

Daiwa Securities SMBC Co.Ltd.

3-5 Yaesu 1-chome, Chuo-ku
Tokyo 103-8289, Japan

April 26, 2002

Non-consolidated financial summary

(For fiscal year ended March 31, 2002)

(1) Operating results (from April 1, 2001 to March 31, 2002)

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

| | Operating revenues | | Net operating revenues | | Operating income | |
|----------------------|--------------------|--------------|------------------------|--------------|------------------|--------------|
| | Millions of yen | Yr/yr change | Millions of yen | Yr/yr change | Millions of | Yr/yr change |
| Fiscal 2001 (2002/3) | 109,481 | (52.6) % | 102,670 | (-) | 12,381 | (90.0) % |
| Fiscal 2000 (2001/3) | 230,735 | 34.1% | - | (-) | 123,484 | 70.1 % |

| | Ordinary income | | Net income | | Return on stockholders' equity |
|----------------------|-----------------|--------------|-----------------|--------------|--------------------------------|
| | Millions of yen | Yr/yr change | Millions of yen | Yr/yr change | (Annual basis) |
| Fiscal 2001 (2002/3) | 13,231 | (89.3)% | 5,426 | (92.3)% | 1.5% |
| Fiscal 2000 (2001/3) | 123,640 | 69.3% | 70,802 | (-) | 19.7% |

Note. Change in accounting policies: None

(2) Financial conditions

| | Total assets | Stockholders' equity | Stockholders' equity ratio | Capital adequacy ratio |
|---------------------|-----------------|----------------------|----------------------------|------------------------|
| | Millions of yen | Millions of yen | | |
| As of Mar. 31, 2002 | 4,344,082 | 347,628 | 8.0% | 500.2% |
| As of Mar. 31, 2001 | 5,626,580 | 394,136 | 9.6% | 364.7% |

Note.1 . Number of shares outstanding:

As of March 31, 2002: 3,200 As of March 31, 2001: 3,200

Note. 2 Stockholders' equity ratio = Total stockholders' equity / (Total liabilities* + Total stockholders' equity)

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

Contact: Tenzan Watanabe, General Manager, Treasury Department

Phone: +813-3243-2211

Results of Operation

(A) Overview of Operating Income

(1) Commissions

For the fiscal year ended March 31, 2002, total commission revenues amounted to 54,724 million yen, a 25.7% decrease compared with that of last year. Details of the commissions received are as follow:

a) Brokerage Commissions

Total Brokerage commissions declined by 21.8% to 10,727 million yen, compared to prior year. The brokerage commissions generated from equity sales declined reflecting a depressed daily average trading volume at the Tokyo Stock Exchange Market (a 6.9% decrease to 821.4 billion yen compared with last year) as well as the company's declined share in that market.

b) Underwriting Commissions

The underwriting commissions of equity capital decreased by 46.5% to 15,716 million yen in comparison with last year due to declining domestic public offerings and private placement deals.

The revenues from underwriting commissions of debt capital have increased by 13.4% to 8,973 million yen, compared with fiscal 2000, and this is primarily associated with increased offerings for corporate bonds.

c) Distribution Commissions

Revenues from distribution commissions amounted to 1,709 million yen, a 49.5% decrease from last year, reflecting declining distribution commissions received from Investment Trust.

d) Other Commissions

Other Commissions amounted to 15,980 million yen, a 17.0% less than fiscal 2000, in which fees derived from asset management of Investment Trust decreased significantly by 54.1% to 4,240 million yen reflecting the declining service fee from MMF. Other commissions also include commissions received from M & A, Financial Advisory Service, IPO consulting, and so forth.

(2) Net Gain on Trading Securities

Net trading revenue derived from equity market decreased significantly to 14,753 million yen, an 87.2% decrease compared to fiscal 2000. Net trading gain from fixed income together with income from foreign exchange transactions totaled 11,335 million yen, a decrease of 16.2% compared with last year. Consequently, total net trading gain for this year totaled 26,089 million yen, a 79.8% decrease compared to last year's.

(3) Net Interest and Dividend Income

Interest and Dividend Income totaled 28,667 million yen, whereas Interests Expenses were 6,810 million yen. Consequently, the net Interest and Dividend Income came to 21,856 million yen, a 37.5% increase from prior year. This positive result attributed to reduced interest expense due to lowered interest rate and steady increase of interest revenues earned from fixed income.

(4) Selling, General and Administrative Expenses

Total Selling, General and Administrative expenses mainly consist of 31,222 million yen of commissions paid and 22,491 million yen of employment salary expense, a 10.1% decrease and a 9.9% decrease compared with last year respectively. Although depreciation expense increased to 7,607 million yen (31.9% up from last year's), total operating expenditure decreased by 5.0% to 90,288 million yen with an effort of expenditure control.

In conclusion, Operating Revenues for fiscal 2001 resulted in 109,481 million yen, a 52.6% decrease compared to last year's, and Net Operating Revenue in 102,670 million yen. For that reason, despite of the decrease in Selling, General and Administrative Expense, Operational Income resulted in 12,381 (a 90% decrease compared to last year) and Ordinary Income totaled 13,231 million yen, an 89.3% decrease from last year. Furthermore, netted with Extraordinary Income of 3,604 million yen including reversal of multiemployer pension plan and Extraordinary Losses of 6,650 including write-off of the goodwill of 5,000 million yen, Net Income resulted in 5,426 million yen, 92.3% decrease from last year's.

(B) Financial Condition

During this fiscal 2001, trading commodities decreased by 299.7 billion yen. Receivable on collateralized securities transactions increased significantly and short-term borrowings were used to apply it. The company newly issued 161.4 billion yen of corporate bond in order to raise operational budget.

Balance Sheet

(millions of yen)

(millions of yen)

| | Fiscal 2001 Mar.31 2002 | | Fiscal 2000 Mar.31 2001 |
|---|----------------------------|---|----------------------------|
| Assets | | Assets | |
| Current assets: | 4,197,042 | Current assets: | 5,490,024 |
| Cash and time deposits | 87,985 | Cash and time deposits | 41,894 |
| Cash segregated as deposits | 22,233 | Cash segregated as deposits related to securities transactions | 1,586 |
| Trading assets: | 2,190,816 | Receivables | 1,929 |
| Trading securities and others | 1,848,322 | Advance payments on securities subscribed | 806 |
| Derivative assets | 342,493 | Short-term loans receivable | 289,539 |
| Receivables related to margin transactions: | 70,253 | Accrued income | 8,703 |
| Loans receivable from customers for margin transactions | 8 | Trading assets: | 2,490,598 |
| Cash deposits as collateral for securities borrowed from securities finance companies | 70,244 | Trading securities and others | 2,174,429 |
| Receivable on collateralized securities transactions: | 1,696,982 | Option transactions | 42,341 |
| Cash deposits as collateral for securities borrowed | 1,559,260 | Derivative valuation accounts | 273,827 |
| Receivables related to Gensaki transactions | 137,722 | Receivables related to margin transactions: | 137,648 |
| Receivables | 1,980 | Cash deposits as collateral for securities borrowed from securities finance companies | 137,648 |
| Short-term guarantee money deposited | 9,109 | Receivables related to Gensaki transactions | 217,451 |
| Short-term loans receivable | 87,174 | Cash deposits as collateral for securities borrowed | 777,872 |
| Accrued income | 5,613 | Securities in custody | 1,501,176 |
| Other current assets | 24,945 | Short-term guarantee money deposited | 8,335 |
| Less: Allowance for doubtful accounts-current | (52) | Deferred income tax assets-current | 6,062 |
| | | Other current assets | 7,362 |
| | | Less: Allowance for doubtful accounts-current | (944) |
| Non-current assets: | 147,039 | Non-current assets: | 136,555 |
| Tangible fixed assets | 4,376 | Tangible fixed assets | 4,972 |
| Intangible fixed assets | 26,660 | Intangible fixed assets | 21,856 |
| Investments and others: | 116,002 | Investments and others: | 109,726 |
| Investment securities | 43,919 | Investment securities | 37,758 |
| Long-term loans receivable | 1,042 | Long-term loans receivable | 37 |
| Long-term guarantee deposits | 7,427 | Long-term guarantee deposits | 9,045 |
| Deferred income tax assets | 58,927 | Deferred income tax assets-non-current | 57,218 |
| Other investments | 4,928 | Other investments | 5,790 |
| Less: Allowance for doubtful accounts-non-current | (243) | Less: Allowance for doubtful accounts-non-current | (123) |
| | | | |
| Total assets | 4,344,082 | Total assets | 5,626,580 |

(millions of yen)

(millions of yen)

| | Fiscal 2001 Mar.31 2002 |
|--|----------------------------|
| Liabilities | |
| Current liabilities: | 3,690,236 |
| Trading liabilities: | 1,072,774 |
| Trading securities and others | 767,688 |
| Derivative liabilities | 305,085 |
| Trade date accrual | 178,643 |
| Payables related to margin transactions: | 25,267 |
| Proceeds of securities sold for margin transactions | 25,267 |
| Payables on collateralized securities transactions | 578,574 |
| Cash deposits as collateral for securities loaned | 500,477 |
| Payables related to Gensaki transactions | 78,096 |
| Deposits received | 10,537 |
| Cash deposits received from customers | 23,273 |
| Short-term borrowings | 1,413,104 |
| Commercial paper | 366,100 |
| Bonds due within one year | 4,604 |
| Accrued expenses | 4,884 |
| Accrued income taxes | 50 |
| Deferred income tax liabilities | 460 |
| Accrued bonuses | 2,430 |
| Other current liabilities | 9,531 |
| Non-current liabilities: | 303,906 |
| Bonds | 200,800 |
| Long-term borrowings | 100,000 |
| Accrued retirement benefits | 2,530 |
| Other non-current liabilities | 576 |
| Statutory reserves: | 2,310 |
| Reserve for securities transaction liabilities | 2,310 |
| Reserve for financial futures transaction liabilities | 0 |
| Total liabilities | 3,996,453 |
| Stockholders' equity | |
| Common stock | 205,600 |
| Legal reserve: | 122,462 |
| Additional paid-in capital | 117,321 |
| Earned surplus reserve | 5,141 |
| Retained earnings: | 19,678 |
| Special reserve for depreciation | 359 |
| Unappropriated retained earnings including net income 5,426 million yen for the current term, | 19,319 |
| Revaluation reserve for investment securities, net of tax effect | (112) |
| Total stockholders' equity | 347,628 |
| Total liabilities and stockholders' equity | 4,344,082 |

| | Fiscal 2000 Mar.31.2001 |
|--|----------------------------|
| Liabilities | |
| Current liabilities: | 5,050,326 |
| Short-term borrowings | 220,503 |
| Commercial paper | 516,300 |
| Bonds due within one year | 4,400 |
| Deposits received | 8,471 |
| Trade date accrual | 36,658 |
| Advance receipts on securities subscribed | 1,011 |
| Accrued expenses | 5,365 |
| Trading liabilities: | 1,094,936 |
| Trading securities and others | 789,771 |
| Option transactions | 40,317 |
| Derivative valuation accounts | 264,847 |
| Payables related to margin transactions: | 59,876 |
| Proceeds of securities sold for margin transactions | 59,876 |
| Payables related to Gensaki transactions | 741,938 |
| Cash deposits as collateral for securities loaned | 776,512 |
| Short-term securities borrowed | 1,321,226 |
| Cash deposits received from customers | 50,115 |
| Securities deposited by customers as collateral | 179,950 |
| Accrued income taxes | 27,518 |
| Accrued bonuses | 3,600 |
| Other current liabilities | 1,941 |
| Non-current liabilities: | 180,576 |
| Bonds | 73,200 |
| Long-term borrowings | 100,000 |
| Deferred income tax liabilities-non-current | 299 |
| Accrued retirement benefits | 1,865 |
| Multiemployer pension plan | 4,232 |
| Other non-current liabilities | 979 |
| Statutory reserves: | 1,541 |
| Reserve for securities transaction liabilities | 1,541 |
| Reserve for financial futures transaction liabilities | 0 |
| Total liabilities | 5,232,444 |
| Stockholders' equity | |
| Common stock | 205,600 |
| Legal reserve: | 117,321 |
| Additional paid-in capital | 117,321 |
| Retained earnings: | 70,802 |
| Special reserve for depreciation | 517 |
| Unappropriated retained earnings including net income 70,802 mil yen for FY2000 | 70,284 |
| Revaluation reserve for investment securities, net of tax effect | 412 |
| Total stockholders' equity | 394,136 |
| Total liabilities and stockholders' equity | 5,626,580 |

Income Statement

(millions of yen)

(millions of yen)

| | Fiscal 2001 Apr. 1, 2001 - Mar. 31, 2002 | | Fiscal 2000 Apr. 1, 2000 - Mar. 31, 2001 |
|--|--|--|--|
| Operating revenues | 109,481 | Operating revenues | 230,735 |
| Commissions | 54,724 | Commissions | 73,643 |
| Net gain on trading securities | 26,089 | Net gain on trading securities | 128,934 |
| Interest and dividend income | 28,667 | Net gain on other commodities trading | 2 |
| Interest expenses | 6,810 | Interest and dividend income | 28,155 |
| Net operating revenues | 102,670 | Operating expenses: | 107,251 |
| Selling, general and administrative expenses: | 90,288 | Selling, general and administrative expenses: | 94,993 |
| Commission and other expenses | 31,222 | Commission and other expenses | 34,743 |
| Employees' compensation and benefits | 22,491 | Employees' compensation and benefits | 24,963 |
| Real estate expenses | 11,316 | Real estate expenses | 9,917 |
| Data processing and office supplies | 13,985 | Data processing and office supplies | 14,282 |
| Depreciation expenses | 7,607 | Depreciation expenses | 5,768 |
| Taxes other than income taxes | 1,967 | Taxes other than income taxes | 2,833 |
| Others | 1,697 | Others | 2,485 |
| | | Interest expenses: | 12,258 |
| Operating income | 12,381 | Operating income | 123,484 |
| Non-operating income | 1,069 | Non-operating income | 677 |
| Non-operating expenses | 220 | Non-operating expenses | 521 |
| Ordinary income | 13,231 | Ordinary income | 123,640 |
| Extraordinary gains | 3,604 | Extraordinary gains | - |
| Extraordinary losses | 6,650 | Extraordinary losses | 797 |
| Income before income taxes and others | 10,184 | Income before income taxes and others | 122,843 |
| Income taxes-current | 87 | Income taxes-current | 36,661 |
| Refund of Income taxes | 190 | Income taxes-deferred | 15,379 |
| Reversal of accrued income taxes | 33 | | |
| Income taxes-deferred | 4,894 | | |
| Net income | 5,426 | Net income | 70,802 |
| Unappropriated retained earnings-carryforward | 13,892 | Unappropriated retained earnings-carryforward | (517) |
| Unappropriated retained earnings | 19,319 | Unappropriated retained earnings | 70,284 |

Statement of appropriation of retained earnings

(millions of yen)

(Appropriation plan)

| | Fiscal 2001 | | Fiscal 2000 | |
|--|-------------|---|-------------|--------|
| Unappropriated retained earnings | 19,319 | | 70,284 | |
| Reversal of Special reserve for depreciation | 57 | | 260 | |
| Total | 19,376 | | 70,545 | |
| Appropriations of retained earnings | | - | | 56,652 |
| Legal reserve | - | | 5,141 | |
| Cash dividends(*) | - | | 51,200 | |
| Bonuses to directors | - | | 210 | |
| Special reserve for depreciation | - | | 101 | |
| Unappropriated retained earnings carried forward | 19,376 | | 13,892 | |

(*) Cash dividends for fiscal year 2000: 16,000,000 yen per share

Notes to financial statements

The financial statements of the Company are prepared in accordance with the “Regulations regarding Balance Sheets, Income Statements, Operating Reports and Schedules under the Commercial Law” (Ministry of Justice Ordinance No.31, 1963), the “Cabinet Office 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, September 28, 2001).

Basis of financial statements

1. Valuation of securities

(1) Valuation of trading account

Securities and derivative transactions in trading account are recorded at fair value.

(2) Valuation of non-trading securities

(a) Subsidiary and related company stocks are valued at moving average cost method.

(b) Other securities in non-trading account are valued at fair value on the closing date with posting net unrealized gain on securities net of tax effect directly in stockholders’ equity, if their fair value is available. Those securities cost is based on moving average method. Other securities are valued at moving average cost method, if their fair value is not available.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

Declining-balance method is applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

Goodwill acquired during this fiscal year is written off in a lump and recorded as extraordinary losses. For those other than goodwill, straight-line method is applied, and useful life for depreciation is based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5 years).

3. Deferred assets

Expenses for issue of bond are amortized in a lump when incurred.

4. Accounting policies for various provisions

(1) Provision for doubtful accounts

The Company provides the allowance based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans.

(2) Accrued employees’ bonuses

Estimated amount of employees’ bonuses is accrued based on the Company’s bylaws.

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of March 31, 2002, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year.

5. Accounting for certain lease transactions

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

6. Other material items

(Consumption Taxes)

Consumption taxes are separately recorded. Non-deductible consumption taxes imposed on certain assets are expensed when incurred.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets

| | <u>As of Mar. 31, 2002</u> | <u>As of Mar. 31, 2001</u> |
|--|----------------------------|----------------------------|
| | 5,827 | 4,010 |

2. Guarantee

| | <u>As of Mar. 31, 2002</u> | <u>As of Mar. 31, 2001</u> |
|--|----------------------------|----------------------------|
| | 410 | 3,910 |

3. Long-term borrowings are the subordinated borrowings stipulated by Article 2 of the "Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies" (Cabinet office Ordinance No. 23, 2001).

4. Changes in balance sheet due to amendment of the "Uniform Accounting Standards of Securities Companies"
- (i) Domestic trusted money segregated for customers as fiduciary assets were previously included in "Cash and time deposits" in accordance with Clause 3, Article 47 of the Securities and Exchange Act of Japan. The newly introduced "Cash segregated as deposits" is made up of the domestic trusted money segregated for customers as fiduciary assets and the former "Cash segregated as deposits related to securities transactions".
 - (ii) "Securities in custody", "Securities deposited by customers as collateral" and "Short-term securities borrowed" are removed from balance sheet accounts.
 - (iii) "Option transactions" and "Derivative valuation accounts" were previously presented separately. Those aggregated amounts are presented as "Derivative assets" or "Derivative liabilities".
 - (iv) "Cash deposits as collateral for securities borrowed" and "Receivables related to Gensaki transactions" are presented as a sub-account of newly introduced "Receivables on collateralized securities transactions".
 - (v) "Cash deposits as collateral for securities loaned" and "Payables related to Gensaki transactions" are presented as a sub-account of newly introduced "Payables on collateralized securities transactions".

Notes to income statement

1. Details of extraordinary gains/losses

| | <u>Apr.1, 2001- Mar.31, 2002</u> | <u>Apr.31, 2000- Mar.31, 2001</u> |
|---|--------------------------------------|---------------------------------------|
| Extraordinary gains | | (millions of yen) |
| Gain on sale of investment securities | 233 | - |
| Reversal of multiemployer pension plan (Note1) | 2,599 | - |
| Reversal of allowance for doubtful accounts | 771 | - |
| Extraordinary losses | | |
| Write-off of investment securities | 480 | - |
| Valuation loss of fixed assets | 272 | - |
| Loss on sale of investment securities | 33 | - |
| Write-off of goodwill (Note2) | 5,000 | - |
| Non-deductible consumer tax relating to goodwill | 93 | - |
| Provision for securities transaction liabilities | 769 | 797 |
| Provision for financial futures transaction liabilities | - | 0 |

(Note 1): Reversal of multiemployer pension plan is a deduction of actual obligation on withdrawal from the Securities Companies' Welfare Pension Fund from the provision for multiemployer pension plan.

(Note 2): Written-off of goodwill in a lump is incurred as a result of the acquisition of goodwill from former Sakura Securities Company Ltd. in April 2001.

2. Changes in income statement due to amendment of the "Uniform Accounting Standards of Securities Companies"

- a. "Net operating revenues", a deduction of "Interest expenses" from "Operating revenues", is presented.
- b. Dividend income received from securities held for non-operational purposes is reclassified from Interest and dividend income and recorded as Non-operating income.

Supplemental information for fiscal 2001

(Apr. 1, 2001 – Mar. 31 2002)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

| | Fiscal 2001 (2002/3) | Fiscal 2000 (2001/3) | Yr/yr change |
|-----------------------------|-------------------------|-------------------------|-----------------|
| Brokerage commission | 10,727 | 13,714 | (21.8)% |
| Stock and other | 10,517 | 13,531 | (22.3)% |
| Bond and other | 190 | 182 | 4.8% |
| Underwriting | 26,306 | 37,296 | (29.5)% |
| Stock and other | 15,716 | 29,381 | (46.5)% |
| Bond and other | 8,973 | 7,914 | 13.4% |
| Distribution | 1,709 | 3,384 | (49.5)% |
| Beneficiary certificates | 953 | 1,680 | (43.3)% |
| Other commission | 15,980 | 19,247 | (17.0)% |
| Beneficiary certificates | 4,240 | 9,232 | (54.1)% |
| Total | 54,724 | 73,643 | (25.7)% |

(2) Asset class

(millions of yen)

| | Fiscal 2001 (2002/3) | Fiscal 2000 (2001/3) | Yr/yr Change |
|--------------------------|-------------------------|-------------------------|-----------------|
| Stock and other | 26,684 | 44,296 | (39.8)% |
| Bond and other | 12,411 | 10,483 | 18.4% |
| Beneficiary certificates | 6,829 | 10,914 | (37.4)% |
| Others | 8,798 | 7,949 | 10.7% |
| Total | 54,724 | 73,643 | (25.7)% |

2. Breakdown of trading gains/losses

(millions of yen)

| | Fiscal 2001 (2002/3) | Fiscal 2000 (2001/3) | Yr/yr Change |
|------------------------------|-------------------------|-------------------------|-----------------|
| Stock and other | 14,753 | 115,403 | (87.2)% |
| Bond, Forex and other | 11,335 | 13,531 | (16.2)% |
| Bond and other | 9,566 | 18,606 | (48.6)% |
| Forex and other | 1,768 | (5,075) | - % |
| Total | 26,089 | 128,934 | (79.8)% |

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

(millions of share, millions

| | Fiscal 2001 (2002/3) | | Fiscal 2000 (2001/3) | | Yr/yr change | |
|---------------|-------------------------|-------------------|-------------------------|-------------------|---------------------|---------|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount |
| Total | 38,404 | 43,419,448 | 39,514 | 60,131,859 | (2.8)% | (27.8)% |
| Dealing (a) | 21,040 | 23,460,803 | 20,817 | 31,387,302 | 1.1% | (25.3)% |
| Brokerage (b) | 17,364 | 19,958,645 | 18,696 | 28,744,556 | (7.1)% | (30.6)% |
| b/(a + b) | 45.2% | 46.0% | 47.3% | 47.8% | | |
| TSE share | 6.5% | 7.1% | 6.7% | 7.7% | | |

4. Underwriting activities

(millions of share, millions of yen)

| | Fiscal 2001 (2002/3) | Fiscal 2000 (2001/3) | Yr/yr change |
|---------------------------------------|-------------------------|-------------------------|-----------------|
| <u>Underwriting:</u> | | | |
| Stock (number of shares) | 63 | 73 | (13.8)% |
| (yen amount) | 272,702 | 648,552 | (58.0)% |
| Bond (face value) | 3,605,953 | 3,097,155 | 16.4% |
| Beneficiary Certificates (face value) | 52,500 | - | - |
| CP & others (face value) | 1,600,110 | 1,822,300 | (12.2)% |
| <u>Distribution (*)</u> | | | |
| Stock (number of shares) | 63 | 133 | (52.4) % |
| (yen amount) | 272,887 | 672,230 | (59.4)% |
| Bond (face value) | 3,393,263 | 3,129,498 | 8.4% |
| Beneficiary certificates (face value) | 1,610,511 | 4,667,340 | (65.5)% |
| CP & others (face value) | 1,584,110 | 1,822,300 | (13.1)% |

(*)Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

| | | Mar. 31, 2002 | Mar. 31, 2001 |
|--------------------|--|---------------|---------------|
| Basic item | Stockholders' equity (A) | 347,628 | 342,313 |
| Supplementary item | Valuation profits of investment securities | - | 412 |
| | Statutory reserve | 2,310 | 1,541 |
| | Allowance for doubtful accounts | 52 | 944 |
| | Subordinated borrowings | 100,000 | 100,000 |
| | Total (B) | 102,362 | 102,897 |
| | Assets excluded from capital (C) | 144,253 | 137,876 |
| | Net capital (A)+(B)-(C) (D) | 305,738 | 307,335 |
| Risk equivalent | Market risk equivalent | 27,250 | 49,056 |
| | Counterparty risk equivalent | 13,364 | 16,399 |
| | Basic risk equivalent | 20,498 | 18,809 |
| | Total (E) | 61,112 | 84,265 |
| | Capital adequacy ratio (D)/(E) | 500.2% | 364.7% |

(Reference Data)

Quarterly income statement

(millions of yen)

| | Fiscal 2000 | | Fiscal 2001 | | | |
|---|---|---|---|--|---|---|
| | Fourth quarter Jan. 1, 2001 - Mar. 31, 2001 | | First quarter Apr. 1, 2001- Jun. 30, 2001 | Second quarter Jul. 1, 2001- Sep. 30, 2001 | Third quarter Oct. 1, 2001- Dec. 31, 2001 | Fourth quarter Jan. 1, 2002 - Mar. 31, 2002 |
| Operating revenue | 107,641 | Operating revenue | 26,957 | 20,965 | 27,482 | 34,075 |
| Commissions | 15,813 | Commissions | 13,104 | 14,475 | 13,030 | 14,112 |
| Brokerage commission | 2,830 | Brokerage commission | 2,778 | 2,687 | 2,535 | 2,725 |
| Stock and other | 2,784 | Stock and other | 2,748 | 2,630 | 2,489 | 2,649 |
| Bond and other | 45 | Bond and other | 30 | 51 | 38 | 69 |
| Underwriting commission | 6,322 | Underwriting commission | 6,188 | 7,876 | 6,571 | 5,669 |
| Stock and other | 4,401 | Stock and other | 3,579 | 5,228 | 3,228 | 3,680 |
| Bond and other | 1,921 | Bond and other | 2,609 | 2,647 | 1,727 | 1,989 |
| Distribution commission | 1,102 | Distribution commission | 179 | 522 | 479 | 528 |
| Beneficiary certificates | 470 | Beneficiary certificates | 127 | 333 | 203 | 289 |
| Other commission | 5,557 | Other commission | 3,958 | 3,389 | 3,444 | 5,188 |
| Beneficiary certificates | 1,868 | Beneficiary certificates | 1,364 | 1,182 | 1,001 | 691 |
| Net gain on trading | 83,995 | Net gain on trading | 6,614 | 2,449 | 3,031 | 13,993 |
| Stock and other | 77,795 | Stock and other | 4,278 | (1,995) | 5,048 | 7,422 |
| Bond and other | 8,431 | Bond and other | 5,205 | (2,750) | 1,559 | 5,551 |
| Forex and other | (2,231) | Forex and other | (2,869) | 7,195 | (3,576) | 1,019 |
| Net gain on other commodities trading | - | | | | | |
| Interest and dividend income | 7,833 | Interest and dividend income | 7,238 | 4,040 | 11,419 | 5,968 |
| | | Interest expenses | 1,995 | 1,755 | 1,531 | 1,528 |
| | | Net operating revenues | 24,962 | 19,209 | 25,951 | 32,546 |
| Operating expenses | 27,883 | | | | | |
| Selling, general and administrative expenses | 23,711 | Selling, general and administrative expenses | 22,840 | 23,950 | 20,975 | 22,522 |
| Commission and other expenses | 7,458 | Commission and other expenses | 7,225 | 9,208 | 6,975 | 7,813 |
| Employees' compensation and benefits | 6,717 | Employees' compensation and benefits | 5,909 | 5,815 | 5,042 | 5,723 |
| Real estate expenses | 2,657 | Real estate expenses | 2,803 | 2,859 | 2,726 | 2,927 |
| Data processing and office supplies | 3,562 | Data processing and office supplies | 4,062 | 3,277 | 3,429 | 3,215 |
| Depreciation expenses | 1,661 | Depreciation expenses | 1,737 | 1,879 | 1,946 | 2,043 |
| Taxes other than income taxes | 945 | Taxes other than income taxes | 686 | 524 | 483 | 272 |
| Others | 708 | Others | 416 | 386 | 370 | 524 |
| Interest expenses | 4,172 | | | | | |
| Operating income | 79,757 | Operating income | 2,122 | (4,740) | 4,975 | 10,024 |
| Non-operating income | 261 | Non-operating income | 249 | 127 | 422 | 269 |
| Non-operating expenses | 114 | Non-operating expenses | 8 | 221 | (94) | 85 |
| Ordinary income | 79,905 | Ordinary income | 2,363 | (4,834) | 5,492 | 10,209 |
| Extraordinary gains | - | Extraordinary gains | 994 | 2,653 | 18 | (62) |
| Extraordinary losses | 233 | Extraordinary losses | 5,323 | 484 | 187 | 653 |
| Income before income taxes and others | 79,671 | Income before income taxes and others | (1,965) | (2,666) | 5,323 | 9,492 |
| Income taxes-current | 30,140 | Income taxes-current | 3 | 23 | 4 | 55 |
| Income taxes-deferred | 2,991 | Refund of Income taxes | - | 124 | 65 | 0 |
| | | Reversal of accrued income taxes | 33 | - | - | - |
| | | Income taxes-deferred | (638) | (805) | 2,166 | 4,171 |
| Net income | 46,538 | Net income | (1,297) | (1,759) | 3,217 | 5,266 |

Note: The operating results are presented in accordance with the amended "Uniform Accounting Standards of Securities Companies" (set by the board of directors of the Japan Securities Dealers' Association, September 28, 2001) since the first half of fiscal 2001. The operating results for the first quarter of fiscal 2001 are reclassified in that manner.