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Note: This English translation of the Japanese original version of the notice has been prepared for the sole purpose of the convenience of non-Japanese shareholders and shall by no means constitute an official or binding version of the notice.

(Securities Code: 8601)
May 30, 2008

To Our Shareholders

DAIWA SECURITIES GROUP Inc.
9-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo
President and CEO
Shigeharu Suzuki

Notice of Convocation of
The 71st Ordinary General Meeting of Shareholders

You are hereby notified that the 71st Ordinary General Meeting of Shareholders will be held as stated below. You are respectfully requested to attend the Meeting.

As you may exercise your voting rights in writing, if you are unable to attend the aforesaid meeting, please study the “Reference Documents to the General Meeting of Shareholders” provided below, and indicate on the “Voting Rights Exercise Form” enclosed herewith your approval or disapproval of the bills on the agenda and return the form to the Daiwa Securities Group Inc. (“Company”).

Also, you may exercise your voting rights of the aforesaid meeting via electronic devices, e.g. the Internet. In the event that you exercise your voting rights via the Internet, please access the web site of the Company, <http://www.webdk.net/>, using the “Voting Rights Exercise Code” and password indicated in the “Voting Rights Exercise Form” enclosed herewith. Please study the “Reference Documents for the General Meeting of Shareholders” provided below and vote for approval or disapproval of respective bills in accordance with the guidance on the web site.

Particulars

- 1. Date and time of the Meeting:** 10:00 a.m., Saturday, June 21, 2008
- 2. Place of the Meeting:** Convention Hall, 2B., The Prince Park Tower Tokyo
8-1, Shiba-koen 4-chome, Minato-ku, Tokyo

3. Matters to be dealt with at the Meeting

Matters for reporting:

1. Report on the contents of Business Report, the Consolidated Statutory Report of the 71st fiscal year (From April 1, 2007 to March 31, 2008), and the outcome of an audit of the Consolidated Statutory Report conducted by Independent Auditors and Audit Committee.
2. Report on the contents of the Statutory Report of the 71st fiscal year (From April 1, 2007 to March 31, 2008).

Matters to be resolved:

Bill 1: Election of Thirteen (13) Directors

Bill 2: Granting Stock Options Utilizing Stock Acquisition Rights

4. Matters Regarding to Exercise of Voting Rights

- (1) If you are unable to attend the Meeting, you may exercise your voting rights in writing or via electronic device (via the Internet, etc.).
- (2) The time limit for exercising voting rights in writing or via electronic device shall be 17:00 (5:00 p.m.) of Friday, June 20, 2008, the day before the aforesaid meeting (Tokyo time).
- (3) If you exercise your voting rights twice, in writing and via electronic device, the one via electronic device shall be deemed to be your vote.
- (4) If you exercise your voting rights multiple times via electronic device or that you exercise your voting rights redundantly by PC and cellular phone, the latest one shall be deemed as a valid vote.
- (5) If you exercise your voting rights in writing and submit the "Voting Rights Exercise Form" without any indication in the space for approval or disapproval of respective items, it shall be deemed as an intention of approval.
- (6) If you exercise your voting rights by proxy, you must delegate your voting rights to a proxy who is a shareholder of the Company entitled to vote. In such cases, in addition to the letter of proxy to prove the proxy, the proxy's own Voting Rights Exercise Form would be required. Furthermore, delegation of your voting rights is limited to only one proxy.
- (7) In the event that you exercise your voting rights in non-uniform manner, please inform the Company, in writing, of your intention to exercise your voting rights in non-uniform manner and the reason for it three days in advance of the aforesaid meeting.

5. Method of Notice to Shareholders

If any modification to the contents of Business Report, Statutory Report and Consolidated Statutory Report or the Reference Documents for the General Meeting of Shareholders is needed before the aforesaid meeting, the Company will post such modification on the web site of the Company

(http://www.daiwa-grp.jp/ir/shareholders/shareholders_04.cfm).

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- Please note that any proxy or person accompanied by a shareholder, who is not a shareholder of the Company, may not attend the meeting.
 - When you attend the meeting, please submit the enclosed Voting Rights Exercise Form to the receptionist at the venue of the meeting.
 - If you are a nominee shareholder of custodian bank, etc. (including a standing proxy) and if you have applied in advance for utilization of a web-based platform to exercise voting rights for institutional investors managed by Investor Communications Japan, Inc. (ICJ), you may use that platform as a method, instead of the Internet, of exercising your voting rights via electronic device.

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Business Report

(From April 1, 2007 to March 31, 2008)

I. Status of the Group's Business Activities

Daiwa Securities Group, whose core business is the securities business, strives to improve the corporate value of the Group. The outline of the Group's performance in the current fiscal year (FY2007) is as follows.

Note: In this report, the "Group" means a corporate group consisting of Daiwa Securities Group Inc. (the "Company"), its subsidiaries and affiliates.

1. The Economic and Market Environment and Outcome of the Group's Business Activities

(1) Economic and Market Environment

Our country's economy during the current fiscal year shifted from an expanding phase to a slow down. In the first half of 2007, exports and production continued to grow and high level of corporate earnings and strong business condition pushed up capital investment. In addition, employees' income moderately increased and personal consumption was steady. In the second half, however, those trends slowed down. Public investments were in a low level and home investments dramatically decreased. Consequently, the business condition of Japan basically indicated gradual expansion but slowed down toward the end of the financial year.

Under such economic environment, at the first stage of the fiscal year, Nikkei 225 gradually increased to the 18,000 yen level from 17,287.65 yen at the end of the previous fiscal year, favorably affected by the strong foreign stock market and the moderate recovery of domestic business conditions. But since July 2007, the defaults on "subprime loans" (a type of loan that is offered at a rate above prime to individuals who do not qualify for prime rate loans) had increased in the U.S. and had a negative effect on world stock prices, which caused the Nikkei 225 to drop to the 15,000 yen level in the middle of August. Thereafter, although it recovered once after major central banks took an aggressive measure including lowering

interest rates, it dropped again due to a resurgence of the “subprime loan” issue. In March 2008, the Nikkei 225 temporarily plunged to 11,000 yen, as one of the major U.S. securities firms had a serious financial problem and the Japanese Yen were sharply appreciated against the U.S. dollar, but after several interest rate cuts by the U.S. government, it rebounded to 12,525.54 yen at the end of fiscal year 2007. The daily average trading value (total of domestic and foreign stocks) at the Tokyo Stock Exchange during the fiscal year 2007 reached 2 trillion 940.6 billion yen, up 6.6% from the previous fiscal year.

On the other hand, in the bond market, the yield for the 10 year Japanese government bond was around the middle of the 1.6% level at the beginning of the fiscal year 2007, and it temporarily rose to the 1.9% level due to the increase in stock prices and the hikes in long-term interest rate in Europe. However, the yield turned into a downward trend after summer due to the downturn in stock market and the increasing political uncertainty. Since January 2008, the U.S. government had continuously reduced interest rate and the yield had further dropped with the expectation for further financial loosening by the Bank of Japan, and it ended up at the middle of the 1.2% level at the end of fiscal year 2007.

(2) Outcome of the Group’s Business Activities

[Performance by Each Business Sector]

1) Retail

Daiwa Securities Co. Ltd., which takes charge of the Group’s retail securities business, provides broad types of products and services to meet the customers’ various needs with a unique business model as follows; “Consulting,” which provides added value services through sales representatives, “Direct,” which provides a wide range of products and effective information through the internet and “SMA,” which is an asset management service for high net worth individuals. Daiwa Securities Co. Ltd. continued to expand on a customer basis and worked to increase the customers’ assets under its custody but because of the disappointing performance of Japanese equity, the total of Daiwa Securities’ Customers’ assets under custody reached 28.8 trillion yen (down 10.9% from the previous year) at the end of the current fiscal year.

First, “Consulting”, through efforts to add value to the quality of presentation to customers, offered an investment trust which mainly invests in foreign bonds and pays a monthly dividend or which mainly invests in the equities of emerging countries such as India and Brazil.

Second, “Direct” tried to strengthen the customer base by holding seminars about online

trading utilizing branch offices, our powerful retail channel, effectively and positively, in addition to diversifying its product line such as investment trusts and foreign exchange margin transactions (“Daiwa FX”).

“Daiwa SMA,” a discretionary investment contract service, provides high quality service mainly to high net worth customers. Further, Daiwa Securities started a new service, “Daiwa Fund Wrap”, last October which provides diversified portfolio based on each customer’s investment policy by combining investment trusts that are established exclusively for this service. We maintained the number one position in the industry of wrap account services (Note) in terms of the amount of contract assets under management as at the end of 2007.

Concerning securities-backed loans business, we changed the name of this business to “Daiwa LMS (Loan Management Service)” from this fiscal year and are continuing to improve service quality.

(Note)The account services which provide asset management and custody for customers as asset management services, and price for which is paid by the one lump sum fee, including management fee, transaction fee and custody fee, corresponding to the balance of contract assets.

2) Wholesale

Daiwa Securities SMBC Co. Ltd. (“Daiwa Securities SMBC”), which takes charge of the wholesale securities business, engaged in business with the objective at improving its status as a top-tier investment bank.

In the current fiscal year, the market turbulence got worsened through the second half of the year, which negatively affected Daiwa Securities SMBC’s trading business and made its earnings slow down.

In the underwriting business, though equity finance significantly decreased due to severe market conditions, Daiwa Securities SMBC underwrote China Boqi Environmental Solutions Technology (Holding) Co., Ltd.: the first Chinese enterprise located in the mainland China and listed on the first section of Tokyo Stock Exchange. Daiwa Securities SMBC was also selected as an arranger and administrative manager for securitization of the loan for fiscal investment and loans by the Ministry of Finance Japan.

In the M&A business, Daiwa Securities SMBC served as an advisor to the merger between Mitsukoshi, Ltd. and Isetan Co., Ltd., and dealt the acquisition of Cleveland Golf Company, Inc. (the U.S.) by SRI Sports Limited as the first collaborative deal with Sagent Advisors Inc., with which we have concluded a business and capital alliance agreement.

3) Assets Management

Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd., which take charge of asset management business, dramatically increased their earnings by supplying their products and services through broad distribution channels under the “savings to investment” move of Japanese individual financial assets.

Daiwa Assets Management Co. Ltd. significantly increased its assets under management with the newly launched “Daiwa Dynamic Indian Equity Fund” and good sales of the bond type investment trusts such as “Daiwa Global Bond Fund (a monthly payment type)” and “Daiwa World Bond Fund (a monthly payment type),” of which assets under management have exceeded 600 billion yen.

Daiwa SB Investments Ltd., had continuous capital inflow into equity type investment trusts such as “Global High Yield Equity Fund” and tried to increase its assets under management from foreign investors. However, fluctuation of market value combined with the unstable market environment caused the total assets under management to decline.

4) Investment

The Group’s investment businesses are conducted by two companies, Daiwa Securities SMBC Principal Investments Co. Ltd. and NIF SMBC Ventures Co., Ltd. During the current fiscal year, while continuously trying to accumulate their investment balance, they also promoted to make some exits from their investments.

Especially, Daiwa Securities SMBC Principal Investments newly invested in HMV Japan, the Japanese base of HMV Group (the U.K.) that was selling music CDs and books and made some exits including a partial transfer of shares of Maruzen Co. Ltd. and secondary offering of Mitsui Mining Co., Ltd. shares. Further, it started private equity investment in the Asian region and, as the first such deal, invested in a Chinese wireless broadband operating company, Airway Communications International Holding Co., Ltd.

5) Research and Systems

Daiwa Institute of Research Ltd. endeavors to increase customers’ satisfaction by improving and expanding research systems in emerging markets centered on Asia. It was ranked the second, the highest and for the second consecutive year, at the analyst ranking on Japanese equity, by Institutional Investor, a US-based and one of the most prominent financial magazines in the world.

Further, it developed new-systems relating to new products and services for the Group’s companies and pursued to materialize IT strategy of the Group.

[Enhancement of Corporate Governance]

The Group has been focusing on strengthening corporate governance in order to realize maximization of corporate value.

For the internal control report system to be applied from the year 2008 on, we have executed a documentation process throughout the project to apply it across the companies in the Group during the current fiscal year. Also, we prepared the necessary structure for the internal control report system along with establishing the new company rule and modifying the existing rules for the new system.

The Financial Instruments and Exchange Act of Japan which has taken effect since September 2007 is closely related to our group's business and we and our group companies necessarily formed a structure in line with the act and its purpose.

[Move of Head Office]

The Company, Daiwa Securities Co. Ltd. and Daiwa Securities SMBC moved their head quarters to "GranTokyo North Tower" on the Yaesu entrance of Tokyo station in December 2007.

By integrating separated business function of the Group companies, the Group will further strengthen the cooperation among group companies, and provide higher-quality services and solutions than before to meet the customers' more diversified and complex needs,

[New Attempt for Personnel System]

We think that it would be necessary for the Group to make the working place more attractive for the employees, in order to achieve sustainable growth of the Group, and have enhanced our personnel system under the corporate principles of "focus on human resources". During the current fiscal year, we expanded our "Women's career promotion team" to establish more comfortable office environment for women and improved the system of bonus for a birth child. Further, we promote "Work Life Balance" and try to realize employees' healthier life style and accomplish better labor productivity.

[CSR (Note1) & Others]

Acknowledging that trust from the customers, shareholders and a wide range of people is indispensable, we have been engaging in social activities with utilizing our business specialty.

We work to spread and promote SRI funds (Note 2) and maintained the "Daiwa Ecology

Fund”, which the Group managed and sold, as one of the largest SRI funds in net assets under management in Japan. Further, as the first such deal in Japan, the Group arranged and distributed notes (“Vaccine Bonds”) issued by the International Finance Facility for Immunization Company (“IFFIm”), which were issued to accelerate the availability of funds for health and immunization programs in developing countries around the world.

We promoted “Cool Biz” from the current fiscal year to tackle the global warming problem. During summer, we keep our office temperature at approximately 28 Centigrade (approx. 82 Fahrenheit) and allow more informal attire without jacket and ties.

Further, the Group has been included in the FTSE4 Good Index (Note 3) and has been included for nine consecutive years in the Dow Jones Sustainability World Index (DJSI World).(Note 4)

In addition, the Group also focuses on the field of intellectual property rights, and acquired 14 patents during the current fiscal year.

(Note 1) CSR (Corporate Social Responsibility)

(Note 2) SRI (Socially Responsible Investment)

A fund to be invested in companies which positively engage in CSR and are expected to achieve their sustainable growth.

(Note3) SRI index provided by the subsidiary of UK’s Financial Times and the London Stock Exchange

(Note 4) SRI index provided by Dow Jones & Company, inc. in the US, and Sustainable Asset Management in Switzerland

2. Outline of the Consolidated Performances

The following is the outcome of our consolidated earnings results for the current fiscal year. The consolidated subsidiaries of the current fiscal year are 46 companies, and affiliates included under the equity method are six.

(Note) These consolidated statutory report of the Company for the fiscal year ended March 31, 2008 are prepared in accordance with the "Accounting Regulation Ordinance" (Ministry of Justice Ordinance No. 13, 2006), in addition, these consolidated financial statements are prepared in accordance with the 'Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance, No. 52, 2007), and the 'Uniform Accounting Standards for Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on Article 146 of the Accounting Regulation Ordinance.

(1) Status of Operating Revenues and Net Operating Revenues of the Group

The consolidated operating revenues of the current fiscal year were 825.4 billion yen, down 10.0% from the previous fiscal year, and the net operating revenues were 447.4 billion yen, 15.5% down from the previous fiscal year.

	(Millions of yen)		
	Current (FY2007)	Previous (FY2006)	% Change
Commissions	294,424	306,736	[-4.0%]
(Equity)	[84,592]	[98,986]	[-14.5%]
(Fixed Income)	[2,133]	[2,666]	[-20.0%]
(Asset Management)	[136,376]	[106,906]	[27.6%]
(Investment Banking)	[47,550]	[74,985]	[-36.6%]
(Others)	[23,771]	[23,190]	[2.5%]
Net gain (loss) on Trading	103,361	157,332	-34.3%
(Stocks and others)	[11,020]	[31,288]	[-64.8%]
(Bonds, Foreign Exchange, etc.)	[92,341]	[126,044]	[-26.7%]
Net gain (loss) on private equity and other securities	19,160	32,818	-41.6%
Interest and dividend Income	358,422	373,452	-4.0%
Other Sales Revenue	50,052	46,967	6.6%
Operating Revenues	825,422	917,307	-10.0%
Interest Expenses	339,783	354,245	-4.1%
Cost of Sales	38,147	36,298	5.1%
Net Operating Revenue	447,491	526,764	-15.0%

1) Commissions

The following are the details of the commissions.

[Equity]

The Equity Division's commissions were 84.5 billion yen down 14.5% from the previous fiscal year due to a decrease in retail trading and a lowered commission rate.

[Fixed Income]

The Fixed Income Division's commission consists of brokerage commissions, agency commissions, etc. The total commissions of the current fiscal year were 2.1 billion yen, down 20.0% from the previous fiscal year.

[Asset Management]

The Asset Management Division saw an increase in management fees thanks to the increased balance of net assets under management of the investment trust. As a result, total commissions were 136.3 billion yen, up 27.6% from the previous fiscal year.

[Investment Banking]

The Investment Banking Division's commissions consist mainly of commissions from primary and secondary offering of equity and commissions for M&A. The total commissions received were 47.5 billion yen, down 36.6% from the previous fiscal year due to the depression of equity finance market.

[Others]

The other commissions are primarily from custody fees, investment enterprise partnership administration fee, life insurance sales commission, etc. The total was 23.7 billion yen, up 2.5% from the previous fiscal year.

2) Net gain (loss) on trading

Net gain (loss) on trading stocks, etc. was 11.0 billion yen, down 64.8% from the previous fiscal year. The net gain (loss) of trading bonds, foreign exchange, etc. was 92.3 billion yen, down 26.7% from the previous fiscal year.

(2) Status of Profits and Losses of the Group

Net operating revenues were adjusted for selling, general and administrative

expenses, non-operating income and non-operating expenses, the result of which is that the ordinary income of the current fiscal year was 90.1 billion yen, down 53.9% from the previous fiscal year, to which the extraordinary gains of 3.6 billion yen from the sale of the investment securities, etc. and the extraordinary losses of 11.8 billion yen from valuation losses on the investment securities, losses on impairment of fixed assets, etc., and income taxes and minority interests etc., were adjusted, which results in the net income of the current fiscal year of 46.4 billion yen, down 49.9% from the previous fiscal year.

(3) Status of Assets, Liabilities and Net Assets of the Group

While trading assets increased 2 trillion 774.9 billion yen from the end of the previous fiscal year, the current assets increased to 16 trillion 753.2 billion yen (increased by 2 trillion 862.1 billion yen from the end of the previous fiscal year). Consequently, the total assets at the end of the current fiscal year increased by 2 trillion 895.8 billion yen from the end of the previous fiscal year to 17 trillion 307.1 billion yen. On the other hand, the total liabilities at the end of the current fiscal year increased by 3 trillion 36.1 billion yen from the end of the previous fiscal year to 16 trillion 224.1 billion yen with receivables on collateralized securities transactions increased by 1 trillion 79.5 billion yen and short-term borrowings increased by 718.3 billion yen. The total net assets at the end of the current fiscal year was 1 trillion 82.9 billion yen (including minority interests), whereas the net assets per share was 607.64 yen.

(4) Status of the Capital Investment of the Group

The Group has been making capital investments for the purpose of enhancing its customers' convenience. During the current fiscal year, we have continuously concentrated on enhancement of the online trading systems and reforming the core business operational systems and made IT related investments of 70.2 billion yen in total.

We also invested capital in relocation, renovation, expansion, etc. of existing branches and relocated our headquarters to "GranTokyo Noth Tower" on the Yaesu entrance of Tokyo station.

(5) Status of Financing of the Group

The Company issued its 6th series of unsecured straight bonds of 50.0 billion yen (payment date of September 25, 2007) and 7th series of unsecured straight bonds of 60.0 billion yen (payment date of February 28, 2008). The proceeds were used for the investment and lending as well as preparing for the maturity of issued straight bonds.

3. Five-year trend of the status of Consolidated Performance and Assets

	(Billions of yen)				
	67 th term	68 th term	69 th term	70 th term	71 st term (current term)
	(Apr 1, 2003 - Mar 31, 2004)	(Apr 1, 2004 - Mar 31, 2005)	(Apr 1, 2005 - Mar 31, 2006)	(Apr 1, 2006 Mar 31, 2007)	(Apr 1, 2007 Mar 31, 2008)
Operating revenues	453.8	519.3	845.6	917.3	825.4
Net operating revenues	352.4	390.4	579.3	526.7	447.4
Ordinary income	96.1	120.4	260.6	195.4	90.1
Net income/loss (current term)	42.6	52.6	139.9	92.7	46.4
Stockholders' equity (Net assets)	604.1	648.3	792.2	1,223.2	1082.9
Total assets	10,765.6	12,378.9	14,989.8	14,411.2	17307.1
Stockholders' equity (Net assets) per share (Yen)	453.60	486.70	598.27	665.98	607.64
Net income (loss) per share (Yen) (current term)	31.66	39.03	103.90	67.90	33.69
Return on Equity (ROE)%	7.4%	8.4%	19.4%	10.8%	5.35%
Number of consolidated Subsidiaries	51	46	46	46	46
Number of companies included under the equity method	5	5	5	4	6

(Note) The net assets are calculated in accordance with formulas revised by application of the "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No.5) from the 70th term.

4. Issues to be Addressed by the Group

The “savings to investment” movement continues to accelerate and individual’s needs for assets management have continued to diversify in Japan. In the meantime, corporations are actively using the capital markets to pursue their business strategies.

Accordingly, the capital market undertakes more important roles as a public platform, and the Group’s social mission to support a sound capital market is becoming more important than ever.

Based on this understanding, the Group launched a medium-term management plan “Passion for the Best 2008” for the three fiscal years from 2006 to 2008.

The following are four core management targets the Group set.

- 1) Consolidated Ordinary Income: 350 billion yen or more
- 2) Consolidated ROE: 15% or higher
- 3) Retail: Customers’ Assets under Custody: 45 trillion yen or more
- 4) Wholesale: No. 1 in the league table (total equity/ total debt / M&A)

FY2008 is the final year of the mid-term management plan “Passion for the Best”2008. Due to the subprime loan issue, there is turbulence in the financial and capital markets around the world. Financial institutions are going through a tough environment. However, we strongly believe that it is a good opportunity to distinguish ourselves from our peers and further strengthen our operating base. With our concerted business resources, we aim to be the “Japan’s Best Securities Group”.

With respect to individual customers, we will significantly expand customers’ assets under custody by offering products and services to meet specific needs of individuals, utilizing our expertise.

At the same time, we will strive to expand our wholesale business through offering precise, tailor-made and innovative financial solutions, intensively using the capital markets, and fully supporting our clients’ expansion into the global markets. And by enhancing trading capabilities including risk management, we explore to widen our client base such as Sovereign Wealth Funds (“SWFs”).

As for our global strategy, we continue to focus on the Asian region. We will actively promote investment banking business and our Principal Investment Division will actively pursue overseas investment opportunities, mainly in Asia.

The action plans for FY 2008 of respective business divisions are as follows:

(1) Retail Division

- 1) Increase customer assets by offering client oriented products and services.
- 2) Expand wrap account contracted assets under management by enhancing asset management capabilities and improving various services.
- 3) Expand our online trading customer base through upgrades of our products and services.
- 4) Reinforce our business with corporate clients by promptly answering growing diversified business needs.

(2) Wholesale Division

- 1) Strengthen our investment banking business in Asia, such as underwriting and placement of Asian stocks and convertible bonds.
- 2) Offer new products and services, such as classified stocks and emissions trading.
- 3) Provide M&A solutions that align with our clients’ business strategies.
- 4) Enhance our business activities with SWFs and hedge funds.
- 5) Expand trading products lineup.

(3) Asset Management Division

Daiwa Asset Management Co., Ltd.

- 1) Enhance global focus in order to meet various client management needs.
- 2) Increase assets of publicly offered equity investment trusts by promoting large-scale funds.
- 3) Enhance product development and marketing capabilities.

Daiwa SB Investment Ltd.

- 1) Improve asset management and research capabilities.
- 2) Offer products suiting customers' diversified needs.
- 3) Promote new money inflow from overseas pension funds and governments, mainly into Japanese equities

(4) Investment Division

- 1) Realize profits from existing private equity investments.
- 2) Coordinate efficiently with the investment banking division from investment to exit.
- 3) Make overseas investment up to 30 billion yen, mainly in Asia.

(5) Research and Systems Divisions

- 1) Reclaim the No.1 position in the analyst rankings in Japan.
- 2) Strengthen research and consulting capabilities in the emerging markets.
- 3) Strengthen our business related to local regions. Consultation to municipalities, privatization on local public service corporations, and regional banks on reorganizations.
- 4) Contribute to the Group's competitiveness by executing large projects and quick and effective providing high-quality IT services.

The Group will, together with all officers and employees, strive toward continuous enhancement of corporate value. We would like to ask our shareholders to kindly give us greater guidance and encouragement.

5. Status of the Group

(1) The Group's Primary Businesses

The Group is primarily involved in trading and brokerage of securities and derivative products, underwriting and secondary offering of securities, treating of public offering for subscription and secondary offering of securities, treating of private offering for subscription of securities, and other business related to securities and financial fields.

(2) Status of Major subsidiaries and affiliates

Company Name	Location	Capital (millions of yen)	Equity Position (Directly owned)	Business
Daiwa Securities Co. Ltd.	Chiyoda-ku, Tokyo	100,000	100.0% (100.0%)	Securities related business Investment advisory
Daiwa Securities SMBC Co. Ltd.	Chiyoda-ku, Tokyo	255,700	60.0% (60.0%)	Securities related business
Daiwa Asset Management Co. Ltd.	Chuo-ku, Tokyo	15,174	100.0% (100.0%)	Investment trust business Investment advisory
Daiwa Institute of Research Ltd.	Koto-ku, Tokyo	3,898	100.0% (100.0%)	Research System solutions Consulting
Daiwa SB Investments Ltd. (Note)	Chiyoda-ku, Tokyo	2,000	44.0% (44.0%)	Investment advisory Investment trust business
Daiwa Securities Business Center Co., Ltd.	Koto-ku, Tokyo	100	100.0% (100.0%)	Back office operation Temporary staff agency
Daiwa Property Co., Ltd.	Chuo-ku, Tokyo	100	100.0% (99.4%)	Ownership and leasing of business offices and other real estate
NIF SMBC Ventures Co., Ltd.	Chiyoda-ku, Tokyo	18,767	46.3% (46.3%)	Venture capital business
Daiwa Securities SMBC Principal Investments Co. Ltd.	Chiyoda-ku, Tokyo	2,000	100.0% (--)	Principal finance business
Daiwa America Corporation	New York, U.S.A.	USD539 million	100.0% (100.0%)	Integration and management of subsidiaries
Daiwa Securities America Inc.	New York, U.S.A.	USD100 million	100.0% (--)	Securities related business
Daiwa Securities SMBC Europe Limited	London, U.K.	GBP109 Million	100.0% (--)	Securities related business
Daiwa Securities SMBC Asia Holding B.V.	Amsterdam, Netherlands	EUR211 million	100.0% (--)	Integration and management of subsidiaries
Daiwa Securities SMBC Hong Kong Limited.	Hong Kong	HKD100 million USD68 million	100.0% (--)	Securities related business
Daiwa Securities SMBC Singapore Limited.	Singapore, Singapore	42 SGD Million	100.0% (--)	Securities related business

(Note) Daiwa SB Investment Ltd. is an affiliated company.

(3) Status of the Group's Business Combination, etc.

- 1) Status of transfer, absorption-type split (*Kyushuu-bunkatsu*) or incorporation-type split (*Shinsetsu-bunkatsu*) of the Group's business

Hinode Securities Co. Ltd. which the Company owns 92.96% of voting rights executed a takeover that resulted in absorbing Kaneyoshi Securities Co. Ltd. as of October 1, 2007.

And Daiwa Property Co., Ltd. executed a takeover that resulted in absorbing Daiwa Training Center Ltd. which was owned 100% by the Company as of April 1, 2008.

- 2) Status of transfer of business from other company

No applicable major incident.

- 3) Status of succession of rights/duties of other corporation's business by absorption-type merger or absorption-type demerger

No applicable major incident.

- 4) Status of acquisition or disposition of other corporation's stocks or other equity, etc.

Daiwa America Corporation acquired 22.4% of the issued shares of Sagent Advisors Inc., a privately owned investment bank primarily focused on M&A advisory services.

(4) Status of Major Business Alliances

The Company operates joint ventures with Sumitomo Mitsui Financial Group Inc. and Sumitomo Mitsui Banking Corporation in the areas of wholesale securities brokerage, asset management and venture capital businesses.

(5) The Group's Primary Business Locations

1) The Company's Head Office: 9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

(Note) We relocated our headquarters from 6-4, Otemachi 2-chome, Chiyoda-ku, Tokyo in December 2007.

2) Main Subsidiaries' Business Locations

<u>Business Name</u>	<u>Location</u>
Daiwa Securities Co., Ltd.	
Head Office	Chiyoda-Ku, Tokyo
Ginza Branch	Chuo-ku, Tokyo
Shinjuku Branch	Shinjuku-ku, Tokyo
Shibuya Branch	Shibuya-ku, Tokyo
Ikebukuro Branch	Toshima-ku, Tokyo
Tachikawa Branch	Tachikawa City, Tokyo
Yokohama-eki Nishiguchi Branch	Yokohama City, Kanagawa
Yokohama Branch	Yokohama City, Kanagawa
Chiba Branch	Chiba City, Chiba
Omiya Branch	Saitama City, Saitama
Sapporo Branch	Sapporo City, Hokkaido
Sendai Branch	Sendai City, Miyagi
Utsunomiya Branch	Utsunomiya City, Tochigi
Niigata Branch	Niigata City, Niigata
Nagoya Branch	Nagoya City, Aichi
Shizuoka Branch	Shizuoka City, Shizuoka
Kanazawa Branch	Kanazawa City, Ishikawa
Osaka Branch	Osaka City, Osaka
Umeda Branch	Osaka City, Osaka
Kobe Branch	Kobe City, Hyogo
Kyoto Branch	Kyoto City, Kyoto
Takamatsu Branch	Takamatsu City, Kagawa
Hiroshima Branch	Hiroshima City, Hiroshima
Fukuoka Branch	Fukuoka City, Fukuoka
Kagoshima Branch	Kagoshima City, Kagoshima
Daiwa Securities SMBC Co., Ltd.	
Head Office	Chiyoda-ku, Tokyo
Osaka Branch	Osaka City, Osaka
Nagoya Branch	Nagoya City, Aichi

(6) Status of Employees

1) The Group's Employees

Number of Employees	Change from previous fiscal year
14,456	+1,192

(Note): The number of employees includes financial advisor staff of 721.

2) The Company's Employees

Number of Employees	Change from previous fiscal year	Average Age	Average year of Service
287	+21	37yrs&8mons.	11yrs&2mons.

(7) Major Lenders

The Company

Name of Lender	Type of Loan	Balance (yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	60,000 million
The Sumitomo Trust & Banking Co., Ltd.	Short-Term Borrowings	30,000 million
Resona Bank, Ltd.	Short-Term Borrowings	12,500 million
Mizuho Corporate Bank, Ltd.	Short-Term Borrowings	10,820 million
TAIYO LIFE INSURANCE COMPANY	Long-Term Borrowings	10,000 million
The Dai-Ichi Mutual Life Insurance Company	Long-Term Borrowings	10,000 million

Daiwa Securities SMBC Co. Ltd.

Name of Lender	Type of Loan	Balance (yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	8,967 million
	Subordinated Borrowings	60,000 million
The Sumitomo Trust & Banking Co., Ltd.	Subordinated Borrowings	10,000 million

Daiwa Securities SMBC Principal Investments Co. Ltd.

Name of Lender	Type of Loan	Balance (yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	15,000 million
The Sumitomo Trust & Banking Co., Ltd.	Short-Term Borrowings	15,000 million

NIF SMBC Ventures Co., Ltd.

Name of Lender	Type of Loan	Balance (yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	7,550 million
	Long-Term Borrowings	9,500 million

(8) Other Significant Matters relating to The Group's Current Status

Not applicable

(Note): This business report is prepared in accordance with the provisions of the "Companies Act" (Act No. 86 of 2005), the "Ordinance for Enforcement of Companies Act" (Ministry of Justice Ordinance No. 12 of 2006) and the "Accounting Regulation Ordinance" (Ministry of Justice Ordinance No. 13 of 2006). Where it was possible to state the Group's status, we stated the status of the Group instead of the status of the Company alone.

II. Summary of the Company (As of March 31, 2008)

1. Status of Shares

(1) Total number of Shares

Total number of authorized shares:	4,000,000,000 shares
Total number of issued and outstanding shares: (Including treasury stocks)	1,404,664,772 shares

(2) Total number of shareholders: 98,809

(3) Major Shareholders (Top ten)

Name	Investment Status Number of shares held (Equity Position)
State Street Bank & Trust Company	126,771,000 shares (9.03%)
Japan Trustee Services Bank, Ltd. (Trust Account)	71,349,000 shares (5.08%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	58,284,000 shares (4.15%)
Japan Trustee Services Bank, Ltd. (Trust Account 4)	30,431,000 shares (2.17%)
Sumitomo Mitsui Banking Corporation	30,328,000 shares (2.16%)
Japan Trustee Services Bank, Ltd. Sumitomo Trust Pension Account	24,888,000 shares (1.77%)
TAIYO LIFE INSURANCE COMPANY	23,140,000 shares (1.65%)
Goldman Sachs International	22,462,000 shares (1.60%)
Nippon Life Insurance Company	20,867,000 shares (1.49%)
CGML-IPB Tokyo Client Securities Account	18,628,000 shares (1.33%)

(Note1) Treasury stock of 58,319,532 shares is included for calculating the equity position of the above list of major shareholders.

(Note2) The Company holds its own treasury stocks (58,319 thousands shares) as of March 31, 2008 and those shares are excluded from above list.

2. Status of Stock Acquisition Rights, etc.

(1) Status of stock acquisition rights (stock options) at the end of the current fiscal year

A. Stock Acquisition Rights issued under Article 280-20 and Article 280-21 of previous Commercial Code.

Name (Issued Day)	Number (Class and Number of Shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period to exercise	Conditions for exercise
Stock Acquisition rights, Series 1 (September 1, 2004)	1,766 (Common stock 1,766,000 shares)	Gratuitous grant	756,000 yen (756 yen per share)	From July 1, 2006 to August 31, 2011	(Note1) (Note3)
Stock Acquisition Rights issued in June 2005 (June 24, 2005)	528 (Common stock 528,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2005 to June 30, 2025	(Note1) (Note2) (Note3)
Stock Acquisition rights, Series 2 (September 2, 2005)	1,997 (Common stock 1,997,000 shares)	Gratuitous grant	781,000 yen (781 yen per share)	From July 1, 2007 to August 31, 2012	(Note1) (Note3)

(Note1) Each stock acquisition right may not be exercised in part.

(Note2) The holder of the stock acquisition rights may exercise the rights from the day after they exit all positions as director or executive officer of the Company or its subsidiaries that is determined by the Board of Directors of the Company or the executive officers to whom the determination has been delegated by a resolution of the Board of Director of the Company. However, stock acquisition rights may be exercised after June 1, 2025 in accordance with other conditions for exercise of stock acquisition rights.

(Note3) Other conditions for exercise shall be set forth in the stock acquisition right grant agreement.

B. Stock acquisition rights issued under Article 236, Article 238 and Article 239 of Companies Act

Name (Issued Day)	Number (Class and Number of Shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period to exercise	Conditions for exercise
Stock Acquisition Rights issued in July 2006 (July 1, 2006)	298 (Common stock 298,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2006 to June 30, 2026	(Note1) (Note2) (Note3) (Note5)
Stock Acquisition rights, Series 3 (September 4, 2006)	2,593 (Common stock 2,539,000 shares)	Gratuitous grant	1,515,000 yen (1,515 yen per share)	From July 1, 2011 to June 23, 2016	(Note1) (Note5)
Stock Acquisition Rights issued in July 2007 (July 1, 2007)	306 (Common stock 306,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027	(Note1) (Note2) (Note4) (Note5)
Stock Acquisition rights, Series 4 (September 3, 2007)	2,570 (Common stock 2,548,000 shares)	Gratuitous grant	1,224,000 yen (1224 yen per share)	From July 1, 2012 to June 22, 2017	(Note1) (Note5)

(Note1) Each stock acquisition right may not be exercised in part.

(Note2) The holder of the stock acquisition rights may exercise the rights from the day after they exit all positions as director or executive officer of the Company or its subsidiaries that is determined by the Board of Directors of the Company or the executive officers to whom the determination has been delegated by a resolution of the Board of Director of the Company.

(Note3) Disregarding Note2, stock acquisition rights may be exercised after May 31, 2026 in accordance with other conditions of exercise of stock acquisition rights.

(Note4) Disregarding Note2, stock acquisition rights may be exercised after May 31, 2027 in accordance with other conditions of exercise of stock acquisition rights.

(Note5) Other conditions for exercise shall be set forth in the stock acquisition right allocation agreement.

(Note6) The number of stock acquisition rights above includes the stock acquisition rights owned by the Company.

(2) Status of Stock Acquisition Rights (Stock Options) held by the Company's Officers at the end of the current fiscal year

<u>Name of stock acquisition rights</u>	<u>Number of holders</u>	<u>Number of rights</u>
Stock acquisition Rights, Series 1	8	107
Stock acquisition Rights issued in Jun 2005	12	108
Stock acquisition Rights, Series 2	2	3
Stock acquisition Rights issued in Jul 2006	14	66
Stock acquisition Rights, Series 3	1	3
<u>Stock acquisition Rights issued in Jul 2007</u>	<u>16</u>	<u>77</u>

(Note 1) No stock acquisition right as a stock option was allocated to Outside Director.

(Note 2) Stock acquisition rights, series 4 were not allocated to the officers at the end of current fiscal year.

(3) Status of Stock Acquisition Rights (Stock Options) allotted to Employees, etc., during the current fiscal year

<u>Name of stock acquisition rights</u>	<u>Class of holders</u>	<u>No. of holders</u>	<u>No. of rights</u>
Stock acquisition	<u>Directors of Subsidiaries</u>	<u>31</u>	<u>103</u>
Rights issued	<u>Employees of Subsidiaries</u>	<u>47</u>	<u>126</u>
<u>in July 2007</u>	<u>Total</u>	<u>78</u>	<u>229</u>
Stock acquisition	<u>Employees of the Company</u>	<u>88</u>	<u>147</u>
Rights, Series 4	<u>Directors of Subsidiaries</u>	<u>12</u>	<u>38</u>
	<u>Employees of Subsidiaries</u>	<u>1,633</u>	<u>2,269</u>
	<u>Directors and Employees of Affiliates</u>	<u>68</u>	<u>94</u>
	<u>Total</u>	<u>1,801</u>	<u>2,548</u>

(Note 1) Executive officers of subsidiaries are classified as employees of subsidiaries.

(Note 2) No stock acquisition right as a stock option was allocated to the auditors of subsidiaries.

3. Status of the Company's Officers

(1) Directors

Title	Name	Area in Charge or primary occupation
Director/Chairman of the Board	Yoshinari Hara	
Director/Deputy Chairman of the Board	Akira Kiyota	
Director	Shigeharu Suzuki	
Director	Shin Yoshidome	
Director	Tetsuo Mae	
Director	Takashi Hibino	
Director	Ikuo Mori	
Director	Nobuyuki Iwamoto	
Director	Kenji Hayashibe	
Director	Tetsuro Kawakami	Counsel of Sumitomo Electric Industries, Ltd.
Director	Ryuji Yasuda	Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
Director	Koichi Uno	Certified Public Accountant

(Note 1) Keisuke Kitajima resigned as director by passing away on March 2, 2008.

(Note 2) Directors, Tetsuro Kawakami, Ryuji Yasuda, and Koichi Uno are outside directors as defined under, Article 2, item 15 of Companies Act.

(Note 3) As a "company with committees", the Company installed the following three committees, composed of the following directors. (As of March 31, 2008)

Nominating Committee: Yoshinari Hara (Chairman), Shigeharu Suzuki, Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno

Audit Committee: Kenji Hayashibe (Chairman), Koichi Uno, Ryuji Yasuda

Compensation Committee: Yoshinari Hara (Chairman), Shigeharu Suzuki, Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno

[References] From June 23, 2007 to March 2, 2008

Nominating Committee: Yoshinari Hara (Chairman), Shigeharu Suzuki, Tetsuro Kawakami, Ryuji Yasuda, Keisuke Kitajima

Audit Committee: Kenji Hayashibe (Chairman), Keisuke Kitajima, Koichi Uno

Compensation Committee: Yoshinari Hara (Chairman), Shigeharu Suzuki, Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno

(Note 4) Koichi Uno, a member of the Audit Committee, is a certified public accountant and licensed tax accountant and also has expertise in finance and accounting.

(2) Executive Officers

<u>Title</u>	<u>Name</u>	<u>Area in Charge or primary occupation</u>
President/Representative Executive Officer	Shigeharu Suzuki	Chief Executive Officer (CEO) and Head of Retail, Representative Director/President of Daiwa Securities Co. Ltd
Deputy President/ Representative Executive Officer	Shin Yoshidome	Chief Operating Officer (COO) and Head of Wholesale, Representative Director/ President of Daiwa Securities SMBC Co. Ltd.
Deputy President/ Executive Officer	Tetsuo Mae	Deputy Head of Retail, Representative Director/ Deputy President of Daiwa Securities Co. Ltd.
Deputy President/ Executive Officer	Shuntaro Higashi	Deputy Head of Wholesale, Representative Director/ Deputy President of Daiwa Securities SMBC Co. Ltd.
Deputy President/ Executive Officer	Michihito Higuchi	Head of Asset Management, Representative Director /President of Daiwa Asset Management Co. Ltd.
Deputy President/ Executive Officer	Yoshiyuki Takemoto	Head of Research, Representative Director/President of Daiwa Institute of Research Ltd.
Corporate Executive Vice President/ Executive Officer	Takashi Hibino	Head of Planning and Personnel
Corporate Executive Vice President/ Executive Officer	Ikuo Mori	Deputy Head of Wholesale, Representative Director / Senior Managing Director of Daiwa Securities SMBC Co. Ltd.
Corporate Senior Executive Officer	Akira Nakamura	Chief Information Officer (CIO)
Corporate Executive Officer	Nobuyuki Iwamoto	Chief Financial Officer (CFO)
Corporate Executive Officer	Masamichi Yokoi	Head of America Region, Chairman of Daiwa American Corporation
Corporate Executive Officer	Seiji Nakata	Deputy Head of Planning and Personnel
Corporate Executive Officer	Masaaki Goto	Head of Legal
Corporate Executive Officer	Yoshinari Hara	
Corporate Executive Officer	Akira Kiyota	

(Note 1) Executive Officers, Shigeharu Suzuki, Shin Yoshidome, Tetsuo Mae, Takashi Hibino, Ikuo Mori, Nobuyuki Iwamoto, Yoshinari Hara, Akira Kiyota also serve as director.

(Note 2) Executive Officers, Tetsuo Mae, Yoshiyuki Takemoto and Yoshinari Hara resigned as of March 31, 2008, respectively. Further, Tetsuo Mae resigned as Representative Director/ Deputy President of Daiwa Securities Co. Ltd. as of March 31, 2008, and Yoshiyuki Takemoto resigned as Representative Director/President of Daiwa Institute of Research Ltd. as of April 1, 2008.

(Note 3) Toshiro Ishibashi and Hiroshi Ota took their new positions as executive officers as of April 1 2008, and as of said day their responsibilities as executive officers have changed as follows.

Toshiro Ishibashi Deputy Head of Retail
Hiroshi Ota Head of Research

Further, Toshiro Ishibashi took the position of Representative Director/Deputy President of Daiwa Securities Co. Ltd. and Hiroshi Ota took the position of Representative Director/President of Daiwa Institute of Research Ltd. as of April 1, 2008.

(3) Outside Officers

1) Status of position and company serving concurrently

Name	Company serving concurrently	Position
Tetsuro Kawakami	Meidensha Corporation	Outside Director
	Nippon Venture Capital Co., Ltd.	Outside Director
	FM 802 Co., Ltd.	Outside Director
Ryuji Yasuda	Shoei Co., Ltd.	Outside Director
	Fuji Fire and Marine Insurance Co., Ltd.	Outside Director
	Fukuoka Financial Group, Inc. (Note1)	Outside Director
	Vantec Group Holdings Corporation	Outside Director
	Sony Corporation	Outside Director
Koichi Uno	Secured Capital Japan Co., Ltd. (Note2)	Outside Auditor
	Kokusai Kogyo Co., Ltd.	Outside Auditor

(Note1) Ryuji Yasuda took the position of Outside Director of Bank of Fukuoka, Ltd. which is a subsidiary of Fukuoka Financial Group, Inc.

(Note2) Koichi Uno took the position of Outside Auditor of SCJ Servicing Co., Ltd. which is a subsidiary of Secured Capital Japan Co., Ltd.

(Note3) None of the above companies is a major customer of the Company.

2) Major activities during the current fiscal year

Name	Major activities (Status of attendance & remarks)
Tetsuro Kawakami	Attended the Board of Directors' Meeting 13 times out of the 14 held during the current fiscal year, and made remarks on the bills and agenda of the meetings, mainly based on his ample experience and views as a corporate manager.
Ryuji Yasuda	Attended the Board of Directors' Meeting 13 times out of the 14 held, and Audit Committee 1 time out of the 2 held after his assumption during the current fiscal year, and made remarks on the bills and discussion of meetings, mainly based on his knowledge and experience relating to management strategies.
Koichi Uno	Attended all 14 Board of Directors' Meeting and all 12 Audit Committee during the current fiscal year, and made remarks mainly on the Company's financial and accounting policies, from his professional view as a certified public accountant and certified tax accountant.

(Note) Ryuji Yasuda and Koichi Uno are members of the Audit Committee.

3) Resigned Outside Officers during the current fiscal year

Outside Director Keisuke Kitajima (passed away on March 2, 2008)

Primary Occupation	Attorney at Law
Company serving concurrently (Position)	Nippon Yusen Kabushiki Kaisha(Outside Auditor) Nippon Life Insurance Company(Outside Auditor)
Major activities	Attended the Board of Directors' Meeting 6 times out of the 11 held ,and Audit Committee 6 times out of the 10 held during the current fiscal year, and made remarks mainly on maintenance and build-up of compliance system of the Company, from his professional view as an attorney.

4) Outline of the Agreement to limit liability

Each outside director executed the agreement to limit liability provided in Article 423, Paragraph 1 of Companies Act, with the Company. The maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount provided in Article 425, paragraph 1 of Companies Act, whichever is higher.

(4) Remunerations paid to Directors and Executive Officers

Amounts of Remunerations, etc. Paid based on Resolution of the Compensation Committee	Directors		Executive Officers		Total	
	Number Paid	Amount Paid	Number Paid	Amount Paid	Number Paid	Amount Paid
	Persons	¥million	Persons	¥million	Persons	¥million
	5	105	15	846	20	951

(Note 1) The above paid amounts include the estimated amounts payable as achievement interlocking pay for the current fiscal year.

(Note 2) The above paid amounts include 101 million yen, the value of stock acquisition rights granted as stock options to the Directors and Executive Officers. The details of the stock acquisition rights are as stated in "2. Status of Stock Acquisition Rights, etc."

(Note 3) Beside the above, a retirement compensation of 10 million yen pursuant to the resolution of the 67th General Meeting of Shareholders (June 23, 2004) was paid to a Director retired during the current fiscal year.

(Note 4) The total remuneration, etc. paid to four (4) outside directors were 67 million yen.

(Note 5) The numbers of Directors and Executive Officers as of the end of the current fiscal year are 12 and 15, respectively. Eight (8) out of 12 Directors are serving the offices of Executive Officer concurrently. The remunerations to the Directors who also serve as the Executive Officers are stated in the column of Amount Paid to the Executive Officers.

(5) Policies for Determination of Remuneration for Directors and Executive Officers

Remuneration for Directors and Executive Officers is determined based on the following fundamental policies.

- Incentives, which contribute to increasing shareholders' value through sound business development and lead to development of short-term and medium to long-term business, function effectively.
- To stay at an internationally competitive level as well as to compete in Japan, as a securities related business group operating globally.
- As a "committee system" company, so that execution and supervision function effectively.

Remuneration for Directors and Executive Officers are composed of base payment, payment linked to achievement and payment linked to stock price as defined below.

1) Base Payment

Base payment is a fixed amount calculated based on his/her position, duties and role.

2) Payment linked to achievement

Payment linked to achievement shall be determined by individual's level of contributions on basis of consolidated ordinary income and consolidated ROE, after taking elements of business assets, productivities and customer satisfaction into consideration.

Payment linked to achievement shall not be applied to Directors who do not serve as an Executive Officer.

3) Payment linked to stock price

To increase the link of payment to shareholders' value, the Company grants stock options, etc., whose values correspond to a certain percentage of base payment as payment linked to stock price.

Payment linked to stock price shall not be applied to Outside Directors.

4. Status of Independent Auditors

1) Name: KPMG AZSA & Co.

2) Amount of Fees, etc.

1. The amount of fees, etc. to be paid by the Company to the independent auditor.

46 million yen

2. The total amount of benefits, etc. to be paid by the Company and subsidiaries of the Company to the independent auditor.

403 million yen

(Note 1) Because the amounts of audit fees for audit services under the Companies Act and audit service under the Financial Instruments and Exchange Act of Japan are not clearly distinguished in the audit engagement contract between the Company and the independent auditor, and it is not practically possible to categorize them, the fees, etc. above are the aggregated amount of those.

(Note 2) The Company also pays a fee to the independent auditor in consideration of its advising services relating to the establishment of an internal control system, a service not included in audit duties (audit certificate service) as defined in Article 2, Paragraph 1 of the Certified Public Accountant Law.

3) Policies for Determination of Discharge or Refusal of Reappointment

In the event that the independent auditor violates or conflicts with Companies Act, Certified Public Accountant Law, etc., or acts against public policy, or if the Audit Committee determines that discharge or refusal of reappointment of the relevant independent auditor needs to be considered, the Audit Committee will examine the facts. When the Audit Committee finds discharge or refusal of reappointment is reasonable, it will decide to submit “Discharge or refusal of reappointment of the independent auditor” as an bill to the General Meeting of Shareholders, pursuant to regulations of the Audit Committee.

4) the Others

Major subsidiaries of the Company, Daiwa America Corporation and Daiwa Securities SMBC Europe Limited have, only in relation to audits on basis of Companies Act or Financial Instruments and Exchange Act of Japan (including comparable foreign law(s)), been audited by certified public accountant(s) or audit corporation(s) (including one(s) who have/has comparable qualification(s) in foreign country(s)) other than the independent auditor of the Company.

(Note) The Company has not executed a contract to limit liability with the independent auditor; “KPMG AZSA & Co.”.

5. Policies for Determination of Distribution of Surpluses

The Company pursues continuous enhancement of shareholders' value including profit shares. We plan to pay a dividend every six months with a dividend payout ratio guideline of 30%, reflecting consolidated business performance. Taking care to secure enough internal reserves for future business development after taking stability into consideration, we plan to actively return profits to shareholders including repurchase of the Company's shares etc.

Further, based on the above basic policies, distribution of the surpluses for the current fiscal year are; 12 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 26, 2007), and 10 yen per share as the year-end dividend. Accordingly, the annual dividend will be 22 yen per share and the dividend payout ratio (consolidated) will be 65.3% annually.

Further, the Company resolved the repurchase of its own shares at the Board of Directors' meeting held on August 20, 2007 and January 30, 2008 and executed the repurchase of 50,000,000 shares (the amount; 50,850 million yen) through the market.

6. System to Assure Appropriate Business Operations

Pursuant to provisions of Article 416, Paragraph 1 Item 1-*ro* and 1-*ho* of Companies Act and Article 112 of Ordinance for Enforcement of Companies Act, the Board of Directors resolved matters, as outlined below, as a system to ensure appropriate business operations of the Company.

(1) Matters necessary for execution of Audit Committee's duties (matters provided in Article 112, Paragraph 1 of Ordinance for Enforcement of Companies Act)

1) Matters with respect to directors and employees assisting duties of Audit Committee
To establish a section exclusively to assist the duties of Audit Committee.

2) Matters regarding to independency of Directors and employees set forth in preceding paragraph, from the Executive Officers

Executive Officers must give consideration to the significance of the Audit Committee and its independence from business execution departments, and must obtain consent in advance from the Audit Committee or a committee member whom the Audit Committee may appoint (hereinafter referred as "appointed Audit Committee member") for such section's personnel affairs (transfer, evaluation, etc.), any change of organization of such section, etc.

3) System for Executive Officers and employees to report to Audit Committee and System for other reports to Audit Committee

Executive Officers and other officers and employees shall report the following to the Audit Committee or the appointed Audit Committee member.

a. When an individual discovers any fact that has possibility to cause

substantial damage to the Company.

- b. When any officer or employee performs any act in violation of any law, ordinance or the Articles of Incorporation, or is considered to have possibly performed those acts.
- c. Matters requested to be reported by the Audit Committee or the appointed Audit Committee member, and other matters considered helpful for audit.

4) System to ensure effective audit by the Audit Committee

- * Members of the Audit Committee may attend meetings of the Internal Control Committee and may seek explanations and speak. They also may attend other significant meetings.
- * The Audit Committee shall receive periodic reports regarding the risk status of the Group from the relevant divisions which are responsible for management of their respective risks, and regarding the internal audit status of the Group from the Internal Audit Division.
- * The Audit Committee or an appointed Audit Committee member may, as necessary, entrust the Internal Audit Division to perform necessary investigation.
- * The Audit Committee shall receive periodic reports of the Group's companies regarding respective audit status from the Independent Auditor.
- * The Audit Committee may have outside professionals, who are independent from the divisions conducting business, assist in its audit duties.

(2) System to ensure that the Executive Officers execute their duties in compliance with laws, ordinances and the Articles of Incorporation, and system to assure appropriateness of stock company's other operations (Systems provided in Article 112, Paragraph 2 of Ordinance for Enforcement of Companies Act)

1) System to ensure that the Executive Officers execute their duties in compliance with laws, ordinances and the Articles of Incorporation, and system to ensure that employees execute their duties in compliance with laws, ordinances and Articles of Incorporation.

a) Compliance System

- * Establish an internal informing system for the purpose of identifying and correcting at early stage any conducts, etc. violating laws, ordinances or other regulations in the Group.
- * Enact rules of ethics and standard of ethical conduct for the purpose of officers' and employees' compliance with laws.
- * Hold training seminars, for officers and employees in the Group on compliance addressing their respective business features of each company.
- * Appoint a person in charge of formation and promotion of corporate compliance system across the Group, and establish a section to promote the corporate ethic among officers and employees.
- * Establish a section that gives advice regarding overall legal issues of the Group, and assists each company of the Group in activities relating to formation of system for compliance with laws, ordinances and other rules and regulations.

b) Internal Control Committee

The Internal Control Committee is a sectional committee of the Executive Committee, and discusses and determines the matters relating to development of internal controls, the risk management system and the internal audit system for the Group's business.

c) Internal Audit Division

- * For sound and effective internal control of the Group, we believe that internal audit is an important function and established internal audit divisions at major companies of the Group as well as in the Company.
- * The internal audit division evaluates and examines the effectiveness of the Group's internal controls, and makes proposals for improvement and efficiency of the Group's business operation.
- * The internal audit division makes proposals and reports to the Audit Committee and the Internal Control Committee about the plans and results of internal audit.

d) Internal Control on Financial Reporting

- * For preparing necessary structure to assure appropriateness of financial statements and other information, the Company establishes basic rules relating to internal control on financial reporting.
- * The Disclosure Committee and the Internal Control Committee, as sub-committees of the Executive Committee, discuss and decide important issues concerning internal control on financial reporting.

2) System for storing and management of information relating to execution of Executive Officers' duties

Information relating to execution of Executive Officers' duties shall be stored and managed properly in accordance with the rules of documents filing and storing.

3) Systems for rules and others relating to management of loss risk

- * Establish risk management regulations for the purposes of accurate understanding and appropriate management of risks across the entire Group. Adhering to this, clarify the risk management system by appointing Executive Officers to manage and sections to control each category of risks and basic policies of risk management.
- * Each section shall establish its own management rules and/or management policy for the risks it has control over, and shall make reports about the situation of its risk management to the Internal Control Committee etc.

4) System for efficient execution of Executive Officers' duties

- * Clarify Executive Officers' duties and methods of executing them, and the business operations they manage in the rules of Executive Officers.
- * About matters which have material effect to the Company or its group, clarify the matters to be resolved and matters to be reported in the rules of the Executive Committee.

5) System to assure appropriateness of business operation in the corporate group composed of

the relevant stock companies and subsidiaries

- * Carry out a business strategy based on the Group's strategy flexibly and efficiently in each company of the Group by way of the Company's Executive Officers concurrently serving as the representatives of respective major companies of the Group, etc.
- * Establish rules for management of group companies for the purpose of proper management of business activities of group companies in Japan and overseas.
- * Establish regulations at each group companies to grasp important information regarding the management of each group company, and to assure such information to be disclosed fairly, timely and appropriately in compliance with laws, ordinances, rules and regulations.

(Note) The Amounts and Number of Shares given in this report omit figures smaller than the indication units.

Consolidated balance sheets

(Millions of yen)	Fiscal 2007 Mar. 31, 2008	<u>[References]</u> Fiscal 2006 Mar. 31, 2007
<i>Assets</i>		
Current assets:	16,753,297	13,891,106
Cash and deposits	429,976	365,310
Cash segregated as deposits for regulatory purposes	233,544	256,434
Notes receivable and trade accounts receivable	13,580	15,661
Securities	54,105	44,202
Trading assets:	7,857,122	5,082,219
Trading securities and others	6,271,253	4,228,894
Derivative assets	1,585,868	853,324
Trading receivables, net	219,314	-
Private equity and other securities	483,268	448,964
Less: Allowance for possible investment losses	11,536	8,787
Loans receivable from customers	75,421	-
Other inventories	1,602	2,766
Receivables related to margin transactions:	369,312	575,457
Customer margin loans	192,000	339,104
Cash deposits as collateral for securities borrowed	177,311	236,353
Collateralized short-term financing agreements:	6,206,327	6,814,612
Cash deposits as collateral for securities borrowed	6,206,125	6,814,603
Receivables related to gensaki transactions	202	8
Receivables	12,511	10,038
Short-term loans receivable	148,991	145,391
Accrued income	36,597	40,602
Deferred tax assets	15,913	12,471
Other current assets	608,629	85,901
Less: Allowance for doubtful accounts	1,384	140
Non-current assets:	553,821	520,158
Tangible fixed assets	153,392	134,536
Intangible fixed assets	101,879	81,315
Investments and others:	298,549	304,307
Investment securities	215,611	234,102
Long-term loans receivable	15,061	11,491
Long-term guarantee deposits	30,130	23,729
Deferred tax assets	15,434	13,208
Other investments	24,579	23,373
Less: Allowance for doubtful accounts	2,267	1,599
Total assets	17,307,119	14,411,265

(Millions of yen)	Fiscal 2007 Mar. 31, 2008	<u>References</u> Fiscal 2006 Mar. 31, 2007
<i>Liabilities</i>		
Current liabilities:	14,920,920	11,939,922
Notes payable and trade accounts payable	4,941	6,292
Trading liabilities:	4,643,643	4,105,362
Trading securities and others	3,443,374	3,417,833
Derivative liabilities	1,200,269	687,528
Trading payables, net	-	67,771
Payables related to margin transactions:	202,010	233,352
Payable to securities finance companies	8,617	14,446
Proceeds of securities sold for customers' accounts	193,392	218,906
Collateralized short-term financing agreements:	6,238,684	5,159,100
Cash deposits as collateral for securities loaned	5,535,106	5,000,747
Payables related to gensaki transactions	703,577	158,352
Deposits received	134,361	148,173
Cash deposits received as guarantee	101,149	100,494
Short-term borrowings	2,362,803	1,644,417
Commercial paper	488,300	302,391
Bonds and notes due within one year	130,613	27,912
Income taxes payable	21,537	12,550
Deferred tax liabilities	13	9,287
Accrued bonuses	17,325	31,200
Provision for relocation costs of headquarter office	4,129	-
Other current liabilities	571,406	91,615
Non-current liabilities:	1,295,257	1,240,220
Bonds and notes	1,063,741	1,018,873
Long-term debt	199,070	165,895
Deferred tax liabilities	4,541	24,002
Retirement benefits	23,576	22,590
Provision for relocation costs of headquarter office	-	3,757
Provision for litigation losses	779	623
Other non-current liabilities	3,548	4,478
Statutory reserves	8,017	7,896
Total liabilities	16,224,195	13,188,039
<i>Net assets</i>		
Owners' equity	801,880	844,854
Common stock	178,324	178,324
Capital surplus reserve	157,678	157,678
Retained earnings	527,579	520,474
Treasury stock	-61,701	-11,628
Paid-in money for treasury stock	-	4
Valuation and translation adjustments	16,208	84,671
Net unrealized gain (loss) on securities, net of tax effect	24,470	75,657
Deferred gain (loss) on hedges	800	467
Translation adjustments	-9,061	8,546
Stock subscription rights	1,429	610
Minority interests	263,404	293,088
Total net assets	1,082,923	1,223,225
Total liabilities and net assets	17,307,119	14,411,265

Consolidated statements of income

(Millions of yen)	Fiscal 2007 Apr. 1, 2007 - Mar. 31, 2008	[References] Fiscal 2006 Apr. 1, 2006- Mar. 31, 2007
Operating revenues:	825,422	917,307
Commissions	294,424	306,736
Net gain (loss) on trading	103,361	157,332
Net gain (loss) on private equity and other securities	19,160	32,818
Interest and dividend income	358,422	373,452
Other revenues	50,052	46,967
Interest expense	339,783	354,245
Cost of sales	38,147	36,298
Net operating revenues	447,491	526,764
Selling, general and administrative expenses:	363,858	340,372
Commission and other expenses	85,398	71,438
Compensation and benefits	156,661	163,379
Occupancy and rental	38,759	38,846
Data processing and office supplies	29,877	23,020
Depreciation expenses	28,046	23,117
Taxes other than income taxes	7,329	8,264
Others	17,785	12,306
Operating income	83,632	186,391
Non-operating income	9,647	10,937
Non-operating expenses	3,135	1,913
Ordinary income	90,143	195,415
Extraordinary gains	3,634	3,601
Gain on sales of shares of related companies	-	147
Gain on sales of investment securities	3,228	3,453
Others	406	-
Extraordinary losses	11,826	13,093
Write-down of shares of related companies	375	200
Write-down of investment securities	7,888	535
Write-down of fixed assets	-	1,510
Loss on sales or disposal of fixed assets	1,415	1,395
Loss on impairment of fixed assets	537	2,974
Loss on sales of investment securities	205	363
Provision for litigation losses	-	550
Allowance for doubtful accounts	-	316
Relocation costs of headquarter office	1,354	4,680
Provision for securities transaction liabilities	51	566
Income before income taxes and minority interests	81,951	185,922
Income taxes-current	40,474	65,794
Income taxes-deferred	299	3,657
Minority interests	5,233	-23,746
Net income	46,411	92,724

Consolidated statements of changes in net assets
(Apr. 1, 2007 - Mar. 31, 2008)

(Millions of yen)	Owners' equity					
	Common stock	Capital surplus reserve	Retained earnings	Treasury stock	Paid-in money for treasury stock	Total
Beginning balance as of Mar. 31, 2007	178,324	157,678	520,474	-11,628	4	844,854
Changes of items during the fiscal year						
Cash dividends	-	-	-38,787	-	-	-38,787
Net income	-	-	46,411	-	-	46,411
Acquisition of treasury stock	-	-	-	-51,031	-	-51,031
Disposal of treasury stock	-	-	-346	958	-	611
Addition of consolidated subsidiary	-	-	-172	-	-	-172
Others	-	-	-	-	-4	-4
Total changes of items during the fiscal year	-	-	7,104	-50,073	-4	-42,973
Ending balance as of Mar. 31, 2008	178,324	157,678	527,579	-61,701	-	801,880

(Millions of yen)	Valuation and translation adjustments				Stock subscription rights	Minority interests
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges	Translation adjustments	Total		
Beginning balance as of Mar. 31, 2007	75,657	467	8,546	84,671	610	293,088
Changes of items during the fiscal year						
Net changes of items other than owners' equity	-51,187	333	-17,608	-68,462	818	-29,684
Total changes of items during the fiscal year	-51,187	333	-17,608	-68,462	818	-29,684
Ending balance as of Mar. 31, 2008	24,470	800	-9,061	16,208	1,429	263,404

[References]

(Apr. 1, 2006 - Mar. 31, 2007)

(Millions of yen)	Owners' equity					
	Common stock	Capital surplus reserve	Retained earnings	Treasury stock	Paid-in money for treasury stock	Total
Beginning balance as of Mar. 31, 2006	138,828	118,339	476,216	-14,660	-	718,723
Changes of items during the fiscal year						
Issuance of new shares	39,495	39,495	-	-	-	78,991
Cash dividends	-	-	-45,806	-	-	-45,806
Payment of directors' and executive officers' bonuses	-	-	-1,827	-	-	-1,827
Net income	-	-	92,724	-	-	92,724
Acquisition of treasury stock	-	-	-	-311	-	-311
Disposal of treasury stock	-	-156	-1,238	3,344	-	1,949
Subsidiaries' merger	-	-	406	-	-	406
Others	-	-	-	-	4	4
Total changes of items during the fiscal year	39,495	39,339	44,258	3,032	4	126,131
Ending balance as of Mar. 31, 2007	178,324	157,678	520,474	-11,628	4	844,854

(Millions of yen)	Valuation and translation adjustments				Stock subscription rights	Minority interests
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges	Translation adjustments	Total		
Beginning balance as of Mar. 31, 2006	72,694	-	863	73,557	-	236,718
Changes of items during the fiscal year						
Net changes of items other than owners' equity	2,963	467	7,682	11,113	610	56,370
Total changes of items during the fiscal year	2,963	467	7,682	11,113	610	56,370
Ending balance as of Mar. 31, 2007	75,657	467	8,546	84,671	610	293,088

The consolidated statutory report of the Company for the fiscal year ended March 31, 2008 are prepared in accordance with the 'Cabinet Order on financial instruments business' (Cabinet Office Ordinance, No. 52, 2007), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on the "Accounting Regulation Ordinance" (Ministry of Justice Ordinance No. 13, 2006) and its Article 146.

The figures in the consolidated statutory report are expressed in millions of yen, with amounts of less than one million omitted.

Basis of consolidated statutory report

1. Scope of consolidation

(1) The number of consolidated subsidiaries and the names of major consolidated subsidiaries

The number of consolidated subsidiaries: 46 companies

The names of major consolidated subsidiaries:

Daiwa Securities Co. Ltd.
Daiwa Securities SMBC Co. Ltd.
Daiwa Asset Management Co. Ltd.
Daiwa Institute of Research Ltd.
Daiwa Securities Business Center Co., Ltd.
Daiwa Property Co., Ltd.
NIF SMBC Ventures Co., Ltd.
Daiwa Securities SMBC Principal Investments Co. Ltd.
Daiwa America Corporation
Daiwa Securities America Inc.
Daiwa Securities SMBC Europe Limited
Daiwa Securities SMBC Asia Holding B.V.
Daiwa Securities SMBC Hong Kong Limited
Daiwa Securities SMBC Singapore Limited

In the consolidated statutory report of the Company for the fiscal year ended Mar 31, 2008, one company was added to the scope of consolidation due to the increase of materiality and another one was added due to foundation. Two liquidating companies were excluded from the scope of consolidation.

(2) The names of major non-consolidated subsidiaries etc.

The names of major non-consolidated subsidiaries

Daiwa Software Research Co., Ltd.

Rationale for exclusion from the scope of consolidation

The non-consolidated subsidiaries are all small in terms of total assets, operating revenues (or sales), net income or loss, and retained earnings (amounts corresponding to the equity ownership); they have no material impact as a whole on the consolidated statutory report and thus are excluded from the scope of consolidation.

(3) Companies not treated as subsidiaries regardless of the Company's ownership of the majority of the voting rights

The number of companies not treated as subsidiaries : 38 companies

The names of major companies not treated as subsidiaries:

Kyusai Co., Ltd
GRANVISTA Hotels & Resorts Co., Ltd.
Meisei Electric Co., Ltd.
Sumitomo Mitsui Construction Co., Ltd.
Nippon Dry-Chemical Co., Ltd.

Rationale for not being treated as subsidiaries:

Some consolidated subsidiaries have acquired and owned these companies' stocks for the purpose of operating principal finance business and venture capital business, and thus not for the purpose of affiliation to the Group.

2. Application of equity method

(1) The number of non-consolidated subsidiaries included under equity method: 0 company

(2) The number of affiliates included under the equity method: 6 companies

The names of major affiliates included under the equity method:

Daiwa SB Investments Ltd.

Two companies were added to the scope of equity method due to capital investment.

(3) Non-consolidated subsidiaries and affiliates not included under the equity method

The names of major non-consolidated subsidiaries and affiliates not included under the equity method

Daiwa Software Research Co., Ltd.

Rationale for not applying the equity method

The non-consolidated subsidiaries and affiliates are all small in terms of net income or loss, and retained earnings (amounts corresponding to the equity ownership); they have no material impact as a whole on the consolidated statutory report and thus are not included under the equity method.

For one of the affiliates included under the equity method with the fiscal year ending other than March 31, 2008, the tentative financial statements for the fiscal year ending of March 31 2008 are reflected, and for others, the financial statements for the relevant fiscal year are reflected.

(4) Companies not treated as affiliates regardless of the Company's ownership between 20% and 50% of the voting rights

The number of the companies: 20 companies

The names of major companies not treated as affiliates

Sanyo Electric Co., Ltd.

OGIHARA CORPORATION

Rationale for not being treated as affiliates

Some consolidated subsidiaries have acquired and owned these companies' stocks for the purpose of operating principal finance business and venture capital business, and thus not for the purpose of affiliation to the Group through personnel management, financial resources, technology, transactions, etc.

3. Fiscal year of consolidated subsidiaries

Fiscal year ending of consolidated subsidiaries are as follows;

March 31 : 45 companies

December 31 : 1 company

For one consolidated subsidiary with a fiscal year ending other than March 31, 2008 (DBP-Daiwa Securities SMBC Philippines, Inc.), the financial statements for the relevant fiscal year are employed and important transactions occurring after the account date are adjusted for in these consolidated financial statements.

4. Accounting policies

(1) Valuation standards and methods for major assets

(i) Valuation standards and methods for securities, classified as trading assets

Trading assets and liabilities, including securities and financial derivatives for trading purposes held by a securities company are recorded at fair value.

(ii) Valuation standards and methods for securities other than classified as trading assets

Securities not classified as trading assets are as follows:

(a) Securities intended to be held for trading purposes

Valued at market value (cost is determined based on the moving average method).

(b) Held-to-maturity bonds

Valued at amortized cost.

(c) Other Securities

Other securities with market value are stated at market value, based on quoted market price as of the end of the fiscal year (net unrealized gain (loss) are booked directly in net assets, and the costs of securities sold are generally calculated based on the moving average method).

Securities with no fair value available are stated at cost using the moving average method.

Investment to investment limited partnerships, etc. are stated as "Private equity and other securities" or "Investment securities" at net asset values based on the partnerships' financial statements in proportion to the Company's share, and share of net unrealized profits and losses on securities held by the partnerships is directly posted into net assets.

Further, some portion of securities or private equity and other securities held by some of consolidated subsidiaries are included in current assets.

(iii) Valuation standards and methods for other inventories

The cost method determined by the specific identification method is mainly applied.

(2) Depreciation methods for depreciable assets

(i) Tangible fixed assets

Tangible fixed assets are generally amortized under the straight-line method. The Company and domestic consolidated subsidiaries generally compute amortization over estimated useful lives stipulated by the Corporation Tax Law of Japan.

(Changes in the accounting standards)

In connection with the current corporate tax law reform, the Company and its domestic consolidated subsidiaries have changed the depreciation method to one in compliance with the new corporate tax law for all property and equipment purchased on or after April 1, 2007.

The effect on the consolidated financial statements was immaterial.

(Additional Information)

For property and equipment purchased before April 1, 2007, depreciation is computed by the former depreciation method, i.e. property and equipment is depreciated until its depreciable limit. 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 yen.

The effect on the consolidated financial statements was immaterial.

(ii) Intangible fixed assets, Investments and others

Intangible fixed assets and other investments are generally amortized under the straight-line method. The Company and its domestic consolidated subsidiaries generally compute amortization over estimated useful lives as stipulated by the Corporation Tax Law of Japan, and over internally estimated useful lives (5 years) for software used in-house.

(3) Accounting policies for provisions

(i) Allowance for doubtful accounts

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

(ii) Allowance for possible investment losses

Some consolidated subsidiaries provide allowances based on estimated losses on private equity and other securities held at the balance sheet date, assessing the financial conditions of investee companies.

(iii) Accrued bonuses

Accrued bonuses of employees and directors represent liabilities estimated in accordance with calculation standards of each company as of the balance sheet date.

(iv) Provision for relocation costs of headquarter offices

Estimated amount of expenses is accrued to provide for relocating headquarters offices.

(v) Retirement benefits

To provide for employees' retirement benefits payments, the Company and most of its domestic consolidated subsidiaries provide obligatory amounts at the consolidated fiscal year end based on the Company's retirement benefit policy. This is because salary increases in the future do not cause changes in benefit obligations, and service costs are vested for all individuals for each fiscal year in accordance with their contributions, capabilities, achievements, etc. Some of the consolidated subsidiaries appropriate the amounts deemed to have accrued as of the current fiscal year-end based on the projected retirement benefits obligations at year-end. With respect to closed pension funds, in which benefits are provided only to pensioners, the Company recognizes pension expenses, which are deemed to have accrued as of year-end based on projected benefit obligations and pension assets.

(vi) Provision for litigation losses

Estimated amount of restitution is accrued to provide for future monetary damages of litigations regarding financial services based on the status of litigations.

(4) Accounting principles for major lease transactions

Finance leases other than those in which ownership of the leased property is deemed to be transferred to the lessee are accounted for in the manner as followed in operating lease transactions.

(5) Primary accounting methods for hedging

Marked-to-market profits and losses on hedging instruments are principally deferred as assets or liabilities until the profits or losses on the hedged instruments are realized. Interest received or paid on certain eligible interest swaps for hedging purposes is accrued without being marked-to-market. The premium or discount on forward foreign exchanges for hedging purposes is allocated to each fiscal term without being marked-to-market. In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk, associates with some of the borrowings and issued corporate bonds, the Company, and some of its consolidated subsidiaries hedge with derivatives instruments such as interest rate swaps, currency swaps and similar transactions. The effectiveness of hedging is evaluated based upon the correlation between the aggregated amount of fair value or cash flow of the hedging instrument and the aggregated amount of fair value or cash flow of the hedged transaction.

(6) Other significant items associated with the preparation of consolidated financial statements

(i) Consumption taxes

Consumption tax and local consumption taxes are excluded from the statement of income.

(ii) Consolidated tax payments system

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

5. Valuation of consolidated subsidiaries' assets and liabilities

The comprehensive market value method has been applied to evaluate consolidated subsidiaries' asset and liabilities.

6. Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized in a lump sum when incurred due to the immateriality in amount.

Notes to consolidated balance sheet

1. Assets pledged as collateral and liabilities secured

(1) Assets pledged as collateral

Trading assets	1,165,096	million yen
Private equity and other securities	314	
Short-term loans receivable	34,720	
Other current assets	10,522	
Investment securities	62,247	
Total	1,272,901	

(Note) The amounts above corresponded to the amount on the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 609,272 million yen were also pledged as collateral.

(2) Liabilities secured

Payable to securities finance companies	8,617	million yen
Short-term borrowings	1,144,917	
Long-term debt	20	
Total	1,153,555	

(Note) The amounts above corresponded to the amount on the consolidated balance sheet. In addition to the above secured liabilities, borrowings of non-consolidated subsidiaries etc. 4,800 million yen were also secured.

2. Market value of securities pledged as collateral		
Lending securities under agreements of loan for consumption	6,782,108	million yen
Securities sold by gensaki transaction	710,431	
Others	577,499	
Total	8,070,038	

(Note) Assets classified in pledged assets were excluded.

3. Market value of securities accepted as collateral		
Borrowed securities under agreements of loan for consumption	7,542,741	million yen
Others	466,116	
Total	8,008,857	

4. Allowance for doubtful accounts deducted directly from assets		
Short-term loans receivable	263	million yen
Other investments	8,061	million yen

5. Accumulated depreciation of tangible fixed assets: 106,710 million yen

6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	1,400 million yen
Others(2 companies)	Liabilities	290
Total		1,690

7. Statutory reserves and appropriation of same under Special Laws
 Securities trading liabilities reserve: 8,017 million yen

Article 40 of the Supplementary Provisions of the Partially Revising Act on Securities and Exchange Law etc. (Law No.65, 2006) and Paragraph 1 of Article 46-5 of Financial Instruments and Exchange Act of Japan

Notes to consolidated statement of changes in net assets

1. Total shares outstanding as of the end of the fiscal year ended March 31, 2008

Common shares 1,404,664,772

2. Dividends

(1) Amount of dividends

Resolution	Type of share	Total amount of dividends (million yen)	Dividend per share (yen)	Date of record	Effective Date
Board of directors of May 18, 2007	Common shares	22,331	16	March 31, 2007	June 1, 2007
Board of directors of October 26, 2007	Common shares	16,455	12	September 30, 2007	December 3, 2007
Total		38,787			

(2) Dividends to be distributed after the fiscal year ended March 31, 2008

It was scheduled to be resolved at the meeting of the Board of Directors of May 19, 2008 as follows:

Item related to dividends on common share

1. Total amount of dividends 13,463 million yen
2. Dividend per share 10 yen
3. Date of record March 31, 2008
4. Effective date June 2, 2008

The source of dividends will be retained earnings.

3. Number of shares subject of stock subscription rights upon exercise thereof as of March 31, 2008

	Item	Number of shares				As of Mar. 31, 2008 (millions of yen)
		As of Mar. 31, 2007	Increase	Decrease	As of Mar. 31, 2008	
The Company	Stock subscription rights issued on July, 2006	298,000	-	-	298,000	406
	(Treasury stock subscription rights)	(3,000)	(-)	(3,000)	(-)	(-)
	Series 3 stock subscription rights	2,571,000	-	32,000	2,539,000	425
	(Treasury stock subscription rights)	(22,000)	(32,000)	(-)	(54,000)	(-)
	Stock subscription rights issued on July, 2007	-	309,000	3,000	306,000	401
The Company	Series 4 stock subscription rights	-	2,570,000	22,000	2,548,000	108
	(Treasury stock subscription rights)	(-)	(22,000)	(-)	(22,000)	(-)
Consolidated subsidiary	Series 1 stock subscription rights issued on September, 2006	31	-	-	31	12
	Series 2 stock subscription rights issued on September, 2006	50	-	-	50	20
	Series 3 stock subscription rights issued on August, 2006	332	-	32	300	28
	(Treasury stock subscription rights)	(11)	(32)	(-)	(43)	(-)
	Series 1 stock subscription rights issued on September, 2007	-	67	-	67	8
	Series A stock subscription rights issued on September, 2007	-	120	-	120	14
Consolidated subsidiary	Series B stock subscription rights issued on September, 2007	-	359	11	348	3
	(Treasury stock subscription rights)	(-)	(11)	(-)	(11)	(-)
Total						1,429 (-)

(Note)

1. All of stock subscription rights are for common shares.
2. Above consolidated subsidiary is NIF SMBC ventures Co., Ltd.
3. Exercise period of "Series 3 stock subscription rights" and "Series 4 stock subscription rights" which the Company issued and "Series 3 stock subscription rights issued on August, 2006" and "Series B stock subscription rights issued on September, 2007" which consolidated subsidiary issued have not yet started.

Notes to per share information

Net assets per share 607.64 yen
Net income per share 33.69 yen

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 13, 2008

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA & Co.

Takumi Horiuchi (Seal)
Designated and Engagement Partner
Certified Public Accountant

Toraki Inoue (Seal)
Designated and Engagement Partner
Certified Public Accountant

Youichi Ozawa (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet and the consolidated statement of income and changes in net assets of Daiwa Securities Group Inc. as of March 31, 2008 and for the year from April 1, 2007 to March 31, 2008 in accordance with Article 444(4) of the Companies Act. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of Daiwa Securities Group Inc. and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Audit Report Concerning The Consolidated Statutory Report

The Audit Committee has audited the consolidated statutory report (the consolidated balance sheet and the consolidated statement of income and changes in net assets) for the 71th Fiscal Year from April 1, 2007 to March 31, 2008. We report the methods and the results of the audit as follows.

1. Methods used in audits and content of audits

Based on the policies established by the Audit Committee and in accordance with the allocation of responsibilities among Audit Committee members, Audit Committee received reports from Executive Officers, the accounting auditor and others, and when necessary, requested explanations regarding those reports.

In addition, Audit Committee also observed and verified whether the accounting auditor was maintaining its independence and was carrying out its audits in an appropriate manner. The Audit Committee received reports from the accounting auditor on the execution of its duties and, when necessary, requested explanations regarding those reports. The Audit Committee also received notification from the accounting auditor that it was taking steps to improve the “system for ensuring the proper execution of its duties” (as enumerated in Article 159 of the Accounting Regulation Ordinance) in compliance with the “Quality Control Standards Relating to Auditing” (adopted by the Business Accounting Deliberation Council on October 28, 2005). When necessary, Audit Committee requested explanations.

Based on the foregoing methods, Audit Committee also examined the consolidated statutory report related to the fiscal year under review.

2. Results of the Audit

In our opinion, the auditing methods used by KPMG AZSA & Co., and the results of its audit were appropriate.

May 16, 2008

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson (Full time)
Kenji Hayashibe

Committee Member
Koichi Uno

Committee Member
Ryuji Yasuda

(Note) Messrs. Koichi Uno and Ryuji Yasuda are the outside directors provided under the provision of Article 2, item15 and Article 400, Paragraph 3 of the Companies Act. Mr. Kosuke Kitajima, one of Committee Members, passed away on March 2, 2008 and that caused vacancy in Audit Committee. Therefore, Mr. Ryuji Yasuda was selected as Committee Member at Board of Directors' Meeting held on March 4, 2008. Concerning auditing issue before his assumption, he audited those with discussing other Committee Members and reviewing relevant reports.

Balance sheets

(Millions of yen)	Fiscal 2007 Mar. 31, 2008	<u>[References]</u> Fiscal 2006 Mar. 31, 2007
<i>Assets</i>		
Current assets:	313,268	312,519
Cash and deposits	147,868	92,768
Securities	20,981	13,088
Short-term loans receivable	110,826	177,550
Account receivable	29,367	26,100
Accrued income	1,339	1,327
Deferred tax assets	267	-
Other current assets	2,617	1,683
Non-current assets:	994,558	967,117
Tangible fixed assets	45,145	45,397
Buildings	545	1,118
Appliances and fixtures	2,517	2,499
Land	42,082	41,779
Intangible fixed assets	1,345	877
Software and others	1,345	877
Investments and others:	948,067	920,842
Investment securities	155,184	180,845
Shares of related companies	620,880	605,807
Long-term loans receivable	151,875	113,400
Long-term guarantee deposits	9,029	11,364
Other investments	11,437	9,843
Less: Allowance for doubtful accounts	339	419
Total assets	1,307,826	1,279,636

(Millions of yen)	Fiscal 2007 Mar. 31, 2008	<u>References</u> Fiscal 2006 Mar. 31, 2007
<i>Liabilities</i>		
Current liabilities:	330,059	183,015
Short-term borrowings	137,395	91,345
Bonds and notes due within one year	120,000	-
Collateralized short-term financing agreements	54,965	80,676
Income taxes payable	12,357	6,963
Deferred tax liabilities	-	54
Accrued bonuses	459	1,021
Other current liabilities	4,882	2,955
Non-current liabilities:	337,388	372,549
Bonds and notes	276,400	291,400
Long-term debt	47,000	49,000
Long-term cash deposits received as guarantee	2,376	2,829
Deferred tax liabilities	9,021	25,986
Retirement benefits	1,466	1,684
Provision for litigation losses	304	211
Other non-current liabilities	818	1,436
Total liabilities	667,448	555,564
<i>Net assets</i>		
Owners' equity	616,120	666,343
Common stock	178,324	178,324
Capital surplus reserve	157,678	157,678
Additional paid-in capital	157,678	157,678
Retained earnings	341,818	341,963
Earned surplus reserve	45,335	45,335
Other earned surplus reserve	296,483	296,627
General-purpose reserve	218,000	218,000
Earned surplus carried forward	78,483	78,627
Treasury stock	-61,701	-11,627
Paid-in money for treasury stock	-	4
Valuation and translation adjustments	22,916	57,161
Net unrealized gain (loss) on securities, net of tax effect	22,230	56,740
Deferred gain (loss) on hedges	685	421
Stock subscription rights	1,341	567
Total net assets	640,378	724,072
Total liabilities and net assets	1,307,826	1,279,636

Statements of income

(Millions of yen)	Fiscal 2007 Apr. 1, 2007 - Mar. 31, 2008	[References] Fiscal 2006 Apr. 1, 2006 - Mar. 31, 2007
Operating revenues:	58,544	78,806
Dividends from related companies	51,585	73,920
Interest on loans to related companies	4,717	4,098
Other	2,241	786
Operating expenses:	16,822	13,462
Selling, general and administrative expenses:	11,032	9,494
Commission and other expenses	2,266	1,631
Compensation and benefits	3,885	3,675
Occupancy and rental	888	521
Data processing and office supplies	1,106	1,270
Depreciation expense	865	571
Others	2,019	1,823
Interest expense	5,790	3,968
Operating income	41,721	65,343
Non-operating income	2,651	4,421
Non-operating expenses	1,764	349
Ordinary income	42,608	69,415
Extraordinary gains	1,278	7,390
Gain on liquidation of related companies	-	977
Gain on sales of shares of related companies	-	138
Gain on sales of investment securities	1,278	178
Reversal of allowance for doubtful accounts	-	6,096
Extraordinary losses	8,646	2,245
Write-down of shares of related companies	-	722
Write-down of investment securities	7,745	898
Loss on sales or disposal of fixed assets	384	339
Loss on sales of investment securities	152	10
Relocation costs of headquarter office	364	-
Provision for litigation losses	-	240
Others	-	33
Income before income taxes	35,240	74,561
Income taxes-current	-2,735	-955
Income taxes-deferred	-1,013	642
Net income	38,989	74,874

Statements of changes in net assets
(Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)	Owners' equity							Total
	Common stock	Capital surplus reserve	Retained earnings			Treasury stock	Paid-in money for treasury stock	
			Additional paid-in capital	Earned surplus reserve	Other earned surplus reserve			
		General-purpose reserve			Earned surplus carried forward			
Beginning balance as of Mar. 31, 2007	178,324	157,678	45,335	218,000	78,627	-11,627	4	666,343
Changes of items during the fiscal year								
Cash dividends	-	-	-	-	-38,787	-	-	-38,787
Net income	-	-	-	-	38,989	-	-	38,989
Purchase of treasury stock	-	-	-	-	-	-51,031	-	-51,031
Disposal of treasury stock	-	-	-	-	-346	958	-	611
Others	-	-	-	-	-	-	-4	-4
Total changes of items during the fiscal year	-	-	-	-	-144	-50,073	-4	-50,222
Ending balance as of Mar. 31, 2008	178,324	157,678	45,335	218,000	78,483	-61,701	-	616,120

(Millions of yen)	Valuation and translation adjustments		Stock subscription rights
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges	
Beginning balance as of Mar. 31, 2007	56,740	421	567
Changes of items during the fiscal year			
Net changes of items other than owners' equity	-34,509	263	774
Total changes of items during the fiscal year	-34,509	263	774
Ending balance as of Mar. 31, 2008	22,230	685	1,341

[References]

(Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)	Owners' equity								
	Common stock	Capital surplus reserve		Retained earnings			Treasury stock	Paid-in money for treasury stock	Total
		Additional paid-in capital	Other capital surplus reserve	Earned surplus reserve	Other earned surplus reserve				
					General-purpose reserve	Earned surplus carried forward			
Beginning balance as of Mar. 31, 2006	138,828	118,182	156	45,335	218,000	50,798	-14,660	-	556,640
Changes of items during the fiscal year									
Issuance of new shares	39,495	39,495	-	-	-	-	-	-	78,991
Cash dividends	-	-	-	-	-	-45,806	-	-	-45,806
Net income	-	-	-	-	-	74,874	-	-	74,874
Purchase of treasury stock	-	-	-	-	-	-	-311	-	-311
Disposal of treasury stock	-	-	-156	-	-	-1,238	3,344	-	1,949
Others	-	-	-	-	-	-	-	4	4
Total changes of items during the fiscal year	39,495	39,495	-156	-	-	27,829	3,032	4	109,702
Ending balance as of Mar. 31, 2007	178,324	157,678	-	45,335	218,000	78,627	-11,627	4	666,343

(Millions of yen)	Valuation and translation adjustments		Stock subscription rights
	Net unrealized gain (loss) on securities, net of tax effect	Deferred gain (loss) on hedges	
Beginning balance as of Mar. 31, 2006	57,183	-	-
Changes of items during the fiscal year			
Net changes of items other than owners' equity	-442	421	567
Total changes of items during the fiscal year	-442	421	567
Ending balance as of Mar. 31, 2007	56,740	421	567

These non-consolidated statutory report of the Company are prepared in accordance with the "Accounting Regulation Ordinance" (Ministry of Justice Ordinance No. 13, 2006) .

The figures in the statutory report are expressed in millions of yen, with amounts of less than one million omitted.

Notes to accounting policies

1. Valuation standards and methods for major assets

- (1) Securities intended to be held for trading purposes are stated at market value (cost is determined based on the moving average method).
- (2) Subsidiaries' stock and affiliates' stock are stated at cost using the moving-average method.
- (3) Other securities with market value are stated at market value, based on quoted market price as of the end of the fiscal year (net unrealized gain (loss) are booked directly in net assets, and the costs of securities sold are calculated based on the moving average method). Securities with no fair value available are stated at cost using the moving average method. Investment to investment limited partnerships, etc. are stated as "Investment securities" at net asset values based on the partnerships' financial statements in proportion to the Company's share, and share of net unrealized profits and losses on securities held by the partnerships is directly posted into net assets.

2. Depreciation methods for depreciable assets

(1) Tangible fixed assets

The Company computes depreciation of tangible fixed assets by the declining-balance method. However, depreciation for buildings (excluding building fixtures) purchased in Japan after April 1, 1998 is computed by the straight-line method. Useful lives of those tangible fixed assets are estimated in accordance with Corporation Tax Law of Japan.

(Changes in the accounting standards)

In connection with the current corporate tax law reform, the Company has changed the depreciation method to that of complied with new corporate tax law for the property and equipment purchased on or after April 1, 2007. The effect on the financial statements was immaterial.

(Additional Information)

For property and equipment purchased before April 1, 2007, depreciation is computed by the former depreciation method, i.e. property and equipment is depreciated until depreciable limit. 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 yen.

The effect on the financial statements was immaterial.

(2) Intangible fixed assets, Investments and others

Intangible fixed assets and other investments are amortized under the straight-line method. The Company computes amortization over estimated useful lives as stipulated by Corporation Tax Law of Japan, and over internally estimated useful lives (5 years) for software used in-house.

3. Accounting policies for provisions

(1) Allowance for doubtful accounts

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

(2) Accrued bonuses

Accrued bonuses of employees and directors represent liabilities estimated in accordance with calculation standards of each company as of the balance sheet date.

(3) Retirement benefits

To provide for employees' retirement benefits payments, the Company provides obligatory amounts at the fiscal year end based on the Company's retirement benefit policy. This is because salary increases in the future do not cause changes in benefit obligations, and service costs are vested for all individuals for each fiscal year in accordance with their contributions, capabilities, achievements, etc. With respect to closed pension funds, in which benefits are provided only to pensioners, the Company recognizes pension expenses, which are deemed to have accrued as of year-end based on projected benefit obligations and pension assets.

(4) Provision for litigation losses

Estimated amount of restitution is accrued to provide for future monetary damages of litigations regarding financial services based on the status of litigations.

4. Other significant items associated with the preparation of financial statements

(1) Accounting principles for lease transactions

Finance leases other than those in which ownership of the leased property is deemed to be transferred to the lessee are accounted for in the manner as followed in operating lease transactions.

(2) Accounting methods for hedging

Marked-to-market profits and losses on hedging instruments are principally deferred as assets or liabilities until the profits or losses on the hedged instruments are realized. Interest received or paid on certain eligible interest swaps for hedging purposes is accrued without being marked-to-market. The premium or discount on forward foreign exchange for hedging purpose is allocated to each fiscal term without being marked-to-market. In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk, associates with some of the borrowings and issued corporate bonds and the Company hedges with derivatives instruments such as interest rate swaps, currency swaps and similar transactions. The effectiveness of hedging is evaluated based upon the correlation between the aggregated amount of fair value or cash flow of the hedging instrument and the aggregated amount

- of fair value or cash flow of the hedged transaction.
- (3) Consumption taxes
Consumption tax and local consumption taxes are excluded from the statement of income.
- (4) Consolidated tax payments system
The Company applies the consolidated tax payments system.

Notes to balance sheet

1. Pledged securities as collateral		
89,957 million yen of investment securities were loaned.		
2. Allowance for doubtful accounts deducted directly from assets		
Short-term loans receivable	263	million yen
Other investments	3,220	million yen
3. Accumulated depreciation of tangible fixed assets	3,731	million yen
4. Guarantee		
The balance of loan guarantees for employees	1,039	million yen
5. Monetary claims and obligations with related companies		
Short-term loan receivables from related companies	143,042	million yen
Long-term loan receivables from related companies	156,123	million yen
Short-term monetary liabilities to related companies	56,860	million yen
Long-term monetary liabilities to related companies	2,333	million yen

Notes to statement of income

Operating revenue from related companies	58,119	million yen
Operating expenses to related companies	2,671	million yen
Non-operating transactions with related companies	6,525	million yen

Notes to statement of changes in net assets

Balance of Treasury Stock as of March 31, 2008
Common Shares 58,319,532

Notes to tax effect accounting

Deferred tax assets and liabilities		
(Deferred tax assets)		
Write-down of subsidiaries' stock	73,229	million yen
Loss carried forward	20,701	
Write-down of investment securities	12,369	
Others	2,878	
	109,179	
Valuation allowance	-107,749	
Total deferred tax assets:	1,429	
(Deferred tax liabilities)		
Unrealized gain on securities	9,711	million yen
Others	472	
Total deferred tax liabilities	10,183	
Net deferred tax liabilities	8,754	million yen

Notes to leased fixed assets

In addition to the fixed assets on the balance sheet, the Company uses computers and cars as fixed assets under finance lease contracts.

Notes to transaction with related companies

Subsidiaries and affiliates

(Millions of yen)

Class	Name of company	Ratio of the voting rights	Relationship with the Company	Transaction	Transaction Amount	Account Title	Ending Balance
Subsidiary	Daiwa Securities Co. Ltd.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt Financing (Note1)	-	Long-term loans receivable	16,000
				Receipt of interest	589	Accrued income	48
Subsidiary	Daiwa Securities SMBC Co. Ltd	Direct Ownership 60%	Debt Financing Receipt of cash collateral Lending share Directors hold concurrent positions	Debt Financing (Note1)	-	Long-term loans receivable	90,000
				Receipt of interest	1,770	Accrued income	837
				Receipt of cash collateral (Note2)	52,208	Collateralized short-term financing agreements	52,208
				Lending share (Note2)	85,153		
				Receipt of rent	537	Accrued income	35
				Payment of interest	539	Other current liabilities	36
Subsidiary	Daiwa Property Co., Ltd	Direct Ownership 99.4% Indirect Ownership 0.6%	Debt Financing Directors hold concurrent positions	Debt Financing (Note1)	9,290	Long-term loans receivable	34,250
				Receipt of interest	722		
Subsidiary	Daiwa Securities SMBC Principal Investments Co. Ltd	Indirect Ownership 100%	Debt Financing	Debt Financing (Note1)	40,000	Short-term loans receivable	40,000
				Receipt of interest	545	Accrued income	93
Subsidiary	Daiwa Securities Loan Co., Ltd.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt Financing (Note1)	53,700	Short-term loans receivable	61,500
				Receipt of interest	779		

Terms and conditions of transaction and transaction policy

(Note1) Outstanding credit in the fiscal year ended March 31, 2008 is stated in the Transaction Amount. Interest rate is determined based on market rate. No pledge was made for debt financing.

(Note2) Market price of lending stock as of the fiscal year end date or the price of pledged assets are stated in the Transaction Amount. Lease rate or interest rate are determined based on market rate.

Notes to per share information

Net assets per share 474.64 yen
Net income per share 28.30 yen

Independent Auditors' Report

May 13, 2008

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA & Co.

Takumi Horiuchi (Seal)
Designated and Engagement Partner
Certified Public Accountant

Toraki Inoue (Seal)
Designated and Engagement Partner
Certified Public Accountant

Youichi Ozawa (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet and the statement of income and changes in net assets, and its supporting schedules of Daiwa Securities Group Inc. as of March 31, 2008 and for the 71th fiscal year from April 1, 2007 to March 31, 2008 in accordance with Article 436(2) of the Companies Act. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Daiwa Securities Group Inc. for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Audit Report

The Audit Committee has audited the performance of duties by the Directors and the Executive Officers for the 71th Fiscal Year from April 1, 2007 to March 31, 2008. We report the methods and the results of the audit as follows.

1. Methods used in audits and content of audits

The Audit Committee observed and examined the resolutions of the Board of Directors regarding the organization of the system stipulated in Article 416, Paragraph 1, Item 1, *Ro* and *Ho* of the Companies Act and the status of internal control systems. We also set the purpose of developing the Group's audit system as a critical issue based on the policies established by the Audit Committee and in accordance with the allocation of responsibilities among Audit Committee members. In cooperation with the internal control division we attended significant meetings, received reports from Directors and Executive Officers, etc. about their execution, received their explanation when necessary, inspected the content of the important authorized documents and other important documents, and investigated the Company's operations and condition of property. With respect to subsidiaries, the Audit Committee received reports from the Executive Officers who are responsible for managing the relevant subsidiaries, when necessary.

In addition, Audit Committee also observed and verified whether the accounting auditor was maintaining its independence and was carrying out its audits in an appropriate manner. The Audit Committee received reports from the accounting auditor on the execution of its duties and, when necessary, requested explanations regarding those reports. The Audit Committee also received notification from the accounting auditor that it was taking steps to improve the "system for ensuring the proper execution of its duties" (as enumerated in Article 159 of the Accounting Regulation Ordinance) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005). When necessary, Audit Committee requested explanations.

Based on the foregoing methods, Audit Committee also examined the business report, the statutory report (balance sheet, statement of income, statement of changes in net assets) and supporting schedules related to the fiscal year under review.

2. Results of the Audit

(1) Results of audit of business report, etc.

- In our opinion, the business report and supporting schedules fairly present the situation of the Company, in compliance with the provisions of applicable laws, regulations and the Articles of Incorporation
- In our opinion, none of the actions taken by Directors and Executive Officers in executing their duties were irregular and none of their actions violated the provisions of applicable laws, regulations or the Articles of Incorporation
- In our opinion, the content of the resolution by the Board of Directors regarding internal control systems was appropriate, and, furthermore, all actions of the Board of Directors with respect to executing internal control systems were carried out appropriately.

(2) Results of the audit of the statutory report and supporting schedules

In our opinion, the auditing methods used by the accounting auditor KPMG AZSA & Co., and the results of its audit were appropriate.

May 16, 2008

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson (Full time)
Kenji Hayashibe

Committee Member
Koichi Uno

Committee Member
Ryuji Yasuda

(Note) Messrs. Koichi Uno and Ryuji Yasuda are the outside directors provided under the provision of Article 2, item 15 and Article 400, Paragraph 3 of the Companies Act. Mr. Kosuke Kitajima , one of Committee Members, passed away on March 2, 2008 and that caused vacancy in Audit Committee. Therefore, Mr. Ryuji Yasuda was selected as Committee Member at Board of Directors' Meeting held on March 4, 2008. Concerning auditing issue before his assumption, he audited those with discussing other Committee Members and reviewing relevant reports.

Reference Documents for the General Meeting of Shareholders

Bills and reference matters

Bill 1. Election of Thirteen (13) Directors

The terms of office of all Directors are expiring as of the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, it is requested to elect thirteen (13) Directors pursuant to the decisions of the Nominating Committee.

The nominees for Directors are as follows, and Messrs. Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno, and Ms. Nobuko Matsubara are the nominees for Outside Directors as defined in Paragraph 3 of the Article 2, Item 7 of the Ordinance for Enforcement of the Companies Act.

Candidate Number	Name (Date of Birth)	Brief personal history, title, and representative status of other entities		Number of shares of the Company owned by the candidate
1	Akira Kiyota (May 6, 1945)	Apr 1969 May 1994 Jun 1994 May 1996 Jun 1997 Sep 1997 Oct 1997 Apr 1999 Jun 2004 to date	Joined the Company Deputy Head of Sales Division of the Company Director of the Company Head of Fixed Income / Fund Division of the Company Managing Director of the Company Representative Director and Managing Director of the Company Representative Director and Deputy President of the Company Representative Director and President of Daiwa SB Capital Markets Co., Ltd. (currently, Daiwa Securities SMBC Co. Ltd.) Deputy Chairman of the Board and Corporate Executive Officer of the Company (to date)	130,300 shares

Candidate Number	Name (Date of Birth)	Brief personal history, title and representative status of other entities		Number of shares of the Company owned by the candidate
2	Shigeharu Suzuki (April 17, 1947)	<p>Apr 1971 Jul 1991 May 1997 Jun 1997 May 1998 Jun 1998 Feb 1999 Apr 1999 Jul 2000 May 2001 Jun 2001 Apr 2002 Jun 2002 Jul 2002 Jun 2003 Jun 2004 to date</p>	<p>Joined the Company General Manager of Underwriting Dept. I of the Company Head of Corporate Institution Division of the Company Director of the Company Head of Investment Banking Division of the Company Managing Director of the Company Head of Secretariat, Personnel Dept. , Employees' Consultation Dept. , Total Planning Dept. and Corporate Communication Dept. of the Company Head of Corporate Planning Group of the Company Head of Corporate Planning, Investors Relations and Corporate Communications of the Company Head of Corporate Planning(Corporate Planning Dept. I), Investors Relations and Corporate Communications of the Company Senior Managing Director of the Company Head of Corporate Planning, Investors Relations and Corporate Communications of the Company Senior Managing Director of Daiwa Securities SMBC Co. Ltd., Head of Investment Banking Division Head of Investment Banking Division, and Head of Corporate Division Planning of the above company Representative Director and Senior Managing Director of the above company Director, President and Representative Executive Officer of the Company, CEO and Head of Retail (to date) Representative Director and President of Daiwa Securities Co. Ltd. (to date)</p>	87,000 shares

Candidate Number	Name (Date of Birth)	Brief personal history, title and representative status of other entities		Number of shares of the Company owned by the candidate
3	Shin Yoshidome (September 29, 1951)	<p>Apr 1974 Feb 1997 Apr 1999 Feb 2000 Jun 2001 May 2004 Jun 2004 Apr 2005 Jun 2005 Apr 2006 Jun 2006 Apr 2007 to date</p>	<p>Joined the Company General Manager of Corporate Institutions Dept. I of Osaka branch of the Company Joined Daiwa Securities Co. Ltd. Nagoya Branch Sub Manager of Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities SMBC Co. Ltd.) Executive Officer of the above company, Head of Nagoya Branch and Nagoya Branch Manager Managing Executive Officer of the above company, Senior Head of Corporate Institute, and Head of Corporate Institute Sales Managing Director of the above company, Senior Head of Corporate Institute, and Head of Corporate Institute Sales Senior Head of Corporate Institute, Senior Head of Corporate Division Planning, and Head of Corporate Sales of the above company Senior Head of Corporate Institute and Head of Corporate Sales of the above company Corporate Executive Vice President of the Company, Deputy Head of Wholesale Representative Director and Senior Managing Director of Daiwa Securities SMBC Co. Ltd. Director and Corporate Executive Vice President of the Company Director, Deputy President and Representative Executive Officer of the Company, COO and Head of Wholesale (to date) Representative Director and President of Daiwa Securities SMBC Co. Ltd. (to date)</p>	44,180 shares
4	Takashi Hibino (September 27, 1955)	<p>Apr 1979 Apr 2002 Jun 2002 May 2004 Jun 2004 Jul 2004 Apr 2005 Apr 2007 to date</p>	<p>Join the Company General Manager of Corporate Planning Dept. of the Company Executive Officer of Daiwa Securities SMBC Co. Ltd., Head of Equity Corporate Senior Executive Officer of the Company, Head of Corporate Planning, Personnel, Legal and Secretary, and General Manager of Personnel Dept. Director and Corporate Senior Executive Officer of the Company, Head of Planning, Personnel and Legal, and General Manager of Personnel Dept. Director and Corporate Senior Executive Officer of the Company, Head of Planning, Personnel and Legal Head of Planning and Personnel of the Company Director and Corporate Executive Vice President of the Company (to date)</p>	62,090 shares

Candidate Number	Name (Date of Birth)	Brief personal history, title and representative status of other entities		Number of shares of the Company owned by the candidate
5	Ikuo Mori (November 2, 1948)	Apr 1973 May 1996 May 2001 Jun 2001 Jun 2004 Apr 2005 Apr 2006 Apr 2007 Jun 2007 to date	Joined the Company President of Daiwa Securities America Inc. Chairman of Daiwa Securities America Inc., Chairman of Daiwa America Corporation and Head of America Division of the Company Executive Officer of the Company Corporate Executive Officer of the Company, Head of America Region Corporate Senior Executive Officer of the Company Managing Director of Daiwa Securities SMBC Co. Ltd., Senior Head of Overseas and Head of International Planning and Administration Division Corporate Executive Vice President of the Company, Deputy Head of Wholesale Representative Director and Senior Managing Director of Daiwa Securities SMBC Co. Ltd. (to date) Director and Corporate Executive Vice President of the Company (to date)	47,387 shares
6	Nobuyuki Iwamoto (June 14, 1956)	Apr 1980 Apr 1999 Apr 2001 Apr 2005 Jun 2006 Apr 2007 Apr 2008 to date	Join the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities SMBC Co. Ltd.) General Manager of International Finance Dept. of the above company Corporate Executive Officer of the Company, CFO and Deputy Head of Planning Director and Corporate Executive Officer CFO of the Company (to date) Director and Corporate Senior Executive Officer of the Company (to date)	25,000 shares
7	Tetsuro Kawakami (August 3, 1928)	Apr 1952 May 1975 Jun 1978 Jun 1980 Jun 1982 Jun 1991 Jun 1998 Jun 1999 Jun 2002 to date	Joined Sumitomo Electric Industries, Ltd. Director of the above company Managing Director of the above company Representative Director, Senior Managing Director of the above company Representative Director, President of the above company Representative Director, Chairman of the Board of the above company Corporate Auditor of the Company Counsel of Sumitomo Electric Industries, Ltd. (to date) Resigned as Corporate Auditor of the Company Outside Director of the Company (to date)	14,593 shares

Candidate Number	Name (Date of Birth)	Brief personal history, title and representative status of other entities		Number of shares of the Company owned by the candidate
8	Ryuji Yasuda (April 28, 1946)	Jul 1976 Jan 1979 Jul 1996 Apr 2002 May 2002 May 2003 Jun 2003 Apr 2004 Sep 2006 to date	Joined Morgan Guarantee Trust Company of NY (currently, JP Morgan Chase & Co.), Investment Research Officer Joined Mckinsey & Company (1986 – Partner of the above company) (1991 – Director of the above company) A.T. Kearney, Managing Director of Asia, Member of the Board of Management Visiting Professor, Hitotsubashi University, Graduate School of International Business Strategy Chairman of A. T. Kearney, Far East Asia Resigned as Chairman of Far East Asia of the above company Outside Director of the Company (to date) Director, Chairman of J-Will Partners Co., Ltd. Professor of Hitotsubashi University, Graduate School of International Business Strategy (to date) Retired as Director and Chairman of J-Will Partners Co., Ltd.	23,000 shares
9	Koichi Uno (January 5, 1942)	Sep 1967 Aug 1976 Oct 1977 Sep 1979 Sep 1981 Aug 2000 Sep 2000 Jun 2004 Sep 2004 to date	Joined Arthur Andersen & Co.'s Tokyo Office Arthur Andersen & Co., London Office Returned to Arthur Andersen & Co.'s Tokyo Office Partner, Tax Division of the above office Representative Partner of the above office (Koichi Uno Tax Accounting Office) Left Arthur Andersen & Co. Established CPA UNO OFFICE (operating to date) Part-time lecturer, Hitotsubashi University, Graduate School of International Business Strategy Outside Director of the Company (to date) Resigned as part-time lecturer, Hitotsubashi University, Graduate School of International Business Strategy	17,000 shares

Candidate Number	Name (Date of Birth)	Brief personal history, title and representative status of other entities		Number of shares of the Company owned by the candidate
10	Toshiro Ishibashi (October 8, 1949)	Apr 1973 Jan 1992 Jul 1994 May 1998 Jun 1998 Feb 1999 Apr 1999 Feb 2000 Apr 2001 Nov 2001 Jun 2003 Oct 2004 Apr 2005 Apr 2007 Apr 2008 to date	<p>Joined the Company</p> <p>Joined Daiwa Asset Management Co. Ltd.</p> <p>Joined the Company, General Manager of Fixed Income Dept. and Fixed Income Trading Dept. of the Company</p> <p>Head of Investment Banking Division, and General Manager of Investment Banking Division of the Company</p> <p>Director of the Company</p> <p>Head of Fixed Income and General Manager of Wholesale Group of the Company</p> <p>Executive Officer of Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities SMBC Co. Ltd.), Head of Financial Market</p> <p>Head of Financial Market and Local Corporate of the above company</p> <p>Head of Fixed Income Division , and Head of Fixed Income of the above company</p> <p>Head of Fixed Income of the above company</p> <p>Managing Director of Daiwa Securities Co. Ltd. , Head of Products Division</p> <p>Head of Products Division , and General Manager of Products Planning Dept. of the above company</p> <p>Senior Managing Director of the above company, Head of Products Division</p> <p>Representative Director and Senior Managing Director of the above company</p> <p>Deputy President and Executive Officer of the Company , Deputy Head of Retail (to date)</p> <p>Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)</p>	31,150 shares

Candidate Number	Name (Date of Birth)	Brief personal history, title and representative status of other entities		Number of shares of the Company owned by the candidate
11	Akira Nakamura (September 1, 1950)	Jul 1983 Mar 1991 Apr 1996 Oct 1999 Apr 2000 Jun 2002 Jun 2003 Apr 2005 Sep 2005 Apr 2006 Apr 2007 to date	Joined the Company Joined Daiwa Institute of Research Ltd. General Manager of System Solution Dept. I of the above company Executive Officer of the above company, Head of System Solution Institutions Division Head of Securities Group System Institutions Division of the above company Head of Corporate Planning Dept., Personnel Dept. and System Solution Institutions Division of the above company Corporate Senior Executive Officer of the above company, Head of Corporate Planning and System Solution Institutions Division Managing Director of the above company, Head of Corporate Planning, System Solution Institutions Division, Telecom System Institutions Division and Social Insurance System Institutions Division Head of Corporate Planning, System Solution Institutions Division and Telecom System Institutions Division of the above company Corporate Senior Executive Officer of the Company, CIO and Deputy Head of Planning Corporate Senior Executive Officer of the Company, CIO (to date)	20,000 shares
12	Saburo Jifuku (May 28, 1959)	Apr 1982 Apr 1999 Apr 2006 to date	Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities SMBC Co. Ltd.) Joined the Company, General Manager of Personnel Dept.(to date)	6,000 shares
13	Nobuko Matsubara (January 9, 1941)	Apr 1964 Mar 1987 Oct 1991 Jul 1997 Apr 1999 Sep 2002 Nov 2002 Jan 2006 Jul 2006 to date	Entered Ministry of Labor Director of International Labor Division, the Ministry of Labor Director-General of Women's Bureau, Ministry of Labor Vice Minister of the Ministry of Labor President of Japan Association for Employment of Persons with Disabilities Ambassador Extraordinary and Plenipotentiary of Japan to Italy Ambassador Extraordinary and Plenipotentiary of Japan to Albania, to San Marino and to Malta Advisor to Japan Institute of Worker's Evolution Chairman of Japan Institute of Worker's Evolution (to date)	5,000 shares

(Notes)

1. *The Company has been offering long-term loans to Daiwa Securities SMBC Co . Ltd.*
2. *The reasons for election of these four nominees as Outside Directors are as follows.*
 - (1) *Mr. Tetsuro Kawakami held positions such as President of Sumitomo Electric Industries,Ltd., public offices such as an officer of Kansai Economic Federation, etc. and is currently a Counsel of Sumitomo Electric Industries, Ltd. The Company requests shareholders to elect him as its Outside Director since we believe that his accumulated ample experience and knowledge about corporate management would contribute to the*

management of the Company. The term of his office as Corporate Auditor of the Company is four (4) years, and the conclusion of this Ordinary General Meeting of Shareholders marks his sixth (6) year as one of the Company's Outside Director:

- (2) Mr. Ryuji Yasuda was a partner of a distinguished consulting firm, etc., and currently is a Professor of Hitotsubashi University, Graduate School of International Corporate Strategy Study. The Company requests shareholders to elect him as its Outside Director since we believe that his accumulated ample experience and professional knowledge about management strategy would contribute to the management of the Company. The conclusion of this Ordinary General Meeting of Shareholders marks his fifth (5) year as one of the Company's Outside Director:*
- (3) Mr. Koichi Uno has ample experience and professional knowledge accumulated through his service for many corporations' financial and tax accounting affairs as a certified public accountant and certified tax accountant. The Company requests shareholders to elect him as its Outside Director since we believe that his such experience and professional knowledge would contribute to the management of the Company. The conclusion of this Ordinary General Meeting of Shareholders marks his fourth (4) year as one of the Company's Outside Director:*
- (4) Ms. Nobuko Matsubara held the position of vice minister of the Ministry of Labor and Ambassador Extraordinary and Plenipotentiary of Japan to Italy, etc. and currently is a chairman of Japan Institute of Worker's Evolution. The Company requests shareholders to elect her as its Outside Director since we believe that her broad experience and knowledge accumulated through her carrier would contribute to the management of the Company. According to the above mentioned reasons, we made a decision that she could adequately carry out her assignment as the Company's Outside Director, even though she has never been involved in corporate management.*

3. The facts of inappropriate execution of business while in the post, and measures taken for prevention of occurrence of such incident and after occurrence of such incident are as follows.

- (1) As to Mr. Ryuji Yasuda, while he was in the office as an outside director of Fuji Fire and Marine Insurance Co., Ltd., a business improvement administrative order under the Insurance Business Law was issued to said company by the Financial Services Agency in November 2005 and March 2007, due to nonpayment of insurance benefits. Mr. Yasuda had been making remarks at the board of directors' meeting of the said company on urging enhancement of internal management system toward prevention of misconduct, and after the occurrence, he made proposals at the board of directors' meeting for measures to be taken for research of the facts and prevention of re-occurrence.*
- (2) As to Ms. Nobuko Matsubara, while she was in the office as an outside director of Mitsui & Co., Ltd., the concealment of losses in relation to naphtha trading transactions at the said company's wholly owned subsidiary in Singapore Mitsui Oil (Asia) Pte.Ltd. through incorrect market price reporting came to light. She has made various contributions to the board of directors' meeting, etc. of Mitsui & Co., Ltd. from the point of view of compliance and strengthening governance on regular basis. After it came to light, she also made varied proposals and contributions following the event towards further strengthening governance systems to prevent reoccurrence.*

4. The Independence of the nominees for Outside Directors from the Company is as follows.

- * None of the nominees for Outside Directors ha done business with the Company or any entity that has special relationship with the Company during last five (5) years.*
- * None of the nominees for Outside Directors received a large sum of money or other financial benefits from the Company or any entity that has a special relationship with the Company in the past, and none of them anticipate receiving suchin the future.*
- * None of the nominees for Outside Directors has kinship with spouse or any family within the third degree who has done business with the Company or any entity that has special a relationshipwith the Company.*

5. *The current Outside Directors, Messrs. Tetsuro Kawakami, Ryuji Yasuda, and Koichi Uno have executed the agreement to limit liability with the Company. The agreement says that the maximum amount of liability is 10 million yen or the minimum amount of liability provided in the Article 425, Paragraph 1 of the Companies Act, whichever is higher. Also, the Company plans to enter into a similar agreement to limit the liability of Ms. Nobuko Matsubara as Outside Director.*

Bill 2. Granting Stock Options; Utilizing Stock Acquisition Rights

The Company requests shareholders' approval to delegate the decision on the terms of issuance for stock acquisition rights, under the provisions of Articles 236, 238 and 239 of the Companies Act (Law No. 86 of 2005), to the Board of Directors of the Company, or to the executive officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company. The stock acquisition rights will be issued to directors, executive officers (both shikkoyaku and shikkoyakuin) (hereinafter, "executives"), and employees of the Company and its subsidiaries and affiliates for the purpose of granting stock options.

1. Reasons for Soliciting Candidates to Subscribe Common Stock Acquisition Rights at Especially Favorable Terms

The Company will issue the following two types of stock acquisition rights stated in 2. and 3. below without consideration as stock options to executives and employees of the Company and its subsidiaries and affiliates as an incentive to contribute towards increasing consolidated performance and to enable recruiting of talented personnel.

The first type stated in 2. below are stock acquisition rights to be granted to executives of the Company and its subsidiaries, for which the amount to be paid in per share upon exercise shall be one (1) yen (hereinafter, "Common Stock Acquisition Rights I"). The Company and its subsidiaries revised its system of retirement bonuses for special service and modified a part of it to payment linked to stock price. Common Stock Acquisition Rights I equivalent to the value of a certain percentage of base remuneration of executives are allotted to relevant executives as the contents of payment linked to stock price. Because those who are subject to the new bonus system share the same interests with shareholders, it contributes to maximizing the value of share holders compared to a cash bonus system. The new bonus system enables shareholders to expect that this gives those executives an incentive for improving consolidated business results in the medium to long term due to constraints such as not being able to exercise the rights while they are in an executive position at certain group companies. The issuance of the Common Stock Acquisition Rights I to directors and executive officers of the Company will be subject to resolution of items pursuant to Clause 3 of Article 409 of the Companies Act as individual compensation of directors and executive officers at the Compensation Committee meeting to be held after the Ordinary General Meeting of Shareholders.

The other type stated in 3. below are stock acquisition rights to be granted to employees of the Company and its subsidiaries and affiliates and to executives of the Company's subsidiaries and affiliates not subject to the Common Stock Acquisition Rights I above. The amount to be paid in per share upon exercise shall be determined based on the market price of shares of Common Stock on the allocation date of the stock acquisition rights (hereinafter, "Common Stock Acquisition Rights II"). In order to maintain competitive human resources and effective incentives to improve business results, the Company puts conditions on Common Stock Acquisition Rights II such that those who are granted the rights will not be able to exercise the rights until July 2013.

Neither Common Stock Acquisition Rights I nor Common Stock Acquisition Rights II above will be granted to outside directors of the Company.

2. Terms, Amount to be Paid In and Maximum Number of Common Stock Acquisition Rights I to be Resolved Pursuant to the Resolution of the Ordinary General Meeting of Shareholders

(1) Maximum Number of Common Stock Acquisition Rights I to be Resolved Pursuant to the Delegation

Not exceeding 600 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights I shall not exceed 600,000. If the number of granted shares is adjusted pursuant to (3) (a) below, the maximum number of Common Stock Acquisition Rights I to be issued shall be multiplied by the number of granted shares after adjustment.

(2) Amount to be Paid In upon Issuance of Common Stock Acquisition Rights I to be Resolved Pursuant to the Delegation

Common Stock Acquisition Rights I shall be issued without consideration and require no payment.

(3) Terms of Common Stock Acquisition Rights I to be Resolved Pursuant to the Delegation

(a) Class and Number of Shares to be Issued upon Exercise of Common Stock Acquisition Rights I

The number of shares to be issued upon exercise of one (1) Common Stock Acquisition Right I (hereinafter, in 2, "Number of Granted Shares") shall be 1,000 shares of Common Stock.

If the Company splits (including gratis issue of shares, same onwards) or consolidates the shares of Common Stock after the date of resolution of the Ordinary General Meeting of Shareholders (hereinafter, "Resolution Date"), the Number of Granted Shares shall be adjusted in accordance with the following formula. An adjustment shall be made only with respect to the Number of Granted Shares for the Common Stock Acquisition Rights which have not been exercised at the time of the adjustment. Any fraction less than one (1) share resulting from the adjustment shall be disregarded.

$$\begin{array}{l} \text{Number of Granted Shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of Granted Shares} \\ \text{before adjustment} \end{array} \times \text{Ratio of split or consolidation}$$

In addition, in the case of a merger with any other company, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Number of Granted Shares shall be required, in each case after the resolution date, the Number of Granted Shares shall be appropriately adjusted to the extent reasonable.

(b) Amount to be Paid In upon Exercise of Common Stock Acquisition Rights I

The amount to be paid in upon exercise of Common Stock Acquisition Rights I shall

- be one (1) yen per share and shall be multiplied by the Number of Granted Shares.
- (c) Period during which Common Stock Acquisition Rights I may be Exercised
A period between July 1, 2008, to June 20, 2029, which will be determined by the Board of Directors of the Company or the executive officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company.
- (d) Terms Regarding Increase in Capital Stock and Additional Paid-in Capital upon Exercise of Common Stock Acquisition Rights I
- 1) The amount of capital stock to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights I shall be half of the limit of capital increase calculated according to Clause 1 of Article 40 of the Accounting Regulation Ordinance. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.
 - 2) The amount of additional paid-in capital to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights I shall be the difference between the limit of capital increase and the increase in capital stock, both stated in 1) above.
- (e) Restriction on Transfer of Common Stock Acquisition Rights I
Common Stock Acquisition Rights I are non-transferable unless the Board of Directors of the Company approves such transfer.
- (f) Conditions for Exercise of Common Stock Acquisition Rights I
- 1) Common Stock Acquisition Rights I cannot be exercised in part.
 - 2) Holders of Common Stock Acquisition Rights I may exercise the rights from the day after they leave from all positions as director or executive officer of the Company or its subsidiaries as determined by the Board of Directors of the Company or the executive officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company.
 - 3) Disregarding 2) above, Common Stock Acquisition Rights I can be exercised from 30 days prior to the last day of the period for exercise of the Common Stock Acquisition Rights I pursuant to other conditions for exercise.
 - 4) Other conditions for exercise shall be set forth in Stock Acquisition Rights Allocation Agreement between the Company and the holder of Common Stock Acquisition Rights I.
- (g) Terms and Conditions of Acquisition of Common Stock Acquisition Rights I
The Company may acquire Common Stock Acquisition Rights I without consideration when a holder loses all qualifications for exercising Common Stock Acquisition Rights I or waives all or part of his/her Common Stock Acquisition Rights I
- (h) Treatment of Fractional Shares Less Than One Share
Any fraction less than one (1) share of Common Stock issued upon exercise of Common Stock Acquisition Rights I shall be disregarded.
3. Terms, Amount to be Paid In and Maximum Number of Common Stock Acquisition Rights II to be Resolved Pursuant to the Resolution of the Ordinary General Meeting of Shareholders

(1) Maximum Number of Common Stock Acquisition Rights II to be Resolved Pursuant to the Delegation

Not exceeding 4,000 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights II shall not exceed 4,000,000. If the number of granted shares is adjusted pursuant to (3) (a) below, the maximum number of Common Stock Acquisition Rights II to be issued shall be multiplied by the number of granted shares after adjustment.

(2) Amount to be Paid In upon Issuance of Common Stock Acquisition Rights II to be Resolved Pursuant to the Delegation

Common Stock Acquisition Rights II shall be issued without consideration and require no payment.

(3) Terms of Common Stock Acquisition Rights II to be Resolved Pursuant to the Delegation

(a) Class and Number of Shares to be Issued upon Exercise of Common Stock Acquisition Rights II

The number of shares to be issued upon exercise of one (1) Common Stock Acquisition Right II (hereinafter, in 3, "Number of Granted Shares") shall be 1,000 shares of Common Stock.

If the Company splits or consolidates the shares of Common Stock after the Resolution Date, the Number of Granted Shares shall be adjusted in accordance with the following formula. An adjustment shall be made only with respect to the Number of Granted Shares for the Common Stock Acquisition Rights which have not been exercised at the time of the adjustment. Any fraction less than one (1) share resulting from the adjustment shall be disregarded.

$$\begin{array}{l} \text{Number of Granted Shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of Granted Shares} \\ \text{before adjustment} \end{array} \times \text{Ratio of split or consolidation}$$

In addition, in the case of a merger with any other company, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Number of Granted Shares shall be required, in each case after the resolution date, the Number of Granted Shares shall be appropriately adjusted to the extent reasonable.

(b) Amount to be Paid In upon Exercise of Common Stock Acquisition Rights II

The amount to be paid in upon exercise of Common Stock Acquisition Rights II shall be the amount to be paid in per share (hereinafter, "Exercise Price") multiplied by the Number of Granted Shares.

The Exercise Price shall be 1.05 times the higher price of the following (i) or (ii). Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

(i) The average of the closing prices of Common Stock in the trading thereof on the Tokyo Stock Exchange (each, "Closing Price") for trading days (excluding days on which there is no Closing Price) during the month prior to the month of the

allocation date of Common Stock Acquisition Rights II (hereinafter, “Allocation Date”), or

- (ii) The Closing Price on the issue date of Common Stock Acquisition Rights II (if there is no Closing Price on such date, the Closing Price for the immediate preceding trading day).

If the Company splits or consolidates the shares of Common Stock after the Allocation Date of Common Stock Acquisition Rights II, the Exercise Price shall be adjusted in accordance to the following formula, and any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

The Exercise Price shall be adjusted using the following formula, in the event the Company issues shares below market price (except in the case of conversion of securities to be converted or that can be converted to Common Stock of the Company, or exercise of common stock acquisition rights (including those attached to bonds with common stock acquisition rights) which can claim issuance of Common Stock of the Company). Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Outstanding number of shares} + \frac{\text{Number of newly issued shares} \times \text{Payment for one share}}{\text{Market price of one share}}}{\text{Outstanding number of shares} + \text{Number of newly issued shares}}$$

“Outstanding number of shares” is the number of shares issued subtracting any treasury stocks of Common Stock.

Other than above, in the case of a merger with any other company, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Exercise Price shall be required, in each case after the allocation date of Common Stock Acquisition Rights II, the Exercise Price shall be appropriately adjusted to the extent reasonable.

- (c) Period during which Common Stock Acquisition Rights II may be Exercised

A period between July 1, 2013, to June 20, 2018, which will be determined by the Board of Directors of the Company or the executive officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company.

- (d) Terms Regarding Increase in Capital Stock and Additional Paid-in Capital upon Exercise of Common Stock Acquisition Rights II

- 1) The amount of capital stock to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights II shall be half of the limit of

capital increase calculated according to Clause 1 of Article 40 of the Accounting Regulation Ordinance. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

- 2) The amount of additional paid-in capital to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights II shall be the difference between the limit of capital increase and the increase in capital stock, both stated in 1) above.

(e) Restriction on Transfer of Common Stock Acquisition Rights II

Common Stock Acquisition Rights II are non-transferable unless the Board of Directors of the Company approves such transfer.

(f) Conditions for Exercise of Common Stock Acquisition Rights II

1) Common Stock Acquisition Rights II cannot be exercised in part.

2) Other conditions for exercise shall be set forth in Stock Acquisition Rights Allocation Agreement between the Company and the holder of Common Stock Acquisition Rights II.

(g) Terms and Conditions of Acquisition of Common Stock Acquisition Rights II

The Company may acquire Common Stock Acquisition Rights II without consideration when a holder loses all qualifications for exercising Common Stock Acquisition Rights II or waives all or part of his/her Common Stock Acquisition Rights II

(h) Treatment of Fractional Shares Less Than One Share

Any fraction less than one (1) share of Common Stock issued upon exercise of Common Stock Acquisition Rights II shall be disregarded.

[References]

The Company is scheduled to appoint the following committee members of the Nominating Committee, the Audit Committee and the Compensation Committee respectively, and Executive Officers through resolutions of the Board of Directors to be held after conclusion of the Ordinary General Meeting of Shareholders.

1. Nominating Committee (5 members), Audit Committee (3 members), Compensation Committee (5 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

2. Executive Officers (14 officers)

	Name	Main titles and posts held concurrently
President and CEO (Representative)	Shigeharu Suzuki	Director of the Company Representative Director / President of Daiwa Securities Co. Ltd.
Deputy President and COO (Representative)	Shin Yoshidome	Director of the Company Representative Director / President of Daiwa Securities SMBC Co. Ltd.
Deputy President	Toshiro Ishibashi	Director of the Company Representative Director / Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Shuntaro Higashi	Representative Director / Deputy President of Daiwa Securities SMBC Co. Ltd.
Deputy President	Michihito Higuchi	Representative Director / President of Daiwa Asset Management Co. Ltd.
Deputy President	Hiroshi Ota	Representative Director / President of Daiwa Institute of Research Ltd.
Corporate Executive Vice President	Takashi Hibino	Director of the Company
Corporate Executive Vice President	Ikuo Mori	Director of the Company Representative Director / Senior Managing Director of Daiwa Securities SMBC Co. Ltd.
Corporate Senior Executive Officer and CIO	Akira Nakamura	Director of the Company

Corporate Senior Executive Officer and CFO	Nobuyuki Iwamoto	Director of the Company
Corporate Senior Executive Officer	Masamichi Yokoi	Chairman of Daiwa America Corporation
Corporate Executive Officer	Seiji Nakata	
Corporate Executive Officer	Masaaki Goto	
Corporate Executive Officer	Akira Kiyota	Director / Chairman of the Board