



Economic Report

Distribution of Economic Value to Stakeholders

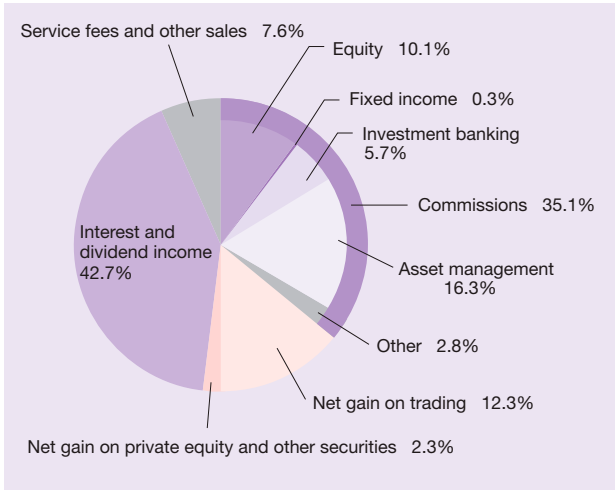
This section describes the revenue structure, economic value and distribution of economic value to all stakeholders of the Daiwa Securities Group.

Revenues in the Economic Report

Revenues for the purpose of this Economic Report is the total for all revenues received by the Daiwa Securities Group (consolidated) in fiscal 2007—operating revenues, non-operating income and extraordinary gains. In fiscal 2007, operating revenues accounted for 98.4 percent of revenues.

Web Activities • Classification of Revenue Types in the Economic Report (Fiscal 2007)

Revenue Structure in the Economic Report (Fiscal 2007)



Outline of Operating Revenues

Commissions

The three main categories of commissions, which account for 35.1 percent of revenues in the Economic Report, are described below.

1. Equity and fixed income commissions

Commissions earned on the purchase or sale of stocks, bonds and other securities by individual or institutional investors.

2. Asset management

Commissions earned on sales of investment trusts and fees charged for placing and managing individual or corporate customers' assets held in trust.

3. Investment banking

Underwriting commissions charged when corporate customers issue stocks or bonds to raise funds, and fees charged for M&A, etc.

Net Gain on Trading

These are profits that arise from the sale of securities the Group has in its own account, or when the Group buys from or sells to its clients to meet their transaction needs.

Net Gain on Private Equity and Other Securities

Net gain on private equity and other securities describes gains resulting from the purchase or sale, or unrealized gains or losses, on securities acquired for investment, and from the sale of investment limited partnerships, etc.

Interest and Dividend Income

Interest and dividend income describes income earned from interest on securities held, dividends, and from transactions of lending or borrowing securities.

Distribution of Economic Value to Stakeholders

Economic value for the purpose of this Economic Report is calculated as revenues as previously defined, minus interest expenses (less interest paid), the cost of sales, selling, general and administrative expenses (less personnel costs, taxes, and expenditure for corporate citizenship activities), non-operating expenses (less interest paid), and extraordinary losses.

Executives and Employees

The distribution of economic value to executives and employees is calculated as personnel expenses (including reserves for salaries and bonuses, as well as welfare program costs and social insurance contributions). We have built a fair compensation system that is highly acceptable to all, in order to improve employee motivation and maximize the value provided to all stakeholders. In fiscal 2007, the Group distributed 156.7 billion yen to its executives and employees; this was 52.1 percent of its economic value.

Society

Regardless of business cycle fluctuations, the Group aims to provide stable funding for its corporate citizenship activities which represent its economic contribution to society. See page 44 for a breakdown of these expenditures.

Shareholders

The Group determines its dividend policy with an eye to

maintaining a stable dividend, and with the goal of providing a dividend payout ratio of 30 percent.

In fiscal 2007, the Group paid an interim dividend of 12 yen per share and a year-end dividend of 10 yen per share, for a total annual dividend of 22 yen per share. This amounted to a total of 29.9 billion yen in dividend payouts.

■ Creditors

The Group paid 53.6 billion yen in interest to creditors.

■ Government

According to the Daiwa Securities Group's financial accounting, the tax amount paid is the sum of current income taxes, deferred income taxes, and other taxes and

duties including consumption tax. In fiscal 2007, the total tax amount paid was 48.1 billion yen.

■ Minority Shareholders

This is the profit and loss returned to the minority shareholders of the Daiwa Securities Group companies. The principal minority shareholders are Sumitomo Mitsui Financial Group with a 40 percent share in Daiwa Securities SMBC Co. Ltd., and the shareholders of NIF SMBC Ventures, a JASDAQ-listed company in which Daiwa Securities Group Inc. holds a majority stake (46.2 percent). Since Daiwa Securities SMBC and NIF SMBC Ventures posted losses in fiscal 2007, the loss to minority shareholders was 5.2 billion yen.

■ Changes in Distribution of Economic Value to Stakeholders

(Unit: ¥ million)

Stakeholders	FY2003	FY2004	FY2005	FY2006	FY2007	Tabulation method
Executives and employees	137,511	143,469	172,923	163,379	156,661	Selling expenses and personnel costs within general administrative expenses
Society	332	708	604	909	933	Expenditure for corporate citizenship activities (see p. 44)
Dividends to shareholders	13,307	17,297	45,031	39,072	29,919	Interim and year-end dividends for the fiscal year
Creditors	15,292	22,428	18,478	47,024	53,630	Interest expense and interest paid on non-operating expenses
Government	26,423	46,921	86,137	77,895	48,102	Income taxes, resident and business taxes, deferred income taxes, other taxes and duties
Minority shareholders	13,480	19,770	40,339	23,746	(5,233)	Minority shareholder profit/loss
Internal reserves	28,782	34,650	93,055	53,652	16,492	Balance after deducting dividends for the term from net income for the fiscal year
Total economic value	235,127	285,243	456,567	405,677	300,504	Total of the above

■ Comparison of Economic Report and Consolidated Financial Statements

(Unit: ¥ million)

	FY2003	FY2004	FY2005	FY2006	FY2007
Economic Report					
Economic Report revenues	468,788	536,798	869,181	931,845	838,703
Economic value	235,127	285,243	456,567	405,677	300,504
Consolidated financial statements					
Operating revenues	453,813	519,337	845,659	917,307	825,422
Net income	42,637	52,665	139,948	92,724	46,411

■ Distribution of Economic Value to Stakeholders (Fiscal 2007)

