

October 22, 1998

Interim non-consolidated financial summary for the six months ended September 30, 1998

- Daiwa Securities Co. Ltd. (the Company) lists its stock on the Tokyo Stock Exchange, Osaka Securities Exchange, and Nagoya Stock Exchange in Japan.
- The board of directors has approved the interim financial result of the Company on October 22, 1998.
- The interim fiscal year starts on April 1 and ends on September 30 in each year.

(1) Operating results

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

	Operating revenues	Increase /decrease	Operating Income	Increase /decrease	Ordinary Income	Increase /decrease
	million yen	%	million yen	%	million yen	%
Current interim year (98/9)	109,955	(△26.2)	△ 11,646	(-)	△ 11,515	(-)
Last interim year (97/9)	149,078		19,084		18,955	
Last fiscal year (98/3)	255,946		6,119		5,109	

	Net income /loss	increase /decrease	Net income/loss per share	Basis of preparation
	million yen	%	yen	
Current interim year (98/9)	△ 44,684	(-)	△ 33.53	Accounting principle for interim financial statements
Last interim year (97/9)	13,539		10.06	
Last fiscal year (98/3)	△ 57,969		△ 43.20	

1. Average number of shares outstanding:

- For the six months ended September 30, 1998	1,332,548,295
- For the six months ended September 30, 1997	1,344,575,462
- For the year ended March 31, 1998	1,341,671,545

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity/share	Capital adequacy ratio
	million yen	million yen	%	yen	%
Current interim year (98/9)	6,321,273	696,390	15.8	522.92	286.6
Last interim year (97/9)	10,071,946	826,624	12.0	614.78	267.5
Last fiscal year (98/3)	6,076,702	751,059	17.6	562.35	303.3

1. Number of outstanding shares as of:

- September 30, 1998	1,331,722,462
- September 30, 1997	1,344,575,462
- March 31, 1998	1,335,554,462

2. Unrealized gain on investment securities as of September 30, 1998

32,746 mil. yen

3. Unrealized gain on non-trading derivatives as of September 30, 1998

432 mil. yen

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

*Excluding Securities deposited by customers as collateral and short-term securities borrowed

Contact: Tsunemi Hayashi, General Manager, Accounting Department

Phone: +813-3243-2111

Interim Balance Sheets

(millions of yen)

	Sept.30,1998	Sept.30,1997	Increase /decrease	Mar.31,1998
Current assets:				
Cash and time deposits	298,905	329,923	△ 31,017	306,018
Cash segregated as deposits related to securities transactions	5,490	5,659	△ 168	4,804
Receivables	22,811	17,312	5,499	25,327
Trade date accrual	312,209	292,812	19,397	27,303
Advance payments on securities subscribed	398	1,498	△ 1,099	398
Short-term loans	194,819	194,735	83	123,293
Trading assets:	1,628,463	3,487,028	△ 1,858,565	2,163,458
Trading securities and other	1,454,784	3,338,608	△ 1,883,824	2,047,326
Option transactions	18,383	9,877	8,505	656
Derivative valuation accounts	155,295	138,541	16,753	115,475
Commodities other than securities	-	4,896	△ 4,896	699
Receivables related to margin transactions:	104,957	166,951	△ 61,994	94,293
Loans receivable from customers for margin transactions	57,836	84,608	△ 26,772	65,612
Cash deposits as collateral for securities borrowed from securities finance companies	47,120	82,342	△ 35,221	28,680
Receivables related to Gensaki transactions	262,821	434,422	△ 171,600	339,322
Cash deposits as collateral for securities borrowed	1,005,415	1,334,759	△ 329,343	562,186
Securities in custody	1,922,043	3,155,077	△ 1,233,033	1,800,453
Other current assets	63,968	85,862	△ 21,893	80,583
Less: Allowance for doubtful accounts	△ 1,360	△ 1,572	212	△ 555
Total current assets	5,820,945	9,509,366	△ 3,688,420	5,527,587
Non-current assets:				
Tangible fixed assets	20,767	19,473	1,293	20,969
Intangible fixed assets	1,105	1,139	△ 33	1,112
Investments and other:	478,454	541,966	△ 63,512	527,033
Investment securities	156,682	214,409	△ 57,726	208,167
Subsidiaries' stock	167,668	174,569	△ 6,900	166,307
Long-term loans	50,609	52,781	△ 2,171	51,105
Long-term guarantee deposits	75,842	76,334	△ 492	75,478
Other investments	32,160	24,141	8,019	30,175
Less: Allowance for doubtful accounts	△ 4,510	△ 269	△ 4,240	△ 4,201
Total non-current assets	500,327	562,580	△ 62,252	549,115
Total assets	6,321,273	10,071,946	△ 3,750,672	6,076,702

(millions of yen)

	Sept. 30,1998	Sept. 30,1997	Increase /decrease	Mar. 31,1998
Current liabilities:				
Short-term borrowings	168,511	368,339	△ 199,828	220,444
Commercial paper	27,000	10,000	17,000	-
Bonds due within one year	19,419	30,352	△ 10,933	30,352
Deposits received	68,221	106,000	△ 37,779	93,301
Advance receipts on securities subscribed	7,816	38,230	△ 30,413	2,469
Trading liabilities:	778,786	1,402,258	△ 623,472	688,075
Trading securities and other	609,621	1,248,142	△ 638,521	559,180
Option transactions	9,882	5,829	4,053	594
Derivative valuation accounts	159,281	148,285	10,995	128,300
Payables related to margin transactions:	64,379	56,508	7,870	61,239
Loans from securities finance companies for margin transactions	16,731	16,745	△ 13	19,301
Proceeds of securities sold for customers' accounts on margin transactions	47,647	39,763	7,884	41,937
Payables related to Gensaki transactions	967,739	2,015,590	△ 1,047,851	1,064,270
Cash deposits as collateral for securities loaned	1,171,573	1,613,481	△ 441,908	1,018,192
Short-term securities borrowed	1,595,957	2,616,646	△ 1,020,689	1,453,569
Cash deposits received from customers	46,078	129,402	△ 83,323	39,096
Securities deposited by customers as collateral	326,086	538,429	△ 212,343	346,883
Accrued income taxes	498	728	△ 230	973
Other current liabilities	18,236	25,473	△ 7,237	17,485
Total current liabilities	5,260,304	8,951,442	△ 3,691,138	5,036,354
Non-current liabilities:				
Convertible bonds	94,371	116,486	△ 22,115	113,790
Long-term borrowings	203,000	108,000	95,000	108,000
Accrued retirement benefits	20,640	20,921	△ 280	20,676
Other non-current liabilities	161	153	7	155
Total non-current liabilities	318,173	245,560	72,612	242,621
Statutory reserves:	46,405	48,318	△ 1,912	46,666
Total liabilities	5,624,883	9,245,321	△ 3,620,438	5,325,642
Stockholders' equity:				
Common stock	138,424	138,424	-	138,424
Additional paid-in capital	117,779	117,779	-	117,779
Legal reserve	45,335	43,732	1,603	43,732
Retained earnings:				
General-purpose reserve	441,000	513,000	△ 72,000	513,000
Unappropriated retained earnings	△ 46,149	13,688	△ 59,837	△ 61,877
(Net interim profit/loss)	(△ 44,684)	(13,539)	(△ 58,224)	(△ 57,969)
Total retained earnings	394,850	526,688	△ 131,837	451,122
Total stockholders' equity	696,390	826,624	△ 130,234	751,059
Total liabilities and stockholders' equity	6,321,273	10,071,946	△ 3,750,672	6,076,702

Interim Income Statements

(millions of yen)

	Current interim (98/9) (A)	Last interim (97/9) (B)	(A)/(B) (%)	Last fiscal year (98/3)
Operating revenues	109,955	149,078	73.8	255,946
Commissions	73,901	111,700	66.2	182,307
Net gain on trading securities	14,457	12,943	111.7	18,287
Net gain on commodities trading	9	32	30.6	52
Interest and dividend income	21,587	24,400	88.5	55,298
Operating costs and expenses	121,602	129,993	93.5	249,826
Selling, general and administrative expenses	109,268	114,276	95.6	217,026
Interest expenses	12,333	15,716	78.5	32,799
Operating income	△ 11,646	19,084	-	6,119
Other income	427	435	98.1	1,122
Other expense	296	565	52.4	2,132
Ordinary income	△ 11,515	18,955	-	5,109
Extraordinary gain	2,572	6,282	41.0	4,970
Extraordinary loss	35,592	11,548	308.2	67,749
Income before income taxes	△ 44,534	13,689	-	△ 57,669
Income taxes	150	150	100.0	300
Net income	△ 44,684	13,539	-	△ 57,969
Unappropriated retained earnings carried over	506	148	340.5	148
Redemption of treasury stock	1,970	-	-	4,057
Unappropriated retained earnings /deficit	△ 46,149	13,688	-	△ 61,877

Basis of interim financial statements

1. Differences between annual and interim accounting policies
 - (1) Provision for retirement benefits in operating expenses is determined as 1/2 of the annual estimated amounts.
 - (2) Depreciation expense is determined as 1/2 of the annual amount based on the assets held at the end of the interim financial year.
2. Valuation of trading assets/liabilities
Trading assets and liabilities are recorded on the trade date basis at fair market value.
3. Valuation of non-trading securities and commodities other than securities
Listed securities are valued on the 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 the settlement date basis at cost determined by the moving average method.
4. Depreciation of tangible fixed assets
Depreciation expense is calculated by the declining-balance method stipulated in the Japanese corporate tax code.
5. Accounting for lease transactions
A finance lease which does not virtually transfer ownership to a lessee is accounted for in the same manner as operating leases. The finance lease falling within this category and an operating lease are not capitalized and related lease payment is expensed as incurred.
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 assets or liabilities.
7. Statutory reserves
Provision and reversal of the statutory reserves are made on the same basis as in the annual financial statements. Of these reserves, the reserve for securities trading loss will be abolished in this coming December; therefore, the appropriation is not made in this interim. The securities trading loss reserve is reversed by the amount smaller of actual trading loss incurred during the interim fiscal year or the balance of the reserve appropriated at the end of the last fiscal year.
8. Income taxes
Income taxes are computed assuming that the Company would file a tax return for this interim period on the same basis as used in an annual tax return.

Notes to interim balance sheets

	(millions of yen)		
	<u>Sept. 30, 1998</u>	<u>Sept. 30, 1997</u>	<u>Mar. 31, 1998</u>
1. Accumulated depreciation of tangible fixed assets	24,316	22,214	23,163
2. Guarantees	90,211	143,294	125,634
3. Treasury stock ^(*)	6	13	33
(Number of shares)	(19,464)	(18,409)	(61,195)

(*) Included in "other current assets".

4. Decrease in the number of outstanding shares for the half year ended September 30, 1998

	<u>Number of shares purchased</u>	<u>Amount (millions of yen)</u>
Decrease by share repurchase	3,832,000	1,970

5. Long-term borrowings include the following subordinated borrowings which are deemed as a supplementary item of the capital under the Ministerial Ordinance on the Capital Adequacy Rule for Securities Companies (MOF Ordinance No.67. 1992).

	(millions of yen)		
	<u>Sept. 30, 1998</u>	<u>Sept. 30, 1997</u>	<u>Mar. 31, 1998</u>
	195,000	100,000	100,000

Notes to interim income statements

	(millions of yen)		
	<u>Current interim</u>	<u>Last interim</u>	<u>Last fiscal year</u>
1. Selling, general and administrative			
Commissions and other expenses	15,629	19,996	34,950
Employees' compensation and benefits	43,665	39,859	79,073
Real estate expenses	21,619	20,748	42,013
Data processing and office supplies	17,892	17,004	34,089
Depreciation	2,450	1,625	3,488
Taxes other than income taxes	3,890	10,884	15,626
Other	4,121	4,157	7,784
2. Extraordinary gains and losses			
Extraordinary gains			
Gain from sale of investment securities	2,311	6,035	4,912
Reversal of statutory reserve	260	247	58
Extraordinary losses			
Loss on financial assistance to a related company	-	-	39,900
Provision for doubtful accounts	-	-	3,935
Write-off of unlisted securities	137	-	976
Exchange loss on liquidation of a subsidiary company	565	-	2,008
Revaluation loss of investment securities	34,889	9,707	20,928
Provision for statutory reserve	-	1,840	-

Supplemental information for the six months ended September 30, 1998

1. Breakdown of commission income

(1) By activity

(millions of yen)

	Sept. 30, 1998 (A)	Sept. 30, 1997 (B)	(A)/(B) (%)	Mar. 31, 1998
Brokerage commission	29,440	53,454	55.1	83,665
(Stock)	(26,644)	(45,378)	(58.7)	(72,293)
(Bond)	(2,788)	(8,057)	(34.6)	(11,342)
Underwriting & distribution	6,777	10,317	65.7	13,935
(Stock)	(2,945)	(3,674)	(80.2)	(4,326)
(Bond)	(3,831)	(6,643)	(57.7)	(9,609)
Subscription & distribution	16,019	28,314	56.6	44,622
Other commission	21,663	19,614	110.4	40,083
Total	73,901	111,700	66.2	182,307

(2) By asset class

(millions of yen)

	Sept. 30, 1998 (A)	Sept. 30, 1997 (B)	(A)/(B) (%)	Mar. 31, 1998
Stock	30,969	50,584	61.2	79,472
Bond	9,104	17,142	53.1	25,803
Beneficiary certificate	32,285	42,728	75.6	74,657
Other	1,541	1,245	123.8	2,373
Total	73,901	111,700	66.2	182,307

2. Breakdown of trading gains & losses

(millions of yen)

	Sept. 30, 1998	Sept. 30, 1997	Mar. 31, 1998
Stock	1,006	△ 552	△ 84
Bond & forex	13,450	13,496	18,371
(Bond)	(10,485)	(8,339)	(14,509)
(Forex)	(2,964)	(5,157)	(3,861)
Total	14,457	12,943	18,287

3. Trading volume of stocks (excluding futures transaction) (millions of yen, millions of share)

	Sept. 30, 1998 (A)		Sept. 30, 1997 (B)		(A)/(B) (%)		Mar. 31, 1998	
	# of shrs	yen amount	# of shrs	yen amount	# of shrs	yen amount	# of shrs	yen amount
Total	13,531	12,493,345	17,003	24,503,833	79.6%	51.0%	26,136	31,345,902
(Dealing) (a)	(4,021)	(4,778,458)	(5,603)	(9,623,455)	71.8%	49.7%	(6,318)	(10,528,929)
(Brokerage)(b)	(9,510)	(7,714,886)	(11,399)	(14,880,377)	83.4%	51.8%	(19,817)	(20,816,972)
b/(a + b)	70.3%	61.8%	67.0%	60.7%			75.8%	66.4%
TSE share ^(*)	8.5%	8.6%	9.5%	10.0%			7.0%	7.4%
Brokerage commission/share	¥2.66		¥3.71				¥3.38	

^(*)“TSE share” is calculated by dividing the Company’s trading volume on the Tokyo Stock Exchange (TSE) during the interim by the total trading volume on the TSE for the corresponding period.

4. Underwriting activities

(millions of yen, millions of share)

	Sept. 30, 1998 (A)	Sept. 30, 1997 (B)	(A)/(B) (%)	Mar. 31, 1998
Underwriting:				
Stock (# of shares)	17	68	25.3	93
(yen amount)	66,916	101,530	65.9	121,401
Bond (face value)	1,107,935	1,612,089	68.7	2,080,721
CP & other (face value)	485,800	1,245,500	39.0	1,748,500
Subscription & distribution^(*)				
Stock (# of shares)	18	64	28.1	90
(yen amount)	75,497	82,481	91.5	144,449
Bond (face value)	1,263,436	1,909,379	66.2	2,583,872
Beneficiary certificate (face value)	7,466,586	6,574,093	113.6	13,498,834
CP & other (face value)	486,800	1,248,400	39.0	1,752,400

(*) Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		Sept. 30, 1998	Sept. 30, 1997	Mar. 31, 1998
Basic item	Total stockholders' equity (A)	696,390	826,624	751,059
Supplementary item	Statutory reserve	46,405	48,318	46,666
	Allowance for doubtful accounts	5,870	1,842	4,756
	Subordinated borrowings	195,000	100,000	100,000
	Unrealized gain/loss on securities	29,788	79,102	46,693
Total (B)		277,064	229,262	198,117
Assets excluded from capital (C)		535,347	555,723	520,026
Capital after exclusion (A)+(B)-(C) (D)		438,107	500,164	429,149
Risk equivalent	Market risk equivalent	49,859	91,688	51,451
	Counterparty risk equivalent	45,936	35,096	31,613
	Fundamental risk equivalent	57,061	60,205	58,439
	Total (E)	152,857	186,990	141,504
Capital adequacy ratio (D)/(E) × 100%		286.6%	267.5%	303.3%

6. Number of directors & employees

	Sept. 30, 1998	Sept. 30, 1997	Mar. 31, 1998
Director	37	38	35
Employee	7,848	7,642	7,319

Fair value of securities held for non-trading purpose

(millions of yen)

Classification	Sept. 30, 1998			Sept. 30, 1997			Mar. 31, 1998		
	Carrying amount	Fair value	Gain /loss	Carrying amount	Fair value	Gain /loss	Carrying amount	Fair value	Gain /loss
(1) Current assets									
Stock	6	6	-	13	13	-	33	34	0
(2) Non-current assets									
Stock	110,057	142,766	32,709	186,927	274,619	87,692	157,051	208,680	51,628
Bond	-	-	-	-	-	-	-	-	-
Other	12	50	37	12	61	48	12	58	46
Non-current asset: subtotal	110,069	142,816	32,746	186,939	274,680	87,740	157,064	208,738	51,674
Total	110,075	142,822	32,746	186,953	274,694	87,740	157,097	208,773	51,675

(Note)

1. Fair value is determined based on an exchange price or the official quotation price publicized by the Japan Securities Dealers Association.

2. The stock in the current assets is a treasury stock.

3. Securities not subject to the fair value disclosure:

(millions of yen)

	<u>Sept. 30, 1998</u>	<u>Sept. 30, 1997</u>	<u>Mar. 31, 1998</u>
Non-current assets			
Unlisted Stock	193,136	196,278	190,947
Other	21,489	6,178	26,895
(Subscription certificate)	(4,266)	(3,765)	(4,266)
(Foreign beneficiary certificate)	(17,223)	(2,413)	(22,629)

Contract amount and fair value of derivatives held for non-trading purpose

1. Non-trading derivatives are held to hedge interest rate risk and foreign exchange risk.

2. Derivative related to equity instruments

Not applicable for the interim

3. Derivatives related to fixed-income instruments

Not applicable for the interim

4. Derivatives related to foreign currency exchange rates

(millions of yen)

Classification	Sept. 30, 1998				Sept. 30, 1997			
	Contract amount		Fair value	Valuation gain/loss	Contract amount		Fair value	Valuation gain/loss
		Over 1yr.				Over 1 yr.		
OTC transaction								
Currency swap								
US \$	-	-	-	-	1,806	1,806	△440	△440
Australia \$	2,000	2,000	472	432	2,000	2,000	151	151
Total	-	-	-	432	-	-	-	△288

Classification	Mar. 31, 1998			
	Contract amount		Fair value	Valuation gain/loss
		Over 1yr.		
OTC transaction				
Currency swap				
US \$	-	-	-	-
Australia \$	2,000	2,000	446	352
Total	-	-	-	352

(Note)

1. The fair value of the derivatives are calculated based on the discounted cash flow method.

2. The above derivatives are held to hedge the following items:

(millions of yen)

	<u>Sept. 30, 1998</u>	<u>Sept. 30, 1997</u>	<u>Mar. 31, 1998</u>
Specified investment trust	-	1,806	-
Long term borrowings	2,000	2,000	2,000

3. The above table does not include derivatives allocated to foreign currency denominated assets and liabilities for hedging purpose.