

April 6, 2018

Press Release

Daiwa Securities Group Inc.

Attention

This is an unofficial translation of the press release issued on April 6, 2018, by Daiwa Securities Group Inc. The original press release is in Japanese.

Daiwa Securities Group Medium-Term Management Plan

“Passion for the Best” 2020

Daiwa Securities Group Inc. has released “Passion for the Best” 2020, the new Medium-term Management Plan for the group covering 3 years from FY2018 to FY2020.

Please see the attached document for details.

End



Daiwa Securities Group Medium-Term Management Plan ～“Passion for the Best” 2020～

April 6, 2018
Daiwa Securities Group Inc.

Customers' Awareness of Issues and the Group's Business Opportunities

Current conditions in Japan

- Declining birthrate and the aging of society, the advent of the era of living to 100
- Increased polarization of the holding of financial assets by individuals
- Maturity of Japanese economy

Surge by Asia

- Increased population and economic growth
- Expansion of wealthy and middle-class customers
- Expansion of inbound demand from Asia

Advancement of technology

- Dramatic change in industrial structure and employment structure through digital transformation
- Improvement of business efficiency and improvement of productivity (work style reform)

Increased "Uncertainty" associated with social change

Individuals

Era of living to 100

- Responding to longer lifespans ⇒ health, nursing and economic problems
- Estate planning
- Diversification of lifestyles in old age

Importance of life planning

Increasing disparity and diversity

- Destruction or life-long employment
- Expansion of income disparity
- Diversity of information communication and information sharing methods

Segmentation of needs

Enterprises and national/local government

Dramatic changes in management environment

- Reduction of domestic market
- Response to digital transformation
- Intensification of cross-industry competition
- Intensification of global competition

Response to changes in industry structure

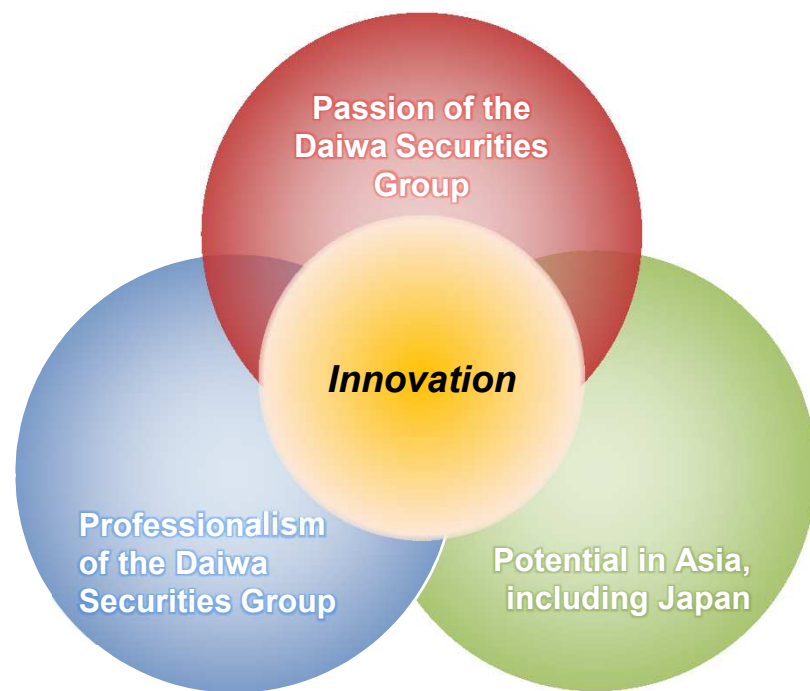
Financial crunch

- Expansion of regional disparity
- Increase of social security burden
- Investment in obsolete infrastructure ⇒ Difficult to ensure healthy finances

Increased global competitiveness

Development of industries that resolve social issues

Vision of the Daiwa Securities Group



Passion

- A strong ambition and sense of mission to contribute to the development of society and the economy through the financial and capital markets
- A passion for realizing the corporate principles of building trust, placing importance on personnel, contributing to society, and securing healthy earnings

Professionalism

- Quality No.1 with high-level integrity and expertise
- A diversified business portfolio aimed at being an integrated securities group with hybrid business model

Potential

- The emergence of the 100-year life span: Expanding investment and asset succession needs
- Expansion and diversification of investment needs of the asset-formation generation through progress on digitalization
- Advancement of industrialization and rapid economic growth in Asia



Innovation

“Passion for the Best” 2020

A financial and capital market pioneer that creates the future

Providing high-value-added solutions through the use of our “Quality No.1” consulting capabilities

Providing new value as an “Integrated Securities Group with Hybrid Business Model*”

* Hybrid business model: The fusion of the conventional securities business together with a diversified portfolio of other businesses

Framework of Medium-Term Management Plan

“Passion for the Best” 2020

A financial and capital market pioneer that creates the future

“Passion for the Best” 2017

FY 2018

FY 2019

FY 2020

Basic Policy

Image of Progress

1 Providing high-value-added solutions through the use of our “Quality No.1” consulting capabilities

Establishment of sales organization, products and services

Realization and evolution of “Customer-first Operations”

Dramatic improvement of customer satisfaction

Digital transformation

2 Providing new value as an “Integrated Securities Group with Hybrid Business Model”

Strengthening of conventional business and full utilization of Group resources

Expansion and strengthening of external networks and surrounding businesses

Enhancement of products and services

Expansion of customer assets

Growth of enterprises driving the Japanese economy

Asset scale and corporate value

Group Numerical Targets

Customer-oriented : Customer satisfaction, Daiwa Securities AUM (JPY 80 trillion or KPIs more in FY2020)

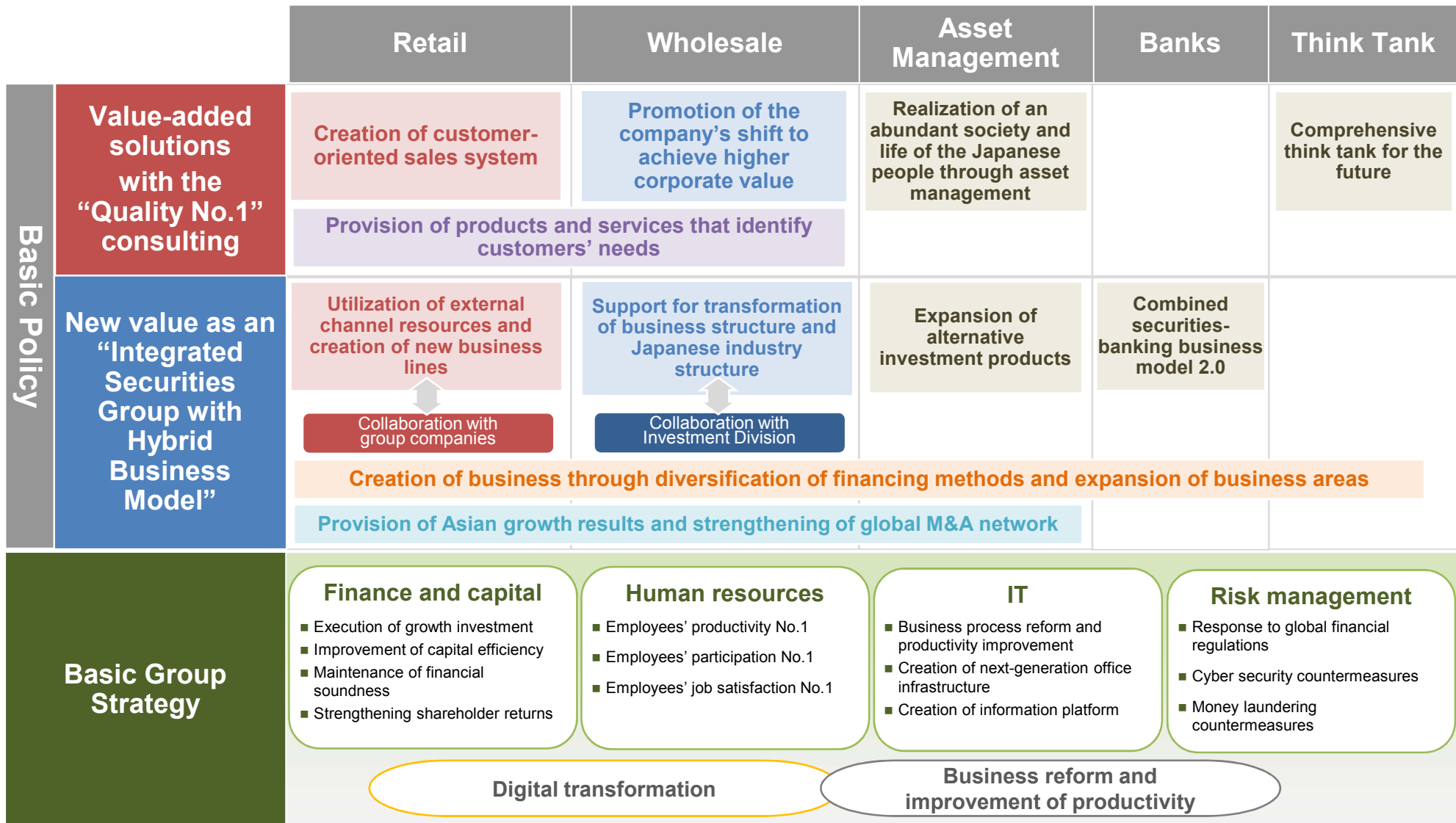
Financial KPIs : Consolidated total capital ratio (18% or higher)

Performance KPIs : ROE (10% or higher), ordinary income (JPY 200 billion or higher in FY2020)



Time

Basic Policy and Key Themes for Each Business Line



<Foundation supporting strategies> Highly transparent and objective governance system

Finance and Capital Strategy

- We will execute a finance strategy that gives consideration to all stakeholders by balancing “execution of growth investment”, “improvement of capital efficiency”, “maintenance of financial soundness” and “strengthening shareholder returns” with the aim of realization of “sustainable growth achieved by securing healthy earnings”

Finance and capital strategy aimed at sustained improvement of corporate value

Finance strategy enabling realization of the Group's medium- to long-term growth vision

- Support for growth investment by establishing a sound financial base able to respond to changes in the business environment
 - Capital investment and human resource development aimed at the expansion of the customer base in the securities business
 - Enabling challenges in surrounding areas compatible with core businesses



Finance strategy for shareholders and other stakeholders

- Improvement of capital efficiency and realization of high shareholder returns
- Clear indication of sustainability of management
 - Securing trust from customers and provision of a safe and fulfilling workplace environment to employees
- Timely and appropriate disclosure
 - Ensuring transparency of management contributing to the improvement of corporate value

Finance strategy contributing to society

- Contribution to sustained development of society through appropriate payment of taxes based on high ethical standards

Promotion of Digital Transformation

- We will establish a system for promoting digital transformation aimed at the realization of “productivity improvement”, “enhancement of customer service” and “development of innovative services”

Objectives of digital transformation

Improvement of productivity

Enhancement of customer service

Development of innovative services

Digging deep into human skills

Providing high-value-added solutions through the use of our “Quality No.1” consulting capabilities

Utilization of digital technology

Providing new value as an “Integrated Securities Group with Hybrid Business Model”

System for promotion of digital transformation

Organization	Business Reform and Productivity Improvement Committee	Financial Innovation Review Meeting	Fintertech Co., Ltd.
	<ul style="list-style-type: none"> ■ Improvement of productivity through improvement of business efficiency ■ Establishment of an environment that generates time for creating innovative results 	<ul style="list-style-type: none"> ■ Groupwide information sharing and collaboration system ■ Promotion of more advanced investment, improvement of business efficiency and innovation in marketing 	<ul style="list-style-type: none"> ■ New company aimed at the creation of next-generation financial services ■ Dynamic and flexible promotion of digital innovation
Fostering of culture	Challenge	Digital mindset	Speed

FY2018 Daiwa Securities Group Management Policy

~Passion for the Best~

President and CEO,
Daiwa Securities Group Inc.
Seiji Nakata

FY2017 was a major turning point in the securities and financial markets. Despite disturbing issues, such as rising global geopolitical risk and poor political visibility, the Nikkei stock average recovered to its highest point for 26 years. In FY2018, while we recognize that the political situation in many countries remains uncertain, the outlook for corporate profits suggests that a record-high in earnings will be reached, and the Japanese economy is expected to stay strong. The deflation that has continued for the past 20 years looks likely to end soon, and the probability of a major monetary shift “from savings to asset formation” is increasing.

On the other hand, the management environment is changing dramatically. Following with the declining birthrate and the aging of society, the advent of the era of living to 100, and the revolution in industrial and employment structures caused by the advance of the digital transformation.

In this context, we have set up the new Group Medium-Term Management Plan “Passion for the Best” 2020, which covers the period to FY2020. By providing high-value-added solutions through the use of our “Quality No.1” consulting capabilities, and by adopting a basic policy of providing new value as an “Integrated Securities Group with Hybrid Business Model”, created by fusing the conventional securities business together with a diversified portfolio of other businesses, we aim to become a “financial and capital market pioneer that creates the future”.

FY2018 will be the first year of the plan and we will steadily implement the action plans for each business division, centered around such themes as deepening “Customer-first Operations,” supporting corporate growth strategies, and creating new business areas.

By actively engaging to resolve social issues, and simultaneously creating economic as well as social value, the Daiwa Securities Group contributes to the realization of a prosperous society and an enriched lifestyle for the people.

Action Plan for Each Business Division

Retail Division

1. Building a sales structure based on customer satisfaction
2. Provide best service solutions for customer attributes that match the customer's various needs
3. Sustainable expansion of a stable revenue base
4. Expand the business by utilizing external channels and resources

Asset Management Division

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

Other (Daiwa Institute of Research Group)

1. Contribute to the strengthening of the business by collaborating with the Group as the think tank of the integrated securities group with hybrid business model
2. Communicate information appropriate to the times, and centered on the economy and finance, in a timely manner
3. Contribute to the business customers engage, providing competitive solutions speedily
4. Expand the business through the creation of “new value” by utilizing advanced technology

Wholesale Division

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

Investment Division

1. Contribute to business ecosystem by discovering and developing new industries through investment
2. Expand investment in Asian countries
3. Develop socially responsible investments
4. Pursue returns through further evolution of investment capabilities

Other (Daiwa Next Bank)

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