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

(Securities Code: 8601)

June 2, 2017

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 80th 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 80th Ordinary General Meeting of Shareholders will be held as stated below. You are respectfully requested to attend the Meeting.

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

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

Particulars

1. Date and time of the Meeting

10:00 a.m., Wednesday, June 28, 2017 (Doors open 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 an audit of the Consolidated Statutory Report conducted by Independent Auditors and the Audit Committee, with respect to the 80th fiscal year (from April 1, 2016 to March 31, 2017).
2. Report on the contents of the Non-Consolidated Statutory Report of the 80th fiscal year (from April 1, 2016 to March 31, 2017).

Matters to be resolved:

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

Bill 2 : Granting Stock Options Utilizing Stock Acquisition Rights

4. Matters Regarding the Exercise of Voting Rights

- (1) If you are unable to attend the Meeting, you may exercise your voting rights in writing or via electronic device (via the Internet, etc.).
- (2) The time limit for exercising voting rights in writing or via electronic device shall be 17:00 (5:00 p.m.) on Tuesday, June 27, 2017, the day before the Meeting (Tokyo time).
- (3) If you exercise your voting rights twice, in writing and via electronic device, the one via electronic device shall be deemed to be your vote.
- (4) If you exercise your voting rights multiple times via electronic device or you exercise your voting rights redundantly by PC or cellular phone, the latest one shall be deemed as the valid vote.
- (5) If you exercise your voting rights in writing and submit the “Voting Rights Exercise Form” without any indication in the space for approval or disapproval of respective bills, it shall be deemed as an intention of approval.
- (6) If you exercise your voting rights by proxy, you must delegate your voting rights to a proxy who is a shareholder of the Company entitled to vote. In such case, in addition to the letter of proxy to prove the proxy, the proxy’s own “Voting Rights Exercise Form” would be required. Furthermore, delegation of your voting rights is limited to only one proxy.
- (7) If you choose to exercise your voting rights in a non-uniform manner, please inform the Company, in writing, of your intention to exercise your voting rights in a non-uniform manner and the reason for it three days in advance of the Meeting.

5. Disclosure by the Internet

- (1) By the laws and regulations and Articles of Incorporation no. 23, “Notes to the Consolidated Statutory Report” and “Notes to the Non-Consolidated Statutory Report” which have to be attached with this Notice of Convocation, 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 “Consolidated Statutory Report” and “Non-Consolidated Statutory Report” which are audited by Independent Auditors and the Audit Committee to create auditing report and accounting audit report, respectively.
- (2) If any modification to the contents of the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Statutory Report and/or the Non-Consolidated Statutory Report is needed before the date of the Meeting, the Company will post such modification on the website as stated above.
- (3) The content of this Notice is on the website of the Company before dispatch of the Notice, from the viewpoint of providing information early.

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

Reference Documents for the General Meeting of Shareholders

Bills and reference matters

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

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

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Sept. 27, 1955)
1	Takashi Hibino	common stock 141,090 shares	<u>Reappointment</u>

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

The reason for election

He joined the Company in 1979, served successively as the responsible for products, oversea, corporate planning and personnel and thereby has a plenty of experiences related to the whole business of the Group. Also, he served as the Representative Corporate Executive Officer, President and CEO of the Company from 2011 to 2017 and has a broad experience and insights as a manager. Therefore, he is considered to be qualified as a Member of the Board.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 16, 1960)
2	Seiji Nakata	common stock 58,030 shares	<u>Reappointment</u>

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (June 5, 1957)
3	Shinya Nishio	common stock 70,000 shares	<u>Reappointment</u>

Brief personal history, title, charge and significant concurrent positions	
Apr. 1981	Joined the Company
Apr. 1999	Transferred to Daiwa Securities SB Capital Markets Co., Ltd.
May 2004	Managing Director of Corporate Institution Sales Dept. III of Daiwa Securities SMBC Co. Ltd.
Apr. 2005	Senior Managing Director and Head of Corporate Institution Sales Dept. II of the above company
Apr. 2006	Senior Managing Director, Head of Fourth Unit and Managing Director of Investment Banking Dept. IV of Daiwa Securities Co. Ltd
Apr. 2007	Head and Managing Director of Private Banking of the above company
July 2007	Head of Private Banking of the above company
Oct. 2007	Head of Private Banking and Loan Business of the above company
Apr. 2008	Senior Managing Director, Head and Deputy General Manager of Osaka Branch of Daiwa Securities SMBC Co. Ltd.
Apr. 2009	Executive Managing Director, Head and General Manager of Osaka Branch of the above company
Apr. 2010	Member of the Board, Executive Managing Director, Senior Head and General Manager of Osaka Branch of Daiwa Capital Markets Co. Ltd.
Apr. 2011	Head and General Manager of Osaka Branch of the above company
Apr. 2012	Member of the Board, Senior Executive Managing Director and Head of Corporate Institution Sales in Osaka of Daiwa Securities Co. Ltd.
Apr. 2015	Deputy Head of Corporate Institution and Head of Corporate Institution in Osaka of the above company
Apr. 2016	Deputy President and Head of Wholesale of the Company (to date) Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)
June 2016	Member of the Board, Corporate Executive Officer and Deputy President of the Company
Apr. 2017	Member of the Board, Representative Corporate Executive Officer, Deputy President of the Company, COO, Head of Wholesale and Deputy Head of Retail of the Company (to date)
(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.	

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 8, 1960)
4	Kazuo Takahashi	common stock 15,000 shares	<u>New appointment</u>

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 and General Manager 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 Dept. of the above company
Apr. 2008	Head of Financial Institution Dept. the above company
Apr. 2009	Head of Financial Institution Dept. and Deputy Head of Financial and Public Solution of the above company
Oct. 2009	Head of Financial Institution Dept. the above company
Apr. 2010	Executive Managing Director and Head of Financial and Public Institutions Banking of Daiwa Securities Capital Markets Co. Ltd.
Apr. 2012	Member of the Board and Executive Managing Director and Head of Financial and 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 Institution of the above company
Apr. 2017	Deputy President and Deputy Head of Wholesale of the Company (to date) Representative Director and Deputy President of Daiwa Securities Co. Ltd. (to date)
(Significant concurrent positions) Representative Director and Deputy President of Daiwa Securities Co. Ltd.	

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (April 27, 1962)
5	Toshihiro Matsui	common stock 76,000 shares	<u>Reappointment</u>

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Aug. 5, 1963)
6	Keiko Tashiro	common stock 27,000 shares	<u>Reappointment</u>

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Oct. 12, 1962)
7	Mikita Komatsu	common stock 61,000 shares	<u>Reappointment</u>

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 26, 1965)
8	Morimasa Matsuda	common stock 24,000 shares	<u>Reappointment</u>

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

The reason for election

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

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 9, 1941)
9	Nobuko Matsubara	common stock 45,000 shares	<u>Reappointment</u> <u>Outside</u>

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

The reason for election

She served successively as the Vice-Minister of Labor and Ambassador Extraordinary and Plenipotentiary of Japan to Italy, etc. and currently serves as the Honorary Chairman of the Japan Institute for Women's Empowerment and Diversity Management. The Company requests shareholders to elect her as an Outside Director since the Company believes that her broad experience and knowledge, accumulated throughout her career, would contribute to the management of the Company. Based on the above-mentioned reasons, the Company made the decision that she could adequately carry out her assignment as one of the Company's Outside Directors, even though she has never been involved directly in corporate management. She will have been in office as one of the Company's Outside Directors for nine (9) years at the end of this Ordinary General Meeting of Shareholders.

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

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

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 shareholders to elect him as an Outside Director since we believe that his accumulated ample experience and professional knowledge about law and compliance would contribute to the management of the Company. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved directly in corporate management. He will have been in office as one of the Company's Outside Directors for eight (8) years at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Feb. 3, 1948)
11	Tadashi Onodera	common stock 5,000 shares	Reappointment Outside

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

The reason for election

He held positions such as the President of KDDI Corporation, etc. and currently is the Chairman of KDDI Corporation. The Company requests shareholders to elect him as an Outside Director since the Company believes that his accumulated ample experience and knowledge about corporate management would contribute to the management of the Company. He will have been in office as one of the Company's Outside Directors for three (3) years at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Jan. 29, 1954)
12	Michiaki Ogasawara	common stock 4,000 shares	<u>Reappointment</u> <u>Outside</u>

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

The reason for election

He served successively as the Director-General of Global ICT Strategy Bureaus, the Vice-Minister of Ministry of Internal Affairs and Communication, etc. The Company requests shareholders to elect him as an Outside Director since the Company believes that his specialized experience and knowledge accumulated through his career would contribute to the management of the Company. Based on the above-mentioned reasons, we made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved directly in corporate management. He will have been in office as one of the Company's Outside Directors for two (2) years at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (Oct. 16, 1946)
13	Hiroataka Takeuchi	common stock 0 shares	<u>Reappointment</u> <u>Outside</u>

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

The reason for election

He served successively as the Professor of Hitotsubashi University, Faculty of Commerce and Management and Professor of Harvard Business School, etc. The Company requests shareholders to elect him as an Outside Director since the Company believes that his accumulated specialized experience and knowledge would contribute to the management of the Company. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved directly in corporate management. He will have been in office as one of the Company's Outside Directors for one (1) year at the end of this Ordinary General Meeting of Shareholders.

Candidate Number	Name	Number of shares of the Company held	Date of Birth (July 1, 1951)
14	Ikuo Nishikawa	common stock 0 shares	<u>Reappointment</u> <u>Outside</u>

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

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 shareholders to elect him as an Outside Director since the Company believes that his accumulated specialized experience and knowledge would contribute to the management of the Company. Based on the above-mentioned reasons, the Company made the decision that he could adequately carry out his assignment as one of the Company's Outside Directors, even though he has never been involved directly in corporate management. He will have been in office as one of the Company's Outside Directors for one (1) year at the end of this Ordinary General Meeting of Shareholders.

(Notes)

1. *The Company has provided long-term loans to Daiwa Securities Co. Ltd.*
2. *The Independence of the nominees for Outside Director from the Company is as follows.*
 - * *None of the nominees for Outside Director has executed business of or has become an executive of the Company or its subsidiaries by means other than being an Outside Director of the Company in the past.*
 - * *None of the nominees for Outside Director executes business of or is an executive of, or has done or been so during the last five (5) years, any entity that has a special relationship with the Company.*
 - * *Mr. Michiaki Ogasawara has received remuneration from Oct. 2013 to June 2015 when he took office as Director of the Company, as the Advisor of Daiwa Institute of Research Ltd., which is an entity that has a special relationship with the Company. Except for Mr. Michiaki Ogasawara, none of the nominees for Outside Director received a large sum of money or other financial benefits from the Company or any entity that has a special relationship with the Company in the past, and none of them anticipates receiving them in the future.*
 - * *None of the nominees for Outside Director has a spouse, family member within the third degree of kinship or other similar person who executes business of or is an executive of the Company or any entity that has a special relationship with the Company.*
 - * *All of the nominees for Outside Director fulfill the requirements for independent directors as defined by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. The Company is scheduled to designate all of the nominees for Outside Director as independent directors and to report this designation to the exchanges mentioned above.*
3. *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 candidate to prevent the occurrence of the fact and the acts taken in response after the occurrence of the fact is as follows.*

At Ebara Corporation, at which Ms. Nobuko Matsubara serves as Outside Director, it came into light on September 16, 2016 that there was a violation of Building Standards Act in the renewal construction of pipes by Ebara at residential complexes (implemented during July 2009 and November 2011), and Ebara was ordered to take corrective measures by the Ministry of Land, Infrastructure, Transport and Tourism as well as relevant specific administrative agencies. Ms. Matsubara was not aware of this situation until she was notified of the order for corrective measures, but she has been providing opinions and advice from the standpoint of compliance on a regular basis such as at the Board of Director's meeting. After the discovery of the violation, she appropriately fulfilled her duties toward the investigation into the cause and prevention of recurrence through actions such as presenting her opinion at the Board of Director's meeting.
4. *The current Outside Directors, Ms. Nobuko Matsubara, Mr. Keiichi Tadaki, Mr. Tadashi Onodera, Mr. Michiaki Ogasawara, Hiroataka Takeuchi and Ikuo Nishikawa 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 engage such agreement with each 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	○		○
Morimasa Matsuda	Member of the Board		○	
Nobuko Matsubara	Member of the Board (Outside) Independent Officer	○	○	
Keiichi Tadaki	Member of the Board (Outside) Independent Officer	○	◎	
Tadashi Onodera	Member of the Board (Outside) Independent Officer	◎		○
Michiaki Ogasawara	Member of the Board (Outside) Independent Officer	○	○	
Hiroataka Takeuchi	Member of the Board (Outside) Independent Officer	○		◎
Ikuo Nishikawa	Member of the Board (Outside) Independent Officer		○	○

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

Bill 2. Granting Stock Options Utilizing Stock Acquisition Rights

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

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

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

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

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

The other type stated in 3. below is stock acquisition rights to be granted to employees of the Company and its subsidiaries and affiliates and to Executives of the Company's subsidiaries and affiliates not subject to the Common Stock Acquisition Rights I above. The amount to be paid in per share upon exercise shall be determined based on the market price of shares of Common Stock on the allocation date of the stock acquisition rights (hereinafter, "Common Stock Acquisition Rights II"). The allocation date (hereinafter, "Allocation Date") means the date on which stock acquisition rights shall be allocated. In order to maintain competitive human resources and provide an effective incentive to improve business results, the Company puts conditions on Common Stock Acquisition Rights II such that those who are granted the rights will not be able to exercise the right until July 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The period between the Allocation Date of Common Stock Acquisition Rights I and June 30, 2037.

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

1) The amount of capital stock to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights I shall be half of the limit of the capital increase calculated according to Paragraph 1 of Article 17 of the Ordinance on Accounting of Companies. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

2) The amount of additional paid-in capital to increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights I shall be the difference between the limit of the capital increase and the increase in capital stock, both stated in 1) above.

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

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

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

1) Each Common Stock Acquisition Rights I cannot be exercised in part.

2) Holders of Common Stock Acquisition Rights I may exercise the rights from the day after they leave from all positions of the Executives of the Company and its subsidiaries or affiliates as determined by the Board of Directors of the Company or the executive officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company.

3) Notwithstanding 2) above, Common Stock Acquisition Rights I can be exercised from thirty (30) days prior to the last day of the period for exercise of the Common Stock Acquisition Rights I in accordance with other conditions for exercise.

4) Other conditions for exercise shall be set forth in a Stock Acquisition Rights Allocation Agreement between the Company and each holder of Common Stock Acquisition Rights I.

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

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

(h) Treatment of Fractional Shares Less Than One Share

Any fraction less than one (1) share of Common Stock issued upon exercise of Common Stock

Acquisition Rights I shall be disregarded.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Exercise Price shall be adjusted using the following formula, in the event the Company issues shares of Common Stock below the market price (except in the case of

conversion of securities to be converted or that can be converted to Common Stock of the Company, or exercise of common stock acquisition rights (including those attached to bonds with common stock acquisition rights) which can claim issuance of Common Stock of the Company). Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

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

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

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

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

The period between July 1, 2022 and June 27, 2027.

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

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

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

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

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

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

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

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

(h) Treatment of Fractional Shares Less Than One Share

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

<Translation>

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

Business Report

(From April 1, 2016 to March 31, 2017)

I. Status of the Group's Business Activities

The Daiwa Securities Group strives to improve the corporate value of the Group through its core business, the securities business. The outline of the Group's performance in the current fiscal year (FY2016) is as follows.

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

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

(1) Economic and Market Environment

Our Country's economy recovered gradually in the FY2016. Personal consumption, which had been weak since the increase in consumption tax rate, due to the decrease of the unemployment rate and consumer price and increase of base-pay of business enterprises, maintained the expansion trend albeit very slowly. In particular, durable consumer goods, which had been in decline due to the various economic stimulus measures implemented after the Financial Crisis in 2008, remained steady. The housing investment expanded because of the mortgage rate decrease due to the announcement of the introduction of the negative interest rate by Bank of Japan. On the other hand, capital investment by the company hung in the balance. Corporate profit remained at its record highs; companies did not change their cautious attitude toward capital investment. As to foreign demand, the export amounts showed an upward trend due to the recovery of the economies of advanced countries such as Europe and United States. When we look at the trend of export quantity by regions, the United States had a steady consumption due to the better employment situation and the Eurozone also remained steady. Exports to Asia, which had continued to be flat due to the slowdown of the Chinese economy, showed some signs of the recovery in the latter half of the FY2016. However, the import amount was sluggish due to weak domestic demand.

In such circumstances, production activities of the companies tend to increase in the latter half of the FY2016. The ordinary income of all of the industries in the third quarter in the FY2016 marked its record high due to the suppression of the variable costs and increase of the earnings.

In the Japanese stock market, the stock prices fluctuated especially due to the overseas political situation. The United Kingdom European Union membership referendum took place in June 2016 in the United Kingdom, after the decision to leave the EU, the stock prices fell sharply but temporarily. Furthermore, the stock prices fell sharply again after the United States presidential election in November 2016. However, due to the expectation of an economic policy under the new president and a hike in interest rates in United States, weakening of the yen rapidly proceeded and the stock prices rebounded. As a result, the Nikkei 225 index increased to 18,909.26 yen at the end of the FY2016.

In the bond market, long-term interest rates stayed negative due to the announcement of the introduction of negative interest rate policy by Bank of Japan in January 2016. However, the yield of the 10-year Japanese government bond moved from negative and stayed at around 0% after the Bank of Japan decided to introduce a new financial policy that makes long-term interest rate operation object in addition to short-term interest rate. As a result, the yield of the 10-year Japanese government bond at the end of the FY2016 was 0.07%.

(2) Outcome of the Group's Business Activities

Performance by each Operating Segment

1) Retail Business

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

In the FY2016, it concentrated on the expansion of the services which suits with the needs in life stage of the broad range of the customers from asset forming layer to senior layer.

As for the products, it started "Daiwa Fund Wrap Premium" which is a high quality investment discretion service and has various functions on investment and management of the assets on October 2016 and "Daiwa Fund Wrap Online" which is available only through the internet and enables asset forming layers to invest by low cost and from small sums.

As for the services, it enhanced inheritance support, which supports the inheritance of the customer based on the request of the customer. In particular, it proceeded with the placement of "Inheritance Consultants" who acquired specialized know-how on inheritance and the number of branch offices which place it expanded to 54 at the end of the FY2016. Furthermore, it endeavored to expand the range of services and increase applications of "Inheritance Total Service" which supports customers in the measures and procedures as to inheritance.

Further, Daiwa Securities Co. Ltd. deals in yen deposit accounts and foreign currency deposit accounts as a bank agent of Daiwa Next Bank Co. Ltd. (the deposit balance as of the end of the FY2016: approximately 3.1 trillion yen) and provides its wide range of customers with the favorable interest rates on their deposits and the high-convenience services through its nationwide network of branch offices.

As for the "iDeCo" Individual-type defined contribution pension plan, which expanded qualified subscriber after January 2017, it executed Capital and Business Alliance Agreement with SBI Group and the Company acquired a part of shares in SBI Benefit Systems Co., Ltd. on January 2017 and it prepared for new plan for "iDeCo" which had been released from it on April 2017.

2) Wholesale Business

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

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

In the first half of the FY2016, market environment was unstable due to the influence of introduction of the negative interest rate and the United Kingdom European Union membership referendum, and it was difficult to earn profits in equity-related business. Bond-related business remained steady due to flexible position management that grasped the environment change correctly. As it endeavored on giving services and information which suits market environment, after the United States presidential election, profit of the equity-related business expanded due to the upturn of the market environment.

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

As to the domestic underwriting business, on the PO of Keyence Corporation, IPO (Note 1) of KOMEDA Holdings Co., Ltd., and IPO of Mitsui Fudosan Logistics Park Inc., it served as Book Runner (Note 2) and co-lead managing director.

As to the overseas underwriting business, it served as a Book Runner on IPO of Acushnet Holdings Corp. in the United States.

Further, in the M&A advisory business, the companies in the Group worked together and advised on many M&A transactions. Daiwa Securities Co. Ltd. served as an advisor of JX

Holdings, Inc. regarding the business integration between JX Holdings, Inc. and TonenGeneral Sekiyu K.K. Also, Daiwa Capital Markets Hong Kong Limited was served as an advisor to the joint venture led by China's Daily-Tech Beijing Co., to acquire shares of Global Switch Holdings Limited in the United Kingdom.

As a measure to enhance business operating base and to expand providing services in the growing overseas market, the Company acquired a part of shares of CSC Financial Co., Ltd. and enhanced business alliance on investment banking business. As for the M&A business, the Company signed a business alliance with Ambit Private Ltd. in India and made additional investment on Saigon Securities Inc. in Vietnam and made it to affiliated company.

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

(Note 2) The managing securities firm which integrates mainly on management and promoting of sales when shares are offered

3) Asset Management Business

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

Daiwa Asset Management Co. Ltd. increased its assets by 269.6 billion yen through "Daiwa C&S Beikoku REIT Fund" and "Daiwa C&S US REIT Open" and "Daiwa Infrastructure Builder Fund" increased its assets by 41.2 billion yen. Its net assets of publicly offered stock investment trusts increased by 1 trillion 614.0 billion yen in the FY2016 due to the capital inflow to the Exchange-Traded Fund, to 12 trillion 454.5 billion yen at the end of the FY2016.

Daiwa SB Investments Ltd. endeavored to improve its management ability in investment advisory business for domestic and overseas pension funds, etc. In the investment trust business, attempted to increase its net assets mainly through investment trust, which main target is foreign bonds, for institutional investors.

In the real estate asset management business, the entities such as Daiwa Office Investment Corporation and Nippon Healthcare Investment Corporation, managed by Daiwa Real Estate Asset Management Co. Ltd., and Japan Rental Housing Investments Inc. managed by Mi-Casa Asset Management Inc. strived to acquire new properties continuously and also to increase the value of existing properties. As the result of these efforts, the Group's assets under management in this area expanded to 834.3 billion yen at the end of the FY2016.

4) Investment Business

Daiwa Corporate Investment Co., Ltd. invested in venture companies in and outside of Japan and proceeded the return of investment from existing investments. Also, it decided to establish the fund with Hubei Provincial High Technology Industry Investment Co., Ltd and Jointown Pharmaceutical Group Co., Ltd. in China, which invests on Chinese venture companies.

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

5) Others

Daiwa Institute of Research Ltd., for application of block chain technology (Note) to the Myanmar capital market, carried out experiments on Block-chain assuming the Yangon Stock Exchange and local securities company.

Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. focused on utilizing new technologies by cooperating with companies inside and outside of the Group such as Daiwa Securities Co. Ltd, FPT Corporation, Nuance Communications, etc. to begin new services which utilize AI (Artificial Intelligence) technology.

(Note) Technology for distributing and managing computer processing (transaction records, etc.) devised as a basic technology of the virtual currency "bitcoin". It is called this because it handles

transaction records by putting them in a block and treating them in a row.

[CSR (Note 1)]

The Group was positively involved in the development and provision of innovative financial instruments concerning Impact Investment (Note 2) in order to contribute to the formation of sustainable society utilizing financial functions. Specifically, the Group underwrote and distributed “Green Bonds”, which contribute to support the project on mitigation and adaptation on climate change, and “Water Bonds” to achieve satisfactory access to drinkable water and sanitary services.

As regards large-scale natural disasters, the Group supported areas struck by 2016 Kumamoto earthquakes from various aspects. The Group also has supported the areas struck by the East Japan Earthquake. For instance, the Group donated a part of the trust fees of “Daiwa Japan Supporter Vol.3 -Phoenix Japan-” and allocated subsidies to seven NPOs in the areas in the FY2016.

Furthermore, the Group has worked continuously in supporting education as to economy and finance. In the FY2016, it launched the website named “SODATTE”, which provides information on asset formation by investment, education expenses, household budget, child-raising, etc.

In addition, it has been continuously engaged in various volunteer activities.

(Note 1) Corporate Social Responsibility

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

2. Outline of the Consolidated Performances

The following is the outcome of our consolidated performance in the FY2016. The Group has 52 consolidated subsidiaries and 11 affiliates accounted for using the equity method at the end of the FY2016.

(Note) The consolidated financial statements of the Company are prepared in accordance with the Accounting Regulation Ordinance (Ministry of Justice Ordinance No. 13, 2006), the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance, No. 52, 2007) and the Uniform Accounting Standards for Securities Companies (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), the two latter of which are applied to the balance sheets and income statements of the companies that engage in securities-related business, the main business of the Group, based on Article 118 of the Accounting Regulation Ordinance.

(1) Status of Profits and Losses of the Group

The consolidated operating revenue was 616.4 billion yen (a 5.7% decrease from the FY2015) and the net operating revenue was 472.7 billion yen (an 8.2% decrease from the FY2015). The selling, general and administrative expense was 353.6 billion yen (a 3.0% decrease from the FY2015) and the ordinary income was 135.6 billion yen (a 17.9% decrease from the FY2015). The profits attributable to owners of parent, calculated by adding extraordinary income or loss, income taxes and minority interests in income to the ordinary income, was 104.0 billion yen (a 10.9% decrease from the FY2015).

Performances of each operating segments are as follows.

(Millions of yen)

	Net Operating Revenues			Ordinary Income		
	Fiscal 2015 (79 th term)	Fiscal 2016 (80 th term)	Change (%) from Previous Term	Fiscal 2015 (79 th term)	Fiscal 2016 (80 th term)	Change (%) from Previous Term
Retail	217,922	188,051	Δ13.7%	61,080	29,375	Δ51.9%
Wholesale	178,014	182,875	2.7%	48,878	65,437	33.9%
Asset Management	50,528	46,438	Δ8.1%	29,990	26,572	Δ11.4%
Investment	19,730	15,736	Δ20.2%	17,397	13,041	Δ25.0%
Others	48,618	39,647	-	7,801	1,196	-
Total	514,815	472,750	Δ8.2%	165,148	135,623	Δ17.9%

[Retail]

Since the market environment made an upturn after the United States presidential election and the amount of sales of equity and equity investment trust increased, but compared to the brisk stock market in the FY2015, the net operating revenue was 188.0 billion yen (a 13.7% decrease from the FY2015) and the ordinary income was 29.3 billion yen (a 51.9% decrease from the FY2015).

[Wholesale]

Since the revenue from bond trading was in good shape and the revenue of the Investment Bank business such as M&A advisory increased compared with that in the FY2015, the net operating revenue was 182.8 billion yen (a 2.7% increase from the FY2015) and the ordinary income was 65.4 billion yen (a 33.9% increase from the FY2015).

[Asset Management]

Although the assets under management increased toward the end of the FY2016, since the average period balance of publicly offered stock investment trusts and bond investment trusts decreased, the net operating revenue was 46.4 billion yen (an 8.1% decrease from the FY2015) and the ordinary income was 26.5 billion yen (an 11.4% decrease from the FY2015).

[Investment]

Although there were procession of the return of investment from existing investments, compared to the FY2015 in which huge investment transaction contributed the net operating revenue was 15.7 billion yen (a 20.2% decrease from the FY2015) and the ordinary income was 13.0 billion yen (a 25.0% decrease from the FY2015).

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

The total assets at the end of the FY2016 were 19 trillion 827.2 billion yen (a decrease of 593.5 billion yen from the FY2015), mainly because of the increase of cash and deposits (by 493.8 billion yen), loans secured by securities (by 55.3 billion yen) and operating loans (by 222.9 billion yen) and the decrease of trading products (by 955.0 billion yen) and securities (by 348.9 billion yen).

The total liabilities at the end of the FY2016 were 18 trillion 483 billion 8 hundred million yen (a decrease of 623.9 billion yen), mainly because of the increase of deposits in banking business (by 57.1 billion yen), loans payable secured by securities (by 117.0 billion yen) and long-term loans

payable (by 174.2 billion yen) and the decrease of trading products (by 644.2 billion yen).

The net assets were 1 trillion 343.4 billion yen (an increase of 30.4 billion yen), mainly because of the foreign currency translation adjustment due to the continuing strong yen (by 14.1 billion yen) and increase of retained earnings due to the profit attributable to owners of parent (by 34.2 billion yen). Net assets per share were 745.80 yen.

(3) Status of the Capital Investment of the Group

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

In the FY2016, the Group made capital investments for expanding lineup of Fund Wrap and Online Services. Also, it made IT-related investments, the total amount of which is around 33.3 billion yen, to work on newly technology, such as AI (Artificial Intelligence), big data (Note), voice recognition, block chain, and to strengthen the management system to send national identification number to customers safely, and to enhance cyber securities including overseas offices.

Further, Daiwa Securities Co. Ltd. opened a new branch office in Souka.

(Note) Various large amounts of data with the aim of deriving useful knowledge on business, which became easy to generate, collect and accumulate by the progress of ICT (Information and Communication Technology)

(4) Status of Financing of the Group

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

27th series bonds of 50 billion yen (April 25, 2016)

28th series bonds of 30 billion yen (August 25, 2016)

29th series bonds of 22 billion yen (December 1, 2016)

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

	(Billions of yen)				
	76 th term	77 th term	78 th term	79 th term	80 th term
	(Apr 1, 2012- Mar 31, 2013)	(Apr 1, 2013- Mar 31, 2014)	(Apr 1, 2014- Mar 31, 2015)	(Apr 1, 2015- Mar 31, 2016)	(Apr 1, 2016- Mar 31, 2017)
Operating revenue	525.4	642.8	659.3	653.7	616.4
Net operating revenue	417.3	541.9	532.2	514.8	472.7
Ordinary income	95.1	197.0	184.5	165.1	135.6
Profit attributable to owners of parent	72.9	169.4	148.4	116.8	104.0
Shareholders' equity (Net assets)	1,082.5	1,253.4	1,434.6	1,313.0	1,343.4
Total assets	19,049.0	19,480.8	23,001.5	20,420.8	19,827.2
Shareholders' equity (Net assets) per share (Yen)	536.72	633.53	725.27	720.86	745.80
Profit per share (Yen)	43.00	99.63	87.07	68.25	61.53
Return on Equity (ROE) (%)	8.6%	17.0%	12.8%	9.5%	8.4%
Number of consolidated Subsidiaries	52	49	50	50	52
Number of affiliates accounted for using the equity method	8	8	8	10	11

4. Issues to be addressed by the Group

In the FY2016, the Group turned in solid results given significant changes in the business climate amid a series of tumultuous developments on the global economic and political stage. Our steady performance is a result of the steps we have taken to create a balanced business model group wide by diversifying and expanding sources of stable revenue.

The FY2017 marks the 115th anniversary of our Group's foundation as well as the final year of our current medium-term management plan. This is a year in which we will step up our efforts to achieve the industry's highest quality in order to become the customer's first choice securities group.

On the domestic front, Japan is finally reaching a turning point in the deflationary period that has continued for close to 20 years, potentially creating brisk tailwinds for the transition from "savings to investment". With the global economy likely to see meaningful changes spurred by the shift to a new US administration, many of our customers are seeking professional advice.

The Group need to become our customers' best partner, with each and every employee building highly specialized "knowledge," developing the "expertise" to devise optimal solutions for customers based on this knowledge, and honing the "mindset" that places customer needs first.

Our goal is to contribute to the well-being of society and Japan's economic growth by playing a leading role in the transition from "savings to investment" as the customer's first choice securities group. To achieve this, we will establish the industry's highest quality based on the sincerity and highly specialized knowledge of our employees.

The Action Plans for Each Business Division

Retail Division

- 1) Provide customer services befitting of a “Best Partner”
- 2) Drastic expansion of the stable revenue base
- 3) Enhancement of customer development capabilities in both the inbound and outbound aspects
- 4) Provide high-value-added products and services that suit the customer's stage of life
- 5) Creation of a new business model utilizing external channels and resources

Wholesale Division

- 1) Improve capabilities to supply products that accurately respond to customer needs
- 2) Promote a global strategy focused on Asia
- 3) Identify and develop next-generation growth companies and help them to raise capital for growth
- 4) Provide solutions in response to corporate globalization and M&A needs and strengthen the M&A system in Americas

Asset Management Division

- 1) Strengthen and improve management ability, and pursue excellence in performance
- 2) Develop products aimed at growth in investor return and high external ratings
- 3) Enhance products that meet customers’ needs and strengthen the communication of information and support capabilities
- 4) Make a concerted effort to manage operations in a manner that puts the customer first
- 5) Further strengthen the real estate asset management business

Investment Division

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

Other (Daiwa Institute of Research Group)

- 1) Increase synergy by strengthening coordination with Group companies
- 2) Communicate information centered on the economy and finance in a timely manner
- 3) Strengthen consulting capabilities aimed at the provision of comprehensive solutions
- 4) Provide highly competitive IT that contributes to customers’ business

Other (Daiwa Next Bank)

- 1) Expand new customer segments (strengthen inbound)
- 2) Promote customer transactions by strengthening securities-banking business model (expand functions and services)
- 3) Strengthen ALM (Note) (pursue appropriate ALM under a negative interest rate environment)
- 4) Strengthen all management systems

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

5. Status of the Group

(1) The Group’s Primary Business

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

banking business and other financial business.

(2) Status of Major Subsidiaries and Affiliates

Company Name	Location	Capital (millions of yen)	Ratio of Voting Rights (Directly owned)	Main Business
Daiwa Securities Co. Ltd.	Chiyoda-ku, Tokyo	100,000	100.0% (100.0%)	Securities related business Investment advisory and agency business
Daiwa Asset Management Co. Ltd.	Chiyoda-ku, Tokyo	15,174	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Institute of Research Holdings Ltd.	Koto-ku, Tokyo	3,898	100.0% (100.0%)	Integration and management of Subsidiaries
Daiwa SB Investments Ltd. (Note 1)	Chiyoda-ku, Tokyo	2,000	44.0% (44.0%)	Investment management business Investment advisory and agency business
Daiwa Securities Business Center Co, Ltd.	Koto-ku, Tokyo	100	100.0% (100.0%)	Back office operation
Daiwa Property Co., Ltd.	Chuo-ku, Tokyo	100	100.0% (99.4%)	Lending and borrowing of real estate
Daiwa Next Bank, Ltd.	Chiyoda-ku, Tokyo	50,000	100.0% (100.0%)	Banking business
Daiwa Institute of Research Ltd.	Koto-ku, Tokyo	1,000	100.0% (-)	Information service
Daiwa Institute of Research Business Innovation Ltd.	Koto-ku, Tokyo	3,000	100.0% (-)	Information service
Daiwa Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	100	100.0% (-)	Investment business
Daiwa PI Partners Co. Ltd.	Chiyoda-ku, Tokyo	12,000	100.0% (-)	Investment business
Daiwa Securities SMBC Principal Investments Co. Ltd.	Chiyoda-ku, Tokyo	100	60.0% (-)	Investment business
Daiwa Real Estate Asset Management Co. Ltd.	Chuo-ku, Tokyo	200	100.0% (100.0%)	Investment management business Investment advisory and agency business
Daiwa Office Investment Corporation (Note 1)	Chuo-ku, Tokyo	251,551	37.8% (11.9%)	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

(Note1) Among the companies above, Daiwa SB Investments Ltd. and Daiwa Office Investment Corporation are affiliated companies.

(Note2) Regarding Daiwa Capital Markets Asia Holding B. V., since it resolved its liquidation on

December 2, 2016 and it plans to liquidate its businesses, the Company has removed it from major subsidiaries.

(3) Situation of specified wholly-owned subsidiary at the end of FY2016

Company Name	Location	Book value of the specified wholly-owned subsidiary at the end of FY2016
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 FY2016 is 2,352,744 million yen.

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

Hinode Securities Co. Ltd. has been removed from the Company's consolidated subsidiaries on February 28th, 2017.

(5) Status of Major Business Alliances

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

(6) The Group's Primary Business Locations

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

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

Daiwa Securities Co. Ltd.

Hokkaido / Tohoku	Sapporo Branch, Sendai Branch, and 8 other branches
Kanto (excluding Tokyo)	Yokohama Branch, Yokohama-eki Nishiguchi Branch, Chiba Branch, Omiya Branch, and 27 other branches
Tokyo	Head Office, Ginza Branch, Shinjuku Branch, Shibuya Branch, Ikebukuro Branch, and 33 other branches
Chubu / Hokuriku	Nagoya Branch, Nagoya-ekimae Branch, Shizuoka Branch, and 19 other branches
Kinki	Kyoto Branch, Osaka Branch, Umeda Branch, Nanba Branch, Kobe Branch, and 16 other branches
Chugoku / Shikoku	Hiroshima Branch, and 12 other branches
Kyushu / Okinawa	Fukuoka Branch, and 9 other branches

(7) Status of Employees

1) **The Group's Employees**

Number of employees	Change from previous fiscal year
13,836	135

(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 945.

2) The Company's Employees

Number of employees	Average age	Average years of service
4 [612]	[42.1yrs.]	[15yrs.&3mons.]

(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)
Mizuho Bank Ltd	Short-Term Borrowings	42,759
	Long-Term Borrowings	92,000
Sumitomo Mitsui Banking Corporation	Short-Term Borrowings	22,438
	Long-Term Borrowings	70,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Short-Term Borrowings	22,438
	Long-Term Borrowings	64,681
Resona Bank Ltd.	Short-Term Borrowings	10,000
	Long-Term Borrowings	23,000
Yamaguchi Bank Corporation	Long-Term Borrowings	22,537
Taiyo Life Insurance Company	Short-Term Borrowings	5,000
	Long-Term Borrowings	15,000

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

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

Not applicable.

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

II. Summary of the Company (as of March 31, 2017)

1. Status of Shares

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

Total number of authorized class shares

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

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

(Note) Due to the cancellation of treasury shares in March 31, 2017, the total number of issued shares has decreased by 50,000,000 shares compared to end of last fiscal year.

(3) Total number of Shareholders: 124,911

(4) Major Shareholders (top ten)

Name	Number of Shares of Common Stocks held (% of total outstanding shares)
STATE STREET BANK AND TRUST COMPANY 505223	95,819 thousand shares (5.71%)
Japan Trustee Services Bank, Ltd. (Trust Account)	76,344 thousand shares (4.55%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	66,873 thousand shares (3.98%)
B a r c l a y s C a p i t a l S e c u r i t i e s L t d .	34,000 thousand shares (2.02%)
Japan Trustee Services Bank, Ltd. (Trust Account 5)	33,928 thousand shares (2.02%)
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 (1.85%)
STATE STREET BANK AND TRUST COMPANY 505234	25,213 thousand shares (1.50%)
Japan Trustee Services Bank, Ltd. (Trust Account 2)	24,966 thousand shares (1.48%)
Japan Trustee Services Bank, Ltd. (Trust Account 1)	24,920 thousand shares (1.48%)
Japan Trustee Services Bank, Ltd. Sumitomo Mitsui Trust Pension Account	24,888 thousand shares (1.48%)

(Note) Treasury stock of 22,136,669 shares is excluded in calculating the percentages in the list of major shareholders above.

2. Status of Stock Acquisition Rights, etc.

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

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

Name (Issue Date)	Number (Class and Number of shares)	Amount to be paid in upon issuance	Amount to be paid in upon exercise	Period of exercise
Stock Acquisition Rights issued in June 2005 (June 24, 2005)	244 (Common stock 244,000 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)	154 (Common stock 154,000 shares)	Gratuitous Grant	1,000 yen (1 yen per share)	From July1, 2006 To June 30, 2026
Stock Acquisition Rights issued in July 2007 (July 1, 2007)	186 (Common stock 186,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2007 to June 30, 2027
Stock Acquisition Rights, Series 4 (September 3, 2007)	2,569 (Common stock 2,569,000 shares)	Gratuitous grant	1,176,000 yen (1,176 yen per share)	From July 1, 2012 to June 22, 2017
Stock Acquisition Rights issued in July 2008 (July 1, 2008)	235 (Common stock 235,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2008 to June 30, 2028
Stock Acquisition Rights, Series 5 (September 8, 2008)	2,825 (Common stock 2,825,000 shares)	Gratuitous grant	881,000 yen (881 yen per share)	From July 1, 2013 to June 20, 2018
Stock Acquisition Rights issued in July 2009 (July 1, 2009)	517 (Common stock 517,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 1, 2009 to June 30, 2029
Stock Acquisition Rights, Series 6 (November 9, 2009)	2,219 (Common stock 2,219,000 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)	926 (Common stock 926,000 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)	3,971 (Common stock 3,971,000 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)	1,111 (Common stock 1,111,000 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)	3,842 (Common stock 3,842,000 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)	789 (Common stock 789,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 12, 2013 to June 30, 2032
Stock Acquisition Rights, Series 9 (February 12, 2013)	6,333 (Common stock 6,333,000 shares)	Gratuitous grant	598,000 yen (598 yen per share)	From July 1, 2017 to June 26, 2022
Stock Acquisition Rights issued in February 2014 (February 10, 2014)	388 (Common stock 388,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 10, 2014 to June 30, 2033
Stock Acquisition Rights, Series 10 (February 10, 2014)	3,964 (Common stock 3,964,000 shares)	Gratuitous grant	1,062,000 yen (1,062 yen per share)	From July 1, 2018 to June 25, 2023
Stock Acquisition Rights issued in February 2015 (February 9, 2015)	458 (Common stock 458,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 9, 2015 to June 30, 2034
Stock Acquisition Rights, Series 11 (February 9, 2015)	5,418 (Common stock 5,418,000 shares)	Gratuitous grant	931,000 yen (931 yen per share)	From July 1, 2019 to June 25, 2024
Stock Acquisition Rights issued in February 2016 (February 16, 2016)	581 (Common stock 581,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From February 16, 2016 to June 24, 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 30, 2025
Stock Acquisition Rights issued in February 2017 (February 8, 2017)	574 (Common stock 574,000 shares)	Gratuitous grant	1,000 yen (1 yen per share)	From July 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
Total	48,992 (Common stock 48,992,000 shares)			

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

(Note 2) As to the Stock Acquisition Rights issued in June 2005, July 2006, July 2007, July 2008, July 2009, July 2010, July 2011, February 2013, February 2014, February 2015, February 2016 and February 2017, 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 its rights from the day 30 days before the end of its exercise period subject to other conditions for exercise of such rights.

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

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

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

Name of Stock Acquisition Rights	Number of holders	Number of Rights
Stock Acquisition Rights issued in June 2005	5	39
Stock Acquisition Rights issued in July 2006	6	25
Stock Acquisition Rights issued in July 2007	6	25
Stock Acquisition Rights, Series 4	8	21
Stock Acquisition Rights issued in July 2008	6	31
Stock Acquisition Rights, Series 5	8	38
Stock Acquisition Rights issued in July 2009	8	74
Stock Acquisition Rights, Series 6	3	11
Stock Acquisition Rights issued in July 2010	10	125
Stock Acquisition Rights, Series 7	4	29
Stock Acquisition Rights issued in July 2011	11	184
Stock Acquisition Rights, Series 8	2	19
Stock Acquisition Rights issued in February 2013	11	143
Stock Acquisition Rights, Series 9	4	48
Stock Acquisition Rights issued in February 2014	14	81
Stock Acquisition Rights, Series 10	1	5
Stock Acquisition Rights issued in February 2015	14	92
Stock Acquisition Rights, Series 11	1	6
Stock Acquisition Rights issued in February 2016	14	118
Stock Acquisition Rights, Series 12	1	5
Stock Acquisition Rights issued in February 2017	15	128

(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 13.

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

Name of Stock Acquisition Rights	Class of holders	No. of holders	No. of rights
Stock Acquisition Rights issued in February 2017	Employees of the Company	4	20
	Directors of Subsidiaries	47	245
	Employees of Subsidiaries	43	181
	Total	94	446
Stock Acquisition Rights, Series 13	Employees of the Company	1	10
	Directors of Subsidiaries	7	39
	Employees of Subsidiaries	3,411	7,265
	Directors and Employees of Affiliates	63	134
	Total	3,482	7,448

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

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

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

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

3. Status of the Company's Officers

(1) Status of Directors

Title	Name	Area in Charge and Significant Concurrent Positions
Chairman of the Board	Shigeharu Suzuki	See "(2) Corporate Executive Officers"
Member of the Board	Takashi Hibino	See "(2) Corporate Executive Officers"
Member of the Board	Seiji Nakata	See "(2) Corporate Executive Officers"
Member of the Board	Shinya Nishio	See "(2) Corporate Executive Officers"
Member of the Board	Toshihiro Matsui	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 Property Co. Ltd. Audit & Supervisory Board Member of Daiwa Institute of Research Business Innovation Ltd. Audit & Supervisory Board Member of Daiwa Real Estate Asset Management Co. Ltd.
Member of the Board	Nobuko Matsubara	See "(3) Outside Officers"

Title	Name	Area in Charge and Significant Concurrent Positions
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”

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

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

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

Nominating Committee: Shigeharu Suzuki (Chairman), Takashi Hibino, Nobuko Matsubara, Keiichi Tadaki, Tadashi Onodera, Michiaki Ogasawara, Hiroataka Takeuchi
Audit Committee: Keiichi Tadaki (Chairman), Morimasa Matsuda, Nobuko Matsubara, Michiaki Ogasawara, Ikuo Nishikawa
Compensation Committee: Hiroataka Takeuchi (Chairman), Shigeharu Suzuki, Takashi Hibino, Tadashi Onodera, Ikuo Nishikawa

The Company changed the constitution of Nominating Committee and Compensation Committee on April 1, 2017 as follows:

Nominating Committee: Tadashi Onodera (Chairman), Takashi Hibino, Seiji Nakata, Nobuko Matsubara, Keiichi Tadaki, Michiaki Ogasawara, Hiroataka Takeuchi
Compensation Committee: Hiroataka Takeuchi (Chairman), Takashi Hibino, Seiji Nakata, Tadashi Onodera, Ikuo Nishikawa

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

(Note 5) Title has changed on April 1, 2017

Before
Member of the Board Shigeharu Suzuki Chairman of the Board
Chairman of the Board Takashi Hibino Member of the Board

(2) Status of Corporate Executive Officers

Title	Name	Area in Charge and Significant Concurrent Positions
P r e s i d e n t / R e p r e s e n t a t i v e C o r p o r a t e E x e c u t i v e O f f i c e r	Takashi Hibino	Chief Executive Officer (CEO), Representative Director/president of Daiwa Securities Co. Ltd.
D e p u t y P r e s i d e n t / R e p r e s e n t a t i v e C o r p o r a t e E x e c u t i v e O f f i c e r	Seiji Nakata	Chief Operating Officer (COO) and Head of Retail Representative Director/Deputy President of Daiwa Securities Co. Ltd.
D e p u t y P r e s i d e n t	Shinya Nishio	Head of Wholesale, Representative Director/Deputy President of Daiwa Securities Co. Ltd.

Title	Name	Area in Charge and Significant Concurrent Positions
Deputy President	Nobuyuki Iwamoto	Head of Asset Management, Representative Director of Daiwa Asset Management Co. Ltd.
Deputy President	Yoriyuki Kusaki	Head of Think-tank, Representative Director/Deputy President of Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd.
Senior Executive Managing Director	Toshihiro Matsui	Head of Planning and Deputy Head of Wholesale, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Senior Executive Managing Director	Keiko Tashiro	Head of Overseas, Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Senior Executive Managing Director	Mikita Komatsu	Chief Financial Officer (CFO) and Deputy Head of Overseas, Senior Executive Managing Director of Daiwa Securities Co. Ltd. Member of the Board of Daiwa Real Estate Asset Management Co. Ltd.
Executive Managing Director	Masahisa Nakagawa	Chief Information Officer (CIO), Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Hiroyuki Inose	Chief Risk Management Officer (CRO), Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Masaru Shirataki	Head of Internal Audit, Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Yoshihisa Kaneko	Head of Communication, Executive Managing Director of Daiwa Securities Co. Ltd.
Executive Managing Director	Atsushi Mochizuki	Head of Personnel, Executive Managing Director of Daiwa Securities Co. Ltd.
Corporate Executive Officer	Shigeharu Suzuki	Representative Director/ Chairman of the Board of Daiwa Securities Co. Ltd. Outside Director of Imperial Hotel, Ltd. Outside Audit & Supervisory Board Member of Shochiku Co., Ltd.

(Note 1) Corporate Executive Officers Takashi Hibino, Seiji Nakata, Shinya Nishio, Toshihiro Matsui, Keiko Tashiro, Mikita Komatsu and Shigeharu Suzuki also serve as Directors.

(Note 2) Corporate Executive Officers Yoshihisa Kaneko and Shigeharu Suzuki resigned as of March 31, 2017. As of the said day, Shigeharu Suzuki resigned Representative Director and Chairman of the Board of Daiwa Securities Co. Ltd.

(Note 3) Takashi Hibino resigned as Representative Corporate Executive Officer as of March 31, 2017 and Shinya Nishio took his new position as Representative Corporate Executive Officer as of April 1, 2017.

(Note 4) Kazuo Takahashi and Akihiko Ogino took their new positions as Corporate Executive Officers as of April 1, 2017. As of the said day, the responsibilities of the Corporate Executive Officers were changed as follows.

President/Representative Corporate Executive Officer	Seiji Nakata	Chief Executive Officer (CEO) and Head of Retail
Deputy President/Representative Corporate Executive Officer	Shinya Nishio	Chief Operating Officer (COO), Head of Wholesale and Deputy Head of Retail
Deputy President	Kazuo Takahashi	Deputy Head of Wholesale
Executive Managing Director	Akihiko Ogino	Head of Legal and Deputy Head of Planning
Corporate Executive Officer	Takashi Hibino	

*As of April 1, 2017, the following officers were inaugurated as the following positions:
Takashi Hibino, as a Representative Director/ Chairman of the Board of Daiwa Securities Co. Ltd.;*

Seiji Nakata, as a Representative Director/president of Daiwa Securities Co. Ltd.; and

Kazuo Takahashi, as a Representative Director/Deputy President of Daiwa Securities 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
Nobuko Matsubara	Honorary Chairman of Japan Institute of Women's Empowerment & Diversity Management
	Outside Director of Ebara Corporation
	Outside Director of Dentsu Inc.
Keiichi Tadaki	Special Counsel Attorney at Mori Hamada & Matsumoto
	Outside Director of Aeon Co., Ltd.
	Outside Audit & Supervisory Board Member of Nippon Life Insurance Company
	Outside Audit & Supervisory Board Member of Fujita Corporation
	Outside Audit & Supervisory Board Member of Miroku Jyoho Service Co., Ltd.
Tadashi Onodera	Chairman of KDDI Corporation
	Outside Director of Kyocera Corporation
	Outside Director of Okinawa Cellular Telephone Company
Michiaki Ogasawara	Outside Director of SKY Perfect JSAT Holdings Inc.
	Representative Director and President of the ITU Association of Japan
	Adviser of Sampo 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 GreenPeptide Co., Ltd.
	Outside Director of Mitsui & Co., Ltd.
	Director of t-lab
	Principal of Global Academy K. K.

Ikuo Nishikawa	Professor of Keio University Faculty of Business and Commerce
	Outside Director of Eisai Co., Ltd.
	Outside Director of Megumilk Snow Brand Co., Ltd.
	Outside Audit & Supervisory Board Member of Mitsubishi Corporation

(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)
Nobuko Matsubara	Attended all 10 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2016. Made remarks on the bills and discussion, mainly from knowledge and experience acquired in her career as a government officer.
Keiichi Tadaki	Attended all 10 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2016. Made remarks on the bills and discussion on such meetings, mainly from his experience as a government officer and from expertise as an attorney.
Tadashi Onodera	Attended all 10 Board of Directors' meetings. Made remarks on the bills and discussion on such meetings, mainly from his experience as a business executive.
Michiaki Ogasawara	Attended all 10 Board of Directors' meetings and all 12 Audit Committee meetings held in FY2016. Made remarks on the bills and discussion on such meetings, mainly from knowledge and experience acquired in his career as a government officer.
Hiroataka Takeuchi	Attended 7 of all 8 Board of Directors' meetings held after his inauguration in FY2016. Made remarks on the bills and discussion on such meetings, mainly based on his knowledge and experience relating to management strategies.
Ikuo Nishikawa	Attended all 8 Board of Directors' meetings and all 10 Audit Committee meetings held after his inauguration in FY2016. Made remarks on the bills and discussion on such meetings, mainly from knowledge and experience acquired in his career as a certified public accountant.

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

3) Outline of the Agreement to limit liability

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

(4) Remunerations paid to Directors and Corporate Executive Officers

Amounts of Remunerations, etc. Paid based on Resolution of the Compensation Committee	Directors		Corporate Executive Officers		Total	
	Number Paid	Amount Paid	Number Paid	Amount Paid	Number Paid	Amount Paid
	Persons	¥million	Persons	¥million	Persons	¥million
	9	132	14	1,219	23	1,351

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

remuneration for FY2016.

(Note 2) The paid amounts above include the stock acquisition rights granted as stock options to the Directors and Corporate Executive Officers valued at 90 million yen in total. The details of the stock acquisition rights are stated in "2. Status of Stock Acquisition Rights, etc."

(Note 3) The total remuneration, etc. paid to the seven (7) outside directors was 105 million yen.

(Note 4) The remunerations 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 for Directors and Corporate Executive Officers

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

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

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

1) Base remuneration

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

2) Performance-linked remuneration

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

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

3) Stock-linked remuneration

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

Stock-linked remuneration shall not apply to Outside Directors.

4. Status of Independent Auditors

1) Name: KPMG AZSA LLC

2) Amount of Fees, etc.

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

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

3) Policies for Determination of Discharge or Refusal of Reappointment

1. Discharge in the cases stipulated in the laws
Audit Committee shall discharge an independent auditor with the consent of all members of the committee, in the case where the independent auditor falls under any of the items of paragraph 1 of Article 340 of the Companies Act.
2. Discharge or refusal of reappointment in other cases
Audit Committee evaluates the independent auditor's general competency, independency, quality control system, etc. every year. In the case where Audit Committee, after such evaluation, deems that the adequacy of the independent auditor is questionable or deems it reasonable to retain another independent auditor from the viewpoint of efficacy etc. of audit, the committee determines content of a bill in a shareholders meeting as to discharge or refusal of reappointment of independent auditor.

4) Others

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

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

5. Policies for Determination of Distribution of Surpluses

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

We basically pay dividends two times a year as a mid-term dividend and a fiscal year-end dividend. We have a policy to pay about 40% of the profits every six months in order to reflect a

consolidated business performance. We also have a policy to proactively return profits to shareholders by repurchase of the Company's shares, etc., in the case where we can secure enough internal reserve necessary for future business development with the business stability taken into consideration.

Based on the basic policies above, we have decided that the distributions of surplus for FY2016 are 13 yen per share as the mid-term dividend (resolved at the Board of Directors' meeting held on October 28, 2016) and 13 yen per share as the year-end dividend. Accordingly, the annual dividend will be 26 yen per share.

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

< System to Ensure Appropriateness of Business >

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

The meeting of Board of Directors on March 29, 2017 resolved required revision to clarify the cooperation of Internal Audit Department and Audit Committee as of April 1, 2017.

The following is the system as of March 31, 2017, the version before revision.

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

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

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

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

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

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

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

The Audit Committee Office can attend various meetings when necessary.

3) System of report to Audit Committee

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

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

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

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

reported and other matters which are deemed useful for audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

regulations and the Articles of Incorporation

a. Compliance System

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

b. Group Risk Management Committee

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

c. Group Internal Audit Committee

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

d. Internal Audit Department

- * For sound and effective internal control of the Group, we believe that internal audit is an important function and have established internal audit departments in major companies of the Group as well as the Company.
 - * The internal audit department evaluates and examines the effectiveness of the Group's internal controls, and makes proposals for improvement and efficiency of the Group's business operation.
 - * The internal audit department makes proposals and reports to the Audit Committee and the Group Internal Audit Committee about the plans and results of the internal audit.
- e. Internal Control on Financial Reporting
- * For preparing the structure necessary to ensure appropriateness of financial statements and other financial information, the Company establishes the basic rules relating to internal control on financial reporting.
 - * The Disclosure Committee and the Group Internal Audit Committee discuss and determine important issues concerning internal control on financial reporting.

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

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

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

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

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

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

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

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

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

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

(1) The outline of the state of the operation as to the matters necessary for execution of the duties of Audit Committee

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

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

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

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

3) The system of report to Audit Committee

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

or the Articles of Incorporation. Thus, the Company ensured the system to receive reports appropriately.

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

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

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

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

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

In accordance with audit standards of Audit Committee, Selected Committee Member of the Company tried to gather information as to execution status of duties of Directors and Corporate Executive Officers, by attending the important meetings such as meetings of Executive Management Committee, by browsing corporate decision documents and other important documents and by receiving reports of internal audit from internal audit department. It also obtained periodically the reports from the independent auditor on state of the accounting audit. It shared such information and reports with other Audit Committee members. Further, Audit Committee tried to ensure the effectiveness of its audit by conducting additional hearings from officers and employees and also additional investigations through the Audit Committee Office when necessary and by gathering a wide range of information through attendance to every meeting of Executive Management Committee, Group Risk Management Committee and Group Internal Audit Committee.

(2) The outline of the state of operation of the system to ensure the compliance in execution of Corporate Executive Officers' duties with laws and regulations and the Articles of Incorporation, and other systems to ensure appropriateness of the business of the company and the corporate group consisting of such company and its subsidiaries

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

The Company already installed the rules, departments and systems on the matters listed in item (2) of "System to Ensure Appropriateness of Business" above and operated them adequately. The company also tried to realize the spread of information as to internal rules, advancement of compliance mind and penetration of corporate ethics, through compliance seminars for all officers and employees, compliance training and enlightenment activities for new employees and newly appointed managers, etc. In FY 2016, the Company held the meetings of Group Risk Management Committee 12 times to understand the risk status of the Group and also held the meetings of Group Internal Audit 9 times to share the results of internal audit conducted by the internal audit department. Further, the internal audit department evaluated and verified the internal controls as to financial reporting and reported the result to Group Internal Audit Committee.

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

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

the department in charge.

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

The Company raised market risk, credit risk, liquidity risk, operational risk, reputational risk and accounting/ taxation risk as the risks to be managed in the rules on risk management. It also tried to upgrade the risk management system in response to the characteristics of each risk. Further, it grasped the information as to situation of risk management system and risks themselves through the meetings of Group Risk Management Committee. In FY2016, such meetings were held 12 times, where the departments in charge of each risk shared such information there.

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

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

In the FY 2016, the meetings of Executive Management Committee were held 16 times, where its members discussed and determined the important matters which have effect on the Company or the Group. Further, Executive Management Committee reported the situation of execution of its duties to the Board of Directors. By this way, the adequacy and efficiency of execution of the duties of the Company's Corporate Executive Officers and its subsidiaries' Directors were supervised adequately.

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

The Company received reports from its group companies domestic and overseas and approved important matters as to such companies in the Company's meeting body, in accordance with the rules for management of group companies and overseas offices, etc. In FY 2016, the Company held Executive Management Committee 16 times and Overseas Management Committee 11 times for adequate discussions, decisions and reports.

Consolidated balance sheets

(Millions of yen)

	Fiscal 2016 As of Mar. 31, 2017	[References] Fiscal 2015 As of Mar. 31, 2016
<i>Assets</i>		
Current assets:	19,258,940	19,851,563
Cash and deposits	3,828,674	3,334,784
Cash segregated as deposits	336,338	323,761
Notes and accounts receivable-trade	16,649	17,090
Securities	1,742,127	2,091,090
Trading products:	6,546,229	7,501,242
Trading securities and other	3,853,260	4,017,267
Derivatives	2,692,968	3,483,975
Operational investment securities	125,040	127,210
Allowance for investment loss	(11,052)	(11,053)
Operating loans	655,709	432,785
Work in process	1,285	503
Margin transaction assets:	202,530	203,376
Loans on margin transactions	174,524	183,654
Cash collateral pledged for securities borrowing on margin transactions	28,006	19,722
Loans secured by securities:	5,305,518	5,250,135
Cash collateral pledged for securities borrowed	5,005,170	5,184,274
Loans on Gensaki transactions	300,347	65,861
Advances paid	26,345	20,670
Short-term loans receivable	606	288
Accrued income	35,380	33,574
Deferred tax assets	8,023	9,401
Other current assets	440,034	517,421
Allowance for doubtful accounts	(502)	(722)
Non-current assets:	568,356	569,255
Property, plant and equipment:	124,980	124,562
Buildings	46,294	49,362
Equipment	19,949	17,287
Land	58,736	57,911
Intangible assets:	90,596	84,879
Goodwill	6,103	7,972
Leasehold right	3,219	3,222
Software	63,443	51,899
Other	17,830	21,785
Investments and other assets:	352,779	359,812
Investment securities	318,751	324,456
Long-term loans receivable	4,939	4,954
Long-term guarantee deposits	17,298	17,523
Deferred tax assets	4,796	5,679
Other	7,655	7,942
Allowance for doubtful accounts	(661)	(743)
Total assets	19,827,296	20,420,818

(Millions of yen)

	Fiscal 2016 As of Mar. 31, 2017	<u>References</u> Fiscal 2015 As of Mar. 31, 2016
<i>Liabilities</i>		
Current liabilities:	16,007,868	16,827,865
Notes and accounts payable-trade	8,166	6,413
Trading products:	4,658,595	5,300,861
Trading securities and other	2,261,720	2,315,450
Derivatives	2,396,874	2,985,410
Trade date accrual	216,836	427,257
Margin transaction liabilities:	62,377	54,387
Borrowings on margin transactions	3,086	3,789
Cash received for securities lending on margin transactions	59,290	50,597
Loans payable secured by securities:	6,018,813	5,901,794
Cash received on debt credit transaction of securities	5,909,682	5,893,795
Borrowings on Gensaki transaction	109,130	7,999
Deposits for banking business	2,985,733	2,928,630
Deposits received	256,873	214,498
Guarantee deposits received	418,039	512,426
Short-term loans payable	918,954	820,019
Commercial papers	-	137,720
Current portion of bonds	278,237	232,594
Income taxes payable	15,084	40,498
Deferred tax liabilities	1,790	2,293
Provision for bonuses	30,872	30,058
Other current liabilities	137,494	218,411
Non-current liabilities:	2,472,065	2,275,976
Bonds payable	1,219,344	1,204,711
Long-term loans payable	1,179,264	1,004,988
Deferred tax liabilities	10,234	19,151
Net defined benefit liabilities	39,791	38,417
Provision for loss on litigation	15,903	2,174
Other non-current liabilities	7,527	6,532
Reserves under the special laws:	3,929	3,970
Reserve for financial products transaction liabilities	3,929	3,970
Total liabilities	18,483,863	19,107,812
<i>Net assets</i>		
Shareholders' equity:	1,183,636	1,133,257
Capital stock	247,397	247,397
Capital surplus	230,712	231,889
Retained earnings	718,238	683,939
Treasury stock	(12,719)	(29,970)
Deposit for subscriptions to treasury stock	7	2
Accumulated other comprehensive income:	67,254	86,574
Valuation difference on available-for-sale securities	59,922	98,483
Deferred gains or losses on hedges	435	(32,992)
Foreign currency translation adjustment	6,896	21,082
Subscription rights to shares	8,729	8,958
Non-controlling shareholders' interests	83,813	84,214
Total net assets	1,343,433	1313,005
Total liabilities and net assets	19,827,296	20,420,818

Consolidated statements of income

(Millions of yen)

	Fiscal 2016 Apr. 1, 2016 - Mar. 31, 2017	<u>[References]</u> Fiscal 2015 Apr. 1, 2015 - Mar. 31, 2016
Operating revenue:	616,497	653,711
Commission received:		
Commission to consignees	273,335	288,418
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	60,947	70,325
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	29,729	28,553
Other fees received	34,287	34,743
Net trading income	148,370	154,796
Net gain (loss) on operational investment securities	128,120	131,324
Financial revenue	14,846	18,502
Other operating revenue	143,241	149,451
Other operating revenue	56,953	66,014
Financial expenses	98,725	89,530
Other operating expenses	45,022	49,366
Net operating revenue	472,750	514,815
Selling, general and administrative expenses:	353,687	364,517
Trading related expenses	69,754	72,339
Personnel expenses	175,830	183,292
Real estate expenses	35,267	37,360
Office cost	27,047	26,771
Depreciation	23,406	23,833
Taxes and dues	10,530	8,887
Provision of allowance for doubtful accounts	-	673
Other	11,852	11,358
Operating income (loss)	119,062	150,297
Non-operating income:	17,786	16,156
Dividends income	4,753	5,261
Equity in earnings of affiliates	8,412	6,959
Gain on investments in partnership	2,076	840
Foreign exchange gains	62	43
Other	2,481	3,051
Non-operating expenses:	1,225	1,305
Interest expenses	42	392
Bond issuance cost	371	446
Other	811	466
Ordinary income (loss)	135,623	165,148
Extraordinary income:	17,377	9,462
Gain on sales of investment securities	13,137	3,284
Gain on sales of equities of affiliates	-	1,116
Gain on liquidation of subsidiaries and affiliates	1,310	-
Gain on change in equity	768	3,092
Reversal of reserve for securities transaction liabilities	28	-
Recoveries of write-offs	-	232
Reversal of allowance for doubtful receivables	-	633
Reversal of subscription rights to shares	1,228	-
Reversal of restructuring related costs	700	-
Other	203	1,102
Extraordinary loss:	13,996	4,698
Impairment loss	430	1,728
Loss on sales of equities of affiliates	651	-
Loss on valuation of investment securities	51	462
Loss on liquidation of affiliates	769	-
Provision of reserve for financial products transaction liabilities	-	43
Business restructuring cost	206	1,688
MMF redemption related costs	305	-
Provision for loss on litigation	11,230	-
Other	351	774
Income (loss) before income taxes	139,004	169,912
Income taxes-current	39,977	57,739
Income taxes-deferred	(5,250)	(10,803)
Net income (loss)	104,278	122,977
Net income (loss) attributable to non-controlling shareholders	210	6,128
Net income (loss) attributable to parent company shareholders	104,067	116,848

Consolidated statements of changes in net assets

(Apr. 1, 2016 - Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at the beginning of current period	247,397	231,889	683,939	(29,970)	2	1,133,257
Changes of items during the period						
Dividends from surplus	-	-	(42,326)	-	-	(42,326)
Net income (loss) attributable to parent company shareholders	-	-	104,067	-	-	104,067
Purchase of treasury stock	-	-	-	(13,086)	-	(13,086)
Disposal of treasury stock	-	(186)	-	1,610	-	1,424
Cancellation of treasury stock	-	(990)	(27,737)	28,728	-	-
Change of scope of consolidation	-	-	296	-	-	296
Other	-	0	-	-	4	4
Total changes of items during the period	-	(1,176)	34,299	17,251	4	50,379
Balance at the end of current period	247,397	230,712	718,238	(12,719)	7	1,183,636

(Millions of yen)

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling shareholders' interests
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at the beginning of current period	98,483	(32,992)	21,082	8,958	84,214
Changes of items during the period					
Net changes of items other than shareholders' equity	(38,561)	33,427	(14,186)	(229)	(401)
Total changes of items during the period	(38,561)	33,427	(14,186)	(229)	(401)
Balance at the end of current period	59,922	435	6,896	8,729	83,813

Consolidated statements of changes in net assets

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

(Millions of yen)

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

(Millions of yen)

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

Balance sheet

(Millions of yen)

	Fiscal 2016 As of Mar. 31, 2017
<i>Assets</i>	
Current assets:	562,466
Cash and deposits	94,675
Short-term loans receivable	441,929
Accounts receivable	14,847
Accrued income	3,095
Other current assets	7,917
Non-current assets:	1,790,278
Property, plant and equipment:	45,372
Buildings	965
Equipment	2,325
Land	42,082
Intangible assets:	7,858
Software	5,183
Other	2,675
Investments and other assets:	1,737,047
Investment securities	160,278
Stocks of subsidiaries and affiliates	843,811
Investments in other securities of subsidiaries and affiliates	13,135
Long-term loans receivable	712,818
Long-term guarantee deposits	4,840
Other	2,409
Allowance for doubtful accounts	(248)
Total assets	2,352,744

(Millions of yen)

	Fiscal 2016 As of Mar. 31, 2017
<i>Liabilities</i>	
Current liabilities:	355,165
Short-term loans payable	137,379
Current portion of bonds	156,376
Accrued expenses	3,444
Loans payable secured by securities	51,169
Income taxes payable	532
Provision for bonuses	1,111
Deferred tax liability	222
Other current liabilities	4,928
Non-current liabilities:	1,108,064
Bonds payable	624,993
Long-term loans payable	464,464
Deferred tax liabilities	16,517
Other non-current liabilities	2,088
Total liabilities	1,463,230
<i>Net assets</i>	
Shareholders' equity:	839,014
Capital stock	247,397
Capital surplus:	226,751
Legal capital surplus	226,751
Other capital surplus	-
Retained earnings:	377,577
Legal retained earnings	45,335
Other retained earnings	332,241
Retained earnings brought forward	332,241
Treasury stock	(12,718)
Deposit for subscriptions to treasury stock	7
Valuation and translation adjustments:	41,770
Valuation difference on available-for-sale securities	41,770
Subscription rights to shares	8,729
Total net assets	889,514
Total liabilities and net assets	2,352,744

Statement of income

(Millions of yen)

	Fiscal 2016 Apr. 1, 2016 - Mar. 31, 2017
Operating revenue:	34,648
Dividends from subsidiaries and affiliates	29,102
Interest on loans receivable from subsidiaries and affiliates	5,467
Other	77
Operating expenses:	24,208
Selling, general and administrative expenses:	17,481
Trading related expenses	2,055
Personnel expenses	6,691
Real estate expenses	1,663
Office cost	2,695
Depreciation	1,623
Taxes and dues	1,641
Other	1,108
Financial expenses	6,726
Operating income (loss)	10,439
Non-operating income:	4,343
Dividend income	3,596
Other	746
Non-operating expenses:	1,157
Bond issue cost	844
Other	313
Ordinary income (loss)	13,625
Extraordinary income:	13,300
Gain on sales of investment securities	12,071
Reversal of subscription rights to shares	1,228
Extraordinary loss:	1,872
Loss on support to subsidiaries and affiliates	1,820
Other	51
Income (loss) before income taxes	25,053
Income taxes-current	242
Income taxes-deferred	(58)
Net income (loss)	24,870

Statement of changes in net assets

(Apr. 1, 2016 - Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus		Retained earnings			Treasury stock	Deposit for subscriptions to treasury stock	Total
		Additional paid-in capital	Other capital surplus	Earned surplus reserve	Other earned surplus reserve				
					Deferred earned surplus				
Balance at the beginning of current period	247,397	226,751	1,233	45,335		377,435	(29,919)	2	868,237
Changes of items during the period									
Dividends from surplus	-	-	-	-		(42,326)	-	-	(42,326)
Net income	-	-	-	-		24,870	-	-	24,870
Purchase of treasury stock	-	-	-	-		-	(13,086)	-	(13,086)
Disposal of treasury stock	-	-	(243)	-		-	1,558	-	1,315
Cancellation of treasury stock	-	-	(990)	-		(27,737)	28,728	-	-
Others	-	-	-	-		-	-	4	4
Total changes of items during the period	-	-	(1,233)	-		(45,193)	17,200	4	(29,222)
Balance at the end of current period	247,397	226,751	-	45,335		332,241	(12,718)	7	839,014

(Millions of yen)

	Valuation and translation adjustments	Subscription Rights to shares
	Others Valuation difference on available-for-sale securities	
Balance at the beginning of current period	46,773	8,958
Changes of items during the period		
Net changes of items other than shareholders' equity	(5,002)	(229)
Total changes of items during the period	(5,002)	(229)
Balance at the end of current period	41,770	8,729

Independent Auditor's Report

May 12, 2017

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

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

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

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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, a summary of significant accounting policies and other explanatory information of Daiwa Securities Group Inc. as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is 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 about whether the consolidated financial statements are free from material misstatement.

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

consolidated financial statements.

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Independent Auditor's Report

May 12, 2017

The Board of Directors
Daiwa Securities Group Inc.

KPMG AZSA LLC

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

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

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

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets, a summary of significant accounting policies and other explanatory information, and the supplementary schedules of Daiwa Securities Group Inc. as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Audit Report

The Audit Committee has audited the execution of duties by the Directors and the Corporate Executive Officers for the 80th fiscal year from April 1, 2016 to March 31, 2017. We report the methods and the results of the audit as follows.

1. Methods used in audits and content of audits

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

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

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

2. Results of the Audit

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

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

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

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

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

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

May 15, 2017

Audit Committee
Daiwa Securities Group Inc.

Committee Chairperson
Keiichi Tadaki

Committee Member (Full time)
Morimasa Matsuda

Committee Member
Nobuko Matsubara

Committee Member
Michiaki Ogasawara

Committee Member
Ikuo Nishikawa

(Note) Mr. Keiichi Tadaki, Ms. Nobuko Matsubara, Mr. Michiaki Ogasawara and Mr. Ikuo Nishikawa are the outside directors provided under the provisions of Article 2, item 15 and Article 400, Paragraph 3 of the Companies Act.