

## Internal Stakeholders Meeting



Participating employees (from left to right)

### Masaru Maruyama

Deputy General Manager,  
Corporate Client Department, Tsu Branch  
Daiwa Securities Co. Ltd.

"I am in charge of selling securities that fluctuate in value, such as bonds, to financial institutions. Financial institutions receive funds from customers in the form of deposits and manage them through financing, negotiable securities and, in particular, bonds. This is the main area in which I am helping customers."

### Chikako Kuromiya

Assistant Manager,  
Sales Department, Nagoya Station Branch  
Daiwa Securities Co. Ltd.

"Since joining Daiwa Securities five years ago, I have been involved in sales, ranging from developing new customer segments to visiting individual customers for transaction assistance. I handle all kinds of financial products including stocks, bonds, and investment trusts."

### Tomokazu Furuhashi

Deputy General Manager,  
Consulting Department, Shibuya Branch  
Daiwa Securities Co. Ltd.

"Although I handle all kinds of negotiable securities, I mainly provide asset-management consulting for non-listed companies and Foundations."

Three sales representatives from the frontline staff of the Daiwa Securities Group spoke candidly with each other about their views of CSR and SRI. Although not particularly self-conscious about "CSR" in their daily work, they showed themselves to be salespeople who act with sincerity, while always considering how to fulfill their responsibilities to customers.

## Compliance now forms the basis of everyday work activities

**Furuhashi :** I've been with Daiwa Securities for 10 years now, and until being asked to participate in this discussion, I hadn't thought very seriously about CSR. To be honest, I didn't think much about how we can fulfill our social responsibilities and contribute to society as I carried out my job. I always thought just about how I could provide the best products and information to meet my customers' needs, and how I could improve the satisfaction of my customers.

**Kuromiya :** It was the same for me. We'd almost never discussed CSR in my branch office. When I dealt with customers, it was always in this context: first there was Daiwa Securities, then there was the Sales Department of the Nagoya Station Branch, and then there was me. Especially for individual customers, I think they feel that they are doing business with the sales representative as a person, rather than with Daiwa Securities as a company.

**Maruyama :** We handle products that fluctuate in value. So, our responsibility in selling something that does not guarantee any returns is to be honest, never to lie. If there isn't a strong relationship of trust between the customer and me, then the transactions will not go smoothly. The essential thing for building relationships of trust is to take immediate and proactive action whenever you receive negative information relating to a customer's assets.



**Kuromiya :** Of course, it's important to explain all the advantages and disadvantages before a customer places an order, but it's even more important to provide customer service after the purchase has been made. Since the market always goes up and down, it's especially

important to go to the customer to give an explanation as soon as their portfolio value falls, in order to help them understand the situation.

**Furuhashi :** As both of you mentioned, it's important to talk to the customer whenever there is negative news. Without good rapport and a relationship of trust with the customer, it's pretty hard to secure any orders.

**Maruyama :** We want customers to make purchases on their own personal responsibility, so it's essential to show them the risks and have them make decisions based on their personal investment goals. I think this process has been thoroughly implemented.



**Furuhashi :** Japanese investors are described as less mature than investors in Europe and North America. However, I feel that the principle of self-responsibility is really starting to take root here. Today, none of our customers would ignore the rules of the market and demand that we make up for their stock market losses. Daiwa Securities' compliance policy has become the basis of our business.

## SRI funds are now part of our product lineup

**Kuromiya :** As investment advisors, we provide advice on SRI funds in the same way that we recommend other stock funds. Therefore, the question is whether we are properly conveying the fund mechanisms to customers in the first place. Of course, we hold in-house seminars for each investment trust that we sell. Although I liked the idea of SRI funds, I also felt like they were just another part of the sales pitch.

**Maruyama :** In the US, there are various reasons that people choose SRI funds, including religious or moral objections to investing in companies producing tobacco, alcohol, or weapons. In Japan, it's harder for people to see the point in taking a negative stance on beer or tobacco companies when choosing stocks. However, SRI funds can nicely match the goals of religious or healthcare organizations.

**Furuhashi :** I also think they work well for religious organizations. SRI funds have the appeal of giving the owner a sense of contributing to society, rather than just seeking financial performance.

**Maruyama :** I also think it's a question of individual values. In the future, I think there will be more people





who want to invest in SRI funds, based on the perspective that to do so means more than just wanting a profit. With the rise in online trading, the people who buy stocks on the Internet are probably investing with the desire to make a personal statement in the selection of their stocks. SRI funds will likely gain popularity, starting at the grass roots level.

**Kuromiya :** There seems to be more and more of a bearish market for companies that neglect their social responsibilities. I think investors have started to notice this, and the fund balances will gradually increase once SRI itself becomes better understood. Nevertheless, SRI funds will be attractive for organizations and individuals with a long-term perspective.

**Furuhashi :** When explaining the various product choices to customers, the SRI funds usually aren't among the top choices, but they are definitely something that always comes up in conversation. I think there is an increasing need for us to understand SRI when giving advice to customers. Recently, the head of an organization said to me, "We are at a point where we have to think about investing in SRI funds." This kind of comment was unheard of only five years ago.

**Maruyama :** Wealthy people in the US are often involved in charitable activities. It seems that SRI funds would be a good thing to recommend to executives, for example.

**Kuromiya :** There are probably a lot of customers that would get a lot of satisfaction from such investments. When Aichi Prefecture issued bonds for the opening of Expo 2005 Aichi, they were sold out on the first day. Certainly the interest rate provided was not that high, but they attracted a lot of interest from local people who wanted to contribute to the local community. If the same kind of interest could also be generated for SRI funds, they would certainly catch on.

**Furuhashi :** I won't hesitate to recommend SRI funds, depending on the customer's needs. We are likely to receive a lot more inquiries about them in the future. Since public sentiment appears to be heading in that direction, I am pleased that Daiwa Securities is offering SRI funds.

▶ Reaction to the discussion with stakeholders

Employees are a very important stakeholder group, which is why we asked three salespersons from the retail front lines to participate in the recent stakeholder discussion. As they work in direct contact with customers, they openly admitted that they have a minimal awareness of CSR and usually only think about customers on a daily basis. In their concern and constant efforts for customer satisfaction, it is easy to see the pride they have as securities sales

professionals. Because of this, I realized they actually had a strong sense of corporate social responsibility to their customers. At the same time, I see the need to work hard to improve CSR awareness for the entire Daiwa Securities Group, by supporting employees on the front lines through the utilization of various group company initiatives.



Yoichi Miyashita  
Head of CSR Promotion Department  
Daiwa Securities Group Inc.

## Internal Communication to Increase CSR Awareness

In order to fulfill our responsibilities to society, we are pursuing various initiatives based on the notion that CSR awareness is essential for all employees in direct contact with the public.

### CSR training at branch offices nationwide

In May 2005, staff from the CSR Promotion Department at Daiwa Securities Group Inc. began a tour of all branch offices of Daiwa Securities Co. Ltd., nationwide to provide CSR training. The training program includes an overview of corporate social responsibility, as well as the CSR activities being carried out by the Group. Its goal is to deepen employee understanding of CSR.



CSR training session

### CSR seminar for job applicants provisionally hired

In December 2004, the Daiwa Securities Group held a *Sustainability Report* seminar for five university students who were provisionally hired, and scheduled to join the Group the following spring. It was a trial initiative for deepening the CSR awareness of employees. After reviewing the Daiwa Securities Group *Sustainability Report* together, the participants each gave a presentation on something that interested them from the Report. Four employees and two outside consul-

tants then joined the group, and a lively discussion ensued.



Sustainability Report seminar

### High school students present results from an economic learning program

In May 2005, a presentation was held in the Asahi Tokai Building in Chiyoda-ku, Tokyo, to wrap up the second year of the School Company Program (SCP), which had begun in September 2004. Students from Ritsumeikan Senior High School in Kyoto announced the results of their real-world experience in founding and running Ichigan Inc. No fewer than 50 interested employees had come there to hear the results; the presentation was followed by an enthusiastic ques-



Presentation by the directors of Ichigan Inc.

tion and answer session. It was a great opportunity for students and employees to discuss the SCP results.

### Providing information using various communication tools

Along with the establishment of the CSR Promotion Department in July 2004, a feature called, "CSR Bulletin" was created in the in-house magazine, *Fuji*. From six to eight pages of each issue are devoted to the feature, which contains information on the latest trends inside and outside of the company, upcoming CSR seminars, news related to environmental measures and social contributions, as well as profiles of volunteer activities carried out by employees. We are continually improving the content so that it can give every employee an opportunity to consider how the Daiwa Securities Group can contribute to building a sustainable society.

"CSR News," created by the Council for Better Corporate Citizenship (CBCC), a Nippon Keidanren-affiliated organization, is also posted on our group intranet. It provides employees with information about global trends in CSR.



In-house magazine, *Fuji*

## TOPICS | Updating the CSR website: New design and simpler format

Daiwa's Japanese-language CSR website was redesigned in July 2005. The design was updated with Flash graphics for the top page. Now the content is better organized so that visitors can quickly find the information they are looking for.

With the aim of creating a simple and easy-to-understand format, the site content was divided into two sections entitled, "Daiwa's CSR Initiatives," and "Reflecting on CSR and SRI." In the first section, visitors can find the Daiwa Securities Group initiatives under categories such as "Initiatives for Socially Responsible Investment," and "Initiatives for Finance and Economic Educa-

tion." In the second section, information is provided for those that want to deepen their understanding of CSR and SRI. This includes "CSR Conversations," in which Mariko Kawaguchi, Senior Analyst at Daiwa Institute of Research Ltd. discusses CSR in dialogues with various people.

We plan to take advantage of the web and to continue expanding the content of this site. Our goal is to create a site that explains CSR and SRI in a friendly and enjoyable way.

#### CSR website (Japanese only)

URL <http://www.daiwa.jp/branding/>



## Third-party Opinions



Chairperson, Committee of  
Consumer-oriented  
Management System Director,  
Nippon Association of  
Consumer Specialists (NACS)

**Yukiko Furuya**

This is the fourth Daiwa Securities Group *Sustainability Report* since 2002, and I feel strongly that the Group has come a long way with its compliance-based CSR initiatives. I have selected the following three points as outstanding aspects of this year's report.

The first point is the expanded disclosure of information from a CSR standpoint. We have given an abundance of numerical data and questionnaire results to measure the initiatives quantitatively. Based on the Disclosure Policy established in March 2004, there is a better system for information disclosure along with improvements in the information content and media. We have also made progress in disclosing negative information, while issues and objectives are outlined for each report item.

The second advance has been the greater clarity in the Daiwa Securities Group's CSR initiatives. Since the scope of CSR is quite broad, many other companies have just adopted a generic format for the content of their initiatives. The Daiwa Securities Group recognizes the importance of initiatives for SRI and economic and financial education and is pushing forward with its efforts in these areas, with the full understanding that its unique CSR is to contribute to the sound development of our economy and society through the Group's core business field. The Group has also clarified its own environmental initiatives, with the launch of the Paper Project to examine paper use, its largest direct environmental impact. The details of these specific CSR initiatives are explained in an easy-to-understand way.

The third point I would like to mention is the Group's substantial efforts in communication with stakeholders. This year the content of the "Stakeholder Dialogue" section was greatly improved with a dia-

logue with stakeholders: employees and NGOs providing disaster relief. The candid discussion among frontline employees on CSR and SRI as they relate to their work in the "Internal Stakeholders Meeting" feature provided a good window on the current situation.

Today, the shift in public focus from savings to investment has been accelerating in Japan, and the government has launched a specific policy of emphasizing consumer needs and strict adherence to consumer protection rules. The Daiwa Securities Group has also set goals for the pursuit of business activities based on investor protection, and for strengthening its management system for customer complaints. I would like to offer several suggestions that would help to increase the confidence of consumers and society in the Group to ensure safe and reliable securities transactions.

Firstly, the publication mentions incident reporting for securities improprieties under the section on elimination of improper conduct and investor protection. While disclosing the internal detection rate is a good first step, the Group should also provide information on what problems it considers to be securities improprieties, and what kind of solutions or measures it is taking in order to prevent any further incidents, and to secure the confidence of consumers. This would enable evaluation of the Group's compliance management.

Secondly, the Group is determined to make good on its commitment to improve customer satisfaction. Daiwa announces the number and types of inquiries to the Customer Support Center and mandates after-sales follow-up and ongoing customer satisfaction surveys in order to strengthen complaint handling. However, it is also necessary for us to disclose specific examples and details of customer complaints being used as input for the improvement of operations inside the Group, as well as to explain the policies and principles for responding to customers in a rapid, sincere, and correct manner. It is essential to make the customer satisfaction mechanisms more transparent.

Thirdly, I suggest that the management adopt a more consumer-oriented perspective. One cannot hope for the development of a sound economy and society just through a notion of ensuring customer satisfaction. It is necessary to understand the position of customers as consumers within the framework of the economy, as there is an overwhelming gap in the level of knowledge and the amount of information that they have, compared to what companies have, which puts them in a weak position with respect to firms. By adopting the consumer's perspective, the Daiwa Securities Group can jump to the next level of CSR initiatives based on its core business.



Chair, Environment Auditing  
Research Group (EARG)  
Member, Board of Directors,  
Global Reporting Initiative (GRI)

## Toshihiko Goto

Stating, "The essence of CSR is to help build a better society through our everyday work," this *Sustainability Report* affirms that the Daiwa Securities Group is focusing its efforts on two CSR areas. The first is the promotion and popularization of socially responsible investment (SRI) through the Group's core business, and the second area is educational and research activities. This has been the Group's consistent approach for many years, and I could read from this entire report its strong intention to illustrate how Daiwa will continue to develop this approach.

In relation to the first area, the popularization and promotion of SRI, the Daiwa Securities Group has signed on to the United Nations Environment Programme Finance Initiative (UNEP FI). I think the Group should be commended for bringing itself up to international standards in its commitment to the global leadership principle. There is even a move within the UNEP toward dropping the "S" in "SRI" in favor of "responsible investment," because socially responsible investment is already normal practice in finance. So I applaud the Daiwa Securities Group for having the foresight to have adopted this policy of responsibility some time ago.

The Group is carrying out various initiatives in areas including World Bank carbon funds and regional support funds. At the same time, I think that the long-term issue of spreading the SRI approach across the entire business is becoming more apparent. Along with the tide of globalization, the eradication of poverty has become one of the most important issues from the standpoint of sustainability. I am waiting for some new creative ideas on how the Group can contribute to this issue through its core business in the financial sector.

Concerning the Group's second CSR area, education and research activities, last year I pointed out that by global standards the Group's high

school learning program would be considered something halfway between philanthropy and a CSR initiative related to the core business. Nevertheless, this shows the strong desire of the Daiwa Securities Group to position these activities as a part of its corporate brand. I think that consolidating this understanding throughout the Group would help increase corporate value. Therefore, I hope that ways will be found to develop and show quantitative, numerical, yet non-monetary indices for this intangible value, rather than just providing qualitative descriptions of this corporate value.

The *Sustainability Report 2003* was well received and was ranked 39<sup>th</sup> among CSR reports worldwide in the *Global Reporters* survey published by SustainAbility / UNEP. And this year's *Sustainability Report* has been further improved. The part of this year's report that really impressed me was the support initiative for the victims of the Sumatran earthquake and South Asian tsunami. This is a good CSR example that should be studied by other companies in the future, as it included a clear policy, a long-term plan, and cooperation with NPOs.

The Group's four Corporate Principles were outlined in the report: customer trust, human values, total compliance, and sound profit. However, since 28% of the group employees cannot recall the Corporate Principles, I think that this issue should have been addressed in the section on specific issues and objectives for the future. There is also the fact that 43% of employees have not read the *Sustainability Report*, even though they are part of the target audience for the publication. Systematic measures for this problem need to be implemented, such as using the report for internal training.

Last year I introduced the idea that to draw up group-wide voluntary action standards based on the participation of employees might be a good idea. As this year's report states that these standards will be decided during fiscal 2005, I have great expectations for the results. I was also impressed by the frank comment that there is a problem with the fact that no male employees have taken childcare leave.

It seems that good progress is also being made on environmental measures. The choice to build the Group's own environmental management system, rather than obtaining ISO 14001 certification, is a reasonable one. Toward this end, the establishment of transparency, reliability of information, and appropriateness of efforts will be future issues for the Group. The Group seems to have limited understanding of the issue of biodiversity, but this can also be said of most Japanese companies. The Group has been participating in the Study Group on Ecologically Ethical Paper Procurement as part of its Paper Project. Utilizing the knowledge gained at the Study Group, I hope that the Group would consider what kind of measures to take in its core business, and then expand on these initiatives, in order to help prevent deforestation, especially in rainforest regions, and protect biodiversity.