

Daiwa Securities Group Inc. Daiwa Investment Conference Tokyo 2015

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Takashi Hibino, President and CEO
Daiwa Securities Group Inc.

Daiwa Securities Group

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I - Progress of the Medium Term Management Plan

Daiwa Securities Group

Medium Term Management Plan, “Passion for the Best” 2014



Daiwa Securities Group Management Vision

To become Asia’s leading financial services firm possessing and leveraging a solid business platform in Japan

Daiwa Securities Group Basic Management Policy

Establish a robust business structure capable of securing profit even under stressful economic conditions

Achieve sustainable growth by linking Japan and growth of Asia

Outline of Medium Term Management Plan “Passion for the Best” 2014

Establish a robust business structure immune to the external environment and aspire to achieve sound growth based on a new growth strategy

Milestones

FY2012 *Turnaround*

FY2013 *Growth*

FY2014 *Expansion*

Basic Policies for Medium Term Management Plan

Basic Policy I: Return to profitability by pursuing management efficiencies

(Focus of execution in the first fiscal year)

- Steadily implement the plan to reduce SG&A
- Realize greater organizational efficiencies by shifting personnel from the middle-and-back offices to the front divisions

Basic Policy II: Achieve client based high-quality earnings growth

- Drastically expand our client base in Japan by investing management resources in the retail and asset management businesses
 - Expand stable earnings by increasing investment trusts and deposit balances-
- Strengthen revenue capacity centered around the launch of the “New” Daiwa Securities
 - Step up approaches to high net worth individuals and the middle market-
- Rebuild our wholesale business
 - Re-strengthen the brokerage business and build an efficient global network-

Management Targets

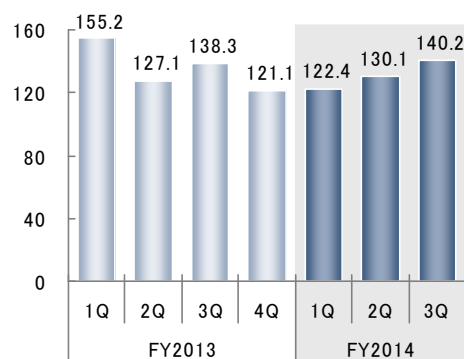
1. Consolidated Ordinary Income [Initial FY] **Return to Profitability** [Final FY] **Over ¥120bil** 2. Fixed Cost Coverage Ratio [Final FY 4Q annualized] **Over 60%**

Consolidated Results of 3Q FY2014

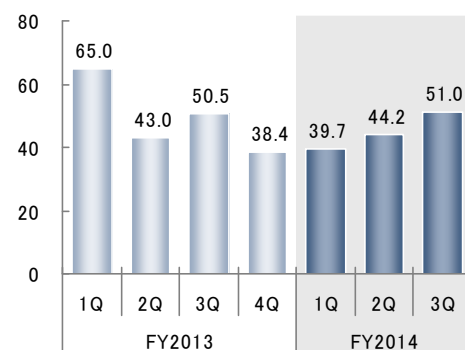
■ 1-3Q FY2014 Net operating revenues were Y392.9bil, Ordinary income was Y135.0bil, and Net income was Y109.9bil.

(Y mil)	Ordinary Income						
	FY2014			% change vs FY2014 2Q	FY2013	FY2014	% change vs FY2013 1-3Q
	1Q	2Q	3Q		1-3Q	1-3Q	
Retail Division	17,155	18,064	21,641	19.8%	84,469	56,861	-32.7%
Wholesale Division	10,541	13,228	11,314	-14.5%	41,035	35,085	-14.5%
Global Markets	6,610	11,653	9,842	-15.5%	37,555	28,106	-25.2%
Global Investment Banking	3,931	1,575	1,472	-6.5%	3,480	6,979	100.5%
Asset Management Division	8,013	8,038	8,073	0.4%	19,091	24,125	26.4%
Investment Division	1,884	1,382	2,951	113.5%	14,420	6,217	-56.9%
Consolidated Total	39,705	44,239	51,056	15.4%	158,621	135,000	-14.9%

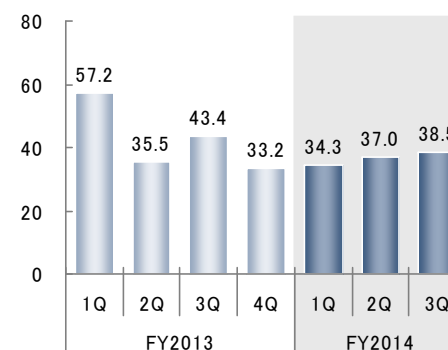
Net Operating Revenue (Y bil)



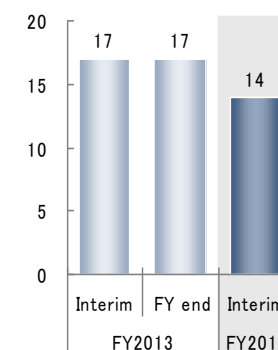
Ordinary Income (Y bil)



Net Income (Y bil)



Dividends (Y)

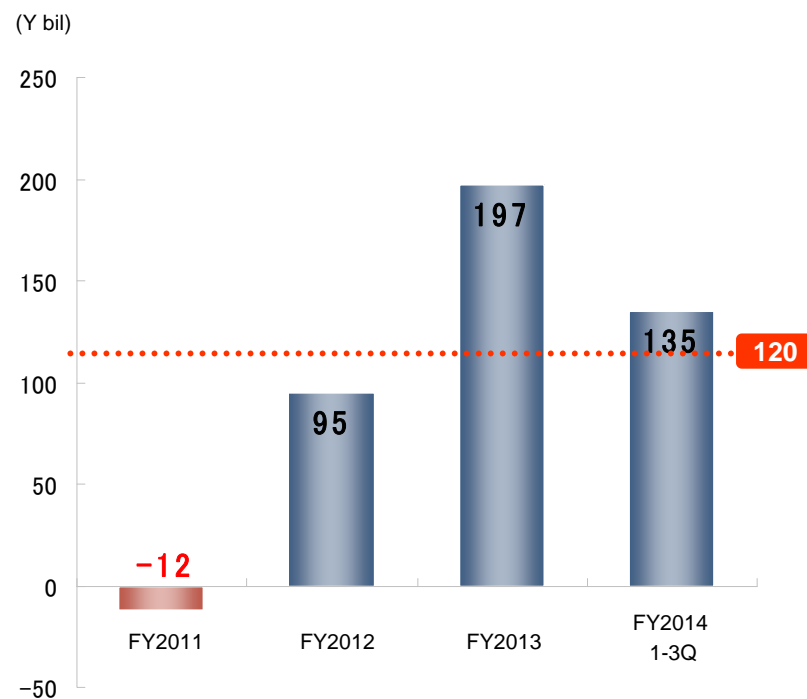


Progress of the Medium Term Management Plan

- Both “Consolidated ordinary income” and “Fixed cost coverage ratio” exceeded the target levels set in the current medium term management plan.

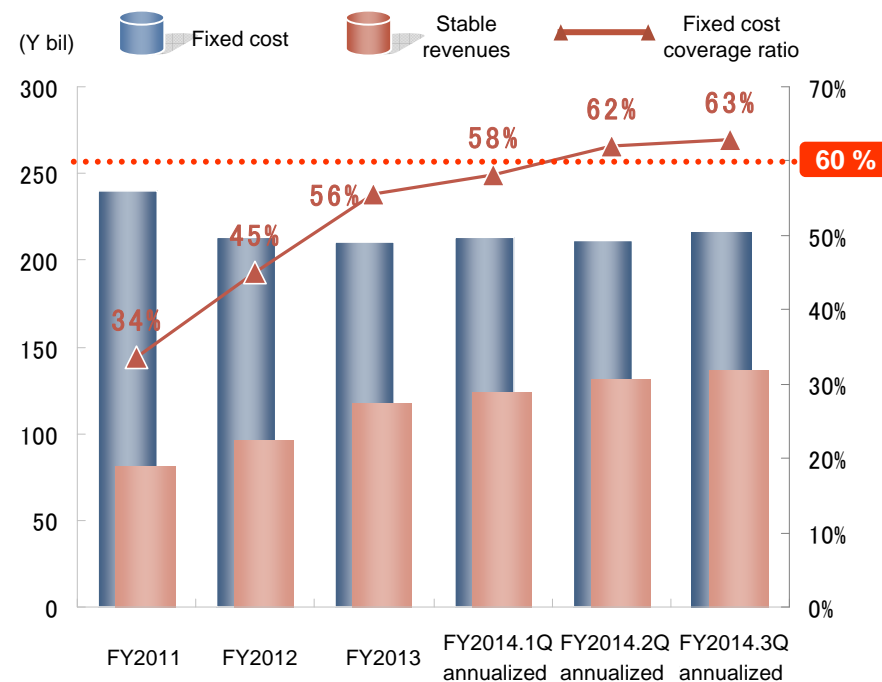
Consolidated ordinary income

[Final Year] Y120 billion or more



Fixed cost coverage ratio

[Final Year] 60% (4Q annualized) or more



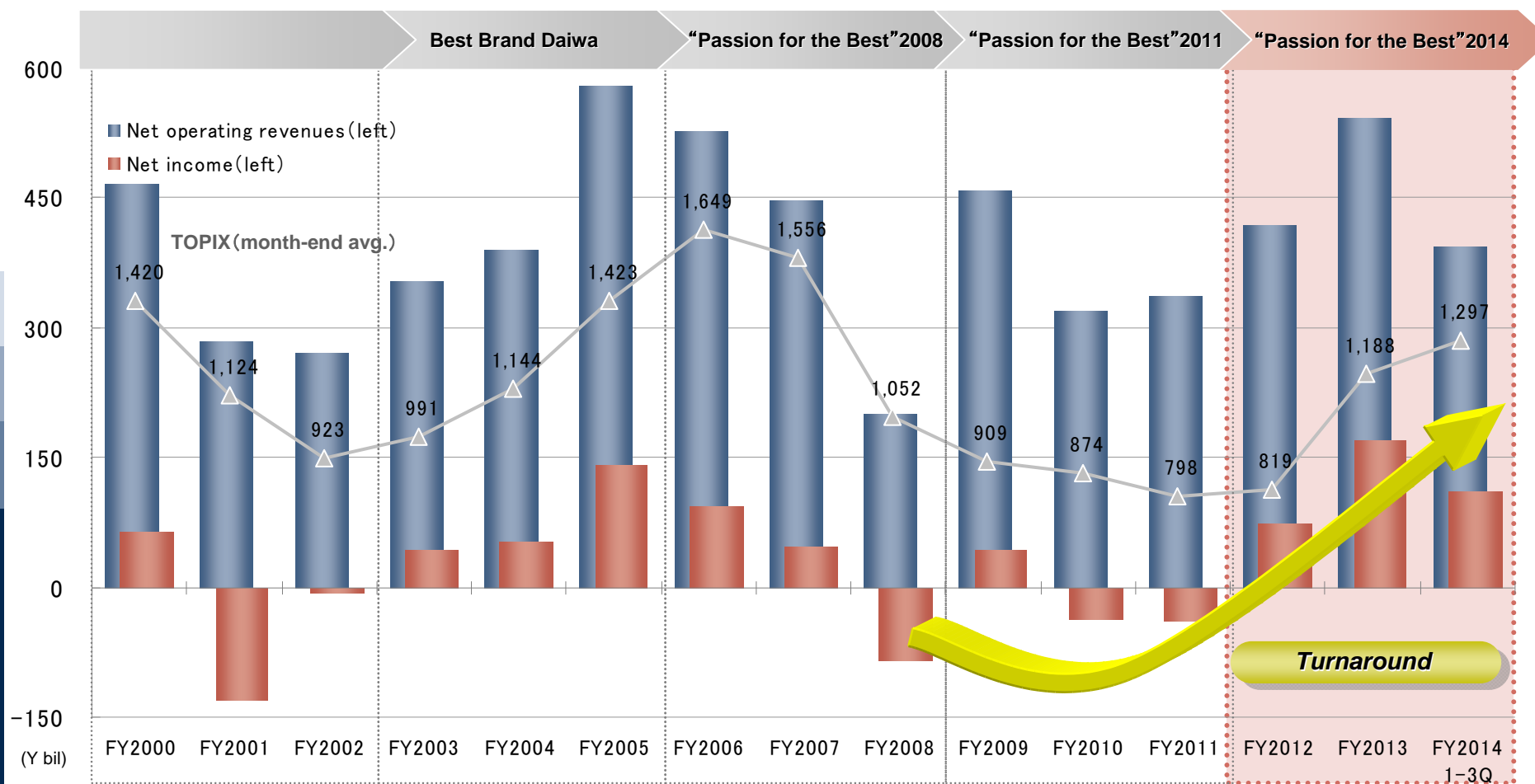
II - Achievements in the Medium Term Management Plan

Daiwa Securities Group

Changes in Consolidated Results

- Returned to profitability in the first year of the medium term management plan, and posted a record high net income of ¥169.4bil in FY2013 by expanding stable revenues and increasing organizational efficiency.
- Successfully completed the “Turnaround” phase for leading up to the “Growth” stage in the next medium term management plan.

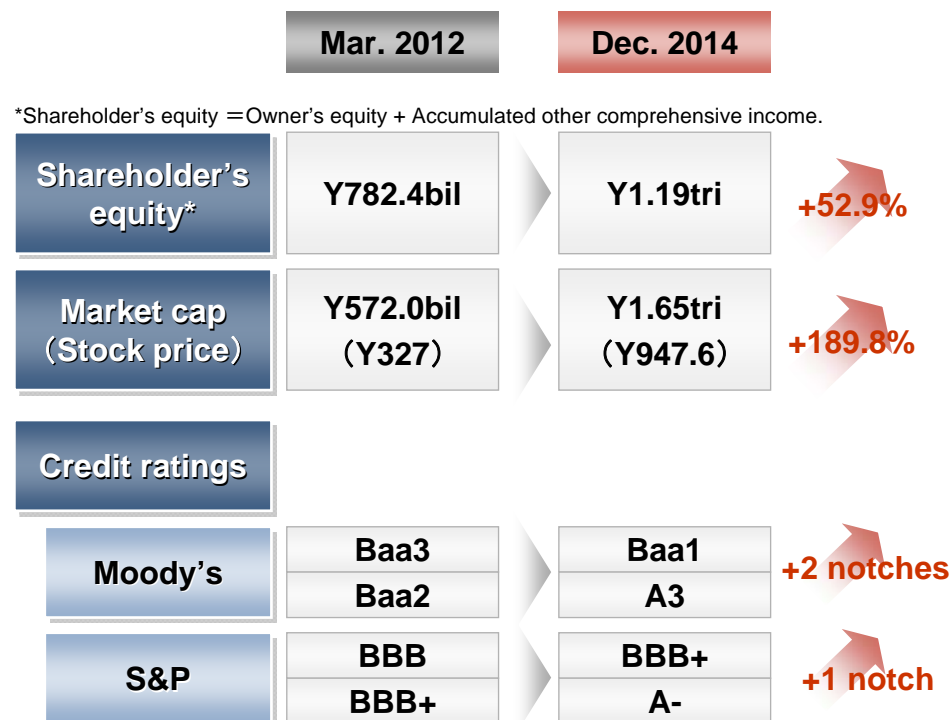
Trends of stock market and consolidated results



Achievements① Establish a Robust Business Structure

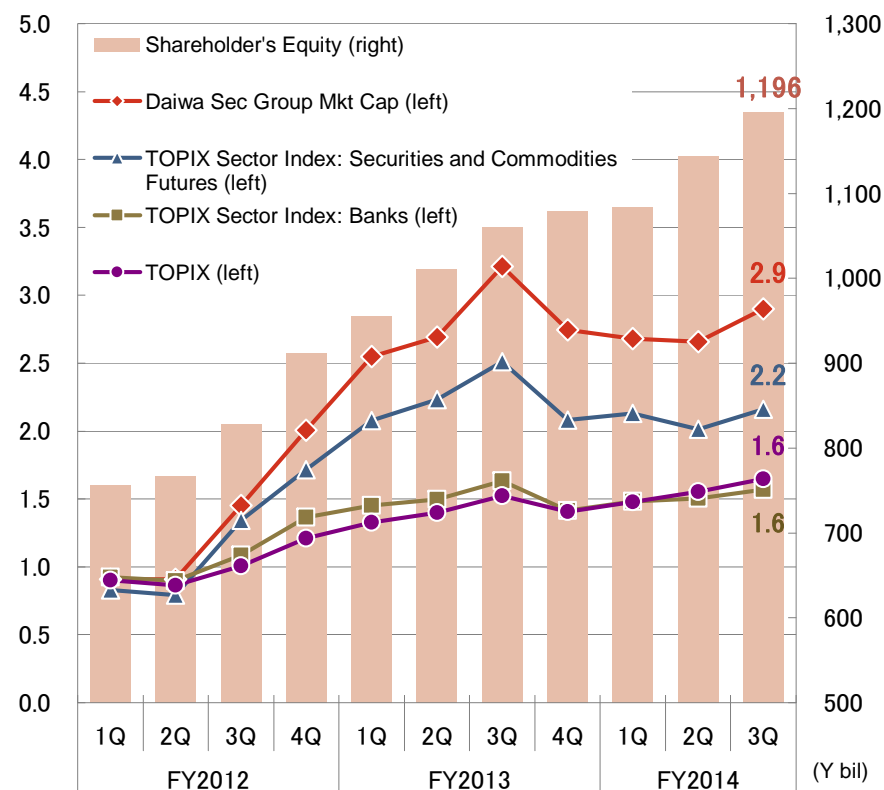
- Shareholder's equity surpassed Y1.0tri, and reached a recorded high by accumulating earnings thorough the expansion of stable revenues.
- Total market cap of Daiwa Securities Group Inc. nearly tripled compared to the beginning of the current medium term management plan.
- Moody's and S&P upgraded credit ratings of Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd. in the final year of the plan.

Shareholder's equity, Market cap and Credit ratings



*Shareholder's equity = Owner's equity + Accumulated other comprehensive income.

Note: upper-row indicates credit ratings for Daiwa Securities Group Inc.
lower-row indicates credit ratings for Daiwa Securities Co. Ltd.

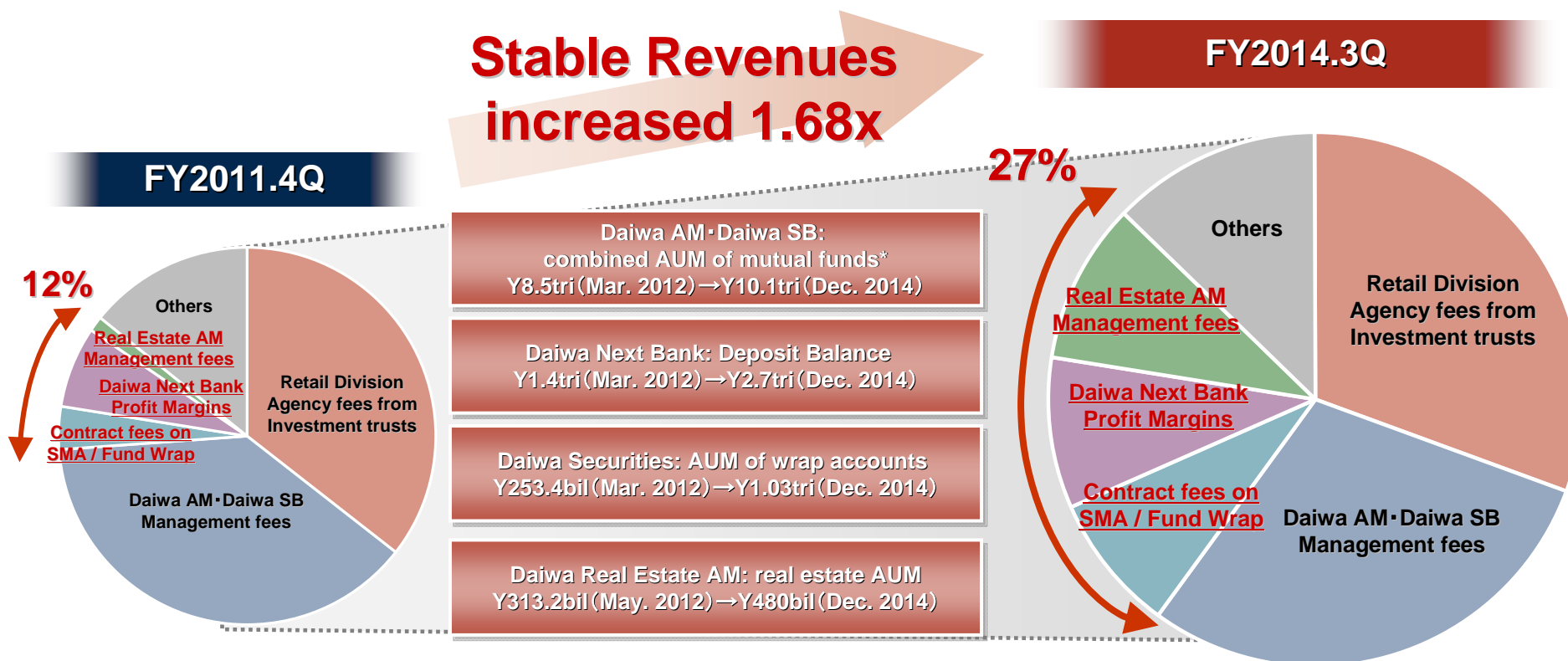


Note: Figures are as at end of each quarter.

Market cap, TOPIX sector indices and TOPIX: Mar.2012 figure is indexed as 1.0

Achievements② Expand and Diversify Stable Revenues

- Stable revenues increased by approximately 1.7x due to efforts on expanding stable revenues in line with the medium term management plan.
- Daiwa Next Bank, Wrap account, and Real Estate AM businesses contributed in diversifying revenue streams and lowering the dependence on the two main streams-Agency fees from investment trusts in Retail Division and Management fees of Daiwa AM・Daiwa SB-that accounted for over 70% of total stable revenues in FY2011.



* AUM of mutual funds excludes ETFs.

Note1: Management fees of Daiwa AM・Daiwa SB include Investment advisory fees. Management fees of Daiwa SB are recorded in correspondence to the share ownership of Daiwa Securities Group.

Note2: Management fees from Real Estate AM include Daiwa Real Estate AM's management fees (excluding performance fees) and Daiwa Office Investment's net operating revenues.

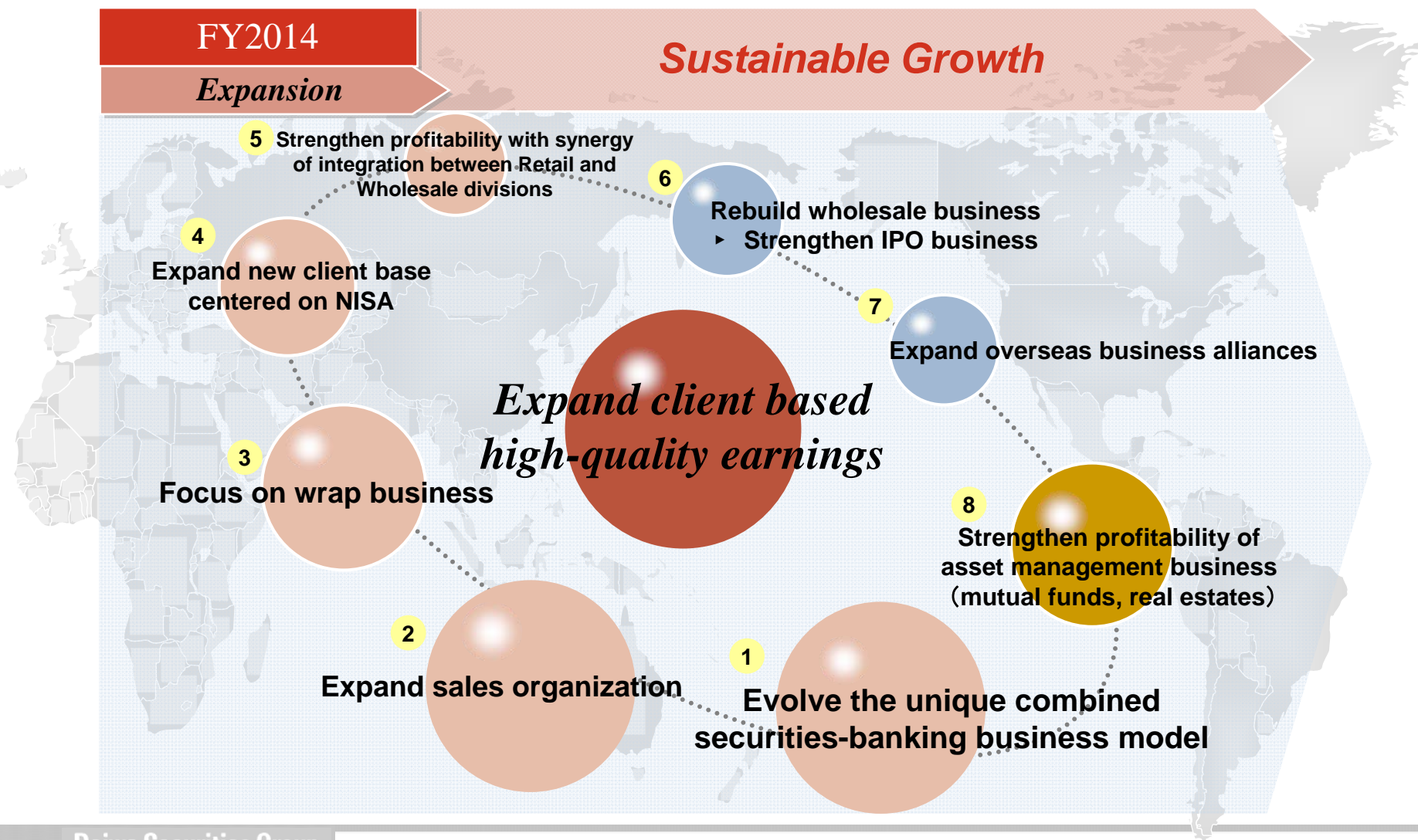
Ⅲ - FY2014 *Expansion*

Progress of strategies in the final year of the medium term management plan

Daiwa Securities Group

“Expansion” ≈ Aim for “Sustainable Growth”

In the final year of the Medium-Term Management Plan,
we will focus on expanding our client base, aiming for the group’s sustainable growth (“*Expansion*”)

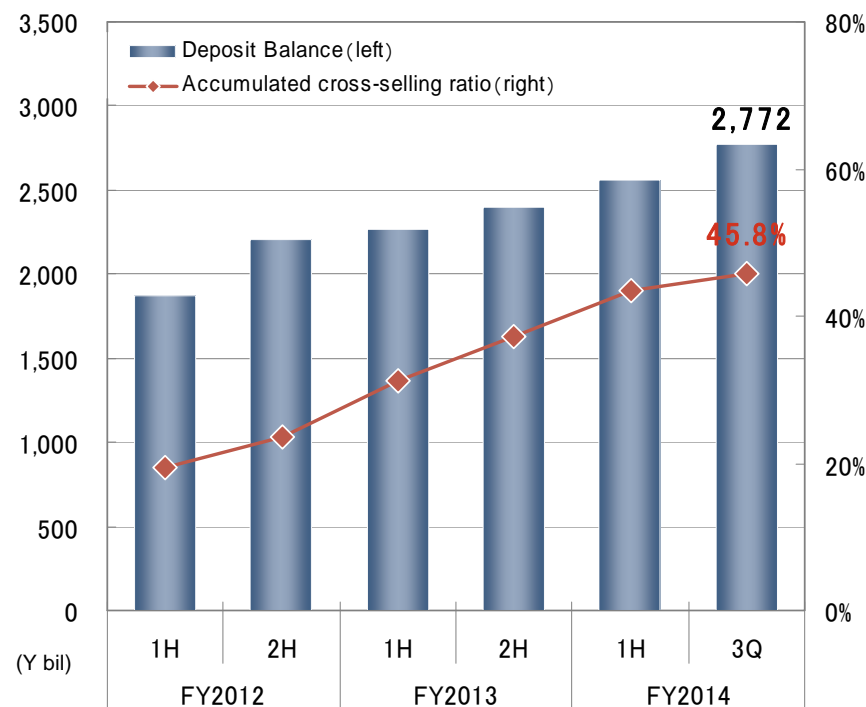


Evolve the Unique Combined Securities-Banking Business Model

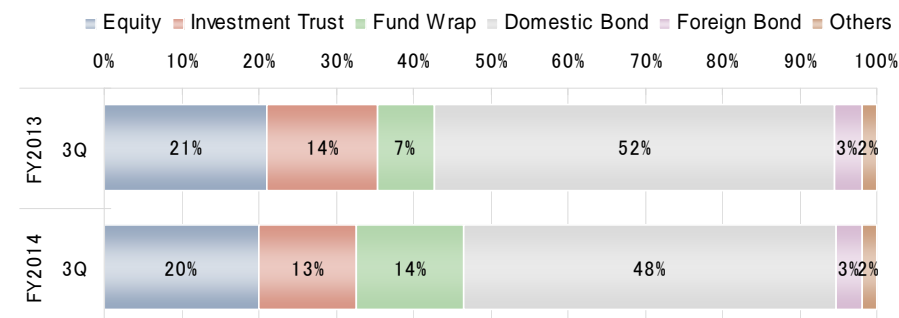
- Cross-selling ratio, the ratio of new time deposit customers initiating securities transaction, has further increased to 45.8%, accelerating the shift from savings to investments within the Daiwa group.
- In Nov. 2014, a sweeping function for foreign currencies was introduced in order to enhance the convenience of customers and expand foreign assets.

Accumulated cross-selling ratio

※ Accumulated cross-selling ratio = accumulated total accounts of cross-selling / accumulated total accounts of newly-opened time deposit



Break-down by products of cross selling (based on accumulated value basis)



Upgrading foreign currency services

Introducing a sweeping function for foreign currencies and increasing the types of foreign currencies available

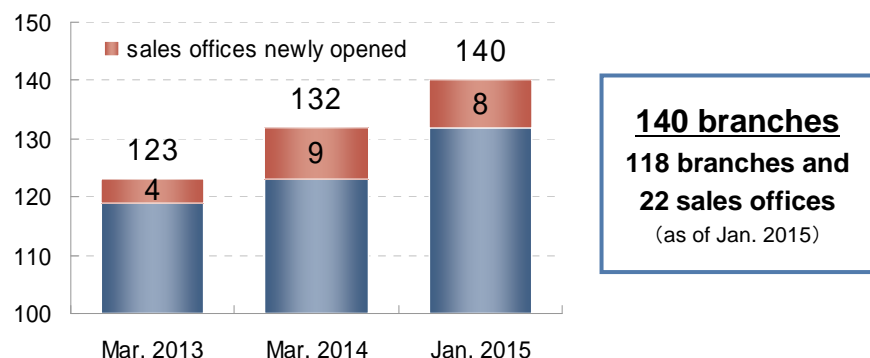


- ✓ **Existing foreign currency deposits**
USD, EUR, AUD, NZD, ZAR, TRY
- ✓ **New foreign currency deposits**
HKD, CAD, GBP, MXN

Expand Sales Organization

- Strengthened the sales network to further expand client base, by continuing to open new sales offices with consideration to cost efficiency.
- Deployed 'inheritance consultants' to branches, and introduced an "inheritance planner qualification" (internal qualification) as a means to reinforce the inheritance-related business structure.

Increase opportunities to contact customers by expanding branch network



Improve sales efficiency to make more time to contact customers

Contact center

- ✓ Assist branches/sales offices by alternatively receiving main switchboard calls at contact centers. (to be introduced to all branches/sales offices by Mar. 2015)
→ Number of client meetings has increased at branches which have already introduced this system.

Smart devices

- ✓ Distributed smart devices -smart phones/PC tablets- to sales staff in Jun. 2014.

Reinforce inheritance-related business

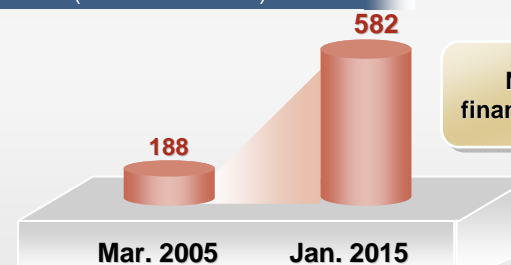
Deploy inheritance consultants

- ✓ Deploy inheritance consultants to branches to provide an all-round support service to clients on their inheritance issues, regarding any type of procedures in addition to Daiwa's procedures.
(Initially 21 branches have started the service from Jan. 2015)

Introduce inheritance planner qualification (internal qualification)

- ✓ Increase the number of staff with high expertise by increasing the number of CFP accredited staff and by internal training program to improve the quality of consulting on inheritance and business succession.

Number of qualified CFP staff
(Daiwa Securities)



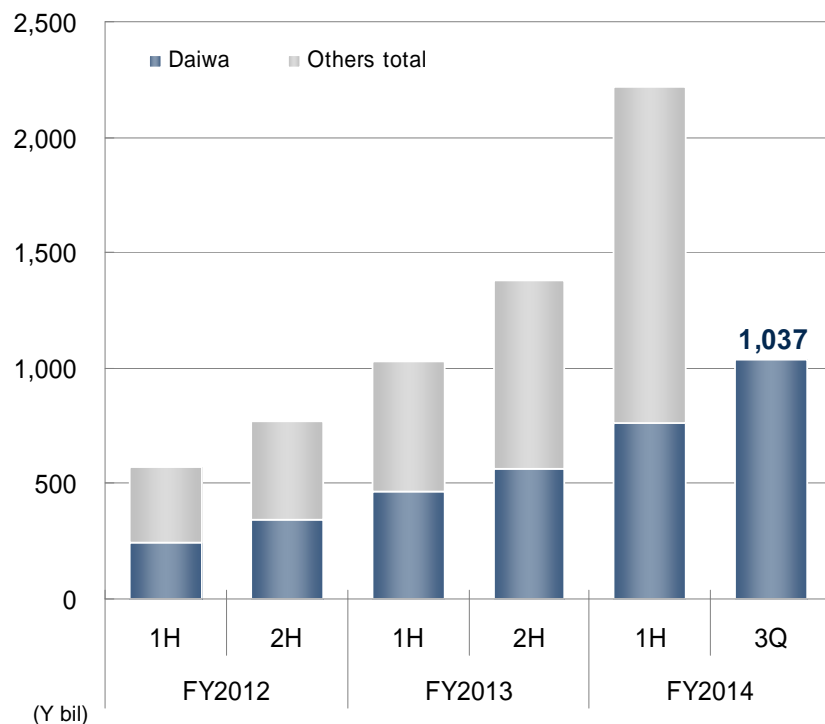
**No.1 among
financial institutions**

Focus on Wrap Account Service



- Daiwa Securities' AUM for wrap accounts (SMA and fund wrap) has surpassed Y1.0tri as at the end of Dec. 2014.
- “Daiwa Fund Wrap” is an effective product to promote the shift “from savings to investment”. We will continue focusing on spreading the product to a wide range of customers by promoting its competitiveness and collaborating with Daiwa Next Bank.

AUM of wrap accounts



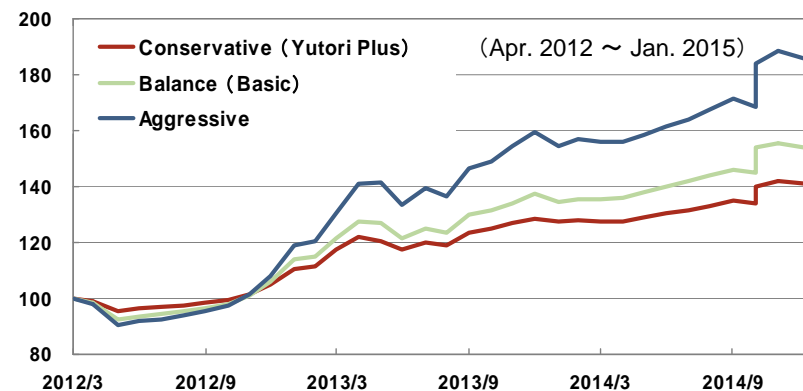
Note: figures are as at the end of the term.

Advantages of “Daiwa Fund Wrap”

- ✓ Contract amount is from Y3.0mil, the lowest among competitors
- ✓ Daiwa offers the most number of investment types (100 and more)
- ✓ Fund wrap + yen denominated time deposit set plan
- This is a service utilizing the combination with Daiwa Next Bank, with the aim of making it easy for potential customers who are considering to make an investment for the first time.



Performance of “Daiwa Fund Wrap”



Note: Performance based on model case scenarios where fund wrap-exclusive funds are held at the standard allocation rate for each investment style (Index basis: 100 = March 31, 2012; fund wrap fees etc. are not taken into consideration)

Expand New Client Base Centered on NISA



- We focused on expanding our client base, by reaching out to investors who have less investment experience, through the NISA accumulated investment service.
- We will continue to set NISA as an essential theme, since the government-driven expansion measures on NISA system such as increase of maximum investment amount and establishment of Junior NISA are visible.

Initiatives for NISA in the first year

NISA specialized funds	Offered 17 no-load funds, as NISA specialized funds
Campaigns	Conducted campaigns including; -Account opening campaign -Daiwa Next Bank's preferential interest rates campaign -Family/friends introduction campaign
NISA desks and seminars	-Set up NISA desks for customers who seek NISA related service -Conducted NISA seminars
Collaboration with Daiwa Next Bank	Dividends or money received from sale of securities in NISA accounts are automatically transferred to accounts at Daiwa Next Bank and efficiently managed with competitive interest rates.
NISA accumulated investment service, and funding method for investment trusts	Focused on "accumulated investment service" and "funding method for investment trusts" which are available from small investment amount in order to assist customers' asset formation especially for investors who have less investment experience.

Revision of tax system (according to the 2015 Tax reform outline)

Establishment of Junior NISA

- People under 20 can open NISA accounts (the maximum investment amount will be Y0.8mil).

Increase the limit of annual investment amount

- The maximum investment amount of NISA will be increased from Y1.0mil to Y1.2mil.

Improvement in convenience of NISA

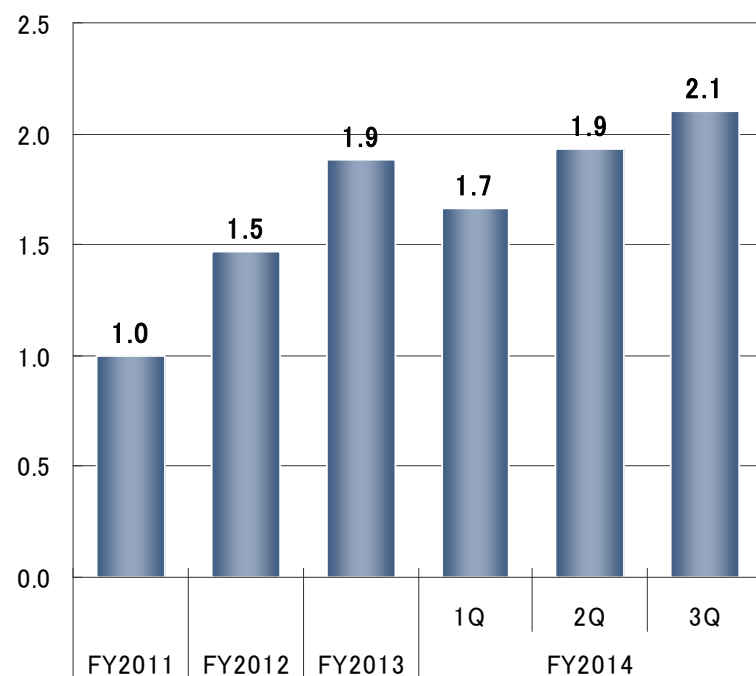
- Procedures of account opening will be simplified and faster.

Government's support on individuals' asset building through improvements to the framework and convenience of the NISA system

Strengthen Profitability with Synergy of Integration

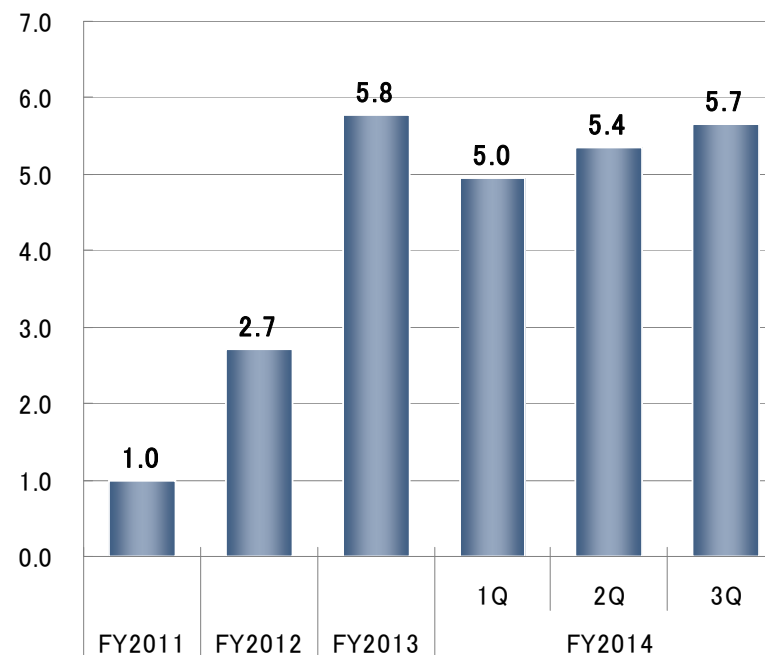
- Revenues from middle market steadily increased, surpassing the FY2013 level through expansion of client base.
- Privately placed structured bond sales have maintained a high level mainly due to the collaboration between the product structuring section and sales section realized by the integration of the retail and wholesale arms in Apr. 2012.

Revenues from middle market



Note: All figures are monthly average and FY2011 figure is indexed as 1.0

Retail Division:
Privately placed structured bond sales

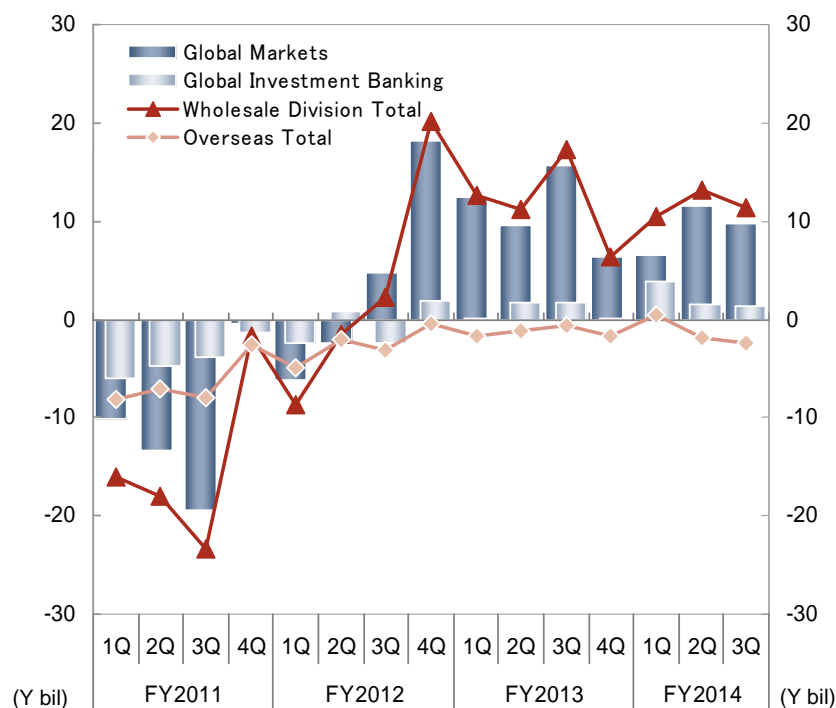


Note: All figures are monthly average and FY2011 figure is indexed as 1.0

Rebuild the Wholesale Business/Overseas Alliances

- Wholesale Division has made a profit for 9 consecutive quarters since 3Q FY2012. Overseas operations continue to work on improving their profitability.
- With regard to overseas alliances, we will aim to expand our business by strengthening the global network efficiently, and raising the level of service.

Wholesale Division (Global basis) Ordinary income



Overseas business alliances

ASEAN

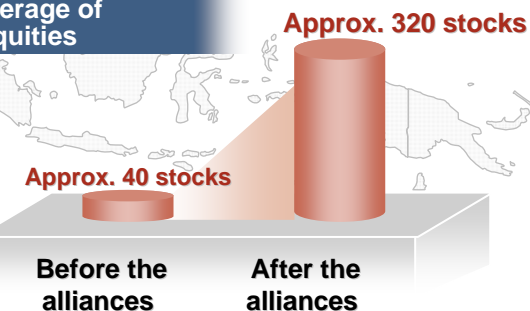
Feb. 2013	Thanachart Securities (Thailand)	●	
Sep. 2013	Bahana Securities (Indonesia)	●	◆
Dec. 2013	Affin Hwang Investment Bank (Malaysia)	●	

Other than ASEAN

Feb. 2014	Australia and New Zealand Bank (Australia and New Zealand)		◆
Apr. 2014	Sanford C. Bernstein (UK)	●	
Nov. 2014	China Securities (China)	●	◆

Alliance area: ● Equity ◆ Investment Banking

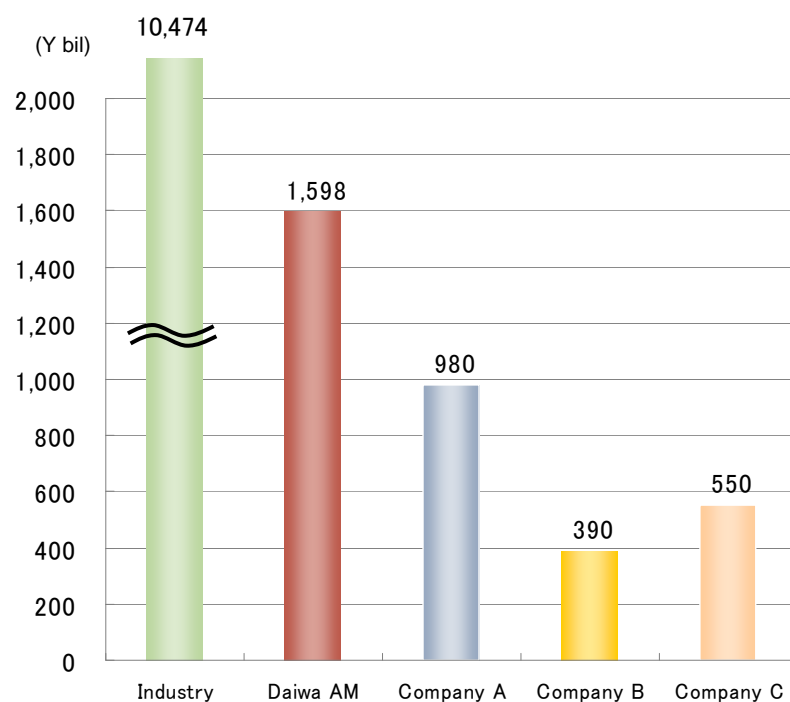
Analyst coverage of ASEAN equities



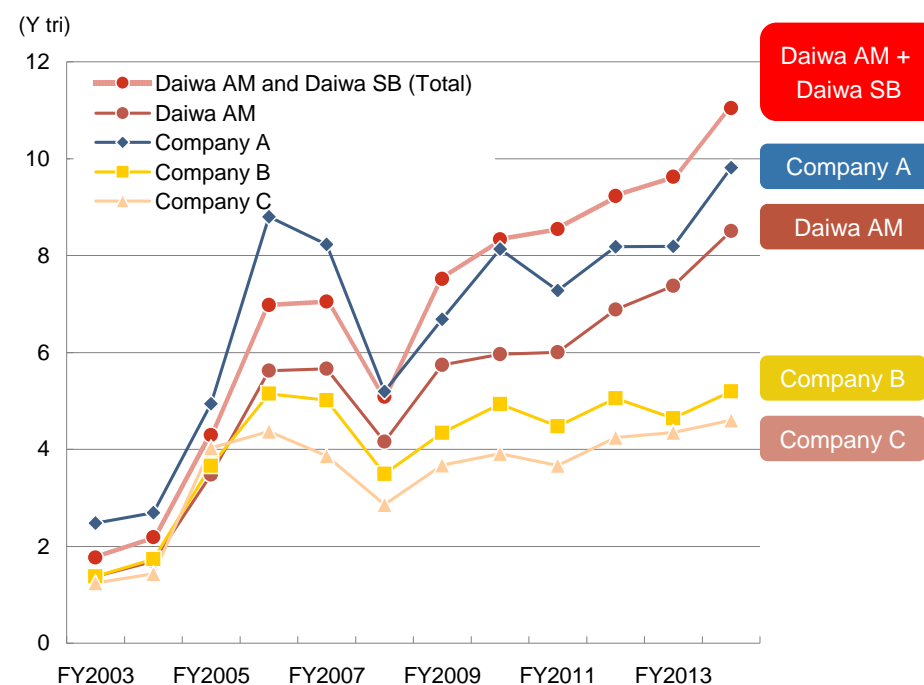
Expand Revenues of the Asset Management Business (Investment Trusts)

- Daiwa AM has recorded the highest amount of money inflow of Y1.5tril for mutual funds (excluding ETF) in the industry during the current medium-term management plan (Apr. 2012 – Jan. 2015).
- The combined total AUM of Daiwa AM and Daiwa SB (excluding ETF) is further growing, maintaining the largest asset size in the industry.

Apr. 2012 – Jan. 2015
Money inflow for mutual funds (excluding ETF)



Mar. 2004 – Jan. 2015
AUM of mutual funds (excluding ETF)

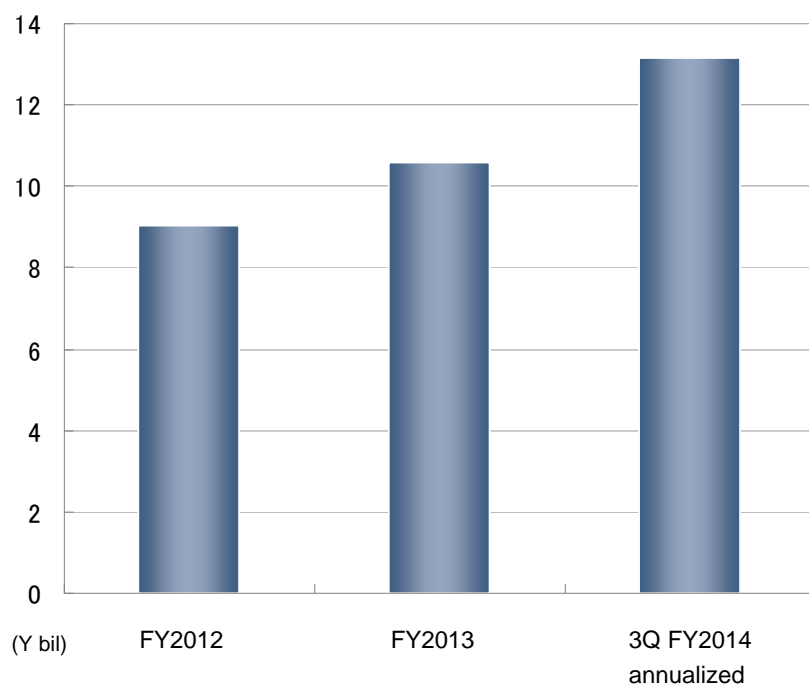


Note: at the end of each fiscal year except for FY2014 (at the end of Jan. 2015).

Strengthen Profitability of Asset Management Business (Real Estates)

- Stable revenues in the real estate asset management business expanded while the combined total AUM of 3 REITs, which are managed by Daiwa Real Estate Asset Management, reached approximately Y480bil (at the end of Dec. 2014)
- In Nov. 2014, Nippon Healthcare Investment was listed as Japan's first healthcare-specialized REIT.
- Decided to make a capital participation in Mi-Casa Asset Management, an asset management company of Japan Rental Housing Investments.

Stable revenues in Real Estate AM Business



Note: Stable revenues in Real Estate AM business include Daiwa Real Estate AM's management fees (except performance fees) and Daiwa Office Investment's net operating revenues.

3 REITs in Daiwa Group

Daiwa Office Investment (DOI)

- Consolidated subsidiary since Mar. 2012
- Listed REIT: Ticker 8976
- Specializes in office buildings
- AUM: Approx. Y400bil (at the end of Dec. 2014)

Daiwa Residential Private Investment

- Investment started in Mar. 2013
- Private REIT
- Specializes in residential buildings
- AUM: Y66.6bil (at the end of Dec. 2014)

Nippon Healthcare Investment

- Established in Jan. 2014
- Listed in Nov. 2014: Ticker 3308
- Japan's first healthcare-specialized REIT
- AUM: Y13.3bil (after IPO)

Investment in Mi-Casa Asset Management

- Daiwa Securities Group Inc. acquired approximately 30% stake in Mi-Casa Asset Management Inc. and approximately 2.5% stake in Japan Rental Housing Investments Inc. (JRH: 8986).
- Daiwa PI Partners Co. Ltd. provided a loan secured by the investment units of Japan Rental Housing Investments Inc.

IV- Finally

Basic direction of the new medium term management plan

Daiwa Securities Group

Basic Direction of New Medium Term Management Plan

“the customer’s first choice securities group”

Basic direction of the new medium term management plan “Passion for the Best” 2017

Business opportunities: Full-scale shift “from Savings to Investments”

Move away from
deflation

successful investment
experiences

Gov support on
policy and system

Improvement of
companies’
“earning power”

Establish a positive cycle between “Savings to Investments” and “Increasing Corporate Value”

To investors,
offer optimum financial services
which lead the “era of shifting from
savings to investments”



To corporations,
offer solutions that contribute to
“increasing corporate value”

Management
Target

① ROE

② Fixed cost coverage ratio

**To be the customer’s best partner by offering
the best products and services in the industry
during the full scale shift of “from savings to investments”**

Capital Management for Achieving Sustainable Growth in Corporate Value

- Achieve sustainable growth in Daiwa's corporate value by optimal balance of "Maintaining financial strength", "Improving capital efficiency", and "Strengthening shareholder returns".

Maintain financial strength

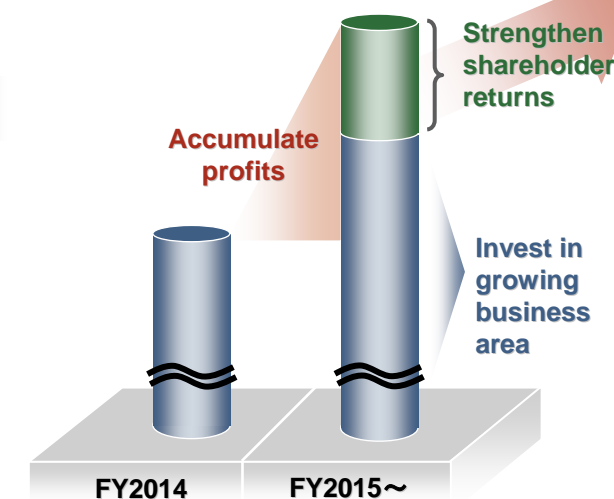
- Secure enough capital and liquidity which can meet global financial regulations
- Secure financial base which can support the upholding or upgrading of the group's credit rating
- Secure financial flexibility which allows investment to expand business even under the stressful environment
- Continue strict risk control

Achieve sustainable growth
in Daiwa's corporate value

Improve capital efficiency

- Invest management resources in domestic/overseas businesses which have high growth and profitability expectations while focusing on ROE
- Lower cost of capital by expanding business portfolio and diversifying risks

Basic image of shareholder's equity



Strengthen shareholder returns


- Aim to maintain upward trend of dividends by improving the ability to generate profitability
- Share buyback will be reviewed by considering business environment, financial conditions, regulatory requirements and level of stock price

Measures to Increase Profits - Investment ideas for future growth -

Basic Stance

- Invest to significantly expand the client base and revenue generating ability of the group's core business in the domestic securities business.
- Invest in areas that have synergies with the securities business, with the aim to expand stable revenues and to supplement the securities business.
- Promote overseas business to strengthen the group's revenue-generating ability in the mid-to-long term.

 : organic

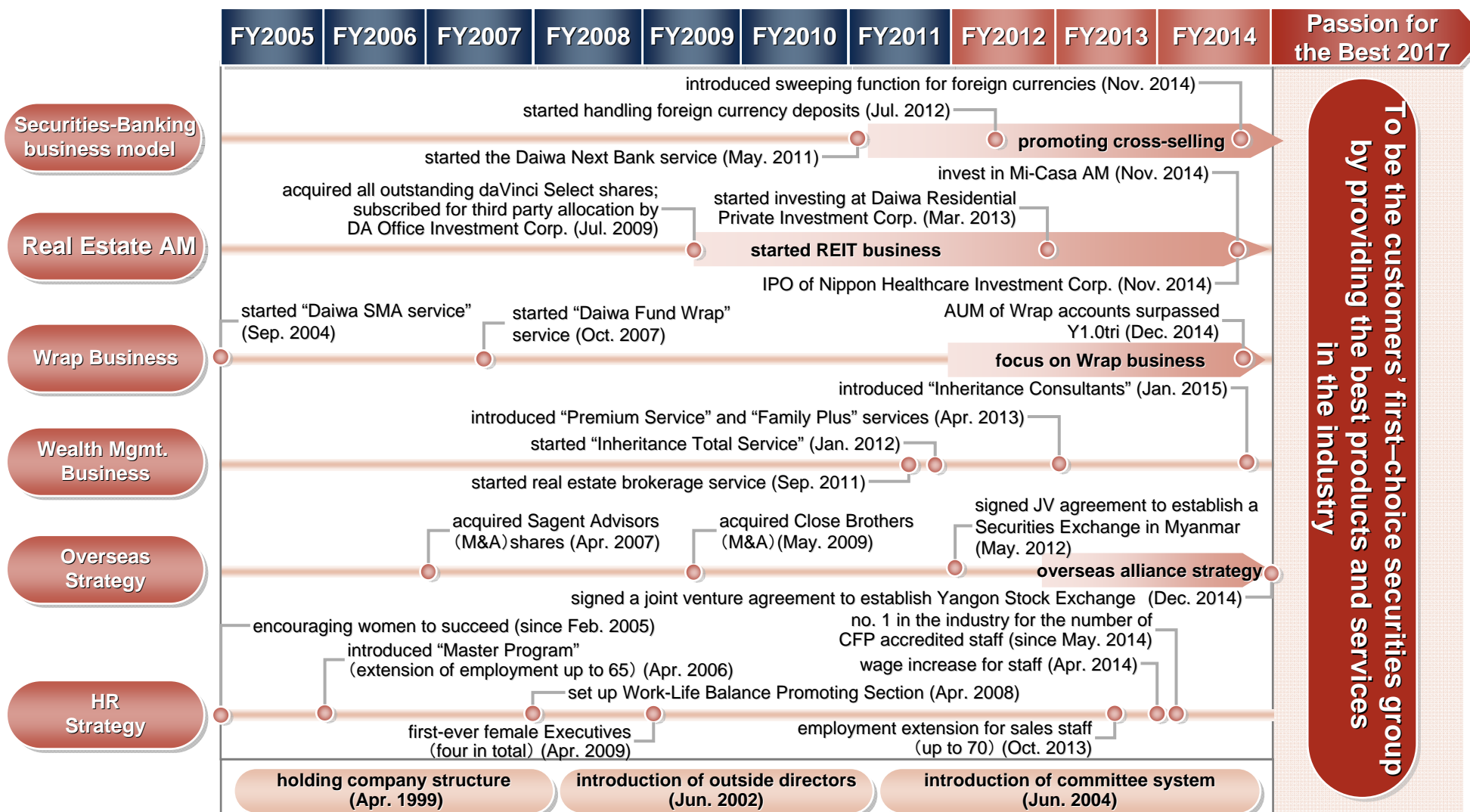
 : inorganic

 : organic & inorganic

	Domestic	Overseas
Retail	Build a platform that can respond to the needs of a wide range of individual investors	Strengthen the Wealth Management Business
Wholesale	Improve the product-providing ability to accurately capture client needs	Seek opportunities for new business alliances with overseas financial institutions
Asset Management	Strengthen asset management abilities and expand AUM	
	Expand the Real Estate AM Business	
Others	Expand other businesses that can contribute to the increase in stable revenues	

Reference: Daiwa as the Pioneer of Financial and Capital Markets

- Aiming to be a pioneer of financial and capital markets, Daiwa Securities Group Inc. will continue to explore ways for establishing new business areas, exceeding society's expectations.





Daiwa Securities Group Inc.

Investors Relations

TEL: +81-3-5555-1300 FAX: +81-3-5555-0661

E-mail: ir-section@daiwa.co.jp

URL: <http://www.daiwa-grp.jp/ir/english>