

To Our Stakeholders



Takashi Hibino



Seiji Nakata

Providing the Industry's Highest Quality to Become the Customer's First Choice Securities Group

At the end of the fiscal year under review, Daiwa Securities Group completed the second year of its Medium-Term Management Plan, entitled "Passion for the Best" 2017, a three-year plan that commenced in FY2015. From a performance perspective, Daiwa Securities Group reported consolidated net operating revenues of ¥472.7 billion, ordinary income of ¥135.6 billion, and profit attributable to owners of parent company of ¥104.0 billion for FY2016.

FY2016 saw various events that significantly impacted the global economy while overturning preconceived assumptions. These events included the decision by the U.K. to withdraw from the European Union and the presidential election in the U.S. Against the backdrop of a rapidly changing market environment, the Retail Division continued to confront harsh operating conditions as individual investors in Japan exhibited an ongoing aversion to risk. Meanwhile, the Wholesale Division experienced brisk fixed income trading while earnings from overseas operations improved substantially with a return to profitability. Taking into account these and other factors, there were indications that efforts to build a balanced Group-wide profit structure were bearing fruit. In this regard, Daiwa Securities Group is now in the position to maintain stable profit levels despite a difficult business environment.

From the end of 2016, signs of a positive turnaround in the global market environment began to emerge on the back of expectation toward the economic policies introduced by the newly elected Trump administration in the U.S. This in turn is having a positive flow-on effect on conditions in Japan. As far as foreign currency exchange rates are concerned, trends are shifting toward a weaker yen. As a result, we are seeing Japanese companies report record-high

earnings. At the same time, a succession of policies is being implemented by the Japanese government to promote the transition "from savings to investments." This includes the introduction of Junior NISA^{*1} and efforts to upgrade and expand the iDeCo^{*2} plan.

Under these circumstances, Daiwa Securities Group put in place a new management structure which took effect from April 2017. Under this new management structure, Takashi Hibino, who was president and CEO, has assumed the position of Chairman of the Board, and replaced by Seiji Nakata.

As stated in the corporate principle, the trust and approval of customers form the very foundation of the Daiwa Securities Group and the basis for every action taken. While faithfully observing this corporate principle, we will continue to evolve and promote initiatives aimed at providing the industry's highest quality by making concerted efforts to manage operations in a manner that puts the customer first. Through these initiatives, Daiwa Securities Group will garner compensation that is commensurate with its efforts to provide customers with attractive products and services. This in turn will help maintain healthy earnings results, a key tenet of the corporate principle. Furthermore, Daiwa Securities Group will continue to enhance its corporate value by building up healthy profits. As we work toward achieving our goals, we kindly request the continued support and understanding of all stakeholders.

^{*1} Introduced from April 2016, Junior NISA, which stands for Nippon (Japan) Individual Savings Account, is a tax-exempt investment account for small investments by individuals who are under the age of 20 and residents of Japan. Income from capital gains, dividends, and income from share distributions derived from publicly listed equities as well as publicly offered equity investment trusts purchased using Junior NISA accounts are exempt from levies over a five-year period.

^{*2} Expansion of qualified subscribers for iDeCo (Individual-type defined contribution pension plan) from January 2017. Tax benefits for each of subscriber premium contribution, asset management, and receipt.

司比野隆司 中田誠司

Takashi Hibino
Chairman of the Board
Daiwa Securities Group Inc.

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Daiwa Securities Group Inc.