



Aiming for an Advanced Wealth Management Business Model

Having established the corporate principle which consists of the four pillars of “building trust,” “placing importance on personnel,” “contributing to society,” and “maintaining healthy earnings results,” Daiwa Securities Group follows through by incorporating each of these pillars into actual management initiatives in order to fulfil the expectations of its stakeholders.

We have prepared and published the Integrated Report 2016 for the purpose of introducing the Group’s initiatives based on this corporate principle and discussing progress made on our Medium-Term Management Plan, entitled “Passion for the Best” 2017, which was launched in FY2015 as our seventh medium-term management plan.

We started off FY2015, the first year of the Management Plan, amid a worsening external business environment. Regardless, we are steadfast in our view that the transition “from savings to investment” will afford considerable business opportunities over the longer term. Accordingly, we have not changed the basic policies of the management plan.

People have life plans based on the stage of their life, without regard to market trends, and these life plans have varying needs for asset formation, wealth management, and inheritance. By offering our customers products and services that are appropriate for their needs, we seek to build trust in our aim of establishing an advanced wealth management business model.

Daiwa Securities Group aims to secure a sound level of profits from the provision of high-value-added services to its customers at fair prices, in order to consistently improve its earnings potential and steadily increase dividends for its shareholders. Management has raised its targeted dividend payout ratio from about 30% to 40% for FY2015 onward for the purpose of enhancing shareholder returns. As a result, the actual dividend payout ratio for FY2015 came to 42.5%.

Daiwa Securities Group intends to increase corporate value while securing stable profits and establishing a more robust business structure that is responsive to constantly changing financial and capital markets. All of our executives and employees are working together to make Daiwa Securities Group the customer’s first choice securities group. As we work toward achieving our goals, we kindly request the continued support and understanding of all stakeholders.

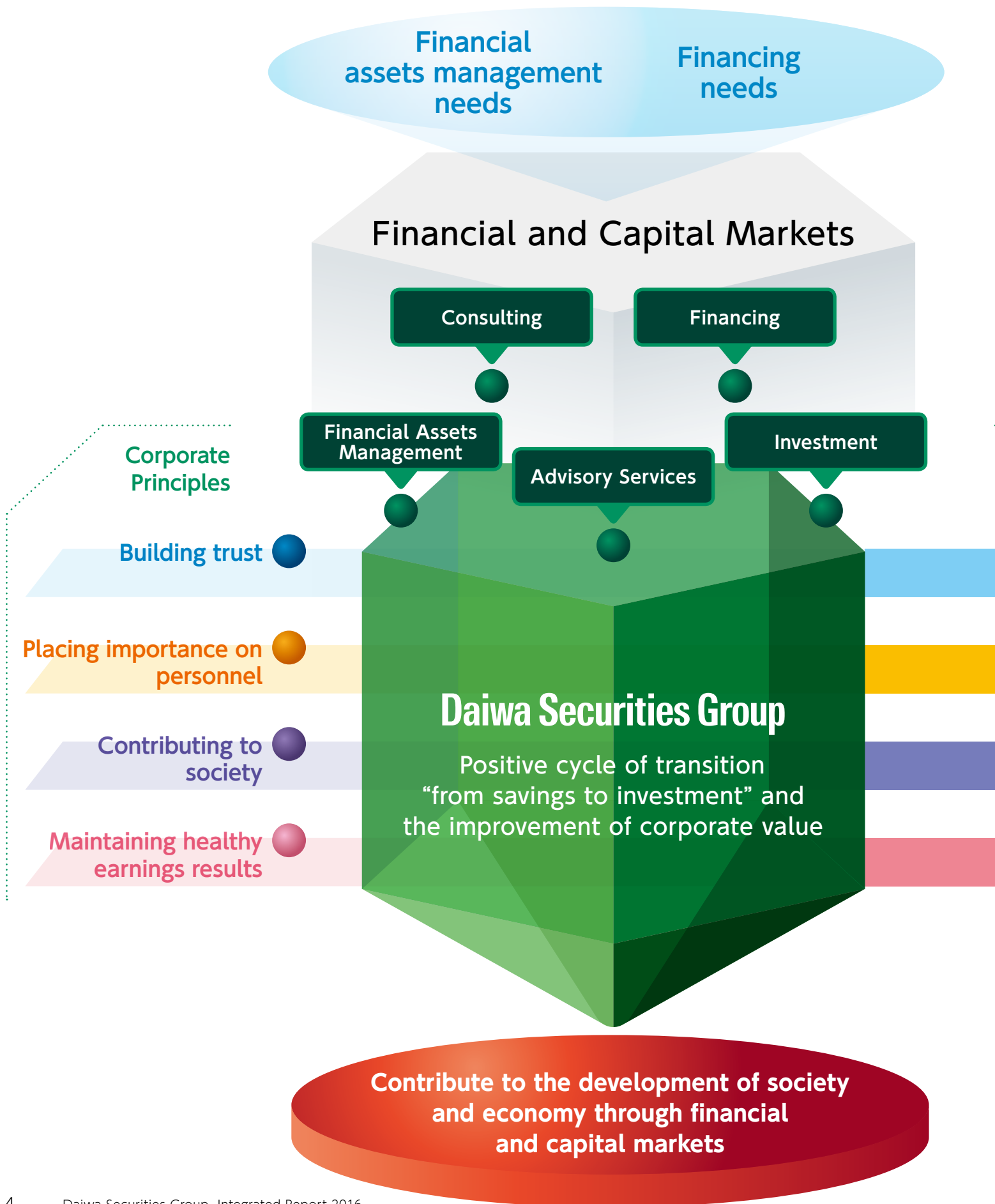


Shigeharu Suzuki
Chairman of the Board
Daiwa Securities Group Inc.



Takashi Hibino
President and CEO
Daiwa Securities Group Inc.

Daiwa Securities Group's Value Creation Process



➤ Financial Assets Management	Daiwa Securities Group meets the asset management needs of customers including individual and institutional investors and pension funds by providing an extensive lineup of investment products – equities, bonds, investment trusts, and fund wrap – as well as a variety of services such as investment information and advice. Customers can take advantage of various functions and capabilities, including contact centers, online trading, banking, and securities trading.
➤ Consulting	Daiwa Securities Group provides consulting services to individual customers on areas including wealth management, pensions, insurance, and inheritance. Consulting services for corporate clients offer support for business succession, business insurance, and employee benefit issues.
➤ Financing	Daiwa Securities Group offers underwriting and other advisory services to meet the financing needs of corporations for their capital investments as well as R&D. It also provides those services to national and local governments, international institutions, public corporations, and other entities to assist with their procurement of operating funds. The Group supports financing through the issuance of equities and bonds, or by structuring securitized products.
➤ Advisory Services	Daiwa Securities Group offers consulting and intermediary services such as M&As to meet client corporations' business expansion and reorganization needs. The Group has a global network covering Japan, the Americas, Europe, and Asia, in response to vibrant cross-border M&A activity by Japanese and foreign corporations.
➤ Investment	Through Group companies of private equity firms and venture capital firms, Daiwa Securities Group mainly takes capital positions in unlisted companies – both new ventures and established businesses – using hands-on investment techniques to supply these companies with management support as well as funding.

Value





In April 2015, Daiwa Securities Group commenced its Medium-Term Management Plan, entitled “Passion for the Best” 2017, for the three-year period spanning FY2015 to FY2017. In FY2015, the first year of the Management Plan, the business environment was the most challenging since the government began implementing its so-called Abenomics policies, as global securities and financial markets continued to be shaken.

Under these conditions, Daiwa Securities Group reported consolidated net operating revenues of ¥514.8 billion, ordinary income of ¥165.1 billion, and profit attributable to owners of parent company of ¥116.8 billion for FY2015. Profit levels remained stable despite challenging business conditions owing to concerted efforts to expand stable revenues by focusing on an efficient operating structure, client-based, high-quality earnings and domestic securities operations in particular, in line with the management policy of establishing a robust business structure.

In FY2016, we are taking these initiatives one step further with the intention of stabilizing flow-based revenue, such as brokerage commissions and distribution commissions that tend to be influenced by market trends, and investing in expanding the stable revenue base. We are stabilizing flow-based revenue by transitioning to an advanced wealth management business model that addresses all needs, including the needs of each customer to plan for wealth management and inheritance in accordance with their life stage, and the constantly present and substantial needs of society regardless of short-term market volatility. Leveraging its robust financial base, Daiwa Securities Group aims to expand sources of earnings through M&A and investments in new businesses that augment earnings stability.

The business conditions outlook remains uncertain, clouded by poor visibility on the world economy and equity markets. However, such uncertainties in business conditions fortify our resolve to focus on asset-based revenues, stabilize flow-based revenue, and expand sources of revenues, in line with the management policy of establishing a robust business structure less susceptible to the external environment.

Takashi Hibino

President and CEO
Daiwa Securities Group Inc.



The corporate principle of Daiwa Securities Group embodies the spirit that our executives and employees should hold dear to their heart, and they symbolize the foundation of Group management. To achieve sustainable growth, all executives and employees must move together as a unified group toward our goals with a firm understanding of our corporate principle and an awareness of the importance of fulfilling our social responsibility. One of the four pillars of our corporate principle is “placing importance on personnel,” and personnel are indeed the wellspring of Group competitiveness. We do our utmost to create work environments that allow our employees to fully deploy their abilities with the best of intentions.

Daiwa Securities Group has consistently updated its work environment, increased compensation, promoted an advanced level of work-life balance, improved training systems, and encouraged all employees, especially young employees, female employees, and veteran employees, to achieve higher levels of performance. In October 2015, we appointed a Chief Health Officer (CHO) to oversee all operations related to helping employees maintain and improve their health. This new initiative is designed to encourage all employees to lead long and healthy working lives.

“Building trust” is another pillar of our corporate principle. The trust placed in us by our customers forms the very foundation of the Group. To build solid and enduring relationships of trust with our customers, we make every effort to instill integrity in our employees as highly trained specialists. Each and every one of our executives and employees is proud and honored to play their part in maintaining healthy financial and capital markets. As a unified group, we aim to be the customer’s first choice securities group by gaining trust and being their best financial life partner.

Shigeharu Suzuki

Chairman of the Board
Daiwa Securities Group Inc.

Human Resources That Power Daiwa Securities Group

Daiwa Securities Group considers human resources its most important management resource in order to be the customer's first choice securities group. We aim to develop professionals with highly specialized skills as well as high ethical standards, and create a work environment that strongly motivates all employees to perform at the best of their abilities. We asked a few employees of the Group for their thoughts about work and our Group.

Aiming to be a securities business professional



Yutaka Bani

Director

Tokyo Sales Office in the Retail Division

When interacting with customers, I take care to really understand my customers, and let them know more about myself. It is hard to gain the utmost trust from someone who does not know you, and unless one truly seeks to understand their customer, it is impossible to propose ideas that satisfy the customer's needs.

For these reasons, I attentively listen to what my customers are saying while conversing with them and talking about myself. It goes without saying that the most important thing is to understand the investment inclinations of our customers. But other information is also important. For example, I would ask an individual customer about their family composition and hobbies, or a business owner or corporate client about their earnings conditions and business succession plans, as well as whether they have prepared retirement savings. In these conversations, I aim to identify the latent needs of customers that can be incorporated into our proposals.

By understanding my customers better, and having them know a little more about me, I am able to gain their trust and perform at my best ability as a salesperson.

As an Inheritance Consultant, I am in charge of providing comprehensive support to individual customers for inheritance procedures. Talking about inheritance brings up a mix of emotions, so when discussing ways of passing assets onto the next generation, I attentively listen to the customer's feelings about their family, and refrain from talking too much myself. I then diligently put together a proposal based on the customer's wishes. When talking with the beneficiaries of an inheritance, I avoid talking immediately about procedures and tax issues, and instead console with them about their feelings of the recently departed family member and the life that he or she lived.

Daiwa Securities Group has an extensive training system for employees to learn the specialized skills required of a professional able to precisely offer the best advice to customers based on their life plan and wishes. For example, the company has an e-learning system with various courses and helps subsidize the cost of external classes. Employees that have been designated Inheritance Consultants are given monthly training to brush up their knowledge and skills.



Nanami Tsuji

Associate Director

Yokohama-Eki Nishiguchi Branch

Support for female employees



Keiko Tokuhira

Associate Director
Ginza Branch

Daiwa Securities Group supports female employees on various fronts, such as women who have returned to work after taking maternity leave, as well as female employees working overseas or in positions as branch office or sales office managers. Women, who tend to have more life events than men and juggle several goals at the same time, find that they are able to work here without undue stress thanks in part to the past experiences of more senior female employees. The corporate culture of evaluating employees based on their work performance, without regard to gender, also boosts our motivation.

On a routine basis, I ask customers about their ideas and goals for investing, and politely explain current market conditions and interest rates, and may even discuss products that they have no experience investing in yet. In doing so, I aim to have customers become aware of a broader range of investment options while consulting them on asset management strategies. As our customers become aware of new investment opportunities through transactions with Daiwa Securities, I take great care to uphold the trust placed in us by our customers while providing after-sales services.

Over the past few years, the investment environment has changed substantially from Abenomics, NISA (individual savings account system), tax code reforms, and negative interest rate policy. In this environment, I believe it is the mission of each and every employee at Daiwa Securities to provide customers with appropriate financial products and services.

Since joining Daiwa Securities, I have been in charge of helping institutional investor clients, primarily financial institutions, manage their assets as a bond salesperson. Since these clients are professional investors, they have large pools of assets to manage, and require timely investment ideas for markets that change daily. I always do my best to provide high-quality advice while taking care of all the details, so that these clients choose Daiwa Securities instead of one of our competitors.

Daiwa Securities Group has a system that puts female employees to work on the front lines, while maintaining an environment that allows them to strike a balance between work and their families. I am motivated by the knowledge that all employees, i.e., men, women, new graduates and veterans, are able to work here without discrimination. I would like to continue working here even after becoming a mother someday.



Emily Tanaka

Assistant Manager
Fixed Income, Currency and
Commodities (FICC) Sales Dept. (I)

Support for veteran employees

My main job is to consult individual customers on asset management. I believe my work also entails helping customers, shareholders and employees give shape to their dreams for the future, while contributing to society through financial and capital markets.

When interacting with customers, I always try to stand in their shoes and understand their needs. I am 67 years old, and many of my customers are close to my age or even older. Our conversations cover not only asset management compared with when I was younger, but also familiar topics like our children, grandchildren, and old age, bringing us closer together. No matter how friendly we get, I never forget that this person is a customer, and take great care in choosing the words I speak.

Through work, I interact with customers and company colleagues, and this gives me a connection with society and a sense of fulfillment every day. I would like to see more experienced employees putting their knowledge and experience to good use at Daiwa Securities Group.



Tetsuji Tsuruno

Managing Director
Kobe Branch

Fostering global human resources



Manabu Takahashi

Branch Manager
Daiwa Capital Markets Europe Limited
Geneva Branch

I am the manager of the Geneva branch office of Daiwa Capital Markets Europe Limited. Since we are a small office of about 10 staff, not only do I manage and supervise the office as the manager, but I also meet with customers directly and put forward sales proposals as one of our sales staff. This is helping to motivate other branch employees.

Currently, most of my clients are local institutional investors. During my first five years at the Group, I consulted retail customers on wealth management at branch offices in Japan. The experience I had in Japan built up my confidence. Overseas, I have had the great pleasure of working with everyone here to bring in new customers and earn the praise of institutional investors, feelings that I also had during my time working in a Japanese branch office. I am most excited when engaging in dialog whether with an individual investor or institutional investor, as these conversations are the source of my energy and a constant reminder that I need to hone my perceptions of the market.

Recently, in the securities industry, even young employees are required to have specialized skills. Meanwhile, Daiwa Securities Group has given employees like myself many opportunities to plan long-term careers and pursue new responsibilities across business departments and divisions. I believe this shows the deep insight that the Group has with regard to its human resources. This fosters motivation among employees that goes beyond a monthly paycheck and benefits. I would not have made it to where I am today without the help of the senior and junior coworkers that I have had the pleasure of working with over the years.

Promoting Health Management

Daiwa Securities Group has received widespread social recognition for its proactive efforts to encourage employees to improve their health, having been selected as a Health and Productivity Company for two years running by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. In October 2015, the Group created the position of Chief Health Officer (CHO) to oversee all operations related to encouraging employees to maintain and improve their health. Atsushi Mochizuki, Executive Managing Director, who was newly appointed as CHO on April 1, 2016, was interviewed about the Group's initiatives to promote health among employees.

Q1 What initiatives have Daiwa Securities Group taken to enhance its health management systems?

In October 2015, we created the CHO position and decided to hold Health Management Promotion Meetings once every three months. These meetings are attended by the CHO, human resource officers from Group companies, industrial physicians, and a managing director of the Group's health insurance society. Through these meetings, we seek to understand the overall health conditions of our employees, examine measures related to health management, evaluate outcomes, and improve efforts.

The Health Management Promotion Section was newly established within the Human Resources Department at Daiwa Securities Group Inc. to advance planning and proposals for helping the Group employees maintain and improve their health.

In December 2015, we published the Daiwa Securities Group Health White Paper as an accounting of the Group's health management promotion systems, the outcomes of past initiatives to promote health among employees and issues that arose, and future policies. We hope that the publication of this white paper will lead to better outcomes for the Group as a whole by deepening the understanding of health management among



The 2016 Tokyo Marathon



Atsushi Mochizuki
Executive Managing Director
Chief Health Officer (CHO)

employees and increasing awareness of how to improve their health.

In February 2015, the Group co-sponsored the Tokyo Marathon 2016, and a large number of Group employees, including CEO Takashi Hibino, completed the entire 42.195km course. Many employees came out to the event to cheer on the runners as a unified group effort.

Q2 What initiatives are in place to encourage Group employees to improve their health?

In FY2015, Daiwa Securities Group introduced a new personnel system for employees aged 45 and older with the objective of supporting mid-career employees. This system gives employees points for acquiring specialized qualifications and taking training courses to improve their skills, and includes schemes that encourage employees to improve their health. Once the number of awarded points reaches a certain level, employees aged 55 and older will have a reward reflected in their salaries.

There are three specific ways to acquire points related to health management.

① Walking

This program is sponsored by the Group's health insurance society. It encourages employees to walk more than 10,000 steps on average every day for three months.

② Eating in moderation

This program is sponsored by the doctor's office. It lets employees self-report on whether they ate in moderation every meal for a month.

③ Improving health awareness via e-learning

This system is designed to help employees acquire basic knowledge of lifestyle diseases, nutrition and exercise.



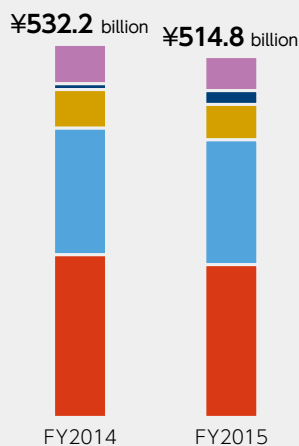
Selected as a Health and Productivity Company
for a second consecutive year

Daiwa Securities Group

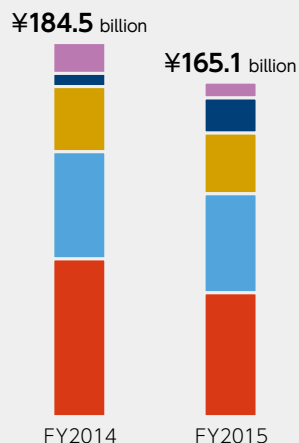
大和証券グループ

- Retail ■ Wholesale
- Asset Management
- Investment ■ Other

Net Operating Revenues



Ordinary Income



Retail Division



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

Number of cash management service accounts:

3,821 thousand

Number of online trading accounts:

3,040 thousand

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 144 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.

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 162.

Wholesale Division



- 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.

Offices in

20 countries and regions

Total value of stock underwriting:

¥455.9 billion

Global Markets

Global Markets offers sales and trading services in marketable securities mainly for institutional investors.

Global Investment Banking

Global Investment Banking underwrites securities issued by corporations and financial institutions and provides advisory services for M&A.

Notes: 1. The number of branches in the Retail Division is current as of June 30, 2016. Other figures are as of March 31, 2016, or from FY2015 results.
2. Net operating revenues and ordinary income data of "Other" are the amounts of others/adjustments with respect to results by segment.

Asset Management Division



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

Assets under management:

¥18.1 trillion

Balance of assets in publicly offered stock investment trusts:

¥13.3 trillion

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.

Note: The data provided above is the total for Daiwa Asset Management (stock investment trusts and bond investment trusts) and Daiwa SB Investments (stock investment trusts and investment advisory).

Investment Division



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

Assets from investment funds:

¥332.3 billion from 80 funds

Outstanding principal investment balance:

¥104.0 billion

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.

Note: Investment fund data is presented on a cumulative basis from the commencement of DCI business operations.

Other



- Daiwa Institute of Research Ltd.
- Daiwa Institute of Research Business Innovation Ltd.
- Daiwa Next Bank, Ltd.
- Daiwa Securities Business Center Co. Ltd.
- Daiwa Property Co., Ltd.

Balance of deposits:

¥3.1 trillion

Number of accounts:

1,133 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.

Note: The figures above are for Daiwa Next Bank, Ltd.

Domestic and Overseas Network

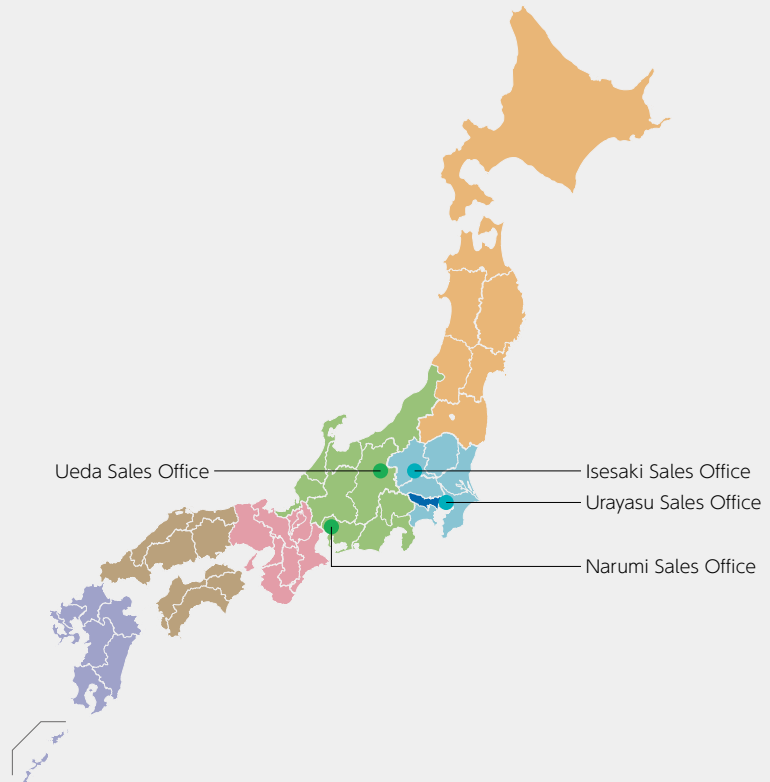
Daiwa Securities' Domestic Branch Network

■ Hokkaido and Tohoku Region	10 offices
■ Kanto Region (excl. Tokyo)	30 offices
■ Tokyo Area	38 offices
■ Chubu and Hokuriku Region	22 offices
■ Kinki Region	21 offices
■ Chugoku and Shikoku Region	13 offices
■ Kyushu and Okinawa Region	10 offices
Total	144
(118 head and branch offices / 26 sales offices)	

Four sales offices newly opened from and after April 2015

2015

● May	Ueda Sales Office	Nagano
● Jun.	Isesaki Sales Office	Gunma
● Sep.	Urayasu Sales Office	Chiba
● Sep.	Narumi Sales Office	Aichi



Number of branches and sales offices in Japan

144





Locations of global bases

20 countries and regions



Consolidated Financial and Non-Financial Highlights

Daiwa Securities Group Inc. (Consolidated)

Note: Please refer to pages 76-77 for the "Twelve-Quarter Financial Summary."

	Millions of yen (Except as otherwise specified)				
	FY2011	FY2012	FY2013	FY2014	FY2015
Operating Performance					
Operating revenues	422,375	525,412	642,830	659,396	653,712
Commissions	220,845	229,522	301,937	291,116	288,419
Net gain on trading	79,416	123,537	156,500	157,220	131,324
Net gain on private equity and other investments	1,956	16,531	17,454	7,416	18,503
Interest and dividend income	79,762	93,276	107,975	125,934	149,451
Service fees and other revenues	40,396	62,545	58,964	77,710	66,015
Interest expense	59,690	70,131	60,333	80,070	89,530
Cost of service fees and other revenues	26,668	37,973	40,546	47,106	49,367
Net operating revenues	336,016	417,308	541,951	532,220	514,815
Selling, general and administrative expenses (SG&A)	359,729	333,496	357,358	361,380	364,517
Operating income (loss)	(23,713)	83,812	184,593	170,840	150,298
Ordinary income (loss)	(12,201)	95,176	197,045	184,578	165,148
Profit (loss) attributable to owners of parent	(39,435)	72,910	169,457	148,491	116,849
Financial Conditions (Fiscal year-end)					
Total assets	18,924,038	19,049,099	19,480,864	23,001,586	20,420,818
Net assets	951,702	1,082,568	1,253,463	1,434,681	1,313,005
Per Share Data (Yen)					
Net income (loss)* ¹	(23.41)	43.00	99.63	87.07	68.25
Net assets	463.04	536.72	633.53	725.27	720.86
Cash dividends applicable to the year	6.00	15.00	34.00	30.00	29.00
Consolidated Capital Adequacy Ratio * ² (Fiscal year-end, 100 millions of yen)					
Total Qualifying Capital	9,742	—	—	—	—
Total Qualifying Capital (D)=(A)+(B)+(C)	—	9,531	10,804	12,117	11,269
Common Equity Tier 1 (A)	—	9,048	10,218	11,369	11,133
Additional Tier 1 (B)	—	—	157	359	41
Tier 2 Capital (C)	—	483	429	389	94
Total Risk-Weighted Assets (E)	35,545	47,552	49,515	57,477	52,917
Credit Risk	17,918	27,526	29,205	32,767	28,524
Market Risk* ³	10,141	12,758	11,557	14,603	13,606
Operational Risk* ³	7,487	7,268	8,753	10,107	10,788
Consolidated Common Equity Tier 1 Capital Ratio (A)/(E)	—	19.0%	20.6%	19.7%	21.0%
Consolidated Tier 1 Capital Ratio ((A)+(B))/(E)	—	19.0%	20.9%	20.4%	21.1%
Consolidated Capital Adequacy Ratio	27.4%	—	—	—	—
Consolidated Total Capital Ratio (D)/(E)	—	20.0%	21.8%	21.0%	21.2%
Non-Financial Information					
Number of women in management positions	170	190	221	262	316
Number of employees using childcare leave	408	453	505	710	890
Corporate citizenship expenditures	499	504	463	606	583

*¹ Net income (loss) per share is calculated on the basis of the average number of shares outstanding during the fiscal year.

*² Consolidated Capital Adequacy Ratio hereunder is calculated under the principles of Financial Services Agency Public Notice 130 of the Financial Instruments and the Exchange Act (Article 57-17-1). Numerical data for FY2011 is calculated based on the Basel II standards. Numerical data from FY2012 is calculated based on Basel III standards in line with revision to the aforementioned Financial Services Agency Public Notice.

*³ Market and Operational Risk hereunder is computed by multiplying each risk amount by 12.5 (the Reciprocal of 8%).