

Conversation between Daiwa Securities Group Employees' Union and Personnel Department

Aspiring to build a work environment where people can display their professionalism

We want to stimulate communication among union members to broaden their horizons.

Wakabayashi: The union seems to have been organizing a lot of animated roundtable talks and social gatherings for its members recently.

Koshimizu: Yes, it has. We're trying to create as many opportunities as possible for union members to exchange opinions among themselves. Our slogan for this is "Communication Revolution." Examples include the Young Sales Employees Roundtable and the Evaluation System Review Team, which have been meeting about one to four times per month since August 2004. The goal is to stir up wide-ranging communication, at numerous locations, where union members with diverse points of view gather.

The Daiwa Securities Group is comprised of companies in diverse business categories. There are also regional differences and differences of attitude among employees, depending on how long they have been with the Group. I think that having lively face-to-face interactions to overcome these differences leads to personal and professional growth for the union members themselves. Sometimes members with radically different viewpoints have a clash of opinions. However, there are also cases where on-the-job communication becomes smoother after a heated discussion.

Wakabayashi: At the Daiwa Securities Group, the Employees' Union is recognized for having played the crucial role of facilitating communication among employees. I see the current drive to reinvigorate communication as an extension of that history.

Koshimizu: That's exactly right. The whole intention of union activities is to contribute to the well-being of employees. In the mid- and long-term, this goal cannot be achieved without the growth of the company. That's why I think that labor and management are ultimately after the same thing.

Nevertheless, having said that, it is true that people in different positions have different perspectives. The role I'd like to see the union play is to encourage the growth of individual union members and the Group overall by understanding those differences and communicating them to the company.

Stimulating communication among employees outside of the workplace is one method of realizing the union's basic stance. I think it's very



important for us to obtain an overall understanding of things that are not apparent during normal working hours or during training programs held by the company.

Wakabayashi: Yes, the regular route of communication within a corporate structure is top-down. But, I think that if you imagine the corporate structure as organic, like a living body, having diverse communication routes will, in the end, increase the collective strength of the organization.

We must constantly confirm whether the use of a performance-based evaluation system is actually resulting in the fulfillment of CSR.

Koshimizu: The current attempt to enhance communication is also an attempt to substantiate how employees are taking to the performance-based evaluation system that's been in place for several years now, and to measure how satisfied each of them is with the system.

Wakabayashi: Fairness and transparency are essential to making a performance-based evaluation system work. In that sense, communication is extremely important. I think it's effective both for management and employees to have the union provide feedback to management by tapping into opinions that employees find difficult to express directly to the company.

Koshimizu: The Daiwa Securities Group is engaged in quite a few lines of business, and not all results appear clearly in the numerical value. Even if those quantifiable areas may become clear, something always gets left out when it comes to specific or sensitive areas. It's true that the performance-based evaluation system is more difficult to accept than the



Takashi Koshimizu

Chairman
Daiwa Securities Group
Employees' Union

As evidenced by the Next Generation Education and Support Promotion Act and the spread of the concept of the "family-friendly company," society's demands for better work environments and the realization of better modes of employment have been increasing in recent years. The focus today is on the intangible aspect of how to make systems more accessible to employees, rather than on the tangible aspect of enhancing systems. The Chairman of the Daiwa Securities Group Employees' Union and the General Manager of the Personnel Department at Daiwa Securities Group Inc. held a discussion about the kind of work environment we should strive to develop.



traditional general evaluations.

Meanwhile, employees have come to expect an even higher level of implementation of performance-based evaluation. Now that the system is in place, they are asking whether they really have a sense of their own achievement, and they're looking for the relationships between their objectives and what they were actually evaluated on. When it comes down to it, I think the most important thing is for them to feel satisfied with the system's aims and implementation.

Wakabayashi: What I think you mean is, we are at a stage now where the question is how to breath life back into the performance-based evaluation system. An institutionalized system for, for example, raising performance or complying with the law, only begins to take on meaning when everyone puts their spirit and passion into it.

Koshimizu: For that to happen, employees must have a sense of ownership. The important question is whether or not the system allows each individual to have a sense that he or she is working as a professional, having set his or her own goals, rather than the feeling that they're just doing what the company asked them to do.

Wakabayashi: Quite right. There would seem to be an overlap between this idea and CSR, which has now become a significant driving force in society.

In the securities industry, we deal with the public market, and so are always playing a public role. Each employee has to behave fairly, with the awareness of being an economic and social leader.

Koshimizu: It's important for each and every employee to actualize CSR through his or her own work. Our union wants to communicate this importance to employees while exchanging our views at roundtables and

other meetings.

The challenge going forward is how to create a comfortable life and equal opportunities.

Koshimizu: While we're putting an effort into communication activities, as I emphasized before, the union is also continuing its traditional role of holding economic negotiations with the management and making proposals about the work environment. For instance, at the spring negotiation in 2005, we demanded that management develop an action plan that goes beyond the letter of the law by incorporating conditions letting every employee take care of their children while continuing to work at the company.

Wakabayashi: From the management side as well, we would like to implement better measures to address society's declining birthrate and aging population in our five-year plan. We're going to discuss this with the union. For example, although some women have taken child care leave, no men have done so, leaving us with a number of points for improvement. We're considering the introduction of a reemployment system or a return-to-work program, as well as support for child-rearing. We are going to establish a team for promoting the success of women to provide recommendations from the women's perspective.

Koshimizu: I feel there's a need to deepen company-wide understanding by promoting communication when running other programs, as well.

We believe that the union's key role is to go beyond merely demanding that the company provide systems that improve working conditions, as was common in the past, and actually encourage these programs to be utilized naturally. Even if the number of programs increases, it is meaningless if no one wants to use them. In that sense, I think it can be said that the points of contention have moved from the tangible to the intangible.

Wakabayashi: More and more people utilize the in-house staff recruitment system, and they like it more. Still, I think there's a need to confirm how effective this system is and to understand new demands, so that we can continue to tirelessly improve our personnel systems.

In that sense, I'd like to continue to conduct active exchanges of opinions and information with the Employees' Union, and I hope we can work together to build even stronger corporate activities.

Takatoshi Wakabayashi
Corporate Executive Officer
& General Manager of
Personnel Department
Daiwa Securities Group Inc.



Disaster Assistance through Corporate-NGO Partnerships

The decisive factors in our commitment to this project were the conditions of long-term support that makes use of the distinctive abilities of a financial business and the acceptance of accountability.

Kiyama: What was the sequence of events that led to the Daiwa Securities Group's providing assistance after the Sumatran earthquake and South Asian tsunami?

Miyashita: Until now, we have always collected money from group executives and managers when there was a large disaster. This time too, we immediately started a fundraiser, but the president provided strong direction. He said, "This is not a typical disaster. I want us to do all that we can, after considering the most basic point—what they really need in the afflicted areas." So, we met with some people from the Japan NGO Center for International Cooperation (JANIC).^{*1} We asked about the ACT scheme, and saw a close match with what we were looking for. We made it the framework for our support. We then proceeded into the details.

Kiyama: What kind of match do you mean?

Miyashita: First of all, it was a long-term initiative, capable of allowing us to see how the funds we provide are used on the ground. We also liked the fact that we would be able to make revisions after a few years. In addition, we were attracted to the possibility of making an effort that takes advantage of the characteristics of the financial industry, such as using a charitable trust, which is a financial mechanism, and utilizing the banking

practice of micro finance^{*2} as a means of reconstructing the affected areas.

Kiyama: Reconstruction takes a long, long time. But, not many donors commit to long-term support. Micro finance itself is a high-risk, high-return undertaking, but it's a truly important form of support. So, when I heard about this project, I felt that you are really aspiring to provide assistance that is truly for the good of the beneficiaries. It gave me a great deal of courage and hope for the future of our NGO activities.

Kaneda: I think there are two main factors related to accountability that enabled us to commit to a long-term initiative. One is that the funds would be managed by a trust bank, which would report back to us how the funds were used. The second is that we would receive activity reports each year, activity assessment reports every three years, and a comprehensive assessment report at the end of the project after ten years. I wonder if there are any NGOs that issue an activity report that records and assesses their activities across the board for a ten-year period.

Kiyama: I often hear of government five-year plans and ten year plans, but I've never heard of a report that covers ten years of a single, locally-based project like this one will. I hope that you'll make the report available to the public, so that other NGOs including ourselves can learn from it.

Kaneda: This project is something of a challenge for us, too, and we'd certainly like to provide the information so that it becomes a valuable asset for others as well.

Miyashita: The project is based on a charitable trust and was formed in partnership with an NGO. It's an unprecedented effort that we had to build up from scratch while consulting with the people at JANIC. During the process we included an provision allowing ¥1 million per year for administrative expenses. We put this in because we believed that administrative personnel costs and other such costs should be paid out of this money. I would be all the happier if the project scheme including this point gets used as a model in the future.

Kiyama: When you wish to perform well, you have to have things set up the right way. But in Japan, it is not widely understood that NGOs also need such a setup and it also costs decent amount of fund. I hope that you will spread the information of good results due to your support directed to setups. We would highly appreciate that.

Kaneda: Non-profit activities don't mean that you are volunteering for free. To conduct your activities as a professional, you need a proper budget. This is the same for both corporations and NGOs.

^{*1} Currently, the Asian Community Center 21 is serving as the secretariat for ACT.
^{*2} A financial service that provides small loans and savings mainly to low income earners and small-scale business owners with the aim of reducing poverty.



Keiko Kiyama

Secretary General
JEN (NPO)



Mayuko Murasawa

Relationship Development Manager
JEN (NPO)

JEN (formerly Japan Emergency NGOs)

Established in 1994, JEN is a registered nonprofit organization that supports the psychological care and self-reliance of people who have been deprived of their means of livelihood due to conflicts and/or natural disasters. In the wake of the Sumatran earthquake and South Asian tsunami, JEN deployed emergency assistance to Sri Lanka, based on its ample experience providing refugee assistance in the former Yugoslavia and emergency assistance in western India, southeastern Iran, and following the Chuetsu earthquake in Niigata Prefecture, Japan. JEN is currently providing reconstruction assistance in Sri Lanka, Afghanistan, Eritrea, Iraq, and Niigata.

The Daiwa Securities Group would like to express once more its heartfelt condolences for the victims of the Sumatran earthquake and South Asian tsunami that struck on December 26, 2004. The Group is providing long-term support, which will continue for a period of ten years, through a public charitable trust—the Asian Community Trust (ACT)—to reconstruct the disaster area left in the wake of the earthquake and tsunami. On April 26, 2004, four months after the disaster struck, we invited representatives from an NGO that was conducting relief work in Sri Lanka to provide us with its opinion of corporate-NGO partnerships.

See page 43 for details about the Daiwa Securities Group's framework for assistance.



to society. In this sense as well, we expect a lot from the Daiwa Securities Group and hope that it will make rapid progress with these types of new initiatives.

Miyashita: Not all employees necessarily understand the full significance of either corporate citizenship activities or SRI funds yet. I think that facilitating understanding of these activities among all group employees is our biggest challenge here in the CSR Promotion Department.

Murasawa: We'd be very glad to speak about the situa-

tion in the field if it would help your internal communications. I think we can provide interesting inputs in many areas.

Kiyama: Another problem is that NGOs in Japan are not fully recognized or supported by civil society. Of course, we NGOs need to promote ourselves. At the same time, however, we would really appreciate it if corporations could send out the message that corporations and NGOs can work together as partners. I strongly hope this project to become a model for corporate-NGO partnerships, and hope that the Daiwa Securities Group will fulfill a leadership role in the corporate citizenship activities of Japan.

Miyashita: Thank you very much for this valuable conversation today.

NGOs expect partner companies to provide their specialist know-how and promote internal communications.

Miyashita: What kinds of things do NGOs desire or hope for when entering into a partnership with a corporation?

Kiyama: Majority of Japanese NGOs are facing difficulties with fund raising. If companies will share even a small part of their expertise on marketing, we can speak the same language as corporations, which, I think, would in turn deepen their understanding of NGOs. Corporations have a lot of know-how that they have cultivated over the years.

Murasawa: I have had many opportunities to talk with company workers—mainly those from corporate community affairs departments or CSR promotion departments—but general employees working at other sections very rarely know of community activities undertaken primarily by these departments. I understand that the Daiwa Securities Group has 12,000 employees. I think it would be a great support for us just to have all these employees understand what their CSR Promotion Department does. It'd be great if each of these employees felt the desire to support the developments of this project over the next ten years while they work here.

Kaneda: I agree. The reason we wanted to get a yearly report about this project is because we have a strong desire to provide all employees with yearly feedback.

Kiyama: I understand that the Daiwa Securities Group is promoting SRI funds. I think this is very effective as a new vehicle for the general public as well as employees to help contribute

Yoichi Miyashita

Head of CSR
Promotion Department
Daiwa Securities Group Inc.



Koichi Kaneda

Deputy General Manger,
CSR Promotion Department
Daiwa Securities Group Inc.

