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

(Securities Code: 8601)

June 3, 2016

To Our Shareholders

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

Notice of Convocation of The 79th Ordinary General Meeting of Shareholders

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

You are hereby notified that the 79th Ordinary General Meeting of Shareholders will be held as stated below. You are respectfully requested to attend the Meeting.

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

You may also exercise your voting rights for the Meeting via electronic devices (via the Internet, etc.). If you choose to exercise your voting rights via the Internet, please access the website of the Company, <http://www.web54.net/>, using the “Voting Rights Exercise Code” and password indicated in the “Voting Rights Exercise Form” enclosed herewith. Please examine the “Reference Documents for the General Meeting of Shareholders” provided below and vote for approval or disapproval of respective bills in accordance with the guidance on the website.

Particulars

1. Date and time of the Meeting

10:00 a.m., Tuesday, June 28, 2016 (Doors open 9:00 a.m.)

2. Place of the Meeting

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

3. Matter to be dealt with at the Meeting

Matters to be reported:

1. Report on the contents of the Business Report, the Consolidated Statutory Report, and the outcome of an audit of the Consolidated Statutory Report conducted by Independent Auditors and the Audit Committee, with respect to the 79th fiscal year (from April 1, 2015 to March 31, 2016).
2. Report on the contents of the Non-Consolidated Statutory Report of the 79th fiscal year (from April 1, 2015 to March 31, 2016).

Matters to be resolved:

Bill 1 : Election of fourteen (14) Directors (Members of the Board)

Bill 2 : Granting Stock Options Utilizing Stock Acquisition Rights

4. Matters Regarding the Exercise of Voting Rights

- (1) If you are unable to attend the Meeting, you may exercise your voting rights in writing or via electronic device (via the Internet, etc.).
- (2) The time limit for exercising voting rights in writing or via electronic device shall be 17:00 (5:00 p.m.) on Monday, June 27, 2016, the day before the Meeting (Tokyo time).
- (3) If you exercise your voting rights twice, in writing and via electronic device, the one via electronic device shall be deemed to be your vote.
- (4) If you exercise your voting rights multiple times via electronic device or you exercise your voting rights redundantly by PC or cellular phone, the latest one shall be deemed as the valid vote.
- (5) If you exercise your voting rights in writing and submit the “Voting Rights Exercise Form” without any indication in the space for approval or disapproval of respective bills, it shall be deemed as an intention of approval.
- (6) If you exercise your voting rights by proxy, you must delegate your voting rights to a proxy who is a shareholder of the Company entitled to vote. In such case, in addition to the letter of proxy to prove the proxy, the proxy’s own “Voting Rights Exercise Form” would be required. Furthermore, delegation of your voting rights is limited to only one proxy.
- (7) If you choose to exercise your voting rights in a non-uniform manner, please inform the Company, in writing, of your intention to exercise your voting rights in a non-uniform manner and the reason for it three days in advance of the Meeting.

5. Disclosure by the Internet

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

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- Please note that any proxy or person accompanying a shareholder, who is not a shareholder of the Company, may not attend the Meeting.
 - When you attend the Meeting, please submit the enclosed “Voting Rights Exercise Form” to the receptionist at the venue of the Meeting.
 - If you are a nominee shareholder of a custodian bank, etc. (including a standing proxy), and if you have applied in advance for utilization of a web-based platform to exercise voting rights for institutional investors that is managed by Investor Communications Japan, Inc. (ICJ), you may use that platform as a method, instead of the Internet, of exercising your voting rights via electronic device.

Reference Documents for the General Meeting of Shareholders

Bills and reference matters

Bill 1. Election of Fourteen (14) Directors (Members of the Board)

The terms of office of all members (twelve (12) Directors) of the Board of Directors are expiring as of the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company, adding two (2) more Directors (one of which is an Outside Director) in order to enhance management system, requests shareholders' approval to elect in total of fourteen (14) Directors pursuant to the decision of the Nominating Committee.

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

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Apr. 17, 1947)
1	Shigeharu Suzuki	common stock 175,000 shares	<u>Reappointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1971	Joined the Company
July 1991	Managing Director of Underwriting Dept. I of the Company
May 1997	Head of Corporate Institution Sales Division of the Company
June 1997	Member of the Board of the Company
May 1998	Head of Investment Banking Division of the Company
June 1998	Member of the Board, Executive Managing Director of the Company
Feb. 1999	Head of Secretariat, Personnel Dept., Employees' Consultation Dept., Total Planning Dept. and Corporate Communication Dept. of the Company
Apr. 1999	Head of Corporate Planning Group of the Company
July 2000	Head of Corporate Planning, Investors Relations and Corporate Communications of the Company
May 2001	Head of Corporate Planning (Corporate Planning Dept. I), Investors Relations and Corporate Communications of the Company
June 2001	Member of the Board, Senior Executive Managing Director of the Company
Apr. 2002	Head of Corporate Planning, Investors Relations and Corporate Communications of the Company
June 2002	Member of the Board, Senior Executive Managing Director and Head of Investment Banking Division of Daiwa Securities SMBC Co. Ltd.
July 2002	Head of Investment Banking Division and Corporate Division Planning of the above company
June 2003	Representative Director and Senior Executive Managing Director of the above company
June 2004	Member of the Board, Representative Corporate Executive Officer, President, CEO and Head of Retail of the Company; and Representative Director and President of Daiwa Securities Co. Ltd.
Apr. 2011	Chairman of the Board and Corporate Executive Officer of the Company (to date); and Representative Director and Chairman of the Board of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Representative Director and Chairman of the Board of Daiwa Securities Co. Ltd.; Outside Director of Imperial Hotel, Ltd.; and Outside Auditor and Supervisory Board Member of Shochiku Co., Ltd.	

The reason for election

He joined the Company in 1971. Since 1997, he served as the Member of the Board of Directors of the Company and held successively the position of Head of Corporate Sales Division, Head of Investment Banking Division, as well as Head of Corporate Planning Group of the Company. He has a broad knowledge and experiences in both retail and wholesale sections. Also, from 2004 until 2011 he served the President and CEO and has a broad experience and insights as a manager. Therefore he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Sept. 27, 1955)
2	Takashi Hibino	common stock 130,090 shares	<u>Reappointment</u>

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

The reason for election

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, President and CEO of the Company from 2011 and has expertise and experience to present a management strategy based on wide visions and also to execute management and control of the Group adequately. Therefore he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 16, 1960)
3	Seiji Nakata	common stock 39,030 shares	<u>New appointment</u>

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

The reason for election

He joined the Company in 1983 and served successively as the Deputy Head of Planning and Personnel of the Company, Managing Director of Corporate Institution Sales of Daiwa Securities Co. Ltd., Deputy Head of Retail of the Company and Head of Sales of the Daiwa Securities Co. Ltd. He now serves as the Representative Corporate Executive Officer and Deputy President of the Company, takes charges of COO and Head of Retail. He has broad experience and knowledge in wholesale business, planning and personnel and also has deep knowledge in retail business. Therefore he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (June 5, 1957)
4	Shinya Nishio	common stock 65,000 shares	<u>New appointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1981	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
May 2004	Managing Director of Corporate Institution Sales Dept. III of Daiwa Securities SMBC Co. LTD.
Apr. 2005	Senior Managing Director and Head of Corporate Institution Sales Dept. II of the above company
Apr. 2006	Senior Managing Director, Head of Fourth Unit and Managing Director of Investment Banking Dept. IV of Daiwa Securities Co. Ltd
Apr. 2007	Head and Managing Director of Private Banking of the above company
July 2007	Head of Private Banking of the above company
Oct. 2007	Head of Private Banking and Loan Business of the above company
Apr. 2008	Senior Managing Director, Head and Deputy General Manager of Osaka Branch of Daiwa Securities SMBC Co. Ltd.
Apr. 2009	Executive Managing Director, Head and General Manager of Osaka Branch of the above company
Apr. 2010	Member of the Board, Executive Managing Director, Senior Head and General Manager of Osaka Branch of Daiwa Capital Markets Co. Ltd.
Apr. 2011	Head and General Manager of Osaka Branch of the above company
Apr. 2012	Member of the Board, Senior Executive Managing Director and Head of Corporate Institution Sales in Osaka of Daiwa Securities Co. Ltd.
Apr. 2015	Deputy Head of Corporate Institution and Head of Corporate Institution in Osaka of the above company
Apr. 2016	Deputy President and Head of Wholesale of the Company (to date) Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)	

The reason for election

He joined the Company in 1981. Since his inauguration of Senior Managing Director of Daiwa Securities SMBC Co. Ltd. in 2005, he served successively as the responsible for its Corporate Institution Sales and also Sales, Private Banking and Deputy Head of Corporate Institution Sales of the Daiwa Securities Co. Ltd. He now serves as the Deputy President and Head of Wholesale of the Company. He has broad knowledge and experience in corporate institution business and also experience in retail business. Therefore, he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (April 27, 1962)
5	Toshihiro Matsui	common stock 61,000 shares	<u>New appointment</u>

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Aug. 5, 1963)
6	Keiko Tashiro	common stock 25,000 shares	<u>Reappointment</u>

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Oct. 12, 1962)
7	Mikita Komatsu	common stock 53,000 shares	New appointment

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 26, 1965)
8	Morimasa Matsuda	common stock 12,000 shares	<u>New appointment</u>

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 9, 1941)
9	Nobuko Matsubara	common stock 42,000 shares	Reappointment Outside

Brief personal history, title, charge and significant concurrent positions	
Apr. 1964	Entered Ministry of Labor (currently known as Ministry of Health, Labour and Welfare)
Mar. 1987	Director of International Labor Division, Ministry of Labor
Oct. 1991	Director-General of Women's Bureau, Ministry of Labor
July 1997	Vice-Minister of Labor
Apr. 1999	President of Japan Association for Employment of Persons with Disabilities
Sept. 2002	Ambassador Extraordinary and Plenipotentiary of Japan to Italy
Nov. 2002	Ambassador Extraordinary and Plenipotentiary of Japan to Albania, to San Marino and to Malta
Jan. 2006	Advisor to Japan Institute of Workers' Evolution (currently known as Japan Institute for Women's Empowerment and Diversity Management)
July 2006	Chairman of Japan Institute of Workers' Evolution
June 2008	Member of the Board of the Company (to date)
July 2012	Honorary Chairman of Japan Institute of Workers' Evolution (to date)
(Significant concurrent positions) Honorary Chairman of Japan Institute for Women's Empowerment and Diversity Management; and Outside Director of EBARA CORPORATION.	

The reason for election

Ms. Nobuko Matsubara served successively as the Vice-Minister of Labor and Ambassador Extraordinary and Plenipotentiary of Japan to Italy, etc. and currently serves as the Honorary Chairman of the Japan Institute for Women's Empowerment and Diversity Management. The Company requests shareholders to elect her as an Outside Director since the Company believes that her broad experience and knowledge accumulated through her career would contribute to the management of the Company. Based on the above-mentioned reasons, the Company made the decision that she could adequately carry out her assignment as one of the Company's Outside Directors, even though she has never been involved directly in corporate management. She will have been in office as one of the Company's Outside Directors for eight (8) years at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 1, 1943)
10	Keiichi Tadaki	common stock 0 shares	Reappointment Outside

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

The reason for election

Mr. Keiichi Tadaki served successively as the Vice-Minister of Justice, the Superintending Prosecutor of the Tokyo High Public Prosecutors Office and the Prosecutor General and is currently an attorney at law. The Company requests shareholders to elect him as an Outside Director since we believe that his accumulated ample experience and professional knowledge about law and compliance would contribute to the management of the Company. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved directly in corporate management. He will have been in office as one of the Company's Outside Directors for seven (7) years at the end of this Ordinary General Meeting of Shareholders.

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

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

The reason for election

Mr. Tadashi Onodera held positions such as the President of KDDI Corporation, etc and currently is the Chairman of KDDI Corporation. The Company requests shareholders to elect him as an Outside Director since the Company believes that his accumulated ample experience and knowledge about corporate management would contribute to the management of the Company. He will have been in office as one of the Company's Outside Directors for two (2) years at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 29, 1954)
12	Michiaki Ogasawara	common stock 1,000 shares	Reappointment Outside

Brief personal history, title, charge and significant concurrent positions	
Apr. 1976	Entered Ministry of Posts and Telecommunications
Jan. 2003	Director-general of Tohoku Bureau of comprehensive communication, Ministry of Internal Affairs and Communications
Jan. 2004	Director-general of Kantou Bureau of telecommunication, the above Ministry
Feb. 2005	Deputy director general of the above Ministry
Aug. 2005	Director-general of Local Public Service Personnel Department, Local Administration Bureau the above Ministry
July 2006	Director-general of Civil Protection and Disaster Management Department, Fire and Disaster Management Agency, the above Ministry
July 2007	Director-General of the Information and Communications Policy, the above Ministry
July 2008	Director-General of the Global ICT Strategy Bureau, the above Ministry
Jan. 2010	Assistant Vice-minister of the above Ministry
Sep. 2012	Vice-Minister of the above Ministry
Oct. 2013	Advisor of Daiwa Institute of Research Ltd.
June 2015	Member of the Board of the Company (to date)
(Significant concurrent positions) Outside Director of SKY Perfect JSAT Holdings Inc.; Representative Director and President of the Board of directors of the ITU Association of Japan; Director of the foundation for the Fusion Of Science and Technology; Director of Financial and Monetary Planning Office; and Advisor of Sompo Japan Nipponkoa Insurance Inc.	

The reason for election

Mr. Michiaki Ogasawara served successively as the Director-General of Global ICT Strategy Bureaus, the Vice-Minister of Ministry of Internal Affairs and Communication, etc. The Company requests shareholders to elect him as an Outside Director since the Company believes that his specialized experience and knowledge accumulated through his career would contribute to the management of the Company. Based on the above-mentioned reasons, we made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved directly in corporate management. He will have been in office as one of the Company's Outside Directors for one (1) year at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Oct. 16, 1946)
13	Hiroataka Takeuchi	common stock 0 shares	New appointment Outside

Brief personal history, title, charge and significant concurrent positions	
Sep. 1976	Lecturer of Harvard Business School
Dec. 1977	Assistant Professor of Harvard Business School
Apr. 1983	Assistant Professor of Hitotsubashi University, Faculty of Commerce and Management
Apr. 1987	Professor of Hitotsubashi University, Faculty of Commerce and Management
Apr. 1998	Dean of Hitotsubashi University, the Graduate School of International Corporate Strategy
Apr. 2010	Professor Emeritus of Hitotsubashi University
July 2010	Professor of Harvard Business School (to date)
(Significant concurrent positions) Professor of Harvard Business School; Outside Director of Integral Corporation; Outside Director of P&E DIRECTIONS, INC.; and Outside Director of Green Peptide Co., Ltd.	

The reason for election

Mr. Hiroataka Takeuchi served successively as the Professor of Hitotsubashi University, Faculty of Commerce and Management and Professor of Harvard Business School, etc. The Company requests shareholders to elect him as an Outside Director since the Company believes that his accumulated specialized experience and knowledge would contribute to the management of the Company. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved directly in corporate management.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 1, 1951)
14	Ikuo Nishikawa	common stock 0 shares	New appointment Outside

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

The reason for election

Mr. Ikuo Nishikawa served successively as the Representative Partner of Century Audit Corporation and Chairman of Accounting Standards Board of Japan, etc. The Company requests shareholders to elect him as an Outside Director since the Company believes that his accumulated specialized experience and knowledge would contribute to the management of the Company. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved directly in corporate management.

(Notes)

1. The Company has provided long-term loans to Daiwa Securities Co. Ltd.
2. The Independence of the nominees for Outside Director from the Company is as follows.
 - * None of the nominees for Outside Director has executed business of or has become an executive of the Company or its subsidiaries by means other than being an Outside Director of the Company in the past.
 - * None of the nominees for Outside Director executes business of or is an executive of, or has done or been so during the last five (5) years, any entity that has a special relationship with the Company.
 - * Mr. Michiaki Ogasawara has received remuneration from Oct. 2013 to June 2015 when he took office as Director of the Company, as the Advisor of Daiwa Institute of Research Ltd., which is entity that has a special relationship with the company. Except for Mr. Michiaki Ogasawara, none of the nominees for Outside Director received a large sum of money or other financial benefits from the Company or any entity that has a special relationship with the Company in the past, and none of them anticipates receiving them in the future.
 - * None of the nominees for Outside Director has a spouse, family member within the third degree of kinship or other similar person who executes business of or is an executive of the Company or any entity that has a special relationship with the Company.
 - * All of the nominees for Outside Director fulfill the requirements for independent directors as defined by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. The Company is scheduled to designate all of the nominees for Outside Director as independent directors and to report this designation to the exchanges mentioned above.
3. The current Outside Directors, Ms. Nobuko Matsubara, Mr. Keiichi Tadaki, Mr. Tadashi Onodera and Mr. Michiaki Ogasawara have each executed an agreement to limit liability to the Company. Each agreement stipulates that the maximum amount of liability is 10 million yen or the minimum amount of liability provided in Paragraph 1 of Article 425 of the Companies Act, whichever is higher. In case that the election of those nominees for Outside Director is duly approved, the Company will continue to engage such agreement with each Outside Director. Also, the Company plans to enter into a similar agreement to limit the liability of Mr. Hirotaka Takeuchi and Mr. Ikuo Nishikawa.

[References]

The Company is scheduled to appoint the following directors as members and chairman of the Nominating Committee, the Audit Committee and the Compensation Committee respectively, through resolutions of the Board of Directors and each committee to be held after the conclusion of the Ordinary General Meeting of Shareholders. A majority of each committee will be Outside Directors as described below. The Company will add one (1) Outside Director to Nominating Committee and Audit Committee respectively. If this bill is approved by the shareholders in the original form, Outside Directors of the Company shall be increased from five (5) to six (6).

Name	Title	Nominating Committee	Audit Committee	Compensation Committee
Shigeharu Suzuki	Chairman of the Board and Senior Managing Director	◎		○
Takashi Hibino	Member of the Board, Representative Corporate Executive Officer and President	○		○
Morimasa Matsuda	Member of the Board		○	
Nobuko Matsubara	Member of the Board (Outside) Independent Officer	○	○	
Keiichi Tadaki	Member of the Board (Outside) Independent Officer	○	◎	
Tadashi Onodera	Member of the Board (Outside) Independent Officer	○		○
Michiaki Ogasawara	Member of the Board (Outside)	○	○	

	Independent Officer			
Hiroataka Takeuchi	Member of the Board (Outside) Independent Officer	○		◎
Ikuo Nishikawa	Member of the Board (Outside) Independent Officer		○	○

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

Bill 2. Granting Stock Options Utilizing Stock Acquisition Rights

The Company requests shareholders' approval to delegate the decision on the terms of issuance for stock acquisition rights, under the provisions of Articles 236, 238 and 239 of the Companies Act, to the Board of Directors of the Company, or to the corporate executive officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company. The stock acquisition rights will be issued to directors, corporate executive officers and executive officers (hereinafter, "Executives"), and employees of the Company and its subsidiaries and affiliates for the purpose of granting stock options.

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

1. Reasons for Soliciting Candidates to Subscribe for Common Stock Acquisition Rights on Especially Favorable Terms

The Company will issue the following two types of stock acquisition rights stated in 2. and 3. below without consideration as stock options to Executives and employees of the Company and its subsidiaries and affiliates as an incentive to contribute towards increasing consolidated performance and to enable recruitment of talented personnel.

The first type stated in 2. below is stock acquisition rights to be granted to Executives of the Company and its subsidiaries, for which the amount to be paid in per share upon exercise shall be one (1) yen (hereinafter, "Common Stock Acquisition Rights I"). The Company and its subsidiaries revised their system of retirement bonuses for special service and modified a part of it to create a payment linked to stock price. Common Stock Acquisition Rights I equivalent to the value of a certain percentage of base remuneration of executives are allotted to relevant executives as the contents of payment linked to stock price. Because those who are subject to the new bonus system share the same interests with shareholders, the new bonus system contributes to maximizing the value of shareholders compared to a cash bonus system. The new bonus system enables shareholders to expect that this gives those executives an incentive for improving consolidated business results in the medium to long term due to constraints such as not being able to exercise the rights while they are in an executive position at certain group companies. The issuance of the Common Stock Acquisition Rights I to directors and corporate executive officers of the Company will be subject to resolution of items pursuant to Paragraph 3 of Article 409 of the Companies Act as individual compensation of directors and corporate executive officers at the Compensation Committee meeting.

The other type stated in 3. below is stock acquisition rights to be granted to employees of the Company and its subsidiaries and affiliates and to Executives of the Company's subsidiaries and affiliates not subject to the Common Stock Acquisition Rights I above. The amount to be paid in per share upon exercise shall be determined based on the market price of shares of Common Stock on the allocation date of the stock acquisition rights (hereinafter, "Common Stock Acquisition Rights II"). The allocation date (hereinafter, "Allocation Date") means the date on which stock acquisition rights shall be allocated. In order to maintain competitive human resources and provide an effective incentive to improve business results, the Company puts conditions on Common Stock Acquisition Rights II such that those who are granted the rights will not be able to exercise the right until July 2021.

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

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

Not exceeding 1,200 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights I shall not exceed 1,200,000. If the number of granted shares is adjusted pursuant to (3) (a) below, such aggregate number of shares to be issued shall be calculated by multiplying the maximum number of Common Stock Acquisition Rights I to be issued by the number of granted shares after adjustment.

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

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

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

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

The number of shares to be issued upon exercise of one (1) Common Stock Acquisition Right I (hereinafter, in 2, "Number of Granted Shares") shall be 1,000 shares of Common Stock.

If the Company splits (including gratis issue of shares, same onwards) or consolidates the shares of Common Stock after the date of resolution of the Ordinary General Meeting of Shareholders (hereinafter, "Resolution Date"), the Number of Granted Shares shall be adjusted in accordance with the following formula. An adjustment shall be made only with respect to the Number of Granted Shares for the Common Stock Acquisition Rights I which have not been exercised at the time of the adjustment. Any fraction less than one (1) share resulting from the adjustment shall be disregarded.

$$\begin{array}{lcl} \text{Number of Granted Shares} & = & \text{Number of Granted Shares} \\ \text{after adjustment} & & \text{before adjustment} \end{array} \times \text{Ratio of split or consolidation}$$

In addition, in the case of a merger with any other company, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Number of Granted Shares shall be required, in each case after the Resolution Date, the Number of Granted Shares shall be appropriately adjusted to the extent reasonable.

(b) Amount to be Paid In upon Exercise of Common Stock Acquisition Rights I

The amount to be paid in upon exercise of Common Stock Acquisition Rights I shall be one (1) yen per share multiplied by the Number of Granted Shares.

(c) Period during which Common Stock Acquisition Rights I may be Exercised

The period between the Allocation Date of Common Stock Acquisition Rights I and June 30, 2036.

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

- 1) The amount of capital stock to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights I shall be half of the limit of the capital increase calculated according to Paragraph 1 of Article 17 of the Ordinance on Accounting of Companies. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.
- 2) The amount of additional paid-in capital to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights I shall be the difference between the limit of the capital increase and the increase in capital stock, both stated in 1) above.

(e) Restriction on Transfer of Common Stock Acquisition Rights I

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

(f) Conditions for Exercise of Common Stock Acquisition Rights I

- 1) Each Common Stock Acquisition Rights I cannot be exercised in part.
- 2) Holders of Common Stock Acquisition Rights I may exercise the rights from the day after they leave from all positions of director or executive officer of the Company and its subsidiaries or affiliates as determined by the Board of Directors of the Company or the executive officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company.
- 3) Notwithstanding 2) above, Common Stock Acquisition Rights I can be exercised from thirty (30) days prior to the last day of the period for exercise of the Common Stock Acquisition Rights I in accordance with other conditions for exercise.
- 4) Other conditions for exercise shall be set forth in a Stock Acquisition Rights Allocation Agreement between the Company and each holder of Common Stock Acquisition Rights I.

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

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

(h) Treatment of Fractional Shares Less Than One Share

Any fraction less than one (1) share of Common Stock issued upon exercise of Common Stock Acquisition Rights I shall be disregarded.

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

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

Not exceeding 7,500 common stock acquisition rights set according to (3) below.

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

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

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

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

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

The number of shares to be issued upon exercise of one (1) Common Stock Acquisition Right II (hereinafter, in 3, “Number of Granted Shares”) shall be 1,000 shares of Common Stock.

If the Company splits or consolidates the shares of Common Stock after the Resolution Date, the Number of Granted Shares shall be adjusted in accordance with the following formula. An adjustment shall be made only with respect to the Number of Granted Shares for the Common Stock Acquisition Rights II which have not been exercised at the time of the adjustment. Any fraction less than one (1) share resulting from the adjustment shall be disregarded.

$$\frac{\text{Number of Granted Shares after adjustment}}{\text{Number of Granted Shares before adjustment}} = \frac{\text{Number of Granted Shares before adjustment}}{\text{Number of Granted Shares before adjustment}} \times \text{Ratio of split or consolidation}$$

In addition, in the case of a merger with any other company, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Number of Granted Shares shall be required, in each case after the Resolution Date, the Number of Granted Shares shall be appropriately adjusted to the extent reasonable.

(b) Amount to be Paid In upon Exercise of Common Stock Acquisition Rights II

The amount to be paid in upon exercise of Common Stock Acquisition Rights II shall be the amount to be paid in per share (hereinafter, “Exercise Price”) multiplied by the Number of Granted Shares.

The Exercise Price shall be 1.05 times the higher price of the following (i) or (ii). Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

(i) The average of the closing prices of Common Stock in the trading thereof on the Tokyo Stock Exchange (each, “Closing Price”) for trading days (excluding days on which there is no Closing Price) during the month prior to the month containing the Allocation Date of Common Stock Acquisition Rights II, or

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

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

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

The Exercise Price shall be adjusted using the following formula, in the event the Company issues shares of Common Stock below the market price (except in the case of conversion of securities to be converted or that can be converted to Common Stock of the Company, or exercise of common stock acquisition rights (including those attached to bonds with common stock acquisition rights) which can claim issuance of Common Stock of the Company). Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

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

“Outstanding number of shares” is the number of shares issued subtracting any treasury stocks of Common Stock.

Other than the above, in the case of a merger with any other company, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Exercise Price shall be required, in each case after the Allocation Date, the Exercise Price shall be appropriately adjusted to the extent reasonable.

(c) Period during which Common Stock Acquisition Rights II may be Exercised

The period between July 1, 2021 and June 27, 2026.

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

- 1) The amount of capital stock to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights II shall be half of the limit of the capital increase calculated according to Paragraph 1 of Article 17 of the Ordinance on Accounting of Companies. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.
- 2) The amount of additional paid-in capital to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights II shall be the difference between the limit of the capital increase and the increase in capital stock, both stated in 1) above.

(e) Restriction on Transfer of Common Stock Acquisition Rights II

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

(f) Conditions for Exercise of Common Stock Acquisition Rights II

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

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

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

(h) Treatment of Fractional Shares Less Than One Share

Any fraction less than one (1) share of Common Stock issued upon exercise of Common Stock Acquisition Rights II shall be disregarded.

<Translation>

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

Business Report

(From April 1, 2015 to March 31, 2016)

I. Status of the Group's Business Activities

The Daiwa Securities Group strives to improve the corporate value of the Group through its core business, the securities business. The outline of the Group's performance in the current fiscal year (FY2015) is as follows.

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

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

(1) Economic and Market Environment

Our Country's economy fluctuated in the FY2015. Personal consumption had been weak since the increase in consumption tax rate. Although consumers gained more incomes thanks to the increase of basic wages and bonuses accompanied by the improvement of the corporate earnings, the weak consumer sentiment declined due to the rise of food prices and the sales slump of seasonal products caused by warm winter from October to December worked together as a downward pressure to personal consumption. The sales of durable consumer goods and services with personal preferences such as culture and amusement were particularly weak. The housing investment was about to rebound in the first half of FY2015, but it plunged in the latter half. On the other hand, capital investment by the company showed a rising trend due to the increase of demand for labor-saving investments. As to the foreign demand, the export amount showed a downward trend mainly because of the decrease of export quantity. When we look at the trend of export quantity by regions, the decrease of export to the United States stood out. Moreover, the export to Asia turned to decrease after June, affected by the slowdown of the Chinese economy. On the other hand, the export to the Eurozone increased mainly in consumer goods, pushed by the recovery of personal consumption in this area. The import amount peaked out in July.

As production activities tended to shrink mainly due to the weakness of domestic and foreign demand, ordinary profits in manufacturing industry peaked out in April-June period. Meanwhile, ordinary profits in non-manufacturing industry showed a steady increase primarily due to the decline of variable costs.

In the Japanese stock market, the stock prices continued to be strongly volatile. The

slowdown of Chinese economy and the uncertainty as to monetary policy of the United States lowered the stock prices from August to September, 2015. The stock prices recovered at the end of 2015, supported by the prolonged worldwide monetary easing and the steadiness of economy in the United States. At the start of 2016, the situation changed dramatically and the stock prices fell sharply due to the bad news such as the decline in Chinese stock market, the confusion in the Middle East and the decline of crude oil prices. As a result, the Nikkei 225 index declined to 16,758.67 yen at the end of FY2015.

In the bond market, long-term interest rates stayed at extremely low level due to the tightened balance of supply and demand under the huge purchase of the long-term treasuries by the Bank of Japan. After the announcement of introduction of negative interest rate policy by the Bank of Japan in January 2016, the yield for the 10-year Japanese government bond was fixed to negative range. As a result, the yield of the 10-year Japanese government bond at the end of FY2015 was negative 0.05%.

(2) Outcome of the Group's Business Activities

Performance by each Operating Segment

1) Retail Business

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

In FY2015, Daiwa Securities Co. Ltd. concentrated on the increase of assets under custody by selling fund wraps and investment trusts and also on the extension of service ranges in the area of inheritance support, for the purpose of expansion of future revenue base.

"Daiwa Fund Wrap" is the service providing opportunities of diversified investments based on each customer's investment policy by combining investment trusts established exclusively for this service. Daiwa Securities Co. Ltd. made an effort to expand its customers' assets under custody as to this service, the same as last year. The assets of wrap account service (Note) expanded to 1.5 trillion yen at the end of March 2016.

Regarding the service of inheritance support, it tried to raise the standard of both human resources and service quality in order to deal with customers' demand more precisely and to provide highly specialized advices. As for the human resources side, it proceeded with placement of "Inheritance Consultants" who acquired specialized know-how on inheritance. As for the service quality side, it endeavored to increase applications of "Inheritance Total Service" which supports customers in the measures and procedures as to inheritance.

Further, Daiwa Securities Co. Ltd. deals in yen deposit accounts and foreign currency deposit

accounts as a bank agent of Daiwa Next Bank Co. Ltd. (the deposit balance as of the end of FY2015: approximately 3.1 trillion yen) and provides its wide range of customers with the favorable interest rates on their deposits and the high-convenience services through its nationwide network of branch offices. In March 2016, Daiwa Next Bank Co. Ltd. tried to enhance the convenience of foreign currency deposit account, by issuing “DAIWA SMART DEPOSIT”, an overseas prepaid card which can be used in more than 210 countries and areas around the world and also by launching “Foreign Currency Delivery Service” in which it delivers foreign currency to houses of clients.

In addition to “NISA” (Nippon Individual Savings Account), a Japan’s new tax exemption scheme for investment by individuals introduced in January 2014, “Junior NISA” was introduced in January 2016. Daiwa Securities Co. Ltd. promotes the transition from “savings to investments” and endeavors to expand its client base with these services.

(Note) The account in which Daiwa Securities Co. Ltd. provides services of investment decisions and order executions and in turn a customer pays fees for such services in a lump sum depending on the balance of the customer’s assets in accordance with the discretionary investment contract executed between the parties.

2) Wholesale Business

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

In Global Markets business, Daiwa Securities Co. Ltd. conducts sales and trading of equities, bond, forex and financial derivative products to institutional investors and corporate clients and also provides products and sales support to retail business segment.

In the first half of FY2015, it was able to gain stable revenues in the active stock market, by providing timely the products meeting customers’ needs under the close cooperation with retail business segment and wholesale business segment. It also gained trading incomes steadily, the same as the previous fiscal year, by quick position management adequately responding to environment changes even in the highly volatile securities/financial market worldwide after August.

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

As to the domestic underwriting business, it served as a domestic co-lead managing underwriter for the IPO (Note 1) of three companies in Japan Post group, as a single global coordinator (Note 2) for the large scale global IPO of Rakuten, Inc., and also as a joint global coordinator for the global IPO (Note 3) of Dexerials Corporation.

As to the overseas underwriting business, it served as a joint global coordinator for global IPO of Mirae Asset Life Insurance in Korea.

Further, in the M&A advisory business, the companies in the Group worked together and advised on many M&A transactions. For instance, Daiwa Securities Co. Ltd. and Daiwa Corporate Advisory, both of which are the affiliates of the Group, worked together and advised Mitsubishi Electric Co. on the acquisition of DeLclima S.p.A in Italy.

As a measure to show more presence in the growing overseas market, the Company agreed on investment in Affin Hwang Investment Bank Berhad in Malaysia in FY2015.

(Note 1) IPO (Initial Public Offering) is a type of public offering in which shares are sold to the public for the first time.

(Note 2) The managing securities firm which integrates overall transactions when shares are offered in both domestic and overseas market.

(Note 3) Selling shares in both domestic and overseas market in IPO.

3) Asset Management Business

Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd. strived to increase their assets under management by providing products through broad distribution channels and also by strengthening their asset management expertise.

Through the sales channel of Daiwa Securities Co. Ltd., Daiwa Asset Management Co. Ltd. increased its assets by 464.9 billion yen mainly due to the investment trusts exclusively for “Daiwa Fund Wrap”. It also increased its assets by 170.1 billion yen through the over-the-counter-sales by banks thanks to good sales of “Daiwa US REIT Open”. Its net assets of publicly offered stock investment trusts increased by 1 trillion 410.5 billion yen in FY2015, to 10 trillion 840.5 billion yen at the end of FY2015.

Daiwa SB Investments Ltd. endeavored to improve its management ability in investment advisory business for domestic and overseas pension funds, etc. In the investment trust business, sales of the series of “Preferred equity securities fund”, which invest in preferred securities, was in good shape mainly for local bank and the total net assets of these series reached 320.6 billion yen at the end of FY2015.

In the real estate asset management business, the entities such as Daiwa Office Investment Corporation, managed by Daiwa Real Estate Asset Management Co. Ltd., strived to acquire new properties continuously and also to increase the value of existing properties. The Company made Mi-Casa Asset Management Inc. as its subsidiary, which is a management company of Japan Rental Housing Investments Inc., a listed REIT (Note) specialized for investment in residential properties. As the result of these efforts, the Group’s assets under management in this area expanded to 780.8 billion yen at the end of FY2015.

(Note) Real Estate Investment Trust

4) Investment Business

Daiwa Corporate Investment Co., Ltd. established “Daiwa Start-Up Support Investment Limited Partnership” which supports newborn start-up companies.

Daiwa PI Partners Co. Ltd. steadily built up investments in non-performing loans under the strong needs of financial institutions to dispose of such loans. Further, it provided investments and loans for corporations and also investments for renewable energy business. It contributed to the Group’s revenues by realizing exits from existing investments such as non-performing loans.

The business of Daiwa securities SMBC Principal Investments Co. Ltd. was devoted to the management and exit activities as to existing investments. In FY2015, it sold shares in MITSUI LIFE INSURANCE COMPANY LIMITED.

5) Others

Daiwa Institute of Research Ltd. established “Yangon Stock Exchange”, a first stock exchange in Myanmar, in cooperation with Myanmar Economic Bank and Japan Exchange Group, Inc in December 2015. In March 2016, First Myanmar Investment Co. Ltd (FMI) was listed as a first listed company and then the trade at this exchange started. Myanmar Securities Exchange Centre, an affiliated company of the Company, acquired license as a securities company there and supported the listing of FMI.

[CSR (Note 1)]

The Group was positively involved in development and provision of innovative financial instruments concerning Impact Investment (Note 2) in order to contribute to the formation of sustainable society utilizing financial functions. Specifically, the Group underwrote and distributed “Inclusive Business Bonds”, which support the business for 4.5 billion people at the BOP (Note 3), for the second time following the previous fiscal year. It also underwrote and distributed “Water Bonds” to realize satisfactory access to drinkable water and sanitary service and “Green Bonds”, which contribute to development of economy and society more friendly to environment.

The Group also has supported the areas struck by the East Japan Earthquake continuously since 2012. For instance, the Group donated a part of the trust fees of “Daiwa Japan Supporter Vol.3 -Phoenix Japan-” and decided subsidies to nine NPOs in the areas in FY2015.

Furthermore, the Group has worked continuously in supporting education as to economy and finance. In FY2015, it launched the website named “Okane-no-Mikata” (How to See Money), which provides education as to economy and finance for teenagers and their teachers and parents. In addition, it has been continuously engaged in various volunteer activities.

(Note 1) Corporate Social Responsibility

(Note 2) An investment, the use of which is limited to projects aiming not only to gain economical profits but also to solve social problems such as poverty and environmental issues

(Note 3) Base of the Economic Pyramid, people in low-income segments in developing countries

2. Outline of the Consolidated Performances

The following is the outcome of our consolidated performance in FY2015. The Group has 50 consolidated subsidiaries and 10 affiliates accounted for using the equity method at the end of FY2015.

(Note) The consolidated financial statements of the Company are prepared in accordance with the Accounting Regulation Ordinance (Ministry of Justice Ordinance No. 13, 2006), the Cabinet

Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance, No. 52, 2007) and the Uniform Accounting Standards for Securities Companies (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), the two latter of which are applied to the balance sheets and income statements of the companies that engage in securities-related business, the main business of the Group, based on Article 118 of the Accounting Regulation Ordinance.

(1) Status of Profits and Losses of the Group

The consolidated operating revenue was 653.7 billion yen (a 0.9% decrease from FY2014) and the net operating revenue was 514.8 billion yen (a 3.3% decrease from FY2014). The selling, general and administrative expense was 364.5 billion yen (a 0.9% increase from FY2014) and the ordinary income was 165.1 billion yen (a 10.5% decrease from FY2014). The profit attributable to owners of parent, calculated by adding extraordinary income or loss, income taxes and minority interests in income to the ordinary income, was 116.8 billion yen (a 21.3% decrease from FY2014).

Performances of each operating segments are as follows.

(Millions of yen)

	Net Operating Revenues			Ordinary Income		
	Fiscal 2014 (78 th term)	Fiscal 2015 (79 th term)	Change (%) from Previous Term	Fiscal 2014 (78 th term)	Fiscal 2015 (79 th term)	Change (%) from Previous Term
Retail	232,033	217,922	△6.1%	77,756	61,080	△21.4%
Wholesale	180,568	178,014	△1.4%	52,888	48,878	△7.6%
Asset Management	55,140	50,528	△8.4%	32,142	29,990	△6.7%
Investment	8,351	19,730	136.2%	6,506	17,397	167.4%
Others	56,126	48,618	—	15,284	7,801	—
Total	532,220	514,815	△3.3%	184,578	165,148	△10.5%

[Retail]

Although the steady expansion of the assets under management of wrap accounts contributed to the stable increase of revenues, the amount of transactions and sales of products decreased due to the confusion in the financial market worldwide caused by the slowdown of the Chinese economy and the plunge of the crude oil prices. The net operating revenue was 217.9 billion yen (a 6.1% decrease from FY2014) and the ordinary income was 61.0 billion yen (a 21.4% decrease from FY2014).

[Wholesale]

Although the revenue from bond trading was in good shape, the revenue of the Investment Bank business decreased compared with that in FY2014. The net operating revenue was 178.0

billion yen (a 1.4% decrease from FY2014) and the ordinary income was 48.8 billion yen (a 7.6% decrease from FY2014).

[Asset Management]

The strong yen and weak stock decreased the amount of assets under management. The performance of this segment was also affected by the status change of Daiwa Office Investment Corporation from consolidated subsidiary to an affiliated company accounted for using the equity method. The net operating revenue was 50.5 billion yen (a 8.4% decrease from FY2014) and the ordinary income was 29.9 billion yen (a 6.7% decrease from FY2014).

[Investment]

Thanks to the exit of the huge investment transaction, the net operating revenue was 19.7 billion yen (a 136.2% increase from FY2014) and the ordinary income was 17.3 billion yen (a 167.4% increase from FY2014).

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

The total assets at the end of FY2015 were 20 trillion 420.8 billion yen (a decrease of 2 trillion 580.7 billion yen from FY2014), mainly because of the increase of cash and deposits (by 349.0 billion yen) and the decrease of loans secured by securities (by 1 trillion 478.0 billion yen), trading products (by 803.1 billion yen) and securities (by 538.7 billion yen).

The total liabilities at the end of FY2015 were 19 trillion 107.8 billion yen (a decrease of 2 trillion 459.0 billion yen), mainly because of the increase of deposits in banking business (by 182.9 billion yen) and the decrease of loans payable secured by securities (by 1 trillion 651.3 billion yen), trading products (by 713.4 billion yen) and short-term loans payable (by 191.8 billion yen).

The net assets were 1 trillion 313.0 billion yen (a decrease of 121.6 billion yen), mainly because of the increase of retained earnings due to the profit attributable to owners of parent (by 60.1 billion yen) and the decrease of valuation difference on available-for-sale securities due to the drop in market value of securities held (by 37.2 billion yen) and foreign currency translation adjustment due to the continuing strong yen (by 22.0 billion yen). Net assets per share were 720.86 yen.

(3) Status of the Capital Investment of the Group

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

In FY2015, the Group made capital investments for enhancing the convenience of NISA and

online services and for the expansion of the sales support system. Also, it made IT-related investments, the total amount of which is around 34.8 billion yen, for preparing provision of investment services using AI and big data, enhancing system infrastructure such as expansion of cloud system, responding to global financial regulations, strengthening information management system in preparation for the start of My Number and coping with more complex and diverse cyber-attacks.

Further, Daiwa Securities Co. Ltd. opened new branch offices in Ueda, Isesaki, Urayasu and Narumi.

(4) Status of Financing of the Group

The Company issued the following series of Yen denominated unsecured straight bonds.

21st series bonds of 20 billion yen (May 29, 2015)

22nd series bonds of 45 billion yen (August 12, 2015)

23rd series bonds of 25 billion yen (August 12, 2015)

24th series bonds of 30 billion yen (November 12, 2015)

25th series bonds of 13 billion yen (February 25, 2016)

26th series bonds of 11 billion yen (February 25, 2016)

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

	(Billions of yen)				
	75 th term	76 th term	77 th term	78 th term	79 th term (current term)
	(Apr 1, 2011- Mar 31, 2012)	(Apr 1, 2012- Mar 31, 2013)	(Apr 1, 2013- Mar 31, 2014)	(Apr 1, 2014- Mar 31, 2015)	(Apr 1, 2015- Mar 31, 2016)
Operating revenue	422.3	525.4	642.8	659.3	653.7
Net operating revenue	336.0	417.3	541.9	532.2	514.8
Ordinary income (loss)	(12.2)	95.1	197.0	184.5	165.1
Profit (loss) attributable to owners of parent	(39.4)	72.9	169.4	148.4	116.8
Shareholders' equity (Net assets)	951.7	1,082.5	1,253.4	1,434.6	1,313.0
Total assets	18,924.0	19,049.0	19,480.8	23,001.5	20,420.8
Shareholders' equity (Net assets) per share (Yen)	463.04	536.72	633.53	725.27	720.86
Profit (loss) per share (Yen)	(23.41)	43.00	99.63	87.07	68.25
Return on Equity (ROE) (%)	(4.9%)	8.6%	17.0%	12.8%	9.5%
Number of consolidated Subsidiaries	60	52	49	50	50
Number of affiliates accounted for using the equity method	5	8	8	8	10

(Note) From FY2015, we changed the account name of “Net income (loss)” to “Profit (loss) attributable to owners of parent” in accordance with the Accounting Standards for Business Combination (ASBJ Statement No. 21, September 13, 2013), etc.

4. Issues to be Addressed by the Group

During FY2015, the initial year of the Group's Medium-Term Management Plan “Passion for the Best” 2017, we were faced with the most severe business environment since the start of Abenomics as global securities and financial markets were shaken due to the slowdown of the Chinese economy, plummeting oil prices and heightened geopolitical risks.

Under such circumstances, the Group has managed to achieve reasonable results in terms of ROE and fixed cost coverage ratio targets. Also, the Group made steady progress such as, expansion of the balance of wrap accounts and significant increase in the number of applications for comprehensive inheritance consulting services, focused as key products in the wealth management business.

As the global economy remains uncertain in FY2016, the second year of the Medium-Term

Management Plan, we will further advance our efforts to establish a robust business structure immune to the external environment.

Specifically, we will accurately respond to the significant social needs that continue to exist regardless of the market environment — such as asset building and asset management matching customers' life stages, as well as needs related to inheritance — and aim to stabilize flow revenue while also expanding into new businesses that provide stable revenues through the effective utilization of capital.

By leveraging industry's top quality, the Daiwa Securities Group will strive to lead the shift from savings to investment and contribute to Japan's growth strategy as the customer's first choice securities group.

The Action Plans for Each Business Division for FY2015

Retail Division

- 1) Provide consulting services befitting of a “best partner”
- 2) Expand the stable revenue base by developing and spreading competitive wrap account services and investment trusts
- 3) Further develop the combined securities-banking business model
- 4) Strengthen responses to inheritance business
- 5) Acquire new client base centered on inbound-type clients
- 6) Improve sales support functions through the use of AI and big data

Wholesale Division

- 1) Improve capabilities to supply products that accurately respond to customer needs
- 2) Promote a global strategy focused on Asia
- 3) Identify and develop next-generation growth companies and help them to raise capital for growth
- 4) Provide solutions in response to corporate globalization and M&A needs
- 5) Expansion of products and services required under the new environment of negative interest rates

Asset Management Division

- 1) Strengthen and improve management ability, and pursue excellence in performance
- 2) Develop products suitable for expanding the investor base and long-term asset building
- 3) Enhance products that meet customers' needs and strengthen support abilities
- 4) Further execute and enforce fiduciary duty
- 5) Further strengthen the real estate asset management business

Investment Division

- 1) Secure returns through strengthening of investment ability
- 2) Execute investment linked with Group business through the utilization of principal funds
- 3) Support sustained growth of companies and development of new industry through the provision of growth funds, etc.

Other (Daiwa Institute of Research Group)

- 1) Increase synergy through strengthening coordination with group company
- 2) Actively communicate information centered on economy, finance and environment
- 3) Strengthen consulting capabilities in Japan and Asia
- 4) Provide highly competitive IT that contributes to customers' business

Other (Daiwa Next Bank)

- 1) Expand new customer segments
- 2) Promote customer transactions by strengthening securities-banking coordination (strengthen foreign currency-related business)
- 3) Strengthen ALM (pursuing appropriate ALM under negative interest rates)
- 4) Strengthen each management systems

(Note 1) AI: Artificial Intelligence

(Note 2) Fiduciary duty: a generic term of broad and various duties and responsibilities owed by a person who carries out his/her assignments to respond to trust from others

(Note3) ALM: method of risk management totally managing amounts of assets and liabilities.

5. Status of the Group

(1) The Group's Primary Business

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

(2) Status of Major Subsidiaries and Affiliates

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	Main Business
Daiwa Securities Co. Ltd.	Chiyoda-ku, Tokyo	100,000	100.0% (100.0%)	Securities related business Investment advisory and agency business
Daiwa Asset Management Co. Ltd.	Chiyoda-ku, Tokyo	15,174	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Institute of Research	Koto-ku, Tokyo	3,898	100.0% (100.0%)	Integration and management of

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	Main Business
Holdings Ltd.				subsidiaries
Daiwa SB Investments Ltd.	Chiyoda-ku, Tokyo	2,000	44.0% (44.0%)	Investment management business Investment advisory and agency business
Daiwa Securities Business Center Co, Ltd.	Koto-ku, Tokyo	100	100.0% (100.0%)	Back office operation
Daiwa Property Co., Ltd.	Chuo-ku, Tokyo	100	100.0% (99.4%)	Lending and borrowing of real estate
Daiwa Next Bank, Ltd.	Chiyoda-ku, Tokyo	50,000	100.0% (100.0%)	Banking business
Daiwa Institute of Research Ltd.	Koto-ku, Tokyo	1,000	100.0% (—)	Information service
Daiwa Institute of Research Business Innovation Ltd.	Koto-ku, Tokyo	3,000	100.0% (—)	Information service
Daiwa Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	100	100.0% (—)	Investment business
Daiwa PI Partners Co. Ltd.	Chiyoda-ku, Tokyo	12,000	100.0% (—)	Investment business
Daiwa Securities SMBC Principal Investments Co. Ltd.	Chiyoda-ku, Tokyo	100	60.0% (—)	Investment business
Daiwa Real Estate Asset Management Co. Ltd.	Chuo-ku, Tokyo	200	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Office Investment Corporation (Note 1)	Chuo-ku, Tokyo	243,403	38.9% (12.3%)	Investment in specified assets
Daiwa Capital Markets Europe Limited	London, U.K.	GBP732 million	100.0% (—)	Securities-related business
Daiwa Capital Markets Asia Holding B.V.	Amsterdam, Netherlands	EUR1,083 million	100.0% (—)	Integration and management of subsidiaries
Daiwa Capital Markets Hong Kong Limited	Hong Kong, China	HKD100 million USD676 million	100.0% (—)	Securities-related business
Daiwa Capital Markets Singapore Limited	Singapore, Singapore	SGD140 Million	100.0% (—)	Securities-related business
Daiwa Capital Markets America Holdings Inc.	New York, U.S.A.	USD621 Million	100.0% (—)	Integration and management of subsidiaries
Daiwa Capital Markets	New York, U.S.A.	USD100	100.0% (—)	Securities-related business

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	Main Business
America Inc.		Million		

(Note) Among the companies above, Daiwa SB Investments Ltd. and Daiwa Office Investment Corporation are affiliated companies.

(3) Situation of specified wholly-owned subsidiary at the end of FY2015

Company Name	Location	Book value of the specified wholly-owned subsidiary at the end of FY2015
Daiwa Securities Co. Ltd.	9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	635,569 million yen

(Note) The amount of total assets of the company at the end of FY2015 is 2,336,810 million yen.

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

The status of Daiwa Office Investment Corporation changed from the Company's consolidated subsidiaries to its affiliate accounted for using the equity method on June 1st, 2015.

Further, Daiwa Securities Co. Ltd. and Daiwa Pension Consulting Co., Ltd., both of which were the Company's consolidated subsidiaries, merged on October 1st, 2015.

(5) Status of Major Business Alliances

The company operates a joint venture with Sumitomo Mitsui Financial Group Inc. in the asset management business.

(6) The Group's Primary Business Locations

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

2) **Main Subsidiary's Business Locations**

Daiwa Securities Co. Ltd.

Hokkaido / Tohoku	Sapporo Branch, Sendai Branch, and 8 other branches
Kanto (excluding Tokyo)	Yokohama Branch, Yokohama-eki Nishiguchi Branch, Chiba Branch, Omiya Branch, and 26 other branches
Tokyo	Head Office, Ginza Branch, Shinjuku Branch, Shibuya Branch, Ikebukuro Branch, and 33 other branches
Chubu / Hokuriku	Nagoya Branch, Nagoya-ekimae Branch, Shizuoka Branch, and 19 other branches
Kinki	Kyoto Branch, Osaka Branch, Umeda Branch, Nanba Branch, Kobe Branch, and 16 other branches
Chugoku / Shikoku	Hiroshima Branch, and 12 other branches

Kyushu / Okinawa	Fukuoka Branch, and 9 other branches
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(7) Status of Employees

1) The Group's Employees

Number of employees	Change from previous fiscal year
13,701	235

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

(Note 2): The annual average number of part-time workers is 940.

2) The Company's Employees

Number of employees	Average age	Average years of service
4 [593]	[42yrs.]	[15yrs. & 5mons.]

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

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

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

(8) Major Lenders

Name of Lender	Type of Loan	Balance (Millions of yen)
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	39,100
	Long-Term Borrowings	62,536
Mizuho Bank Ltd.	Short-Term Borrowings	21,500
	Long-Term Borrowings	57,367
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Long-Term Borrowings	53,504
Resona Bank Ltd.	Long-Term Borrowings	33,000
Sumitomo Mitsui Trust Bank, Limited	Short-Term Borrowings	17,000
	Long-Term Borrowings	10,000
Yamaguchi Bank Corporation	Short-Term Borrowings	5,000
	Long-Term Borrowings	17,562
Taiyo Life Insurance Company	Long-Term Borrowings	20,000

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

(9) Other Significant Matters relating to the Group's Current Status

Not applicable.

(Note): This business report is prepared in accordance with the provisions of the Companies Act (Act No. 86 of 2005), the Ordinance for Enforcement of the Companies Act (Ministry of Justice Ordinance No. 12 of 2006) and the Accounting Regulation Ordinance (Ministry of Justice Ordinance No. 13 of 2006). We stated the status of the Group instead of the status of the Company alone, where possible.

II. Summary of the Company (as of March 31, 2016)

1. Status of Shares

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

Total number of authorized class shares

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

(2) Total number of issued and outstanding shares: 1,749,378,772 shares of Common Stocks
(including treasury stock)

(3) Total number of Shareholders: 121,067

(4) Major Shareholders (top ten)

Name	Number of Shares of Common Stocks held (% of total outstanding shares)
STATE STREET BANK AND TRUST COMPANY 505223	165,704 thousand shares (9.79%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	63,442 thousand shares (3.74%)
Japan Trustee Services Bank, Ltd. (Trust Account)	63,355 thousand shares (3.74%)
B a r c l a y s C a p i t a l S e c u r i t i e s L t d .	34,000 thousand shares (2.00%)
S u m i t o m o M i t s u i B a n k i n g C o r p o r a t i o n	30,328 thousand shares (1.79%)
STATE STREET BANK AND TRUST COMPANY 505001	26,917 thousand shares (1.59%)
Japan Trustee Services Bank, Ltd. Sumitomo Mitsui Trust Pension Account	24,888 thousand shares (1.47%)
T a i y o L i f e I n s u r a n c e C o m p a n y	24,140 thousand shares (1.42%)
Japan Trustee Services Bank, Ltd. (Trust Account 7)	23,803 thousand shares (1.40%)
THE BANK OF NEW YORK MELLON SA/NV 10	22,605 thousand shares

	(1.33%)
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(Note 1) Treasury stock of 57,043,140 shares is excluded for calculating the percentages in the list of major shareholders above.

(Note 2) Although the Company holds 57,043 thousand shares in the Company as treasury stock as of March 31, 2016, the Company is excluded from the list of major shareholders above.

2. Status of Stock Acquisition Rights, etc.

(1) Status of Stock Acquisition Rights (Stock Option) at the end of the current fiscal year

1) Stock Acquisition Rights issued under Article 280-20 and Article 280-21 of the previous Commercial Code

Name (Issue Date)	Number (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Stock Acquisition Rights issued in June 2005 (June 24, 2005)	270 (Common stock 270,000 shares)	Gratuitous Grant	1,000 yen (1 yen per share)	From July 1, 2005 To June 30, 2025

2) Stock Acquisition Rights issued under Article 236, Article 238, and Article 239 of the Companies Act

Name (Issue Date)	Number (Class and Number of Shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period to exercise
Stock Acquisition Rights issued in July 2006 (July 1, 2006)	171 (Common stock 171,000 shares)	Gratuitous Grant	1,000 yen (1 yen per share)	From July 1, 2006 To June 30, 2026
Stock Acquisition Rights, Series 3 (September 4, 2006)	2,593 (Common stock 2,593,000 shares)	Gratuitous grant	1,455,000 yen (1,455 yen per share)	From July 1, 2011 to June 23, 2016
Stock Acquisition Rights issued in July 2007 (July 1, 2007)	194 (Common stock 194,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027
Stock Acquisition Rights, Series 4 (September 3, 2007)	2,570 (Common stock 2,570,000 shares)	Gratuitous grant	1,176,000 yen (1,176 yen per share)	From July 1, 2012 to June 22, 2017
Stock Acquisition Rights issued in July 2008 (July 1, 2008)	245 (Common stock 245,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028
Stock Acquisition Rights, Series 5 (September 8, 2008)	2,825 (Common stock 2,825,000 shares)	Gratuitous grant	881,000 yen (881 yen per share)	From July 1, 2013 to June 20, 2018
Stock Acquisition Rights issued in July 2009 (July 1, 2009)	540 (Common stock 540,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029
Stock Acquisition Rights, Series 6 (November 9, 2009)	2,406 (Common stock 2,406,000 shares)	Gratuitous grant	496,000 yen (496 yen per share)	From July 1, 2014 to June 19, 2019
Stock Acquisition Rights issued in July 2010 (July 1, 2010)	954 (Common stock 954,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2010 to June 30, 2030
Stock Acquisition Rights, Series 7 (September 1, 2010)	4,524 (Common stock 4,524,000 shares)	Gratuitous grant	380,000 yen (380 yen per share)	From July 1, 2015 to June 25, 2020
Stock Acquisition Rights issued in July 2011 (July 1, 2011)	1,167 (Common stock 1,167,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2011 to June 30, 2031

Stock Acquisition Rights, Series 8 (September 5, 2011)	5,855 (Common stock 5,855,000 shares)	Gratuitous grant	326,000 yen (326 yen per share)	From July 1, 2016 to June 24, 2021
Stock Acquisition Rights issued in February 2013 (February 12, 2013)	807 (Common stock 807,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 12, 2013 to June 30, 2032
Stock Acquisition Rights, Series 9 (February 12, 2013)	6,333 (Common stock 6,333,000 shares)	Gratuitous grant	598,000 yen (598 yen per share)	From July 1, 2017 to June 26, 2022
Stock Acquisition Rights issued in February 2014 (February 10, 2014)	394 (Common stock 394,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 10, 2014 to June 30, 2033
Stock Acquisition Rights, Series 10 (February 10, 2014)	3,964 (Common stock 3,964,000 shares)	Gratuitous grant	1,062,000 yen (1,062 yen per share)	From July 1, 2018 to June 25, 2023
Stock Acquisition Rights issued in February 2015 (February 9, 2015)	458 (Common stock 458,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 9, 2015 to June 30, 2034
Stock Acquisition Rights, Series 11 (February 9, 2015)	5,418 (Common stock 5,418,000 shares)	Gratuitous grant	931,000 yen (931 yen per share)	From July 1, 2019 to June 25, 2024
Stock Acquisition Rights issued in February 2016 (February 16, 2016)	581 (Common stock 581,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 16, 2016 to June 30, 2035
Stock Acquisition Rights, Series 12 (February 16, 2016)	4,484 (Common stock 4,484,000 shares)	Gratuitous grant	733,000 yen (733 yen per share)	From July 1, 2016 to June 30, 2025
Total	46,483 (Common stock 46,483,000 shares)			

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

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

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

(Note 4) The number of stock acquisition rights above includes the stock acquisition rights held by the Company.

(2) Status of Stock Acquisition Rights (Stock Options) held by the Company's Officers at the end of the current fiscal year

Name of Stock Acquisition Rights	Number of holders	Number of Rights
Stock Acquisition Rights issued in June 2005	7	51
Stock Acquisition Rights issued in July 2006	8	33
Stock Acquisition Rights, Series 3	6	19
Stock Acquisition Rights issued in July 2007	8	33
Stock Acquisition Rights, Series 4	5	16
Stock Acquisition Rights issued in July 2008	9	45
Stock Acquisition Rights, Series 5	4	19
Stock Acquisition Rights issued in July 2009	11	101

Stock Acquisition Rights issued in July 2010	12	155
Stock Acquisition Rights, Series 7	2	18
Stock Acquisition Rights issued in July 2011	13	224
Stock Acquisition Rights, Series 8	1	9
Stock Acquisition Rights issued in February 2013	13	169
Stock Acquisition Rights, Series 9	1	11
Stock Acquisition Rights issued in February 2014	14	90
Stock Acquisition Rights issued in February 2015	14	99
Stock Acquisition Rights issued in February 2016	14	127

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

(Note 2) The officers at the end of current fiscal year did not hold Stock Acquisition Rights, Series 6, Series 10, Series 11 and Series 12.

(3) Status of Stock Acquisition Rights (Stock Options) allotted to Employees, etc., during the current fiscal year

Name of Stock Acquisition Rights	Class of holders	No. of holders	No. of rights
Stock Acquisition Rights issued in February 2016	Employees of the Company	7	36
	Directors of Subsidiaries	48	249
	Employees of Subsidiaries	37	169
	Total	92	454
Stock Acquisition Rights, Series 12	Employees of the Company	1	7
	Directors of Subsidiaries	5	19
	Employees of Subsidiaries	3,168	4,344
	Directors and Employees of Affiliates	64	114
	Total	3,238	4,484

(Note 1) The numbers above are those as of the issue date of each stock acquisition right.

(Note 2) Executive Officers of the Company are classified as employees of the Company.

(Note 3) Executive Officers of subsidiaries are classified as employees of subsidiaries.

(Note 4) No stock acquisition right as a stock option was allocated to the Audit & Supervisory Board Members of subsidiaries.

3. Status of the Company's Officers

(1) Status of Directors

Title	Name	Area in Charge and Significant Concurrent Positions
Chairman of the Board	Shigeharu Suzuki	See “(2) Corporate Executive Officers”
Member of the Board	Takashi Hibino	See “(2) Corporate Executive Officers”
Member of the Board	Nobuyuki Iwamoto	See “(2) Corporate Executive Officers”
Member of the Board	Yoriyuki Kusaki	See “(2) Corporate Executive Officers”

Title	Name	Area in Charge and Significant Concurrent Positions
Member of the Board	Hiroshi Nakamura	See “(2) Corporate Executive Officers”
Member of the Board	Keiko Tashiro	See “(2) Corporate Executive Officers”
Member of the Board	Masaru Shirataki	Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. Audit & Supervisory Board Member of Daiwa Property Co. Ltd. Audit & Supervisory Board Member of Daiwa Institute of Research Business Innovation Ltd. Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd.
Member of the Board	Ryuji Yasuda	See “(3) Outside Officers”
Member of the Board	Nobuko Matsubara	See “(3) Outside Officers”
Member of the Board	Keiichi Tadaki	See “(3) Outside Officers”
Member of the Board	Tadashi Onodera	See “(3) Outside Officers”
Member of the Board	Michiaki Ogasawara	See “(3) Outside Officers”

(Note 1) Members of the Board, Ryuji Yasuda, Nobuko Matsubara, Keiichi Tadaki, Tadashi Onodera and Michiaki Ogasawara are outside directors as defined under Article 2 item 15 of the Companies Act. We report to Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. that those directors are independent directors.

(Note 2) As a “company with nominating committee etc.”, the Company formed the following three committees, composed of the following directors.

Nominating Committee: Shigeharu Suzuki (Chairman), Takashi Hibino, Ryuji Yasuda, Nobuko Matsubara, Keiichi Tadaki, Tadashi Onodera

Audit Committee: Keiichi Tadaki (Chairman), Masaru Shirataki, Nobuko Matsubara, Michiaki Ogasawara

Compensation Committee: Ryuji Yasuda (Chairman), Shigeharu Suzuki, Takashi Hibino, Tadashi Onodera, Michiaki Ogasawara

Masaru Shirataki served full time as a member of Audit Committee in order for the committee to conduct audit activities continuously and effecticely, such as infromation gathering through hearing from Corporate Executive Officers, receiving reports from the internal audit department and auditing of subsidiaries, and also the attendance to various meetings .

Masaru Shirataki retired from a member of Audit Committee on March 31st, 2016.

(Note 3) Masaru Shirataki retired from Audit & Supervisory Board Member of Daiwa Securities Co. Ltd., Daiwa Property Co. Ltd., Daiwa Institute of Research Business Innovation Ltd. and Daiwa Real Estate Asset Management Co. Ltd. on March 31st, 2016.

(2) Status of Corporate Executive Officers

Title	Name	Area in Charge and Significant Cocurrent Positions
P r e s i d e n t	Takashi Hibinno	Chief Executive Officer (CEO),

Title	Name	Area in Charge and Significant Cocurrent Positions
/ Representative Corporate Executive Officer		Representative Director/president of Daiwa Securities Co. Ltd.
Deputy President/ Representative Corporate Executive Officer	Nobuyuki Iwamoto	Chief Operating Officer (COO), Head of Overseas Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Yoriyuki Kusaki	Head of Retail, Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Hiroshi Nakamura	Head of Wholesale, Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Makoto Shirakawa	Head of Asset Management, Representative Director/Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Takashi Fukai	Head of Think-tank, Representative Director/Deputy President of Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd.
Senior Executive Managing Director	Seiji Nakata	Deputy Head of Retail Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Senior Executive Managing Director	Toshihiro Matsui	Head of Planning and Personnel, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Keiko Tashiro	Deputy Head of Overseas (Head of U.S), Chairman of Daiwa Capital Markets America Holdings Inc. Chairman of Daiwa Capital Markets America Inc.
Executive Managing Director	Toshihiko Onishi	Head of Internal Audit, Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing	Mikita Komatsu	Chief Financial Officer (CFO),

Title	Name	Area in Charge and Significant Cocurrent Positions
D i r e c t o r		Deputy Head of Planning and Overseas, Executive Managing Director of Daiwa Securities Co. Ltd. Member of the Board of Daiwa Real Estate Asset Management Co. Ltd.
Executive Managing D i r e c t o r	Hiroyuki Inose	Chief Risk Management Officer (CRO) Director of Daiwa Securities Co. Ltd.
Corporate Executive O f f i c e r	Shigeharu Suzuki	Representative Director/ Chairman of the Board of Daiwa Securities Co. Ltd. Outside Director of Imperial Hotel, Ltd. Outside Audit & Supervisory Board Member of Shochiku Co., Ltd.

(Note 1) Corporate Executive Officers Takashi Hibino, Nobuyuki Iwamoto, Yoriyuki Kusaki, Hiroshi Nakamura, Keiko Tashiro and Shigeharu Suzuki also serve as Directors.

(Note 2) Corporate Executive Officers Hiroshi Nakamura, Makoto Shirakawa, Takashi Fukai and Toshihiko Onishi resigned as of March 31, 2016.

(Note 3) Shinya Nishio, Masahisa Nakagawa, Masaru Shirataki, Yoshihisa Kaneko and Atsushi Mochizuki took their new positions as Corporate Executive Officers as of April 1, 2016. As of the said day, the responsibilities of the Corporate Executive Officers were changed as follows.

Deputy President/ Representative Corporate Executive Officer	Seiji Nakata	Head of Retail COO
Deputy President	Shinya Nishio	Head of Wholesale
Deputy President	Nobuyuki Iwamoto	Head of Asset Management
Deputy President	Yoriyuki Kusaki	Head of Think-tank
Senior Executive Managing Director	Toshihiro Matsui	Head of Planning
		Deputy Head of Wholesale
Senior Executive Managing Director	Keiko Tashiro	Head of Overseas
Executive Managing Director	Masahisa Nakagawa	CIO
Executive Managing Director	Masaru Shirataki	Head of Internal Audit
Executive Managing Director	Yoshihisa Kaneko	Head of Public Relations
Executive Managing Director	Atsushi Mochizuki	Head of Personnel

Nobuyuki Iwamoto and Yoriyuki Kusaki retired from the position as Representative Director/Deputy President of Daiwa Securities Co. Ltd. as of March 31, 2016.

Further, as of April 1, 2016, the following officers were inaugurated as the following positions:

Seiji Nakata, as a Representative Director/Deputy President of Daiwa Securities Co. Ltd.;
Shinya Nishio, as a Representative Director/Deputy President of Daiwa Securities Co. Ltd.;
Nobuyuki Iwamoto, as a Representative Director/President of Daiwa Asset Management Co. Ltd.; and
Yoriyuki Kusaki, as Representative Director/President of Daiwa Institute of Research Holdings Ltd.,
Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business
Innovation Ltd.

(3) Outside Officers

1) Significant concurrent positions held by outside officers in other companies and the relationships between these companies and the Company

Name	Significant Concurrent Positions
Ryuji Yasuda	Professor of Hitotsubashi University, Graduate School of International Corporate Strategy
	Outside Director of Fukuoka Financial Group, Inc.
	Outside Director of the Bank of Fukuoka, Ltd.
	Outside Director of Yakult Honsha Co., Ltd.
	Outside Audit & Supervisory Board Member of The Asahi Shimbun Company
	Outside Director of ORIX Corporation
	Outside Director of Benesse Holdings, Inc.
Nobuko Matsubara	Honorary Chairman of Japan Institute of Women's Empowerment & Diversity Management
	Outside Director of Ebara Corporation
Keiichi Tadaki	Special Counsel Attorney at Mori Hamada & Matsumoto
	Outside Director of Aeon Co., Ltd.
	Outside Audit & Supervisory Board Member of Nippon Life Insurance Company
	Outside Audit & Supervisory Board Member of Fujita Corporation
Tadashi Onodera	Chairman of KDDI Corporation
	Outside Director of Kyocera Corporation
	Outside Director of Okinawa Cellular Telephone Company
Michiaki Ogasawara	Outside Director of SKY Perfect JSAT Holdings Inc.
	Representative Director and President of the ITU Association of Japan
	Director of foundation for the Fusion Of Science and Technology
	Director of Financial and Monetary Planning Office
	Adviser of Sompo Japan Nipponkoa Insurance Inc.

(Note) The Company has no special relationships with the companies listed above in which outside officers hold concurrent positions.

2) Major activities during the current fiscal year

Name	Major activities (Status of attendance & remarks)
Ryuji Yasuda	Attended all 10 Board of Directors' meetings held in FY2015. Made remarks on the bills and discussion on such meetings, mainly based on his knowledge and experience relating to management strategies.
Nobuko Matsubara	Attended all 10 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2015. Made remarks on the bills and discussion, mainly from knowledge and experience acquired in her career as a government officer.
Keiichi Tadaki	Attended all 10 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2015. Made remarks on the bills and discussion on such meetings, mainly from his experience as a government officer and from expertise as an attorney.
Tadashi Onodera	Attended all 10 Board of Directors' meetings. Made remarks on the bills and discussion on such meetings, mainly from his experience as a business

	executive.
Michiaki Ogasawara	Attended all 8 Board of Directors' meetings and all 10 Audit Committee meetings held after his inauguration in FY2015. Made remarks on the bills and discussion on such meetings, mainly from knowledge and experience acquired in his career as a government officer.

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

3) Outline of the Agreement to limit liability

Each outside director executed an agreement to limit liability provided for in Article 423, Paragraph 1 of the Companies Act, with the Company. The maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act, whichever is higher.

(4) Remunerations paid to Directors and Corporate Executive Officers

	Directors		Corporate Executive Officers		Total	
Amounts of Remunerations, etc. Paid based on Resolution of the Compensation Committee	Number Paid Persons	Amount Paid ¥million	Number Paid Persons	Amount Paid ¥million	Number Paid Persons	Amount Paid ¥million
	8	124	13	1,130	21	1,254

(Note 1) The paid amounts above include the estimated amounts to be paid as Performance-linked remuneration for FY2015.

(Note 2) The paid amounts above include the stock acquisition rights granted as stock options to the Directors and Corporate Executive Officers valued at 84 million yen in total. The details of the stock acquisition rights are stated in "2. Status of Stock Acquisition Rights, etc."

(Note 3) The total remuneration, etc. paid to the six (6) outside directors was 88 million yen.

(Note 4) The remunerations to the six (6) Directors who also serve as Corporate Executive Officers are stated in the column of Amount Paid to the Corporate Executive Officers.

(5) Policies for Determination of Remuneration for Directors and Corporate Executive Officers

Remuneration for Directors and Corporate Executive Officers is determined based on the following fundamental policies.

- To create incentives effectively, which contribute to the increase of shareholders' value through sound business development and also lead to improvement of business performance in short-term and in medium/long-term.
- To maintain a remuneration level which are competitive enough to recruit and retain people not only in Japan but also in the world as a global securities company group.
- To separate execution function and supervision function effectively as a company with nominating committee, etc.

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

1) Base remuneration

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

2) Performance-linked remuneration

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

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

3) Stock-linked remuneration

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

Stock-linked remuneration shall not apply to Outside Directors.

4. Status of Independent Auditors

1) Name: KPMG AZSA LLC

2) Amount of Fees, etc.

1. The amount of fees, etc. to be paid by the Company to the independent auditor.

81 million yen

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

490 million yen

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

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

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

3) Policies for Determination of Discharge or Refusal of Reappointment

1. Discharge in the cases stipulated in the laws

Audit Committee shall discharge an independent auditor with the consent of all members

of the committee, in the case where the independent auditor falls under any of the items of paragraph 1 of Article 340 of the Companies Act.

2. Discharge or refusal of reappointment in other cases

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

4) Others

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

(Note) The Company has not executed an agreement to limit liability with the independent auditor, "KPMG AZSA LLC".

5. Policies for Determination of Distribution of Surpluses

The Company pursues continuous enhancement of shareholders' value including profit shares.

We basically pay dividends two times a year as a mid-term dividend and a fiscal year-end dividend. We have a policy to pay about 40% of the profits every six months in order to reflect a consolidated business performance. We also have a policy to proactively return profits to shareholders by repurchase of the Company's shares, etc., in the case where we can secure enough internal reserve necessary for future business development with the business stability taken into consideration.

Based on the basic policies above, we have decided that the distributions of surplus for FY2015 are 17 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 28, 2015) and 12 yen per share as the year-end dividend. Accordingly, the annual dividend will be 29 yen per share.

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

< System to Ensure Appropriateness of Business >

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

(1) Outline of the matters necessary for execution of Audit Committee's duties (matters provided in Article 112, Paragraph 1 of the Ordinance for Enforcement of the Companies Act)

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

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

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

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

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

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

The Audit Committee Office can attend various meetings when necessary.

3) System of report to Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* Audit Committee members periodically receive reports (i) on the risk management system and the risk status of the Group from the departments handling each risk and (ii) on the status

of internal audit of the Group from the internal audit department.

- * Audit Committee or Selected Committee Member can, if necessary, request the internal audit department to conduct investigation on its behalf.

- * Audit Committee periodically receives reports from the independent auditor as to the audit status of the companies in the Group.

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

(2) System to ensure the compliance in execution of Corporate Executive Officers' duties with laws and regulations and the Articles of Incorporation and other systems to ensure appropriateness of the business of the company and the corporate group consisting of such company and its subsidiaries (systems provided for in Article 416, Paragraph 1, Item 1(e) of the Companies Act and Article 112, Paragraph 2 of the Ordinance for Enforcement of the Companies Act)

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

a. Compliance System

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

b. Group Risk Management Committee

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

c. Group Internal Audit Committee

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

d. Internal Audit Department

- * For sound and effective internal control of the Group, we believe that internal audit is an important function and have established internal audit departments in major companies of the Group as well as the Company.
- * The internal audit department evaluates and examines the effectiveness of the Group's internal controls, and makes proposals for improvement and efficiency of the Group's business operation.
- * The internal audit department makes proposals and reports to the Audit Committee and the Group Internal Audit Committee about the plans and results of the internal audit.

e. Internal Control on Financial Reporting

- * For preparing the structure necessary to ensure appropriateness of financial statements and other financial information, the Company establishes the basic rules relating to internal control on financial reporting.
- * The Disclosure Committee and the Group Internal Audit Committee discuss and determine important issues concerning internal control on financial reporting.

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

Information relating to execution of Corporate Executive Officers' duties shall be stored and managed properly in accordance with the rules for filing and storing documents.

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

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

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

- * Clarify Corporate Executive Officers' duties, the methods of execution thereof and the business operations in their charge in the rules of Corporate Executive Officers.
- * As to matters which have material effect on the Company or the Group, clarify the matters to be resolved and matters to be reported in the rules of the Executive Management

Committee and Overseas Management Committee, etc.

- * By having Corporate Executive Officers serve concurrently as representatives of main group companies, etc., perform their business strategy quickly and efficiently based on the group strategy.
- * Formulate Group Medium-Term Management Plan, the term of which is 3 fiscal years, and, in order to embody this plan, determine management policy and budget allocation, etc. as a group for each fiscal year.

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

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

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

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

- (1) The outline of the state of the operation as to the matters necessary for execution of the duties of Audit Committee (Matters provided for in Article 416, Paragraph 1, Item 1(b) of the Companies Act and Article 112, Paragraph 1 of the Ordinance for Enforcement of the Companies Act)

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

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

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

The Company ensured independence of the Audit Committee Office from the Corporate

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

3) The system of report to Audit Committee

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

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

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

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

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

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

In accordance with audit standards of Audit Committee, Selected Committee Member of the Company tried to gather information as to execution status of duties of Directors and Corporate Executive Officers, by attending the important meetings such as meetings of Executive Management Committee, by browsing corporate decision documents and other important documents and by receiving reports of internal audit from internal audit department. It also obtained periodically the reports from the independent auditor on state of the accounting audit. It shared such information and report with other Audit Committee members. Further, Audit Committee tried to ensure the effectiveness of its audit by conducting additional

hearings from officers and employees and also additional investigations through the Audit Committee Office when necessary and by gathering a wide range of information through attendance to every meetings of Executive Management Committee, Group Risk Management Committee and Group Internal Audit Committee.

- (2) The outline of the state of operation of the system to ensure the compliance in execution of Corporate Executive Officers' duties with laws and regulations and the Articles of Incorporation, and other systems to ensure appropriateness of the business of the company and the corporate group consisting of such company and its subsidiaries (systems provided in Article 416, Paragraph 1, Item 1(e) of the Companies Act and Article 112, Paragraph 2 of the Ordinance for Enforcement of the Companies Act)

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

The Company already installed the rules, departments and systems on the matters listed in item (2) of "System to Ensure Appropriateness of Business" above and operated them adequately. The company also tried to realize the spread of information as to internal rules, advancement of compliance mind and penetration of corporate ethics, through compliance seminars for all officers and employees, compliance training and enlightenment activities for new employees and newly appointed managers, etc. In FY 2015, the Company held the meetings of Group Risk Management Committee 12 times to understand the risk status of the Group and also held the meetings of Group Internal Audit 8 times to share the results of internal audit conducted by the internal audit department. Further, the internal audit department evaluated and verified the internal controls as to financial reporting and reported the result to Group Internal Audit Committee.

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

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

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

The Company raised market risk, credit risk, liquidity risk, operational risk, reputational risk and accounting/ taxation risk as the risks to be managed in the rules on risk management. It also tried to upgrade the risk management system in response to the characteristics of each

risk. Further, it grasped the information as to situation of risk management system and risks themselves through the meetings of Group Risk Management Committee. In FY2015, such meetings were held 12 times, where the departments in charge of each risk shared such information there.

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

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

In the FY 2015, the meetings of Executive Management Committee were held 18 times, where its members discussed and determined the important matters which have effects on the Company or the Group. Further, Executive Management Committee reported the situation of execution of its duties to the Board of Directors. By this way, the adequacy and efficiency of execution of the duties of the Company's Corporate Executive Officers and its subsidiaries' Directors were supervised adequately.

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

The Company received reports from its group companies domestic and overseas and approved important matters as to such companies in the Company's meeting body, in accordance with the rules for management of group companies and overseas offices, etc. In FY 2015, the Company held Executive Management Committee 18 times and Overseas Management Committee 8 times for adequate discussions, decisions and reports.

Consolidated balance sheets

(Millions of yen)

	Fiscal 2015 As of Mar. 31, 2016	[References] Fiscal 2014 As of Mar. 31, 2015
<i>Assets</i>		
Current assets:	19,851,563	22,190,674
Cash and deposits	3,334,784	2,985,779
Cash segregated as deposits	323,761	349,094
Notes and accounts receivable-trade	17,090	18,286
Securities	2,091,090	2,629,847
Trading products:	7,501,242	8,304,368
Trading securities and other	4,017,267	5,192,464
Derivatives	3,483,975	3,111,904
Operational investment securities	127,210	156,157
Allowance for investment loss	(11,053)	(36,633)
Operating loans	432,785	287,010
Work in process	503	1,226
Margin transaction assets:	203,376	240,971
Loans on margin transactions	183,654	221,524
Cash collateral pledged for securities borrowing on margin transactions	19,722	19,447
Loans secured by securities:	5,250,135	6,728,201
Cash collateral pledged for securities borrowed	5,184,274	6,727,866
Loans on Gensaki transactions	65,861	334
Advances paid	20,670	29,640
Short-term loans receivable	288	538
Accrued income	33,574	36,578
Deferred tax assets	9,401	11,944
Other current assets	517,421	447,985
Allowance for doubtful accounts	(722)	(323)
Non-current assets:	569,255	810,911
Property, plant and equipment:	124,562	458,534
Buildings	49,362	114,234
Equipment	17,287	16,109
Land	57,911	328,190
Intangible assets:	84,879	77,082
Goodwill	7,972	4,820
Leasehold right	3,222	5,922
Software	51,899	43,087
Other	21,785	23,251
Investments and other assets:	359,812	275,294
Investment securities	324,456	241,642
Long-term loans receivable	4,954	4,971
Long-term guarantee deposits	17,523	16,903
Deferred tax assets	5,679	1,899
Other	7,942	11,256
Allowance for doubtful accounts	(743)	(1,378)
Total assets	20,420,818	23,001,585

(Millions of yen)

	Fiscal 2015 As of Mar. 31, 2016	References Fiscal 2014 As of Mar. 31, 2015
<i>Liabilities</i>		
Current liabilities:	16,827,865	19,353,884
Notes and accounts payable-trade	6,413	5,468
Trading products:	5,300,861	6,014,287
Trading securities and other	2,315,450	3,374,209
Derivatives	2,985,410	2,640,078
Trade date accrual	427,257	288,309
Margin transaction liabilities:	54,387	55,051
Borrowings on margin transactions	3,789	9,326
Cash received for securities lending on margin transactions	50,597	45,725
Loans payable secured by securities:	5,901,794	7,553,191
Cash received on debt credit transaction of securities	5,893,795	7,550,001
Borrowings on Gensaki transaction	7,999	3,189
Deposits for banking business	2,928,630	2,745,681
Deposits received	214,498	249,183
Guarantee deposits received	512,426	503,974
Short-term loans payable	820,019	1,011,879
Commercial papers	137,720	388,380
Current portion of bonds	232,594	264,942
Income taxes payable	40,498	13,804
Deferred tax liabilities	2,293	25,931
Provision for bonuses	30,058	35,438
Other current liabilities	218,411	198,359
Non-current liabilities:	2,275,976	2,209,094
Bonds payable	1,204,711	1,179,092
Long-term loans payable	1,004,988	946,408
Deferred tax liabilities	19,151	25,983
Net defined benefit liabilities	38,417	36,237
Provision for loss on litigation	2,174	1,877
Other non-current liabilities	6,532	19,494
Reserves under the special laws:	3,970	3,926
Reserve for financial products transaction liabilities	3,970	3,926
Total liabilities	19,107,812	21,566,904
<i>Net assets</i>		
Shareholders' equity:	1,133,257	1,086,668
Capital stock	247,397	247,397
Capital surplus	231,889	231,283
Retained earnings	683,939	623,755
Treasury stock	(29,970)	(15,771)
Deposit for subscriptions to treasury stock	2	3
Accumulated other comprehensive income:	86,574	151,988
Valuation difference on available-for-sale securities	98,483	135,687
Deferred gains or losses on hedges	(32,992)	(26,815)
Foreign currency translation adjustment	21,082	43,116
Subscription rights to shares	8,958	8,205
Non-controlling interests	84,214	187,818
Total net assets	1,313,005	1,434,680
Total liabilities and net assets	20,420,818	23,001,585

Consolidated statements of income

(Millions of yen)

	Fiscal 2015 Apr. 1, 2015 - Mar. 31, 2016	<u>References</u> Fiscal 2014 Apr. 1, 2014 - Mar. 31, 2015
Operating revenue:	653,711	659,396
Commission received:	288,418	291,115
Commission to consignees	70,325	69,950
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	28,553	37,553
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	34,743	41,051
Other fees received	154,796	142,559
Net trading income	131,324	157,220
Net gain (loss) on operational investment securities	18,502	7,415
Financial revenue	149,451	125,934
Other operating revenue	66,014	77,710
Financial expenses	89,530	80,070
Other operating expenses	49,366	47,105
Net operating revenue	514,815	532,220
Selling, general and administrative expenses:	364,517	361,380
Trading related expenses	72,339	73,676
Personnel expenses	183,292	181,772
Real estate expenses	37,360	37,009
Office cost	26,771	25,444
Depreciation	23,833	24,084
Taxes and dues	8,887	6,987
Provision of allowance for doubtful accounts	673	108
Other	11,358	12,296
Operating income (loss)	150,297	170,839
Non-operating income:	16,156	16,394
Dividends income	5,261	5,530
Amortization of negative goodwill	-	3,424
Share of profit of entities accounted for using equity method	6,959	2,071
Gain on investments in partnership	840	628
Foreign exchange gains	43	876
Other	3,051	3,863
Non-operating expenses:	1,305	2,655
Interest expenses	392	1,460
Bond issuance cost	446	428
Other	466	767
Ordinary income (loss)	165,148	184,578
Extraordinary income:	9,462	5,397
Gain on sales of non-current assets	-	2,611
Gain on sales of investment securities	3,284	557
Gain on sales of shares of subsidiaries and associates	1,116	-
Gain on change in equity	3,092	1,456
Recoveries of write-offs claims	232	500
Reversal of allowance for doubtful accounts	633	-
Other	1,102	271
Extraordinary loss:	4,698	8,059
Impairment loss	1,728	3,736
Loss on valuation of investment securities	462	303
Provision of reserve for financial products transaction liabilities	43	454
Business restructuring cost	1,688	2,028
Other	774	1,536
Income (loss) before income taxes	169,912	181,916
Income taxes-current	57,739	21,716
Income taxes-deferred	(10,803)	5,727
Profit	122,977	154,471
Profit attributable to non-controlling interests	6,128	5,981
Profit attributable to owners of parent	116,848	148,490

Consolidated statements of changes in net assets

(Apr. 1, 2015 - Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at the beginning of current period	247,397	231,283	623,755	(15,771)	3	1,086,668
Changes of items during the period						
Dividends from surplus	-	-	(56,664)	-	-	(56,664)
Profit attributable to owners of parent	-	-	116,848	-	-	116,848
Purchase of treasury stock	-	-	-	(18,633)	-	(18,633)
Disposal of treasury stock	-	498	-	4,433	-	4,932
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	106	-	-	-	106
Other	-	-	-	-	(0)	(0)
Total changes of items during the period	-	605	60,183	(14,199)	(0)	46,588
Balance at the end of current period	247,397	231,889	683,939	(29,970)	2	1,133,257

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at the beginning of current period	135,687	(26,815)	43,116	8,205	187,818
Changes of items during the period					
Net changes of items other than shareholders' equity	(37,203)	(6,177)	(22,033)	753	(103,603)
Total changes of items during the period	(37,203)	(6,177)	(22,033)	753	(103,603)
Balance at the end of current period	98,483	(32,992)	21,082	8,958	84,214

(Millions of yen)

Consolidated statements of changes in net assets

(Apr. 1, 2014 - Mar. 31, 2015)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at the beginning of current period	247,397	230,765	528,406	(17,817)	1	988,754
Changes of items during the period						
Dividends from surplus	-	-	(53,141)	-	-	(53,141)
Profit attributable to owners of parent	-	-	148,490	-	-	148,490
Purchase of treasury stock	-	-	-	(48)	-	(48)
Disposal of treasury stock	-	518	-	2,094	-	2,612
Other	-	-	-	-	1	1
Total changes of items during the period	-	518	95,348	2,046	1	97,914
Balance at the end of current period	247,397	231,283	623,755	(15,771)	3	1,086,668

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at the beginning of current period	87,845	(12,935)	14,910	7,363	167,525
Changes of items during the period					
Net changes of items other than shareholders' equity	47,842	(13,880)	28,205	841	20,293
Total changes of items during the period	47,842	(13,880)	28,205	841	20,293
Balance at the end of current period	135,687	(26,815)	43,116	8,205	187,818

(Millions of yen)

Balance sheet

(Millions of yen)

	Fiscal 2015 As of Mar. 31, 2016
<i>Assets</i>	
Current assets:	520,717
Cash and deposits	79,776
Short-term loans receivable	413,256
Accounts receivable	21,850
Accrued income	4,702
Other current assets	1,130
Non-current assets:	1,816,093
Property, plant and equipment:	44,931
Buildings	549
Equipment	2,299
Land	42,082
Intangible assets:	5,997
Software	5,072
Other	924
Investments and other assets:	1,765,164
Investment securities	170,731
Shares of subsidiaries and affiliates	843,306
Investments in other securities of subsidiaries and affiliates	13,199
Long-term loans receivable	731,083
Long-term guarantee deposits	4,853
Other	2,252
Allowance for doubtful accounts	(263)
Total assets	2,336,810

(Millions of yen)

	Fiscal 2015 As of Mar. 31, 2016
<i>Liabilities</i>	
Current liabilities:	366,859
Short-term loans payable	153,226
Current portion of bonds	136,055
Accrued expenses	3,154
Loans payable secured by securities	61,076
Income taxes payable	3,684
Provision for bonuses	1,193
Deferred tax liabilities	324
Other current liabilities	8,143
Non-current liabilities:	1,045,981
Bonds payable	584,640
Long-term loans payable	441,488
Deferred tax liabilities	17,871
Other non-current liabilities	1,982
Total liabilities	1,412,840
<i>Net assets</i>	
Shareholders' equity:	868,237
Capital stock	247,397
Capital surplus:	227,985
Legal capital surplus	226,751
Other capital surplus	1,233
Retained earnings:	422,771
Legal retained earnings	45,335
Other retained earnings	377,435
Retained earnings brought forward	377,435
Treasury stock	(29,919)
Deposit for subscriptions to treasury stock	2
Valuation and translation adjustments:	46,773
Valuation difference on available-for-sale securities	46,773
Subscription rights to shares	8,958
Total net assets	923,969
Total liabilities and net assets	2,336,810

Statement of income

(Millions of yen)

	Fiscal 2015 Apr. 1, 2015 - Mar. 31, 2016
Operating revenue:	28,238
Dividends from subsidiaries and affiliates	22,622
Interest on loans receivable from subsidiaries and affiliates	5,504
Other	111
Operating expenses:	23,833
Selling, general and administrative expenses:	16,471
Trading related expenses	1,992
Personnel expenses	6,866
Real estate expenses	1,683
Office cost	2,375
Depreciation	1,312
Taxes and dues	1,272
Other	968
Financial expenses	7,361
Operating income (loss)	4,404
Non-operating income:	5,125
Dividend income	3,680
Other	1,444
Non-operating expenses:	1,445
Bond issuance cost	1,052
Foreign exchange loss	341
Other	52
Ordinary income (loss)	8,084
Extraordinary income:	1,203
Gain on sales of investment securities	1,203
Extraordinary loss:	3,461
Loss on valuation of investment securities	441
Loss on support to subsidiaries and affiliates	3,020
Income (loss) before income taxes	5,826
Income taxes-current	(8,568)
Income taxes-deferred	4,662
Net income (loss)	9,732

Statement of changes in net assets

(Apr. 1, 2015 - Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Deposit for subscriptions to treasury stock	Total
		Legal capital surplus	Other capital surplus	Legal retained Earnings	Other retained earnings			
					Retained earnings brought forward			
Balance at the beginning of current period	247,397	226,751	677	45,335	424,367	(15,770)	3	928,762
Changes of items during the period								
Dividends from surplus	-	-	-	-	(56,664)	-	-	(56,664)
Net income	-	-	-	-	9,732	-	-	9,732
Purchase of treasury stock	-	-	-	-	-	(18,633)	-	(18,633)
Disposal of treasury stock	-	-	556	-	-	4,485	-	5,041
Others	-	-	-	-	-	-	(0)	(0)
Total changes of items during the period	-	-	556	-	(46,932)	(14,148)	(0)	(60,525)
Balance at the end of current period	247,397	226,751	1,233	45,335	377,435	(29,919)	2	868,237

(Millions of yen)

	Valuation and translation adjustments	Subscription Rights to shares
	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	57,736	8,205
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,962)	753
Total changes of items during the period	(10,962)	753
Balance at the end of current period	46,773	8,958

Independent Auditor's Report

May 16, 2016

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

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

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

Kazuo Uchida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, a summary of significant accounting policies and other explanatory information of Daiwa Securities Group Inc. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for operation and maintenance of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the method of

applying it and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Daiwa Securities Group Inc. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

May 16, 2016

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

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

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

Kazuo Uchida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets, a summary of significant accounting policies and other explanatory information, and the supplementary schedules of Daiwa Securities Group Inc. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for operation and maintenance of such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected and applied depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the

circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the method of applying it and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Daiwa Securities Group Inc. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report

The Audit Committee has audited the execution of duties by the Directors and the Corporate Executive Officers for the 79th fiscal year from April 1, 2015 to March 31, 2016. We report the methods and the results of the audit as follows.

1. Methods used in audits and content of audits

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

- ① In conformity with the audit standard of the audit committee decided by the committee and in accordance with audit policies, assignment of duties, etc. and cooperating with the internal control department, the Audit Committee attended significant meetings, received reports from Directors and Corporate Executive Officers, etc. about their execution, requested their explanation when necessary, inspected the contents of the important approval documents and other important documents, and investigated the status of the Company's business and assets. As to subsidiaries, the Audit Committee communicated and exchanged information with and, when necessary, received reports of business from subsidiaries' Directors and Audit & Supervisory Board Member, etc..
- ② The Audit Committee observed and verified whether the independent auditor was maintaining its independence and was carrying out its audits in an appropriate manner. The Audit Committee also received reports from the independent auditor on the execution of its duties and, when necessary, requested explanations regarding those reports. Further, the Audit Committee received notification from the independent auditor that it had established the "system for ensuring the proper execution of its duties" (as enumerated in Article 131 of the Accounting Regulation Ordinance) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Council on October 28, 2005). When necessary, the Audit Committee requested explanations regarding the notification.

Based on the methods above, the Audit Committee has examined the business report and its supplementary schedules, the statutory report (the balance sheet, the statement of income, the statement of changes in net assets, a summary of significant accounting policies and other explanatory information) and its supplementary schedules, and the consolidated statutory report (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, a summary of significant accounting policies and other explanatory information).

2. Results of the Audit

(1) Results of audit of the business report, etc.

- In our opinion, the business report and its supporting schedules fairly present the situation of the Company, in compliance with the provisions of applicable laws, regulations and the Articles of Incorporation.
- In our opinion, none of the actions taken by Directors and Corporate Executive Officers in executing their duties were fraudulent and none of their actions materially violated the provisions of applicable laws, regulations or the Articles of Incorporation.
- In our opinion, the content of the resolution by the Board of Directors regarding the organization of the internal control system was appropriate, the contents of the business report regarding internal control systems was appropriate, and, furthermore, all actions of Directors and Corporate Executive Officers with respect to executing internal control systems were carried out appropriately.

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

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

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

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

May 17, 2016

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Keiichi Tadaki

Committee Member
Nobuko Matsubara

Committee Member
Michiaki Ogasawara

(Note1) Mr. Keiichi Tadaki, Ms. Nobuko Matsubara and Mr. Michiaki Ogasawara are the outside directors provided

under the provisions of Article 2, item 15 and Article 400, Paragraph 3 of the Companies Act.

(Note2) Mr. Masaru Shirataki retired from a member of the Audit Committee on March 31st, 2016.

< Translation >

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

June 3, 2016

**Matters to be disclosed on the Internet
Based on Ordinances and Articles of Incorporation
On Notice of 79th General Meeting of Shareholders**

I . Notes to the Consolidated Statutory Report [1~13]pages

II . Notes to the Non-Consolidated Statutory Report . . . [14~17]pages

Daiwa Securities Group Inc.

Based on Ordinances and Articles of Incorporation No.23, “Notes to the Consolidated Statutory Report” and “Notes to the Non-Consolidated Statutory Report” are offered via the Internet; please access the web site of the company.
(http://www.daiwa-grp.jp/ir/shareholders/shareholders_04.html)

I . Notes to the Consolidated Statutory Report

The Consolidated Statutory Report of Daiwa Securities Group Inc. (“the Company”) for the fiscal year ended March 31, 2016 is prepared in accordance with the Accounting Regulation Ordinance (Ministry of Justice Ordinance No. 13, 2006), the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No. 52, 2007) and the Uniform Accounting Standards for Securities Companies (set by the board of directors of the Japan Securities Dealers Association, November 14, 1974), the two latter of which are applied to the balance sheets and the income statements of the companies that engage in securities-related business, the main business of the Group, based on Article 118 of the Accounting Regulation Ordinance.

The figures in the Consolidated Statutory Report are expressed in millions of yen, with amounts of less than one million omitted.

A summary of significant accounting policies

1. Scope of consolidation

(1) The number of consolidated subsidiaries and the names of major consolidated subsidiaries

The number of consolidated subsidiaries: 50 companies

The names of major consolidated subsidiaries:

Daiwa Securities Co. Ltd.
Daiwa Asset Management Co. Ltd.
Daiwa Institute of Research Holdings Ltd.
Daiwa Securities Business Center Co., Ltd.
Daiwa Property Co., Ltd.
Daiwa Next Bank, Ltd.
Daiwa Institute of Research Ltd.
Daiwa Institute of Research Business Innovation Ltd.
Daiwa Corporate Investment Co., Ltd.
Daiwa PI Partners Co. Ltd.
Daiwa Securities SMBC Principal Investments Co. Ltd.
Daiwa Real Estate Asset Management Co. Ltd.
Daiwa Capital Markets Europe Limited
Daiwa Capital Markets Asia Holding B.V.
Daiwa Capital Markets Hong Kong Limited
Daiwa Capital Markets Singapore Limited
Daiwa Capital Markets America Holdings Inc.
Daiwa Capital Markets America Inc.

In the Consolidated Statutory Report of the Company for the fiscal year ended March 31, 2016 we included, in the scope of consolidation, one company because of the acquisition of the shares and two companies because of increase in materiality. Also, we excluded, therefrom, one company due to decrease in share-holding ratio, one company due to merger and one company due to decrease in materiality.

(2) The names, etc. of major non-consolidated subsidiaries

The names of major non-consolidated subsidiaries

DIR Information Systems Co., Ltd.

Rationale for exclusion from the scope of consolidation

The non-consolidated subsidiaries had no material impact on the Consolidated Statutory Report in terms of total assets, operating revenues or sales, the share of net income or loss, and the share of retained earnings, and were immaterial as a whole; therefore they were excluded from the scope of consolidation.

(3) Companies not treated as subsidiaries regardless of the Company’s ownership of the majority of the voting rights

The number of companies not treated as subsidiaries: 2 companies

The names of the companies not treated as subsidiaries

F-Power Inc.

Rationale for not being treated as subsidiaries:

Some subsidiaries have owned these companies’ stocks as operational transactions for the purpose of acquiring capital gains by investments/developments and revitalizing businesses. These investment activities meet the requirements of the Accounting Standards Implementation Guidance No. 22 (as to determination of scope of subsidiaries and affiliates in consolidated financial statements) and thus it is clear that such subsidiaries do not control the decision-making organizations of these investee companies.

(4) Special Purpose Entities subject to disclosure

Summary, etc. of Special Purpose Entities subject to disclosure and the transactions which utilize Special Purpose Entities

Some consolidated subsidiaries utilized Special Purpose Entities in structuring and distributing structured notes in order to deal with their customers' needs for investment. Those consolidated subsidiaries acquired and transferred bonds to Special Purpose Entities in Cayman Islands and then those Special Purpose Entities issued structured notes collateralized by those bonds. Although there are six Special Purpose Entities, neither the Company nor the consolidated subsidiaries hold any voting rights or shares in Special Purpose Entities, and have not also dispatched any officers or employees to those Special Purpose Entities. The outstanding issued amount of notes by those Special Purpose Entities is 842,172 million yen as of March 31, 2016.

2. Application of equity method

(1) The number of non-consolidated subsidiaries and affiliates to which the equity method is applied, and the names of major companies among them

The number of non-consolidated subsidiaries to which the equity method is applied: 0 companies

The number of affiliates to which the equity method is applied: 10 companies

The names of major affiliates to which the equity method is applied:

Daiwa SB Investments Ltd.

Daiwa Office Investment Corporation

In the Consolidated Statutory Report of the Company for the fiscal year ended March 31, 2016, we newly applied the equity method to one company due to decrease in shareholding ratio and two companies due to increase in materiality. We stopped applying this to one company due to additional acquisition of stock.

Among the companies to which the equity method is applied and with fiscal year ended on a date other than March 31, 2016, we used the tentative financial statements as of March 31, 2016 or other record date as to 5 companies and the financial statements for the fiscal year of such companies as to the other companies.

(2) The names, etc. of non-consolidated subsidiaries and affiliates to which the equity method is not applied

The names of major companies

DIR Information Systems Co., Ltd.

Rationale for not applying the equity method

These non-consolidated subsidiaries and affiliates had no material impact on the Consolidated Statutory Report in terms of operating revenues or sales, the share of net income or loss, and the share of retained earnings, and were immaterial as a whole. Therefore the Company did not apply the equity method to these non-consolidated subsidiaries and affiliates.

(3) The names, etc. of companies not treated as affiliates regardless of the ownership of not less than 20% but more than 50% of the voting rights, etc.

The number of the companies: 6 companies

The names of major companies not treated as affiliates

ALMEX PE Inc.

Rationale for not being treated as affiliates

Some subsidiaries have owned these companies' stocks as operational transactions for the purpose of acquiring capital gains by investments/development and revitalizing businesses. These investment activities meet the requirements of the Accounting Standards Implementation Guidance No. 22 (as to determination of scope of subsidiaries and affiliates), and thus it is clear that the Company's subsidiaries cannot exercise significant influence on these investee companies.

3. Fiscal year, etc. of consolidated subsidiaries

Fiscal year ends of consolidated subsidiaries are as follows:

March 31 : 46 companies December 31 : 4 companies

Among the consolidated subsidiaries with a fiscal year ended on a date other than March 31, 2016, we used the financial statements for the fiscal year of such subsidiary as to two consolidated subsidiaries and the tentative financial statements as of March 31, 2016 as to the other 2 subsidiaries. We also made adjustments necessary for consolidation as to the important transactions occurred between such dates and March 31, 2016.

4. Accounting policies

(1) Valuation standards and methods for major assets

(i) Valuation standards and methods for securities and others classified as trading products

Trading products, including securities and financial derivatives for trading purposes, held by consolidated subsidiaries are recorded at fair value.

- (ii) Valuation standards and methods for securities and others not classified as trading products
 Securities and others which are not classified as trading products are as follows:
 - (a) Securities intended to be held for trading purposes
 Valued at market value (cost is determined based on the moving average method).
 - (b) Held-to-maturity debt securities
 Held-to-maturity debt securities are recorded using the amortized cost method.
 - (c) Available-for-sale securities
 Available-for-sale securities with market value are recorded at market value, based on quoted market prices as of the end of the fiscal year (net unrealized gains (losses) are booked directly in net assets, and the costs of securities sold are generally calculated based on the moving average method). Securities whose fair value is extremely difficult to estimate are recorded at cost using the moving average method.
 Investment in investment limited partnerships is stated as “Operational investment securities” or “Investment securities” at the investment shares of the net asset values of the partnerships based on the partnerships’ financial statements (the share of net unrealized profits and losses on securities held by the partnerships is directly posted into net assets).
 Further, some portion of securities or operational investment securities held by some consolidated subsidiaries is stated in current assets.
 - (d) Derivatives
 Valued at market value.
- (iii) Valuation standards and methods for inventory asset
 Work in process is mainly stated based on the cost method using specific identification method (procedure method in which book value is written down based on decrease in profitability).
- (2) Depreciation methods for major depreciable assets
 - (i) Property, plant and equipment
 Property, plant and equipment are generally depreciated under the straight-line method. The Company and its domestic consolidated subsidiaries generally compute depreciation over estimated useful lives stipulated in the Corporation Tax Act of Japan.
 - (ii) Intangible fixed assets, investments and other assets
 Intangible fixed assets, investments and other assets are generally amortized under the straight-line method. The Company and its domestic consolidated subsidiaries generally compute amortization over estimated useful lives as stipulated in the Corporation Tax Act of Japan; provided, however, that software used in-house is amortized over internally estimated useful lives (five years).
- (3) Accounting policies for material allowances and provisions
 - (i) Allowance for doubtful accounts
 Allowance for doubtful accounts is provided based on the estimated historical default rate for normal loans, and based on individually assessed amounts for claims with default possibility, claims in bankruptcy, claims in reorganization and other.
 - (ii) Allowance for investment loss
 Some consolidated subsidiaries provide allowances based on estimated losses on operational investment securities held at the balance sheet date, assessing the financial conditions of investee companies.
 - (iii) Provision for bonuses
 We provide allowance for bonuses of officers and employees and directors based on the estimated payment amount corresponding to the current fiscal year in accordance with the calculation standards of each company.
 - (iv) Provision for loss on litigation
 We provide allowance for future monetary damage as to the litigation regarding financial transactions based on the estimated amount of restitution, considering the status of litigation.
- (4) Accounting policies for net defined benefit liabilities
 The Company and its domestic consolidated subsidiaries provide defined benefit liabilities for employees’ retirement benefits payments, based on the amount required to pay at the fiscal year end in accordance with each company’s retirement benefit policy. This is because in these companies, retirement benefits are not affected by salary increases in the future and the service costs are determined for each individual in accordance with their contributions, capabilities, achievements, etc. for each fiscal year. Some of the consolidated subsidiaries appropriate the amounts deemed to have been accrued in the current fiscal year based on the estimated amount of retirement benefits obligations at this fiscal year-end.
- (5) Accounting standard for material revenue and cost recognition
 Accounting standard for net sales and costs as to completed construction
 Concerning revenue of make-to-order software in some consolidated domestic subsidiaries, if the

outcome of work up to the end of the fiscal year ended March 31, 2016 can be estimated reliably, the percentage-of-completion method is applied; otherwise the completed-contract method is applied. In the percentage-of-completion method, the percentage/stage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost (cost-to-cost method).

(6) Accounting methods for material hedging

Marked-to-market profits and losses on hedging instruments are principally deferred as net assets until the profits or losses on the hedged items are realized. Certain eligible interest swaps for hedging purposes are based on cost basis without being marked-to-market under generally accepted accounting principles in Japan ("Tokurei-shori"). Further, the premium or discount on certain eligible forward foreign exchanges for hedging purposes is allocated to each fiscal term without being marked-to-market under generally accepted accounting principles in Japan ("Furiate-shori").

In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk associated with some of the securities, loans payable and bonds, the Company and some consolidated subsidiaries apply hedge accounting using derivatives instruments such as interest rate swaps, currency swaps and similar transactions.

The effectiveness of hedging is evaluated based upon the correlation between the fair value or the accumulated cash flows of the hedging instrument and those of the hedged item. Also, in some consolidated subsidiaries, some hedges intended to cancel the market fluctuation and designated to make the material conditions of hedging instruments and hedged items almost identical are deemed to be highly effective without effectiveness tests. Hedges exempted from being marked-to-market under the two accounting treatments described in the first paragraph is judged to pass the effectiveness tests of hedging with its eligibility of applying those treatments.

(7) Amortization method and period of goodwill

Goodwill is amortized, when incurred, by using the straight-line method over the amortization period within 20 years estimated based on each condition of acquired subsidiaries and affiliates. The goodwill is amortized in a lump sum when incurred in cases where the amount is immaterial.

(8) Other significant items associated with the preparation of the Consolidated Statutory Report

(i) Accounting method for consumption tax

The accounting method for consumption tax is based on the tax excluded method.

(ii) Consolidated tax payments system

The consolidated tax payments system has been applied with the Company and Daiwa Capital Holdings Ltd. as parent companies to pay taxes on consolidated basis.

(Changes in accounting policies)

The Group applied from FY2015 the Accounting Standard for Business Combinations (ASBJ Statement No.21 revised in September 13, 2013), the Accounting Standard for Business Financial Statements (ASBJ Statement No.22 revised in September 13, 2013) and the Accounting Standard for Business Divestitures (ASBJ Statement No.7 revised in September 13, 2013). In accordance with such standards, we applied new accounting policies that the difference amount arising from change in shares of the subsidiaries was added to capital surplus and that the acquisition-related-costs were counted as the costs in the fiscal year when such costs were incurred. Further, as to business combination conducted after the start of this fiscal year, we reflected the revision of purchase price allocation by the finalization of tentative accounting to the Consolidated Statutory Report of the fiscal year when such business combination takes place. We also conducted the change of presentations as to net profit and also the change from minority interests to non-controlling interests. In order to reflect these representation changes, we reclassified the Consolidated Statutory Report of the previous fiscal year.

In applying the standards above, we applied them from the start of FY2015 to the future in accordance with Article 58-2(4) of the Accounting Standard for Business, Article 44-5(4) of the Accounting Standard for Business Financial Statements, and 57-4(4) of the Accounting Standard for Business Divestitures.

We think that the influence of such application in this FY2015 is immaterial.

Notes to consolidated balance sheet

1. Assets pledged as collateral and liabilities secured

(1) Assets pledged as collateral

Fixed-term deposits	200	million yen
Securities	315,203	
Trading products	480,978	
Investment securities	9,558	
Total	805,940	

(Note) The amounts above are based on the amounts in the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 165,351 million yen were also pledged as collateral.

(2) Liabilities secured

Borrowings on margin transactions	3,789	million yen
Short-term loans payable	321,780	
Long-term loans payable	300,100	
Total	625,670	

(Note) The amounts above are based on the amounts in the consolidated balance sheet.

2. Market value of securities transferred

Lending securities under loan agreements (<i>shohi-taishaku</i>)	7,027,625	million yen
Others	475,787	
Total	7,503,412	

(Note) We exclude those belonging to "assets pledged as collateral" in 1(1) above.

3. Market value of securities accepted as collateral

Borrowed securities under loan agreements (<i>shohi-taishaku</i>)	6,499,237	million yen
Others	364,120	
Total	6,863,357	

4. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, other	6,278	million yen
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5. Accumulated depreciation of property, plant and equipment: 110,905 million yen

6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	177 million yen
Others	Liabilities	1,749
Total		1,927

7. The clauses of the laws and regulations that prescribe recording of reserves under the special laws

Reserve for financial products transaction liabilities:

Paragraph 1, Article 46-5 of the Financial Instruments and Exchange Act of Japan

Notes to consolidated statement of changes in net assets

1. Type and total number of shares outstanding as of the end of the fiscal year ended March 31, 2016

Common shares 1,749,378,772

2. Dividends

(1) Amount of dividends

Resolution	Type of share	Total amount of dividends (million yen)	Dividend per share (yen)	Record Date	Effective Date
Board of Directors on May 15, 2015	Common shares	27,449	16	Mar. 31, 2015	June 1, 2015
Board of Directors on Oct. 28, 2015	Common shares	29,215	17	Sep. 30, 2015	Dec. 1, 2015
Total		56,664			

(Note 1) The total amount of dividends resolved by the Board of Directors on May 15, 2015 includes 123 million yen distributed to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account 75404).

(2) Dividends to be distributed after the fiscal year ended March 31, 2016

It was scheduled to be resolved at the meeting of the Board of Directors on May 18, 2016 as to dividends on common share as follows:

1. Total amount of dividends 20,308 million yen
2. Dividend per share 12 yen
3. Record Date March 31, 2016
4. Effective Date June 6, 2016

(Note 1) The dividends will be paid from retained earnings.

3. Class and number of shares subject of stock subscription rights upon exercise thereof as of March 31, 2016

	Item	Number of shares				Balance As of Mar. 31, 2016 (Millions of yen)
		As of Apr. 1, 2015	Increase	Decrease	As of Mar. 31, 2016	
The Com pany	Stock subscription rights issued in Jul, 2006	201,000	-	30,000	171,000	233
	Series 3 stock subscription rights	2,346,000	-	15,000	2,331,000	1,172
	(treasury rights)	(247,000)	(15,000)	(-)	(262,000)	-
	Stock subscription rights issued in Jul, 2007	225,000	-	31,000	194,000	254
	Series 4 stock subscription rights	2,349,000	-	18,000	2,331,000	819
	(treasury rights)	(221,000)	(18,000)	(-)	(239,000)	-
	Stock subscription rights issued in Jul, 2008	283,000	-	38,000	245,000	238
	Series 5 stock subscription rights	2,730,000	-	110,000	2,620,000	642
	(treasury rights)	(189,000)	(16,000)	(-)	(205,000)	-
	Stock subscription rights issued in Jul, 2009	573,000	-	33,000	540,000	313
	Series 6 stock subscription rights	2,590,000	-	475,000	2,115,000	322
	(treasury rights)	(285,000)	(6,000)	(-)	(291,000)	-
	Stock subscription rights issued in Jul, 2010	984,000	-	30,000	954,000	357
	Series 7 stock subscription rights	6,977,000	-	2,895,000	4,082,000	340
	(treasury rights)	(422,000)	(20,000)	(-)	(442,000)	-
	Stock subscription rights issued in Jul, 2011	1,186,000	-	19,000	1,167,000	417
	Series 8 stock subscription rights	5,521,000	-	55,000	5,466,000	495
	(treasury rights)	(334,000)	(55,000)	(-)	(389,000)	-
	Stock subscription rights issued in Feb, 2013	817,000	-	10,000	807,000	458
	Series 9 stock subscription rights	6,128,000	-	75,000	6,053,000	877
	(treasury rights)	(205,000)	(75,000)	(-)	(280,000)	-
	Stock subscription rights issued in Feb, 2014	400,000	-	6,000	394,000	376
	Series 10 stock subscription rights	3,890,000	-	60,000	3,830,000	574
	(treasury rights)	(74,000)	(60,000)	(-)	(134,000)	-
	Stock subscription rights issued in Feb, 2015	461,000	-	3,000	458,000	389
	Series 11 stock subscription rights	5,411,000	-	100,000	5,311,000	270
	(treasury rights)	(7,000)	(100,000)	(-)	(107,000)	-
	Stock subscription rights issued in Feb, 2016	-	581,000	-	581,000	385
	Series 12 stock subscription rights	-	4,484,000	14,000	4,470,000	19
	(treasury rights)	(-)	(14,000)	(-)	(14,000)	-
Total						8,958
						-

(Note 1) All shares of stock subscription rights above are common shares.

(Note 2) Exercise periods of "Series 8 stock subscription rights", "Series 9 stock subscription rights", "Series 10 stock subscription rights", "Series 11 stock subscription rights" and "Series 12 stock subscription rights" have not yet started.

Notes to financial instruments

1. Concerning the situation of financial instruments

(1) Policy for dealing with financial instruments

The Group, the primary businesses of which are investment and financial services businesses with a

core focus on securities-related business, is involved in trading and brokerage of securities and derivative products, underwriting and secondary offering of securities, dealing in public offering, secondary offering and private placement of securities and other security-related-business, banking business and other financial businesses.

The Group holds financial assets and liabilities such as “trading securities and others”, “derivatives”, “operational investment securities”, “loans” and “investment securities”, etc. in its businesses and raises its funds with corporate bonds, medium-term notes, borrowing from financial institutions, deposits, etc. In fundraising, under the basic policy for financing such that enough liquidity for continuing business should be effectively secured, the Group tries to realize efficient and stable financing by diversifying financial measures and maturity dates and maintaining an appropriate balance between assets and liabilities. Also, the Group uses interest rate swaps and foreign currency swaps, etc., for the purpose of hedging fluctuation of interest rates and foreign currencies in terms of financial assets and liabilities.

The Group tries to secure financial soundness, by managing entirely and efficiently the variety of risks incurred by holding financial assets and liabilities in accordance with the characteristics of such risks.

(2) Contents and risk of financial instruments

The Group holds financial instruments in the trading business as follows: (a) trading securities and others (stocks and warrants, bonds and units of investment trusts, etc.), loans secured by securities and loans payable secured by securities, margin transaction assets and liabilities, (b) derivatives traded on exchanges, such as stock index futures, bond futures, interest rate futures and options for those, (c) derivatives (OTC derivatives) not traded on exchanges, such as interest rate swaps, foreign exchange swaps, foreign currency futures, bond options, currency options, FRA and OTC securities derivatives, etc. The Group also holds operational investment securities, etc., in the investments business, loans and securities, etc. in the banking business and investment securities for the business relationship, etc.

Among the various risks implied in these financial instruments, the major risks are market risk and credit risk. Market risk means the risks of suffering losses from fluctuations in the value of holding financial instruments and transactions in accordance with changes of market prices of interest rates, currency exchange rates and stock prices, etc. and from the market environment in which no transaction can be executed because of an excessive decrease of liquidity or one in which market participants are forced to trade in extremely unfavorable conditions. Credit risk means the risk of suffering losses from defaults or creditability change, etc. of counterparts or issuers of financial instruments which the Group holds.

In the trading business, the Group conducts derivative transactions as single transactions or as transactions embedded in structured notes, in order to meet customers' needs. These include transactions which are highly volatile in contrast to the fluctuation of stock indices, foreign exchange rates and interest rates of reference assets and the correlation between them, or transactions which tend to move in a complicated manner. Therefore, these carry higher risk than the reference assets. These derivative transactions are categorized as trading assets in the consolidated balance sheet and the realized and unrealized profit/loss by fluctuation of fair values are recorded as the net trading income/loss.

The Group, holding the financial instruments as above, is also raising its funds utilizing corporate bonds, medium-term notes, borrowing from financial institutions, deposits, etc., and is exposed to liquidity risk. Liquidity risk means the risk of suffering losses such that cash management may be impossible or require remarkably higher financing costs than usual as a result of abrupt change of market environment or deterioration of financial conditions of the Group, etc.

Subsidiaries engaged in the trading business utilize derivative transactions as brokers and end-users in derivative market. Derivative products have been necessary to deal with a variety of customers' financial needs and such subsidiaries provide customers with financial instruments to meet their customers' requests in many ways as brokers. For instance, they provide customers with foreign currency futures to hedge the exchange rate risk of foreign currency of foreign bonds held by customers and also with interest rate swaps to hedge interest rates when customers issue corporate bonds, etc. As end-users, they use interest rate swaps to hedge interest rate risk regarding financial assets and liabilities of the Group and utilize many kinds of futures and options to hedge their trading positions.

(3) Risk management system concerning financial instruments

The Company has resolved the “Risk Management Rule” at the meeting of the Board of Directors, which states the basic policy of risk management, types of risks that should be managed and responsible executive officers and department for each major risk, and conducted risk management of the entire Group. Each subsidiary conducts risk management suitable for each business profile and size in accordance with the basic policy of risk management. The Company also monitors the system and process of subsidiaries' risk management. Also, the Group Risk Management Committee as a sub-committee of the Executive Committee of the Company receives reports on and discusses matters such as risk exposure and issues concerning the risk management system of each subsidiary grasped by monitoring of subsidiaries. Major subsidiaries regularly hold risk management committee meetings, etc., and strengthen each risk management.

(i) Management of risk of financial instruments held for trading purpose

(a) Management of market risk

The Group manages its trading business by establishing the limit for Value at Risk (which indicates the estimate of the maximum loss amount under a certain confidence level. Hereunder “VaR”), position

and sensitivity, etc., considering the financial situation, the business plan and budget of each division. The risk management department of the Company monitors and reports the market risk to the management of the Company on a daily basis. In order to cover the capacity limit of VaR calculated by the statistical hypothesis based on the data obtained for a certain period, the Company applies the stress test with a scenario assuming the impact of abrupt change in the market and hypothetical stress events. (Quantitative information concerning market risk)

Major subsidiaries engaged in securities business utilize the historical simulation method (holding period: 1 day, confidence interval: 99%, observation period: 520 business days) for calculating VaR of trading products.

The VaR as of March 31, 2016 (fiscal year end) was 1.4 billion yen in total.

In the meantime, the Group verifies the model by executing back tests which compare calculated VaR and the actual profit/loss. Please note that as the VaR statistically estimates the risk based on historical market fluctuation, it may be sometimes unable to completely grasp the risk in an environment in which the market unexpectedly changes beyond the estimation.

(b) Management of credit risk

The credit risks generated in the trading business of the Group consists of counterparty risk and issuer risk. On the counter party risk, the Group has established the credit limit in advance based on ratings of counterparties and monitors the observance of such credit limit. In addition, concerning the issuer risk of financial instruments held for market-making, the Group monitors mainly the fluctuation risk of credit spread. Moreover, the Group also periodically monitors the influence from the large-lot credit.

Because margin transactions generate credit to customers, we require customers to set deposits as collateral. In connection with the securities loan transaction, the Group has tried to reduce credit risk by establishing credit limit for counterparties, charging necessary collaterals, and daily mark-to-market.

(ii) Management of risk as to financial instruments other than trading purpose

The Group holds financial instruments in the business other than trading, such as operational investment securities in the investment business, loans, securities, etc., in the banking business and investment securities for the business relationship. These financial instruments carry market risk and credit risk as well. Because those financial instruments have a characteristic risk profile for each product, the Company has conducted risk management that suits each risk profile.

The subsidiaries in the investment business make an investment decision after investigating each investment thoroughly in an investment committee etc.. After investments, the subsidiaries regularly monitor and report the situation of invested companies to the risk management committee, etc.

The subsidiary in the banking business establishes a management policy and management system for each risk which needs management. Furthermore, it establishes a risk management committee, a body under the Board of Directors, to discuss and decide the way to manage the risks (The committee discusses the important matters relating to the management and control of the credit risk, market risk and liquidity risk). The subsidiary controls the risks by doing its business within the various limit set by the Board of Directors, the risk management committee, etc.

In connection with investment securities for the business relationship, etc., the Group decides to acquire or sell the securities in accordance with the policy defined by the relevant company's rules. Also, the Group regularly monitors and reports the situation of risk to the management of the Company.

(Quantitative information concerning market risk)

(a) Financial assets and liabilities (excluding those held by the subsidiary which engages in the banking business)

The main financial assets that are influenced by market risk are "operational investment securities" in the investment business and "investment securities" for the business relationship. As of March 31, 2016, if the index, such as TOPIX, were to change by 10%, market prices of the listed equities in "operational investment securities" and "investment securities" would fluctuate by 16.5 billion yen.

Also, the main financial liabilities in the Group that are influenced by market risk are "bonds and notes" and "long-term borrowings." As of March 31, 2016, if all other risk variables were assumed to be unchanged and the interest rate supposed to change by 10 basis points (0.1%), the market prices of "bonds and notes" and "long-term borrowings" would fluctuate by 2.0 billion yen and 0.3 billion yen, respectively.

(b) Financial assets and liabilities held by the subsidiary that engages in the banking business

The subsidiary that engages in the banking business utilizes VaR in managing market risk (i.e. the risk of loss which caused by fluctuation of value of assets and liabilities (including off-balance liabilities) due to fluctuation of interest, exchange stocks and other risk factors in the market and the risk of loss which caused by fluctuation of income from assets and liabilities).

When measuring VaR, we convert the number calculated by the historical simulation method (holding period: 20 days, confidence interval: 99%, observation period: 750 business days) to the number in 125 days of holding period. Such number as of March 31, 2016 is 14.7 billion yen.

The subsidiary, in order to verify the effectiveness of the model, periodically conducts the back-tests by comparing the VaR calculated in risk measuring model with the virtual profits and losses. By the back-tests in fiscal year 2015, we estimate that our risk measurement model grasps the market risk. However, as the VaR statistically estimates the risk based on historical market fluctuation, it may be sometimes unable to completely grasp the risk in an environment in which the market unexpectedly

changes beyond the estimation.

(iii) Management of liquidity

As the Group conducts its business with a core focus on the securities-related business by utilizing a lot of assets and liabilities, it has the basic policy of fundraising that it efficiently and stably secures enough liquidity for continuing its business.

Methods of raising funds of the Group include unsecured fundraising such as corporate bonds, medium-term notes, borrowing from financial institutions, commercial paper, call money and deposits, etc. and secured fundraising such as Gensaki transactions and repurchase agreements, etc. The Group intends to realize effective and stable fundraising by combining these various methods.

In terms of financial stability, the Group, preparing for the case that the environment vastly changes, endeavors even in ordinary times to secure a stable reserve to prevent the business from suffering trouble. Especially in recent years, the Group has increased liquidity by increasing fundraising from the market and borrowing from financial institutions, in preparation for the unexpected situation due to world-wide financial crisis and credit crunch. Also, the Group tries to diversify the maturity and sources of funds in preparation for the event where it becomes difficult to raise new funds and to reschedule the existing funds due to a financial crisis.

In addition to the regulation of the Group's consolidated liquidity coverage ratio, the Company has organized its liquidity management system, which is based on original indices for liquidity management. Namely, concerning the unsecured fundraising, the repayment date of which arrives within a period of time, and the prospective outflows in the case where some stress events occur in such period, we verify every day that enough liquidity portfolio is secured for such repayment and outflows even in plural stress scenarios. Herewith, the Group has established a system making it possible to continue business even if the unsecured fundraising is not available for one year.

The Company collectively manages and monitors the liquidity of the entire Group under the basic policy of securing the appropriate liquidity of the Group as a whole. The Company always monitors whether the liquidity portfolio is sufficiently secured against short-term raised funds without collateral in preparation for the case where it becomes difficult to raise new funds and to reschedule the existing funds due to the occurrence of some stress, which is specific to the Company or influences the entire market. Also, the Group raises and manages funds efficiently as a group, by establishing a system that enables the Company to flexibly distribute and supply funds to its group companies and also enables companies in the Group to finance each other.

The Group has also established a contingency funding plan as one of the measures of dealing with liquidity risk. This plan states the basic policy concerning the reporting lines and the method of fundraising, etc., depending upon the urgency of stress by internal factors such as decrease in creditability and external factors such as abrupt change of market environment. The contingency funding plan enables the Group to prepare a system for securing liquidity through a swift response.

The Group established the contingency finding plan of the Group considering the stress that the entire Group may face and also revised it periodically to quickly respond to changing financial environments.

Moreover, Daiwa Securities Co. Ltd., Daiwa Next Bank, Ltd. and foreign securities subsidiaries, which are sensitive to influence by financial markets and for which the importance of securing liquidity is significant, decide their own contingency finding plans and periodically revise their plans as well.

In addition, the Company periodically monitors the development status of its subsidiaries' contingency funding plans. The Company revises, if necessary, its subsidiaries' fundraising plan or contingency funding plan itself considering crises scenarios to be assumed and also tries to preliminarily execute countermeasures, both increasing liquidity and reducing assets at the same time.

(iv) Supplementary explanation for fair values of financial instruments

Fair value of financial instruments includes the price based on market value and the theoretical price reasonably calculated in the case of no market value. As such theoretical prices are calculated based on certain assumptions, they may be changed under different assumptions..

2. Fair values of financial instruments

The figures stated in the consolidated balance sheet as of March 31, 2016, fair value and the difference between the two are as below. Any items for which it is extremely difficult to obtain their fair value are not included in the statement below (see Note 2).

(Millions of yen)

	Amounts in consolidated balance sheet	Fair value	Difference
<i>Assets</i>			
(1) Cash and deposits	3,334,784	3,334,784	-
(2) Cash segregated as deposits	323,761	323,761	-
(3) Trading products			
(a) Trading securities and other	4,017,267	4,017,267	-
(b) Derivatives	3,483,975	3,483,975	-
(4) Operating Loans	432,785		
Allowance for doubtful Accounts	(374)		
	432,411	432,212	(198)
(5) Margin transaction assets			
Loans on margin transactions	183,654	183,654	-
Cash collateral pledged for securities borrowing on	19,722	19,722	-
(6) Loans secured by securities			
Cash collateral pledged for securities borrowed	5,184,274	5,184,274	-
Loans on Gensaki transactions	65,861	65,861	-
(7) Securities, Operational investment securities and Investment securities			
(a) Held-to-maturity bonds	9	9	0
(b) Shares of subsidiaries and affiliates	111,238		
Allowance for investment loss	(6,910)		
	104,327	157,197	52,869
(c) Available-for-sale securities	2,324,213	2,324,213	-
Total assets	19,474,264	19,526,934	52,670
<i>Liabilities</i>			
(1) Trading products			
(a) Trading securities and other	2,315,450	2,315,450	-
(b) Derivatives	2,985,410	2,985,410	-
(2) Trade date accrual	427,257	427,257	-
(3) Margin transaction liabilities			
Borrowings on margin transactions	3,789	3,789	-
Cash received for securities lending on margin	50,597	50,597	-
(4) Loans payable secured by securities			
Cash received on debt credit transactions of securities	5,893,795	5,893,795	-
Borrowings on Gensaki transactions	7,999	7,999	-
(5) Deposits for banking business	2,928,630	2,929,888	(1,258)
(6) Deposits received	214,498	214,498	-
(7) Guarantee deposits received	512,426	512,426	-
(8) Short-term loans payable	820,019	820,019	-
(9) Commercial papers	137,720	137,720	-
(10) Current portion of bonds	232,594	232,594	-
(11) Bonds payable	1,204,711	1,214,625	(9,913)
(12) Long-term loans payable	1,004,988	1,003,942	1,045
Total liabilities	18,739,890	18,750,016	(10,126)
<u>Derivative transactions other than trading (※)</u>			
Transactions in which hedge accounting is not applied	2,637	2,637	-
Transactions in which hedge accounting is applied	(25,457)	(19,993)	5,464
Total derivative transactions other than trading	(22,820)	(17,355)	5,464

※ Asset and Liabilities which are generated from derivative transactions other than trading are stated on a

net basis. These are stated in “()” in the event that the net basis is a liability.

(Note 1) Accounting method of fair values of financial instruments

(i) Cash and deposits

Cash and deposits are recorded at their book value, because their fair values are similar to book value as they are settled in the short term.

(ii) Cash segregated as deposits

Cash segregated as deposits mainly consist of the trust of cash segregated for customers. The price of those which are invested in securities like government bonds are calculated based on reasonably calculated prices utilizing yield spread with index interest rates for each term which are defined by immediately previous traded prices including those of similar bonds.

(iii) Trading products

(a) Trading Securities and others

Equities and others	closing price or closing quotation on the main stock exchange
Bonds	price reasonably calculated by utilizing spread with index interest rate based on immediately previous traded price including those of similar bonds (OTC and broker screen, etc.) or market value information (trading price statistics, etc.)
Units of Investment trust	closing price or closing quotation on exchange, or net asset value

(b) Derivative transactions

Derivatives traded on exchange	mainly settlement price on exchange or standard price for margin calculation
Interest rate swaps	prices calculated by price valuation models (models generally acknowledged in the market or the model expanding those), based on expected cash flow calculated from yield curve, price and coupon rate of underlying bond, interest rates, discount rates, volatility, correlation, etc.
OTC equity derivatives	prices calculated by price valuation models (models generally acknowledged in the market or the model expanding those), based on price of equities or equities indices, interest rates, dividends, volatility, discount rates, correlation, etc.
Credit derivatives	prices calculated by price valuation models (models generally acknowledged in the market or the model expanding those), based on interest rates, credit spread of referents, etc.

Concerning OTC equity derivatives, the amount equivalent to both credit risk and liquidity risk of the counterparty are added to the fair value as necessary.

(iv) Trade date accrual

Trade date accrual are recorded at their book value, because their fair values are similar to book value as they are settled in the short term.

(v) Operating Loans

Operating loans mainly consist of lending under banking business and loans secured by customers' safekeeping securities.

Loans with a floating rate for banking business are recorded at their book value, because their fair value are similar to book value, as such floating rate loans reflect money market rates in the short term as far as the credit condition of borrowers does not greatly change; provided, however, that some loans are calculated based on the prices offered by financial institutions. The fair value of loans with a fixed rate is calculated by discounting the total amount of principal and interest at the rate assumed when the similar new loan is performed based on the loan type and duration etc.

Loans secured by securities are recorded at their book value, because the fair value is close to the book value in considering of prospective repayment period and interest rate conditions etc.

(vi) Margin transaction assets, margin transaction liabilities

Margin transaction assets consist of lending money to customers accompanied by margin transactions and cash collateral to securities finance companies. Those are recorded at their book value as deemed to be settled in the short term because the former is settled by reversing trades by customers' decision and the latter is collateral marked-to-market on lending and borrowing transactions.

Margin transaction liabilities consist of borrowing money from securities finance companies accompanied by customers' margin transactions and the amount equivalent to sales price of

securities as to customers' margin transactions. Those are recorded at their book value as deemed to be settled in the short term because the former is marked-to-market and the latter is settled by reversing trades by customers' decision.

(vii) Loan secured by securities and loans payable secured by securities

These are recorded at their book value, because fair values are similar to book value as those are almost settled in the short term.

(viii) Securities, Operational investment securities and Investment securities

Equities and others	closed price or closed quotation on the main stock exchange
Bonds	price reasonably calculated by utilizing spread with index interest rate based on immediately previous traded price including similar bonds (OTC and broker screen, etc.) or market value information (trading price statistics, etc.), or reasonably calculated price based on the value of collateralized assets
Units of investment trusts	closed price or closed quotation on exchange, or standard price
Investment in partnership	Concerning the investments in partnership whose possible investment losses are calculated based on the estimated amount recoverable from real estate, the fair value resemble the amount calculated by deducting an allowance for possible investment losses at present from the amount recorded in the balance sheet as of the fiscal year end. Therefore, we deemed such calculated amount as fair value.

(ix) Deposits for banking business

Concerning demand deposits, we deem the amount payable demanded at the end of the fiscal year (which means their book value) as their fair value.

The fair value of fixed deposits is calculated by discounting the estimated relevant future cash flow at the fixed discount rate.

Discount rate is calculated by yield curve, which includes credit spread of the Group.

(x) Deposits received

These are mainly deposits received from customers. The payment amount when settled at the end of this fiscal year (book value) is considered as fair value. Other deposits are recorded at their book value because the fair value closely resembles the book value as they are settled in the short term.

(xi) Guarantee deposits received

These are mainly guarantee deposits relating to derivative transactions. They are recorded at their book value as they can be deemed to be settled in the short term because of those characteristics which are marked-to-market for each transaction. Concerning other guarantee deposits received from customers, the payment amount when settled at the end of this fiscal year (book value) is considered as fair value.

(xii) Short-term loans payable, commercial papers and bonds and current portion of bonds

These are recorded at their book value, because fair value is similar to book value as they are settled in the short term.

(xiii) Bonds payable

Concerning the fair value of bonds whose maturity is longer than one year, in the case that market price (trading price statistics, etc.) is available in the market, fair value is calculated from the market price. If the market price is not available, fair value is calculated from book value which is adjusted based on the amount equivalent to the fluctuation of interest rate and credit spread of the Company since the issuance. As to the credit spread of the Company, we refer to the interest rate of the immediately previous fundraising, market prices of similar bonds issued by the Company, etc.

(ixx) Long-term loans payable

Fair value is calculated from book value which is adjusted based on the amount equivalent to the fluctuation of interest rate and credit spread of the Company from lending. As to the credit spread of the Company, we refer to the interest rate of the immediately previous fundraising, market prices of similar bonds issued by the Company, etc.

(xx) Derivative transactions other than trading

The accounting method is the same as that in “(iii) Trading products (b) Derivative transactions”.

(Note 2) Any financial product for which it is extremely difficult to obtain their fair value are as below and are not included in the “Assets (7) (b) Shares of subsidiaries and affiliates and (c) Available-for-sale securities” of fair value information of financial instruments.

(Millions of yen)	
	Amounts in consolidated balance sheet
Shares of subsidiaries and affiliates	
Unlisted equities	37,575
Available-for-sale securities	
Unlisted equities	28,994
Investments in limited partnerships and other similar partnerships	32,485
Others	8,238

These are recognized as extremely difficult to obtain their fair value because they do not have any market price and it is impossible to estimate their future cash flow. Therefore, we do not disclose their fair value.

Notes to per share information

Net assets per share	720.86 yen
Net income (loss) per share	68.25 yen

II. Notes to the Non-Consolidated Statutory Report

The Non-Consolidated Statutory Report of the Company is prepared in accordance with the Accounting Regulation Ordinance (Ministry of Justice Ordinance No. 13, 2006).

The figures in the statutory reports are expressed in millions of yen, with amounts of less than one million omitted.

Notes to significant accounting policies

1. Valuation standards and methods for major assets

(1) Trading securities

Valued at market value (cost is determined based on the moving average method).

(2) Shares of subsidiaries and affiliates

Valued at cost based on the moving-average method.

(3) Available-for-sales securities

Available-for-sales securities with market value are recorded at market value, based on quoted market prices, etc., as of the end of the fiscal year (net unrealized gain (loss) is booked directly in net assets, and the costs of securities sold are calculated based on the moving average method). Securities for which the fair value is extremely difficult to obtain are recorded at cost using the moving average method.

Investments in investment limited partnerships, etc. are stated as "Investment securities" at the investment shares of the net asset values of the partnerships based on the partnerships' financial statements (shares of net unrealized profits and losses on securities held by the partnerships is directly posted into net assets).

(4) Derivatives

Valued at market value.

2. Depreciation methods for depreciable assets

(1) Property, plant and equipment

The Company computes depreciation of property, plant and equipment based on the straight-line method. Useful lives of these tangible fixed assets are estimated in accordance with the Corporation Tax Act of Japan.

(2) Intangible fixed assets, Investments and others

Intangible fixed assets, investments and other assets are amortized under the straight-line method. The Company computes amortization over estimated useful lives as stipulated in the Corporation Tax Act of Japan; provided, however that software used in-house is amortized over internally estimated useful lives (five years).

3. Accounting policies for provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the estimated historical default rate for normal loans, and based on individually assessed amounts for claims with default possibility, claims in bankruptcy, claims in reorganization claims, etc.

(2) Provision for bonuses

We provide allowance for bonuses of officers and employees based on the estimated payment amount corresponding to the current fiscal year in accordance with the calculation standards of the Company.

4. Other significant items associated with the preparation of Non-Consolidated Statutory Report

(1) Accounting methods for deferred assets

Expenses for the issuance of bonds and notes are all accounted for as expenses when they are incurred.

(2) Accounting methods for hedging

Marked-to-market profits and losses on hedging instruments are principally deferred as net assets until the profits or losses on the hedged items are realized. Certain eligible interest swaps for hedging purposes are based on cost basis without being marked-to-market under generally accepted accounting principles in Japan ("Tokurei-shori"). Further, the premium or discount on certain eligible forward foreign exchanges for hedging purposes is allocated to each fiscal term without being marked-to-market under generally accepted accounting principles in Japan ("Furiate-shori").

In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk associated with some of the loans payable and bonds issued, the Company applies hedge accounting using derivatives instruments such as interest rate swaps, currency swaps and similar transactions.

The effectiveness of hedging is evaluated based upon the correlation between the fair value or the accumulated cash flows of the hedging instrument and those of the hedged item. Hedges exempted from being marked-to-market under the two accounting treatments described in the first paragraph is judged to pass the effectiveness tests of hedging with its eligibility of applying

- those treatments.
- (3) Accounting method for consumption tax, etc.
The accounting method for consumption tax and local consumption tax is based on the tax excluded method.
- (4) Tax consolidation
The Company and its wholly-owned subsidiaries file a consolidated tax return.

Notes to balance sheet

1. Securities transferred

Among the investment securities, those corresponding to 102,517 million yen were loaned.

2. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, others 3,467 million yen

3. Accumulated depreciation of tangible fixed assets 1,901 million yen

4. Guarantee

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	142 million yen
Related companies	Derivative liabilities	2,952
Total		3,094

5. Monetary claims and obligations with related companies

Short-term monetary claims	469,081	million yen
Long-term monetary claims	735,743	million yen
Short-term monetary liabilities	68,580	million yen
Long-term monetary liabilities	1,523	million yen

Notes to statement of income

Transactions with related companies

Operating transactions	39,534	million yen
Non-operating transactions	6,278	million yen

Notes to statement of changes in net assets

Balance of Treasury Stock as of March 31, 2016

Common Shares 57,043,140

Notes to tax effect accounting

Breakdown for main cause for deferred tax assets and liabilities

(Deferred tax assets)

Loss of valuation of shares of subsidiaries and affiliates, etc.	16,590	million yen
Loss brought forward	13,057	
Loss of valuation of investment securities	7,228	
Allowance for doubtful accounts	1,128	
Others	2,505	
Subtotal of deferred tax asset	40,511	
Valuation allowance	(40,163)	
Total deferred tax assets:	347	

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	17,940	million yen
Others	602	
Total deferred tax liabilities	18,542	

Net deferred tax liabilities	18,195	million yen
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Notes to transactions with related parties

Subsidiaries and affiliates, etc

(Millions of yen)

Class	Name of company	Ratio of voting rights	Relationship with related parties	Transaction	Amount	Account Title	Ending Balance
Subsidiary	Daiwa Securities Co. Ltd.	Direct 100.0%	Debt financing	Debt financing (Note 1)	469,781	Long-term loans receivable	196,961
			Receipt of cash collateral	Receipt of interest (Note 1)	2,316	Short-term loans receivable	411,126
			Lending share	Receipt of cash Collateral (Note 2)	57,911	Accrued income	367
			Directors hold concurrent positions	Lending shares (Note 2)	102,517	Loans payable secured by securities	61,076
			Counter-party of derivative transactions	Receipt of premium charges (Note 2)	6	Accrued income	0
				Payment of interest (Note 2)	70	Accrued expenses	6
				Derivative transactions (Note 3, 4)	-	Other current assets (derivative liabilities) Investment and other assets (derivative assets) Other non-current liabilities (derivative liabilities) Accrued income Accrued expenses	4
							234
							121
							698 47
Subsidiary	Daiwa Property Co., Ltd.	Direct 99.4% Indirect 0.6%	Debt financing	Debt financing (Note 1)	160	Long-term loans receivable	24,400
			Directors hold concurrent positions	Receipt of interest (Note 1)	285	Accrued income	-
Subsidiary	Daiwa PI Partners Co. Ltd.	Indirect 100.0%	Debt Financing	Debt financing (Note 1)	22,500	Long-term loans receivable	68,100
			Directors hold concurrent positions	Receipt of interest (Note 1)	634	Accrued income	-
Subsidiary	Daiwa Investment Management Inc.	Direct 100.0%	Debt Financing	Debt financing (Note 1)	-	Long-term loans receivable	194,300
			Directors hold concurrent positions	Receipt of interest (Note 1)	2,240	Accrued income	1,683
Subsidiary	Daiwa International Holdings Inc.	Direct 100.0%	Debt Financing	Debt financing (Note 1)	5,500	Long-term loans receivable	246,190
			Directors hold concurrent positions	Debt waiver (Note 5)	3,000		

Terms and conditions of transactions and the policy to determine them

(Note 1) As the amount of loans, we use the average of month-end balances for short-term loans receivable and the loan amount for long-term loans receivable, respectively.

Interest rates on loans receivable are determined in consideration of market interest rates. No collateral is obtained.

(Note 2) As the amount, we use the market price as of the end of the fiscal year for lending shares and the average of month-end balances of cash collateral.

Premium charges rate for lending shares and interest rates on cash collateral are determined based on market rate.

(Note 3) We omit the description of transaction amount because these are repeated transactions.

(Note 4) Terms and conditions of these transactions are determined in consideration of market rates.

(Note 5) The Company waived a part of the loan to Daiwa International Holdings Inc., its domestic subsidiary.

Notes to per share information

Net assets per share	540.68 yen
Net income per share	5.68 yen