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Note: This English translation of the original Japanese 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)

May 31, 2019

To Our Shareholders

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

Notice of Convocation of
The 82nd Ordinary General Meeting of Shareholders

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

You are hereby notified that the 82nd Ordinary General Meeting of Shareholders (“Meeting”) 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 bill on the agenda on the “Voting Rights Exercise Form” enclosed herewith and return the form to the Company by 17:00 (5:00 p.m.) Tuesday, June 25, 2019.

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, <https://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 the bill in accordance with the guidance on the website by 17:00 (5:00 p.m.) Tuesday, June 25, 2019.

Particulars

1. Date and time of the Meeting

10:00 a.m., Wednesday, June 26, 2019 (Doors open at 9:00 a.m.) (Tokyo time)

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 the audit of the Consolidated Statutory Report conducted by Independent Auditors and the Audit Committee, with respect to the 82nd fiscal year (from April 1, 2018 to March 31, 2019).
2. Report on the contents of the Non-Consolidated Statutory Report for the 82nd fiscal year (from April 1, 2018 to March 31, 2019).

Matters to be resolved:

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

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) 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 the bill, it shall be deemed as an intention of approval.
- (3) 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.
- (4) 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 via the Internet

- (1) As permitted by applicable laws and regulations and Article 23 of the Company’s Articles of Incorporation, “System to Ensure Appropriateness of Business and State of Operation of Such System”, “Consolidated Statements of Changes in Net Assets”, “Notes to the Consolidated Statutory Report”, “Statements of changes in Net Assets”, and “Notes to the Non-Consolidated Statutory Report” which are to be provided along with this Notice of Convocation, are 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 the “Consolidated Statutory Report” and “Non-Consolidated Statutory Report” which were audited by Independent Auditors and the Audit Committee to create the audit 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) For the purpose of providing early disclosure, the content of this Notice has been posted on the website of the Company before dispatch of the Notice.
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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 to use the 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 an electronic device.

Reference Documents for the General Meeting of Shareholders

Bill and reference matters

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

The terms of office of all members (fourteen (14) Directors) of the Board of Directors are expiring as of the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company requests shareholders' approval to elect, in total, fourteen (14) Directors pursuant to the decision of the Nominating Committee.

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

Candidate Number	Name	Title and charge in the Company	New appointment/ Reappointment, If Female, If Outside, If Independent	Years on Board	Attendance Rate (FY2018)
1	Takashi Hibino	Chairman of the Board and Corporate Executive Officer	<u>Reappointment</u>	15	10/10 (100%)
2	Seiji Nakata	Member of the Board, Representative Corporate Executive Officer, President and CEO of the Company, and Head of Retail	<u>Reappointment</u>	4	10/10 (100%)
3	Toshihiro Matsui	Member of the Board, Representative Corporate Executive Officer, Deputy President and COO of the Company, and Head of Wholesale	<u>Reappointment</u>	3	10/10 (100%)
4	Kazuo Takahashi	Member of the Board, Corporate Executive Officer and Deputy President of the Company, and Deputy Head of Wholesale	<u>Reappointment</u>	2	10/10 (100%)
5	Keiko Tashiro	Member of the Board, Corporate Executive Officer, Deputy President of the Company, and Head of Overseas	<u>Reappointment</u> <u>Female</u>	5	10/10 (100%)
6	Mikita Komatsu	Member of the Board, Senior Executive Managing Director of the Company, and Deputy Head of Wholesale	<u>Reappointment</u>	3	10/10 (100%)
7	Masahisa Nakagawa	Senior Executive Managing Director and CIO of the Company	<u>New Appointment</u>	-	-
8	Sachiko Hanaoka	Senior Managing Director	<u>New Appointment</u> <u>Female</u>	-	-
9	Tadashi Onodera	Outside Director	<u>Reappointment</u> <u>Outside</u> <u>Independent</u>	5	9/10 (90%)

10	Michiaki Ogasawara	Outside Director	Reappointment Outside Independent	4	9/10 (90%)
11	Hiroataka Takeuchi	Outside Director	Reappointment Outside Independent	3	9/10 (90%)
12	Ikuo Nishikawa	Outside Director	Reappointment Outside Independent	3	10/10 (100%)
13	Eriko Kawai	Outside Director	Reappointment Female Outside Independent	1	8/8 (100%)
14	Katsuyuki Nishikawa		New Appointment Outside Independent	-	-

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Sept. 27, 1955)	Years on Board	Attendance Rate
1	Takashi Hibino	common stock 197,990 shares	Reappointment	15	10/10 (100%)

The reason for election

He joined the Company in 1979, served successively as the Head of Products, Overseas, Corporate Planning and Personnel and thereby has broad experience related to the business of the whole Daiwa Securities Group. Also, he served as the Representative Corporate Executive Officer, President and CEO of the Company from 2011 to 2017 and has broad experience and insights as a manager. Therefore, he is considered to be qualified to serve as a Member of the Board.

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 Managing Director 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, 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, CEO and Head of Retail and Wholesale of the Company; Representative Director and President of Daiwa Securities Co. Ltd.; and Representative Director and President of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2013	CEO of the Company
Apr. 2017	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.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 16, 1960)	Years on Board	Attendance Rate
2	Seiji Nakata	common stock 129,830 shares	Reappointment	4(Note)	10/10 (100%)

(Note) The total years served as Member of the Board.

The reason for election

He joined the Company in 1983 and served successively as the Deputy Head of Planning and Personnel of the Company, Head of Corporate Institution and Head of Sales of Daiwa Securities Co. Ltd., and COO and Head of Retail of the Company. He serves as the Representative Corporate Executive Officer, President and CEO of the Company from 2017. He has expertise and experience to present a management strategy based on a wide vision and also to execute adequately the management and control of Daiwa Securities Group. Therefore, he is considered to be qualified to serve as a Member of the Board.

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 Dept. 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 Dept. 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; and 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 and Head of Corporate Sales and 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; and Representative Director and Deputy President of Daiwa Securities Co. Ltd.
June 2016	Member of the Board, Representative Corporate Executive Officer and Deputy President of the Company
Apr. 2017	Member of the Board, Representative Corporate Executive Officer, President, CEO and Head of Retail of the Company (to date); and Representative Director and President of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Representative Director and President of Daiwa Securities Co. Ltd.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Apr. 27, 1962)	Years on Board	Attendance Rate
3	Toshihiro Matsui	common stock 128,600 shares	<u>Reappointment</u>	3	10/10 (100%)

The reason for election

He joined the Company in 1985 and served as the Managing Director of Corporate Institutions and Corporate Finance of Daiwa Securities SMBC Co. Ltd. and Corporate Planning Dept. of the Company. Since his inauguration as Corporate Executive Officer of the Company in 2009, he served as the Head of Legal, Deputy Head of Planning, Head of Planning and Personnel and Deputy Head of Wholesale of the Company. He serves now as the Representative Corporate Executive Officer, Deputy President, COO and the Head of Wholesale of the Company. He has broad experience and knowledge in broad areas such as Retail, Wholesale, Investment Banking, Planning and Personnel. Therefore, he is considered to be qualified to serve as a member of the Board.

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 Dept. of the Company
Apr. 2009	Corporate Executive Officer, Head of Legal, Deputy Head of Planning and Managing Director of Corporate Planning Dept. 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; and Senior Managing Director of Daiwa Securities Co. Ltd.
Jan. 2012	Executive Managing Director of the Company; Senior Managing Director of Daiwa Securities Co. Ltd.; and 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; and Executive Managing Director of the Daiwa Securities Co. Ltd.
Apr. 2014	Senior Executive Managing Director and Head of Planning and Personnel of the Company; and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2016	Head of Planning and Deputy Head of Wholesale of the Company
June 2016	Member of the Board and Senior Executive Managing Director of the Company
Apr. 2018	Representative Corporate Executive Officer, Deputy President, COO and Head of Planning and Wholesale of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)
Apr. 2019	Representative Corporate Executive Officer, Deputy President, COO and Head of Wholesale of the Company (to date)
(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 8, 1960)	Years on Board	Attendance Rate
4	Kazuo Takahashi	common stock 44,500 shares	Reappointment	2	10/10 (100%)

The reason for election

He joined the Company in 1982 and served successively as the Head of the Shimonoseki Branch of Daiwa Securities Co. Ltd, Managing Director of Corporate Institution Sales Dept. and Financial Corporate Institution Dept. of Daiwa Securities SMBC Co. Ltd. Since his inauguration as Senior Managing Director of Daiwa Securities SMBC Co. Ltd. in 2007, he served successively as the Head of Corporate Institution Sales and Head of Financial Corporate Institution of Daiwa Securities SMBC Co. Ltd. and also Head of Corporate Institution of Daiwa Securities Co. Ltd. He now serves as the Corporate Executive Officer, Deputy President and Deputy Head of Wholesale of the Company. He has broad experience and knowledge in Corporate Institution and also experience in Retail. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions	
Apr. 1982	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
Apr. 2001	Head of Shimonoseki Branch of Daiwa Securities Co. Ltd.
Feb. 2003	Managing Director of Corporate Institution Sales Dept. II of Daiwa Securities SMBC Co. Ltd.
Apr. 2005	Managing Director of Financial Institution Dept. of the above company
Apr. 2007	Senior Managing Director and Head of Corporate Institution Sales of the above company
Apr. 2008	Head of Financial Institutions of the above company
Apr. 2009	Head of Financial Institutions and Deputy Head of Financial and Public Solutions of the above company
Oct. 2009	Head of Financial Institutions of the above company
Apr. 2010	Executive Managing Director and Head of Financial & Public Institutions Banking of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Member of the Board and Executive Managing Director and Head of Financial & Public Institutions Banking of Daiwa Securities Co. Ltd.
Apr. 2013	Member of the Board and Senior Executive Managing Director of the above company
Apr. 2015	Head of Corporate Business Division of the above company
Apr. 2017	Corporate Executive Officer, Deputy President and Deputy Head of Wholesale of the Company; and Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)
June 2017	Member of the Board, Corporate Executive Officer, Deputy President and Deputy Head of Wholesale of the Company (to date)
(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Aug. 5, 1963)	Years on Board	Attendance Rate
5	Keiko Tashiro	common stock 47,900 shares	Reappointment Female	5	10/10 (100%)

The reason for election

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

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
Sept. 2005	Managing Director 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 the Americas) of the Company; and Chairperson of the Board of Daiwa Capital Markets America Holdings Inc.
July 2013	Chairperson of the Board of Daiwa Capital Markets America Inc.
Apr. 2014	Executive Managing Director, Deputy Head of Overseas (in charge of the Americas) of the Company
June 2014	Member of the Board and Executive Managing Director of the Company
Apr. 2016	Member of the Board, Senior Executive Managing Director and Head of Overseas of the Company; and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2019	Member of the Board, Corporate Executive Officer, Deputy President and Head of Overseas of the Company (to date); and 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.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Oct. 12, 1962)	Years on Board	Attendance Rate
6	Mikita Komatsu	common stock 89,900 shares	Reappointment	3	10/10 (100%)

The reason for election

He joined the Company in 1985 and served as the Managing Director of Finance of the Company and President of Daiwa Capital Markets Europe Ltd. Since his inauguration as 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, CFO and Deputy Head of Overseas of the Company and now he is serving as Deputy Head of Wholesale of the Company. He has broad experience and knowledge in the Corporate Planning, Finance and Overseas and, therefore, he is considered to be qualified to serve as a Member of the Board.

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 Dept. 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.; and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Head of Finance and Deputy Head of Planning of the Company; and Member of the Board of Daiwa Real Estate Asset Management Co. Ltd.
Apr. 2013	Executive Managing Director, CFO, Deputy Head of Planning and Overseas of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2015	CFO and Deputy Head of Overseas of the Company
Apr. 2016	Senior Executive Managing Director of the Company; and Member of the Board, Senior Executive Managing Director of Daiwa Securities Co. Ltd. (to date)
June 2016	Member of the Board and Senior Executive Managing Director of the Company (to date)
Apr. 2019	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.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (June 10, 1962)	Years on Board	Attendance Rate
7	Masahisa Nakagawa	common stock 58,400 shares	New appointment	—	—

The reason for election

He joined the Company in 1987 and served as the Managing Director of the Business Process Planning & Administration Dept. and Head of the Omiya Branch of Daiwa Securities Co. Ltd.. Since his inauguration as the Senior Managing Director of Daiwa Securities Co. Ltd. in 2010, he served successively as Head of Operations & IT and Head of Investment Program of Daiwa Securities Co. Ltd. and now he is serving as Chief Information Officer (CIO) of the Company. He has broad knowledge and experience in the Business Process Planning and Corporate IT Strategy and he also has experience in the Corporate Planning and Retail. Therefore, he is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions	
Apr. 1987	Joined the Company
Feb. 2004	Transferred to Daiwa Securities Co. Ltd.
Apr. 2009	Head of Omiya Branch of the above company
Apr. 2010	Senior Managing Director, Head of Operations & IT and Head of Investment Program of the above company
Apr. 2011	Senior Managing Director and Head of Operations & IT of the Company; Senior Managing Director of Daiwa Securities Co. Ltd.; and Senior Managing Director of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2013	Executive Managing Director of the Company; and Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2016	Executive Managing Director and CIO of the Company; and Member of the Board and Executive Managing Director of Daiwa Securities Co. Ltd.
Apr. 2017	Senior Executive Managing Director and CIO of the Company (to date); and Senior Executive Managing Director of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Senior Executive Managing Director of Daiwa Securities Co. Ltd.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (May 28, 1967)	Years on Board	Attendance Rate
8	Sachiko Hanaoka	common stock 3,000 shares	New appointment Female	—	—

The reason for election

She joined the Company in 1990. After serving in the Research and Product Divisions, she served successively as the Managing Director of the Products Planning Dept., the Education and Training Dept., and the Investment Strategy Dept. of Daiwa Securities Co. Ltd. Throughout her broad accumulated experience in the Research Division, she has developed a strong analytical ability and broad knowledge in business accounting and broad accumulated experience in management. Therefore, she is considered to be qualified to serve as a Member of the Board.

Brief personal history, title, charge and significant concurrent positions	
Apr. 1990	Joined the Company
Mar. 1995	Transferred to Daiwa Institute of Research Ltd.
Oct. 1999	Transferred to Daiwa Securities Co. Ltd.
Apr. 2012	Managing Director of Investment Strategy Dept. of Daiwa Securities Co. Ltd.
Apr. 2019	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 Asset Management Co. Ltd. (to date) ; 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 Asset Management 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.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Feb. 3, 1948)	Years on Board	Attendance Rate
9	Tadashi Onodera	common stock 8,800 shares	Reappointment Outside Independent	5	9/10 (90%)

The reason for election

He held positions such as the President of KDDI Corporation, etc. and currently is the Advisor of KDDI Corporation. The Company requests that shareholders elect him as an Outside Director since the Company believes that his broad accumulated experience and knowledge about corporate management would contribute to the management of the Company.

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	Representative Director and Deputy President of the above company
June 2001	Representative Director and President of KDDI Corporation
June 2005	Representative Director, President, Chairman of the Board of the above company
Dec. 2010	Chairman of the Board, Representative Director of the Board of the above company
June 2014	Member of the Board of the Company (to date)
July 2015	Chairman of the Board of KDDI Corporation
Apr. 2018	Member of the Board and Advisor of KDDI Corporation
June 2018	Advisor of KDDI Corporation (to date)
(Significant concurrent positions) Advisor of KDDI Corporation	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 29, 1954)	Years on Board	Attendance Rate
10	Michiaki Ogasawara	common stock 9,800 shares	Reappointment Outside Independent	4	9/10 (90%)

The reason for election

He served successively as the Director-General of Global ICT Strategy Bureaus, the Vice-Minister of the Ministry of Internal Affairs and Communication, etc. The Company requests that shareholders 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, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors even though he had never been involved directly in corporate management.

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 Telecommunication, Ministry of Internal Affairs and Communications
Jan. 2004	Director-General of Kanto Bureau of Telecommunication, the above Ministry
Feb. 2005	Deputy Director-General of the above Ministry
Aug. 2005	Director-General of Local Public Service Personnel Dept., Local Administration Bureau the above Ministry
July 2006	Director-General of Civil Protection and Disaster Management Dept., 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
Sept. 2012	Vice-Minister of the above Ministry
Oct. 2013	Advisor of Daiwa Institute of Research Ltd.
June 2015	Resigned as Advisor of Daiwa Institute of Research Ltd.
June 2015	Member of the Board of the Company (to date)
(Significant concurrent positions) Advisor of Sompo Japan Nipponkoa Insurance Inc.; and Advisor of Sumitomo Corporation	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Oct. 16, 1946)	Years on Board	Attendance Rate
11	Hiroataka Takeuchi	common stock 12,400shares	Reappointment Outside Independent	3	9/10 (90%)

The reason for election

He served successively as a Professor of Hitotsubashi University, Faculty of Commerce and Management and Professor of Harvard Business School, etc. The Company requests that shareholders 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 had never been involved directly in corporate management.

Brief personal history, title, charge and significant concurrent positions	
Sept. 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)
June 2016	Member of the Board of the Company (to date)
(Significant concurrent positions) Professor of Harvard Business School; Outside Director of Integral Corporation; Outside Director of BrightPath Biotherapeutics Co., Ltd; Director of t-lab; and Principal of Global Academy K. K.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 1, 1951)	Years on Board	Attendance Rate
12	Ikuo Nishikawa	common stock 4,500 shares	Reappointment Outside Independent	3	10/10 (100%)

The reason for election

He served successively as the Representative Partner of Century Audit Corporation and Chairman of Accounting Standards Board of Japan, etc. The Company requests that shareholders 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 had never been involved directly in corporate management.

Brief personal history, title, charge and significant concurrent positions	
Sept. 1990	Representative Partner of Century Audit Corporation (currently known as Ernst & Young ShinNihon LLC)
Jan. 1993	Representative of JICPA in International Accounting Standards Committee
July 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
June 2016	Member of the Board of the Company (to date)
Apr. 2017	Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce (to date)
(Significant concurrent positions). Outside Director of MEGMILK SNOW BRAND Co., Ltd.; Outside Audit & Supervisory Board Member of Mitsubishi Corporation; and Guest Professor of Graduate School of Keio University, Faculty of Business & Commerce	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Apr. 28, 1958)	Years on Board	Attendance Rate (Note)
13	Eriko Kawai	common stock 0 shares	Reappointment Female Outside Independent	1	8/8 (100%)

(Note) Attendance Rate at the Board of Directors' meetings since her appointment in June, 2018.

The reason for election

She held positions such as the Pension Funds Administrator of BIS and OECD, etc. The Company requests that shareholders elect her as an Outside Director since the Company believes that she has extensive experience at global companies and international organizations, experience and record as a manager, and her significant accumulated experience and knowledge about corporate management would contribute to the management of the Company.

Brief personal history, title, charge and significant concurrent positions	
Oct. 1981	Joined Nomura Research Institute, Ltd.
Sept. 1985	Management Consultant at McKinsey & Company, Inc.
Oct. 1986	Fund Manager of Mercury Asset Management / SG Warburg plc
Nov. 1995	CIO of Yamaichi Regent ABC Polska, Head of Investment
July 1998	Pension Funds Administrator of Bank for International Settlements (BIS)
Oct. 2004	Senior Pension Funds Administrator of Organization for Economic Cooperation and Development (OECD)
Mar. 2008	Representative of Kawai Global Intelligence
Apr. 2012	Professor of Institute for the Promotion of Excellence in Higher Education, Kyoto University
Apr. 2013	Professor of Institute for Liberal Arts and Sciences, Kyoto University
Apr. 2014	Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University (to date)
June 2018	Member of the Board of the Company (to date)
(Significant concurrent positions) Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University; Director of the Outlook Foundation; Director of the Grew Bancroft Foundation; and Outside Audit & Supervisory Board Member of CMIC HOLDINGS Co., Ltd.	

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Feb. 20, 1954)	Years on Board	Attendance Rate
14	Katsuyuki Nishikawa	common stock 0 shares	New appointment Outside Independent	—	—

The reason for election

He 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 that shareholders elect him as an Outside Director since the Company believes that his significant accumulated experience and professional knowledge about law and compliance would contribute to the management of the Company.

Brief personal history, title, charge and significant concurrent positions	
Apr. 1979	Prosecutor of Osaka District Public Prosecutors Office
Jan. 2008	Director-General of the Rehabilitation Bureau of the Ministry of Justice
July 2008	Director-General of the Immigration Bureau of the Ministry of Justice
July 2009	Director-General of the Criminal Affairs Bureau of the Ministry of Justice
Aug. 2011	Vice-Minister of the Ministry of Justice
Jan. 2014	Superintending Prosecutor of the Sapporo High Public Prosecutors Office
Dec. 2015	Superintending Prosecutor of the Tokyo High Public Prosecutors Office
Sep. 2016	Prosecutor General
July 2018	Retired as Prosecutor General
Sept. 2018	Attorney at law (operating to date)
(Significant concurrent positions) Attorney at Nishikawa Katsuyuki Law Office	

(Notes)

1. *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.*
 - * 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 the Tokyo Stock Exchange, Inc. and the 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.*
2. *Violation of laws and regulations or the articles of incorporation or the fact of unfair execution of business during the term of office of other companies and the acts taken by the nominee to prevent the occurrence of the violations, etc. and the acts taken in response after such occurrence is as follows.*

At SNOW BRAND SEED Co., Ltd, a subsidiary of MEGMILK SNOW BRAND Co., Ltd., at which Mr. Ikuo Nishikawa serves as Outside Director, it came to light that the subsidiary engaged in the sale of multiple kinds of seeds by false-labeling in violation of the Plant Variety Protection and Seed Act, and in February 2018 the subsidiary was issued a Report Collection Order by the Minister of Agriculture, Forestry, and Fisheries in accordance with the Act. Mr. Nishikawa was not aware of this situation until this case came to light, but he had been providing opinions and advice from the standpoint of compliance on a regular basis such as at Board of Director and Audit and Supervisory Committee, etc. After the discovery of the violation, he appropriately fulfilled his duties by presenting his opinion for the strict compliance and prevention of recurrence through actions at the Board of Director and Audit and Supervisory Committee, etc.
3. *The current Outside Directors, Mr. Tadashi Onodera, Mr. Michiaki Ogasawara, Mr. Hirotaka Takeuchi, Mr. Ikuo Nishikawa and Ms. Eriko Kawai 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 the election of those nominees for Outside Director is duly approved, the Company will continue to be a party to such agreement with each Outside Director. Also, the Company plans to enter into a similar agreement to limit the liability of Mr. Katsuyuki Nishikawa as Outside Director.*

[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.

Name	Title	Nominating Committee	Audit Committee	Compensation Committee
Takashi Hibino	Chairman of the Board and Corporate Executive Officer	○		○
Seiji Nakata	Member of the Board, Representative Corporate Executive Officer and President	○		○
Sachiko Hanaoka	Member of the Board		○	
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		◎	○
Eriko Kawai	Member of the Board (Outside) Independent Officer	○	○	
Katsuyuki Nishikawa	Member of the Board (Outside) Independent Officer	○	○	

(Note) ◎ indicates the director is a Chairman of such committee and ○ indicates the director is a member of such committee.

Business Report

(From April 1, 2018 to March 31, 2019)

I. Status of the Group's Business Activities

The 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 (FY2018) is as follows.

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

1. Economic and Market Environment

Driven by domestic demand, our country's economy in the current fiscal year continued to be on a track to gradual recovery. However, from July to September in 2018, personal consumption and inbound demand remained subdued and business activities by companies in the production and transportation fields were temporarily limited because of successive natural disasters such as intense heat, heavy rain, typhoon and large earthquake. In addition, during the second half of FY2018, exportation and production declined due to the slowdown of the overseas economy and the economic growth rate remained low. Real GDP generally continued to be flat and our country's economy remained at a standstill overall. The unemployment rate remained low and wages have gradually increased, and the improvement of the employment and income environment continued. Notwithstanding the effect of the series of natural disasters, home appliance sales and demand for travel and eating-out have increased and personal consumption recovered. Housing investment showed some signs of recovery in the second half of FY2018 because of the gradual actualization of last minute demand ahead of the consumption tax hike scheduled in October 2019, although it has shown a declining trend in the construction of houses for rent. On the other hand, regarding capital investment by the companies, investments in rationalizing and labor-saving, updating facilities, and research and development have increased due to strong corporate profits, low interest rates and a tight labor market. However, in the second half of FY2018, exportation and production declined mainly in information-related production and capital goods due to the slowdown of the overseas economy. Exportation to Asian countries such as China has especially declined. In addition, business confidence of companies worsened and companies showed a cautious attitude toward capital investment due to uncertainty regarding trade negotiations between the US and China and Brexit.

In the Japanese stock market, stock prices have continued to be affected by overseas market events. In the first half of FY2018, stock prices maintained an upward trend due to the expanding economies of developed countries such as Japan, the US and the EU. From the end of September to the beginning of October, the Nikkei Stock Average reached 24,000 yen for the first time in 8 months, hitting its highest level since November 1999. In December, however, as a result of the global stock price plunge, the Nikkei Stock Average fell below 20,000 yen for the first time in 15 months because of the uncertainty regarding trade negotiations between the US and China and the rise of concern regarding a potential global economic slowdown, including in China. Following the start of 2019, the central banks of the US and the EU adopted monetary policies in consideration of the direction of the economy and China announced large-scale economic measures and excessively pessimistic views about economic prospects receded. As a result, stock prices resumed an upward trend and the Nikkei Stock Average was 21,205.81 yen at the end of FY2018.

In the bond market, the Bank of Japan maintained a monetary policy that targets long-term interest rates in addition to short-term interest rates and interest rates remained at a very low level. In July 2018, the Bank of Japan changed its policy and allowed long-term rates to change to some extent and 10-year Japanese Government Bond yields rose and stayed around 0.1% after August. However, at the start of December, global interest rates fell due to the rise of concern about the global economy and Japanese interest rates fell drastically, being stuck in a negative range after February 2019. As a result, 10-year Japanese Government Bond yields at the end of FY2018 were negative 0.082%

2. Outline of the Consolidated Performance

(1) Profits and Losses of the Group

(Billions of yen)

	Fiscal 2018 As of March 31, 2019	Change (%) from Previous Term
Operating Revenue	720.5	1.1%
Net Operating Revenue	441.2	△12.7%
Ordinary Income	83.1	△46.6%
Profit attributable to owners of parent	63.8	△42.3%

(Millions of yen)

	Net Operating Revenues			Ordinary Income		
	Fiscal 2017 (81 st term)	Fiscal 2018 (82 nd term)	Change from Previous Term	Fiscal 2017 (81 st term)	Fiscal 2018 (82 nd term)	Change from Previous Term
Retail	214,247	185,865	△13.2%	51,331	24,674	△51.9%
Wholesale	171,192	158,903	△7.2%	45,373	25,400	△44.0%
Asset Management	49,390	48,232	△2.3%	29,119	28,359	△2.6%
Investment	27,401	1,766	△93.6%	24,499	△1,093	-
Others	43,118	46,473	-	5,353	5,817	-
Total	505,350	441,240	△12.7%	155,676	83,159	△46.6%

(2) Assets, Debts and Net Assets of the Group

(Billions of yen)

	Fiscal 2018 As of March 31, 2019	Change from Previous Term
Total Assets	21,126.7	△8.3
Debts	19,870.2	105.7
Shareholder's equity (Net Assets)	1,256.4	△114.0
Shareholders' equity (Net assets) per share (Yen)	794.54	7.98

3. Outcome of the Group's Business Activities Performance by each Operating Division

(1) Retail Business

Daiwa Securities Co. Ltd., aiming at "Quality No.1", tries to improve its credibility with customers by rapidly implementing business reforms such as "improving quality of products and services", "optimized sales representatives" and "closer relationship to customers".

In FY 2018, Daiwa NPS® (Note) was introduced for all branches to measure customer satisfaction, and Daiwa Securities Co. Ltd. focused on expanding the assessment system for branches based upon customer satisfaction.

In July 2018, due to growing uncertainty regarding the stock market, Daiwa Securities Co. Ltd., started offering the first investment trust designed to provide a guaranteed return of principal at redemption on a yen basis in our country "Goldman Sachs Bond/ Global Diversified Fund". In same month, Daiwa Securities Co. Ltd., started offering "Daiwa Annual Gifting Service", in "Daiwa Fund Wrap Premium", which not only enables customers to provide for

secure and easy advancement by family members, but also facilitates the stable increase of those assets. By providing its services for all kinds of customers for their needs, assets of wrap accounts exceeded 2 trillion yen.

Daiwa Securities Co. Ltd. provides yen and foreign currency deposit accounts as a bank agency of Daiwa Next Bank Co. Ltd. (its deposit balance as of the end of FY2018 was approximately 3.6 trillion yen) and offers competitive interest rates and provides highly convenient services to its wide range of customers through its nationwide network of branches.

Furthermore, “Inheritance Consultants”, who are experts on inheritance matters and providing comprehensive consulting services to meet the needs of customers, were introduced at all the branches, and “Anshin Planners (Peace of mind planners)”, who mainly serve elderly customers, were placed in 41 branches at the end of the FY2018 and 70 branches as of April 2019.

In addition, aiming at a closer relationship with customers, Daiwa Securities Co. Ltd. opened new sales offices with low cost and small scale. At the end of FY2018, the number of domestic branches was 160, including 43 sales offices.

(Note) NPS® stands for Net Promoter Score. It is an index that measures the loyalty of customers to a company. It is a registered trademark of Bain & Company, Fred Reichheld and Satmetrix Systems.

(2) Wholesale Business

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

In the Global Markets business, Daiwa Securities Co. Ltd. conducts sales and trading of equities, bonds, forex and financial derivative products to and with institutional investors and corporate clients and also provides products and sales support to the retail business division. FY2018 was a volatile year because the Nikkei Stock Average hit its highest level in 27 years and then went into a prolonged correction to the end of FY2018 due to trade friction between the US and China and concern about a slowdown of the global economy, and revenue dropped in FY2018. On the other hand, close cooperation between retail and wholesale, especially in the equity-related business, to provide timely products for customers’ needs and market climate contributed to profits.

In the Global Investment Banking business, Daiwa Securities Co. Ltd. is involved in underwriting, M&A advisory and structured finance, etc.

In the domestic underwriting business, Daiwa Securities Co. Ltd. served as joint global coordinator on the PO (Public Offering) of Renesas Electronics Corporation and IPO (Note 1) of Mercari, Inc., and served as a lead managing director on the IPO of SoftBank Corp. Also, it served as book runner and Green Bond Structuring Agent (Note 2) for the first domestic Publicly Offered Hybrid Bond (Note 3) issued by Tokyo Tatemono Co., Ltd.

Furthermore, in the M&A advisory business, Daiwa Securities Co. Ltd. served as an advisor of Idemitsu Kosan Co., Ltd. regarding the business integration between Idemitsu Kosan Co., Ltd and Showa Shell Sekiyu K. K. The companies in the Group worked together and advised on many M&A transactions. Daiwa Securities Co. Ltd., DCS Advisory LLC. in the US and Daiwa Corporate Advisory SAS in France worked together and served as advisors of Taisho Pharmaceutical Co., Ltd. regarding the subsidiary acquisition of UPSA SAS, which is a French pharmaceuticals company and the acquisition of assets related to the business from Bristol-Myers Squibb Company by Taisho Pharmaceutical Co., Ltd.. In this way, the Group was involved with even more M&A transactions through the collaboration of the companies in the Group.

In order to enhance the M&A advisory business globally, especially in Europe, the Company purchased the Spanish company Montalban Atlas Capital, S.L.

(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) A Green Bond Structuring Agent is a person who helps others to issue green bonds through setting up a framework for green bonds and providing advice to get second opinions.

(Note 3) Publicly Offered Hybrid Bond is a publicly offered subordinated bond.

(3) Asset Management Business

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

Daiwa Asset Management Co. Ltd. increased its assets through the “World Fintech Innovation Fund”, etc. by 104.6 billion yen. Its net assets of Publicly Offered Stock Investment Trusts increased by 939.8 billion yen in the FY2018 to 14.6162 trillion yen at the end of FY2018 mainly due to capital inflow to the Exchange-Traded Fund.

Daiwa SB Investments Ltd. worked on improving its management ability in the investment advisory business for domestic and overseas pension funds, etc.

Aiming at being an asset management company that provides the highest quality of investment management performance and services, Daiwa SB Investments Ltd. merged with Sumitomo Mitsui Asset Management Company, Limited and changed its name to Sumitomo Mitsui DS Asset Management Company, Limited as of April 1, 2019.

In the real estate asset management business, Daiwa Real Estate Asset Management Co. Ltd. and Mi-Casa Asset Management Inc. merged aiming at stabilization of management bases and increasing competitiveness by concentration of management resources of the group. It continued to acquire new properties, increase the yield of portfolio through change of properties and increase the value of existing properties. Its assets under management expanded to 907.4 billion yen at the end of FY2018.

(4) Investment Business

In July 2018, Daiwa Corporate Investment Co., Ltd. established “DCI Venture Support Investment Limited Partnership” which invests mainly in domestic venture businesses. It invested in venture companies in various stages inside and outside of Japan and recovered investments through the listing of existing investments, etc.

Daiwa PI Partners Co. Ltd. invested in mortgage loans and provided investments to corporations at home and abroad. Also, it realized exits from existing investments, such as non-performing loans and corporate investments.

In addition, Daiwa Energy & Infrastructure Co. Ltd. was established in July 2018 to expand and accelerate the energy infrastructure related business in conducted by Daiwa PI Partners Co. Ltd. It invested in renewable energy business.

(5) Others

Daiwa Institute of Research Ltd. developed an economic indicator prediction model using AI (Artificial Intelligence) and started to release information on its predictive value on monthly economic indicators and actively engaged in studying and researching cutting-edge technology and utilizing such technology.

The Company decided to acquire 100% of the shares of ORIX Living Corporation, an operator of private nursing homes and private residential senior homes, in order to provide a new solution to the elderly customer with their family and expand the scale of managed assets in the real estate asset management business.

Furthermore, Daiwa Capital Markets Deutschland GmbH, which was established by the Group in Frankfurt, Germany, was granted a securities trading license by the German regulator in August 2018 in order to enable the Group to continue to provide its full range of products and services to all EEA counterparties after the United Kingdom leaves the EU.

4. Status of the Capital Investment of the Group

The Group has been making capital investments for the purpose of “Customer-first Operations” , providing products and services responding to customer needs, propulsion of Digital Transformation (Note 1) which aims at improvement of efficiency of existing business, business innovation and business process innovation in order to engage in high-value-added business, establishing basic infrastructure indispensable for business continuation, corresponding to legal system, and enhancing the risk management system.

In FY2018, the Group made 40.6 billion yen in IT-related capital investments to expand products and services (such as the “Daiwa Annual Gifting Service” and a log-in system for smartphone applications by biometrics authentication), expand operational efficiency by voice recognition or AI, system, for installing basis of API (Note 2) to provide high-value financial services, engagement toward global financial regulations, and for further strengthen precautions against cyber-attacks, etc.

Further, Daiwa Securities Co. Ltd. opened new branch offices in Fujigaoka, Futamatagawa, Kaihinmakuhari, Kashii, Kuwana, Tajimi, Goi and Kuki.

(Note 1) Digital Transformation means responding to business situation change, innovating business itself, organization, business process, corporate culture as well as products, services and business models, and establishing superiority in competition on the basis of needs of customers and society through utilization of data and digital technologies.

(Note 2) API (Application Programming Interface) is a system which provides connection between systems in standard forms.

5. Status of Financing of the Group

The Group issued the 32nd series unsecured bonds (green bonds) of 10 billion yen (paid on November 29, 2018) and the 33rd series unsecured bonds of 12 billion yen (paid on November 29, 2018).

6. Five-year trend of Consolidated Performance and Assets

(Billions of yen)

	78 th term (Apr 1, 2014- Mar 31, 2015)	79 th term (Apr 1, 2015- Mar 31, 2016)	80 th term (Apr 1, 2016- Mar 31, 2017)	81 st term (Apr 1, 2017- Mar 31, 2018)	82 nd term (Apr 1, 2018- Mar 31, 2019)
Operating revenue	659.3	653.7	616.4	712.6	720.5
Net operating revenue	532.2	514.8	472.7	505.3	441.2
Ordinary income	184.5	165.1	135.6	155.6	83.1
Profit attributable to owners of parent	148.4	116.8	104.0	110.5	63.8
Shareholders' equity (Net assets)	1,434.6	1,313.0	1,343.4	1,370.5	1,256.4
Total assets	23,001.5	20,420.8	19,827.2	21,135.0	21,126.7
Shareholders' equity (Net assets) per share (Yen)	725.27	720.86	745.80	786.56	794.54
Profit per share (Yen)	87.07	68.25	61.53	66.88	39.95
Return on Equity(ROE) (%)	12.8%	9.5%	8.4%	8.8%	5.1%
Number of consolidated Subsidiaries	50	50	52	59	60

Number of affiliates accounted for using the equity method	8	10	11	10	10
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(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) has been applied from the beginning of the FY2018. Total assets of the 81st term has applied retroactively the Standard.

7. Issues to be Addressed by the Group

In FY2018, despite the Nikkei Stock Average hitting the highest level in 27 years, the securities and financial markets have since been in a prolonged correction, making it a very volatile year.

It was an important year in which we took new steps forward, following the basic policies of "Providing high-value-added solutions through our "Quality No.1" consulting capabilities" and "Providing new value as an integrated securities group with a hybrid business model in accordance with the Group's - "Passion for the Best" 2020 - Medium-Term Management Plan.

In addition, by the introduction of Daiwa NPS®, we deepened our "customer-first operations", and were able to achieve a certain level of results in the expansion of the customer base. Furthermore, this was a year in which we laid the steady foundation for expanding our business portfolio into areas including renewable energy, infrastructure, agriculture and healthcare, in order to generate new value as a Group.

In recent years, the uncertain global situation and the spreading digital transformation have driven dramatic change in the management environment, not only for the financial industry, but for all industries. Companies are required to respond to such changes to foster innovations, and to continue to take on challenges without fear of failure.

In FY2019, the second year of the Group's Medium-Term Management Plan, we will continue to pursue the quality of our "customer-first operations", while maintaining our efforts to create and expand "new value" by fusing new business areas with the traditional securities business.

By actively taking initiatives to achieve SDGs (Sustainable Development Goals) and simultaneously creating both economic and social value, which is to say by creating shared values, the Daiwa Securities Group contributes to the realization of a sustainable and fulfilling society and peoples' life.

The Action Plans for Each Business Division

Retail Division

- 1) Establish a sales structure based on customer satisfaction
- 2) Provide service solutions for customer attributes that match the customers' various needs
- 3) Sustainable expansion of the revenue base
- 4) Expand the business by utilizing external channels and resources

Wholesale Division

- 1) Promote the company's shift to achieve higher corporate value
- 2) Provide products and services that capture customer needs
- 3) Support changes in business structure and in Japan's industrial structure
- 4) Provide pan-Asian business support as a regional Asian brokerage firm

Asset Management Division

- 1) Pursue customer profits by strengthening and enhancing management capabilities
- 2) Strengthen development of products that capture a wide range of customer needs
- 3) Enhance product lineups contributing to the customers' financial asset management and strengthen the communication of information and support capabilities
- 4) Expand alternative investment products centered around real estate

Investment Division

- 1) Contribute to the fund ecosystem by unearthing and nurturing new industries
- 2) Expand investment in Asia
- 3) Develop socially responsible investments
- 4) Pursue investment returns through further evolution of management capabilities

Other (Daiwa Institute of Research Group)

- 1) Contribute to the strengthening of the business by collaborating with the Group as the think tank of the hybrid securities group
- 2) Transmit visionary, economic and financial information that guides customers in an uncertain future led by accelerating digitalization
- 3) Contribute to the business of customers by providing competitive solutions speedily
- 4) Expand the business through the creation of “new value” by utilizing advanced technology

Other (Daiwa Next Bank)

- 1) Develop customer-oriented products and services by utilizing the securities-banking business model
- 2) Construct mechanisms for building the future revenue base of the entire Group
- 3) Pursue a portfolio management strategy that can adapt to changes in market environments in a timely manner
- 4) Sustainable growth achieved by securing healthy earnings results

8. Status of the Group

(1) The Group's Primary Business

The Group's primary business is the 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 Holdings Ltd.	Koto-ku, Tokyo	3,898	100.0% (100.0%)	Integration and management of Subsidiaries
Daiwa SB Investments Ltd. (Note 1) (Note 2)	Chiyoda-ku, Tokyo	2,000	49.0% (49.0%)	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

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	Main 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 Energy & Infrastructure Co. Ltd.	Chiyoda-ku, Tokyo	500	100.0% (—)	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	247,876	38.3% (12.1%)	Investment in specified assets
Daiwa Capital Markets Europe Limited	London, U.K.	GBP732 million	100.0% (—)	Securities-related business
Daiwa Capital Markets Hong Kong Limited	Hong Kong, China	HKD100 million USD276 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 America Inc.	New York, U.S.A.	USD100 Million	100.0% (—)	Securities-related business

(Note 1) Daiwa SB Investments Ltd. and Daiwa Office Investment Corporation are affiliated companies.

(Note 2) Daiwa SB Investments Ltd. merged with Sumitomo Mitsui Asset Management Company, Limited to form Sumitomo Mitsui DS Asset Management Company, Limited as of April 1, 2019.

(3) Situation of Specified Wholly-Owned Subsidiary at the end of FY2018

Company Name	Location	Book value of the specified wholly-owned subsidiary at the end of FY2018
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 FY2018 is 2,434,724 million yen.

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

Not applicable.

(5) Status of Major Business Alliances

The Company used to operate a joint venture, Daiwa SB Investments Ltd., with Sumitomo Mitsui Financial Group Inc. in the asset management business. On September 28, 2018, the Company, Sumitomo Mitsui Financial Group, Inc., Mitsui Sumitomo Insurance Company, Limited and Sumitomo Life Insurance Company reached an agreement for merger of the asset management business, including

the joint venture above. According to the agreement Daiwa SB Investments Ltd. merged with Sumitomo Mitsui Asset Management Company, Limited to form Sumitomo Mitsui DS Asset Management Company, Limited as of April 1, 2019.

(6) The Group's Primary Business Locations

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

②Main 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 34 other branches
Tokyo	Head Office, Ginza Branch, Shinjuku Branch, Shibuya Branch, Ikebukuro Branch, and 36 other branches
Chubu / Hokuriku	Nagoya Branch, Shizuoka Branch, and 22 other branches
Kinki	Kyoto Branch, Osaka Branch, Umeda Branch, Nanba Branch, Kobe Branch, and 18 other branches
Chugoku / Shikoku	Hiroshima Branch, and 12 other branches
Kyushu / Okinawa	Fukuoka Branch, and 10 other branches

(7) Status of Employees

①The Group's Employees

Number of employees	Change from previous fiscal year
15,196	405

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

(Note 2) The annual average number of part-time workers is 915.

②The Company's Employees

Number of employees	Average age	Average years of service
4 [617]	[41.9 years]	[15.1 years]

(Note 1) The number of employees reflects 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	30,000
	Long-Term Borrowings	142,198
Mizuho Bank Ltd.	Short-Term Borrowings	54,396
	Long-Term Borrowings	104,198

MUFG Bank, Ltd.	Short-Term Borrowings	23,814
	Long-Term Borrowings	60,644
Resona Bank Ltd.	Long-Term Borrowings	33,000
Yamaguchi Bank Corporation	Short-Term Borrowings	5,549
	Long-Term Borrowings	21,928

(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, 2019)

1. Status of Shares

(1) **Total number of authorized shares:** 4,000,000,000 shares

Total number of authorized shares in a class of each type of shares is as follows:

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

(2) **Total number of issued and outstanding shares:** 1,699,378,772 shares of Common Stock (including treasury stock)

(3) **Total number of Shareholders:** 157,073

(4) Major Shareholders (top ten)

Name	Number of Shares of Common Stocks held (% of total outstanding shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	99,637 thousand shares (6.36%)
Japan Trustee Services Bank, Ltd. Trust Account	66,454 thousand shares (4.24%)
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 .	34,291 thousand shares (2.18%)
N i p p o n L i f e I n s u r a n c e C o m p a n y	31,164 thousand shares (1.98%)
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	31,140 thousand shares (1.98%)
Japan Trustee Services Bank, Ltd. (Trust Account 5)	31,110 thousand shares (1.98%)
J A P A N P O S T H O L D I N G S C o . , L t d	30,000 thousand shares (1.91%)
J P M O R G A N C H A S E B A N K 3 8 5 1 5 1	27,317 thousand shares (1.74%)
STATESTREET BANK WEST CLIENT - TREATY 505234	25,142 thousand shares (1.60%)
Japan Trustee Services Bank, Ltd. (Trust Account 7)	21,793 thousand shares (1.39%)

(Note 1) Treasury stock of 133,081,441 shares is excluded for calculating the percentages in the list of major shareholders above.

(Note 2) The Company holds its own shares as treasury stock (133,081 thousand shares) as of March 31, 2019 and the Company is excluded from the above list of major shareholders.

(5) Other Significant Matters relating to the Shares

The Company has changed the number of the shares per unit from 1,000 to 100 as of June 1, 2018.

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)	175 (Common stock 175,000 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)	119 (Common stock 119,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2006 to June 30, 2026
Stock Acquisition Rights issued in July 2007 (July 1, 2007)	160 (Common stock 160,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027
Stock Acquisition Rights issued in July 2008 (July 1, 2008)	202 (Common stock 202,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028
Stock Acquisition Rights issued in July 2009 (July 1, 2009)	450 (Common stock 450,000 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)	1,706 (Common stock 1,706,000 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)	820 (Common stock 820,000 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)	3,088 (Common stock 3,088,000 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)	1,036 (Common stock 1,036,000 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)	2,903 (Common stock 2,903,000 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)	738 (Common stock 738,000 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)	5,459 (Common stock 5,459,000 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)	375 (Common stock 375,000 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)	3,963 (Common stock 3,963,000 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)	441 (Common stock 441,000 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)	567 (Common stock 567,000 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, 2020 to June 24, 2025
Stock Acquisition Rights issued in February 2017 (February 8, 2017)	571 (Common stock 571,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2017 to June 30, 2036
Stock Acquisition Rights, Series 13 (February 8, 2017)	7,448 (Common stock 7,448,000 shares)	Gratuitous grant	767,000 yen (767 yen per share)	From July 1, 2021 to June 27, 2026
Stock Acquisition Rights issued in February 2018 (February 8, 2018)	599 (Common stock 599,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 8, 2018 to June 30, 2037
Stock Acquisition Rights, Series 14 (February 8, 2018)	7,462 (Common stock 7,462,000 shares)	Gratuitous grant	815,000 yen (815 yen per share)	From July 1, 2022 to June 27, 2027
Stock Acquisition Rights, Series 15 (August 10, 2018)	74,695 (Common stock 7,469,500 shares)	Gratuitous grant	68,600 yen (686 yen per share)	From July 1, 2023 to June 26, 2028
Total	122,704 (Common stock 55,478,500 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, February 2016, February 2017 and February 2018, 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 after 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 his/her rights from the day 30 days before the end of his/her 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.

(Note 5) As for Stock Acquisition Rights, Series 15, the number of shares underlying one share option is 100 because the share unit of common stock has been changed to 100.

(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 (Directors and Corporate Executive Officers)	Number of Rights
Stock Acquisition Rights issued in June 2005	3	17
Stock Acquisition Rights issued in July 2006	4	13
Stock Acquisition Rights issued in July 2007	5	16
Stock Acquisition Rights issued in July 2008	6	23
Stock Acquisition Rights issued in July 2009	8	58
Stock Acquisition Rights, Series 6	1	2
Stock Acquisition Rights issued in July 2010	10	105
Stock Acquisition Rights, Series 7	1	1
Stock Acquisition Rights issued in July 2011	10	157
Stock Acquisition Rights issued in February 2013	10	119
Stock Acquisition Rights, Series 9	5	63
Stock Acquisition Rights issued in February 2014	11	64
Stock Acquisition Rights, Series 10	4	24
Stock Acquisition Rights issued in February 2015	13	81
Stock Acquisition Rights, Series 11	2	13
Stock Acquisition Rights issued in February 2016	14	107
Stock Acquisition Rights, Series 12	1	5
Stock Acquisition Rights issued in February 2017	15	111
Stock Acquisition Rights issued in February 2018	15	119

(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 8, 13, 14, and 15.

(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, Series 15	Directors of Subsidiaries	8	450
	Employees of Subsidiaries	3,771	72,745
	Directors and Employees of Affiliates	62	1,500

	Total	3,841	74,695
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(Note 1) The numbers above are those as of the issue date of each stock acquisition right.

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

(Note 3) No stock acquisition right as a stock option was allocated to the Audit & Supervisory Board Members of subsidiaries.

3. The Corporate Governance System of Daiwa Securities Group Inc.

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

Basic Stance on Corporate Governance

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

The Company has adopted a company with Three Committees System (a company with nominating committee, etc.) with the objective of supervising management through:

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

Major Initiatives in Corporate Governance

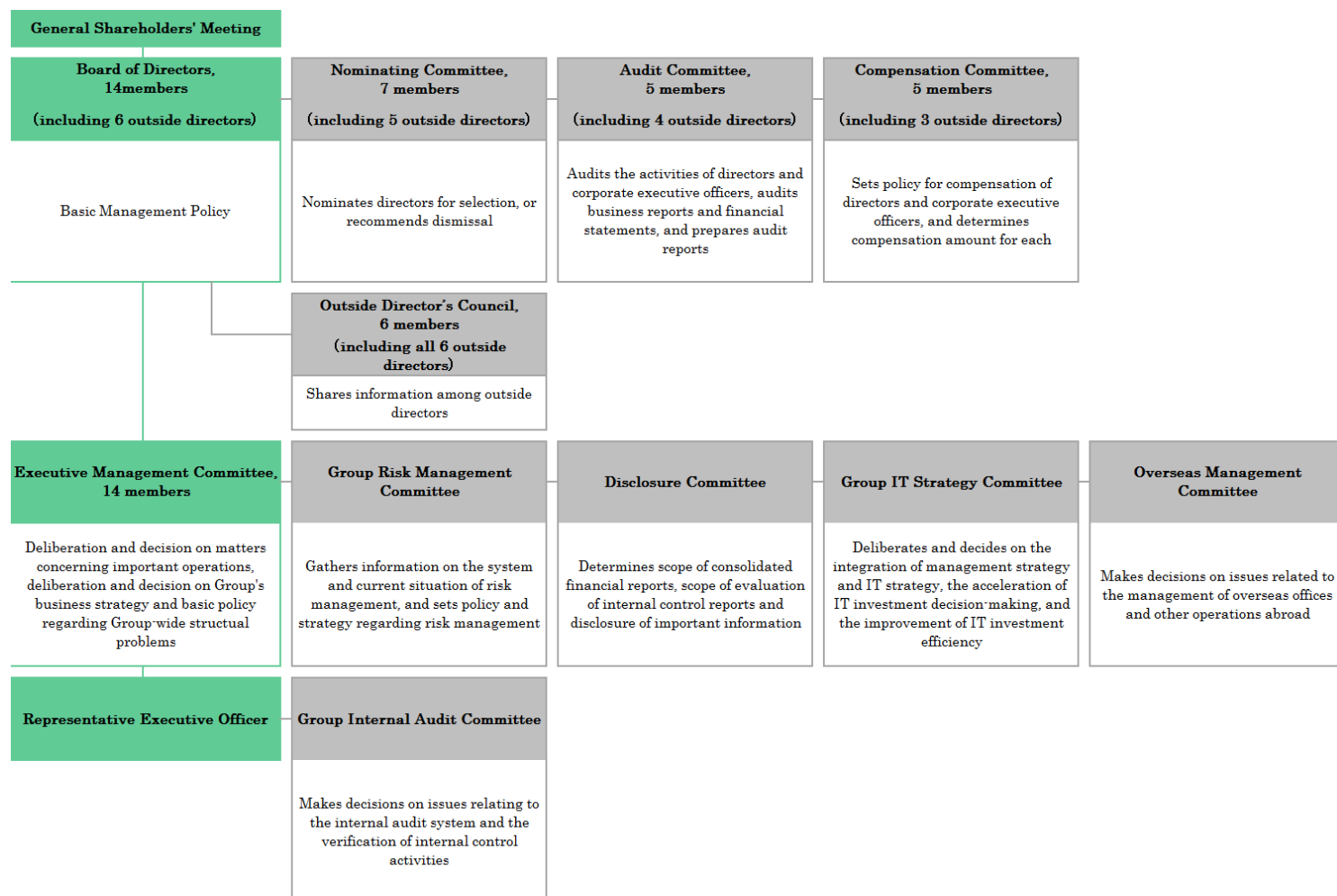
- Published the Corporate Governance Report detailing our response to the Corporate Governance Code
- Decided more than two members and more than one third of the Board of Directors should be independent Outside Directors
- Established the Outside Directors Council in October 2015 for the purpose of increasing communication among Outside Directors
- Have elected one additional Outside Director and 6 out of 14 Board of Directors as Outside Directors since FY2016. Strengthened management transparency and oversight functions by increasing the ratio of Outside Directors on the Nominating Committee and the Audit Committee
- Appointed Outside Directors as all of the chairpersons of the three committees since FY2017 while taking steps to further improve the governance system

History of Daiwa's Corporate Governance

June 1998	Elected Outside Auditors
April 1999	Became the first listed Japanese company to adopt a holding company structure
	Established the Advisory Board
	Established the Group Management Committee
June 2000	Established the Compensation Committee
June 2002	Elected Outside Directors
	Shortened Directors' terms of office from 2 years to 1 year
July 2003	Established the Internal Control Committee
June 2004	Shifted to a Committee System (currently, a company with Three Committees System)

October 2015	Complied with the Corporate Governance Code
	Established the Outside Directors Council
April 2017	Appointed Outside Directors as chairperson of all three Committee

Corporate Governance System at Daiwa Securities Group (as of March 31, 2019)



Roles and Status of the Three Committees

To create a highly transparent and objective corporate governance system, all of the chairpersons of the three committees (Nominating Committee, Audit Committee and Compensation Committee) are Outside Directors.

Nominating Committee	
Main Roles	Determining the agenda for the election and dismissal of Directors which will be submitted to the Shareholders' Meeting.
Status of FY2018	In FY2018, the Nominating Committee met four times to discuss matters, including the composition of the Board of Directors with consideration of corporate governance, the basic policy for nominating candidates for Director, and the selection of Director candidates. The Nominating Committee selects candidates for Director in light of the Group's selection standards for Directors. These standards include criteria to ensure the independence of Outside Directors.
Members	Tadashi Onodera (Chairman, Outside Director)

	Takashi Hibino Seiji Nakata Keiichi Tadaki (Outside Director) Michiaki Ogasawara (Outside Director) Hirotaka Takeuchi (Outside Director) Eriko Kawai (Outside Director)
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Audit Committee	
Main Roles	Auditing the legalities and appropriateness of the activities of Directors and Corporate Executive Officers.
Status of FY2018	In FY2018, the Audit Committee met 12 times. The committee evaluated the activities of Directors and Corporate Executive Officers, audited documentation, including financial statements and business reports, and prepared an audit report for the period under review.
Members	Keiichi Tadaki (Chairman, Outside Director) Morimasa Matsuda Michiaki Ogasawara (Outside Director) Ikuo Nishikawa (Outside Director) Eriko Kawai (Outside Director)

Compensation Committee	
Main Roles	Setting policy for compensation of Directors and Corporate Executive Officers and determining the compensation amount for each.
Status of FY2018	In FY2018, the Compensation Committee met six times to discuss the compensation policy and to determine the compensation of each Director and Corporate Executive Officer. It also studied a Group-wide incentive plan aimed at improving consolidated earnings results.
Members	Hirotaka Takeuchi (Chairman, Outside Director) Takashi Hibino Seiji Nakata Tadashi Onodera (Outside Director) Ikuo Nishikawa (Outside Director)

Measures to Enhance the Effectiveness of the Board of Directors

The Company conducts effectiveness evaluations of the Board of Directors annually to enhance the effectiveness of the Board of Directors.

The Company undertakes a survey of all of the Directors about the role, duty, structure, management methods and the status of discussion of the Board of Directors. Based on the results of the survey, specialized agencies conduct interviews, and the Company analyzes and evaluates the results of those interviews. The results of the evaluation are reported to the Board of Directors and discussed by the Directors in order to implement the PDCA cycle. The Company endeavors to maintain and enhance the effectiveness of the Board of Directors using such PDCA cycle.

Responses to Issues at Evaluation of the Board of Directors in the Past

[Held more in-depth discussions regarding strategy and planning]

During formulation of the new Medium-Term Management Plan, opinions were exchanged and discussions were held by the Board of Directors and Outside Directors Council. Many of the opinions from the Outside Directors were based on the knowledge and experiences of the Outside Directors and were reflected in the plan.

[Clarified the role and diversified the members of the Board of Directors]

During officer training, outside speakers were invited to hold lectures regarding corporate governance. Discussions were also held during the Outside Directors Council together with outside lecturers.

New Outside Directors with extensive international experience and experience and results in the field of finance were appointed.

[Enhanced the understanding of issues (financial expertise, etc.)]

Distributed glossaries related to each issue to the Outside Directors

Had the responsible officers and managers provide prior explanations in specialized fields related to risk and regulation, for example, to encourage a deeper understanding among the Outside Directors.

4. Status of the Company's Officers

(1) Status of Directors

Title	Name	Area of Responsibility and Significant Concurrent Positions
Chairman of the Board	Takashi Hibino	See “(2) Corporate Executive Officers”
Member of the Board	Seiji Nakata	See “(2) Corporate Executive Officers”
Member of the Board	Toshihiro Matsui	See “(2) Corporate Executive Officers”
Member of the Board	Kazuo Takahashi	See “(2) Corporate Executive Officers”
Member of the Board	Koichi Matsushita	See “(2) Corporate Executive Officers”
Member of the Board	Keiko Tashiro	See “(2) Corporate Executive Officers”
Member of the Board	Mikita Komatsu	See “(2) Corporate Executive Officers”
Member of the Board	Morimasa Matsuda	Audit & Supervisory Board Member of Daiwa Securities Co. Ltd. Audit & Supervisory Board Member of Daiwa Asset Management 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	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”
Member of the Board	Hiroataka Takeuchi	See “(3) Outside Officers”
Member of the Board	Ikuo Nishikawa	See “(3) Outside Officers”
Member of the Board	Eriko Kawai	See “(3) Outside Officers”

(Note 1) Members of the Board, Keiichi Tadaki, Tadashi Onodera, Michiaki Ogasawara, Hiroataka Takeuchi, Ikuo Nshikawa and Eriko Kawai are Outside Directors as defined under Article 2, Item 15 of the Companies Act. The Company reports to the Tokyo Stock Exchange, Inc. and the Nagoya Stock

Exchange, Inc. that those Directors are Independent Directors.

(Note 2) Ikuo Nishikawa is a certified public accountant and has considerable knowledge of finance and accounting.

(Note 3) As a “company with a nominating committee, etc.”, the Company formed the following three committees, composed of the following Directors.

<i>Nominating Committee</i>	<i>Tadashi Onodera (Chairman), Takashi Hibino, Seiji Nakata, Keiichi Tadaki, Michiaki Ogasawara, Hirotaka Takeuchi, Eriko Kawai</i>
<i>Audit Committee</i>	<i>Keiichi Tadaki (Chairman), Morimasa Matsuda, Michiaki Ogasawara, Ikuo Nishikawa, Eriko Kawai</i>
<i>Compensation Committee</i>	<i>Hirotaka Takeuchi (Chairman), Takashi Hibino, Seiji Nakata, Tadashi Onodera, Ikuo Nishikawa</i>

(Note 4) The Company selected Morimasa Matsuda as a full-time Audit Committee Member to hear from the Corporate Executive Officers, receive reports from the Internal Audit Department, gather information through the audit of subsidiaries, and attend the meetings continuously and effectively.

Morimasa Matsuda resigned Audit Committee Member as of March 31, 2019.

(Note 5) Morimasa Matsuda resigned as an Audit & Supervisory Board Member of Daiwa Securities Co. Ltd., Daiwa Asset Management Co. Ltd., Daiwa Institute of Research Business Innovation Ltd. and Daiwa Real Estate Asset Management Co. Ltd. as of March 31, 2019.

(2) Status of Corporate Executive Officers

Title	Name	Area of Responsibility and Significant Concurrent Positions
President/ Representative Corporate Executive Officer	Seiji Nakata	Chief Executive Officer (CEO) and Head of Retail of the Company and Representative Director/ President of Daiwa Securities Co. Ltd.
Deputy President/ Representative Corporate Executive Officer	Toshihiro Matsui	Chief Operating Officer (COO), Head of Planning and Wholesale of the Company and Representative Director/ Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Kazuo Takahashi	Deputy Head of Wholesale of the Company and Representative Director/ Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Koichi Matsushita	Deputy Head of Wholesale and Retail of the Company and Representative Director/ Deputy President of Daiwa Securities Co. Ltd.
Deputy President	Nobuyuki Iwamoto	Head of Asset Management of the Company and Representative Director of Daiwa Asset Management Co. Ltd.
Deputy President	Yoriyuki Kusaki	Head of Think-tank of the Company, Representative Director/ 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	Keiko Tashiro	Head of Overseas of the Company and Senior Executive Managing Director of Daiwa Securities Co. Ltd.

Title	Name	Area of Responsibility and Significant Concurrent Positions
Senior Executive Managing Director	Mikita Komatsu	Chief Financial Officer (CFO) and Deputy Head of Overseas of the Company, Senior Executive Managing Director of Daiwa Securities Co. Ltd., and Member of the Board of Daiwa Real Estate Asset Management Co. Ltd.
Senior Executive Managing Director	Masahisa Nakagawa	Chief Information Officer (CIO) of the Company and Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Atsushi Mochizuki	Head of Personnel of the Company and Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Akihiko Ogino	Head of Legal and Deputy Head of Planning of the Company and Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Junichi Arihara	Chief Risk Management Officer (CRO) and Chief Data Officer (CDO) of the Company and Executive Managing Director of Daiwa Securities Co. Ltd.
Corporate Executive Officer	Yoshifumi Otsuka	Head of Internal Audit of the Company and Executive Managing Director of Daiwa Securities Co. Ltd.
Corporate Executive Officer	Takashi Hibino	Representative Director/ Chairman of the Board of Daiwa Securities Co. Ltd. and Outside Director of Imperial Hotel, Ltd.

(Note 1) Corporate Executive Officers Seiji Nakata, Toshihiro Matsui, Kazuo Takahashi, Koichi Matsushita, Keiko Tashiro, Mikita Komatsu and Takashi Hibino also serve as Directors.

(Note 2) Deputy President Nobuyuki Iwamoto and Executive Managing Director Atsushi Mochizuki resigned as of March 31, 2019. As of April 1, 2019, Nobuyuki Iwamoto resigned as Representative Director of Daiwa Asset Management Co. Ltd.

(Note 3) Shinsuke Niizuma, Kana Shirakawa and Eiji Sato took their new positions as Corporate Executive Officers as of April 1, 2019. As of the said day, the responsibilities of the Corporate Executive Officers were changed as follows.

Deputy President/ Representative Corporate Executive Officer	Toshihiro Matsui	Chief Operating Officer (COO) and Head of Wholesale
Deputy President /Corporate Executive Officer	Koichi Matsushita	Head of Asset Management
Senior Executive Managing Director	Mikita Komatsu	Deputy Head of Wholesale
Senior Executive Managing Director	Shinsuke Niizuma	Deputy Head of Retail
Senior Executive Managing Director	Akihiko Ogino	Head of Planning and Legal and Executive Head of Personnel
Executive Managing Director	Kana Shirakawa	Head of Personnel and Chief Health Officer (CHO)

Corporate Executive Officer Eiji Sato

Chief Financial Officer (CFO),
Deputy Head of Planning and
Deputy Head of Overseas

Representative Director and Deputy President of Daiwa Securities Co. Ltd. Koichi Matsushita and Member of the Board of Daiwa Real Estate Asset Management Co. Ltd. Mikita Komatsu resigned as of March 31, 2019,

As of April 1, 2019, the following officers were inaugurated into the following positions:

Keiko Tashiro as a Representative Director and Deputy President of Daiwa Securities Co. Ltd.;

Shinsuke Niizuma and Akihiko Ogino as Senior Executive Managing Directors of Daiwa Securities Co. Ltd.;

Junichi Arihara as a Member of the Board and Executive Managing Director Daiwa Securities Co. Ltd.;

Yoshifumi Otsuka and Kana Shirakawa as Executive Managing Directors of Daiwa Securities Co. Ltd; and.

Koichi Matsushita as a Representative Director of Daiwa Asset Management Co. 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
Keiichi Tadaki	Outside Audit & Supervisory Board Member of Nippon Life Insurance Company
	Outside Audit & Supervisory Board Member of Fujita Corporation
	Outside Audit & Supervisory Board Member of Miroku Jyoho Service Co., Ltd.
	Outside Director of Japan Reliance Service Corporation
	Special Counsel of T and T Partners Law Office
Tadashi Onodera	Advisor of KDDI Corporation
	Outside Director of Kyocera Corporation
Michiaki Ogasawara	Adviser of Sompo Japan Nipponkoa Insurance Inc.
	Adviser of Sumitomo Corporation
Hirotaka Takeuchi	Professor of the Harvard Business School
	Outside Director of Integral Corporation
	Outside Director of P&E Directions, Inc.
	Outside Director of BrightPath Biotherapeutics Co., Ltd.
	Outside Director of Mitsui & Co., Ltd.
	Director of t-lab
	Principal of Global Academy K. K.
Ikuo Nishikawa	Outside Director of Megumilk Snow Brand Co., Ltd.
	Outside Audit & Supervisory Board Member of Mitsubishi Corporation
	Visiting Professor of Keio University Faculty of Business and Commerce
Eriko Kawai	Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University
	Director of the Outlook Foundation
	Director of the Grew Bancroft Foundation
	Outside Audit & Supervisory Board Member of CMIC HOLDINGS Co., Ltd.

(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)
Keiichi Tadaki	Attended all 10 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2018. Made remarks on the bills and contributed to discussions in such meetings, based mainly on his experience as a government officer and as an attorney.
Tadashi Onodera	Attended 9 of 10 Board of Directors' meetings held in FY2018. Made remarks on the bills and contributed to discussion in such meetings, based mainly on his experience as a business executive.
Michiaki Ogasawara	Attended 9 of 10 Board of Directors' meetings and 11 of 12 Audit Committee meetings held in FY2018. Made remarks on the bills and contributed to discussion in such meetings, based mainly on knowledge and experience acquired in his career as a government officer.
Hiroataka Takeuchi	Attended 9 of 10 Board of Directors' meetings held in FY2018. Made remarks on the bills and contributed to discussion in such meetings, based mainly on his knowledge and experience relating to management strategies.
Ikuo Nishikawa	Attended all 10 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2018. Made remarks on the bills and contributed to discussion in such meetings, based mainly on knowledge and experience acquired in his career as a certified public accountant.
Eriko Kawai	After being appointed as a Director, attended all 8 Board of Directors' meetings and all 10 Audit Committee meetings held in FY2018. Made remarks on the bills and contributed to discussion in such meetings, based mainly on knowledge and experience relating to the financial business.

(Note) Keiichi Tadaki, Michiaki Ogasawara, Ikuo Nishikawa and Eriko Kawai are members of the Audit Committee.

3) Outline of the Agreement to limit liability

Each outside director executed an agreement with the Company to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act. 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) Remuneration paid to Directors and Corporate Executive Officers

	Directors		Corporate Executive Officers		Total	
Amounts of Remuneration, etc.	Number Paid	Amount Paid	Number Paid	Amount Paid	Number Paid	Amount Paid
Paid based on Resolution of the Compensation Committee	Persons	¥million	Persons	¥million	Persons	¥million
	9	160	15	1,081	24	1,241

(Note 1) The paid amounts above include the estimated amounts to be paid as performance-linked remuneration for FY2018.

(Note 2) The paid amounts above include the stock acquisition rights granted as restricted stock to the Directors and Corporate Executive Officers valued at 186 million yen in total.

(Note 3) The total remuneration, etc. paid to the seven (7) Outside Directors was 121 million yen.

(Note 4) The remuneration to the seven (7) 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 of Directors and Corporate Executive Officers

Compensation for Directors and Corporate Executive Officers is composed of base remuneration, performance-linked remuneration and stock-linked remuneration, which is determined by the Compensation Committee based on the following fundamental policies.

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

Remuneration of directors and Corporate Executive Officers consists of base remuneration, performance-linked remuneration and stock-linked remuneration, which are specifically as below.

1) Base remuneration

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

2) Performance-linked remuneration

Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary income, which is settled as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account achievement status of the managerial goals set in the Medium-Term Management Plan and the other relevant factors.

It does not apply to Directors who do not serve as Corporate Executive Officers.

3) Stock-linked remuneration

To increase the link between remuneration and shareholders' value, the Company grants, as stock-linked remuneration, restricted stock, etc., the value of which corresponds to a certain percentage of base remuneration.

It does not apply to Outside Directors.

5. 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.

84 million yen

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

494 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) The Audit Committee consented to the audit fees after reviewing the adequacy of the fees in FY 2018, by examining the 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 law

The 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

The Audit Committee evaluates the independent auditor's general competency, independence, quality control system, etc. every year. In the case where the Audit Committee, after such evaluation, deems that the adequacy of the independent auditor is questionable or deems it reasonable to retain another independent auditor from the viewpoint of efficacy, etc., the Audit Committee will determine content of a bill to be voted upon at a shareholders meeting as to discharge or refuse reappointment of an Independent Auditor.

(4) Other

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".

6. Policies for Determination of Distribution of Surpluses

The Company aims to continuously raise shareholder value, including profit-sharing.

The Company will generally pay dividends semiannually as the mid-term dividend and the year-end dividend at a pay-out ratio of at least 50% based on the consolidated financial performance. The Company will also, taking account of stability, consider increasing returns to its shareholders in various ways including share buybacks when it has sufficient accumulated capital to pursue further growth.

Based on the basic policies above, we have decided that the distributions of surplus for FY2018 are 12 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 29, 2018) and 9 yen per share as the year-end dividend. Accordingly, the annual dividend will be 21 yen per share.

[References] SDGs of Daiwa Securities Group Inc.

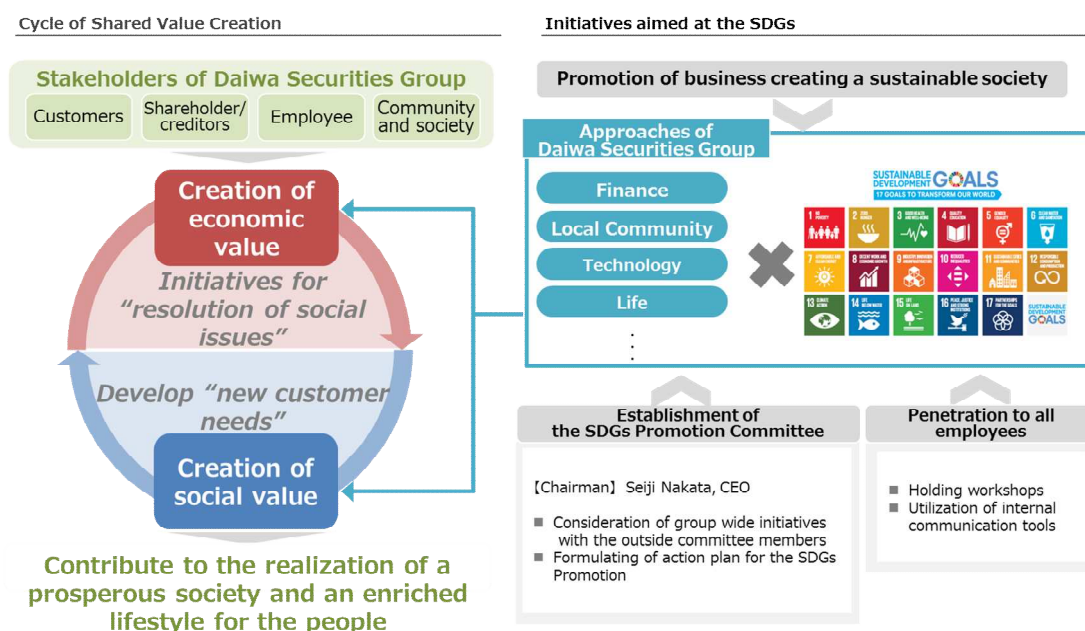
The Group recognizes the SDGs as overarching goals to lead the world. Through the Group's business, we will work actively toward the realization of a prosperous society and the improvement of people's lives by simultaneously pursuing both the Company's economic value and solutions to social challenges.

Sustainable Development Goals (SDGs)

SDGs are universal goals for the next 15 years adopted at the UN summit in Sept. 2015. SDGs set 17 goals and 169 targets to realize a sustainable world. SDGs discuss the behavior of not only the developing countries but also developed countries including Japan, and ensure "No one will be left behind".

The SDGs as Management Strategy -Passion for SDGs-

The Group will simultaneously create both economic and social value, which can be described as shared value, by solving social issues through our business and fulfilling our customers' needs.



1

Major Promotion

(1) Impact investment (Note)

As a financial institution, Daiwa Securities Co. Ltd. has supported the alleviation of problems in society by underwriting and selling various types of impact investment bonds.

Daiwa Securities Co. Ltd.'s share of impact investment bonds for retail investors in the Japanese market: 52% (cumulative from March 2008 to the end of March 2018).

At the same time, the Company takes actions to develop the market such as issuing the first green bond in November 2018.

(Note) Impact investing means the method of investment that limits use of funds to assets with the intention of addressing social issues such as poverty and environmental problems, in addition to producing economic benefit.

(2) Major impact investment bonds sold by Daiwa Securities Co. Ltd.

- 1) Vaccine Bonds for distributing vaccines to children in developing countries
- 2) Water Bonds for supporting projects related to sustainable water supply
- 3) Green Bonds for supporting projects related to solving environmental issues

(3) Expanding solutions to business succession

Daiwa ACA Business Succession Fund, established in October 2018, prompts to the innovation of technology and service with continuity through the succession of eminent technology and service of the small and medium-sized companies to the next generation. Through the Fund, the Group will promote the sustainable economic development of our country.

(4) Promoting industrialization of agriculture

New technologies to achieve high efficiency for agricultural production, by mobilizing ICT technology, are gaining attention to solve such problems as aging of the agricultural labor force and the lack of successors in the agricultural sector become major issues.

In November 2018, the Group established Daiwa Food & Agriculture Co. Ltd, a new company aiming at introducing new technologies by providing risk capital and supporting the promotion of large-scale, efficient agriculture. The Group will take actions for solving social problem in the agriculture sector.

(5) Practical use of Fintech

In April 2018, the Group established Fintertech Co. Ltd., a new company aimed at creating next-generation financial services.

We will develop new financial services to meet diverse customer needs, such as a service using blockchain technology and crowd funding, etc.

(6) Initiative for accelerating introduction of renewable power generation

In July 2018, the Group established Daiwa Energy & Infrastructure Co. Ltd. (DEI) as a new vehicle for greater promotion of investment and lending, primarily for renewable energy.

The Group has established a certain presence in the energy and infrastructure sectors by the investments through Daiwa PI Partners Co. Ltd., one of our group companies, in renewable power generation. The Group has now set out to establish DEI for strengthening its energy and infrastructure businesses and to accelerate the expansion even further.

(7) Entry into the healthcare-related field

In October 2018, the Group acquired ACA Healthcare Inc. as a subsidiary and made a full-scale entrance into the healthcare-related field by investing in hospital and nursing care facilities. Such company will take actions to address the problems of an aging society as Daiwa ACA Healthcare Inc.

In addition, in March 2019, the Group decided to acquire ORIX Living Corporation, which manages facilities for the elderly and develops new facilities and will take actions to expand in the field of health care.

(8) Efforts to solve the poverty issues among children living in Japan

We support NPOs working for stopping the chain of poverty and improving the living environment of children in Japan with the Public Resources Foundation, etc.

Consolidated balance sheets

(Millions of yen)

	Fiscal 2018 As of Mar. 31, 2019	<u>[References]</u> Fiscal 2017 As of Mar. 31, 2018
<i>Assets</i>		
Current assets:	20,405,580	20,478,476
Cash and deposits	4,153,271	3,694,283
Cash segregated as deposits	324,559	348,912
Notes and accounts receivable-trade	18,741	19,479
Securities	812,341	987,210
Trading products:	6,716,066	6,667,033
Trading securities and other	3,785,250	4,170,557
Derivatives	2,930,815	2,496,475
Operational investment securities	110,034	115,332
Allowance for investment loss	(155)	(505)
Operating loans	1,564,856	1,442,939
Work in process	901	479
Margin transaction assets:	175,034	262,963
Loans on margin transactions	157,309	231,486
Cash collateral pledged for securities borrowing on margin transactions	17,724	31,476
Loans secured by securities:	5,973,771	6,496,752
Cash collateral pledged for securities borrowed	5,119,636	6,472,791
Loans on Gensaki transactions	854,135	23,961
Advances paid	28,503	17,549
Short-term loans receivable	350	388
Accrued income	39,229	35,880
Other	488,391	390,020
Allowance for doubtful accounts	(317)	(244)
Non-current assets:	721,126	656,565
Property, plant and equipment:	168,089	124,190
Buildings	44,864	43,871
Equipment	19,666	17,394
Land	69,521	57,049
Construction in progress	34,037	5,875
Intangible assets:	115,937	105,776
Goodwill	10,605	11,170
Leasehold right	3,217	3,218
Software	76,491	62,363
Other	25,622	29,023
Investments and other assets:	437,100	426,598
Investment securities	374,484	367,196
Long-term loans receivable	5,505	4,932
Guarantee deposits	17,448	17,527
Deferred tax assets	6,915	6,162
Other	33,408	31,450
Allowance for doubtful accounts	(662)	(671)
Total assets	21,126,706	21,135,041

(Millions of yen)

	Fiscal 2018 As of Mar. 31, 2019	[References] Fiscal 2017 As of Mar. 31, 2018
<i>Liabilities</i>		
Current liabilities:	17,081,971	17,035,108
Notes and accounts payable-trade	7,116	7,065
Trading products:	4,747,777	5,030,817
Trading securities and other	2,040,196	2,830,472
Derivatives	2,707,580	2,200,345
Trade date accrual	255,804	407,184
Margin transaction liabilities:	69,981	71,344
Borrowings on margin transactions	3,675	3,007
Cash received for securities lending on margin transactions	66,306	68,336
Loans payable secured by securities:	5,947,969	5,775,897
Cash received on debt credit transaction of securities	4,934,115	5,645,028
Borrowings on Gensaki transaction	1,013,853	130,868
Deposits from banking business	3,632,575	3,388,444
Deposits received	276,700	256,858
Guarantee deposits received	372,591	420,039
Short-term loans payable	1,341,415	1,091,771
Commercial papers	100,000	105,000
Current portion of bonds	190,772	261,494
Income taxes payable	5,978	9,211
Provision for bonuses	28,436	34,862
Other	104,852	175,115
Non-current liabilities:	2,784,365	2,725,467
Bonds payable	1,361,918	1,315,349
Long-term loans payable	1,336,787	1,327,780
Deferred tax liabilities	6,071	9,203
Net defined benefit liabilities	43,441	41,758
Provision for loss on litigation	25,573	24,485
Other	10,572	6,889
Reserves under special laws:	3,938	3,945
Reserve for financial products transaction liabilities	3,938	3,945
Total liabilities	19,870,276	19,764,521
<i>Net assets</i>		
Shareholders' equity:	1,196,476	1,209,535
Capital stock	247,397	247,397
Capital surplus	230,633	230,713
Retained earnings	805,761	785,730
Treasury shares	(87,320)	(54,310)
Deposit for subscriptions to treasury shares	5	3
Accumulated other comprehensive income:	48,000	63,597
Valuation difference on available-for-sale securities	47,668	61,176
Deferred gains or losses on hedges	(5,611)	(129)
Foreign currency translation adjustment	5,942	2,550
Subscription rights to shares	8,741	8,790
Non-controlling interests	3,211	88,596
Total net assets	1,256,430	1,370,520
Total liabilities and net assets	21,126,706	21,135,041

Consolidated statements of income

(Millions of yen)

	Fiscal 2018 Apr. 1, 2018 - Mar. 31, 2019	<u>[References]</u> Fiscal 2017 Apr. 1, 2017 - Mar. 31, 2018
Operating revenue:	720,586	712,601
Commission received:	283,027	313,625
Commission to consignees	58,336	73,797
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	41,810	35,180
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	26,047	45,807
Other fees received	156,833	158,840
Net trading income	92,218	109,005
Net gain on private equity and other securities	(232)	26,912
Financial revenue	291,005	190,444
Other operating revenue	54,567	72,613
Financial expenses	242,468	148,348
Other operating expenses	36,876	58,901
Net operating revenue	441,240	505,350
Selling, general and administrative expenses:	373,914	370,292
Trading related expenses	71,933	72,448
Personnel expenses	185,436	185,865
Real estate expenses	37,394	35,910
Office cost	26,518	26,552
Depreciation	25,343	24,336
Taxes and dues	10,740	10,732
Provision of allowance for doubtful accounts	84	-
Other	16,461	14,446
Operating income	67,326	135,058
Non-operating income:	16,562	21,925
Dividend income	4,844	4,655
Share of profit of entities accounted for using equity method	8,397	13,235
Foreign exchange gains	172	409
Other	3,147	3,625
Non-operating expenses:	729	1,306
Interest expenses	27	31
Loss on investments in partnership	-	153
Bond issuance cost	85	710
Other	616	410
Ordinary income	83,159	155,676
Extraordinary income:	14,320	10,209
Gain on sales of non-current assets	149	853
Gain on sales of investment securities	13,128	5,780
Gain on step acquisitions	-	1,498
Reversal of reserve for financial products transaction liabilities	6	-
Recoveries of write-off claims	-	481
Gain on reversal of subscription rights to shares	688	894
Compensation for transfer	347	-
Other	-	701
Extraordinary loss:	2,396	12,022
Loss on sales and retirement of non-current assets	430	483
Loss on valuation of investment securities	526	68
Loss on change in equity	178	-
Transfer to reserve for financial products transaction liabilities	-	15
Office transfer expenses	592	2,020
Business restructuring cost	-	193
Cost of product compensation related	631	-
Provision for loss on litigation	-	8,996
Other	37	244
Income before income taxes	95,083	153,864
Income taxes-current	27,664	34,693
Income taxes-deferred	3,587	3,848
Profit	63,832	115,322
Profit attributable to non-controlling interests	18	4,742
Profit attributable to owners of parent	63,813	110,579

Balance sheet

(Millions of yen)

	Fiscal 2018 As of Mar. 31, 2019
<i>Assets</i>	
Current assets:	410,938
Cash and deposits	29,933
Short-term loans receivable	341,623
Accounts receivable	28,491
Accrued income	3,957
Other	6,932
Non-current assets:	2,023,786
Property, plant and equipment:	75,075
Buildings	349
Equipment	2,303
Land	6,895
Construction in progress	65,527
Intangible assets:	8,854
Software	6,599
Other	2,254
Investments and other assets:	1,939,856
Investment securities	150,393
Stock of subsidiaries and affiliates	854,586
Investments in other securities of subsidiaries and affiliates	73,938
Long-term loans receivable	854,188
Guarantee deposits	4,853
Other	2,142
Allowance for doubtful accounts	(244)
Total assets	2,434,724

(Millions of yen)

	Fiscal 2018 As of Mar. 31, 2019
<i>Liabilities</i>	
Current liabilities:	302,986
Short-term loans payable	179,147
Current portion of bonds	61,648
Accrued expenses	5,158
Loans payable secured by securities	47,749
Income taxes payable	405
Provision for bonuses	767
Other	8,108
Non-current liabilities:	1,214,794
Bonds payable	735,675
Long-term loans payable	464,187
Deferred tax liabilities	13,201
Other	1,729
Total liabilities	1,517,781
<i>Net assets</i>	
Shareholders' equity:	876,650
Capital stock	247,397
Capital surplus:	226,751
Legal capital surplus	226,751
Retained earnings:	489,816
Legal retained earnings	45,335
Other retained earnings	444,481
Reserve for advanced depreciation	1,860
Retained earnings brought forward	442,620
Treasury shares	(87,320)
Deposit for subscriptions to treasury shares	5
Valuation and translation adjustments:	31,550
Valuation difference on available-for-sale securities	31,550
Subscription rights to shares	8,741
Total net assets	916,943
Total liabilities and net assets	2,434,724

Statement of income

(Millions of yen)

	Fiscal 2018 Apr. 1, 2018 - Mar. 31, 2019
Operating revenue:	105,221
Dividends from subsidiaries and affiliates	92,130
Interest on loans receivable from subsidiaries and affiliates	13,016
Other	73
Operating expenses:	34,136
Selling, general and administrative expenses:	20,058
Trading related expenses	2,323
Personnel expenses	6,220
Real estate expenses	1,711
Office cost	3,192
Depreciation	2,084
Taxes and dues	1,762
Other	2,763
Financial expenses	14,078
Operating income	71,084
Non-operating income:	6,243
Dividend income	3,964
Compensation income	1,394
Other	884
Non-operating expenses:	225
Bond issuance cost	169
Other	56
Ordinary income	77,102
Extraordinary income:	10,070
Gain on sales of investment securities	9,382
Gain on reversal of subscription rights to shares	688
Extraordinary loss:	556
Loss on valuation of investment securities	497
Other	59
Income before income taxes	86,616
Income taxes-current	(174)
Income taxes-deferred	286
Profit	86,505

Independent Auditor's Report

May 14, 2019

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

Kanako Ogura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomomi Mase (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Fukai (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. for the consolidated fiscal year from April 1, 2018 to March 31, 2019 in accordance with Article 444, Paragraph 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 development and maintenance of such internal controls as management determines are necessary to enable the preparation 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 regarding whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected 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 controls 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, although the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used 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 Readers of the 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 14, 2019

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

Kanako Ogura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomomi Mase (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Fukai (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. for the 82nd fiscal year from April 1, 2018 to March 31, 2019 in accordance with Article 436, Paragraph 2, Item 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 development and maintenance of such internal controls as management determines are necessary to enable the preparation of financial statements and 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 regarding whether the financial statements and the supplementary schedules are free from material misstatements.

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 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 controls 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, although the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used 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 Readers of the 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 82nd fiscal year from April 1, 2018 to March 31, 2019. 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 systems (internal control systems) organized based on such resolutions, by receiving reports regarding the development and maintenance of the systems from the Directors, the Corporate Executive Officers and employees at fixed intervals, requesting explanation when necessary, and also by the following methods.

- ① In conformity with the audit standards of the Audit Committee decided by the Committee and in accordance with audit policies, assignment of duties, etc. and in cooperation with the internal control department, the Audit Committee attended significant meetings, received reports from Directors and Corporate Executive Officers, etc. about their performance of their duties, requested 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 business reports from subsidiaries' Directors, Audit & Supervisory Board Members, 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 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) and 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 .

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 and are 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 and, furthermore, there are no material matters to be disclosed in relation to the contents of the business report regarding internal control systems, or the actions of Directors and Corporate Executive Officers with respect to executing internal control systems.

(2) 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.

(3) 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.

May 15, 2019

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Keiichi Tadaki

Committee Member
Michiaki Ogasawara

Committee Member
Ikuo Nishikawa

Committee Member
Eriko Kawai

(Note 1) Mr. Keiichi Tadaki, Mr. Michiaki Ogasawara, Mr. Ikuo Nishikawa, Ms. Eriko Kawai are the Outside Directors provided under the provisions of Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

(Note 2) Mr. Morimasa Matsuda resigned as an Audit Committee Member as of March 31, 2019.