

Daiwa Securities Group Inc.

Code No. 8601

Stock Exchange Listings: Tokyo, Osaka, Nagoya

(URL <http://www.daiwa-grp.jp/ir/english/>)

Scheduled date for filing of quarterly financial report: August 12, 2009

Scheduled date to payment of dividends: -



July 31, 2009

Financial summary

(For the 3-month period ended June 30, 2009)

1. Consolidated financial result (from April 1, 2009 to June 30, 2009)

(1) Consolidated operating results (year-to-date)

(Note) All figures in the financial statements are rounded down to the nearest millionth except per share data and percentage.
(Millions of yen except per share data and percentage)

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
3-month period (2009/6)	132,119	(20.1)%	107,364	15.4%	20,812	354.4%	22,827	174.3%
3-month period (2008/6)	165,376		93,026		4,580		8,321	

	Net income		Earnings / share		Fully diluted earnings / share	
3-month period (2009/6)	17,870	203.6%	13.27	Yen	13.26	Yen
3-month period (2008/6)	5,885		4.37	Yen	4.36	Yen

(2) Consolidated financial conditions

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio		Net assets / share	
As of Jun. 30, 2009	15,309,320	1,107,811	5.4	%	612.12	Yen
As of Mar. 31, 2009	14,182,579	952,329	5.1	%	534.99	Yen

(Note) Equity (defined as "Owners' equity" and "Valuation and translation adjustments"):

As of Jun. 30, 2009: 824,109 million yen

As of Mar. 31, 2009: 720,272 million yen

2. Dividends

	Dividends per share (yen)				
	First quarter	Second quarter	Third quarter	Fourth quarter	Fiscal
Fiscal 2008	-	5.00	-	3.00	8.00
Fiscal 2009 (actual)	-				
Fiscal 2009 (expected)		To be determined			

(Note) Change in expected dividends as of June 30, 2009: None

3. Forecasts of consolidated financial results for Fiscal 2009 (from April 1, 2009 to March 31, 2010)

(Note) Change in forecasts of consolidated financial results as of June 30, 2009: None

Daiwa Securities Group's (the 'Group') principal business is securities business, and the performance is influenced by the economic and market environment. Therefore, the Group doesn't disclose the forecasts of consolidated operating results, considering the difficulty to forecast the performance.

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4. Other information

(1) Changes in significant subsidiaries during the period (Changes of specified subsidiaries accompanying changes in scope of consolidation): None

(2) Adoption of the simplified accounting policies and typical accounting procedures for preparation of the quarterly consolidated financial statements: Yes

(Note) Please see [Qualitative Information and Financial Statements] "4. Other information" on page 4 for details.

(3) Change in accounting principle, procedure and presentation for preparing the quarterly consolidated financial statements (noted on changes in "Change in the basis of financial statements for the 3-month period ended June 30, 2009")

(i) Changes due to amendment to accounting standard: Yes

(ii) Changes due to other than the above: No

(Note) Please see [Qualitative Information and Financial Statements] "4. Other information" on page 4 for details.

(4) Number of outstanding shares (common stock)

(i) Number of outstanding shares including treasury stock

As of Jun. 30, 2009: 1,404,664,772	As of Mar. 31, 2009: 1,404,664,772
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(ii) Number of treasury stock

As of Jun. 30, 2009: 58,334,544	As of Mar. 31, 2009: 58,326,258
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(iii) Average number of shares (from April 1, 2008 to June 30, 2008)

As of Jun. 30, 2009: 1,346,333,563	As of Jun. 30, 2008: 1,346,351,695
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(*) The Group doesn't disclose expected dividends for the reason described in "3. Forecasts of consolidated financial results for Fiscal 2009" on page 1.

[Qualitative Information and Financial Statements]

1. Qualitative information for consolidated operating results

1. Summary of consolidated operating results for the first quarter of fiscal 2009 (comparison with the first quarter of fiscal 2008)

For the first quarter of fiscal 2009, net operating revenues increased by 15.4% to 107,364 million yen mainly because underwriting commission increased. Selling, general and administrative expenses decreased by 2.1% to 86,552 million yen. As a result, ordinary income increased by 174.3% to 22,827 million yen. Consequently, net income increased by 203.6% to 17,870 million yen.

(1) Commissions

(i) Brokerage commission

Brokerage commission decreased by 11.0% to 15,255 million yen mainly because daily average trading value on the Tokyo Stock Exchange decreased by 31.8% to 1,721.2 billion yen.

(ii) Underwriting commission

Underwriting commission derived from equity substantially increased to 20,786 million yen mainly because the Group actively acted as co-lead manager for public offering of large amount. As a result, underwriting commission increased by 438.0% to 24,532 million yen.

(iii) Distribution commission

Total distribution commission decreased by 4.8% to 7,298 million yen because distribution commission in investment banking decreased by 85.4% to 61 million yen

(iv) Other commission

Commissions in investment trust decreased by 29.0% to 16,760 million yen due to a decrease in trust fee in line with dwindling outstanding balance of equity investment trust. As a result, total other commission decreased by 27.7% to 23,427 million yen.

(2) Net gains on trading

Net gains on trading in bond, forex and other jumped to 20,026 million yen though net gains on trading in equity decreased by 30.2% to 14,685 million yen. As a result, total net gains on trading increased 63.0% to 34,712 million yen.

(3) Net loss on private equity and other securities

Net loss on private was 1,567 million yen mainly because the Group provided for allowance for possible investment losses.

(4) Financial income

Interest and dividend income decreased by 75.9% to 16,815 million yen and interest expenses decreased 75.1% to 15,508 million yen due to decline in the level of interest rates. As a result, net financial income decreased by 82.3% to 1,307 million yen.

(5) Selling, general and administrative expenses

Selling, general and administrative expenses decreased by 2.1% to 86,552 million yen mainly because of a decrease in commission paid due to dwindling trade and reduction in advertising expenses and office expenses.

2. Operating results of overseas subsidiaries for the first quarter of fiscal 2009 (from April 1, 2009 to June 30, 2009)

Ordinary income by geographic area				(Millions of yen)
America	Europe	Asia & Oceania	Total	
2,430	2,874	576	5,881	

2. Qualitative information concerning consolidated financial conditions (comparison with March 31, 2009)

Total assets increased by 1,126,741 million yen to 15,309,320 million yen mainly because trading assets increased by 469,495 million yen and collateralized short-term financing agreements increased by 495,399 million yen. Total liabilities increased by 971,259 million yen to 14,201,509 million yen because trading receivable, net 488,291 million yen which was reported as assets at the end of last fiscal year was reported as liabilities, deposits received increased by 107,116 million yen and collateralized short-term financing agreements increased by 101,933 million yen.

Total net assets increased by 155,481 million yen to 1,107,811 million yen mainly because net unrealized gain on securities, net of tax effect increased by 85,622 million yen.

3. Qualitative information for forecasts of consolidated financial results

For the reasons mentioned in "3. Forecasts of consolidated financial results for Fiscal 2009" on page 1, the Group doesn't disclose the forecasts of consolidated operating results, considering the difficulty to forecast the performance.

4. Other information

(1) Adoption of the simplified accounting policies and typical accounting procedures for preparation of the quarterly consolidated financial statements

Daiwa Securities Group Inc. (the 'Company') has adopted the simplified accounting policies for the 3-month period ended June 30, 2009. The effect on the consolidated financial statements was immaterial.

(2) Change in accounting principle, procedure and presentation for preparing the quarterly consolidated financial statements

(i) The Company has applied 'Guidance on determining a subsidiary and an affiliate' (ASBJ Guidance No.22, May 13, 2008) from this fiscal year. This change has no effect on the consolidated financial statement of income.

(ii) As for the accounting standard for income from the made-to-order software by some consolidated subsidiaries, the Company has adopted 'Accounting Standard for Construction Contracts' (ASBJ Statement No.15, December 27, 2007) and the 'Guidance on Accounting Standard for Construction Contracts' (ASBJ Guidance No.18, December 27, 2007) from this fiscal year. From the contract launching during this first quarter, the percentage-of-completion method has been applied in case the outcome of the construction activity for the fiscal 3-month period ended June 30, 2009 is deemed certain during the course of the activity, otherwise the completed-contract method has been applied. This change has no effect on the consolidated financial statement of income.

(3) Other

(i) "Net unrealized gain on securities, net of tax effect" includes the gain for the Class Shares of 118,250 million yen which was measured at fair value based on "Practical Solution on Accounting for the Book Value of Class Shares at the Balance Sheet Date" (ASBJ Practical Issues Task Force No.10).

Especially, "net unrealized gain on securities, net of tax effect" from the investment in Series 1 Class A and Class B preferred shares of SANYO Electric Co., Ltd. accounts for 114,261 million yen.

(ii) Significant subsequent event

The Company completed its paid-up capital with its issuance of new shares and public offering related to treasury stock approved at the Executive Committee of the Company, as set forth below.

a) New share issuance by public offering

Method for offering	Public offering
Type and number of new shares to be offered	Common stock 302,635,000 shares
Issue price	516 yen per share
Total issue price	156,159 million yen
Amount to be paid	494.72 yen per share
Total amount to be paid	149,719 million yen
Additional paid-in capital to be increased	58,652 million yen
Payment date	July 15, 2009
Use of proceeds	The Company plans to use the proceeds from the public offering to invest funds (including investment by the subsidiaries), to capitalize and loan the subsidiaries of the Company, to repay the borrowings for the expansion plan of retail business and global business which has focused on Asia and emerging countries.

b) Disposition of the treasury stock

Method for disposition	Public offering as a sale of shares by underwriters
Number of shares to be sold	57,865,000 shares
Offer price	516 yen per share
Total offer price	29,858 million yen
Amount to be paid	494.72 per share
Total amount to be paid	28,626 million yen
Payment date	July 15, 2009

- c) New share issuance by way of third-party allotment in connection with the offering by way of Over-Allotment
Number of shares to be issued and total amount to be paid have not determined because the application date and payment date have not come.

5. Financial statements**(1) Consolidated balance sheets**

(Millions of yen)	Fiscal 2009 As of Jun. 30, 2009	Fiscal 2008 As of Mar. 31, 2009
<i>Assets</i>		
Current assets:		
Cash and deposits	417,633	409,709
Cash segregated as deposits for regulatory purposes	307,816	214,455
Notes receivable and trade accounts receivable	9,700	11,146
Securities	50,579	48,920
Trading assets:	6,673,237	6,203,742
Trading securities and others	4,316,147	3,564,001
Derivative assets	2,357,090	2,639,740
Trading receivables, net	-	143,309
Private equity and other securities	746,165	547,006
Less: Allowance for possible investment losses	26,893	31,237
Loans receivable from customers	70,891	69,592
Work in process	1,586	897
Receivables related to margin transactions:	259,351	248,059
Customer margin loans	117,632	79,094
Cash deposits as collateral for securities borrowed	141,719	168,964
Collateralized short-term financing agreements:	5,908,925	5,413,525
Cash deposits as collateral for securities borrowed	5,908,925	5,413,525
Receivables	7,242	21,662
Short-term loans receivable	1,487	1,869
Accrued income	30,509	27,033
Deferred tax assets	4,517	3,784
Other current assets	331,977	343,758
Less: Allowance for doubtful accounts	215	232
Total current assets	14,794,515	13,677,003
Non-current assets:		
Tangible fixed assets	149,885	150,201
Intangible fixed assets	110,221	110,828
Other	110,221	110,828
Investments and others:	254,698	244,545
Investment securities	183,113	167,883
Long-term loans receivable	17,962	18,432
Long-term guarantee deposits	25,788	26,091
Deferred tax assets	13,245	16,328
Other	22,342	22,904
Less: Allowance for doubtful accounts	7,755	7,094
Total non-current assets	514,805	505,576
Total assets	15,309,320	14,182,579

(Millions of yen)	Fiscal 2009 As of Jun. 30, 2009	Fiscal 2008 As of Mar. 31, 2009
Liabilities		
Current liabilities:		
Notes payable and trade accounts payable	3,452	4,182
Trading liabilities:	4,857,827	4,809,092
Trading securities and others	3,013,381	2,644,720
Derivative liabilities	1,844,445	2,164,372
Trading payables, net	488,291	-
Payables related to margin transactions:	134,050	133,872
Payables to securities finance companies	6,663	3,852
Proceeds of securities sold for customers' accounts	127,386	130,020
Collateralized short-term financing agreements:	4,995,195	4,893,261
Cash deposits as collateral for securities loaned	4,230,042	4,228,519
Payables related to gensaki transactions	765,152	664,742
Deposits received	245,786	138,669
Cash deposits received as guarantee	284,926	339,891
Short-term borrowings	978,689	936,149
Commercial paper	420,180	320,400
Bonds and notes due within one year	15,541	11,632
Income taxes payable	3,073	1,822
Deferred tax liabilities	102,377	17,693
Accrued bonuses	10,316	12,527
Other current liabilities	147,834	78,555
Total current liabilities	12,687,542	11,697,751
Non-current liabilities:		
Bonds and notes	1,243,260	1,260,526
Long-term debts	235,521	237,867
Deferred tax liabilities	1,884	927
Retirement benefits	26,099	25,474
Provision for litigation losses	281	365
Other non-current liabilities	2,502	2,920
Total non-current liabilities	1,509,549	1,528,081
Statutory reserves:		
Financial instrumentals business liability reserves	4,416	4,416
Total statutory reserves	4,416	4,416
Total liabilities	14,201,509	13,230,249
Net assets		
Owners' equity:		
Common stock	178,324	178,324
Capital surplus	157,678	157,678
Retained earnings	435,646	421,819
Treasury stock	(61,526)	(61,525)
Total owners' equity	710,122	696,296
Valuation and translation adjustments:		
Net unrealized gain on securities, net of tax effect	137,374	51,751
Deferred gain on hedges	640	498
Translation adjustments	(24,027)	(28,274)
Total valuation and translation adjustments	113,986	23,975
Stock subscription rights	2,374	2,369
Minority interests	281,326	229,688
Total net assets	1,107,811	952,329
Total liabilities and net assets	15,309,320	14,182,579

(2) Consolidated statement of income

(Millions of yen)	3-month period Apr. 1, 2008 - Jun. 30, 2008	3-month period Apr. 1, 2009 - Jun. 30, 2009
Operating revenues:		
Commissions	61,792	70,514
Net gain on trading	21,300	34,712
Net gain on trading in equity	21,033	14,685
Net gain on trading in bond, forex and other	266	20,026
Net loss on private equity and other securities	1,007	1,567
Interest and dividend income	69,748	16,815
Other sales revenues	13,541	11,644
Total operating revenues	165,376	132,119
Interest expenses	62,343	15,508
Cost of sales	10,006	9,247
Net operating revenues	93,026	107,364
Selling, general and administrative expenses:		
Commission and other expenses	18,013	14,346
Employees' compensation and benefits	37,120	39,938
Occupancy and rental	11,082	10,555
Data processing and office supplies	7,836	6,350
Depreciation	8,252	9,506
Taxes other than income taxes	1,816	2,113
Provision for doubtful account	1,157	280
Other	3,167	3,460
Total selling, general and administrative expenses	88,446	86,552
Operating income	4,580	20,812
Non-operating income:		
Interest income	63	74
Dividend income	2,475	1,211
Equity in earnings of affiliates	188	-
Other	1,416	1,528
Total non-operating income	4,143	2,814
Non-operating expenses:		
Interest expenses	36	48
Loss on valuation of derivative	136	-
Equity in loss of affiliates	-	526
Other	228	223
Total non-operating expenses	402	798
Ordinary income	8,321	22,827
Extraordinary gains:		
Gain on sale of investment securities	-	233
Reversal of financial instruments business liability reserve	402	-
Reversal of stock subscription rights	-	110
Other	59	29
Total extraordinary gains	462	373
Extraordinary losses:		
Loss on sales or disposal of fixed assets	162	233
Loss on sale of investment securities	-	624
Write-down of related company's stock	155	-
Allowance for doubtful accounts	2,270	-
Other	441	194
Total extraordinary losses	3,029	1,053
Income before income taxes and minority interests	5,754	22,148
Income taxes-current	4,830	3,181
Income taxes-deferred	(1,011)	(1,477)
Total income taxes	3,819	1,703
Minority interests	(3,950)	2,574
Net income	5,885	17,870

The consolidated financial statements of the Company for the 3-month period ended June 30, 2009 are prepared in accordance with the `Cabinet Order on financial instruments business' (Cabinet Office Ordinance No. 52, 2007), and the `Uniform Accounting Standards of Securities Companies' (Self-Regulation of the Japan Securities Dealers' Association, November 14, 1974), based on the `Regulations of Quarterly Consolidated Financial Statements' (Cabinet Office Ordinance No. 64, 2007) and its Article 61 and 82.

(3) Notes concerning the going concern assumption: None

(4) Notes concerning substantial amounts of fluctuation in owners' equity: None

6. Other information**(1) Breakdown of commissions**

First quarter of fiscal 2008 (A)

(Millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	Total
Brokerage commission	16,907	135	106	-	-	17,149
Underwriting commission	-	-	-	4,559	-	4,559
Stock and other	-	-	-	1,297	-	1,297
Bond and other	-	-	-	3,259	-	3,259
Distribution commission	-	-	7,247	418	-	7,666
Other commission	414	262	23,602	2,520	5,616	32,417
Total	17,321	398	30,956	7,499	5,616	61,792

First quarter of fiscal 2009 (B)

(Millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	Total
Brokerage commission	15,057	75	122	-	-	15,255
Underwriting commission	-	-	-	24,532	-	24,532
Stock and other	-	-	-	20,786	-	20,786
Bond and other	-	-	-	3,648	-	3,648
Distribution commission	-	-	7,237	61	-	7,298
Other commission	410	85	16,760	2,018	4,153	23,427
Total	15,467	160	24,120	26,612	4,153	70,514

Yr/Yr percentage change ((B)/(A) - 1)

(Percentage)

	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	Total
Brokerage commission	(10.9)	(44.4)	15.4	-	-	(11.0)
Underwriting commission	-	-	-	438.0	-	438.0
Stock and other	-	-	-	-	-	-
Bond and other	-	-	-	11.9	-	11.9
Distribution commission	-	-	(0.1)	(85.4)	-	(4.8)
Other commission	(0.9)	(67.6)	(29.0)	(19.9)	(26.1)	(27.7)
Total	(10.7)	(59.7)	(22.1)	254.9	(26.1)	14.1

(2) Quarterly consolidated statements of income

(Millions of yen)	Fiscal 2008				Fiscal 2009
	1st quarter Apr. 1, 2008- Jun. 30, 2008	2nd quarter Jul. 1, 2008- Sep. 30, 2008	3rd quarter Oct. 1, 2008- Dec. 31, 2008	4th quarter Jan. 1, 2009- Mar. 31, 2009	1st quarter Apr. 1, 2009- Jun. 30, 2009
Operating revenue:					
Commissions	61,792	54,045	49,383	43,658	70,514
Brokerage commission	17,149	13,299	14,320	10,959	15,255
Stock and other	16,907	13,114	14,022	10,765	15,057
Bond and other	135	103	84	40	75
Underwriting commission	4,559	3,181	7,636	5,587	24,532
Stock and other	1,297	972	5,648	2,204	20,786
Bond and other	3,259	2,150	1,865	3,267	3,648
Distribution commission	7,666	5,361	2,269	3,394	7,298
Investment trust	7,247	5,195	2,189	3,335	7,237
Other commission	32,417	32,202	25,157	23,718	23,427
Net gain (loss) on trading	21,300	10,864	(22,849)	31,606	34,712
Net gain (loss) on trading in stock and other	21,033	(8,590)	(48,076)	9,895	14,685
Net gain on trading in bond, forex and other	266	19,454	25,226	21,710	20,026
Net loss on private equity and other securities	1,007	15,206	37,478	25,785	1,567
Interest and dividend income	69,748	69,129	37,525	16,259	16,815
Other sales	13,541	12,726	11,983	12,696	11,644
Total operating revenues	165,376	131,559	38,564	78,436	132,119
Interest expenses	62,343	64,161	34,774	14,754	15,508
Cost of sales	10,006	9,301	9,372	9,677	9,247
Net operating revenues	93,026	58,096	(5,582)	54,003	107,364
Selling, general and administrative expenses:					
Commission and other expenses	18,013	17,842	15,380	14,782	14,346
Employees' compensation and benefits	37,120	35,605	35,331	33,542	39,938
Occupancy and rental	11,082	11,505	10,566	10,549	10,555
Data processing and office supplies	7,836	7,686	7,460	7,174	6,350
Depreciation	8,252	8,384	8,767	10,186	9,506
Taxes other than income taxes	1,816	1,505	1,657	1,575	2,113
Provision for doubtful account	1,157	3,313	702	384	280
Other	3,167	3,449	3,741	3,728	3,460
Total selling, general and administrative expenses	88,446	89,293	83,606	81,923	86,552
Operating income (loss)	4,580	(31,196)	(89,189)	(27,919)	20,812
Non-operating income	4,143	907	1,256	1,654	2,814
Non-operating expenses	402	1,235	2,089	1,658	798
Ordinary income (loss)	8,321	(31,525)	(90,022)	(27,923)	22,827
Extraordinary gains	462	1,829	644	3,485	373
Extraordinary losses	3,029	5,585	9,535	10,913	1,053
Income (loss) before income taxes and minority	5,754	(35,282)	(98,913)	(35,351)	22,148
Income taxes-current	4,830	5,623	(3,133)	(2,938)	3,181
Income taxes-deferred	(1,011)	(6,410)	(9,877)	(5,256)	(1,477)
Total income taxes	3,819	(787)	(13,010)	(8,194)	1,703
Minority interests	(3,950)	(13,972)	(32,863)	(9,794)	2,574
Net income (loss)	5,885	(20,522)	(53,039)	(17,363)	17,870
Net financial income included in net operating revenues	7,405	4,967	2,751	1,504	1,307