

PASSION
FOR THE
BEST

Autumn 2007

Daiwa Securities Group Business Strategy

大和証券グループ本社

Daiwa Securities Group Inc.

This presentation may contain forward-looking statements about the Daiwa Securities Group. You can identify these statements by the fact that they do not relate strictly to historic or current facts. These statements discuss future expectations, identify strategies, contain projections of results of operations or of financial condition or state other “forward-looking” information. These statements are based on currently available information and represent the beliefs of the management of the Daiwa Securities Group. These statements are subject to numerous risks and uncertainties that could cause the Daiwa Securities Group’s actual results, performance, achievements or financial condition to differ materially from those described or implied in the forward-looking statements. The Daiwa Securities Group undertakes no obligation to publicly update any forward-looking statements after the date of this presentation. These potential risks and uncertainties include, but are not limited to: competition within the financial services industries in Japan and overseas, our ability to adjust our business focus and to maintain profitable strategic alliances, volatile and sudden movements in the international securities markets, foreign exchange and global economic situations affecting the Daiwa Securities Group.

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Review of Performance in 1H FY07



Consolidated Financial Summary

(Y mil)	FY2007	FY2006	% Change vs 1H FY06	FY2007		% Change vs 1Q FY07	FY2006
	1H	1H		2Q	1Q		
Operating revenues	465,695	419,391	11.0%	211,712	253,982	-16.6%	917,307
Net operating revenues	255,632	241,343	5.9%	111,563	144,068	-22.6%	526,764
SG&A	185,280	161,522	14.7%	91,660	93,619	-2.1%	340,372
Ordinary income	75,296	86,451	-12.9%	21,204	54,092	-60.8%	195,415
Net income	42,074	40,127	4.9%	14,739	27,335	-46.1%	92,724
Total assets	16,009,537	14,300,872		16,009,537	15,062,647		14,411,265
Net assets	1,194,358	1,142,402		1,194,358	1,231,638		1,223,225
Shareholders' equity*	907,597	870,853		907,597	941,109		929,525
EPS (Y)	30.25	30.04		10.63	19.58		67.90
BPS (Y)	661.84	624.25		661.84	674.26		665.98
ROE (Annualized)	9.2%	9.7%		6.4%	11.7%		10.8%

* Shareholders' equity = owners' equity + valuation and translation adjustments

ROE (Annualized)	1H	2Q
Daiwa Securities	19.1%	17.8%
Daiwa Securities SMBC (consolidated)	3.9%	---

FY07 Interim Dividend
FY07 Interim Dividend per Share: 12 yen
Dividend Payout Ratio: 39.7%

Consolidated Operating Revenues by Business Sector

(Y mil)	FY2007	FY2006	% Change vs 1H FY06	FY2007		% Change vs 1Q FY07	FY2006
	1H	1H		2Q	1Q		
Total commission	154,438	134,968	14.4%	74,562	79,875	-6.7%	306,736
Equity	47,459	46,521	2.0%	22,930	24,528	-6.5%	98,986
Fixed income	1,171	1,501	-22.0%	609	562	8.3%	2,666
Investment trust	71,007	48,470	46.5%	33,826	37,181	-9.0%	106,906
Investment banking	22,175	26,792	-17.2%	10,798	11,376	-5.1%	74,985
Others	12,624	11,682	8.1%	6,397	6,227	2.7%	23,190
Total gain/loss on trading	71,190	73,068	-2.6%	24,440	46,749	-47.7%	157,332
Gain/loss on trading (Equity)	15,230	12,226	24.6%	-4,150	19,380	-	31,288
Gain/loss on trading (Bond and Forex)	55,960	60,841	-8.0%	28,591	27,368	4.5%	126,044
Net financial income	10,082	9,725	3.7%	3,551	6,530	-45.6%	19,207



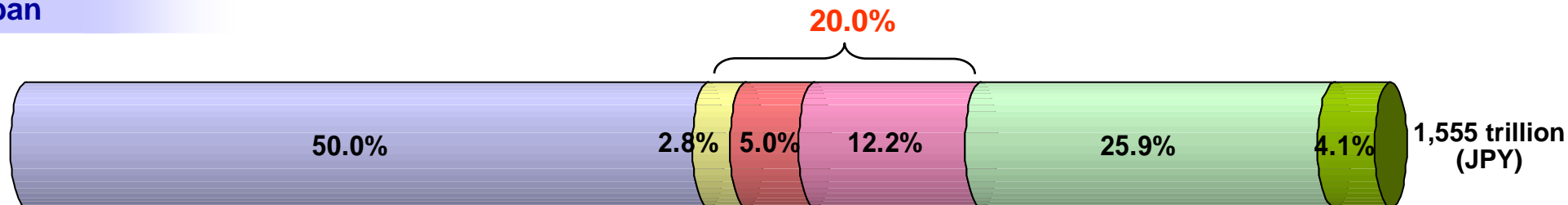
Challenge for 2H FY07



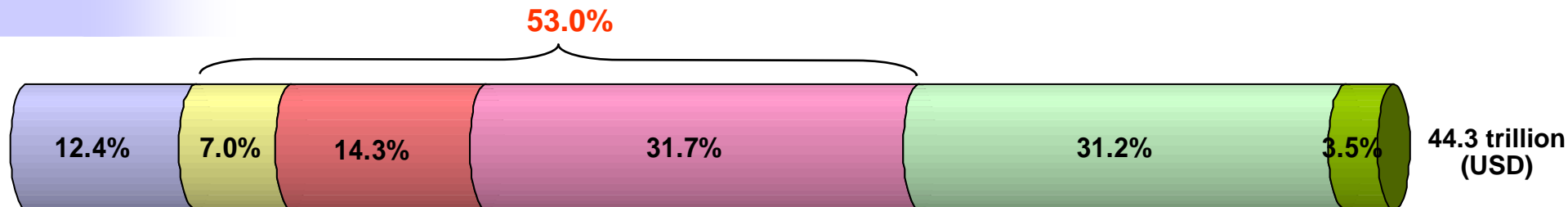
Individual Financial Assets

Breakdown of Individual Financial Assets (Jun. 2007)

Japan



US



Currency & deposits
 Bonds
 Investment trusts
 Shares & equities
 Insurance & pension reserves
 Others

Source: Bank of Japan

Medium-term Management Plan

Management target for FY2008

Consolidated ordinary income : JPY 350bil or higher

Consolidated ROE : 15% or higher

* Consolidated ordinary income record high JPY339.1bil (3/1990)

Retail

Ordinary income:
JPY 130bil or higher

Daiwa Securities
assets under custody:
JPY 45tri or higher

Wholesale

Consolidated ordinary income:
JPY 190bil or higher

No.1 in league tables

Asset Management

Ordinary income:
JPY 30bil or higher

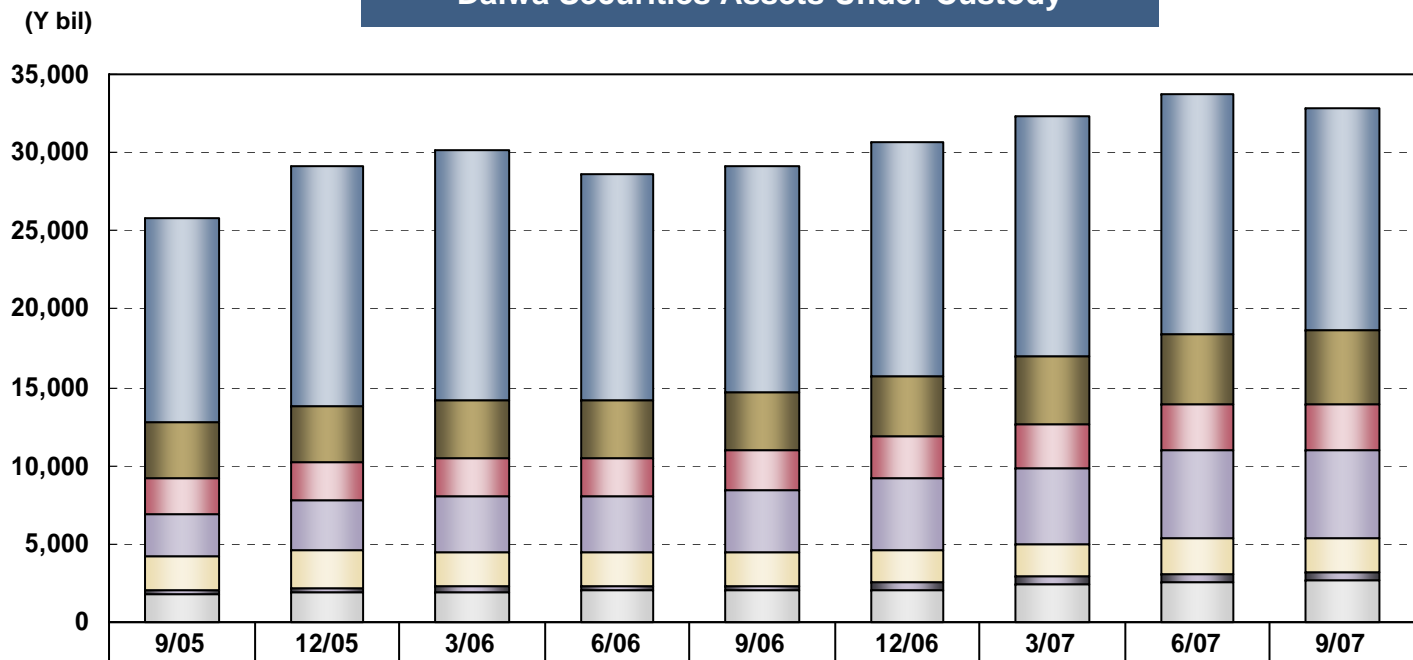
Equity investment trusts:
JPY 14tri or higher
Investment advisory assets:
JPY 5tri or higher

Daiwa Securities Progress of FY07 Target Figures

■ Investment trusts			
● Agency commission	3/08	JPY 4.8bil/month	(9/07 JPY3.7bil/month)
● Equity-type investment trusts	3/08	JPY 3.9tri	(9/07 JPY 3.2tri)
● Foreign bond-type investment trusts	3/08	JPY 3.1tri	(9/07 JPY 2.2tri)
■ Daiwa SMA contract assets under management	3/08	JPY 500bil	(9/07 JPY 251.1bil)
■ “Daiwa Direct” course margin balance	3/08	JPY 500bil	(9/07 JPY 151.4bil)
■ JGB for individual investors assets	3/08	JPY 2.5tri	(9/07 JPY 1.6tri)
■ Foreign currency-denominated bond assets	3/08	JPY 3tri	(9/07 JPY 2.8tri)
■ Pension insurance assets	3/08	JPY 800bil	(9/07 JPY 494.2bil)

Retail - Daiwa Securities - Assets Under Custody

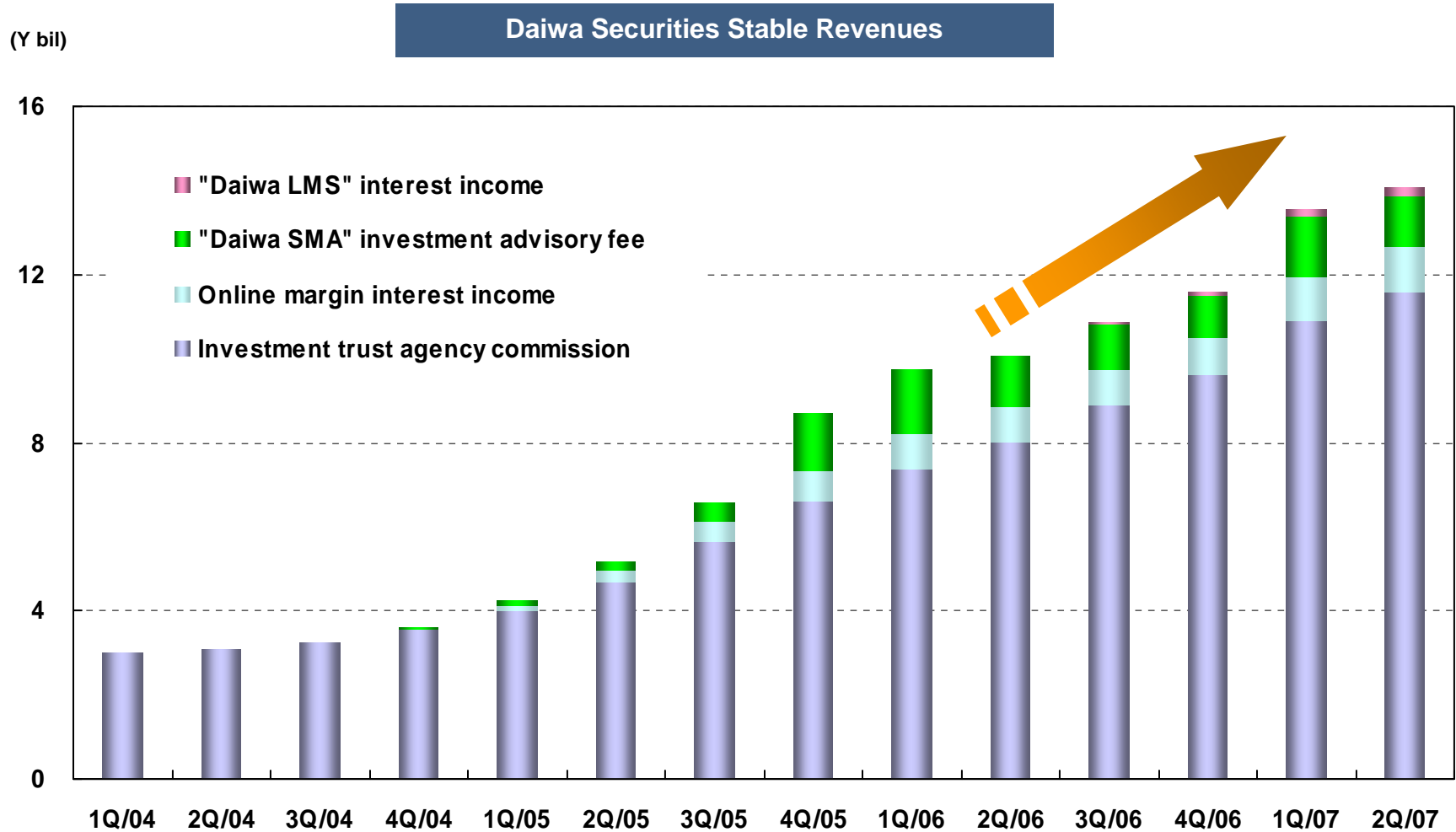
Daiwa Securities Assets Under Custody



* "Others" includes customer assets of Daiwa Securities held under custody at Daiwa Securities SMBC.

Retail - Daiwa Securities - Stable Revenue Sources

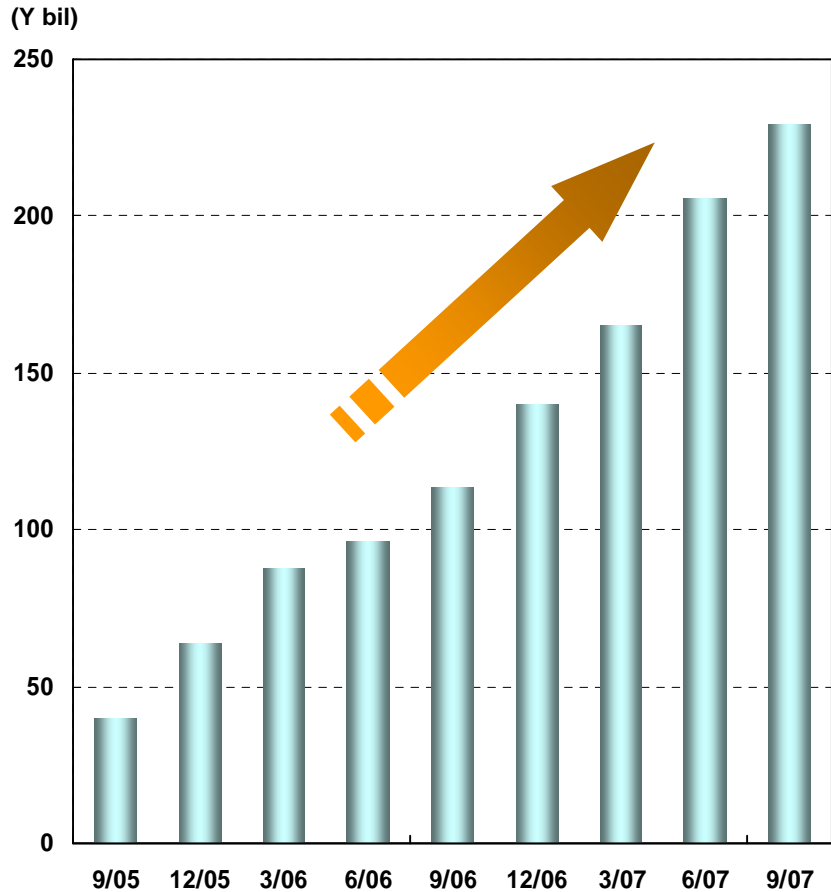
Stable revenues continue to expand



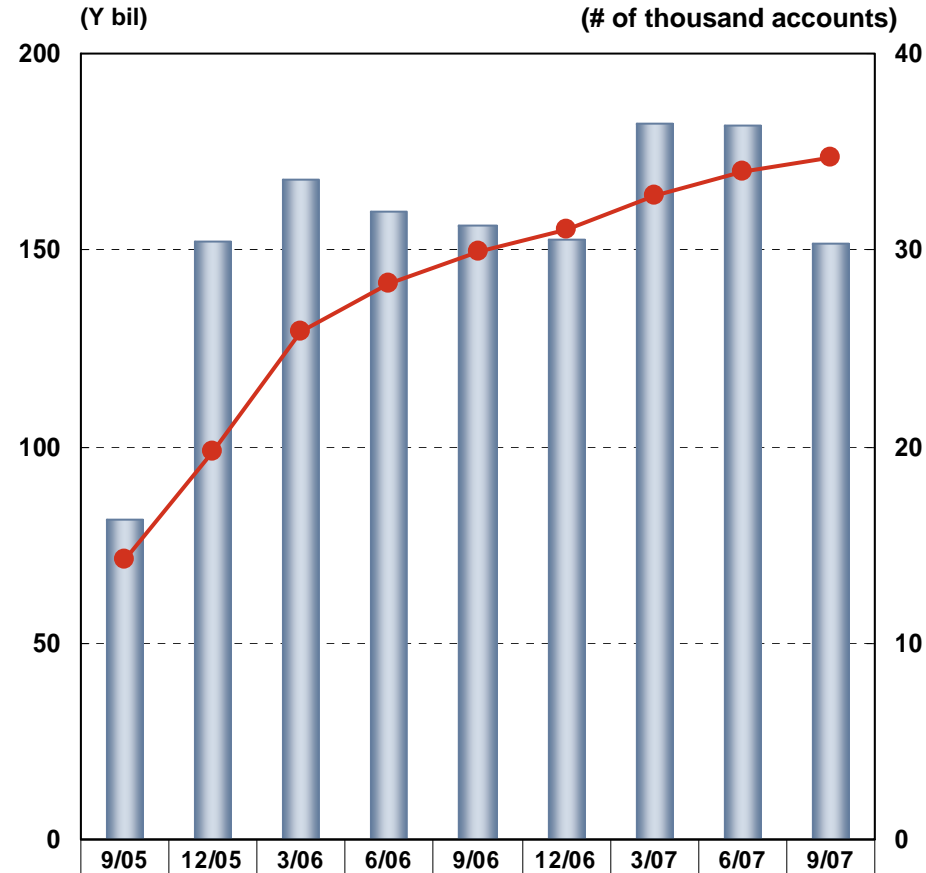
Retail - Daiwa Securities - Online Trading



**“Daiwa Direct” Course
Equity Investment Trusts Under Custody**



**“Daiwa Direct” Course
Accounts and Margin Balance**

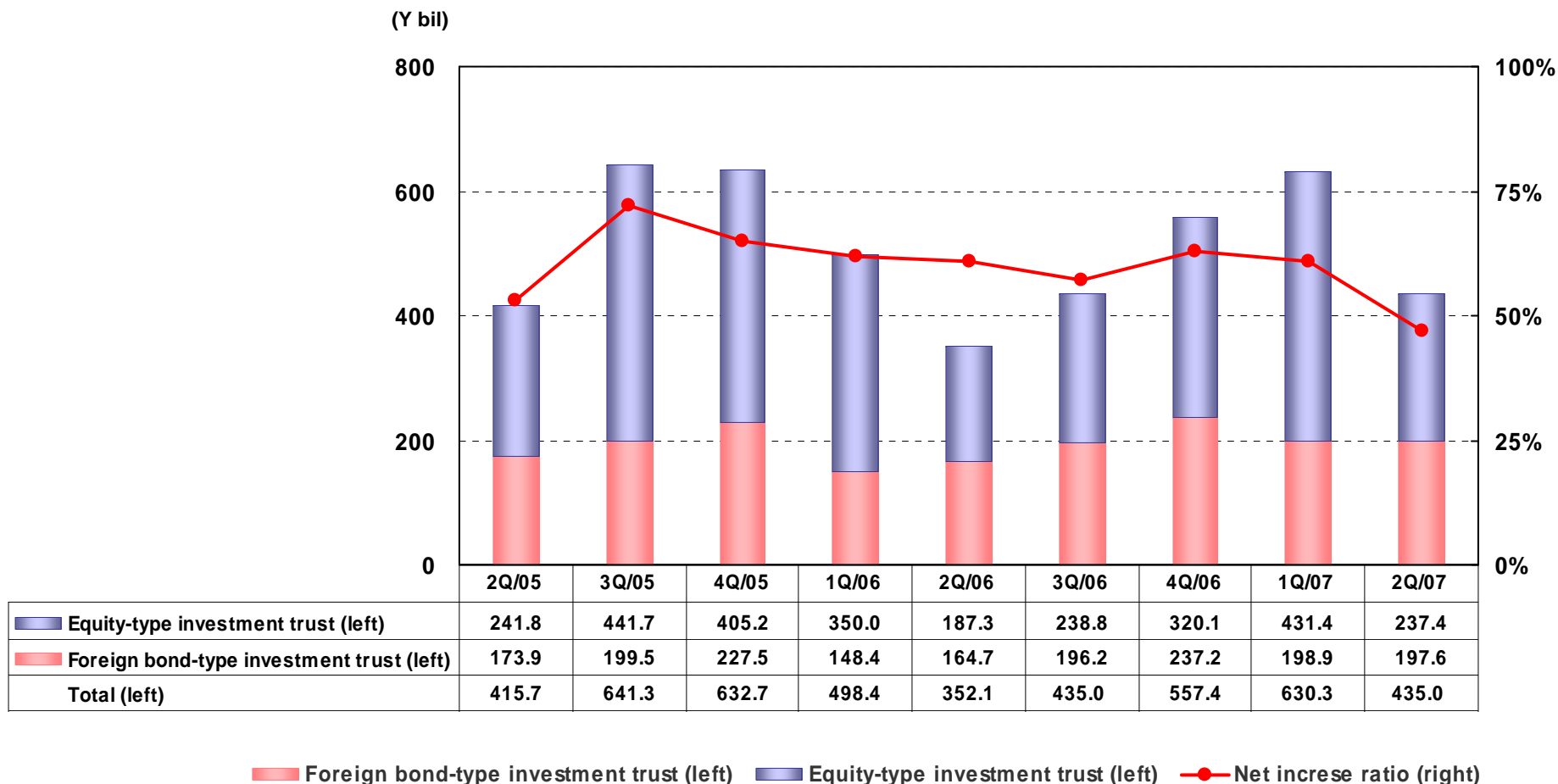


■ Margin balance (left)	81.2	152.3	168.0	159.7	156.2	152.9	182.4	181.5	151.4
● # of Online margin accounts (right)	14.3	19.7	25.9	28.3	29.9	31.0	32.8	34.0	34.7

Retail - Daiwa Securities - Equity Investment Trusts



Sales and Net Increase Ratio of Equity Investment Trusts



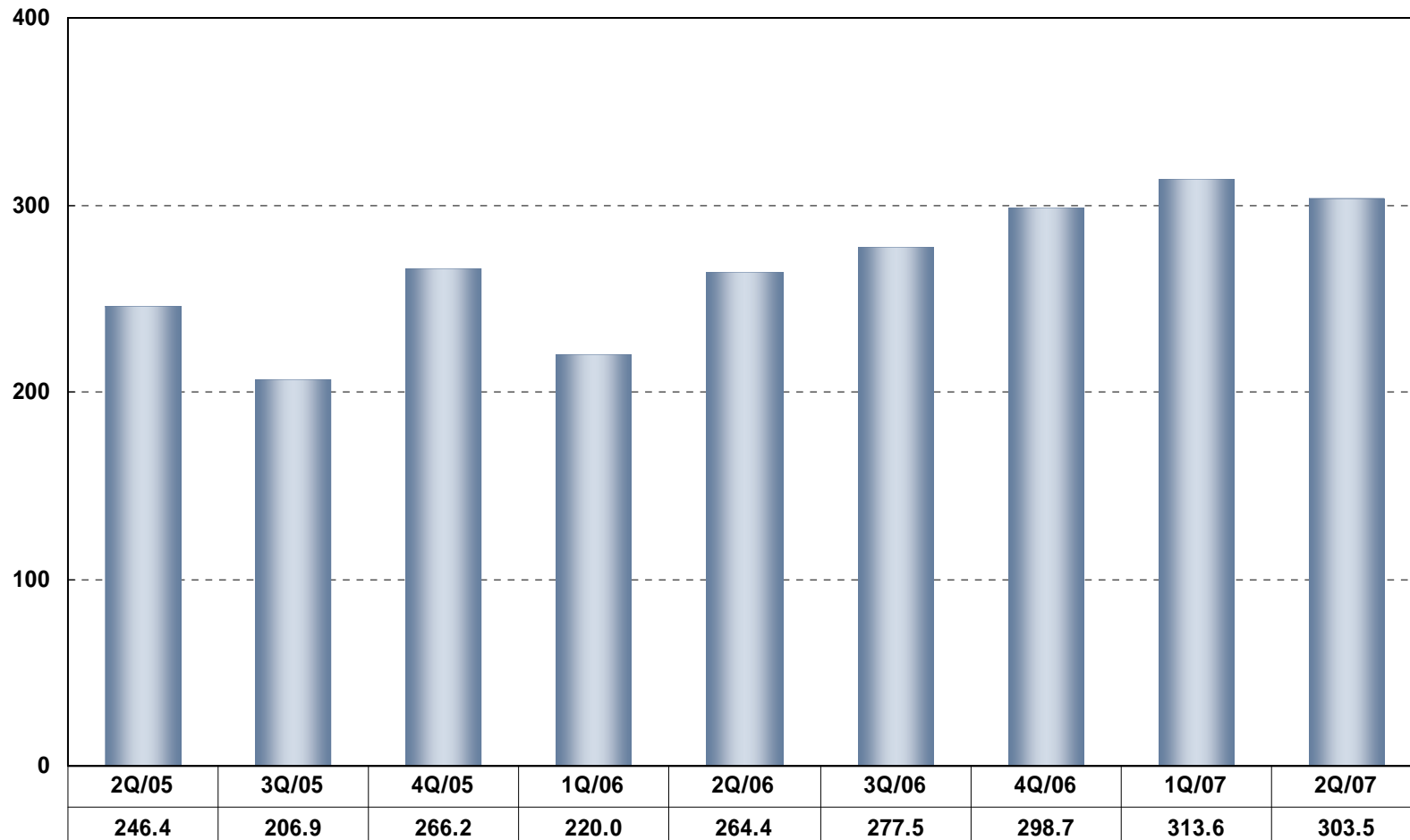
* Net increase ratio (%) = (purchase—redemption) / purchase × 100

Retail - Daiwa Securities - Foreign Currency Denominated Bonds



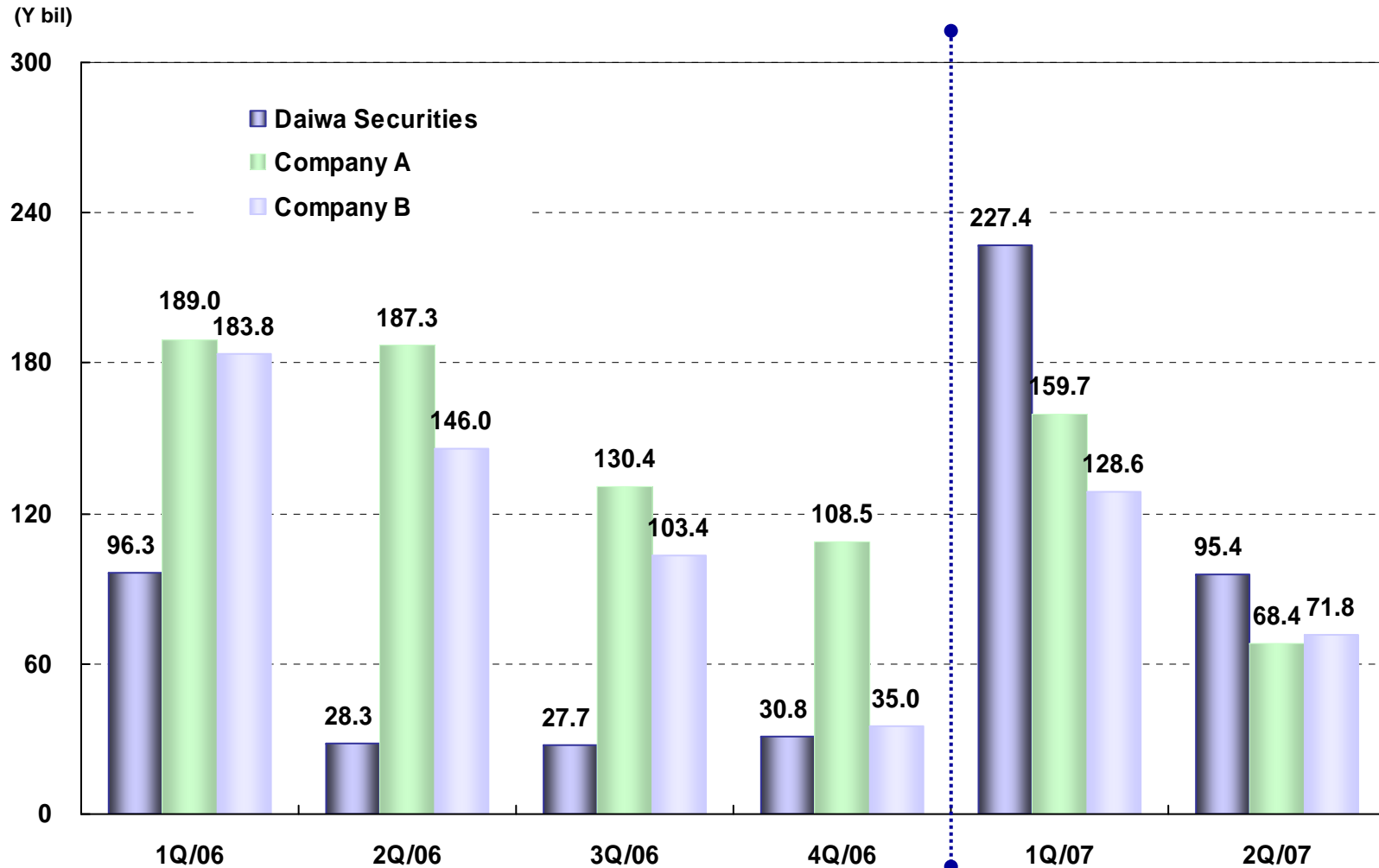
Sales of Foreign Currency Denominated Bonds

(Y bil)



Retail - Daiwa Securities - JGB for Individual Investors

Sales of JGB for individual investors comparison with other companies



* The figures for the company A and B were excerpted from their disclosed information.

Implementation of Financial Instruments and Exchange Law = Opportunity to boost customers' trust

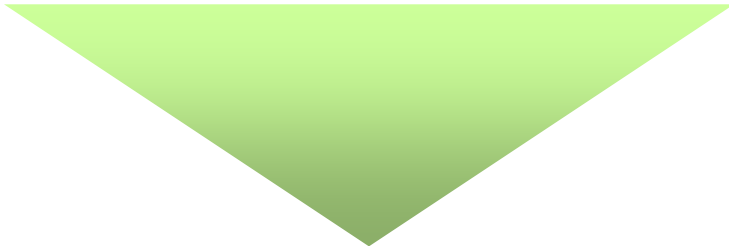
New legislative framework
for investor protection
= Minimum standard

Compliance has already been
our minimum requirement, thus
no change in our basic stance
towards compliance.

+

Furthermore

- Reinforce customer file
- Reconfirm customers' investment policy
- Improve CRM system etc.

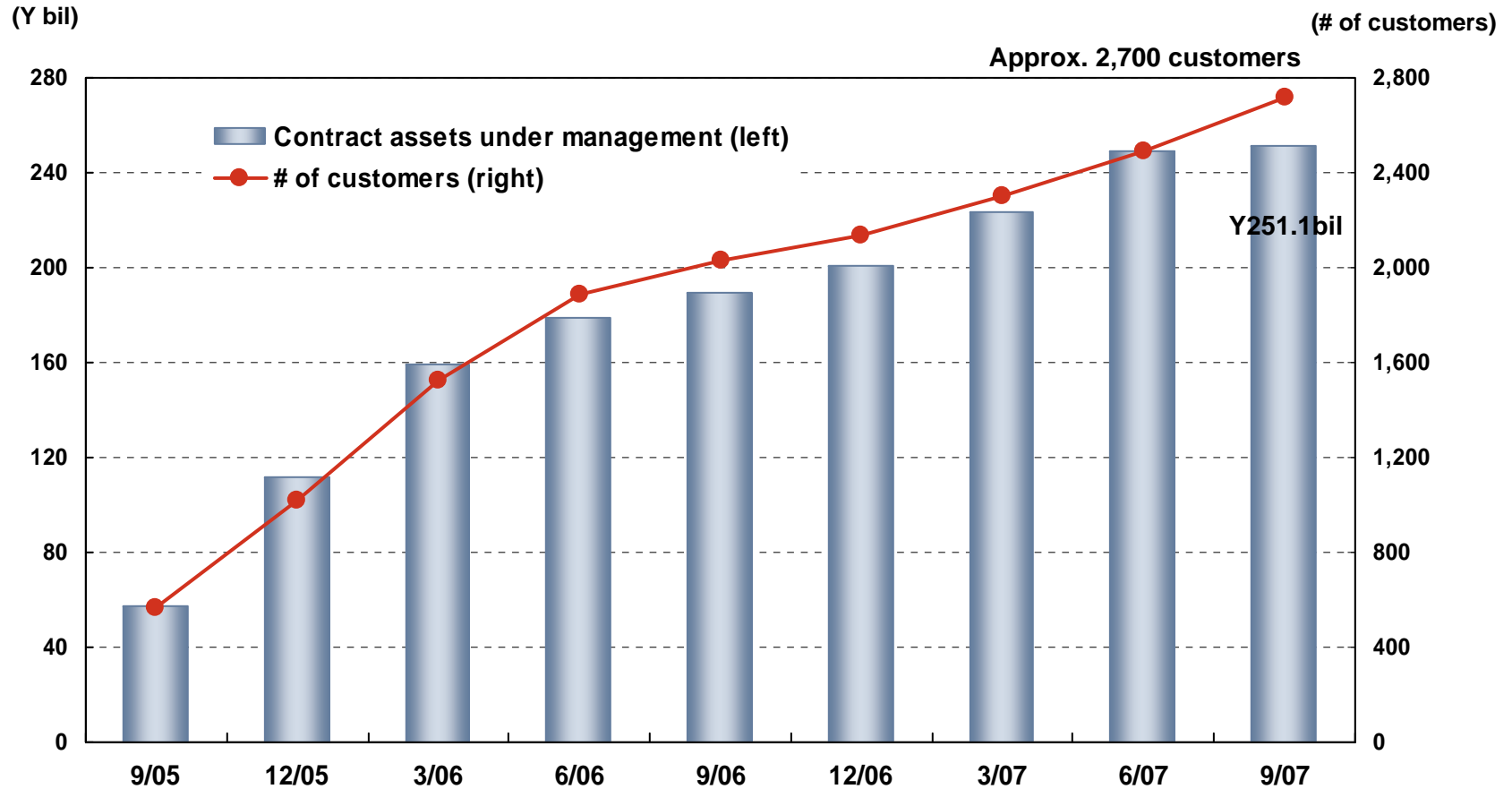


Leading to expansion of
customer assets and revenues

Retail - Daiwa Securities - Daiwa SMA (Separately Managed Account)



Number of Customers and Contract Assets under Management of "Daiwa SMA"



Retail - Daiwa Securities - “Daiwa Fund Wrap” Service

Pursue No.1 position in the industry, as achieved in SMA

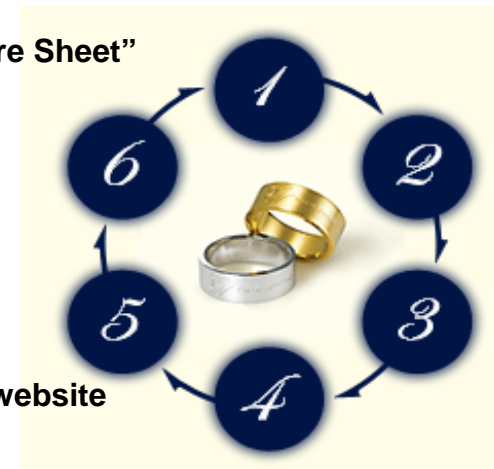
ダイワ ファンドラップ
あなたにあった資産運用をプロと二人三脚で。



- **Contract amount:** JPY 5 mil (minimum)
- **Contract term:** 1 year (rolled over automatically)
- **Investment target:** Exclusive funds for “Daiwa Fund Wrap”, managed in special accounts
- **Fee:** Contract asset-based fee structure

Scheme of “Daiwa Fund Wrap”

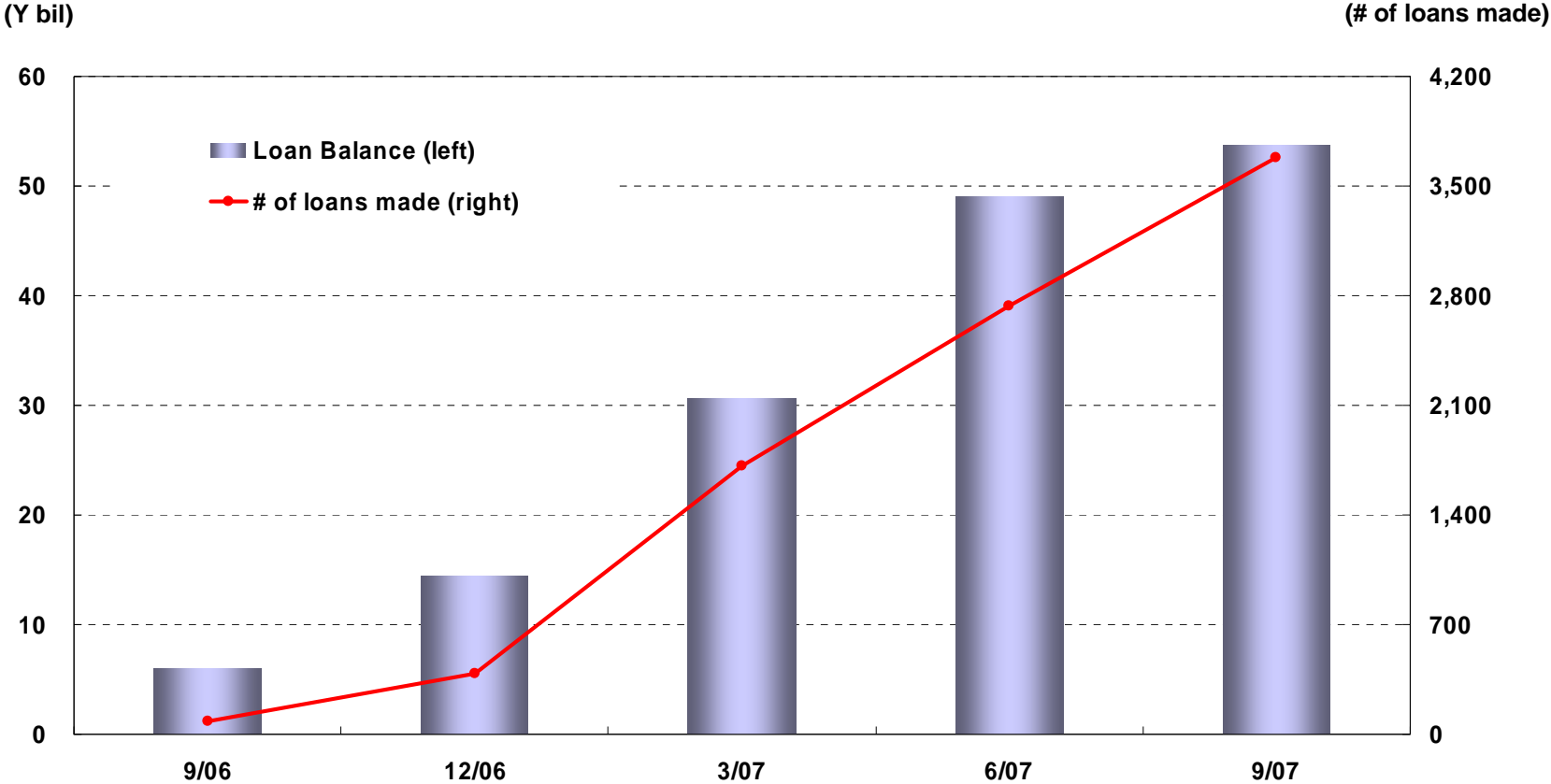
- 1 Confirm investment policy**
 - Use a “Questionnaire Sheet” to confirm customer’s investment policy and risk aversion
- 2 Recommend model portfolio**
 - Recommend optimal portfolio based on the analysis of the “Questionnaire Sheet”
- 3 Conclude a contract of investment advisory**
- 4 Manage the portfolio based on the investment advisory contract**
- 5 Report investment status periodically**
 - Deliver a “fund Wrap Investment Report” quarterly
- 6 Review investment policy**
 - Can change the allocation of the portfolio and investment amount
 - Can browse investment status and transaction records through special website



Retail - Daiwa Securities - Daiwa LMS (Loan Management Service)



Daiwa LMS Loan Balance and Number of Customers



Wholesale - Daiwa Securities SMBC - Major League Tables

1H FY07 Lead Manager League Table

	Total debt	Corporate & Agency bonds	Total equity	IPO	Primary and secondary equity offerings
1st	Mizuho	Mizuho	Nomura	Nomura	Nomura
	19.5%	24.3%	39.2%	37.4%	65.8%
2nd	Daiwa Sec. SMBC	Daiwa Sec. SMBC	Nikko Citigroup	Daiwa Sec. SMBC	Daiwa Sec. SMBC
	15.3%	18.5%	24.0%	35.4%	14.2%
3rd	Nomura	Nomura	Daiwa Sec. SMBC	Shinko	Nikko Citigroup
	13.4%	17.8%	12.9%	9.5%	10.8%
4th	Mitsubishi UFJ	Mitsubishi UFJ	Mizuho	Mitsubishi UFJ	Morgan Stanley
	12.4%	17.2%	5.8%	8.6%	4.8%
5th	Nikko Citigroup	Nikko Citigroup	Mitsubishi UFJ	Tokai Tokyo	Mizuho
	9.2%	8.0%	5.7%	2.9%	1.9%

Source: Daiwa Securities SMBC (Nikkei Bonds & Financial Weekly for ABS) **Apr-Sep 2007**

Note: Total debt (corporate bonds+agency bonds+samurai bonds+ABS) based on launch date.

Total equity (primary and secondary equity offerings+IPO+domestic CB+foreign equity+ overseas CB + SPS + REIT) based on settlement date. IPO based on listing date. Joint lead manager allotment based on underwritten amount.

M&A Ranking (Jan-Sep)

M&A	
Transaction value	Number of deals
Nomura	Nomura
Citigroup	Daiwa Sec. SMBC
GCA	MUFG
Mizuho FG	Citigroup
MUFG	Mizuho FG
6th: Daiwa Sec. SMBC	Goldman Sachs and others

Source: THOMSON FINANCIAL **Jan-Sep 2007**
"M&A advisory league table for any Japanese involvement announced (AD19)"

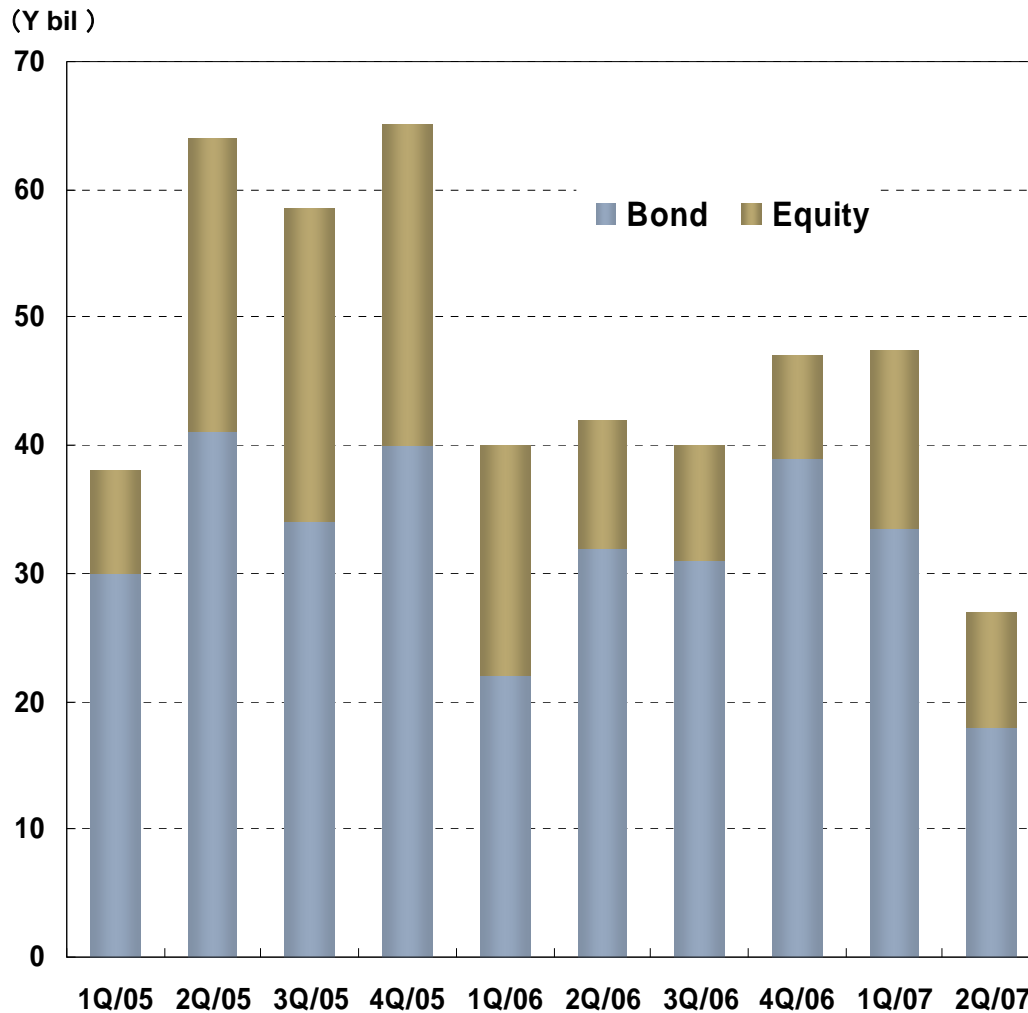
Symbolic deals

- **Equity:** Co-lead manager for Japan Petroleum Exploration (secondary offering), China Boqi Environmental Solutions Technology (IPO), KITO CORPORATION (IPO)
- **Debt:** Co-lead manager for Japan Tobacco (SB) and Thai Petroleum Authority (Samurai Bond)
- **M&A:** Mitsukoshi/Isetan consolidation (advisor to Mitsukoshi), Sanyo Shinpan Finance's TOB of Asahi Enterprise (advisor to Asahi Enterprise), SMBC's purchase of OMC Card (advisor to SMBC)
Sagent Advisors Inc. : Advisor to SRI Sports on purchase of Cleveland Golf Company (October)
- **Structured Finance:** Selected as the arranger and administrative lead manager for Ministry of Finance on securitization of fiscal loan (October)

Wholesale - Daiwa Securities SMBC - Strengthening of Trading Business



Consolidated Equity & Bond Revenues (managerial accounting basis*)



* Trading gain/loss + net financial income

Challenges in Trading Business

- Diversification of revenue sources (Global, Alternative, Derivative)
- Reinforcement of risk management

Focused Area in Equity Trading

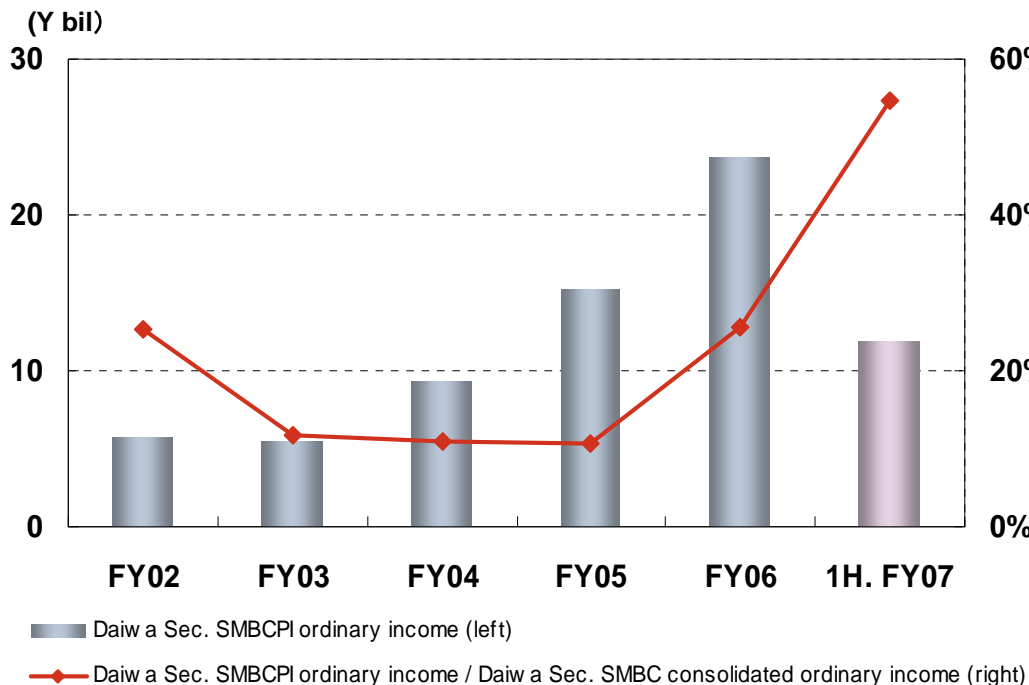
- Strengthening of execution capabilities
- Strengthening of global coverage structure
- Raising earnings from foreign stocks
- Establishment of global proprietary trading structure

Focused Area in Bond (FICC) Trading

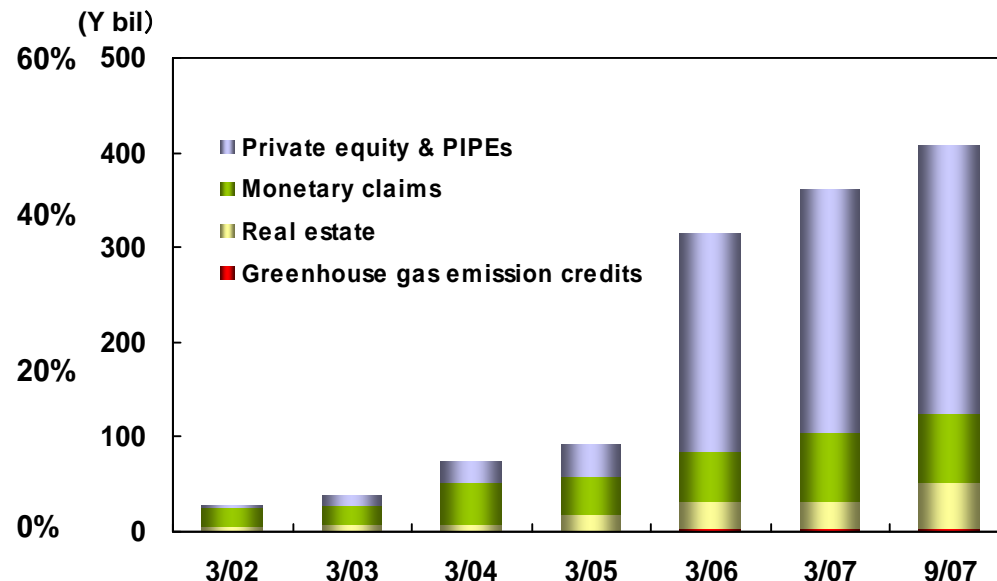
- Substantial increase in structured bond sales and derivatives business
- Enhancement of derivatives trading capabilities
- Strengthening of overseas business

Investments Daiwa Securities SMBC Principal Investments

Ordinary Income



Total Investment Amount



Topics

- Transferred part of Daiwa Securities SMBC PI's share holdings of Maruzen to Dai Nippon Printing
- Launched Hokkaido small and medium enterprise challenge fund
- Acquired all shares of HMV Japan and HMV Retail Limited
- Acquired all shares of Asahikawa Grand Hotel in Hokkaido

As of 9/07 (change vs 6/07)

Total Investment amount:	Approx. Y407bil	(+Y37bil)
Private equity and PIPEs: (Private Investment in Public Equities)	Y281bil	(+Y20bil)
Monetary claims:	Y74bil	(+Y8bil)
Real estate:	Y48bil	(+Y10bil)
Greenhouse gas emission credits:	Y4bil	(-Y1bil)

Wholesale and investment Strengthening of Businesses in Asia

Future goals: Three numerical targets in 5 years

Asia-related Revenues

Current Status

FY06 Total revenues of Asia/Oceania:
Approx. JPY12.4bil

In five years

**Asia-related Revenues:
JPY100bil level per year**

Headcount in Asia

Current Status

The current headcount in Asia
(incl. expatriates and local staff members):
515 (as of Sep.07)

In five years

**Headcount:
1,000 employees**

Investment in Asia

Current Status

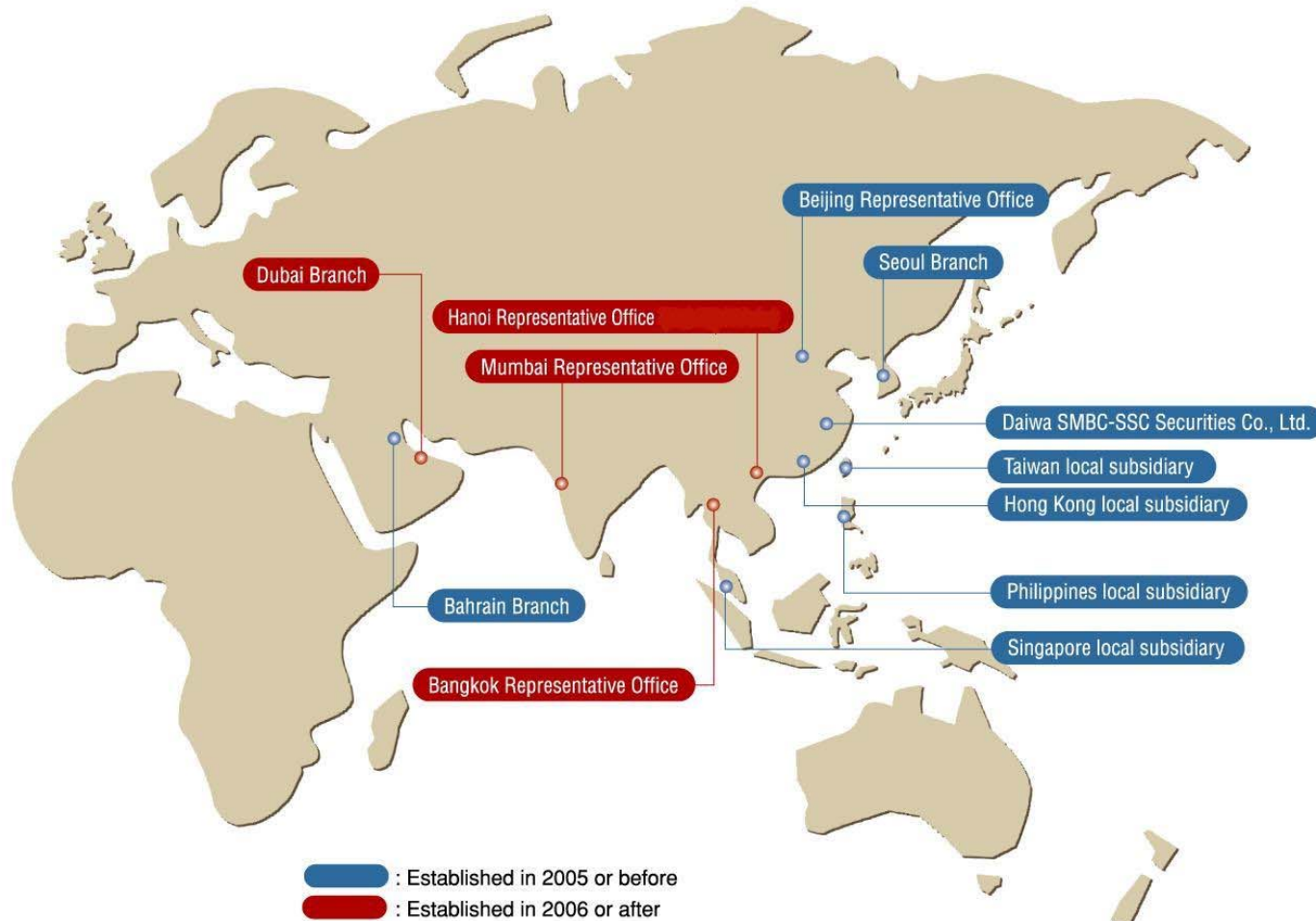
Investment in
EMP Daiwa Capital Asia Ltd.

In five years

**Investment in PE, PE funds:
JPY100bil level**

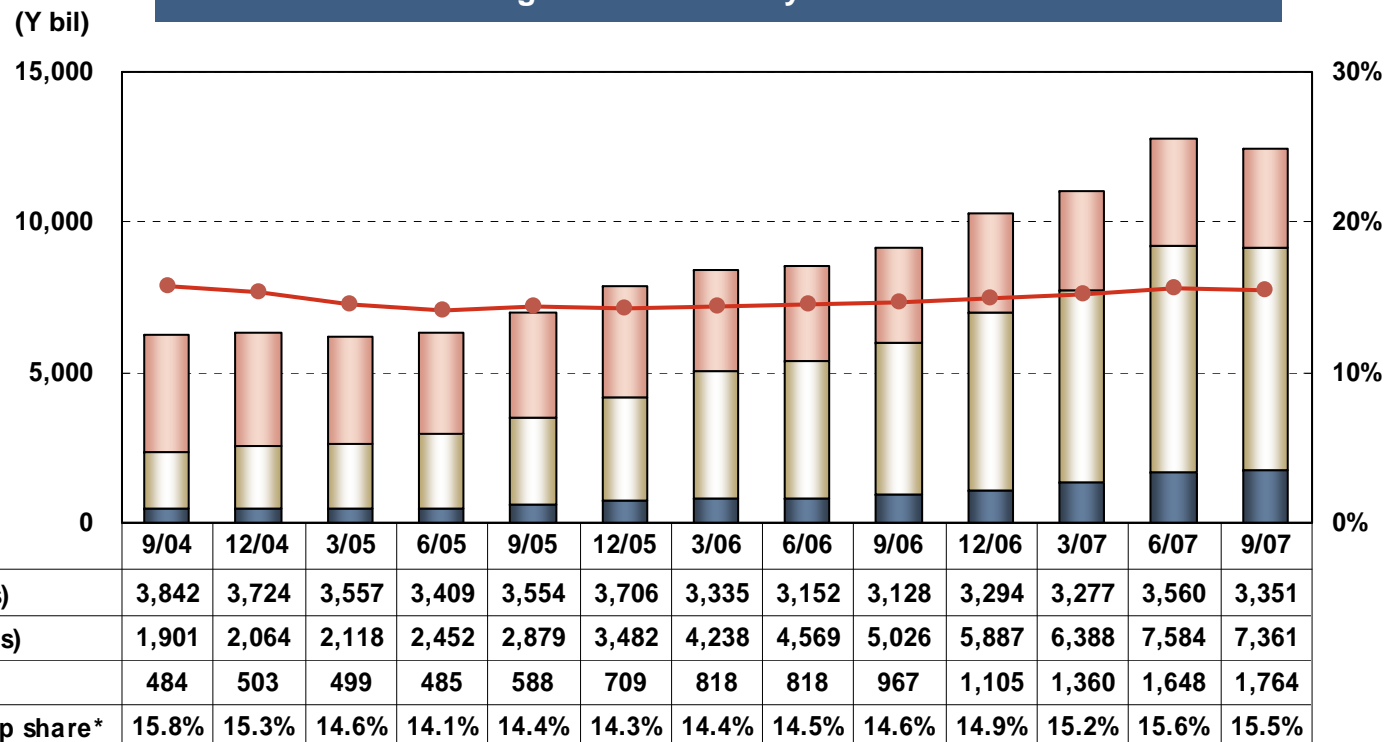
Wholesale and investment Network in Asia

Daiwa Securities SMBC Expansion of Network in Asia



Asset Management Assets Under Management

Funds Under Management of Publicly Offered Investment Trusts



* Daiwa Asset Management+Daiwa SB Investments

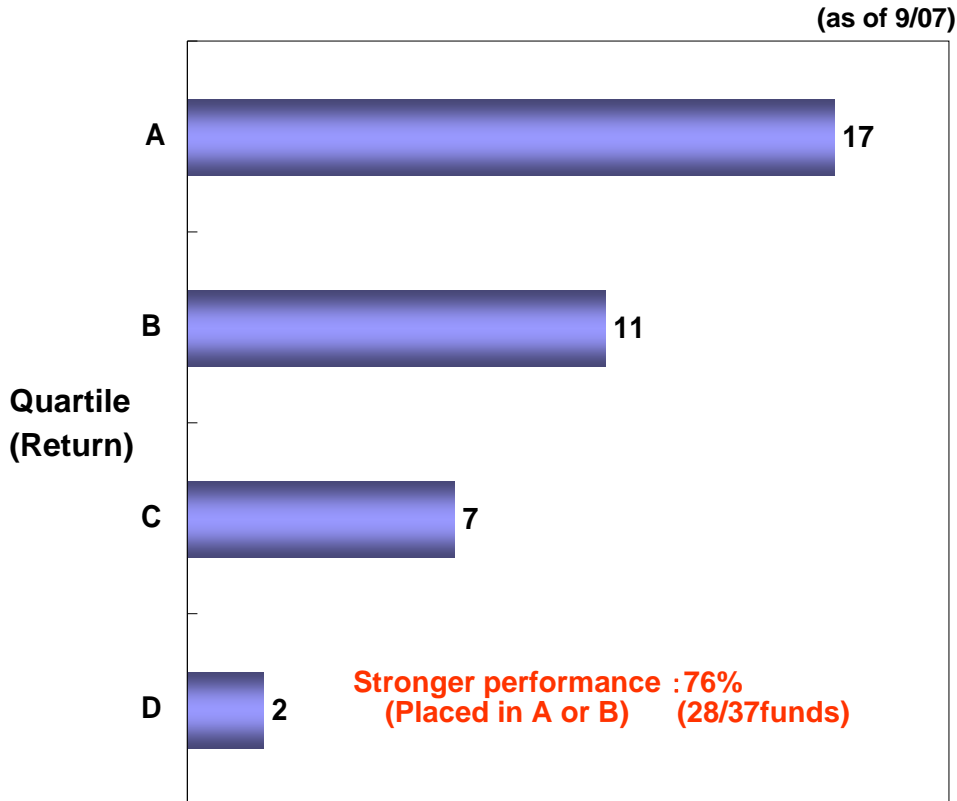
Contract Assets for Investment Advisory

(Y bil)	9/04	12/04	3/05	6/05	9/05	12/05	3/06	6/06	9/06	12/06	3/07	6/07	9/07
Daiwa SB Investments	2,954	3,194	3,158	3,201	3,715	4,106	4,070	3,913	4,106	4,292	4,374	4,555	4,220

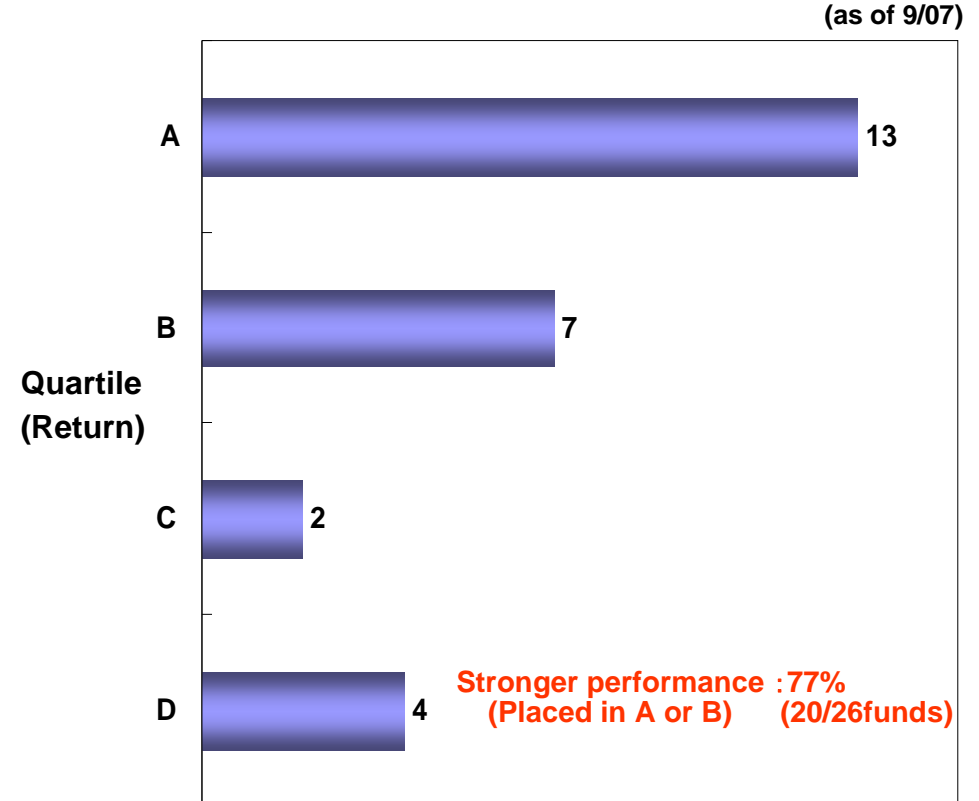
Asset Management - Daiwa Asset Management - Strong Performance in Japanese Equity Funds



**Domestic Active Equity Funds
(1-year Management Period)**



**Domestic Active Equity Funds
(3-year Management Period)**



* Using fund classification by Daiwa Fund Consulting (domestic-equity-blended, growth, value, large-cap, mid-and-small-cap, varying-allocation-ratio-type, theme-type) (excluding regional funds managed by Daiwa Asset Management from theme-type)

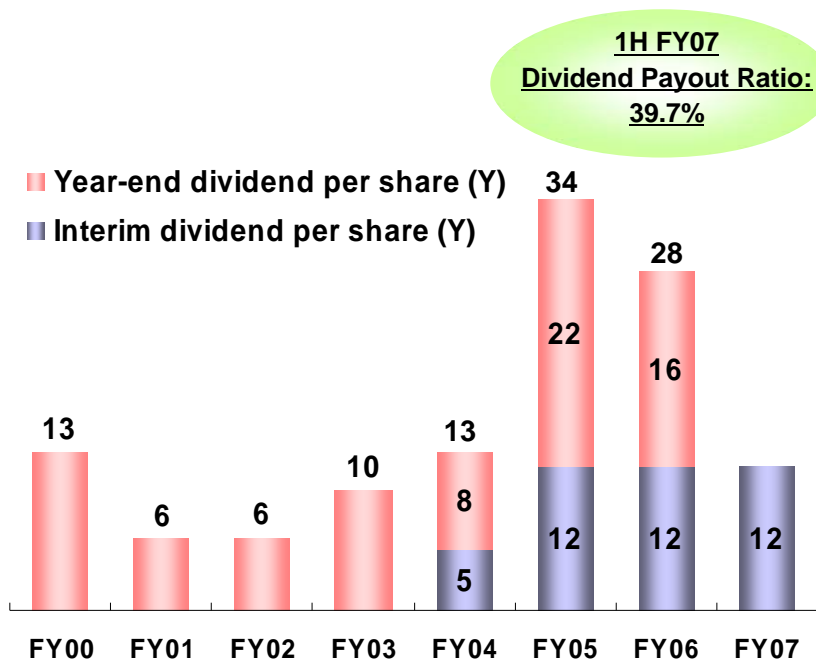
* Number of funds managed by Daiwa Asset Management, ranked to quartile from A to D for each classification

Dividend Policy

Guideline for consolidated payout ratio: 30%

→ Adopting more proactive stance towards dividend payout depending on circumstances, according to capital allocation strategy

Daiwa Securities Group Inc. Dividend



* Interim dividend system was adopted in FY04

Repurchase of Own Shares

- Total number of shares repurchased: 25 million shares
- Total value of shares repurchased: JPY27.3bil
- Repurchase period: From August 21 to September 20, 2007
- Purpose of repurchase:
 - Return to shareholders in line with the dividend policy
 - Announce effect on market
 - Utilization of repurchased shares as treasury stock (M&A, Stock option etc.)

<<Reference: Previous Repurchase of Own Shares>>

- Total number of shares repurchased: 10 million shares
- Total value of shares repurchased: JPY13.7bil
- Repurchase period: From January 31 to February 17, 2006



**Investor Relations
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