

20 May, 2010

European Bank for Reconstruction and Development

Daiwa Securities Group Inc.

EBRD / Daiwa team up to issue microfinance bonds

Support for MSEs seen boosting job creation, private sector growth

The European Bank for Reconstruction and Development ("EBRD") and Daiwa Securities Group are planning an issue of EBRD microfinance bonds that will support the development of micro and small enterprises (MSEs) in the EBRD's countries of operations.

The funding will be raised under the EBRD's Global Medium Term Note Program. Proceeds will support EBRD operations that fund financial institutions which provide microfinance to small businesses.

The inaugural issuance of EBRD's Microfinance Bonds will be arranged by Daiwa Securities Capital Markets Co. Ltd., the wholesale securities firm under Daiwa Securities Group, and distributed by Daiwa Securities Co. Ltd. to Japanese retail and institutional investors.

The EBRD provides private micro and small enterprises, which are not catered for by the formal financial sector, with sustainable access to financial services, via a range of financial institutions. EBRD's outstanding microfinance portfolio totaled EUR 767 million at end-2009 compared with the Bank's total portfolio of EUR 25.6 billion at the same period. The EBRD expects to commit approximately EUR 200 million in microfinance loans each year. Altogether the EBRD works with 110 different partner institutions active in the small business finance sector.

Sustainable MSEs are viewed as important for job creation, private sector growth and economic recovery as well as being an important component of a sustainable financial sector. The proceeds from the issuance of Microfinance Bonds in Japan are expected primarily to support these activities and, ultimately, are intended to help smaller businesses grow into major enterprises, with positive implications for jobs, poverty alleviation and economic growth. Japanese investors will thereby contribute indirectly to reducing poverty through investments in Microfinance Bonds.

The EBRD, owned by 61 countries and two intergovernmental institutions, is supporting the development of market economies and democracies in countries from central Europe to central Asia. www.ebrd.com

Regarding Fees and Risks

- ◇ Regarding expenses and costs including fees and commissions
 - ・ Only the price value is to be paid to purchase bond
 - ・ Trading foreign currency securities requires submission of application document for opening a foreign securities trading account and charges a maximum of ¥3,150 (including tax) of custody fee other than the purchase price
- ◇ Regarding risks in investment
 - ・ Sale price of bond may fall below the par value in case of the sale before maturity date, as the price of bond fluctuates due to the change in interest rate and other factors.
 - ・ Investment in foreign currency-denominated bond may fall below the par value of investment as the yen value of the bond fluctuates due to the change in yen value of coupon and proceed from redemption against the foreign currency.
 - ・ Investment in bond may fall below the par value of investment due to the change in the bond issuer's management and financial status and the change in the third party's evaluation on those factors
- ◇ Regarding other notices in investment
 - ・ Risks and expenses and costs including fees and commissions differ in each product, so please be sure to carefully read the document provided prior to the execution of agreement, prospectus and other documents.

Corporate name: Daiwa Securities Co. Ltd.

Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108

Memberships: Japan Securities Dealers Association

Japan Securities Investment Advisors Association

The Financial Futures Association of Japan

Notification Items Regarding Advertising etc.

(Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law)

If you decide to enter into a business arrangement with our company based on the information described in materials presented along with this cover letter, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥3,150 (including tax) per year as an account management fee when you keep certificates of foreign securities in trust.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, emission credits prices, commodity prices, and others.
- There may be losses on your transactions as a result of direct impacts of changes in the Issuer's business and financial conditions.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

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