

**Daiwa Securities SMBC Co.Ltd.**

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Tokyo 103-8289, Japan

July 25, 2002

**Non-consolidated financial summary**

(For the first quarter ended June 30, 2002)

## (1) Operating results (from April 1, 2002 to June 30, 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
First quarter (2002/6)	28,883	7.1%	27,149	-	4,824	127.1%
First quarter (2001/6)	26,959		-		2,124	
Fiscal 2001 (2002/3)	109,481		102,670		12,381	

	Ordinary income		Net income		Return on stockholders' equity (Annual basis)
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr Change	
First quarter (2002/6)	4,976	110.5%	2,768	-	3.2%
First quarter (2001/6)	2,363		(1,297)		(1.4)%
Fiscal 2001 (2002/3)	13,231		5,426		1.5%

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 Jun. 30, 2002	5,564,938	350,446	6.3%	468.3%
As of Jun. 30, 2001	5,650,331	341,546	8.1%	450.9%
As of Mar. 31, 2002	4,344,082	347,628	8.0%	500.2%

Note.1 . Number of shares outstanding:

As of Jun.30, 2002: 3,200

As of Jun.30, 2001: 3,200

As of Mar.31, 2002: 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.

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**Results of Operation**

(A) Overview of Operating Income (Comparisons in parenthesis are made versus the first quarter of fiscal 2001)

(1) Commissions

For the first quarter ended June 30, 2002, total commission revenues amounted to 10,960 million yen (16.4% down), of which 5,849 million yen (10.4% down) were derived from equity, 2,701 million yen (7.8% down) from fixed income, and 701 million yen (53.0% down) from Beneficiary Certificates. The components of the commissions received are set forth below:

a) Brokerage Commissions

Total Brokerage commissions amounted to 2,551 million yen (8.2% down) due to the decreased daily average volume of Stocks traded in Tokyo Stock Exchange Market (886 billion yen, 2.4% decrease).

b) Underwriting Commissions

Underwriting Commissions totaled 5,413 million yen (12.5% down). Underwriting commissions derived from equity were 3,217 million yen (10.1% down). Underwriting commissions derived from fixed income also decreased to 2,196 million yen (15.8% down) due to the decreased public and private placement offerings of corporate bonds.

c) Distribution Commissions

Revenues from distribution commissions decreased to 163 million yen (8.6% down). Distribution commissions received from Investment Trust increased compared to the first quarter of last year.

d) Other Commissions

Other Commissions amounted to 2,831 million yen, a 28.5% less than the same period of last year, in which fees derived from asset management of Investment Trust decreased significantly by 60.2% to 543 million yen. Within the other commissions, M & A, Financial Advisory Service, IPO consulting, and so forth generated 1,707 million yen (20.8% down).

(2) Net Gain on Trading Securities

Net trading gain derived from equity sales amounted to 5,243 million yen (22.5% up). Net trading gain from fixed income together with net trading gain from foreign exchange transactions made a good start, generating 8,659 million yen (270.6% up). Consequently, total net trading gain for this first quarter came to 13,902 million yen (110.2% up).

(3) Net Interest and Dividend Income

Interest and Dividend Income totaled 4,021 million yen, whereas Interests Expenses totaled 1,734 million yen. Net Interest and Dividend Income came to 2,286 million yen, a 56.4% decrease compared with the first quarter of last year. Benefited from the current money market with low interest rate, interest expenses were relatively low, although whose effect was overall offset by the decrease of dividends and bond interest revenues.

(4) Selling, General and Administrative Expenses

Commissions paid and depreciation expenses were increased to 7,767 million yen (7.5% up) and 2,014 million yen (15.9% up), respectively. On the other hand, employment expense, data processing & office supply expense, and real estate expense were decreased to 5,527 million yen (6.5% down), 3,604 million yen (11.3% down), 2,418 million yen (13.7% down), respectively. Overall, the total selling General and Administration Expenses were 22,324 million yen (2.3% down), a decrease since last year with the Company's constant effort of expenditure control.

In conclusion, Operating Revenues for the first quarter of fiscal 2002 resulted in 28,883 million yen (7.1% up), and Net Operating Revenue in 27,149 million yen. Operational Income resulted in 4,824 million yen (127.1% up), and Ordinary Income in 4,976 million yen (110.5% up).

Net Extraordinary Loss of 216 million yen was arisen. Finally, reversing its negative figure of the first quarter of fiscal 2001, the Net Income came to 2,768 million yen for this first quarter of fiscal 2002.

(B) Financial Condition

During the first quarter of fiscal 2002, the total assets were increased by 1,220.8 billion yen to 5,564.9 billion yen compared with the first quarter of last year. Increased position of government bonds principally caused trading security account increased by 995.2 billion yen; and short-term loans were increased by 164.4 billion yen, Receivable on Collateralized Securities Transactions by 104.0 billion yen.

On the other hand, the total liabilities were 5,214.4 billion yen, a 1,218.0 billion yen more than the first quarter of last year. Payable on Collateralized Securities Transactions increased by 564.7 billion yen, and Trade date Accrual by 619.4 billion yen. The company newly issued 37.6 billion yen of corporate bond in order to raise funds. Total Shareholder's Equity increased by 2.8 billion yen to 350.4 billion compared to last year.

**Balance Sheet**

(millions of yen)

(millions of yen)

	First quarter Jun.30 2002	Fiscal 2001 Mar.31 2002		First quarter Jun.30 2001
<b>Assets</b>			<b>Assets</b>	
<b>Current assets:</b>	<b>5,423,450</b>	<b>4,197,042</b>	<b>Current assets:</b>	<b>5,513,174</b>
Cash and time deposits	46,821	87,985	Cash and time deposits	47,001
Cash segregated as deposits	20,005	22,233	Cash segregated as deposits related to securities transactions	1,819
Trading assets:	3,186,085	2,190,816	Receivables	2,270
Trading securities and others	2,790,360	1,848,322	Advance payments on securities subscribed	2,719
Derivative assets	395,724	342,493	Short-term loans receivable	108,634
Receivables related to margin transactions:	77,002	70,253	Accrued income	8,660
Loans receivable from customers for margin transactions	56	8	Trading assets:	2,432,589
Cash deposits as collateral for securities borrowed from securities finance companies	76,945	70,244	Trading securities and others	2,067,202
Receivable on collateralized securities transactions:	1,801,038	1,696,982	Option transactions	34,321
Cash deposits as collateral for securities borrowed	1,671,322	1,559,260	Derivative valuation accounts	331,065
Receivables related to Gensaki transactions	129,716	137,722	Receivables related to margin transactions:	101,560
Receivables	195	1,980	Cash deposits as collateral for securities borrowed from securities finance companies	101,560
Short-term guarantee money deposited	11,096	9,109	Receivables related to Gensaki transactions	612,128
Short-term loans receivable	251,610	87,174	Cash deposits as collateral for securities borrowed	756,981
Accrued income	3,508	5,613	Securities in custody	1,413,762
Other current assets	26,181	24,945	Short-term guarantee money deposited	8,436
Less: Allowance for doubtful accounts-current	(94)	(52)	Deferred income tax assets-current	8,988
			Other current assets	7,695
			Less: Allowance for doubtful accounts-current	(74)
<b>Non-current assets:</b>	<b>141,487</b>	<b>147,039</b>	<b>Non-current assets:</b>	<b>137,157</b>
Tangible fixed assets	4,044	4,376	Tangible fixed assets	4,954
Intangible fixed assets	25,400	26,660	Intangible fixed assets	22,389
Investments and others:	112,042	116,002	Investments and others:	109,813
Investment securities	44,145	43,919	Investment securities	41,730
Long-term loans receivable	1,045	1,042	Long-term loans receivable	43
Long-term guarantee deposits	6,298	7,427	Long-term guarantee deposits	7,568
Deferred income tax assets	55,987	58,927	Deferred income tax assets-non-current	54,545
Other investments	4,808	4,928	Other investments	6,048
Less: Allowance for doubtful accounts-non-current	(243)	(243)	Less: Allowance for doubtful accounts-non-current	(123)
<b>Total assets</b>	<b>5,564,938</b>	<b>4,344,082</b>	<b>Total assets</b>	<b>5,650,331</b>

(millions of yen)

(millions of yen)

	First quarter Jun.30 2002	Fiscal 2001 Mar.31.2002		First quarter Jun.30 2001
<b>Liabilities</b>			<b>Liabilities</b>	
<b>Current liabilities:</b>	<b>4,899,023</b>	<b>3,690,236</b>	<b>Current liabilities:</b>	<b>5,100,716</b>
Trading liabilities:	1,392,605	1,072,774	Short-term borrowings	211,440
Trading securities and others	1,043,360	767,688	Commercial paper	298,500
Derivative liabilities	349,245	305,085	Bonds due within one year	2,900
Trade date accrual	798,092	178,643	Deposits received	21,904
Payables related to margin transactions:	21,787	25,267	Trade date accrual	87,735
Proceeds of securities sold for margin transactions	21,787	25,267	Advance receipts on securities subscribed	3,390
Payables on collateralized securities transactions	1,143,274	578,574	Accrued expenses	4,261
Cash deposits as collateral for securities loaned	1,071,841	500,477	Trading liabilities:	1,010,939
Payables related to Gensaki transactions	71,432	78,096	Trading securities and others	662,623
Deposits received	6,852	10,537	Option transactions	29,252
Cash deposits received from customers	22,636	23,273	Derivative valuation accounts	319,063
Short-term borrowings	1,117,558	1,413,104	Payables related to margin transactions:	21,869
Commercial paper	357,500	366,100	Proceeds of securities sold for margin transactions	21,869
Bonds due within one year	14,508	4,604	Payables related to Gensaki transactions	345,402
Accrued expenses	4,077	4,884	Cash deposits as collateral for securities loaned	1,630,731
Accrued income taxes	50	50	Short-term securities borrowed	1,240,278
Deferred income tax liabilities	-	460	Cash deposits received from customers	44,913
Other current liabilities	20,080	11,961	Securities deposited by customers as collateral	173,484
			Accrued income taxes	3
<b>Non-current liabilities:</b>	<b>312,954</b>	<b>303,906</b>	Other current liabilities	2,960
Bonds	209,700	200,800	<b>Non-current liabilities:</b>	<b>206,336</b>
Long-term borrowings	100,000	100,000	Bonds	99,200
Accrued retirement benefits	2,610	2,530	Long-term borrowings	100,000
Other non-current liabilities	644	576	Accrued retirement benefits	2,002
			Multiemployer pension plan	4,232
<b>Statutory reserves:</b>	<b>2,513</b>	<b>2,310</b>	Other non-current liabilities	900
Reserve for securities transaction liabilities	2,513	2,310	<b>Statutory reserves:</b>	<b>1,732</b>
Reserve for financial futures transaction liabilities	0	0	Reserve for securities transaction liabilities	1,731
			Reserve for financial futures transaction liabilities	0
<b>Total liabilities</b>	<b>5,214,491</b>	<b>3,996,453</b>	<b>Total liabilities</b>	<b>5,308,784</b>
<b>Stockholders' equity</b>			<b>Stockholders' equity</b>	
Common stock	205,600	205,600	Common stock	205,600
Capital surplus	117,321	-		
Additional paid-in capital	117,321	-		
Earned surplus	27,588	-		
Earned surplus reserve	5,141	-		
Special reserve for depreciation	301	-		
Unappropriated retained earnings including net income 2,768 million yen for the current term	22,145	-		
Legal reserve:	-	122,462	Legal reserve:	122,462
Additional paid-in capital	-	117,321	Additional paid-in capital	117,321
Earned surplus reserve	-	5,141	Earned surplus reserve	5,141
Retained earnings:	-	19,678	Retained earnings:	12,954
Special reserve for depreciation	-	359	Special reserve for depreciation	359
Unappropriated retained earnings including net income 5,426 million yen for the fiscal 2001	-	19,319	Unappropriated retained earnings including net loss 1,297 million yen for the 1st quarter of FY2001	12,595
Revaluation reserve for investment securities, net of tax effect	(62)	(112)	Revaluation reserve for investment securities, net of tax effect	530
<b>Total stockholders' equity</b>	<b>350,446</b>	<b>347,628</b>	<b>Total stockholders' equity</b>	<b>341,546</b>
<b>Total liabilities and stockholders' equity</b>	<b>5,564,938</b>	<b>4,344,082</b>	<b>Total liabilities and stockholders' equity</b>	<b>5,650,331</b>

**Income Statement**

(millions of yen)

(millions of yen)

	First quarter Apr. 1, 2002 - Jun. 30, 2002	Fiscal 2001 Apr. 1, 2001 - Mar. 31, 2002		First quarter Apr. 1, 2001 - Jun. 30, 2001
<b>Operating revenues</b>	<b>28,883</b>	<b>109,481</b>	<b>Operating revenues</b>	<b>26,959</b>
Commissions	10,960	54,724	Commissions	13,104
Net gain on trading securities	13,902	26,089	Net gain on trading securities	6,614
Interest and dividend income	4,021	28,667	Net gain on other commodities trading	-
<b>Interest expenses</b>	<b>1,734</b>	<b>6,810</b>	Interest and dividend income	7,240
<b>Net operating revenues</b>	<b>27,149</b>	<b>102,670</b>	<b>Operating expenses:</b>	<b>24,835</b>
<b>Selling, general and administrative expenses:</b>	<b>22,324</b>	<b>90,288</b>	<b>Selling, general and administrative expenses:</b>	<b>22,840</b>
Commission and other expenses	7,767	31,222	Commission and other expenses	7,225
Employees' compensation and benefits	5,527	22,491	Employees' compensation and benefits	5,909
Real estate expenses	2,418	11,316	Real estate expenses	2,803
Data processing and office supplies	3,604	13,985	Data processing and office supplies	4,062
Depreciation expenses	2,014	7,607	Depreciation expenses	1,737
Taxes other than income taxes	522	1,967	Taxes other than income taxes	686
Others	469	1,697	Others	416
			<b>Interest expenses:</b>	<b>1,995</b>
<b>Operating income</b>	<b>4,824</b>	<b>12,381</b>	<b>Operating income</b>	<b>2,124</b>
Non-operating income	234	1,069	Non-operating income	248
Non-operating expenses	82	220	Non-operating expenses	8
<b>Ordinary income</b>	<b>4,976</b>	<b>13,231</b>	<b>Ordinary income</b>	<b>2,363</b>
Extraordinary gains	4	3,604	Extraordinary gains	994
Extraordinary losses	220	6,650	Extraordinary losses	5,323
<b>Income before income taxes and others</b>	<b>4,759</b>	<b>10,184</b>	<b>Income before income taxes and others</b>	<b>(1,965)</b>
Income taxes-current	236	87	Income taxes-current	3
Refund of Income taxes	1	190	Refund of Income taxes	-
Reversal of accrued income taxes	-	33	Reversal of accrued income taxes	33
Income taxes-deferred	1,756	4,894	Income taxes-deferred	(638)
<b>Net income</b>	<b>2,768</b>	<b>5,426</b>	<b>Net income</b>	<b>(1,297)</b>
Unappropriated retained earnings-carryforward	19,376	13,892	Unappropriated retained earnings-carryforward	13,892
Unappropriated retained earnings	22,145	19,319	Unappropriated retained earnings	12,595

**Notes to financial statements**

The financial statements of the Company are prepared in accordance with the “Commercial Code Enforcement Regulation” (Ministry of Justice Ordinance No.22, 2002), 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

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 June 30, 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.

**Notes to balance sheet**

## 1. Accumulated depreciation of tangible fixed assets

	<u>As of Jun. 30, 2002</u>	<u>As of Mar. 31, 2002</u>	<u>As of Jun. 30, 2001</u>
	6,167	5,827	4,447

## 2. Guarantee

	<u>As of Jun. 30, 2002</u>	<u>As of Mar. 31, 2002</u>	<u>As of Jun. 30, 2001</u>
	407	410	5,922

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).

**Notes to income statement**

## 1. Details of extraordinary gains/losses

	First quarter <u>Apr. 1, 2002 - Jun. 30, 2002</u>	Fiscal 2001 <u>Apr. 1, 2001 - Mar. 31, 2002</u>	(millions of yen) First quarter <u>Apr. 1, 2001 - Jun. 30, 2001</u>
Extraordinary gains			
Gain on sale of investment securities	4	233	125
Reversal of multiemployer pension plan (Note 1)	-	2,599	-
Reversal of allowance for doubtful accounts	-	771	869
Extraordinary losses			
Write-off of investment securities	-	480	34
Valuation loss of fixed assets	-	272	-
Loss on sale of investment securities	18	33	-
Write-off of goodwill (Note2)	-	5,000	5,000
Non-deductible consumer tax relating to goodwill	-	93	98
Provision for securities transaction liabilities	202	769	190

(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.

**Supplemental information for the first quarter ended June 30, 2002**

(Apr. 1, 2002 – Jun. 30 2002)

## 1. Breakdown of commission revenue

## (1) Activity

(millions of yen)

	First quarter (2002/6)	First quarter (2001/6)	Yr/yr change	Fiscal 2001 (2002/3)
<b>Brokerage commission</b>	<b>2,551</b>	<b>2,778</b>	(8.2)%	<b>10,727</b>
Stock and other	2,512	2,748	(8.6)%	10,517
Bond and other	30	30	0.1%	190
<b>Underwriting</b>	<b>5,413</b>	<b>6,188</b>	(12.5)%	<b>26,306</b>
Stock and other	3,217	3,579	(10.1)%	15,716
Bond and other	2,196	2,609	(15.8)%	8,973
<b>Distribution</b>	<b>163</b>	<b>179</b>	(8.6)%	<b>1,709</b>
Beneficiary certificates	150	127	17.8%	953
<b>Other commission</b>	<b>2,831</b>	<b>3,958</b>	(28.5)%	<b>15,980</b>
Beneficiary certificates	543	1,364	(60.2)%	4,240
<b>Total</b>	<b>10,960</b>	<b>13,104</b>	(16.4)%	<b>54,724</b>

## (2) Asset class

(millions of yen)

	First quarter (2002/6)	First quarter (2001/6)	Yr/yr change	Fiscal 2001 (2002/3)
Stock and other	5,849	6,526	(10.4)%	26,684
Bond and other	2,701	2,931	(7.8) %	12,411
Beneficiary certificates	701	1,492	(53.0)%	6,829
Others	1,707	2,155	(20.8)%	8,798
<b>Total</b>	<b>10,960</b>	<b>13,104</b>	(16.4)%	<b>54,724</b>

## 2. Breakdown of trading gains/losses

(millions of yen)

	First quarter (2002/6)	First quarter (2001/6)	Yr/yr change	Fiscal 2001 (2002/3)
<b>Stock and other</b>	<b>5,243</b>	<b>4,278</b>	22.5%	<b>14,753</b>
<b>Bond, Forex and other</b>	<b>8,659</b>	<b>2,336</b>	270.6%	<b>11,335</b>
Bond and other	6,093	5,205	17.0%	9,566
Forex and other	2,565	(2,869)	- %	1,768
<b>Total</b>	<b>13,902</b>	<b>6,614</b>	110.2%	<b>26,089</b>

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

	First quarter (2002/6)		First quarter (2001/6)		Yr/yr change		Fiscal 2001 (2002/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of Shares	Amount
<b>Total</b>	<b>10,005</b>	<b>11,623,041</b>	<b>9,457</b>	<b>12,703,012</b>	5.8%	(8.5)%	<b>38,404</b>	<b>43,419,448</b>
Dealing (a)	5,574	6,233,626	5,328	7,030,059	4.6%	(11.3)%	21,040	23,460,803
Brokerage (b)	4,431	5,389,415	4,128	5,672,953	7.3%	(5.0)%	17,364	19,958,645
b/(a + b)	44.3%	46.4%	43.7%	44.7%			45.2%	46.0%
TSE share	6.6%	7.1%	5.4%	6.8%			6.5%	7.1%

4. Underwriting activities (millions of share, millions of yen)

	First quarter (2002/6)	First quarter (2001/6)	Yr/yr change	Fiscal 2001 (2002/3)
<u>Underwriting:</u>				
Stock (number of shares)	9	14	(32.2)%	63
(yen amount)	92,672	72,129	28.5%	272,702
Bond (face value)	1,225,272	1,079,250	13.5%	3,605,953
Beneficiary Certificates (face value)	-	-	-	52,500
CP & others (face value)	423,670	545,110	(22.3)%	1,600,110
<u>Distribution (*)</u>				
Stock (number of shares)	9	14	(32.2)%	63
(yen amount)	92,724	72,129	28.6%	272,887
Bond (face value)	1,236,555	1,028,473	20.2%	3,393,263
Beneficiary certificates (face value)	289,502	551,410	(47.5)%	1,610,511
CP & others (face value)	411,670	545,110	(24.5)%	1,584,110

(\*)Including secondary offering and private placement

5. Capital adequacy ratio (millions of yen)

		Jun. 30, 2002	Jun. 30, 2001	Mar. 31, 2002
Basic item	Stockholders' equity (A)	350,446	341,016	347,628
Supplementary item	Valuation profits of investment securities	-	530	-
	Statutory reserve	2,513	1,732	2,310
	Allowance for doubtful accounts	94	74	52
	Subordinated borrowings	100,000	100,000	100,000
	Total (B)	102,607	102,337	102,362
	Assets excluded from capital (C)	138,376	133,327	144,253
	Net capital (A)+(B)-(C) (D)	314,678	310,026	305,738
Risk equivalent	Market risk equivalent	33,203	35,717	27,250
	Counterparty risk equivalent	14,063	13,501	13,364
	Basic risk equivalent	19,927	19,527	20,498
	Total (E)	67,194	68,747	61,112
	Capital adequacy ratio (D)/(E)	468.3%	450.9%	500.2%

(Reference Data)

**Quarterly income statement**

(millions of yen)

	Fiscal 2001				Fiscal 2002
	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	First quarter Apr. 1, 2002 - Jun. 30, 2002
<b>Operating revenue</b>	<b>26,957</b>	<b>20,965</b>	<b>27,482</b>	<b>34,075</b>	<b>28,883</b>
Commissions	13,104	14,475	13,030	14,112	10,960
Brokerage commission	2,778	2,687	2,535	2,725	2,551
(Stock and other)	2,748	2,630	2,489	2,649	2,512
(Bond and other)	30	51	38	69	30
Underwriting commission	6,188	7,876	6,571	5,669	5,413
(Stock and other)	3,579	5,228	3,228	3,680	3,217
(Bond and other)	2,609	2,647	1,727	1,989	2,196
Distribution commission	179	522	479	528	163
(Beneficiary certificates)	127	333	203	289	150
Other commission	3,958	3,389	3,444	5,188	2,831
(Beneficiary certificates)	1,364	1,182	1,001	691	543
Net gain on trading	6,614	2,449	3,031	13,993	13,902
(Stock and other)	4,278	(1,995)	5,048	7,422	5,243
(Bond and other)	5,205	(2,750)	1,559	5,551	6,093
(Forex and other)	(2,869)	7,195	(3,576)	1,019	2,565
Interest and dividend income	7,238	4,040	11,419	5,968	4,021
Interest expenses	1,995	1,755	1,531	1,528	1,734
<b>Net operating revenues</b>	<b>24,962</b>	<b>19,209</b>	<b>25,951</b>	<b>32,546</b>	<b>27,149</b>
Selling, general and administrative expenses	22,840	23,950	20,975	22,522	22,324
Commission and other expenses	7,225	9,208	6,975	7,813	7,767
Employees' compensation and benefits	5,909	5,815	5,042	5,723	5,527
Real estate expenses	2,803	2,859	2,726	2,927	2,418
Data processing and office supplies	4,062	3,277	3,429	3,215	3,604
Depreciation expenses	1,737	1,879	1,946	2,043	2,014
Taxes other than income taxes	686	524	483	272	522
Others	416	386	370	524	469
<b>Operating income</b>	<b>2,122</b>	<b>(4,740)</b>	<b>4,975</b>	<b>10,024</b>	<b>4,824</b>
Non-operating income	249	127	422	269	234
Non-operating expenses	8	221	(94)	85	82
<b>Ordinary income</b>	<b>2,363</b>	<b>(4,834)</b>	<b>5,492</b>	<b>10,209</b>	<b>4,976</b>
Extraordinary gains	994	2,653	18	(60)	4
Extraordinary losses	5,323	484	187	653	220
<b>Income before income taxes and others</b>	<b>(1,965)</b>	<b>(2,666)</b>	<b>5,323</b>	<b>9,492</b>	<b>4,759</b>
Income taxes-current	3	23	4	55	236
Refund of income taxes	-	124	65	0	1
Reversal of accrued income taxes	33	-	-	-	-
Income taxes-deferred	(638)	(805)	2,166	4,171	1,756
<b>Net income</b>	<b>(1,297)</b>	<b>(1,759)</b>	<b>3,217</b>	<b>5,266</b>	<b>2,768</b>

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.