

Daiwa Securities Group Inc.

Code No. 8601

Stock Exchange Listings: Tokyo, Osaka, Nagoya

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

Scheduled date of annual shareholders' meeting: June 27, 2012

Scheduled dividend payment: June 4, 2012

Scheduled date for filing of financial report: June 28, 2012



April 27, 2012

Financial summary (Japanese GAAP)

(For the fiscal year ended March 31, 2012)

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

1. Consolidated financial results (from April 1, 2011 to March 31, 2012)

(1) Consolidated operating results

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

	Operating revenues	Net operating revenues	Operating income	Ordinary income
Fiscal 2011 (2012/3)	422,374 4.8 %	336,016 5.5 %	(23,713) -	(12,200) -
Fiscal 2010 (2011/3)	403,042 (25.1) %	318,564 (30.5) %	(45,355) -	(32,602) -
	Net income	Earnings / share	Fully diluted earnings / share	Return on equity
Fiscal 2011 (2012/3)	(39,434) -	(23.41) Yen	- Yen	(4.9) %
Fiscal 2010 (2011/3)	(37,331) -	(21.90) Yen	- Yen	(4.2) %

(*) Comprehensive income

Fiscal 2011 (2012/3): (52,579) million yen : - % Fiscal 2010 (2011/3): (45,049) million yen : - %

(Note) Equity in earnings (losses) of affiliates

Fiscal 2011 (2012/3): 1,576 million yen Fiscal 2010 (2011/3): 2,386 million yen

(2) Consolidated financial conditions

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio	Net assets / share
As of Mar. 31, 2012	18,924,038	951,702	4.1 %	463.04 Yen
As of Mar. 31, 2011	16,842,411	921,398	5.0 %	496.76 Yen

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

As of Mar. 31, 2012: 782,498 million yen As of Mar. 31, 2011: 833,932 million yen

(3) Consolidated cash flow summary

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalents
Fiscal 2011 (2012/3)	2,032,677	(973,494)	(1,063,022)	1,038,981
Fiscal 2010 (2011/3)	1,676,882	(79,466)	(1,301,657)	1,043,463

2. Dividends

(Millions of yen for annual total of dividend)

	Dividends per share (yen)					Annual total of dividend	Payout ratio (consolidated)	Net assets dividend ratio (consolidated)
	First quarter	Second quarter	Third quarter	Fourth quarter	Fiscal			
Fiscal 2010	-	3.00	-	3.00	6.00	10,386	-	1.2%
Fiscal 2011	-	3.00	-	3.00	6.00	10,281	-	1.3%

3. Forecasts of consolidated financial results for Fiscal 2012 (from April 1, 2012 to March 31, 2013)

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.

For the same reason, the Company doesn't disclose expected dividend amount.

Representative: Takashi Hibino, President

Contact: Eiji Sato, Managing Director, Finance Department

Phone: +81-3-5555-1111

4. Other information

- (1) Changes in significant subsidiaries during the period (Changes of specified subsidiaries accompanying changes in scope of consolidation) : Yes
 New: 1 company (name) Daiwa Office Investment Corporation Exclusion: None (name)
 (*) Please see "Changes in the basis of financial statements for the fiscal year ended March 31, 2012" on page 13 for details.
- (2) Change in accounting principle, procedure and presentation
 (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
 (iv) Restatement of corrections: None
 (*) Please see "Changes in the basis of financial statements for the fiscal year ended March 31, 2012" on page 13 for details.
- (3) Number of outstanding shares (common stock)
 (i) Number of outstanding shares including treasury stock
 As of Mar. 31, 2012: 1,749,378,772 As of Mar. 31, 2011: 1,749,378,772
 (ii) Number of treasury stock
 As of Mar. 31, 2012: 59,459,828 As of Mar. 31, 2011: 70,635,453
 (iii) Average number of shares
 Fiscal 2011 (2012/3): 1,684,854,559 Fiscal 2010 (2011/3): 1,704,303,145
 (*) Please see "Information on per share" on page 16 regarding number of shares for calculation of earnings/share.
 The Company has introduced "ESOP Trust Utilizing Employee Shareholding Association". ESOP-owned stocks are included in number of treasury stock (23,681,000 stocks) and excluded from average number of shares (28,713,333 stocks) as of March 31, 2012, because the stocks are reported as "Treasury stock" on consolidated balance sheets.

(Reference)

Non-consolidated financial results (from April 1, 2011 to March 31, 2012)

(1) Non-consolidated operating results

(Millions of yen except per share data and percentage)

	Operating revenues		Operating income		Ordinary income	
Fiscal 2011 (2012/3)	103,428	127.0 %	80,531	221.0 %	83,502	204.9 %
Fiscal 2010 (2011/3)	45,563	65.9 %	25,087	203.3 %	27,389	167.6 %

	Net income		Earnings / share		Fully diluted earnings / share	
Fiscal 2011 (2012/3)	72,749	170.2%	43.18	Yen	43.08	Yen
Fiscal 2010 (2011/3)	26,927	14.0%	15.80	Yen	15.77	Yen

(2) Non-consolidated financial conditions

(Millions of yen except per share data and percentage)

	Total assets	Net assets	Equity ratio	Net assets / share
As of Mar. 31, 2012	2,020,817	867,219	42.6 %	509.96 Yen
As of Mar. 31, 2011	1,876,144	795,688	42.2 %	471.36 Yen

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

As of Mar. 31, 2012: 861,790 million yen As of Mar. 31, 2011: 791,302 million yen

* Implementation status of audit procedure

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

* Forecast of operating results and the other information

Not applicable.

(Accompanying materials)

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1. Consolidated operating results

(1) Consolidated operating results for fiscal 2011 (comparison with fiscal 2010)

For fiscal 2011 (from April 1, 2011 to March 31, 2012), net operating revenues increased by 5.5% to 336,016 million yen, mainly due to increases in fee for offering, secondary distribution and solicitation for selling and others for professional investors and net gain (loss) on private equity and other securities. Selling, general and administrative expenses decreased by 1.2% to 359,729 million yen. As a result, ordinary loss came to 12,200 million yen and net loss to 39,434 million yen.

[Retail]

"Retail" runs retail brokerage business mainly by Daiwa Securities Co. Ltd.

Net operating revenue was 172,033 million yen, because Japanese stock market continued weak and commission to consignees decreased. Ordinary income was 38,839 million yen.

[Global Markets]

"Global Markets" sells and trades stocks, bonds, exchange and their derivative products in Daiwa Securities Capital Markets group.

Net operating revenue was 52,014 million yen and ordinary loss was 54,433 million yen due to worsening of European sovereign-debt crisis, increasing fear for global recession, sharp yen spike in spite of executing the policies to improve a balance of payment and restructuring unprofitable business.

[Global Investment Banking]

"Global investment banking" provides various investment banking services such as underwriting of securities, advisory of M&A and structured finance, etc. in Daiwa Securities Capital Markets group.

Although the Group acted as lead manager for KDDI, the biggest deal of euroyen CB in this term, and M&A business in Europe was going well, net operating revenue was 26,473 million yen and ordinary loss was 14,284 million yen.

[Asset Management]

Besides setting up and managing investment trust fund for various assets, "Asset management" provides investment advisory and management services of pension assets to domestic and foreign institutional investors.

The Group worked on the expansion of operating net assets through wide distribution channels under low investor sentiment from worsening of European sovereign-debt crisis and continuing strong yen, and the financial inflow into the investment trusts continued firmly. As a result, net operating revenue was 37,424 million yen and ordinary income was 14,615 million yen.

[Investment]

"Investment" conducts investment business with a central focus on launching investment funds, while maximizing return on existent investment.

Because existent private equity investment and bad debt recovery contributed to revenue, net operating revenue was 1,090 million yen and ordinary loss was 1,976 million yen.

(2) Consolidated financial conditions (comparison with March 31, 2011)

Total assets increased by 2,081,626 million yen to 18,924,038 million yen, mainly because trading products increased by 2,106,471 million yen and short-term investment securities invested by Daiwa Next Bank and so on increased by 1,389,960 million yen, while loans secured by securities decreased by 1,592,653 million yen. Total liabilities increased by 2,051,323 million yen to 17,972,336 million yen, mainly because trading products increased by 1,136,424 million yen and deposits for banking business increased by 1,169,916 million yen.

As for net assets, retained earnings decreased by 49,768 million yen due to net loss, but minority interests increased by 80,693 million yen because Daiwa Office Investment Corporation became consolidated. As a result, total net assets increased by 30,303 million yen to 951,702 million yen.

Net cash provided by (used in) operating activities increased by 2,032,677 million yen mainly because of net increase in trading products-assets (liabilities), net increase in loans/borrowings secured by securities and net increase in deposits for banking business. Net cash provided by (used in) investing activities decreased by 973,494 million yen, mainly due to purchase of short-term investment securities. Net cash provided by (used in) financing activities decreased by 1,063,022 million yen, mainly due to net increase in short-term loans payable. Consequently, cash and cash equivalents after effect of exchange rate changes amounted to 1,038,981 million yen as of March 31, 2012.

2. Management Policy

“Management policy” of the Group for fiscal 2012 is as follows:

The global stock markets, hanging low till the close of the year, are making signs of favorable turns while external conditions improve, such as growing expectations for recoveries in the US, receding concerns about the European Debt Crisis, and additional worldwide monetary easing. Moreover the domestic markets, with expectations for reconstruction demands and the Yen appreciation adjusting, enters a phase of revaluation of Japanese enterprises and their stock price. This year, when against winds in business environments from the past year gradually shifting to a gentle fair wind, the “New” Daiwa Securities inaugurates services, and the Group meets its 110th anniversary.

Under such current state of affairs, we have set forth our three year Mid-Term Management Plan, “Passion for the Best” 2014. Within the plan, by pursuit of greater managerial efficiency to accomplish the return to profitability, and ensuring expansion of high-quality revenues with satisfying the precise needs of clients, we will establish a robust business structure over external business conditions. Furthermore, we seek our visions to become a leading financial services firm in Asia possessing and leveraging a solid business platform in Japan.

The Action Plans of Operating Segment for FY 2012 are as follows:

(1) Retail Business

- i) Establish a unique business model creating the synergy between securities and banking services
- ii) Strengthen wealth management businesses
- iii) Strengthen service coverage of the Middle Markets
- iv) Raise revenue level by improving earning capacity and productivity

(2) Wholesale Business

- i) Acquire IB deals by utilizing global network cored on Asia including Japan
- ii) Provide timely products to link firm client base and markets environments
- iii) Develop business focused on client trading flows with priorities in capital efficiency and based on appropriate risk management system

(3) Investment Business

- i) Maximize returns from the existing portfolio
- ii) Invest and raise funds in a timely and appropriate manner

(4) Asset Management Business

- i) Sophisticate investment style and research analysis
- ii) Improve product development functions and offer new attractive products
- iii) Enhance supports to distributors and provide information meeting client needs
- iv) Establish an efficient organization and enhance risk management system

(5) IT / Think Tank Business

- i) Enhance the Group’s presence by further values as a think tank
- ii) Create business opportunities by enhancing consulting services in Asia including Japan
- iii) Decrease system related administration and development costs by introducing in-house IT development and the Group’s internal-cloud system

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	Fiscal 2010 As of Mar. 31, 2011	Fiscal 2011 As of Mar. 31, 2012
Assets		
Current assets:		
Cash and deposits	1,025,239	1,050,468
Cash segregated as deposits	241,697	204,477
Notes and accounts receivable-trade	11,538	13,135
Short-term investment securities	84,435	1,474,395
Trading products:	6,770,478	8,876,950
Trading securities and other	4,549,799	6,148,294
Derivatives	2,220,679	2,728,655
Trade date accrual	102,010	139,096
Operational investment securities	219,523	174,304
Allowance for investment loss	(41,962)	(36,127)
Operating loans	72,090	108,932
Work in process	506	612
Margin transaction assets:	147,847	120,870
Loans on margin transactions	114,479	106,975
Cash collateral pledged for securities borrowing on margin transactions	33,368	13,894
Loans secured by securities:	7,327,845	5,735,192
Cash collateral pledged for securities borrowed	7,326,791	5,729,144
Loans on gensaki transactions	1,054	6,047
Advances paid	13,577	15,014
Short-term loans receivable	5,051	858
Accrued income	34,153	26,912
Deferred tax assets	10,590	6,186
Other current assets	287,106	307,738
Allowance for doubtful accounts	(300)	(1,858)
Total current assets	16,311,431	18,217,159
Noncurrent assets:		
Property, plant and equipment:	133,226	394,415
Buildings	55,528	100,256
Equipment	17,572	17,264
Land	60,125	276,894
Intangible assets:	135,680	102,887
Goodwill	26,659	20,992
Leasehold right	5,501	8,284
Software	83,981	61,039
Other	19,538	12,571
Investments and other assets:	262,073	209,574
Investment securities	188,856	159,096
Long-term loans receivable	10,530	9,732
Long-term guarantee deposits	23,941	23,292
Deferred tax assets	23,217	8,242
Other	16,438	10,090
Allowance for doubtful accounts	(910)	(879)
Total noncurrent assets	530,980	706,878
Total assets	16,842,411	18,924,038

	Fiscal 2010 As of Mar. 31, 2011	Fiscal 2011 As of Mar. 31, 2012
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	5,869	4,412
Trading products:	4,816,854	5,953,279
Trading securities and other	3,012,792	3,570,153
Derivatives	1,804,062	2,383,126
Margin transaction liabilities:	61,397	52,756
Borrowings on margin transactions	4,774	3,109
Cash received for securities lending on margin transactions	56,622	49,646
Loans payable secured by securities:	5,338,881	6,068,380
Cash received on debt credit transaction of securities	5,213,298	5,257,835
Borrowings on Gensaki transaction	125,583	810,545
Deposits for banking business	-	1,169,916
Deposits received	149,427	125,731
Guarantee deposits received	249,362	226,143
Short-term loans payable	2,660,492	1,794,254
Commercial papers	395,195	275,191
Current portion of bonds	155,056	215,309
Income taxes payable	2,241	5,822
Deferred tax liabilities	1,012	970
Provision for bonuses	23,152	20,461
Other current liabilities	80,197	91,015
Total current liabilities	13,939,141	16,003,646
Noncurrent liabilities:		
Bonds payable	1,334,141	1,282,479
Long-term loans payable	592,640	623,297
Deferred tax liabilities	631	2,591
Provision for retirement benefits	29,948	29,983
Provision for loss on litigation	503	298
Provision for contingent loss	960	-
Negative goodwill	17,121	12,555
Other noncurrent liabilities	2,902	14,916
Total noncurrent liabilities	1,978,849	1,966,123
Reserves under the special laws:		
Reserve for financial products transaction liabilities	3,022	2,566
Total reserves under the special laws	3,022	2,566
Total liabilities	15,921,013	17,972,336
Net assets		
Shareholders' equity:		
Capital stock	247,397	247,397
Capital surplus	230,632	230,655
Retained earnings	395,751	345,983
Treasury stock	(27,054)	(22,681)
Total shareholders' equity	846,725	801,353
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	23,135	23,338
Deferred gains or losses on hedges	85	(1,676)
Foreign currency translation adjustment	(36,013)	(40,517)
Total accumulated other comprehensive income	(12,793)	(18,855)
Subscription rights to shares	4,385	5,429
Minority interests	83,080	163,774
Total net assets	921,398	951,702
Total liabilities and net assets	16,842,411	18,924,038

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

Consolidated statements of income

(Millions of yen)

	Fiscal 2010 Apr. 1, 2010 - Mar. 31, 2011	Fiscal 2011 Apr. 1, 2011 - Mar. 31, 2012
Operating revenue:		
Commission received	218,630	220,845
Commission to consignees	50,664	40,782
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	26,303	19,507
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	31,579	49,138
Other fees received	110,082	111,416
Net trading income:	92,476	79,416
Net trading income from securities	(8,797)	(6,464)
Net trading income from bond, forex and other	101,273	85,880
Net gain (loss) on private equity and other securities	(17,259)	1,955
Financial revenue	71,915	79,761
Other sales	37,278	40,395
Total operating revenue	403,042	422,374
Financial expenses	58,061	59,689
Cost of sales	26,415	26,668
Net operating revenue	318,564	336,016
Selling, general and administrative expenses:		
Trading related expenses	70,398	68,856
Personal expenses	160,234	158,297
Real estate expenses	45,257	44,880
Office cost	27,026	27,751
Depreciation	39,163	39,861
Taxes and dues	7,043	6,581
Provision of allowance for doubtful accounts	-	25
Other	14,795	13,474
Total selling, general and administrative expenses	363,919	359,729
Operating loss	(45,355)	(23,713)
Non-operating income:		
Interest income	204	147
Dividends income	5,085	2,735
Amortization of negative goodwill	4,565	4,565
Equity in earnings of affiliates	2,386	1,576
Gain on investments in partnership	171	42
Other	3,222	3,738
Total non-operating income	15,636	12,805
Non-operating expenses:		
Interest expenses	102	65
Bond issue cost	482	174
Foreign exchange losses	1,616	675
Other	682	376
Total non-operating expenses	2,884	1,292
Ordinary loss	(32,602)	(12,200)

(Millions of yen)

	Fiscal 2010 Apr. 1, 2010 - Mar. 31, 2011	Fiscal 2011 Apr. 1, 2011 - Mar. 31, 2012
Extraordinary income:		
Gain on sales of noncurrent assets	1,597	-
Gain on sales of investment securities	4,061	1,820
Gain on sales of subsidiaries and affiliates' stocks	1,571	-
Gain on step acquisitions	-	2,118
Gain on negative goodwill	-	35,265
Reversal of reserve for financial products transaction liabilities	884	455
Other	962	-
Total extraordinary income	9,077	39,660
Extraordinary loss:		
Loss on sales and retirement of noncurrent assets	2,013	7,308
Loss on sale of investment securities	9	276
Impairment loss	594	17,883
Loss on valuation of investment securities	5,560	4,556
Provision for contingent loss	950	-
Business restructuring cost	-	11,212
Other	1,871	3,097
Total extraordinary losses	11,000	44,334
Loss before income taxes	(34,525)	(16,874)
Income taxes-current	6,906	7,452
Income taxes-deferred	2,806	16,947
Total income taxes	9,713	24,399
Loss before minority interests	(44,239)	(41,273)
Minority interests in loss	(6,907)	(1,838)
Net loss	(37,331)	(39,434)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal 2010 Apr. 1, 2010 - Mar. 31, 2011	Fiscal 2011 Apr. 1, 2011 - Mar. 31, 2012
Loss before minority interests	(44,239)	(41,273)
Other comprehensive income:		
Valuation difference on available-for-sale securities	12,268	(5,013)
Deferred gains or losses on hedges	(230)	(1,761)
Foreign currency translation adjustment	(12,383)	(4,603)
Share of other comprehensive income of associates accounted for using equity method	(464)	72
Total other comprehensive income	(810)	(11,305)
Comprehensive income	(45,049)	(52,579)

(Comprehensive income attributable to)

Comprehensive income attributable to owners of the parent	(47,543)	(45,496)
Comprehensive income attributable to minority interests	2,494	(7,082)

(3) Consolidated statements of changes in net assets

Fiscal 2010 (Apr. 1, 2010 – Mar. 31, 2011)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	247,384	230,593	452,456	(689)	929,744
Changes of items during the period					
Issuance of new shares	12	12	-	-	25
Dividends from surplus	-	-	(19,233)	-	(19,233)
Net loss	-	-	(37,331)	-	(37,331)
Purchase of treasury stock	-	-	-	(28,793)	(28,793)
Disposal of treasury stock	-	26	-	2,428	2,454
Changes of scope of consolidation	-	-	(94)		(94)
Changes of scope of equity method	-	-	(45)	-	(45)
Total changes of items during the period	12	38	(56,705)	(26,365)	(83,018)
Balance at the end of current period	247,397	230,632	395,751	(27,054)	846,725

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests
	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at the beginning of current period	20,365	315	(23,262)	3,242	87,123
Changes of items during the period					
Net changes of items other than shareholders' equity	2,769	(230)	(12,750)	1,143	(4,042)
Total changes of items during the period	2,769	(230)	(12,750)	1,143	(4,042)
Balance at the end of current period	23,135	85	(36,013)	4,385	83,080

Fiscal 2011 (Apr. 1, 2011 – Mar. 31, 2012)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	247,397	230,632	395,751	(27,054)	846,725
Changes of items during the period					
Dividends from surplus	-	-	(10,281)	-	(10,281)
Net loss	-	-	(39,434)	-	(39,434)
Purchase of treasury stock	-	-	-	(6)	(6)
Disposal of treasury stock	-	22	-	4,380	4,403
Changes of scope of consolidation	-	-	(51)	-	(51)
Total changes of items during the period	-	22	(49,768)	4,373	(45,371)
Balance at the end of current period	247,397	230,655	345,983	(22,681)	801,353

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests
	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at the beginning of current period	23,135	85	(36,013)	4,385	83,080
Changes of items during the period					
Net changes of items other than shareholders' equity	203	(1,761)	(4,503)	1,043	80,693
Total changes of items during the period	203	(1,761)	(4,503)	1,043	80,693
Balance at the end of current period	23,338	(1,676)	(40,517)	5,429	163,774

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal 2010 Apr. 1, 2010- Mar. 31, 2011	Fiscal 2011 Apr. 1, 2011- Mar. 31, 2012
Net cash provided by (used in) operating activities:		
Loss before income taxes	(34,525)	(16,874)
Depreciation and amortization	43,272	42,932
Amortization of goodwill	1,780	2,746
Amortization of negative goodwill	(4,565)	(4,565)
Gain on negative goodwill	-	(35,265)
Increase (decrease) in allowance for doubtful accounts	(704)	1,987
Increase (decrease) in provision for retirement benefits	2,010	-
Increase (decrease) in provision for contingent loss	950	-
Increase (decrease) in reserve for financial products transaction liabilities	(884)	(455)
Interest and dividends income	(5,289)	(2,882)
Interest expenses	102	65
Equity in (earnings) losses of affiliates	(2,386)	(1,576)
Loss (gain) on sale and retirement of noncurrent assets	416	7,308
Loss (gain) on sale of investment securities	(4,051)	(1,543)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(1,571)	-
Loss (gain) on step acquisitions	-	(2,118)
Impairment loss	594	17,883
Loss (gain) on valuation of investment securities	5,560	4,556
Decrease (increase) in cash segregated as deposits for customers	46,674	32,825
Decrease (increase) in trading products-assets (liabilities)	482,141	(1,469,537)
Decrease (increase) in investment securities for sale	56,772	30,985
Decrease (increase) in operating loans receivable	(14,810)	(36,841)
Decrease/increase in assets/liabilities for margin transaction	26,661	18,337
Decrease/increase in loans/borrowings secured by securities	1,244,882	2,303,619
Decrease (increase) in short-term loans receivable	8,901	3,089
Increase (decrease) in deposits for banking business	-	1,169,916
Increase (decrease) in deposits received	(26,875)	(23,622)
Other, net	(129,680)	(10,292)
Subtotal	1,695,372	2,030,675
Interest and dividend income received	5,602	4,624
Interest expenses paid	(109)	(65)
Income taxes paid	(23,983)	(2,557)
Net cash provided by (used in) operating activities	1,676,882	2,032,677

	Fiscal 2010 Apr. 1, 2010- Mar. 31, 2011	Fiscal 2011 Apr. 1, 2011- Mar. 31, 2012
Net cash provided by (used in) investing activities:		
Payments into time deposits	(115,796)	(43,647)
Proceeds from withdrawal of time deposits	152,933	61,603
Purchase of short-term investment securities	(50,120)	(1,593,334)
Proceeds from sale and redemption of securities	79,228	610,340
Purchase of property, plant and equipment	(6,968)	(10,064)
Proceeds from sales of property, plant and equipment	5,688	515
Purchase of intangible assets	(31,298)	(21,099)
Purchase of investment securities	(18,835)	(7,561)
Proceeds from sale and redemption of investment securities	20,471	11,670
Purchase of stocks of subsidiaries and affiliates	(20,682)	(1,230)
Proceeds from sales of stocks of subsidiaries and affiliates	429	-
Payments for transfer of business	(95,626)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(510)	-
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	15,250
Payments of loans receivable	(2,868)	(406)
Collection of loans receivable	3,460	1,987
Other, net	1,029	2,480
Net cash provided by (used in) investing activities	(79,466)	(973,494)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(1,670,114)	(1,068,401)
Proceeds from long-term loans payable	298,958	148,450
Repayments of long-term loans payable	(27,999)	(137,200)
Proceeds from issuance of bonds	375,923	222,724
Redemption of bonds	(232,815)	(221,622)
Proceeds from sales of treasury stock	2,441	3,353
Purchase of treasury stock	(28,793)	(6)
Cash dividends paid	(19,233)	(10,281)
Other, net	(24)	(38)
Net cash provided by (used in) financing activities	(1,301,657)	(1,063,022)
Effect of exchange rate change on cash and cash equivalents	(5,740)	(642)
Net increase (decrease) in cash and cash equivalents	290,019	(4,482)
Cash and cash equivalents at beginning of period	753,982	1,043,463
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(844)	-
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	306	-
Cash and cash equivalents at end of period	1,043,463	1,038,981

(5) Facts or circumstances casting doubt on going-concern assumptions

Not applicable.

(6) Changes in the basis of financial statements for the fiscal year ended March 31, 2012**(I) Scope of consolidation**

Changes of scope of consolidation

In consolidated financial statements of the Company for the fiscal year ended March 31, 2012, 4 companies were added to scope of consolidation because of new establishment and additional acquisition of the investment units, and 2 companies were excluded due to liquidation and the decrease in materiality.

Consolidated subsidiaries: 60 companies

(II) Application of equity method

Change of application of equity method

In consolidated financial statements of the Company for the fiscal year ended March 31, 2012, 1 company was excluded from the application of equity method because it was added to scope of consolidation due to additional acquisition of the investment units.

Affiliates applicable of equity method: 5 companies

(III) Changes in accounting policies and restatement of corrections due to amendments in accounting standards

(Changes in accounting policies)

From the fiscal 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, 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 earnings per share of fiscal 2010 and 2011 because it reports 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 consolidated statement of income from fiscal 2011.

(7) Notes to consolidated financial statements for the fiscal year ended March 31, 2012**Segment information****1. Outline of reportable segment**

The Group's reportable segment is defined as an operating segment for which discrete financial information is available and reviewed by the Company's chief operating decision maker by regularly in order to make decisions about resources to be allocated to the segment and assess its performance.

Focusing on securities-related business, the Group offers overall investment and financial service in coordination with group's support business, and the Company decides the comprehensive strategies by each management organization corresponding to markets and business category domestically and internationally and conducts business activities.

Therefore, the Group consists of segments by each market and business category based on the each consolidated subsidiaries and equity method affiliates, and aggregates to five segments such as "Retail", "Global markets", "Global investment banking", "Asset management" and "Investment" by similar characteristic economically.

"Retail" provides broad types of products and services mainly to individual and unlisted-corporate customers. "Global markets" sells and trades stock, bonds, foreign exchange and the other derivatives mainly to institutional investors and investors of business, financial and public-interest corporations both at home and abroad. "Global investment banking" provides various investment banking services such as underwriting of securities and advisory of M&A, etc. at home and abroad. Besides setting up and managing investment trust fund for various assets, "Asset management" provides investment advisory and management services of pension assets to domestic and foreign institutional investors. Investment conducts investment business with a central focus on launching investment funds, while maximizing return on existent investment.

2. Method of calculating amounts of net operating revenues, operating income (loss) and others by reportable segment

Accounting method applied to the reportable business segment is almost the same as described in "Basis of financial statements for the fiscal year ended March 31, 2012".

Internal net operating income (loss) between segments is based on third-party transaction price.

3. Information of net operating revenue, segment income (loss) and the others by reportable segment

Fiscal 2011 (Apr. 1, 2011 – Mar. 31, 2012)

(Millions of yen)

	Reportable segment						Others(*1)	Total
	Retail	Global Markets	Global Investment Banking	Asset Management	Investment	Total		
Net operating revenue								
Net operating revenue for unaffiliated customers	138,843	73,268	29,350	57,696	3,722	302,880	2,250	305,131
Internal net operating income and elimination amount between segments	33,189	(21,253)	(2,876)	(20,272)	(2,631)	(13,844)	30,251	16,407
Total	172,033	52,014	26,473	37,424	1,090	289,035	32,502	321,538
Segment income (loss) (Ordinary income (loss))	38,839	(54,433)	(14,284)	14,615	(1,976)	(17,240)	(1,190)	(18,431)
Other item								
Depreciation and amortization	15,209	8,033	340	1,212	2	24,798	17,872	42,671
Amortization of goodwill	-	1,741	696	-	-	2,438	-	2,438
Interest income	0	-	-	2	66	70	137	207
Interest expenses	-	-	-	6	55	62	588	651
Equity in earnings (losses) of affiliates	-	-	(1,271)	1,441	-	170	1,359	1,529

- (Note) 1. "Others" are the business segments which are not included in the reportable segments and include the business of consolidation and management of subsidiaries, banking business, information service, back-office service and real-estate rental, etc.
2. "Net operating revenue" consists of "Operating revenue", "Financial expenses", "Other operating expenses" and "Commission fee" (Selling, general and administrative expenses).
3. The Company does not disclose the segment information of assets because the manager does not allocate it to each segment for managerial decision-making.

4. The amount of difference between reportable segment total and consolidated financial statement amounts, and the main details

Fiscal 2011 (April 1, 2011 – March 31, 2012)

(Millions of yen)

Net operating revenue	
Reportable segment total	289,035
Net operating revenue from “Others”	32,502
Elimination between segments	(16,407)
Commission fee deducted from net operating revenue	28,849
Other adjustments	2,037
Net operating revenue of financial statements	336,016

(Millions of yen)

Ordinary income (loss)	
Reportable segment total	(17,240)
Loss from “Others”	(1,190)
Elimination between segments	(1,580)
Amortization of goodwill and negative goodwill	4,257
Unrealized adjustments	4,158
Other adjustments	(605)
Ordinary loss of financial statements	(12,200)

(Millions of yen)

Other item	Reportable segment total	Other	Adjustment	Consolidated financial statement amount
Depreciation and amortization	24,798	17,872	261	42,932
Amortization of goodwill	2,438	-	308	2,746
Interest income	70	137	(60)	147
Interest expenses	62	588	(585)	65
Equity in earnings (losses) of affiliates	170	1,359	47	1,576

Information on per share

Fiscal 2010 (Apr. 1, 2010 – Mar. 31, 2011)		Fiscal 2011 (Apr. 1, 2011 – Mar. 31, 2012)	
Net assets/share	496.76 yen	Net assets/share	463.04 yen
Earnings/share	(21.90)yen	Earnings/share	(23.41)yen
Fully diluted earnings/share	-	Fully diluted earnings/share	-

(Note) 1. “Fully diluted earnings/share” is nil, although there are potential shares, because net income is deficit and calculated result became negative figure.

2. The calculation bases are as follows:

(1) Net assets/share

	Fiscal 2010 As of Mar. 31, 2011	Fiscal 2011 As of Mar. 31, 2012
Total net assets (millions of yen)	921,398	951,702
Deduction from total net assets (millions of yen)	87,465	169,203
<i>Stock subscription right (millions of yen)</i>	4,385	5,429
<i>Minority interests (millions of yen)</i>	83,080	163,774
Net assets to common stock (millions of yen)	833,932	782,498
Number of common stock included in calculation of net assets/share (thousands of shares)	1,678,743	1,689,918

(Note) ESOP-owned stocks are excluded from number of common stock, because the stocks are reported as “Treasury stock” on consolidated balance sheet.

(2) Earnings/share and fully diluted earnings/share

	Fiscal 2010 Apr. 1, 2010- Mar. 31, 2011	Fiscal 2011 Apr. 1, 2011- Mar. 31, 2012
Earnings / share		
Net income (millions of yen)	(37,331)	(39,434)
Net income not attributable to common stockholder (millions of yen)	-	-
Net income attributable to common stock (millions of yen)	(37,331)	(39,434)
Average number of common shares outstanding during the year (thousands of shares)	1,704,303	1,684,854
Fully diluted earnings / share		
Adjusted net income (millions of yen)	-	-
Increase in common stock (thousands of shares)	-	-
<i>Stock subscription rights (thousands of shares)</i>	-	-
Summary of potential shares that are not included in calculation of fully diluted earnings/share due to a lack of dilution effect (thousands of shares)	Stock option by stock subscription right	Stock option by stock subscription right
	Series 1	June, 2005 issued
	June, 2005 issued	Series 2
	Series 2	July, 2006 issued
	July, 2006 issued	Series 3
	Series 3	July, 2007 issued
	July, 2007 issued	Series 4
	Series 4	July, 2008 issued
	July, 2008 issued	Series 5
	Series 5	July, 2009 issued
	July, 2009 issued	Series 6
	Series 6	July, 2010 issued
	July, 2010 issued	Series 7
	Series 7	July, 2011 issued
		Series 8

(Note) 1. The amount of stock option in terms of number of shares is listed.

2. ESOP-owned stocks are excluded from average number of shares, because the stocks are reported as “Treasury stock” on consolidated balance sheet.

Subsequent events

(Regarding Internal Reorganization)

Daiwa Securities Co. Ltd. (hereinafter “Daiwa Securities”) and Daiwa Securities Capital Markets Co. Ltd. (hereinafter “Daiwa Capital Markets”) conducted a merger on April 1, 2012 stood on a Merger Agreement on February 20, 2012.

Outline of the deal regarding integration is as follows

1. Corporate name, the substance of business, date of integration, type of integration and outline of the deal including the objective of the deal.

(i) Corporate name and the substance of business

Corporate name	Daiwa Securities Co. Ltd.	Daiwa Securities Capital Markets Co.Ltd
The substance of business	Securities Related Business Investment Advisory and Agency Business	Securities Related Business

(ii) Date of integration

April 1, 2012

(iii) Type of integration

Absorption-type merger in which Daiwa Securities Co. Ltd. survives

(iv) Corporate name after integration

Daiwa Securities Co. Ltd.

(v) Outline of the deal including the objective of the deal

The integration of Daiwa Securities and Daiwa Capital Markets will vastly elevate the reliability of the accomplishment of a strong management base, by means of further optimization of administrations and augmentation of added value to meet the highly diversifying client demands.

2. Outline of accounting procedure

We stood on the “Accounting Standard for Business Combinations” (ASBJ Statement No.21 of December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 of December 26, 2008), and processed the deal as under common control.

(8) Quarterly consolidated statements of income

(Millions of yen)

	Fiscal 2010	Fiscal 2011			
	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	4th quarter Jan. 1, 2012- Mar. 31, 2012
Operating revenue:					
Commission received	58,763	55,060	56,171	52,535	57,077
Commission to consignees	15,249	10,515	10,202	8,249	11,815
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8,851	3,832	4,787	8,091	2,797
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	7,322	13,394	12,661	10,726	12,356
Other fees received	27,339	27,318	28,519	25,468	30,109
Net trading income	15,985	26,244	14,895	8,572	29,703
Net trading income from securities	11,700	(8,479)	(11,820)	1,259	12,576
Net trading income from bond, forex and other	4,285	34,724	26,715	7,312	17,127
Net gain (loss) on private equity and other securities	(20,154)	1,251	1,892	1,470	(2,658)
Financial revenue	19,026	20,076	19,865	20,910	18,909
Other sales	9,818	10,992	9,656	9,429	10,316
Total operating revenue	83,438	113,625	102,480	92,919	113,348
Financial expenses	14,864	15,217	12,937	16,329	15,205
Cost of sales	6,576	7,325	5,922	6,245	7,175
Net operating revenue	61,998	91,083	83,621	70,344	90,967
Selling, general and administrative expenses:					
Trading related expenses	18,692	17,514	18,639	16,286	16,415
Personal expenses	41,441	42,268	41,815	37,994	36,219
Real estate expenses	11,795	11,273	11,374	11,203	11,029
Office cost	6,981	6,954	6,832	6,521	7,443
Depreciation	10,055	10,153	10,235	9,879	9,592
Taxes and dues	1,492	2,136	1,465	1,436	1,542
Provision of allowance for doubtful accounts	-	33	(9)	(15)	17
Other	4,238	3,685	3,375	3,046	3,366
Total selling, general and administrative expenses	94,697	94,021	93,729	86,352	85,626
Operating income (loss)	(32,699)	(2,938)	(10,108)	(16,008)	5,340
Non-operating income	3,580	3,656	3,915	1,426	3,806
Non-operating expenses	1,472	1,522	174	131	(535)
Ordinary income (loss)	(30,591)	(803)	(6,366)	(14,713)	9,682
Extraordinary income	3,043	427	777	125	38,330
Extraordinary loss	8,634	2,480	9,833	2,102	29,918
Income (loss) before income taxes	(36,182)	(2,856)	(15,422)	(16,690)	18,095
Income taxes-current	3,030	1,764	2,409	795	2,483
Income taxes-deferred	1,552	4,507	2,511	3,748	6,179
Total income taxes	4,582	6,271	4,920	4,544	8,663
Income (loss) before minority interests	(40,765)	(9,127)	(20,342)	(21,235)	9,432
Minority interests in income (loss)	(7,635)	306	(989)	332	(1,488)
Net income (loss)	(33,129)	(9,434)	(19,353)	(21,567)	10,920
Net financial income included in Net operating revenue	4,161	4,858	6,928	4,581	3,703