

Business Strategy

Summary of the Daiwa Securities Group's Medium-Term Management Plan "Passion for the Best" 2014	14
Interview with the CEO	16
Message from the COO	20
At a Glance	22
Retail Division	24
Wholesale Division	26
Asset Management Division	28
Investment Division	30
IT/Think Tank Division	31

Summary of the Daiwa Securities Group's Medium-Term “Passion for the Best” 2014

Daiwa Securities Group Management Vision

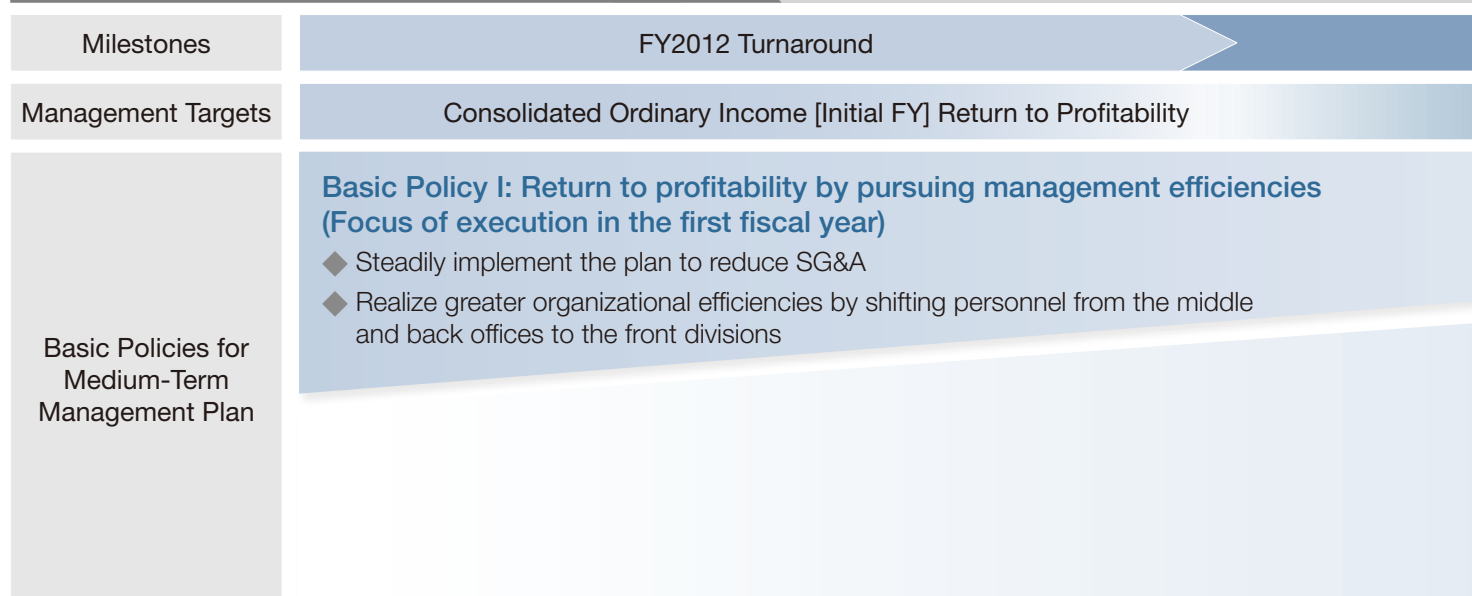
- To become Asia's leading financial services

Daiwa Securities Group Basic Management Policy

- Establish a robust business structure capable
- Achieve sustainable growth by linking Japan

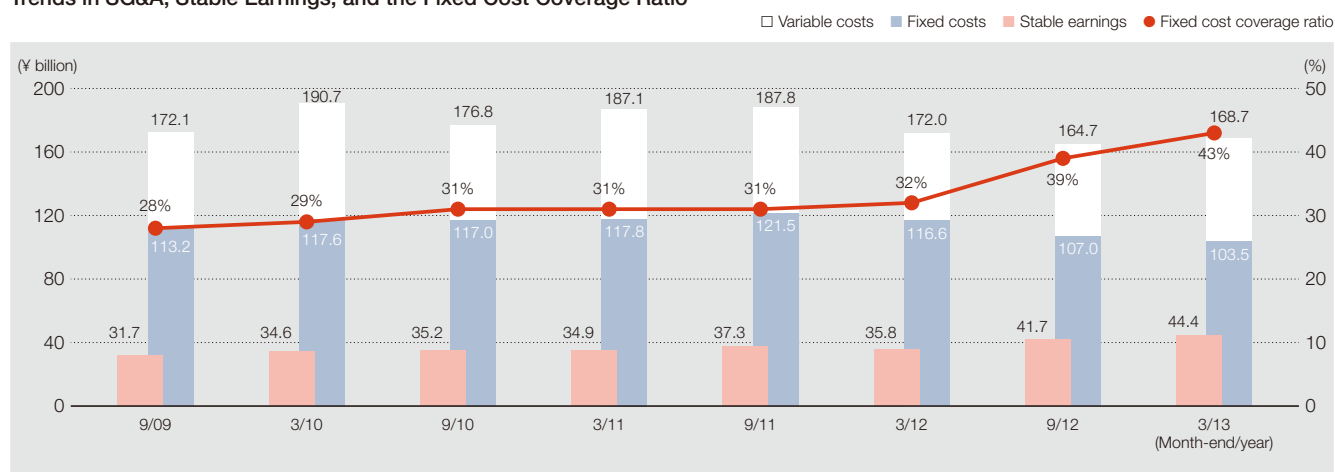
Outline of Medium-Term Management Plan “Passion for the Best” 2014

- Establish a robust business structure immune



◆ Progress under Basic Policy I

Trends in SG&A, Stable Earnings, and the Fixed Cost Coverage Ratio



Management Plan

Assessing and leveraging a solid business platform in Japan

Ensuring profit even under stressful economic conditions
Steady growth of Asia

Adapting to the external environment and aspire to achieve sound growth based on a new growth strategy

FY2013 Growth

FY2014 Expansion

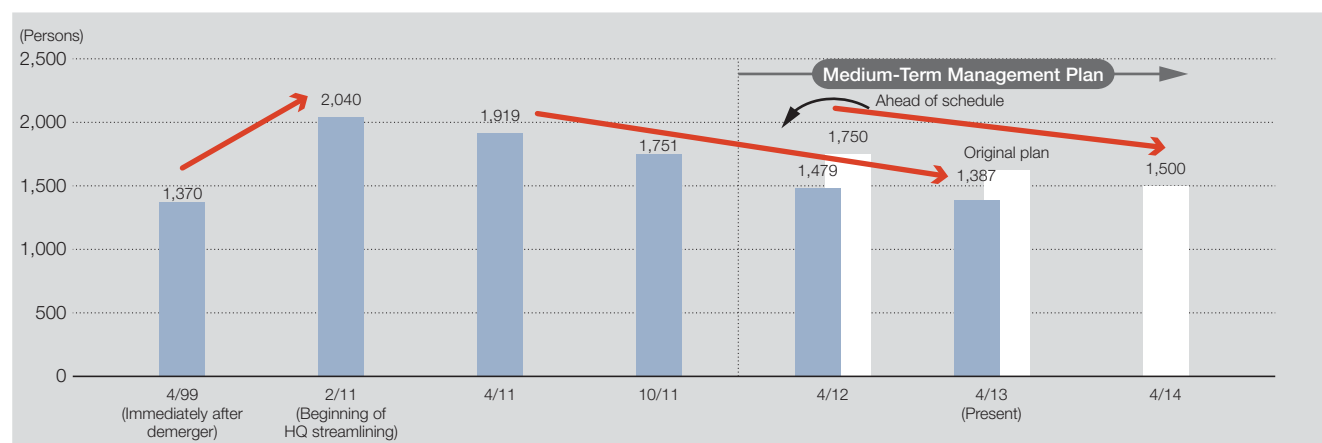
[Final FY] Over ¥120.0 billion

Fixed Cost Coverage Ratio [Final FY] Over 50%

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

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

Middle- and Back-Office Headcount (two former securities subsidiaries and group holding company)



■ Interview with the CEO

Q1

What is your take on changes in the business environment that are affecting the financial industry, such as the tightening of international financial regulations as well as the reversal of the strong yen and rally in stock markets?

International financial regulations are being reformed in the wake of the financial crisis that started with the Lehman Shock. Tightened regulations are gradually entering the implementation phase, beginning with derivative-related rules, and this will put downward pressure on business profitability in the context of reduced capital efficiency, higher capital costs, and an increase in systems investment. In response to these events in FY2012, the Company shifted personnel to the front divisions and made steady progress reducing Selling, General and Administrative Expenses (SG&A) in Japan and overseas in the pursuit of greater business efficiency.

Meanwhile, we are aware that conditions are gradually becoming more conducive for money to start shifting from savings into investments. After the change of government, we witnessed an unexpected reversal of the overly strong yen and a rally in stock markets that finally brought Japanese equities back to the level they were at prior to the Lehman Shock. On foreign currency markets, the overly strong yen has corrected sharply over a short period of time as a result of the government adopting an ultra-easy monetary policy. We think that 2013 may be the year that the floodgates are opened, and the stream of money flowing out of savings accounts into investment vehicles turns into a torrent.



Q2

The Group set a goal to return to profitability in FY2012 under the basic management policies of “establishing a robust business structure immune to the external environment and aspiring to achieve sound growth based on a new growth strategy” in the Medium-Term Management Plan. Can you elaborate on these achievements in the first fiscal year of the plan?

The themes of each fiscal year in the Medium-Term Management Plan are “Turnaround” for the first year, “Growth” for the second, and “Expansion” for the third. In FY2012, the first fiscal year, we concentrated on steadily implementing the plan to reduce SG&A and increasing organizational efficiency under the guise of the “Turnaround” theme.

These efforts resulted in substantial year-on-year growth in both revenues and profits on the back of marked improvement in business conditions. By segment, profits remained stable in the Retail Division and the Asset Management Division, and profits grew in the Investment Division. The Wholesale Division posted a profit on a fiscal year basis. Accordingly, all divisions contributed to consolidated earnings improvement. Due to stable revenues, the Group achieved a fixed cost coverage ratio of 43%, which we view as a Key Performance Indicator (KPI) that is as important as profit targets. The “Turnaround” process was completed as anticipated in the first fiscal year of the Medium-Term Management Plan.

Since being appointed CEO, I have put forth “establish a robust business structure” as a basic management policy. Due to the peculiarities of the securities business, it is inevitable that earnings will be affected by market conditions. Accordingly, the Daiwa Securities Group aims for an earnings structure that generates outsized profits when a tailwind blows, and avoids losses when headwinds prevail during weak market conditions. Our policy to “establish a robust business structure” aims to build an earnings structure such as this.

In the first half of the previous fiscal year, the TOPIX reached new lows in June since the bursting of Japan’s economic bubble, making for extremely challenging market conditions. In addition, the financial industry was rocked by scandals involving insider trading related to the public offering of new shares, making for the worst-possible business environment. Nevertheless, the Daiwa Securities Group remained profitable on a consolidated basis. Moreover, when market conditions turned favorable in the second half, both net operating revenues and net income rebounded sharply to high levels reminiscent of good times past. Although FY2012 was a year of both strong headwinds and strong tailwinds, our performance in the first and second halves demonstrates that the earnings structure we aspire to build is gradually coming into shape.

In the Medium-Term Management Plan, we have adopted a “rolling method” system. Each fiscal year, we review our progress toward targets, validate our targets against the market outlook for the remainder of the plan, and revise our strategies as needed. Although we have revised up our market projections by 10%-20% to reflect yen depreciation and higher stock prices in light of market conditions at the end of the previous fiscal year, the overall impact of these adjustments on our numerical targets was limited because they were based on a bullish market outlook from the start. Accordingly, no changes have been made to our targets for the final fiscal year of the plan for consolidated ordinary income of over ¥120.0 billion and a fixed cost coverage ratio of over

50%. In FY2013, as we enter the “Growth” phase of the plan, we will vigorously accelerate business development to seize the dynamic transition from “savings to investments.”

Q3

We are facing a pivotal time in history as the overly strong yen corrects, weak stock markets rally, and the Japanese economy pulls out of deflation. Please explain what would motivate individuals to move their money out of savings accounts into investment products.

In a prolonged deflationary economic environment, the maldistribution of personal financial assets in savings accounts is unavoidable from a rational economic point of view. However, the Japanese government and the Bank of Japan have cooperated in setting an inflation target and commencing quantitative and qualitative monetary easing. As the inflation target becomes more feasible, there is no economic rationality for keeping financial assets in cash deposits, government bonds, and the like.

As motions were being made to dissolve the lower house of parliament, the correction to the overly strong yen and weak stock prices gained momentum, reaffirming the trend. This market normalization action was the result of net purchases of Japanese equities by foreign investors. If the way out of economic deflation becomes apparent as a result of more-specific monetary policies and growth strategies for achieving the inflation target, we would expect to see a flood of money pour out of savings into investments.

There is a strong correlation between the rate of inflation and the ratio of investment securities in personal financial assets. This shift from savings into investments is projected to be around ¥200 trillion, a scale that would possibly double the amount of individuals' assets under custody at the Daiwa Securities Group. This is truly an exceptional business opportunity. Our Group will stick together and implement full-scale preparations to seize this opportunity and turn it into remarkable growth for our Group.

Q4

What measures are being taken in the Retail Division, the front line in the competition to lead the flow of money from savings into investments?

The basic measures we are taking aim to expand the sales organization and evolve the business model. With regard to expanding the sales organization, we plan to enlarge our network of branches while increasing the number of personnel in sales divisions at the head office, branch offices, and call centers. At the same time, we will improve business efficiency through IT investments, including the modernization of infrastructure at our call centers and installation of tablet PCs for consultants that enhance the quality of marketing activities. We will also work harder to empower women in sales divisions. The active participation of women in the workforce has been hailed as a critical element of Japan's economic growth strategy, and the Daiwa Securities Group has conscientiously endeavored to empower women over the past decade, recognizing them as an underutilized source of growth. Over the next couple of years, we aim to double the number of women in management positions, including heads of branch offices and sales divisions. The Daiwa Securities Group will greatly strengthen its combined marketing capabilities by simultaneously implementing improvement measures from both a quantity and quality vantage point.

With regard to advancing our business model, we plan to brush up our unique business model with synergies between securities and banking services, by introducing

Premium Service that offers preferential interest rates on deposits for major customers. We also launched Family Plus, which allows customers to apply Premium Service to their family members. By extending services to the family members of our customers, we aim to grow the estate planning and inheritance business, a field we have prioritized since the previous fiscal year by putting in place service specialists with expert knowledge about issues related to inheritance and giving. In addition, we plan to explore the kinds of unique services that we can offer to our clients with the Japanese version of Individual Savings Account (NISA).

Q5 To reinvigorate the Japanese economy, it is imperative that an abundance of risk money is supplied to markets through direct financing. What is the Daiwa Securities Group's role in this regard?

Financing in Japan currently leans strongly toward indirect financing. Since customers demand security and liquidity in their savings, banks naturally have their hands tied on the supply of risk money over the long term. Under these circumstances, the Daiwa Securities Group will be expected as an independent comprehensive financial services provider and a major player in securities markets to fulfill its public mission of contributing to the Japanese economy by delivering an abundance of risk money to corporations over the long term. Taking the lead in the flow of money from savings into investments is a major theme for FY2013, as it is obviously an exciting opportunity for the Daiwa Securities Group and a factor that will contribute to the Japanese economic recovery through the securities markets.



Takashi Hibino
President and CEO
Daiwa Securities Group Inc.

■ Message from the COO

Under the Medium-Term Management Plan entitled “Passion for the Best” 2014, which finished its first fiscal year in FY2012, the Daiwa Securities Group sets management objectives of turning a profit in the first fiscal year and attaining consolidated ordinary income of over ¥120 billion in the final fiscal year, in addition to achieving a fixed cost coverage ratio of over 50% by the final fiscal year.

To achieve these objectives, the Group first worked on “creating a business model that fosters synergy between securities and banking operations” under its business strategy of “investing management resources in the Retail and Asset Management businesses” to spur earnings growth. At the core of this strategy, Daiwa Next Bank, Ltd. has established a formidable presence in the massive market for savings accounts, with around 720,000 accounts and over ¥2.2 trillion in deposits as of March 31, 2013. In April 2013, we introduced Premium Service, a preferential service for major customers, and focused on further advancing the business model.

We adroitly executed our strategy to “strengthen the earnings capacity of the Asset Management business,” and Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd. held on to the largest share of the domestic market with record-high month-end combined balances of assets under management in mutual funds.

In our basic policy to “enhance offerings for high net worth individuals,” we bolstered efforts to offer comprehensive inheritance-related services with Inheritance Total Service, and, in April, we introduced Family Plus, which lets major customers extend Premium Service benefits to their family members.

In our basic policy to “strengthen revenue capacity centered around the launch of the “new” Daiwa Securities,” we realized substantial earnings growth through initiatives to reunite the Retail and Wholesale businesses after the merger of the two securities subsidiaries and to “step up approaches to the middle market.” With the Wholesale Division now able to directly access customers of the Retail Division, sales of structured bonds and other types of bonds increased, leading to strong growth in bond-related revenues.

As for our basic policy to “rebuild our Wholesale business,” in Global Markets, in addition to the strong bond-related earnings, we posted a sharp recovery in equity-related

earnings through an upturn in equity markets. In Global Investment Banking, we raised the visibility of the Daiwa Securities Group by acting as the sole global coordinator of Japan Airlines Co., Ltd.’s successful relisting on the Tokyo Stock Exchange, and overseas, we acted as the joint bookrunner for the Hong Kong listing of The People’s Insurance Company (Group) of China Ltd. (PICC), the largest nonlife insurer in China, and marked the first time a Japanese securities company handled a privatization deal in China as a bookrunner. Overseas operations that had been struggling in Europe and the Americas managed to turn profitable in the fourth quarter. In aggregate, our overseas operations performed more or less at the breakeven point. Owing to progress made on the aforementioned individual strategies, the Daiwa Securities Group returned to profitability on a consolidated ordinary income basis in the first fiscal year of the Medium-Term Management Plan.

The fixed cost coverage ratio based on stable earnings is a Key Performance Indicator (KPI) designated in the basic management policy to “establish a robust business structure” as an important management benchmark. Fixed costs, the denominator of this ratio, were reduced as steady progress was made in increasing organizational efficiency and reducing SG&A. Stable earnings, the numerator of this ratio, expanded as a result of better revenue growth at Daiwa Next Bank, Ltd. and Daiwa Office Investment Corporation becoming a consolidated subsidiary. As a result, the Group cleared its target for the fixed cost coverage ratio in FY2012.

In FY2013, the “Growth” phase in the second fiscal year of the Medium-Term Management Plan, the Daiwa Securities Group aims to increase business efficiency further while continuing to tighten cost controls, and will invest the necessary resources to strengthen business fields while taking all due caution, as historic events unfold with the massive flow of money from savings to investments.



Nobuyuki Iwamoto

Deputy President and COO
Daiwa Securities Group Inc.

Business strategies to expand earnings

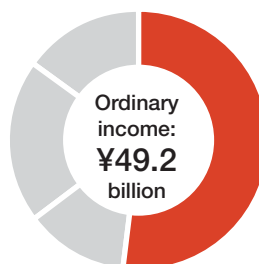
Business strategy	Individual strategies
Invest management resources in the Retail and Asset Management businesses	<ol style="list-style-type: none"> 1. Create a business model that fosters synergy between securities and banking operations 2. Strengthen earnings capacity of the Asset Management business 3. Enhance offerings for high net worth individuals
Strengthen earnings capacity with launch of “new” Daiwa Securities	<ol style="list-style-type: none"> 4. Strengthen coverage of the middle market
Rebuild the Wholesale business	<ol style="list-style-type: none"> 5. Revitalize the brokerage business 6. Provide investment banking solutions that accurately capture client needs

■ At a Glance

Daiwa Securities Group

Retail Division

- Daiwa Securities Co. Ltd.
- HINODE SECURITIES CO., LTD.
- Retela Crea Securities Co., Ltd.



- Branches: 124
- Number of cash management service accounts: 3,492 thousand
- Number of online trading accounts: 2,586 thousand
- Total assets under custody: ¥45.9 trillion

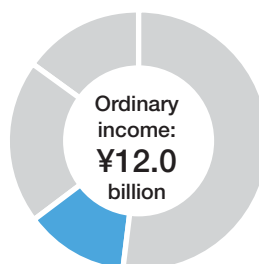
Notes: 1. The figures above are for Daiwa Securities Co. Ltd.
2. The total number of branches for the three companies, Daiwa Securities Co. Ltd., HINODE SECURITIES CO., LTD., and Retela Crea Securities Co., Ltd., was 143.

Wholesale Division

Global Markets

Global Investment Banking

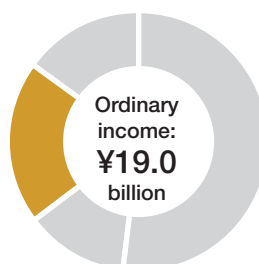
- Daiwa Securities Co. Ltd.
- Daiwa Capital Markets Europe Limited
- Daiwa Capital Markets Asia Holdings B.V.
- Daiwa Capital Markets America Holdings Inc.



- Global network: Offices in 19 countries and regions
- Listed Japanese companies of which Daiwa Securities Group served as lead manager: 725 companies, 21% share of the total (based on data from the Toyo Keizai Japan Company Handbook)
- Total value of stock trading: ¥64.1 trillion
- Total value of underwriting and distribution: ¥1.0 trillion (equity), ¥7.7 trillion (bond)

Asset Management Division

- Daiwa Asset Management Co. Ltd.
- Daiwa SB Investments Ltd.
- Daiwa Real Estate Asset Management Co. Ltd.
- Daiwa Office Investment Corporation

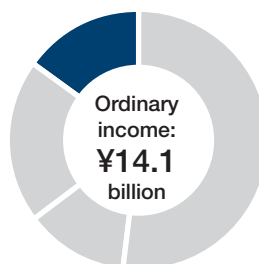


- Assets under management: ¥15.1 trillion
- Balance of assets in mutual funds: ¥10.2 trillion
- Balance of assets for investment advisory business: ¥2.3 trillion

Note: The data provided above is the total of the two companies (Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd.)

Investment Division

- Daiwa Corporate Investment Co., Ltd. (DCI)
- Daiwa PI Partners Co. Ltd. (PIP)
- Daiwa Securities SMBC Principal Investments Co. Ltd. (DPI)



- Assets from investment funds: ¥314.6 billion from 76 funds
- Aggregate outstanding principal investment balance: ¥85.4 billion

Other

- Daiwa Next Bank, Ltd.
- Daiwa Institute of Research Holdings Ltd.
 - Daiwa Institute of Research Ltd.
 - Daiwa Institute of Research Business Innovation Ltd.

- Activities in Myanmar
Daiwa Institute of Research Ltd. entered Myanmar in 1996 and established a joint venture.
We are working with both public and private sectors to provide support for development of capital markets.

Business description ► The Retail business responds to the wealth management needs of Japanese individual investors and plays a valuable role in linking the asset building activities of individuals to the supply of funds to the financial markets. With 124 branches nationwide and an advanced online infrastructure, Daiwa Securities provides a full spectrum of financial products and services from domestic and foreign stocks, bonds, and investment trusts to pension insurance and wrap account services.

Highlights of FY2012 ► In the first half, bond-related revenues increased, mainly from privately placed structured bonds, on the back of synergies from the merger of Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. at the beginning of the fiscal year. In the second half, stock brokerage commissions recovered on the rally in share prices. As of the end of FY2012, the Group had retained its number one position in the industry in terms of contract assets under management in wrap accounts.

Business description ► The Wholesale business comprises Global Markets and Global Investment Banking operations. Global Markets offers sales and trading services in marketable securities mainly for institutional investors. Global Investment Banking underwrites securities issued by corporations and financial institutions and provides advisory services for M&A.

Highlights of FY2012 ► The Global Markets expanded the breadth of its products to customers in the Retail business in particular as a result of the merger of Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. Its revenues from equity and fixed income, currency and commodities (FICC) operations increased owing to higher share prices and a rise in trading value in the second half. In Global Investment Banking, the Group was appointed as the global coordinator for the relisting of Japan Airlines Co., Ltd. and the sale of government-owned shares in Japan Tobacco Inc. Overseas, the Daiwa Securities Group was the joint bookrunner for the listing of The People's Insurance Company (Group) of China Ltd. (PICC) in Hong Kong, the first time a Japanese securities firm was involved in a Chinese privatization deal as a bookrunner, and managed the public offering without listing, or POWL, tranche of the IPO in Japan.

Business description ► The Asset Management business specializes in managing financial assets, offering customers fund management and investment advisory services. It launches and manages investment trusts that meet the needs of individual investors, provides investment advice to institutional investors, and administers and manages REITs. Through these services, the Group supports asset formation for its customers.

Highlights of FY2012 ► Daiwa Asset Management Co. Ltd. reported strong mutual fund sales for Daiwa US Stock Strategy Alpha (Currency Choice Type) -Triple Returns- BRL Monthly Dividend-type (a net inflow of ¥137.8 billion) and Daiwa High Credit Rating Canada Dollar Bond Open (Monthly Dividend-type) (a net inflow of ¥127.2 billion). Daiwa SB Investments Ltd. retained its first-place overall position in the investment advisory rankings published by Rating and Investment Information, Inc. (R&I)'s *Pensions & Investments* newsletter, for a fourth consecutive year. It also posted favorable sales of mutual funds, including the Smart Strategy Fund (a monthly dividend type) / (semi annual dividend type) (balance as of March 31: ¥95.5 billion) and the Global Preferred Securities Fund (currency hedging type) (balance as of March 31: ¥70.1 billion).

Business description ► In the investment business, the division invests in corporations directly with its own funds and indirectly through investment funds that have been incorporated and managed by the relevant entity. In the course of our venture capital investments in emerging companies and private equity investments in mature companies, the division provides the investees with not only financing but also extensive management support.

Highlights of FY2012 ► DCI established Tokyo Venture Company Growth Support Investment, LLP and DCI High-Tech Manufacturer Growth Support Investment, LLP, which invest in manufacturing start-ups with promising technologies. PIP is aiming to earn investment returns from its existing investment assets and concurrently to build up the amount of newly invested assets. DPI is achieving divestments from all its existing investment portfolios, benefited by recovering market conditions.

Highlights of FY2012 ► As of March 31, 2013, the balance of deposits (including certificates of deposit, etc.) at Daiwa Next Bank, Ltd. had reached approximately ¥2.2 trillion. In addition, the bank began to handle foreign currency deposits in July 2012.

Note: The number of branches in the Retail Division is current as of June 30, 2013. Other figures are as of March 31, 2013, or from FY2012 results.

Retail Division

Yoriyuki Kusaki

Deputy President
Head of Retail
Daiwa Securities Group Inc.

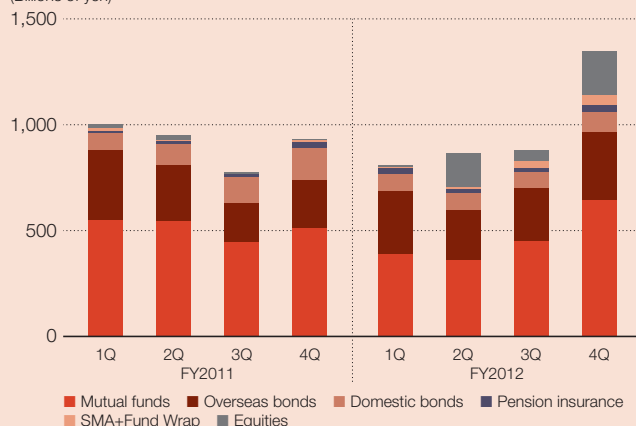
In order to suit the varied investment styles and preferences of customers, the Retail Division offers two main courses for products and services. The “Daiwa Consulting” course allows customers to obtain high-value-added services and products from experienced sales staff in face-to-face consultations, whereas the “Daiwa Direct” course allows customers to transact their investments conveniently, via the Internet or telephone call centers. In addition to offering a multitude of investment products covering stocks and bonds for domestic and overseas, mutual funds, pension insurance as well as Fund Wrap/SMA account services, the Retail Division also offers securities-backed loans and good interest rates for both ordinary deposits and fixed-term deposits. This portfolio of products and services allows the Group to meet the varying needs of each individual customer.

Action Plan for FY2013

1. Evolve the combined securities-banking business model
2. Promote the shift from savings to investment through the Japanese version of Individual Savings Account (NISA)
3. Strengthen wealth management business through inheritance-related services
4. Strengthen service coverage of the middle markets
5. Raise the level of revenues by expanding stable revenues and improving the productivity of sales forces

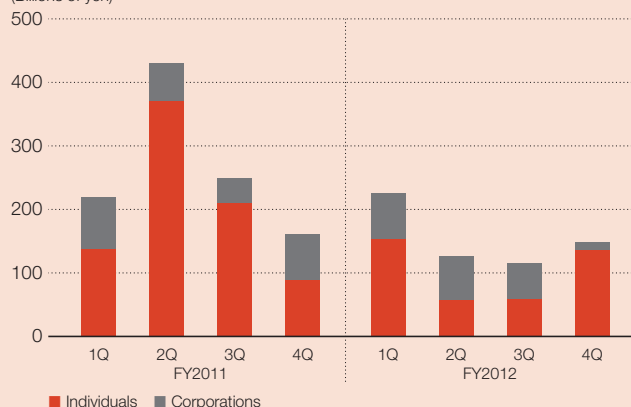
Sales and Distribution Amount by Product Category (Daiwa Securities)

(Billions of yen)



Net Inflow of Assets (Daiwa Securities)

(Billions of yen)



Business Conditions and Earnings Results for FY2012

In the first half of FY2012, share prices were lackluster with the Nikkei 225 falling below 8,300 in June owing to concerns about European political uncertainties rekindling the European sovereign debt crisis and yen appreciation negatively impacting corporate earnings in Japan. After the dissolution of the lower house in November, however, share prices began to turn upward as the yen depreciated sharply on the back of rising expectations for the new administration and in anticipation of monetary easing by the Bank of Japan. By the end of FY2012, the Nikkei 225 had rebounded to 12,397.

In this business environment, net operating revenues in the Retail Division grew 15.6% year on year, to ¥184.4 billion, and ordinary income increased 71.6%, to ¥49.2 billion, as a result of marked improvement in commissions seen in the fourth quarter.

During the period, the Retail Division opened four new sales offices with the aim of increasing customer convenience and expanding the customer base into new regions, while focusing on sales of mutual funds, foreign bonds, Fund Wraps, and pension insurance. The merger of Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. at the beginning of the fiscal year allowed the

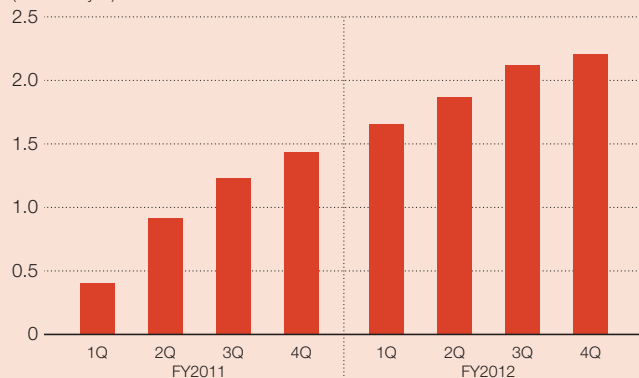
Retail business to offer its customers financial products that leverage the know-how of the Wholesale business. Sales of structured bonds, in particular, expanded considerably.

Sales increased for Daiwa Fund Wrap, which features internationally diversified investments through a combination of specialized investment trusts. As of the end of FY2012, the Daiwa Securities Group had retained its number one position in the industry from the previous fiscal year in terms of contract assets under management in wrap accounts.

Daiwa Securities Co. Ltd. as a bank agent of Daiwa Next Bank, Ltd., which saw its deposit balance rise to ¥2.2 trillion, has handled time deposits in yen since May 2011 and started handling foreign currency deposits in July 2012. Premium Service was launched in April 2013 as a service that offers customers preferential interest rates on yen-denominated time deposits based on the amount of their assets under management. Through these initiatives and others, the Daiwa Securities Group concentrated on bringing in new customers with highly convenient services and attractive interest rates for deposits through its expanding network of branches.

Balance of Deposits at Daiwa Next Bank

(Trillions of yen)



Growth+Sustainability

With an early focus on CSR activities through its core businesses, the Daiwa Securities Group has helped solve social issues by bringing together Japanese investors and issuers through “Impact Investment” bonds since 2008.

More specifically, we have contributed to reducing child mortality rates in developing countries, addressing climate change, and eradicating poverty through the development and sale of innovative financial products, including Vaccine Bonds, Green Bonds, Water Bonds, and Microfinance Bonds. In fact, Daiwa Securities has accounted for 65% (¥450.2 billion) of total cumulative sales (¥697.2 billion as of March 31, 2013) of “Impact Investment” bonds to Japanese individual investors.

More on page 45

Wholesale Division

Akio Takahashi

Deputy President
Head of Wholesale
Daiwa Securities Group Inc.

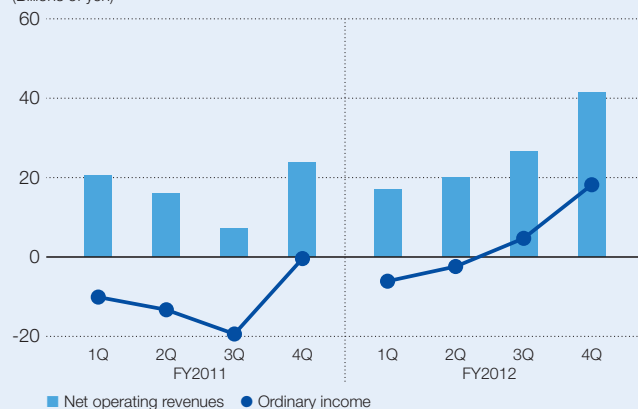
The Wholesale Division consists of the “Global Markets” business, which provides high-quality financial services and products, such as stocks, bonds, currencies and derivatives brokerage to institutional investors, and the “Global Investment Banking” business, which underwrites stock and bond issues for corporations and provides IPO and M&A advisory services. The division has established a solid platform for its operations, including offices in the four main international financial centers of Tokyo, Hong Kong, London, and New York. Daiwa Securities has extensive experience and know-how, and has earned a good reputation for providing financial solutions to global clients, including corporations, other financial institutions, and institutional investors.

Action Plan for FY2013

1. Provide investment banking (IB) solutions that precisely answer client needs by leveraging the global network
2. Provide timely products to link the firm client base and market environments
3. Develop business focused on client trading flows and expand trading revenue

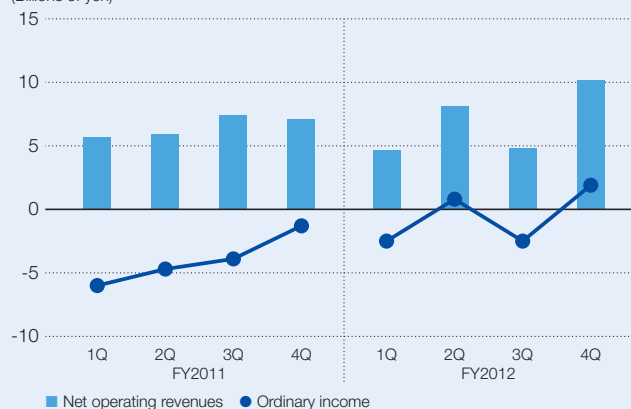
Quarterly Earnings Trends Global Markets

(Billions of yen)



Global Investment Banking

(Billions of yen)



Business Conditions and Earnings Results for FY2012

The Global Markets Business

In Japan, revenues grew steadily, centered on bonds, as the range of products offered to customers in the Retail business was enlarged after the merger of Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co., Ltd. at the start of the fiscal year. Japanese equity commissions increased strongly amid the stock market rally and increased in trading value from mid-November 2012 onwards. Moreover, trading revenues grew substantially due to precise position management and in response to customer needs to unwind cross-shareholdings as share prices rose.

Overseas, while the Daiwa Securities Group aimed to improve the earnings structure by continuing to right-size its business scale, the Group made steady progress toward enhancing its presence in promising growth markets, such as by partnering with Thanachart Securities Plc., a securities firm in Thailand.

Major Lead-Managed Deals and Publicly Announced M&A Advisory Activities in FY2012 (Including Participation as Joint Bookrunner)

Primary and Secondary Equity Offerings (including convertible bonds)

Japan Tobacco Inc.	Global public offering:	¥746.9 billion
Aozora Bank, Ltd.	Global public offering:	¥146.1 billion
China Precious Metal	Convertible bond:	HK\$1.03 billion

IPOs

Japan Airlines Co., Ltd.	Global IPO:	¥663.2 billion
The People's Insurance Company (Group) of China Ltd. (PICC)	Hong Kong IPO:	HK\$27.6 billion
Jiangnan Group, Ltd.	Hong Kong IPO:	HK\$550 million

Bonds

Softbank Corporation	Unsecured corporate bond:	¥470.0 billion
Export-Import Bank of Korea	Samurai bond:	¥100.0 billion
CADES (French state social debt agency)		
Benchmark dollar bond:		\$3.5 billion

M&A

Advisor to Kuraray Co., Ltd. for its acquisition of MonoSol, LLC in the United States

Advisor to Sumitomo Light Metal Industries, Ltd. in its merger with Furukawa-Sky Aluminum Corporation

The Global Investment Banking Business

In underwriting operations in Japan, the Daiwa Securities Group was the global coordinator*¹ for the sale of government-owned shares in Japan Tobacco Inc. and the relisting of Japan Airlines Co., Ltd., which was the largest Japanese IPO in FY2012. In M&A operations, the Group handled a large number of deals, including advising Kuraray Co., Ltd. on its acquisition of MonoSol, LLC, a polyvinyl alcohol film manufacturer in the United States.

Overseas, the Daiwa Securities Group was the joint bookrunner*² for the listing of the largest nonlife insurer in China, The People's Insurance Company (Group) of China Ltd. (PICC) in Hong Kong, the first time a Japanese securities firm was involved in a Chinese privatization deal as a bookrunner, and managed the public offering without listing, or POWL*³, tranche of the IPO in Japan.

As a consequence of these measures, in the Wholesale Division, net operating revenues rose 41.4%, to ¥133.1 billion, and ordinary income reached ¥12.0 billion, a major turnaround from a loss of ¥59.3 billion in the previous fiscal year.


*1 A global coordinator is a securities company that manages all aspects of primary and secondary offerings of stock to investors inside and outside Japan.

*2 A bookrunner mainly manages and promotes the sale of primary and secondary offerings of stock to investors.

*3 POWL stands for public offering without listing, a method of selling foreign stocks in Japan without listing them on Japanese stock exchanges.

Growth+Sustainability

The Daiwa Securities Group arranged Agri Bonds that support sustainable agribusinesses in developing countries. Agri Bonds were first issued in July 2012 by Rabobank Nederland, which is engaged in financing agribusiness globally. Proceeds are used for various agri projects run by clients of Rabobank Nederland. The bank mainly focuses on improving the sustainability of agri-business in developing countries through loans and other forms of financial support. Daiwa Securities handled two rounds of offerings of Agri Bonds to investors in Japan in FY2012, raising a total of ¥28.0 billion.

 **More on page 45**

Asset Management Division



Makoto Shirakawa

Deputy President
Head of Asset Management
Daiwa Securities Group Inc.

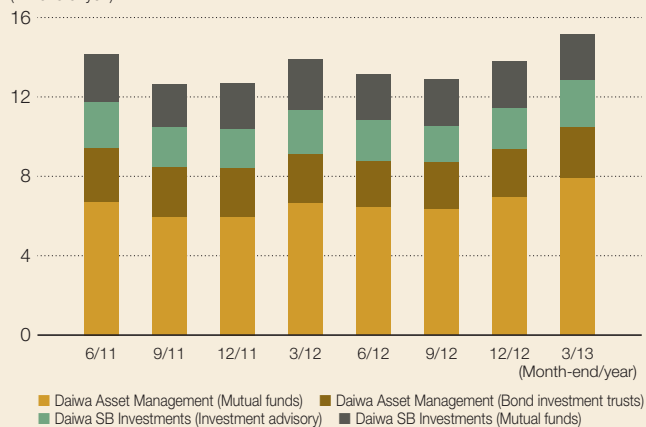
There are four main subsidiaries that comprise the Daiwa Securities Group's Asset Management business. Daiwa Asset Management Co. Ltd. focuses on the establishment and management of investment trusts mainly for individual investors. Daiwa SB Investments Ltd. (an equity method affiliate) has an established history of results and reliability in providing investment advisory services to pension funds and other institutional investors. Daiwa Real Estate Asset Management Co. Ltd. manages assets for J-REITs. Daiwa Office Investment Corporation is a J-REIT managed by Daiwa Real Estate Asset Management Co. Ltd.

Action Plan for FY2013

1. Strengthen management systems and improve performance
2. Raise and expand main funds both in securities and bank-related distribution channels
3. Enhance supports to distributors and provide information meeting client needs
4. Develop products and bolster marketing for introduction of NISA

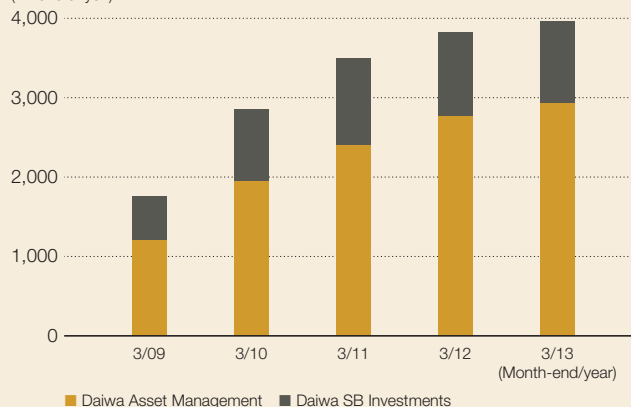
Balance of Major Assets under Management at the Asset Management Division

(Trillions of yen)



Outstanding Balance of Mutual Funds Sold through Bank-Related Sales Channels

(Billions of yen)



Business Conditions and Earnings Results for FY2012

In FY2012, the business environment was challenging, especially in the first half of the fiscal year with the TOPIX recording a new post-bubble low. From mid-November, however, the strong yen corrected and stock prices began to recover, fueling a rally in equity markets to levels last seen prior to the Lehman Shock. The flow of funds into mutual funds totaled ¥3.1 trillion for the industry as a whole, bringing the balance to ¥60.0 trillion as of the end of FY2012.


In this environment, Daiwa Asset Management Co. Ltd.'s mutual funds had a net inflow of ¥549.6 billion in funds during FY2012. The balance of its mutual funds was ¥7,875.7 billion on March 31, 2013, a new all-time high. Daiwa SB Investments Ltd. recorded a net outflow of ¥299.7 billion from its mutual funds in FY2012, reducing the balance to ¥2,345.7 billion on March 31, 2013. Accordingly, the Daiwa Securities Group's balance of mutual funds increased ¥1,049.3 billion from March 31, 2012, to ¥10,221.4 billion on March 31, 2013.

In FY2012, the Group focused efforts on steadily increasing the investment trust balances of these two asset management companies by concentrating the allocation of personnel resources at Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd. Moreover, the Group concentrated on expanding bank over-the-counter sales channels in addition to having Daiwa Securities as a sales channel for these investment products.

These efforts paid off and led to an increase in management fees alongside expansion in the balance of assets under management in the Asset Management Division. The consolidation of Daiwa Office Investment Corporation also contributed to growth. As a result, net operating revenues rose 16.5%, to ¥43.5 billion, and ordinary income grew 30.6%, to ¥19.0 billion, compared with the previous fiscal year. In FY2013, the Asset Management Division will implement measures to continue strengthening its asset management, product development, and marketing capabilities.

Growth+Sustainability

The Daiwa Securities Group continues to arrange socially minded financial products that are conscious about the environment, society, and governance (ESG). One example of these initiatives is the "The Daiwa Securities Phoenix Japan Program," which was established to support community reconstruction after the Great East Japan Earthquake. Through this program, a portion of the custodian fees of the "Daiwa Nippon Supporter Vol. 3-Phoenix Japan" is donated to the Japan NPO Center's Japan Earthquake Local NPO Support Fund, which provides grants to local NPOs involved in reconstruction efforts.

 **More on page 51**

Investment Division

The Investment Division of the Daiwa Securities Group is comprised primarily of three subsidiaries: Daiwa Corporate Investment Co., Ltd., a private equity firm; Daiwa PI Partners Co. Ltd., which provides solutions for diverse needs relating to financing and asset disposal through its investment activities; and Daiwa Securities SMBC Principal Investments Co. Ltd., which focuses on the management of and divestment from its existing investment portfolios. The Investment Division meets a wide range of financial needs of clients through its venture capital investments, private equity investments, and investment fund management business, etc., and contributes its management support to investees in order to maximize their corporate value.

Action Plan for FY2013

1. Maximize returns from the existing portfolio
2. Launch new investment funds timed to market conditions while being cognizant of risk environments and capital efficiency and seizing selectively screened, compelling investment opportunities

Earnings Results for FY2012

Daiwa Corporate Investment Co., Ltd. has established Tokyo Venture Company Growth Support Investment, LLP (the “Tokyo Fund”) in conjunction with the Tokyo Metropolitan Government and DCI High-Tech Manufacturer Growth Support Investment, LLP (the “Manufacturer Support Fund”) in tandem with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, and has been promoting findings of and investments in promising manufacturing start-ups. Six domestic companies and one overseas portfolio company achieved IPOs in FY2012.

Daiwa PI Partners Co. Ltd., in its non-performing loan investment business, earned investment returns

from existing investment portfolios and steadily built up its investment portfolio through marketing activities.

Also, in its equity investment business, it explores productive investment opportunities both in Japan and overseas, mainly in Asia.


Benefiting from the recovery in market conditions, Daiwa Securities SMBC Principal Investments Co. Ltd. divested from its overall investment assets, including loans, equities, bonds, and real estate.

Therefore, the Investment Division reported net operating revenues of ¥17.4 billion, with an increase of 382.7% on a year-on-year basis, and ordinary income of ¥14.1 billion.

Growth+Sustainability

Both the “Tokyo Fund” and the “Manufacturer Support Fund” established by Daiwa Corporate Investment Co., Ltd. supply risk money (equity investments) and hands-on support to companies (manufacturers) that have potentially global competitiveness and aim to create new technologies and markets for enhancing their corporate value.

Daiwa PI Partners Co. Ltd. created a new special team that focuses on investments in the renewable electric energy field. Their aim is to encourage the use of clean energy and to contribute to the revitalization of local regions through their investments in megasolar businesses.

 **More on page 47**

IT/Think Tank Division

The Daiwa Institute of Research Group encompasses a number of companies involved in research, information services, and other support functions. The group includes Daiwa Institute of Research Holdings Ltd., the administrative parent of the group; Daiwa Institute of Research Ltd., which offers research and consulting services as well as provides systems support to companies in the Daiwa Securities Group; and Daiwa Institute of Research Business Innovation Ltd., which provides systems support to companies outside the Daiwa Securities Group. The synergy between these companies has made the group one of Japan's leading think tanks, addressing sectors ranging from economics and social issues to corporate business strategy and IT solutions.

Action Plan for FY2013

1. Enhance the Group's presence by aggressively transmitting economic, financial, and environmental research information
2. Increase the Group's business opportunities by strengthening consulting capabilities in Asia, including Japan
3. Improve the Group's system efficiency by using offshore and cloud computing systems

Business Performance for FY2012

In research operations, the division disseminated timely information through a broad range of channels, including television, seminars, and publications, about taxation, social security, and economic trends in Japan and abroad. Our research was highly regarded by external parties, and enhanced the presence of the Daiwa Securities Group. In consulting operations, we provided consulting services with a focus on group and organizational management to a wide array of customers in Japan. Overseas, we concentrated on developing capital markets in Myanmar and offered various services related to the country's major projects in cooperation with public institutions, such as the Japan International Cooperation Agency (JICA).

In IT systems operations, efforts focused on increasing cost efficiency through expansion of offshore services through SinoCom DIR XunHe Business Innovation (Hong Kong) Ltd., a systems development subsidiary in China, and through accelerated adoption of the cloud by offering one of the most-advanced cloud computing environments in Japan.

We began to build systems for stock exchanges and securities firms in preparation for the opening of Myanmar's stock exchange in 2015, and launched the country's first cloud computing center for the Central Bank of Myanmar.

Growth+Sustainability

Through its quarterly journal and website, Daiwa Institute of Research Ltd. publicly publishes research reports about renewable energy, emission credit markets, socially responsible investment, and corporate governance. In FY2012, we released 59 articles in ESG News, which covers ESG topics.