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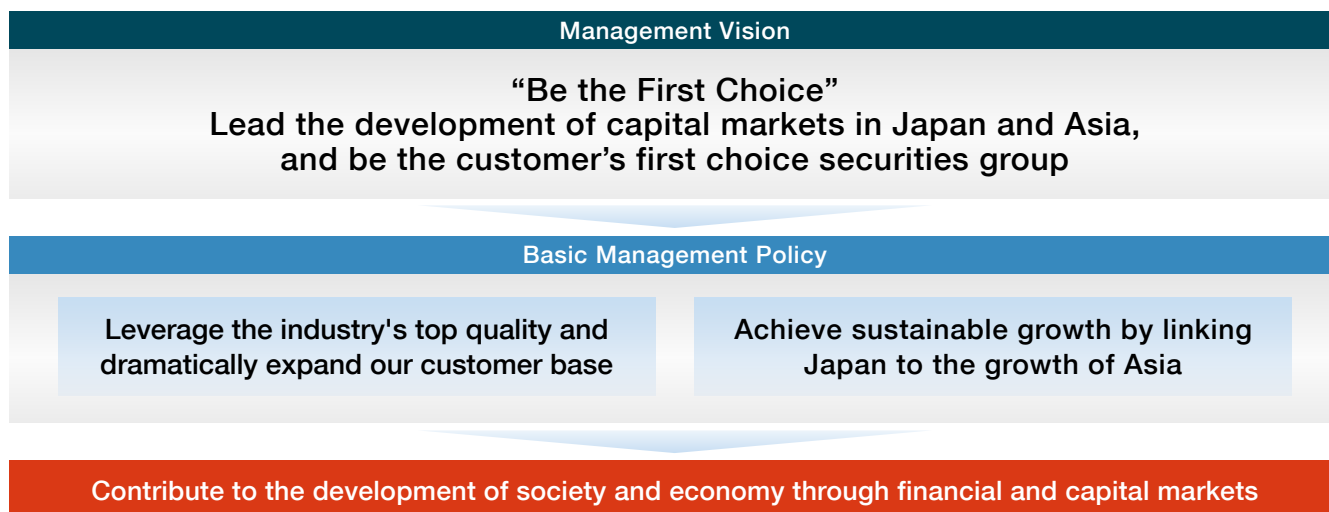
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Disclosure

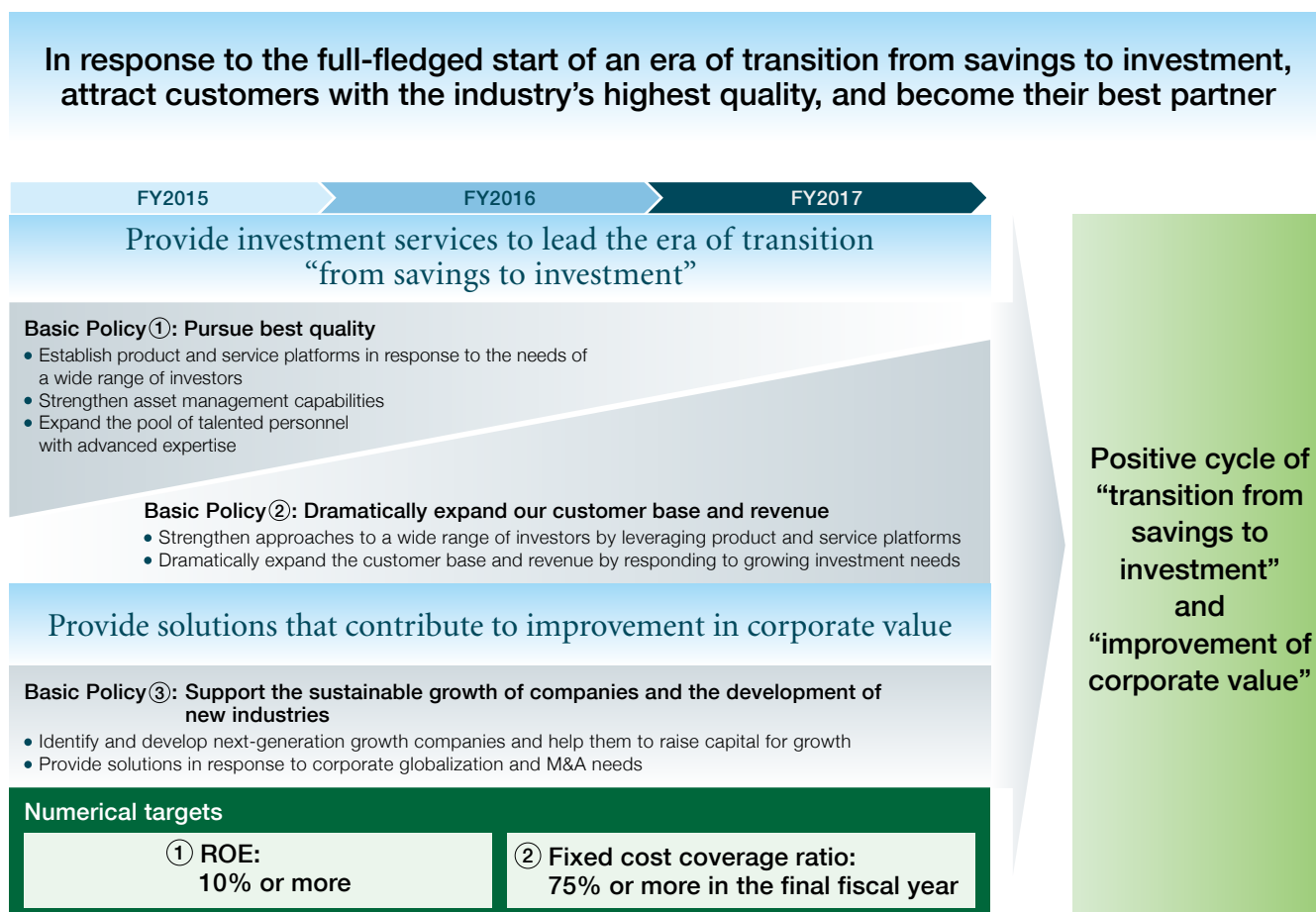
## New Medium-Term Management Plan “Passion for the Best” 2017

Daiwa Securities Group has commenced its Medium-Term Management Plan, covering the three-year period from FY2015 to FY2017, in an effort to achieve its Management Vision for 2020.

### Management Vision for 2020



### Summary of the New Medium-Term Management Plan “Passion for the Best” 2017

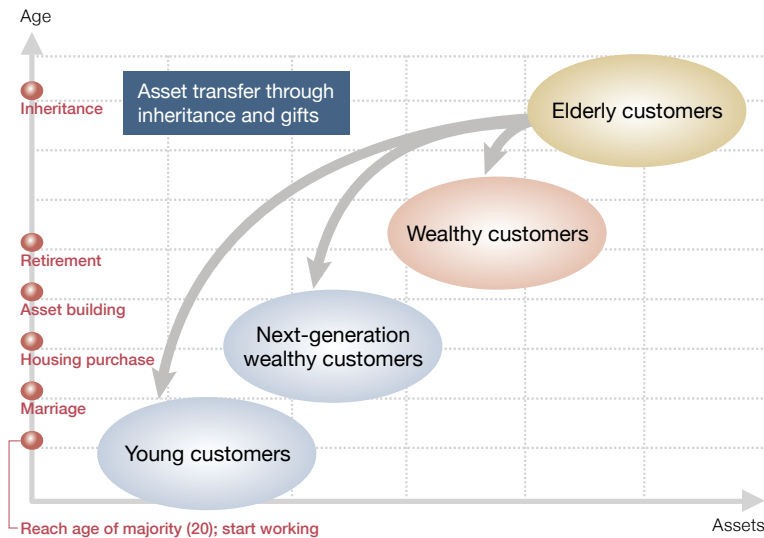


## Establish Product and Service Platforms in Response to the Needs of a Wide Range of Investors

### Individual Investors

Provide high-value-added products and services in response to the life-stages and needs of individual customers

#### Individual Investors: Life-stages and Solutions



##### Expand inheritance business

- Develop existing services
- Provide new solutions
- Develop staff who can respond to growing customer needs

##### Develop quality and quantity of marketing

- Enhance consulting capabilities
- Strengthen and optimize sales activities

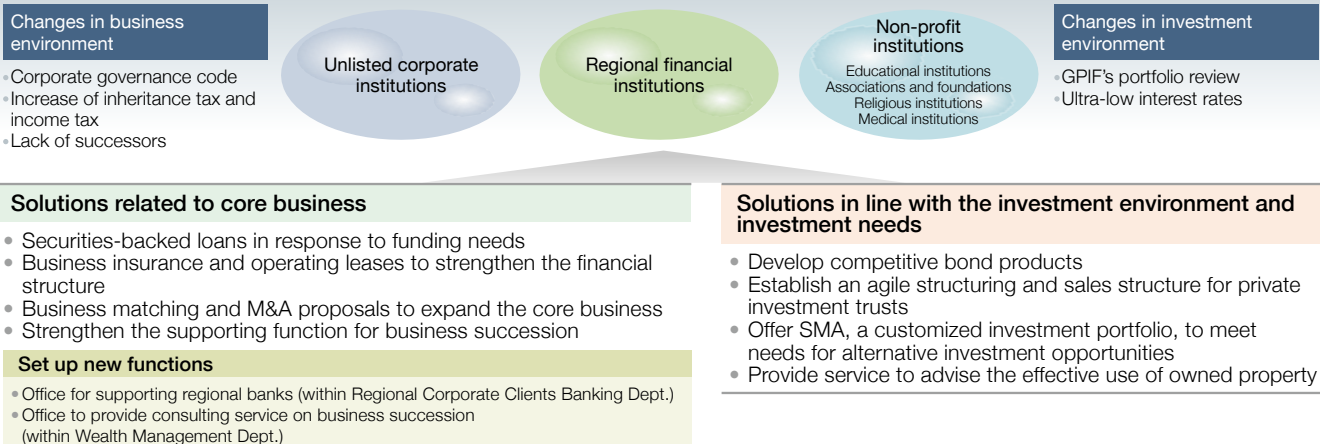
##### Expand the new customer base mainly in inbound customers

- Upgrade direct channel services
- Continue to promote NISA
- Promote investment education to improve financial literacy

### Middle Market

Provide various solutions relating to investment and core business that meet the needs of middle market customers, in response to changes in their business and investment environments

#### Environments and Solutions Surrounding the Middle Market



Retail Division

collaborate

Wholesale Division

Global Investment Banking Global Markets

## Strengthen Asset Management Capabilities

### Stock Investment Trusts

Strengthen the two asset management companies'\* investment abilities and aim to create an outstanding track record

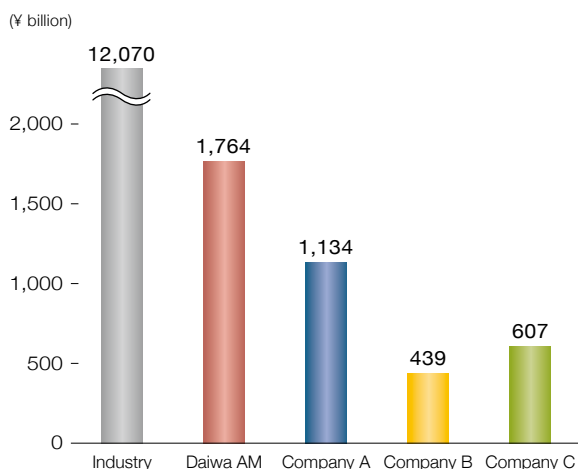
\* Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd.

#### Strategy to Strengthen Asset Management Capabilities (Stock Investment Trusts)

- Strengthen product structuring and ability to offer high-quality proposals to meet customer needs
- Strengthen management strategies and analyzing capabilities
- Strengthen the company's management capabilities in Asia and other overseas markets
- Improve the product lineup by making more use of externally managed investment products

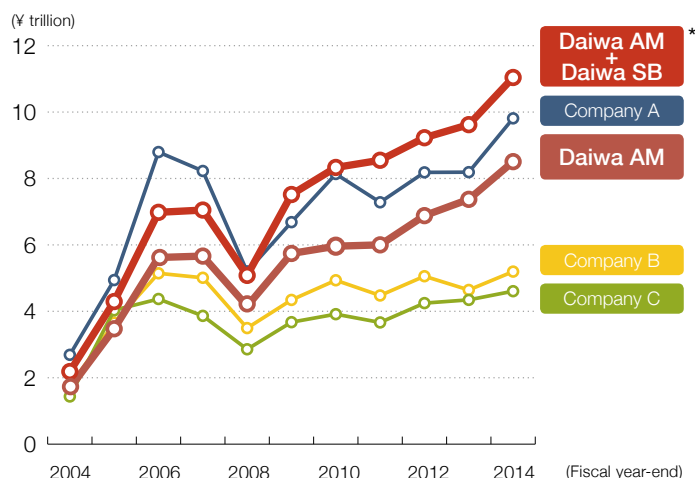
#### Money Inflow for Stock Investment Trusts (excluding ETFs)

(FY2012-FY2014)



#### Assets under Management of Stock Investment Trusts (excluding ETFs)

(FY2004-FY2014)



\* Total of Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd.

### Real Estate Asset Management

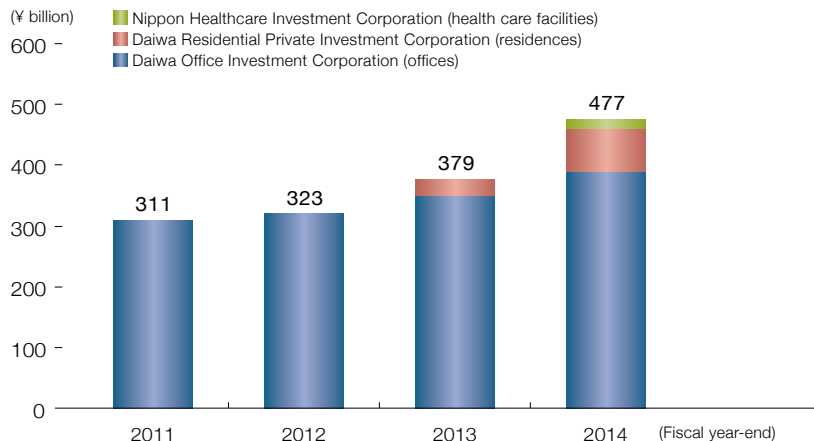
Aim to expand stable revenues by raising investment performance, providing new solutions to customers, and supplying new products

#### Strategy to Strengthen Asset Management Capabilities (Real Estate AM Business)

- Increase the number of staff with high expertise, and achieve investment performance of a higher level
- Provide solutions to liquefy the customer's assets in order to raise the capital efficiency of their companies
- Structure and supply new products to meet investment needs amid ultra-low interest rates
- Focus on developing new investment products, such as infrastructure funds

#### Assets under Management of Real Estate AM Business

(¥ billion)



## Identify and Develop Next-Generation Growth Companies and Help Them to Raise Capital for Growth

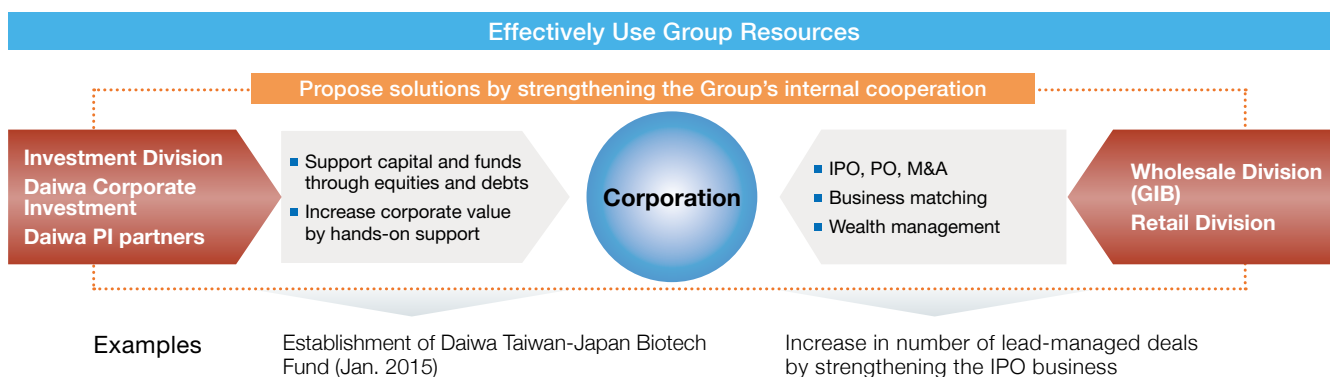
Effectively use Group resources to identify and develop companies that have the potential of initial public offering (IPO) and acquire large-scale IPO deals through a strategic approach

### Effectively Use Group Resources

- Find the next generation of growth companies by using the domestic network
- Support business partnerships using the domestic and overseas network of corporate clients; supply funds for growth through the Investment Division

### Strategic Approach to Acquire Large-scale IPO Deals

- Aim to mandate PE-backed deals by strengthening the fund coverage team
- Clarify target deals, and strengthen ability to offer high-quality proposals by strategically deploying staff



## Provide Solutions in Response to Corporate Globalization and M&A Needs

Strengthen the ability to offer a wide range of IB<sup>\*1</sup> solutions to meet various customer needs  
Reinforce ties among Group companies, including alliance partners, to provide effective solutions

### Strengthen Proposals on IB Solutions

- Provide solutions that appeal most to the customer need to improve ROE (overseas expansion, industry reorganization, restructuring unprofitable businesses, etc.)
- Improve the quality of proposals and services by meticulously targeting customers

### Provide Solutions by Fully Utilizing Group Resources

- Cooperation between the Retail Division, Investment Division, and overseas offices<sup>\*2</sup>
- Develop well-rounded global bankers through collaborative projects and personnel exchange within the Group

### Examples of IB solutions resulting from domestic and overseas collaboration



<sup>\*1</sup> Investment banking

<sup>\*2</sup> Includes DCA, Sagent, Daiwa (Shanghai) Corporate Strategic Advisory, and local alliance partners

## Interview with the CEO

### Please summarize the results of the previous Medium-Term Management Plan, “Passion for the Best” 2014.

**Hibino:** When we formulated the previous Medium-Term Management Plan in FY2011, business conditions were extremely tough with financial and capital markets worldwide still suffering from the aftermath of the global financial crisis that occurred in 2008. Daiwa Securities Group was heading toward a loss for the second consecutive fiscal year. It was imperative for the Group to fundamentally change its earnings structure, and quickly return to profitability. We therefore aimed at achieving a turnaround, and **worked on establishing a robust business structure capable of securing profit even under stressful economic conditions**, such as those that had prevailed since the 2008 collapse of Lehman Brothers. This entailed two parallel efforts – the creation of a more efficient operating structure to achieve the return to profitability, and expansion of customer-based revenue streams, especially stable revenues.

The previous management plan set immediate- and long-term performance targets: a return to profitability by the end of FY2012, the initial year of the plan; and an increase in consolidated ordinary income to ¥120.0 billion or more at the end of FY2014, the final year of the management plan. In the end, we achieved these targets, and posted a consolidated ordinary income of ¥184.5 billion in FY2014. The previous plan also set a target for the fixed cost coverage ratio. After raising the target from 50% to 60% during the course of the plan, we in fact achieved the target with an annualized ratio of 66% as of the fourth quarter of FY2014.

The previous plan produced results that go far beyond the numerical targets. I believe the plan was a huge success in unifying the Group to **establish a robust business structure** centering

on the creation of a “new Daiwa Securities” with the merger of our retail and wholesale businesses. For example, the Group’s shareholders’ equity increased by 58.3% since the start of the previous plan, to ¥1.2 trillion – the highest level in its history. Also, the Group’s market capitalization nearly tripled over the three-year period to ¥1.7 trillion as of March 31, 2015. Daiwa Securities’ credit rating returned to the “A” zone, based on the ratings published by both Moody’s and S&P in the second half of FY2014.

The previous plan’s most crucial accomplishment was the expansion and diversification of stable revenues. Compared with results from the fourth quarter of FY2011, stable revenues increased by around 70% for the fourth quarter of FY2014. The securities-banking business model, REIT business, and wrap account services, which were the center of Daiwa Securities Group’s focus ahead of its competitors, have developed into key pillars of revenue. Total customer deposits at Daiwa Next Bank, total assets under management in the real estate asset management business, and assets under management of wrap accounts have expanded. This has greatly reduced the Group’s dependence on agency fees and management fees from investment trusts, which previously accounted for over 70% of total stable revenue sources. Over the course of the plan, the Daiwa Securities Group succeeded in diversifying its sources of stable revenue, while dramatically increasing the total scale of these income streams.

I think it is fair to say that we are nearly finished with the task of establishing the robust business structure envisioned in the previous Medium-Term Management Plan. Due to the nature of the securities business where our revenues are often affected by market conditions, expanding and diversifying sources of stable revenues holds great meaning for us.

**We will attract customers with the industry’s highest quality, and become their best partner.**

**Takashi Hibino**  
President and CEO  
Daiwa Securities Group Inc.

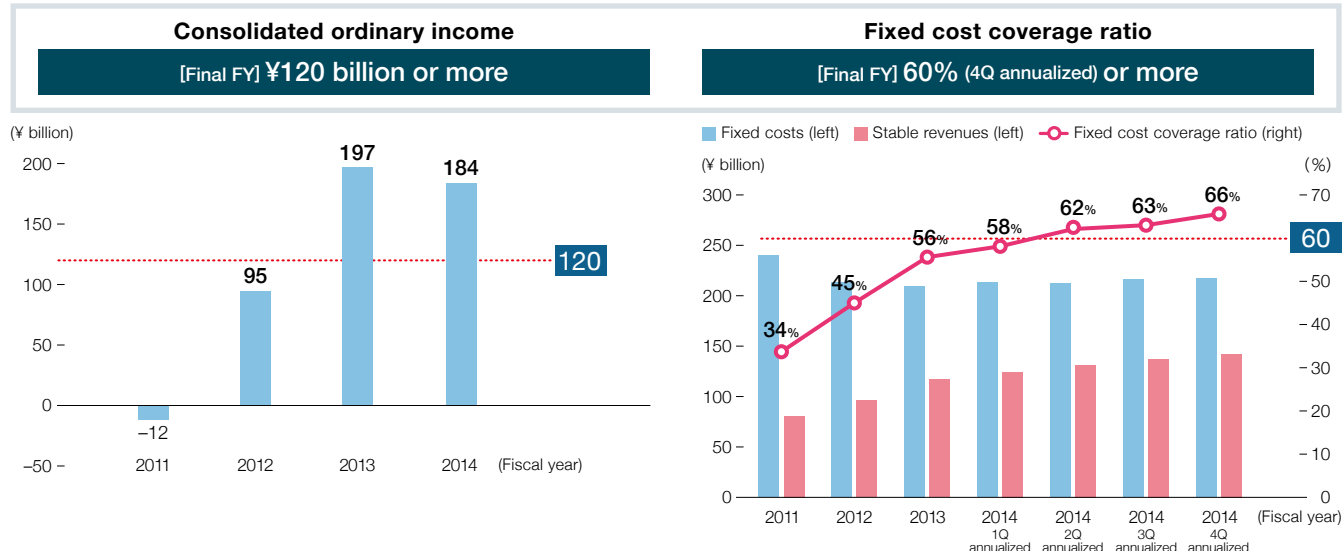




## Overview of the Previous Medium-Term Management Plan “Passion for the Best” 2014

## Achievement of Numerical Targets

Consolidated ordinary income and fixed cost coverage ratio exceeded the numerical targets



## Established a Robust Business Structure

- Shareholders' equity surpassed ¥1.2 tri, reaching record-high figures by accumulating earnings through the expansion of stable revenues
- Market cap of Daiwa Securities Group Inc. almost tripled compared to the start of the plan
- Moody's and S&P upgraded credit ratings of Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd. in the final fiscal year of the plan

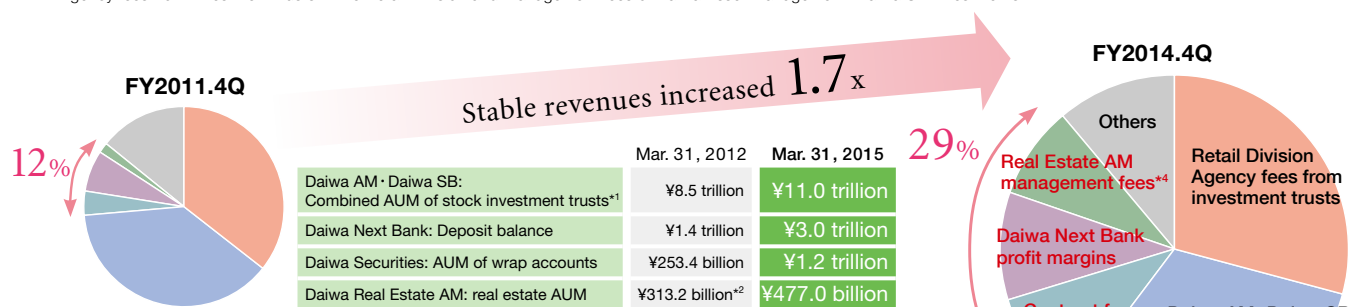
	Mar. 31, 2012	Mar. 31, 2015	
Shareholders' equity* <sup>1</sup>	¥782.4 billion	¥1.2 trillion	+58.3%
Market cap (Stock price)	¥572.0 billion (¥327)	¥1,654.9 billion (¥946)	+189.3%
Credit ratings* <sup>2</sup>			
Moody's	Baa3	Baa1	+2 notches
	Baa2	A3	
S&P	BBB	BBB+	+1 notch
	BBB+	A-	

\*<sup>1</sup> Shareholders' equity=Owner's equity+Accumulated other comprehensive income\*<sup>2</sup> Upper row indicates credit ratings for Daiwa Securities Group Inc. Lower row indicates credit ratings for Daiwa Securities Co. Ltd.

## Expansion and Diversification of Stable Revenues

Daiwa Next Bank, wrap account service, and Real Estate AM business contributed in diversifying revenue streams, lowering dependence on the two main streams\* which accounted for over 70% of total stable revenues

\* Agency fees from investment trusts in the Retail Division and management fees of Daiwa Asset Management • Daiwa SB Investments

\*<sup>1</sup> Assets under management of publicly offered stock investment trusts (excluding ETFs).\*<sup>2</sup> As of May 31, 2012\*<sup>3</sup> Management fees of Daiwa AM • Daiwa SB include Investment advisory fees. Management fees of Daiwa SB are recorded in correspondence to the share ownership of Daiwa Securities Group.\*<sup>4</sup> Management fees from Real Estate AM include Daiwa Real Estate AM's management fees (excluding performance fees) and Daiwa Office Investment's net operating revenues.

## Please tell us about the new Medium-Term Management Plan, which commenced in FY2015.

**Hibino:** The underlying theme of Daiwa Securities Group's new Medium-Term Management Plan is to set the stage for **sustainable growth**. Building on the robust business structure created over the previous three years, the Group aims to select the most appropriate investment targets and assume reasonable levels of risk, in order to expand its customer base and generate a rising tide of earnings.

Our management vision for the period between now and 2020 is **to lead the development of capital markets in Japan and Asia, and become the customer's first choice securities group**. Based on this vision, we put in

place two basic management policies. In specific terms, **the Group will seek to leverage the industry's highest quality and dramatically expand its customer base, and achieve sustainable growth by linking Japan to growth in Asia**. The new Plan, "Passion for the Best" 2017, marks the first three-year stage of our efforts to realize this long-term vision. In an era in which we expect to see a full-fledged start of Japanese individuals shifting financial assets "from savings to investment," the Daiwa Securities Group will strive to attract customers with the industry's highest quality, and become their best partner.

## Could you please explain how you plan on accomplishing the goals of leveraging "the industry's highest quality" and becoming "the customer's best partner"?

**Hibino:** We will provide investment services to lead the era of transition "from savings to investment." We will also provide solutions that contribute to an improvement in corporate value. Through these initiatives, we will find ways to perpetuate these trends of "savings to investment" and "enhanced corporate value" into ongoing, positive cycles.

We have adopted two basic policies that allow the Daiwa Securities Group to promote the shift "from savings to investment." First, we are **pursuing best quality services**. The Group will adopt measures to meet the investment needs of a wide-range of customers, from the young generation to senior citizens. It will establish an extensive platform of products and services, improve asset management capabilities, and expand the pool of highly trained specialists. These measures will be addressed in the early phase of the new plan.

The second policy is to **dramatically expand our customer base and revenue**. Using the platform of products and services developed during the first half of the new plan, the Group aims to address the growing investment needs of customers amid the "era from savings to investment."

Turning to the measures that allow Daiwa Securities Group to provide solutions that **contribute to an improvement in corporate value, we are seeking ways to support the sustainable growth of companies and the development of new industries**. For example, the Group will take steps to bolster its existing IPO business and expand venture capital investments, to identify and develop next-generation growth companies and help them raise capital to grow. We are also promoting further cooperation within the Daiwa Securities Group's global network, to support clients' efforts toward globalization, and to strengthen solutions to address their M&A needs.





## What numerical targets have been adopted under the new Medium-Term Management Plan?

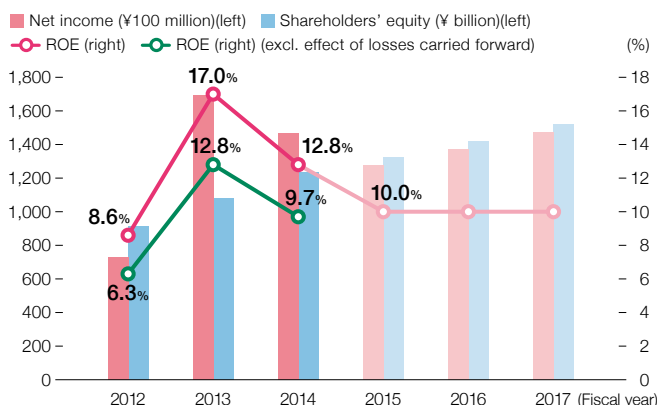
**Hibino:** Over the course of the three-year plan, the Group aims to achieve an ROE of 10% or more, and a fixed cost coverage ratio of 75% or more in the final year of the plan.

Now that the Group is generating profits as a trend, and since we are an active participant in capital markets, we have decided to show a clear management attitude focusing on capital efficiency by introducing an ROE target to the new plan. An ROE of 10% or more reflects both the expectations of shareholders and the historical performance of the Group over the course of its history.

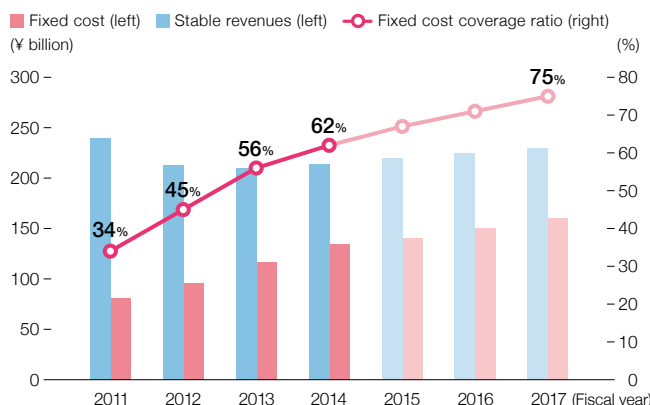
The fixed cost coverage ratio target remains a significant management indicator. The target figure of 75% in the final fiscal year of the plan represents an average annual increase of

circa 4%. In the previous plan, measures to raise the ratio included both significant cuts to fixed costs and efforts to increase revenue from stable sources. Over the three-year course of that plan, the coverage ratio rose at a fast pace of almost 10% per year. In the future, efforts to promote growth will entail a gradual increase in total expenses, so in order to increase the fixed coverage ratio further, it will be necessary to expand stable revenues. The Group will concentrate on further increases to the balance of funds under contract in the wrap business, and the balance of assets under management in investment trusts and savings accounts. We aim to expand stable revenues on average by 8-9% per year.

ROE



Fixed Cost Coverage Ratio



Note: Results and targets are annualized.

## What are the Group's plans for exploiting potential business opportunities and using them to generate revenues?

**Hibino:** In Japan, the conditions for the “era from savings to investment” are beginning to be satisfied. The economy is finally starting to break out of a period of prolonged deflation. Many individual investors are benefitting from successful investments, and Government support can be seen through various policies and systems including improvement to the NISA system. These government measures are designed to increase the earning power of Japanese corporations.

Such trends are making securities investment a more important consideration for all individuals and households. Corporations are also affected by these trends. They are likely to have a greater need to secure funds for business growth, and increase measures to raise ROE. For the Daiwa Securities Group, these trends represent new business opportunities. I will now explain some key themes that we have identified to take advantage of new business opportunities.

- Theme 1** Establish Product and Service Platforms in Response to the Needs of a Wide Range of Investors
- Theme 2** Strengthen Asset Management Capabilities
- Theme 3** Identify and Develop Next-Generation Growth Companies and Help Them Raise Capital to Grow
- Theme 4** Provide Solutions in Response to Corporate Globalization and M&A Needs
- Theme 5** Actively Promote an Alliance Strategy

## Theme 1

## Establish Product and Service Platforms in Response to the Needs of a Wide Range of Investors

As we enter the key stage of a shift “from savings to investment,” securities investment will become increasingly essential for individuals and households, who own or who are thinking of owning financial assets. The Daiwa Securities Group is actively seeking ways to leverage this shift to stock investments, as the central strategic thrust of its new plan. The key to maximizing the potential of this business opportunity is to prepare a broad selection of investment products, to meet the varying needs of each customer segment, from younger individuals or families trying to accumulate assets, to retirees managing their nest eggs, and to help them access information on the most appropriate investments. By focusing on these issues, under the new Medium-Term Management Plan, Daiwa Securities aims to be **the customer’s first choice securities group**.

For example, the Group is taking measures to **expand its inheritance business**, to meet the needs of elderly individuals. Japan has entered a phase in which about ¥50 trillion worth of assets will be inherited annually. The Group will develop personnel and solutions in order to offer better after-care service to customers, and high-quality consulting support. In this way, we hope to position the Daiwa brand as a leader in inheritance services.

In terms of personnel, the new plan calls for a major increase in the number of trained “**inheritance planners**,” and an expansion in the number of branches with “**inheritance consultants**” (a role which requires advanced knowledge on inheritance-related issues). For solutions, the new plan aims to provide comprehensive solutions that include further developing existing services with the main focus on “inheritance total service,” and offering new services in areas such as real estate.

The plan also calls for bolstering sales and support, on both the qualitative and quantitative levels, to serve high-net-worth individuals – the main customer segment of the Daiwa Securities Group. Consulting capabilities are being improved in order to raise service quality. The Group already boasts the highest number of Certified Financial Planners (CFPs<sup>\*</sup>) in the finance industry, and intends to increase the number of CFPs, as well as other experts including “inheritance planners” and securities analysts. On a quantitative level, the Group is expanding the capacity of its contact centers; it also aims to improve sales capabilities by improving the efficiency of sales activities through the use of smartphones and tablets that were introduced to all offices in FY2014. To broaden contact with customers, the Group is continuing to expand its service network, centering on the launch of new sales offices.

Several key measures have been identified to help the Daiwa Securities Group respond more effectively to the increasing number of “self-directed customers” (those who approach Daiwa offices or representatives on their own initiative). First, the Group

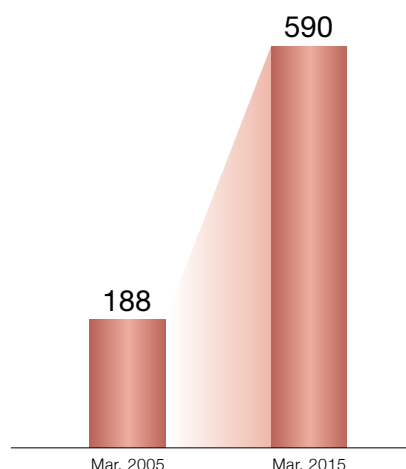
is reorganizing its Internet-based direct marketing channels to better appeal to tech-savvy young adults and next-generation, high-net-worth individuals, and to provide a better interface for online trading and other transactions. We are also promoting the use of NISA accounts as a way to expand the base of medium- and long-term customers, and in 2016, we will introduce products that conform to the government’s new “junior NISA account” system, in an effort to **cultivate future clients**. We aim to attract new self-directed customers, by holding investment seminars to help increase the “investment literacy” of individual investors, and alliances with outside institutions.

As a strategy targeting middle sized corporations, the Daiwa Securities Group will provide solutions that enable an agile response to changes in customers’ operating and investment environments while working to further expand its customer base. Turning to asset management, the Retail Division and Global Markets will work closely to continue focusing on providing products flexibly in response to the needs of customers. In addition, the Retail Division and Global Investment Banking will reinforce their collaboration and work to deliver solutions relating to their customers’ main businesses including funding needs, efforts to strengthen financial platforms, M&As, and business succession. Business succession has become a matter of considerable interest in recent years, and the Daiwa Securities Group has newly established an office to provide consulting services on business succession.

**Regional revitalization** is another important government policy theme. The Group has set up a function to support local financial institutions with their management strategies.

\* A Certified Financial Planner qualification represents the highest level of financial planning expertise. The CFP qualification process is overseen by the Japan Association for Financial Planners, which is a member of the international Financial Planning Standards Board Ltd.

Number of CFPs at Daiwa Securities



## Theme 2

**Strengthen Asset Management Capabilities**

Under the last Medium-Term Management Plan, the Daiwa Securities Group established a leading presence in the asset management business. Daiwa Asset Management Co. Ltd. recorded the largest net inflow to publicly offered equity investment trusts (excluding ETFs) of any company in the industry, while the combined balance of assets under management of Daiwa Asset Management and Daiwa SB Investments Ltd. is also the largest in the industry. Under the new management plan, the Group focuses on developing a broad assortment of products oriented toward long-term wealth creation, and tailored to meet a multitude of customer needs. The Group will also try to improve its track record further by enhancing investment analysis capabilities, diversifying investment options, developing high-quality integrated

investment strategies, and upgrading asset management capabilities in overseas markets, especially in Asia.

Real estate asset management operations also grew dramatically under the previous plan. Daiwa Real Estate Asset Management Co. Ltd. oversees three investment companies, with an overall balance of ¥477.0 billion in assets under management as of the end of March 2015. During FY2014, the Group launched Japan's first healthcare-oriented REIT – Nippon Healthcare Investment Corporation – and listed its units on the Tokyo Stock Exchange. Under the new plan, the Group intends to expand its staff of highly-trained specialists, improve asset management performance, offer customers a broader array of solutions, and structure new asset management products including infrastructure-based REIT funds.

## Theme 3

**Identify and Develop Next-Generation Growth Companies and Help Them Raise Capital to Grow**

The IPO market has considerable significance for Daiwa Securities Group in order for it to support the positive cycle of “from savings to investment” and secure an “improvement in corporate value.” The resources of the entire Group must be marshalled in a joint effort, to identify and prepare companies for an IPO. Close cooperation between the Retail Division and the Global Investment Banking helps to identify companies that may be suitable for an IPO, and the Investment Division supplies the necessary seed money to nurture the company toward future growth. Once

potential target companies, including those owned by funds seeking to exit, have been clearly identified, the Group will approach them strategically in order to attract larger IPOs.

At present, the Group's efforts to increase the number of companies for which it serves as lead manager are beginning to produce concrete results. We will strengthen the IPO business further to respond to our main challenge of establishing a broader base of corporate customers over the medium to long term.

## Theme 4

**Provide Solutions in Response to Corporate Globalization and M&A Needs**

The Daiwa Securities Group leverages its global network to offer corporate customers investment banking solutions. Cooperation between offices and across operating divisions allows the Group to offer equity financing services such as global offerings and convertible bonds (CBs), and debt financing services such as straight bonds, samurai bonds, and debt issued by international institutions and government agencies. The Group is particularly active in samurai bond underwriting, having held the top position in the league table for the past two years and earning International Financing Review's “Yen Bond House of the Year” award. The league tables are not the only measure of success. The Daiwa Securities Group holds the top position in domestic sales of Impact Investment issues, and its track record has gained wide global recognition by issuers including international institutions and the international community.

Similarly, the Group's M&A business draws upon the strengths of Group affiliates such as DC Advisory in Europe and Sagent Advisors Inc. in the US, as well as close cooperation with local alliance partners, to help conduct cross-border M&A deals. The Group will offer a wide range of solutions including equity, debt, and M&A by promoting greater collaboration between the Retail business, the Investment business and overseas offices to improve our response to expected further increases in the various corporate needs aimed at improving capital efficiency.

## Theme 5

## Actively Promote an Alliance Strategy

We have been expanding our business scope and solidifying our business foundation through investment in various companies and business alliances. Under the new management plan, the Group will pursue an active business alliance strategy in order to capture growth in Japan and overseas and to expand the Group's business.

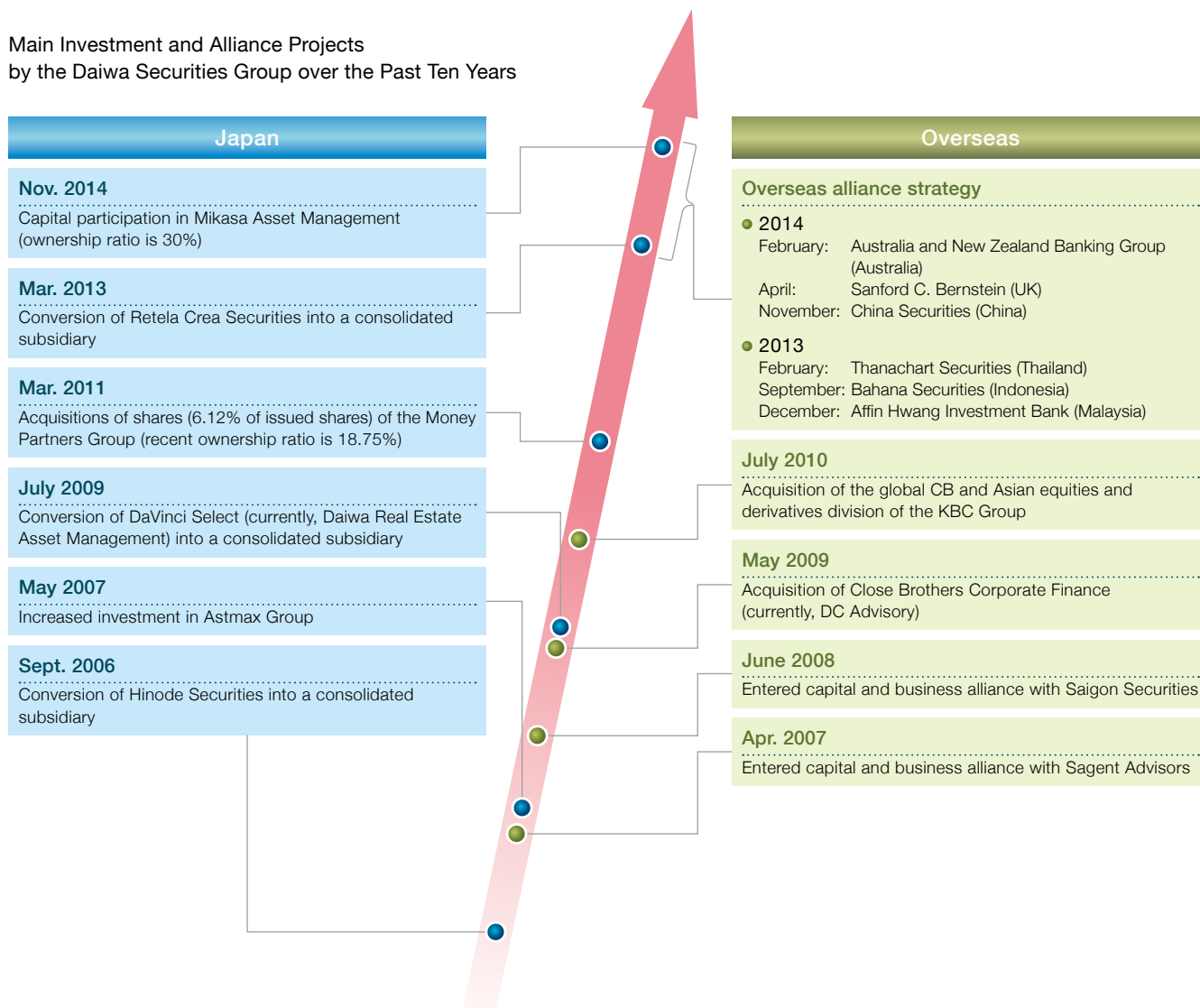
As for overseas expansion, the Group will aim to realize sustainable growth by maintaining an optimal balance between its existing global network and efforts to develop alliances that establishes the most productive assortment of functions.

Under the new plan, the Group's main strategy is to respond to the business opportunities presented by the full-fledged start of the shift "from savings to investment." However, in the long-term, it will become important to capture global market growth, mainly in Asia. As part of our approach to strengthen our planning function for overseas expansion, we have established the International Planning Department. Overseas offices and the

International Planning Department will strengthen collaboration with the growing domestic business and also lay the foundation for the Group's future growth.



### Main Investment and Alliance Projects by the Daiwa Securities Group over the Past Ten Years



## What policies has the Group adopted to govern its capital policy and investment strategy?

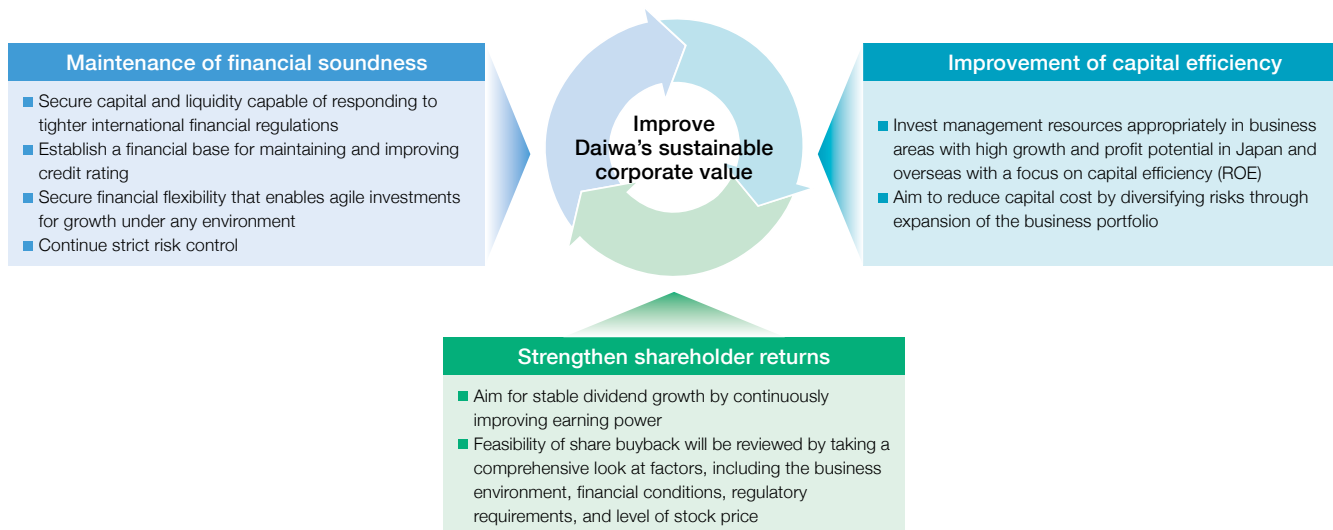
**Hibino:** For managing a future capital policy that enhances our corporate value, it will be important to achieve the best balance between three objectives: **maintaining financial soundness, improving capital efficiency, and strengthening shareholder returns.**

As international standards and regulations on financial institutions continue to become tighter, it will be necessary to establish a financial base to maintain and improve the Group's credit rating. We will also work to secure the necessary financial flexibility and soundness that will enable the Group to invest in expanding its business under any adverse environment. The financial industry is subject to many regulations, and the competitive position within the sector generally changes substantially amid adverse market conditions. It is therefore essential to maintain a healthy financial condition.

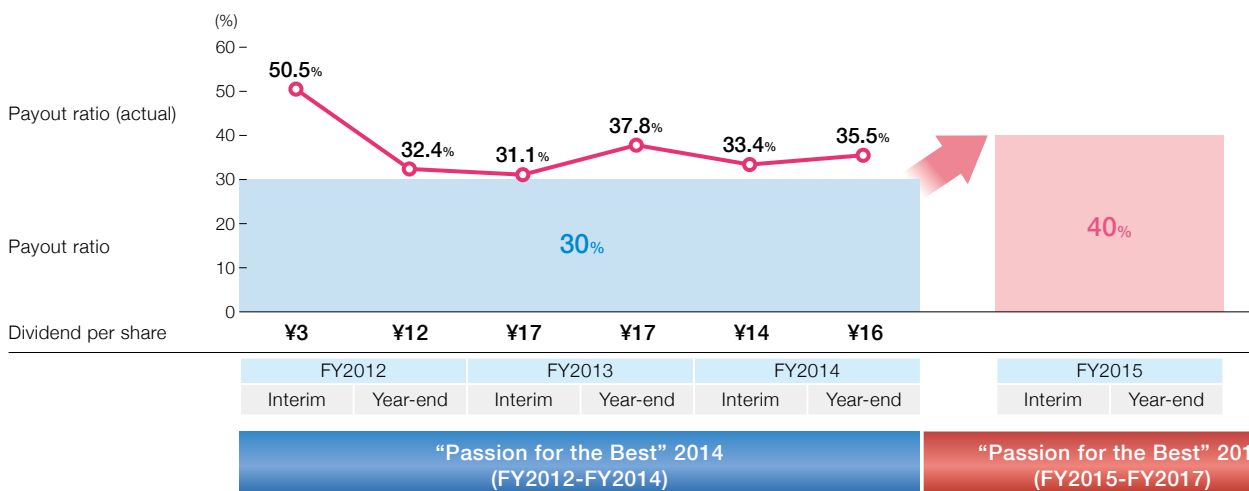
As for efforts to improve capital efficiency, we will put emphasis on our ROE performance. We will allocate management resources to domestic and overseas business sectors based on their growth or profitability. We will also diversify and broaden the Group's business portfolio in order to reduce our overall capital cost.

We have decided to raise the dividend payout ratio from circa 30% to circa 40%. In the past, the Group has paid out returns that exceed the payout ratio, when it had secured sufficient profit; the Group will maintain this policy. It will aim to increase dividends on a steady basis by constantly improving its profit generating ability. As for share buybacks, we will consider possibilities after taking into consideration such factors as business and financial conditions, regulatory developments, and the level of Daiwa Securities Group Inc. share price.

### Capital Policy Aimed at the Sustainable Improvement of Corporate Value



### Strengthen Shareholder Returns



The Group's basic policy on investing in business growth is to consider both the organic and inorganic approach for each business. For example, for the Group's core business – domestic securities operations – we are actively investing to expand the domestic customer base from an organic approach. As for investment in businesses such as asset management and other areas that have an affinity with our securities business, we will also consider opportunities from an “inorganic” approach.

We will consider investment in our overseas operations to expand their mid-to-long term revenue sources in addition to such aspects as the role they play in supporting the expansion of our domestic operations. We will expand our overseas operations by initially building partnerships through, for example, business collaboration; when we think better synergy can be achieved, we will undertake investment.

#### Stance towards Investments for Growth

	Organic	Inorganic	Organic and inorganic
	Japan		Overseas
Retail	Develop infrastructure to meet the needs of a wide range of investors		Strengthen the wealth management business
Wholesale	Improve product-supplying abilities that accurately capture customer needs		Promote alliance strategy with overseas financial institutions
Asset Management	Strengthen investment abilities, expand the scope of assets to invest in		
	Expand the real estate asset management business		
Others	Expand peripheral businesses aimed at expanding stable revenue		

#### What human resources strategy has the Group adopted to support business growth plans?

**Hibino:** The most essential resource for Daiwa Securities Group to become the customer's first choice securities group is its people. The Group will strive to develop a working environment that makes it stronger as an organization by strategically training and allocating its personnel. We constantly seek ways to maximize the potential of each employee, whether they be young new recruits or experienced veterans, men or women.

Daiwa Securities Group's personnel policies have earned recognition from outside agencies. In March 2015, Japan's Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc. recognized the Group by awarding it the “Nadeshiko Brand,” a title awarded to corporations where women excel in the organization. The Group was also selected as a “Kenko Keiei Brand,” a title awarded to companies that make strategic efforts to promote the health and productivity of their employees. Both of these “brands” are awarded to

companies that have maintained an average ROE over the preceding three years that exceeds the average level for their industry. Therefore, it is not only a recognition of the Group's commendable personnel policies; it also reflects our success in maintaining a strong earnings base. Looking ahead, the Daiwa Securities Group intends to continue setting the standard as one of the most rewarding companies to work for, in Japan.

Increase the Number of Female Branch Managers and Managers (at Daiwa Securities)			
	Mar. 2015		Apr. 2015
Branch managers	3		19 (16.1%)
Managers	60		207 (7.3%)

Note: The ratios of females are in the brackets.



## Message from the COO

People are the most important asset for Daiwa Securities Group.



The most important asset for Daiwa Securities Group is its people, in order to become the customer's first choice securities group. We therefore have been constantly implementing measures to motivate every employee to exert their full potential.

In FY2015, in an effort to increase employee motivation further, we raised the base salary of our employees for the second consecutive year.

We are continuing to shape the working environment to further enhance the motivation of our employees, especially new graduates, female employees, and veteran employees.

For new graduates, we have vastly expanded the content of the Daiwa Basic Program, which is a basic training system implemented over the first two years of their employment. The program has been designed to quickly develop new graduates of every division into highly trained professionals with strong loyalty.

In addition, we have been implementing measures to support female employees for about a decade, and now there are many role models in the Group, with women in management positions ranging from Branch Office Managers to Executives. The Group is entering a phase in which contributions by female employees can be expected to increase rapidly.

Furthermore, careers for veteran employees will extend beyond the age of 65, and we will develop a structure that will support them to improve their skills and continue contributing to the Group.

We will continue to develop programs that reflect the importance of 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.

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Business Strategy

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# At a Glance

## Major Group Companies

### Retail Division

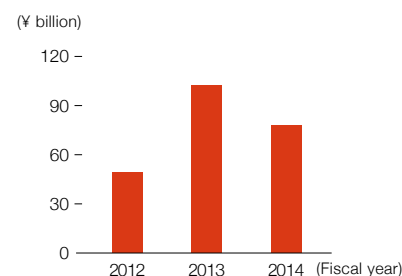
- Daiwa Securities Co. Ltd.
- HINODE SECURITIES CO., LTD.
- Retela Crea Securities Co., Ltd.

## Net Operating Revenues (FY2014)



¥232.0 billion

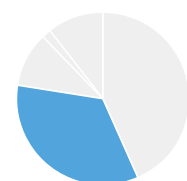
## Ordinary Income



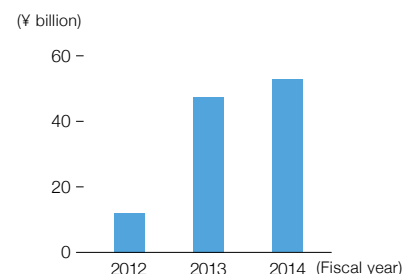
### Wholesale Division

#### Global Markets Global Investment Banking

- Daiwa Securities Co. Ltd.
- Daiwa Capital Markets Europe Limited
- Daiwa Capital Markets Hong Kong Limited
- Daiwa Capital Markets Singapore Limited
- Daiwa Capital Markets America Inc.

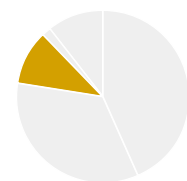


¥180.5 billion

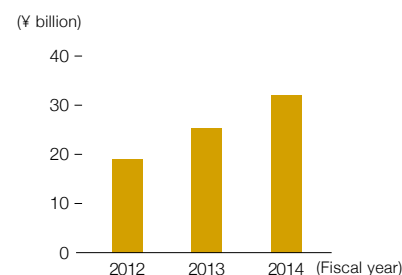


### Asset Management Division

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

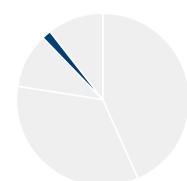


¥55.1 billion

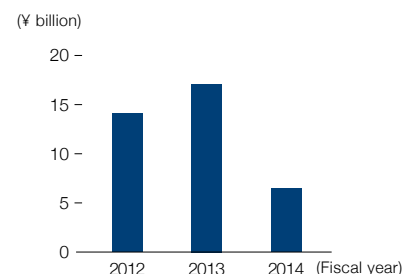


### Investment Division

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

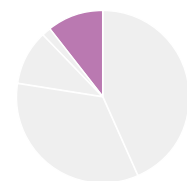


¥8.3 billion

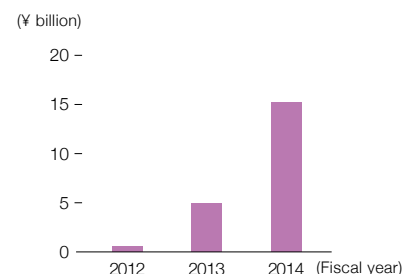


### Other

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



¥56.1 billion



Notes: 1. The number of branches in the Retail Division is current as of June 30, 2015. Other figures are as of March 31, 2015, or from FY2014 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	Business Description	FY2014 Highlights
<ul style="list-style-type: none"> <li>Branches: <b>142</b></li> <li>Number of cash management service accounts: 3,719 thousand</li> <li>Number of online trading accounts: 2,904 thousand</li> <li>Total assets under custody: ¥54.6 trillion</li> </ul> <p>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 160.</p>	<p>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 142 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.</p>	<ul style="list-style-type: none"> <li>Eight new sales offices were opened, improving convenience for customers and helping to expand the client base in previously untapped parts of the country.</li> <li>Buoyant domestic stock prices and an expanded foreign equity business elevated equity-related revenues and increased the balance of assets in investment trusts.</li> <li>The balance of contracted assets in wrap account services surpassed ¥1 trillion in total assets under management at the end of December 2014 for the first time in the industry.</li> </ul>
<ul style="list-style-type: none"> <li>Overseas offices: Offices in <b>20</b> countries and regions</li> <li>Listed Japanese companies of which Daiwa Securities Group served as lead manager: 724 companies, 20.7% share of the total (based on data from the Toyo Keizai Japan Company Handbook, Spring 2015 edition)</li> <li>Total value of stock trading: ¥88.6 trillion</li> <li>Total value of underwriting and distribution: ¥715.1 billion (equity), ¥10.3 trillion (bond)</li> </ul>	<p>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&amp;A.</p>	<ul style="list-style-type: none"> <li>Trading on the domestic stock exchanges remained brisk, contributing to steady income from brokerage commissions.</li> <li>Market conditions and flexible management of investment positions contributed to strong earnings for equities and bonds.</li> <li>Daiwa Securities acted as joint global coordinator of a large-scale global equity offering by Mitsui Fudosan Co., Ltd.</li> <li>In FY2014, many international institutions and governmental agencies issued global benchmark dollar-denominated bonds. Daiwa Securities contributed to global fund-raising activities, underwriting 24 issues with a total value of US\$24.6 billion.</li> <li>Received the “Yen Bond House of the Year” award from IFR* for Samurai Bonds.</li> </ul> <p>* International Financing Review</p>
<ul style="list-style-type: none"> <li>Assets under management: <b>¥19.5</b> trillion</li> <li>Balance of assets in publicly offered stock investment trusts: ¥13.5 trillion</li> <li>Balance of assets for investment advisory business: ¥2.6 trillion</li> </ul> <p>Note: The data provided above is the total for Daiwa Asset Management (stock investment trusts and bond investment trusts) and Daiwa SB Investments (investment trusts and investment advisory).</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>The balance of total assets in publicly offered investment trusts at Daiwa Asset Management at the end of FY2014 reached a record high of ¥11.0 trillion.</li> <li>Net assets in the series of “Preferred Securities Funds” managed by Daiwa SB Investments continued to expand to ¥317.0 billion as of the end of FY2014.</li> <li>Nippon Healthcare Investment Corporation, which is managed by Daiwa Real Estate Asset Management, was listed on the Tokyo Stock Exchange. The deal has been recognized as the “J-REIT Deal of the Year” by the Thomson Reuters Markets’ annual Deal Watch Awards 2014.</li> </ul>
<ul style="list-style-type: none"> <li>Assets from investment funds: ¥326.9 billion from <b>78</b> funds</li> <li>Aggregate outstanding principal investment balance: ¥98.0 billion</li> </ul> <p>Note: Investment fund data is presented on a cumulative basis from the commencement of DCI business operations.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>DCI Partners, a wholly owned subsidiary of DCI, together with a Taiwan government institution and other investors, established the Daiwa Taiwan-Japan Biotech Fund Investment Limited Partnership, which invests in unlisted biotech and pharmaceutical companies.</li> <li>PIP invested widely, including in domestic and overseas companies, as well as in large-scale solar power facilities in Japan.</li> </ul>
<ul style="list-style-type: none"> <li>Daiwa Next Bank, Ltd.</li> <li>Balance of deposits: <b>¥3.0</b> trillion</li> <li>Number of accounts: 1,018 thousand</li> </ul>	<p>“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.</p>	<ul style="list-style-type: none"> <li>At the end of FY2014, the number of deposit accounts at Daiwa Next Bank reached 1.01 million, with a total balance (including CDs) of ¥3.0 trillion.</li> <li>In November 2014, the bank began offering a “foreign currency sweep service.”</li> </ul>

## Retail Division

The Retail Division offers customers two courses of service to match differing investment needs, allowing Daiwa Securities to deliver a full lineup of products and services to customers. The Daiwa Consulting course offers hands-on service including high value-added proposals and investment advice from sales staff, while the Daiwa Direct course offers superior flexibility and access to Daiwa services through the Internet, or contact centers.

Develop infrastructure to meet the needs of a wide range of investors  
Strengthen the wealth management business

Yoriyuki Kusaki

Deputy President  
Head of Retail  
Daiwa Securities Group Inc.



### Action Plan for FY2015

- 1 Reinforce sales capabilities in terms of both quality and quantity.
- 2 Expand new customer base with a central focus on inbound customers.
- 3 Strengthen operational efficiency and proposal support function by utilizing AI\* and big data.
- 4 Enhance fee-based products and services.
- 5 Further evolve the securities-banking business model.

\* Artificial Intelligence

### Business Conditions and Performance in FY2014

Stock prices in leading industrialized countries rose in the latter half of FY2014. Economic growth slowed in a few markets, such as Europe and China. However, the steady growth of the US economy provided momentum for a moderate expansion of the global economy, and this was the underlying factor that pushed up stock prices globally. In Japan, other factors supported this positive trend, such as the implementation of an additional monetary easing policy by the Bank of Japan, a weaker yen, and improved corporate earnings. The Nikkei 225 closed the fiscal year at 19,206.99 yen.

Under these business conditions, the Retail Division focused its efforts on the promotion of stock investment trusts and fund wrap accounts and steps to strengthen the foreign equity business. Eight new sales offices were opened during the period, improving convenience for Daiwa Securities customers and helping to expand the client base in previously untapped parts of the country. An economic recovery in Japan contributed to growth in corporate earnings, which elevated share prices and invigorated the stock market. This market vitality, together with efforts to increase trading in foreign equities, contributed to growth in equity-related revenues, brisk sales of investment trusts and growth in the balance of customer assets under custody.

The division continued to work on increasing the balance of client assets in “Daiwa Fund Wrap,” which allows customers to diversify their investment portfolios through a mixture of exclusive investment trusts, in accordance with their individual investment demands. As a result, the balance of contracted assets in wrap accounts\* surpassed ¥1 trillion in December 2014.

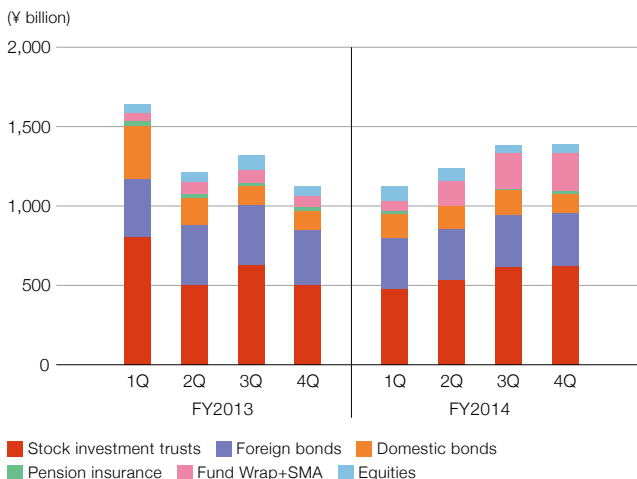
As a banking agent for Daiwa Next Bank, Ltd. (balance of customer deposits as at March 31, 2015: circa ¥3 trillion), Daiwa Securities offers yen-denominated and foreign currency-denominated deposit accounts, and in November 2014, launched a “foreign currency sweep service,” which automatically transfers dividends, interest, income from share distributions and other proceeds from Daiwa Securities to the foreign currency-denominated deposit account at Daiwa Next Bank. A wider range of different currency options is now available. This offers clients greater convenience and the ability to earn higher interest rates on deposits via their Daiwa Securities branch office network.

In October 2014, the Retail Division launched “Korekara-Life,” Daiwa’s Retirement Planning Service. “Korekara-Life” is aimed at retirees or individuals approaching retirement, providing them with high-quality consulting services that include cash flow analysis and portfolio designing.

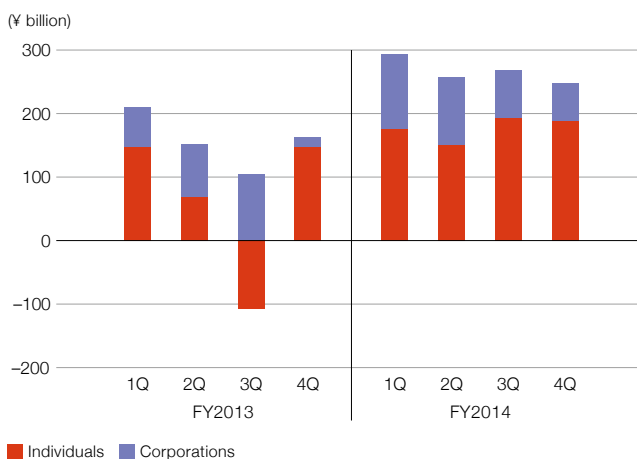
Following the launch of Japan’s individual savings account system (NISA), in January 2014, Daiwa Securities introduced “Daiwa NISA exclusive funds” – no-load funds that are specifically designed for use in NISA accounts. In addition, the Daiwa NISA Accumulating Deposit Service was introduced, allowing customers to make regular fixed monthly additions to their stock and investment trust accounts. These new products and services are intended to build the customer base and encourage the shift of individual assets “from savings to investment.”

\* 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.

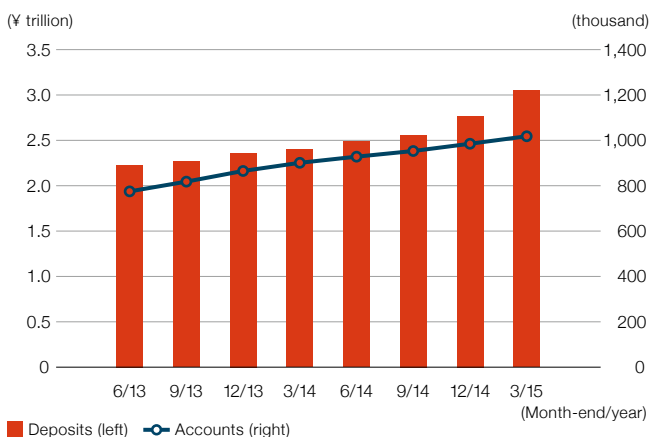
### Sales and Distribution Amount by Product Category (Daiwa Securities)



### Net Inflow of Assets (Daiwa Securities)



### [Reference] Balance of Deposits and Number of Accounts at Daiwa Next Bank



## Wholesale Division

The Wholesale Division covers the Global Markets and Global Investment Banking operations. Under the Global Markets business, the division provides sales and trading services of equities, bonds, foreign exchange and derivative products to customers, mainly institutional investors and corporations, while providing financial products to the Retail Division. For the Global Investment Banking operations, the division offers underwriting services for equities and bonds, IPOs, and M&A advisory services.

Improve product-supplying abilities  
that accurately capture customer needs

Promote alliance strategy with overseas  
financial institutions

Hiroshi Nakamura

Deputy President  
Head of Wholesale  
Daiwa Securities Group Inc.

### Action Plan for FY2015

- 1 Improve the ability to offer products that accurately capture the client's needs.
- 2 Pursue a global strategy centered on Asia.
- 3 Identify and develop next-generation growth companies and help them raise capital for growth.
- 4 Provide solutions in response to corporate globalization and M&A needs.

### Business Conditions and Performance in FY2014

During FY2014, the Japanese stock market rose significantly, and this generated strong trading volume. For the second consecutive year, brokerage commissions from domestic stocks showed a steady performance. Amid high stock prices, extremely low interest rates on Japanese bonds, and the weak yen against the dollar, trading revenues remained strong for equities and bonds due to the swift adjustment of investment positions in response to changing market conditions. Meanwhile, the Retail and Wholesale divisions collaborated and generated steady revenues, mainly from bonds and foreign equities, by providing products in a timely manner that address market conditions and customer needs.

The buoyant stock market, together with the improvement in corporate earnings during FY2014, created strong demand for both equity and debt financing among Japanese corporations. Daiwa Securities managed to increase its share of total underwriting, thus posting firm growth in revenues. Major underwriting deals in Japan managed by Daiwa Securities during the period included a large-scale





global equity offering by Mitsui Fudosan Co., Ltd., in which Daiwa Securities acted as a joint global coordinator\*<sup>1</sup>. Overseas, Daiwa Securities acted as bookrunner\*<sup>2</sup> for the distribution of global benchmark dollar-denominated bond\*<sup>3</sup> issues by many institutions including the Asian Development Bank and the Japan Bank for International Cooperation.

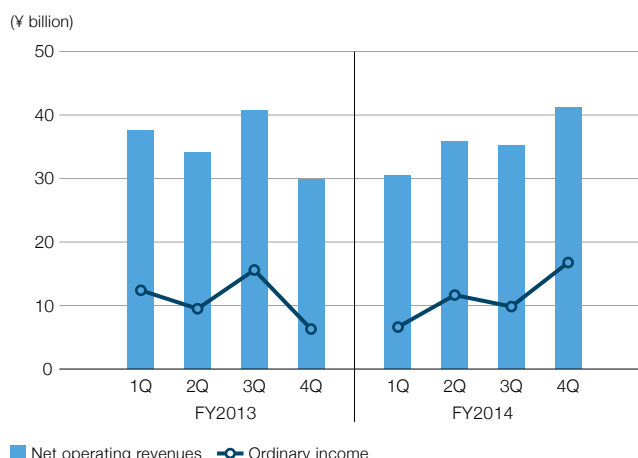
Alliances and business partnerships have been pursued in an effort to further improve profitability in the medium and long term. During FY2013, the company established business alliances with several overseas financial institutions including Indonesia's PT. Bahana Securities, Malaysia's Affin Investment Bank Berhad. (now Affin Hwang Investment Bank Berhad.), and the Australia and New Zealand Banking Group Limited in Australia. In FY2014 several more cooperative agreements were reached. New partners include the UK-based research and brokerage firm Sanford C. Bernstein Limited as well as China Securities Co., Ltd., a subsidiary of the CITIC Group, an industrial and financial conglomerate with close ties to the Chinese government.

\*<sup>1</sup> The global coordinator oversees a global public offering, and coordinates the overall activities of all lead managers and underwriters both in Japan and overseas.

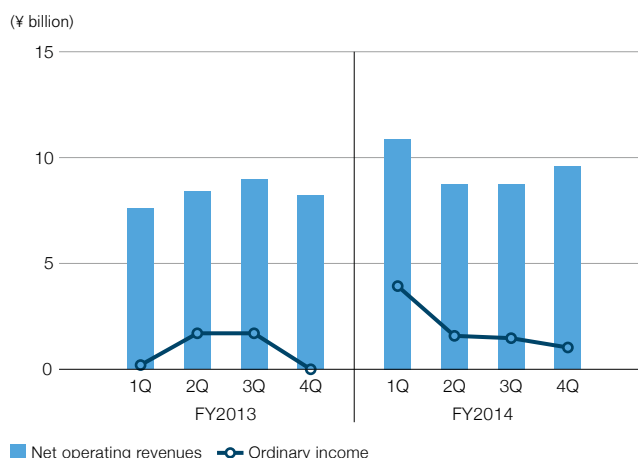
\*<sup>2</sup> A bookrunner is typically a main underwriter of the transaction and has significant discretion with respect to allocation associated with the equity/bond issue.

\*<sup>3</sup> Bonds that are denominated in US dollars, and issued in at least two countries (the US and at least one other country)

### Quarterly Earnings Trends Global Markets



### Global Investment Banking



### Major Lead-Managed Deals and Publicly Announced M&A Advisory Activities in FY2014 (Including Participation as a Joint Bookrunner)

Primary and secondary equity offerings (incl. CBs)	Mitsui Fudosan Co., Ltd.	Global PO	¥345.2 billion
	Mitsui O.S.K. Lines, Ltd.	Euro US\$ CB	US\$500 million
IPO	HOTLAND Co., Ltd.	IPO	¥4.3 billion
Bond	Asian Development Bank	Global benchmark US\$ bond	US\$3.0 billion
	Japan Bank for International Cooperation	Global benchmark US\$ bond	US\$1.0 billion
	SoftBank Group Corp.	Retail bond	Total of four issues: ¥1.5 trillion
M&A	<ul style="list-style-type: none"> <li>Advisory service for the sale of a part of the wireless networks business of Panasonic System Networks Co., Ltd. to Nokia Networks</li> <li>Advisory service for the acquisition of an equity stake in Singapore-based COSMOSTEEL HOLDINGS LIMITED by HANWA CO., LTD.</li> </ul>		

## Asset Management Division

The Daiwa Securities Group's Asset Management Division consists of mainly the following companies: 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, including Daiwa Office Investment Corporation.

Strengthen investment abilities, expand the scope of assets to invest in

Expand the real estate asset management business

**Makoto Shirakawa**

Deputy President  
Head of Asset Management  
Daiwa Securities Group Inc.



### Action Plan for FY2015

- 1 Strengthen the management structure and target performance.
- 2 Build and expand leading funds in both the securities and bank OTC channels.
- 3 Develop products suitable for expanding the investor base and long-term asset building.
- 4 Further strengthen system for timely information distribution and sales support.
- 5 Further reinforce the real estate asset management business.

### Business Performance for FY2014

#### Investment Trust & Investment Advisory Operations

Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd. marketed products through a network of diverse distribution channels and strengthened their asset management capabilities to expand the balance of assets under management.

Daiwa Asset Management successfully managed “Daiwa U.S. Shares Strategy Alpha Fund (a currency selection type) – Triple Returns –,” distributed through Daiwa Securities, which brought in net new cash flow of ¥157.2 billion in FY2014. The “Daiwa Fund Wrap Japan Bond Select,” sold exclusively as a Daiwa Securities’ “fund wrap” product, attracted a net inflow of ¥190.9 billion in FY2014. Daiwa Asset Management’s publicly offered investment trusts received a net inflow totaling ¥1.06 trillion over the course of the year, and its assets under management reached a record high of ¥11.0 trillion.

Daiwa SB Investments focused its efforts on enhancing investment advisory skills, to serve pension fund customers both in Japan and overseas. The company’s fund management business, meanwhile, continued to expand net assets in its series of “Preferred Securities Funds” (sold mainly through regional banks). The balance of assets in this series rose to ¥317.0 billion at the end of FY2014.

## Real Estate Asset Management

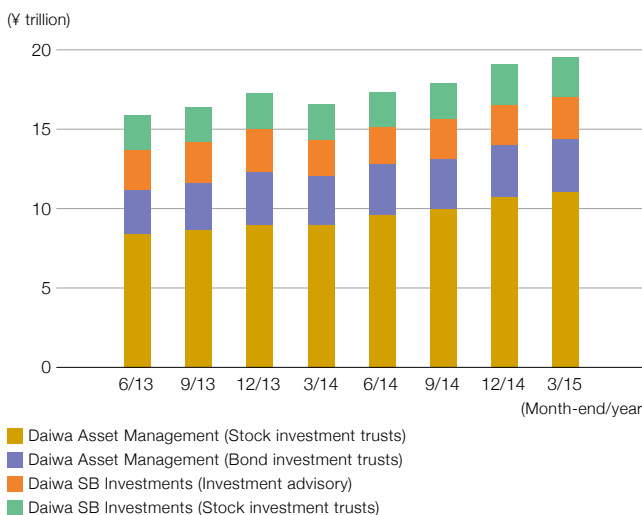
In January 2014, Daiwa Real Estate Asset Management Co. Ltd. launched Nippon Healthcare Investment Corporation, Japan's first REIT specializing in healthcare facilities. On November 5, 2014, it was listed on the REIT section of the Tokyo Stock Exchange. The listing attracted widespread attention from the investment community, with Thomson Reuters Markets KK awarding it the J-REIT Deal of the Year honors at its annual Deal Watch Awards 2014. Capital Eye Ltd. also recognized the REIT, with the Best Deal of 2014 award, in the REIT category.

In addition, Daiwa Office Investment Corporation issued new shares in June 2014, for the first time after Daiwa Securities Group Inc. became sponsor of the REIT in July 2009. Demand from investors was brisk, and the public offering was oversubscribed. The market reaction to this capital increase was positive. For example, on September 19, 2014, the REIT was added to the FTSE EPRA/NAREIT Global Real Estate Index Series, which serves as the benchmark index for international real estate investment trusts.

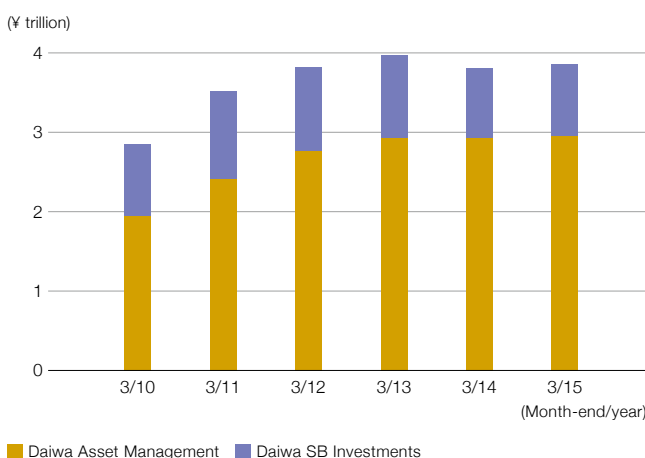
Through the ongoing acquisition of properties, the AUM of Daiwa Real Estate Asset Management surpassed ¥477 billion at the end of March 2015, which includes assets held by Daiwa Residential Private Investment Corporation, a private REIT.

Daiwa Real Estate Asset Management's approach toward environmental issues is also earning positive reviews for their contribution to the Group's CSR efforts. For three consecutive years, Daiwa Office Investment Corporation received the highest mark (Green Star) on the Global Real Estate Sustainability Benchmark (GRESB) Survey, while Nippon Healthcare Investment Corporation was recognized by the Ministry of the Environment as an "example of good practices" at its annual general meeting and symposium, which dealt with the Principles for Finance Action Towards a Sustainable Society (Principles for Financial Action for the 21st Century).

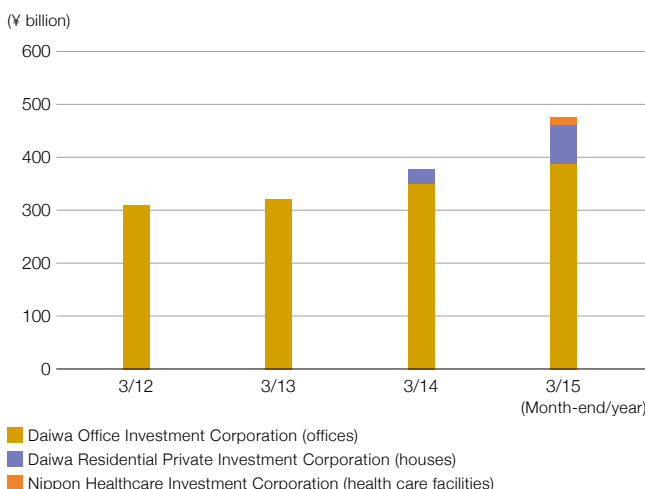
## Balance of Major Assets under Management at the Asset Management Division



## Outstanding Balance of Stock Investment Trusts Sold through Bank-Related Sales Channels



## Assets under Management of Real Estate AM Business



## Investment Division

The Investment Division of the Daiwa Securities Group encompasses primarily two companies: Daiwa Corporate Investment Co., Ltd., which makes investments through investment funds raised from third-party investors; 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 targets, such as venture investments, domestic and overseas private equity investments, corporate loan investments, and energy investments (such as photovoltaic power generation projects).

### Expand peripheral businesses aimed at expanding stable revenues

#### Action Plan for FY2015

- 1 Secure returns by enhancing expertise in investment management.
- 2 Engage in investment linked to group businesses by utilizing principal funds.
- 3 Support sustainable growth of companies and the development of new industries by supplying growth capital.

#### Business Performance for FY2014

##### Daiwa Corporate Investment Co., Ltd.

In June 2014, Daiwa Corporate Investment established DVF I L.P. (with a total investor commitment of ¥3.0 billion). This fund focuses on and supports a wide range of venture companies in Japan and overseas with strong potential for future growth. In addition, in January 2015, the company's wholly owned subsidiary, DCI Partners Co., Ltd. – together with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, the Taiwanese government-affiliated National Development Fund, Executive Yuan, and other investors both in Japan and overseas – established the “Daiwa Taiwan-Japan Biotech Fund Investment Limited Partnership” (with total initial committed capital of ¥9.3 billion). This fund will invest in unlisted biotech and pharmaceutical companies in Japan and Taiwan.

Daiwa Corporate Investment's operations sought to identify and invest in a variety of venture companies with strong potential for success. The company looked toward maximizing capital gains from the sale of existing portfolio companies through IPOs or direct sales to other investors. During FY2014, seven portfolio companies have gone public – six in Japan and one overseas company.

Daiwa Corporate Investment aims to enhance the corporate value of portfolio companies that have strong growth potential by providing risk money and hands-on

involvement. The company creates and activates new technologies and new markets by venture investments, and contributes to the sustainable development of society.

##### Daiwa PI Partners Co. Ltd.

Daiwa PI Partners conducts loan investments and private equity investments targeting corporations both in Japan and overseas countries, particularly in Asia. It also invests in energy-related businesses.

Loan investments focus mainly on purchasing new loans from regional banks and other financial institutions, while collecting existing loans in its portfolio. This business also offers a variety of finance schemes, including providing a loan secured by the investment units of Japan Rental Housing Investment Inc., a J-REIT.

Private equity investments include stakes in domestic companies, such as KANTATSU CO., LTD. (a lens manufacturer), DAIICHI CHUO KISEN KAISHA (a seaborne transport company), and Rinkai Construction Co., Ltd. (a general contractor). Daiwa PI Partners has also invested in companies in Asia, including the Vietnamese dairy products manufacturer, International Dairy Products Joint Stock Company, the Taiwanese pharmaceutical manufacturer, Original BioMedical Co., Ltd., as well as Gold NanoTech, Inc., a Taiwanese company that is developing edible gold-based nanotechnology.

Energy-related investments include three large-scale solar power generation facilities that supply electric power – one in Kan-onji City, Kagawa Prefecture, and two in Kushiro City, Hokkaido. In October 2014, construction began on another large-scale solar plant in Iwamizawa City, Hokkaido.

Daiwa PI Partners leverages the Daiwa Securities Group's network to support the sustainable growth of companies and the development of new industries by supplying growth capital, etc.

## Other

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

## Daiwa Institute of Research Group

### Action Plan for FY2015

- 1 Increase group presence by actively communicating information based on the three pillars of the economy, finance, and the environment.
- 2 Expand group revenue opportunities by improving consulting abilities in Japan and Asia.
- 3 Establish the most advanced IT environment among domestic financial institutions.

### Business Performance for FY2014

As part of its research operations, the Daiwa Institute of Research Ltd. (DIR) contributes toward raising the profile and enhancing the reputation of the Daiwa Securities Group. It releases reports on the Japanese and overseas economies as well as financial and capital markets. It publishes timely information to a wide range of subscribers by conducting joint-seminars with the UK's Royal Institute of International Affairs, and through TV programs, seminars, and publications. DIR also provides policymaking support to public agencies, government organizations and other groups. With regard to the consulting business, DIR continues to offer support for deals by large

domestic corporations and government agencies. As for its overseas operations, DIR has been focusing on the development of capital markets in Myanmar. It has also undertaken a number of large-scale projects to support the activities of government-affiliated organizations in Myanmar and other Asian countries.

The DIR Group's IT systems business has been enhancing an existing offshore IT structure and developing a further offshore IT structure in order to provide more cost-efficient IT services. It also established Daiwa Cloud infrastructure in order to develop and operate a flexible, stable, and expandable IT systems platform. The scope and functions of this platform are being steadily expanded. In Myanmar, DIR, the Myanmar Economic Bank, and Japan Exchange Group, Inc. established the Yangon Stock Exchange Joint-Venture Co. Ltd and are working to develop IT infrastructure toward the end of FY2015, when the launch of Yangon Stock Exchange operations is expected. Such infrastructure includes securities trading systems and systems designed for local securities companies. DIR also concluded a memorandum of understanding with the Central Bank of Myanmar, under which it will provide IT support, and help to modernize Myanmar's financial IT systems.

## Daiwa Next Bank

### Action Plan for FY2015

- 1 Expand new customer base.
- 2 Encourage client transactions by strengthening cooperation between securities and banking.
- 3 Strengthen ALM\*.

\* Asset Liability Management

### Business Performance for FY2014

Daiwa Next Bank's mission is to build the momentum "from savings to investment" by serving as the gateway that connects financial assets held by individuals, of which more than half are savings, to securities investment. Under the cooperation of Daiwa Securities, which serves as a banking agent, Daiwa Next Bank introduced many promotional offers in FY2014, as it did in FY2013. At the end of FY2014, the bank had established 1.01 million accounts, and the balance of total deposits (including CDs) reached ¥3.0 trillion.

In November 2014, the bank began offering a "foreign currency sweep service," which links customers' Daiwa Next Bank account to their Daiwa Securities account, and automatically transfers funds in a foreign currency. The number of foreign currencies offered has increased, as well. These services have strengthened the bank's cooperation with Daiwa Securities, and have improved the marketability of foreign currency-denominated deposits.

Daiwa Next Bank does not have any ATMs or branch offices, nor does it issue cash cards or passbooks. This low overhead operation helps reduce operating costs, thus allowing the bank to offer customers more attractive interest rates.

\* For details on the number of deposit accounts and the total account balance, please refer to page 31.

## Special Feature:

## Contributing to Society through the Securities Business

## Impact Investing

– Investment that directly addresses key social issues

Although the concept of Socially Responsible Investment (SRI) has been around for some time, “Impact Investing” – as this section explains – seeks ways to make a direct impact on social issues through investments. Instead of merely seeking to generate profits and to create economic prosperity, Impact Investing puts the emphasis on resolving specific issues such as poverty, environmental distress or other social issues.

Daiwa Securities Group markets and distributes many financial products that focus on Impact Investing, thereby working to resolve social issues as a leading financial institution.

Total sales of Impact Investment Bond products for individuals, distributed by Daiwa Securities Group in FY2014

5 issuers ¥51.3 billion

Cumulative amount of Impact Investment Bonds distributed to domestic individual investors, to date

¥1.1 trillion  
(as of March 2015)



► Daiwa Securities

¥616.7 billion 56% of total

(Source: Daiwa Securities)



## Inclusive Business Bond

In October 2014, Daiwa Securities underwrote and distributed the first ever Inclusive Business Bond, issued by International Finance Corporation (IFC). At present, 4.5 billion people form the “base of the economic pyramid (BOP)” and they subsist on less than US\$8 per day. The capital raised from issuing this bond is invested in “inclusive businesses” – companies that provide products, services and economic opportunities for these individuals in developing countries.



## Banking on Women Bonds

In August 2014, Daiwa Securities underwrote and distributed IFC’s Banking on Women Bond. At present, it is estimated that over 30% of businesses worldwide are owned and operated by women, yet only about 5-10% of these companies have been able to obtain bank loans. IFC uses the funds raised by this bond issue to expand financing services to women, who operate businesses in developing countries, by providing funds to financial institutions that loan money to such companies.



## Green Bonds

In February and November 2014, Daiwa Securities helped to distribute Green Bonds, which were issued by Credit Agricole Corporate and Investment Bank (CACIB). Climate change has become one of the most critical issues that humankind needs to address over the next few decades. CACIB uses the capital raised from these bond issues to fund companies and projects that help shape an environmentally sustainable society and economy.



## JICA Bonds

In December 2011, Japan International Cooperation Agency (JICA) issued JICA Bonds – the first yen-denominated bonds for individual investors issued by a government-affiliated organization. Capital raised from this bond issue is fully used to help fund development loans (some of them yen-based) to international cooperative projects that offer international and social benefits. These bonds have attracted considerable interest from investors. Every year since 2011, JICA has issued JICA Bonds in addition to bonds for institutional investors. In 2014, JICA issued government-guaranteed foreign bonds, of which Daiwa Securities Group was selected to be the sole Japanese securities firm to lead-manage and underwrite. The funds raised from both individual and institutional investors are used to support projects in developing countries. Daiwa Securities Group will continue to help distribute these bonds by marketing them to a wide range of investors.

### Recent Projects Funded by JICA's Yen-Based Loans



▶ Delhi Subway, India (photo: Shinichi Kuno)



▶ Post-disaster standby loans support relief efforts in the Philippines (photo: Mika Tanimoto)



▶ Subway Link across the Bosphorus Straits, Turkey (photo: Shinichi Kuno)

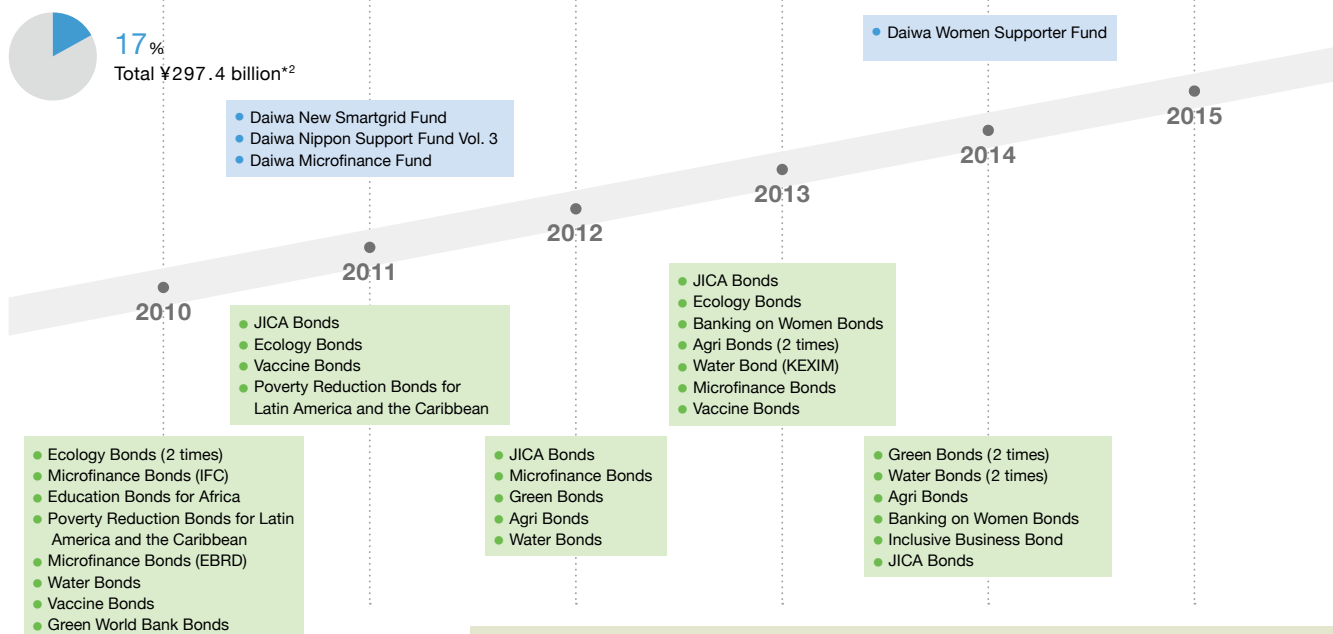


▶ Support for a polio vaccination campaign in Pakistan

## Daiwa Securities Group's History of SRI Funds and Impact Investment Bonds (from FY2010)

Net assets of SRI funds (As of the end of March 2015)

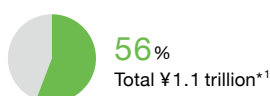
Daiwa Securities Group net assets ¥51.0 billion\*1



Cumulative sales of Impact Investment bonds (As of the end of March 2015)

Daiwa Securities cumulative sales

¥616.7 billion\*1



\*1 Source: Daiwa Securities

\*2 Source: Daiwa Fund Consulting Co. Ltd.

## DBJ Green Bond:

### First Japanese Issuance in the Eurozone Market

In September 2014, Daiwa Securities Group was chosen as the sole Japanese securities firm to lead manage and underwrite DBJ Green Bonds, issued by Development Bank of Japan (DBJ). This issue was the first Green Bond by a Japanese issuer to be sold in the Eurozone market. Since 2011, the bank has operated a DBJ Green Building Certification system, to carefully oversee the selection of projects that receive funding from DBJ. The system obtains opinions from a certifying agent (DNV GL) to ensure that the scheme is implemented in a transparent manner.

# Healthcare REITs

## – Providing solutions to the challenges of Japan's aging society



Charm Suite Ryokuchi Koen (Toyonaka City, Osaka)

Daiwa Securities Group utilizes real estate investment trusts (REITs) to fund and manage elderly care facilities. By creating REITs that specialize in healthcare facilities, the real estate asset management business can support one of Daiwa Securities Group's corporate principles – to make contributions to society through financial and capital markets.

### Expanding Healthcare Services for the Elderly

The share of Japan's population accounted for by elderly individuals (over age 65) continues to increase, and there has also been a rise in the number of elderly individuals who live alone. The Ministry of Land, Infrastructure, Transport and Tourism recognizes the shortage of appropriate housing for the elderly as an issue that requires urgent attention. By 2020, the Ministry aims to increase the share of specialized housing for the elderly to a level equal to 3-5% of the elderly population\*. This goal can only be achieved if Japan builds new housing units for approximately 580,000 and 1.3 million people. The Ministry is now taking steps to encourage private investment in elderly care facilities by creating an environment that encourages construction of housing units with accompanying care services for the elderly.

### The Role of Daiwa Securities Group

In January 2014, Daiwa Real Estate Asset Management established the first investment trust specializing in healthcare facilities – Nippon Healthcare Investment Corporation – and in November of the same year, listed it on the Tokyo Stock Exchange. Since then, Nippon Healthcare Investment Corporation has been investing in properties, focusing mainly on fee-based homes for the elderly. In the future, it plans to expand its focus to include hospitals and other care facilities.

By setting up a REIT to manage healthcare facilities, the Group has channeled the power of the capital markets to social needs, making it possible for large-scale facilities to be established throughout Japan. The centralized oversight of a REIT should also help to improve the management,

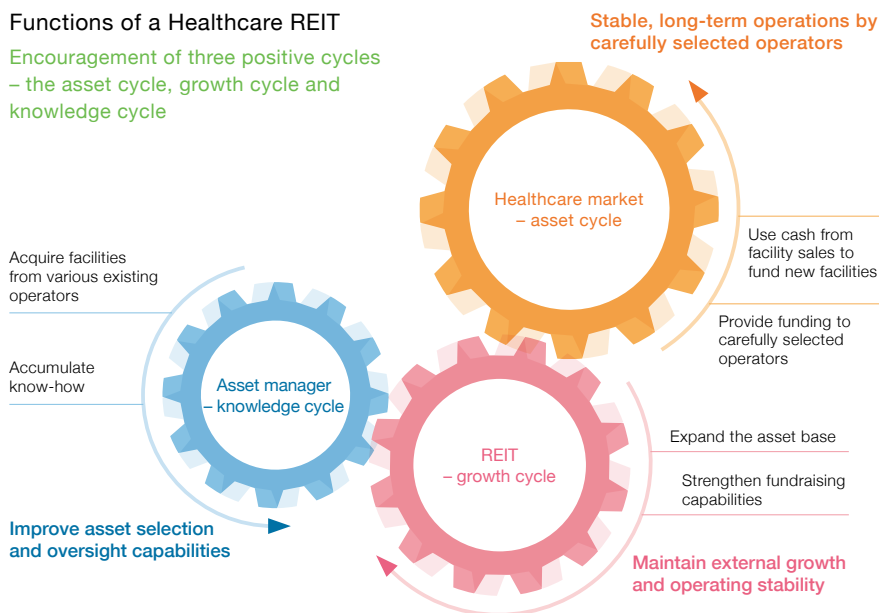
maintenance and sustainability of each facility, delivering better performance standards to operators and residents alike.

Daiwa Securities Group offers information regarding properties that fall within the scope of possible acquisition as well as personnel support to Nippon Healthcare Investment Corporation, ensuring that it can meet the long-term growth strategy of the REIT. Furthermore, Daiwa Real Estate Asset Management maintains a stake of about 10% in the investment corporation, thus ensuring that the Group bears the same risk and responsibilities as other investors, and maintains a firm commitment to the development of REITs.

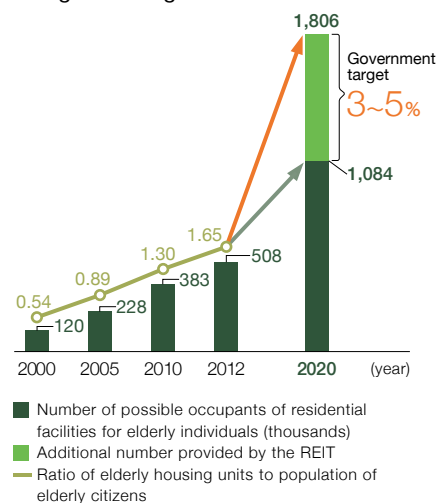
\* In 2020, the number of Japanese citizens aged 65 or over is expected to be about 36,120,000.

### Functions of a Healthcare REIT

Encouragement of three positive cycles – the asset cycle, growth cycle and knowledge cycle



### Ratio of housing capacity to demand, and growth targets

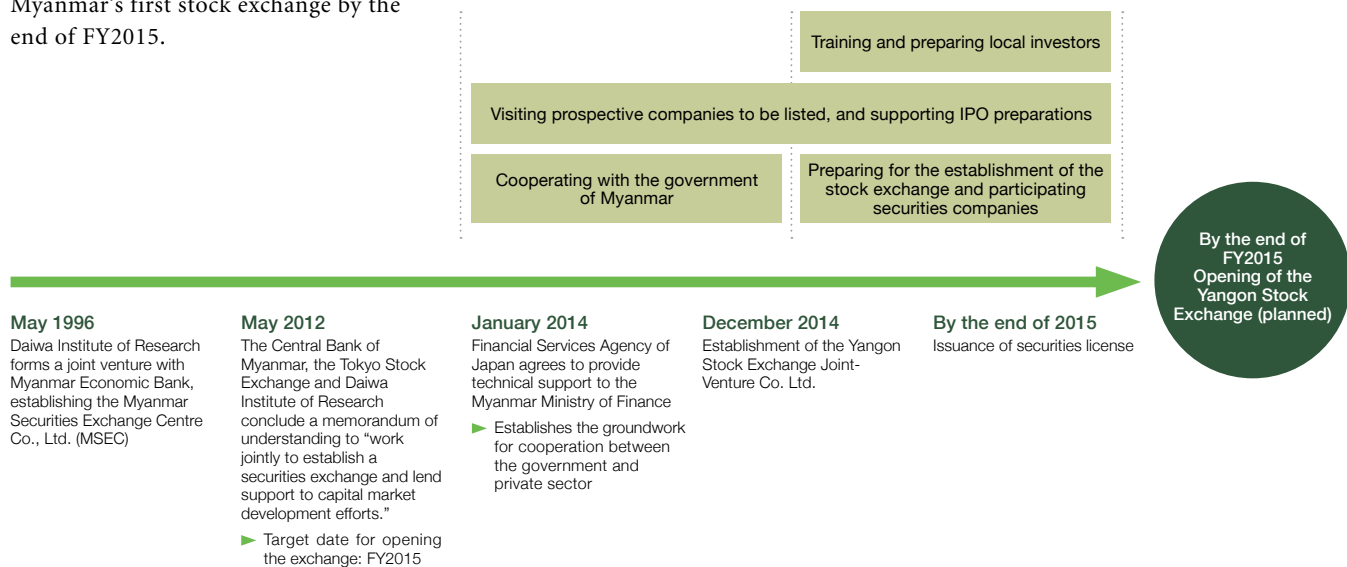


# Developing Capital Markets in Myanmar

Since 1996, Daiwa Securities Group has been providing support to Myanmar, to help the country develop its capital markets. The Group will continue these efforts toward the opening of Myanmar's first stock exchange by the end of FY2015.



Yangon Stock Exchange Joint-Venture Co. Ltd. – JV contract signing ceremony



# Introduction of the Japan Stewardship Code

In February 2014, the Financial Services Agency announced its Principles for Responsible Institutional Investors (the Japan Stewardship Code). This code was created in response to the Cabinet's approval (on June 14, 2013) of a Japan Revitalization Strategy. It was intended as a measure to encourage appropriate stewardship conduct among institutional investors and set standards in a wide range of areas to ensure constructive communication between investors and corporations, as a first step in promoting long-term corporate growth. The stewardship responsibilities of an institutional investor include the responsibility to carefully manage the

assets of companies in which they invest, to preserve the company's long-term growth potential and to protect the interests of customers and other beneficiaries.

In May 2014, Daiwa Asset Management Co. Ltd. announced that it had formally adopted this code to govern its investment activities. In order to further promote healthy discussions with the companies in which it invests, and to ensure that a high standard of stewardship is maintained in all decision-making activities, the company has created a new Stewardship Committee, under the direction of the Chief Investment Officer (CIO). This

creates an operating structure that can promote good stewardship standards throughout the organization.

Daiwa Securities Co. Ltd., Daiwa SB Investments Ltd. and Daiwa Fund Consulting Co. Ltd. have also announced their adoption of the Japan Stewardship Code, to promote communication with investment targets and expand the frequency and range of issues that they discuss with companies in which they invest, thus fulfilling their stewardship responsibilities.