

## Third-party Opinion

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While considering a shift to an integrated report format in the future, Daiwa Securities Group currently reports on its environmental, social, and governance practices in two separate documents: its CSR report and its Annual Report. I would like to give my opinion here on the matters presented in the CSR Report 2012.

Amid ongoing financial unease throughout the world, 2012 saw the Group strengthen its operating base as a provider of integrated financial services. This was accomplished by consolidating for the first time in 13 years its retail banking and wholesale securities subsidiaries through the integration of Daiwa Securities and Daiwa Capital Markets. That each individual employee and executive enjoys a sense of confidence and pride in the knowledge that he or she is contributing to the development of society, as well as to building customers' wealth, is a powerful force that will continue to drive further growth and achievements. For this reason, the Group is focusing on creating a rewarding working environment for its employees/executives to achieve its two key CSR goals: leveraging financial capabilities to contribute to a sustainable society and developing sound financial and capital markets for the next generation.

I would like to outline the initiatives that I consider particularly praiseworthy and describe the developments I hope to see in the period ahead.

First, let us consider initiatives regarding the leveraging of financial capabilities to contribute to a sustainable society. Here, I think pioneering initiatives, such as SRI funds, Impact Investments for individual investors, and research relating to ESG information, deserve a particular mention. I also think that the charitable trusts and use of microfinance as part of the Daiwa Securities Group Tsunami Reconstruction Fund, as well as donating a portion of trust fees from the Phoenix Japan Fund, are valuable ways to leverage the financial system and

hence contribute to society.

As we move forward, I would like to see the Group lead Japan's financial sector in setting up processes and procedures for evaluating non-financial performance and assessing the social and environmental impact of investments, which should extend beyond symbolic efforts, such as Impact Investments, and encompass mainstream investments. With regard to contributing to society, I look forward to the development of new financial initiatives that will close the gap between Impact Investments and the provision of donations and grants while, at the same time, promoting the involvement of ever more stakeholders.

Second, let us move on to the development of sound financial and capital markets for the next generation. Here, I would first like to see a strengthening of compliance systems. I understand that the Group has been formulating concrete strategies to improve information management systems based on external recommendations. I look forward to the steady implementation of these measures. Viable compliance strategies rely on each and every employee and executive upholding high ethical standards and a professional mindset. Thus, it is necessary to proactively incorporate CSR training and volunteer programs into employee training and embed social leadership criteria into personnel evaluation systems.

Third, a due diligence-based approach to social responsibility is a core principle of the ISO 26000 standard. I would therefore like to recommend that the Group incorporate this approach into its CSR management processes. The Group has endeavored to become Asia's leading financial services group and has developed a mid-term management plan accordingly. In order to embed CSR into management systems, I believe that it is necessary to assess—based on dialogues with stakeholders—the social and environmental impact of the Group's management plans and business operations as an integrated financial services provider and, from this, identify new key CSR issues. For example, what is the potential social impact of the business strategy of the retail services driven by Daiwa Next Bank from the perspective of consumer relations? Or, from a CSR viewpoint, what potential risks might be posed by the wholesale security services supporting Japanese companies to move into Asia? I would like to see the creation of due diligence mechanisms that consider CSR perspectives such as these.

## Response to Third-party Opinion

Koichi Matsushita  
Executive Managing Director



We are very grateful for the valuable third-party opinion on the Daiwa Securities Group's CSR Report 2012. Such recognition of our initiatives to contribute to a sustainable society by leveraging financial capabilities—via our SRI and Impact Investments, for example—is a great encouragement as we aspire to contribute to society even further through

our daily operations. The three areas for improvement outlined by Ms. Kishimoto all contain extremely valuable ideas for further strengthening initiatives to increase our corporate value. We will take into account these ideas in our efforts to realize our vision of becoming Asia's leading financial services group possessing and leveraging a solid business platform in Japan.

Regarding the compilation of an integrated report, we will refer to the discussions underway by the International Integrated Reporting Council (IIRC) and continue to do our best to communicate more to all stakeholders our progress in building a sustainable society through both our business and our corporate citizenship activities.