

<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)
June 4, 2010

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 73rd Ordinary General Meeting of Shareholders

You are hereby notified that the 73rd 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 for 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 26, 2010

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 73rd fiscal year (from April 1, 2009 to March 31, 2010), 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 73rd fiscal year (from April 1, 2009 to March 31, 2010).

Matters to be resolved:

Bill 1: Election of Fourteen (14) Directors

Bill 2: 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 25, 2010, 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).

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- Please note that any proxy or person accompanying 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, 2009 to March 31, 2010)

I. Status of the Group's Business Activities

Daiwa Securities Group, the core business of which 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 (FY2009) is as follows.

Note: In this report, the "Group" means the 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 was in the recovery stage. In the first half of FY2009, exports and productions began to increase as the credit crunch which had spread worldwide started to ease inventory adjustments in the domestic market proceeded and corporate investments recovered from the worst period. Personal consumption was supported by governments' policies such as the Supplementary Income Payments, the eco-cars tax reduction and the eco points scheme, and recovered chiefly in the area of durable consumer goods. The economy itself was certainly towards recovery, but the level of recovery in the economy and corporate earnings was still low. Corporate investments decreased to reduce the oversupply, and the environment of employment and earnings was getting harsher. In the second half of FY2009, exports and productions constantly increased but at a slower pace and the economic climate mainly for large manufacturers kept on improving. Personal consumption continued to recover with the positive effect of governments' policies continuing, and the decrease of corporate investments and the worsening of the environment of employment and earnings stopped. As a result, business conditions in Japan steadily continued to advance.

Regarding the Japanese stock market, the Nikkei 225 index recovered 10,000 in June 2009 and increased to 10,767.00 in August, up from 8,109.53 in the previous fiscal year with the expectation that the bottom of the world business conditions and corporate earnings in Japan had been reached. The Nikkei 225 Index became shaky and temporarily dropped to close to 9,000 points in the autumn with the appreciation of the Yen and unstable business conditions worldwide. However, the Nikkei 225 increased to 10,982.10 in January 2010 after the appreciation of Yen ceased in December when the Bank of Japan unveiled an additional plan for easing the money market and foreign investors resumed purchasing Japanese stocks. While weakened after January 2010, the Nikkei 225 increased again due to the Bank of Japan's additional plan for easing the money market in March and reached 11,089.94 as of the end of the fiscal year. Furthermore, the average trading volume (total of domestic and foreign stocks) per day at the Tokyo Stock Exchange during the current fiscal year was 1 trillion 553.5 billion yen, down 23.4% 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 1.3% level at the beginning of the current fiscal year, temporarily rose to the mid 1.5% level in mid-June because of financial deterioration caused by general economic measure and foreign interest rates advanced for the same reason. However, the yield declined to below the 1.2% level in December with pressure for deflation due to the depressed economy. The yield shifted around the 1.3% level since January and reached 1.395% at the end of 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 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.

Regarding "Consulting," as in the preceding fiscal year, Daiwa Securities actively offered foreign currency denominated bonds, 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 an annuity insurance. Also, it started to offer "Daiwa PTS

retail JGB trading” as the service included in “Daiwa PTS” (proprietary trading system).

Concerning “Direct,” it categorized a products lineup which is appropriate for active investment policy and which utilizes the characteristic of trading through the internet as “ACTIVELINE” and has begun to offer the exchange forex margin contracts provided by Tokyo Financial Exchange Inc. (“Click 365”).

Concerning “Daiwa SMA,” a discretionary investment contract service, it provides high quality services mainly to high net worth customers. In the meantime, regarding “Daiwa Fund Wrap,” which provides diversification based on each customer’s investment policy by combining investment trusts that are established especially for this service, it made an effort to expand its customers’ assets under its custody. We maintained No.1 position in the industry of wrap account services (*Note*) in terms of the amount of assets under management as at the end of 2009.

(Note)The account services which provide operating and management of assets as property management service for customers, and for which customers need to pay the management fee, transaction fee and custody fee etc. in one lump sum depending on the balance of assets contracted.

2) Wholesale

Daiwa Securities Capital Markets Co. Ltd. (previously known as Daiwa Securities SMBC Co. Ltd., which changed its name as of January 1, 2010) restarted the wholesale securities business as an independent investment bank after the Company dissolved the joint venture contract in the wholesale securities business with Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation which lasted for 10 years. In FY2009, operating revenues significantly increased because net gains on private equities and other securities and trading recovered and the underwriting business got satisfactory results.

In the underwriting business, while Japanese corporations actively strengthened their capital base, it was joint lead manager for large public offerings including those of financial institutions (Sumitomo Mitsui Financial Group, Inc., Mitsubishi UFJ Financial Group, Inc. and T&D Holdings, Inc.), NEC Corporation, Mazda Motor Corporation and Toshiba Corporation. Also, it was appointed as joint lead manager for initial public offerings including those of Tong Yang Life Insurance Co. Ltd. in South Korea and China High Precision Automation Group Ltd. in Hong Kong. Furthermore, in China, Daiwa SSC Securities Co., Ltd., a joint venture with Shanghai Securities, a company in the Shanghai International Group, served as joint lead manager for the initial public offering of Shanghai

Conant Optics Co., Ltd. and as lead manager for the corporate bond issuance of HONGRUN Construction Group Co., Ltd.

In the M&A business, in relation to the business integration between Mitsui Sumitomo Insurance Group Holdings, Inc., Aioi Insurance Company, Limited and Nissay Dowa General Insurance Company, Limited, it was appointed as an advisor to Mitsui Sumitomo Insurance Group Holdings, Inc. Also, it was a tender offer agent for the tender offer for shares of Jupiter Telecommunications Co. Ltd. by Sumitomo Corporation.

It established a “Financial Research Center” to improve its information-providing capacity to clients including institutional investors this financial year, and transferred domestic and overseas equity research analysts and strategists who belong to Daiwa Institute of Research Ltd. and overseas local subsidiaries of Daiwa Institute of Research Ltd to the “Financial Research Center” and its newly established overseas research department.

Moreover, Daiwa Securities Capital Markets Co. Ltd. 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) Daiwa Securities SMBC Co. Ltd. changed its company name to “Daiwa Securities Capital Markets Co. Ltd.” on January 1, 2010.

3) Assets Management

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

As a result, the assets under management of investment trusts of both firms substantially increased along with favorable capital inflows and the positive effects brought by the improving markets as well.

Daiwa Assets Management Co. Ltd. launched a few investment trusts which invest in commodities and emerging markets such as India, Brazil, etc. It also started to manage an investment trust whose investment policy is to activate Japanese corporations by investing in shares of companies which place their headquarters in Kyoto, called “Japan Supporter-Daiwa Kyoto Stock Fund.” As such, it promoted the development of new products which would suit the investment environment and enlarged its lineup to meet a great variety of investors’ needs. The assets under management of “Daiwa Brazil Stock Open –Rio Wind–” and “Daiwa Foreign Bond Fund (a monthly dividend type) –Daiwa

Spirit—” have been over 100 billion yen and 300 billion yen, respectively.

In connection with Daiwa SB Investments Ltd., it tried to enhance its skill in investment advising relating to domestic and foreign pension funds and became No. 1 in the rankings of the investigation of pension funds’ conducted by “Newsletter on Pensions & Investment” published by Rating and Investment Information, Inc. (R&I). Concerning investment trusts business, it got satisfactory capital inflows mainly thanks to foreign equities and bonds funds.

4) Investment

Daiwa SMBC Capital Co. Ltd., Daiwa Securities SMBC Principal Investments Co. Ltd. (*Note 1*) and Daiwa PI Partners Co. Ltd. (*Note 2*) undertake the Group’s investments business. (*Note 3*)

Accepting a tender offer from Panasonic Corporation for shares of Sanyo Electric Co., Ltd. significantly contributed to the Group’s revenue. In the meantime, large provisions from existing investments were posted.

Daiwa SMBC Capital Co. Ltd. established a private equities fund, the investment objective of which was Chinese companies expected to have high growth, with Hubei High-tech Industrial Investment Co. Ltd. and HuBei Science & Technology Investment Corporation. And it agreed with SSI Asset Management Co., Ltd., a wholly-owned subsidiary of Saigon Securities, to commence operation of an unlisted share investment fund targeting high-growth companies in Vietnam.

Daiwa Quantum Capital Limited, which was established jointly by Daiwa PI Partners Co. Ltd. and Quantum Leaps Corporation, started to manage an investment fund the target of which was to support the growth and long-term increase in the corporate value of both the targeted Asian companies and the Japanese corporations which provide their resources and knowledge capital to such targeted companies.

(Note 1) Daiwa Investment Management 2nd Inc. (in which the Company and Mitsui Sumitomo Banking Corporation have shares of 60% and 40%, respectively) changed its name to Daiwa Securities SMBC Principal Investments Co. Ltd. as of February 1, 2010.

(Note 2) Daiwa Securities SMBC Principal Investments Co. Ltd. changed its name to Daiwa PI Partners Co. Ltd. as of February 1, 2010.

(Note 3) After the dissolution of the joint venture concerning the wholesale securities business, Daiwa PI Partners Co. Ltd. transferred most of its existing investment businesses to Daiwa Securities SMBC Principal Investments Co. Ltd. upon a de-merger on February 1, 2010. Daiwa Securities SMBC Principal Investments Co. Ltd. exists the existing investment and Daiwa PI Partners Co. Ltd. deals with new investments through

funds.

5) Research and Systems

Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. continued to strive to enhance the effectiveness of management including appropriate personnel strategy and restructuring of systems.

For the purpose of supporting the Asia related business of Daiwa Securities Group, Daiwa Institute of Research Ltd. has established the Asian Business Research Department, which conducts investigation for development of capital markets and collects information in Asia.

[Business Development concerning Emerging Countries]

The Group is working on strengthening the Asia related business that is expected to grow in the medium to long term. The Company and Daiwa Asset Management Co. Ltd. determined to acquire 100% of the issued shares of Shinsei Asset Management (India) Private Limited which engaged in the asset management business in India and Shinsei Trustee Company (India) Private Limited which provides trustee services.

[Exploring New Business Area]

The Company initiated the process for setting up an internet banking operation to provide high quality financial services satisfying customers' needs. A subsidiary company for preparations for the launch of banking operation was established on April 1, 2010 and targeted to start banking operations in 2011 after the approval from authorities.

Also, the Company acquired all outstanding shares of K. K. daVinci Select (current Daiwa Real Estate Asset Management Co. Ltd.) to enter into the real estate asset management business and invested 10 billion yen in DA Office Investment Corporation, the J-REIT managed by Daiwa Real Estate Asset Management Co. Ltd.

[CSR (Note)]

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

The Group continued to arrange and distribute "Vaccine Bonds" issued by the International Finance Facility for Immunization Company ("IFFIm"), which were issued to accelerate the availability of funds for health and immunization programs in developing countries around the world. Besides that, we arranged and distributed the "Microfinance

Bond” which was issued by International Finance Corporation for the purpose of providing small-scale financial services to poorer segments and fostering economic independence and “Green World Bank Bonds” issued by The World Bank (International Bank for Reconstruction and Development) to contribute to the combating of climate change. Furthermore, we arranged and distributed the “Water Bond” issued by The Asian Development Bank to finance its work in the water sector in Asia and the Pacific.

The Group positively works in industry-academia collaboration activity. In the current fiscal year, we supported a finance education program for the younger generation.

(Note) CSR (Corporate Social Responsibility)

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 54 companies, and affiliates included under the equity method are 7.

(Note) These consolidated financial statements of the Company for the fiscal year ending March 31, 2010 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 537.9 billion yen, up 30.0% from the previous fiscal year, and the net operating revenues were 458.1 billion yen, up 129.6% from the previous fiscal year.

	(Millions of yen)		
	Current (FY2009)	Previous (FY2008)	% Change
Commissions	252,863	208,880	21.1%
(Equity)	[56,387]	[56,401]	[▲ 0.0%]
(Fixed Income)	[698]	[991]	[▲29.6%]
(Asset Management)	[108,266]	[97,001]	[11.6%]
(Investment Banking)	[70,647]	[34,914]	[102.3%]
(Others)	[16,863]	[19,571]	[▲13.8%]
Net gain (loss) on Trading	110,955	40,921	171.1%
(Stocks and others)	[24,481]	[▲25,737]	[—]
(Bonds, Foreign Exchange, etc.)	[86,474]	[66,658]	[29.7%]
Net gain (loss) on private equity and other securities	75,584	▲79,477	—
Interest and dividend Income	54,729	192,663	▲71.6%
Other Sales Revenue	43,783	50,948	▲14.1%
Operating Revenues	537,915	413,936	30.0%
Interest Expenses	47,659	176,034	▲72.9%
Cost of Sales	32,150	38,357	▲16.2%
Net Operating Revenue	458,105	199,544	129.6%

1) Commissions

The following are the details of the commissions.

[Equity]

The Equity Division's commissions were 56.3 billion yen, without significant change from the previous fiscal year. This was because we increased our market share of equity trading at the Tokyo Stock Exchange although the average trading volume per day at the Tokyo Stock Exchange during the current fiscal year was down from the previous fiscal year.

[Fixed Income]

The Fixed Income Division's commission consists of brokerage commissions, agency commissions, etc. The total commissions of the current fiscal year were 0.6 billion yen, down 29.6% from the previous fiscal year.

[Asset Management]

The Asset Management Division's commissions were 108.2 billion yen, up 11.6% from the previous fiscal year due to the increase of Distribution commission.

[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 70.6 billion yen, up 102.3% from the previous fiscal year mainly due to the increase of underwriting commission.

[Others]

The other commissions are primarily from custody fees, investment enterprise partnership administration fees, life insurance sales commissions, etc. The total was 16.8 billion yen, down 13.8% from the previous fiscal year.

2) Net gain (loss) on trading

Net gain (loss) on trading stocks, etc. was 24.4 billion yen. The net gain (loss) of trading bonds, foreign exchange, etc. was 86.4 billion yen, up 29.7% from the previous fiscal year.

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

Net gain on private equity and other securities marked increase to 75.5 billion yen, mainly due to gain on the sale of Sanyo Electric Co., Ltd. by acceptance of the tender offer.

4) Net financial income

Interest and dividend income decreased by 71.6% to 54.7 billion yen, and interest expenses also decreased by 72.9% to 47.6 billion yen. Net financial income decreased by 57.5% to 70.0 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 102.9 billion yen, to which the extraordinary gains of 1.6 billion yen from the sale of the investment securities, etc. and the extraordinary losses of 7.2 billion yen from valuation losses on the investment securities and income taxes and minority interests etc., were adjusted, which results in the net income of the current fiscal year of 43.4 billion yen.

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

While trading assets increased by 1 trillion 450.5 billion yen and collateralized short-term financing agreements increased by 1 trillion 653.8 billion yen from the end of the previous fiscal year, the current assets increased to 16 trillion 636.2 billion yen (an increase of 2 trillion 959.2 billion yen from the end of the previous fiscal year). Consequently, the total assets at the end of the current fiscal year increased by 2 trillion 972.7 billion yen from the end of the previous fiscal year to 17 trillion 155.3 billion yen. On the other hand, the total liabilities at the end of the current fiscal year increased by 2 trillion 907.5 billion yen from the end of the previous fiscal year to 16 trillion 137.8 billion yen, with short-term borrowings increased by 3 trillion 399.3 billion yen. The total net assets at the end of the current fiscal year were 1 trillion 17.5 billion yen (including minority interests), whereas the net assets per share were 530.27 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 and its business competitive power. During the current fiscal year, we have made total IT investments of 36.4 billion yen in strengthening the online trading products and services and keeping up with the introduction of the next-generation equity/CB trading system developed by the Tokyo Stock Exchange. We also invested capital in branch offices, including the Daiwa Securities Co., Ltd. newly opened Fuchu branch, Tokorozawa-ekimae branch and Sagamihara branch, and the integration of the Mitaka branch into the Kichijoji branch.

(5) Status of Financing of the Group

Through a public offering on July 15, 2009 and a third-party allotment on August 11, 2009, the Company issued 302,635,000 shares of the Ordinary Shares of 149.7 billion yen and 42,000,000 shares of the Ordinary Shares of 20.7 billion yen, respectively. The Company made a secondary distribution of 57,865,000 shares of the Ordinary Shares of 28.6 billion yen through a disposition of treasury stocks.

The Company issued Australian dollar-denominated bonds of 236.0 million Australian dollars (payment date of January 27, 2010) and New Zealand dollar-denominated bonds of 504.0 million New Zealand dollars (payment date of January 27, 2010).

Daiwa Securities Capital Markets Co. issued its 1st series of Yen denominated unsecured straight bonds of 30.0 billion yen (payment date of July 24, 2009), Nikkei 225 linked Yen denominated callable bonds due February 22, 2013 ("Knock in 50") of 13.473 billion yen (payment date of February 22, 2010) and dual currency denominated bonds (Yen / Australian dollar) with a provision to be matured in Yen, due August 26, 2010 of 7.641 billion yen (payment date of February 26, 2010).

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

	(Billions of yen)				
	69 th term	70 th term	71 st term	72 nd term	73 rd term (current term)
	(Apr 1, 2005 - Mar 31, 2006)	(Apr 1, 2006 - Mar 31, 2007)	(Apr 1, 2007 - Mar 31, 2008)	(Apr 1, 2008 - Mar 31, 2009)	(Apr 1, 2009 - Mar 31, 2010)
Operating revenues	845.6	917.3	825.4	413.9	537.9
Net operating revenues	579.3	526.7	447.4	199.5	458.1
Ordinary income	260.6	195.4	90.1	▲141.1	102.9
Net income/loss (current term)	139.9	92.7	46.4	▲85.0	43.4

Stockholders' equity (Net assets)	792.2	1,223.2	1,082.9	952.3	1,017.5
Total assets	14,898.8	14,411.2	17,307.1	14,182.5	17,155.3
Stockholders' equity (Net assets) per share (Yen)	598.27	665.98	607.64	534.99	530.27
Net income (loss) per share (Yen) (current term)	103.90	67.90	33.69	▲63.16	26.41
Return on Equity (ROE)%	19.4%	10.8%	5.3%	—	5.3%
Number of consolidated Subsidiaries	46	46	46	44	54
Number of companies included under the equity method	5	4	6	6	7

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

4. Issues to be Addressed by the Group

Since the financial crisis arose in 2008, the world economy slowed down and global financial markets remained volatile and we had yet to see an immediate turn around in the business environment for FY2009. Under such circumstances, FY2009 became a very special year for Daiwa Group. We executed our equity offering for the first time in 20 years, and dissolved the joint venture of the wholesale investment banking business which had lasted for 10 years.

Corporate profit in Japan is now recovering with the development of adjustment for inventory and employment. Also, the global economy should gradually recover, led by China and other Asian and emerging countries, despite some downside risk. Daiwa Group continues to contribute to the development of society and economy through reallocation of excess capital held by households and institutional investors to growth opportunities in both domestic and overseas markets.

Recognizing the above situation, we are working the core targets below to steadily advance our three year Medium-Term Management Plan (from FY2009 to FY2011), “Passion for the Best” 2011 formulated at the beginning of FY2009.

1. Concentrating on increasing customers’ assets by allocating more management resources into the retail business
2. Creating a 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 by providing a wide range of products

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

- | | |
|--------------------------------|--|
| ① Consolidated Ordinary Income | : JPY 200billion 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) |

This fiscal year, Daiwa will continue to deliver high quality solutions by practicing “Speed / Cooperation/ Originality” in its daily operations and conduct the action plan in order to fulfill customer needs.

This fiscal year, as the second year for the term of the Medium-Term Management Plan, Daiwa will continue to deliver high quality solutions by practicing “Speed / Cooperation / Originality” in its daily operations and focus its attention on the three points below.

1. Expand our client base, closely liaising among the Group companies to maximize group synergy, and provide unique value-added solutions to each customer segments.
2. Strengthen business in rapidly growing regions such as Asia and emerging countries, and establish the Asian region as our “Home Market”.
3. Attain sustainable growth by strengthening internal control on a global base and winning trust from the stakeholders.

The action plans for FY 2010 of the respective business divisions are as follows:

(1) Retail Division

- 1) Expand client base by reinforcing consulting service
- 2) Grasp client needs and offer attractive products

- 3) Reduce cost by streamlining and rationalizing administrative work by using information technology
- (2) Wholesale Division & Investment Division
 - 1) Increasing brokerage commission and diversify revenues and aim to attain top 5 broker ranking position in Asian equities
 - 2) Supply variety of products reflecting change in markets and risk appetite. Develop new derivative business
 - 3) Strengthen domestic investment banking business with “sector coverage style” and reformatify investment banking business in Asia
 - 4) Strengthen Pan-Asia research while maintaining top research position in Japan
 - 5) Further focus on global risk management. Improve global profit-and-loss management control
 - 6) Maximize returns from principal investments
 - (3) Asset Management Division
 - 1) Enhance global research and strengthen Asian equity and foreign bonds investment platform
 - 2) Expand product lineup by introducing new funds. Strengthen product development capability
 - 3) Reinforce business base by providing market and product information in timely manner. Focus on changes in market environment and customer needs
 - (4) Research and IT Systems Divisions
 - 1) Support the Group’s Asian business and provide client-oriented information
 - 2) Continue to promote investment banking business support
 - 3) Contribute to the Group’s global business strategy such as cost reduction by improving system development and management capability

The Group will 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, the primary businesses of which 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 Capital Markets Co. Ltd.	Chiyoda-ku, Tokyo	255,700	100.0% (99.9%)	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. (Note1)	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	60.0% (60.0%)	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	500	60.0% (--)	Principal investment business
Daiwa PI Partners Co. Ltd.	Chiyoda-ku, Tokyo	12,000	100.0% (--)	Principal investment business
Daiwa Real Estate Asset Management Co., Ltd.	Chuo-ku, Tokyo	200	100.0% (100.0%)	Investment management business
Daiwa America Corporation (Note2)	New York, U.S.A.	USD539 million	100.0% (100.0%)	Integration and management of subsidiaries
Daiwa Securities America Inc. (Note3)	New York, U.S.A.	USD100 million	100.0% (--)	Securities related business
Daiwa Capital Markets Europe Limited	London, U.K.	GBP207 million	100.0% (--)	Securities related business
Daiwa Capital Markets Asia Holding B.V.	Amsterdam, Netherlands	EUR372 million	100.0% (--)	Integration and management of subsidiaries
Daiwa Capital Markets Hong Kong Limited.	Hong Kong	HKD100 million USD261 million	100.0% (--)	Securities related business
Daiwa Capital Markets Singapore Limited.	Singapore, Singapore	SDG42 million	100.0% (--)	Securities related business

(Note1) Daiwa SB Investment Ltd. is an affiliated company.

(Note2) Daiwa America Corporation changed its company name to "Daiwa Capital Markets America Holdings Inc." on April 1, 2010.

(Note3) Daiwa Securities America Inc. changed its company name to "Daiwa Capital Markets America Inc." on April 1, 2010.

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

The Company conducted a tender offer as stipulated under the Financial Instruments and Exchange Act to acquire all outstanding common shares and stock acquisition rights issued by Daiwa SMBC Capital Co., Ltd., one of the consolidated subsidiaries of the Company (period for the tender offer: from April 30, 2009 through June 18, 2009). Through the tender offer, etc., the Company acquired 60% of the issued shares of Daiwa SMBC Capital Co., Ltd and holds those shares.

Daiwa Capital Markets Europe Limited (which changed its name from "Daiwa Securities SMBC Europe Limited" as of January 1, 2010), a European subsidiary of Daiwa Securities Capital Markets Co. Ltd. (which changed its name from "Daiwa Securities SMBC Co. Ltd." as of January 1, 2010), one of the consolidated subsidiaries of the Company, acquired 100% of the issued shares of Close Brothers Corporate Finance (Holdings) Limited (which changed its name to "Daiwa Corporate Advisory Partners Limited" as of May 11, 2010), a Europe-based investment bank the main business of which is M&A advisory services.

The Company acquired 100% of the issued shares of K.K. daVinci Select (which changed its name to "Daiwa Real Estate Asset Management Co., Ltd." as of July 1, 2009), the asset management company of DA Office Investment Corporation listed on the Tokyo Stock Exchange and placed it as one of consolidated subsidiaries of the Company on July 1, 2009.

The Company acquired 51,893 investment units (13.11% of the issued investment units) of DA Office Investment Corporation through a third-party allotment on July 1, 2009.

The Company acquired 100% of the issued shares of Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.) held by Sumitomo Mitsui Financial Group, Inc. (40% of the issued shares) on December 31, 2009. As a result, Daiwa Securities Group companies hold 100% of the issued shares of Daiwa Securities Capital Markets Co. Ltd.

Daiwa PI Partners Co. Ltd. (which changed its name from "Daiwa Securities SMBC Principal Investments Co. Ltd." as of February 1, 2010), a wholly owned subsidiary of Daiwa Securities Capital Markets Co. Ltd., transferred most of its existing investment business to Daiwa Securities SMBC Principal Investments Co. Ltd. (which changed its name from "Daiwa Investment Management 2nd Inc." as of February 1, 2010, and the shares of which are currently held by Daiwa Investment Management Inc., a wholly owned subsidiary of the Company (60% of the issued shares) and Sumitomo Mitsui Banking Corporation (40% of the issued shares)) upon an absorption-type company split.

Daiwa Investment Management Inc. acquired 95% of the issued shares of Daiwa PI Partners Co. Ltd. from Daiwa Securities Capital Markets Co. Ltd. on April 1, 2010.

The Company transferred 100% of the issued shares of Daiwa America Corporation (which changed its name to “Daiwa Capital Markets America Holdings Inc.” as of April 1, 2010) to Daiwa Securities Capital Markets Co. Ltd. on April 1, 2010.

(4) Status of Major Business Alliances

The Company operates joint ventures with Sumitomo Mitsui Financial Group Inc. in the areas of asset management business. Although the Company have operated joint ventures with Sumitomo Mitsui Financial Group Inc. and Sumitomo Mitsui Banking Corporation (collectively “SMFG Group) in the areas of venture capital business, the Company is scheduled to dissolve the joint venture in that area concerning Daiwa SMBC Capital Co. Ltd. with SMFG Group as of July 1, 2010.

With this dissolution, 60% equivalent of corporate value of Daiwa SMBC Capital Co. Ltd. is held by the Group upon a de-merger scheduled as of the same date.

(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 20 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 Capital Markets 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
15,450	+226

(Note): The number of employees includes the financial advisors of 427.

2) The Company's Employees

Number of Employees	Change from previous fiscal year	Average Age	Average year of Service
278	▲22	36yrs.&5mons.	11yrs.&0mons.

(7) Major Lenders

Daiwa Securities Group Inc

Name of Lender	Type of Loan	Balance (yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	60,000 million
	Long-Term Borrowings	100,000 million
The Sumitomo Trust & Banking Co., Ltd.	Short-Term Borrowings	80,000 million
	Long-Term Borrowings	10,000 million
Mitsubishi UFJ Trust and Banking Corporation	Short-Term Borrowings	20,000 million
Resona Bank, Ltd.	Short-Term Borrowings	12,500 million
TAIYO LIFE INSURANCE COMPANY	Long-Term Borrowings	10,000 million

Daiwa Securities Capital Markets Co. Ltd.

Name of Lender	Type of Loan	Balance (yen)
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
	Short-Term Borrowings	20,000 million
The Chuo Mitsui Trust and Banking Co., Ltd.	Short-Term Borrowings	10,000 million

Daiwa SMBC Capital Co., Ltd.

Name of Lender	Type of Loan	Balance (yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	9,780 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

Daiwa Securities Co. Ltd. and Daiwa Securities Loan Co. Ltd., which are the consolidated subsidiaries of the Company, each concluded that Daiwa Securities Loan Co. Ltd. would transfer all of the securities collateralized loan business to Daiwa Securities Co. Ltd. on June 1, 2010.

The Company and Daiwa Asset Management Co. Ltd., one of the consolidated subsidiaries of the Company, concluded that The Company and Daiwa Asset Management Co. Ltd. would acquire 100% of the issued shares of Shinsei Asset Management (India) Private Limited, which engaged in the asset management business in India, and Shinsei Trustee Company (India) Private Limited, which provided trustee services.

The Company approved a resolution to introduce an employee incentive plan called “ESOP Trust utilizing Employee Shareholding Association” (“ESOP Trust”) (*Note*), with the aim of boosting its corporate value over the medium and long term and enhancing employees’ motivation for work by heightening the incentive of the employees of Daiwa Securities group companies to secure the good performance of the Company and encouraging them to carry out their duties with the goal of increasing the stock price of the Company.

(Note) ESOP Trust is a trust-type employee incentive plan that uses Daiwa Securities Group’s employee shareholder group framework, and is based on the Employee Stock Ownership Plan (ESOP) system in the United States. Its aim is to upgrade and expand a savings system (welfare system) that encourages employees to build an asset base using the Company shares.

(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 the 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, 2010)

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)	1,749,358,772 shares

(Note1) On July 15, 2009, the Company issued 302,635,000 shares of the Ordinary Shares through a public offering.

(Note2) On August 11, 2009, the Company issued 42,000,000 shares of the Ordinary Shares through a third-party allotment.

(Note3) The Company issued 59,000 shares of the Ordinary Shares upon exercise of stock acquisition rights (stock options) during the current fiscal year.

(2) Total number of shareholders: 131,083

(3) Major Shareholders (top ten)

Name	Number of shares held (% of total outstanding shares)
STATE STREET BANK AND TRUST COMPANY 505223	100,910 thousand shares (5.77%)
Japan Trustee Services Bank, Ltd. (Trust Account)	77,517 thousand shares (4.43%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	59,121 thousand shares (3.38%)
CBNY – ORBIS SICAV	31,016 thousand shares (1.77%)
Sumitomo Mitsui Banking Corporation	30,328 thousand shares (1.73%)
Japan Trustee Services Bank, Ltd. (Trust Account 9)	25,928 thousand shares (1.48%)
Japan Trustee Services Bank, Ltd. Sumitomo Trust Pension Account	24,888 thousand shares (1.42%)
STATE STREET BANK AND TRUST COMPANY	24,444 thousand shares (1.40%)
CBNY – ORBIS FUNDS	23,195 thousand shares (1.33%)

(Note) Treasury stock of 875,757 shares is excluded for calculating the percentage of the above list of major shareholders.

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	727,000 yen (727 yen per share)	From July 1, 2006 to August 31, 2011	(Note1) (Note3) (Note4)
Stock Acquisition Rights issued in June 2005 (June 24, 2005)	474 (Common stock 474,000 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	750,000 yen (750 yen per share)	From July 1, 2007 to August 31, 2012	(Note1) (Note3) (Note4)
Total	4,085 (Common stock 4,085,000 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.

(Note4) With the issuance of the Ordinary Shares through a public offering on July 15, 2009, and a third-party allotment on August 11, 2009, the Company adjusted the amount to be paid in upon exercise of Stock Acquisition rights, Series 1 and Series 2.

B. Stock acquisition rights issued under Article 236, Article 238 and Article 239 of the 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)	280 (Common stock 280,000 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	1,455,000 yen (1,455 yen per share)	From July 1, 2011 to June 23, 2016	(Note1) (Note3) (Note4)
Stock Acquisition Rights issued in July 2007 (July 1, 2007)	296 (Common stock 296,000 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	1,176,000 yen (1,176 yen per share)	From July 1, 2012 to June 22, 2017	(Note1) (Note3) (Note4)
Stock Acquisition Rights issued in July 2008 (July 1, 2008)	344 (Common stock 344,000 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	881,000 yen (881 yen per share)	From July 1, 2013 to June 20, 2018	(Note1) (Note3) (Note4)
Stock Acquisition Rights issued in July 2009 (July 1, 2009)	664 (Common stock 664,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029	(Note1) (Note2) (Note3)
Stock Acquisition rights, Series 6 (November 9, 2009)	4,413 (Common stock 4,413,000 shares)	Gratuitous grant	496,000 yen (496 yen per share)	From July 1, 2014 to June 19, 2019	(Note1) (Note3)
Total	14,259 (Common stock 14,259,000 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) With the issuance of the Ordinary Shares through a public offering on July 15, 2009, and a third-party allotment on August 11, 2009, the Company adjusted the amount to be paid in upon exercise of Stock Acquisition rights, Series 3, Series 4 and Series 5.

(Note5) 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

Name of stock acquisition rights	Number of holders	Number of rights
Stock acquisition Rights, Series 1	4	52
Stock acquisition Rights issued in Jun 2005	10	80
Stock acquisition Rights, Series 2	3	6
Stock acquisition Rights issued in July 2006	11	47
Stock acquisition Rights, Series 3	4	12
Stock acquisition Rights issued in July 2007	12	54
Stock acquisition Rights, Series 4	3	9
Stock acquisition Rights issued in July 2008	13	75
Stock acquisition Rights, Series 5	2	10
Stock acquisition Rights issued in July 2009	15	150

(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 6

(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>	31	194
Rights issued	<u>Employees of Subsidiaries</u>	59	309
in July 2009	Total	90	503
Stock acquisition	<u>Employees of the Company</u>	102	259
Rights, Series 6	<u>Directors of Subsidiaries</u>	12	76
	<u>Employees of Subsidiaries</u>	1,997	3,924
	Directors and Employees		
of Affiliates	71	154	
	Total	2,182	4,413

(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

<u>Title</u>	<u>Name</u>	<u>Area in Charge and Significant Concurrent Positions</u>
Director/Chairman of the Board	Akira Kiyota	
Director	Shigeharu Suzuki	See “(2) Executive Officers”
Director	Shin Yoshidome	See “(2) Executive Officers”
Director	Takashi Fukai	See “(2) Executive Officers”
Director	Takashi Hibino	See “(2) Executive Officers”
Director	Nobuyuki Iwamoto	See “(2) Executive Officers”
Director	Kazuo Oda	See “(2) Executive Officers”
Director	Seiji Nakata	See “(2) Executive Officers”
Director	Saburo Jifuku	Outside Auditor of Daiwa Securities Co. Ltd. Outside Auditor of Daiwa SB Investments Ltd. Outside Auditor of Daiwa Property Co., Ltd.
Director	Tetsuro Kawakami	See “(3) Outside Officers”
Director	Ryuji Yasuda	See “(3) Outside Officers”
Director	Koichi Uno	See “(3) Outside Officers”
Director	Nobuko Matsubara	See “(3) Outside Officers”
Director	Keiichi Tadaki	See “(3) Outside Officers”

(Note 1) Directors, Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno, Nobuko Matsubara and Keiichi Tadaki are outside directors as defined under Article 2 item 15 of the Companies Act., and independent directors as defined by Tokyo Stock Exchange, Inc., Osaka Stock Exchange, Inc. and Nagoya Stock Exchange, Inc..

(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,
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

(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

<u>Title</u>	<u>Name</u>	<u>Area in Charge and Significant Concurrent Positions</u>
President/Representative Executive Officer	Shigeharu Suzuki	Chief Executive Officer (CEO) and Head of Retail, Representative Director/President of Daiwa Securities Co. Ltd
Deputy President/Representative Executive Officer	Shin Yoshidome	Chief Operating Officer (COO) and Head of Wholesale, Representative Director/ President of Daiwa Securities Capital Markets Co. Ltd.
Deputy President/Executive Officer	Takashi Fukai	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. (currently, Daiwa Securities Capital Markets Co. Ltd.)
Deputy President/Executive Officer	Takashi Hibino	Deputy Head of Wholesale, Representative Director/ Deputy President of Daiwa Securities Capital Markets Co. Ltd.
Deputy President/Executive Officer	Makoto Shirakawa	Deputy Head of Retail, Representative Director/ Deputy President of Daiwa Securities Co. Ltd.
Deputy President/Executive Officer	Toshiro Ishibashi	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	Nobuyuki Iwamoto	Chief Financial Officer (CFO), Head of Planning and Personnel
Corporate Senior Executive Officer	Kazuo Oda	Chief Information Officer (CIO) Senior Managing Director of Daiwa Institute of Research Ltd.
Corporate Senior Executive Officer	Seiji Nakata	Deputy Head of Planning and Personnel
Corporate Executive Officer	Masaaki Goto	Head of America Region Chairman of Daiwa America Corporation (currently, Daiwa Capital Markets America Holdings Inc.)
Corporate Executive Officer	Keiko Uehara	Head of Communications
Corporate Executive Officer	Takeaki Mori	Deputy Head of America Region President of Daiwa America Corporation (currently, Daiwa Capital Markets America Holdings Inc.)

Corporate Executive Officer	Toshihiro Matsui	Head of Legal Deputy Head of Planning
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Corporate Executive Officer	Akira Kiyota
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(Note 1) Executive Officers, Shigeharu Suzuki, Shin Yoshidome, Takashi Fukai, Takashi Hibino, Nobuyuki Iwamoto, Kazuo Oda, Seiji Nakata and Akira Kiyota also serve as Directors.

(Note 2) Executive Officers, Takeaki Mori resigned as of June 30, 2009, Shuntaro Higashi resigned as of September 28, 2009, Hiroshi Ota, Seiji Nakata and Masaaki Goto resigned as of March 31, 2010, respectively. Further, Takeaki Mori resigned as President of Daiwa America Corporation (currently, Daiwa Capital Markets America Holdings Inc.) as of August 25, 2009, Shuntaro Higashi resigned as Deputy President of Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.) as of September 28, 2009, Hiroshi Ota resigned as Representative Director/ President of Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd., and Daiwa Institute of Research Business Innovation Ltd. as of April 1, 2010.

(Note 3) Masaki Shimazu, Takatoshi Wakabayashi and Tetsuo Akuzawa took their new positions as executive officers as of April 1 2010, and as of said day their responsibilities as executive officers have changed as follows.

Masaki Shimazu	Deputy Head of Retail
Takashi Fukai	Deputy Head of Research
Takatoshi Wakabayashi	Chief Risk Management Officer (CRO)
Toshihiro Matsui	Deputy Head of Planning, Deputy Head of Personnel
Tetsuo Akuzawa	Head of Legal, Deputy Head of Personnel

Further, Masaki Shimazu took the position of Representative Director/Deputy President of Daiwa Securities Co. Ltd., Takashi Fukai took the position of Representative Director/President of Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd., and Daiwa Institute of Research Business Innovation Ltd., Takatoshi Wakabayashi took the position of Representative Director/ Corporate Executive Vice President of Daiwa Securities Capital Markets Co. Ltd. as of April 1, 2010.

(3) Outside Officers

1) Significant concurrent positions held by outside officers in other companies and the relationships between these companies and the Company

Name	Significant concurrent positions
Tetsuro Kawakami	Honorary Advisor of Sumitomo Electric Industries, Ltd. Outside Director of Meidensha Corporation Outside Director of Nippon Venture Capital Co., Ltd. Outside Director of FM 802 Co., Ltd.
Ryuji Yasuda	Professor of Hitotsubashi University, Graduate School of International Corporate Strategy Outside Director of Fukuoka Financial Group, Inc. Outside Director of Bank of Fukuoka, Ltd. Outside Director of Sony Corporation Director of Sony Financial Holdings Inc. Outside Director of Yakult Honsha Co., Ltd.
Koichi Uno	Certified Public Accountant and Licensed Tax Accountant Outside Auditor of Secured Capital Japan Co., Ltd. Outside Auditor of SCJ Servicing Co., Ltd. Outside Auditor of Kokusai Kogyo Co., Ltd. Director of Seibu Holdings Inc.

Nobuko Matsubara	Chairman of Japan Institute of Worker's Evolution Outside Director of Mitsui & Co., Ltd.
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Keiichi Tadaki	Attorney at law and Special Counsel, Mori Hamada & Matsumoto Chairman of Japanese Correctional Association Outside Director of Aeon Co., Ltd. Outside Auditor of Nippon Life Insurance Company
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(Note) The Company has no special relationships of interest with companies listed above in which outside officers hold concurrent positions.

2) Major activities during the current fiscal year

Name	Major activities (Status of attendance & remarks)
Tetsuro Kawakami	Attended all 13 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 13 Board of Directors' Meeting held during the current fiscal year, and made remarks on the bills and discussion of meetings, mainly based on his knowledge and experience relating to management strategies.
Koichi Uno	Attended all 13 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 account.
Nobuko Matsubara	Attended Board of Directors' Meeting 12 times out of the 13 held and all 12 Audit Committee 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.
Keiichi Tadaki	Attended all 11 Board of Directors' Meeting and all 10 Audit Committee after his assumption during the current fiscal year, and made remarks mainly on maintenance and build-up of compliance system of the Company, from his professional view as an attorney.

(Note) Koichi Uno, Nobuko Matsubara and Keiichi Tadaki are members of the Audit Committee.

3) Outline of the Agreement to limit liability

Each outside director executed the agreement to limit liability provided in Article 423, Paragraph 1 of the 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 the Companies Act, whichever is higher.

(4) Remunerations paid to Directors and Executive Officers

Amounts of Remunerations, etc.	Directors		Executive Officers		Total	
	Number Paid	Amount Paid	Number Paid	Amount Paid	Number Paid	Amount Paid

Paid based on Resolution of the Compensation Committee	Persons	¥million	Persons	¥million	Persons	¥million
	8	118	16	880	24	998

(Note 1) The above paid amounts include the estimated amounts payable as payment linked to achievement for the current fiscal year.

(Note 2) The above paid amounts include 96 million yen, the value of stock acquisition rights granted as stock options to the Directors and Executive Officers. The details of the stock acquisition rights are as stated in "2. Status of Stock Acquisition Rights, etc."

(Note 3) The total remuneration, etc. paid to five (5) outside directors was 79 million yen.

(Note 4) As of the end of the current fiscal year, eight (8) out of 14 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 the status concerning how the core management targets set in Midium-Term Management Plan has progressed and other elements 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.

79 million yen

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

593 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 an 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 (currently, Daiwa Capital Markets America Holdings Inc.), Daiwa Capital Markets Europe Limited and other foreign subsidiaries have, only in relation to audits on basis of the 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 30, 2009), and 8 yen per share as the year-end dividend. Accordingly, the annual dividend will be 13 yen per share.

6. System to Assure Appropriate Business Operations

Pursuant to provisions of Article 416, Paragraph 1, Item 1(b) and 1(e) of the Companies Act and Article 112 of Ordinance for Enforcement of the 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 the 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 the 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 2009 As of Mar. 31, 2010	<u>[References]</u> Fiscal 2008 As of Mar. 31, 2009
<i>Assets</i>		
Current assets:	16,636,295	13,677,003
Cash and deposits	699,179	409,709
Cash segregated as deposits for regulatory purposes	291,104	214,455
Notes receivable and trade accounts receivable	12,447	11,146
Securities	184,867	48,920
Trading assets:	7,654,333	6,203,742
Trading securities and others	5,707,007	3,564,001
Derivative assets	1,947,325	2,639,740
Trading receivables, net	-	143,309
Private equity and other securities	252,469	547,006
Less: Allowance for possible investment losses	33,628	31,237
Loans receivable from customers	66,759	69,592
Work in process	896	897
Receivables related to margin transactions:	185,878	248,059
Customer margin loans	119,474	79,094
Cash deposits as collateral for securities borrowed	66,404	168,964
Collateralized short-term financing agreements:	7,067,400	5,413,525
Cash deposits as collateral for securities borrowed	7,067,400	5,413,525
Receivables	13,980	21,662
Short-term loans receivable	13,692	1,869
Accrued income	33,067	27,033
Deferred tax assets	23,047	3,784
Other current assets	171,232	343,758
Less: Allowance for doubtful accounts	433	232
Non-current assets:	519,050	505,576
Tangible fixed assets:	142,446	150,201
Building	58,359	58,248
Furniture and fixtures	22,259	29,276
Land	61,827	62,677
Intangible fixed assets:	121,578	110,828
Goodwill	10,878	-
Leasehold	5,501	5,501
Software	96,006	93,413
Other	9,193	11,914
Investments and others:	255,024	244,545
Investment securities	191,904	167,883
Long-term loans receivable	12,116	18,432
Long-term guarantee deposits	24,909	26,091
Deferred tax assets	13,103	16,328
Other	15,665	22,904
Less: Allowance for doubtful accounts	2,674	7,094
Total assets	17,155,345	14,182,579

(Millions of yen)	Fiscal 2009 As of Mar. 31, 2010	[References] Fiscal 2008 As of Mar. 31, 2009
<i>Liabilities</i>		
Current liabilities:	14,475,481	11,697,751
Notes payable and trade accounts payable	4,913	4,182
Trading liabilities:	4,925,289	4,809,092
Trading securities and others	3,468,625	2,644,720
Derivative liabilities	1,456,663	2,164,372
Trading receivables, net	228,042	-
Payables related to margin transactions:	72,765	133,872
Payables to securities finance companies	5,605	3,852
Proceeds of securities sold for customers' accounts	67,160	130,020
Collateralized short-term financing agreements:	3,886,234	4,893,261
Cash deposits as collateral for securities loaned	3,341,894	4,228,519
Payables related to gensaki transactions	544,339	664,742
Deposits received	177,255	138,669
Cash deposits received as guarantee	246,602	339,891
Short-term borrowings	4,335,493	936,149
Commercial paper	351,750	320,400
Bonds and notes due within one year	118,402	11,632
Income taxes payable	22,254	1,822
Deferred tax liabilities	4	17,693
Accrued bonuses	33,376	12,527
Other current liabilities	73,095	78,555
Non-current liabilities:	1,658,428	1,528,081
Bonds and notes	1,226,718	1,260,526
Long-term borrowings	378,319	237,867
Deferred tax liabilities	534	927
Retirement benefits	27,946	25,474
Provision for litigation losses	615	365
Negative goodwill	21,687	-
Other non-current liabilities	2,606	2,920
Statutory reserves:	3,907	4,416
Financial instruments business liability reserves	3,907	4,416
Total liabilities	16,137,816	13,230,249
<i>Net assets</i>		
Owners' equity:	929,744	696,296
Common stock	247,384	178,324
Capital surplus	230,593	157,678
Retained earnings	452,456	421,819
Treasury stock	(689)	(61,525)
Valuation and translation adjustments:	(2,581)	23,975
Net unrealized gain on securities, net of tax effect	20,365	51,751
Deferred gain on hedges, net of tax effect	315	498
Translation adjustments	(23,262)	(28,274)
Stock subscription rights	3,242	2,369
Minority interests	87,123	229,688
Total net assets	1,017,528	952,329
Total liabilities and net assets	17,155,345	14,182,579

Consolidated statements of income

(Millions of yen)	Fiscal 2009 Apr. 1, 2009 - Mar. 31, 2010	<u>[References]</u> Fiscal 2008 Apr. 1, 2008 - Mar. 31, 2009
Operating revenues:	537,915	413,936
Commissions	252,863	208,880
Brokerage commission	55,840	55,728
Underwriting commission	54,339	20,964
Distribution commission	33,450	18,692
Other commission	109,232	113,495
Net gain on trading	110,955	40,921
Net gain (loss) on private equity and other securities	75,584	(79,477)
Interest and dividend income	54,729	192,663
Other sales	43,783	50,948
Interest expenses	47,659	176,034
Cost of sales	32,150	38,357
Net operating revenues	458,105	199,544
Selling, general and administrative expenses:	362,844	343,270
Commission and other expenses	61,790	66,018
Employees' compensation and benefits	169,950	141,600
Occupancy and rental	44,038	43,704
Data processing and office supplies	25,693	30,157
Depreciation	39,101	35,590
Taxes other than income taxes	7,725	6,553
Allowance for doubtful account	226	5,558
Other	14,318	14,086
Operating income	95,261	(143,725)
Non-operating income:	9,337	7,961
Interest income	252	309
Dividend income	2,594	3,869
Negative goodwill amortization cost	1,141	-
Equity in earnings of affiliates	608	-
Gain on investment in partnership	1,162	-
Other	3,578	3,782
Non-operating expenses:	1,681	5,386
Interest expenses	183	612
Share issuance expenses	868	-
Foreign exchange loss	-	1,504
Equity in losses of affiliates	-	1,106
Other	630	2,162
Ordinary income	102,917	(141,150)
Extraordinary gains:	1,689	6,421
Gain on sale of investment securities	870	2,330
Reversal of financial instruments business liability reserve	509	3,600
Other	309	490
Extraordinary losses:	7,225	29,064
Loss on sale or disposal of fixed assets	1,085	1,430
Loss on sale of investment securities	301	59
Loss on disposal of loan claims	-	1,837
Loss on impairment of fixed assets	1,463	451
Write-down of investment securities	3,346	24,559
Write-down of related company's stock	-	252
Other	1,028	473
Income before income taxes and minority interests	97,382	(163,793)
Income taxes-current	27,450	4,383
Income taxes-deferred	22,412	(22,556)
Minority interests	4,089	(60,580)
Net income	43,429	(85,039)

Consolidated statements of changes in net assets

(Apr. 1, 2009 - Mar. 31, 2010)

(Millions of yen)	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Beginning balance as of Mar. 31, 2009	178,324	157,678	421,819	(61,525)	696,296
Changes of items during the fiscal year					
Issuance of new shares	69,060	72,914	-	-	141,975
Dividends	-	-	(12,781)	-	(12,781)
Net income	-	-	43,429	-	43,429
Acquisition of treasury stock	-	-	-	(229)	(229)
Disposal of treasury stock	-	-	(10)	61,065	61,054
Total changes of items during the fiscal year	69,060	72,914	30,637	60,835	233,448
Ending balance as of Mar. 31, 2010	247,384	230,593	452,456	(689)	929,744

(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		
Beginning balance as of Mar. 31, 2009	51,751	498	(28,274)	2,369	229,688
Changes of items during the fiscal year					
Net changes of items other than owners' equity	(31,385)	(182)	5,011	873	(142,565)
Total changes of items during the fiscal year	(31,385)	(182)	5,011	873	(142,565)
Ending balance as of Mar. 31, 2010	20,365	315	(23,262)	3,242	87,123

[References]

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

(Millions of yen)	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Beginning balance as of Mar. 31, 2008	178,324	157,678	527,579	(61,701)	- 801,880
Changes of items during the fiscal year					
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)
Total changes of items during the fiscal year	-	-	(105,759)	175	(105,584)
Ending balance as of Mar. 31, 2009	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		
Beginning balance as of Mar. 31, 2008	24,470	800	(9,061)	1,429	263,404
Changes of items during the fiscal year					
Net changes of items other than owners' equity	27,281	(301)	(19,212)	939	(33,715)
Total changes of items during the fiscal year	27,281	(301)	(19,212)	939	(33,715)
Ending balance as of Mar. 31, 2009	51,751	498	(28,274)	2,369	229,688

The consolidated statutory report of the Company for the fiscal year ending March 31, 2010 is prepared in accordance with the 'Accounting Regulation Ordinance' (Ministry of Justice Ordinance No. 13, 2006), 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: 54 companies

The names of major consolidated subsidiaries:

Daiwa Securities Co. Ltd.
Daiwa Securities Capital Markets 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 PI Partners Co. Ltd.
Daiwa Real Estate Asset Management Co. Ltd.
Daiwa America Corporation
Daiwa Securities America Inc.
Daiwa Capital Markets Europe Limited
Daiwa Capital Markets Asia Holdings B.V.
Daiwa Capital Markets Hong Kong Limited
Daiwa Capital Markets Singapore Limited

In the consolidated statutory report of the company for the fiscal year ending March 31, 2010, three companies were added to the scope of consolidation due to the increase of materiality and eight companies were added to the scope of consolidation by acquisition of equities. One company was excluded from the scope of consolidation due to merger.

(Change of accounting policies)

"Guidance on determining a subsidiary and an affiliate" (Implementation Guidance No.22, May 13, 2008) is applied from this fiscal year.

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

(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: 27 companies

The names of major companies not treated as subsidiaries:

Kyusai Co., Ltd
GRANVISTA Hotels & Resorts Co., Ltd.
Sumitomo Mitsui Construction Co., Ltd.
HMV JAPAN K.K.

Rationale for not being treated as subsidiaries:

Some consolidated subsidiaries have owned these companies' stocks as operational transactions for the purpose of acquiring capital gains by bringing up investments and regenerating businesses. This satisfies the necessary requirements of the "Guidance on determining a subsidiary and an affiliate" (Implementation Guidance No. 22), and thus it is

clear that the subsidiaries above do not control the decision-making organizations of these companies.

(4) Special Purpose Vehicle to be disclosed

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

Some of the consolidated subsidiaries distribute structured notes for the purpose of dealing with their customers' needs as the tool of investment and utilize the Special Purpose Vehicle. Those consolidated subsidiaries acquire and transfer bonds to Cayman Islands domiciled Special Purpose Vehicles and issue structured notes collateralised by those bonds. The Company neither holds any voting rights nor any shares of those 6 Special Purpose Vehicles. And the Company does not second any directors or employee to those 6 Special Purpose Vehicles. The issued amount of notes by those Special Purpose Vehicles is 166,032 million yen as of the end of fiscal year ending March 31, 2010.

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: 7 companies

The names of major affiliates included under the equity method:

Daiwa SB Investments Ltd.

One company was added to the scope of application of equity method by acquisition of equities during fiscal year March 31, 2010.

For one of the affiliates included under the equity method with the fiscal year ending other than March 31, 2010, the tentative financial statements for the fiscal year ending March 31, 2010 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: 12 companies

The names of major companies not treated as affiliates

ALMEX PE Inc.

Rationale for not being treated as affiliates

Some consolidated subsidiaries have owned these companies' stocks as operational transactions for the purpose of acquiring capital gains by bringing up investments and regenerating businesses. This satisfies the necessary requirements of the "Guidance on determining a subsidiary and an affiliate" (Implementation Guidance No. 22), and thus it is clear that the subsidiaries above do not bring material effects to these companies.

3. Fiscal year of consolidated subsidiaries

Fiscal year ending of consolidated subsidiaries are as follows;

March 31: 53 companies

December 31: 1 company

For one consolidated subsidiary with a fiscal year ending other than March 31, 2010 (DBP-Daiwa Capital Markets 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) Held-to-maturity debt securities
Held-to-maturity debt securities are stated using the amortized cost method.
 - (c) Available-for-sale securities
Available-for-sale 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 gains (losses) are booked directly in net assets, and the costs of securities sold are generally calculated based on the moving average method). Securities whose fair value is hard to estimate are stated at cost using the moving average method. Investment to investment limited partnerships, etc. is stated as "Private equity and other securities" or "Investment securities" at net asset values based on the partnerships' financial statements in proportion to the Company's share, and share of net unrealized profits and losses on securities held by the partnerships is directly posted into net assets.
Further, some portion of securities or private equity and other securities held by some of consolidated subsidiaries are included in current assets.
 - (iii) Valuation standards and methods for other inventories
The cost method determined by the specific identification method (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 the leasing period and as its residual value to be zero.
Concerning financial lease transactions other than the ones that transfer ownership to the lessee, those which started before March 31, 2008 the fiscal 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.

(Change of accounting policies)

“Partial Amendments to Accounting Standard for Retirement Benefits (Part3)” (ASBJ Statement No. 19, July 31, 2008) is applied for the transactions from this fiscal year.

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

(v) Provision for litigation losses

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

(4) Accounting standard for material profit and loss

Accounting standard for the volume of completed work and cost of completed work

Concerning the profit from the made-to-order software by some consolidated subsidiaries relating to construction contracts started from this fiscal year, the company has adopted the percentage-of-completion method for those cases in which the outcome of the construction activity until this fiscal year end is deemed certain (the percentage of the outcome of the construction activity is estimated by the proportional cost method), and the completed-contract method for the other cases.

(Change of accounting policies)

In connection with the accounting standard of profit from made-to-order software of some domestic consolidated subsidiaries, the Company previously adopted the completed-contract method. However, from this fiscal year, the Company has adopted the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007). By this change, relating to construction contracts started from this fiscal year, the company has adopted the percentage-of-completion method for those cases in which the outcome of the construction activity until this fiscal year end is deemed certain (the percentage of the outcome of the construction activity is estimated by the proportional cost method), and the completed-contract method for the other cases.

This change has no material impact on the consolidated statement of income.

(5) 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.

(6) 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 Capital Markets 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 equally amortized for 20 years with estimating the amortization period based on the situation of each subsidiary each time when incurred. Those are amortized in a lump sum when incurred in case the amount is immaterial.

Notes to consolidated balance sheet

1. Assets pledged as collateral and liabilities secured

(1) Assets pledged as collateral		
Trading assets	2,723,331	million yen
Investment securities	26,011	
Total	2,749,342	

(Note) The amounts above corresponded to the amount on the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 1,273,546 million yen were also pledged as collateral.

(2) Liabilities secured		
Payable to securities finance companies	5,605	million yen
Short-term borrowings	3,726,600	
Total	3,732,205	

(Note) The amounts above corresponded to the amount on the consolidated balance sheet.

2. Market value of securities pledged as collateral		
Lending securities under agreements of loan for consumption	3,799,164	million yen
Securities sold by gensaki transaction	546,121	
Others	521,876	
Total	4,867,161	

(Note) Assets classified in pledged assets were excluded.

3. Market value of securities accepted as collateral		
Borrowed securities under agreements of loan for consumption	7,686,295	million yen
Others	357,909	
Total	8,044,204	

4. Allowance for doubtful accounts deducted directly from assets		
Investments and others, others	10,714	million yen

5. Accumulated depreciation of tangible fixed assets: 113,710 million yen

6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	1,770 million yen
Others(2 companies)	Liabilities	731
Total		2,501

7. Statutory reserves and appropriation of same under Special Laws
 Financial instruments business liability reserve: 3,907 million yen

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

Notes to consolidated statement of changes in net assets

1. Total shares outstanding as of the end of the fiscal year ending March 31, 2010
 Common shares 1,749,358,772

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, 2009	Common shares	4,039	3	March 31, 2009	June 1, 2009
Board of directors of October 30, 2009	Common shares	8,742	5	September 30, 2009	December 1, 2009
Total		12,781			

(2) Dividends to be distributed after the fiscal year ending March 31, 2010

It was scheduled to be resolved at the meeting of the Board of Directors of May 19, 2010 as follows:

Item related to dividends on common share

1. Total amount of dividends 13,987 million yen

2. Dividend per share	8 yen
3. Date of record	March 31, 2010
4. Effective date	June 7, 2010

The source of dividends will be retained earnings.

3. Number of shares subject of stock subscription rights upon exercise thereof as of March 31, 2010

	Item	Number of shares				As of Mar. 31, 2010 (Millions of yen)
		As of Mar. 31, 2009	Increase	Decrease	As of Mar. 31, 2010	
The Company	Stock subscription rights issued in July, 2006	293,000	-	13,000	280,000	381
	Series 3 stock subscription rights	2,516,000	-	38,000	2,478,000	963
	Treasury stock subscription rights	77,000	38,000	-	115,000	-
	Stock subscription rights issued in July, 2007	306,000	-	10,000	296,000	388
	Series 4 stock subscription rights	2,522,000	-	31,000	2,491,000	480
	Treasury stock subscription rights	48,000	31,000	-	79,000	-
	Stock subscription rights issued in July, 2008	350,000	-	6,000	344,000	334
	Series 5 stock subscription rights	3,083,000	-	32,000	3,051,000	248
	Treasury stock subscription rights	16,000	32,000	-	48,000	-
	Stock subscription rights issued in July, 2009	-	664,000	-	664,000	385
	Series 6 stock subscription rights	-	4,413,000	28,000	4,385,000	60
	Treasury stock subscription rights	-	28,000	-	28,000	-
Consolidated subsidiary	Series 1 stock subscription rights issued in September, 2006	3,100	-	3,100	-	-
	Series 2 stock subscription rights issued in September, 2006	4,700	-	4,700	-	-
	Series 3 stock subscription rights issued in August, 2006	28,200	-	28,200	-	-
	Treasury stock subscription rights	6,100	-	6,100	-	-
	Series 1 stock subscription rights issued in September, 2007	6,700	-	6,700	-	-
	Series A stock subscription rights issued in September, 2007	12,000	-	12,000	-	-
	Series B stock subscription rights issued in September, 2007	32,700	-	32,700	-	-
	Treasury stock subscription rights	3,200	-	3,200	-	-
	Series 1 stock subscription rights issued in September, 2008	14,400	-	14,400	-	-
	Series A stock subscription rights issued in September, 2008	21,200	-	21,200	-	-
	Series B stock subscription rights issued in September, 2008	45,200	-	45,200	-	-
	Treasury stock subscription rights	1,800	-	1,800	-	-
Total						3,242

Note:

- (1) All shares of stock subscription rights above are common stock.
- (2) Consolidated subsidiary above is Daiwa SMBC Capital Co., Ltd.
- (3) Exercise period of "Series 3 stock subscription rights", "Series 4 stock subscription rights", "Series 5 stock subscription rights" and "Series 6 stock subscription rights" which the Company issued have not yet

started.

Stock subscription rights issued by the consolidated subsidiary above are all extinguished by abandoning those rights for the ones acquired by tender offer of the Company and cancellation for the ones held by the consolidated subsidiary, respectively.

Notes to financial instruments

(Additional information)

The Group has adopted the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and the "Guidance on Disclosure about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008) from this fiscal year.

1 Concerning the situation of financial instruments

(1) Policy for dealing financial instruments

The Group, the primary businesses of which 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. The subsidiaries which engage in securities relating business hold financial assets and liabilities as follows to trade with their customers and execute proprietary trades: "trading securities and others" which include equities and warrants, bonds and units of investment trust etc., "derivative assets" like future contracts, options, forward contracts and swaps, "collateralized short-term financing agreements," "receivables and payables related to margin transactions." In addition to those, the Group holds financial assets as follows: "private equity and other securities" as a result of principal investments business and venture capital business and "investment securities" as long-term holding for the business relationship.

In addition, the Group is raising its capital utilizing a variety of financial instruments such as corporate bonds, medium-term notes, borrowing from financial institutions, commercial paper, call market, gensaki transactions, and repurchase agreements, etc. Under the basic policy for financing that enough liquidity for continuing business should be effectively secured, the Group is maintaining an appropriate balance between assets and liabilities by diversifying financial measures and maturity dates, and realizing effective and stable finance when it decides to raise its capital. Also, the Group uses interest rate swaps and foreign currency swaps, etc. for the purpose of hedging fluctuation of interest rates and foreign currencies in terms of financial assets and liabilities.

The Group entirely and efficiently manages the variety of risks incurred by holding financial assets and liabilities and maintains sound finances.

(2) Contents and risk of financial instruments

Subsidiaries engaged in the securities business mainly conduct trading business in the Group. Categories of products in the trading business are as follows: (a) trading securities and others (stocks and warrants, bonds and units of investment trust), collateralized short-term financing agreements, receivables and payables related to margin transactions, (b) derivatives, traded at exchange, such as stock index futures, bond futures, interest rate futures and options for those, (c) derivatives (OTC derivatives), not traded at exchanges, such as interest rate and foreign exchange swaps, foreign currency futures, currency options, bond options, FRA and OTC securities derivatives, etc.

Of the various risk, the major risks implied in cash and derivative transactions in the trading business are market risk and credit risk. Market risk means the risk of suffering losses from fluctuations in the value of holding financial assets and liabilities in accordance with changes in the market value of equities, interest rates (in case of bonds), currencies, commodities and derivatives of those and interest rates. Credit risk means the risk of suffering losses from defaults of counterparties or credit changing of issuers of financial instruments which the Group holds, etc.

In the trading business, the Group conducts derivative transactions solely and as a part of structured notes to meet customers' needs. These include transactions which are volatile because of the correlation with stock indices, foreign exchange rates and interest rates of reference assets or which tend to move in a complicated manner. Therefore, these carry higher risk than the reference assets. These derivative transactions are categorized as trading assets in the consolidated balance sheets and the realized and unrealized profit/loss by fluctuation of fair values are stated as the net gain on trading.

Other than the trading business, the Group holds financial instruments like private equity and other securities as a result of principal investments business and venture capital business and investment securities as long-term holding for the business relationship, etc. These financial instruments carry market risk and credit risk as well.

The Group is raising its capital utilizing corporate bonds, medium-term notes, borrowing from financial institutions, etc. by holding its financial instruments, and is exposed to liquidity risk. Liquidity

risk indicates the risk of suffering losses such that cash management may be impossible and remarkably higher financing cost than usual may be requested as a result of an abrupt change of market environment or unexpected credit crunch, etc.

Subsidiaries engaged in the trading business utilize derivative transactions as brokers and end-users. Derivative products have been necessary to deal with a variety of customers' financial needs and subsidiaries engaged in the trading business provide customers with financial instruments to meet their customers' requests in many ways as brokers. For instance, they provide customers with foreign currency futures to hedge the exchange rate risk of foreign currency of foreign bonds held by customers and interest rate swaps to hedge interest rates when customers issue corporate bonds, etc. As end-users, they use interest rate swaps to hedge interest rate risk regarding financial assets and liabilities of the Group and utilize many kinds of futures and options to hedge their trading positions.

(3) Risk management system concerning financial instruments

While the economy and social structure have been drastically changed as development of globalization and IT advances, the finance business continues to be diversified and complicated and the importance of risk management is getting higher in a financial institution as the Group. The Group recognizes that to properly understand the risk existing in the Group and to manage the risk entirely is a significant target for management and works to construct a risk management system for the Group.

For risk management of the entire Group, the Company has resolved the "Risk Management Rule" at the meeting of Board of Directors which states the basic policy of risk management, type of risk that should be managed and responsible executive officers and department for each major risk. Each Subsidiary conducts risk management suitable for each business profile and size in accordance with the basic policy of risk management. And the Company unifies risk management of the entire Group by monitoring the structure and process of Subsidiaries' risk management and giving necessary guidance. Also, the Internal Control Committee as a sub-committee of the Executive Committee of the Company receives reports on matters such as risk exposure obtained by monitoring of subsidiaries and themes concerning the risk management system of each subsidiary and discusses them. Subsidiaries regularly hold risk management committee etc. and strengthen each risk management system.

In addition, the Group is working on an integrated risk management system aiming to secure sufficiently sound finances and properly understand return in consideration of risk. The Group grasps all the market and credit risk with the quantitative method as systematically as possible and controls the risk within the amount suitable for management strength of the Group. Also, the Group distributes risk capital to each subsidiary and they take risks effectively within each risk capital.

The Group has established the risk management system covering the entire Group with the framework of the above stated risk management.

① Management of credit risk

Concerning transactions in the trading business which generate credit risk, the Group has established the credit limit based on ratings of counterparties in advance and monitors notional principals and credit amounts. Furthermore, in connection with the wholesale business that carries a relatively high credit risk, the Group has established a credit limit for each of the counterparties based on the credit analysis standard which was obtained by adding qualitative analysis to quantitative analysis utilizing the rating analysis model and has conducted daily monitoring in consideration of transaction conditions such as the term, collateral, etc. In addition, concerning the credit risk of financial instruments held in the trading business, the Group has established the upper limit of holding and the holding period in accordance with each issuer's category and credit rating in relation to the relevant financial instruments, and monitored the circumstances of holding them.

Because the margin transactions generate credit to customers in the Group, deposits which were set as collateral will be charged to the customers. In connection with the securities loan transaction, the Group has tried to reduce credit risk by establishing credit limit for counterparties, charging necessary collaterals, and daily mark to market.

② Management of market risk

Most of the trading business of the Group is exposed to market risk. Therefore, it would be most important to quantify the influence of fluctuation of the market on the value of assets and liabilities held by the Group and to understand the risk as objectively as possible.

Considering above, the Company grasps the market risk of the entire Group based on the position limit on each product, profit/loss and Value at Risk (VaR) which indicates the estimate of the maximum loss amount under a certain probability, etc. Concerning VaR, the Company verifies the effectiveness of the valuation model of market risk by regularly conducting back tests which compare VaR and the actual profit / loss. And concerning the impact of an abrupt change in the market, in order to cover the capacity limit of VaR that is the valuation method based on past data and statistical hypothesis, the Company evaluates the maximum loss amount of its portfolio utilizing a scenario based on past huge market fluctuation or a scenario in which a certain risk factor vastly changes, etc.

(i) Management of equity risk

Equity risk indicates the risk that the Group suffers losses from changing of the price of equity

related position by fluctuation of the price of equity. The equity risk to which the Group is mainly exposed is the one relating to equity related products and derivatives, etc. in the trading business. Subsidiaries engaged in securities business manage the risk by establishing the limit for VaR, position and sensibility (delta, gamma and vega, etc.) etc. considering the financial situation of their own equity, the business plan and budget of each division. The risk management department of the Company is given information on the VaR and position from the subsidiaries engaged in securities business, recognizes the equity risk of the entire Group and informs it to the management of the Company on a daily basis.

(ii) Management of interest rate risk

Interest rate risk means the risk that the Group suffers losses from changing of the price of interest rate related position by fluctuation of interest rate. The interest rate risk to which the Group is mainly exposed is the one relating to interest rate related products and derivatives, etc. in the trading business. Subsidiaries engaged in securities business manage the risk by establishing the limit for VaR, position and sensibility (BPV, gamma and vega, etc.) etc. considering the financial situation of their own equity, the business plan and budget of each division. The risk management department of the Company is given information on the VaR and position from the subsidiaries engaged in securities business, recognizes the interest rate risk of the entire Group and informs it to the management of the Company on a daily basis.

(iii) Management of foreign exchange rate risk

Foreign exchange rate risk indicates the risk that the Group suffers losses from changing of the price of foreign currency position by fluctuation of foreign exchange rate. Foreign exchange rate risk is managed by the index such as position limit of each currency (delta, gamma and vega) and VaR etc. The risk management department of the Company is given information on the VaR and position from the subsidiaries engaged in securities business, recognizes foreign exchange rate risk of the entire Group and informs it to the management of the Company on a daily basis.

③ Management of risk of financial instruments other than trading purpose

The Group holds financial instruments other than trading business such as private equity and other securities as a result of principal investments business and venture capital business and investment securities as long-term holding for the business relationship. These financial instruments carry market risk and credit risk as well. Because those financial instruments have a characteristic risk profile for each product, the Company has conducted limit management by establishing an indicator that suits each risk profile (holding amount, amount for each credit rating, VaR, etc.) and regularly monitoring.

The subsidiaries, which engage in the principal investments business, investigate each investment through an investment committee in accordance with the approved investment limit and make each investment judgment. After investments, it establishes a strategy for restructuring governance of invested companies and for exit. Also, it constructs a system which enables it to directly conduct monitoring of invested companies, if necessary, by sending personnel to invested companies.

The subsidiaries, which engage in the venture capital business, narrow investment candidates to the ones that have innovative technology or business models and make the investment judgment at a meeting of the Board of Directors or investment committee by conducting due diligence of the investment candidates and based on the result of examination by the examination division. After investments, it holds a risk management committee every quarter and monitors the situation and exit strategy of invested companies and financial influence on the business, etc.

In connection with investment securities as long-term holding for the business relationship, etc, the Group decides to acquire or sell the securities in accordance with the policy defined by the relevant company's rules. The result of monitoring such as portfolio prospects and risk/return profile is to be reported quarterly to the Internal Control Committee.

④ Management of liquidity risk concerning capital raising

Method of capital raising of the Group includes corporate bonds, medium-term notes, borrowing from financial institutions, commercial paper, call market, gensaki transactions and repurchase agreements, etc. By those methods, the Group realizes effective and stable capital raising.

In terms of financial stability, preparing for the case that the environment vastly changes, the Group endeavors in ordinary times to secure a stable reserve to prevent the business from suffering trouble. Especially after the latter half of 2007FY, the Group has increased liquidity with capital raising from the market and borrowing from financial institutions, preparing for the world wide financial crisis and credit crunch.

Also, the Group tries to diversify the maturity of raising capital preparing for the event that it becomes difficult to execute new capital raising and to reschedule the existing capital raising due to a financial crisis occurring. The Group manages liquidity risk by covering short-term raised capital without collateral by the liquidity portfolio consisting of cash or government bonds and the supporting liquidity portfolio that is relatively easy to change to cash.

The Company collectively manages and monitors the liquidity of the entire Group under the basic policy to secure the appropriate liquidity of the Group. The Company always monitors whether the liquidity portfolio is secured enough against short-term raised capital without collateral preparing

for the case that it becomes difficult to execute new capital raising and to reschedule the existing capital raising due to a financial crisis occurring. Also, the Group has established a system that enables the Company to flexibly supply the capital to the Group companies if necessary.

But, concerning domestic and foreign subsidiaries engaged in securities business etc. (Daiwa Securities Co. Ltd., Daiwa Securities Capital Markets Co. Ltd., Daiwa SMBC Capital Co. Ltd., and Daiwa Capital Markets Europe Limited, etc.), under the basic policy of the Group, each subsidiary raises its capital by the method suitable for its own business characteristics and secures its liquidity portfolio necessary for continuing its business, and those are to be reported to the Company.

Concerning the other subsidiaries, the Company has conducted entire and effective raising and managing of capital by both collectively raising capital and distributing the capital to subsidiaries.

And the Group has established the contingency plan as one of measures of dealing with liquidity risk. The Company thinks that it secures enough liquidity in the case that it becomes difficult to raise short term capital without collateral as a result of an abrupt change of market environment or unexpected credit crunch.

Daiwa Securities Capital Markets Co. Ltd. raises huge capital for the purpose of holding liquid assets mainly as trading position. Therefore, its contingency plan is the most important for the Group. Daiwa Securities Capital Markets Co. Ltd. revises its contingency plan that includes its foreign subsidiaries every 6 months and has established conditions to be applied and the action plan for each environment. In the case that an effect of the conditions to be applied becomes long termed, it considers to reduce total assets in the plan.

The Company periodically monitors the maintenance of its subsidiaries' contingency plans. The Company revises, if necessary, the capital raising plan or contingency plan itself with crisis scenario assumed and tries to preliminarily execute both increasing the liquidity and reducing assets at the same time.

(4) Supplementary explanation for the fair values of financial instruments

The fair value of financial instruments includes the price based on market value and the theoretical price reasonably calculated in the case of no market value. They may be changed with different conditions because a certain condition is applied to calculating theoretical prices.

2 Fair values of financial instruments

The figures stated in the consolidated balance sheets as of March 31, 2010, fair value and the difference of those are as below. Any item for which it is extremely difficult to obtain its fair value is not included in the below statement (see Note 2).

(Millions of yen)	Amounts in consolidated balance sheets	Fair value	Difference
Assets			
(1) Cash and deposits	699,179	699,179	—
(2) Cash segregated as deposits for regulatory purposes	291,104	291,104	—
(3) Trading assets			
① Trading securities and others	5,707,007	5,707,007	—
② Derivative assets	1,947,325	1,947,325	—
(4) Receivables related to margin transactions			
Customer margin loans	119,474	119,474	—
Cash deposits as collateral for securities borrowed	66,404	66,404	—
(5) Collateralized short-term financing agreements			
Cash deposits as collateral for securities borrowed	7,067,400	7,067,400	—
(6) Securities, Private equity and other securities and Investment securities			
① Securities intended to be held for trading purposes	3,599	3,599	—
② Held-to-maturity debt securities	1,400	1,397	▲2
③ Available-for-sale securities	445,389		
Allowance for possible investment losses	▲2,337		
	443,052	443,052	—
Total assets	16,345,947	16,345,945	▲2
Liabilities			
(1) Trading liabilities			
① Trading securities and others	3,468,625	3,468,625	—
② Derivative liabilities	1,456,663	1,456,663	—
(2) Trading receivables, net	228,042	228,042	—

(3) Payables related to margin transactions			
Payables to securities finance companies	5,605	5,605	—
Proceeds of securities sold for customers' accounts	67,160	67,160	—
(4) Collateralized short-term financing agreements			
Cash deposits as collateral for securities loaned	3,341,894	3,341,894	—
Payables related to gensaki transactions	544,339	544,339	—
(5) Deposits received	177,255	177,255	—
(6) Cash deposits received as guarantee	246,602	246,602	—
(7) Short-term borrowings	4,335,493	4,335,493	—
(8) Commercial paper	351,750	351,750	—
(9) Bonds and notes due within one year	118,402	118,402	—
(10) Bonds and notes	1,226,718	1,208,218	18,500
(11) Long-term borrowings	378,319	383,846	▲5,527
Total liabilities	15,946,873	15,933,901	12,972
Derivative transactions other than trading (*)			
Transactions which hedge accounting are not applied	19	19	—
Transactions which hedge accounting are applied	—	326	326
Total Derivative transactions other than trading	19	345	326

(*) Assets and liabilities which are generated from derivative transactions other than trading are stated as net amount and the item which is accounted as liability after netting is stated with ▲.

(Note1) Accounting method of fair values of financial instruments

(a) Cash and deposits

Cash and deposits are stated as their book value because fair values are similar to book value and they are settled in the short term.

(b) Cash segregated as deposits for regulatory purposes

Cash segregated as deposits for regulatory purposes which consist of cash segregated as deposits for customers and investments in securities like government bonds are calculated based on reasonably calculated prices utilizing yield spread with index interest rates for each term which are defined by immediately previous traded prices including the ones of similar bonds.

(c) Trading assets

① Trading Securities and others

Equities and others	closing price or closing quotation at the main stock exchange
Bonds	reasonably calculated price based on immediately previous traded price including similar bonds (OTC and broker screen etc.) or market value information (trading price statistics etc.) by utilizing spread with index interest rate
Units of Investment trust	closing price or closing quotation at exchange

② Derivative transactions

Derivatives traded at exchange	mainly liquidation price at exchange or basic price for calculation margin
Interest rate swaps	prices calculated by price valuation models generally acknowledged at the market or the model expanding those, based on expected cash flow calculated from yield curve, price and coupon rate of underlying bond, interest rates, discount rates, volatility, correlation, etc.
OTC equity derivatives	prices calculated by price valuation models generally acknowledged at the market or the model expanding those, based on price of equities or equities indices, interest rates, dividends, volatility, discount rates, correlation, etc.
Credit derivatives	prices calculated by price valuation models that is generally acknowledged at the market or the model expanding those, based on all the cash flow defined with discount rates that is calculated from interest rates and credit spread of the reference

Concerning OTC derivatives, both credit risk and liquidity risk equivalent to the amount of the counterparty are added to the fair value as necessary.

(d) Trading receivables, net

Trading receivables, net are stated as their book value because fair values are similar to book value and they are settled in the short term.

(e) Receivables related to margin transactions, Payables related to margin transactions

Receivables related to margin transactions consist of lending money to customers generated from margin transaction and collaterals to securities finance companies. Those are stated as their book value as settled in short term because the former is settled by reversing trades by customers' decision and the latter is collaterals marked to market on lending and borrowing transactions.

Payables related to margin transactions consist of customers' borrowing money from securities finance companies and sold amount equivalent of customers generated from margin transactions. Those are stated as their book value as settled in the short term because the former is marked to market and the latter is settled by reversing trades by customers' decision.

(f) Collateralized short-term financing agreements

These are stated as their book value because fair values are similar to book value and those are almost settled in the short term.

(g) Securities, Private equity and other securities and Investment securities

Equities and others	closed price or closed quotation at the main stock exchange
Bonds	reasonably calculated price based on immediately previous traded price including similar bonds (OTC and broker screen etc.) or market value information (trading price statistics etc.) by utilizing spread with index interest rate, or reasonably calculated price based on the value of collateralized assets
Units of Investment trusts	closed price or closed quotation of exchange, or standard price
Investment in partnership	the amount, which closely resembles the fair value, deducting an allowance for possible investment losses from the amount stated in the balance sheet as of the fiscal year end, concerning the investments in partnership whose possible investment losses are calculated based on the estimate of receivables related real estate

(h) Deposits received

These are mainly deposits received from customers and payment amount (book value) when settled at the end of this fiscal year is considered as fair value. Other deposits are stated as their book value because the fair value closely resembles the book value and they are settled in the short term.

(i) Cash deposits received as guarantee

These are mainly deposits as guarantee relating to derivative transactions and stated as their book value as settled in the short term with those characteristics which are marked to market for each transaction. Concerning the other cash deposit received as guarantee from customers, the payment amount (book value) when settled at the end of this fiscal year is considered as fair value.

(j) Short-term borrowings, commercial paper and bonds and notes due within one year

These are stated as their book value because fair value are similar to book value and they are settled in short term.

(k) Bonds and Notes

Concerning fair value of bonds whose maturity are longer than 1 year, in the case that market price (trading price statistics, etc.) is available in the market, fair value is calculated from the market price. If the market price is not available, fair value is calculated from book value which is adjusted with consideration of interest rate fluctuation from the issuance and change of credit spread of the Company. The credit spread of the Company is referred to interest rate of immediately previous issuance or market prices of similar bonds issued by the Company, etc.

(l) Long-term borrowings

Fair value is calculated from book value which is adjusted with consideration of interest rate fluctuation from the issuance and change of credit spread of the Company. The credit spread of the Company is referred to interest rate of immediately previous issuance or market prices of similar bonds issued by the Company, etc.

- (m) Derivative transactions other than trading
The same as “(c) Trading assets ② Derivative transactions.”

(Note 2) Any financial product which is extremely difficult to obtain its fair value is as below and is not included in the “Assets (6) ③ Available-for-sale securities” of fair value information of financial instruments.

(Millions of yen)	Amounts in consolidated balance sheets
Equities that are not listed on any exchange	94,856
Investments in limited partnership and other similar partnerships	38,800
Others	6,725

These are recognized as extremely difficult to obtain fair value because these do not have any market price and it is impossible to estimate future cash flow of them. Therefore, their fair value is not disclosed.

Notes to per share information

Net assets per share 530.27 yen
Net income per share 26.41 yen

Independent Auditors' Report

May 14, 2010

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 the consolidated statement of changes in net assets of Daiwa Securities Group Inc. as of March 31, 2010 and for the year from April 1, 2009 to March 31, 2010 in accordance with Article 444(4) of the Companies Act. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

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

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

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

Audit Report Concerning the Consolidated Statutory Report

The Audit Committee has audited the consolidated statutory report (the consolidated balance sheet, the consolidated statement of income and the consolidated statement of changes in net assets) for the 73rd business year from April 1, 2009 to March 31, 2010. 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.

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, 2010

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson (Full time)
Saburo Jifuku

Committee Member
Koichi Uno

Committee Member
Nobuko Matsubara

Committee Member
Keiichi Tadaki

(Note) Mr. Koichi Uno, Ms. Nobuko Matsubara and Mr. Keiichi Tadaki are the outside directors provided under the provision of Article 2, item15 and Article 400, Paragraph 3 of the Companies Act.

Balance sheets

(Millions of yen)	Fiscal 2009 As of Mar. 31, 2010
<i>Assets</i>	
Current assets:	665,049
Cash and deposits	276,180
Securities	153,599
Short-term loans receivable	202,510
Accounts receivable	23,941
Accrued income	1,636
Deferred tax assets	292
Other current assets	6,889
Non-current assets:	1,197,671
Tangible fixed assets	44,907
Building	482
Furniture and fixtures	2,343
Land	42,082
Intangible fixed assets	2,296
Software	1,517
Other	778
Investments and others:	1,150,467
Investment securities	125,834
Related companies' stocks	791,885
Other related companies' securities	13,500
Long-term loans receivable	194,606
Long-term guarantee deposits	7,674
Deferred tax assets	6,824
Other	10,434
Less: Allowance for doubtful accounts	293
Total assets	1,862,721

(Millions of yen)	Fiscal 2009 As of Mar. 31, 2010
<i>Liabilities</i>	
Current liabilities:	462,247
Short-term borrowings	318,500
Commercial paper	20,000
Bonds and notes due within one year	70,000
Accrued expenses	1,639
Collateralized short-term financing agreements	38,061
Income taxes payable	10,284
Accrued bonuses	816
Other current liabilities	2,944
Non-current liabilities:	576,832
Bonds and notes	405,137
Long-term borrowings	166,500
Long-term cash deposits received as guarantee	2,210
Retirement benefits	1,723
Provision for litigation losses	46
Other non-current liabilities	1,213
Total liabilities	1,039,079
<i>Net assets</i>	
Owners' equity:	805,714
Common stock	247,384
Capital surplus:	226,739
Additional paid-in capital	226,739
Retained earnings:	332,280
Earned surplus reserve	45,335
Other earned surplus reserve	286,945
General - purpose reserve	218,000
Deferred earned surplus	68,945
Treasury stock	(689)
Valuation and translation adjustments:	14,684
Net unrealized gain on securities, net of tax effect	14,276
Deferred gain on hedges, net of tax effect	407
Stock subscription rights	3,242
Total net assets	823,641
Total liabilities and net assets	1,862,721

Statements of income

(Millions of yen)	Fiscal 2009 Apr. 1, 2009 - Mar. 31, 2010
Operating revenues:	27,464
Dividends from related companies	20,805
Interest on loans from related companies	5,730
Other	929
Operating expenses:	19,193
Selling, general and administrative expenses:	11,031
Commission and other expenses	1,458
Employees' compensation and benefits	4,666
Occupancy and rental	1,430
Data processing and office supplies	1,098
Depreciation	622
Taxes other than income taxes	829
Other	924
Interest expenses	8,162
Operating income	8,270
Non-operating income	3,924
Interest income	255
Dividend income	1,972
Gain on investment in partnership	973
Other	723
Non-operating expenses	1,959
Bond issue expenses	941
Share issuance expenses	868
Loss on investment in securities	27
Other	122
Ordinary income	10,236
Extraordinary gains:	360
Gain on sale of investment securities	340
Other	20
Extraordinary losses:	4,954
Loss on sale of investment securities	10
Write-down of investment securities	2,741
Write-down of related companies' stocks	1,906
Other	296
Income before income taxes	5,642
Income taxes-current	(6,218)
Income taxes-deferred	(11,752)
Net income	23,613

Statements of changes in net assets

(Apr. 1, 2009 - Mar. 31, 2010)

(Millions of yen)	Owners' equity						
	Common stock	Capital surplus	Retained earnings			Treasury stock	Total
		Additional paid-in capital	Earned surplus reserve	Other earned surplus reserve			
				General - purpose reserve	Deferred earned surplus		
Beginning balance as of Mar. 31, 2009	178,324	157,678	45,335	218,000	58,124	(61,525)	595,937
Changes of items during the fiscal year							
Issuance of new shares	69,060	69,060	-	-	-	-	138,120
Dividends	-	-	-	-	(12,781)	-	(12,781)
Net income	-	-	-	-	23,613	-	23,613
Purchase of treasury stock	-	-	-	-	-	(229)	(229)
Disposal of treasury stock	-	-	-	-	(10)	61,065	61,054
Total changes of items during the fiscal year	69,060	69,060	-	-	10,821	60,835	209,777
Ending balance as of Mar. 31, 2010	247,384	226,739	45,335	218,000	68,945	(689)	805,714

(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	
Beginning balance as of Mar. 31, 2009	4,513	559	2,221
Changes of items during the fiscal year			
Net changes of items other than owners' equity	9,763	(151)	1,020
Total changes of items during the fiscal year	9,763	(151)	1,020
Ending balance as of Mar. 31, 2010	14,276	407	3,242

These non-consolidated statutory reports of the Company are prepared in accordance with the "Accounting Regulation Ordinance" (Ministry of Justice Ordinance No. 13, 2006). The figures in the statutory reports are expressed in millions of yen, with amounts of less than one million omitted.

Notes to accounting policies

1. Valuation standards and methods for major assets
 - (1) Securities intended to be held for trading purposes
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) is booked directly in net assets, and the costs of securities sold are calculated based on the moving average method). Securities for which the fair value is extremely difficult to obtain 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 the 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 (excluding leased 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 (excluding leased assets)
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) 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 the leasing period and as its residual value to be zero.
Concerning financial lease transactions other than the ones that transfer ownership to the lessee, those which started before March 31, 2008 the fiscal were accounted for in the accounting treatment similar to that of ordinary rental transactions.
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
The estimated amount of restitution is accrued to provide for future monetary damages in litigation regarding financial services based on the status of litigation.
4. Other significant items associated with the preparation of statutory report
 - (1) Accounting methods for deferred assets
Expenses for the issue of Shares, Bonds and Notes are all accounted as expenses when they

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 purposes 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.

Notes to balance sheet

1. Pledged securities as collateral

66,337 million yen of investment securities were loaned.

2. Allowance for doubtful accounts deducted directly from assets

Investments and others, others	3,433 million yen
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3. Accumulated depreciation of tangible fixed assets	1,869 million yen
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4. Guarantee

The balance of loan guarantees for employees	1,458 million yen
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5. Monetary claims and obligations with related companies

Short-term loan receivables from related companies	226,919	million yen
Long-term loan receivables from related companies	202,829	million yen
Short-term monetary liabilities to related companies	169,628	million yen
Long-term monetary liabilities to related companies	2,729	million yen

Notes to statement of income

Transactions with related companies

Operating transactions

Operating revenue from related companies	26,887	million yen
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Operating expenses to related companies	3,706	million yen
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Non-operating transactions	1,616	million yen
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Notes to statement of changes in net assets

Balance of Treasury Stock as of March 31, 2010

Common Shares	875,757
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Notes to tax effect accounting

Deferred tax assets and liabilities

(Deferred tax assets)

Write-down of related company's stock	82,250	million yen
Loss carried forward	26,503	
Write-down of investment securities	10,152	
Others	3,098	
	<hr/>	
	122,005	
Valuation allowance	▲108,835	
Total deferred tax assets:	<hr/>	
	13,170	

(Deferred tax liabilities)

Unrealized gain on securities	5,704	million yen
Others	347	
Total deferred tax liabilities	<hr/>	
	6,052	

Net deferred tax assets	<hr/>	
	7,117	million yen

Notes to leased fixed assets

In addition to the fixed assets on the balance sheet, some 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 Co. Ltd	Direct Ownership 100%	Borrowing Directors hold concurrent positions	Borrowing (Note1)	2,500	Short-term borrowings	30,000
				Payment of interest (Note1)	2	Accrued expense	2
Subsidiary	Daiwa Securities Capital Markets Co. Ltd	Direct Ownership 99.9% Indirect Ownership 0.0%	Debt Financing Borrowing Receipt of cash collateral Lending share Directors hold concurrent positions	Debt Financing (Note2)	-	Long-term loans receivable	150,000
				Receipt of interest (Note2)	3,440	Accrued income	1,424
				Borrowing (Note1)	8,333	Short-term borrowings	100,000
				Payment of interest (Note1)	27	Accrued expense	27
				Receipt of cash collateral (Note3)	40,876	Collateralized short-term financing agreements	38,061
				Lending share (Note3)	66,337	Accrued income	16
				Receipt of rent (Note3)	204	Accrued expense	18
				Payment of interest (Note3)	248		
Subsidiary	Daiwa Property Co., Ltd	Direct Ownership 99.4% Indirect Ownership 0.6%	Debt Financing Directors hold concurrent positions	Debt Financing (Note2) Receipt of interest (Note2)	- 793	Long-term loans receivable	37,210
Subsidiary	Daiwa Securities Loan Co., Ltd.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt Financing (Note4)	55,866	Short-term loans receivable	55,700
				Receipt of interest (Note4)	867		
Subsidiary	Daiwa Investment Management Inc.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt Financing (Note4) Receipt of interest (Note4)	23,360 346	Short-term loans receivable	140,160

Terms and conditions of transaction and transaction policy

(Note1) Each transaction amount is the average of month end balances.

Interest rates on borrowing are determined rationally in consideration of market interest rates.

No collateral is furnished.

(Note2) Outstanding credit in the fiscal year ending March 31, 2010 is stated in the Transaction Amount.

Interest rate is determined based on market rate. No pledge was made for debt financing.

(Note3) 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 rates are determined based on market rate.

(Note4) Each transaction amount is the average of month end balances.

Interest rates on loans receivable are determined rationally in consideration of market interest rates.

No collateral is obtained.

Notes to per share information

Net assets per share	469.21 yen
Net income per share	14.36 yen

Note for Subsequent events

Transfer of shares of significant subsidiaries

The Company transferred all of its shares of a significant subsidiary to Daiwa Securities Capital Markets Co. Ltd. by decision of the Executive Committee held on March 19, 2010. The summary of the transaction is as below.

1. Reason for the transfer

The purpose of the transfer is to further strengthen the global network and enable more strategic and efficient staff deployment and allocation of management resources by integrating the subsidiary into the international business franchises of Daiwa Securities Capital Markets Co. Ltd. as has been done in Europe and Asia.

2. Name of counterparty to the transfer

Daiwa Securities Capital Markets Co. Ltd.

3. Date of the transfer

April 1, 2010

4. Name, business and transaction with the Company of the subsidiary to be transferred

Name of the subsidiary: Daiwa America Corporation

Business: U.S. holding company with subsidiaries including the U.S. SEC registered broker-dealer (Daiwa Securities America Inc.)

Transaction with the Company: Debt Financing

(Note) Daiwa America Corporation and Daiwa Securities America Inc. changed their company name to "Daiwa Capital Markets America Holdings Inc" and "Daiwa Capital Markets America Inc.," respectively, on April 1, 2010.

5. Number of shares to be transferred, transfer price, gain / loss from the transfer and Ratio of shareholding after the transfer

Number of shares: 21,560

Transfer price: 39,141 million yen

Realized gain: 2,430 million yen

Ratio of shareholding after the transfer: none

(Note) The transfer price and realized gain above are the estimated amounts calculated as of April 1, 2010. The transfer price will be the fair value of the net assets of Daiwa America Corporation as of March 31, 2010. The adjustment of the estimate amount is to be made before the end of June 2010.

Independent Auditors' Report

May 14, 2010

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, 2010 and for the 73rd business year from April 1, 2009 to March 31, 2010 in accordance with Article 436(2)① of the Companies Act. 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.

Supplementary information

As discussed in the note for Subsequent events, the Company transferred all of the shares of its consolidated subsidiary, Daiwa America Corporation (which changed its name to "Daiwa Capital Markets America Holdings Inc." as of April 1, 2010) to Daiwa Securities Capital Markets Co. Ltd. on April 1, 2010.

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, the business report, the statutory report (balance sheet, statement of income, statement of changes in the net assets) and its supporting schedules for the 73rd Business year from April 1, 2009 to March 31, 2010. 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(b) and 1(e) of the Companies Act and the status of internal control systems. We also set the purpose of developing the Group's audit system as a critical issue based on the policies established by the Audit Committee and in accordance with the allocation of responsibilities among Audit Committee members. In cooperation with the internal control division we attended significant meetings, received reports from Directors and Executive Officers, etc. about their execution, received their explanation when necessary, inspected the content of the important authorized documents and other important documents, and investigated the Company's operations and condition of property. With respect to subsidiaries, the Audit Committee received reports from the Executive Officers who are responsible for managing the relevant subsidiaries, when necessary.

In addition, 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.

2. Results of the Audit

(1) Results of audit of the performance of duties by the Directors and the Executive Officers and 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, 2010

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson (Full time)
Saburo Jifuku

Committee Member
Koichi Uno

Committee Member
Nobuko Matsubara

Committee Member
Keiichi Tadaki

(Note) Mr. Koichi Uno, Ms. Nobuko Matsubara and Mr. Keiichi Tadaki are the outside directors provided under the provision of Article 2, item 15 and Article 400, Paragraph 3 of the Companies Act.

Reference Documents for the General Meeting of Shareholders

Bills and reference matters

Bill 1. 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. Accordingly, 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 Article 2, Item 7 of the Ordinance for Enforcement of the Companies Act.

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
1	Akira Kiyota (May 6, 1945)	Apr 1969 May 1994 Jun 1994 May 1996 Jun 1997 Sep 1997 Oct 1997 Apr 1999 Jun 2004 Apr 2005 Jun 2008 to date	Joined the Company Deputy Head of Sales Division of the Company (and head of East Division) Director of the Company Head of Fixed Income / Fund Division of the Company Managing Director of the Company Representative Director and Managing Director of the Company Representative Director and Deputy President of the Company Representative Director and President of Daiwa SB Capital Markets Co., Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.) Deputy Chairman of the Board and Corporate Executive Officer of the Company Director of Daiwa Institute of Research Ltd. (currently, Daiwa Institute of Research Holdings Ltd.) Chairman of the Board and Corporate Executive Officer of the Company (to date)	180,000 shares

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
2	Shigeharu Suzuki (April 17, 1947)	<p>Apr 1971 Jul 1991 May 1997 Jun 1997 May 1998 Jun 1998 Feb 1999 Apr 1999 Jul 2000 May 2001 Jun 2001 Apr 2002 Jun 2002 Jul 2002 Jun 2003 Jun 2004 to date</p>	<p>Joined the Company General Manager of Underwriting Dept. I of the Company Head of Corporate Institution Division of the Company Director of the Company Head of Investment Banking Division of the Company Managing Director of the Company Head of Secretariat, Personnel Dept. , Employees' Consultation Dept. , Total Planning Dept. and Corporate Communication Dept. of the Company Head of Corporate Planning Group of the Company Head of Corporate Planning, Investors Relations and Corporate Communications of the Company Head of Corporate Planning(Corporate Planning Dept. I) , Investors Relations and Corporate Communications of the Company Senior Managing Director of the Company Head of Corporate Planning, Investors Relations and Corporate Communications of the Company Senior Managing Director of Daiwa Securities SMBC Co. Ltd., (currently, Daiwa Securities Capital Markets Co. Ltd.) Head of Investment Banking Division Head of Investment Banking Division, and Head of Corporate Division Planning of the above company Representative Director and Senior Managing Director of the above company Director, President and Representative Executive Officer of the Company, CEO and Head of Retail (to date) Representative Director and President of Daiwa Securities Co. Ltd. (to date)</p>	123,000 shares
		<p>(Significant concurrent positions) Representative Director and President of Daiwa Securities Co. Ltd.</p>		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
3	Shin Yoshidome (September 29, 1951)	Apr 1974	Joined the Company	75,000 shares
		Feb 1997	General Manager of Corporate Institutions Dept. I of Osaka branch of the Company	
		Apr 1999	Joined Daiwa Securities Co. Ltd.	
		Feb 2000	Nagoya Branch Sub Manager of Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.)	
		Jun 2001	Executive Officer of the above company, Head of Nagoya Branch and Nagoya Branch Manager	
		May 2004	Managing Executive Officer of the above company, Senior Head of Corporate Institute, and Head of Corporate Institute Sales	
		Jun 2004	Managing Director of the above company, Senior Head of Corporate Institute, and Head of Corporate Institute Sales	
		Apr 2005	Senior Head of Corporate Institute, Senior Head of Corporate Division Planning, and Head of Corporate Sales of the above company	
		Jun 2005	Senior Head of Corporate Institute and Head of Corporate Sales of the above company	
		Apr 2006	Corporate Executive Vice President of the Company, Deputy Head of Wholesale Representative Director and Senior Managing Director of Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.)	
		Jun 2006	Director and Corporate Executive Vice President of the Company	
		Apr 2007	Director, Deputy President and Representative Executive Officer of the Company, COO and Head of Wholesale (to date)	
		to date	Representative Director and President of Daiwa Securities SMBC Co. Ltd. (to date)	
		(Significant concurrent positions)		
		Representative Director and President of Daiwa Securities Capital Markets Co. Ltd.		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
4	Takashi Hibino (September 27, 1955)	Apr 1979 Apr 2002 Jun 2002 May 2004 Jun 2004 Jul 2004 Apr 2005 Apr 2007 Jul 2008 Apr 2009 to date	Joined the Company General Manager of Corporate Planning Dept. of the Company Executive Officer of Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets 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)	68,090 shares
		(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Capital Markets Co. Ltd.		
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 Capital Markets 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)	33,000 shares

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
6	Kazuo Oda (January 14, 1954)	Apr 1976	Joined the Company	18,000 shares
		Aug 1979	Joined Daiwa Computer Service Ltd.	
		Apr 1994	General Manager of Corporate System Development Dept. of Daiwa Institute of Research Ltd. (currently, Daiwa Institute of Research Holdings Ltd.)	
		Oct 1999	Executive Officer of the above company, Deputy Head of System Solution Institutions Division	
		Nov 2001	Deputy Head of Securities Group System Institutions Division of the above company	
		Jun 2002	Executive Officer and Head of New Securities Development Division of the above company	
		May 2004	Corporate Senior Executive Officer of the above company	
		Apr 2005	Head of Daiwa Institute of Research Data Center , Information Security Division Planning Dept.	
		Apr 2007	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.	
		Apr 2008	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.	
		Oct 2008	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	
		Feb 2009	Head of Risk Management, Quality Control Dept., Information Planning Dept., System Division(2), Institute of Information technology	
		Apr 2009	Corporate Senior Executive Officer of the Company, Head of information technology (CIO) (to date) Senior Managing Director of Daiwa Institute of Research Ltd. (to date)	
		Jun 2009	Director and Corporate Senior Executive Officer of the Company (to date)	
Apr 2010 to date	Managing Director of Daiwa Securities Capital Markets Co. Ltd. (to date)			
(Significant concurrent positions) Managing Director of Daiwa Securities Capital Markets Co. Ltd. Senior Managing Director of Daiwa Institute of Research Ltd.				

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
7	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 Capital Markets Co. Ltd.) General Manager of Personnel Dept of the Company Director of the Company (to date) Auditor of Daiwa Securities Co. Ltd. (to date) Auditor of Daiwa SB Investments Ltd. (to date) Auditor of Daiwa Property Co., Ltd. (to date)	15,000 shares
		(Significant concurrent positions) Outside Auditor of Daiwa Securities Co. Ltd. Outside Auditor of Daiwa SB Investments Ltd. Outside Auditor of Daiwa Property Co., Ltd.		
8	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)	19,593 shares
		(Significant concurrent positions) Honorary Advisor of Sumitomo Electric Industries, Ltd. Outside Director of Meidensha Corporation Outside Director of Nippon Venture Capital Co., Ltd. Outside Director of FM 802 Co., Ltd.		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
9	Ryuji Yasuda (April 28, 1946)	Jul 1976	Joined Morgan Guarantee Trust Company of NY (currently, JP Morgan Chase & Co.), Investment Research Officer	32,000 shares
		Jan 1979	Joined Mckinsey & Company (1986 – Partner of the above company) (1991 – Director of the above company)	
		Jul 1996	A. T. Kearney, Managing Director of Asia, Member of the Board of Management	
		Apr 2002	Visiting Professor, Hitotsubashi University, Graduate School of International Business Strategy	
		May 2002	Chairman of A. T. Kearney, Far East Asia	
		May 2003	Resigned as Chairman of Far East Asia of the above company	
		Jun 2003	Outside Director of the Company (to date) Director, Chairman of J-Will Partners Co., Ltd.	
		Apr 2004	Professor of Hitotsubashi University, Graduate School of International Business Strategy (to date)	
		Sep 2006 to date	Retired as Director and Chairman of J-Will Partners Co., Ltd.	
		(Significant concurrent positions) Professor of Hitotsubashi University, Graduate School of International Corporate Strategy Outside Director of Fukuoka Financial Group, Inc. Outside Director of Bank of Fukuoka, Ltd. Outside Director of Sony Corporation Director of Sony Financial Holdings Inc. Outside Director of Yakult Honsha Co., Ltd.		
10	Koichi Uno (January 5, 1942)	Sep 1967	Joined Arthur Andersen & Co.'s Tokyo Office	20,000 shares
		Aug 1976	Arthur Andersen & Co., London Office	
		Oct 1977	Returned to Arthur Andersen & Co.'s Tokyo Office	
		Sep 1979	Partner, Tax Division of the above office	
		Sep 1981	Representative Partner of the above office (Koichi Uno Tax Accounting Office)	
		Aug 2000	Left Arthur Andersen & Co. Established CPA UNO OFFICE (operating to date)	
		Sep 2000	Part-time lecturer, Hitotsubashi University, Graduate School of International Business Strategy	
		Jun 2004	Outside Director of the Company (to date)	
		Sep 2004 to date	Resigned as part-time lecturer, Hitotsubashi University, Graduate School of International Business Strategy	
		(Significant concurrent positions) Certified Public Accountant and Licensed Tax Accountant Outside Auditor of Secured Capital Japan Co., Ltd. Outside Auditor of SCJ Servicing Co., Ltd. Outside Auditor of Kokusai Kogyo Co., Ltd. Director of Seibu Holdings Inc.		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
11	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)	12,000 shares
		(Significant concurrent positions) Chairman of Japan Institute of Worker's Evolution Outside Director of Mitsui & Co., Ltd.		
12	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 Jun 2009 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) Outside Director of the Company (to date)	0 shares
		(Significant concurrent positions) Attorney at law and Special Counsel, Mori Hamada & Matsumoto Chairman of Japanese Correctional Association Outside Director of Aeon Co., Ltd. Outside Auditor of Nippon Life Insurance Company		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
13	Makoto Shirakawa (November 28, 1954)	Apr 1978 Apr 1999 Apr 2000 Apr 2001 Jun 2003 May 2004 Apr 2005 Apr 2006 Apr 2007 Apr 2008 Apr 2009 to date	Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.) Joined Daiwa Securities Co. Ltd. Joined Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.) General Manager of Financial Institutions Dept. I of the above company Executive Officer of Daiwa Securities Co. Ltd., Head of Area Sales, Corporate Sales, and General Manager of Investment Banking Dept. Executive Officer of the above company, Unit III Officer, and General Manager of Investment Banking Dept. 3 Managing Director of the above company, Head of Daiwa Direct Division Senior Managing Director of the above company, Head of Sales Division, Sales Planning, Daiwa Direct Division Head of Sales Division, Daiwa Direct Division 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)	34,000 shares
		(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
14	Takatoshi Wakabayashi (November 15, 1956)	Apr 1980 Jul 2004	Joined the Company General Manager of Personnel Dept of the Company, and General Manager, assistant to head of Planning	19,060 shares
		Apr 2005	Executive Officer, Head of Legal, Deputy Head of personnel, and General Manager of Personnel of the above Company	
		Apr 2006	Executive Officer, Head of Legal, Deputy Head of Personnel	
		Apr 2007	Executive Officer of Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.), Senior Head of Initial Public Offering, Legal, Head of Capital Markets	
		Apr 2008	Corporate Senior Executive Officer of the above Company, Senior Head of Investment Banking, Head of Corporate Finance, Investment Banking Strategic Planning, Research & Advisory	
		Jul 2008	Corporate Senior Executive Officer of the above Company, Senior Head of Investment Banking, Head of Corporate Finance, Investment Banking Strategic Planning	
		Oct 2008	Corporate Senior Executive Officer of the above Company, Senior Head of Investment Banking, Head of Corporate Finance, Investment Banking Strategic Planning, and General Manager of Investment Banking Strategic Planning	
		Apr 2009	Corporate Senior Executive Officer of the above Company, Senior Head of Investment Banking, Head of Structured Finance, Corporate Finance, Initial Public Offering, Investment Program, Investment Banking Strategic Planning	
		Sep 2009	Representative Director and Managing Director of the above company	
		Apr 2010 to date	Corporate Executive Vice President of the Company, CRO (to date) Representative Director and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd. (to date)	
		(Significant concurrent positions) Representative Director and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd.		

(Notes)

1. The Company has been offering long-term loans to Daiwa Securities Capital Markets 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 eighth (8) 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 seventh (7) 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 sixth (6) 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 career 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 second (2) 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. The conclusion of this Ordinary General Meeting of Shareholders marks his first (1) year as one of the Company's Outside Directors.*
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 the sales department of the 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 a 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 a special relationship with the Company during the 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 a special relationship with the Company.*
 - * *All of the nominees for Outside Directors fulfill the requirements for independent directors as defined by Tokyo Stock Exchange, Inc., Osaka Stock Exchange, Inc. and Nagoya Stock Exchange, Inc..*

5. *The current Outside Directors, Messrs. Tetsuro Kawakami, Ryuji Yasuda, Koichi Uno, Ms. Nobuko Matsubara and Mr. Keiichi Tadaki 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.*

Bill 2. Granting Stock Options; Utilizing Stock Acquisition Rights

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

1. Reasons for Soliciting Candidates to Subscribe for Common Stock Acquisition Rights on 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 is 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 Paragraph 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 is 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") means the date on which stock acquisition rights shall be allocated. In order to maintain competitive human resources and provide an 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 2015. 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
- The period between the Allocation Date of Common Stock Acquisition Rights I and June 30, 2030.
- (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 the capital increase calculated according to Paragraph 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 the 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 or affiliates 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 7,500 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 7,500,000. 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 the 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

The period between July 1, 2015 and June 25, 2020.

- (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 the capital increase calculated according to Paragraph 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 the 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
Audit Committee	Keiichi Tadaki
	Saburo Jifuku (Chairman)
	Koichi Uno
	Nobuko Matsubara
Compensation Committee	Keiichi Tadaki
	Akira Kiyota (Chairman)
	Shigeharu Suzuki
	Tetsuro Kawakami
	Ryuji Yasuda
	Koichi Uno

2. Executive Officers (14 officers)

	Name	Main titles and posts held concurrently
President and CEO (Representative)	Shigeharu Suzuki	Director of the Company Representative Director / President of Daiwa Securities Co. Ltd.
Deputy President and COO (Representative)	Shin Yoshidome	Director of the Company Representative Director / President of Daiwa Securities Capital Markets Co. Ltd.
Deputy President	Takashi Hibino	Director of the Company Representative Director / Deputy President of Daiwa Securities Capital Markets Co. Ltd.
Deputy President	Makoto Shirakawa	Director of the Company Representative Director / Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Masaki Shimazu	Representative Director / Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Toshiro Ishibashi	Representative Director / President of Daiwa Asset Management Co. Ltd.
Deputy President	Takashi Fukai	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 and CFO	Nobuyuki Iwamoto	Director of the Company

	Name	Main titles and posts held concurrently
Corporate Executive Vice President and CRO	Takatoshi Wakabayashi	Director of the Company Representative Director / Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd.
Corporate Senior Executive Officer and CIO	Kazuo Oda	Director of the Company Managing Director of Daiwa Securities Capital Markets Co. Ltd. Senior Managing Director of Daiwa Institute of Research Ltd.
Corporate Executive Officer	Keiko Uehara	
Corporate Executive Officer	Toshihiro Matsui	
Corporate Executive Officer	Tetsuo Akuzawa	
Corporate Executive Officer	Akira Kiyota	Director of the Company Chairman of the Board