



Business Strategy

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Interview with New CEO Seiji Nakata

On April 1, 2017, Mr. Seiji Nakata was appointed as the new CEO of Daiwa Securities Group Inc. Further honing its business strategy, as a hybrid securities group that leverages the benefits of being independent, the Group is building a solid reputation as the best partner for customers by offering the highest quality in the industry.

Seiji Nakata
President and CEO
Daiwa Securities Group Inc.

With high levels of integrity and specialization,
we contribute to the betterment of Japanese
lifestyles and Japan's growth strategy

*Quality No. 1:
Establish the industry's highest quality*

How do you evaluate the Daiwa Securities Group's management strategy so far? How can it be improved going forward?

From early on, the Group's management strategy has emphasized growth in stable revenues and the concept of a fixed cost coverage ratio, defined as the percentage of fixed costs that can be offset by stable revenues. The securities business has typically been a volatile one with significant exposure to stock market trends. I believe the strategy to expand stable revenues has been the best one available in an increasingly challenging business environment, marked by the deregulation of brokerage fees during the Financial "Big Bang" in the 2000s. We must continue to advance this strategy going forward. In the next Medium-Term Management Plan to be unveiled in FY2018, we will continue to rely on the basic concept of a coverage ratio for stable revenues to fixed costs.

In FY2016, ROE was 8.4% and the fixed cost coverage ratio was 66%, coming in below the numerical targets for the final fiscal year of the Medium-Term Management Plan for ROE of at least 10% and a fixed cost coverage ratio of at least 75%. Nevertheless, although it depends on market conditions, we will continue working toward these targets.

However, there has always been flow-based revenue that depends heavily on market conditions. Mindful of

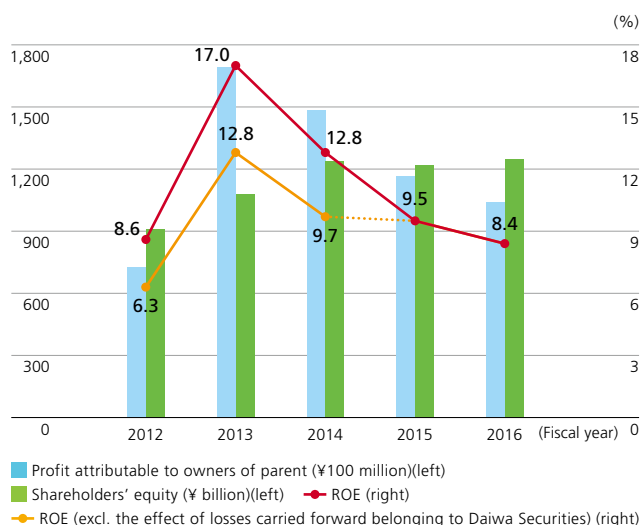
the fact that this type of revenue adds volatility to our earnings, I believe efforts must be made to stabilize flow-based revenue in the future.

This year, the Financial Services Agency issued a guideline titled "Principles for Customer-Oriented Business Conduct," drawing attention to fiduciary duty. In its corporate principles originally drafted in 1998, the Group emphasizes the "building of trust" with customers, financial and capital markets, and society as a whole. In 2008, we came up with the Daiwa Spirit as the code of conduct for employees. Throughout the Group, our employees have consistently taken a customer-oriented approach to conducting business.

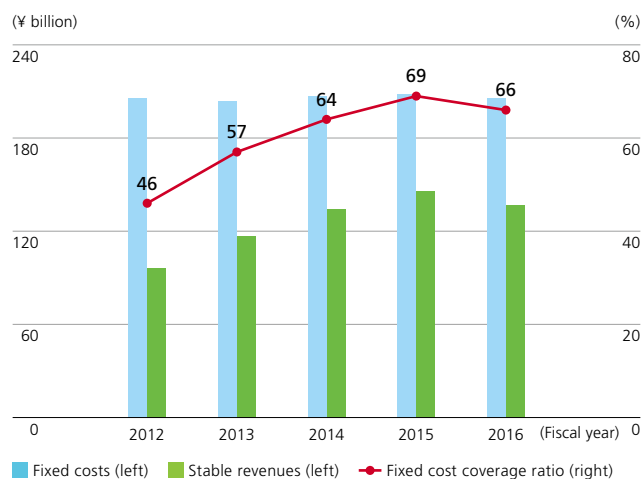
We are well aware that work still needs to be done. In light of the guidelines issued by the Financial Services Agency, the Group has formulated and published its Basic Policy on Customer-first Operations. Through such actions, we intend to always stay one step ahead of the industry and the government in addressing this issue. For example, in FY2017, one of our initiatives entailed abandoning sales targets for each product and establishing a decision-making process driven by sales branches, which are the closest to our customers,

Progress of Numerical Targets

ROE: 10% or more

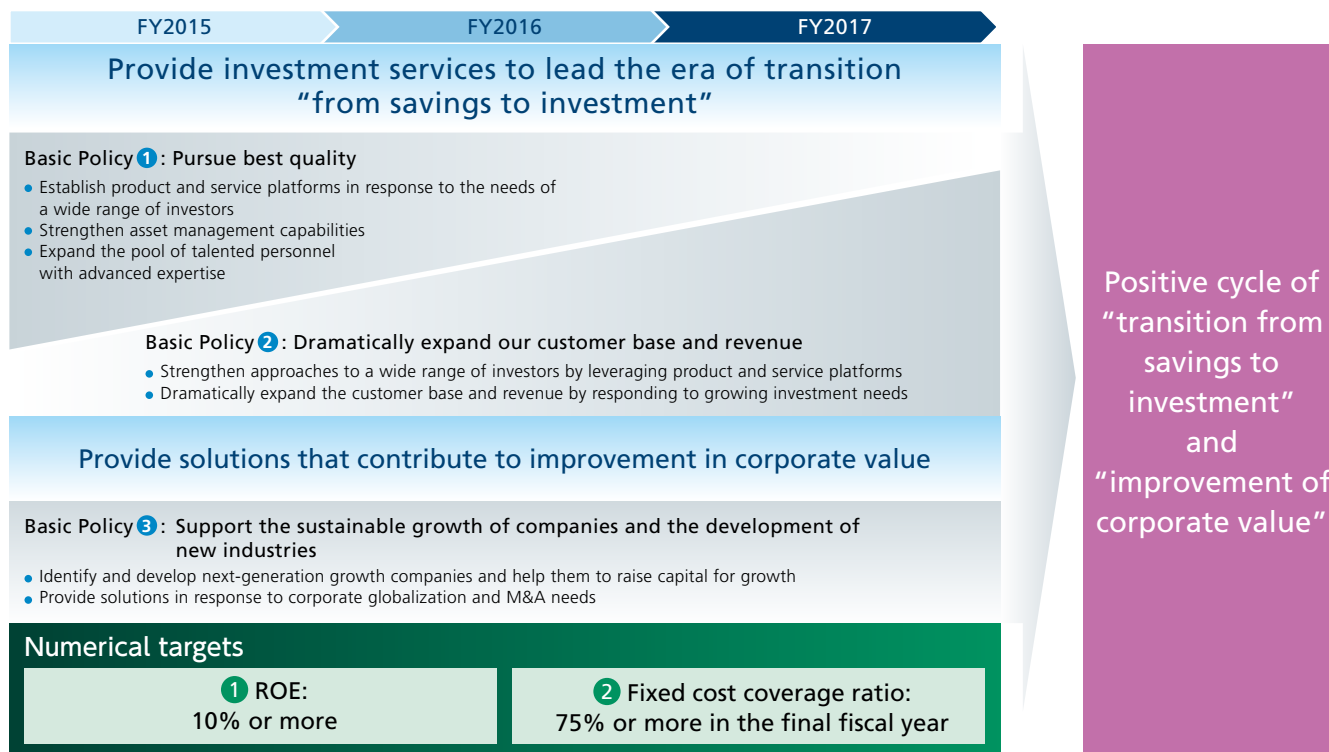


Fixed Cost Coverage Ratio: 75% or more in FY2017



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

In response to the full-fledged start of an era of transition from savings to investment, attract customers with the industry's highest quality, and become their best partner



thereby putting in place a sales structure that is more attentive to the needs of each customer.

Moreover, in our assessments of sales branches, we have placed greater weight on customer satisfaction

and personnel management, spurring improvements in the quality of sales practices. We are currently considering the introduction of new KPIs for measuring customer satisfaction.

02

Question

What is your take on the Group's performance in FY2016?

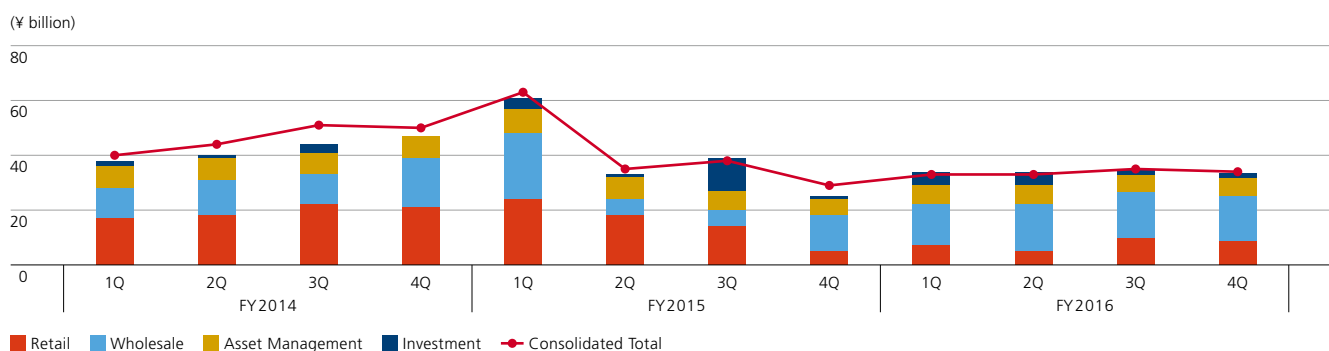
The Retail Division continued to struggle in FY2016 as individual investors avoided risk in the wake of the China Shock in summer 2015. Profits decreased as a result, but this decline in the Retail Division was covered by firm performance in fixed income trading in the Wholesale Division, as we correctly identified changes in the interest rate environment after the introduction of the negative interest rate policy.

Over the past few years, Daiwa Securities Group has

worked to create a balanced profit structure. Now, we are able to maintain profit levels by having the Wholesale Division help out when the Retail Division is struggling, and vice versa.

It should be noted that all of our overseas operations are now profitable. Ordinary income improved sharply to ¥13.4 billion over the course of the year, returning overseas operations to the black for the first time in seven years since FY2009.

Ordinary Income by Business Segments



Earnings have improved in all regions overseas, with strong performance in the fixed income business in the Americas providing momentum for overall growth. In

Europe, the M&A business (DC Advisory) had a good year, and in Asia/Oceania, Asia Private Banking Services were robust, alongside cost reductions.

03

Question

How will you encourage Japanese people to shift their personal financial assets “from savings to investments”?

For nearly two decades, the Japanese government has promoted the idea of moving assets “from savings to investments,” but it remains a fact that 52% of the ¥1,800 trillion in individual financial assets are still held in cash or savings accounts. Only 15% of these assets are invested in marketable securities. In contrast, in the United States, approximately 50% of personal financial assets (including pension assets) are invested in marketable securities, and this figure is around 25% in major European countries. I believe Japan’s prolonged deflationary economy is to blame. From the mid-1980s to the early 1990s, the “Core-Core” CPI (CPI excluding energy and food) in Japan rose at a gentle pace of 1-2%, and during these years the ratio of personal assets in marketable securities was 25-30%. The investment behavior of individuals is influenced by a variety of factors, but in terms of the Japanese economy as a whole, I believe it would be correct to say that Japanese people have sought to protect their financial assets by holding onto cash during the period of deflation. If a period of mild inflation were to return, I believe it would incentivize people to move their assets “from savings to investments.”

FY2016 saw several major events that had the effect of increasing uncertainty, such as Britain deciding to leave the European Union (Brexit) and the outcome of the U.S. presidential election. The global outlook is rather unclear. Although geopolitical risks cannot be controlled, turning our attention to economic matters, we note that the U.S. economy has remained strong. The International Monetary Fund (IMF) has also raised its outlook for global GDP growth. In Japan, Abenomics policies have corrected the excessively strong yen, and Japanese corporate earnings have risen to record-setting levels.

Under these circumstances, if a period of mild inflation were to arrive, we would expect people to shift their financial assets “from savings to investments,” and lead to an increase in customers opening up new trading accounts at securities firms. Since the customer decides which securities firm to trust with their life savings, we think it is imperative that we are the customer’s first choice securities group, as stated in our Management Vision. Our success depends on the quality of the services we provide and the quality of the personnel who provide them.

Since becoming CEO, you have stressed the Highest Quality as a strategic theme. What is this about?

Daiwa Securities Group has positioned human resources at the core of its business model, and from an early stage has undertaken various measures and reforms to make it easier for all employees to fully engage in their work, by creating workplaces that facilitate work, promoting an advanced level of work-life balance, and encouraging diversity in human resources. Daiwa Securities Group has been selected for three years in succession as a “Nadeshiko Brand” and a “Health and Productivity Stock Selection” jointly by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc. We are one of only six listed companies in Japan to have received this honor for three years in a row.

Through training programs, we have endeavored to improve the quality of our employees. As a result, Group employees who are Certified Financial Planners (CFP) now number about 680 people*, the most in the industry.

In order to realize the Highest Quality, however, I believe we must further enhance the skills of our employees. I think it is especially important to train employees in their 20s on the fundamentals of being a responsible member of society. For these employees, we have created an education program called Q-Road, as in the road to reaching the Highest Quality, for the first five years of their employment with Daiwa Securities Group.

The Group’s new graduate hires are enrolled in a training system that receives the full commitment of the entire company to refine and improve their quality over the first five years of their career.

I believe employee quality is the sum of three elements. The first element is “knowledge,” or a highly specialized knowledge of finance, the second element is “skill & technique,” which refers to the ability to leverage this knowledge and offer the best solutions for the customer, and “mindset,” comprising the basis for everything else. Only when these three

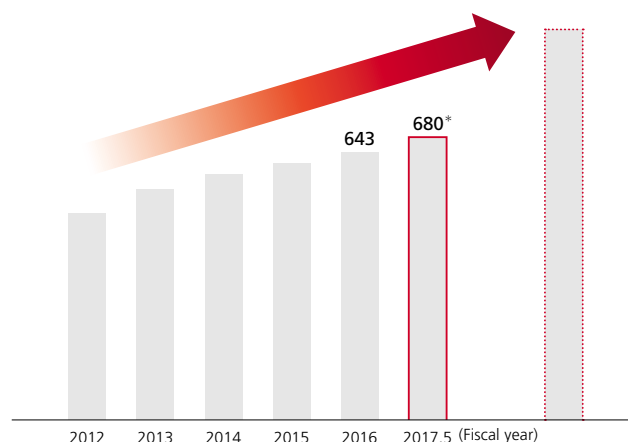
elements come together, can high quality be attained for the first time. Of the three elements, mindset makes the biggest difference, in my opinion. Without the proper mindset, value cannot be derived from knowledge or skill & technique.

Moreover, there are three types of mindsets: a customer mindset that always puts the customer first, a legal mindset that complies with all statutory and regulatory requirements as a matter of course and steers decisions based on correct ethical values, and a self-aware mindset that challenges people to set high goals and achieve them.

Our aim is for customers to hold Daiwa Securities Group in the highest regard in terms of quality, as Group employees engage in business as high-quality professionals with the proper mindsets through Q-Road training.

Daiwa Management Academy is a training program for line managers at the Group. On a personal note, in FY2016, I began taking charge of the Daiwa Spirit course that covers the mindsets required for success.

The Number of CFP Holders



* Includes the number of employees who have passed all six subjects and are in the process of applying for certification. (As of May 2017)

What services are being strengthened in order to achieve the Highest Quality?

We intend to always stay one step ahead of the industry in customer-first operations.



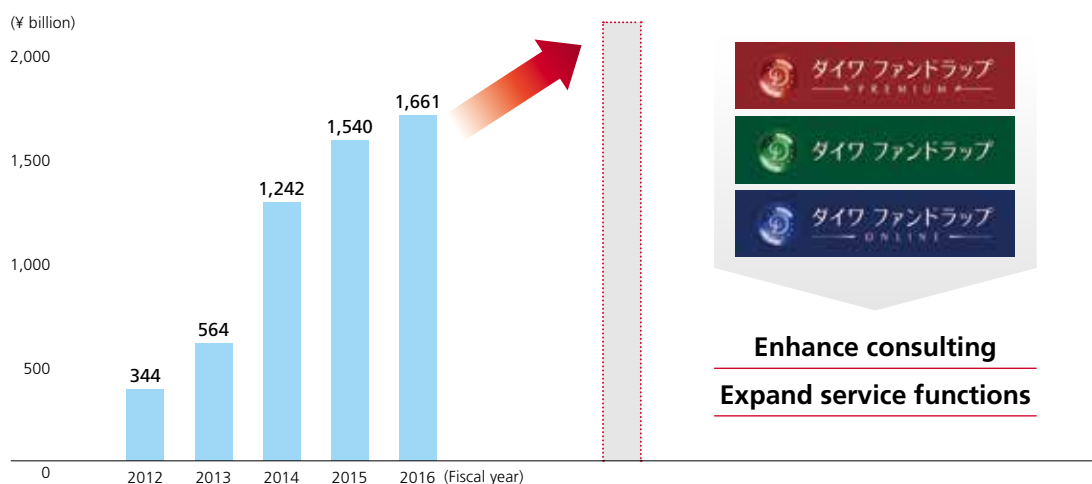
Now, more than ever, it is crucial that we expand our offerings of products and services from a customer perspective.

Investment Trusts and Wrap Account Services

In investment trusts, we are arranging a lineup of the best products for customers, based on a quantitative analysis of publicly offered funds using a variety of parameters such as management performance, cash flow and ratings.

Daiwa Securities Group has been a driving force behind the spread of wrap account services in Japan, and is now transitioning to a stage where the aim is to differentiate by enhancing service offerings. In addition to Daiwa Fund Wrap, we have diversified our wrap account services to include the new Daiwa Fund Wrap Premium, a highly customizable service, and the new Daiwa Fund Wrap Online, which allows small investments at low cost with robo-advisor functions. Our lineup now has products for every customer need depending on their life stage, from asset accumulation to wealth management and retirement.

Contract AUM for Wrap Account Services



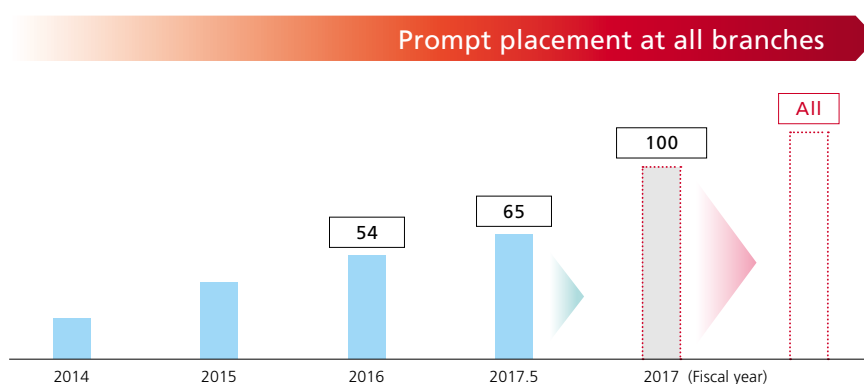
Inheritance-related Business

With an aging population in Japan, the inheritance-related business and wealth management services require sophisticated solutions and broad, specialized knowledge. Daiwa Securities Group has expanded the number of sales branches with Inheritance Consultants to 65 branches as of May 2017. Our Inheritance Consultants are CFPs who have also passed a stringent selection process that requires a passing grade in our internal training program that focuses on inheritance issues. They are a factor that sets us apart from the competition with other

securities firms in terms of quality. Daiwa Securities Group plans to expand the number of sales branches with Inheritance Consultants to 100 branches by the end of FY2017, with the aim of assigning one to each sales branch as soon as possible.

Daiwa Fund Wrap Premium offers inheritance-related services, such as an inheritance beneficiary designation service and a service for cashing out the inheritance. As a result of these services appealing to customers, the percentage of new contracts was about 25% as of March 2017.

Number of Sales Branches with Inheritance Consultants



Private Banking Services in Asia

In wealth management services, Daiwa Securities Group has offered Asia Private Banking Services since July 2015 to meet increasing needs overseas for asset management, business development and relocation, by leveraging the Group's offices in Asia, centered on Singapore, and its network of Asian financial institution alliance partners. Both assets under management and revenues have been steadily increasing. The Group expects further growth as it addresses the needs of high-net-worth individuals for business development overseas, relocating overseas and investing in overseas assets through its network of overseas alliance partners.

Promotion of Investment for Savings

It is important that we improve our responsiveness to customers with asset formation needs.

Since NISA (Japan's individual savings account system) became available in 2014, the total amount of

investments made in NISA and Junior NISA accounts has been climbing steadily. Daiwa Securities Group is augmenting its products and services to further align with customer needs ahead of the launch of the Monthly Investment-type NISA in January 2018. In the defined contribution pension plan business for individuals, iDeCo, Daiwa Securities Group entered into a capital and business alliance with SBI Group and invested in SBI Benefit Systems Co., Ltd. Based on this alliance, Daiwa Securities Group launched Daiwa iDeCo New Plan in April 2017 with the most competitive fee structure and the most attractive product lineup in the industry (as of May 2017).

We aim to facilitate the shift from savings to asset formation by raising awareness of investment for savings as a vehicle for small investments over the long term through promotions and seminars for asset forming generations, and by approaching local public organizations.

What are Daiwa Securities Group's unique qualities that differentiate it from rival securities firms?

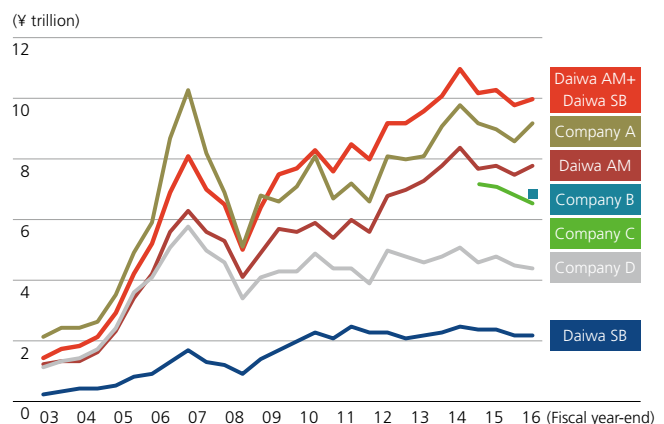
Along with the Highest Quality, another strategic key word in FY2017 is Hybrid Securities Group, which entails combining the traditional securities business with a diversified business portfolio. This is a key part of our strategy to differentiate us from our peers. The competitive landscape is dotted with independent securities firms like Daiwa Securities Group, bank-affiliated securities firms, and pure online securities brokerages. Bank-affiliated securities firms as defined by the Banking Act are heavily regulated businesses. Wholesale-centered business models have large balance sheets but face restrictions on the business risks they can take due to Basel capital adequacy regulations and high earnings volatility. However, Daiwa Securities Group is an independent securities group, a financial institution with a stable, highly efficient earnings foundation and robust financial health. I believe we are in a very advantageous position from the standpoint of freedom in our strategic options.

Image of Hybrid Securities Group

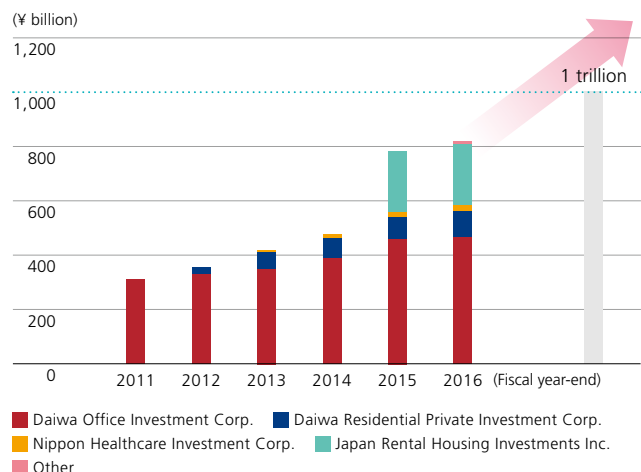


For example, the Group's online bank, Daiwa Next Bank, Ltd., has a successful business model as a gateway to the shift "from savings to investments." Our real estate asset management business, which began with the acquisition of a REIT management company, has grown from ¥260 billion in assets under management, centered on office buildings, to ¥820 billion today, while diversifying into residential assets and healthcare facilities as well. IDI Infrastructures, Inc., a company we acquired in 2016, has already formed its third investment fund (total equity of ¥69.2 billion) for investing in energy projects and other fields in Japan and other Asian countries.

AUM of Publicly Offered Stock Investment Trusts (excluding ETFs)



AUM of Real Estate AM Business



How is Daiwa Securities Group diversifying its sources of earnings?

IPO Business

One area of focus is strengthening our ability to obtain IPO mandates. The Group scaled back its IPO business during the 2008 global financial crisis, but then began to increase IPO personnel again in stages from 2013. In FY2016, Daiwa Securities Group returned to third position on the IPO League Table as a result of lead-managing major fund-related deals and concentrating on the J-REIT and real estate-related business.

To expand the IPO business further, we changed the name of our business matching events, which bring together large corporations and venture companies, to Daiwa Innovation Network in a bid to increase the quality and quantity of business matching.

We are forging alliances outside the Group in addition to using investment companies within the Group. As a business-academic cooperative project, for example, Daiwa Securities Group has set up the Hongo Tech Garage with the University of Tokyo with the aim of nurturing the next generation of entrepreneurs. The Group also invests in funds created by World Innovation Lab (WiL), one of the largest independent venture capital funds in Japan. Moreover, Daiwa Securities Group and Digital Garage, Inc. have together launched the DG Lab Fund, a venture capital fund. In addition, the Group aims to support venture firms through fund investments with SBI Group.

Global Business Development

In FY2017, we aim to diversify not only our products, but also our regional exposure. For example, we intend to enhance our presence as a comprehensive securities group in Asia by expanding REIT and other real estate asset management operations throughout the region.

The U.S. market cannot be ignored for its economic scale and growth potential under the Trump administration. However, Daiwa Securities Group does not intend to compete against securities firms on their home turf using similar business models. The Group's principal field of operations is the domestic market.

Accordingly, we will look to reinforce the functions required to meet the needs of customers in Japan, and are concentrating on the M&A business in particular. As Japanese companies are increasingly expected to improve their profitability under the Corporate Governance Code, cross-border M&A has been brisk as Japanese companies seek an effective means of using their retained earnings, which is said to total ¥390 trillion, including unlisted companies. Led by DC Advisory, Daiwa Securities Group has a global network that includes a 27% stake in Sagent Advisors, LLC in the U.S. in its M&A business. The Group is considering its options for M&A, business alliances, and dispatching personnel with the objective of strengthening the business in the U.S. market.

We continue to forge new alliances with overseas financial institutions. In April 2017, Daiwa Securities Group acquired a 14.9% stake in COL Financial Group, Inc. the largest online securities brokerage in the Philippines, where the retail securities market is expected to grow over the long term.

In the overseas business, we aim to be a comprehensive securities group that leads Asia from our home base in Japan, diversifying into a wide range of business domains with our eye on earnings growth for the longer run, while supplementing the services we provide in Japan and controlling costs.

FinTech

Daiwa Securities Group is also actively engaged in FinTech, which has been a major theme of the industry. In April 2016, the Group set up the Financial Innovation Committee to prepare for the practical application of FinTech.

One of our initiatives is to develop a stock price prediction model. In this project, Daiwa Institute of Research Ltd. developed an AI-based system to pick stocks that are likely to increase modestly. In May 2017, the Group began offering its customers information about investments and asset management based on the output of this stock price prediction model.

Moreover, the Group is working to improve operational efficiency in its Compliance Division and contact centers by deploying AI and other cutting-edge technologies, such as curation technology that augments in-house e-mail

distribution services and knowledge sharing sites, and chatbot services, which are programs that automate conversations in chat windows on websites. We are also conducting experiments with blockchain technology.

08

Question

Even on capital markets, expectations have grown higher for companies to be good corporate citizens through ESG* investments and other activities. What do you think a “good securities company” should be like?

The Group has received high marks for ESG from several external organizations as a result of extensive efforts made over many years. For three years in a row, we have been selected as a “Nadeshiko Brand” and also in the “Health and Productivity Stock Selection” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange Inc. Daiwa Securities Group has been a composite stock in the DJSI Asia/Pacific Index for seven years running and the FTSE4Good Index for eleven consecutive years. We have obtained the Platinum Kurumin Mark certification for providing superior childcare support from the Ministry of Health, Labour and Welfare. In 2017, Daiwa Securities Group was included in the Bloomberg Gender-Equality Index.

I have always been keen on the concept of what I refer to as “the most excellent firm.” The definition of the most excellent firm goes beyond the size of the company and profits. My definition has three elements. First, all employees must have integrity and sincerity, and be trusted without a doubt and respected by their customers, company, coworkers and their coworkers’ families. Second, the company consistently generates healthy profits. Third, these profits are properly distributed to shareholders and other stakeholders.

In my opinion, Daiwa Securities Group has not yet become one of the most excellent firms. We must refine our mindsets further in order to become one.

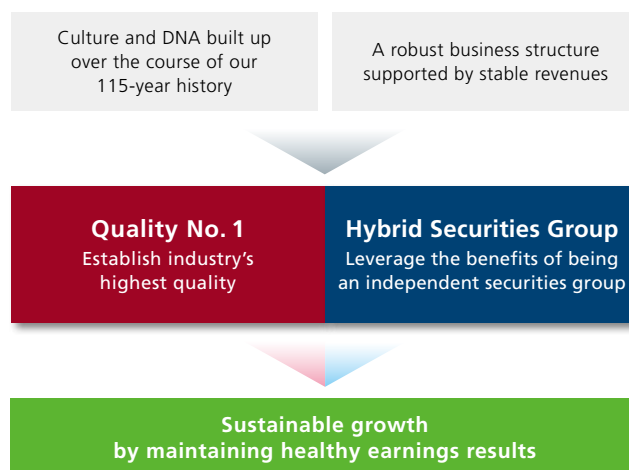
Only when the value of our services is truly understood for the first time by our customers, will we be able to generate a healthy profit by providing value-

added services like consulting to customers. For Daiwa Securities Group to become one of the most excellent firms, we must continue to improve quality.

We make concerted efforts to create work environments that allow all employees, regardless of age, to continue working throughout their careers with high levels of motivation. After extending the length of employment for sales positions to 70 years of age, Daiwa Securities Group took one step further by abandoning the 70-year mark as the maximum age eligible for rehiring. This can be viewed as an evolved form of work style reforms under way at the Group, and I believe it is an extremely effective strategy considering the business environment surrounding the Company, namely an increasingly elderly society in Japan.

* ESG stands for “Environment,” “Social,” and “Governance.”

For Sustainable Growth





09

Question

What is management's policy on shareholder returns?

The Group's basic dividend policy is to target a payout ratio of 40%. In FY2016, Daiwa Securities Group paid a full year dividend of ¥26 for a payout ratio of 42.3%. The Group also bought back about ¥19 billion of its own shares for a total return ratio of 60.4%. The Company cancelled 50 million shares (2.86% of shares outstanding before cancellation).

The consolidated total capital ratio is at a high level of 22.6%, giving us the option of investing for growth in the future, but first we will examine investments in business fields that need to be strengthened and expanded. If we are unable to identify any promising investment candidates, and surplus capital is clearly strong, we will consider additional share buybacks while taking into account market conditions and share price levels.

Please explain Daiwa Securities Group's approach to corporate governance.

In 1999, Daiwa Securities Group became the first listed company in Japan to move to a holding company structure. The Group then adopted a company with committees structure that included three committees—the Nominating Committee, the Audit Committee, and the Compensation Committee. In FY2016, the Group created the Outside Directors Council. From FY2017, an outside director started to chair the Nominating Committee and as a result all three committees are now chaired by outside directors.

However, I believe both Japanese companies and foreign firms have not discovered the ideal format for corporate governance yet.

For example, the Chairman and CEO of Daiwa Securities Group Inc. hold concurrent positions as the

Chairman and President, respectively, of Daiwa Securities Co. Ltd. The Chairman of the holding company performs a supervisory role by chairing the Board of Directors, while also fulfilling the responsibilities of a representative director at Daiwa Securities Co. Ltd., an operating company. At other major financial groups, there are cases where different people hold the positions of president at the holding company and operating companies. Since company backgrounds and business scales differ by company, the ideal format for corporate governance differs by company. Daiwa Securities Group constantly thinks about whether its current governance structure is the ideal one for the Company, and will continue to pursue an optimal structure unique to the Group.

You were appointed as CEO the year Daiwa Securities Group celebrated its 115th anniversary. On this occasion, what are your thoughts on the Daiwa Securities Group?

During my first 20 years here, I mainly built up a career in investment banking operations in the Wholesale Division. I was directly and indirectly involved in hundreds of financing deals. There were many complicated deals, but through this, I was able to gain experience that is hard to come by. When I was in charge of corporate planning and human resources, I was involved in the creation of Daiwa Spirit, our code of conduct for employees that expresses our uniqueness, based on the corporate principles of the Group. Around the same time, I was in charge of unwinding joint operations with Sumitomo Mitsui Financial Group, and then I assumed responsibility for the Corporate Business Division. Having dissolved its

alliance with a megabank group, Daiwa Securities Group embarked on the Wholesale Business by itself, a move that has been criticized and pessimistically viewed by some, but we have rebuilt operations to their strong position today and our employees have worked together to overcome tough times, experiences that have benefitted the Group culture, which is a wonderful achievement in my opinion.

When I first joined Daiwa Securities, I had no idea how many years I would work here. My career of 34 years so far has been a cornerstone in the foundation of my own life. In gratitude for this opportunity to lead a fulfilling life, it is now my turn to give back to our customers and Daiwa Securities Group.

Message from the CFO



In April 2017, Daiwa Securities Group Inc. issued 1 billion in U.S. dollar-denominated senior notes in the overseas markets for the first time as the Group. The bonds were sold to leading institutional investors around the world, including in the United States, and despite being debut bonds, the issuance was very favorably received.

Daiwa Securities Group issued the bonds in line with its efforts to improve the Group's ability to fulfill its obligations, and in particular to improve its creditworthiness. Credit ratings are generally regarded as a key measure of creditworthiness, and with the stable expansion in Group earnings supporting stability and growth as well as the enhanced strength in the Group's financial base, U.S. credit ratings firm S&P Global Ratings Japan issued an A (single A minus) rating for the Company in July 2016.

For a comprehensive securities group with operations around the world, the ability to acquire funds in foreign currencies, particularly U.S. dollars, at a reasonable cost is considered a basic requirement. The success of this offering is proof that the Group has sufficient capability to procure U.S. dollar funds.

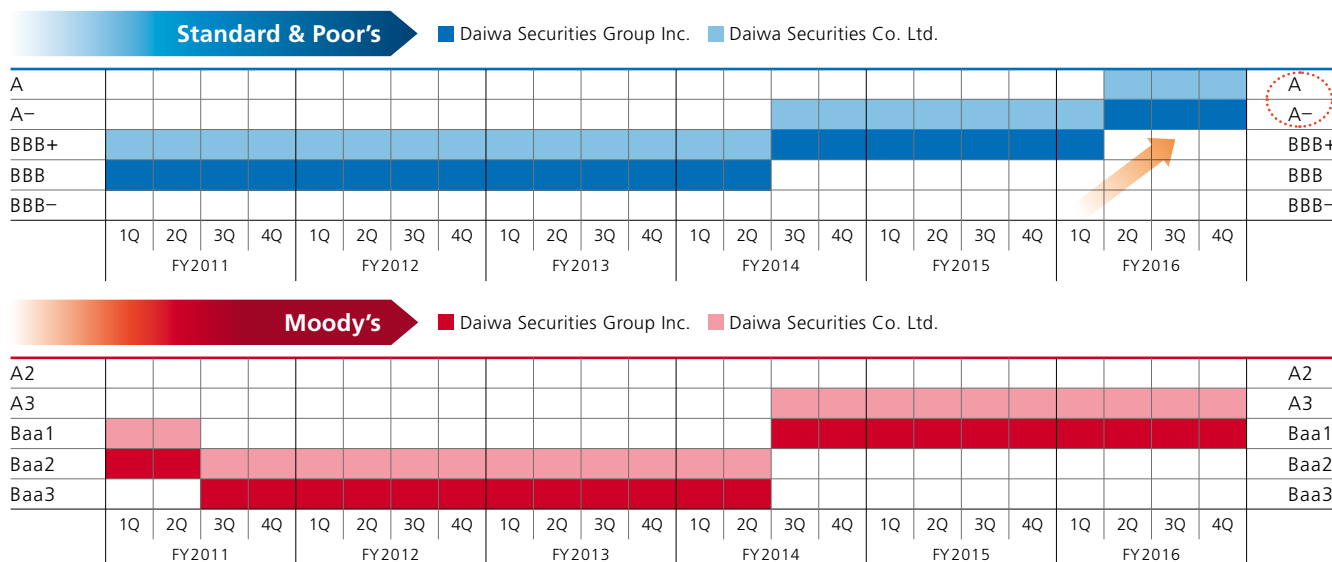
The Daiwa Securities Group has adopted in stages the Basel III package of comprehensive regulatory reforms since the end of March 2013 and we believe 2017 is likely to be a pivotal year in determining trends in global financial regulation, including in regard to the postponement of a final agreement on regulatory frameworks.

Under current conditions, we believe the Group has fulfilled its obligations in regard to the Basel III regulatory capital and liquidity requirements.

The Group remains committed to maintaining a healthy financial position and the Company's consolidated total capital ratio as of the end of March 2017 stood at 22.6% under Basel III.

As an indicator complementing the capital adequacy ratio, the leverage ratio discourages financial institutions from taking on too much leverage, including by excessively borrowing funds and issuing bonds. As of the end of March 2017, Daiwa Securities Group's leverage ratio was 5.92%, well above the Basel III requirement of at least 3%.

Daiwa Securities Group Credit Ratings



Summary for the Issue of USD-denominated Senior Notes by Daiwa Securities Group Inc.

Maturity Period	5 years
Issue Amount	US\$1 billion
Interest Rate	3.129% per annum

The liquidity coverage ratio (LCR) was introduced in 2015 and financial institutions under Basel III are required to have enough liquidity to be able to continue operations for at least 30 days under very stressful conditions. LCR of at least 100% will eventually be required under Basel III (at least 70% in 2016 and at least 80% in 2017). In FY2016, the Group's LCR substantially exceeded the Basel III requirement. In other areas, the net stable funding ratio (NSFR), which requires that stable capital and debt (net stable funding) exceeds non-liquid assets (required amount of stable funding), is soon to be introduced, and we are accordingly working toward further diversifying our methods of securing stable funding.

Our shareholder returns policy includes dividends paid twice a year at a payout ratio of about 40% of consolidated profit, though we aim to return an even greater level to shareholders after securing the internal reserves necessary for future business development. We paid a dividend of ¥26 per share in FY2016, resulting in a dividend payout ratio for that year of 42.3%.

As part of our effort to return a greater share of profits to shareholders by improving capital efficiency, the Group implemented a share buyback equivalent to

1.59% of shares outstanding (excluding treasury stock) and retired treasury shares equal to 2.86% of total shares issued prior to the cancellation.

The Group in principle plans to deploy capital for investment in future growth, though if there is sufficient capital we may also decide whether or not to repurchase shares after comprehensively taking into account business conditions, our financial situation, regulatory trends and share price levels.

The Group will continue to maintain appropriate levels of capital while responding to changes in the regulatory environment and securing the resources necessary for investment in future growth. We will also continue to elevate corporate value as we ensure liquidity and expand shareholder returns.

小松 幹太

Mikita Komatsu
Senior Executive Managing Director and CFO
Daiwa Securities Group Inc.



Retail *Investment* *Wholesale* *Strategies by Division* *Asset Management*

Daiwa Institute of Research Group

Daiwa Next Bank

All divisions and Group companies in Japan and overseas work in concert to further strengthen collaboration in an effort to become the customer's first choice securities group.



Seiji Nakata

President and CEO
Head of Retail
Daiwa Securities Group Inc.

The Retail Division offers customers two courses of service to match various 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.

Retail Division

Initiatives and Performance in FY2016

In its Retail Division, the Daiwa Securities Group concentrated its efforts on expanding its products and services that respond to needs in tune with wide-ranging customer life stages, from asset-building customers to seniors.

With regards to new products, in October 2016 we added a variety of functions related to asset and wealth management as well as inheritance-related services, and began offering Daiwa Fund Wrap Premium high-quality investment discretionary services. In January 2017, we also launched Internet-only Daiwa Fund Wrap Online, which enables asset-building customers to make small investments at low cost.

As for new services, we further strengthened inheritance support relating to inheritance procedures in accordance with customer needs. Specifically, we made progress with the assigning of Inheritance Consultants, who have acquired advanced inheritance-related expertise, to branch offices and increased the number of such branch offices to 54, as of the end of FY2016. Under our Inheritance Total Service, which supports inheritance measures and inheritance procedures in general, we focused on expanding the service menu, and the number of applications increased as a result.

As a banking agent for Daiwa Next Bank, Ltd. (balance of customer deposits as of March 31, 2017: around ¥3.1 trillion), Daiwa Securities offers yen-denominated and foreign currency-denominated deposit accounts, giving clients greater convenience and the ability to earn better interest rates on deposits via the Daiwa Securities branch office network.

With regard to individual-type defined contribution (iDeCo) pension plans, for which eligibility has expanded since January 2017, we entered into a capital and business alliance agreement with the SBI Group that same month, invested in SBI Benefit Systems and prepared the new “Daiwa iDeCo” plan, which we started offering at Daiwa Securities from April.

FY2016 Highlights

- Began offering Daiwa Fund Wrap Premium high-quality investment discretionary services and Internet-only Daiwa Fund Wrap Online that enables the making of small investments at low cost.
- Further strengthened support in response to inheritance needs, increased the number of branch offices with an assigned Inheritance Consultant to 54 as of the end of FY2016.

Action Plan for FY2017

- 1 Provide customer service befitting a “Best Partner”
- 2 Dramatic expansion of the stable revenue base
- 3 Enhancement of customer development capabilities in both the inbound and outbound aspects
- 4 Provide high-value-added products and services that suit the customer's stage of life
- 5 Creation of a new business model utilizing external channels and resources

Retail Division

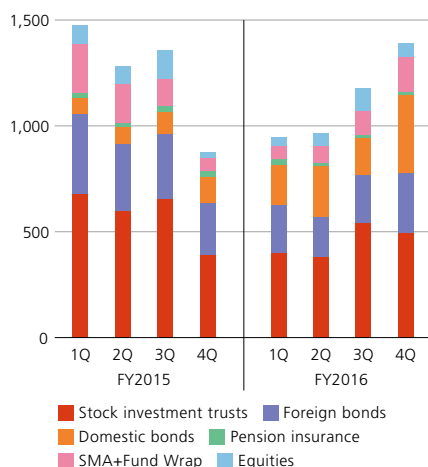
Operational Data

	Billions of yen (Except as otherwise specified)		
	FY2014	FY2015	FY2016
Daiwa Securities			
Customer assets*	54,678	51,000	53,678
Equities	32,574	30,119	32,971
Bonds	12,248	11,854	12,065
Investment trusts	8,590	7,764	7,500
Others	1,265	1,262	1,140
Sales of core products (Retail division)			
Stock investment trusts	2,236	2,317	1,811
Foreign bonds and others	1,306	1,243	922
Net inflow of retail assets (Retail division)	1,067	662	299
Individuals	707	335	145
Unlisted corporations, etc.	359	327	154
Cash Management Service (CMS) accounts* (thousands)	3,719	3,821	3,886
Online trading accounts* (thousands)	2,904	3,040	3,127

* As of the end of each fiscal year

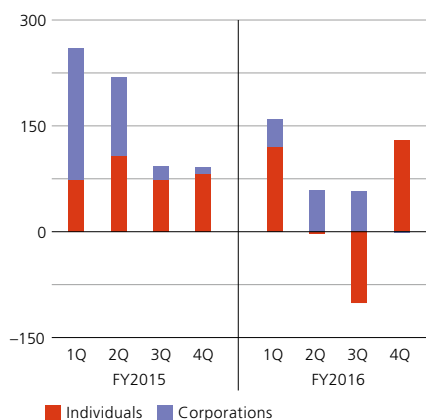
Sales and Distribution Amount by Product (Daiwa Securities)

(¥ billion)



Net Inflow of Assets (Daiwa Securities' Retail Division)

(¥ billion)

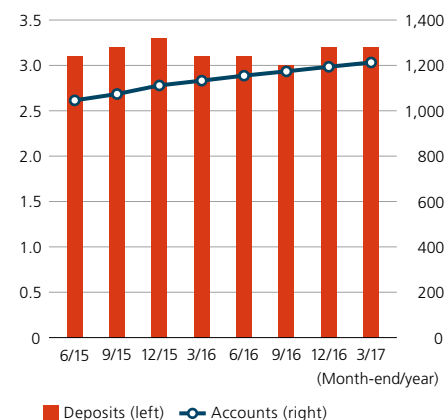


[Reference]

Balance of Deposits and Number of Accounts at Daiwa Next Bank

(¥ trillion)

(thousand)



Efforts toward Highest Quality in the Industry

As specific efforts toward the realization of the Highest Quality in the industry, Daiwa Securities' Retail Division is newly putting into practice the introduction of a bottom-up sales promotion system and the reflecting of customer satisfaction on branch office evaluations.

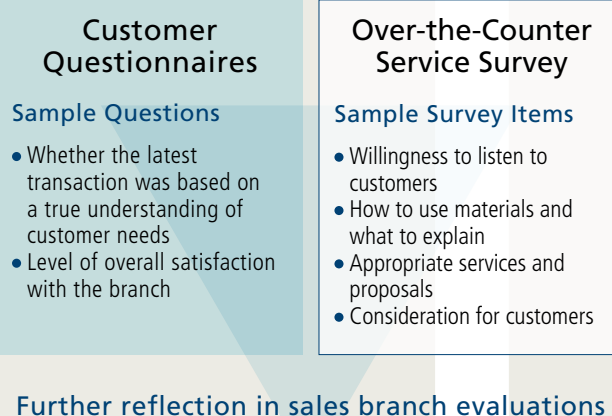
A sales staff member who has a close affinity with a customer will thoroughly consider that customer's issues and needs, and establish a decision-making process to make the best proposal depending on the market. In sales branch evaluations, we will expand the evaluation system that will greatly reflect, more than ever before, the emphasis placed on customer satisfaction levels and build a sales system that places even more of an emphasis on the customer's perspective.

Establish a sales model with more emphasis on the customer's perspective



Customer Satisfaction

Expand Evaluation System

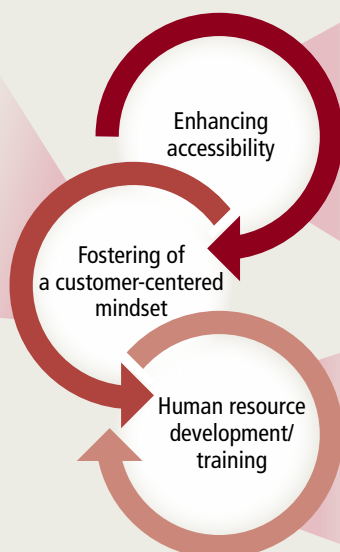


Realizing Highest Quality in Daiwa Securities Branch Offices

Daiwa Securities has announced its Hospitality Declaration, by which the Company promises to provide heartfelt, sincere services to customers in order to make them feel comfortable when using the services at branches. We also aim to realize the Highest Quality in the industry in terms of branch responses by enhancing accessibility for all customers, the fostering of a customer-oriented mindset, and human resource development and training.



(From June 2014)



- Assignment of **service assistants*** and **support staff for customers with dementia** to all sales branches
- Provision of writing boards, logos denoting someone who is hard of hearing and installation of walking stick holders at all sales branches



- Conducting of regular training sessions
- Introduction of **response surveys conducted in front of sales branches by external institution**
- Provision of assessment feedback/conducting of training

* Service assistant: A qualification to nurture the spirit of hospitality and learn about assistive technologies, in order to create a society where the elderly and those with disabilities are able to participate with equal peace of mind



Shinya Nishio
Deputy President and COO
Head of Wholesale
Daiwa Securities Group Inc.

The Wholesale Division covers Global Markets and Global Investment Banking. The Global Markets business 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. Global Investment Banking offers underwriting services for equities and bonds, IPOs, and M&A advisory services.

Wholesale Division

Initiatives and Performance in FY2016

In the Global Markets business, the unstable market environment continued due to the influences of the introduction of the negative interest rate and the referendum on the withdrawal of the United Kingdom from the European Union, and the earnings environment, centered on equities-related business, became harsh as a result. Bond-related business, on the other hand, was steady due to flexible investment positions that accurately ascertained changes in the environment. Amid efforts to provide services and information in line with the market environment, earnings from equity-related business also expanded as the market environment changed for the better following the U.S. presidential election.

In Global Investment Banking, underwriting deals included, for Japanese companies, serving as bookrunner*¹ and joint lead manager in the secondary equity offering for Keyence Corporation, the Komeda Holdings IPO*² and the Mitsui Fudosan Logistics Park Investment Corporation IPO. For overseas companies, Global Investment Banking operations served as bookrunner for the Acushnet Holdings Corp. IPO in the United States.

In M&A advisory services, Daiwa Securities served as advisor to JX Holdings in its merger with TonenGeneral Sekiyu. Through its links with other Group companies, the Daiwa Securities Group was involved in many M&A deals, for example Daiwa Capital Markets Hong Kong Limited acting as advisor to a joint venture led by China's Daily-Tech Beijing Co., Ltd. and involvement in its acquisition of shares in the UK company Global Switch Holdings Limited.

Also, as measures to strengthen our sales bases in overseas markets that are expected to grow in the years to come and to broaden the services offered, we invested in CSC Financial Co. Ltd. in China and strengthened cooperation with the company in business fields such as M&A, while also entering into an alliance with Indian investment bank Ambit Private Ltd in the M&A business. Moreover, we made an additional investment in the Vietnamese company Saigon Securities Inc., which we made into an equity-method affiliate.

*1 At the time of executing primary/secondary offerings of shares, the lead manager securities brokerage company that manages and promotes primarily the sales aspects

*2 IPO (Initial Public Offering): The offer and sale of an initial issuance of securities to the general public

FY2016 Highlights

- Bond-related business was steady due to flexible investment positions that accurately ascertained changes in the environment.
- In the M&A advisory services business, in addition to DC Advisory in Europe and Sagent Advisors in the United States, the strengthening of cooperation with alliance partners in Asia was successful, and consolidated M&A earnings increased significantly.

Action Plan for FY2017

- 1 Improve capabilities to supply products that accurately respond to customer needs
- 2 Promote a global strategy focused on Asia
- 3 Identify and develop next-generation growth companies and help them to raise capital for growth
- 4 Provide solutions in response to corporate globalization and M&A needs and strengthen the M&A structure in the Americas

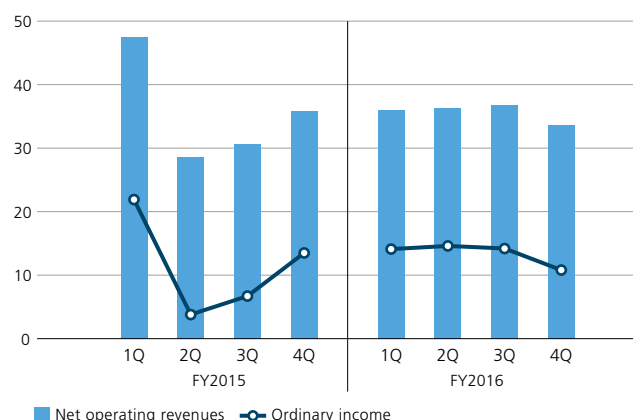
Wholesale Division

Major Lead-Managed Deals and Publicly Announced M&A Advisory Activities in FY2016 (Including Participation as a Joint Bookrunner)

Primary and secondary equity offerings	KEYENCE CORPORATION	PO	¥128.0 billion
	Mitsui Fudosan Logistics Park Inc.	REIT IPO	¥60.2 billion
IPO	KOMEDA Holdings Co., Ltd.	IPO	¥60.2 billion
	MACROMILL, INC.	Global IPO	¥53.3 billion
	Acushnet Holdings Corp.	US IPO	US\$380 million
Bond	SoftBank Group Corp.	SB	Total of 4 issues: ¥500.0 billion
	Daiichi Sankyo Co., Ltd.	SB	Total of 2 issues: ¥100.0 billion
	JBIC	Global US\$ bond	US\$2.0 billion
	United Mexican States	Samurai bond	¥135.0 billion
M&A	<ul style="list-style-type: none"> ■ Merger of JX Holdings, Inc. and TonenGeneral Sekiyu K.K. ■ Acquisition of Global Switch Holdings Limited (UK) by the consortium of Daily-Tech Beijing Co., Ltd (China) ■ Capital and business alliance between Taisho Pharmaceutical Co., Ltd. and DHG Pharmaceutical (Vietnam) ■ Acquisition of Zanotti S.p.A. (Italy) by DAIKIN INDUSTRIES, LTD. 		

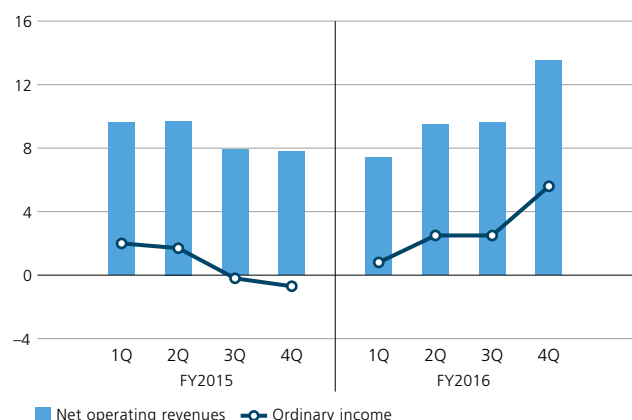
Quarterly Earnings Trends Global Markets

(¥ billion)



Global Investment Banking

(¥ billion)



Promotion of Global Deals M&As That Leverage Alliance Networks

The Daiwa Securities Group has established a four-pronged structure in Japan, the Americas, Europe and Asia, thereby enabling its robust support of cross-border M&As. In FY2016, in addition to Daiwa Corporate Advisory (DC Advisory) in Europe and Sagent Advisors in the United States, we strengthened collaboration with alliances in Asia and succeeded in accumulating a number of cross-border projects.

The need for cross-border projects aimed at global expansion remains high, and the Group will leverage to the maximum its domestic and overseas networks while focusing its efforts on providing solutions to burgeoning M&A needs.

Daiwa Corporate Advisory



DC Advisory is an investment bank whose main M&A advisory business was acquired by the Group from Close Brothers Group PLC in 2009. Having located its headquarters in London, the company has an extensive network in Europe, mainly in the UK, Germany and France.

The M&A advisory function within the European region is consolidated in DC Advisory, which is a wholly owned subsidiary and provides M&A advisory services that make maximum use of its flexibility and close relationships that the company has with European corporations. In FY2016, as a result of accumulating mutual M&A transactions among European corporations, the company continued to raise its position in the industry, for example attaining third place in a European mid-cap advisory ranking.*

In cross-border projects with Japan, the Americas and Asia, DC Advisory cooperates with project teams in each region to provide a broad range of M&A advisory services to customers.

* Mergermarket European Mid-Cap (500 million euros or less) Advisory Ranking (based on number of projects)



Sagent Advisors

Sagent Advisors was established in 2004 as an investment bank specializing in M&A advisory services. Since 2007, the company has been in a capital and business alliance with the Group, which has invested more than 20% through a local subsidiary. Since its establishment, the company has completed more than 200 M&A transactions, totaling more than US\$6.0 billion.

In cross-border projects with Japan as well as Europe and Asia, Sagent Advisors collaborates with project teams in each region to provide a broad range of M&A advisory services to customers. In the years to come, the company will consider expanding its M&A system in the United States, including increasing the number of bankers.





Nobuyuki Iwamoto

Deputy President
Head of Asset Management
Daiwa Securities Group Inc.

The Asset Management Division consists mainly of the following companies: Daiwa Asset Management Co. Ltd. focuses on the establishment and management of investment trusts mainly for individual investors and financial institutions; 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; and Daiwa Real Estate Asset Management Co. Ltd. manages assets for J-REITs, including Daiwa Office Investment Corporation (an equity-method affiliate).

Asset Management Division

Initiatives and Performance in FY2016

Investment Trusts and Investment Advisory Services

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

At Daiwa Asset Management, in addition to two funds—"Daiwa US REIT Fund" and "Daiwa US REIT Open"—attracting a total net inflow of ¥269.6 billion, the "US Infrastructure Builder Equity Fund," which was newly set up to promptly focus on the policies of the new U.S. administration, brought in new cash flow of ¥41.2 billion. The main contributory factor being investment inflow into listed investment trusts (ETFs), Daiwa Asset Management's publicly offered stock investment trusts brought in an increase in the amount of assets under management of ¥1.6 trillion in FY2016, expanding assets under management to ¥12.5 trillion by the end of FY2016.

Daiwa SB Investments focused efforts on improving its skills in investment advisory operations for pension funds in Japan and overseas. At the same time, the company's investment trust business worked to increase the balance of its assets under management, mainly private investment trusts with foreign bonds as the main target for investment. The increase in investment trusts for institutional investors

in FY2016 amounted to ¥260.1 billion, and the balance of net assets in investment trusts was ¥3.2 trillion* at the end of FY2016.

* Total of assets under management of public investment trusts and private investment trusts

Real Estate Asset Management

Having in June 2015 conducted its first global public offering (equity offering) after changing sponsors in July 2009, Daiwa Office Investment Corporation, which is managed by Daiwa Real Estate Asset Management, also conducted a public offering in August 2016, which continued to attract sufficient investor demand. The funds raised were ¥24.2 billion for the acquisition of three properties and ¥8.1 billion for the acquisition of four properties, respectively.

Following its listing on the REIT section of the Tokyo Stock Exchange on November 5, 2014, Nippon Healthcare Investment Corporation—Japan's first REIT specializing in healthcare facilities, launched by Daiwa Real Estate Asset Management in January 2014—conducted the first primary and secondary offerings in Japan as a REIT specializing in healthcare facilities in November 2015 and acquired four properties (for a total of ¥2.55 billion). In October 2016, the company acquired one property (¥710 million) with cash on hand and loans.

FY2016 Highlights

- At Daiwa Asset Management, there was an increase in the amount of assets under management of ¥1.6 trillion into its publicly offered stock investment trusts.
- Daiwa Real Estate Asset Management and Mi-Casa Asset Management's total AUM in J-REITs expanded to around ¥820 billion (as of March 31, 2017).

Action Plan for FY2017

- 1 Strengthen and improve management ability, and pursue excellence in performance
- 2 Develop products aimed at growth in investor return and high external ratings
- 3 Enhance products that meet customers' needs and strengthen the communication of information and support capabilities
- 4 Make a concerted effort to manage operations in a manner that puts the customer first
- 5 Further strengthen the real estate asset management business

Asset Management Division

In FY2016, Daiwa Residential Private Investment Corporation, a private REIT, twice raised funds, of about ¥4.3 billion in September 2016 and about ¥4.4 billion in March 2017, and used these funds to acquire five properties and four properties, respectively.

In total, for the three aforementioned REITs, Daiwa Real Estate Asset Management's balance of assets under management expanded to roughly ¥585.1 billion as of March 31, 2017, as a result of continued property acquisitions.

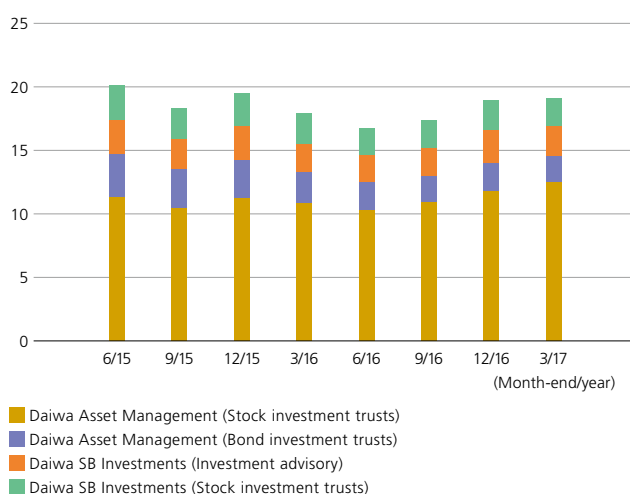
Moreover, Daiwa Real Estate Asset Management is involved in managing renewable energy power

generation facilities (solar power) and logistics facilities.

In December 2015, the Daiwa Securities Group Inc. acquired an additional stake in Mi-Casa Asset Management Inc., the asset management company of Japan Rental Housing Investments Inc., a listed REIT that specializes in housing, and turned it into a subsidiary. As of March 31, 2017, Mi-Casa Asset Management Inc. had about ¥223.2 billion in assets under management. Combined with Daiwa Real Estate Asset Management, the balance of assets under management in the real estate asset management business expanded to approximately ¥819.3 billion.

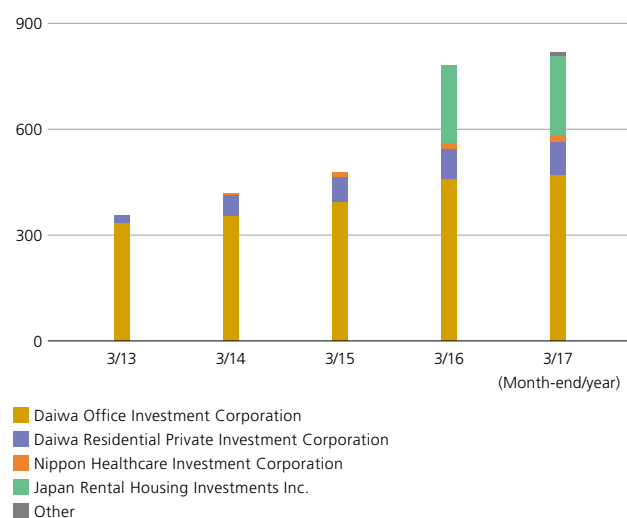
Balance of Major Assets under Management at the Asset Management Division

(¥ trillion)



Assets under Management of Real Estate AM Business

(¥ billion)



Investment That Takes ESG into Consideration

We interviewed Katsuya Kikuchi, who is involved in the analysis of environmental, social and governance (ESG) information at Daiwa Asset Management.



Katsuya Kikuchi

Investment Planning Department
Managing Director
Daiwa Asset Management Co. Ltd.

ESG investment, which considers not only financial information but also non-financial information in the selection of investment stock, is becoming more widespread.

Against the backdrop of the introduction of Japan's Stewardship Code and Japan's Corporate Governance Code, the level of attention that ESG investment is attracting is on the rise. Moreover, it seems that the trend for ESG investment has been accelerating, due to the signing up to the Principles for Responsible Investment (PRI) by Japan's Government Pension Investment Fund (GPIF) in September 2015, and the beginning of investment tracking ESG indices by the GPIF in July 2017.

Could it be said that ESG information represents special information for investors?

We apply ESG information as a part of the general factors used to assess a company from a medium- to long-term perspective and thus do not believe it is in any way special information. With regard to themes such as how companies go about developing the essential human resources for growth or how they intend to build a global supply chain, it is not uncommon for institutional investors to undertake an analysis and engage in dialogue with companies. The information used mainly in such situations is generally considered to be ESG information rather than financial information.

What are the concerns when analyzing ESG information?

The high cost of obtaining information is the biggest problem. There are naturally financial costs incurred, but as the information is divided into a variety of media, such as integrated reports and CSR reports, the time taken to collect the necessary information is becoming a concern. Efforts aimed at the building of various databases are progressing, and if the cost of obtaining information decreases, the level of ESG information utilization is expected to further improve.

How do you utilize ESG information?

We recognize that the utilization of ESG information is essential for corporate assessments based on medium- to long-term perspectives, such as the predominance of a business model and risk response capabilities, and incorporate an assessment in relation to ESG issues when assessing a company's fair value. As companies that excel in disclosing ESG information and whose activities on ESG issues are assessable are able to be estimated at fair value more precisely, the level of attention placed on such companies as investment targets will increase.

What does the future hold for ESG investment?

I believe that the trend for ESG investment expansion is set to continue. It also seems that there is still room for improvement with respect to the relationship between companies that put out information and investors who assess that information. I think that it will be necessary for companies to actively enhance the disclosure of ESG information, for example by utilizing their integrated reports. In the years to come, Daiwa Asset Management will continue to convey to companies what ESG information is necessary for corporate assessments.

The Investment Division of the Daiwa Securities Group encompasses primarily two companies: Daiwa Corporate Investment Co., Ltd., which manages venture capital and private equity 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.

Investment Division

Action Plan for FY2017

- 1 Secure returns by strengthening investment ability
- 2 Execute investments linked to Group businesses through the utilization of principal funds
- 3 Support the sustained growth of companies and development of new industries through the provision of growth funds

DCI aims to support the development of new industries and to enhance the corporate value of start-ups and venture businesses in its portfolio by providing risk money and hands-on support through investments by its managing funds. DCI believes that its investment activities contribute to the creation and activation of new technologies and markets and to the sustainable development of society.

Initiatives and Performance in FY2016

Daiwa Corporate Investment Co., Ltd.

In August 2016, Daiwa Corporate Investment ("DCI") announced the final closing of DAIWA-SSIAM Vietnam Growth Fund II LP, a fund run in collaboration with the Saigon Securities Group, the largest securities company in Vietnam. Its final capital commitment to the Fund is US\$39 million, including the parallel investment scheme in Vietnam. The Fund primarily invests in unlisted companies in Vietnam that continues to exhibit robust economic growth in Asia. This Fund is jointly managed by leading securities groups from both Japan and Vietnam, and is the first of its kind as a Vietnam-dedicated successor private equity fund to be managed by a Japanese private equity firm.

In collaboration with China's state-owned industrial investment organization and major private companies, we also decided to newly establish Hubei Tongying Equity Investment Fund Partnership (expected total investment commitment is RMB 800 million). This fund will be the successor fund to the fund that DCI is currently managing in collaboration with a Chinese partner.

DCI continues to promote its investment activities by identifying and making investments in promising private companies in various industrial sectors and stages. DCI also made efforts to maximize returns from its existing investment portfolio through IPOs or other exit strategies. During FY2016, three companies of the portfolio, two Japanese and one overseas, went public.

Daiwa PI Partners Co. Ltd.

Daiwa PI Partners ("DPI") conducts private debt and equity investments targeting corporations both in Japan and overseas, particularly in Asia. It also invests in alternative energy-related businesses.

Private debt investments focus mainly on purchasing loan portfolios from regional banks and other financial institutions in Japan as well as collecting existing loans in its own portfolio. In addition to this secondary debt investment, DPI also offers a variety of debt finance schemes, including the provision of development loans for real estate projects in Japan and the United Kingdom.

DPI's private equity activities in this fiscal year include investment in SEKAIE Inc. (formerly known as Q Inc.), a company that manages a real estate sales assessment website, and the exit of Rinkai Nissan Construction Co., Ltd.

In alternative energy investment, a large-scale solar power generation facility in Nikkotakatoku, Tochigi Prefecture, was added to DPI's portfolio, and now all six of DPI's energy projects are operating steadily. DPI is also working with Green Thermal Co., Ltd. to construct a biomass power project in Yonezawa, Yamagata Prefecture, which will be completed in FY2017.

DPI is committed to supporting the sustainable growth of companies and the development of new industries by supplying growth capital and other financial expertise by utilizing Daiwa Securities Group's network.

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.

Other

Daiwa Institute of Research Group

Action Plan for FY2017

- 1 Increase synergies by strengthening coordination with Group companies
- 2 Communicate information centered on the economy and finance in a timely manner
- 3 Strengthen consulting capabilities aimed at the provision of comprehensive solutions
- 4 Provide highly competitive IT that contributes to customers' business

Initiatives and Performance in FY2016

As part of its research operations, the Daiwa Institute of Research Ltd. (DIR) contributes toward raising the profile and enhancing the reputation of Daiwa Securities Group. Providing policy advice to the councils and committees of government agencies, DIR co-sponsors seminars with overseas research institutions and undertakes various activities, based on its surveys in the economic and financial fields, about economic trends in Japan and overseas through a wide range of channels, including TV programs and newspapers. With regard to the consulting business, we are developing diverse services. In addition to focusing on projects relating to regional revitalization, health management and organizational restructuring in Japan, outside Japan DIR is engaging in projects related to governmental overseas development assistance and projects from public institutions in Asian countries.

In the DIR Group's IT systems business, we steadily responded to institutional projects such as global financial regulation compliance, while also supporting new Daiwa Securities Group service offerings, such as Daiwa Fund Wrap Premium, from the systems side. In the field of advanced technology, we are starting to offer support for improving contact center operations by big data analysis, a Q&A service that utilizes a chatbot, and management services by virtual operator that utilize AI and voice recognition technologies. In Myanmar-related business, we are continuing to support the development of the capital market centered on the Yangon Stock Exchange and have begun new efforts, including demonstration experiments on applications of blockchain technology for the securities market.

Daiwa Next Bank

Action Plan for FY2017

- 1 Expand new customer segments (strengthen inbound)
- 2 Promote customer transactions by strengthening securities-banking business model (expand functions and services)
- 3 Strengthen ALM*¹ (pursue appropriate ALM under a negative interest rate environment)
- 4 Strengthen all management systems

Initiatives and Performance in FY2016

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, more than half of which are bank deposits, to securities investment. In cooperation with Daiwa Securities, which serves as the banking agent, Daiwa Next Bank introduced many promotional offers in FY2016, as it did in FY2015. At the end of FY2016, the bank established 1.21 million accounts, and the balance of total deposits (including CDs) reached ¥3.2 trillion*².

Daiwa Next Bank expanded its products and services that utilize foreign currency-denominated deposit accounts, such as by implementing a U.S. dollar interest rate extra (Nikkei Stock Average Projection Type) campaign in October 2016, and by introducing "Duet: Foreign Currency + Yen Time Deposit," which gives preferential treatment to the respective deposit interest rates in January 2017, apart from foreign currency- and yen-denominated time deposit set plans. Daiwa Next Bank will continuously improve the attractiveness of its foreign currency deposit products while strengthening its partnership with Daiwa Securities.

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

*1 Asset Liability Management: A method of risk management to comprehensively manage the amounts of assets and liabilities

*2 For details on the number of deposit accounts and the total account balance, please refer to page 32.

Initiatives That Utilize FinTech

A coined word that combines finance with technology, FinTech refers to a new financial service that makes full use of information technology (IT). Utilizing FinTech enables the provision of advanced financial products and services and improved business efficiency by incorporating technologies as well as products and services offered by companies other than existing financial institutions. Here we would like to showcase Daiwa Securities Group's initiatives that utilize FinTech.

Organizational Structure That Promotes FinTech

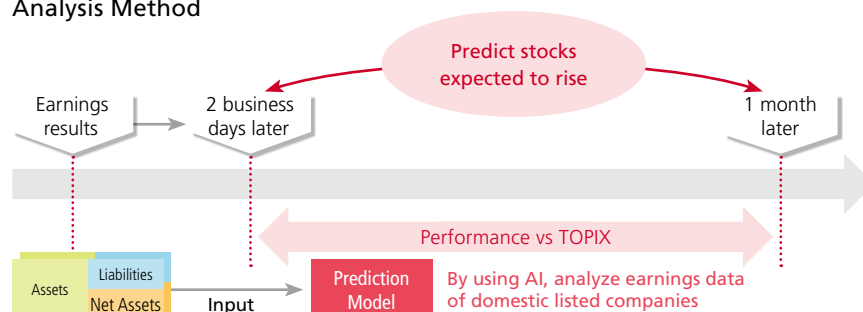
In April 2015, Daiwa Securities established an Artificial Intelligence (AI) Office to promote utilization of AI technologies related to overall sales activities. In October of that year, an Advanced IT Strategy Department was formed at Daiwa Securities Group Inc. and at Daiwa Securities Co. Ltd., thereby strengthening the FinTech strategic planning and proposal functions of the entire Group. In April 2016, we established the Financial Innovation Committee as a forum to consider intra-Group collaboration, including the Daiwa Institute of Research Group, and built up information sharing and a system of cooperation across the entire Group.

Examples of FinTech Use

1 AI for Stock Price Prediction Model

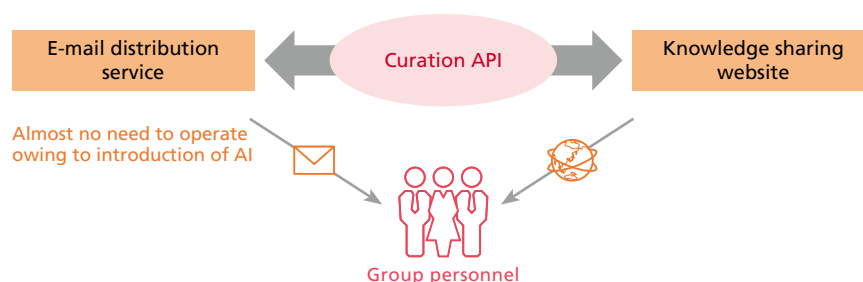
Utilizing an AI stock price forecasting model, which was developed by Daiwa Institute of Research Ltd., we select stocks that can be expected to rise gradually. In May 2017, we began offering investment management reference information to Daiwa Securities customers via sales staff and research reports.

Analysis Method



2 Utilization of Curation Technologies

Organizing information that was gathered via the Internet, we utilize AI technology that extracts information related to a particular theme and utilize that information to improve the operational efficiency of Group employees.



3 Utilization of Chatbot Services

Daiwa Next Bank is working to improve its operational efficiency by utilizing an automatic conversation program to respond to inquiries from Daiwa Securities bank agencies.

