

Daiwa Securities Group Inc.

2-6-4 Otemachi Chiyoda-ku
Tokyo 100-8101, Japan

April 28, 2000

Consolidated financial summary (three companies)
(for the year ended March 31, 2000)

Scope of consolidation: Daiwa Securities Group Inc., Daiwa Securities Co. Ltd. and Daiwa Securities SB
Capital Markets Co. Ltd.

Note: Page 12 of this "Consolidated financial summary (three companies)" reflects the press release "Amendment of consolidated financial summary (three companies) for the year ended 31st March, 2000" dated May 2, 2000.

(1) Operating results (from April 1, 1999 to March 31, 2000)

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

" - " indicates a loss or negative figure.

	Operating revenues	Yr / yr % change	Operating income	Yr / yr % change	Ordinary income	Yr / yr % change
	million yen	%	million	%	million yen	%
Current fiscal year (2000/3)	436,209	(69.6)	188,496	(-)	188,804	(-)
Last fiscal year (1999/3)	257,184	(0.5)	17,129	(179.9)	16,592	(224.8)

	Net income	Yr / yr % change	Earnings per share	Fully diluted earnings/ share	Return on equity
	million yen	%	yen	yen	%
Current fiscal year (2000/3)	119,275	(-)	89.90	86.09	17.5
Last fiscal year (1999/3)	-116,972	(-)	-87.80	-	-17.0

Note:

1. Average of number of shares outstanding:

For the full year ended March 31, 2000.....1,326,636,446

For the full year ended March 31, 1999.....1,332,135,378

2. Change in accounting policies.....None

3. Tax effect accounting is applied since fiscal 1998

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity/ share
	million yen	million yen	%	yen
As of March 31, 2000	7,369,998	735,196	13.3	554.16
As of March 31, 1999	4,671,392	626,193	18.7	470.21

Note:

1. Number of shares outstanding:

As of March 31, 2000.....1,326,678,819

As of March 31, 1999.....1,331,722,462

2. 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: Daiwa Securities Group Inc., Daiwa Securities Co. Ltd. and Daiwa Securities SB Capital Markets Co. Ltd.

The comparison between Daiwa Securities Group Inc. on a parent basis and (old) Daiwa Securities Co. Ltd. does not provide the appropriate comparative information, as (old) Daiwa Securities Co. Ltd. transferred business divisions to (new) Daiwa Securities Co. Ltd. and Daiwa Securities SB Capital Markets Co. Ltd. The consolidated financial statements of the three companies are prepared to ensure the possible comparability of the financial statements. It should be noted that the scope of consolidation set forth herein is not in accordance with Article 5 of the Regulations Concerning the Terminology, Forms and Preparation Methods of the Consolidated Financial Statements.

Contact: Junichiro Wakimizu, Executive Officer, General Manager, Finance Department

Phone: +813-3243-2100

Consolidated operating results for the fiscal year 1999

On April 5, 1999, (old) Daiwa Securities Co. Ltd. transferred its wholesale business divisions to Daiwa Securities SB Capital Markets Co. Ltd. (Common stock 205,600 million yen, Additional paid-in-capital 202,410 million yen), a 60%-owned subsidiary, in accordance with the approval regarding the transfer in the extraordinary meeting of shareholders held on February 5, 1999. On April 26, 1999, (old) Daiwa Securities Co. Ltd. transferred its retail business divisions to Daiwa Securities Preparation Co. Ltd., in accordance with the approval regarding the transfer in the extraordinary meeting mentioned above. Daiwa Securities Preparation Co. Ltd. changed its corporate name to (new) Daiwa Securities Co. Ltd. (Common Stock 100,000 million yen, Additional paid-in capital 50,010 million yen) on the same date.

On April 26, 1999, (old) Daiwa Securities Co. Ltd. transformed into a holding company, changing its name to Daiwa Securities Group Inc., and governs the operating group companies such as Daiwa Securities SB Capital Markets Co. Ltd. and (new) Daiwa Securities Co. Ltd.

The parent company's profit and losses are comprised of those as a securities firm from April 1 to April 25, 1999, and those as a holding company from April 26, 1999 to March 31, 2000. The substantial business period for Daiwa Securities SB Capital Markets Co. Ltd. commenced on April 5, 1999, and that for Daiwa Securities Co. Ltd., on April 26, 1999.

Consolidated operating revenues amounted to 436,209 million yen (169.6% of fiscal 1998), and consolidated ordinary income to 188,804 million yen, which were much greater than those of the previous year. Daiwa Securities SB Capital Markets Co. Ltd. posted net loss as the company wrote-off goodwill. Resultantly, consolidated net income swelled to 119,275 million yen, mainly due to minority interest of 34,032 million yen.

1. Commissions

Commissions which amounted to 330,183 million yen (186.4% of fiscal 1998) were the major driving force behind an augmentation of revenues.

(1) Brokerage commissions

Nikkei 225 rose around 28% to 20,337yen with brisk trading volume during the fiscal 1999. The daily average trading volume of Tokyo Stock Exchange jumped to around 966.9 billion yen (235.9% of fiscal 1998).

Brokerage commissions on stocks sharply increased to 148,622 million yen (224.0% of fiscal 1998).

(2) Underwriting and distribution commissions

Underwriting and distribution commissions on stocks grew to 23,414 million yen (167.6% of fiscal 1998), and underwriting and distribution commissions on bonds, to 9,256 million yen (115.7% of fiscal 1998).

(3) Subscription and distribution and other commissions

Subscription and distribution commissions increased to 88,052 million yen (233.2% of fiscal 1998), and other commissions, to 54,753 million yen (122.8% of fiscal 1998). Those commissions stem from subscription and distribution of investment trust, and administration regarding payment of interests and distribution of investment trust and bond. The former turned around to 86,645 million yen (232.6% of fiscal 1998). Other commissions grew to 40,857 million yen (122.8% of fiscal 1998), as an outstanding of principal of investment trust increased to 11,862.8 billion yen(115.5% of fiscal end of 1998).

2. Net gains/losses on trading

Total net gains on trading increased vigorously to 85,716 million yen (187.1% of fiscal 1998), with net gains on stock and others of 35,947 million yen and those on bond, foreign exchange and others of 49,768 million yen. Stock, convertible bond, warrant are categorized as "Stock and others", whilst bond excluding convertible bond, swap, foreign exchange and others, as "bond, foreign exchange and others". Net trading gains on stock and others shot up by more than three and half times of the fiscal 1998, due to expansion of the market volume of Tokyo Stock Exchange and increase of the source of revenues arising from over-the-counter transactions.

3. Financial income

Net financial income posted 2,070 million yen, with interest and dividend income of 16,219 million yen, and financial expense of 14,149 million yen. Both financial income and expense significantly decreased, compared with the fiscal 1998. It should be noted that dividends from related companies and interest revenues from related companies, which were included in financial income, are recorded separately because Daiwa Securities Group Inc. is a holding company which aims to govern operating group companies.

4. Selling, general & administrative expenses

Selling, general and administrative expenses increased to 233,563 million yen (106.8% of fiscal 1998), mainly due to swelling commissions and other outsourcing expenses in line with trading volume expansion.

Note: "Management policy" is included in "Consolidated financial summary".

Consolidated financial statement
Consolidated Balance Sheets

(millions of yen)

	March 31, 2000	March 31, 1999	Increase/ decrease
Assets			
Current assets:	6,748,921	4,206,018	2,542,903
Cash and time deposits	592,457	445,856	146,600
Cash segregated as deposits	2,947	4,828	-1,881
Receivables	22,243	22,066	177
Trade date accrual	199	246,473	-246,274
Advance payments on securities subscribed	709	199	510
Short-term loans	259,921	118,347	141,574
Accrued receivables	5,357	7,649	-2,292
Accrued income	16,347	13,224	3,123
Trading assets:	2,602,034	932,612	1,669,422
Trading securities and others	2,480,062	792,927	1,687,134
Option transactions	12,343	11,387	956
Derivative valuation accounts	109,628	128,296	-18,667
Receivables related to margin transactions:	393,629	141,261	252,367
Loans receivable from customers for margin transactions	308,326	72,451	235,874
Cash deposits as collateral for securities borrowed from securities finance companies	85,302	68,810	16,492
Receivables related to gensaki transactions	24,099	320,062	-295,962
Cash deposits as collateral for securities borrowed	940,558	521,814	418,743
Securities in custody	1,849,793	1,323,990	525,803
Short-term guarantee money deposited	16,356	9,780	6,576
Deferred income tax assets-current	11,694	81,810	-70,115
Other current assets	14,025	17,771	-3,746
Less: Allowance for doubtful accounts	-3,456	-1,732	-1,724
Non-current assets:	621,077	465,374	155,702
Tangible fixed assets	20,950	20,628	321
Building and structures	1,780	1,381	399
Equipment	12,254	12,153	101
Land	6,914	7,094	-179
Intangible fixed assets	14,857	1,088	13,769
Software	13,808	-	13,808
Others	1,048	1,088	-39
Investments and others:	585,269	443,657	141,611
Investment securities	364,748	280,271	84,476
Long-term loans	49,285	59,632	-10,346
Long-term guarantee deposits	69,086	75,155	-6,069
Deferred income tax assets-non-current	81,156	-	81,156
Other investments	21,347	30,765	-9,418
Less: Allowance for doubtful accounts	-354	-2,167	1,813
Total assets	7,369,998	4,671,392	2,698,605

(millions of yen)

	March 31, 2000	March 31, 1999	Increase/ decrease
<i>Liabilities</i>			
Current liabilities:	6,099,886	3,745,157	2,354,729
Short-term borrowings	570,660	255,218	315,441
Commercial paper	145,600	30,200	115,400
Bonds due within one year	38,662	19,419	19,243
Deposits received	99,564	92,154	7,410
Trade date accrual	125,262	-	125,262
Advance receipts on securities subscribed	7,299	2,741	4,558
Accounts payable	19,649	41,679	-22,029
Trading liabilities:	1,078,427	612,986	465,441
Trading securities and others	962,454	476,599	485,855
Option transactions	12,806	6,362	6,444
Derivative valuation accounts	103,166	130,024	-26,858
Payables related to margin transactions:	64,193	72,791	-8,597
Loans from securities finance companies for margin transactions	24,915	18,098	6,817
Proceeds of securities sold for margin transactions	39,277	54,692	-15,414
Payables related to gensaki transactions	1,123,837	593,315	530,521
Cash deposits as collateral for securities loaned	803,975	574,082	229,892
Short-term securities borrowed	1,343,504	907,038	436,466
Cash deposits received from customers	82,877	51,396	31,481
Securities deposits by customers as collateral	506,289	416,951	89,337
Accrued income taxes	68,973	440	68,532
Accrued bonuses	13,500	8,800	4,700
Provision for financial assistance to subsidiaries	-	58,200	-58,200
Other current liabilities	7,608	7,741	-132
Non-current liabilities:	404,765	299,258	105,506
Convertible bonds	135,697	94,371	41,326
Long-term borrowings	243,000	203,000	40,000
Accrued retirement benefits	3,649	1,394	2,254
Provision for multiemployer pension plan	21,652	-	21,652
Other non-current liabilities	766	492	273
Statutory reserves:	980	783	197
Reserve for securities transaction liabilities	980	779	201
Reserve for financial future transaction liabilities	0	4	-4
Total liabilities	6,505,633	4,045,199	2,460,434
Minority interest	129,168	-	129,168
<i>Stockholders' equity</i>			
Common stock	138,430	138,424	5
Additional paid-in capital	117,785	117,779	5
Consolidated retained earnings	482,593	-	482,593
Earned surplus reserve	-	45,335	-45,335
Retained earnings	-	324,653	-324,653
Treasury stock	-3,613	-	-3,613
Total stockholders' equity	735,196	626,193	109,003
Total liabilities, minority interest and stockholders' equity	7,369,998	4,671,392	2,698,605

Consolidated Income Statement

(millions of yen)

	Fiscal 1999 (Apr.1, 1999- Mar.31, 2000) (A)	Fiscal 1998 (Apr.1, 1998- Mar.31, 1999) (B)	Comparison ratio(%) (A)/(B)
Operating revenues	436,209	257,184	169.6
Dividends from related companies	20	-	-
Interest on loans to related companies	3,724	-	-
Commissions	330,183	177,123	186.4
Net gain on trading securities	85,716	45,820	187.1
Net gain on other commodities trading	345	16	2,035.3
Interest and dividend income	16,219	34,223	47.4
Operating expenses	247,712	240,055	103.2
Selling, general and administrative expenses	233,563	218,634	106.8
Commission and other expenses	39,847	34,369	115.9
Employees' compensation and benefits	97,352	86,593	112.4
Real estate expenses	40,389	43,069	93.8
Data processing and office supplies	40,017	34,737	115.2
Depreciation expenses	6,871	5,116	134.3
Others	9,085	14,748	61.6
Interest expenses	14,149	21,420	66.1
Operating income	188,496	17,129	1,100.5
Non-operating income	1,711	944	181.3
Non-operating expenses	1,403	1,480	94.8
Ordinary income	188,804	16,592	1,137.9
Extraordinary gains	11,660	49,923	23.4
Extraordinary losses	56,692	262,895	21.6
Income before income taxes	143,772	-196,378	-
Income taxes	69,579	295	23,561.9
Income taxes-deferred	-11,050	-79,702	-
Minority interest	34,032	-	-
Net income	119,275	-116,972	-

Consolidated statement of retained earnings

(millions of yen)

	Fiscal year, 1999 〔 Apr.1, 1999 Mar.31, 2000 〕
Beginning balance of retained earnings	369,976
Decrease in retained earnings	6,658
Dividends	6,658
Net income	119,275
Ending balance of retained earnings	482,593

Notes to consolidated financial summary of the fiscal year 1999

The three company consolidation (the consolidated financial statements of Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SB Capital Markets Co. Ltd.) is prepared in accordance with the "Ministerial 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, Nov. 14, 1974) based on the "Regulations Concerning the Terminology, Forms and Preparation Methods of the Consolidated Financial Statements" (MOF Ordinance No.28, 1976) and its Articles 46 and 68.

The comparison of financial figures are computed based on the three companies consolidated financial statements for the fiscal year 1999, and unconsolidated financial summary (old) Daiwa Securities Co. Ltd. for the fiscal year 1998. "Consolidated cash flow statements of three companies" is not prepared.

Basis of consolidated financial statements for the fiscal year 1999

1. Scope of consolidation

The scope of the consolidation comprised of the solely three companies among all subsidiaries is not in accordance with Article 5 of the "Regulations Concerning the Terminology, Forms and Preparation Methods of the Consolidated Financial Statements."

2. Accounting policies

(1) Valuation of specified trading account

Securities, assets and derivative transactions in specified transaction account are recorded on a trade date basis at market value.

(2) Valuation of non-trading securities and commodities other than securities

Listed securities are valued on a settlement date basis at the lower of cost-or-market, cost being determined by the moving average method. Unlisted securities and commodities other than securities are valued on a settlement date basis at cost determined by the moving average method. In terms of lower of cost-or-market method, reversal method is applied instead of separation method since fiscal 1998 in accordance with 1998 amendment of the Corporate Tax Law.

(3) Depreciation

a) Tangible fixed assets

Depreciation is computed under declining-balance method in accordance with the Corporate Tax Law. Properties (except appendix) acquired after April 1, 1998 are computed under straight-line method in accordance with 1998 amendment of the Corporate Tax Law.

b) Intangible fixed assets

Depreciation is computed under straight-line method in accordance with the Corporate Tax Law. "Software for in-house uses" is depreciated under straight-line method for five years based on the internal useful life period.

c) Deferred assets

Bond issue costs of the parent company are amortized in a lump sum when incurred.

(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) Accounting for consumption taxes

Consumption taxes are separately recorded. Non-deductible consumption taxes regarding assets are expensed, as they are incurred.

(6) Accounting policies for various provisions

a) Provision for doubtful accounts

Allowance is provided, based on the specific assessment and the historical deterioration rate stipulated by the Corporate Tax Law.

b) Accrued employees' bonuses

Expected employees' bonuses are accrued, based on each company's regulations.

c) Accrued retirement benefits

Retirement benefits for employees and directors are accrued based on each company's regulations. Accrued Retirement Benefit includes the payable for the "Closed" eligible fund, as the Company liquidated the retirement benefit plan, when the Company transformed into the holding company in April 1999.

d) Provision for multiemployer pension plan

The companies are members of multiemployer Pension plan. The companies' liability is calculated by

reasonable method, based on the difference between projected benefit obligation and fund fair value. The pension plan has faced the problems arising from the decreasing members and continuing low interest rates. Provision for multiemployer pension plan is accrued, as the aforementioned amount is recognized as material.

(7) Translation of foreign currency denominated assets and liabilities

Foreign currency denominated assets and liabilities of domestic consolidated subsidiaries are translated in accordance with the "Accounting Standards for Foreign Currency Transactions".

3. Valuation for assets and liabilities of consolidated subsidiaries

Full fair value method is applied.

4. Consolidation adjusting account

Consolidation adjusting account is amortized in a lump sum when incurred.

5. Appropriation of retained earnings

Consolidated statement of retained earnings are prepared based on definitive appropriation of retained earnings of consolidated companies on fiscal year of consolidation.

Notes to consolidated balance sheet

1. Guarantee:

As of March 31, 2000..... 201,312 million yen

As of March 31, 1999..... 232,041 million yen

Substantial guarantees noted as similar guarantees since fiscal 1998 on "Notes to balance sheet" in accordance with JICPA Auditing Committee Report No.61 "Audit Treatment of Accounting and Reporting of Debt Guarantees and Similar Acts."

2. Intangible fixed assets

Software included in "Other investments" until the previous year is reclassified as "Intangible fixed assets" in accordance with amendment (Ministry of Finance, Ministerial Order number 135, 1998) of "Regulation Concerning the Terminology, forms, and Preparation Methods of Financial Statements" (Ministry of Finance, Ministerial Order No. 59, 1963).

3. Subordinated borrowings

Long-term borrowings include the subordinated borrowings stipulated by the "Ministerial Ordinance on the Capital Adequacy Rule for Securities Companies" (the Prime Minister's Office Ordinance and Ministry of Finance ("MOF") Ordinance No. 28, Article 2, 1999)

As of March 31, 2000..... 40,000 million yen

As of March 31,1999..... 195,000 million yen

Notes to consolidated income statement

1.Reversal of reserve for trading losses

Reserve for trading losses has been abolished due to the amendment of the Securities and Exchange Law, enforced on December 1, 1998. Resultantly, it is reversed in a lump sum at the end of the previous year end.

2.Details of extraordinary gains/losses

	Fiscal 1999 (Mar. 31, 2000)	(millions of yen) Fiscal 1998 (Mar. 31, 1999)
<i>Extraordinary gains</i>		
Gain on sale of fixed assets.....	704	-
Gain on sale of investment securities.....	10,171	3,797
Reversal of reserve for stock trading loss.....	-	34,603
Reversal of reserve for bond trading loss.....	-	11,522
Reversal of reserve of securities transaction liabilities.....	779	-
Reversal of reserve for financial futures transaction liabilities.....	4	1
<i>Extraordinary losses</i>		
Write-off of securities.....	-	463
Valuation loss of fixed assets.....	1,264	-
Write-off of investments securities.....	2,706	-
Write-off of investments in subsidiaries.....	-	115,137
Provision for prior-periods retirement benefits of directors.....	-	973
Loss on disposal and sale of fixed assets.....	1,128	-
Loss on transferring of investment securities.....	-	2,383
Loss on sale of investment securities.....	884	-
Valuation loss on investment securities.....	1,448	7,819
Expenses for reorganization of related companies.....	4,941	-
Loss on financial assistance to subsidiaries.....	3,600	115,800
Expenses for rationalization of system.....	950	-
Expenses for rationalization of overseas business.....	-	2,709
Expenses for the holding company structure.....	-	2,561
Expenses for rationalization of equipment.....	-	2,018
Loss on liquidation of employees' retirement plans.....	-	12,785
Provision for multiemployer pension plan.....	21,652	-
Provision for doubtful accounts.....	1,641	-
Write-off of goodwill.....	8,000	-
Non-deductible consumption taxes derived from goodwill.....	4,359	-
Expenses for foundation for subsidiaries.....	3,134	-
Provision for reserve for securities transaction liabilities.....	980	243
Provision for reserve for financial futures transaction liabilities.....	0	-

3. Loss on financial assistance to subsidiaries

In order to solve the problems related to non-performing loans of Nippon Investment & Finance Co. Ltd. and Daiwa Finance Co. Ltd., the Board of Directors of the Company approved on January 19, 2000 that the Company would provide additional financial assistance of 3,600 million yen to those companies, aiming to merge Nippon Investment & Finance Co. Ltd. and Daiwa Finance Co. Ltd. Previous "Loss on financial assistance to related companies" is changed to "Loss on financial assistance to subsidiaries", due to expanded scope of consolidation.

Supplemental information for the fiscal year 1999

1. Breakdown of commission income

(1) Activity

(millions of yen)

	Current year (A)	Last year (B)	(A)/(B) (%)
Brokerage commission	154,705	72,802	212.5
(Stock)	(148,622)	(66,337)	(224.0)
(Bond)	(6,071)	(6,452)	(94.1)
Underwriting & distribution	32,671	21,972	148.7
(Stock)	(23,414)	(13,970)	(167.6)
(Bond)	(9,256)	(8,001)	(115.7)
Subscription & distribution	88,052	37,760	233.2
Other commission	54,753	44,587	122.8
Total	330,183	177,123	186.4

(2) Asset class

(millions of yen)

	Current year (A)	Last year (B)	(A)/(B) (%)
Stock	175,068	83,274	210.2
Bond	19,807	19,890	99.6
Beneficiary certificate	127,513	70,515	180.8
Other	7,793	3,442	226.4
Total	330,183	177,123	186.4

2. Breakdown of trading gains/losses

(millions of yen)

	Current year (A)	Last year (B)	(A)/(B) (%)
Stock	35,947	9,732	369.4
Bond & forex	49,768	36,087	137.9
(Bond)	(45,025)	(26,824)	(167.9)
(Forex)	(4,743)	(9,263)	(51.2)
Total	85,716	45,820	187.1

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	Current year (A)		Last year (B)		(A)/(B) (%)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	54,843	79,287,788	38,404	29,883,606	142.8%	265.3%
(Dealing) (a)	(18,256)	(30,517,104)	(12,847)	(11,259,320)	(142.1%)	(271.0%)
(Brokerage) (b)	(36,587)	(48,770,684)	(25,557)	(18,624,285)	(143.2%)	(261.9%)
b/(a + b)	66.7%	61.5%	66.5%	62.3%		
TSE share	9.4%	9.6%	9.0%	9.1%		
Brokerage commission/share	4.00 yen		2.49 yen			

4. Underwriting activities

(millions of share, millions of yen)

	Current year (A)	Last year (B)	(A)/(B) (%)
Underwriting:			
Stock (number of shares)	93	93	100.1
(yen amount)	662,830	516,792	128.3
Bond (face value)	3,165,742	2,225,080	142.3
CP & others (face value)	1,192,601	953,400	125.1
Subscription & distribution(*)			
Stock (number of shares)	130	94	138.3
(yen amount)	678,374	525,369	129.1
Bond (face value)	3,636,049	2,776,649	131.0
Beneficiary certificates (face value)	19,356,748	14,258,642	135.8
CP & others (face value)	1,165,600	952,400	122.4

(*) Including secondary offering and private placement

Daiwa Securities Co. Ltd.**Balance Sheet**

(As of March 31, 2000)

(millions of yen)

<i>Assets</i>		<i>Liabilities</i>	
	Amount		Amount
Current assets:	1,017,259	Current liabilities:	867,793
Cash and time deposits	279,799	Short-term borrowings	268,000
Cash segregated as deposits related to securities transactions	1,787	Deposits received	88,258
Receivables	15,230	Advance receipts on securities subscribed	725
Trade date accrual	199	Accounts payable	8,212
Advance payments on securities subscribed	510	Trading liabilities:	205
Short-term loans	22,446	Trading securities and others	0
Accrued receivables	693	Derivative valuation accounts	205
Accrued income	11,699	Payables related to margin transactions:	29,994
Trading assets:	9,924	Loans from securities finance companies for margin transactions	24,747
Trading securities and others	9,885	Proceeds securities sold for margin transactions	5,247
Derivative valuation accounts	39	Short-term securities borrowed	32,687
Receivables related to margin transactions:	308,210	Cash deposits received from customers	70,140
Loans receivable from customers for margin transactions	308,011	Securities deposited by customers as collateral	299,164
Cash deposits as collateral for securities borrowed from securities finance companies	198	Accrued income taxes	52,073
Cash deposits as collateral for securities borrowed	19,703	Accrued bonuses	9,500
Securities in custody	331,852	Other current liabilities	8,829
Short-term guarantee money deposited	6,809	Non-current liabilities:	16,838
Deferred income tax assets-current	7,307	Accrued retirement benefits	1,618
Other current assets	1,653	Provision for multiemployer pension plan	15,220
Less: Allowance for doubtful accounts	-568	Statutory reserves:	236
Non-current assets:	68,955	Reserve for securities transaction liabilities	236
Tangible fixed assets	4,334	Total liabilities	884,868
Intangible fixed assets	1,898	<i>Stockholders' equity</i>	
Investments and others:	62,721	Common stock	100,000
Long-term loans	5,000	Legal reserve:	50,010
Long-term guarantee deposits	48,954	Additional paid-in capital	50,010
Deferred income tax assets-non-current	6,884	Retained earnings:	51,336
Other investments	1,893	Unappropriated retained earnings	51,336
Less: Allowance for doubtful accounts	-10	(Net income for the current year)	51,343
Total assets	1,086,214	Total stockholders' equity	201,346
		Total liabilities and stockholders' equity	1,086,214

Daiwa Securities Co. Ltd
Income Statement

(millions of yen)

	Fiscal 1999 (Apr.1, 1999 - Mar.31, 2000)
Operating revenues	258,286
Commissions	240,898
Net gain on trading securities	13,162
Net gain on other commodities trading	5
Interest and dividend income	4,220
Operating expenses	151,426
Selling, general and administrative expenses	150,594
Commission and other expenses	30,984
Employees' compensation and benefits	64,623
Real estate expenses	27,179
Data processing and office supplies	22,762
Depreciation expenses	1,720
Taxes other than income taxes	367
Others	2,957
Interest expenses	831
Operating income	106,859
Non-operating income	184
Non-operating expenses	206
Ordinary income	106,837
Extraordinary gains	-
Extraordinary losses	17,484
Provision for multiemployer pension plan	15,220
Expenses for foundation	1,078
Expenses for reorganization of system	950
Provision for securities transaction liabilities	236
Income before income taxes	89,352
Income taxes	52,200
Income taxes-deferred	-14,191
Net income	51,343
Unappropriated retained earnings-carryforward	-7
Unappropriated retained earnings	51,336

Daiwa Securities Co. Ltd.
Statement of appropriation of retained earnings

(millions of yen)

	Fiscal year 1999	
Unappropriated retained earnings	51,336	
Reversal of general reserve	-	
Total	51,336	
Appropriations of retained earnings		13,547
Legal reserve	1,210	
Cash dividends(*)	12,000	
Bonuses to directors	99	
Reserve for special depreciation	238	
Unappropriated retained earnings carried forward		37,788

(*) Cash dividend : 3,750,000 yen per share.

Basis of financial statements for the fiscal year 1999

1. The financial statements of the Company for the period April 1, 1999 to March 31, 2000 are prepared in accordance with "Ministerial 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, Nov. 14, 1974) based on "Regulation Concerning the Terminology, Forms and Preparation Methods of Financial Statements"(MOF Ordinance No. 59, 1963) and its Articles 2.
2. Valuation of specified trading account
Securities, assets and derivative transactions in specified transaction account are recorded on a trade date basis at market value.
3. Valuation of non-trading securities and commodities other than securities
Unlisted securities and commodities other than securities are valued on a settlement date basis at cost determined by the moving average method.
4. Depreciation of tangible fixed assets
Depreciation is computed under declining-balance method in accordance with the Corporate Tax Law.
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. Accounting for consumption taxes
Consumption taxes are separately recorded.
7. Accounting policies for various provisions
 - a) Provision for doubtful accounts
Allowance is provided, based on the specific assessment and the historical deterioration rate stipulated by the Corporate Tax Law.
 - b) Accrued employees' bonuses
Expected employees' bonuses are accrued, based on the company regulations.
 - c) Accrued retirement benefits
Retirement benefits for employees and directors are accrued based on the company regulations.
 - d) Provision for 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. The plan has faced the problems arising from the decreasing members and continuing low interest rates. Provision for multiemployer pension plan is accrued, as the aforementioned amount is recognized as material.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets.....1,263 million yen
2. Intangible fixed assets
Software included in "Other investments" until the previous year is reclassified as "Intangible fixed assets" in accordance with amendment (Ministry of Finance, Ministerial Order number 135, 1998) of "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" Ministry of Finance, Ministerial Order No. 59, 1963).

Notes to income statement

1. Commission and other expenses

The Board of Directors of the Company approved on January 11, 2000 that the Company came into agreement to pay royalty on "trademark" to Daiwa Securities Group Inc. Royalty on trademark of 12,914 million yen is recorded in "commission and other expenses".

2. Expenses for foundation

Expenses for foundation are posted as an extraordinary loss as the Company charges the development costs and new share issue costs on its commencing operations in a lump sum.

3. Expenses for reorganization of systems

Expenses for reorganization of systems are posted as an extraordinary loss as the costs of replace a part of obsolete systems.

Supplemental information for the fiscal year 1999

1. Breakdown of commission income

(1) Activity

(millions of yen)

	Current year
Brokerage commission	112,856
(Stock)	(109,249)
(Bond)	(3,602)
Underwriting & distribution	-
Subscription & distribution	91,430
Other commission	36,611
Total	240,898

(2) Asset class

(millions of yen)

	Current year
Stock	120,488
Bond	13,651
Beneficiary certificate	105,268
Others	1,489
Total	240,898

1. Breakdown of trading gains/losses

(millions of yen)

	Current year
Stock	1,945
Bond & forex	11,216
(Bond)	(6,930)
(Forex)	(4,286)
Total	13,162

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	Current year	
	Number of shares	Amount
Total	11,606	17,752,427
(Dealing) (a)	(542)	(1,057,218)
(Brokerage)(b)	(11,064)	(16,695,208)
b/(a + b)	95.3%	94.0%
TSE share	3.3%	3.0%
Brokerage commission/share	9.87 yen	

4. Underwriting activities

(millions of share, millions of yen)

	Current year
<u>Underwriting:</u>	
Stock (number of shares)	-
(yen amount)	-
Bond (face value)	-
CP & others (face value)	-
<u>Subscription & distribution(*)</u>	
Stock (number of shares)	92
(yen amount)	464,488
Bond (face value)	365,732
Beneficiary certificates (face value)	12,809,138
CP & others (face value)	-

(*) Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		March 31, 2000
Basic item	Total stockholders' equity (A)	201,346
Supplementary item	Statutory reserve	236
	Allowance for doubtful accounts	578
	Total (B)	814
Assets excluded from capital (C)		72,126
Capital after exclusion (A)+(B)-(C) (D)		130,033
Risk equivalent	Market risk equivalent	1,487
	Counterparty risk equivalent	7,810
	Fundamental risk equivalent	40,196
	Total (E)	49,494
Capital adequacy ratio (D) / (E) X 100%		262.7%

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

(As of March 31, 2000)

(millions of yen)

<i>Assets</i>		<i>Liabilities</i>	
	Amount		Amount
Current assets:	5,545,267	Current liabilities:	5,257,012
Cash and time deposits	118,356	Short-term borrowings	230,200
Cash segregated as deposits related to securities transactions	785	Commercial paper	145,600
Receivables	5,942	Deposits received	10,763
Advance payments on securities subscribed	199	Trade date accrual	125,262
Short-term loans	31,835	Advance receipts on securities subscribed	6,574
Accrued income	4,863	Accrued expenses	4,853
Trading assets:	2,592,120	Trading liabilities:	1,078,232
Trading securities and others	2,470,177	Trading securities and others	962,454
Option transactions	12,343	Option transactions	12,806
Derivative valuation accounts	109,599	Derivative valuation accounts	102,971
Receivables related to margin transactions:	85,418	Payables related to margin transactions:	34,198
Loans receivable from customers for margin transactions	315	Loans from securities finance companies for margin transactions	168
Cash deposits as collateral for securities borrowed from securities finance companies	85,103	Proceeds of securities sold for margin transactions	34,030
Receivables related to gensaki transactions	24,099	Payables related to gensaki transactions	1,123,837
Cash deposits as collateral for securities borrowed	1,004,175	Cash deposits as collateral for securities loaned	803,975
Securities in custody	1,659,021	Short-term securities borrowed	1,451,897
Short-term guarantee money deposited	9,547	Cash deposits received from customers	12,737
Deferred income tax assets-current	4,387	Securities deposited by customers as collateral	207,124
Other current assets	4,583	Accrued income taxes	16,878
Less: Allowance for doubtful accounts	-70	Accrued bonuses	3,300
Non-current assets:	141,385	Other current liabilities	1,576
Tangible fixed assets	5,333	Non-current liabilities:	105,974
Building and structures	18	Long-term borrowings	100,000
Equipment and others	5,314	Accrued retirement benefits	1,029
Intangible fixed assets	11,543	Provision for multiemployer pension plan	4,232
Software	11,528	Other non-current liabilities	712
Telephone subscription rights	15	Statutory reserves:	744
Investments and others:	124,508	Reserve for securities transaction liabilities	744
Investment securities	590	Reserve for financial futures transaction liabilities	0
Investment in subsidiaries	34,928	Total liabilities	5,363,731
Long-term loans	35	<i>Stockholders' equity</i>	
Long-term guarantee deposits	8,336	Common stock	205,600
Deferred income tax assets-non-current	74,272	Legal reserve:	202,410
Other investments	6,344	Additional paid-in capital	202,410
Less: Allowance for doubtful accounts	0	Deficit	85,088
		Undisposed deficit for the period	85,088
		(Net loss for the current year)	85,080
		Total stockholders' equity	322,921
Total assets	5,686,652	Total liabilities and stockholders' equity	5,686,652

Daiwa Securities SB Capital Markets Co. Ltd
Income Statement

(millions of yen)

	Fiscal 1999 (Apr.1, 1999 - Mar.31, 2000)
Operating revenues	172,069
Commissions	92,471
Net gain on trading securities	70,679
Net gain on other commodities trading	340
Interest and dividend income	8,578
Operating expenses	99,488
Selling, general and administrative expenses	93,816
Commission and other expenses	37,518
Employees' compensation and benefits	22,834
Real estate expenses	9,832
Data processing and office supplies	16,364
Depreciation expenses	4,115
Taxes other than income taxes	1,913
Others	1,237
Interest expenses	5,671
Operating income	72,581
Non-operating income	579
Non-operating expenses	150
Ordinary income	73,010
Extraordinary gains	-
Extraordinary losses	219,392
Income before income taxes	-146,382
Income taxes	17,358
Income taxes-deferred	-78,659
Net income	-85,080
Unappropriated retained earnings-carryforward	-8
Unappropriated retained earnings	-85,088

Daiwa Securities SB Capital Markets Co. Ltd.
Statement of deficit

(millions of yen)

	Fiscal year 1999	
Undisposed deficit for the period	85,088	
Surplus from reduction of additional paid-in capital	85,088	
Total	0	
Disposal of deficit		517
Reserve for special depreciation	517	
Deficit of carryover		517

(Note) Reserve for special depreciation is provided by regulation of “The Notifications on the Special Taxation Measures Law”.

Basis of financial statements for the fiscal year 1999

1. Valuation of specified trading account
Securities, assets and derivative transactions in specified transaction account are recorded on a trade date basis at market value.
2. Valuation of non-trading securities and commodities other than securities
Listed securities are valued on settlement basis at the lower of cost-or-market, cost being determined by the moving average method. Unlisted securities and commodities other than securities are valued on a settlement date basis at cost determined by the moving average method.
3. Depreciation of assets
 - a) Tangible fixed assets
Declining-balance method is applied in accordance with the Corporate Tax Law.
Properties (except appendix) acquired after April 1, 1998 are computed under straight-line method in accordance with 1998 amendment of the Corporate Tax Law.
 - b) Intangible fixed assets and investments
The Goodwill is written-off as an extraordinary loss. Intangible fixed assets other than goodwill are computed under straight-line method in accordance with the Corporate Tax Law.
4. Amortization of deferred assets
Stock issue expenses and development expenses are amortized in a lump sum when disbursed.
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. Accounting for consumption taxes
Consumption taxes are separately recorded. Non-deductible consumption tax in connection with assets is expensed when incurred.
7. Accounting policies for various provisions
 - a) Provision for doubtful accounts
Allowance is provided, based on the specific assessment and the historical deterioration rate stipulated by the Corporate Tax Law.
 - b) Accrued employees' bonuses
Estimated amount of employees' bonuses are accrued based on company regulations.
 - c) Accrued retirement benefits
Retirement benefits for employees and directors are accrued based on the company regulations.
 - d) Provision for 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. The pension plan has faced the problems arising from the decreasing members and continuing low interest rates. Provision for multiemployer pension plan is accrued, as the aforementioned amount is recognized as material.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets.....2,016 million yen
2. Intangible fixed assets
Software included in "Long-term prepaid expenses" until the previous year is reclassified as

“Intangible fixed assets” in accordance with amendment (Ministry of Finance, Ministerial Order number 135,1998) of “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance, Ministerial Order No. 59, 1963).

3. Subordinated borrowings

Long-term borrowings are the subordinated borrowings stipulated under “Article 2 of the Ministerial Ordinance on the Capital Adequacy Rule for Securities Companies”(the Prime Minister’s Office Ordinance and Ministry of Finance (“MOF”) Ordinance No. 28, 1999).

Notes to income statement

1. Details of extraordinary losses

	(millions of yen)
Write-off of goodwill.....	208,000
Non-deductible consumption tax and others regarding goodwill.....	4,359
Provision for multiemployer pension plan.....	4,232
Expenses for foundation.....	2,056
Provision for reserve for securities transaction liabilities.....	744
Provision for financial futures transaction liabilities.....	0

2. Write-off of goodwill

The goodwill acquired on commencing operations was written-off in a lump sum as an extraordinary loss.

3. Expenses for foundation

Expenses for foundation were posted as an extraordinary loss as the company amortized the development costs and new share issue costs on its commencing operations in a lump sum.

Supplemental information for the fiscal year 1999

1. Breakdown of commission income

(1) Activity

	(millions of yen)
	Current year
Brokerage commission	33,722
(Stock)	(31,895)
(Bond)	(1,820)
Underwriting & distribution	33,979
(Stock)	(23,414)
(Bond)	(10,565)
Subscription & distribution	3,713
Other commission	21,055
Total	92,471

(2) Asset class

(millions of yen)

	Current year
Stock	55,699
Bond	15,556
Beneficiary certificates	14,669
Others	6,546
Total	92,471

2. Breakdown of trading gains/losses

(millions of yen)

	Current year
Stock	33,213
Bond & forex	37,466
(Bond)	(37,425)
(Forex)	(41)
Total	70,679

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	Current year	
	Number of share	Amount
Total	36,854	60,773,098
(Dealing) (a)	(17,483)	(29,146,860)
(Brokerage)(b)	(19,371)	(31,626,237)
b/(a + b)	52.6%	52.0%
TSE share	6.2%	6.6%
Brokerage commission/share	1.60 yen	

4. Underwriting activities

(millions of share, millions of yen)

	Current year
<u>Underwriting:</u>	
Stock (number of shares)	92
(yen amount)	662,799
Bond (face value)	3,055,531
CP & others(face value)	1,192,600
<u>Subscription & distribution (*)</u>	
Stock (number of shares)	98
(yen amount)	665,745
Bond (face value)	3,136,207
Beneficiary certificates (face value)	5,024,142
CP & others (face value)	1,162,600

(*)Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		March 31, 2000
Basic item	Total stockholders' equity (A)	322,921
Supplementary item	Statutory reserve	744
	Allowance for doubtful accounts	70
	Subordinated borrowings	100,000
	Valuation profits/losses of securities	690
	Total (B)	101,505
	Assets excluded from capital (C)	141,675
	Capital after exclusion (A)+(B)-(C) (D)	282,751
Risk equivalent	Market risk equivalent	28,667
	Counterparty risk equivalent	9,384
	Fundamental risk equivalent	17,668
	Total (E)	55,720
Capital adequacy ratio	(D)/(E) X 100%	507.4%