

"Passion for the Best" 2011 Daiwa Securities Group Business Strategy

大和証券グループ本社

Daiwa Securities Group Inc.

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FY2008 Financial Summary & Previous Medium-term Management Plan

Consolidated Financial Summary



(Y mil)	EV2000	EV2007	FY2008 FY2007		FY2	FY2008	
(1 11111)	F 1 2000	F 1 2001	vs FY07	4Q	3Q	vs 3Q FY08	
Operating revenues	413,936	825,422	-49.9%	78,436	38,564	103.4%	
Net operating revenues	199,544	447,491	-55.4%	54,003	-5,582	-	
SG&A	343,270	363,858	-5.7%	81,923	83,606	-2.0%	
Ordinary income	-141,150	90,143	_	-27,923	-90,022	_	
Net income	-85,039	46,411	_	-17,363	-53,039	_	
Total assets	14,182,579	17,307,119		14,182,579	15,113,175		
Net assets	952,329	1,082,923		952,329	996,110		
Shareholders' equity*	720,272	818,089		720,272	746,953		
EPS (Y)	-63.16	33.69		-12.90	-39.40		
BPS (Y)	534.99	607.64		534.99	554.82		
ROE (Annualized)	_	5.3%		_	_		

^{*} Shareholders' equity = owners' equity + valuation and translation adjustments

ROE (Annualized)	FY2008	4Q FY2008
Daiwa Securities	4.0%	0.2%
Daiwa Securities SMBC (consolidated)		

FY2008 Dividend

FY08 dividend per share: 8 yen (including 5 yen interim dividend)

Previous Medium-term Management Plan



"Passion for the Best" 2008

Consolidated ordinary income: JPY 350bil or higher

Consolidated ROE : 15% or higher

Retail

Ordinary income: JPY 130bil or higher

Daiwa Securities
Customer assets under custody:

JPY 45tri or higher

Wholesale

Consolidated ordinary income: JPY 190bil or higher

No.1 position in lead manager league tables

Asset Management

Ordinary income: JPY 30bil or higher

Equity investment trusts assets: JPY 14tri or higher

Investment advisory assets: JPY 5tri or higher

Assumptions for the Previous Mid-term Plan



Assumptions (as of Nov.05)

*DIR Forecasts and our estimation

Economy: FY06 - FY08 (Average)

GDP growth rate: Nominal 3.7%

Real 2.8%

■ Markets : FY08 (Average)

Call rate: 0.3% 10-year JGB yield: 2.4%

JPY / US\$ rate : JPY 99.5 / US\$

TOPIX: 1,870 points (3/09)

TSE 1st section trade value: JPY 2.0-2.5 tri per day

Individuals

Retail trade value: JPY 1.1-1.5 tri per day

(FY08 average)

Individual financial assets: JPY 1,714 tri (3/09)

Corporations

- Diversification of investment and funding approach
- Active capital investments and M&A by corporations with good conditions
- Active restructuring and spin-out by ailing corporations
- Higher presence of private equity and real estate funds

Results (as of Mar.09)

■ Economy: FY08

GDP growth rate: Nominal ▲3.7%

Real ▲3.5%

Markets: FY08 (Average)

Call rate : 0.36% 10-year JGB yield: 1.34%

JPY / US\$ rate : JPY100.64 / US\$
TOPIX: 773.6 points (3/09)
TSE 1st section trade value: JPY 1.9 tri per day

Individuals

Retail trade value: JPY0.6 tri per day

(FY08 average)

Individual financial assets: JPY 1,434 tri (12/08)

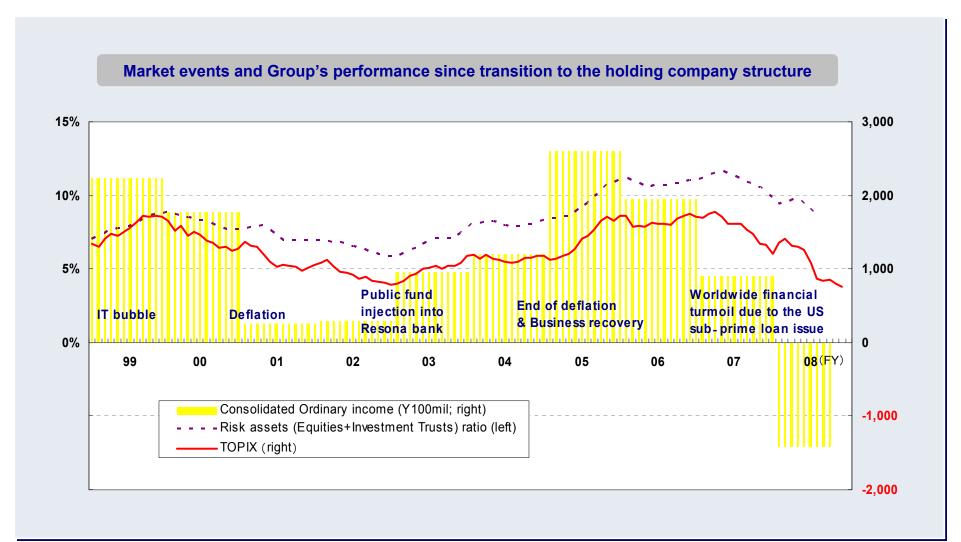
Topics

- ✓ Turmoil in financial markets due to the sub- prime loan issue in the US
- ✓ Bankruptcy of major investment banks
- ✓ Credit crunch in financial and capital markets
- ✓ Risk assets value decline due to jump in volatility
- ✓ Decline in individual's investment appetite
- ✓ Net selling of Japanese equity by foreign investors

Group's Progress in Past Decade ①



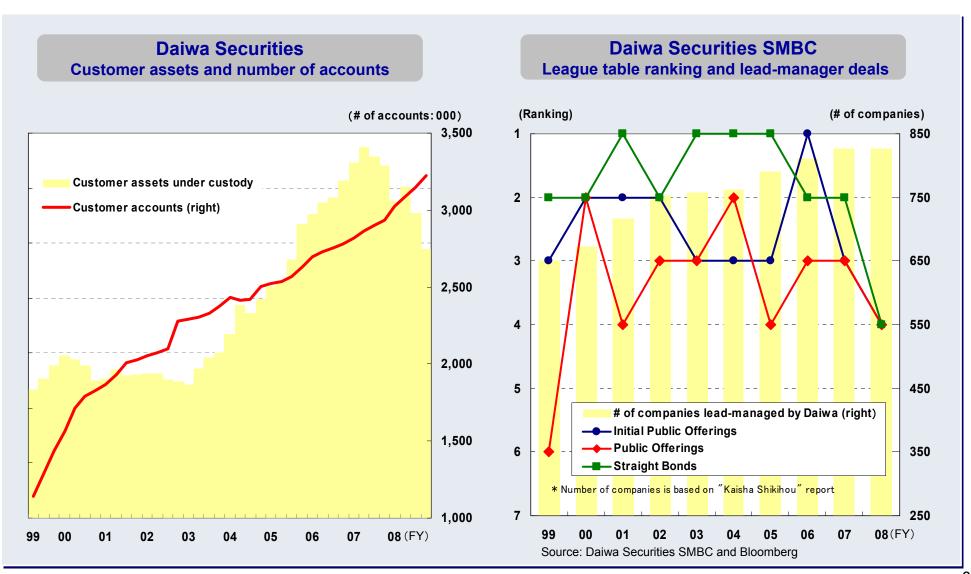
The Daiwa Securities Group has established strong business base by its solid operations, thoroughly focusing on securities-related business



Group's Progress in Past Decade 2



Steady expansion of customer base





New Medium-Term Management Plan "Passion for the Best" 2011

Corporate Mission and Principle



Daiwa Securities Group's mission is to contribute to the development of society and economy through daily operations, including wealth management and supporting corporate clients' activities.

A strong trust from stakeholders including Customers, Shareholders, Employees and the Society is essential to accomplish our mission.

Corporate Principle and Stakeholders

Customers

Building Customer Trust

We stand on the trust of our customers. Prudently putting customer interests first and achieving a high standard of professional competence, we intend to become Japan's most appealing securities group at home and abroad.

Shareholders

Earning Sound Profits

Our fundamental objective is to enhance shareholder value through sound business operations. We will offer valuable services to our customers and earn adequate rewards for distribution to our shareholders.

Daiwa Securities Group

Employees

Valuing Human Resources

People are the source of our competence. We highly value creative initiative by the individual, we cherish the challenging spirit, and appreciate the capability and contributions of the individual.

Society

Contributing to Society

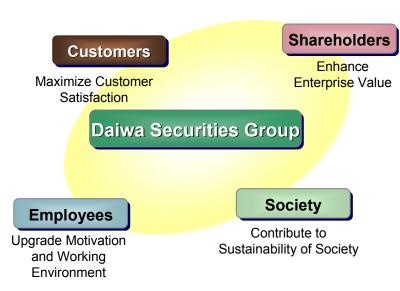
Our mission is to contribute to society and economy through our daily operation in the financial and capital markets. We will maintain high standards of ethics and self discipline, and contribute to the sustainability of society.

Management Vision



Our Vision

The Stakeholder-trusted Excellent Company Representing Japan



- Daiwa Securities Group will materialize its vision and corporate principle in order to achieve higher goals.
- Daiwa Securities Group will aim to become "the stakeholder-trusted excellent company representing Japan" by maximizing the shareholders' trust and contributing to sustainability of society.

Priority and Practices of "Passion for the Best" 2011

Priority: Realigning Business Focus

- Concentrate management resource to selected business, based on customer needs and change in business environment
- Establish stronger customers' trust by providing highly value added products and services

Practices: Speed / Cooperation / Originality

Deliver highly value added solutions by practicing "Speed / Cooperation / Originality" through daily operations

Priority: Realigning Business Focus



Projected Mid-term Trend

Shift from Savings to Investment

Strong needs for financial products will continue to expand

Financial and Capital Markets to Stabilize

- Investor risk tolerance will recover
- Structural change will accelerate
- Financial advisory needs will grow

Higher Growth in Asia and Emerging Countries

- Growing demand for emerging market financial products
- Increasing finance and M&A needs

Reflecting on the current condition and the medium-term trend in financial and capital market,

Concentrate management resources to the important business areas

Place More Management Resources to Retail Business

 Group companies will coordinate to increase customer assets.

Create Sustainable Investment Banking Model

- Provide risk transparent products
- Support business and financial strategies of corporations
- Establish advanced risk management framework

Expand Business in Asia and Emerging Countries

- Provide a wide range of products
- Promote investment from the region
- Meet finance and M&A needs

Possible Utilization of Mergers or Alliances

Management Target



Consolidated Ordinary Income : JPY 200bil or above

□ Consolidated ROE : 10% or above

Market Capitalization : Rank Top 40 in Japan

Productivity : No.1 among peers

(Net operating revenues/Ordinary income per employee)

Retail

Ordinary Income

JPY 120bil

Net Inflow of Customer Assets

Wholesale & Investment

Ordinary Income

JPY 60bil

Customer Satisfaction Gauge

Broker Rankings

League Tables

Asset Management

Ordinary Income

JPY 20bil

<<Daiwa Asset Management>>
AUM Market Share in Publicly
Offered Equity Investment Trusts
 (Excludes ETFs)

<< Daiwa SB Investments>>
Pension Performance Ranking

Summary of Assumptions (FY2009–FY2011)



*Composed by Daiwa Securities Group Inc. based on DIR Forecasts (as of Dec.08)

[Economy]

- □ Real GDP growth late will be 0.6% on an average, as domestic economy is in medium-term adjustment phase during FY2009 FY2011
- □ The US and European economy maintain low growth, while Asian economy will keep relatively high growth
- Global economy growth rate will significantly decline in FY2009

[Market]

- Stock market to trend upward between the 2H of 2009 to the 1H of 2010
 ⇒ TOPIX level: 1,050 point on an average during the mid-term plan, 1,150 point at the end of FY2011
- Yen-dollar exchange rate will be flat (JPY98 / US\$ on an average)

[Investor trend]

- □ Shift from "savings to investment" will gradually progress, but policy measures by the government to deal with the current financial turmoil are needed
- □ Risk tolerance will be normalized

[Corporate activities]

- Equity finance is currently not active but will normalize gradually
- □ In the M&A field, structural changes in the industries and the trend of business restructuring will accelerate the consolidation between corporations

 (M&A in Asian and emerging countries and cross-border M&A (IN-OUT) utilizing strong yen are expected to increase.)

[Industry trend]

- □ De-leverage triggered by lowering risk tolerance will continue in overall market
- Competitors also make a transition to focus more on customer needs and strengthen risk management



Retail

Medium-Term Management Plan



Vision and target

Most attractive securities company with a high standard of professionalism and originality

FY2011 target ordinary income: JPY 120bil

Basic Strategies

- Evolve organizational structure to maximize the capability of professional workforce
- Provide original, high value-added products and consulting services
- Offer highly motivating career path
- Enhance education and training
- Utilize advanced IT technologies

Retail (Daiwa Securities)

Management Policy for FY2009



Organizational structure of sales force

- Reinforce marketing by reorganizing sales and support structure
 - ⇒ build up the structure to maximize the capability of sales force

"Daiwa Consulting" Course

- Reinforce equity and fixed income business
- > Increase AUM of investment trust, pension fund and wrap account

"Daiwa Direct" Course

Expand service menu to accommodate heavy users

"Daiwa Consulting" Course 1



Reinforce basic equity and fixed income business to beef-up the strength as a securities firm

"OTC stock option trading" contract amount

(Y bil / monthly average) 18 2Q/08 3Q/08 1Q/07 1Q/08 4Q/08

Methods to strengthen equity and fixed income business

Equity

- Increase agency transaction
- Focus on high value-added transaction
 - Equity premium trading (OTC stock options)
 - ✓ VWAP trading
 - ⇒ expand trading volume by active promotion

Fixed income

- Continue to market foreign currency bonds
- > Reinforce marketing domestic bonds
 - ⇒ strengthen and activate corporate customer base

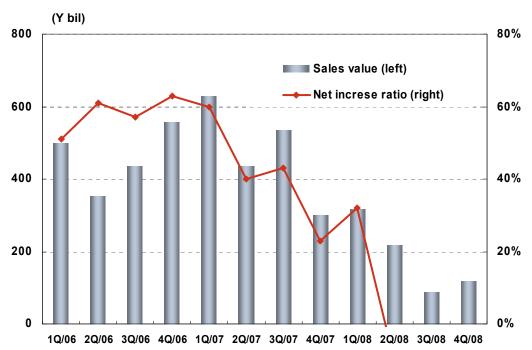
^{*} Prior to 1Q/08: contract amount of similar transactions

"Daiwa Consulting" Course 2

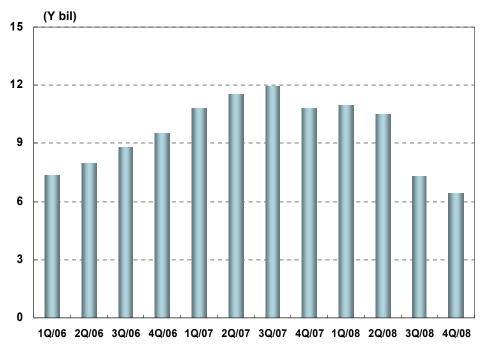


Increase AUM of investment trusts, pension funds and wrap accounts as core products

Sales and Net Increase Ratio of Equity Investment Trusts



Investment Trust Agency Commission



Increase AUM of equity investment trusts



Target investment trust monthly agency commission: JPY5.2bil by FY2011

"Daiwa Direct" Course



Develop service menu to accommodate heavy users

Number of online and "Daiwa Direct" accounts

(# of accounts: 000) 2,500 **■** total online accounts "Daiwa Direct" accounts 2,000 1,500 1.000 500 3/06 3/08 9/06 3/07 9/07 9/08 3/09

Improve products and services

<u>Daiwa FX</u>

- > Selectable from 1 to 50 times leverage
 - **Daiwa PTS (Proprietary Trading System)**
- > Enhance night-time trading service
 - ✓ Extension of trading time (6PM 2AM)
 - ✓ Introducing limit order
- More products and services under consideration
- Preparing CFD (Contract For Difference)
- Create attractive market by collaborating with Daiwa Securities SMBC



Wholesale & Investment

Wholesale & Investment (Daiwa Securities SMBC)

Medium-Term Management Plan



Vision and target

Investment Bank achieving "sustained growth," based on "Customer Trust"

FY2011 target ordinary income: JPY 60bil

Basic Strategies

- Improving client evaluation
- Reinforce solution capabilities
- Globalization
- Stabilize earnings base

Wholesale & Investment (Daiwa Securities SMBC) Basic Strategy of Each Divisions



Product Sales Division

- Maintain high assessment of domestic institutional investors and improve the evaluation from overseas institutional investors (Improvement of broker ranking)
- Reinforce and enhance the execution infrastructure
- > Improve ability to manage a position on a global basis and reinforce risk management
- Fully utilize the client base within the Group (Daiwa Securities, SMBC, etc.)

Investment Banking Division

- Reinforce solution and origination capabilities
- Set up the global M&A structure in the four regions: Japan, North America, Europe, and Asia

Indicator	Targets
League Table	League Table No.1 position in Equity Total, Dept Total, M&A relating to Japanese companies
Various awards	Win Nikkei, Thomson, IFR awards

Principal Investments Division

- Shift to fund management business both in the formation of own funds, and collaboration with major partners
- Capture investment opportunities aligned to the changing market environment
- Lock in profits by exiting current investments

Globalization

- Further utilize the group network to reinforce and enhance overseas business development in order of priority
- Strengthen efforts toward business expansion in Asia, in particular
- Reinforce global-based management control structure

Indicator	Targets
Ratio of overseas earnings against total earnings* (Ratio of Asian earnings against earnings*)	30% (15%)

^{*} Figures exclude Principal Investments Division.

Wholesale & Investment (Daiwa Securities SMBC)

Management Policy for FY2009



Products Sales Division

- Equity Division
 - Increase stable revenues
 - Establish new revenue sources (derivatives, repo-transaction, loan & lending, etc.)
- FICC (Fixed Income, Currency, and Commodities) Division
 - Strengthen risk management functions
 - Expand the sales network and improve trading ability

Investment Banking Division

- Enhance ability to provide solutions
- Develop overseas infrastructure and capture M&A cross-border deals

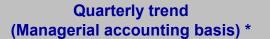
Principal Investment Division

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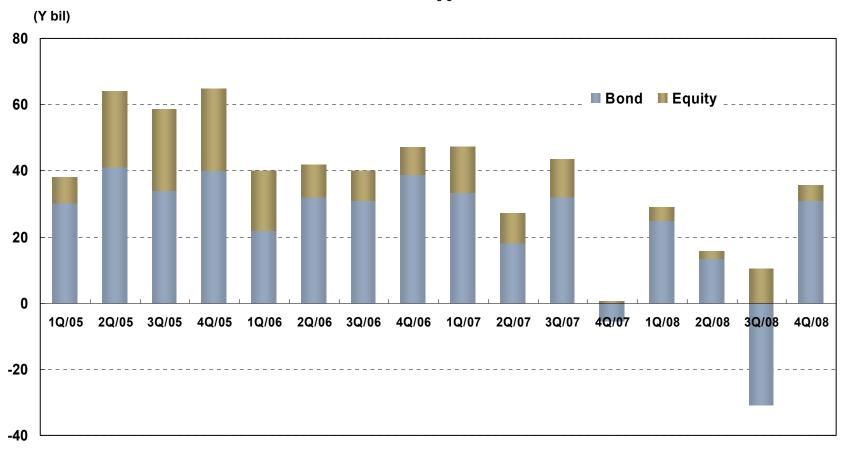
Wholesale & Investment (Daiwa Securities SMBC)

The Group's Consolidated Trading Revenues





* Trading gain/loss + net financial income



Wholesale & Investment (Daiwa Securities SMBC) Lead Manager League Tables



Daiwa Securities SMBC FY2008 Lead Manager League Table

						M&A	
	Total debt	Corporate & Agency bonds	Total equity	IPO	Primary and secondary equity offerings	Transaction value	Number of deals
1st	Mitsubishi UFJ	Mitsubishi UFJ	Nomura	Nomura	Nomura	Goldman Sachs	Nomura
ist	18.1%	22.7%	40.0%	53.7%	48.2%	Goldinan Saciis	Nomura
Ond	Daiwa Sec. SMBC	Nomura	Daiwa Sec. SMBC	Mizuho Investors	Mitsubishi UFJ	Nomura	Mizuho FG
2nd	17.5%	20.1%	18.7%	28.4%	15.5%	Nomura	
3rd	Nomura	Daiwa Sec. SMBC	Mitsubishi UFJ	Nikko Citigroup	Daiwa Sec. SMBC	Morgan Stanley	Daiwa Sec.
Siu	15.8%	17.9%	9.3%	4.9%	9.6%	morgan Stanley	SMBC
4th	Mizuho	Mizuho	UBS	Daiwa Sec. SMBC	Morgan Stanley	Daiwa Sec.	Citigroup
4111	15.2%	17.5%	7.0%	4.4%	9.4%	SMBC	
5th	Nikko Citigroup	Nikko Citigroup	Nikko Citigroup	Shinko	JP Morgan	Merrill Lynch	MUFG
อเท	12.8%	12.0%	6.2%	3.5%	8.1%	Wiellin Lynch	WIOFG

Source: Daiwa Securities SMBC Apr 2008-Mar 2009

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

(Data from I-N Information Systems for ABS, excluding Dec 2008)

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.

Source: THOMSON REUTERS Apr 2008-Mar 2009

"M&A advisory league table for any Japanese involvement announced (AD19)"

Established solid foundation in domestic M&A market

FY 2008 Domestic M&A advisory league table
 (acquired companies - Japanese nationality, acquiring companies - Japanese nationality)

XTransaction value (excludes deals related to real estate)

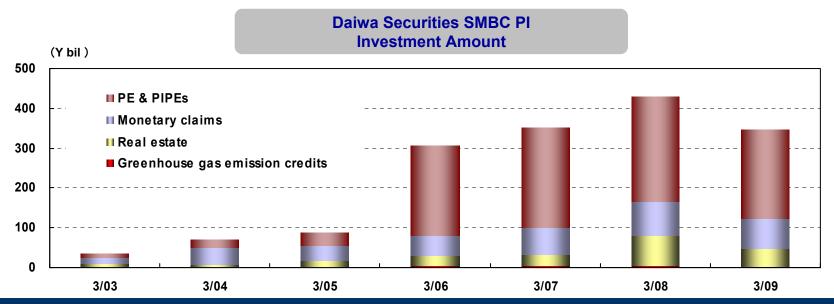
1st	2nd	3rd	4th	5th
Daiwa Sec. SMBC	Nomura	Goldman Sachs	GCA Savvian	Bank of America Merrill Lynch

Source: THOMSON REUTERS

Wholesale & Investment

Daiwa Securities SMBC Principal Investments





Action Plan for FY2009

- Shift to fund management business including formation of proprietary funds
 - Formation of a proprietary fund and collaboration with partners
 - Establish a joint venture "Daiwa Quantum Capital Limited" with Quantum Leaps Corporation to launch a joint fund
- Lock in profits by exiting current investment
 - Capture the right timing for exits
- Capture investment opportunities aligned to the changing market environment
 - Clarify the target assets based on the market environment
 - Distressed deals (bankruptcy, corporate revival) are to be captured at deep discount to aim for investment returns above target rate



Asset Management

Asset Management (Daiwa Asset Management & Daiwa SB Investments) Medium-Term Management Plan



Daiwa Asset Management: Vision and target

Asset management company most trusted and selected by investors --- Lead the industry by thorough investor-oriented approach ---

FY2011 target ordinary income: JPY 15bil

Basic Strategies

- Improve fund performance
- Strengthen product development
- Provide wider and deeper customer support

Daiwa SB Investments: Vision and target

The high-quality asset management company providing stable performance to both institutional and individual investors

FY2011 target ordinary income: JPY 5bil

Basic Strategies

- Improve fund performance
- Expand product lineup
- Reinforce business platform
- Promote business efficiency and enhance risk control

Asset Management (Daiwa Asset Management) Basic Strategies



Improve fund performance

- > Further improve fund performance through diversified and upgraded fund management
- Improve quality of performance report to increase customer trusts
- Strengthen investment management capability and trading functions for emerging countries funds

Indicator

Relative performance among funds in the same categories, including competitors' fund

Strengthen product development

Strengthen fund development capability in order to aggressively launch new funds based on analyzing client and distributor needs, investment type and style, and peers' trend

Indicator

Number of newly launched large funds (more than Y100bil AUM)

Provide wider and deeper customer support

- Improve information delivery service to win investors confidence
- Collect information from distributors for product marketing
- Allocate more man power and provide support to the top-tier distributors

Indicator

Share in publicly offered equity investment trusts assets (Excludes ETFs)

Asset Management (Daiwa SB Investments) Basic Strategies



Improve fund performance

Rebuild fund management structure by reinforcing collaboration between asset managers and research divisions and improving decision-making process

Indicator

Fund performance
(vs benchmarks, index, competitors, or peer funds)
Evaluation from the major fund evaluating company

Pension clients' evaluation of AM companies

Expand product lineup

Enhance product development structure to provide competitive products

Reinforce business platform

> Expand AUM by implementing efficient marketing strategy based on clients' needs

Indicator

Net inflow of money

AUM rankings

Promote business efficiency and enhance risk control

Improve management base by pursuing business efficiency with information technology and create organization structure and HR management to respond to business environment

Asset Management (Daiwa Asset Management & Daiwa SB Investments) Management Policy for FY2009



Asset Management Division (Daiwa Asset Management & Daiwa SB Investments)

- Capture the trend of "Savings to Investment"
 - Improve clients' evaluation through enhancing asset management capability and product line up

Daiwa Asset Management

- > Expand market share in publicly offered equity investment trusts assets (excludes ETFs)
- > Further improve fund performance by enhancing global research network
- Launch new large funds

Daiwa SB Investments

Expand funds under management from net inflow of money



Research / Consulting / IT Systems

Research / Consulting / IT Systems

Medium-term Management Plan



Daiwa Institute of Research: Vision

"Global-based, value-creating company"
The leader in research, consulting and IT system function

Basic Strategies

- Contribute to the Group's revenues in brokerage and investment banking
- Provide cost-efficient and stable IT system services

Daiwa Institute of Research Business Innovation: Vision

The best IT system partner with best solutions and strong business platform

Basic Strategies

- Strengthen business platform
- Expand the scale of business

Research / Consulting / IT Systems

Management Policy for FY2009



Daiwa Institute of Research

- Research and consulting division
 - Build strong global research network
 - Focus on the privatization deals
 - Support the Group's Asian operations and investment banking business
- IT system division
 - Pursue both cost efficiency and high quality

Daiwa Institute of Research Business Innovation

- > Review the rule on IT system development and management
- Expand the range of services and establish new services

Research - Daiwa Institute of Research - Analyst Rankings



"Institutional Investor magazine" Annual Ranking of Japanese Stock Analysts (Apr 8, 2009)

	2005	2006	2007	2008	2009
1st	Nomura	Nomura	Nomura	Nomura	DIR
2nd	UBS	DIR	DIR	DIR (2nd)	Nomura
3rd	DIR	UBS	UBS	UBS (2nd)	UBS
4th	Goldman Sachs	Goldman Sachs	Goldman Sachs	JP Morgan	Goldman Sachs (4th)
5th	Nikko Citi	Nikko Citi	Merrill Lynch	Goldman Sachs	Nikko Citi (4th)

(based on number of persons ranked in)

"Nikkei Veritas newspaper" Annual Ranking of Top Analysts (Mar 22, 2009)

	2005	2006	2007	2008	2009
1st	DIR	Nomura	Nomura	Nomura	DIR
2nd	Nomura	DIR	DIR	DIR	Nomura
3rd	UBS	Mitsubishi UFJ	UBS	UBS	UBS
4th	Mitsubishi	UBS	Mitsubishi UFJ	Mitsubishi UFJ	Mitsubishi UFJ
5th	Nikko Citi	Nikko Citi	Nikko Citi	Nikko Citi	Nikko Citi



Core Strategy

Human Resources Strategy



Each and every employee aim to be a real professional

> Allocate human resources into the areas where strategic focus is placed

- Deploy the Group's personnel and strengthen communication in Asian and emerging countries to expand the global operations more aggressively
- Increase female management and produce female leaders in the Japanese financial industry
- Assume the same level in the total number of the Group's personnel in three years

Nurture real professionals

- Provide high-value-added education and training programs including the support for acquiring certifications
- Recruit people suit to the Group's culture and make them all understand the corporate principles through trainings and operations

Promote Work-Life balance

- Support increasing awareness on more efficient time-management
- Further improve working environment to help each of the Group's personnel fully enjoy his/her life both on and off working time

Financial Strategy



Strengthen financial base for flexible financial management

- Strengthen financial base to increase financial soundness and stability
 - Review capital allocation from the strategic perspective
 - Control capital spending and administrative cost, and focus on profitability in investment
- Maintain fund-raising capability to capture growth opportunities
 - Secure more diversified means to raise fund and capital
 - Keep sufficient retained earnings
- > Reinforce administrative function and the intra-Group collaboration to increase flexibility
 - Strengthen infrastructure for financial management
 - Strengthen collaboration among the Group companies and integrate financial management

	As of Mar.09	From April 2009 to March 2012 (Period of the mid-term plan)	
		The increased net asset is to be concentrated to the holding company, preparing for future possible investment	
(Net asset) Consolidated	JPY 952.3bil	Re-allocate the increased capital, after concentrating it to the holding company — Capital allocation taking into account profitability and risk in both each company and consolidated basis, and control and management of investment limit in line with the allocated capital	

[Core divisions]

Retail JPY 238.6bil		Retain necessary amount of earnings (Basically pay dividend to the holding company and expect a flat level or a slight increase in net asset)		
Wholesale* JPY 569.3bil		Carefully select investment targets in each business area, and adjust risks utilizing subordinated loans		
Asset management	JPY 55.4bil	Retain necessary amount of earnings (Basically pay dividend to the holding company and expect a flat level or a slight increase in net asset)		

^{*} Daiwa Securities SMBC (consolidated) + Daiwa Securities America

IT Strategy



Achieve the IT function and framework with the competitive advantage built by the Group's strategies and cost efficiency

- Build efficient and flexible system development and management framework
 - Optimize the Group's IT organization and downsize the total cost and scale
 - Review the allocation of IT function among the Group, and develop the IT support system flexible to circumstantial change
- Reinforce global development
 - Corporate with overseas IT developers, and strengthen IT development base in Asia and emerging countries
- Pursue cost efficiency and provide stable system services
 - Reduce system-related cost by integrating infrastructures and improving productivity in system development and management
 - Review the service content and level in each system, and achieve both a higher security and a lower total cost
- Improve IT related knowledge among the Group

Outlook on the Group's IT investment					
IT investment amount (for three years)					
	New mid-term plan Previous plan				
Retail	JPY 37.2bil	JPY 61.3bil			
Wholesale/ Principal investments	JPY 43.1bil	JPY 74.7bil			
Asset management JPY 3.3bil JPY 4.0					
A total of three divisions JPY 83.6bil JPY 140.0bil					

Note: Include investment by DIR, and new investment from a scratch and a large investment related to a regulation change are not expected in FY2010 and FY2011



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