

<Translation>

Note: This English translation of the Japanese original version of the notice has been prepared for the sole purpose of the convenience of non-Japanese shareholders and shall by no means constitute an official or binding version of the notice.

(Securities Code: 8601)
June 1, 2012

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 75th Ordinary General Meeting of Shareholders

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

You are hereby notified that the 75th 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 examine 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.

You may also exercise your voting rights for the aforesaid meeting via electronic devices (via the Internet, etc.). If you choose to 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 examine 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., Wednesday, June 27, 2012
2. **Place of the Meeting:** Convention Hall, B2., 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 75th fiscal year (from April 1, 2011 to March 31, 2012), 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 75th fiscal year (from April 1, 2011 to March 31, 2012).

Matters to be resolved:

Bill 1: Election of Twelve (12) Directors (Member of the Board)

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 Tuesday, June 26, 2012, 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) If you choose to 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 Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Statutory Report and/or the Non-consolidated Statutory Report 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).

-
- 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 (Member of the Board)

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 (Member of the Board) 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) Reappointment	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 Sales Division of the Company Member of the Board 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 and Head of Investment Banking Division of Daiwa Securities SMBC Co. Ltd. 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 and CEO, 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)	152,000 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) Reappointment	Apr. 1979 Apr. 2002 June 2002 May 2004 June 2004 July 2004 Apr. 2005 Apr. 2007 July 2008 Apr. 2009 Apr. 2011 to date	Joined the Company Managing Director of Corporate Planning Dept. of the Company Senior Managing Director of Daiwa Securities SMBC Co. Ltd., and Head of Equity Executive Managing Director of the Company, Head of Corporate Planning, Personnel, Legal and Secretariat, and General Manager of Personnel Dept. Member of the Board, and Executive Managing Director of the Company, Head of Planning, Personnel and Legal, and Managing Director of Personnel Dept. Head of Planning, Personnel and Legal of the Company Head of Planning and Personnel of the Company Member of the Board and Senior Executive Managing Director of the Company Head of Planning and Personnel, and Deputy Head of Wholesale of the Company; and Senior Executive Managing Director of Daiwa Securities SMBC Co. Ltd. Member of the Board and Deputy President of the Company and Deputy Head of Wholesale, and Representative Director and Deputy President of Daiwa Securities SMBC Co. Ltd. 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.	92,090 shares
		(Significant concurrent positions) Representative Director and 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
3	Nobuyuki Iwamoto (June 14, 1956) Reappointment	Apr.1980	Joined the Company	53,000 shares
		Apr.1999	Joined Daiwa Securities SB Capital Markets Co., Ltd.	
		Apr. 2001	Managing Director of International Finance Dept. of the above company	
		Apr. 2005	Senior Managing Director of the Company, and CFO and Deputy Head of Planning	
		June 2006	Member of the Board and Senior Managing Director of the Company	
		Apr. 2007	CFO of the Company	
		Apr. 2008	Member of the Board and Executive Managing Director of the Company	
		Apr. 2009	Member of the Board and Senior Executive Managing Director of the Company, and CFO and Head of Planning and Personnel	
		Apr. 2011	Member of the Board, Representative Executive Officer and Deputy President of the Company (to date); COO, CFO and Head of Planning and Personnel of the Company; and Representative Director and Deputy President of Daiwa Securities Capital Markets Co. Ltd.	
		Jan. 2012	COO, CFO and Head of Planning, Personnel and Overseas of the Company	
		Apr. 2012 to date	COO, CFO and Head of Personnel and Overseas of the Company (to date); Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)	
		(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
4	Takatoshi Wakabayashi (Nov. 15, 1956) Reappointment	Apr. 1980	Joined the Company	32,060 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 Dept. of the Company	
		Apr. 2006	Senior Managing Director, Head of Legal and Deputy Head of Personnel of the Company	
		Apr. 2007	Senior Managing Director of Daiwa Securities SMBC Co. Ltd., Senior Head of Initial Public Offering, 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	Senior Head of Investment Banking and Head of Corporate Finance and Investment Banking Strategic Planning of the above company	
		Oct. 2008	Senior Head of Investment Banking, Head of Corporate Finance and Investment Banking Strategic Planning and General Manager of Investment Banking Strategic Planning of the above company	
		Apr. 2009	Senior Head of Investment Banking, and Head of Structured Finance, Corporate Finance, Initial Public Offering, Investment Program and Investment Banking Strategic Planning of the above company	
		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.	
		June 2010	Member of the Board and Senior Executive Managing Director of the Company (to date)	
Apr. 2012 to date	Senior Executive Managing Director of Daiwa Securities Co. Ltd. (to date)			
(Significant concurrent positions) Senior Executive Managing Director 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	Toshihiko Onishi (July 27, 1961) Reappointment	Apr. 1984 Apr. 2007 Apr. 2008 Sept. 2008 Sept. 2009 Apr. 2010 Apr. 2011 June 2011 Apr. 2012 to date	Joined the Company Managing Director and Assistant to Head of Planning of Daiwa Securities SMBC Co. Ltd. Seconded to Daiwa Securities SMBC Principal Investments Co. Ltd. (currently, Daiwa PI Partners Co. Ltd.); and Executive Managing Director of Daiwa Securities SMBC Principal Investments Co. Ltd. Senior Managing Director of Daiwa Securities SMBC Co. Ltd. and Representative Director and Deputy President of Daiwa Securities SMBC Principal Investments Co. Ltd. Deputy Head of Principal Investments of Daiwa Securities SMBC Co. Ltd. Head of Principal Investments of Daiwa Securities SMBC Co. Ltd.; and Representative Director and Chairman of the Board of Daiwa Securities SMBC Principal Investments Co. Ltd. Deputy Head of Corporate Finance of Daiwa Securities Capital Markets Co. Ltd. Senior Managing Director of the Company; Auditor of Daiwa SB Investments Ltd. (to date); and Auditor of Daiwa Property Co., Ltd. (to date) Member of the Board of the Company (to date); and Auditor of Daiwa Securities Capital Markets Co. Ltd. Auditor of Daiwa Securities Co. Ltd. (to date)	23,061 shares
		(Significant concurrent positions) Outside Auditor of Daiwa Securities Co. Ltd.; Outside Auditor of Daiwa SB Investments Ltd.; and Outside Auditor of Daiwa Property 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	Ryuji Yasuda (Apr. 28, 1946) Reappointment	<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>Member of the Board of the Company (to date); and Member of the Board and 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 Member of the Board and Chairman of J-Will Partners Co., Ltd.</p>	48,000 shares
		<p>(Significant concurrent positions)</p> <p>Professor of Hitotsubashi University, Graduate School of International Corporate Strategy;</p> <p>Outside Director of Fukuoka Financial Group, Inc.;</p> <p>Outside Director of the Bank of Fukuoka, Ltd.;</p> <p>Outside Director of Sony Corporation;</p> <p>Director of Sony Financial Holdings Inc.;</p> <p>Outside Director of Yakult Honsha Co., Ltd.; and</p> <p>Outside Auditor of The Asahi Shimbun Company</p>		
7	Koichi Uno (Jan. 5, 1942) Reappointment	<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>Member of the Board 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;</p> <p>Outside Auditor of Kokusai Kogyo Co., Ltd.; and</p> <p>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
8	Nobuko Matsubara (Jan. 9, 1941) Reappointment	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) Member of the Board of the Company (to date)	26,000 shares
		(Significant concurrent positions) Chairman of Japan Institute of Worker's Evolution; and Outside Director of Mitsui & Co., Ltd.		
9	Keiichi Tadaki (July 1, 1943) Reappointment	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) Member of the Board 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		
10	Kensuke Itoh (Dec. 17, 1937) Reappointment	Apr. 1959 May 1975 Aug. 1979 July 1981 June 1985 June 1989 June 1999 June 2005 June 2009 June 2011 to date	Joined Kyoto Ceramic Co., Ltd. (currently, Kyocera Corporation) Member of the Board 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 Member of the Board of the above company Advisor of the above company (to date) Outside Director of the 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		

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	Akio Takahashi (Mar. 15, 1956) New candidate	Apr.1978	Joined the Company	40,000 shares
		Apr.1999	Joined Daiwa Securities SB Capital Markets Co., Ltd.	
		June 2003	Managing Director of Equity Capital Markets of the above company	
		May 2004	Senior Managing Director of the above company, Head of Corporate Finance	
		Apr. 2005	Head of Initial Public Offering and Structured Finance of the above company	
		Apr. 2006	Head of Initial Public Offering and Investment Program of the above company	
		Apr. 2007	Executive Managing Director of the above company, Head of Corporate Planning	
		Aug. 2007	Head of International Planning and Corporate Planning	
		Apr. 2008	Executive Managing Director of the above company	
		Sep. 2008	Senior Head of Principal Investments of Daiwa Securities SMBC Co. Ltd.;	
			Representative Director and Chairman of the Board of Daiwa Securities SMBC Principal Investments Co. Ltd. (currently, Daiwa PI Partners Co. Ltd.)	
		Apr. 2009	Senior Executive Managing Director of Daiwa Securities SMBC Co. Ltd.	
		Sep. 2009	Senior Head of Investment Banking, Head of Structured Finance and Initial Public Offering and Investment Program and Investment Banking Strategic Planning of the above company	
		Jan. 2010	Senior Head of Global Investment Banking and Head of Structured Finance and Initial Public Offering and Investment Program and Global Investment Banking Strategic Planning of the above company	
		Apr. 2010	Senior Head of Global Investment Banking and Head of Corporate Finance and Global Investment Banking Strategic Planning of the above company	
Oct. 2010	Senior Head of Global Investment Banking and Head of Corporate Finance and Corporate Division Planning of the above company			
Apr. 2011	Deputy President of the Company, Deputy Head of Wholesale (to date)			
Apr. 2012 to date	Representative Director and Deputy President of Daiwa Securities Capital Markets Co. Ltd.			
	Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)			
	(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
12	Yoriyuki Kusaki (Mar. 31, 1958) New candidate	Apr. 1980 Apr. 1999 July 2002 May 2004 Apr. 2005 Apr. 2006 Oct. 2006 Apr. 2007 Apr. 2008 Apr. 2009 Apr. 2012 to date	Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. Managing Director of Corporate Institution Sales Dept. III of the above company Senior Managing Director of the above company, Head of Corporate Institution Sales Head of Corporate Institution Sales Dept. III of the above company Head of Corporate Institution Sales Dept. II and III of the above company Head of Corporate Institution Sales Dept. III and IV of the above company Executive Managing Director of the above company Head of Corporate Institution Sales of the above company Senior Executive Managing Director of Daiwa Securities Co. Ltd., and General Manager of Corporate Institution Sales Division Deputy President of the Company, and Deputy Head of Retail (to date); and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)	54,000 shares
		(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.		

(Notes)

1. The Company has been offering long-term loans to Daiwa Securities 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. He will have been in office as one of the Company's Outsider Directors for nine (9) years.
 - (2) Mr. Koichi Uno has ample experience and professional knowledge accumulated through his service in 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. He will have been in office as one of the Company's Outsider Directors for eight (8) years.
 - (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. She will have been in office as one of the Company's Outsider Directors for four (4) years.
 - (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 experience and professional knowledge about law and compliance 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. He will have been in office as one of the Company's Outsider Directors for three (3) years.

(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. He will have been in office as one of the Company's Outsider Directors for one (1) year.

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.*

As to Ms. Nobuko Matsubara, while she was an outside director of Mitsui & Co., Ltd., facts as stated below relating to Mitsui & Co., Ltd. came to light: 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 Kyushu 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' meetings, etc., of Mitsui & Co., Ltd. from the point of view of compliance and strengthening governance on a regular basis. After the above-mentioned facts occurrences came to light, she also made varied proposals and contributions following the event towards further strengthening governance systems to prevent a reoccurrence.

4. *The Independence of the nominees for Outside Director from the Company is as follows.*

- * None of the nominees for Outside Director 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 Director 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 Director has a 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 Director 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, Mr. Keiichi Tadaki and Mr. Kensuke Itoh have each executed an agreement to limit liability to the Company. Each agreement says that the maximum amount of liability is 10 million yen or the minimum amount of liability provided in Paragraph 1 of Article 425 of the Companies Act, whichever is higher.*

Bill 2. Granting Stock Options Utilizing Stock Acquisition Rights

The Company requests shareholders' approval to delegate the decision on the terms of issuance for stock acquisition rights, under the provisions of Articles 236, 238 and 239 of the Companies Act, 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 corporate executive officers and executive officers) (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 recruitment 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 their system of retirement bonuses for special service and modified a part of it to create a 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, the new bonus system 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.

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 Rights II such that those who are granted the rights will not be able to exercise the right until July 2017. 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 2,000 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights I shall not exceed 2,000,000. 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 I 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.

$$\text{Number of Granted Shares after adjustment} = \frac{\text{Number of Granted Shares before adjustment}}{\text{Ratio of split or consolidation}}$$

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, 2032.

(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 Ordinance

on Accounting of Companies. 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 or affiliates 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) Notwithstanding 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 in accordance with other conditions for exercise.
- 4) Other conditions for exercise shall be set forth in a Stock Acquisition Rights Allocation Agreement between the Company and each 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 6,500 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights II shall not exceed 6,500,000. If the number of granted shares is adjusted pursuant to (3) (a) below, the maximum number of Common Stock Acquisition Rights II to be issued shall be multiplied by the number of granted shares after adjustment.

(2) Amount to be Paid In upon Issuance of Common Stock Acquisition Rights II to be Resolved Pursuant to the Delegation

Common Stock Acquisition Rights II shall be issued without consideration and require no payment.

(3) Terms of Common Stock Acquisition Rights II to be Resolved Pursuant to the Delegation

(a) Class and Number of Shares to be Issued upon Exercise of Common Stock Acquisition

Rights II

The number of shares to be issued upon exercise of one (1) Common Stock Acquisition Right II (hereinafter, in 3, “Number of Granted Shares”) shall be 1,000 shares of Common Stock.

If the Company splits or consolidates the shares of Common Stock after the Resolution Date, the Number of Granted Shares shall be adjusted in accordance with the following formula. An adjustment shall be made only with respect to the Number of Granted Shares for the Common Stock Acquisition Rights II 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 immediately 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 with 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, 2017 and June 26, 2022.

(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 Ordinance on Accounting of Companies. 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 each 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 Corporate 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. Corporate Executive Officers (12 officers)

	Name	Main titles and posts held concurrently
President and CEO (Representative)	Takashi Hibino	Member of the Board of the Company/ President and Representative Director of Daiwa Securities Co. Ltd.
Deputy President, COO and CFO (Representative)	Nobuyuki Iwamoto	Member of the Board of the Company/ Deputy President and Representative Director of Daiwa Securities Co. Ltd.
Deputy President	Akio Takahashi	Member of the Board of the Company/ Deputy President and Representative Director of Daiwa Securities Co. Ltd.
Deputy President	Yoriyuki Kusaki	Member of the Board of the Company/ Deputy President and Representative Director of Daiwa Securities Co. Ltd.
Deputy President	Makoto Shirakawa	Representative Director and President of Daiwa Asset Management Co. Ltd.
Deputy President	Takashi Fukai	Representative Director and President of each 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/ Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Saburo Jifuku	
Executive Managing Director	Koichi Matsushita	

	Name	Main titles and posts held concurrently
Executive Managing Director	Toshihiro Matsui	
Executive Managing Director	Noriaki Kusaka	
Senior Managing Director	Shigeharu Suzuki	Chairman of the Board of the Company/ 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, 2011 to March 31, 2012)

I. Status of the Group's Business Activities

The Daiwa Securities Group strives to improve the corporate value of the Group through its core business, the securities business. The outline of the Group's performance in the current fiscal year (FY2011) 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. Economic and Market Environment and Outcome of the Group's Business Activities

(1) Economic and Market Environment

Our country's economy during FY2011 plunged in the short time after the East Japan Earthquake but maintained an almost flat level compared with the previous financial year due to the accelerated recovery from the earthquake. Corporate production tumbled because of constrains on supply, resulting from disruption to the supply chain caused by the earthquake, and the planned power outages and exports were severely reduced. In the meantime, production tended to increase until August 2011 and exports tended to increase until September 2011, after the restoration of the production facilities of corporations accelerated and the constrains on supply started to improve. The pace of recovery declined with the deteriorating global economy and the appreciation of the Yen and production and exports of some industries significantly decreased since late October as a result of floods in Thailand. However, production and exports started to improve around the end of 2011 due to the repair work after the floods in Thai, the recovery of the economy in the U.S. and the promotion of car sales in Japan. In February 2012, the Bank of Japan strengthened its policy of monetary easing and the upward trend of share prices was improved after the correction of the historically high level of the Yen, which caused concerns about the future of the Japanese economy to recede.

Regarding the Japanese stock market, the Nikkei 225 index recovered to the 10,000 level from 9,755.10 at end of FY2010 with the expectation of increasing demand from reconstruction after the East Japan Earthquake. After that, the index was in a declining trend, as the expectation for increasing demand for reconstruction recede, but it recovered to the 10,000 level again in July due to the world-wide trend of rising share prices. However, the index plummeted to below the 8,200 level due to the European debt crisis, the fear of deterioration in the world-wide economy and the soaring Yen in November. The Yen rose to the historical high of 75.32 against the US dollar in October and the Yen also climbed against the Euro to 97.28 in January 2012, the highest level in the last 11 years. Then, the index sharply recovered to 10,083.56 at the end of FY2011, with the expectations for a strengthening of the U.S. economy, the declining fears regarding the European debt crisis and the correction of the historically high level of the Yen. Furthermore, the average trading volume (total of domestic and foreign stocks) per day on the Tokyo Stock Exchange during FY2011 was 1 trillion 305.0 billion yen, down 15.9% from the previous fiscal year.

On the other hand, in the bond market, the yield for the 10-year Japanese government bond, which was around the 1.3% level at the beginning of FY2011, rose to 1.335% with the hope for recovery of the world economy and concern about an increase of the issue to secure the source of revenue for reconstruction after the earthquake. In August 2011, the yield fell to below the 1.0% level with the uncertain prospects of the world economy and decreasing share prices. After that, investors bought government bonds because of unease regarding the European debt crisis, intensifying trends to purchase Yen, which was relatively safe as foreign investors were becoming risk averse, and decreasing share prices. And the yield continued to stay at a low level with the additional monetary easing by the Bank of Japan in February 2012. The

yield reached 0.985% at the end of FY2011.

(2) Outcome of the Group's Business Activities

Segment Performance

1) Retail

Daiwa Securities Co. Ltd. provides broad types of products and services to meet customers' various needs through the two transaction packages, namely the "Daiwa Consulting" course, which provides high-value-added services through sales representatives, and the "Daiwa Direct" course, which provides high-convenience services on the Internet and through call centers.

In FY2011, Daiwa Securities Co. Ltd. concentrated on distribution of stock investment trusts. To satisfy its customers' needs for receiving dividend distributions, it expanded its products list relating to the monthly dividend type as well as established timely new mutual funds investment trusts which were adapted to the market environment and theme, such as funds investing in emerging markets. As the result of this, it strongly increased its sales of investment trusts.

Since May 13, 2011, Daiwa Securities Co. Ltd. has provided deposit accounts as the agent of Daiwa Next Bank, Ltd. Daiwa Securities Co. Ltd. extensively provides its customers with favorable interest rates on their deposits through its network of branch offices and endeavors to expand its client base.

Daiwa Securities Co. Ltd. continues to engage in the field of Impact Investment (Note 1). It distributed "JICA (Japan International Cooperation Agency) Bonds", which was the first issue by JICA for retail investors and arranged "Green Bonds" (Note 2) for several regional banks.

Concerning the "Daiwa Direct" course, it enhanced its transaction facilities and service level by starting the "futures and options trade service" from June 4, 2011, which matches the needs of its clients that have active investment policies. It also strengthened its approach to clients that are in the middle of constructing wealth or do not have any experience with investment by commencing the "Accumulation service for investment trusts" from October 16, 2011.

(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 bonds that are issued by the World Bank (International Bank for Reconstruction and Development) for supporting business relating to the combating of climate change, etc.

2) Global Markets (Note 1)

In the Global Markets business, we actively executed efforts for improving profitability by reducing or withdrawing from unprofitable businesses such as the transfer of the Synthetic Prime Brokerage Business (Note 2). On the other hand, we have established a research system which completely and effectively covers each sector in the Asia region and Japan to promote the trading of Asian equities, including those of Japan. In addition, in order to maximize the effects of the merger between Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd., we prepared to establish a system for supporting sales (through product development and providing information, etc.) to middle market clients (Note 3) on which we plan to focus after the merger to expand profits.

(Note 1) The business that conducts sales and trading of equities, bonds, forex and derivative products of those.

(Note 2) The business that provides facilities like the borrowing of shares, funding and market access, etc., to investors through portfolio swaps (swap transactions whose underlying assets are the portfolio itself).

(Note 3) Regional financial institutions (regional banks, Shinkin banks, credit associations, etc.), religious organizations, incorporated associations, educational foundations, medical corporations, unlisted companies, etc.

3) Global Investment Banking (Note 1)

In the underwriting business, Daiwa Securities Capital Markets Co. Ltd. was the lead

manager for the issue of Euro-Yen convertible bonds (Note 2) by KDDI CORPORATION, which was the largest issue in FY2011, the lead manager for the IPOs (Note 3) of Livesense Inc., KLab Inc. and Star Flyer Inc., and the lead manager for the public offering of Skymark Airlines Inc.

In the M&A business, in relation to the acquisition of Taiyo Pharmaceutical Industry Co., Ltd. by Teva Pharmaceutical Industries Ltd (Note 4), Daiwa Securities Capital Markets Co. Ltd. was appointed as an advisor to Taiyo Pharmaceutical Industry Co., Ltd. In addition, the European M&A business was in good condition and the profits from such business increased compared with the previous financial year. In the Asia region where Daiwa Securities Capital Markets Co. Ltd. proceeded with the improvement of its business framework, it was the lead manager for the issue of convertible bonds by REXLot Holdings Limited (Note 5), the lead manager for the IPO of Sichuan Yimikang Environmental Tech. Co., Ltd. (Note 6) on the Shenzhen Stock Exchange and an advisor to Hoepharm Holdings Sdn.Bhd. (Note 7) in relation to the acquisition of Hoepharm Holdings Sdn.Bhd by Taisho Pharmaceutical Co., Ltd. As a part of its efforts for improving profitability, Daiwa Securities Capital Markets Co. Ltd. also made changes to the number of employees, in terms of domestic and overseas offices, so that they were appropriate.

(Note 1) The business that conducts underwriting, M&A advisory and structured finance etc.

(Note 2) Yen denominated CBs (Convertible Bonds) that were issued in the foreign market.

(Note 3) Initial Public Offering.

(Note 4) The largest generic pharmaceutical manufacturer in the world, which is located in Israel.

(Note 5) A Hong Kong Stock Exchange listed company that provides the lottery-related systems, machinery and service to the lottery market in China through its subsidiaries.

(Note 6) A manufacturer located in China that supplies the precision equipment related to air conditioning for managing temperature and humidity.

(Note 7) A pharmaceutical manufacturer located in Malaysia.

4) Asset 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 broad distribution channels both those of the Group and those outside the Group. As a result, the asset inflow to investment trusts steadily continued and the assets under management of these two companies increased, although the assets under management of the entire industry decreased.

Daiwa Asset Management Co. Ltd. launched the “Daiwa Harris Global Selected Stock Fund” that intensively and selectively invests in global shares whose prices remain cheap; the assets under management of that fund exceeded 75 billion yen. Also, the assets under management of the newly launched “Daiwa Fidelity Asia High Yield Bond Fund (a currency selection type) Brazilian Real Course (a monthly dividend type)” reached 56 billion yen. Regarding investment trusts of the monthly dividend type, the asset inflow to “Daiwa US - REIT Fund (a monthly dividend type)” increased the most and the asset inflow to “Daiwa US - REIT Open (a monthly settlement type) B Course (no currency hedging)” increased the second most among all publicly offered investment trusts domiciled in Japan. In addition, the “Daiwa JGB Fund (a monthly dividend type)” has continued to obtain asset inflows since its launch in November 2008 and has become the largest fund in terms of net asset value among investment trusts of the monthly dividend type whose main investment objective is Japanese bonds.

Daiwa SB Investments Ltd. tried to enhance its skill in investment advising relating to domestic and foreign pension funds and continued to be No. 1 for three consecutive years in the rankings of the investigation of pension funds conducted by the “Newsletter on Pensions & Investment” published by Rating and Investment Information, Inc. (R&I). Concerning its investment trusts business, Daiwa SB Investments Ltd. expanded its distribution channels of publicly offered investment trusts mainly through securities companies and the net asset value of the flagship fund, “Short Term Australian Dollar Open (a monthly dividend type),” and other funds like the “Emerging Bond Fund Australian

Dollar Course (a monthly dividend type)", etc., satisfactorily increased. It also launched new funds like the "Stock and Currency Resource Double Focus," "Global CB Open," etc.

Concerning the real estate asset management business, Daiwa Office Investment Corporation (REIT (Note)), of which Daiwa Real Estate Asset Management Co., Ltd. is the asset management company, purchased an office building, which is the second largest office building among its assets, for approximately 24 billion yen and it has continuously strived to lay the groundwork for the steady generation of profits. We added Daiwa Office Investment Corporation to our consolidated subsidiaries from the end of FY2011.

(Note) Real Estate Investment Trust.

5) Investment

Daiwa Corporate Investment Co., Ltd. proceeded to exit from certain existing investments, including the sale of the shares of GABA Corporation which was one of its largest investments and upon which it realized capital gains.

It also launched the East Japan Earthquake Small and Medium Enterprises Revival Support Investment Limited Partnership for the purpose of contributing to the swift recovery and sustainable development of the areas that suffered from the earthquake.

Daiwa Securities SMBC Principal Investments Co. Ltd. concentrates on the management of and exit from existing investments. Although it made profits from the partial sale of Sumitomo Mitsui Construction Co., Ltd. and exits from existing investments in non-performing loans, it made a large allowance for possible investment losses relating to other existing investments.

Daiwa PI Partners Co. Ltd. steadily built up investments in non-performing loans as financial institutions' needs for disposal of non-performing loans expanded and gained profits from swift exits from existing investments in non-performing loans.

6) Others

A consortium consisting of Daiwa Institute of Research Ltd. (DIR), NTT DATA Corporation and Fujitsu Limited has been awarded the contract to conduct a study on modernizing Myanmar's financial information and communication technology (ICT) systems by the Japan International Cooperation Agency (JICA). DIR and Tokyo Stock Exchange Group, Inc. also reached an agreement on April 10, 2012 to conclude a memorandum of understanding with the Central Bank of Myanmar pertaining to cooperation toward establishing a securities exchange and supporting the cultivation of capital markets in Myanmar.

Daiwa Next Bank, Ltd., which started its business on April 15, 2011, increased its number of deposit accounts to 480,000 and its deposit balance (including certificates of deposits) to 1 trillion 432.8 billion yen with an effective promotion that fully utilized the business base of the agent Daiwa Securities Co. Ltd., which commenced its full-scale services for clients on May 13, 2011.

[CSR (Note 1)]

The Group has signed the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century) (Note 2) on November 15, 2011. The Group positively worked in the development and provision of innovative Socially Responsible Investment (SRI) financial instruments to contribute towards the shaping of a sustainable society by making efficient use of financial functions. In concrete terms, the Group endeavored to distribute "Water Bonds" that support business relating to water in Asia and the Pacific, "Climate Awareness Bonds" that support business for renewable energy and energy efficiency projects and "Green Bonds" that supports business relating to the combating of climate change, etc.

The Group also works positively in the sale of the Japanese Government Bonds to individuals to support the area struck by the East Japan Earthquake and donated half of the trust fees that Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. received from the Daiwa Nippon Ouen Fund Vol. 3 (Phoenix Japan).

Furthermore, the Group continuously works in accepting teachers as trainees and supporting an education program containing of economics and finance for the younger generation.

(Note 1) Corporate Social Responsibility.

(Note 2) The Principles were formulated as a set of guidelines based on the recommendations made by the Central Environmental Council by the Drafting Committee for the “Japanese version of PRI,” which is comprised of volunteer Japanese financial institutions and is aimed at expanding environmentally-friendly finance in Japan. The financial institutions which have signed the Principles endeavor to carry out their businesses taking care to consider the environment, society and governance, taking into account each business field.

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 60 companies, and the affiliates included under the equity method are 5.

(Note) The consolidated financial statements of the Company for the fiscal year ending March 31, 2012 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 422.3 billion yen, up 4.8% from the previous fiscal year, and the net operating revenues were 336.0 billion yen, up 5.5% from the previous fiscal year.

Although the effect of cost reductions started to emerge as a decrease in selling, general and administrative expenses, which were 359.7 billion yen, down 1.2% from the previous year, the ordinary income of the current fiscal year was minus 12.2 billion yen, to which adjustments were made for the extraordinary gains of 39.6 billion yen from the negative goodwill incurred by making Daiwa Office Investment Corporation into a consolidated subsidiary, etc., and the extraordinary losses of 44.3 billion yen from the expenses regarding business restructuring, impairment losses, losses from selling or removing non-current assets, etc., and income taxes and minority interests, etc., which adjustments result in the net loss of the current fiscal year of 39.4 billion yen.

The performance of each segment is as follows.

	(Millions of yen)					
	Net operating revenues			Ordinary income		
	Current (FY2011)	Previous (FY2010)	% Change	Current (FY2011)	Previous (FY2010)	% Change
Retail	172,033	178,970	(3.9)%	38,839	41,866	(7.2)%
Global Markets	52,014	61,495	(15.4)%	(54,433)	(52,173)	—
Global Investment Banking	26,473	30,635	(13.6)%	(14,284)	(14,733)	—
Asset Management	37,424	36,324	3.0%	14,615	15,948	(8.4)%
Investment	1,090	(15,277)	—	(1,976)	(21,476)	—
Others	32,502	19,393	67.6%	(1,190)	(8,140)	—
Total before adjustment	321,538	311,541	3.2%	(18,431)	(38,708)	—
Adjustment	14,477	7,023	106.1%	6,230	6,106	2.0%
Consolidated total	336,016	318,564	5.5%	(12,200)	(32,602)	—

[Retail]

Although in the end of the current fiscal year, individual investors returned to the market, net operating revenues were 172.0 billion yen, down 3.9% from the previous fiscal year, because the Japanese stock market continued to be weak and brokerage commissions for equity decreased. Ordinary income was 38.8 billion yen, down 7.2%

from the previous fiscal year.

[Global Markets]

In the current fiscal year, the Group actively executed efforts for improving profitability by reducing or withdrawing from unprofitable businesses, but there were fewer opportunities to earn revenue on a global basis because of the worsening of the European sovereign-debt crisis, increasing fears of global recession, and the sharp spike in the Yen. Although in the end of the fiscal year, market circumstances calmed down and began to look up, net operating revenues were 52.0 billion yen, down 15.4% from the previous fiscal year, and ordinary loss was 54.4 billion yen.

[Global Investment Banking]

Although Daiwa Securities Capital Markets Co. Ltd. was the lead manager for the issue of Euro-Yen convertible bonds by KDDI CORPORATION, which was the largest issue in FY2011 and the M&A business in Europe was going well, there were relatively few large deals concerning equity underwriting and net operating revenues were 26.4 billion yen, down 13.6% from the previous fiscal year, and ordinary loss was 14.2 billion yen.

[Asset Management]

The Group worked on the expansion of AUM through broad distribution channels under the conditions of low investor sentiment from the worsening of the European sovereign-debt crisis and the continuing strength of the Yen, and the asset inflows into investment trusts continued firmly. As a result, net operating revenues were 37.4 billion yen, up 3.0% from the previous fiscal year, and ordinary income was 14.6 billion yen, down 8.4% from the previous fiscal year.

[Investment]

Due to exits from existing investments in private equity and non-performing loans contributed to revenue, net operating revenues were 1.0 billion yen and ordinary loss was 1.9 billion yen.

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

The total assets at the end of the current fiscal year increased by 2 trillion 81.6 billion yen from the end of the previous fiscal year to 18 trillion 924.0 billion yen, mainly because trading products increased by 2 trillion 106.4 billion yen and short-term investment securities invested by Daiwa Next Bank, Ltd. and so on increased by 1 trillion 389.9 billion yen, while loans secured by securities decreased by 1 trillion 592.6 billion yen.

On the other hand, the total liabilities increased by 2 trillion 51.3 billion yen to 17 trillion 972.3 billion yen, mainly because trading products increased by 1 trillion 136.4 billion yen and deposits for banking business increased by 1 trillion 169.9 billion yen.

As for net assets, retained earnings decreased by 49.7 billion yen due to the net loss for the fiscal year, but minority interests increased by 80.6 billion yen because Daiwa Office Investment Corporation became a consolidated subsidiary. As a result, total net assets increased by 30.3 billion yen to 951.7 billion yen, whereas the net assets per share were 463.04 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 the competitive power of its businesses. During the current fiscal year, we have made total IT investments of 23.1 billion yen in strengthening services and adjusting operational systems to accommodate the Group's internal reorganizations. We also invested capital in branch offices, including the relocated Kyobashi branch of Daiwa Securities Co., Ltd.

(4) Status of Financing of the Group

The Company issued the 11th Series of Unsecured Bonds of Daiwa Securities Group

Inc. of 30.0 billion yen (payment date of May 25, 2011), SMBC Environmental Assessment Private Placement Bonds of 40.0 billion yen (payment date of May 31, 2011), Daiwa Securities Group Inc. Australian Dollar Notes due November 25, 2013 of 224.0 million Australian Dollars (payment date of July 25, 2011), Daiwa Securities Group Inc. New Zealand Dollar Notes due October 23, 2014 of 161.0 million New Zealand Dollars (payment date of July 25, 2011), Daiwa Securities Group Inc. Australian Dollar Notes due April 16, 2015 of 72.0 million Australian Dollars (payment date of October 18, 2011), Daiwa Securities Group Inc. South African Rand Notes due April 16, 2015 of 1.346 billion South African Rand (payment date of October 18, 2011), and Daiwa Securities Group Inc. Australian Dollar Notes due March 19, 2015 of 250.0 million Australian Dollars (payment date of December 22, 2011).

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

	(Billions of yen)				
	71 st term	72 nd term	73 rd term	74 th term	75 th term (current term)
	(Apr 1, 2007 - Mar 31, 2008)	(Apr 1, 2008 - Mar 31, 2009)	(Apr 1, 2009- Mar 31, 2010)	(Apr 1, 2010- Mar 31, 2011)	(Apr 1, 2011- Mar 31, 2012)
Operating revenues	825.4	413.9	537.9	403.0	422.3
Net operating revenues	447.4	199.5	458.1	318.5	336.0
Ordinary income	90.1	(141.1)	102.9	(32.6)	(12.2)
Net income(loss)	46.4	(85.0)	43.4	(37.3)	(39.4)
Stockholders' equity (Net assets)	1,082.9	952.3	1,017.5	921.3	951.7
Total assets	17,307.1	14,182.5	17,155.3	16,842.4	18,924.0
Stockholders' equity (Net assets) per share (Yen)	607.64	534.99	530.27	496.76	463.04
Net income (loss) per share (Yen)	33.69	(63.16)	26.41	(21.90)	(23.41)
Return on Equity (ROE)%	5.3%	—	5.3%	—	—
Number of consolidated Subsidiaries	46	44	54	58	60
Number of affiliates included under the equity method	6	6	7	6	5

4. Issues to be Addressed by the Group

The global stock markets, remaining low until the close of the last year, are showing signs of favorable turns while external conditions improve, such as growing expectations for recovery in the US, receding concerns about the European debt crisis, and additional world-wide monetary easing. Moreover the domestic markets, with expectations adjusting for reconstruction demands and the Yen appreciation, are entering a phase of reevaluation of Japanese enterprises and their stock prices. This year, when against the past year's winds in the business environments comes a gradual shifting to a gentle fair wind, the "New" Daiwa Securities inaugurates the provision of services, and the Group meets its 110th anniversary.

Under such current state of affairs, we have set forth our three year Mid-Term

Management Plan, “Passion for the Best” 2014. Through this plan, by pursuing greater managerial efficiency to accomplish the return to profitability, and ensuring expansion of high-quality revenues by satisfying the precise needs of clients, we will establish a robust business structure that is independent of external business conditions. Furthermore, we seek to fulfill our vision of becoming a leading financial services firm in Asia possessing and able to leverage a solid business platform in Japan.

Group Management Targets are as follows:

Consolidated Ordinary Income	[Initial FY] Return to Profitability
	[Final FY] Over 120 billion yen
Fixed Cost Coverage Ratio (Note)	[Final FY] Over 50%
	<i>(Note) Fixed Cost Coverage Ratio: Stable Earnings / Fixed Costs</i>

As the first step of the new Mid-Term Management Plan, through pursuit of greater managerial efficiency, and alongside the fulfillment of action plans by each operating segment, we will accomplish the return to profitability in FY 2012. Additionally, in order to meet the demands of financial regulations that are tightening worldwide, we will further enhance our risk management systems and thoroughly carry out operations based on capital efficiency. Every fiscal year an annual review, as well as revisions, will be made to the Mid-Term Management Plan based on assumptions about the business environment for subsequent fiscal years. In conjunction with revisions to assumptions about the business environment, revisions to management targets and quantitative targets will also be examined, but the basic policy, business strategy and other core components of the Mid-Term Management Plan will be maintained throughout the entire three-year period.

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

(1) Retail

- 1) Establish a unique business model creating synergies between securities and banking services
- 2) Strengthen wealth management businesses
- 3) Strengthen service coverage of the Middle Market
- 4) Raise revenue level by improving earnings capacity and productivity

(2) Wholesale

- 1) Acquire Investment Banking deals by utilizing a global network centered on Asia including Japan
- 2) Provide timely products to link firm client base and markets environments
- 3) Develop business focused on client trading flows with priority on capital efficiency and based on appropriate risk management systems

(3) Investment

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

(4) Asset Management

- 1) Reinforce sophisticated investment style and research analysis
- 2) Improve product development functions and offer new attractive products
- 3) Enhance support to distributors and provide information meeting client needs
- 4) Establish an efficient organization and enhance risk management systems

(5) IT / Think-Tank

- 1) Enhance the Group's presence through creating further value as a think-tank
- 2) Create business opportunities by enhancing consulting services in Asia including Japan
- 3) Decrease system-related administration and development costs by introducing in-house IT development and the Group's internal-cloud system

5. Status of the Group

(1) The Group's Primary Businesses

The Group, whose businesses are investment and financial services 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 banking business or 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. (Note 1)	Chiyoda-ku, Tokyo	100,000	100.0% (100.0%)	Securities related business Investment advisory and agency business
Daiwa Securities Capital Markets Co. Ltd. (Note 1)	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 2)	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 estate
Daiwa Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	18,767	100.0% (-)	Venture capital business
Daiwa Institute of Research Business Innovation Ltd.	Koto-ku, Tokyo	3,000	100.0% (-)	Information service
Daiwa Next Bank, Ltd.	Chiyoda-ku, Tokyo	30,000	100.0% (100.0%)	Banking business
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 Office Investment Corporation	Chuo-ku, Tokyo	198,780	45.6% (13.1%)	Investment in specified assets
Daiwa Capital Markets Europe Limited	London, U.K.	GBP882 million	100.0% (-)	Securities related business
Daiwa Capital Markets Asia Holding B.V.	Amsterdam, Netherlands	EUR880 million	100.0% (-)	Integration and management of subsidiaries

Company Name	Location	Capital (millions of yen)	Equity Position (Directly owned)	Business
Daiwa Capital Markets Hong Kong Limited	Hong Kong, China	HKD100 million USD536 million	100.0% (-)	Securities related business
Daiwa Capital Markets Singapore Limited	Singapore, Singapore	SGD102 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 Securities Co. Ltd. (surviving company of merger), and Daiwa Securities Capital Markets Co. Ltd. were merged in an absorption type merger on April 1, 2012.

(Note 2) Daiwa SB Investment Ltd. is an affiliated company.

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

Daiwa Securities Capital Markets Europe Limited, one of the consolidated subsidiaries of the Company, and The Bank of Nova Scotia Berhad reached an agreement in which Daiwa Securities Capital Markets Europe Limited would transfer its synthetic prime brokerage operations to The Bank of Nova Scotia Berhad on November 30, 2011. The said operation concerning the transfer has already been completed.

Daiwa Securities Capital Markets Co. Ltd., one of the consolidated subsidiaries of the Company, transferred 100% of the issued shares of Daiwa Capital Markets Europe Limited, Daiwa Capital Markets Asia Holding B.V., and Daiwa Capital Markets America Holdings Inc. on January 1, 2012 and 100% of the issued shares of Daiwa Capital Markets Korea Co., Ltd. on March 31, 2012 to Daiwa International Holdings Inc., one of the consolidated subsidiaries of the Company.

Daiwa PI Partners Co. Ltd., one of the consolidated subsidiaries of the Company, provided a loan to K.K. Columbus secured by 68,905 investment units (17.41% of the issued investment units) of Daiwa Office Investment Corporation held by K. K. Columbus and acquired all of these 68,905 investment units of Daiwa Office Investment Corporation from K. K. Columbus on May 17, 2011 after it foreclosed its security interest on February 21, February 28 and March 6, 2012. As a result, Daiwa Securities Group companies hold 45.68% of the issued investment units of Daiwa Office Investment Corporation. Daiwa Office Investment Corporation is treated as a consolidated subsidiary of the Company from the end of FY2011.

(4) Status of Major Business Alliances

The Company operates joint ventures with Sumitomo Mitsui Financial Group Inc. in the areas of the asset management business.

The Group operates joint ventures with Aozora Bank, Ltd. in the areas of the M&A finance 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
14,432	(878)

(Note): The number of employees includes 247 financial advisors.

2) The Company's Employees

Number of employees	Change from previous fiscal year	Average age	Average years of service
741	520	39yrs.&9mons.	13yrs.&7mons.

(Note): The reason why the number of employees significantly increased compared with the previous fiscal year is that the employees belonging to the administrative division of the head offices of Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co. Ltd. now concurrently belong to the Company, due to the internal reorganization of the Group including the concentration and enhancement of the efficiency of its administrative facilities.

(7) Major Lenders

Daiwa Securities Group Inc

Name of Lender	Type of Loan	Balance (millions of yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	33,000
	Long-Term Borrowings	128,338
The Sumitomo Trust & Banking Co., Ltd.	Long-Term Borrowings	51,600
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Long-Term Borrowings	24,945
Mizuho Corporate Bank, Ltd.	Long-Term Borrowings	23,600
Resona Bank, Ltd.	Short-Term Borrowings	13,000
	Long-Term Borrowings	10,000
Mitsubishi UFJ Trust and Banking Corporation	Short-Term Borrowings	5,000
	Long-Term Borrowings	11,200
The Gunma Bank, Ltd	Short-Term Borrowings	6,000
	Long-Term Borrowings	4,850
The Shizuoka Bank, Ltd	Short-Term Borrowings	5,500
	Long-Term Borrowings	4,800
TAIYO LIFE INSURANCE COMPANY	Long-Term Borrowings	10,000

Daiwa Securities Co. Ltd.

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

Daiwa Securities Capital Markets Co. Ltd.

Name of Lender	Type of Loan	Balance (millions of yen)
TAIYO LIFE INSURANCE COMPANY	Subordinated Borrowings	23,000
The Chuo Mitsui Trust and Banking Co., Ltd.	Short-Term Borrowings	10,000

Daiwa Office Investment Corporation

Name of Lender	Type of Loan	Balance (millions of yen)
Aozora Bank, Ltd.	Long-Term Borrowings	24,600
Sumitomo Mitsui Banking Corporation	Long-Term Borrowings	20,406

(Note): The main borrowings from outside of the Group, excluding call money etc., are stated above.

(8) Other Significant Matters relating to the Group's Current Status

Daiwa Securities Co. Ltd. (surviving company of merger), one of the consolidated subsidiaries of the Company, and Daiwa Securities Capital Markets Co. Ltd were merged in an absorption type merger on April 1, 2012.

(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, 2012)

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 stock)

(2) Total number of Shareholders: 132,312

(3) Major Shareholders (top ten)

Name	Number of shares held (% of total outstanding shares)
STATE STREET BANK AND TRUST COMPANY 505223	124,357 thousand shares (7.25%)
Japan Trustee Services Bank, Ltd. (Trust Account)	65,527 thousand shares (3.82%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	59,548 thousand shares (3.47%)
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	44,154 thousand shares (2.57%)
STATE STREET BANK AND TRUST COMPANY	42,382 thousand shares (2.47%)
Sumitomo Mitsui Banking Corporation	30,328 thousand shares (1.76%)
STATE STREET BANK AND TRUST COMPANY	26,812 thousand shares (1.56%)
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02	25,457 thousand shares (1.48%)
Japan Trustee Services Bank, Ltd Sumitomo Trust Pension Account	24,888 thousand shares (1.45%)
The Master Trust Bank of Japan, Ltd. (ESOP Trust Account 75404)	23,681 thousand shares (1.38%)

(Note 1) Treasury stock of 35,770,328 shares is excluded for calculating the percentage of the above list of major shareholders.

(Note 2) The Company holds its own shares as treasury stock (35,770 thousand shares) as of March 31, 2012 and those shares are excluded from the above list of major shareholders.

2. Status of Stock Acquisition Rights, etc.

(1) Status of Stock Acquisition Rights (Stock Options) at the end of the current fiscal year

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

Name (Issued Day)	Number (Class and Number of Shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period to exercise	Conditions for exercise
Stock Acquisition Rights issued in June 2005 (June 24, 2005)	436 (Common stock 436,000 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	2,400 (Common stock 2,400,000 shares)				

(Note 1) Each stock acquisition right may not be exercised in part.

(Note 2) The holder of the stock acquisition rights may exercise the rights from the day after they exit all positions as director or Corporate Executive Officer of the Company and its subsidiaries that is determined by the Board of Directors of the Company or the Corporate 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.

(Note 3) 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)	248 (Common stock 248,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2006 to June 30, 2026	(Note 1) (Note 2) (Note 4)
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	(Note 1) (Note 4)
Stock Acquisition Rights issued in July 2007 (July 1, 2007)	266 (Common stock 266,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027	(Note 1) (Note 2) (Note 4)
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	(Note 1) (Note 4)
Stock Acquisition Rights issued in July 2008 (July 1, 2008)	316 (Common stock 316,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028	(Note 1) (Note 2) (Note 4)
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	(Note 1) (Note 4)
Stock Acquisition Rights issued in July 2009 (July 1, 2009)	627 (Common stock 627,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029	(Note 1) (Note 2) (Note 4)
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	(Note 1) (Note 4)
Stock Acquisition Rights issued in July 2010 (July 1, 2010)	1,043 (Common stock 1,043,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2010 to June 30, 2030	(Note 1) (Note 3) (Note 4)
Stock Acquisition Rights, Series 7 (September 1, 2010)	7,399 (Common stock 7,399,000 shares)	Gratuitous grant	380,000 yen (380 yen per share)	From July 1, 2015 to June 25, 2020	(Note 1) (Note 4)

Stock Acquisition Rights issued in July 2011 (July 1, 2011)	1,211 (Common stock 1,211,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2011 to June 30, 2031	(Note 1) (Note 2) (Note 4)
Stock Acquisition Rights, Series 8 (September 5, 2011)	5,855 (Common stock 5,855,000 shares)	Gratuitous grant	326,000 yen (326 yen per share)	From July 1, 2016 to June 24, 2021	(Note 1) (Note 4)
Total	29,640 (Common stock 29,640,000 shares)				

(Note 1) Each stock acquisition right may not be exercised in part.

(Note 2) The holder of the stock acquisition rights may exercise the rights from the day after they exit all positions as director, Corporate Executive Officer, or Executive Officer of the Company and its subsidiaries, which day is determined by the Board of Directors of the Company or the Corporate 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 day of the exercise period, the holder can exercise the stock acquisition rights in accordance with other conditions of exercise.

(Note 3) The holder of the stock acquisition rights may exercise the rights from the day after they exit all positions as director, Corporate Executive Officer, or Executive Officer of the Company and its subsidiaries and affiliates, which day is determined by the Board of Directors of the Company or the Corporate 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 day of the exercise period, the holder can exercise the stock acquisition rights in accordance with other conditions of exercise.

(Note 4) Other conditions for exercise shall be set forth in the stock acquisition right allocation agreement.

(Note 5) 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

<u>Name of Stock Acquisition Rights</u>	<u>Number of holders</u>	<u>Number of rights</u>
Stock Acquisition Rights issued in June 2005	9	63
Stock Acquisition Rights, Series 2	4	10
Stock Acquisition Rights issued in July 2006	9	36
Stock Acquisition Rights, Series 3	6	22
Stock Acquisition Rights issued in July 2007	9	37
Stock Acquisition Rights, Series 4	5	19
Stock Acquisition Rights issued in July 2008	12	58
Stock Acquisition Rights, Series 5	2	12
Stock Acquisition Rights issued in July 2009	14	121
Stock Acquisition Rights issued in July 2010	14	179
Stock Acquisition Rights, Series 7	1	10
Stock Acquisition Rights issued in July 2011	15	264

(Note 1) No stock acquisition right as a stock option was allocated to any Outside Director.

(Note 2) The officers at the end of current fiscal year did not hold any Stock Acquisition Rights, Series 6 or Stock Acquisition Rights, Series 8

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

<u>Name of Stock Acquisition Rights</u>	<u>Class of holders</u>	<u>No. of holders</u>	<u>No. of rights</u>
Stock Acquisition Rights issued in July 2011	Directors of Subsidiaries	45	494
	Employees of Subsidiaries	51	453
	Total	96	947
Stock Acquisition Rights, Series 8	Employees of the Company	230	660
	Directors of Subsidiaries	10	51
	Employees of Subsidiaries	1,988	5,012
	Directors and Employees of Affiliates	61	132
	Total	2,289	5,855

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

(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	Shigeharu Suzuki	See “(2) Corporate Executive Officers”
Member of the Board	Takashi Hibino	See “(2) Corporate Executive Officers”
Member of the Board	Nobuyuki Iwamoto	See “(2) Corporate Executive Officers”
Member of the Board	Makoto Shirakawa	See “(2) Corporate Executive Officers”
Member of the Board	Takatoshi Wakabayashi	See “(2) Corporate Executive Officers”
Member of the Board	Kazuo Oda	See “(2) Corporate Executive Officers”
Member of the Board	Toshihiko Onishi	Auditor of Daiwa Securities Capital Markets Co. Ltd. Outside Auditor of Daiwa SB Investments Ltd. Outside Auditor of Daiwa Property Co., Ltd.
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”
Member of the Board	Kensuke Itoh	See “(3) Outside Officers”

(Note 1) Members of the Board, Ryuji Yasuda, Koichi Uno, Nobuko Matsubara, Keiichi Tadaki and Kensuke Itoh 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 Securities Exchange Co., Ltd. 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: 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

(Note 3) Koichi Uno, a member of the Audit Committee, is a certified public accountant and licensed tax accountant and also has expertise in finance and accounting.

(2) Corporate Executive Officers

Title	Name	Area in Charge and Significant Concurrent Positions
President/Representative Executive Officer	Takashi Hibino	Chief Executive Officer (CEO), Head of Retail, Head of Wholesale, Representative Director/President of Daiwa Securities Co. Ltd. Representative Director/President of Daiwa Securities Capital Markets Co. Ltd.
Deputy President/Representative Executive Officer	Nobuyuki Iwamoto	Chief Operating Officer (COO), Chief Financial Officer (CFO), Head of Planning, Personnel and Overseas 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	Akio Takahashi	Deputy Head of Wholesale, Representative Director/Deputy President of Daiwa Securities Capital Markets 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 Think-tank, 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	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.
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, Deputy Head of 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	Representative Director/Chairman of the Board of Daiwa Securities Co. Ltd.

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

(Note 2) Corporate Executive Officers, Toshiro Ishibashi, Kazuo Oda, Hiroyuki Inose resigned as of March 31, 2012, respectively. Further, Toshiro Ishibashi resigned as Representative Director/President of Daiwa Asset Management Co. Ltd. as of April 2, 2012.

(Note 3) Yoriyuki Kusaki took his new position as a Corporate Executive Officer as of April 1, 2012,

and as of said day the responsibilities of the Corporate Executive Officers changed as follows.

Deputy President	Nobuyuki Iwamoto	Chief Operating Officer (COO), Chief Financial Officer (CFO), Head of Personnel and Overseas
Deputy President	Yoriyuki Kusaki	Deputy Head of Retail
Deputy President	Makoto Shirakawa	Head of Asset Management
Executive Managing Director	Toshihiro Matsui	Head of Planning and Legal, Deputy Head of Personnel

Further, Nobuyuki Iwamoto and Akio Takahashi each took the position of Representative Director/Deputy President of Daiwa Securities Co. Ltd., Makoto Shirakawa took the position of Representative Director/President of Daiwa Asset Management Co. Ltd. and Takatoshi Wakabayashi took the position of Senior Executive Managing Director of Daiwa Securities Co. Ltd. as of April 2, 2012.

(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
Ryuji Yasuda	Professor of Hitotsubashi University, Graduate School of International Corporate Strategy Outside Director of Fukuoka Financial Group, Inc. Outside Director of the Bank of Fukuoka, Ltd. Outside Director of Sony Corporation Director of Sony Financial Holdings Inc. Outside Director of Yakult Honsha Co., Ltd. Outside Auditor of The Asahi Shimbun Company
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
Kensuke Itoh	Advisor of Kyoto Ceramic Co., Ltd. Advisor of Kyoto Purple Sanga Co., Ltd. Director of Kyoto Broadcasting System Company Limited

(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)
Ryuji Yasuda	Attended all 10 Board of Directors' Meetings 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' Meetings 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 accountant.
Nobuko Matsubara	Attended all 10 Board of Directors' Meetings and 11 of the 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' Meetings and all 12 Audit

Committee held during the current fiscal year, and made remarks mainly on maintenance and build-up of the compliance system of the Company, from his professional view as an attorney.

Kensuke Itoh

Attended 7 of the 8 Board of Directors' Meetings held after his assumption of his position as Director 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.

(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 Corporate Executive Officers

Amounts of Remunerations, etc. Paid based on Resolution of the Compensation Committee	Directors		Corporate Executive Officers		Total	
	Number Paid	Amount Paid	Number Paid	Amount Paid	Number Paid	Amount Paid
	Persons	¥million	Persons	¥million	Persons	¥million
	9	107	14	424	23	531

(Note 1) The Company decided not to make the payment linked to achievement for the current fiscal year.

(Note 2) The above paid amounts include stock acquisition rights granted as stock options to the Directors and Corporate Executive Officers valued at 94 million yen in total. 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 the six (6) outside directors was 80 million yen.

(Note 4) The remunerations to the seven (7) Directors who also serve as Corporate Executive Officers are stated in the column of Amount Paid to the Corporate Executive Officers.

(5) Policies for Determination of Remuneration for Directors and Corporate Executive Officers

Remuneration for Directors and Corporate Executive Officers is determined based on the following fundamental policies.

- To make 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.
- To operate as a "committee system" company, so that execution and supervision function effectively.

Remuneration for Directors and Corporate 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 the 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 the Medium-Term Management Plan have progressed and other elements into consideration.

Payment linked to achievement shall not be applied to Directors who do not serve as a Corporate Executive Officer.

3) Payment linked to stock price

To increase the link between payment and 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 apply 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.

80 million yen

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

479 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 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 a "Discharge or refusal of reappointment of the independent auditor" as a 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 the 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 28, 2011), 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 independence of Directors and employees set forth in the preceding paragraph, from the Corporate Executive Officers

Corporate 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 to 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 Corporate Executive Officers and employees to report to Audit Committee and System for other reports to Audit Committee

Corporate 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 the 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 any 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 Corporate 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 Corporate 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 the Articles of Incorporation.

a) Compliance System

- * Establish an internal reporting system for the purpose of identifying and correcting any conducts, etc. violating laws, ordinances or other regulations in the Group at an early stage.
- * Enact rules of ethics and standards 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 the 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 ethics 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 systems 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 risk status and the system for managing the risk and the risk status of the Group, etc., discusses and determines the policies and actual implementation of methods relating to risk management.

c) Group Internal Audit Committee

The Group Internal Audit Committee, as a sectional committee under the CEO, discusses and determines the matters relating to development of a system 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 the 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 managing information relating to execution of Corporate Executive Officers' duties

Information relating to execution of Corporate Executive Officers' duties shall be stored and managed properly in accordance with the rules for filing and storing documents.

3) Systems for rules and others relating to management of loss risk

- * Clarify the systems for managing the risk by establishing basic matters to properly manage various risks belonging to the entire Group for its business in accordance with each characteristic of the Group 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 risks to manage and Corporate 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 Corporate Executive Officers' duties

- * Clarify Corporate Executive Officers' duties and methods of executing them, and the business operations they manage in the rules of Corporate Executive Officers.
- * About matters which have material effect on the Company or its group, clarify the matters to be resolved and matters to be reported in the rules of the Executive Committee and Overseas Management Committee, etc.

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

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

Consolidated statements of income

(Millions of yen)	Fiscal 2011 Apr. 1, 2011 - Mar. 31, 2012	[References] Fiscal 2010 Apr. 1, 2010 - Mar. 31, 2011
Operating revenue:	422,374	403,042
Commission received:	220,845	218,630
Commission to consignees	40,782	50,664
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	19,507	26,303
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	49,138	31,579
Other fees received	111,416	110,082
Net trading income	79,416	92,476
Net gain (loss) on operational investment securities	1,955	(17,259)
Financial revenue	79,761	71,915
Other operating revenue	40,395	37,278
Financial expenses	59,689	58,061
Other operating expenses	26,668	26,415
Net operating revenue	336,016	318,564
Selling, general and administrative expenses:	359,729	363,919
Trading related expenses	68,856	70,398
Personnel expenses	158,297	160,234
Real estate expenses	44,880	45,257
Office cost	27,751	27,026
Depreciation	39,861	39,163
Taxes and dues	6,581	7,043
Provision of allowance for doubtful accounts	25	-
Other	13,474	14,795
Operating income (loss)	(23,713)	(45,355)
Non-operating income:	12,805	15,636
Interest income	147	204
Dividends income	2,735	5,085
Amortization of negative goodwill	4,565	4,565
Equity in earnings of affiliates	1,576	2,386
Gain on investments in partnership	42	171
Other	3,738	3,222
Non-operating expenses:	1,292	2,884
Interest expenses	65	102
Bond issuance cost	174	482
Foreign exchange losses	675	1,616
Other	376	682
Ordinary income (loss)	(12,200)	(32,602)
Extraordinary income:	39,660	9,077
Gain on sales of non-current assets	-	1,597
Gain on sales of investment securities	1,820	4,061
Gain on sales of subsidiaries and affiliates' stocks	-	1,571
Gain on step acquisitions	2,118	-
Gain on negative goodwill	35,265	-
Reversal of reserve for financial products transaction liabilities	455	884
Other	-	962
Extraordinary loss:	44,334	11,000
Loss on sales and retirement of non-current assets	7,308	2,013
Loss on sale of investment securities	276	9
Impairment loss	17,883	594
Loss on valuation of investment securities	4,556	5,560
Provision for contingent loss	-	950
Business restructuring cost	11,212	-
Other	3,097	1,871
Income (loss) before income taxes	(16,874)	(34,525)
Income taxes-current	7,452	6,906
Income taxes-deferred	16,947	2,806
Income (loss) before minority interests	(41,273)	(44,239)
Minority interests in income (loss)	(1,838)	(6,907)
Net income (loss)	(39,434)	(37,331)

Consolidated statements of changes in net assets

(Apr. 1, 2011 - Mar. 31, 2012)

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

(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 beginning of current period	23,135	85	(36,013)	4,385	83,080
Changes of items during the period					
Net changes of items other than shareholders' equity	203	(1,761)	(4,503)	1,043	80,693
Total changes of items during the period	203	(1,761)	(4,503)	1,043	80,693
Balance at the end of current period	23,338	(1,676)	(40,517)	5,429	163,774

[References]

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

(Millions of yen)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	247,384	230,593	452,456	(689)	929,744
Changes of items during the period					
Issuance of new shares	12	12	-	-	25
Dividends from surplus	-	-	(19,233)	-	(19,233)
Net 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 beginning of current period	20,365	315	(23,262)	3,242	87,123
Changes of items during the period					
Net changes of items other than shareholders' equity	2,769	(230)	(12,750)	1,143	(4,042)
Total changes of items during the period	2,769	(230)	(12,750)	1,143	(4,042)
Balance at the end of current period	23,135	85	(36,013)	4,385	83,080

The consolidated financial statement of Daiwa Securities Group Inc. (“the Company”) for the fiscal year ended March 31, 2012 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.

A summary of significant accounting policies

1. Scope of consolidation

(1) The number of consolidated subsidiaries and the names of major consolidated subsidiaries

The number of consolidated subsidiaries: 60 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 Next Bank, Ltd.
Daiwa Securities SMBC Principal Investments Co. Ltd.
Daiwa PI Partners Co. Ltd.
Daiwa Real Estate Asset Management Co. Ltd.
Daiwa Office Investment Corporation
Daiwa Capital Markets Europe Limited
Daiwa Capital Markets Asia Holding B.V.
Daiwa Capital Markets Hong Kong Limited
Daiwa Capital Markets Singapore Limited
Daiwa Capital Markets America Holdings Inc.
Daiwa Capital Markets America Inc.

In consolidated financial statements of the Company for the fiscal year ended March 31, 2012, three companies were added to the scope of consolidation due to their having been newly established, and one company was added to the scope of consolidation due to the acquisition of additional investment units, and two companies were excluded due to liquidation and the decrease in materiality, respectively.

Daiwa Securities Co. Ltd. (surviving company of merger) and Daiwa Securities Capital Markets Co. Ltd. were merged in an absorption type merger on April 1, 2012.

(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, and are immaterial as a whole, 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: 4 companies

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 cultivating investments and revitalizing 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 neither hold any voting rights nor any shares of six Special Purpose Entities and have not dispatched any directors or employees to those six Special Purpose Entities. The issued amount of notes by those Special Purpose Entities is 405,374 million yen as of March 31, 2012.

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 the equity method is applied

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

The number of affiliates included under the equity method: 5 companies

The names of major affiliates included under the equity method:

Daiwa SB Investments Ltd.

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

Concerning affiliates included under the equity method with fiscal years ended on a date other than March 31, 2012, for one affiliate, the tentative financial statements as of March 31, 2012 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 the equity method is not applied

The names of major companies

Daiwa Software Research Co., Ltd.

Rationale for not applying the equity method

The exclusion from application of the equity method to those non-consolidated subsidiaries and affiliates has no material impact on the consolidated statutory report in terms of operating revenues or sales, the share of net income or loss, and the share of retained earnings, and are immaterial as a whole. Therefore the Company does not apply the equity method to these 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: 12 companies

The names of major companies not treated as affiliates

ALMEX PE Inc.

Rationale for not being treated as affiliates

Some consolidated subsidiaries have owned these companies' stocks as operational transactions for the purpose of acquiring capital gains by cultivating investments and revitalizing 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 cannot exercise significant influence on these investee companies.

3. Fiscal year of consolidated subsidiaries

Fiscal year end of consolidated subsidiaries are as follows:

March 31 : 57 companies

May 31 and November 30 : 1 company

December 31 : 2 companies

For one consolidated subsidiary with a fiscal year ended on a date other than March 31, 2012, the financial statements for the fiscal year of the subsidiary are reflected, and for two consolidated subsidiaries with a fiscal year ended on a date other than March 31, 2012, the tentative financial statements for the fiscal year ended March 31, 2012 or other record date 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 prices 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 in 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 is 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 other assets 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 assuming their residual value to be zero.

Concerning financial lease transactions other than those that transfer ownership to the lessee, those which started before March 31, 2008 the fiscal situation were accounted for using the accounting treatment similar to that for 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 the 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 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.

(v) Provision for loss on litigation

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

- (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, 2012, 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 are 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 securities, loans payable and bonds, the Company and some subsidiaries 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.
- (6) Amortization of goodwill and negative goodwill
 Goodwill and negative goodwill which were generated before March 31, 2010 are amortized, when incurred, by using the straight-line method within 20 years considering each condition of acquired subsidiaries and affiliates. The goodwill is amortized in a lump sum when incurred in cases where the amount is immaterial.
- (7) Other significant items associated with the preparation of consolidated statutory report
 (i) Accounting method for consumption tax
 The accounting method for consumption tax is based on the tax excluded method.
 (ii) Consolidated tax payments system
 The consolidated tax payments system has been applied to the Company and Daiwa Corporate Investment Co., Ltd. as parent companies of the consolidated tax payments.
 (iii) Accounting method for trust beneficiary interests in real estate and other assets
 Concerning trust beneficiary interests in real estate held by some consolidated subsidiaries, all accounts of assets and liabilities within assets in trust, as well as all income generated and expenses incurred from assets in trust, are recorded in the relevant consolidated balance sheets and consolidated statements of income.

5. Additional information

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

The Group changed from "Other sales" to "Other operating revenue", and from "Cost of sales" to "Other operating expenses" on its consolidated statements of income from fiscal 2011.

Notes to consolidated balance sheet

1. Assets pledged as collateral and liabilities secured

(1) Assets pledged as collateral

Securities	214	million yen
Trading products	1,466,730	
Investment securities	16,300	
Total	1,483,245	

(Note) The amounts above corresponded to the amount on the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 339,224 million yen were also pledged as collateral.

(2) Liabilities secured

Borrowings on margin transactions	3,109	million yen
Short-term loans payable	1,372,960	
Total	1,376,070	

(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	5,997,030	million yen
Securities sold by Gensaki transaction	809,517	
Others	464,743	
Total	7,271,291	

(Note) Assets classified in pledged assets were excluded.

3. Market value of securities accepted as collateral		
Borrowed securities under agreements of loan for consumption	6,695,182	million yen
Others	307,560	
Total	7,002,743	

4. Allowance for doubtful accounts deducted directly from assets		
Investments and other assets, other	8,702	million yen

5. Accumulated depreciation of property, plant and equipment:	126,897	million yen
---	---------	-------------

6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	1,256 million yen
Others	Liabilities	1,372
Total		2,629

7. Reserves under the special laws

Reserve for financial products transaction liabilities:	2,566 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, 2012

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 17, 2011	Common shares	5,140	3	March 31, 2011	June 6, 2011
Board of Directors of October 28, 2011	Common shares	5,140	3	September 30, 2011	December 1, 2011
Total		10,281			

(Note) The total amount of dividends resolved by the Board of Directors of May 17, 2011 includes 104 million yen distributed to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account 75404).

The total amount of dividends resolved by the Board of Directors of October 28, 2011 includes 88 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, 2012

It was scheduled to be resolved at the meeting of the Board of Directors of May 15, 2012 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, 2012
4. Effective date	June 4, 2012

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

(Note 2) Total amount of dividends includes 71 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, 2012

	Item	Number of shares				As of Mar. 31, 2012 (Millions of yen)
		As of Apr. 1, 2011	Increase	Decrease	As of Mar. 31, 2012	
The Company	Stock subscription rights issued in July, 2006	262,000	-	14,000	248,000	338
	Series 3 stock subscription rights	2,457,000	-	34,000	2,423,000	1,218
	Treasury stock subscription rights	136,000	34,000	-	170,000	-
	Stock subscription rights issued in July, 2007	276,000	-	10,000	266,000	348
	Series 4 stock subscription rights	2,470,000	-	42,000	2,428,000	852
	Treasury stock subscription rights	100,000	42,000	-	142,000	-
	Stock subscription rights issued in July, 2008	326,000	-	10,000	316,000	307
	Series 5 stock subscription rights	3,023,000	-	35,000	2,988,000	563
	Treasury stock subscription rights	76,000	35,000	-	111,000	-
	Stock subscription rights issued in July, 2009	639,000	-	12,000	627,000	363
	Series 6 stock subscription rights	4,319,000	-	65,000	4,254,000	348
	Treasury stock subscription rights	94,000	65,000	-	159,000	-
	Stock subscription rights issued in July, 2010	1,056,000	-	13,000	1,043,000	391
	Series 7 stock subscription rights	7,340,000	-	94,000	7,246,000	201
	Treasury stock subscription rights	59,000	94,000	-	153,000	-
	Stock subscription rights issued in July, 2011	-	1,211,000	-	1,211,000	433
	Series 8 stock subscription rights	-	5,855,000	59,000	5,796,000	63
	Treasury stock subscription rights	-	59,000	-	59,000	-
	Total				5,429	-

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

(Note 2) Exercise period of "Series 4 stock subscription rights", "Series 5 stock subscription rights", "Series 6 stock subscription rights", "Series 7 stock subscription rights" and "Series 8 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 banking business or 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", "loans" 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, deposits, 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 on exchanges, such as stock index futures, bond futures, interest rate futures and options for those, (c) derivatives (OTC derivatives), not traded on 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 operational investment securities, etc., in the principal investments business and venture capital business, loans and securities, etc. in the banking business and investment securities for the business relationship, etc.

Of the various risks, 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. and from the market environment in which no transaction can be executed because of an excessive decrease of liquidity or one in which market participants are forced to trade in extremely unfavorable conditions. Credit risk means the risk of suffering losses from defaults or credit changing of counterparts or issuers of financial instruments which the Group holds, etc.

In the trading business, the Group conducts derivative transactions solely 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, deposits, etc., as well as holding its financial instruments, and is exposed to liquidity risk. Liquidity risk means the risk of suffering losses such that cash management may be impossible and remarkably higher financing costs 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 the Board of Directors which states the basic policy of risk management, types of risks 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 Group Risk Management Committee as a sub-committee of the Executive Committee of the Company receives reports on matters such as risk exposure obtained by monitoring of subsidiaries and issues 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

The Group manages its trading positions by establishing the limit for VaR which indicates the estimate of the maximum loss amount under a certain probability, position and sensitivity, etc., considering the financial situation, the business plan and budget of each division. The risk management department of the Company recognizes the market risk of the entire Group and informs the management of the Company on a daily basis. In order to cover the capacity limit of VaR calculated by the statistical hypothesis based on the data obtained for a certain period, the Company applies the stress test with a the scenario supposing the impact of an abrupt change in the market and the hypothetical stress events.

(Quantitative information concerning market risk)

Major 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, 2012 (fiscal year end) was 1.4 billion 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. The Group has also 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 collateral, 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 operational investment securities, etc., as a result of the principal investments business and venture capital business and investment securities for the business relationship, loans, securities, etc., in the banking business. 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 risk management that suits each risk profile. The Company periodically monitors the situation of risk and informs it to the management of the Company.

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 down 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 results of examination by the examination division. After investment, it holds a risk management committee and monitors the situation and exit strategy from invested companies and financial influence on the business, etc.

The subsidiary that engages in the banking business established a management policy and management system for each risk which needs management. Furthermore, an ALM committee, a body under the Board of Directors, was established to discuss and decide the way to manage the risks. The committee manages the credit risk, market risk and liquidity risk, and discusses the important matters relating to the management of assets, liabilities and capitals. The subsidiary controls the risks by doing business within the limited amount decided by the Board of Directors and the committees.

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)

(a) Financial assets and liabilities (excluding the financial assets and liabilities held by the subsidiaries which engage in the banking business)

The main financial assets 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, 2012, market prices of the listed equities in operational investment securities and investment securities would fluctuate by 11.1 billion yen if the index, such as TOPIX, were to change by 10%.

Also, the main financial liabilities in the Group that are influenced by market risk are "bonds and notes" and "long-term borrowings." As of March 31, 2012, if all other risk variables were assumed to be unchanged and the interest rate supposed to change by 10 basis points (0.1%), the market prices of "bonds and notes" and "long-term borrowings" would fluctuate by 1.2 billion yen and 0.0 billion yen, respectively.

(b) Financial assets and liabilities held by the subsidiary that engages in the banking business

The subsidiary that engages in the banking business regards the financial value changes as the market risk for its financial assets and liabilities, and utilizes it for quantitative analysis when managing the interest rate risk. The financial value changes are derived from the 99th percentile figure of the interest rate volatility measured with a holding period of one year and observation period of five years.

Calculating the financial value changes, the financial assets and liabilities are categorized according to the interest due date and interest rate volatility is used for each term. At the end of the fiscal year, presuming that all the risk factors except interest rates are unchanged, the financial value derived from the 99th percentile figure will be decreased by 4.1 billion yen.

The financial value changes suppose that the risk factors except interest rates are unchanged, and it is not considered to be a correlation between the interest rates and other risk factors. Therefore it is possible that the actual impact may exceed the calculated amount in the case that the interest rates fluctuation is not within the reasonably estimated range.

(iii) Management of liquidity risk concerning raising capital

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

Methods of raising capital of the Group include unsecured fundraising such as corporate bonds, medium-term notes, borrowing from financial institutions, commercial paper, call money and deposits, etc. and secured fundraising such as Gensaki transactions and repurchase agreements, etc. By those methods, the Group realizes effective and stable raising of 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 in recent years, the Group has increased liquidity by raising 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 raised capital and sources of funding preparing for the event that it becomes difficult to raise new capital and to reschedule the existing raising of capital due to a financial crisis occurring.

Further, the Group has established a 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 without collateral that has a maturity date within a certain period as well as 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 Group has established a system that enables the Group to continue the business even if the Group cannot raise funds for a year or so.

The Company collectively manages and monitors the liquidity of the entire Group under the basic policy to secure the appropriate liquidity of the Group as a whole. The Company always monitors whether the liquidity portfolio is sufficiently secured against short-term raised capital without collateral preparing for the case that it becomes difficult to raise new capital and to reschedule the existing raising of capital due to the occurrence of some stress, which is specific to the Company or influences the entire market. Also, the Group has established a system that enables the Company to flexibly supply capital to the Group companies if necessary, and achieves efficient and unified raising of capital and capital management. That enables the Group to raise and manage capital integrally.

The Group has also established a contingency plan as one of the measures of dealing with liquidity risk. This plan states the basic policy concerning the reporting lines depending upon the urgency of stress internally originated, including a credit crunch, and externally originated including an abrupt change of market environment, and the method of raising capital. The contingency plan enables the Group to prepare a system for securing liquidity through a swift response.

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

Moreover, Daiwa Securities Co. Ltd., Daiwa Securities Capital Markets Co. Ltd. and foreign subsidiaries, which are sensitive to influence by financial markets and for which the importance to secure liquidity of the capital is significant, they each decide their own contingency plans 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 scenarios assumed and tries to preliminarily execute countermeasures, 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, 2012, fair value and the difference of those are as below. Any item for which it is extremely difficult to obtain its fair value is not included in the below statement (see Note 2).

(Millions of yen)	Amounts in consolidated balance sheets	Fair value	Difference
Assets			
(1) Cash and deposits	1,050,468	1,050,468	-
(2) Cash segregated as deposits	204,477	204,477	-
(3) Trading products			
(a) Trading securities and other	6,148,294	6,148,294	-
(b) Derivatives	2,728,655	2,728,655	-
(4) Trade date accrual	139,096	139,096	-
(5) Margin transaction assets			
Loans on margin transactions	106,975	106,975	-
Cash collateral pledged for securities borrowing on margin transactions	13,894	13,894	-
(6) Loans secured by securities			
Cash collateral pledged for securities borrowed	5,729,144	5,729,144	-
Loans on Gensaki transactions	6,047	6,047	-
(7) Securities, Operational investment securities and Investment securities			
(a) Securities intended to be held for trading purposes	2,462	2,462	-
(b) Held-to-maturity debt securities	563,688	564,074	385
(c) Subsidiaries' stocks and affiliates' stocks	-	-	-
(d) Available-for-sale securities	1,113,509		
Allowance for investment loss	(7,549)		
	1,105,959	1,105,959	-
Total assets	17,799,165	17,799,511	385
Liabilities			
(1) Trading products			
(a) Trading securities and other	3,570,153	3,570,153	-
(b) Derivatives	2,383,126	2,383,126	-
(2) Margin transaction liabilities			
Borrowings on margin transactions	3,109	3,109	-
Cash received for securities lending on margin transactions	49,646	49,646	-
(3) Loans payable secured by securities			
Cash received on debt credit transactions of securities	5,257,835	5,257,835	-
Borrowings on Gensaki transactions	810,545	810,545	-
(4) Deposits for banking business	1,169,916	1,169,474	441
(5) Deposits received	125,731	125,731	-
(6) Guarantee deposits received	226,143	226,143	-
(7) Short-term loans payable	1,794,254	1,794,254	-
(8) Commercial papers	275,191	275,191	-
(9) Current portion of bonds	215,309	215,309	-
(10) Bonds payable	1,282,479	1,251,803	30,676
(11) Long-term loans payable	623,297	619,920	3,377
Total liabilities	17,786,740	17,752,245	34,495
Derivative transactions other than trading (※)			
Transactions in which hedge accounting is not applied	(87)	(87)	-
Transactions in which hedge accounting is applied	(3,636)	(3,918)	(281)
Total derivative transactions other than trading	(3,724)	(4,005)	(281)

※ Asset and Liabilities which are generated from derivative transactions other than trading are stated on a net basis. These are stated in "()" in the event that the net basis is a liability.

(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 on 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 on exchange

(b) Derivative transactions

Derivatives traded on exchange	mainly liquidation price on exchange or basic price for calculation margin
Interest rate swaps	prices calculated by price valuation models generally acknowledged in 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 in 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 in 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 equity 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 transactions and collateral 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 collateral 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 on 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 on 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 for banking business

The fair value of demand deposits are calculated based on the amount payable at the end of the fiscal year, which means their book value is used as their fair value.

The fair value of fixed deposits is calculated by categorizing the balance in accordance with their maturity and discounting the relevant future cash flow, at the fixed discount rate.

Discount rate is calculated by yield curve, which includes credit spread of the Group. For the fixed deposits whose maturity date is within one year, their book value is considered as their fair value because the fair value is close to the book value.

(ix) 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.

(x) 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.

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

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

(xii) Bonds payable

Concerning the fair value of bonds whose maturity is longer than one 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 based on a consideration of interest rate fluctuation since the issuance and change of the 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.

(xiii) Long-term loans payable

Fair value is calculated from book value which is adjusted based on a consideration of interest rate fluctuation from the issuance and change of the 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.

(ix) Derivative transactions other than trading

The accounting method is the same as "(iii) Trading products (b) Derivative transactions".

(Note 2) Any financial product which it 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	32,464
Other securities	
Unlisted equities	74,638
Investments in limited partnerships and other similar partnerships	16,533
Others	4,499

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

Notes to rental properties

1. Regarding the situation of rental properties

Some subsidiaries hold rental properties that are utilized for rental offices (including land).

2. Regarding the market prices of rental properties

The amount on the consolidated balance sheet and market price of the properties as of the end of fiscal 2011 are as follows.

	(millions of yen)
The amount recorded on the consolidated balance sheets	Market price
269,320	269,320

(Note 1) The amount on the consolidated balance sheets is calculated as acquisition costs less accumulated depreciation.

(Note 2) The market prices as of the end of fiscal 2011 are the valuations provided by the outside real estate appraiser.

Notes to per share information

Net assets per share 463.04 yen

Net income (loss) per share (23.41) yen

Notes to Subsequent events

(Regarding Internal Reorganization)

Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. conducted a merger on April 1, 2012 based on a Merger Agreement executed on February 20, 2012.

The outline of the merger is as follows.

1. Corporate name, the substance of business, date of business combination legal form of business combination, corporate name after business combination and outline of the deal including the objective of the deal.

(1) Corporate name and the substance of business

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

(2) Date of business combination

April 1, 2012

(3) Legal form of business combination

An absorption type merger with Daiwa Securities Co. Ltd. as the surviving company

(4) Corporate name after business combination

Daiwa Securities Co. Ltd.

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

The integration of Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. vastly increases the reliability of a strong management base, by means of further optimization of administration and augmentation of added value to meet the highly diversifying client demands.

2. Outline of accounting procedure

Based on the “Accounting Standard for Business Combinations” (ASBJ Statement No.21 of December 26, 2008)

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

Notes to Business Combinations and related matters

(1) Outline of the business combinations

(i) The name and the business of the acquired corporation

The name: Daiwa Office Investment Corporation

The business: Investment in and management of specified assets

(ii) The reason for the business combination

Daiwa PI Partners Co. Ltd., a consolidated subsidiary of the Company, executed a loan agreement with K.K. Columbus and provided a loan secured by 68,905 investment units (17.41% of the total issued and outstanding investment units) issued by Daiwa Office Investment Corporation and held by K.K. Columbus. Daiwa PI Partners Co. Ltd. decided to foreclose the security interest pursuant to the provisions of the loan agreement and acquired the 68,905 units issued by Daiwa Office Investment Corporation. The Group believes that it will be able to enhance the value of the entire Group by supporting and realizing the growth of Daiwa Office Investment Corporation by making available the corporate resources of the Group.

(iii) The date of business combination

February 29, 2012 (which is considered to be the acquisition date)

(iv) Legal form of the business combination

Acquisition of investment units issued by Daiwa Office Investment Corporation

(v) The ratio of voting rights the Group has acquired

The ratio of voting rights before the acquisition: 28.27%

The ratio of additional voting rights acquired on the date of business combination: 17.41%

The ratio of voting rights after the acquisition: 45.68%

(2) The term of business of the acquired corporation reflected on the consolidated financial statements

The business before the date of the business combination (February 29, 2012 is considered to be the acquisition date) is reflected in the investment profit under the equity method.

(3) Acquisition cost and details of the acquired corporation

The fair value of the investment units issued by Daiwa Office Investment Corporation just before the business combination: 23,877 million yen

The fair value of the additional investment units issued by Daiwa Office Investment Corporation acquired on the effective date of the business combination: 14,704 million yen

The acquisition cost of the acquired corporation: 38,582 million yen

(4) The difference between the acquisition cost of the acquired corporation and the sum of the acquisition costs for each transaction until the completion of business combination

Gain on step acquisition: 2,118 million yen

(5) The amount of and the reason for the generated negative goodwill

(i) The amount of generated negative goodwill: 35,265 million yen

(ii) The reason for the generated negative goodwill

It was generated because the amount calculated as the market price of the assets and liabilities of the acquired corporation exceeds the acquisition cost.

(6) The amount and the details of assets and liabilities acquired on the effective date of the business combination

(millions of yen)

Current assets	15,868
Non-current assets	269,678
Total assets	285,547
Current liabilities	43,685
Non-current liabilities	80,190
Total Liabilities	123,876

(7) The amount and method of impact on the consolidated statements of income for fiscal 2011 by supposing that the business combination would have been completed on the beginning day of fiscal 2011

(millions of yen)

Net Operating Revenue	7,732
Ordinary Income	2,365
Net Income	1,604

(The method of the calculation of approximate amount)

Supposing that the business combination would have completed on the beginning day of fiscal 2011, the approximate amount of impact is the difference between the profit/loss information and the amount of net operating revenue after adjusting for the elimination of internal transactions and the investment profit/loss under the equity method, and the profit/loss information and the amount of net operating income relating to the consolidated statements of income of acquired corporation. The amounts above are unaudited.

Balance sheet

(Millions of yen)	Fiscal 2011 As of Mar. 31, 2012
<i>Assets</i>	
Current assets:	361,343
Cash and deposits	122,307
Securities	74,943
Short-term loans receivable	115,999
Accounts receivable	35,170
Accrued income	4,923
Deferred tax assets	615
Other current assets	7,884
Allowance for doubtful accounts	(500)
Non-current assets:	1,659,473
Property, plant and equipment:	44,853
Buildings	419
Equipment	2,352
Land	42,082
Intangible assets:	2,250
Software	1,390
Other	860
Investments and other assets:	1,612,368
Investment securities	106,769
Stocks of subsidiaries and affiliates	801,407
Investments in other securities of subsidiaries and affiliates	13,500
Long-term loans receivable	700,133
Long-term guarantee deposits	5,859
Other	4,673
Allowance for doubtful accounts	(19,973)
Total assets	2,020,817

(Millions of yen)	Fiscal 2011 As of Mar. 31, 2012
<i>Liabilities</i>	
Current liabilities:	365,155
Short-term loans payable	159,412
Current portion of bonds	165,237
Accrued expenses	4,687
Loans payable secured by securities	31,708
Income taxes payable	120
Provision for bonuses	308
Other current liabilities	3,680
Non-current liabilities:	788,442
Bonds payable	390,831
Long-term loans payable	390,554
Long-term guarantee deposited	1,542
Deferred tax liabilities	2,633
Provision for retirement benefits	2,715
Other non-current liabilities	166
Total liabilities	1,153,598
<i>Net assets</i>	
Shareholders' equity:	853,959
Capital stock	247,397
Capital surplus:	226,800
Legal capital surplus	226,751
Other capital surplus	48
Retained earnings:	402,442
Legal retained earnings	45,335
Other retained earnings	357,106
Voluntary retained earnings	218,000
Retained earnings brought forward	139,106
Treasury stock	(22,681)
Valuation and translation adjustments:	7,830
Valuation difference on available-for-sale securities	7,830
Subscription rights to shares	5,429
Total net assets	867,219
Total liabilities and net assets	2,020,817

Statement of income

(Millions of yen)	Fiscal 2011 Apr. 1, 2011 - Mar. 31, 2012
Operating revenue:	103,428
Dividends from subsidiaries and affiliates	93,573
Interest on loans receivable from subsidiaries and affiliates	9,524
Other	330
Operating expenses:	22,897
Selling, general and administrative expenses:	12,997
Trading related expenses	2,182
Personnel expenses	5,352
Real estate expenses	1,524
Office cost	1,189
Depreciation	861
Taxes and dues	856
Other	1,029
Financial expenses	9,899
Operating income	80,531
Non-operating income:	4,401
Interest income	126
Dividend income	1,929
Foreign exchange gains	197
Other	2,148
Non-operating expenses:	1,430
Bond issue cost	1,388
Other	41
Ordinary income	83,502
Extraordinary income:	1,188
Gain on sales of investment securities	1,188
Extraordinary loss:	16,107
Loss on sales of investment securities	317
Loss on valuation of investment securities	4,093
Loss on valuation of stocks of subsidiaries and affiliates	833
Provision of allowance for doubtful accounts	9,937
Other	926
Income before income taxes	68,583
Income taxes-current	(13,962)
Income taxes-deferred	9,796
Net income	72,749

Statement of changes in net assets

(Apr. 1, 2011 - Mar. 31, 2012)

(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 beginning of current period	247,397	226,751	26	45,335	218,000	76,638	(27,054)	787,094	
Changes of items during the period									
Dividends from surplus	-	-	-	-	-	(10,281)	-	(10,281)	
Net income	-	-	-	-	-	72,749	-	72,749	
Purchase of treasury stock	-	-	-	-	-	-	(6)	(6)	
Disposal of treasury stock	-	-	22	-	-	-	4,380	4,403	
Total changes of items during the period	-	-	22	-	-	62,468	(4,373)	(66,864)	
Balance at the end of current period	247,397	226,751	48	45,335	218,000	139,106	(22,681)	853,959	

(Millions of yen)	Valuation and translation adjustments	Subscription Rights to shares
	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	4,207	4,385
Changes of items during the period		
Net changes of items other than shareholders' equity	3,622	1,043
Total changes of items during the period	3,622	1,043
Balance at the end of current period	7,830	5,429

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 significant 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 prices, 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 in 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 based on the declining-balance method. However, depreciation for buildings (excluding building fixtures) purchased in Japan after April 1, 1998 is computed based on the straight-line method. Useful lives of these 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 other assets 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 (five 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 the 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.
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 for as expenses when they are incurred.
 - (2) Accounting methods for hedging
Deferred hedge accounting is used in principle. If certain conditions are met, then the hedge for interest rate fluctuation risk is based on special provisions for interest swaps, and the hedge for foreign exchange fluctuation risk is based on appropriated treatment.
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.
 - (3) Accounting method for consumption tax
The accounting method for consumption tax is based on the tax excluded method.
 - (4) Tax consolidation

The Company and its wholly owned subsidiaries file a consolidated return.

5. Additional information

For the accounting changes and error corrections made after the beginning of the fiscal year ending March 31, 2012, the Company will apply the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 of December 4, 2009) and the "Guidance on Accounting Standard for Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 of December 4, 2009).

Notes to balance sheet

1. Pledged securities as collateral

55,101 million yen of investment securities were loaned.

2. Allowance for doubtful accounts deducted directly from assets

Investments and other assets 3,466 million yen

3. Accumulated depreciation of tangible fixed assets 2,039 million yen

4. Guarantee

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	1,079 million yen
Related companies	Derivative liabilities	1,808
Total		2,887

5. Monetary claims and obligations with related companies

Short-term loan receivables from related companies	195,581	million yen
Long-term loan receivables from related companies	710,480	million yen
Short-term monetary liabilities to related companies	34,863	million yen
Long-term monetary liabilities to related companies	1,490	million yen

Notes to statement of income

Transactions with related companies

Operating transactions

Operating revenue from related companies 103,291 million yen

Operating expenses to related companies 3,528 million yen

Non-operating transactions 4,284 million yen

Notes to statement of changes in net assets

Balance of Treasury Stock as of March 31, 2012

Common Shares 59,451,328

(Note) The number of shares of treasury stock (common shares) includes 23,681,000 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)

Loss carried forward 34,805 million yen

Write-down of stocks in subsidiaries and affiliates, etc. 27,899

Write-down of investment securities 9,723

Allowance for doubtful accounts 7,555

Others 2,957

82,942

Valuation allowance (81,124)

Total deferred tax assets: 1,817

(Deferred tax liabilities)

Valuation difference on available-for-sale securities 3,528 million yen

Others 307

Total deferred tax liabilities 3,836

Notes to transactions 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 (Note 1) Receipt of interest (Note 1)	66,250 324	Short-term loans receivable Accrued income	75,000 19
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 (Note 1) Receipt of interest (Note 1) Receipt of cash collateral (Note 2) Lending share (Note 2) Receipt of rent (Note 2) Payment of interest (Note 2)	181,063 4,951 30,354 55,101 71 96	Long-term loans receivable Short-term loans receivable Accrued income Loans payable secured by securities Accrued income Accrued expenses	241,733 35,753 1,203 31,708 0 5
Subsidiary	Daiwa Property Co., Ltd.	Direct Ownership 99.4% Indirect Ownership 0.6%	Debt financing Directors hold concurrent positions	Debt financing (Note 1) Receipt of interest (Note 1)	- 517	Long-term loans receivable Accrued income	31,200 -
Subsidiary	Daiwa Next Bank, Ltd.	Direct Ownership 100%	Depositing of negotiable certificates of deposit Directors hold concurrent positions	Depositing of negotiable certificates of deposit (Note 3) Receipt of interest (Note 3) Underwriting of new shares (Note 4)	12,500 8 59,400	Securities (negotiable certificates of deposit) Accrued income -	60,000 1 -
Subsidiary	Daiwa PI Partners Co. Ltd.	Indirect Ownership 100%	Debt financing	Debt financing (Note 1) Receipt of interest (Note 1)	34,900 315	Long-term loans receivable Accrued income	29,200 -
Subsidiary	Daiwa Investment Management Inc.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt financing (Note 1) Receipt of interest (Note 1)	- 2,534	Long-term loans receivable Accrued income	168,500 567
Subsidiary	Daiwa International Holdings Inc.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt financing (Note 1) Receipt of interest (Note 1)	225,000 732	Long-term loans receivable Accrued income	225,000 -

Terms and conditions of the transactions 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 column. Lease rate or interest rates are determined based on market rate.

(Note 3) The transaction amount is the average of month end balances for negotiable certificates of deposit. Interest rates on negotiable certificates of deposit are determined according to the deposit period rationally in consideration of market interest rates.

(Note 4) The Company undertook a private placement and rights offering made by Daiwa Next Bank, Ltd. at 10 million yen per share.

Notes to per share information

Net assets per share	509.96 yen
Net income per share	43.18 yen

Notes to Subsequent events

Please refer to Note to Subsequent events in the consolidated financial statements.

Independent Auditor's Report

May 11, 2012

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

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

Atsunori Sadahiro (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kazuo Uchida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, a summary of significant accounting policies and other explanatory information of Daiwa Securities Group Inc. as at March 31, 2012 and for the year from April 1, 2011 to March 31, 2012 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present 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 financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

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.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

May 11, 2012

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

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

Atsunori Sadahiro (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kazuo Uchida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets, a summary of significant accounting policies and other explanatory information, and the supplementary schedules of Daiwa Securities Group Inc. as at March 31, 2012 and for the year from April 1, 2011 to March 31, 2012 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary 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 financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

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.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report

The Audit Committee has audited the performance of duties by the Directors and the Executive Officers, the business report, the statutory report (the balance sheet, the statement of income, the statement of changes in net assets, a summary of significant accounting policies and other explanatory information) and the supplementary schedules, and the consolidated statutory report (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, a summary of significant accounting policies and other explanatory information) for the 75th fiscal year from April 1, 2011 to March 31, 2012. 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. The Audit Committee 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 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.

(3) Results of the audit of the consolidated 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 14, 2012

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Koichi Uno

Committee Member
Toshihiko Onishi (Full time)

Committee Member
Nobuko Matsubara

Committee Member
Keiichi Tadaki

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