

Environmental Report

Environmental Initiatives

Approach and Basic Stance

The natural environment is the very foundation of human life, so protecting it is essential to sustainable societies. We strive to help resolve environmental issues through our business by investing in the development of products that can reduce society's environmental impact, and also by making investments that help to make environmental technologies and infrastructure more widely available. We are working to establish a system that efficiently collects data on Daiwa's environmental impact. We are also focused on raising employees' environmental awareness to empower them to reduce environmental impact in daily business operations.

Environmental Vision

The Group is dedicated to protecting the precious global environment and preserving it for future generations by leveraging financial capabilities.

Environmental Principles

The Group recognizes the importance of environmental principles such as the effort to combat global warming, recycling and reuse of raw materials, and preserving biodiversity, in order to create a sustainable society for the 21st century. The Group pledges to contribute to solving environmental issues through its business as a financial service company and to constantly seek new ways to reduce its environmental impact as a responsible corporate citizen.

Basic Environmental Policies

1. Make positive environmental contributions through our core business activities

We shall seek to develop and provide financial products and services that promote a low-carbon, recycling-oriented and symbiotic society.

2. Implement an environmental management system

We shall implement an environmental management system and constantly seek new ways to improve environmental activities. In addition, we shall support environmental education and publicity efforts, while promoting environmental protection efforts by employees.

3. Take steps to save natural resources, reduce energy consumption, and promote biodiversity

We shall continue to progress in our efforts to reduce the use of natural resources and energy, and seek ways to improve materials- and energyefficiency (including efforts to improve business efficiency). We shall also take steps to reduce water use and reduce, reuse and recycle other materials to contribute to a more environmentally friendly society. Furthermore, considering the importance of biodiversity, we shall seek a symbiotic relationship with the environment and use safe, clean methods of materials procurement.

4. Promote environmental communication

Working in concert with business partners, the local community, NGOs and NPOs, we shall actively disseminate information about environmental issues, and communicate our concern for the environment to customers and society at large.

5. Strictly observe environmental regulations

We shall always endeavor in environmental assurance, observing environmental laws and regulations in addition to the Group's environment policies.

(May 22, 2012)

Takashi Hibino
Daiwa Securities Group Inc.
President and CEO

Environmental Management

Each company in the Group adopts and implements an environmental management policy. For example, Daiwa Institute of Research Business Innovation Ltd.'s EMS complies with ISO 14001. Every other month, a representative from each Group company attends meetings of the Environmental Management Council to share data, ideas and views on environmental issues. This Council, and the Group as a whole, is constantly seeking ways to improve and implement environmental management systems. The Group compiles and reports quantitative data on its environmental impact each year, including details such as energy and water consumption, CO₂ emissions, paper usage, waste disposal and recycling volume. Beginning in March 2012, a system was introduced in which paper documents used by Group companies are recycled into toilet paper used at Group office facilities.

Carbon dioxide emissions

Energy consumption at the Daiwa Securities Group's domestic offices (on a carbon dioxide emissions basis) fell by 14% in fiscal 2011 compared with the previous year as a result of initiatives to conserve energy.

Because we were able to collect data for a further ten offices, electricity consumption at overseas offices shows an increase. However, electricity consumption per office decreased by 7% from the previous fiscal year.

Energy Consumption

	FY2007	FY2008	FY2009	FY2010	FY2011
Domestic offices					
Electricity (1,000 kWh)	92,659	99,599* ¹	105,516* ¹	109,157* ¹	93,402
Natural gas (1,000 m ³)	644	517	423	696* ²	582
Gasoline (kiloliters)	1,032	1,029	1,064* ¹	1,137	1,117
Heavy oil (kiloliters)	23.7	4.3	1.9* ¹	8.6* ²	7.9
Diesel fuel (kiloliters)	0.0	0.1	0.1* ¹	0.2	0.1
Overseas offices					
Electricity (1,000kWh)	7,718	11,640	11,130	13,137	15,841* ³

*1. Data for fiscal 2008 onwards has been adjusted to include offices where energy consumption is less than 1% of overall usage

*2. Energy consumption for fiscal 2010 increased significantly owing to Japan's revised Act on the Rational Use of Energy, which now requires that data include tenant energy consumption for air conditioning for the three office buildings and other facilities in Japan that are subject to the Act.

*3. Electricity consumption at overseas offices increased significantly owing to the collected data for a further ten offices.

* This data pertains to all consolidated Group companies.

* At overseas offices, only electricity consumption was calculated.

CO₂ Emissions from Energy Consumption

(Unit: 1,000 kg CO₂)

	FY2007	FY2008	FY2009	FY2010	FY2011
Domestic offices					
Electricity	51,426	55,278* ¹	58,562* ¹	60,582* ¹	51,838
Natural gas	1,339	1,075	880	1,448* ²	1,210
Gasoline	2,396	2,389	2,470* ¹	2,639	2,593
Heavy oil	70.6	12.8* ¹	5.6* ¹	25.7* ²	23.7
Diesel fuel	0.0	0.3	0.2	0.6	0.2
Total for domestic offices	55,231	58,755* ¹	61,917* ¹	64,696* ¹	55,665
Overseas offices					
Electricity	4,283	6,460	6,177	7,291	8,792
Total for domestic and overseas offices	59,515	64,173* ¹	67,662* ¹	71,694* ¹	64,457

*1. Data for fiscal 2008 onwards has been adjusted to include offices where energy consumption is less than 1% of overall usage

*2. Energy consumption for fiscal 2010 increased significantly owing to Japan's revised Act on the Rational Use of Energy, which now requires that data include tenant energy consumption for air conditioning for the three office buildings and other facilities in Japan that are subject to the Act.

CO₂ Emissions per Employee (Domestic)

(Unit: 1,000 kg CO₂)

	FY2007	FY2008	FY2009	FY2010	FY2011
Per employee	4.3	4.3	4.6	5.0	4.5
Electricity	12,943	13,652	13,477	12,868	12,257

* CO₂ emissions per employee in Japan was reduced 0.5 thousand kg compared to the previous year. Domestic CO₂ emissions divided by the number of employees in the Group's domestic business sites.

Other Environmental Impacts

Changes in Clean Water Consumption

(Unit: 1,000 kl)

	FY2007	FY2008	FY2009	FY2010	FY2011
Consumption volume	268	252	199	188	162

* Data for fiscal 2008 onwards has been adjusted to include offices where energy consumption is less than 1% of overall usage

Volume of Copy Paper/Forms used

We facilitated the transition to a paperless office by appointing an employee to be in charge of the paperless transition at Daiwa Securities Group Inc. and holding paperless meetings in fiscal 2011. As a result of these

endeavors, the volume of copy paper used fell about 14.1% from the previous fiscal year. Moreover, about 42% (based on monetary value) of the copy paper used consisted of Green Procurement Network (GPN) compatible products.

Volume of Copy Paper/Forms Used

(Unit: 1,000 kg)

	FY2007	FY2008	FY2009	FY2010	FY2011
Daiwa Securities Group Inc.	18	11	13	11	24
Daiwa Securities	532	395	400	325	303
Daiwa Securities Capital Markets	96	150	140	132	95
Daiwa Institute of Research Group	194	116	122	77	84
Daiwa Asset Management	47	49	45	50	35
Daiwa Business Center	49	39	39	35	31
Daiwa SB Investments	38	30	27	28	28
Daiwa Property	4	4	3	3	3
Daiwa Sanko	5	2	4	3	3
Daiwa Corporate Investment	13	11	9	6	6
Other	38	30	15	22	16
Copy paper total	1,034	837	818	691	629

* This data pertains to consolidated Group companies.

Changes in Waste Generated and Recycling Volume

Changes in Waste Generated and Recycling Volume

		FY2007	FY2008	FY2009	FY2010	FY2011
Paper waste	Amount generated (1,000 kg)	1,343.4	883.6	766.5	751.0	601.0
	Recycling rate (%)	85	88	93	96	88
Non-paper waste	Amount generated (1,000 kg)	456.4	354.4	356.1	335.9	390.4
	Recycling rate (%)	23	15	33	33	37

* Calculated based on the Reuse Plan for Large-Scale Buildings Used for Business, as specified by each local government.

Initiatives to Reduce Environmental Impact

Upgrades to building equipment to conserve energy

When Daiwa Securities upgrades equipment such as air conditioners, power supply units, power conversion equipment, and water supply and drainage units in its branches, the company requires that products that meet the highest ("top runner") standards are adopted to ensure that equipment with low environmental impact is installed. "Top runner" standards were recommended in Japan's Act on the Rational Use of Energy, which requires that manufacturers clear benchmarks ensuring that energy-saving products are manufactured. The "top runner" concept calls for manufacturers to strive to improve their technologies and create products and equipment that surpass the energy efficiency of products and equipment currently on the market.

Eco activities expanded (Daiwa Securities Business Center)

The Daiwa Securities Business Center started the Eco Promotion Committee in 2008 and began to work on eco initiatives. Each year, the Business Center sets its own targets for reducing electricity and paper use to raise awareness

among individual employees and to motivate them to create and implement ingenious solutions. In fiscal 2011, paper use was cut by 6.3% over the previous fiscal year. Paper use has been cut by a cumulative 34.5% since this program started, which represents a reduction of around one-third. Information on the volume of paper ordered, electricity consumption, and hours of electricity consumption, as well as status updates on internal initiatives, is published every month on the intranet as part of the company's efforts to raise employees' awareness.

Electricity-saving measures

In fiscal 2011, the Group implemented electricity-saving measures across all companies. Our global initiatives included reducing the intensity of office lighting to appropriate levels, switching off the lights on signs and stock-price boards, and setting office equipment to energy-saving mode. The Daiwa Securities Business Center set a target of reducing energy use during July through September—the time of year when electricity demand is at its highest. It was able to achieve a reduction of 25.7% compared to the previous year for the same period.

Information dissemination

Dissemination of ESG research findings by Daiwa Institute of Research

The Daiwa Institute of Research carries out research in areas such as renewable energy, emissions trading, SRI, and corporate governance. It publishes the findings via its quarterly research review and on its website. June 2011 saw the launch of the ESG News section of the website specifically devoted to this hot research topic. As of the end of March 2012, the Daiwa Institute of Research had published 54 articles on issues relating to ESG.

Web The sustainable society and economy made possible by ESG (available only in Japanese)

Daiwa Asset Management's Eco2 reports

In this section of the website, Daiwa Asset Management fund managers introduce companies aiming to combine two "ecos"—ecology and economy—and present information relating to environmental issues. As of March 2012, 55 articles had been published under this rubric.

Web Eco2 reports (available only in Japanese)

Environmental Products and Services

Our Impact Investment products are part of our contribution to solving global environmental issues. These products offer customers a way to help solve social and environmental issues through bond investments and investment trusts. Impact Investment bonds issued during fiscal 2011 included Ecology Bonds and Water Bonds. We offered a total of 30.7 billion yen worth of these bonds, primarily to retail investors. We also issue Impact Investment bonds aimed at institutional investors. Our investment trust products focusing on the environment include the Daiwa SRI Fund and the Daiwa Eco Fund.