

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: November 12, 2009

Scheduled date to payment of dividends: December 1, 2009



October 30, 2009

Financial summary

(For the 6-month period ended September 30, 2009)

1. Consolidated financial result (from April 1, 2009 to September 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	
6-month period (2009/9)	237,750	(19.9)%	194,502	28.7%	22,380	-	24,865	-
6-month period (2008/9)	296,935	-	151,123	-	(26,616)	-	(23,203)	-

	Net income		Earnings / share		Fully diluted earnings / share	
6-month period (2009/9)	19,861	-	12.89	Yen	12.88	Yen
6-month period (2008/9)	(14,637)	-	(10.87)	Yen	-	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 Sep. 30, 2009	16,129,373	1,249,909	6.1	%	565.26	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 Sep. 30, 2009: 988,324 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)	-	5.00			
Fiscal 2009 (expected)			To be determined		

(Note) Change in expected dividends as of September 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 September 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 6-month period ended September 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 Sep. 30, 2009:	1,749,307,772	As of Mar. 31, 2009:	1,404,664,772
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(ii) Number of treasury stock

As of Sep. 30, 2009:	869,310	As of Mar. 31, 2009:	58,326,258
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(iii) Average number of shares (from April 1, 2008 to September 30, 2008)

As of Sep. 30, 2009:	1,540,518,182	As of Sep. 30, 2008:	1,346,353,624
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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 6-month period of fiscal 2009 (comparison with the 6-month period of fiscal 2008)

For the 6-month period of fiscal 2009 (from April 1, 2009 to September 30, 2009), net operating revenues increased by 28.7% to 194,502 million yen mainly because underwriting commission increased. Selling, general and administrative expenses decreased by 3.2% to 172,121 million yen. As a result, ordinary income was 24,865 million yen and net income was 19,861 million yen, returning to profitability from deficit in the 6-month period of fiscal 2008.

(1) Commissions

(i) Brokerage commission

Brokerage commission decreased by 2.5% to 29,686 million yen, mainly because daily average trading value on the Tokyo Stock Exchange decreased by 31.7% to 1,619.7 billion yen.

(ii) Underwriting commission

Underwriting commission derived from equity substantially increased by 963.6% to 24,148 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 306.9% to 31,497 million yen.

(iii) Distribution commission

Distribution commission increased by 22.3% to 15,940 million yen, because distribution commission in investment trust increased by 26.8% to 15,777 million yen

(iv) Other commission

Other commission decreased by 20.5% to 51,398 million yen, because commissions in investment trust decreased by 24.4% to 35,244 million yen due to decrease in trust fee in line with the decline in outstanding balance of equity investment trust.

(2) Net gain on trading

Net gain on trading in stock and other increased by 35.6% to 16,870 million yen and net gains on trading in bond, forex and other jumped by 135.2% to 46,378 million yen. As a result, total net gain on trading increased by 96.6% to 63,248 million yen.

(3) Net loss on private equity and other securities

Net loss on private equity and other securities was 6,030 million yen, mainly because the Group provided allowance for possible investment losses.

(4) Financial income

Interest and dividend income decreased by 78.0% to 30,608 million yen and interest expenses decreased by 78.8% to 26,849 million yen due to decline in the level of interest rates. As a result, net financial income decreased by 69.6% to 3,759 million yen.

(5) Selling, general and administrative expenses

Selling, general and administrative expenses decreased by 3.2% to 172,121 million yen, mainly because of a decrease in commission paid due to the decline in trade and reduction in advertising expenses and office expenses.

2. Operating results of overseas subsidiaries for the 6-month period of fiscal 2009 (from April 1, 2009 to September 30, 2009)

Ordinary income by geographic area			(Millions of yen)	
America	Europe	Asia & Oceania	Total	
2,681	3,895	776	7,352	

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

Total assets increased by 1,946,794 million yen to 16,129,373 million yen, mainly because trading assets increased by 1,281,564 million yen and collateralized short-term financing agreements increased by 538,283 million yen. Total liabilities increased by 1,649,214 million yen to 14,879,464 million yen, because short term borrowings increased by 593,056 million yen, collateralized short-term financing agreements increased by 510,323 million yen and trading receivable, net of 418,158 million yen which was reported as assets at the end of last fiscal year was reported as liabilities.

Total net assets increased by 297,579 million yen to 1,249,909 million yen, mainly because common stock increased by 69,044 million yen and capital surplus increased by 72,898 million yen. Treasury stock as deduction of net assets decreased by 60,839 million yen due to the issuance of new shares and disposal of treasury stock at the same time. In addition, net unrealized gain on securities, net of tax effect increased by 54,156 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.

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 6-month period ended September 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 fiscal year, the percentage-of-completion method has been applied in case the outcome of the construction activity for the fiscal 6-month period ended September 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 78,777 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 78,232 million yen.

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

(Millions of yen)	Fiscal 2009 As of Sep. 30, 2009	Fiscal 2008 As of Mar. 31, 2009
<i>Assets</i>		
Current assets:		
Cash and deposits	605,897	409,709
Cash segregated as deposits for regulatory purposes	241,595	214,455
Notes receivable and trade accounts receivable	9,782	11,146
Securities	89,747	48,920
Trading assets:	7,485,306	6,203,742
Trading securities and others	5,137,797	3,564,001
Derivative assets	2,347,508	2,639,740
Trading receivables, net	-	143,309
Private equity and other securities	655,003	547,006
Less: Allowance for possible investment losses	27,283	31,237
Loans receivable from customers	67,671	69,592
Work in process	1,726	897
Receivables related to margin transactions:	262,972	248,059
Customer margin loans	125,084	79,094
Cash deposits as collateral for securities borrowed	137,888	168,964
Collateralized short-term financing agreements:	5,951,809	5,413,525
Cash deposits as collateral for securities borrowed	5,951,809	5,413,525
Receivables	18,536	21,662
Short-term loans receivable	1,588	1,869
Accrued income	27,840	27,033
Deferred tax assets	7,095	3,784
Other current assets	198,120	343,758
Less: Allowance for doubtful accounts	358	232
Total current assets	15,597,052	13,677,003
Non-current assets:		
Tangible fixed assets	146,775	150,201
Intangible fixed assets	122,350	110,828
Goodwill	11,662	-
Other	110,687	110,828
Investments and others:	263,195	244,545
Investment securities	190,813	167,883
Long-term loans receivable	17,644	18,432
Long-term guarantee deposits	25,221	26,091
Deferred tax assets	15,361	16,328
Other	17,659	22,904
Less: Allowance for doubtful accounts	3,505	7,094
Total non-current assets	532,320	505,576
Total assets	16,129,373	14,182,579

(Millions of yen)	Fiscal 2009 As of Sep. 30, 2009	Fiscal 2008 As of Mar. 31, 2009
Liabilities		
Current liabilities:		
Notes payable and trade accounts payable	5,009	4,182
Trading liabilities:	4,862,645	4,809,092
Trading securities and others	3,031,001	2,644,720
Derivative liabilities	1,831,643	2,164,372
Trading payables, net	418,158	-
Payables related to margin transactions:	139,947	133,872
Payables to securities finance companies	6,982	3,852
Proceeds of securities sold for customers' accounts	132,964	130,020
Collateralized short-term financing agreements:	5,403,584	4,893,261
Cash deposits as collateral for securities loaned	4,211,859	4,228,519
Payables related to gensaki transactions	1,191,725	664,742
Deposits received	154,754	138,669
Cash deposits received as guarantee	283,326	339,891
Short-term borrowings	1,529,205	936,149
Commercial paper	337,800	320,400
Bonds and notes due within one year	27,375	11,632
Income taxes payable	7,342	1,822
Deferred tax liabilities	65,854	17,693
Accrued bonuses	17,042	12,527
Other current liabilities	69,008	78,555
Total current liabilities	13,321,055	11,697,751
Non-current liabilities:		
Bonds and notes	1,267,442	1,260,526
Long-term debts	255,510	237,867
Deferred tax liabilities	1,676	927
Retirement benefits	26,419	25,474
Provision for litigation losses	266	365
Other non-current liabilities	2,676	2,920
Total non-current liabilities	1,553,991	1,528,081
Statutory reserves:		
Financial instrumentals business liability reserves	4,416	4,416
Total statutory reserves	4,416	4,416
Total liabilities	14,879,464	13,230,249
Net assets		
Owners' equity:		
Common stock	247,368	178,324
Capital surplus	230,577	157,678
Retained earnings	437,692	421,819
Treasury stock	(686)	(61,525)
Total owners' equity	914,952	696,296
Valuation and translation adjustments:		
Net unrealized gain on securities, net of tax effect	105,908	51,751
Deferred gain on hedges	589	498
Translation adjustments	(33,125)	(28,274)
Total valuation and translation adjustments	73,372	23,975
Stock subscription rights	2,908	2,369
Minority interests	258,676	229,688
Total net assets	1,249,909	952,329
Total liabilities and net assets	16,129,373	14,182,579

(2) Consolidated statement of income

(Millions of yen)	6-month period Apr. 1, 2008 - Sep. 30, 2008	6-month period Apr. 1, 2009 - Sep. 30, 2009
Operating revenues:		
Commissions	115,837	128,523
Net gain on trading	32,164	63,248
Net gain on trading in stock and other	12,443	16,870
Net gain on trading in bond, forex and other	19,721	46,378
Net loss on private equity and other securities	16,213	6,030
Interest and dividend income	138,878	30,608
Other sales revenues	26,268	21,401
Total operating revenues	296,935	237,750
Interest expenses	126,505	26,849
Cost of sales	19,307	16,399
Net operating revenues	151,123	194,502
Selling, general and administrative expenses:		
Commission and other expenses	35,855	30,289
Employees' compensation and benefits	72,726	77,213
Occupancy and rental	22,588	21,500
Data processing and office supplies	15,522	13,094
Depreciation	16,636	19,051
Taxes other than income taxes	3,321	3,876
Provision for doubtful account	4,471	474
Other	6,616	6,620
Total selling, general and administrative expenses	177,739	172,121
Operating income	(26,616)	22,380
Non-operating income:		
Interest income	121	136
Dividend income	2,691	1,298
Equity in earnings of affiliates	251	-
Other	1,987	2,714
Total non-operating income	5,050	4,149
Non-operating expenses:		
Interest expenses	266	96
Share distribution expenses	-	868
Foreign exchange loss	341	-
Equity in losses of affiliates	-	364
Other	1,029	335
Total non-operating expenses	1,638	1,664
Ordinary income	(23,203)	24,865
Extraordinary gains:		
Gain on sale of investment securities	1,681	448
Reversal of financial instruments business liability reserve	402	-
Other	208	189
Total extraordinary gains	2,291	637
Extraordinary losses:		
Loss on sales or disposal of fixed assets	798	518
Loss on disposal of loans receivable	2,175	-
Loss on impairment of fixed assets	-	1,348
Write-down of investment securities	4,991	977
Write-down of related company's stock	216	-
Other	433	730
Total extraordinary losses	8,615	3,574
Income before income taxes and minority interests	(29,527)	21,928
Income taxes-current	10,454	10,620
Income taxes-deferred	(7,422)	(7,049)
Total income taxes	3,032	3,570
Minority interests	(17,923)	(1,503)
Net income	(14,637)	19,861

The consolidated financial statements of the Company for the 6-month period ended September 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:

The Company issued new shares by public offering as of July 15, 2009 as the payment date, and as a result, the number of outstanding shares increased by 302,635 thousand shares, common stock increased by 58,652 million yen and additional paid-in capital increased by 58,652 million yen. At the same time, treasury stock as deduction of net assets decreased by 61,040 million yen, because of the disposal of treasury stock due to public offering as a sale of shares by underwriters.

In addition, outstanding share of common stock increased by 42,000 thousand shares, common stock increased by 10,389 million yen and additional paid-in capital increased by 10,389 million yen, because of new share issuance and third-party allotment to SMBC Friend Securities Co., Ltd. as of August 11, 2009 as the payment date.

As a result, common stock amounted to 247,368 million yen, additional paid-in capital amounted to 226,723 million yen and treasury stock deduction amounted to 686 million yen as of September 30, 2009.

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

6-month period of fiscal 2008 (from April 1, 2008 to September 30, 2008) (A)

(Millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	Total
Brokerage commission	30,021	239	188	-	-	30,448
Underwriting commission	-	-	-	7,741	-	7,741
Stock and other	-	-	-	2,270	-	2,270
Bond and other	-	-	-	5,410	-	5,410
Distribution commission	-	-	12,443	585	-	13,028
Other commission	724	500	46,640	5,628	11,125	64,619
Total	30,746	739	59,271	13,955	11,125	115,837

6-month period of fiscal 2009 (from April 1, 2009 to September 30, 2009) (B)

(Millions of yen)

	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	Total
Brokerage commission	29,318	146	221	-	-	29,686
Underwriting commission	-	-	-	31,497	-	31,497
Stock and other	-	-	-	24,148	-	24,148
Bond and other	-	-	-	7,124	-	7,124
Distribution commission	-	-	15,777	162	-	15,940
Other commission	674	181	35,244	6,838	8,460	51,398
Total	29,992	328	51,244	38,498	8,460	128,523

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

(Percentage)

	Equity	Fixed income (Bond)	Investment trust	Investment banking	Other	Total
Brokerage commission	(2.3)	(38.6)	17.9	-	-	(2.5)
Underwriting commission	-	-	-	306.9	-	306.9
Stock and other	-	-	-	963.6	-	963.6
Bond and other	-	-	-	31.7	-	31.7
Distribution commission	-	-	26.8	(72.3)	-	22.3
Other commission	(7.0)	(63.7)	(24.4)	21.5	(24.0)	(20.5)
Total	(2.5)	(55.6)	(13.5)	175.9	(24.0)	11.0

(2) Quarterly consolidated statements of income

(Millions of yen)	Fiscal 2008			Fiscal 2009	
	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	2nd quarter Jul. 1, 2009- Sep. 30, 2009
Operating revenue:					
Commissions	54,045	49,383	43,658	70,514	58,008
Brokerage commission	13,299	14,320	10,959	15,255	14,431
Stock and other	13,114	14,022	10,765	15,057	14,261
Bond and other	103	84	40	75	71
Underwriting commission	3,181	7,636	5,587	24,532	6,965
Stock and other	972	5,648	2,204	20,786	3,362
Bond and other	2,150	1,865	3,267	3,648	3,475
Distribution commission	5,361	2,269	3,394	7,298	8,641
Investment trust	5,195	2,189	3,335	7,237	8,540
Other commission	32,202	25,157	23,718	23,427	27,971
Net gain (loss) on trading	10,864	(22,849)	31,606	34,712	28,536
Net gain (loss) on trading in stock and other	(8,590)	(48,076)	9,895	14,685	2,184
Net gain on trading in bond, forex and other	19,454	25,226	21,710	20,026	26,351
Net loss on private equity and other securities	15,206	37,478	25,785	1,567	4,463
Interest and dividend income	69,129	37,525	16,259	16,815	13,792
Other sales	12,726	11,983	12,696	11,644	9,756
Total operating revenues	131,559	38,564	78,436	132,119	105,631
Interest expenses	64,161	34,774	14,754	15,508	11,340
Cost of sales	9,301	9,372	9,677	9,247	7,152
Net operating revenues	58,096	(5,582)	54,003	107,364	87,137
Selling, general and administrative expenses:					
Commission and other expenses	17,842	15,380	14,782	14,346	15,943
Employees' compensation and benefits	35,605	35,331	33,542	39,938	37,274
Occupancy and rental	11,505	10,566	10,549	10,555	10,945
Data processing and office supplies	7,686	7,460	7,174	6,350	6,744
Depreciation	8,384	8,767	10,186	9,506	9,545
Taxes other than income taxes	1,505	1,657	1,575	2,113	1,762
Provision for doubtful account	3,313	702	384	280	194
Other	3,449	3,741	3,728	3,460	3,159
Total selling, general and administrative expenses	89,293	83,606	81,923	86,552	85,569
Operating income (loss)	(31,196)	(89,189)	(27,919)	20,812	1,567
Non-operating income	907	1,256	1,654	2,814	1,335
Non-operating expenses	1,235	2,089	1,658	798	866
Ordinary income (loss)	(31,525)	(90,022)	(27,923)	22,827	2,037
Extraordinary gains	1,829	644	3,485	373	264
Extraordinary losses	5,585	9,535	10,913	1,053	2,520
Income (loss) before income taxes and minority interests	(35,282)	(98,913)	(35,351)	22,148	(219)
Income taxes-current	5,623	(3,133)	(2,938)	3,181	7,438
Income taxes-deferred	(6,410)	(9,877)	(5,256)	(1,477)	(5,572)
Total income taxes	(787)	(13,010)	(8,194)	1,703	1,866
Minority interests	(13,972)	(32,863)	(9,794)	2,574	(4,077)
Net income (loss)	(20,522)	(53,039)	(17,363)	17,870	1,991
Net financial income included in net operating revenues	4,967	2,751	1,504	1,307	2,451