

Management Systems

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Message from the Chairman of the Board



The most important aspects of corporate governance are the pursuit of a governance structure that best contributes to the sustained growth of the company and the evolution of this structure in light of changes within the climate of the times.

Ever since becoming the first listed company in Japan to reorganize under a holding company structure in 1999, Daiwa Securities Group has established a governance system featuring global standards of transparency and objectivity. In 2004, we transitioned to a committee system of corporate governance (currently referred to as “a Company with Three Committees System”) comprised of the Audit Committee, Nominating Committee and Compensation Committee, where the majority of members consist of outside directors. For all three committees, outside directors have been appointed as chairpersons from 2017.

One of the initiatives we took to further enhance the effectiveness of the Board of Directors was to involve the outside directors during the formulation process of the Medium-Term Management Plan “Passion for the Best” 2020 (the Plan), which was initiated in April 2018. Over many sessions from the outset of plan formulation, Board meetings were held to actively discuss with outside directors regarding the Plan. This was also the case with the Outside Directors Council composed entirely of outside directors. We also reflected the advice received from the outside directors, which originated from a diverse range of medium- and long-term perspectives, within the framework and philosophy of the Plan. We appreciate that the Plan was thus formulated with a high degree of objectivity as well as persuasiveness for both those inside and outside of the company.

Along with Daiwa Securities Group Inc., Japanese companies in general are seeing the bar for corporate governance constantly being raised, while the Corporate Governance Code, originally enacted in June 2015, was revised in June 2018. There are some who perceive that the corporate governance of Japanese companies still lags behind the times and the revision of the Code is a means of bringing corporate governance in Japan more in line with global standards. But I believe that we should interpret the Corporate Governance Code as a general benchmark and as a guideline that should serve as a reference. More than complying in a formulaic way to

every part of the Code, I believe that it is important to first have a clear understanding of the Code’s fundamental principles, upon which we can prioritize greater effectiveness and pursue a structure that aligns with the histories and standing of individual companies, as well as with the social climate of Japan.

For example, like many listed companies in Japan, Daiwa Securities Group Inc. appoints its CEO from among inside directors, but we start early to strategically develop new officer candidates that will serve as potential managers in the future. Specifically, we dispatch new officer candidates to the Daiwa Management Academy, a selective management training program, or to executive MBA programs outside of Japan, to provide opportunities for enhancing management skills. In addition, we have candidates acquire experience in several departmental posts, thereby filtering and selecting candidates over the long term. The role of the Nominating Committee is to monitor and ensure that these processes are reliable and transparent.

In terms of compensation, in FY2018 we introduced restricted stocks as part of our director compensation plans, whereby increasing the ratio of director compensation accounted for by stock-price-linked compensation has strengthened the incentive to further enhance corporate value over the medium to long term. The value of compensation itself is calculated based on indicators selected in advance by the Compensation Committee to ensure transparency.

The most important aspects of corporate governance are the pursuit of a governance structure that best contributes to the sustained growth of the company and the evolution of this structure in light of changes within the climate of the times. Daiwa Securities Group is no exception, and we are continuously working to improve our corporate governance structure in a way that will ensure benefits and remain transparent to our shareholders, and that will contribute to the sustainable growth of our corporate value.

Takashi Hibino

Chairman of the Board
Daiwa Securities Group Inc.

Medium-Term Management Plan “Passion for the Best” 2020 Formulation Process



Opinions from the outside directors

Regarding response to changes in the business climate

Despite changes in the competitive business climate, acquiring, educating, and retaining human resources—the fundamental value of the Group—remains an important issue.

I assume that securing young, capable employees that are well-versed in AI will work to the Group's advantage over the long term.

Against a backdrop of intensifying competition in the financial industry, the key is which areas can receive assets from wealthy individuals and those in the asset building generations hereafter. We must therefore work out strategies under an understanding of the strengths and weaknesses of securities companies.

Regarding customer satisfaction

The interests of those in longer living generations are not only in building assets for purposes of inheritance, but also in securing a stable life for themselves in old age. As such, we should include the issue of what approaches to asset building are necessary for this purpose within the next Medium-Term Management Plan.

We must firmly grasp the needs of society and of our customers, and offer consulting services that suit the specific customer segment. Moreover, we should include aspects such as raising the level of human well-being.

In terms of customer-oriented KPIs, while we will adopt the two KPIs of “assets under custody” and “customer satisfaction,” we should also always pay heed to the fact that the increase in assets under custody is a result of improving customer satisfaction.

During the FY2017 Daiwa Securities Group Inc. Board of Directors meetings, we held long-term ongoing discussions regarding the formulation of the new Medium-Term Management Plan. First, during the Outside Directors Council*, the outside directors deepened their understanding of the previous Medium-Term Management Plan, strategy case studies from other companies, and the business climate outlook. Following this, Board members discussed the direction for the new Medium-Term Management Plan and themes related to what society demands of Daiwa Securities Group in terms of responsibilities and roles in Board meetings. The outside directors put forth many proposals and questions, which were discussed during repeated dialogues with the internal directors and the responsible executive officers. The results of these discussions were reflected in the new Medium-Term Management Plan.

* A council for the primary purpose of sharing information among the outside directors.



Regarding sustained growth strategies

Based on the vision for the next 10 years, we should consider a plan for the initial three years as the first stage. Against a backdrop of evolving technology, we must ascertain investment fields and take the initiative. We must also have a long-term vision for this purpose. We should also incorporate what we can execute in terms of ESG and SDGs.

We must clarify the position of securities companies within the financial industry and consider what should be done now with an eye to 10 years in the future.

We should also include initiatives for SDGs in the new Medium-Term Management Plan.

Regarding the establishment of KPIs

We should also incorporate social KPIs, such as employee satisfaction, into the new Medium-Term Management Plan.

Does the fact that Daiwa Securities Group Inc. has a higher capital adequacy ratio than other companies mean that the business climate allows for greater risk taking?
(Response: even after Basel III is fully implemented, we have sufficient reserves to investigate new investments in various fields.)

Special Discussion between Three Committee Chairpersons

In aiming for excellence in its corporate governance, Daiwa Securities Group has thus far been progressive in its approach. Going forward, in societies where globalization is making further progress and uncertainties are growing, we will continue to maintain an ideal form of governance. On this occasion, we asked three outside directors of Daiwa Securities Group, Tadashi Onodera, Keiichi Tadaki and Hirotaka Takeuchi—who chair the nominating, audit and compensation committees, respectively—to exchange their opinions.



Keiichi Tadaki
Outside Director
Chairman of Audit Committee

Tadashi Onodera
Outside Director
Chairman of Nominating
Committee

Hirotaka Takeuchi
Outside Director
Chairman of
Compensation Committee

From Their Respective Experiences, What They Expect from Top Management

Tadaki: In a society of advances in digitization, one of the biggest risks a company can face is reputational risk. An exceedingly horrific aspect of reputation risk is that when the damage is severe it can cause the backbone of a company to break. This is totally different to the level of damage in terms of economic value.

When it comes to doubts being cast about a core business or its merchandise, the foundations of that company will be shaken, regardless of its previous achievements. Even in the case of Daiwa Securities Group Inc., in the unlikely event of a situation such as unfairly harming customer interests and from which an employee or the Company are said to have profited, it is not difficult to imagine that the Company would likely be dealt a devastating blow. And it is very difficult to completely prevent risks of this kind.

The governance of a company is very important, as is the auditing of a company, but, essentially, I think that to what extent employees feel fulfilled at that company and how proud they feel of that company, that kind of thing represents the last bastion. So, as the last line of defense, I think that it is important to foster the loyalty employees feel toward their company.

If by any chance risk arises, how quickly top management obtains information and is able to accurately recognize risk, has a very significant impact. Depending on what attitude top management adopts, cases can be divided into those in which the reputational risk becomes extremely large and those that can be brought comparatively under control. In addition to how quickly top management obtains accurate

information, it is crucial that they never make a mistake in responding to that information. As you would expect, it is said that consistently responding with a customer-oriented stance to the very end is thought to be the decisive factor in reputational risk countermeasures.

Onodera: I assumed office as the president about six months after the merger of KDDI and was appointed to consolidate dozens of companies. What you expect from top management depends on the situation of the company at that time, on its stage of development. Daiwa Securities Group is currently in a situation where it is having to promote new things amid a changing business environment. In this case, there are different forms of risk than those taken in traditional businesses for a long time. I think that how to understand that risk and how to take risks will probably become the form required of top management from now on.

Since the election of the CEO is a matter to be resolved by the Board of Directors, how the Nominating Committee should be involved cannot be easily explained. In the case of Daiwa Securities Group Inc., we see the candidates reviewed by the Nominating Committee when they first become a

member of the Board or a senior managing director. It is a characteristic of Japanese companies, but in cases where the president is chosen from within the company, I think it only natural for importance to be attached to the opinions of the outgoing president and the chairperson, who know the most about the inner workings of a company. The role of the Nominating Committee is to propose and undertake firm reviews of the processes and conditions for selection. The practice of inviting presidents from outside the company has not spread to Japanese companies, including the Company. In that sense, to me, rather than nominating, the role of the Nominating Committee is more one of clarifying the selection process.

I also think that the method for selecting the president is completely different to the situation at that time, but seeing that there is the Nominating Committee, we must show all our stakeholders under what terms and for what reasons such a Board member is being selected and ensure transparency. It is important for the members of the Nominating Committee to engage in discussions drawing on their various experiences. If the Nominating Committee ends up heading in one direction, that may become a source of mistakes.

Keiichi Tadaki
Chairman of Audit Committee




The governance of a company is very important, as is the auditing of a company, but, essentially, I think that to what extent employees feel fulfilled at that company and how proud they feel of that company, that kind of thing represents the last bastion.

Relationships with Stakeholders

Takeuchi: Taking as examples other companies with which I was involved, there are companies that are introducing training sessions in groups of dozens of people for conducting thorough discussions in English, including in their interactions with strategic partners and the managers of overseas branches, to foster the globalization of companies and global competitiveness. The training sessions are conducted on an equal basis to create partners in the space of several weeks. There have also been cases in which long-standing Japanese enterprises that have acquired major overseas companies have introduced programs to once again instill the founding spirit and encourage employee interaction in English. It was impressive that the president declared “I am the boss” to employees of the acquired company in English. In these examples, with regard to the problems besetting the companies, they were able to enter into real if fresh discussions with each other in English. I think that opportunities of this kind will be of particular importance in cases where globalization has progressed.

Daiwa Securities Group has introduced deployments to Stanford University and Harvard University programs and offers opportunities to improve by learning with world leaders in various industries. Looking further ahead, it might be good to bring together the employees from home and abroad who will be responsible for the future of the Group and conduct training sessions to facilitate serious discussions. In June 2018, we held our Executive Management Committee meeting in Silicon Valley and visited Google and Facebook. I think that it would be good to have a program that would enable us, when presented with such a precious opportunity, to go there not merely as visitors but with the intention of holding our own.

A portrait of Tadashi Onodera, Chairman of the Nominating Committee. He is a middle-aged man with glasses, wearing a dark blue suit, white shirt, and a patterned tie. He is looking slightly to his left with a serious expression.

Tadashi Onodera
Chairman of Nominating
Committee

By having the Group actively disseminate Japanese corporate governance, overseas countries will be able to benefit from a greater understanding of Japanese companies.

Takeuchi: I feel that the concept known as stakeholders should be perceived more widely. In the United States important stakeholders are shareholders, and the somewhat broader importance in Japan encompasses employees and customers, but I think that the most important stakeholder is “the future.” For that very reason I feel that it is what is known as the corporate vision, considered from a social viewpoint—“what kind of future we are going to create” rather than “what kind of company we will become”—that will be the key. The reason corporate activities are different is that the visions the companies have in mind are different. In my personal opinion, Japanese companies should not perceive corporate governance so narrowly, nor just imitate foreign companies. Steps should be taken to incorporate the good points of Japanese corporate culture a little more, while also taking the future into consideration.

Onodera: I totally agree with you. While Japanese merchants have maintained the wonderful concept known as *sanboyoshi*—meaning good

business and of benefit to three parties: society as well as the buyer and seller—since the Edo period, it is said that Japanese companies came late to the concepts of corporate governance and stakeholders because the words did not include shareholders. In my opinion, I think there were many Japanese corporations in the past that neglected their shareholders. As a securities company, Daiwa Securities Group should, in a forward-thinking manner, reward shareholders and, at the same time, I think that the Group must also make efforts to have other companies understand.

Also, I think that it is good for corporate governance to have something of a Japanese form. The form governance takes is different to that in Europe and the United States and even in other countries overseas. By having the Group actively disseminate Japanese corporate governance, overseas countries will be able to benefit from a greater understanding of Japanese companies. As a result, I think that this will be effective for the Group’s business.

Ideal Corporate Governance

Tadaki: From FY2017, Daiwa Securities introduced a major shift to a bottom-up sales structure. Sales representatives to branch managers and head office officials decided to try and follow this bottom-up sales structure, although it has not been easy to change the way things were done in the past.

The word governance carries the nuance of top-down dominance, but now, even with regard to governance, it is the bottom-up channel, conveying the actual customer situation from the sales representative with plans drawn up by head office, that is important to realize the highest quality to which Daiwa Securities Group aspires.

If the purpose of securities companies were immediate profit, it would be better to target only wealthy people. However, while the working class of Japan accumulates assets so that it can live with peace of mind throughout its entire 100-year lifespan, it is very important to recognize its significance as a social entity that securities companies help in that regard. It is important for governance that the entire company shares such values and collaborates, and it is also a key point in the aforementioned issue of reputational risk.

Takeuchi: It is said that the Tata Group, based in India, used as its reference for governance a long-established Japanese company. The Tata Group translated *Shin Nippon Eitaigura* (New Japan's Eternal Storehouse), and the important governance factors found were the "family precepts" to which old Japanese companies had adhered for generations.

This is a completely different idea from the West. There are statistics that show that 40% of companies that have survived for more than 300 years are Japanese, and I think that this surely represents sustainability in the true sense of the word. There is much more for us to learn about governance from those Japanese companies.

Tadaki: I think that Daiwa Securities Group has built a governance structure that is sensitive to global standards. Ahead of other Japanese companies, we appointed outside corporate auditors, invited advisory committee members from outside the company, and adopted the committee system. We were the first domestic listed company to adopt the holding company structure. Even if the number of outside directors is six of 14 people, so long as the chairpersons of the three committees are all outside directors and the majority of all the committees are outside directors, this will help incorporate an awareness of global standards.

Onodera: Just as you pointed out, among Japanese companies Daiwa Securities Group has implemented progressive initiatives with regard to governance. Moreover, I think that judgments based only on the formality of overseas standards are too prevalent and regard it as positive that governance can take various forms. In each, I think that emphasis should be placed on each company giving consideration to what is the best system for one's own company and on how to execute that form.



Hirotaka Takeuchi
Chairman of Compensation
Committee

I think Japanese companies should not perceive corporate governance so narrowly, nor just imitate foreign companies. The good points of Japanese corporate culture should be incorporated a little more, and I hope that the future will also be taken into consideration.

Directors (Members of the Board)



Takashi Hibino
Chairman of the Board

Chairman of the Board
Chairman,
Daiwa Securities Co. Ltd.

1979 Joined Daiwa Securities Co. Ltd.

Having 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.



Seiji Nakata
Member of the Board

President and CEO
Head of Retail
President,
Daiwa Securities Co. Ltd.

1983 Joined Daiwa Securities Co. Ltd.

Having 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.



Toshihiro Matsui
Member of the Board

Deputy President and COO
Head of Planning and Head of Wholesale
Deputy President,
Daiwa Securities Co. Ltd.

1985 Joined Daiwa Securities Co. Ltd.

Having 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.



Kazuo Takahashi
Member of the Board

Deputy President
Deputy Head of Wholesale
Deputy President,
Daiwa Securities Co. Ltd.

1982 Joined Daiwa Securities Co. Ltd.

Having 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.

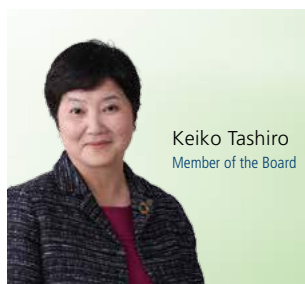


Koichi Matsushita
Member of the Board

Deputy President
Deputy Head of Wholesale and Retail
Deputy President,
Daiwa Securities Co. Ltd.

1984 Joined Daiwa Securities Co. Ltd.

Having 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.



Keiko Tashiro
Member of the Board

Senior Executive Managing Director
Head of Overseas Operations
Senior Executive Managing Director,
Daiwa Securities Co. Ltd.

1986 Joined Daiwa Securities Co. Ltd.

Having 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.



Mikita Komatsu
Member of the Board

Senior Executive Managing Director
and CFO
Deputy Head of Overseas Operations
Senior Executive Managing Director,
Daiwa Securities Co. Ltd.

1985 Joined Daiwa Securities Co. Ltd.

Having 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.



Morimasa Matsuda
Member of the Board

1989 Joined Daiwa Securities Co. Ltd.

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.

Keiichi Tadaki
Outside Director
(Member of the Board)



1969 Public Prosecutor of the Tokyo District Public Prosecutors Office
1996 Chief Prosecutor of the Oita District Public Prosecutors Office
1997 Public Prosecutor of the Supreme Public Prosecutors Office Deputy Vice-Minister of Justice
2002 Vice-Minister of Justice
2004 Superintending Prosecutor of the Tokyo High Public Prosecutors Office
2006 Prosecutor General
2008 Retired as Prosecutor General
Attorney-at-law (to date)
2009 Outside Director (Member of the Board), Daiwa Securities Group Inc. (to date)

He is currently an Attorney-at-law. Before that, he was the Vice-Minister of Justice, and served as the Superintending Prosecutor of the Tokyo High Public Prosecutors Office and the Prosecutor General. The Company has drawn on his wealth of experience and expertise on legal and compliance issues nurtured throughout his career in providing management advice. He has been a director for nine years.

Tadashi Onodera
Outside Director
(Member of the Board)



1989 Director of DDI Corporation (currently known as KDDI Corporation)
1995 Associate Senior Vice President, Director
1997 Executive Vice President, Representative Director
2001 President of KDDI Corporation
2005 President and Chairman, Representative Director
2010 Chairman, Representative Director
2014 Outside Director (Member of the Board), Daiwa Securities Group Inc. (to date)
2015 Chairman of KDDI Corporation
2018 Advisor of KDDI Corporation (to date)

He has held positions such as the President of KDDI Corporation, etc. and currently is the Advisor of KDDI Corporation. The Company has drawn on his wealth of corporate management experience and insight nurtured throughout his career. He has been a director for four years.

Michiaki Ogasawara
Outside Director
(Member of the Board)



1976 Entered Ministry of Posts and Telecommunications
2003 Director-General of Tohoku Bureau of comprehensive communication, Ministry of Internal Affairs and Communications
2004 Director-General of Kantou Bureau of telecommunication, the above Ministry
2005 Deputy director-general of the above Ministry
Director-General of Local Public Service Personnel Department, Local Administration Bureau, the above Ministry
2006 Director-general of Civil Protection and Disaster Management Department, Fire and Disaster Management Agency, the above Ministry
2007 Director-General of the Information and Communications Policy, the above Ministry
2008 Director-General of the Global ICT Strategy Bureau, the above Ministry
2010 Assistant Vice-Minister of the above Ministry
2012 Vice-Minister of the above Ministry
2013 Advisor of Daiwa Institute of Research Ltd.
2015 Outside Director (Member of the Board), Daiwa Securities Group Inc. (to date)

He has held positions as the Director-General of Global ICT Strategy Bureau at the Ministry of Internal Affairs and Communications and as Vice-Minister at the same ministry. The Company has drawn on his expertise and experience nurtured throughout his career in providing management advice. He has been a director for three years.

Hiroataka Takeuchi
Outside Director
(Member of the Board)



1976 Lecturer of Harvard Business School
1977 Assistant Professor of Harvard Business School
1983 Assistant Professor of Hitotsubashi University, Faculty of Commerce and Management
1987 Professor of Hitotsubashi University, Faculty of Commerce and Management
1998 Dean of Hitotsubashi University, the Graduate School of International Corporate Strategy
2010 Professor Emeritus of Hitotsubashi University
Professor of Harvard Business School (to date)
2016 Outside Director (Member of the Board), Daiwa Securities Group Inc. (to date)

He has served as Professor of the Faculty of Commerce and Management at Hitotsubashi University and is currently Professor at Harvard Business School. The Company has drawn on his expertise and experience nurtured throughout his career in providing management advice. He has been a director for two years.

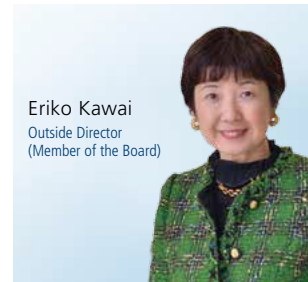
Ikuo Nishikawa
Outside Director
(Member of the Board)



1990 Representative Partner of Century Audit Corporation (currently known as Ernst & Young ShinNihon LLC)
1993 Representative of JICPA in International Accounting Standards Committee
1995 Executive Director of the Japanese Institute of Certified Public Accountants
2001 Deputy Chairman of Accounting Standards Board of Japan
2007 Chairman of Accounting Standards Board of Japan
2012 Professor of Keio University, Faculty of Business and Commerce
2016 Outside Director (Member of the Board), Daiwa Securities Group Inc. (to date)
2017 Guest Professor of Graduate School of Keio University, Faculty of Business and Commerce (to date)

He has served as Representative Partner of Century Audit Corporation and Chairman of Accounting Standards Board of Japan. The Company has drawn on his expertise and experience nurtured throughout his career in providing management advice. He has been a director for two years.

Eriko Kawai
Outside Director
(Member of the Board)



1981 Entered Nomura Research Institute, Ltd.
1985 Management Consultant of McKinsey & Company, Inc.
1986 SG Warburg Fund Manager of Mercury Asset Management plc
1995 CIO of Yamaichi Regent ABC Polska, Head of Investment
1998 Pension Funds Administrator of Bank for International Settlements (BIS)
2004 Senior Pension Funds Administrator of Organization for Economic Co-operation and Development (OECD)
2008 Representative of Kawai Global Intelligence
2012 Professor of Institute for the Promotion of Excellence in Higher Education, Kyoto University
2013 Professor of Institute for Liberal Arts and Sciences, Kyoto University
2014 Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University (to date)
2018 Outside Director (Member of the Board), Daiwa Securities Group Inc. (to date)

She has held positions such as the Pension Fund Administrator of BIS and OECD, etc. She was newly appointed as an outside director at the Company's 2018 General Meeting of Shareholders to provide management advice based on her ample expertise and experience related to corporate management accumulated throughout her career.

Corporate Executive Officers



Seiji Nakata*

President and CEO
Head of Retail
President,
Daiwa Securities Co. Ltd.



Toshihiro
Matsui*

Deputy President and COO
Head of Planning and Head of Wholesale
Deputy President,
Daiwa Securities Co. Ltd.



Kazuo
Takahashi*

Deputy President
Deputy Head of Wholesale
Deputy President,
Daiwa Securities Co. Ltd.



Koichi
Matsushita*

Deputy President
Deputy Head of Wholesale and Retail
Deputy President,
Daiwa Securities Co. Ltd.



Nobuyuki
Iwamoto

Deputy President
Head of Asset Management
President,
Daiwa Asset Management Co. Ltd.



Yoriyuki Kusaki

Deputy President
Head of Think Tank
President, Daiwa Institute of Research
Holdings Ltd.
President, Daiwa Institute of Research Ltd.
President, Daiwa Institute of Research
Business Innovation Ltd.



Keiko Tashiro*

Senior Executive Managing Director
Head of Overseas Operations
Senior Executive Managing Director,
Daiwa Securities Co. Ltd.



Mikita
Komatsu*

Senior Executive Managing Director
and CFO
Deputy Head of Overseas Operations
Senior Executive Managing Director,
Daiwa Securities Co. Ltd.



Masahisa
Nakagawa

Senior Executive Managing Director
and CIO
Senior Executive Managing Director,
Daiwa Securities Co. Ltd.



Masaru
Shirataki

Executive Managing Director
Head of Internal Audit
Executive Managing Director,
Daiwa Securities Co. Ltd.



Atsushi
Mochizuki

Executive Managing Director
Head of Human Resources
Executive Managing Director,
Daiwa Securities Co. Ltd.



Akihiko Ogino

Executive Managing Director
Head of Legal
and Deputy Head of Planning
Executive Managing Director,
Daiwa Securities Co. Ltd.



Junichi Arihara

Executive Managing Director, CRO
and CDO
Executive Managing Director,
Daiwa Securities Co. Ltd.



Takashi Hibino*

Chairman of the Board
Chairman,
Daiwa Securities Co. Ltd.

* Holds the position of Director on a concurrent basis.

Corporate Governance System

Daiwa Securities Group clearly separates the supervisory and executive functions of its management to create a highly transparent and objective corporate governance system. As with Corporate Executive Officers of Daiwa Securities Group Inc., employees responsible for head office functions also hold similar roles for the securities subsidiary. Under this structure, the Group is pursuing a management structure that improves the efficiency of head office operations and that maximizes synergies between Group companies.

Basic Stance on Corporate Governance

With group management based on a holding company structure, Daiwa Securities Group aims to achieve a highly transparent and objective governance structure in international terms. The Group has built a unified group management system that elicits synergies among group companies with highly efficient and specialized oversight of group companies.

The Group has adopted a company with Three Committees System with the objective of supervising management through:

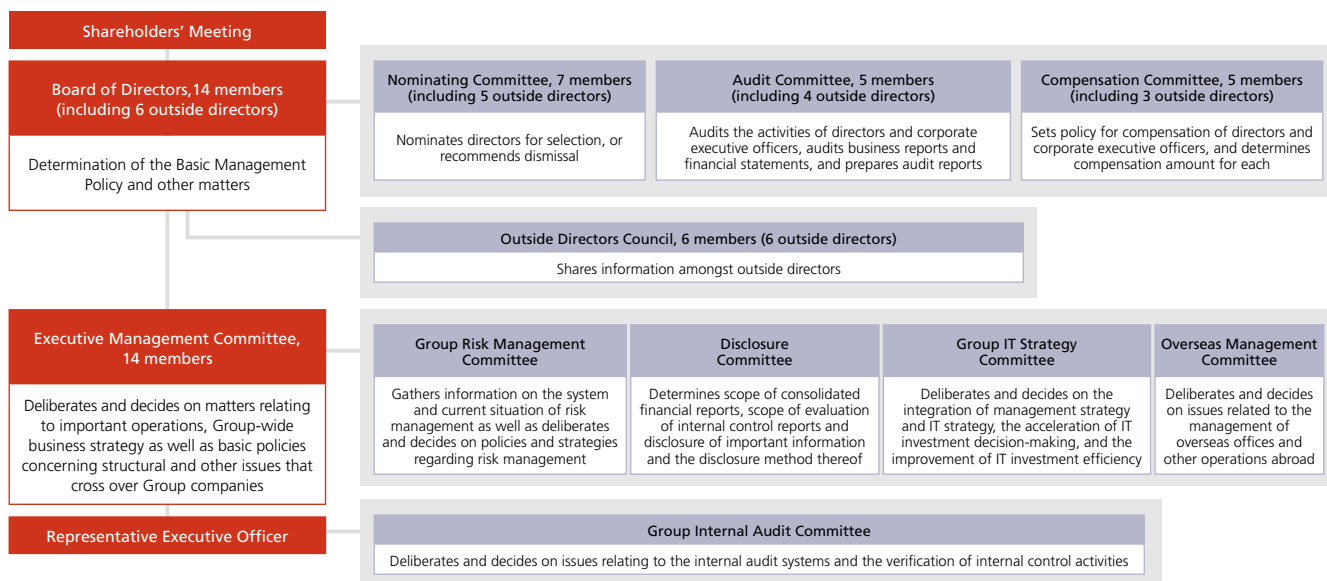
- a Better decision-making agility by having the Board of Directors assign significant authority to corporate executive officers while clarifying the division of duties among corporate executive officers;
- b More effective supervisory functions at the Board of Directors from the appointment of outside directors with highly specialized skills, and better transparency in management from the establishment of the Nominating Committee, Audit Committee and Compensation Committee with outside directors a majority of their members and serving as chairpersons; and
- c Highly independent and ethical outside directors providing advice from an outside perspective to the Board of Directors and the three committees based on their knowledge and experiences.

The Group also proactively engages in CSR activities to gain the trust of stakeholders. CSR encompasses providing excellent products and services to customers with integrity, appropriately returning profits and disclosing information to shareholders, creating pleasant work environments and fair personnel evaluation systems for employees, strictly observing regulations and following corporate ethics, managing the environment, and contributing to society.

Through these initiatives, the Group aims to further enhance its corporate governance structure in terms of transparency, agility and efficiency, in order to continuously improve corporate value.

The corporate governance structure consists of the Board of Directors and the three committees (Nominating Committee, Audit Committee and Compensation Committee) as supervisory functions. Business execution functions are embodied in the Executive Management Committee and its subcommittees comprising the Group Risk Management Committee, the Disclosure Committee, the Group IT Strategy Committee, and the Overseas Management Committee, as well as the Group Internal Audit Committee, the internal audit organization that reports directly to the Chief Executive Officer (CEO).

Corporate Governance System at Daiwa Securities Group



Major Initiatives in Corporate Governance

- Published the Corporate Governance Report detailing our response to the Corporate Governance Code
- Decided more than two members and more than one third of the Board of Directors should be independent outside directors
- Established the Outside Directors Council in October 2015 for the purpose of increasing communication amongst outside directors
- Have elected one additional outside director and six out of 14 Board of Directors as outside directors since FY2016. Strengthened management transparency and oversight functions by increasing the ratio of outside directors on the Nominating Committee and the Audit Committee
- Determined that all of the chairpersons of the three committees be outside directors from FY2017 while taking steps to further improve the governance system

History of Daiwa's Corporate Governance

June 1998	Elected outside auditors
April 1999	Became the first listed Japanese company to adopt a holding company structure
	Established the Advisory Board
	Established the Group Management Committee
June 2000	Established the Compensation Committee
June 2002	Elected outside directors
	Shortened directors' terms of office from two years to one year
July 2003	Established the Internal Control Committee
June 2004	Shifted to a Committee System (currently, a company with Three Committees System)
October 2015	Complied with the Corporate Governance Code
	Established the Outside Directors Council
April 2017	Appointed outside directors as chairpersons of all three committees

Meetings of Three Committees and Board of Directors in FY2017

The Nominating Committee met four times to discuss matters, including the composition of the Board of Directors with consideration for corporate governance, the basic policy for nominating candidates for directorships, and the selection of director candidates. The Nominating Committee selects candidates for directorships in light of the Group's selection standards for directors. These standards include criteria to ensure the independence of outside directors.

The Audit Committee met 12 times. The committee evaluated the activities of directors and corporate executive

officers, audited documentation, including financial statements and business reports, and prepared an audit report for the period under review.

The Compensation Committee met six times to discuss the compensation policy, and to determine the compensation of each director and corporate executive officer. It also studied a Group-wide incentive plan aimed at improving consolidated earnings results.

The Board of Directors met 11 times, and outside directors had a 94% record of attendance.

Committee Members*

Nominating Committee		Audit Committee		Compensation Committee	
Tadashi Onodera (Chairman)	Outside Director	Keiichi Tadaki (Chairman)	Outside Director	Hiroataka Takeuchi (Chairman)	Outside Director
Takashi Hibino		Morimasa Matsuda		Takashi Hibino	
Seiji Nakata		Michiaki Ogasawara	Outside Director	Seiji Nakata	
Keiichi Tadaki	Outside Director	Ikuo Nishikawa	Outside Director	Tadashi Onodera	Outside Director
Michiaki Ogasawara	Outside Director	Eriko Kawai	Outside Director	Ikuo Nishikawa	Outside Director
Hiroataka Takeuchi	Outside Director				
Eriko Kawai	Outside Director				

* As of July 2018

Executive Compensation That Is Closely Linked to Performance

Compensation for directors and corporate executive officers, determined by the Compensation Committee, is composed of base remuneration, performance-linked remuneration, and share price-linked remuneration.

Base Remuneration

- A fixed amount calculated based on his/her position, duties and role.

Performance-linked Remuneration

- Determined depending on the level of individual contribution, based on consolidated ROE and consolidated ordinary income, while also comprehensively taking into account achievement status of the managerial goals set in the Medium-Term Management Plan, and the like.
- Does not apply to Directors who do not serve as Corporate Executive Officers.

Stock-linked Remuneration

- To increase the link between Remuneration and shareholders' value, granted by the Company as stock options, etc., the value of which corresponds to a certain percentage of Base Compensation.
- Does not apply to Outside Directors.

Note: From FY2018, Daiwa Securities Group Inc. introduced the Restricted Stock Compensation Plan to increase incentives for the Company and its subsidiaries' Directors, Corporate Executive Officers, and Executive Officers, etc. (the Eligible Officers, etc.) to enhance performance in the medium and long term and strengthen values shared among the Eligible Officers, etc., and shareholders. After the introduction of this Plan, the stock options which have been granted to the Eligible Officers, etc., with an exercise value of 1 yen, will not be issued.

Introducing the Restricted Stock Compensation Plan

The Daiwa Securities Group Inc. Compensation Committee revised the remuneration system for directors and corporate executive officers, thereby electing to introduce a Restricted Stock Compensation Plan (this Plan) from FY2018. The purpose of this Plan is to increase the incentive for directors, corporate executive officers and executive officers, etc. (Eligible Officers, etc.) of Daiwa Securities Group Inc. and its subsidiaries to enhance performance over the medium to long term and to strengthen values shared between the Eligible Officers, etc., and shareholders.

This Plan consists of Stock Compensation Plan I and Stock Compensation Plan II.

Stock Compensation Plan I will grant Restricted Stock, the value of which corresponds to a certain percentage of basic compensation. In order to function effectively as an incentive to enhance long-term performance, the transfer restriction period* shall last from the date of Restricted Stock issuance until such time as the Eligible Officer, etc., forfeits his or her position as an officer of either Daiwa Securities Group Inc. or its affiliated companies.

Stock Compensation Plan II will set an upper limit on performance-based cash compensation, and the part of the cash compensation which exceeds the upper limit will be replaced by the grant of Restricted Stock. The transfer restriction period of Restricted Stock is three years and Restricted Stock will function as deferral compensation when performance-based cash compensation exceeds the upper limit.

* The period during which restricted stocks shall not be transferred, established as security rights, or disposed of in any other way.

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2017

	Directors		Corporate Executive Officers		Total	
	Recipients	Amount	Recipients	Amount	Recipients	Amount
Amounts based on resolution of the Compensation Committee	8 persons	¥148 million	14 persons	¥1,331 million	22 persons	¥1,479 million

Notes: 1. The above amounts include performance-based compensation paid in this fiscal year.
2. The above compensation amounts include a total of ¥93 million in stock acquisition rights granted as stock options to directors and corporate executive officers.
3. Compensation paid to the six outside directors totaled ¥112 million.
4. Seven directors also served as corporate executive officers; their total compensation is included in the "Corporate Executive Officers" category.

Type of Total Compensation

Name	Total consolidated compensation, etc.	Type of officer	Company name	(millions of yen)			
				Value of consolidated compensation, etc., by type			
				Base remuneration	Stock options	Performance-linked remuneration	Retirement bonus
Takashi Hibino	226	Corporate executive officer	The Company Daiwa Securities	69	10	99	—
Seiji Nakata	271	Corporate executive officer	The Company Daiwa Securities	46	—	—	—
Shinya Nishio	185	Corporate executive officer	The Company Daiwa Securities	69	10	144	—
Kazuo Takahashi	132	Corporate executive officer	The Company Daiwa Securities	46	—	—	—
Toshihiro Matsui	109	Corporate executive officer	The Company Daiwa Securities	61	8	89	—
				25	—	—	—
				19	6	—	—
				46	—	59	—
				43	5	49	—
				10	—	—	—

Name	Total consolidated compensation, etc.	Type of officer	Company name	(millions of yen)			
				Value of consolidated compensation, etc., by type			
				Base remuneration	Stock options	Performance-linked remuneration	Retirement bonus
Keiko Tashiro	109	Corporate executive officer	The Company Daiwa Securities	43	5	49	—
Mikita Komatsu	109	Corporate executive officer	The Company Daiwa Securities	10	—	—	—
Masahisa Nakagawa	107	Corporate executive officer	The Company Daiwa Securities	43	5	49	—
				10	—	—	—
				42	5	49	—
				10	—	—	—

Notes: 1. Only those officers with a total consolidated compensation, etc., exceeding ¥100 million are listed.
2. References to the Company in the table refer to Daiwa Securities Group Inc.
3. Officers serving as both directors and corporate executive officers are listed as corporate executive officers.

Evaluating the Effectiveness of the Board of Directors

Daiwa Securities Group Inc. aims to achieve a highly transparent and objective governance structure in international terms, and was one of the first companies in Japan to introduce a holding company structure and adopt a Three Committees System. Ongoing actions are being taken to pursue and evolve the Company's governance structure so that it ideally suits the Company based not only on international standards, but also on the social environment surrounding the Company and the stage of the Company's growth.

Likewise, the issues required for the greater effectiveness of the Board of Directors have been identified, and effectiveness evaluations of the Board of Directors have been

conducted since FY2014 for the purpose of making such improvements. In FY2017, the Company undertook a survey for all of the Directors about the role, duty, structure, management methods and the status of discussion of the Board of Directors. Based on the results of the survey, specialized agencies implemented the interview for them, and the Company analyzed and evaluated the results of those interviews. The results of the evaluation were reported to the Board of Directors and discussed by the directors in order to implement a PDCA cycle. The Company endeavors to maintain and enhance the effectiveness of the Board of Directors using this PDCA cycle.

Addressing the opinions of the FY2016 evaluation

In response to the primary opinions from the FY2016 evaluations, many improvements were made and measures taken, including those listed below, in working to enhance effectiveness.

- 1** Held more in-depth discussions regarding strategy and planning
 - During formulation of the new Medium-Term Management Plan, the number of times opinions were exchanged and discussions were held with outside directors was increased, and many of the opinions from the outside directors were reflected in the plan.
- 2** Clarified the role and diversified the members of the Board of Directors
 - During officer training, outside speakers were invited to hold lectures regarding corporate governance. Discussions were also held during the Outside Directors Council together with outside lecturers.
 - New outside directors with extensive international experience and results in the field of finance were appointed.
- 3** Enhanced the understanding of issues (financial expertise, etc.)
 - Created and distributed glossaries related to each issue to the outside directors, and had the responsible officers and managers provide prior explanations in specialized fields related to risk and regulation, for example, to encourage a deeper understanding among the outside directors.

Overview of the results of the effectiveness of the Board of Directors in FY2017

In FY2017, the Company confirmed that the role, duty, structure, management methods and the status of discussion of the Board of Directors are sufficient for the Board of Directors to perform its function, and that the effectiveness of the Board of Directors has been ensured.

Meanwhile, each director also submitted multiple opinions for making further improvements. The Company will continuously endeavor to enhance the effectiveness of the Board of the Directors to earn the trust of various stakeholders and improve the corporate value sustainably.

Internal Control System and Internal Audit

In recognition that management is responsible for maintaining an internal control system to ensure the sound and appropriate execution of business, the Group, under the main initiative of Daiwa Securities Group Inc., has established a system for managing the Group's major business risks. Through this system, the Group endeavors to ensure business effectiveness and efficiency, reliable financial reporting, compliance with laws related to business activities, and asset preservation.

The Internal Audit Department verifies the internal control system. This department sits independently from all other departments, reports to a dedicated corporate executive officer, and ensures internal audits to act as an important function of raising Group value through the creation of a sound and efficient internal control system. It seeks to raise corporate value by effectively conducting internal audits, and primarily implements risk-based internal audits.

The Internal Audit Department pays special attention to certain aspects of the Group's business activities. They include the internal control systems at Daiwa Securities Co. Ltd. and overseas offices as a foreign business operator, the internal control systems at Daiwa Next Bank, Ltd. as a bank, the status of businesses that involve the collaboration between Group companies, and the status of control over Group companies by the holding company.

The authorization of internal audit plans and reporting of

audit results are undertaken by the Group Internal Audit Committee. Internal audit plans are authorized by the Audit Committee or an appointed Audit Committee member who has received the prerequisite authority from the Audit Committee. The results of audits are also reported to the Audit Committee.

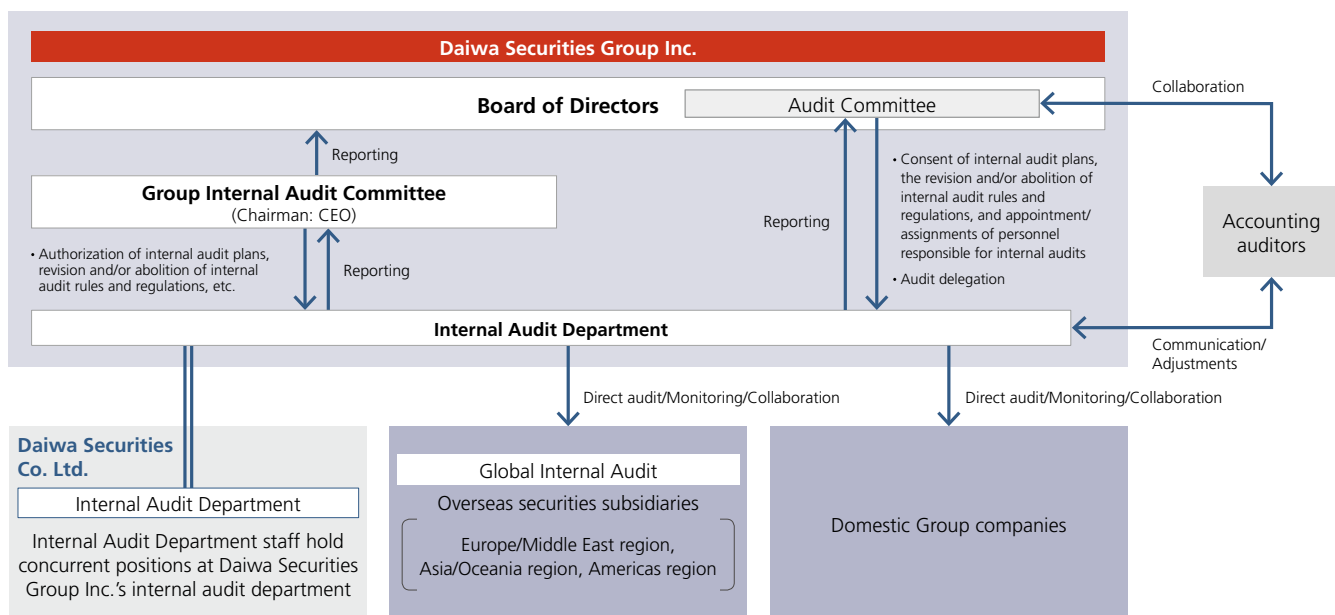
Reports to the Group Internal Audit Committee are not limited to the audit results conducted at Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd., but also include highly important findings made during audits conducted on companies in Japan and overseas.

The Internal Audit Department collaborates with the internal auditing divisions of Group companies through periodic meetings, monitoring, and audits.

The Internal Audit Department maintains communications with the Audit Committee and accounting auditor, making any necessary adjustments to ensure that audits are performed efficiently, and receives audit requests from the Audit Committee.

The degree to which these internal auditing activities satisfy The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing," the global standard for internal auditing, is routinely evaluated by independent outside third parties, which helps to constantly improve the system.

Internal Auditing System Diagram of Daiwa Securities Group



Risk Appetite Framework

In FY2016, Daiwa Securities Group introduced a risk appetite framework for the purpose of strengthening risk governance on all management levels.

Risk Appetite Framework

As financial regulations have tightened around the world since the global financial crisis of 2008, globally active financial institutions are increasingly required to have sufficient financial health to perform their functions as financial intermediaries during times of stress in economies and markets.

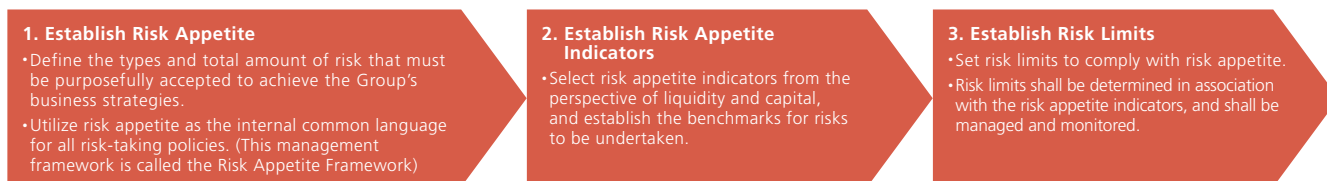
In addition, the Group must appropriately evaluate risks outside the ordinary, and ensure it has sufficient liquidity and equity capital commensurate with these risks in order to be

adequately prepared during times of stress.

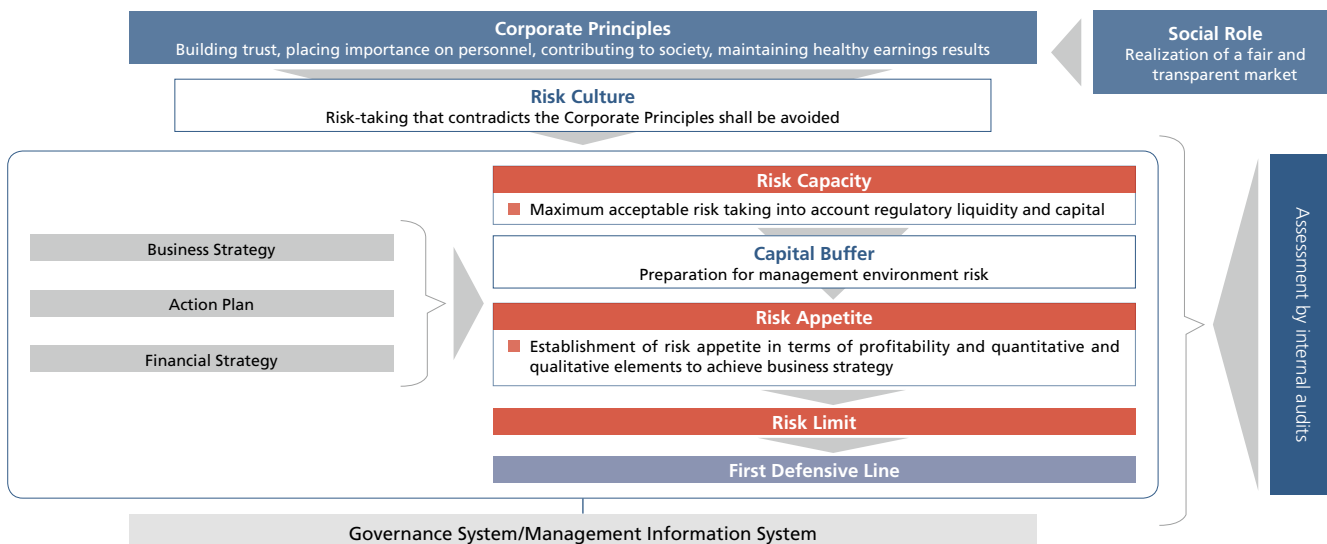
Under this environment, the Group has introduced a risk appetite framework for the purpose of strengthening risk governance at the management level.

The Group has documented this framework in its Risk Appetite Statement, and aims to foster a risk culture while spreading awareness of risk appetite within the Group and improving the level of business and risk management.

Risk Appetite Framework Overview



Risk Appetite Framework Concept Chart



Risk Appetite Framework Management Structure

Daiwa Securities Group has built a risk appetite framework through coordination between the CEO, COO, CFO and Chief Risk Officer (CRO).

The Board of Directors has deliberated and decided on a Risk Appetite Statement that quantifiably sets the risk

appetite indicators within the context of liquidity and capital.

The Audit Committee assesses the performance of duties by the Board of Directors and senior management in association with the risk appetite framework.

Risk Management

While Daiwa Securities Group pursues profitability and growth, it also recognizes the importance of appropriately identifying, evaluating, and effectively managing various risks associated with its business operations. The Group aims to continuously improve its corporate value by maintaining a sound financial base and profit structure that is balanced in terms of risks and returns, and by implementing appropriate risk management.

Risk Management

Risk management policy

Based on its risk appetite framework, Daiwa Securities Group Inc. has established the Rules of Risk Management, which govern the risk management activities of the Group. These rules outline the following basic policies.

Basic policies as defined by the Rules for Risk Management at the Daiwa Securities Group

- 1 Management's proactive involvement in risk management.
- 2 The structure of a risk management system that responds to features of the risks held by the Group.
- 3 Understand overall risk based on integrated risk management, secure strong capital and the soundness of liquidity.
- 4 Clarify the risk management process.

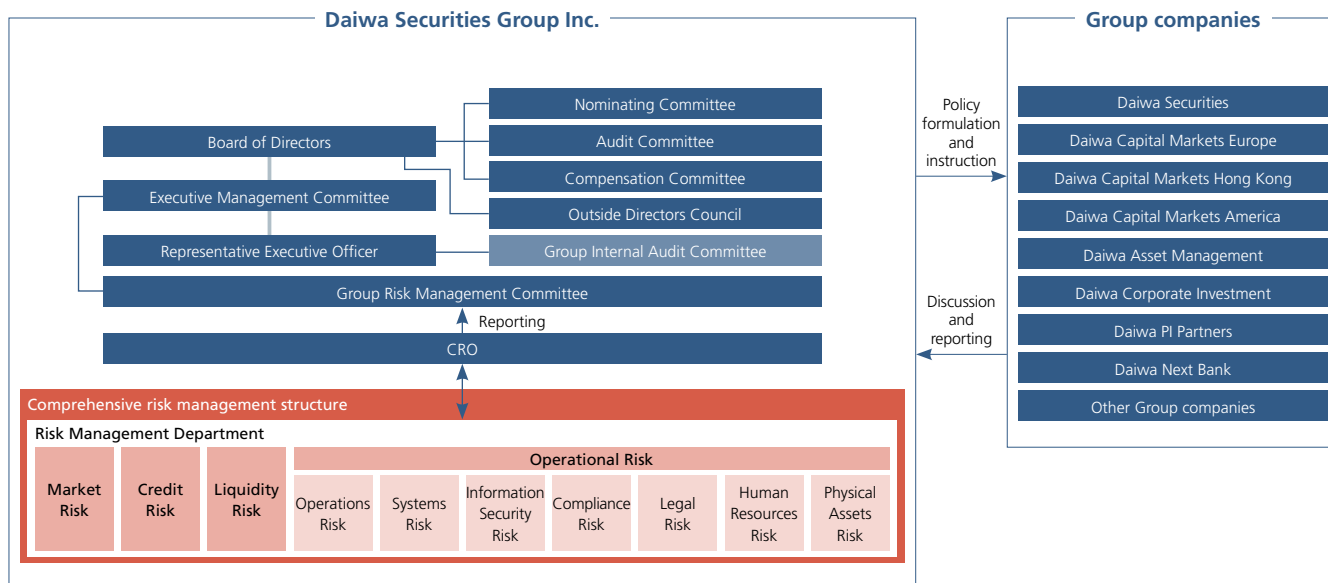
Limits are set for each type of risk so as to appropriately manage Group risk.

Types of risks

Daiwa Securities Group faces various risks in the course of its business activities. The Group therefore believes that it is important to identify these based on business characteristics and risk profiles, and appropriately evaluate and manage those risks in order to maintain a sound financial base and earnings structure.



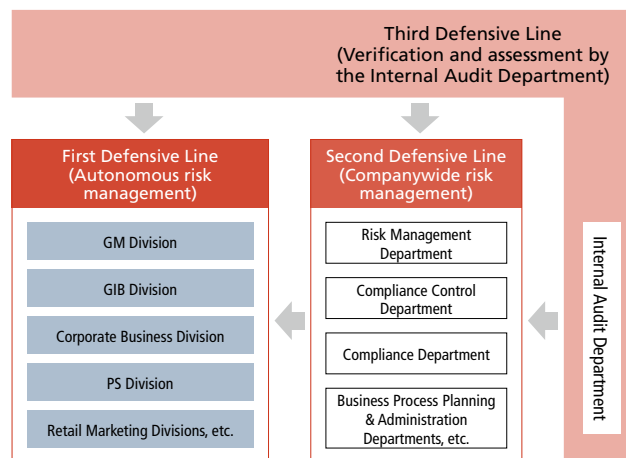
Risk Management System



Risk management system

Based on its risk appetite framework, the Board of Directors of Daiwa Securities Group Inc. has approved the Rules of Risk Management. The rules define basic policies related to risk management, the types of risks that need to be managed, and the responsible executive and department for each major risk. In order to establish an effective risk governance system, we have created guidelines for Three Defensive Lines and a comprehensive structure for risk management.

Each of the Group's subsidiaries conducts risk management that responds to the risk profile and size of each business in accordance with the abovementioned basic policies. Daiwa Securities Group Inc. monitors its subsidiaries, and reports the risk exposures and issues concerning the risk management system to the Group Risk Management Committee. This is a sub-committee of the Executive Management Committee of Daiwa Securities Group Inc., and it discusses and resolves any issues that are reported. In addition, major Group companies regularly hold risk management meetings in order to strengthen their risk management systems.



Major Risks and Methods of Management

Market risk management

Market risk refers to the risk of incurring losses due to market fluctuations, which affect the value of stock prices, interest rates, foreign exchange rates, and commodity prices. In terms of the Group's trading business, the Group implements suitable hedges to curtail fluctuations in profits and losses. However, as hedges may fail to function effectively in times of stress, the Group sets limits on Value at Risk (VaR)*¹ and loss estimates under various types of stress test*² to ensure that they are within the scope of equity capital after taking into consideration financial conditions and such factors as the business plans and budgets of subject departments. The Group also sets limits on such facets as position and sensitivity. Risk management departments of Daiwa Securities Group Inc. monitor market risk across the Group, and report the status of market risk to management on a daily basis.

*1 Value at Risk (VaR) represents the maximum possible loss of a given trading portfolio with a given probability over a given time horizon.

*2 Stress tests are used to calculate the Group's maximum losses based on scenarios of the most significant market fluctuations of the past and due to scenarios based on hypothetical risk events.

Credit risk management

Credit risk refers to the risk of losses caused in cases where a counterparty of a trade or the issuer of a financial product held by the Group suffers a default, or credibility deteriorates. The credit risk of the Group's trading activities involves counterparty risk and issuer risk.

Counterparty risk: The Group assigns an upper allowable credit amount for each counterparty group and monitors it on a regular basis.

Issuer risk: The Group also monitors issuer credit risk for financial instruments held through market-making activities.

When the Group provides products and engages in asset management and investments, there exists a risk that its exposure to various products and transactions could be concentrated on specific counterparty groups. If the credit situation at such counterparty groups should worsen, large-scale losses could be generated. For this reason, the Group sets limits on its total exposure to individual counterparty groups and monitors this exposure regularly.

The Daiwa Securities Group (Consolidated) Value at Risk

Range and Assumption of VaR • Scope: Trading accounts • Confidence level: 99% (one-side test) Holding period: 1 day
• Adjusted for price correlation between products

	(Billions of yen)							
	6/16	9/16	12/16	3/17	6/17	9/17	12/17	3/18
VaR (Month-end)	1.01	1.00	1.25	1.96	1.29	1.16	1.93	1.13
Quarterly								
High	2.26	2.53	2.97	3.16	3.41	4.19	2.00	2.03
Low	0.99	0.98	1.02	1.56	1.28	1.16	1.06	1.07
Average	1.53	1.40	2.02	2.17	2.59	2.29	1.34	1.46
By Risk Factor (Month-end)								
Equity	0.27	0.44	0.40	0.54	0.34	0.43	0.68	0.28
Interest	1.00	1.00	1.15	1.89	1.40	1.15	1.43	1.06
Currency	0.19	0.17	0.26	0.29	0.20	0.15	0.21	0.21
Commodities	0.00	0.00	0.03	0.00	0.06	0.00	0.00	0.00

Note: Figures for VaR (month-end) and VaR (interest) from 3Q FY2016 to 1Q FY2017 are modified in 2Q FY2017 due to the review of interest rate risk scenarios.

Management of market risk and credit risk unrelated to the trading business

Besides the trading business, the Group also owns operational investment securities related to the investment business, loans and securities related to the banking business, and investment securities that are held for the purpose of maintaining business relationships. Those assets are also exposed to market and credit risks, and risk management is conducted according to the risks that are unique to each line of business.

Liquidity risk management

Liquidity risk refers to the risk of suffering losses due to cash management difficulties or having to finance at markedly higher costs than usual as a result of a change in market conditions or a deterioration of Group companies' finance.

- The Group procures funds based on a policy of efficiently and stably ensuring ample liquidity necessary to continue its business.

The Group uses a variety of financial assets and liabilities to conduct its business with a focus on securities-related operations as its core business. In order to prevent market fluctuations from affecting the continuation of our business activities, the Group is constantly striving to secure the stability of fund procurement. Particularly in recent years, the Group has been accumulating liquidity through such means as fund procurement through the market as well as loans from financial institutions, in preparation for unforeseen events such as those caused by global financial crises or credit crunches. Additionally, with the anticipation that such crises may make it difficult to procure new funds and reacquire existing funds, the Group diversifies repayment periods and fund sources.

- Daiwa Securities Group Inc. has established a liquidity management system using its own short- and long-term liquidity management indicators.

Daiwa Securities Group Inc. has established a liquidity management system that consists of the regulatory consolidated liquidity coverage ratio as well as its own liquidity management indicators.

As a part of efforts to manage short-term liquidity risks, the Group performs daily checks to ascertain that the liquidity portfolios in place are sufficient to cover the repayment of unsecured short-term funds due within a certain time period as well as the estimated outflow of funds under stress in an appropriate time frame—here a number of stress scenarios are adopted. From a long-term liquidity risk management perspective, if stressful conditions are expected to continue for a long period of one year or more, the Group measures and monitors long-term fundraising conditions so that it can continue its business operations even when it becomes impossible to procure funds without collateral for a whole year.

- Establishing contingency funding plans

The Group recognizes the emergence of liquidity risks can have a direct impact that leads to the business failure of a financial institution. Accordingly, Daiwa Securities Group has put in place a contingency funding plan in order to ensure that the Group responds appropriately at the time of a liquidity crisis. This plan states the basic policy concerning the reporting lines depending upon the urgency of stress internally originated, including a credit crunch, and externally originated including an abrupt change in the market environment, and the method of raising capital. The contingency plan enables the Group to prepare a system for securing liquidity through a swift response.

Operational risk management

Operational risk is the risk of losses that occur when internal

processes, people, and systems do not perform adequately or do not function; it can also arise from external events.

Definitions of Principal Operational Risks

Type	Definition
Operations Risk	The risk of suffering losses due to the neglect of proper operations by employees and executives or due to accidents or impropriety
Systems Risk	The risk of suffering losses due to computer systems going down, malfunctioning, or experiencing system inadequacies, and the risk of suffering losses due to the inappropriate use of computers
Information Security Risk	The risk that a threat to information assets could materialize, preventing information security (confidentiality, completeness, or continued availability) from being assured
Compliance Risk	The risk of suffering losses due to the failure of employees and executives to comply with corporate ethics or laws and regulations, and the risk of suffering losses due to lawsuits with customers and other parties in Japan
Legal Risk	The risk of suffering losses due to the inappropriate conclusion of contracts, breaches of contract, or lawsuits with customers or other parties in relation to overseas offices
Human Resources Risk	The risk of suffering losses due to problems in labor management or from the standpoint of workplace safety, and the risk of being unable to secure necessary human resources
Tangible Fixed Assets Risk	The risk of suffering losses due to damage to tangible fixed assets as the result of natural disasters or external factors, or to negligence on the part of executives and employees

The Group classifies operational risk into operations risk, systems risk, information security risk, compliance risk, legal risk, human resources risk, and physical assets risk, and monitors them by assigning departments responsible for individual risks.

As the Group's business becomes more sophisticated, diversified, and systemized, the accompanying risks become more varied. As a result, the importance of managing operational risk has grown each year.

Major Group companies control their operational risks

appropriately by measures including risk control self-assessments (RCSAs), in accordance with rules on operational risk management set by Daiwa Securities Group Inc. In addition, the Group has taken other necessary measures, including the implementation of rigid rules concerning authority, the automation of office operations for reducing human errors, and the preparation of procedural manuals. Each Group company strives to reduce operational risk according to the nature of its own business.

What is RCSA?

RCSA (Risk Control Self-Assessment) uses a predetermined assessment sheet to identify and assess operational risks, analyzes risks based on frequency of occurrence and impact, and evaluates and verifies efficacy of risk mitigation efforts.

Reputational risk management

Reputational risk refers to the possibility of the Group sustaining unforeseen losses and the Group's counterparties being adversely affected due to a deterioration of its reliability, reputation, and assessment caused by the spread of rumors or erroneous information. There are no uniform procedures for managing reputational risk because it can emanate from a variety of sources.

The Group has established various regulations under its Disclosure Policy, with particular emphasis on the management and provision of information. It has also set up the Disclosure Committee within Daiwa Securities Group Inc.

Each Group company is obligated to report information that could turn into reputational risk to the Disclosure Committee. That way, Daiwa Securities Group Inc. can obtain and centrally manage information, and it disseminates accurate information in a prompt manner according to the decisions of the Disclosure Committee.

The Group strives to keep abreast of problems and occurrences that may affect its reputation so that if and when such problems occur, their impact on the Group can be minimized. It also acts to ensure that erroneous and inaccurate information is properly corrected, and that it responds appropriately to libel and other issues. The Group has public relations and investor relations systems in place to prevent and minimize risks regarding its reputation.

Accounting and tax risk management

Accounting and tax risk is the risk of not conducting appropriate accounting treatment and disclosure in accordance with accounting or taxation standards, laws, and regulations, or of not filing or paying taxes appropriately, as well as the risk of losses arising as a result.

The Group strives to reduce accounting risk by operating in accordance with fundamental regulations related to internal controls on financial reporting, and by establishing, putting into practice, and striving to improve its internal controls on financial reporting.

In addition, by notifying principal Group companies of necessary reporting items related to tax risk management and receiving such items in a timely manner, the Group endeavors to appropriately determine the tax risk management status and risk conditions for the Group as a whole, thereby reducing its tax risk.

Tax policy

Daiwa Securities Group has enacted "Daiwa Securities Group Tax Policy" in aiming to develop corporate tax governance, and describes our code of conduct and standard of judgements in taxation.

Daiwa Securities Group Tax Policy

- 1 Daiwa Securities Group complies with laws and ordinances, and contributes to sustainable development of society through appropriate tax payments with high ethical standards.
- 2 Daiwa Securities Group rewards our shareholders by achieving sound profits based on proper and fair tax planning.
- 3 For cross border intra group transactions, Daiwa Securities Group sets an appropriate price, which can achieve adequate accountability under transfer price tax regulations.
- 4 The CFO, executive officer in charge of Finance, and Head of Finance Department of Daiwa Securities Group Inc. from time to time provide guidance and advice to subsidiaries and other departments within the Group as necessary, so that corporate governance over tax matters can be well shared and implemented throughout the Daiwa Securities Group.

IT Strategy and the Management of Systemic Risk

Under its Medium-Term Management Plan, “Passion for the Best” 2020, Daiwa Securities Group is promoting the IT strategy (basic IT policy) of establishing an IT platform that provides momentum for the digital transformation. The Group is also working to further strengthen IT governance in order to address the diversification of its business portfolios and the evolution of technology.

IT Governance Structure

Daiwa Securities Group has established the Group IT Strategy Committee as a sub-committee of the Executive Management Committee and created the IT Strategy Committee at Daiwa Securities, the core company of the Group, as a subcommittee of the Management Committee. These committees deliberate and decide medium- and long-term IT investment policies and plans after taking into account business needs and trends in the business environment, such as systems and regulations.

Against a backdrop of globally tightening financial

regulations, increasingly serious and sophisticated cyberattacks, greater digitalization enabled by technological evolution, and unbundling of financial services, the CIO has been placed in charge of overseeing all IT-related operations across the Group, including overseas bases, to ensure Group-wide risk management and business innovation. By managing IT resources and further strengthening collaboration within the Group, the CIO is working to enhance the Group's IT capabilities.

Strategic IT Investment

Daiwa Securities Group has been making IT investments for the purpose of enhancing customer satisfaction through the delivery of products and services that meet a diverse range of needs, strengthening profitability through greater operational efficiency, addressing the infrastructure platforms and responding to legal systems that are essential for business continuity, as well as strengthening the risk management framework. In FY2017, along with making investments in the enhancement of accumulated-type NISA, Fund Wrap, and online services, the Group advanced initiatives into operational efficiency and business process reform utilizing voice recognition, artificial intelligence (AI), RPA, and other technologies. In addition, efforts were also made to further strengthen cybersecurity countermeasures and management of the Social Security and Tax Numbers submitted by customers as initiatives aimed at ensuring that customers can conduct business free from worry.

In the Medium-Term Management Plan, “Passion for the

Best” 2020, initiated in FY2018, our IT strategy is designed to support a customer-oriented sales system and the delivery of products and services, while at the same time promoting the establishment of an IT platform that provides momentum for the digital transformation. In this light, the Group is building an API* platform that can flexibly and swiftly extend alliances with outside companies and services, as well as intra-Group cooperation, and a next-generation office infrastructure that provides a safe, secure location-independent business environment. At the same time, the greater operational efficiency enabled by voice recognition, AI, RPA, and other technologies, will allow employees to use their time for higher value tasks instead, thereby creating a positive cycle that links to more advanced customer service and the development of innovative services.

* Application Programming Interface: A mechanism that enables connections between systems via a standard protocol.

Systemic Risk Management

Daiwa Securities Group has worked to maintain and enhance the management of systemic risk in order to reliably provide high-quality services to customers while protecting information assets from various threats and risks. In particular, the Group has positioned the need to ensure cybersecurity as an important issue for its risk management in the context of recent increases in the threat of cyberattacks. As a result, the Group has established the Daiwa-CSIRT, a Group-wide cross-sectional specialist organization that collects and analyzes the latest information on cyberattack methods and vulnerability while coordinating with external institutions. Along with

increasing the layers of technological countermeasures and establishing a system that can detect and prevent attacks that slip past one of these countermeasures, the Group is also developing an analysis environment that can rapidly discover evidence of an attack and a system that can address incidents 24 hours a day, 365 days a year.

The Group will continue to strengthen countermeasures against cyberattacks, including building a Daiwa Standard cybersecurity countermeasure platform, in looking ahead to alliances with outside companies and services and a greater diversity in its business portfolios.

Compliance

Daiwa Securities Group has four corporate principles. They are “building trust,” “placing importance on personnel,” “contributing to society,” and “maintaining healthy earnings results.” The Group believes that compliance is a significant element for achieving these principles. The goal of the Group’s compliance activities is not merely to “comply with laws and regulations,” but to earn the trust of customers, markets, society, and stakeholders.

Raising Compliance Awareness

Daiwa Securities Group rigorously observes regulations and exercises self-discipline so that it can contribute to the sustainable growth of society while maintaining high ethical standards. We conduct training programs for new graduates when they join the Group, and continue through regularly scheduled training sessions throughout their careers, thus ensuring that every employee is aware of, and thoroughly understands, compliance issues.

The Group trains its employees so that even when the Group pursues new business ventures in areas where the regulatory structure is incomplete, they can return to the basic approach of laws and regulations, act sincerely in light

of socially accepted ideas and common sense, and maintain strong self-discipline and legal awareness.

As basic standards in three areas that should be fulfilled at a bare minimum, the Group has formulated Group Minimum Standards, and based on these standards, the Group aims to achieve a level of compliance awareness that exceeds the boundaries of business lines.

Group Minimum Standards

- Securing information
- Eliminating relationships with anti-social forces
- Preventing insider trading

Compliance Initiatives for FY2018

- Enhance information security
- Strengthen efforts to eliminate relationships with anti-social forces
- Reinforce measures to prevent insider trading
- Enhance countermeasures to money laundering and the funding of terrorism

Daiwa Securities Group will continue our efforts in these four areas to support the building out of internal management

systems at each Group company.

From FY2016, the Group has held Group Compliance Liaison Meetings as a venue for periodically sharing information among compliance departments of Group companies. We aim to further improve internal management as a Group by strengthening collaboration among Group companies.

Compliance Training

In addition to raising compliance awareness and spreading corporate ethics, Group companies conduct a wide range of compliance training activities so that employees can exercise self-discipline under any and all circumstances. These training activities focus on a variety of topics, including information security, the prevention of insider trading and the elimination of relations with anti-social forces, and from FY2018 measures to prevent money laundering and the funding of terrorism.

As a part of our education and training programs on cybersecurity, the Group conducts drills on targeted attack emails in a bid to raise awareness of cybersecurity among managers and employees.

Daiwa Securities conducts a broad range of training with a practical emphasis starting with Compliance Training for all employees, as well as compliance education, instruction and group training for new graduates and newly appointed managers.

Disclosure and Dialogue with Investors

Daiwa Securities Group works to communicate proactively and provide fair and appropriate information in a timely manner so that customers, stakeholders, investors, local communities, employees and executives clearly understand and properly evaluate the Group's activities.

Disclosure System

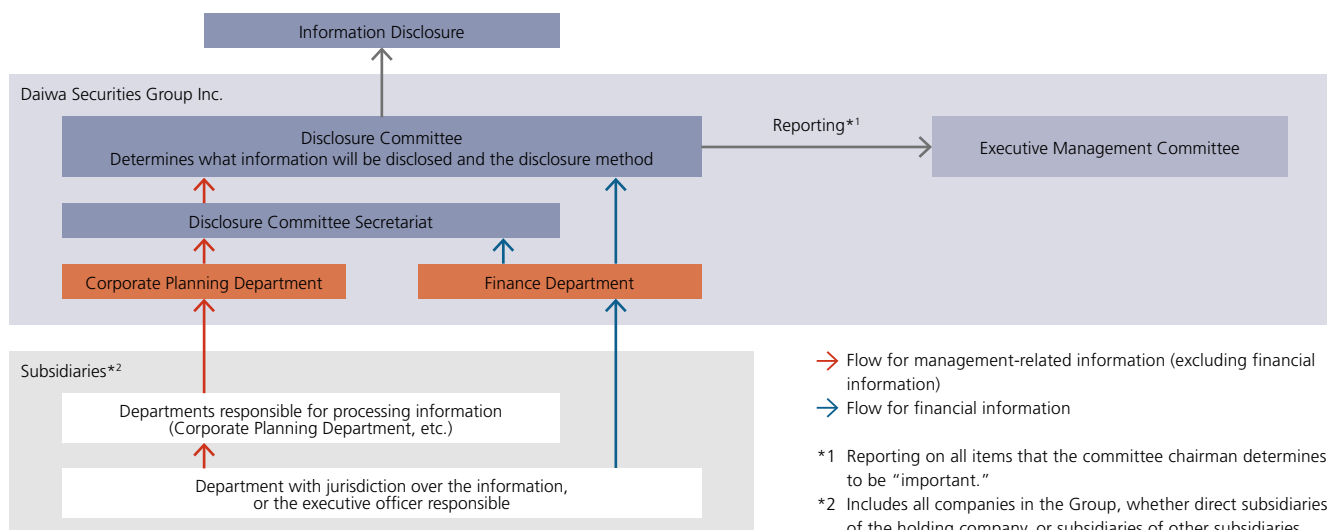
The Group has formulated a Disclosure Policy, which outlines the Group's basic approach to information disclosure, and strives to provide information that is fair, prompt, and appropriate.

In order to realize the policy's spirit, Daiwa Securities Group Inc. has established the Disclosure Committee—a sub-committee of the Executive Management Committee—based on the Group's Disclosure Regulations, which makes final decisions regarding the disclosure of

information. Main Group companies have also established their own regulations on management-related information, which govern the appropriate collection of information and presentation of reports to Daiwa Securities Group Inc.

We have confirmed that the Group's regulations and systems are in compliance with the Fair Disclosure Rules introduced to the Financial Instruments and Exchange Act in April 2018.

Flowchart of the Daiwa Securities Group's Disclosure Activities



Communication with Shareholders and Investors

Every year, many shareholders attend our general meeting of shareholders, which is an opportunity for us to interact directly. Other activities include telephone conferences on the days of earnings announcements, briefings about the Group for individual investors, management strategy briefing sessions, one-on-one meetings with analysts and investors and participation in Daiwa Investment Conferences held in Tokyo, Hong Kong and New York. In addition, we are further developing information disclosure on our IR website and publishing integrated reports and business reports for shareholders. We will continue to strive to make our communications even more accessible and precise for shareholders.

IR activities in FY2017

■ Number of meetings with institutional investors and analysts: approx. 250

This includes the following overseas IR activities: two IR events in North America (23 meetings), two IR events in the EU (22 meetings), and two IR events in Asia (20 meetings)

■ Total participants in briefings for individual investors: approx. 2,700

Eleven briefings at Daiwa Securities locations, three briefings organized by Daiwa Investor Relations, one briefing via the Internet.

CSR Management

Daiwa Securities Group believes that deepening the bond of trust it shares with stakeholders is essential to the sustainable accomplishment of its social mission and achievement of growth.

Policy on Communication with Stakeholders

The Group has adopted the following basic policy, considering that communication with stakeholders plays an important role in identifying social demands, which change over time.

Basic Policy ①

Daiwa Securities Group will strive to maintain two-way communication with a broad range of stakeholders based on ISO 26000 and the Charter of Corporate Behavior of the Nippon Keidanren.

Basic Policy ②

The Group will strive to deepen communication with stakeholders, including customers, shareholders and other investors, business partners, employees and local communities.

Basic Policy ③

The Group will strive to communicate actively with third-parties in order to identify other stakeholders.

Daiwa Securities Group Stakeholders



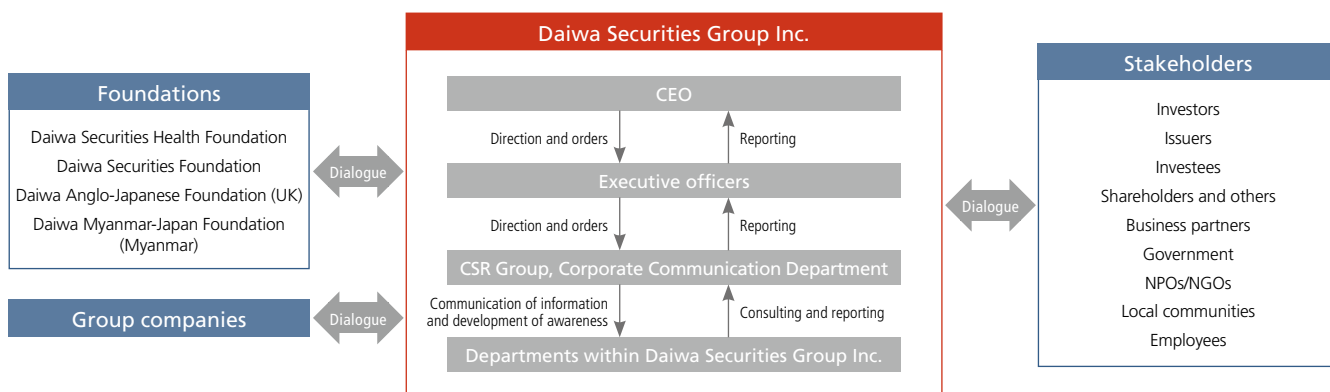
CSR Promotion System

Our officers and employees endeavor to implement our corporate principles through their business operations for the materialization of a sustainable society and our vision.

Specifically, the CSR Group of the Corporate Communication Department at Daiwa Securities Group Inc. actively seeks information and engages in dialogue at external and internal meetings. These activities are conducted under the direction and orders of the Corporate Communication Officer, an

executive officer under the supervision of the CEO. CSR issues and our progress are shared regularly with the executive officer at meetings and on other occasions.

Furthermore, information on CSR is taught to the Group's newly hired employees. The CSR Group promotes and raises awareness of CSR issues throughout branches and departments across Japan and major overseas sites and builds a network of cooperation.



Role and Social Responsibilities of the Financial Services

As a major field of Daiwa Securities Group's operations, the securities business facilitates the smooth flow of money by matching demand and supply through financial and capital markets. The Group fulfills an important role and responsibility in society by contributing to sustainable development through the channeling of funds into businesses that solve social issues and create new technologies, for example.

Mission for Financial Institutions toward Solving Social Issues

The business sector's role in endeavoring to create a sustainable society has become more important than ever. For financial institutions, materialization of such a society through finance, their core capability, is a social mission. At the Daiwa Securities Group, we believe that our role is not only to maintain and develop a fair and dynamic financial market, but also to incorporate a social perspective in finance and to facilitate the flow of money to build a sustainable society.

In January 2010, the Daiwa Securities Group signed the United Nations Global Compact (UNGC), a platform to help companies that have committed to sustainable and responsible business practices shape their policies, and has proceeded with business activities in compliance with the principles. We also incorporate into our activities the Sustainable

Development Goals (SDGs) adopted in September 2015 at the United Nations Sustainable Development Summit.



Support for global initiatives

- United Nations-supported Principles for Responsible Investment (PRI)
- CDP
- United Nations Global Compact (UNGC)
- Principles for Financial Action for the 21st Century
- Task Force on Climate-related Financial Disclosures (TCFD)
- United Nations Environment Programme – Finance Initiative (UNEP-FI)

Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century)

The Principles for Financial Action for the 21st Century were drawn up by a committee comprising representatives from a range of Japanese financial institutions. They were tasked with drafting a Japanese version of the Principles for Environmental Financial Action. This was based on a recommendation issued by Japanese Ministry of the Environment's Central Environment Council with the objective of promoting

environmental finance. Each signatory institution is expected to endeavor to reflect ESG (environment, society and governance) issues and concerns to its own business practices. The Group was instrumental in the establishment of the principles from the drafting stage to the final framework. Both Daiwa Securities Group Inc. and Daiwa Asset Management Co. Ltd. became signatories in November 2011.

Responsible Action as an Institutional Investor

Initiatives by Daiwa Asset Management

Daiwa Asset Management announced its adoption of the Japanese version of the Stewardship Code in May 2014 and has been actively working to fulfill its stewardship responsibility. It has been striving to improve its initiatives, renewing the announcement of its adoption in November 2017 following the revision of the Code in May 2017.

In January 2017, Daiwa Asset Management set up the "Stewardship Supervisory Committee," which is designed to manage conflicts of interest faced in fulfilling its stewardship responsibility. The committee supervises the company's overall stewardship activities and is responsible for making reports to the Board of Directors and issuing recommendations to improve stewardship activities as necessary. The committee is composed of outside directors and the compliance officer, who takes charge of overseeing the management of conflicts of interest, thereby securing independence from management in stewardship activities from management and business execution.

Regarding dialogue with investee companies, based on the Policy to Hold Constructive Dialogue with Investee Companies announced in June 2014, Daiwa Asset Management aims to accurately understand the conditions of investees, share such assessments, and create medium- to long-term corporate value.

Daiwa Asset Management has released a Report on the Status of Stewardship Activities on its website (only available in Japanese). The report includes the status of engagement, such as policy, structure, and the number of engagement times by theme, as well as ESG investment, the status of exercising of voting rights, and measures to improve stewardship activities.

Daiwa Asset Management Co. Ltd.: Japan's Stewardship Code
www.daiwa-am.co.jp/english/footer/stewardship.pdf

Our Stewardship Activities*

<https://www.daiwa-am.co.jp/company/managed/result.html>

Daiwa SB Investments Ltd.: Our Stewardship Activities*
<https://www.daiwasbi.co.jp/company/stewardship/index.html>

* Websites written only in Japanese

Dialogue with Investee Companies: Three Parties

Analysts (Research Department)	Those in charge of corporate governance (Investment Planning Department)	The engagement team*
<ul style="list-style-type: none"> The analysts at the Research Department engage in stewardship activities to contribute to enhancing corporate value and sustainable growth as part of their usual research activities, and held engagements with approximately 490 companies in fiscal 2017. 	<ul style="list-style-type: none"> Collect information on investee companies required for exercising voting rights In dialogue with investee companies, explain their policy on exercising voting rights and what they expect from companies with respect to corporate governance Conducted engagement with approximately 130 companies in fiscal 2017 In March 2017, disclosed their policy in more detail than previously, as well as the results on how voting rights were exercised for individual proposals from shareholder meetings held from April 2017 onward 	<ul style="list-style-type: none"> The engagement team held engagements with approximately 25 companies in fiscal 2017, focusing on small- and medium cap issues mainly incorporated in active investment funds for medium- to long-term investment.

* Comprising analysts at the Research Department and fund managers at the Equity Management Department

Initiatives by Daiwa SB Investments

Daiwa SB Investments is also stepping up dialogue with investees, steadily promoting initiatives to fulfill its stewardship responsibility, and further strengthening such initiatives.

It has long focused on engagement with companies antecedently and by actively holding dialogue has urged investee companies to turn their potential into actual business results. In April 2016, Daiwa SB Investments established the Stewardship Promotion Section as a section dedicated to ESG activities.

Daiwa SB Investments believes that, as an institutional investor, it has a responsibility to provide investees with advice

on how to exercise their potential and how to respond and prevent recurrence when there is a problem. The company considers that taking various opportunities to raise issues and urge improvement is its responsibility as an institutional investor and that helping to raise corporate value through such activities is also its mission for the customers entrusting their assets.

To receive feedback on its activities from an external viewpoint, Daiwa SB Investments invited two highly independent outside directors in FY2016 while setting up the Responsible Investment Committee, a majority of whose members are independent outside directors. It is thus aiming to further enhance its customer-oriented business operation.

To Maintain and Develop Financial and Capital Market Functions

The securities business, the core business of the Daiwa Securities Group, serves as an important social and economic infrastructure. It facilitates the smooth flow of money by matching fundraising needs through the issuance of securities and investment needs of investors via financial and capital markets. We recognize that maintaining and developing this infrastructure is about developing sound financial and capital markets for the next generation, which is one of our key CSR issues, and is considered to be a major mission for the Group.

Settlement functions

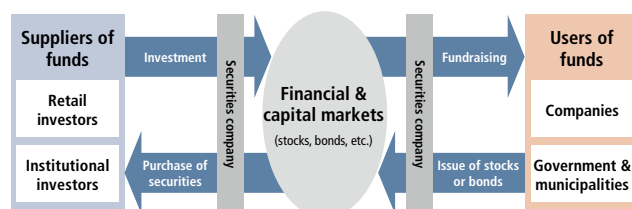
Securities settlement—a mainstay of the Group's overall operations—is the delivery of stocks, bonds, or other instruments and funds both to and from both the buyer and seller of a securities transaction. In trusted markets, financial instruments can be reliably converted into cash when necessary. This is the very reason why such markets attract investment money and enable companies and others with funding demand to procure funds. We consider it vital to settle transactions accurately and promptly as required in order to ensure that markets function as a social infrastructure and become a driver for economic development. We are therefore striving to build a structure enabling the smooth execution of settlement operations.

The securities industry recognizes that it is necessary to further increase convenience and strengthen risk management to boost the competitiveness of Japan's financial and capital markets. With this awareness, the entire industry is currently working on reducing settlement time. Daiwa

Securities has played a central role in a working group launched by the Japan Securities Dealers Association, identifying and examining a variety of issues towards the reduction of settlement time. The T+1 (trade date plus one day) settlement cycle already started for government bond trading in May 2018, with the T+2 settlement cycle scheduled to be implemented for stock trading in 2019. Moreover, cross-border foreign exchange transactions entail settlement risk (for example, the risk of being unable to receive dollars in U.S. time even when paying yen in Japan time) associated with time differences in settlement for the currencies involved. Daiwa Securities is the only Japanese securities company that directly participates in continuous linked settlement as a settlement member. We will fulfill greater responsibility for the stability of financial markets by reducing the settlement risk of foreign exchange transactions.

We are determined to continue the settlement operations no matter what happens. Under such determination, we have drawn up a business continuity plan (BCP) and regularly conduct training in preparation for unforeseen circumstances, such as natural disasters and terrorism.

Securities Companies' Role in Financial and Capital Markets



Provision of Quality Service to Customers

Daiwa Securities Group understands that customer trust is the foundation of its business. Based on the idea of the Customer First Principle, our focus is always on finding ways to deliver genuine customer satisfaction. We have also adopted the idea of hospitality to enhance our existing concept of customer service. We aim to have the most satisfied customers in the financial services industry.

Building Deeper, Stronger Trust with Customers

Daiwa Securities aims to build customer satisfaction through quality services, built on understanding customer needs quickly and proposing the best solutions for each customer. We consider providing faithful and appropriate explanations to be paramount. A principle of Japan's Financial Instruments and Exchange Law prohibits "solicitation that is improper in light of a customer's knowledge, experience, financial situation and objectives." Daiwa Securities' approach is rooted in this principle. As a part of our hospitality-based service, we strive to deliver explanations that exceed the legal requirements when promoting our financial products. We have also agreed with the purport of the "Principles for Customer-Oriented Business Conduct" announced by the Financial Services Agency in March 2017 and expressed our adoption of the principles, while drawing up and announcing our "Basic Policy on Customer-first Operations."

To improve our services and the quality of our response further, we are continuing to conduct a customer service survey. We survey customers regarding their degree of satisfaction with our services and response, and solicit their feedback and requests. Based on the survey results, we have strengthened our initiatives to improve the quality of post-sale follow-up and enhanced the convenience of e-mail services in FY2017.

Active post-sale follow-up

Completing the sale of a product is only the beginning of a securities company's relationship with the customer. Follow-up is a key element in building the relationship of trust with the customer. To alleviate customer dissatisfaction or concerns arising after trading, we offer thorough explanations, appropriate proposals, and information regarding market conditions, products, and services as a part of initiatives to reinforce our relationship of trust with customers.

Improving in-branch customer service quality

At Daiwa Securities, we have announced our commitment to serve customers sincerely, and strive to provide services that can satisfy any customer. With the aim of creating sales branches enabling senior customers and customers with disabilities to feel secure, we have placed dementia supporters*¹, mostly comprising employees engaged in in-house customer service, at all branches. We also completed placing employees with service assistant*² certifications at all branches in FY2016.

We also conduct regular training to maintain and further enhance the quality of customer services. Moreover, we undergo checks on customer services at our branches by external institutions, while staff at our head office check services provided by telephone representatives, whenever necessary.

*1 A dementia supporter is a person who has an accurate knowledge of dementia and pays close attention to people with dementia and their families. The Ministry of Health, Labour and Welfare has been stepping up the training of supporters across the country as part of its "Dementia Supporter Caravan" project.

*2 A service assistant is a person certified as having acquired hospitality and safe assistant skills for providing tailored support for senior customers and customers with disabilities.

FY2017 customer service survey

Number of respondents:	Overall score of satisfaction with Daiwa Securities
Total of 120,905 people (August 2017)	4.86 (up 0.09 points year on year)
	Average score of evaluation on a scale of 1 to 7 (1: very dissatisfied, 7: very satisfied)

Number of Daiwa Securities employees who have become dementia supporters

2,572 people
(As of March 31, 2017)

Number of Daiwa Securities employees who have become service assistants

314 people
(As of March 31, 2018)

Working to Incorporate Customer Voices

Contact Center Initiatives

Employees at the Contact Center, which serves as our comprehensive remote contact point, have direct contact with customers and play an increasingly crucial role not only as a transaction channel but also in customer support and marketing. In order to maintain and improve contact center operations to meet the demand for high-quality service, we provide training and regular level checks for all Telephone Service Representatives (TSRs). We thus strive to appropriately respond to customers' true needs.

Scale of Contact Centers

820 service points

(500 in Tokyo, 210 in Osaka, and 110 in Fukuoka)

Customer Support Center Initiatives

Daiwa Securities' Customer Support Center is a department at the head office that handles customer feedback and complaints directly by phone. It is set up within the Compliance Department of Daiwa Securities.

The Center promptly gives feedback and complaints from customers to relevant sales branches and departments and sections of the head office. It also sorts and analyzes such feedback and complaints, shares them with officers, sales branches, and head office departments, and capitalizes on them as precious information in the aim of "customer-first operations" and "pursuit of best quality."

To respond to customers' calls thoroughly, accurately, and promptly, Customer Support Center members study the securities tax code and Daiwa Securities' services together on a daily basis, and work to improve the quality of their customer service. In FY2017, the Center received 4,990 calls, down 206 from the previous fiscal year.

Education Activities in Economics and Finance

Providing Junior and Senior High School Students with Opportunities to Learn about Finance and the Economy

We launched *okane-no-mikata*, a website for learning about finance and the economy, in March 2016 following the start of a Junior NISA program. We also launched *jyuu-kenkyu-no-mikata*, a website with content that primarily supports summer holiday research assignments for children. In addition, we held events titled "Challenge for Children and Parents: Learn Money & Economy through Quiz" at three venues nationwide. The events, which mainly targeted elementary and junior high school students, were designed to provide the participating children and parents with opportunities to start learning about money.



Information Website for Child Rearing and Money "SODATTE"

Daiwa Securities opened "SODATTE," an information website for child rearing and money, in April 2016 for the child-rearing generation. With two years having passed since its opening, it has grown to be a website visited by many fans, with 140 columns and more than 800,000 monthly page views on average.

The website sets up five categories, including "Money Lesson," "Family Finances," and "Education Funds" and disseminates columns that provide tips to the child-rearing generation. In May 2017, we also started a feature named "Diagnosis of Your Family Finances," which posts articles on financial planners' advice on money-related concerns. We will continue to update columns monthly as an information site practically supporting child rearing for parents to enable them to learn in an enjoyable way.



Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information

Daiwa Securities Group provides, in addition to investment information, a wide range of information on the economy and society as a financial services group. We hope that the measures we propose from a long-term perspective will be helpful to a variety of stakeholders.

Easy-to-Understand Communication of Information

Daiwa Securities publishes information to a wide range of people from institutional and retail investors to those who are about to start investment. The central role in provision of information is played by highly specialized analysts and strategists at the Investment Strategy, Equity Research, Fixed Income and Currency and Commodities Research departments. They provide information mainly through reports based on their unique analysis. Our information is based on the close analysis and collection of data, and we tailor our presentation for retail investors and institutional investors, who are investment professionals, even if the same person is providing that information. For retail investors, we incorporate more visualized reporting.

To remove the general perception that securities investment or securities companies are complicated, we believe it is one of our missions to work toward communicating our analysis in an easy-to-understand way.

Initiatives to Provide Information on ESG

Daiwa Securities' Equity Research Department is a group of analysts and strategists. They analyze and evaluate information released by companies, and provide investment information and ideas to institutional investors.

The department has designated multiple staff members as responsible for ESG information as part of its efforts to put an organizational structure in place to respond to increased demand for ESG investment following the signing of PRI by the Government Pension Investment Fund (GPIF) in 2015. Specific activities for such members include providing investment information useful for ESG integration to institutional investors, setting up ESG meetings between investors and companies, and hosting expert seminars by subject. For example, in regard to the environment, we held a meeting on biodiversity and natural capital in FY2017, inviting chemical, food, and housing manufacturers. We also held seminars introducing research on the environmental load caused by companies and the capital cost of stocks to university researchers.

Institutional investors have diverse needs, in reflection of their respective investment policies. We will further enhance our ESG information by boosting the analytical skills and communication capabilities of our analysts and strategists.

Comprehensive Provision of Information and Policy Proposal Activities

Daiwa Institute of Research (DIR), which assumes the think-tank role of Daiwa Securities Group, provides wide-ranging economic and financial analysis and information to the public.

At DIR, we consider it our mission to engage in comprehensive provision of information and policy proposal activities concerning the financial and capital markets and the real economy. We have always sought to provide up-to-date and in-depth information and a unique viewpoint that has never been presented by others. In order to provide information that satisfies the needs of the public, we also exchange information and hold discussions with businesses, investors, public institutions including governments and municipalities, and various economic groups as well as overseas think-tanks and the media. In this way, we are able to analyze the currents and trends of society and share information in the form of published reports. We are also stepping up the release of ESG information, communicating wide-ranging information via our website and "DIR Research Quarterly Review" (our quarterly journal) regarding community vitalization, environmental problems, women's active participation in society, workstyle reform, corporate governance, and other issues.

Strengthening the Provision of Information

The Research Division of DIR launched the Policy Research Department in FY2017. In addition to providing information on the macro economy and financial and capital markets in and outside of Japan, the company is now focusing on making policy proposals based on multifaceted analysis of such issues as measures for maintaining the sustainability of government finances and the social security system, as well as the directions that society and businesses are required to pursue from an ESG perspective. DIR contributes to society through the communication of information, including realistic proposals aimed at solving issues.

To fulfill the role of a reliable compass as a think-tank, we are engaging in useful research that grasps changes in economic and social trends and satisfies growing needs for information.