

# Third-party Opinion

## Approach and Policy on Third-party Opinion

At the Daiwa Securities Group, we believe that it is important to have external stakeholders evaluate our activities and provide advice so that we can continue to improve our CSR initiatives. For this reason, every year we ask for the opinion of a third party when we publish the CSR report.

Sachiko Kishimoto, who also participated in the Group's Stakeholders Dialogue in 2003 and 2004, has shared her opinions of the 2010 report. Ms. Kishimoto is the Executive Director of the Center

for Public Resources Development, a non-profit organization that carries out corporate evaluation activities reflecting the public's perspective as an impartial research organization.

We will study and share her opinions both internally and externally to improve our activities. This feedback will be reflected in our future initiatives, and we will report on the progress made in the CSR reports for subsequent fiscal years.

## Third-party Opinion



Sachiko Kishimoto, Executive Director,  
Center for Public Resources  
Development

The global recession triggered by the financial crisis is forcing companies to take another look at their approaches to management and work. It has become essential that companies stop emphasizing short-term profits above all else, and instead shift to the pursuit of sound profits and a sustainable society. When I read the Daiwa Securities Group's CSR report, I was particularly struck by the statements of President Suzuki which reconfirm "corporate sustainability depends on contributions to society," and "over the next 10-20 years we intend to put quality ahead of size."

I sense that, under well-defined leadership, the Group is not simply seeking higher profits, but is pursuing initiatives that consider exactly how they will raise income.

In general, there are three dimensions to CSR: reviewing the approach to management activities, developing new businesses intended to create social value, and pursuing social contribution activities that leverage the company's management resources. The Daiwa Securities Group's Key Issue 1, "Leveraging Financial Capabilities to Contribute to a Sustainable Society," corresponds to the

development of new businesses, the second dimension of CSR. Key Issue 2, "Developing Sound Financial and Capital Markets for the Next Generation," corresponds to social contribution activities, specifically economic and financial education; and the third initiative, "Building a Rewarding Workplace for Executives and Employees," involves reviewing the approach to management activities, the first dimension. These three approaches taken by the Daiwa Securities Group to CSR focus the broad range of potential CSR issues to fit the company's unique attributes. I think they also meet stakeholders' requests.

The Group's CSR report is available in two formats: the Highlight Edition provided as a booklet; and the Full Edition report with exhaustive data. I believe that this approach to disseminating information succeeds in taking into account both the need to remain accountable to a diverse range of stakeholders and disclose the more detailed data that specialists require. Both the booklet and website disclose fiscal targets and the extent to which they have been achieved, and also include views from related employees. I am impressed with the way they have been arranged for ease of understanding.

I would like to describe commendable points and points for further improvement in terms of the three CSR dimensions. My comments here apply to both the Highlight Edition of the CSR report in booklet form and the Full Edition on the Group's website.

Enhancing work-life balance is an important issue for the Group as an approach to management that improves employees' personal lives to enhance their job performance at the same time. I am impressed with the Group's achievements in increasing the number of female managers and reducing overtime hours worked. The Group's belief that giving male employees as well as female

employees the chance to work in various styles will have a good impact on corporate activities is clearly based on a future social ideal. However, when I look at the Group's overall approach to management activities, I find that achievements in initiatives addressing customers are somewhat lower than in other areas. As many retail investors have suffered losses and feel anxious because of the slump in the market, improving the ability to explain issues to customers and provide consulting services is of the essence now. I expect the Group to take more initiatives to build trust with customers.

I was delighted to read about the Group's advances in Vaccine Bonds and Water Bonds, leading the industry and being the first to take up Impact Investment by investing in businesses that resolve social issues. It was also important that the CSR report provided data on Impact Investment as a percentage of Uridashi Gaisai, foreign currency dominated bonds issued overseas and solid in Japan, since this statistic measures the financial institution's real commitment. The Group's Impact Investment reflects its dedication to addressing global poverty and water problems, but I hope that the Group will also address the growing environmental and social problems in Japan itself, and develop products that balance social value and profitability.

The Group has chosen an approach to social contribution activities that embraces collaboration with non-profit organizations to develop educational materials to provide more students with economic and financial education. This independent project is an effective way of achieving strong results with limited resources. As a next step, I look forward to the Group's initiatives to encourage each employee to participate in community activities, which would add further impetus to the change being pursued by the Group.

## Response to Third-party Opinion



Keiko Uehara, Corporate Executive Officer,  
Daiwa Securities Group Inc.

I was very pleased to see that the three dimensions to CSR that we intended to convey—the Daiwa Securities Group's two key issues, their specific components, and our activities to engage employees in the effort to address these issues—were recognized in the third-party opinion. In particular, I think that presenting the actual sales figures for Impact Investment demonstrated our commitment to readers outside the Group, and at the same time reaffirmed its importance to all of us within the Group. We have a high share of the Japanese market for Impact Investment bonds. However, the ratio of these bonds to our total foreign currency denominated bonds is only just over 10%, which reveals we have room for growth in this area. This encourages us to take

our initiatives to the next level. At the same time, as Ms. Kishimoto pointed out, we have made unstinting efforts to enhance the level of our achievements in customer response initiatives. Going further, we believe that disclosing our activity targets and results helps to strengthen our activities, so we will adopt key performance indicators (KPI) for our activity targets to increase objectivity. We also develop products that encourage social involvement through investing, thus enabling us to offer products that address environmental and social problems in a timely manner. We are striving to make the workplace more conducive to social contribution activities so that all employees are encouraged to get personally involved.