of yen)

	(A)	(B)	(A)/(B)*0.5	(C)	(A)/(B)
	First half from Apr. 1, 2000 to Sep. 30, 2000	Fiscal 1999 from Apr. 1, 1999 to Mar. 31, 2000	Comparison	First half of fiscal 1999 From Apr. 1, 1999 to Sep. 30, 1999	Comparison
<b>Operating revenues</b>	<b>115,077</b>	<b>172,069</b>	<b>133.8%</b>	<b>79,901</b>	<b>144.0%</b>
Commissions	42,951	92,471	92.9%	47,461	90.5%
Net gain on trading securities	58,301	70,679	165.0%	28,224	206.6%
Net gain on other commodities trading	-	340	-	213	-
Interest and dividend income	13,825	8,578	322.3%	4,002	345.4%
<b>Operating expenses</b>	<b>53,391</b>	<b>99,488</b>	<b>107.3%</b>	<b>49,914</b>	<b>107.0%</b>
Selling, general and administrative expenses	49,331	93,816	105.2%	47,416	104.0%
Commission and other expenses	19,523	37,518	104.1%	20,461	95.4%
Employees' compensation and benefits	12,882	22,834	112.8%	10,481	122.9%
Real estate expenses	4,804	9,832	97.7%	4,834	99.4%
Data processing and office supplies	7,169	16,364	87.6%	8,177	87.7%
Depreciation expenses	2,648	4,115	128.7%	1,870	141.6%
Taxes other than income taxes	1,138	1,913	119.0%	1,054	108.0%
Others	1,164	1,237	188.2%	536	217.2%
Interest expenses	4,060	5,671	143.2%	2,497	162.6%
<b>Operating income</b>	<b>61,686</b>	<b>72,581</b>	<b>170.0%</b>	<b>29,987</b>	<b>205.7%</b>
Non-operating income	315	579	109.0%	254	123.9%
Non-operating expenses	244	150	324.6%	430	56.7%
<b>Ordinary income</b>	<b>61,758</b>	<b>73,010</b>	<b>169.2%</b>	<b>29,812</b>	<b>207.2%</b>
Extraordinary gains	-	-	-	-	-
Extraordinary losses	413	219,392	0.4%	214,722	0.2%
Write off of goodwill	-	208,000	-	208,000	-
Consumption tax incurred regarding goodwill not falling under other deductions	-	4,359	-	4,359	-
Provision for multiemployer pension plan	-	4,232	-	-	-
Business start-up-related expenses	-	2,056	-	2,056	-
Provision for securities transaction liabilities	413	744	111.1%	306	134.7%
Provision for financial futures transaction liabilities	0	0	26.8%	0	21.2%
<b>Income before income taxes</b>	<b>61,344</b>	<b>-146,382</b>	<b>-</b>	<b>-184,910</b>	<b>-</b>
Income taxes	18,052	17,358	208.0%	10	-
Income taxes-deferred	8,423	-78,659	-	-77,593	-
<b>Net income</b>	<b>34,868</b>	<b>-85,080</b>	<b>-</b>	<b>-107,327</b>	<b>-</b>
Unappropriated retained earnings-carryforward	-517	-8	-	-8	-
<b>Unappropriated retained earnings</b>	<b>34,350</b>	<b>-85,088</b>	<b>-</b>	<b>-107,335</b>	<b>-</b>

**Supplemental information for the first half ended September 30, 2000**

## 1. Breakdown of commission income

## (1) Activity

(millions of yen)

	First half (2000/9)	Fiscal 1999 (2000/3)	(2000/9) vs (2000/3) *0.5	First half of fiscal 1999 (1999/9)	(2000/9) vs (1999/9)
Brokerage commission	8,036	33,722	47.7%	22,506	35.7%
(Stock)	(7,819)	(31,895)	(49.0%)	(21,108)	(37.0%)
(Bond)	( 217)	(1,820)	(23.8%)	(1,394)	(15.6%)
Underwriting & distribution	22,788	33,979	134.1%	14,254	159.9%
(Stock)	(17,142)	(23,414)	(146.4%)	(8,033)	(213.4%)
(Bond)	(5,646)	(10,565)	(106.9%)	(6,220)	(90.8%)
Subscription & distribution	1,938	3,713	104.4%	1,179	164.4%
(Beneficiary certificates)	(1,025)	(2,496)	(82.1%)	( 781)	(131.1%)
Other commission	10,186	21,055	96.8%	9,520	107.0%
(Beneficiary certificates)	(5,369)	(12,167)	(88.3%)	(6,101)	(88.0%)
Total	42,951	92,471	92.9%	47,461	90.5%

## (2) Asset class

(millions of yen)

	First half (2000/9)	Fiscal 1999 (2000/3)	(2000/9) vs (2000/3) *0.5	First half of fiscal 1999 (1999/9)	(2000/9) vs (1999/9)
Stock	25,695	55,699	92.3%	29,296	87.7%
Bond	7,161	15,556	92.1%	8,879	80.7%
Beneficiary certificates	6,395	14,669	87.2%	6,887	92.9%
Others	3,698	6,546	113.0%	2,398	154.2%
Total	42,951	92,471	92.9%	47,461	90.5%

## 2. Breakdown of trading gains/losses

(millions of yen)

	First half (2000/9)	Fiscal 1999 (2000/3)	(2000/9) vs (2000/3) *0.5	First half of fiscal 1999 (1999/9)	(2000/9) vs (1999/9)
Stock	46,525	33,213	280.2%	9,388	495.5%
Bond & forex	11,776	37,466	62.9%	18,835	62.5%
(Bond)	(13,432)	(37,425)	(71.8%)	(17,666)	(76.0%)
(Forex)	( -1,655)	( 41)	( - )	( 1,168)	( - )
Total	58,301	70,679	165.0%	28,224	206.6%

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	First half (2000/9)		Fiscal 1999 (2000/3)		(2000/9) vs (2000/3) *0.5		First half of fiscal 1999 (1999/9)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	20,471	33,460,034	36,854	60,773,098	111.1%	110.1%	15,296	20,254,072
(Dealing) (a)	(10,554)	(17,221,165)	(17,483)	(29,146,860)	(120.7)	(118.2)	(6,946)	( 9,250,691)
(Brokerage)(b)	( 9,917)	(16,238,869)	(19,371)	(31,626,237)	(102.4)	(102.7)	(8,350)	(11,003,380)
b/(a + b)	48.4%	48.5%	52.6%	52.0%			54.6%	54.3%
TSE share	7.3%	8.1%	6.2%	6.6%			6.2%	6.5%

4. Underwriting activities

(millions of share, millions of yen)

	First half (2000/9)	Fiscal 1999 (2000/3)	(2000/9) vs (2000/3) *0.5	First half of fiscal 1999 (1999/9)
<u>Underwriting:</u>				
Stock (number of shares)	33	92	73.3%	46
(yen amount)	237,473	662,799	71.7%	231,971
Bond (face value)	1,793,743	3,055,531	117.4%	1,600,972
CP & others (face value)	926,800	1,192,600	155.4%	373,400
<u>Subscription &amp; distribution (*)</u>				
Stock (number of shares)	93	98	189.2%	46
(yen amount)	259,742	665,745	78.0%	231,971
Bond (face value)	1,809,747	3,136,207	115.4%	1,527,530
Beneficiary certificates (face value)	2,118,337	5,024,142	84.3%	2,278,188
CP & others (face value)	926,800	1,162,600	159.4%	373,400

(\*)Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		Sep. 30, 2000	Mar. 31, 2000	Sep. 30, 1999
Basic item	Total stockholders' equity (A)	357,789	322,921	300,674
Supplementary item	Statutory reserve	1,158	744	306
	Allowance for doubtful accounts	472	70	53
	Subordinated borrowings	100,000	100,000	100,000
	Valuation profits/losses of securities	823	690	-
Total (B)		102,454	101,505	100,360
Assets excluded from capital (C)		138,890	141,675	100,308
Capital after exclusion (A)+(B)-(C) (D)		321,352	282,751	300,726
Risk equivalent	Market risk equivalent	36,988	28,667	15,131
	Counterparty risk equivalent	12,870	9,384	9,456
	Fundamental risk equivalent	18,237	17,668	15,833
	Total (E)	68,096	55,720	40,421
Capital adequacy ratio (D)/(E) X 100%		471.9%	507.4%	743.9%