

Daiwa Securities Group Inc.

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Tokyo 100-8101, Japan

November 5, 1999

Interim consolidated financial summary (three companies)
(for the first half ended September 30, 1999)

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

Note: Page 29 of this "Interim consolidated financial summary (three companies)" reflects the press release "A Revision of Consolidated financial summary for the first quarter ended June 30, 1999 and Interim consolidated financial summary (three companies) for the first half ended September 30, 1999." dated January 25, 2000.

(1) Operating results (from April 1, 1999 to September 30, 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	Operating	Yr / yr	Ordinary income	Yr / yr
	million yen	% change	Income	% change	million yen	% change
First half (99/9)	199,318	(81.3)	74,630	(-)	73,114	(-)
First half (98/9)	109,955	(△26.2)	△11,646	(-)	△11,515	(-)
Fiscal year (99/3)	257,184		17,129		16,592	

	Net income/ loss	Yr / yr	Earnings per share	Accounting policies
	Million yen	% change	Yen	
First half (99/9)	85,585	(-)	64.51	See note 7
First half (98/9)	△44,684	(-)	△33.53	The Standards for Preparation of Interim Financial Statements
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
September 30, 1999	5,891,701	701,522	16.6	528.79
September 30, 1998	6,321,273	696,390	15.8	522.92
March 31, 1999	4,671,392	626,193	18.7	470.21

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.

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Note:

1. Average number of shares outstanding:

For the six months ended September 30, 1999:	1,326,618,017
For the six months ended September 30, 1998:	1,332,548,295
For the full year ended March 31, 1999:	1,332,135,378

2. Number of shares outstanding:

As of September 30, 1999:	1,331,722,462
As of September 30, 1998:	1,331,722,462
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 September 30, 1999: 67,483 million yen

6. Unrealized profit on non-trading derivatives as of September 30, 1999: 429 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. in the first half of fiscal 1999. 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 Interim Consolidated Financial Statements.

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

Consolidated operating results for the first half 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 September 30, 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 ¥99,318 million (181.3% of first half of fiscal 1998), and

consolidated ordinary income to ¥73,114 million, more than quadruple of fiscal 1998. Daiwa Securities SB Capital Markets Co. Ltd. posted net loss as the company wrote-off goodwill of ¥208,000 million in a lump sum, which was acquired when the wholesale business divisions were transferred. Resultantly, consolidated net income swelled to ¥85,585 million, mainly due to minority interest of ¥42,930 million.

1. Commissions

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1. Commissions

Commissions which amounted to ¥152,841 million (206.8% of first half of fiscal 1998) are the major driving force behind an augmentation of revenues.

(1) Brokerage commissions

Nikkei 225 rose around 11% to ¥17,605 with brisk trading volume during the first half of fiscal 1999. The daily average trading volume of Tokyo Stock Exchange jumped to around ¥741.8 billion (194% of first half of fiscal 1998). Brokerage commissions on stocks sharply increased to ¥74,544 million (279.8% of first half of fiscal 1998) as our share on Tokyo Stock Exchange improved from 8.6% to 9.5%, in addition to the market trading volume expansion. Brokerage commissions on bonds climbed up to ¥3,932 million (141.0% of first half of fiscal 1998), as well, due to an increase in convertible bond trading volume.

(2) Underwriting and distribution commissions

Underwriting and distribution commissions on stocks grew to ¥8,034 million (272.8% of first half of fiscal 1998), and underwriting and distribution commissions on bonds, to ¥4,911 million (128.2% of first half of fiscal 1998).

(3) Subscription and distribution and other commissions

Subscription and distribution commissions increased to ¥35,929 million (224.3% of first half of fiscal 1998), and other commissions, to ¥25,481 million (117.6% of first half 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 ¥35,355 million (225.4% of first half of fiscal 1998). Other commissions grew to ¥19,510 million (117.6% of first half of fiscal 1998), as an outstanding of principal of investment trust increased to ¥11,783.3 billion (114.7% of fiscal end of 1998).

2. Net gains/losses on trading

Total net gains on trading increased vigorously to ¥36,454 million (252.2% of first half of 1998), with net gains on stock and other of ¥10,457 million and those on bond, foreign exchange and other of ¥25,996 million. Stock and other is 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 other shot up by more than ten times of the first half of fiscal 1998, taking advantage of robust momentum of Tokyo Stock Exchange.

3. Financial income

Net financial income posted ¥2,455 million, with interest and dividend income of ¥9,789 million, and financial expense of ¥7,334 million. Both financial income and expense significantly decreased, compared with first half of fiscal 1998. It should be noted that dividends from related companies 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 ¥117,352 million (107.4% of first half of 1998), mainly due to swelling commissions and other expenses in line with trading volume expansion.

Note: "Management policy" and "The status quo of coping with Y2K problem" are included in "Interim consolidated financial summary".

Consolidated financial statement
Consolidated Balance Sheets

(millions of yen)

	September 30, 1999	September 30, 1998	Increase/ decrease	March 31, 1999
<i>Assets</i>				
Current assets:	5,261,393	5,820,945	△ 559,552	4,206,018
Cash and time deposits	763,269	298,905	464,363	445,856
Cash segregated as deposits	3,599	5,490	△ 1,891	4,828
Receivables	10,742	22,811	△ 12,069	22,066
Trade date accrual	—	312,209	△ 312,209	246,473
Advance payments on securities subscribed	560	398	161	199
Short-term loans	217,383	194,819	22,563	118,347
Trading assets:	1,246,551	1,628,463	△ 381,911	932,612
Trading securities and others	1,118,844	1,454,784	△ 335,939	792,927
Option transactions	5,364	18,383	△ 13,018	11,387
Derivative valuation accounts	122,341	155,295	△ 32,953	128,296
Receivables related to margin transactions:	332,107	104,957	227,150	141,261
Loans receivable from customers for margin transactions	238,485	57,836	180,649	72,451
Cash deposits as collateral for securities borrowed from securities finance companies	93,622	47,120	46,501	68,810
Receivables related to gensaki transactions	82,997	262,821	△ 179,823	320,062
Cash deposits as collateral for securities borrowed	883,963	1,005,415	△ 121,451	521,814
Securities in custody	1,666,581	1,922,043	△ 255,462	1,323,990
Short-term guarantee money deposited	15,520	19,461	△ 3,940	9,780
Deferred income taxes assets-current	8,302	—	8,302	81,810
Other current assets	32,367	44,507	△ 12,139	38,645
Less: Allowance for doubtful accounts	△ 2,554	△ 1,360	△ 1,194	△ 1,732
Non-current assets:	630,307	500,327	129,979	465,374
Tangible fixed assets	19,839	20,767	△ 927	20,628
Intangible fixed assets	11,490	1,105	10,384	1,088
Investments and others:	598,977	478,454	120,523	443,657
Investment securities	376,226	324,351	51,875	280,271
Long-term loans	58,228	50,609	7,618	59,632
Long-term guarantee deposits	70,084	75,842	△ 5,757	75,155
Deferred income taxes assets-non-current	72,809	—	72,809	—
Other investments	23,632	32,160	△ 8,528	30,765
Less: Allowance for doubtful accounts	△ 2,005	△ 4,510	2,504	△ 2,167
Total assets	5,891,701	6,321,273	△ 429,572	4,671,392

(millions of yen)

	September 30, 1999	September 30, 1998	Increase/ decrease	March 31, 1999
<i>Liabilities</i>				
Current liabilities:	4,687,533	5,260,304	△ 572,770	3,745,157
Short-term borrowings	550,060	168,511	381,548	255,218
Commercial paper	44,000	27,000	17,000	30,200
Bonds due within one year	38,662	19,419	19,243	19,419
Deposits received	98,297	68,221	30,076	92,154
Trade date accrual	34,939	—	34,939	—
Advance receipts on securities subscribed	13,150	7,816	5,334	2,741
Trading liabilities:	745,352	778,786	△ 33,433	612,986
Trading securities and others	628,315	609,621	18,693	476,599
Option transactions	3,023	9,882	△ 6,858	6,362
Derivative valuation accounts	114,013	159,281	△ 45,268	130,024
Payables related to margin transactions:	66,260	64,379	1,881	72,791
Loans from securities finance companies for margin transactions	22,451	16,731	5,720	18,098
Proceeds of securities sold for margin transactions	43,809	47,647	△ 3,838	54,692
Payables related to gensaki transactions	613,573	967,739	△ 354,165	593,315
Cash deposits as collateral for securities loaned	628,753	1,171,573	△ 542,819	574,082
Short-term securities borrowed	1,185,921	1,595,957	△ 410,035	907,038
Cash deposits received from customers	70,803	46,078	24,724	51,396
Securities deposits by customers as collateral	480,659	326,086	154,573	416,951
Accrued income taxes	21,541	498	21,042	440
Accrued bonuses	10,400	8,000	2,400	8,800
Provision for financial assistance to related companies	58,200	—	58,200	58,200
Other current liabilities	26,957	10,236	16,720	49,420
Non-current liabilities:	381,961	318,173	63,788	299,258
Convertible bonds	135,709	94,371	41,338	94,371
Long-term borrowings	243,000	203,000	40,000	203,000
Accrued retirement benefits	2,128	20,640	△ 18,512	1,394
Other non-current liabilities	1,124	161	962	492
Statutory reserves	414	46,405	△ 45,991	783
Total liabilities	5,069,909	5,624,883	△ 554,974	4,045,199
Minority interest	120,269	—	120,269	—
<i>Stockholders' equity</i>				
Common stock	138,424	138,424	—	138,424
Additional paid-in capital	117,779	117,779	—	117,779
Retained earnings	448,904	—	448,904	—
Legal reserve	—	45,335	△ 45,335	45,335
Surplus	—	394,850	△ 394,850	324,653
Treasury stock	△ 3,586	—	△ 3,586	—
Total stockholders' equity	701,522	696,390	5,131	626,193
Total liabilities and stockholders' equity	5,891,701	6,321,273	△ 429,572	4,671,392

Consolidated Income Statement

(millions of yen)

	First half (Apr.1 - Sep.30, 1999) (A)	First half (Apr.1 - Sep.30, 1998) (B)	Comparison ratio(%) A/ B	Fiscal 1998
Operating Revenues	199,318	109,955	181.3	257,184
Dividends from related companies	15	—	—	—
Commissions	152,841	73,901	206.8	177,123
Net gain on trading securities	36,454	14,457	252.2	45,820
Net gain on commodities trading	217	9	2,174.8	16
Interest and dividend income	9,789	21,587	45.4	34,223
Operating costs and expenses	124,687	121,602	102.5	240,055
Selling, general & administrative expenses	117,352	109,268	107.4	218,634
Interest expenses	7,334	12,333	59.5	21,420
Operating Income	74,630	△ 11,646	—	17,129
Non-operating income	928	427	217.3	944
Non-operating expenses	2,445	296	826.0	1,480
Ordinary income	73,114	△ 11,515	—	16,592
Extraordinary gain	8,113	2,572	315.4	49,923
Extraordinary loss	16,468	35,592	46.3	262,895
Income before income taxes	64,759	△ 44,534	—	△ 196,378
Income taxes	21,418	150	14,278.7	295
Income taxes - deferred	686	—	—	△ 79,702
Minority interest	42,930	—	—	—
Net income	85,585	△ 44,684	—	△ 116,972

Consolidated Statement of Retained Earnings

(millions of yen)

	First half [Apr.1, 1999 Sep.30, 1999]
Beginning balance of retained earnings	369,976
Decrease in retained earnings	6,658
Cash dividends	6,658
Net income	85,585
Ending balance of retained earnings	448,904

Notes to interim consolidation of the three companies (the first half of fiscal 1999)

The three companies consolidation (the consolidated financial statements of Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Securities SB Capital Markets Co. Ltd.) are 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 Method of the Interim Consolidated Financial Statements (MOF Ordinance No.24, 1999) and its Articles 48 and 69. Dividends from related companies included in "Interest and dividend income" until fiscal 1998 are specified as "Dividends from related companies" from this interim period, as the company transformed into a holding company. It should be noted that the presentation of the financial statements for the first half might be provisional and amended, as the Company has not reached the final agreement with the authorities concerned regarding the method of terminology and forms. The comparison of financial figures are computed based on the three companies consolidated financial statements for the current first half of fiscal 1999, and unconsolidated financial summary (old) Daiwa Securities Co. Ltd. for the first half or fiscal 1998.

Basis of interim consolidated financial statements (the first half 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 Interim 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 costs and expenses" is determined as half of the annual estimated amounts.

(ii) Depreciation expense is determined as half of the annual charge based on the non-current assets held as of September 30, 1999.

(2) Valuation of specified transaction 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 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 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 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 related companies

The board of directors meeting of the parent company approved on January 22, 1999 that the Company provided financial assistance to Daiwa Finance Co. Ltd., Nippon Investment & 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 related companies.

(7) 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).

(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 on wording, format, and preparation of consolidated financial statements" (Ministry of Finance, Ministerial Order number 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 September 30, 1999:	8,724 million yen
As of September 30, 1998:	24,316 million yen
As of March 31, 1999:	24,433 million yen

2. Guarantee:

As of September 30, 1999:	273,281 million yen
As of September 30, 1998:	90,211 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 on wording, format, and preparation of financial statements" (Ministry of Finance, Ministerial Order number 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 September 30, 1999:	40,000 million yen
As of September 30, 1998:	195,000 million yen
As of March 31, 1999:	195,000 million yen

Notes to consolidated income statement

(Millions of yen)

	First half (Sep. 30, 1999)	First half (Sep. 30, 1998)	Fiscal 1998 (Mar. 31, 1999)
1.Details of selling, general and administrative expenses			
Commissions and other expenses	23,273	15,629	34,369
Employee's compensation and benefit	45,412	43,655	86,593
Real estate expenses	21,002	21,619	43,069
Data processing and office supplies	19,637	17,892	34,737
Depreciation	3,258	2,450	5,116
Taxes other than income taxes	1,691	3,890	7,561
Provision for doubtful accounts	659	1,114	1,376
Others	2,417	3,007	5,809
2.Provision for reserve for trading losses			
Reserve for trading losses has been abolished due to the amendment of the Securities and Exchange Act, enforced December 1, 1998. Resultantly, it is reversed in a lump sum at the end of the previous year.			
3.Details of extraordinary gains/losses			
	First half (Sep. 30, 1999)	First half (Sep. 30, 1998)	Fiscal 1998 (Mar. 31, 1999)
Extraordinary gains			
Gain from sale of investment securities	4,999	2,311	3,797
Reversal of unrealized loss for investment securities	2,330	-	-
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	259	-
Reversal of reserve for financial futures transaction liabilities	4	1	1
Extraordinary losses			
Write-off of securities	-	137	463
Write-off of investments in subsidiaries	-	-	115,137
Provision for prior-periods retirement benefits of directors	-	-	973
Loss on financial assistance to related companies	-	-	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
Exchange loss on liquidation of subsidiaries	-	565	-
Loss on transferring of investment securities	-	-	2,383
Loss on sale of investment securities	560	-	-
Valuation loss of investment securities	-	34,889	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	414	-	243
Provision for reserve for financial futures transaction liabilities	0	-	-

Supplemental information for first half ended September 30, 1999

1. Breakdown of commission income

(1) Activity

(millions of yen)

	First half, 1999 (A)	First half, 1998 (B)	(A)/(B) (%)	Fiscal 1998
Brokerage commission	78,484	29,440	266.6	72,802
(Stock)	(74,544)	(26,644)	(279.8)	(66,337)
(Bond)	(3,932)	(2,788)	(141.0)	(6,452)
Underwriting & distribution	12,946	6,777	191.0	21,972
(Stock)	(8,034)	(2,945)	(272.8)	(13,970)
(Bond)	(4,911)	(3,831)	(128.2)	(8,001)
Subscription & distribution	35,929	16,019	224.3	37,760
Other commission	25,481	21,663	117.6	44,587
Total	152,841	73,901	206.8	177,123

(2) Asset class

(millions of yen)

	First half, 1999 (A)	First half, 1998 (B)	(A)/(B) (%)	Fiscal 1998
Stock	83,998	30,969	271.2	83,274
Bond	10,937	9,104	120.1	19,890
Beneficiary certificate	54,872	32,285	170.0	70,515
Other	3,033	1,541	196.7	3,442
Total	152,841	73,901	206.8	177,123

2. Breakdown of trading gains & losses

(millions of yen)

	First half, 1999 (A)	First half, 1998 (B)	(A)/(B) (%)	Fiscal 1998
Stock	10,457	1,006	1,038.5	9,732
Bond & forex	25,996	13,450	193.3	36,087
(Bond)	(22,440)	(10,485)	(214.0)	(26,824)
(Forex)	(3,555)	(2,964)	(119.9)	(9,263)
Total	36,454	14,457	252.2	45,820

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	First half, 1999 (A)		First half, 1998 (B)		(A)/(B) (%)		Fiscal 1998	
	Number of shares	Yen amount	Number of shares	yen amount	Number of shares	Yen amount	Number of shares	Yen amount
Total	27,021	27,863,167	13,531	12,493,345	199.7%	223.0%	38,404	29,883,606
(Dealing) (a)	(7,321)	(9,803,531)	(4,021)	(4,778,458)	(182.1 %)	(205.2%)	(12,847)	(11,259,320)
(Brokerage) (b)	(19,699)	(18,059,636)	(9,510)	(7,714,886)	(207.1%)	(234.1%)	(25,557)	(18,624,285)
b/(a + b)	72.9%	64.8%	70.3%	61.8%	/		66.5%	62.3%
TSE share	9.6%	9.5%	8.5%	8.6%			9.0%	9.1%
Brokerage commission/share	¥3.72		¥2.66		/		¥2.49	

4. Underwriting activities

(millions of share, millions of yen)

	First half, 1999 (A)	First half, 1998 (B)	(A)/(B) (%)	Fiscal 1998
<u>Underwriting:</u>				
Stock (number of shares)	47	17	276.9	93
(yen amount)	236,684	66,916	353.7	516,792
Bond (face value)	1,717,583	1,107,935	155.0	2,225,080
CP & others (face value)	373,400	485,800	76.9	953,400
<u>Subscription & distribution(*)</u>				
Stock (number of shares)	47	18	261.9	94
(yen amount)	236,684	75,497	313.5	525,369
Bond (face value)	1,884,874	1,263,436	149.2	2,776,649
Beneficiary certificates (face value)	9,368,205	7,466,586	125.5	14,258,642
CP & others (face value)	376,400	486,800	77.3	952,400

(*) Including secondary offering and private placement

5. Number of directors & employees (as of September 30, 1999)

	Total	Daiwa Securities Group Inc.	Daiwa Securities Co. Ltd.	Daiwa Securities SB Capital Markets Co. Ltd.	(Old) Daiwa Securities Co. Ltd.	
					Mar. 31, 1999	Sep. 30, 1998
Director	24	7	7	10	33	33
Auditor	10	3	3	4	4	4
Executive officer	21	4	7	10	-	-
Employee	7,819	368	5,892	1,559	7,571	7,848
Total	7,874	382	5,909	1,583	7,608	7,885

Market value of securities (excluding trading)

(millions of yen)

	September 30, 1999			September 30, 1998			March 31, 1998		
	Book value	Market value	Valuation Profit/loss	Book value	Market value	Valuation Profit/loss	Book value	Market value	Valuation Profit/loss
(1) Current assets									
Equity	45	45	△0	6	6	-	17	20	3
(2) Non-current assets									
Equity	128,935	196,376	67,440	110,057	142,766	32,709	131,693	182,524	50,830
Bonds	-	-	-	-	-	-	-	-	-
Others	12	55	42	12	50	37	12	60	47
Sub-total	128,947	196,431	67,483	110,069	142,816	32,746	131,706	182,584	50,878
Total	128,993	196,476	67,483	110,075	142,822	32,746	131,723	182,605	50,881

Note:

1. Calculation of market value

Listed securities	Closing price disclosed by main stock exchange markets
Over-the-counter securities	Market price disclosed by Japan Securities Dealer's Association

2. Current asset is treasury stocks.

3. Valuation profit of treasury stocks included in non-current asset : 1,337 million yen

4. Book value of securities exempted from disclosure of market value as of:

(millions of yen)

	Sep.30, 1999	Sep. 30, 1998	Mar. 31, 1999
Non-current assets			
Unlisted equity (excluding over-the-counter securities)	246,131	193,136	137,235
Others	4,688	21,489	11,801
(Investment bonds)	(4,266)	(4,266)	(4,266)
(Foreign investment trust certificates)	(422)	(17,223)	(7,535)

**Contract value of derivatives transactions, market value and valuation profit/ loss
(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)

	September 30, 1999				September 30, 1998				March 31, 1999			
	Contract price		Market value	Valuation Profit/ loss	Contract price		Market value	Valuation Profit/ loss	Contract price		Market value	Valuation Profit/ loss
Over one year		Over one year				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	180	195	-	-	-	-	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 profit and loss are calculated with accrued income and accrued expenses as of first half of fiscal 1999.
c) The transactions above are to hedge the following transactions individually :

	Sep.30, 1999	Sep.30, 1998	Mar.31, 1999
Long-term loans	5,000	-	5,000

3. Currency

(millions of yen)

	September 30, 1999				September 30, 1998				March 31, 1999			
	Contract price		Market value	Valuation Profit/ loss	Contract price		Market value	Valuation Profit/ loss	Contract price		Market value	Valuation Profit/ loss
Over one year		Over one year				Over one year				Over one year		
Over-the-counter transaction Currency swap Australian dollars	2,000	2,000	269	233	2,000	2,000	472	432	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 profit and loss are calculated with accrued income and accrued expenses as of first half of 1999.
c) The transactions above are to hedge the following transactions individually :

	Sep.30, 1999	Sep.30, 1998	Mar.31, 1999
Long-term borrowings	2,000	2,000	2,000

(millions of yen)

	September 30, 1999				September 30, 1998				March 31, 1999			
	Contract price		Market value	Valuation Profit/ loss	Contract price		Market value	Valuation Profit/ loss	Contract price		Market value	Valuation Profit/ loss
Over one year		Over one year				Over one year				Over one year		
Over-the-counter transaction Forward exchange contract Sold: U.S. dollars	422	-	422	△0	-	-	-	-	-	-	-	-

Note :

- a). Calculation of market value : Exchanged to Japanese yen of discounted present value of future cash flows.
b). Foreign currency denominated receivables in kind which Japanese yen is fixed at settlement date are not disclosed.

Daiwa Securities Group Inc.**Balance Sheet**

(as of September 30, 1999)

(millions of yen)

<i>Assets</i>		<i>Liabilities</i>	
	Amount		Amount
Current assets:	556,234	Current liabilities:	399,537
Cash and time deposits	344,252	Short-term borrowings	192,960
Receivables	2,419	Bonds due within one year	38,662
Short-term loans	192,926	Deposits received	539
Other current assets	18,713	Cash deposits as collateral for securities loaned	90,475
Less: Allowance for doubtful accounts	△ 2,076	Accrued income taxes	45
Non-current assets:	980,990	Accrued bonuses	1,600
Tangible fixed assets	11,818	Provision for financial assist. to related companies	58,200
Intangible fixed assets	1,502	Other current liabilities	17,056
Investments and others	967,669	Non-current liabilities	391,631
Investment securities	770,943	Convertible bonds	135,709
Long-term loans	113,184	Long-term borrowings	203,000
Long-term guarantee deposits	64,521	Long-term guarantee deposits	51,794
Other investments	21,015	Accrued retirement benefits	730
Less: Allowance for doubtful accounts	△ 1,995	Other non-current liabilities	396
		Total liabilities	791,169
		<i>Stockholders' equity</i>	
		Common stock	138,424
		Legal reserve	163,114
		Additional paid-in capital	117,779
		Earned surplus reserve	45,335
		Retained earnings	444,515
		General-purpose reserve	317,000
		Unappropriated retained earnings	127,515
		(Current term net profit)	126,520
		Total stockholders' equity	746,055
Total assets	1,537,225	Total liabilities and stockholders' equity	1,537,225

Daiwa Securities Group Inc.
Income Statement

(millions of yen)

	First half (Apr.1 - Sep.30, 1999)
Operating Revenues	24,748
Dividends from related companies	15
Commissions	17,699
Net gain on trading securities	1,874
Interest and dividend income	5,159
Operating costs and expenses	21,752
Selling, general and administrative expenses	16,420
Interest expenses	5,331
Operating Income	2,996
Non-operating income	2,155
Non-operating expenses	4,356
Ordinary income	795
Extraordinary gain	208,113
Extraordinary loss	560
Income before income taxes	208,348
Income taxes	28
Income taxes - deferred	81,800
Net income	126,520
Unappropriated retained earnings	995
Unappropriated retained earnings	127,515

Basis of financial statements for the first half of fiscal 1999

1. The Company was running 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 1 April to 30 September, 1999 are prepared in accordance with the Ministerial Ordinance Concerning Securities Companies (the Prime Minister's Office Ordinance and Ministry of Finance ("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 Regulation concerning the Terminology, Forms and Preparation Methods of Interim Financial Statements (MOF Ordinance No. 38, 1977) and its Article 38 and 57. Dividends from related companies included in "Interest and dividend income" until fiscal 1998 are specified as "Dividends from related companies" from this interim period, as the company transformed into a holding company.
It should be noted that the presentation of the financial statements for the first half of fiscal 1999 might be provisional and amended for the Semi-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 half of the annual estimated amounts.
 - (2) Depreciation expense is determined as half of the annual charge based on the assets held by the Company as of September 30, 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 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 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: 7,133 million yen
2. Guarantee: 273,568 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: 46,774 shares, 45 million yen
4. Treasury stock included in other investments: 5,029,000 shares, 3,540 million yen
(Treasury stock negotiable to directors and employees under Article 210-2 of Commercial Law)
5. 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 wording, format, and preparation of financial statements" (Ministry of Finance, Ministerial Order number 59,1963).
6. Provision for financial assistance to related companies
The board of directors meeting of the Company approved on January 22, 1999 that the Company provided financial assistance to Daiwa Finance Co. Ltd., Nippon Investment & 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 related companies.

Notes to income statements

1. Details of selling, general and administrative expenses

	(millions of yen)
Commissions and other expenses	2,648
Employees' compensation and benefits	6,579
Real estate expenses	2,939
Data processing and office supplies	2,238
Depreciation expenses	569
Taxes other than income taxes	462
Provision for doubtful accounts	171
Others	810

2. Details of extraordinary gains and losses

	(millions of yen)
Extraordinary gains	
Gain on transferring goodwill	200,000
Gain on sale of investment securities	4,999
Reversal of revaluation loss on investment securities	2,330
Reversal of reserve for securities transaction liabilities	779
Reversal of reserve for financial futures transaction liabilities	4
Extraordinary losses	
Loss on sale of investment securities	560

Daiwa Securities Co. Ltd.
Balance Sheet
(as of September 30, 1999)

(millions of yen)

<i>Assets</i>	Amount	<i>Liabilities</i>	Amount
Current assets:	809,439	Current liabilities:	695,397
Cash and time deposits	186,592	Short-term borrowings	169,000
Cash segregated as deposits related to securities transactions	2,296	Deposits received	87,914
Receivables	7,540	Trade date accrual	181
Advance payments on securities subscribed	360	Advance receipts on securities subscribed	812
Short-term loans	2,122	Accrued liabilities	3,417
Accrued receivables	133	Trading liabilities:	272
Accrued income	10,355	Trading securities and others	248
Trading assets:	9,971	Derivative valuation accounts	24
Trading securities and others	9,808	Payables related to margin transactions	30,918
Derivative valuation accounts	163	Loan from securities Finance for margin	22,429
Receivables related to margin transactions	238,134	Proceed sec. sold custom.margin transactions	8,489
Loans receivable from customers for margin transactions	237,615	Short-term securities borrowed	32,369
Cash deposits as collateral for securities borrowed from sec. finance companies	519	Cash deposits received from customers	53,071
Cash deposits as collateral for securities	22,459	Securities deposited by customers as collateral	285,119
Securities in custody	317,489	Accrued income taxes	21,339
Short-term guarantee money deposited	7,825	Accrued bonuses	6,420
Deferred income taxes assets- current	3,189	Other current liabilities	4,559
Other current assets	1,392	Non-current liabilities:	820
Less: Allowance for doubtful accounts	△424	Accrued retirement benefits	820
		Other non-current liabilities	0
		Statutory reserves:	107
		Reserve for securities transaction liabilities	107
		Total liabilities	696,325
		<i>Stockholders' equity:</i>	
		Common stock	100,000
		Legal reserve	50,010
		Additional paid-in capital	50,010
		Retained earnings	24,267
		Unappropriated retained earnings (Current term net profit)	24,267 24,274
Non-current assets:	61,163	Total stockholders' equity	174,277
Tangible fixed assets	3,240		
Intangible fixed assets	1,745		
Investments and others:	56,177		
Long-term loans	5,000		
Long-term guarantee deposits	49,011		
Deferred income taxes assets	331		
Other investments	1,845		
Less: Allowance for doubtful accounts	△10		
Total assets	870,602	Total liabilities and stockholders' equity	870,602

Daiwa Securities Co. Ltd
Income Statement

	(millions of yen)
	First half (Apr.1 - Sep.30, 1999)
Operating Revenues	105,100
Commissions	97,325
Net gain on trading securities	6,365
Net gain on commodities trading	3
Interest and dividend income	1,406
Operating costs and expenses	61,814
Selling, general & administrative expenses	61,530
Interest expenses	283
Operating Income	43,286
Non-operating income	48
Non-operating expenses	14
Ordinary income	43,319
Extraordinary gain	-
Extraordinary loss	1,185
Expenses for foundation	1,078
Provision of statutory reserve	107
Income before income taxes	42,134
Income taxes	21,380
Income taxes - deferred	△3,520
Net income	24,274
Unappropriated retained earnings	7
Unappropriated retained earnings	24,267

Basis of financial statements for the first half of fiscal 1999

1. Discrepancies from accounting policies for the annual financial statements
 - (1) "Provision for accrued retirement benefits" included in "Operating costs and expenses" is determined as half of the annual estimated amounts.
 - (2) Depreciation expense is determined as half of the annual charge based on the non-current assets held by the Company as of September 30, 1999.
2. Valuation of specified transaction 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 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: 623 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 wording, format, and preparation of financial statements" (Ministry of Finance, Ministerial Order number 59,1963).

Notes to income statement

1. Details of selling, general & administrative expenses

	(millions of yen)
Commissions and other expenses	7,836
Employees' compensation and benefits	27,966
Real estate expenses	13,182
Data processing and office supplies	10,017
Depreciation expenses	818
Taxes other than income taxes	174
Provision for doubtful accounts	434
Others	1,100

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.

Daiwa Securities Co. Ltd.**Supplemental information for first half ended September 30, 1999**

1. Breakdown of commission income

(1) Activity

	(millions of yen)
	First half, 1999
Brokerage commission	47,779
(Stock)	(45,886)
(Bond)	(1,890)
Underwriting & distribution	-
(Stock)	(-)
(Bond)	(-)
Subscription & distribution	33,427
Other commission	16,118
Total	97,325

(2) Asset class

	(millions of yen)
	First half, 1999
Stock	50,115
Bond	6,341
Beneficiary certificates	40,247
Others	621
Total	97,325

2. Breakdown of trading gains & losses

(millions of yen)	
First half, 1999	
Stock	280
Bond & forex	6,085
(Bond)	(4,114)
(Forex)	(1,971)
Total	6,365

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)		
First half, 1999		
	Number of shares	Yen amount
Total	5,234	6,478,969
(Dealing) (a)	(164)	(338,033)
(Brokerage)(b)	(5,069)	(6,140,936)
b/(a + b)	96.8%	94.7%
TSE share	3.3%	3.0%
Brokerage commission/share	¥8.91	

4. Underwriting activities

(millions of share, millions of yen)	
First half, 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)	28
(yen amount)	151,378
Bond (face value)	202,041
Beneficiary certificates (face value)	5,566,548
CP & others (face value)	-

^(*) Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		as of September 30, 1999
Basic item	Total stockholders' equity (A)	174,277
Supplementary item	Reserve for securities transaction liabilities	107
	Allowance for doubtful accounts	434
	Total (B)	541
Assets excluded from capital (C)		64,805
Capital after exclusion (A)+(B)-(C) (D)		110,013
Risk equivalent	Market risk equivalent	1,484
	Counterparty risk equivalent	6,197
	Fundamental risk equivalent	34,357
	Total (E)	42,039
Capital adequacy ratio (D)/(E)×100%		261.6%

6. Number of directors & employees

	as of September 30, 1999
Director	10
Employee	5,899

Daiwa Securities SB Capital Markets Co. Ltd.

Balance Sheet

(as of September 30, 1999)

(millions of yen)

<i>Assets</i>	<i>Amount</i>	<i>Liabilities</i>	<i>Amount</i>
Current assets:	4,134,48	Current liabilities:	3,831,32
Cash and time deposits	232,424	Short-term borrowings	188,100
Cash segregated as deposits related to securities transactions	929	Commercial paper	44,000
Receivables	782	Deposits received	9,844
Advance payments on sec. subscribed	199	Trade date accrual	34,758
Short-term loans	22,334	Advance receipts on securities subscribed	12,338
Accrued receivables	250	Accrued liabilities	956
Accrued income	7,822	Accrued expenses	6,555
Trading assets:	1,236,594	Trading liabilities:	745,094
Trading securities and other	1,109,036	Trading securities and other	628,067
Option transactions	5,364	Option transactions	3,023
Derivative valuation accounts	122,192	Derivative valuation accounts	114,002
Receivables related to margin transactions	93,973	Payables related to margin transactions	35,342
Loans receivable from customers for margin transactions	870	Loans from securities Finance for margin	21
Cash deposits as collateral for sec. borrowed from sec. finance companies	93,102	Proceed sec. sold custom.margin transactions	35,320
Receivables related to gensaki transactions	82,997	Payables related to gensaki transactions	613,573
Cash deposits as collateral for securities borrowed	951,979	Cash deposits as collateral for securities loaned	628,753
Securities in custody	1,490,613	Short-term securities borrowed	1,295,072
Short-term guarantee money deposited	7,695	Cash deposits from customers	17,731
Deferred income taxes assets- current	5,113	Securities deposited by customers as collateral	195,540
Other current assets	831	Accrued income taxes	156
Less: Allowance for doubtful accounts	△ 53	Accrued bonuses	2,380
		Other current liabilities	1,122
Non-current assets:	99,063	Non-current liabilities :	101,248
Tangible fixed assets	4,781	Long-term borrowings	100,000
Intangible fixed assets	8,242	Accrued retirement benefits	577
Investments and others	86,039	Other non-current liabilities	671
Investment securities	99	Statutory reserves:	307
Long-term loans	43	Securities transactions reserve	306
Long-term guarantee deposits	8,291	Financial futures reserve	0
Deferred income taxes assets	72,478	Total liabilities	3,932,87
Long-term prepaid expenses	408	<i>Stockholders' equity:</i>	
Other investments	4,717	Common stock	205,600
		Legal reserve	202,410
		Additional paid-in capital	202,410
		Retained earnings(deficit)	(107,335)
		Unappropriated retained earnings(deficit)	(107,335)
		(Current term net loss)	(107,327)
		Total stockholders' equity	300,674
Total assets	4,233,55	Total liabilities and stockholders' equity	4,233,55

Daiwa Securities SB Capital Markets Co. Ltd
Income Statement

(millions of yen)

	First half (Apr.1 - Sep.30, 1999)
Operating Revenues	79,901
Commissions	47,461
Net gain on trading securities	28,224
Net gain on commodities trading	213
Interest and dividend income	4,002
Operating costs and expenses	49,914
Selling, general & administrative expenses	47,416
Interest expenses	2,497
Operating Income	29,987
Non-operating income	254
Non-operating expenses	430
Ordinary income	29,812
Extraordinary gain	-
Extraordinary loss	214,722
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	306
Provision for financial futures transaction liabilities	0
Income before income taxes	△184,910
Income taxes	10
Income taxes - deferred	△77,593
Net loss	107,327
Unappropriated retained loss	8
Unappropriated retained earnings/ deficit	△107,335

Basis of financial statements for the first half of fiscal 1999

1. Discrepancies from accounting policies for the annual financial statements
 - (1) "Provision for accrued retirement benefits" included in "Operating costs and expenses" is determined as half of the annual estimated amounts.
 - (2) Depreciation expense is determined as half of the annual charge based on the assets held by the Company as of September 30, 1999.
2. Valuation of specified transaction 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 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: 966 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 wording, format, and preparation of financial statements" (Ministry of Finance, Ministerial Order number 59,1963).
3. Subordinated borrowings
Long-term borrowings are the subordinated borrowings stipulated under "Article 2 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 selling, general & administrative expenses

	(millions of yen)
Commissions and other expenses	20,461
Employees' compensation and benefits	10,481
Real estate expenses	4,834
Data processing and office supplies	8,177
Depreciation expenses	1,870
Taxes other than income taxes	1,054
Others	536

2. Write-off of goodwill

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

Daiwa Securities SB Capital Markets Co. Ltd.
Supplemental information for first half ended September 30, 1999

1. Breakdown of commission income

(1) Activity

	(millions of yen)	
	First half, 1999	
Brokerage commission		22,506
(Stock)		(21,108)
(Bond)		(1,394)
Underwriting & distribution		14,254
(Stock)		(8,033)
(Bond)		(6,220)
Subscription & distribution		1,179
Other commission		9,520
Total		47,461

(2) Asset class

	(millions of yen)	
	First half, 1999	
Stock		29,296
Bond		8,879
Beneficiary certificate		6,887
Others		2,398
Total		47,461

2. Breakdown of trading gains & losses

	(millions of yen)	
	First half, 1999	
Stock		9,388
Bond & forex		18,835
(Bond)		(17,666)
(Forex)		(1,168)
Total		28,224

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	First half, 1999	
	Number of shares	Yen amount
Total	15,296	20,254,072
(Dealing) (a)	(6,946)	(9,250,691)
(Brokerage)(b)	(8,350)	(11,003,380)
b/(a + b)	54.6%	54.3%
TSE share	6.2%	6.5%
Brokerage commission/share	¥2.47	

4. Underwriting activities

(millions of share, millions of yen)

		First half, 1999
<u>Underwriting:</u>		
Stock (number of shares)		46
(yen amount)		231,971
Bond (face value)		1,600,972
CP & others(face value)		373,400
<u>Subscription & distribution</u> (*)		
Stock (number of shares)		46
(yen amount)		231,971
Bond (face value)		1,527,530
Beneficiary certificate s (face value)		2,278,188
CP & others (face value)		373,400

(*) Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		September 30, 1999
Basic item	Total stockholders' equity (A)	300,674
Supplementary item	Statutory reserve	306
	Allowance for doubtful accounts	53
	Subordinated borrowings	100,000
Total (B)		100,360
Assets excluded from capital (C)		100,308
Capital after exclusion (A)+(B)-(C) (D)		300,726
Risk equivalent	Market risk equivalent	15,131
	Counterparty risk equivalent	9,456
	Fundamental risk equivalent	15,833
Total (E)		40,421
Capital adequacy ratio (D)/(E) × 100%		743.9%

6. Number of directors & employees

		as of September 30, 1999
Director		14
Employee		1,569