

Daiwa Securities Group

FY2018 Management Strategy

New Medium-Term Management Plan “Passion for the Best” 2020

May 22nd, 2018

Presented by Seiji Nakata, President and CEO of
Daiwa Securities Group Inc. at GranTokyo North Tower

Daiwa Securities Group Inc.

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FY2018 Management Strategy

New Medium-Term Management Plan “Passion for the Best” 2020

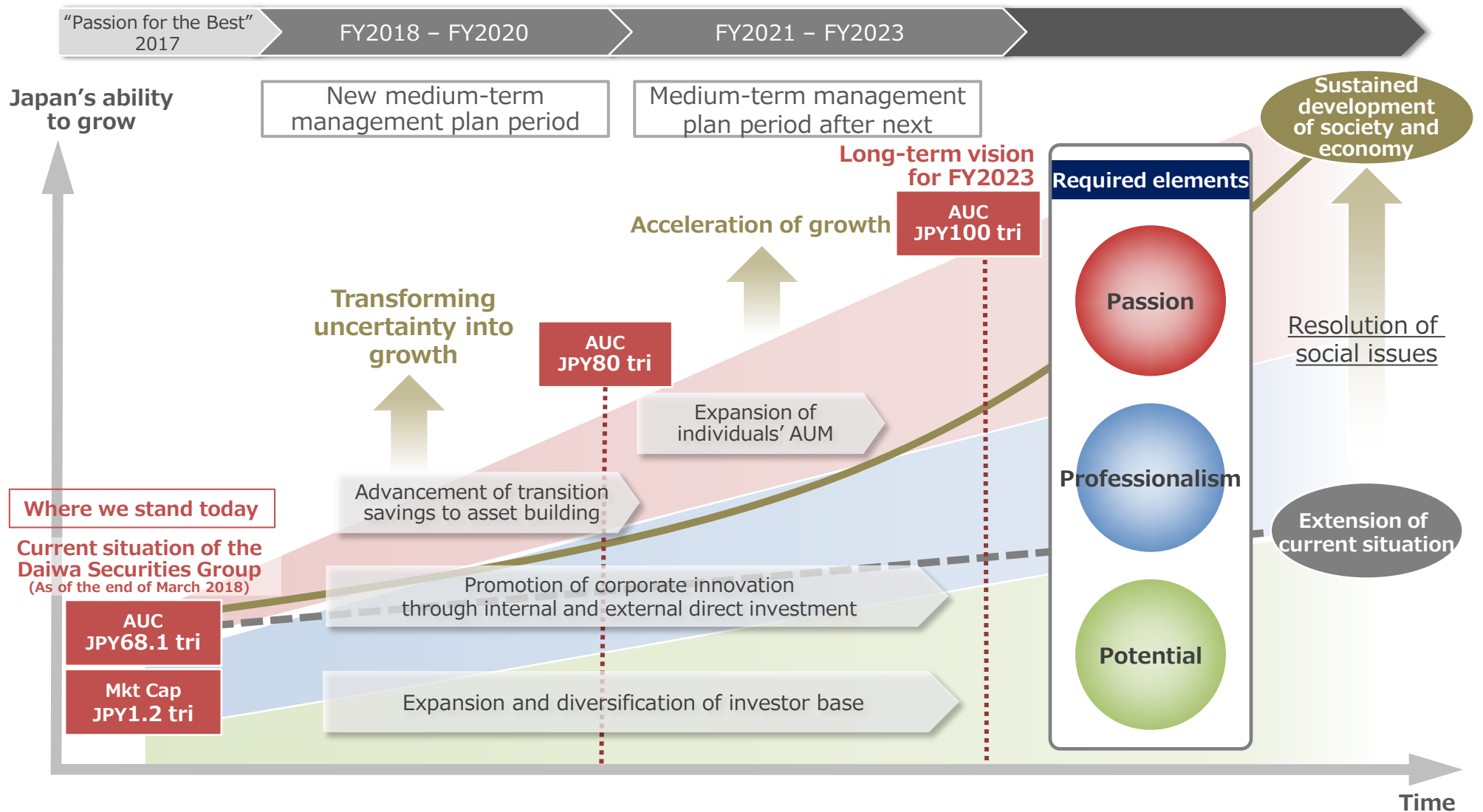
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I - New Medium-Term Management Plan “Passion for the Best” 2020

Daiwa Securities Group Inc.

Direction for the Future



Framework of New 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

Image of Progress

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

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

Establishment of sales organization, products and services

Realization and evolution of “Customer-first Operations”

Dramatic improvement of customer satisfaction

Digital transformation

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

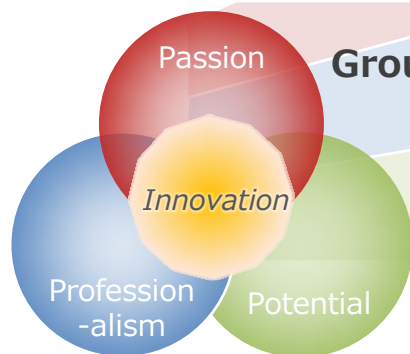
Asset scale and corporate value

Group Numerical Targets

Customer-oriented KPI

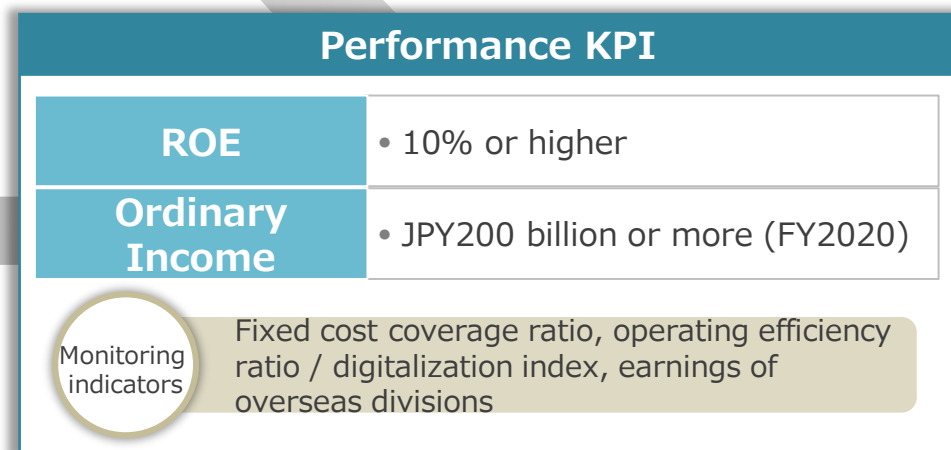
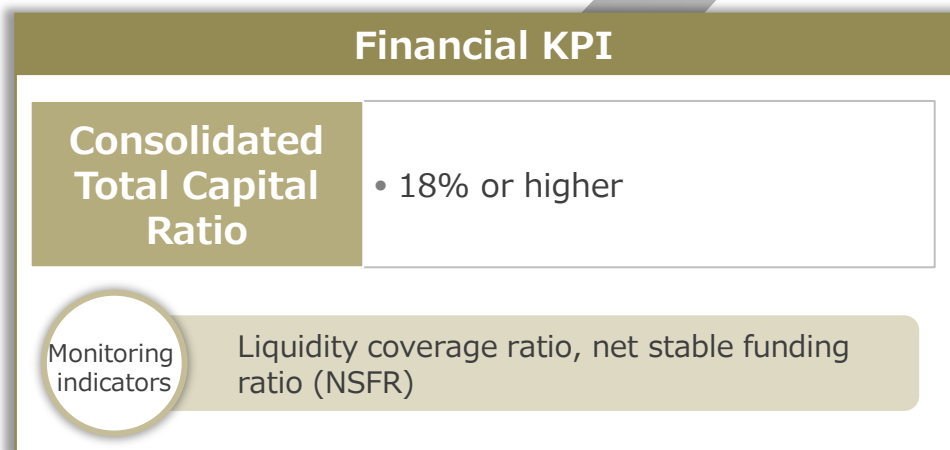
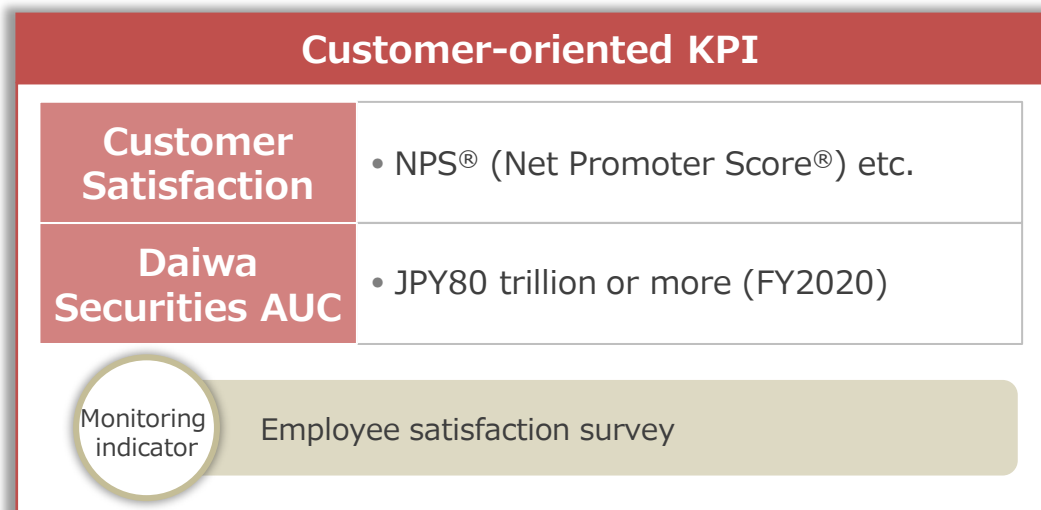
Performance KPI

Financial KPI



Time

Overview of Numerical Targets



Ordinary Income : Image of Segment Growth to Achieve JPY200 bil

Striving to achieve JPY200 bil by the end of medium-term management plan period (FY2020) as an integrated securities group with hybrid business model.

Image of Increase Factors of Ordinary Income by Segments

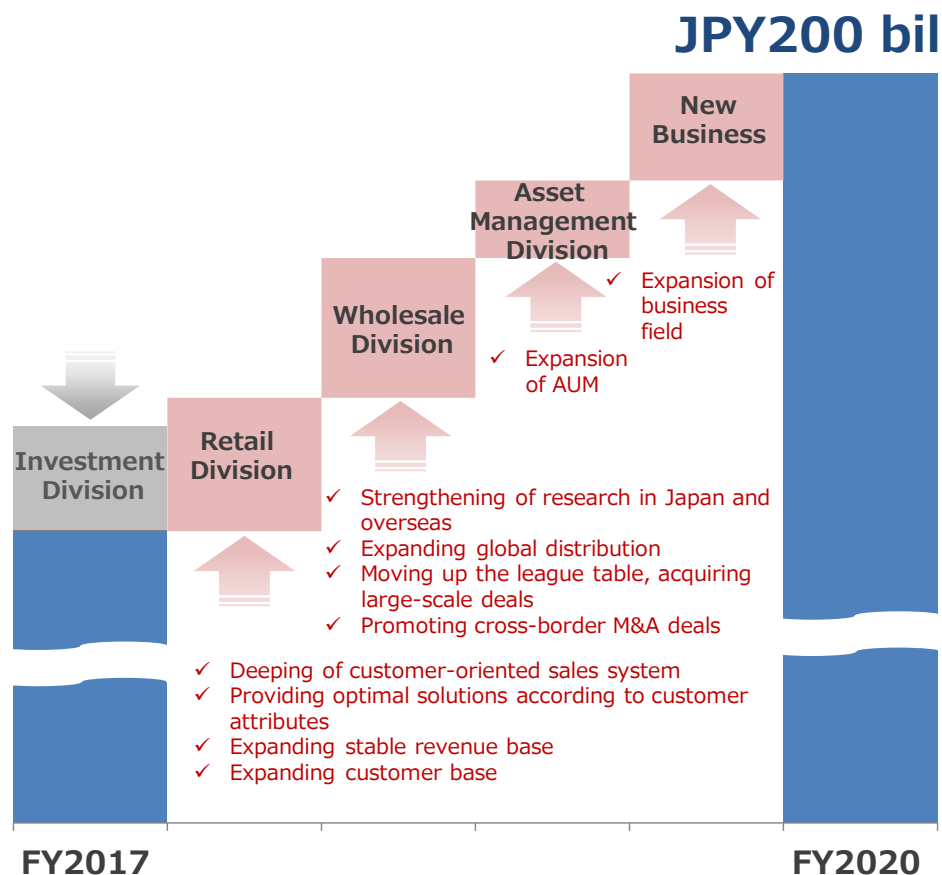
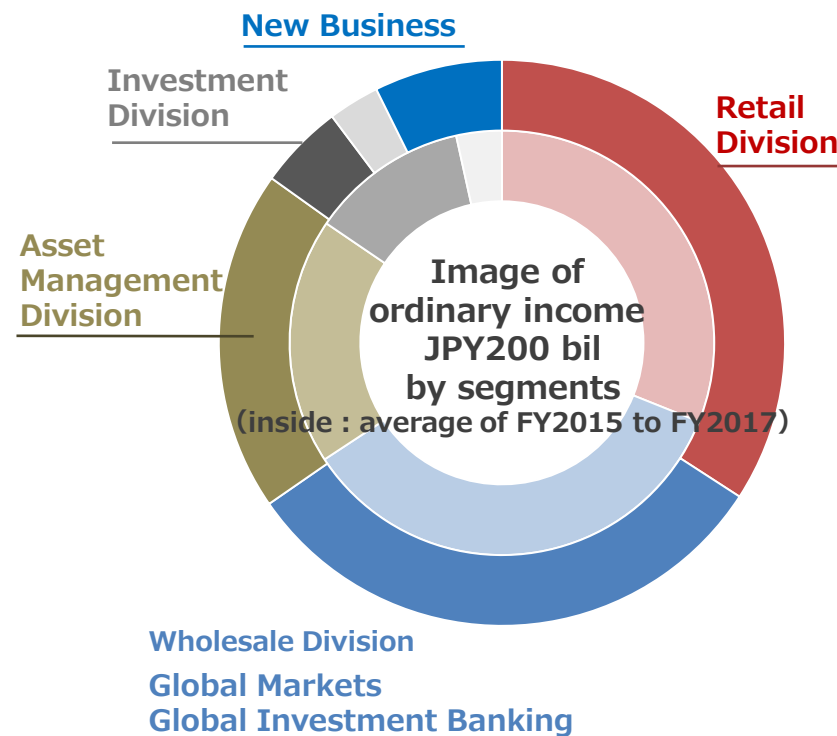


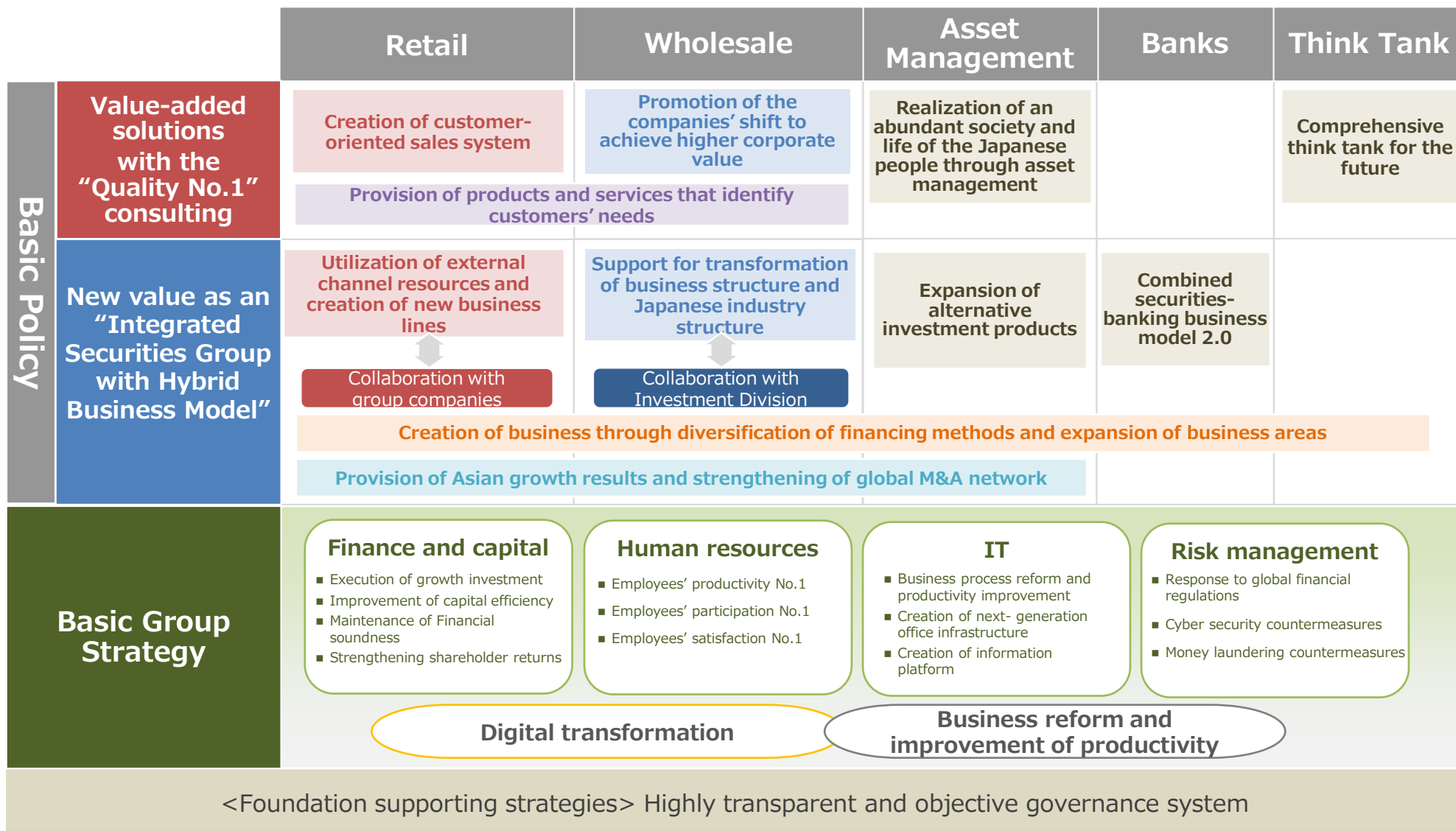
Image of Ordinary Income by Segments



II -Individual Strategies

Daiwa Securities Group Inc.

Basic Policy and Key Themes for Each Business Line

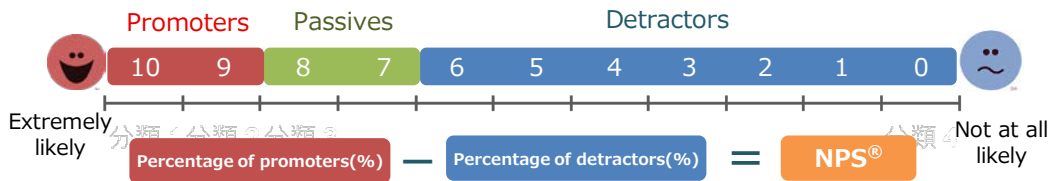


Creation of Customer-oriented Sales System

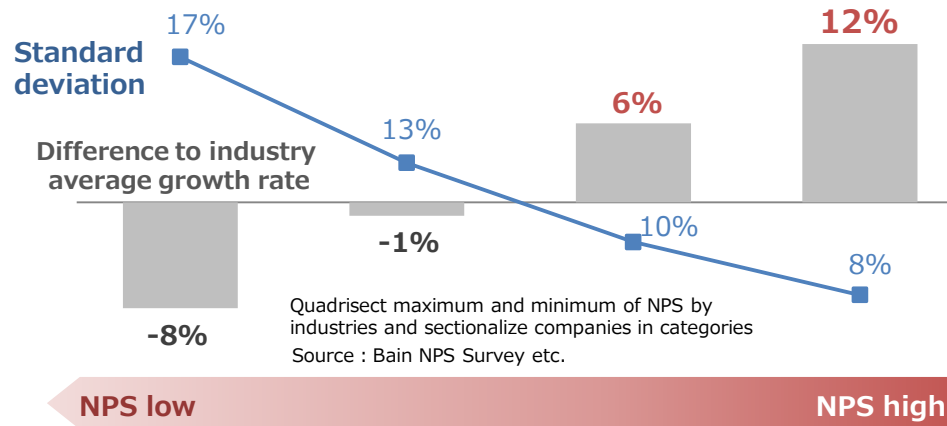
Introduce Daiwa NPS® to visualize customer satisfaction and foster consistent values within the company. Create a sales system based on the customers' viewpoint by ensuring the penetration of Daiwa NPS®.

Introduction of Daiwa NPS® as a Customer Satisfaction Indicator and Efforts Aimed at Improvement

Q. If you were asked "Which securities company should I open an account at?" by a family member or friend, what is the percentage that you would recommend Daiwa Securities to the family member or friend?

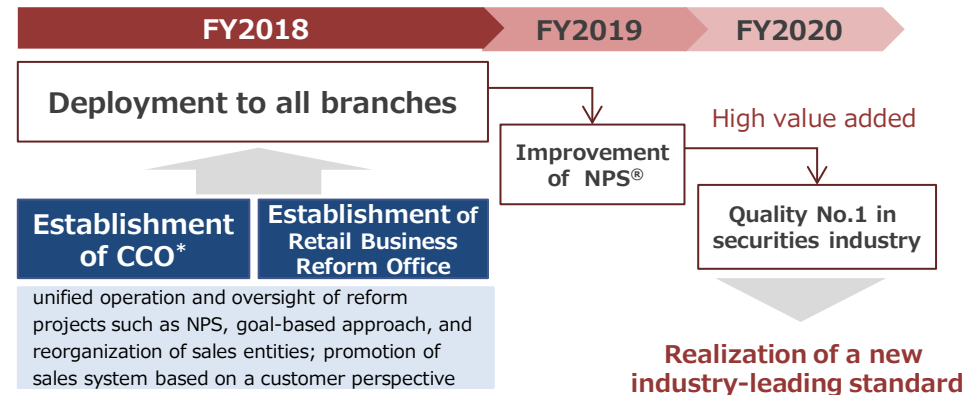


Relation of NPS and Performance (examples of approximately 50 domestic companies)

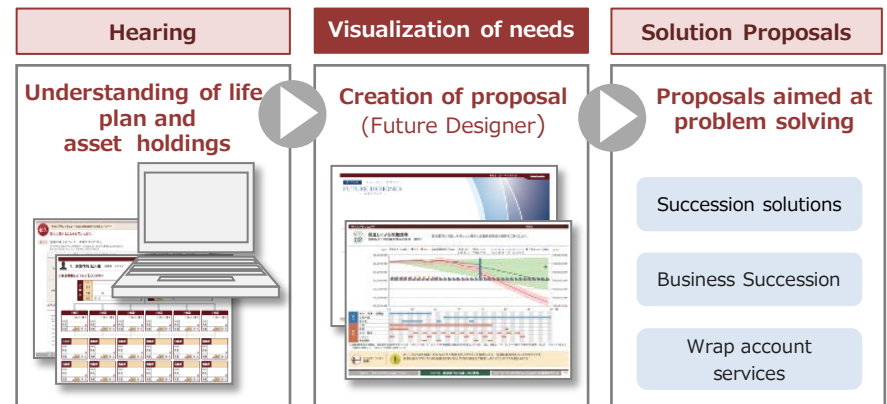


The higher the NPS, the higher the growth is and the performance volatility is small

Deployment Schedule and Policy of Daiwa NPS®



Visualization of Customer Needs Using Goal-based Approach

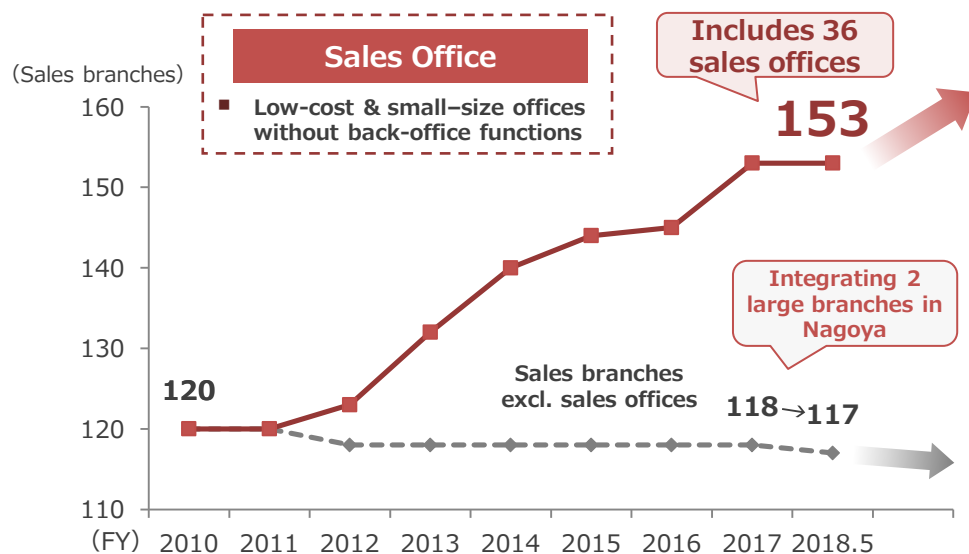


Expanding Customer Contact and Optimizing Channels

Further expand sales offices and optimize channels in existing branches in order to comprehend diversifying customer needs.

Assign inheritance consultants in all branches to connect assets and value to the next generation.

Sales Branch Strategy (Number of sales branches)



Select sales offices opening area through local area marketing

Increasing agile & low-cost sales offices

Improve area coverage ratio to increase customer contacts

Optimizing Sales Channels

Subdivision customers' attributes and life stages to optimize sales channels

(introduced to 17 branches since Oct. 2017)

Affluent	Wealth Consultant	■ Providing high value added and comprehensive consulting to affluent and unlisted companies
Elderly customers	Anshin Planner	■ Providing comprehensive consulting including services that meet needs for elderly customers
Asset building customers	Financial Consultant	■ Approaching asset building customers and direct customers and leading customers to relevant channels according to life stages and changes of investing plans
	Client Support	

Assignment of Inheritance Consultants in all Branches

As of Apr. 1 2018

Assigned in 100 branches

All Branches

Improvement of Quality

Close cooperation with head office departments (Wealth Management Dept. etc.)

Service of "Connecting" to the next generation

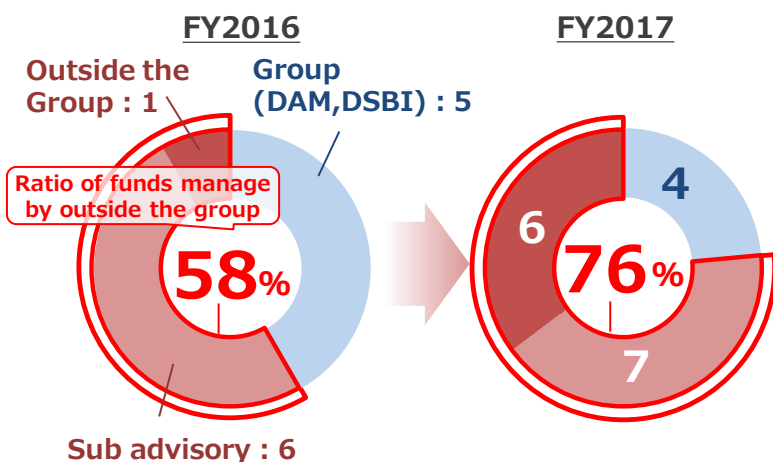
Expansion of comprehensive inheritance consulting services

Provision of Products and Services that Identify Customers' Needs

Strengthen functions and lineups for wrap account service and investment trusts to meet customers' higher demands, making contributions to expand high quality stable revenues.

Selection of Investment Trusts by Open Architecture

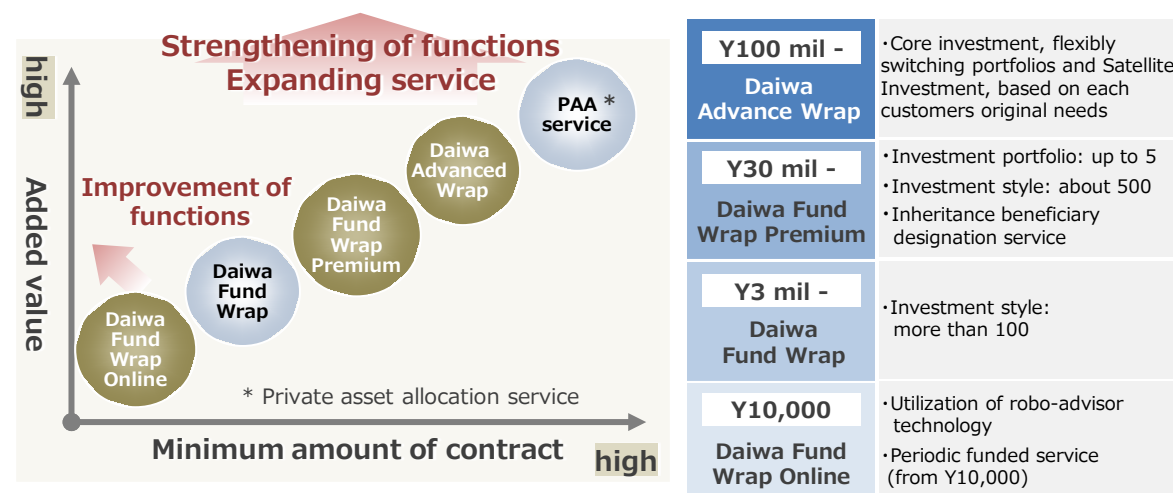
New lineup funds composition ratio of adoption



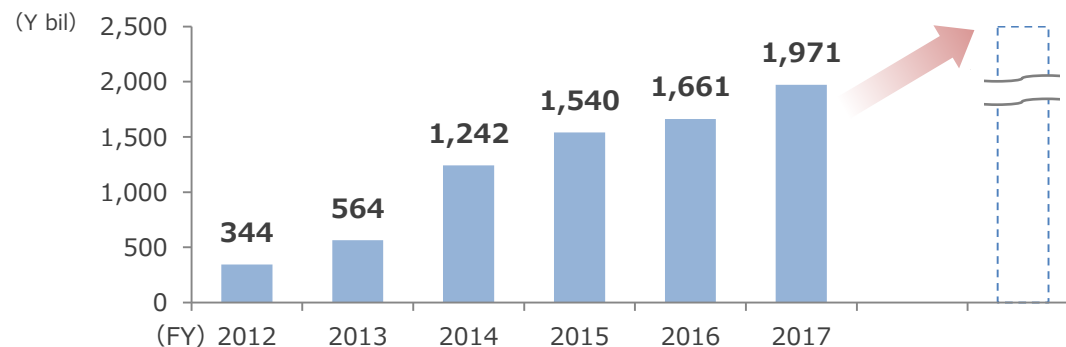
Funds managed by outside the Group in FY2017

Target	Name	Management Firm
Japan equities	DIAM Domestic Equity Open	AM-One
Developed countries equities	Manulife US Bank Equity Fund Fidelity European Smaller Companies Open	Manulife-AM Fidelity Investment
Emerging countries equities	UBS Emerging Countries Equity Selected Investment Fund	UBS-AM
Global bonds	PIMCO Income Strategy Fund Manulife US Investment Grade Bond Fund	Mitsubishi UFJ Kokusai AM Manulife-AM

Further Evolution of Wrap Account Services



Contract AUM for Wrap Account Service



Expanding Access to Asset Building Customers by Collaboration with External Companies

Expanding access to customers through collaboration with external companies by utilizing group resources to create a strategic platform for financial services and functions to a wide range of customers.

Capital and Business Alliance with KDDI

Providing convenient financial service to KDDI users
Providing new investing opportunities to support asset building

Purpose

Providing products (mother funds) by Daiwa Asset Management
Providing system by Daiwa Institute of Research
Business Innovation

Cooperation

Investors including "au" users mainly in their twenties to fifties

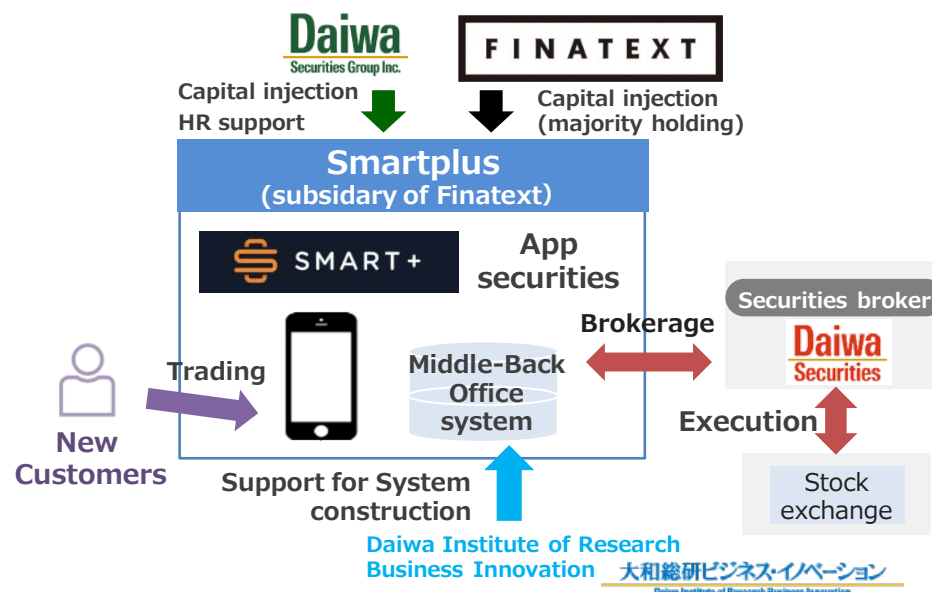
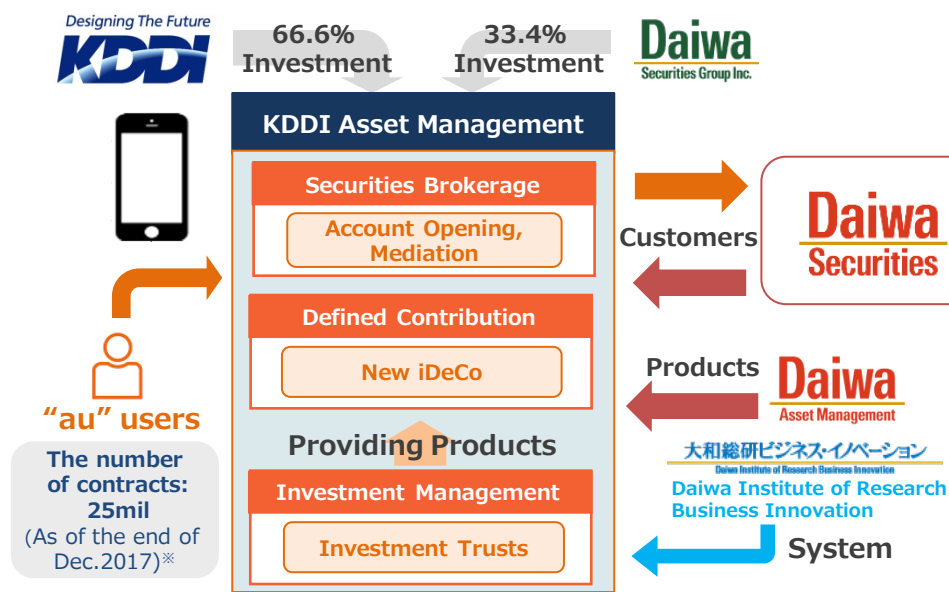
Target

Collaboration with Finatext and Smartplus

Expanding investors base
Providing new financial value to various customers

Mediating orders to stock exchange,
sharing know-how by personnel exchanges
Supplying securities system
by Daiwa Institute of Research Business Innovation

New investor base mainly in their thirties to fifties

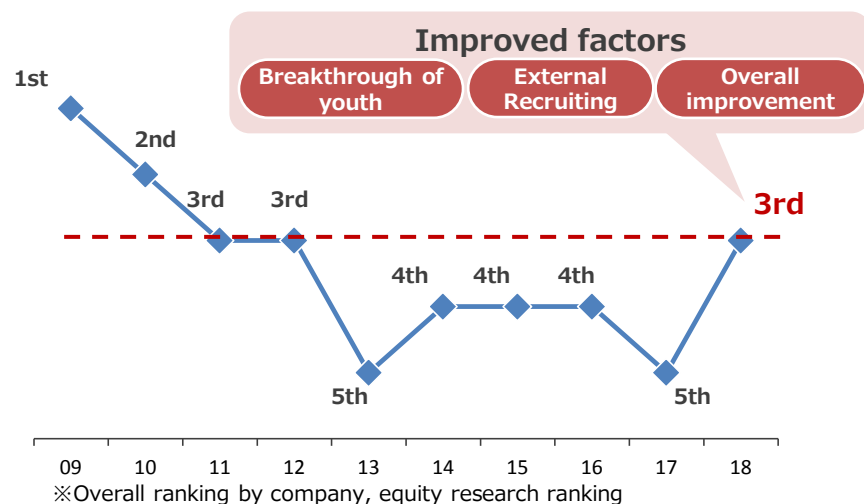


Provision of Products and Services that Identify Customer Needs

Expanding customer foundations by improving research quality in Japan and overseas and providing diversified investment opportunities utilizing global network.

Strengthening of Research in Japan and Overseas

Nikkei Veritas Ranking

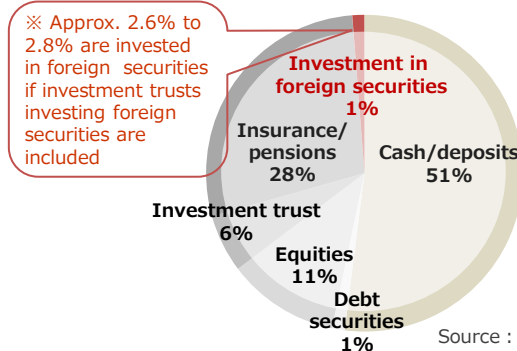


Future Policy

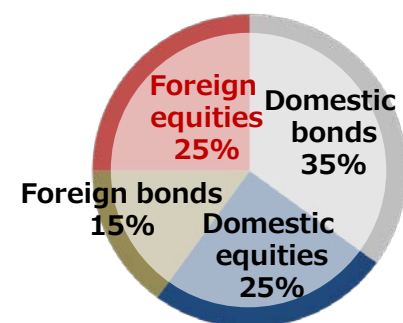
- Provision of reports and information that match customers' needs to improve sales quality
- In equity research, strengthening coverage centered on China and Hong Kong, and strengthening of small and medium cap equities in Japan
- Strengthening and expansion of research on Japanese bonds and foreign bonds
- Nikkei Veritas Ranking: **Securing the position within 3rd place**

Provision of Diversified Investment Opportunities

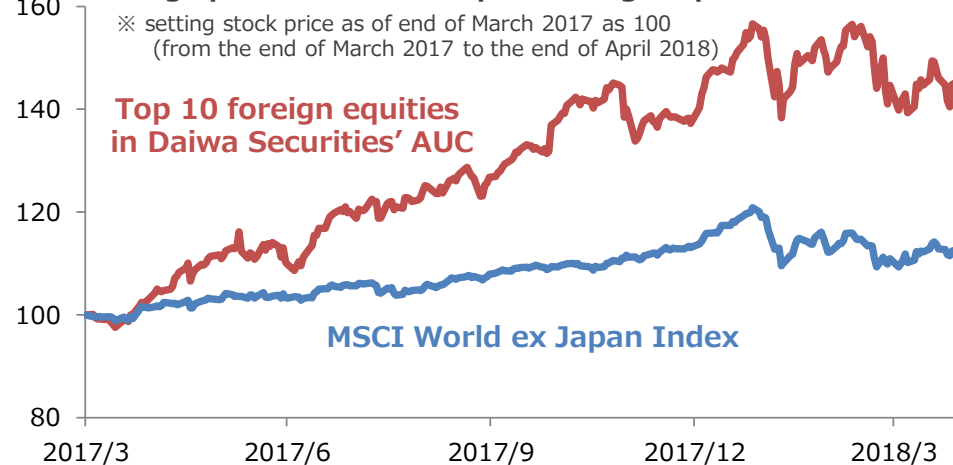
Portfolio of domestic finance



(Reference) Basic portfolio of GPIF



Average performance of top 10 foreign equities in AUC



Promotion of High Added Value Solutions for Corporations

Support customers to create new business by providing advanced solutions that contribute to resolutions of management issues.

Promote the acquisition of cross-border M&A deals in Europe, Americas and Asia utilizing global network.

Providing Strategic Solutions

DEALWATCH
 AWARDS 2017

House of the Year 2017
CELEBRATING THE ACHIEVERS IN JAPAN'S CAPITAL MARKETS

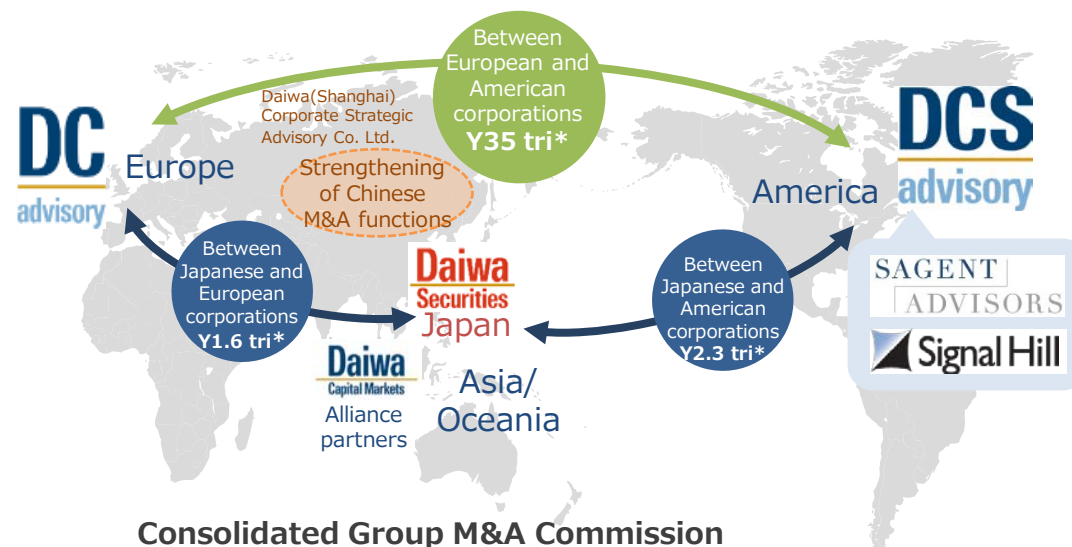
League Table (FY2017)

Rank	Primary and Secondary equity offerings	Share	Rank	IPO	Share
1 (3)	Daiwa	26.5%	1 (1)	Nomura	26.7%
2 (2)	Nomura	23.7%	2 (3)	Daiwa	26.0%
3 (4)	Mizuho	11.6%	3 (2)	Mitsubishi UFJMS	13.6%
4 (5)	Mitsubishi UFJMS	9.4%	4 (4)	Mizuho	12.0%
5 (9)	Goldman Sachs	6.9%	5 (5)	SMBC Nikko	11.8%

Rank	Straight bonds (excl. family bonds)	Share	Rank	Municipal bonds	Share
1 (2)	Nomura	23.2%	1 (1)	Daiwa	19.1%
2 (4)	Daiwa	19.1%	2 (2)	Nomura	18.2%
3 (1)	Mizuho	19.0%	3 (3)	Mitsubishi UFJMS	17.9%
4 (3)	SMBC Nikko	17.4%	4 (4)	SMBC Nikko	17.9%
5 (5)	Mitsubishi UFJMS	17.2%	5 (5)	Mizuho	15.4%

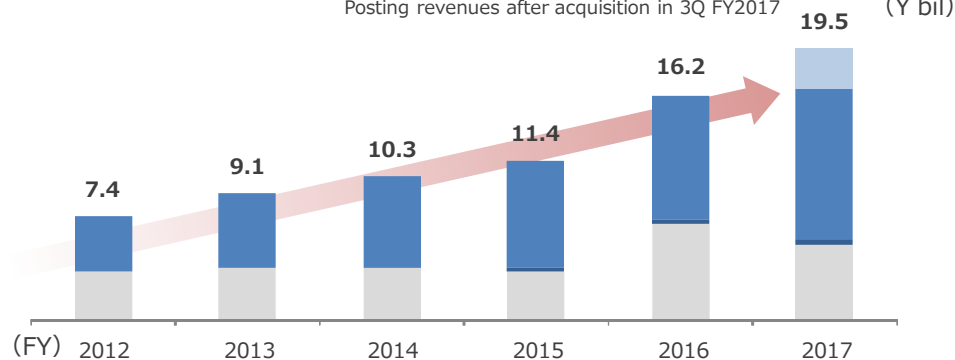
※():FY2016 results

Promotion of M&A Deals Utilizing our Global Network



Consolidated Group M&A Commission

■ Japan ■ Asia ■ DC Advisory ■ DCS Advisory
 Posting revenues after acquisition in 3Q FY2017



* Market size of M&A 2017 results (source: Thomson Reuters), exchange rate used is JPY112.2/US\$ (average for 2017)

Support for Transformation of Business Structure and Industry Structure

Expanding the capability of IPO business and actively pursuing open innovation.

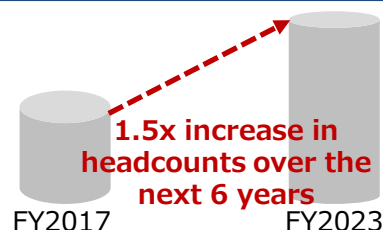
Creating "Daiwa fund ecosystem," to provide consistent growth opportunities centered on the fund business to support nurturing of new industries.

Expanding the Capability of IPO Business

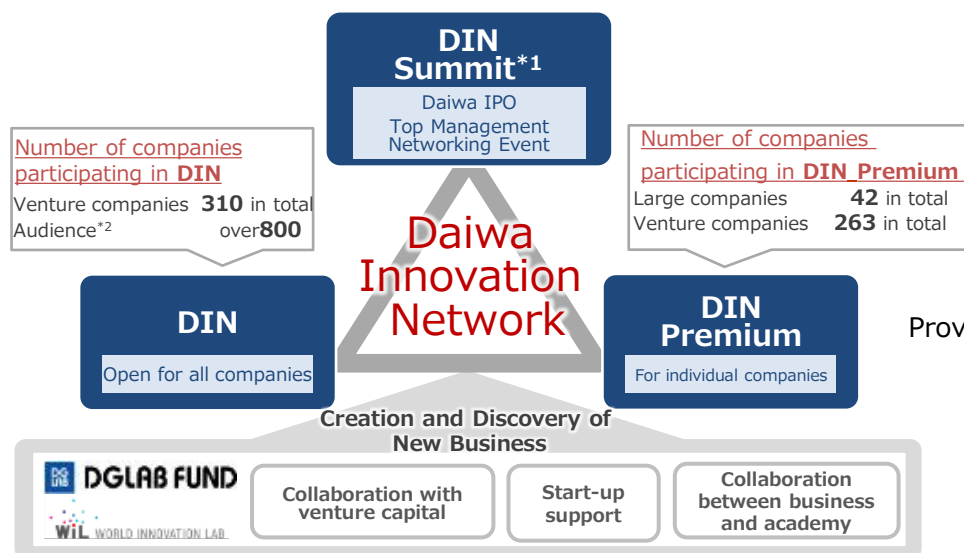
Stably maintaining a strong position focused on IT sector

Increasing domestic headcounts

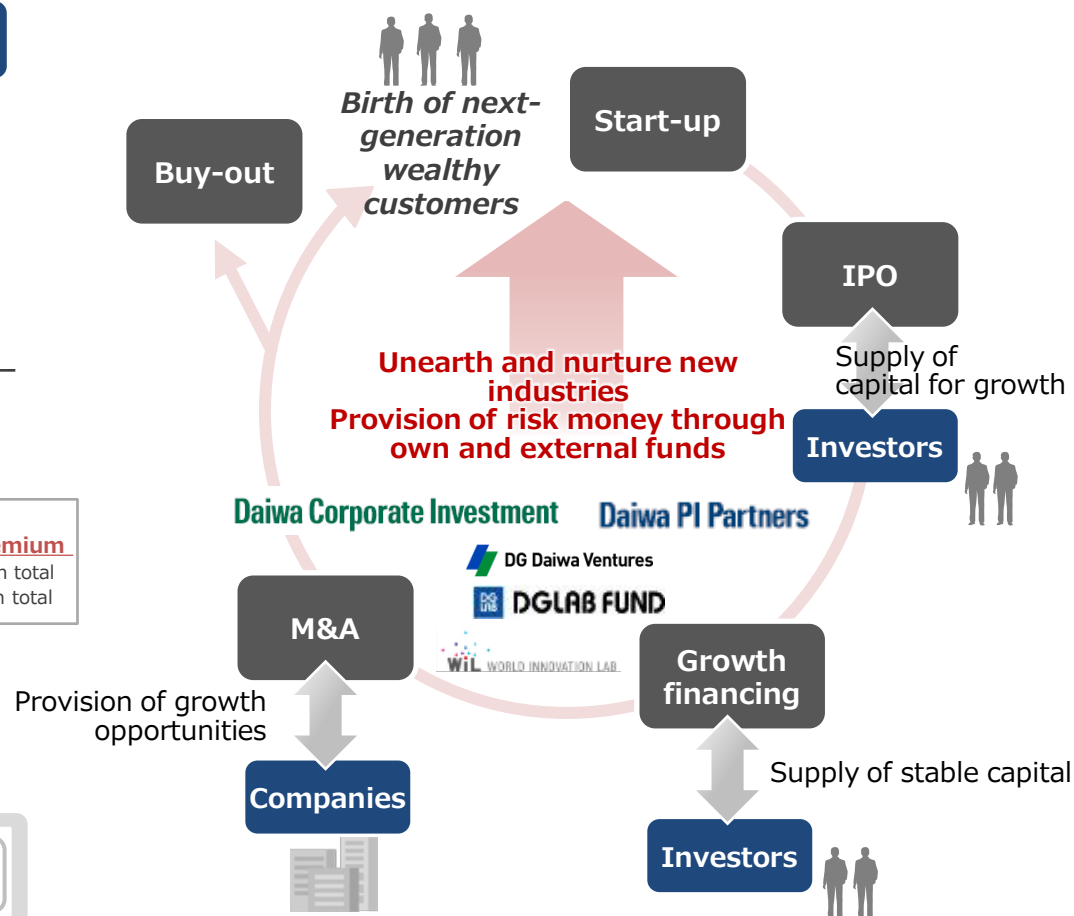
IPO league table
Maintaining within 3rd and achieving 1st over the next 3 years



Matching through Daiwa Innovation Network (DIN)



Conceptual Diagram of Daiwa Fund Ecosystem



*1 Networking events with the heads of venture companies, etc.

*2 Major companies, VC, PE, auditing corporations, financial institutions, government organizations etc.

Realization of an Abundant Society and Life through Asset Management

With “pursuing customers’ benefits” as our basic philosophy, we will contribute to the expansion of customers invested assets and realize an abundant society through the provision of products and services with high added value.

Efforts to Pursue Customer Benefits

Strengthening investment capabilities

Efforts for raising investment performance

- Ongoing improvement of investment system and investment processes
- Active utilization of new AI technology

Deepening of stewardship activities

- Engagement leading to the improvement of corporate value of portfolio companies

Strengthening of product development capability

Understanding needs and supplying products to each customer

- Supply of products that match wealthy customers and mass market customers respectively

Diversification of investment targets

- Expansion of products managed in-house
- Discovering of investment companies with high investment capability and excellent funds

Strengthening of marketing capability

Promotion of the proposal and adoption of products that contribute to the expansion of customers’ return

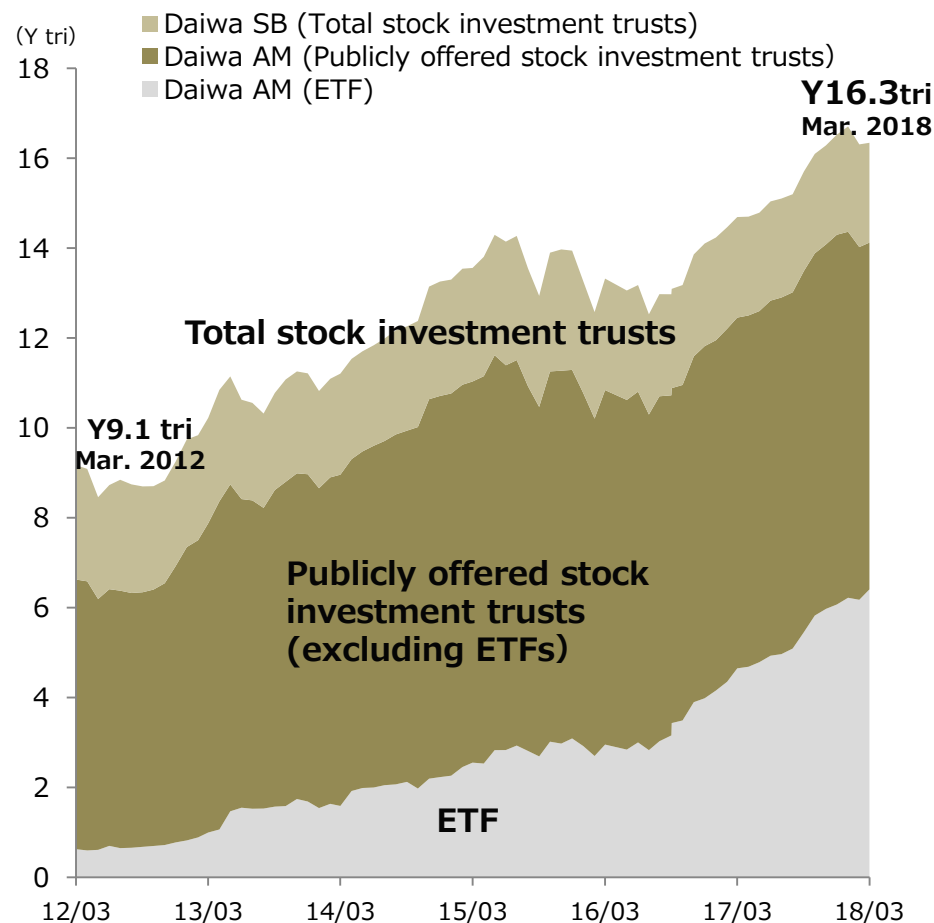
- Provision of products according to asset formation stage

Proposal of a wide range of solutions that contribute to customers’ asset management

- Provision of consulting tools
- Provision of training aimed at increasing the level of sales personnel

Pursue Customer Benefits

Expansion of AUM



Reorganization of Asset Management

Memorandum of understanding on the merger between Daiwa SB investments and Sumitomo Mitsui Asset Management Company. Striving to become an asset management company that is trusted and valued by customers utilizing top-class investment management capabilities and business foundations.

Summary and Vision for the Merged Company

Shareholders (the shareholdings ratios)



(50.1%)



(23.5%)



Mitsui Sumitomo Insurance

(15.0%)



(10.4%)

The merged company (scheduled in April 2019)



Sumitomo Mitsui Asset Management

Daiwa SB Investments Ltd.

- Investment mainly for insurance business
- Asset allocation and capability of fund research for Nikko global wrap
- Strong support for sales companies

- Expertise for Japan equity research
- Strong relations with domestic and overseas institutional clients
- Top-class business efficiency in Japan

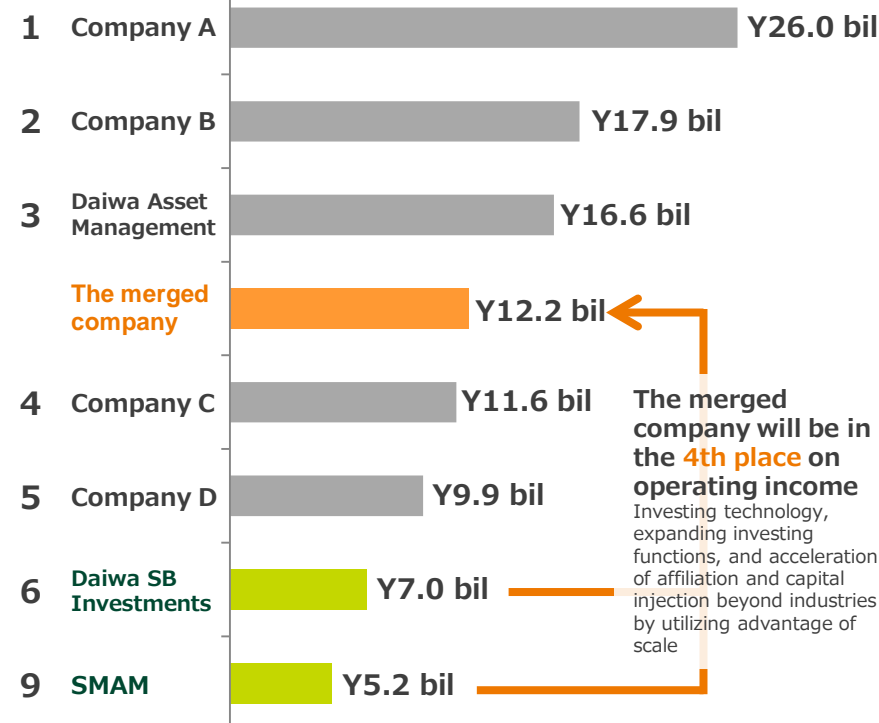


Mutual complement

Aiming to become an asset management company that is trusted and valued by domestic and foreign customers by becoming an industry leader in the carrying-out of fiduciary duties and establishing an independent management structure

Operating Income of Major Asset Management Companies in FY2016

Rank

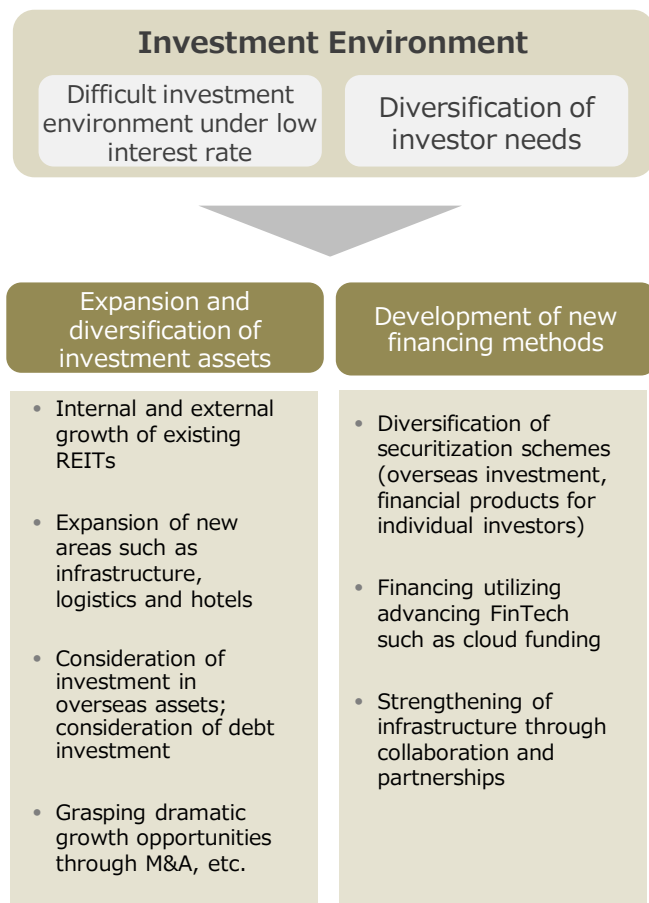


Source: disclosure materials




Expansion of Alternative Investment Products

AUM of real estate AM expanded to Y883.2 bil and looking to reach Y1 tri.
Expanding investment area into infrastructure and hotels to diversify asset classes.

Expansion of Investment Assets Matching Investment Needs



Expansion of Real Estate and Infrastructure AM Assets

Real Estate AM Total AUM Y883.2 bil (As of the end of Mar. 2018)			
Office	2009	Daiwa Office Investment Corporation	Y439.4 bil
	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	Y107.4 bil
Housing	2014	 Japan Rental Housing Investments Inc.	Y225.5 bil
	2018	 Samty Residential Investment Corporation	Y81.5 bil*1
healthcare	2014	Nippon Healthcare Investment Corporation	Y19.3 bil
Infrastructure and energy	2016	 IDI infrastructures	Y69 bil*2
	2016	Privately offered real estate funds	Y11 bil
Hotels	2018 1H	Preparing for formation of hotel private REIT	
Overseas	Considering formation of real estate financial products backed by overseas real estate (consideration of alliance with local real estate AM company)		

*1 Sub sponsor
 *2 Commitment amount
 (Not included in total real estate AM AUM)

The Sophistication of Financial Methods, the Creation of Business Cooperated with Outside and Combined Securities-banking Business Model 2.0

Provide next generation financial services to Digital-native customers by the sophistication of financial methods and cooperation with outside partners.

Establishment of New FinTech Company

New company creating next generation financial services **Fintertech**
= Finance × Entertainment × Technology

Foundation April 2018 Shareholder Daiwa Securities Group Inc. (100%) Capital* Y800 mil
*Includes capital reserve

Forefront Technology

Expertise in Securities and Financial Business

Digital Channel

Examples of business areas :
digital currencies, cloud funding, etc.

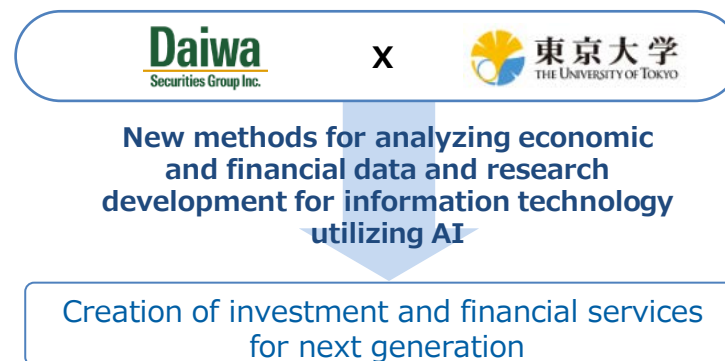
Provide next generation financial services
to digital native customers

Capital and Business Alliance with Crowd Works



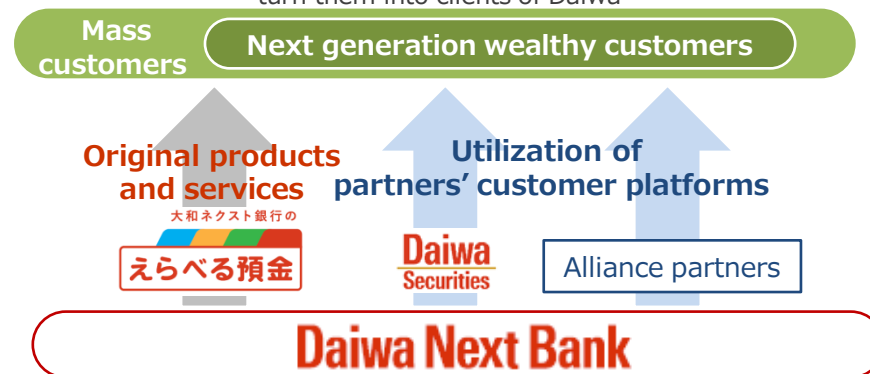
Industry-University Cooperation Project Collaboration with the University of Tokyo

Provide social cooperation course "next generation investment technology" with Graduate School of Engineering, The University of Tokyo



Combined Securities-Banking Business Model 2.0

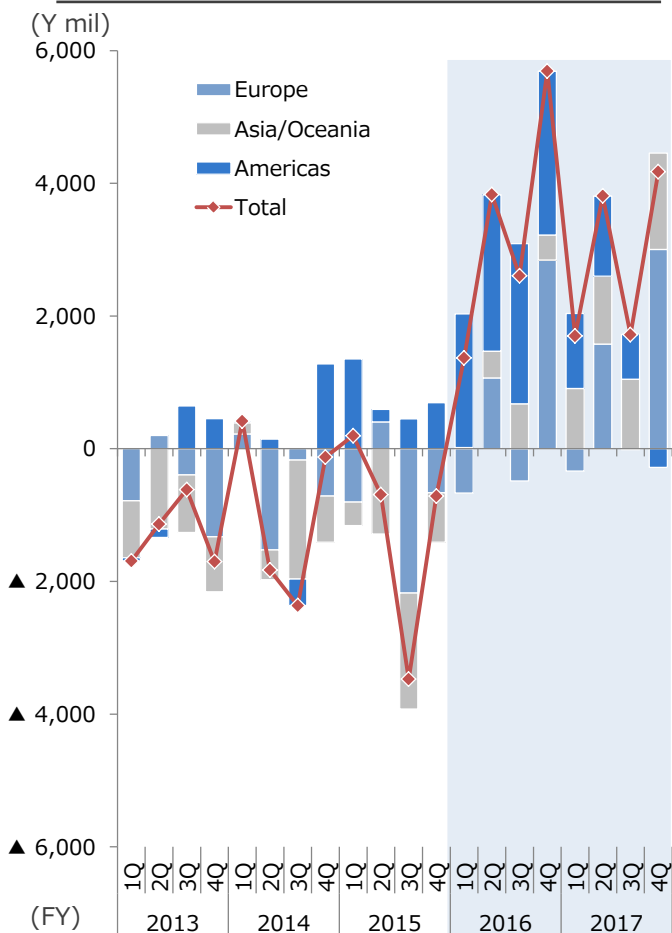
Approach next generation wealthy customers and turn them into clients of Daiwa



Providing Benefits from Growth of Asia and Strengthening Global M&A Network

Overseas business has been staying in black and is in stage of aiming for further growth. Continue to strengthen global M&A network and alliances to provide benefits from growth in Asia to customers.

Overseas Ordinary Income



Main Themes of Overseas Strategies

New Strategy for Business in China

Strengthen business in China which have great potential from expectation of further opening of capital market

- Expand organic business, improve infrastructure
- Expand business in Shanghai, preparation for establishing brokerage firm

Private Banking Business in Asia

Further expand customer-base by acquiring new clients and increasing net asset inflow

- Increase cooperation between domestic Private Banking Department and Wealth Management Department
- Enhance coverage of Hong Kong and China

Bring in Asian Market Growth

Investment to capture Asian market growth

- Invested US\$5.0mn to acquire stake in Oway Pte. Ltd., provides online travel agency business and taxi delivery business through its mobile application in Myanmar, in April.

Strengthening of Global M&A Network

Provide M&A business which meets customer needs

- Strengthen alliance with subsidiary in North America
- Building up "Japan, U.S., Europe, Asia, China" network by strengthening business in Shanghai

Strengthen Business Alliance

Complement solutions for primary and secondary business which Daiwa needs to improve

- Increase personnel and improve system to strengthen business alliance

Supplementary Strategies

- Examine frontier markets/area
- Develop and recruit global human resources

Ⅲ- Financial and Capital Strategy

Daiwa Securities Group Inc.

Financial and Capital Strategy

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 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

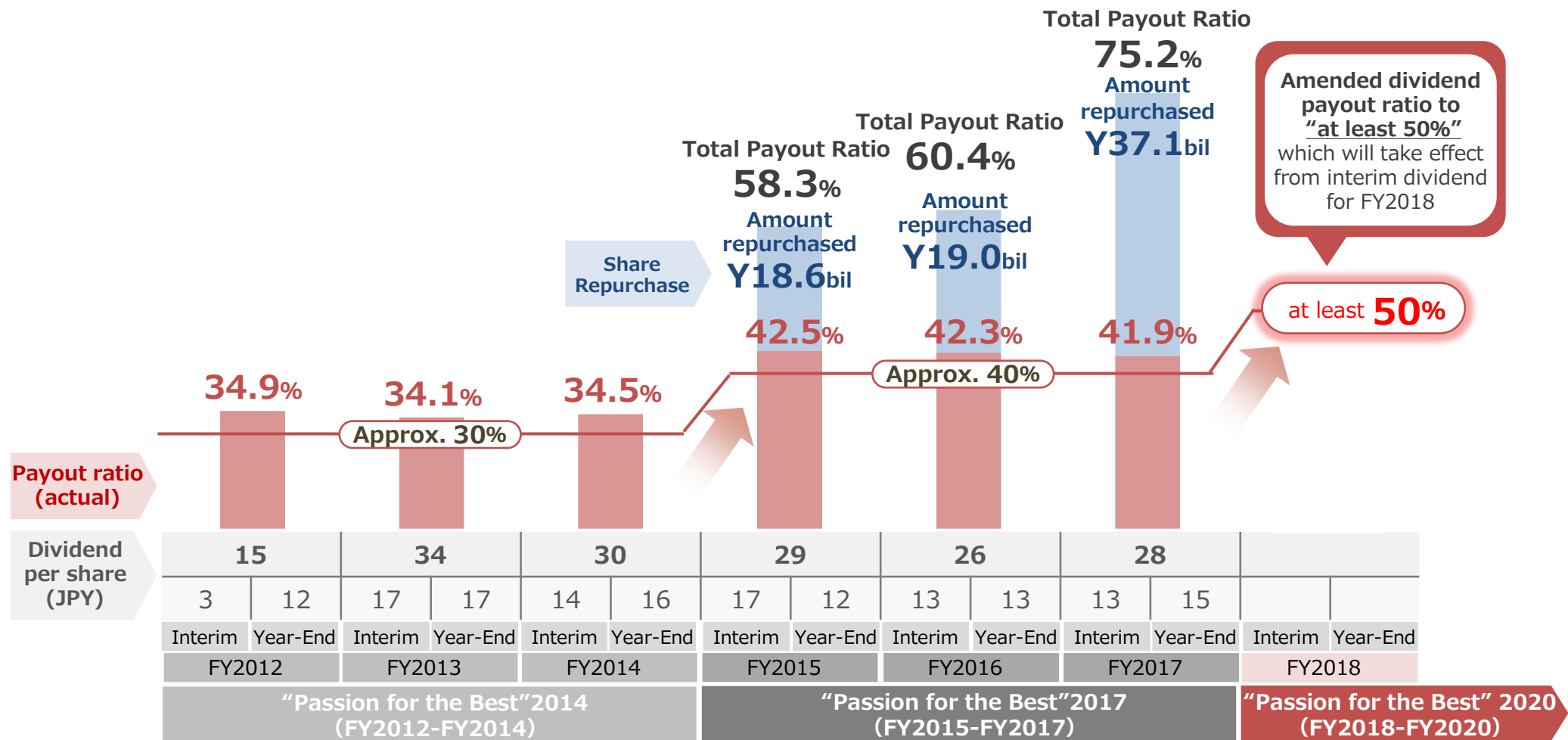
- Contribution to sustained development of society through appropriate payment of taxes based on high ethical standards

III - Financial and Capital Strategy

Enhancement of Shareholder Returns (Amendment to Dividend Payment Policy)

The company will basically pay dividends semiannually at a pay-out ratio of at least 50% based on the consolidated financial performance.

The company will also consider increasing returns to its shareholders in various ways including share buybacks when it has sufficient accumulated capital to pursue further growth.

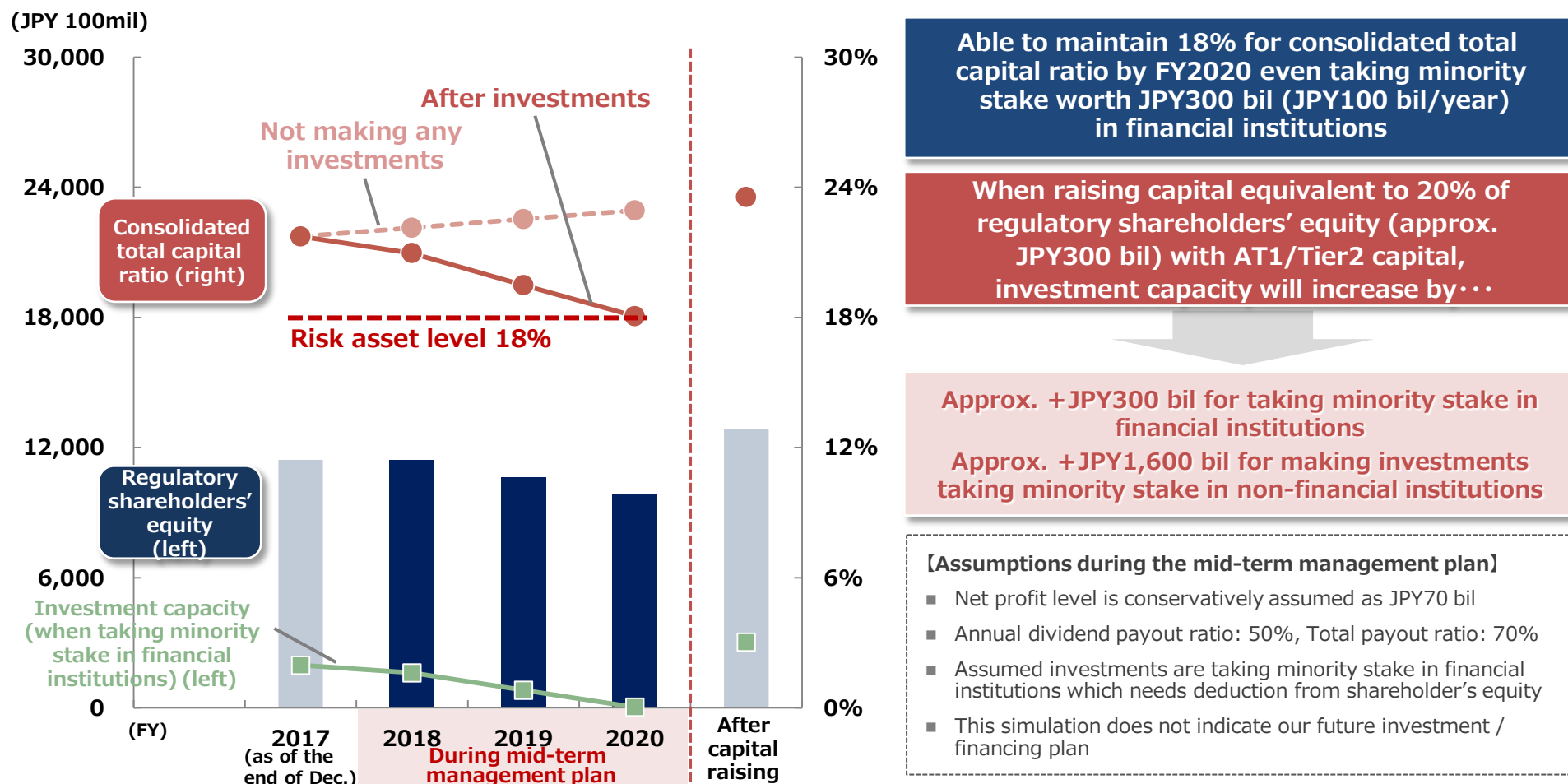


High Flexibility in Financial Options

We can maintain 18% for consolidated total capital ratio, set as a financial KPI, even investing JPY300 bil during the three years of mid-term management plan.

Able to increase investment capacity by raising capital with AT1 / Tier2 capital.

Capital Simulation : Taking Minority Stake Worth JPY 300 bil (JPY100 bil/year) in Financial Institutions



Potential Target of Growth Investment

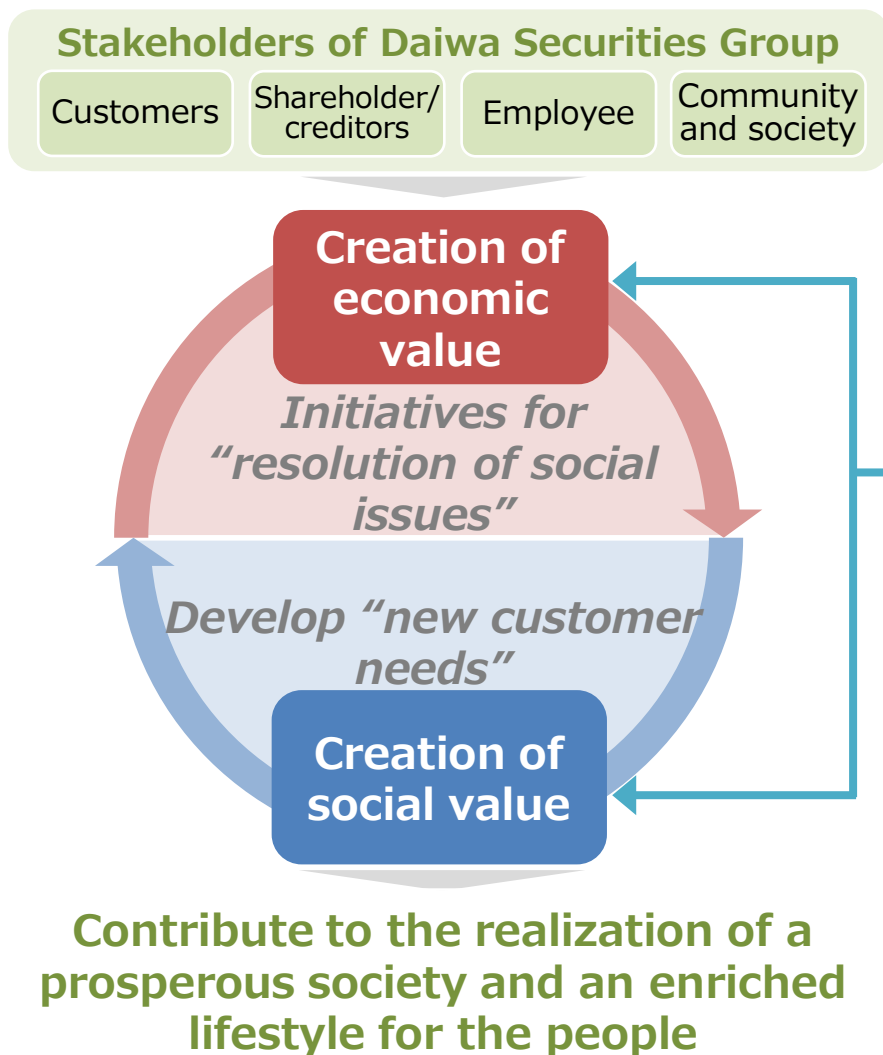
	Japan	Overseas
Retail	<div>Creation of customer-oriented sales system</div> <ul style="list-style-type: none">Expansion of sales offices aimed at increasing area coverageCreation of investment tools, databases, etc. for goal-based approach <div>Strengthening of provision of asset-based fee type products</div> <ul style="list-style-type: none">Evolution of wrap account services, investment trusts, savings-type products, etc. <div>Utilization of external channels through alliances</div>	<div>Promotion of alliance strategy and expansion of China business</div> <ul style="list-style-type: none">Supplementation of solution functions for primary and secondary businesses through the expansion of alliance strategy centered on Asian marketsOrganic business expansion and establishment of necessary infrastructure with an eye to the opening of the Chinese capital market
Wholesale	<div>Improvement of business efficiency and productivity</div> <ul style="list-style-type: none">Utilization of advanced technology for improvement of sales efficiency and proposalsIntroduction of RPA, renewal of sales support / information sharing systems, etc. <div>Strengthening of provision of structured bonds and derivative products</div> <ul style="list-style-type: none">Expansion of trading positions associated with the expansion of product line p	
Asset Management	<div>Strengthening investment capabilities and expansion of AUM</div> <ul style="list-style-type: none">Further expansion of assets under management in Real Estate Asset Management and the infrastructure investment businessSeeking investment opportunities in asset management companies	
New businesses /Other	<div>Expansion of business areas aimed at the realization of an integrated securities group with hybrid business model</div> <ul style="list-style-type: none">Investment into financial areas such as FinTech, VC and PE fundsInvestment in areas that are expected to grow and lead to resolution of social issues such as real estate, infrastructure, energy, healthcare and agriculture	

IV- Closing Remarks

Daiwa Securities Group Inc.

SDGs as Management Strategy -Passion for SDGs-

Cycle of Shared Value Creation



Initiatives aimed at SDGs (Sustainable Development Goals)



Initiatives towards SDGs

25th anniversary of Daiwa Securities Foundation

- ✓ In 1994, The Daiwa Securities Foundation was launched as part of commemoration activities for the 50th anniversary of Daiwa Securities' establishment in order to make a contribution to society from our profits.
- ✓ The Foundation has provided grants every year to support activities for the elderly and children and other volunteer work of high social significance.

[Total Amount of Grants until FY2017 (Accumulated)]

	Grants to volunteer work	Grants to volunteer work for disaster recovery (the Great East Japan Earthquake)
Number of projects receiving grants	3,351	247
Total amounts of grants	JPY 775.45 mil	JPY 117.3 mil

Daiwa Next Bank "Eraberu Yokin*1"

Daiwa Next Bank started offering "Eraberu Yokin*1" from Nov. 2017

"Ouen Time Deposit*2" sets up various types of deposits depending on where to donate. Its interest rate is slightly low and the difference between the normal rate is used for donation with additional grants from Daiwa Next Bank.



Currently, there are 9 types of donations. Provided total amount of JPY 1.18mil grants by Apr. 2018



Donation Ceremony (Apr. 2018)

- National Center for Child Health and Development Mr. Kato, Head of hospital (center)
- Momiji no ie (Short term medical facilities of National Center for Child Health and Development) Mr. Uchida, Manager (left)
- Daiwa Next Bank, Ltd. Mr. Nakamura, President (right)

Initiatives to Child Poverty



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

Sep. 2017

...Planned to donate total amount of JPY100 mil. in 5 years from Daiwa Securities Group



Public Resource Foundation
Ms. Kishimoto,
Managing Director (right)



Ceremony of Smiles to Children Project (Jan. 2018)
[Supporting] SOS Children's villages Japan, PIECES,
Learning for All

Impact Investment Bonds

Daiwa Securities' share of impact investment bonds for retail investors in the Japanese

market: **52%**

(Source Daiwa Securities as of the end of Mar. 2018)

■ Water Bonds

...Support companies solving water issues

■ Green Bonds

...Support environment-friendly companies

■ Inclusive Business Bonds

...Support business which improve the life of BOP*



Human Resources Strategy: From “Working Style” Innovation to “Job Satisfactory” Innovation

Quality No.1

Employees' productivity

No.1

- We will develop human resources able to provide solutions that add high value through Quality No.1 with high-level integrity and expertise
- We will engage in the improvement of productivity through increased work efficiency, and establish an environment that generates time for creating innovative results

Productivity KPI

- CFP & securities analysts
- Holders of high qualifications
- Global personnel and IT personnel
- Work efficiency index

Employees' participation

No.1

- Development of professional human resources with knowledge, techniques and mindset
- Establishment of an environment where employees can continue to work vibrantly from junior personnel to veterans

Participation KPI

- Progress of Q-Road and DBP*1
- Targets related to encouraging women to succeed*2
- State of self-improvement by veteran employees*3

Employees' job satisfaction

No.1

- Establishment of the best workplace environment enabling each employee to feel satisfaction and joy in their work, and face challenges while exhibiting their full potential
- Realization of a high level of work-life balance to enable participation by diverse human resources

Job Satisfaction KPI

- Employee satisfaction survey

Ranked in Top
Companies to Work For
(New Graduates)

Overall
ranking 5th

Weekly Toyo Keizai's
Top Companies to Work For Ranking
by 2019 graduates, 1st half period

FTSE Blossom
Japan Index



FTSE

Certified as Family-Friendly
Employer (“Platinum Kurumin”)



Ministry of Health, Labour and Welfare

Nadeshiko Brand
(Companies with excellent track
records in empowering women)



Ministry of Economy, Trade and Industry
Tokyo Stock Exchange

Health and Productivity
Stock Selection



Ministry of Economy, Trade and Industry
Tokyo Stock Exchange

*1 Daiwa Basic Program *2 Percentage of women in management positions, percentage of women hired, percentage of women receiving training, percentage of men taking childcare leave, percentage of people taking annual leave

*3 Number of recipients of ASP (Advanced Skill-building Program) lectures

Realization of Business Reform and Improvement of Productivity

Establishment of “Business Reform and Productivity Improvement Committee” and promotion of efforts aimed at improvement of productivity. Working to improve employee satisfaction and customer satisfaction by realizing “facing the challenge of operations with high added value”, “improvement of work-life balance” and “business reform” by improving productivity.

Initiatives Towards Business Innovation and Productivity Improvement

Establishment of Business Reform and Productivity Improvement Committee

- Meetings held quarterly to discuss a wide range of matters related to measures aimed at productivity improvement

Steps aimed at realization



Monitoring Indicator for Work Efficiency

Percentage of employee always conscious of productivity improvement

▶ **56% ⇒ 100%**

Percentage of employees taking specific action

▶ **27% ⇒ 100%**

Time reallocated for high-value-added work

▶ **More than 3 mil. hours/year**
 (=approx. 1,400 personnel)

Business reform and improvement of productivity

Facing the challenge of operations with high added value

Improvement of work-life balance

Realization of significant results through business reform



Appendix

Daiwa Securities Group Inc.

Daiwa Securities Group's SDGs Declaration

Passion for SDGs 2018

-Daiwa Securities Group's SDGs Declaration-

Daiwa Securities Group capture Sustainable Development Goals adopted by the United Nations in 2015 as overarching goals to lead the world. Through our group business, we will work positively for realization of an abundant society and life of the people by pursuit of companies' economic values and solution of social challenge at the same time.

● Creation of Shared values

As an integrated securities group that provide wide range of services for various customer needs, we will address solutions of social challenges with flexible mindset to create economic values and social values as a company at the same time.

● Stakeholders and Partnership

By utilizing our group quality to take a leading role to connect countries, companies and investors, we aim for contribution of various social business solutions through partnership with each stakeholder.



● Developing and realizing work styles for various human resources

We will develop and realize work styles for various human resources by promoting work-life balance, promoting success of female and veteran employees, and creating workplace environment enabling each employee to feel satisfaction and joy in their work while exhibiting their full potential.

● Gain recognition and enhance penetration

Gain recognition and penetrate SDGs among all employees while gaining awareness of SDGs among our customers through our group business as a main player in financial and capital market.

SDGs (Sustainable Development Goals)

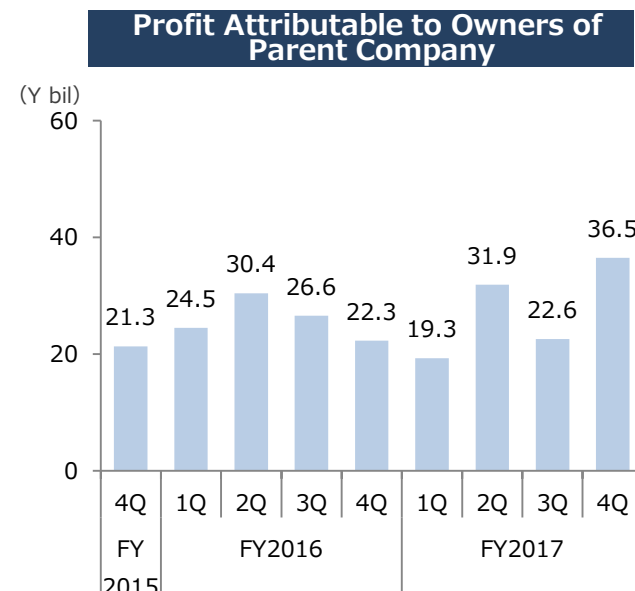
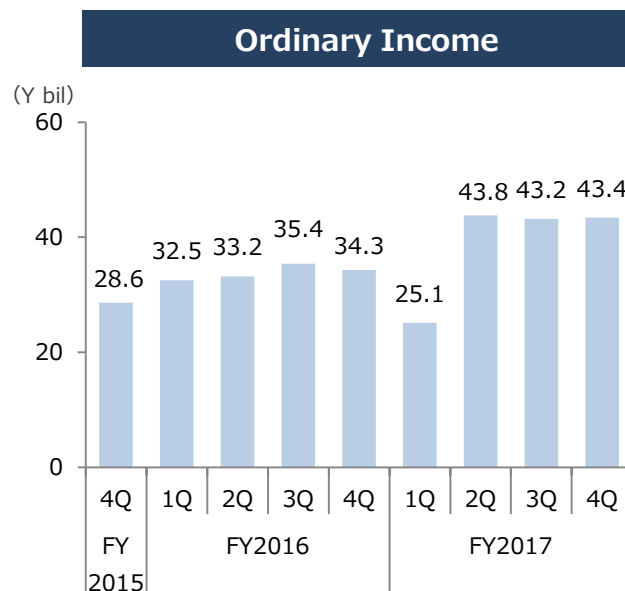
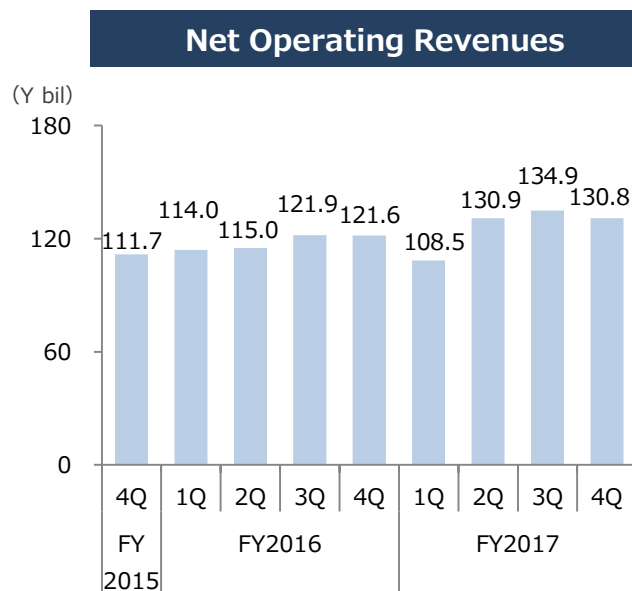
SDGs are a universal call adopted in UN summit in Sept. 2015 for the next 15 years. It sets 17 goals and 169 targets to realize a sustainable world. It discusses the behavior of not only the developing countries but also developed countries including Japan, and it ensures "No one will be left behind".

New Medium-term Management Plan Environmental Assumptions

Economy	Global economy	<ul style="list-style-type: none"> The global economy will continue to recover. Developed countries will continue grow, albeit more slowly. Emerging economies will generally continue to grow. While interest rates will be cautiously raised in the United States, quantitative easing will end in Europe, and the ECB is expected to start raising interest rates in 2019. There are many uncertain factors in the UK, and growth will slow. [U.S. economic growth rate: FY2018 2.3%, FY2019 2.0%, FY2020 2.2%]
	Domestic economy	<ul style="list-style-type: none"> The domestic economy will slow but continue to grow, and prices will rise moderately. It will temporarily drop with the increase in consumption tax in October 2019 [Real GDP growth rate: FY2018 1.1%, FY2019 0.6%, FY2020 0.9%]
Market Conditions	Stock price	<ul style="list-style-type: none"> The economic recovery in Japan and abroad will bolster improvement of performance. Monetary tightening in Europe and the US will lead to a rise in Japanese shares. Room for increases will open up due to the weakening of the yen Risk factors include increased interest rates in the US and fluctuation in emerging markets. Attention needs to be given to geopolitical risks [Nikkei Stock Average: average for FY2020 is JPY27,000]
	Interest rates	<ul style="list-style-type: none"> BOJ will continue “quantitative and qualitative easing with yield curve control” and acknowledge a small rise in long-term interest rates Domestic market interest rates will be almost flat. US interest rates will rise due to rate hikes [Long-term interest rate: projected average range of FY2018-FY2020 is 0.06% - 0.16%]
	Exchange rates	<ul style="list-style-type: none"> The yen will weaken slightly and the dollar will strengthen. There will be a mixture of factors causing increases and decreases. If the pace of US rate hikes is increased, there will be more room for a weakening of the yen [USD/JPY rate: projected average range of FY2018-FY2020 is JPY110 - JPY114]
Other factors with impact on environment	Japan	<ul style="list-style-type: none"> Expansion of inbound demand Expansion of IT demand due to implementation of cloud computing and advancement of IoT Changes in lifestyle and consumption structure due to establishment of work style reforms Expansion of ESG (environment, social, governance) investment Paradigm shift of financial services through advancement of digital technology
	Overseas	<ul style="list-style-type: none"> Global politics and financial policies UK exiting the EU (Brexit) Unbundling of research expenses through MiFID II Deregulation of foreign capital in Chinese financial markets (abolition of limits on investment in securities and insurance in 2020)

FY2017 Earnings Summary

(Y mil)	Net Operating Revenues			Ordinary Income			Profit Attributable to Owners of Parent Company		
	FY2016	FY2017	YoY	FY2016	FY2017	YoY	FY2016	FY2017	YoY
Retail Division	188,051	214,247	13.9%	29,375	51,331	74.7%			
Wholesale Division	182,875	171,192	-6.4%	65,437	45,373	-30.7%			
<i>Global Market</i>	142,859	123,697	-13.4%	53,595	34,288	-36.0%			
<i>Global Investment Banking</i>	40,015	47,495	18.7%	11,369	10,109	-11.1%			
Asset Management Division	46,438	49,390	6.4%	26,572	29,119	9.6%			
Investment Division	15,736	27,401	74.1%	13,041	24,499	87.9%			
Consolidated Total	472,750	505,350	6.9%	135,623	155,676	14.8%	104,067	110,579	6.3%

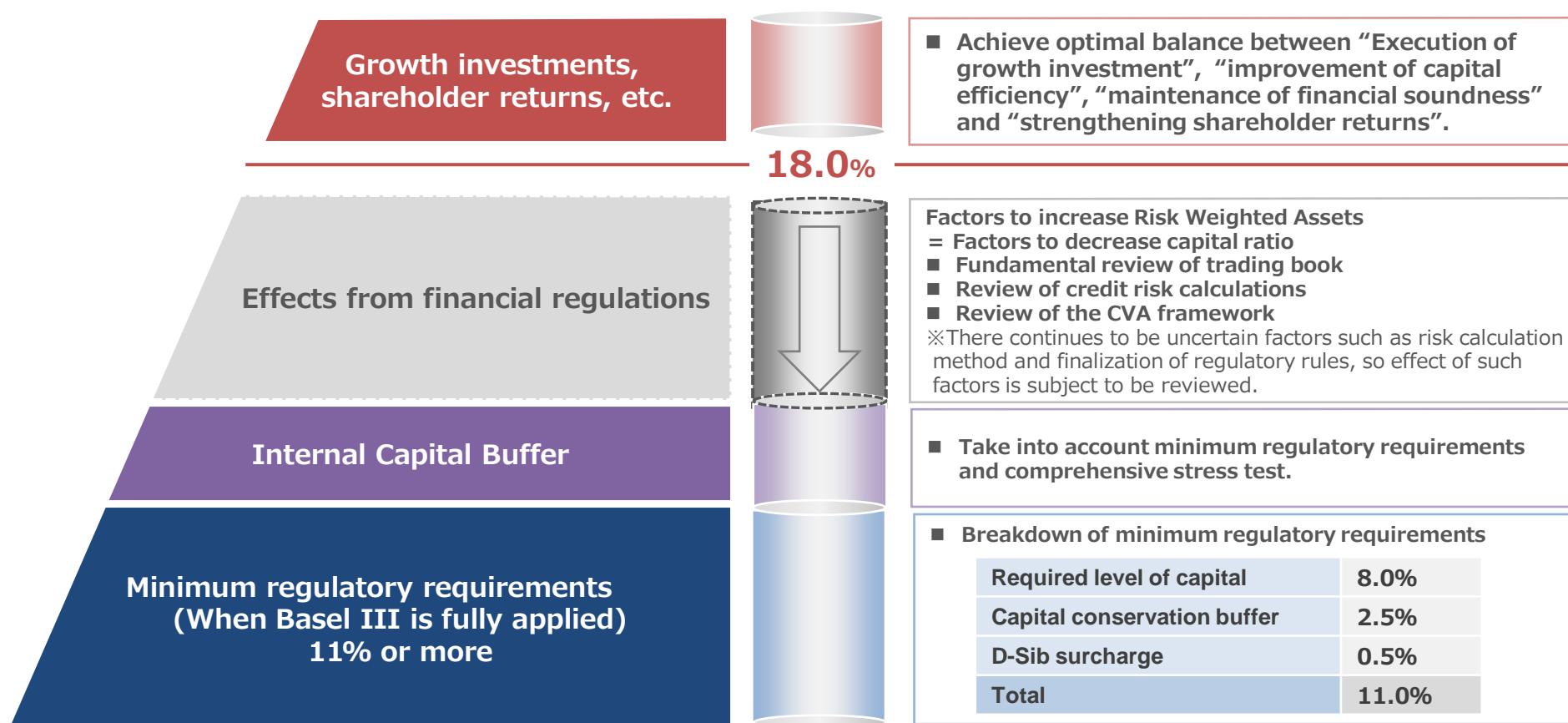


Current Level of Total Capital Ratio

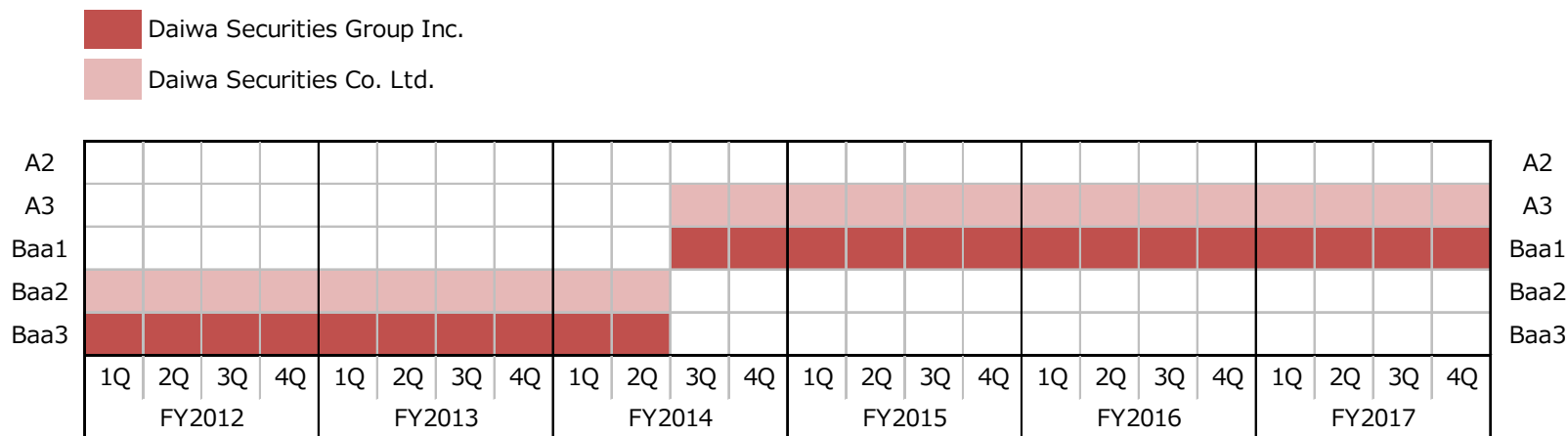
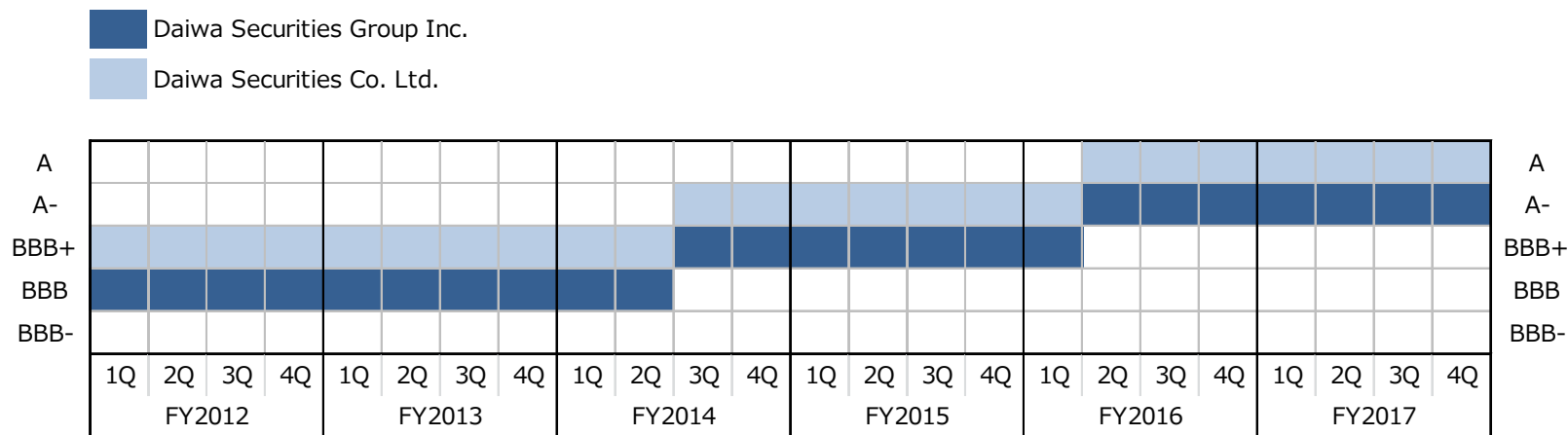
Aim to maintain sufficient level of capital ratio while aptly responding to regulatory changes and securing funds for future growth investments. Additionally, aim to improve sustainable corporate value through securing liquidity and enhanced shareholder returns.

Idea of Financial KPI

Consolidated Total Capital Ratio



Credit Ratings of Our Group



Overseas Selected Alliances and Investments

Europe

Daiwa Corporate Advisory



May 2009:
acquisition of Close
Brothers (Currently DC
Advisory)

Sanford C. Bernstein Limited



Apr. 2014: business
alliance
(Europe equity research)



U.S.

DCS Advisory



Sagent Advisors



Signal Hill



Sep. – Oct. 2017 Fully acquired the two companies
Mar. 2018 Formation of DCS Advisory



India

Ambit Private Limited



Dec. 2016:
business alliance
(M&A covering India)



Thailand

Thanachart Securities



Feb. 2013, business alliance
(Thai equity research)

Dec. 2016: business alliance for
wealth management business
(Opened Japan Desk)



China

中信建投証券



Nov. 2014,
business alliance
(IB/GM covering China)

Dec. 2016:
acquisition of share



Taiwan

大和國泰證券
(Daiwa-Cathay
Capital Markets)

Oct. 2001:
established
joint venture



Philippines

Development Bank
of Philippines

Mar. 1995:
established joint venture

Nov. 2015:
business alliance
(IB covering the Philippines)

COL
Financial Group

Apr. 2017
acquisition of
minority share

Australia
New ZealandAustralia and New
Zealand Banking Group

Feb. 2014:
business alliance
(M&A covering Australia, NZ)



Myanmar

Myanmar Securities
Exchange Centre (MSEC)
(JV with Myanmar Economic Bank)

Feb. 2016: grant of securities
license
Mar. 2016: began stock trading/
became equity method affiliate



Malaysia

Affin Hwang
Investment Bank

Dec. 2013:
business alliance
(Malaysia equity research)



Indonesia

Bahana Securities



Sept. 2013:
business alliance
(Indonesian
equity research / IB)



Vietnam

Saigon Securities SSI

June 2008, capital and
Business alliance
(comprehensive
business covering Vietnam)

Increased stake in Apr. 2016
Became
equity method affiliate



South Korea

Mirae Asset
Global Investments

Cooperation of management
and sales of investment trusts

Established Highly Transparent and Objective Governance System

Pursuing transparent and objective governance system in line with global standards since we became the first listed company to adopt a holding company structure in 1999. We will further enhance governance system for improvement of corporate value.

Enhancement of Corporate Governance in Japan and Daiwa's Initiatives

Enhancement of Corporate Governance in Japan

1997

- Lifting of ban on pure holding company

2002

- Establishment of Committee System

2005

- Enactment of Companies Act

2015

- Amendments to the Companies Act
- Application of the Corporate Governance Code

Daiwa's Initiatives

April 1999

- Became the first listed Japanese company to adopt a holding company structure

June 2004

- Shifted to a Committee System (Currently, a company with Three Committees System)

October 2015

- Established the Outside Directors Council (Sharing of opinions amongst outside directors)

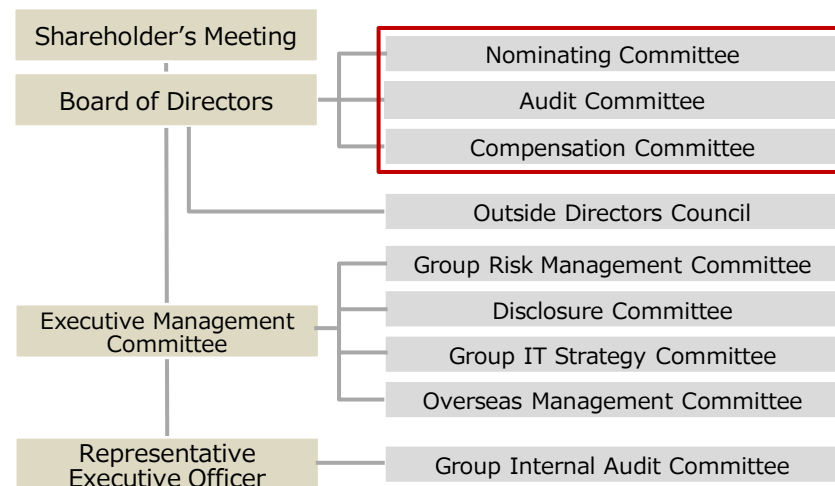
June 2016

- Elected one additional outside director and six out of 14 Board of Directors as outside directors (Outside directors ratio: 42.9%)

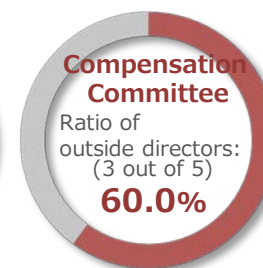
April 2017

- Elected outside director as chairperson of Nominating committee and chairperson of all three Committees have become outside director

Management Structure at Daiwa Securities Group

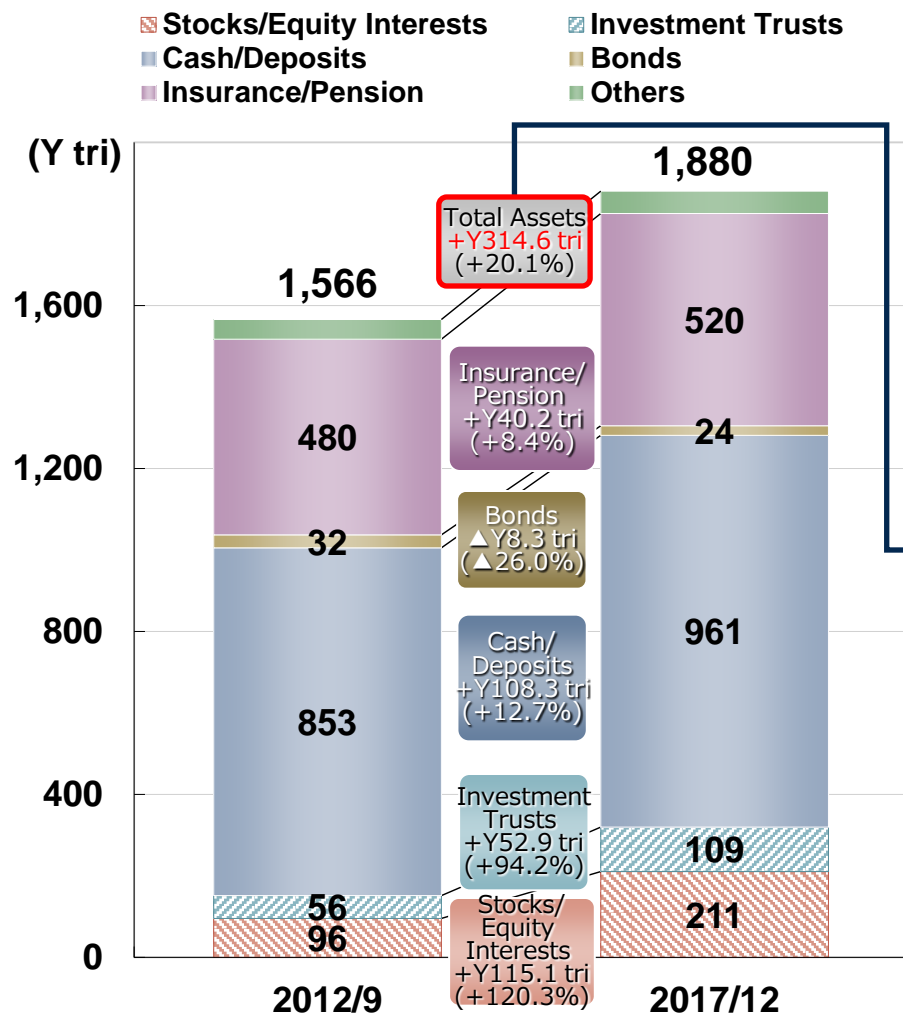


- Appointed all of the chairperson of the three committees to be outside directors for higher transparent and objective governance system.
- Conduct evaluations of the effectiveness of Board of Directors Committee by Outside Directors Committee.



Progress of the Shift “from Savings to Investment”

Household Financial Assets (Sept. 2012 vs Dec. 2017)

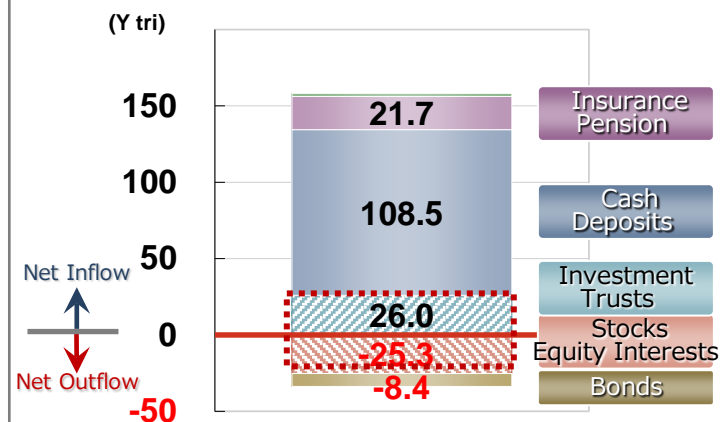


Transaction Factor
 +Y124.7 tri
 (39.6%)

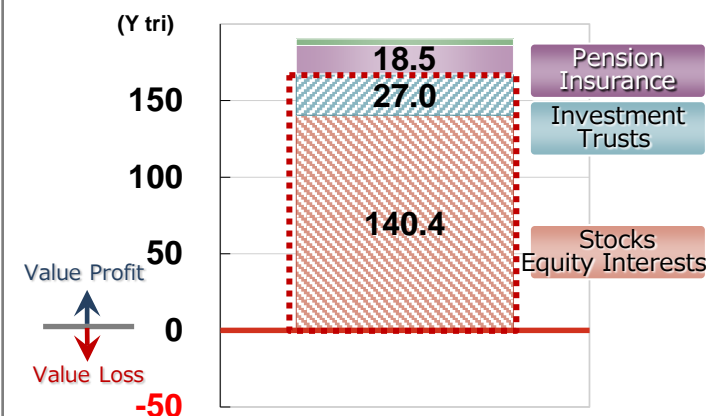
Factor Analysis

Market Factor
 +Y190.0 tri
 (60.4%)

Transaction Factor (In/Outflow of Assets)



Market Factor (Market Value Adjustment)





Daiwa Securities Group Inc.

Investor Relations

TEL: 03-5555-1300 FAX: 03-5555-0661

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

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