

September 10, 2009

## **Daiwa Securities Group Inc. to Fully Acquire Daiwa Securities SMBC Shares from Sumitomo Mitsui Financial Group, Inc.**

*Please note that this document is an translation of a press release announced on September 10<sup>th</sup>, 2009, by Daiwa Securities Group Inc. and was prepared solely for reference purpose only. The original press release is in Japanese.*

Daiwa Securities Group Inc. (“Daiwa” or “the Company”) announced today that it has agreed with Sumitomo Mitsui Financial Group, Inc. (“SMFG” and, together with its subsidiaries and affiliates, referred to collectively as the “SMFG Group”) to terminate the joint venture contract in Daiwa Securities SMBC Co. Ltd. (“Daiwa SMBC”), first dated on December 18<sup>th</sup>, 1998. Daiwa currently holds 60% of Daiwa SMBC shares and will acquire the remaining 40% from SMFG on December 31<sup>st</sup>, 2009. Both parties agreed to constructively dissolve the joint venture contract, while remaining as primary business partners.

### **1. Reasons for Terminating the Joint Venture and Acquiring its Shares**

Since Daiwa SMBC's establishment, the combined investment banking units from Daiwa and SMFG has leveraged business platforms of their parent groups and successfully became one of the top tier investment banks in Japan. Daiwa SMBC has also made a significant contribution to the development of the financial and capital markets.

Daiwa and SMFG had been seeking the best solution since SMFG has announced acquirement of Nikko Cordial Securities Inc. and a part of Nikko Citigroup Limited (collectively, “Nikko Cordial”). The dissolution of the joint venture contract came as for both Daiwa and SMFG recognizing more increasing business synergy in separate business entities, rather than to merge the investment banking division of Nikko Cordial to Daiwa SMBC.

### **2. Methods of the Termination**

Daiwa will acquire 40% or 1,520 Daiwa SMBC shares held by SMFG on December 31<sup>st</sup>, 2009, and Daiwa SMBC will become a 100% subsidiary of Daiwa. Acquisition value that Daiwa is to pay SMFG is calculated based on 40% equivalent of Daiwa SMBC's consolidated net asset value adjusting valuation and translation gain and loss as of December 31, 2009. Sumitomo Mitsui Banking Corporation will make a JPY100bn loan to Daiwa for this transaction.

Daiwa and SMFG will continue to hold 60% and 40% of Daiwa SMBC's private equity business entity (Daiwa Securities SMBC Principal Investments Co. Ltd., ("Daiwa SMBC PI")) respectively. Employees seconded to Daiwa SMBC from SMFG will return to the bank, subject to their preference, by October 1st, 2009.

### 3. Schedule

September 10, 2009	Board resolution at Daiwa Execution of the Basic Agreement
October 1, 2009	Seconded employees will return to SMFG with some exceptions
December 31, 2009	Daiwa SMBC shares are transferred to Daiwa
January 1, 2010	Daiwa SMBC's corporate name to be changed

Note: The schedule, timing and the scheme may change subject to the progress of the discussions or governmental procedures.

### 4. Outline of Daiwa Securities SMBC Co. Ltd. (As of June 30, 2009)

1. Company Name	Daiwa Securities SMBC Co. Ltd.
2. Address	GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
3. Title and Name of Representative	President, Shin Yoshidome
4. Description of Business	Sales & trading, intermediary, underwriting and any other business related to securities business
5. Amount of Capital	JPY 255,700 million
6. Date of Incorporation	Commencement of Operations: April 5, 1999
7. Net Assets	JPY 670,246 million (consolidated)
8. Total Assets	JPY 11,991,428 million (consolidated)
9. Shareholders	Daiwa Securities Group Inc. : 60% Sumitomo Mitsui Financial Group, Inc. : 40%

## 5. Outline of the Joint Venture Partner

1. Company Name	Sumitomo Mitsui Financial Group, Inc.		
2. Address	1-2, Yurakucho 1-chome, Chiyoda-Ku, Tokyo, Japan		
3. Title and Name of Representative	President, Teisuke Kitayama		
4. Description of Business	Management of the affairs of subsidiaries within the group and relevant ancillary		
5. Amount of Capital	JPY 1,420,277million (As of March 31, 2009)		
6. Date of Incorporation	December 2, 2002		
7. Principle Shareholders (common shares)	Japan Trustee Services Bank, Ltd. (Trust Account) 7.68% Japan Trustee Services Bank, Ltd. (Trust Account 4G) 6.42% The Master Trust Bank of Japan, Ltd. (Trust Account) 5.39% Nippon Life Insurance Company 1.96% Sumitomo Mitsui Banking Corporation 1.69%		
8. Relationship with the Company	Capital Relationship	Daiwa holds 1,280,543 common shares	
	Personnel Relationship	Not applicable (including overlapping directors)	
	Business Relationship	Not applicable	
	Applicable Relationships with Related Parties	Not applicable	
9. Business Results for the Past Three Fiscal Years (Consolidated)			
Fiscal Year ended March 31	2007	2008	2009
Consolidated Net Assets (million yen)	5,331,279	5,224,076	4,611,764
Consolidated Total Assets (million yen)	100,858,309	111,955,918	119,637,224
Consolidated Net Assets per Share (yen)	4,692.29	4,245.46	2,790.27
Consolidated Ordinary Income (million yen)	3,901,259	4,623,545	3,552,843
Consolidated Ordinary Profit (million yen)	798,610	831,160	45,311
Consolidated Net Income (Loss) (million yen)	441,351	461,536	(373,456)
Net Income (Loss) per share (yen)	570.86	592.98	(497.39)
Dividend per Share (yen)	70	120	90

Note: SMFG implemented 100-for-1 stock split on January 4, 2009. The figures for Consolidated Net Assets per Share, Net income (loss) per share, and Dividend per Share are accordingly adjusted assuming that the stock split had been effective from April 1, 2006.

## (6) Prospects

The effect to the Company from the dissolution cannot be predicted. Daiwa Securities Group will continue to seek to further gain trust from stakeholders by maximizing group synergy and flexibly reorganizing corporate structure based on market environments or economic conditions.

(Reference) Structure post closing

