

Daiwa Securities Group Inc.

FY2019 Management Strategy

May 21, 2019

Seiji Nakata, President and CEO
Daiwa Securities Group Inc.

Daiwa Securities Group Inc.

FY2019 Management Strategy

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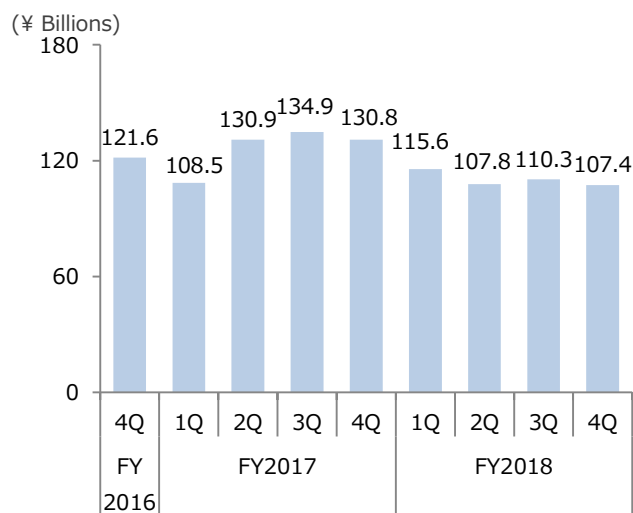
I - Overview of Year 1 of the Medium-Term Management Plan

Daiwa Securities Group Inc.

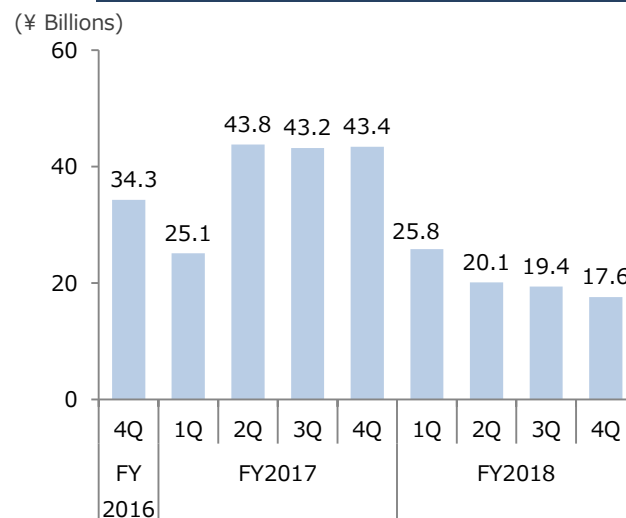
FY2018 Consolidated Earnings Results

Consolidated earnings results	FY2018 1Q-4Q	% Change vs FY2017	FY2018 4Q	% Change vs 3Q/FY18
Net operating revenues	¥441.2 bn	-12.7%	¥107.4 bn	-2.5%
Ordinary income	¥83.1 bn	-46.6%	¥17.6 bn	-9.3%
Profit attributable to owners of parent	¥63.8 bn	-42.3%	¥13.4 bn	-5.0%

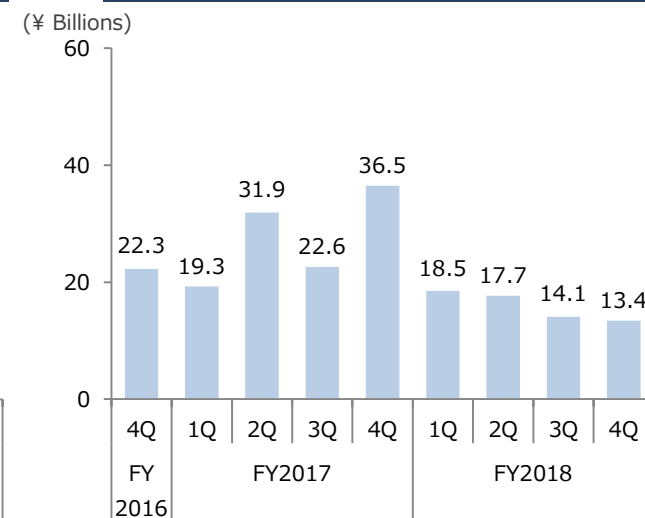
Net Operating Revenues



Ordinary Income



Profit Attributable to Owners of Parent



Shareholder Return

Dividends

FY2018 dividend per share: 21yen (interim: 12yen, year-end: 9yen)

Annual dividend payout ratio: 52.6%

Share Repurchase

Total number of shares to be repurchased: 55 million shares

Total amount to be paid for repurchase: ¥34.8 billion

(Total return ratio: 106.9%)

Total return ratio

106.9%

Amount
repurchased
¥34.8 bn

Total return ratio

75.2%

Amount
repurchased
¥37.1 bn

Total return ratio

60.4%

Amount
repurchased
¥19.0 bn

Total return ratio

58.3%

Amount
repurchased
¥18.6 bn

Acquisition
of treasury
shares

34.9%

34.1%

34.5%

42.5%

42.3%

41.9%

52.6%

50% or higher

Approx. 30%

Approx. 40%

Actual
payout ratio
(full year)

Dividends
per share
(yen)

15		34		30		29		26		28		21	
3	12	17	17	14	16	17	12	13	13	13	15	12	9
Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end
FY2012		FY2013		FY2014		FY2015		FY2016		FY2017		FY2018	
"Passion for the Best"2014 (FY2012-FY2014)						"Passion for the Best"2017 (FY2015-FY2017)						"Passion for the Best"2020 (FY2018-FY2020)	

Progress Toward Quantitative Goals

Achieved a certain measure of success on customer oriented KPI, while progress on performance KPI has been slow.

Customer-oriented KPI (Daiwa version of NPS®)

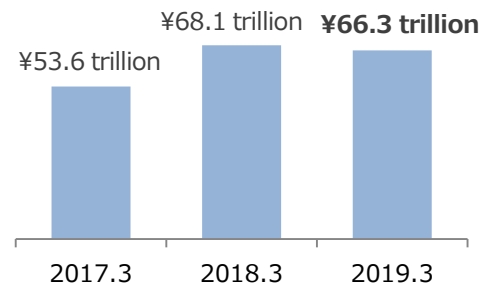
Improvement in score

Already introduced at **All** branches

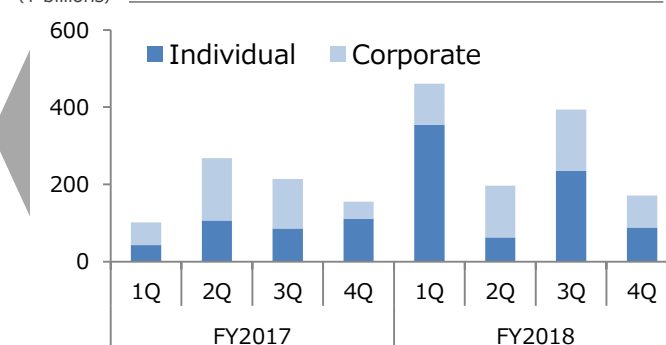
- Steps to improve scores will be taken as needed

Customer-oriented KPI (Assets Under Custody)

¥80 trillion or more (FY2020)

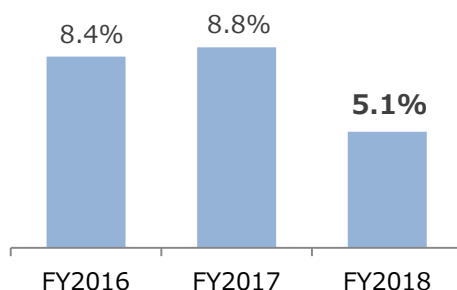


Retail Division: Trend in Net Asset Inflow



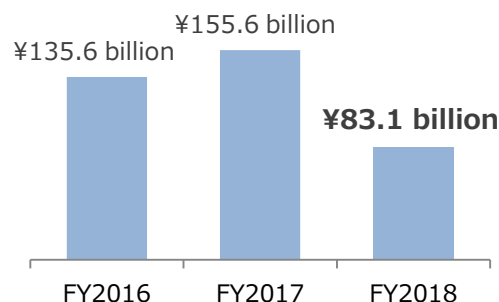
Performance KPI (ROE)

10% or higher



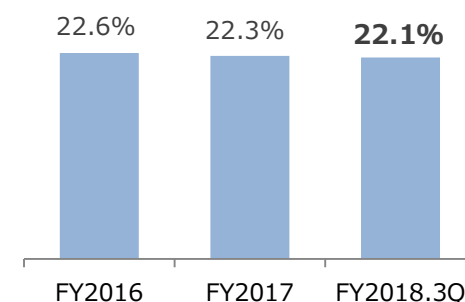
Performance KPI (Ordinary income)

¥200 billion or more (FY2020)



Finance KPI (Consolidated total capital ratio)

18% or higher



Ⅱ - Policy for Year 2 of Medium-Term Management Plan

Daiwa Securities Group Inc.

Pursue a total improvement of 30 billion yen in income and expenses during current medium-term management plan (by increasing the top line and reducing costs), and strive to accumulate greater gains during the next medium-term management plan.

"Passion for the Best" 2020

Next Medium-Term Management Plan

Pursue Quality No. 1 & Hybrid Strategy

Pursue retail sales reform

FY2018

Phase 1

- Pursue retail sales reform
 - Branch strategy (expand sales offices, integrate large branches)
 - Segmentation (Allocation of personnel by customer attribute)
- Improve productivity & operating efficiency
- Sell investment securities

Improve the income/expense structure

FY2019

FY2020

Phase 2

Continue Phase 1 measures + expand profits through reallocation of management resources

- Reassess unprofitable businesses & services
- Slim down headquarters and division functions
- Improve the efficiency of sales branch functions
- Reassess owned assets
- Cut unnecessary SG&A expenses

Establish a Quality No. 1 management base

FY2021-FY2023

Phase 3

Goal for improvement in income/expenses + ¥50 billion (by FY2019 to FY2023)

Goal for improvement in income/expenses + ¥30 billion (by FY2020)

Reallocate management resources

- Effective use of human resources
- Effective use of assets

Improve the top line through reallocation of management resources & taking other steps + ¥15 billion

Reduce costs + ¥15 billion

Severe business environment

Current income/expense structure

Improve the top line through reallocation of management resources & taking other steps

Optimize costs

+ ¥30 billion

+ ¥50 billion

Reforming the Income/Expense Structure Phase 2: Reallocation of Management Resources

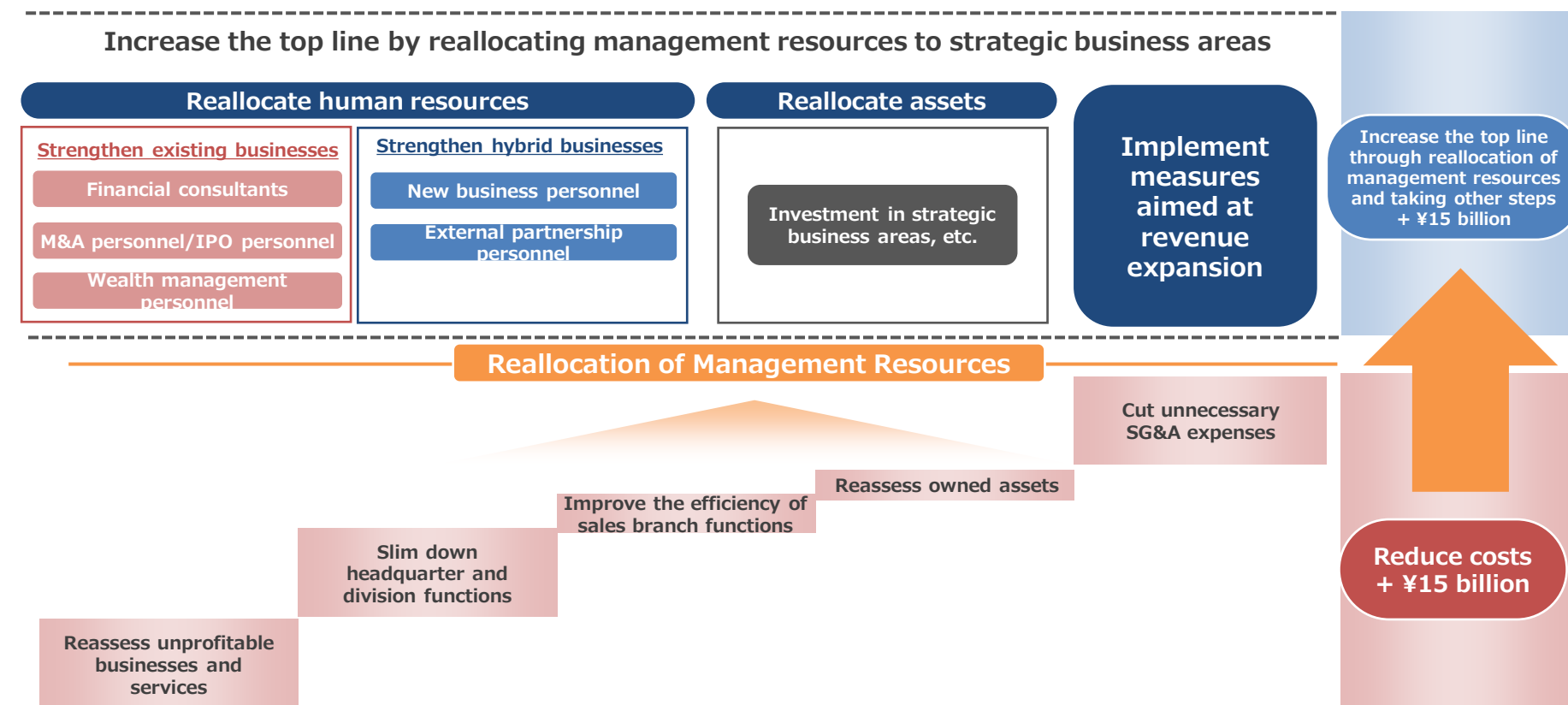
Reduce costs

Reduce costs by ¥15 billion, mainly by reassessing unprofitable businesses and services and reducing unnecessary SG&A expenses.

Improve top line

Increase the top line by ¥15 billion by creating a human resource pool and reallocating management resources to strategic business areas, mainly by slimming down headquarter and division functions and improving the efficiency of sales branch functions.

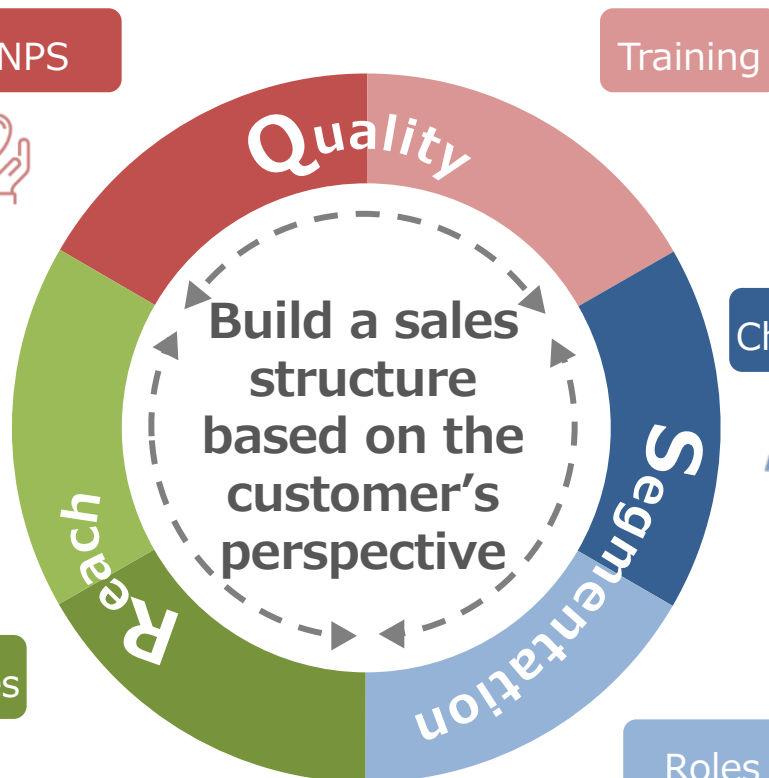
Plan for improving income and expenses in Phase 2



Three-Pillars Retail Strategy

The retail business still has enormous growth potential. We aim to grow as more sustainable core business by further strengthening the customer-oriented sales system based on NPS.

- The Daiwa version of NPS[®] was introduced to visualize the degree of customer satisfaction and as an indicator for sharing a sense of value internally.
... We have already introduced it at All branches
- We will aim for ongoing improvement.



- Established better communication rules to increase contact with customers.
- Contact customers efficiently and effectively based on transaction data analysis.

Contacts

- Be thorough in area marketing, expand the number of small, low-cost sales offices, and work to expand points of contact with customers ...

Branches



No. of sales offices: 43
Total number of branches: 160 (in Japan)

* as of March 31, 2019

- Hold Quality No. 1 Meetings to develop a customer-oriented mindset among all employees.
- Establish a new Q Road training program for employees who have been in the company for 3-5 years
... No. 1 in the industry in the number of CFP certification holders: 796 holders
* as of March 31, 2019

Training

- Optimize channels according to customer attributes and life stages, for elderly customers, customers in the asset-building stage, etc.

Channels



Elderly customers > Anshin Planner

Asset-builders > Financial Consultants

... Anshin Planner: 70 branches
Financial Consultants: 72 branches

※as of April 30, 2019

- Transition from a headquarter-driven sales structure to a bottom-up sales structure driven by individual branches, based on customer needs.

Roles

Expand the Daiwa Ecosystem

Current Medium-Term Plan
–Next Medium-Term Plan
Anticipated cumulative
contribution from new
business
¥15 to ¥ 25 billion

New
businesses,
energy &
infrastructure,
healthcare,
etc.

Changes in needs of customers

- Respond to the long-term and diversified investment needs of a wide range of investors
- Strengthen fiduciary duty

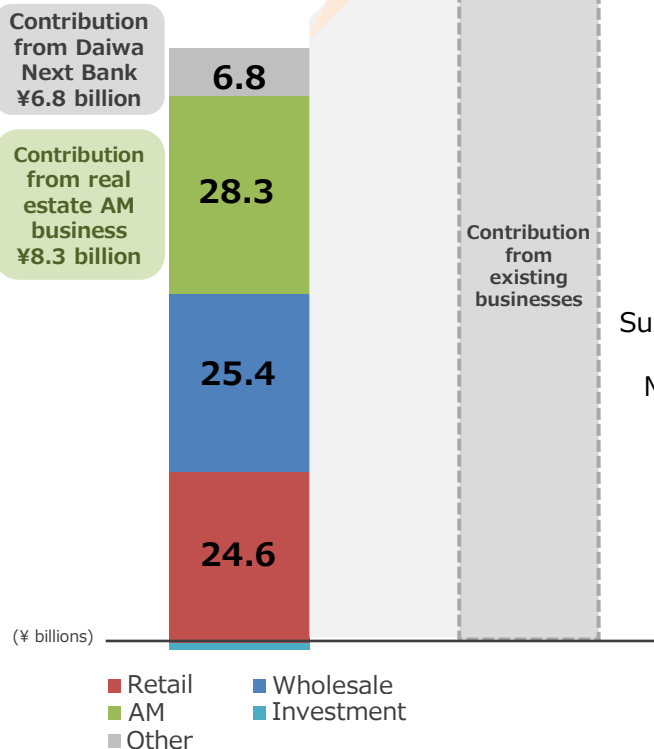
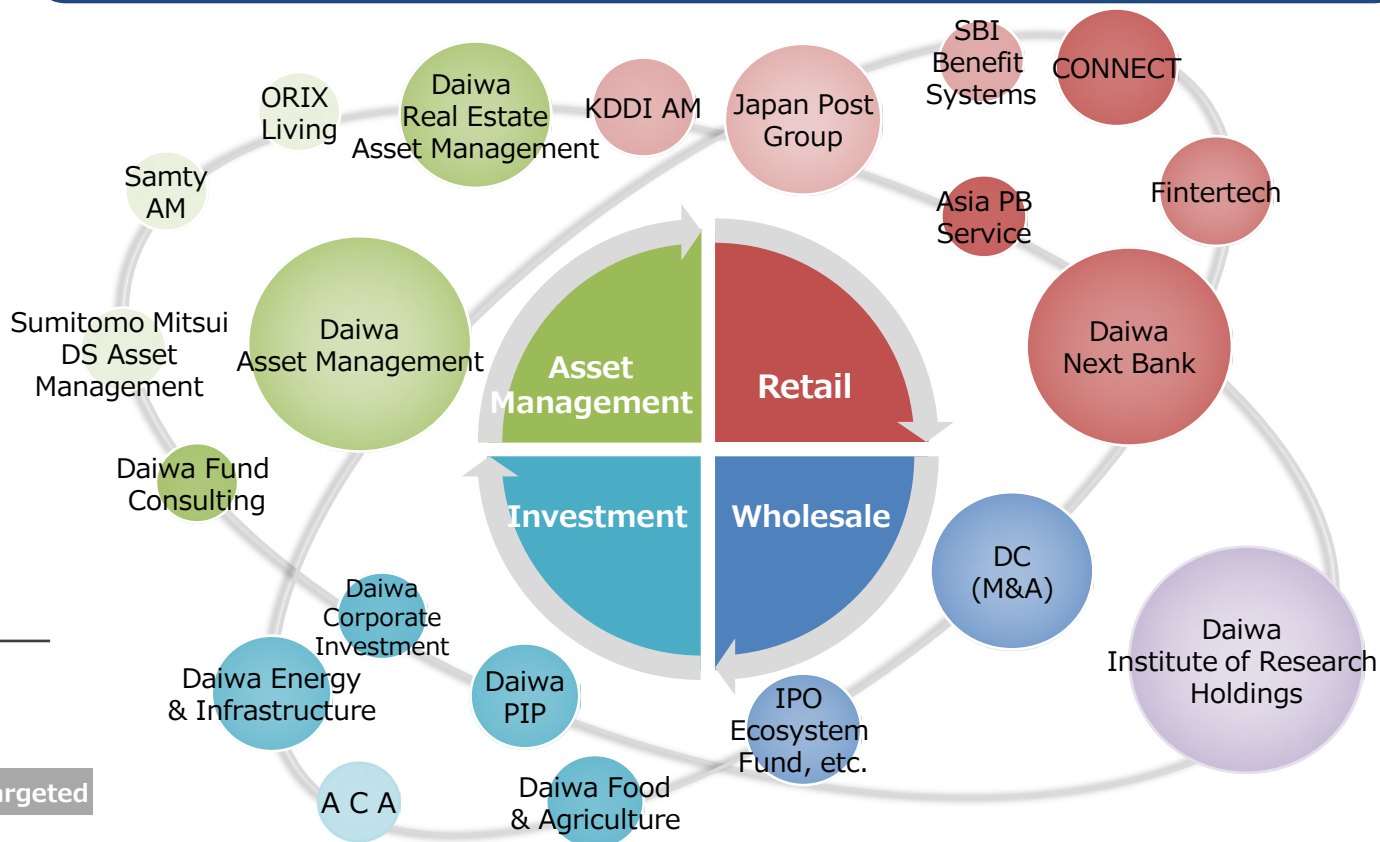
Conversion to stock business & service business

Changes in the income/expense structure

- Downward pressure on brokerage commissions from technological advancements and stiffening competition
- Decline in FICC revenue due to continuing surplus funds and low-interest rate environment

Decline in profitability of traditional securities business

Strive to improve profitability by expanding the business portfolio
around the core of the traditional securities business



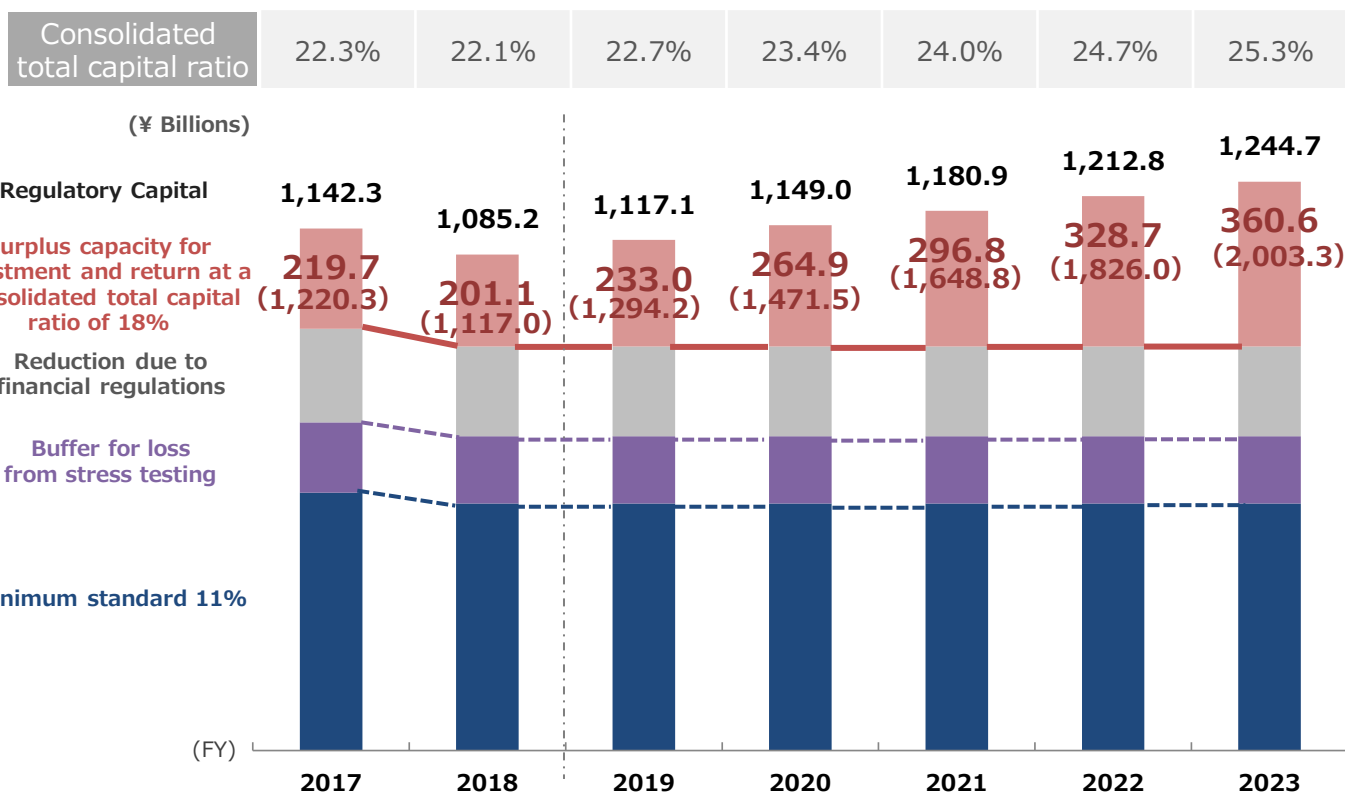
FY2018 ordinary income

Future vision targeted

Capital Policy

The financial status of Daiwa Securities Group is very sound, even when considered under the new Basel regulatory framework. We have adequate surplus capital for shareholder returns and investment in growth.

Simulation of Surplus Capacity for Investment and Shareholder Return



[Underlying Assumptions of Simulation]

- Conservative assumption for profit level in FY2019 and thereafter assumes net income on par with FY2018 (¥63.8 billion)
- Assumes a dividend payout ratio of 50% in FY2019 and thereafter
- We have used the Dec. 31, 2018 figures for regulated equity and risk assets for FY2018. Only profit has been added to equity and risk assets after that.
- The simulation does not indicate future investment and financing plans.
- The reduction due to financial regulations is assumed to be 4%.

■ Minimum standard 11%
■ Reduction due to financial regulations

■ Buffer for loss from stress testing
■ Surplus capacity for investment and return at a consolidated total capital ratio of 18%

* Numbers in parentheses show the amount of investment possible based on risk assets.

III- Progress on Division Strategy & Future Initiatives

Daiwa Securities Group Inc.

New Collaboration in the Asset Building Area

An agreement has been reached on proceeding with consideration of collaboration with the Japan Post Group in supporting asset building of Japanese individuals.

We will proceed with building a framework for cooperation on development of discretionary investment services and other new consulting services.

JAPAN POST HOLDINGS **JAPAN POST BANK**

Network Number of post offices nationwide:
Approx. 24,000
(Japan Post Bank: 233 retail locations)

Customer base Number of ordinary savings accounts:
Approx. 120 million
Individual savings deposit balance:
Approx. ¥180 trillion

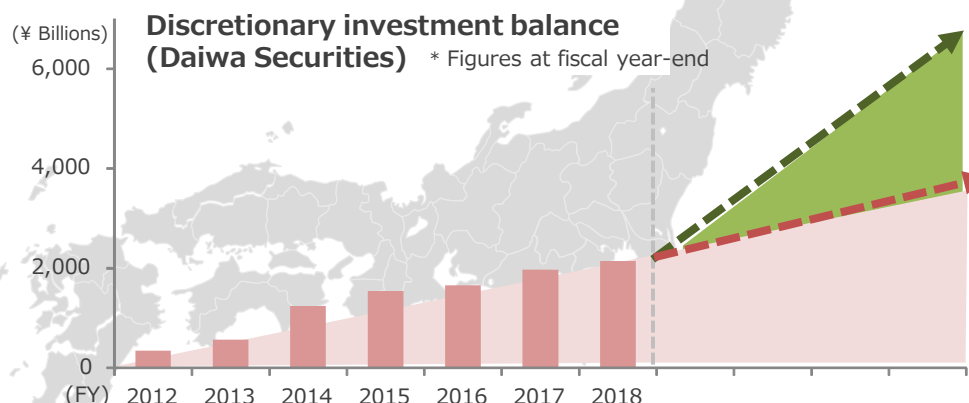
As of March 31, 2019

Daiwa Securities **Daiwa Securities Group Inc.**

Network Number of domestic branches: 160
21 countries & regions worldwide

As of March 31, 2019

Expertise Founded 117 years ago, extensive experience, knowledge, and resources in discretionary investment accumulated over 15 years



Support medium and long-term asset building according to the lifestyle and needs of each individual customer

Make mutual use of management resources to accelerate the transition from savings to asset building in Japan

New Initiatives Aimed at Capturing Asset Builders

Preparations are underway on establishing CONNECT, a new brand for providing financial services customized for smartphones. This is mainly targeted at beginning investors and asset builders.

Name:	CONNECT Inc.
Capital:	JPY800 million (including capital reserves)
Shareholder:	Daiwa Securities Group Inc. (100%)
Date established:	April 1, 2019
Business commencement date:	Spring of 2020*
Targets:	People in their twenties to forties and active traders, mainly the millennial generation

* Business is scheduled to commence after the process of registering the business as a financial instruments business operator with the relevant authorities has been completed.

CONNECT

Easy-to-use trading environment on smartphones

Easy-to-use application design for asset building and young generation

easy to understand product line-up

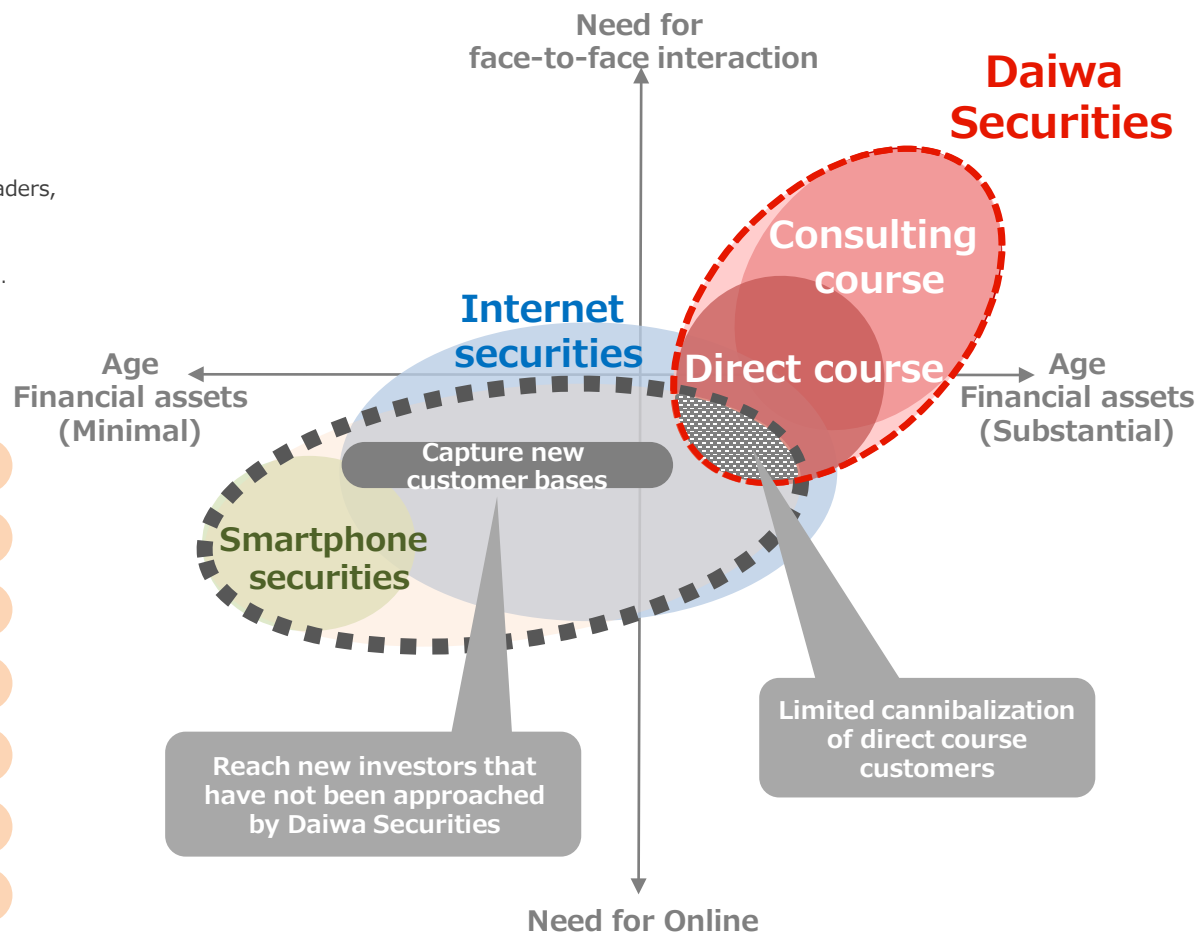
Enables customers to start with small-sum equity trades and installment-type investment

Handles IPOs (Initial Public offerings)

Lowest fee level in the industry

Utilization of gamification

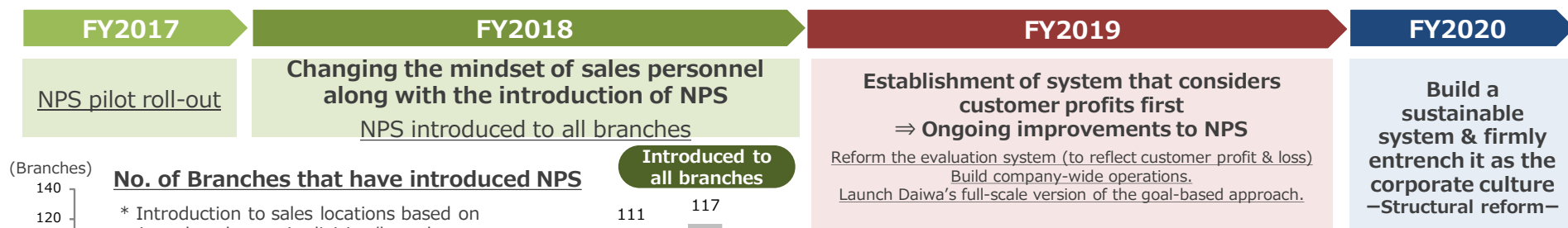
Positioning a new brand of securities



Evolution of a Sales Structure Based on the Customer's Perspective

NPS as customer satisfaction indicators have already been introduced in all branches. In the future a structure that considers customer profits first will be implemented by reforming the evaluation system for branches and sales representatives as the axis for improving NPS.

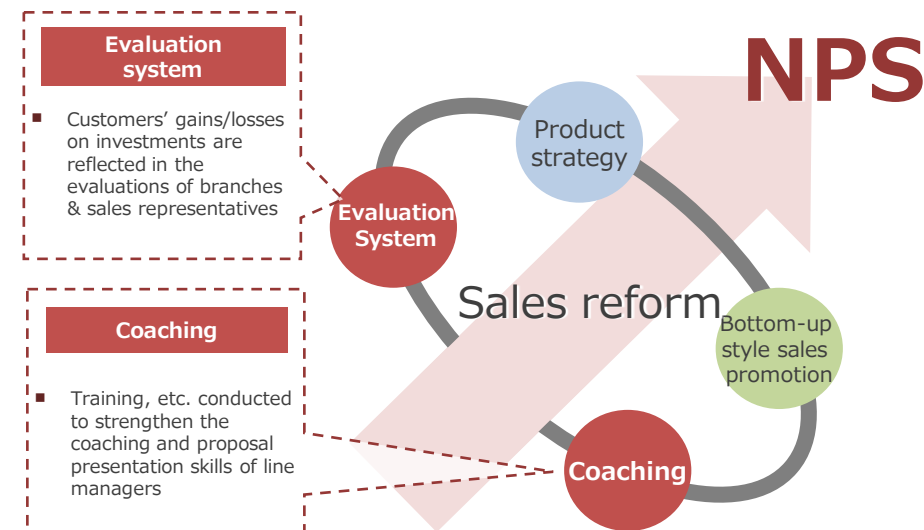
Roll-out Phase with NPS as the Driving Force



Main Results from Introduction of NPS Thus Far

Instillation of face-to-face meeting mindset	<ul style="list-style-type: none"> A trend toward a large number of face-to-face meetings with a wide range of core customers is more prevalent among sales branches that introduced NPS earlier.
Expansion of solution transactions	<ul style="list-style-type: none"> A number of transactions providing solutions through the active use of headquarters-accompanied visits among sales branches is increasing.

Future Initiatives Along the NPS Axis

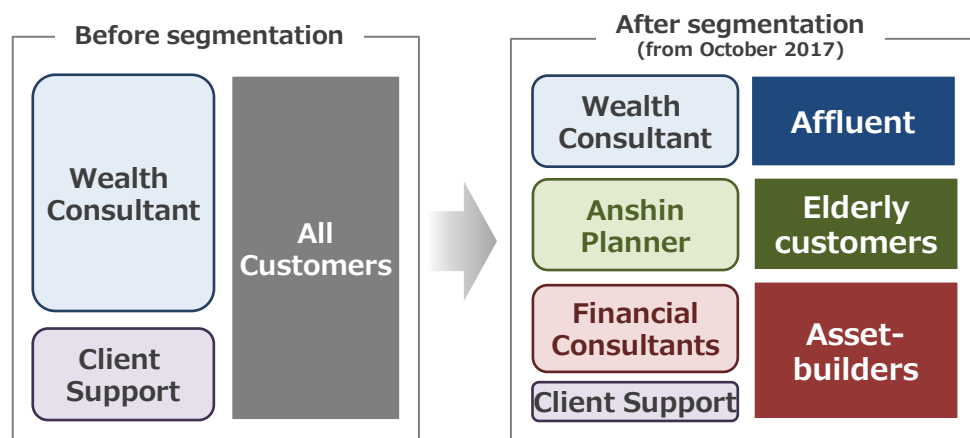


Further Expansion of Face to Face Contacts

Accurately capture diversifying customer needs by optimizing channels.

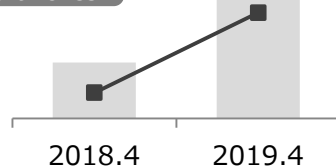
Expand flexible and low-cost sales offices in the next few years, while continue to improve the efficiency of existing branches.

Segmentation and Optimization of Channels



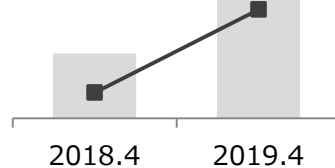
Anshin Planner

No. of personnel **123 people**
The number of branches **70 branches**



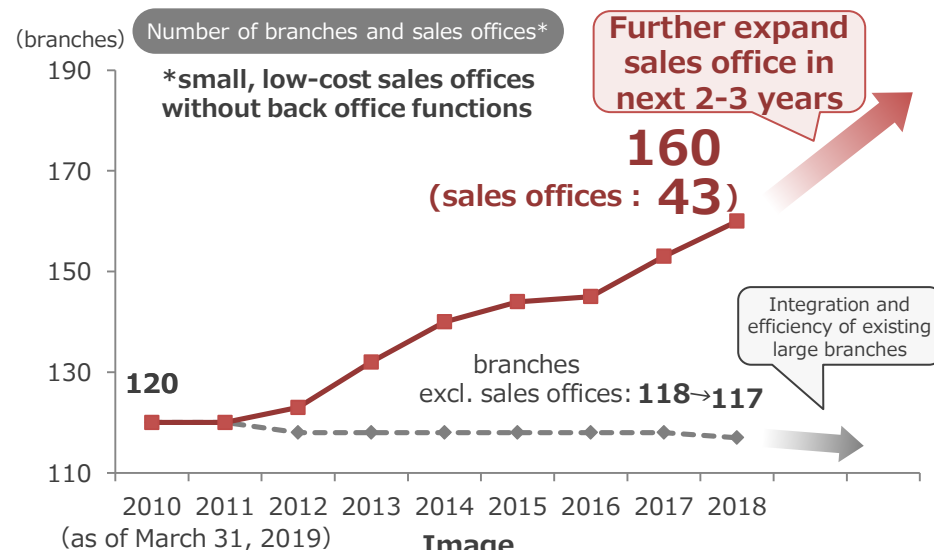
Financial Consultants

No. of personnel **123 people**
The number of branches **72 branches**

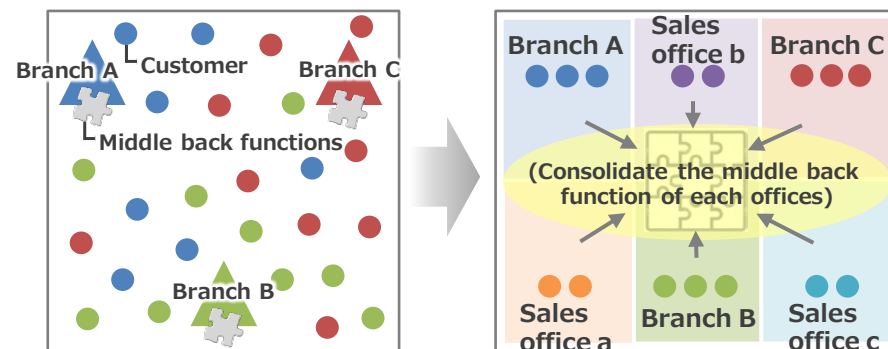


Scheduled for introduction in all 117 branches by April 2020

Branch Strategy ~expand sales offices, integrate large branches~



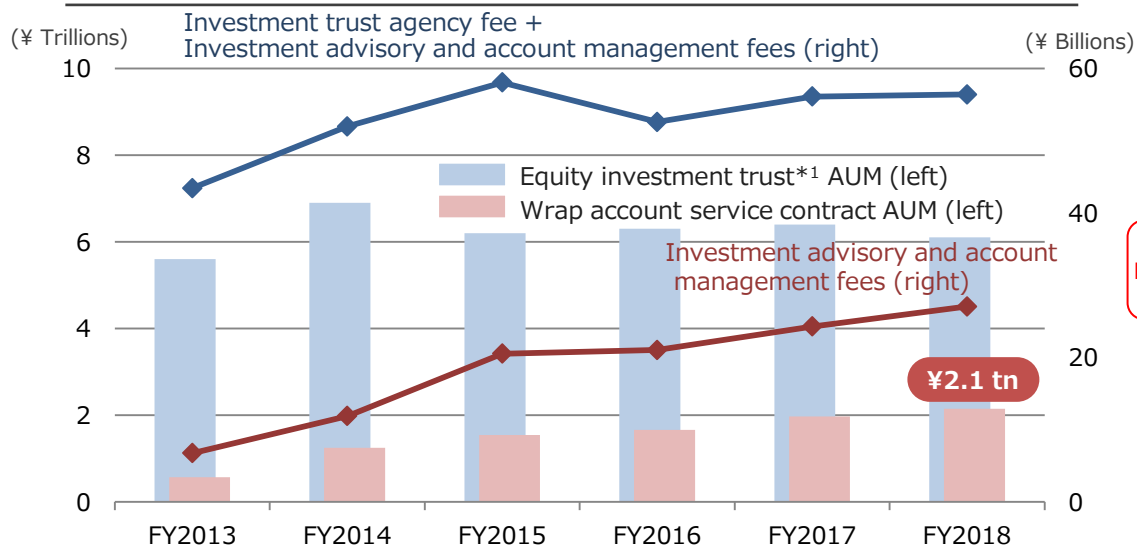
Image



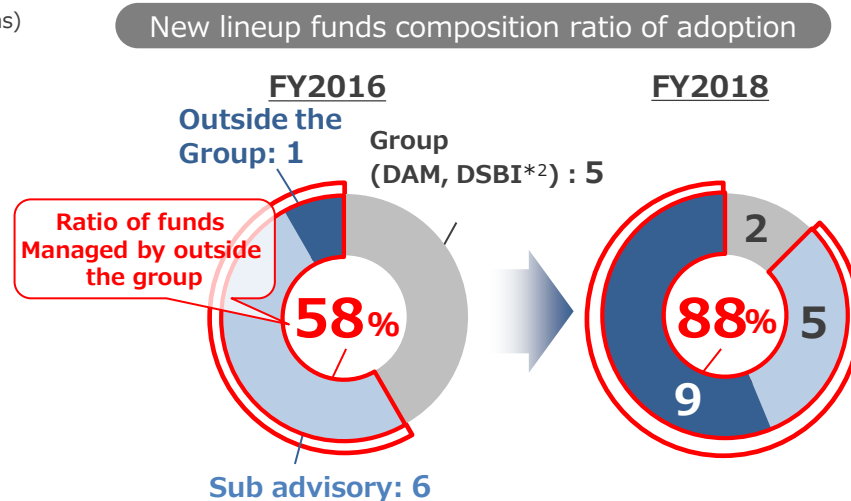
Ongoing Expansion of the Stable Revenue Base by Providing the Optimal Products and Services

Continue to expand stable revenues by strengthening the functions and lineup of products and services that are appealing to customers. Expansion of foreign currency deposit at Daiwa Next Bank also contributes to stable revenue.

AUM and Fees for Investment Trusts and Wrap Account Services (Daiwa Securities)

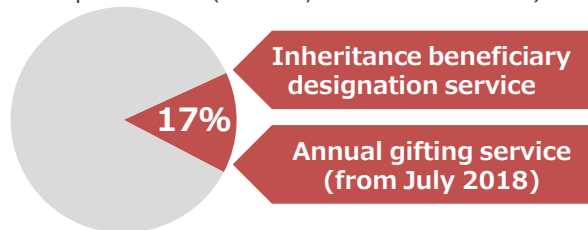


Selection of Investment Trusts by Open Architecture



Evolution of Wrap Account Services that Meet Customers' Needs

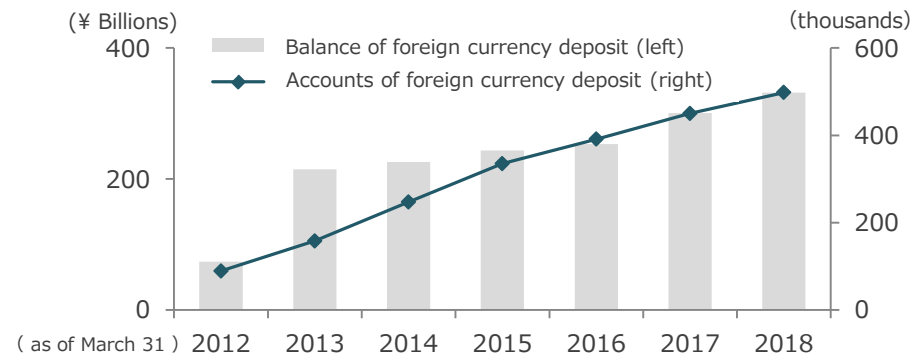
The ratio of **inheritance and gift related services** used in new contracts of Daiwa Fund Wrap Premium (from July 2018 to March 2019)



Additional services onto fund wrap premium for 100-year life

- Cashing at the time of inheritance
- Periodical beneficiary service

Daiwa Next Bank Expansion of Foreign Currency Deposit

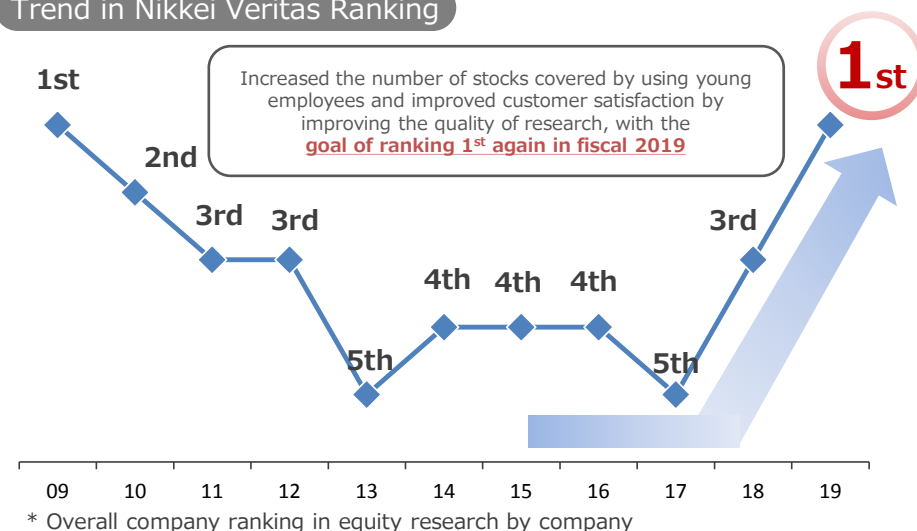


Providing Products & Services that Capture Customers' Needs

In the Nikkei Veritas Analyst Rankings, we captured 1st place for the first time in 10 years, since 2009. We work to provide diversified investment opportunities to retail customers by expanding foreign equities, foreign bonds, and forex information.

Strengthening Domestic & Foreign Research

Trend in Nikkei Veritas Ranking



Reasons

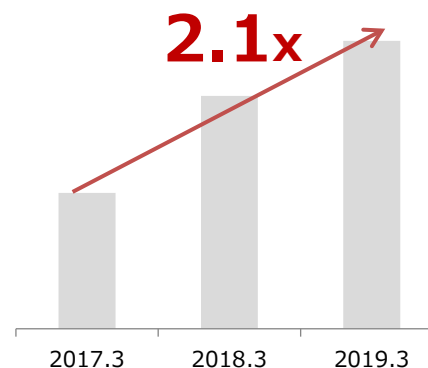
- Set the clear goal of ranking in the top three.
- Held high-value added events for investors by holding collaborative seminars by analysts and strategists, seminars with invited external lecturers, etc.
- Provided information based on ESG to investors and supported engagement activities.
- Hired external analysts strategically and supported the growth of young analysts.

Providing Diversified Investment Opportunities

Investment needs for foreign equity

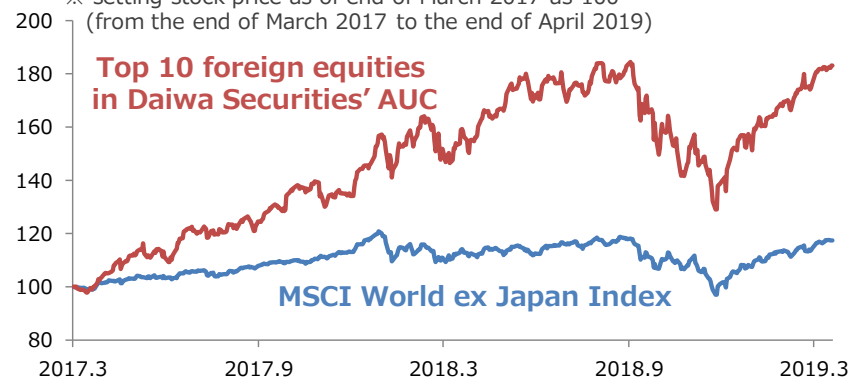
- Provision of timely and clear information from overseas locations
- Medium to long term offers to spur international diversified investment
- Provision of liquidity in foreign equities, mainly U.S. equities, in Japan standard time

Foreign Equity AUC



Average performance of top 10 foreign equities in AUC

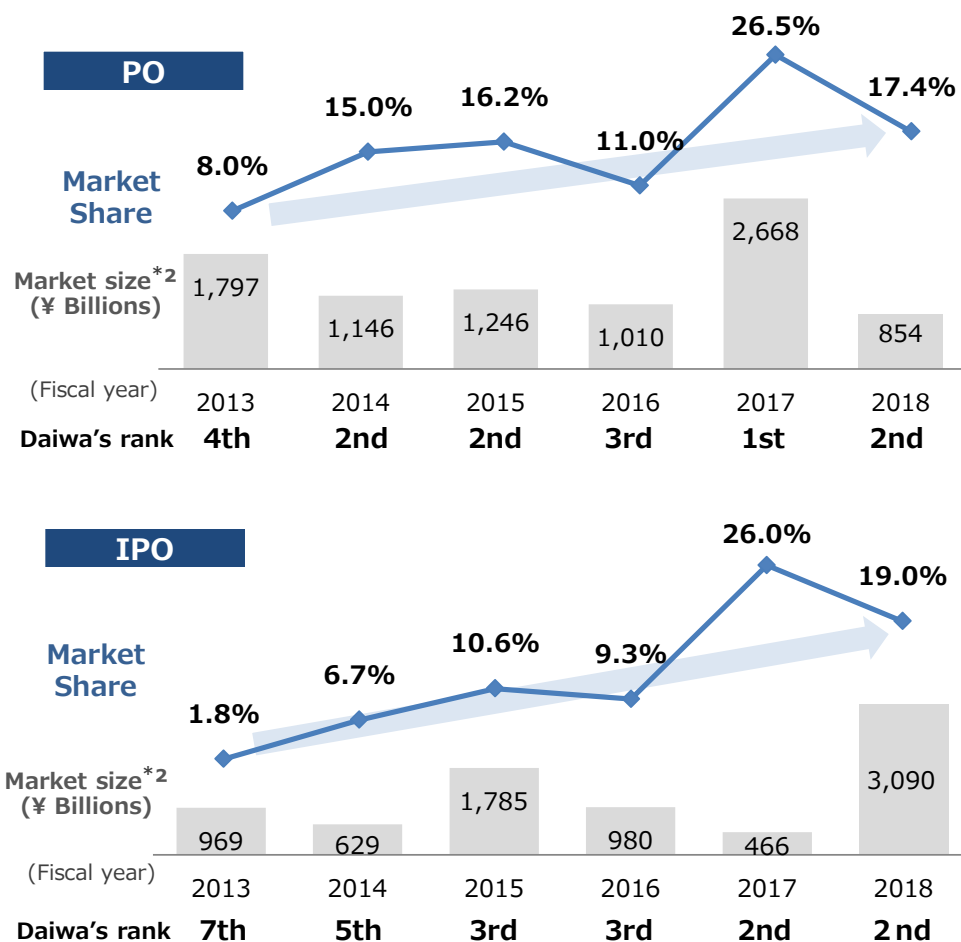
※ setting stock price as of end of March 2017 as 100
(from the end of March 2017 to the end of April 2019)



Ranking in the League Tables and Evolve the IPO Platform

Maintain a firm grip on top ranking in the PO & IPO league tables by capturing large equity finance deals. Utilize venture capital and the Daiwa Innovation Network, and work to capture more IPO deals.

ECM Market Size & League Table Ranking & Share*1 (Source: Daiwa Securities)



Further Evolution of the Daiwa IPO Platform

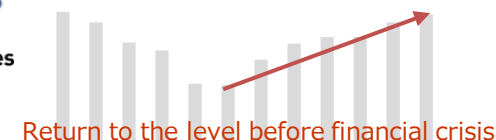
Daiwa Corporate Investment Daiwa PI Partners

DGLAB FUND

DG Daiwa Ventures

WiL

IPO related personnel (Trend from April 2009)



Sourcing Capability (Deal-finding skill)

- Utilize Japanese venture capital
- Strengthen relationships and partner with external venture capital firms (DG LAB FUND, WiL, etc.) and universities.
- Cooperate with Daiwa PI Partners and Daiwa Corporate Investment

Quality of Human Resources

- Continuous reinforcement of personnel
- Strengthen the coverage of unicorn IPO companies

Core competence of Daiwa IPO platform

Networking Skills

- Further evolution of the Daiwa Innovation Network (DIN)



Execution & Marketing Skills

- Knowledge & experience backing our extensive track record
- Solid sales base in Japan and overseas

DIN Summit

Networking event for the heads of start-ups

DIN Premium

Matching of start-ups with individual companies

DIN Premium FES

Cross matching of listed companies

DIN

Matching of start-ups with listed companies

FY2018 Main IPO・PO deals (Offering size)

SoftBank Corp.
Global IPO (¥2.64 tn)

Mercari, Inc.
Global IPO (¥130.7 bn)

Renesas Electronics Corporation
Global PO (¥292.3 bn)

*1 League tables show share captured in terms of value

*2 PO total (excluding domestic and foreign CBs and REITs)

Further Strengthening the Global M&A Network

Integrate DC Advisory brand name globally, and strengthen and consolidate the M&A network. Target top share in the global mid cap market in the future.

Main Initiatives (from FY2018)

- Further deepened alliances between locations on cross-border deals

Main deals

Acquisition of shares & related business assets of UPSA (France) by Taisho Pharmaceutical Co., Ltd.

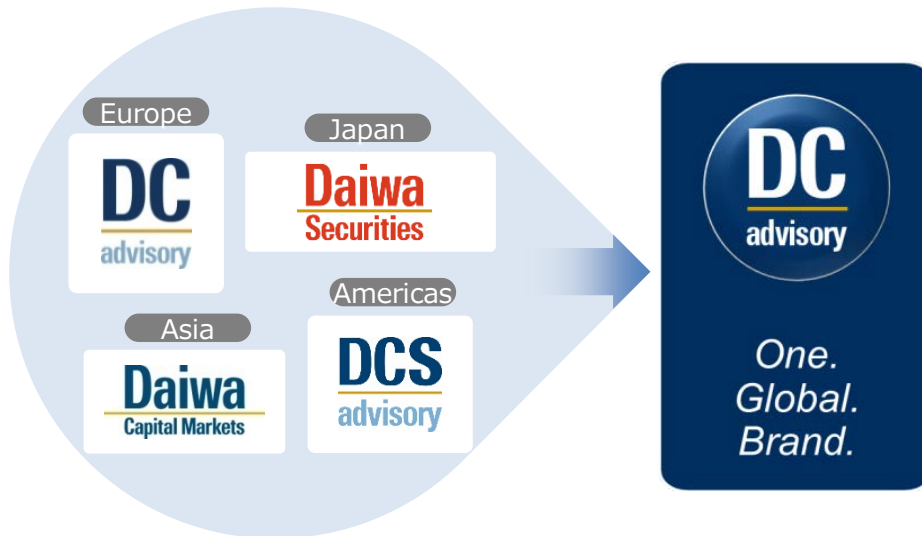
Deal-size
¥180
billion

Participating
locations in
Japan, U.S.,
and Europe

- Opened new locations

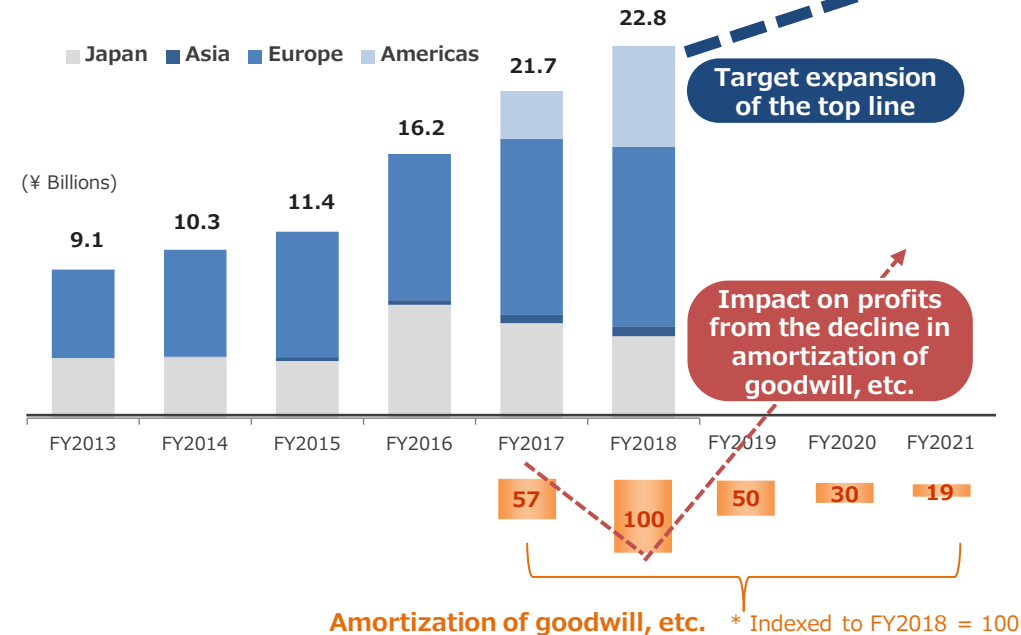
Acquisition of Montalbán Atlas Capital of Spain (December 2018)

- Integrated global brands of M&A advisory



M&A-related Revenues

- Trend of steady increase in the top line



Global Mid Cap Advisory Rankings (FY2018)*

- Target inclusion in top tier in the mid cap market

Rank	Financial & advisory	No. of deals
8	Daiwa Securities Group/DC Advisory	120

* Mergermarket. M&A deals with a total transaction value of USD500 million or less in all regions. Excluding accounting firms. Disclosed deal basis.

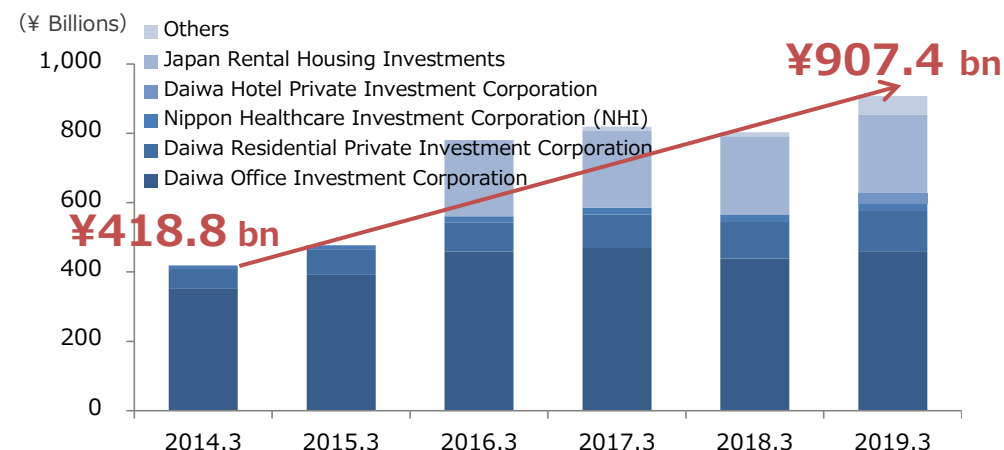
Continue to Diversify and Expand AUM

For real estate asset management, continue efforts to diversity and expand AUM to increase stable revenue and work to improve the efficiency of the business portfolio in the Asset Management Division.

Expansion of Real Estate and Infrastructure AM Assets

Expansion of investment areas	Office	2009	Daiwa Office Investment Corporation
	Housing	2012	大和証券レジデンシャル・プライベート投資法人 Daiwa Residential Private Investment Corporation
		2014	Japan Rental Housing Investments Inc.
		2018	SAMTY RESIDENTIAL Samty Residential Investment Corporation
	Healthcare	2014	Nippon Healthcare Investment Corporation
	Infrastructure and energy	2016	IDI-1 IDI infrastructures
		2016	Privately offered real estate funds
	Hotels	June 2018	大和証券ホテル・プライベート投資法人 Daiwa Hotel Private Investment Corporation

AUM for Daiwa Real Estate Asset Management



Topics (from FY2018)

- Integration & strengthening: Daiwa Real Estate Asset Management absorbed Mi-Casa Asset Management Inc. through a merger
- Expanding AUM: Daiwa Hotel Private Investment Corporation began management
Expand AUM by continuous acquisition of properties

Themes of Future Initiatives

AUM expansion & diversification
(consider investing in overseas assets, M&A, etc.)

Develop new financing methods
(securitization schemes, crowdfunding, etc.)

Providing Solutions to Elderly Customers with the Acquisition of ORIX Living Corporation

We decided to acquire all of the issued shares of ORIX Living Corporation and make it a subsidiary. We invested in this from the perspectives of diversifying the business portfolio, synergies with existing businesses, and achieving SDGs.

Acquisition of ORIX Living

Daiwa
Securities Group Inc.

100% acquisition



オリックス・リビング株式会社
ORIX Living Corporation

Name	ORIX Living Corporation
Business description	Operation of fee-based nursing homes and rental housing for elderly people
Managed facilities	<ul style="list-style-type: none"> ✓ Operation of 32 facilities under the names of Good Time Living and PLATESIA (2,726 rooms) ✓ 5th in the number of managed rooms among residential-type fee-based nursing homes ✓ Pioneer in use of robots and ICT devices for elder care services

Facilities operated in the Kanto region (17)



Facilities operated in the Kansai region (15)



Goal of Acquisition

Investing from the perspectives of diversifying the business portfolio, synergies with existing businesses, and achieving SDGs

Improved ability to provide retail business solutions

Greater diversification & expansion of the business portfolio

Stronger solutions for elderly customers

Improve relationships with residents and their families.
Introduce facilities to customers of Daiwa Securities.

Contributing to achievement of SDGs

Contribute to "health & longevity," a priority issue for Japan.

Existing business portfolio

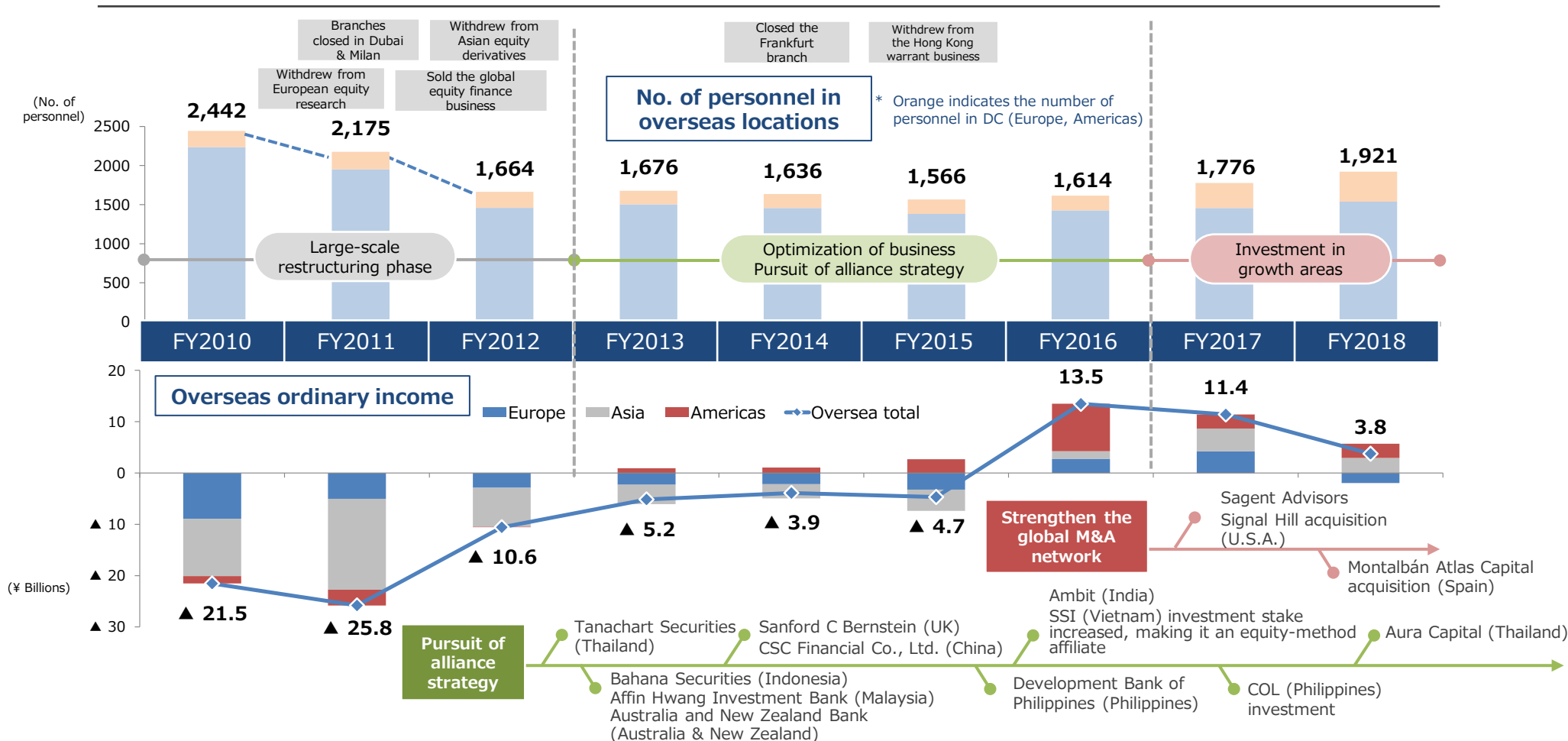
Strengthening the real estate asset management business

Further expansion of AUM

Expansion & diversification of the real estate asset management business portfolio

Overseas operations have succeeded in initiatives aimed at improving business efficiency thus far, and have generated profits for 12 consecutive quarters. We will continue to strengthen the global M&A network and alliances, and will strive to provide high growth results, mainly in Asia.

Number of Personnel at Overseas Locations and Trend in Ordinary Income



IV- In Conclusion

Daiwa Securities Group Inc.

Building a Daiwa version of an SDG value chain that will create a sustainable capital cycle

Promoting marketing of SDGs aimed at market expansion

- Strengthen promotion aimed at education and proliferation of SDGs.
- Improve financial literacy by educating people about investment via SDGs.
- Create branches and provide marketing tools that take people and the earth's environment into consideration.
- Pursue services that are easy for all customers to use.

Expanding SDG-based finance products that contribute to solving social challenges

- Expand the line-up of SDG-related products (SDG-related funds, SDG bonds, etc.).
- Expand social financing through Daiwa Next Bank deposits, crowdfunding, etc.
- Create new financial products linked to SDG marketing.
- Provide investment opportunities in unlisted companies involved in SDG-related businesses.

Daiwa's version of the SDG value chain

Strengthening engagement that accelerates the investment cycle

- Explore ways to evaluate the impact on SDGs.
- Establish an internal screening system.
- Actively communicate information on SDGs/ESG to encourage dialog.
- Provide consultation aimed at expanding disclosure of non-financial information.

Develop & support an industrial base that contributes to achievement of SDGs

- Maintain the industrial base through M&A and business succession and provide succession support.
- Develop & support start-up firms and social innovators.
- Support stimulation of local economies/support economic development in other countries.
- Use advanced technology to provide new value.
- Invest in SDG-related businesses.
- Partner with and support NPOs, etc.

Daiwa Securities Group “Make it your own” plan

Company

- Environmentally conscious initiatives

- Pursue reforms that improve job satisfaction.
- Communicate examples of initiatives internally & externally.

Employees

- Create a workplace that leaves no one behind

- Develop SDG-literate human resources

- Recognize social challenges around you.
- Take action aimed at solving problems.

IV- In conclusion

Provision of a Service to Assess Health Management that Will Contribute to Achievement of SDGs by Companies

We plan to provide a service to assess healthy management that will contribute to achievement of SDGs to companies from FY2020.

Social Background

Companies

Focus on employee health to respond to the decline in the productive labor population and prevent attrition of human resources.

The trends toward having fewer children and an aging society in Japan make improving health, longevity, and productivity pressing issues.

Importance of investing in people through health management

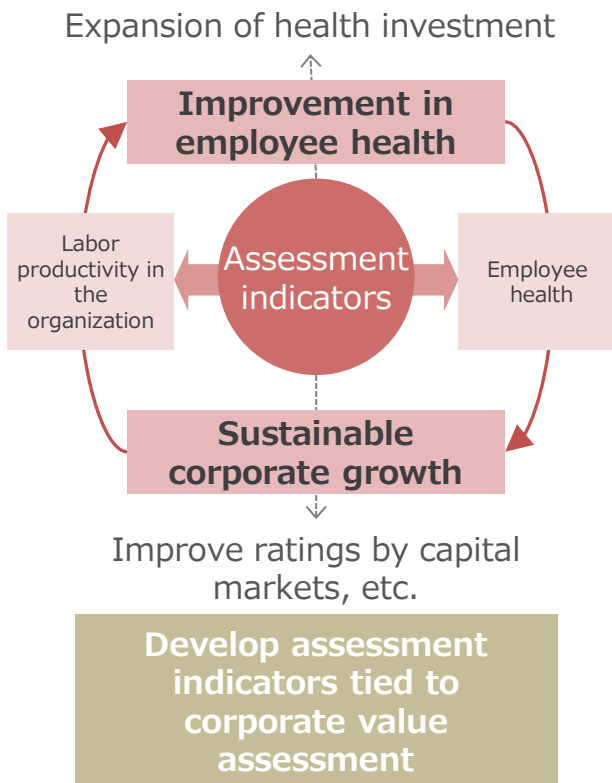
(Collaborative health
–Partnerships between companies and health insurance associations–)

Health insurance associations

Proper regulation of healthcare costs is a pressing issue from the perspective of the financial pressure generated by rising healthcare costs

SDGs x “Health management”

Demand for appropriate assessment of healthy management that will contribute to achievement of SDG initiatives



Initiatives aimed at achievement

Establish a research group aimed at launching the service

Research group on promoting health management

Consider aspects related to visualization of the results of health management initiatives

Consider investment in health that is optimized for each organization

【Research group overview】

Group term

May 2019 to March 31, 2020 (plan)

Main members

Naoki Kondo, Associate Professor, Graduate School of Medicine, The University of Tokyo

Nariaki Nishino, Associate Professor, Graduate School of Engineering, The University of Tokyo

Human Augmentation Research Center, National Institute of Advanced Industrial Science and Technology (AIST)

Daiwa Securities Group Inc.

Daiwa Securities Co., Ltd.

Daiwa Institute of Research Holdings Ltd.

Daiwa Institute of Research Ltd.

Daiwa Institute of Research Business Innovation Ltd.

Daiwa Next Bank "Eraberu Yokin"*1

Daiwa Next Bank began offering the "Eraberu Yokin" in November 2017.



大和ネクスト銀行の
えらべる預金 **応援する**

"Ouen Time Deposits"*2 are established for each group being supported.
Daiwa Next Bank donates a certain percentage of the deposit balance to the group.
Deposit balance: Approx. ¥9.8 billion
Cumulative donations: Approx. ¥5.97 million
(as of April 30, 2019)



Donation ceremony (April 2018)

Mr. Kato, Executive Director, National Center for Child Health and Development (center)
Mr. Uchida, House Manager, Momiji House (left)
Mr. Nakamura, President, Daiwa Next Bank, Ltd. (right)

Initiatives aimed at reducing child poverty



Established "For Your Dreams - Smiles to Children Project" (Public Resource Foundation)

... Total estimated donations from the Daiwa Securities Group of around ¥100 million over five years.



Ms. Kishimoto, Executive Director, Public Resources Foundation (right)



Second award ceremony (January 2019)

Representatives of five groups selected as recipients of donations in the second awards

Impact investment initiatives

Daiwa Securities' share of impact investment bonds for retail investors in the Japanese market: **50%**

(Source Daiwa Securities as of March 31, 2019)

- **Water Bonds**
...Support companies solving water issues
- **Green Bonds**
...Support environment-friendly companies
- **Inclusive Business Bonds**
...Support business which improve the life of BOP*3



Assistance to communities through foundations

Daiwa Securities Health Foundation

- In commemoration of Daiwa Securities' 30th anniversary, the Daiwa Securities Health Foundation was established in 1972 to support medical research.
- The foundation has provided grants to outstanding research projects focusing on medicine and medical care for middle-aged and elderly people.

Donations up to FY2018 (cumulative)

Recipients: 1,256 people
Total donations: ¥1,238.60 million

Daiwa Securities Foundation

- Established in March 1994 to commemorate the 50th anniversary of the founding of Daiwa Securities. The purpose of the foundation is to return a portion of the group's profits to society.
- Every year, the foundation provides donations to organizations and groups engaged in volunteer activities of high social significance, such as activities that support elders, children, and other vulnerable populations.

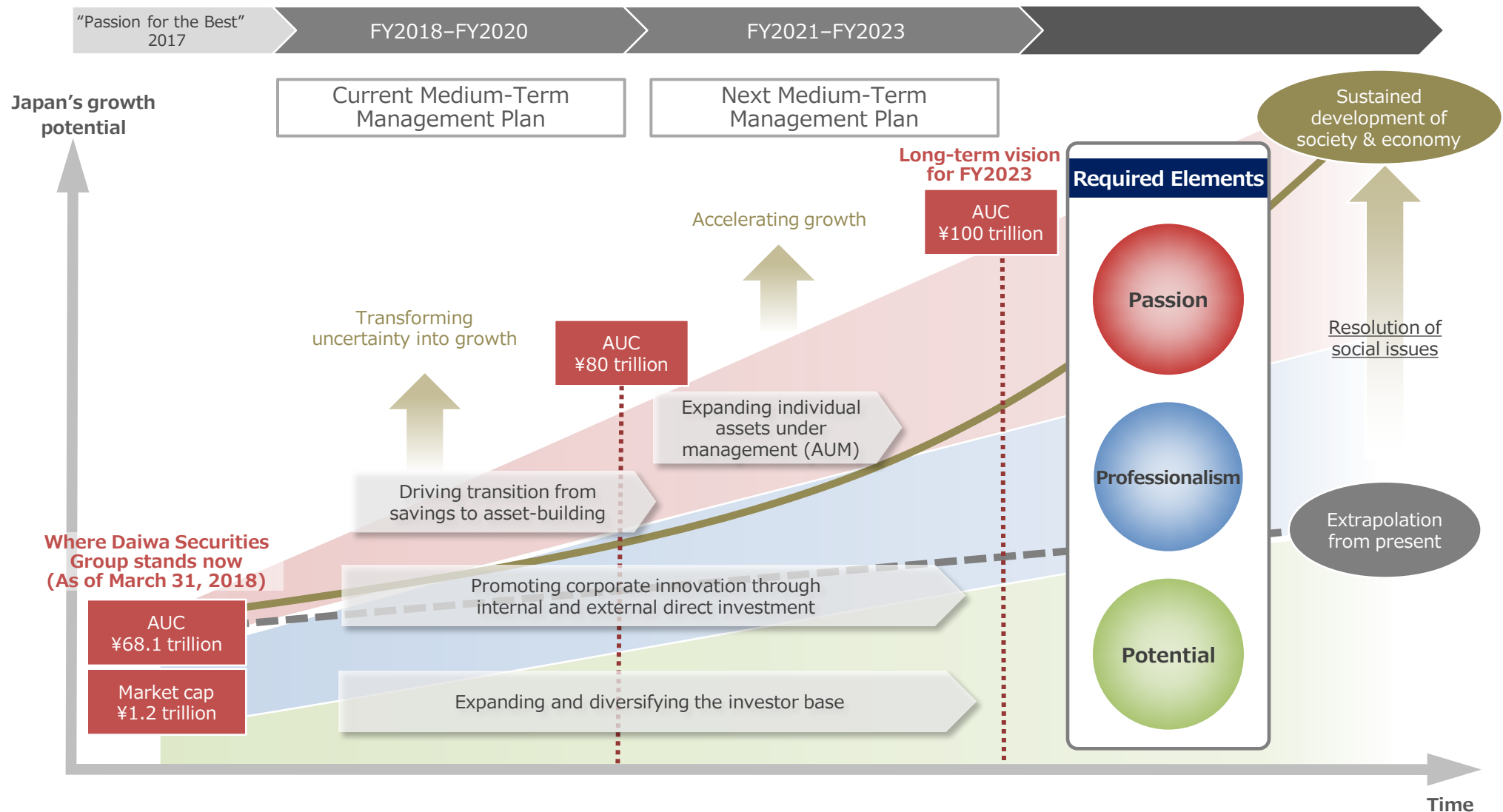
Donations up to FY2018 (cumulative)

"Donations for volunteer activities"
No. of donations: 3,504
Total donations: ¥813.64 million

Appendix

Daiwa Securities Group Inc.

Direction for the Future



Outline of “Passion for the Best” 2020, Our Medium-Term Management Plan

“Passion for the Best” 2020

A Financial and Capital Market Pioneer that Creates the Future

“Passion for the Best” 2017

FY2018

FY2019

FY2020

Basic Policy

Progress

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

Establishment of a sales organization, products, and services

Realization and evolution of “Customer First” operations

Dramatic improvement in customer satisfaction

Digital Transformation

2 Providing new value as an integrated securities group with a 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 companies driving the Japanese economy

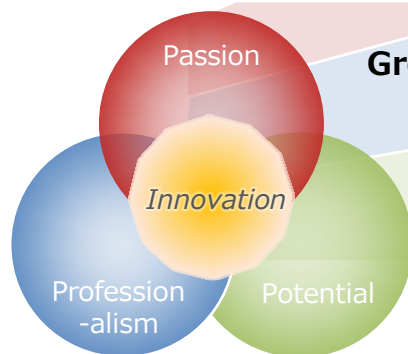
Asset scale and corporate value

Group Numerical Targets

Customer-oriented KPI

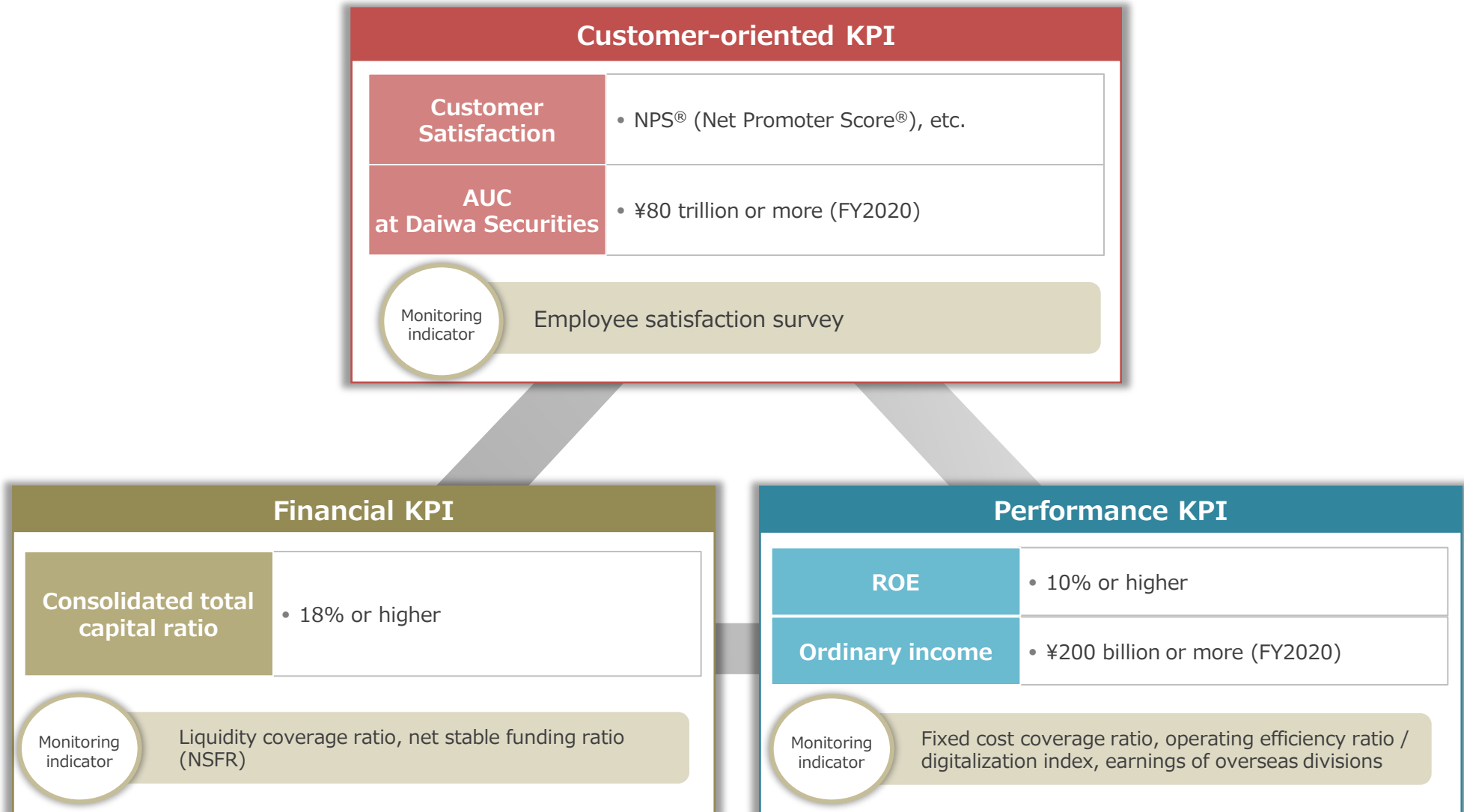
Performance KPI

Financial KPI



Time

Group Numerical Targets



Views on Financial and Capital Strategies

Implement a financial strategy that takes all stakeholders into consideration by striving to balance investment in growth, improving capital efficiency, maintaining financial health, and enhancing shareholder returns to achieve sustainable growth by earning healthy profits.

Financial strategy that enables the Group to achieve its medium and long-term visions for growth

- Support investment in growth by establishing a healthy financial base that will enable the Group to respond to changes in the management environment.
 - Target capital investment and development of human resources at expanding our customer bases in the securities business.
 - Make it possible to take on challenges in areas that are compatible with and peripheral to our core businesses.



Financial strategy that encompasses and shareholdes and other stakeholders

- Improve capital efficiency and provide returns to shareholders.
- Clearly specify management continuity.
 - Earn the trust of customers, and provide employees with peace of mind and a satisfying workplace.
- Disclose information appropriately and in a timely manner.
 - Ensure management transparency that will help to enhance corporate value.

Financial strategy that contributes to society

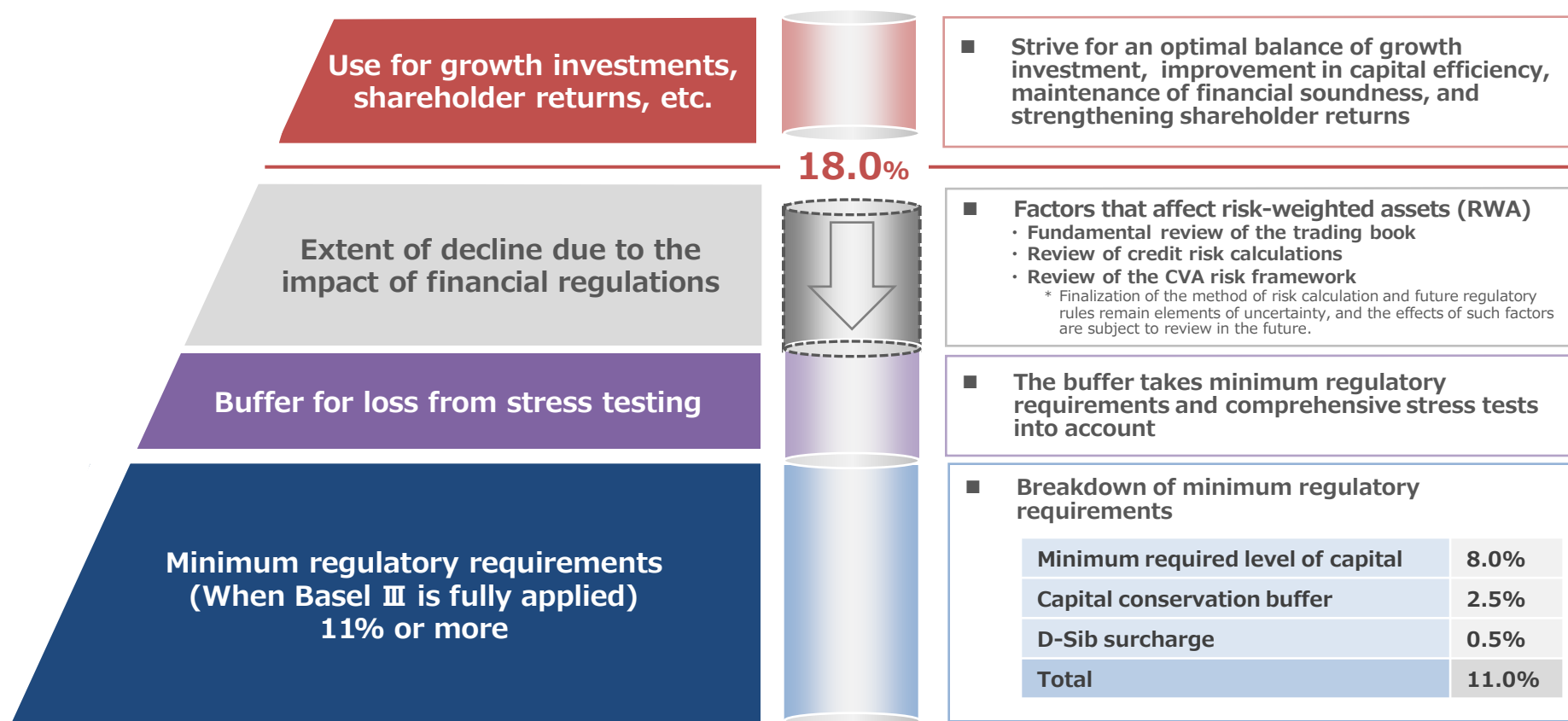
- Contribute to the sustainable development of society by paying appropriate taxes based on high ethical values.

Consolidated Total Capital Ratio

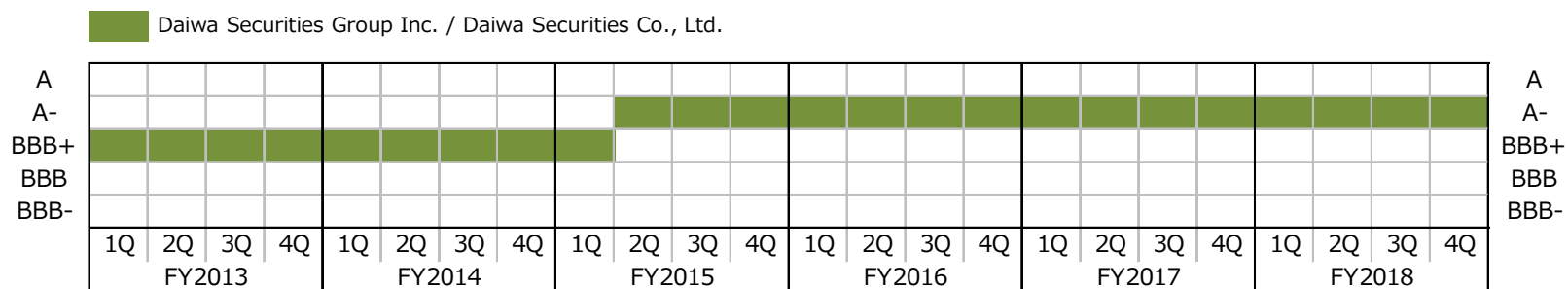
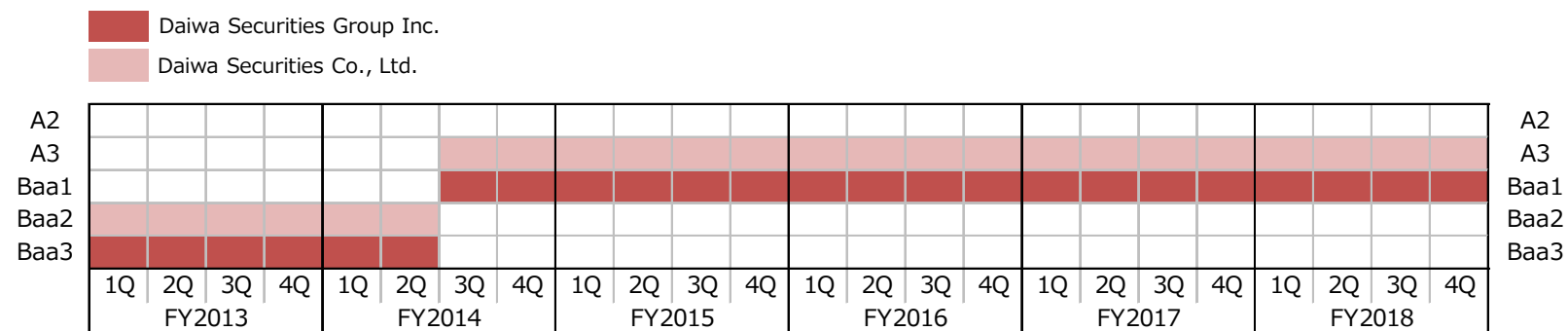
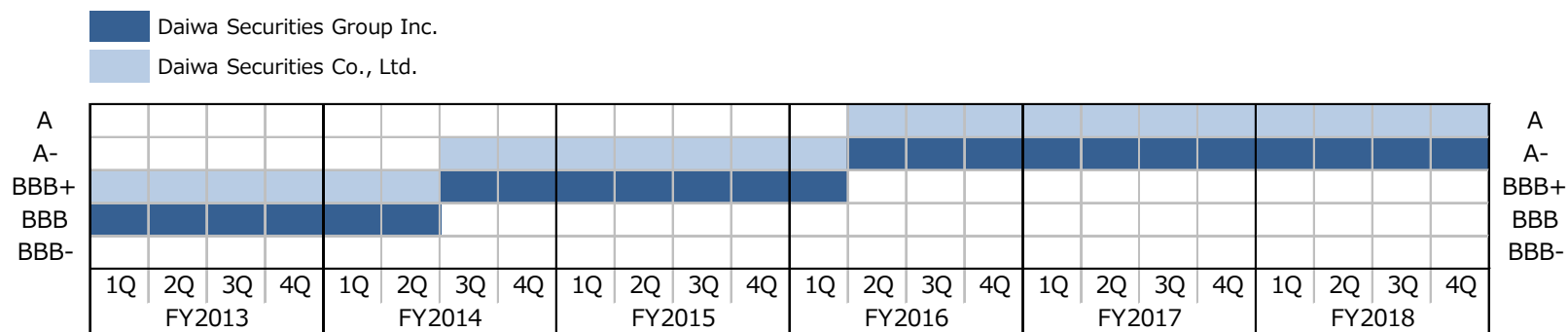
We aim to maintain sufficient capital adequacy while responding to changes in the regulatory environment and providing for future growth and investment. We also aim to improve sustainable corporate value by ensuring an appropriate level of liquidity and enhancing shareholder return.

View on Financial KPI

Consolidated total capital ratio: 22.1% (as of December 31, 2018)



Trend in Credit Ratings for Our Group



Initiatives Aimed at Digital Transformation

We continue research and development aimed at digital transformation in the Financial Innovation Committee, a platform for innovation across the Group.

Financial Innovation Committee

- The Financial Innovation Committee was launched in April 2016 to build a structure for sharing information and collaborating across the Group.

Financial Innovation Committee



Main Initiatives Centered on the AI and FinTech Areas

Service optimization

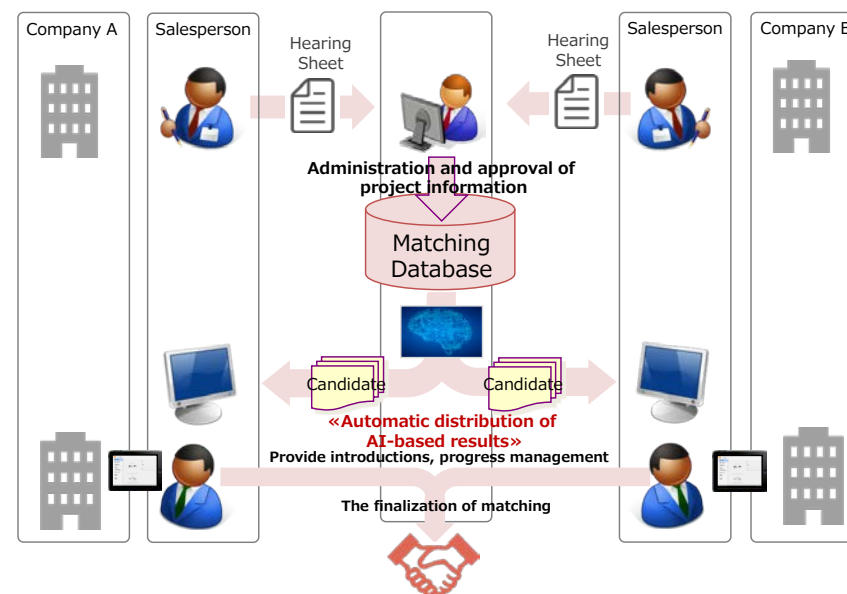
- May 2017 Provided stock information using an AI-based stock price prediction model
- Nov. 2017 Developed an AI-based real-time stock volume prediction model
- Dec. 2017 Provided market information using AI technology
- Nov. 2018 Provided an AI-based business matching service
- Dec. 2018 Publication of economic indicator forecast using AI

Improving operating efficiency and increasing productivity

- Jun. 2017 Improved the efficiency of internal referencing process with chat bots
- Sep. 2017 Began testing application of block chain to the securities post trade process
- Oct. 2017 Explored using AI to improve operating efficiency of compliance-related operations
- May 2018 Introduced an AI voice recognition function to improve the efficiency of the sales personnel data entry process
- Jan. 2019 Introduced a trial of company analysis tools that used AI technology

AI-based Business Matching

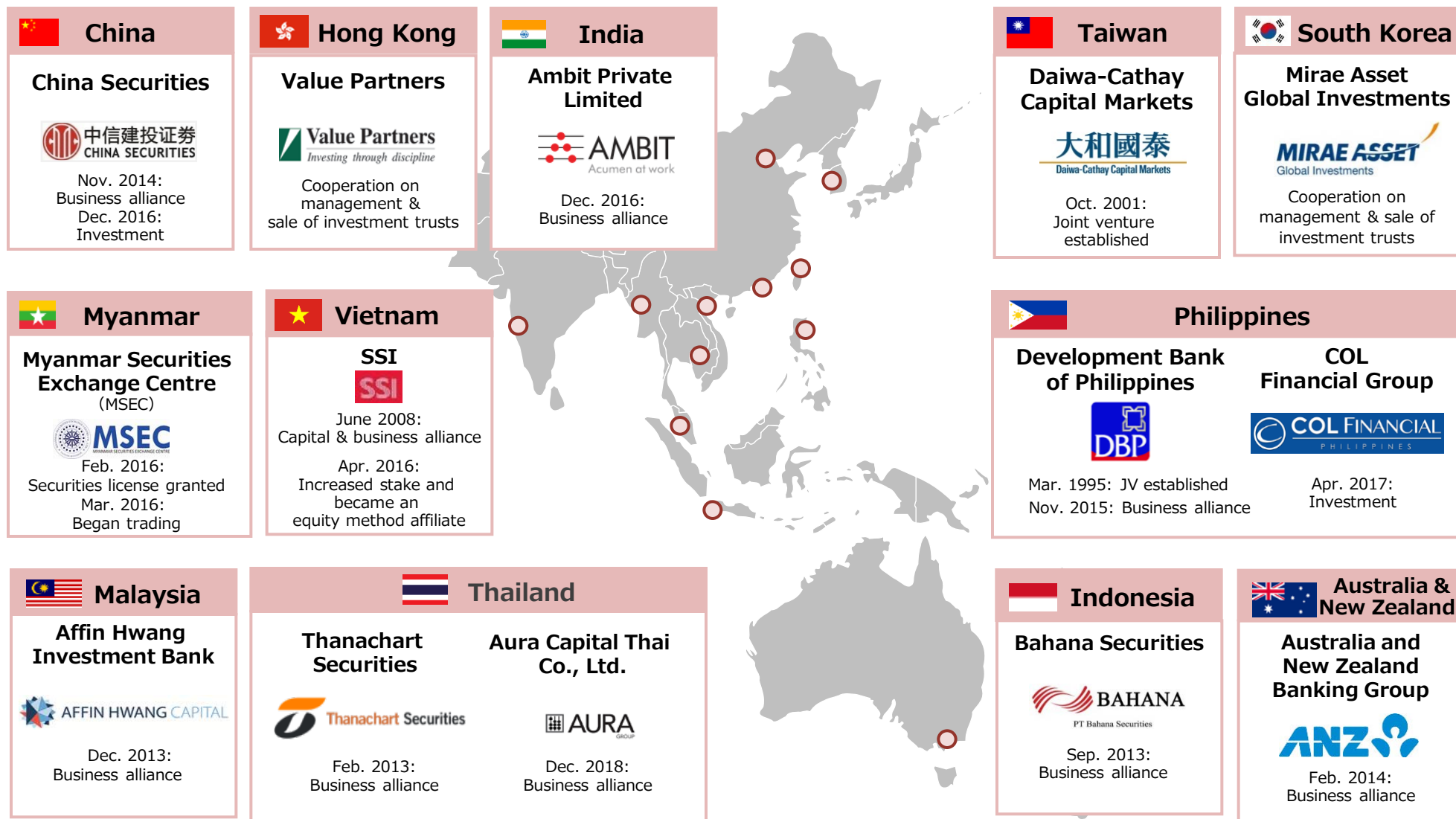
- By combining natural language processing and artificial intelligence technology with data on matching needs, we develop an AI that recommends optimum business partners for customers.



Joint research with The University of Tokyo

- Research on use of algorithm trading and use of alternative data
- Research activities on a cloud-based open innovation platform
- Patent applications in process on some research results

Alliances and Investments in Asia



External Ratings & Certifications

Inclusion in Indices

FTSE
Blossom Japan Index



MSCI
Japan Empowering Women (WIN)
Select Index



Bloomberg
Financial Services Gender Equality
Index



Selected for 3 consecutive years

GRESB Survey
GRESB 2018 "Green Star"

Obtained for 7 consecutive years
(Daiwa Office Investment Corporation)



FTSE4 Good Index

Included for 13 consecutive years



**U.S. Dow Jones & Company, Inc. &
RobecoSAM**
DJSI World / Asia Pacific

Continually included since 1999



Awards from External Organizations

Nadeshiko Brand
(enterprises that encourage the
success of women)

Selected for 5 consecutive years



METI & Tokyo Stock Exchange Inc.

**Health & Productivity Stock/
Outstanding Company in Health &
Productivity Management**

Selected for 5 consecutive years/
Selected for 3 consecutive years



METI & Tokyo Stock Exchange Inc.

Competitive IT Strategy Company

Selected for 2 consecutive years



METI &
Tokyo Stock
Exchange Inc.

Kurumin Mark
Certification for companies that
provide childcare support



Ministry of Health,
Labour & Welfare

Mark for companies that promote the
establishment of a workplace
environment that enables employees to
both work and care for elders



Ministry of
Health, Labour
& Welfare

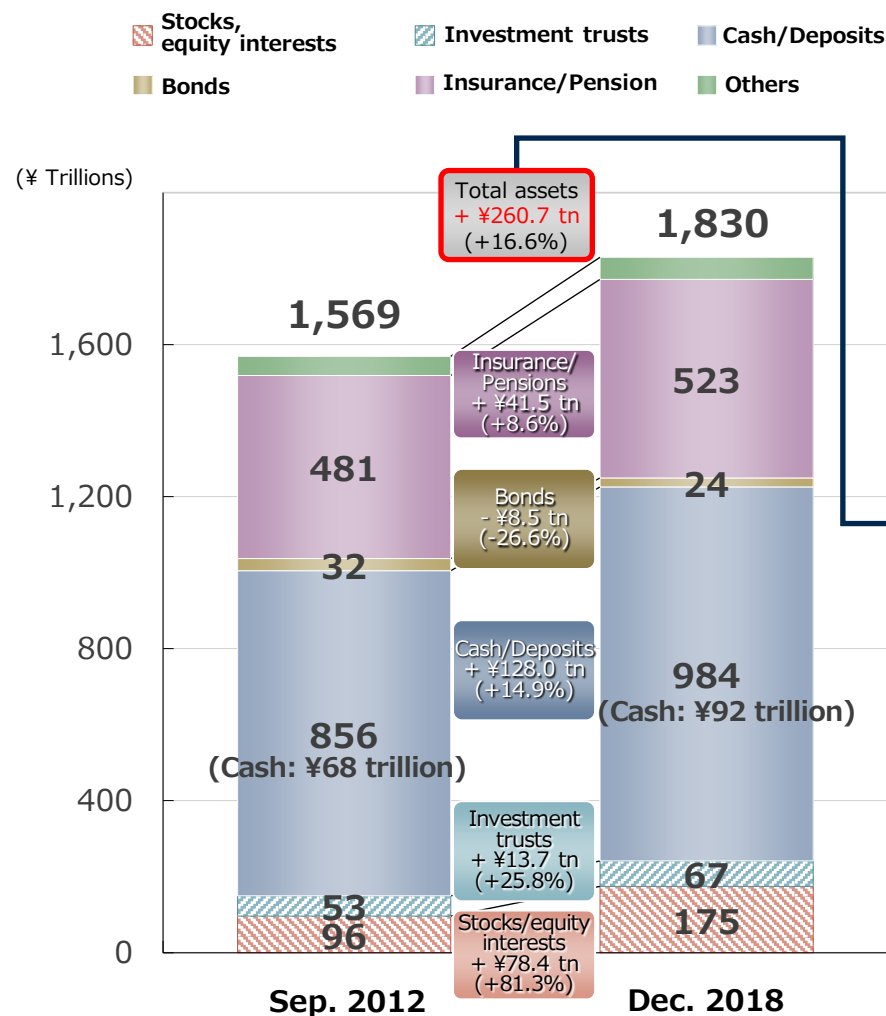
Employment popularity ranking

Total ranking: 5th
Financial industry: 2nd

Toyo Keizai Online,
2020 Graduates (1st half period)

Progress on Shift from Savings to Investments Since Abenomics Began

Household Financial Assets (Sept. 30, 2012 vs. Dec. 31, 2018)

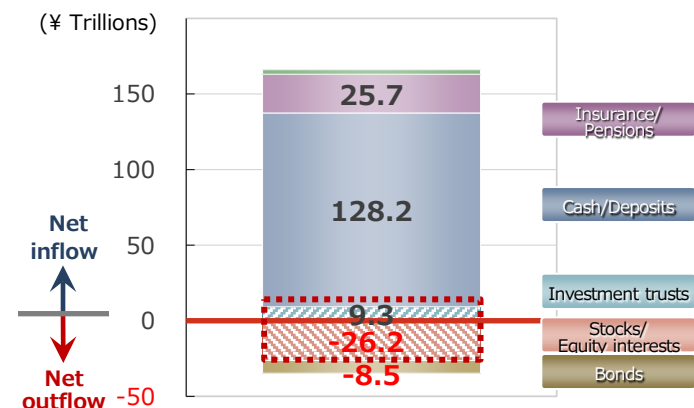


Transaction factors
+ ¥131.4 tn
(50.4%)

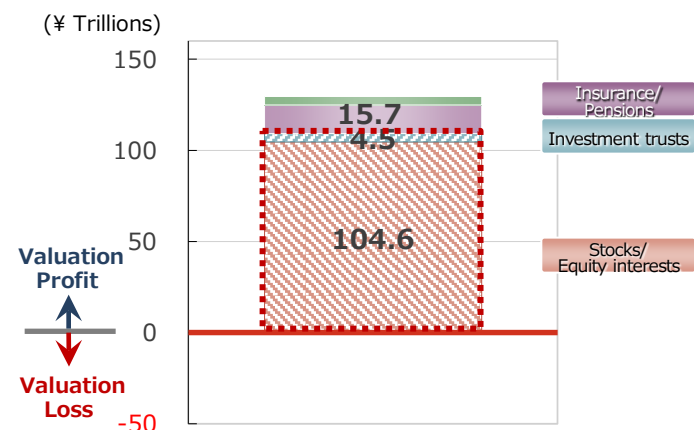
Factor analysis

Market factors
+ ¥129.3 tn
(49.6%)

Transaction Factors (Asset Inflows/Outflows)



Market Factors (Market Value Adjustment)





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