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# **3Q FY2007**

# **Earnings Announcement**

**January 30, 2008**

**Daiwa Securities Group Inc.**

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# Consolidated Highlights

- Consolidated annualized ROE for 3Q: 7.7% (Retail 16.8% Wholesale 2.2%)  
1-3Q: 8.7% (Retail 18.1% Wholesale 3.3%)
- Total commission was Y72.6bil, down 3% q/q, as investment trust commission remained strong, while equity and investment banking commissions slowed down due to deteriorated market environment.
- Trading gain was Y41.6bil, up 70% q/q, as the gain in both equity and bond divisions recovered from a drop in 2Q.

## 3Q FY07 Highlights

- Net operating revenues: Y121.4bil, up 9% q/q.
- Ordinary income: Y30.5bil, up 44% q/q.
- Net income: Y17.2bil, up 17% q/q.

## 1-3Q FY07 Highlights

- Net operating revenues: Y377.0bil, down 2% y/y.
- Ordinary income: Y105.8bil, down 26% y/y.
- Net income: Y59.3bil, down 11% y/y.

# Consolidated Financial Summary

(Y mil)	FY2007		% Change vs 2Q FY07	FY2007	FY2006	% Change vs 1-3Q FY06	FY2006
	3Q	2Q		1-3Q	1-3Q		FY2006
Operating revenues	215,457	211,712	1.8%	681,153	662,169	2.9%	917,307
Net operating revenues	121,427	111,563	8.8%	377,059	383,262	-1.6%	526,764
SG&A	92,288	91,660	0.7%	277,568	249,490	11.3%	340,372
Ordinary income	30,511	21,204	43.9%	105,808	142,380	-25.7%	195,415
Net income	17,264	14,739	17.1%	59,339	66,881	-11.3%	92,724
Total assets	17,786,335	16,009,537		17,786,335	14,493,949		14,411,265
Net assets	1,178,456	1,194,358		1,178,456	1,186,895		1,223,225
Shareholders' equity*	893,223	907,597		893,223	897,532		929,525
EPS (Y)	12.59	10.63		42.87	49.34		67.90
BPS (Y)	651.36	661.84		651.36	643.34		665.98
ROE (Annualized)	7.7%	6.4%		8.7%	10.6%		10.8%

\* Shareholders' equity = owners' equity + valuation and translation adjustments

ROE (Annualized)	3Q	1-3Q
Daiwa Securities	16.8%	18.1%
Daiwa Securities SMBC (consolidated)	2.2%	3.3%

# Consolidated P/L Summary

(Y mil)	FY2007		% Change vs 2Q FY07	FY2007	FY2006		FY2007	FY2006	% Change vs 1-3Q FY06	FY2006
	3Q	2Q		1Q	4Q	3Q	1-3Q	1-3Q		
<b>Operating revenues</b>	<b>215,457</b>	211,712	<b>1.8%</b>	253,982	255,138	242,778	<b>681,153</b>	662,169	<b>2.9%</b>	917,307
<b>Commissions</b>	<b>72,602</b>	74,562	<b>-2.6%</b>	79,875	81,489	90,278	<b>227,041</b>	225,247	<b>0.8%</b>	306,736
<b>Net gain on trading</b>	<b>41,650</b>	24,440	<b>70.4%</b>	46,749	47,044	37,219	<b>112,840</b>	110,288	<b>2.3%</b>	157,332
<b>Net gain on private equity and other securities</b>	<b>723</b>	6,309	<b>-88.5%</b>	7,996	7,997	6,159	<b>15,029</b>	24,820	<b>-39.4%</b>	32,818
<b>Interest and dividend income</b>	<b>87,242</b>	95,909	<b>-9.0%</b>	105,893	103,258	98,432	<b>289,044</b>	270,194	<b>7.0%</b>	373,452
<b>Other revenues</b>	<b>13,239</b>	10,489	<b>26.2%</b>	13,468	15,348	10,688	<b>37,197</b>	31,619	<b>17.6%</b>	46,967
<b>Interest expenses</b>	<b>83,894</b>	92,357	<b>-9.2%</b>	99,362	99,373	92,834	<b>275,614</b>	254,871	<b>8.1%</b>	354,245
<b>Cost of sales</b>	<b>10,136</b>	7,791	<b>30.1%</b>	10,551	12,263	8,024	<b>28,478</b>	24,035	<b>18.5%</b>	36,298
<b>Net operating revenues</b>	<b>121,427</b>	111,563	<b>8.8%</b>	144,068	143,501	141,919	<b>377,059</b>	383,262	<b>-1.6%</b>	526,764
<b>SG&amp;A</b>	<b>92,288</b>	91,660	<b>0.7%</b>	93,619	90,882	87,968	<b>277,568</b>	249,490	<b>11.3%</b>	340,372
<b>Operating income</b>	<b>29,138</b>	19,902	<b>46.4%</b>	50,449	52,618	53,950	<b>99,491</b>	133,772	<b>-25.6%</b>	186,391
<b>Non-operating income</b>	<b>2,274</b>	1,823	<b>24.8%</b>	4,129	999	2,091	<b>8,227</b>	9,938	<b>-17.2%</b>	10,937
<b>Non-operating expenses</b>	<b>902</b>	521	<b>73.1%</b>	486	583	112	<b>1,910</b>	1,329	<b>43.7%</b>	1,913
<b>Ordinary income</b>	<b>30,511</b>	21,204	<b>43.9%</b>	54,092	53,034	55,929	<b>105,808</b>	142,380	<b>-25.7%</b>	195,415
<b>Extraordinary gains</b>	<b>219</b>	1,140	<b>-80.8%</b>	793	1,204	480	<b>2,153</b>	2,396	<b>-10.2%</b>	3,601
<b>Extraordinary losses</b>	<b>-65</b>	2,015	<b>-</b>	213	10,377	558	<b>2,162</b>	2,716	<b>-20.4%</b>	13,093
<b>Net income</b>	<b>17,264</b>	14,739	<b>17.1%</b>	27,335	25,842	26,754	<b>59,339</b>	66,881	<b>-11.3%</b>	92,724

# Consolidated Operating Revenues by Business Sector



(Y mil)	FY2007		% Change vs 2Q FY07	FY2007	FY2006		FY2007	FY2006	% Change vs 1-3Q FY06	FY2006
	3Q	2Q		1Q	4Q	3Q	1-3Q	1-3Q		
<b>Total commission</b>	<b>72,602</b>	74,562	<b>-2.6%</b>	79,875	81,489	90,278	<b>227,041</b>	225,247	<b>0.8%</b>	306,736
<b>Equity</b>	<b>20,578</b>	22,930	<b>-10.3%</b>	24,528	28,569	23,895	<b>68,037</b>	70,417	<b>-3.4%</b>	98,986
<b>Fixed income</b>	<b>485</b>	609	<b>-20.3%</b>	562	660	504	<b>1,656</b>	2,006	<b>-17.4%</b>	2,666
<b>Investment trust</b>	<b>36,396</b>	33,826	<b>7.6%</b>	37,181	32,006	26,430	<b>107,403</b>	74,900	<b>43.4%</b>	106,906
<b>Investment banking</b>	<b>9,545</b>	10,798	<b>-11.6%</b>	11,376	14,481	33,711	<b>31,721</b>	60,504	<b>-47.6%</b>	74,985
<b>Others</b>	<b>5,596</b>	6,397	<b>-12.5%</b>	6,227	5,771	5,736	<b>18,221</b>	17,419	<b>4.6%</b>	23,190
<b>Total gain/loss on trading</b>	<b>41,650</b>	24,440	<b>70.4%</b>	46,749	47,044	37,219	<b>112,840</b>	110,288	<b>2.3%</b>	157,332
<b>Gain/loss on trading (Equity)</b>	<b>5,329</b>	-4,150	-	19,380	8,159	10,902	<b>20,559</b>	23,129	<b>-11.1%</b>	31,288
<b>Gain/loss on trading (Bond and Forex)</b>	<b>36,321</b>	28,591	<b>27.0%</b>	27,368	38,885	26,317	<b>92,281</b>	87,159	<b>5.9%</b>	126,044
<b>Gain/loss on private equity and other securities</b>	<b>723</b>	6,309	<b>-88.5%</b>	7,996	7,997	6,159	<b>15,029</b>	24,820	<b>-39.4%</b>	32,818
<b>Net financial income</b>	<b>3,347</b>	3,551	<b>-5.7%</b>	6,530	3,884	5,597	<b>13,430</b>	15,322	<b>-12.4%</b>	19,207

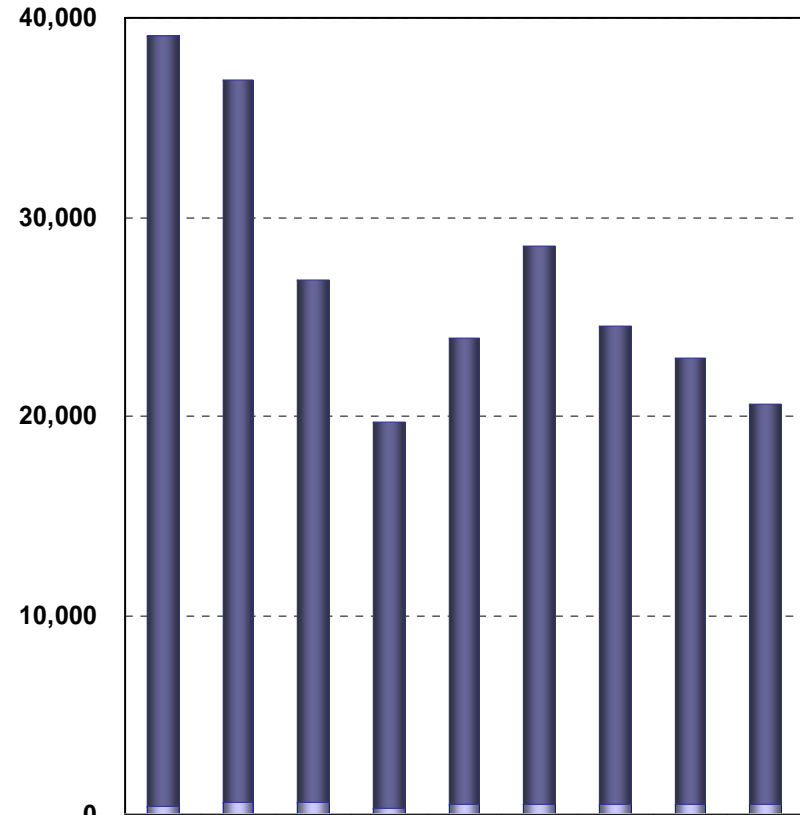
# Consolidated Equity Brokerage Commission



(Y mil)	FY2007 3Q	%Change vs 2Q FY07	FY2007 1-3Q	%Change vs 1-3Q FY06
Brokerage commission	20,100	-10.6%	66,608	-3.5%
Others	478	4.6%	1,429	2.4%
<b>Total</b>	<b>20,578</b>	<b>-10.3%</b>	<b>68,037</b>	<b>-3.4%</b>

(Y mil)

Quarterly Trend

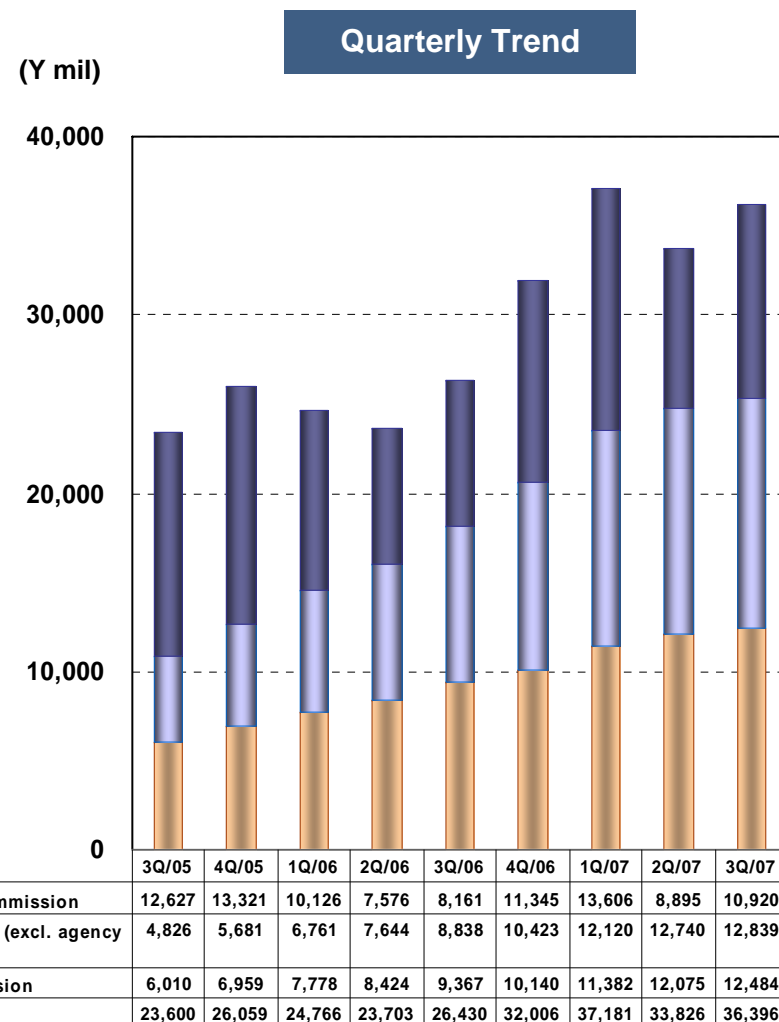


	3Q/05	4Q/05	1Q/06	2Q/06	3Q/06	4Q/06	1Q/07	2Q/07	3Q/07
■ Brokerage commission	38,628	36,249	26,269	19,335	23,416	28,040	24,034	22,473	20,100
■ Others	447	625	594	323	478	528	493	457	478
<b>Total</b>	<b>39,075</b>	<b>36,874</b>	<b>26,863</b>	<b>19,658</b>	<b>23,895</b>	<b>28,569</b>	<b>24,528</b>	<b>22,930</b>	<b>20,578</b>

- 3Q average daily trading value on the TSE was Y2,861bil, down 7.4% q/q.
- 3Q market share on TSE:  
 Daiwa Securities: 0.8% (2Q: 0.9%)  
 Daiwa Securities SMBC: 5.3% (2Q: 5.2%)
- 3Q online ratio for trading value by individuals at Daiwa Securities was 69.7%. (2Q: 65.5%)
- 3Q average brokerage commission rate at Daiwa Securities was 37bp.

# Consolidated Investment Trust Commission

(Y mil)	FY2007 3Q	% Change vs 2Q FY07	FY2007 1-3Q	% Change vs 1-3Q FY06
Brokerage commission	150	31.5%	337	53.2%
Distribution commission	10,920	22.8%	33,422	29.2%
Management fee	25,324	2.0%	73,643	50.9%
Agency commission	12,484	3.4%	35,942	40.6%
<b>Total</b>	<b>36,396</b>	<b>7.6%</b>	<b>107,403</b>	<b>43.4%</b>



- 3Q Management fee was Y25.3bil, up 2% q/q, marking record high consecutively following 2Q, due to an increase in equity investment trust assets under management.
- Net assets under management of “World Prime” exceeded Y490bil (12/07)
- Major Fund Launched during 3Q:  
(Net assets under management as of 12/07)

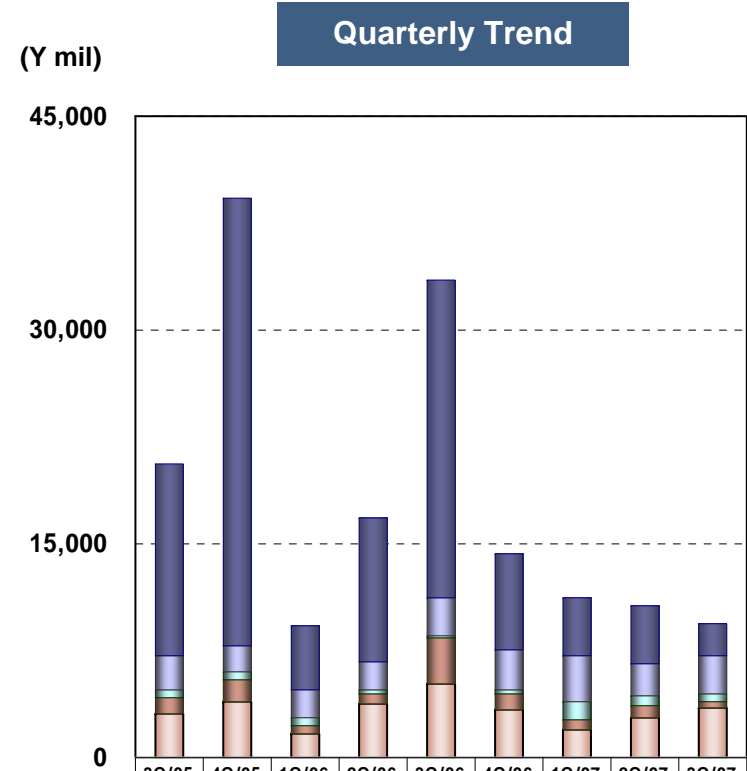
BNP Paribas Brazil Fund: Y137.9bil  
Daiwa Dynamic Indian Stock Fund: Y49.2bil

(\* )Total includes brokerage commission for ETFs.

# Consolidated Investment Banking Commission



(Y mil)	FY2007 3Q	% Change vs 2Q FY07	FY2007 1-3Q	% Change vs 1-3Q FY06
Underwriting commission (Equity)	2,289	-44.7%	10,596	-71.2%
Underwriting commission (Bond)	2,650	21.1%	7,992	22.1%
Distribution commission	501	-35.9%	2,498	153.3%
Others	3,945	9.7%	10,266	-32.4%
M&A commission	3,534	23.7%	8,405	-20.3%
<b>Total</b>	<b>9,545</b>	<b>-11.6%</b>	<b>31,721</b>	<b>-47.6%</b>



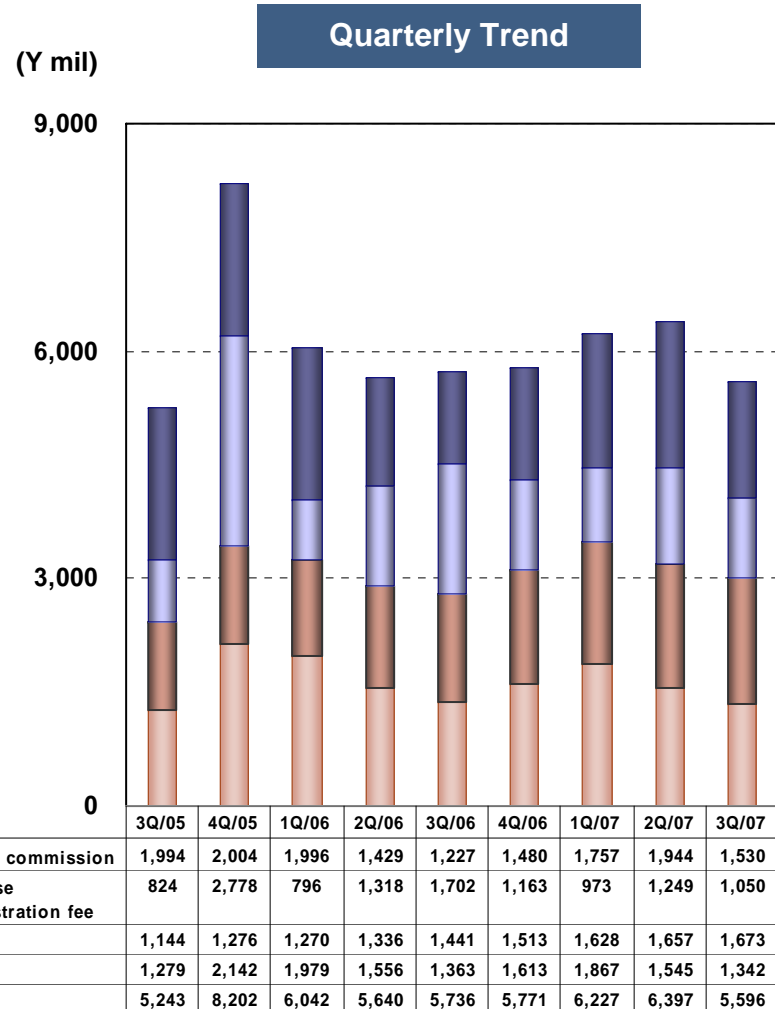
	3Q/05	4Q/05	1Q/06	2Q/06	3Q/06	4Q/06	1Q/07	2Q/07	3Q/07
■ Underwriting commission (Equity)	13,504	31,398	4,370	10,181	22,301	6,657	4,166	4,139	2,289
■ Underwriting commission (Bond)	2,277	1,854	2,059	1,869	2,619	2,858	3,152	2,189	2,650
■ Distribution commission	586	474	497	269	219	323	1,215	781	501
■ Others (excl. M&A commission)	1,142	1,543	646	806	3,181	1,028	711	738	411
■ M&A commission	3,085	3,978	1,617	3,716	5,218	3,392	2,014	2,857	3,534
<b>Total</b>	<b>21,193</b>	<b>39,479</b>	<b>9,440</b>	<b>17,351</b>	<b>33,711</b>	<b>14,481</b>	<b>11,376</b>	<b>10,798</b>	<b>9,545</b>

- Total amount of primary and secondary equity offering in the domestic market was Y41.2bil, fell significantly from Y228.3bil in 2Q.
- Sony Financial Holdings accounted for 90% of the overall domestic IPO market of Y383.3bil in 3Q.
- Debt issuance market remained active in 3Q.
- 3Q M&A commission was Y3.5bil, up 24% q/q, due to an steady increase in advisory deals.

# Consolidated Other Commissions

(Y mil)	FY2007 3Q	% Change vs 2Q FY07	FY2007 1-3Q	% Change vs 1-3Q FY06
Life insurance sales commission	1,530	-21.3%	5,232	12.5%
Investment enterprise partnership administration fee	1,050	-15.9%	3,273	-14.2%
Custody fee	1,673	1.0%	4,959	22.5%
Others	1,342	-13.1%	4,755	-2.9%
<b>Total</b>	<b>5,596</b>	<b>-12.5%</b>	<b>18,221</b>	<b>4.6%</b>

- Life insurance sales commission was Y1.5bil, down 21% q/q, as sales slowed down despite the launch of a new product.
- Others fell by 13% q/q due to a decline in investment advisory fee of Daiwa SMA, affected by a weak stock market.



# Consolidated Equity & Bond Division Revenues

(Trading gain/loss + net financial income)\*



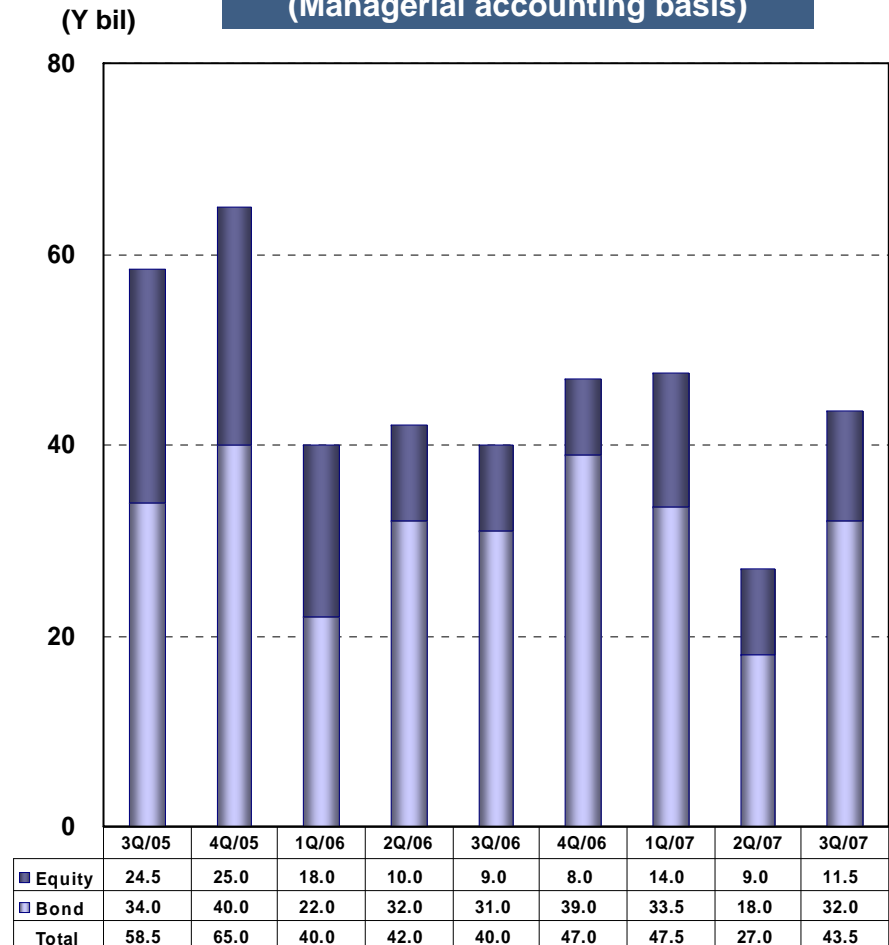
\* Managerial accounting basis

(Y bil)	FY2007 3Q	%Change vs 2Q FY07	FY2007 1-3Q	%Change vs 1-3Q FY06
Equity	11.5	27.8%	34.5	-6.8%
Bond	32.0	77.8%	83.5	-1.8%
Total	43.5	61.1%	118.0	-3.3%

<Reference>  
Net Gain/Loss on Trading (Accounting basis)

(Y mil)	FY2007 3Q	% Change vs 2Q FY07	FY2007 1-3Q	% Change vs 1-3Q FY06
Equity	5,329	-	20,559	-11.1%
Bond and forex	36,321	27.0%	92,281	5.9%
Total	41,650	70.4%	112,840	2.3%

Quarterly Trend  
(Managerial accounting basis)

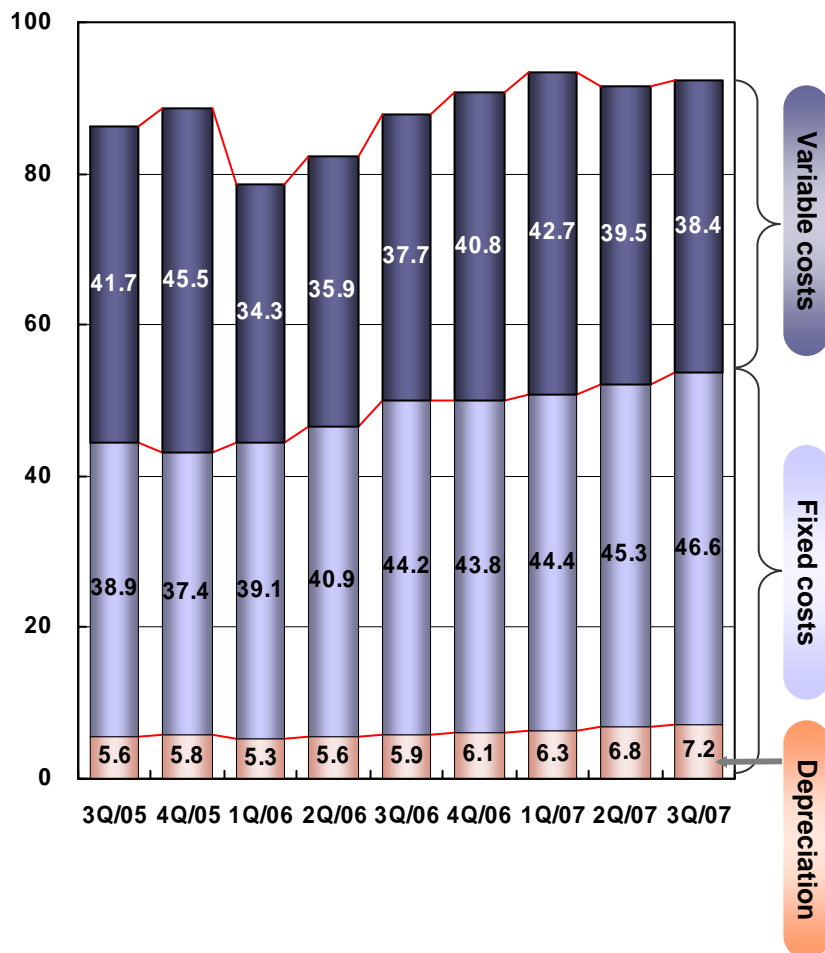


# Consolidated Breakdown of SG&A

(Y mil)	FY2007		% Change vs 2Q FY07	FY2007	FY2006		FY2007	FY2006	% Change vs 1-3Q FY06	FY2006
	3Q	2Q		1Q	4Q	3Q	1-3Q	1-3Q		
<b>SG&amp;A</b>	<b>92,288</b>	91,660	<b>0.7%</b>	93,619	90,882	87,968	277,568	249,490	<b>11.3%</b>	340,372
<b>Fees and commissions paid</b>	<b>20,432</b>	23,071	<b>-11.4%</b>	20,301	20,367	17,954	63,805	51,071	<b>24.9%</b>	71,438
<b>Advertising expenses</b>	<b>2,777</b>	3,624	<b>-23.4%</b>	3,550	3,186	2,677	9,953	7,816	<b>27.3%</b>	11,002
<b>Personnel costs</b>	<b>41,038</b>	38,823	<b>5.7%</b>	44,335	42,059	41,811	124,197	121,319	<b>2.4%</b>	163,379
<b>Real estate expenses</b>	<b>9,709</b>	9,804	<b>-1.0%</b>	8,958	11,033	10,756	28,472	27,812	<b>2.4%</b>	38,846
<b>Office expenses</b>	<b>7,557</b>	7,474	<b>1.1%</b>	6,855	6,268	5,626	21,887	16,752	<b>30.6%</b>	23,020
<b>Depreciation</b>	<b>7,262</b>	6,810	<b>6.6%</b>	6,368	6,199	5,910	20,441	16,917	<b>20.8%</b>	23,117
<b>Taxes other than income taxes</b>	<b>1,741</b>	1,792	<b>-2.8%</b>	2,102	2,016	2,375	5,636	6,248	<b>-9.8%</b>	8,264
<b>Others</b>	<b>4,546</b>	3,883	<b>17.1%</b>	4,698	2,937	3,533	13,128	9,368	<b>40.1%</b>	12,306

# Consolidated Cost Structure

(Y bil)



(Y bil)	FY2005		FY2006				FY2007		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Variable costs</b>	41.7	45.5	34.3	35.9	37.7	40.8	42.7	39.5	38.4
Commission & other expenses	16.1	18.5	15.0	18.0	17.9	20.3	20.3	23.0	20.4
Bonus & FA remuneration	19.6	20.7	13.4	11.8	13.2	14.6	14.7	9.3	10.4
Overtime, part-time	2.3	2.4	2.5	2.5	2.5	2.4	2.5	2.5	2.6
<b>Fixed costs</b>	44.6	43.2	44.5	46.6	50.2	50.0	50.8	52.1	53.8
Personnel costs	24.7	22.3	24.1	24.9	25.9	24.9	27.0	26.9	27.9
Real estate expenses	8.0	8.5	7.8	9.1	10.7	11.0	8.9	9.8	9.7
Depreciation	5.6	5.8	5.3	5.6	5.9	6.1	6.3	6.8	7.2
Office expenses	3.9	4.1	5.3	4.8	5.1	5.8	6.3	6.7	7.0
Taxes other than income taxes	2.1	2.3	1.8	2.0	2.3	2.0	2.1	1.7	1.7

# Consolidated Balance Sheet



## Consolidated Balance Sheet (12/07)

		(Y bil)			(Y bil)	
<b>Trading assets</b>		<b>7,278 (+2,196)</b>	<b>Current assets</b>	<b>17,230</b>	<b>Current liabilities</b>	<b>15,396</b>
<b>Trading securities and others</b>		<b>6,041 (+1,812)</b>	<b>Trading assets</b>		<b>Trading liabilities</b>	<b>4,811</b>
<b>Stocks, convertible bonds</b>		<b>387 (+4)</b>		<b>7,278</b>	<b>Short-term borrowings</b>	<b>2,059</b>
<b>Bonds</b>		<b>5,434 (+1,719)</b>	<b>Private equity and other securities</b>		<b>CP</b>	<b>230</b>
<b>Beneficiary certificates</b>		<b>148 (+37)</b>	<b>(include allowance for possible investment losses)</b>		<b>Current portion of bonds</b>	<b>140</b>
<b>CD/CP and others</b>		<b>70 (+50)</b>		<b>468</b>	<b>Payables on collateralized securities transactions</b>	
<b>Derivative assets</b>		<b>1,236 (+383)</b>	<b>Receivables on collateralized securities transactions</b>			<b>7,445</b>
<b>Private equity and other securities</b>		<b>468 (+27)</b>		<b>7,975</b>	<b>Non-current liabilities</b>	<b>1,203</b>
<b>Daiwa Securities SMBC PI</b>		<b>405 (+30)</b>	<b>Non-current assets</b>	<b>556</b>	<b>SB</b>	<b>974</b>
<b>NIF SMBC Ventures</b>		<b>62 (-2)</b>	<b>Tangible assets</b>	<b>147</b>	<b>Long-term borrowings</b>	<b>188</b>
			<b>Intangible assets</b>	<b>93</b>	<b>Net assets</b>	<b>1,178</b>
			<b>Investments</b>	<b>315</b>	<b>Owners' equity</b>	<b>838</b>
<b>Investment securities</b>		<b>239 (+5)</b>	<b>Investment securities</b>	<b>239</b>	<b>Valuation and translation adjustments</b>	<b>54</b>
<b>Marketable equities</b>		<b>150 (-5)</b>	<b>Others</b>	<b>75</b>	<b>Minority interests</b>	<b>283</b>
<b>Non-marketable equities</b>		<b>34 (+4)</b>				
<b>Others</b>		<b>55 (+7)</b>				

\* Figures in parenthesis indicate change from 3/07

# Retail - Daiwa Securities - Highlights



- 3Q net operating revenues were Y56.7bil, down 2% q/q, and ordinary income was Y17.9bil, down 3% q/q. 1-3Q net operating revenues were Y178.4bil, up 7% y/y, and ordinary income was Y58.3bil, up 11% y/y.
- 3Q equity brokerage commission was down 14% q/q, due to a decrease in trading value in the overall stock market. Daiwa Securities' retail market share for 3Q was 4.5%.
- Sales of JGB for individual investors (December 6~27): Y48bil 

10yr JGB (Series21): Y15.3bil
5yr JGB (Series 9): Y32.6bil
- Customer assets under custody stood at Y32tri (12/07).
- 3Q agency commission marked record high due to an increase in equity investment trust assets under custody.
- For Daiwa SMA, our wrap account service targeting high net worth individuals, the number of customers was approx. 2,690 and contract assets under management was Y231.7bil (12/07).
- For Daiwa Fund Wrap, our new service brought in October, the number of customers was approx. 4,340 and contract assets under management was Y37.8bil (12/07).
- For Daiwa FX (Foreign exchange margin trading), 3Q trading value was Y1.1tri and the number of accounts was approx. 15,800 (12/07).

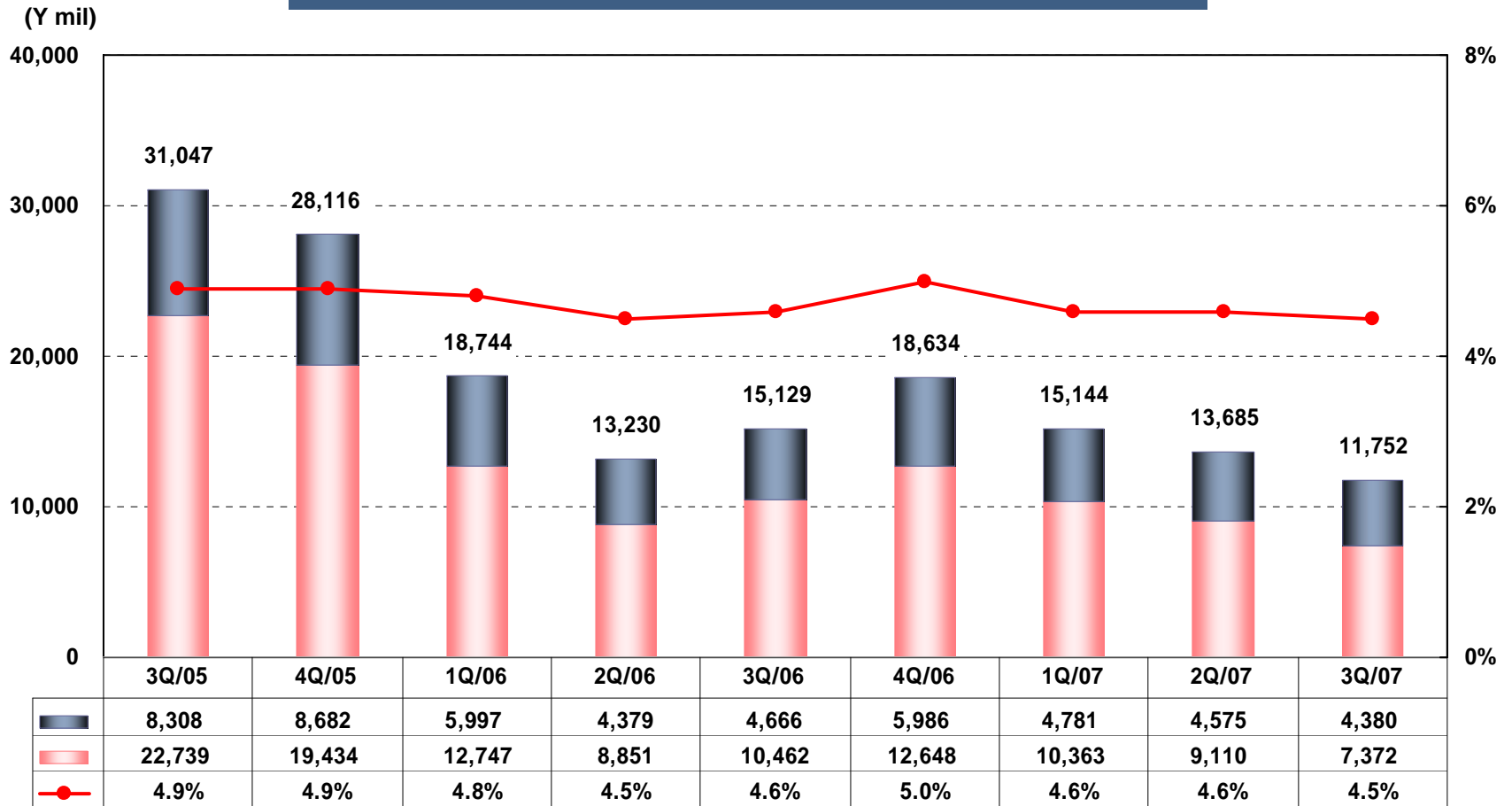
# Retail - Daiwa Securities - Financial Summary

(Y mil)	FY2007		% Change vs 2Q FY07	FY2007 1Q	FY2006		FY2007 1-3Q	FY2006 1-3Q	% Change vs 1-3Q FY06	FY2006
	3Q	2Q			4Q	3Q				
<b>Operating revenues</b>	<b>57,330</b>	58,413	<b>-1.9%</b>	64,456	63,042	58,706	<b>180,200</b>	167,607	<b>7.5%</b>	230,649
<b>Commissions</b>	<b>42,995</b>	44,337	<b>-3.0%</b>	50,381	50,681	47,795	<b>137,715</b>	135,070	<b>2.0%</b>	185,751
<b>Brokerage</b>	<b>11,864</b>	13,767	<b>-13.8%</b>	15,190	18,697	15,173	<b>40,822</b>	47,249	<b>-13.6%</b>	65,947
<b>Stock and others</b>	<b>11,752</b>	13,685	<b>-14.1%</b>	15,144	18,634	15,129	<b>40,582</b>	47,105	<b>-13.8%</b>	65,739
<b>Distribution</b>	<b>13,257</b>	12,413	<b>6.8%</b>	17,862	15,399	17,991	<b>43,534</b>	45,132	<b>-3.5%</b>	60,531
<b>Stock and others</b>	<b>865</b>	1,368	<b>-36.7%</b>	1,616	2,229	7,959	<b>3,850</b>	13,776	<b>-72.1%</b>	16,006
<b>Bond and others</b>	<b>1,687</b>	2,436	<b>-30.8%</b>	3,050	2,140	2,309	<b>7,174</b>	6,308	<b>13.7%</b>	8,449
<b>Investment trust</b>	<b>10,704</b>	8,609	<b>24.3%</b>	13,195	11,028	7,722	<b>32,509</b>	25,046	<b>29.8%</b>	36,075
<b>Other commissions</b>	<b>17,874</b>	18,155	<b>-1.6%</b>	17,328	16,584	14,630	<b>53,358</b>	42,688	<b>25.0%</b>	59,272
<b>Investment trust</b>	<b>12,058</b>	11,634	<b>3.6%</b>	10,935	9,652	8,900	<b>34,627</b>	24,348	<b>42.2%</b>	34,001
<b>Net gain on trading securities</b>	<b>12,036</b>	11,597	<b>3.8%</b>	11,818	10,318	9,127	<b>35,452</b>	27,006	<b>31.3%</b>	37,324
<b>Stock and others</b>	<b>1,896</b>	1,741	<b>8.9%</b>	2,184	1,542	1,341	<b>5,823</b>	4,219	<b>38.0%</b>	5,761
<b>Bond, forex and others</b>	<b>10,139</b>	9,855	<b>2.9%</b>	9,633	8,775	7,785	<b>29,629</b>	22,786	<b>30.0%</b>	31,562
<b>Interest and dividend income</b>	<b>2,298</b>	2,478	<b>-7.3%</b>	2,256	2,042	1,783	<b>7,032</b>	5,530	<b>27.2%</b>	7,573
<b>Interest expenses</b>	<b>575</b>	589	<b>-2.4%</b>	593	511	400	<b>1,757</b>	966	<b>81.9%</b>	1,478
<b>Net operating revenues</b>	<b>56,755</b>	57,823	<b>-1.8%</b>	63,863	62,530	58,306	<b>178,442</b>	166,640	<b>7.1%</b>	229,171
<b>SG&amp;A</b>	<b>38,924</b>	39,363	<b>-1.1%</b>	41,981	40,644	39,128	<b>120,268</b>	114,025	<b>5.5%</b>	154,670
<b>Ordinary income</b>	<b>17,922</b>	18,456	<b>-2.9%</b>	21,999	21,800	19,178	<b>58,377</b>	52,677	<b>10.8%</b>	74,477
<b>Net income</b>	<b>10,418</b>	10,606	<b>-1.8%</b>	12,803	12,163	11,100	<b>33,829</b>	31,304	<b>8.1%</b>	43,468
<b>Capital adequacy ratio</b>	<b>382.2%</b>	362.5%		350.9%	319.3%	359.0%	<b>382.2%</b>	359.0%		319.3%

# Retail - Daiwa Securities - Equity Brokerage Commissions



Retail Equity Brokerage Commissions and Market Share

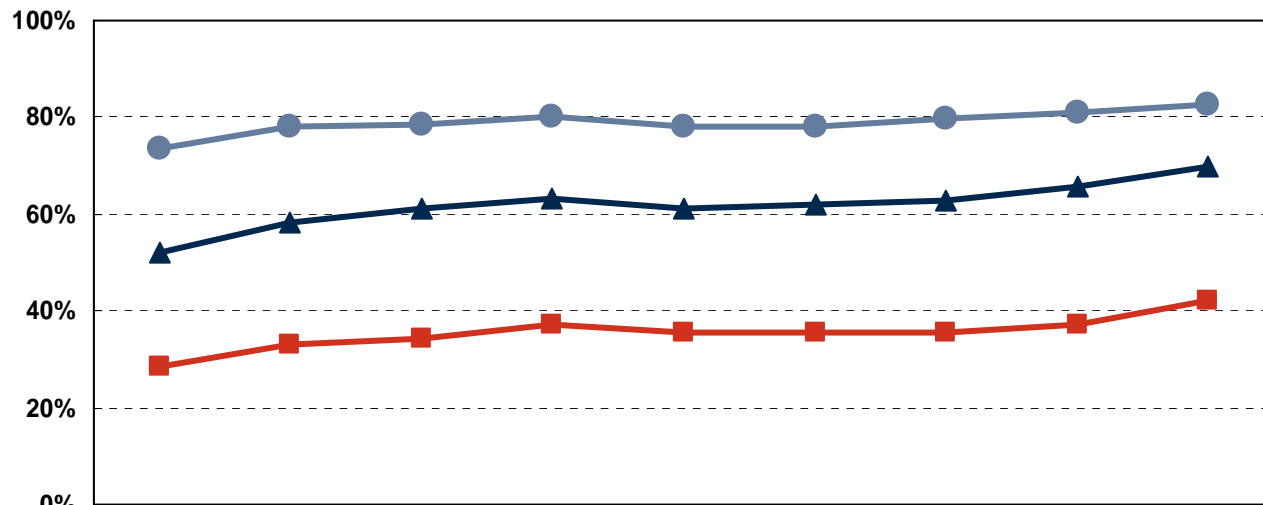


■ Equity brokerage commissions excl. online & call center (left)
 ■ Online & call center (left)
 ● Daiwa's retail market share (right)

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

# Retail - Daiwa Securities - Online Trading (1)

Online Ratio



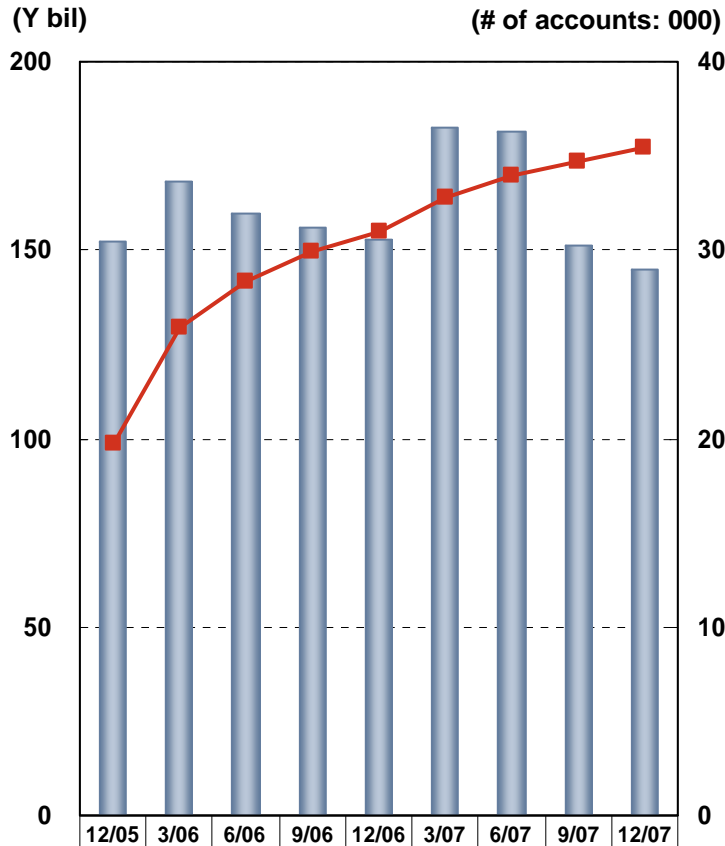
	3Q/05	4Q/05	1Q/06	2Q/06	3Q/06	4Q/06	1Q/07	2Q/07	3Q/07
● Online ratio (# of contracts)	73.6%	78.1%	78.6%	80.4%	78.0%	78.3%	79.6%	80.8%	82.6%
▲ Online ratio (trading value)	51.9%	58.3%	61.2%	63.3%	61.3%	62.0%	62.8%	65.5%	69.7%
■ Online ratio (commission)	28.5%	32.9%	34.3%	37.2%	35.5%	35.5%	35.3%	37.2%	42.3%
Total # of online contracts (thousands)	3,138	3,389	2,489	1,974	2,016	2,446	2,051	2,052	2,103
Total online trading value (Billions of yen)	2,877	3,218	2,394	1,842	1,880	2,542	2,069	2,008	1,948
Total online equity commission (Millions of yen)	8,308	8,682	5,997	4,379	4,666	5,986	4,781	4,575	4,380

Note: Online ratio is calculated based on trading activities made by individuals at Daiwa Securities.

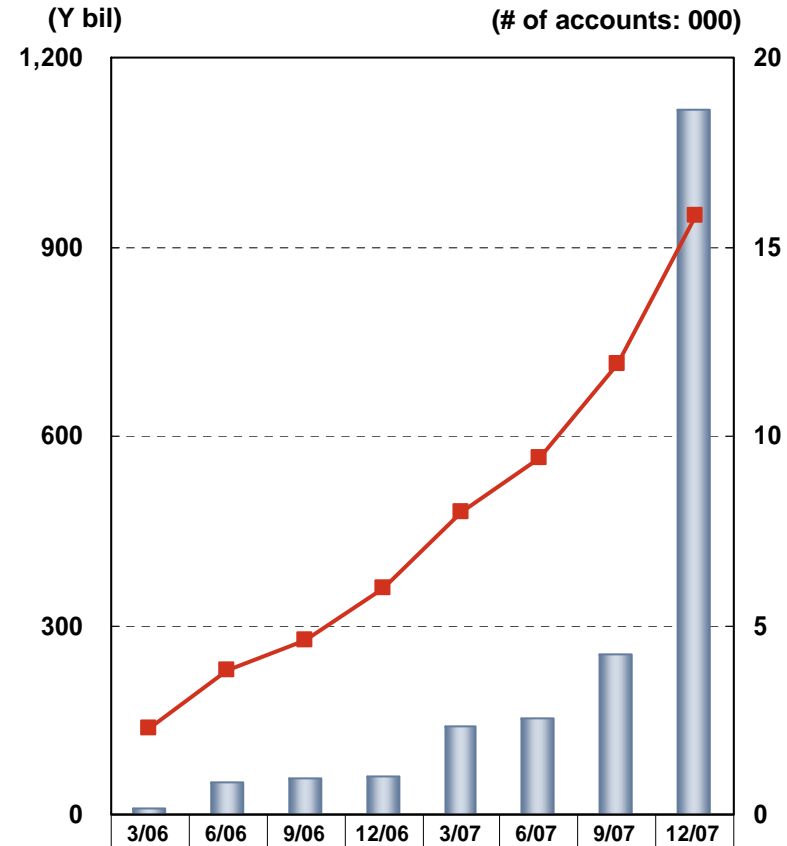
# Retail - Daiwa Securities - Online Trading (2)



Accounts and Outstanding Position of "Online Margin Transaction Services"



Accounts and Trading Value of "Daiwa FX (FX margin trading)"

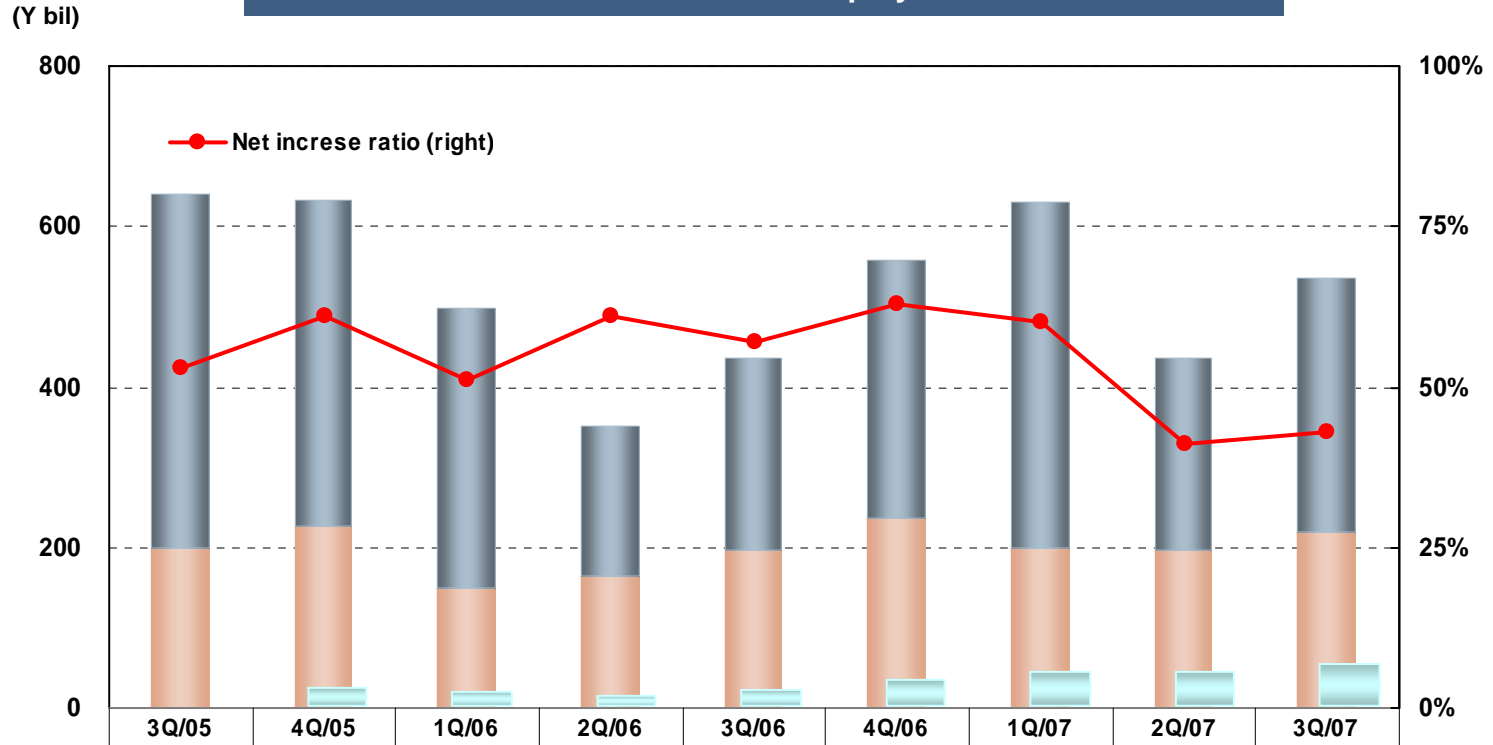


\* Trading value is a total for quarterly period

# Retail - Daiwa Securities - Equity Investment Trusts



Sales and Net Increase Ratio of Equity Investment Trusts



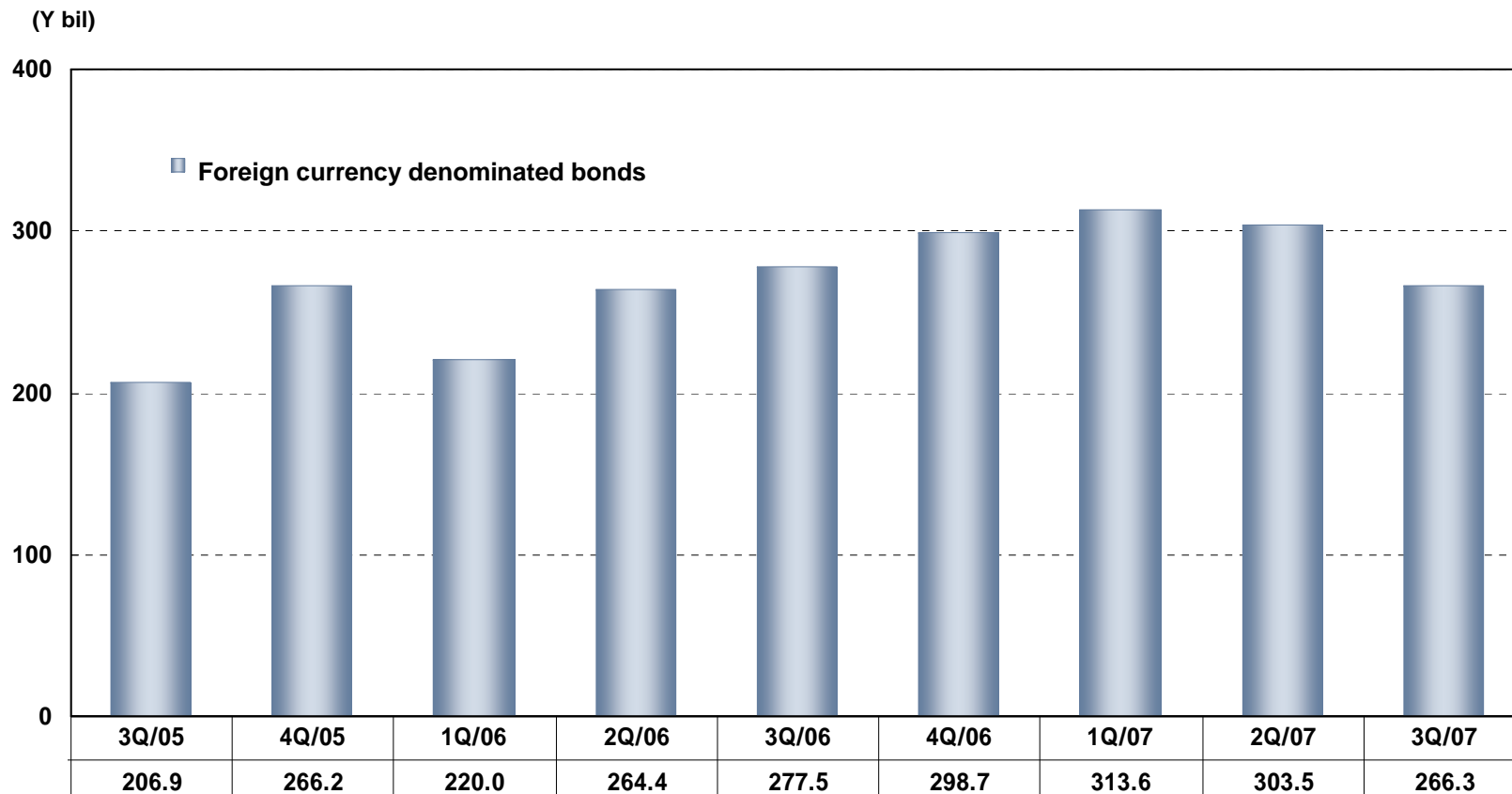
Equity type investment trust (left)	441.7	405.2	350.0	187.3	238.8	320.1	431.4	237.4	316.6
Bond type investment trust (left)	199.5	227.5	148.4	164.7	196.2	237.2	198.9	197.6	218.9
Sales through online (left)	-	23.9	18.5	13.9	20.4	34.2	44.0	44.1	53.5
<b>Total (left)</b>	<b>641.3</b>	<b>632.7</b>	<b>498.4</b>	<b>352.1</b>	<b>435.0</b>	<b>557.4</b>	<b>630.3</b>	<b>435.0</b>	<b>535.5</b>

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

# Retail - Daiwa Securities - Foreign Currency Denominated Bonds



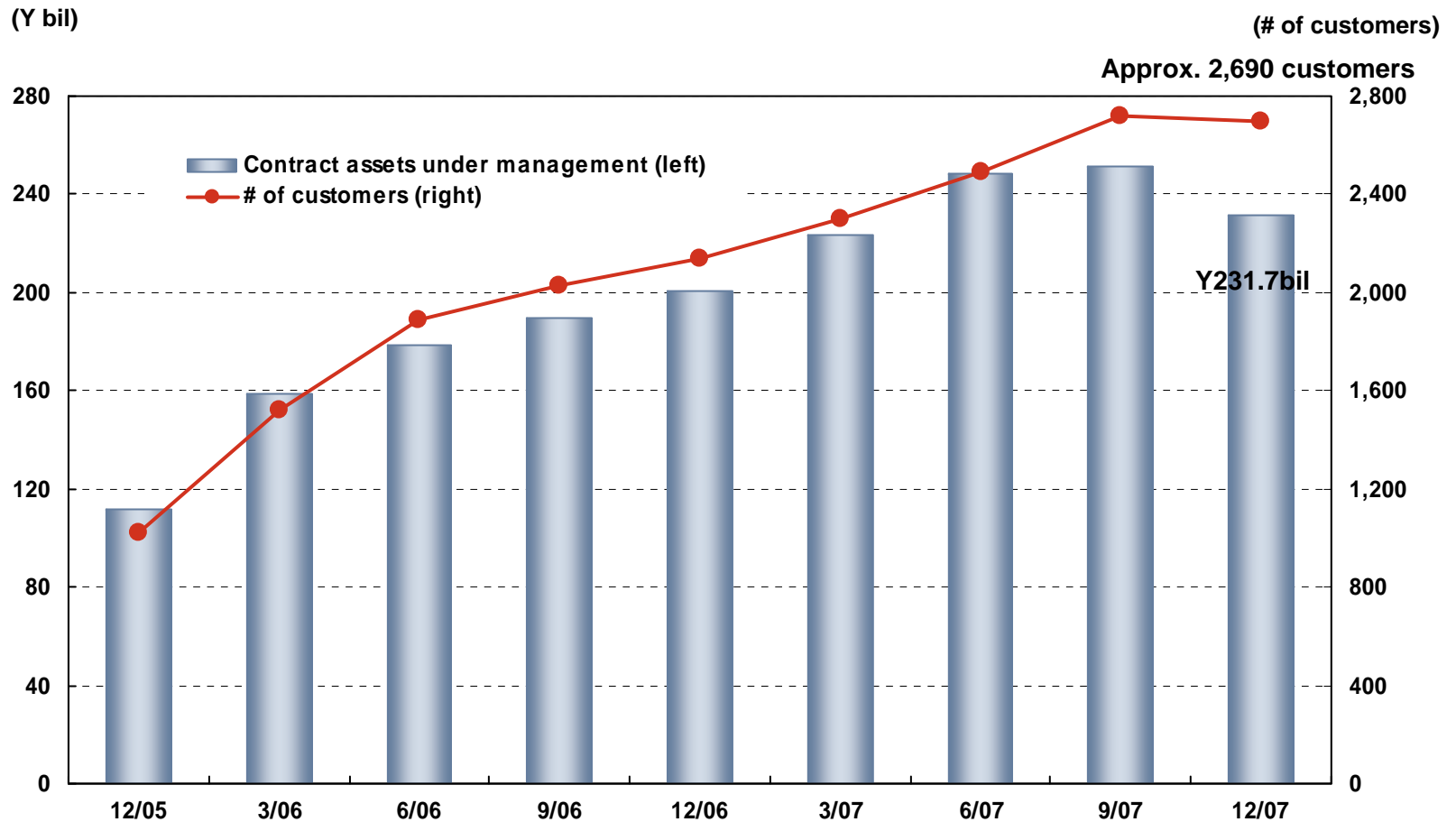
## Sales of Foreign Currency Denominated Bonds



# Retail - Daiwa Securities - Daiwa SMA



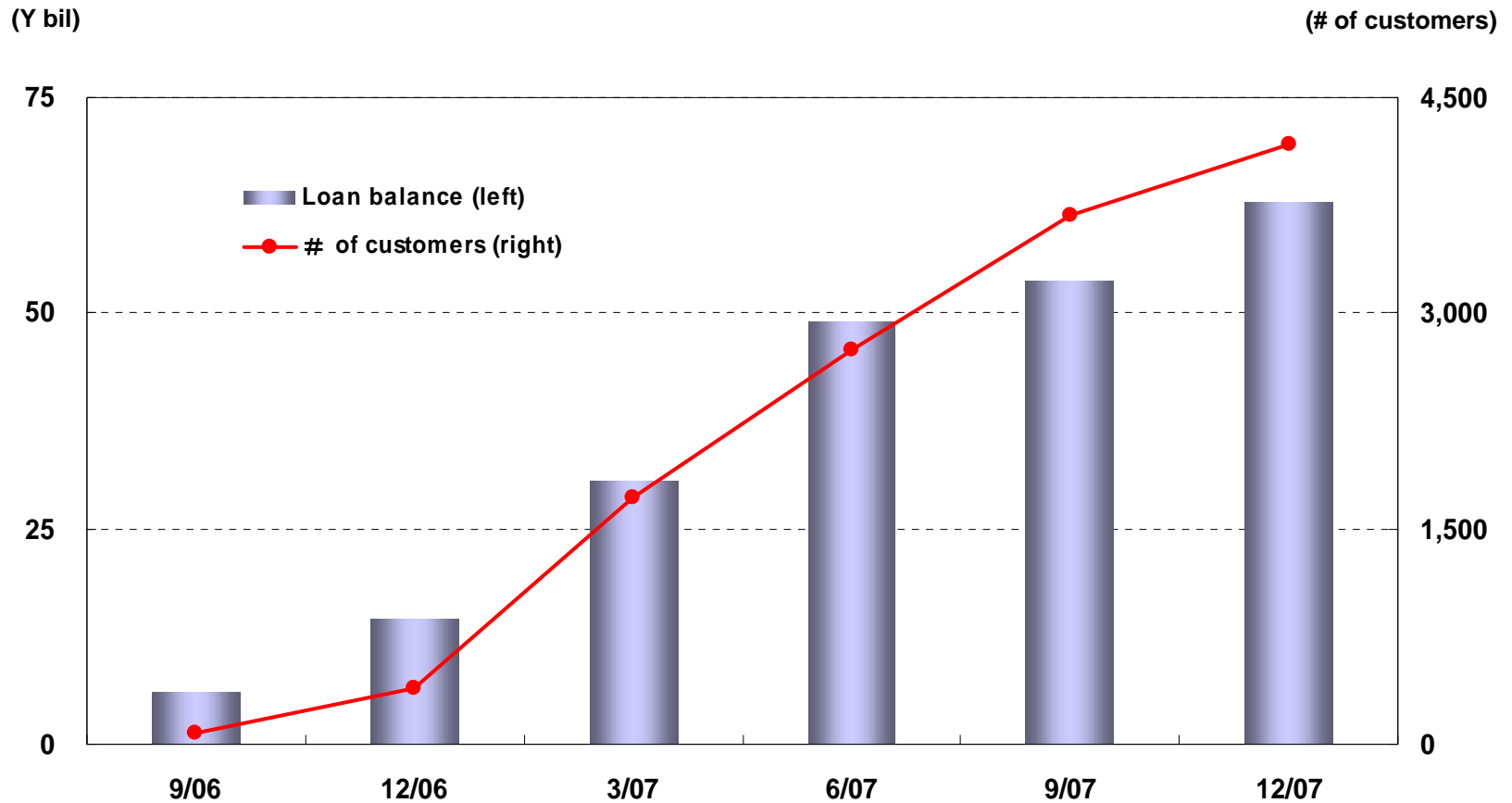
Number of Customers and Contract Assets under Management of “Daiwa SMA”



# Retail - Daiwa Securities - Daiwa LMS (Loan Management Service)

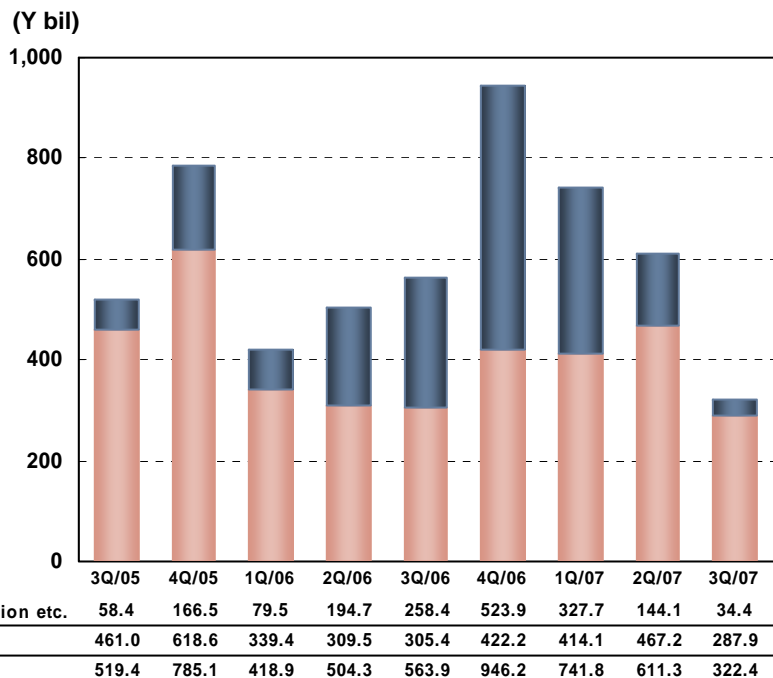


Daiwa LMS Loan Balance and Number of Customers

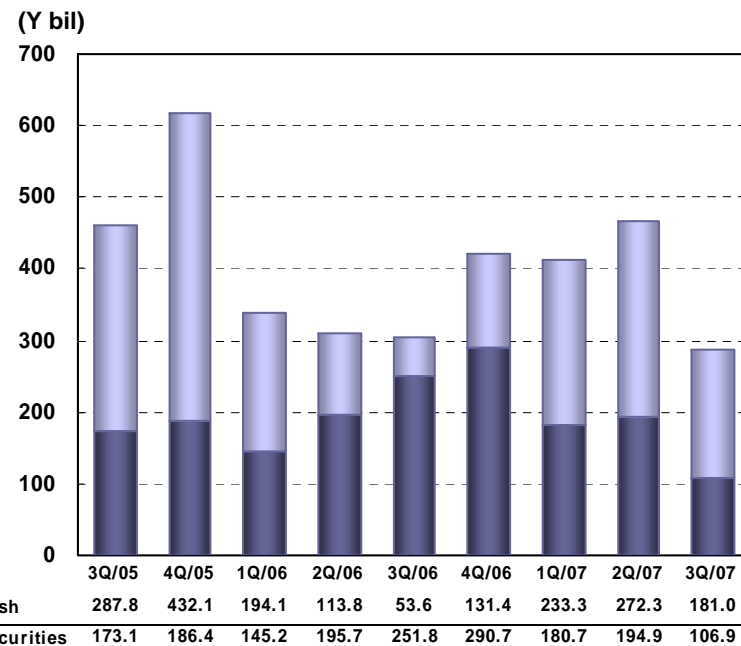


# Retail - Daiwa Securities - Net Inflow of Retail Assets

Daiwa Securities  
Net Inflow of Assets



Daiwa Securities  
Net Inflow of Cash and Securities (Retail)

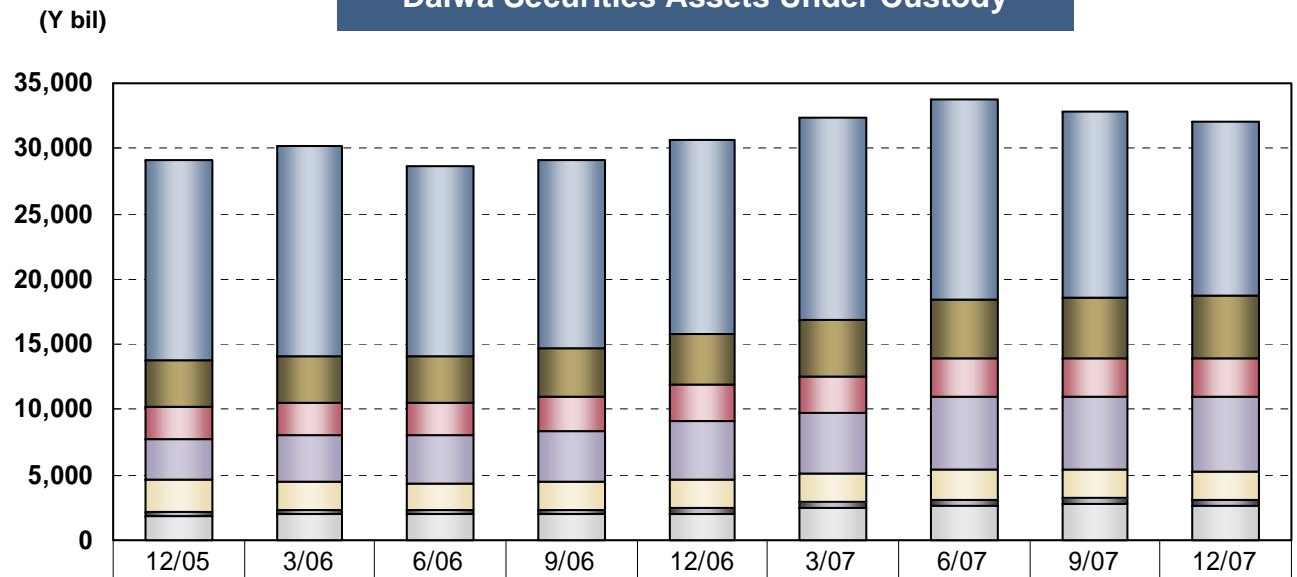


\*Net inflow of assets = net inflow of cash and securities

# Retail - Daiwa Securities - Assets Under Custody



Daiwa Securities Assets Under Custody



	12/05	3/06	6/06	9/06	12/06	3/07	6/07	9/07	12/07
Equities	15,447	16,005	14,551	14,516	14,905	15,386	15,341	14,255	13,326
Domestic bonds	3,502	3,615	3,644	3,660	3,886	4,356	4,465	4,724	4,794
Foreign currency bonds	2,443	2,420	2,429	2,557	2,742	2,756	2,973	2,890	2,959
Equity investment trusts	3,217	3,642	3,642	4,001	4,484	4,791	5,524	5,579	5,649
Bond investment trusts	2,378	2,155	2,068	2,075	2,169	2,154	2,338	2,161	2,196
Pension insurance	292	335	337	377	415	443	482	494	492
Others	1,904	1,955	2,003	1,986	2,076	2,443	2,593	2,741	2,582
Assets under custody	29,187	30,129	28,677	29,174	30,680	32,332	33,719	32,848	32,001

\* "Others" includes customer assets of Daiwa Securities held under custody at Daiwa Securities SMBC.

# Wholesale - Daiwa Securities SMBC - Highlights



- 3Q net operating revenues were Y47.4bil, up 27% q/q and ordinary income was Y6.9bil. 1-3Q net operating revenues were Y149.2bil, down 23% y/y and ordinary income was Y28.7bil, down 58% y/y.
- 3Q underwriting commission remained at a low level, while trading gains recovered.
- 3Q revenues generated by collaboration with SMBC (incl. financial instruments intermediation) were Y9.1bil (2Q: Y10.2bil).
- Daiwa Securities SMBC ranked second for total debt and third for total equity in the 1-3Q (from April to December) lead manager league tables.
- Collaboration with Sagent resulted in taking M&A advisory for SRI Sports to acquire Cleveland Golf.
- Total Investment amount outstanding at Daiwa Securities SMBC PI was Y408bil. (12/07)

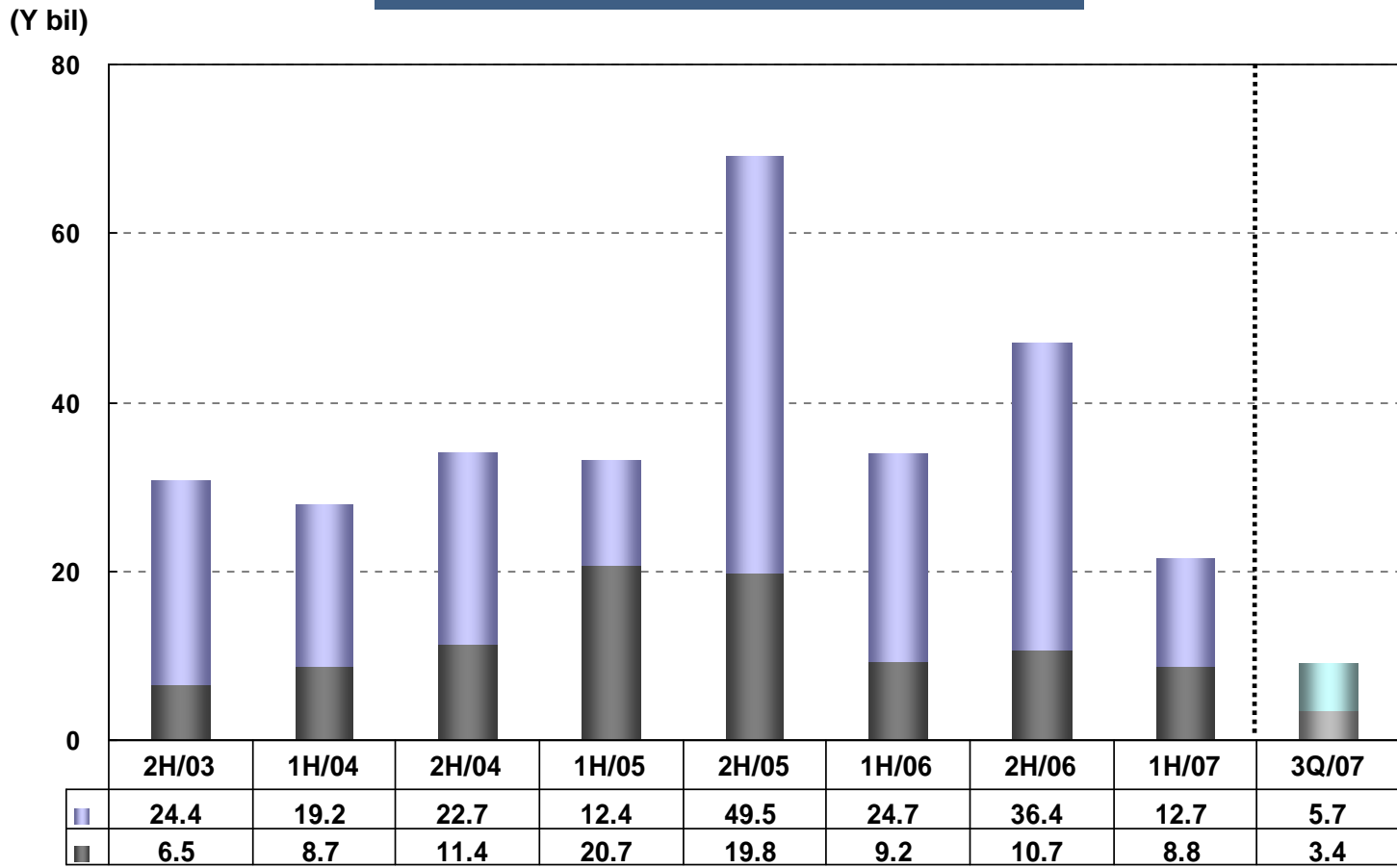
# Wholesale - Daiwa Securities SMBC Consolidated - Financial Summary

(Y mil)	FY2007		% Change vs 2Q FY07	FY2007	FY2006		FY2007	FY2006	% Change vs 1-3Q FY06	FY2006
	3Q	2Q		1Q	4Q	3Q	1-3Q	1-3Q		
<b>Operating revenues</b>	<b>69,075</b>	56,563	<b>22.1%</b>	82,499	85,786	90,280	<b>208,139</b>	231,331	<b>-10.0%</b>	317,118
<b>Commissions</b>	<b>17,022</b>	18,630	<b>-8.6%</b>	18,932	23,412	41,577	<b>54,585</b>	83,117	<b>-34.3%</b>	106,530
<b>Brokerage commission</b>	<b>6,838</b>	7,187	<b>-4.8%</b>	7,130	7,615	6,624	<b>21,156</b>	18,543	<b>14.1%</b>	26,158
<b>Stock and others</b>	<b>6,718</b>	7,070	<b>-5.0%</b>	6,992	7,458	6,514	<b>20,781</b>	18,142	<b>14.5%</b>	25,601
<b>Underwriting commission</b>	<b>5,022</b>	6,484	<b>-22.6%</b>	7,323	9,673	24,990	<b>18,830</b>	44,232	<b>-57.4%</b>	53,905
<b>Stock and others</b>	<b>2,290</b>	4,136	<b>-44.6%</b>	4,160	6,650	22,298	<b>10,587</b>	36,766	<b>-71.2%</b>	43,416
<b>Bond and others</b>	<b>2,572</b>	2,255	<b>14.1%</b>	3,046	2,801	2,519	<b>7,875</b>	6,534	<b>20.5%</b>	9,336
<b>Distribution commission</b>	<b>241</b>	281	<b>-14.0%</b>	541	393	349	<b>1,063</b>	855	<b>24.4%</b>	1,248
<b>Other commissions (M&amp;A and others)</b>	<b>4,919</b>	4,677	<b>5.2%</b>	3,936	5,730	9,611	<b>13,534</b>	19,486	<b>-30.5%</b>	25,216
<b>Net gain/loss on trading securities</b>	<b>29,061</b>	11,439	<b>154.1%</b>	33,434	36,138	27,263	<b>73,934</b>	80,491	<b>-8.1%</b>	116,629
<b>Stock and others</b>	<b>2,655</b>	-5,999	-	16,239	6,155	9,321	<b>12,896</b>	17,990	<b>-28.3%</b>	24,146
<b>Bond, forex and others</b>	<b>26,405</b>	17,438	<b>51.4%</b>	17,194	29,982	17,942	<b>61,038</b>	62,500	<b>-2.3%</b>	92,482
<b>Net gain/loss on private equity and other securities</b>	<b>942</b>	7,063	<b>-86.7%</b>	7,609	7,269	2,806	<b>15,615</b>	20,430	<b>-23.6%</b>	27,699
<b>Interest and dividend income</b>	<b>22,049</b>	19,431	<b>13.5%</b>	22,523	18,966	18,632	<b>64,003</b>	47,292	<b>35.3%</b>	66,258
<b>Interest expenses</b>	<b>21,601</b>	19,022	<b>13.6%</b>	18,268	17,926	15,548	<b>58,892</b>	38,491	<b>53.0%</b>	56,417
<b>Net operating revenues</b>	<b>47,474</b>	37,541	<b>26.5%</b>	64,231	67,859	74,731	<b>149,246</b>	192,840	<b>-22.6%</b>	260,700
<b>SG&amp;A</b>	<b>40,571</b>	40,781	<b>-0.5%</b>	40,859	43,013	48,424	<b>122,212</b>	126,779	<b>-3.6%</b>	169,793
<b>Ordinary income</b>	<b>6,904</b>	-2,578	-	24,408	24,887	26,430	<b>28,733</b>	67,979	<b>-57.7%</b>	92,866
<b>Net income</b>	<b>3,607</b>	-2,067	-	15,130	15,956	15,064	<b>16,670</b>	35,989	<b>-53.7%</b>	51,945

# Wholesale Revenues from Collaboration with SMBC



Revenues from Collaboration with SMBC



(3 months)

■ Brokerage (incl. financial instruments intermediation) ■ Investment banking

# Wholesale - Daiwa Securities SMBC - Major League Tables

**Daiwa Securities SMBC 1-3Q FY07 Lead Manager League Table**

	Total debt	Corporate & Agency bonds	Total equity	IPO	Primary and secondary equity offerings
1st	Mizuho 16.5%	Mizuho 20.7%	Nomura 41.1%	Nomura 63.0%	Nomura 64.1%
2nd	<b>Daiwa Sec. SMBC</b> 16.0%	<b>Daiwa Sec. SMBC</b> 19.6%	Nikko Citigroup 18.0%	JP Morgan 16.9%	<b>Daiwa Sec. SMBC</b> 16.1%
3rd	Mitsubishi UFJ 14.0%	Nomura 19.0%	<b>Daiwa Sec. SMBC</b> 10.5%	<b>Daiwa Sec. SMBC</b> 11.7%	Nikko Citigroup 9.9%
4th	Nomura 13.8%	Mitsubishi UFJ 18.9%	Mitsubishi UFJ 7.1%	Shinko 2.7%	Morgan Stanley 4.4%
5th	Nikko Citigroup 9.3%	Nikko Citigroup 8.7%	Morgan Stanley 5.8%	Mitsubishi UFJ 2.4%	Mizuho 3.1%

**M&A Ranking (Jan-Dec)**

M&A	
Transaction value	Number of deals
Nomura	Nomura
Citigroup	<b>Daiwa Sec. SMBC</b>
GCA	MUFG
Merrill Lynch	Mizuho FG
Goldman Sachs	Citigroup

**9th: Daiwa Sec. SMBC**

Source: Daiwa Securities SMBC (Nikkei Bonds & Financial Weekly for ABS) **Apr-Dec 2007**

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.

Source: THOMSON FINANCIAL **Jan-Dec 2007** "M&A advisory league table for any Japanese involvement announced (AD19)"

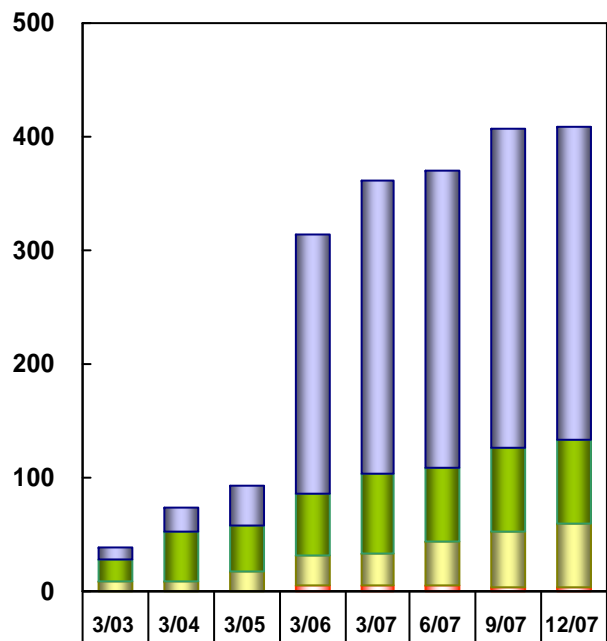
# Wholesale Daiwa Securities SMBC Principal Investments



**Daiwa Securities SMBC PI Investment Amount**

(Y mil)	FY2007		%Change vs 2Q FY07	FY2007	FY2006			FY2007	FY2006	%Change vs 1-3Q FY06	FY2006
	3Q	2Q		1Q	4Q	3Q	1-3Q	1-3Q			
Ordinary Income	-1,591	3,764	-	8,158	5,456	1,978	10,332	18,326	-43.6%	23,782	

(Y bil)



As of 12/07 (change vs 9/07)

<b>Total Investment amount:</b>	<b>Approx. Y408bil</b>	<b>( +Y1bil)</b>
Private equity and PIPEs (Private Investment in Public Equities):	Y275bil	( -Y6bil)
Monetary claims:	Y74bil	( -- )
Real estate:	Y55bil	( +Y7bil)
Greenhouse gas emission credits:	Y4bil	( -- )

**Recent Topics**

**Emissions credit trading**

- The Japanese Government approved Beijing 48 MW Guanting Wind Power Project as a greenhouse gas emissions reduction project, from which Daiwa Securities SMBC PI is going to receive the Certified Emission Reductions (CERs).

Private equity & PIPEs	10	23	34	229	257	261	281	275
Monetary claims	19	44	41	53	72	66	74	74
Real estate	9	8	18	27	28	38	48	55
Greenhouse gas emission credits	-	-	-	4	4	5	4	4
<b>Total</b>	<b>38</b>	<b>75</b>	<b>93</b>	<b>313</b>	<b>361</b>	<b>370</b>	<b>407</b>	<b>408</b>

# Asset Management

## Daiwa Asset Management & Daiwa SB Investments



### Daiwa Asset Management

- 3Q operating revenues were Y21.5bil, up 1% q/q. Ordinary income was Y4.3bil, down 4% q/q. 1-3Q ordinary income hit a historical high of Y13.8bil, up 50% y/y.
- Net assets under management of Daiwa Global Bond Fund was Y1,674bil (12/07). Net assets under management of World Prime significantly increased from Y309.3bil (9/07) to Y491.3bil (12/07).

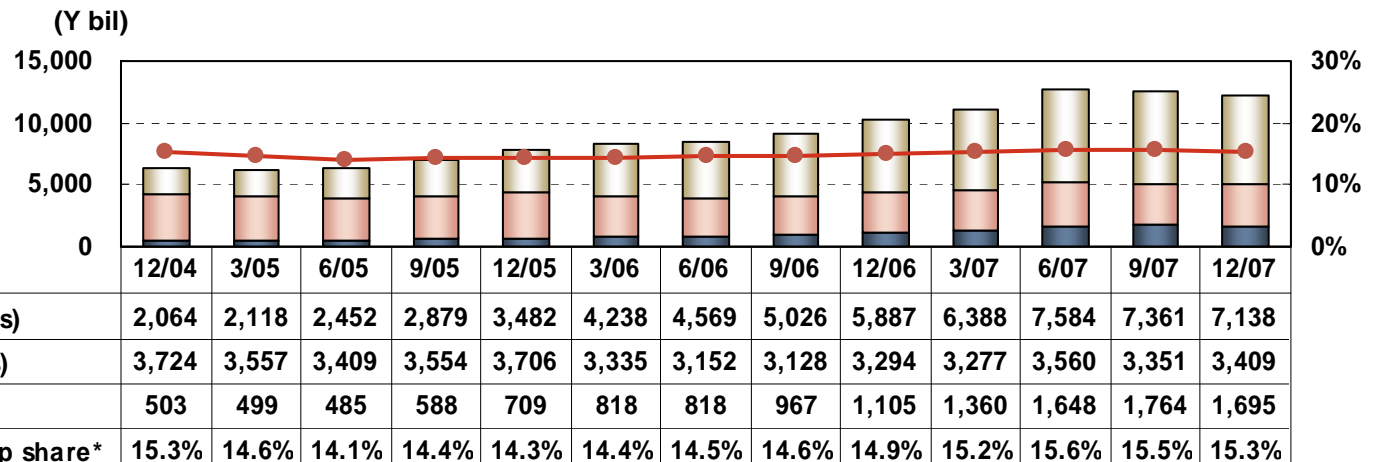
### Daiwa SB Investments

- 3Q ordinary income was Y1.3bil, down 25% q/q. 1-3Q ordinary income was Y4.6bil, up 50% y/y.
- Daiwa SB Investments was awarded the top prize for overall evaluation in “Newsletter on Pensions and Investment” published by Rating and Investment Information, Inc. (R&I), for “Year 2007’s survey of pension customers’ evaluation on asset management companies.”

# Asset Management Assets Under Management



## Assets Under Management of Publicly Offered Investment Trusts



\*Daiwa Asset Management+Daiwa SB Investments

## Contract Assets for Investment Advisory

(Y bil)	12/04	3/05	6/05	9/05	12/05	3/06	6/06	9/06	12/06	3/07	6/07	9/07	12/07
Daiwa SB Investments	3,194	3,158	3,201	3,715	4,106	4,070	3,913	4,106	4,292	4,374	4,555	4,220	3,919

# Asset Management - Daiwa Asset Management - Financial Summary

(Y mil)	FY2007		% Change vs 2Q FY07	FY2007	FY2006		FY2007	FY2006	% Change vs 1-3Q FY06	FY2006
	3Q	2Q		1Q	4Q	3Q	1-3Q	1-3Q		
<b>Operating revenues</b>	<b>21,585</b>	21,440	<b>0.7%</b>	20,383	17,897	15,560	63,408	41,036	<b>54.5%</b>	58,933
<b>Management fee</b>	<b>21,455</b>	21,294	<b>0.8%</b>	20,209	17,736	15,446	62,958	40,708	<b>54.7%</b>	58,445
<b>Equity investment trust</b>	<b>20,138</b>	20,002	<b>0.7%</b>	18,971	16,828	14,763	59,112	39,305	<b>50.4%</b>	56,134
<b>Bond investment trust</b>	<b>1,317</b>	1,291	<b>2.0%</b>	1,237	908	683	3,846	1,402	<b>174.2%</b>	2,310
<b>Other operating revenues</b>	<b>130</b>	145	<b>-10.8%</b>	174	160	113	449	327	<b>37.3%</b>	488
<b>SG&amp;A</b>	<b>17,219</b>	17,001	<b>1.3%</b>	15,736	14,199	12,197	49,957	32,474	<b>53.8%</b>	46,673
<b>Commissions paid</b>	<b>12,707</b>	12,537	<b>1.4%</b>	11,888	10,336	8,947	37,134	23,355	<b>59.0%</b>	33,691
<b>Other SG&amp;A</b>	<b>4,511</b>	4,463	<b>1.1%</b>	3,847	3,862	3,249	12,822	9,119	<b>40.6%</b>	12,981
<b>Operating income</b>	<b>4,365</b>	4,438	<b>-1.6%</b>	4,646	3,697	3,362	13,451	8,561	<b>57.1%</b>	12,259
<b>Ordinary income</b>	<b>4,317</b>	4,514	<b>-4.4%</b>	5,065	3,757	3,543	13,898	9,257	<b>50.1%</b>	13,015
<b>Net income</b>	<b>2,127</b>	2,714	<b>-21.6%</b>	3,132	222	2,203	7,973	8,437	<b>-5.5%</b>	8,659

# Domestic Group Companies and Overseas Operation Ordinary Income

## Domestic Group Companies

(Y mil)	FY2007		%Change vs 2Q FY07	FY2007	FY2006		FY2007	FY2006	%Change vs 1-3Q FY06	FY2006
	3Q	2Q		1Q	4Q	3Q	1-3Q	1-3Q		
Daiwa Asset Management	4,317	4,514	-4.4%	5,065	3,757	3,543	13,898	9,257	50.1%	13,015
Daiwa Institute of Research	3,486	2,918	19.5%	2,165	2,711	2,208	8,570	7,032	21.9%	9,744
NIF SMBC Ventures	-462	-737	-	325	590	3,348	-874	3,642	-	4,233
Other Domestic Group Companies	428	510	-16.1%	996	850	1,055	1,935	3,307	-41.5%	4,158
<b>Total*</b>	<b>7,771</b>	<b>7,206</b>	<b>7.8%</b>	<b>8,553</b>	<b>7,910</b>	<b>10,155</b>	<b>23,530</b>	<b>23,241</b>	<b>1.2%</b>	<b>31,151</b>

Daiwa SB Investments	1,348	1,794	-24.8%	1,498	1,315	1,042	4,641	3,092	50.1%	4,407
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## Overseas

America	305	586	-48.0%	56	370	959	948	1,255	-24.5%	1,625
Europe	-1,305	-693	-	586	2,074	5,109	-1,412	6,340	-	8,415
Asia/Oceania	1,138	962	18.2%	1,407	1,173	1,256	3,508	2,656	32.1%	3,829
<b>Total</b>	<b>138</b>	<b>855</b>	<b>-83.8%</b>	<b>2,049</b>	<b>3,618</b>	<b>7,326</b>	<b>3,044</b>	<b>10,252</b>	<b>-70.3%</b>	<b>13,870</b>

\* Total figure of domestic consolidated Group companies except Daiwa Securities and Daiwa Securities SMBC and its domestic subsidiaries.

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