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2Q FY2011 Earnings Announcement

October 28, 2011

Daiwa Securities Group Inc.

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Summary

- **Net operating revenues for 1H FY2011 increased year on year basis to Y 174.7bil, despite difficult business environment such as the East Japan Earthquake and European sovereign debt crisis.**
 - Sales of mutual funds in Daiwa Securities recovered to the level before Lehman Fall.
(Refer to P.11-12)
 - 2 asset management companies' share of AUM in mutual funds expanded on a steady pace.
(Refer to P.15-16)

- **Net income for 1H FY2011 was a loss of Y 28.7bil**
In effort for “Establishment of a robust business structure”, posted extraordinary losses involved in improvement in earnings structure.
 - Established a cost reduction program to save an aggregate 40 billion yen in total expenses, and have worked on from 2Q. (Refer to P.19-20)
 - Temporary expenses needed for reduction and downsizing of unprofitable businesses mainly in Wholesale Division and overseas operations.

Highlights

- **1H FY2011 Net operating revenues were Y 174.7bil (up 9.2% y/y)**

Due to decrease in trading values of domestic stock market, equity related revenues decreased, while investment trust related revenues increased leading to 9.2% y/y increase in net operating revenues.

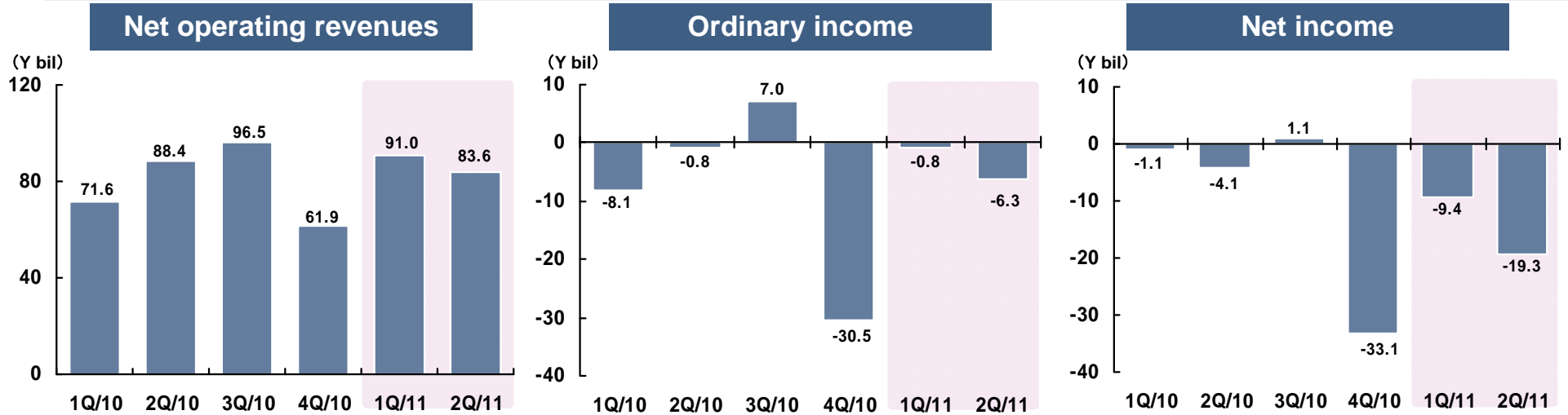
- **1H FY2011 Ordinary income was -Y 7.1bil**

Due to rapid changes in foreign exchange and financial markets starting from European crisis, 2Q trading gains in the Global Markets Division decreased, while both Retail and Asset Management Division posted a profit, which made ordinary income to be influenced at a minimum level.

- **1H FY2011 Net income was -Y 28.7bil**

Reduction and withdrawal of unprofitable departments were conducted under the cost cut plan totaling Y 40.0bil. Extraordinary income/loss was -Y 11.1bil, including temporary expenses such as -Y 2.7bil in business restructuring costs and approximately -Y 6.8bil in loss on sales and retirement of noncurrent assets.

- **FY2011 Interim dividend 3 yen per share (total amount of dividends: Y5.1bil)**



Financial Summary

(Y mil)	FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	1Q	2Q		1H	1H		
Operating revenues	113,625	102,480	-9.8%	201,388	216,106	7.3%	403,042
Net operating revenues	91,083	83,621	-8.2%	160,048	174,704	9.2%	318,564
SG&A	94,021	93,729	-0.3%	176,840	187,750	6.2%	363,919
Ordinary income	-803	-6,366	—	-9,027	-7,169	—	-32,602
Net income	-9,434	-19,353	—	-5,384	-28,787	—	-37,331
Total assets	16,282,850	18,406,338		16,594,420	18,406,338		16,842,411
Net assets	880,022	828,173		934,776	828,173		921,398
Shareholders' equity*	800,563	753,662		856,224	753,662		833,932
EPS (Y)	-5.61	-11.50		-3.12	-17.12		-21.90
BPS (Y)	475.87	447.54		500.95	447.54		496.76
ROE (Annualized)	—	—		—	—		—

* Shareholders' equity = owners' equity + accumulated other comprehensive income

<Reference>

- Consolidated Capital Adequacy Ratio: 28.0% (As of June 30, 2011)

Consolidated

P/L Summary



(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	F2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	1H		
Operating revenues	107,236	118,214	83,438	113,625	102,480	-9.8%	201,388	216,106	7.3%	403,042
Commissions	49,142	54,618	58,763	55,060	56,171	2.0%	105,249	111,231	5.7%	218,630
Net gain/loss on trading	34,160	31,605	15,985	26,244	14,895	-43.2%	44,885	41,140	-8.3%	92,476
Net gain/loss on private equity and other securities	-3,316	8,136	-20,154	1,251	1,892	51.1%	-5,241	3,144	—	-17,259
Interest and dividend income	17,862	17,511	19,026	20,076	19,865	-1.1%	35,378	39,941	12.9%	71,915
Other operating revenues	9,387	6,343	9,818	10,992	9,656	-12.2%	21,116	20,649	-2.2%	37,278
Interest expenses	12,905	16,298	14,864	15,217	12,937	-15.0%	26,898	28,154	4.7%	58,061
Other operating expenses	5,896	5,398	6,576	7,325	5,922	-19.2%	14,440	13,247	-8.3%	26,415
Net operating revenues	88,434	96,517	61,998	91,083	83,621	-8.2%	160,048	174,704	9.2%	318,564
SG&A	88,980	92,381	94,697	94,021	93,729	-0.3%	176,840	187,750	6.2%	363,919
Operating income	-546	4,136	-32,699	-2,938	-10,108	—	-16,791	-13,046	—	-45,355
Non-operating income/loss	-293	2,880	2,107	2,134	3,741	75.3%	7,764	5,876	-24.3%	12,752
Ordinary income	-839	7,017	-30,591	-803	-6,366	—	-9,027	-7,169	—	-32,602
Extraordinary income/loss	622	2,399	-5,590	-2,053	-9,055	—	1,267	-11,108	—	-1,923
Income before income taxes	-217	9,416	-36,182	-2,856	-15,422	—	-7,759	-18,278	—	-34,525
Total income taxes	5,221	5,352	4,582	6,271	4,920	-21.5%	-221	11,191	—	9,713
Net income	-4,192	1,182	-33,129	-9,434	-19,353	—	-5,384	-28,787	—	-37,331

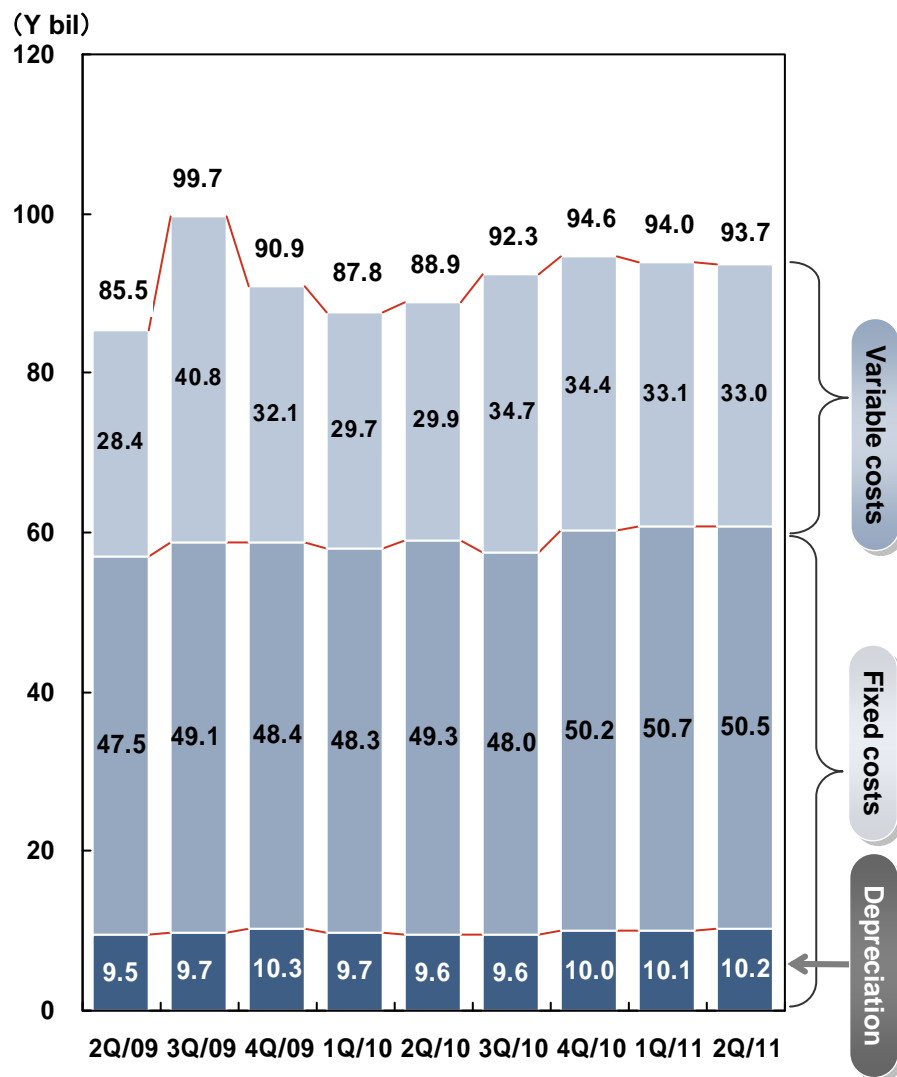
Consolidated

Break Down of SG&A



(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	1H		
SG&A	88,980	92,381	94,697	94,021	93,729	-0.3%	176,840	187,750	6.2%	363,919
Trading related expenses	16,339	17,989	18,692	17,514	18,639	6.4%	33,715	36,154	7.2%	70,398
Personnel expenses	39,104	42,205	41,441	42,268	41,815	-1.1%	76,588	84,084	9.8%	160,234
Real estate expenses	11,232	10,939	11,795	11,273	11,374	0.9%	22,522	22,648	0.6%	45,257
Office cost	7,456	5,874	6,981	6,954	6,832	-1.8%	14,170	13,786	-2.7%	27,026
Depreciation	9,686	9,667	10,055	10,153	10,235	0.8%	19,439	20,388	4.9%	39,163
Taxes and dues	1,814	1,770	1,492	2,136	1,465	-31.4%	3,781	3,602	-4.7%	7,043
Other	3,347	3,934	4,238	3,719	3,365	-9.5%	6,621	7,085	7.0%	14,795

Consolidated Cost Structure



(Y bil)	FY2009			FY2010			FY2011		
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Total SG&A	85.5	99.7	90.9	87.8	88.9	92.3	94.6	94.0	93.7
Variable costs	28.4	40.8	32.1	29.7	29.9	34.7	34.4	33.1	33.0
Fees and commissions paid	15.9	16.0	15.4	17.3	16.3	17.9	18.6	17.5	18.6
Advertising expenses	1.3	1.6	2.3	1.8	1.6	2.3	1.8	1.5	1.6
Bonus	6.7	19.5	10.1	6.4	7.5	10.0	9.2	9.3	8.6
FA remuneration	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Overtime, part-time	1.8	1.9	1.9	2.2	2.4	2.6	2.4	2.6	2.4
Fixed costs	57.1	58.9	58.7	58.0	59.0	57.6	60.2	60.8	60.7
Personnel expenses	28.2	30.1	28.1	28.3	28.8	29.1	29.4	29.8	30.3
Real estate expenses	10.9	10.8	11.7	11.2	11.2	10.9	11.7	11.2	11.3
Depreciation	9.5	9.7	10.3	9.7	9.6	9.6	10.0	10.1	10.2
Office expenses	6.3	5.7	6.0	6.4	7.2	5.5	6.7	6.6	6.5
Taxes other than income taxes	1.7	1.6	2.1	1.9	1.8	1.7	1.4	2.1	1.4

Consolidated Balance Sheet



Consolidated Balance Sheet (9/11)

(Y bil)

Current assets	17,904	(1,593)	Current liabilities	15,610	(1,671)
Trading assets	8,372	(1,601)	Trading liabilities	5,588	(772)
Trading securities and others	5,435	(885)	Trading securities and others	3,030	(17)
Stocks, convertible bonds	337	(-174)	Stocks, convertible bonds	295	(12)
Bonds	4,945	(1,022)	Bonds	2,733	(3)
Beneficiary certificates	40	(-23)	Beneficiary certificates	0	(0)
CD/CP and others	111	(60)	CD/CP and others	1	(1)
Derivative assets	2,937	(716)	Derivative liabilities	2,558	(754)
Private equity and other securities (after Allowance for possible investment losses)	141	(-36)	Short-term borrowings	1,801	(-859)
Daiwa Securities SMBC PI+Daiwa PI Partners	123	(-31)	Commercial paper	427	(32)
Daiwa Corporate Investment	17	(-5)	Current portion of bonds	215	(60)
Collateralized short-term financing agreements	5,704	(-1,623)	Collateralized short-term financing agreements	6,291	(952)
Non-current assets	501	(-29)	Non-current liabilities	1,964	(-13)
Tangible fixed assets	130	(-2)	Bonds and notes	1,315	(-18)
Intangible fixed assets	119	(-15)	Long-term debts	596	(3)
Investments and others	251	(-10)	Total liabilities	17,578	(1,657)
Investment securities	183	(-5)	Net assets	828	(-93)
Listed stocks	62	(-10)	Owners' equity	814	(-31)
Unlisted stocks	37	(4)	Accumulated other comprehensive income	-61	(-48)
Others	83	(0)	Minority interests	69	(-13)
Others	67	(-5)			
Total assets	18,406	(1,563)	Total liabilities and net assets	18,406	(1,563)

Note: Figures in parenthesis indicate changes from 3/11.

Segment Information

(Y mil)	Net operating revenues						
	FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	1Q	2Q		1H	1H		
Retail	45,593	42,716	-6.3%	87,755	88,310	0.6%	178,970
Global Markets	16,718	12,296	-26.4%	31,430	29,015	-7.7%	61,495
Global Investment Banking	5,552	5,851	5.4%	14,432	11,403	-21.0%	30,635
Asset Management	9,648	9,778	1.4%	17,995	19,426	8.0%	36,324
Investment	1,262	1,249	-1.0%	-3,664	2,511	—	-15,277
Othes/Adjustments	12,308	11,727		12,098	24,036		26,416
Consolidated total	91,083	83,621	-8.2%	160,048	174,704	9.2%	318,564

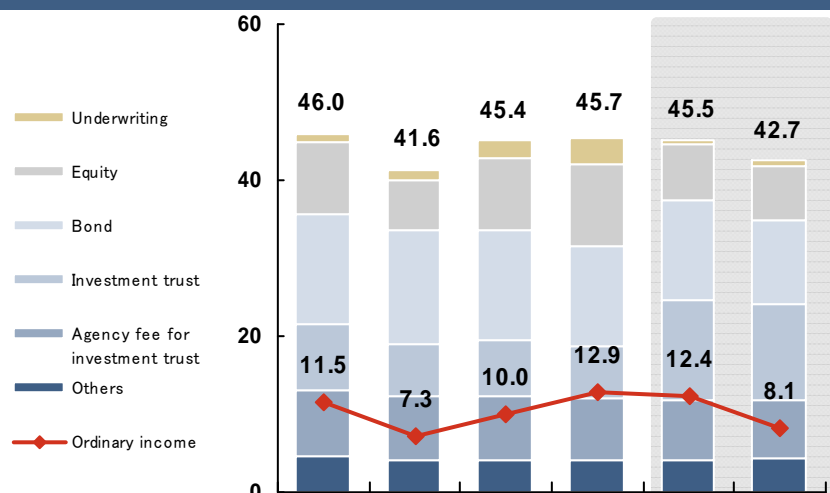
(Y mil)	Ordinary income						
	FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	1Q	2Q		1H	1H		
Retail	12,442	8,186	-34.2%	18,904	20,628	9.1%	41,866
Global Markets	-12,835	-15,827	—	-21,770	-28,662	—	-52,173
Global Investment Banking	-5,820	-4,436	—	-7,234	-10,256	—	-14,733
Asset Management	4,071	4,137	1.6%	7,591	8,208	8.1%	15,948
Investment	402	377	-6.2%	-7,374	780	—	-21,476
Others/Adjustments	936	1,194		856	2,130		-2,034
Consolidated total	-803	-6,366	—	-9,027	-7,169	—	-32,602

Consolidated Retail



(Y mil)	FY2011 2Q	% Change vs 1Q FY11	FY2011 1H	% Change vs 1H FY10
Net operating revenues	42,716	-6.3%	88,310	0.6%
Ordinary income	8,186	-34.2%	20,628	9.1%

Quarterly figures

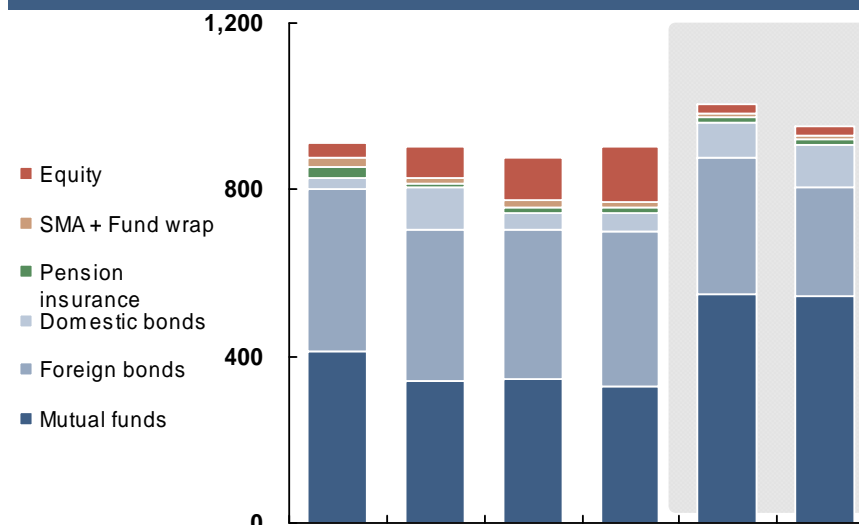


(Y bil)	FY2010				FY2011	
	1Q	2Q	3Q	4Q	1Q	2Q
Underwriting	0.8	1.4	2.3	3.3	0.5	0.6
Equity	9.4	6.5	9.2	10.6	7.3	6.9
Bond	14.0	14.6	14.1	12.8	12.8	11.0
Investment trust	8.6	6.7	7.3	6.7	12.7	12.1
Agency fee for investment trust	8.4	8.1	8.2	8.0	7.9	7.5
Others	4.6	4.1	4.0	4.0	4.0	4.4
Net operating revenues	46.0	41.6	45.4	45.7	45.5	42.7
Ordinary income	11.5	7.3	10.0	12.9	12.4	8.1

Note: figures calculated on managerial accounting basis of Daiwa Securities and Hinode Securities.

- Sales of mutual funds maintained a high performance through 1H FY2011 which led to increase in commissions for investment trusts year on year.

Sales and Distribution Amount by Product



(Y bil)	FY2010				FY2011	
	1Q	2Q	3Q	4Q	1Q	2Q
Equity	36.8	73.3	102.7	132.9	19.5	23.1
SMA + Fund wrap	21.3	12.4	17.8	16.9	11.8	8.5
Pension insurance	25.4	10.1	13.2	11.8	9.3	14.0
Domestic bonds	25.8	102.9	39.6	45.6	84.4	99.5
Foreign bonds	389.6	361.9	356.0	370.4	329.7	263.4
Mutual funds	413.2	341.6	346.5	327.4	548.9	543.9

Note: Mutual funds include switching transactions between funds

Foreign bonds include yen-denominated bonds.

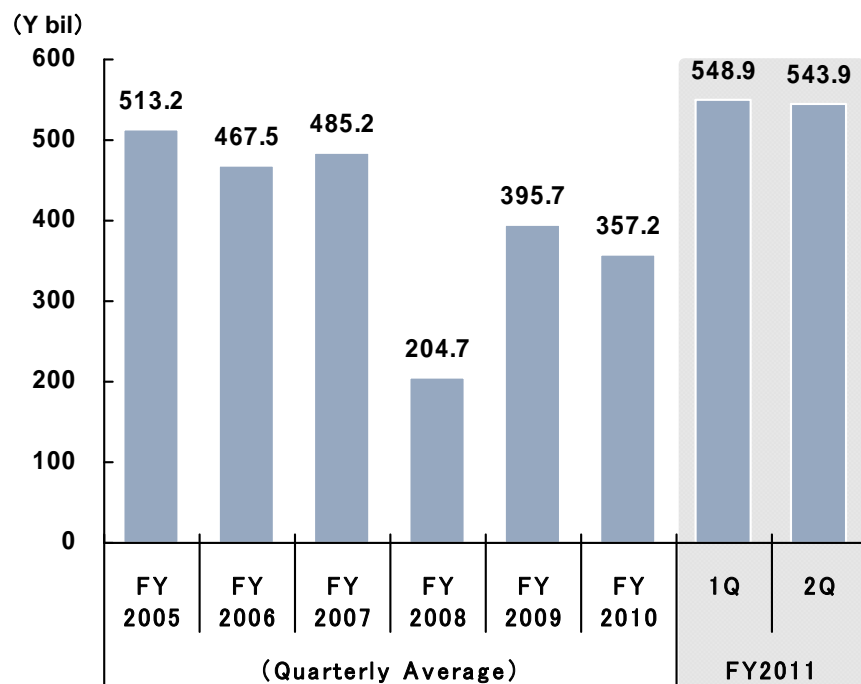
Consolidated Retail



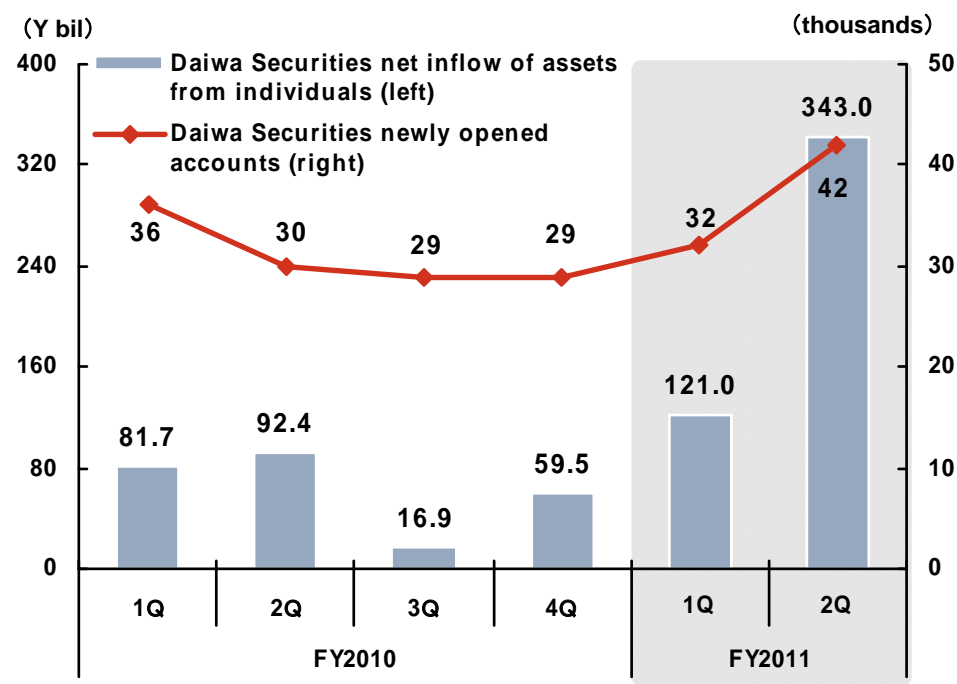
- Sales of mutual funds in Daiwa Securities exceeded the level before Lehman Fall (before FY 2007).

- Newly opened accounts increased effected by entering of banking agency business in May. Net inflow of assets from individuals increased 3 times compared to last quarter.

Sales of Mutual Funds



Newly Opened Accounts and Net Inflow of Assets



※ All figures are as of end of quarter.

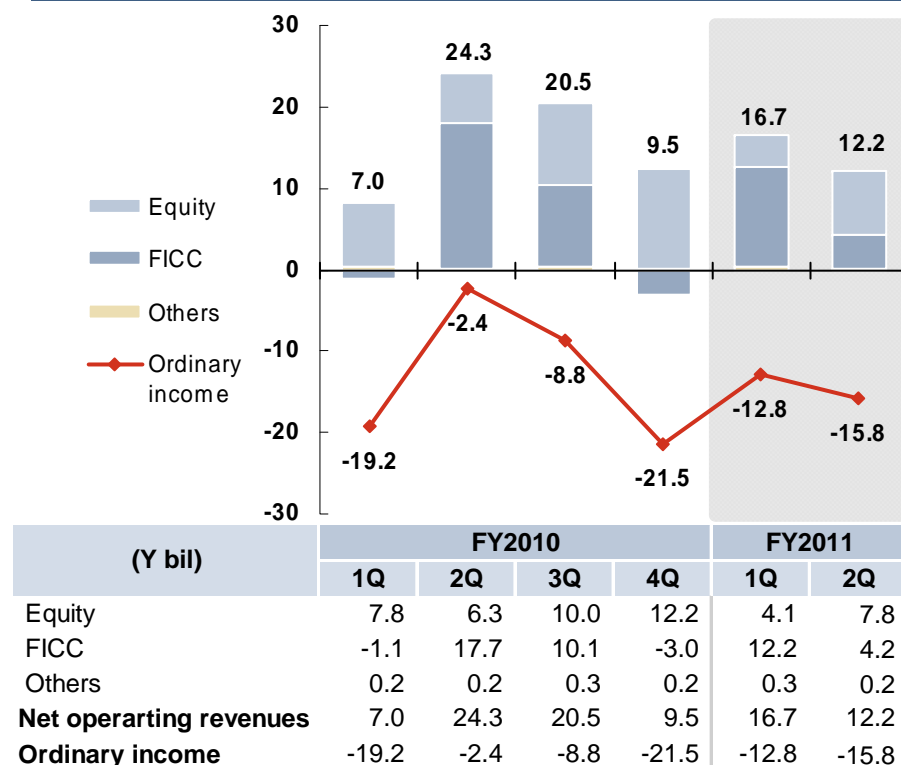
Consolidated Global Markets



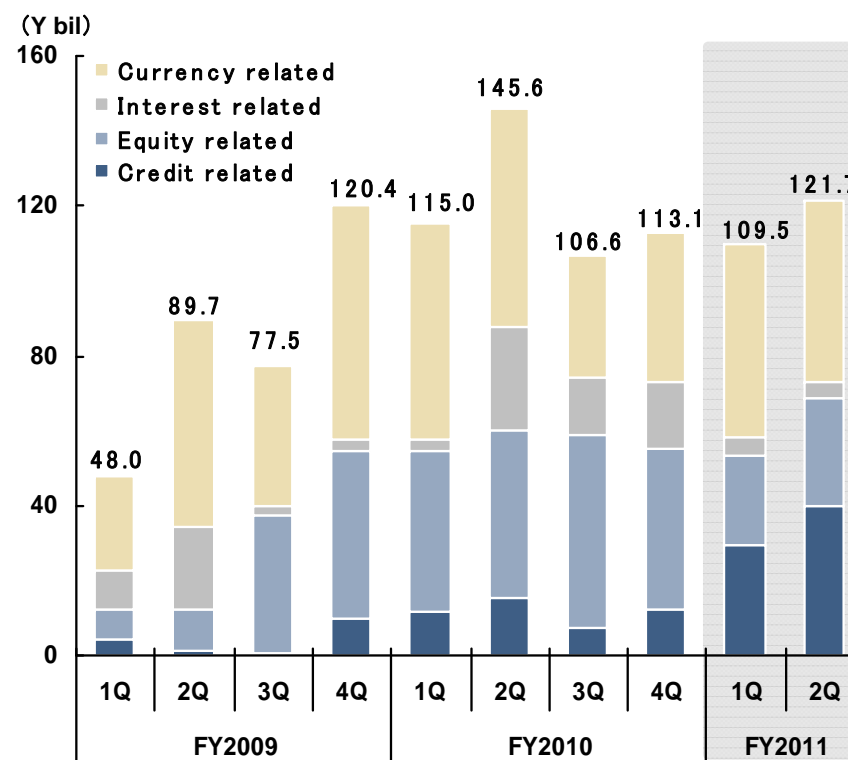
(Y mil)	FY2011 2Q	% Change vs 1Q FY11	FY2011 1H	% Change vs 1H FY10
Net operating revenues	12,296	-26.4%	29,015	-7.7%
Ordinary income	-15,827	—	-28,662	—

- Sales of structured bonds recovered due to increase in credit related bonds by widening of credit spread.

Quarterly figures



Sales of structured bonds

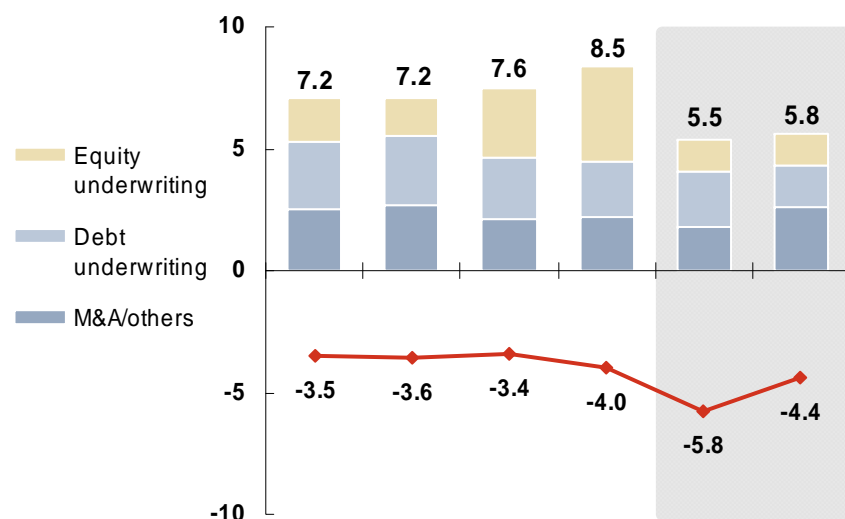


Note: figures calculated on managerial accounting basis of Daiwa Capital Markets.
FICC: Fixed Income, Currency and Commodities

Global Investment Banking

(Y mil)	FY2011 2Q	% Change vs 1Q FY11	FY2011 1H	% Change vs 1H FY10
Net operating revenues	5,851	5.4%	11,403	-21.0%
Ordinary income	-4,436	—	-10,256	—

Quarterly figures



(Y bil)	FY2010				FY2011	
	1Q	2Q	3Q	4Q	1Q	2Q
Equity underwriting	1.8	1.6	2.9	3.9	1.3	1.3
Debt underwriting	2.8	2.8	2.5	2.3	2.3	1.7
M&A/others	2.5	2.7	2.0	2.2	1.8	2.6
Net operating revenues	7.2	7.2	7.6	8.5	5.5	5.8
Ordinary income	-3.5	-3.6	-3.4	-4.0	-5.8	-4.4

Note: figures calculated on managerial accounting basis of Daiwa Capital Markets.

- Ranked 1st in league table for IPO, PO, and domestic CB during 1H FY2011.
- Ranked 1st for Korean International Bond during Jan.-Sep. 2011*.

Major deals in 2Q FY2011

Equity Finance

- Elpida Memory (Global Offering and Domestic CB)
Total Y 72.3bil

Debt Finance

- Achieved lead managing deals for Global Benchmark Bonds

JBIC	USD 2.0bil
IADB	USD 1.3bil
Rentenbank	USD 1.5bil
KEXIM	USD 1.0bil

M&A

- Integration of Sumitomo Metal Industries and Nippon Steel (Financial Advisor to Sumitomo Metal Industries)

Note: Refer to P.37 for major league tables.

* The Bell League Table

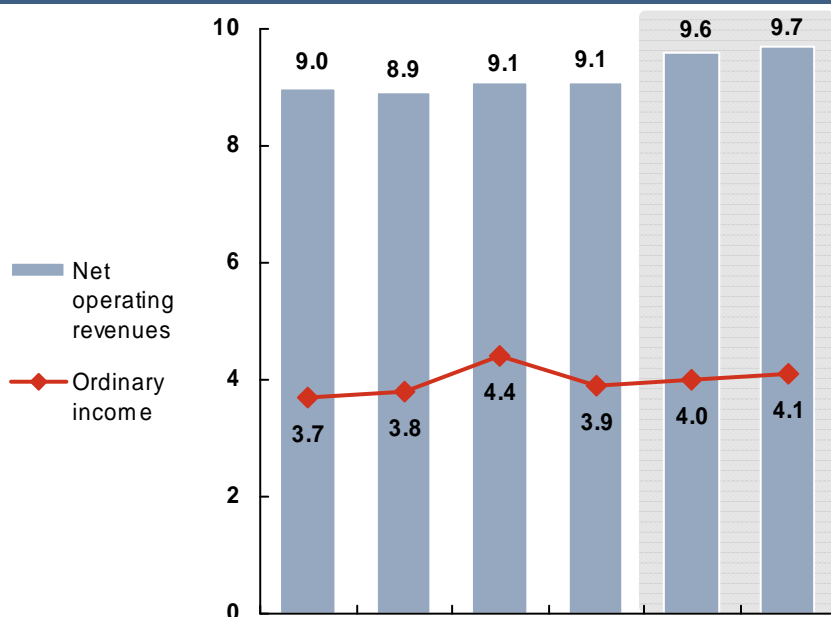
Asset Management



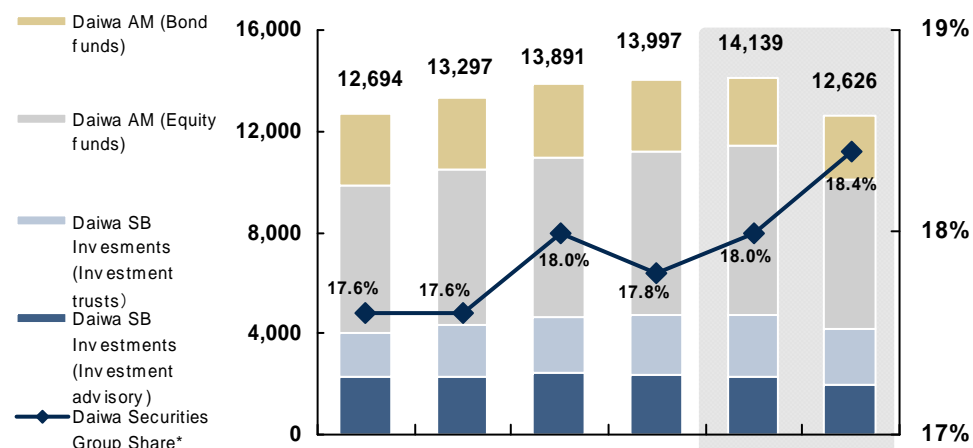
(Y mil)	FY2011 2Q	% Change vs 1Q FY11	FY2011 1H	% Change vs 1H FY10
Net operating revenues	9,778	1.4%	19,426	8.0%
Ordinary income	4,137	1.6%	8,208	8.1%

■ Net inflow of assets maintained steady especially into monthly dividend payment type investment trusts, resulting in increase in share of AUM. Despite the decrease in AUM by the market condition, the division marked increase both in sales and profit.

Quarterly figures



Asset Under Management



(Y bil)	FY2010				FY2011	
	1Q	2Q	3Q	4Q	1Q	2Q
Net operating revenues	9.0	8.9	9.1	9.1	9.6	9.7
Ordinary income	3.7	3.8	4.4	3.9	4.0	4.1

(Y bil)	FY2010				FY2011	
	1Q	2Q	3Q	4Q	1Q	2Q
Daiwa AM (Bond funds)	2,835	2,819	2,933	2,844	2,705	2,529
Daiwa AM (Equity funds)	5,858	6,111	6,276	6,418	6,706	5,937
Daiwa SB Investments (Investment trusts)	1,737	2,098	2,254	2,371	2,428	2,170
Daiwa SB Investments (Investment advisory)	2,264	2,269	2,428	2,364	2,300	1,990
Total	12,694	13,297	13,891	13,997	14,139	12,626
Daiwa Securities Group Share*	17.6%	17.6%	18.0%	17.8%	18.0%	18.4%

*Industry balance share totaled Daiwa Asset Management (Bond funds + Equity funds)

+ Daiwa SB Investments (Investment trusts)

※All figures are as of end of quarter.

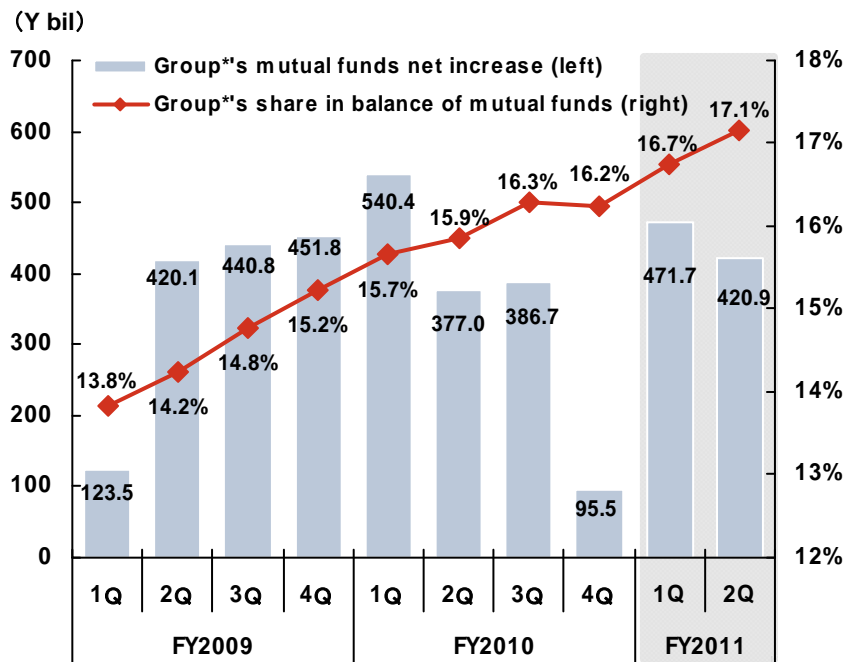
Asset Management



■ Inflow of assets into mutual funds was steady. Share in AUM for mutual funds of the 2 asset management companies kept up growing.

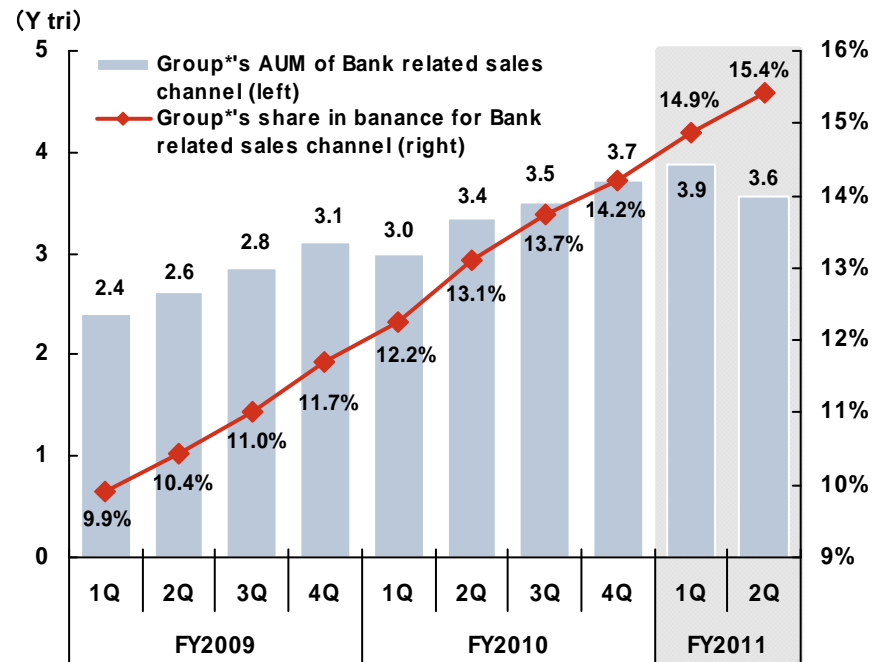
■ Support to sales channels and offering attractive products contributed to increase in AUM shares of the 2 asset management companies in Bank related sales channel.

Mutual Funds Net Increase



* Daiwa Asset Management + Daiwa SB Investment

Asset Under Management of Bank related sales channel



* Daiwa Asset Management + Daiwa SB Investments

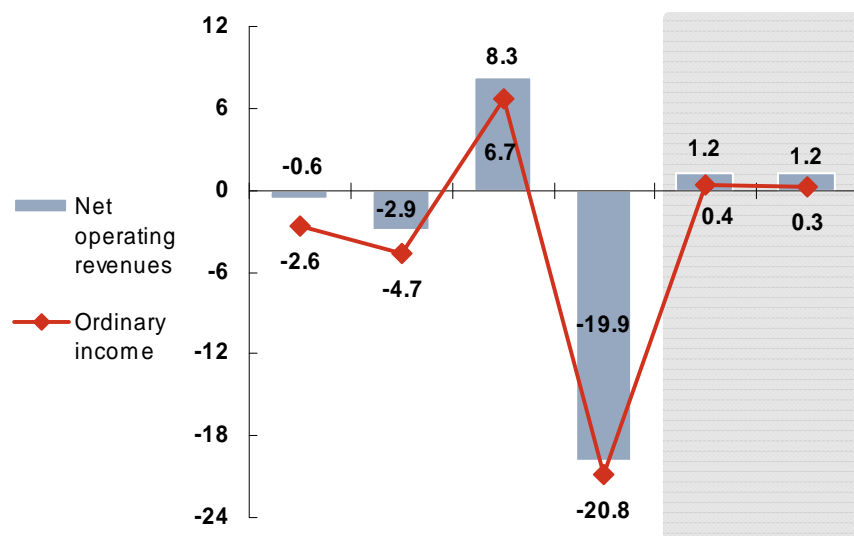
* All figures are as of end of quarter.

Consolidated Investment



(Y mil)	FY2011 2Q	% Change vs 1Q FY11	FY2011 1H	% Change vs 1H FY10
Net operating revenues	1,249	-1.0%	2,511	—
Ordinary income	377	-6.2%	780	—

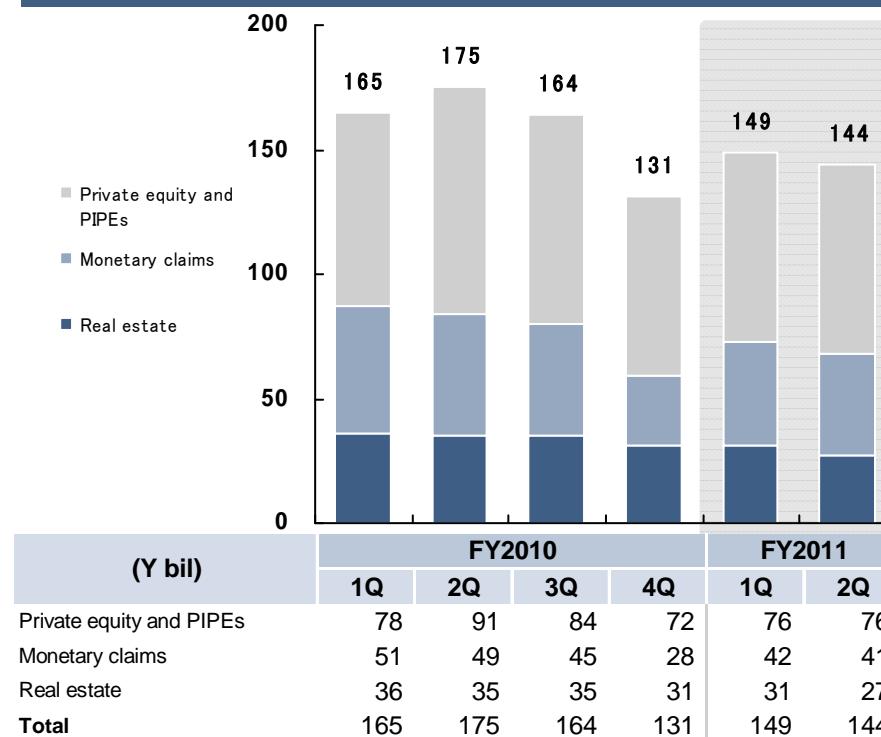
Quarterly figures



(Y bil)	FY2010				FY2011	
	1Q	2Q	3Q	4Q	1Q	2Q
Net operating revenues	-0.6	-2.9	8.3	-19.9	1.2	1.2
Ordinary income	-2.6	-4.7	6.7	-20.8	0.4	0.3

- Gain on sale of GABA shares by Daiwa Corporate Investment contributed to making profit.

Principal Investment Values



※ All figures are the sum of Daiwa Securities SMBCPI and Daiwa PI Partners.
 ※ PIPEs: Private Investment in Public Equities.
 ※ All figures are as of end of quarter.

Other Domestic Group Companies and Overseas Operation



Ordinary Income

Domestic Group Companies

(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	1H		
DIR Group*	1,635	2,300	2,196	1,804	1,393	-22.8%	3,842	3,197	-16.8%	8,339
Other Domestic Group Companies	691	169	136	-91	787	—	1,283	695	-45.8%	1,590
Total**	2,326	2,469	2,333	1,712	2,180	27.3%	5,126	3,893	-24.0%	9,929

Overseas

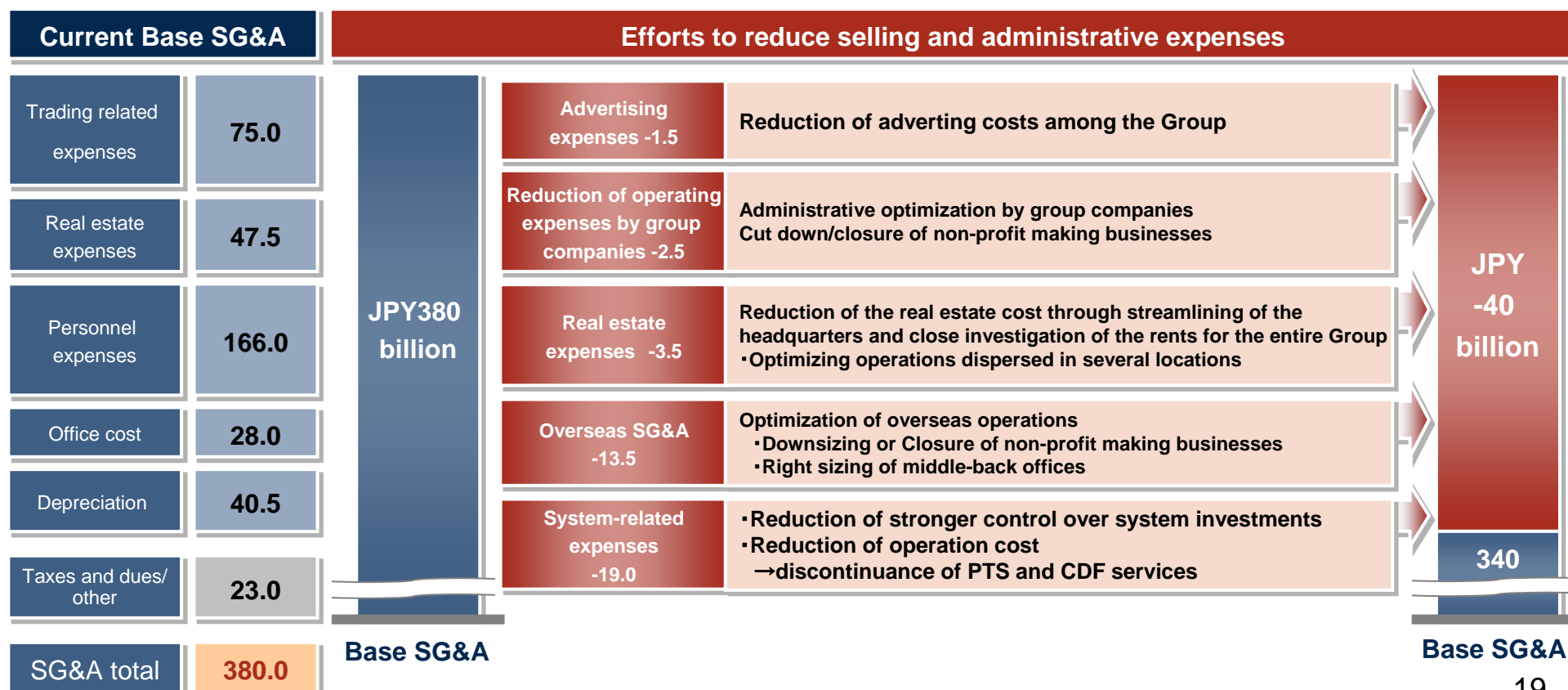
America	-131	-754	-501	-643	-428	—	-191	-1,071	—	-1,447
Europe	-1,016	-2,745	-3,557	-2,596	-1,899	—	-2,651	-4,495	—	-8,954
Asia/Oceania	-2,698	-3,316	-4,017	-4,935	-4,760	—	-3,799	-9,696	—	-11,133
Total	-3,846	-6,816	-8,076	-8,175	-7,088	—	-6,642	-15,263	—	-21,536

* 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)

** Total figure of domestic consolidated Group companies excluding Daiwa Securities, Daiwa Capital Markets, Daiwa Securities SMBCPI, Daiwa PI Partners, and Daiwa Corporate Investment.

Reduction of Y 40 billion in Base SG&A

- We will reduce base SG&A by Y 40 billion over a medium term by reducing the Real-estate/System related expenses, etc through administration optimization.
(Reduction of SG&A exceeds the original amount announced in May by Y 10billion.)
- In addition to organizational optimization, downsizing or closure of loss-making overseas operations and reduction of 300 personnel will be implemented.
- Reviewing of domestic operations where cost exceeds its revenues.



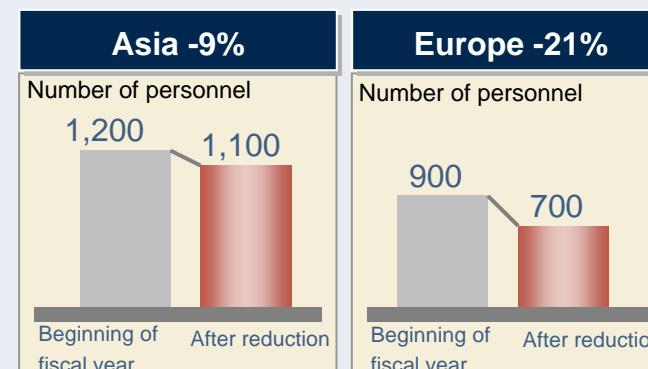
*Base SG&A: Estimated latest consolidated SG&A when ordinary income is 0 (we used the figure equivalent to the actual result for 4Q FY2010 multiplied by 4 times)

Major measures for SG&A reductions

Downsizing or Closure of loss-making overseas operations

■ Reduction of over 300 personnel

- Reorganization and closure of proprietary trading divisions in Taiwan, as done in London and Hong Kong
- Downsizing of OTC equity derivatives operations
- Reduction of middle- and back-office operations



■ Reorganization of operations in Europe

- Closure of branches: Milan (integration with Geneva) and Dubai (integration with Bahrain)
- Integration of equity sales operations: Paris and Frankfurt branches
(integrations with London and Geneva)

Reviewing of domestic operations

■ Reduction of system-related expenses and investments

- Discontinuance of PTS and CFD services

Reference



Commission by Business Sector

(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	1H		
Total commission	49,142	54,618	58,763	55,060	56,171	2.0%	105,249	111,231	5.7%	218,630
Equity	9,593	12,280	14,893	10,273	9,952	-3.1%	23,081	20,226	-12.4%	50,254
Brokerage Commission	9,348	11,985	14,580	10,000	9,702	-3.0%	22,362	19,703	-11.9%	48,929
Others	245	294	312	272	250	-8.4%	718	523	-27.2%	1,325
Fixed Income	162	179	299	150	581	285.7%	348	732	110.0%	827
Investment trust	28,238	29,564	28,660	35,666	34,654	-2.8%	58,510	70,320	20.2%	116,734
Brokerage commission	61	118	138	147	135	-7.8%	151	283	87.1%	407
Distribution commission	7,141	7,829	7,182	13,286	12,498	-5.9%	16,132	25,785	59.8%	31,144
Mangement fee	21,035	21,616	21,339	22,232	22,019	-1.0%	42,226	44,251	4.8%	85,182
Agency commission	8,276	8,410	8,160	8,277	7,786	-5.9%	16,829	16,064	-4.5%	33,399
Investment banking	8,109	9,960	11,840	6,183	8,010	29.5%	16,903	14,194	-16.0%	38,704
Underwriting commission (Equity)	2,884	3,961	6,983	1,808	2,134	18.0%	5,423	3,942	-27.3%	16,367
Underwriting commission (Bond)	2,302	3,534	1,866	1,977	2,652	34.1%	4,370	4,630	5.9%	9,771
Distribution commission	23	107	140	107	163	51.8%	187	270	44.3%	434
Others	2,830	2,315	2,848	2,243	3,059	36.4%	6,802	5,303	-22.0%	11,966
M&A commission	2,658	1,968	2,151	1,845	2,734	48.1%	5,413	4,580	-15.4%	9,533
Other	3,038	2,634	3,069	2,786	2,971	6.7%	6,405	5,757	-10.1%	12,108
Life insurance sales commission	388	421	444	325	489	50.8%	1,111	814	-26.6%	1,977
Investment enterprise partnership administration fee	440	377	310	306	304	-0.6%	1,101	611	-44.5%	1,789
Custody fee	729	703	720	755	704	-6.8%	1,494	1,459	-2.4%	2,919
Others	1,480	1,130	1,593	1,399	1,472	5.2%	2,697	2,872	6.5%	5,422

Equity & Bond Division Revenues (Trading gain/loss)

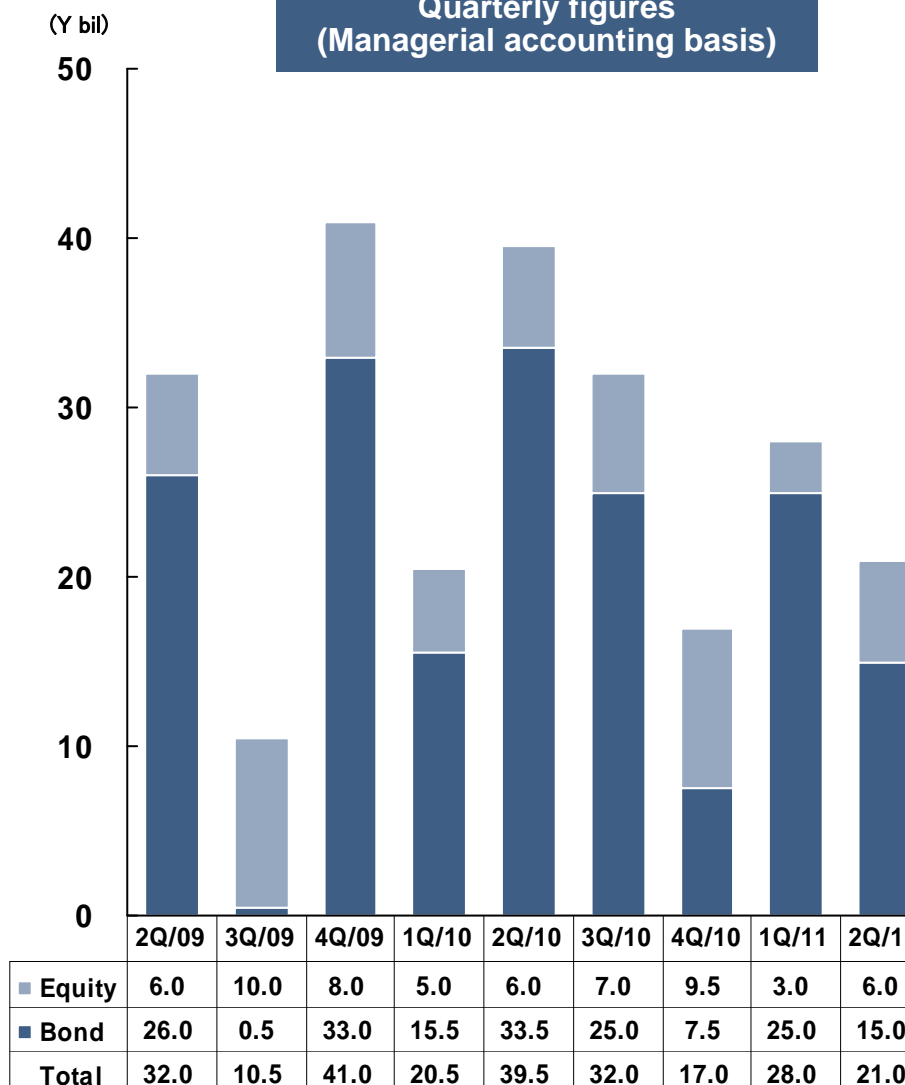
【Managerial accounting basis】

(Y bil)	FY2011 2Q	% Change vs 1Q FY11	FY2011 1H	% Change vs 1H FY10
Equity	6.0	100.0%	9.0	-18.2%
Bond	15.0	-40.0%	40.0	-18.4%
Total	21.0	-25.0%	49.0	-18.3%

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

(Y mil)	FY2011 2Q	% Change vs 1Q FY11	FY2011 1H	% Change vs 1H FY10
Equity	-11,820	—	-20,300	—
Bond and forex	26,715	-23.1%	61,440	-14.1%
Net financial income	6,928	42.6%	11,786	39.0%
Total	21,823	-29.8%	52,926	-0.8%

Quarterly figures
(Managerial accounting basis)



Equity Market Share



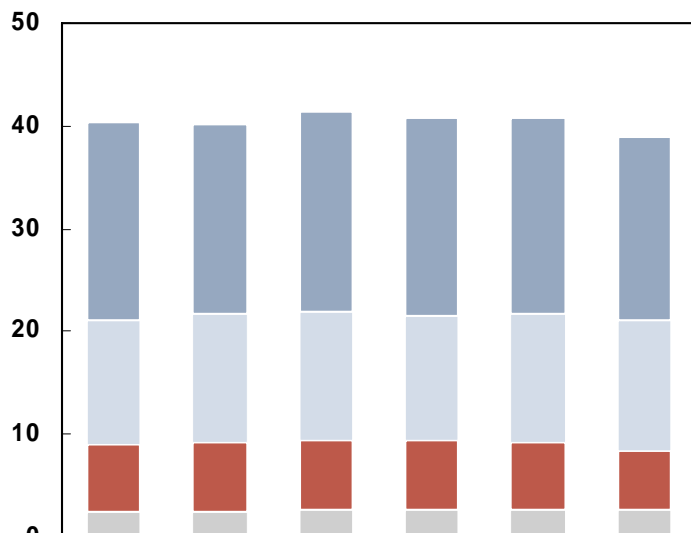
	FY2009			FY2010				FY2011	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Market data									
Average daily trading value in TSE, OSE, and NSE: (Y bil)	1,469	1,388	1,451	1,598	1,200	1,359	1,790	1,333	1,285
Share of individual investors: (%)	22.5	19.1	19.8	17.5	15.9	17.0	19.0	16.9	16.8
Market share (on and off floor) in TSE: (%)									
Daiwa Securities Group (on and off floor)	7.7	8.2	7.5	7.0	7.0	8.4	7.7	7.1	7.0
Daiwa Securities	1.0	0.9	1.0	0.8	0.7	0.9	1.0	0.8	0.8
Daiwa Capital Markets	6.6	7.3	6.5	6.2	6.3	7.6	6.7	6.3	6.2
Share of Daiwa Capital Markets in after-hours and off floor transactions : (%)									
Market share	10.7	12.6	12.4	11.5	10.0	13.0	10.3	9.9	8.3
Share of Daiwa Securities among individual investor transactions at TSE, OSE, and NSE : (%)									
Market share	4.8	4.6	4.7	4.5	4.3	5.0	5.3	4.7	4.8
Daiwa Securities equity commission rate : (bp)									
Commission rate*	40	42	43	41	36	34	32	31	31

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

Customer Asset & Sales of Equity Investment Trust

Customer Asset (Overall Group)

(Y tri)



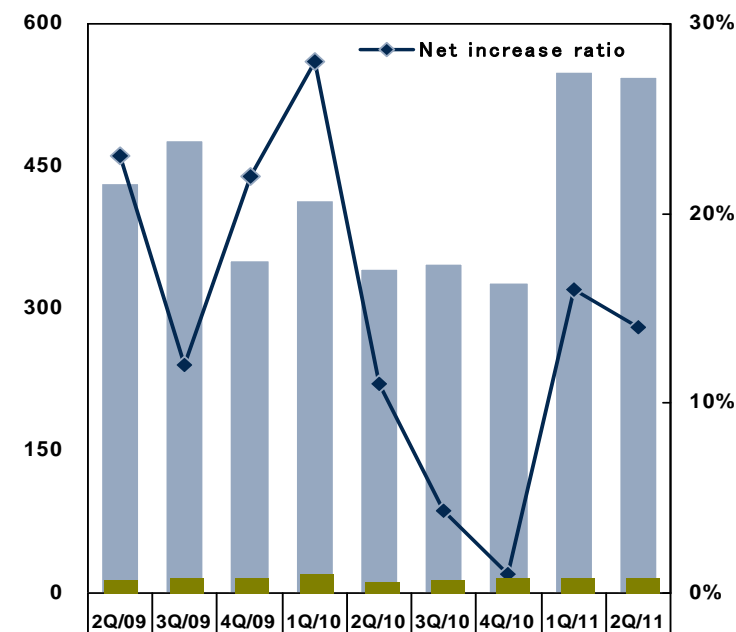
	1Q/10	2Q/10	3Q/10	4Q/10	1Q/11	2Q/11
Equity	19.1	18.3	19.4	19.1	18.9	17.8
Bond	12.2	12.5	12.5	12.2	12.5	12.7
Investment trust	6.5	6.8	6.8	6.8	6.7	5.8
Others	2.5	2.5	2.6	2.6	2.6	2.6
Total	40.5	40.2	41.5	40.9	40.8	39.0

*All figures are as of end of quarter.

*Definition of "Others" revised to uniformize datas between Daiwa Securities and Daiwa Capital Markets as preparation for merger.

Sales and Net Increase Ratio of Equity Investment Trusts

(Y bil)



	2Q/09	3Q/09	4Q/09	1Q/10	2Q/10	3Q/10	4Q/10	1Q/11	2Q/11
Equity type investment trust (left)	431.6	476.9	351.2	413.2	341.6	346.5	327.4	548.9	543.9
Sales through online (left)	14.5	16.4	16.0	19.6	12.9	14.6	16.5	17.2	15.9

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

Note: Include switching transaction between funds.

Consolidated VaR

Range and assumption of VaR

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

Daiwa Securities Group (Consolidated)

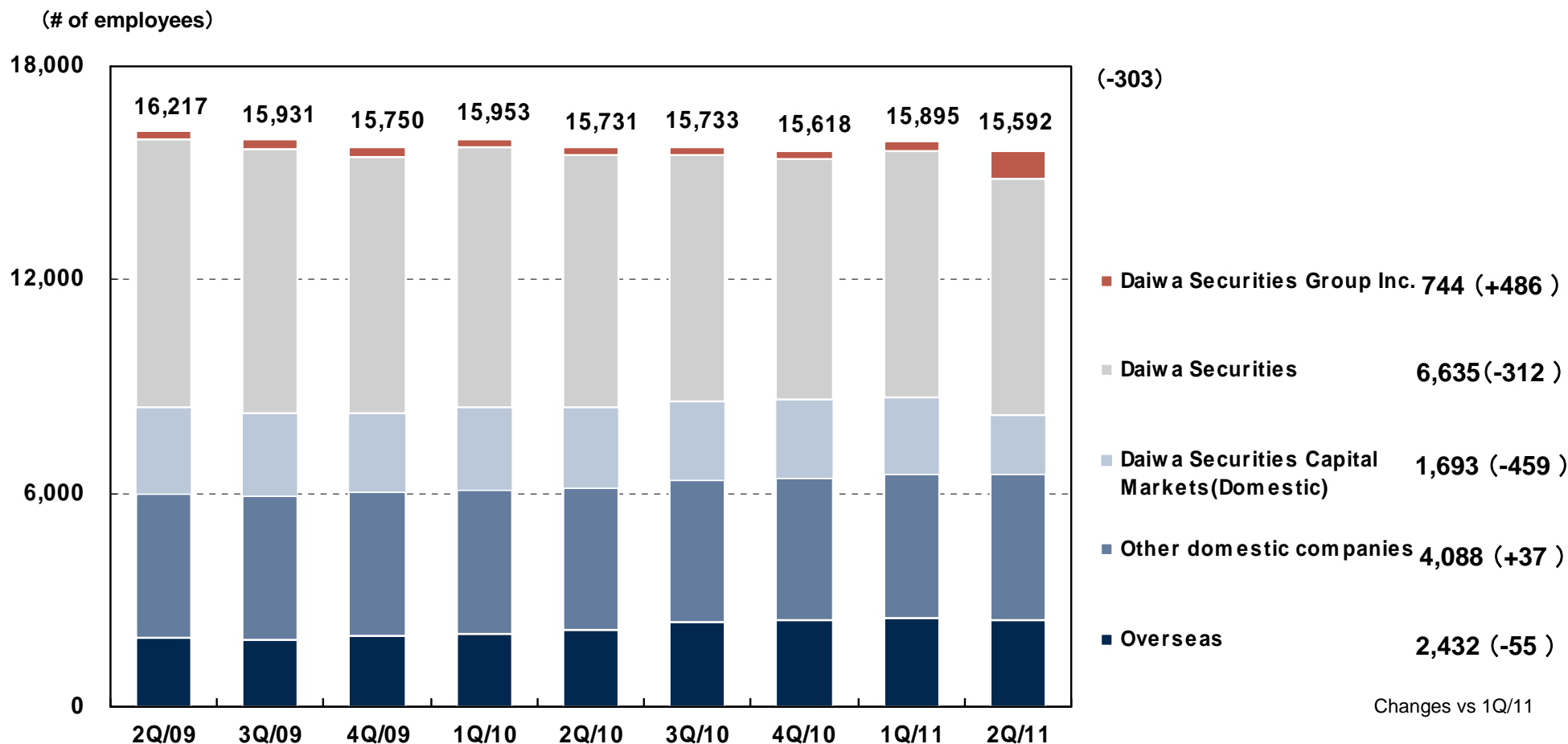
(Y bil)		2Q/09	3Q/09	4Q/09	1Q/10	2Q/10	3Q/10	4Q/10	1Q/11	2Q/11
VaR (Month end)		2.81	2.99	4.33	6.47	5.63	6.01	5.13	3.81	3.39
Quarterly	High	3.71	5.13	7.07	12.00	8.48	6.91	6.86	4.59	4.21
	Low	1.62	2.53	2.63	4.38	4.39	5.44	4.62	2.74	3.04
	Average	2.44	3.64	5.26	7.31	6.27	6.08	5.90	3.61	3.62

(By risk factors)

Equity	0.95	0.78	0.57	0.77	1.39	1.34	2.08	1.70	0.77
Interest	0.86	2.36	4.27	4.48	4.84	5.26	4.82	4.00	3.39
Currency	2.57	1.71	1.01	4.04	2.03	1.42	0.68	0.63	0.70
Commodity	0.01	—	—	—	—	—	—	0.02	0.08

*All figures are as of end of quarter

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 FY09/4Q, figures for Daiwa Securities SMBCPI and Daiwa PI Partners have been included in other domestic companies.
- Since FY10/3Q, figures for overseas include employees (approximately 150) gained from acquisition of KBC group's business operations.

Financial Summary

(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	1H		
Operating revenues	41,694	45,517	45,689	45,695	42,843	-6.2%	87,903	88,539	0.7%	179,111
Commissions	27,164	28,939	31,270	30,903	29,501	-4.5%	58,675	60,404	2.9%	118,885
Brokerage commission	4,605	6,038	8,252	4,895	5,064	3.4%	12,019	9,959	-17.1%	26,310
Stock and others	4,400	5,669	7,792	4,458	4,669	4.7%	11,626	9,128	-21.5%	25,088
Distribution commission	11,668	11,974	12,526	15,509	14,229	-8.3%	24,174	29,739	23.0%	48,675
Stock and others	1,304	2,031	3,013	476	574	20.5%	2,135	1,051	-50.8%	7,180
Bond and others	3,459	2,417	2,589	2,405	1,623	-32.5%	6,445	4,029	-37.5%	11,451
Investment trust	6,904	7,525	6,924	12,626	12,031	-4.7%	15,594	24,658	58.1%	30,043
Other commissions	10,891	10,926	10,491	10,497	10,207	-2.8%	22,481	20,705	-7.9%	43,898
Investment trust	8,076	8,216	7,988	8,104	7,644	-5.7%	16,417	15,749	-4.1%	32,621
Net gain/loss on trading	12,778	14,931	12,778	13,096	11,663	-10.9%	26,117	24,759	-5.2%	53,826
Equity	1,704	2,926	2,198	2,499	1,870	-25.2%	3,425	4,369	27.6%	8,550
Bond and forex	11,074	12,004	10,579	10,597	9,792	-7.6%	22,692	20,390	-10.1%	45,276
Interest and dividend income	1,750	1,646	1,641	1,696	1,679	-1.0%	3,111	3,375	8.5%	6,398
Interest expenses	289	403	329	388	323	-16.7%	642	712	10.8%	1,375
Net operating revenues	41,404	45,114	45,359	45,307	42,520	-6.2%	87,261	87,827	0.6%	177,735
SG&A	34,284	35,353	32,937	33,202	34,763	4.7%	68,872	67,965	-1.3%	137,163
Ordinary income	7,231	9,884	12,699	12,245	8,033	-34.4%	18,688	20,279	8.5%	41,272
Net income	4,137	5,928	8,099	7,183	3,037	-57.7%	10,439	10,220	-2.1%	24,467
ROE(Annualized)	7.0%	9.8%	13.0%	11.8%	5.1%	—	8.5%	8.3%	—	9.7%
Capital adequacy ratio	416.9%	441.6%	405.3%	461.0%	487.5%	—	416.9%	487.5%	—	405.3%

Breakdown of SG&A

(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	1H		
SG&A	34,284	35,353	32,937	33,202	34,763	4.7%	68,872	67,965	-1.3%	137,163
Trading related expenses	4,248	4,275	4,042	3,975	4,481	12.7%	8,374	8,457	1.0%	16,692
Personnel expenses	14,289	15,668	13,462	14,063	14,981	6.5%	28,876	29,045	0.6%	58,007
Real estate expenses	4,734	4,596	4,651	4,615	4,608	-0.2%	9,352	9,224	-1.4%	18,600
Office cost	6,027	5,801	5,892	5,728	6,014	5.0%	12,145	11,743	-3.3%	23,840
Depreciation	4,120	4,085	4,072	3,898	3,886	-0.3%	8,223	7,784	-5.3%	16,381
Taxes and dues	242	251	282	374	254	-32.0%	625	628	0.6%	1,159
Other	622	674	532	546	535	-1.9%	1,274	1,081	-15.1%	2,480

Number of Accounts and Balance of Client Assets

Daiwa Securities' Number of Accounts (thousands)

	FY2009			FY2010				FY2011	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Cash Management Service accounts	3,323	3,340	3,359	3,374	3,383	3,392	3,401	3,414	3,435
Accounts holding equity	1,400	1,408	1,400	1,407	1,406	1,397	1,401	1,399	1,401
Accounts holding equity investment trusts	681	684	686	687	686	679	675	670	666

*All figures are as of end of quarter.

Daiwa Securities' Newly Opened Accounts (thousands)

Newly opened accounts	50	35	36	36	30	29	29	32	42
Daiwa Direct Course	34	20	21	20	17	16	16	15	16

Daiwa Securities' Wrap Account

Number of customers (thousands)	17.5	18.3	18.8	20.4	21.2	20.7	20.8	20.4	20.4
Daiwa SMA	1.8	1.8	1.7	1.7	1.6	1.8	2.0	2.0	2.0
Daiwa Fund Wrap	15.7	16.5	17.0	18.7	19.5	18.9	18.8	18.3	18.3
Contract asset under management (Y bil)	221	233	242	241	253	261	272	259	235
Daiwa SMA	124	128	130	124	126	136	145	137	123
Daiwa Fund Wrap	96	104	112	117	126	124	126	122	112

*All figures are as of end of quarter.

Daiwa Next Bank's Number of Accounts and Deposit Balance (includes Group's deposits)

Number of Accounts (thousands)	—	—	—	—	—	—	—	139	329
Deposit Balance (Y bil)	—	—	—	—	—	—	—	408	913
Ordinary deposits	—	—	—	—	—	—	—	219	377
Time deposits	—	—	—	—	—	—	—	187	534

*All figures are as of end of quarter.

Online Trading

	FY2009			FY2010				FY2011	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Online trading									
Number of accounts (thousands)	2,133	2,158	2,183	2,203	2,218	2,233	2,249	2,301	2,381
Assets under custody (Y bil)	10,584	10,789	11,285	10,462	10,570	11,037	11,046	11,745	11,863
Daiwa Direct Course									
Number of accounts (thousands)	1,195	1,224	1,251	1,270	1,285	1,299	1,314	1,328	1,340
Assets under custody (Y bil)	2,559	2,581	2,763	2,549	2,547	2,699	2,676	2,666	2,541
Daiwa Direct margin transaction service									
Number of accounts (thousands)	38	39	39	40	41	43	45	47	48
Margin position (Y bil)	96	87	91	100	97	96	89	96	90
Foreign exchange*									
Number of accounts (thousands)	31	35	39	42	47	51	54	56	59
Trading value (Y bil, quarterly basis)	2,372	2,524	2,574	4,712	4,875	6,833	7,948	7,319	6,375

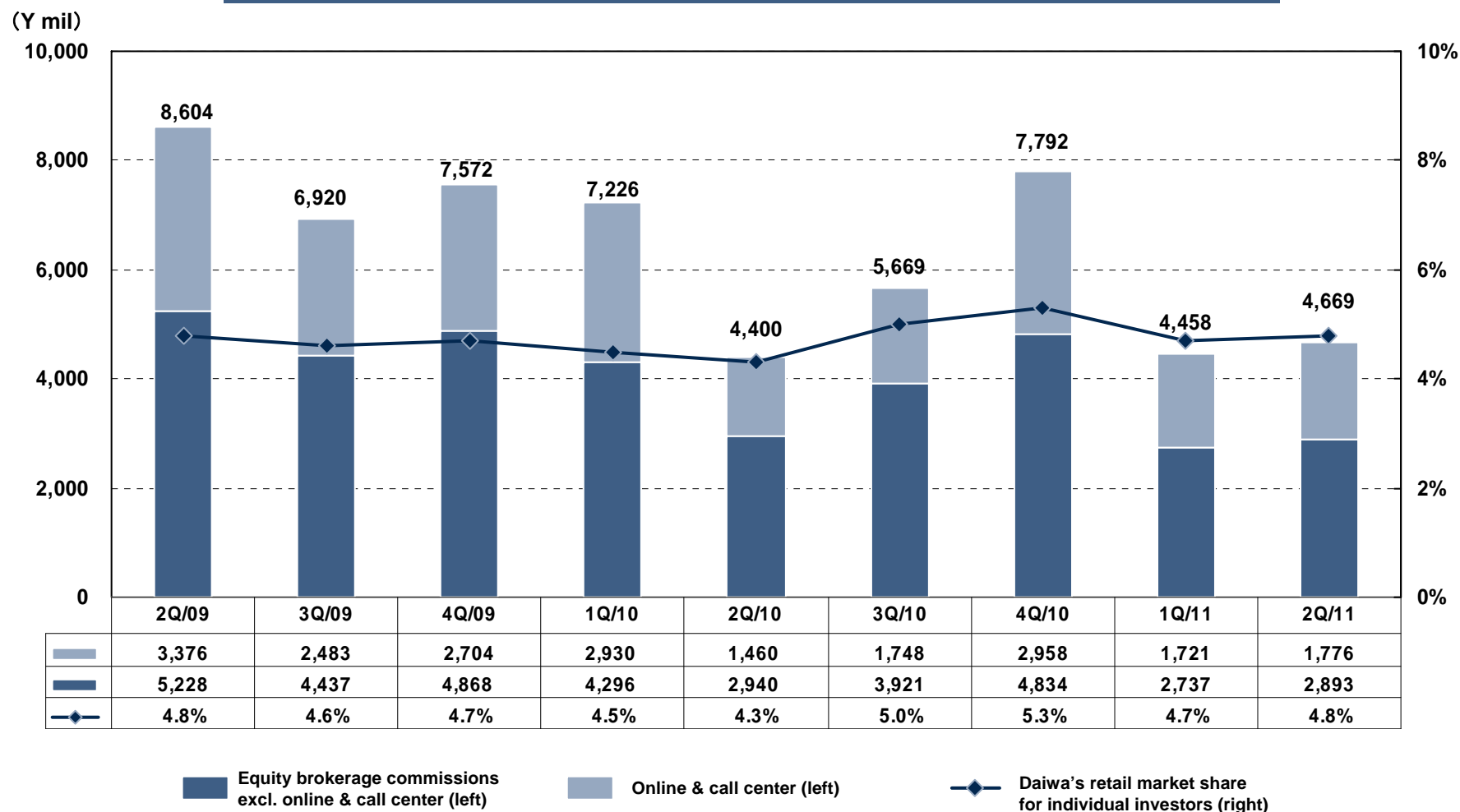
* Total figure is the sum of "Daiwa FX" (OTC FX margin trading) and "Daiwa 365FX" (FX margin trading on exchange)

※All figures are as of end of quarter.

Online ratio for retail investors (Equity)									
Online ratio (number of contracts) (%)	85.5	83.6	83.4	85.4	86.0	84.9	87.3	88.1	87.8
Online ratio (trading value) (%)	70.2	65.0	66.9	70.7	74.3	71.8	76.9	79.3	77.7
Online ratio (commission) (%)	40.9	37.0	39.0	43.2	39.1	35.0	41.6	42.9	42.1
Online contracts, trading value and equity commission for retail investors									
Total # of online contracts (thousands)	1,928	1,462	1,588	1,763	1,235	1,516	2,431	1,605	1,656
Total online trading value (Y bil)	1,368	979	1,075	1,160	805	1,068	1,730	1,062	1,087
Total online equity commission (Y mil)	3,335	2,451	2,666	2,893	1,440	1,723	2,914	1,701	1,756

Equity Brokerage Commissions

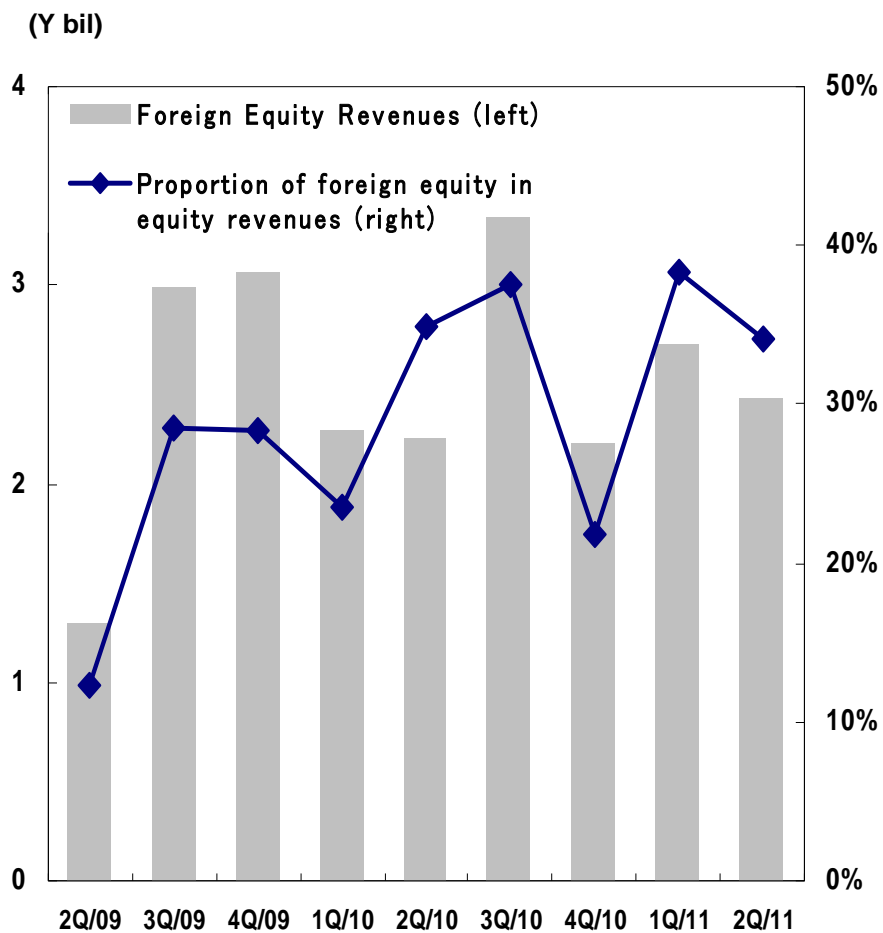
Daiwa Securities Equity Brokerage Commissions and Market Share



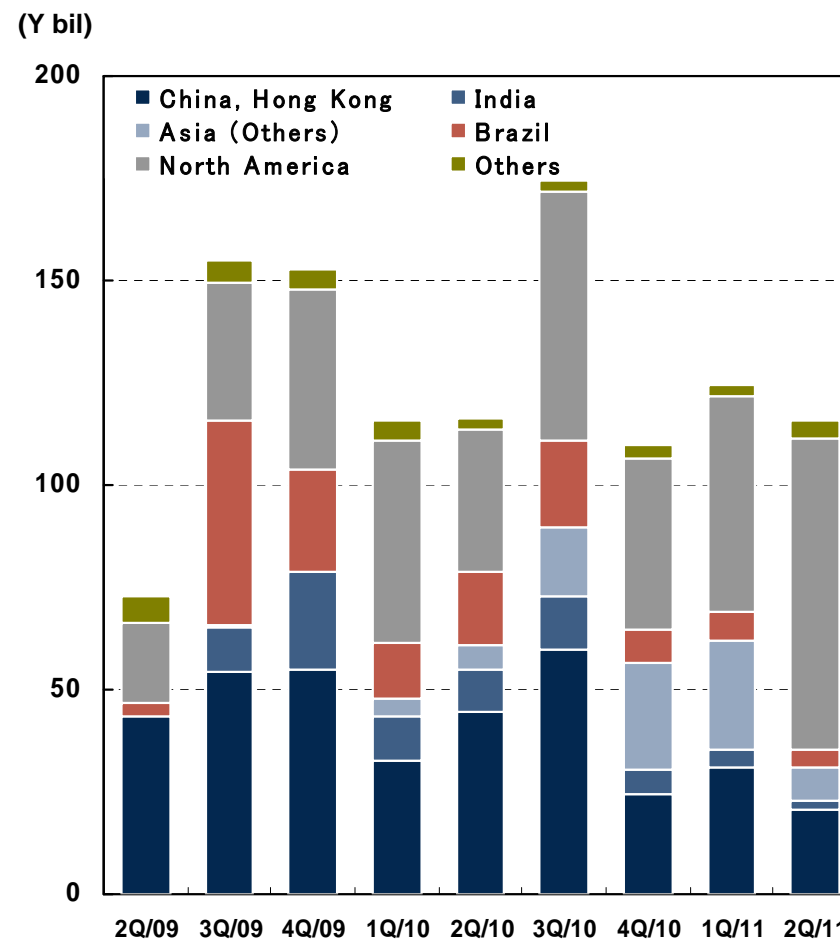
Note: Excludes foreign equities listed on overseas.
 Market share is the share among total trading value by individuals on the Tokyo, Osaka, and Nagoya Stock Exchanges.

Foreign Equity

Foreign Equity Revenues



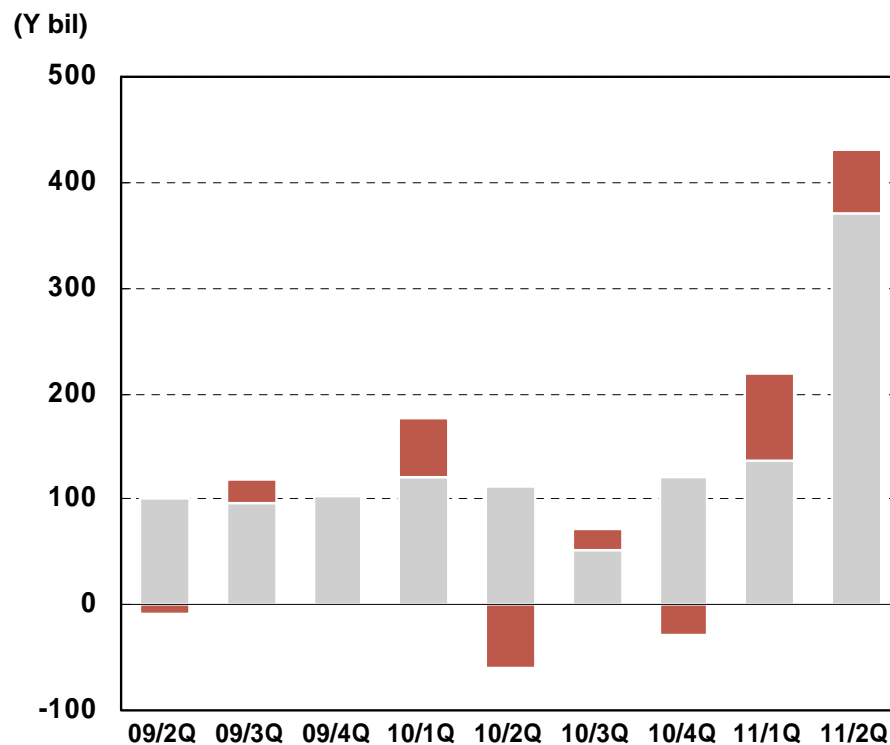
Foreign Equity Trading Value



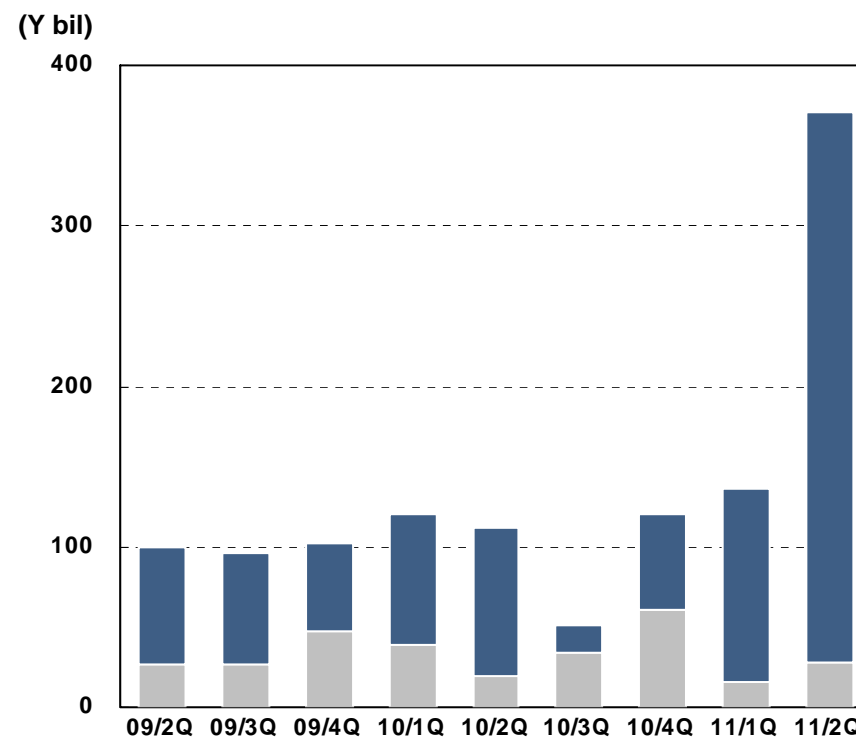
Note: Managerial accounting basis.

Net Inflow of Assets under Custody

Net Inflow of Assets



Net Inflow of Cash and Securities (Individuals)



■ Corporation	-8.8	21.8	2.7	55.2	-58.8	21.8	-27.7	82.7	59.8
■ Individual	99.9	96.5	101.9	120.7	112.4	51.0	120.2	136.8	370.8
Total	91.1	118.4	104.7	175.9	53.5	72.9	92.4	219.5	430.6

■ Net inflow of cash	73.1	69.6	54.7	81.7	92.4	16.9	59.5	121.0	343.0
■ Net inflow of securities	26.8	26.9	47.2	38.9	19.9	34.0	60.7	15.7	27.8

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

Consolidated Financial Summary

(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	1H		
Operating revenues	46,839	46,617	37,406	40,911	35,530	-13.2%	78,412	76,441	-2.5%	162,436
Commissions	14,260	17,224	19,611	12,758	14,341	12.4%	29,761	27,099	-8.9%	66,596
Brokerage commission	4,938	6,279	6,795	5,542	5,072	-8.5%	10,694	10,614	-0.7%	23,769
Stock and others	4,866	6,169	6,586	5,464	4,967	-9.1%	10,501	10,431	-0.7%	23,257
Underwriting commission	5,254	7,737	8,851	3,966	4,787	20.7%	9,913	8,754	-11.7%	26,502
Stock and others	2,884	3,961	6,983	1,808	2,134	18.0%	5,423	3,942	-27.3%	16,367
Bond and others	2,302	3,733	1,866	2,112	2,652	25.5%	4,370	4,765	9.0%	9,970
Distribution commission	28	181	161	181	29	-83.6%	234	210	-10.2%	577
Other commissions (M&A and others)	4,037	3,026	3,802	3,068	4,452	45.1%	8,919	7,520	-15.7%	15,747
Net gain/loss on trading	16,647	13,413	518	10,218	4,521	-55.7%	17,807	14,739	-17.2%	31,739
Equity	-13,094	3,210	9,345	-10,989	-13,734	—	-30,224	-24,724	—	-17,668
Bond and forex	29,741	10,203	-8,827	21,207	18,256	-13.9%	48,032	39,463	-17.8%	49,408
Interest and dividend income	15,931	15,978	17,276	17,934	16,667	-7.1%	30,844	34,601	12.2%	64,099
Interest expenses	10,005	13,148	11,699	12,392	10,702	-13.6%	21,265	23,094	8.6%	46,113
Net operating revenues	36,833	33,468	25,706	28,518	24,827	-12.9%	57,146	53,346	-6.6%	116,322
SG&A	45,714	48,488	53,576	47,409	44,502	-6.1%	90,099	91,912	2.0%	192,164
Ordinary income	-9,255	-14,647	-27,210	-18,460	-20,499	—	-33,305	-38,960	—	-75,163
Net income	-8,466	-14,656	-30,449	-18,430	-27,797	—	-31,971	-46,227	—	-77,077

Breakdown of Consolidated SG&A



(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	2H		
SG&A	45,714	48,488	53,576	47,409	44,502	-6.1%	90,099	91,912	2.0%	192,164
Trading related expenses	11,731	12,489	14,619	10,607	10,090	-4.9%	23,900	20,698	-13.4%	51,009
Personnel expenses	16,909	18,730	20,518	19,260	17,941	-6.9%	32,598	37,202	14.1%	71,848
Real estate expenses	4,693	4,875	5,318	4,833	4,615	-4.5%	9,356	9,448	1.0%	19,550
Office cost	4,794	4,222	4,525	4,148	4,063	-2.0%	9,307	8,211	-11.8%	18,054
Depreciation	5,064	5,139	5,303	5,361	5,357	-0.1%	10,139	10,719	5.7%	20,582
Taxes and dues	781	817	691	934	526	-43.6%	1,555	1,461	-6.0%	3,064
Other	1,740	2,213	2,600	2,263	1,907	-15.7%	3,241	4,170	28.7%	8,055

Major League Tables

	IPO	Primary and secondary equity offerings	Straight bonds (excl. own bonds)	Agency bonds	Samurai bonds	M&A	
						Transaction value	Number of deals
1H FY2011 League Table							
1st	Daiwa Capital Markets 49.4%	Daiwa Capital Markets 29.8%	Nomura 23.8%	Nomura 26.6%	Nomura 18.6%	Deutsche Bank	Nomura
2nd	Nomura 41.3%	SMBC Nikko 26.4%	Mizuho 18.3%	SMBC Nikko 17.8%	Daiwa Capital Markets 17.8%	Goldman Sachs	SMFG
3rd	Mizuho 6.9%	Mizuho 17.9%	Mitsubishi UFJMS 17.2%	Mitsubishi UFJMS 16.5%	Mizuho 15.0%	Nomura	Mizuho
4th	Mitsubishi UFJMS 2.4%	Nomura 15.2%	Daiwa Capital Markets 17.1%	Mizuho 15.0%	Mitsubishi UFJMS 14.4%	BoA Merrill Lynch	Daiwa Securities Group
5th		Morgan Stanley MUFG 6.8%	SMBC Nikko 13.6%	Daiwa Capital Markets 11.5%	Citi group 10.1%	J.P.Morgan	Morgan Stanley
2Q FY2011 League Table							
1st	Daiwa Capital Markets 69.1%	SMBC Nikko 25.3%	Nomura 23.8%	Nomura 27.0%	Nomura 25.8%	Goldman Sachs	Nomura
2nd	Nomura 27.6%	Mizuho 22.1%	Daiwa Capital Markets 20.3%	Goldman Sachs 17.6%	Daiwa Capital Markets 21.9%	Deutsche Bank	Mizuho
3rd	Mizuho 3.3%	Daiwa Capital Markets 21.5%	Mizuho 18.6%	SMBC Nikko 15.5%	Mizuho 14.0%	Morgan Stanley	SMFG
4th		Nomura 20.1%	SMBC Nikko 15.7%	Mizuho 15.2%	Mitsubishi UFJMS 11.4%	SMFG	Daiwa Securities Group
5th		Morgan Stanley MUFG 9.0%	Mitsubishi UFJMS 13.3%	Mitsubishi UFJMS 11.4%	Citi group 11.0%	Daiwa Securities Group	Morgan Stanley

Source: Daiwa Securities Capital Markets Apr 2011-Sep 2011
 Note: Straight bonds, agency bonds and samurai bonds are based on launch date.
 Primary and secondary equity offerings are based on settlement date.
 IPO is based on listing date. Joint lead manager allotment is based on underwritten amount.

Source: THOMSON REUTERS Apr 2011-Sep 2011
 "M&A advisory league table for any Japanese involvement announced (AD19)"

Daiwa Asset Management

Financial Summary



(Y mil)	FY2010			FY2011		% Change vs 1Q FY11	FY2010	FY2011	% Change vs 1H FY10	FY2010
	2Q	3Q	4Q	1Q	2Q		1H	1H		
Operating revenues	17,922	18,451	18,174	19,123	19,032	-0.5%	36,022	38,155	5.9%	72,648
Management fee	17,836	18,367	18,095	19,039	18,938	-0.5%	35,840	37,977	6.0%	72,303
Equity investment trust	17,566	18,110	17,857	18,834	18,746	-0.5%	35,274	37,581	6.5%	71,241
Bond investment trust	270	256	238	204	191	-6.4%	566	396	-30.0%	1,061
Other operating revenues	86	84	78	84	93	11.1%	182	178	-2.2%	345
SG&A	14,651	15,181	14,915	15,690	15,628	-0.4%	29,454	31,318	6.3%	59,551
Commissions paid	10,248	10,477	10,322	10,754	10,640	-1.1%	20,637	21,394	3.7%	41,437
Other SG&A	4,402	4,704	4,592	4,935	4,988	1.1%	8,817	9,923	12.5%	18,114
Operating income	3,271	3,270	3,259	3,433	3,404	-0.9%	6,568	6,837	4.1%	13,097
Ordinary income	3,309	3,896	3,287	3,505	3,374	-3.7%	6,557	6,879	4.9%	13,741
Net income	1,939	2,485	1,893	1,932	2,120	9.7%	4,826	4,052	-16.0%	9,205

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