

ADB TO ISSUE INAUGURAL WATER BOND

The Asian Development Bank (ADB) (rated Moody's: Aaa / S&P: AAA) and Daiwa Securities Group announced today ADB's planned issuance of its inaugural Water Bond to finance its work in the water sector in Asia and the Pacific.

The Water Bond is expected to have two tranches, denominated in Australian dollars and South African rand, and be issued in April. ADB will provide assistance in an amount at least equal to the net proceeds of the notes to water-related projects in Asia and the Pacific.

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

Asia urgently needs to develop better water infrastructure and better policies to manage its water. Around half a billion people in the region have no access to a safe water supply. Sanitation is poor for many in the region and most wastewater is left untreated, polluting the region's rivers and lakes. This leaves the region's poor vulnerable to disease and loss of income, and damages overall economic growth.

"We have a water crisis on our hands, but we also have choices. What we don't have is too much time. We need to quickly help our developing member countries make the right choices and design the instruments that will make the right reform program move quickly, facilitating appropriate water infrastructure investments. Asia's water agenda needs to be urgently modified and expanded," said ADB President Haruhiko Kuroda.

ADB outlined its vision for integrated water management in its "Water for All" water policy in 2001, recognizing the region's need to formulate and implement integrated, cross-sectoral approaches to water management and development. In response to international calls for increased financing for water, ADB launched the Water Financing Program to double investments in the sector between 2006 and 2010.

A successor program for 2011-2020 is currently being drafted. The Water Bond will support that program to achieve the following:

- Higher efficiencies in urban water services focusing specifically on reducing water losses, improving access and quality, and reducing the energy footprint in water;
- Improved productivity of irrigated agriculture by using less water and newer technologies and by adapting to locally appropriate irrigation practices;
- Improved water quality through better legal enforcement, widespread wastewater management (including reuse), and expanded investment in clean-up projects;
- Better adaptation to climate change, especially for flood protection, and increased investments in water capture and storage; and
- Improved water governance through national water reform and capacity.

As of the end of 2009, ADB had lent \$25.0 billion for water-related projects. The pipeline for 2010-2012 is now estimated at \$8.7 billion.

ADB's Water Bond will provide Japanese investors with an opportunity to support water programs in Asia and the Pacific through their investment in AAA quality notes. The funding volume of the notes is expected to be the largest within Daiwa's Impact Investment, an initiative

that actively pursues achievement of a social impact as well as an appropriate financial return on financial investments.

"Water is an essential element for life. However, in Asia and the Pacific, hundreds of millions of people face severe water problems every day, such as long distance walks to secure safe drinking water, or they are forced to use unpurified water. Daiwa is very pleased to be managing ADB's first Water Bond transaction. We believe it is important to provide an opportunity for Japanese investors to support solutions to these critical water problems in our region," said Shigeharu Suzuki, President and CEO of Daiwa Securities Group Inc.

"Daiwa Securities Group will continuously provide financial products which will enable investors to contribute in supporting developing countries," he added.

Daiwa Securities Group Inc., headquartered in Tokyo, Japan, is the holding company of a group of companies that provides a broad range of investment and financial services. Brokerage of equities, bonds, derivatives and other financial products, investment banking services such as underwriting and M&A advisory, asset management for retail and institutional clients, as well as venture capital and principal investments are included in these services.

A total of 16,000 employees work for the Group around the world. Customers' assets under custody totaled JPY42.2 trillion and assets under management of the Group's two asset management companies totaled JPY12.8 trillion as of the end of 2009. The Group has its operational base around the world, including Japan, the US, Europe, and Asia Oceania. Through this global network, the Group provides a broad range of services to fulfill the needs of its clients worldwide.

ADB, based in Manila, is dedicated to reducing poverty in the Asia and Pacific region through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, it is owned by 67 members – 48 from the region.

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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