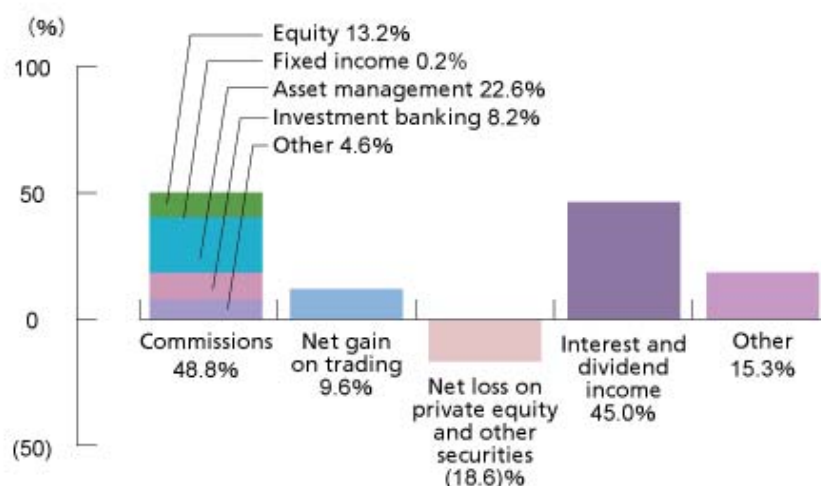


This section describes the revenue structure, economic value and distribution of economic value to all stakeholders of the Daiwa Securities Group.

### Revenues in the Economic Report

For the purpose of this Economic Report, revenues represent the total for all revenues received by the Daiwa Securities Group (consolidated) in fiscal 2008—operating revenues, non-operating income and extraordinary gains. In fiscal 2008, operating revenues accounted for 96.6 percent of revenues.

■ Revenue Structure in the Economic Report (Fiscal 2008)



■ Revenue Breakdown in the Economic Report (Fiscal 2008)

(Unit: ¥million)

Operating Revenues	Commissions	208,880
	Equity	56,401
	Fixed income	991
	Asset management	97,001
	Investment banking	34,914
	Other	19,571
	Net gain on trading	40,921
	Net loss on private equity and other securities	(79,477)
	Interest and dividend income	192,663
	Other	50,948
Non-operating income	7,961	
Extraordinary gains	6,421	
Revenues in the economic report (total of the above)	428,318	

## ■ Outline of Operating Revenues

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### (1) Commissions

The three main categories of commissions, which account for 48.8 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**

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 commissions**

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

### (2) 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.

### (3) 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.

### (4) 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

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Economic value for the purpose of this Economic Report is calculated as revenues 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. Even though we continue to hold down fixed costs, such as personnel costs, and dividends to a certain extent, the distribution of economic value in 2008 has been covered primarily by drawing on internal reserves. As a result, the loss to internal reserves was 95.81 billion yen.

### (1) 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.

### (2) 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 "[Corporate Citizenship](#)" for a breakdown of these expenditures.

### (3) Shareholders

In fiscal 2008, the Group paid an interim dividend of 5 yen per share and a year-end dividend of 3 yen per share, for a total annual dividend of 8 yen per share. This amounted to a total of 10.77 billion yen in dividend payouts.

### (4) Creditors

The Group paid 44.92 billion yen in interest to creditors.

### (5) 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 2008, the total amount of tax paid was down 11.62 billion yen.

### (6) 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 Daiwa SMBC Capital Co., Ltd., a JASDAQ-listed company in which Daiwa Securities Group Inc. holds a majority stake (46.4 percent). Since Daiwa Securities SMBC and Daiwa SMBC Capital posted losses in fiscal 2008, the loss to minority shareholders was 60.58 billion yen.

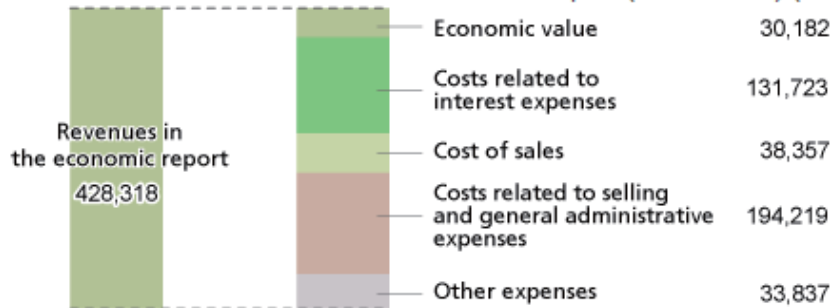
■ Changes in Distribution of Economic Value to Stakeholders (Unit: ¥million)

Stakeholders	FY2004	FY2005	FY2006	FY2007	FY2008	Tabulation method
Executives and employees	143,469	172,923	163,379	156,661	141,600	Personnel costs within selling and general administrative expenses
Society	708	604	909	933	898	Expenditure for corporate citizenship activities ( <a href="#">Details</a> )
Dividends to shareholders	17,297	45,031	39,072	29,919	10,770	Interim and year-end dividends for the fiscal year
Creditors	22,428	18,478	47,024	53,630	44,923	Interest expense and interest paid on non-operating expenses
Government	46,921	86,137	77,895	48,102	(11,620)	Income taxes, resident and business taxes, deferred income taxes, other taxes and duties
Minority shareholders	19,770	40,339	23,746	(5,233)	(60,580)	Minority shareholder profit (loss)
Internal reserves	34,650	93,055	53,652	16,492	(95,809)	Balance after deducting dividends for the term from net income for the fiscal year
Total economic value	285,243	456,567	405,677	300,504	30,182	Total of the above

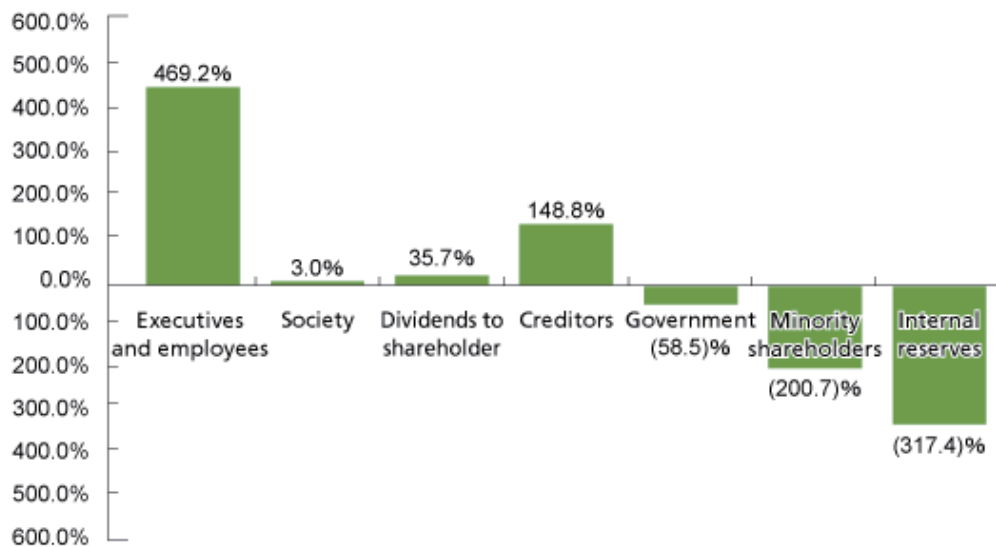
■ Comparison of Economic Report and Consolidated Financial Statements (Unit: ¥million)

	FY2004	FY2005	FY2006	FY2007	FY2008
Economic Report					
Economic Report revenues	536,798	869,181	931,845	838,703	428,318
Economic value	285,243	456,567	405,677	300,504	30,182
Consolidated financial statements					
Operating revenues	519,337	845,659	917,307	825,422	413,936
Net income (loss)	52,665	139,948	92,724	46,411	(85,039)

■ Breakdown of Revenues in the Economic Report (Fiscal 2008) (Unit: ¥million)



■ Distribution of Economic Value (¥30.18 billion) to Stakeholders (Fiscal 2008)



\* Due to rounding, the totals may not always equal the sums of the amounts shown.