

January 18, 1999

Daiwa Securities Co. Ltd. reports 1998 third quarter results

Daiwa Securities Co. Ltd. today reported ordinary income (“*KEIJO-RIEKI*”) for the 1998 third quarter of ¥ 0.3 billion, down 94.6% from the third quarter a year ago on a non-consolidated basis. Operating revenues were ¥ 179.4 billion, down 10.3% from the year-earlier period. So, ordinary income in the third quarter down 88.1%* compared with the 1997 fiscal year ended March 31,1998.

Third Quarter 1998 Financial Summary (Non-consolidated)

(millions of yen)

	<u>3Q.1998</u> For nine months ended December 31, 1998	<u>1997</u> For the year ended March 31, 1998	<u>3Q.1998</u> vs. <u>1997</u> (%) *	<u>3Q.1997</u> For nine months ended December 31, 1997	<u>3Q.1998</u> vs. <u>3Q.1997</u> (%) *
Operating revenues	179,485	255,946	93.5	200,094	89.7
Commissions	123,377	182,307	90.2	145,384	84.9
Net gain on trading securities	26,895	18,287	196.1	14,771	182.1
Net gain on commodities trading	14	52	35.3	45	30.9
Interest and dividend income	29,198	55,298	70.4	39,892	73.2
Operating costs and expenses	178,748	249,826	95.4	192,128	93.0
Selling, general and administrative expenses	161,582	217,026	99.3	166,506	97.0
Interest expenses	17,166	32,799	69.8	25,621	67.0
Operating income	737	6,119	16.1	7,965	9.3
Ordinary income**	380	5,109	9.9	7,031	5.4

* Percentages of the 1998 third quarter versus the 1997 fiscal year indicate percentage compared with 75% of the figures for the 1997 fiscal year ended March 31,1998.

** Ordinary income was pre-tax income before special income or loss, therefore, profits or losses on investment accounts were not reflected on ordinary income.

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Financial Data**1. Breakdown of Commissions**

(1) By commission

(millions of yen)

	<u>3Q.1998</u>	<u>1997</u>	<u>3Q.1998</u> vs. <u>1997</u> (%)	<u>3Q.1997</u>	<u>3Q.1998</u> vs. <u>3Q.1997</u> (%)
Brokerage commission	47,015	83,665	74.9	68,439	68.7
Shares	42,468	72,293	78.3	58,499	72.6
Bonds	4,537	11,342	53.3	9,917	45.7
Underwriting	18,207	13,935	174.2	12,381	147.1
Shares	12,817	4,326	395.0	4,049	316.5
Bonds	5,389	9,609	74.8	8,331	64.7
Distribution	25,663	44,622	76.7	35,123	73.1
Others	32,491	40,083	108.1	29,440	110.4
Total	123,377	182,307	90.2	145,384	84.9

(2) By security

(millions of yen)

	<u>3Q.1998</u>	<u>1997</u>	<u>3Q.1998</u> vs. <u>1997</u> (%)	<u>3Q.1997</u>	<u>3Q.1998</u> vs. <u>3Q.1997</u> (%)
Shares	57,299	79,472	96.1	64,836	88.4
Bonds	13,430	25,803	69.4	21,539	62.4
Investment trusts	50,157	74,657	89.6	57,318	87.5
Others	2,490	2,373	139.9	1,690	147.3
Total	123,377	182,307	90.2	145,384	84.9

2. Breakdown of Net Gain (Loss) on Trading Accounts

(millions of yen)

	<u>3Q.1998</u>	<u>1997</u>	<u>3Q.1998</u> vs. <u>1997</u> (%)	<u>3Q.1997</u>	<u>3Q.1998</u> vs. <u>3Q.1997</u> (%)
Equity	3,715	(84)	-	(1,318)	-
Total of Fixed income and foreign exchange	23,179	18,371	168.2	16,089	144.1
Fixed income	14,054	14,509	129.0	13,048	107.7
Foreign exchange	9,124	3,861	315.0	3,040	300.1
	26,895	18,287	196.1	14,771	182.1

3. Transaction Volumes of Corporate Shares

(millions of yen, millions of share)

	3Q.1998		1997		3Q.1998 vs.1997 (%)		3Q.1997	
	#of shrs	yen amount	#of shrs	yen amount	#of shrs	yen amount	#of shrs	yen amount
Total	20,383	18,303,225	26,136	31,345,902	104.0	77.9	21,649	27,905,570
Proprietary(A)	5,797	6,774,251	6,318	10,528,929	122.3	85.8	6,304	10,518,861
Brokering (B)	14,585	11,528,973	19,817	20,816,972	98.1	73.8	15,345	17,386,709
(B) / (A+B) (%)	71.6	63.0	75.8	66.4	/		70.9	62.3
TSE share*	8.6	8.7	7.0	7.4			8.0	8.5

* “ TSE share ” is calculated by dividing the Company’s trading volume on the Tokyo Stock Exchange (TSE) during the 1998 third quarter by the total trading volume on the TSE for the corresponding period.

4. Volumes of Underwriting and Distribution

(millions of yen)

	3Q.1998	1997	3Q.1998 vs.1997 (%)	3Q.1997
Underwriting				
Shares	497,586	121,401	546.5	112,129
Bonds	1,712,316	2,080,721	109.7	1,851,827
CP,CD and others	779,600	1,748,500	59.4	1,463,800
Distribution				
Shares	506,168	144,449	467.2	137,188
Bonds	1,982,159	2,583,872	102.3	2,237,768
Investment trust	10,964,986	13,498,834	108.3	9,847,874
CP,CD and others	784,695	1,752,400	59.7	1,468,700

5. Numbers of Staff

	Dec. 31, 1998	Dec. 31, 1997
Director	37	35
Employee	7,727	7,486

Overseas operating results for nine months ended December 31, 1998

(From Apr. 1, 1998 to Dec. 31, 1998)

(billions of yen)

1. Ordinary income by overseas area

	For nine months ended Dec. 31, 1998	For six months ended Sep. 30, 1998
America	▲ 21.1	▲ 7.6
Europe	▲ 25.9	▲ 12.4
<u>Asia. Oceania</u>	<u>▲ 3.2</u>	<u>▲ 3.7</u>
Total	▲ 50.3	▲ 23.8

2. Main factor of ordinary loss

a. Loss of Daiwa America Corporation

Trading losses of fixed income securities ▲ 24.4

b. Loss of Daiwa Europe Limited

Trading losses of emerging country bonds ▲ 19.1

c. Expenses related to overseas restructuring in overseas operations

America	▲ 1.7
Europe	▲ 2.4
<u>Asia. Oceania</u>	<u>▲ 0.3</u>
Total	▲ 4.4

3. The others

Our group companies in Europe have decided not to move into the building under construction in London since contraction of a business operation was underway after the overseas restructuring plan released in last September. After this decision the purpose of usage of the building was changed to commercial usage. Due to change of the purpose of usage, we had the land and building appraised according to the local accounting standard in last December. An appraisal loss of approximately 100 million pound was estimated. Since these properties are owned by Daiwa Europe Property plc, a wholly-owned subsidiary of Daiwa Securities Co. Ltd., around 26 billion yen evaluated loss is expected from Daiwa's stake in its subsidiary share.