

In this section, the Daiwa Securities Group explains its economic relations with its various stakeholders in keeping with GRI guidelines. First, we explain the Group's revenue structure from its core business providing products and services to customers. Following this, we explain how we then distribute those profits to our different stakeholders.¹

Daiwa Securities Group revenue structure

The Group's largest revenue source in FY 2003 was commissions, which made up 48.7% of the total revenue structure. Commissions fall under three categories as below.

1. Equity commissions, bond commissions

These are the commissions received for acting as an intermediary when individual or business customers buy or sell securities such as shares or bonds.

2. Investment banking commissions

Commissions received, for example, as underwriting commissions when corporate customers issue shares or bonds with the intent of procuring new funds, and commissions from mergers and acquisitions (M&A)², etc.

3. Asset management commissions

Investment trust sales commissions and commissions received for holding, using and managing assets of individual and corporate customers.

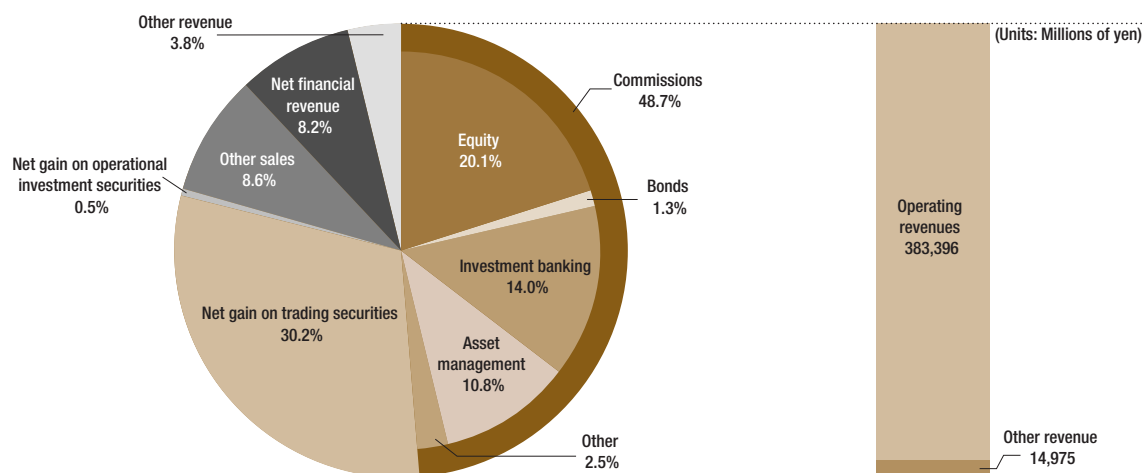
The Group's second largest revenue source at 30.2% of total revenue is net gain on trading securities. This is the net gain that the Group realizes in cases where it takes part in a transaction as buyer or seller in order to meet the needs of customers to transact securities like shares and bonds and the net

gain that the Group itself realizes from the buying and selling of securities.

Geographically, on an ordinary income basis, 88.8% of the Group's revenue comes from Japan. Thus, the Daiwa Securities Group earns its revenue by managing funds and assisting in funds procurement for individual and corporate customers mainly in Japan.

The "Revenue in economic report" shown in the pie chart below is the total of operating revenues³, non-operating income and extraordinary gains.

Operating revenues ³	Commissions	194,162
	Equity	80,060
	Bonds	5,219
	Investment banking	55,805
	Asset management	43,045
	Other	10,032
	Net gain on trading securities	120,195
	Net gain on operational investment securities	1,817
	Other sales	34,413
	Net financial revenue ³ (interest and dividend income minus interest expenses)	32,807
Other revenue (non-operating income and extraordinary gains)	14,975	
Revenue in economic report	398,372	



¹ The numerical data uses figures shown in the consolidated financial statements of our securities reports. For financial information, also see our 2003 Annual Report.

² Mergers and acquisitions (M&A): The merging of companies into one, or the acquiring of one company by another. The term actually refers not only to business tie-ups such as mergers and acquisitions but also generally to transfers of operations or shares, capital tie-ups and so on.

³ The figure used is found by subtracting interest expenses (exclusive of interest unrelated to securities transactions) included under "Cost of service fees and other sales" from interest and dividend income in the Breakdown of Net Operating Revenues.

Distribution of economic value to stakeholders

The Daiwa Securities Group is working constantly to monitor the state of distributions of economic value derived from business activities to our various stakeholders. The economic value described in our economic reports is the value found by subtracting cost of sales, SG&A expenses, non-operating expenses, extraordinary losses and minority interest income from revenues.

Employees' compensation and benefits, which are the distribution of value to employees, have ranged in recent years between about 120 billion and 140 billion yen, fluctuating with net revenues. In FY 2003 employees' compensation and benefits totaled 136.9 billion yen, representing an increase of 13.0 billion yen from the previous year and 63.9% of the economic value created by the Group.

As for expenditures for corporate citizenship ac-

tivities⁴, which are the distributions we make to society, the Group intends to make these distributions at a steady rate regardless of performance. In FY 2003 these expenditures came to 300 million yen.

The Group pays ongoing, annual dividends as a way of distributing economic value to shareholders. The basic policy of the Group when distributing profits as dividends is to consider trends in consolidated performance and pay an amount that ensures stability. Total dividends paid in FY 2003 were 7.9 billion yen.

We also distributed 7.8 billion yen to creditors as interest on loans, etc.

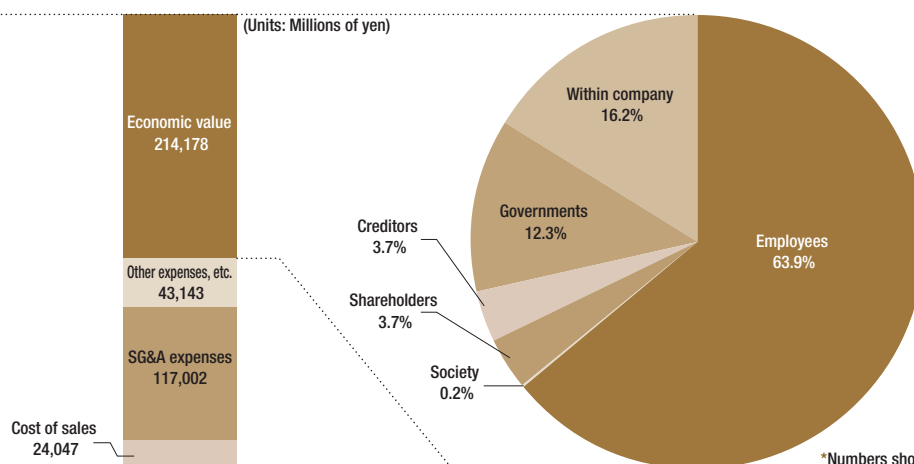
The Daiwa Securities Group's financial accounting in FY 2003 showed a tax total of 26.4 billion yen. Earning a profit and paying taxes are also part of a business's social responsibility. Taxes accounted for 12.3% of the economic value generated by the Daiwa Securities Group.

⁴ For details, see *Philanthropy and Community Involvement*, page 36.

Distribution of economic value to stakeholders				
(Units: Millions of yen)				
Stakeholders	FY 2000	FY 2001	FY 2002	FY 2003
Employees	140,426	129,972	123,904	136,963
Society	N/A	N/A	320	332
Shareholders	17,246	17,265	7,971	7,969
Creditors	14,890	11,134	8,388	7,821
Governments	77,403	10,930	20,026	26,424
Within company	47,303	-147,812	-14,293	34,667

Procedures for totaling distributions of economic value

- (1) Distributions to employees: Employees' compensation and benefits as a category of SG&A expenses
- (2) Distributions to society: Expenditures for corporate citizenship activities.
- (3) Distributions to shareholders: Dividends. Our procedures for totaling dividends in the 2004 report are slightly different from those of the 2003 report.
- (4) Distributions to creditors: Interest paid, excluding that arising from securities transactions
- (5) Distributions to governments: The total of income taxes, deferred income taxes and taxes other than income taxes (consumption tax, etc.)
- (6) Distribution within company: The total held in reserves internally.



*Numbers shown may not add up exactly because of rounding.