Daiwa Securities Group Value Creation Model

Social Issues				
Increased "uncertainty" associated with social change				
Individuals		Enterprises and National/Local Governments		
Era of living to 100	Increasing disparity and diversity	Dramatic changes in	Financial crunch	
 Responding to longer lifespans Health, nursing and economic problems Estate planning Diversification of old age lifestyles 	 Destruction or life-long employment Expansion of income disparity Diversity of communication and information sharing methods 	management environment Reduction of the domestic market Response to digital transformation Intensification of cross-industry competition Intensification of global competition	 Expansion of regional disparity Increase in social security burden Investment in obsolete infrastructure Difficult to ensure healthy national/ local finances 	

Management Resources and Strengths of Daiwa Securities Group (Figures reflect FY2017 earnings or standing at the end of FY2017) Financial Capital **Human Capital** Social Capital Shareholders' equity: ¥1.2731 trillion Consolidated group employees: 16,088 *1 ■ Branches in 20 countries and regions Consolidated total capital ratio: 22.3% Certified Financial Planners: 742 *2 Domestic locations: 155 as of the end of (the most in the industry) * August 2018 Certified Inheritance Planners®: 434 Contact center: 820 seats = 2017 Analysts Ranking: 3 (Nikkei Veritas Ranking) = Collaboration with a diverse group of alliance partners An independent securities model <Foundation supporting strategies> where management has a strong Highly transparent and objective governance system degree of flexibility

- *1 The sum of consolidated group companies and Daiwa SB Investments
- *2 Includes the number of employees who have passed all six subjects and are in the process of applying for certification.

*3 Based on Japan Association for Financial Planners data **Putting the Business Model to Use Basic Group Strategy Finance and Capital Human Resources** Risk Management ■ Execution of growth investment ■ Employees' productivity No.1 ■ Business process reform and ■ Response to global financial ■ Improvement of capital efficiency ■ Employees' participation No.1 productivity improvement regulations ■ Maintenance of financial soundness ■ Employees' satisfaction No.1 ■ Creation of next-generation office ■ Cybersecurity countermeasures ■ Strengthening of shareholder returns Money laundering countermeasures infrastructure ■ Creation of an information platform **Digital Transformation Business Reform and Productivity Improvement** Value-added solutions New value as an "Integrated Securities through the use of "Quality No.1" Group with a Hybrid Business Model" consulting capabilities Utilization of external channel Creation of a customer-oriented sales system resources and the creation of Retail new husiness lines Collaboration with Creation of business Group companies through the diversification Provision of products and services that identify customers' needs of financing methods Support for business and and expansion of Japanese industry structure business areas Wholesale transformation Promotion of the shift by companies to achieve higher Collaboration with the corporate value Investment Division **Provision of Asian** growth results and Asset Realization of an abundant society and life for the Japanese Expansion of alternative strengthening of the Management people through asset management investment products global M&A network Combined securities-banking Others Comprehensive think tank for the future business model 2.0

Daiwa Securities Group Value Creation Story

- 1. By improving our human resources, our most important resource, and providing the highest quality in consulting, we are contributing to the realization of a wide variety of life plans in an era in which many will live to be 100 years old.
- 2. Amid an ongoing shift in the structure of industry as technology progresses, by supporting investment and financing that creates new value for society, we are contributing to enhanced corporate value and the fostering of next-generation industries.
- 3. By providing mutual Japanese and overseas investment opportunities, we are assisting Japan in fostering global economic development and growth.
- 4. We are contributing to trust in the financial markets by maintaining a stable financial base and our function as part of the social infrastructure.

Creating Shared Value (Figures reflect FY2017 earnings or standing at the end of FY20

Economic (Financial) Value

Social Value

Retail Division

Net operating revenues

¥214.2 billion

Ordinary income ¥51.3 billion

Supporting asset formation to meet the life plan needs of people

Accounts with balances: 2,989,000Online trading accounts: 3,214,000

NISA accounts (cumulative): 829,000Wrap account service customers: 134,000

Improve customer satisfaction

 Customer satisfaction: 4.86 (7-point scale, Daiwa Securities FY 2017 customer service survey: 121,000 responses)

Net operating revenues ¥505.3 billion

Ordinary income

¥155.6 billion

Profit attributable to owners of parent ¥110.5 billion

Dividend payout ratio

41.9%

Annual dividends
per share ¥28
Total payout ratio 75.2%

ROE 8.8%

Assets under custody ¥68.1 trillion

Wholesale Division

Net operating revenues

¥171.1 billion

Ordinary income ¥45.3 billion

Providing diversified international investment opportunities

■ Balance of foreign currency-based assets (not disclosed)

Supporting corporate financing and restructuring

 League Table Primary and secondary equity offerings: 1st place IPOs: 2nd place Straight bonds: 2nd place M&A (number of deals): 9th place

Supporting fund raising that contributes to resolving social issues

Impact Investment Bond sales: ¥685.8 billion (cumulative)* *March 2008 to the end of March 2018

Asset Management Division

Net operating revenues

¥49.3 billion Ordinary income ¥29.1 billion

 AUM of publicly offered stock investment trusts
 Daiwa Asset Management ¥14.1 trillion Daiwa SB Investments ¥2.2 trillion

 Assets under management of real estate AM business ¥883.2 billion

Development of ESG-focused ETFs and investment trusts

■ Balance of SRI investment trust funds under management (total of Group companies): ¥146.5 billion

Expanding health care facilities in an aging society

Rooms provided for nursing homes and elderly care facilities by Nippon Healthcare Investment: 1,598 (as of the end of April 2018)

Investment Division

Net operating revenues

¥27.4 billion

Ordinary income ¥24.4 billion

Investment in new industries

■ Total investment funds at Daiwa Corporate Investment (cumulative): ¥417.3 billion

Investment and development in renewable energy

- Solar power plants Output capacity: 50.3MW
- Biomass power plants Output capacity: 6.2MW

Improving trust and stability in the capital markets

- Consolidated Total Capital Ratio: 22.3%
- Credit Ratings

S&P: A- (Daiwa Securities Group Inc.), A (Daiwa Securities Co. Ltd.) Moody's: Baa1 (Daiwa Securities Group Inc.), A3 (Daiwa Securities)

 Number of settlement processing transactions: about 2.8 million on an annual basis

Job satisfaction reforms

- Efforts aimed at improving productivity
- Introduction of a variety of new systems

Daiwa Securities Group makes continuous efforts for sustainable growth on healthy profits built through the value creation cycle