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

(Securities Code: 8601)
May 31, 2013

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 76th 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 76th 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 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 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.web54.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 26, 2013
- 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, and the outcome of an audit of the Consolidated Statutory Report conducted by Independent Auditors and the Audit Committee, with respect to the 76th fiscal year (from April 1, 2012 to March 31, 2013).
2. Report on the contents of the Non-consolidated Statutory Report of the 76th fiscal year (from April 1, 2012 to March 31, 2013).

Matters to be resolved:

Bill 1: Election of Twelve (12) Directors (Members 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 25, 2013, the day before the 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 bills, 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 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 date of the Meeting, the Company will post such modification on the web site of the Company

(http://www.daiwa-grp.jp/ir/shareholders/shareholders_04.cfm).

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- Please note that any proxy or person accompanying a shareholder, who is not a shareholder of the Company, may not attend the Meeting.
 - When you attend the Meeting, please submit the enclosed “Voting Rights Exercise Form” to the receptionist at the venue of the Meeting.
 - If you are a nominee shareholder of a custodian bank, etc. (including a standing proxy), and if you have applied in advance for utilization of a web-based platform to exercise voting rights for institutional investors that is managed by Investor Communications Japan, Inc. (ICJ), you may use that platform as a method, instead of the Internet, of exercising your voting rights via electronic device.

Reference Documents for the General Meeting of Shareholders

Bills and reference matters

Bill 1. Election of Twelve (12) Directors (Members 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 (Members of the Board) are as follows, and Mr. Ryuji Yasuda, Ms. Nobuko Matsubara, Mr. Keiichi Tadaki, Mr. Kensuke Itoh and Mr. Hiroki Tsuda 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)	163,000 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 Apr. 2013 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 (to date), CEO and Head of Retail and Wholesale; Representative Director and President of Daiwa Securities Co. Ltd. (to date); and Representative Director and President of Daiwa Securities Capital Markets Co. Ltd. CEO of the Company (to date)	110,090 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 Apr.1999 Apr. 2001 Apr. 2005 June 2006 Apr. 2007 Apr. 2008 Apr. 2009 Apr. 2011 Jan. 2012 Apr. 2012 Apr. 2013 to date	Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. Managing Director of International Finance Dept. of the above company Senior Managing Director of the Company, and CFO and Deputy Head of Planning Member of the Board and Senior Managing Director of the Company CFO of the Company Member of the Board and Executive Managing Director of the Company Member of the Board and Senior Executive Managing Director of the Company, and CFO and Head of Planning and Personnel Member of the Board, Representative Executive Officer and Deputy President of the Company (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. COO, CFO and Head of Planning, Personnel and Overseas of the Company COO, CFO and Head of Personnel and Overseas of the Company; Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date) COO, Head of Personnel and Overseas of the Company (to date)	61,000 shares
		(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
4	Akio Takahashi (Mar. 15, 1956) Reappointment	<p>Apr.1978 Apr.1999 June 2003 May 2004 Apr. 2005 Apr. 2006 Apr. 2007 Aug. 2007 Apr. 2008 Sep. 2008 Apr. 2009 Sep. 2009 Jan. 2010 Apr. 2010 Oct. 2010 Apr. 2011 Apr. 2012 June 2012 Apr. 2013 to date</p>	<p>Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. Managing Director of Equity Capital Markets of the above company Senior Managing Director of the above company, Head of Corporate Finance Head of Initial Public Offering and Structured Finance of the above company Head of Initial Public Offering and Investment Program of the above company Executive Managing Director of the above company, Head of Planning Head of International Planning and Planning Executive Managing Director of the above company 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.) Senior Executive Managing Director of Daiwa Securities SMBC Co. Ltd. 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 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 Senior Head of Global Investment Banking and Head of Corporate Finance and Global Investment Banking Strategic Planning of the above company Senior Head of Global Investment Banking and Head of Corporate Finance and Corporate Division Planning of the above company Deputy President of the Company, Deputy Head of Wholesale; Representative Director and Deputy President of Daiwa Securities Capital Markets Co. Ltd. Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date) Member of the Board, Deputy President of the Company (to date), Head of Wholesale of the Company (to date)</p>	47,000 shares
		(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
5	Yoriyuki Kusaki (Mar. 31, 1958) Reappointment	Apr. 1980 Apr. 1999 July 1999 July 2002 May 2004 Apr. 2005 Apr. 2006 Oct. 2006 Apr. 2007 Apr. 2008 Apr. 2009 Apr. 2012 June 2012 Apr. 2013 to date	Joined the Company Joined Daiwa Securities Co. Ltd. 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 Head of Sales Division Deputy President of the Company, Deputy Head of Retail; Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date) Member of the Board, Deputy President of the Company (to date), Head of Retail of the Company (to date)	61,000 shares
		(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
6	Ryuji Yasuda (Apr. 28, 1946) Reappointment	<p>July 1976 Jan. 1979 July 1996 Apr. 2002 May 2002 May 2003 June 2003 Apr. 2004 Sept. 2006 to date</p>	<p>Joined Morgan Guarantee Trust Company of NY (currently, JP Morgan Chase & Co.), Investment Research Officer Joined McKinsey & Company Partner (1986), and Director (1991) A.T. Kearney, Managing Director of Asia and Member of the Board of Management Visiting Professor, Hitotsubashi University, Graduate School of International Business Strategy Chairman of A. T. Kearney, Far East Asia Resigned as Chairman of Far East Asia of the above company Member of the Board of the Company (to date); and Member of the Board and Chairman of J-Will Partners Co., Ltd. Professor of Hitotsubashi University, Graduate School of International Business Strategy (to date) Retired as Member of the Board and Chairman of J-Will Partners Co., Ltd.</p>	48,000 shares
		<p>(Significant concurrent positions) 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; Outside Director of Yakult Honsha Co., Ltd.; and Outside Audit & Supervisory Board Member of The Asahi Shimbun Company</p>		
7	Nobuko Matsubara (Jan. 9, 1941) Reappointment	<p>Apr. 1964 Mar. 1987 Oct. 1991 July 1997 Apr. 1999 Sept. 2002 Nov. 2002 Jan. 2006 July 2006 June 2008 July 2012 to date</p>	<p>Entered Ministry of Labor Director of International Labor Division, Ministry of Labor Director-General of Women's Bureau, Ministry of Labor Administrative 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 Member of the Board of the Company (to date) Honorary Chairman of Japan Institute of Workers' Evolution (to date)</p>	33,000 shares
		<p>(Significant concurrent positions) Honorary Chairman of Japan Institute of Worker's Evolution; and Outside Director of Mitsui & Co., Ltd.</p>		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
8	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.; Outside Audit & Supervisory Board Member of Nippon Life Insurance Company; and Outside Audit & Supervisory Board Member of Fujita Corporation		
9	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 Apr. 2013 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 Member of the Board of, and Senior Advisor to the above company Senior Advisor to the above company Member of the Board of the Company (to date) Advisor to Kyocera Corporation (to date)	0 shares
		(Significant concurrent positions) Advisor to Kyocera Corporation		

Candidate Number	Name (Date of Birth)	Brief personal history, title and significant concurrent positions		Number of shares of the Company owned by the candidate
10	Saburo Jifuku (May 28, 1959) New Candidate	Apr. 1982 Apr. 1999 Apr. 2006 June 2008 Apr. 2011 June 2011 Apr. 2012 Apr. 2013 to date	Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. Managing Director of Personnel Dept of the Company Member of the Board of the Company; Audit & Supervisory Board Member of Daiwa Securities Co. Ltd.; Audit & Supervisory Board Member of Daiwa SB Investments Ltd.; and Audit & Supervisory Board Member of Daiwa Property Co., Ltd. Member of the Board, Executive Managing Director of the Company, and Head of Internal Audit; Senior Managing Director of Daiwa Securities Co. Ltd.; and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd. Executive Managing Director of the Company (to date) Executive Managing Director of Daiwa Securities Co. Ltd. (to date) CRO of the Company (to date)	36,000 shares
		(Significant concurrent positions) Executive Managing Director of Daiwa Securities Co. Ltd.		
11	Masaru Shirataki (June 30, 1961) New Candidate	Apr. 1985 Apr. 1999 Oct. 2009 Apr. 2011 Apr. 2013 to date	Joined the Company Joined Daiwa Securities SB Capital Markets Co., Ltd. Joined the Company Managing Director of Group Internal Audit Dept of the Company; Managing Director of Internal Audit Dept of Daiwa Securities Co. Ltd.; and Managing Director of Internal Audit Dept of Daiwa Securities Capital Markets Co. Ltd. Senior Managing Director of the Company (to date); Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. (to date); Audit & Supervisory Board Member of Daiwa SB Investments Ltd. (to date); and Audit & Supervisory Board Member of Daiwa Property Co., Ltd. (to date)	23,000 shares
		(Significant concurrent positions) Audit & Supervisory Board Member of Daiwa Securities Co. Ltd.; Outside Audit & Supervisory Board Member of Daiwa SB Investments Ltd.; and Audit & Supervisory Board Member 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
12	Hiroki Tsuda (Aug. 11, 1948) New Candidate	Apr. 1972 Aug. 2002 Jan. 2003 July 2004 July 2006 July 2007 Sept. 2008 to date	Entered Ministry of Finance Director - General of Tokyo Customs, Ministry of Finance Deputy Vice Minister for Policy Planning and Co-ordination, Ministry of Finance Deputy Vice Minister, Ministry of Finance Director - General of the Budget Bureau, Ministry of Finance Administrative Vice Minister, Ministry of Finance Professor of Waseda University, Graduate School of Faculty of Political Science and Economics; (Significant concurrent positions) Visiting Professor of Waseda University, Graduate School of Faculty of Political Science and Economics; Advisor to Rating and Investment Information, Inc.; and Advisor to Mitsui Sumitomo Insurance Company, Limited	0 shares

(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 Outside Directors for ten (10) years.
 - (2) 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 Honorary 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 Outside Directors for five (5) years.
 - (3) 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 Outside Directors for four (4) years.
 - (4) Mr. Kensuke Itoh held positions such as President of Kyocera Corporation, etc. and is currently an Advisor to 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 Outside Directors for two (2) years.
 - (5) Mr. Hiroki Tsuda was the Director - General of the Budget Bureau, Ministry of Finance, the Administrative Vice Minister of Ministry of Finance and is currently a Professor of Waseda University, Graduate School of Faculty of Political Science and Economics. The Company requests shareholders to elect him as an Outside Director since we believe that his broad experience and knowledge accumulated through his career 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.

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 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 and 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 of kinship 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. The Company is scheduled to appoint all of the nominees for Outside Director as independent directors and submit to the companies mentioned above.*

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. Also, the Company plans to enter into a similar agreement to limit the liability of Mr. Hiroki Tsuda as Outside Director.*

[References]

The Company is scheduled to appoint the following committee members of the Nominating Committee, the Audit Committee and the Compensation Committee respectively through resolutions of the Board of Directors to be held after the conclusion of the Ordinary General Meeting of Shareholders.

Nominating Committee

Shigeharu Suzuki (Chairman), Takashi Hibino, Ryuji Yasuda, Nobuko Matsubara, Keiichi Tadaki, Kensuke Itoh

Audit Committee

Keiichi Tadaki (Chairman), Masaru Shirataki, Nobuko Matsubara, Hiroki Tsuda

Compensation Committee

Shigeharu Suzuki (Chairman), Takashi Hibino, Ryuji Yasuda, Kensuke Itoh, Hiroki Tsuda

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 corporate 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, 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 2018. Neither Common Stock Acquisition Rights I nor Common Stock Acquisition Rights II above will be granted to outside directors of the Company.

2. Terms, Amount to be Paid In and Maximum Number of Common Stock Acquisition Rights I to be Resolved Pursuant to the Resolution of the Ordinary General Meeting of

Shareholders

(1) Maximum Number of Common Stock Acquisition Rights I to be Resolved Pursuant to the Delegation

Not exceeding 1,000 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 1,000,000. 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.

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

In addition, in the case of a merger with any other company, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Number of Granted Shares shall be required, in each case after the Resolution Date, the Number of Granted Shares shall be appropriately adjusted to the extent reasonable.

(b) Amount to be Paid In upon Exercise of Common Stock Acquisition Rights I

The amount to be paid in upon exercise of Common Stock Acquisition Rights I shall be one (1) yen per share and shall be multiplied by the Number of Granted Shares.

(c) Period during which Common Stock Acquisition Rights I may be Exercised

The period between the Allocation Date of Common Stock Acquisition Rights I and June 30, 2033.

(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 4,000 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights II shall not exceed 4,000,000. If the number of granted shares is adjusted pursuant to (3) (a) below, the maximum number of Common Stock Acquisition Rights II to be issued shall be multiplied by the number of granted shares after adjustment.

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

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

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

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

Rights II

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

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

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

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.

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

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, 2018 and June 25, 2023.

(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.

<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, 2012 to March 31, 2013)

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 (FY2012) 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 FY2012 continued to decline with the worsening decrease of exports to foreign economies as the main reason but drifted to recovery at the end of the financial year. Although corporate production continuously shrank due to the decrease of exports, it moved to recovery with the effect of the termination of eco-car subsidy scheme posed in the latter half of FY2012 and the profitability of exports improved due to the abrupt weakness of the Yen starting from the end of 2012. Corporate profit stopped decreasing with corporate production restored and corporate investment indicated signs of recovery. Also, the sentiment of consumers dramatically improved and consumer spending continued to expand with corporate profitability bottoming out and share prices soaring by monetary easing. In the meantime, exports continued to decline, mainly because the exports to the European economy hovered. However, it showed an indication of bottoming out with the U.S. economy gradually expanding and the Asian economy recovering.

Regarding the Japanese stock market, the Nikkei 225 index plunged to below 8,300 level in June 2012 from 10,083.56 at the end of FY2011 after unrest of international financial markets caused by debt crisis of European countries. Also, the Japanese Yen soared to the former half of 94 against Euro in July, the highest level in the last 11 years and 8 months. After that, the Nikkei 225 stayed at almost the same level with downward pressure caused by the decline of the world economy and the deterioration of the relations between Japan and China caused by the Senkaku Islands issue and upward pressure of monetary easing. Thereafter, the Nikkei 225 sharply increased to 12,397.91 after an upsurge of expectations due to the new administration which started in December and the abrupt depreciation of the Yen caused by monetary easing. Furthermore, the average trading volume (total of domestic and foreign stocks) per day on the Tokyo Stock Exchange during FY2012 was 1 trillion 4,998 billion yen, up 14.9% 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 1.0% level at the beginning of FY2012, continued to decline with investment capitals poured into Japanese government bonds, which were valued as relatively safe financial assets, from the European debt crisis and fears of deceleration of the world economy. The yield of Japanese government bonds temporarily rose with the interest rates of the U.S. rising towards the end of 2012 by worries of a "fiscal wall." But investors were inclined to purchase Japanese government bonds with the expectation of further monetary easing due to the replacement of the Governor of the Bank of Japan in March, 2013 and the yield decreased to the former half of 0.5% level, the lowest level in the last 9 years and 9 months. The yield reached 0.560% at the end of FY2012.

(2) Outcome of the Group's Business Activities

Performance by the Operating Segment

1) Retail Business

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 FY2012, Daiwa Securities Co. Ltd. concentrated on distribution of foreign currency denominated bonds, stock investment trusts and insurance annuity insurance and established four new business offices to enhance its clients' convenience and to expand its client base in areas where it has no branches. Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. were merged on April 1, 2012 and sales of bonds expanded while promptly providing the products which utilize the know-how of whole sale business to clients of retail business. Equity revenue increased through the expansion in Japanese stock transactions, related to the market upturn in the latter half of FY2012.

Regarding "Daiwa Fund Wrap," which provides diversification based on each customer's investment policy by combining investment trusts that are established especially for this service, it made an effort to expand its customers' assets under its custody. We maintained No.1 position in the industry of wrap account services (Note) in terms of the amount of assets under management as at the end of 2012.

As it started to deal in yen deposit accounts as the agent of Daiwa Next Bank Co. Ltd. since May 2011 (the deposit balance (including certificates of deposits) as of the end of FY2012: approximately 2 trillion 200 billion yen), Daiwa Securities Co. Ltd. started to deal in foreign currency deposit accounts since July 2012. Furthermore, it began to provide two new services from April 2013 which includes "premium service" which gives superior yen fixed rate deposit interests depending upon asset amounts managed by Daiwa Securities Co. Ltd. and "family plus" which applies the privilege of "premium service" to the family of the relevant client as well. 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.

In the "Daiwa Direct" course, it provides investment consulting and advice, if requested, while expanding the products which can be provided to the customers who come to its branches.

(Note) The account services which provide operating and management of assets as property management service for customers, and for which customers need to pay the management fee, transaction fee and custody fee etc. in one lump sum depending on the balance of assets contracted.

2) Wholesale Business

Wholesale business comprised of Global Markets business and Investment Banking business.

In Global Markets business, Daiwa Securities Co. Ltd. conducts sales and trading of equities, bonds, forex and derivative products to institutional investors and corporate clients and also provides products to retail businesses.

In the Japanese market, it made stable profits mainly from bonds by broadening its product range especially to clients in retail businesses after the merger between Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. It also significantly boosted its trading profits with revenues from brokerage commissions of Japanese shares by rising share prices and increasing trade volume after the middle of November 2012. Furthermore, it also managed the clients' needs to dispose of intercorporate shareholdings from rising share prices and appropriate operation of trading positions contributed to the increase of trading profits.

In foreign markets, it continuously endeavoured to improve its profits while adjusting the business size and was steadily encouraged to enhance its presence in future growing markets as it signed the business alliance agreement with Tanachart Securities Plc., a major financial institution in Thailand.

In Global Investment Banking business, it conducts underwriting, M&A advisory and structured finance etc.

In the domestic underwriting business, it was appointed as the global coordinator (Note 1) for Initial Public Offering of Japan Airlines Co., Ltd. which was the largest offering in

FY2012 and Public Offering of Japan Tobacco Inc. In the M&A business, it was involved in a lot of deals including the appointment as advisor of Kuraray Co., Ltd. in relation to the acquisition of Monosol, LLC., a U. S. based manufacturer of polyvinyl alcohol ("poval") film.

In foreign markets, it was appointed as the first Japanese book runner (Note 2) for the Chinese privatization deal relating to Initial Public Offering to Hong Kong Stock Exchange of The People's Insurance Company (Group) of China Ltd. and as lead underwriter for POWL (Note 3) in Japan.

(Note 1) The firm which coordinates the global public offering of shares

(Note 2) The firm which mainly manages and encourages the distribution in the public offering of shares

(Note 3) Public Offering Without Listing

3) Asset Management Business

Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd. strived to increase their assets under management by providing products through broad distribution channels and strengthening their asset management expertise.

Daiwa Asset Management Co. Ltd. successfully manages "Daiwa U.S. Shares Strategy Alpha Fund (a currency selection type) – triple returns – Brazilian Real course (a monthly dividend type)" (increase of assets under management in FY2012: 137.8 billion yen) distributed through Daiwa Securities Co. Ltd. and "Daiwa High Graded Canadian Bonds Fund (a monthly dividend type)" (increase of assets under management in FY2012: 127.2 billion yen) distributed through commercial banks. It also launched "Daiwa Global Hybrid Securities Fund (currency hedging type)" in November 2012 and the assets under management reached 79.4 billion yen. Its assets under management of publicly offered investment trust (excluding ETFs) as of the end of FY2012 reached 7 trillion 875.7 billion yen, which is its historical record.

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 four 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. launched the new "Smart Strategy Fund (a monthly dividend type) / (semi annual dividend type)" which invests in global government and agency bonds etc. and "Global Preferred Securities Fund (currency hedging type)" whose investment objective is preferred securities and assets under management of both funds exceeded 70 billion yen.

Concerning the real estate asset management business, one of our consolidated subsidiaries Daiwa Office Investment Corporation (REIT (Note 1)), of which Daiwa Real Estate Asset Management Co., Ltd. is the asset management company, continued its steady growth by acquiring several office buildings. It also newly structured Daiwa Residential Private Investment Corporation, the first open-ended (Note 2) private investment corporation which specializes in residential properties, and has continuously endeavoured to lay the groundwork for the steady generation of profits.

(Note 1) Real Estate Investment Trust

(Note 2) The fund type which accepts redemption request from the shareholders under certain circumstances based on Net Asset Value

4) Investment Business

Daiwa Corporate Investment Co., Ltd. proceeded to exit from certain existing investments and launched limited liability investment business partnerships, Tokyo Metropolitan Venture Company Development Fund and DCI Growth High-Technology Manufacturing Industry Development Fund, which invest in start-up companies which have promising technologies.

Daiwa Securities SMBC Principal Investments Co. Ltd. concentrates on the management of and exit from existing investments. It executed the partial sale of Sumitomo Mitsui Construction Co., Ltd. and the exits from existing investments in non-performing loans.

Daiwa PI Partners Co. Ltd. steadily built up investments in non-performing loans as financial institutions' needs for disposal of non-performing loans expanded. It also

completed a memorandum of understanding with Taiheiyo Kouhatsu Incorporated for proceeding with the project of mega solar power generation as a part of a newly-started investment in the recyclable energy area. It also continued making swift exits from existing investments in non-performing loans.

5) Others

Daiwa Institute of Research Ltd. concluded a memorandum of understanding with the Central Bank of Myanmar pertaining to cooperation toward establishing a securities exchange and supporting the cultivation of a capital market in Myanmar on May 29, 2012. It also constructed the first cloud computing environment in Myanmar for improving efficiency in the operation of the Central Bank of Myanmar with Fujitsu Limited and KDDI Corporation.

We established Daiwa Myanmar-Japan Foundation on April 1, 2013 to provide persons who would be responsible for the future of Myanmar's financial market a free opportunity to study in Japan.

[CSR (Note)]

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 "Green Bonds" that support business relating to the combating of climate change, "Microfinance Bonds" that contribute indirectly to reducing poverty in developing countries, "Agri Bonds" that support to enhance the sustainability of agribusiness in developing countries and "Vaccine Bonds" that provide vaccine to more children in developing countries.

As for the continuous support to the area struck by the East Japan Earthquake, the Group donated a part of the trust fees of the Daiwa Nippon Ouen Fund Vol. 3 (Phoenix Japan) to seven NPOs.

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

(Note) Corporate Social Responsibility.

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 52 companies, and the affiliates included under the equity method are 8.

(Note) The consolidated financial statements of the Company for the fiscal year ending March 31, 2013 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 525.4 billion yen, up 24.4% from the previous fiscal year, and the net operating revenues were 417.3 billion yen, up 24.2% from the previous fiscal year. Cost reduction contributed to a decrease of selling, general and administrative expense which decreased by 7.3 % to 333.4 billion yen. Consequently, ordinary income was 95.1 billion yen. 9.7 billion yen as an extraordinary income mainly of gain on sales of investment securities and gain on negative goodwill, 13.2 billion yen as an extra ordinary loss mainly of business restructuring cost and impairment loss, income taxes and minority interests in income were added to the ordinary income as a result, net income was 72.9 billion yen.

The results of each segment are as follows.

(Millions of yen)

	Reporting Segments					Others	Total
	Retail	Wholesale	Asset Management	Investment	Total for Reporting Segments		
Net operating revenues	184,415	133,109	43,591	17,495	378,611	26,862	405,474
Ordinary Income (loss)	49,251	12,034	19,089	14,161	94,537	(4,302)	90,234

(Note) The Company changed its reportable segments. The comparison with FY2011 in each Operating Segments is not mentioned above because it is difficult in practice to transform the performance of each Operating Segments in FY2011 by a method of reportable segments in FY 2012.

[Retail]

Through a stock market turn around, equities-related revenue increased and a sale of mutual funds was made in good condition. Net operating revenue was 184.4 billion yen and ordinary income was 49.2 billion yen.

[Wholesale]

Through the rise in the stock market and increase in trading volume, equities-related revenue was expanded. Sales of foreign bonds and structured bonds were also solid. Net operating revenue was 133.1 billion yen and ordinary income was 12.0 billion yen.

[Asset Management]

Net operating revenue was 43.5 billion yen and ordinary income was 19.0 billion yen, because consolidation of Daiwa Office Investment Corporation and an increase in management fee due to expansion of asset under management contributed to the revenue.

[Investment]

Net operating revenue was 17.4 billion yen and ordinary income was 14.1 billion yen, because net gain on equity investment and monetary asset and a progress of return of investment contributed to the revenue.

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

Total assets increased by 125.0 billion yen to 19 trillion 49.0 billion yen, mainly because short-term investment securities invested by Daiwa Next Bank and so on increased by 638.6 billion yen and cash and deposits increased by 161.7 billion yen, while loans secured by securities decreased by 893.4 billion yen.

Total liabilities decreased by 5.8 billion yen to 17 trillion 966.5 billion yen, mainly because trading products decreased by 987.5 billion yen and short-term loan payable decreased by 847.9 billion yen and so on, while loans payable secured by securities increased by 1 trillion 74.5 billion yen and deposits for banking business increased by 621.8 billion yen.

As for net assets, retained earnings increased by 62.6 billion yen due to net income, valuation difference on available-for-sale securities increased by 53.4 billion yen due to rise in stock price, and foreign currency translation adjustment increased by 24.8 billion yen due to weakening of yen. As a result, total net assets increased by 130.8 billion yen to 1 trillion 82.5 billion yen. Net assets per share was 536.72 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 154 billion yen in strengthening products and services and renewal of operational systems.

Concerning branch offices, Daiwa Securities Co. Ltd established four business offices in Kasukabe, Kyodo, Ichikawa and Yamaguchi, relocated two branches (Kofu and Yokosuka) and amalgamated the Tokorozawa-Ekimae branch to the Tokorozawa branch.

(4) Status of Financing of the Group

The Company issued Daiwa Securities Group Inc. Australian Dollar Notes due June 21, 2016 of 196.0 million Australian Dollars (payment date of June 21, 2012), Daiwa Securities Group Inc. New Zealand Dollar Notes due June 21, 2016 of 238.0 million New Zealand Dollars (payment date of June 21, 2012), Daiwa Securities Group Inc. Australian Dollar Notes due December 5, 2016 of 292.7 million Australian Dollars (payment date of December 4, 2012), and Daiwa Securities Group Inc. US Dollars Notes due December 5, 2017 of 67 million US Dollars (payment date of December 4, 2012).

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

	(Billions of yen)				
	72 nd term	73 rd term	74 th term	75 th term	76 th term (current term)
	(Apr 1, 2008 - Mar 31, 2009)	(Apr 1, 2009 - Mar 31, 2010)	(Apr 1, 2010 - Mar 31, 2011)	(Apr 1, 2011 - Mar 31, 2012)	(Apr 1, 2012 - Mar 31, 2013)
Operating revenues	413.9	537.9	403.0	422.3	525.4
Net operating revenues	199.5	458.1	318.5	336.0	417.3
Ordinary income (loss)	(141.1)	102.9	(32.6)	(12.2)	95.1
Net income (loss)	(85.0)	43.4	(37.3)	(39.4)	72.9
Stockholders' equity (Net assets)	952.3	1,017.5	921.3	951.7	1,082.5
Total assets	14,182.5	17,155.3	16,842.4	18,924.0	19,049.0
Stockholders' equity (Net assets) per share (Yen)	534.99	530.27	496.76	463.04	536.72
Net income (loss) per share (Yen)	(63.16)	26.41	(21.90)	(23.41)	43.00
Return on Equity (ROE)%	—	5.3%	—	—	8.6%
Number of consolidated Subsidiaries	44	54	58	60	52
Number of affiliates included under the equity method	6	7	6	5	8

4. Issues to be Addressed by the Group

(1) FY2013 Daiwa Securities Group Management Policy

During FY 2012, positioned as the phase for “Turnaround” for the first fiscal year of the Medium Term Management Plan “Passion for the Best” 2014, the Group steadily reduced costs and improved efficiency of organizations while integrating our two main subsidiaries, in which the retail and wholesale business were each operated. Moreover, the Group quickly brought the integration to full effect, greatly advancing the Group’s steps toward achieving the Plan’s management target of “returning to profitability during the initial fiscal year”, and the Group’s basic management policy of “establishing a robust business structure capable of securing profit regardless of economic conditions.”

In FY 2013, positioned as the phase for “Growth” for the second fiscal year of the Group’s Medium Term Management Plan, the Group will accelerate the Group’s business

development vigorously to seize the dynamic transition from “savings to investments” aggregating group-wide efforts. The long lasting tendency toward a stronger yen and weaker stock prices has finally reached its historical turning point, preparing the market environment to bring about a large shift from “savings to investments.” Political support for this dynamic shift of the vast individual financial assets, such as earnest efforts to exit from deflation and introduction of the Japanese ISA (Individual Savings Account) in January 2014, can also be expected.

By putting emphasis on three themes: 1) Evolving the combined securities-banking business model 2) Strengthening the asset management business 3) Strengthening the wealth management business through inheritance-related services, the Group will provide highly valued products and services that accurately meet client needs.

In turn, by efficiently developing Investment Banking business through the Group’s global network, the Group will simultaneously facilitate the transition from “savings to investments” and provide abundant capital to enterprises, thus to contributing to regenerating and revitalizing the Japanese economy.

(2) The Action Plans of the Operating Segment for FY 2013

Retail Business

- 1) Evolve a unique business model creating synergy between securities and banking service
- 2) Promote transition from savings to investments through the Japanese ISA
- 3) Strengthen wealth management business through inheritance related services
- 4) Strengthen service coverage of the Middle Markets
- 5) Improve operation revenues based on expansion of stable revenues and promotion of efficient operations

Wholesale Business

- 1) Provide IB solution that precisely answer client needs by leveraging global network
- 2) Provide timely products to link firm client base and market environments
- 3) Develop business focused on client trading flows and expand trading revenue

Asset Management Business

- 1) Strengthen investment management capability and pursue investment performance
- 2) Raise and expand main funds both in securities and bank related distribution channels
- 3) Enhance support to distributors and provide information on meeting clients needs
- 4) Develop products and strengthen marketing corresponding to introduction of the Japanese ISA

IT / Think Tank Business

- 1) Enhance the Group’s presence by aggressively transmitting economical financial and environmental research information
- 2) Increase the Group’s business opportunities by strengthening consulting capacity in Asia including Japan
- 3) Improve the Group’s system efficiency by using off-shore and cloud computing systems

Investment Business

- 1) Maximize returns from the existing portfolio
- 2) Raise funds timely conforming to market environment and seize attractive

investment opportunities while managing risk conditions and capital efficiency

(3) Others

In connection with the recommendation for an administrative monetary penalty payment order for insider trading made by the Securities and Exchange Surveillance Commission on 29th June, 2012, it was recognized that a former employee of Daiwa Securities Co. Ltd., a subsidiary of the Company, had a certain involvement in the insider trading. Therefore, we established an investigation committee which included as members outside lawyers, have produced measures to improve our information management system and have executed it.

The Group will soundly strengthen and improve our compliance and internal control system and contribute to the Japanese capital markets by helping to regain public trust and by developing them further.

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, treatment of public offering for subscription and secondary offering of securities, treatment 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)	Ratio of Voting Rights (Directly owned)	Business
Daiwa Securities Co. Ltd.	Chiyoda-ku, Tokyo	100,000	100.0% (99.9%)	Securities related business Investment advisory and agency business
Daiwa Asset Management Co. Ltd.	Chiyoda-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 SB Investments Ltd. (Note 1)	Chiyoda-ku, Tokyo	2,000	44.0% (44.0%)	Investment management business Investment advisory and agency business
Daiwa Securities Business Center Co. Ltd.	Koto-ku, Tokyo	100	100.0% (100.0%)	Back office operation
Daiwa Property Co., Ltd.	Chuo-ku, Tokyo	100	100.0% (99.4%)	Lending and borrowing of real estate
Daiwa Next Bank, Ltd.	Chiyoda-ku, Tokyo	30,000 (Note 2)	100.0% (100.0%)	Banking business
Daiwa Institute of Research Ltd.	Koto-ku, Tokyo	1,000	100.0% (—)	Information service
Daiwa Institute of Research Business Innovation Ltd.	Koto-ku, Tokyo	3,000	100.0% (—)	Information service
Daiwa Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	18,767	100.0% (—)	Investment business
Daiwa Securities SMBC Principal Investments Co. Ltd.	Chiyoda-ku, Tokyo	100	60.0% (—)	Investment business
Daiwa PI Partners Co. Ltd.	Chiyoda-ku, Tokyo	12,000	100.0% (—)	Investment business

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	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	47.6% (15.0%)	Investment in specified assets
Daiwa Capital Markets Europe Limited	London, U.K.	GBP732 million	100.0% (—)	Securities-related business
Daiwa Capital Markets Asia Holding B.V.	Amsterdam, Netherlands	EUR959 million	100.0% (—)	Integration and management of subsidiaries
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 SB Investment Ltd. is an affiliated company.

(Note 2) The capital of Daiwa Next Bank, Ltd. became 50,000 million yen on April 1, 2013 by capital increase through shareholder allocation.

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

Daiwa Securities Co. Ltd. (surviving company), 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.

The Company conducted a tender offer as stipulated under the Financial Instruments and Exchange Act to acquire shares and stock acquisition rights issued by Retela Crea Securities Co., Ltd. (period for the tender offer: from February 4, 2013 through March 4, 2013). As a result, the ratio of voting rights to Retela Crea Securities Co., Ltd. held by the Group is 61.01% and Retela Crea Securities Co., Ltd. is treated as a consolidated subsidiary of the Company from the end of FY2012.

(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.

(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 21 other branches
Tokyo	Head Office, Ginza Branch, Shinjuku Branch, Shibuya Branch, Ikebukuro Branch, and 23 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 12 other branches

Kyushu / Okinawa	Fukuoka Branch, and 9 other branches
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(6) Status of Employees

1) The Group's Employees

Number of employees	Change from previous fiscal year
13,426	(1,006)

(Note 1): The number of employees is calculated by the number of full-time staff.

(Note 2): The annual average number of part-time workers is 479.

2) The Company's Employees

Number of employees	Average age	Average years of service
8 [614]	[40yrs.&5mons.]	[14yrs.&4mons.]

(Note 1): "The number of employees is calculated by the number of full-time staff, and the number of employees who work for both the Company and Daiwa Securities Co. Ltd. is noted in brackets.

(Note 2): In Average age and Average years of service above, the numbers include those of employees who work for both the Company and Daiwa Securities Co. Ltd.

(Note 3): In Average years of service above, the years of service in Daiwa Securities Co. Ltd., etc. are included,

(7) Major Lenders

Daiwa Securities Group Inc.

Name of Lender	Type of Loan	Balance (millions of yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	70,000
	Long-Term Borrowings	63,660
Sumitomo Mitsui Trust Bank, Limited	Short-Term Borrowings	10,000
	Long-Term Borrowings	52,600
Mizuho Corporate Bank, Ltd.	Long-Term Borrowings	32,600
Resona Bank, Ltd.	Short-Term Borrowings	13,000
	Long-Term Borrowings	10,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Short-Term Borrowings	12,000
	Long-Term Borrowings	10,128

Daiwa Office Investment Corporation

Name of Lender	Type of Loan	Balance (millions of yen)
Sumitomo Mitsui Banking Corporation	Long-Term Borrowings	23,500

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

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

Not applicable

(Note): This business report is prepared in accordance with the provisions of the "Companies Act" (Act No. 86 of 2005), the "Ordinance for Enforcement of the Companies Act" (Ministry of Justice Ordinance No. 12 of 2006) and the "Accounting Regulation Ordinance" (Ministry of Justice Ordinance No. 13 of 2006). Where it was possible to state the Group's status, we stated the status of the Group instead of the status of the Company alone.

II. Summary of the Company (as of March 31, 2013)

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: 124,448

(3) Major Shareholders (top ten)

Name	Number of shares held (% of total outstanding shares)
STATE STREET BANK AND TRUST COMPANY 505223	107,973 thousand shares (6.30%)
Japan Trustee Services Bank, Ltd. (Trust Account)	74,540 thousand shares (4.34%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	58,290 thousand shares (3.40%)
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	42,851 thousand shares (2.50%)
Sumitomo Mitsui Banking Corporation	30,328 thousand shares (1.76%)
STATE STREET BANK AND TRUST COMPANY	28,656 thousand shares (1.67%)
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE - AC)	27,539 thousand shares (1.60%)
MSCO CUSTOMER SECURITIES	26,961 thousand shares (1.57%)
Japan Trustee Services Bank, Ltd Sumitomo Mitsui Trust Pension Account	24,888 thousand shares (1.45%)
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02	23,537 thousand shares (1.37%)

(Note 1) Treasury stock of 35,677,601 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 (35,677 thousand shares) as of March 31, 2013 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)	377 (Common stock 377,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2005 to June 30, 2025	(Note1) (Note2) (Note3)

(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 next day of the day when they exit all positions as director or Corporate Executive Officer, or Executive Officers of the Company and its subsidiaries which 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)	224 (Common stock 224,000 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)	252 (Common stock 252,000 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)	308 (Common stock 308,000 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)	622 (Common stock 622,000 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)	1,038 (Common stock 1,038,000 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)

Stock Acquisition Rights issued in February 2013 (February 12, 2013)	831 (Common stock 831,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 12, 2013 to June 30, 2032	(Note 1) (Note 3) (Note 4)
Stock Acquisition Rights, Series 9 (February 12, 2013)	6,333 (Common stock 6,333,000 shares)	Gratuitous grant	598,000 yen (598 yen per share)	From July 1, 2017 to June 26, 2022	(Note 1) (Note 4)
Total	36,748 (Common stock 36,748,000 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 next day of the day when they exit all positions as director, Corporate Executive Officer, or Executive Officer of the Company and its subsidiaries, which 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 next day the day when they exit all positions as director, Corporate Executive Officer, or Executive Officer of the Company and its subsidiaries and affiliates, which 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

Name of Stock Acquisition Rights	Number of holders	Number of rights
Stock Acquisition Rights issued in June 2005	8	56
Stock Acquisition Rights issued in July 2006	8	33
Stock Acquisition Rights, Series 3	5	19
Stock Acquisition Rights issued in July 2007	8	33
Stock Acquisition Rights, Series 4	5	19
Stock Acquisition Rights issued in July 2008	11	52
Stock Acquisition Rights, Series 5	2	12
Stock Acquisition Rights issued in July 2009	13	113
Stock Acquisition Rights issued in July 2010	13	167
Stock Acquisition Rights issued in July 2011	13	240
Stock Acquisition Rights issued in February 2013	13	181

(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, Stock Acquisition Rights, Series 7, Stock Acquisition Rights, Series 8 or Stock Acquisition Rights, Series 9

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

Name of Stock Acquisition Rights	Class of holders	No. of holders	No. of rights
Stock Acquisition Rights issued in February 2013	Employees of the Company	5	43
	Directors of Subsidiaries	43	339
	Employees of Subsidiaries	42	268
	Total	90	650
Stock Acquisition Rights, Series 9	Directors of Subsidiaries	7	40
	Employees of Subsidiaries	2,648	6,152
	Directors and Employees of Affiliates	64	141
	Total	2,719	6,333

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

(Note 2) Executive Officers of the Company are classified as employees of the Company.

(Note 3) Executive Officers of subsidiaries are classified as employees of subsidiaries.

(Note 4) No stock acquisition right as a stock option was allocated to the Audit & Supervisory Board Member 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	Akio Takahashi	See “(2) Corporate Executive Officers”
Member of the Board	Yoriyuki Kusaki	See “(2) Corporate Executive Officers”
Member of the Board	Takatoshi Wakabayashi	See “(2) Corporate Executive Officers”
Member of the Board	Toshihiko Onishi	Outside Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. Outside Audit & Supervisory Board Member of Daiwa SB Investments Ltd. Audit & Supervisory Board Member 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

Toshihiko Onishi resigned as Member of Audit Committee as of March 31, 2013.

(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 Corporate Executive Officer	Takashi Hibino	Chief Executive Officer (CEO), Head of Retail and Wholesale, Representative Director/President of Daiwa Securities Co. Ltd.
Deputy President/Representative Corporate Executive Officer	Nobuyuki Iwamoto	Chief Operating Officer (COO), Chief Financial Officer (CFO), Head of Personnel and Overseas Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Akio Takahashi	Deputy Head of Wholesale, Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Yoriyuki Kusaki	Deputy Head of Retail, Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Makoto Shirakawa	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), Senior Executive Managing Director of Daiwa Securities Co. 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 Planning and Legal, Deputy Head of Personnel
Executive Managing Director	Noriaki Kusaka	Deputy Head of Personnel
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, Akio Takahashi, Yoriyuki Kusaki, Takatoshi Wakabayashi and Shigeharu Suzuki also serve as Directors.

(Note 2) Corporate Executive Officers Takatoshi Wakabayashi and Noriaki Kusaka resigned as of March 31, 2013, respectively.

(Note 3) Hiroshi Nakamura, Masaaki Goto Toshihiko Onishi and Mikita Komatsu took their new positions as Corporate Executive Officer as of April 1, 2013, and as of said day the responsibilities of the Corporate Executive Officers changed as follows.

President	Takashi Hibino	Chief Executive Officer (CEO)
Deputy President	Nobuyuki Iwamoto	Chief Operating Officer (COO), Head of Personnel and Overseas
Deputy President	Akio Takahashi	Head of Wholesale
Deputy President	Yoriyuki Kusaki	Head of Retail
Deputy President	Hiroshi Nakamura	Deputy Head of Wholesale
Executive Managing Director	Saburo Jifuku	Chief Risk Management Officer (CRO)
Executive Managing Director	Masaaki Goto	Deputy Head of Overseas (Head of Europe/Middle East Region)
Executive Managing Director	Toshihiko Onishi	Head of Internal Audit
Executive Managing Director	Mikita Komatsu	Chief Financial Officer (CFO),

Deputy Head of Planning and Overseas

Further, Hiroshi Nakamura took the position of Representative Director/Deputy President of Daiwa Securities Co. Ltd. as of April 1, 2013.

(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 Audit & Supervisory Board Member of The Asahi Shimbun Company
Koichi Uno	Certified Public Accountant and Licensed Tax Accountant Outside Audit & Supervisory Board Member of Kokusai Kogyo Co., Ltd. Director of Seibu Holdings Inc.
Nobuko Matsubara	Honorary 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 Audit & Supervisory Board Member of Nippon Life Insurance Company Outside Audit & Supervisory Board Member of Fujita Corporation
Kensuke Itoh	Advisor to Kyoto Ceramic 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 7 of the 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 9 of the 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 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 9 of the 10 Board of Directors' Meetings held

during the current fiscal year, and made remarks on the bills and agenda of the meetings, mainly based on his ample experience and views as a corporate manager.

(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 an 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

	Directors		Corporate Executive Officers		Total	
Amounts of Remunerations, etc.	Number Paid	Amount Paid	Number Paid	Amount Paid	Number Paid	Amount Paid
Paid based on Resolution of the Compensation Committee	Persons	¥million	Persons	¥million	Persons	¥million
	7	120	12	807	19	927

(Note 1) The above paid amounts include the estimated amounts payable as 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 102 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 five (5) outside directors was 84 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, in order to 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, after taking consolidated ROE and 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.

76 million yen

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

484 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 practical to categorize them, the fees, etc. above are the aggregated amount of both.

(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 that 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 November 2, 2012), and 12 yen per share as the year-end dividend. Accordingly, the annual dividend will be 15 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 the Audit Committee
To establish a section exclusively to assist in 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 of causing 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 conduct, 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 assist 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 Management 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 Management 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 amount and number of shares given in this report omit figures smaller than the indication units.

Consolidated balance sheets

(Millions of yen)	Fiscal 2012 As of Mar. 31, 2013	<u>[References]</u> Fiscal 2011 As of Mar. 31, 2012
<i>Assets</i>		
Current assets:	18,329,152	18,217,159
Cash and deposits	1,212,243	1,050,468
Cash segregated as deposits	260,197	204,477
Notes and accounts receivable-trade	13,675	13,135
Securities	2,113,038	1,474,395
Trading products:	8,849,128	8,876,950
Trading securities and other	6,101,443	6,148,294
Derivatives	2,747,684	2,728,655
Trade date accrual	235,449	139,096
Operational investment securities	149,329	174,304
Allowance for investment loss	(35,495)	(36,127)
Operating loans	171,843	108,932
Work in process	574	612
Margin transaction assets:	193,642	120,870
Loans on margin transactions	182,882	106,975
Cash collateral pledged for securities borrowing on margin transactions	10,760	13,894
Loans secured by securities:	4,841,726	5,735,192
Cash collateral pledged for securities borrowed	4,840,106	5,729,144
Loans on Gensaki transactions	1,620	6,047
Advances paid	26,934	15,014
Short-term loans receivable	10,524	858
Accrued income	34,831	26,912
Deferred tax assets	5,643	6,186
Other current assets	246,143	307,738
Allowance for doubtful accounts	(280)	(1,858)
Non-current assets:	719,947	706,878
Property, plant and equipment:	407,118	394,415
Buildings	103,038	100,256
Equipment	15,827	17,264
Land	288,252	276,894
Intangible assets:	84,439	102,887
Goodwill	15,465	20,992
Leasehold right	6,215	8,284
Software	49,133	61,039
Other	13,624	12,571
Investments and other assets:	228,389	209,574
Investment securities	192,906	159,096
Long-term loans receivable	5,101	9,732
Long-term guarantee deposits	19,469	23,292
Deferred tax assets	3,028	8,242
Other	9,117	10,090
Allowance for doubtful accounts	(1,234)	(879)
Total assets	19,049,099	18,924,038

(Millions of yen)	[References]	
	Fiscal 2012 As of Mar. 31, 2013	Fiscal 2011 As of Mar. 31, 2012
<i>Liabilities</i>		
Current liabilities:	16,055,427	16,003,646
Notes and accounts payable-trade	3,508	4,412
Trading products:	4,965,693	5,953,279
Trading securities and other	2,624,241	3,570,153
Derivatives	2,341,451	2,383,126
Margin transaction liabilities:	57,762	52,756
Borrowings on margin transactions	12,617	3,109
Cash received for securities lending on margin transactions	45,145	49,646
Loans payable secured by securities:	7,142,965	6,068,380
Cash received on debt credit transaction of securities	6,899,162	5,257,835
Borrowings on Gensaki transaction	243,803	810,545
Deposits for banking business	1,791,765	1,169,916
Deposits received	168,453	125,731
Guarantee deposits received	286,675	226,143
Short-term loans payable	946,311	1,794,254
Commercial papers	301,711	275,191
Current portion of bonds	221,291	215,309
Income taxes payable	3,094	5,822
Deferred tax liabilities	13,889	970
Provision for bonuses	30,855	20,461
Other current liabilities	121,448	91,015
Non-current liabilities:	1,908,548	1,966,123
Bonds payable	1,198,172	1,282,479
Long-term loans payable	642,835	623,297
Deferred tax liabilities	10,403	2,591
Provision for retirement benefits	31,813	29,983
Provision for loss on litigation	648	298
Negative goodwill	7,990	12,555
Other non-current liabilities	16,685	14,916
Reserves under the special laws:	2,555	2,566
Reserve for financial products transaction liabilities	2,555	2,566
Total liabilities	17,966,531	17,972,336
<i>Net assets</i>		
Shareholders' equity:	867,509	801,353
Capital stock	247,397	247,397
Capital surplus	230,676	230,655
Retained earnings	408,647	345,983
Treasury stock	(19,212)	(22,681)
Accumulated other comprehensive income:	44,264	(18,855)
Valuation difference on available-for-sale securities	76,740	23,338
Deferred gains or losses on hedges	(16,765)	(1,676)
Foreign currency translation adjustment	(15,709)	(40,517)
Subscription rights to shares	6,387	5,429
Minority interests	164,406	163,774
Total net assets	1,082,567	951,702
Total liabilities and net assets	19,049,099	18,924,038

Consolidated statements of income

(Millions of yen)	Fiscal 2012 Apr. 1, 2012 - Mar. 31, 2013	[References] Fiscal 2011 Apr. 1, 2011 - Mar. 31, 2012
Operating revenue:	525,411	422,374
Commission received:	229,522	220,845
Commission to consignees	48,871	40,782
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	26,684	19,507
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	46,607	49,138
Other fees received	107,359	111,416
Net trading income	123,537	79,416
Net gain (loss) on operational investment securities	16,531	1,955
Financial revenue	93,276	79,761
Other operating revenue	62,544	40,395
Financial expenses	70,130	59,689
Other operating expenses	37,972	26,668
Net operating revenue	417,308	336,016
Selling, general and administrative expenses:	333,496	359,729
Trading related expenses	66,513	68,856
Personnel expenses	156,987	158,297
Real estate expenses	38,168	44,880
Office cost	23,133	27,751
Depreciation	30,773	39,861
Taxes and dues	5,736	6,581
Provision of allowance for doubtful accounts	45	25
Other	12,138	13,474
Operating income (loss)	83,812	(23,713)
Non-operating income:	14,500	12,805
Interest income	103	147
Dividends income	4,131	2,735
Amortization of negative goodwill	4,565	4,565
Equity in earnings of affiliates	1,729	1,576
Gain on investments in partnership	88	42
Other	3,882	3,738
Non-operating expenses:	3,136	1,292
Interest expenses	1,610	65
Bond issuance cost	298	174
Foreign exchange losses	461	675
Other	766	376
Ordinary income (loss)	95,176	(12,200)
Extraordinary income:	9,753	39,660
Gain on sales of investment securities	4,964	1,820
Gain on step acquisitions	-	2,118
Gain on negative goodwill	4,675	35,265
Reversal of reserve for financial products transaction liabilities	113	455
Extraordinary loss:	13,254	44,334
Loss on sales and retirement of non-current assets	1,109	7,308
Loss on sale of investment securities	-	276
Loss on step acquisitions	420	-
Impairment loss	4,571	17,883
Loss on valuation of investment securities	384	4,556
Business restructuring cost	5,521	11,212
Other	1,247	3,097
Income (loss) before income taxes	91,675	(16,874)
Income taxes-current	8,219	7,452
Income taxes-deferred	3,341	16,947
Income (loss) before minority interests	80,113	(41,273)
Minority interests in income (loss)	7,203	(1,838)
Net income (loss)	72,909	(39,434)

Consolidated statements of changes in net assets

(Apr. 1, 2012 - Mar. 31, 2013)

(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	230,655	345,983	(22,681)	801,353
Changes of items during the period					
Dividends from surplus	-	-	(10,281)	-	(10,281)
Net income (loss)	-	-	72,909	-	72,909
Purchase of treasury stock	-	-	-	(11)	(11)
Disposal of treasury stock	-	20	-	3,481	3,501
Changes of scope of consolidation	-	-	36	-	36
Total changes of items during the period	-	20	62,664	3,469	66,155
Balance at the end of current period	247,397	230,676	408,647	(19,212)	867,509

(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	23,338	(1,676)	(40,517)	5,429	163,774
Changes of items during the period					
Net changes of items other than shareholders' equity	53,401	(15,089)	24,807	958	631
Total changes of items during the period	53,401	(15,089)	24,807	958	631
Balance at the end of current period	76,740	(16,765)	(15,709)	6,387	164,406

[References]

(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

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: 52 companies

The names of major consolidated subsidiaries:

Daiwa Securities Co. Ltd.
Daiwa Asset Management Co. Ltd.
Daiwa Institute of Research Holdings Ltd.
Daiwa Securities Business Center Co., Ltd.
Daiwa Property Co., Ltd.
Daiwa Next Bank, Ltd.
Daiwa Institute of Research Ltd.
Daiwa Institute of Research Business Innovation Ltd.
Daiwa Corporate Investment Co., 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, 2013, one company was added to the scope of consolidation because of purchase of shares, one company was added to the scope of consolidation due to reorganization, two companies were excluded due to adsorption-type merger, six companies were excluded due to sale of shares, and two companies were excluded due to the decrease in materiality.

(2) The names of major non-consolidated subsidiaries, etc.

The names of major non-consolidated subsidiaries

DIR Information Systems 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: 1 company

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 522,784 million yen as of March 31, 2013.

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: 8 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, 2013, three companies were added to the application of equity method due to reorganization.

Concerning affiliates included under the equity method with fiscal years ended on a date other than March 31, 2013, for one affiliate, the tentative financial statements as of March 31, 2013 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

DIR Information Systems 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: 9 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 : 49 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, 2013, 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, 2013, the tentative financial statements for the fiscal year ended March 31, 2013 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 are 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.

(d) Derivatives

Valued at market value.

(iii) Valuation standards and methods for work in process

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 fixed rate 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, the fiscal situation of those which started before March 31, 2008 were accounted for using the accounting treatment similar to that for ordinary rental transactions.

(Changes in accounting policies which is difficult to distinguish from changes in accounting estimates)

The Company and some domestic consolidated subsidiaries changed the depreciation method of Property, plant and equipment acquired on or after April 1, 2012 from this fiscal year 2012 under the revised Corporation Tax Act of Japan. The impact of this change to the profit/loss is immaterial.

(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, the percentage-of-completion method to work commencing during the year ended March 31, 2013 is applied to the outcome of individual contracts; 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.

Notes to consolidated balance sheet

1. Assets pledged as collateral and liabilities secured

(1) Assets pledged as collateral

Fixed-term deposits	8,200	million yen
Securities	15,969	
Trading products	448,679	
Buildings	242	
Land	119	
Investment securities	11,791	
Total	485,002	

(Note) The amounts above corresponded to the amount on the consolidated balance sheet. 8,000 million yen of Fixed-term deposits were pledged as collateral for the debts from financial institutions based on the Employee Shareholding ESOP Trust Agreement. In addition to the above pledged assets, borrowed securities of 329,373 million yen were also pledged as collateral.

(2) Liabilities secured

Borrowings on margin transactions	12,617	million yen
Short-term loans payable	440,800	
Long-term loans payable	4,800	
Total	458,217	

(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	7,574,100	million yen
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Securities sold by Gensaki transaction	243,023	
Others	535,388	
Total	8,352,512	

(Note) Assets classified as pledged assets were excluded.

3. Market value of securities accepted as collateral

Borrowed securities under agreements of loan for consumption	5,735,417	million yen
Others	450,660	
Total	6,186,077	

4. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, other	8,845	million yen
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5. Accumulated depreciation of property, plant and equipment:

126,080 million yen

6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	768 million yen
Others	Liabilities	1,591
Total		2,359

7. The clauses of the laws and regulations that prescribe recording of reserves under the special laws

Reserve for financial products transaction liabilities:

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, 2013

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 on May 15, 2012	Common shares	5,140	3	March 31, 2012	June 4, 2012
Board of Directors on November 2, 2012	Common shares	5,140	3	September 30, 2012	December 3, 2012
Total		10,281			

(Note) The total amount of dividends resolved by the Board of Directors on May 15, 2012 includes 71 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 on November 2, 2012 includes 54 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, 2013

It was scheduled to be resolved at the meeting of the Board of Directors on May 15, 2013 as follows:

Item related to dividends on common share

1. Total amount of dividends 20,564 million yen

2. Dividend per share 12 yen

3. Date of record March 31, 2013

4. Effective date June 3, 2013

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

(Note 2) Total amount of dividends includes 178 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, 2013

	Item	Number of shares				As of Mar. 31, 2013 (Millions of yen)
		As of Apr. 1, 2012	Increase	Decrease	As of Mar. 31, 2013	
The Company	Stock subscription rights issued in July, 2006	248,000	-	24,000	224,000	305
	Series 3 stock subscription rights	2,423,000	-	40,000	2,383,000	1,200
	Treasury stock subscription rights	170,000	40,000	-	210,000	-
	Stock subscription rights issued in July, 2007	266,000	-	14,000	252,000	330
	Series 4 stock subscription rights	2,428,000	-	43,000	2,385,000	838
	Treasury stock subscription rights	142,000	43,000	-	185,000	-
	Stock subscription rights issued in July, 2008	316,000	-	8,000	308,000	299
	Series 5 stock subscription rights	2,988,000	-	48,000	2,940,000	720
	Treasury stock subscription rights	111,000	48,000	-	159,000	-
	Stock subscription rights issued in July, 2009	627,000	-	5,000	622,000	360
	Series 6 stock subscription rights	4,254,000	-	67,000	4,187,000	492
	Treasury stock subscription rights	159,000	67,000	-	226,000	-
	Stock subscription rights issued in July, 2010	1,043,000	-	5,000	1,038,000	389
	Series 7 stock subscription rights	7,246,000	-	126,000	7,120,000	328
	Treasury stock subscription rights	153,000	126,000	-	279,000	-
	Stock subscription rights issued in July, 2011	1,211,000	-	-	1,211,000	433
	Series 8 stock subscription rights	5,796,000	-	147,000	5,649,000	171
	Treasury stock subscription rights	59,000	147,000	-	206,000	-
	Stock subscription rights issued in February, 2013	-	831,000	-	831,000	472
	Series 9 stock subscription rights	-	6,333,000	13,000	6,320,000	46
	Treasury stock subscription rights	-	13,000	-	13,000	-
					Total	6,387
						-

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

(Note 2) Exercise periods of "Series 5 stock subscription rights", "Series 6 stock subscription rights", "Series 7 stock subscription rights", "Series 8 stock subscription rights" and "Series 9 stock subscription rights" 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, treatment of public offering for subscription and secondary offering of securities, treatment 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: "trading securities and others", "derivatives", "operational investment securities", "loans" and "investment securities", etc. and raises its capital with corporate bonds, medium-term notes, borrowing from financial institutions, deposits, etc. Under the basic policy for financing such 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. The Group also holds operational investment securities, etc., in the investments 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 change 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

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 and conducted risk management of the entire Group. Each subsidiary conducts risk management suitable for each business profile and size in accordance with the basic policy of risk management. The Company also 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. Major 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 business 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 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 scenario assuming 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, 2013 (fiscal year end) was 1.6 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 estimates 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 investment 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 subsidiaries, which engage in the investment business, investigate each investment through an investment committee etc. and make each investment judgment. After investments, the subsidiaries regularly monitor the situation of invested companies and inform the risk management committee 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 regularly monitors the situation of risk and informs the management of the Company.

(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 investment business and "investment securities" for the business relationship. As of March 31, 2013, market prices of the listed equities in "operational investment securities" and "investment securities" would fluctuate by 12.6 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, 2013, 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 1.1 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. Also, regarding the currency less than 5 % of total assets or debts, interest rates shock according to the parallel displacement of 200 basis points (2 %) up and down across the board, is used for calculating the financial value changes.

At the end of the fiscal year, presuming that all the risk factors except interest rates are unchanged, the financial value will be decreased by 3.5 billion yen by interest rate volatility.

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 increasing capital raising from the market and borrowing from financial institutions, in preparation for the world-wide financial crisis and credit crunch.

Also, the Group tries to diversify the maturity of raised capital and sources of funding in preparation for the event where 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 of securing 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 in preparation for the case where 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 Next Bank, Ltd. and foreign securities subsidiaries, which are sensitive to influence by financial markets and for which the importance of securing liquidity of the capital is significant, 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 under different conditions because a certain condition is assumed in calculating theoretical prices.

2. Fair values of financial instruments

The figures stated in the consolidated balance sheets as of March 31, 2013, fair value and the difference between the two are as below. Any item for which it is extremely difficult to obtain its fair value is not included in the statement below (see Note 2).

(Millions of yen)	Amounts in consolidated balance sheets	Fair value	Difference
Assets			
(1) Cash and deposits	1,212,243	1,212,243	-
(2) Cash segregated as deposits	260,197	260,197	-
(3) Trading products			
(a) Trading securities and other	6,101,443	6,101,443	-
(b) Derivatives	2,747,684	2,747,684	-
(4) Trade date accrual	235,449	235,449	-
(5) Margin transaction assets			
Loans on margin transactions	182,882	182,882	-
Cash collateral pledged for securities borrowing on margin transactions	10,760	10,760	-

(6) Loans secured by securities			
Cash collateral pledged for securities borrowed	4,840,106	4,840,106	-
Loans on Gensaki transactions	1,620	1,620	-
(7) Securities, Operational investment securities and Investment securities			
(a) Securities intended to be held for trading purposes	-	-	-
(b) Held-to-maturity debt securities	2,923	2,923	0
(c) Subsidiaries' stocks and affiliates' stocks	418	605	187
(d) Available-for-sale securities	2,333,747		
Allowance for investment loss	(6,910)		
	2,326,837	2,326,837	-
Total assets	17,922,566	17,922,754	188
Liabilities			
(1) Trading products			
(a) Trading securities and other	2,624,241	2,624,241	-
(b) Derivatives	2,341,451	2,341,451	-
(2) Margin transaction liabilities			
Borrowings on margin transactions	12,617	12,617	-
Cash received for securities lending on margin transactions	45,145	45,145	-
(3) Loans payable secured by securities			
Cash received on debt credit transactions of securities	6,899,162	6,899,162	-
Borrowings on Gensaki transactions	243,803	243,803	-
(4) Deposits for banking business	1,791,765	1,791,360	405
(5) Deposits received	168,453	168,453	-
(6) Guarantee deposits received	286,675	286,675	-
(7) Short-term loans payable	946,311	946,311	-
(8) Commercial papers	301,711	301,711	-
(9) Current portion of bonds	221,291	221,291	-
(10) Bonds payable	1,198,172	1,178,955	19,217
(11) Long-term loans payable	642,835	638,804	4,030
Total liabilities	17,723,637	17,699,984	23,653
Derivative transactions other than trading (※)			
Transactions in which hedge accounting is not applied	(614)	(614)	-
Transactions in which hedge accounting is applied	(32,728)	(18,391)	14,336
Total derivative transactions other than trading	(33,343)	(19,006)	14,336

※ 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 at 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
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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 interest rates, credit spread of the reference, etc.

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 at 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 at 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 at 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 at 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 at 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 at 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 at 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 for 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	35,292
Other securities	
Unlisted equities	61,476
Investments in limited partnerships and other similar partnerships	15,784
Others	5,633

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 their future cash flow. 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 year 2012 are as follows.

(millions of yen)	
The amount recorded on the consolidated balance sheets	Market price
282,407	287,380

(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 year 2011 are the valuations provided by the outside real estate appraiser.

Notes to per share information

Net assets per share	536.72 yen
Net income (loss) per share	43.00 yen

Notes to Business Combinations and related matters

Deals under common control

1. Outline of the deals under common control

(1) Corporate name and the substance of business

The name: Daiwa Office Investment Corporation

The business: Investment in and management of specified assets

(2) Legal form of the business combination

Additional acquisition of investment units issued by Daiwa Office Investment Corporation

(3) Corporate name after business combination

Corporate name was unchanged.

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

While the Company held 45.68 % (including indirectly-owned) of the voting rights of the total issued and outstanding investment units issued by Daiwa Office Investment Corporation, the Company acquired additional investment units from July 23, 2012 to October 5, 2012 in order to strengthen earning power and governance of the Real Property Asset Management Business in the Group. As a result, the Company's investment-holding ratio of the voting rights became 47.56 % (including indirectly-owned shares).

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 minority shareholder.

3. Regarding the additional acquisitions

(1) Acquisition cost and details

The amount of consideration of the acquisition 1,706 million yen

The amount of the expenses required directly 13 million yen

The amount of price cost (cash and deposit) 1,720 million yen

(2) The amount of and the reason for gain on negative goodwill

(i) The amount of gain on negative goodwill: 1,351 million yen

(ii) The reason for gain on negative goodwill

It was generated because the cost for the additional acquisition of the investment units issued by Daiwa Office Investment Corporation was less than the decline in the investment units held by minority holders.

Business combination by acquisition

1. Outline of the business combinations

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

The name: Retela Crea Securities Co., Ltd.

The business: Securities-related business

(2) The reason for the business combination

The Company dispatches board members to Retela Crea Securities Co., Ltd. and constructs an amicable relationship with Retela Crea Securities Co., Ltd. The Company conducted the tender offer for all of the outstanding common shares and subscription rights to shares in order to build closer capital ties through the additional acquisition of the common shares, etc. of Retela Crea Securities Co., Ltd.

(3) The date of business combination

March 31, 2013 (which is considered to be the acquisition date)

(4) Legal form of the business combination

Acquisition of stocks issued by Retela Crea Securities Co., Ltd.

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

The ratio of voting rights before the acquisition: 14.98%

The ratio of additional voting rights acquired on the date of business combination: 46.02%

The ratio of voting rights after the acquisition: 61.01%

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

The business before the date of the business combination (March 31, 2013 is considered to be the acquisition date) is not reflected on the consolidated financial statements.

3. Acquisition cost and details of the acquired corporation

The fair value of the stocks units issued by Retela Crea Securities Co., Ltd. just before the business combination: 452 million yen

The fair value of the additional stocks issued by Retela Crea Securities Co., Ltd. acquired on the effective date of the business combination: 1,389 million yen

The amount of the expenses required directly 6 million yen

The acquisition cost of the acquired corporation: 1,848 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

Loss on step acquisition: 420 million yen

5. The amount of and the reason for the generated negative goodwill

(1) The amount of generated negative goodwill: 3,324 million yen

(2) 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	34,550
Non-current assets	4,173
Total assets	38,724
Current liabilities	28,948
Non-current liabilities	1,193
Total Liabilities	30,242

7. The amount and method of impact on the consolidated statements of income for fiscal year 2012 by supposing that the business combination would have been completed on the beginning day of fiscal year 2012

(millions of yen)	
Net Operating Revenue	2,602
Ordinary loss	112
Net Income	528

(The method of the calculation of approximate amount)

Supposing that the business combination would have been completed on the beginning day of fiscal year 2012, 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 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 2012 As of Mar. 31, 2013
<i>Assets</i>	
Current assets:	520,133
Cash and deposits	128,104
Securities	130,000
Short-term loans receivable	243,685
Accounts receivable	9,282
Accrued income	6,366
Deferred tax assets	145
Other current assets	2,548
Non-current assets:	1,521,366
Property, plant and equipment:	44,847
Buildings	458
Equipment	2,306
Land	42,082
Intangible assets:	3,424
Software	1,014
Other	2,409
Investments and other assets:	1,473,094
Investment securities	127,123
Stocks of subsidiaries and affiliates	799,151
Investments in other securities of subsidiaries and affiliates	15,297
Long-term loans receivable	521,719
Long-term guarantee deposits	4,955
Other	5,117
Allowance for doubtful accounts	(270)
Total assets	2,041,500

(Millions of yen)	Fiscal 2012 As of Mar. 31, 2013
<i>Liabilities</i>	
Current liabilities:	386,145
Short-term loans payable	173,734
Current portion of bonds	155,019
Accrued expenses	3,962
Loans payable secured by securities	35,826
Income taxes payable	123
Provision for bonuses	859
Other current liabilities	16,619
Non-current liabilities:	751,518
Bonds payable	340,474
Long-term loans payable	397,313
Long-term guarantee deposited	1,513
Deferred tax liabilities	9,016
Provision for retirement benefits	21
Other non-current liabilities	3,178
Total liabilities	1,137,664
<i>Net assets</i>	
Shareholders' equity:	874,161
Capital stock	247,397
Capital surplus:	226,821
Legal capital surplus	226,751
Other capital surplus	69
Retained earnings:	419,154
Legal retained earnings	45,335
Other retained earnings	373,818
Voluntary retained earnings	218,000
Retained earnings brought forward	155,818
Treasury stock	(19,211)
Valuation and translation adjustments:	23,286
Valuation difference on available-for-sale securities	23,286
Subscription rights to shares	6,387
Total net assets	903,836
Total liabilities and net assets	2,041,500

Statement of income

(Millions of yen)	Fiscal 2012 Apr. 1, 2012 - Mar. 31, 2013
Operating revenue:	21,703
Dividends from subsidiaries and affiliates	12,505
Interest on loans receivable from subsidiaries and affiliates	8,837
Other	361
Operating expenses:	23,323
Selling, general and administrative expenses:	14,288
Trading related expenses	2,310
Personnel expenses	5,722
Real estate expenses	1,976
Office cost	1,606
Depreciation	796
Taxes and dues	906
Other	969
Financial expenses	9,034
Operating income (loss)	(1,619)
Non-operating income:	6,016
Interest income	154
Dividend income	2,693
Foreign exchange gains	2,290
Other	878
Non-operating expenses:	3,386
Bond issue cost	1,239
Other	2,146
Ordinary income (loss)	1,010
Extraordinary income:	23,162
Gain on sales of investment securities	3,447
Reversal of allowance for doubtful accounts	19,715
Other	0
Extraordinary loss:	2,104
Loss on sales of investment securities	31
Loss on valuation of investment securities	218
Loss on valuation of stocks of subsidiaries and affiliates	150
Other	1,705
Income (loss) before income taxes	22,068
Income taxes-current	(5,104)
Income taxes-deferred	180
Net income (loss)	26,993

Statement of changes in net assets

(Apr. 1, 2012 - Mar. 31, 2013)

(Millions of yen)	Shareholders' equity							
	Common stock	Capital surplus		Retained earnings			Treasury stock	Total
		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	48	45,335	218,000	139,106	(22,681)	853,959
Changes of items during the period								
Dividends from surplus	-	-	-	-	-	(10,281)	-	(10,281)
Net income	-	-	-	-	-	26,993	-	26,993
Purchase of treasury stock	-	-	-	-	-	-	(11)	(11)
Disposal of treasury stock	-	-	20	-	-	-	3,481	3,502
Total changes of items during the period	-	-	20	-	-	16,711	3,469	20,202
Balance at the end of current period	247,397	226,751	69	45,335	218,000	155,818	(19,211)	874,161

(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	7,830	5,429
Changes of items during the period		
Net changes of items other than shareholders' equity	15,456	958
Total changes of items during the period	15,456	958
Balance at the end of current period	23,286	6,387

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.
 - (4) Securities intended to be held for trading purposes
Valued at market value.
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.
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.

Notes to balance sheet

1. Assets pledged securities as collateral		
Fixed-term deposits	8,000	million yen
Debts pledged as collateral		
Short-term loans payable	3,200	million yen
Long-term loans payable	4,800	
Total	8,000	

2. Pledged securities as collateral
59,250 million yen of investment securities were loaned.

3. Allowance for doubtful accounts deducted directly from assets
Investments and other assets 3,470 million yen

4. Accumulated depreciation of tangible fixed assets 1,910 million yen

5. Guarantee

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	641 million yen
Related companies	Derivative liabilities	612
Total		1,254

6. Monetary claims and obligations with related companies

Short-term loan receivables from related companies	381,017	million yen
Long-term loan receivables from related companies	531,686	million yen
Short-term monetary liabilities to related companies	51,961	million yen
Long-term monetary liabilities to related companies	3,766	million yen

Notes to statement of income

Transactions with related companies

Operating transactions	32,491	million yen
Non-operating transactions	8,385	million yen

Notes to statement of changes in net assets

Balance of Treasury Stock as of March 31, 2013
Common Shares 50,576,601

(Note) The number of shares of treasury stock (common shares) includes 14,899,000 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	26,289	million yen
Write-down of stocks in subsidiaries and affiliates, etc.	20,483	
Write-down of investment securities	9,059	
Allowance for doubtful accounts	1,335	
Others	2,463	
	59,630	
Valuation allowance	(57,787)	
Total deferred tax assets:	1,843	

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	10,200	million yen
Others	513	
Total deferred tax liabilities	10,713	

Net deferred tax liabilities	8,870	million yen
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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 99.9% Indirect Ownership 0.0%	Debt financing Receipt of cash collateral Lending share Directors hold concurrent positions Counter-party of derivative transactions	Debt financing (Note 1)	55,558	Long-term loans	62,541
				Receipt of interest (Note 1)	2,634	receivable	223,618
				Receipt of cash Collateral (Note 2)	22,081	Short-term loans	
				Lending share (Note 2)	9,250	receivable	136
				Receipt of rent (Note 2)	2	Accrued income	35,826
				Payment of interest (Note 2)	47	Loans payable secured by securities	
				Derivative transactions (Note 3, 4)	-	Accrued income	0
						Accrued expenses	5
						Investment and other assets (derivative assets)	1,402
						Other current liabilities (derivative liabilities)	362
						Other non-current liabilities (derivative liabilities)	2,306
						Accrued income	2,271
						Accrued expenses	227
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)	- 427	Long-term loans receivable Accrued income	29,290 - -
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 5) Receipt of interest (Note 5)	154,166 143	Securities (negotiable certificates of deposit) Accrued income	120,000 23
Subsidiary	Daiwa Investment Management Inc.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt financing (Note 1) Receipt of interest (Note 1)	25,800 2,536	Long-term loans receivable Accrued income	194,300 1,211 -
Subsidiary	Daiwa International Holdings Inc.	Direct Ownership 100%	Debt Financing Directors hold concurrent positions	Debt financing (Note 1) Receipt of interest (Note 1)	9,410 2,866	Long-term loans receivable Accrued income	216,010 1,289 -

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 description of transaction amount is omitted because these are repeated transactions.
(Note 4) The conditions of these transactions are decided with considering market prices.
(Note 5) 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.

Notes to per share information

Net assets per share	528.28 yen
Net income per share	15.92 yen

Independent Auditor's Report

May 10, 2013

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, 2013 and for the year from April 1, 2012 to March 31, 2013 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 10, 2013

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, 2013 and for the year from April 1, 2012 to March 31, 2013 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 76th fiscal year from April 1, 2012 to March 31, 2013. 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 contents 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 Audit & Supervisory Board Member, 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, 2013

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Koichi Uno

Committee Member
Nobuko Matsubara

Committee Member
Keiichi Tadaki

(Note 1) Mr. Koichi Uno, Ms. Nobuko Matsubara and Mr. Keiichi Tadaki are the outside directors provided under the provisions of Article 2, item 15 and Article 400, Paragraph 3 of the Companies Act.

(Note 2) Mr. Toshihiko Onishi resigned as a member of the Audit Committee as of March 31, 2013.