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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]*

June 1, 2018

**Matters to be disclosed on the Internet  
Based on Ordinances and Articles of Incorporation  
On Notice of 81<sup>st</sup> General Meeting of Shareholders**

- I . Notes to the Consolidated Statutory Report . . . . . 1~13pages
- II . Notes to the Non-Consolidated Statutory Report . . . 14~17pages

**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](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, 2018 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: 59 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 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 ending March 31, 2018 we included, in the scope of consolidation, 2 companies because of increase in materiality, 4 companies because of additional acquisition of shares, 4 companies because of new acquisition of shares and 1 company because of establishment. Also, we excluded, therefrom, 2 companies due to merger, 2 companies due to liquidation.

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

The names of major non-consolidated subsidiaries

Daiwa Investor Relations 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: 11 companies

The names of the companies not treated as subsidiaries

F-Power Inc.  
Miike Thermal Power Co.  
Optimized Energy Co.

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 7 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 589,152 million yen as of March 31, 2018.

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, 2018, we newly applied the equity method to 3 companies due to a new acquisition of the shares. We stopped applying this to 4 companies due to an increase in shareholding ratio of affiliates.

Among the companies to which the equity method is applied and with fiscal year ending on a date other than March 31, 2018, we used the tentative financial statements as of March 31, 2018 or other record date as to one company 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

Daiwa Investor Relations 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: 8 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 : 50 companies

December 31 : 9 companies

Among the consolidated subsidiaries with a fiscal year ended on a date other than March 31, 2018, we used the financial statements for the fiscal year of such subsidiary as to 2 consolidated subsidiaries and the tentative financial statements as of March 31, 2018 as to the other 7 subsidiaries. We also made adjustments necessary for consolidation as to the important transactions that occurred between such dates and March 31, 2018.

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 (5 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, 2018 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.

Regarding subsidiary offering banking business, hedge instruments used to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities are accounted for using the deferral method in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 25, July 29, 2002). The effectiveness of hedging instruments, such as currency swaps and foreign exchange swap used for hedging the foreign exchange risks of loans and borrowings payable denominated in foreign currencies, is assessed by comparing the foreign currency position of hedged loans and borrowings payable with that of the hedging instrument.

(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.

## Notes to consolidated balance sheet

### 1. Assets pledged as collateral and liabilities secured

#### (1) Assets pledged as collateral

Cash deposit	200	million yen
Trading products	643,776	
Operating loans	407,503	
Investment securities	24,675	
Total	1,076,155	

*(Note) The amounts above are based on the amounts in the consolidated balance sheet. In addition to the above pledged assets, borrowed securities of 139,987 million yen were also pledged as collateral.*

#### (2) Liabilities secured

Borrowings on margin transactions	3,007	million yen
Short-term loans payable	33,000	
Long-term loans payable	346,800	
Total	382,807	

*(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> )	6,424,650	million yen
Others	704,849	
Total	7,129,500	

*(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> )	7,526,802	million yen
Others	341,175	
Total	7,867,977	

### 4. Allowance for doubtful accounts deducted directly from assets

Investments and other assets, other	6,296	million yen
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### 5. Accumulated depreciation of property, plant and equipment: 114,358 million yen

### 6. Liabilities on guarantees

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	90 million yen
Total		90

### 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, 2018

Common shares 1,699,378,772

### 2. Dividends

#### (1) Amount of dividends

Resolution	Type of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record Date	Effective Date
Board of Directors on May 16, 2017	Common shares	21,804	13	Mar. 31, 2017	June 5, 2017
Board of Directors on Oct. 25, 2017	Common shares	21,695	13	Sep. 30, 2017	Dec. 1, 2017
Total		43,499			

#### (2) Dividends to be distributed after the fiscal year ended March 31, 2018

It was scheduled to be resolved at the meeting of the Board of Directors on May 17, 2018 as to dividends on common share as follows:

- Total amount of dividends 24,279million yen
- Dividend per share 15yen

3. Record Date March 31, 2018

4. Effective Date June 4, 2018

(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, 2018

	Item	Number of shares				Balance As of Mar. 31, 2018 (Millions of yen)
		As of Apr. 1, 2017	Increase	Decrease	As of Mar. 31, 2018	
The Company	Stock subscription rights issued in Jul, 2006	154,000	-	20,000	134,000	182
	Stock subscription rights issued in Jul, 2007	186,000	-	12,000	174,000	228
	Series 4 stock subscription rights	2,312,000	-	2,312,000	-	-
	(treasury rights)	(257,000)	(-)	(257,000)	(-)	(-)
	Stock subscription rights issued in Jul, 2008	235,000	-	15,000	220,000	213
	Series 5 stock subscription rights	2,602,000	-	21,000	2,581,000	632
	(treasury rights)	(223,000)	(20,000)	(-)	(243,000)	(-)
	Stock subscription rights issued in Jul, 2009	517,000	-	29,000	488,000	283
	Series 6 stock subscription rights	1,903,000	-	261,000	1,642,000	249
	(treasury rights)	(316,000)	(3,000)	(-)	(319,000)	(-)
	Stock subscription rights issued in Jul, 2010	926,000	-	42,000	884,000	331
	Series 7 stock subscription rights	3,485,000	-	556,000	2,929,000	243
	(treasury rights)	(486,000)	(2,000)	(-)	(488,000)	(-)
	Stock subscription rights issued in Jul, 2011	1,111,000	-	19,000	1,092,000	390
	Series 8 stock subscription rights	3,395,000	-	638,000	2,757,000	245
	(treasury rights)	(447,000)	(5,000)	(-)	(452,000)	(-)
	Stock subscription rights issued in Feb, 2013	789,000	-	5,000	784,000	445
	Series 9 stock subscription rights	5,976,000	-	806,000	5,170,000	1,004
	(treasury rights)	(357,000)	(49,000)	(-)	(406,000)	(-)
	Stock subscription rights issued in Feb, 2014	388,000	-	3,000	385,000	368
	Series 10 stock subscription rights	3,778,000	-	44,000	3,734,000	1,105
	(treasury rights)	(186,000)	(44,000)	(-)	(230,000)	(-)
	Stock subscription rights issued in Feb, 2015	458,000	-	6,000	452,000	384
	Series 11 stock subscription rights	5,219,000	-	65,000	5,154,000	733
	(treasury rights)	(199,000)	(65,000)	(-)	(264,000)	(-)
	Stock subscription rights issued in Feb, 2016	581,000	-	3,000	578,000	383
	Series 12 stock subscription rights	4,378,000	-	70,000	4,308,000	249
	(treasury rights)	(106,000)	(70,000)	(-)	(176,000)	(-)
Stock subscription rights issued in Feb, 2017	574,000	-	3,000	571,000	404	
Series 13 stock subscription rights	7,430,000	-	116,000	7,314,000	240	
(treasury rights)	(18,000)	(116,000)	(-)	(134,000)	(-)	
Stock subscription rights issued in Feb, 2018	-	599,000	-	599,000	435	
Series 14 stock subscription rights	-	7,462,000	12,000	7,450,000	34	
(treasury rights)	(-)	(12,000)	(-)	(12,000)	(-)	
					<b>Total</b>	8,790 (-)

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

(Note 2) Exercise periods of "Series 10 stock subscription rights", "Series 11 stock subscription rights", "Series 12 stock subscription rights", "Series 13 stock subscription rights", and "Series 14 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, 2018 (fiscal year end) was 1.1 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 specifies risk which needs management and establishes a management policy and management system for each risk. Furthermore, it establishes a ALM 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 etc.). 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, 2018, 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 15.1 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, 2018, 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 2.3 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 adopt the historical simulation method (confidence interval: 99%, observation period: 750 business days) and as for trading financial instrument, we convert the number calculated in 1 day of holding period to the number in 10 days of holding period and as for un-trading

financial instrument, we convert the number calculated in 20 days of holding period to the number in 125 days of holding period. Such number as of March 31, 2018 are 0.2 billion yen for trading financial instrument and 6.5 billion yen for un-trading financial instrument.

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 2017, 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.

In order to complement the limitation of management utilizing VaR, we measure loss calculated by a wide variety of scenario (stress test).

(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 (Hereunder "LCR") based on 2014 Financial Services Agency Notification No.61, the Company has organized its liquidity management system other than LCR based on the notification of Financial Services Agency, 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 portfolios is secured for such repayment and outflows even in various stress scenarios. Assuming the situation that stress event continues for more than a year, the Group measures and monitors the sufficiency of long-term funding for keeping the assets. The Group undertakes to make it possible to continue business even if the unsecured fundraising is not available for one year.

The Group 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 funding 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 funding 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, 2018, 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
<b><i>Assets</i></b>			
(1) Cash and deposits	3,694,283	3,694,283	-
(2) Cash segregated as deposits	348,912	348,912	-
(3) Trading products			
(a) Trading securities and other	4,170,557	4,170,557	-
(b) Derivatives	2,496,475	2,496,475	-
(4) Operating Loans	1,442,939		
Allowance for doubtful Accounts	(54)		
	1,442,884	1,443,494	609
(5) Margin transaction assets			
Loans on margin transactions	231,486	231,486	-
Cash collateral pledged for securities borrowing on	31,476	31,476	-
(6) Loans secured by securities			
Cash collateral pledged for securities borrowed	6,472,791	6,472,791	-
Loans on Gensaki transactions	23,961	23,961	-
(7) Securities, Operational investment securities and Investment securities			
(a) Trading securities	11,923	11,923	-
(b) Held-to-maturity bonds	111,545	111,961	415
(c) Shares of subsidiaries and affiliates	116,809		
Allowance for investment loss	-		
	116,809	152,071	35,261
(d) Available-for-sale securities	1,082,945	1,082,945	-
<b>Total assets</b>	<b>20,236,053</b>	<b>20,272,340</b>	<b>36,287</b>
<b><i>Liabilities</i></b>			
(1) Trading products			
(a) Trading securities and other	2,830,472	2,830,472	-
(b) Derivatives	2,200,345	2,200,345	-
(2) Trade date accrual	407,184	407,184	-
(3) Margin transaction liabilities			
Borrowings on margin transactions	3,007	3,007	-
Cash received for securities lending on margin	68,336	68,336	-
(4) Loans payable secured by securities			
Cash received on debt credit transactions of securities	5,645,028	5,645,028	-
Borrowings on Gensaki transactions	130,868	130,868	-
(5) Deposits for banking business	3,388,444	3,388,437	6
(6) Deposits received	256,858	256,858	-
(7) Guarantee deposits received	420,039	420,039	-
(8) Short-term loans payable	1,091,771	1,091,771	-
(9) Commercial papers	105,000	105,000	-
(10) Current portion of bonds	261,494	261,494	-
(11) Bonds payable	1,315,349	1,319,324	(3,975)
(12) Long-term loans payable	1,327,780	1,327,746	34
<b>Total liabilities</b>	<b>19,451,982</b>	<b>19,455,917</b>	<b>(3,934)</b>
<b><u>Derivative transactions other than trading (※)</u></b>			
Transactions in which hedge accounting is not applied	2,397	2,397	-
Transactions in which hedge accounting is applied	2,162	(951)	(3,113)
<b>Total derivative transactions other than trading</b>	<b>4,559</b>	<b>1,445</b>	<b>(3,113)</b>

※ 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. Other investment products are recorded as their book value because the fair value closely resembles the book value and they are settled in the short term.

(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 accruals 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 products for which it is extremely difficult to obtain their fair value are as below and are not included in the “Assets (7) (c) Shares of subsidiaries and affiliates and (d) 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	37,301
Available-for-sale securities	
Unlisted equities	33,702
Investments in limited partnerships and other similar partnerships	70,151
Others	5,361

(Note) 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 real estate

1. Concerning the situation of real estate

The Group owns real estate for redevelopment project.

2. Fair values of real estate

The figures stated in the consolidated balance sheet as of March 31, 2018 and fair value is as below.

(Millions of yen)	
Amounts in consolidated balance sheet	Fair value
5,293	(-)

(Note) The fair value of the asset is not written because the real estate is in the middle of large scale of redevelopment project. It is very difficult to calculate the fair value of the asset.

### Notes to per share information

Net assets per share	786.56 yen
Net income (loss) per share	66.88 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 (5 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 99,772 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 1,486 million yen

### 4. Guarantee

Name of the guaranteed	Liabilities guaranteed	Amount of liabilities
Employee	Borrowing	73 million yen
Related companies	Derivative liabilities	2,143
Total		2,217

### 5. Monetary claims and obligations with related companies

Short-term monetary claims	398,200	million yen
Long-term monetary claims	926,434	million yen
Short-term monetary liabilities	68,744	million yen
Long-term monetary liabilities	1,910	million yen

## **Notes to statement of income**

### Transactions with related companies

Operating transactions	144,543	million yen
Non-operating transactions	4,630	million yen

## **Notes to statement of changes in net assets**

Balance of Treasury Stock as of March 31, 2018

Common Shares	80,765,494
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## **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.	17,532	million yen
Loss brought forward	13,277	
Loss of valuation of investment securities	5,775	
Allowance for doubtful accounts	1,128	
Others	5,596	
Subtotal of deferred tax asset	43,310	
Valuation allowance	(41,947)	
Total deferred tax assets:	1,362	

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	18,276	million yen
Others	1,300	
Total deferred tax liabilities	19,577	

Net deferred tax liabilities	18,214	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)	596,470	Long-term loans receivable	421,616
			Receipt of cash collateral	Receipt of interest (Note 1)	8,215	Short-term loans receivable	343,432
			Lending share	Receipt of cash Collateral (Note 2)	55,629	Accrued income	2,164
			Directors hold concurrent positions	Payment of interest (Note 2)	6	Loans payable secured by securities	60,411
			Counter-party of derivative transactions	Lending shares (Note 2)	99,772	Accrued income	0
				Receipt of premium charges (Note 2)	5	Accrued expenses	0
				Derivative transactions (Note 3, 4)	-	Other current assets (derivative liabilities)	100
						Investment and other assets (derivative assets)	7
						Other non-current liabilities (derivative liabilities)	449
						Accrued income	52
				Accrued expenses	1		
Subsidiary	Daiwa Property Co., Ltd.	Direct 99.4% Indirect 0.6%	Debt financing Directors hold concurrent positions	Debt financing (Note 1) Receipt of interest (Note 1)	250 210	Long-term loans receivable	19,730
Subsidiary	Daiwa PI Partners Co. Ltd.	Indirect 100.0%	Debt Financing	Debt financing (Note 1) Receipt of interest (Note 1)	59,000 582	Long-term loans receivable Short-term loans receivable	34,500 19,000
Subsidiary	Daiwa Investment Management Inc.	Direct 100.0%	Debt Financing Directors hold concurrent positions	Debt financing (Note 1) Receipt of interest (Note 1)	- 1,894	Long-term loans receivable Accrued income	194,300 479
Subsidiary	Daiwa International Holdings Inc.	Direct 100.0%	Debt Financing Directors hold concurrent positions	Debt financing (Note 1)	13,680	Long-term loans receivable	251,680

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.

**Notes to per share information**

Net assets per share	564.13 yen
Net income per share	68.43 yen