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

(Securities Code: 8601)

June 1, 2018

To Our Shareholders

Daiwa Securities Group Inc.
9-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo
President and CEO
Seiji Nakata

**Notice of Convocation of
The 81st Ordinary General Meeting of Shareholders**

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

You are hereby notified that the 81st Ordinary General Meeting of Shareholders (“Meeting”) will be held as stated below. You are respectfully requested to attend the Meeting.

If you are unable to attend the Meeting, you may exercise your voting rights in writing. Please examine the “Reference Documents for the General Meeting of Shareholders” provided below, and indicate your approval or disapproval of the bills on the agenda on the “Voting Rights Exercise Form” enclosed herewith 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 website of the Company, <https://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 website.

Particulars

1. Date and time of the Meeting

10:00 a.m., Wednesday, June 27, 2018 (Doors open 9:00 a.m.) (Tokyo time)

2. Place of the Meeting

Convention Hall, B2., The Prince Park Tower Tokyo
8-1, Shiba-koen 4-chome, Minato-ku, Tokyo

3. Matter 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 81st fiscal year (from April 1, 2017 to March 31, 2018).
2. Report on the contents of the Non-Consolidated Statutory Report of the 81st fiscal year (from April 1, 2017 to March 31, 2018).

Matters to be resolved:

Bill 1: Election of fourteen (14) 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 26, 2018, 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 the 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. Disclosure by the Internet

- (1) By the laws and regulations and Articles of Incorporation no. 23, “Notes to the Consolidated Statutory Report” and “Notes to the Non-Consolidated Statutory Report” which have to be attached with this Notice of Convocation, are posted on the website of the Company (http://www.daiwa-grp.jp/ir/shareholders/shareholders_04.html) and are not attached to this Notice of Convocation. Therefore, the attachment is only a part of “Consolidated Statutory Report” and “Non-Consolidated Statutory Report” which are audited by Independent Auditors and the Audit Committee to create auditing report and accounting audit report, respectively.
- (2) 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 website as stated above.
- (3) The content of this Notice is on the website of the Company before dispatch of the Notice, from the viewpoint of providing information early.

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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 Fourteen (14) Directors (Members of the Board)

The terms of office of all members (fourteen (14) Directors) of the Board of Directors are expiring as of the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company requests shareholders' approval to elect, in total, fourteen (14) Directors pursuant to the decision of the Nominating Committee.

The nominees for Directors (Members of the Board) are as follows. Mr. Keiichi Tadaki, Mr. Tadashi Onodera, Mr. Michiaki Ogasawara, Mr. Hirotaka Takeuchi, Mr. Ikuo Nishikawa and Ms. Eriko Kawai are the nominees for Outside Directors as defined in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

Candidate Number	Name	Title and charge in the Company	New appointment or Reappointment (Outside or not)
1	Takashi Hibino	Chairman of the Board, Corporate Executive Officer	Reappointment
2	Seiji Nakata	Member of the Board, Representative Corporate Executive Officer, President and CEO of the Company, Head of Retail	Reappointment
3	Toshihiro Matsui	Member of the Board, Representative Corporate Executive Officer, Deputy President and COO of the Company Head of Planning and Head of Wholesale	Reappointment
4	Kazuo Takahashi	Member of the Board, Corporate Executive Officer and Deputy President of the Company Deputy Head of Wholesale	Reappointment
5	Koichi Matsushita	Corporate Executive Officer and Deputy President of the Company Deputy Head of Wholesale and Retail	New appointment
6	Keiko Tashiro	Member of the Board and Senior Executive Managing Director of the Company Head of Overseas	Reappointment
7	Mikita Komatsu	Member of the Board, Senior Executive Managing Director and CFO of the Company Deputy Head of Overseas	Reappointment
8	Morimasa Matsuda	Director	Reappointment
9	Keiichi Tadaki	Outside Director	Reappointment (Outside)
10	Tadashi Onodera	Outside Director	Reappointment (Outside)
11	Michiaki Ogasawara	Outside Director	Reappointment (Outside)
12	Hirotaka Takeuchi	Outside Director	Reappointment (Outside)
13	Ikuo Nishikawa	Outside Director	Reappointment (Outside)
14	Eriko Kawai		New Appointment (Outside)

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Sept. 27, 1955)
1	Takashi Hibino	common stock 152,090 shares	<u>Reappointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1979	Joined the Company
Apr. 2002	Managing Director of Corporate Planning Dept. of the Company
June 2002	Senior Managing Director and Head of Equity of Daiwa Securities SMBC Co. Ltd.
May 2004	Executive Managing Director, Head of Corporate Planning, Personnel, Legal and Secretariat and General Manager of Personnel Dept. of the Company
June 2004	Member of the Board, Executive Managing Director, Head of Planning, Personnel and Legal, and Managing Director of Personnel Dept. of the Company
July 2004	Head of Planning, Personnel and Legal of the Company
Apr. 2005	Head of Planning and Personnel of the Company
Apr. 2007	Member of the Board and Senior Executive Managing Director of the Company
July 2008	Head of Planning and Personnel, and Deputy Head of Wholesale of the Company; and Senior Executive Managing Director of Daiwa Securities SMBC Co. Ltd.
Apr. 2009	Member of the Board and Deputy President and Deputy Head of Wholesale of the Company; and Representative Director and Deputy President of Daiwa Securities SMBC Co. Ltd.
Apr. 2011	Member of the Board, Representative Corporate Executive Officer, President, CEO and Head of Retail and Wholesale of the Company; Representative Director and President of Daiwa Securities Co. Ltd.; and Representative Director and President of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2013	CEO of the Company
Apr. 2017	Chairman of the Board and Corporate Executive Officer of the Company (to date); and Representative Director and Chairman of the Board of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Representative Director and Chairman of the Board of Daiwa Securities Co. Ltd. Outside Director of Imperial Hotel, Ltd.	

The reason for election

He joined the Company in 1979, served successively as the responsible for products, overseas, corporate planning and personnel and thereby has a plenty of experiences related to the whole business of the Group. Also, he served as the Representative Corporate Executive Officer, President and CEO of the Company from 2011 to 2017 and has broad experience and insights as a manager. Therefore, he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 16, 1960)
2	Seiji Nakata	common stock 75,030 shares	<u>Reappointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1983	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
Apr. 2005	Managing Director of Product Strategy Department of Daiwa Securities SMBC Co. Ltd.
Apr. 2006	Senior Managing Director and Head of Planning of the above company
Apr. 2007	Corporate Executive Officer, Deputy Head of Planning and Personnel, and Managing Director of Corporate Planning Section of the Company
Oct. 2008	Deputy Head of Planning and Personnel of the Company
Apr. 2009	Executive Managing Director of the Company
June 2009	Member of the Board and Executive Managing Director of the Company
Apr. 2010	Member of the Board of the Company; and Member of the Board and Executive Managing Director of Daiwa Securities Capital Markets Co. Ltd.
June 2010	Member of the Board, Executive Managing Director, Senior Head of Corporate Sales, Corporate Institution Sales and Head of Corporate Presiding of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2011	Senior Head of Corporate Institution Sales, Head of Corporate Sales and Corporate Presiding of the above company
Apr. 2012	Member of the Board, Senior Executive Managing Director and Head of Corporate Institution of Daiwa Securities Co. Ltd.
Apr. 2015	Senior Executive Managing Director and Deputy Head of Retail of the Company
Apr. 2016	Representative Corporate Executive Officer, Deputy President, COO and Head of Retail of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd.
June 2016	Member of the Board, Representative Corporate Executive Officer and Deputy President of the Company
Apr. 2017	Member of the Board, Representative Corporate Executive Officer, President, CEO and Head of Retail of the Company (to date); and Representative Director and President of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Representative Director and President of Daiwa Securities Co. Ltd.	

The reason for election

He joined the Company in 1983 and served successively as the Deputy Head of Planning and Personnel of the Company, Head of Corporate Institution and Head of Sales of Daiwa Securities Co. Ltd., COO and Head of Retail of the Company. He serves as the Representative Corporate Executive Officer and President of the Company, takes charges of CEO from 2017. He has expertise and experience to present a management strategy based on wide visions and also to execute management and control of the Group adequately. Therefore, he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Apr. 27, 1962)
3	Toshihiro Matsui	common stock 90,000 shares	<u>Reappointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1985	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
Sept. 2007	Transferred to the Company
Oct. 2008	Managing Director of Corporate Planning Section
Apr. 2009	Corporate Executive Officer, Head of Legal, Deputy Head of Planning and Managing Director of Corporate Planning Section of the Company
Apr. 2010	Deputy Head of Planning and Personnel of the Company
Apr. 2011	Executive Managing Director, Head of Legal, Deputy Head of Planning and Personnel of the Company; and Senior Managing Director of Daiwa Securities Co. Ltd.
Jan. 2012	Executive Managing Director of the Company; Senior Managing Director of Daiwa Securities Co. Ltd.; and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Head of Planning and Legal and Deputy Head of Personnel of the Company; and Executive Managing Director of the Daiwa Securities Co. Ltd.
Apr. 2014	Senior Executive Managing Director, Head of Planning and Personnel of the Company; and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2016	Head of Planning and Deputy Head of Wholesale of the Company
June 2016	Member of the Board and Senior Executive Managing Director of the Company
Apr. 2018	Representative Corporate Executive Officer, Deputy President and COO of the Company Head of Planning and Head of Wholesale (to date) ; and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.	

The reason for election

He joined the Company in 1985 and served as the Managing Director of Corporate Institution and Corporate Finance of Daiwa Securities SMBC Co. Ltd. and Corporate Planning of the Company. Since his inauguration of Corporate Executive Officer of the Company, he served as the Head of Legal, Deputy Head of Planning, Head of Planning and Personnel and Deputy Head of Wholesale of the Company. He serves now as the Representative Corporate Executive Officer, Deputy President, COO of the Company, the Head of Corporate Planning and Head of Wholesale of the Company. He has considerable experience and knowledge in broad areas such as retail, wholesale, investment bank, planning and personnel. Therefore, he is considered to be qualified as a member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 8, 1960)
4	Kazuo Takahashi	common stock 20,000 shares	<u>Reappointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1982	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
Apr. 2001	Head of Shimonoseki Branch of Daiwa Securities Co. Ltd.
Feb. 2003	Managing Director of Corporate Institution Sales Dept. II of Daiwa Securities SMBC Co. Ltd.
Apr. 2005	Managing Director of Financial Institution Dept. of the above company
Apr. 2007	Senior Managing Director and Head of Corporate Institution Sales Dept. of the above company
Apr. 2008	Head of Financial Institution Dept. of the above company
Apr. 2009	Head of Financial Institution Dept. and Deputy Head of Financial and Public Solution of the above company
Oct. 2009	Head of Financial Institution Dept. the above company
Apr. 2010	Executive Managing Director and Head of Financial and Public Institutions Banking of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Member of the Board and Executive Managing Director and Head of Financial and Public Institutions Banking of Daiwa Securities Co. Ltd.
Apr. 2013	Member of the Board and Senior Executive Managing Director of the above company
Apr. 2015	Head of Corporate Institution of the above company
Apr. 2017	Corporate Executive Officer, Deputy President and Deputy Head of Wholesale of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)
June 2017	Member of the Board, Corporate Executive Officer, Deputy President and Deputy Head of Wholesale (to date)
(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.	

The reason for election

He joined the Company in 1982 and served successively as Head of Shimonoseki Branch of Daiwa Securities Co. Ltd, Managing Director of Corporate Institution Sales Dept. and Financial Corporate Institution Dept. of Daiwa Securities SMBC Co. Ltd. Since his inauguration of Senior Managing Director of Daiwa Securities SMBC Co. Ltd. in 2007, he served successively as the one responsible for Head of Corporate Institution Sales and Head of Financial Corporate Institution Dept. of Daiwa Securities SMBC Co. Ltd. and also Head of Corporate Institution of the Daiwa Securities Co. Ltd. He now serves as the Deputy President and Deputy Head of Wholesale of the Company. He has broad knowledge and experience in corporate institution business and also experience in retail business. Therefore, he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Aug. 31, 1959)
5	Koichi Matsushita	common stock 49,000 shares	<u>New Appointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1984	Joined the Company
June 2003	Transferred to Daiwa Securities Co. Ltd
Dec. 2006	Manager of Kinki Group, Head of Kyoto Branch and Senior Consultant of Kyoto Branch of the above company
Apr. 2008	Senior Managing Director, Head of Planning and Personnel and Managing Director of Corporate Planning Section of the above company
Oct. 2008	Head of Product and PTS of the above company
Apr. 2009	Head of Product of the above company
Apr. 2011	Executive Managing Director, Head of Public Relations, Secretarial Section of the Company; Senior Managing Director of Daiwa Securities Co. Ltd; and Senior Managing Director, Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Executive Managing Director of Daiwa Securities Co. Ltd.
Oct. 2012	Head of Public Relations of the Company
Apr. 2014	Senior Executive Managing Director, Head of Compliance of the Company Representative Director, Member of the Board and Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2015	Member of the Board, Senior Executive Managing Director of the above company
Apr. 2016	Senior Executive Managing Director, Head of Global Markets of the Company
Apr. 2018	Corporate Executive Officer and Deputy President, Deputy Head of Wholesale and Retail of the Company (to date); and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.	

The reason for election

He joined the Company in 1984 and served successively as Managing Director of Personnel Section, Head of Umeda Branch and Kyoto Branch of Daiwa Securities Co. Ltd. Since his inauguration as Senior Managing Director of Daiwa Securities Co. Ltd. in 2008, he served successively as the Head of Planning and Personnel, Product, Public Relations and Compliance of the Company, and also Head of Global Markets of Daiwa Securities Co. Ltd. He now serves as the Corporate Executive Officer and Deputy President and Deputy Head of Wholesale and Retail of the Company. He has broad knowledge and experience in planning and personnel, markets, retail, and compliance. Therefore, he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Aug. 5, 1963)
6	Keiko Tashiro	common stock 29,000 shares	Reappointment

Brief personal history, title, charge and significant concurrent positions	
Apr. 1986	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
July 1999	Transferred to the Company
Sept. 2005	Head of Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd.
Apr. 2009	Senior Managing Director, Head of PTS and Daiwa Direct Business of the above company
June 2009	Head of Online Product and Daiwa Direct Business of the above company
Apr. 2011	Senior Managing Director, Head of Fixed Income, Currency and Commodities of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Senior Managing Director, Head of Fixed Income, Currency and Commodities of Daiwa Securities Co. Ltd.
Apr. 2013	Executive Managing Director (in charge of America) of the Company; and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc.
July 2013	Chairperson of the Board of Daiwa Capital Markets America Inc.
Apr. 2014	Executive Managing Director, Deputy Head of Overseas (in charge of America) of the Company
June 2014	Member of the Board and Executive Managing Director of the Company
Apr. 2016	Member of the Board, Senior Executive Managing Director and Head of Overseas of the Company (to date); and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.	

The reason for election

She joined the Company in 1986 and served successively as the Head of IR Section of the Company and Head of Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd. Since her inauguration of Senior Managing Director of the above company in 2009, she served successively as its Head of Daiwa Direct Business, Fixed Income, Currency and Commodities, as the one responsible for America business and Deputy Head of Overseas (in charge of America) of the Company and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc. She serves now as the Head of Overseas of the Company. She has a wealth of knowledge and experience in the overseas and corporate planning department. Therefore, she is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Oct. 12, 1962)
7	Mikita Komatsu	common stock 67,000 shares	<u>Reappointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1985	Joined the Company
Feb. 2002	Transferred to Daiwa Securities SMBC Co. Ltd.
Feb. 2003	Transferred to the Company
Oct. 2008	Transferred to Daiwa Securities SMBC Co. Ltd. (President of Daiwa Securities SMBC Europe Ltd.)
Apr. 2010	Senior Managing Director, Head of International Planning and Managing Director of International Planning Section of the Daiwa Securities Capital Markets Co. Ltd.
Oct. 2010	Head of International Planning and Deputy Head of Planning of the above company
Dec. 2010	Head of International Planning, Deputy Head of Planning and Senior Deputy Head of Asia of the above company
Apr. 2011	Senior Managing Director and Head of Finance of the Company; Senior Managing Director of Daiwa Securities Co. Ltd.; and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Head of Finance and Deputy Head of Planning of the Company; and Member of the Board of Daiwa Real Estate Asset Management Co. Ltd. (to date)
Apr. 2013	Executive Managing Director, CFO, Deputy Head of Planning and Overseas of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2015	CFO and Deputy Head of Overseas of the Company (to date)
Apr. 2016	Senior Executive Managing Director of the Company; and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd. (to date)
June 2016	Member of the Board and Senior Executive Managing Director of the Company (to date)
(Significant concurrent positions) Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.; and Member of the Board of Daiwa Real Estate Asset Management Co. Ltd.	

The reason for election

He joined the Company in 1985 and served as the Managing Director of Finance of the Company, President of Daiwa Capital Markets Europe Ltd. Since his inauguration of Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd. in 2010, he served successively as its Head of International Planning, Head of Finance and Deputy Head of Planning of the Company and now he is serving as the CFO and Deputy Head of Overseas of the Company. He has broad experience and knowledge in the planning, finance and overseas department, therefore, he is considered to be qualified as a member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 26, 1965)
8	Morimasa Matsuda	common stock 25,000 shares	<u>Reappointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1989	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co. Ltd.
June 2000	Transferred to the Company
Feb. 2003	Transferred to Daiwa Securities SMBC Co. Ltd.
Apr. 2011	Transferred to the Company
Apr. 2013	Managing Director of Internal Audit Dept. of the Company; and Managing Director of Internal Audit Dept. of Daiwa Securities Co. Ltd. Senior Managing Director of the Company;
Apr. 2016	Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. (to date); Audit & Supervisory Board Member of Daiwa Property Co., Ltd. (to date); Audit & Supervisory Board Member of Daiwa Institute of Research Business Innovation Ltd. (to date); and Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd. (to date)
June 2016	Member of the Board of the Company (to date)
June 2017	Audit & Supervisory Board Member of Daiwa Asset Management Co. Ltd. (to date)
(Significant concurrent positions) Audit & Supervisory Board Member of Daiwa Securities Co. Ltd.; Audit & Supervisory Board Member of Daiwa Asset Management Co. Ltd.; Audit & Supervisory Board Member of Daiwa Institute of Research Business Innovation Ltd.; and Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd.	

The reason for election

He joined the Company in 1989. After serving in the Corporate Planning Section, Investment Banking Section and Market Section etc., he served successively as the Head of IR Section and Managing Director of Internal Audit Department of the Company. He has broad experience and knowledge in corporate planning and the internal audit department. Therefore he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 1, 1943)
9	Keiichi Tadaki	common stock 0 shares	<u>Reappointment</u> <u>Outside</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1969	Became Prosecutor
Apr. 1996	Chief Prosecutor of the Oita District Public Prosecutors Office
July 1997	Prosecutor of the Supreme Public Prosecutors Office
Dec. 1997	Deputy Vice-Minister of Justice
Jan. 2002	Vice-Minister of Justice
June 2004	Superintending Prosecutor of the Tokyo High Public Prosecutors Office
June 2006	Prosecutor General
June 2008	Retired as Prosecutor General
July 2008	Attorney at law (operating to date)
June 2009	Member of the Board of the Company (to date)
(Significant concurrent positions) Outside Audit & Supervisory Board Member of Nippon Life Insurance Company; Outside Audit & Supervisory Board Member of Fujita Corporation; Outside Audit & Supervisory Board Member of Miroku Jyoho Service Co., Ltd.; Outside Director of JAPAN RELIANCE SERVICE CORPORATION.; and Special Counsel Attorney at T & T Partners	

The reason for election

He served successively as the Vice-Minister 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. Based on the above-mentioned reasons, the Company 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 directly in corporate management. He will have been in office as one of the Company's Outside Directors for nine (9) years at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Feb. 3, 1948)
10	Tadashi Onodera	common stock 7,000 shares	Reappointment Outside

Brief personal history, title, charge and significant concurrent positions	
June 1989	Director of DDI Corporation (currently known as KDDI Corporation)
June 1995	Associate Senior Vice President, Director of the above company
June 1997	Executive Vice President, Representative Director of the above company
June 2001	President of KDDI Corporation
June 2005	President, Chairman, Representative Director of the above company
Dec. 2010	Chairman, Representative Director of the Board of the above company
June 2014	Member of the Board of the Company (to date)
July 2015	Chairman of KDDI Corporation
Apr. 2018	Director and Advisor of KDDI Corporation (to date)
(Significant concurrent positions) Director and Advisor of KDDI Corporation; Outside Director of KYOCERA Corporation; and Director of Okinawa Cellular Telephone Company	

The reason for election

He held positions such as the President of KDDI Corporation, etc. and currently is the Director and Advisor of KDDI Corporation. The Company requests shareholders to elect him as an Outside Director since the Company believes 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 four (4) years at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 29, 1954)
11	Michiaki Ogasawara	common stock 6,000 shares	<u>Reappointment</u> <u>Outside</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1976	Entered Ministry of Posts and Telecommunications
Jan. 2003	Director-general of Tohoku Bureau of comprehensive communication, Ministry of Internal Affairs and Communications
Jan. 2004	Director-general of Kantou Bureau of telecommunication, the above Ministry
Feb. 2005	Deputy director general of the above Ministry
Aug. 2005	Director-general of Local Public Service Personnel Department, Local Administration Bureau the above Ministry
July 2006	Director-general of Civil Protection and Disaster Management Department, Fire and Disaster Management Agency, the above Ministry
July 2007	Director-General of the Information and Communications Policy, the above Ministry
July 2008	Director-General of the Global ICT Strategy Bureau, the above Ministry
Jan. 2010	Assistant Vice-minister of the above Ministry
Sept. 2012	Vice-Minister of the above Ministry
Oct. 2013	Advisor of Daiwa Institute of Research Ltd.
June 2015	Member of the Board of the Company (to date)
(Significant concurrent positions) Advisor of Sompo Japan Nipponkoa Insurance Inc.; and Advisor of Sumitomo Corporation	

The reason for election

He served successively as the Director-General of Global ICT Strategy Bureaus, the Vice-Minister of Ministry of Internal Affairs and Communication, etc. The Company requests shareholders to elect him as an Outside Director since the Company believes that his specialized experience and knowledge accumulated through his career would contribute to the management of the Company. Based on 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 directly in corporate management. He will have been in office as one of the Company's Outside Directors for three (3) years at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Oct. 16, 1946)
12	Hiroataka Takeuchi	common stock 0 shares	<u>Reappointment</u> <u>Outside</u>

Brief personal history, title, charge and significant concurrent positions	
Sept. 1976	Lecturer of Harvard Business School
Dec. 1977	Assistant Professor of Harvard Business School
Apr. 1983	Assistant Professor of Hitotsubashi University, Faculty of Commerce and Management
Apr. 1987	Professor of Hitotsubashi University, Faculty of Commerce and Management
Apr. 1998	Dean of Hitotsubashi University, the Graduate School of International Corporate Strategy
Apr. 2010	Professor Emeritus of Hitotsubashi University
July 2010	Professor of Harvard Business School (to date)
June 2016	Member of the Board of the Company (to date)
(Significant concurrent positions) Professor of Harvard Business School; Outside Director of Integral Corporation; Outside Director of P&E DIRECTIONS, INC.; Outside Director of BrightPath Biotherapeutics Co., Ltd; Outside Director of Mitsui & Co., Ltd.; Director of t-lab; and Principal of Global Academy K. K.	

The reason for election

He served successively as the Professor of Hitotsubashi University, Faculty of Commerce and Management and Professor of Harvard Business School, etc. The Company requests shareholders to elect him as an Outside Director since the Company believes that his accumulated specialized experience and knowledge would contribute to the management of the Company. Based on the above-mentioned reasons, the Company 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 directly in corporate management. He will have been in office as one of the Company's Outside Directors for two (2) year at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 1, 1951)
13	Ikuo Nishikawa	common stock 2,000 shares	<u>Reappointment</u> <u>Outside</u>

Brief personal history, title, charge and significant concurrent positions	
Sept. 1990	Representative Partner of Century Audit Corporation (currently known as Ernst & Young ShinNihon LLC)
Jan. 1991	Representative of JICPA in International Accounting Standards Committee
July 1995	Executive Director of the Japanese Institute of Certified Public Accountants
Aug. 2001	Deputy Chairman of Accounting Standards Board of Japan
Apr. 2007	Chairman of Accounting Standards Board of Japan
Apr. 2012	Professor of Keio University, Faculty of Business & Commerce
June 2016	Member of the Board of the Company (to date)
Apr. 2017	Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce (to date)
(Significant concurrent positions) Outside Director of MEGMILK SNOW BRAND Co., Ltd.; Outside Audit & Supervisory Board Member of Mitsubishi Corporation; and Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce	

The reason for election

He served successively as the Representative Partner of Century Audit Corporation and Chairman of Accounting Standards Board of Japan, etc. The Company requests shareholders to elect him as an Outside Director since the Company believes that his accumulated specialized experience and knowledge would contribute to the management of the Company. Based on the above-mentioned reasons, the Company 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 directly in corporate management. He will have been in office as one of the Company's Outside Directors for two (2) year at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Apr. 28, 1958)
14	Eriko Kawai	common stock 0 shares	<u>New appointment</u> <u>Outside</u>

Brief personal history, title, charge and significant concurrent positions	
Oct. 1981	Entered Nomura Research Institute, Ltd.
Sept. 1985	Management Consultant of McKinsey & Company, Inc.
Oct. 1986	SG Warburg Fund Manager of Mercury Asset Management plc
Nov. 1995	CIO of Yamaichi Regent ABC Polska, Head of Investment
July 1998	Pension Funds Administrator of Bank for International Settlements (BIS)
Oct. 2004	Senior Pension Funds Administrator of Organization of Corporation and Development (OECD)
Mar. 2008	Representative of Kawai Global Intelligence
Apr. 2012	Professor of Institute for the Promotion of Excellence in Higher Education, Kyoto University
Apr. 2013	Professor of Institute for Liberal Arts and Sciences, Kyoto University
Apr. 2014	Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University (to date)
(Significant concurrent positions) Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University; Director of the Outlook Foundation.; Director of the Grew Bancroft Foundation; Outside Audit & Supervisory Board Member of CMIC HOLDINGS Co., Ltd.	

The reason for election

She held positions such as the Pension Funds Administrator of BIS and OECD etc. The Company requests shareholders to elect her as an Outside Director since the Company believes that she has extensive experience at global companies and international organizations, experience and records as a manager, and her accumulated ample experience and knowledge about corporate management would contribute to the management of the Company.

(Notes)

1. *The Company has provided long-term loans to Daiwa Securities Co. Ltd.*
2. *The Independence of the nominees for Outside Director from the Company is as follows.*
 - * None of the nominees for Outside Director has executed business of or has become an executive of the Company or its subsidiaries by means other than being an Outside Director of the Company in the past.*
 - * None of the nominees for Outside Director executes business of or is an executive of, or has done or been so during the last five (5) years, any entity that has a special relationship with the Company.*
 - * 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, family member within the third degree of kinship or other similar person who executes business of or is an executive of 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. and Nagoya Stock Exchange, Inc. The Company is scheduled to designate all of the nominees for Outside Director as independent directors and to report this designation to the exchanges mentioned above.*
3. *Violation of laws and regulations or the articles of incorporation or the fact of unfair execution of business during the term of office of other companies and the acts taken by the candidate to prevent the occurrence of the fact and the acts taken in response after the occurrence of the fact is as follows.*

At SNOW BRAND SEED Co., Ltd, a subsidiary of MEGMILK SNOW BRAND Co., Ltd., at which Mr. Ikuo Nishikawa serves as Outside Director, it came to light that the subsidiary engaged in false-labeling in violation of the Plant Variety Protection and Seed Act, and in February 2018, the subsidiary was issued a Report Collection Order by the Minister of Agriculture, Forestry, and Fisheries in accordance with the Act. Mr. Nishikawa was not aware of this situation until this case came to light, but he had been providing opinions and advice from the standpoint of compliance on a regular basis such as at the Board of Director's meeting and Audit Committee. After the discovery of the violation, he appropriately fulfilled his duties by the strict compliance and prevention of recurrence through actions such as presenting his opinion at the Board of Director's meeting and Audit Committee.
4. *All of the nominees for Outside Director fulfill the requirements for independent directors as defined by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. The Company is scheduled to designate all of the nominees for Outside Director as independent directors and to report this designation to the exchanges mentioned above. The current Outside Directors, Mr. Keiichi Tadaki, Mr. Tadashi Onodera, Mr. Michiaki Ogasawara, Hirotaka Takeuchi and Ikuo Nishikawa have each executed an agreement to limit liability to the Company. Each agreement stipulates 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. In case the election of those nominees for Outside Director is duly approved, the Company will continue to engage such agreement with each Outside Director. Also, the Company plans to enter into a similar agreement to limit the liability of Ms. Eriko Kawai as Outside Director.*
5. *Mr. Tadashi Onodera will resign as Chairman of KDDI Corporation and will be appointed as Advisor of KDDI Corporation on June 20, 2018.*

[References]

The Company is scheduled to appoint the following directors as members and chairman of the Nominating Committee, the Audit Committee and the Compensation Committee respectively, through resolutions of the Board of Directors and each committee to be held after the conclusion of the Ordinary General Meeting of Shareholders. A majority of each committee will be Outside Directors as described below.

Name	Title	Nominating Committee	Audit Committee	Compensation Committee
Takashi Hibino	Chairman of the Board and Corporate Executive Officer	○		○
Seiji Nakata	Member of the Board, Representative Corporate Executive Officer and President	○		○
Morimasa Matsuda	Member of the Board		○	
Keiichi Tadaki	Member of the Board (Outside) Independent Officer	○	◎	
Tadashi Onodera	Member of the Board (Outside) Independent Officer	◎		○
Michiaki Ogasawara	Member of the Board (Outside) Independent Officer	○	○	
Hiroataka Takeuchi	Member of the Board (Outside) Independent Officer	○		◎
Ikuo Nishikawa	Member of the Board (Outside) Independent Officer		○	○
Eriko Kawai	Member of the Board (Outside) Independent Officer	○	○	

(Note) ◎ is a Chairman of each committee and ○ is a member of each committee.

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.

No Stock Acquisition Rights granted as stock options will be granted to Outside Directors of the Company.

1. Reasons for Selecting Candidates to Receive Common Stock Acquisition Rights at Particularly Favorable Terms

The Company will issue the following stock acquisition rights stated in 2. below (hereinafter, "Common Stock Acquisition Rights") without consideration as stock options to employees of the Company and its subsidiaries and affiliates and to Executives of the Company's subsidiaries and affiliates as an incentive to contribute towards increasing consolidated performance and to enable recruiting of talented personnel.

Common Stock Acquisition Rights are granted to employees of the Company and its subsidiaries and affiliates, and to Executives of the Company's subsidiaries and affiliates. 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 allotment date of Common Stock Acquisition Rights. The allotment date (hereinafter, "Allotment Date") implies the date on which stock acquisition rights shall be allotted.

Please note that, taking into consideration of the effectiveness for recruiting of talented personal and incentive to contribute towards increasing consolidated performance, the Company sets forth the conditions such that those who are granted the rights will not be able to exercise the right until July 2023.

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

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

Not exceeding 75,000 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights shall not exceed 7,500,000. If the Number of Granted Shares is adjusted pursuant to (3) (a) below, such aggregate number of shares to be issued shall be calculated by multiplying the maximum number of Common Stock Acquisition Rights to be issued by the Number of Granted Shares after adjustment.

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

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

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

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

The class and number of shares to be issued upon exercise of one (1) Common Stock Acquisition Right (hereinafter, in 2, "Number of Granted Shares") shall be 100 shares of Common Stock.

If the Company splits or consolidates the shares of Common Stock after the date of resolution of the Ordinary General Meeting of Shareholders (hereinafter, the "Resolution Date"), the Number of Granted Shares shall be adjusted in accordance with the following formula. An adjustment shall be made only with respect to the Number of Granted Shares for the Common Stock Acquisition Rights, which has 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 companies, 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

The amount to be paid in upon exercise of Common Stock Acquisition Rights 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 containing the Allocation Date of Common Stock Acquisition Rights, or

(ii) The Closing Price on the Allocation Date of Common Stock Acquisition Rights (if there is no Closing Price on such date, the Closing Price for the immediate preceding trading day).

If the Company splits or consolidates the shares of Common Stock after the Allocation Date, the Exercise Price shall be adjusted in accordance with the following formula, and any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

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

The Exercise Price shall be adjusted using the following formula, in the event the Company issues shares of Common Stock at below-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.

$$\begin{array}{l} \text{Exercise price} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Exercise price} \\ \text{before adjustment} \end{array} \times \frac{\begin{array}{l} \text{Outstanding} \\ \text{number of shares} \end{array} + \frac{\begin{array}{l} \text{Number of newly issued shares} \times \text{Payment for one share} \end{array}}{\begin{array}{l} \text{Market price of one share} \end{array}}}{\begin{array}{l} \text{Outstanding number of shares} + \text{Number of newly issued shares} \end{array}}$$

"Outstanding number of shares" is the number of shares issued being subtracted by the number of treasury stocks of Common Stock.

Other than above, in the case of a merger with any other companies, 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 may be Exercised

A period between July 1, 2023, to June 26, 2028.

(d) Terms Regarding Increase in Capital Stock and Additional Paid-in Capital upon Exercise of Common Stock Acquisition Rights

1) The amount of capital stock to be increased upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights shall be half of the limit of capital increase

calculated according to Clause 1 of Article 17 of the Rules of Corporate Accounting. 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 be increased upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights shall be the difference between the limit of capital increase and the increase in capital stock, both stated in 1) above.

(e) Restriction on Transfer of Common Stock Acquisition Rights

Common Stock Acquisition Rights are non-transferable unless the Board of Directors of the Company approves such transfer.

(f) Conditions for Exercise of Common Stock Acquisition Rights

- 1) Each Common Stock Acquisition Rights cannot be exercised in part.
- 2) Other conditions for exercise shall be set forth in the Stock Acquisition Rights Allocation Agreement between the Company and a holder of Common Stock Acquisition Rights.

(g) Terms and Conditions of Acquisition of Common Stock Acquisition Rights

The Company may acquire Common Stock Acquisition Rights without consideration when a holder loses all qualifications for exercising Common Stock Acquisition Rights or waives all or part of his/her Common Stock Acquisition Rights.

(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 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, 2017 to March 31, 2018)

I. Status of the Group's Business Activities

The 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 (FY2017) is as follows.

(Note) In this report, the "Group" means the corporate group consisting of Daiwa Securities Group Inc. (the "Company"), its subsidiaries and its affiliates.

1. Economic and Market Environment and Outcome of the Group's Business Activities

(1) Economic and Market Environment

Driven by domestic demand, our country's economy in this fiscal year continued to be on a track to gradual recovery. The unemployment rate has further decreased and wages have gradually increased. However, the rate of the consumer price increase remains at high levels, and personal consumption has been gradually recovering due to soaring fresh food prices caused by unseasonable weather, rising oil prices, and increased costs caused by a labor shortage. Although an easy monetary policy of Bank of Japan has helped housing loan rates to remain low, the housing investment has shown a declining trend mainly in the construction of houses for rent. On the other hand, capital investment by the company has increased investments in rationalizing and labor-saving and updating facilities, research and development have increased due to high corporate profits and tight labor supply-and-demand. However, companies did not change their cautious attitude to the general expenditure. Level of capital investments significantly fell below cash flow, and just barely exceeded depreciation expenses. As for the foreign demand, exportation has shown strength overall; Asia showed some signs of recovery, and the United States and the EU are flat. Import volume also showed some signs of recovery. Trends of productive activities of the companies gradually increased due to the steady domestic demand and expanding global economy, especially in the fields of transportation machinery, general machinery, production machinery and industrial machinery.

In the Japanese stock market, overseas market events made an impact on the stock prices. In the first half of FY2017, the stock prices momentarily fell due to increase of geopolitical risks, however, throughout the first half of the fiscal year, they generally continued to be flat. Toward the end of the year, due to an expanding world economy and materialized tax reform in the United States, stock prices rose with the expectation of improved performance of companies. In January 2018, The Nikkei Stock Average reached 24,000 yen for the first time in 26 years. However, in February, stock markets in the United States rapidly fell, projecting more frequent raises in interest rates by the Federal Reserve Board (FRB), and causing worldwide stock prices to drop. Furthermore, around March, a protectionist trade policy in the United States led The Nikkei Stock Average fell to 21,454.30 yen at the end of FY2017.

In the bond market, the yield on Japanese government bonds sometimes rose after market interest rates had risen in the United States. However, the Bank of Japan kept long-term interest rates at around 0 percent and the yield of the 10-year Japanese

government stayed at around 0.0 to 0.1% as narrow range of interests. As a result, the yield of the 10-year Japanese government bond at the end of FY2017 was 0.043%

(2) Outcome of the Group's Business Activities **Performance by each Operating Segment**

1) Retail Business

Daiwa Securities Co. Ltd. provides broad types of products and services to meet customer's diversified needs through the two transaction packages, namely the "Daiwa Consulting" course, which provides high-value-added proposal-based services by sales representatives, and the "Daiwa Direct" course, which provides high-convenience services mainly on the internet and through contact centers.

In FY 2017, aiming at "Quality No.1", it concentrated on creating a system which gives greater weight to client perspective and the expansion of the systems of assessment for branches based upon customer satisfaction. It also focused on the expansion of the services which suits with the needs in life stage of the broad range of the customers from asset forming layer to senior layer.

As for the products and services, on March 2018, "Daiwa Advanced Wrap" began, which makes portfolios more flexible depending on the investment climate; this follows "Daiwa Fund Wrap Premium" which had been in existence since October 2016, and "Daiwa Fund Wrap Online" which had been in existence since January 2017.

Further, in order to enhance inheritance support of the customers in accordance with their needs, it proceeded with placement of "Inheritance Consultants" who acquired specialized knowledge of inheritance. Branch offices having such consultants expanded to 87 at the end of the FY2017, and 100 at April 2018.

Also, Daiwa Securities Co. Ltd. deals in yen deposit accounts and foreign currency deposit accounts as a bank agent of Daiwa Next Bank Co. Ltd. (the deposit balance as of the end of FY2017 was approximately 3.5 trillion yen) and provides its wide range of customers with favorable interest rates on their deposits and the high-convenience services through its nationwide network of branch offices.

As for asset forming, it executed the Capital and Business Alliance Agreement with KDDI CORPORATION, and established KDDI Asset Management as a joint company on February 2018 in order to prepare for individual-type defined contribution pension plans, "iDeCo".

2) Wholesale Business

The wholesale business of the Group is comprised of Global Markets business and Global Investment Banking business.

In the Global Markets business, Daiwa Securities Co. Ltd. conducts sales and trading of equities, bond, forex and financial derivative products to and with institutional investors and corporate clients and also provides products and sales support to retail business segment. In the FY2017, the revenue remained continuously steady mainly in the equity-related business, because the stock market kept strong and stock prices rose significantly. The retail and wholesale sections especially worked together to provide products which suit the needs of customers and market climate and contributed to the profit.

In the Global Investment Banking business, it is involved in underwriting, M&A advisory and structured finance, etc.

As for the domestic underwriting business, on the PO (Public Offering) of

JAPAN POST HOLDINGS Co., Ltd. and Renesas Electronics Corporation, IPO (Note) of SG Holdings Co., Ltd., and on PO of Idemitsu Kosan Co., Ltd. and Daiwa House REIT Investment Corporation, it served as joint global coordinator. As for the overseas underwriting business, it served as a lead managing director on issuing benchmark bonds of Japan Bank for International Cooperation.

Further, in the M&A advisory business, the companies in the Group worked together and advised on many M&A transactions. Daiwa Securities Co. Ltd. served as an advisor of MBK Partners regarding acquisition of KURODA ELECTRIC CO., LTD. Also, Daiwa Securities Co. Ltd. and Daiwa Corporate Advisory Limited worked together and served as an advisor of the investment fund Cinven regarding the sale of British IT company Northgate Public Services Limited to NEC Corporation.

In order to enhance M&A advisory business in the world, especially in North America, the Company wholly owned Sagent Holdings, Inc., which was a business tie-up partner and invested in by Daiwa. Further, after acquisition of Signal Hill Holdings LLC, the Company merged them into DCS Advisory Holdings Inc.

(Note) IPO (Initial Public Offering) is a type of public offering in which shares are sold to the public for the first time.

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 also by strengthening their asset management expertise.

Daiwa Asset Management Co. Ltd. increased its assets through “Robot Technology Related Equity Fund” by 248.8 billion yen and “Daiwa Global IoT Related Equity Fund” by 146.6 billion yen, which focused on IoT (Note 1) to be improved through the progress of the technology. Its net assets of publicly offered stock investment trusts increased by 1 trillion 411.8 billion yen in the FY2017 due to the capital inflow to the Exchange-Traded Fund to 14 trillion 123.5 billion yen at the end of the FY2017.

Daiwa SB Investment Ltd. endeavored to improve its management ability in investment advisory business for domestic and overseas pension funds, etc. In the investment trust business, “Global EV Revolution Fund”, the funds of which focused on long-term growth fields, increased its assets by 154.7 billion yen, contributing to an increase in its net assets.

In the real estate asset management business, the entities managed by Daiwa Real Estate Asset Management Co. Ltd. and Mi-Casa Asset Management Inc. strived to improve the yield of the portfolio and value of the property by acquisition and exchange of properties. The two Companies’ assets under management are 822.0 billion yen at the end of the FY2017

Also, it acquired 33% shares of Samty Asset Management Co., Ltd. (management company of a listed REIT (Note 2) Samty Residential Investment Corporation) and made it to affiliated company in February 2018.

(Note 1) IoT (Internet of Things) is the network of things which enables objects to connect and operate through internet.

(Note 2) REIT stands for Real Estate Investment Trust.

4) Investment Business

Daiwa Corporate Investment Co., Ltd. invested in venture companies inside and outside of Japan and proceeded the return of investment from listing of

existing investments.

Daiwa PI Partners Co. Ltd. expanded investments in products such as mortgage loans. Further, it provided investments and loans to corporations as well as investments to renewable energy business. It contributed to the Group's revenues by realizing exits from existing investments, such as non-performing loans and corporate investment.

Daiwa Securities SMBC Principal Investments Co. Ltd. realized exits from existing real estate investments.

5) Others

The Company decided to establish a subsidiary which aims to provide financial services that use cutting-edge technologies, providing with the digital-native (Note) customers and the Company established Fintertech Co. Ltd, on April 2, 2018.

Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. actively engaged on research and usage of advanced technology such as, initiation of "Daiwa Securities Group – University of Tokyo Future Finance Forum" with the University of Tokyo. Additionally, Daiwa Institute of Research Ltd. began to give information on the Japanese equities which are chosen from stock price prediction model by AI (Artificial Intelligence). Furthermore, the Company strives to investigate and make research for cutting-edge technology and utilize such technology, such as "Daiwa Regional AI Index" which calculates the business sentiment of the region by AI.

(Note) A person who is very familiar with digital technology, computers, etc

[CSR (Note 1)]

The Group has established "SDGs (Note 2) Promotion Committee" on February 2018, to contribute to the formation of sustainable society utilizing financial functions. In the Committee, invite outside experts and gather latest information on global initiatives on SDGs and discuss group wide approaches and solutions.

Also, the Group started "For Your Dreams - Smiles to Children Project" to support the NPO which addresses problems of children living in poverty.

On the other hand, the Group kept providing the product of Impact Investment (Note 3) underwrote and distributed "Green Bonds", which support the project on mitigation and adaptation on climate change.

As regards to the continuous support to the areas struck by the East Japan Earthquake, the Group decided to aid 9 local NPO group.

Furthermore, the Group has worked continuously in supporting economic and financial education. In the FY 2017, it manufactured "Let's Learn about Stocks", the textbook for upper grade elementary school students; approximately 2,200 students took a class which used the textbook.

In addition, it has been continuously engaged in various volunteer activities.

(Note 1) Corporate Social Responsibility

(Note 2) Sustainable Development Goals are a collection of 17 global goals set out by the United Nations in 2015.

(Note 3) An investment, the use of which is limited to projects aiming not only to gain economic profits but also to solve social problems such as poverty and environmental issues.

2. Outline of the Consolidated Performances

The following is the outcome of our consolidated performance in FY2017. The Group

has 59 consolidated subsidiaries and 10 affiliates which were accounted for by using the equity method at the end of FY2017.

The consolidated financial statements of the Company are 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), the two latter of which are applied to the balance sheets and income statements of the companies that engage in securities-related business, the main business of the Group, based on Article 118 of the Accounting Regulation Ordinance.

(1) Status of Profits and Losses of the Group

The consolidated operating revenue was 712.6 billion yen (a 15.6% increase from FY2016) and the net operating revenue was 505.3 billion yen (a 6.9% increase from FY2016). The selling, general and administrative expense was 370.2 billion yen (a 4.7% increase from FY2016) and the ordinary income was 155.6 billion yen (a 14.8% increase from FY2016). The profits attributable to owners of parent, calculated by adding extraordinary income or loss, income taxes and minority interests in income to the ordinary income, was 110.5 billion yen (a 6.3% increase from the FY2016).

Performances of each operating segments are as follows.

(Millions of yen)

	Net Operating Revenues			Ordinary Income		
	Fiscal 2016 (80 th term)	Fiscal 2017 (81 st term)	Change (%)from Previous Term	Fiscal 2016 (80 th term)	Fiscal 2017 (81 st term)	Change (%)from Previous Term
Retail	188,051	214,247	13.9%	29,375	51,331	74.7%
Wholesale	182,875	171,192	△6.4%	65,437	45,373	△30.7%
Asset Management	46,438	49,390	6.4%	26,572	29,119	9.6%
Investment	15,736	27,401	74.1%	13,041	24,499	87.9%
Others	39,647	43,118	-	1,196	5,353	-
Total	472,750	505,350	6.9%	135,623	155,676	14.8%

[Retail]

Due to the proposal which meets the needs of the customers based on the customer-oriented sales system, the amount of foreign equity trading value and sales of equity investment trust increased; the net operating revenue was 214.2 billion yen (a 13.9% increase from the FY2016) and the ordinary income was 51.3 billion yen (a 74.7% increase from the FY2016).

[Wholesale]

While the revenue from the equity underwriting and the M&A advisory increased compared with that in FY2016, the revenue from bond trading was low, the net operating revenue was 171.1 billion yen (a 6.4% decrease from FY2016) and the ordinary income was 45.3 billion yen (a 30.7% decrease from FY2016).

[Asset Management]

Since the stock market was steady, assets under management of publicly offered stock investment trusts and publicly offered bond investment trusts increased; the net operating revenue was 49.3 billion yen (a 6.4% increase from FY2016) and the ordinary income was 29.1 billion yen (a 9.6% increase from FY2016).

[Investment]

Since there were return of investment from existing investments, the net operating revenue was 27.4 billion yen (a 74.1% increase from the FY2016) and the ordinary income was 24.4 billion yen (an 87.9% increase from the FY2016).

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

The total assets at the end of the FY2017 were 21 trillion 141.7 billion yen (an increase of 1 trillion 314.4 billion yen from the FY2016), mainly because of the decrease of cash and deposits (by 134.3 billion yen) and securities (by 754.9 billion yen) the increase of trading products (by 120.8 billion yen), operating loans (by 787.2 billion yen) and loans secured by securities (by 1 trillion 191.2 billion yen).

The total liabilities at the end of the FY2017 were 19 trillion 771.2 billion yen (an increase of 1 trillion 287.3 billion yen from the FY2016), mainly because of the increase of deposits in banking business (by 402.7 billion yen), short-term loans payable (by 172.8 billion yen), long-term loans payable (by 148.5 billion yen) and the decrease of loans payable secured by securities (by 242.9 billion yen) and bond which will be retired in a year (by 16.7 billion).

The net assets were 1 trillion 370.5 billion yen (an increase of 27.0 billion yen), mainly because of the increase of amount of deduction of own shares (by 41.5 billion yen) and accumulated profit (by 67.4 billion yen) due to allocation of net profit attributable to parent company shareholders. Net assets per share were 786.56 yen.

(3) Status of the Capital Investment of the Group

The Group has been making capital investments for the purpose of improving customer satisfaction and corporate earning power through the provision of products and services responding to various customer needs and through business optimization, establishing basic infrastructures indispensable for business continuation, corresponding to legal system and enhancing the risk management system.

In the FY2017, the Group made capital investments for expanding lineup for installment-type NISA, Fund Wrap and Online Services. Also, it made IT-related investments, the total amount of which is around 33.3 billion yen, to work on improving productivity, such as voice recognition, AI, RPA(Note), and to strengthen the management system of national individual numbers of the customers and to enhance cyber security.

Further, Daiwa Securities Co. Ltd. opened new branch offices in Korien, Center Minami, Hibarigaoka, Asagaya, Mukougaoka-yuen, Otsu, Maebashi and Tokiwadai.

(Note) Robotic Process Automation is an emerging form of business process automation technology based on the notion of AI.

(4) Status of Financing of the Group

The Company issued the following US dollar denominated straight bonds in foreign markets

US dollar denominated bonds of 1 billion dollars (April 19, 2017)

Also, the Company issued the following series of Yen denominated unsecured straight bonds. Also, the Company issued the following US dollar denominated straight bonds in foreign markets.

30th series bonds of 25 billion yen (August 28, 2017)

31st series bonds of 15 billion yen (August 28, 2017)

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

	(Billions of yen)				
	77 th term	78 th term	79 th term	80 th term	81 th term
	(Apr 1, 2013- Mar 31, 2014)	(Apr 1, 2014- Mar 31, 2015)	(Apr 1, 2015- Mar 31, 2016)	(Apr 1, 2016- Mar 31, 2017)	(Apr 1, 2017- Mar 31, 2018)
Operating revenue	642.8	659.3	653.7	616.4	712.6
Net operating revenue	541.9	532.2	514.8	472.7	505.3
Ordinary income	197.0	184.5	165.1	135.6	155.6
Profit attributable to owners of parent	169.4	148.4	116.8	104.0	110.5
Shareholders' equity (Net assets)	1,253.4	1,434.6	1,313.0	1,343.4	1,370.5
Total assets	19,480.8	23,001.5	20,420.8	19,827.2	21,141.7
Shareholders' equity (Net assets) per share (Yen)	633.53	725.27	720.86	745.80	786.56
Profit per share (Yen)	99.63	87.07	68.25	61.53	66.88
Return on Equity (ROE) (%)	17.0%	12.8%	9.5%	8.4%	8.8%
Number of consolidated Subsidiaries	49	50	50	52	59
Number of affiliates accounted for using the equity method	8	8	10	11	10

4. Issues to be Addressed by the Group

FY2017 was a major turning point in the securities and financial markets. Despite disturbing issues, such as rising global geopolitical risks and poor political visibility, the Nikkei Stock Average recovered to its highest point for 26 years. In FY2018, while we recognize that the political situation in many countries remains uncertain, the outlook for corporate profits suggests that a record-high in earnings will be reached, and the Japanese economy is expected to stay strong. The deflation that has continued for the past 20 years looks likely to end soon, and the probability of major monetary shift “from savings to asset formation” is increasing.

On the other hand, the management environment is changing dramatically, following the declining birthrate and the aging of society, the advent of the era of living to 100, and the revolution in industrial and employment structures caused by the advance of the digital transformation.

In this context, we have set up the new Group Medium-Term Management Plan “Passion for the Best” 2020, which covers the period to FY2020. By providing high-value-added solutions through the use of our “Quality No.1” consulting capabilities, and by adopting a basic policy of providing new value as an “Integrated Securities Group with Hybrid Business Model”, created by fusing the conventional securities business together with a diversified portfolio of other businesses, we aim to become a “financial and capital market pioneer that creates the future”.

FY2018 will be the first year of the plan and we will steadily implement the action plans for each business division, centered around such themes as deepening “Customer-

first Operations,” supporting corporate growth strategies, and creating new business areas.

By actively engaging to resolve social issues, and simultaneously creating economic as well as social value, the Daiwa Securities Group contributes to the realization of a prosperous society and an enriched lifestyle for the people.

The Action Plans for Each Business Division

Retail Division

- 1) Building a sales structure based on customer satisfaction
- 2) Provide best service solutions for customer attributes that match the customer's various needs
- 3) Sustainable expansion of a stable revenue base
- 4) Expand the business by utilizing external channels and resources

Wholesale Division

- 1) Promote the company's shift to achieve higher corporate value
- 2) Provide products and services that capture customer needs
- 3) Support transformation in business structure and in Japan's industrial structure
- 4) Provide pan-Asian business supports as a regional Asian brokerage firm

Asset Management Division

- 1) Pursue customer profits by strengthening and enhancing investment capabilities
- 2) Strengthen product development capabilities that capture a wide range of customer needs
- 3) Enhance product lineups contributing to the customers' financial asset management and strengthen the communication of information and support capabilities
- 4) Expand alternative investment product lineups, centered around real estate

Investment Division

- 1) Contribute to business ecosystem by discovering and developing new industries through investment
- 2) Expand investment in Asian countries
- 3) Develop socially responsible investments
- 4) Pursue returns through further evolution of investment capabilities

Other (Daiwa Institute of Research Group)

- 1) Contribute to the strengthening of the business by collaborating with the Group as the think tank of the integrated securities group with hybrid business model
- 2) Communicate information appropriate to the times, and centered on the economy and finance, in a timely manner
- 3) Contribute to the business customers engage, providing competitive solutions speedily
- 4) Expand the business through the creation of “new value” by utilizing advanced technology

Other (Daiwa Next Bank)

- 1) Develop customer-oriented products and services by utilizing securities-banking business model
- 2) Establish mechanisms of building the future revenue base which contributes to the entire Group

- 3) Pursue portfolio management strategy that can adapt to changes in market environments in a timely manner
- 4) Sustainable growth achieved by securing healthy earning results

5. Status of the Group

(1) The Group's Primary Business

The Group's primary business is investment/financial business, with securities-related business at its core. Specifically, the Group is involved in trading and brokerage of securities and derivative products, underwriting and secondary offering of securities, dealing in public offering, secondary offering and private placement of securities and other security-related business, banking business and other financial business.

(2) Status of Major Subsidiaries and Affiliates

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	Main Business
Daiwa Securities Co. Ltd.	Chiyoda-ku, Tokyo	100,000	100.0% (100.0%)	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)	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	50,000	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	100	100.0% (-)	Investment business

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	Main Business
Daiwa PI Partners Co. Ltd.	Chiyoda-ku, Tokyo	12,000	100.0% (-)	Investment business
Daiwa Securities SMBC Principal Investments Co. Ltd.	Chiyoda-ku, Tokyo	100	60.0% (-)	Investment business
Daiwa Real Estate Asset Management Co. Ltd.	Chuo-ku, Tokyo	200	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Office Investment Corporation (Note)	Chuo-ku, Tokyo	251,551	37.8% (11.9%)	Investment in specified assets
Daiwa Capital Markets Europe Limited	London, U.K.	GBP732 million	100.0% (-)	Securities-related business
Daiwa Capital Markets Hong Kong Limited	Hong Kong, China	HKD100 million USD276 million	100.0% (-)	Securities-related business
Daiwa Capital Markets Singapore Limited	Singapore, Singapore	SGD140 Million	100.0% (-)	Securities-related business
Daiwa Capital Markets America Holdings Inc.	New York, U.S.A.	USD621 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) Among the companies above, Daiwa SB Investments Ltd. and Daiwa Office Investment Corporation are affiliated companies.

(3) Situation of specified wholly-owned subsidiary at the end of FY2017

Company Name	Location	Book value of the specified wholly-owned subsidiary at the end of FY2017
Daiwa Securities Co. Ltd.	9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	635,569 million yen

(Note) The amount of total assets of the Company at the end of FY2017 is 2,502,889 million yen.

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

Not applicable.

(5) Status of Major Business Alliances

The Company operates a joint venture with Sumitomo Mitsui Financial Group Inc. in the asset management business and on May 11, 2018, the Company, Sumitomo Mitsui Financial Group, Inc., Mitsui Sumitomo Insurance Company, Limited. and Sumitomo Life Insurance Company concluded a memorandum of understanding regarding the

merger of the asset management business, including the joint venture above.

(6) The Group's Primary Business Locations

1) **The Company's Head Office:** 9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

2) Main Subsidiary's 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 30 other branches
Tokyo	Head Office, Ginza Branch, Shinjuku Branch, Shibuya Branch, Ikebukuro Branch, and 36 other branches
Chubu / Hokuriku	Nagoya Branch, Nagoya-ekimae Branch, Shizuoka Branch, and 19 other branches
Kinki	Kyoto Branch, Osaka Branch, Umeda Branch, Nanba Branch, Kobe Branch, and 18 other branches
Chugoku / Shikoku	Hiroshima Branch, and 12 other branches
Kyushu / Okinawa	Fukuoka Branch, and 9 other branches

(7) Status of Employees

1) The Group's Employees

Number of employees	Change from previous fiscal year
14,791	955

(Note 1): The number of employees reflects the number of the people who actually work in the Group.

(Note 2): The annual average number of part-time workers is 946

2) The Company's Employees

Number of employees	Average age	Average years of service
3 [619]	[41.9 years]	[15 years]

(Note 1): The number of employees reflects the number of the people who actually work in the Company. The number of employees who work for both the Company and Daiwa Securities Co. Ltd. is noted in brackets.

(Note 2): Average age and Average years of service above show the average age and years of the employees including those who work concurrently for the Company and Daiwa Securities Co. Ltd.

(Note 3): In calculating the Average years of service above, we include the years of service in other companies in the Group.

(8) Major Lenders

Name of Lender	Type of Loan	Balance (Millions of yen)
Sumitomo Mitsui Banking Corporation	Long-Term Borrowings	171,248
Mizuho Bank Ltd.	Short-Term Borrowings	42,496
	Long-Term Borrowings	113,248
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Long-Term Borrowings	83,574
Resona Bank Ltd.	Short-Term Borrowings	13,000
	Long-Term Borrowings	20,000
Yamaguchi Bank Corporation	Short-Term Borrowings	3,000
	Long-Term Borrowings	22,240
Taiyo Life Insurance Company	Short-Term Borrowings	10,000
	Long-Term Borrowings	10,000

(Note 1) We state above the main borrowings from outside of the Group (excluding call money, etc.).

(Note 2) The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd., as of April 1, 2018.

(9) 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). We stated the status of the Group instead of the status of the Company alone, where possible.

II. Summary of the Company (as of March 31, 2018)

1. Status of Shares

(1) Total number of Shares: 4,000,000,000 shares

Total number of authorized class shares

Type of Shares	Total Number of Authorized Class Shares
Common Stocks	4,000,000,000
First kind Preferred Stocks	100,000,000
Second kind Preferred Stocks	100,000,000
Third kind Preferred Stocks	100,000,000

(2) Total number of issued and outstanding shares: 1,699,378,772 shares of Common Stocks (including treasury stocks)

(3) Total number of Shareholders: 133,177

(4) Major Shareholders (top ten)

Name	Number of Shares of Common Stocks held (% of total outstanding shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	86,301 thousand shares (5.33%)
Japan Trustee Services Bank, Ltd. (Trust Account)	84,206 thousand shares (5.20%)
B a r c l a y s C a p i t a l S e c u r i t i e s L t d .	34,220 thousand shares (2.11%)
Japan Trustee Services Bank, Ltd. (Trust Account 5)	32,260 thousand shares (1.99%)
N i p p o n L i f e I n s u r a n c e C o m p a n y	31,164 thousand shares (1.92%)
T a i y o L i f e I n s u r a n c e C o m p a n y	31,140 thousand shares (1.92%)
STATE STREET BANK WEST CLIENT – TREATY 505234	30,213 thousand shares (1.86%)
STATE STREET BANK AND TRUST COMPANY 505223	24,236 thousand shares (1.49%)
Japan Trustee Services Bank, Ltd. (Trust Account 1)	23,950 thousand shares (1.47%)
Japan Trustee Services Bank, Ltd. (Trust Account 2)	23,865 thousand shares (1.47%)

(Note 1) Treasury stock of 80,765,494 shares is excluded for calculating the percentages in the list of major shareholders above.

(Note 2) The Company holds its own shares as treasury stock (80,765 thousand shares) as of March 31, 2018 and those shares are excluded from the above list of major shareholders.

(5) Other Significant Matters relating to the Shares

Based on a resolution at a Board of Directors Meeting on April 27, 2018 the Company has changed the number of the shares per unit from 1,000 to 100 as of June 1, 2018.

2. Status of Stock Acquisition Rights, etc.**(1) Status of Stock Acquisition Rights (Stock Option) at the end of the current fiscal year****1) Stock Acquisition Rights issued under Article 280-20 and Article 280-21 of the previous Commercial Code**

Name (Issue Date)	Number (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Stock Acquisition Rights issued in June 2005	210 (Common stock)	Gratuitous Grant	1,000 yen (1 yen per share)	From July 1, 2005 To June 30, 2025

(June 24, 2005)	210,000 shares)			
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2) Stock Acquisition Rights issued under Article 236, Article 238, and Article 239 of the Companies Act

Name (Issue Date)	Number (Class and Number of Shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period to exercise
Stock Acquisition Rights issued in July 2006 (July 1, 2006)	134 (Common stock 134,000 shares)	Gratuitous Grant	1,000 yen (1 yen per share)	From July1, 2006 To June 30, 2026
Stock Acquisition Rights issued in July 2007 (July 1, 2007)	174 (Common stock 174,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027
Stock Acquisition Rights issued in July 2008 (July 1, 2008)	220 (Common stock 220,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028
Stock Acquisition Rights, Series 5 (September 8, 2008)	2,824 (Common stock 2,824,000 shares)	Gratuitous grant	881,000 yen (881 yen per share)	From July 1, 2013 to June 20, 2018
Stock Acquisition Rights issued in July 2009 (July 1, 2009)	488 (Common stock 488,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029
Stock Acquisition Rights, Series 6 (November 9, 2009)	1,961 (Common stock 1,961,000 shares)	Gratuitous grant	496,000 yen (496 yen per share)	From July 1, 2014 to June 19, 2019
Stock Acquisition Rights issued in July 2010 (July 1, 2010)	884 (Common stock 884,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2010 to June 30, 2030
Stock Acquisition Rights, Series 7 (September 1, 2010)	3,417 (Common stock 3,417,000 shares)	Gratuitous grant	380,000 yen (380 yen per share)	From July 1, 2015 to June 25, 2020
Stock Acquisition Rights issued in July 2011 (July 1, 2011)	1,092 (Common stock 1,092,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2011 to June 30, 2031
Stock Acquisition Rights, Series 8 (September 5, 2011)	3,209 (Common stock 3,209,000 shares)	Gratuitous grant	326,000 yen (326 yen per share)	From July 1, 2016 to June 24, 2021
Stock Acquisition Rights issued in February 2013 (February 12, 2013)	784 (Common stock 784,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 12, 2013 to June 30, 2032
Stock Acquisition Rights, Series 9 (February 12, 2013)	5,576 (Common stock 5,576,000 shares)	Gratuitous grant	598,000 yen (598 yen per share)	From July 1, 2017 to June 26, 2022
Stock Acquisition Rights issued in February 2014 (February 10, 2014)	385 (Common stock 385,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 10, 2014 to June 30, 2033
Stock Acquisition Rights, Series 10 (February 10, 2014)	3,964 (Common stock 3,964,000 shares)	Gratuitous grant	1,062,000 yen (1,062 yen per share)	From July 1, 2018 to June 25, 2023

Stock Acquisition Rights issued in February 2015 (February 9, 2015)	452 (Common stock 452,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 9, 2015 to June 30, 2034
Stock Acquisition Rights, Series 11 (February 9, 2015)	5,418 (Common stock 5,418,000 shares)	Gratuitous grant	931,000 yen (931 yen per share)	From July 1, 2019 to June 25, 2024
Stock Acquisition Rights issued in February 2016 (February 16, 2016)	578 (Common stock 578,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 16, 2016 to June 30, 2035
Stock Acquisition Rights, Series 12 (February 16, 2016)	4,484 (Common stock 4,484,000 shares)	Gratuitous grant	733,000 yen (733 yen per share)	From July 1, 2020 to June 24, 2025
Stock Acquisition Rights issued in February 2017 (February 8, 2017)	571 (Common stock 571,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2017 to June 30, 2036
Stock Acquisition Rights, Series 13 (February 8, 2017)	7,448 (Common stock 7,448,000 shares)	Gratuitous grant	767,000 yen (767 yen per share)	From July 1, 2021 to June 27, 2026
Stock Acquisition Rights issued in February 2018 (February 8, 2018)	599 (Common stock 599,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2018 to June 30, 2037
Stock Acquisition Rights, Series 14 (February 8, 2018)	7,462 (Common stock 7,462,000 shares)	Gratuitous grant	815,000 yen (815 yen per share)	From July 1, 2022 to June 27, 2027
Total	52,124 (Common stock 52,124,000 shares)			

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

(Note 2) As to the Stock Acquisition Rights issued in June 2005, July 2006, July 2007, July 2008, July 2009, July 2010, July 2011, February 2013, February 2014, February 2015, February 2016, February 2017 and February 2018, it was stipulated in the applicable issue terms and grant agreement, that each holder of these stock acquisition rights may exercise its rights from the next day after he/she loses all of the positions as director or Corporate Executive Officer, or Executive Officers of the Company and its subsidiaries which are 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; provided, however, that he/she can exercise his/her rights from the day 30 days before the end of his/her exercise period subject to other conditions for exercise of such rights.

(Note 3) Other conditions for exercise shall be set forth in the grant agreement.

(Note 4) 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	4	22
Stock Acquisition Rights issued in July 2006	5	16

Stock Acquisition Rights issued in July 2007	6	19
Stock Acquisition Rights issued in July 2008	6	23
Stock Acquisition Rights, Series 5	8	40
Stock Acquisition Rights issued in July 2009	8	60
Stock Acquisition Rights, Series 6	2	9
Stock Acquisition Rights issued in July 2010	10	108
Stock Acquisition Rights, Series 7	3	13
Stock Acquisition Rights issued in July 2011	11	166
Stock Acquisition Rights, Series 8	1	9
Stock Acquisition Rights issued in February 2013	11	127
Stock Acquisition Rights, Series 9	4	50
Stock Acquisition Rights issued in February 2014	13	71
Stock Acquisition Rights, Series 10	2	12
Stock Acquisition Rights issued in February 2015	14	85
Stock Acquisition Rights, Series 11	1	6
Stock Acquisition Rights issued in February 2016	14	109
Stock Acquisition Rights, Series 12	1	5
Stock Acquisition Rights issued in February 2017	15	117
Stock Acquisition Rights issued in February 2018	15	128

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

(Note 2) The officers at the end of current fiscal year did not hold Stock Acquisition Rights, Series 13 and 14.

(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 2018	Employees of the Company	6	28
	Directors of Subsidiaries	48	247
	Employees of Subsidiaries	49	196
	Total	103	471
Stock Acquisition Rights, Series 14	Directors of Subsidiaries	8	44
	Employees of Subsidiaries	3,553	7,285
	Directors and Employees of Affiliates	60	133
	Total	3,621	7,462

(Note 1) The numbers above are those as of the issue 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 Members of subsidiaries.

3. Status of the Company's Officers

(1) Status of Directors

Title	Name	Area in Charge and Significant Concurrent Positions
Chairman of the Board	Takashi Hibino	See "(2) Corporate Executive Officers"
Member of the Board	Seiji Nakata	See "(2) Corporate Executive Officers"
Member of the Board	Shinya Nishio	See "(2) Corporate Executive Officers"
Member of the Board	Kazuo Takahashi	See "(2) Corporate Executive Officers"
Member of the Board	Toshihiro Matsui	See "(2) Corporate Executive Officers"
Member of the Board	Keiko Tashiro	See "(2) Corporate Executive Officers"
Member of the Board	Mikita Komatsu	See "(2) Corporate Executive Officers"
Member of the Board	Morimasa Matsuda	Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. Audit & Supervisory Board Member of Daiwa Asset Management Co. Ltd. Audit & Supervisory Board Member of Daiwa Institute of Research Business Innovation Ltd. Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd.
Member of the Board	Nobuko Matsubara	See "(3) Outside Officers"
Member of the Board	Keiichi Tadaki	See "(3) Outside Officers"
Member of the Board	Tadashi Onodera	See "(3) Outside Officers"
Member of the Board	Michiaki Ogasawara	See "(3) Outside Officers"
Member of the Board	Hiroataka Takeuchi	See "(3) Outside Officers"
Member of the Board	Ikuo Nishikawa	See "(3) Outside Officers"

(Note 1) Members of the Board, Nobuko Matsubara, Keiichi Tadaki, Tadashi Onodera, Michiaki Ogasawara, Hiroataka Takeuchi and Ikuo Nshikawa are outside directors as defined under Article 2 item 15 of the Companies Act. The Company reports to Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. that those directors are independent directors.

(Note 2) Ikuo Nishikawa is a certified public accountant and has considerable knowledge of finance and accounting.

(Note 3) As a "company with a nominating committee, etc.", the Company formed the following three committees, composed of the following directors.

<i>Nominating Committee</i>	<i>Tadashi Onodera (Chairman), Takashi Hibino, Seiji Nakata, Nobuko Matsubara, Keiichi Tadaki, Michiaki Ogasawara, Hiroataka Takeuchi</i>
<i>Audit Committee</i>	<i>Keiichi Tadaki (Chairman), Morimasa Matsuda, Nobuko Matsubara, Michiaki Ogasawara, Ikuo Nishikawa</i>

Compensation Committee	Hiroataka Takeuchi (Chairman), Takashi Hibino, Seiji Nakata, Tadashi Onodera, Ikuo Nishikawa
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(Note 4) The Company selected Morimasa Matsuda as a full-time Audit Committee Member to hear from the Corporate Executive Officers, receive reports from Internal Audit Department, grasp the information of the audit of subsidiaries and attend the meetings continuously and effectively.

(2) Status of Corporate Executive Officers

Title	Name	Area in Charge and Significant Concurrent Positions
P r e s i d e n t / R e p r e s e n t a t i v e C o r p o r a t e E x e c u t i v e O f f i c e r	Seiji Nakata	Chief Executive Officer (CEO) and Head of Retail Representative Director/ President of Daiwa Securities Co. Ltd.
D e p u t y P r e s i d e n t / R e p r e s e n t a t i v e C o r p o r a t e E x e c u t i v e O f f i c e r	Shinya Nishio	Chief Operating Officer (COO), Head of Wholesale and Deputy Head of Retail Representative Director/ Deputy President of Daiwa Securities Co. Ltd.
D e p u t y P r e s i d e n t	Kazuo Takahashi	Deputy Head of Wholesale, Representative Director/ Deputy President of Daiwa Securities Co. Ltd.
D e p u t y P r e s i d e n t	Nobuyuki Iwamoto	Head of Asset Management, Representative Director of Daiwa Asset Management Co. Ltd.
D e p u t y P r e s i d e n t	Yoriyuki Kusaki	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.
S e n i o r E x e c u t i v e M a n a g i n g D i r e c t o r	Toshihiro Matsui	Head of Planning and Deputy Head of Wholesale, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
S e n i o r E x e c u t i v e M a n a g i n g D i r e c t o r	Keiko Tashiro	Head of Overseas, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
S e n i o r E x e c u t i v e M a n a g i n g D i r e c t o r	Mikita Komatsu	Chief Financial Officer (CFO) and Deputy Head of Overseas, Senior Executive Managing Director of Daiwa Securities Co. Ltd. Member of the Board of Daiwa Real Estate Asset Management Co. Ltd.
S e n i o r E x e c u t i v e M a n a g i n g D i r e c t o r	Masahisa Nakagawa	Chief Information Officer (CIO), Senior Executive Managing Director of Daiwa Securities Co. Ltd.
E x e c u t i v e M a n a g i n g D i r e c t o r	Hiroyuki Inose	Chief Risk Management Officer (CRO), Director of Daiwa Securities Co. Ltd.

Title	Name	Area in Charge and Significant Concurrent Positions
Executive Managing Director	Masaru Shirataki	Head of Internal Audit, Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Atsushi Mochizuki	Head of Personnel, Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Akihiko Ogino	Head of Legal and Deputy Head of Planning, Executive Managing Director of Daiwa Securities Co. Ltd.
Corporate Executive Officer	Takashi Hibino	Representative Director/ Chairman of the Board of Daiwa Securities Co. Ltd. Outside Director of Imperial Hotel, Ltd.

(Note 1) Corporate Executive Officers Seiji Nakata, Shinya Nishio, Kazuo Takahashi, Toshihiro Matsui, Keiko Tashiro, Mikita Komatsu and Takashi Hibino also serve as Directors.

(Note 2) Corporate Executive Officers Shinya Nishio and Hiroyuki Inose resigned as of March 31, 2018. As of the said day, Shinya Nishio resigned Representative Director and Deputy President of Daiwa Securities Co. Ltd.

(Note 3) Shinya Nishio resigned as Representative Corporate Executive Officer as of March 31, 2018 and Toshihiro Matsui took his new position as Representative Corporate Executive Officer as of April 1, 2018.

(Note 4) Koichi Matsushita and Junichi Arihara took their new positions as Corporate Executive Officers as of April 1, 2018. As of the said day, the responsibilities of the Corporate Executive Officers were changed as follows.

<i>Deputy President/</i>		<i>Chief Operating Officer (COO),</i>
<i>Representative Corporate Executive Officer</i>	<i>Toshihiro Matsui</i>	<i>Head of Planning and Head of Wholesale</i>
<i>Deputy President /Corporate Executive Officer</i>	<i>Koichi Matsushita</i>	<i>Deputy Head of Wholesale and Deputy Head of Retail</i>
<i>Executive Managing Director</i>	<i>Junichi Arihara</i>	<i>Chief Risk Management Officer (CRO) and Chief Data Officer (CDO)</i>

As of April 1, 2018, the following officers were inaugurated into the following positions:

Toshihiro Matsui as a Representative Director and Deputy President of Daiwa Securities Co. Ltd.;

Koichi Matsushita as a Representative Director and Deputy President of Daiwa Securities Co. Ltd. and

Junichi Arihara as an Executive Managing Director of Daiwa Securities Co. Ltd.

(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
Nobuko Matsubara	Honorary Chairman of Japan Institute for Women's Empowerment & Diversity Management
	Outside Director of Dentsu Inc.

Keiichi Tadaki	Outside Audit & Supervisory Board Member of Nippon Life Insurance Company
	Outside Audit & Supervisory Board Member of Fujita Corporation
	Outside Audit & Supervisory Board Member of Miroku Jyoho Service Co., Ltd.
	Outside Director of Japan Reliance Service Corporation
	Special Counsel of T and T Partners Law Office
Tadashi Onodera	Chairman of the Board of KDDI Corporation
	Outside Director of Kyocera Corporation
	Outside Director of Okinawa Cellular Telephone Company
Michiaki Ogasawara	Outside Director of SKY Perfect JSAT Holdings Inc.
	Representative Director and President of the ITU Association of Japan
	Adviser of Sompo Japan Nipponkoa Insurance Inc.
	Adviser of Sumitomo Corporation
Hirotaka Takeuchi	Professor of the Harvard Business School
	Outside Director of Integral Corporation
	Outside Director of P&E Directions, INC.
	Outside Director of BrightPath Biotherapeutics Co., Ltd.
	Outside Director of Mitsui & Co., Ltd.
	Director of t-lab
Ikuo Nishikawa	Principal of Global Academy K. K.
	Outside Director of Eisai Co., Ltd.
	Outside Director of Megumilk Snow Brand Co., Ltd.
	Outside Audit & Supervisory Board Member of Mitsubishi Corporation
	Visiting Professor of Keio University Faculty of Business and Commerce

(Note) The Company has no special relationships with the 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)
Nobuko Matsubara	Attended 9 of all 11 Board of Directors' meetings and 10 of all 12 Audit Committee meetings held in FY2017. Made remarks on the bills and contributed to discussions, based mainly from knowledge and experience acquired in her career as a government officer.
Keiichi Tadaki	Attended all 11 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2017. Made remarks on the bills and contributed to discussions in such meetings, based mainly from his experience as a government officer and from expertise as an attorney.
Tadashi Onodera	Attended all 11 Board of Directors' meetings. Made remarks on the bills and contributed to discussion in such meetings, based mainly from his experience as a business executive.
Michiaki Ogasawara	Attended all 11 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2017. Made remarks on the bills and contributed to discussion in such meetings, based mainly from knowledge and experience acquired in his career as a government officer.
Hirotaka Takeuchi	Attended 9 of all 11 Board of Directors' meetings held in FY2017. Made remarks on the bills and contributed to discussion in such meetings,

	based mainly on his knowledge and experience relating to management strategies.
Ikuo Nishikawa	Attended all 11 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2017. Made remarks on the bills and contributed to discussion in such meetings, mainly from knowledge and experience acquired in his career as a certified public accountant.

(Note) Nobuko Matsubara, Keiichi Tadaki, Michiaki Ogasawara and Ikuo Nishikawa are members of the Audit Committee.

3) Outline of the Agreement to limit liability

Each outside director executed an agreement to limit liability provided for 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 for in Article 425, paragraph 1 of the Companies Act, whichever is higher.

(4) Remunerations paid to Directors and Corporate Executive Officers

Amounts of Remunerations, etc. Paid based on Resolution of the Compensation Committee	Directors		Corporate Executive Officers		Total	
	Number Paid Persons	Amount Paid ¥million	Number Paid Persons	Amount Paid ¥million	Number Paid Persons	Amount Paid ¥million
	8	148	14	1,331	22	1,479

(Note 1) The paid amounts above include the estimated amounts to be paid as Performance-linked remuneration for FY2017.

(Note 2) The paid amounts above include the stock acquisition rights granted as stock options to the Directors and Corporate Executive Officers valued at 93 million yen in total. The details of the stock acquisition rights are stated in "2. Status of Stock Acquisition Rights, etc."

(Note 3) The total remuneration, etc. paid to the six (6) outside directors was 112 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 create incentives effectively, which contribute to the increase of shareholders' value through sound business development and also lead to improvement of business performance in short-term and in medium/long-term.

* To maintain a remuneration level which is competitive enough to recruit and retain people not only in Japan but also in the world as a global securities company group.

* To separate the execution function and supervision function effectively as a company with a nominating committee, etc.

Remuneration for Directors and Corporate Executive Officers are composed of Base remuneration, Performance-linked remuneration and Stock-linked remuneration as defined below.

1) Base remuneration

Base remuneration is a fixed amount calculated based on his/her position, duties and role.

2) Performance-linked remuneration

Performance-linked remuneration shall be determined depending on the level of individual contributions, mainly on the basis of consolidated ROE and consolidated ordinary income, with achievement of the managerial goals in the Medium-Term Management Plan, etc. taken into consideration comprehensively.

Performance-linked remuneration shall not be applied to Directors who do not serve as a Corporate Executive Officer.

3) Stock-linked remuneration

To increase the link between remuneration and shareholders' value, the Company grants, as stock-linked remuneration, stock options, etc., whose values correspond to a certain percentage of Base remuneration.

Stock-linked remuneration 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.

82 million yen

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

495 million yen

(Note 1) We did not distinguish clearly in the audit engagement contract between the Company and the independent auditor and also cannot distinguish practically, the amounts of audit fees for audit services under the Companies Act and for audit service under the Financial Instruments and Exchange Act of Japan. Therefore, the fees, etc. above are the aggregated amount of both.

(Note 2) Audit Committee consented to the audit fees, after reviewing the adequacy of the fees in FY 2015, by examining the appropriateness of the audit plan explained by the independent auditor and also by confirming the calculation basis of the fee estimate such as working hours and hourly rate through the procedure of analysis and evaluation of actual records in previous fiscal years, comparison to other companies, etc.

(Note 3) The Company and its subsidiaries pay fees to the independent auditor for its services such as the assessment of control risk as to business commissioned to third parties and also the compliance concerning segregation of customers' assets, in addition to the service stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Law (audit and attestation service).

(3) Policies for Determination of Discharge or Refusal of Reappointment

1) Discharge in the cases stipulated in the laws

Audit Committee shall discharge an independent auditor with the consent of all members of the committee, in the case where the independent auditor falls under

any of the items of paragraph 1 of Article 340 of the Companies Act.

2) Discharge or refusal of reappointment in other cases

Audit Committee evaluates the independent auditor's general competency, independence, quality control system, etc. every year. In the case where Audit Committee, after such evaluation, deems that the adequacy of the independent auditor is questionable or deems it reasonable to retain another independent auditor from the viewpoint of efficacy, etc. of audit, the committee determines content of a bill in a shareholders meeting as to discharge or refuse reappointment of independent auditor.

(4) Other

Among major subsidiaries of the Company, Daiwa Capital Markets Europe Limited, Daiwa Capital Markets America Holdings Inc. and other foreign subsidiaries are audited by certified public accountants or audit corporations (including those who have comparable qualifications in foreign countries) other than the independent auditor of the Company in relation to the audits stipulated in the Companies Act or the Financial Instruments and Exchange Act (including foreign laws equivalent to those).

(Note) The Company has not executed an agreement 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 basically pay dividends two times a year as a mid-term dividend and a fiscal year-end dividend. We have a policy to pay about 40% of the profits every six months in order to reflect a consolidated business performance. We also have a policy to proactively return profits to shareholders by repurchase of the Company's shares, etc., in the case where we can secure enough internal reserve necessary for future business development with the business stability taken into consideration.

Based on the basic policies above, we have decided that the distributions of surplus for FY2017 are 13 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 25, 2017) and 15 yen per share as the year-end dividend. Accordingly, the annual dividend will be 28 yen per share.

The Company announced on April 27, 2018 that it would raise its dividend payout ratio to at least 50%. The new dividend payment policy will take effect from the fiscal year ending on March 31, 2019 (from interim dividend for FY2018, which will be paid in December 2018).

6. System to Ensure Appropriateness of Business and State of operation of such system < System to Ensure Appropriateness of Business >

The following is the outline of the matters resolved by the Board of Directors as a system to ensure appropriateness of business.

(1) Outline of the matters necessary for execution of Audit Committee's duties

1) Matters as to Directors and employees who shall assist in the duties of Audit Committee

We set up the Audit Committee Office as a department, the sole role of which is to assist in the duties of Audit Committee.

2) Matters regarding the independence of Directors and employees set forth in the

preceding paragraph from the Corporate Executive Officers and the enhancement of the effectiveness of instructions from Audit Committee

The Audit Committee Office sits directly under Audit Committee.

Corporate Executive Officers have to obtain the prior consent of Audit Committee or its member selected by the committee (hereunder "Selected Committee Member"), when they try to decide the personnel matters (personnel change, evaluation, etc.) and re-organization of the Audit Committee Office with taking the importance of Audit Committee into consideration.

Audit Committee or Selected Committee Member can request that Corporate Executive Officers secure the adequate number of staffs who have knowledge and ability necessary to carry out the duties of the Audit Committee Office. Corporate Executive Officers shall respect the request.

The Audit Committee Office can request each department (including the internal audit department) to ensure the support system for investigation and information gathering by Audit Committee. Each department shall respect the request.

The Audit Committee Office can attend various meetings when necessary.

3) System of report to Audit Committee

- a) System to ensure that Directors (excluding Audit Committee member), Corporate Executive Officers and employees shall report to Audit Committee

The following rule shall be stipulated in the rules on report to Audit Committee, etc.

* Directors (excluding Audit Committee members), Corporate Executive Officers and employees have to report the following matters to Audit Committee or Selected Committee Member by adequate ways including whistle-blowing system.

- a. Any facts that have a possibility to cause significant damages to the Company or the Group, immediately after they find such facts
- b. Any activities of officers or employees of the Company or the Group which violate or may violate any laws and regulations or the Articles of Incorporation
- c. Matters which Audit Committee or Selected Committee Member requests to be reported and other matters which are deemed useful for audit

- b) The system to ensure that directors, auditors and employees of the Company's subsidiaries or the persons who received reports from them shall report to Audit Committee of the Company

The following rule shall be stipulated in the rules on report to auditors, etc. of such subsidiaries.

* Director, auditors and employees of the Company's subsidiaries or the persons who received reports from them have to report the following matters to Audit Committee or Selected Committee Member by adequate ways including internal whistle-blowing system.

- a. Any facts that have the possibility to cause significant damages to the Company or the Group, immediately after they find such facts
- b. Any activities of officers or employees of the Company or the Group which violate or may violate any laws and regulations or the Articles of Incorporation
- c. Matters which Audit Committee or Selected Committee Member requests to be reported and other matters which are deemed useful for audit

4) System to ensure that reporters in the preceding item are not treated unfavorably due to their report

The Company makes a rule that the persons who make reports in accordance with the preceding item shall not suffer dismissal, demotion, salary reduction or any other disadvantages due to their report. In order to secure the effectiveness of such rule, we made the details of the system in the rules on report to Audit Committee and the rules on report to auditors, etc. of the Company's subsidiaries.

5) Procedures for prepayment and refund of expenses incurred in execution of the duties of Audit Committee members (limited to those related to the duties of Audit Committee) and other matters relating to the policy on expenses and obligations incurred in execution of such duties

When Audit Committee or Selected Committee Member requests the Company to do the following matters, the Company shall not refuse them unless the Company proves that the expenses and obligations concerning such requests are unnecessary for execution of the duties of Audit Committee or its member.

- a. Prepayment of expenses
- b. Refund of expenses paid and its interests accrued after payment
- c. Payment to creditors of obligations (in the case where such obligation are not due, provision of collateral equivalent to such obligation)

6) Other systems to ensure the effective audit by Audit Committee

- * Audit Committee members can attend meetings of Group Risk Management Committee and Group Internal Audit Committee and also ask for explanations and state opinions there. They can also attend other important meetings.
- * Audit Committee members periodically receive reports (i) on the risk management system and the risk status of the Group from the departments handling each risk and (ii) on the status of internal audit of the Group from the internal audit department.
- * Consent of the Audit Committee or Selected Committee Member is necessary, in order to reorganize Audit Policy and Audit Plan for internal audit, to reorganize internal audit rule or request the charge of internal audit.
- * Audit Committee or Selected Committee Member can, if necessary, request the internal audit department to conduct investigation on its behalf.
- * Audit Committee periodically receives reports from the independent auditor as to the audit status of the companies in the Group.
- * Audit Committee or Selected Committee Member can have external experts independent from the business execution department support audit activities.

(2) System to ensure the compliance in execution of Corporate Executive Officers' duties with laws and regulations and the Articles of Incorporation and other systems to ensure appropriateness of the business of the company and the corporate group consisting of such company and its subsidiaries

1) System to ensure the compliance in execution of duties of the Company's Corporate Executive Officers and employees and also its subsidiaries' Directors, etc. and employees with laws and regulations and the Articles of Incorporation

- a. Compliance System

- * Establish a whistle-blowing system for the purpose of identifying and correcting any conducts violating laws and regulations or other rules in the Group, etc. at an early stage.
- * Enact the rules of ethics and the standards of ethical conduct for the purpose of officers' and employees' compliance with laws.
- * Hold training seminars as to compliance for officers and employees in each company of the Group which address the respective business features of each company.
- * Appoint a person in charge of formation and promotion of the system as to corporate ethical compliance across the Group, and establish a section to promote 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 and regulations, etc.

b. Group Risk Management Committee

The Group Risk Management Committee, as a sectional committee of the Executive Management Committee, grasps the risk management system and the risk status of the Group, etc., and discusses and determines the policies and actual implementation of measures 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 Department

- * For sound and effective internal control of the Group, we believe that internal audit is an important function and have established internal audit departments in major companies of the Group as well as the Company.
- * The internal audit department 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 department makes proposals and reports to the Group Internal Audit Committee about the plans and results of the internal audit.

e. Internal Control on Financial Reporting

- * For preparing the structure necessary to ensure appropriateness of financial statements and other financial information, the Company establishes the basic rules relating to internal control on financial reporting.
- * The Disclosure Committee and the Group Internal Audit Committee discuss and determine 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) Rules and other systems relating to management of risk of loss of the Company

and its subsidiaries

- * Enact the rules of risk management for the purpose of establishing basic matters to properly manage various risks belonging to the business of the Group considering each characteristic of the Group and thereby of securing sound financial status and appropriate business operation. Further, clarify the risk management system by providing for policies of risk management, the category of risks to be managed, Corporate Executive Officers managing each risk and sections in charge of each risks, etc.
- * Each section shall establish its own management rules for each risk it has control over, and shall make reports the preparation for risk management and the situation of the risk, etc., to Group Risk Management Committee, etc.

4) System to ensure efficient execution of the duties of Corporate Executive Officers' duties and directors, etc. of its subsidiaries

- * Clarify Corporate Executive Officers' duties, the methods of execution thereof and the business operations in their charge in the rules of Corporate Executive Officers.
- * As to matters which have material effect on the Company or the 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.
- * By having Corporate Executive Officers serve concurrently as representatives of main group companies, etc., perform their business strategy quickly and efficiently based on the group strategy.
- * Formulate Group Medium-Term Management Plan, the term of which is 3 fiscal years, and, in order to embody this plan, determine management policy and budget allocation, etc. as a group for each fiscal year.

5) System for the report of matters concerning execution of subsidiaries' directors, etc. to the Company and other systems to ensure appropriateness of business operation in the corporate group consisting of the company and its subsidiaries

- * Clarify the measures for information gathering and the matters to be approved and reported as to group companies, by establishing the rules for management of group companies and overseas offices, etc., for the purpose of proper management of business activities of group companies in Japan and overseas.
- * Establish the rules at each group company to grasp important information regarding the management of each group company and also to ensure the fair, timely and appropriate disclosure of such information in compliance with laws, regulations and rules.

< The Outline of the State of Operation of System to Ensure Appropriateness of Business >

The following is the outline of the state of operation of the system resolved by the Board of Directors.

- (1) **The outline of the state of the operation as to the matters necessary for execution of the duties of Audit Committee**

1) Matters as to Directors and employees who shall assist in the duties of the Audit Committee

The Company established the Audit Committee Office. It conducts planning and design of audit policy and audit plan and also gathers, arranges and analyzes the information and materials necessary for audit in order to assist audit activities of the Audit Committee.

Also, Audit Committee Office conducts additional investigations in order to assist activities of the Audit Committee.

2) Matters regarding the independence of Directors and employees set forth in the preceding paragraph from the Corporate Executive Officers and the enhancement of the effectiveness of instructions from Audit Committee

The Company ensured independence of the Audit Committee Office from the Corporate Executive Officers by (i) establishing the Audit Committee Office directly under Audit Committee and (ii) obtaining prior consent of Selected Committee Member as to Audit Committee's personnel matters and securing satisfactory number of its staffs in accordance with the rules of Audit Committee.

Based on the rules, the Audit Committee Office attended the meetings to understand various information, enabling itself to ensure effectiveness of instructions from Audit Committee.

3) The system of report to Audit Committee

The Company obliged its Directors (excluding Audit Committee members), Corporate Executive Officers and employees in the rules on report to Audit Committee, etc. and the Company's subsidiaries obliged their directors, auditors and employees or the persons who received reports from them in the rules on report to the auditors, etc. of such subsidiaries, to report to Audit Committee or Selected Committee Member any facts that have a possibility to cause significant damages to the Company or the Group and any activities of officers or employees of the Company or the Group which violate or may violate any laws and regulations or the Articles of Incorporation. Thus, the Company ensured the system to receive reports appropriately.

4) System to ensure that reporters in the preceding item are not treated unfavorably due to the report

The Company prepared rules on report to Audit Committee, etc. and the rules on report to auditors, etc. of the Company's subsidiaries. No disadvantage such as dismissal, demotion, salary cut, ban of the dispatch contract, alternation, etc. was given to persons who made reports in the preceding paragraph in relation to the fact that they made such reports.

5) Procedures for prepayment and refund of expenses incurred in execution of the duties of Audit Committee members (limited to those related to the duties of Audit Committee) and other matters relating to the policy on expenses and obligations incurred in execution of such duties

In accordance with rules of Audit Committee, the Company adequately paid expenses, accrued interests and obligations, incurred in execution of duties of Audit Committee and Selected Committee Member.

6) Other systems to ensure the effective audit by Audit Committee

In accordance with audit standards of Audit Committee, Selected Committee

Member of the Company tried to gather information as to execution status of duties of Directors and Corporate Executive Officers, by attending the important meetings such as meetings of Executive Management Committee, by browsing corporate decision documents and other important documents and by receiving reports of internal audit from internal audit department. It also obtained periodically the reports from the independent auditor on state of the accounting audit. It shared such information and report with other Audit Committee members. Further, Audit Committee tried to ensure the effectiveness of its audit by conducting additional hearings from officers and employees and also additional investigations through the Audit Committee Office when necessary and by gathering a wide range of information through attendance to every meeting of Executive Management Committee, Group Risk Management Committee and Group Internal Audit Committee.

Audit Committee and Selected Audit Member of the Company, based on the Audit Committee Auditing Standard, strive to enhance the cooperation with Internal Audit Department to secure effectiveness of auditing by Audit Committee, by making consent on important issues on internal audit, such as Audit Policy on Internal Audit, develop internal audit plan and etc.

(2) The outline of the state of operation of the system to ensure the compliance in execution of Corporate Executive Officers' duties with laws and regulations and the Articles of Incorporation, and other systems to ensure appropriateness of the business of the company and the corporate group consisting of such company and its subsidiaries

1) System to ensure the compliance in execution of duties of the Company's Corporate Executive Officers and employees and also its subsidiaries' Directors, etc. and employees with laws and regulations and the Articles of Incorporation

The Company already installed the rules, departments and systems on the matters listed in item (2) of "System to Ensure Appropriateness of Business" above and operated them adequately. The company also tried to realize the spread of information as to internal rules, advancement of compliance mind and penetration of corporate ethics, through compliance seminars for all officers and employees, compliance training and enlightenment activities for new employees and newly appointed managers, etc. In FY 2017, the Company held the meetings of Group Risk Management Committee 12 times to understand the risk status of the Group and also held the meetings of Group Internal Audit 7 times to share the results of internal audit conducted by the internal audit department. Further, the internal audit department evaluated and verified the internal controls as to financial reporting and reported the result to Group Internal Audit Committee.

2) System for storing and managing information relating to execution of Corporate Executive Officers' duties

The Company stipulated the retention period for each document based on the characteristic of each document in the rules to arrange and retain documents. The information concerning execution of Corporate Executive Officers' duties was maintained and managed properly by the department in charge.

3) Rules and other systems relating to management of risk of loss of the Company and its subsidiaries

The Company raised market risk, credit risk, liquidity risk, operational risk,

reputational risk and accounting/ taxation risk as the risks to be managed in the rules on risk management. It also tried to upgrade the risk management system in response to the characteristics of each risk. Further, it grasped the information as to situation of risk management system and risks themselves through the meetings of Group Risk Management Committee. In FY2017, such meetings were held 12 times, where the departments in charge of each risk shared such information there.

4) System to ensure efficient execution of the duties of Corporate Executive Officers of the Company and directors, etc. of its subsidiaries

The Company realized quick decision-making and efficient business execution through role division among Corporate Executive Officers. Further, Corporate Executive Officers served concurrently as the representatives of main group companies and shared information as to the situation of their business execution in the meetings of Executive Management Committee consisting of all Corporate Executive Officers including such representatives.

In the FY 2017, the meetings of Executive Management Committee were held 18 times, where its members discussed and determined the important matters which have effects on the Company or the Group. Further, Executive Management Committee reported the situation of execution of its duties to the Board of Directors. By this way, Board of Directors supervised the adequacy and efficiency of execution of the duties of the Company's Corporate Executive Officers and its subsidiaries' Directors.

5) System for the report of matters concerning execution of subsidiaries' directors, etc. to the company and other systems to ensure appropriateness of business operation in the corporate group consisting of the company and its subsidiaries

The Company received reports from its group companies domestic and overseas and approved important matters as to such companies in the Company's meeting body, in accordance with the rules for management of group companies and overseas offices, etc. In FY 2017 the Company held Executive Management Committee 18 times and Overseas Management Committee 9 times for adequate discussions, decisions and reports.

Consolidated balance sheets

(Millions of yen)

	Fiscal 2017 As of Mar. 31, 2018	[References] Fiscal 2016 As of Mar. 31, 2017
<i>Assets</i>		
Current assets:	20,487,498	19,258,940
Cash and deposits	3,694,283	3,828,674
Cash segregated as deposits	348,912	336,338
Notes and accounts receivable-trade	19,479	16,649
Securities	987,210	1,742,127
Trading products:	6,667,033	6,546,229
Trading securities and other	4,170,557	3,853,260
Derivatives	2,496,475	2,692,968
Operational investment securities	115,332	125,040
Allowance for investment loss	(505)	(11,052)
Operating loans	1,442,939	655,709
Work in process	479	1,285
Margin transaction assets:	262,963	202,530
Loans on margin transactions	231,486	174,524
Cash collateral pledged for securities borrowing on margin transactions	31,476	28,006
Loans secured by securities:	6,496,752	5,305,518
Cash collateral pledged for securities borrowed	6,472,791	5,005,170
Loans on Gensaki transactions	23,961	300,347
Advances paid	17,549	26,345
Short-term loans receivable	388	606
Accrued income	35,880	35,380
Deferred tax assets	9,021	8,023
Other current assets	390,020	440,034
Allowance for doubtful accounts	(244)	(502)
Non-current assets:	654,245	568,356
Property, plant and equipment:	124,190	124,980
Buildings	43,871	46,294
Equipment	17,394	19,949
Land	57,049	58,736
Construction in progress	5,875	-
Intangible assets:	105,776	90,596
Goodwill	11,170	6,103
Leasehold right	3,218	3,219
Software	62,363	63,443
Other	29,023	17,830
Investments and other assets:	424,278	352,779
Investment securities	367,196	318,751
Long-term loans receivable	4,932	4,939
Long-term guarantee deposits	17,527	17,298
Deferred tax assets	3,843	4,796
Other	31,450	7,655
Allowance for doubtful accounts	(671)	(661)
Total assets	21,141,743	19,827,296

(Millions of yen)

	Fiscal 2017 As of Mar. 31, 2018	<u>References</u> Fiscal 2016 As of Mar. 31, 2017
Liabilities		
Current liabilities:	17,036,208	16,007,868
Notes and accounts payable-trade	7,065	8,166
Trading products:	5,030,817	4,658,595
Trading securities and other	2,830,472	2,261,720
Derivatives	2,200,345	2,396,874
Trade date accrual	407,184	216,836
Margin transaction liabilities:	71,344	62,377
Borrowings on margin transactions	3,007	3,086
Cash received for securities lending on margin transactions	68,336	59,290
Loans payable secured by securities:	5,775,897	6,018,813
Cash received on debt credit transaction of securities	5,645,028	5,909,682
Borrowings on Gensaki transaction	130,868	109,130
Deposits for banking business	3,388,444	2,985,733
Deposits received	256,858	256,873
Guarantee deposits received	420,039	418,039
Short-term loans payable	1,091,771	918,954
Commercial papers	105,000	-
Current portion of bonds	261,494	278,237
Income taxes payable	9,211	15,084
Deferred tax liabilities	1,099	1,790
Provision for bonuses	34,862	30,872
Other current liabilities	175,115	137,494
Non-current liabilities:	2,731,069	2,472,065
Bonds payable	1,315,349	1,219,344
Long-term loans payable	1,327,780	1,179,264
Deferred tax liabilities	14,805	10,234
Net defined benefit liabilities	41,758	39,791
Provision for loss on litigation	24,485	15,903
Other non-current liabilities	6,889	7,527
Reserves under the special laws:	3,945	3,929
Reserve for financial products transaction liabilities	3,945	3,929
Total liabilities	19,771,223	18,483,863
Net assets		
Shareholders' equity:	1,209,535	1,183,636
Capital stock	247,397	247,397
Capital surplus	230,713	230,712
Retained earnings	785,730	718,238
Treasury stock	(54,310)	(12,719)
Deposit for subscriptions to treasury stock	3	7
Accumulated other comprehensive income:	63,597	67,254
Valuation difference on available-for-sale securities	61,176	59,922
Deferred gains or losses on hedges	(129)	435
Foreign currency translation adjustment	2,550	6,896
Subscription rights to shares	8,790	8,729
Non-controlling shareholders' interests	88,596	83,813
Total net assets	1,370,520	1,343,433
Total liabilities and net assets	21,141,743	19,827,296

Consolidated statements of income

(Millions of yen)

	Fiscal 2017 Apr. 1, 2017 - Mar. 31, 2018	<u>[References]</u> Fiscal 2016 Apr. 1, 2016 - Mar. 31, 2017
Operating revenue:	712,601	616,497
Commission received:		
Commission to consignees	313,625	273,335
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	73,797	60,947
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	35,180	29,729
Other fees received	45,807	34,287
Net trading income	158,840	148,370
Net gain (loss) on operational investment securities	109,005	128,120
Financial revenue	26,912	14,846
Other operating revenue	190,444	143,241
Financial expenses	72,613	56,953
Other operating expenses	148,348	98,725
Net operating revenue	58,901	45,022
Selling, general and administrative expenses:	505,350	472,750
Trading related expenses	370,292	353,687
Personnel expenses	72,448	69,754
Real estate expenses	185,865	175,830
Office cost	35,910	35,267
Depreciation	26,552	27,047
Taxes and dues	24,336	23,406
Other	10,732	10,530
Operating income (loss)	14,446	11,852
Non-operating income:	21,925	17,786
Dividends income	4,655	4,753
Equity in earnings of affiliates	13,235	8,412
Gain on investments in partnership	-	2,076
Foreign exchange gains	409	62
Other	3,625	2,481
Non-operating expenses:	1,306	1,225
Interest expenses	31	42
Loss on investments in partnership	153	-
Bond issuance cost	710	371
Other	410	811
Ordinary income (loss)	155,676	135,623
Extraordinary income:	10,209	17,377
Gain on sales of non-current assets	853	-
Gain on sales of investment securities	5,780	13,137
Gain on liquidation of subsidiaries	-	1,310
Gain on step acquisitions	1,498	-
Gain on change in equity	-	768
Reversal of reserve for securities transaction liabilities	-	28
Recoveries of write-offs	481	-
Reversal of subscription rights to shares	894	1,228
Reversal of restructuring related costs	-	700
Other	701	203
Extraordinary loss:	12,022	13,996
Loss on sales and retirement of non-current assets	483	-
Impairment loss	-	430
Loss on sales of equities of affiliates	-	651
Loss on valuation of investment securities	68	51
Loss on liquidation of affiliates	-	769
Provision of reserve for financial products transaction liabilities	15	-
Office transfer expenses	2,020	-
Business restructuring cost	193	206
MMF redemption related costs	-	305
Provision for loss on litigation	8,996	11,230
Other	244	351
Income (loss) before income taxes	153,864	139,004
Income taxes-current	34,693	39,977
Income taxes-deferred	3,848	(5,250)
Net income (loss)	115,322	104,278
Net income (loss) attributable to non-controlling shareholders	4,742	210
Net income (loss) attributable to parent company shareholders	110,579	104,067

Consolidated statements of changes in net assets

(Apr. 1, 2017 - Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at the beginning of current period	247,397	230,712	718,238	(12,719)	7	1,183,636
Changes of items during the period						
Dividends from surplus	-	-	(43,499)	-	-	(43,499)
Net income (loss) attributable to parent company shareholders	-	-	110,579	-	-	110,579
Purchase of treasury stock	-	-	-	(43,128)	-	(43,128)
Disposal of treasury stock	-	-	(134)	1,537	-	1,403
Change of scope of consolidation	-	-	546	-	-	546
Other	-	1	-	-	(3)	(1)
Total changes of items during the period	-	1	67,491	(41,591)	(3)	25,898
Balance at the end of current period	247,397	230,713	785,730	(54,310)	3	1,209,535

(Millions of yen)

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling shareholders' 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	59,922	435	6,896	8,729	83,813
Changes of items during the period					
Net changes of items other than shareholders' equity	1,254	(564)	(4,345)	61	4,783
Total changes of items during the period	1,254	(564)	(4,345)	61	4,783
Balance at the end of current period	61,176	(129)	2,550	8,790	88,596

Consolidated statements of changes in net assets

(Apr. 1, 2016 - Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at the beginning of current period	247,397	231,889	683,939	(29,970)	2	1,133,257
Changes of items during the period						
Dividends from surplus	-	-	(42,326)	-	-	(42,326)
Net income (loss) attributable to parent company shareholders	-	-	104,067	-	-	104,067
Purchase of treasury shares	-	-	-	(13,086)	-	(13,086)
Disposal of treasury shares	-	(186)	-	1,610	-	1,424
Cancellation of treasury stock	-	(990)	(27,737)	28,728	-	-
Change of scope of consolidation	-	-	296	-	-	296
Other	-	0	-	-	4	4
Total changes of items during the period	-	(1,176)	34,299	17,251	4	50,379
Balance at the end of current period	247,397	230,712	718,238	(12,719)	7	1,183,636

(Millions of yen)

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling shareholders' 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	98,483	(32,992)	21,082	8,958	84,214
Changes of items during the period					
Net changes of items other than shareholders' equity	(38,561)	33,427	(14,186)	(229)	(401)
Total changes of items during the period	(38,561)	33,427	(14,186)	(229)	(401)
Balance at the end of current period	59,922	435	6,896	8,729	83,813

Balance sheet

(Millions of yen)

	Fiscal 2017 As of Mar. 31, 2018
<i>Assets</i>	
Current assets:	449,492
Cash and deposits	30,450
Short-term loans receivable	364,382
Accounts receivable	45,384
Accrued income	4,262
Other current assets	5,011
Non-current assets:	2,053,397
Property, plant and equipment:	48,864
Buildings	369
Equipment	2,323
Land	6,895
Construction in progress	39,276
Intangible assets:	8,550
Software	4,916
Other	3,634
Investments and other assets:	1,995,982
Investment securities	176,770
Stocks of subsidiaries and affiliates	846,359
Investments in other securities of subsidiaries and affiliates	43,983
Long-term loans receivable	921,826
Long-term guarantee deposits	4,911
Other	2,378
Allowance for doubtful accounts	(247)
Total assets	2,502,889

(Millions of yen)

	Fiscal 2017 As of Mar. 31, 2018
<i>Liabilities</i>	
Current liabilities:	259,839
Short-term loans payable	109,196
Current portion of bonds	75,936
Accrued expenses	4,874
Loans payable secured by securities	60,411
Income taxes payable	138
Provision for bonuses	1,275
Other current liabilities	8,007
Non-current liabilities:	1,321,152
Bonds payable	732,025
Long-term loans payable	568,680
Deferred tax liabilities	18,320
Other non-current liabilities	2,125
Total liabilities	1,580,991
<i>Net assets</i>	
Shareholders' equity:	866,937
Capital stock	247,397
Capital surplus:	226,751
Legal capital surplus	226,751
Other capital surplus	-
Retained earnings:	447,094
Legal retained earnings	45,335
Other retained earnings	401,758
Retained earnings brought forward	401,758
Treasury stock	(54,309)
Deposit for subscriptions to treasury stock	3
Valuation and translation adjustments:	46,170
Valuation difference on available-for-sale securities	46,170
Subscription rights to shares	8,790
Total net assets	921,898
Total liabilities and net assets	2,502,889

Statement of income

(Millions of yen)

	Fiscal 2017 Apr. 1, 2017 - Mar. 31, 2018
Operating revenue:	135,568
Dividends from subsidiaries and affiliates	124,578
Interest on loans receivable from subsidiaries and affiliates	10,917
Other	73
Operating expenses:	31,013
Selling, general and administrative expenses:	19,253
Trading related expenses	2,122
Personnel expenses	6,882
Real estate expenses	1,747
Office cost	2,396
Depreciation	2,078
Taxes and dues	1,736
Other	2,290
Financial expenses	11,759
Operating income (loss)	104,555
Non-operating income:	5,492
Dividend income	3,825
Compensation income	1,045
Other	621
Non-operating expenses:	1,007
Bond issue cost	878
Other	129
Ordinary income (loss)	109,040
Extraordinary income:	2,832
Gain on sales of investment securities	1,937
Reversal of subscription rights to shares	894
Extraordinary loss:	123
Loss on support to subsidiaries and affiliates	45
Other	78
Income (loss) before income taxes	111,749
Income taxes-current	(1,144)
Income taxes-deferred	(258)
Net income (loss)	113,151

Statement of changes in net assets

(Apr. 1, 2017 - Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus		Retained earnings		Treasury stock	Deposit for subscriptions to treasury stock	Total
		Additional paid-in capital	Other capital surplus	Earned surplus reserve	Other earned surplus reserve			
					Deferred earned surplus			
Balance at the beginning of current period	247,397	226,751	-	45,335	332,241	(12,718)	7	839,014
Changes of items during the period								
Dividends from surplus	-	-	-	-	(43,499)	-	-	(43,499)
Net income	-	-	-	-	113,151	-	-	113,151
Purchase of treasury stock	-	-	-	-	-	(43,128)	-	(43,128)
Disposal of treasury stock	-	-	-	-	(134)	1,537	-	1,403
Cancellation of treasury stock	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	(3)	(3)
Total changes of items during the period	-	-	-	-	69,517	(41,591)	(3)	27,922
Balance at the end of current period	247,397	226,751	-	45,335	401,758	(54,309)	3	866,937

(Millions of yen)

	Valuation and translation adjustments	Subscription Rights to shares
	Others Valuation difference on available-for-sale securities	
Balance at the beginning of current period	41,770	8,729
Changes of items during the period		
Net changes of items other than shareholders' equity	4,399	61
Total changes of items during the period	4,399	61
Balance at the end of current period	46,170	8,790

Independent Auditor's Report

May 15, 2018

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

Hiroyuki Takanami (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

Kanako Ogura (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, 2018 and for the year from April 1, 2017 to March 31, 2018 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 15, 2018

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

Hiroyuki Takanami (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

Kanako Ogura (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, 2018 and for the year from April 1, 2017 to March 31, 2018 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 execution of duties by the Directors and the Corporate Executive Officers for the 81st fiscal year from April 1, 2017 to March 31, 2018. We report the methods and the results of the audit as follows.

1. Methods used in audits and content of audits

The Audit Committee has audited the contents of the resolutions of the Board of Directors regarding the matters stipulated in Article 416, Paragraph 1, Item 1(b) and 1(e) of the Companies Act and the system (internal control systems) organized based on such resolutions, by receiving the report on the situation of the development and maintenance of the systems from the Directors, the Corporate Executive Officers and the employee at fixed intervals, demanding explanation as needed, expressing an opinion and also by the following methods.

- ① In conformity with the audit standard of the audit committee decided by the committee and in accordance with audit policies, assignment of duties, etc. and cooperating with the internal control department, the Audit Committee attended significant meetings, received reports from Directors and Corporate Executive Officers, etc. about their execution, requested their explanation when necessary, inspected the contents of the important approval documents and other important documents, and investigated the status of the Company's business and assets. As to subsidiaries, the Audit Committee communicated and exchanged information with and, when necessary, received reports of business from subsidiaries' Directors and Audit & Supervisory Board Member, etc..
- ② The Audit Committee observed and verified whether the independent auditor was maintaining its independence and was carrying out its audits in an appropriate manner. The Audit Committee also received reports from the independent auditor on the execution of its duties and, when necessary, requested explanations regarding those reports. Further, the Audit Committee received notification from the independent auditor that it had established 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 Council on October 28, 2005). When necessary, the Audit Committee requested explanations regarding the notification.

Based on the methods above, the Audit Committee has examined the business report and its 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) and 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 its supplementary schedules .

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 Corporate Executive Officers in executing their duties were fraudulent and none of their actions materially 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 the organization of the internal control system was appropriate, the contents of the business report regarding internal control systems was appropriate, and, furthermore, all actions of Directors and Corporate Executive Officers with respect to executing internal control systems were carried out appropriately.

(2) Results of the audit of the consolidated statutory report

In our opinion, the auditing methods used by the independent auditor KPMG AZSA LLC and the results of its audit were appropriate.

(3) Results of the audit of the statutory report and its supplementary schedules

In our opinion, the auditing methods used by the independent auditor KPMG AZSA LLC and the results of its audit were appropriate.

May 16, 2018

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Keiichi Tadaki

Committee Member (Full time)
Morimasa Matsuda

Committee Member
Nobuko Matsubara

Committee Member
Michiaki Ogasawara

Committee Member
Ikuo Nishikawa

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