



# **1Q FY2010 Earnings Announcement**

**July 27, 2010**

**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 conditions 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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# Consolidated Highlights



## 1Q FY10 Overview

- 1Q net operating revenues were Y71.6bil, down 27% q/q. By segment, net operating revenues slightly decreased in retail while increased in asset management, whereas those in global markets and global investment banking significantly decreased.
- 1Q SG&A was Y87.8bil, down 3% q/q, mainly due to the decrease in personnel costs.
- 1Q consolidated ordinary income was a loss of Y8.1bil and net income was a loss of Y1.1bil.
- Consolidated annualized ROE for 1Q : -----  
( Daiwa Securities : 10.3%, Daiwa Securities Capital Markets : ----- )

## 1Q FY10 Highlights

- Net operating revenues: Y 71.6bil, down 27% q/q.
- Ordinary income: ▲ Y 8.1bil
- Net income: ▲ Y 1.1bil

# Consolidated Financial Summary



(Y mil)	FY2010	FY2009	% Change vs 4Q FY09	FY2009	% Change vs 1Q FY09	FY2009
	1Q	4Q		1Q		
Operating revenues	94,151	116,549	-19.2%	132,119	-28.7%	537,915
Net operating revenues	71,613	98,094	-27.0%	107,364	-33.3%	458,105
SG&A	87,859	90,946	-3.4%	86,552	1.5%	362,844
Ordinary income	-8,187	10,160	—	22,827	—	102,917
Net income	-1,191	-2,798	—	17,870	—	43,429
Total assets	16,209,379	17,155,345		15,309,320		17,155,345
Net assets	961,298	1,017,528		1,107,811		1,017,528
Shareholders' equity*	875,996	927,163		824,109		927,163
EPS (Y)	-0.68	-1.60		13.27		26.41
BPS (Y)	506.75	530.27		612.12		530.27
ROE (Annualized)	—	—		9.3%		5.3%

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

ROE (Annualized)	1Q
Daiwa Securities	10.3%
Daiwa Securities Capital Markets (consolidated)	—

# Consolidated P/L Summary



(Y mil)	FY2010	FY2009	% Change vs 4Q FY09	FY2009			% Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
Operating revenues	94,151	116,549	-19.2%	183,615	105,631	132,119	-28.7%	537,915
Commissions	56,106	57,083	-1.7%	67,256	58,008	70,514	-20.4%	252,863
Net gain/loss on trading	10,724	39,951	-73.2%	7,754	28,536	34,712	-69.1%	110,955
Net gain/loss on private equity and other securities	-1,924	-4,917	—	86,532	-4,463	-1,567	—	75,584
Interest and dividend income	17,516	11,775	48.7%	12,344	13,792	16,815	4.2%	54,729
Other revenues	11,729	12,655	-7.3%	9,726	9,756	11,644	0.7%	43,783
Interest expenses	13,993	9,827	42.4%	10,982	11,340	15,508	-9.8%	47,659
Cost of sales	8,544	8,627	-1.0%	7,122	7,152	9,247	-7.6%	32,150
Net operating revenues	71,613	98,094	-27.0%	165,509	87,137	107,364	-33.3%	458,105
SG&A	87,859	90,946	-3.4%	99,775	85,569	86,552	1.5%	362,844
Operating income	-16,245	7,147	—	65,733	1,567	20,812	—	95,261
Non-operating income	8,517	3,053	179.0%	2,134	1,335	2,814	202.7%	9,337
Non-operating expenses	458	39	—	-22	866	798	-42.5%	1,681
Ordinary income	-8,187	10,160	—	67,891	2,037	22,827	—	102,917
Extraordinary gains	1,776	945	87.9%	106	264	373	376.1%	1,689
Extraordinary losses	1,131	1,298	-12.9%	2,353	2,520	1,053	7.4%	7,225
Net income	-1,191	-2,798	—	26,366	1,991	17,870	—	43,429

# Consolidated Segment Information



Segment (Y mil)	Net operating revenue		Ordinary income	
	FY2010	FY2009	FY2010	FY2009
	1Q		1Q	
<b>Retail(*1)</b>	46,059	193,820	11,536	40,475
<b>Global Markets(*2)</b>	7,059	82,748	-19,295	-14,126
<b>Global Investment Banking(*3)</b>	7,225	56,064	-3,545	9,304
<b>Asset Management(*4)</b>	9,049	31,492	3,738	11,208
<b>Investment(*5)</b>	-687	74,780	-2,658	65,981
<b>Others(*6)</b>	6,098	21,581	-446	-7,928
<b>Total before adjustment</b>	74,805	460,488	-10,669	104,914
<b>Adjustment</b>	-3,191	-2,382	2,482	-1,997
<b>Consolidated total</b>	71,613	458,105	-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 SMBC Capital  
(Daiwa SMBC Capital changed company name to Daiwa Corporate Investment on July 1, 2010.)

(\*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.

# Consolidated Retail

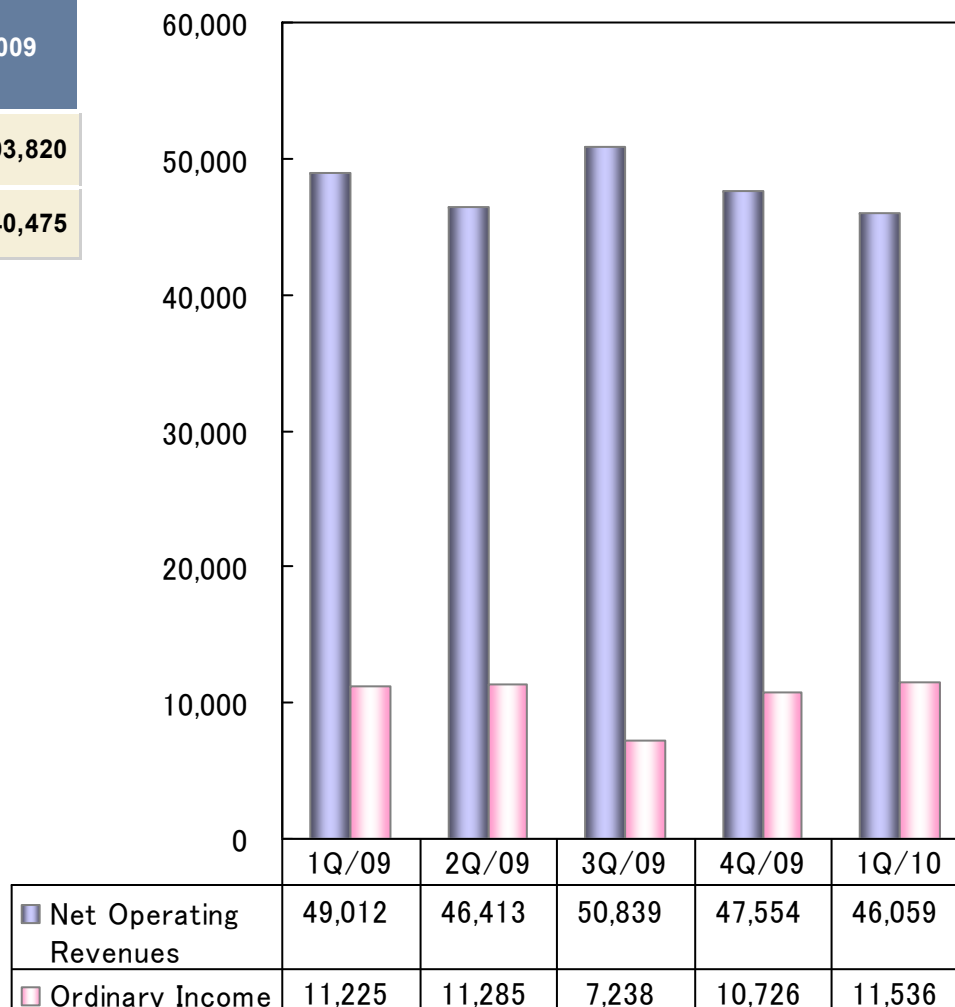
(Y mil)	FY2010 1Q	% Change vs 4Q FY09	% Change vs 1Q FY09	FY2009
Net Operating Revenues	46,059	-3.1%	-6.0%	193,820
Ordinary Income	11,536	7.6%	2.8%	40,475

- Equity brokerage commission and distribution commission declined.
- Due to the strong sales of equity investment trust, investment trust distribution commission increased.
- While foreign equity trading volume declined, sales of foreign currency-denominated bonds and structured bonds remained strong.
- Personnel costs in SG&A declined linked to the earnings.

※ All comments on increase and decrease are comparison to 4Q FY09.

(Y mil)

Quarterly figures



# Consolidated Global Markets



(Y mil)	FY2010 1Q	% Change vs 4Q FY09	% Change vs 1Q FY09	FY2009
Net Operating Revenues	7,059	-76.6%	-75.6%	82,748
Ordinary Income	-19,295	—	—	-14,126

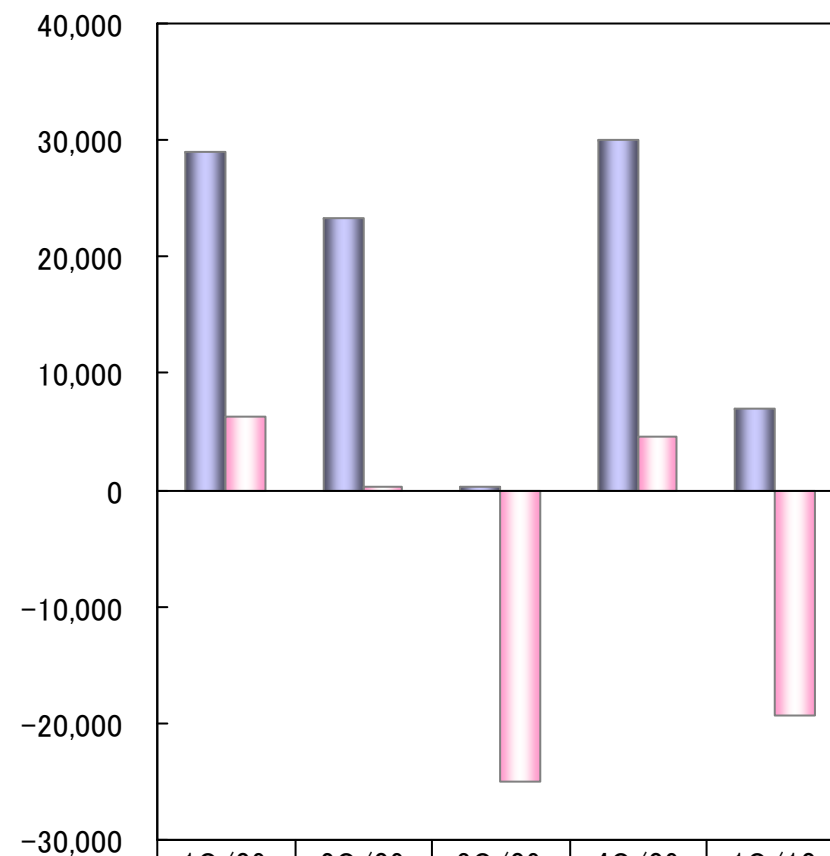
- Due to the decline in the market trading volume, revenues in both domestic and overseas equity division decreased.
- High volatility in foreign exchange market pushed down revenues in bond division significantly.

※ All comments on increase and decrease are comparison to 4Q FY09.

※ Please refer to P.34 for consolidated trading gain/loss.

(Y mil)

Quarterly figures



	1Q/09	2Q/09	3Q/09	4Q/09	1Q/10
Net Operating Revenues	28,964	23,373	302	30,108	7,059
Ordinary Income	6,239	220	-25,090	4,503	-19,295



# Consolidated Global Investment Banking



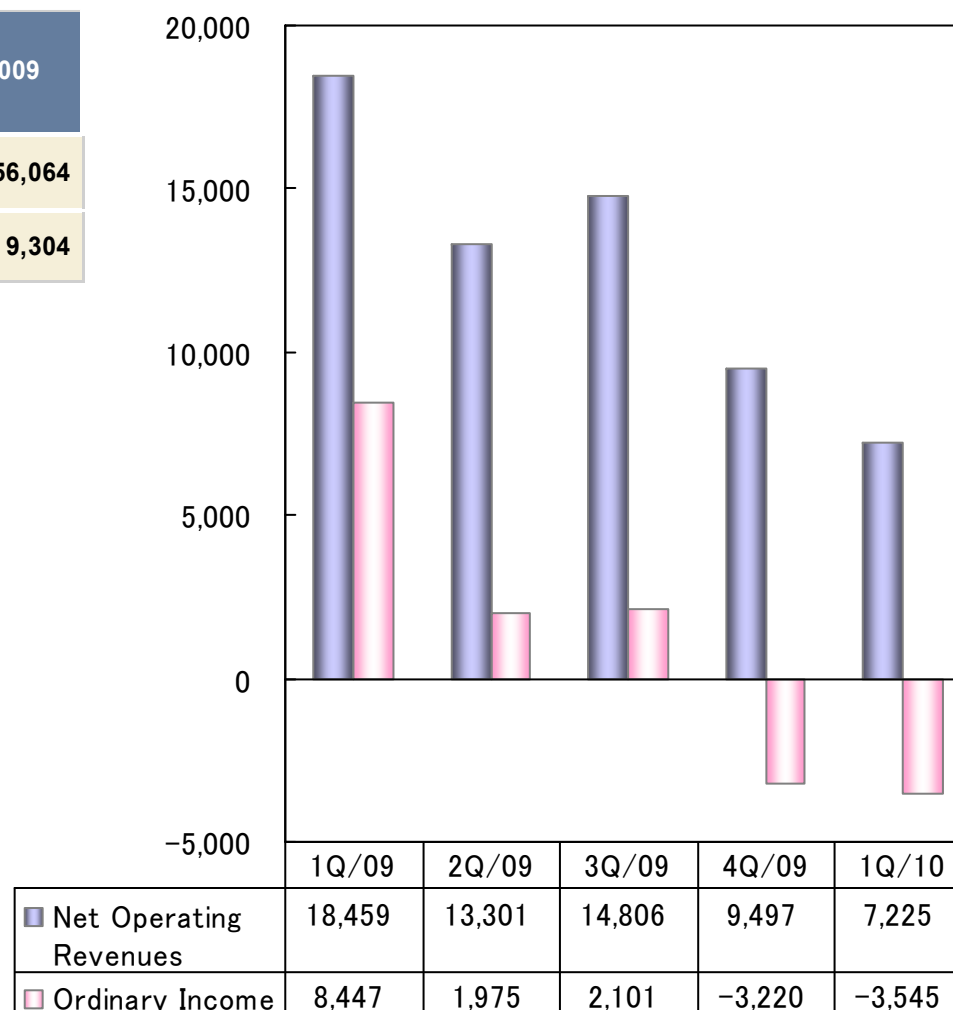
(Y mil)	FY2010 1Q	% Change vs 4Q FY09	% Change vs 1Q FY09	FY2009
Net Operating Revenues	7,225	-23.9%	-60.9%	56,064
Ordinary Income	-3,545	—	—	9,304

- Equity underwriting commission was down due to the decline in large equity finance issues.
- Main underwriting issues include SBI Holdings, etc.
- Bond underwriting commission declined.
- M&A commission slightly declined.

※ All comments on increase and decrease are comparison to 4Q FY09.

(Y mil)

Quarterly figures



# Consolidated Asset Management



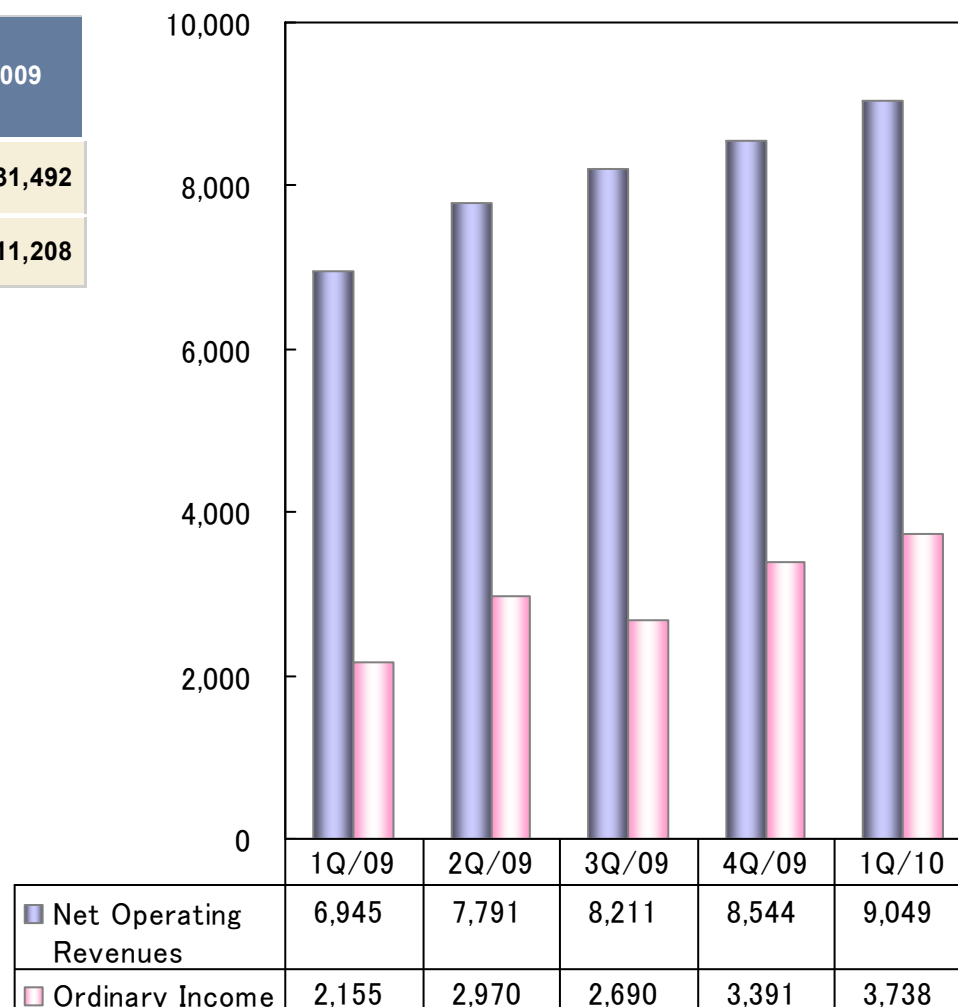
(Y mil)	FY2010 1Q	% Change vs 4Q FY09	% Change vs 1Q FY09	FY2009
Net Operating Revenues	9,049	5.9%	30.3%	31,492
Ordinary Income	3,738	10.2%	73.4%	11,208

- Daiwa Asset Management's 1Q average asset under management expanded, resulting in the increase in management fee.
- Daiwa Asset Management's AUM of equity investment trust as of end of June was Y5.8tri.
- Daiwa SB Investments' ordinary income declined.
- Daiwa SB Investments' AUM of publicly offered investment trust as of end of June was Y1.7tri.

※ All comments on increase and decrease are comparison to 4Q FY09.

(Y mil)

Quarterly figures



# Consolidated Investment

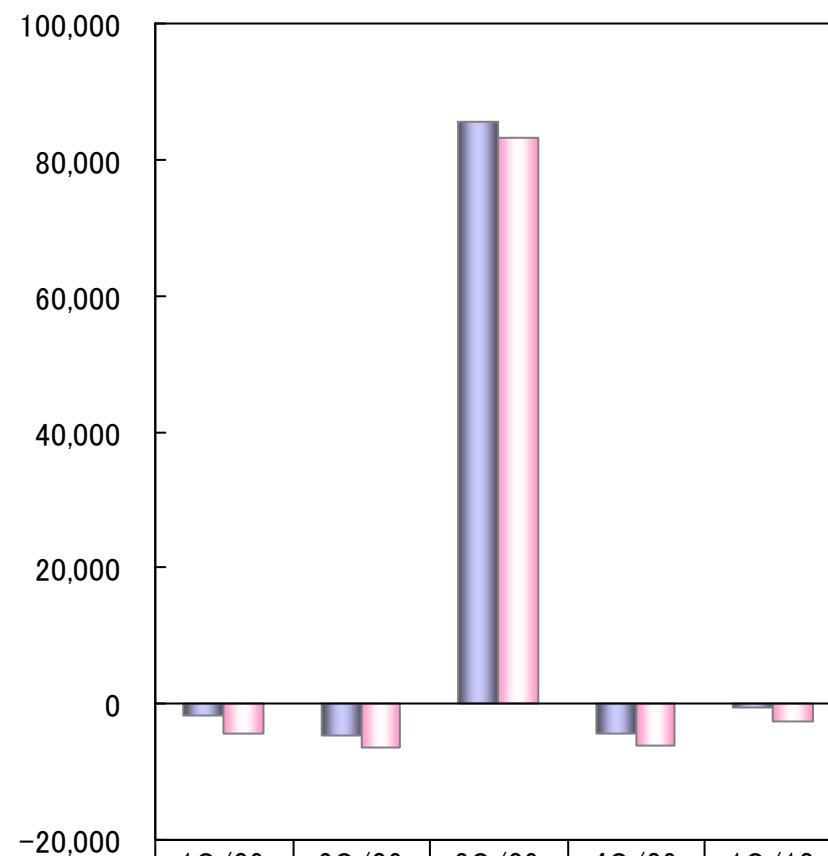
(Y mil)	FY2010 1Q	% Change vs 4Q FY09	% Change vs 1Q FY09	FY2009
Net Operating Revenues	-687	—	—	74,780
Ordinary Income	-2,658	—	—	65,981

- Combined ordinary income of Daiwa SMBCPI and Daiwa PI Partners was a loss of Y0.7bil.
- Ordinary income of Daiwa SMBC Capital\* was a loss of Y1.2bil.

※ Daiwa SMBC Capital changed company name to Daiwa Corporate Investment on July 1, 2010.

(Y mil)

Quarterly figures



	1Q/09	2Q/09	3Q/09	4Q/09	1Q/10
Net Operating Revenues	-1,612	-4,662	85,414	-4,359	-687
Ordinary Income	-4,335	-6,568	83,089	-6,203	-2,658

# Consolidated Others

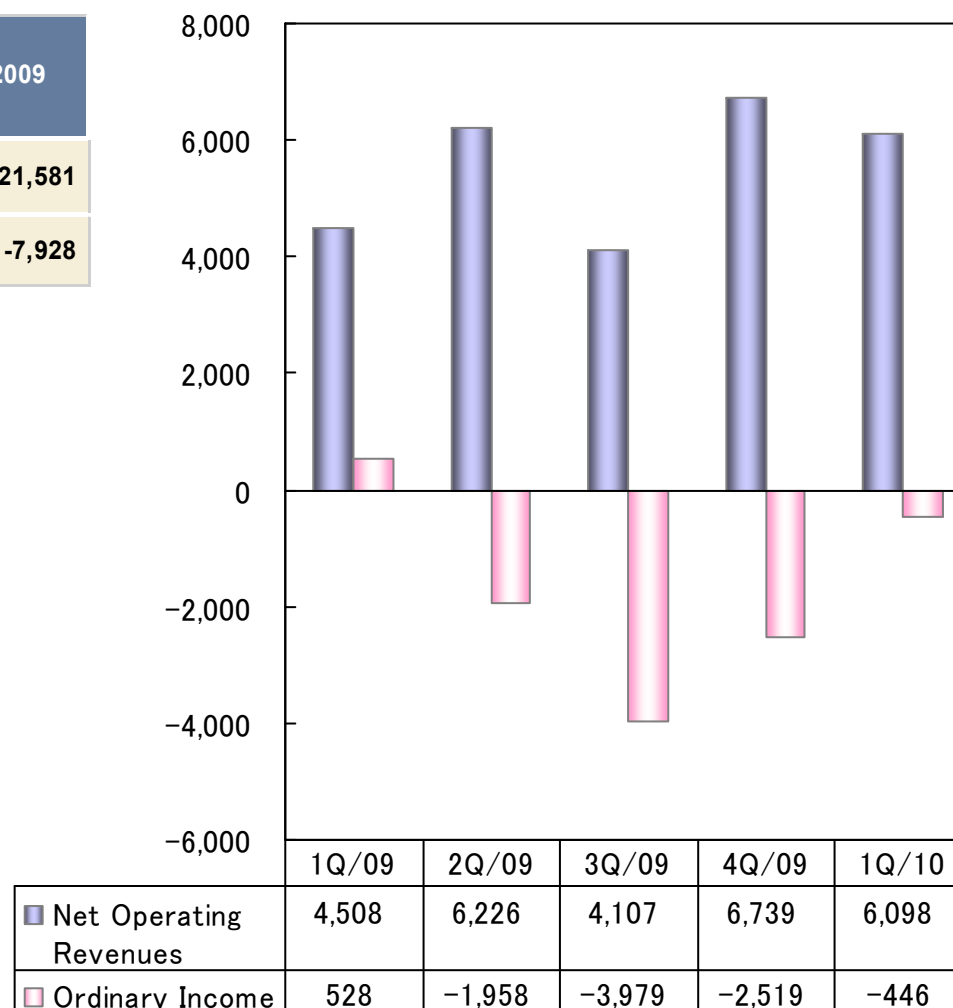


(Y mil)	FY2010 1Q	% Change vs 4Q FY09	% Change vs 1Q FY09	FY2009
Net Operating Revenues	6,098	-9.5%	35.3%	21,581
Ordinary Income	-446	—	—	-7,928

- Total ordinary income of the three DIR Group companies was Y2.2bil, down by 36% q/q.

(Y mil)

Quarterly figures

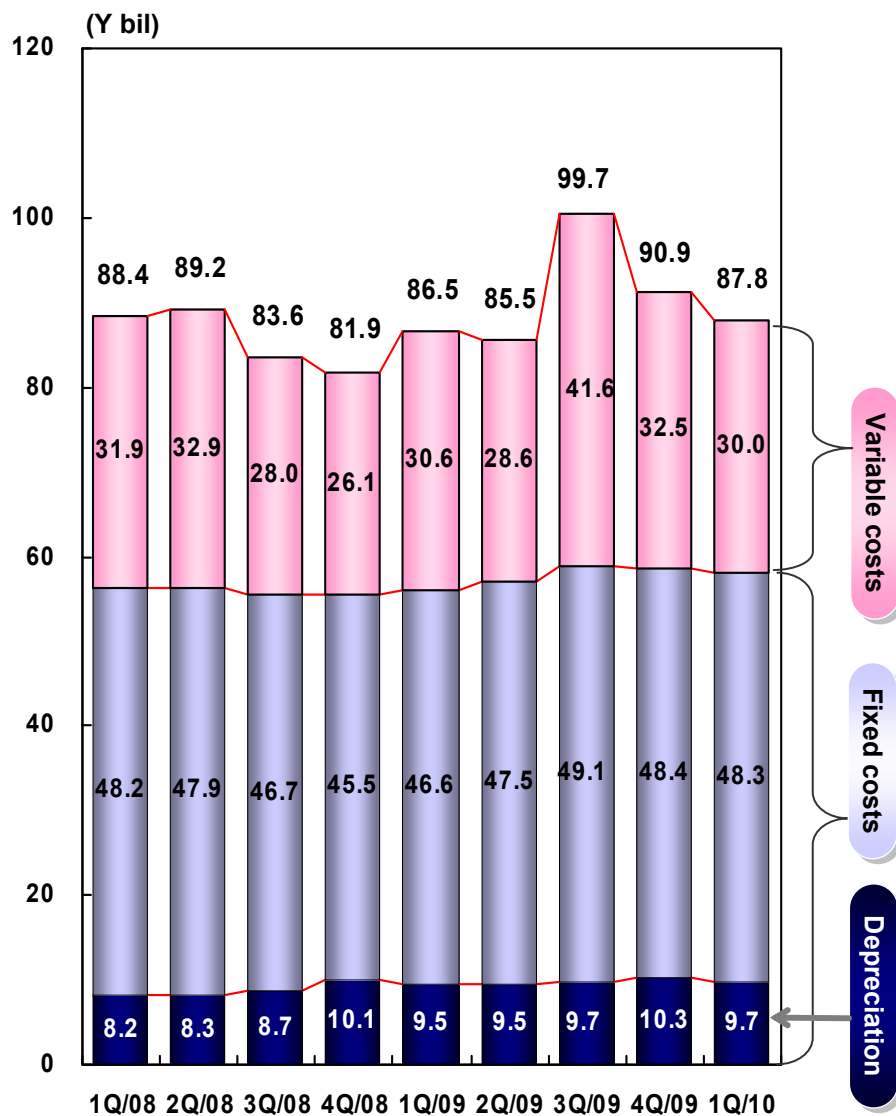


# Consolidated Breakdown of SG&A



(Y mil)	FY2010	FY2009	% Change vs 4Q FY09	FY2009			% Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
SG&A	87,859	90,946	-3.4%	99,775	85,569	86,552	1.5%	362,844
Fees and commissions paid	17,376	15,485	12.2%	16,014	15,943	14,346	21.1%	61,790
Personnel costs	37,483	40,642	-7.8%	52,095	37,274	39,938	-6.1%	169,950
Real estate expenses	11,290	11,724	-3.7%	10,813	10,945	10,555	7.0%	44,038
Office expenses	6,714	6,423	4.5%	6,174	6,744	6,350	5.7%	25,693
Depreciation	9,753	10,302	-5.3%	9,746	9,545	9,506	2.6%	39,101
Taxes other than income taxes	1,967	2,160	-8.9%	1,689	1,762	2,113	-6.9%	7,725
Others	3,273	4,206	-22.2%	3,242	3,353	3,741	-12.5%	14,545

# Consolidated Cost Structure



(Y bil)	FY2008				FY2009				FY2010
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total SG&A	88.4	89.2	83.6	81.9	86.5	85.5	99.7	90.9	87.8
Variable costs	31.9	32.9	28.0	26.1	30.6	28.6	41.6	32.5	30.0
Fees and commissions paid	18.0	17.8	15.3	14.7	14.3	15.9	16.0	15.4	17.3
Advertising expenses	2.3	2.3	1.7	1.9	1.5	1.3	1.6	2.3	1.8
Bonus	5.9	4.9	5.2	4.6	9.7	6.7	19.5	10.1	6.4
FA remuneration	0.6	0.4	0.2	0.3	0.4	0.4	0.4	0.4	0.3
Overtime, part-time	2.5	2.4	2.3	1.8	1.9	1.8	1.9	1.9	2.2
Fixed costs	56.5	56.3	55.5	55.7	56.1	57.1	58.9	58.7	58.0
Personnel costs	27.9	27.8	27.5	26.6	27.7	28.2	30.1	28.1	28.3
Real estate expenses	11.0	11.5	10.5	10.5	10.5	10.9	10.8	11.7	11.2
Depreciation	8.2	8.3	8.7	10.1	9.5	9.5	9.7	10.3	9.7
Office expenses	7.3	7.0	6.9	6.7	6.0	6.3	5.7	6.0	6.4
Taxes other than income taxes	1.8	1.5	1.6	1.5	2.1	1.7	1.6	2.1	1.9

# Consolidated Balance Sheet

## Consolidated Balance Sheet (06/10)

(Y bil)

<b>Current assets</b>	<b>15,694</b>	<b>(-941)</b>	<b>Current liabilities</b>	<b>13,622</b>	<b>(-852)</b>
Trading assets	8,250	(+595)	Trading liabilities	4,525	(-399)
Trading securities and others	5,809	(+102)	Trading securities and others	2,540	(-927)
Stocks, convertible bonds	300	(-81)	Stocks, convertible bonds	171	(+7)
Bonds	5,386	(+190)	Bonds	2,367	(-937)
Beneficiary certificates	96	(-5)	Beneficiary certificates	1	(+1)
CD/CP and others	25	(-1)	Derivative liabilities	1,984	(+528)
Derivative assets	2,440	(+493)	Short-term borrowings	2,144	(-2,191)
Private equity and other securities	200	(-17)	Commercial paper	413	(+62)
(after Allowance for possible investment losses)					
Daiwa Securities SMBC PI*	159	(-15)			
Daiwa SMBC Capital**	41	(-2)			
Collateralized short-term financing agreements	5,625	(-1,442)	Collateralized short-term financing agreements	5,319	(+1,433)
<b>Non-current assets</b>	<b>514</b>	<b>(-4)</b>	<b>Non-current liabilities</b>	<b>1,621</b>	<b>(-36)</b>
Tangible fixed assets	141	(-0)	Bonds and notes	1,158	(-68)
Intangible fixed assets	118	(-3)	Long-term debts	410	(+31)
Investments and others	255	(+0)	<b>Total liabilities</b>	<b>15,248</b>	<b>(-889)</b>
Investment securities	175	(-16)	<b>Net assets</b>	<b>961</b>	<b>(-56)</b>
Listed stocks	77	(-13)	Owners' equity	906	(-23)
Unlisted stocks	29	(-0)	Valuation and translation adjustments	-30	(-28)
Others	68	(-2)	Minority interests	81	(-5)
Others	79	(+16)			
<b>Total assets</b>	<b>16,209</b>	<b>(-945)</b>	<b>Total liabilities and net assets</b>	<b>16,209</b>	<b>(-945)</b>

\* Sum of Daiwa Securities SMBCPI and Daiwa PI Partners.

\*\* Daiwa SMBC Capital changed company name to Daiwa Corporate Investment on July 1, 2010.

Note: Figures in parenthesis indicate changes from 03/10.

# Consolidated Customer Assets and Assets Under Management



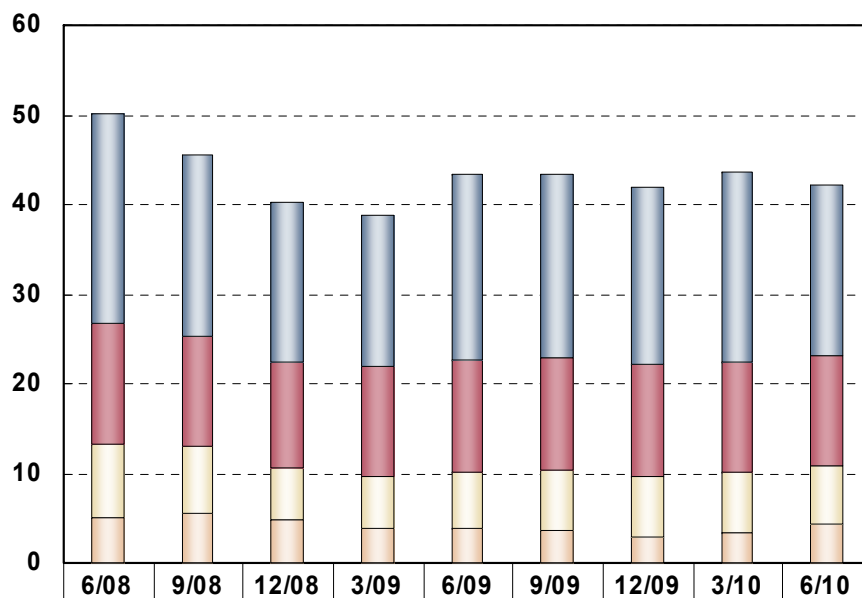
## Customer Assets (Overall Group)

**06/10: Y 42.4 tri**

## Assets Under Management (Overall Group)

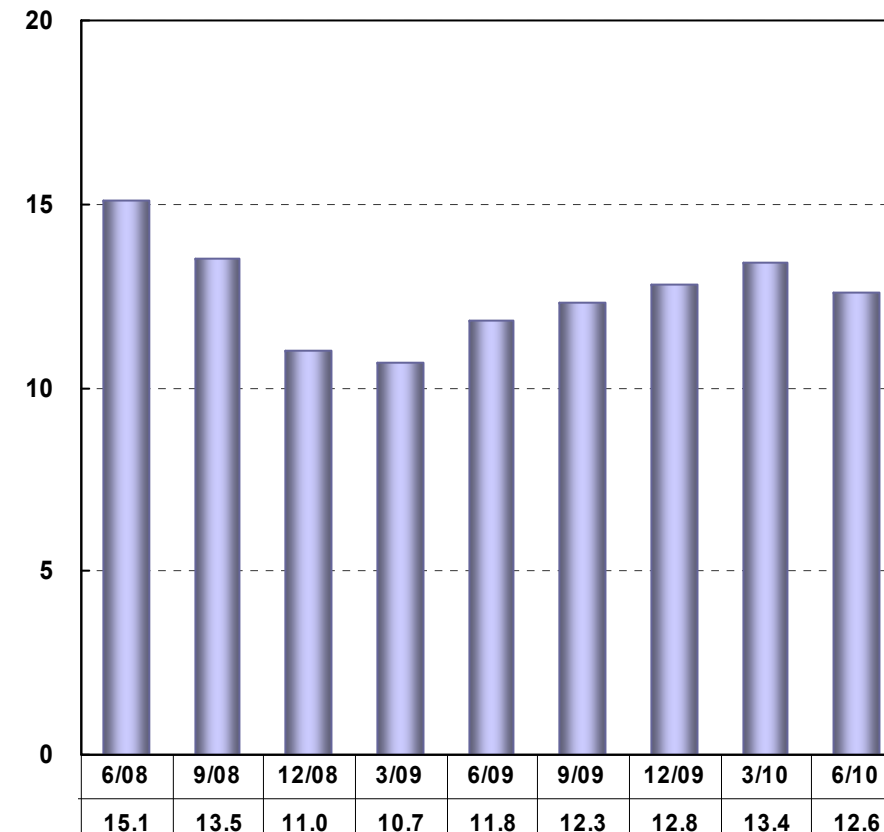
**06/10: Y 12.6 tri**

(Y tri)



Equity	23.2	20.4	18.0	17.0	20.7	20.3	19.9	21.2	19.1
Bond	13.5	12.3	11.6	12.2	12.4	12.7	12.4	12.2	12.2
Investment trusts	8.2	7.3	5.9	5.8	6.4	6.6	6.7	6.9	6.5
Others	5.1	5.6	4.8	3.9	3.8	3.7	3.0	3.3	4.4
<b>Total</b>	<b>50.1</b>	<b>45.8</b>	<b>40.4</b>	<b>39.1</b>	<b>43.4</b>	<b>43.4</b>	<b>42.2</b>	<b>43.8</b>	<b>42.4</b>

(Y tri)



Note: Investment trusts AUM at Daiwa Asset Management and Daiwa SB Investments  
+ contract assets for investment advisory at Daiwa SB Investments



# Retail - Daiwa Securities - Financial Summary



(Y mil)	FY2010	FY2009	% Change vs 4Q FY09	FY2009			% Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
Operating revenues	46,209	47,454	-2.6%	50,641	46,391	49,043	-5.8%	193,532
Commissions	31,510	32,887	-4.2%	35,962	35,339	36,731	-14.2%	140,921
Brokerage	7,414	7,731	-4.1%	7,043	8,688	9,463	-21.7%	32,927
Stock and others	7,226	7,572	-4.6%	6,920	8,604	9,354	-22.8%	32,451
Distribution	12,506	13,279	-5.8%	16,705	14,516	15,471	-19.2%	59,973
Stock and others	830	2,918	-71.5%	5,095	3,777	6,675	-87.6%	18,466
Bond and others	2,986	3,281	-9.0%	2,208	2,476	1,796	66.2%	9,762
Investment trust	8,689	7,080	22.7%	9,401	8,262	6,999	24.2%	31,743
Other commissions	11,589	11,876	-2.4%	12,213	12,134	11,796	-1.8%	48,021
Investment trust	8,340	8,166	2.1%	8,228	7,944	7,352	13.4%	31,691
Net gain/loss on trading	13,338	13,403	-0.5%	13,404	9,802	10,980	21.5%	47,590
Equity	1,720	2,877	-40.2%	3,026	1,794	2,033	-15.4%	9,730
Bond and forex	11,617	10,525	10.4%	10,377	8,008	8,946	29.8%	37,859
Interest and dividend income	1,360	1,163	16.9%	1,275	1,249	1,332	2.1%	5,020
Interest expenses	353	255	38.0%	344	336	509	-30.6%	1,445
Net operating revenues	45,856	47,198	-2.8%	50,297	46,055	48,534	-5.5%	192,086
SG&A	34,588	36,358	-4.9%	43,239	35,110	37,554	-7.9%	152,263
Ordinary income	11,457	10,899	5.1%	7,151	11,268	11,135	2.9%	40,454
Net income	6,301	6,400	-1.5%	4,030	6,361	6,437	-2.1%	23,229
Capital adequacy ratio	396.5%	393.3%		460.9%	439.2%	418.8%		393.3%

# Retail - Daiwa Securities - Breakdown of SG&A

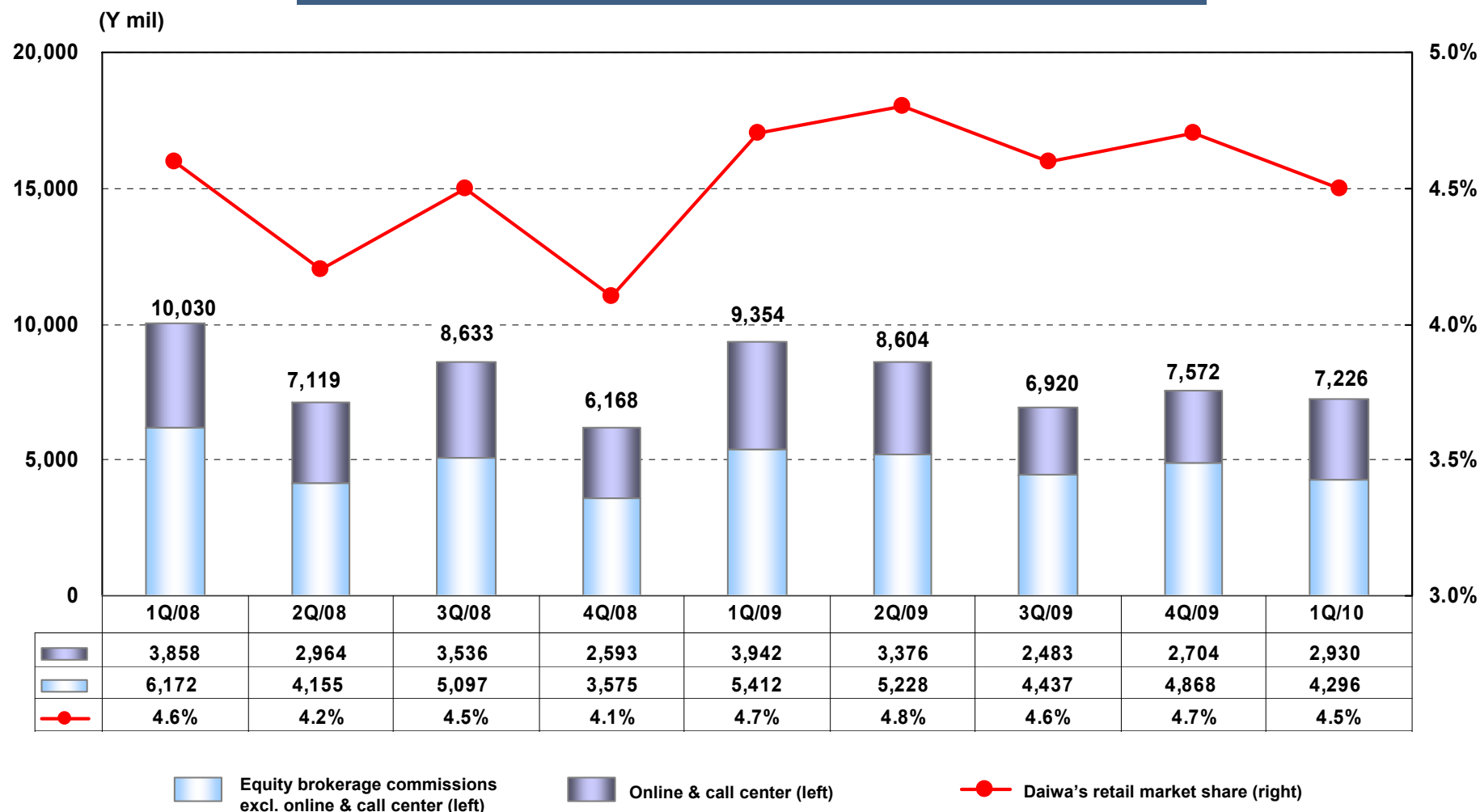


(Y mil)	FY2010	FY2009	% Change vs 4Q FY09	FY2009			% Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
SG&A	34,588	36,358	-4.9%	43,239	35,110	37,554	-7.9%	152,263
Fees and commissions paid	4,126	3,844	7.3%	3,899	3,954	3,775	9.3%	15,475
Personnel costs	14,587	15,064	-3.2%	23,053	14,626	17,558	-16.9%	70,302
Real estate expenses	4,618	5,175	-10.8%	4,717	4,915	4,778	-3.4%	19,587
Office expenses	6,118	6,710	-8.8%	6,222	6,343	5,988	2.2%	25,264
Depreciation	4,102	4,340	-5.5%	4,368	4,290	4,310	-4.8%	17,310
Taxes other than income taxes	382	260	47.1%	261	277	410	-6.7%	1,209
Others	652	963	-32.3%	715	702	732	-10.9%	3,113

# Retail - Daiwa Securities - Equity Brokerage Commissions



Daiwa Securities Equity Brokerage Commissions and Market Share



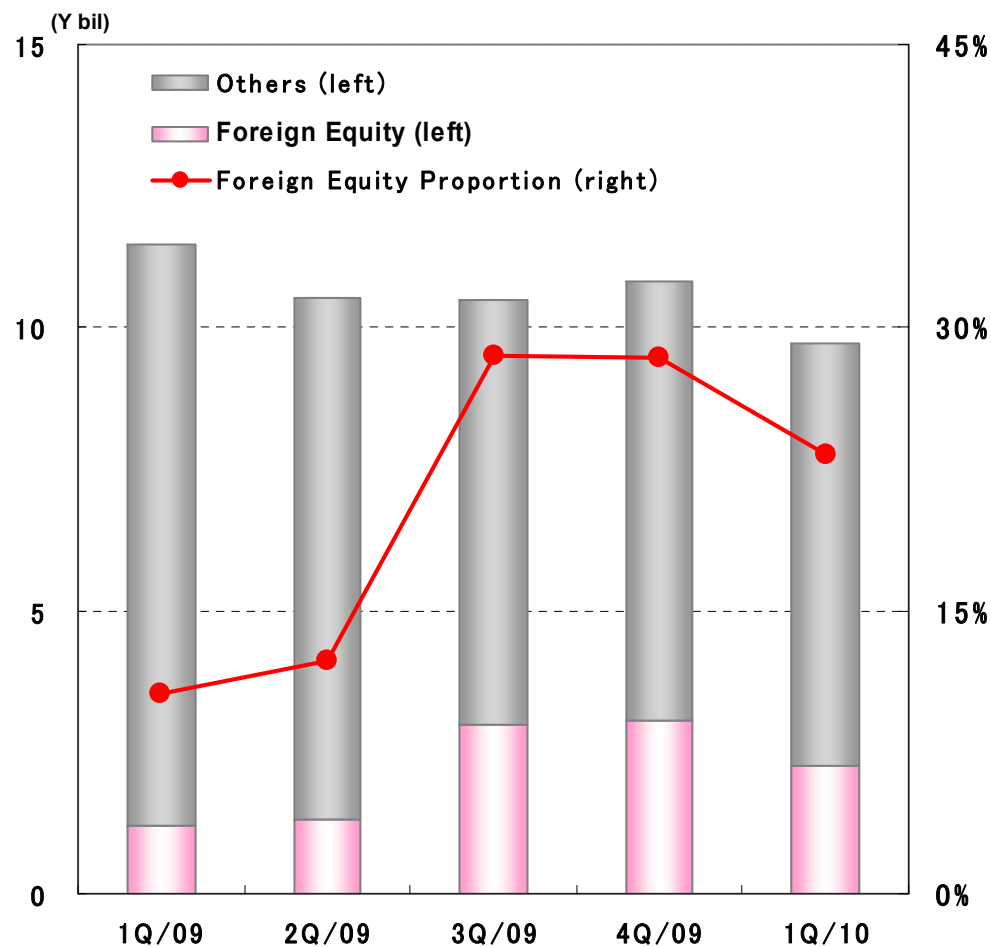
Note: Excludes foreign equities listed on overseas countries.

Market share is the share among total trading value by individuals on Tokyo, Osaka, and Nagoya Stock Exchanges.

# Retail - Daiwa Securities - Foreign Equity

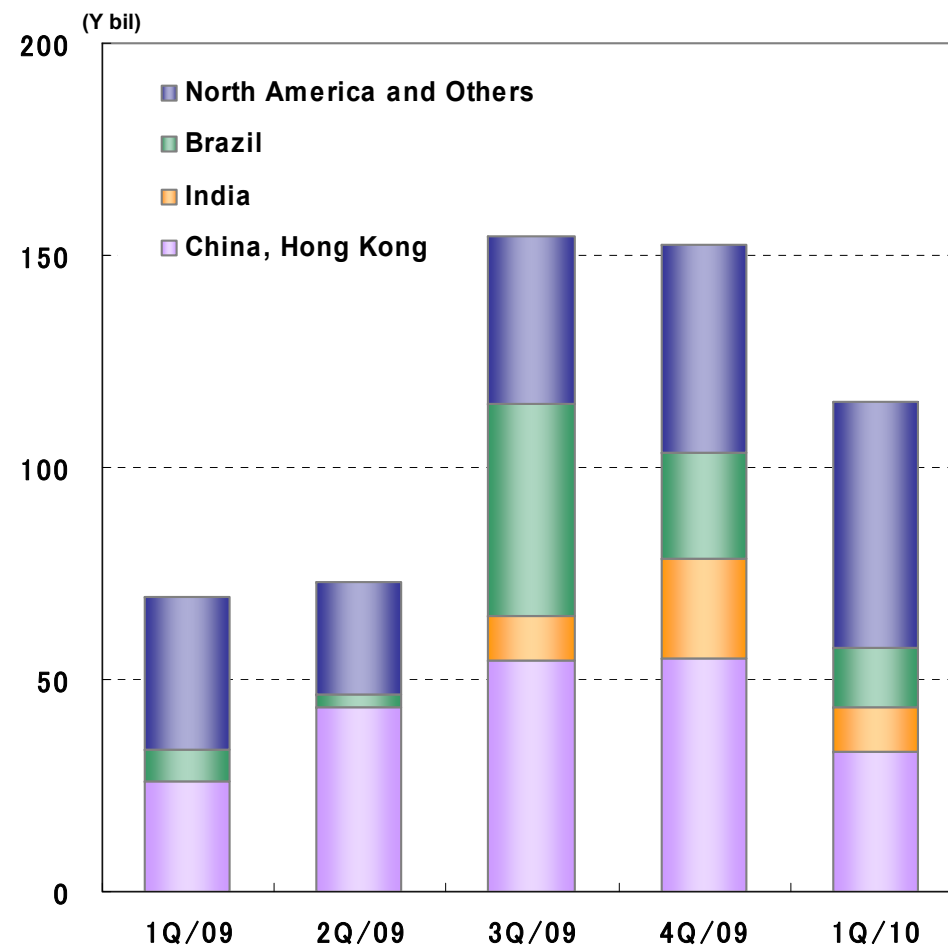


Foreign equity proportion in total equity revenues

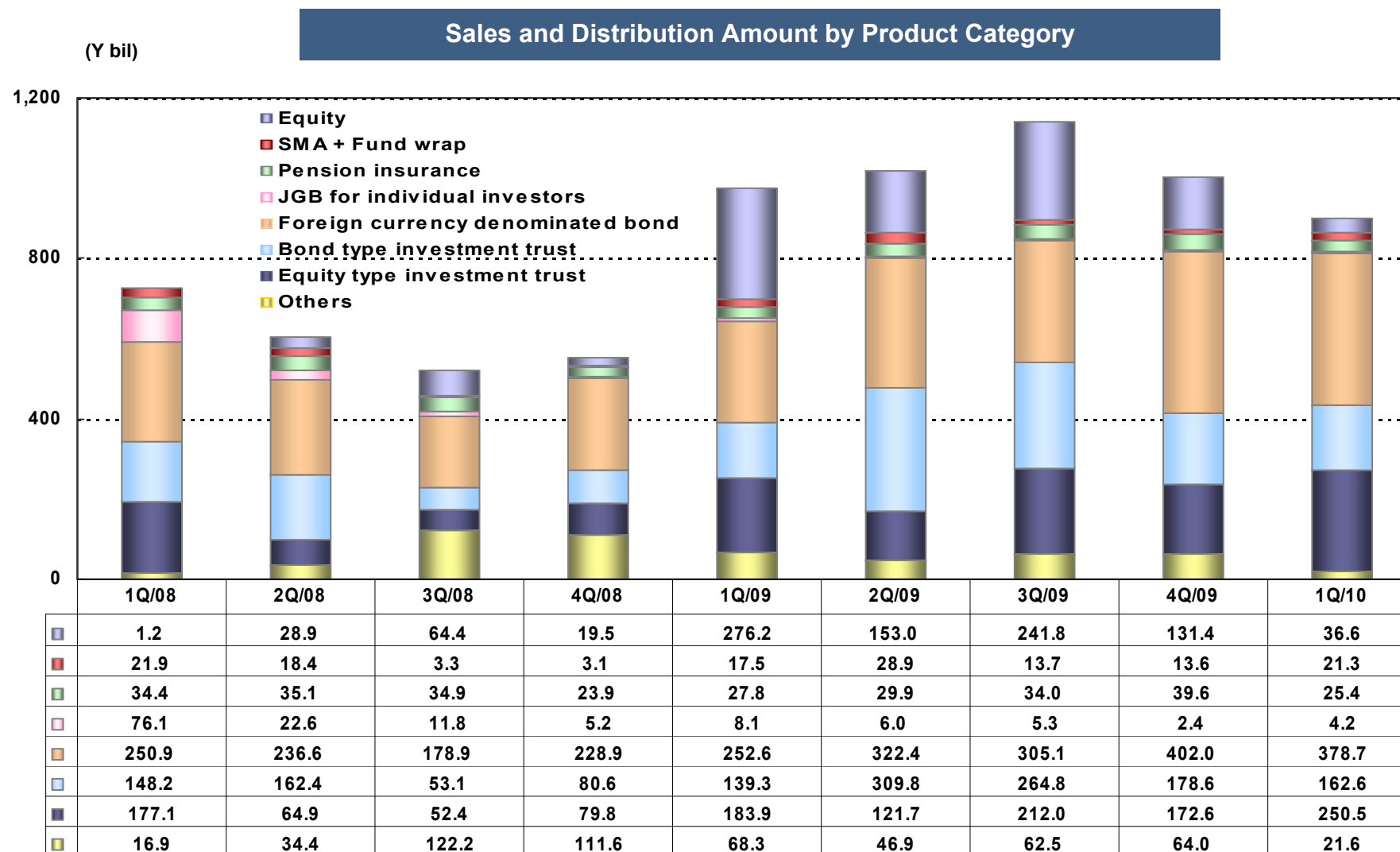


Note: Managerial accounting basis

Foreign equity trade value



# Retail - Daiwa Securities - Product Sales



Note: "Others" includes sales of yen denominated bonds excluding JGB for individual investors.

Note: "JGB for individual investors" includes sales in PTS.

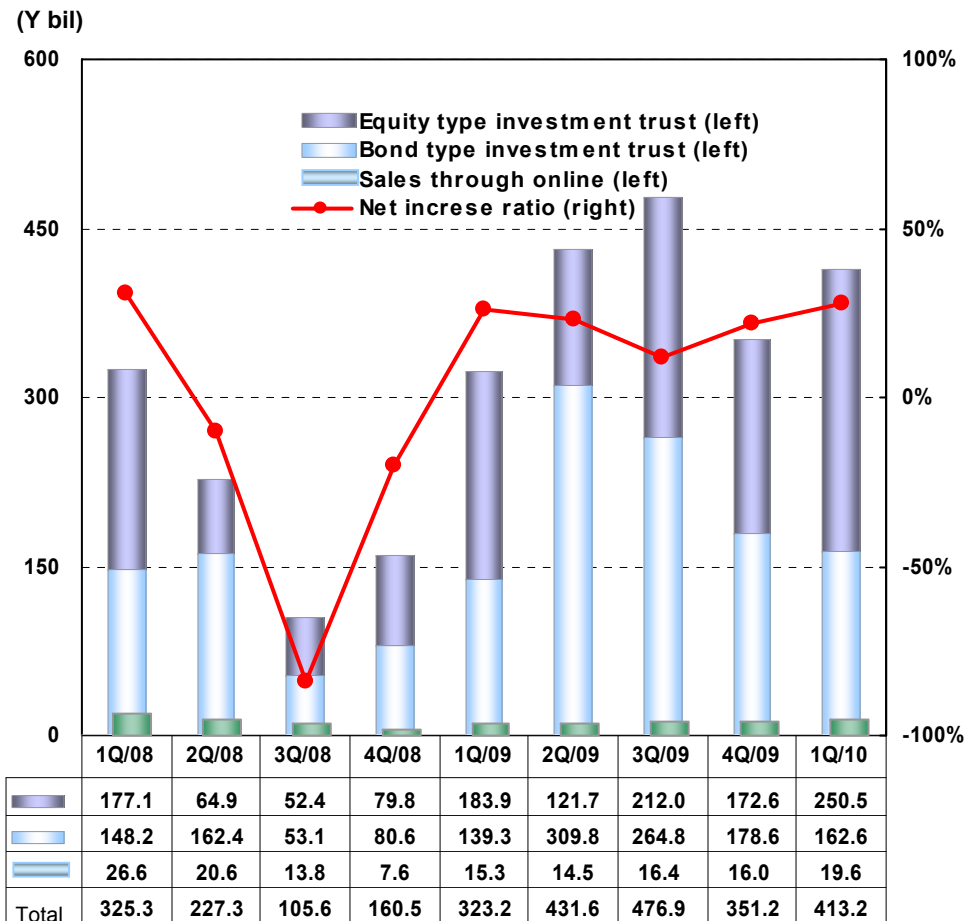
Note: Bond type investment trust and equity type investment trust Include switching transaction between funds.

# Retail - Daiwa Securities -

## Equity Investment Trusts & Foreign Currency-denominated Bonds



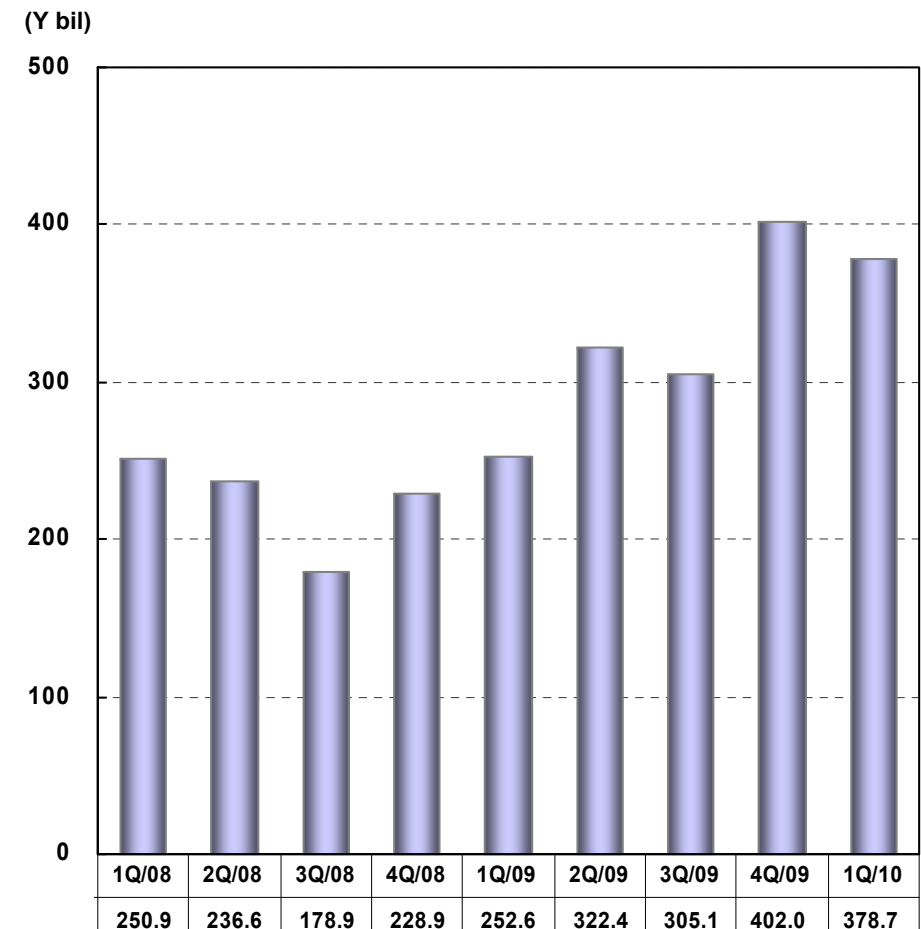
Sales and Net Increase Ratio of  
Equity Investment Trusts



Note: Net increase ratio(%) =  $\frac{\text{purchase} - (\text{sell-off} + \text{redemption})}{\text{purchase}} \times 100$

Note: Include switching transaction between funds.

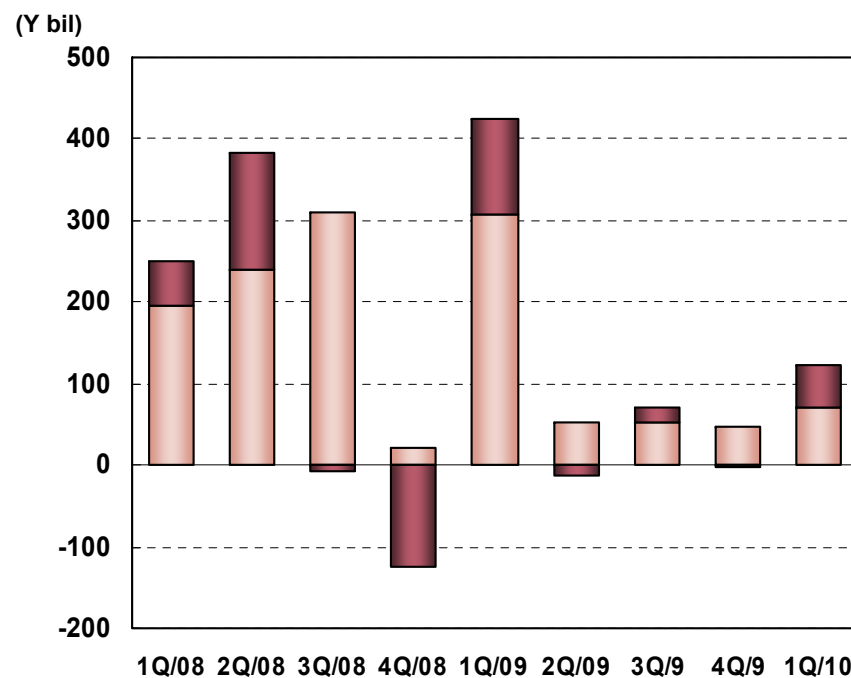
Sales of  
Foreign Currency-denominated Bonds



# Retail - Daiwa Securities - Net Inflow of Retail Assets

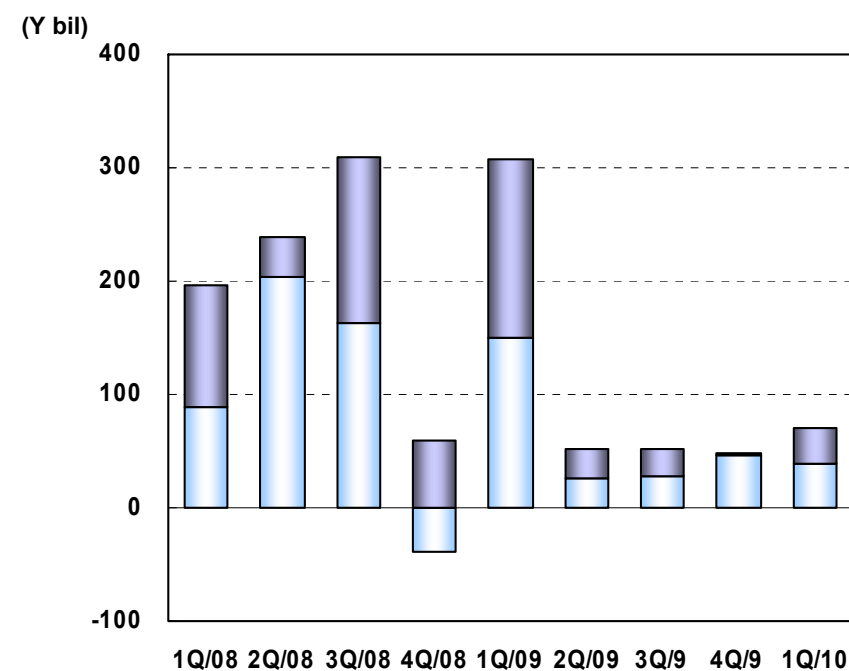


Net Inflow of Assets



■ Unlisted corporation etc.	54.9	142.9	-6.7	-124.9	117.6	-13.0	17.9	-1.6	51.0
■ Retail	195.4	239.6	310.2	20.1	307.3	51.7	51.9	47.5	71.1
<b>Total</b>	<b>250.3</b>	<b>382.6</b>	<b>303.4</b>	<b>-104.7</b>	<b>424.9</b>	<b>38.7</b>	<b>69.9</b>	<b>45.8</b>	<b>122.2</b>

Net Inflow of Cash and Securities (Retail)



■ Net inflow of cash	107.3	36.7	146.4	59.2	157.7	24.9	25.0	0.3	32.1
■ Net inflow of securities	88.1	202.8	163.7	-39.1	149.5	26.8	26.9	47.2	38.9

Note: Net inflow of assets = net inflow of cash and securities

# Wholesale - Daiwa Securities Capital Markets Consolidated - Financial Summary



(Y mil)	FY2010	FY2009	% Change vs 4Q FY09	FY2009			% Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
Operating revenues	31,573	54,901	-42.5%	114,867	46,128	64,358	-50.9%	280,256
Commissions	15,500	17,338	-10.6%	26,208	23,729	31,699	-51.1%	98,976
Brokerage commission	5,755	4,793	20.1%	4,425	4,414	4,717	22.0%	18,351
Stock and others	5,635	4,749	18.7%	4,393	4,385	4,688	20.2%	18,216
Underwriting commission	4,658	7,399	-37.0%	15,067	13,262	24,237	-80.8%	59,967
Stock and others	2,538	4,889	-48.1%	12,588	9,880	20,734	-87.8%	48,094
Bond and others	2,068	2,455	-15.8%	2,448	3,254	3,405	-39.3%	11,563
Distribution commission	205	184	11.6%	248	88	30	580.6%	552
Other commissions (M&A and others)	4,881	4,961	-1.6%	6,467	5,962	2,713	79.9%	20,105
Net gain/loss on trading	1,160	25,667	-95.5%	-6,051	17,600	22,258	-94.8%	59,475
Equity	-17,130	3,929	—	-2,529	191	12,395	—	13,987
Bond and forex	18,290	21,738	-15.9%	-3,522	17,409	9,862	85.4%	45,487
Net gain/loss on private equity and other securities	—	5,574	—	86,966	-3,615	919	—	89,845
Interest and dividend income	14,912	6,320	135.9%	7,742	8,415	9,380	59.0%	31,858
Interest expenses	11,260	6,111	84.2%	7,882	7,461	9,275	21.4%	30,730
Net operating revenues	20,313	48,789	-58.4%	106,985	38,666	54,998	-63.1%	249,441
SG&A	44,385	44,760	-0.8%	48,484	43,076	45,692	-2.9%	182,013
Ordinary income	-24,050	4,373	—	58,302	-4,099	10,177	—	68,754
Net income	-23,505	15,710	—	26,070	-854	10,135	—	51,060

\* Net gain/loss on private equity and other securities in 4Q includes the revenues from the former Daiwa SMBCPI for January.



# Wholesale - Daiwa Securities Capital Markets Consolidated - Breakdown of SG&A



(Y mil)	FY2010	FY2009	% Change vs 4Q FY09	FY2009			% Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
SG&A	44,385	44,760	-0.8%	48,484	43,076	45,692	-2.9%	182,013
Fees and commissions paid	12,169	12,095	0.6%	14,999	14,215	17,829	-31.7%	59,139
Personnel costs	15,689	14,253	10.1%	17,104	12,631	11,810	32.8%	55,800
Real estate expenses	4,662	4,734	-1.5%	4,472	4,172	3,823	21.9%	17,203
Office expenses	4,512	5,375	-16.0%	5,082	5,414	5,633	-19.9%	21,505
Depreciation	5,075	5,095	-0.4%	4,552	4,466	4,426	14.7%	18,540
Taxes other than income taxes	773	1,124	-31.2%	898	855	1,147	-32.5%	4,024
Others	1,500	2,081	-27.9%	1,373	1,321	1,022	46.8%	5,799

# Wholesale - Daiwa Securities Capital Markets Consolidated - Major League Tables



Daiwa Securities Capital Markets FY2010 1Q Lead Manager League Table

	Straight bonds (excl. own bonds)	Agency bonds	Samurai bonds	IPO	Primary and secondary equity offerings	M&A	
						Transaction value	Number of deals
1st	Nomura	Mitsubishi UFJMS	Mitsubishi UFJMS	Nomura	Nomura	Mitsubishi UFJMS	Mizuho FG
	21.5%	27.4%	36.5%	46.2%	68.4%		
2nd	Mizuho	Nomura	Mizuho	Mizuho	Daiwa Capital Markets	JP Morgan	Nomura
	20.8%	24.4%	21.9%	35.9%	19.9%		
3rd	Mitsubishi UFJMS	Daiwa Capital Markets	Daiwa Capital Markets	BoA/ML	Deutsche	Rothschild	SMFG
	18.3%	16.9%	17.7%	13.7%	4.8%		
4th	Daiwa Capital Markets	Nikko Cordial	Nomura	Goldman Sachs	Mizuho	Mizuho FG	Mitsubishi UFJMS
	16.6%	14.3%	12.5%	4.1%	4.1%		
5th	Nikko Cordial	Mizuho	Nikko Cordial	Daiwa Capital Markets	Mitsubishi UFJMS	SMFG	Deloitte & Touche
	14.5%	8.4%	4.2%	0.1%	2.5%		

Source: Daiwa Securities Capital Markets Apr 2010-Jun 2010

Note: Straight bonds, agency bonds and samurai bonds are based on launch date.  
Primary and secondary equity offerings are based on settlement date.  
IPO based on listing date. Joint lead manager allotment based on underwritten amount.

Source: THOMSON REUTERS Apr 2010-Jun 2010

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

# Wholesale - Daiwa Securities Capital Markets Consolidated - Major Deals in Investment Banking



## Major lead manager deals (including joint lead issues) & Major M&A publicly announced deals during 1Q

Equity Offerings (including CB)			Straight Bonds	
SBI Holdings, Inc.	Global offering	Y 40.2bil	TOYOTA FINANCE CORPORATION	Total Y 75.0bil
JTEKT Corporation	Public offering	Y14.2bil	TEPCO	Total Y 70.0bil
			NTT DATA Corporation	Y 60.0bil
			Kansai Electric Power	Total Y 50.0bil
			Shiseido	Y 40.0bil
			ORIX	Y 40.0bil
			Sumitomo Chemical Company	Y 35.0bil
			Sumitomo Realty & Development	Y 30.0bil
			Chubu Electric Power.	Y 30.0bil
			Mitsubishi UFJ Lease & Finance Company Limited	Y 25.0bil
Other Bonds			Agency Bonds	
France Télécom	Samurai bond	Total Y 52.3bil	Japan Finance Corporation	Total Y115.0bil
Dexia Credit Local	Euro/Yen bond	Y 50.0bil	Development Bank of Japan	Total Y 40.0bil
Instituto de Crédito Oficial (ICO)	Samurai bond	Total Y 30.0bil		
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.(FMO)	Samurai bond	Y 20.0bil		
Asian Development Bank (ADB)	Global/USD	USD 3.0bil		
Structured Finance		<ul style="list-style-type: none"> <li>■ The Japan Housing Finance Agency Secured Pass-through Bonds No.37 Y110.1bil (Issue) Y31.0bil(Underwriting)</li> <li>■ Frontier Real Estate Investment Corporation. Issue of New Investment Units by Public Offering Y20.1bil (Issue) Y6.4bil(Underwriting)</li> <li>■ Softbank mobile Securitization of installment receivables Series 2010-6 Y10.0bil (Issue) Y5.0bil(Underwriting)</li> <li>■ United Urban Investment Corporation.Shelf Reg. SB No.3 Y10.0bil (Issue) Y10.0bil(Underwriting)</li> </ul>		
M&A		<ul style="list-style-type: none"> <li>■ Canon Inc. made Canon Machinery Inc. its wholly owned subsidiary (Third-party appraisal agency of Canon Machinery Inc.)</li> <li>■ Sellout of UCOM CORPORATION shares by USEN CORPORATION (Advisor to USEN CORPORATION )</li> </ul>		

# Asset Management - Daiwa Asset Management - Financial Summary



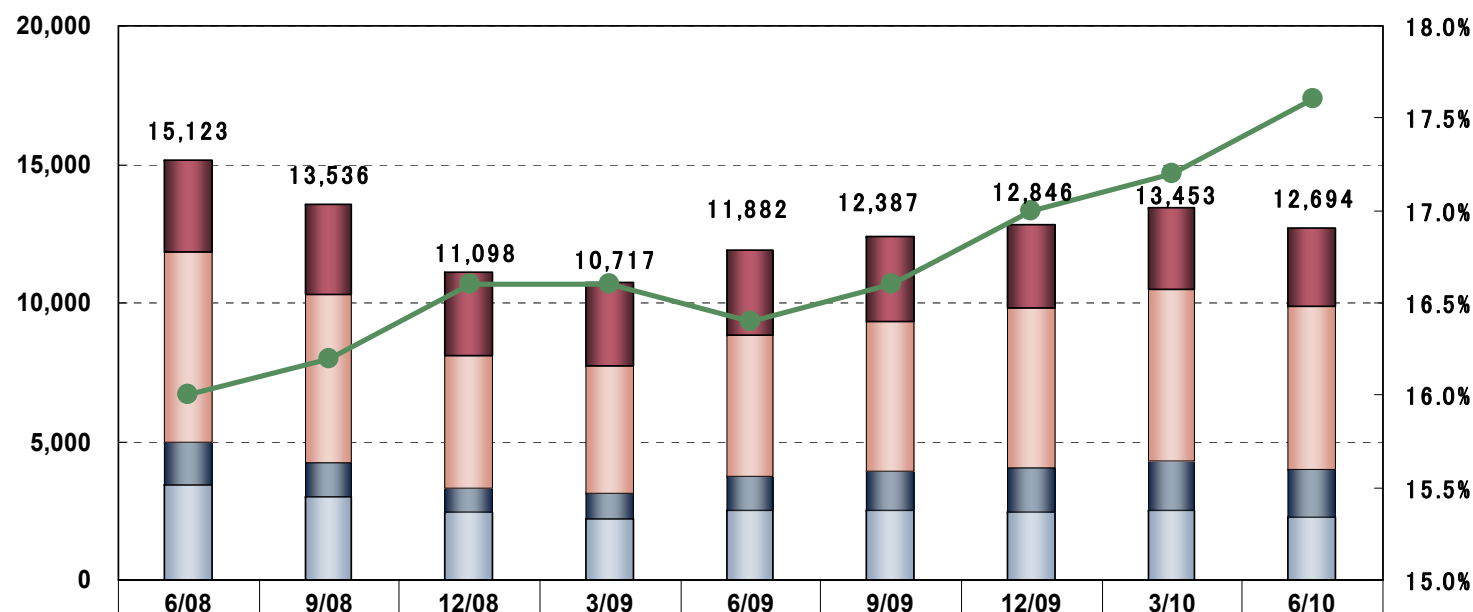
(Y mil)	FY2010	FY2009	% Change vs 4Q FY09	FY2009			% Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
Operating revenues	18,100	17,083	6.0%	16,518	15,649	14,544	24.4%	63,795
Management fee	18,004	16,977	6.1%	16,404	15,535	14,445	24.6%	63,362
Equity investment trust	17,707	16,649	6.4%	16,001	15,105	13,948	27.0%	61,704
Bond investment trust	296	327	-9.4%	403	429	497	-40.4%	1,657
Other operating revenues	95	106	-9.5%	114	114	98	-2.8%	432
SG&A	14,803	14,186	4.3%	14,253	13,085	12,375	19.6%	53,901
Commissions paid	10,388	9,875	5.2%	9,630	9,189	8,597	20.8%	37,293
Other SG&A	4,415	4,310	2.4%	4,623	3,895	3,778	16.9%	16,608
Operating income	3,297	2,896	13.8%	2,264	2,563	2,168	52.0%	9,893
Ordinary income	3,247	2,766	17.4%	2,301	2,673	2,187	48.5%	9,929
Net income	2,886	1,714	68.4%	1,377	1,651	1,177	145.2%	5,920

# Asset Management - Daiwa Asset Management & Daiwa SB Investments - Assets Under Management



## Assets Under Management

(Y bil)



Daiwa AM (Bond funds)	3,278	3,226	3,010	2,992	3,022	3,044	3,016	2,947	2,835
Daiwa AM (Equity funds)	6,893	6,080	4,754	4,602	5,125	5,390	5,802	6,217	5,858
Daiwa SB Investments (Investment trusts)	1,494	1,235	894	925	1,206	1,438	1,599	1,775	1,737
Daiwa SB Investments (Investment advisory)	3,458	2,995	2,440	2,198	2,529	2,515	2,429	2,514	2,264
<b>Total</b>	<b>15,123</b>	<b>13,536</b>	<b>11,098</b>	<b>10,717</b>	<b>11,882</b>	<b>12,387</b>	<b>12,846</b>	<b>13,453</b>	<b>12,694</b>
Daiwa Securities Group share* (right)	16.0%	16.2%	16.6%	16.6%	16.4%	16.6%	17.0%	17.2%	17.6%

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

# Domestic Group Companies and Overseas Operation Ordinary Income



## Domestic Group Companies

(Y mil)	FY2010	FY2009	%Change vs 4Q FY09	FY2009			%Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
Daiwa Asset Management	3,247	2,766	17.4%	2,301	2,673	2,187	48.5%	9,929
DIR Group*	2,206	3,448	-36.0%	1,059	2,027	1,365	61.6%	7,901
Daiwa SMBC Capital**	-1,212	-1,727	—	-932	-1,320	-2,971	—	-6,952
Other Domestic Group Companies	592	965	-38.6%	586	695	542	9.3%	2,789
Total***	4,835	5,453	-11.3%	3,015	4,075	1,124	330.1%	13,668

Daiwa SB Investments	923	1,417	-34.8%	819	558	393	134.6%	3,189
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## Overseas

America	-59	-833	—	-140	250	2,430	—	1,707
Europe	-1,635	-1,560	—	-349	1,020	2,874	—	1,984
Asia/Oceania	-1,100	-485	—	-229	199	576	—	60
Total	-2,796	-2,879	—	-720	1,470	5,881	—	3,752

\* DIR Group includes Daiwa Institute of Research Holdings, Daiwa Institute of Research, and Daiwa Institute of Research Business Innovation. (Excluding in-group transactions and dividend from subsidiaries)

\*\* Daiwa SMBC Capital changed company name to Daiwa Corporate Investment on July 1, 2010.

\*\*\* Total figure of domestic consolidated Group companies except Daiwa Securities, Daiwa Capital Markets, Daiwa SMBCPI and Daiwa PI Partners.

# Topics

## Signing of a memorandum of understanding with state-run Petrovietnam on cooperation in fundraising (Press Release on June 21, 2010)

On June 21, Daiwa Capital Markets signed a memorandum of understanding (MOU) with state-run Petrovietnam, the largest enterprise in Vietnam, on cooperation in fundraising. By assisting the overseas listing of companies under its umbrella going forward, we will support the Petrovietnam group in meeting its fund requirements while offering cooperation for improving the corporate governance of companies in the group and for enhancing their disclosure.

### 【Petrovietnam】

100% state-owned oil and gas corporation, the largest conglomerate in Vietnam, engaging in extraction, production, and distribution of crude oil and natural gas. Detailed financial data are not disclosed, but the gross sales for the fiscal year ending in Dec. 2009 reached US\$14.3 bil., approx. 16% of Vietnam GDP and it contributed US\$4.9 bil., approx. 24% of the national budget, to the national treasury. In addition, US\$7.8 bil. of its export is approx. 14% of the whole export from Vietnam.

## Daiwa Capital Markets to acquire KBC Group's Global Convertible Bonds and Asian Equity Derivatives businesses (Press Release on July 5, 2010)

Daiwa Capital Markets is acquiring the global convertible bonds and Asian equity derivatives business lines of Belgium's KBC Group NV.

- Purchase price: Approx. \$1bil  
(Consisting of approx. \$0.2bil for staff, IT infrastructure and other assets (excluding the trading position) and approx. \$0.8 bil for the trading position.)
- Locations and staffs: 3 locations (London, New York and Hong Kong,) staffed by approx. 150 professionals

### 【Global CB business】

Operates from offices in Hong Kong, London and New York, offers a complete range of secondary market services for issuers and investors across the global universe of convertible bonds, counting some 350 clients across 25 countries. It is one of the top ranked convertible bond houses, providing competitive pricing and consistent liquidity.

### 【Asian Equity Derivative business】

Operates out of Hong Kong, provides market making services in the listed Hong Kong warrants market and generates customer flow business from the issuance of equity-linked notes and over-the-counter derivatives based on the equity of Asian companies. The unit is a consistent top 3 issuer of Hong Kong warrants and in the top 5 in terms of trading volume.



# Reference

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# Consolidated Commission by Business Sector



(Y mil)	FY2010	FY2009	%Change vs 4Q FY09	FY2009			%Change vs 1Q FY09	FY2009
	1Q	4Q		3Q	2Q	1Q		
<b>Total commission</b>	<b>56,106</b>	57,083	<b>-1.7%</b>	67,256	58,008	70,514	<b>-20.4%</b>	252,863
Equity	13,487	13,681	<b>-1.4%</b>	12,713	14,524	15,467	<b>-12.8%</b>	56,387
Brokerage commission	13,014	13,354	<b>-2.5%</b>	12,337	14,261	15,057	<b>-13.6%</b>	55,010
Others	472	327	<b>44.3%</b>	376	263	410	<b>15.1%</b>	1,377
Fixed income	186	183	<b>1.6%</b>	186	167	160	<b>16.0%</b>	698
Investment trust	30,272	27,558	<b>9.8%</b>	29,462	27,123	24,120	<b>25.5%</b>	108,266
Brokerage commission	90	72	<b>25.3%</b>	113	99	122	<b>-26.4%</b>	407
Distribution commission	8,991	7,373	<b>21.9%</b>	9,756	8,540	7,237	<b>24.2%</b>	32,907
Management fee	21,190	20,113	<b>5.4%</b>	19,593	18,484	16,760	<b>26.4%</b>	74,951
Agency commission	8,552	8,388	<b>2.0%</b>	8,481	8,197	7,604	<b>12.5%</b>	32,671
Investment banking	8,794	11,715	<b>-24.9%</b>	20,433	11,886	26,612	<b>-67.0%</b>	70,647
Underwriting commission (Equity)	2,538	4,925	<b>-48.5%</b>	12,593	3,362	20,786	<b>-87.8%</b>	41,667
Underwriting commission (Bond)	2,068	2,710	<b>-23.7%</b>	2,528	3,475	3,648	<b>-43.3%</b>	12,362
Distribution commission	164	136	<b>20.7%</b>	244	101	61	<b>168.3%</b>	543
Others	3,971	3,889	<b>2.1%</b>	5,037	4,819	2,018	<b>96.8%</b>	15,765
M&A commission	2,755	2,841	<b>-3.0%</b>	4,639	4,017	1,135	<b>142.5%</b>	12,633
Other	3,366	3,943	<b>-14.6%</b>	4,459	4,306	4,153	<b>-18.9%</b>	16,863
Life insurance sales commission	722	1,359	<b>-46.8%</b>	1,394	1,499	1,597	<b>-54.8%</b>	5,850
Investment enterprise partnership administration fee	660	592	<b>11.5%</b>	660	683	692	<b>-4.6%</b>	2,628
Custody fee	765	822	<b>-6.9%</b>	892	910	851	<b>-10.1%</b>	3,477
Others	1,217	1,169	<b>4.1%</b>	1,512	1,213	1,011	<b>20.4%</b>	4,906

# Consolidated Equity & Bond Division Revenues (Trading gain/loss)

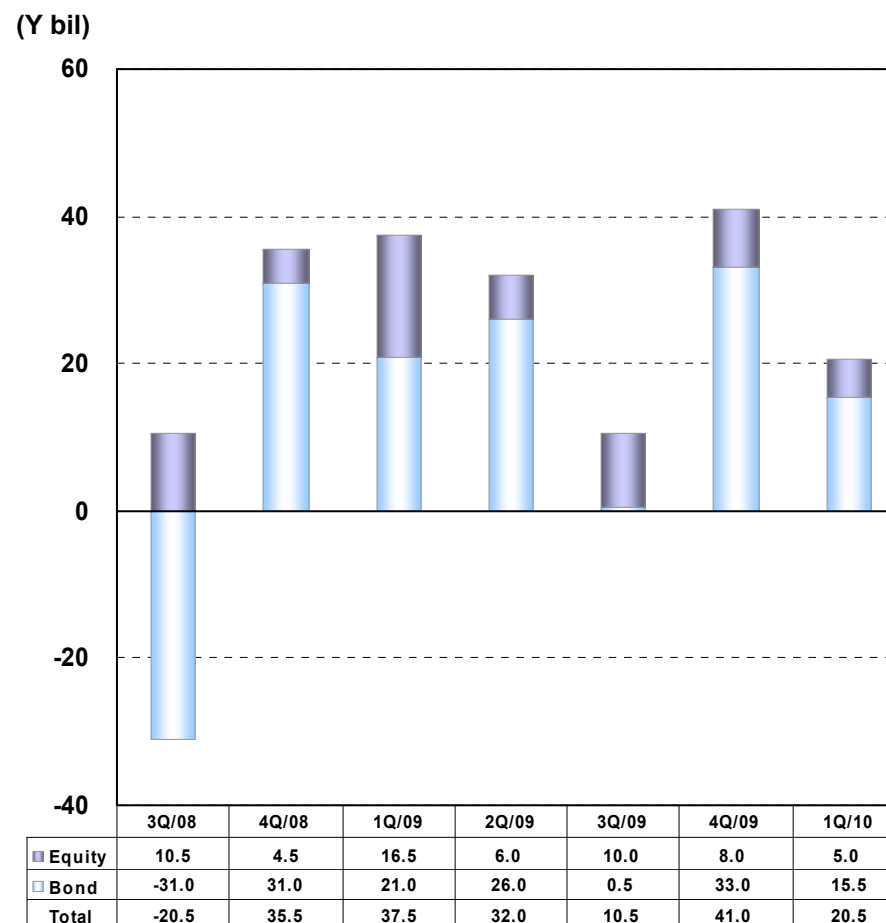


(Y bil)	FY2010 1Q	%Change vs 4Q FY09	%Change vs 1Q FY09
Equity	5.0	-37.5%	-69.7%
Bond	15.5	-53.0%	-26.2%
Total	20.5	-50.0%	-45.3%

<Reference>  
Accounting basis:  
Net Gain/Loss on Trading + Net financial income

(Y mil)	FY2010 1Q	%Change vs 4Q FY09	%Change vs 1Q FY09
Equity	-15,315	—	—
Bond and forex	26,039	-21.2%	30.0%
Net financial income	3,522	80.8%	169.4%
Total	14,247	-66.0%	-60.4%

Quarterly Trend  
(Managerial accounting basis)



# Equity Market Share

	FY2008				FY2009				FY2010
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
<b>Market data</b>									
Average daily trading value in TSE, OSE, and NSE: (Y bil)	2,465	2,202	1,825	1,395	1,671	1,469	1,388	1,451	1,598
Share of individual investors: (%)	18.1	15.2	18.3	19.8	24.0	22.5	19.1	19.8	17.5
<b>Market share in Tokyo Stock Exchange: (%)</b>									
Daiwa Securities Group (on and off floor)	6.2	6.4	8.2	8.6	7.7	7.7	8.2	7.5	7.0
Daiwa Securities (on and off floor)	0.9	0.7	0.9	0.9	1.0	1.0	0.9	1.0	0.8
Daiwa Capital Markets									
(on and off floor)	5.3	5.8	7.3	7.8	6.8	6.6	7.3	6.5	6.2
(after-hours and off floor)	11.7	9.9	13.5	14.9	15.0	10.7	12.6	12.4	11.5
<b>Share of Daiwa Securities (retail) among individual investor transactions at TSE, OSE, and NSE: (%)</b>									
Daiwa Securities / TSE, OSE, NSE	4.6	4.2	4.5	4.1	4.7	4.8	4.6	4.7	4.5
<b>Daiwa Securities equity commission rate: (bp)</b>									
Commission rate*	36	36	40	40	39	40	42	43	41

\* Adjusted rate: Denominator excludes value that generates revenues not reported as brokerage commission.

# Retail - Daiwa Securities - Online Trading



	FY2008				FY2009				FY2010
	6/08	9/08	12/08	3/09	6/09	9/09	12/09	3/10	6/10
<b>Online trading</b>									
Number of accounts (thousands)	1,885	1,941	2,016	2,048	2,089	2,133	2,158	2,183	2,203
Assets under custody (Y bil)	11,860	10,510	9,184	9,041	10,486	10,584	10,789	11,285	10,462
<b>"Daiwa Direct" Course</b>									
Number of accounts (thousands)	947	1,004	1,072	1,107	1,151	1,195	1,224	1,251	1,270
Assets under custody (Y bil)	2,585	2,348	2,185	2,143	2,547	2,559	2,581	2,763	2,549
<b>"Daiwa Direct" margin transaction service</b>									
Number of accounts (thousands)	36	36	37	37	38	38	39	39	40
Margin position (Y bil)	122	97	67	69	96	96	87	91	100
<b>Foreign exchange*</b>									
Number of accounts (thousands)	22	23	27	28	30	31	35	39	42
Trading value (Y bil)	2,141	2,325	1,912	1,705	2,350	2,372	2,524	2,574	4,712

\* Total figure is the sum of "Daiwa FX" (OTC FX margin trading) and "Daiwa 365FX" (FX margin trading on exchange)

<b>Online ratio for retail investors (Equity)</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>
Online ratio (number of contracts)	84.9%	85.7%	84.5%	85.6%	86.1%	85.5%	83.6%	83.4%	85.4%
Online ratio (trading value)	71.3%	73.4%	70.2%	73.0%	72.8%	70.2%	65.0%	66.9%	70.7%
Online ratio (commission)	41.9%	46.1%	43.2%	43.7%	42.9%	40.9%	37.0%	39.0%	43.2%
<b>Online contracts, trading value and equity commission for retail investors</b>									
Total # of online contracts (thousands)	2,004	1,654	2,210	1,676	2,327	1,928	1,462	1,588	1,763
Total online trading value (Y bil)	1,809	1,273	1,328	1,002	1,639	1,368	979	1,075	1,160
Total online equity commission (Y mil)	3,850	2,946	3,510	2,567	3,898	3,335	2,451	2,666	2,893

# Retail - Daiwa Securities - Number of Accounts and Wrap Account Service



## Number of Accounts and Newly Opened Accounts (thousands)

	FY2008				FY2009				FY2010
	6/08	9/08	12/08	3/09	6/09	9/09	12/09	3/10	6/10
Cash Management Service accounts	3,088	3,144	3,222	3,244	3,285	3,323	3,340	3,359	3,374
Accounts holding equity	1,287	1,306	1,376	1,384	1,401	1,400	1,408	1,400	1,407
Accounts holding equity investment trusts	688	687	674	670	674	681	684	686	687

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Newly opened accounts	84	72	105	51	56	50	35	36	36
"Daiwa Direct" Course	59	44	56	25	36	34	20	21	20

## Wrap Account Service

	6/08	9/08	12/08	3/09	6/09	9/09	12/09	3/10	6/10
Number of customers (thousands)	10.9	12.9	12.5	12.2	13.8	17.5	18.3	18.8	20.4
Daiwa SMA	2.4	2.3	2.1	1.9	1.8	1.8	1.8	1.7	1.7
Daiwa Fund Wrap	8.5	10.6	10.4	10.3	11.9	15.7	16.5	17.0	18.7
Contract asset under management (Y bil)	254	226	174	165	193	221	233	242	241
Daiwa SMA	190	156	120	112	124	124	128	130	124
Daiwa Fund Wrap	63	70	54	53	69	96	105	112	117

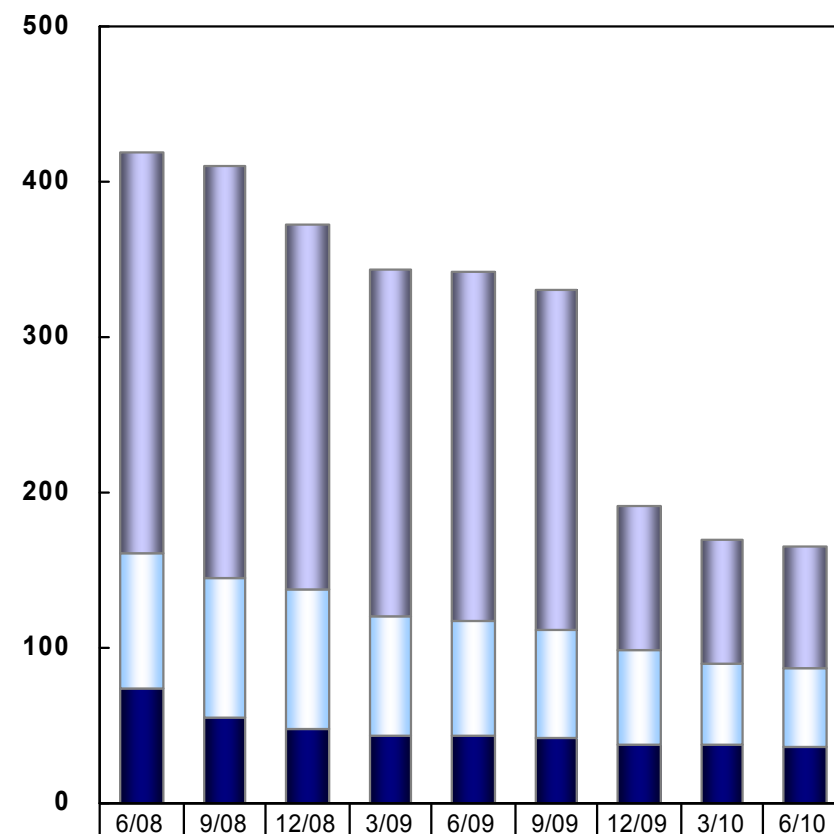
# Principal Investment Business

## Principal Investment Amount

	As of 6/10	(change vs 3/10)
Private equity and PIPEs*	Approx. Y78bil	(– Y2bil)
Monetary claims	Approx. Y51bil	(– Y2bil)
Real estate	Approx. Y36bil	(– Y1bil)
<b>Total</b>	<b>Approx. Y165bil</b>	<b>(– Y5bil)</b>

※ All figures are the sum of Daiwa Securities SMBCPI and Daiwa PI Partners.  
\* Private Investment in Public Equities

(Y bil)



■ PE & PIPEs	258	265	234	223	224	220	92	80	78
□ Monetary claims	87	90	90	77	74	69	62	53	51
■ Real estate	74	55	48	44	44	42	37	37	36
<b>Total</b>	<b>424</b>	<b>414</b>	<b>377</b>	<b>347</b>	<b>342</b>	<b>331</b>	<b>191</b>	<b>170</b>	<b>165</b>

# VaR

## Range and assumption of VaR

- Confidence level: 99% (one-side test)
- Holding period: 1 day
- Adjusted for price correlation between products

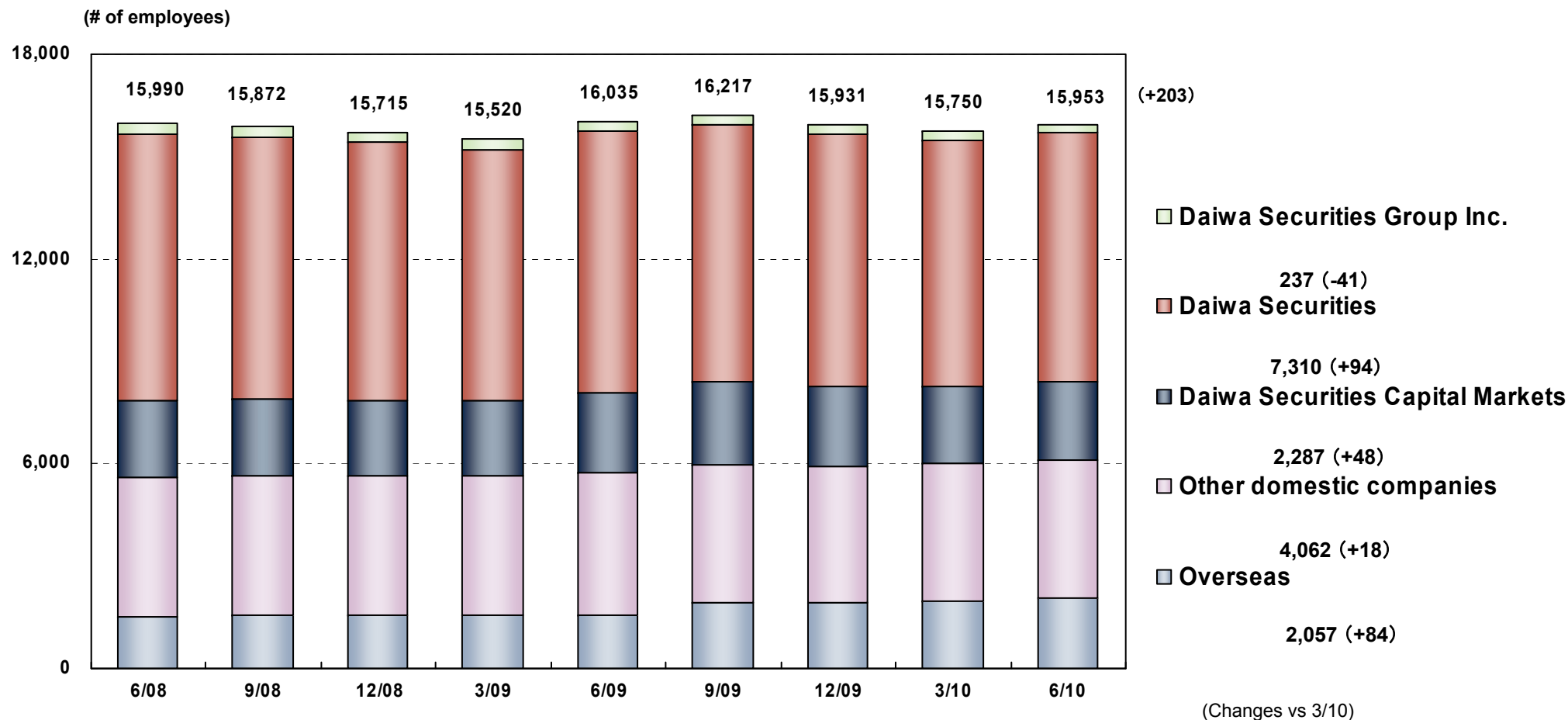
## Daiwa Securities Group (Consolidated)

(Y bil)		6/08	9/08	12/08	3/09	6/09	9/09	12/09	3/10	6/10
VaR (Month end)		3.16	2.65	1.83	3.89	1.77	2.81	2.99	4.33	6.47
Quarterly	High	4.56	2.75	9.95	7.99	4.08	3.71	5.13	7.07	12.00
	Low	2.09	1.30	1.41	1.39	1.77	1.62	2.53	2.63	4.38
	Average	2.95	2.10	3.16	3.18	2.89	2.44	3.64	5.26	7.31

(By risk factors)

Equity	1.44	0.59	0.67	0.89	0.89	0.95	0.78	0.57	0.77
Interest	3.73	2.87	1.29	2.75	1.24	0.86	2.36	4.27	4.48
Currency	1.03	1.39	0.75	2.88	1.28	2.57	1.71	1.01	4.04
Commodity	0.02	0.00	0.01	0.24	0.01	0.01	0.00	0.00	0.00

# Number of Group Employees



- Total figure is the sum of consolidated group companies and Daiwa SB Investments.
- Figures for Daiwa Securities include Financial Advisers (FA).
- Since 3/10, figures for Daiwa Securities SMBCPI and Daiwa PI Partners have been included in other domestic companies.
- Since 6/10, figures for Daiwa Net Bank Preparatory have been included in other domestic companies.



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