

Daiwa Securities Group Inc.

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January 28, 2000

Consolidated financial summary (three companies)
(for the third quarter ended December 31, 1999)

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

(1) Operating results (from April 1, 1999 to December 31, 1999)

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 yen	%	million yen	%
Third quarter (99/12)	319,652	(78.1)	132,057	(17,806.0)	130,827	(34,253.2)
Third quarter (98/12)	179,485	(△10.3)	737	(△90.7)	380	(△94.6)
Fiscal year (99/3)	257,184	(0.5)	17,129	(179.9)	16,592	(224.8)

	Net income	Yr / yr % change	Earnings per share
	million yen	%	yen
Third quarter (99/12)	112,222	(-)	84.59
Third quarter (98/12)	-	(-)	-
Fiscal year (99/3)	△116,972	(-)	△87.80

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity / share
	million yen	million yen	%	yen
As of December 31, 1999	6,458,550	728,146	16.1	548.86
As of March 31, 1999	4,671,392	626,193	18.7	470.21

Stockholders' equity ratio = Total stockholders' equity / (Total liabilities¹⁾ + Minority interest + Total stockholders' equity)

¹⁾Excluding securities deposited by customers as collateral and short-term securities borrowed.

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Note:

1. Average number of shares outstanding:

For the third quarter ended December 31, 1999.....	1,326,627,505
For the full year ended March 31, 1999.....	1,332,135,378

2. Number of shares outstanding:

As of December 31, 1999.....	1,331,726,118
As of March 31, 1999.....	1,331,722,462

(Par-value stock, Trading unit: 1,000 shares)

3. Change in accounting policies..... None

4. Tax effect accounting is applied since fiscal 1998.

5. Unrealized profit on investment securities as of December 31, 1999..... 70,408 million yen

6. Unrealized profit on non-trading derivatives as of December 31, 1999..... 352 million yen

7. 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.

8. The comparative figures are computed based on the consolidation of the three companies for the third quarter of fiscal 1999 and (old) Daiwa Securities Co. Ltd. on a parent basis for the third quarter or full year of fiscal 1998.

Consolidated operating results for the third quarter (nine months) of fiscal 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, Additional paid-in-capital-¥202,410 million), 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, Additional paid-in capital-¥50,010 million) 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 loss are comprised of those as a securities firm from April 1 to April 25, 1999, and those as a holding company from April 26 to December 31, 1999. 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 ¥319,652 million (178.1% of the third quarter of fiscal 1998), and consolidated ordinary income to ¥130,827 million, which were much greater than those of the previous full year. Daiwa Securities SB Capital Markets Co. Ltd. posted net loss as the company wrote-off goodwill. Resultantly, consolidated net income swelled to ¥112,222 million, mainly due to minority interest of ¥37,904 million.

1. Commissions

Commissions which amounted to ¥240,330 million (194.8% of the third quarter of fiscal 1998) are the major driving force behind an augmentation of revenues.

(1) Brokerage commissions

Nikkei 225 rose around 19% to ¥18,934 with brisk trading volume during the third quarter of fiscal 1999. The daily average trading volume of Tokyo Stock Exchange jumped to around ¥840.2 billion (221% of the third quarter of fiscal 1998). Brokerage commissions on stocks sharply increased to ¥110,853 million (261.0% of third quarter of fiscal 1998) as our share on Tokyo Stock Exchange improved from 8.7% to 9.3%, in addition to the market trading volume expansion.

(2) Underwriting and distribution commissions

Underwriting and distribution commissions on stocks grew to ¥16,324 million (127.4% of the third quarter of fiscal 1998), and underwriting and distribution commissions on bonds to ¥6,898 million (128.0% of the third quarter of fiscal 1998).

(3) Subscription and distribution and other commissions

Subscription and distribution commissions increased to ¥62,627 million (244.0% of the third quarter of fiscal 1998), and other commissions, to ¥38,440 million (118.3% of the third quarter 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 ¥62,050 million (246.1% of the third quarter of fiscal 1998). Other commissions grew to ¥29,814 million (119.5% of the third quarter of fiscal 1998), as an outstanding of principal of investment trust increased to ¥11,530.6 billion (112.2% of fiscal end of 1998).

2. Net gains/losses on trading

Total net gains on trading increased vigorously to ¥64,480 million (239.7% of the third quarter of 1998), with net gains on stock and other of ¥26,393 million and those on bond, foreign exchange and other of ¥38,086 million. Stock and others are categorized as stock, convertible bond, warrant, whilst bond, foreign exchange and others, as bond excluding convertible bond, swap, foreign exchange and others. Net trading gains on stock and others shot up by more than seven times of the third quarter of 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 ¥1,083 million, with interest and dividend income of ¥11,782 million, and financial expense of ¥10,698 million. Both financial income and expense significantly decreased, compared with the third quarter of 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 ¥176,896 million (109.5% of the third quarter of 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)

	December 31, 1999	March 31, 1999	Increase/ decrease
<i>Assets</i>			
Current assets:	5,836,301	4,206,018	1,630,283
Cash and time deposits	607,001	445,856	161,144
Cash segregated as deposits	3,051	4,828	△ 1,777
Receivables	33,017	22,066	10,951
Trade date accrual	—	246,473	△ 246,473
Advance payments on securities subscribed	2,394	199	2,195
Short-term loans	284,146	118,347	165,799
Trading assets:	1,610,339	932,612	677,727
Trading securities and others	1,474,480	792,927	681,552
Option transactions	11,263	11,387	△ 124
Derivative valuation accounts	124,596	128,296	△ 3,700
Receivables related to margin transactions:	313,621	141,261	172,359
Loans receivable from customers for margin transactions	268,877	72,451	196,425
Cash deposits as collateral for securities borrowed from securities finance companies	44,743	68,810	△ 24,066
Receivables related to gensaki transactions	2,398	320,062	△ 317,663
Cash deposits as collateral for securities borrowed	1,004,850	521,814	483,035
Securities in custody	1,925,628	1,323,990	601,638
Short-term guarantee money deposited	12,799	9,780	3,019
Deferred income taxes assets-current	6,004	81,810	△ 75,805
Other current assets	34,276	38,645	△ 4,369
Less: Allowance for doubtful accounts	△ 3,229	△ 1,732	△ 1,497
Non-current assets:	622,248	465,374	156,874
Tangible fixed assets	19,669	20,628	△ 958
Intangible fixed assets	12,803	1,088	11,714
Investments and others:	589,775	443,657	146,118
Investment securities	369,311	280,271	89,039
Long-term loans	57,489	59,632	△ 2,143
Long-term guarantee deposits	69,388	75,155	△ 5,766
Deferred income taxes assets-non-current	72,959	—	72,959
Other investments	23,023	30,765	△ 7,742
Less: Allowance for doubtful accounts	△ 2,397	△ 2,167	△ 229
Total assets	6,458,550	4,671,392	1,787,157

(millions of yen)

	December 31, 1999	March 31, 1999	Increase/ decrease
<i>Liabilities</i>			
Current liabilities:	5,221,714	3,745,157	1,476,557
Short-term borrowings	450,164	255,218	194,946
Commercial paper	146,100	30,200	115,900
Bonds due within one year	38,662	19,419	19,243
Deposits received	96,569	92,154	4,414
Trade date accrual	36,295	—	36,295
Advance receipts on securities subscribed	2,081	2,741	△ 660
Accounts payable	17,246	41,679	△ 24,432
Trading liabilities:	862,086	612,986	249,099
Trading securities and others	738,188	476,599	261,588
Option transactions	7,016	6,362	653
Derivative valuation accounts	116,881	130,024	△ 13,143
Payables related to margin transactions:	61,721	72,791	△ 11,069
Loans from securities finance companies for margin transactions	45,191	18,098	27,093
Proceeds of securities sold for margin transactions	16,530	54,692	△ 38,162
Payables related to gensaki transactions	594,096	593,315	780
Cash deposits as collateral for securities loaned	806,986	574,082	232,903
Short-term securities borrowed	1,414,083	907,038	507,045
Cash deposits received from customers	66,571	51,396	15,174
Securities deposits by customers as collateral	511,544	416,951	94,592
Accrued income taxes	40,632	440	40,191
Accrued bonuses	6,456	8,800	△ 2,344
Provision for financial assistance to subsidiaries	61,700	58,200	3,500
Other current liabilities	8,716	7,741	974
Non-current liabilities:	382,753	299,258	83,495
Convertible bonds	135,705	94,371	41,334
Long-term borrowings	243,000	203,000	40,000
Accrued retirement benefits	2,855	1,394	1,460
Other non-current liabilities	1,193	492	700
Statutory reserves	639	783	△ 143
Total liabilities	5,605,107	4,045,199	1,559,908
Minority interest	125,295	—	125,295
<i>Stockholders' equity</i>			
Common stock	138,426	138,424	1
Additional paid-in capital	117,781	117,779	1
Consolidated retained earnings	475,541	—	475,541
Earning surplus reserve	—	45,335	△ 45,335
Retained earnings	—	324,653	△ 324,653
Treasury stock	△ 3,602	—	△ 3,602
Total stockholders' equity	728,146	626,193	101,953
Total liabilities, minority interest and stockholders' equity	6,458,550	4,671,392	1,787,157

Consolidated Income Statement

(millions of yen)

	Third quarter (Apr.1 - Dec.31, 1999) (A)	Third quarter (Apr.1 - Dec.31, 1998) (B)	Comparison ratio(%) A/B	Fiscal 1998
Operating revenues	319,652	179,485	178.1	257,184
Dividends from related companies	20	—	—	—
Interest on loans to related companies	2,807	—	—	—
Commissions	240,330	123,377	194.8	177,123
Net gain on trading securities	64,480	26,895	239.7	45,820
Net gain on commodities trading	232	14	1,654.4	16
Interest and dividend income	11,782	29,198	40.4	34,223
Operating expenses	187,595	178,748	104.9	240,055
Selling, general and administrative expenses	176,896	161,582	109.5	218,634
Commission and other expenses	31,475	24,656	127.7	34,369
Employee's compensation and benefits	72,255	63,436	113.9	86,593
Real estate expenses	30,651	32,231	95.1	43,069
Data processing and office supplies	29,858	26,605	112.2	34,737
Depreciation expenses	5,131	3,750	136.9	5,116
Taxes other than income taxes	2,270	5,344	42.5	7,561
Others	5,252	5,557	94.5	7,186
Interest expenses	10,698	17,166	62.3	21,420
Operating income	132,057	737	17,906.0	17,129
Non-operating income	1,319	422	312.5	944
Non-operating expenses	2,549	778	327.3	1,480
Ordinary income	130,827	380	34,353.2	16,592
Extraordinary gains	8,992	—	—	49,923
Extraordinary losses	21,605	—	—	262,895
Income before income taxes	118,214	—	—	△ 196,378
Income taxes	41,060	—	—	295
Income taxes-deferred	2,835	—	—	△ 79,702
Minority interest	37,904	—	—	—
Net income	112,222	—	—	△ 116,972

Consolidated Statement of Retained Earnings

(millions of yen)

	Third quarter 〔 Apr.1, 1999 Dec.31, 1999 〕
Beginning balance of retained earnings	369,976
Decrease in retained earnings	6,658
Cash dividends	6,658
Net income	112,222
Ending balance of retained earnings	475,541

Notes to consolidated financial summary of the three companies (the third quarter of fiscal 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. Dividends and interest revenues from related companies included in "Interest and dividend income" until fiscal 1998 are specified as "Dividends from related companies" and "Interest on loans to related companies" from this fiscal year as the company transformed into a holding company. It should be noted that the presentation of the financial statements for the third quarter might be provisional and amended, as the Company has not reached the final agreement with the authorities concerned regarding the methods of terminology and forms.

The comparison of financial figures are computed based on the three companies consolidated financial statements for the current third quarter or fiscal 1999, and unconsolidated financial summary (old) Daiwa Securities Co. Ltd. for the third quarter or fiscal 1998.

Basis of consolidated financial statements (the third quarter of fiscal 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) Discrepancies from accounting policies for the annual financial statements

- (i) "Provision for accrued retirement benefits" included in "Operating expenses" is determined as 3/4 of the annual estimated amounts.
- (ii) Depreciation expense is determined as 3/4 of the annual charge based on the non-current assets held as of December 31, 1999.

(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

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.

(4) Depreciation of 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.

(5) Accounting policies for various provisions

- (i) Provision for doubtful account
Allowance is provided, based on the specific assessment and the historical deterioration rate stipulated by the Corporate Tax Law.
- (ii) Accrued employees' bonuses
Expected employees' bonuses are accrued, based on the company regulations.
- (iii) Accrued retirement benefits
Retirement benefits for employees and directors are accrued, based on the company regulations.

(iv) Provision for financial assistance to subsidiaries

The Board of Directors of the parent company approved on January 22, 1999 and January 19, 2000 that the Company would provide financial assistance to Nippon Investment & Finance Co. Ltd., Daiwa Finance Co. Ltd., and Daiwa Sanko Co., Ltd., aiming to assist these companies in solving their problems related to non-performing loans. The non-disbursed amount is accrued as provision for financial assistance to subsidiaries. It should be noted that "provision for financial assistance to

related companies”, which was presented in Interim financial summary (three companies) of fiscal 1999, is amended into “provision for financial assistance to subsidiaries” due to the expansion of scope of consolidation.

(6) Translation of foreign currency denominated assets and liabilities

Foreign currency denominated assets and liabilities are translated in accordance with the “Accounting Standards for Foreign Currency Transactions” (The Corporate Accounting Deliberation Council Release, June 26, 1979, as last amended on May 26, 1995).

(7) Accounting for certain lease transactions

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

(8) Accounting for consumption taxes

Consumption taxes are separately recorded. Non-deductible consumption taxes are accrued.

(9) Provision (statutory reserves)

In terms of reserve for securities transaction liabilities and reserve for financial futures transaction liabilities, the same accounting policies applied as those for the annual financial statements. These reserves are reversed, as the parent company transformed into a holding company from securities house.

3. Period allocation of income taxes

As the “Regulation Concerning the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance, Ministerial Order No. 28, 1976) was amended (Ministry of Finance, Ministerial Order number 173, 1998), tax effect accounting is applied since fiscal 1998 in accordance with the annexed Article 3 of the Regulation.

4. Bond issue costs

Bond issue costs are amortized in a lump sum when incurred.

Notes to consolidated balance sheet

1. Accumulated depreciation of tangible fixed assets:

As of December 31, 1999.....	9,735 million yen
As of March 31, 1999.....	24,433 million yen

2. Guarantee:

As of December 31, 1999.....	208,304 million yen
As of March 31, 1999.....	232,041 million yen

Substantial guarantees noted as similar guarantees 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”.

3. 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).

4. 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 December 31, 1999.....	40,000 million yen
As of March 31, 1999.....	195,000 million yen

Notes to consolidated income statement

1. Provision for 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.

2. Details of extraordinary gains/losses

	Third quarter (nine months) (Dec. 31, 1999)	(millions of yen) Fiscal 1998 (Mar. 31, 1999)
<i>Extraordinary gains</i>		
Gain on sale of investment securities.....	8,163	3,797
Reversal of reserve for stock trading loss.....	-	34,603
Reversal of reserve for bond trading loss.....	-	11,522
Reversal of reserve for securities transaction liabilities.....	779	-
Reversal of reserve for financial futures transaction liabilities.....	4	1
Gain on sale of investments in related companies.....	45	-
<i>Extraordinary losses</i>		
Write-off of securities.....	-	463
Write-off of investments in subsidiaries.....	-	115,137
Write-off of investments securities.....	592	-
Provision for prior-periods retirement benefits of directors.....	-	973
Loss on financial assistance to subsidiaries.....	3,500	115,800
Loss on liquidation of employee's retirement plans.....	-	12,785
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 transferring of investment securities.....	-	2,383
Loss on sale of investment securities.....	610	-
Valuation loss on investment securities.....	768	7,819
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.....	639	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 approximately ¥3,500 million to those companies, aiming to merge Nippon Investment & Finance Co. Ltd. and Daiwa Finance Co. Ltd. It should be noted that "loss on financial assistance to related companies", which was presented in Interim financial summary (three companies) of fiscal 1999, is amended into "loss on financial assistance to subsidiaries" due to expansion of scope of consolidation.

Supplemental information
for the third quarter ended December 31, 1999 (nine months)

1. Breakdown of commission income

(1) Activity

(millions of yen)

	Third quarter, 1999 (A)	Third quarter, 1998 (B)	(A)/(B) (%)	Fiscal 1998
Brokerage commission	116,039	47,015	246.8	72,802
(Stock)	(110,853)	(42,468)	(261.0)	(66,337)
(Bond)	(5,175)	(4,537)	(114.1)	(6,452)
Underwriting & distribution	23,222	18,207	127.5	21,972
(Stock)	(16,324)	(12,817)	(127.4)	(13,970)
(Bond)	(6,898)	(5,389)	(128.0)	(8,001)
Subscription & distribution	62,627	25,663	224.0	37,760
Other commission	38,440	32,491	118.3	44,587
Total	240,330	123,377	194.8	177,123

(2) Asset class

(millions of yen)

	Third quarter, 1999 (A)	Third quarter, 1998 (B)	(A)/(B) (%)	Fiscal 1998
Stock	129,413	57,299	225.9	83,274
Bond	14,783	13,430	110.1	19,890
Beneficiary certificate	91,873	50,157	183.2	70,515
Other	4,259	2,490	171.0	3,442
Total	240,330	123,377	194.8	177,123

2. Breakdown of trading gains/losses

(millions of yen)

	Third quarter, 1999 (A)	Third quarter, 1998 (B)	(A)/(B) (%)	Fiscal 1998
Stock	26,393	3,715	710.3	9,732
Bond & forex	38,086	23,179	164.3	36,087
(Bond)	(33,419)	(14,054)	(237.8)	(26,824)
(Forex)	(4,666)	(9,124)	(51.1)	(9,263)
Total	64,480	26,895	239.7	45,820

3. Trading volume of stocks (excluding futures transaction)

Consolidated financial summary (three companies)

Daiwa Securities Group Inc.

(millions of share, millions of yen)

	Third quarter, 1999 (A)		Third quarter, 1998 (B)		(A)/(B) (%)		Fiscal 1998	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	38,077	45,578,072	20,383	18,303,225	186.8%	249.0%	38,404	29,883,606
(Dealing) (a)	(11,479)	(16,266,105)	(5,797)	(6,774,251)	(198.0%)	(240.1%)	(12,847)	(11,259,320)
(Brokerage) (b)	(26,597)	(29,311,966)	(14,585)	(11,528,973)	(182.4%)	(254.2%)	(25,557)	(18,624,285)
b/(a + b)	69.9%	64.3%	71.6%	63.0%			66.5%	62.3%
TSE share	9.5%	9.3%	8.6%	8.7%			9.0%	9.1%
Brokerage commission/share	¥4.10		¥2.77				¥2.49	

4. Underwriting activities

(millions of share, millions of yen)

	Third quarter, 1999 (A)	Third quarter, 1998 (B)	(A)/(B) (%)	Fiscal 1998
<u>Underwriting:</u>				
Stock (number of shares)	71	86	82.6	93
(yen amount)	542,281	497,586	109.0	516,792
Bond (face value)	2,433,241	1,712,316	142.1	2,225,080
CP & others (face value)	716,101	779,600	91.9	953,400
<u>Subscription & distribution^(*)</u>				
Stock (number of shares)	73	87	84.0	94
(yen amount)	543,459	506,168	107.4	525,369
Bond (face value)	2,681,395	1,982,159	135.3	2,776,649
Beneficiary certificates (face value)	14,086,803	10,964,986	128.5	14,258,642
CP & others (face value)	719,100	784,695	91.6	952,400

(*) Including secondary offering and private placement

5. Number of directors & employees (As of December 31, 1999)

	Total	Daiwa Securities Group Inc.	Daiwa Securities Co. Ltd.	Daiwa Securities SB Capital Markets Co. Ltd.	(Old) Daiwa Securities Co. Ltd.	
					As of March 31, 1999	As of December 31, 1998
Director	24	7	7	10	33	33
Auditor	10	3	3	4	4	4
Executive officer	21	2	7	12	-	-
Employee	7,701	337	5,789	1,575	7,571	7,727
Total	7,756	349	5,806	1,601	7,608	7,764

Contract value of derivatives transactions, market value and valuation gains/losses
(excluding trading)

(1) Note of transactions

The Company utilizes interest rate swap to hedge interest rate fluctuation risk on interest receivables arising from long-term loans, currency swap to hedge foreign exchange rate fluctuation risk on interest payables on long-term borrowings, and foreign exchange contract to hedge foreign exchange rate fluctuation risk on foreign currency denominated receivables in kind.

(2) Note of market value

1. Equity..... None

2. Bonds and interest rate

(millions of yen)

	As of December 31, 1999				As of March 31, 1999			
	Contract price		Market value	Valuation gains/losses	Contract price		Market value	Valuation gains/losses
		Over one year				Over one year		
Over-the-counter transaction Interest rate swap (Interest receivable : floating rate/ interest payable : fixed rate)	5,000	5,000	136	140	5,000	5,000	172	188

Note :

- a) Calculation of market value : Based on present value of future cash flows discounted by short-term interest rate and swap rate.
b) Valuation gain and loss are calculated with accrued income and accrued expenses as of the third quarter of fiscal 1999.
c) The transactions above are to hedge the following transactions individually :

	Dec.31, 1999	Mar.31, 1999
Long-term loans.....	5,000	5,000

3. Currency

(millions of yen)

	As of December 31, 1999				As of March 31, 1999			
	Contract price		Market value	Valuation gains/losses	Contract price		Market value	Valuation gains/losses
		Over one year				Over one year		
Over-the-counter transaction Currency swap Australian dollars	2,000	2,000	263	212	2,000	2,000	399	318

Note :

- a) Calculation of market value : Based on present value of future cash flows discounted by short-term interest rate of each currency and swap rate.
b) Valuation gain and loss are calculated with accrued income and accrued expenses as of the third quarter of 1999.
c) The transactions above are to hedge the following transactions individually :

	Dec.31, 1999	Mar.31, 1999
Long-term borrowings.....	2,000	2,000

- d) Foreign currency denominated receivables in kind for which Japanese yen is fixed at settlement date under forward exchange contract are not disclosed.

Daiwa Securities Group Inc.**Balance Sheet**

(As of December 31, 1999)

(millions of yen)

<i>Assets</i>		<i>Liabilities</i>	
	Amount		Amount
Current assets:	554,236	Current liabilities:	386,337
Cash and time deposits	135,643	Short-term borrowings	146,164
Receivables	2,357	Bonds due within one year	38,662
Short-term loans	389,977	Deposits received	30,693
Other current assets	28,994	Cash deposits as collateral for securities loaned	91,124
Less: Allowance for doubtful accounts	△ 2,737	Accrued income taxes	31
Non-current assets:	970,851	Accrued bonuses	330
Tangible fixed assets	11,690	Provision for financial assistance to subsidiaries	61,700
Intangible fixed assets	1,448	Other current liabilities	17,631
Investments and others:	957,711	Non-current liabilities:	391,343
Investment securities	763,897	Convertible bonds	135,705
Long-term loans	112,456	Long-term borrowings	203,000
Long-term guarantee deposits	63,815	Long-term cash deposits received from customers	51,425
Other investments	20,397	Accrued retirement benefits	816
Less: Allowance for doubtful accounts	△ 2,854	Other non-current liabilities	396
		Total liabilities	777,681
		<i>Stockholders' equity</i>	
		Common stock	138,426
		Legal reserve:	163,116
		Additional paid-in capital	117,781
		Earned surplus reserve	45,335
		Retained earnings:	445,862
		General-purpose reserve	317,000
		Unappropriated retained earnings	128,862
		(Net income)	127,867
		Total stockholders' equity	747,406
Total assets	1,525,087	Total liabilities and stockholders' equity	1,525,087

Daiwa Securities Group Inc.
Income Statement

(millions of yen)

	Third quarter (Apr.1 - Dec.31, 1999)
Operating revenues	35,964
Dividends from related companies	20
Interest on loans to related companies	3,855
Interest and dividend income	3,363
Royalty on trademark	9,148
Commissions	17,701
Net gain on trading securities	1,874
Operating expenses	27,691
Selling, general and administrative expenses	20,387
Commission and other expenses	2,870
Employee's compensation and benefits	7,896
Real estate expenses	3,191
Data processing and office supplies	2,368
Depreciation expenses	854
Taxes other than income taxes	505
Others	2,700
Interest expenses	7,304
Operating income	8,272
Non-operating income	2,393
Non-operating expenses	4,487
Ordinary income	6,178
Extraordinary gains	208,992
Extraordinary losses	5,472
Income before income taxes	209,698
Income taxes	31
Income taxes-deferred	81,800
Net income	127,867
Unappropriated retained earnings-carryforward	995
Unappropriated retained earnings	128,862

Basis of financial statements for the third quarter of fiscal 1999

1. The Company was run as a securities house until April 25, 1999, and transformed into a holding company, transferring retail business divisions to Daiwa Securities Preparation Co. Ltd. The financial statements of the Company for the period from April 1 to December 31, 1999 are prepared in accordance with "Regulation Concerning the Terminology, Forms and Preparation Methods of Financial Statements" (MOF Ordinance No. 59, 1963). Dividends and interest revenues from related companies included in "Interest and dividend income" until fiscal 1998 are specified as "Dividends from related companies" and "Interest on loans to related companies" from this fiscal year as the company transformed into a holding company. "Royalty on trademark" received from Daiwa Securities Co. Ltd. is specified from this period.
It should be noted that the presentation of the financial statements for the third quarter of fiscal 1999 might be provisional and amended for the annual Securities Report and full year presentation, as the Company has not reached the final agreement with the authorities concerned regarding the method of terminology and forms.
2. Discrepancies from accounting policies for the annual financial statements
 - (1) "Provision for accrued retirement benefits" included in "Operating costs and expenses" is determined as 3/4 of the annual estimated amounts.
 - (2) Depreciation expense is determined as 3/4 of the annual charge based on the assets held by The Company as of December 31, 1999.
3. Valuation of securities and investment 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 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.
4. Depreciation of 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 Corporation Tax Law.
5. Accounting for certain lease transactions
Finance leases which do not transfer ownership to a lessee are accounted for in the same manner as operating leases.
6. Accounting for consumption taxes
Consumption taxes are separately recorded when booking a respective transaction and the net amount of temporary advances and receipts are included in other current liabilities.
7. Reversal of reserves
Reversal of reserves for securities transaction liabilities and financial future liabilities is incurred as the Company discontinued the securities businesses, transforming into a holding company.
8. Accounting for income and business taxes.
Tax effect accounting is applied.
9. Bond issue costs
Bond issue costs are amortized in a lump sum when incurred.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets 7,263 million yen
2. Guarantee..... 204,002 million yen
Due to JICPA Auditing Committee Report No.61 "Audit Treatment of Accounting and Reporting of Debt

Guarantees and Similar Acts”, substantial guarantees noted as similar guarantees on “Notes to balance sheet”.

3. Treasury stock included in other current assets..... 45,875 shares, 62 million yen
4. Treasury stock included in other investments.....5,028,000 shares, 3,539 million yen
(Treasury stock negotiable to directors and employees under Article 210-2 of the Commercial Law)

5. Details of increase in number of shares outstanding

	Number of shares Issued	Issued price	Capitalized amount
Conversion of C/B	3,000 shares	3 million yen	1 million yen

6. 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).

7. Provision for financial assistance to subsidiaries

The Board of Directors of the Company approved on January 22, 1999 and January 19, 2000 that the Company would provide financial assistance to Nippon Investment & Finance Co. Ltd., Daiwa Finance Co. Ltd., and Daiwa Sanko Co., Ltd., with aiming to assist these companies in solving their problems related to non-performing loans. The non-disbursed amount is accrued as provision for financial assistance to subsidiaries. It should be noted that “provision for financial assistance to related companies”, which was presented in Interim financial summary (three companies) of fiscal 1999, is amended into “provision for financial assistance to subsidiaries” due to the expansion of scope of consolidation.

Notes to income statements

1. Details of extraordinary gains and losses

	(millions of yen)
Extraordinary gains	
Gain on transferring goodwill.....	200,000
Gain on sale of investment securities.....	8,208
Reversal of reserve for securities	
Transaction liabilities.....	779
Reversal of reserve for financial futures	
Transaction liabilities.....	4
Extraordinary losses	
Write-off of investment securities.....	592
Loss on financial assistance to subsidiaries.....	3,500
Loss on sale of investment securities.....	610
Valuation loss of investment securities.....	768

2. Loss on financial assistance to subsidiaries

In order to solve the problems related to no-performing loans of Daiwa Finance Co. Ltd. and Nippon Investment & Finance Co. Ltd., the Board of Directors of the Company approved on January 19, 2000 that the Company would provide additional assistance of approximately ¥3,500 million to those companies, aiming to merge Nippon Investment & Finance Co. Ltd. and Daiwa Finance Co. Ltd. It should be noted that “loss on financial assistance to related companies”, which was presented in Interim financial summary (three companies) of fiscal 1999, is amended into “loss on financial assistance to subsidiaries” due to expansion of scope of consolidation.

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

(As of December 31, 1999)

(millions of yen)

<i>Assets</i>		<i>Liabilities</i>	
	Amount		Amount
Current assets:	1,006,547	Current liabilities:	874,652
Cash and time deposits	307,821	Short-term borrowings	294,000
Cash segregated as deposits related to securities transactions	1,972	Deposits received	83,061
Receivables	28,434	Trade date accrual	252
Advance payments on securities subscribed	891	Advance receipts on securities subscribed	656
Short-term loans	21,285	Accounts payable	6,009
Accrued receivables	239	Trading liabilities:	84
Accrued income	11,348	Derivative valuation accounts	84
Trading assets:	10,910	Payables related to margin transactions:	54,085
Trading securities and others	10,857	Loans from securities finance companies for margin transactions	45,191
Derivative valuation accounts	52	Proceeds securities sold for margin transactions	8,894
Receivables related to margin transactions:	268,890	Short-term securities borrowed	32,120
Loans receivable from customers for margin transactions	268,355	Cash deposits received from customers	57,978
Cash deposits as collateral for securities borrowed from securities finance companies	534	Securities deposited by customers as collateral	292,481
Cash deposits as collateral for securities borrowed	19,703	Accrued income taxes	35,230
Securities in custody	324,602	Accrued bonuses	4,666
Short-term guarantee money deposited	5,327	Other current liabilities	14,025
Deferred income taxes assets-current	4,176	Non-current liabilities:	1,187
Other current assets	1,498	Accrued retirement benefits	1,186
Less: Allowance for doubtful accounts	△ 552	Other non-current liabilities	0
Non-current assets:	60,906	Statutory reserves:	166
Tangible fixed assets	3,127	Reserve for securities transaction liabilities	166
Intangible fixed assets	1,805	Total liabilities	876,005
Investments and others:	55,973	<i>Stockholders' equity</i>	
Long-term loans	5,000	Common stock	100,000
Long-term guarantee deposits	48,684	Legal reserve:	50,010
Deferred income taxes assets-non-current	464	Additional paid-in capital	50,010
Other investments	1,834	Retained earnings:	41,438
Less: Allowance for doubtful accounts	△ 10	Unappropriated retained earnings	41,438
		(Net income)	41,445
		Total stockholder's equity	191,448
Total assets	1,067,454	Total liabilities and stockholders' equity	1,067,454

Daiwa Securities Co. Ltd
Income Statement

(millions of yen)

	Third quarter (Apr.1 - Dec.31, 1999)
Operating revenues	182,972
Commissions	170,311
Net gain on trading securities	10,001
Net gain on other commodities trading	4
Interest and dividend income	2,655
Operating expenses	109,658
Selling, general and administrative expenses	109,120
Commission and other expenses	22,016
Employee's compensation and benefits	46,868
Real estate expenses	20,082
Data processing and office supplies	16,356
Depreciation expenses	1,257
Taxes other than income taxes	270
Others	2,267
Interest expenses	538
Operating income	73,313
Non-operating income	81
Non-operating expenses	45
Ordinary income	73,350
Extraordinary gains	—
Extraordinary losses	1,244
Expenses for foundation	1,078
Provision of statutory reserve	166
Income before income taxes	72,105
Income taxes	35,300
Income taxes-deferred	△ 4,640
Net income	41,445
Unappropriated retained earnings-carryforward	△7
Unappropriated retained earnings	41,438

Basis of financial statements for the third quarter of fiscal 1999

1. Discrepancies from accounting policies for the annual financial statements
 - (1) "Provision for accrued retirement benefits" included in "Operating expenses" is determined as 3/4 of the annual estimated amounts.
 - (2) Depreciation expense is determined as 3/4 of the annual charge based on the non-current assets held by the Company as of December 31, 1999.
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 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.
5. Accounting for certain lease transactions
Finance leases which do not transfer ownership to a lessee are accounted for in the same manner as operating leases.
6. Accounting for consumption taxes
Consumption taxes are separately recorded when booking a respective transaction and the net amount of temporary advances and receipts is included in accrued liabilities.
7. Provision (statutory reserves)
In terms of reserve for securities transaction liabilities, the same accounting policies applied as those for the annual financial statements.
8. Accounting for income and business taxes.
Tax effect accounting is applied.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets..... 956 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 ¥9,148 million is reported in "commission and other expenses", which is equivalent to that of the period from April 26 to December 31, 1999. This subsequent event is reflected on financial statements for the third quarter of fiscal 1999 due to its materiality.

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.

Supplemental information
for third quarter ended December 31, 1999 (nine months)

1. Breakdown of commission income

(1) Activity

(millions of yen)

	Third quarter, 1999
Brokerage commission	80,234
(Stock)	(77,353)
(Bond)	(2,876)
Underwriting & distribution	-
Subscription & distribution	64,271
Other commission	25,805
Total	170,311

(2) Asset class

(millions of yen)

	Third quarter, 1999
Stock	85,555
Bond	10,179
Beneficiary certificate	73,535
Others	1,040
Total	170,311

2. Breakdown of trading gains/losses

(millions of yen)

	Third quarter, 1999
Stock	1,176
Bond & forex	8,825
(Bond)	(5,723)
(Forex)	(3,102)
Total	10,001

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	Third quarter, 1999	
	Number of shares	Amount
Total	8,139	11,936,430
(Dealing) (a)	(293)	(584,882)
(Brokerage)(b)	(7,846)	(11,351,548)
b/(a + b)	96.4%	95.1%
TSE share	3.3%	3.1%
Brokerage commission/share	¥9.86	

4. Underwriting activities

(millions of share, millions of yen)

	Third quarter, 1999
<u>Underwriting:</u>	
Stock (number of shares)	-
(yen amount)	-
Bond (face value)	-
CP & others (face value)	-
<u>Subscription & distribution(*)</u>	
Stock (number of shares)	74
(yen amount)	381,336
Bond (face value)	293,365
Beneficiary certificates (face value)	9,083,018
CP & others (face value)	-

(*) Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		As of December 31, 1999
Basic item	Total stockholders' equity (A)	191,448
Supplementary item	Statutory reserve	166
	Allowance for doubtful accounts	562
	Total (B)	728
Assets excluded from capital (C)		64,184
Capital after exclusion (A)+(B)-(C) (D)		127,991
Risk equivalent	Market risk equivalent	1,634
	Counterparty risk equivalent	7,286
	Fundamental risk equivalent	38,258
	Total (E)	47,179
Capital adequacy ratio (D)/(E)×100%		271.2%

6. Number of directors & employees

	As of December 31, 1999
Director	10
Employee	5,796

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

(As of December 31, 1999)

(millions of yen)

<i>Assets</i>		<i>Liabilities</i>	
	Amount		Amount
Current assets:	4,666,561	Current liabilities:	4,381,673
Cash and time deposits	163,536	Short-term borrowings	160,000
Cash segregated as deposits related to securities transactions	704	Commercial paper	146,100
Receivables	2,226	Deposits received	12,669
Advance payments on securities subscribed	1,503	Trade date accrual	36,042
Short-term loans	22,883	Advance receipts on securities subscribed	1,424
Accrued receivables	105	Accounts payable	323
Accrued income	5,099	Accrued expenses	3,727
Trading assets:	1,599,431	Trading liabilities:	862,003
Trading securities and others	1,463,623	Trading securities and others	738,188
Option transactions	11,263	Option transactions	7,016
Derivative valuation accounts	124,544	Derivative valuation accounts	116,798
Receivables related to margin transactions:	44,730	Payables related to margin transactions:	7,635
Loans receivable from customers for margin transactions	521	Proceeds securities sold for margin transactions	7,635
Cash deposits as collateral for securities borrowed from securities finance companies	44,208	Payables related to gensaki transactions	594,096
Receivables related to gensaki transactions	2,398	Cash deposits as collateral for securities loaned	806,986
Cash deposits as collateral for securities borrowed	1,076,271	Short-term securities borrowed	1,516,177
Securities in custody	1,735,240	Cash deposits received from customers	8,593
Short-term guarantee money deposited	7,472	Securities deposited by customers as collateral	219,062
Deferred income taxes assets-current	1,828	Accrued income taxes	5,370
Other current assets	3,182	Accrued bonuses	1,460
Less: Allowance for doubtful accounts	△ 52	Non-current liabilities:	101,610
Non-current assets:	130,436	Long-term borrowings	100,000
Tangible fixed assets	4,851	Accrued retirement benefits	851
Intangible fixed assets	9,549	Other non-current liabilities	759
Investments and others:	116,035	Statutory reserves:	473
Investment securities	30,084	Securities transaction reserve	473
Long-term loans	33	Financial futures reserve	0
Long-term guarantee deposits	8,276	Total liabilities	4,483,758
Deferred income taxes assets-non-current	72,495	<i>Stockholders' equity</i>	
Long-term prepaid expenses	390	Common stock	205,600
Other investment	4,754	Legal reserve:	202,410
Less: Allowance for doubtful accounts	△ 0	Additional paid-in capital	202,410
		Retained earnings:	△ 94,770
		Unappropriated retained earnings	△ 94,770
		(Net loss)	94,762
		Total stockholders' equity	313,239
Total assets	4,796,998	Total liabilities and stockholders' equity	4,796,998

Daiwa Securities SB Capital Markets Co. Ltd
Income Statement

(millions of yen)

	Third quarter (Apr.1 - Dec.31, 1999)
Operating revenues	126,893
Commissions	68,164
Net gain on trading securities	52,604
Net gain on other commodities trading	227
Interest and dividend income	5,896
Operating expenses	75,365
Selling, general and administrative expenses	71,328
Commission and other expenses	29,567
Employee's compensation and benefits	16,762
Real estate expenses	7,256
Data processing and office supplies	12,405
Depreciation expenses	3,019
Taxes other than income taxes	1,494
Others	821
Interest expenses	4,037
Operating income	51,527
Non-operating income	376
Non-operating expenses	372
Ordinary income	51,532
Extraordinary gains	—
Extraordinary losses	214,888
Income before income taxes	△163,356
Income taxes	5,729
Income taxes-deferred	△ 74,324
Net loss	94,762
Unappropriated retained earnings-carryforward	△8
Unappropriated retained earnings	△94,770

Basis of financial statements for the third quarter of fiscal 1999

1. Discrepancies from accounting policies for the annual financial statements
 - (1) "Provision for accrued retirement benefits" included in "Operating expenses" is determined as 3/4 of the annual estimated amounts.
 - (2) Depreciation expense is determined as 3/4 of the annual charge based on the assets held by the Company as of December 31, 1999.
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. Properties (except appendix) acquired after April 1, 1998 are computed under straight-line method in accordance with 1998 amendment of the Corporate Tax Law.
5. Accounting for certain lease transactions
Finance leases which do not transfer ownership to a lessee are accounted for in the same manner as operating leases.
6. Accounting for consumption taxes
Consumption taxes are separately recorded when booking a respective transaction and the net amount of temporary advances and receipts is included in accrued liabilities. Non-deductible consumption taxes are accrued.
7. Provision (statutory reserves)
The same accounting policies applied as those for the annual financial statements.
8. Accounting for income and business taxes.
Tax effect accounting is applied.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets..... 1,516 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
Expenses for foundation.....	2,056
Provision for reserve for securities transaction liabilities.....	473
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 item.

3. 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.

Supplemental information
for the third quarter ended December 31, 1999 (nine months)

1. Breakdown of commission income

(1) Activity

	(millions of yen)
	Third quarter, 1999
Brokerage commission	27,637
(Stock)	(25,981)
(Bond)	(1,651)
Underwriting & distribution	24,531
(Stock)	(16,323)
(Bond)	(8,207)
Subscription & distribution	2,028
Other commission	13,967
Total	68,164

(2) Asset class

	(millions of yen)
	Third quarter, 1999
Stock	42,522
Bond	11,633
Beneficiary certificates	10,684
Others	3,323
Total	68,164

2. Breakdown of trading gains/losses

	(millions of yen)
	Third quarter, 1999
Stock	24,428
Bond & forex	28,175
(Bond)	(27,027)
(Forex)	(1,148)
Total	52,604

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	Third quarter, 1999	
	Number of shares	Amount
Total	23,405	32,664,414
(Dealing) (a)	(10,956)	(15,368,198)
(Brokerage)(b)	(12,448)	(17,296,216)
b/(a + b)	53.2%	53.0%
TSE share	6.1%	6.1%
Brokerage commission/share	¥2.03	

4. Underwriting activities

(millions of share, millions of yen)

		Third quarter, 1999
<u>Underwriting:</u>		
Stock (number of shares)		70
(yen amount)		542,250
Bond (face value)		2,323,030
CP & others(face value)		716,100
<u>Subscription & distribution (*)</u>		
Stock (number of shares)		72
(yen amount)		543,428
Bond (face value)		2,253,920
Beneficiary certificates (face value)		3,480,316
CP & others (face value)		716,100

(*) Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		As of December 31, 1999
Basic item	Total stockholders' equity (A)	313,239
Supplementary item	Statutory reserve	473
	Allowance for doubtful accounts	53
	Subordinated borrowings	100,000
	Total (B)	100,526
Assets excluded from capital (C)		131,195
Capital after exclusion (A)+(B)-(C) (D)		282,571
Risk equivalent	Market risk equivalent	22,293
	Counterparty risk equivalent	8,432
	Fundamental risk equivalent	16,579
	Total (E)	47,304
Capital adequacy ratio (D)/(E)×100%		597.3%

6. Number of directors & employees

		As of December 31, 1999
Director		14
Employee		1,587