Message from the CFO

"The Daiwa Securities Group will achieve sustained growth through efficient capital allocation while maintaining a sound financial base."

Nobuyuki Iwamoto

Corporate Executive Vice President and CFO,
Daiwa Securities Group Inc.

Q1. How solid is the Group's financial base at this point ?

In July 2009, we procured approximately ¥200 billion through our first issuance of shares to raise capital in 20 years. Amid calls for financial institutions in each country to improve their financial foundations since the global financial crisis, the Group has significantly reinforced its financial base through this public offering. Specifically, as of March 31, 2010, consolidated shareholders' equity (owners' equity + valuation and translation adjustments) stood at ¥927.1 billion and total liquidity portfolio at approximately ¥2,350 billion, underscoring the Group's abundant capital and liquidity.

Moreover, the adjusted leverage ratio* remained at a healthy level just below 10 times as of March 31, 2010. Going forward, we will maintain a stable financial base while monitoring economic concerns in Greece and other European countries as well as watching out for trends toward tighter financial regulations.

* (Total assets – Assets related to gensaki trading (repurchase agreements) and repo operations) / Net assets

Q2. The Group's credit rating was downgraded after the dissolution of the joint venture with the Sumitomo Mitsui Financial Group. Has the downgrade had any impact on fund procurement costs or subsequent business deployment ? How do you think the Group can improve its rating in the future ?

The downgrade has not had a notable impact on fund procurement costs as of now. Although there were some temporary effects on trading immediately following the downgrade, there has been little impact on other areas of operations. Furthermore, there have been no changes in our underwriting business, partly because we enjoyed favorable relationships with the companies of the former Sumitomo Group starting from before commencing the joint venture. The independence has in fact brought benefits, including a substantial increase in the Group's market share of underwriting for the Mitsubishi UFJ Financial Group's public offering in December 2009, compared with the market share during the joint venture. Moving forward, ratings will focus more on future earning power than on the Group's financial foundation. Therefore, I believe we must solidify our revenue base, for example, strengthening our operations in Asia and otherwise restructuring our business model.

Q3. Are there enough funds available to boost capital at overseas business sites as the Group expands its operations in Asia ?

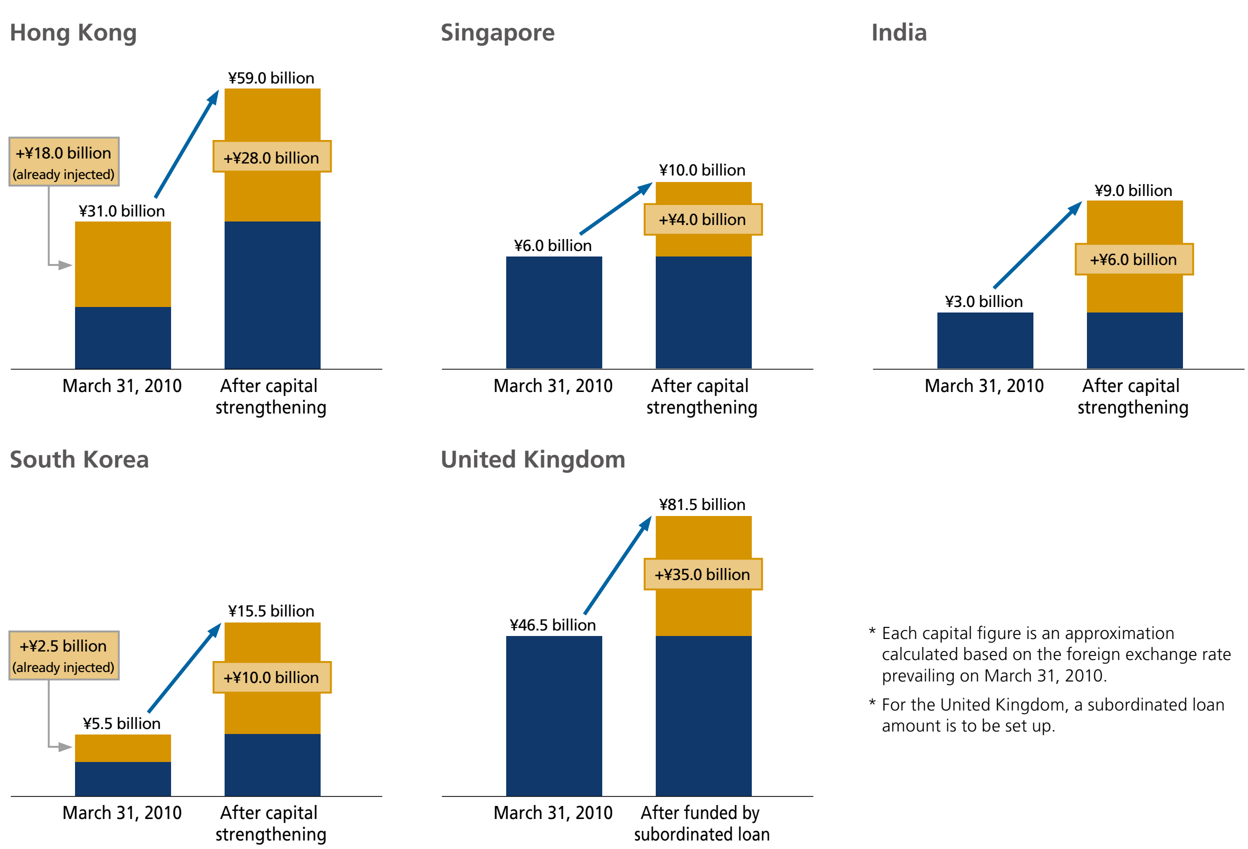
We intend to inject a total of approximately ¥100 billion in capital into overseas business sites to bolster our operations in Asia. However, since part of the funds procured in the public offering mentioned above will be allocated to this capital increase, no additional capital-raising is required at this point. The planned geographical breakdown of the capital injection is ¥46 billion for Hong Kong (of which, ¥18 billion has already been issued), ¥4 billion for Singapore, ¥6 billion for India and ¥12.5 billion for South Korea (of which, ¥2.5 billion has already been issued).

We also plan to increase capital in the United Kingdom by ¥35 billion through the setup of subordinated loans, to boost derivatives trading in Asia. (All capital figures are approximate.)

Q4. From the beginning of the year, concerns about a financial crisis in Greece and other European countries have grown. How much risk does the Group bear in relation to investments in that region ?

Although we hold several hundred million yen in sovereign bonds on our trading account, the impact on earnings is extremely minor because the bonds are properly recorded at fair value.

Capital Injection Plan for Overseas Business Sites (as of July 2010)



* Each capital figure is an approximation calculated based on the foreign exchange rate prevailing on March 31, 2010.
* For the United Kingdom, a subordinated loan amount is to be set up.