

## Financial Section

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## Financial Strategy for the Daiwa Securities Group

**In order to maintain a healthy balance between financial stability and effectiveness, the Daiwa Securities Group concentrates on finding ways to use financial resources to enhance corporate value. The Group seeks to maintain an appropriate level of liquidity through effective yet flexible methods of procuring and utilizing capital that reflect market conditions. Furthermore, the Group strives to maintain a healthy balance between assets and liabilities, to ensure that its financial condition remains constantly stable.**

### Effective Methods of Procuring Capital

The Daiwa Securities Group uses a diverse assortment of methods to raise capital, including the issuance of straight corporate bonds, medium-term notes, loans from other financial institutions, commercial paper, call money, *gensaki* trading (repurchase agreements) and repo operations. The Group considers market conditions and adopts an appropriate mix of these methods in order to procure capital effectively. When utilizing medium- and long-term instruments, such as straight bonds and medium-term notes, the Group maintains a constant awareness of trends in the financial markets, and seeks to procure capital at the most advantageous time possible.

### Maintaining Financial Stability

The Daiwa Securities Group exercises great care to ensure that it always has access to a stable supply of funds, and thus avoid any situation that might jeopardize the Group's continued viability in the case of extreme fluctuations in economic and financial conditions. Any time there are signs that the financial markets are entering a period of volatility, the Group acts promptly to increase liquidity and prepare itself for any unexpected eventualities.

### Group-Wide Capital Management

Daiwa Securities Group Inc. is responsible for monitoring and managing liquidity conditions for the Group as a whole. Although the Group's domestic and overseas securities subsidiaries (including Daiwa Securities and Daiwa Securities SMBC), as well as other listed subsidiaries (NIF SMBC Ventures) conduct their own fund-raising activities and have their own internal systems for maintaining liquidity, the holding company nevertheless monitors their activities and conditions constantly. Daiwa Securities Group Inc. also conducts the basic capital procurement activities for other subsidiaries, and manages finances comprehensively with the goal of allocating capital effectively.

### Contingency Plan

The Group has established a contingency plan to address any situation that might arise, in which sudden market fluctuations make it difficult to procure capital on unsecured short-term credit. The details of this contingency plan are monitored and reviewed on a regular basis, and both the capital procurement plan and the contingency plan are adjusted, when necessary, to account for any new risk scenario which might become apparent. Furthermore, the Group has concluded several commitment line contracts with other financial institutions in order to ensure that it will be able to procure capital in times of emergency.

# Management's Discussion and Analysis

## Macroeconomic Conditions

### Japan

**Cyclical trends in the Japanese economy** During FY 2007, the Japanese economy was supported by firm export-related demand and healthy growth in corporate earnings, which stimulated private consumption as well. As a result, the gradual economic expansion which began in 2002 persisted throughout the period. However, in the latter half of the fiscal year, the sub-prime loan crisis coupled with a general deceleration in the US economy created turmoil in financial markets and caused credit conditions to tighten worldwide. Meanwhile, the yen began to strengthen while commodities prices, and particularly crude oil prices, rose sharply. These external factors created rising uncertainty, as the year progressed, and domestic trends also began to drag on economic growth. For example, revisions to the Building Standards Law, introduced in June, caused a sudden drop in new housing starts toward the end of the year.

Although the factors mentioned above generated considerable instability in domestic private demand, the ongoing economic expansion continued to receive support from the corporate sector. Exports showed no sign of any dramatic decline, leaving the main engines which have driven the current economic expansion basically undamaged.

GDP figures for the period (based on the second preliminary GDP report for FY 2007) showed a real GDP growth rate of 1.6% year-on-year. Though this was substantially less than the 2.5% growth registered in FY 2006, considering the dramatic volatility in both domestic and overseas economic factors, it represents a comparatively healthy expansion trend. Breaking down the GDP figures by demand component, individual consumption rose 1.4% year on year although employee income did not increase. By contrast, private capital investment contracted by 0.5%, the first year-on-year decline since the expansion began, in 2002. Private housing investment contracted sharply, by 13.3% year on year, and public

investment continued to recede, falling 1.7% compared with FY 2006. On the other hand, net exports grew 9.7%, providing most of the momentum for overall economic growth. Domestic demand contributed just 0.3 percentage points of the overall increase in real GDP, while external demand contributed 1.2 percentage points.

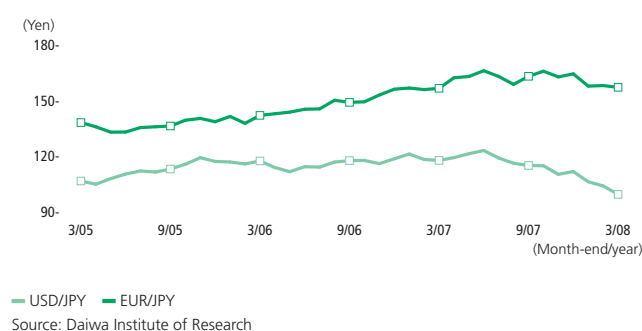
**Turmoil in global financial markets** The sub-prime loan crisis in the US triggered chaos in global financial markets, which has severely tested the global economy in several dimensions. The US housing and real estate markets were already weak, having registered a contraction in the previous fiscal year, but in 2007 the situation deteriorated even further. During July, in particular, the credit ratings of residential mortgage-backed securities (RMBS) were downgraded precipitously, and this created a credit crunch that sent ripple effects into the financial markets of countries around the world. Investors suddenly became highly averse to risk, and the shock waves could be seen in the fluctuations of interest rates, exchange rates and stock prices from country to country. The dollar weakened rapidly on the international foreign exchange markets, with the yen appreciating from around ¥120/US\$ in July to ¥108/US\$ in November. Japan's Nikkei 225 stock average started the fiscal year at 17,028.41 but weakened to 15,307.78 at the end of December. The US Federal Reserve Board (FRB) began to respond in September, by lowering interest rates steadily, and other central banks lent support by providing plenty of liquidity in order to stabilize the international financial system.

Nevertheless, as 2008 began, the credit crunch continued to worsen, and the FRB responded by easing monetary policy even further, cutting interest rates by stages, lowering the federal funds rate a total of three percentage points by the end of March. The US economy showed signs of deterioration, and the interest rate spread between Japan and the US narrowed so suddenly that the yen broke through the ¥100=US\$1.00 level for the first time since 1995. Stock prices tumbled in response to the strong yen, with the Nikkei 225 stock average hitting its low for the year on March 17, at 11,787.16.

GDP (Annualized Quarter-on-Quarter Changes)



Foreign Exchange Rates



Meanwhile, the fallout from the sub-prime loan crisis was beginning to hit leading financial institutions. In mid-March, losses from sub-prime loan-related investments pushed Bear Stearns into insolvency, and forced the Federal Reserve Bank of New York to extend an emergency loan, conducted through JP Morgan Chase. This measure changed the situation and prevented any further loss of faith in the credit system, and gradually calmed risk-averse investors. Although the damage caused by the sub-prime loan collapse is still in the process of being cleaned up, this seems to have stabilized the markets, and most observers now believe that the worst has passed. Stock markets in one country after another began to recover, and by the end of March 2008 the Nikkei 225 had rebounded to 12,525.54.

### Overseas Markets

Although the turmoil in financial markets had an impact that resonated around the world, the rapid economic growth generated by emerging economies such as India, China, Brazil, Russia and the oil-rich economies of the Middle East provided support to offset the economic downturns in developed countries and kept the global economy on an expansionary course. Due to the slowdown in the US, the burden of supporting economic growth has been passed to a multitude of different actors, in a trend that reflects the increasing diversity of economic power. Indeed, FY 2007 can be viewed as the watershed year for economic globalization.

However, this rapid enlargement of economic growth has also produced a surge in demand for raw materials. Demand is skyrocketing, not only for oil and other energy resources, but also for nonferrous metals and other commodities, and this has reinvigorated the search for and development of alternative energy sources. Since one of these alternatives is biofuel (ethanol), which is produced from corn, grain prices have been pushed up as well, contributing to inflation and concerns about a possible food crisis in the future.

## Consolidated Operating Results

### Overview

The financial market turmoil created by the sub-prime loan crisis severely eroded the earnings environment for securities companies, in FY 2007. Even though the Daiwa Securities Group did not have any direct involvement in sub-prime loan-related investments, the indirect impact was considerable, causing ordinary income to fall 53.9% year on year, to ¥90.1 billion and reducing net income by 49.9%, to ¥46.4 billion. Consolidated ROE for the period also declined dramatically, to 5.3% from 10.8% in FY 2006. The dividend for the period was ¥22 per share (including an interim dividend of ¥12 per share), producing a dividend payout ratio of 65.3%.

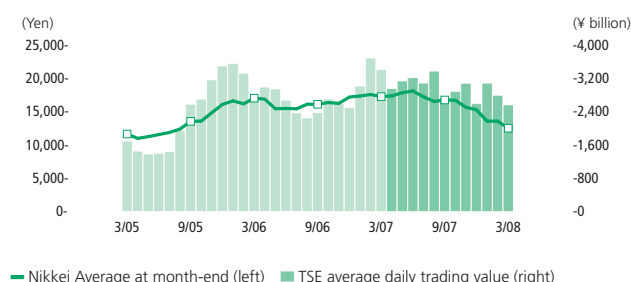
### Net Operating Revenues

Net operating revenues declined 15.0% year on year in FY 2007, to ¥447.4 billion. Revenues from commissions decreased 4.0% year on year, to ¥294.4 billion. Equities declined as the stock market weakened, but sales of equity investment trusts remained brisk and the balance of assets under management continued to expand, supporting an increase in revenues from asset management activities. On the other hand, the weak market conditions depressed the underwriting business and greatly reduced revenues from investment banking. Trading income suffered the greatest impact due to the market turmoil, with net gain on trading falling 34.3% year on year, to ¥103.3 billion. Net gain on private equity and other securities held by Daiwa Securities SMBC Principal Investments and NIF SMBC Ventures fell 41.6% year on year, to ¥19.1 billion, as the weak condition of the IPO market caused profit contributions from NIF SMBC Ventures to decline.

### Breakdown of Commissions by Business Sector

A breakdown of commissions according to business sector shows that equity commissions fell 14.5% year on year, to ¥84.5 billion. Although average daily trading value on the Tokyo Stock Exchange increased to ¥2,939.3 billion, the share of trading conducted by individual investors dropped off, and the average brokerage commission rate weakened, pushing down equity brokerage commissions at Daiwa Securities.

Nikkei Average and Trading Value



Commissions from the asset management business continued to increase, by 27.6% year on year to ¥136.3 billion. Sales of equity investment trusts remained strong, as did distribution commissions, and the balance of assets under management continued to increase, sharply expanding management fee income. Even though market turmoil in the latter half of the year and a decline in stock prices severely affected growth in the total balance of assets in Daiwa Asset Management's publicly offered equity investment trusts, its balance edged up from ¥6.3 trillion in March 2007 to ¥6.5 trillion at the end of March 2008.

Investment banking commissions contracted 36.6% year on year, to ¥47.5 billion. The weak market conditions discouraged companies from making IPOs, and this was exacerbated by the introduction of stricter standards for new listings. The market weakness also discouraged already listed companies from new equity financing, resulting in a sharp drop in primary and secondary offerings underwritten during FY 2007. On the other hand, commissions from the M&A business were relatively strong.

### Breakdown of Commissions

	FY2006	FY2007	yoy	(Millions of yen)			
				FY2007			
				Q1	Q2	Q3	Q4
Equity	¥ 98,987	¥ 84,593	−14.5%	¥24,528	¥22,930	¥20,578	¥16,554
Fixed income	2,667	2,133	−20.0%	562	609	485	476
Asset management	106,906	136,377	27.6%	37,181	33,826	36,396	28,972
Investment banking	74,986	47,551	−36.6%	11,376	10,798	9,545	15,829
Others	23,190	23,771	2.5%	6,227	6,397	5,596	5,549
Total commissions	¥306,736	¥294,425	−4.0%	¥79,875	¥74,562	¥72,602	¥67,383

Note: Quarterly figures have not been audited by an independent auditor.

### Breakdown of Net Operating Revenues

	FY2006	FY2007	yoy	(Millions of yen)			
				FY2007			
				Q1	Q2	Q3	Q4
Commissions	¥306,736	¥294,425	−4.0%	¥ 79,875	¥ 74,562	¥ 72,602	¥67,383
Net gain on trading	157,333	103,361	−34.3%	46,749	24,440	41,650	(9,479)
Net gain on private equity and other securities	32,818	19,160	−41.6%	7,996	6,309	723	4,131
Net financial income	19,207	18,639	−3.0%	6,530	3,551	3,347	5,208
Others	10,669	11,906	11.6%	2,917	2,698	3,103	3,187
Net operating revenues	¥526,764	¥447,491	−15.0%	¥144,068	¥111,563	¥121,427	¥70,431

Note: Quarterly figures have not been audited by an independent auditor.

### Foreign Currency Denominated Securitized Products (As of March 31, 2008)

Types of Securitized Products	(Billions of yen, %)		
	Balance (market-value)	Unrealized gains/losses* <sup>5</sup>	% of decline in price
CDO of ABS etc.* <sup>1</sup>	—	—	—
RMBS* <sup>2</sup>	181.1	(0.2)	0%
CMBS* <sup>3</sup>	—	—	—
SIV Issued bonds* <sup>4</sup>	13.2	(0.9)	−7%
Total	194.3	(1.1)	−1%

\*<sup>1</sup> Secondary securitized products including Collateralized Debt Obligation (CDO) of Asset Backed Securities (ABS), which are re-securitized ABS backed by residential loan assets or commercial mortgage loan assets

\*<sup>2</sup> Residential Mortgage-Backed Securities

All holdings are Agency Mortgage-Backed Securities guaranteed or issued by Ginnie Mae, Fannie Mae and Freddie Mac.

\*<sup>3</sup> Commercial Mortgage-Backed Securities

\*<sup>4</sup> MTN (Medium-Term Note) issued by Structured Investment Vehicle (SIV)

Weighted average current maturity: approx. 3 months

\*<sup>5</sup> Unrealized gains (losses) are net of reserves and include gains (losses) from hedging positions.

## Selling, General and Administrative (SG&A) Expenses

SG&A expenses increased 6.9% year on year, to ¥363.8 billion. The main factors contributing to this increase were a rise in fees and commissions paid (up 19.5% year on year), including agency commissions paid for the sale of investment trusts through sales channels outside the Group, and a rise in office expenses (up 29.8%) due to increased outsourcing of systems development work. As a percentage of net operating revenues, SG&A expenses rose to 81.3% in FY 2007, compared with 64.6% in FY 2006.

## Ordinary Income and Net Income

Ordinary income declined by 53.9% in FY 2007, to ¥90.1 billion. The net of extraordinary items showed a loss of ¥8.1 billion, including an ¥8.2 billion write-down of investment securities and ¥1.3 billion in costs for relocation of the headquarters. Net income for the period declined 49.9% year on year, to ¥46.4 billion.

## Performance of Major Group Companies

Operating revenues from Daiwa Securities' retail securities business dipped 1.9% year on year, to ¥226.2 billion, and ordinary income fell 4.6% to ¥71.0 billion. In addition to a drop in securities trading activity by individual investors, the company was affected by a drop in the number of underwriting deals, which sharply reduced equity brokerage and distribution commissions. On the other hand, the balance of assets in investment trusts increased, producing a strong rise in agency commissions. Total commissions for the period were down 7.4% year on year, to ¥172.0 billion. Strong sales of foreign currency-denominated bonds, on the other hand, produced a 21.3% advance in net gain on trading, to ¥45.2 billion.

Customer assets under custody as of the end of March 2008 stood at ¥28.8 trillion, a decline of 10.9% year on year, due to the drop in equity prices. In September, commissions for margin trading in foreign currencies, using the Daiwa FX online trading system, were eliminated, thus producing a dramatic jump in the number of accounts and total trading value. Furthermore, Daiwa Securities' Wrap Account service for high-net-worth individuals was bolstered by the launch of Daiwa Fund Wrap services, in October 2007.

## Ordinary Income and Net Income

	FY2006	FY2007	yoy	(Millions of yen)			
				FY2007			
				Q1	Q2	Q3	Q4
Ordinary income (loss)	¥195,415	¥90,143	-53.9%	¥54,092	¥21,204	¥30,511	¥(15,664)
Net income (loss)	92,725	46,411	-49.9%	27,335	14,739	17,264	(12,928)

Note: Quarterly figures have not been audited by an independent auditor.

Consolidated earnings from Daiwa Securities SMBC's wholesale securities business include contributions from overseas subsidiaries and those from Daiwa Securities SMBC Principal Investments, a domestic subsidiary which oversees the Group's investment business. Consolidated operating revenues in this division declined 23.6% year on year, to ¥242.2 billion, while ordinary income dropped 98.5%, to ¥1.4 billion. Earnings were severely affected by the market turmoil associated with the sub-prime loan crisis. Net gains on trading plunged 53.2% year on year, to ¥54.6 billion. Total commissions declined 27.3%, to ¥77.4 billion; although brokerage commissions remained essentially unchanged from the previous year, commissions from the investment banking division were adversely affected by the weak market conditions and an associated decline in equity financing activity, which caused equity underwriting commissions to fall sharply. Net gains on private equity and other securities held by Daiwa Securities SMBC Principal Investments were healthy during the first half of the fiscal year, but market weakness in the second half caused equity prices to fall, and prevented the company from

exiting from its investments. Net gains on private equity and other securities were down 14.4% from the previous year, to ¥23.7 billion, though the total investment balance increased by ¥83.0 billion, to ¥439.0 billion at the end of March 2008.

Asset management operations, centering on Daiwa Asset Management, registered brisk sales of equity investment trusts through Daiwa Securities and major banks, and this produced a steady increase in the balance of assets under management. As of March 2008, the balance of assets in equity investment trusts stood at ¥6.5 trillion. Although this represented only a slight increase compared with the level in March 2007, the balance reached a peak level of ¥7.5 billion in June 2007, before asset prices began to fall. As a result, management fees expanded and ordinary income at Daiwa Asset Management rose 34.4% year on year, to a historical peak of ¥17.4 billion. Ordinary income at Daiwa SB Investments, an equity-method affiliate, also reached a new record high, rising 30.5% year on year to ¥5.7 billion.

## Performance of Major Group Companies

	(Millions of yen)					
	Daiwa Securities		Daiwa Securities SMBC (consolidated)		Daiwa Asset Management	
	FY2006	FY2007	FY2006	FY2007	FY2006	FY2007
Operating revenues	¥230,649	¥226,273	¥317,118	¥242,269	¥58,933	¥83,079
Ordinary income	74,477	71,026	92,866	1,431	13,015	17,494
Net income (loss)	43,468	41,009	51,945	(5,836)	8,659	10,665

	(Millions of yen)					
	Daiwa Institute of Research		Daiwa SB Investments		NIF SMBC Ventures	
	FY2006	FY2007	FY2006	FY2007	FY2006	FY2007
Ordinary income (loss)	¥9,744	¥13,379	¥4,407	¥5,752	¥4,233	¥(5,321)

## Overseas Performance

Operating revenues generated in the Asia & Oceania region grew dramatically in FY 2007, but SG&A expenses also soared, causing ordinary income to decline marginally. In The Americas, by contrast, operating revenues decreased slightly but SG&A costs were reduced as well, producing a slight rise in ordinary income from the region. Business in Europe was affected by both the decline in Japanese stock prices and the market impact of the sub-prime loan crisis. Both commissions and net gains on trading registered substantial year-on-year declines, and this dragged down overall earnings from overseas operations. Ordinary income from overseas operations fell 89.8% year on year, to ¥1.4 billion.

## Assets

Total assets at the end of March 2008 stood at ¥17,307.1 billion, representing an increase of ¥2,895.8 billion, year on year. Current assets increased by ¥2,862.1 billion, to ¥16,753.2 billion, whereas fixed assets increased by ¥33.6 billion year on year, to ¥553.8 billion. The main factor behind this sharp increase in current assets was a ¥2,081.6 billion surge in the value of bonds held for trading products.

## Liabilities and Net Assets

Total liabilities amounted to ¥16,224.1 billion at the end of March 2008, an increase of ¥3,036.1 billion year on year. Current liabilities increased by ¥2,980.9 billion year on year, to ¥14,920.9 billion, and long-term liabilities increased by ¥55.0 billion, to ¥1,295.2 billion. The increase in current liabilities included a ¥1,079.5 billion rise in collateralized short-term financing agreements and a ¥754.2 billion increase in short-term borrowings. The increase in long-term liabilities resulted from the holding company's issuance of straight corporate bonds.

Total net assets declined by ¥140.3 billion year on year, to ¥1,082.9 billion at the end of March 2008. The two largest factors in this decline were a ¥51.1 billion decline in net unrealized gains (losses) on securities and a ¥50.0 billion decline in the balance of treasury stock. Following the inflow from net income and the distribution of dividends to shareholders, retained earnings registered a ¥7.1 billion increase, year on year.

## Breakdown of Operating Income by Geographic Region

	(Millions of yen)	
	FY 2006	FY 2007
The Americas	¥ 1,625	¥ 1,948
Europe	8,415	(4,190)
Asia & Oceania	3,829	3,661
Total	¥13,870	¥ 1,419

## The Daiwa Securities Group's Credit Ratings

	(As of July 1, 2008)					
	Daiwa Securities Group Inc.		Daiwa Securities		Daiwa Securities SMBC	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Moody's	Baa1	–	Baa1	P-2	A1	P-1
Standard & Poor's	BBB+	A-2	BBB+	A-2	A	A-1
Rating and Investment Information (R&I)	A	a-1	A	a-1	A+	a-1
Japan Credit Rating Agency (JCR)	A+	–	A+	–	–	–



## Cash Flows

Cash flow from operating activities showed a ¥782.5 billion net outflow (compared with a ¥14.4 billion outflow in FY 2006), as cash was used to increase the balance of trading products. Cash flow from investment activities also showed a net outflow, due to investment in IT systems and an increase in time deposits. The net outflow for the period was ¥189.0 billion, compared with a ¥73.2 billion outflow in FY 2006. Cash flow from financing activities showed a net inflow of ¥991.0 billion (versus a ¥43.1 billion inflow in FY 2006), generated primarily by loans and the issuance of straight corporate bonds. After adding in the impact of exchange rate fluctuations and other factors, the balance of cash and cash equivalents stood at ¥359.8 billion at the end of March 2008.

## Capital Investments

The goals of Daiwa Securities Group's capital investment activities include the establishment of a solid business foundation that will enhance competitiveness and improve customer convenience. During FY 2007, the Group invested in improvements to the online trading systems at Daiwa Securities, as well as an upgrade to the Group's core operating system for administrative activities. In addition to these IT-related investments, the Group continued to invest in the transfer, refurbishing and expansion of existing branch offices, and in the relocation of head office functions to the GranTokyo North Tower, located near the Yaesu exit of Tokyo Station.

### Cash Flows

	(Millions of yen)	
	FY2006	FY2007
Cash flow from operating activities	¥ (14,470)	¥(782,533)
Cash flow from investing activities	(73,288)	(189,043)
Cash flow from financing activities	43,163	991,087
Cash and cash equivalents at end of term	¥ 352,779	¥ 359,851

## Consolidated Balance Sheets

DAIWA SECURITIES GROUP INC.

March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Cash and cash deposits:</b>			
Cash and cash equivalents (Note 6)	¥ 359,851	¥ 352,779	\$ 3,598,510
Cash segregated as deposits for regulatory purposes	233,545	256,435	2,335,450
Time deposits (Note 8)	85,125	21,031	851,250
	678,521	630,245	6,785,210
<b>Receivables:</b>			
Loans receivable from customers	75,422	1,925	754,220
Loans receivable from other than customers (Note 8)	152,617	143,467	1,526,170
Trading receivables, net	219,314	—	2,193,140
Receivables related to margin transactions (Note 3)	369,312	575,457	3,693,120
Other	614,825	122,029	6,148,250
Less: Allowance for doubtful accounts	1,385	141	13,850
	1,430,105	842,737	14,301,050
<b>Collateralized short-term financing agreements</b> (Note 4)	6,206,327	6,814,612	62,063,270
<b>Trading assets</b> (Notes 5 and 8)	7,857,122	5,082,219	78,571,220
<b>Private equity and other securities</b> (Notes 6 and 8)	471,732	440,178	4,717,320
<b>Deferred tax assets</b> (Note 13)	31,348	25,680	313,480
<b>Property and equipment, at cost</b>	260,104	245,590	2,601,040
<b>Less: Accumulated depreciation</b>	106,711	111,054	1,067,110
	153,393	134,536	1,533,930
<b>Other assets:</b>			
Intangible fixed assets	101,880	81,315	1,018,800
Lease deposits	30,130	23,729	301,300
Investment securities (Notes 6 and 8)	254,716	269,805	2,547,160
Long-term loans receivable	11,436	11,492	114,360
Other (Note 8)	82,676	56,316	826,760
Less: Allowance for doubtful accounts	2,267	1,599	22,670
	478,571	441,058	4,785,710
	¥17,307,119	¥14,411,265	\$173,071,190

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	2008	2007	2008
<b>Borrowings:</b>			
Short-term borrowings (Notes 8 and 11)	¥ 2,349,828	¥ 1,595,585	\$ 23,498,280
Commercial paper	488,300	302,392	4,883,000
Long-term debt (Notes 8 and 11)	1,406,400	1,261,513	14,064,000
	4,244,528	3,159,490	42,445,280
<b>Payables:</b>			
Payables to customers and counterparties (Note 10)	711,583	233,164	7,115,830
Trading payables, net	—	67,771	—
Payables related to margin transactions (Notes 3 and 8)	202,010	233,353	2,020,100
Other	30,039	33,279	300,390
	943,632	567,567	9,436,320
<b>Collateralized short-term financing agreements</b> (Note 4)	6,238,684	5,159,100	62,386,840
<b>Trading liabilities</b> (Note 5)	4,643,644	4,105,362	46,436,440
<b>Accrued and other liabilities:</b>			
Income taxes payable	21,538	12,551	215,380
Deferred tax liabilities (Note 13)	4,556	33,290	45,560
Accrued bonuses	17,326	31,200	173,260
Retirement benefits (Note 12)	24,016	23,181	240,160
Provision for relocation costs of headquarter office	4,130	3,757	41,300
Provision for litigation losses	779	623	7,790
Other	73,345	84,021	733,450
	145,690	188,623	1,456,900
<b>Statutory reserves</b> (Note 14)	8,017	7,897	80,170
Total liabilities	16,224,195	13,188,039	162,241,950
<b>Contingent liabilities</b> (Note 15)			
<b>Net assets:</b>			
Owners' equity (Note 16)			
Common stock, no par value;			
Authorized—4,000,000 thousand shares			
Issued—1,404,665 thousand shares as of March 31, 2008	178,324	178,324	1,783,240
Capital surplus	157,679	157,679	1,576,790
Retained earnings	527,579	520,474	5,275,790
Treasury stock at cost	(61,701)	(11,628)	(617,010)
Paid-in money for treasury stock	—	5	—
	801,881	844,854	8,018,810
Valuation and translation adjustments			
Net unrealized gain on securities, net of tax effect	24,470	75,658	244,700
Deferred gain on hedges, net of tax effect	801	468	8,010
Translation adjustments	(9,062)	8,546	(90,620)
	16,209	84,672	162,090
Stock subscription rights (Note 17)	1,430	611	14,300
Minority interests	263,404	293,089	2,634,040
Total net assets	1,082,924	1,223,226	10,829,240
	¥17,307,119	¥14,411,265	\$173,071,190

## Consolidated Statements of Income

DAIWA SECURITIES GROUP INC.

Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
<b>Operating revenues:</b>				
Commissions (Note 20)	¥294,425	¥306,736	¥309,189	\$2,944,250
Net gain on trading (Note 21)	103,361	157,333	224,912	1,033,610
Net gain on private equity and other securities	19,160	32,818	21,539	191,600
Interest and dividend income	358,423	373,453	245,211	3,584,230
Service fees and other revenues	50,053	46,968	44,809	500,530
	825,422	917,308	845,660	8,254,220
<b>Interest expense</b>	339,784	354,245	231,572	3,397,840
<b>Cost of service fees and other revenues</b>	38,147	36,299	34,729	381,470
<b>Net operating revenues</b> (Note 19)	447,491	526,764	579,359	4,474,910
<b>Selling, general and administrative expenses</b> (Notes 12, 19 and 22)	363,859	340,373	325,199	3,638,590
<b>Operating income</b> (Note 19)	83,632	186,391	254,160	836,320
<b>Other income (expenses):</b>				
Provision for statutory reserves, net (Note 14)	(52)	(566)	(1,374)	(520)
Other, net (Note 23)	(1,629)	98	5,570	(16,290)
	(1,681)	(468)	4,196	(16,810)
<b>Income before income taxes and minority interests</b>	81,951	185,923	258,356	819,510
<b>Income taxes</b> (Note 13):				
Current	40,475	65,794	77,676	404,750
Deferred	299	3,657	392	2,990
	40,774	69,451	78,068	407,740
<b>Minority interests</b>	5,234	(23,747)	(40,340)	52,340
<b>Net income</b>	¥ 46,411	¥ 92,725	¥139,948	\$ 464,110
			Yen	U.S. dollars (Note 1)
<b>Per share amounts:</b>				
Net income	¥33.69	¥67.90	¥103.90	\$0.34
Diluted net income	33.63	66.07	98.61	0.34
Cash dividends applicable to the year	22.00	28.00	34.00	0.22

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

DAIWA SECURITIES GROUP INC.

Years ended March 31, 2008, 2007 and 2006

	Number of shares of common stock (thousands)	Millions of yen									
		Owners' equity					Valuation and translation adjustments				
		Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Paid-in money for treasury stock	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges, net of tax effect	Translation adjustments	Stock subscription rights	Minority interests
<b>Balance at March 31, 2005</b>	1,331,736	¥ 138,432	¥ 117,941	¥ 362,949	¥ (787)	¥ –	¥ 35,674	¥ –	¥ (5,877)	¥ –	¥ 189,194
Conversion of convertible bonds	724	396	396								
Cash dividends paid				(26,612)							
Bonuses to directors				(677)							
Net income				139,948							
Change in treasury stock, net			2		(13,873)						
Increase in retained earnings due to merger of a consolidated subsidiary				608							
Net changes of items other than owners' equity							37,020	(199)	6,741		47,525
<b>Balance at March 31, 2006</b>	1,332,460	138,828	118,339	476,216	(14,660)	–	72,694	(199)	864	–	236,719
Conversion of convertible bonds	72,205	39,496	39,496								
Cash dividends paid				(45,806)							
Bonuses to directors and executive officers				(1,828)							
Net income				92,725							
Change in treasury stock, net			(156)	(1,239)	3,032						
Increase in retained earnings due to merger of a consolidated subsidiary				406							
Other						5					
Net changes of items other than owners' equity							2,964	667	7,682	611	56,370
<b>Balance at March 31, 2007</b>	1,404,665	178,324	157,679	520,474	(11,628)	5	75,658	468	8,546	611	293,089
Cash dividends paid				(38,788)							
Net income				46,411							
Change in treasury stock, net				(346)	(50,073)						
Decrease due to addition of a consolidated subsidiary				(172)							
Other						(5)					
Net changes of items other than owners' equity							(51,188)	333	(17,608)	819	(29,685)
<b>Balance at March 31, 2008</b>	1,404,665	¥ 178,324	¥ 157,679	¥ 527,579	¥ (61,701)	¥ –	¥ 24,470	¥ 801	¥ (9,062)	¥ 1,430	¥ 263,404

	Thousands of U.S. dollars (Note 1)									
	Owners' equity					Valuation and translation adjustments				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Paid-in money for treasury stock	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges, net of tax effect	Translation adjustments	Stock subscription rights	Minority interests
<b>Balance at March 31, 2007</b>	\$1,783,240	\$1,576,790	\$5,204,740	\$(116,280)	\$ 50	\$ 756,580	\$4,680	\$ 85,460	\$ 6,110	\$2,930,890
Cash dividends paid			(387,880)							
Net income			464,110							
Change in treasury stock, net			(3,460)	(500,730)						
Decrease due to addition of a consolidated subsidiary			(1,720)							
Other					(50)					
Net changes of items other than owners' equity						(511,880)	3,330	(176,080)	8,190	(296,850)
<b>Balance at March 31, 2008</b>	\$1,783,240	\$1,576,790	\$5,275,790	\$(617,010)	\$ –	\$ 244,700	\$8,010	\$ (90,620)	\$14,300	\$2,634,040

See accompanying notes.

# Consolidated Statements of Cash Flows

DAIWA SECURITIES GROUP INC.

Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
<b>Cash flows from operating activities:</b>				
Net income	¥ 46,411	¥ 92,725	¥ 139,948	\$ 464,110
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	28,047	23,117	22,641	280,470
Allowance for doubtful accounts, net	3,445	317	226	34,450
Provision for retirement benefits, net	836	1,234	23	8,360
Stock subscription rights	815	611	–	8,150
Statutory reserves, net	51	567	1,374	510
Losses (gains) related to investment securities	5,240	(3,926)	(11,060)	52,400
Losses related to fixed assets	1,952	5,880	11,838	19,520
Gain on change in stake in subsidiary	–	–	(4,725)	–
Provision for litigation losses	–	551	–	–
Provision for relocation costs of headquarter office	1,354	4,681	–	13,540
Deferred income taxes	299	3,657	392	2,990
Minority interests	(5,234)	23,747	40,340	(52,340)
Changes in operating assets and liabilities:				
Receivables and payables related to margin transactions	174,806	27,247	(195,882)	1,748,060
Other receivables and other payables	(133,966)	(113,773)	(29,270)	(1,339,660)
Collateralized short-term financing agreements	1,721,872	(150,764)	(63,704)	17,218,720
Trading assets and liabilities	(2,561,539)	79,204	615,610	(25,615,390)
Private equity and other securities	(76,273)	(45,410)	(192,645)	(762,730)
Other, net	9,351	35,865	33,684	93,510
Total adjustments	(828,944)	(107,195)	228,842	(8,289,440)
Net cash flows provided by (used in) operating activities	(782,533)	(14,470)	368,790	(7,825,330)
<b>Cash flows from investing activities:</b>				
Increase in time deposits	(120,181)	(36,290)	(10,685)	(1,201,810)
Decrease in time deposits	56,042	30,995	55,201	560,420
Payments for purchases of property and equipment	(34,295)	(18,439)	(12,526)	(342,950)
Proceeds from sales of property and equipment	240	539	719	2,400
Payments for purchases of intangible fixed assets	(44,006)	(34,648)	(24,312)	(440,060)
Payments for purchases of investment securities	(86,731)	(47,527)	(51,554)	(867,310)
Proceeds from sales of investment securities	52,909	36,553	43,604	529,090
Purchase of subsidiary's stock due to change in scope of consolidation	–	1,357	–	–
Decrease (increase) in long-term loans receivable	(3,655)	(876)	358	(36,550)
Other, net	(9,366)	(4,952)	(1,757)	(93,660)
Net cash flows used in investing activities	(189,043)	(73,288)	(952)	(1,890,430)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term borrowings and commercial paper	¥ 945,660	¥ (97,430)	¥(446,190)	\$ 9,456,600
Proceeds from issuance of notes	442,593	509,087	505,358	4,425,930
Payments for redemption of bonds and notes	(294,317)	(362,305)	(401,374)	(2,943,170)
Increase (decrease) in other long-term debt	(2,682)	10,360	58,496	(26,820)
Proceeds from issuance of stocks to minority shareholders	–	40,080	10,000	–
Payments of cash dividends	(38,787)	(45,806)	(26,612)	(387,870)
Payments of cash dividends to minority shareholders	(10,894)	(12,039)	(9,177)	(108,940)
Other, net	(50,486)	1,216	(13,446)	(504,860)
Net cash flows provided by (used in) financing activities	991,087	43,163	(322,945)	9,910,870
<b>Effect of exchange rate changes on cash and cash equivalents</b>				
	(13,582)	4,788	7,429	(135,820)
Net increase (decrease) in cash and cash equivalents	5,929	(39,807)	52,322	59,290
Cash and cash equivalents at beginning of year	352,779	392,350	338,697	3,527,790
Increase in cash and cash equivalents due to merger of a consolidated subsidiary	655	236	1,331	6,550
Increase in cash equivalents due to addition of a consolidated subsidiary	488	–	–	4,880
Cash and cash equivalents at end of year	¥ 359,851	¥ 352,779	¥ 392,350	\$ 3,598,510
<b>Supplemental information on cash flows:</b>				
Cash paid during the year for:				
Interest	¥ 342,670	¥ 348,266	¥ 222,153	\$ 3,426,700
Income taxes	46,291	111,811	11,405	462,910

See accompanying notes.

# Notes to Consolidated Financial Statements

DAIWA SECURITIES GROUP INC.

Years ended March 31, 2008, 2007 and 2006

## 1. Basis of financial statements

The consolidated financial statements include the accounts of Daiwa Securities Group Inc. ("the Company"), a Japanese corporation, and its subsidiaries (collectively "Daiwa"). Daiwa's principal subsidiaries include:

- Daiwa Securities Co. Ltd. ("Daiwa Securities")
  - Daiwa Securities SMBC Co. Ltd. ("Daiwa Securities SMBC")
  - Daiwa Asset Management Co. Ltd. ("DAM")
  - Daiwa Institute of Research Ltd. ("DIR")
  - NIF SMBC Ventures Co., Ltd. ("NIF SMBC")
- (NIF Ventures Co., Ltd., a consolidated subsidiary of the Company changed its name to NIF SMBC Ventures Co., Ltd. following the merger with SMBC Capital Co., Ltd. on October 1, 2005.)

Daiwa Securities is the retail-securities arm of Daiwa. This company operates through a network of 117 branches as well as non-face-to-face channels, including the Internet and a full-fledged call center to provide online and telephone-based securities-related services. Daiwa Securities SMBC is the wholesale-securities company of Daiwa, a 60%-owned joint venture with Sumitomo Mitsui Financial Group, Inc. DAM is the asset management company of Daiwa. In addition, Daiwa has several overseas consolidated subsidiaries, mainly engaged in the securities business.

Daiwa is primarily engaged in the business of a securities broker-dealer, pursuant to which Daiwa provides services including brokerage, trading, underwriting, strategic advice, product development, and structured finance. In addition, Daiwa provides asset and capital management, principal investment, venture capital, and research through a network in major capital markets and other services.

## 2. Significant accounting policies

**Consolidation**—The consolidated financial statements include the accounts of the Company and significant companies which are controlled by the Company through substantial ownership of more than 50% of the voting rights (excluding companies owned for the purpose of operating principal investment and venture capital business, and not for the purpose of affiliation to the group) or through ownership of at least 40% and less than 50% of the voting rights and the existence of certain conditions evidencing control by the Company of the decision-making body of such companies.

In addition to investments in companies in excess of 20% (excluding companies owned for the purpose of operating principal investment and venture capital business, and not for the purpose of affiliation to the group through personnel management, financial resources,

The Company and its domestic consolidated subsidiaries maintain their official accounting records in yen. The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of overseas consolidated subsidiaries are maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2008, which was ¥100 to U.S.\$1. The convenience translations should not be construed as representations that the yen amounts have been, could have been, or could be, converted into U.S. dollars at this or any other rate of exchange.

technology, transactions, etc.), certain companies for which the Company has at least 15% and less than 20% of the voting rights and in cases where the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for by using the equity method.

Practical Issues Task Force No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," has been applied from the fiscal year ended March 31, 2007. There was no impact on the financial statements for the years ended March 31, 2008 and 2007.

Material inter-company balances, transactions and profits have been eliminated in consolidation.



**Statements of cash flows**—For purposes of the consolidated statements of cash flows, the Company defines cash equivalents as highly liquid investments with original maturities of three months or less.

**Trading assets and trading liabilities**—Trading assets and liabilities including securities and financial derivatives for trading purposes held by securities companies are recorded on a trade date basis at fair value in the consolidated balance sheets. Gains and losses including unrealized gains and losses related to transactions for trading purposes are reported as “Net gain on trading” in the accompanying consolidated statements of income. Fair value is determined based on market prices, quoted prices, internal pricing models (utilizing indicators of general market conditions or other economic measurements), or management’s estimates of amounts to be realized on settlement, assuming current market conditions and an orderly disposition over a reasonable period of time. Securities owned for non-trading purposes, shown in the accompanying consolidated balance sheets as “Cash and cash equivalents,” “Private equity and other securities” and “Investment securities,” are discussed below.

**Securities other than trading assets and trading liabilities**—Daiwa examines the intent of holding securities and classifies those securities as (a) securities intended to be held for trading purposes by non-securities companies, (b) debt securities intended to be held to maturity (“held-to-maturity debt securities”), and (c) all other securities not classified in any of the above categories (“available-for-sale securities”).

Securities intended to be held for trading purposes by non-securities companies are carried at fair value with recognized unrealized gains or losses included in the consolidated statements of income.

Held-to-maturity debt securities are stated at amortized cost.

Available-for-sale securities with market value are stated at market value, based on quoted market prices. Realized gains and losses on sale of such securities are computed using the moving-average cost. Unrealized gains and losses on these securities are reported, net of tax effect, as a separate component of net assets.

Available-for-sale securities, for which a market value is not available, are stated at the moving-average cost.

If the market value of available-for-sale securities declines significantly, such securities are considered to be impaired and the difference between market value and the carrying amount is recognized as a loss in the period of the decline. For available-for-sale securities, which do not have readily available market value, if the net book value declines significantly and if such decline is considered to be other than temporary, the difference between the carrying amount

and the net book value is recognized as a loss in the period of the decline. Impaired losses on these securities are reported in the consolidated statements of income.

Based on “Practical Solution on Accounting for the Book Value of Class Shares at the Balance Sheet Date” (Practical Issues Task Force No. 10), net unrealized gain on securities, net of tax effect as of March 31, 2007 included ¥7,974 million derived from the investments in corporations’ class shares, which were in period convertible into common shares. As of March 31, 2008, such unrealized gain on securities was immaterial.

Of those securities with no fair value, investments in limited partnerships and similar partnerships which are regarded as equivalent to securities by Article 2 (2) of the Financial Instruments and Exchange Act, the share of net income of the partnerships has been reflected in the consolidated statements of income and the share of net unrealized gains and losses held by the partnerships is directly recorded under net assets.

**Derivatives used for non-trading purpose**—Daiwa states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses unless the derivative financial instruments are used for hedging purposes. Valuation gains or losses on hedging instruments are mainly deferred as assets or liabilities until the gains or losses on the underlying hedged instruments are realized. Interest received or paid on interest rate swap agreements for hedging purposes is accrued without being marked-to-market. The premium or discount on forward exchange contracts for hedging purposes is allocated to each fiscal term without being marked-to-market.

**Collateralized short-term financing agreements**—Collateralized short-term financing agreements consist of securities purchased under agreements to resell (“resell transactions”) or securities sold under agreements to repurchase (“repurchase transactions”), and securities borrowed or loaned. Repurchase transactions and resell transactions are carried at their contractual amounts. Securities borrowed or loaned are recorded at the amount of cash collateral advanced or received.

**Allowance for doubtful accounts**—Allowance for doubtful accounts is provided based on the actual historical default rate for normal loans, and based on individually assessed amounts for doubtful and default loans.

**Property and equipment**—Property and equipment are stated at the acquisition cost. Impairment losses recognized have been deducted from the acquisition costs. Daiwa computes depreciation principally by the straight-line method over estimated useful lives.

(Change in the accounting standard)

In connection with the current Japanese corporate tax law reform, the Company and its domestic consolidated subsidiaries have changed the depreciation method to that which complies with the new corporate tax law for property and equipment purchased on or after April 1, 2007. However, after such assets have been depreciated to the depreciable limit, the remaining value is amortized over five years in pro rata from the following fiscal year until its book value is reduced to ¥1. The effect on the consolidated financial statements as of March 31, 2008 was immaterial.

(Additional information)

The relocation of the headquarter office of the Company and some consolidated subsidiaries has been almost completed. The useful lives of the building and equipment for the former headquarters were shortened up to the planned removal date. Extraordinary depreciation expenses of ¥4,439 million were recorded as other expense, due to the application of shortened useful lives for the year ended March 31, 2006. Also "Income before income taxes and minority interests" decreased by that amount, as a result.

**Intangible fixed assets**—Intangible fixed assets are generally amortized under the straight-line method. The Company and its domestic consolidated subsidiaries compute depreciation over estimated useful lives, and over internally estimated useful lives (5 years) for software for in-house use.

**Bonuses**—Accrued bonuses of employees and directors represent liabilities estimated as of the balance sheet date.

(Change in the accounting standard)

The Company adopted "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4) from the fiscal year ended March 31, 2007. According to ASBJ Statement No. 4, Directors' bonus is expensed when it is incurred, instead of the appropriation of its retained earnings upon approval of each consolidated subsidiary's annual shareholders' meeting. "Operating income" and "Income before income taxes and minority interests" decreased by ¥1,553 million, respectively, in the consolidated statements of income in the year ended March 31, 2007, due to this accounting change.

#### Share-based payment

(Change in the accounting standard)

The Company adopted "Accounting Standard for Share-based Payment" (ASBJ Statement No. 8) and "Implementation Guidance on Accounting Standard for share-based payment" (ASBJ Guidance No. 11) from the fiscal year ended March 31, 2007. "Operating income" and "Income before income taxes and minority interests" decreased by ¥611 million, respectively, in the consolidated statements of income in the year ended March 31, 2007, due to this accounting change.

**Retirement benefits**—Daiwa has various benefit plans for eligible employees and directors such as the unfunded plan and closed funded plan.

**Provision for relocation costs of headquarter office**—Provision for relocation costs of headquarter office of the Company and some consolidated subsidiaries was booked based on reasonable estimation.

**Provision for litigation losses**—The estimated amount of restitution is accrued to provide for future monetary damages of litigation regarding financial services based on the status of progress.

**Income taxes**—Income taxes consist of corporation, enterprise and inhabitants' taxes. The provision for income taxes is computed based on the pre-tax income of the Company and each of its consolidated subsidiaries with certain adjustments, if necessary.

Income tax consequences of amounts that will become taxable or deductible in future years are recorded as deferred tax assets and liabilities, which are generally raised from the difference in value of assets and liabilities for statutory accounting and tax accounting. Daiwa recognizes deferred tax assets to the extent of amounts reasonably expected to be realized in future.

The consolidated tax payments system has been applied designating the Company, Daiwa Securities SMBC and NIF SMBC as parent companies of the consolidated tax payments.

**Translation of foreign currencies**—The Company and its domestic consolidated subsidiaries translate assets and liabilities in foreign currencies into yen at the year-end exchange rate.

**Translation of foreign currency financial statements**—Financial statements of overseas consolidated subsidiaries are translated into yen on the basis of the year-end exchange rates for assets and liabilities except that "Retained earnings" are translated at historical rates. Income and expenses are translated at the average exchange rates of the applicable year. The resulting differences are reported as "Translation adjustments" in net assets in the accompanying consolidated balance sheets.

**Net income per share**—Net income per share of common stock is based on the average number of common shares outstanding.

Diluted net income per share is computed based on the average number of common shares outstanding for the year with an adjustment for dilutive convertible bonds and stock subscription rights based on the number of shares of common stock that would have been issued provided that the outstanding dilutive convertible bonds and stock subscription rights were converted at the beginning of the year.

**Reclassification**—Certain reclassifications have been made in the 2007 and 2006 consolidated financial statements to conform to the presentation for 2008.

### 3. Margin transactions

Margin transactions at March 31, 2008 and 2007 consisted of the following:

	2008	Millions of yen 2007	Thousands of U.S. dollars 2008
<b>Assets:</b>			
Customers' margin loans	¥192,001	¥339,104	\$1,920,010
Cash deposits as collateral for securities borrowed	177,311	236,353	1,773,110
	¥369,312	¥575,457	\$3,693,120
<b>Liabilities:</b>			
Payable to securities finance companies	¥ 8,617	¥ 14,447	\$ 86,170
Proceeds of securities sold for customers' accounts	193,393	218,906	1,933,930
	¥202,010	¥233,353	\$2,020,100

Customers' margin loans are stated at amounts equal to the purchase amounts of the relevant securities, which are collateralized by customers' securities and customers' deposits. Proceeds of securities sold for customers' accounts are stated at the sales amounts.

### 4. Collateralized short-term financing agreements

Collateralized short-term financing agreements at March 31, 2008 and 2007 consisted of the following:

	2008	Millions of yen 2007	Thousands of U.S. dollars 2008
<b>Assets:</b>			
Securities purchased under agreements to resell	¥1,334,581	¥1,595,729	\$13,345,810
Securities borrowed	4,871,746	5,218,883	48,717,460
	¥6,206,327	¥6,814,612	\$62,063,270
<b>Liabilities:</b>			
Securities sold under agreements to repurchase	¥2,987,701	¥3,219,353	\$29,877,010
Securities loaned	3,250,983	1,939,747	32,509,830
	¥6,238,684	¥5,159,100	\$62,386,840

## 5. Trading assets and trading liabilities

Trading assets and trading liabilities at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Trading assets:</b>			
Equities	¥ 133,153	¥ 377,531	\$ 1,331,530
Government, corporate and other bonds	5,801,937	3,720,283	58,019,370
Investment trusts	90,184	111,367	901,840
Commercial paper, certificates of deposits and others	245,979	19,714	2,459,790
Option transactions	208,844	166,603	2,088,440
Futures and forward transactions	133,858	177,068	1,338,580
Swap agreements	1,225,291	509,663	12,252,910
Other derivatives	19,499	1,927	194,990
Credit reserves	(1,623)	(1,937)	(16,230)
	¥7,857,122	¥5,082,219	\$78,571,220

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Trading liabilities:</b>			
Equities	¥ 110,997	¥ 88,620	\$ 1,109,970
Government, corporate and other bonds	3,332,362	3,314,739	33,323,620
Investment trusts	16	14,475	160
Option transactions	182,575	256,023	1,825,750
Futures and forward transactions	121,178	46,293	1,211,780
Swap agreements	875,700	383,702	8,757,000
Other derivatives	20,816	1,510	208,160
	¥4,643,644	¥4,105,362	\$46,436,440

## 6. Securities other than trading assets and trading liabilities

Securities other than trading assets and trading liabilities are composed of "Cash and cash equivalents," "Private equity and other securities" and "Investment securities" in the accompanying consolidated balance sheets.

Cost and market value of securities intended to be held for trading purposes by non-securities companies as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		
	Cost	Market value	Difference
<b>March 31, 2008</b>	¥ 4,662	¥ 4,011	¥ (651)
<b>March 31, 2007</b>	¥ 4,345	¥ 4,589	¥ 244

	Thousands of U.S. dollars		
	Cost	Market value	Difference
<b>March 31, 2008</b>	\$46,620	\$40,110	\$(6,510)

Cost/amortized cost and market value of held-to-maturity debt securities as of March 31, 2008 and 2007 consisted of the following:

	Cost/amortized cost	Market value	Millions of yen Difference
Government bonds, local government bonds at March 31, 2008	¥ 1,300	¥ 1,300	¥–
Government bonds, local government bonds at March 31, 2007	¥ 1,769	¥ 1,769	¥0

	Cost/amortized cost	Market value	Thousands of U.S. dollars Difference
Government bonds, local government bonds at March 31, 2008	\$13,000	\$13,000	\$–

Cost and market value of available-for-sale securities as of March 31, 2008 and 2007 consisted of the following:

	Cost	Market value	Millions of yen Difference
<b>March 31, 2008:</b>			
Equities	¥ 121,618	¥ 155,707	¥ 34,089
Government, corporate and other bonds	13,720	11,937	(1,783)
Other	17,550	17,058	(492)
	¥ 152,888	¥ 184,702	¥ 31,814

<b>March 31, 2007:</b>			
Equities	¥ 96,500	¥ 220,484	¥123,984
Government, corporate and other bonds	150	156	6
Other	8,832	10,228	1,396
	¥ 105,482	¥ 230,868	¥125,386

	Cost	Market value	Thousands of U.S. dollars Difference
<b>March 31, 2008:</b>			
Equities	\$1,216,180	\$1,557,070	\$340,890
Government, corporate and other bonds	137,200	119,370	(17,830)
Other	175,500	170,580	(4,920)
	\$1,528,880	\$1,847,020	\$318,140

Securities for which a market value was not readily available as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Equities	¥240,309	¥257,288	\$2,403,090
Government, corporate and other bonds	3,268	802	32,680
Investments in limited partnerships	199,997	150,435	1,999,970
Other	56,408	45,110	564,080
	¥499,982	¥453,635	\$4,999,820

In addition to the above, equity securities of non-consolidated and affiliated companies amounting to ¥36,453 million (\$364,530 thousand) at March 31, 2008 and ¥27,623 million at March 31, 2007, respectively, were included in "Investment securities" in the accompanying consolidated balance sheets.

## 7. Derivatives used for non-trading purposes

Net unrealized gains of derivatives used for non-trading purposes at March 31, 2008 and 2007 (excluding hedging transactions) consisted of the following:

	Millions of yen		
	Contract amount	Market value	Unrealized gains
<b>March 31, 2008:</b>			
Currency swap agreements	¥ 14,181	¥ 31	¥ 31
Forward exchange contracts	4,810	83	83

<b>March 31, 2007:</b>			
Currency swap agreements	¥ 11,922	¥ 10	¥ 10
Forward exchange contracts	3,612	100	100

	Thousands of U.S. dollars		
	Contract amount	Market value	Unrealized gains
<b>March 31, 2008:</b>			
Currency swap agreements	\$141,810	\$310	\$310
Forward exchange contracts	48,100	830	830

## 8. Pledged assets

Secured obligations at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Short-term borrowings	¥1,144,917	¥754,888	\$11,449,170
Long-term debt	20	20	200
Payables related to margin transactions	8,618	14,439	86,180
	¥1,153,555	¥769,347	\$11,535,550

Daiwa also has secured obligations for borrowings of non-consolidated subsidiaries amounting to ¥4,800 million (\$48,000 thousand) at March 31, 2008.

All above obligations at March 31, 2008 and 2007 were secured by the following assets:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Time deposits	¥ —	¥ 125	\$ —
Loans receivable from other than customers	34,721	18,517	347,210
Trading assets	1,165,097	1,072,264	11,650,970
Private equity and other securities	314	614	3,140
Investment securities	62,247	98,496	622,470
Other assets—Other	10,522	7,973	105,220
	¥1,272,901	¥1,197,989	\$12,729,010

In addition to the above, securities borrowed amounting to ¥609,273 million (\$6,092,730 thousand) and ¥535,044 million were pledged as guarantees at March 31, 2008 and 2007, respectively.

Total fair value of the securities pledged as collateral at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Securities loaned	¥6,782,109	¥6,133,988	\$67,821,090
Other	1,287,930	739,061	12,879,300
	¥8,070,039	¥6,873,049	\$80,700,390

Total fair value of the securities received as collateral at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Securities borrowed	¥7,542,741	¥8,440,583	\$75,427,410
Other	466,116	659,903	4,661,160
	¥8,008,857	¥9,100,486	\$80,088,570

## 9. Lease transactions

Financial leases, whose ownership does not transfer to the lessee at the end of the lease term are not capitalized and are accounted for in the same manner as operating leases. Certain information concerning such non-capitalized finance leases and operating leases at March 31, 2008 and 2007 is summarized as follows:

Lessee:	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Non-capitalized finance leases:</b>			
Total assets under non-capitalized finance leases	¥ 4,052	¥ 6,161	\$ 40,520
Accumulated depreciation	2,723	4,338	27,230
Future lease payments in respect of non-capitalized leases	1,371	1,878	13,710
Due within one year	651	1,100	6,510
<b>Operating leases:</b>			
Future lease payments in respect of operating leases	80,492	11,767	804,920
Due within one year	11,201	2,239	112,010
<b>Lessor:</b>			
	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Operating leases:</b>			
Future lease receipts in respect of operating leases	¥ 632	¥ 1,056	\$ 6,320
Due within one year	237	289	2,370

## 10. Payables to customers and counterparties

Payables to customers and counterparties at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash received for customers' accounts	¥112,127	¥124,851	\$1,121,270
Cash deposits received from customers	101,149	100,494	1,011,490
Other	498,307	7,819	4,983,070
	¥711,583	¥233,164	\$7,115,830

## 11. Bank borrowings and long-term debt

As is customary in Japan, in the case of unsecured bank borrowings, security must be given under certain conditions if requested by a lending bank. The bank has the right to offset cash deposited by the borrower against any debt or obligation that becomes due, and in the case of default and certain other specified events, against all debts payable to the bank. No such request has been made and no such right has been exercised.

The weighted average interest rate on total outstanding short-term borrowings principally from banks at March 31, 2008 and 2007 was 0.78% and 0.79%, respectively.



Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Bond payable in yen: 0.95% due CY2008	¥ 120,000	¥ 120,000	\$ 1,200,000
Bond payable in yen: 1.30% due CY2011	70,000	70,000	700,000
Bond payable in yen: 1.80% due CY2011	50,000	50,000	500,000
Bond payable in yen: 1.50% due CY2012	50,000	—	500,000
Bond payable in yen: 1.43% due CY2013	60,000	—	600,000
Bond payable in yen: 2.08% due CY2016	30,000	30,000	300,000
Euro medium-term notes issued by the Company and a domestic consolidated subsidiary, maturing through CY2038	814,355	776,785	8,143,550
Subordinated borrowings from banks in yen, maturing through CY2012	70,000	102,000	700,000
Long-term borrowings principally from banks in yen, maturing through CY2038	142,045	112,728	1,420,450
	¥1,406,400	¥1,261,513	\$14,064,000

Interest rates of euro medium-term notes range from 0.50% to 5.07% at March 31, 2008 and from 0.03% to 5.30% at March 31, 2007. The weighted average interest rate on total outstanding yen subordinated borrowings and borrowings principally from banks at March 31, 2008 and 2007 was 1.49% and 1.28%, respectively.

The aggregate annual maturities of long-term debt as of March 31, 2008 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 143,588	\$ 1,435,880
2010	24,961	249,610
2011	129,556	1,295,560
2012	118,824	1,188,240
2013	175,341	1,753,410
2014 and thereafter	814,130	8,141,300
	¥1,406,400	\$14,064,000

Daiwa had an unused commitment line amounting to ¥87,017 million (\$870,170 thousand) under agreements with several banks at March 31, 2008.

## 12. Retirement benefits

### Retirement benefits for employees

Retirement benefit plans for eligible employees are discussed below.

#### Unfunded plan

The Company and most domestic consolidated subsidiaries provide an unfunded retirement benefit plan to their employees in return for services rendered each year, where the amount to be contributed to the individual employee's account is defined by the plan. Benefits of the plan are accumulated on an annual basis and earn a guaranteed hypothetical return at a rate predetermined by the Company and most domestic consolidated subsidiaries each year. Accumulated contribution plus interest to this unfunded plan are included in "Retirement benefits" in the consolidated balance sheets as of March

31, 2008 and 2007, in the amount of ¥21,351 million (\$213,510 thousand) and ¥19,903 million, respectively. Benefit expenses recorded in the consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 were ¥3,157 million (\$31,570 thousand), ¥3,305 million and ¥2,864 million, respectively.

#### Closed funded plan

The Company and its domestic consolidated subsidiaries closed their defined benefit plan as of April 1, 1999 and accordingly, no new employees have been added to the plan and no service cost has been charged for the plan. The effect on the consolidated financial statements was immaterial.

### Retirement benefits for directors

Directors' retirement benefits in consolidated subsidiaries of ¥439 million (\$4,390 thousand) and ¥590 million are included in "Retirement benefits" in the accompanying consolidated balance sheets as of March 31, 2008 and 2007, respectively. Benefit expenses recorded in the consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 were ¥205 million (\$2,050 thousand), ¥199 million and ¥174 million, respectively.

The board of the Company resolved to abolish the retirement gratuities system for retiring directors in May 2004. In June 2004, the shareholders' meeting of the Company approved the payments of retirement allowance to directors who were nominated for re-election. The payments will be made in accordance with standards prescribed by the Company and service rendered to the Company

during their respective terms of office up to the end of the shareholders' meeting. The payments will be made at the time of their respective retirements from the Board of Directors.

The boards of certain consolidated subsidiaries resolved to abolish the retirement gratuities system for retiring directors in March 2005. In June 2005, the shareholders' meetings of such consolidated subsidiaries approved the payments of retirement allowance to directors who were nominated for re-election. The payments will be made in accordance with standards prescribed by certain consolidated subsidiaries and service rendered to certain consolidated subsidiaries during their respective terms of office up to the end of the shareholders' meetings. The payments will be made at the time of their respective retirements from the Board of Directors.

### 13. Income taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes levied on income. The compounded statutory tax rate in Japan was approximately 40.7% for the years ended March 31, 2008, 2007 and 2006.

Overseas consolidated subsidiaries are subject to income taxes of the countries in which they operate.

A reconciliation of the difference between the Japanese statutory income tax rate and the effective income tax rate reflected in the consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 were as follows:

	2008	2007	2006
Japanese statutory income tax rate	40.7%	40.7%	40.7%
Valuation allowance	12.4	(9.0)	(9.0)
Permanent difference (Non-deductible)	2.2	0.9	0.3
Permanent difference (Non-taxable)	(1.3)	(0.3)	(0.3)
Lower tax rate applicable to income of overseas consolidated subsidiaries	(0.5)	(1.0)	(0.6)
Adjustment of unrealized inter-company profit	(0.2)	5.2	0.6
Other, net	(3.6)	0.9	(1.5)
Effective income tax rate	49.7%	37.4%	30.2%

Details of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Deferred tax assets:</b>			
Net operating losses carried-forward	¥ 42,688	¥ 42,416	\$ 426,880
Write-down of investment securities	13,738	11,136	137,380
Retirement benefits	8,990	8,939	89,900
Compensation and bonuses	4,938	9,377	49,380
Allowance for doubtful accounts	2,473	1,899	24,730
Impairment losses on fixed assets	7,582	6,988	75,820
Enterprise tax payable	–	1,446	–
Elimination of unrealized gain	7,333	4,536	73,330
Allowance for possible investment losses	6,634	5,922	66,340
Other	18,697	13,362	186,970
Gross deferred tax assets	113,074	106,021	1,130,740
Less: Valuation allowance	72,281	65,378	722,810
Total deferred tax assets	40,793	40,643	407,930
<b>Deferred tax liabilities</b>	<b>14,001</b>	<b>48,253</b>	<b>140,010</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥ 26,792</b>	<b>¥ (7,610)</b>	<b>\$ 267,920</b>

The Company and certain consolidated subsidiaries provided valuation allowance to reflect the estimated unrealized amount of gross deferred tax assets.

#### 14. Statutory reserves

The Financial Instruments and Exchange Act of Japan requires a securities company to set aside a reserve in proportion to its securities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions.

#### 15. Contingent liabilities

Daiwa had contingent liabilities amounting to ¥1,691 million (\$16,910 thousand) and ¥1,683 million at March 31, 2008 and 2007, respectively, mainly arising as guarantors of employees' borrowings.

#### 16. Owners' equity

In principle, the Companies Act of Japan ("the Act") requires a company to credit the entire amount of issued shares to common stock (and preferred stock, if any); however, a company may classify an amount not exceeding one-half of the entire issued amount of shares as additional paid-in capital, which is included in capital surplus, with a resolution of the Board of Directors.

According to the Act, a company should save 10% of cash dividends and other cash appropriated as "Additional paid-in capital" or "Earned surplus" until the total becomes one quarter of the common stock (and preferred stock, if any). "Additional paid-in capital" and "Earned surplus" are allowed to eliminate or reduce a deficit with a resolution of the shareholders' meeting or may be capitalized with a

resolution of the Board of Directors, and also may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. "Additional paid-in capital" and "Earned surplus" are included in "Capital surplus" and "Retained earnings" in the accompanying consolidated balance sheets.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act. The total amount of retained earnings available for dividends in the Company's statutory book of account as of March 31, 2008 amounted to ¥234,782 million (\$2,347,820 thousand).

Under Article 459-1 of the Act, the articles of incorporation of the Company stipulate that the Board of Directors is to determine dividends. Cash dividends of ¥12 (\$0.12) per share amounting to ¥16,456 million (\$164,560 thousand) and ¥10 (\$0.10) per share amounting to ¥13,463 million (\$134,630 thousand) were approved by the Board of Directors on October 26, 2007 and May 19, 2008, respectively.

The shareholders of the Company approved granting stock options on June 23, 2004. The plan provides for the issuance of up to 4,500 thousand shares in the form of options to directors and key employees. The options may be exercised during the period from July 1, 2006 until August 31, 2011, and the exercise price is determined at the grant date. On the same day, the shareholders' meeting of the Company approved a change in the articles of incorporation so that the Company may be entitled to repurchase its shares by the resolution of its Board of Directors.

The shareholders of the Company on June 24, 2005, June 24, 2006, June 23, 2007 and June 21, 2008 approved granting stock options. There are two kinds of stock subscription rights as stock options to directors, executive officers and employees. The first is the stock subscription rights that were issued free to directors and executive officers of the Company, its subsidiaries and its affiliated companies, and the amount paid in upon exercise of such subscription rights is ¥1 per share. The second is the stock subscription rights that shall be issued to directors, executive officers and employees of the Company, its subsidiaries and its affiliated companies, excluding the persons to whom the first stock subscription rights were issued. The amount paid in upon exercise of such subscription rights shall be determined based on the market price of the Company's common stock at the time of the issuance of such subscription rights.

## 17. Share-based payment

The Company has a stock option plan. The stock option plan which was approved at the shareholders' meeting provides options for purchases of the Company's common stock for the directors, executive officers and employees.

The date of approval at the shareholders' meeting, the balance of the exercisable options, exercise price and exercise period at March 31, 2008 were as follows:

Date of approval at the shareholders' meeting	Balance of the exercisable options (The number of shares)		Exercise price (Yen/share (U.S. dollars/share))	Exercise period
June 23, 2004	1,663,000	¥ 756	(\$ 7.56)	from July 1, 2006 to August 31, 2011
June 24, 2005	523,000	¥ 1	(\$ 0.01)	from July 1, 2005 to June 30, 2025
	1,926,000	¥ 781	(\$ 7.81)	from July 1, 2007 to August 31, 2012
June 24, 2006	298,000	¥ 1	(\$ 0.01)	from July 1, 2006 to June 30, 2026
	—	¥1,515	(\$15.15)	from July 1, 2011 to June 23, 2016
June 23, 2007	306,000	¥ 1	(\$ 0.01)	from July 1, 2007 to June 30, 2027
	—	¥1,224	(\$12.24)	from July 1, 2012 to June 23, 2017

NIF SMBC also has a stock option plan. The date of approval at the shareholders' meeting, the balance of the exercisable options, exercise price and exercise period at March 31, 2008 were as follows:

Date of approval at the shareholders' meeting	Balance of the exercisable options (The number of shares)		Exercise price (Yen/share (U.S. dollars/share))	Exercise period
June 24, 2004	287	¥201,800	(\$2,018.00)	from July 1, 2006 to August 31, 2011
June 28, 2005	252	¥ 1	(\$ 0.01)	from December 1, 2005 to November 30, 2025
	279	¥426,300	(\$4,263.00)	from July 1, 2007 to August 31, 2012
June 27, 2006	31	¥ 1	(\$ 0.01)	from September 8, 2006 to September 7, 2026
	50	¥ 1	(\$ 0.01)	from September 8, 2006 to September 7, 2026
	—	¥430,290	(\$3,646.53)	from July 1, 2011 to June 26, 2016
June 26, 2007	67	¥ 1	(\$ 0.01)	from September 14, 2007 to June 26, 2027
	120	¥ 1	(\$ 0.01)	from September 14, 2007 to June 26, 2027
	—	¥171,242	(\$1,712.42)	from July 1, 2012 to June 25, 2017

## 18. Capital adequacy requirements

In Japan, a securities company is subject to risk-based capital adequacy rules established and administered by the Financial Services Agency. Securities subsidiaries report their capital adequacy ratio as defined pursuant to these rules. The authorities will take certain administrative measures if such ratio declines below 140%. Capital adequacy ratios of Daiwa Securities were 319.7% (unaudited) and 319.3% (unaudited) for March 31, 2008 and 2007, respectively, and those of Daiwa Securities SMBC were 307.6% (unaudited) and 465.3% (unaudited) for March 31, 2008 and 2007, respectively.

## 19. Segment information

Daiwa operates predominantly in a single industry segment. Daiwa's primary business activities include (1) trading in securities and derivatives, (2) brokerage of securities and derivatives, (3) underwriting and distribution of securities, (4) other business related to securities transactions and (5) private offering of securities.

A summary of revenues by geographic area for the years ended March 31, 2008, 2007 and 2006 and a summary of total assets by geographic area at March 31, 2008 and 2007 are as follows:

						Millions of yen	
	Japan	America	Europe	Asia & Oceania	Elimination or unallocated	Consolidated	
<b>Year ended March 31, 2008:</b>							
Net operating revenues:							
Outside customer	¥ 406,520	¥ 10,195	¥ 13,448	¥ 17,328	¥ –	¥ 447,491	
Inter-segment	(5,997)	4,398	8,464	986	(7,851)	–	
Total	400,523	14,593	21,912	18,314	(7,851)	447,491	
Selling, general and administrative expenses	316,998	13,043	26,947	14,717	(7,846)	363,859	
Operating income (loss)	¥ 83,525	¥ 1,550	¥ (5,035)	¥ 3,597	¥ (5)	¥ 83,632	

### At March 31, 2008:

Total assets by geographic area	¥ 14,307,375	¥ 2,990,598	¥ 1,260,014	¥ 80,659	¥ (1,331,527)	¥ 17,307,119	
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### Year ended March 31, 2007:

Net operating revenues:							
Outside customer	¥ 483,875	¥ 9,588	¥ 19,870	¥ 13,431	¥ –	¥ 526,764	
Inter-segment	(8,701)	5,096	16,034	1,298	(13,727)	–	
Total	475,174	14,684	35,904	14,729	(13,727)	526,764	
Selling, general and administrative expenses	302,606	13,079	27,563	10,851	(13,726)	340,373	
Operating income	¥ 172,568	¥ 1,605	¥ 8,341	¥ 3,878	¥ (1)	¥ 186,391	

### At March 31, 2007:

Total assets by geographic area	¥ 10,808,697	¥ 3,372,712	¥ 1,238,352	¥ 81,732	¥ (1,090,228)	¥ 14,411,265	
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### Year ended March 31, 2006:

Net operating revenues:							
Outside customer	¥ 541,666	¥ 5,528	¥ 21,673	¥ 10,492	¥ –	¥ 579,359	
Inter-segment	1,530	8,758	12,085	1,606	(23,979)	–	
Total	543,196	14,286	33,758	12,098	(23,979)	579,359	
Selling, general and administrative expenses	294,984	11,920	23,679	8,472	(13,856)	325,199	
Operating income	¥ 248,212	¥ 2,366	¥ 10,079	¥ 3,626	¥ (10,123)	¥ 254,160	

						Thousands of U.S. dollars
	Japan	America	Europe	Asia & Oceania	Elimination or unallocated	Consolidated
<b>Year ended March 31, 2008:</b>						
Net operating revenues:						
Outside customer	\$ 4,065,200	\$ 101,950	\$ 134,480	\$173,280	\$ –	\$ 4,474,910
Inter-segment	(59,970)	43,980	84,640	9,860	(78,510)	–
Total	4,005,230	145,930	219,120	183,140	(78,510)	4,474,910
Selling, general and administrative expenses	3,169,980	130,430	269,470	147,170	(78,460)	3,638,590
Operating income (loss)	\$ 835,250	\$ 15,500	\$ (50,350)	\$ 35,970	\$ (50)	\$ 836,320
<b>At March 31, 2008:</b>						
Total assets by geographic area	\$143,073,750	\$29,905,980	\$12,600,140	\$806,590	\$(13,315,270)	\$173,071,190

Geographic overseas revenues for the years ended March 31, 2008, 2007 and 2006 were as follows:

				Millions of yen
	America	Europe	Asia & Oceania	Total
<b>Year ended March 31, 2008:</b>				
Overseas revenues	¥ 19,169	¥ 10,048	¥ 15,281	¥ 44,498
Net operating revenues				447,491
% of Net operating revenues	4.3%	2.2%	3.4%	9.9%
<b>Year ended March 31, 2007:</b>				
Overseas revenues	¥ 19,325	¥ 13,101	¥ 11,902	¥ 44,328
Net operating revenues				526,764
% of Net operating revenues	3.7%	2.5%	2.3%	8.4%
<b>Year ended March 31, 2006:</b>				
Overseas revenues	¥ 10,313	¥ 19,370	¥ 11,016	¥ 40,699
Net operating revenues				579,359
% of Net operating revenues	1.8%	3.3%	1.9%	7.0%

				Thousands of U.S. dollars
	America	Europe	Asia & Oceania	Total
<b>Year ended March 31, 2008:</b>				
Overseas revenues	\$191,690	\$100,480	\$152,810	\$ 444,980
Net operating revenues				4,474,910
% of Net operating revenues	4.3%	2.2%	3.4%	9.9%

## 20. Commissions

Commissions derived from each department for the years ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of yen					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Year ended March 31, 2008:</b>						
Brokerage	¥ 82,487	¥ 925	¥ 464	¥ –	¥ –	¥ 83,876
Underwriting	–	–	–	25,470	–	25,470
Distribution	–	–	39,342	3,230	–	42,572
Other	2,106	1,208	96,571	18,851	23,771	142,507
	¥ 84,593	¥ 2,133	¥ 136,377	¥ 47,551	¥ 23,771	¥ 294,425

### Year ended March 31, 2007:

Brokerage	¥ 97,062	¥ 694	¥ 317	¥ –	¥ –	¥ 98,073
Underwriting	–	–	–	54,069	–	54,069
Distribution	–	–	37,211	1,310	–	38,520
Other	1,925	1,973	69,379	19,607	23,190	116,074
	¥ 98,987	¥ 2,667	¥ 106,906	¥ 74,986	¥ 23,190	¥ 306,736

### Year ended March 31, 2006:

Brokerage	¥118,262	¥ 923	¥ 336	¥ –	¥ –	¥ 119,521
Underwriting	–	–	–	64,314	–	64,314
Distribution	–	–	41,799	2,032	–	43,831
Other	1,955	2,279	40,269	16,389	20,631	81,523
	¥120,217	¥ 3,202	¥ 82,404	¥ 82,735	¥ 20,631	¥ 309,189

	Thousands of U.S. dollars					
	Equity	Fixed income (Bond)	Investment trust	Investment banking	Others	Total
<b>Year ended March 31, 2008:</b>						
Brokerage	\$824,870	\$ 9,250	\$ 4,640	\$ –	\$ –	\$ 838,760
Underwriting	–	–	–	254,700	–	254,700
Distribution	–	–	393,420	32,300	–	425,720
Other	21,060	12,080	965,710	188,510	237,710	1,425,070
	\$845,930	\$21,330	\$1,363,770	\$475,510	\$237,710	\$2,944,250

## 21. Net gain on trading

Net gain on trading for the years ended March 31, 2008, 2007 and 2006 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Stock and other	¥ 11,020	¥ 31,288	¥124,271	\$ 110,200
Bond, forex and other	92,341	126,045	100,641	923,410
	¥103,361	¥157,333	¥224,912	\$1,033,610

## 22. Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Employees' compensation and benefits	¥156,662	¥163,379	¥171,062	\$1,566,620
Commissions and brokerage	45,671	37,672	31,508	456,710
Communications	22,166	19,749	18,646	221,660
Occupancy and rental	38,759	38,846	32,659	387,590
Data processing and office supplies	29,878	23,021	17,273	298,780
Taxes other than income taxes	7,330	8,265	8,072	73,300
Depreciation and amortization	28,047	23,117	22,641	280,470
Other	35,346	26,324	23,338	353,460
	¥363,859	¥340,373	¥325,199	\$3,638,590

## 23. Other income (expenses)

Details of "Other, net" in the accompanying consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Gains on sales of investment securities	¥ 3,228	¥ 3,602	¥10,030	\$ 32,280
Losses on sales of investment securities	(205)	(363)	(70)	(2,050)
Write-down of investment securities	(8,263)	(736)	(499)	(82,630)
Valuation losses on fixed assets	—	(1,510)	—	—
Gains or losses on sale or disposal of fixed assets	(1,415)	(1,395)	(548)	(14,150)
Allowance for doubtful accounts	—	(317)	—	—
Equity in earnings of affiliates	1,738	1,424	1,528	17,380
Impairment losses on fixed assets	(537)	(2,975)	(6,851)	(5,370)
Relocation costs of headquarter office	(1,354)	(4,681)	—	(13,540)
Gain on change in stake in subsidiary	—	—	4,725	—
Contribution to the Securities Market Infrastructure Improvement Fund	—	—	(200)	—
Loss on litigation settlement	—	—	(1,279)	—
Foreign exchange loss from overseas subsidiary capital reduction	—	—	(1,564)	—
Extraordinary depreciation	—	—	(4,439)	—
Provision for litigation losses	—	(551)	—	—
Other	5,179	7,600	4,737	51,790
	¥(1,629)	¥ 98	¥ 5,570	\$(16,290)



For the purpose of identifying impairment of fixed assets, the Company and its domestic consolidated subsidiaries grouped their fixed assets principally according to the unit on which decisions for investment are made. The recoverability of book values of the fixed assets was evaluated for each asset group. As a result, fixed assets listed below were identified as being impaired and their book values were reduced to their estimated recoverable amounts.

The breakdown of impairment losses recognized in the years ended March 31, 2008, 2007 and 2006 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Fixed assets to be held and used	¥537	¥2,975	¥6,201	\$5,370
Fixed assets to be disposed of by sale	—	—	650	—
	¥537	¥2,975	¥6,851	\$5,370

The book values of fixed assets to be held and used were reduced to their estimated recoverable amounts based on mainly the present values of expected cash flows using the discount rate of 5%.

The book values of fixed assets to be disposed of by sale were reduced to net realizable values based mainly on publicly-assessed values.

## 24. Subsequent events

**Granting stock options**—The shareholders of the Company approved the issuance of the stock subscription rights as stock options on June 21, 2008. In accordance with Articles 236, 238 and 239 of the Companies Act of Japan, the stock subscription rights were issued free to

directors, executive officers and employees of the Company and its affiliated companies, and the amount paid in upon exercise of such subscription rights is ¥1 (\$0.01) per share.



### To the Shareholders and the Board of Directors of Daiwa Securities Group Inc.:

We have audited the accompanying consolidated balance sheets of Daiwa Securities Group Inc. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2008, expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiwa Securities Group Inc. and subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA & Co.*

Tokyo, Japan  
June 23, 2008

## Other Information

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## Organization and Officers

Daiwa Securities Group Inc.

1) Organization (As of July 1, 2008)



## 2) Officers (As of July 1, 2008)

### Directors



Chairman of the Board  
Akira Kiyota

Director  
Shigeharu Suzuki

Director  
Shin Yoshidome

Director  
Toshiro Ishibashi

Director  
Takashi Hibino

Director  
Ikuo Mori

Director  
Akira Nakamura

Director  
Nobuyuki Iwamoto

Director  
Saburo Jifuku

Outside Director  
Tetsuro Kawakami

Outside Director  
Ryuji Yasuda

Outside Director  
Koichi Uno

Outside Director  
Nobuko Matsubara

### Committee Members



Nominating Committee  
Akira Kiyota (Chairman)  
Shigeharu Suzuki  
Tetsuro Kawakami  
Ryuji Yasuda  
Nobuko Matsubara

Audit Committee  
Saburo Jifuku (Chairman)  
Koichi Uno  
Nobuko Matsubara

Compensation Committee  
Akira Kiyota (Chairman)  
Shigeharu Suzuki  
Tetsuro Kawakami  
Ryuji Yasuda  
Koichi Uno

### Executive Officers



President and CEO  
Shigeharu Suzuki  
Director, Daiwa Securities Group Inc.  
President, Daiwa Securities Co. Ltd.

Deputy President and COO  
(Representative)

Shin Yoshidome  
Director, Daiwa Securities Group Inc.  
President, Daiwa Securities SMBC  
Co. Ltd.

Deputy President  
Toshiro Ishibashi  
Director, Daiwa Securities Group Inc.  
Deputy President, Daiwa Securities  
Co. Ltd.

Deputy President  
Shuntaro Higashi  
Deputy President, Daiwa Securities  
SMBC Co. Ltd.

Deputy President  
Michihito Higuchi  
President, Daiwa Asset Management  
Co. Ltd.

Deputy President  
Hiroshi Ota  
President, Daiwa Institute of  
Research Ltd.

Corporate Executive  
Vice President  
Takashi Hibino  
Director, Daiwa Securities Group Inc.  
Senior Managing Executive Officer,  
Daiwa Securities SMBC Co. Ltd.

Corporate Executive  
Vice President  
Ikuo Mori  
Director, Daiwa Securities Group Inc.  
Representative Senior Managing  
Director, Daiwa Securities SMBC  
Co. Ltd.

Corporate Senior Executive  
Officer and CIO  
Akira Nakamura  
Director, Daiwa Securities Group Inc.  
Director, Daiwa Institute of  
Research Ltd.

Corporate Senior Executive  
Officer and CFO  
Nobuyuki Iwamoto  
Director, Daiwa Securities Group Inc.  
Director, Daiwa Asset Management  
Co. Ltd.

Corporate Senior  
Executive Officer  
Masamichi Yokoi  
Chairman, Daiwa America Corporation

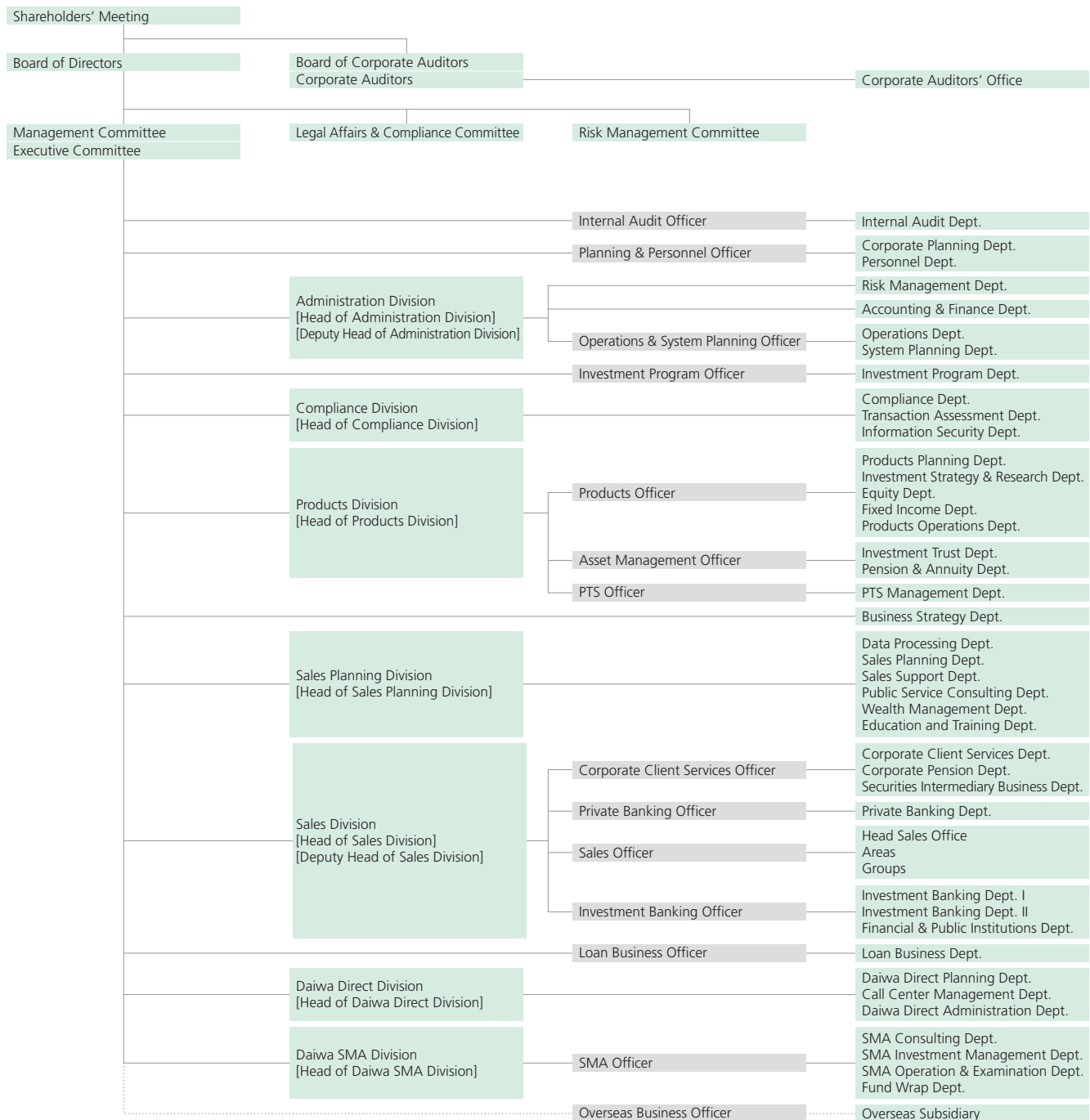
Corporate Executive Officer  
Seiji Nakata

Corporate Executive Officer  
Masaaki Goto

Corporate Executive Officer  
Akira Kiyota  
Chairman of the Board, Daiwa  
Securities Group Inc.

# Daiwa Securities Co. Ltd.

## 1) Organization (As of July 1, 2008)



## 2) Officers (As of July 1, 2008)

### Directors ▼

President  
Shigeharu Suzuki

Deputy President  
Toshiro Ishibashi

Senior Managing Director  
Takashi Fukai

Representative Senior  
Managing Director  
Masaki Shimazu

Senior Managing Director  
Makoto Shirakawa

Managing Director  
Yoshimi Murakami

Managing Director  
Teruaki Ueda

Managing Director  
Koichi Suzuki

### Corporate Auditors ▼

Shohei Takashima

Zenichiro Onishi

Saburo Jifuku

### Executive Officers ▼

Senior Executive Officers  
Takuya Ikeda

Osamu Abiru

Hiroshi Nakamura

Executive Officers  
Yasuharu Okanoya

Shinya Kusaba

Keiji Komagata

Keiichi Sakai

Naofumi Idei

Ikuo Shoda

Hideto Sakao

Masahiko Kooku

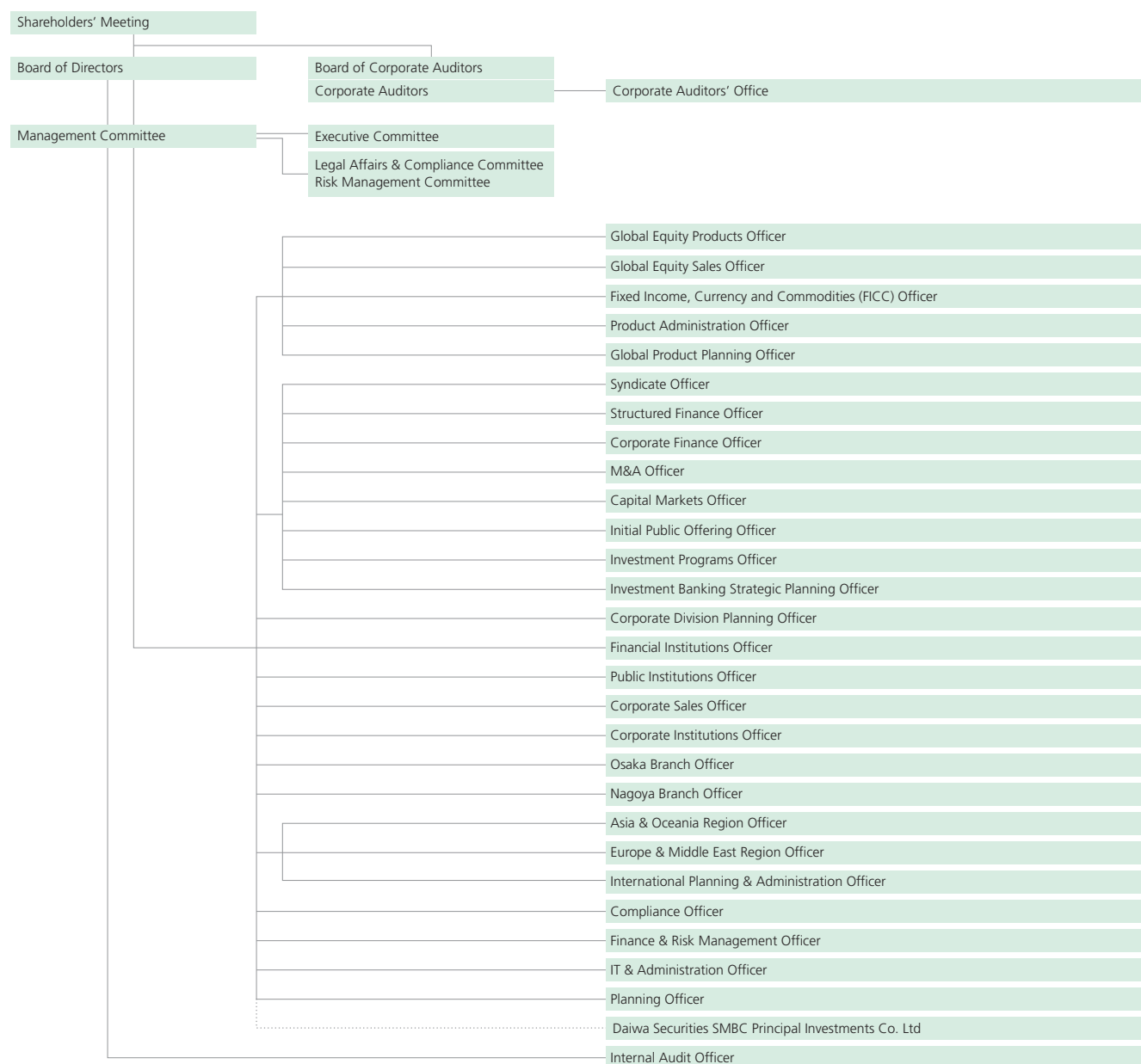
Yosuke Sakai

Keiichi Takezaki

Koichi Matsushita

# Daiwa Securities SMBC Co. Ltd.

## 1) Organization (As of August 1, 2008)





## 2) Officers (As of July 1, 2008)

### Directors



President  
Shin Yoshidome

Deputy President  
Shuntaro Higashi

Representative Senior  
Managing Director  
Ikuo Mori  
President, Daiwa Securities SMBC  
Asia Holding B.V.

Senior Managing Director  
Kazuhiko Akamatsu

Representative Senior  
Managing Director  
Masaki Yamane

Managing Director  
Mitsuharu Tanaka

Managing Director  
Akio Takahashi

Director  
Shigeo Koike

Director  
Toshinao Matsushima

Director  
Tetsufumi Fujisawa

### Corporate Auditors



Shigeharu Tominaga

Satoshi Otsu

Fuminori Yoshitake

Yoshio Nagamoto

### Executive Officers



Senior Managing  
Executive Officer  
Takashi Hibino

Senior Executive Officers  
Yoriyuki Kusaki

Kenichi Miki

Motoi Takahashi

Takatoshi Wakabayashi

Shigeru Ishida  
Chairman, Daiwa Securities SMBC  
Hong Kong Limited  
Chairman, Daiwa Securities SMBC-  
Cathay Co., Ltd.

Executive Officers

Eishu Kosuge  
Chairman, Daiwa Securities SMBC  
Europe Limited

Shinya Nishio

Yoshimasa Tsuneo

Yoshimasa Nagase

Hiroaki Saito

Kazuo Takahashi

Akira Inoue  
President, Daiwa Securities SMBC  
Principal Investments Co. Ltd.

Yoshio Urata

Akihiko Kanamura  
Chairman, Daiwa Securities SMBC  
Singapore Limited  
Chairman, Daiwa Securities SMBC  
Futures Pte Ltd.  
Deputy Chairman, Daiwa Securities  
SMBC Hong Kong Limited

Kunio Sato

Hisanobu Sonoda

Hisato Oiwa

Yuichi Akai

Toshihiko Onishi  
Deputy President, Daiwa Securities  
SMBC Principal Investments Co. Ltd.

## Domestic Group Companies

(As of July 1, 2008)

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### Daiwa Securities Co. Ltd.

GranTokyo North Tower  
9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6752, Japan  
Tel: (81) 3-5555-2111

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### Daiwa Securities SMBC Co. Ltd.

GranTokyo North Tower  
9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6753, Japan  
Tel: (81) 3-5555-3111

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### Daiwa Asset Management Co. Ltd.

10-5, Nihonbashi-Kayabacho 2-chome, Chuo-ku, Tokyo  
103-0025, Japan  
Tel: (81) 3-5695-2111

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### Daiwa Institute of Research Ltd.

15-6, Fuyuki, Koto-ku, Tokyo 135-8460, Japan  
Tel: (81) 3-5620-5100

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### Daiwa SB Investments Ltd.

2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-0013, Japan  
Tel: (81) 3-6205-0200

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### Daiwa Securities Business Center Co. Ltd.

3-2, Toyo 2-chome, Koto-ku, Tokyo 135-0016, Japan  
Tel: (81) 3-5633-6100

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### Daiwa Property Co., Ltd.

2-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-0031, Japan  
Tel: (81) 3-5555-4700

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### NIF SMBC Ventures Co., Ltd.

8-10, Kudankita 1-chome, Chiyoda-ku, Tokyo 102-0073, Japan  
Tel: (81) 3-6910-2600

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### Daiwa Securities SMBC Principal Investments Co. Ltd.

GranTokyo North Tower  
9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6754, Japan  
Tel: (81) 3-5555-6111

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### Daiwa Securities Loan Co., Ltd.

3-2, Toyo 2-chome, Koto-ku, Tokyo 135-0016, Japan  
Tel: (81) 3-5683-9589

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### Daiwa Fund Consulting Co. Ltd.

6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan  
Tel: (81) 3-6225-3200

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### Daiwa Pension Consulting Co., Ltd.

3-2, Toyo 2-chome, Koto-ku, Tokyo 135-0016, Japan  
Tel: (81) 3-3615-7771

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### Daiwa Investor Relations Co. Ltd.

2-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-0031, Japan  
Tel: (81) 3-5555-4111

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### Daiwa Securities Media Networks Co. Ltd.

GranTokyo North Tower  
9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6751, Japan  
Tel: (81) 3-5555-1175

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### Daiwa Office Management Co., Ltd.

GranTokyo North Tower  
9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6756, Japan  
Tel: (81) 3-5555-1400

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### DAIWA SANKO Co., LTD

5-9, Sotokanda 2-chome, Chiyoda-ku, Tokyo 101-0021, Japan  
Tel: (81) 3-5256-4111

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### HINODE SECURITIES CO., LTD.

2-14, Awajicho 2-chome, Chuo-ku, Osaka-shi, Osaka 541-0047, Japan  
Tel: (81) 6-6205-7711

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### DIR System Management Co., Ltd.

14-6, Eitai 1-chome, Koto-ku, Tokyo 135-8461, Japan  
Tel: (81) 3-3820-3295

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### DIR System Technology Co., Ltd.

11-6, Tomioka 2-chome, Koto-ku, Tokyo 135-0047, Japan  
Tel: (81) 3-5620-4180

## Overseas Group Companies

(As of July 1, 2008)

### Daiwa Securities Group Inc.



#### Daiwa Securities America Inc.

Financial Square, 32 Old Slip, New York, NY 10005, U.S.A.  
Tel: (1) 212-612-7000

#### Daiwa Securities Trust and Banking (Europe) PLC

5 King William Street, London EC4N 7JB, United Kingdom  
Tel: (44) 20-7320-8000

#### Daiwa Securities Trust Company

One Evertrust Plaza, Jersey City, NJ 07302, U.S.A.  
Tel: (1) 201-333-7300

### Daiwa Securities Co. Ltd.



#### Daiwa Wealth Management Singapore Pte. Ltd.

6 Shenton Way #26-08, DBS Building Tower Two, Singapore  
068809, Republic of Singapore  
Tel: (65) 6222-7281

### Daiwa Securities SMBC Co. Ltd.



#### Daiwa Securities SMBC Europe Limited

##### Head Office

5 King William Street, London EC4N 7AX, United Kingdom  
Tel: (44) 20-7597-8000

##### Frankfurt Branch

Trianon Bldg., Mainzer Landstrasse 16, 60325 Frankfurt am Main,  
Federal Republic of Germany  
Tel: (49) 69-717080

##### Paris Branch

112, Avenue Kléber, 75116 Paris, France  
Tel: (33) 1-56-26-22-00

##### Geneva Branch

50, rue du Rhône, P.O. Box 3198, 1211 Geneva 3, Switzerland  
Tel: (41) 22-818-74-00

##### Milan Branch

Via Senato 14/16, 20121 Milan, Italy  
Tel: (39) 02-763271

#### Daiwa Europe Fund Managers (Ireland) Ltd.

Level 3, Block 5, Harcourt Centre, Harcourt Road, Dublin 2, Ireland  
Tel: (353) 1-603-9900

#### Daiwa Europe Trustees (Ireland) Ltd.

Level 3, Block 5, Harcourt Centre, Harcourt Road, Dublin 2, Ireland  
Tel: (353) 1-603-9900

##### Spain Branch

Jose Ortega y Gasset 20, 7th floor, Madrid 28006, Spain  
Tel: (34) 91-529-9800

##### Bahrain Branch

7th Floor, The Tower, Bahrain Commercial Complex, P.O. Box  
30069, Manama, Bahrain  
Tel: (973) 1753-4452

##### Dubai Branch

The Gate Village Building 1, 1st Floor, Unit 6, Dubai International  
Financial Centre, P.O. Box 506657, Dubai, UAE  
Tel: (971) 4-7090401

##### Moscow Representative Office

25/9, build. 1, Per. Sivtsev Vrazhek, Moscow 119002, Russian  
Federation  
Tel: (7) 495-617-1960

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#### Daiwa Securities SMBC Hong Kong Limited

26th Floor, One Pacific Place, 88 Queensway, Hong Kong  
Tel: (852) 2525-0121

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#### Daiwa Securities SMBC Singapore Limited

6 Shenton Way #26-08, DBS Building Tower Two, Singapore  
068809, Republic of Singapore  
Tel: (65) 6220-3666

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#### Daiwa Securities SMBC Australia Limited

34th Floor, Rialto North Tower, 525 Collins Street, Melbourne,  
Victoria 3000, Australia  
Tel: (61) 3-9916-1300

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#### Daiwa Securities SMBC India Private Limited

10th Floor, 3 North Avenue, Maker Maxity, Bandra Kurla Complex,  
Bandra East, Mumbai 400051, India  
Tel: (91) 22-6622-1000

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#### DBP-Daiwa Securities SMBC Philippines, Inc.

18th Floor, Citibank Tower, 8741 Paseo de Roxas, Salcedo Village,  
Makati City, Republic of the Philippines  
Tel: (632) 813-7344

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#### Daiwa Securities SMBC-Cathay Co., Ltd.

14th Floor, 200, Keelung Road, Sec.1, Taipei, Taiwan, R.O.C.  
Tel: (886) 2-2723-9698

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#### Daiwa SMBC-SSC Securities Co., Ltd.

15th Floor, Aurora Plaza, 99 Fucheng Road, Pudong, Shanghai,  
200120, People's Republic of China  
Tel: (86) 21-6859-8000

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#### Seoul Branch

6th Floor, DITC Building, #27-3, Youido-dong, Yongsongpo-gu,  
Seoul, Republic of Korea  
Tel: (82) 2-787-9100

#### Beijing Representative Office

Room 3503/3504, Capital Tower Beijing, No. 6 Jia Jianguomen  
Wai Avenue, Chaoyang District, Beijing, 100022,  
People's Republic of China  
Tel: (86) 10-6500-6688

#### Bangkok Representative Office

18th Floor, M. Thai Tower, All Seasons Place, 87 Wireless Road,  
Lumpini, Pathumwan, Bangkok 10330 Thailand  
Tel: (66) 2-252-5650

#### Hanoi Representative Office

Suite 405, Pacific Place Building, 83B Ly Thuong Kiet Street,  
Hanoi, Vietnam  
Tel: (84) 4-946-0460

## Daiwa Securities Group Inc. Corporate Data

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### Head Office

GranTokyo North Tower  
9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6751, Japan  
Tel: (81) 3-5555-1111

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### Website

<http://www.daiwa-grp.jp/ir/english/>

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### Commencement of Operations

May 1, 1902

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### Date of Founding

December 27, 1943

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### Common Stock

Authorized  
4,000,000 thousand shares  
Issued and Outstanding  
1,404,664 thousand shares  
(as of March 31, 2008)

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### Number of Shareholders

98,809 (as of March 31, 2008)

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### Independent Public Accountant

KPMG AZSA & Co.

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### Stock Exchange Listings

Tokyo, Osaka, Nagoya

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### Transfer Agent and Registrar

The Sumitomo Trust and Banking Company, Limited  
Stock Transfer Agency Department  
4-4, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-8233, Japan

(From October 1, 2008)

The Sumitomo Trust and Banking Company, Limited  
Stock Transfer Agency Department  
3-1, Yaesu 2-chome, Chuo-ku,  
Tokyo 104-8476, Japan

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For further information, please contact: Daiwa Securities Group Inc.  
Investor Relations

Tel: (81) 3-5555-1300  
Fax: (81) 3-5555-0661  
Email: [ir-section@dsgi.daiwa.co.jp](mailto:ir-section@dsgi.daiwa.co.jp)  
URL: <http://www.daiwa-grp.jp/ir/english/>



