

Medium and Long Term Vision

-Realizing Sustainable and Stable Growth-



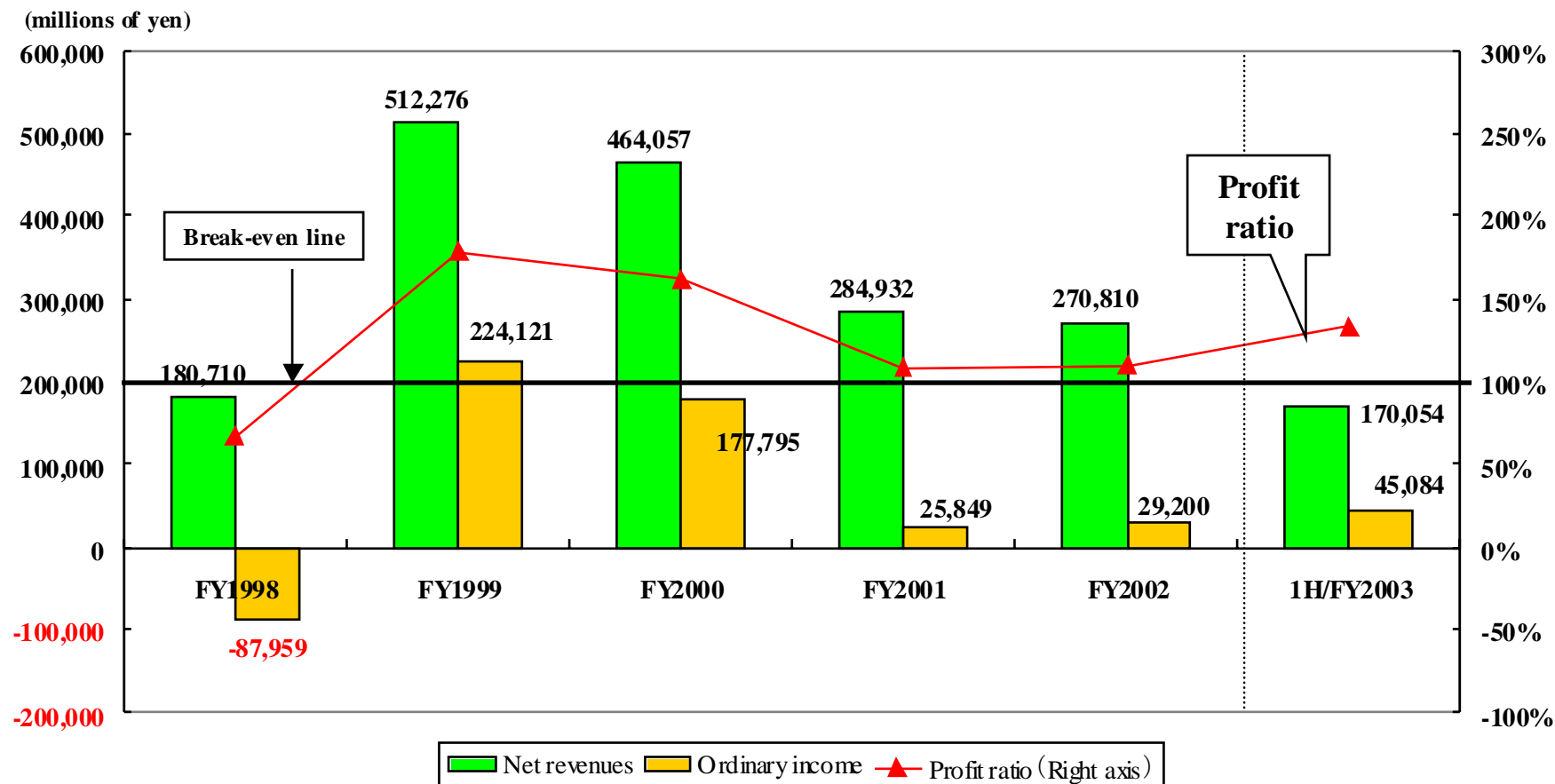
December 2003

Daiwa Securities Group, Inc.

The purpose of this presentation is to provide information on the future management vision of Daiwa Securities Group as well as achievements made in the time to the FY2003 interim period. This presentation is not a solicitation to invest in securities issued by the Daiwa Securities Group. The content of this presentation is based on data valid as of November 13, 2003. Opinions and forecasts stated herein reflect the judgment of Daiwa Securities Group as of the time of compilation of this documentation. Daiwa Securities Group undertakes no warranty or guarantee with respect to the accuracy and completeness of the information contained herein, which is subject to change without notice.

Our Earnings Base is Gradually Strengthening

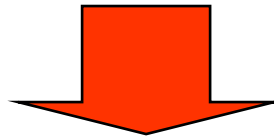
but the rebound is at a low level...



*Profit ratio=Net revenues/SG&A Expenses

“Sustainable Growth” is Our Foremost Objective

Gaining the “Trust” of customers, shareholders and employees, is essential to create corporate value (=the Daiwa Securities Group BRAND)

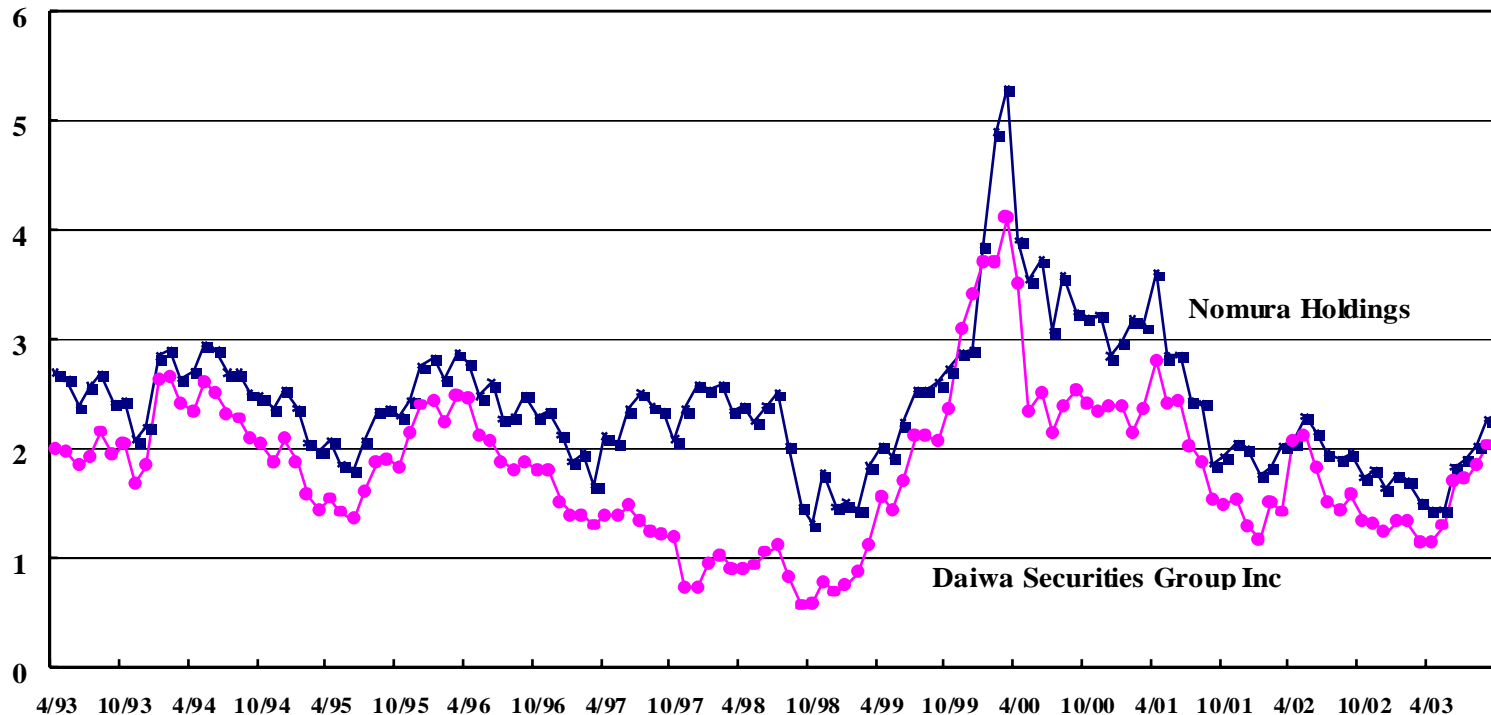


- **Stability and sustainability are prerequisites for gaining “Trust”**
- **Realization of steady growth in the face of volatile markets**

Stability Is the Power of an Established Brand

Differences in brand power becomes evident in times of economic downturn as can be seen by the trend in differential of PBR

(Times)



Best Brand Daiwa 2005 -What we want to achieve-

TOP LINE Strategy

Pursue revenue growth driven by quality-oriented differentiation

| Business Model | Effects | |
|--|-----------|------------------|
| | Stability | Growth Potential |
| Conventional Growth Pattern (Volume-oriented competition) | × | ○ |
| Contraction | ○ | × |
| New Growth Pattern (Quality-oriented differentiation and creativity) | ◎ | ◎ |

Becoming Number One in Quality and Productivity

Quality Enhancements

- Providing high-quality products through collaboration across the Group

New Product Development Project

Out of 90 proposals, 6 have been promoted to investors

Ex) Exchangeable bonds with accelerated redemption, etc.

- Training to improve skills of senior consultants
- Expansion of products and services offered under the 'Daiwa Direct' course
- Proposal-based activities by the Research & Advisory Department
- Improvement in performance of funds under management

Productivity Enhancements

- Introduction of new personnel management system based on performance-oriented compensation

Daiwa Securities

Maximum 25 times difference in bonus

Daiwa Securities

Introduction of section- SMBC specific bonus assessment

- Consolidation of branch offices
126 (3/31/ 03) to be reduced to 120 (12/ 5/03)
*numbers exclude Station Plaza
- Nationwide adoption of satellite-branch system
Staff increase for internal marketing functions
- Part-timer ratio among clerical staff to be raised to 50% by 2005 (42% as of 9/03)

Group Management Strategy

- Application of the Main Business Sectors -



Retail Securities Business

Domination of the retail securities business implies domination of Japan's securities industry

1. Positioning: Core operation

Necessary to secure stable earnings and high earnings power

2. Strategy:

Securing stable earnings→TOP LINE Strategy

Number One in Quality:

Expansion of customer base by differentiation in products and services

Realization of high earnings power→BOTTOM LINE Strategy

Number One in Productivity:

Reinforcement of earning power through enhanced productivity

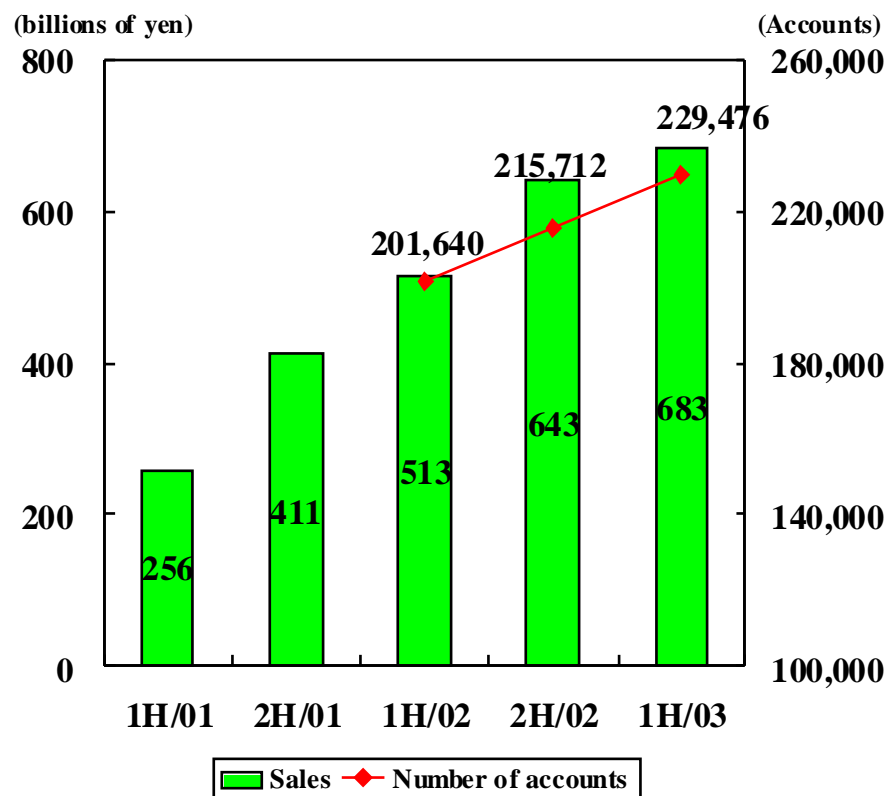


Retail Securities Business: TOP LINE Strategy

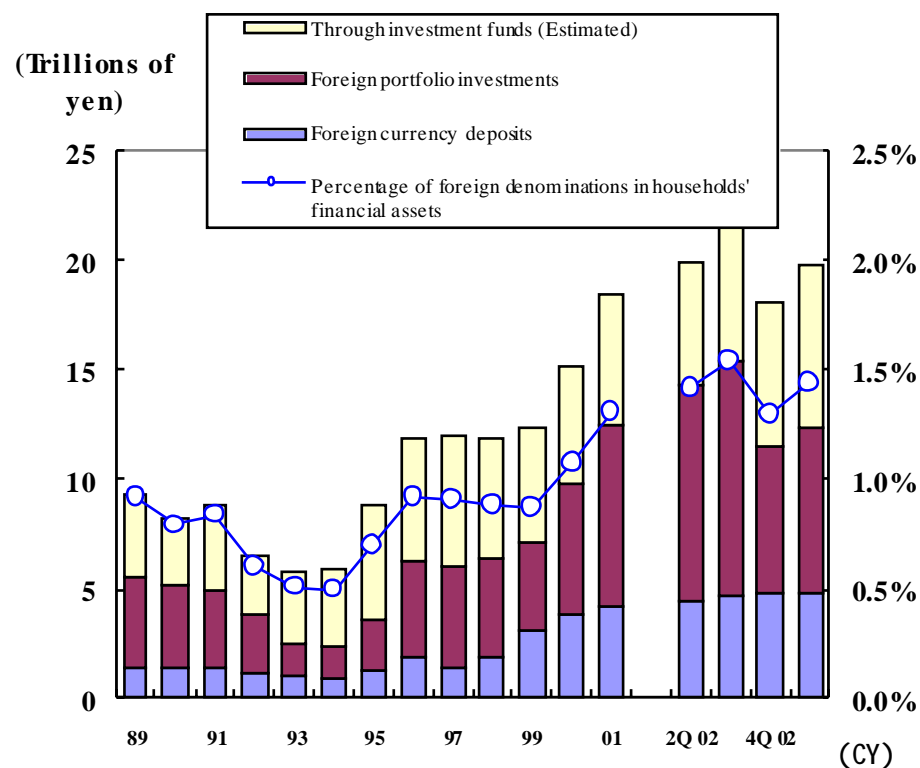
Differentiation Factor (1) -Products and Services (I)-

Foreign-currency denominated bonds:
The weighting of foreign-currency denominated bonds in household portfolios is still low, leaving substantial room for future expansion.

Sales of foreign currency denominated bonds and number of accounts



Foreign-denominated financial assets of households



Source: Bank of Japan; Flow of Funds Account; Daiwa Institute of Research,

Retail Securities Business: TOP LINE Strategy

Differentiation Factor (1) -Products and Services (II)-

**Equity investment funds with monthly distribution:
Currency and regional diversification**

Currency Diversification

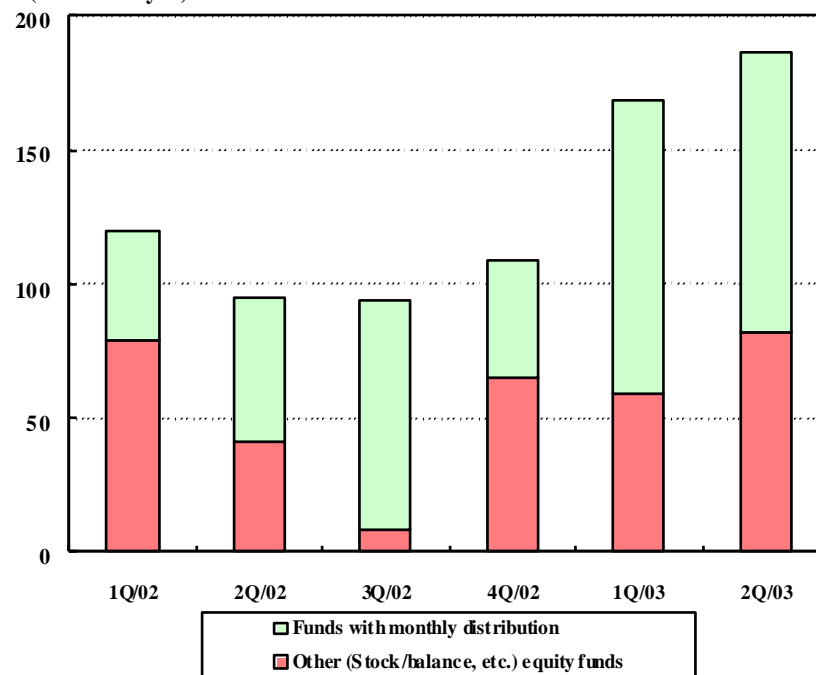
| | Domestic investment funds (Yen-denominated) | Foreign investment funds (Local-currency denominated) |
|-----|--|---|
| USD | USD High-Rating Bond Open | International Bond Trust (IBT) |
| EUR | MyEuro | Euro Bond Fund with monthly distribution |
| AUD | AUD High-Rating Bond Open | Australian Bond Fund with monthly distribution |
| CAD | CAD High-Rating Bond Open | Canadian Bond Fund with monthly distribution |

Regional Diversification

| | |
|---|--|
| U.S. | U.S. Preferred Securities Fund (with monthly distribution) |
| Euro and North and East European Currencies | Daiwa European Bond Fund (with monthly distribution) |
| Australia/New Zealand | Daiwa Oceania Bond Fund (with monthly distribution) |
| Emerging Countries | Emerging Bond Fund (with monthly distribution) |
| Global (North America, Europe, Oceania) | Daiwa Global Bond Fund |

Sales of Equity Investment Trusts

(billions of yen)



Stock-Related Services:

- VWAP-G Trades
- Special-Agreement Stock Lending Transactions
- Pair Trades

Retail Securities Business: TOP LINE Strategy

Differentiation Factor (1) -Products and Services (III)-

Online (internet) service: Creation of a top quality information and transaction platform distinct from other full-service securities companies

Expansion of Online (Internet) Services

● Wider scope of information

- Website renewal (extended scope of market information, etc.)
- Active usage of group-internal contents (Internet TV, etc.)

● Expanded contents

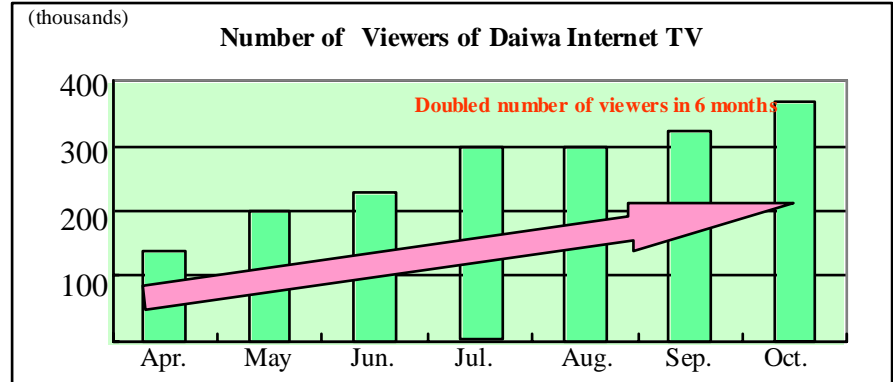
- Access to electronic prospectus
- Provide automatic share price updates
- Mail service

● Expanded range of securities offered

- Funds with monthly distribution, C\$ denominated MMF

Daiwa Internet TV www.daiwa.co.jp/bb

Japan's prime site for streaming of business information, owned and operated by the Daiwa Securities Group- Over 3 years in operation with over 10,000 viewers daily



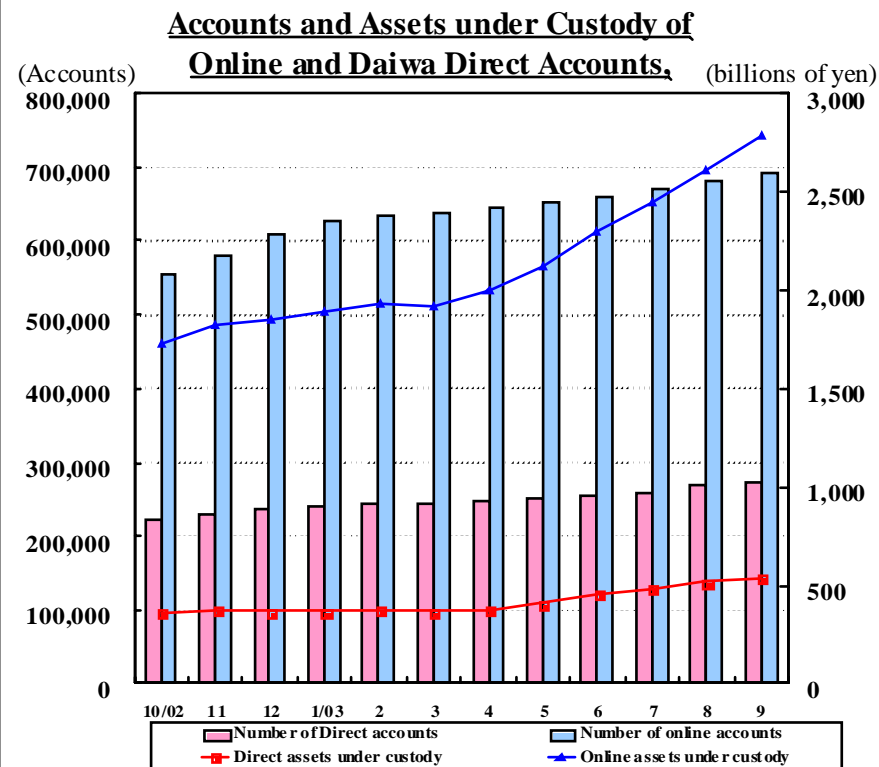
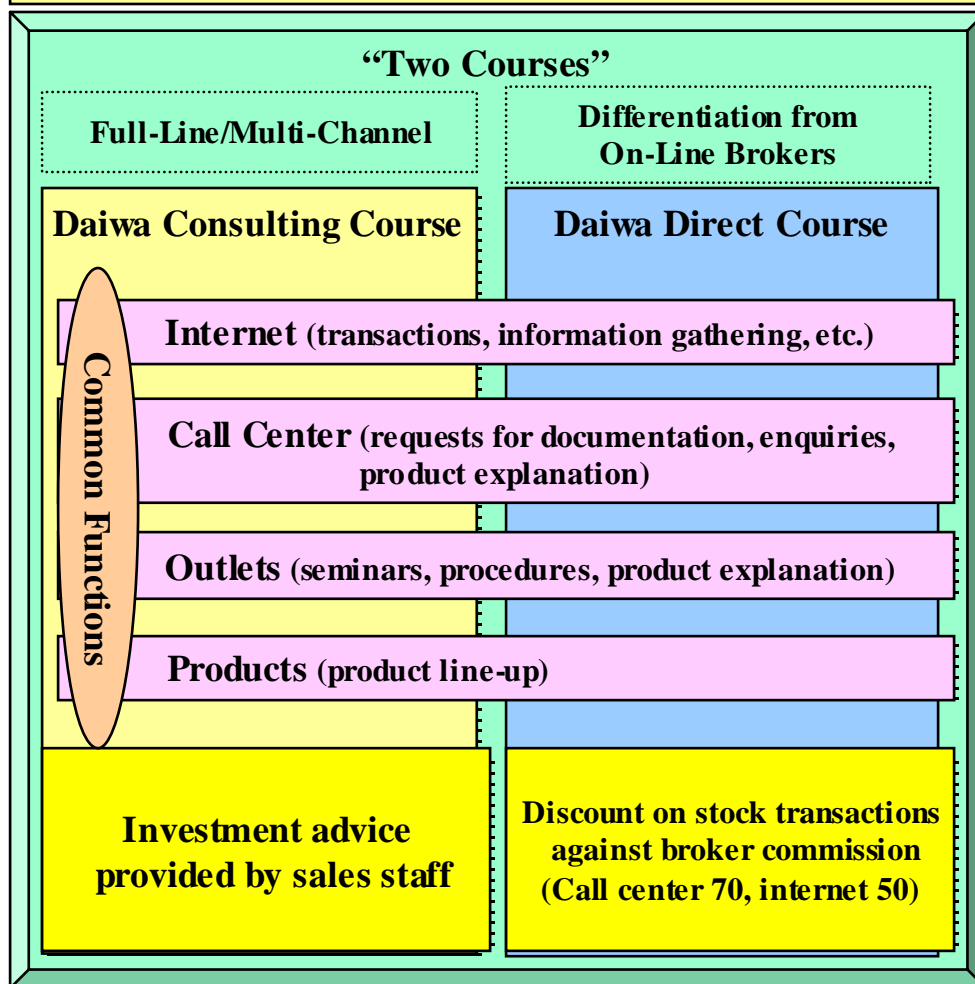
Overwhelming difference in visual contents

- **Five daily-updated market information programs**
(New York, morning, close of morning session, close of afternoon session, investment strategy)
- **15 analyst reports from DIR, with coverage expanding by 5 issues monthly**
- **63 analyst-reports across 9 sectors from NY-based analysts coverage expanding by nearly 1 issue each week**
- **Program of TV broadcast quality (usage of SKY PerfectTV! distribution program)**

Retail Securities Business: TOP LINE Strategy

Differentiation Factor (2) -Channel Strategy (I)-

“Two Course” strategy: Full usage of infrastructure in both face-to-face and online courses



As of September-end, the number of ‘Daiwa Direct’ accounts was around 270,000 with approximately JPY 540 billion in assets under custody.

Retail Securities Business: TOP LINE Strategy

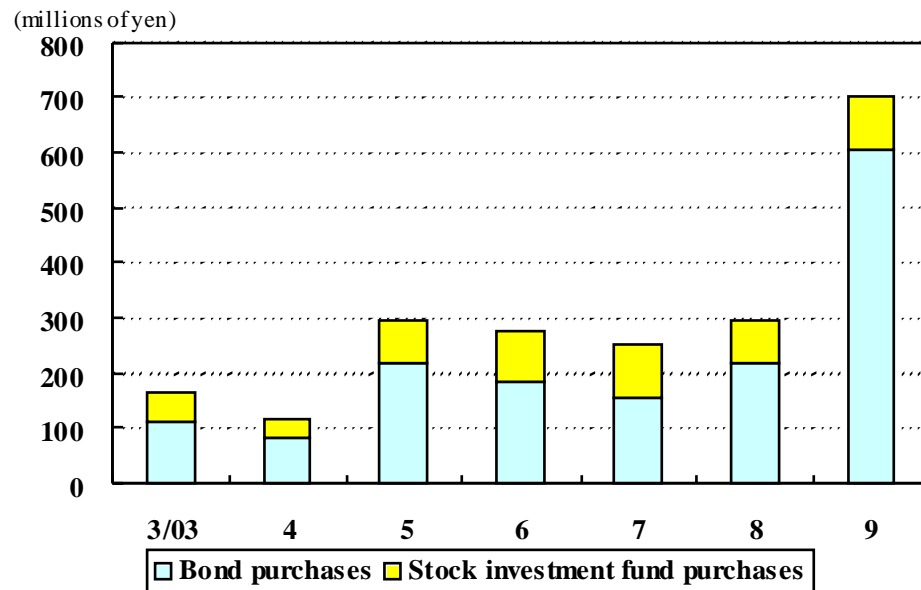
Differentiation Factor (2) -Channel Strategy (II) -

Differentiation from online brokers through 'Daiwa Direct' Course

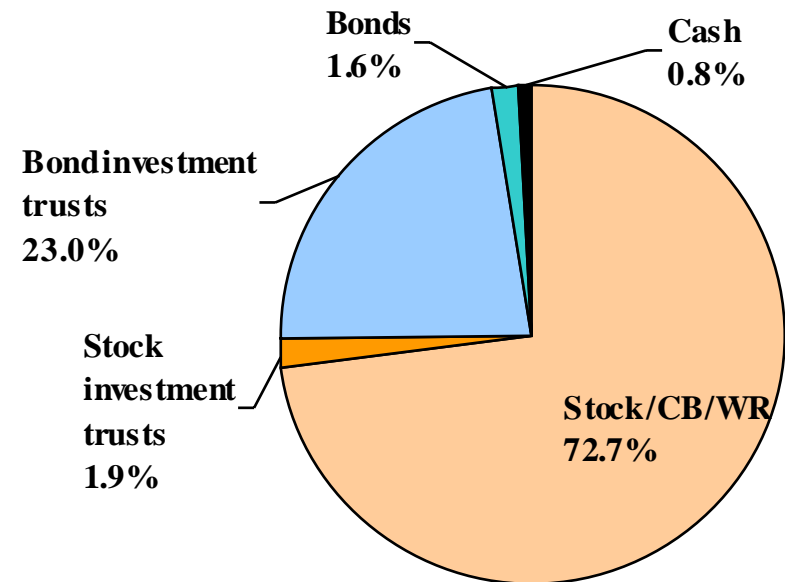
- Infrastructure of full-service securities company (common infrastructure with 'Daiwa Consulting' course)
- Support system built on the industry's largest call center
- Usage of national network of 120 outlets nationwide (as of 12/5/2003)
- Active participation in IPOs supported by one of Japan's premier investment banks (Daiwa Securities SMBC)

Identical product line-up for 'Daiwa Direct' and 'Daiwa Consulting'

Bond and stock investment trusts purchased via 'Daiwa Direct'



Asset weightings by product of 'Daiwa Direct'



(As of September 30, 2003)

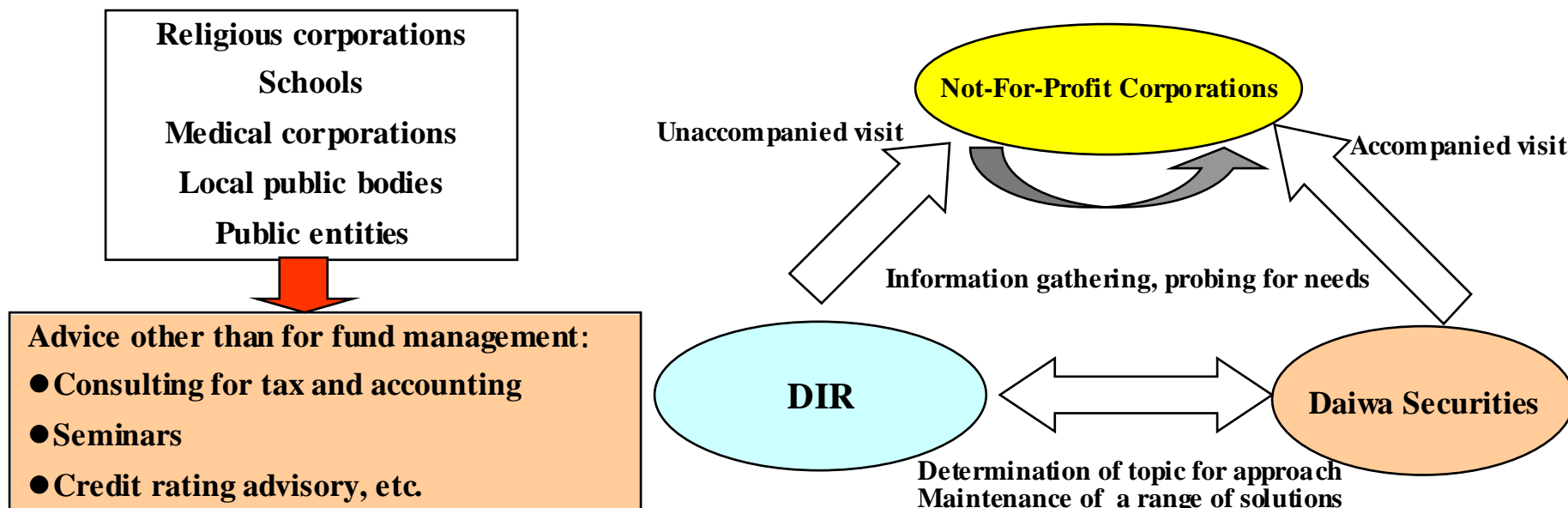
Retail Securities Business: TOP LINE Strategy

Differentiation Factor (3) -Consulting (I)-

Preparation for deregulation of investment management services

- Daiwa Securities will be able to provide “wrap account” following the deregulation of the investment advisory business law in April next year. A department has been established to review its application and implementation.
- Specialist will be gathered from all sections across the Group (systems, sales, marketing, asset management) to consolidate in-house expertise.

Development of not-for-profit organization client base in cooperation with DIR



Retail Securities Business: BOTTOM LINE Strategy

Differentiation Factor (1) -Consulting (II)-

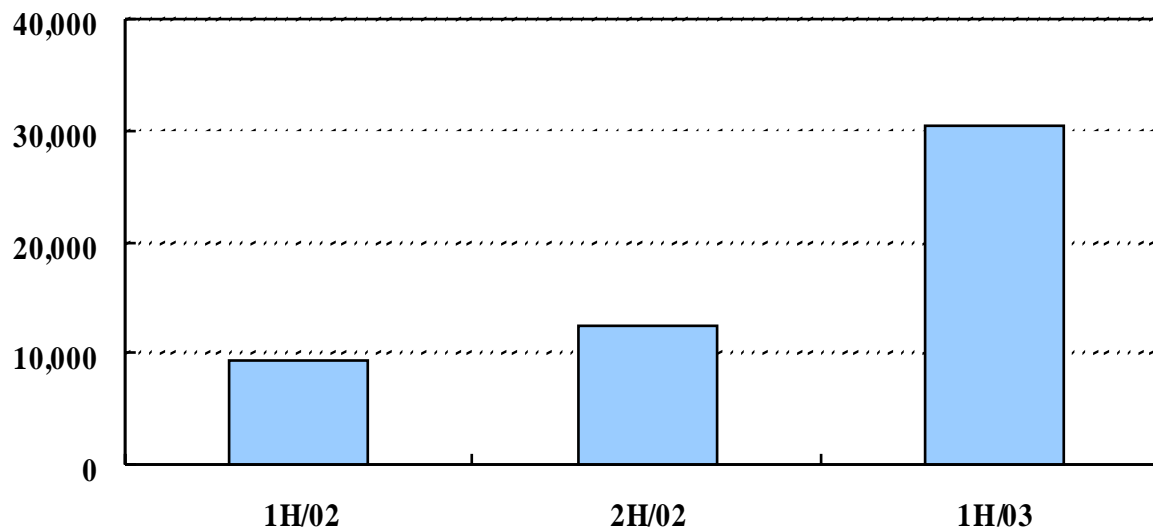
Establish a sound customer base and increase productivity by targeting high net worth individuals and influential corporations

Commencement of full-scale initiative in October 2002. Strategy renewed for 2H.

- Review of targets
- Review of step-up process
- Obligatory participation of branch heads and head office staff in customer visits, etc.

Assets under custody by 5-attribute customers
newly developed over a 6-month period

(millions of yen)



5-attribute customers:

- High-bracket taxpayers
- Medical doctors
- Dentists
- Owners of businesses
- High income employees



Retail Securities Business: BOTTOM LINE Strategy

Differentiation Factor (2) -Business Systems and Support Systems(I)-

Nationwide deployment of satellite branches

Implementation since July 2002

| | |
|--|------------------------------|
| 13 areas: Tokyo metropolitan area/Tokyo region | 10 areas |
| Osaka Region | 2 areas |
| Nagoya Region | 1 area (since February 2003) |



Examples of specific results

- (1) Customer-targeting based on in-depth knowledge of characteristics of location. Execution of relevant action plans leading to enhanced revenue.
 - *Ikebukuro area: Seminars targeted at customers aged 65 and higher with assets under custody of JPY 10 mil or higher. Transactions consummated with approximately 15% of seminar participants
- (2) Efficient customer development realized by large scale events focused on individual areas
 - *Chiba area: Large-scale seminar resulted in 8.5% of participants becoming new customers
- (3) Share of the Tokyo metropolitan area/Tokyo region in aggregate total revenue of all outlets increased from 40% to 42% within one year



Verification of results Nationwide expansion

Since October 2003:

| | |
|--------------------------|----------|
| 14 groups: Eastern Japan | 4 groups |
| Central Japan | 3 groups |
| Kinki/Shikoku | 3 groups |
| Chugoku/Kyushu | 4 groups |

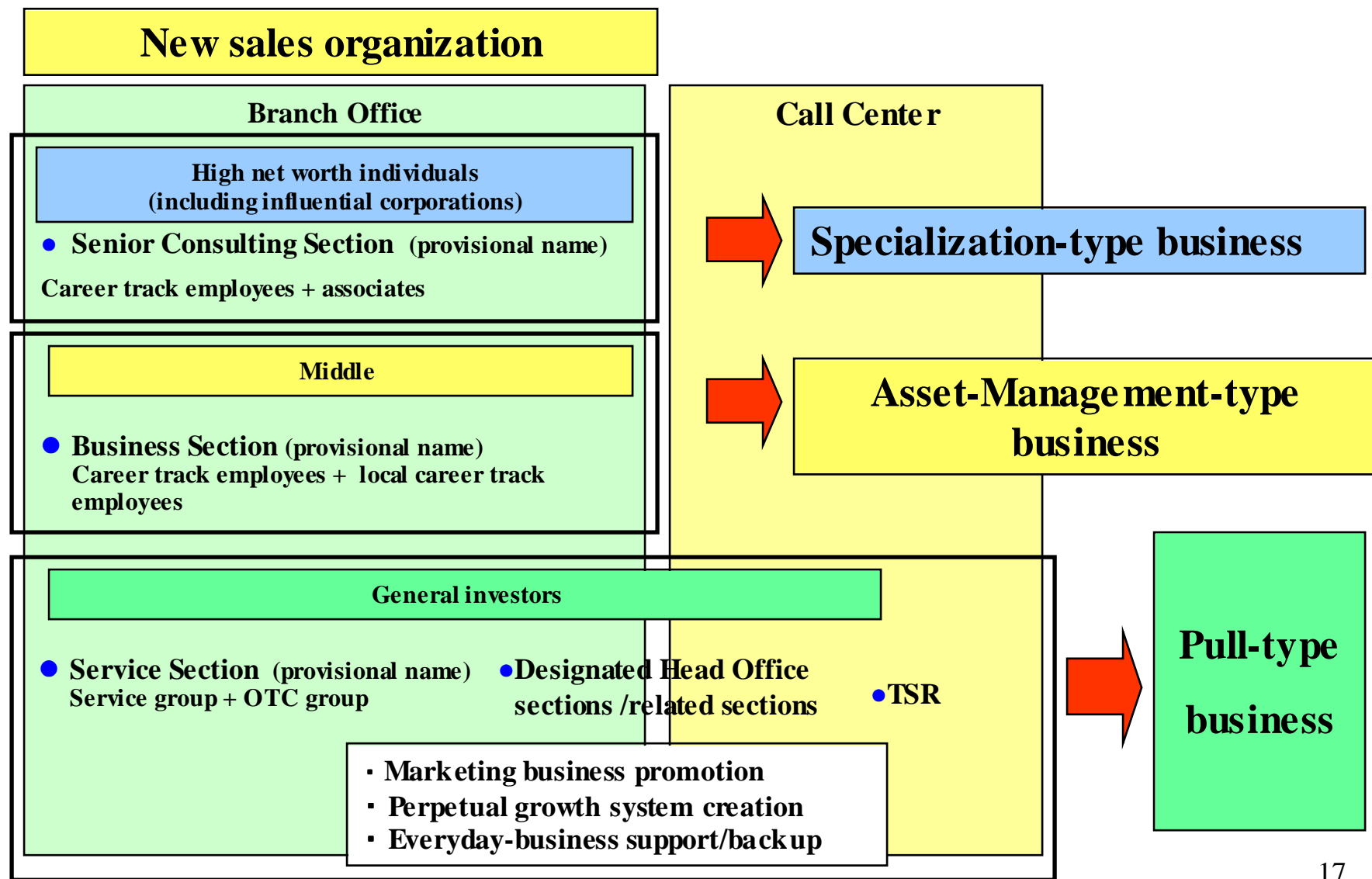


Further results expected

- Efficient allocation of management resources
- Efficient marketing
- Formulation of local area based strategies
- Creation of long-term customer relationships
- Strengthening of internal marketing functions

Retail Securities Business: BOTTOM LINE Strategy

Differentiation Factor (2) -Business Systems and Support Systems (II)-



Wholesale Securities Business

1. **Positioning: Core operation -Growth driver-**
High earnings power based on effective usage of management resources
2. **Strategy:**
Expansion of customer base by combining investment banking expertise with cooperation of Group companies /alliance with SMBC

TOP LINE EXPANSION = BOTTOM LINE EXPANSION

| | Growth Driver | Quantitative Aspects | Productivity |
|--------------------------------------|-----------------------|----------------------|--------------|
| Bank affiliated securities companies | Relation with Bank | ○ | △ |
| Other large securities companies | Capability | △ | ○ |
| Daiwa Securities Group | Relation + Capability | ○ | ○ |



Wholesale Securities Business:

Measures Towards Strengthening Cooperation with SMBC

● Basic Framework

- Establishment of a 'Steering Committee'
 - *Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group (7/03)
- Establishment of a 'Top Meeting' (Quarterly since 1999)
 - *Daiwa Securities SMBC and SMBC
- Introduction of a permanent employment transfer program *Effective since 10/02

● Programs and Policies Towards Strengthening of Mutual Collaboration

- Establishment of 'Sumitomo Mitsui Desk,' 'Daiwa Securities SMBC Desk'
 - *Effective since 2/00
- Inauguration of 'Bond Business Promotion Project Team' *Effective since 11/02
- Transfer of employees from Daiwa Securities Group to SMBC *Effective since 7/03
- Training/personnel exchange
 - (1) Training of SMBC employees by instructors from Daiwa Securities SMBC
 - (2) Participation by SMBC employees in internal training of Daiwa Securities SMBC



Wholesale Securities Business:

Increase Collaboration with SMBC

●Revenue expansion through collaboration

(as recognized by Daiwa Securities Group)

Approximately 3-fold expansion over the 3 years from 1999 to 2002

●Expanded track record of collaboration in investment banking

- Increased lead managed issues and share in underwriting of straight bonds
Share of lead managed issues FY 99: 18.2% to FY 02: 22.7%
- Increased share in primary and secondary equity offerings
Share of lead managed issues FY 99: 6.9% to FY 02: 16.4%
- 30% increase in the number of IPO-related mandates in the last three years
- IPO of companies whose advisory work commenced at the initial stages of the alliance
- Obtained mandates in “symbolic” M&A deals

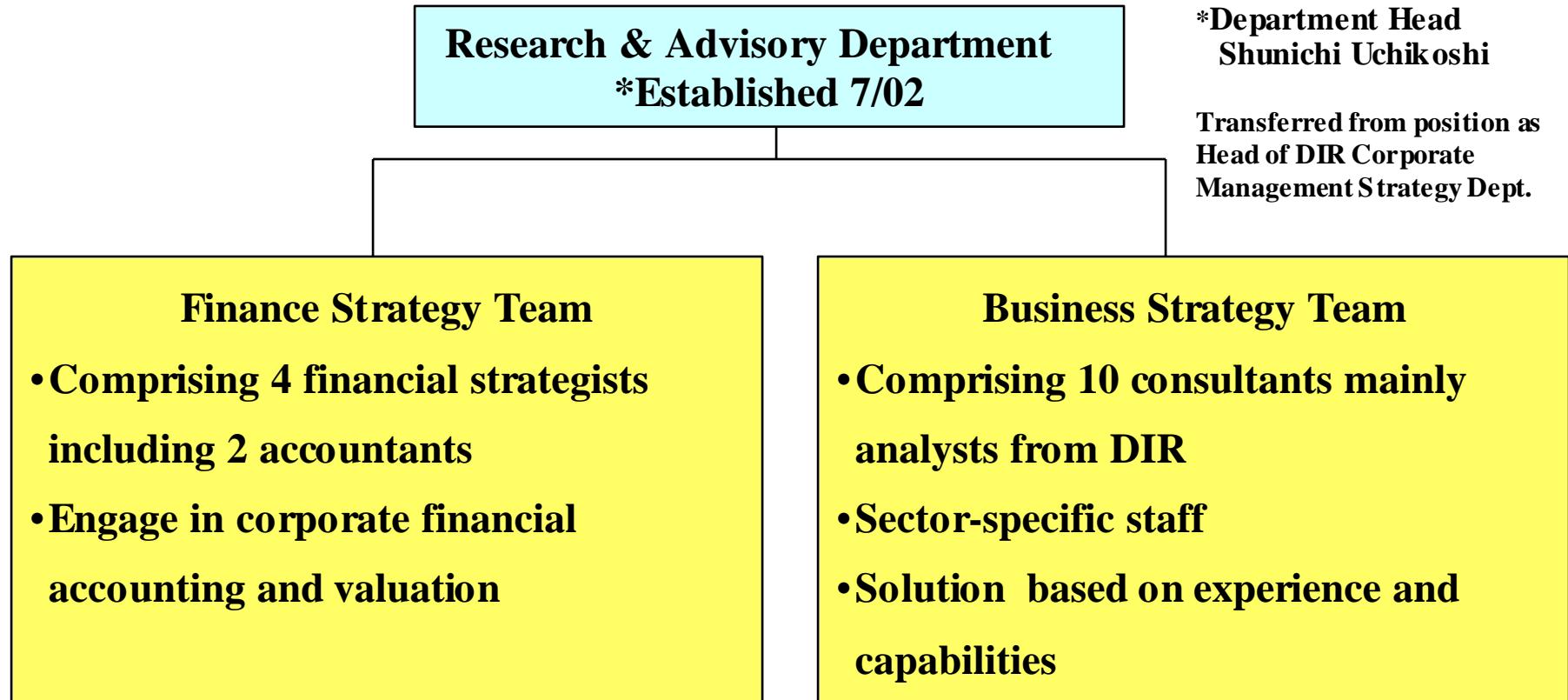
*Served as advisor to Kanebo, Ltd. in consolidation of cosmetics operations of Kanebo and Kao Corp.

●Expanded track record of collaboration in derivatives and brokerage



Wholesale Securities Business:

Capability (1) -Research & Advisory Dept.-



Track record

- Public share offering for capital raising of Kajima Corporation (JPY33 billion)
- Initial public offerings for NEC Electronics (JPY155 billion) and NEC System Technologies (JPY28 billion), etc.



Wholesale Securities Business:

Capability (2) -Enhance Bond Trading-

Revision of Organization Structure in 10/03

1. Consolidation of Fixed Income Dept. and Derivatives & Structured Financial Products Dept.

Structure that is capable of providing focused and flexible responses to customer needs, while improving product development functions and expanding order flow.

2. Establishment of Bond Research Dept.

Consolidation of bond research and investment strategy divisions within the Fixed Income Dept. to define the active use of research function across the entire bond operations including sales.

3. Establishment of Bond Promotion Dept.

Expansion of customer base and order flow by establishing an independent and reinforced Dept. that promotes collaboration with SMBC.



Wholesale Securities Business:

Daiwa Securities SMBC Divisional Assessment System

Adoption of divisional bonus assessment system since FY 2000

- Since 4/00 Implementation of divisional assessment system
- 12/00 bonus First bonus payment based on the new system
- 12/01 bonus Implementation of divisional assessment by management
Establishment of “Special award” by top management
- 6/03 bonus Establishment of “Divisional award” by division heads

Table of Bonus Structure (6/03 bonus)

| | | |
|---|---|---|
| <p>Based on consolidated performance</p> <p>50%</p> | <p>Based on performance of Daiwa Securities SMBC</p> <p>35%</p> | <p>+</p> <p>Based on divisional performance (reallocation of 15%)</p> <p>*To be increased to 25%</p> |
|---|---|---|

Wholesale Securities Business:

Corporate Recovery Business -Principal Finance-

- **Expansion of corporate recovery business**
- **Introduction of external funds**
- **Build-up of private-equity investment portfolio**
- **Actively competing for “symbolic” mandates**

Investments in revitalization funds

- **Daystar Fund:**
Fund organized jointly by Mitsui Sumitomo Insurance Co., Ltd and SMBC(JPY 10 billion in total)
- **Hokkaido Corporate Recovery Fund:**
Establishment of fund-operating company Hokkaido Motherland Capital Co., Ltd. with subsequent organization of fund.
JPY 10 billion target for total invested assets (JPY 5 billion at present)
- **SMFG Corporate Recovery Servicer Co., Ltd.:**
Jointly established with Sumitomo Mitsui Financial Group, Goldman Sachs Group, and Development Bank of Japan.

Asset Management Business: Outline

1. Positioning

- **Securing of stable income by increasing investment trusts under management.**
- **Expansion of product line-up by adding new products designed to meet individual customers' asset management needs**

2. Strategy

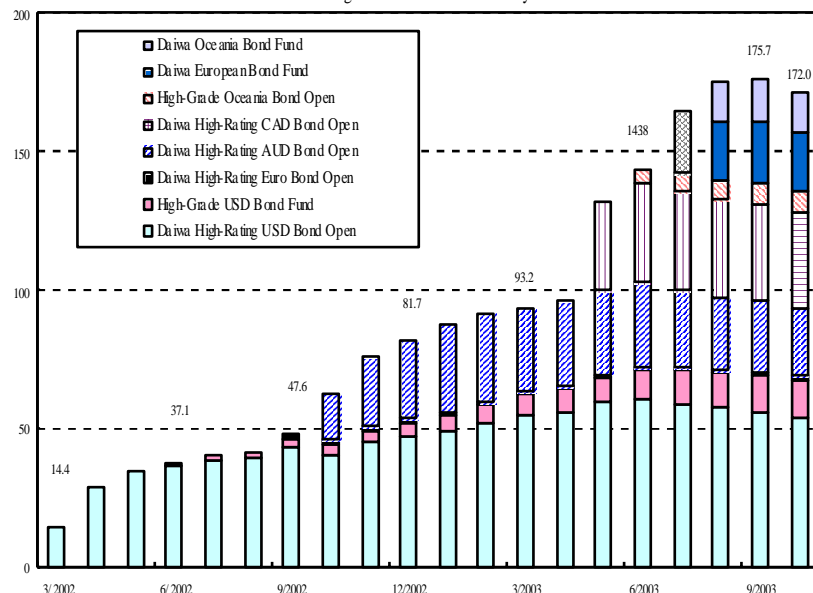
- **Strengthening of Group collaboration**
- **Asset management performance and product development capabilities that accommodate customer needs**
- **Establishment of quality management system that investors can trust**

Basic Strategy of Asset Management Business (Daiwa Asset Management)

1. Improvement of performance
2. Strengthening of product strategy
3. Execution of quality management and accountability
4. Strengthening of support systems for sales companies
5. Promotion of business efficiency

(billions of yen)

Net Asset of Foreign-Bond Funds with Monthly Distribution



●Fostering of fund manager professionalism Adoption of new assessment and compensation system

- Adoption of specialist system for all 48 fund managers (as of 3/03) effective from 4/03 and introduction of annual compensation system (effective from 4/04)

- Establishment of organizational management system
Introduction of new team system to 'Musashi'(Active Japan Fund)
Increase in number of credit analysts from 3 as of 3/03 to 5 as of 9/03

Research into new areas of investment fund development

- Stock/Foreign Bond Fund 2003- II (Initial subscription amount: JPY22.4 billion)*In response to relaxation of regulations regarding J-REIT, balance-investment has been arranged covering Japanese stocks, J-REIT, and foreign bonds

- Global Bond Fund (with monthly distribution)
- Alternative/real estate related funds to be considered

●Certification regarding establishment of internal control systems

●Enhancing sales support for main sales channels.

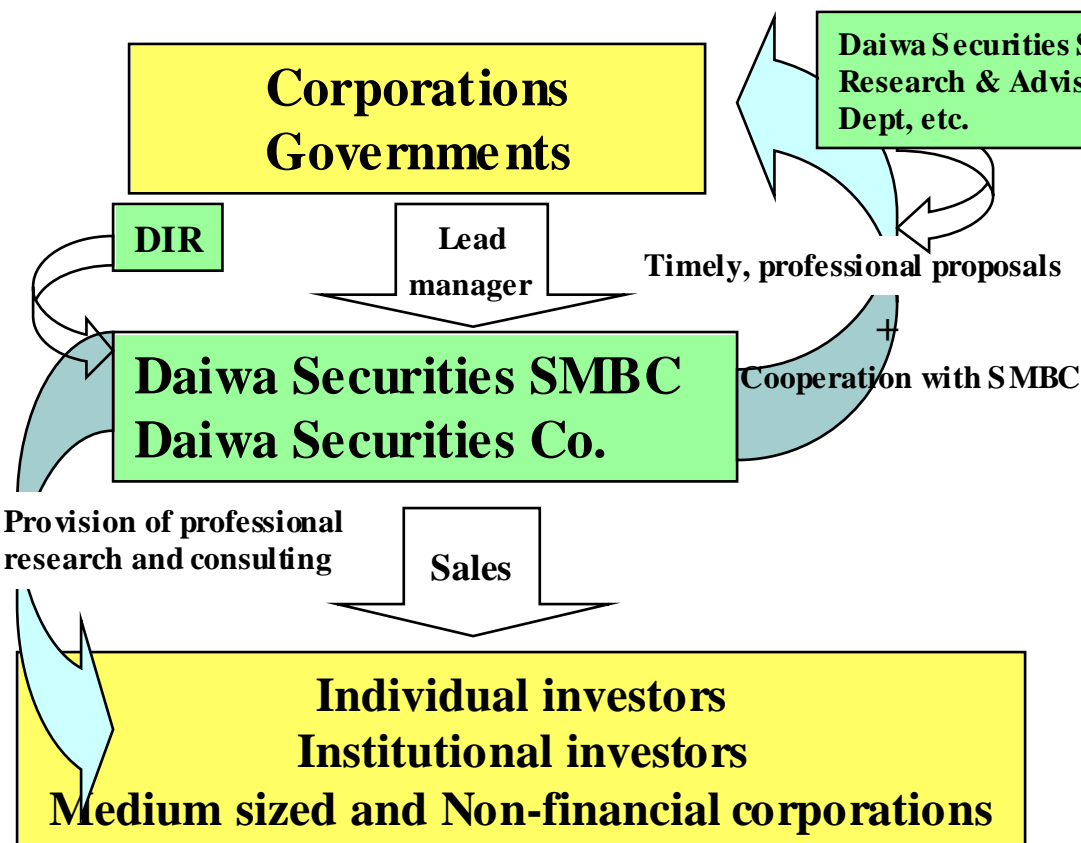
1. Progress made in rationalization

Rationalization being implemented centered on personnel expenses and unnecessary expenses (Operating expenses excluding fees and commissions payable have been cut by 15.5% yoy during 1H)

2. Review of business areas

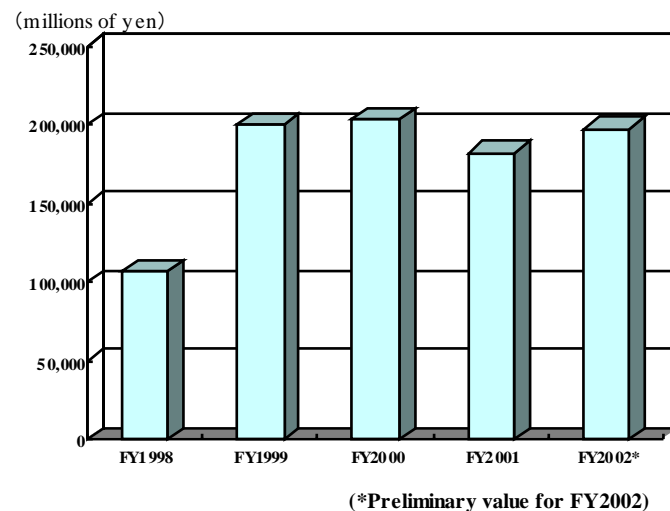
Withdrawal from direct sales to individual customers
Advance into new businesses
(Commencement of advisory business for investment in managed synthetic CDOs)

Daiwa Securities Group -Now or never-



Daiwa Securities Group, which includes an investment bank allied with a major city bank, a retail securities company, and a think tank, is empowered to put its capabilities to full use.

Brand Value As Measured by CB Valuator



***CB Valuator:**
CB valuation model developed in 2001 jointly by Professor Ito of Hitotsubashi University, Graduate School, and the Nihon Keizai Shimbun

< Contact >

Daiwa Securities Group Inc.

Investor Relations

TEL +81-3-3243-3841

FAX +81-3-3242-0955

E-mail: ir-section@dsgi.daiwa.co.jp

URL: <http://www.ir.daiwa.co.jp/>