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Daiwa Securities Co. Ltd.



Yoshinari Hara
President

Highlights of Results

	Millions of yen	
	FY 2002	FY 2001
Operating revenues	129,817	127,541
Net operating revenues	129,311	126,713
SG&A expenses	125,810	137,966
Operating income (loss)	3,500	(11,253)
Ordinary income (loss)	3,531	(11,028)
Net income (loss)	1,047	(3,641)
Group holdings	100%	100%

Daiwa Securities Co. Ltd. (Daiwa Securities), which engages in the retail securities business, has direct contact with the greatest number of the Group's customers, and is one of the core companies of the Daiwa Securities Group. With strong ties in every region, Daiwa Securities provides its customers with a diverse range of products and services that are carefully designed to meet their needs. In so doing, Daiwa Securities is constantly striving to increase its customers' satisfaction.

Although the business environment in FY 2002 presented tough challenges for Daiwa Securities, the company achieved increases in both revenues and profits by meeting investor needs in the area of foreign currency-denominated products. Nevertheless, we are fully aware that much work needs to be done to provide our customers with a still higher sense of satisfaction.

Starting in FY 2003, Daiwa Securities will reinforce its customer oriented focus by enhancing "post-sales follow up."* This marketing framework will assure high quality products and services and is intended to increase customer satisfaction by helping us to learn quickly and accurately what our customers' requirements are. Through these and other initiatives, Daiwa Securities will achieve sustainable growth.

* "Post-sales follow up" expresses Daiwa Securities' commitment to maximizing our customers' satisfaction by following up after the sale of a product.

Description of Business and Special Characteristics

Channels and Services to Meet Diverse Needs

Daiwa Securities, a wholly-owned subsidiary of the Daiwa Securities Group, is one of the leading retail securities brokerages in Japan. Daiwa Securities has three retail channels:

129 outlets throughout Japan
(as of end June 2003)

One of the largest call centers in Japan
The Internet

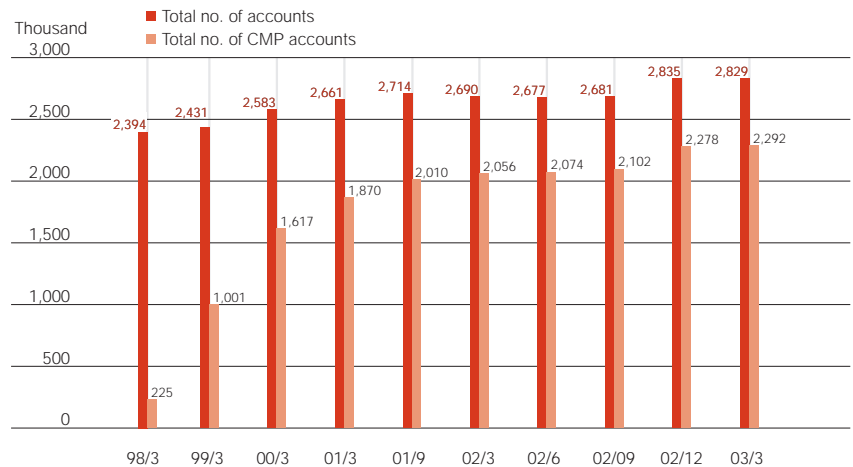
Daiwa's mix of high-quality products and the convenience of having a variety of retail channels sets Daiwa apart from the other securities firms and online brokerages. Daiwa Securities primarily supports the investment activities of individuals throughout Japan, as well as banks, businesses, corporate clients, and regional public corporations not covered by Daiwa Securities SMBC Co. Ltd. (Daiwa Securities SMBC). In addition to its main activities in the traditional securities brokerage business, Daiwa Securities provides its customers with high-quality financial consulting services that draw on the full range of resources available in the Daiwa Securities Group to respond to customer requirements and information needs regarding wealth management.

Summary of the FY 2002 Business Results

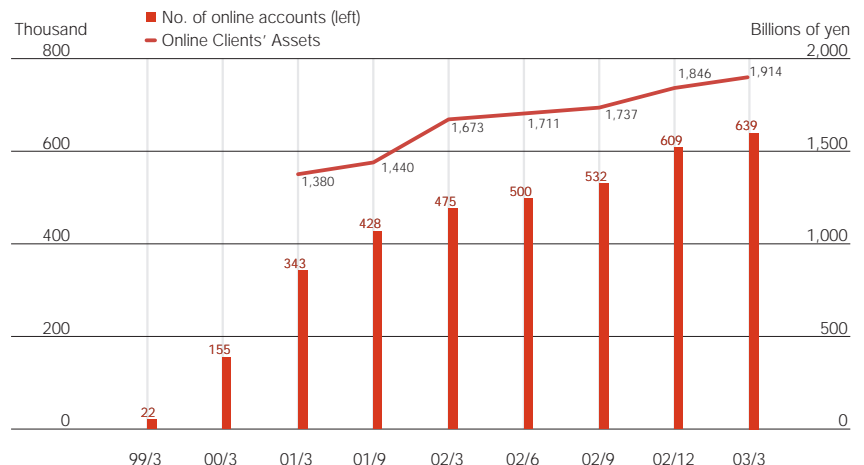
Improvement in Operating Revenues Due to a Better Understanding of Customer Needs and Stronger Intra-group Cooperation

Spurred by the introduction of a new securities tax law in Japan, we experienced an increase in cross-transactions by investors who needed to fix the book value of their stock holdings. This phenomenon helped push Daiwa Securities share on the Tokyo Stock Exchange from 1.3% in FY 2001 to 1.5% in FY 2002. However, the ongoing slump in the equi-

Total Number of Accounts and CMP (Cash Management Program) Accounts



Number of Online Accounts and Trends in Online Clients' Assets



Breakdown of Net Operating Revenues

	Millions of yen		%
	FY2002	YoY change	
Operating revenues	129,817	1.8%	
Commissions	93,204	-10.2%	
Brokerage (Stock and others)	34,177	-20.9%	
Brokerage (Bond and others)	0	-76.9%	
Distribution	31,980	22.5%	
Investment trust	13,207	-6.0%	
Other commission	26,808	-21.6%	
Investment trust	12,425	-43.8%	
Net gain on trading securities	34,990	59.8%	
Stock and others	274	326.9%	
Bond, forex and others	34,715	59.0%	
Interest and dividend income	1,623	-13.2%	

ties markets continues to be a major adverse factor for Daiwa Securities, and brokerage commissions have fallen significantly compared with last fiscal year (down 21%). Within the context of these challenging conditions, Daiwa Securities has concentrated on increasing its sales of value-added products such as foreign currency-denominated bonds, foreign bond investment trusts with monthly dividends income, and pension insurance, by getting a good grasp of ongoing changes in customers' investment needs and strengthening inter-company cooperation. These activities resulted in a 23% year-over-year increase in commissions from distribution and a net gain on trading securities, up

60% over FY 2001. These increases contributed to a 2% rise in net operating revenues over FY 2001 to ¥129.3 billion.

Effective Cost Controls Bring Daiwa Securities Back to Profitability

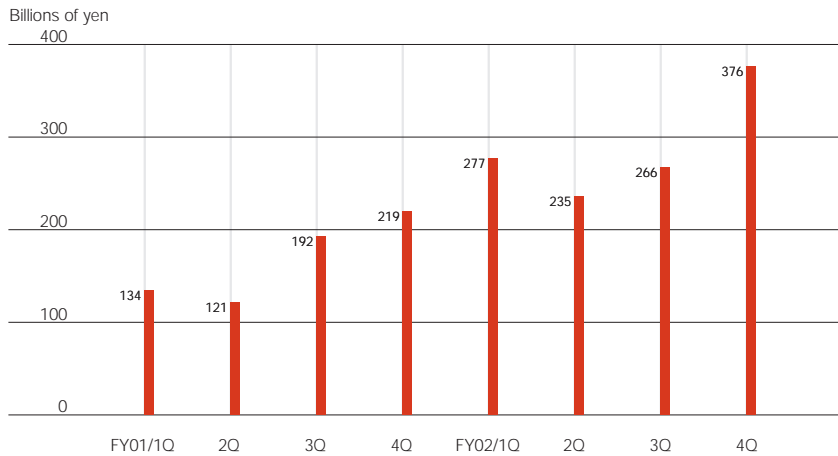
Daiwa Securities' ongoing investment in infrastructure to provide better service to our customers has resulted in a significant increase in depreciation costs (42% year over year). Nevertheless, SG&A expenses as a whole declined 9% compared with FY 2001 to ¥125.8 billion. This was a result of the shift from a fixed cost to a more variable cost structure. Thus, ordinary income (loss) recovered from a loss of ¥11 billion in FY 2001 to a positive ¥3.5 billion in FY 2002. Also, Daiwa Securities was able to post net income of ¥1 billion for the year (against the ¥3.6 billion loss registered in FY 2001).

Outlook and Strategy for FY 2003 and Beyond

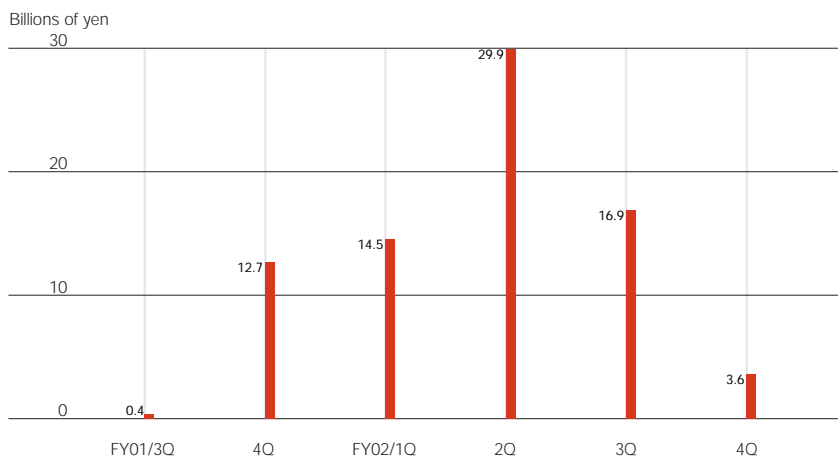
Growth Achieved by Providing Services that Meet Customers' Needs

The business environment is likely to remain challenging for the foreseeable future, and investors will continue to seek ways to avoid risks in a deflationary economy. On the other hand, due to prolonged ultra-low interest rates, both individual and corporate investors are increasingly interested in risk products. The following strategies outline how Daiwa Securities will assess and respond to the complex and diverse needs of investors by providing customer-oriented services. In doing so, Daiwa Securities aims to expand its customer base and achieve its goal of sustainable growth. (Please see Special Feature II for details about these strategies.)

Sales of Foreign Currency-Denominated Bonds



Sales of Pension Insurance



1. Enhanced Area Marketing through the Satellite Branch System

Daiwa Securities inaugurated its Satellite Branch System in Tokyo and Osaka in July 2002 and in Nagoya from February 2003. The Satellite Branch System, or area strategy, is proving to be an effective way of taking into account the differences in client characteristics and requirements from region to region. Daiwa Securities aims to improve the area marketing system by carrying out more promptly our marketing strategies as well as business tactics which reflect the unique characteristics of each region. Moreover, the know-how and experience regarding strategic approaches and means of implementation acquired through the Satellite Branch System will be extended to our branches across Japan.

2. Consolidation of Sales Channels and Expansion of the Product Line

In May 2003, Daiwa Securities consolidated the three service packages which have formed the basis of Daiwa Securities' services into two courses: Daiwa Consulting and Daiwa Direct. This change reflects the continuing evolution of Daiwa's business model. In this new approach, products and services except for consultancy, which is offered only to Daiwa Consulting customers, will be shared between the two courses.

3. Start of the Daiwa Point Program

The Daiwa Comprehensive Account Service (Cash Management Program) Port One which we started in December 2002 offers our customers the convenience of centralizing their asset management needs. One of the characteristics of the Daiwa Point Program is that customers accumulate points according to the balance of their assets under custody and the

frequency and value of their transactions. Furthermore, customers are entitled to a variety of preferential services according to the number of points they have accumulated. In April 2003, we also introduced an exchange program that allows customers to redeem their points for a variety of privileges including merchandise and services.

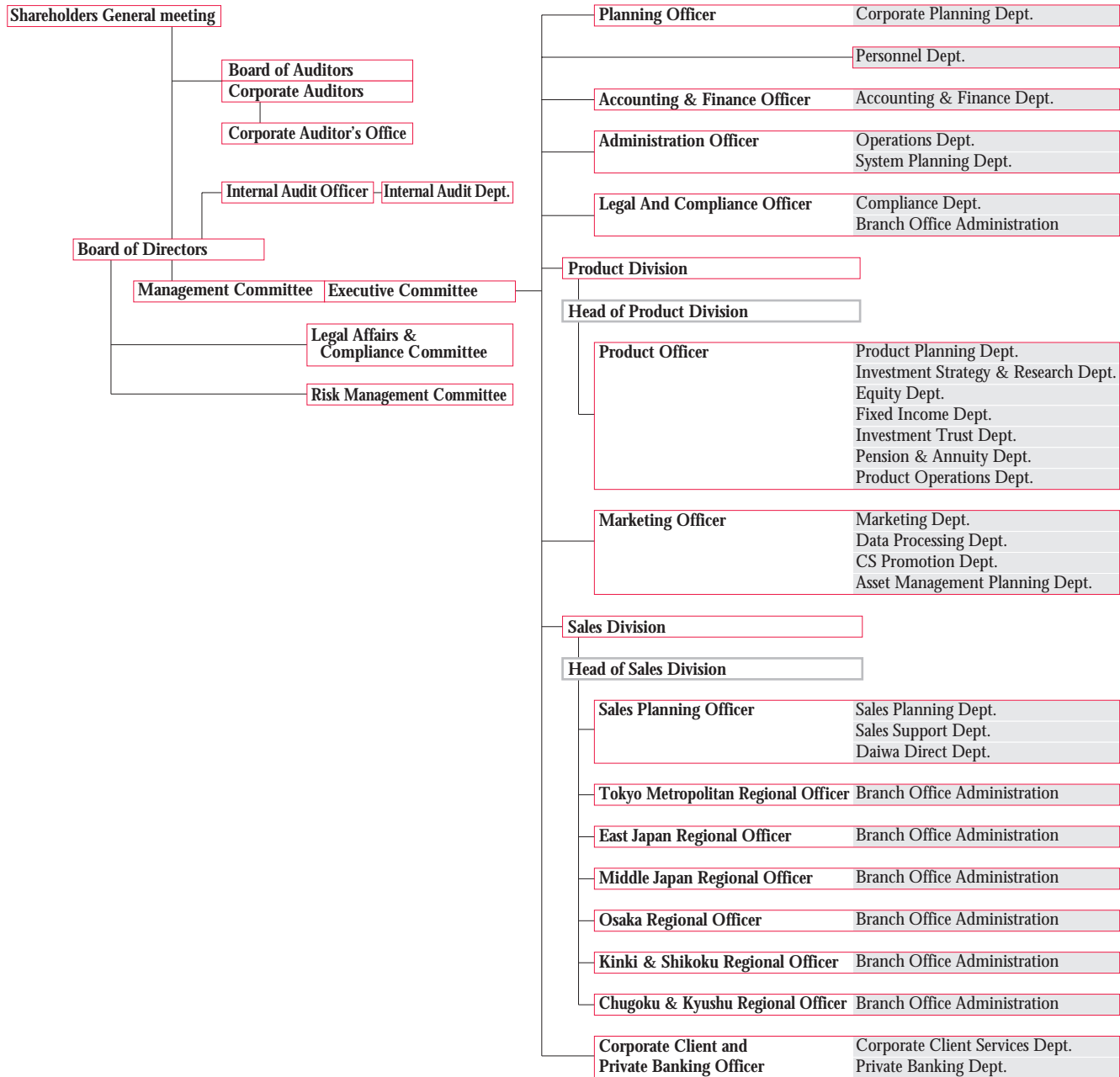
4. Introduction of an In-House Certification System

To meet our clients' complex and diverse needs and to develop more specialized consulting services, Daiwa Securities will implement an in-house certification system. Our goal is to become more deeply engaged in the effective management of our clients' assets by providing asset management advisory services that go beyond the traditional offerings of securities brokers.

5. Enhancement of Post-sales Follow up

One of the important corporate branding activities we conduct at Daiwa Securities is our periodic customer satisfaction (CS) surveys. We have used these surveys to help us analyze what our customers expect of us and to learn what we need to do to provide better service. Through these surveys, we have identified improvement of "post-sales follow up" as an important topic that must be addressed. In addition to expanding employee education programs, quality checks on services provided to customer will be conducted. By strengthening our post-sale follow up, we believe we can assure our customers a higher degree of satisfaction.

► **Daiwa Securities Co. Ltd. : Organization** (As of July 22, 2003)



Directors:

President

Yoshinari Hara

Deputy President

Tetsuo Mae

Senior Managing Director

Akira Hasegawa

Managing Director

Akira Sakiyama

Managing Director

Yasuo Nakamura

Managing Director

Toshiro Ishibashi

Managing Director

Yoshihide Shimamura

Corporate Auditors:

Isao Tada

Susumu Ueda

Mitsugi Kishimoto

Executive Officers:

Taro Tanaka

Kazuo Ariake

Yoshimi Murakami

Tokuzo Takaki

Takashi Fukai

Tomiki Koide

Daiwa Securities SMBC Co. Ltd.



Akira Kiyota
President

Highlights of Results

	Millions of yen	
	FY 2002	FY 2001
Operating revenues	118,300	109,481
Net operating revenues	110,875	102,670
SG&A expenses	95,401	90,288
Operating income	15,473	12,381
Ordinary income	16,565	13,231
Net income	6,357	5,426
Group holdings	60%	60%

Daiwa Securities SMBC Co. Ltd. (Daiwa Securities SMBC) serves an important function in the Japanese capital markets by linking issuers and investors. In addition to offering the full range of traditional corporate finance services, Daiwa Securities SMBC provides solutions for various challenges that its corporate clients are facing with, such as balance sheet improvement and business restructuring. Through these activities, Daiwa Securities SMBC aims to contribute to revitalizing the Japanese economy.

During FY 2002, Daiwa Securities SMBC experienced growth in revenues from trading gains from bonds and forex, as well as investment banking activities including mergers and acquisitions (M&A). As a result, Daiwa Securities SMBC recorded a 25% year-over-year increase in ordinary income. Ordinary income including subsidiary Daiwa Securities SMBC Principal Investments was ¥22.4 billion in FY 2002.

Starting in FY 2003, Daiwa Securities SMBC will further increase its contribution to raising the quality of the products and services offered by the Daiwa Securities Group by strengthening its coordination within the Daiwa Securities Group and its capabilities for developing value-added products and services. This in turn should result in an expansion in its trading-related revenues. Through stronger ties with Sumitomo Mitsui Banking Corporation (SMBC) and the full use of its own consulting capabilities, Daiwa Securities SMBC will actively seek business opportunities arising from corporate reorganization in the form of M&A, corporate restructuring, real estate investing, investments in non-performing loans, and other opportunities.

Description of Business and Special Characteristics

One of Japan's Largest Investment Banks

With 60% held by the Daiwa Securities Group and 40% held by the Sumitomo Mitsui Financial Group, Daiwa Securities SMBC is one of Japan's largest investment banks. The main lines of business for Daiwa Securities SMBC are:

- *Equities, bonds, derivative transactions, and product development;*
- *Investment banking, which covers underwriting including initial public offerings (IPOs), structured finance, and M&A; and*
- *Principal finance, through subsidiary, Daiwa Securities SMBC Principal Investments Ltd.*

In investment banking, Daiwa Securities SMBC is the leader in Japan in three areas: domestic straight corporate bonds, IPOs, and domestic asset-backed securities (ABS)(bookrunner). Daiwa Securities SMBC ranks second in equity offerings and Samurai bonds. (These rankings are based on FY 2002 lead manager league tables based on pricing dates.)

Summary of the FY 2002 Results

Increased Revenues under Adverse Conditions

In FY 2002, net operating revenues stood at ¥110.8 billion, for a year-over-year increase of 8%. In the context of the continuing slump in the economy and stock market, brokerage commissions (down 22% compared with FY 2001), underwriting commissions (down 5%), and distribution commissions (down 32%) all declined. On the other hand, other commissions were up 10%, and net gain on trading securities recorded a 70% increase, thus securing an overall increase in operating revenues.

Expansion of New Businesses

Although there was a significant year-over-year decline of 57% in agency commissions for investment trusts, in the category of "other commissions," Daiwa Securities SMBC was able to apply its experience in M&A, financial advisory, information and consulting services to the fullest, posting an overall increase of 10% year-over-year.

Main M&A transactions in FY 2002 were:

- *Yomiuri Newspaper acquisition of Printemps Ginza Department Store stock from The Daiei Inc.*
- *Advisory services in connection with the establishment of a holding company for Japan Energy Corporation.*
- *Advisory services for the merger of Minolta Co., Ltd. and Konica Corporation.*

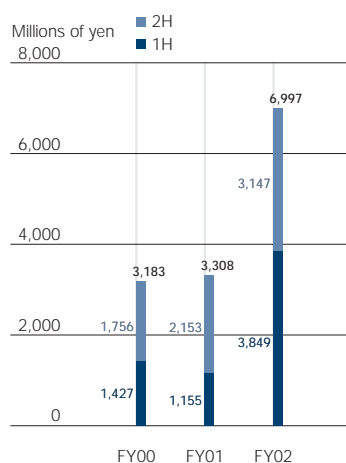
Structured Finance transactions included:

- *Asset-backed securities for Nippon Life Insurance Company kikin fund (Joint-lead-manager, total ¥150 billion).*
- *Securitization of housing loans for The Government Housing Loan Corporation. (Joint-lead-manager, total ¥250 billion).*

Breakdown of Net Operating Revenues

	Millions of yen		%
	FY2002	YoY change	
Operating revenues	118,300	8.1%	
Commissions	52,073	-4.8%	
Brokerage (Stock and others)	8,228	-21.8%	
Brokerage (Bond and others)	99	-48.0%	
Underwriting commission (Stock and others)	16,144	2.7%	
Underwriting commission (Bond and others)	8,424	-6.1%	
Distribution	1,159	-32.2%	
Other commission	17,649	10.4%	
Net gain on trading securities	44,308	69.8%	
Stock and others	-1,646	—	
Bond, forex and others	45,954	305.4%	
Interest and dividend income	21,919	-23.5%	

M&A-related Revenues



Furthermore, principal finance continued to book revenues from investments in non-performing loans and has made private equity investments in companies such as Ogihara Group and the Meisei Electric Co., Ltd.

Increase in Net Gain on Trading Securities from Strong Sales of Foreign Currency-Denominated Bonds and Structured Bonds

We achieved a 70% year-over-year net gain on trading securities in FY 2002. Behind this success were the strong sales in foreign currency-denominated bonds and structured bonds at Daiwa Securities, the retail company. There are two main reasons for this success. One is that the prolonged ultra-low interest rate environment pushed investors to shift their funds into risk financial products that provide higher rates of return. The other is that the Daiwa Securities Group was able to respond quickly to investors' demand by providing products that meet their particular needs.

25% Increase in Ordinary Income

Increases in SG&A expenses were contained at 6% year-over-year. Despite a 20% increase in commissions and other expenses and a 13% rise in depreciation expenses, Daiwa Securities SMBC man-

aged to keep the increase in SG&A expenses below growth in net operating revenues by controlling costs, such as real estate expenses, which were down by 9%, and personnel costs, down by 4%. Thus, the company registered a rise of 25% in ordinary income to ¥16.5 billion and an increase of 17% in net income to ¥6.3 billion.

Outlook and Strategy for FY 2003 and Beyond

Enhanced Coordination within the Daiwa Securities Group is the Key to Improving Competitiveness

FY 2002 saw a significant growth in net gains on the trading of securities. However, the level of growth is still low, and Daiwa Securities SMBC believes there is room for further growth. Strong investors' demand for foreign currency-denominated bonds continues to contribute greatly to gains in trading securities. Daiwa Securities SMBC believes that further gains in its trading revenues can be achieved by providing higher value-added products and services that capitalize on an enhanced marketing system at Daiwa Securities and/or the further cooperation with the Sumitomo Mitsui Banking Corporation.

Fluctuations in interest rates, exchange rates and other market conditions strongly affect the demand for foreign currency-denominated and structured bonds. In this sense, the business risks associated with these bonds are similar to those for stocks. Nevertheless, Daiwa Securities SMBC believes that foreign currency-denominated and structured bonds are products that will strengthen our future competitiveness for the following reasons:

1. Only a limited number of financial institutions have the capability of controlling the entire process in-house

(i.e., within their own group), from underwriting to sales, and when necessary to buybacks.

- 2. Daiwa Securities SMBC has the capabilities to develop products that meet the diverse needs of clients, such as structured products that guarantee face value.*

Therefore, Daiwa Securities SMBC will continue developing and providing high value-added products and services that draw on the vast competitive advantages possessed by the Daiwa Securities Group.

Opportunities in a Difficult Business Climate

The Japanese economy is faced with many difficult challenges, among them ongoing weak domestic demand caused by Japan's delay in structural reform and deregulation as well as a worsening budget deficit. There are at present no signs on the horizon that the economy is going to rebound in any fundamental way.

However, the opportunities for Daiwa Securities SMBC to contribute to the recovery of the Japanese economy are expanding.

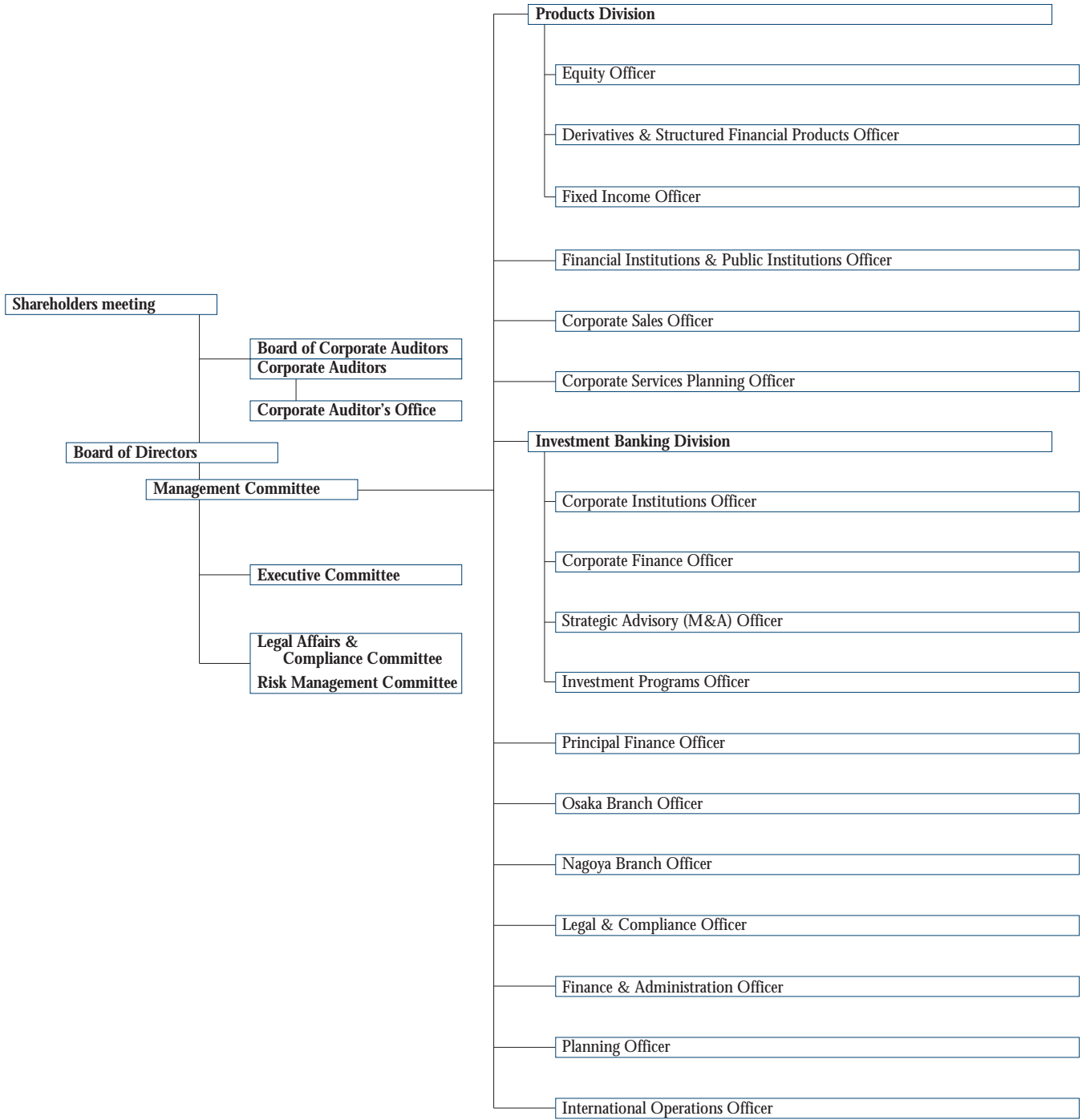
It is becoming increasingly urgent that corporations take measures to improve their balance sheets and restructure their businesses in order to regain their competitiveness. M&A and structured finance are two effective ways of achieving these objectives. Furthermore, Daiwa Securities SMBC has been investing, in non-performing loans, real estate and private equity through its subsidiary Daiwa Securities SMBC Principal Investments. Daiwa Securities SMBC is a known and highly regarded leader in these fields, thus we feel that in light of present circumstances there are still more business opportunities.

A Strategy for Growth Emphasizing Relationships and Products

Daiwa Securities SMBC will work to assess our customers' potential requirements in this difficult business environment. First, we are reinforcing our ties with Sumitomo Mitsui Banking Corporation in our investment banking business with the goal of further expanding our customer base. In addition to these relationships, Daiwa Securities SMBC is using the enormous research capabilities and information infrastructure of the Daiwa Securities Group to strengthen its ability to propose high-quality solutions for its customers and to offer a broad lineup of products.

Specifically, over the three-year period up to FY 2005, Daiwa Securities SMBC aims to devote resources to M&A and principal finance-related businesses. The company will also endeavor to boost its share in the league tables for straight bonds, Samurai bonds, IPOs, and ABS to assure its standing in all these areas.

► Daiwa Securities SMBC Co. Ltd. : Organization (As of July 19, 2003)



Directors:

President

Akira Kiyota

Deputy President

Kenjiro Noda

Senior Managing Director

Shigeharu Suzuki

Senior Managing Director

Michihito Higuchi

Senior Managing Director

Masaki Hirabayashi

Senior Managing Director

Nobuaki Ohmura

Managing Director

Yoichiro Inoue

Managing Director

Masayasu Ohi

Managing Director

Taro Sumitani

Director

Sumio Fukushima

Corporate Auditors:

Isao Takemura

Ryuji Yamazaki

Yoshiaki Senoo

Fuminori Yoshitake

Executive Officers:

Senior Executive Officer

Daisuke Saji

Senior Executive Officer

Hiroshi Ota

Senior Executive Officer

Hiroshi Fujioka

Senior Executive Officer

Kiyoshi Matsuba

Executive Officer

Yutaka Murakami

Executive Officer

Hideo Watanabe

Executive Officer

Akira Tanabe

Executive Officer

Shin Yoshidome

Executive Officer

Hiroshi Takeuchi

Executive Officer

Kazuhiko Akamatsu

Executive Officer

Takashi Hibino

Executive Officer

Kazuhiko Suruta

Executive Officer

Teruaki Ueda

Daiwa Asset Management Co. Ltd.



Teruo Hatano
President

Highlights of Results

	Millions of yen	
	FY 2002	FY 2001
Operating revenues	22,865	42,476
SG&A expenses	22,260	38,150
Operating income	604	4,326
Ordinary income	1,556	5,156
Net income (loss)	(138)	911
Group holdings	100%	100%

Daiwa Asset Management Co. Ltd. (DAM) has a pioneering spirit that generates many creative products. A leader in the investment trust field, it is the nucleus of the Daiwa Securities Group's asset management business.

Assets under management in both equity investment trusts and bond investment trusts declined due to the weak stock market and the ongoing ultra-low interest rates. As a result, ordinary income in FY 2002 was down 70% year-over-year.

Starting FY 2003, DAM will strengthen its capabilities in fund performance, product development, quality control, and sales support in an effort to improve operating efficiency and to achieve higher standards of quality.

Description of Business and Special Characteristics

A Leader in the Investment Trust Business

DAM is at the core of the Daiwa Securities Group's asset management business. It manages investment trusts that invest in a wide variety of instruments and offers a product line utilizing a full array of asset management methods. DAM has a medium- to long-term investment horizon and believes that value-added products and services can be creat-

ed by identifying value that is not yet reflected in market prices, using fundamental and quantitative analysis based on a comprehensive investment process and systematic risk management framework. In-house economists and analysts employ various tools such as macroeconomic, microeconomic, quantitative analysis, and credit surveys and analysis to enhance investment performance.

Results and Outlook

Policies under a Challenging Business Environment

Against a backdrop of depressed stock prices and continuing ultra-low interest rates, FY 2002 witnessed a year-over-year drop of 23% in assets under management and a 70% decline in ordinary income.

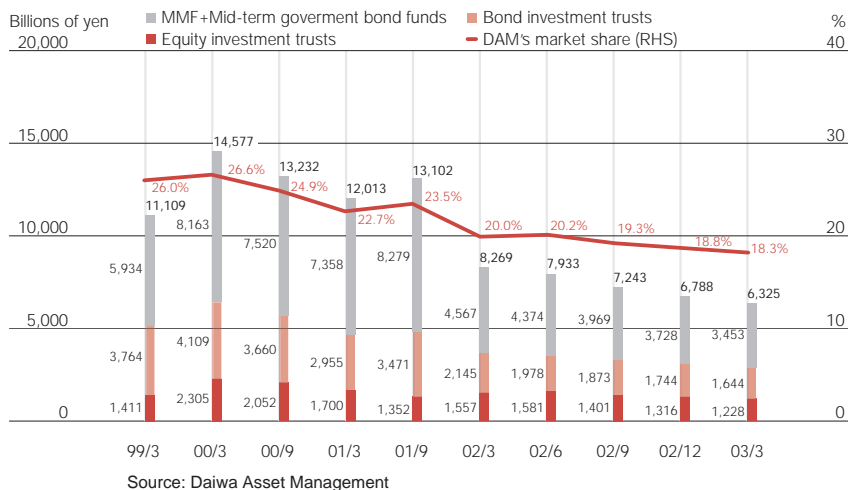
According to the new medium-term management plan, improvements are slated in five areas starting in FY 2003:

1. Fund performance,
2. Product strategy,
3. Quality control and accountability,
4. Sales support system, and
5. Management efficiency.

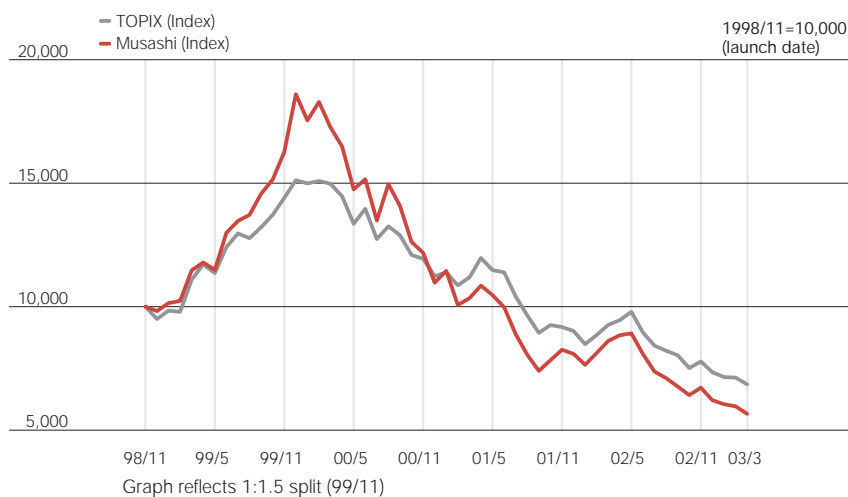
DAM will work to improve the performance of its funds through the establishment of a systematic investing system and the pursuit of professionalism by its fund management activities. By reducing the number of funds and enhancing its product development capabilities, DAM will be better able to build a product line that meets our customers' needs. DAM will also fulfill its responsibilities to inform investors and sales companies of the risks inherent in their investments by strengthening the support systems for each sales channel, improving fund quality control, and strengthening its internal control systems.

These policies will be implemented in order to make DAM the first choice of investors and sales companies. DAM will pursue profitability in the operation of its businesses while engaging in improving quality.

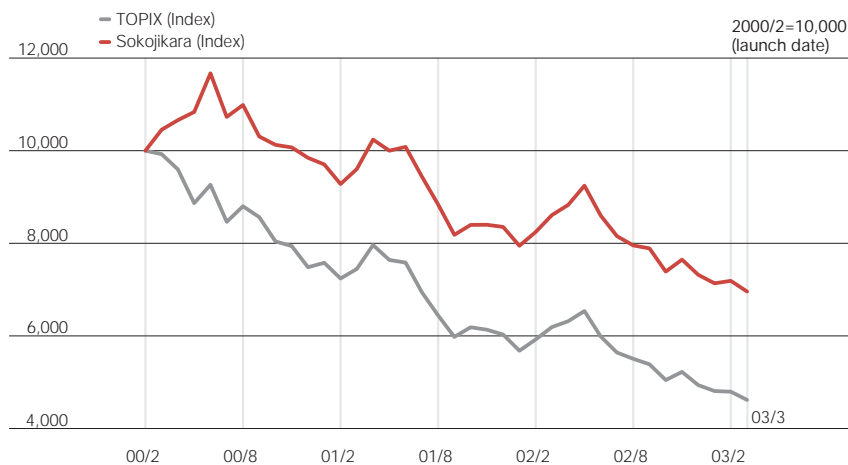
Assets under Management



Performance of "Musashi (Active Japan)" (price vs. TOPIX)



Performance of the "Sokojikara (Daiwa Value Stocks Open)" (price vs. TOPIX)



Daiwa SB Investments Ltd.



Shuichi Komori
President

Highlights of Results

	Millions of yen	
	FY 2002	FY 2001
Operating revenues	6,765	6,904
SG&A expenses	4,017	4,058
Operating income	542	610
Ordinary income	542	672
Net income (loss)	(49)	239
Group holdings	44%	44%

For two consecutive years, equity-method subsidiary Daiwa SB Investments Ltd. (Daiwa SB Investments) has been rated the overall number one investment management company in a survey of pension customers (announced in “Pension Information” (Nov. 18 2002 issue) published by R&I.

Building on this success to create a distinctive brand, Daiwa SB Investments is enhancing its marketing capabilities in the areas of pensions, postal savings and postal life insurance while strengthening its ability to develop new products and improving coordination with the other members of the Daiwa Securities Group. Daiwa SB Investments’ goal is to achieve high profitability through the pursuit of efficiency.

Description of Business and Special Characteristics

Strengths in Pensions and Value Investing

Daiwa SB Investments is one of Japan’s leading investment advisory companies. It is a 44% owned subsidiary which is accounted for under the equity method. (Sumitomo Mitsui Financial Group also holds a 44% share). The company has a strategic partnership with T. Rowe Price, a U.S. leader in investment management. This partnership provides Daiwa SB Investments with global investment management capabilities which complement its investment expertise in Japanese value stocks. This combination has resulted in Daiwa SB Investments being among the very few Japanese investment advisory

companies chosen to be a trustee for overseas pension investment managers. As of March 2003, Daiwa SB Investments had ¥2.5 trillion in assets under management, of which approximately 70% were pension assets.

In both 2001 and 2002, Daiwa SB Investments was ranked as the number one investment management company in a survey of pension customers announced in “Pension Information” (Nov. 22 2002 issue) published by R&I.

Trends in Assets under Management

	Billions of yen			
	Total Assets under Management	Pension	Investment trusts	Others
FY1999	3,122	2,018	141	963
FY2000	3,312	2,241	223	847
FY2001	2,896	2,087	308	500
FY2002	2,504	2,048	304	152

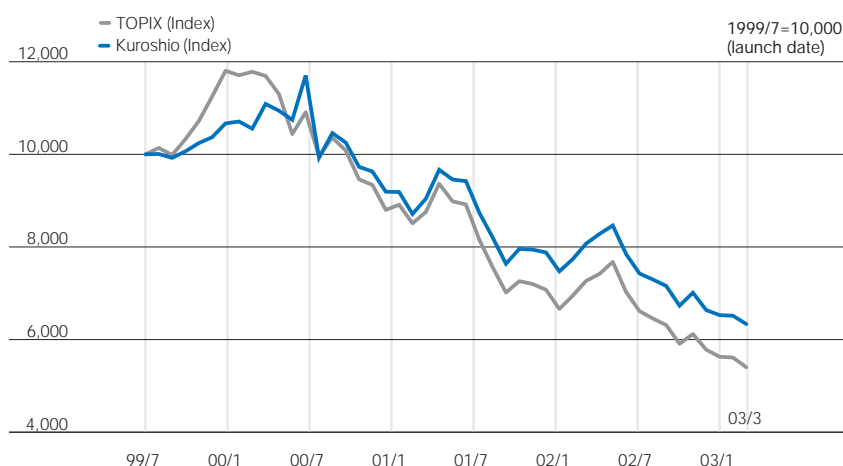
Results and Outlook

Building a Brand Distinguished for its Performance in Pension Management and Aiming to Be a Highly Efficient, Top Level Investment Management Firm

Under adverse market conditions in FY 2002, operating revenues fell 2% year-over-year to ¥6.7 billion, while ordinary income dropped 19% to ¥0.5 billion. Given the intense competition for pension trusteeship and the tougher environment for generating revenues, investment management firms cannot blindly pursue a strategy of increasing their assets. Daiwa SB Investments acknowledges that it must monitor profitability on an individual fund basis and shift from a strategy of expansion to one that concentrates on quality. Furthermore, in addition to improving its asset management capabilities, Daiwa SB Investments will work to polish its strategies related to product development, organizational restructuring, and marketing, taking into account both quality and productivity.

Capitalizing on its strong worldwide presence in pension investment management and the high investment ratings attained by products such as its “DC Kuroshio fund” adopted for defined contribution pension plans, Daiwa SB Investments continues to play a pioneering role in managing the investment of the huge pool of public pensions, such as

Performance of “Kuroshio (the Japan Value Stocks Fund)” (price vs. TOPIX)



postal savings and postal life insurance, as well as 401(k) plans. At the same time, the firm will expand its presence in the investment trust field based on the distinguished reputation it has built in the pension area. While deepening its ties with Daiwa Securities and Daiwa Securities SMBC, Daiwa SB Investments aims to be an efficiently managed leader in investment management.

Daiwa Institute of Research Ltd.

Highlights of Results

	Millions of yen	
	FY 2002	FY 2001
Operating revenues	61,675	71,809
SG&A expenses	9,130	11,391
Operating income	3,706	5,794
Ordinary income	3,444	5,542
Net income	1,043	3,352
Group holdings	96%	96%

Tatsuhiko Kawakami
President

Daiwa Institute of Research Ltd. (DIR) provides systems development, research, and consulting services to members of the Daiwa Securities Group and to outside clients. DIR is the think tank for the Daiwa Securities Group, offering powerful support which enhances the quality of the Group's services.

A major DIR initiative starting in FY 2003 will be to improve the quality and cost efficiency of the systems, research, and consulting services used to support the activities of the Daiwa Securities Group member companies. Toward this end, DIR is implementing a performance-based compensation scheme and strengthening the company's overall financial condition. Furthermore, its research division will aim to improve the quality of research and increase productivity utilizing various publicly issued rankings as a benchmark.

DIR aims to expand revenues generated through services it offers to clients outside of the Daiwa Securities Group. DIR intends to do this by focusing specifically on computer systems and consulting services. This should make the company more competitive by securing revenue sources that are less subject to fluctuations in economic conditions. In so doing, the corporate value of DIR will be enhanced, allowing the company to increase its contributions to the Daiwa Securities Group's bottom line. Measures that will be used to enhance DIR's corporate value will include:

1. The thorough implementation of performance-based compensation schemes; and
2. Cost reductions which will be achieved by increasing the ratio of job outsourced at DIR's systems development business (based on personnel numbers).

Daiwa Securities Business Center Co., Ltd.



Kenichi Fukuda
President

Highlights of Results

	Millions of yen	
	FY 2002	FY 2001
Operating revenues	8,472	9,635
SG&A expenses	7,853	8,176
Operating income	619	1,458
Ordinary income	627	1,490
Net income	350	1,235
Group holdings	100%	100%

Daiwa Securities Business Center Co., Ltd. (DSC), handles the securities administration and back office functions for the Daiwa Securities Group. The company contributes to enhancing the productivity of the Group's securities operations by increasing efficiency of back-office functions.

To improve the level of the services it provides, DSC has obtained an ISO 9001: 2000 certification and has also established a Quality Assurance Department. DSC aims to become a top-level specialist in its field with a focus on quality and safety.

Daiwa Property Co., Ltd.



Masahide Morimoto
President

Highlights of Results

	Millions of yen	
	FY 2002	FY 2001
Operating revenues	11,571	31,187
SG&A expenses	318	1,554
Operating income	4,254	7,602
Ordinary income	2,035	4,822
Net income (loss)	1,797	(126,036)
Group holdings	92%	92%

*figures for FY 2001 are for Daiwa Real Estate

Daiwa Property Co., Ltd. (Daiwa Property) owns, leases and manages retail branch offices, offices, company residence halls, and other facilities used by the Daiwa Securities Group.

Daiwa Property contributes to property-related cost reductions through the centralized and efficient use and management of real estate used by the Daiwa Securities Group.

NIF Ventures Co., Ltd.



Shinichi Yamamura
President

Highlights of Results

	Millions of yen	
	FY 2002	FY 2001
Operating revenues	1,340	8,845
SG&A expenses	3,868	4,222
Operating income (loss)	(3,457)	3,289
Ordinary income (loss)	(2,850)	3,336
Net income (loss)	(9,319)	3,257
Group holdings	79%	79%

NIF Ventures Co., Ltd. is one of Japan's leading venture capital firms. As a comprehensive private equity house, NIF provides venture capital to promising start-up companies planning future IPOs, as well as buyout capital to companies that need to reorganize or revitalize their businesses. NIF was listed on the JASDAQ market on March 12, 2002 to become the only listed entity within the Group except for the holding company.

Adverse business conditions resulted in a significant 30% decline in the number of IPOs in FY 2002 compared with the previous fiscal year. However, NIF Ventures has aggressively pursued investing activities by taking advantage of the low-cost investment opportunities available in this depressed stock market. FY 2002 saw a 23% increase in total investments executed to ¥20.0 billion.

Total Investments

	FY2002		FY2001	
	No. of companies	Amount (Millions of yen)	No. of companies	Amount (Millions of yen)
Stock	87	19,607	92	14,465
Listed	—	—	—	—
Non-Listed	87	19,607	92	14,465
Corporate bonds	9	448	17	1,799
Total	89	20,056	101	16,265