

# ARTICLES OF INCORPORATION

## CHAPTER I GENERAL PROVISIONS

(Corporate Name)

Article 1. The corporate name of the Company shall be "Kabushiki Kaisha Daiwa Shoken Group Honsha".

2. It shall be indicated in English as "Daiwa Securities Group Inc".

(Purposes)

Article 2. The purposes of the Company shall be to hold shares or equity interests of companies engaging in the following business and shares or equity interests of foreign companies engaging in the business equivalent thereto, and thereby control and manage the business activities of these companies:

- (1) To do financial instruments and exchange business as provided for under the Financial Instruments and Exchange Act;
- (2) To do business relating to finance including, but not limited to, banking business as provided for under the Banking Act, in addition to the business in the foregoing item;
- (3) To do research and investigation into economies and financial and capital markets in domestic and foreign markets, and to be entrusted with such research and investigation;
- (4) To be entrusted with calculation service by using a computer;
- (5) To develop and sell software;
- (6) To do the business of sale, purchase and lease of real estate and their brokerage;
- (7) To do money lending business as provided for under the Money Lending Business Act;
- (8) To do trust business as provided for under the Trust Business Act;
- (9) To do the business of offering life insurance contracts and to engage in the non-life insurance agency business;

- (10) To do securities handling and administration business;
  - (11) To do business relating to publishing, advertisement agency, broadcasting, and other information services; and
  - (12) To do business relating to education and culture.
  - (13) To do business holding shares or equity interests of companies engaging in each business captioned above and shares or equity interests of foreign companies engaging in the business equivalent thereto, and thereby control and manage the business activity of these companies;
2. The Company may engage in any and all business incidental or relating to any of the business in the foregoing paragraph.

(Location of Head Office)

Article 3. The head office of the Company shall be located in Chiyoda-ku, Tokyo.

(Method of Public Notices)

Article 4. The method of public notices of the Company shall be electronic public notices; provided that if the Company is unable to give an electronic public notice because of an accident or any other unavoidable reason, public notices of the Company may be given in the Nihon Keizai Shimbun.

## CHAPTER II SHARES

(Total Authorized Shares)

Article 5. The total number of shares of the Company authorized to be issued by the Company shall be four billion (4,000,000,000) shares and the total number of shares of each class of share which the Company is authorized to issue shall be as set forth below:

Common shares:	4,000,000,000 shares
Class 1 preferred shares:	100,000,000 shares
Class 2 preferred shares:	100,000,000 shares

Class 3 preferred shares: 100,000,000 shares

(Number of Shares Constituting One Unit of Shares)

Article 6. One unit of shares of the Company shall consist of one hundred (100) shares with respect to the common shares and each class of preferred share, respectively.

(Rights Pertaining to Shares Constituting Less than One Unit)

Article 7. Any shareholder of the Company shall not exercise any right pertaining to shares which do not constitute one unit of the shares he/she has except for the following rights:

- (1) a request for the repurchase of shares constituting less than one unit and other rights granted by the items listed in Article 189, Paragraph 2 of the Companies Act.
- (2) a right to make a request pursuant to Article 166, Paragraph 1 of the Companies Act.
- (3) a right to be allotted offered shares or offered stock acquisition rights in proportion to the number of shares owned by a shareholder.
- (4) a right to make a request pursuant to the following Article.

(Request to Buy up to One Unit of Shares)

Article 8. A shareholder holding shares constituting less than one unit may request the Company to sell to the shareholder such amount of shares that will, when added together with the shares constituting less than one unit, constitute one unit.

(Share Handling Regulations)

Article 9. The business relating to shares of the Company shall, except as provided in the applicable provisions set forth herein or any applicable laws, be governed by the Share Handling Regulations established by the Board of Directors.

(Administrator of the Company's Shareholders' Register)

Article 10. The Company shall have an Administrator of the Company's Shareholders' Register.

2. The Company shall cause the Administrator of the Company's Shareholders' Register to handle the business relating to the Register of Shareholders and the Register of Stock Acquisition Rights, and the Company shall not handle the above business directly.
3. The Register of Shareholders and the Register of Stock Acquisition Rights shall be kept at the handling office of the Administrator of the Company's Shareholders' Register.
4. Such Administrator of the Company's Shareholders' Register and its handling office or offices shall be appointed or designated by the Executive Officer and public notice thereof shall be given accordingly.

### CHAPTER III PREFERRED SHARES

(Preferred Dividends)

Article 11. The Company shall, fixing March 31 as the record date pursuant to Article 53, Paragraph 1 herein, distribute cash dividends from surplus on preferred shares ("Preferred Dividends") in such respective amount as prescribed below to holders of preferred shares ("Preferred Shareholders") or registered pledgees of preferred shares ("Registered Pledgees of Preferred Shares"), in priority to holders of common shares ("Common Shareholders") and registered pledgees of common shares ("Registered Pledgees of Common Shares"); provided, however, that in the case that Preferred Interim Dividends defined in Article 12 herein have been paid, fully or partially, during the business year to which that record date belongs, the amount of Preferred Interim Dividends shall be deducted from the total amount of Preferred Dividends.

Amount per preferred share calculated by multiplying the amount equivalent to subscription money per share by the annual dividend rate specified in a resolution of the Board of Directors or a determination by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors (“Resolution of the Board of Directors etc.”) prior to the issuance of each class of preferred share, which rate shall not exceed ten (10) percent.

2. If the aggregate amount paid to Preferred Shareholders or Registered Pledgees of Preferred Shares as cash dividends from surplus in any particular business year is less than the relevant Preferred Dividends, the unpaid amount shall not be accumulated in subsequent business year.
3. The Company shall not distribute any dividend from surplus to any Preferred Shareholder or Registered Pledgee of Preferred Shares in excess of the relevant Preferred Dividends; provided, however, that this shall not apply to distributions from surplus in the process of an Absorption-type Company Split (*kyushu-bunkatsu*) pursuant to Article 758, Item 8(b) or Article 760, Item 7(b) of the Companies Act, or the distribution from surplus in the process of a Incorporation-type Company Split (*shinsetsu-bunkatsu*) pursuant to Article 763, Item 12(b) or Article 765, Paragraph 1, Item 8(b) of that Act.

(Preferred Interim Dividends)

Article 12. In relation to the interim dividends of the Company as of the record date of September 30 of each year as specified in Article 53, Paragraph 2 herein, the Company shall distribute cash dividends from surplus to Preferred Shareholders or Registered Pledgees of Preferred Shares in priority to Common Shareholders and Registered Pledgees of Common Shares in the amount specified in a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share

(“Preferred Interim Dividends”), which amount shall not exceed half of the amount specified in Article 11, Paragraph 1 herein.

(Distribution of Residual Assets)

Article 13. In the case that the Company distributes its residual assets, the Company shall pay cash to the Preferred Shareholders or Registered Pledges of Preferred Shares in priority to the Common Shareholders and Registered Pledges of Common Shares in the amount as prescribed below.

Amount per share specified in a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share, given the amount equivalent to subscription money per share.

2. The Company shall not make distribution of residual assets to the Preferred Shareholders or Registered Pledges of Preferred Shares other than as provided for in the preceding paragraph.

(Voting Rights)

Article 14. No Preferred Shareholder may exercise voting rights on any matters at General Meetings of Shareholders; provided, however, that (i) in the case that Article 52 herein is effective and the Board of Directors under Article 436, Paragraph 3 of the Companies Act did not resolve the distribution of Preferred Dividends in full, from that time, (ii) in the case that Article 52 is not effective and a Bill that the Company would distribute Preferred Dividends in full was not submitted to an Ordinary General Meeting of Shareholders, from the commencement of the Ordinary General Meeting of Shareholders, (iii) in the case that a Bill that the Company would distribute Preferred Dividends in full was not resolved by an Ordinary General Meeting of Shareholders, from the end of that Ordinary General Meeting of

Shareholders, Preferred Shareholders will be able to exercise voting rights until the resolution of the Board of Directors specified in Article 52 herein or an Ordinary General Meeting of Shareholders which approve the distribution of Preferred Dividends in full.

(Consolidation or Split of Preferred Shares, Allotment of Shares without Contribution, Rights for Allotment of Shares for Subscription, etc.)

Article 15. The Company shall not consolidate or split any preferred shares and shall not allot any shares without contribution to the Preferred Shareholders.

2. The Company shall not grant to the Preferred Shareholders any rights for allotment of shares for subscription, any share acquisition rights for subscription, any rights for allotment of bonds with share acquisition right or share acquisition rights for subscription which is able to be split and transferred and any rights for allotment of bonds, and the Company shall not allot any share acquisition rights without contribution to the Preferred Shareholders.

(Right to Demand Acquisition of Preferred Shares in Exchange for Common Shares)

Article 16. Any Class 1 Preferred Shareholder and Class 2 Preferred Shareholder may demand the Company, during the period that such Preferred Shareholder is entitled to demand the acquisition as specified in a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share (the "Period to Demand Acquisition"), to acquire his/her preferred shares in exchange for delivering common shares whose number of shares shall be determined by such Resolution of the Board of Directors etc. Other conditions of acquisition are specified in a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share.

2. In the case that the calculation of the number of common shares to be delivered in exchange for the Company's acquisition of such preferred shares includes a fraction less than one (1) share, that fraction shall be handled pursuant to Article 167, Paragraph 3 of the Companies Act.

(Provisions for Redemption of Preferred Shares in Exchange for Cash)

Article 17. With respect to Class 1 preferred shares and Class 3 preferred shares, the Company may redeem in whole or in part those preferred shares in exchange for cash acquiring price, which shall be determined by a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share, upon the arrival of the date which shall be after the time determined by a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share and which shall be separately specified in another Resolution of the Board of Directors etc.

2. In the case that the Company redeems a part of either class of preferred shares pursuant to the preceding paragraph, such redemption shall be made by means of a lottery or pro rata allocation.

(Blanket Redemption)

Article 18. On the day following the last day of the Period to Demand Acquisition, the Company shall redeem all Class 1 preferred shares and Class 2 preferred shares which have not been acquired by the Company during the Period to Demand Acquisition. In this case, the Company shall deliver its common shares to such Preferred Shareholder in exchange for the Company's redemption of such preferred shares. The number of common shares to be delivered shall be equivalent to the number of preferred shares held by each Preferred Shareholder multiplied by the amount equivalent to subscription money per share divided by the market price of the Company's common shares. The



details of such redemption shall be specified in a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share. That resolution may specify the method to calculate an upper limit to the number of common shares to be delivered.

2. After the issuance of each preferred share, the Company shall redeem in whole such preferred shares as of the date indicated below in the case that certain events, which shall be specified in a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share, occur. Such events include the event in which a supervisory agency (or an equivalent body) determines that a write-down, conversion to common shares, capital injection by a public institution or other equivalent action is necessary for the Company to continue its business activity. The date that the Company redeems preferred shares is either of a date which a Resolution of the Board of Directors etc. separately specifies after such certain event occurs, or a certain date which is after such certain event occurs and which date is separately specified in a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share, considering, for instance, the regulation for capital adequacy ratio which is applied to the Company. The Company shall deliver its common shares to each relevant Preferred Shareholder in exchange for such preferred shares or shall redeem its preferred shares without contribution from each relevant Preferred Shareholder, and whether such redemption shall be made in exchange for common shares or without contribution shall be determined by a Resolution of the Board of Directors etc. prior to the issuance of each class of preferred share, considering, for instance, the market condition. In the case that the Company shall deliver its common shares to each relevant Preferred Shareholder, the calculation method of the number of common shares in exchange for such preferred shares is specified in a Resolution of the Board of Directors

etc. prior to the issuance of each class of preferred share, considering the market value of the Company's common shares and the subscription price of the preferred shares etc.

3. Pursuant to the preceding two paragraphs, in the case that the number of common shares includes a fraction less than one (1) share, that fraction shall be handled pursuant to Article 234 of the Companies Act.

(Order of Priority)

Article 19. All classes of preferred share issued by the Company shall be *pari passu* in respect of the payment of Preferred Dividends, Preferred Interim Dividends and the distribution of residual assets.

#### CHAPTER IV GENERAL MEETINGS OF SHAREHOLDERS

(Ordinary General Meeting and Extraordinary General Meeting)

Article 20. An Ordinary General Meeting of Shareholders of the Company shall be convened and held within three (3) months after the day following the end of each business year, and an Extraordinary General Meeting of Shareholders may be convened whenever necessary.

(Record Date of Ordinary General Meeting of Shareholders)

Article 21. The Company shall deem those shareholders whose names appear are logged in the Register of Shareholders on March 31 of each year as shareholders entitled to exercise their rights at the Ordinary General Meeting of Shareholders.

(Chairman of Meetings)

Article 22. The Director who is concurrently in office as the President and Executive Officer shall convene a General Meeting of Shareholders upon resolutions of the meetings of the Board of Directors and shall act as chairman thereat.

2. In the event that the office of Director who is concurrently in office as

the President and Executive Officer is vacant or he/she fails or is unable to act, one of the other Directors shall act in his/her place in accordance with the order fixed in advance by the Board of Directors.

(Disclosure of Reference Documents for General Meeting of Shareholders, etc., through the Internet and Deemed Provision thereof)

Article 23. Upon convening a General Meeting of Shareholders, it may be deemed that the Company has provided shareholders with necessary information that should be described or indicated in reference documents for the General Meeting of Shareholders, business reports, non-consolidated financial statements, and consolidated financial statements, on condition that such information is disclosed through the Internet in accordance with the Ministry of Justice Ordinance.

(How to Adopt Resolutions at General Meeting of Shareholders)

Article 24. Unless otherwise provided by law or by these Articles of Incorporation, all resolutions at a General Meeting of Shareholders shall be adopted by a majority of the voting rights of the attending shareholders who are entitled to exercise their voting rights.

2. Resolutions at a General Meeting of Shareholders to be adopted as set forth in Article 309, Paragraph 2 of the Companies Act shall be made by a vote of two-thirds (2/3) or more of the voting rights owned by the attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders who are entitled to exercise their voting rights.

(Exercise of Voting Rights by Proxy)

Article 25. A shareholder of the Company may exercise his/her voting rights by proxy who shall be one (1) of the shareholders of the Company who is entitled to vote at a General Meeting of Shareholders.

(General Meetings of Class Shareholders)

Article 26. The provision of Article 21 herein shall apply mutatis mutandis to the General Meetings of Class Shareholders.

2. The provisions of Articles 22, 23, Article 24, Paragraph 1 and Article 25 herein shall apply mutatis mutandis to the General Meetings of

Class Shareholders.

3. The provision of Article 24, Paragraph 2 herein shall apply mutatis mutandis to any resolution of the General Meetings of Class Shareholders under Article 324, Paragraph 2 of the Companies Act.

## CHAPTER V DIRECTORS AND BOARD OF DIRECTORS

(Establishment of the Board of Directors)

Article 27. The Company shall have a Board of Directors.

(Number of Directors)

Article 28. The Company shall have twenty (20) or less Directors.

(Election of Directors)

Article 29. Directors shall be elected by a resolution at a General Meeting of Shareholders.

2. Election referred to in the preceding paragraph shall be made by a majority vote of the voting rights owned by the attending shareholders representing one-third (1/3) or more of the voting rights of shareholders who are entitled to exercise their voting rights.
3. Election of Directors shall not be conducted by cumulative voting.

(Term of Office of Directors)

Article 30. The term of office of a Director shall expire upon conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within one (1) year after his/her election.

(Chairman of the Board and Deputy Chairman of the Board)

Article 31. The Board of Directors, by its resolution, shall appoint one (1) Chairman of the Board of Directors and may appoint one or more Deputy Chairmen of the Board of Directors from among its members.

(Convocation of the Meeting of the Board of Directors)

Article 32. The Chairman of the Board of Directors may convene a meeting of

the Board of Directors, and notice thereof shall be given to each Director at least three (3) days prior to the date set for such meeting. Provided that such period of notice may be shortened in the case of urgency.

2. A meeting of the Board of Directors may be held without following the convocation procedure if all Directors consent thereto.

(Method of Resolutions at Meeting of the Board of Directors)

Article 33. Resolutions at a meeting of the Board of Directors shall be adopted by a majority of the Directors present, the quorum being a majority of the Directors in office who are entitled to vote.

2. The Company shall deem that a resolution of the Board of Directors has been adopted if the requirements stipulated by Article 370 of the Companies Act have been fulfilled.

(Regulations of the Board of Directors)

Article 34. Matters concerning the Board of Directors shall be governed by the Regulations of the Board of Directors established by the Board of Directors, unless otherwise provided by laws and regulations or these Articles of Incorporation.

(Remuneration for Directors)

Article 35. Remuneration, bonuses and other profits to be paid by the Company as consideration for execution of duties (hereinafter “Remuneration”) to Directors shall be determined by a resolution of the Compensation Committee.

(Exemption of Directors’ Liability)

Article 36. Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt Directors (including former Directors) through a resolution of the Board of Directors from liabilities stipulated under Article 423, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations.

2. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into agreements with Outside

Directors that limit their liability for acts set forth under Article 423, Paragraph 1 of the Companies Act. Provided, however, that the limit of the liability under such agreements shall be the greater of the following amounts: an amount determined in advance that is ten (10) million yen or more; or the total of the amounts stipulated under the items in Article 425, Paragraph 1 of the Companies Act.

(Establishment of Committees)

Article 37. The Company shall have a Nominating Committee, an Audit Committee, and a Compensation Committee.

2. Each committee shall be composed of three (3) or more committee members, of which the majority shall be Outside Directors. Committee members of the Audit Committee may not serve concurrently as Executive Officers or Directors engaged in executing the operations of the Company or any of its subsidiaries, or accounting advisors or managers or other employees of the subsidiaries of the Company.
3. Committee members of each committee shall be elected by resolution of the Board of Directors from among the Directors.

(Other Matters Relating to Committees)

Article 38. Matters relating to the authority of each committee and its operations shall be governed by laws and regulations or by these Articles of Incorporation, and the Regulations of the Board of Directors and of the respective committees, which have been adopted by resolution of the Board of Directors and committees, respectively.

## CHAPTER VI EXECUTIVE OFFICERS

(Number of Executive Officers)

Article 39. The Company shall have thirty (30) or less Executive Officers.

(Election and Removal of Executive Officers)

Article 40. Executive Officers shall be elected and removed by resolution of the Board of Directors.

(Relationships Among Executive Officers)

Article 41. When there are two (2) or more Executive Officers, matters concerning relationships among such officers, including divisions of operational responsibility and reporting lines, shall be determined by resolution of the Board of Directors.

(Terms of Office of Executive Officers)

Article 42. The terms of office of Executive Officers shall expire upon conclusion of the first meeting of the Board of Directors that is convened following the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within one (1) year after his/her election.

(Representative Executive Officers)

Article 43. Executive Officers with the authority to represent the Company shall be appointed by resolution of the Board of Directors.

(Executive Officers with Titles)

Article 44. The Board of Directors, by its resolution, shall appoint one (1) President and may appoint one or more Deputy Presidents, Senior Executive Managing Directors and Executive Managing Directors from among Executive Officers.

(Remuneration for Executive Officers)

Article 45. Remuneration to be paid to Executive Officers shall be determined by resolution of the Compensation Committee.

2. In case that an Executive Officer serves concurrently as a manager or other employee of the Company, Remuneration for such manager or employee shall be determined as set forth in the preceding paragraph herein.

(Exemption of Executive Officers' Liability)

Article 46. In accordance with the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt Executive Officers

(including former Executive Officers) through a resolution of the Board of Directors from liabilities stipulated under Article 423, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations.

## CHAPTER VII ACCOUNTING AUDITORS

(Accounting Auditors)

Article 47. The Company shall have Accounting Auditors.

(Election of Accounting Auditors)

Article 48. Accounting Auditors shall be elected by a resolution at a General Meeting of Shareholders.

(Term of Office of Accounting Auditors)

Article 49. The term of office of an Accounting Auditor shall expire upon conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within one (1) year after its election.

2. Unless otherwise decided at the Ordinary General Meeting of Shareholders in the preceding paragraph, the Accounting Auditor shall be deemed to be re-elected.

(Remuneration for Accounting Auditor)

Article 50. Remuneration to be paid to an Accounting Auditor shall be determined by Representative Executive Officers with the consent of the Audit Committee.

## CHAPTER VIII ACCOUNTING

(Business Year)

Article 51. The business year of the Company shall begin on April 1 of each year and end on March 31 of the following year.



(Dividends from Surplus)

Article 52. The Company may determine the matters provided for in each item of Article 459, Paragraph 1 of the Companies Act by a resolution of the Board of Directors without a resolution of the General Meeting of Shareholders unless otherwise provided by laws and regulations.

(Record Date for Dividends from Surplus)

Article 53. Year-end dividends of the Company may be paid to shareholders or their registered pledgees whose names are logged in the Register of Shareholders as of March 31 of each year.

2. Interim dividends of the Company may be paid to shareholders or their registered pledgees whose names are logged in the Register of Shareholders as of September 30 of each year.
3. The Company may, without prejudice to the preceding two paragraphs, declare other record dates for dividends.

(Prescription Period of Dividends)

Article 54. The Company shall be released from its obligation to pay any cash as dividends from surplus which has remained unreceived for more than five (5) years after the date on which the Company offered to pay the dividends.