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## Corporate Governance Report

Last Update: October, 1, 2015

Daiwa Securities Group Inc.

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

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

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

#### 1. Basic Views

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

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

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

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

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

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

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

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

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

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

- The Company and Daiwa Securities Co. Ltd. hold the strategic shareholding shares only when it is significant to hold such shares.
  - ※ The case when there is a significance is the case when holding such shares is deemed to enhance the corporate value of the Company group especially considering such factors as profitability, growth potential, strengthening and maintaining business relations etc.
- With regard to the main strategic shareholding shares, the significance of such share-holding is regularly verified and reported to the Board of Directors.
- With regard to the exercise of the voting rights of strategic shareholding shares, the Company carefully determines whether each proposal should be approved or not taking into account the need to enhance medium to long term corporate value of both the strategic shareholding company and the Company group.

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

- In order to avoid any prejudice to the Company and the common interests of its shareholders, the Company has established internal rules and Regulations of the Board of Directors that a prior approval of the Board of Directors is necessary in cases where the Company conducts transactions with the directors or corporate executive officers of the Company or major shareholders, etc., unless the terms and conditions of the transaction are the same as those of general transactions.

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

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

Corporate Principles

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

Medium-Term Management Plan

([http://www.daiwa-grp.jp/data/attach/1608\\_30\\_%28E%2920150403a.pdf](http://www.daiwa-grp.jp/data/attach/1608_30_%28E%2920150403a.pdf))

- (2) The basic views on Corporate Governance of the Company group are described in “*I. 1. Basic Views*” of this report.
- (3) The Company decides on the policy regarding the compensation of the directors and corporate executive officers in the Compensation Committee and has disclosed the policy on the Notice of Convocation of the Ordinary General Meeting of Shareholders, securities reports, and “*II. 1. Organizational Composition and Operation*” of this report.
- (4) With regard to the election of directors, the Nominating Committee, which is made up of a majority of outside directors, determines the candidates for the directors. An overview of the procedure is disclosed in securities reports and “*II. 2. Matters on Function of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)*” of this report.
- (5) The reasons for the election of directors including the director holding concurrent post of

representative corporate executive officer are explained in the appendix of this report. With regard to the outside directors, the reasons for election are described on “*Reasons of Appointment*” of “*Outside Directors’ Relationship with the Company (2)*” of **【Outside Directors】** of this report.

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

- In order to promote swift decision-making and efficient group management, the Board of Directors of the Company delegates the decision-making authority regarding the execution of operations to the corporate executive officer or the Executive Management Committee which consists of the corporate executive officers, except for the matters that according to the laws and regulations have to be decided by the Board of Directors.

**【Principle 4-8】 Effective Utilization of Independent Outside Directors**

- The Company has a policy that the Board of Directors shall consist, in principle, of two or more elected independent outside directors which constitute at least one third of the Board of Directors. Presently, five (5) out of twelve (12) are outside directors and all five (5) outside directors are independent outside directors. With regard to the utilization of the outside directors, please refer to **【Directors】** and **【Outside Directors】** of “*II. 1. Organizational Composition and Operation*” of this report.

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

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

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

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

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

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

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

- The Company implements the evaluation of the Board of Directors annually.
- The Company holds the hearings for all of the directors, analyzes and evaluates the results of those hearings. The results of the evaluation are reported to the Board of Directors. The Company endeavors to maintain and enhance the effectiveness of the Board of Directors.

<Overview of evaluation result on effectiveness of the Board of Directors in FY2014>

The management of the Board of Directors is basically appropriate, and the Board of Directors is functioning effectively.

- As stated above, the Company has confirmed that the effectiveness of the entire Board of Directors

is maintained.

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

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

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

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

## 2. Capital Structure

Percentage of Foreign Shareholders	Equal to or more than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
STATE STREET BANK AND TRUST COMPANY 505223	165,741,892	9.47
Japan Trustee Services Bank, Ltd. (Trust Account)	61,272,000	3.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	56,078,000	3.20
Sumitomo Mitsui Banking Corporation	30,328,000	1.73
THE BANK OF NEW YORK MELLON SA/NV 10	28,851,906	1.64
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Pension Account)	24,888,000	1.42
STATE STREET BANK WEST CLIENT-TREATY 505234	21,536,066	1.23
Taiyo Life Insurance Company	21,140,000	1.20
Nippon Life Insurance Company	20,867,237	1.19
Japan Trustee Services Bank, Ltd. (Trust Account 1)	19,369,000	1.10

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

Supplementary Explanation

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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section, Nagoya Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Securities & Commodity Futures Transactions
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	Equal to or more than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	50 or more, less than 100 companies

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

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

▪ No particular matters to be described.

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

### 1. Organizational Composition and Operation

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

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board (except holding concurrent post of president)
Number of Directors	12

#### [Outside Directors]

Number of Outside Directors	5
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Number of Independent Directors	5
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#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Ryuji Yasuda	Academic											
Nobuko Matsubara	Other											
Keiichi Tadaki	Lawyer											
Tadashi Onodera	From another company											
Michiaki Ogasawara	Other											

\* Categories for "Relationship with the Company"

- \* "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- \* "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

#### Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Ryuji Yasuda	○	Outside Director of Fukuoka Financial Group, Inc.; Outside Director of the Bank of Fukuoka Ltd.; Outside Director of Yakult Honsha Co., Ltd.; Outside Audit & Supervisory Board	Mr. Ryuji Yasuda was a partner of a distinguished consulting firm, etc., and currently is a Professor of Hitotsubashi University, Graduate School of International Corporate Strategy. The Company believes that his accumulated ample experience and professional knowledge about management strategy would contribute to the management of

		<p>Member of The Asahi Shimbun Company; Outside Director of ORIX Corporation; and Outside Director of Benesse Corporation.</p> <p>He has executed an agreement which sets forth the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount provided in Article 425 of the Companies Act, whichever is higher.</p>	<p>the Company.</p> <p>Mr. Ryuji Yasuda and his close relatives are/were not in the executive of the Company or its affiliated companies, a party whose major client or supplier is the Company or an executive thereof, major client or supplier of the Company or an executive thereof, consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director. The Company believes that he is independent because he does not have matters of major conflict of interest, nor matters which harm his independence. Because the Company believes that by the reasons listed above, there is no conflict of interest between general shareholders, the Company has elected him as an Independent Director with the consent of the person himself.</p>
Nobuko Matsubara	○	<p>Outside Director of Ebara Corporation.</p> <p>She has executed an agreement which sets forth the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>Ms. Nobuko Matsubara was the Vice-Minister of the Ministry of Labor and Ambassador Extraordinary and Plenipotentiary of Japan to Italy, etc. The Company believes that her broad experience and knowledge accumulated through her career would contribute to the management of the Company.</p> <p>Ms. Nobuko Matsubara and her close relatives are/were not in the executive of the Company or its affiliated companies, a party whose major client or supplier is the Company or an executive thereof, major client or supplier of the Company or an executive thereof, consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director. The Company believes that she is independent because she does not have matters of major conflict of interest, nor matters which harm her independence.</p>

			Because the Company believes that by the reasons listed above, there is no conflict of interest between general shareholders, the Company elected her as an Independent Director with the consent of the person herself.
Keiichi Tadaki	○	<p>Outside Director of Aeon Co., Ltd; Outside Auditor &amp; Supervisory Board Member of Nippon Life Insurance Company; and Outside Auditor &amp; Supervisory Board Member of Fujita Corporation.</p> <p>He has executed an agreement which sets forth the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>Mr. Keiichi Tadaki was the Vice-Minister of the Ministry 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 believes that his accumulated ample experience and professional knowledge about law and compliance would contribute to the management of the Company.</p> <p>Mr. Keiichi Tadaki and his close relatives are/were not in the executive of the Company or its affiliated companies, a party whose major client or supplier is the Company or an executive thereof, major client or supplier of the Company or an executive thereof, consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director. The Company believes that he is independent because he does not have matters of major conflict of interest, nor matters which harm his independence.</p> <p>Because the Company believes that by the reasons listed above, there is no conflict of interest between general shareholders, the Company has elected him as an Independent Director with the consent of the person himself.</p>
Tadashi Onodera	○	<p>Chairman and Representative Director of KDDI Corporation; Outside Director of KYOCERA Corporation; and Director of Okinawa Cellular Telephone</p>	<p>Mr. Tadashi Onodera held positions such as President of KDDI Corporation, etc. and currently is the Chairman of KDDI Corporation. The Company believes that his accumulated ample experience and knowledge about corporate management would contribute to the management of the Company.</p>

		<p>Company.</p> <p>He has executed an agreement which sets forth the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>Mr. Tadashi Onodera and his close relatives are/were not in the executive of the Company or its affiliated companies, a party whose major client or supplier is the Company or an executive thereof, major client or supplier of the Company or an executive thereof, consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director. The Company believes that he is independent because he does not have matters of major conflict of interest, nor matters which harm his independence.</p> <p>Because the Company believes that by the reasons listed above, there is no conflict of interest between general shareholders, the Company has elected him as an Independent Director with the consent of the person himself.</p>
Michiaki Ogasawara	○	<p>Outside Director of SKY Perfect JSAT Holdings Inc.</p> <p>He has executed an agreement which sets forth the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>Mr. Michiaki Ogasawara was the Director-General of Global ICT Strategy Bureau, the Vice-Minister of Ministry of Internal Affairs and Communication. The Company believes that his broad experience and knowledge accumulated through his career would contribute to the management of the Company.</p> <p>Mr. Michiaki Ogasawara and his close relatives are/were not in the executive of the Company or its affiliated companies, a party whose major client or supplier is the Company or an executive thereof, major client or supplier of the Company or an executive thereof, consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director. The Company believes that he is independent because he does not have matters of major conflict of interest, nor matters which harm his independence.</p>

			Because the Company believes that by the reasons listed above, there is no conflict of interest between general shareholders, the Company has elected him as an Independent Director with the consent of the person himself.
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### [Committees]

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

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	6	0	2	4	Inside Director
Compensation Committee	5	0	2	3	Outside Director
Audit Committee	4	1	1	3	Outside Director

### [Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	13
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#### Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Takashi Hibino	Yes	Yes	Yes	Yes	No
Nobuyuki Iwamoto	Yes	Yes	No	No	No
Yoriyuki Kusaki	No	Yes	No	No	No
Hiroshi Nakamura	No	Yes	No	No	No
Makoto Shirakawa	No	No	No	No	No
Takashi Fukai	No	No	No	No	No
Seiji Nakata	No	No	No	No	No
Toshihiro Matsui	No	No	No	No	No
Keiko Tashiro	No	Yes	No	No	No
Toshihiko Onishi	No	No	No	No	No
Mikita Komatsu	No	No	No	No	No
Hiroyuki Inose	No	No	No	No	No
Shigeharu Suzuki	No	Yes	Yes	Yes	No

### [Auditing Structure]

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

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

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

- In FY 2014, Audit Committee held periodic meetings three times with KPMG AZSA LLC, accounting auditors. Audit Committee has received reports on audit plan and circumstances and result of the audit and has conducted exchange of views with KPMG AZSA LLC.
- Furthermore, a member of the Audit Committee selected by Audit Committee has been conducting necessary hearings with appropriate accounting auditors.
- Audit Committee has provided "Policy of Determination of Dismissal or Non-Reappointment to Accounting Auditors" and receives explanations from the person in charge and consents to the audit Remuneration of the accounting auditors.
- In FY 2014, Audit Committee received reports seven times from the Internal Audit Department on the circumstances of internal audit of the Company and the group companies.
- Furthermore, a member of the Audit Committee selected by Audit Committee has a hearing on circumstances of internal audit as necessary, and attends the Group's Internal Audit meeting and makes a remark as necessary.
- Audit Committee is able to put forward inquiries to Internal Audit Department as necessary.

## [Independent Directors]

Number of Independent Directors	5
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## Matters relating to Independent Directors

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## [Incentives]

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

### Performance-linked Remuneration

- Performance-linked Remuneration shall be determined depending on the level of individual contributions, on the basis of consolidated ordinary income, also comprehensively taking into consideration consolidated ROE, achievement status of the managerial goals set in the Medium-Term Management Plan, and the like.
- Performance-linked Remuneration shall not be applied for Directors who do not serve as Corporate Executive Officers.

### Stock-linked Remuneration

- To increase the link between Remuneration and shareholders' value, the Company grants, as

stock-linked Remuneration, stock options, etc., whose values correspond to a certain percentage of base Remuneration.

- Stock-linked Remuneration shall not apply to Outside Directors.

#### Recipients of Stock Options

Inside Directors, Corporate Executive Officers (Shikkoyaku), Employees, Subsidiaries' Directors, and Subsidiaries' Employees.

#### Supplementary Explanation

The Company issued the following two types of stock acquisition rights stated in below in FY2014 without consideration as stock options to directors, corporate executive officers, executive officers and employees of the Company and its affiliates as an incentive to contribute towards increasing consolidated performance and to enable the recruitment of talented personnel.

- Stock Acquisition Rights issued in February 2015

The Company has published for directors, corporate executive officers, and executive officers of the Company and its subsidiaries in February 2015.

- Stock Acquisition Rights, Series 11

The Company has granted to employees of the Company and its affiliates and to Executive Officers of the Company's affiliates not subject to the "Stock Acquisition Rights issued in February 2015" in February 2015.

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

#### Disclosure of Individual Directors' Remuneration

Selected Directors

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

Selected Directors

#### Supplementary Explanation

- Amounts of Remunerations, etc. paid based on Resolution of the Compensation Committee for 8 directors are 124 million yen, and for 13 corporate executive officers are 1,035 million yen, in a total of 1,159 million yen for 21 members.

※ Performance-linked Remuneration is included.

※ The above paid amounts include stock acquisition rights granted as stock options to the directors and corporate executive officers valued at 85 million yen in total.

※ The total Remuneration, etc. paid to the 6 outside directors was 88 million yen.

※ The Remunerations to the 7 Directors who also serve as corporate executive officers are stated in the amount paid to the corporate executive officers.

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

- Shigeharu Suzuki: amount of consolidated Remuneration 233 million yen  
(Base Remuneration 116 million yen, Stock Option 11 million yen, Performance-linked Remuneration 106 million yen)
- Takashi Hibino: amount of consolidated Remuneration 281 million yen  
(Base Remuneration 116 million yen, Stock Option 11 million yen, Performance-linked Remuneration 154 million yen)
- Nobuyuki Iwamoto: amount of consolidated Remuneration 190 million yen

(Base Remuneration 87 million yen, Stock Option 8 million yen, Performance-linked Remuneration 95 million yen)

- Akio Takahashi: amount of consolidated Remuneration 136 million yen  
(Base Remuneration 66 million yen, Stock Option 5 million yen, Performance-linked Remuneration 63 million yen)
  - Yoriyuki Kusaki: amount of consolidated Remuneration 136 million yen  
(Base Remuneration 66 million yen, Stock Option 5 million yen, Performance-linked Remuneration 63 million yen)
  - Hiroshi Nakamura: amount of consolidated Remuneration 135 million yen  
(Base Remuneration 66 million yen, Stock Option 5 million yen, Performance-linked Remuneration 63 million yen)
  - Toshihiro Matsui: amount of consolidated Remuneration 110 million yen  
(Base Remuneration 52 million yen, Stock Option 5 million yen, Performance-linked Remuneration 52 million yen)
- ※ The total Remuneration, etc. paid more than 100 million yen is listed above.

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

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

- Remuneration for directors and corporate executive officers is determined based on the policies to create effectively incentives, which contribute to the increase of shareholders' value through sound business development and lead to the improvement of business performance in short-term and medium to long-term.
- To maintain Remuneration standards which are competitive enough to recruit and retain people not only domestically but also globally as a global securities company group.
- As Company with Three Committees, it has a basic policy that the execution and supervision should functions effectively .

Remuneration for Directors and Corporate Executive Officers is composed of base Remuneration, performance-linked Remuneration and stock-linked Remuneration as defined below.

○ Base Remuneration

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

○ Performance-linked Remuneration

- Performance-linked Remuneration is determined depending on the level of individual contributions, on the basis of consolidated ordinary income, also comprehensively taking into consideration consolidated ROE, achievement status of the managerial goals set in the Medium-Term Management Plan, and the like.
- Performance-linked Remuneration does not apply to directors who do not serve as corporate executive officers.

○ Stock-linked Remuneration

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

percentage of base Remuneration.

- Stock-linked Remuneration does not apply to outside directors.

### [Supporting System for Outside Directors]

- Corporate Planning Section which acts as a secretariat of the Board of Directors provides explanation of planned agenda and distributes reference materials at least one day before the meeting of the Board of Directors.
- Secretariat of each committee supports outside directors who are chosen to be members of Nominating Committee, Compensation Committee, and Audit Committee.

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

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

In order to have variety views, the Company assigned three women as its director, corporate executive officer and executive officer. The Company group also assigned seven women as their director, corporate executive officer and executive officer.

### 1. Business Execution

- The Company established “Executive Management Committee” as a decision-making body to deliberate and to determinate on the Group’s business strategy, management problems as well as important financial matters. Executive Management Committee consists of all of the corporate executive officers and is held once a month in principle.
- In order to make the management decisions promptly, the Board of Directors delegated broad decision-making powers to the Executive Management Committee. Furthermore, to have more expert deliberation, the Company established four subcommittees (Group Risk Management Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) each of which consisting of certain corporate executive officers, etc.
- The corporate executive officers of the Company hold main posts of directors in group companies to have unity of the group management and enables efficient and effective implementation of the sectional strategies based on groups’ strategy.

### 2. Auditing and Oversight

- As the auditing section of the management, the Company has established the Board of Directors which has a Board Chairman as a chairperson and “Nominating Committee”, “Audit Committee” and “Compensation Committee” as internal sections of the Board of Directors where outside directors hold the majority.
- The Board of Directors consists of twelve members, five of whom are outside directors and two of whom are females.

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

- The meetings of the Nominating Committee are held more than once a year. There were three meetings in FY2014.
- Nominating Committee consists of four outside directors and two internal directors.
- The specialized expertise of the outside directors is important when the Nominating Committee has to take multiple points of view into consideration when choosing Company's directors.
- The Committee considers the structure of the Board of Directors in the light of the corporate guidance, and investigates general policies for the nomination and selection of candidates to the Board of Directors.

### <Policies for selection of candidates to the Board of Directors>

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

- Enable to endeavor for actualizing the Group's Corporate Principles.
- Have high sense of ethics and morals and take initiative to set a good example.
- Have experience in the course of business or have expert knowledge on law, finance, or management.

Outside Directors also have to fulfill the description on independence listed below:

- Should have no work experience as an executive director, corporate executive officer, executive officer, or any other person equivalent these to or an employee of the Company group.
- Should not be a director, executive officer, manager or employees of a company which is a major shareholder or main business partners of the Company group.
- Have no matter which impair the independence in order to achieve the duty as the director.

### <Composition of the Board of Directors>

Composition of the Board of Directors is described below:

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

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

- In principle, meetings of the Audit Committee are held once a month. In FY2014, there were twelve meetings in total.
- Audit Committee consists of four non-executive directors. Three members, including the chairperson, are outside directors and the fourth member is a full-time internal director. Keiichi Tadaki, the chairman of the Audit Committee served as the prosecutor general, is a qualified lawyer and has considerable knowledge of law.
- The Audit Committee is in charge of auditing how directors and executive officers perform their duties, auditing of business reports and financial statements and the creation of audit reports.
- Based on the audit criteria aiming for effective and efficient audit prepared by the Audit Committee, the Audit Committee coordinates with internal audit departments and accounting auditors and focused on the following three audit priorities in 2014: (1) Risk management and initiatives aimed at expansion of stable revenues and revenue base; (2) Internal control of the Group's companies, and (3) Readiness to cooperate in global business matters.
- Audit Committee members attend meetings of the Board of Directors and the executive management committee as well as other important meetings and have report hearing then give information to other Audit Committee members to have environmental arrangement on more effective audit by the Audit Committee.

- The Company has established Audit Committee's Office as a full-time post to support the Audit Committee.
2. Auditing, Oversight (3): Compensation Committee
- The meetings of the Compensation Committee are held more than once a year. In FY2014 such meetings were held five times.
  - Compensation Committee consists of three outside directors including a chairman and two internal directors.
  - Outside directors shall have expertise to plan, operate, and verify rational Remuneration system.
  - The Committee discusses on issues related to officer Remuneration policy, deciding upon individual remuneration as well as incentive plan of the group to progress consolidate earnings.
3. Other meetings (1): Group Risk Management Committee
- Group risk management committee deals with the group risk management condition and the status of the risk, deliberates and decides upon policy and measures on risk management.
  - The CEO is the chairman of the committee whose meetings are held once a month in principle.
3. Other meetings (2): Disclosure Committee
- The Company has established Disclosure Committee as a subcommittee of the Executive Management Committee to deliberate and execute disclosure-related matters.
  - The Committee is in charge of disclosure of the Company group's information on management, revaluation range on reporting of internal control policies, consolidates the range on financial report and other important accounting policies. The meetings of the Committee are held before quarterly earnings announcement, disclosure of a securities report or a quarterly report. Committee meetings are also held at any time when certain important matters have to be disclosed.
  - The Committee consists of corporate executive officers of the section which is intimate and executive officers who have jurisdiction over the section. The chairman of the Committee is chosen from the members by the CEO. As of July 2015, the CFO is the chairman.
3. Other meetings (3): Group IT Strategy Committee
- Group IT Strategy Committee deliberates and determines the Company's group's IT investment budget, placement of IT functions of the Company's group, evaluates and monitors the status of IT investment execution, deliberates and determines cross-structuring of the Company's group's system infrastructure.
  - The CEO is the chairman of the Committee; the meetings are held once in six months in principle.
3. Other meetings (4): Group Internal Audit Committee
- Group Internal Audit Committee deliberates and determines various matters related to the development of and internal audit environment of the business of the Group and observes matters related to internal controls.
  - The CEO is the chairman of the committee; the meetings of the Committee are held once in two months in principle.
3. Other meetings (5): Overseas Management Committee
- The Company has established Overseas Management Committee to deliberate and determine the organization of overseas management administration and other related matters.

- The CEO is the chairman of the committee; the meetings of the Committee are held every month, in principle.

#### 4. Organization, Staff, Procedure of the Audit

- Based on the recognition that structuring of levelheaded and efficient internal audit condition enhance the value of the Company, the Company's group has established Full-time Internal Audit Executive and Internal Audit Department which is independent from other sections to observe the condition of internal auditing. The report on the acceptance of internal audit and results of the investigation is presented in the Group Internal Audit Meeting, which is in direct control of the CEO.
- The company's internal audit department also contacts and adjusts with Audit Committee and accounting auditors to audit efficiently and delegate investigation from the Audit Committee.
- On the group companies, the Company's internal audit department investigates directly, or adjusts and monitors with internal audit departments established at the main group companies. The Company's internal audit department contacts and adjusts with the audit committee as well as accounting auditors in order to audit the group companies appropriately and efficiently.
- The certified public accountants of the Company who have executed accounting audit services are Mr. Hiroyuki Takanami, Mr. Atsunori Sadahiro, and Mr. Kazuo Uchida who are designated members with limited liability of KPMG AZSA LLC based on Article 34-10-5 of Certified Public Accountants Act. All of the members have audited continuously less than 7 years.

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

- The Company is the Company with Three Committees (Nominating Committee, Audit Committee and Compensation Committee).
- The establishment of Nominating, Audit, and Compensation committees enhances transparency of the management whereas involvement of specialized outside directors makes audit function more efficient and effectively.
- Great delegation of authority from the Board of Directors to corporate executive officers and clearance of segregation of the business enhances the mobility of decision-making.
- It is expected that the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee will be advised from outsiders' points of view by outside directors with high independence and sense of ethics based on their individual discernment and experience, which can exercise management monitoring function.

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

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	▪ Since 2005, the Company send notifications about the convocation of the general shareholders meeting three weeks before the day when General Shareholders Meeting is held.

	<ul style="list-style-type: none"> <li>• In 2015, the Company sent such a notification on May 29, i.e., more than three weeks before the day of the General Shareholders Meeting.</li> </ul>
Scheduling AGMs Avoiding the Peak Day	<ul style="list-style-type: none"> <li>• The Company has decided the date by avoiding the peak day and consider schedule of the venue, efficiency, reduction of the cost and other aspects comprehensively.</li> <li>• The General Shareholders Meeting in 2015 was held on June 25.</li> </ul>
Allowing Electronic Exercise of Voting Rights	<ul style="list-style-type: none"> <li>• The Company has enabled shareholders to exercise their voting rights by the Internet (including cell-phone).</li> </ul>
Participation in Electronic Voting Platform	<ul style="list-style-type: none"> <li>• The Company has participated in “Electronic Voting Platform for Institutional Investor” managed by ICJ Corporation.</li> </ul>
Providing Convocation Notice in English	<ul style="list-style-type: none"> <li>• The Company has created the Notice of Convocation of General Shareholders Meeting in English and has posted on the website of the Company.</li> </ul>
Other	—

## 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	<ul style="list-style-type: none"> <li>• The Company has adopted “Disclosure Policy” which puts together basic views on information disclosure and disclosed it on the website of the Company.</li> </ul>
Regular Investor Briefings for Individual Investors	<ul style="list-style-type: none"> <li>• The Company has established the “Page for Individual Investors” on the website to enhance the usability by gathering the information on IR.</li> <li>• There were several “Briefing session for individual investors” in branches of Daiwa Securities Co. The Company’s group held the internet live seminar for the first time and approximately 1,400 people in total participated in the seminar.</li> <li>• The Company provides live streams of the regular meetings with analysts and institutional investors on the Internet (the website of the Company’s group) and keeps the recording available for six months. Management strategy meetings are also recorded and are made available on the Internet later.</li> </ul>
Regular Investor Briefings for Analysts and Institutional Investors	<ul style="list-style-type: none"> <li>• Telephone meetings are held for analysts and institutional investors on the evening of quarterly earnings announcement day.</li> <li>• The managers such as the CEO hold management strategy meetings for analysts, institutional investors and media.</li> <li>• The CFO holds a small meeting for company analysts.</li> <li>• IR section mainly deals with corresponding individual meetings and telephone interviews.</li> </ul>
Regular Investor Briefings for Overseas Investors	<ul style="list-style-type: none"> <li>• The Company has provided simultaneous translation for overseas investors on quarterly earnings announcement. English version of the recording is available for six months.</li> <li>• The managers such as COO, CFO, and the director in charge of IR, conduct overseas IR activities in Europe, the United States and Asia twice a year.</li> </ul>

Posting of IR Materials on Website	<ul style="list-style-type: none"> <li>• The Company discloses IR-related documents and press release documents on the website after the disclosure without delay.</li> <li>• Quarterly data on a part of the duty is on website.</li> <li>• The Company has established the English version of the website which functions in the same way as the Japanese version.</li> </ul>
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>• The Company has established “IR Section” as a department of IR and assigned the executive officer as its manager.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The Company prepares “Annual Report” and “Business Report” as IR information material to disclose information for stakeholders in accordance with disclosure policy.</li> <li>• The Company sincerely responds to inquiries from individual investors by phone and e-mail.</li> </ul>

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

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<ul style="list-style-type: none"> <li>• In order to enhance the Company’s group sustainably, support from all stakeholders is essential. The Company’s group specifies the basic spirit on “The Group Corporate Principles”</li> <li>• In the Group Corporate Principles, “Creation of trust” is for the customer, “Importance of the human resources” is for the employees, “Contribution for the society” is for the public at large and “Ensure the sound profit” is for shareholders. Practicing all of those items will enhance the value of the Company. “The Group Corporate Principles”</li> <li>• Creation of trust Customer’s trust is the basis of the Daiwa Securities group. Sincerity to think about customers first and special skills makes us the most attractive securities group.</li> <li>• Importance of the human resources Human resources is the source of competitiveness of Daiwa Securities group. We emphasize creativity of every single employee; promote the existence of free and vigorous corporate culture filled with challenging spirit, and consideration of the abilities and contribution of the employees.</li> <li>• Contribution to the society Daiwa Securities group aims to contribute to development of the society and economy through financial and capital markets. We become thorough on legal compliance, self-discipline and high sense of ethics which help contribute to sustainable development of the society.</li> <li>• Ensuring the sound profit The Daiwa Securities group has an obligation to enhance the value of the Company through wholesome business. Daiwa Securities group rewards its shareholders by providing valuable services to its customers and acquiring adequate profit.</li> </ul>
Implementation of Environmental Activities, CSR	【Environment】

Activities etc.	<ul style="list-style-type: none"> <li>•The Company has established “Environmental Vision / Environmental Philosophy / Basic Environmental Policy” within the whole group.</li> <li>•With regard to the equipment of sales offices, the Company aims to reduce environmental burden by adopting products based on top-runner’s standard, promoting paperless work and replacing old cars with eco or hybrid cars, etc.</li> <li>•The Company has begun implementing environmental accounting to understand the effects of capital investment on environmental measures and is taking other measures in order to achieve the goal of reducing the burden on the environmental more efficiently.</li> <li>•The Company has created and performed approach on alleviation of climate change issues from financial perspective by composition and sales of financial instruments such as “Impact Investment Bond”.</li> </ul> <p>【CSR】</p> <p>&lt;Establishment of Important CSR Issues&gt;</p> <ul style="list-style-type: none"> <li>•With the view of the sustainable development of the society, the Company aims to practice the Corporate Principles by setting forth the following important CSR issues: “1. Contribute to the development of a sustainable society by means of financial institutions” and “2. Develop sound financial and capital markets and pass them on to the next generations.”</li> </ul> <p>&lt;Approach through Business Activity&gt;</p> <ul style="list-style-type: none"> <li>•The Company focuses on financial instruments based on the so-called “Impact Investment” approach aiming to create and sell products which solve environmental and poverty issues through the position as financial institution.</li> <li>• In FY2014, the Company’s group launched Japan’s first healthcare-oriented REIT – Nippon Healthcare Investment Corporation – and listed its units on the Tokyo Stock Exchange in November 2015.</li> </ul> <p>&lt;Reference&gt;</p> <ul style="list-style-type: none"> <li>•The share of “Impact Investment Bond” for individuals is 56% as total by the end of March 2015.</li> </ul>
Development of Policies on Information Provision to Stakeholders	<ul style="list-style-type: none"> <li>•The Company is committed to enhancing the disclosure of various contents including documents pertaining to legally mandated disclosure on the website of the Company.</li> </ul>
Other	<p>&lt;Promotion of the Women’s Active Participation&gt;</p> <ul style="list-style-type: none"> <li>•The Company’s group is actively recruiting the best talented people regardless of gender. The Company believes that by advancing the recruitment based on fair evaluation leads to a diverse environment which facilitates maximization of human resources and elevates the value of the Company.</li> <li>•In order to expand the layer of the women managers, the Company provides more incentives for the employees’ willingness, such as introducing active female employee assertively in the house organ and providing the opportunities to communicate across the Company. In the propulsion website of the work-life balance, the Company has established consultation services regarding career and female executive officers and managers correspond to the consultation and agony.</li> </ul>

	<ul style="list-style-type: none"> <li>• There are female directors, corporate executive officers, and executive officers in total of 7, including a director, a corporate executive officer, and an executive officer of the Daiwa Securities Group Inc. The number of the female managers in the Group is increasing year by year; there are 262 as of the end of the March 2015. The ratio of the female managers has risen from 2.2% (ten years ago, i.e., in FY2004) to 6.3% (as of Daiwa Securities Co. Ltd. 2.3% to 7.5%). The number of female managers at Daiwa Securities Co. Ltd. is 238 (8.6%) as of June 2015.</li> <li>• By increasing the number of role models, we are making it easier for the group's female staff to envision their career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track and regional career-track positions in recent years. To date, more than 1000 female employees converted to career-track positions.</li> <li>• An increasing number of employees have also taken advantage of our Professional Return Plan, a system for re-hiring employees who left work to raise children or care for family members, starting them at the same level of compensation as when they left. This has helped us secure talented personnel who support operations. The Company will keep on expanding the layer of the female manager to appear female leader who lead the Japanese financial world.</li> </ul> <p>&lt;Reference&gt;</p> <ul style="list-style-type: none"> <li>• Ratio of the female managers: 6.3%(total of the Company group as of March 2015), 8.6%(Daiwa Securities Co. Ltd. as of June 2015).</li> <li>• The number of female officers: seven (total of the Company group)</li> <li>• The Company's group established a system to support the excellence of the women such as: Professional Return Plan, Job Location Change System, Childcare Leave, Childcare Support Leave, Spouse Work Reassignment Leave System, Exemption from Overtime Work, Daycare Subsidy, Expanded Leave System, Class of Supporting Women Career, Follow Up of the Usage of the System, Support of Coming Back to Work and etc.</li> </ul>
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## IV. Matters Related to the Internal Control System

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

#### 1. Basic Views on Internal Control System

The Company's group has created management structure center on the Company with regard to the group's various main risks and ensure to comply the laws and regulations regarding the efficient operations, the reliable finance report, and the assets preservation. This is based on the recognition that the maintenance of the internal control system to accomplish the sound and appropriate operation is the responsibility of the manager.

#### 2. Progress of System Development

System to ensure that execution of the duty of the corporate executive officer is compatible with the laws and Articles of Incorporation, and employee's execution of duties compatible to the laws and

Articles of Incorporation is hereunder.

(1) Compliance System

- The Company has established Compliance Control Department by dividing compliance section to enhance the expertise and efficiency of the controlling function, and to strengthen internal control environment.
- The Company's group introduced internal reporting system procedures to find and correct behaviors which violate laws and regulation.
- The Company has established an ethical code and a code of behavior for executives and employees to comply with the laws and regulations.
- Each company of the Company's group carries out compliance trainings according to the characteristics of the each business.
- The Company's group has assigned a person who is in charge of upgrading and propelling the system of complying corporate ethics, and has established the section to infiltrate and fix corporate ethics to executives and employees.
- The Company's group has established a section to advise on legal problems and support the Group's activities which is willing to upgrade the compliance system such as complying the laws and regulations.

(2) Group Risk Management Committee

- The Group Risk Management Committee, as a subcommittee of the Executive Management Committee, grasps the Company's group's risk management system and the status of the risks, and deliberates and decides upon the policy as well as specific measures on risk management.

(3) Internal Audit Section

Daiwa Securities group seeks to raise its corporate value by effectively conducting internal audits, and implements risk-based internal audits primarily through its Internal Audit Department.

The Internal Audit Department pays special attention to certain aspects of the group's internal auditing activities. They include the internal control systems at Daiwa Securities Co. Ltd. and overseas offices as a global financial instruments firm, the internal control systems at Daiwa Next Bank, Ltd. as a bank, the status of businesses that involve the collaboration between group companies, and the status of control over group companies by the Company.

- The Internal Audit Department maintains communications with the Audit Committee and accounting auditor, making any necessary adjustments to ensure that audits are performed efficiently.
- The Internal Audit Department collaborates with the internal auditing divisions of Group companies through periodic meetings, monitoring, and audits. It also formulates policies applying to all Group internal audits and risk-based audit plans, and monitors these activities.

(4) Internal Control System on Financial Reporting

- The Company's group has established basic rules on internal control system of financial reporting in order to build a system which is necessary to ensure adequacy of documents related to financial calculations and other information.
- Disclosure Committee and Group Internal Audit Committee deliberate and decide on important matters related to the internal control system for financial reporting.

3. System Related to the Management and Storage of Information regarding the Execution of Duties by the Corporate Executive Officers

- The information about the performance of the duties of the corporate executive officers is properly managed and stored pursuant to the Document Management and Storage Rules.

4. Rules and other Systems on Management of the Crisis of the Loss
  - With regard to various kinds of management risks, the Group has clarified the risk management system by means of establishing basic issues to manage each operational risk based on their nature, establishing the risk management rules in order to ensure financial soundness and the appropriateness of the operation, and setting up the risk management policy, the risks targeted to be managed, corporate executive officers and the section in charge of managing each risk.
  - Every section which is in charge of managing the risks has established the risk management rules and have reported about the risk management system and situation of the risks to the Group Risk Management Committee.
5. The System for Corporate Executive Officers to Execute Duties Efficiently
  - The Company has clarified the duties of corporate executive officers, their methods of execution, and their duties to oversee in the rules of Corporate Executive Officers.
  - With regard to the important matters having impact on the Company and the Groups, the Company has clarified the matters to be resolute and to be reported in the rules of the Executive Management Committee.
6. The System to Ensure Appropriateness of the Operations in the Corporate Group Consists of the Company and Subsidiaries.
  - Corporate executive officers or executive officers of the Company serve as directors of the Group companies, thereby enabling those companies to implement business strategies based on the group strategies with more efficiency.
  - The Company has established the Group Company Management Rules in order to manage the business activity of the domestic and foreign companies of the Company's group.
  - The group companies have established internal rules in order to grasp the important information on their management, and to secure fair and timely disclosure of the information pursuant to the laws and regulations.

## 2. Basic Views on Eliminating Anti-Social Forces

- The Company's group has established "Basic Policy on Eliminating Anti-Social Forces" and is trying to cut off relationships with anti-social forces. The Company's group is collecting information on their increasingly sophisticated methods mainly by working in close contact with police agencies and legal experts, and enhancing the group's various outward procedures for scrupulous severance of contact with such undesirable groups. In addition, the Company's group has been taking a unified approach to eliminate any and all relations with anti-social forces by sharing the information among the Company's group companies on how to eliminate anti-social forces, etc.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

## 2. Other Matters Concerning to Corporate Governance System

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

### 1. Corporate Structure Related to Timely Disclosure of Corporate Information

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

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

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

(The purpose of the Disclosure Rule)

The purpose of this rule is, by settling the fair, timely and proper disclosure of the financial, social, and environmental information of the Daiwa Securities group, observing the laws and regulations of financial instruments exchange, and work to communicate proactively and provide fair and appropriate information in a timely manner so that customers, stakeholders, investors, local communities, employees and executives could clearly understand and properly evaluate the Company's group's activities.

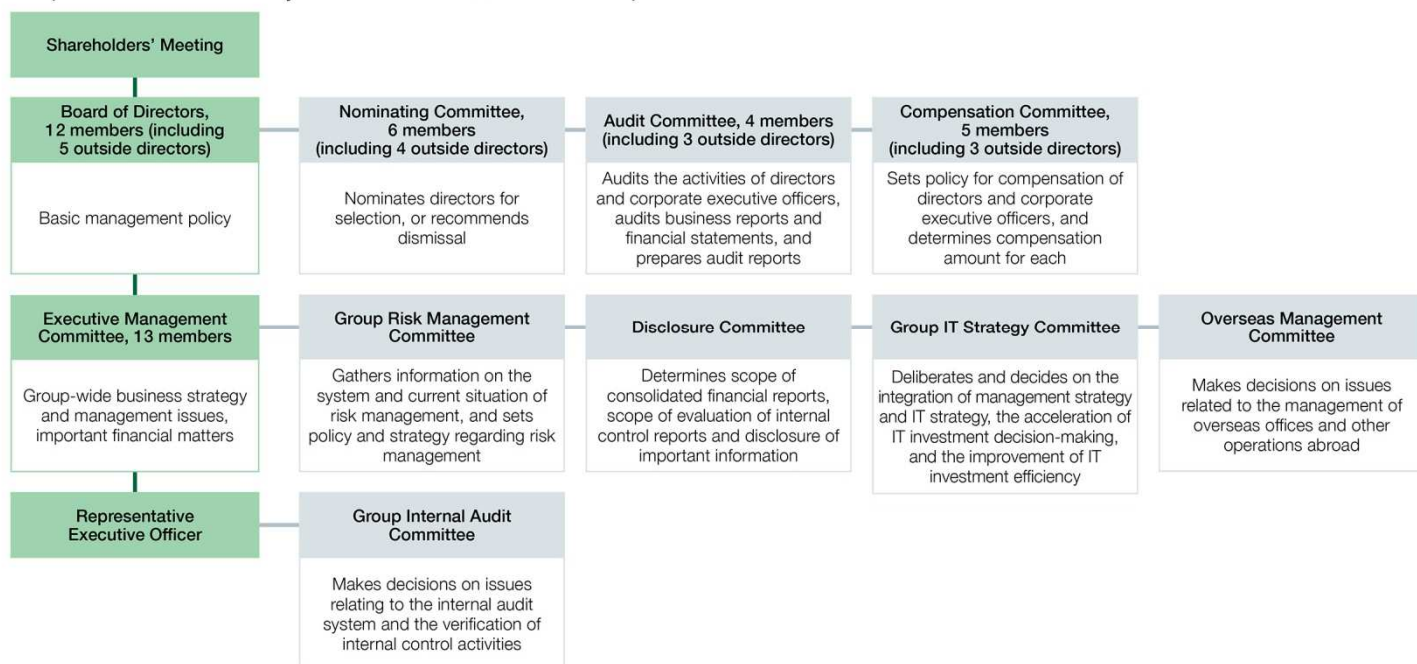
- Reporting System on Management Related Information is structured in accordance with the Disclosure Rules. Management-Related Information on main subsidiaries is reported to the Company from each subsidiary in accordance with the subsidiaries' rules.

### 2. Check Function of the Company System on Timely Disclosure

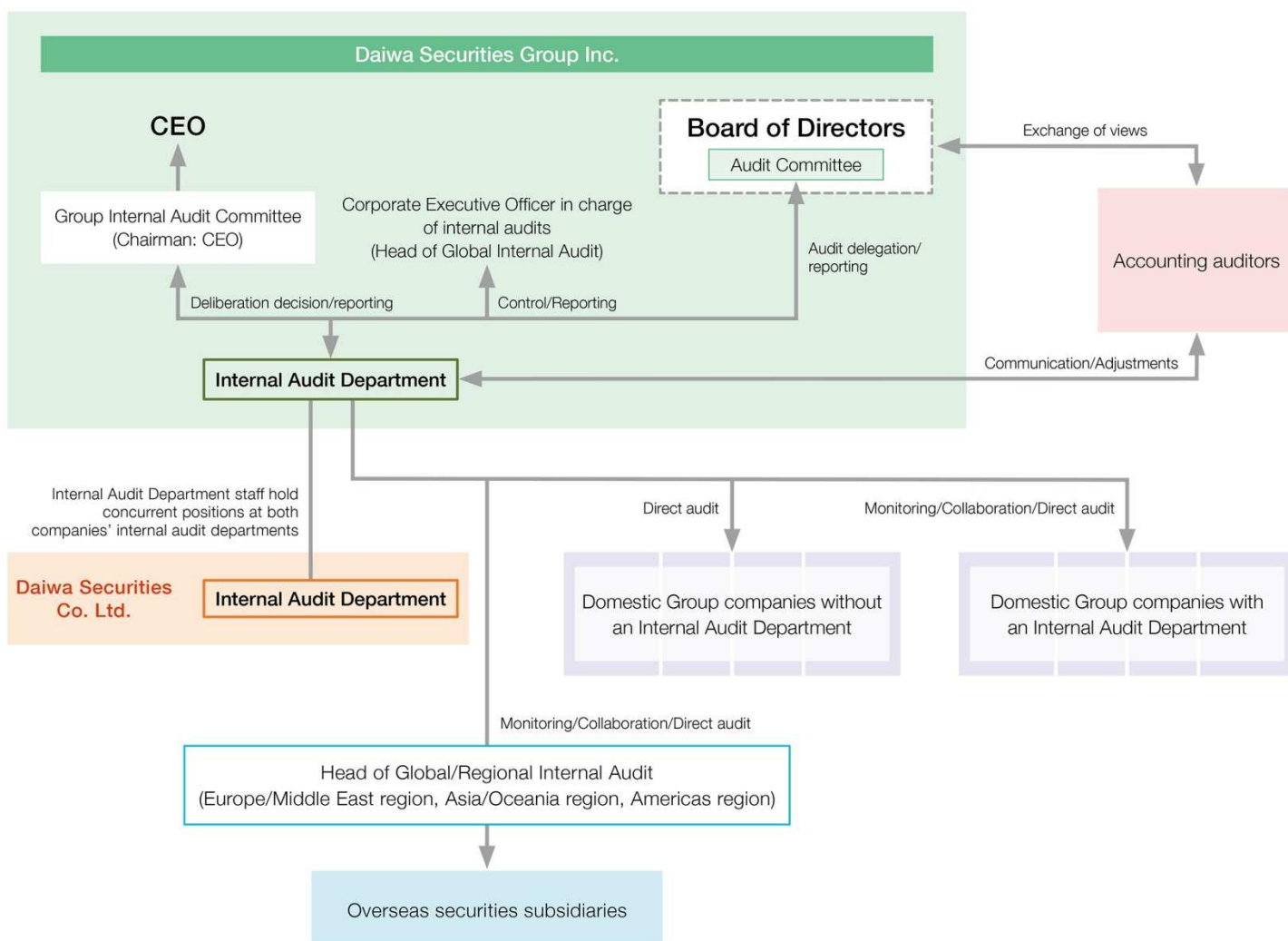
- The Company conducts the self-assessment on internal audit related to the information disclosure process in each section regularly in order to validate whether timely and proper management information is disclosed for investors or not. The Internal Audit Department has conducted internal audit regularly on such disclosing system including self-assessment, and has reported to the Group Internal Auditing Committee.

## Appendix

### Corporate Governance System at Daiwa Securities Group



### Internal Auditing System Diagram of Daiwa Securities Group



Appendix

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

Name	Other Positions
Shigeharu Suzuki	Outside Director of Imperial Hotel, Co. Ltd. Outside Auditor & Supervisory Board Member of Shochiku Co., Ltd.

## Appendix

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

Name	Reasons for Election
Shigeharu Suzuki	He joined the Company in 1971. Since 1997, he served as a Member of the Board of Directors of the Company and Head of Corporate Sales Division, Head of Investment Banking Division, as well as Head of Corporate Planning Group of the Company. He has a broad knowledge in both retail and wholesale sections. Also, from 2004 until 2011 he served the President and CEO, has a broad experience and insights as a manager and therefore is considered to be qualified as a member of the Board of Directors.
Takashi Hibino	He joined the Company in 1979, and served wholesale, corporate planning, and personnel related-matters to the business of the all Group. Also, he served as the Representative Corporate Executive Officer and President of the Company and CEO from 2011. He is able to execute corporate planning based on wide field of view and therefore is considered to be qualified as a member of the Board of Directors.
Nobuyuki Iwamoto	He joined the Company in 1980, and served as the Managing Director of International Finance Department. He also gained experience while residing abroad in Daiwa Capital Markets America, and has broad experience in investment banking section including experience abroad. He served as the CFO from 2005, COO from 2011, and has a lot of experience on business of the Company in general. Therefore, he is considered to be qualified as a member of the Board of Directors.
Yoriyuki Kusaki	He joined the Company in 1980 and served as Managing Director of Corporate Institution Sales Dept. of Daiwa Capital Markets Co. Ltd. in 2004. Also, he served as the Senior Executive Managing Director of Daiwa Securities Co. Ltd. and as the Executive Managing Director of the Company in charge of its retail department and corporate sales department. He has broad knowledge and experience in both retail and corporate sales and is acquainted with both retail and corporate sales. Therefore, he is considered to be qualified as a member of the Board of Directors.
Hiroshi Nakamura	He joined the Company in 1980 and served as the Senior Managing Director of Daiwa Securities Co. Ltd in 2005, Executive Managing Director of the above company and Head of Product Division, Deputy president of the Company, Deputy Head of Wholesale of the Company, Representative Director and Deputy President of Daiwa Securities Co. Ltd. He has broad knowledge and experience in the Market Section (especially, bond-related issues) and is acquainted with both retail and corporate sales. Therefore Mr. Nakamura is considered to be qualified as a member of the Board of Directors.
Keiko Tashiro	She joined the Company in 1986 and served as the Head of IR Section and Head of Daiwa Direct Planning Dept., Senior Managing Director of the above company, Head of Daiwa Direct Business Company and Head of PTS in 2009. She served as the Executive Managing Director of the Company (in charge of America), Chairperson of the Board, Daiwa Capital Markets America Holdings Inc. She has wealthy knowledge and experience on overseas and corporate planning and therefore, is considered to be qualified as a member of the Board of Directors.
Masaru Shirataki	He joined the Company in 1985, and served in the Corporate Planning Section and Investment Banking Section. In 2009, he served as Head of Legal Section, and Managing Director of Group Internal Audit Department in 2011. He has wealthy knowledge on corporate planning as well as internal audit and is well acquainted with legal and auditing matters. Therefore Mr. Shirataki is considered to be qualified as a member of the Board of Directors.