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## Corporate Governance Report

Last Update: May 26, 2020

Daiwa Securities Group Inc.

President and CEO Seiji Nakata

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Securities Code: 8601

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

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

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

#### 1. Basic Views

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

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

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

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

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

Overseas Management Committee) as an executive body, and (iii) Group Internal Audit Committee, which is in direct control of the CEO as an internal audit body.

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

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

### [Disclosure Based on the Principles of the Corporate Governance Code] Updated

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

- The Company and Daiwa Securities Co. Ltd. hold the strategic shareholding shares only when they determine that such shareholding serves their strategic interests. Furthermore, the Company regularly verifies the significance of such shareholding and will sell shares which are determined to be insignificant considering the impact on the market and other matters which should be taken into consideration.

Total amount (book value) of the strategic shareholding shares\* sold from FY2016 to the end of FY2019: 16.1 billion yen (▲26%).

\* Excluding shares held for the purpose of alliance.

- In the verification of the significance of the shareholding, the Company checks whether such shareholding contributes to the enhancement of medium to long term corporate value of the Company group from the viewpoint of economic rationality (i.e. whether the returns from the shares such as revenues related to client companies or dividend income exceed the standard capital cost) and objectives for the shareholding (e.g. potential for growth and enhancement of business relationships, etc.).

Moreover, the Board of Directors regularly verifies the significance of each strategic shareholding shares.

\*The result of the verification at the end of March 2020 is as follows:

Excluding shares held for the purpose of alliance, around 80% of the client companies exceed the target value.

For the other approximately 20% of the client companies which are below the target value, the Company will verify qualitative aspects of the shareholding such as maintenance and enhancement of future business relationships with these companies and aim to improve the profitability of the shareholding. However, if the profitability of the shareholding does not improve in a certain period, the Company will consider selling such shares.

- With regard to the exercise of the voting rights of strategic shareholding shares, the Company carefully determines whether or not each proposal should be approved taking into account the need to enhance medium to long term corporate value of both the strategic shareholding company and the Company group.

Especially for the important proposals of the following proposals that could significantly affect the corporate value or shareholder interests, the Company will exercise the voting rights through dialogue with the client company if necessary.

- Election of directors or audit & supervisory board members
- Anti-Takeover measure
- Organizational restructure
- Distribution of Dividends of surplus, etc.

- In addition, if there is a possibility of a conflict of interest in exercising the voting rights, the Company will take appropriate measures in accordance with the Management Policy for Conflict of Interest of the Company.

【Principle 1-7】 Transactions between Related Parties

- In order to avoid any prejudice to the Company and the common interests of its shareholders, the Company has established Regulations of the Board of Directors that a prior approval of the Board of Directors is necessary in cases where the Company conducts transactions with the Directors or Corporate Executive Officers (Shikkoyaku) of the Company or major shareholders, etc., unless the terms and conditions of the transactions are the same as those of general transactions.

【Principle 2-6】 Roles of Corporate Pension Funds as Asset Owners

- Each company of the Company group, including the Company, adopted a Defined Contribution Pension Plan to allow each employee to freely build his/her assets according to his/her life plan.
- The Company has selected Daiwa Securities Co. Ltd., a subsidiary of the Company, as the DC provider and encourages employees of each company adopting the Defined Contribution Pension Plan to provide education for the subscribers and use a matching contribution plan.

【Principle 3-1】 Enhancement of Information Disclosure

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

Corporate Principles

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

Medium-Term Management Plan

([http://www.daiwa-grp.jp/data/attach/2436\\_43\\_en20180406a.pdf](http://www.daiwa-grp.jp/data/attach/2436_43_en20180406a.pdf))

- (2) The basic views on Corporate Governance of the Company group are described in “*I. 1. Basic Views*” of this report.
- (3) The Company decides on the policy regarding the compensation of the Directors and Corporate Executive Officers (Shikkoyaku) in the Compensation Committee and has disclosed the policy on the Notice of Convocation of the Ordinary General Meeting of Shareholders, securities reports, and “*II. 1. Organizational Composition and Operation, etc.*” of this report.
- (4) With regard to the election of Directors, the Nominating Committee, which is made up of a majority of Outside Directors, determines the candidates for the Directors. An overview of the procedure is disclosed in securities reports and “*II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)*” of this report.

Based on the Regulations of Board of Directors, appointment and dismissal of the CEO and other Corporate Executive Officers (Shikkoyaku) are determined by the Board of Directors. The Board of Directors will dismiss the CEO and other Corporate Executive Officers (Shikkoyaku), if the Board of Directors judges that the CEO or a Corporate Executive Officer (Shikkoyaku) cannot dully fulfill his/her duties and considers it appropriate to dismiss such CEO or Corporate Executive Officers (Shikkoyaku).

- (5) The reasons for the election of Directors, including the Director holding concurrent post of representative Corporate Executive Officer (Shikkoyaku), are explained in the Appendix 1 of this report. With regard to the Outside Directors, the reasons for election are described on “*Reasons for Appointment*” of “*Outside Directors’ Relationship with the Company (2)*” of **【Outside Directors】** of “*II. 1. Organizational Composition and Operation, etc.*” of this report.

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

- In order to promote swift decision-making and efficient group management, the Board of Directors of the Company delegates the decision-making authority regarding the execution of operations to the Corporate Executive Officer (Shikkoyaku) or the Executive Management Committee, which is comprised of the Corporate Executive Officers (Shikkoyaku), except for the matters that, according to the laws and regulations, have to be decided by the Board of Directors.

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

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

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

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

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

- Status of holding concurrent posts of the Outside Directors is disclosed on the Notice of Convocation of the Ordinary General Meeting of Shareholders and “II. 1. *Organizational Composition and Operation, etc.*” of this report.
- The status of other Directors is described in the Appendix 2 of this report.

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

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

<Overview of the result of the effectiveness of the Board of Directors in FY2018>

- The Company has confirmed that the role, duty, structure, management methods and the status of discussion of the Board of Directors are sufficient for the Board of Directors to perform its function, and that the effectiveness of the Board of Directors has been ensured.
- Based on the change of the environment surrounding the Group and results of the previous evaluation, the Board of Directors shared and discussed the requests and other matters presented from institutional investors and shareholders. Also, the Company held workshop on trends of Fintech and other matters by guest lecturer.
- In addition, various opinions were given from Directors on matters such as the Group’s approach towards SDGs, how the supervision of the Group companies should be to further revitalize the Board of Directors.
- The Company will continuously endeavor to enhance the effectiveness of the Board of the Directors to earn trust from various stakeholders and improve the corporate value sustainably.

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

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

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

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

## 2. Capital Structure

Percentage of Foreign Shareholders	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. Trust Account	99,637,500	6.36
Japan Trustee Services Bank, Ltd. Trust Account	66,454,300	4.24
Barclays Securities Japan Limited	34,291,444	2.18
Nippon Life Insurance Company	31,164,237	1.98
Taiyo Life Insurance Company	31,140,000	1.98
Japan Trustee Services Bank, Ltd. Trust Account 5	31,110,100	1.98
JAPAN POST HOLDINGS Co., Ltd.	30,000,000	1.91
JP MORGAN CHASE BANK 385151	27,317,099	1.74
STATE STREET BANK WEST CLIENT - TREATY 505234	25,142,252	1.60
Japan Trustee Services Bank, Ltd. Trust Account 7	21,793,500	1.39

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

### Supplementary Explanation

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## 3. Corporate Attributes

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

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

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

▪ No particular matters to be described.

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

### 1. Organizational Composition and Operation, etc.

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

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	Chairperson of the Board (except holding concurrent post of president)
Number of Directors	14

#### [Outside Directors]

Number of Outside Directors	6
Number of Independent Directors designated among Outside Directors	6

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Tadashi Onodera	From another company												
Michiaki Ogasawara	Other												
Hiroataka Takeuchi	Academic												
Ikuo Nishikawa	Certified Public Accountant												
Eriko Kawai	Academic												
Katsuyuki Nishikawa	Attorney at law												

\* Categories for "Relationship with the Company"

\* "○" when the Director presently falls or recently fell under the category;

"△" when the Director fell under the category in the past

\* "●" when a close relative of the Director presently falls or recently fell under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the listed company or its subsidiaries

b. Non-Executive Director or executive of a parent company of the listed company

c. Executive of a fellow subsidiary company of the listed company

d. A party whose major client or supplier is the listed company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides compensation as a Director/Audit & Supervisory Board Member

- g. Major shareholder of the listed company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the listed company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Member are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the listed company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Tadashi Onodera	○	○		○	Senior Corporate Advisor of KDDI. He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.	<p>&lt;Reasons for Appointment as Outside Director&gt; He held positions such as President of KDDI Corporation, etc. and currently is Senior Corporate Advisor of KDDI Corporation. The Company believes that he is qualified for the Outside Director because he has ample experience and knowledge about corporate management accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Michiaki Ogasawara	○		○	○	Advisor of Sompo Japan Nipponkoa Insurance Inc.; and Advisor of	<p>&lt;Reasons for Appointment as Outside Director&gt; He served successively as the Director-General of</p>



					<p>Sumitomo Corporation. He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>Global ICT Strategy Bureaus and the Vice-Minister of Ministry of Internal Affairs and Communication etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Hiroataka Takeuchi	○	○		○	<p>Professor of Harvard Business School; Outside Director of Integral Corporation; Outside Director of BrightPath Biotherapeutics Co., Ltd.; Director of t-lab; and Principal of Global Academy K.K. He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability</p>	<p>&lt;Reasons for Appointment as Outside Director&gt; He served successively as the Professor of Hitotsubashi University, Faculty of Commerce and Management and Professor of Harvard Business School, etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt; He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of</p>

					amount in Article 425 of the Companies Act, whichever is higher.	interest between general shareholders and him, the Company designates him as an Independent Director.
Ikuo Nishikawa	○	○	○	○	<p>Outside Director of MEGMILK SNOW BRAND Co., Ltd.;  Outside Audit &amp; Supervisory Board Member of Mitsubishi Corporation; and  Guest Professor of Graduate School of Keio University, Faculty of Business &amp; Commerce.</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt;  He served successively as the Representative Partner of Century Audit Corporation and Chairman of Accounting Standards Board of Japan, etc. The Company believes that he is qualified for the Outside Director because he has specialized experience and knowledge accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt;  He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general shareholders and him, the Company designates him as an Independent Director.</p>
Eriko Kawai	○	○	○	○	<p>Professor of Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University;  Director of the Outlook Foundation;  Director of the Grew Bancroft Foundation; and</p>	<p>&lt;Reasons for Appointment as Outside Director&gt;  She held positions such as the Pension Funds Administrator of BIS and OECD, etc. The Company believes that she is qualified for the Outside Director because she has ample experience and knowledge about corporate management accumulated through her career.</p>

					<p>Outside Audit &amp; Supervisory Board Member of CMIC HOLDINGS Co., Ltd..</p> <p>She has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Independent Director&gt;</p> <p>She fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because the Company believes that there is no conflict of interest between general shareholders and her, the Company designates her as an Independent Director.</p>
Katsuyuki Nishikawa	○		○	○	<p>Attorney at Nishikawa Katsuyuki Law Office</p> <p>He has executed an agreement, which sets forth that the maximum amount of liability under the said agreement shall be 10 million yen or the minimum liability amount in Article 425 of the Companies Act, whichever is higher.</p>	<p>&lt;Reasons for Appointment as Outside Director&gt;</p> <p>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 believes that he is qualified for the Outside Director because he has ample experience and professional knowledge about law and compliance accumulated through his career.</p> <p>&lt;Reasons for Appointment as Independent Director&gt;</p> <p>He fulfills the requirements for Independent Directors as defined by the Company and the stock exchanges. Because it is believed that there is no conflict of interest between general</p>

						shareholders and him, the Company designates him as an Independent Director.
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### [Committees]

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

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Chairman
Nomination Committee	7	0	2	5	Outside Director
Compensation Committee	5	0	2	3	Outside Director
Audit Committee	5	1	1	4	Outside Director

### [Corporate Executive Officers (Shikkoyaku)]

Number of Corporate Executive Officers (Shikkoyaku)

15

#### Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Seiji Nakata	Yes	Yes	Yes	Yes	No
Toshihiro Matsui	Yes	Yes	No	No	No
Kazuo Takahashi	No	Yes	No	No	No
Keiko Tashiro	No	Yes	No	No	No
Yoriyuki Kusaki	No	No	No	No	No
Mikita Komatsu	No	Yes	No	No	No
Masahisa Nakagawa	No	Yes	No	No	No
Shinsuke Niizuma	No	No	No	No	No
Akihiko Ogino	No	No	No	No	No
Junichi Arihara	No	No	No	No	No
Yoshifumi Otsuka	No	No	No	No	No
Kana Shirakawa	No	No	No	No	No
Eiji Sato	No	No	No	No	No
Takashi Hibino	No	Yes	Yes	Yes	No

### [Auditing Structure]

Appointment of Directors and/or Employees to Support Audit Committee

Appointed

Matters Related to the Independence of Such Directors and/or Employees from Corporate Executive Officers (Shikkoyaku)

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

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Division

- In FY2018, Audit Committee held periodic meetings three times with KPMG AZSA LLC, Accounting Auditors. Audit Committee has received reports on audit plan, circumstances and result of the audit, etc. from Accounting Auditors, and has evaluated independence and the quality control system of Accounting Auditors.
- Furthermore, a member of Audit Committee, selected by Audit Committee, has been conducting hearings with Accounting Auditors as necessary.
- Audit Committee has provided "Policy of Determination of Dismissal or Non-Reappointment to Accounting Auditors" and receives explanations about the audit Remuneration of the Accounting Auditors from the section in charge and consents to it.
- In FY2018, Audit Committee received reports eight times from the Internal Audit Department on the circumstances of internal audit of the Company and the group companies.
- Furthermore, a member of Audit Committee, selected by Audit Committee, makes inquiries to the Internal Audit Department on progress and results of internal audits as necessary, and attends the Group Internal Audit meetings and makes remarks as necessary.
- Audit Committee or a member of Audit Committee selected by Audit Committee consents to important issues on the internal audit, such as Audit Policy of Internal Audit or formulation of internal audit plan etc.
- Audit Committee is able to put forward inquiries to the Internal Audit Department as necessary.

[Independent Directors]

Number of Independent Directors	6
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Matters relating to Independent Directors

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[Incentives]

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

Performance-linked Remuneration

- Performance-linked Remuneration shall be determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary income, which are settled as Performance KPIs of the Medium-Term Management Plan, while also comprehensively

taking into account achievement status of the managerial goals set in the Medium-Term Management Plan and the other relevant factors.

- Performance-linked Remuneration does not apply to Directors who do not serve as Corporate Executive Officers (Shikkoyaku).

#### Stock-linked Remuneration

- To increase the link between remuneration and shareholders' value, the Company grants, as stock-linked remuneration, restricted stock, etc., the value of which corresponds to a certain percentage of base remuneration.
- Stock-linked Remuneration does not apply to Outside Directors.

※Please refer to Appendix 3 for ratio of Performance-linked Remuneration and remuneration other than Performance-linked remuneration, indicators for Performance-linked Remuneration, reasons for choosing the indicators, and how to determine Performance-linked Remuneration.

※Regarding the Stock Options, the Company issued Series 15 Stock Acquisition Rights in August 2018 as stock options to employees of the Company, its subsidiaries and affiliates, and directors and executive officers of the Company's subsidiaries and affiliates as an incentive to contribute towards increasing consolidated performance and to enable the recruitment of talented personnel.

Recipients of Stock Options	
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#### Supplementary Explanation

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

Disclosure of Individual Directors' Remuneration	Selected Directors
Disclosure of Individual Corporate Executive Officers' (Shikkoyaku) Remuneration	Selected Corporate Executive Officers (Shikkoyaku)

#### Supplementary Explanation

- In FY2018, Amounts of Remunerations, etc. paid based on Resolution of the Compensation Committee for 9 Directors were 160 million yen, and for 15 Corporate Executive Officers (Shikkoyaku) were 1,081 million yen, totaling 1,241 million yen for 24 members.
  - ※ Performance-linked Remuneration is included.
  - ※ The above paid amounts include Restricted Stock granted to the Directors and Corporate Executive Officers (Shikkoyaku) valued at 186 million yen in total.
  - ※ The total Remuneration, etc. paid to the 7 Outside Directors was 121 million yen.
  - ※ The Remunerations to the 7 Directors who also serve as Corporate Executive Officers (Shikkoyaku) are stated in the amount paid to the Corporate Executive Officers (Shikkoyaku).

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

- Takashi Hibino: amount of consolidated Remuneration 197 million yen (Base Remuneration 115 million yen, Restricted Stock 23 million yen, Performance-linked Remuneration 57 million yen)

- Seiji Nakata: amount of consolidated Remuneration 223 million yen  
(Base Remuneration 115 million yen, Restricted Stock 23 million yen, Performance-linked Remuneration 83 million yen)
- Toshihiro Matsui: amount of consolidated Remuneration 155 million yen  
(Base Remuneration 86 million yen, Restricted Stock 17 million yen, Performance-linked Remuneration 51 million yen)
- Kazuo Takahashi: amount of consolidated Remuneration 115 million yen  
(Base Remuneration 66 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 34 million yen)
- Koichi Matsushita: amount of consolidated Remuneration 115 million yen  
(Base Remuneration 66 million yen, Restricted Stock 13 million yen, Performance-linked Remuneration 34 million yen)
  - ※ The persons, each of whose total Remuneration, etc. paid is equal to or more than 100 million yen are listed above.
  - ※ Performance-linked Remuneration does not include the amount granted as Restricted Stock.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

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

Compensation for Directors and Corporate Executive Officers (Shikkoyaku) is determined based on the following fundamental policies.

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

Remuneration for Directors and Corporate Executive Officers (Shikkoyaku) is comprised of Base Remuneration, Performance-linked Remuneration and Stock-linked Remuneration, which are described as below.

- Base Remuneration
  - Base Remuneration is a fixed amount calculated based on his/her position, duties and role.
- Performance-linked Remuneration
  - Determined depending on the level of individual contribution, mainly on the basis of consolidated ROE and consolidated ordinary income, which are settled as Performance KPIs of the Medium-Term Management Plan, while also comprehensively taking into account achievement status of the managerial goals set in the Medium-Term Management Plan and the other relevant factors.
  - Performance-linked Remuneration does not apply to Directors who do not serve as Corporate Executive Officers (Shikkoyaku).
- Stock-linked Remuneration
  - To increase the link between Remuneration and shareholders' value, the Company grants, as stock-linked Remuneration, Restricted Stock, etc., the value of which corresponds to a certain

percentage of Base Remuneration.

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

### [Supporting System for Outside Directors]

- Corporate Planning Section which acts as a secretariat of the Board of Directors and drafting department provide explanation of planned agenda and distribute reference materials to Outside Directors at least one day before the meeting of the Board of Directors.
- Secretariat of each Committee supports Outside Directors who are chosen to be members of Nominating Committee, Compensation Committee, and/or Audit Committee.

### [Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/CEO ended	Term
Shigeharu Suzuki	Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	2017/06/28	2020/06/30
Yoshinari Hara	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	2008/06/21	Indefinite
Motoo Esaka	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	1997/09/30	Indefinite
Masahiro Douzen	Honorary Advisor	Activities contributing to the financial world, etc.	Part-time, no compensation	1997/09/30	Indefinite

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

4

Others

- Former CEOs, etc. of the Company may engage in external activities such as their activities in contributing to the financial world, etc. as an Advisor or an Honorary Advisor.
- The term of office as the Advisor is in principle a maximum of 1 year, and the Company and the Advisor determines every year whether the term of office will be renewed or not. As for the Honorary Advisor, the term of office is indefinite.
- The Advisor and Honorary Advisor will not be involved in business execution and oversight of it.
- The Company believes that advisor system has certain value for improvement of corporate value and will retain the present system.

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

The corporate governance system of the Company consists of (i) the Board of Directors and the



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

In order to have a variety of views in a group management, the Company has assigned four females as its Director and Corporate Executive Officer (Shikkoyaku). The Company group has also assigned nine females as its Directors, Corporate Executive Officers (Shikkoyaku) and Executive Officers (Shikkoyakuin).

#### 1. Business Execution

- The Company established the “Executive Management Committee” as a decision-making body regarding business execution to deliberate and determine important business matters and the Company group’s business strategy and the basic policy on the structural problems between the group companies.
- Executive Management Committee consists of all of the Corporate Executive Officers and is held once or more than once every three months. In FY2018, there were 19 meetings in total.
- In order to make the management decisions promptly, the Board of Directors delegated decision-making powers to the Executive Management Committee as much as possible. Furthermore, to have more expert deliberation, the Company established four subcommittees (Group Risk Management Committee, Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) each of which consists of certain Corporate Executive Officers (Shikkoyaku), etc.
- The Corporate Executive Officers (Shikkoyaku) of the Company hold main posts of Directors in group companies to have unity among group management and enable efficient and effective implementation of the divisional strategies based on the Company groups’ strategy.

#### 2. Auditing and Oversight

- As the auditing section of the management, the Company has established the Board of Directors, in which a Board Chairman served as a chairman and “Nominating Committee”, “Audit Committee” and “Compensation Committee” in each of which Outside Directors hold the majority and serve as Chairman.
- The Board of Directors consists of fourteen members, six of whom are Outside Directors and three of whom are females and is held once or more than once every three months. In FY2018, there were 10 meetings in total.
- The Board of Directors delegated decision-making powers to the Corporate Executive Officers (Shikkoyaku) as much as possible to make the management decisions promptly and to enhance the efficient group management. On the other hand, the Board of Directors appropriately oversees business executions by determining basic management policy, the outline of the matters necessary for execution of the Audit Committee’s duties, appointment or dismissal of the Corporate Executive Officers (Shikkoyaku), matters regarding segregation of business and command, etc.
- The members of the Board of Directors and their status of attendance in FY2018 is as follows.  
Takashi Hibino 10/10 (100%)  
Seiji Nakata 10/10 (100%)  
Toshihiro Matsui 10/10 (100%)  
Kazuo Takahashi 10/10 (100%)  
Keiko Tashiro 10/10 (100%)

Mikita Komatsu 10/10 (100%)  
Masahisa Nakagawa (New appointment)  
Sachiko Hanaoka (New appointment)  
Tadashi Onodera 9/10 (90%) (Note 1)  
Michiaki Ogasawara 9/10 (90%) (Note 1)  
Hirotaka Takeuchi 9/10 (90%) (Note 1)  
Ikuo Nishikawa 10/10 (100%) (Note 1)  
Eriko Kawai 8/8 (100%) (Note 1) (Note 2)  
Katsuyuki Nishikawa (New appointment) (Note 1)

*(Note 1) Outside Directors.*

*(Note 2) Attendance Rate at the Board of Directors' meeting since her appointment in June, 2018.*

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

- The meetings of the Nominating Committee are held once or more a year. In FY2018, there were five meetings in total.
- Nominating Committee consists of five Outside Directors, including a chairman, and two Internal Directors.
- The members of the Nominating Committee and their status of attendance in FY2018 is as follows.  
Tadashi Onodera 5/5 (100%) (Note 1)  
Takashi Hibino 5/5 (100%)  
Seiji Nakata 5/5 (100%)  
Michiaki Ogasawara 4/5 (80%) (Note 1)  
Hirotaka Takeuchi 4/5 (80%) (Note 1)  
Eriko Kawai 4/4 (100%) (Note 1) (Note 2)  
Katsuyuki Nishikawa (New appointment) (Note 1)  
*(Note 1) Outside Directors.*  
*(Note 2) Attendance Rate at the Nominating Committee since her appointment in June, 2018.*
- In order to nominate Directors from multiple points of view, the specialized expertise of the Outside Directors is taken into consideration.
- The Committee considers the structure of the Board of Directors and the general policies for the nomination in light of the corporate governance, and selection of candidates to serve as the Directors, etc.

### <Policies for selection of candidates to serve as the Directors>

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

- Able to exert maximum effort to actualize the Company group's Corporate Principles.
- Have a high sense of ethics and morals and take the initiative to set a good example.
- Have experience in the course of business or have expert knowledge in law, accounting, or management, etc.

Outside Directors must also fulfill the requirements for independence listed below, in addition to the requirements above:

- Should have no work experience as an Executive Director, Corporate Executive Officer (Shikkoyaku), Executive Officer (Shikkoyakuin), or any other person equivalent to these or an employee of the Company group.
- Should not be a Director, Corporate Executive Officer (Shikkoyaku), manager or employee of a company whose major shareholder is the Company group or which is the main business partner of the Company group.

- Have no matter which impairs the independence in order to perform the duty as the Director.

#### <Composition of the Board of Directors>

Composition of the Board of Directors is described below:

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

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

- In principle, meetings of Audit Committee are held once a month. In FY2018, there were twelve meetings in total.
- Audit Committee consists of five Directors who do not serve as Corporate Executive Officers (Shikkoyaku). Four members, including the chairman, are Outside Directors and another member is a full-time Internal Director. Ikuo Nishikawa, the chairman of the Audit Committee, is a certified public accountant and served as Chairman of Accounting Standards Board of Japan, etc., and has considerable knowledge of finance and accounting. Katsuyuki Nishikawa, the member of the Audit Committee, served as the prosecutor general, etc. and is a qualified attorney at law, and has considerable knowledge of law.
- The members of the Audit Committee and their status of attendance in FY2018 is as follows.  
Ikuo Nishikawa 12/12 (100%) (Note 1)  
Sachiko Hanaoka (New appointment)  
Michiaki Ogasawara 11/12 (92%) (Note 1)  
Eriko Kawai 10/10 (100%) (Note 1) (Note 2)  
Katsuyuki Nishikawa (New appointment) (Note 1)  
*(Note 1) Outside Directors.*  
*(Note 2) Attendance Rate at the Audit Committee since her appointment in June, 2018.*
- The Audit Committee is in charge of auditing how Directors and Corporate Executive Officers (Shikkoyaku) perform their duties; auditing business reports and financial statements, etc.; creating audit reports, etc.; and determining the content of a bill in a shareholders meeting as to election or dismissal and non- reappointment of Accounting Auditor.
- Audit Committee members attend meetings of the Board of Directors, and Audit Committee members selected by Audit Committee attend the Executive Management Committee as well as other important meetings and have report hearings from Directors and employees to provide the information to other Audit Committee members, in order for the Company to create an environment for the effective audit by the Audit Committee.
- The Company has established Audit Committee's Office as a full-time post to support the Audit Committee.
- The Audit Committee, in compliance with audit standards of Audit Committee established by the Audit Committee and in accordance with the policy of audit, division of duties and the like, conducts audits in cooperation with the Internal Audit Division and Accounting Auditors. In FY2018, the Audit Committee carried out audits with the following as priority issues:(1) Efforts to improve customer satisfaction by providing Quality No.1 added value, (2) Initiatives towards combining traditional securities business and diversified business portfolio, and (3) Effectiveness of the internal controls and the risk management system in each of the group companies.

#### 2. Auditing, Oversight (3): Compensation Committee

- The meetings of the Compensation Committee are held once or more a year. In FY2018 there were five meetings in total.
- Compensation Committee consists of three Outside Directors including a chairman and two Internal Directors.
- The members of the Compensation Committee and their status of attendance in FY2018 is as follows.  
 Hirotaka Takeuchi 5/5 (100%) (Note 1)  
 Takashi Hibino 4/5 (80%)  
 Seiji Nakata 5/5 (100%)  
 Tadashi Onodera 4/5 (80%) (Note 1)  
 Ikuo Nishikawa 5/5 (100%) (Note 1)  
 (Note 1) Outside Directors.
- The specialized expertise of the Outside Directors is taken into consideration so that the Compensation Committee can plan, operate, and verify rational Remuneration system.
- The Committee discusses issues related to Director Remuneration policy and decision upon individual remuneration as well as the incentive plan of the Company group to ensure the enhancement of consolidated earnings.

3. Other meetings (1): Group Risk Management Committee

- Group Risk Management Committee deals with the group risk management system and the status of the risk of the Company group etc., deliberates and decides upon policy and concrete measures on risk management.
- The Committee consists of seven Corporate Executive Officers (Shikkoyaku) and one Executive Officer (Shikkoyakuin), a total of eight members. The CEO is the chairman of the committee; the meetings are held once or more than once every three months. In FY2018 there were eight meetings in total.

3. Other meetings (2): Disclosure Committee

- Disclosure Committee is in charge of decision making regarding disclosure of the Company group's information on management, effectiveness and appropriateness of internal control report, the scope of consolidated financial reporting, etc. In principle, the meetings of the Committee are held before the quarterly earnings announcement, disclosure of a securities report or a quarterly report. Committee meetings are also held at any appropriate time when certain important matters to be disclosed occur.
- The Committee consists of five Corporate Executive Officers (Shikkoyaku), who are in charge of the sections which have close relations to the above decision making and who have jurisdiction over such section and one other member, a total of six members. In principle, the chairman of the Committee is CFO. In FY2018 there were twelve meetings in total.

3. Other meetings (3): Group IT Strategy Committee

- Group IT Strategy Committee deliberates and decides Group IT investment budget, IT function placement in the Group, evaluation and monitoring the status of IT investment at Group companies and matters regarding construction of cross-group system infrastructure, etc.
- The Committee consists of six Corporate Executive Officers (Shikkoyaku), one Executive Officer (Shikkoyakuin) and one Senior Managing Director (Sanyo), a total of eight members. The CEO is the chairman of the Committee; the meetings are held once every six months in principle. In FY2018 there were two meetings in total.

3. Other meetings(4): Overseas Management Committee
  - Overseas Management Committee deliberates and decides the management administration of overseas subsidiaries, etc. and other related matters.
  - The Committee consists of twelve Corporate Executive Officers (Shikkoyaku), eight Executive Officers (Shikkoyakuin) and one Senior Managing Director (Sanyo), a total of twenty-one members. The CEO is the chairman of the Committee; the meetings of the Committee are held once or more than once every three months. In FY2018 there were six meetings in total.
3. Other meetings (5): Group Internal Audit Committee
  - Group Internal Audit Committee deliberates and determines various matters of the business of the Company group related to the development of the internal audit system and verification of internal controls to secure suitability and effectiveness of the Group's business operations, internal audit system and internal control.
  - The Committee consists of ten Corporate Executive Officers (Shikkoyaku). The CEO is the chairman of the Committee; the meetings are held once or more than once every three months. In FY2018 there were six meetings in total.
3. Other meetings (6): Outside Directors' Committee
  - The primary purpose of Outside Directors' Committee is sharing information among the Outside Directors and aims to exchange their opinions on the issues including the contents of the proposal of the Board of Directors.
  - The meetings of the Committee are held once or more a year. In FY2018 there was one meeting.
4. Organization, Staff, Procedure of the Audit
  - Based on the recognition that instalment of a sound and efficient internal audit system enhances the value of the Company group, and having concluded that the internal audit plays an important role in such a system, the Company has positioned a full-time Internal Audit Corporate Executive Officer (Shikkoyaku) in charge, and has Internal Audit Department, which is independent from other sections, examine the internal control system. Internal audit plans are subject to approval by and results of the audits are presented to the Group Internal Audit Committee. Furthermore, internal audit plans shall be consented by the Audit Committee or Selected Committee Member who has been given certain authority from the Audit Committee, and the results of the audits are also reported to the Audit Committee.
  - The Company's Internal Audit Department is in close liaison with the Audit Committee and Accounting Auditors in order to carry out auditing properly and efficiently. It may also be delegated investigative authority from the Audit Committee.
  - The Company's Internal Audit Department investigates on each group companies directly or monitors and coordinates activities of Internal Audit Departments established at the principal group companies.
  - The certified public accountants of the Company are Ms. Kanako Ogura, Mr. Tomomi Mase, and Mr. Koji Fukai, who have executed accounting audit services and are designated members with limited liability of KPMG AZSA LLC based on Article 34-10-5 of Certified Public Accountants Act. All of the members have audited continuously within 7 years.

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

The Company is adopting the Company with Three Committees (Nominating Committee, Audit

Committee and Compensation Committee) with the intention to exercise management monitoring function by;

- Enhancing the mobility of decision-making by significantly delegating authority from the Board of Directors to Corporate Executive Officers (Shikkoyaku) and by clarifying segregation of the duties of Corporate Executive Officers (Shikkoyaku);
- Improving transparency of the management by establishing Nominating Committee, Audit Committee, and Compensation Committee, where Outside Directors hold the majority and chairman, and making audit function more efficient and effective by involving more specialized Outside Directors; and
- Being advised from outsiders' points of view by Outside Directors with high independence and sense of ethics based on their individual knowledge and experience, in the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee.

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

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

	Supplementary Explanations
Early Notification of Convocation of General Shareholder Meeting	<ul style="list-style-type: none"> <li>Since 2005, the Company has sent Notice of Convocation of the General Shareholders Meeting more than three weeks before the day when General Shareholders Meeting is held.</li> <li>In 2019, the Company sent such a notification on May 31, i.e., more than three weeks before the day of the General Shareholders Meeting.</li> </ul>
Scheduling the General Shareholders Meeting Avoiding the Peak Day	<ul style="list-style-type: none"> <li>The Company has decided the date by avoiding the peak day and considering schedule of the venue, efficiency, reduction of the cost and other aspects comprehensively.</li> <li>The General Shareholders Meeting in 2019 was held on June 26.</li> </ul>
Allowing Electronic Exercise of Voting Rights	<ul style="list-style-type: none"> <li>The Company has enabled shareholders to exercise their voting rights by the Internet (including cell-phone).</li> </ul>
Participation in Electronic Voting Platform and other measures to enhance the environment for Institutional Investors to exercise voting rights	<ul style="list-style-type: none"> <li>The Company has participated in “Electronic Voting Platform for Institutional Investors” managed by ICJ Corporation.</li> </ul>
Providing Convocation Notice in English (Summary)	<ul style="list-style-type: none"> <li>The Company has created the Notice of Convocation of General Shareholders Meeting in English and has posted on the website of the Company.</li> </ul>

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	<ul style="list-style-type: none"> <li>The Company has adopted the “Disclosure Policy”, which sort out basic views on information disclosure, and has disclosed it on the website of the Company.</li> </ul>	—
Regular Investor Briefings for Individual Investors	<ul style="list-style-type: none"> <li>The Company has established the “For Individual Investors page” for individual investors on the website to enhance the usability by gathering the information on IR.</li> <li>In FY2018, “Company information session” hosted by CEO, CFO, the Director in charge of IR, etc., was held 36 times in branches, etc. of Daiwa Securities Co. Ltd. and twice via the Internet seminar of the Company, and 9 times organized by Daiwa Investor Relation Co. Ltd., etc., resulting in approximately 6,500 people in total participating in the seminars.</li> <li>The Company provides live streams of the regular telephone conferences for Financial Results with analysts and institutional investors on the Internet (the website of the Company) and keeps the recording available for six months. Management</li> </ul>	Yes

	strategy meetings are also recorded and are made available on the Internet later.	
Regular Investor Briefings for Analysts and Institutional Investors	<ul style="list-style-type: none"> <li>▪ Telephone conferences are held for analysts and institutional investors on the evening of quarterly earnings announcements through a Japanese-English simultaneous interpretation. Furthermore, after announcing full-year financial results, the Company holds business strategy briefing sessions.</li> <li>▪ In December 2018, the Company carried out ESG meeting to promote understanding of non-financial information.</li> <li>▪ The managers, such as the CEO, CFO and the Directors in charge of IR, etc. conduct overseas IR activities in Europe, the United States and Asia respectively around twice a year.</li> </ul>	Yes
Regular Investor Briefings for Overseas Investors	<ul style="list-style-type: none"> <li>▪ Telephone conferences are held for analysts and institutional investors on the evening of quarterly earnings announcement day through a Japanese-English simultaneous interpretation for overseas investors. An English version of the recording is available for six months.</li> <li>▪ The managers, such as the CEO, CFO and the Director in charge of IR, etc. conduct overseas IR activities in Europe, the United States and Asia respectively around twice a year.</li> </ul>	Yes
Posting of IR Materials on Website	<ul style="list-style-type: none"> <li>▪ The Company posts financial information, materials for timely disclosure, annual securities report or quarterly report, materials for the Company introduction, status of corporate governance, notice of convocation of the general meeting of shareholders, integrated report, quarterly data for part of business and other information related to the Company for investors, analysts, customers, and shareholders to understand and evaluate the situation of the Company. <a href="http://www.daiwa-grp.jp/index.html">http://www.daiwa-grp.jp/index.html</a></li> <li>▪ The Company has established the English version of the website which functions similarly to the Japanese version. <a href="http://www.daiwa-grp.jp/english/index.html">http://www.daiwa-grp.jp/english/index.html</a></li> </ul>	—
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>▪ The Company has established the “IR Office” as a specialized department of IR and has placed full-time workers at the IR Office.</li> <li>▪ Head of IR of the Company is the Executive Officer (Shikkoyakuin) Yukiko Takeuchi and Head of IR Office is Hidenori Yamaguchi.</li> </ul>	—
Other	<ul style="list-style-type: none"> <li>▪ The Company is preparing the “Integrated Report”</li> </ul>	—



	<p>and “Business Report” as IR information material to disclose information to stakeholders in accordance with the Disclosure Policy.</p> <ul style="list-style-type: none"><li>•The Company sincerely responds to inquiries from individual investors by phone and e-mail and reports the contents to the managers including the CEO every week.</li></ul>	
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### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
<p>Stipulation of Internal Rules, etc. for Respecting the Position of Stakeholders</p>	<ul style="list-style-type: none"> <li>▪ The Company believes that in order to enhance the Company group’s sustainability, the support from all stakeholders is essential. The Company group specifies the basic spirit in “The Group Corporate Principles”.</li> <li>▪ In the Group Corporate Principles, “Building trust” is for the customer, “Placing importance on personnel” is for the employees, “Contributing to society” is for the society at large and “Maintaining healthy earnings results” is for shareholders, in principle. The Company believes that practicing all of these items will enhance the value of the Company.</li> </ul> <p>“Corporate Principles of the Daiwa Securities Group”</p> <ul style="list-style-type: none"> <li>▪ Building trust           <p>The trust and approval of customers form the very foundation of the Daiwa Securities Group. The Group will always place the needs of customers first, and strive to develop the advanced, specialized skills to offer them the most-attractive products and services of any securities group.</p> </li> <li>▪ Placing importance on personnel           <p>The source of the Daiwa Securities Group's competitiveness lies in the capabilities of its employees. The Group will promote the creativity of employees by offering them a challenging and self-directed working environment that encourages their abilities and appropriately rewards their contributions.</p> </li> <li>▪ Contributing to society           <p>The Daiwa Securities Group will seek to benefit the economy and society through the development of healthy financial markets. In addition to scrupulously observing both regulations and internal policies, the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies in which we operate.</p> </li> <li>▪ Maintaining healthy earnings results           <p>The Daiwa Securities Group will always seek to develop healthy business operations and to increase corporate value for the benefit of shareholders. By providing customers with attractive products and services, the Daiwa Securities Group will seek to generate strong profits and healthy returns for shareholders.</p> </li> </ul>
<p>Implementation of Environmental Activities, CSR Activities, etc.</p>	<p><b>【Environment】</b></p> <ul style="list-style-type: none"> <li>▪ The Company group has established an “Environmental Vision / Environmental Philosophy / Basic Environmental Policy”.</li> <li>▪ When the Company invests and updates the equipment, the Company aims to reduce the environmental burden by adopting products based on top-runner’s standards, promoting paperless work and replacing old cars with eco or hybrid cars, etc.</li> <li>▪ The Company has prepared and disclosed environmental accounting to understand the investment amount, etc. and effects of capital</li> </ul>

investment on environmental measures, in order to achieve the goal of reducing the burden on the environment more efficiently.

- The Company has created and performed an approach on alleviation of climate change issues from a financial perspective by composition and sales of financial instruments such as “Impact Investment Bonds”.
- Further, with regard to the extreme climate caused by the change of global environment, the Company relocates the important equipment in the relevant sites and pluralizes the bases, etc., utilizing hazard maps and the like.

#### 【SDGs・CSR】

##### •SDGs Promotion

In the Group’s Medium-Term Management Plan, formulated on FY2018, the Company incorporates the perspective of SDGs at the root of business strategy, and to accelerate the resolution of social issues through the Group business. The Company has established the SDGs Promotion Committee chaired by Seiji Nakata, President and CEO of the Company, as a vehicle of promoting group-wide approach for achieving SDGs.

After the approval of this committee, the Company announced “Passion for SDGs 2018 - Daiwa Securities Group’s SDGs Declaration-” as being our declaration to promote activities to achieve SDGs.

*“Passion for SDGs 2018 -Daiwa Securities Group’s SDGs Declaration-”*

*Daiwa Securities Group recognizes SDGs (Sustainable Development Goals) adopted by the United Nations in 2015 as overarching goals to lead the world. Through our group business, we will work actively for the realization of a prosperous society and improved people's life by pursuing both company's economic values and solution of social challenges at the same time.*

※Please check our website for more details

[http://www.daiwa-grp.jp/english/corporate/corporate\\_04\\_02.html](http://www.daiwa-grp.jp/english/corporate/corporate_04_02.html)

In May 2019, the Company announced FY2019 SDGs action plan. This fiscal year, the Company will work on creating shared value by aiming to construct a “Daiwa version of SDG value chain” to create a sustainable capital cycle by utilizing strength of Integrated Securities Group.

*“Passion for SDGs 2019 –Action Plan Being Pursued by Daiwa Securities Group - ”*

*The Company will stimulate investment needs for SDGs by funding organizations. And by providing financial products that meet the needs, it enables stable funding to organizations that need funds. In addition to financial products, the Group will directly support the*

*industries and companies that contribute to SDGs through the Group investment and consulting business. Ultimately, the Company aims to create furthermore investment opportunities by properly evaluate the impact on society through these activities and give feedback to funding organizations.*

※Please check our website for more details

[http://www.daiwa-grp.jp/english/corporate/corporate\\_04\\_03.html](http://www.daiwa-grp.jp/english/corporate/corporate_04_03.html)

▪ Approach through Business Activity

As the pioneer of Impact Investment Bonds in Japan, Daiwa Securities Co. Ltd. sells bonds, so called SDG bonds (Note 1), issued by public and financial institution for the purpose of solving social issues to domestic investors.

In September 2018, Daiwa Securities Co. Ltd. underwrote and sold green bonds for Mitsui O.S.K. Lines, Ltd. as the first green bond issued by a company aimed at individual investors. Furthermore, in November 2018, the Company issued green bonds for institutional investors for the first time in the Company group. We will work on vitalizing the market of SDGs bonds.

The Group will continue to provide new investment opportunities for investors through promotion of SDGs bonds.

*(Note 1) SDG bonds is a generic term for bonds raised for businesses that contribute to SDGs (which are to include traditional impact investment bonds by our recognition)*

<Reference>

The cumulative share of “SDG Bonds” for individuals was 50% as of March 2019.

▪ Social Action Programs

The Company continues aid and support activities through Daiwa Securities Foundation, Daiwa Securities Health Foundation and the Daiwa Anglo-Japanese Foundation. Additionally the Company is carrying out disaster relief, such as the continual support for Great East Japan Earthquake disaster areas, etc. and is also doing activities such as economic and financial education.

In 2017, the Company also launched “For Your Dream – Smiles to Children Project” and supports the non-profit organization which addresses problems of children living in poverty to improve their living environment and to prevent the cycle of poverty.

▪ Disclosure through reports

The Company discloses activities for SDGs and CSR in reports down below.

Integrated Report:

[http://www.daiwa-grp.jp/english/pdf/ar2018/ar2018e\\_all.pdf](http://www.daiwa-grp.jp/english/pdf/ar2018/ar2018e_all.pdf)

CSR Report:

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

SDGs Booklet:

[http://www.daiwa-grp.jp/csr/pdf/daiwa\\_csr\\_booklet\\_2019.pdf](http://www.daiwa-grp.jp/csr/pdf/daiwa_csr_booklet_2019.pdf)

Development of Policies on Information Provision to Stakeholders	<ul style="list-style-type: none"> <li>▪The Company is committed to enhancing the disclosure of various contents including documents pertaining to legally mandated disclosure on the website of the Company.</li> </ul>
Other	<p>&lt;Promotion of the Women’s Active Participation&gt;</p> <ul style="list-style-type: none"> <li>▪The Company group is actively recruiting the best talented people regardless of gender. In order to expand the layer of the female managers, the Company has introduced successful female employees in the house organ and has established career consultation services in the website of the propulsion of the work-life balance, where female Directors and managers correspond to the consultation. There are female Directors, Corporate Executive Officers (Shikkoyaku), and Executive Officers (Shikkoyakuin) totaling nine in the Company group, including four Directors and Corporate Executive Officers (Shikkoyaku) of the Company.</li> <li>▪The number of female managers in the Company group is increasing year by year; there were 490 as of the end of the March 2019. The ratio of female managers has risen from 2.2% in the end of FY2004 to 10.5% (as for Daiwa Securities Co. Ltd. 2.3% to 12.9%). By increasing the number of role models, the Company is making it easier for the Company group’s female employee to envision their career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track and regional career-track positions in recent years. To date, more than 1,300 female employees converted to career-track positions. An increasing number of employees have also taken advantage of our Professional Return Plan, a system for re-hiring employees who left work to raise children or care for family members, and allowing them to restart their career at the same level of compensation as when they left. The Company expanded the target of this system in 2015, and this has helped us secure talented personnel who support our business.</li> <li>▪The Chairman and CEO of the Company have agreed with activity of “30% club Japan” (Note 1) and participate in such activity as members since May 2019. In the Company, three out of fourteen (21.4%) Directors are female. <i>(Note 1) A worldwide campaign launched in the UK to increase ratio of female executives.</i></li> <li>▪The Company will keep expanding the layer of female managers to promote female leaders to lead the Japanese financial world.</li> <li>▪Daiwa Securities Co. Ltd. has made efforts to support women’s active participation and has clearly set goals to be fulfilled by FY2020. <ul style="list-style-type: none"> <li>▪Ratio of female managers: more than 15%, which is more than five times the ratio of FY 2005.</li> <li>▪Ratio of female new graduates: stably 50%.</li> <li>▪Ratio of female employees participating in training: 50%.</li> <li>▪Rate of paid leaves taken: more than 70%.</li> <li>▪Rate of male employee taking childcare leave: 100%.</li> </ul> </li> </ul>

As a result, the Company will further accelerate an environment in which human resources with diverse values can maximize their abilities.

- The Company agreed in 2015 in the “Declaration on Action by a Group of Male Leaders Who will Create a Society in which Women Shine” led by Gender Equality Bureau of Cabinet Office. Furthermore, the Company is awarded for “Awards to Commend Leading Companies Where Women Shine”, “Minister of State for Gender Equality Commendation” in FY2016 by Cabinet Office and “Minister's Prize for Equal Employment/Work and Family Harmonization”, Excellence Award (Family-friendly Enterprises Category) in FY2016 by Ministry of Health, Labor and Welfare, because the Company actively supports women, promotes employees to leave the office by 7PM and supports the balance of work with childcare and nursing care.

<Reference>

- Ratio of the female managers: 10.5% (total of the Company group as of the end of March 2019), 12.9% (Daiwa Securities Co. Ltd. as of the end of March 2019).
- The number of female officers: nine (total of the Company group)
- The Company group established a system to support the women's active participation such as: Professional Return Plan, Job Location Change System, Childcare Leave, Childcare Support Leave, Spouse Work Reassignment Leave System, Shorter Working Hours, Exemption from Overtime Work, Daycare Subsidy, Expanded Leave System, Class of Supporting Women Career, Follow Up of the Usage of the System, Support of Coming Back to Work, Support for searching daycare center, Babysitter System, Babysitter service during the training, Daiwa ELLE Plan, etc.

## IV. Matters Related to the Internal Control System, etc.

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

The Company group has created management structure centered on the Company with regard to the group's various main risks, and seeks to ensure compliance with the laws and regulations regarding the effectiveness and efficiency of operations, the reliability of the finance report and the business operations, and the preservation of assets, etc. This is based on the recognition that the maintenance of the internal control system to accomplish the sound and appropriate operation is the responsibility of the manager.

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

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

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

The Company sets 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 (Shikkoyaku) and the enhancement of the effectiveness of instructions from Audit Committee

\* The Audit Committee Office sits directly under Audit Committee.

\* Corporate Executive Officers (Shikkoyaku) have to obtain the prior consent of Audit Committee or its member selected by the committee (hereinafter referred to as "Selected Committee Member"), when trying to decide the personnel matters (personnel change, evaluation, etc.) and re-organization of the Audit Committee Office, taking the importance of Audit Committee into consideration.

\* Audit Committee or Selected Committee Member may request that Corporate Executive Officers (Shikkoyaku) secure the adequate number of staff who has adequate knowledge and ability in the Audit Committee Office. Corporate Executive Officers (Shikkoyaku) shall respect the request.

\* The Audit Committee Office may request Internal Audit Department and other departments 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 if necessary.

##### 3) System of report to Audit Committee

##### a) System to ensure that Directors (excluding Audit Committee member), Corporate Executive Officers (Shikkoyaku) 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 (Shikkoyaku) and employees must report the following matters to Audit Committee or Selected Committee Member by sufficient means including whistle-blowing system.

a. Any facts that have a possibility of causing significant damages to the Company or the Company group, immediately after they find such facts

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

c. Matters that 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 Audit & Supervisory Board Member, etc. of such subsidiaries

\* Director, Audit & Supervisory Board Member and employees of the Company's subsidiaries or the persons who received reports from them must report the following matters to Audit Committee or Selected Committee Member by sufficient means including internal whistle-blowing system.

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

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

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

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

The Company makes a rule that the persons who make reports in accordance with the preceding item shall not suffer dismissal, demotion, salary reduction or any other disadvantages due to their report. In order to secure the effectiveness of such rule, the Company created the details of the system in the rules about report to Audit Committee and the rules about report to Audit & Supervisory Board Member, 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 Audit Committee member requests the Company to carry out the following matters about their exercise of function (including but not limited to appointment of external experts), 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 obligations are not due, provision of security equivalent to such creditors)

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

\* Audit Committee members may attend meetings of the 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 Company group from the departments handling each risk and (ii) on the progress and results of internal audit of the Company group from the Internal Audit Department.

\* Regarding audit policies and audit plans pertaining to internal audit, revision of Internal Audit Rules, and delegation of Head of Internal Audit, the consent of Audit Committee or Selected Committee Member is required.

\* Audit Committee or Selected Committee Member can, if necessary, request the Internal Audit Department, etc. to conduct an investigation on its behalf.

\* Audit Committee periodically receives reports from the Accounting Auditor as to the audit status of



each group companies.

- \* 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' (Shikkoyaku) 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 (Shikkoyaku) 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 Company 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, etc.
- \* Hold training seminars regarding compliance for officers and employees in each company of the Company 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 Company 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 Company group, and assist each group company 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, figures out the risk management system and the risk status of the Company 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, directly under the CEO, deliberates and determines the matters of the Company group's business regarding maintenance of an internal audit system and verification of the internal controls.

d. Internal Audit Division

- \* For sound and effective internal controls of the Company group, the Company believes that internal audit performs an important function and has established internal audit departments in major group companies as well as the Company.
- \* The Internal Audit Division evaluates and examines the effectiveness of the Company group's internal controls, and makes proposals for improvements and efficiencies of the Company group's business operation.
- \* The Company's Internal Audit Department proposes audit plans and reports results to the Group Internal Audit Committee.

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' (Shikkoyaku) duties

Information relating to execution of Corporate Executive Officers' (Shikkoyaku) 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 Company group considering each characteristic of the Company group, and thereby securing sound financial status and appropriate business operation. Further, to clarify the risk management system by providing for policies of risk management, the category of risks to be managed, Corporate Executive Officers (Shikkoyaku) 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 risk management system 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 (Shikkoyaku) and Directors, etc. of its subsidiaries

\* Clarify Corporate Executive Officers' (Shikkoyaku) duties, the methods of execution thereof and the business operations in their charge in the rules of Corporate Executive Officers (Shikkoyaku).

\* As to matters which have material effect on the Company or the Company 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 requiring that Corporate Executive Officers (Shikkoyaku) serve concurrently as representatives of main group companies, etc. and perform their business strategy quickly and efficiently based on the Company 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 from 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.

## 2. Basic Views on Eliminating Anti-Social Forces and Progress of Development

- The Company group has established a "Basic Policy on Eliminating Anti-Social Forces" and a "Group Minimum Standard to eliminate relations with Anti-Social Forces" (the Common

Standard Points to Fulfill as each group company), trying to cut off relationships with Anti-Social Forces.

- The Company group established Department in charge of elimination of Anti-Social Forces and proactively gathers information on Anti-Social Forces. Also, the Company creates a unified database and shares the information among the group companies. Against unfair demands from Anti-Social Forces, the Company assigns Managers in charge of Prevention of Unfair Demands in each group company and works closely with police agencies and legal experts on a daily basis. In addition, the Company implements joint training and regular e-Learning for taking a unified approach to eliminate Anti-Social Forces.
- In addition, regarding “Anti-Money Laundering and Combating the Financing of Terrorism” which becomes internationally important, we view it as a major management task throughout the Group companies and address this matter. We train officers and employees of the Group companies to share the recognition of the importance of, and latest laws and cases of, Anti-Money Laundering and Combating the Financing of Terrorism, every year.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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### 2. Other Matters Concerning the Corporate Governance System

#### 1. Timely Disclosure

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

##### (1) Corporate Structure Related to Timely Disclosure of Corporate Information

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

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

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

(The purpose of the Disclosure Rule)

The purpose of this rule is, by settling the fair, timely and proper disclosure of the important financial, social, and environmental information of the Daiwa Securities group, observing the laws and regulations with respect to securities trading and regulations of financial instruments exchange, and working to communicate proactively and provide fair and appropriate information in a timely manner so that stakeholders, such as shareholders, investors, and local communities could clearly understand and properly evaluate the Company group's activities.

- Reporting System on Management-Related Information in the Company is structured in accordance with the Disclosure Rules. As for Management-Related Information on main subsidiaries, the Company has established a system to report Management-Related Information from each subsidiary to the Company in accordance with the subsidiaries' rules.

##### (2) Check Function of the Company System on Timely Disclosure

- In accordance with establishment of Fair Disclosure Rules and Guidelines for Fair Disclosure Rules on the Financial Instruments and Exchange Act, the Company checked the adequacy of its Disclosure Rules and its corporate structure, and disseminated its Disclosure Rules among its employees again.
- The Company conducts the self-assessment regularly on internal control related to the information disclosure process at each relevant departments in order to verify whether fair, timely and proper disclosure of corporate information to investors is observed. The Internal Audit Department carries out internal audits as necessary on such disclosure system including above

mentioned self-assessment, and reports the results to the Group Internal Auditing Committee.

## 2. Risk Appetite Framework

The Company group, for the purpose of strengthening of risk governance at the management level, has introduced a Risk Appetite Framework.

The "Risk Appetite Framework", is the management framework that defines the type and total amount of risk, which should be willingly accepted for achieving business strategy, as a risk appetite and uses it as a common language within the Company about the risk-taking policy in general. On risk appetite, the Company selects the risk appetite index from the viewpoint of liquidity, equity capital, etc., sets the level of risk to accept, and manages and monitors the risk appetite.

The Company group promotes the penetration of the risk appetite into the Company group and the improvement of the standard of the business management systems and the risk management systems, and strives to foster the risk culture by documenting such framework as a risk appetite statement.

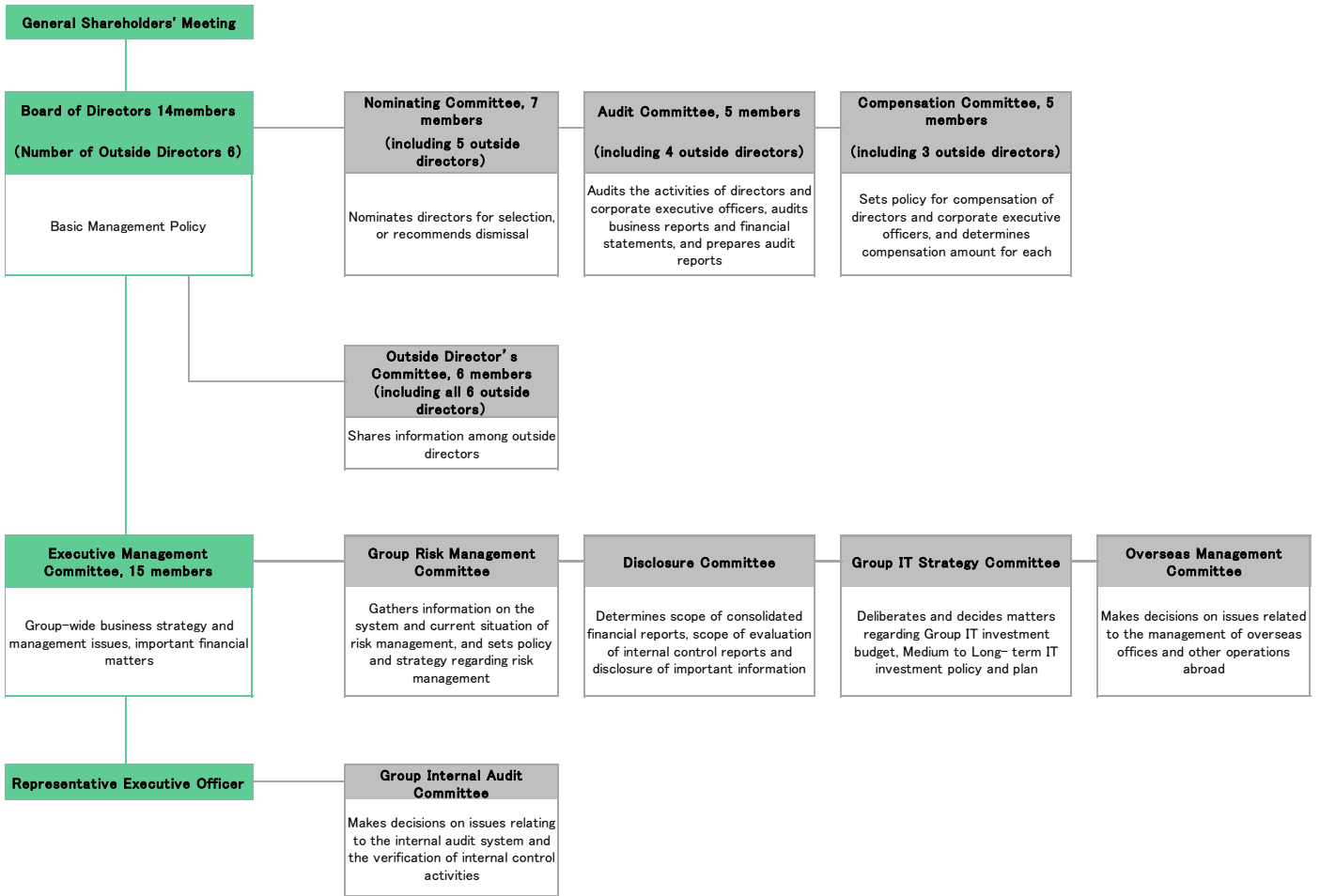
Based on its risk appetite framework, the Board of Directors of Daiwa Securities Group Inc. has approved the Rules of Risk Management. The rules define basic policies related to risk management, the types of risks that need to be managed, and the responsible executive and department for each major risk.

Risks to be managed are market risk, credit risk, liquidity risk, operational risk, etc.

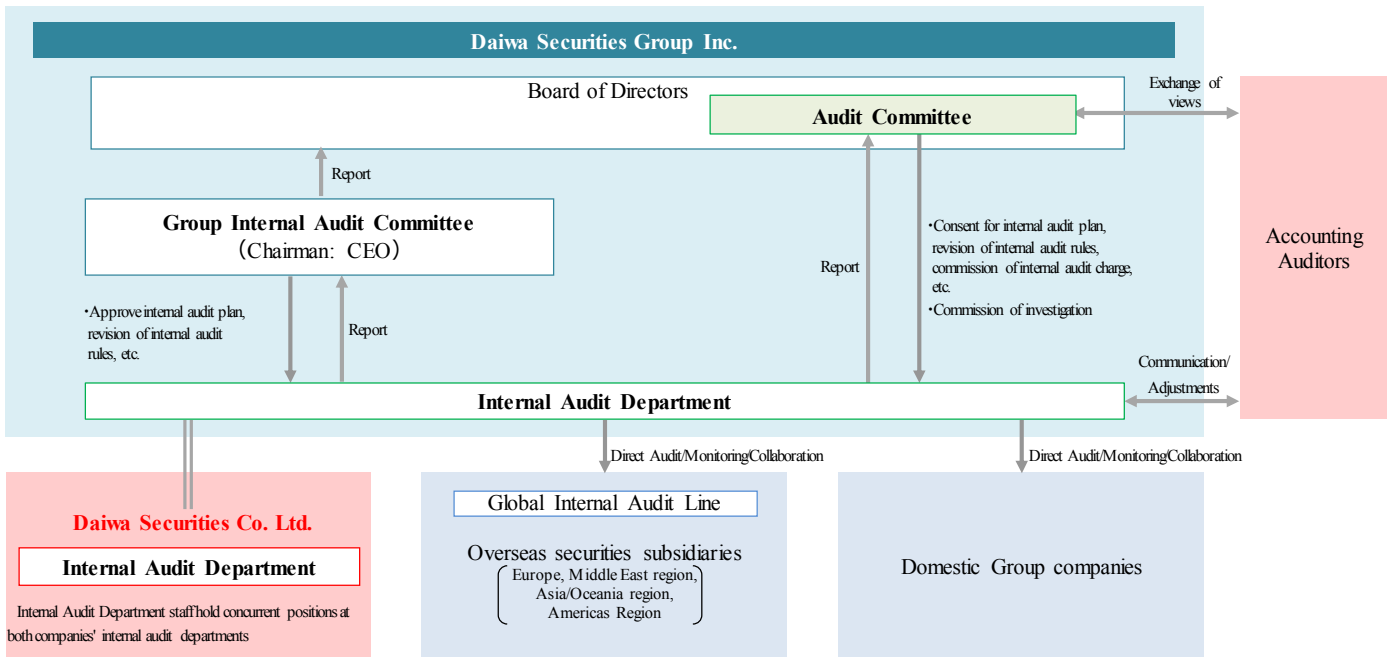
In order to establish an effective risk governance system, we have created guidelines for "Three Lines of Defense" and a comprehensive structure for risk management.

Appendix

Corporate Governance System at Daiwa Securities Group



Internal Auditing System Diagram of Daiwa Securities Group



## Appendix 1

## 【Reasons for Election of Candidates to Directors】

Name	Reasons for Election
Takashi Hibino	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 (Shikkoyaku), 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.
Seiji Nakata	He joined the Company in 1983 and served successively as the Deputy Head of Planning and Personnel of the Company, Head of Corporate Institution and Head of Sales of Daiwa Securities Co. Ltd., and COO and Head of Retail of the Company. He serves as the Representative Corporate Executive Officer (Shikkoyaku) and President of the Company, takes charges of CEO from 2017. He has expertise and experience in presenting 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.
Toshihiro Matsui	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 the Managing Director of Corporate Planning of the Company. Since his inauguration of Corporate Executive Officer (Shikkoyaku) of the Company in 2009, he served as the Head of Legal, Deputy Head of Planning, Head of Planning and Personnel, Deputy Head of Wholesale of the Company. He serves now as the Representative Corporate Executive Officer, Deputy President, COO of the Company and Head of Wholesale of the Company. He has considerable experience and knowledge in broad areas such as retail, corporate institution, investment banking, planning and personnel. Therefore, he is considered to be qualified as a Member of the Board.
Kazuo Takahashi	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 Corporate Executive Officer (Shikkoyaku) and the Deputy President and Deputy Head of Wholesale of the Company. He has broad experience and knowledge in corporate institution business and also experience in retail business. Therefore, he is considered to be qualified as a Member of the Board.
Keiko Tashiro	She joined the Company in 1986 and served successively as the Head of IR Office of the Company and Head of Daiwa Direct Planning Dept. of Daiwa Securities Co. Ltd. Since her inauguration of Senior Managing Director of Daiwa Securities Co. Ltd. in 2009, she served successively as Head of Daiwa Direct Business and Head of Fixed Income, Currency and Commodities of Daiwa Securities Co. Ltd, as the one responsible for American business and 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 the Deputy President and 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.
Mikita Komatsu	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

	<p>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, CFO and Deputy Head of Overseas of the Company and now he is serving as the Deputy Head of Wholesale 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.</p>
Masahisa Nakagawa	<p>He joined the Company in 1987 and served as the Managing Director of the Business Process Planning &amp; Administration Dept. and Head of the Omiya Branch of Daiwa Securities Co. Ltd.. Since his inauguration as the Senior Managing Director of Daiwa Securities Co. Ltd. in 2010, he served successively as Head of Operations &amp; IT and Head of Investment Program of Daiwa Securities Co. Ltd. and now he is serving as Chief Information Officer (CIO) of the Company. He has broad experience and knowledge in the Business Process Planning and Corporate IT Strategy and he also has experience in the Corporate Planning and Retail. Therefore, he is considered to be qualified as a Member of the Board.</p>
Sachiko Hanaoka	<p>She joined the Company in 1990. After serving in the Research and Product Divisions, she served successively as the Managing Director of the Products Planning Dept., the Education and Training Dept., and the Investment Strategy Dept. of Daiwa Securities Co. Ltd. Throughout her broad accumulated experience in the Research Division, she has developed a strong analytical ability and broad knowledge in business accounting and broad accumulated experience in management. Therefore, she is considered to be qualified as a Member of the Board.</p>



Appendix 2

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

Name	Other Positions
Takashi Hibino	Outside Director of Imperial Hotel, Co. Ltd.

**【Remuneration for Directors and Corporate Executive Officers (Shikkoyaku)】**

**1. Policies for Determination of Remuneration of Directors and Corporate Executive Officers**

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

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

Remuneration of directors and Corporate Executive Officers is comprised of base remuneration, performance-linked remuneration and stock-linked remuneration, which are described as below.

**1) Base remuneration**

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

**2) Performance-linked remuneration**

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

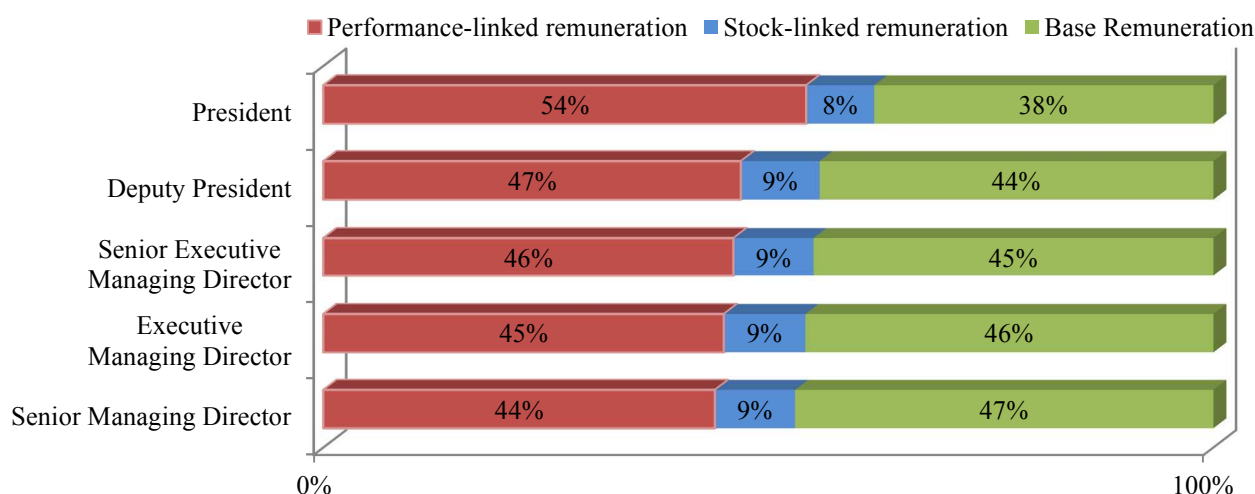
Performance-linked remuneration does not apply to Directors who do not serve as Corporate Executive Officers.

**3) Stock-linked remuneration**

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

Stock-linked remuneration does not apply to Outside Directors.

**2. Ratio of Performance-linked remuneration and other**



*(Note) Above figures are the ratio when Performance KPIs of the Medium-Term Management Plan is achieved.*

### 3. Indicators for Performance-linked Remuneration, reasons for choosing the indicators, and how to determine Performance-linked Remuneration

The Company sets Performance KPIs, Customer-oriented KPIs, and Financial KPIs, which are settled as the Group numerical goal in Medium-Term Management Plan “Passion for the Best” 2020, as indicators to calculate Performance-linked remuneration.

Performance evaluation reflects Financial Performance Evaluation based on Performance KPIs, and Quality Evaluation that comprehensively evaluates Customer-oriented KPIs and Financial KPIs. Financial Performance Evaluation and Quality Evaluation are determined in Compensation Committee.

Performance-linked remuneration is calculated by multiplying reference value determined for each position and Performance Evaluation. Performance Evaluation applies the same calculation formula to all position.

		Financial Performance Evaluation (100)		±	Quality Evaluation (-10~+10)	
Performance KPIs		Points	Reference Value			
	Consolidated ROE	50	10%			
	Consolidated Ordinary Income	50	JPY 200 billion or more			
Customer-oriented KPIs					Customer Satisfaction	
Customer-oriented KPIs					Daiwa Securities AUM (JPY 80 trillion or more in FY2020)	
Financial KPIs					Consolidated capital adequacy ratio (18% or more)	

**4. Reference Value and results of indicators for Performance-linked remuneration of this fiscal year**

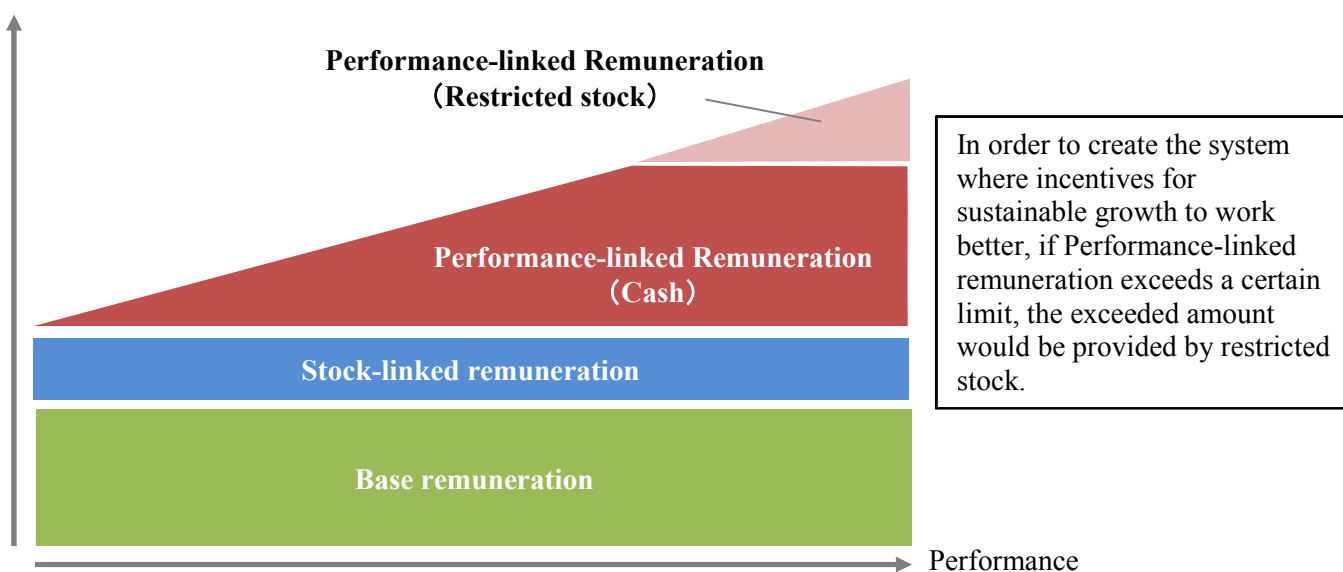
Financial Performance Evaluation for this fiscal year is as follows;

	Reference Value	Results
Consolidated ROE	10%	5.1%
Consolidated Ordinary Income	JPY 200 billion	JPY 83.1 billion

(Note) Reference Value is determined at Compensation Committee, based on Medium-Term Management Plan.

(Image of Remuneration)

Amount of Remuneration



(Restricted Stock Compensation Plan)

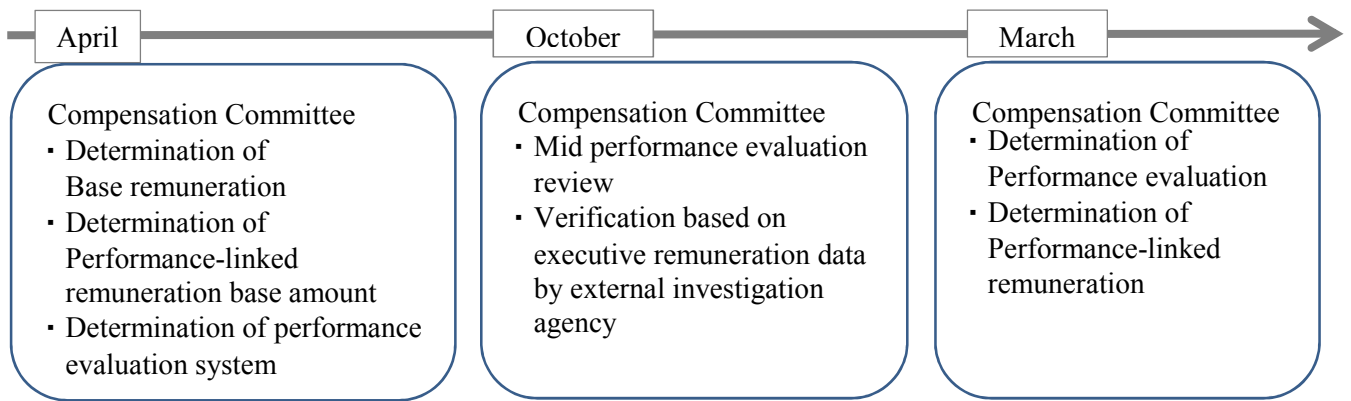
The Company introduced the Restricted Stock Compensation Plan to increase incentives for the Company and its subsidiaries' Directors, Corporate Executive Officers (Shikkoyaku), and Executive Officers (Shikkoyakuin), etc., to enhance performance in the medium and long term and strengthen values shared among the Eligible Officers, etc. and shareholders.

Stock Remuneration I	It is intended to provide restricted stock for amount which equals to fixed ratio of the Base remuneration, and to function effectively as an incentive for long-term performance improvement, restriction will be released when he/she resigns his/her position as director, officers etc., of the Company and its subsidiaries and affiliates.
Stock Remuneration II	Fixed limit is set for Performance-linked remuneration, which is provided by cash based on the performance, and if the amount exceeds the limit, part of the remuneration will be replaced by restricted stock. Restriction period is 3 years, it will function as substantial fee defer when Performance-linked remuneration exceeds a certain limit.

**5. Summary of procedure on decision of remuneration for Directors or its policy of calculation method**

The Articles of Incorporation stipulate that the remuneration, etc., of the Directors and Corporate Executive Officers (Shikkoyaku) is determined by resolution of Compensation Committee.

In determining the amount of remuneration, it is calculated based on the indicators determined by Compensation Committee, majority of which is held by Outside Director to secure the transparency.



※In addition to above, Compensation Committee is held from time to time.