

To Our Stakeholders



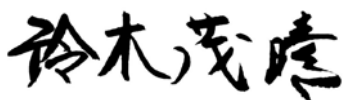
The Daiwa Securities Group recognizes its responsibility, as a corporate member of society, to contribute to the sustainable development of society as well as the economy through its activities in financial and capital markets. Under our current Medium-Term Management Plan, “Passion for the Best” 2014, our transitional process from “Growth” phase in FY2013 to “Expansion” phase in FY2014 is positioned as a milestone for us to fulfill this responsibility. Drawing on this concept, this year’s annual report is titled “Expansion for Sustainable Growth” and it will show how the Group intends to reach this milestone.

The balance of household financial assets in Japan is currently estimated at some ¥1,600 trillion, and these assets are gradually being shifted “from savings to investment.” The Daiwa Securities Group aims to facilitate this shift by cultivating and expanding its client base. By helping growth-oriented companies and public-sector organizations to tap into the vast supply of capital formerly tied up in savings deposits, the Group hopes to invigorate the Japanese economy while also establishing a customer base that can support the Group’s own long-term growth.

The Group is also developing and marketing new financial products, such as “impact investment bonds,” for which investors expect attractive returns while also making a positive social or societal contribution, such as alleviating poverty or elevating the status of women in developing countries. In this way, Japanese investors can make a meaningful contribution to the resolution of global issues. The Daiwa Securities Group will continue its efforts to develop innovative financial products and services that seek to use investment activity as a means to address social concerns.

In FY2014 – the final year of our current Medium-Term Management Plan – the Daiwa Securities Group will continue its efforts to expand client-based high-quality earnings in order not only to secure sustainable growth, but also to contribute to vibrant sustainable economic and social conditions. We believe that the Group can enhance its corporate value by promoting a society of sustainable growth. All executives and employees of the Group are united in their passion to realize a future in which everyone can take pride.

As we work toward achieving this goal, we kindly request the continued support and understanding of all stakeholders.



Shigeharu Suzuki

Chairman of the Board
Daiwa Securities Group Inc.



Takashi Hibino

President and CEO
Daiwa Securities Group Inc.

Message from the CEO



Earnings at the Daiwa Securities Group rose sharply in FY2013, and while the Group received benefits from favorable market conditions during the period, the strong performance was also a testament to the steady progress that the Group has made in implementing the current Medium-Term Management Plan. The stated goal of our strategy is “to establish a robust business structure capable of securing profit even under stressful economic conditions.”

FY2014 is the final year of the current Medium-Term Management Plan. By taking the lead in the dynamic shift of Japanese household assets “from savings to investment,” which is set as a core management strategy, the Group will move into a new phase of the Medium-Term Management Plan: “Expansion for Sustainable Growth.”

In April 2012, the Daiwa Securities Group merged its two main subsidiaries, which formerly exercised separate control over the Group's Retail securities business and its Wholesale securities business, to establish a unified "new Daiwa Securities." The Group also launched its Medium-Term Management Plan covering the period from FY2012 to FY2014 at the same time. Based on the outline of the Medium-Term Management Plan, we have been making efforts to "establish a robust business structure capable of securing profit even under stressful economic conditions." In FY2012, the Group returned to profitability in line with the "Turnaround" phase of the plan. In FY2013, we took the next step by introducing strategies aimed at "Growth."

Business conditions in FY2013 got off to a positive start, as the Bank of Japan introduced both quantitative and qualitative monetary easing policies from April 2013 which led to a weaker yen and higher stock prices. Although there have been occasional periods of instability in the Japanese equity market, there was a sharp increase in trading activity in Japanese equity markets on the back of expectations for ending the deflationary cycle by the government's economic policies (often referred to as "Abenomics") and the strong US economy.

Against this backdrop, net operating revenues at the Daiwa Securities Group rose 29.9% year on year, to ¥541.9 billion, ordinary income more than doubled, to ¥197.0 billion, and net income grew 132.4%, to ¥169.4 billion. Net income thus reached its highest level in 24 years, and ordinary income far surpassed the ¥120 billion target set for FY2014, the final year of the current Medium-Term Management Plan. While favorable market conditions contributed to earnings growth, much of the improvement was a result of factors specific to the Daiwa Securities Group. Changes made to the Group's organizational structure and business strategy with the launch of the "new Daiwa Securities" began to take effect even before the positive boost provided by Abenomics. These measures reduced expenses and placed priority on the development of client-based high-quality earnings. Earnings results for FY2013 clearly illustrate the success of Group efforts to "establish a robust business structure." Indeed, the Group's fixed cost coverage ratio reached 52%, surpassing the 50% target level, a year ahead of schedule. This ratio is the most important key performance indicator set in the current Management Plan.

In FY2014, the Group has moved into the "Expansion" phase of its current Medium-Term Management Plan. The new tax exemption scheme for investments by individuals, NISA (the Nippon Individual Savings Account) launched in January 2014, is expected to have a positive impact on the shift "from savings to investment." The Daiwa Securities Group as a whole will step forward to accomplish sustainable growth with its primary focus on both expanding its client base and increasing client-based high-quality earnings.

Takashi Hibino

President and CEO
Daiwa Securities Group Inc.

Message from the Chairman



The Daiwa Securities Group is rooted in the four corporate principles of “building trust,” “placing importance on personnel,” “contributing to society,” and “securing sound profits.” As the foundation from which we conduct business, these corporate principles express our deeply ingrained spirit and core business values that allow us to participate in financial and capital markets with pride and integrity.

Under these principles, we have spared no effort to create an organization where each member of the Group can feel a sense of high job satisfaction, by promoting a higher dimension of work-life balance and thorough compliance education, in our aim of being a highly sustainable company that does not succumb to chasing near-term profits. The greatest competitive advantages we have are the sense of unity and trust across the entire Daiwa Securities Group, as well as the high level of loyalty and professionalism among management and employees regardless of gender.

After a prolonged slump, the Japanese stock market finally started to undergo a massive transformation when the Abe administration came to power in December 2012. This transformation brings not only business opportunities for the Daiwa Securities Group to achieve sustainable growth, but also opportunities to contribute to the realization of a sustainable society through our core business activities. To lead the transition “from savings to investment,” the Daiwa Securities Group has set a goal for all of its managers and employees to be the most reliable partner in the formation of assets for customers, as it accelerates management initiatives centered on its corporate principles.

Shigeharu Suzuki

Chairman of the Board
Daiwa Securities Group Inc.