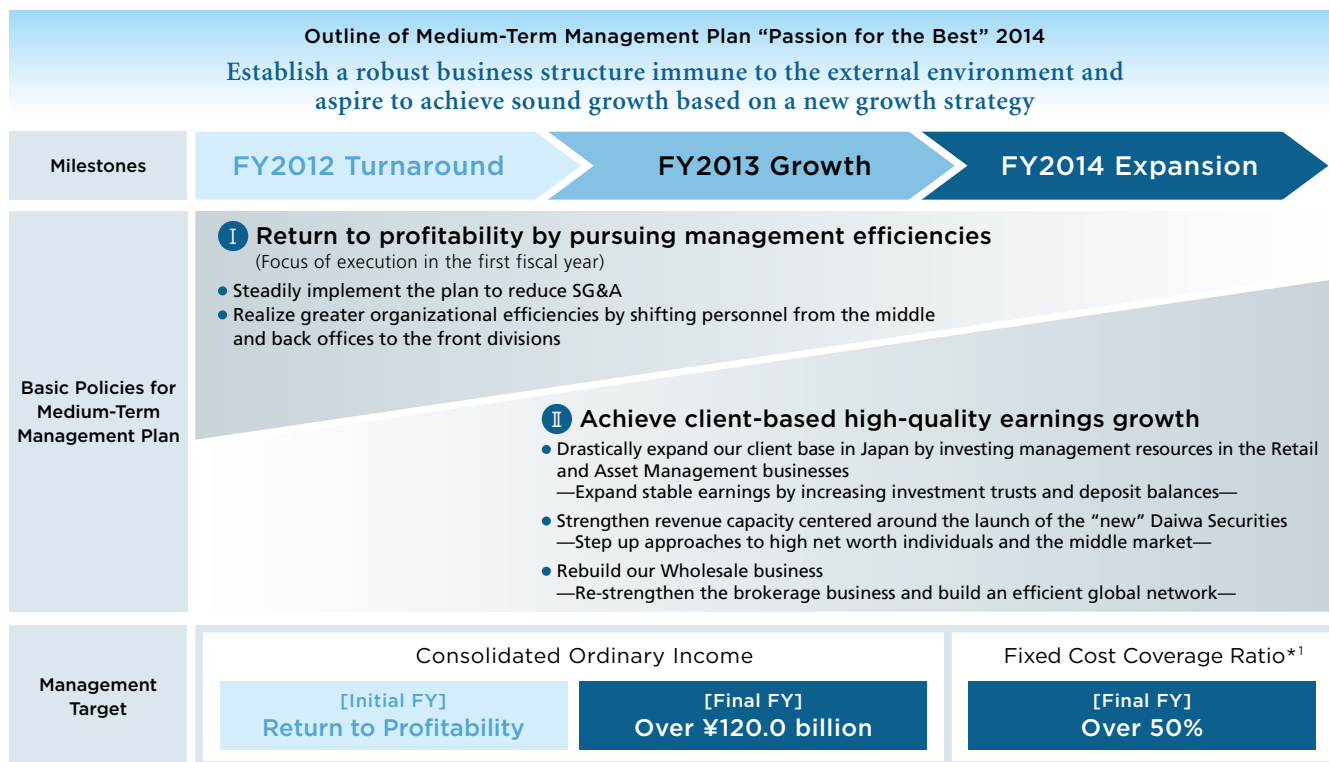


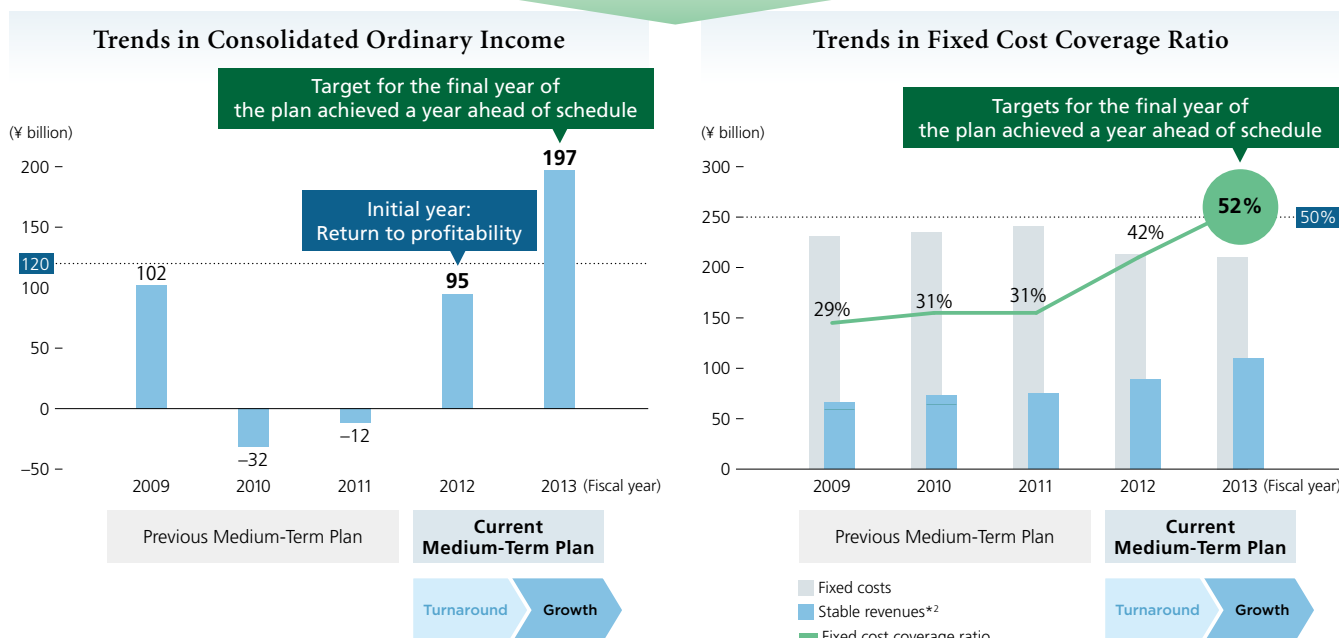
14	Plans and Progress under the Medium-Term Management Plan – “Passion for the Best” 2014
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Business Strategy

Plans and Progress under the Medium-Term Management Plan – “Passion for the Best” 2014



Achieved targets set for the final year of the plan, a year ahead of schedule



*1 Fixed cost coverage ratio = stable revenues / fixed costs

*2 Stable revenues include asset management fees, investment trust agency fees, Daiwa Next Bank profit margins, and others.

Expansion for sustainable growth

In the final year of the Medium-Term Management Plan, the Daiwa Securities Group will focus on further expanding its client base.

This “expansion” will provide the foundation for sustainable growth.

Some numerical targets for the final year of the plan were revised

Maintain consolidated ordinary income of over ¥120.0 billion
Revise up the fixed cost coverage ratio to 60% (FY2014 4Q annualized)

Revised management targets	Consolidated ordinary income	Fixed cost coverage ratio* ³
	[for FY2014] Over ¥120.0 billion	[FY2014 4Q annualized] Over 60%

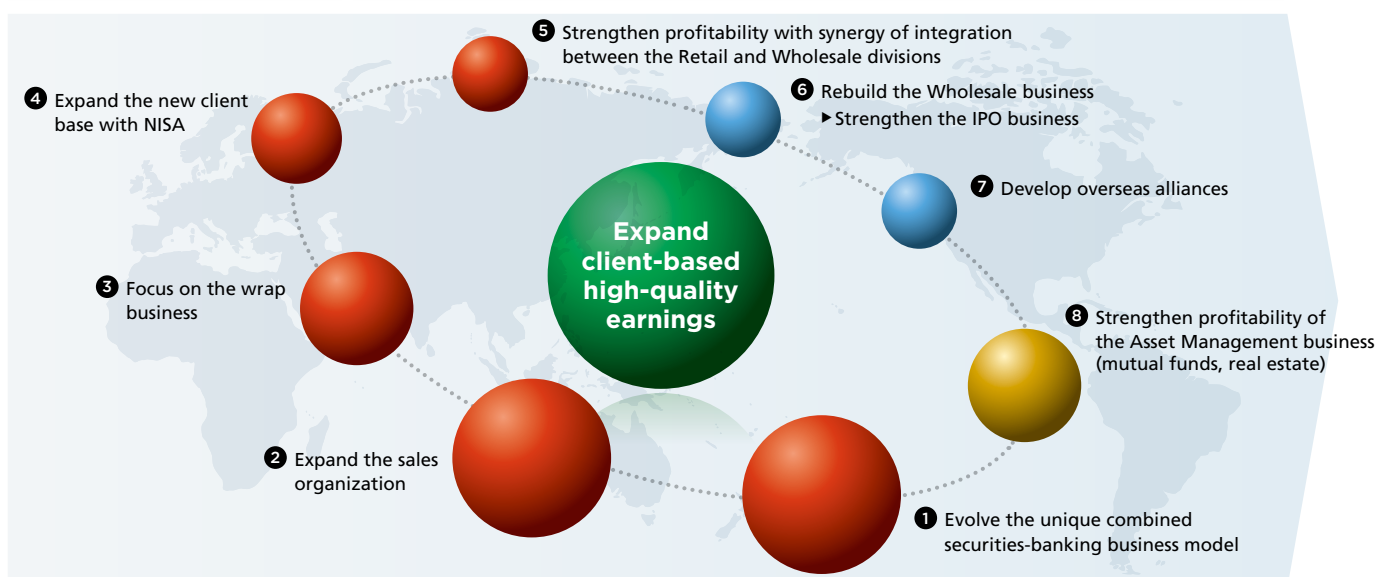
*³ More precise calculations of the fixed cost coverage ratio are based on an analysis of stable revenue sources across the entire Group.

Policy objectives for FY2014

The Daiwa Securities Group as a whole will focus on accelerating the shift “from savings to investment.” By taking the lead in helping individuals make more active use of their vast pool of financial assets, the Group expects to expand its own business scope while also contributing to growth in the domestic economy.

FY2014 Expansion

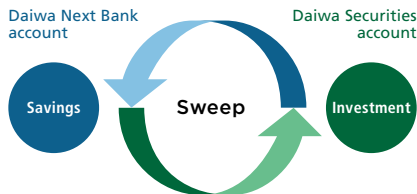
Sustainable growth



Expand client-based high-quality earnings

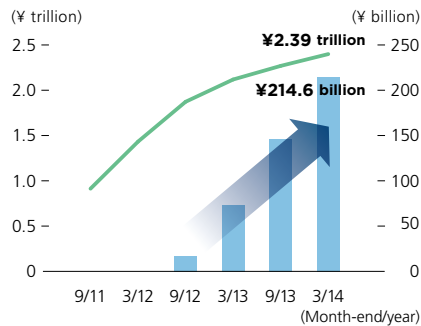
① Evolve the unique combined securities-banking business model

Comprehensive services within the Group run the gamut “from savings to investment”



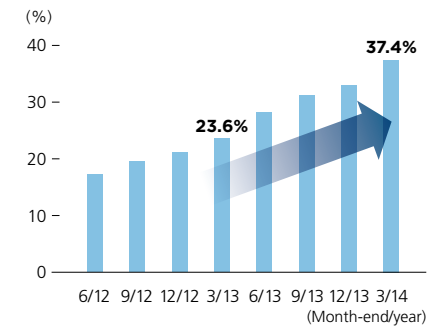
- In the Group's integrated securities and banking business model, Daiwa Next Bank serves as the gateway for assets to be shifted “from savings to investment.”
- Daiwa Securities accounts including NISA accounts transfer dividend income and proceeds from securities sales immediately into Daiwa Next Bank savings accounts or time deposit accounts, which offer attractive interest rates.

Total balance of deposits at Daiwa Next Bank



- Total balance of deposits (left)
- Balance of foreign currency-denominated deposits (right)
- Since the bank began offering foreign currency-denominated accounts in July 2012, the balance of such deposits has soared to over ¥200 billion.

Cross-selling efforts encourage investment

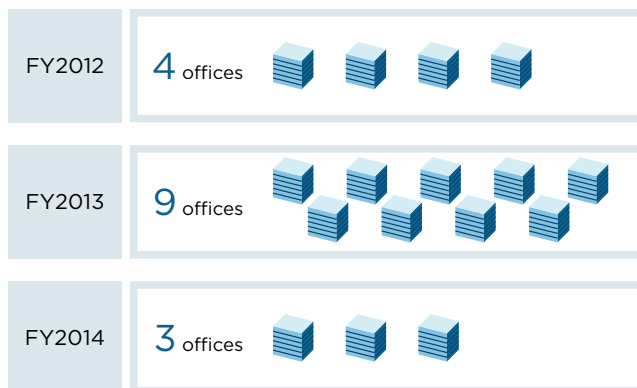


- Securities investments promoted to new customers attracted by Daiwa Next Bank's time deposit services have achieved a cumulative 37.4% cross-selling ratio*.

* Accumulated cross-selling ratio = Accumulated total number of cross-selling accounts / accumulated total number of newly-opened time deposits accounts

② Expand the sales organization

Focus on sales offices helps to restrain the total cost of opening new branches



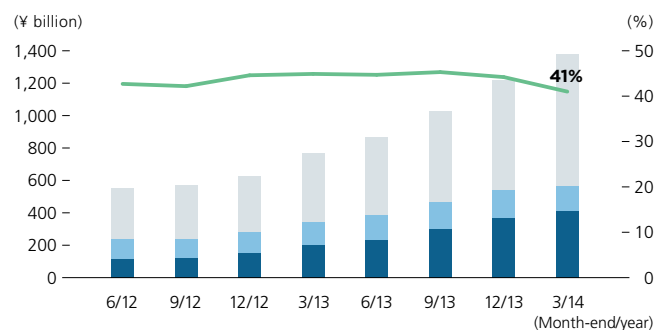
(As of June 30, 2014)

Improving the efficiency of sales activities

- Use of the contact center to handle incoming calls
- Use of advanced IT capabilities, by issuing tablet PCs and smartphones to the sales force
- More time can be devoted to face-to-face customer service.

③ Focus on the wrap business

Industry-wide balance of wrap account service and Daiwa Securities' market share



- Daiwa Fund Wrap (left)
- Daiwa SMA (left)
- Total of other companies' "wrap"-type accounts (left)
- Daiwa Securities' share of total (right)

Source: Daiwa Securities and Japan Investment Advisers Association

- The balance of assets in Daiwa Securities' "wrap" accounts (Daiwa SMA and Daiwa Fund Wrap) surpassed ¥500 billion, giving the Group the top market share in the industry (41%).

4 Expand the new client base with NISA

17

- Daiwa Securities now offers 17 no-load funds designed exclusively for NISA accounts.

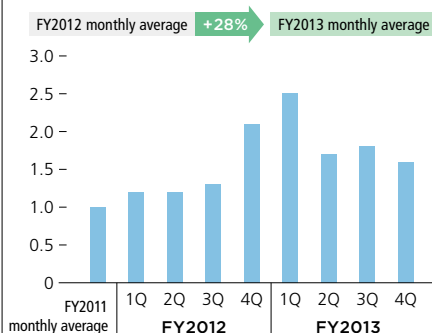
568

 thousand

- Total number of NISA accounts opened as of the end of March 2014

5 Strengthen profitability with synergy of integration between the Retail and Wholesale divisions

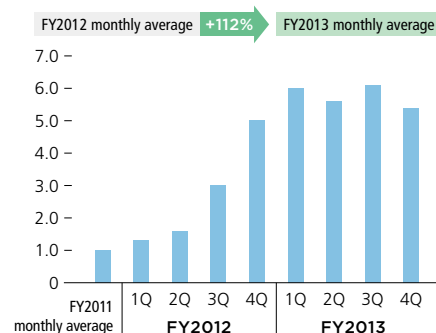
Revenues from middle market operations*



- Middle-market revenues remained high throughout the fiscal period, rising 28% on average.

* Indexed average, where monthly average for FY2011 is set equal to 1.0

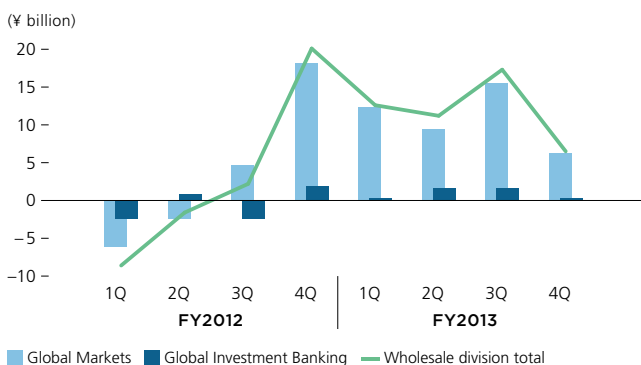
Retail division – Sales of privately placed structured bonds*



- Since the two securities subsidiaries were merged, closer cooperation between structured product development and sales operations contributed to a dramatic increase in sales of structured bonds by private placement.

6 Rebuild the Wholesale business

Ordinary income trends in the Wholesale division (global)



- Since 3Q FY2012, the Wholesale division has generated positive ordinary income for six consecutive quarters, while losses from overseas offices were reduced to just half of FY2012 levels.

7 Develop overseas alliances

Alliance area		
	Equity operations	Investment banking
ASEAN region		
Feb. 2013	ThanaChart Securities Plc. (Thailand)	●
Sep. 2013	PT. Bahana Securities (Indonesia)	●◆
Dec. 2013	Affin Investment Bank Bhd. (Malaysia)	●
Other regions		
Feb. 2014	Australia and New Zealand Banking Group Ltd. (Australia)	◆
Apr. 2014	Sanford C. Bernstein Ltd. (UK)	●

Research coverage of ASEAN equities*1

18 stocks → Over 270 stocks*2

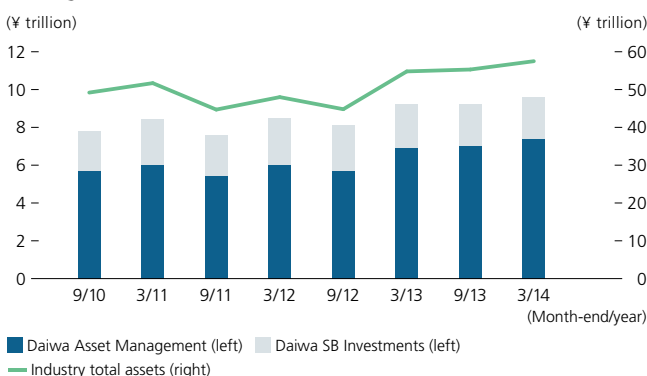
- By developing overseas alliances, Daiwa Securities can expand its overseas business network while minimizing costs.

*1 Excluding the Philippines and Singapore

*2 As of the end of March 2014

8 Strengthen profitability of the Asset Management business (mutual funds, real estate)

Trends in the balance of mutual fund assets under management (excl. ETFs)



- The balance of assets in publicly offered mutual funds managed by the two Group companies continues to rise, giving the Daiwa Securities Group the industry's largest market share.

Trends in the balance of assets under management, Daiwa Office Investment Corporation (J-REIT)



- Daiwa Real Estate Asset Management operates three real estate investment trusts (REITs), each of which specializes in a particular type of real estate investment: office buildings*1, residential rental properties*2 and health care facilities*3. The total balance of assets in these three REITs has surpassed ¥420 billion.

*1 Daiwa Office Investment Corp. (J-REIT)

*2 Daiwa Residential Private Investment Corp.

*3 Nippon Healthcare Investment Corp.

Interview with the CEO

Expansion

Growth
Turnaround

Takashi Hibino

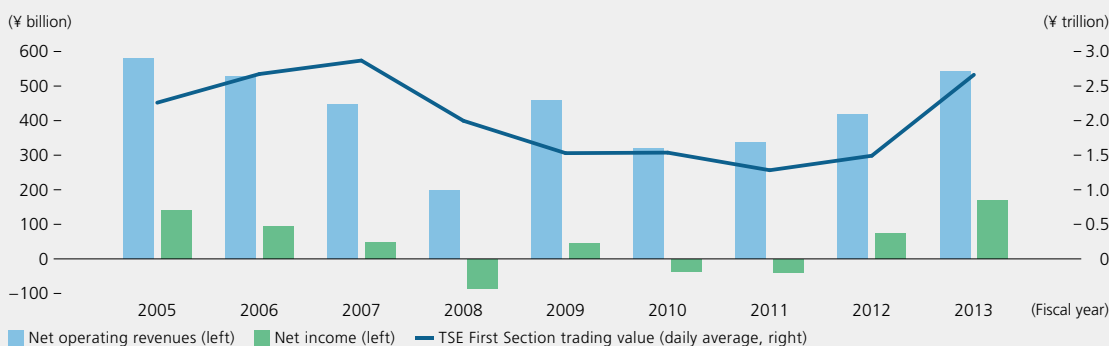
President and CEO
Daiwa Securities Group Inc.

— In FY2013, the Daiwa Securities Group embarked on the second phase of its Medium-Term Management Plan “Passion for the Best” 2014, which was entitled “Growth.” Looking at earnings results for the period, do you think the Group accomplished the goals for this phase of the plan?

Hibino: I think the earnings results for FY2013 are a fine reflection on the theme of this phase of the plan: “Growth.” It was particularly gratifying to meet two of the final year management targets of the Plan, “Consolidated ordinary income of more than ¥120 billion” and “Fixed Cost Coverage Ratio of more than 50%,” a year ahead of schedule. For FY2013, the Group accomplished consolidated ordinary income of ¥197 billion and fixed cost coverage ratio of 52%.

Consolidated net income, meanwhile, reached a record high level of ¥169.4 billion, boosting shareholders’ equity to ¥1,078.5 billion. Under the Basel III standards for capital adequacy, the Group achieved a consolidated capital adequacy ratio of 21.8% as of the end of March 2014. From this perspective, the Group maintains a comparatively strong financial base for a financial institution. Dividend payments for the period were set at ¥34 per share, reaching the previous record high, set in FY2005.

Comparison of Consolidated Earnings Trends and Market Conditions



— **Business conditions in FY2013 were extremely favorable, due to the positive impact of “Abenomics.” Did these conditions play a major role in accelerating the progress of the Medium-Term Management Plan?**

Hibino: The additional boost provided by strong market conditions was certainly one factor in allowing the Group to post record-high profits. Moreover, it is particularly worth noting that the Group succeeded in developing a diversified and stable earnings base, and increased client-based high-quality earnings further.

For example, take the headline figure for consolidated net operating revenues – ¥541.9 billion. This is the second-highest figure registered since the turn of the century, slightly below the ¥579.3 billion profit posted in FY2005. However, if you compare the breakdown of net operating revenues, as shown in the two pie graphs below, it is clear that much of the revenues in FY2005 were generated by securities trading and brokerage commissions which depended heavily on market trends. These “flow-based” revenues accounted for 60% of total net operating revenues. By contrast, in FY2013, net gains on trading and brokerage commissions made up just 46% of net operating revenues.

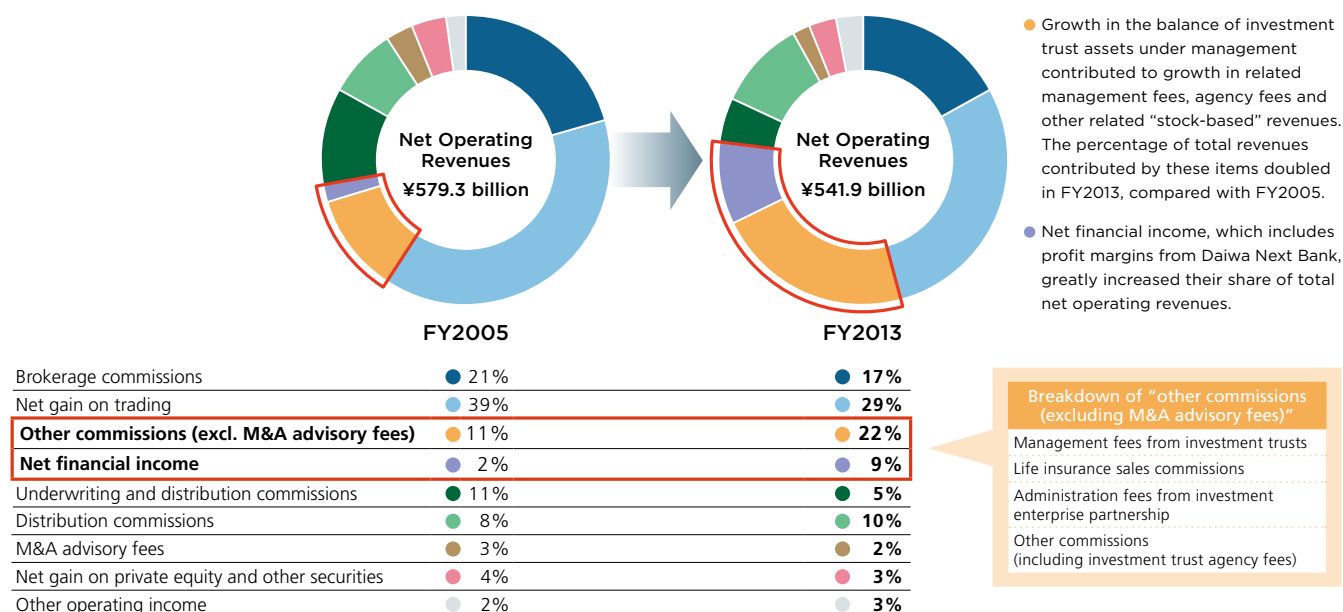
On the other hand, “other commissions” (excluding M&A advisory fees) accounted for just 11% of revenues in FY2005, but doubled its percentage to 22% in FY2013. A breakdown of this category shows that most (approximately 80% of “other commissions”) was generated by fund management fees and agency fees from investment trusts. Net financial income, which includes profit margins from Daiwa Next Bank, grew from just 2% of total net operating revenues in FY2005 to 9% in FY2013.

Since 2011, the Group has been developing new businesses that generate additional stable revenues, such as banking and REIT-related operations. As the Daiwa Securities Group cultivates more diverse and stable businesses, our earnings structure has become less affected by changes in market conditions.

COMMITMENT

Business diversification and the increase in stable revenues have allowed the Group to make further progress in developing a robust business structure which is less affected by market conditions.

Breakdown of Earnings by Business Segment



FY2014 marks the final phase of the Medium-Term Management Plan, entitled “Expansion.” Since FY2013, results have already met the final year management targets set out in the original plan. Do you plan to revise the objectives for the current fiscal year?

Hibino: As I have already noted, the positive impact of “Abenomics” and favorable business environment elevated FY2013 earnings to a large extent. We cannot assume that these benefits will persist, so we have decided not to alter the ordinary income target of ¥120 billion.

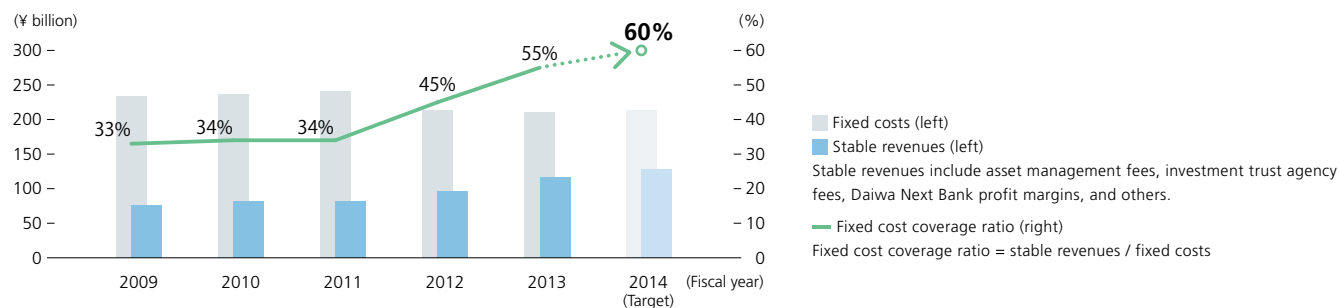
There are also some potential risk factors to address in FY2014, including shadow banking problems in China, a possible slowdown in emerging economies and geopolitical factors that could lead to economic and market uncertainty. Consequently, we expect that the global economy is likely to decelerate during the period. On the other hand, the Japanese economy seems to be stable, with gradual economic growth proceeding despite the impact of a consumption tax hike, and market conditions remaining positive due to the weak yen and firm stock prices. Under the market environment just described, ordinary income of more than ¥120 billion is a target that we should achieve on a stable and continuous basis.

We did, however, make an upward revision to the fixed cost coverage ratio target, from 50% to 60%. I should point out that this target applies to the annualized figure for the fourth quarter, and not the ordinary full year figure. We have also taken steps to monitor the fixed cost coverage ratio more closely, identifying stable revenue sources from all companies in the Group and refining the precision of our numerical targets. The revised fixed cost coverage ratio target for FY2014 reflects these precise calculations. Since the Daiwa Securities Group has entered a stage of full-scale business expansion, it may be increasingly difficult to identify fixed costs that can be cut. Nevertheless, we will maintain a tight stance on fixed costs, while utilizing our growing client base as a lever to expand stable revenues. This should allow the Group to improve the fixed cost coverage ratio even further.

ACTION

The Group made an upward revision to the fixed cost coverage ratio target, from 50% to 60%.

Trends and Targets for the Revised Fixed Cost Coverage Ratio



What is the Group’s business strategy for FY2014?

Hibino: The theme of the final year of our current Medium-Term Management Plan is “Expansion.” However, the type of expansion we envision is sustainable growth based on stable revenues from client-based businesses. In other words, the key to growth is an expansion in the overall client base. The strategic plans adopted for FY2014 mainly aim to broaden and stabilize the client base.

Evolve the unique combined securities-banking business model and expand the sales organization

The balance of total deposits and the number of bank accounts at Daiwa Next Bank are rising steadily, and the combined securities-banking business model has clearly improved as the new customers acquired through Daiwa Next Bank gradually initiated securities transactions.

Many customers are first attracted to Daiwa Next Bank by its attractive interest rates, but as you can see from the steady increase in the accumulated cross-selling ratio* – from 23.6% as of the end of March 2013 to 37.4% as of the end of March 2014 – many of these customers later engaged in securities transactions.

Daiwa Securities is also taking steps to expand its sales network in order to broaden the client base of its Retail Securities business and encourage the ongoing shift in individuals' financial assets "from savings to investment."

First of all, we are expanding the network of domestic sales offices in order to serve local customers more closely, while keeping the cost of new office operations to a minimum. Since the start of the current Medium-Term Management Plan in FY2012, Daiwa Securities has opened 16 new sales offices (as of June 30, 2014). The new offices have demonstrated encouraging results, and have begun to generate positive profit contributions in a relatively short period of time.

Meanwhile, in order to improve operating efficiency, contact centers in Tokyo and Osaka are being upgraded. State-of-the-art tablet PCs, which serve as strategic marketing tools for better sales support, have also been issued to all sales personnel.

* Accumulated cross-selling ratio = Accumulated total number of cross-selling accounts / accumulated total number of newly-opened time deposit accounts

Expand the new client base with NISA (the Nippon Individual Savings Account)

In January 2014, NISA, the new tax exemption scheme for investments by individuals, was launched. To help promote NISA, the Daiwa Securities Group launched 17 no-load NISA specialized funds. In addition, each Daiwa Securities branch office has set up a "NISA desk" to provide information on stock investments and conducts small-scale seminars to explain the features of NISA accounts to less-experienced investors and new customers.

The combined securities-banking business model provided by the Daiwa Securities Group helps individual investors earn attractive interest rates on their savings that are held in reserve awaiting investment in the accounts of Daiwa Next Bank. In this way, Daiwa Securities distinguishes its NISA services from those of competitors.

Since NISA was just introduced this year, this business has yet to make a substantial contribution to the Group's profits. However, we view this as a very important business which can help expand the client base and thus plant the seeds of medium and long-term earnings.

Rebuild the Wholesale business

In 3Q FY2012, the Daiwa Securities Group's Wholesale business generated positive ordinary income for the first time in 11 quarters. Since that time, this business has remained profitable.

Global Markets has been increasing profitability by improving its ability to provide customized products that respond to a variety of customers' investment needs while strengthening collaboration with the Retail Division.

Global Investment Banking recorded a smaller volume of equity underwriting activity, in terms of the total value underwritten compared with FY2012, but secured many lead managing positions for overseas convertible bond and samurai bond issues. Regarding the IPO business, we have been increasing the number of personnel and implementing other measures to strengthen the business.

Overseas offices generated an overall loss in FY2013, but the scale of the loss was just half that incurred in FY2012. As the Group continues efforts to improve the profitability of these operations, a break-even performance is likely in the near future.



Develop overseas alliances

The Daiwa Securities Group has been actively pursuing overseas business alliances, particularly in the equity business. Recent tie-up partners include Thanachart Securities Plc. of Thailand, PT. Bahana Securities of Indonesia and Affin Investment Bank Bhd. of Malaysia. Prior to these alliances, the Group had a research coverage of just 18 stock issues in the ASEAN region (excluding Singapore and the Philippines). That number has now increased to over 270*, providing a firmer platform on which to strengthen our overseas equity business. Leveraging these alliances, Daiwa Asset Management Co. Ltd. has launched an ASEAN Stock fund which is marketed through Daiwa Securities' sales network. These activities provide individual investors the opportunity to invest in the ASEAN region.

Business alliances are being pursued in regions outside ASEAN as well. In February 2014, the Group established an alliance with Australia and New Zealand Banking Group Ltd. (ANZ) regarding the M&A business. In April 2014, to expand our coverage of European equities, the Group formed an alliance with Sanford C. Bernstein Ltd., a UK-based equity research organization.

By opting for a network of alliances rather than direct overseas expansion, we have been able to greatly limit set-up costs in terms of both time and money, thereby expanding operations, strengthening the Group's overseas network and enhancing service capabilities. The Group aims to realize sustainable growth globally by exploring an optimal mix of directly-managed overseas operations and business partnerships in order to achieve overseas earnings growth both efficiently and effectively.

* As of the end of March 2014

NEW INITIATIVES

Business alliances in the ASEAN region have allowed the Group to increase its research coverage of stock issues in the region from just 18 issues to over 270*

Looking ahead to the Group's long-term future, what management policies do you intend to pursue beyond FY2014?

Hibino: Our cornerstone strategy is to continue seeking ways to generate stable revenues even under the most difficult market conditions. Essentially, this means that the Group will focus on businesses that generate stable, "stock-based" revenues, and which are less affected by the changes in financial market conditions.

On the other hand, "flow-based" revenues such as trading gains and brokerage commissions depend heavily on financial market conditions. From a traditional point of view, the volatility of such earnings makes it very difficult for a securities company to pursue long-term management goals. Therefore, to make the most of our own areas of strength, the Daiwa Securities Group will place priority on businesses that can support sustainable growth.

Going forward, the Group will further focus on the expansion of client-based high-quality earnings centered on stable revenues by providing appropriate advice regarding various customer needs. By continuing these efforts, we aim for a sustainable increase in the Group's corporate value, while reducing earnings volatility.

Message from the COO



At the Daiwa Securities Group, we believe that human resources are the wellspring of our competitiveness. Therefore, we spare no effort in trying to improve the skills and motivation of every employee. Our commitment to employee advancement is reflected in a number of different policies and programs.

In April 2014, the Group offered base-wage raises to every Group employee, and introduced a new evaluation system that better recognizes the skill, responsibility and achievement of each individual. The last time the Group introduced a comprehensive base-wage raise was two decades ago, in 1994. However, the wage hike was not simply a response to the strong earnings results posted in FY2013. Rather, it reflects the success of our efforts to establish a robust business structure through the continuous reduction of costs and steady increase in stable revenues.

In January 2014, new and broader-based systems of training were introduced. The new system for younger employees and mid-career staff focuses on key topics identified in the Medium-Term Management Plan such as middle-market development, inheritance issues and business succession, as well as issues that are in higher demand when the market is rising. The program seeks to provide special skills or qualifications and sales capabilities. Management personnel, meanwhile, are receiving further training in compliance issues, labor management skills, coaching and leadership training to improve their managerial skill.

The Group has also stepped up efforts to train top-level professionals to work in overseas offices and to play key roles in future operations. In April 2014, we launched a new program which consists of on-the-job training (OJT) at overseas offices and courses for obtaining a local sales representative license. At present, eight young employees have been dispatched to four overseas offices (London, Hong Kong, New York and Singapore) as part of the program. As the program proceeds, we hope to elevate not only the language and business skills of these workers, but also help them to understand and acclimate to the customs and business norms of overseas workplaces in order to cultivate truly effective global professionals.

The Daiwa Securities Group will continue to implement measures that “place importance on personnel” with a long-term perspective, and will lay the groundwork for sustainable long-term growth.

Nobuyuki Iwamoto

Deputy President and COO
Daiwa Securities Group Inc.

At a Glance



Notes: 1. The number of branches in the Retail Division is current as of June 30, 2014. Other figures are as of March 31, 2014, or from FY2013 results.
 2. Net operating revenues and ordinary income data of "Other" are the amounts of others/adjustments with respect to results by segment.

Business Scale

- Branches: **135**
- Number of cash management service accounts: 3,603 thousand
- Number of online trading accounts: 2,753 thousand
- Total assets under custody: ¥48.4 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 153.

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 135 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.

FY2013 Highlights

- Favorable conditions in the domestic stock market, coupled with efforts to increase transactions in foreign equities, contributed to an increase in revenues from equity transactions.
- The division opened nine new sales offices to improve customer service and to attract clients in untapped regions.
- The Daiwa Securities Group remains the largest “wrap account” provider in the industry.

- Overseas offices: Offices in **20** countries and regions
- Listed Japanese companies of which Daiwa Securities Group served as lead manager: 715 companies, 21% share of the total (based on data from the Toyo Keizai Japan Company Handbook)
- Total value of stock trading: ¥95.6 trillion
- Total value of underwriting and distribution: ¥700 billion (equity), ¥9.6 trillion (bond)

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.

- Brokerage commissions from domestic stock trading and trading gains increased sharply.
- Daiwa Securities was selected as a lead manager to underwrite the largest corporate bond issue in the domestic market during FY2013, a straight bond issue by SoftBank Corp.
- The Group concluded a number of alliances with overseas financial institutions in a variety of countries including in the ASEAN region.

- Assets under management: **¥16.6** trillion
- Balance of assets in mutual funds: ¥11.2 trillion
- Balance of assets for investment advisory business: ¥2.3 trillion

Note: The data provided above is the total for Daiwa Asset Management and Daiwa SB Investments.

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

- Daiwa Asset Management was the top Japanese asset management company in terms of net inflow for FY2013 in assets under management of ¥1,082.7 billion.
- Daiwa SB Investments earned an overall number one ranking in the investment and advisory rankings published by Rating and Investment Information, Inc. (R&I), for the fifth consecutive year.
- The combined total assets of REITs managed by Daiwa Real Estate Asset Management stood at ¥440 billion as of the end of March 2014.

- Assets from investment funds: ¥314.6 billion from **76** funds
- Aggregate outstanding principal investment balance: ¥87.0 billion

Notes: Investment funds data provided above is for DCI.
Principal investment balance data provided above is the total for PIP and DPI.

In the investment business, the division provides capital to corporations through its own funds as well as investment funds that have been incorporated and managed by the division. The division engages in a wide range of investments, such as venture investments, domestic and overseas private equity investments, loan investments, and energy investments.

- DCI continued to identify and invest in promising start-ups, and implemented exit strategies for maximizing returns from existing investments, either via IPOs or buyouts, which generated large capital gains.
- PIP undertook new investments in domestic and overseas private equities, participated in photovoltaic power generation projects, and made steady progress in loan investment activities while concurrently recouping past loan investments.

- Daiwa Next Bank, Ltd.
- Balance of deposits: **¥2.3** trillion
- Number of accounts: 901 thousand

“Other” businesses include research and consulting activities, information systems and other support functions overseen by the Daiwa Institute of Research Group, and banking operations overseen by Daiwa Next Bank.

- Foreign currency-denominated deposits launched in July 2012 were valued at ¥214.6 billion as of the end of the fiscal year and the amount continues to rise steadily.

Retail Division

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 calls to contact centers. In addition to offering a multitude of investment products covering domestic and overseas stocks and bonds, mutual funds, pension insurance as well as Fund Wrap/SMA services, the Retail Division also offers securities-backed loans and attractive interest rates for both ordinary deposits and time deposits. This portfolio of products and services allows the Group to meet the varying needs of each individual customer.



Action Plan for FY2014

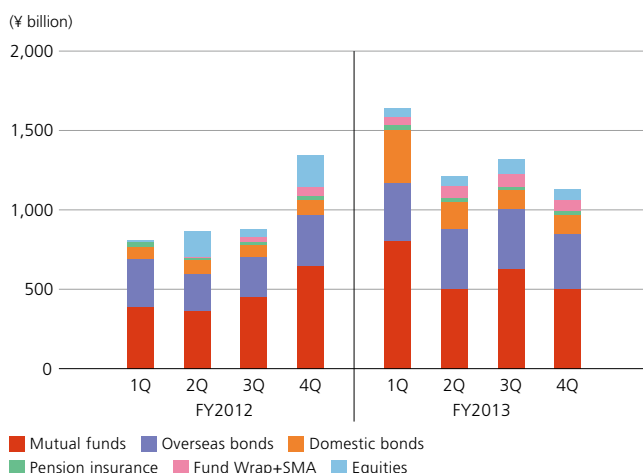
1. Evolve our unique combined securities-banking business model
2. Acquire new customer base centered on NISA
3. Expand stable revenues mainly from acquiring new money for mutual funds and fund wrap
4. Strengthen the wealth management business, via inheritance related services
5. Bolster marketing capability via more efficient and higher quality sales activities

Business Performance for FY2013

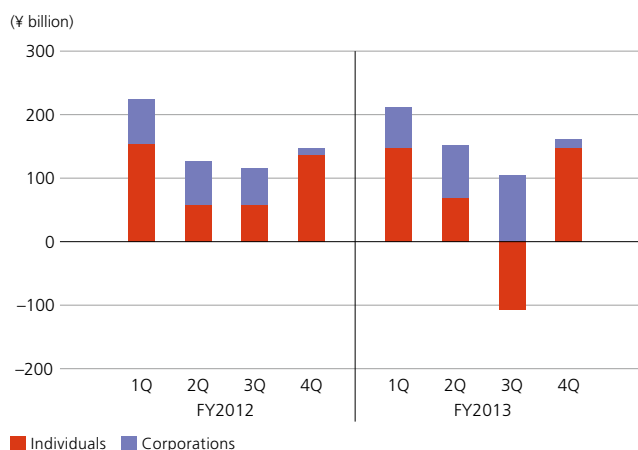
During FY2013, stock markets around the world, and particularly in leading industrialized countries, moved upward. Though there were growing concerns about the prospect of US authorities terminating their monetary easing policies, prompting strong volatility in Japanese stock prices, the weak yen and favorable corporate earnings figures preserved a general upward trend. The Nikkei 225 index closed out the fiscal year at 14,827.83.

Under these market conditions, Daiwa Securities' Retail Division focused on handling overseas equities, mutual funds and fund wrap services. The division also opened nine new sales offices to improve customer service and to attract clients from relatively untapped regions. Favorable conditions in the domestic stock market, coupled with efforts to increase transactions in foreign equities, contributed to an increase in revenues from equity transactions. In addition, strong sales of mutual funds greatly elevated the balance of assets under custody.

Sales and Distribution Amount by Product Category (Daiwa Securities)



Net Inflow of Assets (Daiwa Securities)



Yoriyuki Kusaki

Deputy President
Head of Retail
Daiwa Securities Group Inc.



The balance of customer assets in Daiwa Fund Wrap accounts increased substantially, as the ongoing development of customized combinations of mutual funds allowed the division to offer customers better options for diversifying their investments in accordance with their investment needs. The Daiwa Securities Group remains the largest “wrap account*” provider in the industry, based on the balance of contracted assets under management as of the end of March 2014.

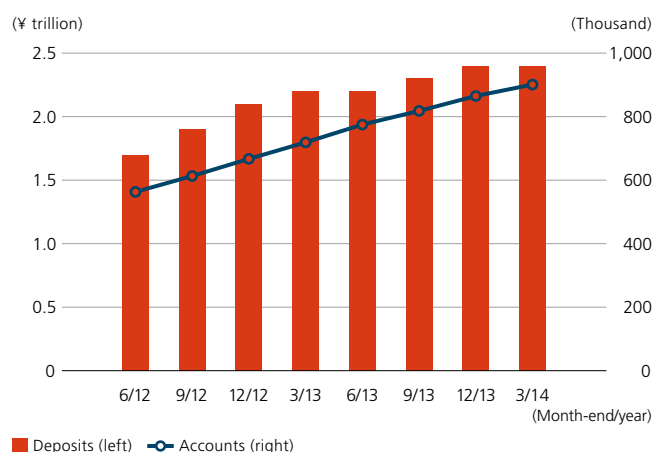
Daiwa Securities Co. Ltd., as an agent for Daiwa Next Bank, Ltd. (which held a balance of some ¥2.4 trillion in deposits as of the end of FY2013), handles Japanese yen deposits and foreign currency deposits. In April 2013, “Premium Service” was launched as a service that offers customers preferential interest rates on Japanese yen time deposits, based on their current appraisal value of assets under custody at Daiwa Securities, as well as a “Family Plus” service that extended these benefits to all

members of the family. In this way, cooperation with Daiwa Next Bank allowed Daiwa Securities’ network of branches to offer customers a broad range of convenient services, as well as attractive interest rates on deposits.

Following the launch of Japan’s individual savings account system (NISA) in January 2014, the Retail Division has further focused on expanding its customer base and helping to promote the shift in individual financial assets “from savings to investment” by setting up new no-load funds designed exclusively for use with NISA accounts, as well as offering “accumulating investment” products, which add a fixed amount to the customer’s balance of mutual funds each month.

* Customers conclude discretionary investment management contracts with Daiwa Securities, under which the account managers at Daiwa Securities make portfolio decisions, place buy and sell orders, and manage the contracted assets on behalf of the customer in return for a management fee calculated on the basis of the total account balance.

Balance of Deposits and Number of Accounts at Daiwa Next Bank



Daiwa Securities donates a portion of the management fees earned from “Daiwa Nippon Support Fund Vol. 3 – Phoenix Japan” to designated non-profit service organizations through the Japan NPO Center’s Japan Earthquake Local NPO Support Fund. These donations help to support the local activities of NPOs in the region affected by the 2011 earthquake and tsunami. In May 2013, Daiwa Securities contributed ¥49.87 million to the fund. Grants for the second year of this program were made in September, in the amount of ¥35.03 million (this total was disbursed among nine NPOs in separate grant amounts).

Wholesale Division

The Wholesale Division encompasses the Global Markets and Global Investment Banking operations. The Global Markets business sells equities, bonds, foreign exchange and derivative products to institutional investors and corporations, as well as carrying out securities trading activities, and providing financial products to the Retail Division. Global Investment Banking operations underwrite stock and bond issues, handle IPOs, and provide M&A advisory services.



Action Plan for FY2014

1. Improve IB pipelines by strengthening the quality and quantity of IB proposals
2. Strengthen IPO business for expanding customer base
3. Leverage global network to enhance products for overseas markets and win mandates
4. Expand business operations in response to customer needs and boost trading income

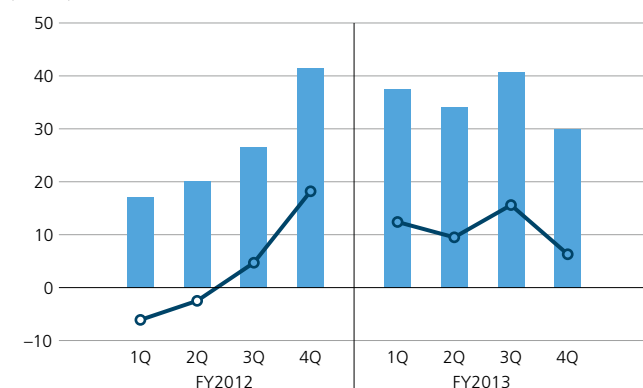
Business Performance for FY2013

Global Markets benefitted in FY2013 from favorable conditions in the domestic stock market. Rising share prices and strong trading value contributed to a sharp increase in brokerage commissions. Proper management of trading positions in response to the favorable market trend produced large net trading gains. Collaboration between Retail and Wholesale operations continued to allow Daiwa Securities Co. Ltd. to respond effectively to the needs of customers as well as changing market conditions and develop investment products in a timely manner. This was particularly the case for bond-related products and led to stable revenues.

Global Investment Banking also benefitted from rising stock prices, as well as a rebound in corporate earnings. As demand for funding rose in this favorable environment, Daiwa Securities increased the number of underwriting transactions and earnings from investment banking operations.

Quarterly Earnings Trends Global Markets

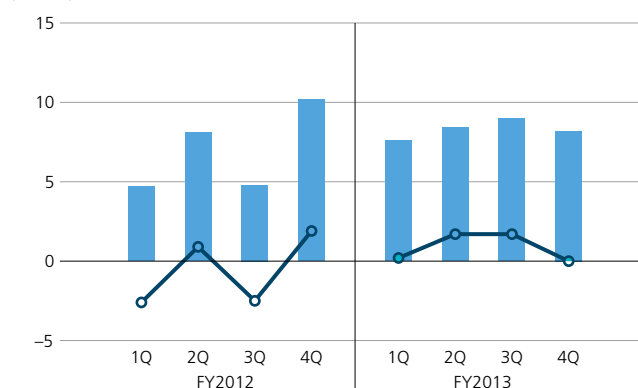
(¥ billion)



■ Net operating revenues ● Ordinary income

Global Investment Banking

(¥ billion)



■ Net operating revenues ● Ordinary income



Akio Takahashi

Deputy President
Head of Wholesale
Daiwa Securities Group Inc.

Daiwa Securities was selected as a lead manager to underwrite the largest corporate bond issue in the domestic market during FY2013, a straight bond issue by SoftBank Corp. In overseas markets, Daiwa Securities participated as a bookrunner*¹ in the global dollar-denominated bond*² issues of the International Bank for Reconstruction and Development and the Japan Bank for International Cooperation, among others.

In addition, the Daiwa Securities Group and Myanmar Economic Bank set up a joint venture company, Myanmar Securities Exchange Centre Co., Ltd. On December 2, 2013, they concluded an advisory contract with Asia Green Development Bank Ltd. (the bank operated by one of Myanmar's largest conglomerates) under which Daiwa Securities and Myanmar Securities Exchange Centre will support the Bank's plans to list shares on the stock exchange that will soon be set up in Myanmar.

Major Lead-Managed Deals and Publicly Announced M&A Advisory Activities in FY2013 (Including Participation as a Joint Bookrunner)

Primary and secondary equity offerings (incl. CBs)		
Yamaguchi Financial Group, Inc. mixi, Inc.	Euro US\$ CB PO	US\$300 million ¥11.8 billion
IPO		
OPEN HOUSE CO., Ltd.	IPO	¥14.9 billion
China Everbright Bank Co., Ltd.	IPO	Approx. ¥310.0 billion
Bond		
SoftBank Corp.	Retail bond	¥400.0 billion
Sumitomo Mitsui Trust Bank, Ltd.	Global US\$ bond	US\$1.0 billion
International Bank for Reconstruction and Development	Global US\$ bond	US\$6.0 billion
M&A		

- Advisory services for the consolidation/merger of Tokyu Land Corp., Tokyu Livable, Inc. and Tokyu Community Corp.
- Advisor to Asahi Holdings, Inc. in joint-venture discussion with Myanmar-based Loi Hein Company
- Advisor to NEC Corp. on the transfer of ownership in NEC Mobiling Ltd.
- Advisor to Prudential Financial, Inc. on the acquisition of Uni.Asia Life Assurance Bhd., a Malaysian life insurer

The Group has concluded a number of other overseas alliances in recent years. Following up on its alliance with Thanachart Securities Plc. of Thailand, in FY2012, the Group forged new alliances in FY2013 with PT Bahana Securities of Indonesia, Affin Investment Bank Bhd. of Malaysia, and Australia and New Zealand Banking Group Ltd. We will continue to pursue alliances with overseas financial institutions that will allow Daiwa Securities to establish its presence in markets with promising growth prospects.

*1 A bookrunner manages and promotes sales activities associated with a bond issue.
*2 Bonds denominated in dollars and sold in Europe, the US and Asia



The Daiwa Securities Group is actively involved in promoting "impact investment" bonds – a style of investment that seeks to have a more direct impact on society compared to Socially Responsible Investment (SRI). In November 2013, the Group arranged and distributed the Banking on Women Bonds, issued by International Finance Corporation (IFC), a member of the World Bank Group. This was the first bond program that focused on providing financial support to women entrepreneurs in emerging countries.

Asset Management Division

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 FY2014

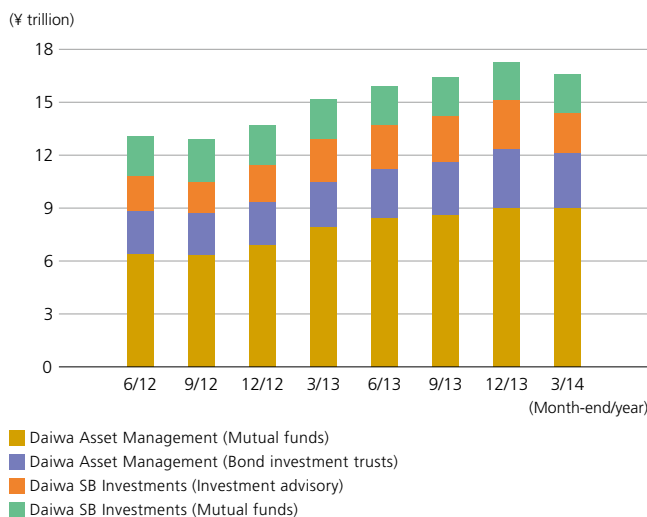
1. Strengthen the management platform and pursue performance excellence
2. Build and expand flagship funds in both the securities and bank-counter channels
3. Enhance attractive fund lineups
4. Boost product offerings and customer support services to meet changing customer needs

Business Performance for FY2013

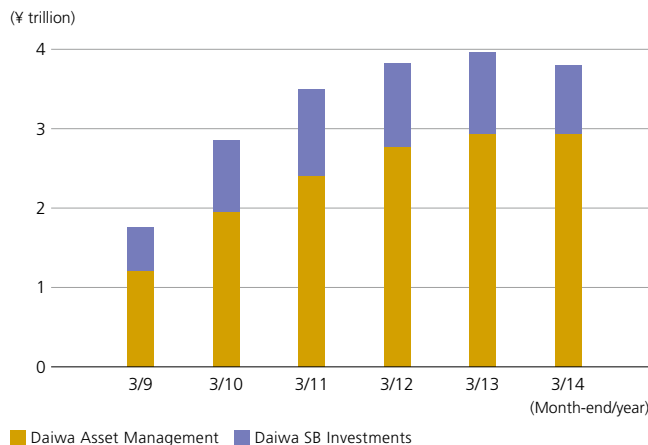
Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd. strived to expand assets under management through a wide range of sales channels, and constantly seek ways to improve fund management capabilities.

Daiwa Asset Management has generated strong mutual fund sales with products sold via Daiwa Securities, including "Daiwa U.S. Shares Strategy Alpha Fund (a currency selection type) – triple returns – Brazilian Real course (a monthly dividend type)", which attracted a net inflow of ¥91.1 billion in assets during FY2013. Among mutual funds sold via bank agents, the "Daiwa High Graded Canadian Bonds Fund (a monthly dividend type)" performed particularly well, attracting a net inflow in assets of ¥448.6 billion. In December 2013, the company launched the "Daiwa High Dividend Yield Swiss Shares Twin Alpha (a monthly dividend type)", with an initial asset balance of ¥60.1 billion.

Balance of Major Assets under Management at the Asset Management Division



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



Makoto Shirakawa

Deputy President
Head of Asset Management
Daiwa Securities Group Inc.



The distinguished achievement of these funds made Daiwa Asset Management the top Japanese asset management company in terms of net inflow for FY2013 in assets under management of ¥1,082.7 billion. At the end of the period, the balance of total assets in publicly-offered equity mutual funds stood at a record high level of ¥8,958.4 billion.

Daiwa SB Investments, which offers asset management advisory services to pension funds and other institutional investors in Japan and overseas, constantly responds to the demand for improved investment management capabilities. The company's success earned it an overall number one ranking in the investment and advisory rankings published by Rating and Investment Information, Inc. (R&I), for the fifth consecutive year. Turning to the company's investment trust business, the "High Dividend Yield Canadian Shares Twin Alpha (a monthly dividend type)" fund has been attracting a steady inflow of assets since it was launched in April 2013. At the end of FY2013, the balance of net assets stood at ¥190.4 billion.

The Group's real estate asset management business comprises three REIT companies, overseen by Daiwa Real Estate Asset Management Co. Ltd., each of which concentrates on a different type of real estate investment. The three REITs are Daiwa Office Investment Corporation (DOI), Daiwa Residential Private Investment Corporation, and Nippon Healthcare Investment Corporation, established in January 2014, which specializes in health care facilities. The combined total assets of these three REITs stood at ¥440 billion as of the end of March 2014. DOI earned a long-term credit rating of AA- (stable) from the Japan Credit Rating Agency, Ltd. (JCR), while the Global Real Estate Sustainability Benchmark (GRESB) Survey awarded the company a "Green Star" – its highest rating – for the second year in a row.



In January 2014, in response to the progressive aging of society, Daiwa Real Estate Asset Management Co. Ltd. established the Nippon Healthcare Investment Corporation. This REIT is the first in Japan to channel private financial assets into the healthcare business in an effective way, by investing in facilities that support Japan's aging population. The fund invests in paid retirement housing, serviced residential facilities for the elderly, hospitals and comprehensive outpatient facilities. In March 2014, the REIT made its first investments in retirement housing facilities, and it hopes to be listed on the Tokyo Stock Exchange.

Investment Division

The Investment Division of the Daiwa Securities Group encompasses two companies: Daiwa Corporate Investment Co., Ltd., which creates structured investment funds that use the capital provided by third-party investors to make direct corporate investments; and Daiwa PI Partners Co. Ltd., which uses the Group's own capital to make direct investments. Both companies invest in a wide range of direct investment targets, such as venture businesses, domestic and overseas private equity stakes, corporate loan investments, and energy investments (such as photovoltaic power generation projects).



Action Plan for FY2014

1. Actively invest the Group's management resources to promote fund-raising and enhance relevant organizational functions in order to strengthen investment capability for start-ups and growing companies
2. Seize carefully selected and attractive investment opportunities based on the careful consideration of risk and capital efficiency
3. Maximize the returns from recouping existing investments

Business Performance for FY2013

During FY2013, Daiwa Corporate Investment continued to identify and invest in promising start-ups, particularly those involved in disaster recovery work and manufacturing. In addition, it implemented exit strategies for maximizing returns from existing

investments, either via IPOs or buyouts, which generated large capital gains. Efforts to market investment funds continued as well, as the company plans to set up new funds.

Daiwa PI Partners continued to invest in loans of financial institutions, while collecting existing debt assets in its portfolio. In addition, it expanded loan activities to companies that are restructuring operations. Private equity investments concluded during the period include a stake in Nakayama Steel Works, Ltd., a domestic steelmaker, and an Indonesian investment company, PT Saratoga Investama Sedaya Tbk., among others. In the energy investment business, the company participated in photovoltaic power generation projects in Kan-onji City, Kagawa Prefecture, and other locations. Daiwa Securities SMBC Principal Investments Co. Ltd. made efforts to recoup past investments including the sale of a stake in Sumitomo Mitsui Construction Co., Ltd.

As a result of these activities, the Investment Division of the Daiwa Securities Group recorded a combined increase of 14.3% in net operating revenues, year on year, to ¥19.9 billion. Ordinary income for FY2013 rose 21.3% year on year, to ¥17.1 billion.

SUSTAINABILITY

Daiwa Corporate Investment Co., Ltd.

Daiwa Corporate Investment establishes investment funds which take investment capital from risk-taking investors and channel it to growth-oriented start-ups. The company takes a "hands-on" approach to investments, providing management support to help enhance the corporate value of their investments. The business of fund management also contributes to the sustainable development of society by identifying and cultivating new technologies and markets.

Daiwa PI Partners Co. Ltd.

Daiwa PI Partners actively engaged in developing photovoltaic power generation projects. In April 2014, a photovoltaic power generation facility that the company funded in Kan-onji City, Kagawa Prefecture, began generating and supplying electric power to the local power utility. Construction work for two additional photovoltaic power generation projects in Kushiro City, Hokkaido is in progress.

Photovoltaic power generation facility
Kan-onji City, Kagawa
Daiwa PI Partners



Other

The Daiwa Securities Group's "Other" businesses include research and consulting activities, information systems and other support functions overseen by the Daiwa Institute of Research Group, and banking operations overseen by Daiwa Next Bank.

Daiwa Institute of Research Group



Action Plan for FY2014

1. Actively publish reports centered on economics, finance, and the environment in order to enhance the Group's presence in the financial market
2. Strengthen our consulting capabilities in Japan and the rest of Asia, in order to expand the business opportunities for the Group
3. Pursue offshoring and transition group systems to the cloud to improve system efficiency

Business Performance for FY2013

During the period, Daiwa Institute of Research Ltd. (DIR), as part of its research business, issued a report entitled "DIR 30-year Project," which discussed issues such as taxes, social welfare, domestic and overseas economic trends and other elements. This report, and the timely and informative seminars, TV programs and publications issued by DIR, earned positive reviews from the public, helping to elevate the group's public image and reputation. In the consulting business, the company received numerous contracts from public agencies and governmental organizations in addition to consulting projects for large domestic corporations. Overseas, DIR focused on developing capital markets in Myanmar, and worked on large projects for the Japan International

Cooperation Agency (JICA) to provide advice and services in Myanmar.

In the IT systems business, DIR's Chinese systems development subsidiary DIR XunHe Business Innovation (Hong Kong) Ltd. helped to expand offshore operations, while in Japan the company established one of Japan's largest cloud computing networks, accelerating the shift towards cloud-type operating environments and thereby substantially improving cost efficiency. In Myanmar, the company continued efforts to develop trading systems and infrastructure for the stock exchange as well as securities company activities, in preparation for the launch of a new stock exchange in Myanmar in 2015. The company also concluded an agreement with the Central Bank of Myanmar to provide IT support, and to modernize the financial IT infrastructure in use in Myanmar.



Daiwa Institute of Research Business Innovation Ltd. was involved in an "Eco-town" project in Saitama Prefecture, providing the systems support to operate the "Home Energy Management System" (HEMS*) installed in residences. The use of HEMS allows urban planning projects to reduce their environmental impact.

* HEMS controls, displays and manages electric power and other energy sources used in the home.

Daiwa Next Bank

Action Plan for FY2014

1. Evolve the securities-banking business model
2. Expand the FX business
3. Enhance ALM functions

Business Performance for FY2013

The mission of the Daiwa Next Bank is to create new trends and specifically to serve as the gateway for shifting assets—more than half of the financial assets held by individuals—"from savings to investment." FY2013 marked the third year since the bank was established. In April of that year the bank introduced Premium

Service as well as a program that delivers favorable deposit interest rates to purchasers of fund wrap and other types of financial products, under the Group's combined securities-banking business model. As of the end of FY2013, Daiwa Next Bank had attracted 901,000 depositor accounts, with a total balance of deposits (including CDs) of ¥2,399.1 billion.

A variety of special promotional campaigns have been conducted to promote the foreign currency-denominated deposit launched in July 2012. As of the end of the fiscal year, total deposits in these accounts were valued at ¥214.6 billion, and the amount continues to rise steadily.