

With regards to the assets which are managed individually, such as sales branches, Daiwa grouped them individually. The other operating assets are grouped in accordance with classifications used for internal management. Assets to be disposed are grouped individually.

The decline of the profitability and the changes in the way of use arose with these assets. The book values of certain assets were reduced to recoverable amounts and the amounts of the differences between the book value and recoverable amounts were recorded as impairment loss of ¥17,884 million (\$218,098 thousand). The breakdown of the amounts is ¥14,193 million (\$173,085 thousand) for idle assets (¥21 million (\$256 thousand) for buildings, ¥11,794 million (\$143,829 thousand) for software, ¥2,367 million (\$28,866 thousand) for goodwill and ¥11 million (\$134 thousand) for the others) and ¥3,691 million (\$45,013 thousand) for the assets to be disposed (¥357 million (\$4,354 thousand) for buildings, ¥1,343 million (\$16,378 thousand) for lands, ¥1,986 million (\$24,220 thousand) for leasehold rights and ¥5 million (\$60 thousand) for the others).

The recoverable amounts of software in idle assets are measured by value in use, which is calculated by discounting future cash flows at a discount rate of 2.0%. The recoverable amount of goodwill is measured by re-evaluated company value. The recoverable amounts for assets to be disposed are measured by net selling price and valued by appraisal price.

## 28. Subsequent events

**Granting stock options**—Stock subscription rights were issued free to directors, executive officers and employees of the Company and its affiliated companies by the resolutions in the meeting of shareholders on June 27, 2012 in accordance with Articles 236, 238 and 239 of the Companies Act of Japan, and the amount paid in upon exercise of such subscription rights is ¥1 (\$0.01) per share.

**Regarding Internal Reorganization**—Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. conducted a merger on April 1, 2012 based on a Merger Agreement on February 20, 2012. An outline of the transactions is as follows:

1. Company's name, the substance of business, date of business combination, legal form of business combination, Company's name after business combination and outline of the deal including the objective of the deal.

(1) Name and business of combined entities

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

(Fiscal year ended March 31, 2011)

Daiwa recognized impairment loss for the following asset groups.

Idle assets	Condition	Location	Millions of yen
			Impairment loss
	Low profit-earning assets	Kanto region and others	¥594

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For idle assets for which profitability has declined, the book values of certain assets were reduced to the recoverable amounts and the amounts of the reductions were recorded as impairment loss of ¥594 million. The breakdown of the amounts are ¥13 million for equipment and vehicles, ¥27 million for lands, ¥479 million for goodwill and ¥75 million for software and others.

The recoverable amounts of assets are mainly measured by net selling price and buildings and lands are valued by the assessed value for property taxes. The recoverable amount of goodwill is measured by reevaluated company value.

(2) Date of business combination

April 1, 2012

(3) Legal form of business combination

A merger by absorption with Daiwa Securities Co. Ltd. as the surviving company

(4) Name of the entity after the business combination

Daiwa Securities Co. Ltd.

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

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

2. Outline of accounting procedure

The Company processed the deal as under common control in conformity with 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).