

<Translation>

*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 29, 2009

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 72<sup>nd</sup> Ordinary General Meeting of Shareholders**

You are hereby notified that the 72<sup>nd</sup> 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 for 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 20, 2009
  
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 Financial Statements of the 72<sup>nd</sup> fiscal year (From April 1, 2008 to March 31, 2009), and the outcome of an audit of the Consolidated Financial Statements conducted by Independent Auditors and the Audit Committee.
2. Report on the contents of the Financial Statements of the 72<sup>nd</sup> fiscal year (From April 1, 2008 to March 31, 2009).

Matters to be resolved:

- Bill 1: Partial Amendment of the Articles of Incorporation
- Bill 2: Election of Fourteen (14) Directors
- Bill 3: Granting Stock Options Utilizing Stock Acquisition Rights

### **4. Matters Regarding the 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.) on Friday, June 19, 2009, 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 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 a non-uniform manner, please inform the Company, in writing, of your intention to exercise your voting rights in a 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, Financial Statements and Consolidated Financial Statements 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](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 a 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, 2008 to March 31, 2009)

### **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 (FY2008) 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 a slowing down phase to worsening. In the first half of FY2008, because the increase of exports was slowed down by the effect of the shrinking of the foreign economy, institutions were cautious about the economic environment and corporate investment decreased. Corporate earnings and employees' income were unstable and increase in price of energy and raw materials led to weak personal consumption. In the second half, the foreign economy weakened further and exports sharply decreased. Then, productions and corporate earnings waned and the environment of employment and earnings got harsher. As a result of this, business conditions in Japan worsened considerably.

Regarding the Japanese stock market, the Nikkei 225 increased to 14,601.27 yen in June 2008 from 12,525.54 as of the previous fiscal year end with a solid US stock market and weakened yen. However, since summer, market condition became unstable with a worsening of domestic business conditions and skepticism of U.S. financial institutions. The Japanese stock market was significantly affected by the failure of large investment banks in the U.S., and the confusion of political and economic conditions in the U.S. In October, because

financial markets were in a panic situation with financial crisis spread all over the world and because the Yen sharply appreciated, the Nikkei 225 once plunged to the 7,000 yen level. For the fiscal year end, domestic and foreign political response made the stock market increase gradually and the Nikkei 225 as of the end of the fiscal year was at 8,109.53 yen. Further, the average trading volume (total of domestic and foreign stocks) per day at the Tokyo Stock Exchange during the current fiscal year was 2 trillion 30.3 billion yen, down 30.9% from the previous fiscal year.

On the other hand, in the bond market, the yield for the 10 year Japanese government bond, which was around the mid 1.2% level at the beginning of the current fiscal year, rose to near 1.9% in early June because of the rally of oil and commodity prices and the forecast of possible interest rate rise due to the fear of inflation. After autumn, affected by market turmoil in the US and Europe, central banks aggressively eased monetary policy and the yield declined to historically low levels (mid 1.1%). Since the beginning of 2009, the yield increased with the expectation that the balance of supply and demand would get worse by the increase of fiscal burden, and the yield reached mid 1.3% at the end of the current fiscal year.

## **(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.

The customers' assets under its custody have decreased because of the depression of stock market since last autumn and the sharp rise in the Yen. In the meantime, the number of newly opened account increased through the so-called, "electric share certificate system" and growth of customers who started stock trading to capture the depressed market as a good opportunity.

Regarding "Consulting," Daiwa Securities actively offered an investment trust that mainly invests in foreign bonds and pays a monthly dividend, or which mainly invests in equities of emerging countries such as Brazil. And "Equity Premium Trading" was launched as added value service. That service enables setting a trading period and strike price

modified for customers' market view and needs with option trading (Note 1).

Concerning the "Direct," Daiwa Securities tried to expand its products and service. It made online trade system available for institutional customers and started its unique service "Daiwa PTS" (Note 2) that made it possible to trade stocks without the stock exchange at night.

And, concerning "Daiwa SMA," a discretionary investment contract services, Daiwa Securities started the new service "Daiwa SMA Private Asset Allocation Service", which selects trading style and changes asset allocation adapted for the economic and investment environment within the investment criteria agreed to with customers. In the meantime, "Daiwa Fund Wrap," which provides diversification based on each customer's investment policy with combining investment trusts that are established especially for this service, lowered its minimum investment amount to 3 million yen, the lowest level in the market and the number of account expanded to over 10,000 with its enriched service.

*(Note 1) Trading rights to buy or sell stocks with certain conditions.*

*(Note 2) Proprietary trading system for listed securities. Trading listed securities selected by Daiwa Securities Co. Ltd. with provided offer-bid price at night.*

## **2) Wholesale**

Daiwa Securities SMBC Co. Ltd. ("Daiwa Securities SMBC"), which takes charge of the wholesale securities business, engaged in business with the objective of improving its status as a top-tier investment bank. Daiwa Securities SMBC recorded a loss in the current fiscal year because of the following elements: opaqueness of future corporate earnings, significantly decreased equity finance, and worsening trading profit / loss in the financial turmoil.

In the underwriting business, equity financing decreasing with the severe market conditions, and Daiwa Securities SMBC was joint lead manager for secondary equity offerings by Chuo Mitsui Trust Holdings, Inc and T&D Holdings, Inc.

In the M&A business, we served as an advisor to the merger between Meiji Seika Kaisha, Ltd. and Meiji Dairies Corporation.

Daiwa Securities America Inc., which takes charge of the wholesale securities business in the U.S., increased its earnings by expanding its customer base, utilizing its strength as a primary dealer of U.S. Treasury Notes (Note).

*(Note) U.S. government securities dealer authorized by the Federal Reserve Bank of New York.*

### **3) Assets Management**

Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd., which takes charge of the asset management business, strived to increase their market share of assets under management by providing products and service through the broad distribution channel both of the Group and outside of the Group.

However, affected by plummeting stock prices and turbulence in foreign exchange markets in the recent financial crisis, the assets under management of investment trust of both firms decreased.

Daiwa Assets Management Co. Ltd. launched a few investment trusts which invest in Brazilian currency denominated bonds and “Daiwa China A” which invests in Remmimbi denominated China A stocks with investment limit of Chinese Qualified Foreign Institutional Investors (“QFII”).

In connection with Daiwa SB Investments Ltd., it tried to get continuous capital inflow from domestic and foreign pension funds in the investment advisory business. And concerning investment trusts, it also tried to get capital inflow utilizing the main product as “Short-term Australian Dollar Bond Fund (a monthly dividend type).”

### **4) Investment**

Daiwa Securities SMBC Principal Investments Co. Ltd. and Daiwa SMBC Capital Co., Ltd (Note) which undertake the Group’s investment business, suffered losses from investments in corporations and real estates. During the current fiscal year, while Daiwa SMBC Principal Investments attempted to strengthen their risk management system, they invested in private equities in Asia that had high growth potential in the medium to long term. They realized an investment in Neo Solar Power Corporation that engaged in development and manufacturing of solar power batteries in Taiwan.

*(Note) NIF SMBC Ventures Co., Ltd. changed its company name to “Daiwa SMBC Capital Co., Ltd.” on October 1, 2008.*

### **5) Research and Systems**

The Company restructured an important subsidiary which engages in system and research business into an intermediate holding company, Daiwa Institute of Research Holding Ltd., in October 2008, Daiwa Institute of Research Ltd. will conduct research and consulting services, as well as system development and support for the Group companies. And Daiwa Institute of Research Business Innovation Ltd. will provide system development

and support services for customers outside of the Group. This restructuring will enable them to provide a prompt and accurate response to the demands of the intra-Group and customers outside of the Group.

Daiwa Institute of Research Ltd. won the No.1 of Nikkei analyst ranking (Note), and was ranked the best in the Japanese stock analyst ranking by an American magazine, Institutional Investor, one of most prominent financial magazines in the world.

*(Note) The 21<sup>st</sup> popular analyst research (in the Nikkei Veritas as of March 22, 2009).*

### **[Business Development concerning Emerging Countries]**

The Group focuses on reinforcement of business concerning emerging countries in Asia where we can expect mid to long term growth. In the current fiscal year, we have signed a Business Alliance Agreement with Saigon Securities Inc, which is one of the major Securities firms in Vietnam. And also, we have signed a Memorandum of Understanding with Itau Unibanco Banco Multiplo S.A. which is one of the major financial institution in Brazil, and the Group has launched and distributed investment trusts to which Itau Asset Management gives investment advice. Further, we started a brokerage of Brazilian stocks through depositary receipt and held some seminars relating to investment in Brazil.

### **[Work Life Balance]**

In order to realize healthier and richer life style of employees and accomplish better labor productivity, the Group positively promotes “Work Life Balance.” In the current fiscal year, we established the “Work Life Balance Promotion Committee” and participated as a model company in the “Work Life Balance Promotion Project” that is promoted by the Ministry of Health, Labor and Welfare as a model company.

And the Company and its main group companies have been approved as companies that positively work to support nurturing the next generation and got the certification symbol only given to a company supporting nurturing, “Kurumin” from the Ministry of Health, Labor and Welfare.

### **[CSR (Note1)]**

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.

The Group continued to arrange and distribute notes (“Vaccine Bonds”) issued by the International Finance Facility for Immunization Company (“IFFIm”) (Note 2), which were

issued to accelerate the availability of funds for health and immunization programs in developing countries around the world. Besides that, we arranged and distributed Certified Emission Reduction Linked USD denominated Uridashi Bonds (“World ‘Cool’ Bond”) (Note 3) in collaboration with the World Bank, which utilized the emission reductions generated from a specific project under the framework defined by the Kyoto Protocol.

The Group positively works in industry-academia collaboration activity. In the current fiscal year, we provided an education program in finance for the younger generation and supported the industrialization of study of iPS cells (Note 4).

*(Note 1) CSR (Corporate Social Responsibility)*

*(Note 2) Notes issued to raise funds to accelerate the availability of funds for health and immunization programs in 70 of the poorest countries around the world.*

*(Note 3) The variable coupon is linked to the future performance of CER market prices, and the actual versus estimated delivery of CERs generated from a project for a reduction of global greenhouse gas emissions.*

*(Note 4) Induced pluripotent stem cells that will be able to develop into all tissues or internal organs of a human being.*

## 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 44 companies, and affiliates included under the equity method are six.

*(Note) These consolidated financial statements of the Company for the fiscal year ending March 31, 2009 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 118 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 413.9 billion yen, down 49.9% from the previous fiscal year, and the net operating revenues were 199.5 billion yen, down 55.4% from the previous fiscal year.

	(Millions of yen)		
	Current (FY2008)	Previous (FY2007)	% Change
<b>Commissions</b>	208,880	294,424	[-29.1%]
(Equity)	[56,401]	[84,592]	[-33.3%]
(Fixed Income)	[991]	[2,133]	[-53.5%]
(Asset Management)	[97,001]	[136,376]	[-28.9%]
(Investment Banking)	[34,914]	[47,550]	[-26.6%]
(Others)	[19,571]	[23,771]	[-17.7%]
<b>Net gain (loss) on Trading</b>	40,921	103,361	-60.4%
(Stocks and others)	[-25,737]	[11,020]	[—]
(Bonds, Foreign Exchange, etc.)	[66,658]	[92,341]	[-27.8%]
<b>Net gain (loss) on private equity and other securities</b>	-79,477	19,160	—
<b>Interest and dividend Income</b>	192,663	358,422	-46.2%
<b>Other Sales Revenue</b>	50,948	50,052	1.8%
<b>Operating Revenues</b>	413,936	825,422	-49.9%
<b>Interest Expenses</b>	176,034	339,783	-48.2%
<b>Cost of Sales</b>	38,357	38,147	0.6%
<b>Net Operating Revenue</b>	199,544	447,491	-55.4%

## 1) Commissions

The followings are the details of the commissions.

### [Equity]

The Equity Division's commissions were 56.4 billion yen, down 33.3% from the previous fiscal year due to a decrease in the share of retail trading.

### [Fixed Income]

The Fixed Income Division's commission consists of brokerage commissions, agency commissions, etc. The total commissions of the current fiscal year were 0.9 billion yen, down 53.5% from the previous fiscal year.

### [Asset Management]

The Asset Management Division saw a decrease in management fees due to the decreased balance of net assets under management of the investment trust. As a result, total commissions were 97.0 billion yen, down 28.9% 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 34.9 billion yen, down 26.6% from the previous fiscal year due to the depression of the equity finance market.

### [Others]

The other commissions are primarily from custody fees, investment enterprise partnership administration fees, life insurance sales commissions, etc. The total was 19.5 billion yen, down 17.7% from the previous fiscal year.

## 2) Net gain (loss) on trading

Net gain (loss) on trading stocks, etc. was a loss of 25.7 billion yen. The net gain (loss) of trading bonds, foreign exchange, etc. was 66.6 billion yen, down 27.8% from the previous fiscal year.

### **3) Net gain (loss) on private equity and other securities**

Net loss on private equity and other securities totaled 79.4 billion yen, due to the turmoil of the real estate and the stock market.

### **4) Net financial income**

Interest and dividend income decreased by 46.2% to 192.6 billion yen, and interest expenses also decreased by 48.2% to 176.0 billion yen. Net financial income decreased to 16.6 billion yen.

## **(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 minus 141.1 billion yen, to which the extraordinary gains of 6.4 billion yen from the sale of the investment securities, etc. and the extraordinary losses of 29.0 billion yen from valuation losses on the investment securities and income taxes and minority interests etc., were adjusted, which results in a net loss for the current fiscal year of 85.0 billion yen.

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

While trading assets decreased by 1 trillion 653.3 billion yen from the end of the previous fiscal year, the current assets decreased to 13 trillion 677.0 billion yen (decreased by 3 trillion 76.2 billion yen from the end of the previous fiscal year). Consequently, the total assets at the end of the current fiscal year decreased by 3 trillion 124.5 billion yen from the end of the previous fiscal year to 14 trillion 182.5 billion yen. On the other hand, the total liabilities at the end of the current fiscal year decreased by 2 trillion 993.9 billion yen from the end of the previous fiscal year to 13 trillion 230.2 billion yen, with receivables on collateralized securities transactions decreased by 1 trillion 345.4 billion yen and short-term borrowings decreased by 1 trillion 426.6 billion yen. The total net assets at the end of the current fiscal year were 952.3 billion yen (including minority interests), whereas the net assets per share were 534.99 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 made total IT investments of 46.0 billion yen in response to the electric share certificate system,

construction of the new data center, and enhancement of the online trading systems. We also invested capital in renovation of existing branches.

### (5) Status of Financing of the Group

The Company issued its 8<sup>th</sup> series of unsecured straight bonds of 70.0 billion yen (payment date of September 5, 2008) and 9<sup>th</sup> series of unsecured straight bonds of 78.0 billion yen (payment date of December 22, 2008). The proceeds of 8<sup>th</sup> series bonds were used for the investment, and the proceeds of 9<sup>th</sup> series bonds were used for the investment and the operation, respectively.

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

	(Billions of yen)				
	68 <sup>th</sup> term	69 <sup>th</sup> term	70 <sup>th</sup> term	71 <sup>st</sup> term	72 <sup>nd</sup> term (current term)
	(Apr 1, 2004 - Mar 31, 2005)	(Apr 1, 2005 - Mar 31, 2006)	(Apr 1, 2006 - Mar 31, 2007)	(Apr 1, 2007 - Mar 31, 2008)	(Apr 1, 2008 - Mar 31, 2009)
Operating revenues	519.3	845.6	917.3	825.4	413.9
Net operating revenues	390.4	579.3	526.7	447.4	199.5
Ordinary income	120.4	260.6	195.4	90.1	▲141.1
Net income/loss (current term)	52.6	139.9	92.7	46.4	▲85.0
Stockholders' equity (Net assets)	648.3	792.2	1,223.2	1082.9	952.3
Total assets	12,378.9	14,898.8	14,411.2	17307.1	14182.5
Stockholders' equity (Net assets) per share (Yen)	486.70	598.27	665.98	607.64	534.99
Net income (loss) per share (Yen) (current term)	39.03	103.90	67.90	33.69	▲63.16
Return on Equity (ROE)%	8.4%	19.4%	10.8%	5.3%	—
Number of consolidated Subsidiaries	46	46	46	46	44
Number of companies included under the equity method	5	5	4	6	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 70<sup>th</sup> term.

#### 4. Issues to be Addressed by the Group

As the world economy has slowed down and global financial markets remain volatile, we are yet to see an immediate turn around in the business environment for FY2009. Under such circumstances, we believe that Daiwa Securities Group should obtain a strong trust from our customers and stabilize the financial and capital markets through providing highly value added solutions.

We have formulated our three year Medium-Term Management Plan (from FY2009 to FY2011), “Passion for the Best” 2011.

In “Passion for the Best” 2011, we envision ourselves to become “The Stakeholder-trusted Excellent Company Representing Japan.” As the first step for realizing this vision, we will establish stronger trust relationship with our customers as the origin of business. In order to provide highly value added products and business, we understand customers’ needs in mid-long term and changes in the environment and execute “Realigning Business Focus” by swiftly concentrating management resource to the three categories below.

1. Concentrating on increasing customers’ assets by allocating more management resources into retail business
2. Creating sustainable investment banking model by providing risk transparent financial products and supporting business and financial strategies of corporations
3. Expanding business in Asia and emerging countries through providing a wide range of products

Followings are four core management targets the Group set in “Passion for the Best” 2011.

- |                                |   |                      |
|--------------------------------|---|----------------------|
| ① Consolidated Ordinary Income | : | JPY 200bil or above  |
| ② Consolidated ROE             | : | 10% or above         |
| ③ Market Capitalization        | : | Rank Top 40 in Japan |
| ④ Productivity                 | : | No.1 among peers     |
- (Ordinary/Operating Income per employee)

In the current fiscal year, we serve wealth management customers with ideal financial products and promote the “savings to investments” trend. And we improve consultation service to corporate clients to prepare for upcoming changes in industrial structures. We will also offer improved financial products with highly advanced risk management. And our focus on Asia and emerging markets will continue. We will actively utilize the Group’s network and tighten collaboration with our alliance partners, and capture cross border business opportunities.

The action plans for FY 2009 of respective business divisions are as follows:

(1) Retail Division

- 1) Reinforce marketing by reorganizing sales and support structure.
- 2) Emphasize equity and fixed income products together with existing investment trusts, annuities and wrap accounts
- 3) Improve Daiwa Direct service menu for more active investors
- 4) Efficient administrative work with IT innovation.

(2) Wholesale Division & Investment Division

- 1) Expand product and service lineup, and provide best solutions to maximize client satisfaction
- 2) Stabilize revenues by improving trading positions and manage risk on a global basis
- 3) Continue focus on Asia

- 4) Establish a global M&A advisory platform
- 5) Create proprietary fund as a first step to manage full scale funds

(3) Asset Management Division

Daiwa Asset Management Co., Ltd.

- 1) Improve fund performance by further emphasizing global research and diversifying approaches to generate returns
- 2) Develop large-scale funds by strengthening product development capability
- 3) Improve marketing based on investor and distributor needs

Daiwa SB Investment Ltd.

- 1) Improve fund performance by strengthening collaboration with research division
- 2) Expand product lineup with new funds
- 3) Increase AUM by providing client-oriented solutions, information and sales support

(4) Research and IT Systems Divisions

- 1) Provide support to improve broker rankings and customer satisfaction, and expand the Group's business in Asia
- 2) Support IB business, including privatization transactions
- 3) Enhance flexible and efficient IT development and system management
- 4) Contribute to the Group's global business strategy and cost reduction by leading the Group's system functions

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, whose primary businesses are investment and financial services businesses with a core focus on securities related business, is 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 businesses related to the 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 Holdings Ltd.	Koto-ku, Tokyo	3,898	100.0% (100.0%)	Integration and management of subsidiaries
Daiwa Institute of Research Ltd.	Koto-ku, Tokyo	1,000	100.0% ( -- )	Information Service
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
Daiwa Property Co., Ltd.	Chuo-ku, Tokyo	100	100.0% (99.4%)	Lending and borrowing of real estates
Daiwa SMBC Capital Co., Ltd.	Chiyoda-ku, Tokyo	18,767	46.4% (46.4%)	Venture capital business
Daiwa Institute of Research Business Innovation Ltd.	Chuo-ku, Tokyo	3,000	100.0% ( -- )	Information Service
Daiwa Securities SMBC Principal Investments Co. Ltd.	Chiyoda-ku, Tokyo	12,000	100.0% ( -- )	Principal investment 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	EUR230 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	SDG42 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

Daiwa Institute of Research Ltd. (which changed its name to "Daiwa Institute of Research Holdings Ltd." on October 1, 2008), one of the consolidated subsidiaries of the Company, effected an absorption-type company split that resulted in Daiwa Institute of Research Preparation Ltd. ( which changed its name to "Daiwa Institute of Research Ltd. " on October 1, 2008) as a succeeded company in absorption-type company split and an incorporation-type company split that resulted in Daiwa Institute of Research Business Innovation Ltd. as a company incorporated through an incorporation-type company split on October 1, 2008. As a result of this restructuring, Daiwa Institute of Research Holdings Ltd. became an intermediate holding company which holds 100% of the shares of Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd.

- 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.

The Company has acquired shares of Saigon Securities Inc, which is one of the largest Securities firm in Vietnam, and holds 10.54% of the total number of issued and outstanding shares of Saigon Securities Inc.

### **(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

### 2) Main Subsidiaries' Business Locations

Daiwa Securities Co., Ltd.

Hokkaido / Tohoku	Sapporo Branch, Sendai Branch, and 8 other branches
Kanto (excluding Tokyo)	Yokohama Branch, Yokohama-eki Nishiguchi Branch, Chiba Branch, Omiya Branch, and 18 other branches
Tokyo	Head Office, Ginza Branch, Shinjuku Branch, Shibuya Branch, Ikebukuro Branch, and 21 other branches
Chubu / Hokuriku	Nagoya Branch, Nagoya-ekimae Branch, Shizuoka Branch, and 16 other branches
Kinki	Kyoto Branch, Osaka Branch, Umeda Branch, Nanba Branch, Kobe Branch, and 13 other branches
Chugoku / Shikoku	Hiroshima Branch, and 11 other branches
Kyushu / Okinawa	Fukuoka Branch, and 9 other branches

Daiwa Securities SMBC Co. Ltd.

Head Office (Tokyo), Osaka Branch (Osaka), and Nagoya Branch (Aichi)

## (6) Status of Employees

### 1) The Group's Employees

Number of Employees	Change from previous fiscal year
15,224	+768

*(Note): The number of employees includes the financial advisors of 559.*

### 2) The Company's Employees

Number of Employees	Change from previous fiscal year	Average Age	Average year of Service
300	+13	37yrs.&2mons.	10yrs.&8mons.

## (7) Major Lenders

### Daiwa Securities Group Inc

<u>Name of Lender</u>	<u>Type of Loan</u>	<u>Balance (yen)</u>
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	30,000 million
The Sumitomo Trust & Banking Co., Ltd.	Short-Term Borrowings	30,000 million
	Long-Term Borrowings	10,000 million
Resona Bank, Ltd.	Short-Term Borrowings	12,500 million
Mitsubishi UFJ Trust and Banking Corporation	Short-Term Borrowings	10,000 million
TAIYO LIFE INSURANCE COMPANY	Long-Term Borrowings	10,000 million

### Daiwa Securities SMBC Co. Ltd.

<u>Name of Lender</u>	<u>Type of Loan</u>	<u>Balance (yen)</u>
Sumitomo Mitsui Banking Corporation	Subordinated Borrowings	60,000 million
TAIYO LIFE INSURANCE COMPANY	Subordinated Borrowings	35,000 million
The Sumitomo Trust & Banking Co., Ltd.	Subordinated Borrowings	10,000 million
The Chuo Mitsui Trust and Banking Co., Ltd.	Short-Term Borrowings	10,000 million

### Daiwa SMBC Capital Co., Ltd.

<u>Name of Lender</u>	<u>Type of Loan</u>	<u>Balance (yen)</u>
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	9,880 million
	Long-Term Borrowings	9,500 million

*(Note): The main borrowings from outside of the Group, excluding call money etc., are stated above.*

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

The Company, at an Executive Committee meeting held on April 28, 2009, decided to execute the agreement concerning capital restructuring of Daiwa SMBC Capital Co., Ltd., one of the consolidated subsidiaries of the Company, among the Company, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation and to carry out a take over bid for ordinary shares and stock acquisition rights issued by Daiwa SMBC Capital Co. Ltd.

Regarding the acquisition of an Europe-based investment bank, Close Brothers Corporate Finance (Holdings) Limited ("CBCF") whose main business is M&A advisory, Daiwa Securities SMBC, one of the consolidated subsidiaries of the Company, concluded a share transfer agreement on May 18, 2009 with the parent company of CBCF, Close Brothers Group plc. By this agreement, Daiwa Securities SMBC Europe Limited, a European subsidiary of Daiwa Securities SMBC, will acquire 100% of the issued shares of CBCF.

*(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, 2009)

### 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: 100,393

#### (3) Major Shareholders (Top ten)

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Name	Number of shares held (% of total outstanding shares)
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	82,551 thousand shares (6.13%)
STATE STREET BANK AND TRUST COMPANY 505223	76,961 thousand shares (5.71%)
Japan Trustee Services Bank, Ltd. (Trust Account)	74,579 thousand shares (5.53%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	61,728 thousand shares (4.58%)
STATE STREET BANK AND TRUST COMPANY	48,114 thousand shares (3.57%)
Sumitomo Mitsui Banking Corporation	30,328 thousand shares (2.25%)
Japan Trustee Services Bank, Ltd. (Trust Account 4)	27,860 thousand shares (2.06%)
Japan Trustee Services Bank, Ltd. Sumitomo Trust Pension Account	24,888 thousand shares (1.84%)
TAIYO LIFE INSURANCE COMPANY	21,140 thousand shares (1.57%)
Nippon Life Insurance Company	20,867 thousand shares (1.54%)

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*(Note1) Treasury stock of 58,316,760 shares is excluded for calculating the percentage of the above list of major shareholders.*

*(Note2) The Company holds its own treasury stocks (58,316 thousand shares) as of March 31, 2009 and those shares are excluded from the 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 the 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)	1,644 (Common stock 1,644,000 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)	504 (Common stock 504,000 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)	1,967 (Common stock 1,967,000 shares)	Gratuitous grant	781,000 yen (781 yen per share)	From July 1, 2007 to August 31, 2012	(Note1) (Note3)
Total	4,115 (Common stock 4,115,000 shares)				

(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)	293 (Common stock 293,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2006 to June 30, 2026	(Note1) (Note2) (Note3)
Stock Acquisition rights, Series 3 (September 4, 2006)	2,593 (Common stock 2,593,000 shares)	Gratuitous grant	1,515,000 yen (1,515 yen per share)	From July 1, 2011 to June 23, 2016	(Note1) (Note3)
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) (Note3)
Stock Acquisition rights, Series 4 (September 3, 2007)	2,570 (Common stock 2,570,000 shares)	Gratuitous grant	1,224,000 yen (1,224 yen per share)	From July 1, 2012 to June 22, 2017	(Note1) (Note3)
Stock Acquisition Rights issued in July 2008 (July 1, 2008)	350 (Common stock 350,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028	(Note1) (Note2) (Note3)
Stock Acquisition rights, Series 5 (September 8, 2008)	3,099 (Common stock 3,099,000 shares)	Gratuitous grant	917,000 yen (917 yen per share)	From July 1, 2013 to June 20, 2018	(Note1) (Note3)
Total	9,211 (Common stock 9,211,000 shares)				

*(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, from 30 days before the last date of exercise period, the holder can exercise the stock acquisition rights in accordance with other conditions of exercise.*

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

*(Note4) The number of stock acquisition rights above includes the stock acquisition rights held 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	5	65
Stock acquisition Rights issued in Jun 2005	10	85
Stock acquisition Rights, Series 2	2	5
Stock acquisition Rights issued in Jul 2006	12	53
Stock acquisition Rights, Series 3	2	6
Stock acquisition Rights issued in Jul 2007	14	64
Stock acquisition Rights, Series 4	1	3
Stock acquisition Rights issued in Jul 2008	15	88

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

*(Note 2) The officers at the end of current fiscal year do not hold Stock acquisition Rights, Series 5.*

**(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>	29	106
Rights issued	<u>Employees of Subsidiaries</u>	54	156
in July 2008	Total	83	262
Stock acquisition	<u>Employees of the Company</u>	96	196
Rights, Series 5	<u>Directors of Subsidiaries</u>	13	64
	<u>Employees of Subsidiaries</u>	1,739	2,714
	Directors and Employees		
	<u>of Affiliates</u>	70	125
	Total	1,918	3,099

*(Note 1) Above numbers are as of the allocation date of each stock acquisition rights.*

*(Note 2) Executive officers of subsidiaries are classified as employees of subsidiaries.*

*(Note 3) 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	Akira Kiyota	
Director	Shigeharu Suzuki	
Director	Shin Yoshidome	
Director	Toshiro Ishibashi	
Director	Takashi Hibino	
Director	Ikuo Mori	
Director	Akira Nakamura	
Director	Nobuyuki Iwamoto	
Director	Saburo Jifuku	
Director	Tetsuro Kawakami	Honorary Advisor of Sumitomo Electric Industries, Ltd.
Director	Ryuji Yasuda	Professor of Hitotsubashi University, Graduate School of International Corporate Strategy
Director	Koichi Uno	Certified Public Accountant
Director	Nobuko Matsubara	Chairman of Japan Institute of Worker's Evolution

*(Note 1) Directors, Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno and Nobuko Matsubara are outside directors as defined under Article 2 item 15 of Companies Act.*

*(Note 2) As a "company with committees", the Company installed the following three committees, composed of the following directors.*

*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*

*(Note 3) 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

Title	Name	Area in Charge or primary occupation
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	Toshiro Ishibashi	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	Hiroshi Ota	Head of Research, Representative Director/President of Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd.
Corporate Executive Vice President/Executive Officer	Takashi Hibino	Head of Planning and Personnel, Deputy Head of Wholesale, Senior Managing Executive Officer of Daiwa Securities SMBC Co. Ltd.
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 Senior Executive Officer	Nobuyuki Iwamoto	Chief Financial Officer (CFO)
Corporate Senior Executive Officer	Masamichi Yokoi	Head of America Region, Chairman of Daiwa America Corporation
Corporate Executive Officer	Seiji Nakata	Deputy Head of Planning and Personnel
Corporate Executive Officer	Masaaki Goto	Head of Legal
Corporate Executive Officer	Akira Kiyota	

*(Note 1) Executive Officers, Shigeharu Suzuki, Shin Yoshidome, Toshiro Ishibashi, Takashi Hibino, Ikuo Mori, Akira Nakamura, Nobuyuki Iwamoto and Akira Kiyota also serve as Directors .*

*(Note 2) Executive Officers, Michihito Higuchi, Ikuo Mori, Akira Nakamura and Masamichi Yokoi resigned as of March 31, 2009, respectively. Further, Michihito Higuchi resigned as Representative Director/ President of Daiwa Asset Management Co. Ltd., Ikuo Mori resigned as Representative Director/ Senior Managing Director of Daiwa Securities SMBC Co. Ltd., and Masamichi Yokoi resigned as Chairman of Daiwa America Corporation as of March 31, 2009.*

(Note 3) Takashi Fukai, Makoto Shirakawa, Kazuo Oda, Keiko Uehara, Takeaki Mori and Toshihiro Matsui took their new positions as executive officers as of April 1 2009, and as of said day their responsibilities as executive officers have changed as follows.

Takashi Fukai	Deputy Head of Retail
Takashi Hibino	Deputy Head of Wholesale
Makoto Shirakawa	Deputy Head of Retail
Toshiro Ishibashi	Head of Asset Management
Nobuyuki Iwamoto	Chief Financial Officer (CFO), Head of Planning and Personnel
Kazuo Oda	Chief Information Officer (CIO)
Masaaki Goto	Head of America Region
Keiko Uehara	Head of Corporate Communications
Takeaki Mori	Deputy Head of America Region
Toshihiro Matsui	Head of Legal, Deputy Head of Planning

Further, Takashi Fukai and Makoto Shirakawa took the position of Representative Director/Deputy President of Daiwa Securities Co. Ltd., Takashi Hibino took the position of Representative Director/Deputy President of Daiwa Securities SMBC Co. Ltd., Toshiro Ishibashi took the position of Representative Director/ President of Daiwa Asset Management Co. Ltd., and Masaaki Goto took the position of Chairman of Daiwa America Corporation, as of April 1, 2009.

### (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
	Vantec Group Holdings Corporation (Note1)	Outside Director
	Fukuoka Financial Group, Inc. (Note2)	Outside Director
	Sony Corporation (Note3)	Outside Director
Koichi Uno	Secured Capital Japan Co., Ltd. (Note4)	Outside Auditor
	Kokusai Kogyo Co., Ltd.	Outside Auditor
Nobuko Matsubara	Mitsui & Co., Ltd.	Outside Director

(Note1) Vantec Group Holdings Corporation changed its trade name to Vantec Corporation on April 1, 2009.

(Note2) Ryuji Yasuda took the position of Outside Director of Bank of Fukuoka, Ltd. which is a subsidiary of Fukuoka Financial Group, Inc.

(Note3) Ryuji Yasuda took the position of Director of Sony Financial Holdings Inc. which is a subsidiary of Sony Corporation.

(Note4) Koichi Uno took the position of Outside Auditor of SCJ Servicing Co., Ltd. which is a subsidiary of Secured Capital Japan Co., Ltd.

(Note5) 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 all 11 Board of Directors' Meeting 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 all 11 Board of Directors' Meeting held during the current fiscal year, and all 2 Audit Committee held during his assumption, 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 11 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.
Nobuko Matsubara	Attended all 9 Board of Directors' Meeting and all 10 Audit Committee after her assumption during the current fiscal year, and made remarks mainly on the Company's personnel policies, from her ample experience and view as a government officer.

(Note1) Koichi Uno and Nobuko Matsubara are members of the Audit Committee.

(Note2) Ryuji Yasuda resigned as a member of the Audit Committee as of June 21, 2008.

## 3) 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

	Directors		Executive Officers		Total	
	Number Paid	Amount Paid	Number Paid	Amount Paid	Number Paid	Amount Paid
Amounts of Remunerations, etc.						
Paid based on Resolution of the Compensation Committee	Persons	¥million	Persons	¥million	Persons	¥million
	8	118	14	567	22	686

(Note 1) The above paid amounts include 85 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 2) Beside the above, a retirement compensation of 261 million yen pursuant to the resolution of the 67<sup>th</sup> General Meeting of Shareholders (June 23, 2004) was paid to Two (2) Directors who retired during the current fiscal year.

(Note 3) The total remuneration, etc. paid to four (4) outside directors was 64 million yen.

*(Note 4) As of the end of the current fiscal year, eight (8) out of 13 Directors are serving as Executive Officer concurrently. The remunerations to the Directors who also serve as 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 the 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.

77 million yen

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

552 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 services relating to the assessment of controlled risk and the compliance concerning segregation of customers' assets, 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 the 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 a bill to the General Meeting of Shareholders, pursuant to regulations of the Audit Committee.

##### 4) the Others

Among major subsidiaries of the Company, Daiwa America Corporation, Daiwa Securities SMBC Europe Limited and other foreign subsidiaries 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; 5 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 31, 2008), and 3 yen per share as the year-end dividend. Accordingly, the annual dividend will be 8 yen per share.

## 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 the Audit Committee.

2) Matters regarding the independency of Directors and employees set forth in the 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 have 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 the 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 2008 As of Mar. 31, 2009	<u>[References]</u> Fiscal 2007 As of Mar. 31, 2008
<i>Assets</i>		
<b>Current assets:</b>	<b>13,677,003</b>	<b>16,753,297</b>
Cash and deposits	409,709	429,976
Cash segregated as deposits for regulatory purposes	214,455	233,544
Notes receivable and trade accounts receivable	11,146	13,580
Securities	48,920	54,105
Trading assets:	6,203,742	7,857,122
Trading securities and others	3,564,001	6,271,253
Derivative assets	2,639,740	1,585,868
Trading receivables, net	143,309	219,314
Private equity and other securities	547,006	483,268
Less: Allowance for possible investment losses	31,237	11,536
Loans receivable from customers	69,592	75,421
Work in process	897	1,602
Receivables related to margin transactions:	248,059	369,312
Customer margin loans	79,094	192,000
Cash deposits as collateral for securities borrowed	168,964	177,311
Collateralized short-term financing agreements:	5,413,525	6,206,327
Cash deposits as collateral for securities borrowed	5,413,525	6,206,125
Receivables related to gensaki transactions	-	202
Receivables	21,662	12,511
Short-term loans receivable	1,869	148,991
Accrued income	27,033	36,597
Deferred tax assets	3,784	15,913
Other current assets	343,758	608,629
Less: Allowance for doubtful accounts	232	1,384
<b>Non-current assets:</b>	<b>505,576</b>	<b>553,821</b>
Tangible fixed assets:	150,201	153,392
Building	58,248	57,141
Furniture and fixtures	29,276	33,573
Land	62,677	62,677
Intangible fixed assets:	110,828	101,879
Leasehold	5,501	5,498
Software	93,413	56,798
Other	11,914	39,583
Investments and others:	244,545	298,549
Investment securities	167,883	215,611
Long-term loans receivable	18,432	15,061
Long-term guarantee deposits	26,091	30,130
Deferred tax assets	16,328	15,434
Other	22,904	24,579
Less: Allowance for doubtful accounts	7,094	2,267
<b>Total assets</b>	<b>14,182,579</b>	<b>17,307,119</b>

(Millions of yen)	Fiscal 2008 As of Mar. 31, 2009	<u>References</u> Fiscal 2007 As of Mar. 31, 2008
<b><i>Liabilities</i></b>		
<b>Current liabilities:</b>	<b>11,697,751</b>	<b>14,920,920</b>
Notes payable and trade accounts payable	4,182	4,941
Trading liabilities:	4,809,092	4,643,643
Trading securities and others	2,644,720	3,443,374
Derivative liabilities	2,164,372	1,200,269
Payables related to margin transactions:	133,872	202,010
Payables to securities finance companies	3,852	8,617
Proceeds of securities sold for customers' accounts	130,020	193,392
Collateralized short-term financing agreements:	4,893,261	6,238,684
Cash deposits as collateral for securities loaned	4,228,519	5,535,106
Payables related to gensaki transactions	664,742	703,577
Deposits received	138,669	134,361
Cash deposits received as guarantee	339,891	101,149
Short-term borrowings	936,149	2,362,803
Commercial paper	320,400	488,300
Bonds and notes due within one year	11,632	130,613
Income taxes payable	1,822	21,537
Deferred tax liabilities	17,693	13
Accrued bonuses	12,527	17,325
Provision for relocation costs of headquarter office	-	4,129
Other current liabilities	78,555	571,406
<b>Non-current liabilities:</b>	<b>1,528,081</b>	<b>1,295,257</b>
Bonds and notes	1,260,526	1,063,741
Long-term borrowings	237,867	199,070
Deferred tax liabilities	927	4,541
Retirement benefits	25,474	23,576
Provision for litigation losses	365	779
Other non-current liabilities	2,920	3,548
<b>Statutory reserves:</b>	<b>4,416</b>	<b>8,017</b>
Securities transaction liability reserves	-	8,017
Financial instruments business liability reserves	4,416	-
<b>Total liabilities</b>	<b>13,230,249</b>	<b>16,224,195</b>
<b><i>Net assets</i></b>		
<b>Owners' equity:</b>	<b>696,296</b>	<b>801,880</b>
Common stock	178,324	178,324
Capital surplus	157,678	157,678
Retained earnings	421,819	527,579
Treasury stock	(61,525)	(61,701)
<b>Valuation and translation adjustments:</b>	<b>23,975</b>	<b>16,208</b>
Net unrealized gain on securities, net of tax effect	51,751	24,470
Deferred gain on hedges, net of tax effect	498	800
Translation adjustments	(28,274)	(9,061)
<b>Stock subscription rights</b>	<b>2,369</b>	<b>1,429</b>
<b>Minority interests</b>	<b>229,688</b>	<b>263,404</b>
<b>Total net assets</b>	<b>952,329</b>	<b>1,082,923</b>
<b>Total liabilities and net assets</b>	<b>14,182,579</b>	<b>17,307,119</b>

## Consolidated statements of income

(Millions of yen)	Fiscal 2008 Apr. 1, 2008 - Mar. 31, 2009	<u>[References]</u> Fiscal 2007 Apr. 1, 2007 - Mar. 31, 2008
<b>Operating revenues:</b>	<b>413,936</b>	<b>825,422</b>
Commissions	208,880	294,424
Brokerage commission	55,728	83,876
Underwriting commission	20,964	25,470
Distribution commission	18,692	42,571
Other commission	113,495	142,506
Net gain on trading	40,921	103,361
Net gain (loss) on private equity and other securities	(79,477)	19,160
Interest and dividend income	192,663	358,422
Other sales	50,948	50,052
<b>Interest expenses</b>	<b>176,034</b>	<b>339,783</b>
<b>Cost of sales</b>	<b>38,357</b>	<b>38,147</b>
<b>Net operating revenues</b>	<b>199,544</b>	<b>447,491</b>
<b>Selling, general and administrative expenses:</b>	<b>343,270</b>	<b>363,858</b>
Commission and other expenses	66,018	85,398
Employees' compensation and benefits	141,600	156,661
Occupancy and rental	43,704	38,759
Data processing and office supplies	30,157	29,877
Depreciation	35,590	28,046
Taxes other than income taxes	6,553	7,329
Allowance for doubtful account	5,558	3,522
Other	14,086	14,263
<b>Operating income</b>	<b>(143,725)</b>	<b>83,632</b>
<b>Non-operating income:</b>	<b>7,961</b>	<b>9,647</b>
Interest income	309	201
Dividend income	3,869	3,753
Equity in earnings of affiliates	-	1,738
Other	3,782	3,954
<b>Non-operating expenses:</b>	<b>5,386</b>	<b>3,135</b>
Interest expenses	612	79
Foreign exchange loss	1,504	1,251
Equity in losses of affiliates	1,106	-
Other	2,162	1,804
<b>Ordinary income</b>	<b>(141,150)</b>	<b>90,143</b>
<b>Extraordinary gains:</b>	<b>6,421</b>	<b>3,634</b>
Gain on sale of investment securities	2,330	3,228
Reversal of financial instruments business liability reserve	3,600	-
Other	490	406
<b>Extraordinary losses:</b>	<b>29,064</b>	<b>11,826</b>
Loss on sale or disposal of fixed assets	1,430	1,415
Loss on sale of investment securities	59	205
Loss on disposal of loan claims	1,837	-
Loss on impairment of fixed assets	451	537
Write-down of investment securities	24,559	7,888
Write-down of related company's stock	252	375
Provision for securities transaction liability reserve	-	51
Relocation costs of headquarter office	-	1,354
Other	473	-
<b>Income before income taxes and minority interests</b>	<b>(163,793)</b>	<b>81,951</b>
Income taxes-current	4,383	40,474
Income taxes-deferred	(22,556)	299
<b>Minority interests</b>	<b>(60,580)</b>	<b>(5,233)</b>
<b>Net income</b>	<b>(85,039)</b>	<b>46,411</b>

## Consolidated statements of changes in net assets

(Apr. 1, 2008 - Mar. 31, 2009)

(Millions of yen)	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
<b>Beginning balance as of Mar. 31, 2008</b>	178,324	157,678	527,579	(61,701)	801,880
<b>Changes of items during the fiscal year</b>					
Dividends	-	-	(20,194)	-	(20,194)
Net income	-	-	(85,039)	-	(85,039)
Acquisition of treasury stock	-	-	-	(452)	(452)
Disposal of treasury stock	-	-	(249)	627	378
Change in range of consolidated subsidiary	-	-	(276)	-	(276)
Other	-	-	-	-	-
<b>Total changes of items during the fiscal year</b>	-	-	(105,759)	175	(105,584)
<b>Ending balance as of Mar. 31, 2009</b>	178,324	157,678	421,819	(61,525)	696,296

(Millions of yen)	Valuation and translation adjustments				Stock subscription rights	Minority interests
	Net unrealized gain on securities, net of tax effect	Deferred gain on hedges, net of tax effect	Translation adjustments	Total valuation and translation adjustments		
<b>Beginning balance as of Mar. 31, 2008</b>	24,470	800	(9,061)	16,208	1,429	263,404
<b>Changes of items during the fiscal year</b>						
Net changes of items other than owners' equity	27,281	(301)	(19,212)	7,766	939	(33,715)
<b>Total changes of items during the fiscal year</b>	27,281	(301)	(19,212)	7,766	939	(33,715)
<b>Ending balance as of Mar. 31, 2009</b>	51,751	498	(28,274)	23,975	2,369	229,688

**[References]**

( Apr. 1, 2007 - Mar. 31, 2008)

(Millions of yen)	Owners' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Paid-in money for treasury stock	Total owners' equity
<b>Beginning balance as of Mar. 31, 2007</b>	178,324	157,678	520,474	(11,628)	4	844,854
<b>Changes of items during the fiscal year</b>						
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
Change in range of consolidated subsidiary	-	-	(172)	-	-	(172)
Other	-	-	-	-	(4)	(4)
<b>Total changes of items during the fiscal year</b>	-	-	7,104	(50,073)	(4)	(42,973)
<b>Ending balance as of Mar. 31, 2008</b>	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 on securities, net of tax effect	Deferred gain on hedges, net of tax effect	Translation adjustments	Total valuation and translation adjustments		
<b>Beginning balance as of Mar. 31, 2007</b>	75,657	467	8,546	84,671	610	293,088
<b>Changes of items during the fiscal year</b>						
Net changes of items other than owners' equity	(51,187)	333	(17,608)	(68,462)	818	(29,684)
<b>Total changes of items during the fiscal year</b>	(51,187)	333	(17,608)	(68,462)	818	(29,684)
<b>Ending balance as of Mar. 31, 2008</b>	24,470	800	(9,061)	16,208	1,429	263,404

The consolidated statutory report of the Company for the fiscal year ending March 31, 2009 is prepared in accordance with the "Accounting Regulation Ordinance" (Ministry of Justice Ordinance No. 13, 2006), in addition, these consolidated statutory report is 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 118 of the Accounting Regulation Ordinance.

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: 44 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 Holdings Ltd.  
Daiwa Institute of Research Ltd.  
Daiwa Securities Business Center Co., Ltd.  
Daiwa Property Co., Ltd.  
Daiwa SMBC Capital Co., Ltd.  
Daiwa Institute of Research Business Innovation 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 consolidated statutory report of the company for the fiscal year ending March 31, 2009, one company was added to the scope of consolidation due to the increase of materiality and two companies were added due to company split. Five companies were excluded from the scope of consolidation mainly due to liquidation.

#### (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 (corresponding to equity holdings), and retained earnings (corresponding to equity holdings); 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: 33 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.  
HMV JAPAN K.K.  
HMV Retail Limited.

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.

#### (4) Special Purpose Vehicle to be disclosed

Summary of Special Purpose Vehicle to be disclosed and the transactions which utilize the Special Purpose Vehicle

Some of consolidated subsidiaries distribute structured notes for the purpose of dealing with their customers' needs as the tool of investment and utilize Special Purpose Vehicle. Those consolidated subsidiaries acquire and transfer bonds to Cayman Islands domiciled Special Purpose Vehicle and issue structured notes collateralised by those bonds. The Company neither holds any voting rights nor any shares of those 5 Special Purpose Vehicles. And the Company does not second any directors or employee to those 5 Special Purpose Vehicles. Issued amount of notes by those Special Purpose Vehicles are 191,410 million yen as of the end of fiscal year ending March 31, 2009.

Transaction amount etc. between the Company and Special Purpose Vehicle to be disclosed during fiscal year March 31, 2009.

There are no transaction between the Company and Special Purpose Vehicle to be disclosed during fiscal year March 31, 2009.

## 2. Application of equity method

- (1) The number of non-consolidated subsidiaries and affiliates and the names of major non-consolidated subsidiaries and affiliates, to which are applied equity method  
The number of non-consolidated subsidiaries included under equity method: 0 company  
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.

For one of the affiliates included under the equity method with the fiscal year ending other than March 31, 2009, the tentative financial statements for the fiscal year ending March 31, 2009 are reflected, and for others, the financial statements for the relevant fiscal year are reflected.

- (2) The names of non-consolidated subsidiaries and affiliates not included under the equity method, etc

The names of major companies

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 (corresponding to equity holdings), and retained earnings (corresponding to equity holdings); they have no material impact as a whole on the consolidated statutory report and thus are not included under the equity method.

- (3) The names of companies not treated as affiliates regardless of the Company's ownership of between 20% and 50% of the voting rights, etc.

The number of the companies: 19 companies

The names of major companies not treated as affiliates

SANYO Electric Co., Ltd.

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: 43 companies

December 31: 1 company

For one consolidated subsidiary with a fiscal year ending other than March 31, 2009 (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, etc. classified as trading assets

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

- (ii) Valuation standards and methods for securities and other assets classified as non-trading assets  
Securities, etc. 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) Other Securities

Other securities with market value are stated at market value, based on quoted market price, etc. 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

Cost method determined by the specific identification method (accounting procedure for write-down due to decreased profitability) is mainly applied.

(2) Depreciation methods for depreciable assets

(i) Tangible fixed assets (excluding leased 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.

(ii) Intangible fixed assets, Investments and others (excluding leased assets)

Intangible fixed assets, Investments and others 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.

(iii) Leased assets (in finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee)

Leased assets are amortized under the straight-line method over leasing period and as its residual value to be zero.

Concerning financial lease transactions other than the ones that transfer ownership to the lessee, which started before the fiscal year that "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) were applied for the first time, were accounted for in the accounting treatment similar to that of ordinary rental transactions.

(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, bankruptcy claims, and reorganization claims, etc.

(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) 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 each 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, each company recognizes pension expenses, which are deemed to have accrued as of year-end based on projected benefit obligations and pension assets.

(v) 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) Primary accounting methods for hedging

Marked-to-market profits and losses on hedging instruments are principally deferred as net assets until the profits or losses on the hedged items 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 associated 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 change in aggregated amount of fair value or cash flow of the hedging instrument and the change in aggregated amount of fair value or cash flow of the hedged item.

(5) Other significant items associated with the preparation of consolidated statutory report

(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 Daiwa SMBC Capital 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.

7. Change in the basis of consolidated statutory report for the fiscal year ending March 31, 2009

(1) Accounting Standard for Measurement of Inventories

The domestic consolidated subsidiaries have adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) from this fiscal year. This change has no effect on the consolidated statement of income.

(2) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

The Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18) from this fiscal year and made necessary adjustments in the consolidation process. This change has no effect on the consolidated statement of income.

(3) Accounting Standard for Lease Transactions

The Company and its consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16) from this fiscal year.

Finance lease transactions that do not transfer ownership are changed to be applied from the accounting treatment similar to that of ordinary rental transactions to the manner similar to the accounting treatment for ordinary sale transactions and are recognized as leased assets.

This change has no effect on the consolidated statement of income.

## Notes to consolidated balance sheet

### 1. Assets pledged as collateral and liabilities secured

#### (1) Assets pledged as collateral

Trading assets	423,145	million yen
Private equity and other securities	14	
Investment securities	61,960	
<b>Total</b>	<b>485,119</b>	

(Note) The amounts above corresponded to the amount on the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 165,159 million yen were also pledged as collateral.

#### (2) Liabilities secured

Payable to securities finance companies	3,852	million yen
Short-term borrowings	270,443	
<b>Total</b>	<b>274,295</b>	

(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. 3,212 million yen were also secured.

### 2. Market value of securities pledged as collateral

Lending securities under agreements of loan for consumption	4,448,294	million yen
Securities sold by gensaki transaction	671,022	
Others	592,975	
<b>Total</b>	<b>5,712,292</b>	

(Note) Assets classified in pledged assets were excluded.

### 3. Market value of securities accepted as collateral

Borrowed securities under agreements of loan for consumption	5,761,634	million yen
Others	388,890	
<b>Total</b>	<b>6,150,524</b>	

### 4. Allowance for doubtful accounts deducted directly from assets

Investments and others, others	9,312	million yen
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### 5. Accumulated depreciation of tangible fixed assets: 104,760 million yen

### 6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	2,197 million yen
Others(2 companies)	Liabilities	840
<b>Total</b>		<b>3,037</b>

### 7. Statutory reserves and appropriation of same under Special Laws

Financial instruments business liability reserve: 4,416 million yen

Article 46-5 I of Financial Instruments and Exchange Act of Japan

The Securities transaction liabilities reserve which was recognized as Statutory reserves and appropriation of same under Special Laws under Article 51 of Securities and Exchange Law is recognized as the Financial instruments business liability reserve since the first quarter of consolidated fiscal year under Article 46-5 I of Financial Instruments and Exchange Act of Japan. Income before income taxes and minority interests are decreased by 3,532 million yen by this change compared with the previous method.

### 8. "Net unrealized gain on securities, net of tax effect" includes the gain for the Class Shares of 47,108 million yen that was measured at fair value based on "Practical Solution on Accounting for the Book Value of Class Shares at the Balance Sheet Date" (ASBJ Practical Issues Task Force No.10).

## Notes to consolidated statement of changes in net assets

1. Total shares outstanding as of the end of the fiscal year ending March 31, 2009

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 19, 2008	Common shares	13,463	10	March 31, 2008	June 2, 2008
Board of directors of October 31, 2008	Common shares	6,730	5	September 30, 2008	December 1, 2008
Total		20,194			

(2) Dividends to be distributed after the fiscal year ending March 31, 2009

It was scheduled to be resolved at the meeting of the Board of Directors of May 19, 2009 as follows:

Item related to dividends on common share

1. Total amount of dividends 4,039 million yen

2. Dividend per share 3 yen

3. Date of record March 31, 2009

4. Effective date June 1, 2009

The source of dividends will be retained earnings.

3. Number of shares subject of stock subscription rights upon exercise thereof as of March 31, 2009

	Item	Number of shares				As of Mar. 31, 2009 (Millions of yen)
		As of Mar. 31, 2008	Increase	Decrease	As of Mar. 31, 2009	
The Company	Stock subscription rights issued in July, 2006	298,000	-	5,000	293,000	399
	Series 3 stock subscription rights	2,539,000	-	23,000	2,516,000	694
	Treasury stock subscription rights	54,000	23,000	-	77,000	-
	Stock subscription rights issued in July, 2007	306,000	-	-	306,000	401
	Series 4 stock subscription rights	2,548,000	-	26,000	2,522,000	294
	Treasury stock subscription rights	22,000	26,000	-	48,000	-
	Stock subscription rights issued in July, 2008	-	350,000	-	350,000	340
	Series 5 stock subscription rights	-	3,099,000	16,000	3,083,000	91
	Treasury stock subscription rights	-	16,000	-	16,000	-
Consolidated subsidiary	Series 1 stock subscription rights issued in September, 2006	3,100	-	-	3,100	12
	Series 2 stock subscription rights issued in September, 2006	5,000	-	300	4,700	18
	Series 3 stock subscription rights issued in August, 2006	30,000	-	1,800	28,200	46
	Treasury stock subscription rights	4,300	1,800	-	6,100	-
	Series 1 stock subscription rights issued in September, 2007	6,700	-	-	6,700	8
	Series A stock subscription rights issued in September, 2007	12,000	-	-	12,000	14
	Series B stock subscription rights issued in September, 2007	34,800	-	2,100	32,700	9
	Treasury stock subscription rights	1,100	2,100	-	3,200	-
	Series 1 stock subscription rights issued in September, 2008	-	14,400	-	14,400	13
	Series A stock subscription rights issued in September, 2008	-	21,200	-	21,200	20
	Series B stock subscription rights issued in September, 2008	-	47,000	1,800	45,200	3
	Treasury stock subscription rights	-	1,800	-	1,800	-
					<b>Total</b>	<b>2,369</b>

Note:

- (1) Above all shares of stock subscription rights is common stock.
- (2) Above consolidated subsidiary is Daiwa SMBC Capital Co., Ltd.
- (3) Exercise period of "Series 3 stock subscription rights", "Series 4 stock subscription rights" and "Series 5 stock subscription rights" which the Company issued and "Series 3 stock subscription rights issued in August, 2006", "Series B stock subscription rights issued in September, 2007" and "Series B stock subscription rights issued in September, 2008" which consolidated subsidiary issued have not yet started.
- (4) The consolidated subsidiary split its stock 100-for-1 effective on January 4, 2009.  
However, the number of shares above were deemed split as of March 31, 2008.

### Notes to per share information

Net assets per share           534.99 yen  
Net income per share         -63.16 yen

**Independent Auditors' Report**

May 14, 2009

The Board of Directors  
Daiwa Securities Group Inc.

KPMG AZSA & Co.

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

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

Atsushi Fukui(Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income and changes in net assets of Daiwa Securities Group Inc. as of March 31, 2009 and for the year from April 1, 2008 to March 31, 2009 in accordance with Article 444(4) of the Corporate Law. 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, the consolidated statement of income and the consolidated statement of changes in the net assets) for the 72nd business year from April 1, 2008 to March 31, 2009. 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, the Audit Committee received reports from Executive Officers, the accounting auditor and others, and when necessary, requested explanations regarding those reports.

In addition, the 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 131 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, the Audit Committee requested explanations.

Based on the foregoing methods, the Audit Committee also examined the consolidated statutory report related to the business 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 18, 2009

Audit Committee  
Daiwa Securities Group Inc.

Committee Chairperson (Full time)  
Saburo Jifuku

Committee Member  
Koichi Uno

Committee Member  
Nobuko Matsubara

*(Note) Mr. Koichi Uno and Ms. Nobuko Matsubara are the outside directors provided under the provision of Article 2, item 15 and Article 400, Paragraph 3 of the Corporate Law.*

## Balance sheets

(Millions of yen)	Fiscal 2008 As of Mar. 31, 2009
<i>Assets</i>	
<b>Current assets:</b>	<b>247,995</b>
Cash and deposits	117,597
Securities	18,493
Short-term loans receivable	88,058
Account receivable	13,546
Accrued income	1,873
Deferred tax assets	102
Other current assets	8,324
<b>Non-current assets:</b>	<b>984,849</b>
Tangible fixed assets	44,992
Building	524
Furniture and fixtures	2,385
Land	42,082
Intangible fixed assets	1,917
Software and other	1,917
Investments and others:	937,939
Investment securities	113,871
Related companies' stocks	605,403
Long-term loans receivable	199,526
Long-term guarantee deposits	8,214
Other	11,226
Less: Allowance for doubtful accounts	302
<b>Total assets</b>	<b>1,232,844</b>

(Millions of yen)	Fiscal 2008 As of Mar. 31, 2009
<b><i>Liabilities</i></b>	
<b>Current liabilities:</b>	<b>141,034</b>
Short-term borrowings	88,500
Bonds and notes due within one year	2,000
Accrued expenses	1,802
Collateralized short-term financing agreements	44,375
Income taxes payable	88
Accrued bonuses	134
Other current liabilities	4,134
<b>Non-current liabilities:</b>	<b>488,578</b>
Bonds and notes	420,400
Long-term borrowings	62,000
Long-term cash deposits received as guarantee	2,256
Deferred tax liabilities	1,340
Retirement benefits	1,517
Provision for litigation losses	129
Other non-current liabilities	934
<b>Total liabilities</b>	<b>629,613</b>
<b><i>Net assets</i></b>	
<b>Owners' equity:</b>	<b>595,937</b>
Common stock	178,324
Capital surplus:	157,678
Additional paid-in capital	157,678
Retained earnings:	321,459
Earned surplus reserve	45,335
Other earned surplus reserve	276,124
General - purpose reserve	218,000
Deferred earned surplus	58,124
Treasury stock	(61,525)
<b>Valuation and translation adjustments:</b>	<b>5,072</b>
Net unrealized gain on securities, net of tax effect	4,513
Deferred gain on hedges, net of tax effect	559
<b>Stock subscription rights</b>	<b>2,221</b>
<b>Total net assets</b>	<b>603,231</b>
<b>Total liabilities and net assets</b>	<b>1,232,844</b>

## Statements of income

(Millions of yen)	Fiscal 2008 Apr. 1, 2008 - Mar. 31, 2009
<b>Operating revenues:</b>	<b>51,100</b>
Dividends from related companies	44,377
Interest on loans from related companies	5,413
Other	1,309
<b>Operating expenses:</b>	<b>18,090</b>
<b>Selling, general and administrative expenses:</b>	<b>10,560</b>
Commission and other expenses	1,432
Employees' compensation and benefits	3,427
Occupancy and rental	1,524
Data processing and office supplies	1,144
Depreciation	509
Taxes other than income taxes	684
Other	1,836
<b>Interest expenses</b>	<b>7,529</b>
<b>Operating income</b>	<b>33,010</b>
<b>Non-operating income</b>	<b>3,756</b>
<b>Non-operating expenses</b>	<b>2,061</b>
<b>Ordinary income</b>	<b>34,704</b>
<b>Extraordinary gains:</b>	<b>1,872</b>
Gain on sale of investment securities	1,763
Other	109
<b>Extraordinary losses:</b>	<b>44,041</b>
Loss on sale or disposal of fixed assets	54
Loss on sale of investment securities	269
Write-down of investment securities	23,442
Write-down of related companies' stocks	20,020
Other	254
<b>Income before income taxes</b>	<b>(7,463)</b>
Income taxes-current	(7,626)
Income taxes-deferred	77
<b>Net income</b>	<b>85</b>

## Statements of changes in net assets

( Apr. 1, 2008 - Mar. 31, 2009)

(Millions of yen)	Owners' equity						Total
	Common stock	Capital surplus	Retained earnings			Treasury stock	
		Additional paid-in capital	Earned surplus reserve	Other earned surplus reserve			
				General - purpose reserve	Deferred earned surplus		
<b>Beginning balance as of Mar. 31, 2008</b>	178,324	157,678	45,335	218,000	78,483	(61,701)	616,120
<b>Changes of items during the fiscal year</b>							
Dividends	-	-	-	-	(20,194)	-	(20,194)
Net income	-	-	-	-	85	-	85
Purchase of treasury stock	-	-	-	-	-	(452)	(452)
Disposal of treasury stock	-	-	-	-	(249)	627	378
<b>Total changes of items during the fiscal year</b>	-	-	-	-	(20,359)	175	(20,183)
<b>Ending balance as of Mar. 31, 2009</b>	178,324	157,678	45,335	218,000	58,124	(61,525)	595,937

(Millions of yen)	Valuation and translation adjustments		Stock subscription rights
	Net unrealized gain on securities, net of tax effect	Deferred gain on hedges, net of tax effect	
<b>Beginning balance as of Mar. 31, 2008</b>	22,230	685	1,341
<b>Changes of items during the fiscal year</b>			
Net changes of items other than owners' equity	(17,717)	(126)	879
<b>Total changes of items during the fiscal year</b>	(17,717)	(126)	879
<b>Ending balance as of Mar. 31, 2009</b>	4,513	559	2,221

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 is 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  
Valued at market value (cost is determined based on the moving average method).
  - (2) Subsidiaries' stock and affiliates' stock  
Stated at cost based on the moving-average method.
  - (3) Other securities  
Other securities with market value are stated at market value, based on quoted market price, etc. 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 the Corporation Tax Law of Japan.
  - (2) Intangible fixed assets, Investments and others  
Intangible fixed assets, Investments and others are amortized under the straight-line method. The Company computes 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
  - (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, bankruptcy claims, and reorganization claims, etc.
  - (2) Accrued bonuses  
Accrued bonuses of employees and directors represent liabilities estimated in accordance with calculation standards of the 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 statutory report
  - (1) Accounting methods for deferred assets  
Expenses for issue of Bonds and Notes are all accounted as expenses when those are disbursed.
  - (2) Accounting methods for hedging  
Marked-to-market profits and losses on hedging instruments are principally deferred as net assets until the profits or losses on the hedged items 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 to each fiscal term without being marked-to-market. In order to avoid interest rate

fluctuation risk and foreign exchange fluctuation risk associated with some of the borrowings and issued corporate bonds, 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 change in aggregated amount of fair value or cash flow of the hedging instrument and the change in aggregated amount of fair value or cash flow of the hedged item.

(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.

5. Important change in accounting policies

Applying accounting standard for lease transaction

Regarding to Financial lease transactions other than those that are expected to transfer ownership of the assets to the lessee, "Accounting Standard for Lease Transaction" (ASBJ Statement No.13) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16) are applied for the transactions from this fiscal year instead of applying the accounting treatment similar to that of ordinary rental transaction.

Concerning financial lease transactions other than the ones that transfer ownership to the lessee, which started before the fiscal year that "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) were applied for the first time, were accounted for in the accounting treatment similar to that of ordinary rental transactions.

## Notes to balance sheet

1. Pledged securities as collateral

69,515 million yen of investment securities were loaned.

2. Allowance for doubtful accounts deducted directly from assets

Investments and others, others	3,422 million yen
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3. Accumulated depreciation of tangible fixed assets	1,988 million yen
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4. Guarantee

The balance of loan guarantees for employees	1,855 million yen
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5. Monetary claims and obligations with related companies

Short-term loan receivables from related companies	94,253	million yen
Long-term loan receivables from related companies	203,143	million yen
Short-term monetary liabilities to related companies	48,086	million yen
Long-term monetary liabilities to related companies	3,074	million yen

## Notes to statement of income

Transactions with related companies

Operating transactions

Operating revenue from related companies	50,572	million yen
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Operating expenses to related companies	3,922	million yen
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Non-operating transactions	1,778	million yen
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## Notes to statement of changes in net assets

Balance of Treasury Stock as of March 31, 2009

Common Shares	58,316,760
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## **Notes to tax effect accounting**

### Deferred tax assets and liabilities

#### (Deferred tax assets)

Write-down of subsidiaries' stock	81,437	million yen
Loss carried forward	23,937	
Write-down of investment securities	14,390	
Others	2,789	
	<hr/>	
	122,555	
Valuation allowance	-121,203	
Total deferred tax assets:	<hr/>	
	1,352	

#### (Deferred tax liabilities)

Unrealized gain on securities	2,204	million yen
Others	385	
Total deferred tax liabilities	<hr/>	
	2,590	

Net deferred tax liabilities	<hr/>	
	1,238	million yen

## **Notes to leased fixed assets**

In addition to the fixed assets on the balance sheet, a part of the computers and cars that are fixed assets are used by the Company under finance lease contracts that do not transfer ownership.

## 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 SMBC Co. Ltd	Direct Ownership 60%	Debt Financing	Debt Financing (Note1)	60,000	Long-term loans receivable	150,000
				Receipt of cash collateral	2,625	Accrued income	1,595
				Lending share	44,168	Collateralized short-term financing agreements	42,264
				Directors hold concurrent positions	65,852		
				Lending share (Note2)			
				Receipt of rent (Note2)	298	Accrued income	16
			Payment of interest (Note2)	318	accrued expense	25	
Subsidiary	Daiwa Property Co., Ltd	Direct Ownership 99.4% Indirect Ownership 0.6%	Debt Financing	Debt Financing (Note1)	-	Long-term loans receivable	37,250
				Directors hold concurrent positions	839	Short-term loans receivable	720
Subsidiary	Daiwa Securities Loan Co., Ltd.	Direct Ownership 100%	Debt Financing	Debt Financing (Note3)	63,583	Short-term loans receivable	58,100
				Directors hold concurrent positions	955		
Subsidiary	Daiwa America Corporation	Direct Ownership 100%	Debt Financing	Debt Financing (Note3)	3,297	Short-term loans receivable	19,568
				Directors hold concurrent positions	24	Accrued income	5

Terms and conditions of transaction and transaction policy

(Note1) Outstanding credit in the fiscal year ending March 31, 2009 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.

(Note3) Each transaction amount is the average of month end balances.

Interest rate is determined based on market rate and no pledge was made.

## Notes to per share information

Net assets per share 446.40 yen

Net income per share 0.06 yen

**Independent Auditors' Report**

May 14, 2009

The Board of Directors  
Daiwa Securities Group Inc.

KPMG AZSA & Co.

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

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

Atsushi Fukui(Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income and changes in the net assets, and its supporting schedules of Daiwa Securities Group Inc. as of March 31, 2009 and for the 72nd business year from April 1, 2008 to March 31, 2009 in accordance with Article 436(2)①of the Corporate Law. The statutory report and its supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and its 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 its 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 its supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and its 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 its 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 72nd Business year from April 1, 2008 to March 31, 2009. 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 Corporate Law 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, the 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 131 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, the Audit Committee requested explanations.

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

### 2. Results of the Audit

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

- In our opinion, the business report and its 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 its 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 18, 2009

Audit Committee  
Daiwa Securities Group Inc.

Committee Chairperson (Full time)  
Saburo Jifuku

Committee Member  
Koichi Uno

Committee Member  
Nobuko Matsubara

*(Note) Mr. Koichi Uno and Ms. Nobuko Matsubara are the outside directors provided under the provision of Article 2, item 15 and Article 400, Paragraph 3 of the Corporate Law.*

## Reference Documents for the General Meeting of Shareholders

Bills and reference matters

### Bill 1. Partial Amendment of the Articles of Incorporation

#### 1. Reasons for Amendments

- (1) Regarding Article 2 (Purposes) of the current Articles of Incorporation, as the Company restructured an important subsidiary which engages in system and research business into an intermediate holding company in October 2008, it is proposed that a clause is added stating that the Company holds shares or equity interests in holding companies to make it clear that the Company controls and manages the business activities of those holding companies. Also, it is proposed to execute other necessary amendments associating with the above amendment.
  
- (2) Upon the enforcement of “The Law for Partial Amendments to the Law Concerning Book-entry Transfer of Corporate Bonds and other Securities for the Purpose of Streamlining the Settlement for Trade of Stocks and Other Securities” (Act No. 88 of 2004: hereinafter, the “Streamlining Settlement Law”) on January 5, 2009, shares of listed companies are digitalized in accordance with the new book-entry transfer system for stocks (the electric share certificate system). Accordingly, amendments to the current Articles of Incorporation are proposed as follows:
  - a) Article 6 (Issue of Share Certificates) of the current Articles of Incorporation has been deemed to be repealed effective January 5, 2009, in accordance with Article 6, paragraph 1 of the Supplementary Provisions of the Streamlining Settlement Law, and this repeal shall be reflected in the Articles of Incorporation.
  
  - b) Upon enforcement of the Streamlining Settlement Law, Paragraph 2 of Article 7 (Number of Shares Constituting One Unit of Shares and Non-Issuance of Share Certificate Representing Less than One Unit) of the current Articles of Incorporation has been rendered invalid. Also, as the Act on Custody and Transfer of Share Certificate, etc. (Act No. 30 of 1984) had been rendered invalid upon enforcement of Article 2 of the Supplementary Provisions of the Streamlining Settlement Law, the concept of “beneficial shareholders” stated in Article 8 (Rights Pertaining to Shares Constituting Less than One Unit) and Article 11 (Administrator of the Company’s Shareholders’ Register) of the current Articles of Incorporation has also been rendered invalid. It is therefore proposed to execute necessary amendments including deletion of related Articles, etc. to reflect the above.
  
  - c) Because the Register of Lost Share Certificates of the Company is to be prepared and held for one year after the enforcement date of the Streamlining Settlement Law, it is proposed

that the necessary statements be added as supplementary provisions to the Articles of Incorporation.

d) With the above stated amendments, it is proposed to delete unnecessary Articles and to adjust the numbering of the subsequent Articles.

## 2. Contents of Amendment

Proposed amendments are as follows.

Current Articles of Incorporation	Proposed Amendments
<p>(Purposes)</p> <p><u>Article 2.</u> The purposes of the Company shall be to hold shares or equity interests of companies engaging in the following business and shares or equity interests of foreign companies engaging in the business equivalent thereto, and thereby control and manage the business activities of these companies:</p> <p>(1) To do financial instruments and exchange business as provided for under the Financial Instruments and Exchange Law;</p> <p>(2) To do business relating to finance including, but not limited to, banking business as provided for under the Banking Law, in addition to the business in each of the foregoing items;</p> <p>(3) To do research and investigation into economies and financial and capital markets in domestic and foreign markets, and to be entrusted with such research and investigation;</p> <p>(4) To be entrusted with calculation service by using a computer;</p> <p>(5) To develop and sell software;</p> <p>(6) To do the business of sale, purchase and lease of real estate and their brokerage;</p> <p>(7) To do money lending business as provided for under the <u>Money Lending Business Regulation Law</u>;</p> <p>(8) To do trust business as provided for under the Trust Business Law;</p> <p>(9) To do the business of offering life insurance contracts and to engage in the non-life insurance agency business;</p> <p>(10) To do securities handling and administration business;</p> <p>(11) To do business relating to publishing, advertisement agency, broadcasting, and other information services; and</p> <p>(12) To do business relating to education and culture.</p>	<p>(Purposes)</p> <p><u>Article 2.</u> The purposes of the Company shall be to hold shares or equity interests of companies engaging in the following business and shares or equity interests of foreign companies engaging in the business equivalent thereto, and thereby control and manage the business activities of these companies:</p> <p>[Not amended]</p> <p>[Not amended]</p> <p>[Not amended]</p> <p>[Not amended]</p> <p>[Not amended]</p> <p>[Not amended]</p> <p>(7) To do money lending business as provided for under the <u>Money Lending Business Law</u>;</p> <p>[Not amended]</p> <p>[Not amended]</p> <p>[Not amended]</p> <p>[Not amended]</p> <p>[Not amended]</p>

Current Articles of Incorporation	Proposed Amendments
[New]	
<p>2. The Company can engage in any and all business incidental or relating to any of the business in the foregoing paragraph.</p>	<p>(13) <u>To do business holding shares or equity interests of companies engaging in each business captioned above and shares or equity interests of foreign companies engaging in the business equivalent thereto, and thereby control and manage the business activity of these companies:</u> [Not amended]</p>
<p>Article 3. – Article 5. [Text Omitted]</p>	<p>Article 3. – Article 5. [Not amended]</p>
<p><u>(Issue of Share Certificates)</u></p>	<p>[Deleted]</p>
<p><u>Article 6.</u> The Company shall issue Share certificates for its Shares.</p>	
<p>(Number of Shares Constituting One Unit of Shares and Non-Issuance of Share Certificate Representing Less than One Unit)</p>	<p>(Number of Shares Constituting One Unit of Shares) <u>Article 6.</u> [Not amended]</p>
<p><u>Article 7.</u> One unit of Shares of the Company shall consist of one thousand (1,000) Shares.</p>	
<p>2. <u>Notwithstanding the provision of the preceding Article, the Company shall not issue Share certificates representing the number of Shares constituting less than one unit; provided that the foregoing shall not apply if the Share Handling Regulations provide otherwise</u></p>	<p>[Deleted]</p>
<p>(Rights Pertaining to Shares Constituting Less than One Unit)</p>	<p>(Rights Pertaining to Shares Constituting Less than One Unit)</p>
<p><u>Article 8.</u> Any shareholder of the Company (including beneficial shareholders; the same being applicable hereafter) shall not exercise any right pertaining to Shares which do not constitute one unit of the Shares he/she has except for the following rights:</p>	<p><u>Article 7.</u> Any shareholder of the Company shall not exercise any right pertaining to Shares which do not constitute one unit of the Shares he/she has except for the following rights:</p>
<p>(1) a request for the repurchase of Shares constituting less than one unit and other rights granted by the items listed in Article 189, Clause 2 of the Corporation Law.</p>	<p>[Not amended]</p>
<p>(2) a right to make a request pursuant to Article 166, Clause 1 of the Corporation Law.</p>	<p>[Not amended]</p>
<p>(3) a right to be allotted offered Shares or offered stock acquisition rights in proportion to the number of Shares owned by a shareholder.</p>	<p>[Not amended]</p>
<p>(4) a right to make a request pursuant to the following Article.</p>	<p>[Not amended]</p>
<p>(Request to Buy up to One Unit of Shares)</p>	<p>(Request to Buy up to One Unit of Shares)</p>
<p><u>Article 9.</u> [Text Omitted] (Share Handling Regulations)</p>	<p><u>Article 8.</u> [Not amended] (Share Handling Regulations)</p>
<p><u>Article 10.</u> [Text Omitted] (Administrator of the Company's Shareholders' Register)</p>	<p><u>Article 9.</u> [Not amended] (Administrator of the Company's Shareholders' Register)</p>
<p><u>Article 11.</u> The Company shall have an Administrator of the Company's Shareholders' Register.</p>	<p><u>Article 10.</u> [Not amended]</p>

Current Articles of Incorporation	Proposed Amendments
<p>2. The Company shall cause the Administrator of the Company's Shareholders' Register to handle the business relating to the Register of Shareholders <u>(including the Register of Beneficial Shareholders; the same being applicable hereafter)</u>, the Register of Stock Acquisition Rights, <u>and the Register of Lost Share Certificates of the Company</u>, and the Company shall not handle the above business directly.</p> <p>3. The Register of Shareholders, the Register of Stock Acquisition Rights <u>and the Register of Lost Share Certificates of the Company</u> shall be kept at the handling office of the Administrator of the Company's Shareholders' Register.</p> <p>4. Such Administrator of the Company's Shareholders' Register and its handling office or offices shall be appointed or designated by the Executive Officer and public notice thereof shall be given accordingly.</p> <p><u>(Registration of Names, Addresses and Seal Impressions, etc.)</u></p>	<p>2. The Company shall cause the Administrator of the Company's Shareholders' Register to handle the business relating to the Register of Shareholders <u>and</u> the Register of Stock Acquisition Rights, and the Company shall not handle the above business directly.</p> <p>3. The Register of Shareholders <u>and</u> the Register of Stock Acquisition Rights shall be kept at the handling office of the Administrator of the Company's Shareholders' Register.</p> <p>[Not amended]</p>
<p><u>Article 12. Shareholders and their registered or logged pledgees or their legal representatives shall register their names, addresses and seal impressions with the Administrator of the Company's Shareholders' Register.</u></p> <p><u>2. In the event any person referred to in the preceding paragraph resides abroad, he/she shall designate his/her temporary address in Japan or appoint a resident agent in Japan and notify the Administrator of the Company's Shareholders' Register of such designation or appointment.</u></p> <p><u>3. Any and all subsequent changes in any of the matters registered or notified pursuant to either of the preceding two paragraphs shall also require registration or notification.</u></p>	<p>[Deleted]</p>
<p>(Ordinary General Meeting and Extraordinary General Meeting)</p> <p><u>Article 13.</u> [Text Omitted] (Record Date of Ordinary General Meeting of Shareholders)</p> <p><u>Article 14.</u> The Company shall deem those shareholders whose names <u>appear or</u> are logged in the Register of Shareholders on March 31 of each year as shareholders entitled to exercise their rights at the Ordinary General Meeting of Shareholders.</p> <p><u>Article 15. – Article 44.</u> [Text Omitted]</p>	<p>(Ordinary General Meeting and Extraordinary General Meeting)</p> <p><u>Article 11.</u> [Not amended] (Record Date of Ordinary General Meeting of Shareholders)</p> <p><u>Article 12.</u> The Company shall deem those shareholders whose names are logged in the Register of Shareholders on March 31 of each year as shareholders entitled to exercise their rights at the Ordinary General Meeting of Shareholders.</p> <p><u>Article 13. – Article 42.</u> [Not amended]</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Record Date for Dividends from Surplus)</p> <p><u>Article 45.</u> Year-end dividends of the Company may be paid to shareholders or their registered pledgees whose names <u>appear or</u> are logged in the Register of Shareholders as of March 31 of each year.</p> <p>2. Interim dividends of the Company may be paid to shareholders or their registered pledgees whose names <u>appear or</u> are logged in the Register of Shareholders as of September 30 of each year.</p> <p>3. The Company may, without prejudice to the preceding two paragraphs, declare other record dates for dividends.</p>	<p>(Record Date for Dividends from Surplus)</p> <p><u>Article 43.</u> Year-end dividends of the Company may be paid to shareholders or their registered pledgees whose names are logged in the Register of Shareholders as of March 31 of each year.</p> <p>2. Interim dividends of the Company may be paid to shareholders or their registered pledgees whose names are logged in the Register of Shareholders as of September 30 of each year.</p> <p>3. [Not amended]</p>
<p>(Prescription Period of Dividends)</p> <p><u>Article 46.</u> [Text Omitted]</p> <p>[New]</p> <p>[New]</p>	<p>(Prescription Period of Dividends)</p> <p><u>Article 44.</u> [Not amended]</p> <p><u>Supplementary provisions</u></p> <p><u>Article 1.</u> <u>The preparation and keeping of the register of lost share certificates and other administrative works related thereto shall be entrusted to the Administrator of the Company's Shareholders' Register and shall not be handled by the Company itself.</u></p> <p><u>Article 2.</u> <u>The provisions of the preceding Article 1 and this Article 2 shall be effective until January 5, 2010, and shall be deleted as of January 6, 2010.</u></p>

## Bill 2. Election of Fourteen (14) Directors

The terms of office of all Directors are expiring as of the conclusion of this Ordinary General Meeting of Shareholders. We are increasing the number of Outside Directors from 4 to 5 to pursue stronger and healthier corporate governance, and it is requested to elect fourteen (14) Directors pursuant to the decisions of the Nominating Committee.

The nominees for Directors are as follows, and Messrs. Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno, Ms. Nobuko Matsubara and Mr. Keiichi Tadaki 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.

<b>Candidate Number</b>	<b>Name (Date of Birth)</b>	<b>Brief personal history, title, and representative status of other entities</b>		<b>Number of shares of the Company owned by the candidate</b>
1	Akira Kiyota (May 6, 1945)	Apr 1969	Joined the Company	161,000 shares
		May 1994	Deputy Head of Sales Division of the Company	
		Jun 1994	Director of the Company	
		May 1996	Head of Fixed Income / Fund Division of the Company	
		Jun 1997	Managing Director of the Company	
		Sep 1997	Representative Director and Managing Director of the Company	
		Oct 1997	Representative Director and Deputy President of the Company	
		Apr 1999	Representative Director and President of Daiwa SB Capital Markets Co., Ltd. (currently, Daiwa Securities SMBC Co. Ltd.)	
		Jun 2004	Deputy Chairman of the Board and Corporate Executive Officer of the Company	
		Jun 2008 to date	Chairman of the Board and Corporate Executive Officer of the Company (to date)	

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)	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	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)	111,000 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>	58,000 shares
4	Takashi Hibino (September 27, 1955)	<p>Apr 1979 Apr 2002 Jun 2002 May 2004 Jun 2004 Jul 2004 Apr 2005 Apr 2007 Jul 2008 Apr 2009 to date</p>	<p>Joined 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 Head of Planning and Personnel, and Deputy Head of Wholesale of the Company Senior Managing Executive Officer of Daiwa Securities SMBC Co. Ltd. Director, Deputy President and Executive Officer of the Company, Deputy Head of Wholesale (to date) Representative Director and Deputy President of Daiwa Securities SMBC Co. Ltd. (to date)</p>	65,090 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	Nobuyuki Iwamoto (June 14, 1956)	Apr 1980 Apr 1999  Apr 2001 Apr 2005 Jun 2006 Apr 2007 Apr 2008  Apr 2009 to date	Joined 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 Director and Corporate Senior Executive Officer of the Company Director and Corporate Executive Vice President of the Company , CFO and Head of Planning and Personnel (to date)	29,000 shares
6	Saburo Jifuku (May 28, 1959)	Apr 1982 Apr 1999  Apr 2006  Jun 2008 to date	Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities SMBC Co. Ltd.) General Manager of Personnel Dept of the Company Director of the Company (to date)	10,000 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  Aug 2008 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. Resigned as Corporate Auditor of the Company Outside Director of the Company (to date) Honorary Advisor of Sumitomo Electric Industries, Ltd. (to date)	16,593 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.	25,000 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	20,000 shares
10	Nobuko Matsubara (January 9, 1941)	Apr 1964 Mar 1987 Oct 1991 Jul 1997 Apr 1999 Sep 2002 Nov 2002 Jan 2006 Jul 2006 Jun 2008 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 Workers' Evolution Chairman of Japan Institute of Workers' Evolution (to date) Outside Director of the Company (to date)	7,000 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
11	Takashi Fukai (April 30, 1953)	<p>Apr 1978 Apr 1999 Apr 2001 Jun 2002  Jun 2003  Jul 2003  May 2004  Jul 2004 Oct 2004 Jan 2005  Apr 2005  Apr 2007 Dec 2007  Oct 2008  Apr 2009 to date</p>	<p>Joined the Company Joined Daiwa Securities Co. Ltd. Kobe Branch Manager of the above Company Executive Officer of the above Company, Head of Marketing, Sales Planning, and General Manager of Marketing Strategy Dept.  Head of Marketing, Sales Planning, and General Manager of Marketing Strategy Dept., Sales Planning Dept., Sales Support Dept.  Head of Marketing, Sales Planning, and General Manager of Sales Planning Dept., Sales Support Dept.  Head of Investment Program, Private Banking, Investment, and General Manager of Savings Program Preparation Dept. of the above company  Head of Investment Program, Private Banking, and Investment of the above company Head of Accounting &amp; Finance, Administration, and Investment Program of the above company Head of Risk Management, Accounting &amp; Finance, Administration, and Investment Program of the above company Managing Director of the above company, Head of Administration Division Senior Managing Director of the above company Head of Administration Division and Investment Program of the above company Head of Administration Division , Planning and Investment Program, and General Manager of Corporate Planning Dept. of the above company Deputy President and Executive Officer of the Company , Deputy Head of Retail (to date) Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)</p>	29,000 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
12	Kazuo Oda (January 14, 1954)	Apr 1976 Aug 1979 Apr 1994  Oct 1999 Nov 2001 Jun 2002 May 2004 Apr 2005 Apr 2007 Apr 2008 Oct 2008 Feb 2009 Apr 2009 to date	<p>Joined the Company</p> <p>Joined Daiwa Computer Service Ltd.</p> <p>General Manager of Corporate System Development Dept. of Daiwa Institute of Research Ltd. (currently, Daiwa Institute of Research Holdings Ltd.)</p> <p>Executive Officer of the above company, Deputy Head of System Solution Institutions Division</p> <p>Deputy Head of Securities Group System Institutions Division of the above company</p> <p>Executive Officer and Head of New Securities Development Division of the above company</p> <p>Corporate Senior Executive Officer of the above company</p> <p>Head of Daiwa Institute of Research Data Center , Information Security Division Planning Dept.</p> <p>Senior Managing Director of the above company, Head of Daiwa Institute of Research Data Center , Institute of Information technology, and Information Security Division Planning Dept.</p> <p>Representative Director and Senior Managing Director of the above company, Head of Daiwa Institute of Research Data Center , Institute of Information technology, and Compliance Dept.</p> <p>Representative Director and Senior Managing Director of Daiwa Institute of Research Ltd., Head of Risk Management, System Management Division, System Division(2), Institute of Information technology</p> <p>Head of Risk Management, Quality Control Dept., Information Planning Dept., System Division(2), Institute of Information technology</p> <p>Corporate Senior Executive Officer of the Company, Head of information technology ( CIO ) (to date)</p> <p>Senior Managing Director of Daiwa Institute of Research Ltd. (to date)</p>	18,000 shares
13	Seiji Nakata (July 16, 1960)	Apr 1983 Apr 1999 Apr 2005 Apr 2006 Apr 2007 Oct 2008 Apr 2009 to date	<p>Joined the Company</p> <p>Joined Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities SMBC Co. Ltd.)</p> <p>General Manager of Structured Products Dept. of the above company</p> <p>Executive Officer and Head of Planning of the above company</p> <p>Corporate Executive Officer of the Company, Deputy Head of Planning and Personnel, and General Manager of Corporate Planning Dept.</p> <p>Deputy Head of Planning and Personnel of the Company (to date)</p> <p>Corporate Senior Executive Officer of the Company (to date)</p>	13,030 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
14	Keiichi Tadaki (July 1, 1943)	Apr 1969 Apr 1996 Jul 1997 Dec 1997 Jan 2002 Jun 2004 Jun 2006 Jun 2008 Jul 2008 Nov 2008 to date	Became Prosecutor Chief Prosecutor of the Oita District Public Prosecutors Office Prosecutor of the Supreme Public Prosecutors Office Deputy Vice-Minister of Justice Vice-Minister of Justice Superintending Prosecutor of the Tokyo High Public Prosecutors Office Prosecutor General Retired as Prosecutor General Attorney at law (operating to date) Chairman of Japanese Correctional Association (to date)	0 shares

(Notes)

1. The Company has been offering long-term loans to Daiwa Securities SMBC Co. Ltd.
2. The reasons for election of these five 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 an Honorary Advisor 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 seventh (7) year as one of the Company's Outside Directors.
  - (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 sixth (6) year as one of the Company's Outside Directors.
  - (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. According to the above-mentioned reasons, we made a decision that he could adequately carry out his assignment as the Company's Outside Director, even though he has never been involved in corporate management. The conclusion of this Ordinary General Meeting of Shareholders marks his fifth (5) year as one of the Company's Outside Directors.
  - (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 Workers' 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. The conclusion of this Ordinary General Meeting of Shareholders marks her first (1) year as one of the Company's Outside Directors.*

*(5) Mr. Keiichi Tadaki was the Vice-Minister of Justice, the Superintending Prosecutor of the Tokyo High Public Prosecutors Office and the Prosecutor General and is currently an attorney at law. The Company requests shareholders to elect him as its Outside Director since we believe that his accumulated ample experiences and professional knowledge about laws and compliance would contribute to management of the Company. According to the above-mentioned reasons, we made a decision that he could adequately carry out his assignment as the Company's Outside Director, even though he 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., facts as stated below relating to Mitsui & Co., Ltd. came to light. 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 the involvement in the inappropriate circulation transactions including false transactions by the sales department of Kyushu Branch of Mitsui & Co., Ltd. during September 2000 to February 2008 concerning agricultural materials for customers in Kyusyu area and the reporting of false transactions as exporting trades to south east Asia including Indonesia by sales department of Performance Chemicals Business Unit of Mitsui & Co., Ltd during April 2004 to August 2008. 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 those 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 has 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 anticipates receiving them in 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 relationship with the Company.*

*5. The current Outside Directors, Messrs. Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno, and Ms. Nobuko Matsubara have executed an 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 with Mr. Keiichi Tadaki as Outside Director.*

### Bill 3. 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"). The allocation date (hereinafter, "Allocation Date") implies the date on which stock acquisition rights shall be allocated. In order to maintain competitive human resources and effective incentive to improve business results, the Company puts conditions on Common Stock Acquisition Right II such that

those who are granted the right will not be able to exercise the right until July 2014. 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 1,200 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 1,200,000. 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.

$$\frac{\text{Number of Granted Shares after adjustment}}{\text{Number of Granted Shares before adjustment}} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of split or consolidation}$$

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 the Allocation Date of Common Stock Acquisition Rights I and June 30, 2029.
- (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 17 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 of 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 4,500 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 4,500,000. 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, or

- (ii) The Closing Price on the Allocation 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, 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, 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, 2014, to June 19, 2019.
- (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 17 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 (6 members), Audit Committee (4 members), Compensation Committee (5 members)

Nominating Committee	Akira Kiyota (Chairman)
	Shigeharu Suzuki
	Tetsuro Kawakami
	Ryuji Yasuda
	Nobuko Matsubara
	Keiichi Tadaki
Audit Committee	Saburo Jifuku (Chairman)
	Koichi Uno
	Nobuko Matsubara
	Keiichi Tadaki
Compensation Committee	Akira Kiyota (Chairman)
	Shigeharu Suzuki
	Tetsuro Kawakami
	Ryuji Yasuda
	Koichi Uno

2. Executive Officers (16 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	Takashi Fukai	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	Takashi Hibino	Director of the Company Representative Director / Deputy President of Daiwa Securities SMBC Co. Ltd.
Deputy President	Makoto Shirakawa	Representative Director / Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Toshiro Ishibashi	Representative Director / President of Daiwa Asset Management Co. Ltd.
Deputy President	Hiroshi Ota	Representative Director / President of Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd., and Daiwa Institute of Research Business Innovation Ltd.,

	Name	Main titles and posts held concurrently
Corporate Executive Vice President and CFO	Nobuyuki Iwamoto	Director of the Company
Corporate Senior Executive Officer and CIO	Kazuo Oda	Director of the Company
Corporate Senior Executive Officer	Seiji Nakata	Director of the Company
Corporate Executive Officer	Masaaki Goto	Chairman of Daiwa America Corporation
Corporate Executive Officer	Keiko Uehara	
Corporate Executive Officer	Takeaki Mori	President of Daiwa America Corporation
Corporate Executive Officer	Toshihiro Matsui	
Corporate Executive Officer	Akira Kiyota	Director / Chairman of the Board