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## Corporate Governance Report

Last Update: December 28, 2018

Daiwa Securities Group Inc.

President and CEO Seiji Nakata

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Securities Code: 8601

<http://www.daiwa-grp.jp/english/index.html>

The corporate governance of Daiwa Securities Group Inc. (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

The Company is a group management holding company which aims to meet a highly transparent and objective governance system that is in line with international standards. Furthermore, the Company aims to achieve highly efficient and specialized supervision of group companies, and is building a unified group management system which demonstrates the synergy of each group company.

The Company has adopted the organizational form of a company with Three Committees with a view to (a) improving the mobility of decision-making by significant delegation of authority from the Board of Directors to the Corporate Executive Officers (Shikkoyaku) and clarifying the division of the duties among the Corporate Executive Officers (Shikkoyaku); (b) enhancing the transparency of the management by establishing Three Committees (Nominating Committee, Audit Committee and Compensation Committee) of which Outside Directors hold the majority and Chairman and making the supervisory function of the Board of the Directors more efficient by inviting highly specialized Outside Directors; and (c) exerting management oversight function by the advice, etc. given from the third point of view, which is based on each insight and experience of highly independent and ethical Outside Directors, in the Board of Directors and the Three Committees.

Furthermore, the Company positively addresses CSR activities in order to earn trust from all of the stakeholders. There are indeed various aspects to CSR, such as providing superior products, services, and sincere responses to customers; returning profits appropriately and disclosing information to shareholders; measures for labor environment and evaluation of the employees; establishing legal compliance and corporate ethics; environmental management; as well as social contribution.

The Company believes that these approaches, together with a strengthened corporate governance system which emphasizes transparency, mobility and efficiency will lead to the sustainable improvement of the corporate value.

The corporate governance system of the Company consists of (i) the Board of Directors and the aforesaid Three Committees (Nominating Committee, Audit Committee, and Compensation Committee) as a supervising body, (ii) Executive Management Committee and its subcommittees (Group Risk Management Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) as an executive body, and (iii) Group Internal Audit Committee,

which is in direct control of the CEO as an internal audit body.

**[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company complies with all principles of the Corporate Governance Code.

**[Disclosure Based on the Principles of the Corporate Governance Code]**

**【Principle 1-4】 Strategic Shareholding Shares**

- The Company and Daiwa Securities Co. Ltd. hold the strategic shareholding shares only when they determine that such shareholding serves their strategic interests. Furthermore, the Company regularly verifies the significance of such shareholding and will sell shares which are determined to be insignificant considering the impact on the market and other matters which should be taken into consideration.

Total amount (book value) of the strategic shareholding shares\* sold from FY2016 to the end of September FY2018: 11.9 billion yen (▲19%).

\* Excluding shares held for the purpose of alliance.

- In the verification of the significance of the shareholding, the Company checks whether such shareholding contributes to the enhancement of medium to long term corporate value of the Company group from the viewpoint of economic rationality (i.e. whether the returns from the shares such as revenues related to client companies or dividend income exceed the standard capital cost) and objectives for the shareholding (e.g. potential for growth and enhancement of business relationships, etc.).

Moreover, the Board of Directors regularly verifies the significance of each strategic shareholding shares.

\*The result of the verification at the end of December 2017 is as follows:

Around 80% of the client companies exceed the target value.

For the other approximately 20% of the client companies which are below the target value, the Company will verify qualitative aspects of the shareholding such as maintenance and enhancement of future business relationships with these companies and aim to improve the profitability of the shareholding. However, if the profitability of the shareholding does not improve in a certain period, the Company will consider selling such shares.

- With regard to the exercise of the voting rights of strategic shareholding shares, the Company carefully determines whether or not each proposal should be approved taking into account the need to enhance medium to long term corporate value of both the strategic shareholding company and the Company group.

Especially for the important proposals of the following proposals that could significantly affect the corporate value or shareholder interests, the Company will exercise the voting rights through dialogue with the client company if necessary.

- Election of directors or audit & supervisory board members
- Anti-Takeover measure
- Organizational restructure
- Distribution of Dividends of surplus, etc.

- In addition, if there is a possibility of a conflict of interest in exercising the voting rights, the Company will take appropriate measures in accordance with the Management Policy for Conflict of Interest of the Company.

**【Principle 1-7】 Transactions between Related Parties**

- In order to avoid any prejudice to the Company and the common interests of its shareholders, the Company has established Regulations of the Board of Directors that a prior approval of the Board of Directors is necessary in cases where the Company conducts transactions with the Directors or Corporate Executive Officers (Shikkoyaku) of the Company or major shareholders, etc., unless the terms and conditions of the transactions are the same as those of general transactions.

**【Principle 2-6】 Roles of Corporate Pension Funds as Asset Owners**

- Each company of the Company group, including the Company, adopted a Defined Contribution Pension Plan to allow each employee to freely build his/her assets according to his/her life plan.
- The Company has selected Daiwa Securities Co. Ltd., a subsidiary of the Company, as the DC provider and encourages employees of each company adopting the Defined Contribution Pension Plan to provide education for the subscribers and use a matching contribution plan.

**【Principle 3-1】 Enhancement of Information Disclosure**

- (1) The Company enacts and discloses the Corporate Principles. The Company also has developed and disclosed Medium-Term Management Plan on its website.

Corporate Principles

([http://www.daiwa-grp.jp/english/corporate/corporate\\_07.html](http://www.daiwa-grp.jp/english/corporate/corporate_07.html))

Medium-Term Management Plan

([http://www.daiwa-grp.jp/data/attach/2436\\_43\\_en20180406a.pdf](http://www.daiwa-grp.jp/data/attach/2436_43_en20180406a.pdf))

- (2) The basic views on Corporate Governance of the Company group are described in “*I. 1. Basic Views*” of this report.
- (3) The Company decides on the policy regarding the compensation of the Directors and Corporate Executive Officers (Shikkoyaku) in the Compensation Committee and has disclosed the policy on the Notice of Convocation of the Ordinary General Meeting of Shareholders, securities reports, and “*II. 1. Organizational Composition and Operation, etc.*” of this report.
- (4) With regard to the election of Directors, the Nominating Committee, which is made up of a majority of Outside Directors, determines the candidates for the Directors. An overview of the procedure is disclosed in securities reports and “*II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)*” of this report.

Based on the Regulations of Board of Directors, appointment and dismissal of the CEO and other Corporate Executive Officers (Shikkoyaku) are determined by the Board of Directors. The Board of Directors will dismiss the CEO and other Corporate Executive Officers (Shikkoyaku), if the Board of Directors judges that the CEO or a Corporate Executive Officer (Shikkoyaku) cannot dully fulfill his/her duties and considers it appropriate to dismiss such CEO or Corporate Executive Officers (Shikkoyaku).

- (5) The reasons for the election of Directors, including the Director holding concurrent post of representative Corporate Executive Officer (Shikkoyaku), are explained in the appendix of this report. With regard to the Outside Directors, the reasons for election are described on “*Reasons for Appointment*” of “*Outside Directors’ Relationship with the Company (2)*” of **【Outside Directors】** of “*II. 1. Organizational Composition and Operation, etc.*” of this report.

**【Supplemental Principle 4-1-1】 Scope of Delegation to the Managers**

- In order to promote swift decision-making and efficient group management, the Board of Directors of the Company delegates the decision-making authority regarding the execution of operations to

the Corporate Executive Officer (Shikkoyaku) or the Executive Management Committee, which is comprised of the Corporate Executive Officers (Shikkoyaku), except for the matters that, according to the laws and regulations, have to be decided by the Board of Directors.

**【Principle 4-9】 Independence Criteria and Qualities of the Independent Outside Directors**

- The Company formulates evaluation criteria on the independence for becoming an Independent Outside Director at the Nominating Committee. Such criteria are disclosed in securities reports and “2. Auditing and Oversight (1) Nominating Committee” of “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of this report.

**【Supplemental Principle 4-11-1】 Structure of the Board of Directors**

- The Company determined to make efforts to ensure the overall balance of knowledge, experience and ability as well as diversity of the Board of Directors at large.
- The Articles of Incorporation stipulate that the number of the Directors shall not exceed 20.

**【Supplemental Principle 4-11-2】 Status of Holding Concurrent Posts**

- Status of holding concurrent posts of the Outside Directors is disclosed on the Notice of Convocation of the Ordinary General Meeting of Shareholders and “II. 1. Organizational Composition and Operation, etc.” of this report.
- The status of other Directors is described in the appendix of this report.

**【Supplemental Principle 4-11-3】 Evaluation of the Board of Directors**

- The Company implements the evaluation of the Board of Directors annually.
- The Company takes 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 implement the interview for them, and the Company analyzes and evaluates the results of those interviews. The results of the evaluation are reported to the Board of Directors and discussed by the directors in order to implement PDCA cycle. The Company endeavors to maintain and enhance the effectiveness of the Board of Directors using such PDCA cycle.

<Overview of the result of the effectiveness of the Board of Directors in FY2017>

- The Company has 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.
- In setting up the new Group Medium-Term Management Plan which started in April of this year, the Company has had a series of discussions at Board of Directors and Outside Directors’ Committee based on the results of the evaluation of the Board of Directors in FY 2016. As a result, the new Group Medium-Term Management Plan reflects the professional knowledge and the experiential advice of the Outside Directors.
- In addition, Directors stated various opinions such as sharing demands of the institutional investors and shareholders, and utilizing cutting-edge technology such as AI and Fintech.
- The Company will continuously endeavor to enhance the effectiveness of the Board of the Directors to earn trust from various stakeholders and improve the corporate value sustainably.

**【Supplemental Principle 4-14-2】 Policy on Training for the Directors**

- The Company ensures to offer an opportunity for the Directors to acquire necessary knowledge in order to accomplish their functions adequately.

**【Principle 5-1】 Policy on Constructive Communication with Shareholders**

- The Company has established the “IR Office”, a fully specialized dedicated section in charge of IR activities of the Company group that tries to promote constructive communication with shareholders cooperating with each group companies.
- The Company has determined the “Disclosure Policy” which summarizes the general considerations with regard to the information disclosure. The Company is committed to disclosing the information in a fair, timely and adequate manner pursuant to the Disclosure Policy.
- Furthermore, the Company has adopted internal rules, Disclosure Rules, and has also established the Disclosure Committee which, as the subcommittee of the Executive Management Committee, decides on information disclosure in order to embody the spirits of the policy.
- The Disclosure Policy is available at the Company’s website:  
[http://www.daiwa-grp.jp/english/corporate/corporate\\_02\\_06.html](http://www.daiwa-grp.jp/english/corporate/corporate_02_06.html)
- For more details on the IR activities, please see “III. 2. IR Activities” of this report.

**2. Capital Structure**

Percentage of Foreign Shareholders	From 20% to less than 30%
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**[Status of Major Shareholders]**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. Trust Account	86,301,000	5.33
Japan Trustee Services Bank, Ltd. Trust Account	84,206,000	5.20
Barclays Securities Japan Limited	34,220,000	2.11
Japan Trustee Services Bank, Ltd. Trust Account 5	32,260,000	1.99
Nippon Life Insurance Company	31,164,237	1.92
Taiyo Life Insurance Company	31,140,000	1.92
STATE STREET BANK WEST CLIENT-TREATY 505234	30,213,906	1.86
STATE STREET BANK AND TRUST COMPANY 505223	24,236,311	1.49
Japan Trustee Services Bank, Ltd. Trust Account 1	23,950,000	1.47
Japan Trustee Services Bank, Ltd. Trust Account 2	23,865,000	1.47

Controlling Shareholder (except for Parent Company)	—
Parent Company	Nil

**Supplementary Explanation**

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**3. Corporate Attributes**

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section and Nagoya Stock Exchange First Section
Fiscal Year-End	March

Type of Business	Securities & Commodity Futures Transactions
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	Equal to or more than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	50 or more to less than 100 companies

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

- No particular matters to be described.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation, etc.

Organization Form	Company with Three Committees
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	Chairperson of the Board (except holding concurrent post of president)
Number of Directors	14

#### [Outside Directors]

Number of Outside Directors	6
Number of Independent Directors designated among Outside Directors	6

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Keiichi Tadaki	Attorney at law											
Tadashi Onodera	From another company											
Michiaki Ogasawara	Other											
Hiroataka Takeuchi	Academic											
Ikuo Nishikawa	Certified Public Accountant											
Eriko Kawai	Academic											

\* Categories for "Relationship with the Company"

\* "○" when the Director presently falls or recently fell under the category;

"△" when the Director fell under the category in the past

\* "●" when a close relative of the Director presently falls or recently fell under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the listed company or its subsidiaries

b. Non-Executive Director or executive of a parent company of the listed company

c. Executive of a fellow subsidiary company of the listed company

d. A party whose major client or supplier is the listed company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides compensation as a Director/Audit & Supervisory Board Member

- g. Major shareholder of the listed company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the listed company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Member are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the listed company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Keiichi Tadaki	○		○	○	<p>Outside Audit &amp; Supervisory Board Member of Nippon Life Insurance Company;            Outside Audit &amp; Supervisory Board Member of Fujita Corporation;            Outside Audit &amp; Supervisory Board Member of MIROKU JYOHO SERVICE CO., LTD;            Outside Director of JAPAN RELIANCE SERVICE CORPORATION;            and Special Counsel Attorney at T &amp; T Partners.            He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the</p>	<p>&lt;Reasons for Appointment as Outside Director&gt;            He served successively as the Vice-Minister of Justice, the Superintending Prosecutor of the Tokyo High Public Prosecutors Office, the Prosecutor General, etc. and is currently an Attorney at law. The Company believes that he is qualified for the Outside Director because he has ample experience and professional knowledge about law and compliance accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt;            He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>



					Companies Act, whichever is higher.	
Tadashi Onodera	○	○		○	<p>Senior Corporate Advisor of KDDI Corporation; and Outside Director of KYOCERA Corporation.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; He held positions such as President of KDDI Corporation, etc. and currently is Senior Corporate Advisor of KDDI Corporation. The Company believes that he is qualified for the Outside Director because he has ample experience and knowledge about corporate management accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Michiaki Ogasawara	○		○	○	<p>Advisor of Sompo Japan Nipponkoa Insurance Inc.; and Advisor of Sumitomo Corporation.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act,</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; He served successively as the Director-General of Global ICT Strategy Bureaus and the Vice-Minister of Ministry of Internal Affairs and Communication etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt;</p>

					whichever is higher.	He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.
Hiroataka Takeuchi	○	○		○	<p>Professor of Harvard Business School;  Outside Director of Integral Corporation;  Outside Director of P&amp;E DIRECTIONS, INC.;</p> <p>Outside Director of BrightPath Biotherapeutics Co., Ltd.;</p> <p>Outside Director of MITSUI &amp; CO., LTD.;</p> <p>Director of t-lab; and Principal of Global Academy K.K.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt;  He served successively as the Professor of Hitotsubashi University, Faculty of Commerce and Management and Professor of Harvard Business School, etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt;  He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Ikuo Nishikawa		○	○	○	Outside Director of MEGMILK SNOW BRAND Co., Ltd.;	<p>&lt;Reasons for Appointment as Outside Director&gt;  He served successively as the Representative Partner of</p>

					<p>Supervisory Board Member of Mitsubishi Corporation; and Guest Professor of Graduate School of Keio University, Faculty of Business &amp; Commerce.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>Century Audit Corporation and Chairman of Accounting Standards Board of Japan, etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Eriko Kawai	○		○	○	<p>Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University; and Outside Audit &amp; Supervisory Board Member of CMIC HOLDINGS Co., Ltd..</p> <p>She has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; She held positions such as the Pension Funds Administrator of BIS and OECD, etc. The Company believes that she is qualified for the Outside Director because she has experience and records career as a manager as well as extensive experience at global companies and international organizations.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; She fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because the Company believes that there is no conflict of interest between general shareholders and her, the Company designates her</p>

						as an Independent Director.
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### [Committees]

#### Committee's Composition and Attributes of Chairman

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Chairman
Nomination Committee	7	0	2	5	Outside Director
Compensation Committee	5	0	2	3	Outside Director
Audit Committee	5	1	1	4	Outside Director

### [Corporate Executive Officers (Shikkoyaku)]

Number of Corporate Executive Officers (Shikkoyaku)	14
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#### Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Seiji Nakata	Yes	Yes	Yes	Yes	No
Toshihiro Matsui	Yes	Yes	No	No	No
Kazuo Takahashi	No	Yes	No	No	No
Koichi Matsushita	No	Yes	No	No	No
Nobuyuki Iwamoto	No	No	No	No	No
Yoriyuki Kusaki	No	No	No	No	No
Keiko Tashiro	No	Yes	No	No	No
Mikita Komatsu	No	Yes	No	No	No
Masahisa Nakagawa	No	No	No	No	No
Masaru Shirataki	No	No	No	No	No
Atsushi Mochizuki	No	No	No	No	No
Akihiko Ogino	No	No	No	No	No
Junichi Arihara	No	No	No	No	No
Takashi Hibino	No	Yes	Yes	Yes	No

### [Auditing Structure]

Appointment of Directors and/or Employees to Support Audit Committee	Appointed
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#### Matters Related to the Independence of Such Directors and/or Employees from Corporate Executive Officers (Shikkoyaku)

- The Company has established Audit Committee's Office as a full-time post to support the duties of Audit Committee.
- Personnel affairs, change of organization, etc. of the Audit Committee's Office require consent of Audit Committee or Audit Committee member selected by Audit Committee.

#### Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

- In FY2017, Audit Committee held periodic meetings three times with KPMG AZSA LLC, Accounting Auditors. Audit Committee has received reports on audit plan, circumstances and result of the audit, etc. from Accounting Auditors, and has evaluated independence of Accounting Auditors and quality control system.
- Furthermore, a member of Audit Committee, selected by Audit Committee, has been conducting hearings with Accounting Auditors as necessary.
- Audit Committee has provided "Policy of Determination of Dismissal or Non-Reappointment to Accounting Auditors" and receives explanations about the audit Remuneration of the Accounting Auditors from the section in charge and consents to it.
- In FY2017, Audit Committee received reports eight times from the Internal Audit Department on the circumstances of internal audit of the Company and the group companies.
- Furthermore, a member of Audit Committee, selected by Audit Committee, holds a hearing from the Internal Audit Department on circumstances of internal audit as necessary, and attends the Group Internal Audit meeting and makes remarks as necessary.
- Audit Committee or a member of Audit Committee selected by Audit Committee consents to important issues on the internal audit, such as Audit Policy of Internal Audit or formulation of internal audit plan etc.
- Audit Committee is able to put forward inquiries to the Internal Audit Department as necessary.

#### [Independent Directors]

Number of Independent Directors	6
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#### Matters relating to Independent Directors

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#### [Incentives]

Incentive Policies for Directors and/or Corporate Executive Officers (Shikkoyaku)	Introduction of Performance-linked Remuneration and Stock Options
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#### Supplementary Explanation

##### Performance-linked Remuneration

- Performance-linked Remuneration shall be determined depending on the level of individual contributions, based on the consolidated ROE and the consolidated ordinary income, and also comprehensively taking into account the achievement status of the managerial goals set in the Medium-Term Management Plan, and the like.
- Performance-linked Remuneration does not apply to Directors who do not serve as Corporate Executive Officers (Shikkoyaku).

#### Stock-linked Remuneration

- To increase the link between Remuneration and shareholders' value, the Company grants, as stock-linked Remuneration, stock options, etc., the values of which correspond to a certain percentage of Base Remuneration.
- Stock-linked Remuneration does not apply to Outside Directors.
- ※ From FY2018, the Company introduced the Restricted Stock Compensation Plan to increase incentives for the Company and its subsidiaries' Directors, Corporate Executive Officers (Shikkoyaku), 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 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.

#### Recipients of Stock Options

Employees, Subsidiaries' Directors, and Subsidiaries' Employees.

#### Supplementary Explanation

- The Company issued Series 15 Stock Acquisition Rights in August 2018 as stock options to employees of the Company, its subsidiaries and affiliates, and directors and executive officers of the Company's subsidiaries and affiliates as an incentive to contribute towards increasing consolidated performance and to enable the recruitment of talented personnel.

#### [Compensation for Directors and Corporate Executive Officers (Shikkoyaku)]

#### Disclosure of Individual Directors' Remuneration

Selected Directors

#### Disclosure of Individual Corporate Executive Officers' (Shikkoyaku) Remuneration

Selected Corporate Executive Officers (Shikkoyaku)

#### Supplementary Explanation

- In FY2017, Amounts of Remunerations, etc. paid based on Resolution of the Compensation Committee for 8 Directors were 148 million yen, and for 14 Corporate Executive Officers (Shikkoyaku) were 1,331 million yen, totaling 1,479 million yen for 22 members.
  - ※ Performance-linked Remuneration is included.
  - ※ The above paid amounts include stock acquisition rights granted as stock options to the Directors and Corporate Executive Officers (Shikkoyaku) valued at 93 million yen in total.
  - ※ The total Remuneration, etc. paid to the 6 Outside Directors was 112 million yen.
  - ※ The Remunerations to the 7 Directors who also serve as Corporate Executive Officers (Shikkoyaku) are stated in the amount paid to the Corporate Executive Officers (Shikkoyaku).

Disclosure Status of Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) is as follows:

- Takashi Hibino: amount of consolidated Remuneration 226 million yen  
(Base Remuneration 115 million yen, Stock Option 10 million yen, Performance-linked Remuneration 99 million yen)
- Seiji Nakata: amount of consolidated Remuneration 271 million yen  
(Base Remuneration 115 million yen, Stock Option 10 million yen, Performance-linked

Remuneration 144 million yen)

- Shinya Nishio: amount of consolidated Remuneration 185 million yen  
(Base Remuneration 86 million yen, Stock Option 8 million yen, Performance-linked Remuneration 89 million yen)
  - Kazuo Takahashi: amount of consolidated Remuneration 132 million yen  
(Base Remuneration 65 million yen, Stock Option 6 million yen, Performance-linked Remuneration 59 million yen)
  - Toshihiro Matsui: amount of consolidated Remuneration 109 million yen  
(Base Remuneration 53 million yen, Stock Option 5 million yen, Performance-linked Remuneration 49 million yen)
  - Keiko Tashiro: amount of consolidated Remuneration 109 million yen  
(Base Remuneration 53 million yen, Stock Option 5 million yen, Performance-linked Remuneration 49 million yen)
  - Mikita Komatsu: amount of consolidated Remuneration 109 million yen  
(Base Remuneration 53 million yen, Stock Option 5 million yen, Performance-linked Remuneration 49 million yen)
  - Masahisa Nakagawa: amount of consolidated Remuneration 107 million yen  
(Base Remuneration 52 million yen, Stock Option 5 million yen, Performance-linked Remuneration 49 million yen)
- ※ The persons, each of whose total Remuneration, etc. paid is equal to or more than 100 million yen are listed above.

Policy on Determining Remuneration Amounts  
and Calculation Methods

Established

#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Policies for Determination of Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) are as follows:

- Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) is determined based on the policies to create effective incentives, which contribute to the increase of shareholders' value through sound business development and lead to the improvement of business performance in short-term and medium to long-term.
- To maintain Remuneration standards which are competitive enough not only domestically but also globally as a global securities company group.
- As a Company with Three Committees, the Company has a basic policy that the execution and supervision should function effectively .

Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) is comprised of Base Remuneration, Performance-linked Remuneration and Stock-linked Remuneration as defined below.

○ Base Remuneration

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

○ Performance-linked Remuneration

- Performance-linked Remuneration is determined depending on the level of individual contributions, based on the consolidated ROE and the consolidated ordinary income , and also comprehensively takes into account the achievement status of the managerial goals set in the Medium-Term

Management Plan, and the like.

- Performance-linked Remuneration does not apply to Directors who do not serve as Corporate Executive Officers (Shikkoyaku).
- Stock-linked Remuneration
  - To increase the link between Remuneration and shareholders' value, the Company grants, as stock-linked Remuneration, stock options, etc., the value of which corresponds to a certain percentage of Base Remuneration.
  - Stock-linked Remuneration does not apply to Outside Directors.

※ From FY2018, the Company introduced the Restricted Stock Compensation Plan to increase incentives for the Company and its subsidiaries' Directors, Corporate Executive Officers (Shikkoyaku), 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 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.

#### [Supporting System for Outside Directors]

- Corporate Planning Section which acts as a secretariat of the Board of Directors and drafting department provide explanation of planned agenda and distribute reference materials to Outside Directors at least one day before the meeting of the Board of Directors.
- Secretariat of each Committee supports Outside Directors who are chosen to be members of Nominating Committee, Compensation Committee, and/or Audit Committee.

#### [Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Shigeharu Suzuki	Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	2017/06/28	2019/06/30
Yoshinari Hara	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	2008/06/21	Indefinite
Motoo Esaka	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	1997/09/30	Indefinite
Masahiro Douzen	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	1997/09/30	Indefinite

Number of retired presidents/CEOs holding  
advisory positions (sodanyaku, komon, etc.)

4



- Former CEOs, etc. of the Company may engage in external activities such as their activities in contributing to the financial world, etc. as an Advisor or an Honorary Advisor.
- The term of office as the Advisor is in principle a maximum of 1 year, and the Company and the Advisor determines every year whether the term of office will be renewed or not. As for the Honorary Advisor, the term of office is indefinite.
- The Advisor and Honorary Advisor will not be involved in business execution and oversight of it.
- The Company believes that advisor system has certain value for improvement of corporate value and will retain the present system.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions, etc. (Overview of Current Corporate Governance System)**

The corporate governance system of the Company consists of (i) the Board of Directors and the Three Committees (Nominating Committee, Audit Committee, and Compensation Committee) as a supervising body, (ii) Executive Management Committee and its subcommittees (Group Risk Management Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) as an executing body, and (iii) Group Internal Audit Committee, which is in direct control of the CEO as an internal audit body.

In order to have a variety of views in a group management, the Company has assigned two women as its Director and Corporate Executive Officer (Shikkoyaku). The Company group has also assigned seven women as its Directors, Corporate Executive Officers (Shikkoyaku) and Executive Officers (Shikkoyakuin).

### **1. Business Execution**

- The Company established the “Executive Management Committee” as a decision-making body regarding business execution to deliberate and determine important business matters and the Company group’s business strategy and the basic policy on the structural problems between the group companies. Executive Management Committee consists of all of the Corporate Executive Officers and is held once or more than once every three months.
- In order to make the management decisions promptly, the Board of Directors delegated decision-making powers to the Executive Management Committee as possible. Furthermore, to have more expert deliberation, the Company established four subcommittees (Group Risk Management Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) each of which consists of certain Corporate Executive Officers (Shikkoyaku), etc.
- The Corporate Executive Officers (Shikkoyaku) of the Company hold main posts of Directors in group companies to have unity among group management and enable efficient and effective implementation of the sectional strategies based on the Company groups’ strategy.

### **2. Auditing and Oversight**

- As the auditing section of the management, the Company has established the Board of Directors, in which a Board Chairman served as a chairman and “Nominating Committee”, “Audit Committee” and “Compensation Committee” as internal sections of the Board of Directors where Outside Directors hold the majority and Chairman of each Committee.
- The Board of Directors consists of fourteen members, six of whom are Outside Directors and two of

whom are females.

## 2. Auditing and Oversight (1): Nominating Committee

- The meetings of the Nominating Committee are held once or more a year. In FY2017, there were four meetings in total.
- Nominating Committee consists of five Outside Directors, including a chairman, and two Internal Directors.
- The specialized expertise of the Outside Directors is taken into consideration so that the Nominating Committee can nominate Company's Directors from multiple points of view.
- The Committee considers the structure of the Board of Directors and the general policies for the nomination in light of the corporate governance, and selection of candidates to serve as the Directors, etc.

### <Policies for selection of candidates to serve as the Directors>

Policies for selection of candidates to the position of Directors are described below:

- Able to exert maximum effort to actualize the Company group's Corporate Principles.
- Have a high sense of ethics and morals and take the initiative to set a good example.
- Have experience in the course of business or have expert knowledge in law, accounting, or management, etc.

Outside Directors must also fulfill the requirements for independence listed below, in addition to the requirements above:

- Should have no work experience as an Executive Director, Corporate Executive Officer (Shikkoyaku), Executive Officer (Shikkoyakuin), or any other person equivalent to these or an employee of the Company group.
- Should not be a Director, Corporate Executive Officer (Shikkoyaku), manager or employee of a company whose major shareholder is the Company group or which is the main business partner of the Company group.
- Have no matter which impairs the independence in order to perform the duty as the Director.

### <Composition of the Board of Directors>

Composition of the Board of Directors is described below:

- In principle, two or more persons, and equal to or more than one third of the Board of Directors shall be elected as Independent Outside Directors.
- Ensure the balance of knowledge, experience and ability, and diversity of the Board of Directors overall.

## 2. Auditing and Oversight (2): Audit Committee

- In principle, meetings of Audit Committee are held once a month. In FY2017, there were twelve meetings in total.
- Audit Committee consists of five Directors who do not serve as Corporate Executive Officers (Shikkoyaku). Four members, including the chairman, are Outside Directors and another member is a full-time Internal Director. Keiichi Tadaki, the chairman of the Audit Committee, served as the prosecutor general, etc. and is a qualified attorney at law, and has considerable knowledge of law. Ikuo Nishikawa, the member of the Audit Committee, is a certified public accountant and served as Chairman of Accounting Standards Board of Japan, etc., and has considerable knowledge of finance and accounting.
- The Audit Committee is in charge of auditing how Directors and Corporate Executive Officers

(Shikkoyaku) perform their duties; auditing business reports and financial statements, etc.; creating audit reports, etc.; and determining the content of a bill in a shareholders meeting as to election or dismissal and non- reappointment of Accounting Auditor.

- Audit Committee members attend meetings of the Board of Directors, and Audit Committee members selected by Audit Committee attend the Executive Management Committee as well as other important meetings and have report hearings from Directors and employees to provide the information to other Audit Committee members, in order for the Company to create an environment for the effective audit by the Audit Committee.
- The Company has established Audit Committee's Office as a full-time post to support the Audit Committee.
- The Audit Committee, in compliance with audit standards of Audit Committee established by the Audit Committee and in accordance with the policy of audit, division of duties and the like, conducts audits in cooperation with the Internal Audit Department and Accounting Auditors. In FY2017, the Audit Committee carried out an audit with the following as priority issues:(1) Efforts towards "Customer first Operations", (2) Internal control and risk management system of each of the group companies, and (3) Cooperation between each of the group companies accompanied by the enlargement of the business areas.

#### 2. Auditing, Oversight (3): Compensation Committee

- The meetings of the Compensation Committee are held once or more a year. In FY2017 there were six meetings in total.
- Compensation Committee consists of three Outside Directors including a chairman and two Internal Directors.
- The specialized expertise of the Outside Directors is taken into consideration so that the Compensation Committee can plan, operate, and verify rational Remuneration system.
- The Committee discusses issues related to Director Remuneration policy and decision upon individual remuneration as well as the incentive plan of the Company group to ensure the enhancement of consolidate earnings.

#### 3. Other meetings (1): Group Risk Management Committee

- Group Risk Management Committee deals with the group risk management system and the status of the risk of the Company group etc., deliberates and decides upon policy and concrete measures on risk management.
- The CEO is the chairman of the committee; the meetings are held once or more than once every three months.

#### 3. Other meetings (2): Disclosure Committee

- The Company has established a Disclosure Committee as a subcommittee of the Executive Management Committee to deliberate and determine disclosure-related matters.
- The Committee is in charge of decision making regarding disclosure of the Company group's information on management, the scope of the evaluation with respect to reporting system of internal control, the scope of consolidated financial reporting and other important accounting policies. In principle, the meetings of the Committee are held before the quarterly earnings announcement, disclosure of a securities report or a quarterly report. Committee meetings are also held at any time when certain important matters to be disclosed occur.
- The Committee consists of Corporate Executive Officers (Shikkoyaku) in charge of the sections which have close relations to the above decision making and Corporate Executive Officers

(Shikkoyaku) who have jurisdiction over such section, etc. The chairman of the Committee is chosen from the committee members by the CEO. As of December 2018, the CFO is the chairman.

3. Other meetings (3): Group IT Strategy Committee

- Group IT Strategy Committee has been established for the purpose of deliberating and determining the integration of management strategy and IT strategy, acceleration of decision-making related to IT investment and improvement of IT investment efficiency, etc.
- The CEO is the chairman of the Committee; the meetings are held once every six months in principle.

3. Other meetings(4): Overseas Management Committee

- The Company has established Overseas Management Committee to deliberate and determine the management administration of overseas subsidiaries, etc. and other related matters.
- The CEO is the chairman of the Committee; the meetings of the Committee are held once or more than once every three months.

3. Other meetings (5): Group Internal Audit Committee

- Group Internal Audit Committee deliberates and determines various matters related to the development of the internal audit system of the business of the Company group and observation on internal controls to secure suitability and effectiveness of the Group's business operations, internal audit system and internal control.
- The CEO is the chairman of the Committee; the meetings are held once or more than once every three months.

3. Other meetings (6): Outside Directors' Committee

- The Company has established Outside Directors' Committee for the primary purpose of sharing information among the Outside Directors and aims to exchange their opinions on the issues including the contents of the proposal of the Board of Directors.
- The meetings of the Committee are held once or more a year.

4. Organization, Staff, Procedure of the Audit

- Recognizing that structuring of sound and efficient internal audit systems enhance the value of the Company, the Company group believes that the internal audit plays an important role in the structuring of sound and efficient internal audit systems and has established a Full-time Internal Audit Corporate Executive Officer (Shikkoyaku), and Internal Audit Department, which is independent from other sections to observe the internal audit systems. The report, focused on the acceptance of the internal audit plan and results of the audit is presented in the Group Internal Audit Meeting. Furthermore, the internal audit plan shall obtain consent of the Audit Committee or Selected Committee Member who has been given certain authority from the Audit Committee, and the results of the audit are also reported to the Audit Committee.
- The Company's Internal Audit Department contacts and aligns with the Audit Committee and Accounting Auditors to audit properly and efficiently, and may also be delegated investigation authority from the Audit Committee.
- On each group companies, the Company's Internal Audit Department investigates directly, or aligns and monitors with Internal Audit Departments established at the main group companies.
- The certified public accountants of the Company are Mr. Hiroyuki Takanami, Mr. Atsunori Sadahiro, and Ms. Kanako Ogura, who have executed accounting audit services and are designated

members with limited liability of KPMG AZSA LLC based on Article 34-10-5 of Certified Public Accountants Act. All of the members have audited continuously within 7 years.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company is adopting the Company with Three Committees (Nominating Committee, Audit Committee and Compensation Committee) with the intention to exercise management monitoring function by;

- Enhancing the mobility of decision-making by significantly delegating authority from the Board of Directors to Corporate Executive Officers (Shikkoyaku) and by clarifying segregation of the duties of Corporate Executive Officers (Shikkoyaku);
- Improving transparency of the management by establishing Nominating Committee, Audit Committee, and Compensation Committee, where Outside Directors hold the majority and chairman, and making audit function more efficient and effective by involving more specialized Outside Directors; and
- Being advised from outsiders' points of view by Outside Directors with high independence and sense of ethics based on their individual knowledge and experience, in the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of Convocation of General Shareholder Meeting	<ul style="list-style-type: none"> <li>Since 2005, the Company has sent Notice of Convocation of the General Shareholders Meeting more than three weeks before the day when General Shareholders Meeting is held.</li> <li>In 2018, the Company sent such a notification on June 1, i.e., more than three weeks before the day of the General Shareholders Meeting.</li> </ul>
Scheduling the General Shareholders Meeting Avoiding the Peak Day	<ul style="list-style-type: none"> <li>The Company has decided the date by avoiding the peak day and considering schedule of the venue, efficiency, reduction of the cost and other aspects comprehensively.</li> <li>The General Shareholders Meeting in 2018 was held on June 27.</li> </ul>
Allowing Electronic Exercise of Voting Rights	<ul style="list-style-type: none"> <li>The Company has enabled shareholders to exercise their voting rights by the Internet (including cell-phone).</li> </ul>
Participation in Electronic Voting Platform and other measures to enhance the environment for Institutional Investors to exercise voting rights	<ul style="list-style-type: none"> <li>The Company has participated in “Electronic Voting Platform for Institutional Investors” managed by ICJ Corporation.</li> </ul>
Providing Convocation Notice in English (Summary)	<ul style="list-style-type: none"> <li>The Company has created the Notice of Convocation of General Shareholders Meeting in English and has posted on the website of the Company.</li> </ul>

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	<ul style="list-style-type: none"> <li>The Company has adopted the “Disclosure Policy”, which sort out basic views on information disclosure, and has disclosed it on the website of the Company.</li> </ul>	—
Regular Investor Briefings for Individual Investors	<ul style="list-style-type: none"> <li>The Company has established the “IR information digest page” for individual investors on the website to enhance the usability by gathering the information on IR.</li> <li>In FY2017, “Briefing session for individual investors” produced by the Director, etc. in charge of IR was held 14 times in branches, etc. of Daiwa Securities Co. Ltd. and once via the Internet through a live seminar of the Company, resulting in approximately 2,700 people in total participating in the seminar.</li> <li>The Company provides live streams of the regular telephone meetings for Financial Results with analysts and institutional investors on the Internet (the website of the Company) and keeps the recording available for six months. Management strategy meetings are also recorded and are made available on the Internet later.</li> </ul>	Yes

Regular Investor Briefings for Analysts and Institutional Investors	<ul style="list-style-type: none"> <li>▪ Telephone meetings are held for analysts and institutional investors on the evening of quarterly earnings announcement day through a Japanese-English simultaneous interpretation. Furthermore, after announcing full-year financial results, the Company holds business strategy briefing sessions.</li> <li>▪ The managers, such as the CEO, CFO and the Directors, etc. in charge of IR, conduct overseas IR activities in Europe, the United States and Asia respectively around twice a year.</li> </ul>	Yes
Regular Investor Briefings for Overseas Investors	<ul style="list-style-type: none"> <li>▪ Telephone meetings are held for analysts and institutional investors on the evening of quarterly earnings announcement day through a Japanese-English simultaneous interpretation for overseas investors. An English version of the recording is available for six months.</li> <li>▪ The managers, such as the CEO, CFO and the officers in charge of IR, conduct overseas IR activities in Europe, the United States and Asia respectively around twice a year.</li> </ul>	Yes
Posting of IR Materials on Website	<ul style="list-style-type: none"> <li>▪ The Company posts IR-related documents and press release documents, which the Company publicly disclosed, on the website after the disclosure without delay.</li> <li>▪ Parts of the quarterly data of business information are on the website.</li> <li>▪ The Company has established the English version of the website which functions similarly to the Japanese version.</li> </ul>	—
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>▪ The Company has established the “IR Office” as a specialized department of IR and has placed full-time workers at the IR Office. Also, the Company assigned the Executive Officer (Shikkoyakuin) in charge of the IR Office.</li> </ul>	—
Other	<ul style="list-style-type: none"> <li>▪ The Company is preparing the “Annual Report” and “Business Report” as IR information material to disclose information to stakeholders in accordance with the Disclosure Policy.</li> <li>▪ The Company sincerely responds to inquiries from individual investors by phone and e-mail and reports the contents thereof to the managers including the CEO every week.</li> </ul>	—

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
<p>Stipulation of Internal Rules, etc. for Respecting the Position of Stakeholders</p>	<ul style="list-style-type: none"> <li>• The Company believes that in order to enhance the Company group’s sustainability, the support from all stakeholders is essential. The Company group specifies the basic spirit in “The Group Corporate Principles”</li> <li>• In the Group Corporate Principles, “Building trust” is for the customer, “Placing importance on personnel” is for the employees, “Contributing to society” is for the society at large and “Maintaining healthy earnings results” is for shareholders, in principle. The Company believes that practicing all of these items will enhance the value of the Company. “Corporate Principles of the Daiwa Securities Group”</li> <li>• Building trust The trust and approval of customers form the very foundation of the Daiwa Securities Group. The Group will always place the needs of customers first, and strive to develop the advanced, specialized skills to offer them the most-attractive products and services of any securities group.</li> <li>• Placing importance on personnel The source of the Daiwa Securities Group's competitiveness lies in the capabilities of its employees. The Group will promote the creativity of employees by offering them a challenging and self-directed working environment that encourages their abilities and appropriately rewards their contributions.</li> <li>• Contributing to society The Daiwa Securities Group will seek to benefit the economy and society through the development of healthy financial markets. In addition to scrupulously observing both regulations and internal policies, the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies in which we operate.</li> <li>• Maintaining healthy earnings results The Daiwa Securities Group will always seek to develop healthy business operations and to increase corporate value for the benefit of shareholders. By providing customers with attractive products and services, the Daiwa Securities Group will seek to generate strong profits and healthy returns for shareholders.</li> </ul>
<p>Implementation of Environmental Activities, CSR Activities, etc.</p>	<p><b>【Environment】</b></p> <ul style="list-style-type: none"> <li>• The Company group has established an “Environmental Vision / Environmental Philosophy / Basic Environmental Policy”.</li> <li>• When the Company invests and updates the equipment, the Company aims to reduce the environmental burden by adopting products based on top-runner’s standards, promoting paperless work and replacing old cars with eco or hybrid cars, etc.</li> <li>• The Company has prepared and disclosed environmental accounting to understand the investment amount, etc. and effects of capital investment on environmental measures, etc., in order to achieve the goal of reducing</li> </ul>



the burden on the environment more efficiently.

- The Company has created and performed an approach on alleviation of climate change issues from a financial perspective by composition and sales of financial instruments such as “Impact Investment Bond”.
- Further, with regard to the extreme climate caused by the change of global environment, the Company relocates the important equipment in the relevant sites and pluralizes the bases, etc., utilizing hazard maps and the like.

#### **【SDGs・CSR】**

##### **•SDGs Promotion**

The Company captures SDGs (Sustainable Development Goals) adopted by the United Nations in 2015 as overarching goals to lead the world. The Company established “SDGs Promotion Committee” the chairman of which is Seiji Nakata, President and CEO, in order to work proactively for the solution of social challenges through the Company group business in financial and capital markets.

Also, the Company announced “Passion for SDGs 2018 - Daiwa Securities Group’s SDGs Declaration-” in a declaration of working for SDGs.

“Passion for SDGs 2018 -Daiwa Securities Group’s SDGs Declaration-”

The Group captures SDGs (Sustainable Development Goals) adopted by the United Nations in 2015 as overarching goals to lead the world. Through our group business, we will work positively for the realization of an abundant society and life of the people by pursuing companies’ economic values and solution of social challenges at the same time.

##### **[Creation of Shared values]**

As an integrated securities group that provides a wide range of services for various customer needs, we will address solutions of social challenges with a flexible mindset to create economic values and social values as a company at the same time.

##### **[Partnership with Stakeholders]**

By utilizing our group quality to take a leading role to connect countries, companies and investors, we aim for contribution of various social business solutions through partnership with each stakeholder.

##### **[Developing and realizing work styles for various human resources]**

We will develop and realize working environment in which, regardless of his/her gender or age, feel job satisfaction and exert its ability to the maximum extent by promoting work-life balance, promoting success of female and veteran employees, and develop various human resources and realize various work styles for them.

##### **[Gain recognition and enhance penetration]**

Gain recognition and penetrate SDGs among all employees while gaining awareness of SDGs among our customers through our group business as a main player in financial and capital market.

##### **•Approach through Business Activity**

As the pioneer of Impact Investment bonds in Japan, the Company aims

	<p>to create and sell products which solve social challenges including environmental and poverty issues.</p> <p>In September 2018, Daiwa Securities Co. Ltd. underwrote and sold green bonds for Mitsui O.S.K. Lines, Ltd. as the first green bond issued by a company aimed at individual investors. Furthermore, in November 2018, the Company issued green bonds for institutional investors for the first time in the Company group. We will offer new investment opportunities to all investors.</p> <p>Daiwa PI Partners, which handles Daiwa Securities Group’s investment function, has been working to resolve social issues, including in regard to the conversion of the energy supply structure, through investment in renewable energies. In order to further develop these efforts, the Company in July 2018 established Daiwa Energy &amp; Infrastructure, a new company focused on investment and loans in energy and infrastructure. Daiwa PI Partners will transfer its energy investment function to the new company. The Group is also establishing alongside GI Capital Management Ltd., the Daiwa GI Green Fund, which only invests in newly set companies in domestic solar power. Through the new company, the Group aims to promote investment and loans focused on renewable energies.</p> <p>Daiwa Next Bank has launched “Ouen Time Deposits” to support groups such as non-profit organizations which provide social services through donations that cover the interest gap between time deposits and normal deposits, as well as an additional grant from Daiwa Next Bank.</p> <p>&lt;Reference&gt;</p> <p>The cumulative share of “Impact Investment Bond” for individuals was 52% as of March 2018.</p> <ul style="list-style-type: none"> <li>• Establishment of Important CSR Issues <p>With the view of the sustainable development of the society, the Company aims to practice the Corporate Principles by setting forth the following important CSR issues: “1. Leveraging financial capabilities to contribute to a sustainable society” and “2. Developing sound financial and capital markets for the next generations.”</p> </li> <li>• Social Action Programs <p>The Company continues aid and support activities through Daiwa Securities Foundation, Daiwa Securities Health Foundation and the Daiwa Anglo-Japanese Foundation. Additionally the Company is carrying out disaster relief, such as the continual support for Great East Japan Earthquake disaster areas, etc. and is also doing activities such as economic and financial education.</p> <p>The Company also launched “For Your Dream – Smiles to Children Project” and supports the non-profit organizations which addresses problems of children living in poverty to improve their living environment and to prevent the cycle of poverty.</p> </li> </ul>
<p>Development of Policies on Information Provision to Stakeholders</p>	<ul style="list-style-type: none"> <li>• The Company is committed to enhancing the disclosure of various contents including documents pertaining to legally mandated disclosure on the website of the Company.</li> </ul>

Other

<Promotion of the Women's Active Participation>

- The Company group is actively recruiting the best talented people regardless of gender. In order to expand the layer of the women managers, the Company has introduced active female employees in the house organ and has established career consultation services in the website of the propulsion of the work-life balance, through which female Directors and managers correspond to the consultation and agony. There are female Directors, Corporate Executive Officers (Shikkoyaku), and Executive Officers (Shikkoyakuin) totaling seven in the Company group, including a Director and a Corporate Executive Officer (Shikkoyaku) of the Company.
- The number of female managers in the Company group is increasing year by year; there were 424 as of the end of the March 2018. The ratio of female managers has risen from 2.2% in the end of FY2004 to 9.4% (as for Daiwa Securities Co. Ltd. 2.3% to 11.6%). The number of female managers at Daiwa Securities Co. Ltd. is 385 (12.7%) as of the end of June 2018. By increasing the number of role models, the Company is making it easier for the Company group's female employee to envision their career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track and regional career-track positions in recent years. To date, more than 1,200 female employees converted to career-track positions. An increasing number of employees have also taken advantage of our Professional Return Plan, a system for re-hiring employees who left work to raise children or care for family members, starting them at the same level of compensation as when they left, thus the Company expanded the target in 2015, and this has helped us secure talented personnel who support our business.
- The Company will keep expanding the layer of female managers to promote female leaders to lead the Japanese financial world.
- Daiwa Securities Co. Ltd. has made efforts to support women's active participation and has clearly set goals to be fulfilled by FY2020.
  - Ratio of female managers: more than 15%, which is more than five times the ratio of FY 2005.
  - Ratio of female new graduates: stably 50%.
  - Ratio of female trainees: 50%.
  - Rate of paid leaves taken: more than 70%.
  - Rate of male employee taking childcare leave: 100%.

As a result, the Company will further accelerate an environment in which human resources with diverse values can maximize their abilities.

- The Company agreed in 2015 in the "Declaration on Action by a Group of Male Leaders Who will Create a Society in which Women Shine" led by Gender Equality Bureau of Cabinet Office. Furthermore, the Company is awarded for "Awards to Commend Leading Companies Where Women Shine", "Minister of State for Gender Equality Commendation" in FY2016 by Cabinet Office and "Minister's Prize for Equal Employment/Work and Family Harmonization", Excellence Award

(Family-friendly Enterprises Category) in FY2016 by Ministry of Health, Labor and Welfare, because the Company actively supports women, promotes employees to leave the office by 7PM and supports the balance of work with childcare and nursing care.

<Reference>

- Ratio of the female managers: 9.4% (total of the Company group as of the end of March 2018), 12.7% (Daiwa Securities Co. Ltd. as of the end of June 2018).
- The number of female officers: seven (total of the Company group)
- The Company group established a system to support the women's active participation such as: Professional Return Plan, Job Location Change System, Childcare Leave, Childcare Support Leave, Spouse Work Reassignment Leave System, Shorter Working Hours, Exemption from Overtime Work, Daycare Subsidy, Expanded Leave System, Class of Supporting Women Career, Follow Up of the Usage of the System, Support of Coming Back to Work, Babysitter System, Daiwa ELLE Plan and etc.

## IV. Matters Related to the Internal Control System, etc.

### 1. Basic Views on Internal Control System and the Progress of System Development

The Company group has created management structure centered on the Company with regard to the group's various main risks, and seeks to ensure compliance with the laws and regulations regarding the effectiveness and efficiency of operations, the reliability of the finance report and the business operations, and the preservation of assets, etc. This is based on the recognition that the maintenance of the internal control system to accomplish the sound and appropriate operation is the responsibility of the manager.

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

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

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

The Company sets up the Audit Committee Office as a department, the sole role of which is to assist in the duties of Audit Committee.

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

\* The Audit Committee Office sits directly under Audit Committee.

\* Corporate Executive Officers (Shikkoyaku) have to obtain the prior consent of Audit Committee or its member selected by the committee (hereinafter referred to as "Selected Committee Member"), when trying to decide the personnel matters (personnel change, evaluation, etc.) and re-organization of the Audit Committee Office, taking the importance of Audit Committee into consideration.

\* Audit Committee or Selected Committee Member can request that Corporate Executive Officers (Shikkoyaku) secure the adequate number of staff who has adequate knowledge and ability in the Audit Committee Office. Corporate Executive Officers (Shikkoyaku) shall respect the request.

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

\* The Audit Committee Office can attend various meetings if necessary.

##### 3) System of report to Audit Committee

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

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

\* Directors (excluding Audit Committee members), Corporate Executive Officers (Shikkoyaku) and employees must report the following matters to Audit Committee or Selected Committee Member by sufficient means including whistle-blowing system.

a. Any facts that have a possibility of causing significant damages to the Company or the Company group, immediately after they find such facts

b. Any activities of officers or employees of the Company or the Company group which violate or may violate any laws and regulations or the Articles of Incorporation

c. Matters that Audit Committee or Selected Committee Member requests to be reported and other matters which are deemed useful for audit

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

The following rule shall be stipulated in the rules on report to Audit & Supervisory Board Member, etc. of such subsidiaries

\* Director, Audit & Supervisory Board Member and employees of the Company's subsidiaries or the persons who received reports from them must report the following matters to Audit Committee or Selected Committee Member by sufficient means including internal whistle-blowing system.

a. Any facts that have the possibility to cause significant damages to the Company or the Company group, immediately after they find such facts

b. Any activities of officers or employees of the Company or the Company group which violate or may violate any laws and regulations or the Articles of Incorporation

c. Matters which Audit Committee or Selected Committee Member requests to be reported and other matters which are deemed useful for audit

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

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

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

\* When Audit Committee or Audit Committee member requests the Company to carry out the following matters about their exercise of function (including but not limited to appointment of external experts), the Company shall not refuse them unless the Company proves that the expenses and obligations concerning such requests are unnecessary for execution of the duties of Audit Committee or its member.

a. Prepayment of expenses

b. Refund of expenses paid and its interests accrued after payment

c. Payment to creditors of obligations (in the case where such obligations are not due, provision of security equivalent to such creditors)

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

\* Audit Committee members may attend meetings of the Group Risk Management Committee and Group Internal Audit Committee and also ask for explanations and state opinions there. They can also attend other important meetings.

\* Audit Committee members periodically receive reports (i) on the risk management system and the risk status of the Company group from the departments handling each risk and (ii) on the status of internal audit of the Company group from the Internal Audit Department.

\* Regarding revision of audit policies and audit plans pertaining to internal audits and Internal Audit Rules, and delegation of charge of internal audit, the consent of Audit Committee or Selected Committee Member shall be obtained.

\* Audit Committee or Selected Committee Member can, if necessary, request the Internal Audit Department, etc. to conduct an investigation on its behalf.

\* Audit Committee periodically receives reports from the Accounting Auditor as to the audit status of each group companies.

\* Audit Committee or Selected Committee Member can have external experts independent from the business execution department support audit activities.

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

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

a. Compliance System

\* Establish a whistle-blowing system for the purpose of identifying and correcting any conduct violating laws and regulations or other rules in the Company group, etc. at an early stage.

\* Enact the rules of ethics and the standards of ethical conduct for the purpose of officers' and employees' compliance with laws, etc.

\* Hold training seminars regarding compliance for officers and employees in each company of the Company group which address the respective business features of each company.

\* Appoint a person in charge of formation and promotion of the system as to corporate ethical compliance across the Company group, and establish a section to promote corporate ethics among officers and employees.

\* Establish a section that gives advice regarding overall legal issues of the Company group, and assist each group company in activities relating to formation of systems for compliance with laws and regulations, etc.

b. Group Risk Management Committee

The Group Risk Management Committee, as a sectional committee of the Executive Management Committee, figures out the risk management system and the risk status of the Company group, etc., and discusses and determines the policies and actual implementation of measures relating to risk management.

c. Group Internal Audit Committee

The Group Internal Audit Committee, as a sectional committee under the CEO, discusses and determines the matters relating to development of a system to execute internal audit and verification of the internal controls for the Company group's business.

d. Internal Audit Department

\* For sound and effective internal control of the Company group, the Company believes that internal audit is an important function and has established internal audit departments in major group companies as well as the Company.

\* The Internal Audit Department evaluates and examines the effectiveness of the Company group's internal controls, and makes proposals for improvement and efficiency of the Company group's business operation.

\* The Internal Audit Departments make proposals and reports to the Group Internal Audit Committee about the plans and results of the internal audit.

e. Internal Control on Financial Reporting

\* For preparing the structure necessary to ensure appropriateness of financial statements and other financial information, the Company establishes the basic rules relating to internal control on financial reporting.

\* The Disclosure Committee and the Group Internal Audit Committee discuss and determine important issues concerning internal control on financial reporting.

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

Information relating to execution of Corporate Executive Officers' (Shikkoyaku) duties shall be stored and

managed properly in accordance with the rules for filing and storing documents.

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

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

4) System to ensure efficient execution of the duties of Corporate Executive Officers (Shikkoyaku) and Directors, etc. of its subsidiaries

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

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

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

## 2. Basic Views on Eliminating Anti-Social Forces and Progress of Development

- The Company group has established a “Basic Policy on Eliminating Anti-Social Forces” and a “Group Minimum Standard to eliminate relations with Anti-Social Forces” (the Common Standard Points to Fulfill as each group company), trying to cut off relationships with Anti-Social Forces.
- The Company group established Department in charge of elimination of Anti-Social Forces and proactively gathers information on Anti-Social Forces. Also, the Company creates a unified database and shares the information among the group companies. Against unfair demands from Anti-Social Forces, the Company assigns Managers in charge of Prevention of Unfair Demands in each group company and works closely with police agencies and legal experts on a daily basis. In addition, the Company implements joint training and regular e-Learning for taking a unified



approach to eliminate Anti-Social Forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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### 2. Other Matters Concerning the Corporate Governance System

#### 1. Timely Disclosure

An Overview of the Company's Timely Disclosure System is as follows:

##### (1) Corporate Structure Related to Timely Disclosure of Corporate Information

The Company group has formulated a Disclosure Policy, which sums up the Company group's basic approach to information disclosure which is available at the Company's website. In addition, the Company established "Disclosure Rules" and the main subsidiaries have established "Management Rule of Management-Related Information", etc. in order to realize the spirit of the Policy and to disclose the Company group's important financial, social, and environmental information (hereinafter referred to as, "Management-Related Information") in a timely and proper manner.

The disclosure systems of the Company group based on these policies and rules are as follows:

- For the purpose of fair, timely and proper disclosure of the Management-Related Information of the Company group, the Company has established the "Disclosure Committee" as the subcommittee of the Executive Management Committee. The members and roles of the Committee are stipulated in the Disclosure Rule and chairman of the Committee is the CFO.
- Disclosure Committee is responsible for disclosure of the Management-Related Information in accordance with the purpose of the Disclosure Rules described below.

(The purpose of the Disclosure Rule)

The purpose of this rule is, by settling the fair, timely and proper disclosure of the important financial, social, and environmental information of the Daiwa Securities group, observing the laws and regulations with respect to securities trading and regulations of financial instruments exchange, and working to communicate proactively and provide fair and appropriate information in a timely manner so that stakeholders, such as shareholders, investors, and local communities could clearly understand and properly evaluate the Company group's activities.

- Reporting System on Management-Related Information in the Company is structured in accordance with the Disclosure Rules. As for Management-Related Information on main subsidiaries, the Company has established a system to report Management-Related Information from each subsidiary to the Company in accordance with the subsidiaries' rules.

##### (2) Check Function of the Company System on Timely Disclosure

- In accordance with establishment of Fair Disclosure Rules and Guidelines for Fair Disclosure Rules on the Financial Instruments and Exchange Act, the Company checked the adequacy of its Disclosure Rules and its corporate structure, and disseminated its Disclosure Rules among its employees again.
- The Company conducts the self-assessment on internal audit related to the information disclosure process in each section regularly in order to verify whether fair, timely and proper disclosure of corporate information to investors is conducted. The Internal Audit Department conducts

internal audits as necessary on such disclosing system including self-assessment, and reports the results of the internal audit to the Group Internal Auditing Committee.

## 2. Risk Appetite Framework

The Company group, for the purpose of strengthening of risk governance at the management level, has introduced a Risk Appetite Framework.

The "Risk Appetite Framework", is the management framework that defines the type and total amount of risk, which should be willingly accepted for achieving business strategy, as a risk appetite and uses it as a common language within the Company about the risk-taking policy in general. On risk appetite, the Company selects the risk appetite index from the viewpoint of liquidity, equity capital, etc., sets the level of risk to accept, and manages and monitors the risk appetite.

The Company group promotes the penetration of the risk appetite into the Company group and the improvement of the standard of the business management systems and the risk management systems, and strives to foster the risk culture by documenting such framework as a risk appetite statement.

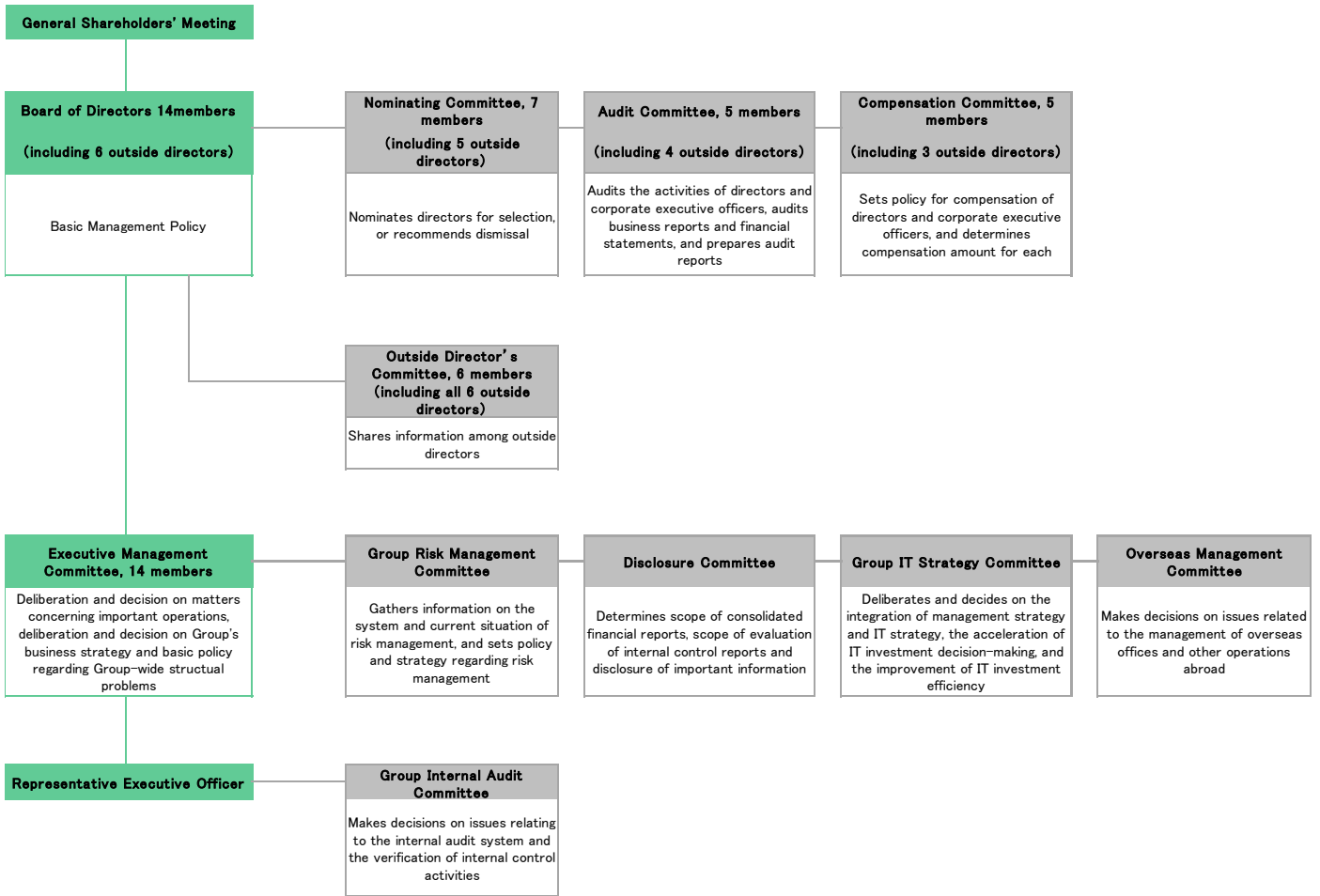
Based on its risk appetite framework, the Board of Directors of Daiwa Securities Group Inc. has approved the Rules of Risk Management. The rules define basic policies related to risk management, the types of risks that need to be managed, and the responsible executive and department for each major risk.

Risks to be managed are market risk, credit risk, liquidity risk, operational risk and etc.

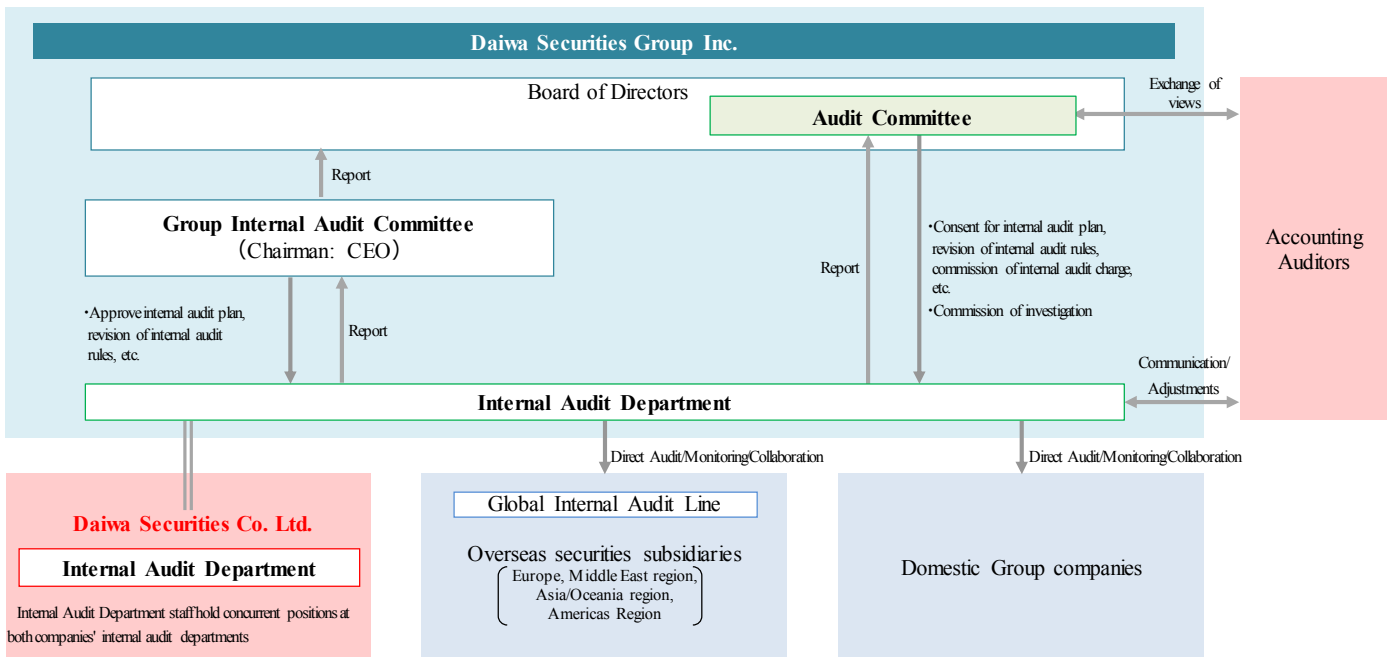
In order to establish an effective risk governance system, we have created guidelines for "Three Lines of Defense" and a comprehensive structure for risk management.

Appendix

Corporate Governance System at Daiwa Securities Group



Internal Auditing System Diagram of Daiwa Securities Group



Appendix

**【Situation regarding Directors' other Positions】**

Name	Other Positions
Takashi Hibino	Outside Director of Imperial Hotel, Co. Ltd.

## Appendix

**【Reasons for Election of Candidates to Directors】**

Name	Reasons for Election
Takashi Hibino	He joined the Company in 1979, served successively as the responsible for products, oversea, 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 (Shikkoyaku), President and CEO of the Company from 2011 to 2017 and has a broad experience and insights as a manager. Therefore, he is considered to be qualified as a Member of the Board.
Seiji Nakata	He joined the Company in 1983 and served successively as the Deputy Head of Planning and Personnel of the Company, Head of Corporate Institution and Head of Sales of Daiwa Securities Co. Ltd., and COO and Head of Retail of the Company. He serves as the Representative Corporate Executive Officer (Shikkoyaku) and President of the Company, takes charges of CEO from 2017. He has expertise and experience in presenting a management strategy based on wide visions and also to execute management and control of the Group adequately. Therefore, he is considered to be qualified as a Member of the Board.
Toshihiro Matsui	He joined the Company in 1985 and served as the Managing Director of Corporate Institution and Corporate Finance of Daiwa Securities SMBC Co. Ltd. and the Managing Director of Corporate Planning of the Company. Since his inauguration of Corporate Executive Officer (Shikkoyaku) of the Company in 2009, he served as the Head of Legal, Deputy Head of Planning, Head of Planning and Personnel, 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 Wholesale of the Company. He has considerable experience and knowledge in broad areas such as retail, corporate institution, investment banking, planning and personnel. Therefore, he is considered to be qualified as a member of the Board.
Kazuo Takahashi	He joined the Company in 1982 and served successively as Head and General Manager 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 Corporate Executive Officer (Shikkoyaku) and the Deputy President and Deputy Head of Wholesale of the Company. He has broad knowledge and experience in corporate institution business and also experience in retail business. Therefore, he is considered to be qualified as a Member of the Board.
Koichi Matsushita	He joined the Company in 1984 and served successively as Managing Director of Personnel Section, Head of Umeda Branch and Kyoto Branch of Daiwa Securities Co. Ltd. Since his inauguration as Senior Managing Director of Daiwa Securities Co. Ltd. in 2008, he served successively as the Head of Planning and Personnel, Product, Public Relations and Compliance of the Company, and also Head of Global Markets of Daiwa Securities Co. Ltd. He now serves as the Corporate Executive Officer (Shikkoyaku) and Deputy President and Deputy Head of Wholesale and Retail of the Company. He has broad knowledge and experience in planning and personnel, markets, retail, and compliance. Therefore, he is considered to be qualified as a Member of the Board.
Keiko Tashiro	She joined the Company in 1986 and served successively as the Head of IR Office of the Company and Head of Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd.

	<p>Since her inauguration of Senior Managing Director of Daiwa Securities Co. Ltd. in 2009, she served successively as Head of Daiwa Direct Business and Head of Fixed Income, Currency and Commodities of Daiwa Securities Co. Ltd, as the one responsible for American business and Deputy Head of Overseas (in charge of America) of the Company, and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc. She serves now as the Head of Overseas of the Company. She has a wealth of knowledge and experience in the overseas and corporate planning department. Therefore, she is considered to be qualified as a Member of the Board.</p>
Mikita Komatsu	<p>He joined the Company in 1985 and served as the Managing Director of Finance of the Company, President of Daiwa Capital Markets Europe Ltd. Since his inauguration of Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd. in 2010, he served successively as its Head of International Planning, Head of Finance and Deputy Head of Planning of the Company and now he is serving as the CFO and Deputy Head of Overseas of the Company. He has broad experience and knowledge in the planning, finance and overseas department, therefore, he is considered to be qualified as a member of the Board.</p>
Morimasa Matsuda	<p>He joined the Company in 1989. After serving in the Corporate Planning Section, Investment Banking Section and Market Section, etc., he served successively as the Head of IR Office and Managing Director of Internal Audit Department of the Company. He has broad experience and knowledge in corporate planning and the internal audit department. Therefore, he is considered to be qualified as a Member of the Board.</p>