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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 , 2011

To Our Shareholders

DAIWA SECURITIES GROUP Inc.
9-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo
President and CEO
Takashi Hibino

Notice of Convocation of
The 74th Ordinary General Meeting of Shareholders

The Daiwa Securities Group Inc. (“Company”) would like to express its gratitude for your courtesies.

The Company extends its deepest condolences to the victims of the East Japan Earthquake.

You are hereby notified that the 74th 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 Company.

Also, you may exercise your voting rights for the aforesaid meeting via electronic devices (via the Internet, etc.). 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 25, 2011

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 to be reported:

1. Report on the contents of the Business Report, the Consolidated Statutory Report of the 74th fiscal year (from April 1, 2010 to March 31, 2011), and the outcome of an audit of the Consolidated Statutory Report conducted by Independent Auditors and the Audit Committee.
2. Report on the contents of the Non-consolidated Statutory Report of the 74th fiscal year (from April 1, 2010 to March 31, 2011).

Matters to be resolved:

Bill 1: Election of Twelve (12) 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 24, 2011, 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 or 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 case, 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 the Business Report, the Non-consolidated Statutory Report and the Consolidated Statutory Report 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 that is 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.

Reference Documents for the General Meeting of Shareholders

Bills and reference matters

Bill 1. Election of Twelve (12) Directors

The terms of office of all members of the Board of Directors are expiring as of the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, it is requested to elect twelve (12) Directors pursuant to the decisions of the Nominating Committee.

The nominees for Directors are as follows, and Mr. Ryuji Yasuda, Mr. Koichi Uno, Ms. Nobuko Matsubara, Mr. Keiichi Tadaki and Mr. Kensuke Itoh 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	Shigeharu Suzuki (Apr. 17, 1947)	Apr. 1971 July 1991 May 1997 June 1997 May 1998 June 1998 Feb. 1999 Apr. 1999 July 2000 May 2001 June 2001 Apr. 2002 June 2002 July 2002 June 2003 June 2004 Apr. 2011 to date	Joined the Company Managing Director of Underwriting Dept. I of the Company Head of Corporate Institution Division of the Company Senior Managing Director of the Company Head of Investment Banking Division of the Company Executive 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 Executive Managing Director of the Company Head of Corporate Planning, Investors Relations and Corporate Communications of the Company Senior Executive 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 Corporate Division Planning of the above company Representative Director and Senior Executive Managing Director of the above company Member of the Board, Representative Executive Officer and President of the Company, CEO and Head of Retail, and Representative Director and President of Daiwa Securities Co. Ltd. Chairman of the Board and Senior Managing Director of the Company (to date), and Representative Director and Chairman of the Board of Daiwa Securities Co. Ltd. (to date)	138,000 shares
		(Significant concurrent positions) Representative Director and Chairman of the Board 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
2	Takashi Hibino (Sept. 27, 1955)	<p>Apr. 1979 Joined the Company</p> <p>Apr. 2002 Managing Director of Corporate Planning Dept. of the Company</p> <p>June 2002 Senior Managing Director of Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.), and Head of Equity</p> <p>May 2004 Executive Managing Director of the Company, Head of Corporate Planning, Personnel, Legal and Secretariat, and General Manager of Personnel Dept.</p> <p>June 2004 Director and Executive Managing Director of the Company, Head of Planning, Personnel and Legal, and Managing Director of Personnel Dept.</p> <p>July 2004 Director and Executive Managing Director of the Company, and Head of Planning, Personnel and Legal</p> <p>Apr. 2005 Head of Planning and Personnel of the Company</p> <p>Apr. 2007 Director and Senior Executive Managing Director of the Company</p> <p>July 2008 Head of Planning and Personnel, and Deputy Head of Wholesale of the Company, and Senior Executive Managing Director of Daiwa Securities SMBC Co. Ltd.</p> <p>Apr. 2009 Member of the Board, Deputy President of the Company, Deputy Head of Wholesale, and Representative Director and Deputy President of Daiwa Securities SMBC Co. Ltd.</p> <p>Apr. 2011 to date Member of the Board, Representative Executive Officer and President of the Company, CEO and Head of Retail and Wholesale (to date), Representative Director and President of Daiwa Securities Co. Ltd. (to date), and Representative Director and President of Daiwa Securities Capital Markets Co. Ltd. (to date)</p> <p>(Significant concurrent positions) Representative Director and President of Daiwa Securities Co. Ltd., and Representative Director and President of Daiwa Securities Capital Markets Co. Ltd.</p>	75,090 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
3	Nobuyuki Iwamoto (June 14, 1956)	Apr.1980 Apr.1999 Apr. 2001 Apr. 2005 June 2006 Apr. 2007 Apr. 2008 Apr. 2009 Apr. 2011 to date	Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.) Managing Director of International Finance Dept. of the above company Senior Managing Director of the Company, and CFO and Deputy Head of Planning Member of the Board and Senior Managing Director CFO of the Company Member of the Board and Executive Managing Director of the Company Member of the Board and Senior Executive Managing Director of the Company, and CFO and Head of Planning and Personnel Member of the Board, Representative Executive Officer and Deputy President of the Company, COO, CFO and Head of Planning and Personnel (to date), and Representative Director and Deputy President of Daiwa Securities Capital Markets Co. Ltd. (to date)	39,000 shares
		(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Capital Markets Co. Ltd.		
4	Makoto Shirakawa (Nov. 28, 1954)	Apr. 1978 Apr. 1999 Apr. 2000 Apr. 2001 June 2003 May. 2004 Apr. 2005 Apr. 2006 Apr. 2007 Apr. 2008 Apr. 2009 June 2010 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.) Managing Director of Financial Institutions Dept. I of the above company Senior Managing Director of Daiwa Securities Co. Ltd., Head of Area Sales, and Corporate Sales, and Managing Director of Investment Banking Dept. 1 Senior Managing Director of the above company, Unit III Officer, and Managing Director of Investment Banking Dept. 3 Executive Managing Director of the above company, and Head of Daiwa Direct Division Senior Executive Managing Director of the above company, and Head of Sales Division, Sales Planning and Daiwa Direct Division Head of Sales Division, Daiwa Direct Division Deputy President of the Company, Deputy Head of Retail (to date), and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date) Member of the Board and Deputy President of the Company (to date)	36,000 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
5	Takatoshi Wakabayashi (Nov. 15, 1956)	Apr. 1980	Joined the Company	24,060 shares
		July 2004	Managing Director of Personnel Dept of the Company, and Managing Director, Assistant to Head of Planning	
		Apr. 2005	Senior Managing Director, Head of Legal, Deputy Head of Personnel, and Managing Director of Personnel of the Company	
		Apr. 2006	Senior Managing Director, Head of Legal, and Deputy Head of Personnel	
		Apr. 2007	Senior Managing Director of Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.), Senior Head of Initial Public Offering and Legal, and Head of Capital Markets	
		Apr. 2008	Executive Managing Director of the above company, Senior Head of Investment Banking, Head of Corporate Finance, Investment Banking Strategic Planning and Research & Advisory	
		July 2008	Executive Managing Director of the above company, Senior Head of Investment Banking, Head of Corporate Finance and Investment Banking Strategic Planning	
		Oct. 2008	Executive Managing Director of the above company, Senior Head of Investment Banking, Head of Corporate Finance and Investment Banking Strategic Planning, and General Manager of Investment Banking Strategic Planning	
		Apr. 2009	Executive Managing Director of the above company, Senior Head of Investment Banking, and Head of Structured Finance, Corporate Finance, Initial Public Offering, Investment Program and Investment Banking Strategic Planning	
		Sept. 2009	Representative Director and Executive Managing Director of the above company	
		Apr. 2010	Senior Executive Managing Director of the Company, CRO (to date) and Representative Director and Senior Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd. (to date)	
		June 2010 to date	Member of the Board, and Senior Executive Managing Director of the Company (to date)	
(Significant concurrent positions) Representative Director and Senior Executive Managing Director 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
6	Kazuo Oda (Jan. 14, 1954)	<p>Apr. 1976 Aug. 1979 Apr. 1994</p> <p>Oct. 1999</p> <p>Nov. 2001</p> <p>June 2002</p> <p>May 2004</p> <p>Apr. 2005</p> <p>Apr. 2007</p> <p>Apr. 2008</p> <p>Oct. 2008</p> <p>Feb. 2009</p> <p>Apr. 2009</p> <p>June 2009</p> <p>Apr. 2010 to date</p>	<p>Joined the Company</p> <p>Joined Daiwa Computer Service Ltd.</p> <p>Managing Director of Corporate System Development Dept. of Daiwa Institute of Research Ltd. (currently, Daiwa Institute of Research Holdings Ltd.)</p> <p>Senior Managing Director of the above company, Deputy Head of System Solution Institutions Division</p> <p>Deputy Head of Securities Group System Institutions Division of the above company</p> <p>Senior Managing Director and Head of New Securities Development Division of the above company</p> <p>Executive Managing Director of the above company</p> <p>Head of Daiwa Institute of Research Data Center, Information Security Division Planning Dept. of the above company</p> <p>Senior Executive Managing Director of the above company, Head of Daiwa Institute of Research Data Center, Institute of Information technology, and Information Security Division Planning Dept.</p> <p>Representative Director and Senior Executive Managing Director of the above company, and Head of Daiwa Institute of Research Data Center, Institute of Information Technology, and Compliance Dept.</p> <p>Representative Director and Senior Executive Managing Director of Daiwa Institute of Research Ltd., and Head of Risk Management, System Management Division, System Division(2) and Institute of Information Technology</p> <p>Head of Risk Management, Quality Control Dept., Information Planning Dept., System Division(2), and Institute of Information Technology of the above company</p> <p>Executive Managing Director of the Company, Head of Information Technology (CIO) (to date), and Senior Executive Managing Director of Daiwa Institute of Research Ltd. (to date)</p> <p>Member of the Board and Executive Managing Director of the Company (to date)</p> <p>Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd. (to date)</p>	18,000 shares
		<p>(Significant concurrent positions)</p> <p>Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd. and Senior Executive Managing Director of Daiwa Institute of Research 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
7	Ryuji Yasuda (Apr. 28, 1946)	<p>July 1976</p> <p>Jan. 1979</p> <p>July 1996</p> <p>Apr. 2002</p> <p>May 2002</p> <p>May 2003</p> <p>June 2003</p> <p>Apr. 2004</p> <p>Sept. 2006 to date</p>	<p>Joined Morgan Guarantee Trust Company of NY (currently, JP Morgan Chase & Co.), Investment Research Officer</p> <p>Joined McKinsey & Company Partner (1986), and Director (1991)</p> <p>A.T. Kearney, Managing Director of Asia and Member of the Board of Management</p> <p>Visiting Professor, Hitotsubashi University, Graduate School of International Business Strategy</p> <p>Chairman of A. T. Kearney, Far East Asia</p> <p>Resigned as Chairman of Far East Asia of the above company</p> <p>Outside Director of the Company (to date)</p> <p>Director, Chairman of J-Will Partners Co., Ltd.</p> <p>Professor of Hitotsubashi University, Graduate School of International Business Strategy (to date)</p> <p>Retired as Director and Chairman of J-Will Partners Co., Ltd.</p>	43,000 shares
		<p>(Significant concurrent positions)</p> <p>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., and Outside Director of Yakult Honsha Co., Ltd.</p>		
8	Koichi Uno (Jan. 5, 1942)	<p>Sept. 1967</p> <p>Aug. 1976</p> <p>Oct. 1977</p> <p>Sept. 1979</p> <p>Sept. 1981</p> <p>Apr. 2000</p> <p>Aug. 2000</p> <p>June 2004</p> <p>Sept. 2004 to date</p>	<p>Joined Arthur Andersen & Co.'s Tokyo Office</p> <p>Arthur Andersen & Co., London Office</p> <p>Returned to Arthur Andersen & Co.'s Tokyo Office</p> <p>Partner, Tax Division of the above office</p> <p>Representative Partner of the above office (Koichi Uno Tax Accounting Office)</p> <p>Part-time lecturer, Hitotsubashi University, Graduate School of International Business Strategy</p> <p>Left Arthur Andersen & Co.</p> <p>Established CPA UNO OFFICE (operating to date)</p> <p>Outside Director of the Company (to date)</p> <p>Resigned as part-time lecturer, Hitotsubashi University, Graduate School of International Business Strategy</p>	30,000 shares
		<p>(Significant concurrent positions)</p> <p>Certified Public Accountant and Licensed Tax Accountant, and Outside Auditor of Kokusai Kogyo Co., Ltd., and Director of Seibu Holdings Inc.</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
9	Nobuko Matsubara (Jan. 9, 1941)	Apr. 1964 Mar. 1987 Oct. 1991 July 1997 Apr. 1999 Sept. 2002 Nov. 2002 Jan. 2006 July 2006 June 2008 to date	Entered Ministry of Labor Director of International Labor Division, Ministry of Labor Director-General of Women's Bureau, Ministry of Labor Vice Minister of 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)	18,000 shares
		(Significant concurrent positions) Chairman of Japan Institute of Worker's Evolution, and Outside Director of Mitsui & Co., Ltd.		
10	Keiichi Tadaki (July 1, 1943)	Apr. 1969 Apr. 1996 July 1997 Dec. 1997 Jan. 2002 June 2004 June 2006 June 2008 July 2008 June 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) Outside Director of the Company (to date)	0 shares
		(Significant concurrent positions) Special Counsel Attorney at law of Mori Hamada & Matsumoto Outside Director of Aeon Co., Ltd., and 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
11	Toshihiko Onishi (July 27, 1961)	Apr. 1984 Apr. 2007	Joined the Company Managing Director, Assistant to Head of Planning of Daiwa Securities SMBC Co. Ltd. (currently, Daiwa Securities Capital Markets Co. Ltd.) Seconded to Daiwa Securities SMBC Principal Investments Co. Ltd. (currently, Daiwa PI Partners Co. Ltd.) Executive Managing Director of Daiwa Securities SMBC Principal Investments Co. Ltd.	20,061 shares
		Apr. 2008	Senior Managing Director of Daiwa Securities SMBC Co. Ltd., and Representative Director and Deputy President of Daiwa Securities SMBC Principal Investments Co. Ltd.	
		Sept. 2008	Senior Managing Director of Daiwa Securities SMBC Co. Ltd., and Deputy Head of Principal Investments	
		Sept. 2009	Senior Managing Director of Daiwa Securities SMBC Co. Ltd., Head of Principal Investments Representative Director and Chairman of the Board of Daiwa Securities SMBC Principal Investments Co. Ltd.	
		Apr. 2010	Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd., and Deputy Head of Corporate Finance	
		Apr. 2011 to date	Senior Managing Director of the Company (to date), Auditor of Daiwa SB Investments Ltd. (to date), and Auditor of Daiwa Property Co., Ltd. (to date)	
		(Significant concurrent positions) Outside Auditor of Daiwa SB Investments Ltd., and Outside Auditor of Daiwa Property Co., Ltd.		
12	Kensuke Itoh (December 17, 1937)	Apr. 1959 May 1975 Aug. 1979 July 1981 June 1985 June 1989 June 1999 June 2005 June 2009 to date	Joined Kyoto Ceramic Co., Ltd. (currently, Kyocera Corporation) Senior Managing Director of the above company Executive Managing Director of the above company Senior Executive Managing Director of the above company Representative Director, and Deputy President of the above company Representative Director, and President of the above company Representative Director, and Chairman of the Board of the above company Advisor and Senior Managing Director of the above company Advisor of the above company (to date)	0 shares
		(Significant concurrent positions) Advisor of Kyoto Ceramic Co., Ltd., Advisor of Kyoto Purple Sanga Co., Ltd., and Director of Kyoto Broadcasting System Company Limited		

(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. 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. The Company requests shareholders to elect him as an 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 eighth (8) year as one of the Company's Outside Directors.*
- (2) *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 an Outside Director since we believe that his experience and professional knowledge would contribute to the management of the Company. According to the above-mentioned reasons, we made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved in corporate management. The conclusion of this Ordinary General Meeting of Shareholders marks his seventh (7) year as one of the Company's Outside Directors.*
 - (3) *Ms. Nobuko Matsubara was the Vice-Minister of the Ministry of Labor and Ambassador Extraordinary and Plenipotentiary of Japan to Italy, etc. and currently is a chairman of the Japan Institute of Workers' Evolution. The Company requests shareholders to elect her as an 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 the decision that she could adequately carry out her assignment as one of the Company's Outside Directors, even though she has never been involved in corporate management. The conclusion of this Ordinary General Meeting of Shareholders marks her third (3) year as one of the Company's Outside Directors.*
 - (4) *Mr. Keiichi Tadaki was the Vice-Minister of the Ministry 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 an 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 the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved in corporate management. The conclusion of this Ordinary General Meeting of Shareholders marks his second (2) year as one of the Company's Outside Directors.*
 - (5) *Mr. Kensuke Itoh held positions such as President of Kyocera Corporation, etc. and is currently an Advisor of Kyocera Corporation. The Company requests shareholders to elect him as an Outside Director since we believe that his accumulated ample experience and knowledge about corporate management would contribute to the management of the Company.*
3. *The facts regarding inappropriate business conduct that occurred while occupying the relevant position, and measures taken for the prevention of the occurrence of such conduct and measures taken after the occurrence of such conduct are as follows.*
- (1) *As to Mr. Ryuji Yasuda, while he was in the office of 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 urging enhancement of internal management system for the prevention of misconduct, and after the occurrence, he made proposals at the board of directors' meeting for measures to be taken to research the facts and prevent 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 by the subsidiary, the involvement in inappropriate circular transactions including fake transactions by the sales department of the Kyushu Branch of Mitsui & Co., Ltd. during the period of September 2000 to February 2008 concerning agricultural materials for customers in the Kyusyu area and the reporting of non-existent transactions of export trades to southeast Asia including Indonesia by the sales department of the Performance Chemicals Business Unit of Mitsui & Co., Ltd. during the period of 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, Mr. Ryuji Yasuda, Mr. Koichi Uno, Ms. Nobuko Matsubara and Mr. Keiichi Tadaki have executed an agreement to limit liability to the Company. The agreement says that the maximum amount of liability is 10 million yen or the minimum amount of liability provided in Article 425, Paragraph 1 of the Companies Act, whichever is higher. Also, the Company plans to enter into a similar agreement to limit the liability of Mr. Kensuke Itoh as Outside Director.*

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, 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 shareholders 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 2016. 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 1,500 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights I shall not exceed 1,500,000. 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.

$$\begin{array}{l} \text{Number of Granted Shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of Granted Shares} \\ \text{before adjustment} \end{array} \times \text{Ratio of split or consolidation}$$

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 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, 2031.

(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 and 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 thirty (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 a 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 6,000 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 6,000,000. 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.

$$\begin{array}{l} \text{Exercise Price} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Exercise Price} \\ \text{before adjustment} \end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

The Exercise Price shall be adjusted using the following formula, in the event the Company issues shares below the 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, 2016 and June 24, 2021.
- (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 a 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 the conclusion of the Ordinary General Meeting of Shareholders.

1. Nominating Committee (6 members), Audit Committee (4 members), Compensation Committee (5 members)

Nominating Committee	Shigeharu Suzuki (Chairman)
	Takashi Hibino
	Ryuji Yasuda
	Nobuko Matsubara
	Keiichi Tadaki
	Kensuke Itoh
Audit Committee	Koichi Uno (Chairman)
	Toshihiko Onishi
	Nobuko Matsubara
	Keiichi Tadaki
Compensation Committee	Shigeharu Suzuki (Chairman)
	Takashi Hibino
	Ryuji Yasuda
	Koichi Uno
	Kensuke Itoh

2. Executive Officers (14 officers)

	Name	Main titles and posts held concurrently
President and CEO (Representative)	Takashi Hibino	Member of the Board of the Company, Representative Director / President of Daiwa Securities Co. Ltd., and Representative Director / President of Daiwa Securities Capital Markets Co. Ltd.
Deputy President, COO and CFO (Representative)	Nobuyuki Iwamoto	Member of the Board of the Company, and Representative Director / Deputy President of Daiwa Securities Capital Markets Co. Ltd.
Deputy President	Makoto Shirakawa	Member of the Board of the Company, and Representative Director / Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Akio Takahashi	Representative Director / Deputy President of Daiwa Securities Capital Markets 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.
Senior Executive Managing Director and CRO	Takatoshi Wakabayashi	Member of the Board of the Company, and Representative Director / Senior Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd.
Executive Managing Director and CIO	Kazuo Oda	Member of the Board of the Company, Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd., and Senior Executive Managing Director of Daiwa Institute of Research Ltd.

	Name	Main titles and posts held concurrently
Executive Managing Director	Saburo Jifuku	
Executive Managing Director	Koichi Matsushita	
Executive Managing Director	Toshihiro Matsui	
Senior Managing Director	Noriaki Kusaka	
Senior Managing Director	Hiroyuki Inose	
Senior Managing Director	Shigeharu Suzuki	Chairman of the Board of the Company, and Representative Director and Chairman of the Board of Daiwa Securities Co. Ltd.

<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.]

Business Report

(From April 1, 2010 to March 31, 2011)

I. Status of the Group's Business Activities

The 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 (FY2010) 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 FY2010 was in the slowly recovering stage but the pace of recovery slowed after the summer season. Exports and production increased until June 2010 as foreign economies improved and corporate earnings were enhanced. As the saturation in manufacturing equipment of corporations and employment was resolved, equipment investments stopped decreasing and the number of employees increased. However, once the world economy became more sluggish since the summer when the financial instability arose in European countries and economic measures of the USA were exhausted, the Japanese yen appreciated and accordingly, exports and production weakened. The recovery trend of the economy itself slowed down and the economy was in a "stagnant period." When the foreign economy revived its recovery pace from the end of 2010, the Japanese economy seemed to be expected to rally from the "stagnant period" with exports and production recovering. However, the East Japan Earthquake that occurred in March 2011 followed by the nuclear power plant accident and shortage of electricity completely changed the situation. The Japanese economy was affected by huge downward pressure and the opacity of the future increased.

Regarding the Japanese stock market, the Nikkei 225 index decreased to below 8,800 in August 2010 from 11,089.94 at end of FY2009 with the uncertainty of the European economy, the rise of concern about a diminishing world economy and the steep appreciation of the yen. After that, the index was in the rising trend and in February 2011, recovered to the 10,800 level with the execution of intervention in the foreign exchange market by the Japanese government and the Bank of Japan (Yen selling / US dollar buying), the first time in six and a half years and the decision to provide additional financial easing by the Bank of Japan and the USA. The Nikkei 225 index plummeted to near 8,200 because of the effect of the East Japan Earthquake in March, and the Japanese Yen against the US dollar temporarily climbed to a historical high of 76.25. The Japanese Yen was approximately 83.00 because of the Yen selling cooperative intervention of the G7 in March, and the Nikkei 225 index was 9,755.10. Furthermore, the average trading volume (total of domestic and foreign stocks) per day at the Tokyo Stock Exchange, Inc. during FY2010 was 1,553.5 billion yen, almost unchanged from the previous the fiscal year.

On the other hand, in the bond market, the yield for the 10-year Japanese government bond, which was around the 1.4% level at the beginning of FY2010, declined to below 1.0% in August with investors globally becoming risk averse because of financial instability in European countries. The yield fell to 0.82% with the decision of additional financial easing by the Bank of Japan in October and then, the government bonds were sold with investors being cautious of high prices and the yield converted to a rising trend and soared to the mid 1.2% level in mid-December because of the long-term interest rate hike of the USA. After that, the yield rose to the mid 1.3% level in February with the expectation of the domestic and the US economy recovering and shifted to around the 1.2% level. The yield reached 1.255% at the end of FY2010.

(2) Outcome of the Group's Business Activities

[Segment (Note) Performance]

(Note) The Daiwa Securities Group is composed of segments of financial services based on the consolidated subsidiaries of the Company and the companies accounted for under the equity method. From FY2010, the Company defines "Retail," "Global Markets," "Global Investment Banking," "Asset Management" and "Investment" as the segments for reporting that are categorized by economic characteristics.

1) Retail

Daiwa Securities Co. Ltd. provides broad types of products and services to meet customers' various needs with the business model including "Consulting," which provides high-value added services through sales representatives and "Direct," which provides a wide range of products and complete information on the Internet.

Regarding "Consulting," Daiwa Securities Co. Ltd. actively offered "Water Bonds," as one of Impact Investment (Note 1) products, the "Daiwa Microfinance Fund," the first investment trust focusing on Microfinance (Note 2) in Japan, and investment trusts paying monthly dividends. Also, it encouraged the trading of foreign equities and continuously offers ETF (Note 3) that track emerging markets, and so on.

Concerning "Direct," it cut the trading fees to the lowest level compared to its peer group regarding "Daiwa 365FX" and "Margin trading service" and enhanced its trading capacity for matching the needs of its clients that have active investment policies. As a result, it dramatically expanded its market share in "Click 365" of the Tokyo Financial Exchange, Inc. to 21.2% (the second half of FY2010) and established the status of a leading company in this field.

(Note 1) The investment which intends to give resolution to social problems such as poverty and the environment as well as pursuing financial profits.

(Note 2) The generic name for financial services of a small size for the people suffering from poverty.

(Note 3) Exchange Traded Funds

2) Global Markets (Note)

In the Global Markets business, we continue to enhance business in the Asia countries, where the economy and capital markets are growing remarkably, and steadily execute to develop their business structure including strengthening their capital and personnel. Consequently, the trading volume of the Daiwa Securities Group in the equity markets in Hong Kong and India etc. was boosted to historically high levels. In FY2010, it enlarged the business base in the derivative field by the acquisition of the Global Convertible Bonds and Asian Equity Derivatives businesses from the KBC Group, a Belgian major financial institution that had great market share in equity derivatives of Hong Kong market.

(Note) The business that conducts sales and trading of equities, bonds, forex and derivative products of those at Daiwa Securities Capital Markets Co. Ltd. (consolidated).

3) Global Investment Banking (Note 1)

In Global Investment Banking business, we execute to develop its business structure in Asia as well as Global Markets business.

In the underwriting business, it was the lead manager for IPO (Note 2) of Calbee, Inc., the joint lead manager for public offerings including Mizuho Financial Group, Inc. and Resona Holdings, Inc., and the lead manager for the issue of domestic convertible bonds by Elpida Memory, Inc. And it managed a lot of symbolic deals in foreign markets; it was the joint lead manager for IPO of the first Islamic REIT (Note 3) in Singapore and won the POWL (Note 4) deals relating to the large IPO of Agricultural Bank of China, AIA Group Limited, Asian arm of AIG the insurance company of the United States of America, and Hutchison Port Holdings Trust (Note 5). Further, and it was the lead manager of SBI Holdings, Inc. whose Depositary Receipts were listed in Hong Kong as the first Japanese corporation and also the joint lead manager of Elpida Memory, Inc. whose Depositary Receipts were listed in Taiwan as the first Japanese corporation.

In the M&A business, in relation to the business integration between Sumitomo Metal

Industries, Ltd. and Nippon Steel Corporation, it was appointed as an advisor to Sumitomo Metal Industries, Ltd. And also, it was an advisor to The Sumitomo Trust & Banking Co., Ltd. in relation to the business integration between The Sumitomo Trust & Banking Co., Ltd. and Chuo Mitsui Trust Holdings, Inc.

(Note 1) The business that conducts underwriting, M&A advisory and structured finance etc. at Daiwa Securities Capital Markets Co. Ltd. (consolidated).

(Note 2) Initial Public Offering

(Note 3) Real Estate Investment Trust

(Note 4) Public Offering Without Listing

(Note 5) The trust of harbor container business that Hutchison Whampoa Limited, the conglomerate in Hong Kong, restructured harbor businesses of Hong Kong and Guangdong, China.

4) Assets Management

Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd. 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.

Daiwa Asset Management Co. Ltd. launched “Twin Accelerators” that integrates investments in bonds and stocks and “Daiwa / Mirae Asset Korean Stocks Fund” to enlarge investment products relating to Asia and emerging countries. As a monthly dividend type, the assets under management of “Daiwa U.S. High Yield Bond Fund (currency select type) Brazilian Real Course (a monthly dividend type)” increased to over 50 billion yen. In the meantime, as it strengthened its business base in Asia, it acquired the Indian asset management company (currently, Daiwa Asset Management (India) Private Limited.) and entered into rapidly growing asset management business in India.

In connection with Daiwa SB Investments Ltd., it tried to enhance its skill in investment advising relating to domestic and foreign pension funds and continued to be No. 1 as previous fiscal year 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, the assets under management of “Short Term Australian Dollar Open (a monthly dividend type),” its core investment trust, extended over 1 trillion yen. Furthermore, it launched some competitive funds including “Twin Accelerators Fund (Brazilian Government Bond and the US sunrise corporations) [2017-01],” “Strategic Asian Equities Fund (limited open ended type)” and “Asian High Income Fund (three Asian currencies course).” It expanded its distribution channels, mainly securities companies or banks for publicly offered investment trusts.

Concerning real estate asset management business that rapidly grows as new business field of Asset Management, Daiwa Office Investment Corporation (REIT), of which Daiwa Real Estate Asset Management Co., Ltd. is the asset management company, actively purchased real estates during harsh market condition and increased the assets under management, and consequently, we have formed the basis that steadily generates profits.

5) Investment

In FY2010, the Company dissolved the joint ventures with Sumitomo Mitsui Financial Group in the areas of venture capital business and the Group acquires all the issued and outstanding shares of Daiwa Corporate Investment Co., Ltd (Note) as at July 1, 2010. Daiwa Corporate Investment Co., Ltd. advances to exit from existing investments including the sale of the shares of Q’sai Co., Ltd. which was held by the fund managed by its subsidiary and realized capital gains. On the other hand, it appropriated a large allowance for possible investment losses relating to other existing investments.

Daiwa Securities SMBC Principal Investments Co. Ltd. concentrates management and exit of existing investments. Although it made profits from the sale of Sanyo Electric Co., Ltd., it appropriated a large allowance for possible investment losses relating to other existing investments partly with the effect of East Japan Great Earthquake.

Daiwa PI Partners Co. Ltd. acquired investment units of the REIT, Daiwa Office Investment Corporation. And it steadily built up investments in non-performing loans as expanding financial institutions’ needs for disposal of non-performing loans and gained

profits from swift exits of existing investments in non-performing loans.

(Note) Daiwa SMBC Capital Co. Ltd. changed its name to Daiwa Corporate Investment Co., Ltd. as of July 1, 2010.

6) Others (Note 1)

Daiwa Institute of Research Ltd. realized lowering system development cost with improving business efficiency including utilization of off-shore development (Note 2) as the system investment tends to decline.

Daiwa Institute of Research Business Innovation Ltd. agreed to establish the joint venture with SinoCom Software Group Limited and prepared to promote off-shore development in the future.

Daiwa Institute of Research Holdings Ltd. agreed to form technique promotion group for the purpose of applying cloud computing (Note 3) to the basic system with NS Solution Corporation and Panasonic Electric Works Information Systems Co., Ltd. It expects that the quality of infrastructure of cloud computing is enhanced by working together with other firm and the management and raising costs are to be cut down by the price negotiation with vendors improved.

(Note 1) Including the group support business conducted by the Company, Daiwa Institute of Research Group and Daiwa Property Co., Ltd. etc.

(Note 2) System developers outsourcing its system development and maintenance to foreign companies or subsidiaries.

(Note 3) Providing the right to use software or hardware to users via network.

[New Business Development]

To provide high quality financial services satisfying customers' needs, Daiwa Next Bank, Ltd. started its business on April 15, 2011 and started its full-scale service for clients on May 13, 2011. Daiwa Securities Co. Ltd. provides deposit accounts as the agent of Daiwa Next Bank, Ltd. through the channel of direct trading and consulting at the branch offices.

[CSR (Note 1)]

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.

In FY2010, the Group continued to distribute "Vaccine Bonds" which support providing vaccine to children in developing countries and "Microfinance Bonds" which advocate poor and low-income entrepreneurs in developing countries. Also, the Group distributed "Water Bond" that support business relating to the water in Asia and the Pacific, "Climate Awareness Bonds" that support business for renewable energy and energy efficiency projects, "Poverty Reduction Bonds" which support poverty alleviation and improve living conditions of new generation in Latin America, "Education Bonds" which support business relating to education in Africa and the "Daiwa Microfinance Fund" as the first investment trust focusing Microfinance. Furthermore, the Group was the lead manager of "Green Bonds" that supports business relating to the combating of climate change.

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

The Group contributed a total of 100 million yen to support relief and recovery efforts after East Japan Earthquake in March 2011. And Daiwa Securities Foundation (Note 2) determined to contribute 35.5 million yen to support disaster volunteer activities as well and Daiwa Securities Health Foundation (Note 3) also decided to contribute 10.0 million yen to conduct the medical activities in the stricken area and the research and development for medical treatment in the disastrous condition. We extend our deepest condolences to the victims and their families, and sincerely hope for the earliest possible restoration.

(Note 1) Corporate Social Responsibility

(Note 2) As 50 years anniversary of Daiwa Securities Co. Ltd. (currently, Daiwa Securities Group Inc.), Daiwa Securities Foundation was founded by Daiwa Securities Group on March 15, 1994. It aims to maintain the environment that encourages participation to volunteer activity by the assistance to volunteer activity in welfare and medical field, the enlightenment and spread of volunteer spirits and to support the enhancement of people's welfare.

(Note 3) As 30 years anniversary of Daiwa Securities Co. Ltd. (currently, Daiwa Securities Group Inc.), Daiwa Securities Health Foundation was founded by Daiwa Securities Group on October 5, 1972. It aims to contribute to the improvement of people's welfare by endeavoring to help the research for prevention and treatment of lifestyle-related illnesses (adult diseases), to spread and enlighten the knowledge concerning maintenance and improvement of adults' health and to promote health and welfare business relating to aged people.

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 58 companies, and affiliates included under the equity method are 6.

(Note) These consolidated financial statements of the Company for the fiscal year ending March 31, 2011 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 Profits and Losses of the Group

The consolidated operating revenues of the current fiscal year were 403.0 billion yen, down 25.1% from the previous fiscal year, and the net operating revenues were 318.5 billion yen, down 30.5% from the previous fiscal year.

Net operating revenues were adjusted for selling, general and administrative expenses, non-operating income and non-operating expenses, the result of which is that the ordinary income of the current fiscal year was minus 32.6 billion yen, to which the extraordinary gains of 9.0 billion yen from the sale of the investment securities, etc. and the extraordinary losses of 11.0 billion yen from valuation losses on the investment securities and income taxes and minority interests etc., were adjusted, which results in the net loss of the current fiscal year of 37.3 billion yen.

The performance of each segment is as follows.

	(Millions of yen)					
	Net Operating Revenues			Ordinary income		
	Current (FY2010)	Previous (FY2009)	% Change	Current (FY2010)	Previous (FY2009)	% Change
Retail	178,970	193,820	▲7.7%	41,866	40,475	3.4%
Global Markets	61,495	82,748	▲25.7%	▲52,173	▲14,126	—
Global Investment Banking	30,635	56,064	▲45.4%	▲14,733	9,274	—
Asset Management	36,324	31,492	15.3%	15,948	11,196	42.4%
Investment	▲15,277	73,991	—	▲21,476	66,243	—
Others	19,393	33,900	▲42.8%	▲8,140	▲7,336	—
Total before adjustment	311,541	472,017	▲34.0%	▲38,708	105,727	—
Adjustment	7,023	▲13,911	—	6,106	▲2,809	—
Consolidated total	318,564	458,105	▲30.5%	▲32,602	102,917	—

[Retail]

Net operating revenues were 178.9 billion yen, down 7.7% from previous fiscal year, because trading income from sales of emerging countries' foreign-currency-denominated bonds supported the performance although Japanese stock market continued weak and commission to consignees decreased. Ordinary income was 41.8 billion yen, up 3.4% from the previous fiscal year because cost-reduction plan, etc. got good results.

[Global Markets]

Net operating revenues were 61.4 billion yen, down 25.7% from the previous fiscal year, and ordinary loss was 52.1 billion yen due to the high volatility of foreign exchange caused by European financial uncertainty and the market turmoil caused by East Japan Earthquake although business grew in Asia and other emerging countries, such as the Group's stock trading value reached the record high in the stock market in Hong Kong and India, etc.

[Global Investment Banking]

Though the Group has continued to enhance the business in Asian countries in which economy and capital markets have significantly grown, the demand for corporations' equity finance weakened and underwriting amounts substantially decreased. As a result, net operating revenues were 30.6 billion yen, down 45.5% from the previous fiscal year, and ordinary loss was 14.7 billion yen.

[Asset Management]

Under the weak environment of stock and foreign exchange markets, its business operation succeeded due to the sales activity which caught customers' needs including investment trusts paying monthly dividends and investing mainly in emerging countries and the assets under management steadily changed. As a result, net operating revenues were 36.3 billion yen, up 15.3% from the previous fiscal year, and ordinary income was 15.9 billion yen, up from 42.4% from the previous fiscal year.

[Investment]

The Group was forced to make an allowance partly due to the influences by East Japan Earthquake. As a result, net operating revenues were loss of 15.2 billion yen and ordinary loss was 21.4 billion yen.

[Others]

Net operating revenues were 19.3 billion yen, and ordinary loss was 8.1 billion yen.

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

While trading assets decreased by 883.8 billion yen from the end of the previous fiscal year, the current assets decreased to 16 trillion 311.4 billion yen (a decrease of 324.8 billion yen from the end of the previous fiscal year). Consequently, the total assets at the end of the current fiscal year decreased by 312.9 billion yen from the end of the previous fiscal year to 16 trillion 842.4 billion yen.

On the other hand, the total liabilities at the end of the current fiscal year decreased by 216.8 billion yen from the end of the previous fiscal year to 15 trillion 921.0 billion yen, with collateralized short-term financing agreements increased by 1 trillion 452.6 billion yen and short-term borrowings decreased by 1 trillion 675.0 billion yen. The total net assets at the end of the current fiscal year were 921.3 billion yen (including minority interests), whereas the net assets per share were 496.76 yen.

(3) 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 37.7 billion yen in strengthening the online trading products and services, the establishment of internet bank and the acquisition of businesses from KBC Group. We also invested capital in branch offices, including that Daiwa Securities Co., Ltd. newly opened Yoga branch and relocated Sapporo branch.

(4) Status of Financing of the Group

The Company issued Daiwa Securities Group Inc. Australian Dollar Notes due July 22, 2013 of 75.0 million Australian dollars (payment date of July 22, 2010), Daiwa Securities Group Inc. South African Rand Notes due July 22, 2013 of 2.422 billion South

African Rand (payment date of July 22, 2010) and its 10th series of Yen denominated unsecured straight bonds of 50.0 billion yen (payment date of December 27, 2010).

Daiwa Securities Capital Markets Co. Ltd. issued its 2nd series of Yen denominated unsecured straight bonds of 41.3 billion yen (payment date of July 21, 2010), 3rd series of Yen denominated unsecured straight bonds of 20.5 billion yen (payment date of July 21, 2010), 4th series of Yen denominated unsecured straight bonds of 19.8 billion yen (payment date of July 21, 2010), 5th series of Yen denominated unsecured straight bonds of 18.4 billion yen (payment date of July 21, 2010), Nikkei 225 linked Yen denominated callable bonds due August 22, 2013 (“Knock in 50”) of 10.243 billion yen (payment date of August 25, 2010), dual currency denominated bonds (Yen / Australian dollar) with a provision to be matured in Yen, due February 25, 2011 of 19.967 billion yen (payment date of September 1, 2010), dual currency denominated bonds (Yen / Australian dollar) with a provision to be matured in Yen, due March 14, 2011 of 12.373 billion yen (payment date of October 4, 2010) and its 6th series of Yen denominated unsecured straight bonds of 7.8 billion yen (payment date of December 17, 2010).

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

	(Billions of yen)				
	70 th term	71 st term	72 nd term	73 rd term	74 th term
	(Apr 1, 2006 - Mar 31, 2007)	(Apr 1, 2007 - Mar 31, 2008)	(Apr 1, 2008 - Mar 31, 2009)	(Apr 1, 2009 - Mar 31, 2010)	(current term) (Apr 1, 2010 - Mar 31, 2011)
Operating revenues	917.3	825.4	413.9	537.9	403.0
Net operating revenues	526.7	447.4	199.5	458.1	318.5
Ordinary income	195.4	90.1	▲141.1	102.9	▲32.6
Net income(loss)	92.7	46.4	▲85.0	43.4	▲37.3
Stockholders' equity (Net assets)	1,223.2	1,082.9	952.3	1,017.5	921.3
Total assets	14,411.2	17,307.1	14,182.5	17,155.3	16,842.4
Stockholders' equity (Net assets) per share (Yen)	665.98	607.64	534.99	530.27	496.76
Net income (loss) per share (Yen)	67.90	33.69	▲63.16	26.41	▲21.90
Return on Equity (ROE)%	10.8%	5.3%	—	5.3%	—
Number of consolidated Subsidiaries	46	46	44	54	58
Number of affiliates included under the equity method	4	6	6	7	6

4. Issues to be Addressed by the Group

Since the financial crisis in 2008, advantages of Asian nations in the world economy have become further apparent while the developed nations moved toward stricter financial regulations. Within Asia, Japan is assumed to face economic and market situations quite insecure for a certain period, as a consequence of East Japan Earthquake occurred in March, 2011.

However, fundamentals of Japanese economy are estimated to recover by investments in infrastructure and environmental facilities over FY2011. Daiwa Securities Group will contribute to vigorous economic recovery of Japan and support the relief and recovery efforts through the capital markets, while continuing to serve as a bridge between the vast financial assets accumulated in Japan and the strong funding needs of Asia and emerging nations.

In light of such circumstances, Daiwa Securities Group will thereby reform its business model and improve operational efficiency and group governance system by several methods such as streamlining corporate headquarters, and pursue revenue growth through personnel reinforcement in its sales divisions.

This fiscal year, Daiwa Securities Group will focus its attention on the three points below.

1. Expand our client base, by strong cooperation among the Group companies, and providing attractive products and services to various client needs
2. Strengthen our wholesale business by fully-fledged operations in Asia and emerging countries
3. Improve operational efficiency and establish a robust business structure capable of earning profits in any economic condition

The action plans for FY 2011 of the respective business are as follows:

(1) Retail

- 1) Expand client base by reinforcing consulting services and enhancing client contacts
- 2) Provide attractive products and services to meet customer needs
- 3) Reduce cost by narrowing down IT investments

(2) Wholesale

- 1) Strengthen abilities to develop and offer various products through the Group companies' cooperation
- 2) Expand product and service lineup to attain top 5 position in Asian equity brokerage ranking
- 3) Enhance deal origination abilities and start to carry full scale operation in investment banking divisions of Asia
- 4) Further focus on global risk management and improve global profit-and-loss management control

(3) Asset Management

- 1) Enhance global research and investment platform focusing on Asian market
- 2) Develop new product lineup—introduce new large funds
- 3) Provide attractive products and services to meet customer and distributor needs

(4) IT Systems and Think Tank

- 1) Enhance the Group presence by providing client-oriented information
- 2) Add value to client business through consulting service
- 3) Contribute to the Group's global business strategy and the cost reduction

(5) Investment

- 1) Maximize returns from the existing portfolio
- 2) Invest and raise funds in a timely and appropriate manner
- 3) Enhance risk management system and progress further cost reduction

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, whose businesses are investment and financial services businesses with a core focus on securities-related business, is involved in trading and brokerage of securities and derivative products, underwriting and secondary offering of securities, treating of public offering for subscription and secondary offering of securities, treating of private offering for subscription of securities, and other businesses related to the securities and financial fields.

(2) Status of Major Subsidiaries and Affiliates

Company Name	Location	Capital (millions of yen)	Equity Position (Directly owned)	Business
Daiwa Securities Co. Ltd.	Chiyoda-ku, Tokyo	100,000	100.0% (100.0%)	Securities related business Investment advisory and agency business
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 management business Investment advisory and agency business
Daiwa Institute of Research Holdings Ltd.	Koto-ku, Tokyo	3,898	100.0% (100.0%)	Integration and management of subsidiaries
Daiwa Institute of Research Ltd.	Koto-ku, Tokyo	1,000	100.0% (--)	Information Service
Daiwa SB Investments Ltd. (Note 1)	Chiyoda-ku, Tokyo	2,000	44.0% (44.0%)	Investment management business Investment advisory and agency 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 Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	18,767	100.0% (--)	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	100	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 Investment advisory and agency business
Daiwa Capital Markets Asia Holding B.V.	Amsterdam, Netherlands	EUR528 million	100.0% (--)	Integration and management of subsidiaries
Daiwa Capital Markets Hong Kong Limited	Hong Kong	HKD100 million USD311 million	100.0% (--)	Securities related business
Daiwa Capital Markets Singapore Limited	Singapore, Singapore	SGD102 million	100.0% (--)	Securities related business
Daiwa Capital Markets Europe Limited	London, U.K.	GBP882 Million	100.0% (--)	Securities related business
Daiwa Capital Markets America Holdings Inc.	New York, U.S.A.	USD596 million	100.0% (--)	Integration and management of subsidiaries
Daiwa Capital Markets America Inc.	New York, U.S.A.	USD100 million	100.0% (--)	Securities related business

(Note 1) Daiwa SB Investment Ltd. is an affiliated company.

(Note 2) Daiwa Next Bank, Ltd. (which changed its name from "Daiwa Net Bank Preparatory Co. Ltd." as of April 4, 2011), one of the consolidated subsidiaries of the Company, became a major subsidiary of the Company as of April 1, 2011.

Company Name	Location	Capital (millions of yen)	Equity Position (Directly owned)	Business
Daiwa Next Bank, Ltd.	Chiyoda-ku, Tokyo	20,000	100.0% (100.0%)	Banking business

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

Daiwa Securities Loan Co. Ltd., one of the subsidiaries of the Company, transferred all of the securities collateralized loan business to Daiwa Securities Co. Ltd. one of the consolidated subsidiaries of the Company, on June 1, 2010.

Daiwa Corporate Investment Co., Ltd. (which changed its name from "Daiwa SMBC Capital Co. Ltd." as of July 1, 2010), one of the consolidated subsidiaries of the Company, partially transferred its rights and obligations of the business to NS Capital Co., Ltd. (which changed its name to "SMBC Venture Capital Co., Ltd." as of July 1, 2010), which was a wholly owned subsidiary of Daiwa SMBC Capital Co. Ltd., upon an absorption-type company split on July 1, 2010.

After the Company acquired 40% of the issued shares of Daiwa Corporate Investment Co., Ltd. on July 1, 2010, Daiwa Securities Group companies hold 100% of the issued shares of Daiwa Corporate Investment Co., Ltd.

Daiwa PI Partners Co. Ltd., one of the consolidated subsidiaries of the Company, acquired 60,000 investment units (15.16% of the issued investment units) of DA Office Investment Corporation (which changed its name to "Daiwa Office Investment Corporation" as of September 1, 2010) on August 19, 2010. As a result, Daiwa Securities Group companies hold 28.27% of the issued investment units of Daiwa Office Investment Corporation.

Daiwa Securities Capital Markets Co. Ltd., one of the consolidated subsidiaries of the Company, acquired the global convertible bonds and Asian equity derivatives businesses of Belgian KBC Group NV on November 19, 2010.

The Company and Daiwa Asset Management Co. Ltd., one of the consolidated subsidiaries of the Company, acquired 100% of the issued shares of Shinsei Asset Management (India) Private Limited (which changed its name to "Daiwa Asset Management (India) Private Limited" as of January 7, 2011), which engaged in the asset management business in India, and Shinsei Trustee Company (India) Private Limited (which changed its name to "Daiwa Trustee Company (India) Private Limited" as of January 7, 2011), which provided trustee services, on December 20, 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.

(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 22 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
15,310	▲140

(Note): The number of employees includes the financial advisors of 320.

2) The Company's Employees

Number of Employees	Change from previous fiscal year	Average Age	Average year of Service
221	▲57	37yrs.&1mons.	12yrs.&2mons.

(7) Major Lenders

Daiwa Securities Group Inc

Name of Lender	Type of Loan	Balance (yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	30,000 million
	Long-Term Borrowings	100,000 million
The Sumitomo Trust & Banking Co., Ltd.	Short-Term Borrowings	50,000 million
	Long-Term Borrowings	21,600 million
Mitsubishi UFJ Trust and Banking Corporation	Short-Term Borrowings	20,000 million
	Long-Term Borrowings	14,400 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Long-Term Borrowings	24,991 million
	Resona Bank, Ltd.	Short-Term Borrowings
Mizuho Corporate Bank, Ltd.	Long-Term Borrowings	10,000 million
	TAIYO LIFE INSURANCE COMPANY	Long-Term Borrowings
		10,000 million

Daiwa Securities Co. Ltd.

Name of Lender	Type of Loan	Balance (yen)
The Yamaguchi Bank, Ltd	Long-Term Borrowings	6,000 million
	Short-Term Borrowings	4,000 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

(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

Not applicable

(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, 2011)

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: 1,749,378,772 shares

(Including treasury stocks)

(Note) The Company issued 20,000 shares of the Ordinary Shares upon exercise of stock acquisition rights (stock options) during the current fiscal year.

(2) Total number of Shareholders: 131,430

(3) Major Shareholders (top ten)

Name	Number of shares held (% of total outstanding shares)
STATE STREET BANK AND TRUST COMPANY 505223	131,494 thousand shares (7.67%)
Japan Trustee Services Bank, Ltd. (Trust Account)	65,860 thousand shares (3.84%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,370 thousand shares (3.23%)
STATE STREET BANK AND TRUST COMPANY	36,446 thousand shares (2.12%)
The Master Trust Bank of Japan, Ltd. (ESOP Trust Account 75404)	34,789 thousand shares (2.03%)
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	33,704 thousand shares (1.96%)
Sumitomo Mitsui Banking Corporation	30,328 thousand shares (1.76%)
Japan Trustee Services Bank, Ltd Sumitomo Trust Pension Account	24,888 thousand shares (1.45%)
STATE STREET BANK AND TRUST COMPANY	24,360 thousand shares (1.42%)
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	22,759 thousand shares (1.32%)

(Note 1) Treasury stock of 35,836,953 shares is excluded for calculating the percentage of the above list of major shareholders.

(Note 2) The Company holds its own treasury stocks (35,836 thousands shares) as of March 31, 2011 and those shares are excluded from above list.

2. Status of Stock Acquisition Rights, etc.

(1) Status of stock acquisition rights (stock options) at the end of the current fiscal year

A. Stock Acquisition Rights issued under Article 280-20 and Article 280-21 of the previous Commercial Code.

Name (Issued Day)	Number (Class and Number of Shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period to exercise	Conditions for exercise
Stock Acquisition rights, Series 1 (September 1, 2004)	1,644 (Common stock 1,644,000 shares)	Gratuitous grant	727,000 yen (727 yen per share)	From July 1, 2006 to August 31, 2011	(Note1) (Note3)
Stock Acquisition Rights issued in June 2005 (June 24, 2005)	458 (Common stock 458,000 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)	1,964 (Common stock 1,964,000 shares)	Gratuitous grant	750,000 yen (750 yen per share)	From July 1, 2007 to August 31, 2012	(Note1) (Note3)
Total	4,066 (Common stock 4,066,000 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 Directors of the Company. However, stock acquisition rights may be exercised after June 1, 2025 in accordance with other conditions for exercise of stock acquisition rights.

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

B. Stock acquisition rights issued under Article 236, Article 238 and Article 239 of 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)	262 (Common stock 262,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2006 to June 30, 2026	(Note1) (Note2) (Note4)
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) (Note4)
Stock Acquisition Rights issued in July 2007 (July 1, 2007)	276 (Common stock 276,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027	(Note1) (Note2) (Note4)
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) (Note4)
Stock Acquisition Rights issued in July 2008 (July 1, 2008)	326 (Common stock 326,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028	(Note1) (Note2) (Note4)
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) (Note4)
Stock Acquisition Rights issued in July 2009 (July 1, 2009)	639 (Common stock 639,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029	(Note1) (Note2) (Note4)
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) (Note4)
Stock Acquisition Rights issued in July 2010 (July 1, 2010)	1,056 (Common stock 1,056,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2010 to June 30, 2030	(Note1) (Note3) (Note4)
Stock Acquisition rights, Series 7 (September 1, 2010)	7,399 (Common stock 7,399,000 shares)	Gratuitous grant	380,000 yen (380yen per share)	From July 1, 2015 to June 25, 2020	(Note1) (Note4)

Total	22,633 (Common stock 22,633,000 shares)
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(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 Directors 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) 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 or affiliates 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 Directors 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.

(Note4) Other conditions for exercise shall be set forth in the stock acquisition right allocation agreement.

(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	5	64
Stock acquisition Rights issued in Jun 2005	13	109
Stock acquisition Rights, Series 2	2	3
Stock acquisition Rights issued in July 2006	13	60
Stock acquisition Rights, Series 3	4	12
Stock acquisition Rights issued in July 2007	13	64
Stock acquisition Rights, Series 4	4	12
Stock acquisition Rights issued in July 2008	12	72
Stock acquisition Rights, Series 5	3	16
Stock acquisition Rights issued in July 2009	14	143
Stock acquisition Rights, Series 6	1	8
Stock acquisition Rights issued in July 2010	15	222

(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 7

(3) Status of Stock Acquisition Rights (Stock Options) allotted to Employees, etc., during the current fiscal year

Name of stock acquisition rights	Class of holders	No. of holders	No. of rights
Stock acquisition	Directors of Subsidiaries	39	347
Rights issued	Employees of Subsidiaries	63	487
in July 2010	Total	102	834
Stock acquisition	Employees of the Company	104	446
Rights, Series 7	Directors of Subsidiaries	8	53
	Employees of Subsidiaries	2,157	6,738
	Directors and Employees		
of Affiliates	71	162	
	Total	2,340	7,399

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

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

(Note 3) No stock acquisition right as a stock option was allocated to the auditors of subsidiaries.

3. Status of the Company's Officers

(1) Directors

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

(Note 1) Members of the Board, 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

Member of the above three committees have been changed as follows as of April 1 2011.

Nominating Committee: Shigeharu Suzuki(Chairman), Takashi Hibino, Tetsuro Kawakami, Ryuji Yasuda, Nobuko Matsubara, Keiichi Tadaki

Audit Committee: Koichi Uno(Chairman), Nobuko Matsubara, Keiichi Tadaki

Compensation Committee: Shigeharu Suzuki(Chairman), Takashi Hibino, 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.

(Note 4) Chairman of the Board have been changed as follows as of April 1 2011.
(before)

Chairman of the Board Shigeharu Suzuki (Member of the Board)
Member of the Board Akira Kiyota (Chairman of the Board)

(2) Executive Officers

Title	Name	Area in Charge and Significant Concurrent Positions
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	Takashi Hibino	Deputy Head of Wholesale, Representative Director/Deputy President of Daiwa Securities Capital Markets Co. Ltd.
Deputy President	Makoto Shirakawa	Deputy Head of Retail, Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Masaki Shimazu	Deputy Head of Retail, Representative Director/Deputy President of Daiwa Securities Co. Ltd. Chairman of the Board of Daiwa Securities SMBC Principal Investments Co. Ltd. Chairman of the Board of Daiwa PI Partners Co. Ltd.
Deputy President	Toshiro Ishibashi	Head of Asset Management, Representative Director/President of Daiwa Asset Management Co. Ltd.
Deputy President	Takashi Fukai	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.
Senior Executive Managing Director	Nobuyuki Iwamoto	Chief Financial Officer (CFO), Head of Planning and Personnel
Senior Executive Managing Director	Takatoshi Wakabayashi	Chief Risk Management Officer (CRO), Representative Director/Senior Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd.
Executive Managing Director	Kazuo Oda	Chief Information Officer (CIO), Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd., Senior Executive Managing Director of Daiwa Institute of Research Ltd.
Senior Managing Director	Keiko Uehara	Head of Communications
Senior Managing Director	Toshihiro Matsui	Deputy Head of Planning, Deputy Head of Personnel
Senior Managing Director	Tetsuo Akuzawa	Head of Legal, Deputy Head of Personnel
Senior Managing Director	Akira Kiyota	

(Note 1) Executive Officers, Shigeharu Suzuki, Shin Yoshidome, Takashi Hibino, Makoto Shirakawa, Nobuyuki Iwamoto, Takatoshi Wakabayashi, Kazuo Oda, and Akira Kiyota also serve as Directors.

(Note 2) Executive Officers, Shin Yoshidome, Masaki Shimazu, Keiko Uehara, Tetsuo Akuzawa and Akira Kiyota resigned as of March 31, 2011, respectively. Further, Shin Yoshidome resigned as Representative Director/ President of Daiwa Securities Capital Markets Co. Ltd. as of March 31, 2011 and took his position as Chairman of the Board of the said Company as of April 1, 2011,

Masaki Shimazu resigned as Representative Director/ Deputy President of Daiwa Securities as of April 1, 2011.

(Note 3) Takashi Hibino and Nobuyuki Iwamoto took their position as Representative Executive Officer as of April 1 2011, Shigeharu Suzuki and Shin Yoshidome resigned his position as Representative Executive Officer as of March 31 2011.

(Note 4) Akio Takahashi, Saburo Jifuku, Koichi Matsushita, Noriaki Kusaka and Hiroyuki Inose took their new positions as executive officers as of April 1 2011, and as of said day their responsibilities as executive officers have changed as follows.

President	Takashi Hibino	Chief Executive Officer, Head of Retail and Wholesale
Deputy President	Nobuyuki Iwamoto	Chief Operating Officer (COO), Chief Financial Officer (CFO), Head of Planning and Personnel
Deputy President	Akio Takahashi	Head of Wholesale
Deputy President	Takashi Fukai	Head of Think Tank
Executive Managing Director	Saburo Jifuku	Head of Internal Audit
Executive Managing Director	Koichi Matsushita	Head of Communications
Executive Managing Director	Toshihiro Matsui	Head of Legal, Deputy Head of Planning and Personnel
Senior Managing Director	Noriaki Kusaka	Deputy Head of Personnel
Senior Managing Director	Hiroyuki Inose	Head of Group Risk Management
Senior Managing Director	Shigeharu Suzuki	

Further, Takashi Hibino took the position of Representative Director/President of Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd., Nobuyuki Iwamoto and Akio Takahashi took the position of Representative Director/Deputy President of Daiwa Securities Capital Markets Co. Ltd. as of April 1, 2011.

(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 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.
Keiichi Tadaki	Special Counsel Attorney at law of Mori Hamada & Matsumoto Outside Director of Aeon Co., Ltd. Outside Auditor of Nippon Life Insurance Company

(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 10 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 10 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 10 Board of Directors' Meeting and all 12 Audit Committee held 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 all 10 Board of Directors' Meeting and all 12 Audit Committee held 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 10 Board of Directors' Meeting and all 12 Audit Committee held 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

	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
	7	121	14	537	21	659

(Note 1) The Company decided no to conduct the payment linked to achievement for the current fiscal year.

(Note 2) The above paid amounts include 83 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 84 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 Medium-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 LLC

2) Amount of Fees, etc.

1. The amount of fees, etc. to be paid by the Company to the independent auditor.

84 million yen

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

504 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 and subsidiaries of the Company also pay 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) Others

Among major subsidiaries of the Company, Daiwa Capital Markets Europe Limited, Daiwa Capital

Markets America Holdings Inc. 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 LLC".

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: 3 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 29, 2010), and 3 yen per share as the year-end dividend. Accordingly, the annual dividend will be 6 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 Group Risk Management Committee and the Group Internal Audit Committee and may seek explanations and speak. They also may attend other significant meetings.
- * The Audit Committee shall receive periodic reports regarding the preparation to manage the risk and the risk status of the Group etc. 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 any conducts, etc. violating laws, ordinances or other regulations in the Group at early stage.
- * 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) Group Risk Management Committee

The Group Risk Management Committee, as a sectional committee of the Executive Committee, grasps the preparation to manage the risk and the risk status of the Group etc., discusses and determines the policies and actual implementation methods relating to risk management.

c) Group Internal Audit Committee

The Group Internal Audit Committee, as a sectional committee of CEO, discusses and

determines the matters relating to development of preparation to execute internal audit and verification of the internal controls for the Group's business.

d) 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 Group Internal Audit Committee about the plans and results of the internal audit.

e) 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 Group Internal Audit 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

- * Clarify the preparation to manage the risk by establishing basic matters to properly manage various risks in accordance with each characteristic that the entire Group holds for its business and enacting risk management regulations for the purposes of securing sound finance and appropriate business operation which provide basic policies of risk management, the category of risk to manage and Executive Officers to manage and sections to control each category of risks etc..
- * Each section shall establish its own management rules for each risk it has control over, and shall make reports about the preparation to manage the risk and situation of the risk etc. to the Group Risk Management 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 2010 As of Mar. 31, 2011	<u>[References]</u> Fiscal 2009 As of Mar. 31, 2010
<i>Assets</i>		
Current assets:	16,311,431	16,636,295
Cash and deposits	1,025,239	699,179
Cash segregated as deposits	241,697	291,104
Notes and accounts receivable-trade	11,538	12,447
Short-term investment securities	84,435	184,867
Trading products:	6,770,478	7,654,333
Trading securities and other	4,549,799	5,707,007
Derivatives	2,220,679	1,947,325
Trade date accrual	102,010	-
Operational investment securities	219,523	252,469
Allowance for investment loss	(41,962)	(33,628)
Operating loans	72,090	66,759
Work in process	506	896
Margin transaction assets:	147,847	185,878
Loans on margin transactions	114,479	119,474
Cash collateral pledged for securities borrowing on margin transactions	33,368	66,404
Loans secured by securities:	7,327,845	7,067,400
Cash collateral pledged for securities borrowed	7,326,791	7,067,400
Loans on Gensaki transactions	1,054	-
Advances paid	13,577	13,980
Short-term loans receivable	5,051	13,692
Accrued income	34,153	33,067
Deferred tax assets	10,590	23,047
Other current assets	287,106	171,232
Allowance for doubtful accounts	(300)	(433)
Non-current assets:	530,980	519,050
Property, plant and equipment:	133,226	142,446
Buildings	55,528	58,359
Equipment	17,572	22,259
Land	60,125	61,827
Intangible assets:	135,680	121,578
Goodwill	26,659	10,878
Leasehold right	5,501	5,501
Software	83,981	96,006
Other	19,538	9,193
Investments and other assets:	262,073	255,024
Investment securities	188,856	191,904
Long-term loans receivable	10,530	12,116
Long-term guarantee deposits	23,941	24,909
Deferred tax assets	23,217	13,103
Other	16,438	15,665
Allowance for doubtful accounts	(910)	(2,674)
Total assets	16,842,411	17,155,345

(Millions of yen)	Fiscal 2010 As of Mar. 31, 2011	<u>References</u> Fiscal 2009 As of Mar. 31, 2010
Liabilities		
Current liabilities:	13,939,141	14,475,481
Notes and accounts payable-trade	5,869	4,913
Trading products:	4,816,854	4,925,289
Trading securities and other	3,012,792	3,468,625
Derivatives	1,804,062	1,456,663
Trade date accrual	-	228,042
Margin transaction liabilities:	61,397	72,765
Borrowings on margin transactions	4,774	5,605
Cash received for securities lending on margin transactions	56,622	67,160
Loans payable secured by securities:	5,338,881	3,886,234
Cash received on debt credit transaction of securities	5,213,298	3,341,894
Borrowings on Gensaki transaction	125,583	544,339
Deposits received	149,427	177,255
Guarantee deposits received	249,362	246,602
Short-term loans payable	2,660,492	4,335,493
Commercial papers	395,195	351,750
Current portion of bonds	155,056	118,402
Income taxes payable	2,241	22,254
Deferred tax liabilities	1,012	4
Provision for bonuses	23,152	33,376
Other current liabilities	80,197	73,095
Non-current liabilities:	1,978,849	1,658,428
Bonds payable	1,334,141	1,226,718
Long-term loans payable	592,640	378,319
Deferred tax liabilities	631	534
Provision for retirement benefits	29,948	27,946
Provision for loss on litigation	503	615
Provision for contingent loss	960	-
Negative goodwill	17,121	21,687
Other non-current liabilities	2,902	2,606
Reserves under the special laws:	3,022	3,907
Reserve for financial products transaction liabilities	3,022	3,907
Total liabilities	15,921,013	16,137,816
Net assets		
Shareholders' equity:	846,725	929,744
Capital stock	247,397	247,384
Capital surplus	230,632	230,593
Retained earnings	395,751	452,456
Treasury stock	(27,054)	(689)
Accumulated other comprehensive income:	(12,793)	(2,581)
Valuation difference on available-for-sale securities	23,135	20,365
Deferred gains or losses on hedges	85	315
Foreign currency translation adjustment	(36,013)	(23,262)
Subscription rights to shares	4,385	3,242
Minority interests	83,080	87,123
Total net assets	921,398	1,017,528
Total liabilities and net assets	16,842,411	17,155,345

Consolidated statements of income

(Millions of yen)	Fiscal 2010 Apr. 1, 2010 - Mar. 31, 2011	[References] Fiscal 2009 Apr. 1, 2009 - Mar. 31, 2010
Operating revenue:	403,042	537,915
Commission received:	218,630	252,863
Commission to consignees	50,664	55,840
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	26,303	54,339
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	31,579	33,450
Other fees received	110,082	109,232
Net trading income	92,476	110,955
Net gain (loss) on operational investment securities	(17,259)	75,584
Financial revenue	71,915	54,729
Other sales	37,278	43,783
Financial expenses	58,061	47,659
Cost of sales	26,415	32,150
Net operating revenue	318,564	458,105
Selling, general and administrative expenses:	363,919	362,844
Trading related expenses	70,398	61,790
Personnel expenses	160,234	169,950
Real estate expenses	45,257	44,038
Office cost	27,026	25,693
Depreciation	39,163	39,101
Taxes and dues	7,043	7,725
Provision of allowance for doubtful accounts	-	226
Other	14,795	14,318
Operating income (loss)	(45,355)	95,261
Non-operating income:	15,636	9,337
Interest income	204	252
Dividends income	5,085	2,594
Amortization of negative goodwill	4,565	1,141
Equity in earnings of affiliates	2,386	608
Gain on investments in partnership	171	1,162
Other	3,222	3,578
Non-operating expenses:	2,884	1,681
Interest expenses	102	183
Bond issuance cost	482	-
Stock issuance cost	-	868
Foreign exchange losses	1,616	-
Other	682	630
Ordinary income (loss)	(32,602)	102,917
Extraordinary income:	9,077	1,689
Gain on sales of non-current assets	1,597	-
Gain on sales of investment securities	4,061	870
Gain on sales of subsidiaries and affiliates' stocks	1,571	-
Reversal of reserve for financial products transaction liabilities	884	509
Other	962	309
Extraordinary loss:	11,000	7,225
Loss on sales and retirement of non-current assets	2,013	1,085
Loss on sale of investment securities	9	301
Impairment loss	594	1,463
Loss on valuation of investment securities	5,560	3,346
Provision for contingent loss	950	-
Other	1,871	1,028
Income (loss) before income taxes	(34,525)	97,382
Income taxes-current	6,906	27,450
Income taxes-deferred	2,806	22,412
Income (loss) before minority interests	(44,239)	-
Minority interests in income (loss)	(6,907)	4,089
Net income (loss)	(37,331)	43,429

Consolidated statements of changes in net assets

(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 end of previous 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 income (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)
Change 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

(Millions of yen)	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 end of previous 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

[References]

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

(Millions of yen)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	178,324	157,678	421,819	(61,525)	696,296
Changes of items during the period					
Issuance of new shares	69,060	72,914	-	-	141,975
Dividends from surplus	-	-	(12,781)	-	(12,781)
Net income (loss)	-	-	43,429	-	43,429
Purchase of treasury stock	-	-	-	(229)	(229)
Disposal of treasury stock	-	-	(10)	61,065	61,054
Total changes of items during the period	69,060	72,914	30,637	60,835	233,448
Balance at the end of current period	247,384	230,593	452,456	(689)	929,744

(Millions of yen)	Valuation and transaction adjustments			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 end of previous period	51,751	498	(28,274)	2,369	229,688
Changes of items during the period					
Net changes of items other than shareholders' equity	(31,385)	(182)	5,011	873	(142,565)
Total changes of items during the period	(31,385)	(182)	5,011	873	(142,565)
Balance at the end of current period	20,365	315	(23,262)	3,242	87,123

The consolidated statutory report of Daiwa Securities Group Inc. (“the Company”) for the fiscal year ended March 31, 2011 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: 58 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 Corporate Investment 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 Capital Markets Asia Holding B.V.
Daiwa Capital Markets Hong Kong Limited
Daiwa Capital Markets Singapore Limited
Daiwa Capital Markets Europe Limited
Daiwa Capital Markets America Holdings Inc.
Daiwa Capital Markets America Inc.

In the consolidated statutory report of the Company for the fiscal year ended March 31, 2011, four newly established companies and one acquired company were added to the scope of consolidation. One company was excluded from the scope of consolidation due to the decrease of materiality.

(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 have no material impact on the consolidated statutory report in terms of total assets, operating revenues or sales, the share of net income or loss, and the share of retained earnings, therefore they 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: 17 companies

The names of major companies not treated as subsidiaries:

GRANVISTA Hotels & Resorts Co., Ltd.
Sumitomo Mitsui Construction Co., Ltd.

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. These investment activities meet 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 do not control the decision-making organizations of these investee companies.

(4) Special Purpose Entities subject to disclosure

Summary of Special Purpose Entities subject to disclosure and the transactions which utilize Special Purpose Entities, etc.

Some consolidated subsidiaries distribute structured notes for the purpose of dealing with their customers' needs as a tool of investment and utilize Special Purpose Entities. Those consolidated subsidiaries acquire and transfer bonds to Cayman Islands domiciled Special Purpose Entities and issue structured notes collateralized by those bonds. The Company and consolidated companies ("the Group") neither hold any voting rights nor any shares of those six Special Purpose Entities and has not dispatched any directors or employees to those six Special Purpose Entities. The issued amount of notes by those Special Purpose Entities is 233,649 million yen as of March 31, 2011.

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 the equity method

The number of non-consolidated subsidiaries included under the equity method: 0 companies

The number of affiliates included under the equity method: 6 companies

The names of major affiliates included under the equity method:

Daiwa SB Investments Ltd.

One company was excluded from the scope of application of the equity method due to the decrease of materiality during the fiscal year ended March 31, 2011.

Concerning included affiliates under the equity method with the fiscal year ended other than March 31, 2011, for one affiliate, the tentative financial statements as of March 31, 2011 are reflected, for another affiliate, the tentative financial statements as of another date are reflected, and for the other affiliates, the financial statements for the fiscal year of the affiliate are reflected.

- (2) The names of non-consolidated subsidiaries and affiliates to which are not applied equity method

The names of major companies

Daiwa Software Research Co., Ltd.

Rationale for not applying the equity method

The exclusion from applying equity method for non-consolidated subsidiaries and affiliates have no material impact on the consolidated statutory report in terms of total assets, operating revenues or sales, the share of net income or loss, and the share of retained earnings. Therefore the Company do not apply the equity method over the non-consolidated subsidiaries and affiliates.

- (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: 8 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. These investment activities meet the necessary requirements of the "Guidance on determining a subsidiary and an affiliate" (Implementation Guidance No. 22), and thus it is clear that the Company's subsidiaries can not exercise significant influence to these investee companies.

(Change of accounting policies)

Adoption of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method"

The Group has adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No.24, March 10, 2008) and made necessary adjustments for consolidated financial statements since the fiscal year ended March 31, 2011.

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

3. Fiscal year of consolidated subsidiaries

Fiscal year end of consolidated subsidiaries are as follows;

March 31 : 56 companies

December 31 : 2 companies

For one consolidated subsidiary with a fiscal year ended other than March 31, 2011 (Daiwa Capital Markets Financial Products (Cayman) Ltd.), the tentative financial statements for the fiscal year ended March 31, 2011 are reflected, and for one consolidated subsidiary with a fiscal year ended other than March 31, 2011 (DBP-Daiwa Capital Markets Philippines, Inc.), the

financial statements for the fiscal year of the subsidiary are reflected 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 and others classified as trading products

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 others classified as non-trading products

Securities and others which 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 recorded using the amortized cost method.

(c) Available-for-sale securities

Available-for-sale securities with market value are recorded at market value, based on quoted market price as of the end of the fiscal year, and 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 recorded at cost using the moving average method. Investment to investment limited partnerships is stated as "Operational investment 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 operational investment securities held by some of the 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) Property, plant and equipment (excluding leased assets)

Property, plant and equipment 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 (five 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 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 situation 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 investment loss

Some consolidated subsidiaries provide allowances based on estimated losses on operational investment securities held at the balance sheet date, assessing the financial conditions of investee companies.

(iii) Provision for bonuses

Provision for bonuses of employees and directors represent liabilities estimated in accordance with calculation standards of each company as of the balance sheet date.

(iv) Provision for retirement benefits

To provide for employees' retirement benefits payments, the Company and most of its domestic consolidated subsidiaries provide obligatory amounts at the consolidated fiscal

year end based on each company's retirement benefit policy. This is because salary increases in the future do not cause changes in benefit obligations, and service costs are vested for all individuals for each fiscal year in accordance with their contributions, capabilities, achievements, etc. Some of the consolidated subsidiaries appropriate the amounts deemed to have accrued as of the current fiscal year-end based on the projected retirement benefits obligations at year-end. With respect to closed pension funds, in which benefits are provided only to pensioners, each company recognizes pension expenses, which are deemed to have accrued as of year-end based on projected benefit obligations and pension assets.

(v) Provision for loss on litigation

In the normal course of business the Group is subject to claims and litigations resulting from securities and other transactions. The estimation for loss related to such contingency events requires inherently significant judgment. The provision for loss on litigation is provided for based on likelihood and estimated amounts for such losses for existing claims, based on the current status, historical experiences and management judgment.

(vi) Provision for contingent loss

Provision for contingent loss is recorded based on the reasonably estimated amount of possible losses as of the end of this fiscal year in order to prepare for losses related to contingent events such as pending law suits, considering individual risks with respect to each contingent event.

(4) Accounting standard for material revenue and cost recognition

Accounting standard for revenue and cost recognition of long term construction contracts

Concerning some consolidated domestic subsidiaries which engage in made-to-order software, when the outcome of individual contracts apply the percentage-of-completion method to work commencing during the year ended March 31, 2011, otherwise the completed-contract method is applied. The percentage/stage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

(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. Certain eligible interest swaps for hedging purposes is based on cost basis without being marked-to-market under generally accepted accounting principles in Japan. The premium or discount on forward foreign exchanges for hedging purposes is allocated to each fiscal term without being marked-to-market under generally accepted accounting principles in Japan. In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk associated with some of the loans payable and bonds, the Company applies hedge accounting using various 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) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized by using straight-line method within 20 years with considering each condition of acquired subsidiaries and affiliates. Those are amortized in a lump sum when incurred in case the amount is immaterial.

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

(i) Accounting method for consumption tax

Accounting method for consumption tax is based on tax excluded method.

(ii) Tax consolidation

The Company and wholly owned subsidiaries file a consolidated return. Daiwa Securities Capital Markets Co. Ltd. and Daiwa Corporate Investment Co., Ltd. which are the Company's subsidiaries are not eligible for tax consolidation as of the fiscal year ended March 31, 2011 because of not meeting the requirements under the Corporation Tax Law of Japan.

5. Changes in the basis of consolidated statutory report for the fiscal year ended March 31, 2011

(1) Changes in accounting principle, procedure and presentation

(i) Adoption of "Accounting Standard for Asset Retirement Obligations"

The Group has adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008) since the fiscal year ended

March 31, 2011.

Because of adoption, "Operating loss" and "Ordinary loss" increased by 25 million yen respectively and "Loss before income taxes" increased by 629 million yen.

- (ii) Adoption of "Accounting Standard for Business Combinations", etc.

The Group has adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs"(ASBJ Statement No.23, December 26,2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008) since the fiscal year ended March 31, 2011.

- (iii) Changes in revenue recognition criteria for dividend income

Formerly, dividend income earned from listed equities had been recognized as revenue during the period in which the Group actually received the payment. From the fiscal year ended March 31, 2011, the Company has started recognizing as revenue unrealized dividend income based on the declared estimated amount as of the ex-dividend date.

This change is to ensure consistency with the revenue recognition difference between dividend income and fair value measurement of related equities, and to present financial results more appropriately under the current environment in which the number of corporations which increase or resume dividend has been increasing due to their improved performances.

Because of this change, "Operating loss" decreased by 1,967 million yen and "Ordinary loss" and "Loss before income tax" decreased by 2,752 million yen respectively compared with the way by the previous method.

- (2) Changes in presentation

- (i) "Valuation and translation adjustments" stated on the Consolidated balance sheets and the Consolidated statements of changes in net assets as of year ended March 31, 2010 is changed to be stated as "Accumulated other comprehensive income" from the fiscal year ended March 31, 2011 as the Accounting Regulation Ordinance was revised.

- (ii) The item "Loss before minority interests" is changed to be stated on the consolidated statements of income as the Accounting Regulation Ordinance was revised.

6. Additional information

Accounting method for Employee Stock Ownership Plan Trust utilizing Employee Shareholding Association

The Company introduced an employee incentive plan called the "ESOP Trust utilizing Employee Shareholding Association" ("ESOP Trust") for the purpose of boosting the Company's corporate value in the medium to long term by enhancing employee's mind over the Company's performance and promoting employees' motivation. In addition, the plan aims to contribute to the enhancing as driving the Company's stock value.

Under this plan, the ESOP Trust account was set up and the Group's employees who participated in the Group's employee shareholding association ("the Shareholding Association") and who met certain criteria became beneficiaries of the ESOP Trust. The ESOP Trust purchases a number of the Company's stocks, which the ESOP Trust will purchase during five years after the beginning of trust period and sells off them to the Shareholding Association on a certain day every month.

Gain on selling the Company's stock, which is attributed to employee, was recorded as liability on consolidated financial statements because of the remaining funds of the ESOP Trust account will be distributed according to employee's contribution ratio.

The Company guarantees the losses in the ESOP Trust account, resulting from the purchase and selling of the Company's stock and all other liabilities of the ESOP Trust, therefore accounts for the transactions involving the ESOP Trust account as its own. Accordingly, the Company's stock in the ESOP Trust account, other assets, liabilities, revenue and expense other than the remaining funds were recorded in the Company's consolidated statutory report.

As of March 31, 2011, the number and amount of the Company's stocks held by the ESOP Trust account were 34,789,000 shares and 13,612 million yen.

Notes to consolidated balance sheet

1. Assets pledged as collateral and liabilities secured

(1) Assets pledged as collateral		
Trading products	1,268,838	million yen
Investment securities	22,615	
Total	1,291,453	

(Note) The amounts above corresponded to the amount on the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 1,148,947 million yen were also pledged as collateral.

(2) Liabilities secured		
Borrowings on margin transactions	4,589	million yen
Short-term loans payable	1,985,082	
Total	1,989,672	

(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	6,130,436	million yen
Securities sold by gensaki transaction	125,868	
Others	491,673	
Total	6,747,977	

(Note) Assets classified in pledged assets were excluded.

3. Market value of securities accepted as collateral		
Borrowed securities under agreements of loan for consumption	8,623,571	million yen
Others	502,630	
Total	9,126,201	

4. Allowance for doubtful accounts deducted directly from assets		
Investments and other assets, other	10,687	million yen

5. Accumulated depreciation of property, plant and equipment:	121,927	million yen
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6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	1,675 million yen
Others	Liabilities	1,384
Total		3,059

7. Reserves under the special laws	
Reserve for financial products transaction liabilities:	3,022 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 ended March 31, 2011	
Common shares	1,749,378,772

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, 2010	Common shares	13,987	8	March 31, 2010	June 7, 2010
Board of directors of October 29, 2010	Common shares	5,245	3	September 30, 2010	December 1, 2010
Total		19,233			

(Note) Total amount of dividends resolved by the Board of directors of October 29, 2010 includes 117 million yen distributed to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account 75404).

(2) Dividends to be distributed after the fiscal year ended March 31, 2011

It was scheduled to be resolved at the meeting of the Board of Directors of May 17, 2011 as follows:

Item related to dividends on common share

1. Total amount of dividends 5,140 million yen
2. Dividend per share 3 yen

3. Date of record	March 31, 2011
4. Effective date	June 6, 2011

(Note 1) The source of dividends will be retained earnings.

(Note 2) Total amount of dividends includes 104 million yen distributed to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account 75404).

3. Number of shares subject of stock subscription rights upon exercise thereof as of March 31, 2011

	Item	Number of shares				As of Mar. 31, 2011 (Millions of yen)
		As of Mar. 31, 2010	Increase	Decrease	As of Mar. 31, 2011	
The Company	Stock subscription rights issued in July, 2006	280,000	-	18,000	262,000	357
	Series 3 stock subscription rights	2,478,000	-	21,000	2,457,000	1,232
	Treasury stock subscription rights	115,000	21,000	-	136,000	-
	Stock subscription rights issued in July, 2007	296,000	-	20,000	276,000	362
	Series 4 stock subscription rights	2,491,000	-	21,000	2,470,000	666
	Treasury stock subscription rights	79,000	21,000	-	100,000	-
	Stock subscription rights issued in July, 2008	344,000	-	18,000	326,000	316
	Series 5 stock subscription rights	3,051,000	-	28,000	3,023,000	406
	Treasury stock subscription rights	48,000	28,000	-	76,000	-
	Stock subscription rights issued in July, 2009	664,000	-	25,000	639,000	370
	Series 6 stock subscription rights	4,385,000	-	66,000	4,319,000	204
	Treasury stock subscription rights	28,000	66,000	-	94,000	-
	Stock subscription rights issued in July, 2010	-	1,056,000	-	1,056,000	396
	Series 7 stock subscription rights	-	7,399,000	59,000	7,340,000	74
	Treasury stock subscription rights	-	59,000	-	59,000	-
	Total				4,385	-

(Note 1) All shares of stock subscription rights above are common stock.

(Note 2) Exercise period of "Series 3 stock subscription rights", "Series 4 stock subscription rights", "Series 5 stock subscription rights", "Series 6 stock subscription rights" and "Series 7 stock subscription rights" which the Company issued have not yet started.

Notes to financial instruments

1. Concerning the situation of financial instruments

(1) Policy for dealing with 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 Group holds financial assets and liabilities as follows to execute its businesses: "securities", "derivatives", "operational investment securities" and "investment securities", etc. and raises its capital utilizing a variety of financial instruments such as corporate bonds, medium-term notes, borrowing from financial institutions, 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 financing 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

The Group holds financial instruments in the trading business as follows: -(a) trading securities and others (stocks and warrants, bonds and units of investment trusts), loans secured by securities and loans payable secured by securities, margin transaction assets and liabilities, (b) derivatives, traded at exchanges, 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. And the Group holds private equity and other securities in the principal investments business and venture capital business and investment securities for the business relationship, etc.

Of the various risk, the major risks implied in these financial instruments are market risk and credit risk. Market risk means the risks of suffering losses from fluctuations in the value of holding financial instruments and transactions in accordance with changes of market prices of interest rates, currency exchange rates and stock prices, etc. Credit risk means the risk of suffering losses from defaults or credit changing of counterpart or 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 recorded as the net gain on trading.

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 of the Group, 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

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 monitors the structure and process of Subsidiaries' risk management. Also, the Internal Control Committee (restructured to Group Risk Management Committee as of April 1, 2011) 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 meetings etc. and strengthen each risk management system.

(i) Management of risk of financial instruments held for trading purpose

(a) 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.

Under those understandings, subsidiaries engaged in securities business manage the market risk by establishing the limit for VaR which indicates the estimate of the maximum loss amount under a certain probability, position and sensibility etc. considering the financial situation, the business plan and budget of each division. The risk management department of the Company receives reports on the VaR and position from the subsidiaries engaged in securities business, recognizes the equity risk of the entire Group and informs the management of the Company of it on a daily basis. 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.

(Quantitative information concerning market risk)

Most of the subsidiaries engaged in securities business utilize the historical simulation method

(holding period: 1 day, confidence interval: 99%, observation period: 520 business days) for calculating VaR of products traded in the market. The VaR as of March 31, 2011 (fiscal year end) was 5,129 million yen in total. In the meantime, the Group executes the back test which compares calculated VaR and the actual profit / loss and verifies its effectiveness. The VaR statistically figures the risk based on historical market fluctuation and may be sometimes unable to completely grasp the risk in an environment in which the market unexpectedly changes beyond the estimation.

(b) 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. Especially, in connection with the wholesale business that carries a relatively high credit risk, the Group assesses the credit condition of its counterparties with the qualitative and quantitative analysis based on the rating analysis model. And the Group has established a credit limit for each of the counterparties considering transaction conditions such as the term, collateral, etc. and conducts daily monitoring. 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.

(ii) 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 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 management that suits each risk profile. The Company periodically monitors the situation of risk and informs it to the management of the Company of it.

The subsidiaries, which engage in the principal investments business, investigate each investment through an investment committee in accordance with the investment limit approved by the Company 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 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. Also, the Group monitors the situation of its investment portfolio.

(Quantitative information concerning market risk)

Main financial assets in the Group that are influenced by market risk are operational investment securities in the principal investments business and venture capital business and investment securities for the business relationship. As of March 31, 2011, market prices of the listed equities in operational investment securities and investment securities would fluctuate by 11,468 million yen if the index, such as TOPIX, were to change by 10%.

And main financial liabilities in the Group that are influenced by market risk are "bonds and notes" and "long-term borrowings." As of March 31, 2011, if all other risk variables were assumed to be unchanged and the interest rate suppose to change by 10 basis points (0.1%), the market prices of "bonds and notes" and "long-term borrowings" would fluctuate by 1,382 million yen and 146 million yen, respectively.

(iii) Management of liquidity risk concerning raising capital

The Group conducts its business with a core focus on the securities related business with utilizing a lot of assets and liabilities and establishes the basic policy which clarifies to efficiently secure enough liquidity for continuing its business.

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

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 fiscal year 2007, 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 and sources of funding preparing for the event that it becomes difficult to execute new raising capital and to reschedule the existing capital raising due to a financial crisis occurring.

Further, the Group establishes liquidity management system in accordance with liquidity coverage ratio suggested by Basel Committee on Banking Supervision. That means that the Group daily monitors if the liquidity portfolio, which should cover financing proceeds with no collateral that has the maturity date within a certain period and the estimated cash outflow caused by realization of one of some stress scenarios prepared in advance during the same period, is maintained or not.

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 the stress which is specific to the Company or influences to the entire market arising. Also, the Group has established a system that enables the Company to flexibly supply the capital to the Group companies if necessary and achieves efficient and unified capital raising and management.

Concerning domestic and foreign subsidiaries engaged in securities business etc. (Daiwa Securities Co. Ltd., Daiwa Securities Capital Markets Co. Ltd., etc.), with securing its liquidity portfolio necessary for continuing its business and considering each business characteristic, the Company controls the capital raising optimized for the Group.

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. This plan states basic policy concerning the reporting line depending upon the urgency of stress internally originated including credit crunch and externally originated including an abrupt change of market environment, and the method of raising capital. That enables the Group to prepare the system securing liquidity through a swift response.

The contingency plan of the Group is established considering the stress that the entire Group may face and periodically revised to quickly respond to changing financial environments.

And concerning Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. (including its foreign subsidiaries), which are sensitively influenced by financial markets and whose importance to secure liquidity of the capital is significant, they each decide their own contingency plans each and are periodically revising their plans as well.

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 crises scenario assumed and tries to preliminarily execute both increasing the liquidity and reducing assets at the same time.

(iv) 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, 2011, 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
<i>Assets</i>			
(1) Cash and deposits	1,025,239	1,025,239	—
(2) Cash segregated as deposits	241,697	241,697	—
(3) Trading products			
(a) Trading securities and other	4,549,799	4,549,799	—
(b) Derivatives	2,220,679	2,220,679	—
(4) Trade date accrual	102,010	102,010	—
(5) Margin transaction assets			
Loans on margin transactions	114,479	114,479	—
Cash collateral pledged for securities borrowing on margin transactions	33,368	33,368	—

(6) Loans secured by securities			
Cash collateral pledged for securities borrowed	7,326,791	7,326,791	—
Loans on Gensaki transactions	1,054	1,054	—
(7) Securities, Private equity and other securities and Investment securities			
(a) Securities intended to be held for trading purposes	2,537	2,537	—
(b) Held-to-maturity debt securities	100	98	▲1
(c) Subsidiaries' stocks and affiliates' stocks	22,479	32,303	9,824
(d) Available-for-sale securities	319,939		
Allowance for investment loss	▲6,209		
	313,730	313,730	—
Total assets	15,953,967	15,963,790	9,823
Liabilities			
(1) Trading products			
(a) Trading securities and other	3,012,792	3,012,792	—
(b) Derivatives	1,804,062	1,804,062	—
(2) Margin transaction liabilities			
Borrowings on margin transactions	4,774	4,774	—
Cash received for securities lending on margin transactions	56,622	56,622	—
(3) Loans payable secured by securities			
Cash received on debt credit transaction of securities	5,213,298	5,213,298	—
Borrowings on Gensaki transaction	125,583	125,583	—
(4) Deposits received	149,427	149,427	—
(5) Guarantee deposits received	249,362	249,362	—
(6) Short-term loans payable	2,660,492	2,660,492	—
(7) Commercial papers	395,195	395,195	—
(8) Current portion of bonds	155,056	155,056	—
(9) Bonds payable	1,334,141	1,332,551	1,589
(10) Long-term loans payable	592,640	595,892	▲3,251
Total liabilities	15,753,450	15,755,112	▲1,661

(Note 1) Accounting method of fair values of financial instruments

(i) Cash and deposits

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

(ii) Cash segregated as deposits

Cash segregated as deposits 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.

(iii) Trading products

(a) 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

(b) 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 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.

(iv) Trade date accrual

Trade date accrual are recorded as their book value because fair values are similar to book value and they are settled in the short term.

(v) Margin transaction assets, margin transaction liabilities

Margin transaction assets consist of lending money to customers generated from margin transaction and collaterals to securities finance companies. Those are recorded as their book value as settled in the 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.

Margin transaction liabilities consist of customers' borrowing money from securities finance companies and sold amount equivalent of customers generated from margin transactions. Those are recorded 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.

(vi) Loan secured by securities

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

(vii) Securities, Operational investment 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 recorded 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

(viii) 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 recorded as their book value because the fair value closely resembles the book value and they are settled in the short term.

(a) Guarantee deposits received

These are mainly guarantee deposits relating to derivative transactions and recorded 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 guarantee deposits received from customers, the payment amount (book value) when settled at the end of this fiscal year is considered as fair value.

(b) Short-term loans payable, commercial papers and bonds and current portion of bonds

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

(c) Bonds payable

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 since the issuance and change of

credit spread of the Company. The credit spread of the Company is referred to as the interest rate of the immediately previous issuance or market prices of similar bonds issued by the Company, etc.

(d) Long-term loans payable

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 as the interest rate of the immediately previous issuance or market prices of similar bonds issued by the Company, etc.

(Note 2) Any financial product which is extremely difficult to obtain its fair value is as below and is not included in the “Assets (7)(c) Subsidiaries stocks and affiliates’ stocks and (d) Available-for-sale securities” of fair value information of financial instruments.

(Millions of yen)	Amounts in consolidated balance sheets
Subsidiaries’ stocks and affiliates’ stocks	
Unlisted equities	32,466
Other securities	
Unlisted equities	88,585
Investments in limited partnership and other similar partnerships	21,465
Others	5,241

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 496.76 yen
 Net income per share ▲21.90 yen

Independent Auditors' Report

May 12, 2011

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

Kimitaka Mori (Seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

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

Hiroshi Umetsu (Seal)
Designated and Engagement Partner
with Limited Liability
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, 2011 and for the year from April 1, 2010 to March 31, 2011 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 74th business year from April 1, 2010 to March 31, 2011. 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 LLC, and the results of its audit were appropriate.

May 16, 2011

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Koichi Uno

Committee Member
Nobuko Matsubara

Committee Member
Keiichi Tadaki

(Note 1) 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.

(Note 2) Mr. Saburo Jifuku resigned as a member of the Audit Committee as of March 31, 2011.

Balance sheets

(Millions of yen)	Fiscal 2010 As of Mar. 31, 2011
<i>Assets</i>	
Current assets:	493,085
Cash and deposits	223,966
Short-term investment securities	60,537
Short-term loans receivable	174,700
Accounts receivable	23,176
Accrued income	3,034
Deferred tax assets	5,605
Other current assets	2,065
Non-current assets:	1,383,058
Property, plant and equipment:	44,915
Buildings	449
Equipment	2,383
Land	42,082
Intangible assets:	2,568
Software	1,863
Other	704
Investments and other assets:	1,335,574
Investment securities	108,319
Stocks of subsidiaries and affiliates	742,640
Investments in other securities of subsidiaries and affiliates	13,500
Long-term loans receivable	460,578
Long-term guarantee deposits	6,455
Deferred tax assets	3,683
Other	10,940
Allowance for doubtful accounts	(10,544)
Total assets	1,876,144

(Millions of yen)	Fiscal 2010 As of Mar. 31, 2011
<i>Liabilities</i>	
Current liabilities:	287,736
Short-term loans payable	121,400
Current portion of bonds	128,000
Accrued expenses	3,252
Loans payable secured by securities	31,540
Income taxes payable	143
Provision for bonuses	189
Other current liabilities	3,211
Non-current liabilities:	792,719
Bonds payable	415,220
Long-term loans payable	373,104
Long-term guarantee deposited	1,606
Provision for retirement benefits	1,604
Provision for loss on litigation	6
Other non-current liabilities	1,176
Total liabilities	1,080,456
<i>Net assets</i>	
Shareholders' equity:	787,094
Capital stock	247,397
Capital surplus:	226,778
Legal capital surplus	226,751
Other capital surplus	26
Retained earnings:	339,974
Legal retained earnings	45,335
Other retained earnings	294,638
Voluntary retained earnings	218,000
Retained earnings brought forward	76,638
Treasury stock	(27,054)
Valuation and translation adjustments:	4,207
Valuation difference on available-for-sale securities	4,207
Subscription rights to shares	4,385
Total net assets	795,688
Total liabilities and net assets	1,876,144

Statements of income

(Millions of yen)	Fiscal 2010 Apr. 1, 2010 - Mar. 31, 2011
Operating revenue:	45,563
Dividends from subsidiaries and affiliates	37,895
Interest on loans receivable from subsidiaries and affiliates	7,005
Other	662
Operating expenses:	20,475
Selling, general and administrative expenses:	10,926
Trading related expenses	2,196
Personnel expenses	3,455
Real estate expenses	1,415
Office Cost	1,183
Depreciation	702
Taxes and dues	990
Other	982
Financial expenses	9,549
Operating income	25,087
Non-operating income:	3,797
Interest income	170
Dividend income	2,662
Other	964
Non-operating expenses:	1,495
Bond issue cost	1,129
Loss on investment of securities	289
Other	76
Ordinary income	27,389
Extraordinary income:	4,017
Gain on sales of investment securities	2,175
Gain on sales of subsidiaries and affiliates' stocks	1,841
Extraordinary loss:	15,751
Loss on sales of stocks of subsidiaries and affiliates	193
Loss on valuation of investment securities	4,537
Loss on valuation of stocks of subsidiaries and affiliates	499
Provision of allowance for doubtful accounts	10,273
Other	247
Income before income taxes	15,655
Income taxes-current	(13,067)
Income taxes-deferred	1,795
Net income	26,927

Statements of changes in net assets

(Apr. 1, 2010 - Mar. 31, 2011)

(Millions of yen)	Shareholders' equity							Treasury stock	Total
	Common stock	Capital surplus		Retained earnings					
		Additional paid-in capital	Other capital surplus	Earned surplus reserve	Other earned surplus reserve				
					General - purpose reserve	Deferred earned surplus			
Balance at the end of previous period	247,384	226,739	-	45,335	218,000	68,945	(689)	805,714	
Changes of items during the period									
Issuance of new shares	12	12	-	-	-	-	-	25	
Dividends from surplus	-	-	-	-	-	(19,233)	-	(19,233)	
Net income	-	-	-	-	-	26,927	-	26,927	
Purchase of treasury stock	-	-	-	-	-	-	(28,793)	(28,793)	
Disposal of treasury stock	-	-	26	-	-	-	2,428	2,454	
Total changes of items during the period	12	12	26	-	-	7,693	(26,365)	(18,619)	
Balance at the end of current period	247,397	226,751	26	45,335	218,000	76,638	(27,054)	787,094	

(Millions of yen)	Valuation and translation adjustments		Subscription rights to shares
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at the end of previous period	14,276	407	3,242
Changes of items during the period			
Net changes of items other than shareholders' equity	(10,068)	(407)	1,143
Total changes of items during the period	(10,068)	(407)	1,143
Balance at the end of current period	4,207	-	4,385

The non-consolidated statutory report of the Company is 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
Valued at cost based on the moving-average method.
 - (3) Other securities
Other securities with market value are recorded 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 recorded at cost using the moving average method. Investments 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) Property, plant and equipment
The Company computes depreciation of property, plant and equipment by the declining-balance method. However, depreciation for buildings (excluding building fixtures) purchased in Japan after April 1, 1998 is computed by the straight-line method. Useful lives of those tangible fixed assets are estimated in accordance with the Corporation Tax Law of Japan.
 - (2) Intangible fixed assets, Investments and others
Intangible fixed assets, Investments and others are amortized under the straight-line method. The Company computes amortization over estimated useful lives as stipulated by the Corporation Tax Law of Japan, and over internally estimated useful lives (5 years) for software used in-house.
3. Accounting policies for provisions
 - (1) Allowance for doubtful accounts
Allowance for doubtful accounts is provided based on the estimated historical default rate for normal loans, and based on individually assessed amounts for doubtful accounts, bankruptcy claims, and reorganization claims, etc.
 - (2) Provision for bonuses
Provision for bonuses of employees and directors represent liabilities estimated in accordance with calculation standards of the Company as of the balance sheet date.
 - (3) Provision for 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 loss on litigation
In the normal course of business the Company is subject to claims and litigations resulting from securities and other transactions. The estimation for loss related to such contingency events requires inherently significant judgment. The provision for loss on litigation is provided for based on likelihood and estimated amounts for such losses for existing claims, based on the current status, historical experiences and management judgment.
4. Other significant items associated with the preparation of non-consolidated statutory report
 - (1) Accounting methods for deferred assets
Expenses for the issue of Bonds and Notes are all accounted as expenses when they are incurred.
 - (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. Certain eligible interest swaps for hedging purposes is based on cost basis without being marked-to-market under generally accepted accounting principles in Japan. The premium or discount on forward foreign exchanges for hedging purposes is allocated to each fiscal term without being marked-to-market under generally accepted accounting principles in Japan. In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk associated with some of the loans payable and bonds, the Company apply hedge accounting using various 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) Accounting method for consumption tax

Accounting method for consumption tax is based on tax exclude method.

(4) Tax consolidation

The Company and wholly owned subsidiaries file a consolidated return.

5. Change of accounting policies

(1) Adoption of "Accounting Standard for Asset Retirement Obligations"

The Company has adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008) since the year ended March 31, 2011.

This change has no effect on the statement of income.

(2) Adoption of "Accounting Standard for Business Combinations" etc.

The Company has adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008) since the year ended March 31, 2011.

(3) Changes in revenue recognition criteria for dividend income

Formerly, dividend income earned from listed equities had been recognized as revenue during the period in which the Group actually received the payment. From the fiscal year ended March 31, 2011, the Company has started recognizing as revenue unrealized dividend income based on the declared estimated amount as of the ex-dividend date.

This change is to ensure consistency with the revenue recognition difference between dividend income and fair value measurement of related equities, and to present financial results more appropriately under the current environment in which the number of corporations which increase or resume dividend has been increasing due to their improved performances.

Because of this change, "Operating loss" decreased by 1 billion 967 million yen and "Ordinary loss" and "Loss before income tax" decreased by 2 billion 752 million yen respectively compared with the way by the previous method.

Because of this change, "Ordinary income" and "Income before income tax" increased by 784 million yen compared with the way by the previous method.

6. Additional information

Accounting method for Employee Stock Ownership Plan Trust utilizing Employee Shareholding Association

The Company introduced an employee incentive plan called the "ESOP Trust utilizing Employee Shareholding Association" ("ESOP Trust") for the purpose of boosting the Company's corporate value in the medium to long term by enhancing employee's mind over the Company's performance and promoting employees' motivation. In addition, the plan aims to contribute to the enhancing as driving the Company's stock value.

Under this plan, the ESOP Trust account was set up and the Group's employees who participated in the Group's employee shareholding association ("the Shareholding Association") and who met certain criteria became beneficiaries of the ESOP Trust. The ESOP Trust purchases a number of the Company's stocks, which the ESOP Trust will purchase during five years after the beginning of the trust period and sells off them to the Shareholding Association on a certain day every month.

Gain on selling the Company's stock, which is attributed to employee, was recorded as liability on consolidated financial statements because of the remaining funds of the ESOP Trust account will be distributed according to employee's contribution ratio.

The Company guarantees the losses in the ESOP Trust account, resulting from the

purchase and selling of the Company's stock and all other liabilities of the ESOP Trust, therefore accounts for the transactions involving the ESOP Trust account as its own. Accordingly, the Company's stock in the ESOP Trust account, other assets, liabilities, revenue and expense other than the remaining funds were recorded in the Company's non-consolidated statutory report.

As of March 31, 2011, the number and amount of the Company's stocks held by the ESOP Trust account were 34,789,000 shares and 13,612 million yen.

Notes to balance sheet

1. Pledged securities as collateral		
53,722 million yen of investment securities were loaned.		
2. Allowance for doubtful accounts deducted directly from assets		
Investments and others, others	3,464	million yen
3. Accumulated depreciation of tangible fixed assets	1,958	million yen
4. Guarantee		
The balance of loan guarantees for employees	1,393	million yen
5. Monetary claims and obligations with related companies		
Short-term loan receivables from related companies	185,811	million yen
Long-term loan receivables from related companies	471,224	million yen
Short-term monetary liabilities to related companies	40,758	million yen
Long-term monetary liabilities to related companies	2,153	million yen

Notes to statement of income

Transactions with related companies		
Operating transactions		
Operating revenue from related companies	45,421	million yen
Operating expenses to related companies	3,632	million yen
Non-operating transactions	40,391	million yen

Notes to statement of changes in net assets

Balance of Treasury Stock as of March 31, 2011	
Common Shares	70,625,953

(Note) The number of treasury stock (common shares) includes 34,789,000 of the Company's shares held by the ESOP Trust account and this is because those shares held by the ESOP Trust account are stated as the Company's own shares on the balance sheets.

Notes to tax effect accounting

Deferred tax assets and liabilities		
(Deferred tax assets)		
Write-down of stocks in subsidiaries and affiliates	31,700	million yen
Loss carried forward	44,893	
Write-down of investment securities	10,388	
Allowance for doubtful accounts	4,404	
Others	2,738	
	94,123	
Valuation allowance	(82,493)	
Total deferred tax assets:	11,629	
(Deferred tax liabilities)		
Valuation difference on available-for-sale securities	2,017	million yen
Others	323	
Total deferred tax liabilities	2,340	
Net deferred tax assets	9,289	million yen

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%	Debt Financing Directors hold concurrent positions	Debt Financing (Note1) Receipt of interest (Note1)	42,500 251	Short-term loans receivable Accrued income	60,000 20
Subsidiary	Daiwa Securities Capital Markets Co. Ltd.	Direct Ownership 99.9% Indirect Ownership 0.0%	Debt Financing Receipt of cash collateral Lending share Directors hold concurrent positions	Debt Financing (Note1) Receipt of interest (Note1) Receipt of cash collateral (Note2) Lending share (Note2) Receipt of rent (Note2) Payment of interest (Note2) Sales value of stocks of subsidiaries and affiliates (Note3) Capital gain on sale of subsidiaries and affiliates	197,904 3,218 34,561 53,722 172 180 38,552 1,841	Long-term loans receivable Short-term loans receivable Accrued income Loans payable secured by securities Accrued income Accrued expenses - -	255,404 100,000 963 31,540 12 13 - -
Subsidiary	Daiwa Property Co., Ltd.	Direct Ownership 99.4% Indirect Ownership 0.6%	Debt Financing Directors hold concurrent positions	Debt Financing (Note1) Receipt of interest (Note1)	- 613	Long-term loans receivable Accrued income	31,500 -
Subsidiary	Daiwa Investment Management Inc.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt Financing (Note1) Receipt of interest (Note1)	170,640 2,544	Long-term loans receivable Accrued income	168,500 -

Terms and conditions of transaction and transaction policy

(Note 1) Each transaction amount is the average of month end balances for short-term loans receivable and each loan amount for long-term loans receivable, respectively.

Interest rates on loans receivable are determined rationally in consideration of market interest rates. No collateral is obtained.

(Note 2) Market price of lending stock as of the fiscal year end date or the price of pledged assets are recorded in the Transaction Amount. Lease rate or interest rates are determined based on market rate.

(Note 3) Sales prices of stocks of subsidiaries and affiliates are determined by considering the price quotations by an independent third party.

Notes to per share information

Net assets per share	471.36 yen
Net income per share	15.80 yen

Independent Auditors' Report

May 12, 2011

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

Kimitaka Mori (Seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

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

Hiroshi Umetsu (Seal)
Designated and Engagement Partner
with Limited Liability
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, 2011 and for the 74th business year from April 1, 2010 to March 31, 2011 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.

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 74th Business year from April 1, 2010 to March 31, 2011. 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, etc. who are responsible for managing the relevant subsidiaries, when necessary, exchanged information with and, when necessary, received reports from Directors and Auditors, etc. of subsidiaries.

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 LLC and the results of its audit were appropriate.

May 16, 2011

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Koichi Uno

Committee Member
Nobuko Matsubara

Committee Member
Keiichi Tadaki

(Note 1) 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.
(Note 2) Mr. Saburo Jifuku resigned as a member of the Audit Committee as of March 31, 2011.