

# Daiwa Securities Group Inc.

Code No. 8601

Stock Exchange Listings: Tokyo, Osaka, Nagoya

(URL <http://www.daiwa-grp.jp/english/>)

Scheduled date for filing of quarterly financial report: February 13, 2012

Scheduled dividend payments: -



January 31, 2012

## Financial summary (Japanese GAAP)

(For the 9-month period ended December 31, 2011)

(Note) All figures in the financial statements are rounded down to the nearest millionth except per share data and percentage.

### 1. Consolidated financial result (from April 1, 2011 to December 31, 2011)

#### (1) Consolidated operating results (year-to-date)

(Millions of yen, yr/yr change(%))

	Operating revenue	Net operating revenue	Operating income	Ordinary income
9-month period (2011/12)	309,025 (3.3)%	245,048 (4.5)%	(29,054) -	(21,883) -
9-month period (2010/12)	319,603 (24.2)%	256,566 (28.7)%	(12,655) -	(2,010) -

(\*) Comprehensive income:

As of Dec. 31, 2011: (109,582) million yen: -%

As of Dec. 31, 2010: (38,526) million yen: -%

	Net income	Earnings / share	Fully diluted earnings / share
9-month period (2011/12)	(50,355) -	(29.91) Yen	-
9-month period (2010/12)	(4,202) -	(2.45) Yen	-

#### (2) Consolidated financial conditions

(Millions of yen)

	Total assets	Net assets	Equity ratio
As of Dec. 31, 2011	17,220,452	806,065	4.2 %
As of Mar. 31, 2011	16,842,411	921,398	5.0 %

(Note) Equity (i.e. "Shareholders' equity" and "Accumulated other comprehensive income"):

As of Dec. 31, 2011: 729,977 million yen

As of Mar. 31, 2011: 833,932 million yen

### 2. Dividends

	Dividends per share (yen)				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Fiscal 2010	-	3.00	-	3.00	6.00
Fiscal 2011 (actual)	-	3.00	-		
Fiscal 2011 (expected)				To be determined	

(Note) Changes in expected dividends as of December 31, 2011: None

### 3. Forecasts of consolidated financial results for Fiscal 2011 (from April 1, 2011 to March 31, 2012)

Daiwa Securities Group's (hereinafter the "Group") principal business is securities-related business, and the performance of the Group is significantly influenced by the economic and market environment in which it operates. Therefore, Daiwa Securities Group Inc. (hereinafter the "Company") doesn't disclose the forecasts of consolidated operating results, considering the difficulty to forecast the performance.

Representative: Takashi Hibino, President

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## 4. Others

- (1) Changes in significant consolidated subsidiaries during the nine months ended December 31, 2011 (Changes of specified subsidiaries accompanying changes in scope of consolidation): None
- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatement of corrections
  - (i) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes
  - (ii) Other changes in accounting policies: None
  - (iii) Changes in accounting estimates: None
  - (iiii) Restatement of corrections: None
 (Please see “(1) Changes in accounting policies, accounting estimates and restatement of corrections” on page 2 for details.)
- (4) Number of outstanding shares (common stock)
  - (i) Number of outstanding shares including treasury stock
 

As of Dec. 31, 2011: 1,749,378,772	As of Mar. 31, 2011: 1,749,378,772
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  - (ii) Number of treasury stock
 

As of Dec. 31, 2011: 61,122,981	As of Mar. 31, 2011: 70,635,453
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  - (iii) Average number of shares (from April 1, 2011 to December 31, 2011)
 

As of Dec. 31, 2011: 1,683,333,158	As of Dec. 31, 2010: 1,712,999,344
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(Note) The Company has introduced “ESOP Trust Utilizing Employee Shareholding Association” from fiscal 2010. ESOP-owned stocks are included in number of treasury stock (25,346,000 stocks) and excluded from average number of shares (30,224,000 stocks) as of December 31, 2011, because the stocks are reported as “Treasury stock” on consolidated balance sheets.

\* Implementation status of quarterly review procedure

The financial summary and the accompanying materials including the quarterly consolidated financial statements are not subject to the quarterly review procedure by external auditors that are based on Financial Instruments and Exchange Act. The quarterly review procedure has not yet finished at the point of releasing this financial summary.

\* Forecast of operating results and the other information

The amount of expected dividends has not been disclosed for the reason described in “3. Forecasts of consolidated financial results for Fiscal 2011”.

(Accompanying materials)

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## 1. Summary information (Others)

### (1) Changes in accounting policies, accounting estimates and restatement of corrections

- (i) Changes in accounting policies and restatement of corrections resulting from the revision of the accounting standards and other regulations.

#### (Changes in accounting policies)

From the first quarter of the year ending March 31, 2012, we have applied the “Accounting Standard for Earning Per Share” (Accounting Standards Board of Japan [ASBJ] Statement No.2 of June 30, 2010), and the “Guidance on Accounting Standard for Earning Per Share” (ASBJ Guidance No.4 of June 30, 2010).

To calculate diluted net income per share of the quarter, we have changed the method to include potential services offered by the employees in the fair valuation of stock options of payment when exercising the right regarding stock options whose rights are secured after certain period of employment.

The Group doesn't disclose fully diluted quarterly earnings per share of the third quarter of fiscal 2010 and 2011 because it reports quarterly net loss per share.

#### (Additional Information)

For the accounting changes and error corrections made in after the beginning of the year ending March 31, 2012, we have applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24 of December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 of December 4, 2009).

The Group has changed from “Other sales” to “Other operating revenue”, and from “Cost of sales” to “Other operating expenses” on quarterly consolidated statement of income from the first quarter of fiscal 2011.

## 2. Consolidated financial statements

## (1) Consolidated balance sheets

(Millions of yen)

	Fiscal 2010 As of Mar. 31, 2011	Fiscal 2011 As of Dec. 31, 2011
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	1,025,239	1,417,209
Cash segregated as deposits	241,697	193,558
Notes and accounts receivable-trade	11,538	11,072
Short-term investment securities	84,435	1,216,229
Trading products:	6,770,478	7,894,305
Trading securities and other	4,549,799	5,007,451
Derivatives	2,220,679	2,886,853
Trade date accrual	102,010	-
Operational investment securities	219,523	181,180
Allowance for investment loss	(41,962)	(41,860)
Operating loans	72,090	109,297
Work in process	506	884
Margin transaction assets:	147,847	138,321
Loans on margin transactions	114,479	115,923
Cash collateral pledged for securities borrowing on margin transactions	33,368	22,397
Loans secured by securities:	7,327,845	5,281,421
Cash collateral pledged for securities borrowed	7,326,791	5,275,500
Loans on gensaki transactions	1,054	5,921
Advances paid	13,577	15,644
Short-term loans receivable	5,051	953
Accrued income	34,153	22,407
Deferred tax assets	10,590	6,400
Other current assets	287,106	283,890
Allowance for doubtful accounts	(300)	(376)
<b>Total current assets</b>	<b>16,311,431</b>	<b>16,730,542</b>
<b>Non-current assets:</b>		
Property, plant and equipment	133,226	132,224
Intangible assets:	135,680	115,896
Goodwill	26,659	21,943
Other	109,020	93,952
Investments and other assets:	262,073	241,788
Investment securities	188,856	175,820
Long-term loans receivable	10,530	9,928
Long-term guarantee deposits	23,941	23,438
Deferred tax assets	23,217	17,584
Other	16,438	15,878
Allowance for doubtful accounts	(910)	(862)
<b>Total noncurrent assets</b>	<b>530,980</b>	<b>489,909</b>
<b>Total assets</b>	<b>16,842,411</b>	<b>17,220,452</b>

	(Millions of yen)	
	Fiscal 2010 As of Mar. 31, 2011	Fiscal 2011 As of Dec. 31, 2011
<b><i>Liabilities</i></b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	5,869	3,863
Trading products:	4,816,854	5,123,378
Trading securities and other	3,012,792	2,615,432
Derivatives	1,804,062	2,507,945
Trade date accrual	-	134,630
Margin transaction liabilities:	61,397	50,600
Borrowings on margin transactions	4,774	2,247
Cash received for securities lending on margin transactions	56,622	48,352
Loans payable secured by securities:	5,338,881	4,840,081
Cash received on debt credit transaction of securities	5,213,298	4,456,238
Borrowings on Gensaki transaction	125,583	383,843
Deposits received	149,427	121,663
Guarantee deposits received	249,362	253,231
Short-term loans payable	2,660,492	2,260,485
Commercial papers	395,195	427,163
Current portion of bonds	155,056	143,568
Income taxes payable	2,241	3,182
Deferred tax liabilities	1,012	296
Provision for bonuses	23,152	13,870
Other current liabilities	80,197	1,054,329
<b>Total current liabilities</b>	<b>13,939,141</b>	<b>14,430,344</b>
<b>Noncurrent liabilities:</b>		
Bonds payable	1,334,141	1,351,317
Long-term loans payable	592,640	580,964
Deferred tax liabilities	631	107
Provision for retirement benefits	29,948	29,701
Provision for loss on litigation	503	438
Provision for contingent loss	960	-
Negative goodwill	17,121	13,697
Other noncurrent liabilities	2,902	4,791
<b>Total noncurrent liabilities</b>	<b>1,978,849</b>	<b>1,981,019</b>
<b>Reserves under the special laws:</b>		
Reserve for financial products transaction liabilities	3,022	3,022
<b>Total Reserves under the special laws</b>	<b>3,022</b>	<b>3,022</b>
<b>Total liabilities</b>	<b>15,921,013</b>	<b>16,414,387</b>
<b><i>Net assets</i></b>		
<b>Shareholders' equity:</b>		
Capital stock	247,397	247,397
Capital surplus	230,632	230,655
Retained earnings	395,751	335,065
Treasury stock	(27,054)	(23,333)
<b>Total shareholders' equity</b>	<b>846,725</b>	<b>789,785</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	23,135	(133)
Deferred gains or losses on hedges	85	(1,606)
Foreign currency translation adjustment	(36,013)	(58,066)
<b>Total accumulated other comprehensive income</b>	<b>(12,793)</b>	<b>(59,807)</b>
<b>Subscription rights to shares</b>	<b>4,385</b>	<b>5,249</b>
<b>Minority interests</b>	<b>83,080</b>	<b>70,837</b>
<b>Total net assets</b>	<b>921,398</b>	<b>806,065</b>
<b>Total liabilities and net assets</b>	<b>16,842,411</b>	<b>17,220,452</b>

## (2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	9-month period Apr. 1, 2010 - Dec. 31, 2010	9-month period Apr. 1, 2011- Dec. 31, 2011
<b>Operating revenue:</b>		
Commission received:	159,867	163,767
Commission to consignees	35,415	28,967
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	17,451	16,710
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	24,257	36,782
Other fees received	82,743	81,307
Net trading income:	76,490	49,712
Net trading income from securities	(20,497)	(19,040)
Net trading income from bond, forex and other	96,988	68,753
Net gain (loss) on private equity and other securities	2,895	4,614
Financial revenue	52,889	60,852
Other operating revenue	27,459	30,078
<b>Total operating revenue</b>	<b>319,603</b>	<b>309,025</b>
<b>Financial expenses</b>	<b>43,197</b>	<b>44,484</b>
<b>Other operating expenses</b>	<b>19,839</b>	<b>19,492</b>
<b>Net operating revenue</b>	<b>256,566</b>	<b>245,048</b>
<b>Selling, general and administrative expenses:</b>		
Trading related expenses	51,705	52,441
Personal expenses	118,793	122,078
Real estate expenses	33,462	33,851
Office cost	20,044	20,307
Depreciation	29,107	30,268
Taxes and dues	5,551	5,038
Provision of allowance for doubtful accounts	-	8
Other	10,556	10,107
<b>Total selling, general and administrative expenses</b>	<b>269,222</b>	<b>274,103</b>
<b>Operating loss</b>	<b>(12,655)</b>	<b>(29,054)</b>
<b>Non-operating income:</b>		
Interest income	156	111
Dividends income	3,952	1,589
Amortization of negative goodwill	3,424	3,424
Equity in earnings of affiliates	2,007	1,023
Other	2,516	2,850
<b>Total non-operating income</b>	<b>12,056</b>	<b>8,998</b>
<b>Non-operating expenses:</b>		
Interest expenses	82	52
Foreign exchange losses	727	1,209
Other	602	565
<b>Total non-operating expenses</b>	<b>1,411</b>	<b>1,828</b>
<b>Ordinary loss</b>	<b>(2,010)</b>	<b>(21,883)</b>

(Millions of yen)

	9-month period Apr. 1, 2010 - Dec. 31, 2010	9-month period Apr. 1, 2011 - Dec. 31, 2011
<b>Extraordinary income:</b>		
Gain on sales of investment securities	3,499	1,330
Gain on sales of subsidiaries and affiliates' stocks	1,571	-
Other	962	-
<b>Total extraordinary income</b>	<b>6,033</b>	<b>1,330</b>
<b>Extraordinary loss:</b>		
Loss on sales and retirement of noncurrent assets	627	6,975
Loss on sale of investment securities	1	265
Impairment loss	49	757
Loss on valuation of investment securities	828	2,514
Business restructuring cost	-	3,245
Loss on adjustment for changes of accounting standard for asset retirement obligations	603	-
Other	255	658
<b>Total extraordinary losses</b>	<b>2,365</b>	<b>14,416</b>
<b>Income (Loss) before income taxes</b>	<b>1,657</b>	<b>(34,969)</b>
Income taxes-current	3,876	4,969
Income taxes-deferred	1,254	10,767
<b>Total income taxes</b>	<b>5,131</b>	<b>15,736</b>
<b>Loss before minority interests</b>	<b>(3,473)</b>	<b>(50,705)</b>
<b>Minority interests in income (loss)</b>	<b>728</b>	<b>(350)</b>
<b>Net loss</b>	<b>(4,202)</b>	<b>(50,355)</b>



**Consolidated statements of comprehensive income**

(Millions of yen)

	9-month period Apr. 1, 2010 - Dec. 31, 2010	9-month period Apr. 1, 2011- Dec. 31, 2011
<b>Loss before minority interests</b>	<b>(3,473)</b>	<b>(50,705)</b>
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(14,666)	(34,960)
Deferred gains or losses on hedges	52	(1,691)
Foreign currency translation adjustment	(20,091)	(22,192)
Share of other comprehensive income of associates accounted for using equity method	(346)	(33)
<b>Total other comprehensive income</b>	<b>(35,052)</b>	<b>(58,877)</b>
<b>Comprehensive income</b>	<b>(38,526)</b>	<b>(109,582)</b>

(Comprehensive income attributable to)

Comprehensive income attributable to owners of the parent	(37,750)	(97,369)
Comprehensive income attributable to minority interests	(775)	(12,213)

**(3) Facts or circumstances casting doubt on going concern assumptions**

Not applicable.

**(4) Changes in substantial amounts of fluctuation in shareholders' equity**

Not applicable.

## (5) Quarterly consolidated statements of income

(Millions of yen)

	Fiscal 2010		Fiscal 2011		
	3rd quarter Oct. 1, 2010- Dec. 31, 2010	4th quarter Jan. 1, 2011- Mar. 31, 2011	1st quarter Apr. 1, 2011- Jun. 30, 2011	2nd quarter Jul. 1, 2011- Sep. 30, 2011	3rd quarter Oct. 1, 2011- Dec. 31, 2011
<b>Operating revenue:</b>					
Commission received:	54,618	58,763	55,060	56,171	52,535
Commission to consignees	12,465	15,249	10,515	10,202	8,249
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	7,537	8,851	3,832	4,787	8,091
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	7,936	7,322	13,394	12,661	10,726
Other fees received	26,678	27,339	27,318	28,519	25,468
Net trading income:	31,605	15,985	26,244	14,895	8,572
Net trading income from securities	6,154	11,700	(8,479)	(11,820)	1,259
Net trading income from bond, forex and other	25,451	4,285	34,724	26,715	7,312
Net gain (loss) on private equity and other securities	8,136	(20,154)	1,251	1,892	1,470
Financial revenue	17,511	19,026	20,076	19,865	20,910
Other operating revenue	6,343	9,818	10,992	9,656	9,429
<b>Total operating revenue</b>	<b>118,214</b>	<b>83,438</b>	<b>113,625</b>	<b>102,480</b>	<b>92,919</b>
<b>Financial expenses</b>	<b>16,298</b>	<b>14,864</b>	<b>15,217</b>	<b>12,937</b>	<b>16,329</b>
<b>Other operating expenses</b>	<b>5,398</b>	<b>6,576</b>	<b>7,325</b>	<b>5,922</b>	<b>6,245</b>
<b>Net operating revenue</b>	<b>96,517</b>	<b>61,998</b>	<b>91,083</b>	<b>83,621</b>	<b>70,344</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	17,989	18,692	17,514	18,639	16,286
Personal expenses	42,205	41,441	42,268	41,815	37,994
Real estate expenses	10,939	11,795	11,273	11,374	11,203
Office cost	5,874	6,981	6,954	6,832	6,521
Depreciation	9,667	10,055	10,153	10,235	9,879
Taxes and dues	1,770	1,492	2,136	1,465	1,436
Provision of allowance for doubtful accounts	-	-	33	(9)	(15)
Other	3,934	4,238	3,685	3,375	3,046
<b>Total selling, general and administrative expenses</b>	<b>92,381</b>	<b>94,697</b>	<b>94,021</b>	<b>93,729</b>	<b>86,352</b>
<b>Operating income (loss)</b>	<b>4,136</b>	<b>(32,699)</b>	<b>(2,938)</b>	<b>(10,108)</b>	<b>(16,008)</b>
<b>Non-operating income</b>	<b>3,633</b>	<b>3,580</b>	<b>3,656</b>	<b>3,915</b>	<b>1,426</b>
<b>Non-operating expenses</b>	<b>753</b>	<b>1,472</b>	<b>1,522</b>	<b>174</b>	<b>131</b>
<b>Ordinary income (loss)</b>	<b>7,017</b>	<b>(30,591)</b>	<b>(803)</b>	<b>(6,366)</b>	<b>(14,713)</b>
<b>Extraordinary income</b>	<b>2,462</b>	<b>3,043</b>	<b>427</b>	<b>777</b>	<b>125</b>
<b>Extraordinary loss</b>	<b>62</b>	<b>8,634</b>	<b>2,480</b>	<b>9,833</b>	<b>2,102</b>
<b>Income (loss) before income taxes</b>	<b>9,416</b>	<b>(36,182)</b>	<b>(2,856)</b>	<b>(15,422)</b>	<b>(16,690)</b>
Income taxes-current	1,743	3,030	1,764	2,409	795
Income taxes-deferred	3,608	1,552	4,507	2,511	3,748
<b>Total income taxes</b>	<b>5,352</b>	<b>4,582</b>	<b>6,271</b>	<b>4,920</b>	<b>4,544</b>
<b>Income (loss) before minority interests</b>	<b>4,064</b>	<b>(40,765)</b>	<b>(9,127)</b>	<b>(20,342)</b>	<b>(21,235)</b>
<b>Minority interests in income (loss)</b>	<b>2,882</b>	<b>(7,635)</b>	<b>306</b>	<b>(989)</b>	<b>332</b>
<b>Net income (loss)</b>	<b>1,182</b>	<b>(33,129)</b>	<b>(9,434)</b>	<b>(19,353)</b>	<b>(21,567)</b>
<b>Net financial income included in Net operating revenue</b>	<b>1,212</b>	<b>4,161</b>	<b>4,858</b>	<b>6,928</b>	<b>4,581</b>

### 3. Supplementary information

(1) Financial statements of major subsidiaries

#### Daiwa Securities Co. Ltd.

#### Balance sheets

(Unaudited)

(Millions of yen)

	Fiscal 2010 As of Mar. 31, 2011	Fiscal 2011 As of Dec. 31, 2011
<i>Assets</i>		
<b>Current assets:</b>		
Cash and deposits	120,338	77,392
Cash segregated as deposits	155,214	129,158
Trading products:	69,604	58,383
Trading securities and other	63,991	52,111
Derivatives	5,613	6,272
Trade date accrual	2,652	3,561
Margin transaction assets:	113,841	115,521
Loans on margin transactions	111,690	114,167
Cash collateral pledged for securities borrowing on margin transactions	2,151	1,354
Loans secured by securities:	9,472	7,541
Cash collateral pledged for securities borrowed	9,472	7,541
Advances paid	8,923	14,205
Short-term guarantee deposits	8,237	3,649
Short-term loans receivable	71,691	77,616
Accrued income	9,334	8,271
Deferred tax assets	2,694	1,826
Other current assets	2,806	2,902
Allowance for doubtful accounts	(162)	(178)
<b>Total current assets</b>	<b>574,647</b>	<b>499,850</b>
<b>Noncurrent assets:</b>		
Property, plant and equipment	4,891	3,856
Intangible assets	39,661	32,291
Investments and other assets:	27,844	27,668
Investment securities	550	525
Long-term loans receivable	4,874	4,874
Long-term guarantee deposits	15,317	14,990
Deferred tax assets	6,190	6,550
Other	8,232	8,065
Allowance for doubtful accounts	(7,321)	(7,337)
<b>Total noncurrent assets</b>	<b>72,397</b>	<b>63,816</b>
<b>Total assets</b>	<b>647,044</b>	<b>563,667</b>

(Millions of yen)

	Fiscal 2010 As of Mar. 31, 2011	Fiscal 2011 As of Dec. 31, 2011
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trading products:	2,261	1,221
Trading securities and other	114	76
Derivatives	2,146	1,145
Margin transaction liabilities:	14,974	9,939
Borrowings on margin transactions	2,748	1,099
Cash received for securities lending on margin transactions	12,225	8,839
Deposits received	111,729	91,632
Guarantee deposits received	56,315	56,177
Short-term loans payable	29,000	21,000
Short-term loans payable to subsidiaries and affiliates	60,000	75,000
Accounts payable-other	6,397	9,287
Accrued expenses	5,044	6,235
Income taxes payable	606	1,517
Provision for bonuses	4,203	1,634
Other current liabilities	1,311	2,211
<b>Total current liabilities</b>	<b>291,844</b>	<b>275,857</b>
<b>Noncurrent liabilities:</b>		
Long-term loans payable	86,500	81,000
Provision for retirement benefits	13,251	13,538
Provision for loss on litigation	496	438
Other noncurrent liabilities	1,278	1,125
<b>Total noncurrent liabilities</b>	<b>101,527</b>	<b>96,103</b>
<b>Reserves under the special laws:</b>		
Reserve for financial products transaction liabilities	774	774
<b>Total reserves under the special laws</b>	<b>774</b>	<b>774</b>
<b>Total liabilities</b>	<b>394,146</b>	<b>372,735</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	100,000	100,000
Capital surplus:	50,010	50,010
Legal capital surplus	50,010	50,010
Retained earnings	102,888	40,922
<b>Total shareholders' equity</b>	<b>252,898</b>	<b>190,932</b>
<b>Total net assets</b>	<b>252,898</b>	<b>190,932</b>
<b>Total liabilities and net assets</b>	<b>647,044</b>	<b>563,667</b>

**Daiwa Securities Co. Ltd.**  
**Statements of income**

(Unaudited)

(Millions of yen)

	9-month period Apr.1, 2010 - Dec.31, 2010	9-month period Apr.1, 2011 - Dec.31, 2011
<b>Operating revenue:</b>		
Commission received	87,615	86,381
Net trading income:	41,048	35,269
Net trading income from securities	6,351	6,563
Net trading income from bond, forex and other	34,696	28,705
Financial revenue	4,757	4,919
<b>Total operating revenue</b>	<b>133,421</b>	<b>126,570</b>
<b>Financial expenses</b>	<b>1,046</b>	<b>1,050</b>
<b>Net operating revenue</b>	<b>132,375</b>	<b>125,519</b>
<b>Selling, general and administrative expenses:</b>		
Trading related expenses	12,649	12,423
Personal expenses	44,544	42,948
Real estate expenses	13,949	13,645
Office cost	17,947	17,212
Depreciation	12,308	11,617
Taxes and dues	877	851
Other	1,948	1,603
<b>Total selling, general and administrative expenses</b>	<b>104,226</b>	<b>100,302</b>
<b>Operating income</b>	<b>28,149</b>	<b>25,216</b>
<b>Non-operating income:</b>		
Other	517	572
<b>Total non-operating income</b>	<b>517</b>	<b>572</b>
<b>Non-operating expenses:</b>		
Other	93	62
<b>Total non-operating expenses</b>	<b>93</b>	<b>62</b>
<b>Ordinary income</b>	<b>28,573</b>	<b>25,726</b>
<b>Extraordinary income:</b>		
Gain on sales of investment securities	370	62
<b>Total extraordinary income</b>	<b>370</b>	<b>62</b>
<b>Extraordinary loss:</b>		
Loss on sales and retirement of noncurrent assets	99	2,836
Loss on liquidation of subsidiaries	4	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	676	-
<b>Total extraordinary losses</b>	<b>780</b>	<b>2,836</b>
<b>Income before income taxes</b>	<b>28,162</b>	<b>22,953</b>
Income taxes-current	5,671	9,963
Income taxes-deferred	6,123	508
<b>Total income taxes</b>	<b>11,795</b>	<b>10,471</b>
<b>Net income</b>	<b>16,367</b>	<b>12,481</b>

**Daiwa Securities Capital Markets Co. Ltd.****Consolidated balance sheets**

(Unaudited)

(Millions of yen)

	Fiscal 2010 As of Mar.31, 2011	Fiscal 2011 As of Dec.31, 2011
<i>Assets</i>		
<b>Current assets:</b>		
Cash and deposits	591,515	1,027,705
Cash segregated as deposits	81,368	59,770
Trading products:	6,704,073	7,853,753
Trading securities and other	4,485,807	4,955,340
Derivatives	2,218,266	2,898,413
Trade date accrual	99,310	—
Margin transaction assets:	31,681	21,318
Loans on margin transactions	667	440
Cash collateral pledged for securities borrowing on margin transactions	31,013	20,877
Loans secured by securities:	7,359,487	5,311,050
Cash collateral pledged for securities borrowed	7,358,433	5,305,129
Loans on Gensaki transactions	1,054	5,921
Short-term loans receivable	3,909	636
Accrued income	27,319	14,182
Deferred tax assets	52	46
Other current assets	263,896	256,262
Allowance for doubtful accounts	(138)	(198)
<b>Total current assets</b>	<b>15,162,477</b>	<b>14,544,527</b>
<b>Noncurrent assets:</b>		
Property, plant and equipment	4,378	4,921
Intangible assets	81,906	64,052
Investments and other assets:	31,773	28,977
Investment securities	16,361	14,120
Long-term guarantee deposits	5,756	5,591
Deferred tax assets	4,451	4,064
Other	5,565	5,535
Allowance for doubtful accounts	(362)	(334)
<b>Total noncurrent assets</b>	<b>118,058</b>	<b>97,951</b>
<b>Total assets</b>	<b>15,280,535</b>	<b>14,642,479</b>

(Millions of yen)

	Fiscal 2010 As of Mar.31, 2011	Fiscal 2011 As of Dec.31, 2011
<i>Liabilities</i>		
<b>Current liabilities:</b>		
Trading products:	4,819,804	5,126,763
Trading securities and other	3,012,677	2,615,355
Derivatives	1,807,127	2,511,407
Trade date accrual	—	138,251
Margin transaction liabilities:	44,338	39,326
Borrowings on margin transactions	184	13
Cash received for securities lending on margin transactions	44,153	39,312
Loans payable secured by securities:	5,348,353	4,776,850
Cash received on debt credit transaction of securities	5,222,770	4,393,007
Borrowings on Gensaki transaction	125,583	383,843
Deposits received	33,168	26,264
Guarantee deposits received	192,862	196,949
Short-term loans payable	2,605,286	2,190,747
Commercial papers	395,195	427,163
Current portion of bonds	27,056	38,331
Income taxes payable	327	486
Other current liabilities	85,187	76,662
<b>Total current liabilities</b>	<b>13,551,581</b>	<b>13,037,796</b>
<b>Noncurrent liabilities:</b>		
Bonds payable	917,992	916,015
Long-term loans payable	384,056	357,826
Deferred tax liabilities	75	94
Provision for retirement benefits	6,616	5,482
Provision for contingent loss	960	—
Other noncurrent liabilities	249	581
<b>Total noncurrent liabilities</b>	<b>1,309,951</b>	<b>1,280,000</b>
<b>Reserves under the special laws:</b>		
Reserve for financial products transaction liabilities	2,233	2,233
<b>Total reserves under the special laws</b>	<b>2,233</b>	<b>2,233</b>
<b>Total liabilities</b>	<b>14,863,766</b>	<b>14,320,030</b>
<i>Net Assets</i>		
<b>Shareholders' equity:</b>		
Capital stock	255,700	255,700
Capital surplus	167,421	167,421
Retained earnings	16,921	(56,131)
<b>Total shareholders' equity</b>	<b>440,042</b>	<b>366,989</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(759)	(703)
Foreign currency translation adjustment	(23,807)	(45,012)
<b>Total accumulated other comprehensive income</b>	<b>(24,566)</b>	<b>(45,715)</b>
<b>Minority interests</b>	<b>1,293</b>	<b>1,175</b>
<b>Total net assets</b>	<b>416,769</b>	<b>322,448</b>
<b>Total liabilities and net assets</b>	<b>15,280,535</b>	<b>14,642,479</b>



**Daiwa Securities Capital Markets Co. Ltd.****Consolidated statements of income**

(Unaudited)

(Millions of yen)

	9-month period Apr. 1, 2010 - Dec. 31, 2010	9-month period Apr. 1, 2011 - Dec. 31, 2011
<b>Operating revenue:</b>		
Commission received	46,985	42,552
Net trading income:	31,221	11,821
Net trading income from securities	(27,014)	(25,633)
Net trading income from bond, forex and other	58,235	37,454
Financial revenue	46,823	51,093
<b>Total operating revenue</b>	125,030	105,467
<b>Financial expenses</b>	34,414	35,984
<b>Net operating revenue</b>	90,615	69,483
<b>Selling, general and administrative expenses:</b>		
Trading related expenses	36,390	28,846
Personal expenses	51,329	53,139
Real estate expenses	14,232	13,955
Office cost	13,529	12,473
Depreciation	15,278	15,653
Taxes and dues	2,372	2,018
Other	5,455	5,771
<b>Total selling, general and administrative expenses</b>	138,587	131,859
<b>Operating loss</b>	(47,972)	(62,375)
<b>Non-operating income:</b>		
Other	2,012	1,789
<b>Total non-operating income</b>	2,012	1,789
<b>Non-operating expenses:</b>		
Other	1,993	3,025
<b>Total non-operating expenses</b>	1,993	3,025
<b>Ordinary loss</b>	(47,952)	(63,612)
<b>Extraordinary income:</b>		
Gain on sales of investment securities	1,899	38
<b>Total extraordinary income</b>	1,899	38
<b>Extraordinary loss:</b>		
Loss on sales and retirement of noncurrent assets	432	4,329
Impairment loss	—	757
Loss on valuation of investment securities	102	—
Provision for contingent loss	—	171
Business restructuring cost	—	3,787
<b>Total extraordinary losses</b>	534	9,045
<b>Loss before income taxes</b>	(46,588)	(72,619)
Income taxes-current	329	220
Income taxes-deferred	(303)	152
<b>Total income taxes</b>	25	373
<b>Loss before minority interests</b>	(46,613)	(72,992)
<b>Minority interests in income</b>	13	11
<b>Net loss</b>	(46,627)	(73,004)