

PASSION
FOR THE
BEST

Autumn 2010 Daiwa Securities Group Business Strategy

大和証券グループ本社

Daiwa Securities Group Inc.

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Index

1H FY2010 Financial Summary	3
Wholesale	9
Retail	18
Asset Management	26



1H FY2010 Financial Summary



Consolidated Financial Summary



(Y mil)	FY2010	FY2009	% Change vs 1H FY09	FY2010		% Change vs 1Q FY10	FY2009
	1H	1H		2Q	1Q		
Operating revenues	201,388	237,750	-15.3%	107,236	94,151	13.9%	537,915
Net operating revenues	160,048	194,502	-17.7%	88,434	71,613	23.5%	458,105
SG&A	176,840	172,121	2.7%	88,980	87,859	1.3%	362,844
Ordinary income	-9,027	24,865	—	-839	-8,187	—	102,917
Net income	-5,384	19,861	—	-4,192	-1,191	—	43,429
Total assets	16,594,420	16,129,373		16,594,420	16,209,379		17,155,345
Net assets	934,776	1,249,909		934,776	961,298		1,017,528
Shareholders' equity*	856,224	988,324		856,224	875,996		927,163
EPS (Y)	-3.12	12.89		-2.45	-0.68		26.41
BPS (Y)	500.95	565.26		500.95	506.75		530.27
ROE (Annualized)	—	4.6%		—	—		5.3%

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

ROE (Annualized)	1H	2Q
Daiwa Securities	8.5%	7.0%
Daiwa Capital Markets (consolidated)	—	—

FY10 Interim Dividend
<u>Interim Dividend per Share: 3 yen</u>

Consolidated Segment Information

Segment (Y mil)	Ordinary Income			
	FY2010			FY2009
	1H	2Q	1Q	
Retail(*1)	18,904	7,367	11,536	40,475
Global Markets(*2)	-21,770	-2,474	-19,295	-14,126
Global Investment Banking(*3)	-7,234	-3,689	-3,545	9,304
Asset Management(*4)	7,591	3,853	3,738	11,208
Investment(*5)	-7,374	-4,716	-2,658	65,981
Others(*6)	-3,410	-2,964	-446	-7,928
Total before adjustment	-13,294	-2,624	-10,669	104,914
Adjustment	4,266	1,784	2,482	-1,997
Consolidated total	-9,027	-839	-8,187	102,917

■ Main companies for each segment are as follows:

(*1) Daiwa Securities, Hinode Securities

(*2) Daiwa Securities Capital Markets (Global Markets Division)

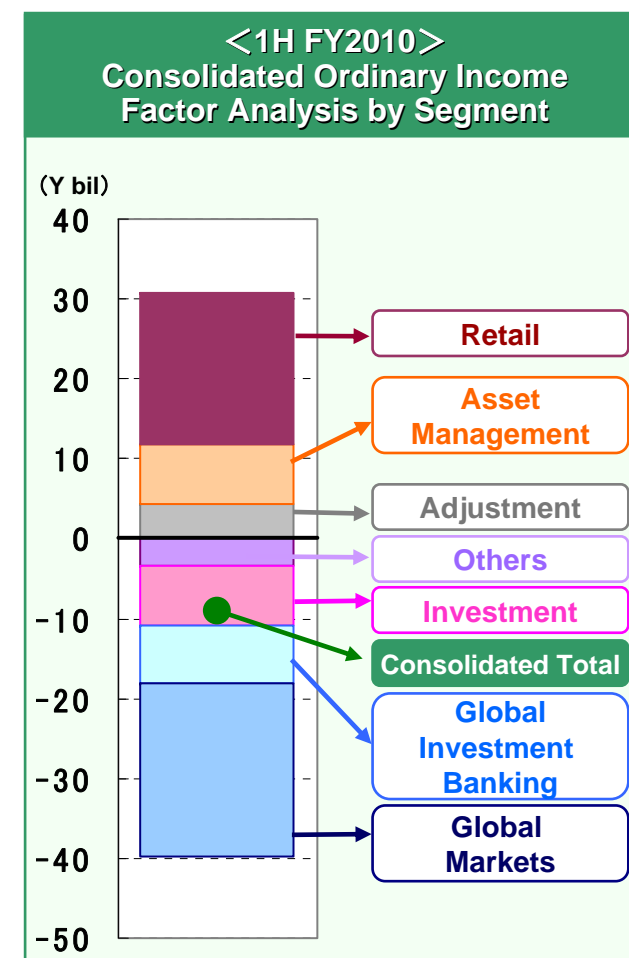
(*3) Daiwa Securities Capital Markets (Global Investment Banking Division), Daiwa Corporate Advisory Partners, Sagent Advisors Inc.*

(*4) Daiwa Asset Management, Daiwa SB Investments*, Daiwa Real Estate Asset Management, Daiwa Fund Consulting

(*5) Daiwa PI Partners, Daiwa Securities SMBCPI, Daiwa Corporate Investment

(*6) Daiwa Securities Group Inc., Daiwa Securities Capital Markets (Financial Division and others), Daiwa Institute of Research HD, Daiwa Institute of Research, Daiwa Institute of Research Business Innovation, Daiwa Securities Business Center, Daiwa Property, Daiwa Sanko

* Equity in earnings of affiliates is included in ordinary income.



Moving on to the next growth stage

Source of “New and Improved” Daiwa Group’s Growth



New Business Chance

- Take part in lead managing deals which were difficult to achieve before
 - Mitsubishi UFJ Financial Group
Co-lead manager for Public Offering in December, 2009
 - Mizuho Financial Group
Co-lead manager for Public Offering in July, 2010



Deepening of Cooperation within the Group

- Increase in businesses with regional financial institutions, utilizing network of branches across the country
- Enhance development and sales of products which meet customer needs



Speed-up of Decision Making

- Speedy strategy formulation and execution for Asia business expansion
- Decision to acquire operations of other companies

Increase in Transactions from New Business Chances

Achievement of Lead Managing Deals

- Co-Lead Managing deals of companies whose main bank is Bank of Tokyo-Mitsubishi UFJ or Mizuho Corporate Bank

Company Name	Scheme	Amount (Y bil)	Launch Date
MUFG	Global PO	1,070.0	12/14/2009
Mizuho FG	Global PO	780.0	07/13/2010
Sankei Building	SB	10.0	04/21/2010
Mitsubishi UFJ Lease & Finance	SB	25.0	05/25/2010
	SB	20.0	08/26/2010
Fujitsu	SB	50.0	10/13/2010

- Lead Managing deals of companies whose main bank is Sumitomo Mitsui Banking Corporation

Company Name	Scheme	Amount (Y bil)	Launch Date
NEC	Global PO	123.6	11/18/2009
Nippon Sheet Glass	Global PO	42.4	09/08/2009
Anritsu	Euro/Yen CB	10.0	09/07/2010

Trends in Number of Lead Managing Companies

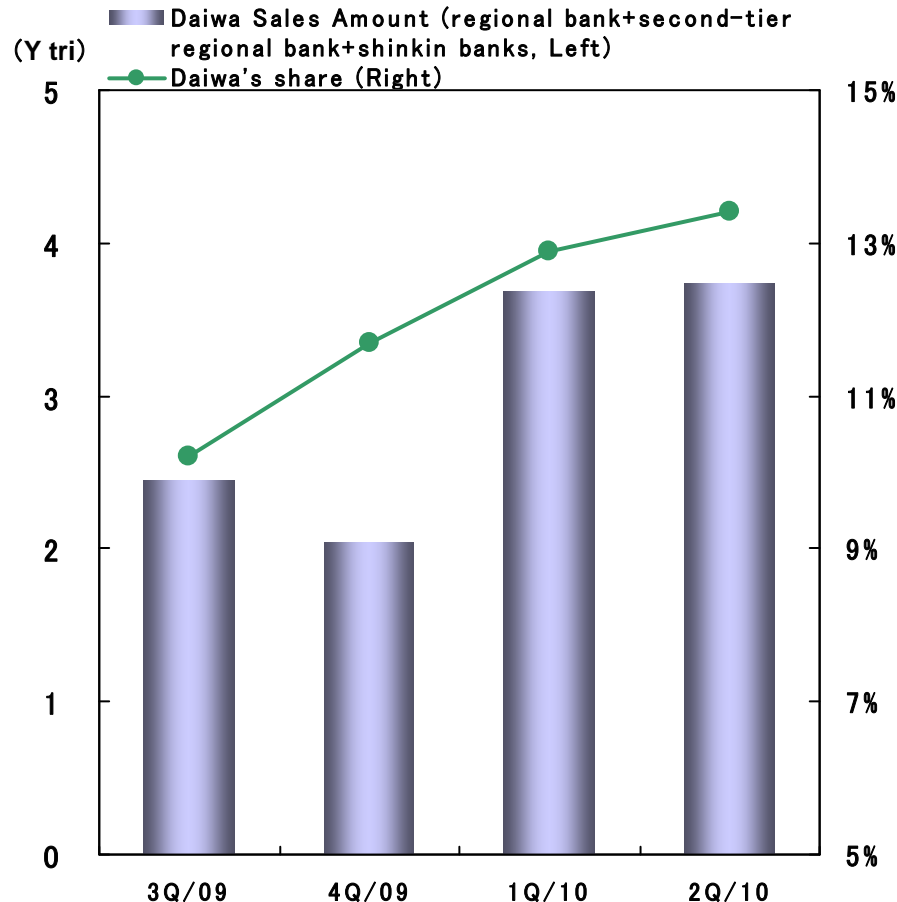
	End of Sep. 2009	End of Sep. 2010	Change
Daiwa CM* Lead Managing Companies	777	751	▲26
Company A Lead Managing Companies	1,403	1,373	▲30
Company B Lead Managing Companies	644	594	▲50
Others	947	956	+9

Total	3,771	3,674	▲97
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Daiwa CM: Daiwa Securities Capital Markets
Source: Toyo Keizai Inc. "Quarterly Journal"

Synergy from Deepening of Groups' Cooperation

Expansion in Domestic Bond Trading with Regional Financial Institutions



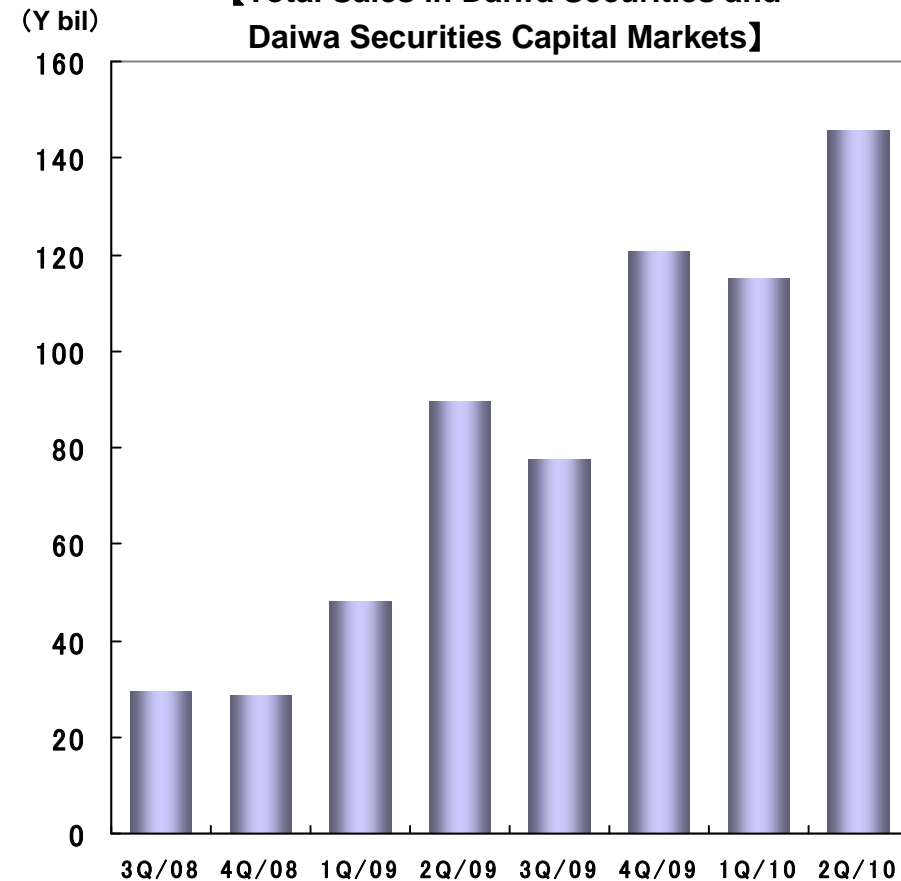
Enhance approach to regional financial institutions utilizing Daiwa Securities' 120 branches across the nation and cooperating with Daiwa Securities Capital Markets

※Excludes Treasury Discount Bills

※Number of branches is as of September, 2010

Sales of Structured Bonds

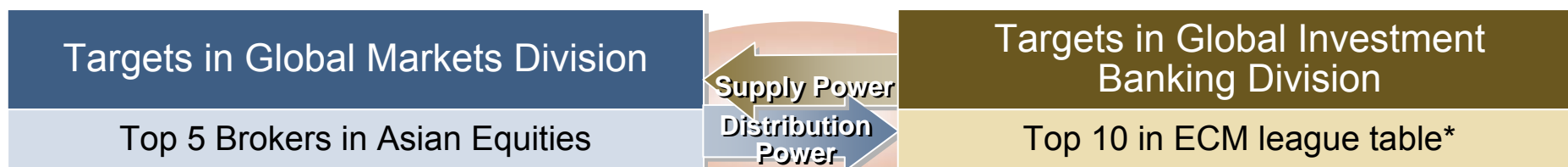
【Total Sales in Daiwa Securities and Daiwa Securities Capital Markets】



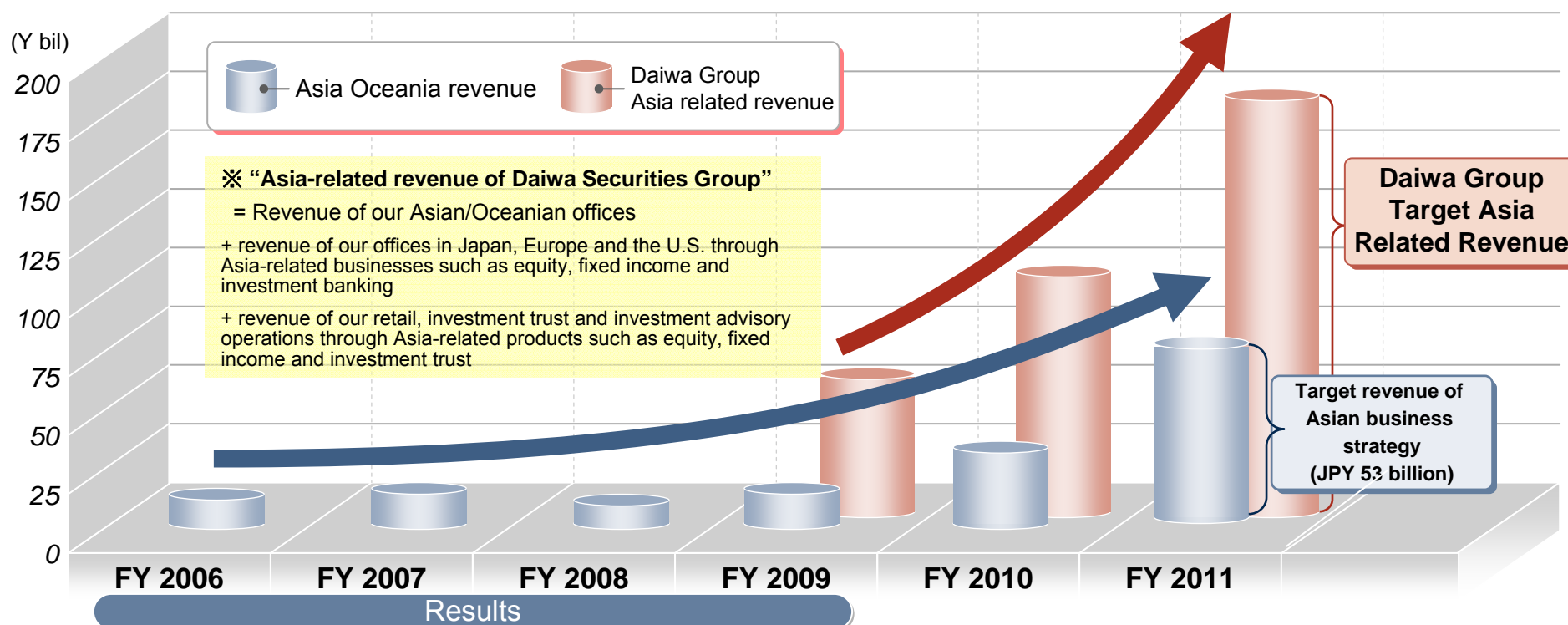
Expand sales of structured bonds by enhancing the composition of structured bonds to meet customer needs

Wholesale

Daiwa focuses on Asian home markets



Strengthen market and investment banking segments simultaneously and intensively to harness early synergy effect

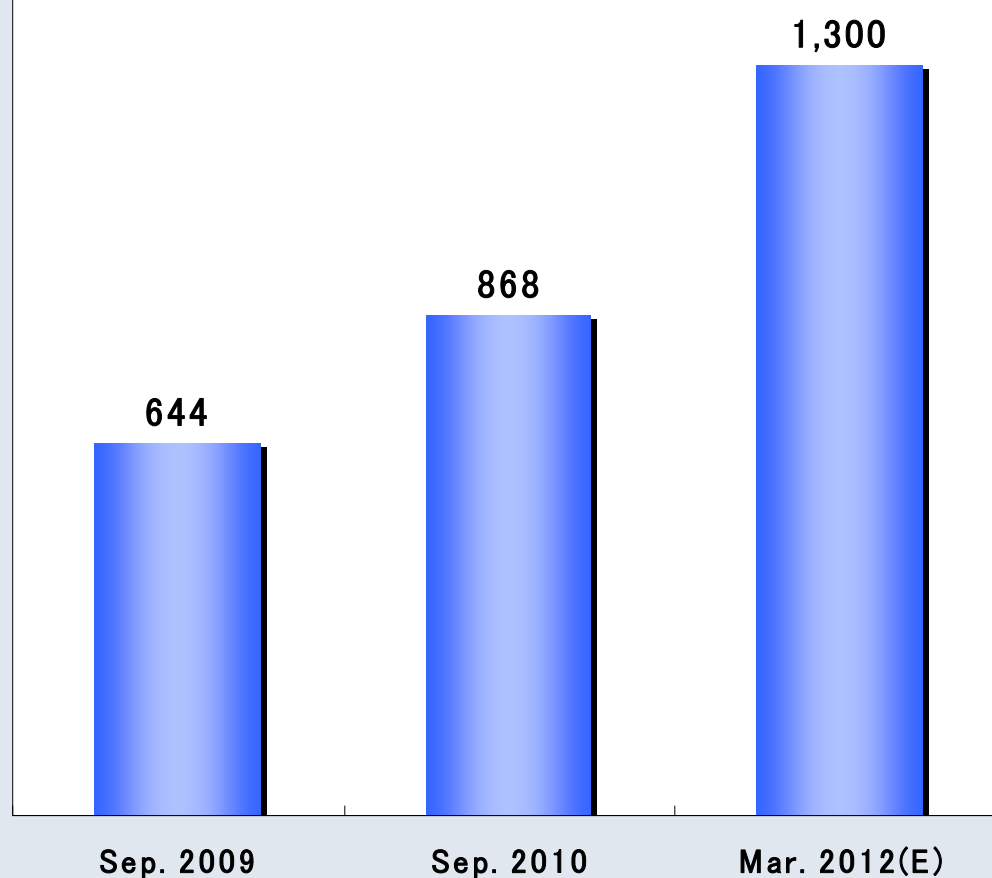


* ECM league table: ECM in the Asia Pacific region, excluding Japan and Australia (Thomson Financial)

Wholesale Increase Personnel

Whole Asian region

(# of personnel)

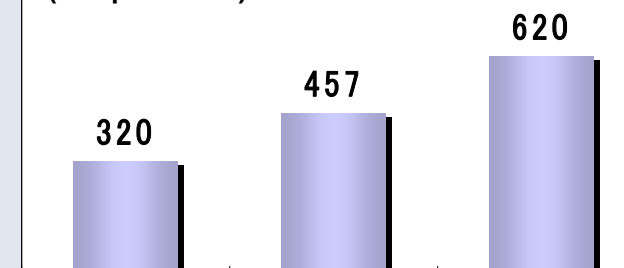


Notes:

- The figures for March 31, 2012 represent approximate plans
- Excludes the personnel of our representative offices and Daiwa SSC Securities
- Global Markets Division includes middle office personnel related to derivative business

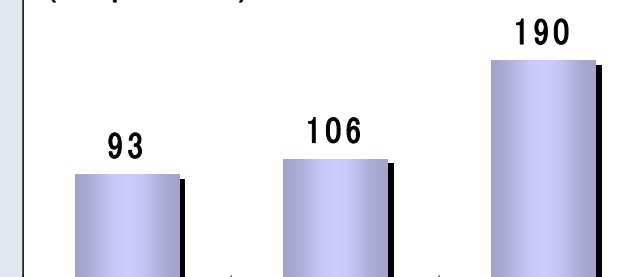
Global Markets Division

(# of personnel)



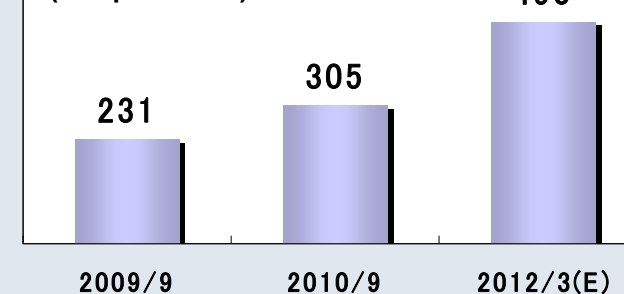
Global Investment Banking Division

(# of personnel)



Middle/back Offices

(# of personnel)



Acquisition of Core Personnel

Appointment of Advisors

	<p>Ashok Jha Senior Advisor, Daiwa Capital Markets India Pvt. Ltd.</p> <p>Former Secretary of Finance, Ministry of Finance, Government of India, Indian alternate Governor in the Asian Development Bank and the World Bank and head of the Indian subsidiary of Hyundai Motors</p>
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	<p>Chang-Lok Kim Senior Advisor</p> <p>Former Governor of Korea Development Bank, Deputy Governor of the Financial Supervisory Service, President of the Korea Center for International Finance, Deputy Minister of MOFE (Ministry of Finance and Economy)</p>
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Hiring of Senior Bankers

Global Markets Division

■ Regional Head of Asian Equity Sales	Ester Li
■ Head of Global Equity Sales, Europe/Middle East	Meurig Williams
■ Head of Fixed Income, Korea	Insuk Jung
■ Head of Fixed Income, India	Ajay Marwaha
■ Head of China Research	Mingchun Sun

Global Investment Banking Division

■ Head of FIG, Asia ex-Japan	Thomas J. Jackamo
■ Head of General industry, Asia ex-Japan	Marco Arosti
■ Head of Consumption/retail, Asia ex-Japan	Gerard Gu
■ Head of ECM, Asia-ex Japan	Jonathan O. D. Orders

1 Acquisition of KBC Group's 2 business operations

- Acquisition of Asian Equity Derivative Business and Global CB Business operations

2 Achievements of Global Markets Division

- Trading volume in HK equity increased to highest level
- Increase access to Asian companies through research coverage and IR support

3 Achievements of Global Investment Banking Division

- Executions of POWLs, IPOs, and QIP in India
- Executions of various cross border M&A deals

Acquisition of KBC Group's 2 Business Operations

- Diversification of revenues through acquisition of a solid client base and platform
- Stable revenue trend and high evaluation by third-party

Asian Equity Derivative Business

- Top player in the market making of Hong Kong-listed warrants
- Offering derivative products through Asian private banks (wholesaling of structured bonds and OTC derivatives)

Listed Hong Kong warrants trading volume share

2008		2009		2010 (Jan to Aug)	
1. Société Générale	17.0%	1. Société Générale	15.9%	1. Société Générale	16.7%
2. KBC	15.8%	2. BNP Paribas	14.1%	2. Deutsche Bank	10.1%
3. Deutsche Bank	15.7%	3. Deutsche Bank	11.9%	3. KBC	10.0%
		4. KBC	10.1%		

Source: Daiwa Securities Capital Markets

Global CB Business

- Covering more than 350 investors across 25 countries

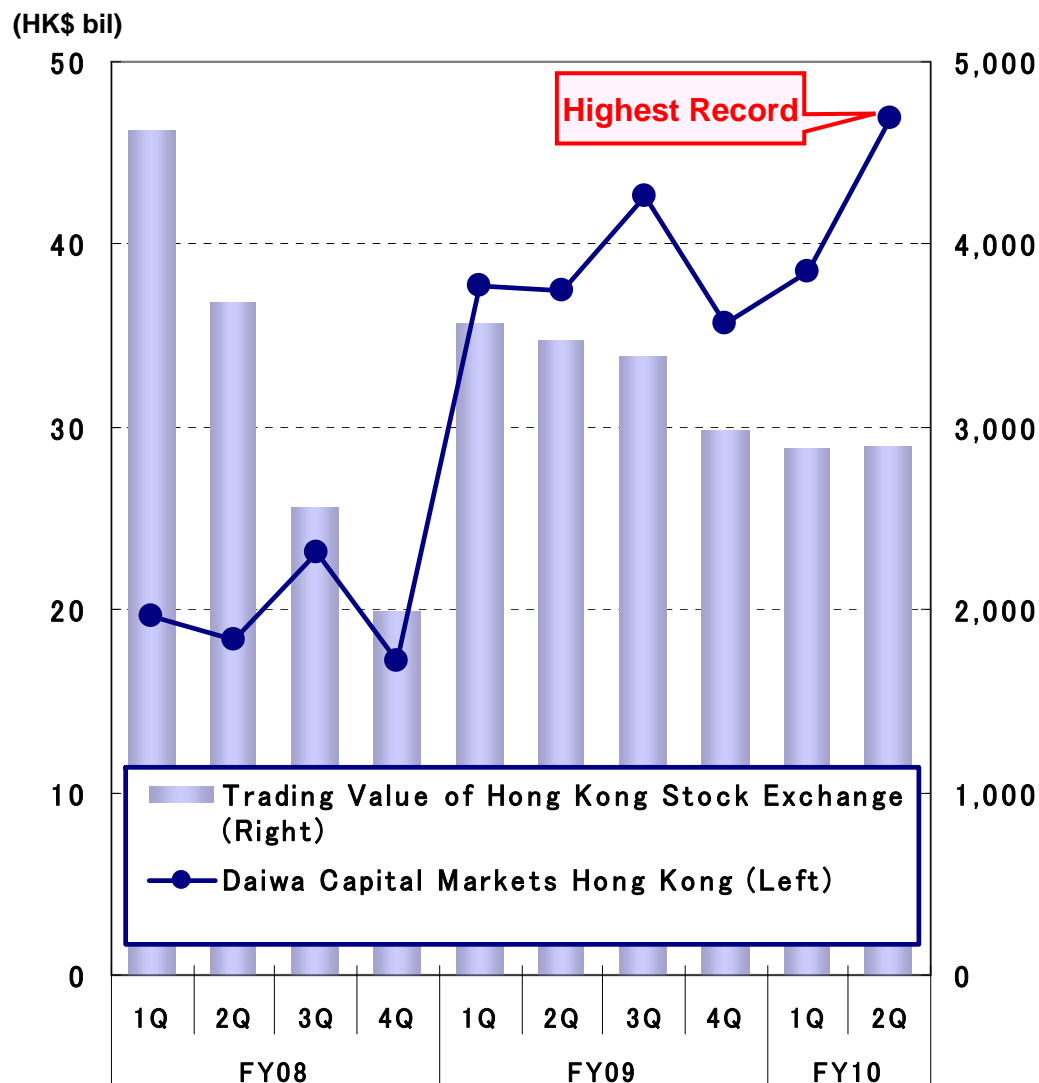
Third-party evaluation in the Asian region (2008)

Most competitive in pricing **Top**

Important convertible firm **2nd**

Best sales coverage **2nd**

Equity Trading Value of Hong Kong Shares



Increase Access to Asian Companies

Expansion of Asian research

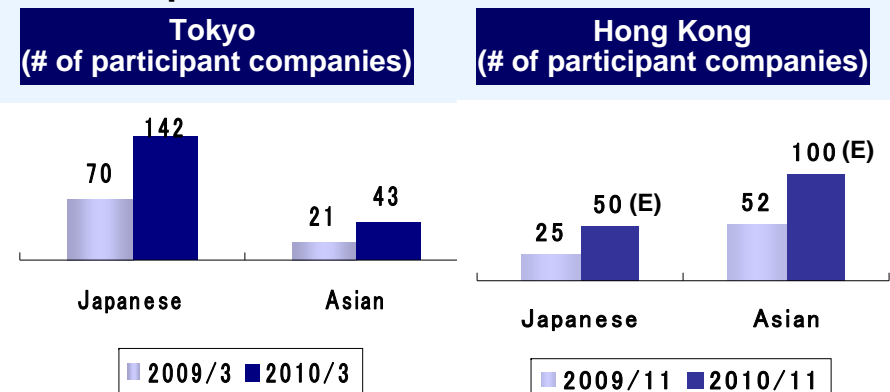
Expand coverage companies by increasing personnel

- Approx. 40 analysts (Sep. 2009) ⇒ Approx. 70 (as of Nov. 11, 2010)
- Approx. 300 covered companies (Sep. 2009) ⇒ approx. 400 (as of Nov. 11, 2010)

Expand issuance of Pan Asia Sector reports

Expansion of IR conference

Strengthen RM by matching institutional investors and Asian companies including Japan



POWL (Co-lead manager)

- July: Agricultural Bank of China Ltd
- October: American International Assurance Company Ltd (AIA Group)

IPO

- April: Novarise Renewable Resources International Ltd (Chinese company listed in Australia)
- June: International Taifeng Holdings Ltd (Listed in Hong Kong)
- September: China Sanjiang Fine Chemicals Co., Ltd (Listed in Hong Kong)

India QIP (Qualified Institutional Placement)

- July : Ess Dee Aluminium Ltd
- September: Strides Arcolab Ltd

Cross-border M&A deals

- June: Acquisition of Singapore-based Apex Systems Pte Ltd by NTT Data
- August: Acquisition of U.K.-based Chelford SAP Solutions Ltd by Itteligence AG, Germany-based subsidiary company of NTT Data
- September : Acquisition of U.S-based SAE Towers Holdings LLC by India-based KEC International Ltd (First India-U.S. Co-advisor deal)

Strategy for 2H in FY2010

Global Markets Division

- Increase profit by continuing enhancement of Asian equity
- Offer foreign currency-denominated bonds and structured bonds by cooperating with Daiwa Securities
- Speedy integration of “Asian Equity Derivative Business” and “Global CB Business” operations of KBC

Global Investment Banking Division

- Achieve equity finance deals by enhancing sector coverage structure
- Raise profit by complex set of offerings such as currency trading and bridge loan
- Target on large-size deals by drastic enhancement of Asia Investment Banking Operation
- Aim for closing of cross-border M&A deals utilizing global network



Retail



Action Plans for FY2010

Expand customer base by strengthening consulting capability

Provide attractive products and services to meet customer needs

Reduce cost by rationalizing and streamlining back-office operations utilizing Information Technology

Expansion of Customer Base

Net Increase of Client Assets

Increase New Customers

Opening of New Accounts

(e.g., high-net-worth individuals
and corporations)

Increase Client Assets

Increase Number of Large Accounts

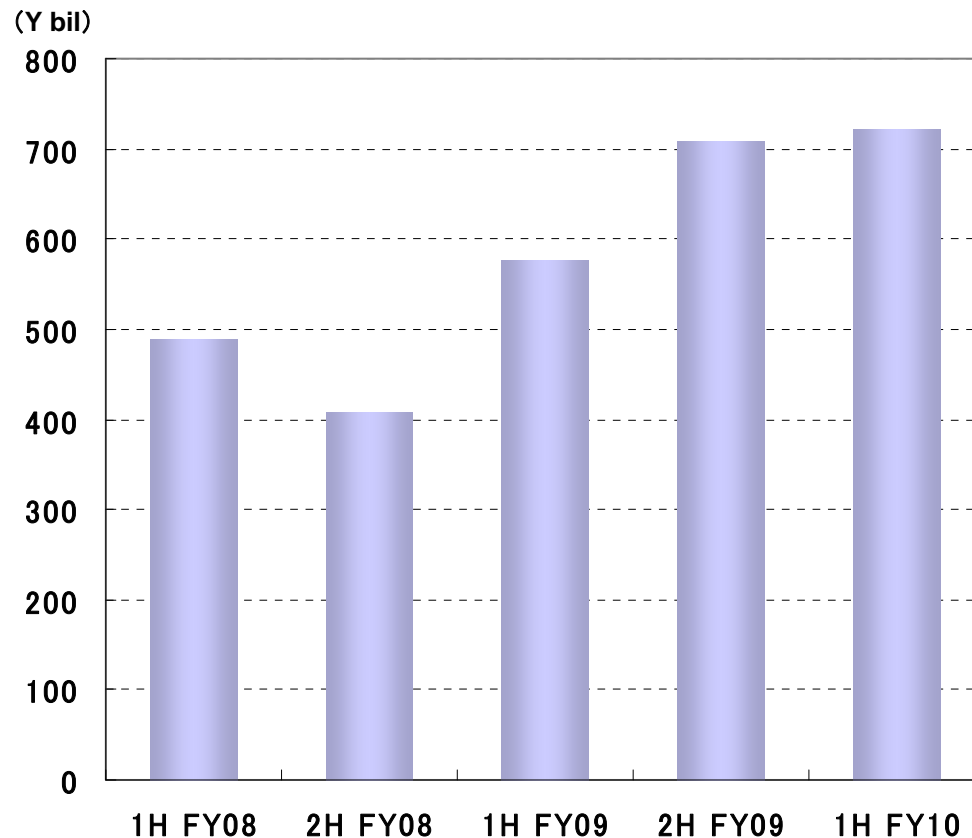
Measures

- Offer products and services in accordance with market trend and customer needs
- Focus on “Daiwa SMA”, managed account service specially designed for high-net-worth class
- Promote campaigns for opening of new accounts and asset inflow
- Preparation of banking business

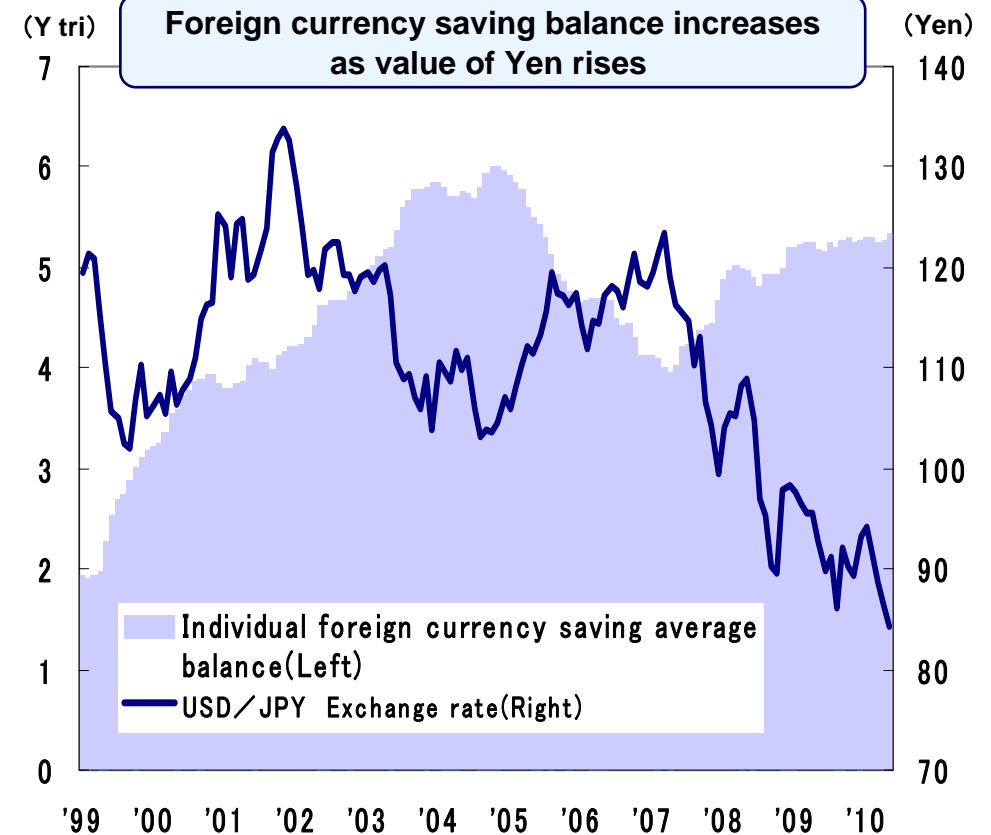
Take Advantage of Strong Yen as a Business Chance

- Seize Yen's strength as a business chance, and proactively offer foreign currency-denominated bonds
- Introduce foreign currency-denominated bonds of emerging countries which have higher potential for growth

Sales of
Foreign currency-denominated bonds



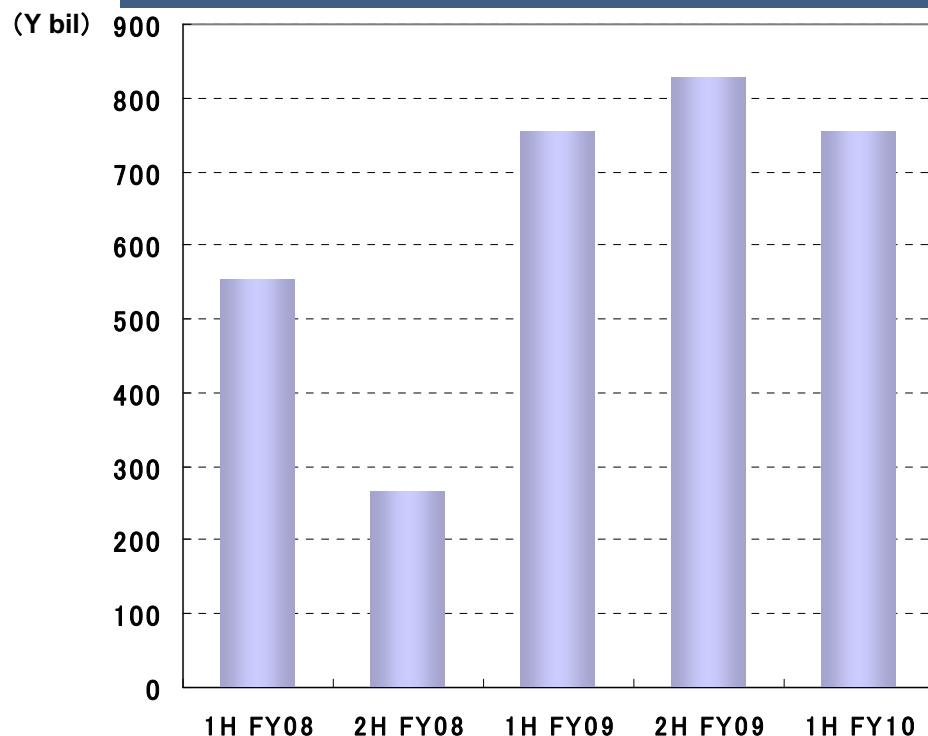
Correlation between currency exchange
rate and foreign currency saving balance



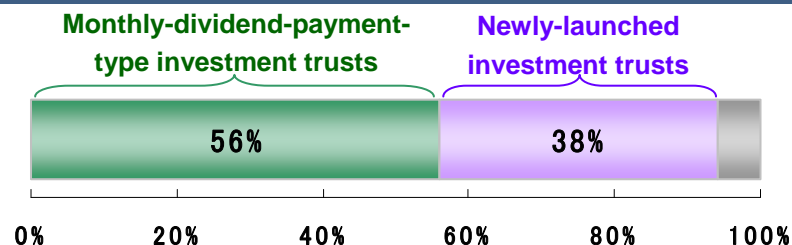
Source: Bank of Japan

Expand Lineup of Equity Investment Trusts

Sales of Equity Investment Trusts



Sales proportion of 1H FY2010



※Proportion excludes switching transactions between funds

Expand Lineup of Investment Trusts to Meet Clients' Strong Preference

1 “Monthly-dividend-payment-type” remains popular

Popular Funds of 1H FY2010

- Daiwa Foreign Bond Fund (Daiwa Spirit)
- Short-Term Australian Dollar Bond Open-End Fund
- Daiwa Global REIT Open-End Fund

Newly Launched High Yield Bond Fund in October

- Daiwa U.S. High Interest Rate Bond Fund (Currency selection type)

Expand lineup to meet dividend income needs

2 Emerging country-related funds are popular

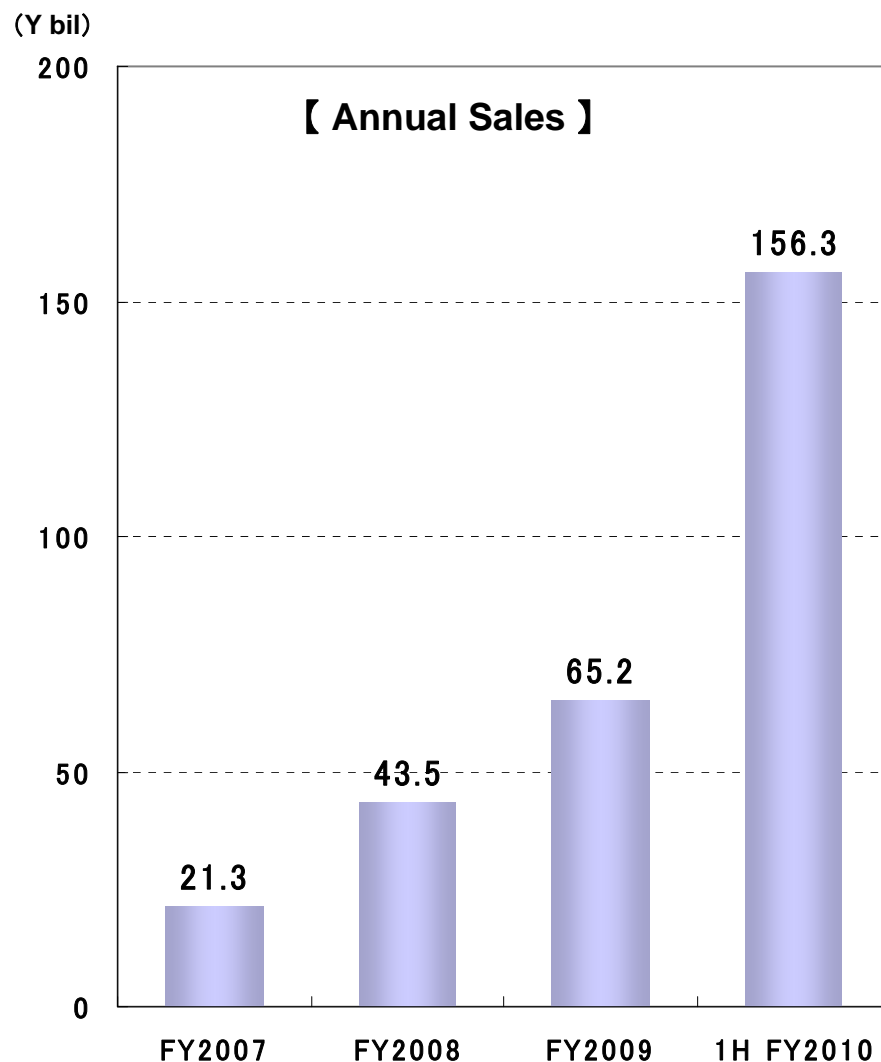
Popular Newly Launched Funds of 1H FY2010

- Twin-Accelerator Fund (Mix of Brazil Government Bonds and emerging country stocks)
- Future Generation Transportation Equity Fund
- Asia Technology Related Equity Fund etc.

Launch new and distinguishing funds to match economic and market environment

Leading the Impact Investment Market

Sales of Impact Investment Bonds

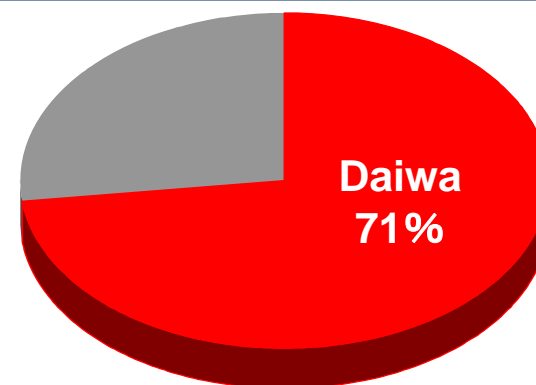


Impact Investment Bonds Sold in FY2010

(Y bil)

Issued Date	Name	Size
04/16/2010	Water Bond	60.4
05/2/2010	Ecology Bond	32.6
06/15/2010	Microfinance Bond	8.7
07/15/2010	Latin America Nurturing Support Bond	13.9
08/30/2010	Africa Education Bond	11.8
09/22/2010	Microfinance Bond	29.0

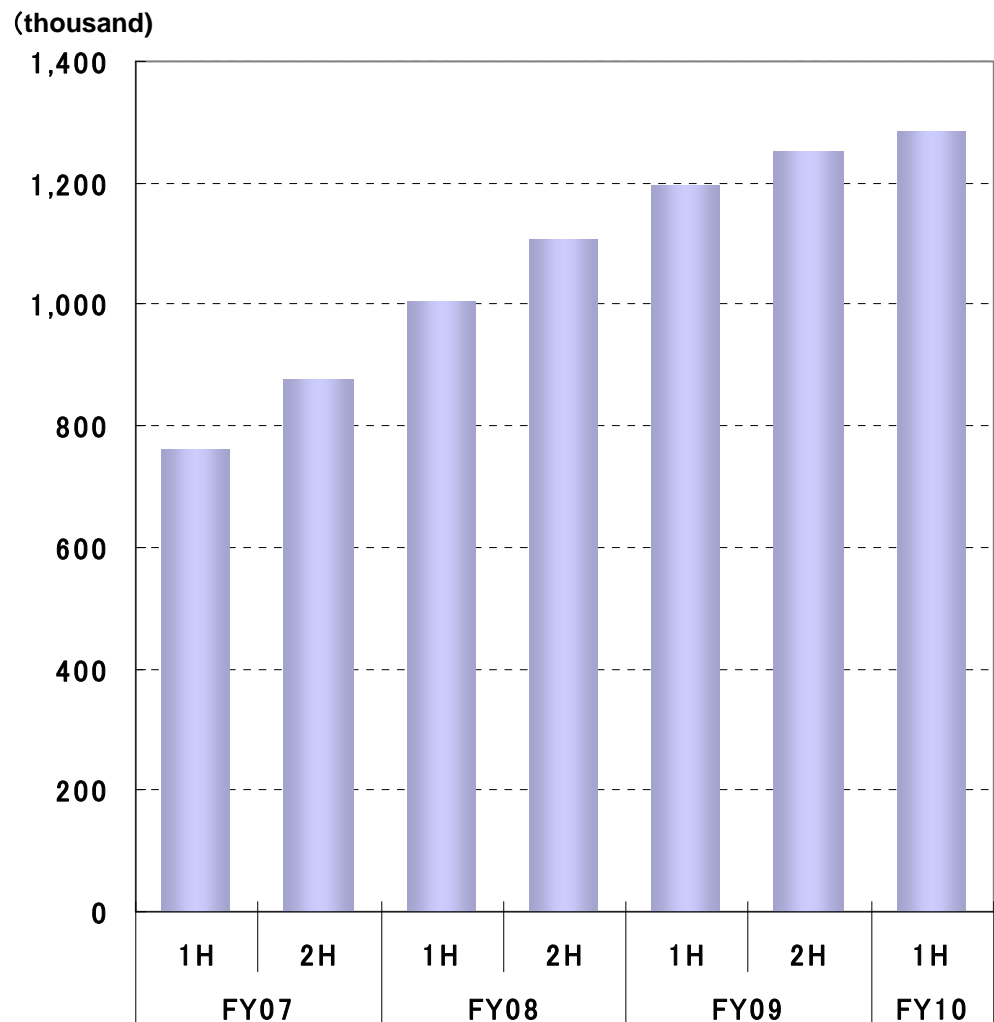
Domestic Sales Share of Impact Investment Bonds



Source: Daiwa Securities, bonds for individuals
(As of September 30, 2010)

Expansion of Services Appealing to Active Investors

“Daiwa Direct” Course: Number of Accounts



※ # at the end of term

Key Measures for Enhancement

Daiwa CFD

- 【May】**
 - Start lineup of 100 domestic CFD stocks
 - Enable mobile phones for transactions
- 【August】**
 - Expand to 271 domestic CFD stocks
 - Handling fee abolished

Daiwa Margin Trading Service

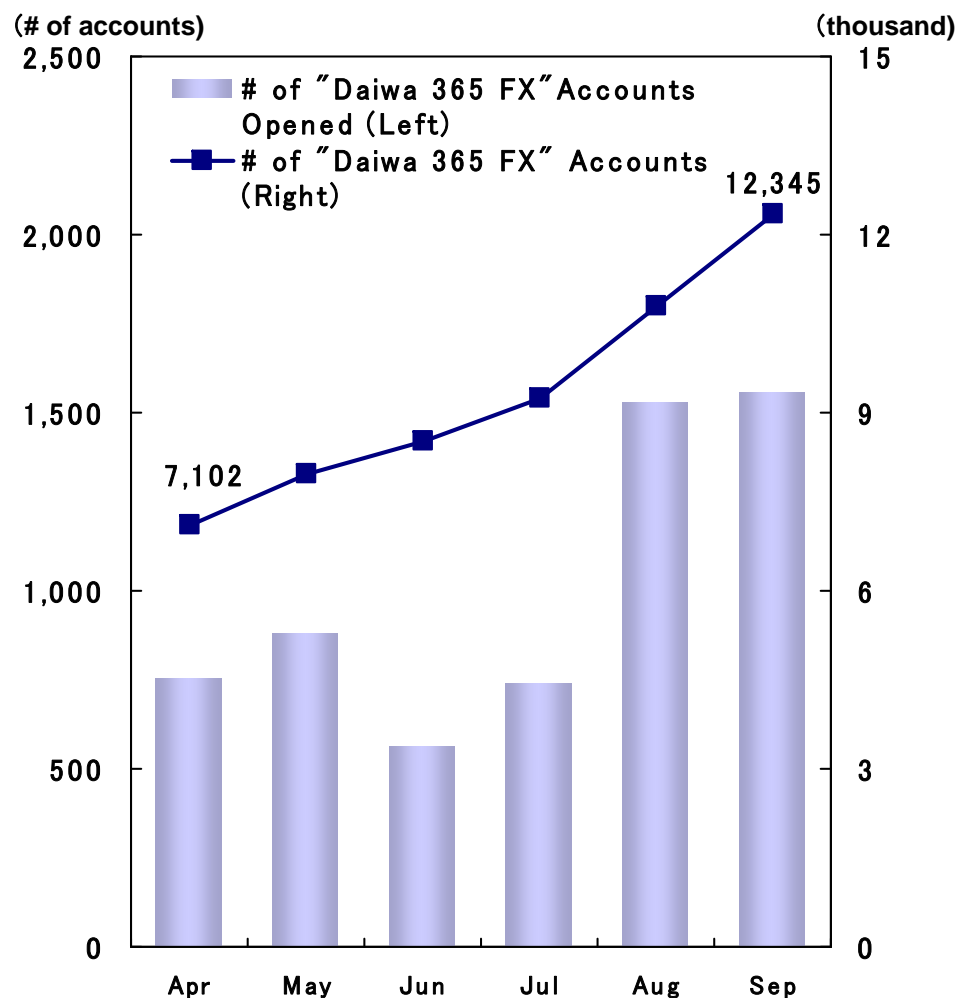
- 【July】**
 - Brokerage commission was lowered for internet-based transactions
 - Version upgrade of “Daiwa Trading Board”

Daiwa 365FX

- 【August】**
 - Start “Daiwa FX Speed Account Opening”
 - Start “Daiwa Trading Board 365 FX”, a highly-functional tool which integrates foreign exchange information and transaction

Increase in Accounts and Trade Volume

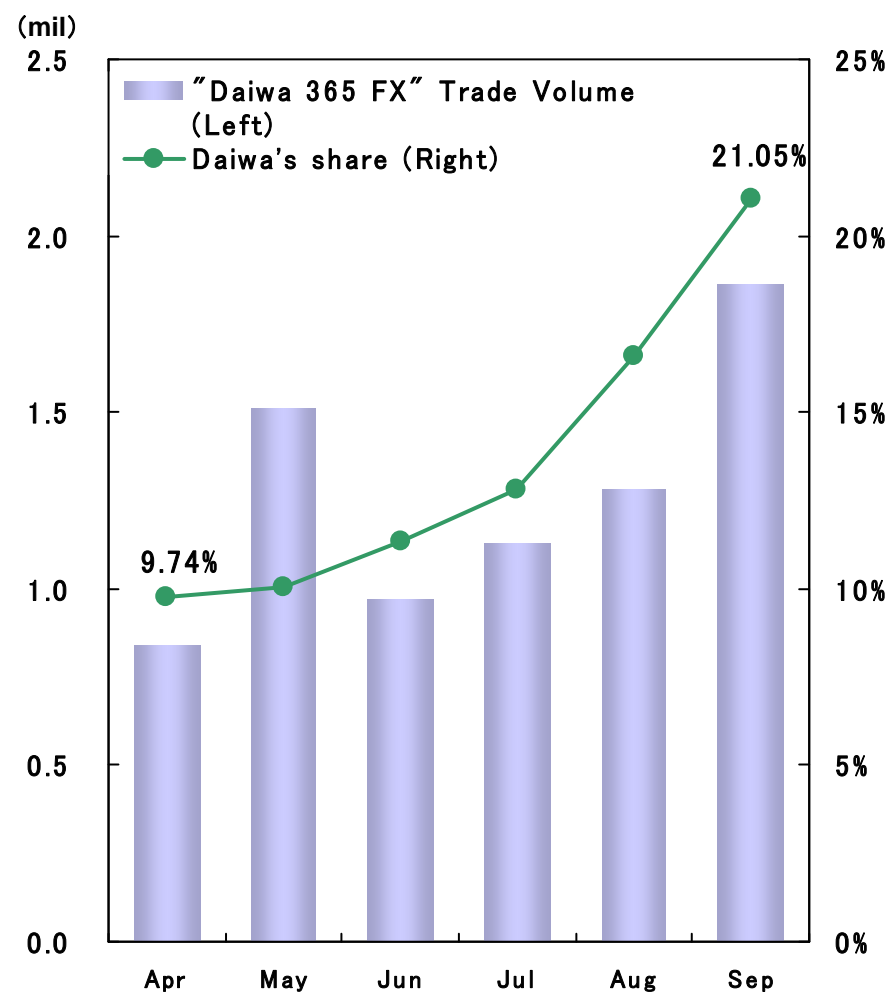
“Daiwa 365 FX” : Number of Accounts



2010

※ # at the end of the month

“Daiwa 365 FX” : Trade Volume and Market Share



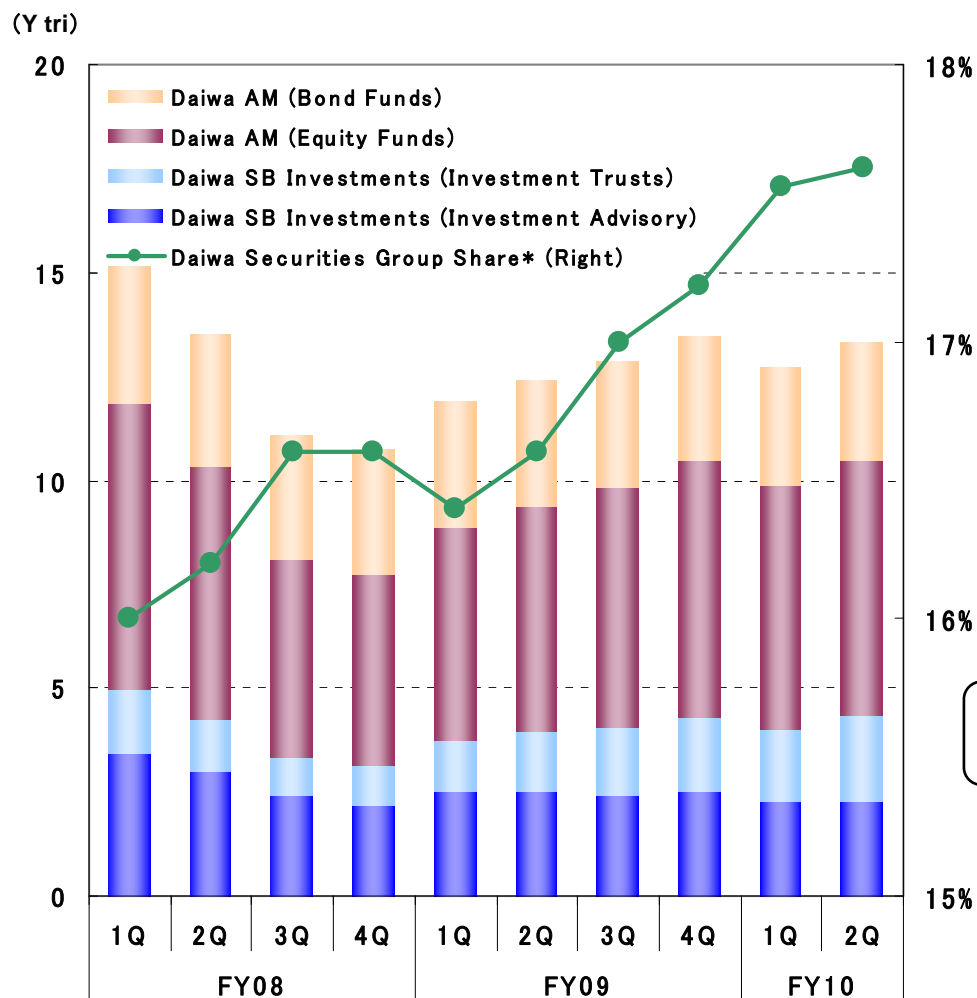
2010

Source: Tokyo Financial Exchange Inc.

Asset Management

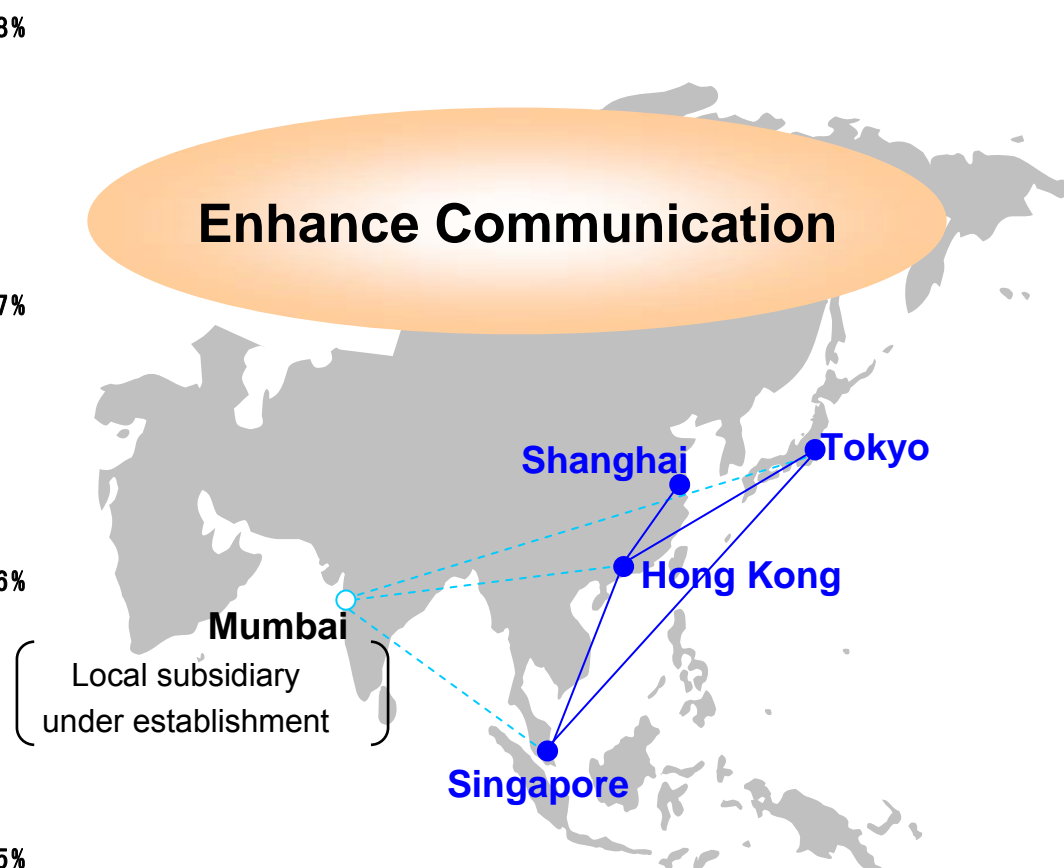
Continuing Inflow of Assets and Enhancement of Asian Stock Management

Asset Under Management



* Daiwa Asset Management (Bond funds + Equity funds)+Daiwa SB Investments (Investment trusts)

Enhancement of Asian Stock Management in Daiwa Asset Management





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