PASSION FOR THE BEST

3Q FY2012
Earnings Announcement

February 1, 2013

Daiwa Securities Group Inc.

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Table of Contents

PASSION FOR THE BEST

Consolidated Results

- Summary 3 - 6
- Break Down of SG&A 7 - 8
- Balance Sheet 9
- Financial Management 10
- Segment Information 11 - 17
- Other Domestic Group Companies and Overseas Operation 18
- Topics 19

Reference 20 - 33

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Highlights

Achieved surplus for 4 consecutive quarters

- Consolidated ordinary income for 3Q FY2012 was Y 18.1 bil (-Y 14.7 bil in 3Q FY2011), and net income was Y 14.0 bil (-Y 21.5 bil in 3Q FY2011), achieving surplus for 4 consecutive quarters.
- Consolidated ordinary income for 1Q to 3Q FY2012 was Y 35.1 bil (-Y 21.8 bil in 1Q to 3Q FY 2011), and net income was Y 24.1 bil (-Y 50.3 bil in 1Q to 3Q FY 2011), steadily progressing to achieve management target of medium term management plan to “return to profitability by FY2012”.

Ordinary income of Wholesale division turned black

- Owning to revenue increase in equities, Global Markets’ net operating revenues increased by 32.3% q/q, returning ordinary income of Wholesale division in to the black.

Continued improving cost structure

- SG&A for 1Q to 3Q FY 2012 decreased by 10.6% y/y, contributing to earnings improvement.
- In overseas businesses, losses reduced by half for 1Q to 3Q FY2012, y/y, by continuously pursuing managerial efficiencies through measures such as cost reduction.

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Summary

- **3Q FY2012 Net operating revenues were Y 96.3 bil（+9.0% q/q）**

  Brokerage commission and net trading income greatly rose to Y 11.3 bil, +40.3% q/q, and to Y 30.5 bil, +34.3% q/q, respectively, through transaction increases in Japanese stocks.

  Distribution commission rose to Y 11.2 bil, +19.6% q/q, owning to increase in sales of mutual funds.

- **3Q FY2012 Ordinary income was Y 18.1 bil（+114.7% q/q）**

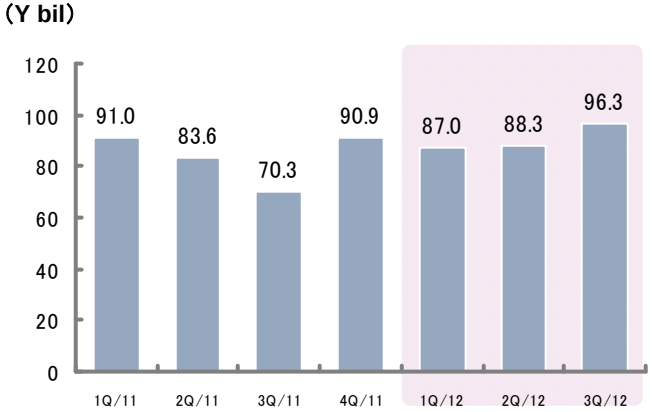
  SG&A decreased to Y 80.3 bil, -2.0% q/q.

  Operating income rose greatly, while revenues increased and costs reduced simultaneously, to Y 15.9 bil, +151.2% q/q.

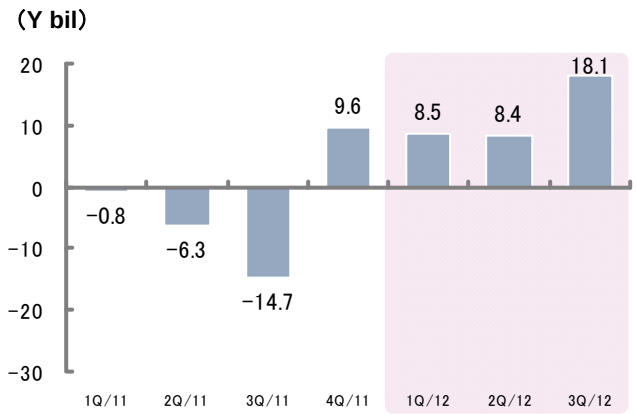
- **3Q FY2012 Net income was Y 14.0 bil（+90.4% q/q）**

  Net assets rose by +Y 71.6 bil, q/q, due to increase in net income and accumulated other comprehensive income. (valuation gains from investment securities & operational investment securities due to rise in stock prices, gains from foreign currency translation adjustment due to weakening of yen）

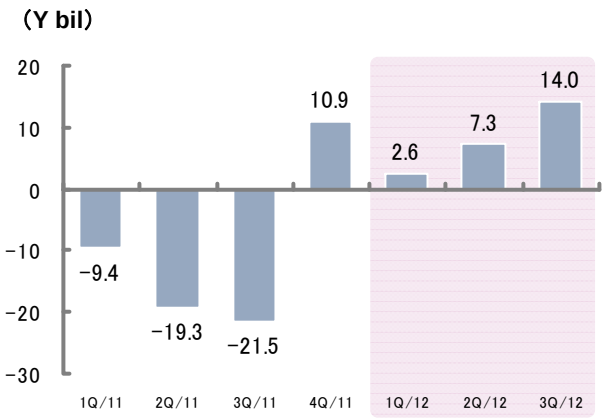
Net operating revenues



Ordinary income



Net income



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Financial Summary

(Y mil)	FY2012		% Change vs 2Q FY12	FY2011	FY2012	% Change vs 1Q-3Q FY11	FY2011
	2Q	3Q		1Q-3Q	1Q-3Q		
Operating revenues	113,486	**125,190**	**10.3%**	309,025	**352,574**	**14.1%**	422,374
Net operating revenues	88,353	**96,338**	**9.0%**	245,048	**271,694**	**10.9%**	336,016
SG&A	81,991	**80,354**	**-2.0%**	274,103	**245,102**	**-10.6%**	359,729
Ordinary income	8,441	**18,124**	**114.7%**	-21,883	**35,100**	**-**	-12,200
Net income	7,389	**14,068**	**90.4%**	-50,355	**24,136**	**-**	-39,434
Total assets	18,579,466	**17,475,300**		17,220,452	**17,475,300**		18,924,038
Net assets	927,815	**999,454**		806,065	**999,454**		951,702
Shareholders' equity*	767,061	**828,302**		729,977	**828,302**		782,498
EPS (Y)	4.36	**8.29**		-29.91	**14.24**		-23.41
BPS (Y)	452.45	**487.83**		432.39	**487.83**		463.04
ROE (Annualized)	3.9%	**7.1%**		**-**	**4.0%**		-

* Shareholders' equity + accumulated other comprehensive income

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P/L Summary

(Y mil)	FY2011 3Q	FY2011 4Q	FY2012 1Q	FY2012 2Q	FY2012 3Q	% Change vs 2Q FY12	FY2011 1Q-3Q	F2012 1Q-3Q	% Change vs 1Q-3Q FY11	FY2011
Operating revenues	92,919	113,348	113,897	113,486	**125,190**	**10.3%**	309,025	**352,574**	**14.1%**	422,374
Commission received	52,535	57,077	48,045	52,566	**53,287**	**1.4%**	163,767	**153,899**	**-6.0%**	220,845
Net trading income	8,572	29,703	24,395	22,726	**30,524**	**34.3%**	49,712	**77,645**	**56.2%**	79,416
Net gain/loss on private equity and other securities	1,470	-2,658	4,899	1,047	**2,952**	**181.8%**	4,614	**8,900**	**92.9%**	1,955
Financial revenue	20,910	18,909	20,948	21,520	**25,024**	**16.3%**	60,852	**67,493**	**10.9%**	79,761
Other operating revenue	9,429	10,316	15,608	15,625	**13,401**	**-14.2%**	30,078	**44,635**	**48.4%**	40,395
Financial expenses	16,329	15,205	16,670	15,392	**20,103**	**30.6%**	44,484	**52,166**	**17.3%**	59,689
Other operating expenses	6,245	7,175	10,224	9,739	**8,749**	**-10.2%**	19,492	**28,713**	**47.3%**	26,668
Net operating revenues	70,344	90,967	87,003	88,353	**96,338**	**9.0%**	245,048	**271,694**	**10.9%**	336,016
SG&A	86,352	85,626	82,756	81,991	**80,354**	**-2.0%**	274,103	**245,102**	**-10.6%**	359,729
Operating income/loss	-16,008	5,340	4,246	6,362	**15,983**	**151.2%**	-29,054	**26,592**	**-**	-23,713
Non-operating income/loss	1,294	4,341	4,287	2,079	**2,141**	**3.0%**	7,170	**8,508**	**18.7%**	11,512
Ordinary income/loss	-14,713	9,682	8,534	8,441	**18,124**	**114.7%**	-21,883	**35,100**	**-**	-12,200
Extraordinary income/loss	-1,976	8,412	-308	161	**-980**	**-**	-13,085	**-1,128**	**-**	-4,673
Income/loss before income taxes	-16,690	18,095	8,225	8,602	**17,143**	**99.3%**	-34,969	**33,972**	**-**	-16,874
Total income taxes	4,544	8,663	3,967	301	**1,680**	**457.4%**	15,736	**5,949**	**-62.2%**	24,399
Net income/loss	-21,567	10,920	2,678	7,389	**14,068**	**90.4%**	-50,355	**24,136**	**-**	-39,434

Net operating revenues : Y 96.3 bil (+9.0% q/q)

- Brokerage commission* and net trading income greatly rose to Y 11.3 bil, +40.3% q/q, and to Y 30.5 bil, +34.3% q/q, respectively, through transaction increases in Japanese stocks.
- Distribution commission rose to Y 11.2 bil, +19.6% q/q, owning to increase in sales of mutual funds.
- Net gain on private equity and other securities rose to Y 2.9 bil, +181.8% q/q, mainly by selling equity and claims.

Operating income : Y 15.9 bil (+151.2% q/q)

Ordinary income : Y 18.1 bil (+114.7% q/q)

Net income : Y 14.0 bil (+90.4% q/q)

* Composition of total commission received

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Break Down of SG&A

(Y mil)	FY2011		FY2012			% Change vs 2Q FY12	FY2011	FY2012	% Change vs 1Q-3Q FY11	FY2011
	3Q	4Q	1Q	2Q	3Q		1Q-3Q	1Q-3Q		
SG&A	86,352	85,626	82,756	81,991	**80,354**	**-2.0%**	274,103	**245,102**	**-10.6%**	359,729
Trading related expenses	16,286	16,415	16,928	16,151	**16,376**	**1.4%**	52,441	**49,456**	**-5.7%**	68,856
Personnel expenses	37,994	36,219	37,062	37,510	**37,886**	**1.0%**	122,078	**112,460**	**-7.9%**	158,297
Real estate expenses	11,203	11,029	10,101	10,034	**8,842**	**-11.9%**	33,851	**28,979**	**-14.4%**	44,880
Office cost	6,521	7,443	6,149	5,911	**5,340**	**-9.7%**	20,307	**17,401**	**-14.3%**	27,751
Depreciation	9,879	9,592	7,802	7,974	**7,677**	**-3.7%**	30,268	**23,455**	**-22.5%**	39,861
Taxes and dues	1,436	1,542	1,426	1,385	**1,330**	**-3.9%**	5,038	**4,142**	**-17.8%**	6,581
Other	3,031	3,383	3,283	3,024	**2,900**	**-4.1%**	10,116	**9,207**	**-9.0%**	13,500

SG&A ： Y 80.3 bil（-2.0% q/q）

- Variable cost rose to Y 29.1 bil, +1.7% q/q, from increase in revenue and profit. On the other hand, fixed cost decreased to Y 51.1 bil, -4.0% q/q, from continuous cost reduction.
- Trading expenses and personal expenses, mainly in bonuses, increased.
- Office expenses and depreciation decreased by restraining system investment & cost.

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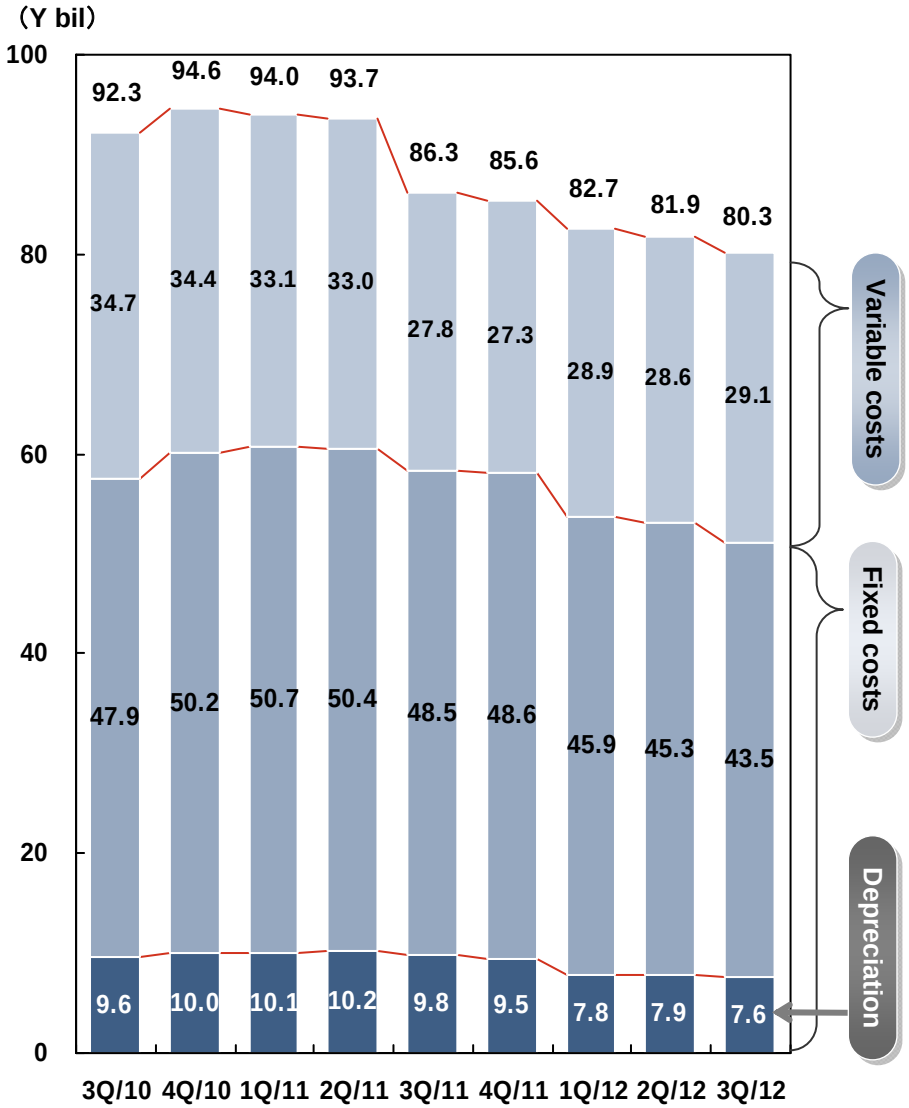
Cost Structure



(Y bil)	FY2010		FY2011				FY2012		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Total SG&A	92.3	94.6	94.0	93.7	86.3	85.6	82.7	81.9	**80.3**
Variable costs	34.7	34.4	33.1	33.0	27.8	27.3	28.9	28.6	**29.1**
Trading related expenses	17.9	18.6	17.5	18.6	16.2	16.4	16.9	16.1	**16.3**
Advertising expenses	2.3	1.8	1.5	1.6	2.0	1.4	1.2	1.5	**1.3**
Bonus	10.0	9.2	9.3	8.6	6.5	5.5	6.8	7.7	**8.0**
FA remuneration	0.3	0.3	0.3	0.3	0.2	0.3	0.2	0.2	**0.2**
Overtime, part-time	2.6	2.4	2.6	2.4	2.2	2.1	2.0	1.9	**1.9**
Fixed costs	57.6	60.2	60.8	60.7	58.4	58.2	53.7	53.3	**51.1**
Personnel expenses	29.1	29.4	29.8	30.3	28.9	28.2	27.9	27.6	**27.5**
Real estate expenses	10.9	11.7	11.2	11.3	11.2	11.0	10.1	10.0	**8.8**
Depreciation	9.6	10.0	10.1	10.2	9.8	9.5	7.8	7.9	**7.6**
Office expenses	5.5	6.7	6.6	6.5	6.2	7.1	5.8	5.6	**5.0**
Taxes other than income taxes	1.7	1.4	2.1	1.4	1.4	1.5	1.4	1.3	**1.3**

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Balance Sheet

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Consolidated Balance Sheet (12/12)

(Y bil)

Current assets	**16,783**	**(-1,433)**	**Current liabilities**	**14,568**	**(-1,434)**
Short-term investment securities	2,378	(904)	Trading products	4,757	(-1,196)
Trading products	8,229	(-647)	Trading securities and other	2,374	(-1,195)
Trading securities and other	5,504	(-643)	Stocks, convertible bonds	131	(3)
Stocks, convertible bonds	321	(31)	Bonds	2,177	(-1,243)
Bonds	4,868	(-852)	CD/CP and others	65	(44)
Beneficiary certificates	76	(2)	Derivatives	2,382	(0)
CD/CP and others	237	(174)	Loans payable secured by securities	5,892	(-176)
Derivatives	2,724	(-3)	Deposits for banking business	1,659	(489)
Operational investment securities (after Allowance for possible investment losses)	132	(-5)	Short-term loans payable	1,149	(-645)
Daiwa Securities SMBC PI+Daiwa PI Partners	119	(-4)	Commercial papers	164	(-110)
Daiwa Corporate Investment	13	(0)	Current portion of bonds	247	(32)
Loans secured by securities	4,271	(-1,463)			
Non-current assets	**692**	**(-14)**	**Non-current liabilities**	**1,904**	**(-61)**
Property, plant and equipment	395	(1)	Bonds payable	1,251	(-30)
Intangible assets	91	(-11)	Long-term loans payable	592	(-30)
Investments and other assets	204	(-4)	**Total liabilities**	**16,475**	**(-1,496)**
Investment securities	166	(7)	**Net assets**	**999**	**(47)**
Listed stocks	83	(8)	Shareholders' equity	818	(17)
Unlisted stocks	27	(-5)	Accumulated other comprehensive income	9	(28)
Other	55	(5)	Minority interests	165	(1)
Total assets	**17,475**	**(-1,448)**	**Total liabilities and net asset**	**17,475**	**(-1,448)**

Note: Figures in parenthesis indicate changes from March 31, 2012.

Total assets : Y 17,475.3 bil

Net assets : Y 999.4 bil

Shareholders' equity : Y 818.3 bil

- 71.5% of the assets are trading related assets*, keeping high liquidity and healthy balance sheet.

  *trading products＋loans secured by securities

- Net assets rose by +Y 71.6 bil, q/q, due to increase in net income and accumulated other comprehensive income. (valuation gains from investment securities & operational investment securities due to rise in stock prices, gains from foreign currency translation adjustment due to weakening of yen)
- Net assets rose Y 47.7 bil from March 31, 2012.
- Exposure in European peripheral countries was Y 15.1 bil as of December 31, 2012, remaining at low level.

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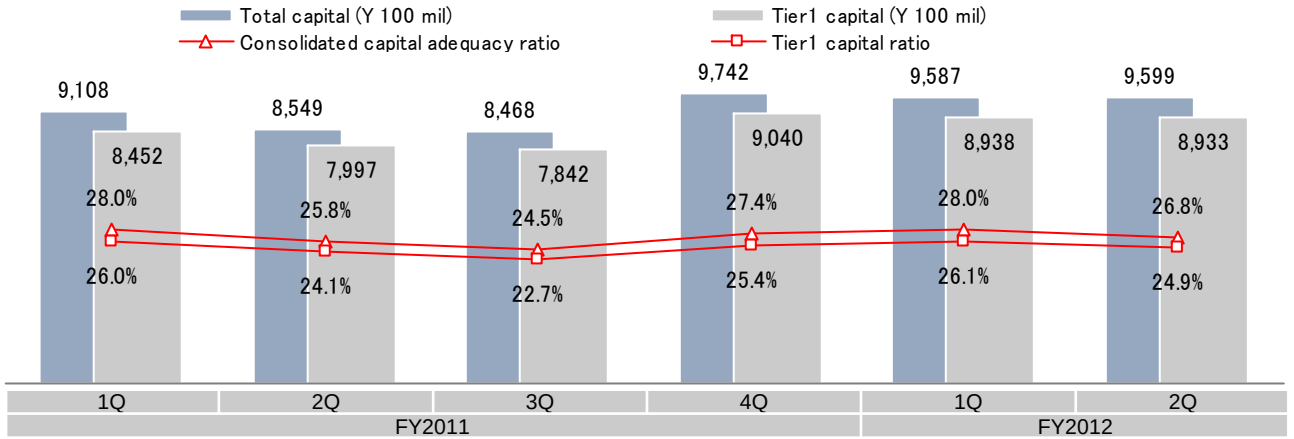
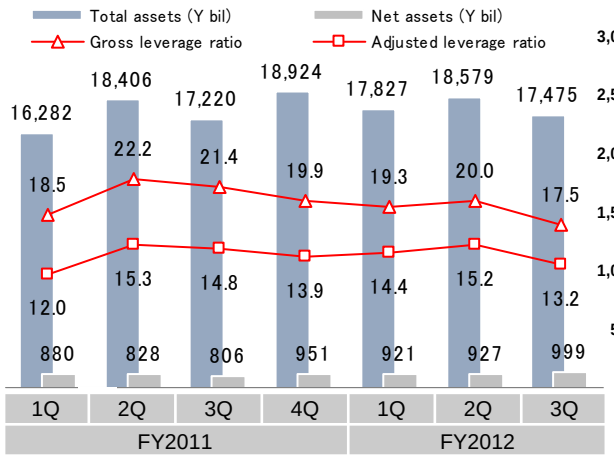
Financial Management

Consolidated Capital Adequacy Ratio

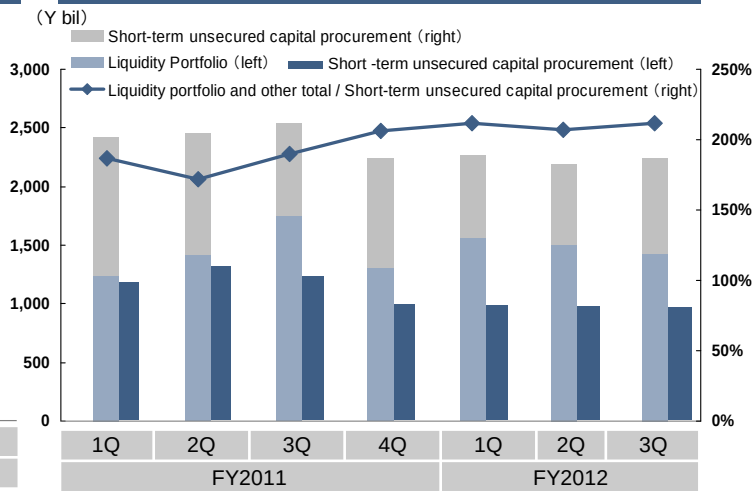


※ Consolidated capital adequacy ratio: Basel 2.5 since 3Q/FY2011 (Dec 31, 2011), Basel 2 before 2Q/FY2011 (June 31, 2011)

Leverage Ratio



Liquidity Portfolio and Other



※ Leverage Ratio:
Gross leverage ratio：total assets / net assets
Adjusted leverage ratio：(total assets-assets related to cash forward transaction & repo trading)/net assets

- **Consolidated capital adequacy ratio： 26.8%**
  Consolidated Tier1 capital ratio： 24.9%
  (based on Basel 2.5 as of Sept. 30, 2012)
- **Consolidated common equity Tier1 capital ratio (Basel Ⅲ estimation)**
  Implement(*)： approximately 20%
  Full implement(*)： approximately 15%
  (*)Calculated based on financial statements as of Sept. 30, 2012. It may be greatly revised due to developments of regulatory.
- **Gross leverage ratio： 17.5**
- **Adjusted leverage ratio： 13.2**
- Liquidity portfolio was Y 1,421.7 bil, and Y 2,245.1 bil including complementary liquidity portfolio, which accounts for 211.7% of total outstanding short-term unsecured capital procurement.

Segment Information

(Y mil)	Net operating revenues							
	FY2012			% change VS 2Q/12	FY2011	FY2012	% change VS 1Q-3Q/11	FY2011
	1Q	2Q	3Q		1Q-3Q	1Q-3Q		
Retail	39,468	39,315	**43,269**	**10.1%**	117,243	**122,053**	**4.1%**	159,516
Asset Management	11,063	10,846	**10,652**	**-1.8%**	28,298	**32,561**	**15.1%**	37,424
Wholesale	21,759	28,221	**31,406**	**11.3%**	62,960	**81,388**	**29.3%**	94,109
Global Markets	*17,055*	*20,085*	***26,577***	***32.3%***	*43,798*	***63,719***	***45.5%***	*67,796*
Global Investment Banking	*4,704*	*8,135*	***4,828***	***-40.7%***	*19,162*	***17,668***	***-7.8%***	*26,312*
Investments	5,333	1,274	**3,166**	**148.4%**	6,007	**9,774**	**62.7%**	3,624
Other/Adjustments	9,377	8,695	**7,843**	**-9.8%**	30,538	**25,917**	**-15.1%**	41,341
Consolidated total	87,003	88,353	**96,338**	**9.0%**	245,048	**271,694**	**10.9%**	336,016

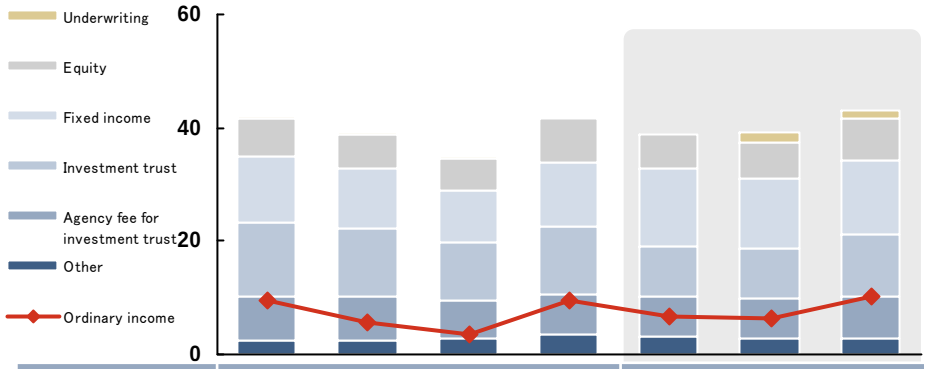
(Y mil)	Ordinary income							
	FY2012			% change VS 2Q/12	FY2011	FY2012	% change VS 1Q-3Q/11	FY2011
	1Q	2Q	3Q		1Q-3Q	1Q-3Q		
Retail	6,762	6,430	**10,473**	**62.9%**	18,965	**23,665**	**24.8%**	28,692
Asset Management	4,826	4,270	**4,890**	**14.5%**	11,414	**13,987**	**22.5%**	14,615
Wholesale	-8,675	-1,626	**2,188**	**-**	-57,594	**-8,112**	**-**	-59,338
Global Markets	*-6,103*	*-2,478*	***4,709***	-	*-42,939*	***-3,872***	-	*-43,380*
Global Investment Banking	*-2,571*	*852*	***-2,520***	-	*-14,654*	***-4,240***	-	*-15,958*
Investments	4,430	480	**2,342**	**387.7%**	3,317	**7,253**	**118.6%**	552
Other/Adjustments	1,189	-1,112	**-1,770**	**-**	2,013	**-1,693**	**-**	3,277
Consolidated total	8,534	8,441	**18,124**	**114.7%**	-21,883	**35,100**	**-**	-12,200

*Figures calculated based on managerial accounting of each subsidiary companies.
*From 1Q/FY2012, the classification of business segment has changed due to adoption of a new management accounting method after internal reorganization.
Figures of 4Q/FY2011 and before are retroactively adjusted based on the current method for reference (unaudited).

Retail Division

(Y mil)	FY2012 3Q	% Change vs 2Q FY12	FY2012 1Q-3Q	% Change vs 1Q-3Q FY11
Net operating revenues	43,269	10.1%	122,053	4.1%
Ordinary income	10,473	62.9%	23,665	24.8%

Quarterly figures



(Y bil)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Underwriting	0.4	0.4	0.2	0.1	0.2	1.7	**1.3**
Equity	6.6	6.2	5.6	7.7	5.8	6.2	**7.7**
Fixed income	11.9	10.3	9.2	11.5	13.8	12.4	**13.0**
Investment trust	13.0	12.3	10.4	11.9	9.1	9.0	**11.0**
Agency fee for investment trust	7.9	7.5	6.8	7.1	7.0	7.0	**7.2**
Other	2.3	2.6	2.7	3.5	3.1	2.8	**2.9**
Net operating revenues	42.2	39.6	35.2	42.2	39.4	39.3	**43.2**
Ordinary income	9.7	5.6	3.5	9.7	6.7	6.4	**10.4**

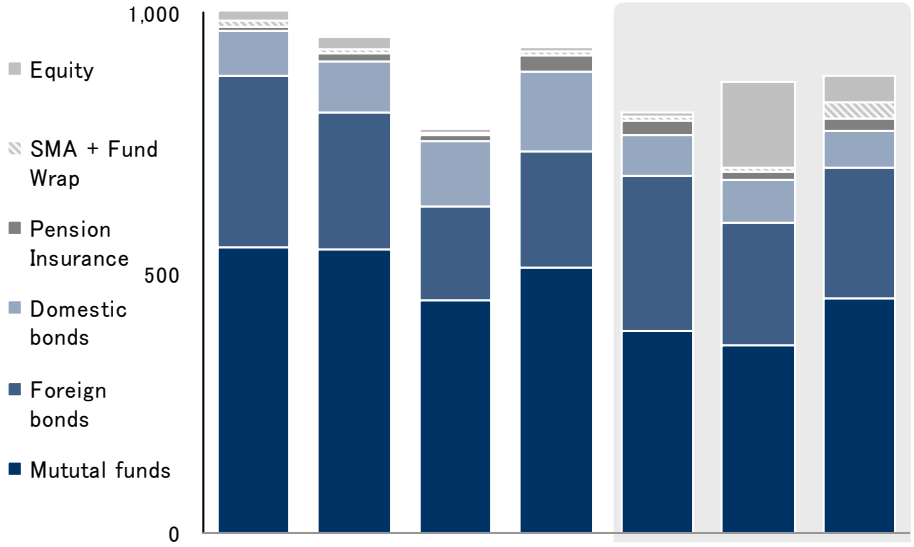
Net operating revenues： **Y 43.2 bil （+10.1% q/q）**

Ordinary income： **Y 10.4 bil （+62.9% q/q）**

- Equity revenue significantly increased through the expansion in Japanese stock transactions, related to the recent market upturn.
- Fixed income revenue increased from sales in privately placed structured bonds such as EB bonds and repackage bonds.
- Distribution commission and agency fees for investment trusts increased through sales increases in mutual funds.

Sales and Distribution Amount

Sales and distribution amount by product



(Y bil)			FY2011		FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	19.5	23.1	8.1	9.1	10.5	162.4	**50.5**
SMA + Fund Wrap	11.8	8.5	2.8	7.8	5.4	8.0	**30.3**
Pension Insurance	9.3	14.0	12.1	29.8	27.6	16.9	**23.4**
Domestic bonds	84.4	99.5	124.5	153.0	80.1	82.8	**72.0**
Foreign bonds	329.7	263.4	183.0	223.2	298.7	235.0	**252.8**
Mutual funds	548.9	543.9	445.2	511.7	387.3	361.0	**449.4**

Note: Mutual funds include switching transactions between funds.
Foreign bonds include yen-denominated bonds.

【Sales and distribution amount by product】

- PICC's IPO contributed to an increase in equity offerings.
- Sales of "Daiwa Fund Wrap" expanded（balance of wrap account assets reached Y 279.6 bil, marking record high）.
- "Daiwa Global Hybrid Securities Fund" and other new funds contributed to increase sales of mutual funds (+ 24.5% q/q).

【Major sales results of mutual funds】

Daiwa Global Hybrid Securities Fund	Y 77.7 bil
Daiwa U.S. Stocks Strategy α Brazil-Real Course	Y 40.8 bil
Daiwa Australian Dollars Denominated High-coupon Securities Fund	Y 35.5 bil
Daiwa Emerging High-income Plus	Y 32.0 bil

Asset Management Division

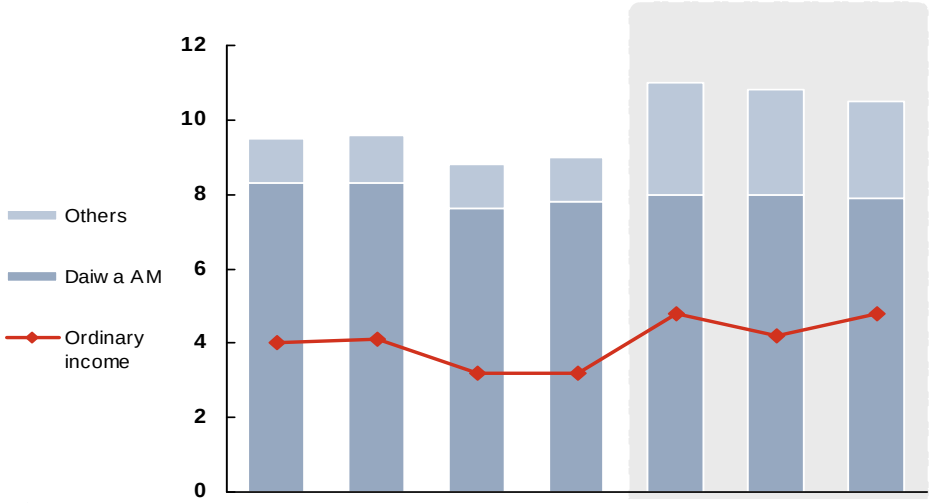
(Y mil)	FY2012 3Q	% Change vs 2Q FY12	FY2012 1Q-3Q	% Change vs 1Q-3Q FY11
Net operating revenues	10,652	-1.8%	32,561	15.1%
Ordinary income	4,890	14.5%	13,987	22.5%

Net operating revenues： **Y 10.6 bil** **(-1.8% q/q)**

Ordinary income： **Y 4.8 bil** **(+14.5% q/q)**

- Daiwa SB Investments won the first place in the overall client satisfaction rankings in the investment advisory category of "R&I Pension&Investment Newsletter Survey" of 2012, for 4 consecutive years (5 times in total).

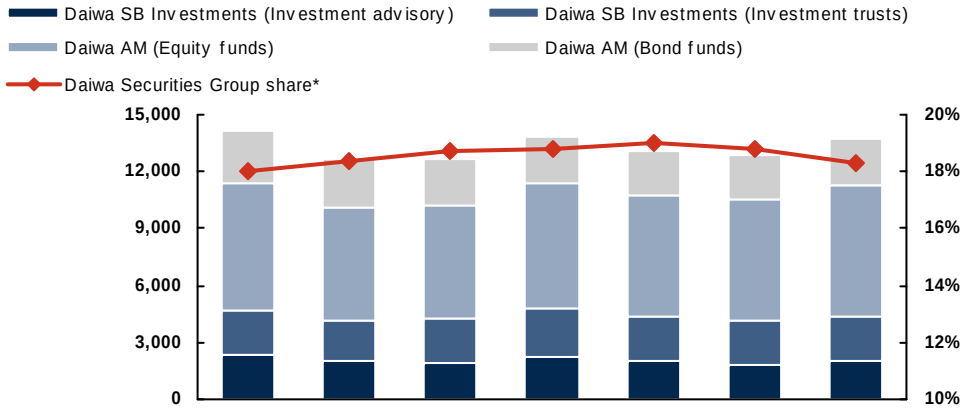
Quarterly figures



(Y bil)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Daiwa AM	8.3	8.3	7.6	7.8	8.0	8.0	**7.9**
Others*	1.2	1.3	1.2	1.2	3.0	2.8	**2.6**
Net operating revenues	9.6	9.7	8.8	9.1	11.0	10.8	**10.6**
Ordinary income	4.0	4.1	3.2	3.2	4.8	4.2	**4.8**

* 'Others' includes Daiwa Fund Consulting, Daiwa Real Estate Asset Management, and Daiwa Office Investment Corporation.

Assets under management

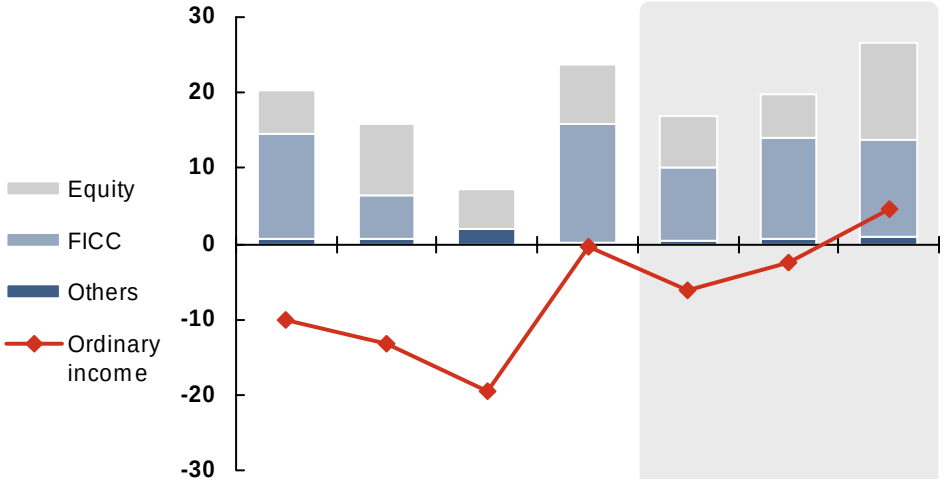


(Y bil)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Daiwa AM (Bond funds)	2,705	2,529	2,465	2,500	2,358	2,350	**2,449**
Daiwa AM (Equity funds)	6,706	5,937	5,950	6,624	6,409	6,341	**6,922**
Daiwa SB Investments (Investment trusts)	2,428	2,170	2,330	2,547	2,318	2,355	**2,325**
Daiwa SB Investments (Investment advisory)	2,300	1,990	1,927	2,210	2,031	1,838	**2,068**
Total	14,139	12,626	12,672	13,881	13,116	12,884	**13,764**
Daiwa Securities Group Share*	18.0%	18.4%	18.7%	18.8%	19.0%	18.8%	**18.3%**

Wholesale Division Global Markets

(Y mil)	FY2012 3Q	% Change vs 2Q FY12	FY2012 1Q-3Q	% Change vs 1Q-3Q FY11
Net operating revenues	26,577	32.3%	63,719	45.5%
Ordinary income	4,709	-	-3,872	-

Quarterly figures



(Y bil)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	5.8	9.4	5.2	8.0	6.9	5.9	**12.7**
FICC	14.0	5.9	-.1	15.6	9.5	13.3	**12.9**
Others	0.6	0.6	2.0	0.2	0.5	0.7	**0.9**
Net operating revenues	20.5	16.0	7.1	23.9	17.0	20.0	**26.5**
Ordinary income	-10.1	-13.3	-19.4	-0.4	-6.1	-2.4	**4.7**

FICC: Fixed Income, Currency and Commodities

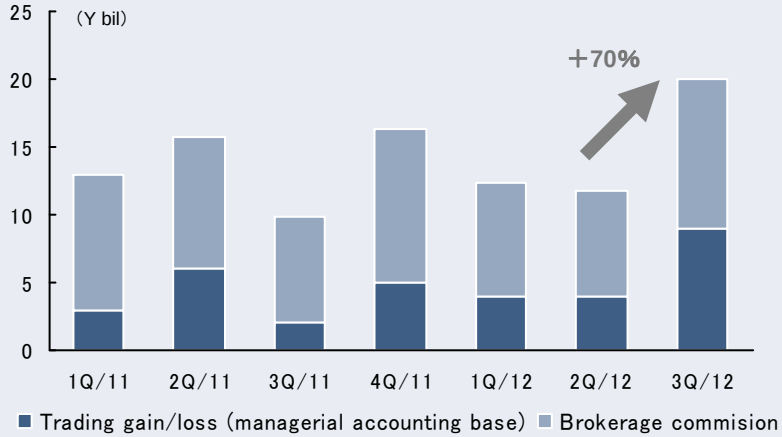
Net operating revenues : Y 26.5 bil (+32.3% q/q)

Ordinary income : Y 4.7 bil

- **Equity**

  Secondary revenue both in cash equity in derivatives jumped up 70% q/q by the boost in stock market prices and trading value from mid-November 2012.

<Reference> Wholesale + Retail Secondary equity revenue



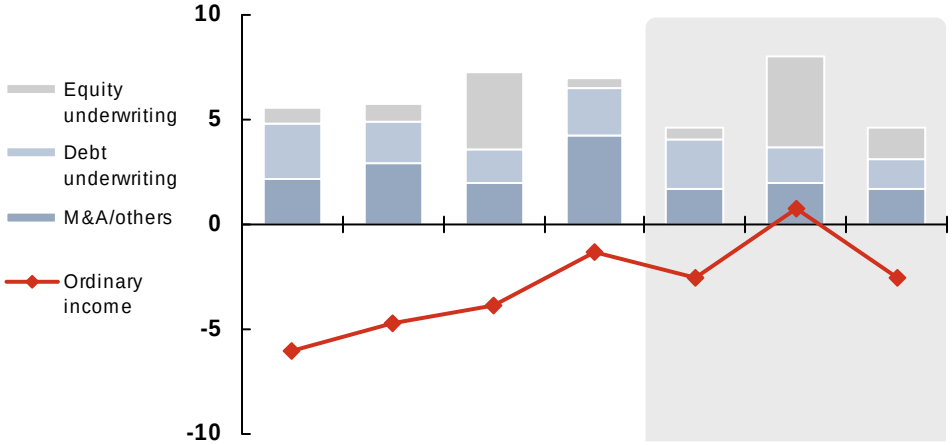
- **FICC**

  Foreign bonds / structured bonds sales remained solid.
  Especially, sales of privately placed structured bond for retail investors have significantly increased q/q.

Wholesale Division Global Investment Banking

(Y mil)	FY2012 3Q	% Change vs 2Q FY12	FY2012 1Q-3Q	% Change vs 1Q-3Q FY11
Net operating revenues	4,828	-40.7%	17,668	-7.8%
Ordinary income	-2,520	-	-4,240	-

Quarterly figures



(Y bil)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity underwriting	0.8	0.9	3.7	0.5	0.5	4.3	**1.5**
Debt underwriting	2.6	2.0	1.6	2.3	2.4	1.7	**1.5**
M&A/others	2.2	2.9	2.0	4.2	1.7	2.0	**1.7**
Net operating revenues	5.7	5.9	7.4	7.1	4.7	8.1	**4.8**
Ordinary income	-6.0	-4.7	-3.9	-1.3	-2.5	0.8	**-2.5**

※Major league tables : P.30

- **Net operating revenues : Y 4.8 bil (-40.7% q/q)**
- **Ordinary income : - Y 2.5 bil**

【 Equity finance 】

- Acted as a joint book-runner in PICC's Hong Kong IPO (as part of privatization of Chinese company), as the first Japanese firm to be a book-runner for such privatization deal. Daiwa also solely handled POWL (the public offerings at Japanese capital market) tranche of the IPO.

【 Debt finance 】

- Sole arranger of Fukoku Mutual Life's perpetual subordinated private placement that is the first private placement of this type in the Japanese local market from Japanese insurance sector.
- Arranged "World Bank Green Bonds" and "IFC Micro Finance Bonds", on the occasion of World Bank-IMF Annual Meetings 2012 in Tokyo.
- Jointly issued Y 161.8 bil Samurai bonds for Rabobank (Daiwa/JPM/Mizuho/Nomura)

【Awards】

- EuroWeek Awards 2012 "Best Lead Manager of Yen Bonds"
- IFR "Asia Pacific Structured Equity Issue of the Year" (KDDI CB)
- Nikkei Veritas "Deal of the Year 2012" Best Deal*
  - ✓ IPO: JAL(1st), Ateam(2nd), Enigumo(3rd)
  - ✓ Bonds: Takeda Pharmaceutical(1st), Tohoku Electric Power(2nd), FUJIFILM HD (4th)
  - ✓ Others: Mizuho Bank(Retail sub bonds 1st), Rabobank (Samurai bonds 1st, 3rd) The Tokyo metoropolitan Government(Municipal bonds 1st)

* Issuer's name for the deal in which Daiwa lead managed (rank in the award)

Investment Division

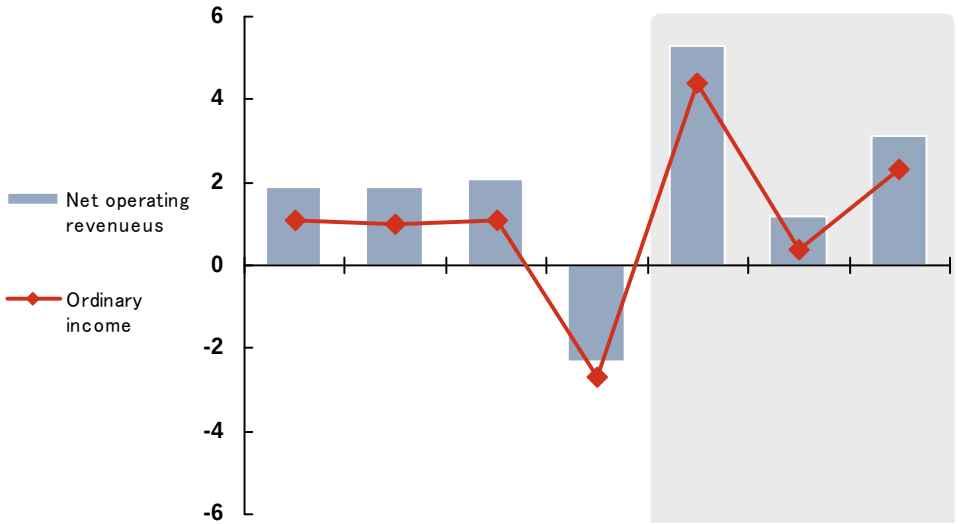
(Y mil)	FY2012 3Q	% Change vs 2Q FY12	FY2012 1Q-3Q	% Change vs 1Q-3Q FY11
Net operating revenues	3,166	148.4%	9,774	62.7%
Ordinary income	2,342	387.7%	7,253	118.6%

Net operating revenues : Y 3.1 bil (+148.4% q/q)

Ordinary income : Y 2.3 bil (+387.7% q/q)

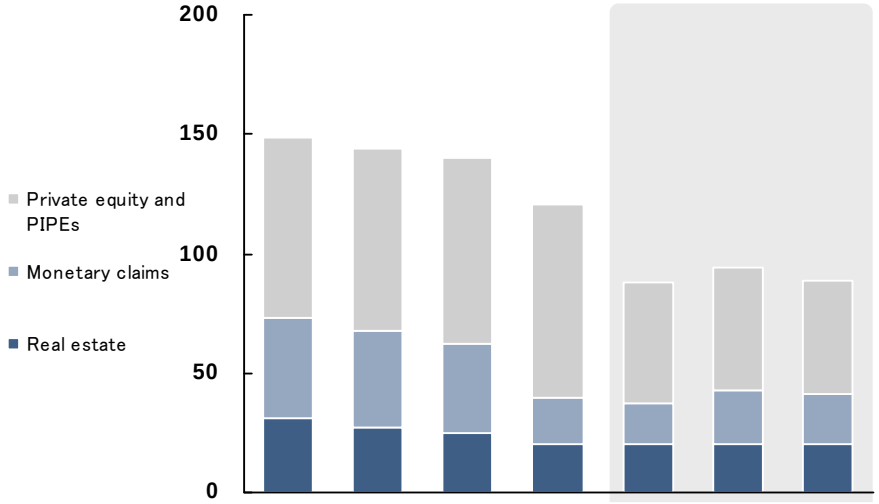
- Revenues and profits increased with capital gain from investment exits in private equity and monetary claims.

Quarterly figures



(Y bil)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net operating revenues	1.9	1.9	2.1	-2.3	5.3	1.2	**3.1**
Ordinary income	1.1	1.0	1.1	-2.7	4.4	0.4	**2.3**

Principal investment values



(Y bil)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Private equity and PIPEs	76	76	78	81	51	51	**48**
Monetary claims	42	41	37	20	17	23	**21**
Real estate	31	27	25	20	20	20	**20**
Total	149	144	140	121	88	94	**89**

※ All figures are the sum of Daiwa Securities SMBCPI and Daiwa PI Partners.
※ PIPEs: Private Investment in Public Equities.
※ All figures are as of end of quarter.

Other Domestic Group Companies and Overseas Operation

Ordinary Income

(Y mil)	FY2011		FY2012			% change VS 2Q/12	FY2011	FY2012	% change VS 1Q-3Q/11	FY2011
	3Q	4Q	1Q	2Q	3Q		1Q-3Q	1Q-3Q		
DIR Group*	1,706	1,459	1,717	533	**524**	**-1.6%**	4,904	**2,775**	**-43.4%**	6,363
Daiwa Next Bank	165	368	572	553	**1,107**	**99.9%**	-845	**2,233**	**-**	-476
Other Domestic Group Companies**	-57	-1,090	-287	-1,097	**-115**	**-**	-437	**-1,500**	**-**	-1,528

Other domestic group companies

- DIR Group secured ordinary income despite the severe environment under the entire Daiwa Group restraining system investment, and sales decrease to outside customers.
- Daiwa Next Bank's ordinary income increased q/q with smooth expansion in deposit balance.

(Y mil)	FY2011		FY2012			% change VS 2Q/12	FY2011	FY2012	% change VS 1Q-3Q/11	FY2011
	3Q	4Q	1Q	2Q	3Q		1Q-3Q	1Q-3Q		
Europe	-1,007	463	-1,483	-642	**-1,205**	**-**	-5,502	**-3,331**	**-**	-5,039
Asia / Oceania	-4,884	-3,139	-3,398	-1,728	**-1,476**	**-**	-14,581	**-6,604**	**-**	-17,720
Americas	-2,091	105	-85	318	**-482**	**-**	-3,163	**-250**	**-**	-3,058
Total	-7,984	-2,570	-4,968	-2,052	**-3,164**	**-**	-23,247	**-10,186**	**-**	-25,818

Overseas operation

- Asia/Oceania's losses continue to decline through cost reduction efforts.
- Americas posted losses due to a temporary drop in revenues caused by Hurricane Sandy.

* DIR Group includes Daiwa Institute of Research Holdings, Daiwa Institute of Research, and Daiwa Institute of Research Business Innovation. (Excluding in-group transactions and dividend from subsidiaries)

** Total figure of domestic consolidated subsidiaries excluding Daiwa Securities Group Inc., DIR Group, Daiwa Next Bank and other subsidiaries belonging to the operating segments.

Topics

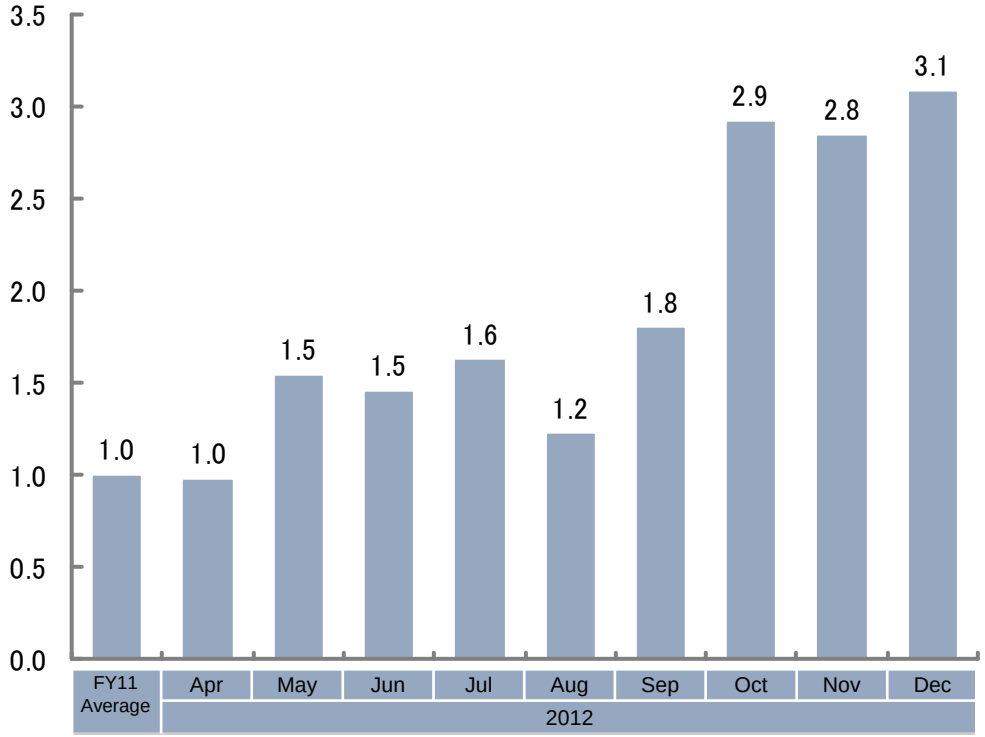
Synergy of Integration

- **Revenue via sales of privately placed structured bonds expands since the launch of new Daiwa Securities in April.**

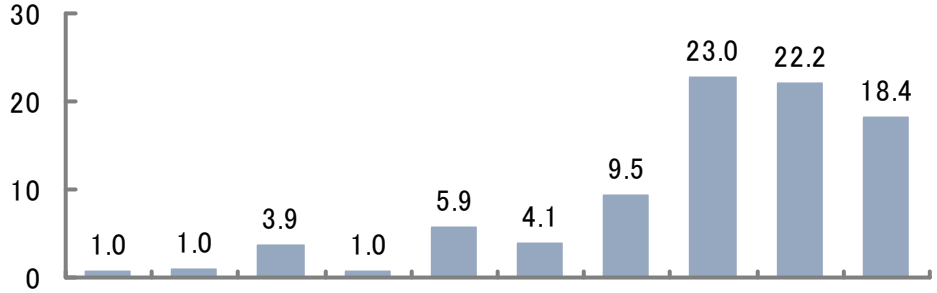
  Monthly sales of privately placed structured bonds tripled compared to FY2011 average in Retail division.

  Sales in repackaged bonds, credit linked bonds, EB bonds and etc., especially increased as product offering in a timely manner became possible.

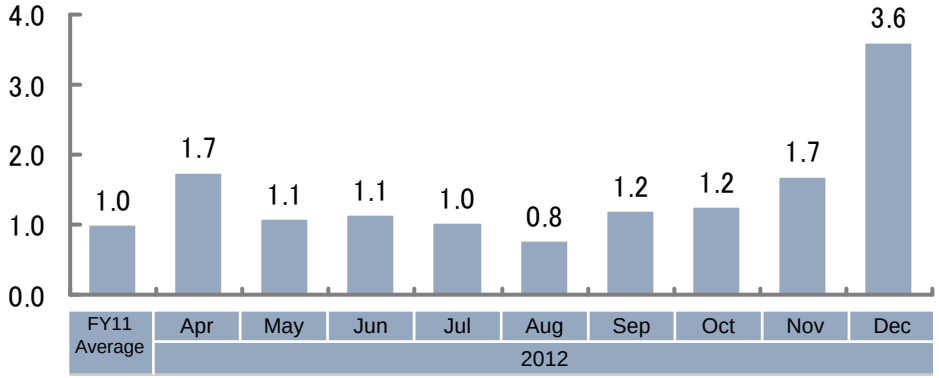
Retail division: Sales of privately placed structured bond



Retail division: Sales of Credit-type privately placed structured bond



Retail division: Sales of Equity-type privately placed structured bond



※Index : FY2011 Quarterly average as 1.0

Reference

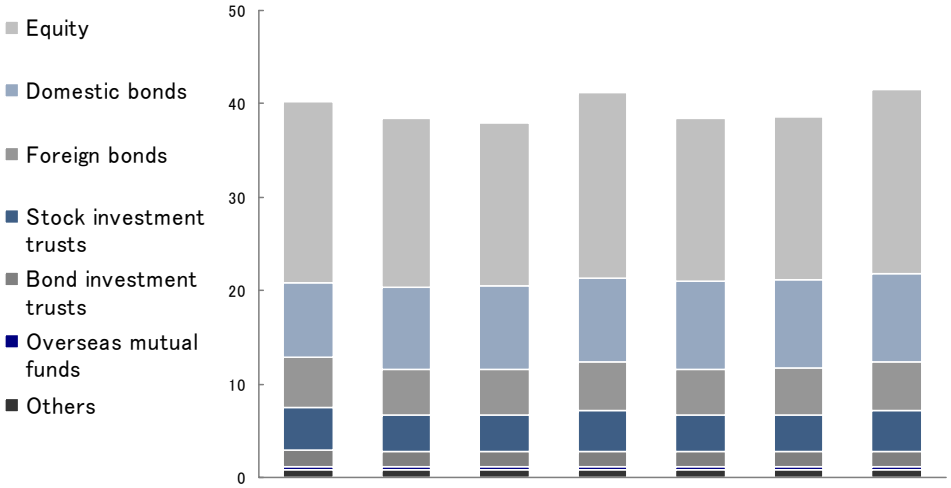
Number of Group Employees

	3Q/10	4Q/10	1Q/11	2Q/11	3Q/11	4Q/11	1Q/12	2Q/12	3Q/12
Total	15,733	15,618	15,895	15,592	15,214	14,759	14,675	14,339	**13,861**
Daiwa Securities Group Inc.	220	221	258	744	742	741			
Daiwa Securities	6,927	6,772	6,947	6,635	6,500	6,277	8,550	8,359	**8,164**
Daiwa Securities Capital Markets (Domestic)	2,224	2,199	2,152	1,693	1,591	1,554			
Other domestic companies	4,007	3,984	4,051	4,088	4,061	4,012	4,054	4,002	**3,979**
Overseas	2,355	2,442	2,487	2,432	2,320	2,175	2,071	1,978	**1,718**

- Number of employees as of end of quarter.
- Total figure is the sum of consolidated group companies and Daiwa SB Investments.
- Figures for Daiwa Securities include Financial Advisers (FA).
- From 1Q/FY12, employees of Daiwa Securities Group Inc. basically combine position at Daiwa Securities.

Customer Assets, Deposit Balance & Accounts

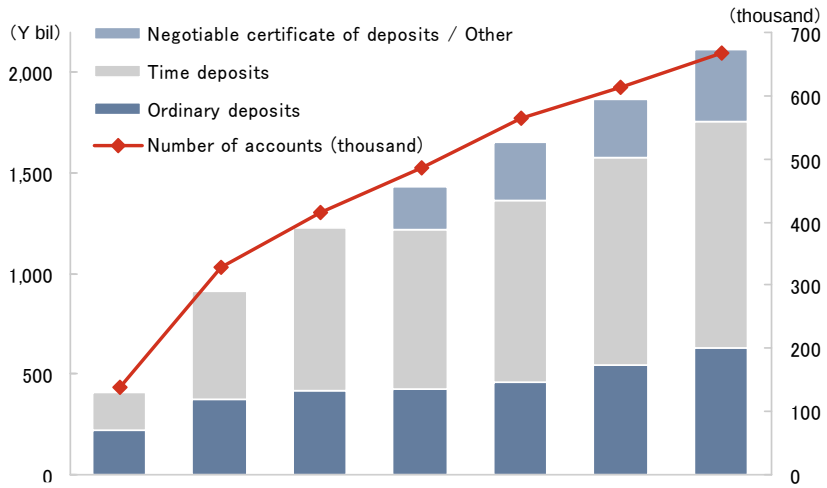
Daiwa Securities assets under custody



(Y tri)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	19.3	18.1	17.4	19.8	17.4	17.4	**19.6**
Domestic bonds	8.1	8.7	8.9	9.1	9.4	9.5	**9.5**
Foreign bonds	5.3	5.0	5.0	5.2	5.0	5.0	**5.2**
Stock investment trusts	4.5	3.8	3.8	4.3	3.9	4.0	**4.5**
Bond investment trusts	1.8	1.7	1.6	1.6	1.5	1.5	**1.5**
Overseas mutual funds	0.4	0.3	0.4	0.4	0.4	0.4	**0.4**
Others	0.8	0.8	0.8	0.8	0.8	0.8	**0.8**
Total	40.5	38.8	38.2	41.4	38.7	38.9	**41.8**

*All figures are as of end of quarter.

Daiwa Next Bank Deposit balance & number of accounts



(Y bil)	FY2011				FY2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Ordinary deposits	219	377	420	429	464	545	**635**
Time deposits	187	537	811	792	899	1,033	**1,120**
Negotiable certificate of deposits / Other	1	0	1	211	291	293	**362**
Deposit balance	408	913	1,233	1,432	1,655	1,872	**2,118**
Number of accounts (thousand)	139	329	415	486	563	613	**667**

*All figures are as of end of quarter.

Equity & FICC Income: Consolidated Trading Gain/Loss

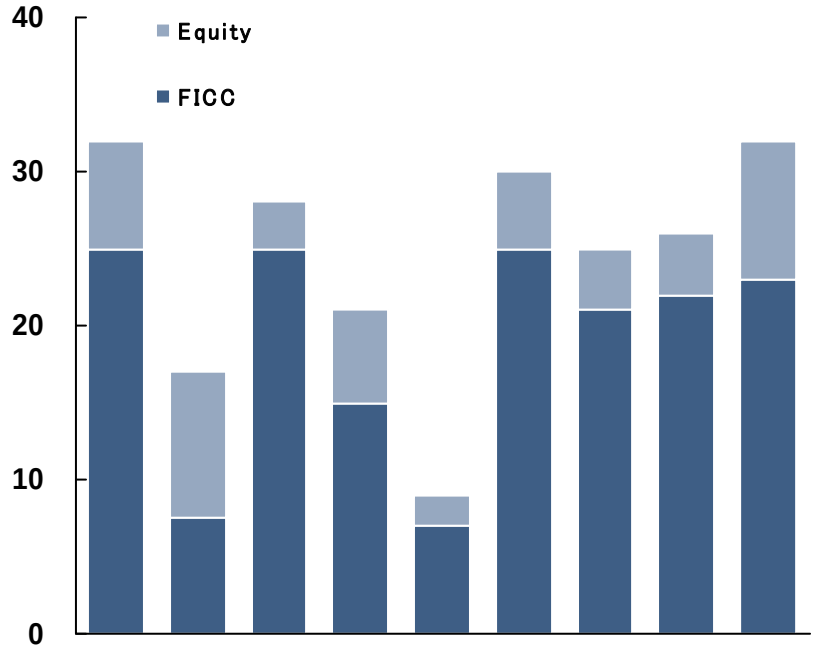
【Managerial accounting basis】

(Y bil)	FY2012 3Q	% change vs 2Q/12	FY2012 1Q-3Q	% change vs 1Q-3Q/11
Equity	**9.0**	125.0%	**17.0**	54.5%
FICC	**23.0**	4.5%	**66.0**	40.4%
Total	**32.0**	23.1%	**83.0**	43.1%

<Reference>
Financial accounting basis:
Net Gain/Loss on Trading + Net financial income

(Y mil)	FY2012 3Q	% change vs 2Q/12	FY2012 1Q-3Q	% change vs 1Q-3Q/11
Equity	**27,919**	-	**15,465**	-
Bond and forex	**2,605**	-89.9%	**62,180**	-9.6%
Net financial income	**4,921**	-19.7%	**15,327**	-6.4%
Total	**35,445**	22.8%	**92,972**	40.7%

Quarterly figures
(Managerial accounting basis)



(Y bil)	FY2010		FY2011				FY2012		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equity	7.0	9.5	3.0	6.0	2.0	5.0	4.0	4.0	**9.0**
FICC	25.0	7.5	25.0	15.0	7.0	25.0	21.0	22.0	**23.0**
Total	32.0	17.0	28.0	21.0	9.0	30.0	25.0	26.0	**32.0**

Value at Risk

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Range and assumption of VaR

- Confidence level: 99% (one-side test)
- Holding period: 1 day
- Adjusted for price correlation between product

Daiwa Securities Group (Consolidated)

(Y bil)	3Q/10	4Q/10	1Q/11	2Q/11	3Q/11	4Q/11	1Q/12	2Q/12	3Q/12
VaR (Quarter end)	6.01	5.13	3.81	3.39	1.94	1.49	1.74	1.55	**1.77**
High	6.91	6.86	4.59	4.21	3.52	2.54	2.15	2.29	**2.02**
Low	5.44	4.62	2.74	3.04	1.86	1.39	1.38	1.29	**1.20**
Average	6.08	5.90	3.61	3.62	2.75	1.94	1.71	1.77	**1.54**
By risk factors (Quarter end)									
Equity	1.34	2.08	1.70	0.77	0.82	0.42	0.68	0.48	**0.95**
Interest	5.26	4.82	4.00	3.39	1.35	1.62	1.48	1.32	**1.67**
Currency	1.42	0.68	0.63	0.70	0.68	0.59	0.60	0.47	**0.50**
Commodity	–	–	0.02	0.08	0.23	0.02	0.01	–	**–**

Daiwa Securities

Financial Summary Ⅰ

(Y mil)	FY2012 1Q	FY2012 2Q	FY2012 3Q	% Change vs 2Q FY12
Operating revenues	59,647	62,569	**73,640**	**17.7%**
Commission received	29,631	33,093	**35,399**	**7.0%**
Brokerage commision	5,627	5,504	**8,279**	**50.4%**
Stock and others	5,335	5,255	**7,998**	**52.2%**
Underwriting commission	3,107	7,451	**5,144**	**-31.0%**
Equity	688	5,012	**2,579**	**-48.5%**
Bond and others	2,418	2,404	**2,564**	**6.7%**
Distribution commission	9,287	8,971	**10,833**	**20.8%**
Equtiy	-	0	**-**	**-**
Bond and others	215	98	**63**	**-35.9%**
Investment trust	9,061	8,869	**10,760**	**21.3%**
Other commissions	11,608	11,166	**11,142**	**-0.2%**
M&A comission	1,013	612	**730**	**19.3%**
Life insurance sales comission	1,172	733	**706**	**-3.8%**
Investment trust	7,259	7,391	**7,552**	**2.2%**
Net trading income/loss	23,936	23,209	**31,108**	**34.0%**
Equity	-9,687	-4,063	**26,910**	**-**
Bond and forex	33,623	27,273	**4,198**	**-84.6%**
Financial revenues	6,080	6,266	**7,131**	**13.8%**
Financial expenses	6,187	4,932	**5,807**	**17.8%**
Net operating revenues	53,460	57,637	**67,832**	**17.7%**

Daiwa Securities

Financial Summary Ⅱ

(Y mil)	FY2012			% Change vs 2Q FY12
	1Q	2Q	3Q	
SG&A	50,861	50,898	**52,709**	**3.6%**
Trading related expenses	7,615	7,698	**9,165**	**19.1%**
Personnel expenses	19,919	20,101	**20,767**	**3.3%**
Real estate expenses	6,260	6,312	**6,065**	**-3.9%**
Office cost	9,805	9,918	**9,907**	**-0.1%**
Depreciation	5,815	5,679	**5,538**	**-2.5%**
Taxes and dues	553	449	**470**	**4.7%**
Other	891	739	**794**	**7.4%**
Ordinary income	3,183	7,455	**15,354**	**105.9%**
Net income	1,902	8,119	**14,774**	**82.0%**
ROE (Annualized)	1.5%	5.0%	**8.9%**	
Capital adequacy ratio	419.0%	428.1%	**378.5%**	

Balance Sheet

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Balance sheet（12/12）

(Y bil)

Current assets	**10,311**	**Current liabilities**	**8,740**
Trading products	6,429	Trading products	3,752
Trading securities and other	3,559	Trading securities and other	1,227
Derivatives	2,870	Derivatives	2,525
Margin transaction assets	113	Margin transaction liabilities	51
Loans on margin transactions	98	Loans payable secured by securities	3,013
Cash collateral pledged for securities borrowing on margin transactions	14	Short-term loans payable	1,039
Loans secured by securities	2,425	Commercial Papers	164
Short-term guarantee deposits	205	Current portion of bonds	59
Shor-term loans receivable	200	**Non-current liabilities**	**1,138**
		Bonds payable	894
		Long-term loans payable	220
Non-current assets	**89**	**Total liabilities**	**9,881**
Property, plant and equipment	3	**Net assets**	**519**
Intangible assets	44	Shareholders' equity	519
		Capital stock	100

Total assets	**10,401**	**Total liabilities and net assets**	**10,401**

Equity Trading

	FY2010		FY2011				FY2012		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Market data									
Average daily trading value in TSE, OSE, NSE (Y bil)	1,359	1,790	1,333	1,285	1,009	1,313	1,132	984	**1,239**
Share of individual investors: (%)	17.0	19.0	16.9	16.8	17.7	19.4	16.0	17.2	**19.0**
Daiwa Securities' market share (on and off floor) in TSE: (%)									
Market share (%)	8.4	7.7	7.1	7.0	7.1	7.9	8.3	8.4	**8.6**
Daiwa Securities' share in after-hours and off floor transactions: (%)									
Market share (%)*	13.0	10.3	9.9	8.3	7.6	5.6	9.4	7.5	**9.9**
Daiwa Securities' share among individual investor transactions at TSE, OSE and NSE: (%)									
Market share (%)	5.0	5.3	4.7	4.8	4.8	5.2	4.8	5.1	**5.2**
Contracts, trading value and commission for retail investors at Daiwa Securities (Equity)									
Total number of contracts (thousands)	1,785	2,784	1,822	1,887	1,624	2,285	1,715	1,611	**2,167**
Total trading value (Y bil)	1,488	2,248	1,340	1,398	1,118	1,734	1,170	1,165	**1,676**
Total equity commission (Y mil)	4,923	7,012	3,964	4,167	3,414	4,933	3,242	3,386	**5,097**
Online contracts, trading value and commission for retail investors at Daiwa Securities (Equity)									
Total number of online contracts (thousands)	1,516	2,431	1,605	1,656	1,430	2,024	1,528	1,425	**1,901**
Total online trading value (Y bil)	1,068	1,730	1,062	1,087	873	1,351	951	896	**1,281**
Total online equity commission (Y mil)	1,723	2,914	1,701	1,756	1,352	2,026	1,434	1,352	**2,010**

*Figures of Daiwa Securities' market share in after-hours and off floor transactions in FY2011 and before indicates Daiwa Securities Capital Markets' share.

Retail Division

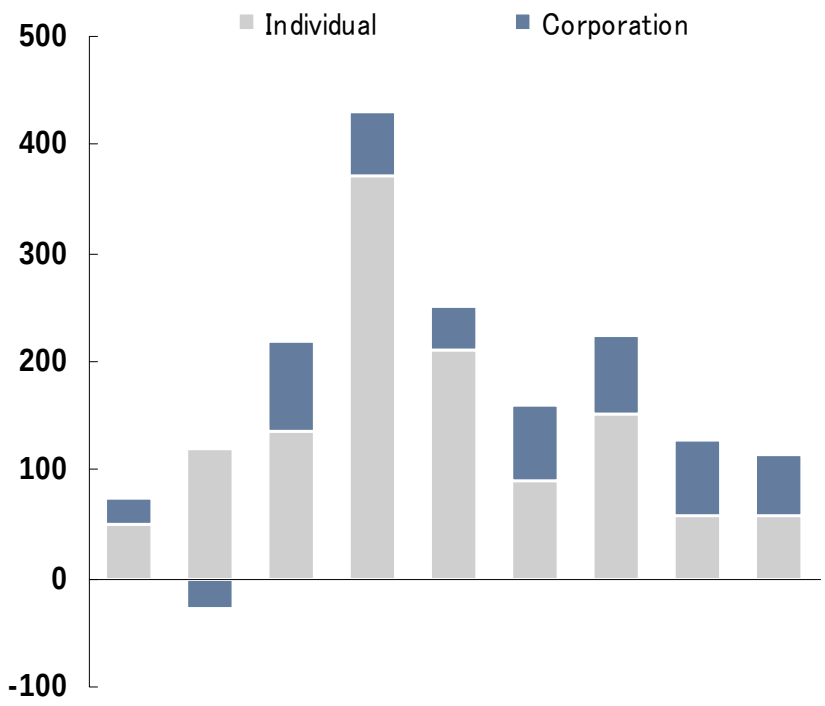
Number of Accounts

	FY2010		FY2011				FY2012		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Cash Management Service accounts (thousands)	3,392	3,401	3,414	3,435	3,444	3,455	3,459	3,466	**3,473**
Accounts holding equity (thousands)	1,397	1,401	1,399	1,401	1,396	1,391	1,402	1,408	**1,399**
Accounts holding equity investment trusts (thousands)	679	675	670	666	658	648	645	639	**634**
Newly opened accounts (thousands)	29	29	32	42	32	47	25	27	**26**
Daiwa Direct Course	16	16	15	16	12	16	11	10	**12**
Number of customers (thousands)	20.7	20.8	20.4	20.4	19.9	19.8	19.4	19.5	**21.6**
Daiwa SMA	1.8	2.0	2.0	2.0	1.9	1.8	1.8	1.7	**1.6**
Daiwa Fund Wrap	18.9	18.8	18.3	18.3	17.9	17.9	17.6	17.7	**19.9**
Contract asset under management (Y bil)	261	272	259	235	231	253	235	240	**279**
Daiwa SMA	136	145	137	123	120	130	121	121	**129**
Daiwa Fund Wrap	124	126	122	112	110	123	113	118	**150**
Online Trading									
Number of accounts (thousands)	2,233	2,249	2,301	2,381	2,419	2,457	2,493	2,519	**2,549**
Assets under custody (Y bil)	11,037	11,046	11,745	11,863	12,240	13,887	13,324	13,715	**15,270**
Daiwa Direct margin transaction service									
Number of accounts (thousands)	43	45	47	48	49	50	50	50	**50**
Margin position (Y bil)	96	89	96	90	90	99	94	90	**90**

Retail Division

Net Inflow of Assets

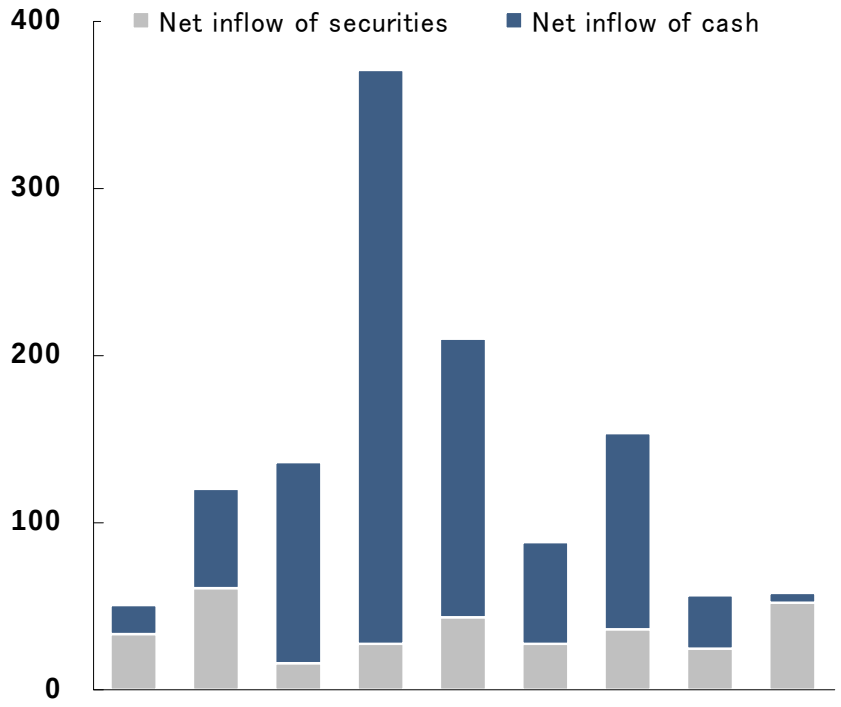
Net inflow of assets



(Y bil)	FY2010		FY2011				FY2012		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Corporation	21.8	-27.7	82.7	59.8	39.3	71.2	72.2	70.4	**56.9**
Individual	51.0	120.2	136.8	370.8	210.3	89.0	153.0	56.8	**58.3**
Total	72.9	92.4	219.5	430.6	249.6	160.3	225.2	127.2	**115.3**

Note: Net inflow of assets = net inflow of cash and securities

Net inflow of cash and securities (individuals)



(Y bil)	FY2010		FY2011				FY2012		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net inflow of cash	16.9	59.5	121.0	343.0	167.2	61.4	116.2	31.8	**6.1**
Net inflow of securities	34.0	60.7	15.7	27.8	43.1	27.6	36.7	25.0	**52.2**

Mutual Funds & Foreign Equity

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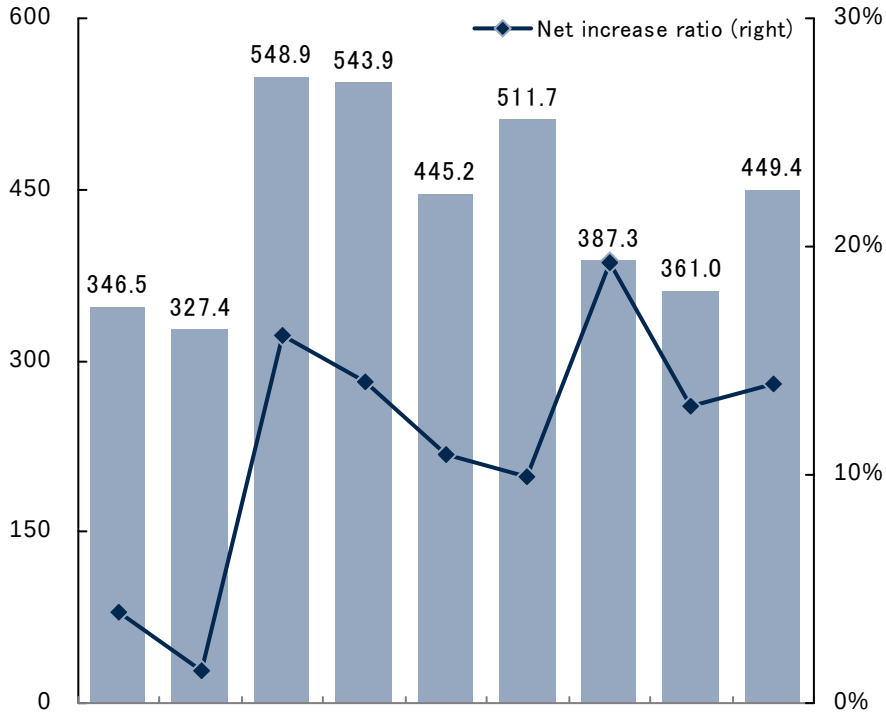
Sales and net increase ratio of mutual funds

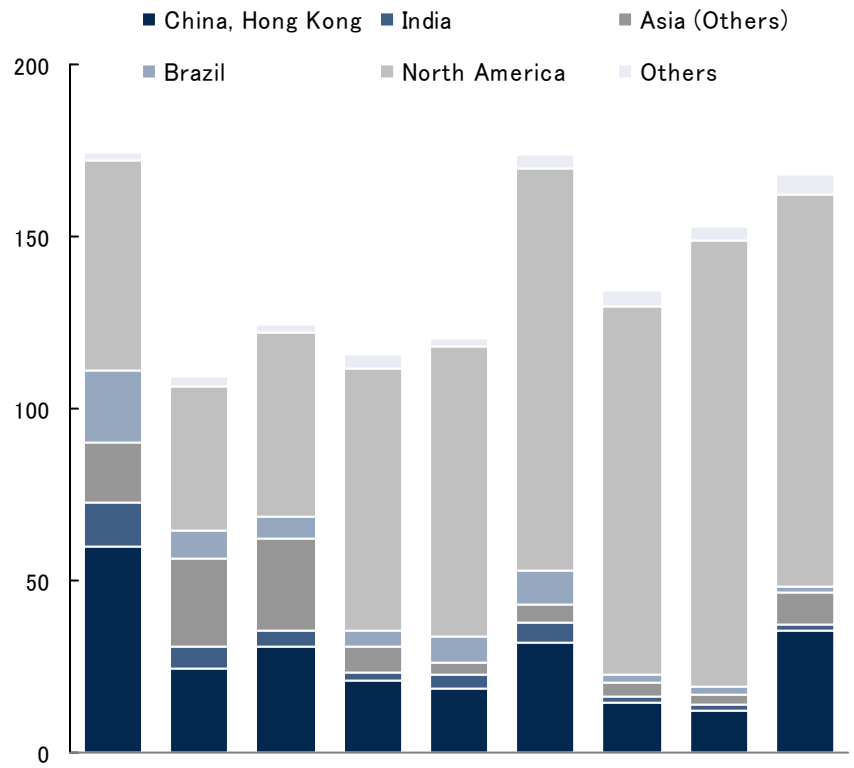


(Y bil)	FY2010		FY2011				FY2012		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q

Note: Net increase ratio (%) = $\frac{\text{purchase - (sell-off + redemption)}}{\text{purchase}} \times 100$

Note: Include switching transaction between funds.

Foreign equity trading value



(Y bil)	FY2010		FY2011				FY2012		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q

Major League Tables

	Primary and secondary equity offerings	IPO	Straight bonds (excl. own bonds)	Agency bonds	Samurai bonds	M&A Number of deals
	1Q-3Q FY2012 League Table					
1st	Nomura	Daiwa	Mizuho	Mitsubishi UFJMS	Mizuho	Nomura
	59.6%	37.9%	22.1%	23.4%	20.1%	
2nd	Mizuho	Nomura	Mitsubishi UFJMS	Mizuho	Nomura	Mizuho FG
	14.8%	14.1%	21.8%	22.0%	19.7%	
3rd	Daiwa	Mitsubishi UFJMS	Nomura	Daiwa	Daiwa	Morgan Stanley
	7.1%	12.3%	18.5%	15.6%	15.7%	
4th	Mitsubishi UFJMS	Mizuho	Daiwa	Nomura	JP Morgan	SMFG
	5.5%	12.0%	18.1%	12.7%	10.8%	
5th	Goldman Sachs	SMBC Nikko	SMBC Nikko	SMBC Nikko	SMBC Nikko	KPMG
	3.6%	8.0%	11.4%	11.8%	8.4%	
					8th	Daiwa Securities Group

Source: Daiwa Securities **Apr 2012-Dec 2012**
Note: Primary and secondary equity, Straight bonds, agency bonds and samurai bonds are based on settlement date.
IPO is based on listing date.
Joint lead manager allotment of IPO, Primary and secondary equity, Straight bonds and agency bonds is based on underwritten amount.
Joint lead manager allotment of Samurai bonds is divided up evenly among the managers.

Source: THOMSON REUTERS **Apr 2012-Dec 2012**
"M&A advisory league table for any Japanese involvement announced (AD19)"

Daiwa Asset Management

Financial Summary

(Y mil)	FY2011		FY2012			% Change vs 2Q FY12	FY2011	FY2012	% Change vs 1Q-3Q FY11	FY2011
	3Q	4Q	1Q	2Q	3Q		1Q-3Q	1Q-3Q		
Operating revenues	17,274	17,901	18,099	18,051	**18,011**	**-0.2%**	55,430	**54,162**	**-2.3%**	73,332
Management fee	17,170	17,782	17,991	17,937	**17,878**	**-0.3%**	55,148	**53,807**	**-2.4%**	72,931
Equity investment trust	16,990	17,615	17,830	17,779	**17,724**	**-0.3%**	54,571	**53,334**	**-2.3%**	72,187
Bond investment trust	179	167	160	157	**154**	**-2.2%**	576	**473**	**-17.9%**	743
Other operating revenue	104	118	107	114	**132**	**16.4%**	282	**354**	**25.6%**	401
SG&A	14,584	15,238	15,315	15,532	**14,799**	**-4.7%**	45,903	**45,647**	**-0.6%**	61,141
Commissions paid	9,646	10,009	10,041	10,011	**10,022**	**0.1%**	31,040	**30,076**	**-3.1%**	41,050
Other SG&A	4,938	5,228	5,273	5,520	**4,777**	**-13.5%**	14,862	**15,571**	**4.8%**	20,091
Operating income	2,690	2,663	2,783	2,519	**3,211**	**27.5%**	9,527	**8,515**	**-10.6%**	12,190
Ordinary income	2,661	2,791	3,073	2,578	**3,285**	**27.4%**	9,541	**8,937**	**-6.3%**	12,333
Net income	1,812	1,157	1,952	1,668	**1,425**	**-14.6%**	5,865	**5,047**	**-13.9%**	7,022

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