

Financial Performance

Key Points

- FY 2002 was marked with smaller losses. Retail client assets under custody were 12.15 trillion yen.
- Depressed stock markets and low interest rates have greatly altered our revenue structure over the last three years.
- Personnel costs made up just under half of net operating revenues. Dividends stayed at six yen per share.
- Our share price over the past 10 years has fluctuated greatly, from about 280 to about 2,100 yen.

Daiwa Securities Group Inc.

Outstanding shares: 1,331,735,000

Accounting period	Operating revenues (Units: 1,000,000 yen)	Net operating revenues (Units: 1,000,000 yen)	Ordinary income (Units: 1,000,000 yen)	Net income (Units: 1,000,000 yen)	Net income/ share (Yen)	Dividend/ share (Yen)	Shareholders' equity/share (Yen)	<Share price> 487 yen (end of March 2003)	<PBR> 1.19	Dividend yield 1.23%
FY 1999	651,298	512,276	224,122	105,376	79.4	13.0	502.1			
FY 2000	714,909	464,057	177,796	64,549	48.6	13.0	539.7			
FY 2001	488,044	284,932	25,849	-130,547	-98.3	6.0	429.7			
FY 2002	387,659	270,810	29,200	-6,323	-4.8	6.0	407.8			

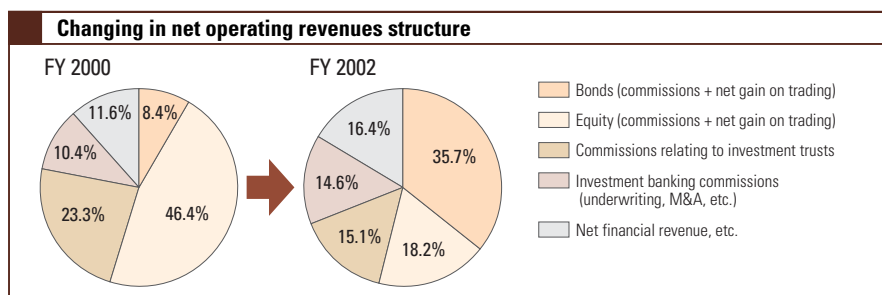
*For detailed financial information, see the Daiwa Securities Group 2003 Annual Report.

FY 2002 results

Consolidated operating revenues totaled 387.7 billion yen in FY 2002, a year-on-year decline of 21%, while consolidated net operating revenues (operating revenues minus financing costs) were 270.8 billion yen, down 5%. Selling, general and administrative expenses declined 6% to 246.7 billion yen, which is one factor boosting consolidated ordinary income 13% to 29.2 billion yen. Consolidated net income, on the other hand, was a negative 6.3 billion yen, dragged down by a write-down in investment securities among other factors.

Changing in revenue structure

With the stock market and interest rates staying low for long periods of time, investors' asset management needs are changing. Responding to these changes has led to big changes in the Daiwa Securities Group's revenue structure. The graph below shows our revenue structure in FY 2000 and FY 2002.



Market share in major business areas

Management of customer assets

As of the end of March 2003, Daiwa Securities had 12.15 trillion yen in retail client assets under custody. This accounts for a little less than 1% of the 1.378 quadrillion yen in individuals' financial assets in Japan¹.

¹ Because retail client assets under custody at Daiwa Securities include assets from corporate customers, it is slightly misleading comparing this to total individuals' financial assets in Japan, but this value is calculated as an indicator of the scale of the company's business.

Lead manager league table share (underwriting)

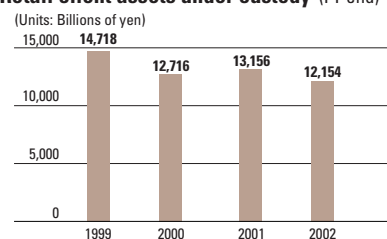
Over the past three years our lead manager league table share has risen in the categories of corporate straight bonds, initial public offerings, equity offerings and samurai bonds.

Assets under management

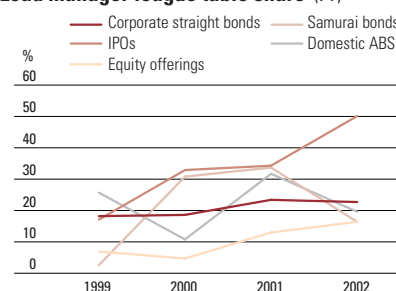
As of March 2003, Daiwa Asset Management and Daiwa SB Investments had 8.8 trillion yen in

assets under management. This significant decline is due to the last few years' extended period of stock market malaise, low interest rates and the negative effects of the collapse of Enron in the US.

Retail client assets under custody (FY end)

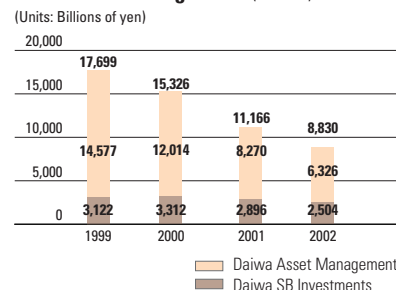


Lead manager league table share (FY)



Source: Daiwa Securities SMBC, Thomson Deal Watch for domestic ABS (book runner)

Assets under management (FY end)



Monetary returns to stakeholders

The Daiwa Securities Group thinks of its economic performance prepared under GRI guidelines as a monetary return to stakeholders. As Group net operating revenues have fluctuated, personnel costs (including wages, bonuses, welfare expenses and insurance), which are really returns to our employees, have varied between 120 billion and 140 billion yen. The FY 2002 personnel costs of 123.9 billion yen represented a six billion yen decline from the previous year and were equivalent to 46% of net operating revenues.

The Daiwa Securities Group strives to contribute a steady amount of financial support in our role as corporate citizen regardless of earnings performance.

The amount of tax shown in the Group's financial accounting is the sum of current and deferred

income taxes and other taxes such as the consumption tax.

Dividends are direct distributions of profit to shareholders. It is the Group's basic policy to make dividends as stable as possible given Group performance. Following this policy, in spite of a negative 6.3 billion yen consolidated net income in

FY 2002, we determined to again pay six yen per share, a decision that was approved at the ordinary general meeting of shareholders in June 2003. Total dividends paid in FY 2002 were 7.9 billion yen.

Monetary returns to stakeholders

(Units: 1,000,000 yen)

	Stakeholders	FY 1999	FY 2000	FY 2001	FY 2002
Personnel costs	Employees	140,648	140,426	129,972	123,904
(ratio to revenue ¹)	(%)	27	30	46	46
Payments as corporate citizen ²	Society	N.A	N.A	N.A	320
(ratio to profits ¹)	(%)	N.A	N.A	N.A	1.1
Taxes ³	Government	69,682	77,403	10,930	20,027
(ratio to profits ¹)	(%)	31	44	42	69
Dividends	Shareholders	17,247	17,265	7,971	7,970
(ratio to profits ¹)	(%)	8	10	31	27

¹ To make the weights of these amounts more tangible, we have calculated the ratio of personnel costs to revenue (net operating revenue) and that of other figures to ordinary income.

² For details about activities as a corporate citizen, see *As a Corporate Citizen and a Member of the Community*, page 30.

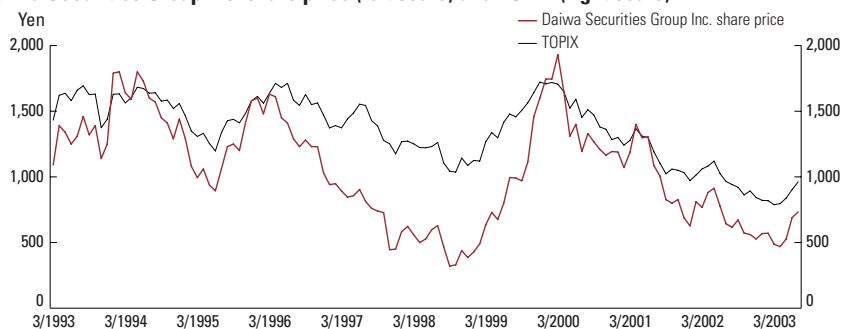
³ "Deferred income taxes" refers to an adjusted amount of tax paid as found by tax effect accounting and is different from the amount of tax actually paid.

Share prices

As the chart on the right shows, the share price of Daiwa Securities Group Inc. is very closely tied with the general stock market. Share prices over the past decade have fluctuated widely from a low of 281 yen in October 1998 to over 2,100 in February 2000.

Price/book value ratio (PBR) is one indicator of a stock's value. It is found by dividing share price by shareholders' equity per share. Our PBR based on our shares' closing price of March 31, 2003 was about 1.2, meaning that the market values the Daiwa Securities Group at 20% more than our shareholders' equity.

Daiwa Securities Group Inc. share price (left scale) and TOPIX (right scale)



PBR

