

**PASSION**  
FOR THE  
**BEST**

**Spring 2007**

# **Daiwa Securities Group Business Strategy**

**大和証券グループ本社**

**Daiwa Securities Group Inc.**

This presentation may contain forward-looking statements about the Daiwa Securities Group. You can identify these statements by the fact that they do not relate strictly to historic or current facts. These statements discuss future expectations, identify strategies, contain projections of results of operations or of financial condition or state other “forward-looking” information. These statements are based on currently available information and represent the beliefs of the management of the Daiwa Securities Group. These statements are subject to numerous risks and uncertainties that could cause the Daiwa Securities Group's actual results, performance, achievements or financial condition to differ materially from those described or implied in the forward-looking statements. The Daiwa Securities Group undertakes no obligation to publicly update any forward-looking statements after the date of this presentation. These potential risks and uncertainties include, but are not limited to: competition within the financial services industries in Japan and overseas, our ability to adjust our business focus and to maintain profitable strategic alliances, volatile and sudden movements in the international securities markets, foreign exchange and global economic situations affecting the Daiwa Securities Group.

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## **Review of Performance in FY06**



# Consolidated Financial Summary



| (Y mil)                | FY2006     | FY2005     | % Change vs FY05 | FY2006     |            | % Change vs 3Q FY06 |
|------------------------|------------|------------|------------------|------------|------------|---------------------|
|                        |            |            |                  | 4Q         | 3Q         |                     |
| Operating revenues     | 917,307    | 845,659    | 8.5%             | 255,138    | 242,778    | 5.1%                |
| Net operating revenues | 526,764    | 579,358    | -9.1%            | 143,501    | 141,919    | 1.1%                |
| SG&A                   | 340,372    | 325,199    | 4.7%             | 90,882     | 87,968     | 3.3%                |
| Ordinary income        | 195,415    | 260,651    | -25.0%           | 53,034     | 55,929     | -5.2%               |
| Net income             | 92,724     | 139,948    | -33.7%           | 25,842     | 26,754     | -3.4%               |
| Total assets           | 14,411,265 | 14,898,890 |                  | 14,411,265 | 14,493,949 |                     |
| Net assets*            | 1,223,225  | 1,028,800  |                  | 1,223,225  | 1,186,895  |                     |
| Shareholders' equity** | 929,525    | 792,081    |                  | 929,525    | 897,532    |                     |
| EPS (Y)                | 67.90      | 103.90     |                  | 18.51      | 19.17      |                     |
| BPS (Y)                | 665.98     | 598.27     |                  | 665.98     | 643.34     |                     |
| ROE (Annualized)       | 10.8%      | 19.4%      |                  | 11.3%      | 12.1%      |                     |

\* Due to the amendment of accounting standards, the item "net assets" has been added from FY2006. Past figures have been adjusted accordingly.

\*\* Shareholders' equity = owners' equity + valuation and translation adjustments (incl. deferred gain/loss on hedges)

| ROE                                  | FY06  | 4Q (Annualized) |
|--------------------------------------|-------|-----------------|
| Daiwa Securities                     | 17.6% | 20.3%           |
| Daiwa Securities SMBC (consolidated) | 8.5%  | 9.4%            |

| FY06 Dividend  |
|--|
| <b>FY06 Dividend per Share: 28yen</b><br>(including 12 yen interim dividend) |
| <b>Dividend Payout Ratio: 41.2%</b><br>(2H payout ratio 42.4%)               |

Dividend Payout Ratio=Dividend per share / Net income per share

# Consolidated P/L Summary



| (Y mil)  | FY2006         | FY2005  | % Change<br>vs<br>FY05 | FY2006        |        | % Change<br>vs<br>3Q FY06 | FY2006 |        | FY2005  |
|--|----------------|---------|------------------------|---------------|--------|---------------------------|--------|--------|---------|
|  |                |         |                        | 4Q            | 3Q     |                           | 2Q     | 1Q     |         |
| <b>Total commission</b>                          | <b>306,736</b> | 309,188 | <b>-0.8%</b>           | <b>81,489</b> | 90,278 | <b>-9.7%</b>              | 67,110 | 67,858 | 111,351 |
| <b>Equity</b>                                    | <b>98,986</b>  | 120,216 | <b>-17.7%</b>          | <b>28,569</b> | 23,895 | <b>19.6%</b>              | 19,658 | 26,863 | 36,874  |
| <b>Fixed income</b>                              | <b>2,666</b>   | 3,202   | <b>-16.7%</b>          | <b>660</b>    | 504    | <b>30.8%</b>              | 756    | 744    | 735     |
| <b>Investment trust</b>                          | <b>106,906</b> | 82,403  | <b>29.7%</b>           | <b>32,006</b> | 26,430 | <b>21.1%</b>              | 23,703 | 24,766 | 26,059  |
| <b>Investment banking</b>                        | <b>74,985</b>  | 82,735  | <b>-9.4%</b>           | <b>14,481</b> | 33,711 | <b>-57.0%</b>             | 17,351 | 9,440  | 39,479  |
| <b>Others</b>                                    | <b>23,190</b>  | 20,631  | <b>12.4%</b>           | <b>5,771</b>  | 5,736  | <b>0.6%</b>               | 5,640  | 6,042  | 8,202   |
| <b>Total gain/loss on trading</b>                | <b>157,332</b> | 224,912 | <b>-30.0%</b>          | <b>47,044</b> | 37,219 | <b>26.4%</b>              | 37,833 | 35,234 | 62,810  |
| <b>Gain/loss on trading<br/>(Equity)</b>         | <b>31,288</b>  | 124,270 | <b>-74.8%</b>          | <b>8,159</b>  | 10,902 | <b>-25.2%</b>             | -5,336 | 17,563 | 46,690  |
| <b>Gain/loss on trading<br/>(Bond and Forex)</b> | <b>126,044</b> | 100,641 | <b>25.2%</b>           | <b>38,885</b> | 26,317 | <b>47.8%</b>              | 43,170 | 17,671 | 16,119  |
| <b>Net financial income</b>                      | <b>19,207</b>  | 13,638  | <b>40.8%</b>           | <b>3,884</b>  | 5,597  | <b>-30.6%</b>             | 4,491  | 5,233  | 2,785   |

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**Achievement in FY06  
and  
Challenge for FY07**

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# Medium-term Management Plan

## Asset management Upward revision of management targets

|                           |                     |                     |
|---------------------------|---------------------|---------------------|
| Ordinary income:          | JPY 21bil or higher | JPY 30bil or higher |
| Equity investment trusts: | JPY 11tri or higher | JPY 14tri or higher |

### Management target for FY2008

**Consolidated ordinary income : JPY 350bil or higher**  
**Consolidated ROE : 15% or higher**

\* Consolidated ordinary income record high JPY339.1bil (3/1990)

#### Retail

Ordinary income:  
JPY 130bil or higher

Daiwa Securities  
assets under custody:  
JPY 45tri or higher

#### Wholesale

Consolidated ordinary income:  
JPY 190bil or higher

No.1 in league tables

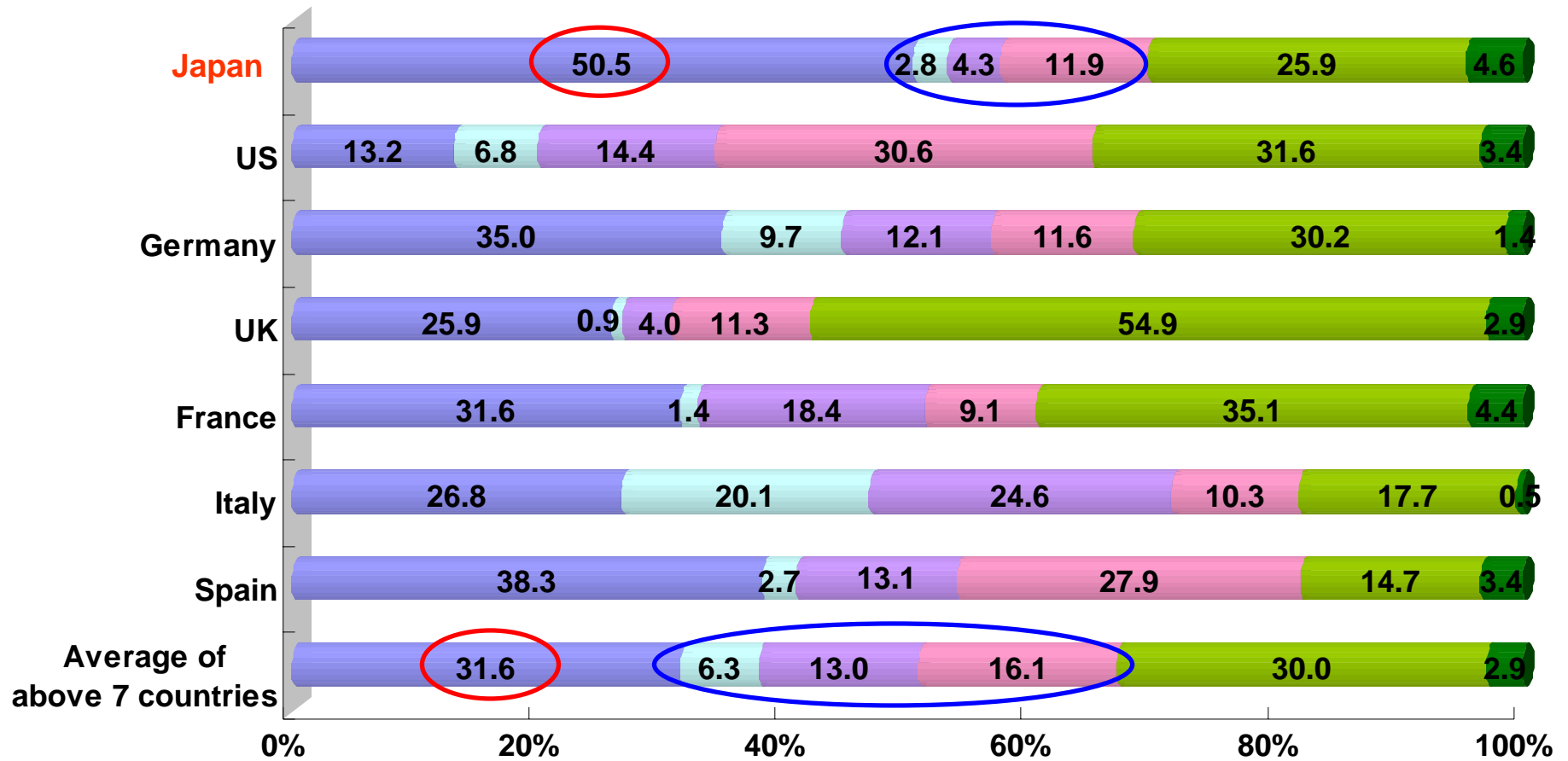
#### Asset management

Ordinary income:  
JPY 30bil or higher

Equity investment trusts :  
JPY 14tri or higher  
Investment advisory assets:  
JPY 5tri or higher

# Individual Financial Assets

Breakdown of Individual Financial Assets



Source: BOJ, FRB, Office for National Statistics, Deutsche Bundesbank, Banque de France, Banca d'Italia, Banco de Espana  
 Japan, US, UK figures are of 12/06. Germany, France, Italy, Spain figures are of 12/05.

# Retail Daiwa Securities Achievement in FY2006

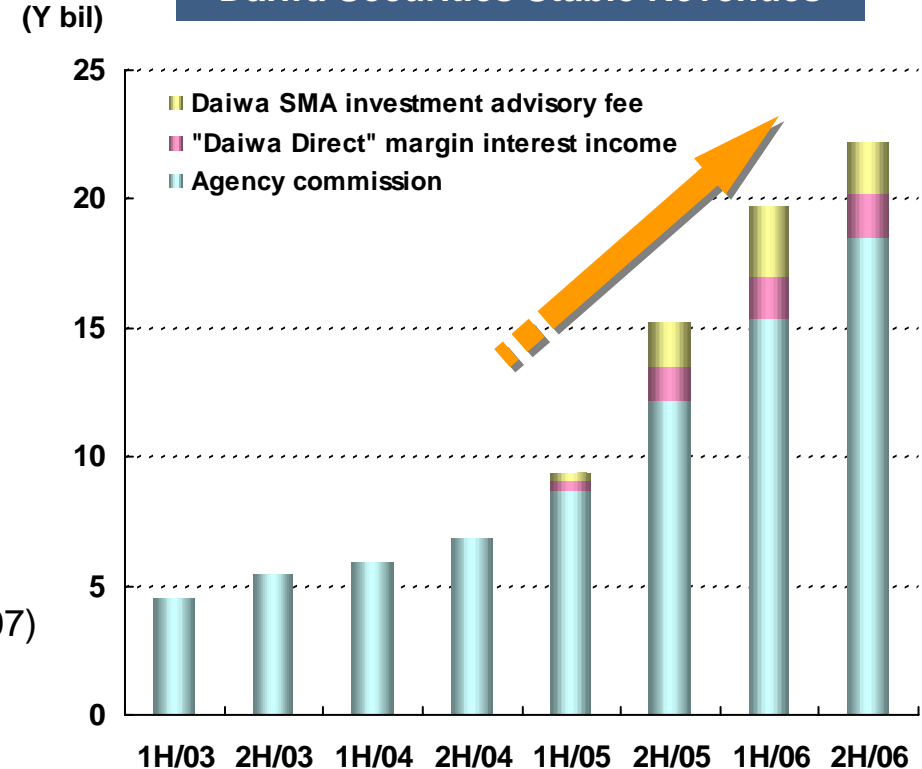
## Growth in stable revenues

- Investment trust agency commission
  - Exceeded JPY 3bil/month
- “Daiwa Direct” margin interest income
- Daiwa SMA investment advisory fee
  - Gain No.1 position in the same service category

## Growth in assets under custody

- Driven by expansion of investment trusts asset
  - Total assets under custody reached JPY 32.3tri (3/07)

## Daiwa Securities Stable Revenues



## Achievement result of FY 2006 major targets

- |   |                  |      |   |
|---|------------------|------|---|
| ■ Investment trust agency commission    | JPY 3.5bil/month | 3/07 | JPY 3.3bil/month                              |
| ■ Daiwa Global Bond Fund                | JPY 2tri         | 3/07 | JPY 1,656.9bil                                |
|   |                  |      | (Total including World Prime: JPY 1,697.5bil) |
| ■ Daiwa Japan High Dividend Equity Fund | JPY 500bil       | 3/07 | JPY 291.0bil                                  |
| ■ Daiwa Ryusei                          | JPY 500bil       | 3/07 | JPY 180.3bil                                  |

# Retail

## Daiwa Securities FY07 Challenges

### Investment trusts

- Strengthen product supply capability through collaboration with group companies
- Expand customers holding equity investment trusts

### Daiwa Direct

- Expand customer base by utilizing synergy of branch and internet

### Daiwa SMA

- Enhance investment management skill and expand investment styles
- Fund wrap service: prepare for commencement in 2H

### Securities backed loan

- Broaden customer base by increasing service recognition
- Changed collective name to “Daiwa LMS\*”  
\*LMS: Loan Management Service

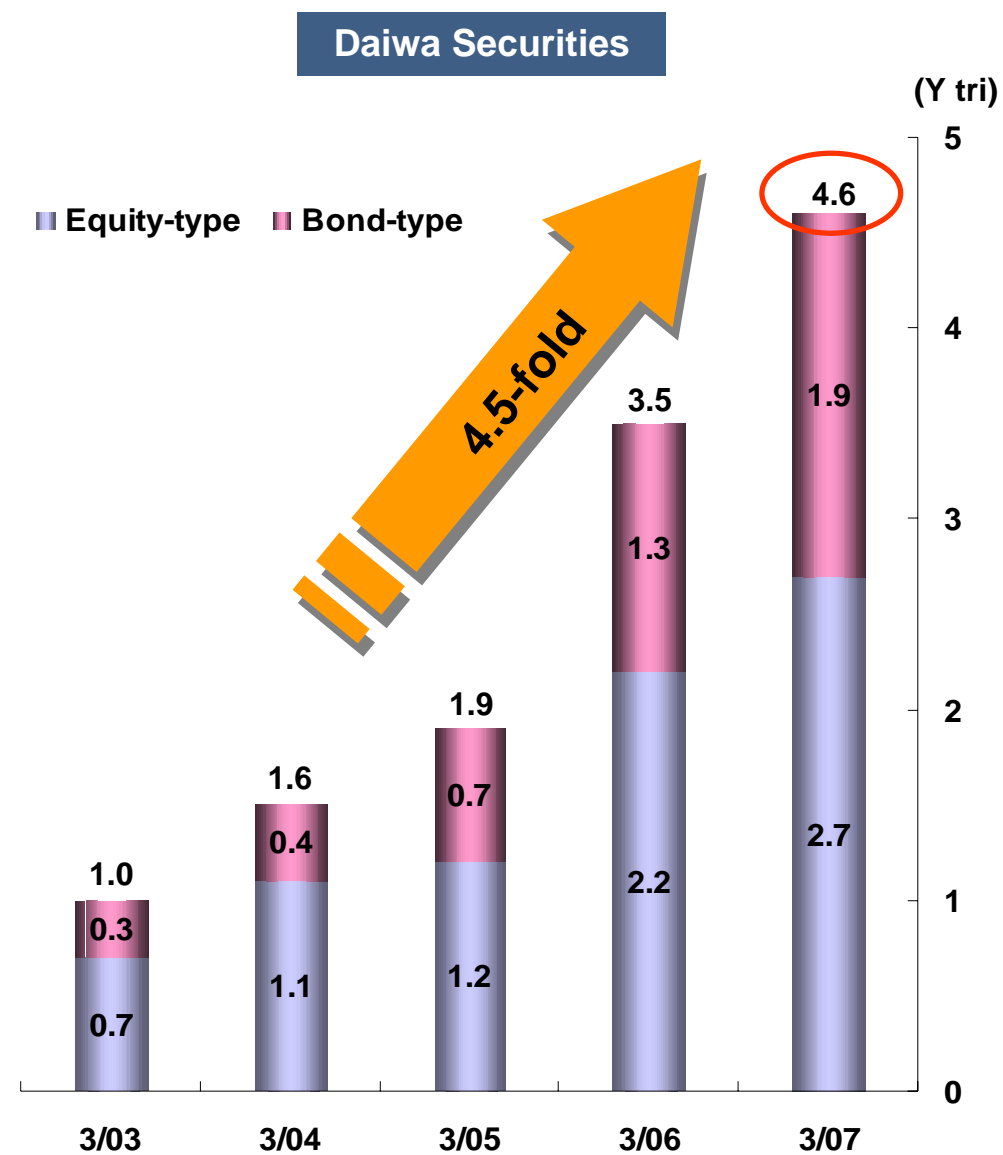
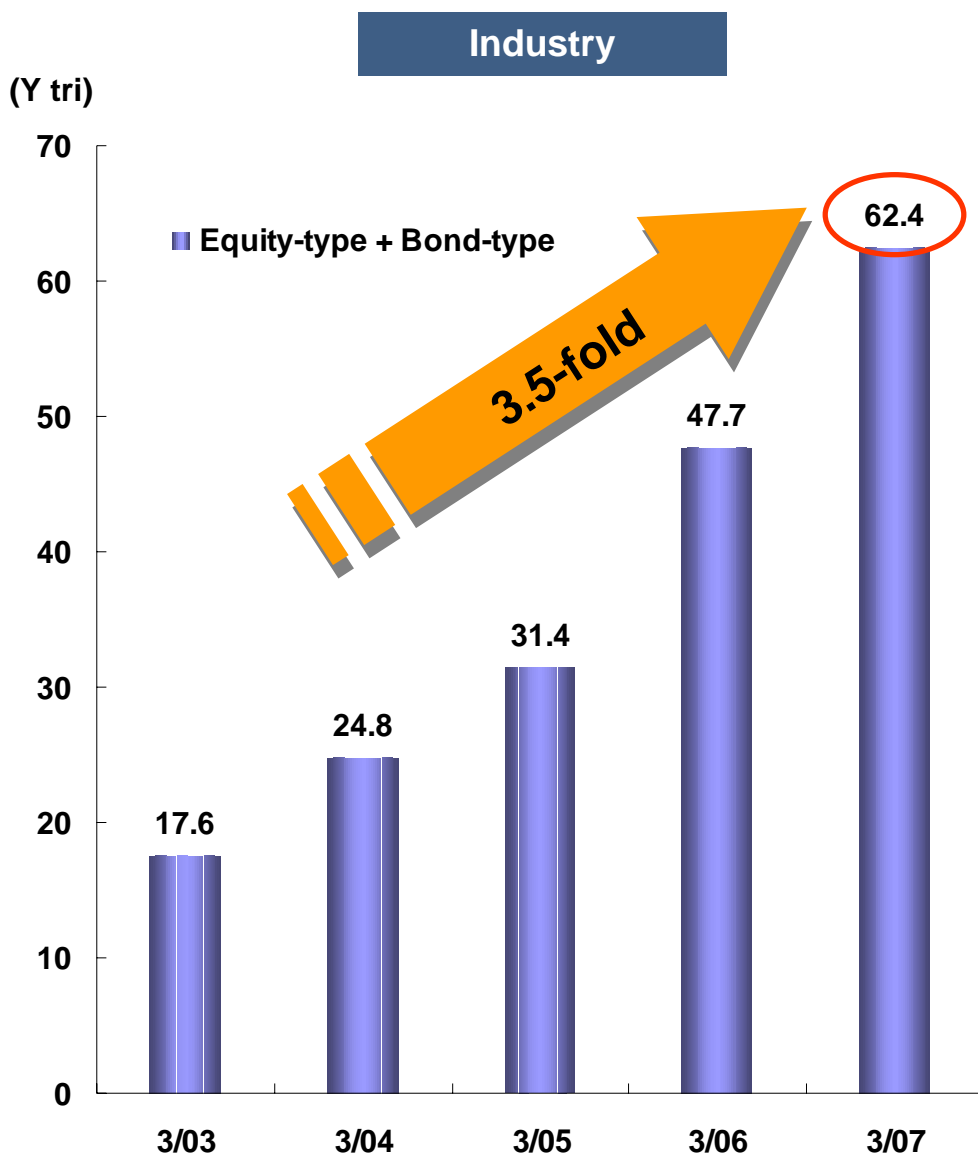
# Retail FY07 Target Figures



## Daiwa Securities FY07 Target Figures

|  |      |                  |                     |
|--|------|------------------|---------------------|
| ■ Investment trusts                          |      |                  |                     |
| ● Agency commission                          | 3/08 | JPY 4.8bil/month | (3/07 JPY3.3bil)    |
| ● Equity-type investment trusts              | 3/08 | JPY 3.9tri       | (3/07 JPY 2.7tri)   |
| ● Foreign bond-type investment trusts        | 3/08 | JPY 3.1tri       | (3/07 JPY 1.9tri)   |
| ■ Daiwa SMA contract assets under management | 3/08 | JPY 500bil       | (3/07 JPY 223.4bil) |
| ■ “Daiwa Direct” course margin balance       | 3/08 | JPY 500bil       | (3/07 JPY 182.4bil) |
| ■ JGB for individual investors               | 3/08 | JPY 2tri         | (3/07 JPY 1.3tri)   |
| ■ Foreign currency-denominated bond assets   | 3/08 | JPY 3tri         | (3/07 JPY 2.7tri)   |
| ■ Pension insurance assets                   | 3/08 | JPY 800bil       | (3/07 JPY 443.8bil) |

# Retail Equity Investment Trusts Under Custody



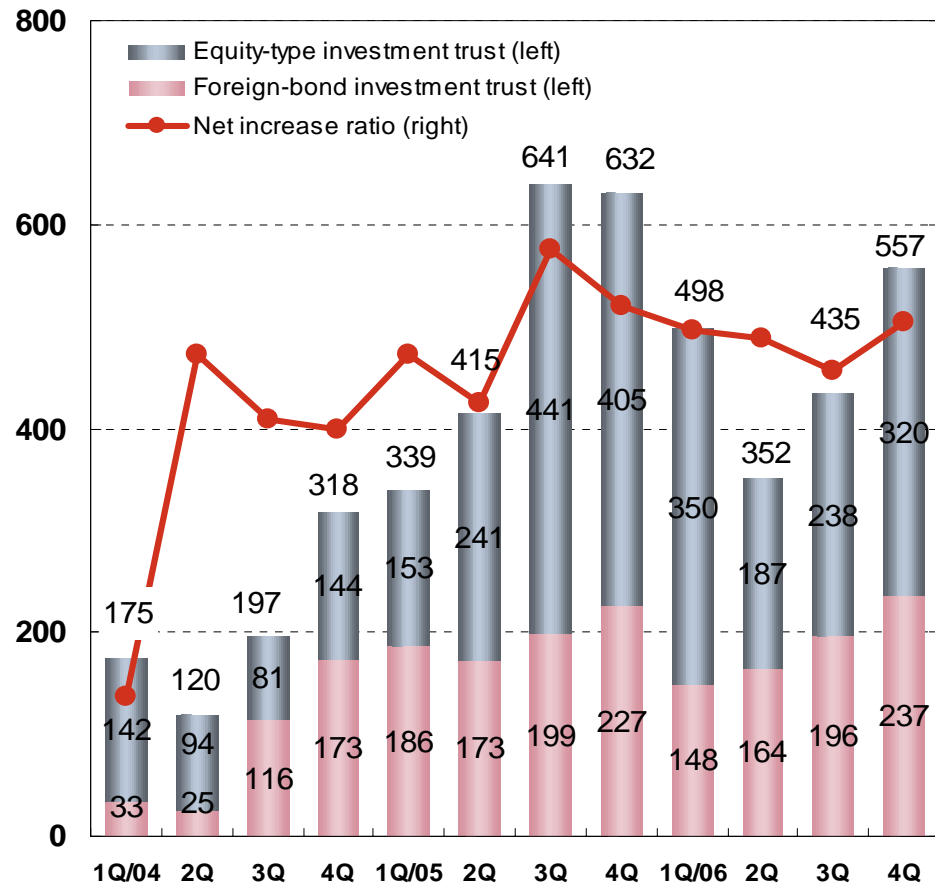
Total of domestic equity investment trusts and foreign investment trusts

# Retail Equity Investment Trusts



Sales and Net Increase Ratio of Equity Investment Trusts (Daiwa Securities)

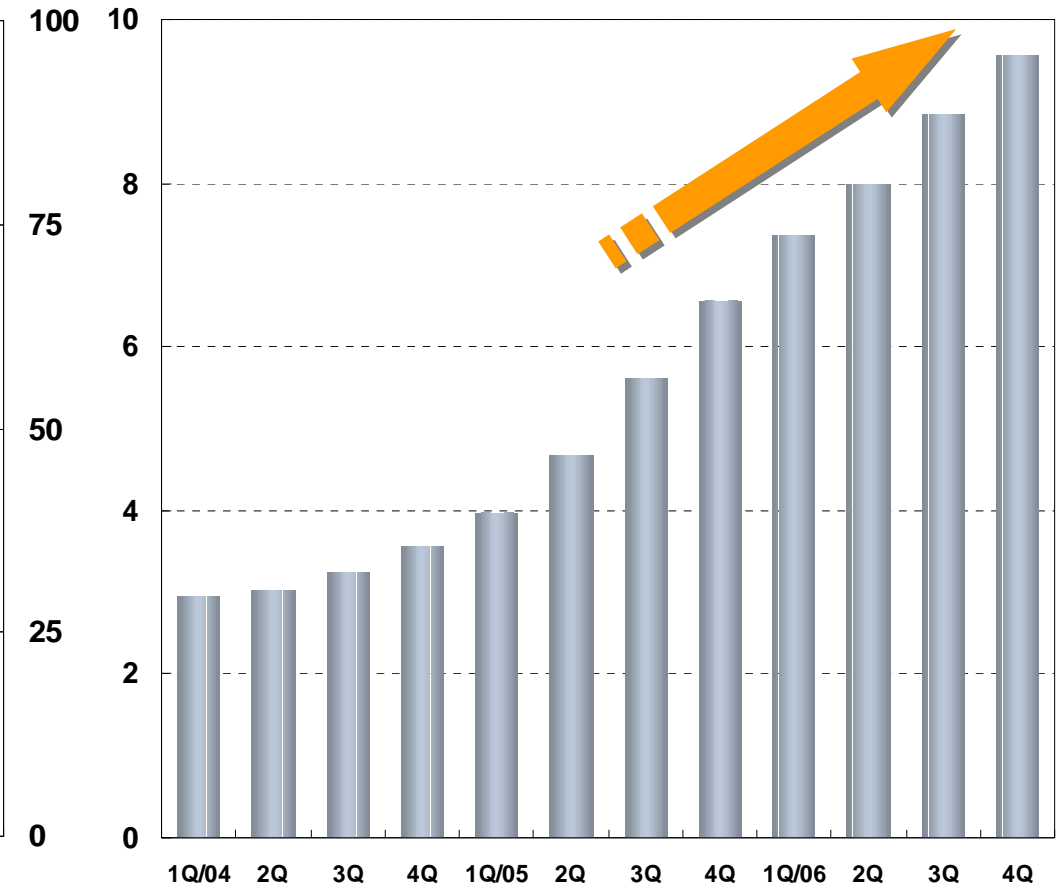
(Y bil)



Agency Commission (Daiwa Securities)

(%) (Y bil)

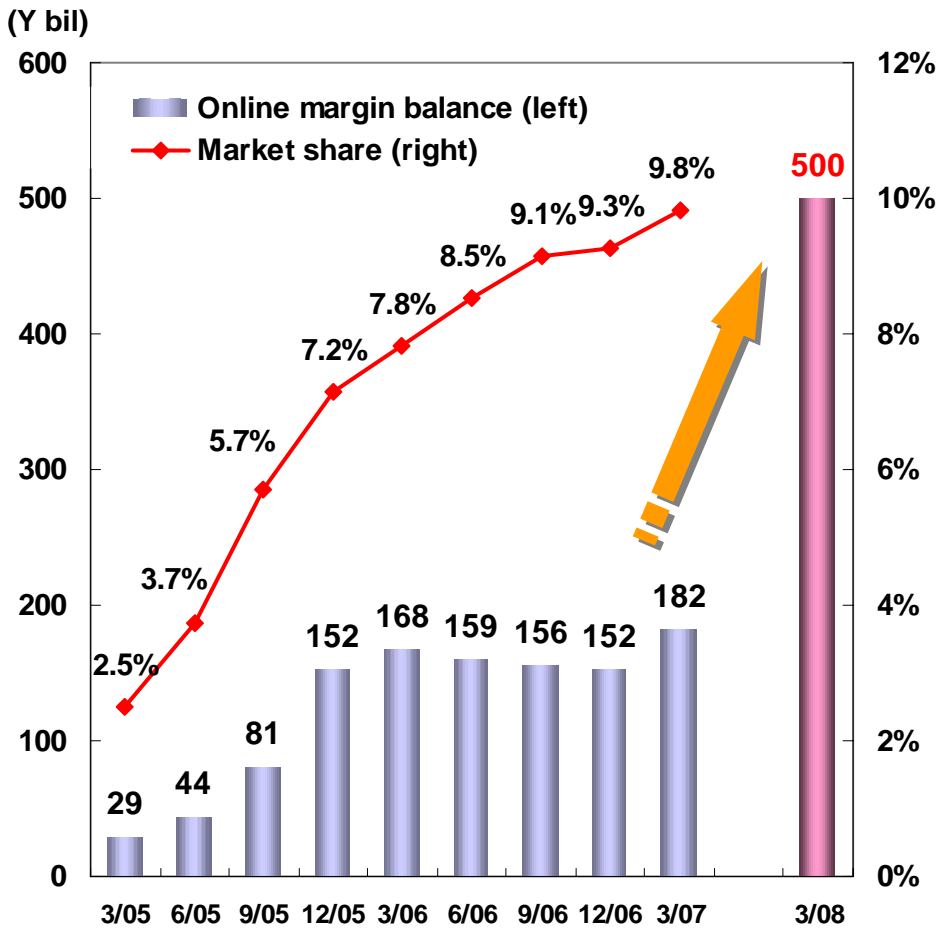
Targeting JPY 4.8bil/month by Mar.08



Note: Net increase ratio(%) = (purchase - redemption) / purchase × 100

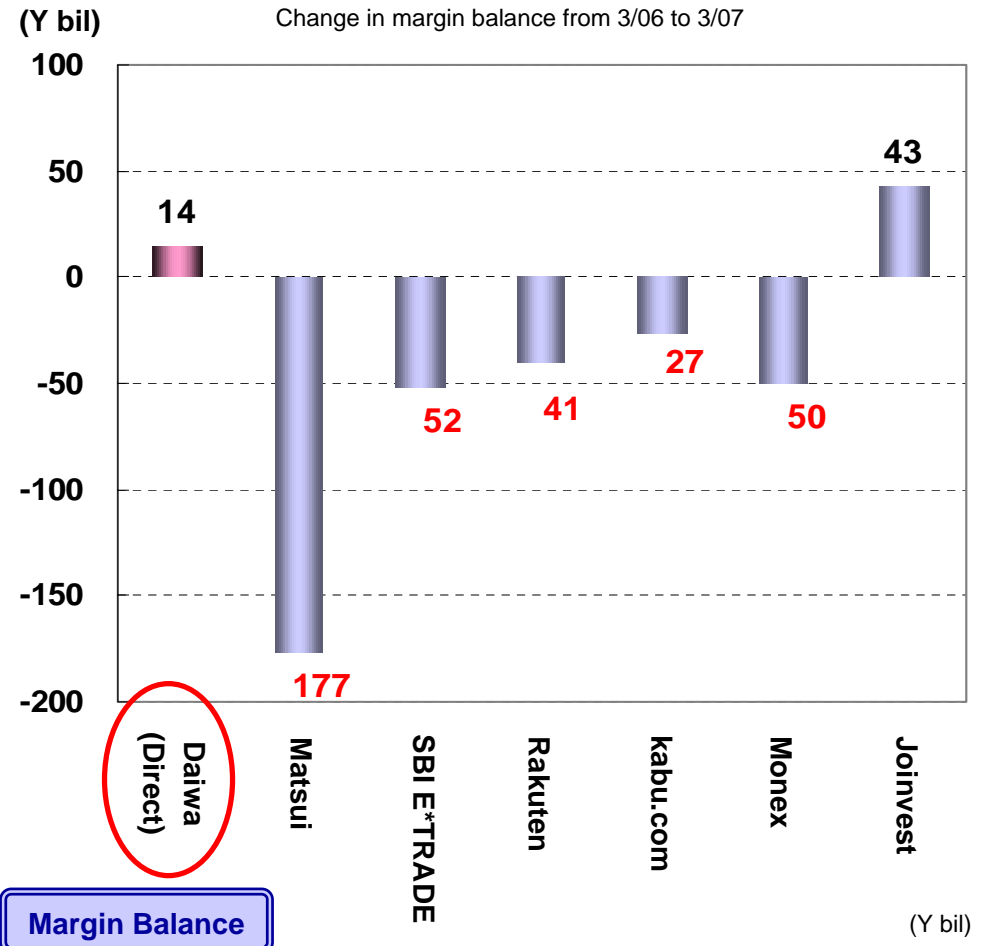
# “Daiwa Direct” Margin Trading Service

“Daiwa Direct” Course  
Online Margin Balance and Market Share



Market share is calculated based on disclosed information of 6 online brokers and “Daiwa Direct” course, excluding Joinvest up to 3/06.

Change in Margin Balance  
of Online Brokers



Margin Balance

|      | Daiwa (Direct) | Matsui | SBI E*TRADE | Rakuten | kabu.com | Monex | Joinvest |
|------|----------------|--------|-------------|---------|----------|-------|----------|
| 3/06 | 168.0          | 644.0  | 570.6       | 309.3   | 219.4    | 233.3 | -        |
| 3/07 | 182.4          | 467.3  | 519.1       | 268.6   | 192.8    | 183.4 | 42.9     |

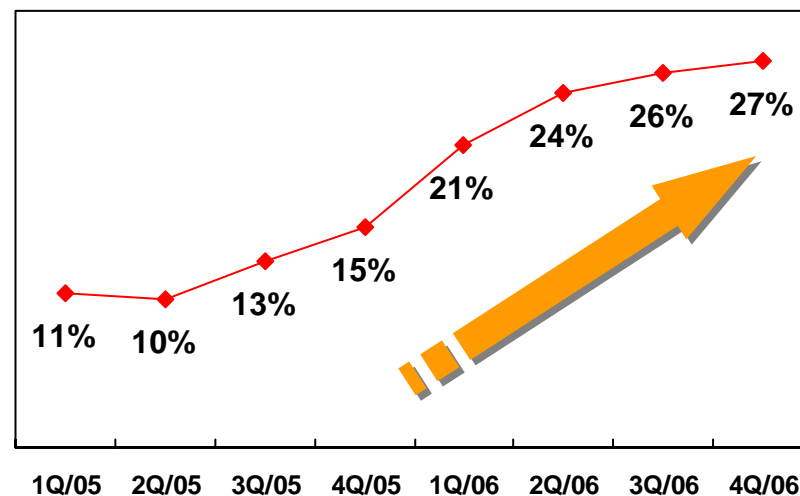
Based on disclosed information from each company

# “Daiwa Direct” Further Progress

## Diversification of revenue by expanding product lineup

- Expansion of products and functions
  - Launch exclusive online fund (Mar.07)  
JPM VISTA5 Fund: Net Assets JPY 7.9bil (as of May 14)
  - Commence “Daiwa Net Loan” (Feb.07)
  - Expand pension insurance products for “Daiwa Direct” course (Feb.07)
  - Renewal of “Foreign Bond Hypermap” (Mar.07)
- Full renewal of mobile phone website (Apr.07)
- Full renewal of website (Apr.07)

## Ratio of Revenues Other Than Equity Brokerage Commission\* to Online Revenues\*\*



\* Revenues other than equity brokerage commission: Bond revenue (including forex revenue), investment trust distribution commission, life insurance sales commission, agency commission, forex trading commission, margin interest income. Equity distribution commission is excluded.

\*\* Online revenues: Total of online transactions by “Daiwa Consulting” course customers and “Daiwa Direct” course customers

### Online Trading Seminar at Branch



## Synergy between branch and internet

- Enhance “Support at Branch ”
  - Hold weekend online trading seminars throughout branch network
- Enhance “Support by Online ”
  - Actively run online live seminars
  - Full renewal of website

# Preparing for 24-hour Online Trading Service



Japanese Equity  
Nighttime PTS Trading

Japanese Equity  
Brokerage

Hong Kong Equity  
Brokerage

US Equity Brokerage

Forex Trading

US Equity PTS Trading

JGB for Individuals

Foreign Bond

Investment Trust

24-hour Forex Trading

IPO Stock Draw Service

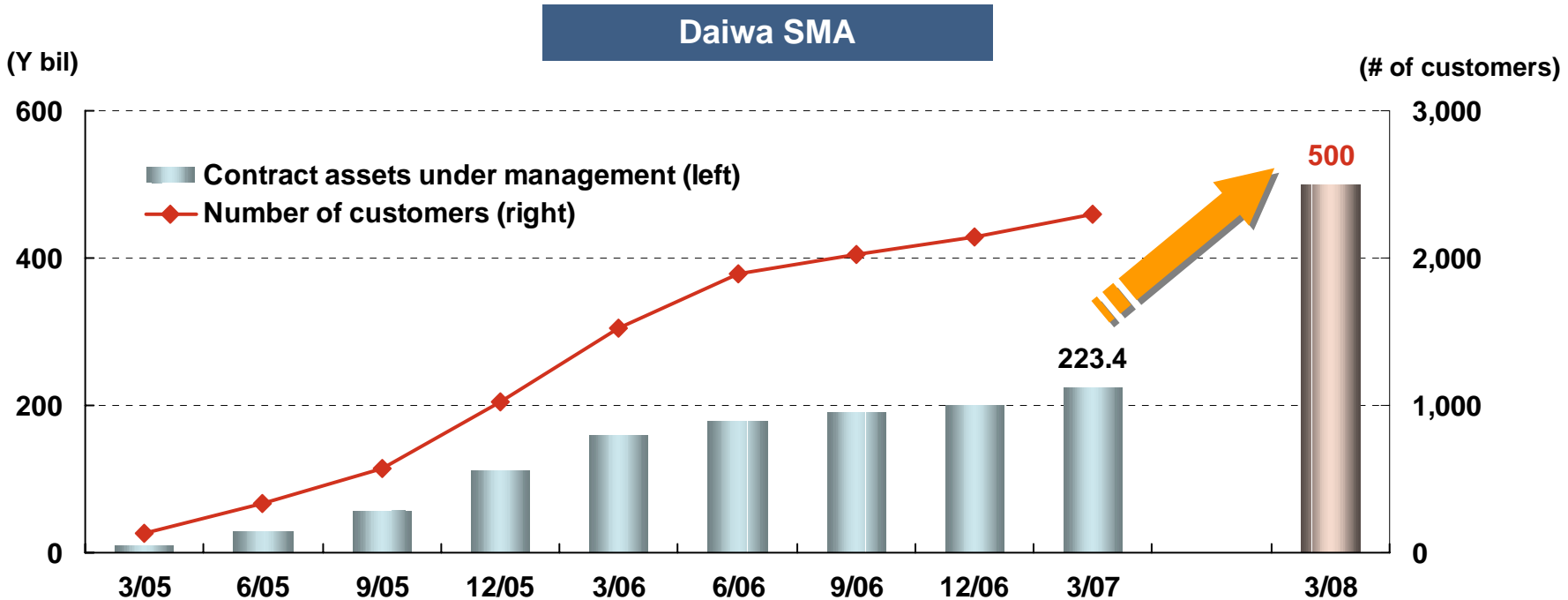
Daiwa Net Loan

# Retail Daiwa SMA

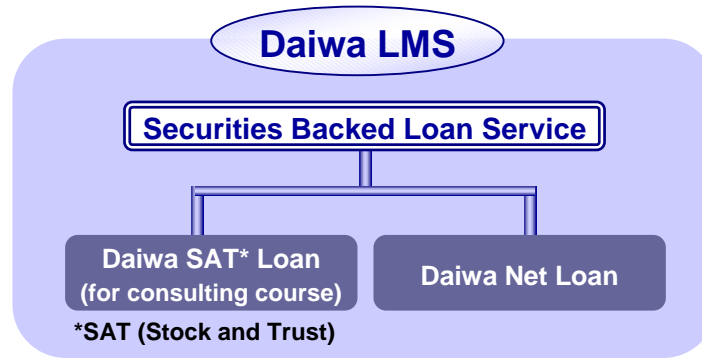


## Further progress of Daiwa SMA

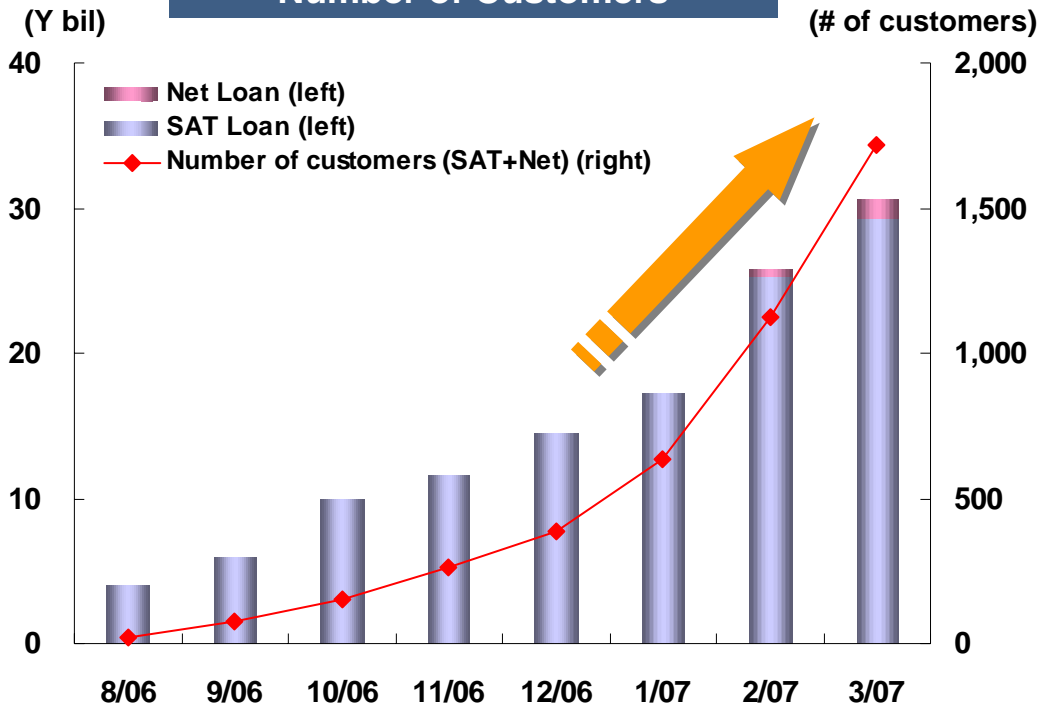
- Utilization of “Daiwa Wealth Management Singapore Pte. Ltd”.
  - Started management of hedge fund-type investment style “Daiwa Global Macro Fund”
- Starting fund wrap service
  - Meet asset management needs of the wealthy
  - Preparing for commencement in 2H



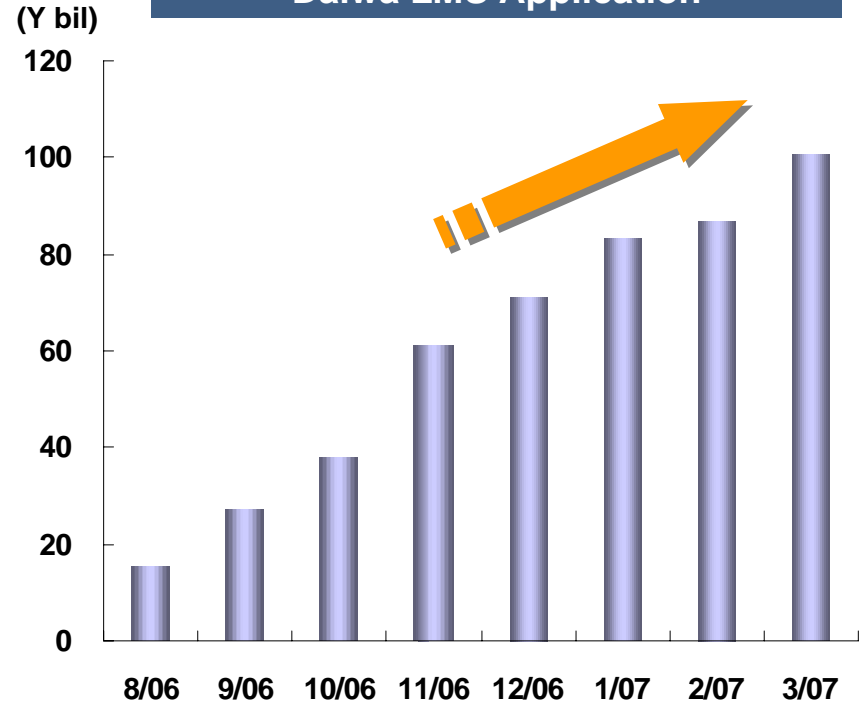
# Daiwa LMS (Loan Management Service)



**Daiwa LMS Loan Balance and Number of Customers**



**Inflow of Securities Associated With Daiwa LMS Application**



Inflow of securities since the beginning of the previous month of the date of application to Daiwa LMS

## Daiwa Securities SMBC FY07 Challenges

- **Reinforce business in Asia**
- **Strengthen M&A business**
- **Strengthen IPO & PO (Private and secondary equity offering) business**
- **Increase trading revenues**
- **Reinforce approach to regional financial institutions & public institutions**

# Wholesale Reinforce business in Asia

## Investment Banking

Become one of the leading investment banks in Asia

## M&A

Focus on cross-border deals with Asian companies

Increase executives in charge of Asia  
(North Asia Region / South Asia & Oceania Region)

Increase human resources  
Collaboration with SMBC

## Equity

Full-scale entry into Asian equity business

## Fixed Income

Expansion of fixed income business in Asian Market

# Wholesale Strengthening of M&A business

## Large cross-border deals

- Concentrate resources on IN-OUT deals
- Search for overseas investment opportunities, especially in Asia
- Tie-up with leading investment banks in the US

## Strategic M&A deals

- Market share expansion by integration of “winner” companies
- Expansion of core business domain

## MBO

- Medium-term business restructuring
- Business succession

## Establish Transaction Advisory Dept.

- Respond to deals requiring sophisticated expertise

## Capital & business alliance with US investment bank focused on M&A

- Build strong relationship including capital and personnel exchange
- Enhance ability to respond to cross-border M&A activities

|                    |   |
|--------------------|---|
| ■ Company Name     | <b>Sagent Advisors Inc.</b>   |
| ■ Head Office      | New York  |
| ■ Invested Capital | US\$ 52million (22% of Sagent’s shares)                                   |
| ■ Key Executives   | Joel J. Cohen / Chairman & Co-CEO<br>Herald L. Ritch / President & Co-CEO |

# Wholesale Major League Tables



## FY2006 Lead Manager League Table

|     | Total debt      | Corporate & Agency bonds | Total equity    | IPO             | Primary and secondary equity offerings |
|-----|-----------------|--------------------------|-----------------|-----------------|--|
| 1st | Daiwa Sec. SMBC | Mizuho                   | Nomura          | Daiwa Sec. SMBC | Nomura                                 |
|     | 18.3%           | 24.4%                    | 38.5%           | 29.1%           | 43.0%                                  |
| 2nd | Mizuho          | Daiwa Sec. SMBC          | Nikko Citigroup | Nomura          | Nikko Citigroup                        |
|     | 18.3%           | 22.0%                    | 16.8%           | 21.8%           | 20.4%                                  |
| 3rd | Mitsubishi UFJ  | Mitsubishi UFJ           | Daiwa Sec. SMBC | Nikko Citigroup | Daiwa Sec. SMBC                        |
|     | 16.1%           | 16.1%                    | 14.3%           | 17.4%           | 11.2%                                  |
| 4th | Nomura          | Nomura                   | Mizuho          | Goldman Sachs   | Mitsubishi UFJ                         |
|     | 10.6%           | 14.4%                    | 7.5%            | 16.7%           | 7.0%                                   |
| 5th | Nikko Citigroup | Nikko Citigroup          | Goldman Sachs   | Morgan Stanley  | Mizuho                                 |
|     | 6.6%            | 9.0%                     | 6.0%            | 5.2%            | 6.4%                                   |

Source: Daiwa Securities SMBC (Nikkei Bonds & Financial Weekly for ABS) Apr2006 – Mar2007

Note: Total debt (corporate bonds+agency bonds+samurai bonds+ABS) based on launch date.

Total equity (primary and secondary equity offerings+IPO+domestic CB+foreign equity+ overseas CB + SPS + REIT) based on settlement date. IPO based on listing date. Joint lead manager allotment based on underwritten amount.

## M&A Ranking (Jan-Mar)

| M&A               |                 |
|-------------------|-----------------|
| Transaction value | Number of deals |
| GCA               | Nomura          |
| Citigroup         | Mitsubishi UFJ  |
| Nomura            | Daiwa Sec. SMBC |
| Mizuho            | Mizuho          |
| Merrill Lynch     | Nikko Cordial   |

9th: Daiwa Sec. SMBC

Source: THOMSON FINANCIAL Jan-Mar 2007

“M&A advisory league table for any Japanese involvement announced (AD19)”

## Daiwa Securities SMBC Trends in Lead Manager League Table

|  | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 |
|--|------|------|------|------|------|------|
| Corporate & Agency bonds               | 1st  | 2nd  | 1st  | 1st  | 1st  | 2nd  |
| IPO                                    | 2nd  | 2nd  | 2nd  | 2nd  | 1st  | 1st  |
| Primary and secondary equity offerings | 4th  | 2nd  | 2nd  | 1st  | 2nd  | 3rd  |

Source: Daiwa Securities SMBC

# Wholesale High Commendation from Financial Journals



## Thomson DealWatch

- **Overall** House of the Year
- **Straight Bond** Straight Bond Debut Deal of the Year / #2 Kao Corporation
- **Samurai Bond** Samurai Bond House of the Year  
Samurai Bond of the Year / #1 AIG
- **Equity** IPO of the Year / Idemitsu Kosan

DealWatch Awards2006

## IFR

- **YEN BOND HOUSE**



## EUROMONEY (Japan)

- **M&A House of the Year**
- **Debt House of the Year**
- **Best Samurai Bond House**
- **Best IPO House**

EUROMONEY

## ASIAMONEY

- **Best M&A deal**  
Nippon Sheet Glass's acquisition of Pilkington
- **Best IPO**  
Nippon Commercial Investment Corporation IPO



## The Banker

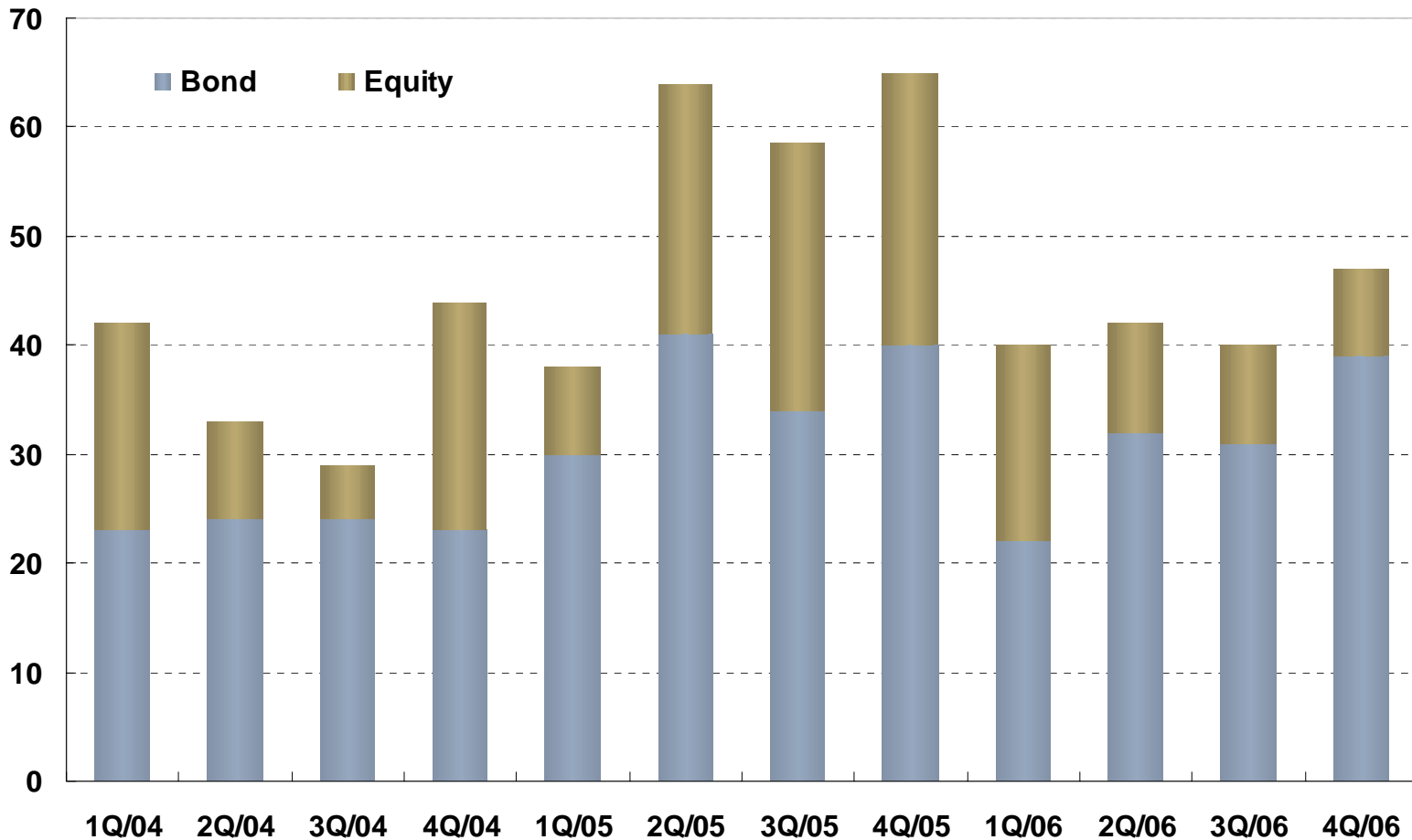
- **Deals of the Year (Japan)**  
Sumitomo Mitsui Financial Group  
Global Offering
- **Deals of the Year (Romania)**  
Banca Comerciala Romana  
Privatization



# Wholesale FY06 Trading Revenues

## Consolidated Equity & Bond Revenues (managerial accounting basis\*)

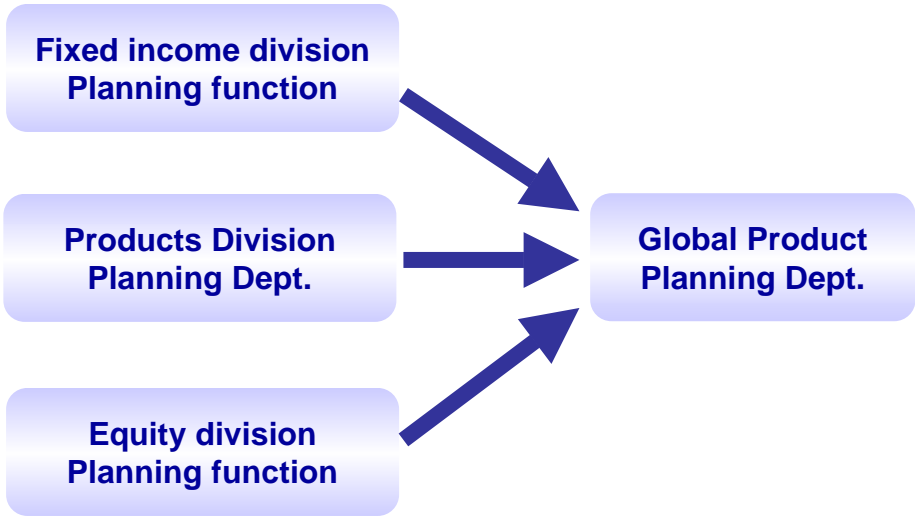
(Y bil)



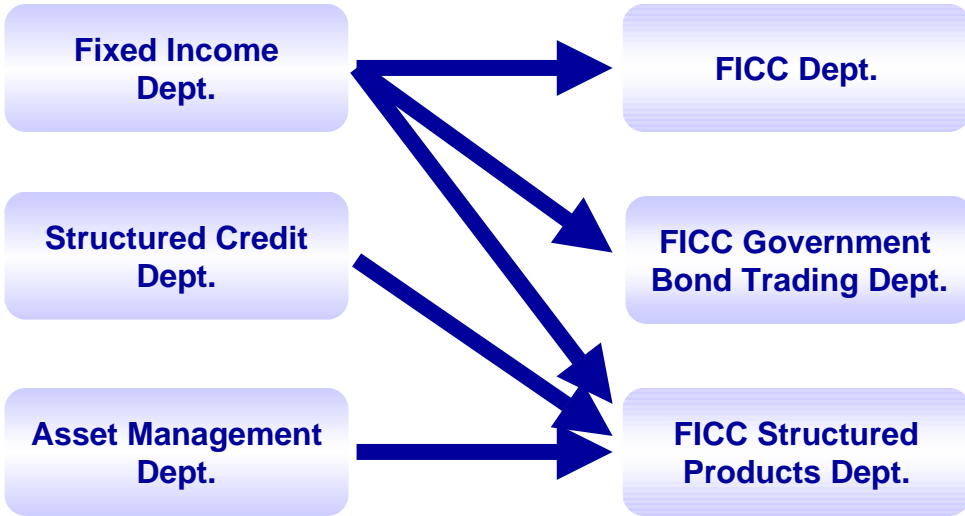
\* Trading gain/loss + net financial income

# Wholesale Increasing Trading Revenue (1)

## Concentration of Product Planning Functions




## Reorganization of Bond Division (to FICC\* Division)



\* Fixed income, currency and commodities

Promote cross-product plans and strategies



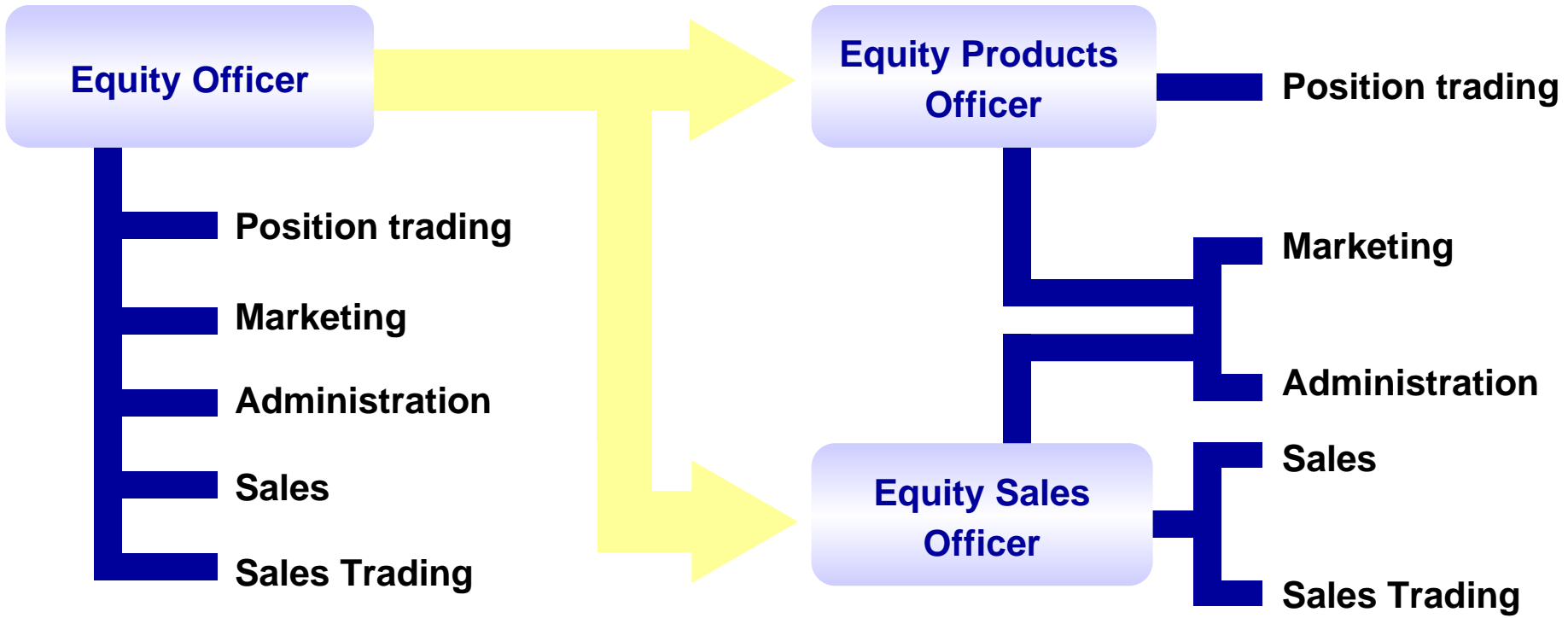
Unify equity and fixed income business strategies

- Cover overall financial market including currency and commodities in addition to fixed income
- Restructure organization by function for higher business efficiency

# Wholesale Increasing Trading Revenue (2)

## Reorganization of Equity Division

- Full-scale entry into Asian market
- Scale expansion of sales structure



# Wholesale Approach to Regional Financial & Public Institutions

**Change in business environment surrounding regional financial institutions and public institutions**

## Deregulation

**Securities intermediation**  
(Dec.04~ )

**Lifting of the ban on bank agency business**  
(Dec.05~ )

**Lifting of the ban on insurance sales by banks**  
(Dec.07~ )

## System Changes

**Implementation of New Corporation Law**  
(Jun.06~ )

**Implementation of new Basel Capital Accord**  
(Mar.07~ )

**Post Office privatization**  
(Oct.07~ )

**Implementation of Japanese SOX act**  
(Apr.08~ )

## Economic Environment

**Unwinding of cross-shareholdings**  
**Increase of foreign shareholders**

**Lifting of quantitative easing policy and zero interest policy**

**Revival of mega-banks**  
**Expansion of gap between urban and rural areas**

**Provide total solution on management and capital strategies to regional financial institutions and public institutions**

**Establish Regional Financial Institutions Dept.**

**Reorganization within Public Institutions Dept.**

# Asset Management Upward Revision of Management Targets

|                                  |                            |                            |
|----------------------------------|----------------------------|----------------------------|
| <b>Ordinary income:</b>          | <b>JPY 21bil or higher</b> | <b>JPY 30bil or higher</b> |
| <b>Equity investment trusts:</b> | <b>JPY 11tri or higher</b> | <b>JPY 14tri or higher</b> |

## Management target for FY2008

**Consolidated ordinary income : JPY 350bil or higher**  
**Consolidated ROE : 15% or higher**

\* Consolidated ordinary income record high JPY339.1bil (3/1990)

### Retail

**Ordinary income:**  
**JPY 130bil or higher**

**Daiwa Securities  
assets under custody:**  
**JPY 45tri or higher**

### Wholesale

**Consolidated ordinary income:**  
**JPY 190bil or higher**

**No.1 in league tables**

### Asset management

**Ordinary income:**  
**JPY 30bil or higher**

**Equity investment trusts :**  
**JPY 14tri or higher**  
**Investment advisory assets:**  
**JPY 5tri or higher**

# Asset Management Achievements in FY06



## Daiwa Asset Management

- **Funds under management of publicly offered equity investment trusts expanded to JPY 6.4tri**
  - Launched new large funds of over JPY 100bil
  - Annual growth rate of funds exceeded that of the industry, and market share exceeded 10%
  - FY06 ordinary income reached historical high

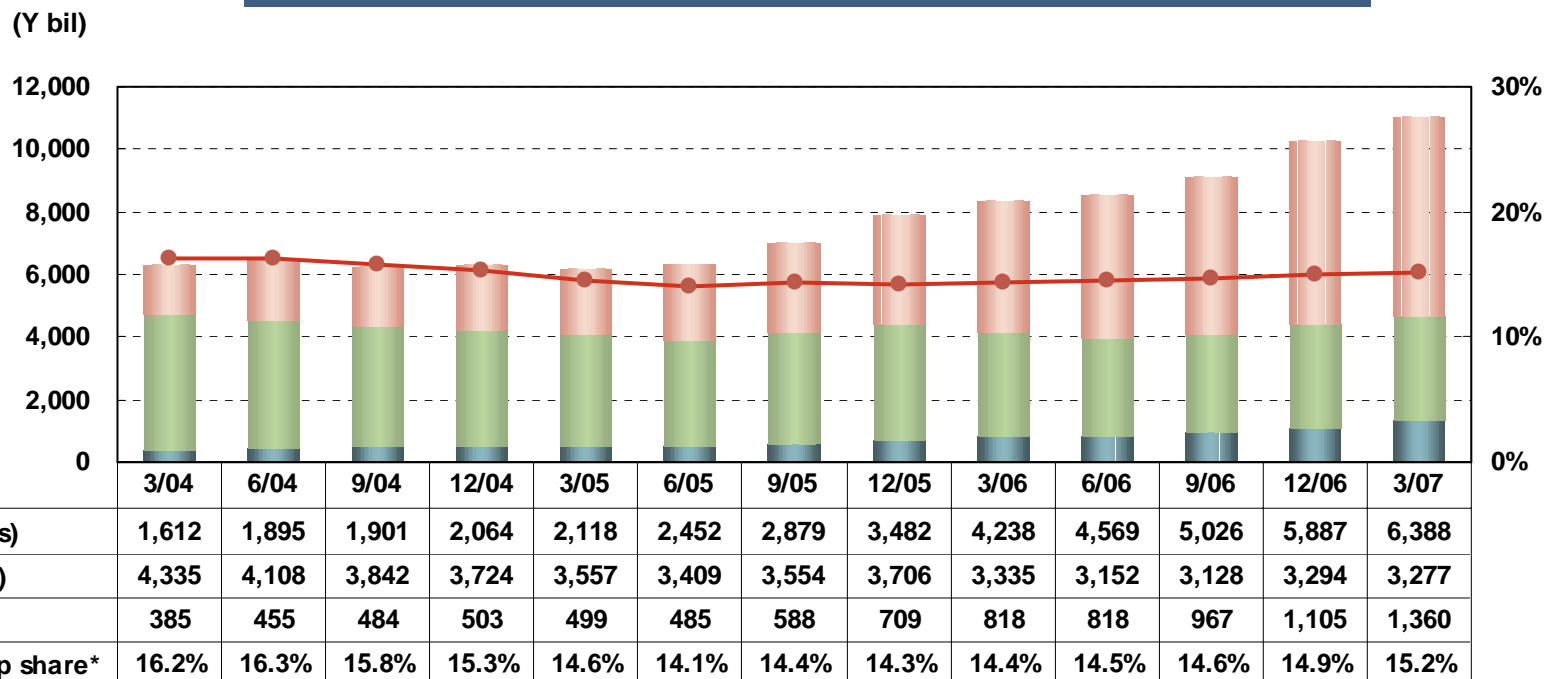
## Daiwa SB Investments

- **Funds under management of equity investment trusts expanded**
- **Investment advisory: large inflow of funds mainly from overseas clients**

# Asset Management Assets Under Management



## Funds Under Management of Publicly Offered Investment Trusts



\*Daiwa Asset Management + Daiwa SB Investments

## Contract Assets for Investment Advisory

| (Ybil)               | 3/04  | 6/04  | 9/04  | 12/04 | 3/05  | 6/05  | 9/05  | 12/05 | 3/06  | 6/06  | 9/06  | 12/06 | 3/07  |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Daiwa SB Investments | 2,803 | 3,066 | 2,954 | 3,194 | 3,158 | 3,201 | 3,715 | 4,106 | 4,070 | 3,913 | 4,106 | 4,292 | 4,374 |

# Asset Management FY07 Challenges

## Daiwa Asset Management

- Increase equity investment trusts under management
  - Develop large products that satisfy customer needs
  - Provide exclusive funds tailored to the characteristics of distributors
- Enhance in-house management structure in Asian markets

## Daiwa SB Investments

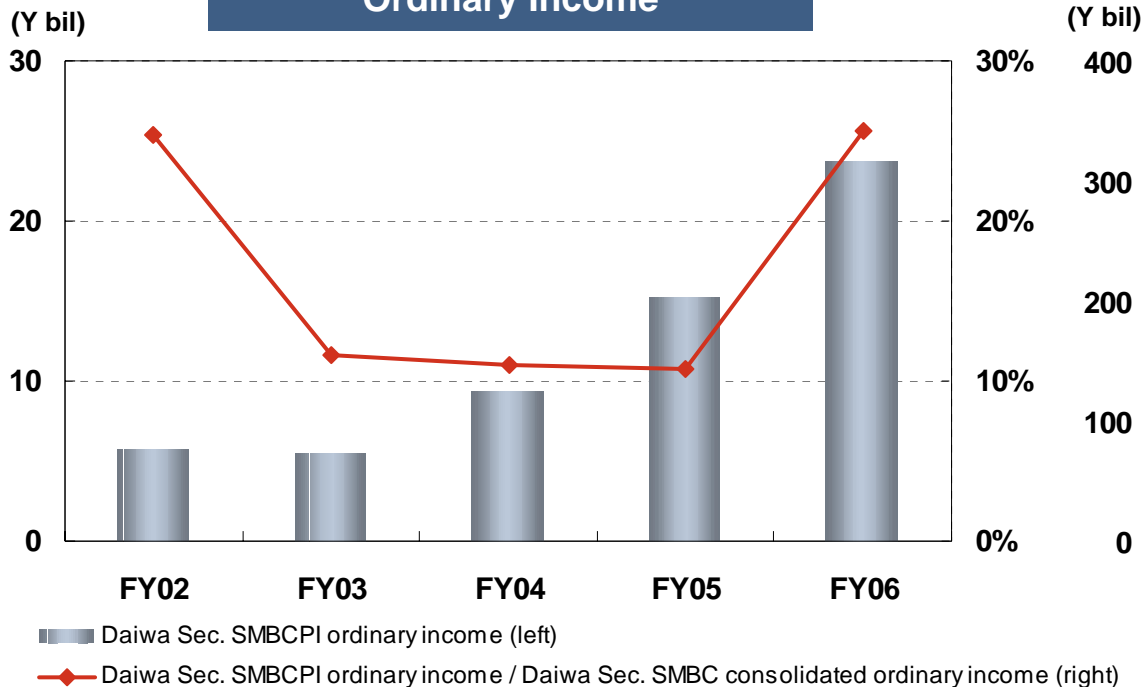
- Further strengthen investment capability by upgrading investment methods and research framework
- Diversify product lineup of domestic pension funds

## Daiwa Fund Consulting

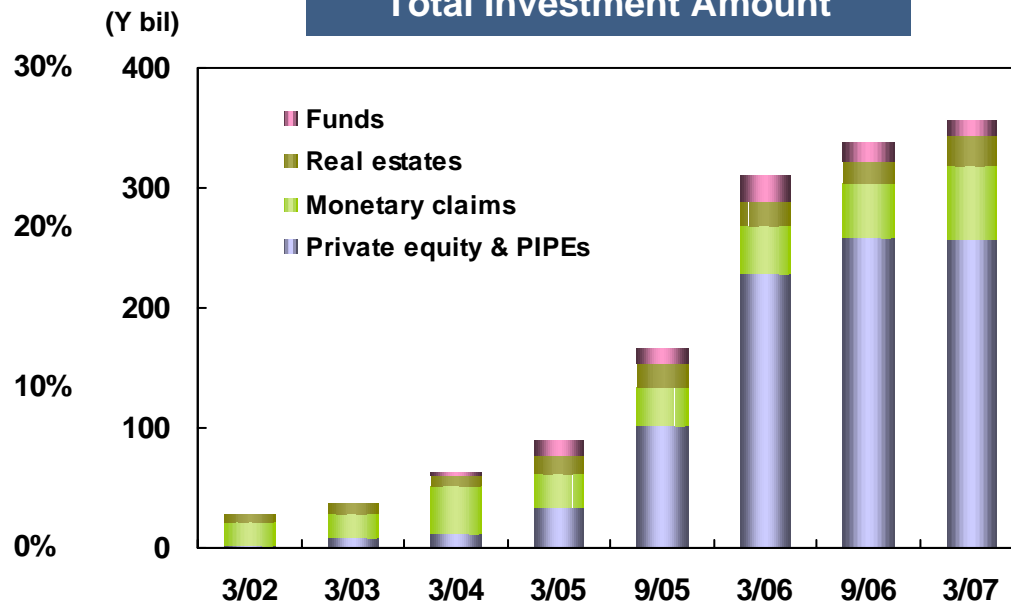
- Contribute to expansion of product lineup through investment advisory business
- Make further effort on fund of hedge funds

# Investments Daiwa Securities SMBC Principal Investments

Ordinary Income



Total Investment Amount



## Exits of investments

- **Sumitomo Mitsui Construction:**  
Sold part of the stock holdings through trust
- **Daiwa Seiko:**  
Sold part of the stock holdings to some of its business partners
- **Cabin:**  
Sold all stock holdings to FAST RETAILING
- **ling:**  
Sold all stock holdings to some of its related companies

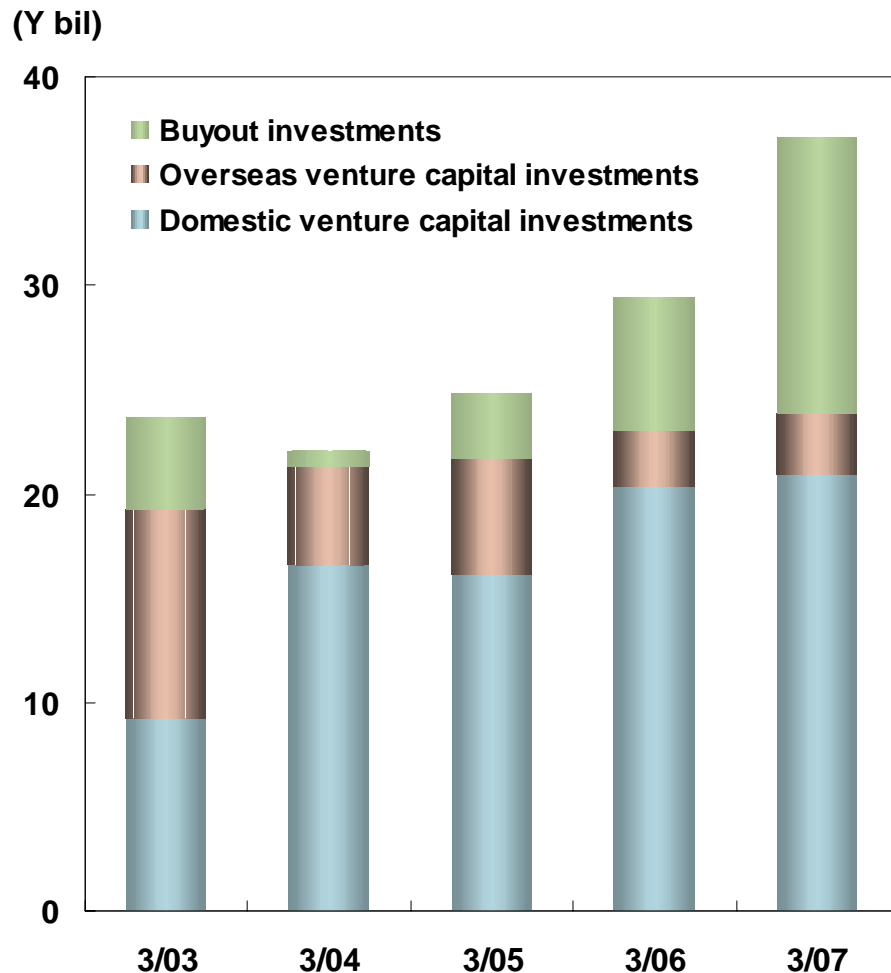
|  | 3/07 (change vs 12/06)   |
|--|--------------------------|
| <b>Total Investment amount:</b>          | <b>Y356bil (+Y17bil)</b> |
| <b>Private equity and PIPEs</b>          |                          |
| (Private Investment in Public Equities): | Y257bil (-Y 1bil)        |
| <b>Monetary claims:</b>                  | Y 61bil (+Y17bil)        |
| <b>Real estate:</b>                      | Y 26bil (+Y 4bil)        |
| <b>Funds:</b>                            | Y 12bil (-Y 3bil)        |

# Investments

## NIF SMBC Ventures



### Total Investment Amount



#### ■ Domestic venture capital investments

- Expand and reinforce information gathering system regarding investment deals
- Increase number of contacts

#### ■ Overseas venture capital investments

- Focus on Asia  
Full-scale operation of Hong Kong office
- Collaborate with EMP-Daiwa Capital Asia Limited
- Domestic and international cooperation

#### ■ Buyout investments

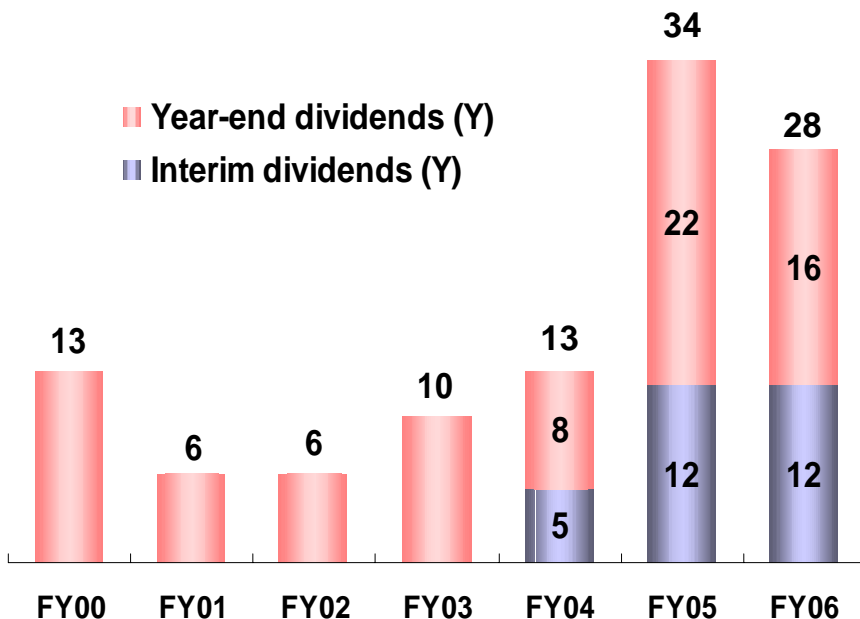
- Expand and reinforce information gathering system regarding investment deals
- Diversification of investment method

# Dividend Policy

Guideline for consolidated payout ratio: 30%

→ Adopting more proactive stance towards dividend payout depending on circumstances, according to capital allocation strategy

## Daiwa Securities Group Inc. Dividend



\*Interim dividend system was adopted in FY04

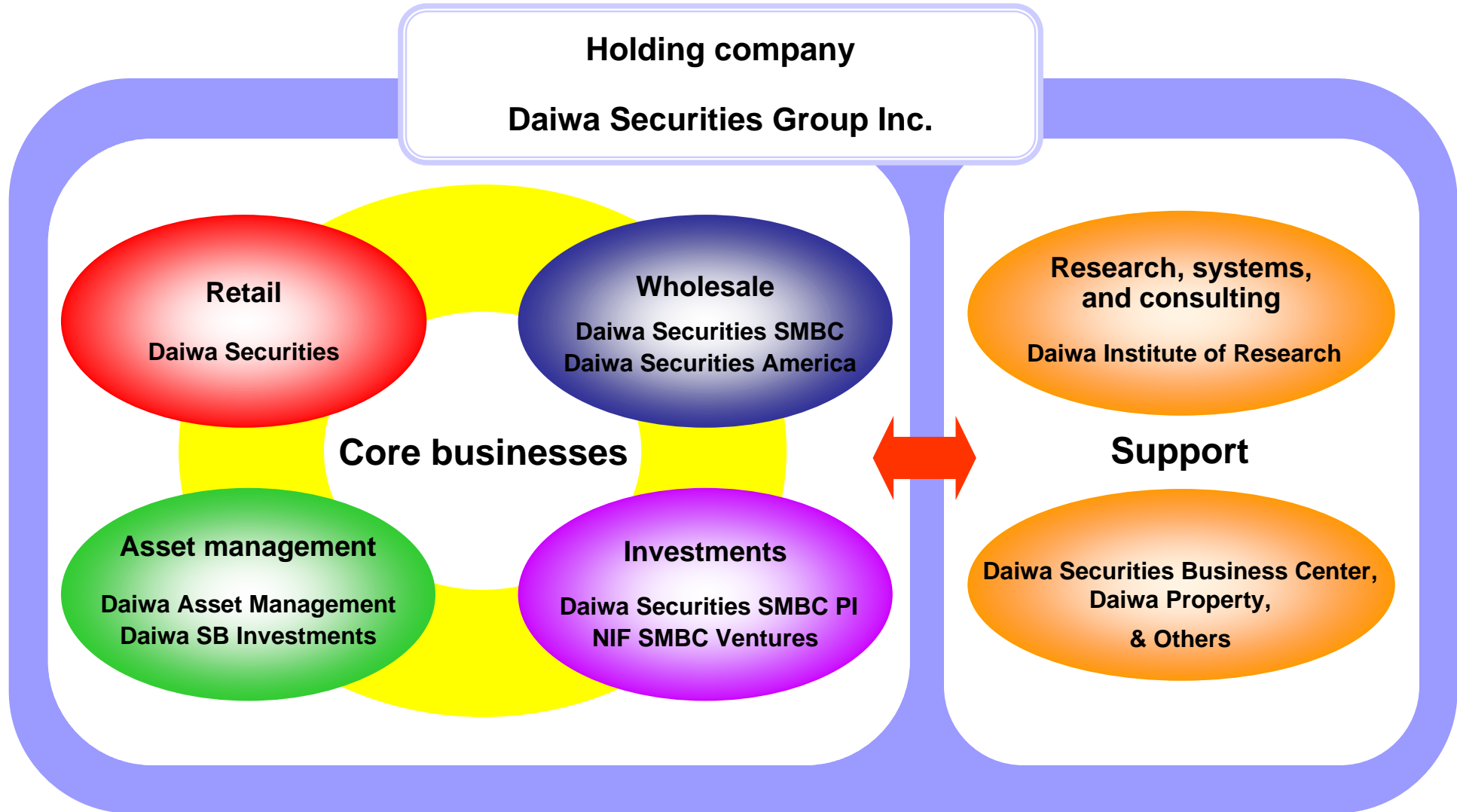


**FY06 Dividend per Share: 28yen**  
(including 12 yen interim dividend)

**Dividend Payout Ratio\* : 41.2%**  
(2H payout ratio 42.4%)

\*Dividend Payout Ratio=Dividend per share / Net income per share

# Business Structure





**Investor Relations  
Daiwa Securities Group Inc.**

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