



# CSR Report

Integrated Report Supplement

# 2017

# Contents

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<b>Editorial Policy</b>	2
<b>Overview of Company and Businesses</b>	3
<b>Message from CSR Officer</b>	4
<b>The Daiwa Securities Group's Businesses and Role in Society</b>	5
<b>CSR of the Daiwa Securities Group</b>	7
<input type="checkbox"/> Verification of Key CSR Issues and Responses to Changing Social Requirements	7
<input type="checkbox"/> CSR Management	9
<input type="checkbox"/> Daiwa Spirit	10
<input type="checkbox"/> CSR Materiality of the Daiwa Securities Group	11
<b>Initiatives through Business Activities</b>	13
■ <b>Close-up/To Maintain a Sound Market (Role of Due Diligence Department)</b>	14
<b>Role and Social Responsibilities of the Financial Services</b>	16
<b>Provision of Quality Service to Customers</b>	18
<b>Initiatives through Product Development and Provision</b>	23
<b>To Maintain and Develop Financial and Capital Market Functions</b>	28
<b>Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information</b>	29
<b>Support for the Creation of Our Future Society</b>	32
<b>Initiatives for Supporting Business Activities</b>	35
■ <b>Close-up/Support Business Operation from Property Management to Environmental Management (General Affairs Department)</b>	36
<b>Corporate Governance</b>	38
<b>Compliance</b>	42
<b>Human Rights Initiatives</b>	45
<b>Risk Management</b>	46
<b>IT Strategy and the Management of Systemic Risk</b>	49
<b>Environmental Initiatives</b>	50
<b>Relationship with Shareholders and Other Investors</b>	53
<b>Relationship with Employees</b>	55
<b>Engagement with Society</b>	62
<input type="checkbox"/> Dialogue with Stakeholders - Only Connect -	65
<b>Third-Party Evaluations</b>	69
<b>GRI Content Index/ISO 26000 Index</b>	71
<b>CSR Related Data</b>	83
<b>Glossary</b>	92
<b>Independent Assurance Report</b>	93

## Editorial Policy

We at the Daiwa Securities Group have been reporting our CSR activities annually since FY2002 for the following two objectives: to disclose our CSR activities in an easy-to-understand way and to evaluate the current state of affairs and the challenges we face. This CSR Report is designed to disclose non-financial information in a more detailed manner as a supplement to the Integrated Report.

The CSR Report, which is only released on our website, is produced referring to the guidelines of the Global Reporting Initiative (GRI) and ISO 26000. We have referred to the GRI Sustainability Reporting Standards 2016 since FY2017 and have identified and disclosed our materiality. (In FY2015, we also started to take account of the provisional sustainability accounting for the financial sector issued by the Sustainability Accounting Standards Board.) Moreover, we aim to make the report more accessible by utilizing the concept of Color Universal Design in selecting the colors of the document.

The meanings of underlined words are provided in the glossary (p. 92).

### Intended Readership

This report is intended for the broad range of Daiwa Securities Group stakeholders defined by ISO 26000, including customers, shareholders and investors, employees, business partners, and local communities.

### Reporting Boundary

This report generally discusses the principal companies of the Daiwa Securities Group. It does not, however, include all data from the Group's principal companies on items reported. The information is selected based on the respective companies' size and type of business. Each set of data specifies the scope of coverage. The term "Daiwa Securities Group" refers to our entire group, while the term "Daiwa Securities Group Inc." and the term "Daiwa Securities" refer to Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd., respectively.

### Period Covered by Report

FY2016 (April 1, 2016, to March 31, 2017)

The report, however, also includes some information on events and activities carried out prior to the beginning of or after the end of FY2016, or scheduled to take place during FY2017.

### Date of Publication

November 2017

(The previous report was published in October 2016; Publication of the English edition of the next report is planned for November 2018.)

### Inquiries

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### Reference Guidelines

GRI Sustainability Reporting Standards 2016

ISO 26000: Guidance on social responsibility

Sustainability reporting standards for the Financials sector, Sustainability Accounting Standards Board (SASB)

Environmental Accounting Guidelines 2005, Ministry of the Environment, Japan

## Composition of this CSR Report



This CSR Report describes relevant SDGs and CSR materiality on the right side of the page for each item. We consider such composition to be important in internal and external communication.

- **SDGs**

The Sustainable Development Goals (SDGs) were created by member states of the United Nations and a variety of organizations and people, and they were adopted by the UN in 2015 as goals common to all humankind. Each country promised to actively work toward the achievement of these goals.

Refer to page 8 for details.

- **Materiality**

The Daiwa Securities Group reviews and strengthens its CSR activities by focusing on the 15 items that the Group identified as materiality in FY2014.

Refer to page 7–8 and 11–12 for details.

## Overview of Company and Businesses

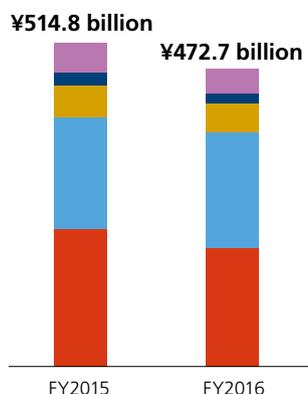
The Daiwa Securities Group is a comprehensive securities group that operates in such fields as Retail, Wholesale, Asset Management, and Proprietary Investment as its core businesses. The Group provides a wide range of financial services.

\*Refer to page 5 for details on businesses.

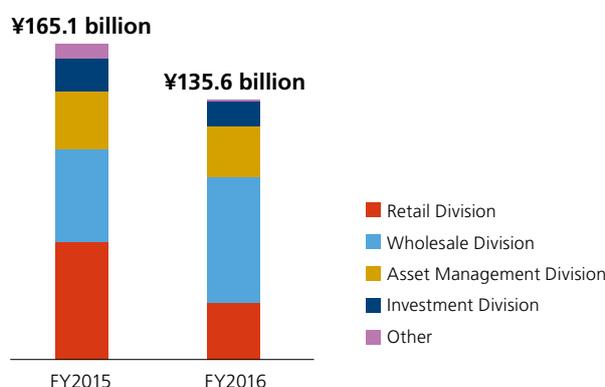


(As of June 30, 2017)

### Net Operating Revenue



### Ordinary Income



- Retail Division
- Wholesale Division
- Asset Management Division
- Investment Division
- Other

### Corporate Data

- **Name**  
Daiwa Securities Group Inc.
- **Head Office**  
Gran Tokyo North Tower  
9-1, Marunouchi 1-chome,  
Chiyoda-ku,  
Tokyo 100-6751, Japan
- **Tel**  
+81-3-5555-1111 (Main)
- **Established**  
December 27, 1943 (Founded 1902)

- **President and CEO**  
Seiji Nakata  
(from April 1, 2017)
- **Capital**  
¥247.3 billion
- **Number of employees (consolidated)**  
13,836
- **Number of consolidated subsidiaries**  
52

- **Number of equity-method affiliates**  
11
- **Shares of common stock (issued and outstanding)**  
1,699,378,772 shares

(As of March 31, 2017)

## Message from CSR Officer



### Tomonori Tsuji

Executive Officer  
Senior Managing Director  
Daiwa Securities Group Inc.

## Promote Dialogue with Stakeholders without Ignoring Social Contradictions and Challenges

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As already widely discussed, multiple tales of the unexpected unfolded in the world in FY2016. These events significantly impacted financial and capital markets. However, the view that these events should have been anticipated appears to be persuasive in light of trends in the global economy since the financial crisis in 2008, such as the economic recovery that many people do not feel they benefit from and a growing income disparity between the rich and poor.

The mission of the Daiwa Securities Group is to contribute to society by supporting financial and capital markets. The major role of the financial and capital markets is to develop the economy and increase wealth. Our first aim is to fulfil our mission and contribute to enable a larger number of people to feel affluent. This is because we believe that the distribution of wealth alone cannot provide sustainable solutions to social challenges. To achieve our mission, we still consider our 15 CSR materiality items to be important points.

However, many events in FY2016 reminded us again of the fact that numerous contradictions and challenges in society have reached a level that cannot be covered up. People's continuous trust in the financial and capital markets is indispensable for the Daiwa Securities Group's sustainable growth. We will continue to consider how we will act going forward through dialogue with various stakeholders.

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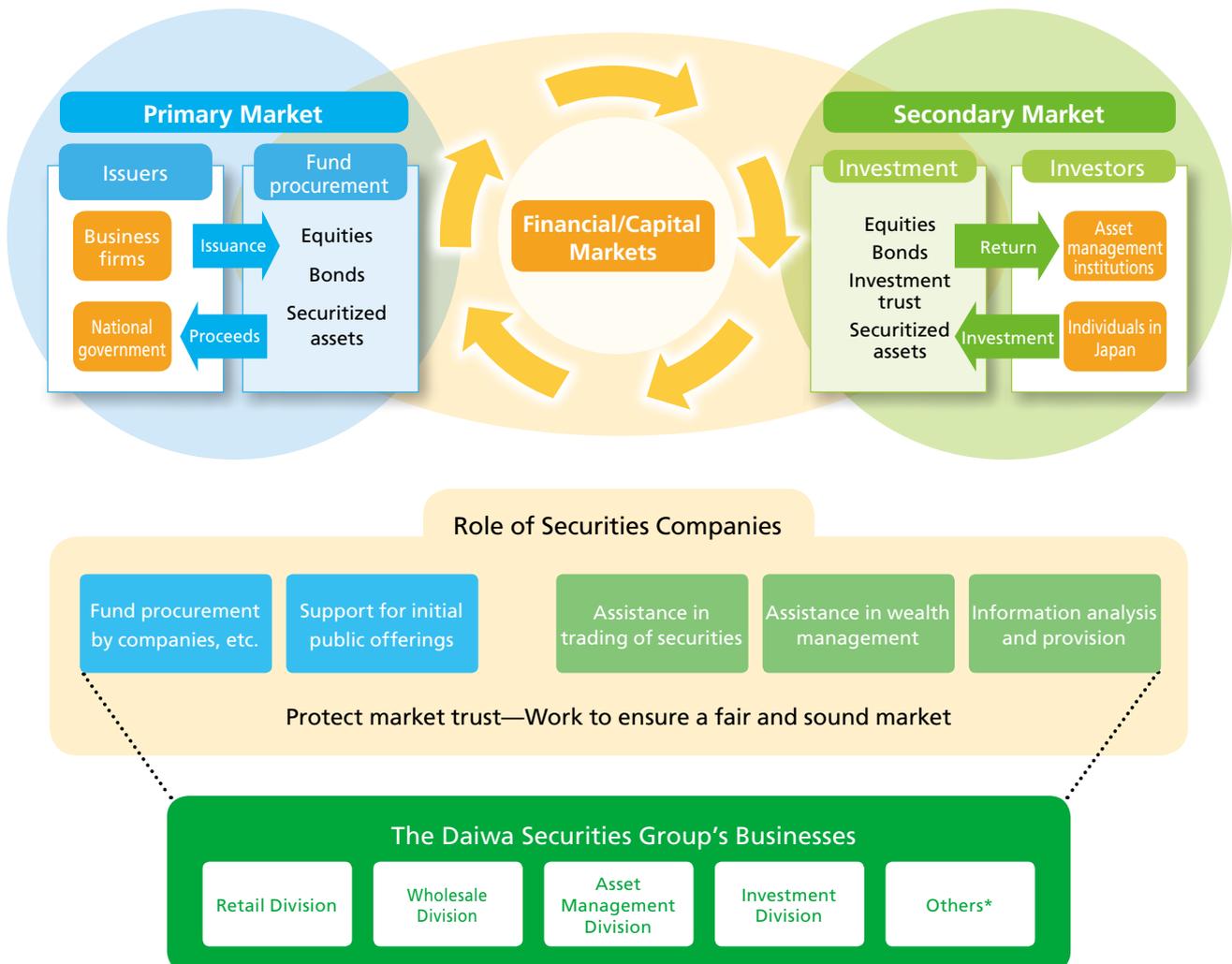
## The Daiwa Securities Group's Businesses and Role in Society

Japanese securities companies support direct financing and conduct a variety of businesses in the financial and capital markets. In simple terms, they can be viewed as "intermediaries in financing and the capital market" because of their wide range of businesses. Securities companies thus connect those who need money with those who wish to provide money in the primary and secondary markets, thereby helping circulate money throughout the world.

### The Daiwa Securities Group's Value Chain (shown below)

For the Daiwa Securities Group, securities such as stocks and bonds are core financial products. Therefore, companies and organizations issuing these securities as well as investors are our important customers. We believe that endeavoring to build and maintain a transparent and fair value chain is our important responsibility to develop financial and capital markets in a viable way, whilst bearing in mind the construction of a sustainable society. Asset management and sales of financial products are also core operations at the group. As a responsible institutional investor, our Asset Management Division aims to achieve excellent performance by encouraging investees to seek sustainable growth over the medium to long term while appropriately taking ESG factors into consideration.

Meanwhile, in order to ensure that we do not have any relationships with anti-social forces, we have established a set of rules and a database among Group companies and eradicated antisocial forces from our value chain.



\*Including IT services, management consulting, and online banking.

As part of the Group's efforts to leverage financial capabilities in order to achieve a sustainable society, Daiwa Real Estate Management Co. Ltd. manages Nippon Healthcare Investment Corporation, a healthcare REIT. We interviewed Charm Care Corporation, which operates a facility held by the investment corporation.

**VOICE**

## Creating a Rich and Fruitful Aging Society

### Being a "Home" for Residents

We at Charm Care Corporation manage private nursing homes and residences for the elderly, with the aim of making our facilities into "homes" for our residents. Going forward, we will maintain our dominant strategy in the Kinki region around Osaka, where our head office is located. We would also like to provide facilities targeting upper-middle and affluent customers with a particular focus on the Tokyo metropolitan area, where a significant shortage of nursing care facilities is anticipated.

Nippon Healthcare Investment Corporation, managed by Daiwa Real Estate Management Co. Ltd., is Japan's first listed REIT specializing in healthcare facilities and incorporates Charm Suite Ryokuchi Koen, a facility that we operate, as one of its largest assets. The use of a healthcare specialized REIT\* brings us the following merits.

\*REIT: Real estate investment trust

### Obtained Merits

- Nippon Healthcare has helped us broaden our fund procurement options when establishing new facilities. Going forward, in light of new investment and other plans, we will be able to sell the property to the investment corporation at an appropriate timing. By choosing to reduce our financial burden, we will also be able to provide new facilities.
- Because an investment corporation generally owns properties for a long time, we can manage our facilities in a stable manner as an operator.
- Our buildings and equipment are appropriately managed thanks to maintenance provided by experts, allowing us to devote ourselves to operating homes.
- The name recognition and public awareness of the facilities we run have also been boosted as a result of the facilities being featured in the website and annual reports of the investment corporation and other media.

Charm Care Corporation will continue to actively promote the establishment of new facilities while using the capital market. We will also retain and develop human resources and achieve sustainable growth, thereby contributing to a rich and fruitful aging society.



**Takahiko Shimomura**  
Representative Director of Charm Care Corporation

## CSR of the Daiwa Securities Group

As the world undergoes rapid changes, such as those in social trends and the global environment, the Daiwa Securities Group attaches great importance to our corporate principles as being “unchanging.” Based on these corporate principles, we have set up three pillars in promoting CSR, which also form our foundation: “Key Issue 1,” “Key Issue 2,” and “Striving to create a pleasant working environment.” We would like to contribute to the development of society and economy through activities for the 15 items of materiality identified based on these.

### Corporate Principles

#### Building trust

The trust and approval of customers form the very foundation of the Daiwa Securities Group. The Group will always place the needs of customers first, and strive to develop the advanced, specialized skills to offer them the most-attractive products and services of any securities group.

#### Placing importance on personnel

The source of the Group’s competitiveness lies in the capabilities of its employees. The Group will promote the creativity of employees by offering them a challenging and self-directed working environment that encourages their abilities and appropriately rewards their contributions.

#### Contributing to society

The Daiwa Securities Group will seek to benefit the economy and society through the development of healthy financial markets. In addition to scrupulously observing both regulations and internal policies, the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies in which we operate.

#### Maintaining healthy earnings results

The Group will always seek to develop healthy business operations and to increase corporate value for the benefit of shareholders. By providing customers with attractive products and services, the Daiwa Securities Group will seek to generate strong profits and healthy returns for shareholders.

### Two Key CSR Issues

At the Daiwa Securities Group, we regard “building trust” as one of our corporate principles. We believe that contributing to the development of society and the economy through financial and capital markets is our social mission and that trust from customers and society supports the Group’s sustained growth.

We are promoting the Group’s CSR activities under three pillars. They comprise the following two key CSR issues and the development of a work environment which serves as a base for promoting these issues:

**Key Issue 1** Leveraging financial capabilities to contribute to a sustainable society

**Key Issue 2** Developing sound financial and capital markets for the next generation

Striving to create a pleasant working environment

## Verification of Key CSR Issues and Responses to Changing Social Requirements

The Daiwa Securities Group recognizes that we are responsible to various stakeholders (refer to page 9) as a corporate citizen when selecting key CSR issues. Meanwhile, social requirements for companies may change over time, and we need to constantly verify whether significant changes are occurring and whether our key issues accommodate these changes.

We believe social requirements for corporations from a wide range of stakeholders have become increasingly diversified and thus more complex to reconcile and that it has become more important than ever to take a balanced approach in considering these diverse demands.

In light of these circumstances, the Daiwa Securities Group has actively participated in external CSR initiatives in Japan and overseas and promoted activities that use various codes in order to identify properly and respond to corporate CSR trends. The codes listed on the right side are those that we place a special emphasis on.

Responsibility to a wide range of stakeholders

Contributing to a sustainable society

The Daiwa Securities Group’s sustainable growth

Risk control

● The United Nations SDGs

● The Tokyo Stock Exchange’s Corporate Governance Code

● The Core Labor Standards of the International Labor Organization

● ISO 26000

● The United Nations Guiding Principles on Business and Human Rights

● The OECD Guidelines for Multinational Enterprises

● The Charter of Corporate Behavior of the Nippon Keidanren

● The Japanese version of the Stewardship Code (“Principles for Responsible Institutional Investors”)

## CSR Materiality of the Daiwa Securities Group

In FY2014, the Daiwa Securities Group identified CSR materiality based on the three pillars.

We have disclosed information on the Group's initiatives for materiality. We have also strived to grasp the expectations of our stakeholders and changes in social trends through engagement and will review our initiatives if necessary.

Contribute to the development of society and economy through financial and capital markets

- I. Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers
- II. Customer service with a wealth of hospitality
- III. Development and provision of superior financial and investment products
- IV. Dissemination of analysis and proposals on the economy, society, and investment information
- V. Maintenance and development of financial and capital market functions
- VI. Appropriate risk controls
- VII. Appropriate management of customer information
- VIII. Construction and maintenance of a strong IT system
- IX. Responsible action as an institutional investor
- X. Creation of a workplace that values human resource development and diversity of employees
- XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)
- XII. Reduction of environmental load and responses to environmental changes
- XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets
- XIV. Contribution to local communities
- XV. Construction and maintenance of an appropriate corporate governance system

### About Each Initiative

- The United Nations Global Compact (the Daiwa Securities Group signed the Compact in 2010)

<b>Human Rights</b>	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>
<b>Labour</b>	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>
<b>Environment</b>	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>
<b>Anti-corruption</b>	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>

- ISO 26000
- The Charter of Corporate Behavior of the Nippon Keidanren (Japan Business Federation)
- The United Nations Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The UN Sustainable Development Goals (SDGs)

### The United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs), which were created by member states of the United Nations and a variety of organizations and people, were adopted by the UN in 2015 as goals common to all humankind. Each country has promised to actively work toward the achievement of these goals. The Daiwa Securities Group views the SDGs as critical goals that will lead the future direction of the world, and will address the 17 social issues of the SDGs by positioning them as a common language for deploying business in and outside Japan.



## CSR Management

### Communication with Stakeholders

We believe that deepening the bond of trust we share with our stakeholders is essential to the sustainable accomplishment of our social mission and achievement of growth.

#### ● Policy on Communication with Stakeholders

We have adopted the following basic policy, considering that communication with stakeholders plays an important role in identifying social demands, which change over time.

Daiwa Securities Group Stakeholders



#### Basic Policy (1)

The Daiwa Securities Group will strive to maintain two-way communication with a broad range of stakeholders based on ISO 26000 and the Charter of Corporate Behavior of the Nippon Keidanren.

#### Basic Policy (2)

The Group will strive to deepen communication with stakeholders already known to us, including customers, shareholders and other investors, business partners, employees and local communities.

#### Basic Policy (3)

The Group will strive to communicate actively with third-parties in order to identify other stakeholders.

#### ● Summary of Communication

Stakeholders	Policy on Communication
Investors	We use the feedback received from customer input and questionnaires for the improvement of our business.
Issuers	We communicate with issuers as needed to check whether we have helped them to solve their issues or whether there are any points for improvement.
Investees	Analysts and fund managers actively hold dialogue with management level personnel of investees.
Shareholders and others	We conduct meetings with shareholders and others as well as briefings for individual investors (including online briefings).
Business partners	We engage in communication according to level of importance, in addition to communication via business deals, to confirm the management status of information provided by the Daiwa Securities Group and check disclosure and reports related to ESG information.
Government	Experts in the think-tank division make proposals in various committees and councils set up by government offices and assemblies.
NPO/NGO	We strive to gain an understanding of the current status of social issues through visits to the operational frontline and meetings.
Local communities	We seek a symbiotic relationship with local communities through participation in local events and volunteer work.
Employees	We strive to reflect employees' input and feedback in management via our whistle-blowing system and various questionnaires.

### CSR Promotion System

Our officers and employees endeavor to implement our corporate principles through their business operations for the materialization of a sustainable society and our vision.

Specifically, the CSR Group of the Corporate Communication Department at Daiwa Securities Group Inc. actively seeks information and holds dialogues at external and internal meetings. These activities are conducted under the direction and orders of the Corporate Communication Officer, an executive officer under the supervision of the CEO. CSR issues and our progress are shared regularly with the executive officer at meetings and other occasions.

Furthermore, information on CSR is taught to the Group's newly hired employees. The CSR Group promotes and raises awareness of CSR issues throughout branches and departments across Japan and major overseas sites and builds a network of cooperation.



## Daiwa Spirit

Our corporate culture has been nurtured since the foundation of our business. After analyzing it using our corporate principle as a compass, we sorted out the basic philosophy and mindset inherent to our group and articulated them as the Daiwa Spirit, our behavioral guidelines.

1. Exercises self-discipline and complies fully with the law, recognizing that sustainable growth hinges on winning the trust of customers, financial and capital markets, and society at large.
2. Secures sound profits by contributing to societal and economic development through its actions in financial and capital markets.
3. Exerts unflagging efforts to build strong, sustainable, trust-based customer relations.
4. Continues to pioneer products and services in financial and capital markets, with each employee fulfilling his/her mission with confidence and pride.
5. Cultivates unbeatable competitiveness to overcome challenges, underpinned by strong company-employee trust and solidarity between colleagues.
6. Aims to be the securities group with the highest ambitions, a positive attitude that turns hardships into opportunity, and unmatched speed.

### The Daiwa Securities Group's Efforts to Maintain Balance with Shareholder Value

In promoting CSR activities, we place a great emphasis on initiatives through business activities. Such initiatives help solve social issues and at the same time, generate commission and fee revenue-tangible value for shareholders. Moreover, a cut in energy costs achieved as a result of initiatives to reduce the environmental footprint of our business activities is also an example of such value.

Value for shareholders is not limited to matters that are easy to gauge. Such intangible value for our shareholders includes trust given to us by customers, a rise in morale of employees and improvement in corporate governance and compliance systems.

While CSR activities generate tangible and intangible value for stakeholders and shareholders, they also incur costs. As with other business activities, due to the limitations of human and other resources, CSR activity costs may grow rapidly when the volume of activities increases. We consider it important to analyze the cost-effectiveness of our CSR activities whilst working on reducing their costs, in assessing value for shareholders.

The Daiwa Securities Group will continue practicing CSR activities with the aim of living up to stakeholders' various expectations and generating value for shareholders through those activities.

## CSR Materiality of the Daiwa Securities Group

Materiality	Selection reason
I. Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers	The Daiwa Securities Group's major businesses involve proposing a variety of financial products to our customers for investment. While investment in financial products provides expected returns, various risks are also entailed. Accordingly, we are strictly required by laws and regulations to recommend products that suit the experience and characteristics of our customers. Moreover, to build sustainable customer trust in the Group, it is indispensable to conduct sales activities that put customer needs first while complying with laws and regulations. It is also important to continuously provide information to customers who have already purchased our financial products in order to obtain their trust as we are a professional group that handles financial products subject to price fluctuations.
II. Customer service with a wealth of hospitality	The Daiwa Securities Group needs to be a group that is continually chosen by customers to achieve sustainable growth amid fierce competition among financial institutions. We believe that in addition to the quality of the proposals and information that we offer, careful attention with a wealth of hospitality is vital to satisfy our customers when trading with the Group.
III. Development and provision of superior financial and investment products	The main businesses that the Daiwa Securities Group conducts in financial and capital markets include (1) the provision of services and solutions to business corporations that raise funds through securities and other means, (2) the establishment and management of investment trusts that incorporate securities, and (3) assistance to various customers in investing in securities and other financial products. To be continually chosen by customers, the Group believes that it is vital to continue to develop and provide advanced, good-quality products and services.
IV. Dissemination of analysis and proposals on the economy, society, and investment information	To be chosen by customers, the Daiwa Securities Group needs to provide advanced, good-quality analysis of and information on companies issuing securities and financial and capital markets. As the trends of the overall economy and society are also important factors for investment decisions, the analysis of and information on such trends are indispensable. Moreover, we believe that proposing economic policies to be taken and measures for society as a whole while capitalizing on such analysis and information provision ability is also an important role that the Daiwa Securities Group takes on for the creation of a sustainable society.
V. Maintenance and development of financial and capital market functions	Financial and capital markets function as an important social and economic infrastructure that facilitates the smooth flow of money by matching fundraising needs and the investment needs of investors. The settlement of securities and funds relies on trust in the market, where countless transactions by investors are interconnected. The maintenance of this function is critical for major financial institutions. Moreover, developments such as the reduction of settlement time are also vital for the development of financial and capital markets, and the Daiwa Securities Group plays a vital role as a major financial institution.
VI. Appropriate risk controls	As a major financial institution, the Daiwa Securities Group is faced with the risks arising from various transactions, such as liquidity risks for funding, the market risk resulting from price fluctuations, and credit risk for business partners. Failure to appropriately manage these risks could cause massive losses and significantly affect our business.
VII. Appropriate management of customer information	The Daiwa Securities Group retains the details of transactions by numerous customers and their personal information. We also obtain important information from customers that could lead to insider trading, including plans to issue securities. The obligations of management and confidentiality related to such information are stipulated by laws and regulations. However, as a major financial institution, we believe that information management that goes beyond the requirements imposed by laws and regulations is vital to ensure that we do not betray the trust of our customers and other stakeholders.
VIII. Construction and maintenance of a strong IT system	For major financial institutions, large-scale and sophisticated IT systems are indispensable as they are integrated with the promotion of business. The superiority of IT systems directly affects the competitiveness of financial institutions. On the other hand, should a large-scale system failure occur, it may have a major impact on the Group's business until the system returns to normal while also significantly affecting financial and capital markets. In light of external intrusions and other numerous events occurring in recent years that have threatened the stability of IT systems, it is also extremely important to implement measures to prevent system failures associated with such incidents.
IX. Responsible action as an institutional investor	The Daiwa Securities Group has asset management companies that manage the funds entrusted by customers by investing them in securities and other products. It is important for these asset management companies to actively engage in dialogue with investees as institutional investors, thereby helping those investees to achieve sustainable growth.
X. Creation of a workplace that values human resource development and diversity of employees	For the sustainable growth of the Daiwa Securities Group, it is extremely important for Group employees to raise their skills as professionals and provide customers with services exceeding those of other companies. To enable employees to exhibit their capabilities, the creation of a workplace environment that gives them a sense of job satisfaction is also vital.
XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)	The Daiwa Securities Group is subject to not only laws and regulations related to the sales and trading of financial products, but also a variety of other laws and regulations in and outside of Japan. We are also required to give consideration to anti-corruption and human rights issues at home and abroad. A corporate culture that fosters self-discipline among officers and employees is a key foundation.
XII. Reduction of environmental load and responses to environmental changes	In light of resource limitations and global warming, it is important to strive to minimize the environmental burden resulting from business activities as a member of society.
XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets	A variety of stakeholders are increasingly asking companies to resolve various social issues through their businesses. The Daiwa Securities Group is making efforts to resolve social issues using the functions of financial and capital markets, while taking on responsibility for the development of markets.
XIV. Contribution to local communities	The Daiwa Securities Group carries out business at various sites in and outside of Japan. We have the important responsibility of contributing to local communities as a member of society.
XV. Construction and maintenance of an appropriate corporate governance system	The Daiwa Securities Group has shareholders and other stakeholders, and their expectations for the Group vary. An appropriate corporate governance system is vital for us to raise shareholder value and give balanced consideration to these expectations.

Division in charge						Relevant Items for CSR Report 2017
Retail Division	Wholesale Division	Asset Management Division	Investment Division	Other		
◎	◎	◎	△	△		Provision of Quality Service to Customers (Blue), Compliance (Red)
◎	◎	◎	○	○		Provision of Quality Service to Customers (Blue)
◎	◎	◎	◎	○		Initiatives through Product Development and Provision (Blue), Support for the Creation of Our Future Society (Blue)
◎	◎	◎	△	◎ (DIR)		Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information (Blue)
◎	◎	○	×	◎ (DSC)		To Maintain and Develop Financial and Capital Market Functions (Blue), Risk Management (Red), IT Strategy and the Management of Systemic Risk (Red)
◎	◎	◎	○	○ (Property)		Risk Management (Red)
◎	◎	◎	◎	◎		Compliance (Red), IT Strategy and the Management of Systemic Risk (Red)
◎	◎	◎	○	◎ (DIR-BI)		IT Strategy and the Management of Systemic Risk (Red)
△	×	◎	×	×		Role and Social Responsibilities of the Financial Services (Blue), Initiatives through Product Development and Provision (Blue)
◎	◎	◎	◎	◎		Relationship with Employees (Red)
◎	◎	◎	◎	◎		Compliance (Red), Risk Management (Red), Human Rights Initiatives (Red)
◎	◎	◎	◎	◎		Environmental Initiatives (Red), Risk Management (Red)
◎	◎	◎	◎	◎		Role and Social Responsibilities of the Financial Services (Blue), Initiatives through Product Development and Provision (Blue), Support for the Creation of Our Future Society (Blue)
◎	◎	◎	◎	◎		Engagement with Society (Red)
◎	◎	◎	◎	◎		Corporate Governance (Red)

We identified materiality for CSR in FY2014 and have stepped up our CSR activities by focusing on the important aspects identified. We referred to the disclosure requirements shown in the G4 Sustainability Reporting Guidelines, in addition to other guidelines, in an effort to identify important aspects that suit our business model as a financial services group. To identify materiality, we first reviewed the Group's activities from three perspectives: "the provision of good-quality services to customers," "being a supporter for the financial and capital markets, which are part of our social and economic infrastructure" and "being a member of society." We held discussions within the Group, obtaining opinions from third-party experts. We then determined materiality after conducting a questionnaire to relevant departments within the Group to ask about the adaptability and validity of the aspects identified with their operations.

We have disclosed information on the Group's initiatives for materiality. We have also strived to grasp the expectations of our stakeholders and changes in social trends through engagement and will review our initiatives if necessary. Moreover, we will verify "Key CSR Issues" in accordance with changes in materiality.

**Blue** Initiatives through business activities  
**Red** Initiatives for supporting business activities



# Initiatives through Business Activities

## Approach and Basic Stance

The Daiwa Securities Group's mission is to contribute to the development of society and the economy through business operations, including wealth management for investors and support for the development of financial strategies and other aspects of corporations and public institutions. Deepening the bond of trust we share with our stakeholders is essential to the sustainable accomplishment of our mission and achievement of growth.

## Contents

- Close-up: To Maintain a Sound Market (Role of Due Diligence Department)
- Role and Social Responsibilities of the Financial Services
- Provision of Quality Service to Customers
- Initiatives through Product Development and Provision
- To Maintain and Develop Financial and Capital Market Functions
- Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information
- Support for the Creation of Our Future Society

Close-up

# To Maintain a Sound Market (Role of Due Diligence Department)

The important social missions of securities companies include building a bridge between companies that hope to procure funds and investors who wish to invest while helping maintain a fair, highly transparent capital market throughout the process. The Due Diligence Department plays a crucial role in maintaining the quality of the underwriting business, which forms the basis of such social missions.

## Examining the Appropriateness of Corporate Performance and Disclosed Information

When a company procures funds by issuing securities, such as equities and bonds, or when a major shareholder or others sell their shareholdings in bulk, securities companies generally buy those securities and sell them to investors. In such cases, the Due Diligence Department is responsible for examining whether the business performance trends of and the information disclosed by the company are appropriate. In addition, when a company newly lists its shares on a stock exchange (conducts a listing/IPO\*), we review the company's business performance trends as lead manager while examining whether the company has implemented a structure appropriate for a listed company.

\*IPO: Initial public offering

Investors make investment decisions based on information provided by companies. We hold meetings with companies and conduct fieldwork based on materials provided by such companies. We also examine whether they have provided a sufficient amount of accurate information that is not likely

to cause any misunderstanding and appropriately covers various perspectives, and whether information regarding the companies themselves has been provided appropriately. We then hold discussions with relevant departments and determine whether to underwrite securities to be issued or sold.

## To Increase the Transparency of our Examinations

The criteria and procedures for due diligence are based mainly on laws such as the Financial Instruments and Exchange Law and the Companies Act, as well as the Rules Concerning Underwriting, Etc. of Securities, which are set forth by the Japan Securities Dealers Association (JSDA). The rules stipulated by the JSDA are self-regulatory rules for member securities companies. In light of such basic rules, Daiwa Securities has also established its own criteria and is rigidly performing due diligence.

Due diligence must also be highly independent. Accordingly, the Due Diligence Department is separated from the departments promoting underwriting and the departments executing the underwriting business, and is operated independently as a department supervised by the risk management officer.

## Requirements for Companies Listing their Shares

### Eligibility as a financial product

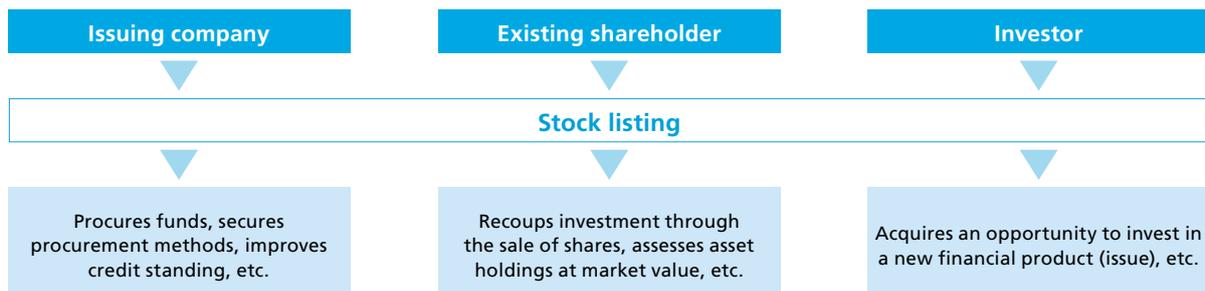
- After examination by the lead manager, the stock exchange ultimately makes a decision from the perspective of protecting investors
- The listing examination covers the overall business of the company



### Investment appeal as a financial product

- Transmit information on the future prospects of the business and competitiveness, etc. appropriately to the market/investors.
- Stock price level at IPO
- Shareholder return policy, etc.

## IPO — Merits for Each Related Party



### IPO Initiatives to Send New Companies off to Capital Markets

Underwriting equities of a company carrying out IPO involves sending a company that has never been previously listed to the capital market. The listing allows the company to raise its profile and enjoy the merits of listing such as the acquisition of a new fund procurement means, thereby boosting the growth of a promising company. Meanwhile, the listing also provides investors with an opportunity to invest in a new company with a good prospect.

### Due Diligence in IPO

In an IPO deal, examination begins prior to filing an application for listing with a stock exchange. As is the case for companies that have already been listed, business performance and disclosed information are reviewed. It is also important to review various aspects of the company other than financial information to examine whether it has a sustainable business model, and whether preparations and structures for becoming a listed company are in place. For these reasons, we meet with the president and other top executives of the company and ask about their management visions while focusing on whether they



Haruyo Takano

Managing Director of the Due Diligence Department  
Daiwa Securities Co. Ltd.

have the expertise required for managers of listed companies, such as knowledge of compliance and corporate governance. We also conduct hearings with business partners of the company and visit worksites such as plants and offices to confirm that business is being operated appropriately.

In the process of due diligence, we also always check for any scandals or other negative information. If such a problem is found, we pay attention to whether the company has solved the problem or taken steps to solve the problem.

In addition, we focus on labor management practices that have recently attracted much social attention. If a suit has been filed between the company and employees, or if the company has received instructions from a government office, we check the cause and any recurrence prevention measures for the problem.

### Continue Making Unceasing Efforts to Improve the Accuracy of our Examinations

We have recently been strengthening efforts, in particular, to enhance quality in IPO transactions. This is in response to the request made by Japan Exchange Group to the entire securities industry due to recent cases that could undermine investor confidence, such as the revelation of past scandals and substantial downward revisions to earnings projections made immediately after listing. Specifically, we aim to enhance the quality of our IPO transactions mainly by detecting inappropriate transactions by owners and/or managers and raising the accuracy of earnings forecast evaluations.

Daiwa Securities has been engaged in appropriately building bridges between fund procurement needs and investment needs through its underwriting business for decades. To continue fulfilling this role and contribute to maintaining and developing the capital market, the Due Diligence Department believes that it is important to continuously make efforts to improve the ability of each department member, to help them accumulate experiences, and to enhance accuracy.

Society's expectations of us have been becoming increasingly demanding. Thus we will continue making steady efforts to enable Daiwa Securities to maintain and raise the quality of its underwriting business.

### Number of IPO deals

Cumulative results for fiscal 2012 through fiscal 2016\*

**68 deals** (share: 19.3%)

\* Number of deals for which Daiwa Securities served as lead manager. For deals with multiple lead managers, those in which Daiwa Securities were involved as in a leading position were counted.

## Role and Social Responsibilities of the Financial Services



The securities business, the core business of the Daiwa Securities Group, plays a key role in society, by building a bridge between the needs of investors to manage assets and those of private and public sectors to raise funds.

On the fund-raising side through underwriting equities and bonds, and arranging other securities products, the Group provides advice and assistance to companies in their efforts to raise money for equipment investment or R&D, as well as to national governments, local governments, international institutions, and public corporations seeking to raise funds for public works projects.

On the asset management side, the Group provides appropriate investment information and advice, as well as a comprehensive and diverse lineup of financial products and services to meet the various needs of individuals, companies, institutional investors, and pension funds. In these ways, the securities business facilitates the smooth flow of money by matching demand and supply through financial and capital markets. The Group fulfills an important role and responsibility in society by contributing to sustainable development through the channeling of funds into businesses that solve social issues and create new technologies, for example.

On investing in corporate shares, the Daiwa Securities Group promotes methods of investing that take into account a company's social responsibility (CSR), such as its environmental and social initiatives, in addition to financial information. In recent years, the Group has put its emphasis on the promotion of financial products based on the concept of Impact Investment, a type of Socially Responsible Investment (SRI), which refers to making more direct, quick-acting investments to resolve social issues. From its position as a financial institution, the Daiwa Securities Group is endeavoring to contribute to society by developing and marketing these products. In addition to pursuing economic gain, the Group is dedicated to resolving a host of social issues.

### Mission for Financial Institutions toward Solving Social Issues

The business sector's role in endeavoring to create a sustainable society has become more important than ever. For financial institutions, materialization of such a society through finance, their core capability, is a social mission. At the Daiwa Securities Group, we believe that our role is not only to maintain and develop a fair and dynamic financial market, but also to incorporate a social perspective in finance and to facilitate the flow of money to build a sustainable society.

In January 2010, the Daiwa Securities Group signed the United Nations Global Compact (UNGC), a platform to help companies that have committed to sustainable and responsible business practices shape their policies,

and have proceeded with business activities in compliance with the principles. We also incorporate into our activities the Sustainable Development Goals (SDGs) adopted in September 2015 at the United Nations Sustainable Development Summit.

### Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century)

The Principles for Financial Action for the 21st Century were drawn up by a committee comprising representatives from a range of Japanese financial institutions. They were tasked with drafting a Japanese version of the Principles for Environmental Financial Action. This was based on a recommendation issued by Japanese Ministry of the Environment's Central Environment Council with the objective of promoting environmental finance. Each signatory institution is expected to endeavor reflecting ESG (environment, society and governance) issues and concerns to its own business practices. The Group was instrumental in the establishment of the principles from the drafting stage to the final framework. Both Daiwa Securities Group Inc. and Daiwa Asset Management Co. Ltd. became signatories in November 2011.

### Responsible Action as an Institutional Investor

#### Initiatives by Daiwa Asset Management

Daiwa Asset Management announced its adoption of the Japanese version of the Stewardship Code in May 2014 and has been actively working to fulfill its stewardship responsibility.

In January 2017, Daiwa Asset Management set up the "Stewardship Supervisory Committee," which is designed to manage conflicts of interest faced in fulfilling its stewardship responsibility. The committee supervises the company's overall stewardship activities and is responsible for making reports to the Board of Directors and issuing recommendations to improve stewardship activities as necessary. The committee is composed of outside directors and the compliance officer, who takes charge of overseeing the management of conflicts of interest, thereby securing independence from management in stewardship activities from management and business execution.

Based on the Policy to Hold Constructive Dialogue with Investee Companies announced in June 2014, Daiwa Asset Management has also further deepened the following three types of dialogue with investee companies, with the aim of accurately understanding the conditions of investees, sharing such assessments, and creating medium- to long-term corporate value.

#### Relevant CSR Materiality

- IX. Responsible action as an institutional investor
- XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets

\* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

#### Signed global initiatives

- United Nations supported Principles for Responsible Investment (PRI)
- CDP
- United Nations Global Compact (UNGC)
- Principles for Financial Action for the 21st Century

#### Number of corporate governance-related dialogues held

About 140 (FY2015)

↓  
About 160 (FY2016)

\* Results from Daiwa Asset Management

The first type is dialogue on Corporate Governance held by staff at Daiwa Asset Management responsible for exercising voting rights. The number of dialogues has been increasing year by year, from approximately 100 in FY2014 to approximately 140 in FY2015 and approximately 160 in FY2016. Daiwa Asset Management also revises its policy and standards for exercising voting rights as needed, thereby reflecting knowledge obtained from dialogue and the circumstances surrounding the investee companies. The revisions represent the company's efforts to help investee companies to improve their corporate value and achieve sustainable growth. In March 2017, Daiwa Asset Management also disclosed its policy in more detail than previously. We hope that it would enable investees to fully understand the company's policy and standards for exercising voting rights thus would contribute to constructive dialogue.

The second type is engagement of analysts and fund managers through research activities. Daiwa Asset Management held such engagement about 800 times in FY2016. Its Research Department has organized a policy on assessment of companies based on the Analyst Handbook (Guide to Analyst Activities Related to the Stewardship Code), drawn up in FY2015, and has constructed a model that reflects non-financial information on companies in their long-term assessment. The company intends to continue focusing on dialogue based on the handbook in order to further enhance its engagement.

The third type is dialogue by an engagement team launched jointly by the Research Department and the Equity Management Department. The team selects companies considered to have large scope to increase corporate value among the businesses that Daiwa Asset Management especially focuses on in its active investment, and holds deeper engagement with the selected companies. Such engagement was held 27 times in FY2016. Daiwa Asset Management is reinforcing its activities to create a tripartite win-win situation between the companies' customers, employees, and shareholders. In October 2016, it created a business strategy reference book that presents successful and failed cases of corporate management, and has been using the book for dialogue.

Daiwa Asset Management has released a Report on the Status of Stewardship Activities on its website (only available in Japanese). The report includes the

status of engagement, such as policy, structure, and the number of engagement times by theme, as well as the status of exercising of voting rights and measures to improve stewardship activities.

### ● Initiatives by Daiwa SB Investments

Daiwa SB Investments is also stepping up dialogue with investees, steadily promoting initiatives to fulfill its stewardship responsibility, and further strengthening such initiatives.

In April 2016, Daiwa SB Investments established the Stewardship Promotion Section, and has been stepping up its efforts to hold constructive dialogue with the management of companies, such as representative directors and CFOs, from a medium- to long-term perspective to urge them to boost their profitability and appropriately control ESG risk. It has long focused on engagement with companies antecedently and by actively holding dialogue, urged investee companies to turn their potential into actual business results.

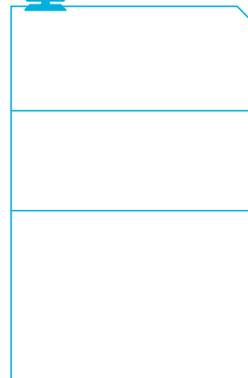
Daiwa SB Investments believes that, as an institutional investor, it has a responsibility to provide investees with advice on how to exercise their potential and how to respond and prevent recurrence when there is a problem. The company considers that taking various opportunities to raise issues and urge improvement is its responsibility as an institutional investor and that helping to raise corporate value through such activities is also its mission for the customers entrusting their assets.

To receive feedback on its activities from an external viewpoint, Daiwa SB Investments invited two highly independent outside directors in FY2016 while setting up the Responsible Investment Committee, a majority of whose members are independent outside directors. It is thus aiming to further enhance its customer-oriented business operation.

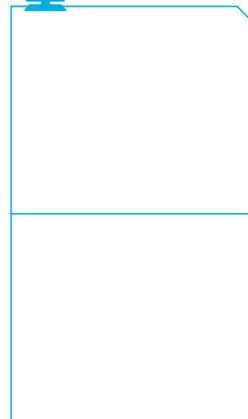
### Investment Policy against Cluster Munitions Producers

The Convention on Cluster Munitions (Oslo Declaration) came into effect in August 2010. As an asset management company in Japan, a country ratifying the convention, Daiwa Asset Management applies basic principles for investments in, and other actions against, cluster munitions producers. Visit the company's website for details of the principles.

Web



Web



# Provision of Quality Service to Customers



## Approach and Basic Stance

The Daiwa Securities Group understands that customer trust is the foundation of our business. Based on the idea of the Customer First Principle, our focus is always on finding ways to deliver genuine customer satisfaction.

We have also adopted the idea of hospitality to enhance our existing concept of customer service. We aim to have the most satisfied customers in the financial services industry.

## Building Deeper, Stronger Trust with Customers

Daiwa Securities aims to build customer satisfaction through quality services, built on understanding customer needs quickly and proposing the best solutions for each customer. We consider providing faithful and appropriate explanations to be paramount. Japan's Financial Instruments and Exchange Law prohibits "solicitation that is improper in light of a customer's knowledge, experience, financial situation and objectives." Daiwa Securities' approach is rooted in this law. As a part of our hospitality-based service, we strive to deliver explanations that exceed the legal requirements when promoting our financial products.

To improve our services and the quality of our response further, we also conduct a customer service survey once every six months. We survey customers regarding their degree of satisfaction with our services and response and soliciting their feedback and requests. Based on the survey results, we strengthened our initiatives to improve the quality of post-sale follow up and enhanced the convenience of online trading in FY2016.

### Active Post-Sale Follow Up

Completing the sale of a product is only the beginning of a securities company's relationship with the customer. Follow up is a key element in building the relationship of trust with the customer. To alleviate customer dissatisfaction or concerns arising after trading, we offer thorough explanations, appropriate proposals, and information regarding market conditions, products, and services as a part of initiatives to reinforce our relationship of trust with customers.

### Improving In-Branch Customer Service Quality

At Daiwa Securities, we have announced our commitment to serve customers sincerely, and strive to provide services that can satisfy any customer. With the aim of creating sales branches enabling senior customers and customers with disabilities to feel secure, we have placed dementia supporters\*<sup>1</sup>, mostly

comprising employees engaged in in-house customer service, at all branches. We also completed placing employees with service assistant\*<sup>2</sup> certifications at all branches in FY2016.

We also conduct regular training to maintain and further enhance the quality of customer services. Moreover, staff at our head office check customer services at our branches and by telephone representatives whenever necessary.

#### \*1 Dementia supporter

A dementia supporter is a person who has an accurate knowledge of dementia and pays warm attention to people with dementia and their families. The Ministry of Health, Labour and Welfare has been stepping up the training of supporters across the country as part of its "Dementia Supporter Caravan" project.

#### \*2 Service assistant

A service assistant is a person certified as having acquired hospitality and safe assistant skills for providing tailored support for elderly and customers with disabilities.

Service assistant logo



Service assistant skill training class



## Relevant CSR Materiality

- I. Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers
- II. Customer service with a wealth of hospitality

\* Refer to pages 11 and 12 for details on the Daiwa Securities Group's materiality.

### FY2016 customer service survey

Number of respondents:  
Total of **25,359** people  
(August 2016 and February 2017)

Overall score of satisfaction with Daiwa Securities\*

**4.77** (first half) →  
**4.83** (second half)

\* Average score of evaluation on a scale of 1 to 7 (1: very dissatisfied, 7: very satisfied)

### Number of Daiwa Securities employees who have become dementia supporters

**2,572** people  
(As of March 31, 2017)

### Number of Daiwa Securities employees who have become service assistants

**282** people  
(As of March 31, 2017)

### ● Accessible Services for Diverse Customers

When renovating existing sales branches or planning new branches, Daiwa Securities works to ensure that they are accessible to more customers, through barrier-free measures such as reduced variations in floor level and the installation of larger counters.

In FY2016, we introduced several measures at all sales branches for those with a hearing impairments including the “Ear Mark” symbol indicating that additional services are offered, writing communication boards, and communication sheets to facilitate transactions and procedures. We also placed cane holders to enhance safety and convenience for senior customers and customers with disabilities visiting our sales branches by ensuring that their canes or umbrellas do not fall onto the floor.

### ● Further Improvement of Consulting Services on Inheritance and Business Succession

To meet the inheritance and business succession-related needs of customers, we are successively increasing the number of sales branches that have inheritance consultants. We have also introduced an Inheritance Planner Certification® program and started offering even better quality service to customers. Inheritance consultants are staff members who not only handle procedures within Daiwa Securities but also comprehensively support any procedure for customers at the time of inheritance. They also arrange tax accountants, judicial scriveners and agents for inheritance procedures in accordance with requests from customers. Inheritance consultants undergo lectures, training programs and OJT for the first three months and also receive training regularly thereafter. The Inheritance Planner Certification program is an in-house qualification system for employees with advanced expertise accumulated through the certification for financial planners (CFPR) qualifications and completion of in-house training. It helps us to enhance our inheritance and business succession-related consulting services to customers.

Ear Mark symbol



Communication sheet for people with hearing impairments



### Daiwa's Point Program

Daiwa's Point Program rewards customers based on their transactions. Points earned can be exchanged for goods or used to make charitable donations to various groups using a conversion rate of one point for one yen.

#### Organizations to which donations can be made

- Japan Committee for UNICEF
  - Medecins Sans Frontieres Japan Association
  - WWF Japan
  - United Nations World Food Programme
  - Save the Children Japan
  - Japan Platform
  - New Japan Philharmonic
  - Arts Support Kansai
  - The Kidney Foundation, Japan
- (As of April 2017)

### Branch Sales Agent Preventing Bank Transfer Scam

In May 2016, during a conversation with a customer, a sales agent at the Hiroshima branch suspected something was wrong due to a customer's unusual and urgent request for money transfer and her anxious behavior. Noticing this, the sales agent was able to tactfully prevent the customer from becoming a victim of a bank transfer scam. The sales agent was granted a letter of appreciation by the Kaida police station of the Hiroshima prefectural police at a later date.



### Number of sales branches with Daiwa Securities inheritance consultants

66 branches

(As of April 2017)

### Number of accredited inheritance planners®

351 people

(As of March 2017)

### Number of CFP® accredited staff

643 people

Highest number among financial institutions

(As of March 2017)

### Daiwa's Point Program

• Amount of donations to eligible organizations

¥106.54 million

(Cumulative amount from April 2003 to March 2017)

• Donations made through Japan Platform to work that assists victims of the Great East Japan Earthquake

¥33.19 million

(Cumulative amount from May 2011 to October 2016)

\* Donations continued as disaster relief assistance funds since November 2016

### Continuing to Hold a Wide Variety of Seminars

Each sales branch of Daiwa Securities holds a variety of seminars, covering topics including Japanese and overseas markets, Nippon (Japan) Individual Savings Account (NISA) and inheritance, to provide information. In particular, we have been expanding the scale of seminars for Fund Wrap, which has garnered much attention in recent years, as well as seminars for investment beginners and wealth management customers.

In FY2016, we had approximately 23,000 seminars in total as we actively held small-scale seminars at sales branch counters as well as seminars at branch halls. There were also large-scale seminar events, in addition to those held at sales branches. We held "Daiwa New Year's Lectures for 2017" at 10 venues nationwide, attracting approximately 5,300 people.

### Providing Junior and Senior High School Students with Opportunities to Learn about Finance and Economy

We launched okane-no-mikata, a website for learning about finance and economy, in March 2016 following the start of a Junior Nippon Individual Savings Account program. In July 2016, we also launched jiyu-kenkyu-no-mikata, a website with content that primarily supports summer research assignment for children. In addition, we held events titled "Challenge for Children and Parents: Learn Money & Economy through Quiz" at three venues nationwide in July and August (July 24 in Tokyo, July 31 in Nagoya, and August 6 in Osaka). The events, mainly targeted toward elementary and junior high school students, were designed to provide participating children and parents with opportunities to start learning about money.

### Information Website for Child Rearing and Money "SODATTE"

Daiwa Securities opened "SODATTE," an information website for child rearing and money, in April 2016 for those balancing child rearing and work in the hope that more people can enjoy raising their children.

The name of the website, "SODATTE" (meaning "grow" in Japanese) encompasses our hope that children will grow, money will grow, and readers

themselves will grow through child rearing and asset management.

SODATTE not only supports wealth management through investment but also delivers content that encourages parents struggling with raising children every day as well as various tips on funds for raising children.

The number of page views (PVs) is increasing month by month. In one year after starting up the site, the number of monthly PVs exceeded 440,000, making it clear that many people visit the website.

As a tie-up with the website, we have also held money planning seminars for education funds in collaboration with "Nikkei DUAL," a medium targeting dual-income households.

We will continue to disseminate useful columns every month as an information site practically supporting child rearing for parents.

#### Seminars held by Daiwa Securities

•Approximately **23,000** times  
(Results at sales branches for FY2016)

•About **5,300** people

Number of participants in Daiwa New Year's Lectures for 2017 (nationwide)

#### Basic Policy on Customer-first Operations

The Daiwa Securities Group has agreed with the purport of the "Principles for Customer-Oriented Business Conduct" announced by the Financial Services Agency on March 30, 2017 and expressed its adoption of the principles. The Group has also drawn up and announced its "Basic Policy on Customer-first Operations."

\*Refer to websites for the Group companies for details.

Okane-no-mikata, a website to learn how money works



SODATTE, an information website for child rearing and money



Web

Web

Web

### ● Contact Center Functions

The Contact Center has been a key channel for transactions, sustaining the company's business model whose cornerstones are Daiwa Consulting and Daiwa Direct transaction courses. The center now handles calls coming in to sales branches, thereby acting as Daiwa Securities' comprehensive remote contact center for customers. To strengthen the functions of the center, we first expanded the scale of services points in Tokyo and Osaka in FY2014. We then established a contact center function in Fukuoka in FY2016 as our third service point. By further expanding the ability to take calls, we aim to enhance our support functions for sales branches going forward to increase customer convenience.

### ● Achieving High Evaluation from External Institutions

In a benchmark rating program hosted by HDI-Japan, we earned three stars—the highest possible rating—in the FY2016 Customer Support and Website Support categories of the securities industry. This is the second consecutive year that we have won three stars in the Customer Support category, which evaluates the quality of services by operators. We will seek to further improve our overall services through training, aiming to achieve three stars again in the next fiscal year.

### ● Initiative to Shorten Distance with Customers

In FY2016, we started showing pictures of our operators on the website page for telephone inquiries in the hope that this would give customers a sense of security and familiarity with the Contact Center, which is remote from our customers.

## Working to Incorporate Customer Voices

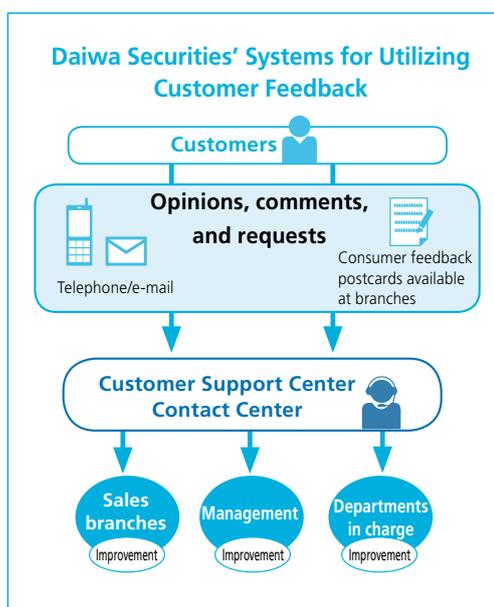
### ● Contact Center Initiatives

Employees at the Contact Center, which serves as our comprehensive remote contact point, have direct contact with customers and play an increasingly crucial role not only as a transaction channel but also in customer support and marketing. In order to maintain and improve contact center operations to meet the demand for high-quality service, we provide training and regular level checks for all Telephone Service Representatives (TSR).

To increase customer convenience, the Contact Center has also started handling new services such as the individual-type defined contribution pension plan known as iDeCo, Daiwa Fund Wrap Premium, double limit orders, and consecutive orders.

### Scale of Contact Center

**770** service points  
(500 in Tokyo, 150 in Osaka, and 120 in Fukuoka)



Telephone inquiry screen (Daiwa Securities website)



Taking calls



### Customer Feedback Sent to Contact Center

The Contact Center receives numerous comments and requests on online trading and Daiwa Securities' other products and services. We share such customer feedback information and requests with management and relevant departments and sections of the head office and utilize them to enhance our services and customer interaction. (The number of major improvements implemented in FY2016 was 55.)

We also show some of the inquiries received from customers on our website as "frequently asked questions," while sharing them with sales branches in some cases to speed up our responses. We are thus working to raise customer satisfaction from various perspectives.

### Customer Support Center Initiatives

Daiwa Securities' Customer Support Center is a department within the head office that handles customer feedback and complaints directly by phone. It is set up within the Compliance Department of Daiwa Securities.

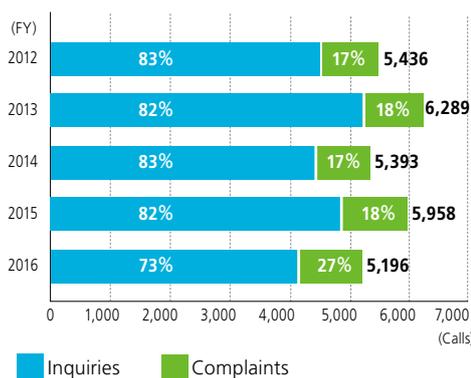
The Center promptly gives feedback and complaints from customers to relevant sales branches and departments and sections of the head office. It also sorts and analyzes such feedback and complaints, shares them with officers, sales branches, and head office departments, and capitalizes on them as precious information in the aim of "customer-first operations" and "pursuit of best quality."

To respond to customers' calls thoroughly, accurately, and promptly, Customer Support Center members study the securities tax system and Daiwa Securities' services together on a daily basis, and work to improve their service quality. In FY2016, the Center received 5,196 calls, 762 down from the previous fiscal year.

### Calls received at the Customer Support Center in FY2016

No reports indicating violation of human rights, environmental pollution by Daiwa Securities, or other matters raising extremely serious concern in general social terms

Calls Received at the Customer Support Center



## » Initiatives through Product Development and Provision



### For Addressing Social Issues and Contributing to Future Development of Society and Financial and Capital Markets

#### ● Impact Investment Bonds

Compared with typical forms of Socially Responsible Investment (SRI), Impact Investment focuses more on the direct impact of investment on society. It is a method that not only pursues economic benefits, but is also a way to allocate assets solely to activities targeted at resolving social issues, such as poverty and climate change.

As a financial institution, we have supported the alleviation of problems in society by underwriting various types of Impact Investment bonds.

#### ● Initiatives in FY2016

Among various issues faced by the world today, global warming has become a serious threat to all countries. Developing countries are being impacted first and with the gravest results. Global warming may destroy the social initiatives for poverty issues that have been steadily carried out over the last several decades. It

is no longer impossible to separate poverty issues from global warming issues. In June 2016, we at Daiwa Securities sold Green Bonds issued by Crédit Agricole Corporate and Investment Bank with the aim of extending loans to companies and projects that contribute to environmentally-friendly economic and social development. In August 2016, we also sold Green Bonds issued by the Central American Bank for Economic Integration (CABEI). The bonds were CABEI's first socially responsible investment (SRI) in support of climate change mitigation and adaptation initiatives through related projects in Central America. In January 2017, we sold Water Bonds issued by Corporación Andina de Fomento (CAF) to provide sufficient drinking water and sanitation services in Latin America and the Caribbean region. The proceeds of such bonds placed by the Daiwa Securities Group have been invested in projects which solve a variety of issues across the globe.

**Relevant CSR Materiality**

- III. Development and provision of superior financial and investment products
- IX. Responsible action as an institutional investor
- XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets

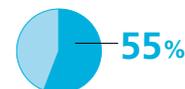
\* Refer to pages 11 and 12 for details on the Daiwa Securities Group's materiality.

#### Results of Impact Investment bonds

• Daiwa Securities cumulative sales

**¥675.8 billion\***

• Daiwa Securities' share in the Japanese market



Total ¥1,230.2 billion\*

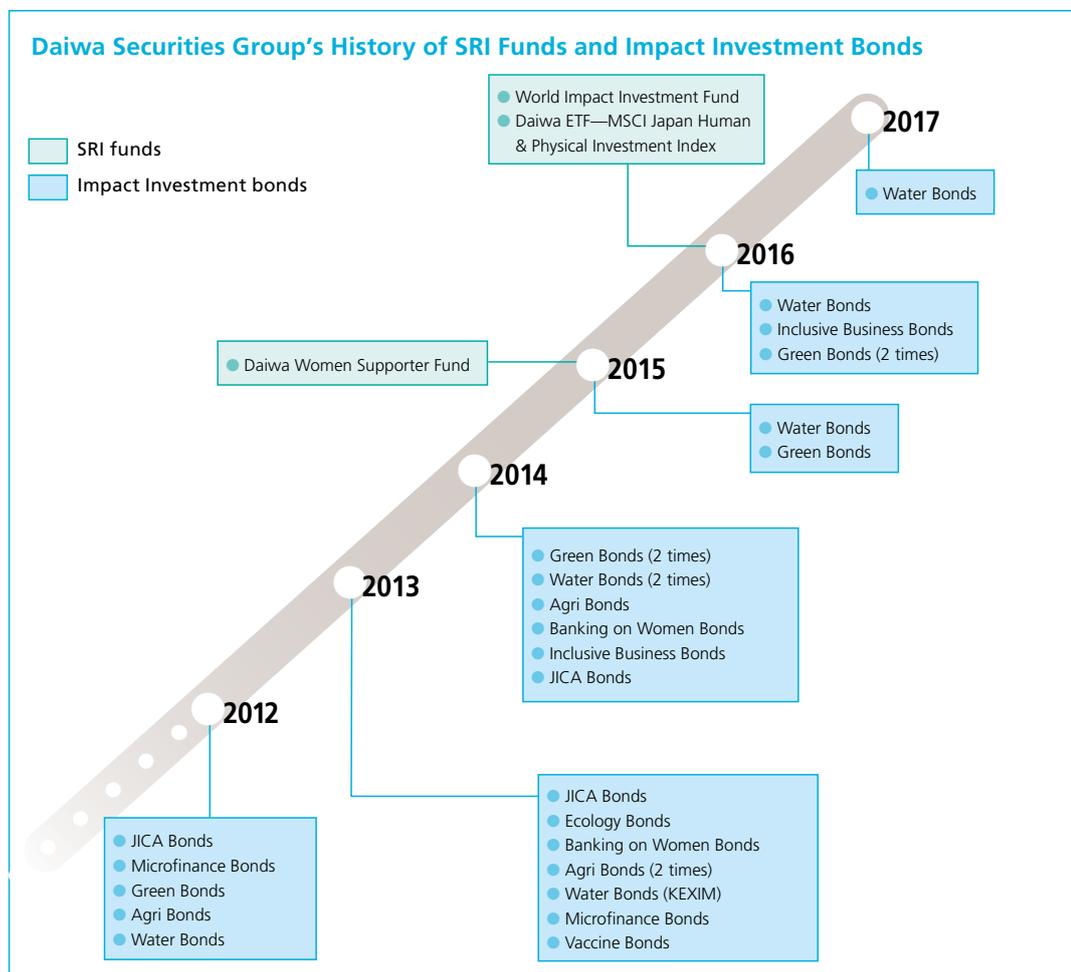
\* Figures have been rounded  
\* Source: Daiwa Securities Co. Ltd. (From March 2008 to March 2017)

• Daiwa Securities cumulative sales for FY2016

**3 issues**

**¥21.9 billion in total**  
(All issues are environment-related bonds)

#### SDGs related to Impact Investment bonds sold in the past



### ● SRI Investment Trusts

SRI investment trusts are a mixture of stocks and bonds that take into account factors other than financial performance, such as ethics and social and environmental objectives, in addition to assessments of the sales and profits of the investment candidates. We offer eco funds that limit non-financial assessments to environmental performance, and investment trusts that limit their stock portfolios to environment-related businesses. By investing in these trusts, through financial markets, investors can indirectly support countries and corporations that are proactively involved in CSR and environmental programs.

### Development and Provision of Superior Financial and Investment Products

Amid an accelerating shift from savings to investment, Daiwa Securities considers the development and provision of superior products as one of our major missions in society, and strives to develop new products and improve their quality.

### ● Initiatives of Fund Wrap Services

Daiwa Fund Wrap is a service enabling even those who are busy or have no investment experience to easily start medium- to long-term diversified investment. Under a discretionary investment contract, Daiwa Securities invests and manages assets on behalf of our customers. We offer plans that enable each customer to make diversified global investments according to their investment policy, as do professional institutional investors such as those managing public pension assets. It has become more important than ever for a large number of investors to manage their assets efficiently and stably through diversified global investment, in particular as a measure to address prolonged low interest rates, which have made it difficult to find attractive investment options. Daiwa Fund Wrap is

a service offered to customers over the medium to long term. We provide thorough explanations before the conclusion of a contract, report investment performance regularly every three months, and hold follow-up seminars whenever necessary. We thus ensure close communication with customers and seek to build a relationship of trust with them.

We also started offering Daiwa Fund Wrap Premium in October 2016. The service enables customers to have multiple investment portfolios and design them in a highly customized manner while specifying a beneficiary in case of inheritance in advance. We are thus offering a more detailed service.

Moreover, we launched Daiwa Fund Wrap Online in January 2017. The service proposes the most suitable investment style by utilizing Robo-Advisor technology, enabling customers to easily manage globally diversified investments online.

To keep attracting customers over the long term, we will continue our initiatives to implement a better structure and system so as to improve our performance and the quality of our services.

### Results of SRI investment trusts

• Daiwa Securities Group net assets 

¥116.6 billion\*1

• Daiwa Securities' share in the Japanese market



Total ¥407.8 billion\*2

\*1 Source: Daiwa Securities Co. Ltd.

\*2 Source: Daiwa Fund Consulting Co. Ltd. (As of March 31, 2017)

• Balance of domestic Wrap accounts

¥6,570.2 billion

• Balance of Wrap accounts at Daiwa Securities\*

¥1,661.8 billion

\* From data released by the Japan Investment Advisers Association (As of March 31, 2017)

### Major "Fund Wrap" services newly introduced or improved in FY2016

- August 2016  
Renewal of [Daiwa Fund Wrap Web Service](#)
- October 2016  
Start of new service [Daiwa Fund Wrap Premium](#)
- January 2017  
Start of new service [Daiwa Fund Wrap Online](#)

### Daiwa Social Contribution Wrap—Daiwa Fund Wrap with a donation service

• Amount donated in FY2016

¥4,097,604

\* Total donated amount from customers and from Daiwa Securities

- Donated to  
United Nations World Food Programme, Medecins Sans Frontieres Japan Association, WWF Japan, Japan Committee for UNICEF, Japan Platform

Daiwa Fund Wrap Premium



Daiwa Fund Wrap Online



## ● Initiatives by the Asset Management Division

The asset management division of Daiwa Securities Group strives to reinforce the asset management system and continues working on a variety of initiatives to offer better returns to beneficiaries over the medium to long term.

### ● Initiatives by Daiwa Asset Management

For Daiwa Asset Management, one of the pillars to building a stable, distinguished asset management capability is to take appropriate risks in managing active funds. We have therefore built a support system by collecting information from the research division and other relevant specialist teams. This is a system enabling fund managers to take risks without undue concern. In particular, we are striving to improve our ability to select companies with good prospects, hoping that this will become a major source for strong investment performance. Amid such efforts, we focus on environmental, social and governance (ESG) issues, as they may help boost our long-term investment performance. Daiwa Asset

Management has placed personnel in charge of ESG within the Fund Management Division to promote ESG investment in an organized manner as a signatory member of both the United Nations' Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century. In particular, since announcing the adoption of the Japanese version of the Stewardship Code, we have been actively engaged in dialogue with investee companies and urging them through such dialogue to improve their ESG initiatives. Moreover, we have introduced topics regarding ESG investment at in-house seminars and training sessions for companies marketing our investment trusts.

It is especially important to always grasp current trends and customer needs in this way for the development of products. We are therefore striving to maintain close communication by holding seminars for customers and through operation of our unique call center. We are also building a structure that assists companies marketing our products to support a shift from savings to asset formation.

## ESG-Oriented Investment Trusts

At Daiwa Asset Management, we have launched an index fund that tracks the JPX Nikkei Index 400, which is composed of companies that conform to corporate governance and other factors, as well as an active fund that selects issues from the perspective of promoting women to play an active role. We have also jointly developed with MSCI Inc., an exchange traded fund (ETF) tracking the MSCI Japan Human & Physical Investment Index, which selects companies actively making human and physical investment and focuses on companies that display excellence in corporate governance and profitability. We have thus expanded our line-up of products focusing on ESG.

Among these products, the Daiwa Women Supporter Fund (nicknamed "tsubaki") makes investment based on four themes: companies helping women to play an active role; companies supporting women's active participation in society; companies providing products and services that target women or are popular with women; and companies benefiting from increases in women's incomes. The fund has achieved good investment results. For instance, in the approximately two-year period from its establishment at the end of March 2015

to the end of March 2017, its performance exceeded that of TOPIX (including dividends) by 28.3%, and its returns were 30.1% higher than those of the JPX Nikkei 400 (including dividends) during the period.

The net assets of our funds are also steadily growing. The balance of the index fund linked to the JPX Nikkei 400 increased from ¥114.7 billion at the end of March 2016 to ¥167.3 billion as of the end of March 2017. The balance of the ETF tracking the MSCI Japan Human & Physical Investment Index, established in May 2016, stood at ¥77.9 billion yen as of the end of March 2017.

Daiwa Women Supporter Fund



### • Initiatives by Daiwa SB Investments

As a variety of medium- to long-term management factors are expected to affect companies' share prices, there is a growing need for multifaceted corporate analysis, including the ability to analyze and predict non-financial information over the medium and long term that covers companies' research and development ability and overseas project management ability. In light of these perspectives, we newly established the Stewardship Promotion Section at Daiwa SB Investments in April 2016 to boost the company's analysis skill. We have also stepped up our initiatives to help companies to increase their profitability through constructive dialogue with them.

Since corporate analysis and research require human resources, Daiwa SB Investments places importance on nurturing and promoting professionals who have acquired the ability to think on their own through training and other means. We have also overhauled our organizational systems as a company, including the adoption of a performance-linked evaluation system. Moreover, we strive to elevate

a corporate culture as a professional management company and to diversify our workforce by hiring overseas and female staff, with the aim of respond to diversifying needs and providing quality services. We have also focused on the education of sales staff at companies handling our products, who directly communicate with customers. We conduct workshops for those sales staff to enhance their marketing skills and knowledge on investment trusts while creating booklets containing information necessary for them to explain to customers. We are thus working to help those staff to improve their communication abilities.

Following the signing of the PRI in 2012, we established the ESG committee and rules to enhance our capacity to evaluate and analyze ESG issues of companies. These initiatives reflect our efforts to fulfill our responsibility to pursue maximum profits with our utmost efforts from a long-term standpoint on behalf of beneficiaries. We will continue with our initiatives to provide good returns over the medium to long term in our multifaceted corporate analysis, including analysis focusing on ESG.

## World Impact Investment Fund

On August 26, 2016, Daiwa SB Investments established and started managing World Impact Investment Fund (nicknamed Better World). "Impact Investment" is the idea of capitalizing on the power of private-sector companies to resolve various social issues that cannot be resolved solely by governments or charitable organizations while pursuing economic benefits at the same time.

At Daiwa SB Investments, in order to communicate the new idea of Impact Investment to a wider range of customers, we work on customer-oriented provision of information. To increase the popularity and awareness of Impact Investment, we have drawn up "Impact Investment," which gives the details of the investment approach, and "ESG Investment—Impact Investment Existing Beyond It," which describes the idea of ESG investment. Both materials incorporate the idea of universal

communication design and have obtained an "Easy-to-read Design" certification from the Universal Communication Design Association (UCDA). To deepen customers' understanding of the features of our funds, we have also created a special page on our website and have supplemented information with visual contents.

Impact Investment



**● Investment Companies and Other Initiatives to Resolve Social Problems**

Daiwa Real Estate Asset Management Co. Ltd. manages investments and infrastructure assets for solving social issues through investment companies and fund structures.

Nippon Healthcare Investment Corporation, which was listed on the Tokyo Stock Exchange in November 2014, invests in healthcare facilities that are likely to see stronger demand from society over the longer term as the number of senior citizens increases. In FY2014, Daiwa Real Estate Asset Management also began managing new separate funds with assets focused on photovoltaic power stations and logistics facilities respectively. These investment funds mainly acquire assets held by private-sector companies for now. In the future, they aim to be receptacles for assets to be sold by lossmaking public-private partnership entities. Daiwa Securities Group will continue to fulfill its role by supplying private sector funds for maintaining social infrastructure.

\* Refer to page 6 and page 34 for initiatives of Nippon Healthcare Investment Corporation.

A facility in which Nippon Healthcare Investment Corporation invests



Daiwa Online Trade 20th anniversary communication logo



**● Initiatives by Daiwa Online Trade**

On April 1, 2016, Daiwa Securities celebrated the 20th anniversary of its Internet-based securities brokerage service Daiwa Online Trade.

In 1996, when the Internet was in its embryonic stage, Daiwa Online Trade started providing a service that enabled the placement of orders for stock trading over the Internet for the first time ever in Japan. Daiwa Securities has developed and released innovative products and services successively over the past 20 years.

Daiwa Online Trade has evolved along with a sharp increase in transmission speed and the emergence of the iPad and other tablet computers and smartphones, and the number of accounts held under contracts for Daiwa Online Trade topped 3.1 million as of the end of March 31, 2017. Of Daiwa Securities' total stock transactions, approximately 80% are carried out via the online trading service, underscoring the fact that Daiwa Online Trade has become an indispensable channel for Daiwa Securities.

To mark the 20th anniversary of Daiwa Online Trade, Daiwa Securities newly prepared a communication logo. We used it in a variety of media including online ads, posters on public transport, and newspaper ads. We also carried out a campaign to mark the 20th anniversary which awarded prizes by lottery, thereby actively engaging promotional activities to enhance the recognition of Daiwa Online Trade among a wider range of customers.

We use three social media sites—Facebook, YouTube, and Twitter—to provide information mainly on investment education and markets. A large number of customers follow our official accounts.

With the accelerated development of FinTech, an integration of finance and information technology, we are ushering in an era where new financial services leveraging FinTech are easily available. We are committed to keeping track of the trend of FinTech and providing a top-level investment environment while listening to customer feedback in order to ensure that customers can continue to trade with a sense of security. With an eye toward the future of online trading, we hope to make our online trading service more convenient and easy to use by leveraging the results achieved in the past 20 years for the next 20 years.



**Nippon Healthcare Investment Corporation**

**Total amount of assets acquired**

About **¥19.3 billion**

(As of March 31, 2017)

**Management results at photovoltaic power stations and distribution facilities**

**Photovoltaic power stations**

•Number of deals: **8**

(Hokkaido, Tohoku, Hokuriku, Kanto, and Chugoku regions)

•Output: **43 MW**

•Balance of assets under management:

**¥14.8 billion**

**Distribution facilities**

•Balance of assets under management:

**¥11 billion**

(As of March 31, 2017)

**Daiwa Online Trade**

•Number of contract accounts

**3,127,991 accounts**

(As of March 2017)

## » To Maintain and Develop Financial and Capital Market Functions



The securities business, the core business of the Daiwa Securities Group, serves as an important social and economic infrastructure. It facilitates the smooth flow of money by matching fundraising needs through the issuance of securities and investment needs of investors via financial and capital markets. We recognize that maintaining and developing this infrastructure is about developing sound financial and capital markets for the next generation, which is one of our key CSR issues, and is considered to be a major mission for the Group.

### Settlement Functions

Securities settlement—a mainstay of the Group’s overall operations—is the delivery of stocks or bonds and funds both to and from both the buyer and seller of a securities transaction. In markets, products can be reliably converted into cash when necessary. This is the very reason why markets attract investment funds and enable companies and others with funding demand to procure funds. If anything that could stall securities settlement should occur, it would not only affect us but also damage trust in markets as a whole. This may even have a significant impact on the global economy. We consider it vital to settle transactions accurately and promptly as required in order to ensure that markets function as a social infrastructure and become a driver for economic development. We are therefore striving to build a structure enabling the smooth execution of settlement operations.

Amid the emergence of investors engaged in frequent trading leveraging computers, we have implemented an IT system that is reliable and has high processing capability that can appropriately respond to a massive number of settlement deals. We believe, however, that no matter how well operations are systematized, the most important thing for the securities settlement operation is human resources. Staff members must have a wide range of knowledge that goes beyond the operations that each of them is

responsible for in order to grasp the situation quickly when an irregular event occurs, and then respond to it appropriately. For that reason, we are making efforts to visualize and accumulate the experience and know-how acquired through daily settlement operations and expand the scope of operations that each individual can cover by requiring the regular rotation of tasks.

Meanwhile, the securities industry recognizes that it is necessary to further increase convenience and strengthen risk management to boost the competitiveness of Japan’s financial and capital markets. With this awareness, discussion on the reduction of settlement time is currently underway in the entire industry. Daiwa Securities plays a central role in a working group launched by the Japan Securities Dealers Association, identifying and examining a variety of issues. Moreover, cross-border foreign exchange transactions entail settlement risk (for example, the risk of being unable to receive dollars even when paying yen) associated with time differences in settlement for the currencies involved. Daiwa Securities participated in continuous linked settlement as a settlement member in 2016, becoming the first Japanese securities companies to do so. This has substantially reduced the settlement risk of foreign exchange transactions, while requiring us to assume greater responsibility for the stability of financial markets.

We are determined to continue the settlement operations no matter what happens. Under such determination, we have drawn up a business continuity plan (BCP) and regularly conduct training in preparation for unforeseen circumstances, such as natural disasters and terrorism. To accelerate a shift from savings to investment, the reliability of settlement is extremely important to maintain customer trust. We will continue to meet increasingly sophisticated customer needs and quickly provide solutions by taking advantage of a reliable settlement infrastructure and human resources.

#### Relevant CSR Materiality

- V. Maintenance and development of financial and capital market functions

\* Refer to pages 11 and 12 for details on the Daiwa Securities Group’s materiality.

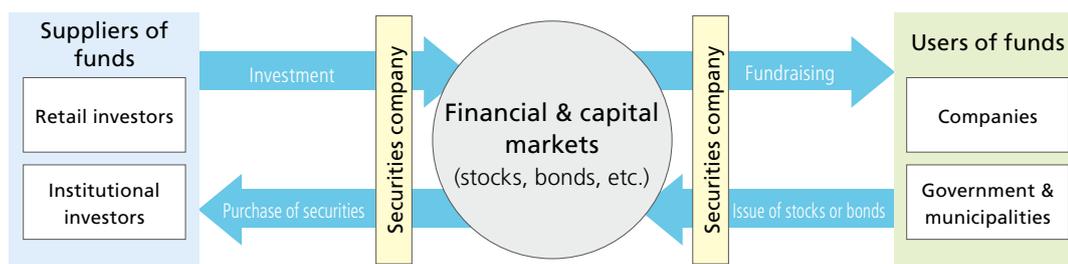
#### Number of settlement transactions handled

•Daily  
**12,000**  
 transactions on average

•Annually  
 Approximately  
**3 million transactions**

(Transactions mainly by institutional investors in and outside of Japan)

### Securities Companies' Role in Financial and Capital Markets



## Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information



The Daiwa Securities Group provides, in addition to investment information, a wide range of information on economy and society as a financial services group. We hope that the measures we propose from a long-term perspective will be helpful to a variety of stakeholders.

### Easy-to-Understand Communication of Information

Daiwa Securities publishes information to a wide range of people from institutional and retail investors to those who are about to start investment. The central role in provision of information is played by highly specialized analysts and strategists at the Investment Strategy, Equity Research, and Fixed Income, Currency and Commodities Research departments. They provide information mainly through reports based on their unique analysis. Our information is based on close analysis and collection of data, and we tailor our presentation for retail investors and institutional investors, who are investment professionals, even if the same person is providing that information. For retail investors, we incorporate more visualized reporting.

To remove the general perception that securities investment or securities companies are complicated, we believe it is one of our missions to work toward communicating our analysis in an easy-to-understand way.

### Comprehensive Provision of Information and Policy Proposal Activities

Daiwa Institute of Research (DIR), which assumes the think-tank role of the Daiwa Securities Group, provides wide-ranging economic and financial analysis and information to the public.

At DIR, we consider it our mission to engage in comprehensive provision of information and policy proposal activities concerning the financial and capital markets and the real economy. We have always sought to provide up-to-date and in-depth information and a unique viewpoint that has never been presented by others. In order to provide information that satisfies the needs of the public, we also exchange information and hold discussions with businesses, investors, governments and other public institutions as well as overseas think-tanks and media. In this way, we are able to analyze the currents and trends of society and share information in the form of published reports. We are also stepping up the release of ESG information, communicating wide-ranging information via our website and "DIR Research Quarterly Review" (our quarterly journal) regarding community vitalization, SRI, environmental problems, corporate governance and other issues.

### Strengthening the Provision of Information

The Research Division of DIR has been focusing on providing information on the environment and regional revitalization since 2015, in addition to information on the macro economy and financial and capital markets in and outside of Japan. With an eye to analyzing economic and social issues from various viewpoints, the Division has worked on six themes: (1) medical and nursing care; (2) regional economies; (3) women's empowerment (in employment and work); (4) global warming; (5) energy; and (6) ESG. We are thus contributing to society by providing information related to these themes.

To fulfill the role of a reliable compass as a think-tank, we are engaging in useful research that grasps changes in economic and social trends and satisfies growing needs for information.

### Provision of Information through Diverse Media

#### ● Lectures and Media Appearances

The Research Division of DIR adopts a variety of methods for providing information, including the writing of reports, contribution to Research Quarterly Review, newspapers and economic magazines, media interviews, TV appearances, lectures, seminars, presentations at workshops, and the publication of books. We strive to plainly explain complex issues related to the economy, society, and policy issues in and outside of Japan, while emphasizing the quality of reports. We ensure the reliability of our reports by requiring them to undergo reviews by a specialized section. As a result, the information we provide has improved in both quality and quantity, and we are communicating with customers and participating in government councils on a continuously increasing number of occasions.



Mitsumaru Kumagai  
Senior Managing Director,  
Deputy Head of Research Division,  
Chief Economist, DIR  
Pictured: Live Internet coverage  
of deliberations of the House of  
Representatives

Hitoshi Suzuki  
Managing Director, Policy  
Research Department at DIR  
Pictured: Panel discussion at the  
Genron NPO



#### Relevant CSR Materiality

- IV. Dissemination of analysis and proposals on the economy, society, and investment information

\* Refer to pages 11 and 12 for details on the Daiwa Securities Group's materiality.

#### Reports and seminars on ESG

- Release of ESG reports and commentary articles on ESG keywords (DIR)

**57 reports and articles**

(Results for 2016)

- Number of ESG seminars held (Daiwa Securities)

**28 seminars**

(Results for 2016)

#### Provision of information through diverse media by DIR

- Number of reports posted on the website

Approximately

**580 reports**

(Results for 2016)

- The full texts of the reports are available on the website

- Number of recent hits on the research division's page

Approximately

**4.85 million hits**

(Results for 2016)

#### Seminars held by Daiwa Securities

Refer to page 20 of "Provision of Quality Service to Customers."

## ● Issuance of Books and Booklets

The Investment Strategy Department of Daiwa Securities issues "Daiwa Investment Weekly" and "Daiwa Investment Monthly" as tools for communicating information to general customers. They are both distributed to sales branches of Daiwa Securities and are also available on the Internet. For "Daiwa Investment Monthly," we have revised it so that readers can also view videos with a smartphone. We will further evolve our booklets to make them easier to understand. We also provide information in various ways to general customers, including books available through publishers and producing desk calendars with information on financial events and wall-hanging market charts.

## Internet-Based Initiatives

### ● Live Web Seminars

The Daiwa Securities Group regularly holds live web seminars where popular strategists and analysts of the Group appear as lecturers, in addition to seminars held at sales branches of Daiwa Securities. Customers can view them over the Internet in real-time and are also allowed to directly ask lecturers questions by typing into the bulletin board function. A large number of customers participate in our seminars each time.

We will continue to make efforts to communicate market conditions and outlook and other information to a larger number of people as plainly as possible through our live web seminars.

### ● Daiwa Internet TV

In 2000, Daiwa Securities began "Daiwa Securities Information TV," Japan's only channel dedicated to securities information, on multichannel pay TV broadcast service "SKY Perfect TV!" Since April 2011, we have been producing "Daiwa Internet TV" at our own studio and distributing it online in an effort to target a wider range of viewers. We distribute information on the Tokyo market six times a day in a timely manner, while providing local market information from Hong Kong and New York every day. In addition, we distribute corporate information as well as video reports where analysts and economists at Daiwa Securities and DIR provide commentaries on current issues in an easy-to-understand way.

For example, in FY2016, we produced a video that plainly explains the individual-type defined contribution pension plan (known as iDeCo), for which the scope of eligibility has significantly expanded. The video was created on the concept of being available at anytime, anywhere, to anybody.

The service is also available through smartphones and tablets, enabling anybody to view their required content at their preferred time of day wherever they are. It is therefore well-received by retail investors.

Our Daiwa Internet TV initiative was introduced by the SDG Industry Matrix for Financial Services (issued jointly by the United Nations Global Compact and KPMG International in 2015) as a case for Goal 4 "Quality Education." The report highlighted Daiwa's timely and free of charge provision of a variety of financial and investment information.

We will continue to make efforts to produce programs that can be viewed by not only investors but also those who are new to investment, and that can support the journey from savings to asset formation.

### Live web seminars held in FY2016

14 seminars:  
Total of

33,244 participants

Daiwa Investment Monthly



Daiwa Internet TV website



### Individual-type Defined Contribution Pension Plan (iDeCo)

Following the enforcement of the revised Defined Contribution Pension Act, the scope of people eligible for an individual-type defined contribution pension plan (iDeCo) has significantly expanded.

On January 23, 2017, the Daiwa Securities Group announced that it had formed a capital and business alliance with the SBI Group in the defined contribution pension business. Capitalizing on this alliance, Daiwa Securities launched a new iDeCo plan ("Daiwa's iDeCo") on April 3, 2017, with SBI Benefit Systems Co., Ltd. working as partner.

With the tie-up between SBI Benefit Systems, which has realized a free defined contribution plan administrator service ahead of other companies, and Daiwa Securities, with quality investment advisory services, we will provide iDeCo plans chosen by customers and contribute to increasing the use of securities savings through the expansion of a new customer base.

iDeCo video content



"Study with Manga! Introduction to Investment" (Daiwa Asset Management)



### Providing Content to Video Streaming Service Providers

In FY2016, the Daiwa Securities Group started providing market information distributed by Daiwa Internet TV and other content to video streaming service providers.

We will continue to work on various initiatives going forward to help investors build their assets and to raise interest in asset building among inexperienced investors.

#### Companies to which content has been provided

GMO Click TV Investment Channel (GMO CLICK Securities, Inc.) from July 2016  
Nico Nico Live of Nico Nico Douga (DWANGO Co., Ltd.) from January 2017

### Original Content by Group Companies

#### Daiwa Asset Management Co. Ltd.

On the website of Daiwa Asset Management, we provide a variety of videos on investment trusts, including one-minute video comments on markets by overseas subsidiaries. We also have a page entitled "Study with Manga! Introduction to Investment," where viewers can learn about investment and the economy enjoyably. In two learning materials serialized on the page, "Teach me, Daiwa-san!" and "Junior NISA Diary," we explain investment in an easy-to-understand way.

#### Daiwa SB Investments Ltd.

On the website of Daiwa SB Investments, we provide "Learn and Benefit from Movies!" which enables viewers to learn about information on markets and funds as well as the basics of asset management. We also distribute a wealth of information free of charge in a timely manner, including "Daiwa SB 5min," which delivers important points in five minutes, and "Study Asset Management through Cartoons." These programs are understandable even to those who have little knowledge of investment trusts.

Daiwa SB 5min (Daiwa SB Investments)



## Support for the Creation of Our Future Society



### Developmental Support for Capital Markets in Myanmar —Initial Public Offerings on the Yangon Stock Exchange—

In December 2014, the Yangon Stock Exchange (YSX) was established as a venture company between the Daiwa Institute of Research, Japan Exchange Group, Inc., and the Myanmar Economic Bank with broad support from the public and private sectors in Japan. Later, the YSX started its trading in March 2016 with a stock listing by First Myanmar Investment Co., Ltd., and three companies newly listed their stocks on the exchange during FY2016. Thilawa SEZ Holdings Public Ltd. became the second listed company on the exchange on May 20, 2016. It invests in a company that has undertaken the development of an industrial park in the Thilawa Special Economic Zone, located in the suburbs of Yangon City. Myanmar Citizens Bank Ltd., engaged in the banking business in Myanmar, became the third listed company on August 26. First Private Bank Ltd., which is also engaged in the banking business, became the fourth listed company on January 20, 2017.

The YSX, in which the Daiwa Securities Group invests, plans to steadily increase the number of listed companies going forward, while undertaking strict screenings. We also carried out experiments for three months from June 2016 for the application of blockchain technology to the capital market in Myanmar to assess the applicability of the technology as infrastructure for a next-generation financial system. The Daiwa Securities Group has provided support to Myanmar since 1996, when it established the Myanmar Securities Exchange Centre as a joint venture

between DIR and the Myanmar Economic Bank. We will continue to support the development of the capital market in Myanmar, leveraging the expertise that we have nurtured through our securities business.

### East Japan Earthquake SME Reconstruction Support Fund

Daiwa Corporate Investment Co., Ltd. operates the East Japan Earthquake SME Reconstruction Support Fund, receiving investment from the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support Japan), The Aomori Bank, Ltd., Bank of Iwate, Ltd., The 77 Bank, Ltd., The Toho Bank, Ltd., and other institutions. Targeting unlisted private companies, the fund aims to expeditiously provide risk finance mainly in the form of equity. The goal is to actively support companies in their efforts to secure renewed growth and development by supplying finance for a variety of purposes, including restoration and reconstruction following the 2011 earthquake disaster, including new business development, the shift to a new industry or line of business, business reorganization and succession, and business incubation.

Among the investee companies, Miyagi Prefecture-based Goyo Suisan Co., Ltd., in which the fund invested in June 2012, restored and reconstructed its business, resulting in significant improvement in its management conditions. Therefore, the fund fully recovered its investment in the company in April 2017 ahead of schedule, completing its support for the first time since its launch as a reconstruction fund.

#### Relevant CSR Materiality

- III. Development and provision of superior financial and investment products
- XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets

\* Refer to pages 11 and 12 for details on the Daiwa Securities Group's materiality.

### Proof of Concept (PoC) for the Application of Blockchain Technology in Myanmar's Capital Market

For three months from June 2016, DIR carried out PoC on the systems of the YSX and local securities companies for the application of blockchain technology.

The PoC covered the management of customer assets in the YSX's post-trading business and a variety of reporting businesses. It reproduced the same level of services as its existing settlement function, while contributing to raising efficiency in transfer instructions and the automatic sharing of balances between securities companies as well as the real-time preparation of a shareholder registry. Moreover, the PoC confirmed that blockchain technology

has a number of advantages in the fragile infrastructures of emerging countries, while revealing numerous technological challenges that lay in the way of full-scale application. The results of this PoC were released in a working paper in October 2016.

Although blockchain technology is still under development, it has the potential to bring about innovative changes to the securities industry. We will continue seeking to evolve blockchain technology while considering its applications to support the Daiwa Securities Group's initiatives in the FinTech field.

## Support for the “New Tohoku” Restoration Business Contest 2016

To further deepen the activities carried out by the East Japan Earthquake SME Reconstruction Support Fund, Daiwa Corporate Investment supported the “New Tohoku” Restoration Business Contest 2016, organized by the Reconstruction Agency, in collaboration with Daiwa Securities Group Inc., which engages in various disaster relief activities. The contest aims to generate momentum to create local industries for industrial restoration in disaster-affected areas. At the award ceremony held on November 19, 2016, the “Daiwa Securities Group Phoenix Award” was given to Makuta Amenity Company, based in Fukushima City, which developed a system for analyzing farm produce using smartphones.

Award ceremony for the Daiwa Securities Group Phoenix Award



## Renewable Energy Power Generation Projects

Daiwa PI Partners Co. Ltd. (PIP) has aggressively invested in the development and operation of renewable energy power generation projects, leveraging the network of the Daiwa Securities Group, since the renewable energy feed-in tariff system was introduced in July 2012.

As of the end of March 2017, PIP had developed and invested in seven photovoltaic power stations. The six stations on which construction was completed have all been operating stably. Such stations include the Iwamizawa Photovoltaic Power Station, which PIP developed independently in Iwamizawa, Hokkaido.

In September 2016, PIP also started the construction of a wood pulp biomass power generation plant that uses tree trimmings as its primary source of fuel in the city of Yonezawa, Yamagata Prefecture. The construction is underway with Green Thermal Co. Ltd., to which PIP has contributed capital, with an eye toward completion in 2017.

The Group will continue to aggressively invest in the development and operation of energy infrastructure assets.

### Initiatives for Wood Pulp Biomass Power Generation Plants

PIP has formed an alliance with Green Thermal, a leading company for the development and operation of wood pulp biomass power generation plants, and has been promoting active development.

In September 2016, as its first investment in a biomass power generation plant, PIP started the construction of Yonezawa Minami Power Generation Station, which was developed jointly by Green Thermal in Yonezawa, Yamagata. The station is Yonezawa City’s first-ever biomass power generation plant.

Starting with this plant, we will continue to promote the development of the biomass power generation business across Japan jointly with

Green Thermal.

The wood-based biomass power generation business uses carbon-neutral power generation facilities that do not affect changes in the amount of carbon dioxide. Moreover, since it adds a new value to wood trimmings left in forests as fuel, it is a community-based power generation business contributing to the maintenance of biological diversity through forest conservation. The business is also expected to invigorate the forestry industry, thereby creating new industries and employment and contributing to the revitalization of regional economies.

Yonezawa Minami Power Generation Station



Yonezawa Minami Power Generation Station under construction



### Power stations developed/invested in by PIP

#### Photovoltaic power stations

•Output: **Approximately 88.7 MW in total**  
A breakdown is shown below.

•Stations in operation: **Approximately 50.3 MW**

(total for six stations)

•Stations under construction: **Approximately 38.4 MW**

(one station)

•Projected amount of electricity generated annually\*:

**Equivalent to the amount for approximately 21,000 households**

#### Biomass power station (currently under construction)

•Output: **6.2 MW in total**

•Projected amount of electricity generated annually\*:

**Equivalent to the amount for approximately 12,000 households**

\* Measured in terms of electricity consumption per household

## Contribution to Local Communities through Investment Activities of Investment Corporation

Daiwa Real Estate Asset Management Co. Ltd. manages Nippon Healthcare Investment Corporation, which was listed on the Tokyo Stock Exchange in November 2014 as Japan's first REIT focusing on healthcare facilities. The investment corporation mainly invests in healthcare facilities such as private nursing homes, which are likely to see stronger demand from society over the medium to long term as the population continues to age.

Employees of the investment company visit facilities of their investees several times a year. They participate in interaction events held within the facilities, such as making chocolate snacks for Valentine's Day and distributing them to residents, and assisting meetings to show respect to the elderly. They also help perform daily work at the facilities, including cleaning the periphery of the facilities, pruning plants in the courtyards, and pulling out weeds.

As the owner of its investees' facilities, the investment company started these initiatives to deepen its understanding of the services provided to residents. The initiatives are now becoming local community contribution activities through the core business, and we will continue to actively work on these initiatives.

## Regional Revitalization-related Initiatives

The Management Consulting Division of DIR is actively involved in regional revitalization, on which the government has its focus.

### ● FY2015

- Dispatched an employee to Ayabe City of Kyoto Prefecture under the regional revitalization personnel support system\* and assisted the city in formulating its population vision and comprehensive strategy.
- Supported the formulation of comprehensive strategies by multiple municipalities such as Honjo City of Saitama Prefecture by leveraging the expertise mentioned above.

\* Regional revitalization personnel support system: A system of dispatching personnel selected by the national government from among national government employees, university researchers, and those working in the private sector as assistants to the heads of municipalities with a population of not more than 50,000 that have been actively working for regional revitalization.

### ● FY2016

- Analyzed the current status of measures for regional revitalization strategy implemented by Kyoto Prefecture, made future predictions, and examined effects.
- Provided support to the development of nursing care services on behalf of Fukushima Prefecture.

We will continue to work on initiatives for municipalities to revitalize regions and thereby revitalize Japan as a whole.

## The Daiwa Securities Group & the University of Tokyo: Future of Finance Forum

In April 2017, the University of Tokyo, Daiwa Securities Group Inc., and DIR launched the "Daiwa Securities Group & the University of Tokyo: Future of Finance Forum." We created the forum to jointly seek ways to solve various issues for the finance business that are expected to occur in society of the near future, and the effective use of FinTech for this objective. The finance business is directly affected by the population decline and the shrinking of regional economies resulting from the aging of society and the declining birthrate. Meanwhile, incorporating innovative technologies related to the dissemination and collection of information through social media, as well as the accumulation and analysis of data using ICT, could potentially bring significant added value to the services provided by the finance business. The Future of Finance Forum aims to contribute to improving the economy and the quality of life via rejuvenation of the finance business model by examining various structural issues in society from scratch and carrying out rapid transformation proactively.



# Initiatives for Supporting Business Activities

## Approach and Basic Stance

The financial and capital markets are based on the confidence and trust of participants. We consider that sustaining confidence and trust in us is essential for us to not only continue our business activities but also live up to the expectations of our stakeholders.

## Contents

- Close up:
  - Support Business Operation from Property Management to Environmental Management (General Affairs Department)
- Corporate Governance
- Compliance
- Human Rights Initiatives
- Risk Management
- IT Strategy and the Management of Systemic Risk
- Environmental Initiatives
- Relationship with Shareholders and Other Investors
- Relationship with Employees
- Engagement with Society

## Close-up

## Support Business Operation from Property Management to Environmental Management (General Affairs Department)

The General Affairs Department of Daiwa Securities Group Inc. supports the appropriate business operations by the Group by taking on a wide range of roles, including the management and operation of the properties and facilities held by the Group and budget management for these assets as well as work related to the whistle-blowing system, environmental management, disaster prevention measures, and measures to prevent traffic accidents.

### Responsible for Managing Properties Held by the Daiwa Securities Group

The Daiwa Securities Group owns numerous properties for its business activities. Maintenance work to protect these properties against age-related deterioration is entrusted to Daiwa Property Co., Ltd., which takes charge of real estate management within the Group.

Daiwa Securities uses approximately 1,000 company cars at its sales branches across Japan. The General Affairs Department not only introduces these company cars, but also takes on the role of reducing traffic accidents. For example, we alert employees by disseminating a prompt report on traffic accidents every week and broadcasting drive recorded images of cars in traffic accidents once a month in our internal TV program. We also hold a discussion-based road safety workshop every year while incorporating road safety training into our annual training program. In regions that have a lot of snow, snow driving classes are also provided in collaboration with local driving schools.

### Emphasis on Environmental Consideration in Property Management

In the management and operation of facilities held by Group companies, we give consideration to the environment. When introducing air conditioners, copiers, and other office equipment, they must have highest-level energy-saving functions as a precondition. We also choose hybrid cars and eco-cars for our company cars in consideration of safety and fuel efficiency. We continue to engage in steady activities, such as the promotion of LED lighting and awareness-raising activities via our in-house magazine to urge employees not to waste electricity or paper in offices.

In addition, the General Affairs Department discusses group-wide environmental management every week together with Daiwa Property Co., Ltd. and representatives from the CSR Group of the Corporate Communication Department. We also hold a meeting of the Environmental Management Council, composed of environmental representatives at the Group's major companies every six months to share data, confirm targets, plan awareness-raising activities, and make reports.

\* Refer to "Environmental Initiatives" on pages 50–52.

### Measures to Address Disaster Risk by Region

Daiwa Securities has offices across Japan. As disaster risk differs amongst regions, it has formulated a disaster response plan for each sales branch. The General Affairs Department sends the hazard maps created by the municipalities of respective regions to branches and makes them available on our intranet. We also prepare disaster relief supplies and send them to each branch.

For example, we have prepared life jackets for regions that could be affected by the anticipated Nankai Trough earthquake with possible damage from a tsunami in mind, while preparing shovels, dust masks, and dust glasses for Kagoshima, which is home to Sakurajima, an active volcano, as a measure against volcanic ash. We thus strive to minimize damage to the customers visiting branches and employees while also introducing measures that address predicted damage to facilities in an effort to ensure that business is not easily suspended.



Koji Yamashita

Managing Director of the General Affairs Department of  
Daiwa Securities Group Inc.

### Responding to All Whistleblowing Reports While Strictly Protecting Anonymity

The Daiwa Securities Group's whistleblowing system can be accessible by all executives and employees at the Group, including temporary employees. The contact point of the system is in the General Affairs Department and an outside law firm. When receiving a report, we thoroughly examine the case and designate and give instructions to the department or section responsible for carrying out an investigation. Based on the results of the investigation, we implement countermeasures and provide feedback to the whistleblower. We also strive to enhance our whistleblowing system to respond to all possible issues that may arise in the future.

Reports are mainly related to harassment issues, time management, and rule violations. We strictly protect the anonymity of whistleblowers and respond to all reports while exercising great care to ensure that those making reports do not suffer any disadvantage.

\* Refer to "Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)" on page 41 for the whistleblowing system.

### Cooperative System with Stakeholders

To execute a wide range of businesses, the General Affairs Department entrusts some businesses to third parties and executes them in collaboration with such parties. We hold regular meetings with each of these parties and constantly exchange reports so as to constantly confirm steps to be taken if an extraordinary event occurs.

We also actively collaborate and communicate with outside parties, such as the community council in the Marunouchi-Otemachi-Yurakucho area, where our head office is located, the management company of our head office building, fire stations, and the police.

### Future Issues and Measures

Aging branches and facilities need to be proactively maintained. The General Affairs Department is engaged in businesses that require various expenses, and we have started reviewing cost structure across the Group to check for any waste in an effort to raise business efficiency.

The General Affairs Department has a lot of contacts with inside and outside parties. By taking advantage of this, we would like to expand our planning function so that it fully reflects the needs of management.

### Winner of the Office Environment Excellence Award 2016 Tokyo Contact Center

Daiwa Securities' Tokyo Contact Center won an Office Environment Excellence Award in the Contact Center Awards 2016. It was recognized as having a work (office) environment that facilitates employees' work and contributes to improving their motivation. The event, sponsored by Ric Telecom Co., Ltd, is held every three years.



Office Environment Award Plaque

# » Corporate Governance

## Approach and Basic Stance

The Daiwa Securities Group clearly separates the supervisory and executive functions of its management to create a highly transparent and objective corporate governance system. As with Corporate Executive Officers of Daiwa Securities Group Inc., employees responsible for head office functions also hold similar roles for the securities subsidiary. Under this structure, the Group is pursuing a management structure that improves the efficiency of head office operations and that maximizes synergies between Group companies.

## Basic Stance on Corporate Governance

With group management based on a holding company structure, Daiwa Securities Group aims to achieve a highly transparent and objective governance structure in international terms. The Group has built a unified group management system that elicits synergies among group companies with highly efficient and specialized oversight of group companies.

The Group has adopted a company with Three Committees System with the objective of supervising management through:

- (a) Better decision-making agility by having the Board of Directors assign significant authority to corporate executive officers while clarifying the division of duties among corporate executive officers;
- (b) More effective supervisory functions at the Board of Directors from the appointment of outside directors with highly specialized skills,

- and better transparency in management from the establishment of the Nominating Committee, Audit Committee and Compensation Committee with outside directors a majority of their members; and
- (c) Highly independent and ethical outside directors providing advice from an outside perspective to the Board of Directors and the three committees based on their knowledge and experiences.

The Group also proactively engages in CSR activities to gain the trust of stakeholders. CSR encompasses providing excellent products and services to customers with integrity, appropriately returning profits and disclosing information to shareholders, creating pleasant work environments and fair personnel evaluation systems for employees, strictly observing regulations and following corporate ethics, managing the environment, and contributing to society.

Through these initiatives, the Group aims to further enhance its corporate governance structure in terms of transparency, agility and efficiency, in order to continuously improve corporate value.

### Relevant CSR Materiality

XV. Construction and maintenance of an appropriate corporate governance system

\* Refer to pages 11 and 12 for details on the Daiwa Securities Group's materiality.

### Number of times each committee met (FY2017)

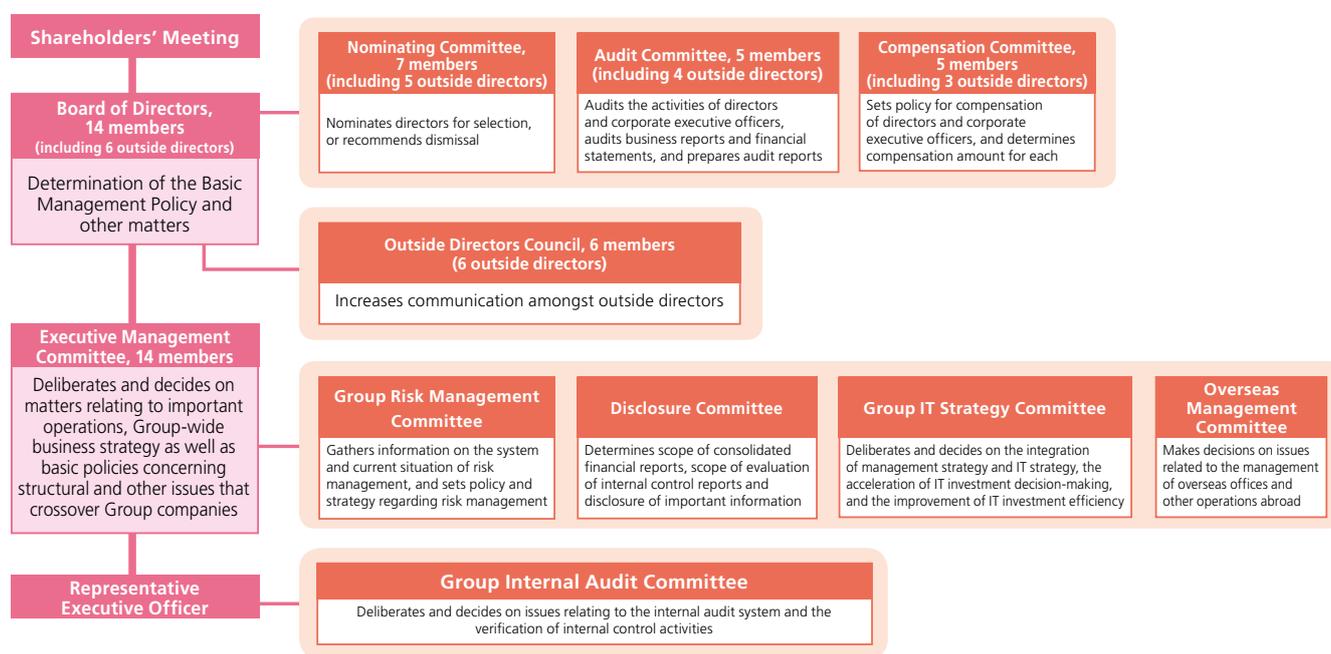
- Nominating Committee: 4
- Audit Committee: 12
- Compensation Committee: 5
- Board of Directors: 10

### Rate of attendance at Board of Directors meetings by outside directors

98.3%

\* Including Mr. Ryuji Yasuda, who retired from the board in June 2016

## Corporate Governance System at Daiwa Securities Group



The corporate governance structure consists of the Board of Directors and the three aforementioned committees (Nominating Committee, Audit Committee and Compensation Committee) as supervisory functions. Business execution functions are embodied in the Executive Management Committee and its subcommittees comprising the Group Risk Management Committee, the Disclosure Committee, the Group IT Strategy Committee, and the Overseas Management Committee, as well as the Group Internal Audit Committee, the internal audit organization that reports directly to the Chief Executive Officer (CEO).

## Major Initiatives in Corporate Governance

### History of Daiwa's Corporate Governance

June 1998	Elected outside auditors
April 1999	Became the first listed Japanese company to adopt a holding company structure
	Established the Advisory Board
June 2000	Established the Group Management Committee
	Established the Compensation Committee
June 2002	Elected outside directors
	Shortened directors' terms of office from two years to one year
July 2003	Established the Internal Control Committee
June 2004	Shifted to a Committee System (currently, a company with a Three Committee system)
October 2015	Complied with the Corporate Governance Code
	Established the Outside Directors Council
April 2017	Appointed outside directors as chairpersons of all Three Committees

### Major Points

- Published the Corporate Governance Report detailing our response to the Corporate Governance Code
- Decided more than two members and more than one-third of the Board of Directors should be independent outside directors
- Elected one additional outside director and six out of 14 Board of Directors as outside directors for FY2016.
- Strengthened management transparency and oversight functions by increasing the ratio of outside directors on the Nominating Committee and the Audit Committee
- Determined that all of the chairpersons of the three committees be outside directors from FY2017 while taking steps to further improve the governance system

## Executive Compensation That Is Closely Linked to Performance

Compensation for directors and corporate executive officers is based on the following basic policy.

### Basic Policy

- Compensation should contribute to increasing shareholder value through sound business development and function effectively as an incentive that leads to the improvement of business performance in the short term as well as the medium to long term.
- Compensation should be at a level that is competitive not just in Japan but internationally as a securities group that carries out global business.
- Compensation should help business execution and supervision to function effectively as a company with a Three Committee system.

Compensation for directors and corporate executive officers is determined by the Compensation Committee. Executive compensation has three components: basic compensation; performance-based compensation; and share price-linked compensation.

#### Basic Compensation

Basic compensation is compensation fixed according to post, duties, and role.

#### Performance-Based Compensation

Performance-based compensation is determined according to the degree of contribution by the individual after comprehensively taking into account ROE and consolidated ordinary income, along with other factors such as the results of management targets as outlined in the Medium-Term Management Plan.

Directors who do not concurrently serve as corporate executive officers are not entitled to receive performance-based compensation.

#### Share Price-linked Compensation

To increase correlation with shareholder value, stock options and others that are worth a certain percentage of basic compensation are granted as share price-linked compensation.

Outside directors are not entitled to receive share price-linked compensation.

## Supervisory Function

The Board of Directors consists of 14<sup>\*1</sup> directors, including six outside directors<sup>\*2</sup> and two female directors. The Board of Directors determines key management policy and oversees executive duties. In order to perform this supervisory role from multiple viewpoints in accordance with the demands of society, the policy for selecting new board members states that candidates must have a strong sense of ethics and demonstrate initiative and leadership.

Additionally, outside directors are experts in such fields as management and accounting. In addition, the supervisory function of Daiwa Securities Group Inc. is reinforced by the Audit Committee and the Office of the Audit Committee. The Audit Committee, which consists of a majority of outside directors, plays a pivotal role in the supervision of executive duties. The Audit Committee is assisted by the Office of the Audit Committee, which is a department independent of execution of business.

\*1 As of June 30, 2017

\*2 Outside directors as defined by Article 2-15 of Japan's Companies Act

Refer to page 79 of our FY2016 securities report for details.

> Policy on Selecting Director Candidates  
> Composition of the Board of Directors

## Preventing Conflict-of-Interest Transactions between Group Companies

Conflict-of-interest transactions between Group companies can occur in situations such as intra-Group trading. The Daiwa Securities Group applies rules regarding conflicts of interest stipulated by Japan's Companies Act to Executive Committees as well as Board meetings. Conflicts of interest within the Group are prevented through a rule prohibiting an executive officer from voting when he or she is also the director of an interested Group company.

## Internal Control System and Internal Audit

In recognition that management is responsible for maintaining an internal control system to ensure the sound and appropriate execution of business, the Group, under the main initiative of Daiwa Securities Group Inc., has established a system for managing the Group's major business risks. Through this system, the Group endeavors to ensure business effectiveness and efficiency, reliable financial reporting, compliance with laws related to business activities, and asset preservation.

The Internal Audit Department verifies the internal control system. This department sits independently from all other departments, reports to a dedicated corporate executive officer, and ensures internal audits to act as an important function of raising Group value through the creation of a sound and efficient internal control system. The authorization of internal audit plans and reporting of audit results are undertaken by the Group Internal Audit Committee. Internal audit plans are authorized by the Audit Committee or a

designated member of the Audit Committee who has received the prerequisite authority from the Audit Committee. The results of audits are also reported to the Audit Committee.

Daiwa Securities Group seeks to raise its corporate value by effectively conducting internal audits, and implements risk-based internal audits primarily through its Internal Audit Department.

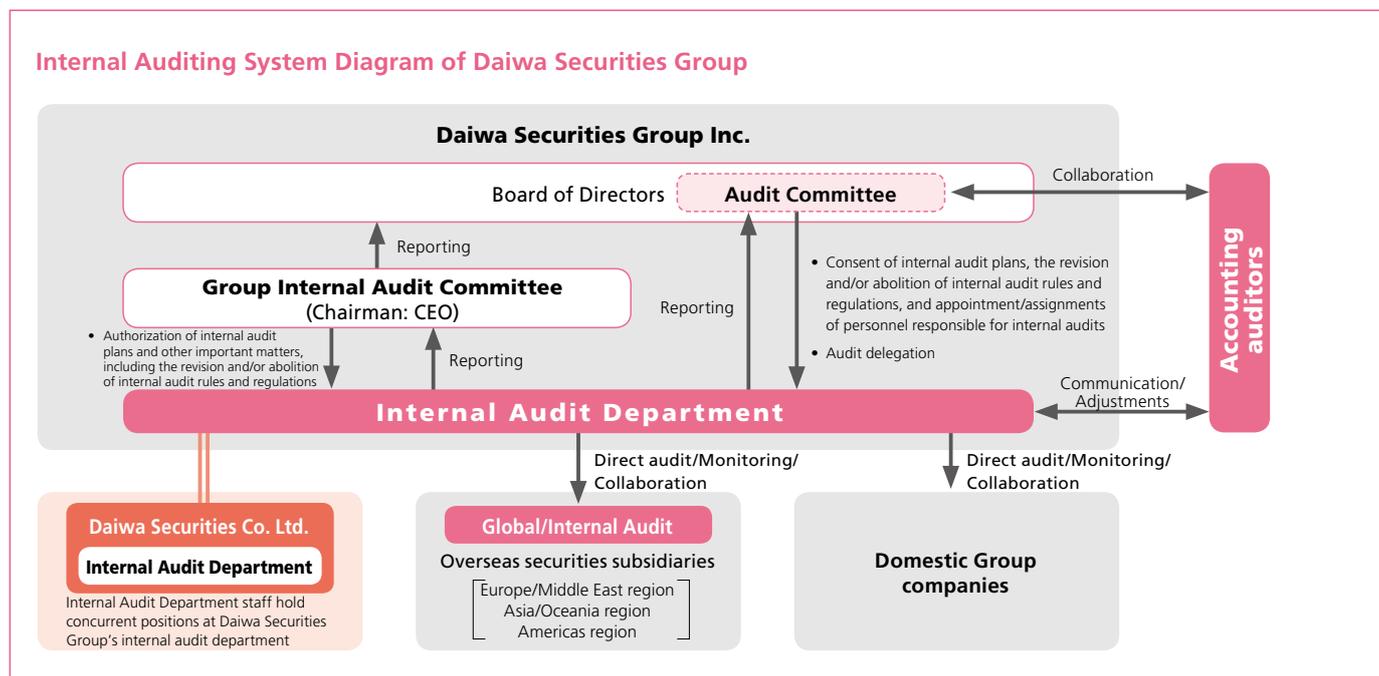
The Internal Audit Department pays special attention to certain aspects of the Group's business activities. They include the internal control systems at Daiwa Securities Co. Ltd. and overseas offices as a foreign business operator, the internal control systems at Daiwa Next Bank, Ltd. as a bank, the status of businesses that involve the collaboration between Group companies, and the status of control over Group companies by the holding company.

Reports to the Group Internal Audit Committee are not limited to the audit results conducted at Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd., but also include highly important findings made during audits conducted on companies in Japan and overseas.

The Internal Audit Department collaborates with the internal auditing divisions of Group companies through periodic meetings, monitoring, and audits.

The Internal Audit Department maintains communications with the Audit Committee and accounting auditor, making any necessary adjustments to ensure that audits are performed efficiently, and receives audit requests from the Audit Committee.

The degree to which these internal auditing activities satisfy The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing," the global standard for internal auditing, is routinely evaluated by independent outside third parties, which helps to constantly improve the system.



## Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)

Since January 2003, the Daiwa Securities Group has been operating a Corporate Ethics Hotline, through which employees can report problems in the workplace directly to a corporate ethics officer of Daiwa Securities Group Inc. or outside lawyers.

When the hotline is contacted, the corporate ethics officer, in cooperation with the internal control officers at each Group company, carries out a factfinding investigation, while taking steps to protect the caller. In 2016, 41 reports were received through the whistleblowing system. The Group is working to ensure that all employees are familiar with the Corporate Ethics Hotline, including staff at affiliated companies and temporary workers, in order to ensure that anyone can use it without hesitation. We are also making efforts to respond quickly when calls are received. The Group is taking steps to improve the hotline so that it can work effectively as a deterrent to prevent problems before they occur, not just as a measure to solve problems.

## Audit Committee's Activities

The Daiwa Securities Group's Audit Committee is engaged in auditing activities for duties executed by directors and corporate executive officers. In FY2016, the three outside directors that serve as members of the Audit Committee accompanied the Compliance Department's on-site inspections of three sales branches as part of their efforts to build customer trust, a key issue for their audit policy. They were involved in a range of activities by the Compliance Department, including prior investigations, on-site inspections, evaluation, and opinion exchange. Through this involvement, the three outside directors had an opportunity to deepen their understanding of how sales branches prevent solicitation and other marketing activities that could lead to issues related to suitability and how the Compliance Department finds and points out problematic transactions and then gives instructions for improvement. We will continue with our initiatives to strengthen our corporate governance system.

Use of the intranet to increase employee awareness



## Tax Policy

The Daiwa Securities Group has enacted the "Daiwa Securities Group Tax Policy" in aiming to develop corporate tax governance. It describes our code of conduct and standard of judgments in taxation.

### Daiwa Securities Group Tax Policy

1. The Daiwa Securities Group complies with laws and ordinances, and contributes to sustainable development of the society through appropriate tax payments with high ethical standards.
2. The Daiwa Securities Group rewards our shareholders by achieving sound profits based on proper and fair tax planning.
3. For cross border intra group transactions, The Daiwa Securities Group sets appropriate price, which can achieve adequate accountability under transfer price tax regulations.
4. The CFO, executive officer in charge of Finance, and Head of Finance Department of Daiwa Securities Group Inc. from time to time provide guidance and advice to subsidiaries and other departments within the group as necessary, so that corporate governance over tax matters can be well shared and implemented throughout the Daiwa Securities Group.

### Number of reports received through whistleblowing system for FY2016

41

(down 1 from FY2015)

\* No reports indicating violation of human rights, environmental pollution by Daiwa Securities, or other matters raising extremely serious concerns in general social terms

Refer to "Support Business Operation from Property Management to Environmental Management (General Affairs Department)" on pages 36-37 for the whistleblowing system.

An outside director checks a phone call recorded at a sales branch



# Compliance



## Approach and Basic Stance

The Daiwa Securities Group has four corporate principles. They are “building trust,” “placing importance on personnel,” “contributing to society,” and “maintaining healthy earnings results.” The Group believes that compliance is a significant element for achieving these principles. The goal of the Group’s compliance activities is not merely to “comply with laws and regulations,” but to earn the trust of customers, markets, society, and stakeholders.

## Compliance System

The compliance system of the Daiwa Securities Group consists of the Compliance Control Department, which mainly has the function of establishing overall rules, and the Compliance Department, which is tasked with providing support to sales branches and headquarters departments and sections. The two collaborate to build a compliance system, working concurrently for Daiwa Securities Group Inc. and its subsidiary Daiwa Securities. At the Daiwa Securities Group, the compliance system supports Daiwa Securities and other Group companies while focusing on three key issues: securing the fairness and transparency of the market, eliminating any relations with anti-social forces, and maintaining information security.

At Daiwa Securities, the Compliance Department monitors transactions and solicitation by sales branches, identifies challenges and issues, and visits sales branches to check their business status and provide instructions. The department also regularly

conducts on-site inspections. Moreover, it visits the work sites of headquarters departments and sections directly, identifying issues and providing training support. The Customer Support Center, established within the Compliance Department, comprehensively handles customer feedback and complaints and reflects them in the business to improve customer satisfaction. One of Daiwa Securities’ strengths is that full-time internal administrators belonging to the Compliance Department are stationed at all sales branches. The internal administrator works on improving the effectiveness of the PDCA cycle (plan, do, check, act) at each sales branch, while closely cooperating with the Compliance Department, in an effort to build a solid compliance system.

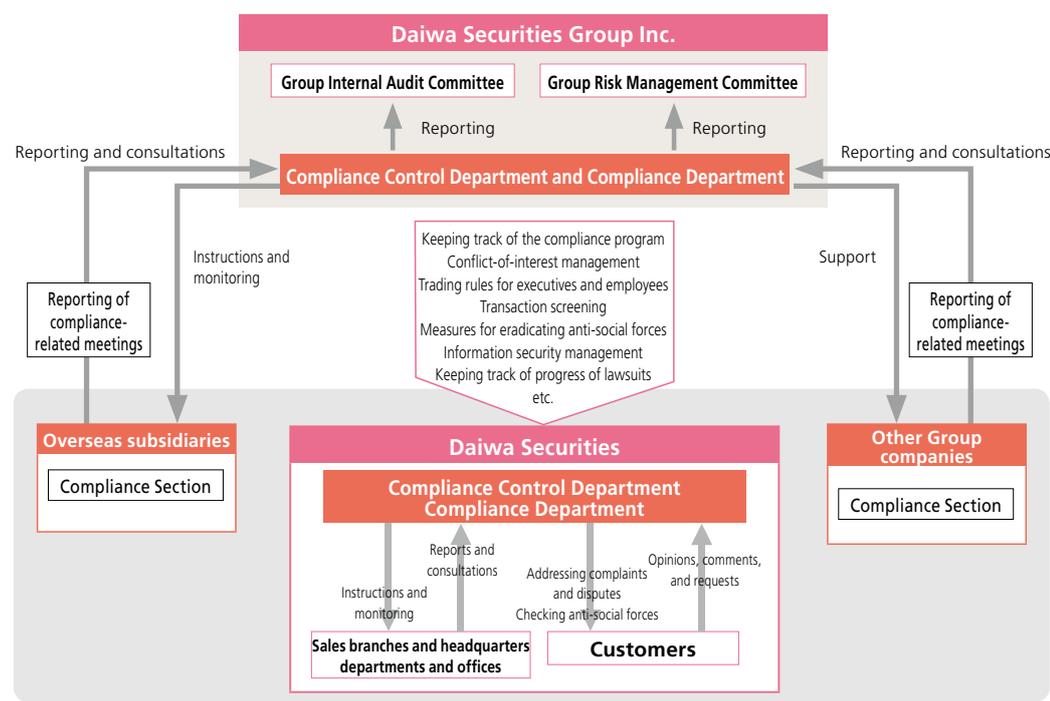
As of March 2017, the compliance section consists of approximately 260 staff, composed of 42 staff at the Compliance Control Department, 79 at the Compliance Department, and approximately 140 working as internal administrators at sales branches. The staff members are striving to strengthen the Daiwa Securities Group’s compliance system.

## Relevant CSR Materiality

- I. Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers
- VII. Appropriate management of customer information
- XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)

\* Refer to pages 11 and 12 for details on the Daiwa Securities Group’s materiality.

## The Daiwa Securities Group’s Compliance Framework



## Full Implementation of the Customer First Principle

Daiwa Securities is taking measures in line with the compliance program to ensure the effective operation of our internal control system and strict compliance of our sales activities with laws and regulations. For FY2017, we set up the pillars outlined below, while maintaining the "Customer First Principle" as the keyword as in the previous fiscal year:

1. Establishment of customer-first business operation
2. Reinforcement of internal control systems at headquarters departments and sections
3. Exercise of proper functions as a gatekeeper to the market

Daiwa Securities markets a wide range of financial products including investment trusts. When soliciting investment from customers, we ensure compliance with the principles of integrity and fairness, the principle of suitability, and the principle of self-responsibility from the perspective of investor protection. We have adopted the practice of systematically providing continuous and thorough after-sale follow-ups, rather than leaving it to individual sales agents, especially when the market is on a downward trend. We consider providing thorough, face-to-face explanation to customers and maintaining customer trust and a sense of security at the time of market fluctuations to be part of the practice of Customer First Principle for Daiwa Securities as a marketer of financial products. We will continue stepping up such initiatives going forward.

## Securing the Fairness and Transparency of the Market

The Daiwa Securities Group is working to secure the fairness and transparency of the market from two standpoints. These are how to check and prevent illicit transactions by investors and by Daiwa Securities itself.

To prevent illegal transactions by investors, Daiwa Securities checks daily transactions by extracting deals that go beyond certain criteria, such as whether they have an excessive impact on the market. In particular, in order to prevent insider trading from occurring, we ask customers' place of employment and positions within their companies before registering their information. This practice allows us to check transactions as soon as trading orders are placed by customers who are in a position to acquire internal information. We also check the past transactions conducted with us retroactively when timely disclosure is made for important information.

To prevent illegal transactions within the Daiwa Securities Group, we strictly manage not just material facts of listed companies but broader information related to them in a similar way. We have also introduced a system managing their information, keeping track of people obtaining information and where information has been sent. Through these efforts, we have constructed a structure to prevent illegal transactions.

## Eliminating Any Relations with Anti-social Forces

At the Daiwa Securities Group, we are continuously persisting in activities to eradicate "anti-social" forces based on our recognition of the large role that financial institutions play in this area. We also collaborate with the police and lawyers to eliminate any relations with such forces.

We have implemented a structure that prevents any relationship with anti-social forces from commencing by collecting a variety of information related to them and closely checking such information when accounts are to be opened. We also constantly accumulate new information and regularly check existing accounts in an effort to tighten the management of ongoing transactions. All Group executives and employees, including personnel serving customers at sales branches, regularly undergo training to constantly stay alert.

### Basic Policy on Avoiding Involvement with Anti-social Forces

To ensure fairness and the sound development of the securities market and protect our customers and employees, the Daiwa Securities Group has created a framework to eliminate the influence of organized anti-social forces, their associates, corporate extortionists, and other criminal elements and takes systematic measures to avoid all ties with such elements.

1. The Daiwa Securities Group will not carry out any transactions whatsoever with antisocial forces.
2. If it is determined that parties already having transactions with the Daiwa Securities Group are anti-social forces, we will swiftly take appropriate measures to terminate dealings with them.
3. The Daiwa Securities Group will provide no funds to anti-social forces.
4. The Daiwa Securities Group will accept no unfair demands from anti-social forces. If it is determined that an unfair demand has been made by anti-social forces, we will take legal action in the civil or criminal court against the party making the demand.
5. The Daiwa Securities Group establishes close cooperative relationships with outside parties such as the police force, the National Center for the Elimination of Boryokudan (anti-social forces), legal experts, and others.

## Initiatives against Bribery and Corruption

In line with the principles of the United Nations Global Compact, the Daiwa Securities Group works to prevent corruption. Daiwa Securities' code of ethics and conduct prohibits employees from giving or receiving rewards or entertaining customers. Headquarters departments and offices have also incorporated the status of observance of management rules on entertainment into self-inspection items since FY2015. Each department and office therefore inspects their practice voluntarily, and the results of inspections are checked by relevant departments and sections. Officers in charge or relevant departments and sections also monitor the use status of entertainment expenses at sales branches to confirm that such expenses are appropriately spent.

With respect to dealings with government officials, headquarters departments and offices and sales branches all manage them separately from other deals, thereby keeping an especially close eye on them, as entertaining government officials is prohibited by law. Our management rules on entertainment also prohibit employees from giving benefits to the government officials of foreign countries. In addition, we provide periodic e-learning training and engage in other awareness-raising activities for employees to ensure that we are not involved in bribery or corruption.

We have also built a structure that prevents the fraudulent granting of benefits at overseas worksites by establishing internal rules that suit local laws and regulations.

## Information Security

We at the Daiwa Securities Group have implemented numerous information security measures to protect personal information entrusted to us by customers in a safe and precise manner.

In many personal information leakage incidents arising in recent years, leakage has occurred at third parties to which operations have been entrusted. Accordingly, when signing an outsourcing contract with a third party, we thoroughly check the information management structure of the party. We also continue with our initiative to conduct on-site visits before outsourcing to examine the business practices of the potential outsourcer.

Following the enforcement of the Individual Number Act (the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure) in October 2015, we now ask customers to provide us with their Individual Numbers. We have controlled access to information entrusted to us by customers, including Individual Numbers, by isolating such information physically and managing them with extra care. No matter how much information is systematized, there always remains a human element. To ensure that a mistake does not occur, we focus on training for sales personnel to recognize the importance of information management, while keeping the number of employees authorized to access personal information at the minimum necessary level.

Daiwa Securities also bans employees from taking personal information out of the company in principle. When it is absolutely necessary to take information out for business purposes, we require employees to obtain prior approval from an internal administrator or other superiors and to keep records, thereby strictly managing such information. We also strictly manage the printing of personal information and output to external recording media, while constantly monitoring whether there is any unauthorized use. Moreover, since some of the documents received from customers are paper-based, we have implemented an initiative to prepare specialized portfolios to avoid the risk of losing documents within the company.

## Fostering Compliance Awareness

The Daiwa Securities Group considers it extremely important for each employee to always maintain a high level of compliance awareness. We have therefore adopted a compliance-related program in training for new employees and a number of other internal training courses, while giving tests on compliance regularly through e-learning. At Daiwa Securities, we post an "Information Security Check Test" and "Compliance Digest" every Monday on our intranet and also broadcast compliance-related contents twice a month in our internal TV program that is aired every morning. Moreover, at Daiwa Securities' sales branches, the branch chief and the internal administrator lead an initiative to provide training and instructions that suit each workplace on a daily basis. The branch chief also chairs a compliance meeting in which all branch members participate. We have thus implemented various systems to keep the compliance awareness of all employees at a high level, and continue to foster awareness among employees.

## Important Issues for FY2017 and Beyond

We will strive to establish customer-first business operation and also work on strengthening the checking function, including the internal control system of the headquarters. It is imperative that we comply with set rules, and we consider that the goal of our initiatives should not be just such adherence. Compliance is a common theme that must be addressed by the entire industry and also a matter of trust in the securities industry as a whole. We will therefore exchange information with industry peers and proceed with measures while sharing good practices with one another. The Daiwa Securities Group will strive to strengthen compliance as a leading company of the industry going forward and make efforts to contribute to enhancing trust in the entire securities industry.

# » Human Rights Initiatives



## Approach and Basic Stance

The Daiwa Securities Group is strengthening efforts based on its corporate principles, the Act on Promotion of Education and Enlightenment of Human Rights, the United Nations Global Compact and ISO 26000, to educate its employees about human rights with the aim of improving a corporate culture rooted in the basic principles of human rights.

### Basic Policy for Initiatives Addressing Human Rights and Social Integration Issues

1. The Daiwa Securities Group supports and complies with the protection of human rights as advocated internationally and does not infringe on human rights within the boundaries of its influence.
2. The Daiwa Securities Group educates and instructs Group employees with accurate information on human rights and social integration issues.
3. At the same time, the Group views human rights and social integration issues as our own problem, not somebody else's problem, and fosters a sensitivity that enables empathy with the suffering of others.
4. We provide an equitable working environment that values people and is free of discrimination or human rights violations based on race, nationality, biological sex, sexual orientation, or gender identity.
5. Each employee is a member of society unburdened by prejudice.

### Specific Efforts

1. We highly value the human rights of every stakeholder and our staff will always address clients, local communities and their members with great awareness of human rights.
2. We work to ensure that our hiring and recruiting, personnel evaluations and labor management practices are always fair.
3. The Group is continually improving internal human rights education and awareness programs, including regular training and feedback and response loops.

Human Rights Awareness Promotion Committee  
Revised on August 12, 2016

## Human Rights Education and Awareness

In 1984, the Daiwa Securities Group set up the Human Rights Awareness Promotion Committee. Its establishment is aimed to promote activities and training for raising human rights awareness, thereby encouraging better understanding and appreciation of social integration and other human rights issues. Since the committee's establishment, we have been working to achieve its objective. Besides the committee, all Group managers at the head office or branch level act in a promotional role, using education and awareness activities to ensure that employees correctly understand and acknowledge human rights and social integration issues. The committee revised and released the Group's Basic Policy for Initiatives

Addressing Human Rights and Social Integration Issues in August 2016.

The Daiwa Securities Group has been a member of the Industrial Federation for Human Rights, Tokyo, since 1998. The Federation is composed of 124 companies mostly headquartered in Tokyo with a combined total of one million employees (as of April 2017). Federation members work together to improve their employees' awareness of human rights issues through research and communication.

#### Composition of Human Rights Awareness Promotion Committee

**Chair:** the director as Human Resources Officer at Daiwa Securities Group Inc.  
**Vice Chair:** Head of the Human Resources Department  
**Committee Members:** Five department heads including the head of the Corporate Communication Department, General Affairs Department, and Compliance Control Department

## Initiatives in FY2016

In FY2016, we provided human rights education as part of training for the Group's new employees conducted immediately after their induction ceremony as well as in training for young employees (annex education) and for those newly becoming general managers, managers, and associate managers. The chief of the Human Rights Awareness Promotion Committee Secretariat took charge of all of these training courses. We have also been providing training on LGBT issues since FY2015. It has first been conducted for those in compliance and human resources divisions, and the issues are also taken up in training for new employees every year. LGBT issues are also included in training for promoted employees as an opportunity to deepen their understanding further. The cumulative number of employees participating in training on LGBT is now 1,838.

The Group also held a Human Rights Awareness Workshop, an event to consider human rights from multiple viewpoints, for all executives and employees. Discussions between participants were held after watching an educational video entitled "I want to work for a fair company," which focuses on subjects such as foreigners and people with disabilities. We also solicited human rights awareness slogans between October and December in a contest designed to promote a broader and deeper understanding of human rights issues. Contest participation was open not just to employees but also to their families. The winning entries were presented in our in-house magazine.

Human rights education for employees



### Relevant CSR Materiality

- XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)

\* Refer to pages 11 and 12 for details on the Daiwa Securities Group's materiality.

### Human rights education for employees for FY2016

- Training participants **567 new employees**
- Objective  
To acquire basic knowledge concerning human rights and to understand and raise awareness of the Group's fundamental principles concerning respect for human rights
- Training participants **485 promoted employees**
- Objective  
To acquire knowledge and raise awareness concerning human rights required for their respective positions

# » Risk Management



## Approach and Basic Stance

While the Daiwa Securities Group pursues profitability and growth, we also recognize the importance of identifying and evaluating the various risks associated with our business operations accurately, and controlling them effectively. Our objective is to improve corporate value steadily by maintaining a sound financial base and profit structure by properly balancing risks and returns and by implementing effective risk control and management.

## Risk Type and Degree of Importance

Risks that are particularly important for the Daiwa Securities Group are those related to our key securities business, securities transactions, and market making, which is associated with such trading. We focus in particular on managing risk for foreign currency liquidity, which reflects the liquidity of funds, due to the considerable size of transaction amounts. We also need to control such risks as the market risk resulting from fluctuations of securities prices, credit risk for business partners and issuers, and the operational risk that inevitably arises in the execution of business. Moreover, we manage the integration risk by measuring impact on the Group's capital and liquidity from a forward-looking perspective.

## Risk Management and Risk Appetite Framework\*1

As one of Japan's Domestic Systemically Important Banks (D-SIBs), Daiwa Securities Group Inc. not only complies with the Basel rules, which are international banking regulations, but has also drawn up the "Risk Appetite Statement," which has been decided by the Board of Directors. The Statement is designed to clarify the policy on risk-taking and risk management frameworks that are consistent with the overall business strategy of the Daiwa Securities Group. In line with its business profiles as a security group, it defines risk categories, quantitative indicators to be managed, risk culture based on the corporate principles, and the governance structure supporting these matters.

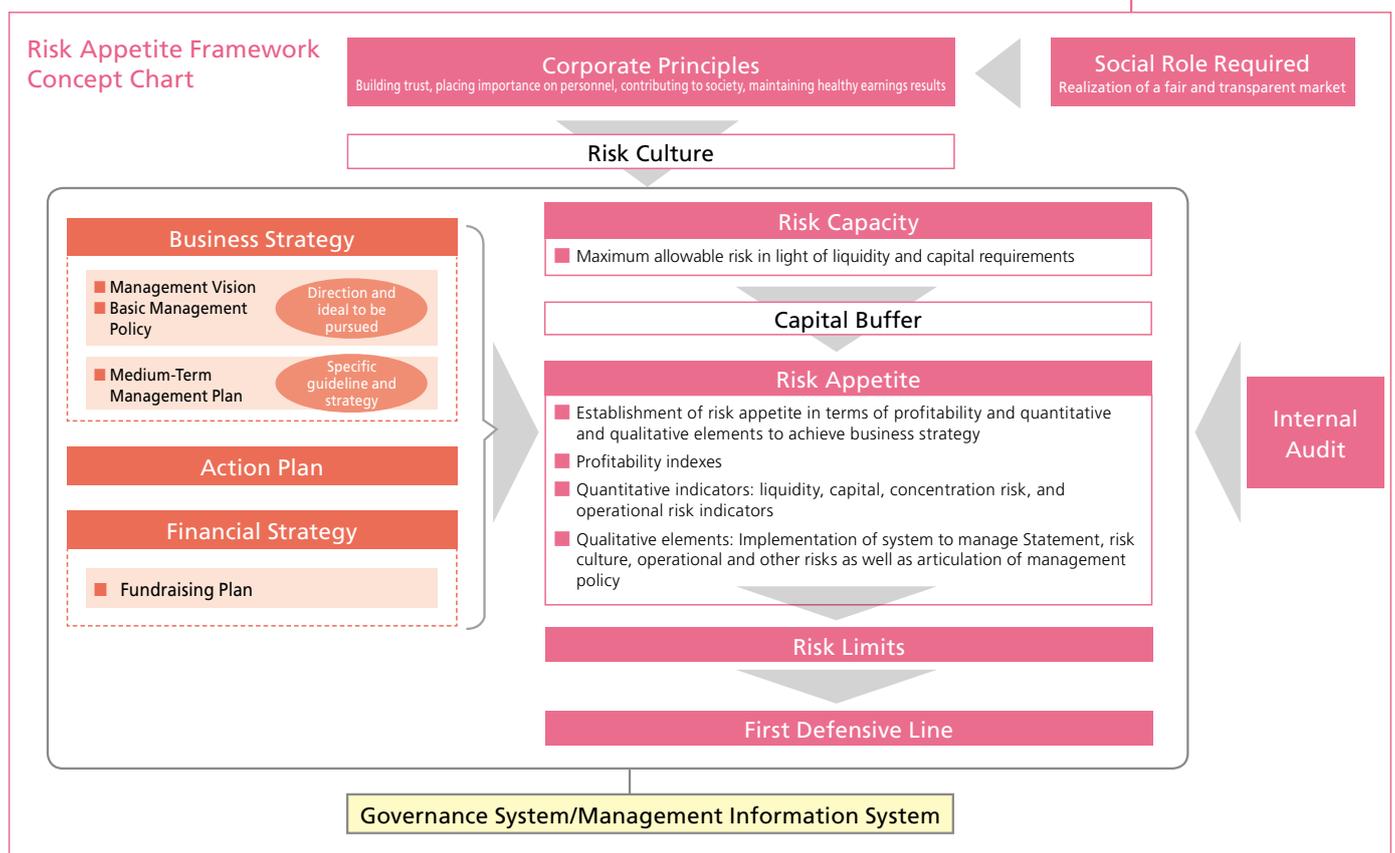
## Relevant CSR Materiality

- V. Maintenance and development of financial and capital market functions
- VI. Appropriate risk controls
- XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)
- XII. Reduction of environmental load and responses to environmental changes

\* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

### \*1 Risk Appetite Framework

This risk appetite framework defines risk appetite as the type and total amount of risk that should be assumed in order to achieve business strategies. It is a common phrase used internally to discuss risk-taking policies within the context of business management.



Based on this risk appetite framework, we at Daiwa Securities Group Inc. control risk according to the profile and the size of risk at each business, and monitor the risk management systems and risk exposures of our subsidiaries. Risk exposures and issues are discussed at the Group Risk Management Committee, which is a sub-committee of the Executive Management Committee. The Risk Management Department plays a central role in these risk controls.

**● System Adequate to Prevent Risk at Worksites (Three Lines of Defense)**

The Risk Management Department has set up groups according to risk fields, comprising market risk management, credit risk management, liquidity risk management, and planning groups. Each group is responsible for controlling risk in their fields. The department also has an IT & Administration group that provides IT support due to the elaborate calculations required in risk measurement. Moreover, overseas business bases and major group companies also have risk control divisions. We thus manage risk at home and abroad through group-wide collaboration.

It is a fact that risk materializes where business is executed. The Risk Management Department monitors risk based on measurement of indicators, but always communicates with business units because numerical data is sometimes not enough to determine business conditions. The department has also employed Risk Control Self-Assessment (RCSA), identifying risks at each business unit along with people working there and implementing measures

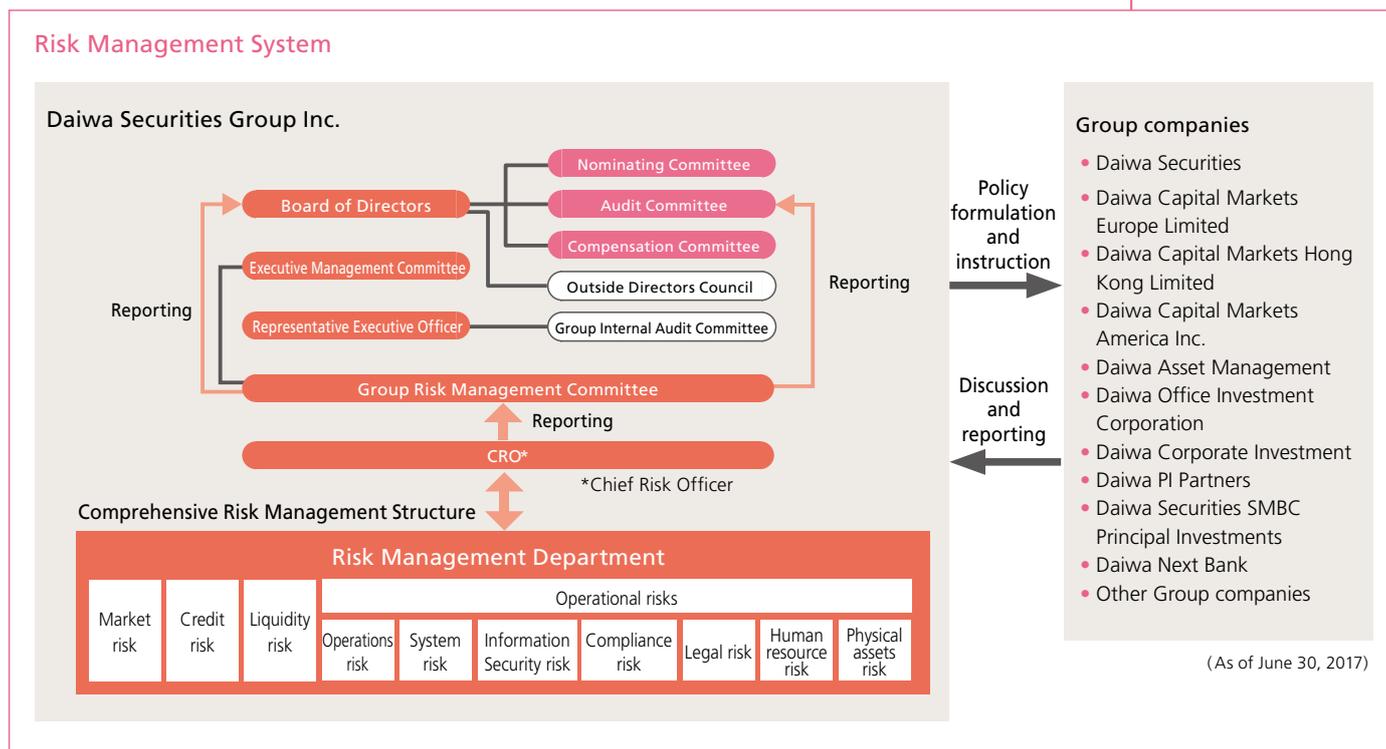
to avoid risk. We thus help them, where risk arises, to control risk on their own. The first line of defense to prevent risk from emerging is each business unit, which controls risk based on self-discipline. The second is the Risk Management Department, which is tasked with controlling risk in a cross-organizational and comprehensive manner. The third is the Internal Audit Department. We endeavor to control risk by utilizing these three defense lines.

**Supply Chain Management and Human Rights Due Diligence**

The Daiwa Securities Group regularly checks the documents disclosed by major business partners, including providers of IT equipment and services, as well as news reports about these companies and their reputation on the Internet in order to address issues in the Group’s supply chain, including ones related to the environment, society, human rights, information and cyber security. If any issues are found, we take steps, such as urging the business partners to make improvements.

We also collect information provided by public institutions in and outside of Japan and exchange information with external parties to be aware of human rights issues that exist in the countries where the Group conducts business operations. We then consider taking appropriate measures for issues of importance.

We carry out due diligence in deals underwritten and in self-investment deals, considering not only business history and financial aspects but also environmental and social issues.



## BCP

To be prepared for emergencies, we have drawn up a business continuity plan (BCP) prioritizing important operations to be restored or continued\* in order to keep the financial markets open and to protect customers' economic activities. Emergencies which might make our head office functions, branches and data centers or other important facilities inoperative include: earthquakes, fires, storms, floods, other extraordinary weather conditions, terrorism, serious outbreaks of infectious diseases, such as new strains of influenza, and serious disruptions of social infrastructures and services due to such events. In accordance with this plan, we will not only ensure the safety of customers, our employees, and protection of our assets but will strive to continue our vital operations in the financial markets where our business serves public interests. For example, we have begun operating Japan's highest-level backup center, which enables us to easily switch to the alternate system in case of an emergency at headquarters. We can thereby continue vital operations through a substitute office location.

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### \* Prioritized operations to be restored or continued

1. Carrying out securities transactions traded in the markets and yet to be settled
  2. Payment to our customers
  3. New orders from customers to sell, cancel or withdraw for the products be
    - Domestic listed shares, including closing long positions on margin transactions
    - MRF (money reserve funds)
    - Japanese government bonds for individual investors
    - Ordinary deposit
- 

## ● Initiatives on Impact of Climate Change

A significant rise in sea levels and the occurrence of extremely large typhoons due to global warming have recently raised concerns over potential large-scale flood damage. Some of the Daiwa Securities Group's important business bases are located in places not very far from the seashore or rivers and may be affected should floods occur. We are not just taking general precautions against flood damage, but promoting such measures as setting up key equipment and facilities at different sites and moving machinery to the upper stories of our office buildings, in order to mitigate the impact of disasters on our business operations as much as possible.

## IT Strategy and the Management of Systemic Risk



### Approach and Basic Stance

Under its Medium-Term Management Plan, “Passion for the Best” 2017, the Daiwa Securities Group will promote two IT strategies (basic IT policies), namely, “strategic IT investment” and “strengthening IT governance” in order to achieve the management vision of “leading the capital markets in Japan and Asia, and becoming the customer’s first choice securities group.”

### IT Governance Structure

The Daiwa Securities Group has established the Group IT Strategy Committee as a sub-committee of the Executive Management Committee and created the IT Strategy Committee at Daiwa Securities, the core company of the Group, as a subcommittee of the Management Committee. These committees deliberate and decide medium- and long-term IT investment policies and budgets for IT investment after taking into account business needs and trends in the business environment, such as systems and regulations. The Group has also established the Group IT Management Committee (the prior consultation organization of the Group IT Strategy Committee), headed by the CIO\*, putting in place a system for deliberation at the director level to address common issues and the medium-term IT strategies of each Group company.

Against a backdrop of globally tightening financial regulations, increasingly serious and sophisticated cyberattacks, and the spread of advanced services combining finance and IT (FinTech), the CIO has been placed in charge of overseeing all IT-related operations across the Group, including overseas bases, through the aforementioned committees, and is tasked with strengthening collaboration within the Group and managing risk on a global basis.

\* CIO: Chief Information Officer

### Strategic IT Investment

Aware of the importance of unifying management and IT strategies, the Daiwa Securities Group prioritizes the allocation of resources in IT investments that contribute to the achievement of Group performance targets and business strategies. By aiming to coordinate strategic IT investments with changes in tax systems and infrastructure platforms that are essential for business continuity, the Group strives to enhance the value added of its businesses. In addition to undertaking investments for a variety of purposes, including the upgrade and expansion of the fund wrap lineup as well as online services, steps were taken to push forward initiatives in such areas as artificial intelligence (AI), Big Data, voice recognition, blockchain and other new technologies in FY2016. Moreover, the Daiwa Securities Group strengthened management systems to ensure the safe and secure submitting of My Number, the government’s identification system, from customers and further bolstered cyber security measures across the Group as a whole, including overseas bases.

In line with continued advancements in technological innovation, technologies with the

latent capability to significantly alter the way in which business is conducted are close to commercial application. With this in mind, the Daiwa Securities Group is setting up forums to facilitate discussions regarding financial innovation that utilizes cutting-edge technologies across the Group organization, headed by the CIO. As far as promising technologies and initiatives are concerned, energies are directed toward swiftly conducting verification tests and trials while also promoting alliances and collaboration with external partners. At the same time, the Daiwa Securities Group is working diligently to put in place a mechanism that will allow it to flexibly and efficiently provide products and services that place the needs of customers first. Moreover, every effort is being made to employ advanced technologies to address Group-wide management issues, including the need to dramatically improve productivity while taking into consideration work style reform.

### Systemic Risk Management

The Daiwa Securities Group has worked to maintain and enhance the management of systemic risk in order to reliably provide high-quality services to customers while protecting information assets from various threats and risks. The Group monitors the status of its networks and information systems and makes qualitative improvements to its systems based on periodic risk assessments, in order to prevent risks from occurring.

Against this backdrop, the Daiwa Securities Group has positioned the need to ensure cyber security as an important issue in the context of managing risks. This reflects the recent and growing threat of cyberattacks. As a result, the Group has established the Daiwa-CSIRT\*, a Group-wide cross-sectional specialist organization that collects and analyzes the latest information on cyberattack methods and vulnerability while coordinating with external institutions. Drawing on this information and analyses, ongoing steps are being taken to strengthen cyber security measures encompassing the Group as a whole, including overseas bases. These steps include building multilayered initiatives that combine a number of technological countermeasures, continuously monitoring networks and equipment, detecting and analyzing attacks, and putting in place the Security Operation Center (SOC), which is charged with the responsibility of formulating countermeasures.

\* Computer Security Incident Response Team: the organization that manages cyber security across departments

### Relevant CSR Materiality

- V. Maintenance and development of financial and capital market functions
- VII. Appropriate management of customer information
- VIII. Construction and maintenance of a strong IT system

\* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

## » Environmental Initiatives



### Approach and Basic Stance

Protecting the global environment, the basis of our livelihoods, is essential for a sustainable society. Through our business activities, the Daiwa Securities Group strives to help resolve environmental issues by promoting products that can help reduce the environmental burden, and also by introducing investments that help make environmental technologies and infrastructure more widely available. At the same time, we are working to establish a system that efficiently collects data on Daiwa's environmental load. We are also focusing on raising employees' environmental awareness to empower them to reduce the environmental burden 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**  
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 system**  
We shall continue to progress in our efforts to reduce the use of natural resources and energy, and seek ways to improve materials and energy efficiency (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 preservation, observing environmental laws and regulations in addition to the Group's environment policies.

Daiwa Securities Group Inc.  
May 22, 2012

## Environmental Management

Every six months, the Daiwa Securities Group holds a meeting of our Environmental Management Council, where representatives from major companies of the Group share data and exchange information. In addition, at Daiwa Securities and Daiwa Property Co., Ltd., both of which have a significant impact on the Group's power consumption and CO<sub>2</sub> emissions, the relevant departments hold a joint meeting every week, discussing measures to reduce their environmental impact, checking the progress of improvement measures and sharing information. Moreover, Group companies with offices in Gran Tokyo North Tower attend a meeting of the CO<sub>2</sub> Reduction Promotion Committee hosted by the management company of the building every six months, working together to reduce the overall CO<sub>2</sub> emissions of the building. We strive to improve our efforts, while reporting quantitative data on our environmental impact over time, including energy and water consumption, CO<sub>2</sub> emissions, waste disposal and recycling volume.

## Initiatives to Reduce Environmental Impact of Business Activities

### ● Introduction of Environmental Accounting

As part of our efforts to reduce environmental load, the Daiwa Securities Group prepares and discloses environmental accounting. It is expected to more accurately help us to track the costs and effects of environmental preservation and reduce environmental loads more effectively.

\* Refer to CSR Related Data "Environmental Accounting" on page 90.

### ● Initiatives at Group Companies

When installing new equipment at head and branch offices, Daiwa Securities requires that the equipment be certified under Top Runner standards. For example, we replaced 21 multifunction copiers at the head office in FY2016, thereby reducing the power usage for these machines to approximately one-third (an estimate by

### Relevant CSR Materiality

XII. Reduction of environmental load and responses to environmental changes

\* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

### Cases of soil and groundwater pollution found within office sites

·FY2016

None

### Investment in energy-saving air conditioning systems for FY2016

¥439.11 million  
(including installation costs)

the manufacturer). We have also been replacing our company cars successively since FY2014 with eco-cars and hybrid vehicles that have significantly improved in fuel efficiency. The replacement, at the time of completion, would reduce CO<sub>2</sub> emissions by the amount equivalent to the CO<sub>2</sub> absorption of more than 40,000 Japanese cedar trees annually (an estimate by Daiwa Securities using fuel efficiency data disclosed by automakers). The introduction of LED lights into the head office of DIR was completed in the summer of 2017. In addition, the Daiwa Securities Group strives to choose environmentally friendly products in its central purchasing.

### ● Initiatives to Raise Environmental Awareness

The Daiwa Securities Group is striving to raise the environmental awareness of each employee through various initiatives. For example, our in-house magazine, "Fuji," has a column entitled "Eco-Initiatives at the Office," which mainly shares the status of the Group's environmental initiatives and introduces environmental measures that can be implemented by employees depending on each individual's awareness.

With respect to the printing of documents, we recommend aggregate printing and double-sided printing. We are also encouraging the reduction of paper usage by showing operational guidance and the rate of reduction in paper usage for every three months in the areas within offices where multifunction copiers are installed. We reduced paper consumption by 4.7% year on year in FY2016.

### ● Offering Environmentally Friendly Services

Daiwa Securities provides an online service that allows customers to request a wide range of electronic reports. Reports cover such areas as each transaction or balance and other pertinent details as a substitute for written notifications (hardcopy reports). Reports received in an electronic format can, in principle, be accessed and confirmed as and when required, saved to personal computers, and printed for five years after initial receipt. The proportion of customers choosing the online service was 40.2% as of the end of March 2017, up 1.4% from the previous year. We will continue recommending the service to increase the number of customers using it.

### ● CO<sub>2</sub> Emissions

Energy consumption at the Daiwa Securities Group's domestic offices (on a CO<sub>2</sub> emissions basis) fell by approximately 3.6% in FY2016 compared with FY2015 as a result of increased efforts to conserve energy (excluding CO<sub>2</sub> emissions related to employee commutes).

→ Refer to page 89 of "CSR Related Data" for details.

### ● CO<sub>2</sub> Emissions Reduction Targets

We have set up the goal of reducing CO<sub>2</sub> emissions

by 1% from a year earlier, in principle, on a domestic consolidated basis, while complying with the Act on the Rational Use of Energy and Tokyo's environmental protection ordinances in a continuous and systematic way.

We continue to take energy saving initiatives including the implementation of the "Cool Biz" program in FY2017 as well, carrying out energy savings measures through on- and off-peak periods.

### ● Targets for FY2017

- Continue to introduce eco-cars
- Initiatives for the reduction of electricity consumption
  - Achieve a reduction of at least 10% from the FY2009 level (as of FY2020)
  - Achieve a reduction of at least 20% from the FY2009 level (as of FY2030)
  - \*On a per unit area basis for both targets
- Improve the accumulation of environment-related data and hone skills to analyze those data
- Purchase products certified under the Top Runner standards

## Initiatives in Real Estate Management

### ● Operation of the Sustainability Committee

Daiwa Real Estate Asset Management launched a Sustainability Committee in FY2013 as part of its efforts to systematically address a variety of CSR related challenges. The Committee, comprising the president and full-time executives, continuously draws up policies on sustainability and discusses challenges and activities as needed.

### ● Environmental Initiatives at Shinjuku Maynds Tower

The following environmental initiatives have been implemented since 2012 at the Shinjuku Maynds Tower building, which is owned by Daiwa Office Investment Corporation and operated by Daiwa Real Estate Asset Management:

#### ● Adoption of LED Lighting (2012–present)

Since 2012, we have continued to install LED lighting systems in common-use space, such as the underground parking lot, first basement level, and entrance on the first floor. By the end of March 2017, we installed LED lights in approximately 70% of the area of common-use space. We have also adopted the green lease scheme\* since 2014 to promote the use of LED lights in tenant-owned spaces. The installation has proceeded gradually under the scheme, with both tenants and landlords enjoying its merits. We estimate that LED lights were introduced into approximately 70% of the area of tenant-owned spaces by November 2017. In some cases, the electricity usage has been halved compared with the pre-adoption level. We plan to gradually introduce LED systems in other tenant-owned space as well after holding discussion with tenants.

### Company cars in Japan (Daiwa Securities)

1,039 vehicles

including

624 eco-cars

101 hybrid cars

(As of March 31, 2017)

● Introduction results for FY2016

76 eco-cars

60 hybrid cars

● Introduction plan for FY2017

60 eco-cars

40 hybrid cars

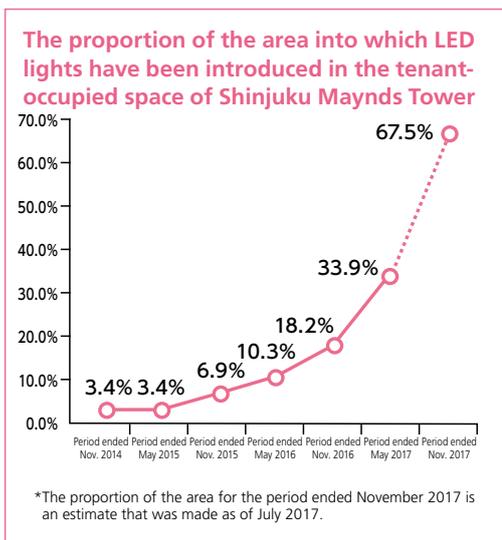
CO<sub>2</sub> emissions reduction by adopting LED lighting (in comparison with the levels prior to the introduction of LED lighting)

● About 296.3 tons

(Shinjuku Maynds Tower in 2016)

**\*Green Lease Scheme**

A method enabling the landlord and the tenant of a rental building or other types of rental property to cooperate and reduce the environmental load in a scheme benefiting both sides. Such methods include an arrangement where the tenant returns part of the savings, such as a decrease in electricity charges, attributable to the landlord's investment in energy-saving facilities, as a green lease payment to the landlord.



**● Shinjuku Maynds Tower Maintains DBJ Green Building Certification\***

We are engaged in environment-conscious office building management at Shinjuku Maynds Tower. For example, we continuously improve its facilities to be environmentally friendly and to conserve energy and also conduct awareness-raising activities for building tenants. In addition to these operations, the building's environmentally and socially friendly aspects have been highly evaluated. Shinjuku Maynds Tower therefore continued to be certified by the Development Bank of Japan (DBJ) as a "building with exceptionally high environmental and social awareness (Four Stars)" in February 2017.

**\* Scoring model of DBJ Green Building Certification**

The scoring model of DBJ Green Building is a comprehensive scoring model uniquely developed by the Development Bank of Japan Inc. (DBJ). The DBJ grants certification to real estate properties with high environmental and social awareness ("Green Building") based on a five-scale ranking system.

DBJ Green Building Certification logo

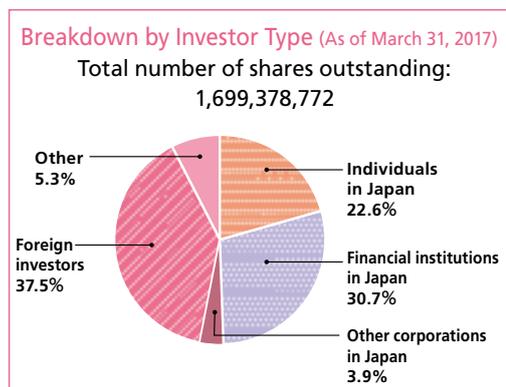


## Relationship with Shareholders and Other Investors

### Approach and Basic Stance

The Daiwa Securities Group works hard to advance communication with shareholders and other investors. We will work hard to provide stockholders and investors with improved communications and information that are easy to understand.

### Breakdown of Shareholders



### Dividend Policy

Daiwa Securities Group Inc. aims to continuously provide improved value for shareholders, including distribution of profits. In principle, dividends are paid semiannually (interim and year-end dividends) at a payout ratio of approximately 40% based on consolidated financial performance. We also actively seek ways to increase returns to our shareholders, including share buybacks when we have sufficient accumulated capital to pursue further growth.

### Communication with Shareholders and Investors

Every year, many shareholders attend our general meeting of shareholders, which is an opportunity for us to interact directly. Other activities include telephone conferences on the days of earnings announcements, briefings about the company for individual investors, management strategy briefing sessions, one-on-one meetings with analysts and investors and participation in Daiwa Investment Conferences held in Tokyo, Hong Kong and New York.

In addition, we are further developing information disclosure on our IR websites and publishing integrated reports and business reports for shareholders. We will continue to strive to make our communications even more accessible and precise for shareholders.

### Questionnaire for Shareholders

We distribute a questionnaire to shareholders coinciding with the distribution of rewards under our Shareholder Rewards Program at the end of September, to gather and incorporate their views into management and IR activities. The findings of these questionnaires are utilized to enhance satisfaction with the shareholder reward program and to improve our business operations.

#### September 2016 Shareholder Rewards Questionnaire Contents

- When did you first purchase our shares?
- Why did you choose to buy the stock of Daiwa Securities? (multiple answers allowed)
- What types of disclosure and corporate communication would you like to see enhanced in the future? (multiple answers allowed)
- Are there any products you would like for the shareholder reward program? (multiple answers allowed)

### Shareholder Reward Program

Daiwa Securities Group Inc. has been implementing a shareholder reward program for over 10 years to express our continuing gratitude to shareholders. We also introduced a catalog system for rewards at the end of March 2008 and significantly expanded our lineup of products posted in the catalogue from 24 to 50 items at the end of March 2016. Reward products are provided semiannually, at the end of March and September. Shareholders have multiple reward options to choose from such as regional specialties; charitable donations; "Kaisha Shikiho," a quarterly journal on investment; and points that can be used in Daiwa's Point Program. For those qualified at the end of each March, they are also offered an opportunity to choose a calendar.

At the end of September 2016, it was also made possible to apply for reward products on the website, along with the conventional method of application by postcard.

### Breakdown of shareholders

(As of March 31, 2017)

- Foreign investors **37.5%**  
(Down 1.8 points from the end of the previous fiscal year)
- Individuals in Japan **22.6%**  
(Up 1.8 points from the end of the previous fiscal year)

Web

Web

## Initiatives in FY2016

### ● Dissemination of Information to Various Stakeholders

With a shift from savings to investment facing a turning point, the Daiwa Securities Group actively disseminated information contributing to the improvement of the Group's corporate value. For example, we communicated the progress of our Medium-Term Management Plan, an overview of our management policy for FY2016, and other information efficiently and effectively at earnings announcements and management strategy briefing sessions, as well as in business reports.

For institutional investors in Japan and abroad, we implement effective activities that suit each investor base. Through regular communication, we nurture relationships of trust with the staff responsible for exercising voting rights, in addition to analysts, portfolio managers, and others. We also hold a number of meetings with overseas bond investors with an eye toward the Daiwa Securities Group's first-ever issuance of global dollar bonds.

Moreover, the Group holds live seminar-style briefings for individual investors on the Internet as well as briefings at sales branches of Daiwa Securities, attracting the participation of many investors and a large audience. At these briefings, we provide a question-and-answer session and conduct a questionnaire, thereby obtaining diverse feedback, in order to use such feedback for the improvement of communication with individual investors in the future.

### ● Increasing Shareholder Returns

The Daiwa Securities Group's capital policy is to aim to continuously improve the Group's corporate value while seeking to achieve an optimum balance between maintaining financial health, raising capital efficiency, and increasing shareholder returns. From FY2015, in an effort to further increase shareholder returns, we raised the targeted payout ratio to around 40%. We will also buy back our own shares as needed to further increase returns to shareholders through the enhancement of capital efficiency.

Briefing materials about the company for individual investors  
(March 2016 edition)



## Disclosure System

The Daiwa Securities Group has formulated the Disclosure Policy, which outlines the Group's basic approach to information disclosure and strives to provide information that is fair, prompt, and appropriate.

### ● Disclosure Policy

As a company engaged in the securities business, in information disclosure, we aim to be a role model for other listed companies. We will strengthen disclosure of not only financial information, but also non-financial information with social and environmental aspects that are not evident in short term financial figures.

#### Disclosure Policy

- The Daiwa Securities Group will provide important information about the Group, including financial, social and environmental aspects, in a fair, prompt and appropriate manner. We will thereby promote understanding of the Group among shareholders, investors, local communities and other stakeholders to help them to properly evaluate us.
- The Group will comply with the Financial Instruments and Exchange Law, other laws and regulations as well as rules implemented by the financial instruments exchanges where our stock is listed.
- The Group will strive to disclose information fairly in terms of both content and timing.
- The Group will utilize various communication channels including briefings, telephone conferences, the Internet and printed materials to disclose information in a manner that is easy for investors to comprehend.
- The Group will always keep in mind our responsibility to lead the securities market and strive to set an example for other listed companies in disclosing information.
- To ensure that these policies are implemented properly, the Group has established a Disclosure Rule that sets forth the establishment of a Disclosure Committee and the Group's information disclosure methods.

### Number of overseas IR activities held in FY2016

- North America:  
**2** IR events  
(about 40 meetings)
- Europe:  
**2** IR events  
(about 30 meetings)
- Asia:  
**2** IR events  
(about 30 meetings)

### Company briefings for individual investors held in FY2016

- Number of briefings at sales branches of Daiwa Securities:  
**5**
- Number of live seminar-style Internet briefings:  
**2**
- Total number of participants: approximately  
**2,600** people

### Share buyback

- Buyback period  
**From February 10, 2017 to April 21, 2017**
- Total number of shares repurchased:  
**27 million shares**  
(Percentage to total number of issued shares excluding treasury stock: 1.59%)
- Total amount of shares repurchased:  
**¥18.998 billion**

## » Relationship with Employees



### Approach and Basic Stance

The Daiwa Securities Group believes that maximizing the motivation of our employees will lead to improved customer satisfaction and consequently enhance shareholder value. We take a range of measures to ensure that all of our employees feel a sense of job satisfaction and that their families and partners share their pride to be part of the Group. We have our corporate culture nurtured since foundation of our business, and we regard it as the core of Daiwa's identity. We have taken steps to crystallize the basic philosophy and mindset of the Group inherent of our culture to be manifested as the "Daiwa Spirit."

We hope that the "Daiwa Spirit" will enhance employees' sense of unity and togetherness and thus the Group's overall strength.

### Relevant CSR Materiality

- X. Creation of a workplace that values human resource development and diversity of employees

\* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

## Hiring Initiatives

### ● Hiring Approaches and Trends

The Daiwa Securities Group wants all of our employees to work with a high level of loyalty and motivation. All new college graduates recruited by the Group, including those with disabilities, are brought on as full and regular employees aiming to encourage newly hired to have a sense of trust and pride in the Group, and a sense of solidarity with their colleagues.

We are making efforts to provide an environment where a diverse range of people can perform to their full potential. We also focus on attracting people capable of excelling globally to take a leadership role in the development of capital markets in Japan and Asia and become the customer's first choice securities group.

### ● Fairness in Hiring

The Daiwa Securities Group has formulated and announced its Guidelines for Fair Hiring, comprising three fundamental principles for ensuring fair hiring practices.

#### Guidelines for Fair Hiring

1. Utmost respect for the rights of the applicants
2. Eligibility for all individuals who meet the hiring criteria
3. Making all hiring decisions based on a fair and objective evaluation of the applicants' ability, aptitude and motivation

### ● Recruitment of University Graduates

In FY2011, we began hiring recent university graduates who had obtained their diploma within the preceding three years with or without any work experience during the period as part of our efforts to build a diverse workforce. These recruits receive the same training as new graduates.

### Support for the Success of Veteran Employees

The Daiwa Securities Group has in place a Senior Advisor System that provides veteran employees with a wealth of experience to play an active role in the workplace. Senior advisors are dispatched to locations of their choice and engage in community-based consulting and sales from a long-term perspective. Highly-motivated and talented employees can continue working after retirement under our Daiwa Master System. In FY2017, we started allowing senior advisors to continue working regardless of their age.

In accordance with the enactment of revisions to the Act on Stabilization of Employment of Elderly Persons in 2013, and as the careers of employees grow longer, we associate our sustainable growth as a company with the employment of older people who wish to continue learning and working in a meaningful way as a part of the organization. Daiwa Securities Co. Ltd. is greatly expanding its training programs for employees aged 45 and older, and has introduced a License Certification System that provides incentives to employees to improve their skills and polish their acumen as professionals. We support both work and caregiving, and are creating an environment in which employees can move forward enthusiastically without concerns over their future lifestyle.

### Employment of People with Disabilities

As of FY2016, the Daiwa Securities Group had more

Refer to page 10 for the "Daiwa Spirit."

Number of new employees for FY2017

678 people

(8 group companies\*)

\*Refer to page 84 of "CSR Related Data" for companies covered by data.

than 180 employees with disabilities handling a wide range of responsibilities in our head office, sales branches and contact centers.

We started recruiting new graduates with disabilities as regular employees (general office staff) in FY2008, and in FY2011 broadened the scheme to the career-track employee, regional career-track employee, and employee for customer services.

We have also vigorously increased recruitment opportunities by holding briefings about the company for new graduates, participating in career expos, and implementing job placement support programs for university students with disabilities. Once people with disabilities are hired, we provide support for their career advancement, for example, creating opportunities for them to enter the career-track and regional career-track employment opportunities.

## Human Resource Development and Skill Enhancement

### ● Employee Training Approaches and Trends

The Daiwa Securities Group's competitiveness derives from our employees. We have a management vision to take a leadership role in the development of capital markets in Japan and Asia and become the customer's first choice securities group. To realize this vision, we focus on human resource development with the aim of creating clusters of professionals. We offer extensive training programs to newly hired employees as we believe that the time when they join us is a critical period for their training. We adopt a system that allows employees to acquire not only basic knowledge and skills, but also to hone their knowledge, techniques and mindsets through corporate philosophy, CSR, and a variety of other programs in the curriculum. It enables us to nurture top-quality human resources with professional skills at an early stage.

We believe that our employees must have a firm understanding of corporate ethics and compliance in order to ensure the development of sound financial and capital markets, which is a key issue for the Daiwa Securities Group. Accordingly, we offer regular training on information security and compliance.

### ● Education and Training System

The Daiwa Securities Group trains employees with programs tailored to their skill levels based on a group-wide policy. We aim to foster a sense of solidarity among Group employees across divisions while offering training opportunities at group meetings.

At Daiwa Securities, a large number of different training programs are available to ensure that both young and experienced employees can raise their skills in line with their career vision.

#### ● Training for Young Employees

The Daiwa Securities Group views the first two years of an employee's career as a period for their basic

training to become a professional. The Daiwa Basic Program covers this period of training, and the scope of the program was greatly expanded in FY2015. To train employees, we now set the items and levels that should be acquired, and organically combine group training, OJT, e-learning, and support for the acquisition of qualifications. For employees in their third to fifth year of employment, we have introduced an educational program called "Qroad." This program helps to improve their knowledge, techniques, and mindsets to achieve the industry's best quality. It presents high-level goals until the fifth year of employment to further promote employees' growth.

#### ● Skill Training

We provide skill training aimed at enhancing business skills and management skills as an opportunity for employees to acquire various skills and special knowledge.

#### ● Training for Veteran Employees

Since FY2015, we have been providing the Advanced Skill-building Program, a training program for employees aged 45 and older that is designed to continuously improve skills. We have also introduced a license certification system that provides incentives to employees who continue to work on improving their skills. In the two years since its introduction, 1,300 employees, accounting for approximately 60% of personnel aged 45 and older, undertook over 12,000 training programs.

### ● Supporting Employees Trying to Earn Credentials

Daiwa Securities Group consistently strives to further enhance its expertise as a part of efforts to be the customer's first choice securities group. Daiwa Securities sees Financial Planner (AFP and CFP®) and Securities Analyst qualifications as core requirements, and encourages employees to acquire these certifications. As a result, Daiwa Securities has 643 employees with CFP® certifications, the highest level in the industry. CFP® is a high-level credential certifying knowledge and skills in the tax system, inheritance, and real estate fields needed to provide financial planning services. Moreover, as a result of the introduction of the Daiwa Basic Program, an educational training program covering the first two years of employment, 78% of employees in their second year of employment acquire AFP, while 60% have passed the Chartered Member of the Securities Analysts Association of Japan (CMA) examination (Level 1).

Since FY2014, we have had an Inheritance Planner Certification program in place. Certification candidates are selected from among employees with CFP qualifications, undergo practical training in-house, and those who pass are certified as personnel with advanced expertise through an in-house qualification system. In addition, the company provides generous support by, for example, subsidizing certification costs so that employees can enhance their specialized skills and become professionals.

#### Number of times skill training was held in FY2016

20 training courses held  
46 times

• Cumulative number of participants:

7,507 people

#### Cost for the Group's educational investment

¥2.1 billion

#### Number of persons earning CFP® certifications

643

(At the end of March 2017)

#### Number of Chartered Members of the Securities Analysts Association of Japan (CMA)®

1,542 people

(As of the end of March 2017)

### ● Intra-group Job Postings and the Career Track Change System

We have instituted a Career Track Change System that enables non-career-track employees to transfer to career-track and regional career-track positions. Under the system, more than 1,200 employees have moved to other positions. We have also instituted a system of intra-group job postings to help employees with skills and the desire to realize their potential to open new career paths.

### ● Evaluation System

To ensure that all employees can continue working with a high level of motivation, it is important to have a fair and convincing evaluation system. For this reason, the Daiwa Securities Group has implemented a multifaceted evaluation system for managers whereby subordinates conduct evaluation. This involves subordinates assessing each manager's job performance in carrying out daily duties and the results being fed back to the manager. The scheme aims to help managers to identify their challenges and improve their managerial skills through training programs and other means, thereby improving our overall productivity. The multifaceted evaluation system covers all managers, including executives, the heads of departments, offices, and sales branches, and section chiefs.

We also take their compliance-related performance into account. In addition, we endeavor to create a personnel evaluation system that motivates all employees, regardless of years they are with us, whether they are young, middle of their careers, or experienced veterans, to challenge the next stage of their careers and to work in positions with bigger responsibilities.

## Striving to Create a Pleasant Working Environment

### ● Encouraging Work-Life Balance (WLB)

One of the Daiwa Securities Group's targets is to promote an advanced level of WLB. The Group is committed to pursuing working styles that enable employees to achieve a balance between their private and professional lives, and makes efforts to create an environment in which both men and women can work in a variety of ways. Not only do we seek to establish systems that enable diverse work styles, but we also work to change employee awareness by ensuring employees leave work before 7 p.m., by encouraging them to take all their paid holidays, and by setting a day of welcoming family visits to the workplace.

Moreover, since FY2008, we have been holding a quarterly meeting of executives, the heads of departments, offices, and sales branches, and other employees, where a variety of measures are actively discussed. The Daiwa Securities Group has adopted systems aimed at supporting its employees in both areas of child-rearing and nursing care that exceed statutory requirements. Surveys concerning the Group's efforts to support both the career and childrearing needs of its employees have been conducted to solicit input from all Group employees. These surveys are designed to ascertain the degree to which employees are using the Group's systems and

to collect feedback focusing particularly on employee needs. Drawing on the results of the surveys, the Group is working to further improve conditions and put in place a pleasant working environment for all employees. Prior to an employee returning to work after taking childcare leave, interviews are conducted with relevant department, office, and branch heads. In this manner, energies are being channeled toward ensuring a smooth return to work. Even during childcare leave, employees are still eligible for promotions and raises based on their contributions to date. We set up a Childrearing Support Leave system in FY2014, which resulted in the acquisition rate of childcare leave for male employees significantly increasing from 2% to 97%. In recent years, we have also focused on support for employees' efforts to balance work and nursing care, and have expanded a variety of support programs. For example, we have allowed employees to divide their nursing care leave into up to four periods while extending the total length of such leave to three years. We have also established Life Support paid leave and started offering an e-learning course on supporting initiatives to balance work and nursing care. Moreover, all departments, offices, and sales branches of Daiwa Securities hold a study meeting on how to respond to the aging of society and balance work and nursing care. We are thus working to increase employees' awareness and foster an environment that facilitates the utilization of these support programs.

### Trends in Acquisition Rate of Childcare Leave by Gender

(FY)	Gender	FY2014	FY2015	FY2016
Acquisition Rate of Childcare Leave	Female	99.3%	100%	100%
	Male	41.9%	73.1%	96.8%

### ● Encouraging Women to Succeed

The Daiwa Securities Group proactively appoints talented human resources regardless of gender.

We are trying to appeal more to women's individual interests by introducing thriving female employees as role models in internal publications and providing opportunities for cross-company communication, in order to increase the number of women in management positions. A career consultation service has been set up on the Group's internal initiatives for WLB site. Female executives as well as heads of each department, office, and branch give advice on the concerns and inquiries of female employees.

Daiwa Woman's Forum



### Number of female executives

• Daiwa Securities Group Inc.

**2 people**

(directors and corporate executive officers)

• The entire Group

**7 people**

(directors, corporate executive officers, and executive officers)

### Number of women in managerial positions

• The entire Group

**375 people**

(As of March 31, 2017)

### Ratio of women in managerial positions

• Daiwa Securities

**2.3%** (At the end of March 2005)

→ **10.6%** (At the end of March 2017)

• The entire Group

**2.2%** (At the end of March 2005)

→ **8.8%** (At the end of March 2017)

\* Refer to page 86 of "CSR Related Data" for "Employee Support Plans."

The Daiwa Securities Group has a total of seven women in top management positions who work as directors, corporate executive officers, and executive officers. They include two female executives at Daiwa Securities Group Inc., who serve as director and corporate executive officer. The number of women in management positions is increasing year by year, with the Group's total number standing at 375 as of the end of March 2017. The ratio of women in management positions has risen from 2.2% at the end of FY2004 to 8.8% on a group-wide basis (up from 2.3% to 10.6% at Daiwa Securities).

By increasing the number of role models, we are making it easier for the Group's female staff to envision their career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track and regional career-track positions in recent years. To date, more than 1,200 female employees converted to career track positions. An increasing number of employees have also taken advantage of our Professional Return Plan, a system for re-hiring employees who left work to raise children or care for family members, starting them at the same level of compensation as when they left. The scope of this system was expanded in FY2015. This has helped us secure talented personnel who support operations.

Starting in FY2014, Daiwa Securities launched the female employee career support training initiative (Daiwa Woman's Forum) helping women to build networks among themselves.

We will continue to increase the number of female managers, aiming to develop female leaders who will drive the future of Japan's financial industry.

Daiwa Securities has a proven track record of implementing a wide range of initiatives that help female employees reach their full potential. The company has also clarified its objectives through to FY2020. In this manner, positive steps are being taken to provide an environment in which employees with diverse values can maximize their capabilities.

**Targets for Years through FY2020 (Daiwa Securities)**

- Ratio of women in managerial positions  
At least 15%, more than a fivefold increase from the FY2005 level
- Ratio of women in new graduates recruited: 50% (stable)
- Ratio of women in participants in training: 50%
- Acquisition rate of annual leave: at least: 70%
- Acquisition rate of childcare leave for male employees: 100%

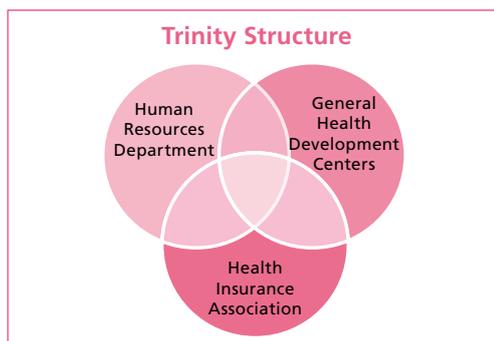
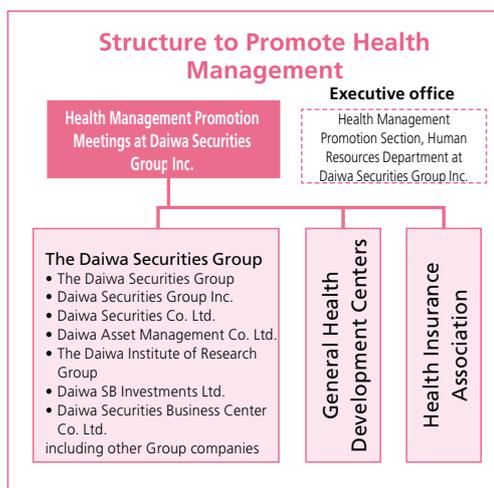
In 2015, the current Chairman of the Board of Daiwa Securities Group Inc. showed his support for the Declaration on Action by A Group of Male Leaders Who Will Create a Society in which Women Shine spearheaded by Japan's Gender Equality Bureau of the Cabinet Office. Daiwa Securities also won a "Minister of State for Special Missions (Gender Equality) Prize" in "Advanced Corporation Awards for the Promotion of Women" held by the Cabinet Office of Japan in FY2016. The prize was awarded in recognition of the company's active appointment of women, its practice of ensuring that employees leave

work before 7 p.m., support for employees balancing work and child rearing or nursing care, and other initiatives. Daiwa Securities also won an excellence award in the Minister Prize in the Family-friendly Enterprises Category of the "Equality and Work-life Balance Enterprises" for FY2016 held by the Ministry of Health, Labour and Welfare.

**Initiatives to Improve Employee Health**

At the Daiwa Securities Group, we regard placing importance on personnel as one of our Corporate Principles, and believe the source of our competitiveness lies in the capabilities of our employees. We recognize that creating an environment where employees can continue working actively and vigorously over a long period brings improvement in corporate value, and thus we are actively working on health management. Our Human Resources Departments, Health Insurance Association, and occupational health staff collaborate closely to promote relevant measures. We started our initiatives to improve employees' health in earnest in 2008, when specific health checkups and specific counseling guidance were initiated at worksites. Since then, we have been engaged in various initiatives and activities to raise employees' awareness, with the top priority placed on measures for those who have a high risk of lifestyle diseases. As a result, the Group was selected for three consecutive years as "Health & Productivity Stock Selection," a title awarded jointly by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to companies promoting the health of their employees. This underscores the fact that our efforts are highly regarded by society.

⇒ Refer to "Third-Party Evaluations" on page 69 for details.



**Health-related Data\***

- Rate of participation in regular health checkups  
Close to **100%**
- Rate of participation in thorough medical examinations, which are voluntary screenings (mainly cancer screenings for employees aged 35 years or older)  
FY2015 **83%**  
↓  
FY2016 **86%**
- Percentage of overweight employees  
**29.1%**
- Percentage of employees who smoke  
**23.7%**
- Percentage of employees who regularly exercise  
**19.0%**
- Percentage of employees who took the stress check  
**91.3%**
- Proportion of those seeing doctors after regular health checkups in employees with problematic results in such checkups  
**87.8%**

\* Excerpted mainly from "Daiwa Securities Group White Book on Health 2016"

In October 2015, to further reinforce the Group's structure to promote health management, we appointed a Chief Health Officer (CHO) and established Health Management Promotion Meetings to be held across the Group. We also published "Daiwa Securities Group White Book on Health" to help employees to understand the results, issues, and policy of each measure and efficiently use our system. In light of the White Book, we implement various measures so that our employees have a good understanding of their health, have a high level of health awareness, and can maintain or improve their health.

Health Management Promotion Meeting



### Initiatives for Better Health\*1

- Regular health checkup
- Helicobacter pylori test and hepatitis virus testing (for the prevention of gastric cancer and liver cancer)
- Thorough medical examination (cancer screening) (to supplement standard tests) + options for employees of specific ages
- Breast cancer and cervical cancer exams
- System that uses a follow-up confirmation form (known as a "yellow paper"\*)
- Smoking cessation support
- Walking challenge program
- Program to promote moderate meal portions
- KA-RA-DA iki-iki Project
- Lecture on health literacy
- Communication of health-related information to all Group employees
- Influenza vaccination
- Issuance of Daiwa Securities Group White Book on Health
- Measures for those with severe diseases
- Action to promote countermeasures against cancer

\*1 Excerpted mainly from "Daiwa Securities Group White Book on Health 2016"

\*2 System to urge employees to see doctors after their regular health checkups. Employees receiving this form are required to obtain a doctor's comment within two weeks and submit it to us. This has contributed to a higher rate of visits to medical institutions after checkups. We have almost a 100% visit rate for employees who can see doctors.

### KA-RA-DA iki-iki Project

In November 2016, we introduced the "KA-RA-DA iki-iki Project—Healthy Lifestyle" in collaboration with the Human Resources Department, the Health Insurance Association, and the General Health Development Centers. The Program aims to raise health awareness among all employees, including young employees who previously had little interest in health. We grant reward points based on employees' degree of participation in the following events to improve health. Points earned can be exchanged for gifts such as health-related goods and can also be used to make donations to TABLE FOR TWO.

#### Events

- 10 minutes per day of physical activity (Plus 10)
- No alcohol challenge program ● Breakfast Everyday program
- Diet recording ● Stop eating between meals
- KA-RA-DA iki-iki seminars
- Harahachi program to promote moderate meal portions
- Walking challenge program
- Smoking cessation challenge program



### "For the Health of It"

Under its health initiative "For the Health of It," Daiwa Capital Markets America has been engaging in activities to raise employees' awareness regarding the importance of living a healthier lifestyle and maintaining their health.

The activities include planning lunches and seminars with nutritionists, issuing health information every other month, providing a smoking cessation program and a yoga class, and making healthy fruits and snacks available in the pantry. Employees can also use a sports gym at a discount price and participate in massage events held three times a year. In addition, the annual biometric screening event held by the company identifies employees' health risk on the spot by measuring finger blood flow quickly and painlessly. This is expected to help employees to improve their health.

Yoga class



Number of participants  
in the FY2016 walking  
challenge

**2,223** people in total  
(Events held twice in the year)

## ● Initiatives for Mental Health

Maintaining and managing both physical and mental health is vital for the sound career development of employees. The Mental Health Support Office has two full-time certified clinical psychologists on its staff to provide consultations for employees themselves, their subordinates, colleagues, families, and others.

Staff members on the Mental Health Support Office also visit departments, offices, sales branches, and group companies to provide training for self-care, mental health management, and mental strength and to hold interviews with young sales personnel.

We are thus focusing on measures to prevent mental health problems, while providing the "Return-to-work Support Plan" designed to help those on leave to return to work smoothly, in an effort to create an environment where all employees can work with peace of mind.

### ● Interviews with Young Sales Personnel

Young employees may feel a lot of stress from lives as working adults and from having so many new experiences. However, they sometimes do not talk about their worries or do not realize that they are in a poor mental condition. We therefore conduct individual interviews with young sales personnel in their first to fourth years of employment when providing training at sales branches (individual requests for interviews are also accepted). Through these interviews, we increase interest in mental health among such employees and remind them that we have implemented an internal support structure.

We refer them to certified clinical psychologists within the Mental Health Support Office for counselling, depending on the need.

Even if employees cannot undergo counselling at the Mental Health Support Office due to geological or timing constraints, they will be able to receive counselling in their local areas through a third-party institution providing telephone consultation services for mental and physical health with which our Health Insurance Association ties up.

### ● Return-to-work Support Plan

We send a notice on the "Overview of Non-work-related Medical Leave System" to employees going on leave. The notice states that they can use a follow-up service, depending on their needs, based on the Return-to-work Support Plan prepared by the Mental Health Support Office.

When the Mental Health Support Office receives a request from someone planning to return to work, it prepares a plan after conducting hearings on past duties and so on from that person and the head of

Counselling at the Mental Health Support Office



the office that the person belongs to. The prepared plan is then sent to the office head. This system enables the office head and the person returning to work to share the support information and is expected to further reinforce follow-ups.

We are now considering drawing up the "Return-to-work Support Guide for Managers and Supervisors" to distribute it to the heads of relevant offices because there are still few cases where this system has been used.

## Communication

### ● Communication with Employees

We believe that good communication with employees is vital for a better workplace environment. We have thus implemented a semiannual self-assessment system whereby employees can communicate their career plans to their superiors and the Human Resources Department. Under the system, employees can also communicate not only their career visions but also their thoughts on the duties that they assume, personnel and training systems, the workplace environment, and other factors to the Human Resource Department. The Daiwa Securities Group uses such feedback to develop an environment that enables employees to work with a high level of motivation.

To give feedback on assessment results, we conduct interviews with department and sales branch heads twice a year, thereby sharing future goals and career development with them and providing appropriate instructions and advice to each employee.

We also regularly conduct questionnaires on work-life balance for all employees. Moreover, we conduct interviews with employees returning from childcare leave after some time has passed in an effort to resolve any worries. This input from employees helps us to identify areas to be improved in our systems and initiatives and to create a better workplace environment.

### ● Communication among Employees

In October 2007, Daiwa Securities introduced a program for supporting club activities. This program was created to help employees enjoy their time off and to deepen their friendships with colleagues, building more opportunities to share a sense of camaraderie and solidarity. It is also intended to support work-life balance and facilitate a fuller social life for employees. The program was expanded and enhanced in FY2009. Under this program, employee groups that meet certain conditions are recognized as Daiwa Clubs or Daiwa Circles, which receive subsidies to cover some of their activity costs. As of March 2017, 20 clubs and four circles are active across the Group.

### Training on mental health

• Training at sales offices and branches

**52** branches

• Group company training

**13** times

### Interviews with young sales personnel

**497** people

(FY2016)

## ● Relationship with Employee Unions

We regularly hold labor-management negotiations on bonuses and other compensation and the working environment, while increasing opportunities to learn the opinions of our employees through questionnaires conducted by employee unions among their members for better mutual understanding.

## ● Initiatives for Families

We work to ensure that members of employees' families share their pride to be part of the Group. Since FY2008, we welcome employees' families to the workplace on Family Visit Day to give family members a better understanding of our company and the employees' jobs.

Other initiatives for supporting our employees' families include the new creation of kid's ceremony leave, family day leave, and leave to celebrate parents' longevity, as well as the extension of mental health support to employees' families.

## ● Active Use of In-House Magazine

The Daiwa Securities Group issues an in-house magazine, "Fuji," whose history dates back to 1925, when one of the company's predecessors, Fujimoto Bill Broker Bank, commenced its publication. The magazine has been praised even outside of the Group for its roles as a communication tool among employees.

We currently distribute 19,000 copies of Fuji every other month to Group executives and employees, their families and retirees. We also post the magazine on our WLB promotion website for employees so that those on leave for child rearing or nursing care can read it at home. The magazine covers a wide range of topics beyond management and personnel information. It also introduces initiatives taken by Group companies and posts serial articles on the Group's history, human rights issues, ESG, mental and physical health, laws and hobbies. Executives and employees also contribute articles to the magazine.

### Number of Employee Union Members

6,943 people

(As of March 31, 2017)

\* Refer to page 87 of "CSR Related Data" for companies covered by data.

### Number of Family Visit Day participants

6,315 people

(FY2016)

Family Visit Day



In-house magazine "Fuji"



# Engagement with Society



## Approach and Basic Stance

The Daiwa Securities Group considers it important to work together with NPOs and NGOs as a good corporate citizen engaging in consistent collaboration with the local community to foster sustainable development. Our activities can be categorized into the following four key fields.

1. Education and research activities in economics and finance
2. Assistance to communities inside and outside of Japan through foundations and NPOs
3. Support for culture, the arts, and sports activities
4. Corporate citizenship activities

### Relevant CSR Materiality

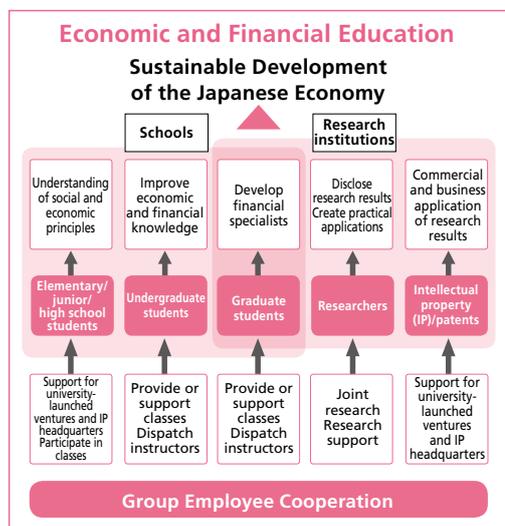
XIV. Contribution to local communities

\* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

## Education and Research Activities in Economics and Finance

Capitalizing on financial and economic expertise accumulated through its securities business, the Daiwa Securities Group engages in business-academia collaborations and supports programs for junior and senior high school students as well as teachers. We believe that economic and financial education is important in helping young people develop the capacity to build their own lives and shape the future world.

\* Refer to "CSR Related Data" on page 87 for "Results in Economic and Financial Education."



### Support for KidZania

The Daiwa Securities Group is a supporter of KidZania, a theme park designed to offer work experiences to children, and has been providing support to the facilities in Tokyo and Koshien (Hyogo Prefecture) since they opened. In the Daiwa Securities pavilions, children act as consultants, giving advice to client investors at a securities company, going to nearby pavilions, and conducting interviews to check their levels of traffic and popular products. Based on the results of the interviews, they then select where to invest and make investment recommendations for their customers.

### Finance Park

The Daiwa Securities Group cooperates with Finance Parks operated by Junior Achievement Japan. This program provides opportunities for junior high school students to learn economic and financial mechanisms that will be necessary for them in their adult life. Finance Parks have been operating in Shinagawa, Tokyo and Kyoto since 2005 and in Iwaki, Fukushima Prefecture and in Sendai, Miyagi Prefecture since FY2014. We have set up pseudo-branches in these parks. To date, a total of 94,793 students have participated.

### Initiatives for Junior and Senior High School and College Students

#### For Junior and Senior High School Students

The Corporate Communication Department of Daiwa Securities Group Inc. visited junior and senior high schools from which requests were received, including a private junior high school in Nara Prefecture, to conduct a class on the theme of the structure of stock companies and the role of securities firms. In September 2016, the Gifu sales branch of Daiwa Securities also visited a public junior high school in Gifu City and conducted a career education class on the theme of the knowledge and joy of professionals. The Daiwa Securities Group also accepts requests for corporate training at head offices and sales branches. We mainly explain the role of securities firms in society and the details of the securities business to help participants to determine their future course and occupation.

Refer to page 87 of "CSR Related Data" for "Corporate Citizenship Initiatives and Expenditures."

Number of participants in Finance Parks for FY2016

20,261 people

Shinagawa: 1,591

Kyoto: 7,087

Iwaki: 3,060

Sendai: 8,523

(on an application basis; surveyed by Junior Achievement Japan)

● **For College Students and Others**

In August 2016, Daiwa Securities Group Inc. established the University of Tokyo Hongo Tech Garage as a site to advance entrepreneurship education in the University of Tokyo (a donation project by the Daiwa Securities Group). The project aims to create an environment that enables students at the University of Tokyo to voluntarily promote their projects while expanding educational programs. Under the project, we will take initiatives that lead to the creation of start-ups that will play a major role in the next generation and the development of human resources for innovation.

● **Support to "Job Almanac 2016"**

The Daiwa Securities Group Inc. provided support to "Job Museum," a career education material for elementary school children released by The Asahi Shimbun Company. We explained the structure of stocks and the role of securities firms in an article entitled "What is a stock?" The material conforms to the government guideline for teaching and is available in both book and website versions. The book version "Job Almanac 2016" was donated to elementary schools across Japan. The web version "Job Museum Kids" has a quiz and other features that make it possible to enjoy the site like a game.

● **Preparing Financial Education Textbook "Let's Learn about Stocks"**

Since the end of 2016, the Corporate Communication Department of Daiwa Securities Group Inc. has been preparing "Let's Learn about Stocks," a financial education textbook targeting upper-grade elementary school children and above, with support from school teachers. The textbook comes in two types, for students and for instructions. Readers learn about companies in the basic course and stocks, which are a method for companies to raise funds, in the advanced course. The textbook was first used in schools in FY2017.

Visiting career education class



Financial Education Textbook "Let's Learn about Stocks"

Job Almanac 2016



● **Support for Economic and Financial Education Using the Okane-no-Mikata Website**

Refer to "Providing Junior and Senior High School Students with Opportunities to Learn about Finance and Economy" on page 20.

**Assistance to Communities Inside and Outside of Japan through Foundations and NPOs**

● **Daiwa Securities Health Foundation**

In commemoration of Daiwa Securities' 30th anniversary, the Daiwa Securities Health Foundation was established in 1972 to support medical research. Since the year following its establishment, the Foundation has provided grants to outstanding research projects focusing on medicine and medical care for middle-aged and elderly people. In recent years, in light of the progressive aging of society, the Foundation has expanded the scope of its support to research projects on health, welfare, and nursing care, in addition to conventional research projects. In FY2016, which marked the Foundation's 43rd year of support, applications from projects on nursing care and rehabilitation, in particular, started to increase. Applications from those other than doctors as well as young researchers also stood out.

● **Daiwa Securities Foundation**

In 1994, the Daiwa Securities Foundation was launched as part of commemoration activities for the 50th anniversary of Daiwa Securities' establishment in order to make a contribution to society from our profits. Since the year of its establishment, the Foundation has provided grants to support activities for the elderly, people with disabilities, and children, and other volunteer work of high social significance. In FY2016, three kinds of volunteer activity grants were awarded: Volunteer Activities Grants, which marked 23rd time of awarding; grants to volunteer work for disaster recovery (Great East Japan Earthquake) that marked the sixth such award since 2011; and grants to support activities for victims of the Kumamoto Earthquakes, which occurred in April 2016. The Foundation also made its 23rd round of grants to research projects on volunteer work.

● **Daiwa Anglo-Japanese Foundation (Chartered in the United Kingdom)**

The Daiwa Anglo-Japanese Foundation is a UK charity established in 1988 in part with contributions from Daiwa Securities, for fostering closer ties between the United Kingdom and Japan.

Presentation ceremony for the Osaka region (Daiwa Securities Foundation)



**"Job Almanac 2016"**

Donation of **25,350 copies**  
(published on May 31, 2016)

**Daiwa Securities Health Foundation's cumulative grants awarded through FY2016**



Independent Assurance  
•Number of recipients  
**1,193 people**  
•Total amount of grants  
**¥1,178.0 million**

**Daiwa Securities Foundation's cumulative grants awarded through FY2016**

Volunteer Activities Grants  
•Number of projects receiving grants  
**3,176**  
•Total amount of grants  
**¥730.67 million**



Grants to volunteer work for disaster recovery (the Great East Japan Earthquake)

•Number of projects receiving grants  
**238**  
•Total amount of grants  
**¥99.05 million**

Grants to volunteer work for disaster recovery (the Kumamoto Earthquakes)

•Number of projects receiving grants  
**67**  
•Total amount of grants  
**¥19.07 million**

Grants to research projects on volunteer work

•Number of projects receiving grants  
**30**  
•Total amount of grants  
**¥26.36 million**

**Media reports concerning grant activities**

•Daiwa Securities Health Foundation:  
**7 newspapers and TV stations**  
•Daiwa Securities Foundation  
Grants to volunteer work for disaster recovery (the Kumamoto Earthquakes): **11 newspapers**  
Volunteer Activities Grants and grants to volunteer work for disaster recovery (the Great East Japan Earthquake): **33 newspapers**  
(Surveyed by the Daiwa Securities Health Foundation and the Daiwa Securities Foundation)

Web

Web

Web

Principal activities include:

- (1) Awarding grants to individuals, institutions, and organizations working to promote ties between the United Kingdom and Japan
- (2) Enabling British and Japanese students and academics to further their education by providing opportunities for joint research and supporting exchanges and other bilateral initiatives
- (3) Awarding Daiwa Scholarships for British graduates to study Japanese and undertake work assignments in Japan
- (4) Organizing a year-round calendar of events to improve understanding of Japan in the United Kingdom (at the London head office)

The Foundation's Tokyo office provides local assistance to Daiwa Scholars (students from the United Kingdom), administers grant applications from Japan and collaborates with other institutions promoting Anglo-Japanese relations. In September 2016, the foundation held the second course of Daiwa Ichiban Lectures, which began in FY2015 in collaboration with the British Embassy. Mr. Lionel Barber, editor of the Financial Times, delivered a lecture titled "The United Kingdom Post-Brexit."

Moreover, in Daiwa Scholarships in Japanese Studies, established in FY2015 as a scholarship program for studies on Japan and Japanese language training, three persons were selected for FY2016. This is a program in which the Daiwa Securities Group funds the tuition and living expenses in Japan for individuals from the United Kingdom.

### ● Daiwa Myanmar-Japan Foundation

On April 1, 2013, the Daiwa Securities Group established the Daiwa Myanmar-Japan Foundation to improve people's livelihood in Myanmar and to develop the human capital necessary for sustainable economic growth. The foundation focuses on training people who will carry key responsibilities in Myanmar's future capital markets by implementing a scholarship program that provides junior staff of the country's central government with opportunities to study in Japan. It also focuses on assisting the Myanmar Institute of Certified Public Accountants (MICPA) in developing public accountants. In April 2016, the foundation signed a tripartite memorandum of understanding with the MICPA and the Japanese Institute of Certified Public Accountants on cooperation in human resource development.

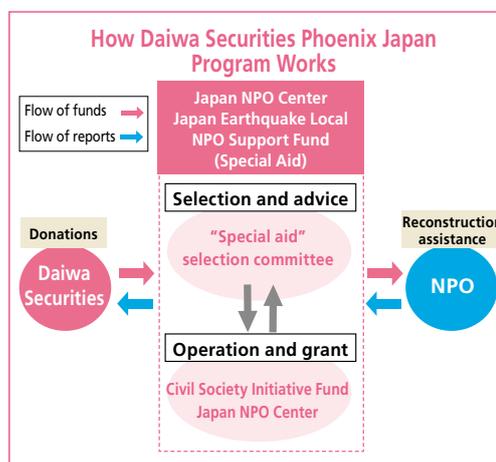
### ● Kopernik Program

Kopernik is a US-based NPO established in 2009 with the goal of improving quality of life and reducing poverty in developing countries; it began operations in Japan in 2010. Kopernik has developed a program to enable contributors in developed countries to go online and donate to NPOs/NGOs in developing countries or areas of their own choosing by selecting needed products such as simple water purifiers and solar lamps. Kopernik shares details of recipient NPO/NGO activities supported by donations on its website to ensure transparency.

Donations sourced from our revenue from the Daiwa Eco Fund and Russell Global Environmental Technology Fund are granted to this program with products and recipients selected based on their consistency with the principles of these funds.

### ● Daiwa Securities Phoenix Japan Program

In May 2012, the Daiwa Securities Group established the Great East Japan Earthquake Relief Assistance program. The program donates a portion of management fees from the Daiwa Nippon Support Fund Vol. 3. Phoenix Japan and continues providing assistance to local NPOs through the Japan Earthquake Local NPO Support Fund (specified aid), which was set up by Japan NPO Center, a certified NPO. The program supports the human resources development of local NPOs. Their activities include educational assistance and reconstructing communities in the disaster-affected areas.



Cumulative number of people completing the Daiwa Scholar program by FY2016

165 people

Contributions by Daiwa Myanmar- Japan Foundation

Number of Myanmar citizens receiving scholarships

17 people

Number of participants in public accountant training in Myanmar

45 people

(Cumulative contributions through FY2016)

Donations made to the Kopernik program for FY2016

¥3,877,335

(1) Region

Turkey (Syrian refugees)  
Support granted: Hygiene supply kit

(2) Region

The Kratie region of Cambodia  
Support granted: Solar lamps, water purifiers, cooking stoves

(3) Region

The Siem Reap region of Cambodia  
Support granted: Solar lamps, cooking stoves

(4) Region

Myanmar  
Support granted: Technology fair, needs survey

Amount of grants selected to FY2016 fifth-term program for Daiwa Securities Phoenix Japan Program

Grant recipients

7 groups

Total amount of grants

¥24.07 million

The 26th term Daiwa Scholars



Training completion ceremony (Daiwa Myanmar-Japan Foundation)



Web



Web



Web



## Dialogue with Stakeholders - Only Connect -

At the end of 2004, when there would otherwise have been a cheerful atmosphere ahead of the start of a new year, we witnessed on TV screens the inconceivable damage caused by a major earthquake that struck off the island of Sumatra and the resulting Indian Ocean tsunami.

Through the Daiwa Securities Group Tsunami Reconstruction Fund\*<sup>1</sup>, which we started based on the belief that we should do something, we supported local NPOs in disaster-affected countries for 10 years from 2005 through 2014.

### Initiatives in FY2016

In February 2017, to examine the results and issues of our support, we visited Sri Lanka, where we had backed\*<sup>2</sup> microfinance activities by local women's groups, in cooperation with Asian Community Center 21 (ACC21), a specified nonprofit corporation.

\*1 For the Daiwa Securities Group Tsunami Reconstruction Fund, refer to "Looking back on 10 Years of the Daiwa Securities Group Tsunami Reconstruction Fund" on page 48 of "Daiwa Securities Group CSR Report 2015."

\*2 The grants in Sri Lanka were provided through a local group, Kantha Sansandaya—Wilpotha (KSW).



Representative of KSW

### ★ Messages from the community

1. Thanks to support from microfinance, I am now able to earn a stable income and pay for my children to go to school.
2. The group activities have reinforced our solidarity.
3. The Daiwa Securities Group provided us with support for a long time, and this was very helpful.
4. I am now willing to give a hand to others, rather than just taking care of myself.

### ★ Lessons learned by the Daiwa Securities Group

1. It appears that due to the strong bond of the community, this microfinance framework supported the community in recovering from the damage caused by the tsunami and helped women to stand on their own feet.
2. Sri Lanka experienced a devastating civil war in the past, and I think this kind of community-bonding activity led to the interchange between the divided areas.



### ★ Initiatives to be taken by the Daiwa Securities Group going forward

1. When engaging in disaster relief activities in an area hit by a major disaster, we will seek to capitalize on the power of communities in the area.
2. We will seek to provide support in a different way from the emergency activities implemented by international NGOs and others.

"Only Connect" is the phrase encompassing our wish to generate new values by connecting with various stakeholders. It is a reference to *Howards End*, one of British author E. M. Forster's most famous novels.

## ● Donation to Gunma Prefecture World Heritage and Gunma Silk Heritage Succession Fund

Tomioka Silk Mill and Related Sites in Gunma Prefecture were added to the UNESCO World Heritage List in 2014. Daiwa SB Investments launched Tomioka Silk Mill and Silk Industry Heritage Sites Preservation Activity Support Fund (nicknamed Gunma's Silk Heritage) to preserve the buildings for sericulture, silk reeling, and textile manufacturing that remain within the prefecture, as well as folk performing arts. We donated a portion of management fees from the fund.

The initiative jointly taken by investors, sales companies, and Daiwa SB Investments helps the project to pass on the value of Gunma's silk culture and silk industry, which led Japan's modernization, to future generations.

## Support for Culture, the Arts, and Sports Activities

The Daiwa Securities Group provides support for a wide range of cultural and artistic activities, including art exhibitions, classic concerts, and sports. For example, we have been the special sponsor of the Mainichi Shimbun Central Contest for Book Review Painting, which aims to encourage reading and improve children's reading skills. In the contest, elementary pupils, junior and senior high school students express their impression and images from books that they have read by means of paintings.

In February 2017, we also supported the Tokyo Marathon, for which we have been an official partner since FY2015, to mark, in part, the Group's selection as a listed company proactively working to improve employees' health in the "Health & Productivity Stock" program in 2017 for three consecutive years. We also assist a broad range of sports activities including those of the Japanese Para-Sports Association, a public interest incorporated foundation, and the Japanese Para-Swimming Federation, a general incorporated association.

At a ceremony of the Japanese Para-Swimming Federation



## Corporate Citizenship Initiatives

The Daiwa Securities Group believes that participation in volunteer programs and other community actions by employees helps broaden their perspectives and familiarize them with different values. We consider that this, in turn, has a good influence on both their work and their lives. Through our intranet, we provide information on volunteer opportunities for projects planned by ourselves, other businesses and NPOs/NGOs as well as events that help educate employees and raise their awareness. We also strive to create an environment that makes it easy for employees to volunteer by setting up a recognition program, the Volunteer Award, among other incentives. In our work to encourage as many employees as possible to participate in volunteer activities, we will seek ongoing collaborations with external organizations, strengthen internal communications on volunteering and volunteer opportunities and continue to pursue increased opportunities for employees to engage.

### ● Volunteer Activities by Employees

#### ● The Hands-on Forest Experience 2016— Environmental Maintenance for Sayama Hills

As part of the Group's efforts to conserve biodiversity, the Daiwa Securities Group conducts a volunteer activity every year with participation of Group employees. For FY2016, 26 Group employees and their families participated in an activity in Sayama Hills in Saitama Prefecture on April 23. The participants first learned about the importance of community village preservation in a class provided in collaboration with the Totoro Fund, a public interest incorporated foundation. They later carried out thinning work in areas crowded with bamboo, and tried bamboo shoot digging. The areas were turned into a healthy bamboo forest that allowed an adequate amount of sunlight in.

#### ● International Cooperation through a Collection Drive

The Daiwa Securities Group has been running a collection drive as an initiative that is easy for employees to take part in. Pre-loved books and unusable postcards are collected and donated to three groups: JEN BOOK MAGIC, Japan Committee "Vaccines for the World's Children," and Live with Friends on the Earth. The proceeds from the sale of items collected are used to fund their activities, including support for education,

Participants of the Hands-on Forest Experience 2016



### Amount of donations to Gunma Prefecture World Heritage and Gunma Silk Heritage Succession Fund

¥3.21 million

(Combined amount with donations from The Gunma Bank, Ltd., which also handles the fund)

(July 2016)

### Culture, the arts, and sports activities

● The Mainichi Shimbun Central Contest for Book Review Painting  
Special sponsor for

23 years

Number of participant schools

6,955 schools

Total number of entries

701,239 entries

Number of exhibitions of winning works

9 sales branches

### Contribution made in FY2016 through collection drives (equivalent monetary value)

● JEN BOOK MAGIC

¥33,451

● Japan Committee "Vaccines for the World's Children"

¥146,813

● Live with Friends on the Earth

¥94,304



medical services and agricultural development assistance in developing countries. We will continue the activity as its accessibility makes it quite popular among our employees.

#### ● TABLE FOR TWO (TFT) Program

Since the spring of 2013, the Daiwa Securities Group has contributed to the TFT Program, which is organized by TABLE FOR TWO, an internationally designated NPO. This is an initiative aimed at correcting food imbalances between developing and developed countries by donating a portion of revenue from the purchase of food and drink by Group officers and employees to pay for school lunches in developing countries. In FY2016, a donation to the TFT Program was adopted as one of the gifts for which points granted to participants in "KA-RA-DA iki-iki Project," which was designed to improve employees' health, can be exchanged. Under this system, the Group also matches these donations by 100% to raise employees' awareness of the program and expand their opportunities for participation.

\* For "KA-RA-DA iki-iki Project," refer to page 59 of "Relationship with Employees."

#### ● Donation of Christmas Cakes

Voluntary members of Daiwa Securities employees have engaged in an activity to present cakes marketed by a business partner of the company in a Christmas campaign to children at child support facilities through Second Harvest Japan, an NPO. In FY2016, they donated a total of 91 cakes to nine organizations, including one based in Shinjuku Ward, Tokyo that provides study support and meal services once a week free of charge to elementary and junior high school students living in single-parent households.

#### ● Initiatives at Sales Branches of Daiwa Securities

Daiwa Securities' 146 sales branches nationwide engage in a variety of activities contributing to local communities.

In FY2016, the Matsuyama branch agreed with Matsuyama City's initiative to create a comfortable and beautiful road environment, and continuously participated in an activity to clean up city roads as well as a planting activity. The Shizuoka branch donated 200 tickets for the soccer games of a local

team to children at welfare facilities and bodies in the prefecture, while Mito branch employees, mainly new recruits, aided neighborhood activities in a local "Mito-komon" festival. The sales branches of Daiwa Securities are thus involved in various local activities.

#### ● Initiatives Taken by the Group's Overseas Offices

##### ● Activities at the Group's Hong Kong Operational Base

Daiwa Capital Markets Hong Kong donated HK\$50,000 each to victims of two major earthquakes that occurred in FY2016. One is the Kumamoto Earthquakes, which occurred in April 2016, and the other is the earthquake that hit Myanmar also in April 2016. Both regions are closely connected with the Daiwa Securities Group and Asia. Daiwa Capital Markets Hong Kong supports disaster victims through its donations and is praying for their recovery. The company will continue planning a variety of CSR activities.

##### ● Activities at the Group's London Operational Base

Daiwa Capital Markets Europe engages in various support through charity activities by the Daiwa Society.

- (1) Holding fund-raising events and activities to support the events of charity organizations
- (2) Last Hour Appeal  
(Charity fund made up of salary deductions from voluntary officers and employees)
- (3) Introduction of a probation training program  
(Program to hire socioeconomically disadvantaged young people as probationary employees and provide opportunities to be employed)
- (4) Activities to support homeless people through an organization

Daiwa Capital Markets Europe will continue engaging in various CSR activities in FY2017.

##### ● Activities at the Group's New York Operational Base

Daiwa Capital Markets America has implemented a Charity Friday since March 2001. This initiative allows employees who make a \$5 donation to wear jeans to work that day. The company also matches the employees' donations. The total donations are given to groups engaging in support activities for education, poverty, disease, disasters, and others.

#### TFT Program



Contributions made  
January–December, 2016

Around **21,993**  
school lunches

in developing countries

(Calculated on the assumption that one meal costs ¥20)

Participants of "Mito-komon" festival (Daiwa Securities' Mito Branch)



● **Activities at the Group's South Korea Operational Base**

In FY2017, Daiwa Securities Capital Markets Korea participated in the "Love Noodle" event held by the Korean National Red Cross, continuing its participation from last year. The fair contributes to society by bringing cheer to the growing number of elderly people living alone in South Korea, where the number of nuclear families is increasing. Furthermore, the company has introduced a compensatory holiday system for employees who volunteer on weekends with the aim of supporting a good work-life balance and establishing sustainable management. Departments also submit annual plans in order to encourage people to leave work on time and take their annual leave. Daiwa Securities Capital Markets Korea will strengthen its support for CSR activities and will strive to contribute widely to Korean society.

● **Initiatives to Promote Volunteer Activities**

● **Volunteer Award**

Daiwa Securities has the President's Awards program to recognize outstanding achievements by employees. As part of the program we introduced the Volunteer Award in FY2007, which is given twice a year to employees and groups involved in volunteer initiatives and activities that provide ongoing support to communities.

● **Dissemination of Information through the Internal Network**

The Daiwa Securities Group provides a wide range of information on volunteer programs within the Group through our intranet, believing that volunteer activities help broaden the perspectives of employees and provide benefits by making them aware of various social issues. We introduce the best practices from such volunteer work through our in-house magazine and other means in an effort to expand the range of volunteer activities.

● **Donation of Shareholder Reward Items**

Daiwa Securities Group Inc. implements a shareholder reward program. Together with the operation of this program, we donate items returned to us due to the relocation of shareholders and so on, as well as items received for our shareholdings in other companies, to organizations such as designated NPOs and public interest incorporated foundations.

● **Disaster Assistance**

● **Donations to Areas Damaged by the 2016 Kumamoto Earthquakes**

Daiwa Securities Group Inc. made a donation through Japan Platform, a designated NPO, and the Central Community Chest of Japan, a social welfare corporation, to support the victims of the earthquakes centering on the Kumamoto Region that occurred in April 2016 and assist reconstruction work in the disaster-affected areas. At the same time, group employees also made voluntary contributions.

Moreover, to help rebuild important cultural properties, Daiwa Securities made a donation to the fund to support the restoration of damaged cultural heritage such as Kumamoto Castle and Aso Shrine.

Contribution to areas damaged by the 2016 Kumamoto Earthquakes



¥10 million

Employee donations

Approximately ¥10 million

(on a reported basis)

Contribution to the fund to support the restoration of damaged cultural heritage such as Kumamoto Castle and Aso Shrine



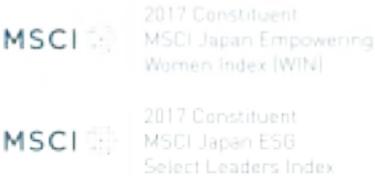
¥10 million

"Love Noodle" (Daiwa securities Capital Markets Korea)





## Third-Party Evaluations

Name	Evaluation
<p><b>Dow Jones Sustainability Indices</b></p> 	<p>The Dow Jones Sustainability Indices (DJSI) are a stock index of companies with sustainable practices selected by Dow Jones &amp; Company, Inc. of the United States and RobecoSAM AG of Switzerland. Daiwa Securities Group Inc. is a constituent of DJSI World. Since DJSI World was launched in 1999, it has continually been included in DJSI.</p>
<p><b>FTSE Indices</b></p> 	<p>FTSE is a subsidiary of the London Stock Exchange. It develops global indexes and provides data for investment. Daiwa Securities Group Inc. has been included in the FTSE4Good, an index of socially responsible companies compiled by FTSE, for twelve consecutive periods since September 2006. In July 2017, Daiwa Securities Group Inc. was included in the FTSE Blossom Japan Index. This index is used as an ESG passive management benchmark by the Government Pension Investment Fund.</p>
<p><b>MSCI Indices</b></p> 	<p>MSCI measures and publishes various indices. In July 2017, Daiwa Securities Group Inc. was selected a constituent of the MSCI Japan Empowering Women Index. In the same month, Daiwa Office Investment Corporation was included in the MSCI Japan ESG Select Leaders Index. These indices are used as ESG passive management benchmarks by the Government Pension Investment Fund.</p>
<p><b>Nadeshiko Brand</b></p> 	<p>Daiwa Securities Group Inc. has been selected a “Nadeshiko Brand” for three consecutive years, from FY2015 to FY2017. This title is awarded by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to listed companies for having excellent track records in empowering women at their companies. We are recognized highly for our efforts to establish specific targets for the promotion of support of female employees and work-life balance, as well as for building an environment where individuals with diverse values can maximize their abilities.</p>
<p><b>Health &amp; Productivity Stock Selection</b></p> 	<p>Daiwa Securities Group Inc. has been selected as a “Health &amp; Productivity Stock Selection” for three consecutive years, from FY2015 to FY2017. This title is awarded jointly by Japan’s Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to companies promoting the health of their employees. We engage in various initiatives to improve employees’ health under close collaboration between our Human Resources Departments, Health Insurance Association, and occupational health staff. The initiatives recognized include a system to urge employees with problematic results to see doctors after their regular health checkups, measures against lifestyle diseases, smoking cessation support, and health support for female employees.</p>
<p><b>Awards for Companies Promoting Equality and Work-Life Balance Minister of Health, Labour and Welfare Prize</b></p>	<p>Daiwa Securities received the Minister of Health, Labour and Welfare Prize in the Family Friendly Corporations category of the Ministry of Health, Labour and Welfare’s FY2016 Awards for Companies Promoting Equality and Work-Life Balance. The Awards for Companies Promoting Equality and Work-Life Balance is a commendation system recognizing companies that have promoted initiatives that might serve as models for other companies to emulate with regard to positive action for the empowerment of working women, and to action for the support of a healthy balance between work and child raising and nursing. Daiwa Securities Group was recognized for providing diverse support for realizing a healthy balance between work and childcare, in order to create an environment in which both men and women can continue to work in a highly motivated manner.</p>

Name	Evaluation
<b>Award for Companies that Lead the Way in Letting Women Shine: Minister of State for Gender Equality Prize</b>	<p>Daiwa Securities received the Minister of State for Gender Equality Prize at the Cabinet Office's FY2016 Awards for Companies that Lead the Way in Letting Women Shine.</p> <p>The Cabinet Office established the Awards for Companies that Lead the Way in Letting Women Shine with the aim of recognizing companies whose efforts to promote improvements in working environments for women have been recognized by investors, job seekers and consumers. The Cabinet Office hopes that recognizing the policies, initiatives and achievements—as well as the disclosure of relevant information—related to the appointment of women at leading companies might encourage other companies to implement similar programs. Daiwa Securities received the award in recognition of its endeavors to actively employ women, to encourage leaving the workplace before 7 p.m., and to support the realization of a healthy balance between work and childcare.</p>
<b>Ikumen Enterprise Award: Special Encouragement Prize</b> 	<p>Daiwa Securities received the 2016 Ikumen Enterprise Award's Special Encouragement Prize for actively promoting the realization of a healthy balance between work and child raising for its male employees, and improving business processes to facilitate this. The Ikumen Enterprise Awards form part of the Ikumen Project, and are presented by the Ministry of Health, Labour and Welfare to support "Ikumen"—men who play an active role in child-raising—and to encourage men to take parental leave.</p> <p>Daiwa Securities has announced a goal of ensuring that 100% of its eligible male employees take parental leave by FY2020. The company encourages the use of, and is engaged in establishing a working environment that facilitates the taking of, parental leave.</p>
<b>Action to Promote Countermeasures Against Cancer: Minister of Health, Labour and Welfare Prize</b>	<p>Action to Promote Countermeasures Against Cancer is a national project whose goal is to detect and treat cancer at an early stage. The project aims to increase the number of people who undertake cancer checks during corporate health examinations, and currently has the support and cooperation of 2,300 corporations and groups.</p> <p>Daiwa Securities Group received the Minister of Health, Labour and Welfare Prize in March 2017, in recognition of implementing the most advanced program of cancer countermeasures of any company.</p>
<b>"Platinum Kurumin"—Certified as a Family-Friendly Employer</b> 	<p>The certified family-friendly employer logo (nicknamed "Kurumin") shown is the certification symbol for family-friendly employers provided by Japan's Ministry of Health, Labour and Welfare based on the Act on Advancement of Measures to Support Raising the Next Generation of Children. In addition to Daiwa Securities Group Inc. obtaining certification as a family-friendly employer on June 9, 2008. Daiwa Securities, Daiwa Institute of Research Holdings, Daiwa Institute of Research, Daiwa Institute of Research Business Innovation, and Daiwa Securities Business Center have also been certified.</p> <p>Moreover, as of March 11, 2016, Daiwa Securities and Daiwa Securities Business Center were certified as especially excellent companies among the Certified Family-friendly Employers that have implemented higher levels of initiatives.</p>
<b>"Tomonin"—Logo for Promoting Work Environments for Balancing Work with Long-Term Care</b> 	<p>The Daiwa Securities Group has continuously built a working environment where employees can find it easy to use work-life balance support programs in an effort to help them to continue working while balancing work and nursing care. The Ministry of Health, Labour and Welfare conferred the logo (nicknamed "Tomonin") to us for promoting the provision of a working environment favorable for balancing work with long-term care.</p>
<b>GRESB 2016 "Green Star"</b> 	<p>Daiwa Office Investment Corporation, a REIT managed by Daiwa Real Estate Asset Management, has received the Green Star, the highest category of recognition in the Global Real Estate Sustainability Benchmark (GRESB) Survey, for five consecutive years.</p>
<b>ISO Certification</b>	<ul style="list-style-type: none"> <li>● <b>ISO 14001</b> Daiwa Institute of Research Business Innovation Ltd. has received ISO 14001 certification, which is an international standard for environmental management systems. Through its business activities, Daiwa Institute of Research Business Innovation has endeavored to realize a harmonious relationship with the global environment, and actively works to reduce environmental load.</li> <li>● <b>ISO 27001</b> Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. have received ISO 27001 certification, which is an international standard for information security management systems. In order to maintain and manage the confidentiality, integrity and availability of their information assets, both companies continue to improve their information security.</li> <li>● <b>ISO 20000</b> Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. have received ISO 20000 certification, which is an international standard for IT service management systems. In order to provide their customers with a high-quality IT service, both companies are engaged in organizational enhancements to the quality of their IT services including cost management, business process optimization and continuous improvements.</li> </ul>

## GRI Content Index (GRI Standards)

In compiling the Daiwa Securities Group CSR Report 2017, reference was made to the GRI Standards of the Global Reporting Initiative (GRI).

### General Disclosures

Clauses		Disclosures	Link
Organizational Profile	102-1	a. Name of the organization	Overview of Company and Businesses
	102-2	a. A description of the organization's activities b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets	Overview of Company and Businesses/ Initiatives through Business Activities (Provision of Quality Service to Customers)
	102-3	a. Location of the organization's headquarters	Overview of Company and Businesses
	102-4	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report	Overview of Company and Businesses/ Integrated Report 2017
	102-5	a. Nature of ownership and legal form	Overview of Company and Businesses
	102-6	a. Markets served, including: i. Geographic locations where products and services are offered ii. Sectors served iii. Types of customers and beneficiaries	Overview of Company and Businesses/ Integrated Report 2017
	102-7	a. Scale of the organization, including: i. Total number of employees ii. Total number of operations iii. Net sales (for private sector organizations) or net revenues (for public sector organizations) iv. Total capitalization (for private sector organizations) broken down in terms of debt and equity v. Quantity of products and services provided	Overview of Company and Businesses
	102-8	a. Total number of employees by employment contract (permanent and temporary), by gender b. Total number of employees by employment contract (permanent and temporary), by region c. Total number of employees by employment type (full-time and part-time), by gender d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries) f. An explanation of how the data have been compiled, including any assumptions made	CSR Related Data
	102-9	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services	CSR of the Daiwa Securities Group/ Risk Management
	102-10	a. Significant changes to the organization's size, structure, ownership, or supply chain, including: i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination	Overview of Company and Businesses
	102-11	a. Whether and how the organization applies the Precautionary Principle or approach	Compliance/Risk Management/IT Strategy and the Management of Systemic Risk
	102-12	a. List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	CSR of the Daiwa Securities Group/ Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services)
	102-13	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations	Principal Member Qualification • Nippon Keidanren • Japan Securities Dealers Association • Principles for Financial Action for the 21st Century • PRI • CDP • Global Compact Network Japan, etc.
Strategy	102-14	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	Message from CSR Officer/ Integrated Report 2017
	102-15	a. A description of key impacts, risks, and opportunities	Message from CSR Officer/Initiatives through Business Activities/ Integrated Report 2017
Ethics and Integrity	102-16	a. A description of the organization's values, principles, standards, and norms of behavior	CSR of the Daiwa Securities Group (CSR of the Daiwa Securities Group)
	102-17	a. A description of internal and external mechanisms for: i. Seeking advice about ethical and lawful behavior, and organizational integrity ii. Reporting concerns about unethical or unlawful behavior, and organizational integrity	Corporate Governance/ Initiatives for Supporting Business Activities (Support Business Operation from Property Management to Environmental Management)
Governance	102-18	a. Governance structure of the organization, including committees of the highest governance body b. Committees responsible for decision-making on economic, environmental, and social topics	Corporate Governance
	102-19	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	CSR of the Daiwa Securities Group (CSR Promotion System)

Governance	102-20	a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topic b. Whether post holders report directly to the highest governance body	CSR of the Daiwa Securities Group (CSR Promotion System)
	102-21	a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body	CSR of the Daiwa Securities Group (CSR Promotion System)/Corporate Governance/Relationship with Employees (Communication)
	102-22	a. Composition of the highest governance body and its committees by: i. Executive or non-executive ii. Independence iii. Tenure on the governance body iv. Number of each individual's other significant positions and commitments, and the nature of the commitments v. Gender vi. Membership of under-represented social groups vii. Competencies relating to economic, environmental, and social topics viii. Stakeholder representation	Corporate Governance/Integrated Report 2017
	102-23	a. Whether the chair of the highest governance body is also an executive officer in the organization b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement	Corporate Governance/Integrated Report 2017
	102-24	a. Nomination and selection processes for the highest governance body and its committees b. Criteria used for nominating and selecting highest governance body members, including whether and how i. Stakeholders (including shareholders) are involved ii. Diversity is considered iii. Independence is considered iv. Expertise and experience relating to economic, environmental, and social topics are considered	Corporate Governance/Integrated Report 2017/Corporate Governance Report
	102-25	a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: i. Cross-board membership ii. Cross-shareholding with suppliers and other stakeholders iii. Existence of controlling shareholder iv. Related party disclosures	Corporate Governance/Integrated Report 2017/Corporate Governance Report
	102-26	a. Highest governance body's and senior executives' roles in the development, approval, and updating of the organizations' purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	CSR of the Daiwa Securities Group (CSR Promotion System)
	102-27	a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	Not reported
	102-28	a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics b. Whether such evaluation is independent or not, and its frequency c. Whether such evaluation is a self-assessment d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice	Not reported
	102-29	a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities—including its role in the implementation of due diligence processes b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics, and their impacts, risks, and opportunities	CSR of the Daiwa Securities Group (CSR Management)
	102-30	a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	CSR of the Daiwa Securities Group (CSR Promotion System)
	102-31	a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	CSR of the Daiwa Securities Group (CSR Promotion System)
	102-32	a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered	CSR of the Daiwa Securities Group (CSR Promotion System)
	102-33	a. Process for communicating critical concerns to the highest governance body	CSR of the Daiwa Securities Group (CSR Promotion System)/Corporate Governance
	102-34	a. Total number and nature of critical concerns that were communicated to the highest governance body b. Mechanism(s) used to address and resolve critical concerns	Corporate Governance
	102-35	a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares ii. Sign-on bonuses or recruitment incentive payments iii. Termination payments iv. Clawbacks v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics	Corporate Governance/CSR Related Data
	102-36	a. Process for determining remuneration b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management c. Any other relationships which the remuneration consultants have with the organization	Corporate Governance/Corporate Governance Report
	102-37	a. How stakeholders' views are sought and taken into account regarding remuneration b. If applicable, the results of votes on remuneration policies and proposals	Corporate Governance
	102-38	a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not reported
	102-39	a. Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not reported

<b>Stakeholder Engagement</b>	102-40	a. A list of stakeholder groups engaged by the organization	CSR of the Daiwa Securities Group (CSR Management)
	102-41	a. Percentage of total employees covered by collective bargaining agreements	Relationship with Employees (Communication)/CSR Related Data
	102-42	a. The basis for identifying and selecting stakeholders with whom to engage	CSR of the Daiwa Securities Group (CSR Management)
	102-43	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	CSR of the Daiwa Securities (CSR Management)/Initiatives through Business Activities (Provision of Quality Service to Customers)/ Relationship with Shareholders and Other Investors/Relationship with Employees/Engagement with Society
	102-44	a. Key topics and concerns that have been raised through stakeholder engagement, including: i. How the organization has responded to those key topics and concerns, including through its reporting ii. The stakeholder groups that raised each of the key topics and concerns	Initiatives through Business Activities (Provision of Quality Service to Customers)/Relationship with Shareholders and Other Investors/ Relationship with Employees/ Engagement with Society (Dialogue with Stakeholders)
<b>Reporting practice</b>	102-45	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	Overview of Company and Businesses
	102-46	a. An explanation of the process for defining the report content and the topic Boundaries b. An explanation of how the organization has implemented the Reporting Principles for defining report content	Editorial Policy (Reporting Boundary)/CSR of the Daiwa Securities Group (CSR Materiality of the Daiwa Securities Group)
	102-47	a. A list of the material topics identified in the process for defining report content	CSR of the Daiwa Securities Group
	102-48	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements	Not applicable
	102-49	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries	Not applicable, because there have been no significant changes since the previous report
	102-50	a. Reporting period for the information provided	Editorial Policy
	102-51	a. If applicable, the date of the most recent previous report	Editorial Policy
	102-52	a. Reporting cycle	Editorial Policy
	102-53	a. The contact point for questions regarding the report or its contents	Editorial Policy
	102-54	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: i. "This report has been prepared in accordance with the GRI Standards: Core option" ii. "This report has been prepared in accordance with the GRI Standards: Comprehensive option"	Editorial Policy
	102-55	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report b. For each disclosure, the content index shall include: i. The number of the disclosure (for disclosures covered by the GRI Standards) ii. The page number(s) or URL(s) where the information can be found, either within the report or in other published materials iii. If applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made	This table references GRI content
	102-56	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process ii. The relationship between the organization and the assurance provider iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report	Independent Assurance Report and Independent Assurance Mark
	<b>Management Approach</b>	103-1	a. An explanation of why the topic is material b. The Boundary for the material topic, which includes a description of: i. Where the impacts occur ii. The organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships c. Any specific limitation regarding the topic Boundary
103-2		a. An explanation of how the organization manages the topic b. A statement of the purpose of the management approach c. A description of the following, if the management approach includes that component: i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives	CSR of the Daiwa Securities Group (CSR Materiality of the Daiwa Securities Group/Daiwa Spirit)
103-3		a. An explanation of how the organization evaluates the management approach, including: i. The mechanisms for evaluating the effectiveness of the management approach ii. The results of the evaluation of the management approach iii. Any related adjustments to the management approach	CSR of the Daiwa Securities Group (CSR Management)

## Economic

Economic Performance	201-1	<p>a. Direct economic value generated and distributed (EVG&amp;D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:</p> <p>i. Direct economic value generated: revenues</p> <p>ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments</p> <p>iii. Economic value retained: "direct economic value generated" less "economic value distributed"</p> <p>b. Where significant, report EVG&amp;D separately at country, regional, or market levels, and the criteria used for defining significance</p>	CSR Related Data/ Disclosure Report 2017 (Consolidated Statements of Income/Consolidated Statements of Changes in Net Assets)/Integrated Report 2017
	201-2	<p>a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:</p> <p>i. A description of the risk or opportunity and its classification as either physical, regulatory, or other</p> <p>ii. A description of the impact associated with the risk or opportunity</p> <p>iii. The financial implications of the risk or opportunity assumed before action is taken</p> <p>iv. The methods used to manage the risk or opportunity</p> <p>v. The costs of actions taken to manage the risk or opportunity</p>	Initiatives for Supporting Business Activities (Support Business Operation from Property Management to Environmental Management)/Risk Management/ Environmental Initiatives
	201-3	<p>a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities</p> <p>b. If a separate fund exists to pay the plan's pension liabilities: items</p> <p>i. The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them</p> <p>ii. The basis on which that estimate has been arrived at</p> <p>iii. When that estimate was made</p> <p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage</p> <p>d. Percentage of salary contributed by employee or employer</p> <p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact</p>	Disclosure Report 2017 (Accounting Standards for Significant Allowances)
	201-4	<p>a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including:</p> <p>i. Tax relief and tax credits</p> <p>ii. Subsidies</p> <p>iii. Investment grants, research and development grants, and other relevant types of grant</p> <p>iv. Awards</p> <p>v. Royalty holidays</p> <p>vi. Financial assistance from Export Credit Agencies (ECAs)</p> <p>vii. Financial incentives</p> <p>viii. Other financial benefits received or receivable from any government for any operation</p> <p>b. The information in 201-4-a by country</p> <p>c. Whether, and the extent to which, any government is present in the shareholding structure</p>	Impact is insignificant
Market Presence	202-1	<p>a. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operations to the minimum wage</p> <p>b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage</p> <p>c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used.</p> <p>d. The definition used for "significant locations of operation"</p>	Impact is insignificant, due to the nature of our business
	202-2	<p>a. Percentage of senior management at significant locations of operation that are hired from the local community</p> <p>b. The definition used for "senior management"</p> <p>c. The organization's geographical definition of "local"</p> <p>d. The definition used for "significant locations of operation"</p>	Not reported
Indirect Economic Impacts	203-1	<p>a. Extent of development of significant infrastructure investments and services supported</p> <p>b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant</p> <p>c. Report whether these investments and services are commercial, in-kind, or pro bono engagements</p>	Initiatives through Business Activities (Support for the Creation of Our Future Society)/Engagement with Society (Assistance to Communities Inside and Outside of Japan through Foundations and NPOs)
	203-2	<p>a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts</p> <p>b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas</p>	Not applicable
Procurement Practices	204-1	<p>a. Percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally)</p> <p>b. The organization's geographical definition of "local"</p> <p>c. The definition used for "significant locations of operation"</p>	Impact is insignificant, due to the nature of our business
Anti-corruption	205-1	<p>a. Total number and percentage of operations assessed for risks related to corruption</p> <p>b. Significant risks related to corruption identified through the risk assessment</p>	Compliance/Risk Management
	205-2	<p>a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region</p> <p>b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region</p> <p>c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations.</p> <p>d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region</p> <p>e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.</p>	Compliance
	205-3	<p>a. Total number and nature of confirmed incidents of corruption</p> <p>b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption</p> <p>c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption</p> <p>d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases</p>	Not applicable
Anti-competitive Behavior	206-1	<p>a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant</p> <p>b. Main outcomes of completed legal actions, including any decisions or judgments</p>	Not applicable

## Environmental

<b>Materials</b>	301-1	a. Total weight or volume of materials used to produce and package the organization's primary products and services during the reporting period, by: i. Non-renewable materials used ii. Renewable materials used	Not applicable
	301-2	a. Percentage of recycled input materials used to manufacture the organization's primary products and services	Not applicable
	301-3	a. Percentage of reclaimed products and their packaging materials for each product category b. How the data for this disclosure have been collected	Not applicable
<b>Energy</b>	302-1	a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used c. In joules, watt-hours or multiples, the total i. Electricity consumption ii. Heating consumption iii. Cooling consumption iv. Steam consumption d. In joules, watt-hours or multiples, the total i. Electricity sold ii. Heating sold iii. Cooling sold iv. Steam sold e. Total energy consumption within the organization, in joules or multiples f. Standards, methodologies, assumptions, and/or calculation tools used g. Source of the conversion factors used	CSR Related Data
	302-2	a. Energy consumption outside of the organization, in joules or multiples b. Standards, methodologies, assumptions, and/or calculation tools used c. Source of the conversion factors used	CSR Related Data
	302-3	a. Energy intensity ratio for the organization b. Organization-specific metric (the denominator) chosen to calculate the ratio c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all d. Whether the ratio uses energy consumption within the organization, outside of it, or both	CSR Related Data
	302-4	a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it d. Standards, methodologies, assumptions, and/or calculation tools used	CSR Related Data
	302-5	a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples b. Basis for calculating reductions in energy consumptions, such as base year or baseline, including the rationale for choosing it c. Standards, methodologies, assumptions, and/or calculation tools used	CSR Related Data
<b>Water</b>	303-1	a. Total volume of water withdrawn, with a breakdown by the following sources: i. Surface water, including water from wetlands, rivers, lakes, and oceans ii. Ground water iii. Rainwater collected directly and stored by the organization iv. Waste water from another organization v. Municipal water supplies or other public or private water utilities b. Standards, methodologies, and assumptions used	CSR Related Data
	303-2	a. Total number of water sources significantly affected by withdrawal by type: i. Size of the water source ii. Whether the source is designated as a nationally or internationally protected area iii. Biodiversity value (such as species diversity and endemism, and total number of protected species) iv. Value or importance of the water source to local communities and indigenous peoples b. Standards, methodologies, and assumptions used	Impact is insignificant
	303-3	a. Total volume of water recycled and reused by the organization b. Total volume of water recycled and reused as a percentage of the total water withdrawn as specified in Disclosure 303-1 c. Standards, methodologies, and assumptions used	Not reported

<b>Biodiversity</b>	304-1	<p>a. For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information:</p> <ul style="list-style-type: none"> <li>i. Geographical location</li> <li>ii. Subsurface and underground land that may be owned, leased, or managed by the organization</li> <li>iii. Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas</li> <li>iv. Type of operation (office, manufacturing or production, or extractive)</li> <li>v. Size of operation site in km<sup>2</sup> (or another unit, if appropriate)</li> <li>vi. Biodiversity value characterized by the attribute of the protected area or area of high biodiversity value outside the protected area (terrestrial, freshwater, or maritime ecosystem)</li> <li>vii. Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation)</li> </ul>	Not applicable
	304-2	<p>a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following:</p> <ul style="list-style-type: none"> <li>i. Construction or use of manufacturing plants, mines, and transport infrastructure</li> <li>ii. Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources)</li> <li>iii. Introduction of invasive species, pests, and pathogens</li> <li>iv. Reduction of species</li> <li>v. Habitat conversion</li> <li>vi. Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level)</li> </ul> <p>b. Significant direct and indirect positive and negative impacts with reference to the following:</p> <ul style="list-style-type: none"> <li>i. Species affected</li> <li>ii. Extent of areas impacted</li> <li>iii. Duration of impacts</li> <li>iv. Reversibility or irreversibility of the impacts</li> </ul>	Not applicable
	304-3	<p>a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals</p> <p>b. Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures</p> <p>c. Status of each area based on its condition at the close of the reporting period</p> <p>d. Standards, methodologies, and assumptions used</p>	Not applicable
	304-4	<p>a. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk:</p> <ul style="list-style-type: none"> <li>i. Critically endangered</li> <li>ii. Endangered</li> <li>iii. Vulnerable</li> <li>iv. Near threatened</li> <li>v. Least concern</li> </ul>	Not applicable
	<b>Emissions</b>	305-1	<p>a. Gross direct (Scope 1) GHG emissions in metric tons of CO<sub>2</sub> equivalent</p> <p>b. Gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all</p> <p>c. Biogenic CO<sub>2</sub> emissions in metric tons of CO<sub>2</sub> equivalent</p> <p>d. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> <li>i. The rationale for choosing it</li> <li>ii. Emissions in the base year</li> <li>iii. The context for any significant changes in emissions that triggered recalculations of base year emissions</li> </ul> <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used</p>
305-2		<p>a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO<sub>2</sub> equivalent</p> <p>b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO<sub>2</sub> equivalent</p> <p>c. If available, the gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all</p> <p>d. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> <li>i. The rationale for choosing it</li> <li>ii. Emissions in the base year</li> <li>iii. The context for any significant changes in emissions that triggered recalculations of base year emissions</li> </ul> <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used</p>	CSR Related Data
305-3		<p>a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO<sub>2</sub> equivalent</p> <p>b. If available, the gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all</p> <p>c. Biogenic CO<sub>2</sub> emissions in metric tons of CO<sub>2</sub> equivalent</p> <p>d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation</p> <p>e. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> <li>i. The rationale for choosing it</li> <li>ii. Emissions in the base year</li> <li>iii. The context for any significant changes in emissions that triggered recalculations of base year emissions</li> </ul> <p>f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used</p>	CSR Related Data
305-4		<p>a. GHG emissions intensity ratio for the organization</p> <p>b. Organization-specific metric (the denominator) chosen to calculate the ratio</p> <p>c. Types of GHG emissions included in the intensity ratio, whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3)</p> <p>d. Gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all</p>	CSR Related Data
305-5		<p>a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO<sub>2</sub> equivalent</p> <p>b. Gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all</p> <p>c. Base year or baseline, including the rationale for choosing it</p> <p>d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3)</p> <p>e. Standards, methodologies, assumptions, and/or calculation tools used</p>	CSR Related Data

<b>Emissions</b>	305-6	a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent b. Substances included in the calculation c. Source of the emission factors used d. Standards, methodologies, assumptions, and/or calculation tools used	Impact is insignificant
	305-7	a. Significant air emissions, in kilograms or multiples, for each of the following: i. NOx ii. SOx iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations b. Source of the emission factors used c. Standards, methodologies, assumptions, and/or calculation tools used	Impact is insignificant
<b>Effluents and Waste</b>	306-1	a. Total volume of planned and unplanned water discharges by: i. Destination ii. Quality of water, including treatment method iii. Whether the water was reused by another organization b. Standards, methodologies, and assumptions used	Impact is insignificant
	306-2	a. Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) b. Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable: i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) c. How the waste disposal method has been determined: i. Disposed of directly by the organization, or otherwise directly confirmed ii. Information provided by the waste disposal contractor iii. Organizational defaults of the waste disposal contractor	CSR Related Data
	306-3	a. Total number and total volume of recorded significant spills b. The following additional information for each spill that was reported in the organization's financial statements: i. Location of spill ii. Volume of spill iii. Material of spill, categorized by: oil spills (soil or water surfaces), fuel spills (soil or water surfaces), spills of wastes (soil or water surfaces), spills of chemicals (mostly soil or water surfaces), and other (to be specified by the organization) c. Impacts of significant spills	Not applicable
	306-4	a. Total weight for each of the following: i. Hazardous waste transported ii. Hazardous waste imported iii. Hazardous waste exported iv. Hazardous waste treated b. Percentage of hazardous waste shipped internationally c. Standards, methodologies, and assumptions used	Not applicable
	306-5	a. Water bodies and related habitats that are significantly affected by water discharges and/or runoff, including information on: i. The size of the water body and related habitat ii. Whether the water body and related habitat is designated as a nationally or internationally protected area iii. The biodiversity value, such as total number of protected species	Not applicable
	<b>Environmental Compliance</b>	307-1	a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of: i. Total monetary value of significant fines ii. Total number of non-monetary sanctions iii. Cases brought through dispute resolution mechanisms b. If the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient
<b>Supplier Environmental Assessment</b>	308-1	a. Percentage of new suppliers that were screened using environmental criteria	Not applicable
	308-2	a. Number of suppliers assessed for environmental impacts b. Number of suppliers identified as having significant actual and potential negative environmental impacts c. Significant actual and potential negative environmental impacts identified in the supply chain d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why	Not applicable

## Social

Employment	401-1	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region b. Total number and rate of employee turnover during the reporting period, by age group, gender and region	CSR Related Data
	401-2	a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: i. Life insurance ii. Health care iii. Disability and invalidity coverage iv. Parental leave v. Retirement provision vi. Stock ownership vii. Others b. The definition used for "significant locations of operation"	Relationship with Employees (Striving to Create a Pleasant Working Environment)
	401-3	a. Total number of employees that were entitled to parental leave, by gender b. Total number of employees that took parental leave, by gender c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender d. Total number of employees that returned to work after parental leave ended that were still employed twelve months after their return to work, by gender e. Return to work and retention rates of employees that took parental leave, by gender	Relationship with Employees (Striving to Create a Pleasant Working Environment)/CSR Related Data
Labor/Management Relations	402-1	a. Minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them b. For organizations with collective bargaining agreements, whether the notice period and provisions for consultation and negotiation are specified in collective agreements	Not reported
Occupational Health and Safety	403-1	a. The level at which each formal joint management-worker health and safety committee typically operates within the organization b. Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees	Not reported
	403-2	a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by: i. Region ii. Gender b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by: i. Region ii. Gender c. The system of rules applied in recording and reporting accident statistics	Not reported
	403-3	a. Whether there are workers whose work, or workplace, is controlled by the organization, involved in occupational activities who have a high incidence or high risk of specific diseases	Relationship with Employees (Striving to Create a Pleasant Working Environment)
	403-4	a. Whether formal agreements (either local or global) with trade unions cover health and safety b. If so, the extent, as a percentage, to which various health and safety topics are covered by these agreements	Relationship with Employees (Striving to Create a Pleasant Working Environment/Communication)
Training and Education	404-1	a. Average hours of training that the organization's employees have undertaken during the reporting period, by: i. Gender ii. Employee category	Relationship with Employees (Human Resource Development and Skill Enhancement)
	404-2	a. Type and scope of programs implemented and assistance provided to upgrade employee skills b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment	Relationship with Employees (Human Resource Development and Skill Enhancement)
	404-3	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period	Relationship with Employees (Human Resource Development and Skill Enhancement)
Diversity and Equal Opportunity	405-1	a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories: i. Gender ii. Age group: under 30 years old, 30-50 years old, over 50 years old iii. Other indicators of diversity where relevant (such as minority or vulnerable groups) b. Percentage of employees per employee category in each of the following diversity categories: i. Gender ii. Age group: under 30 years old, 30-50 years old, over 50 years old iii. Other indicators of diversity where relevant (such as minority or vulnerable groups)	CSR Related Data/Integrated Report 2017
	405-2	a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation b. The definition used for "significant locations of operation"	CSR Related Data
Non-discrimination	406-1	a. Total number of incidents of discrimination during the reporting period b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization ii. Remediation plans being implemented iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes iv. Incident no longer subject to action	Corporate Governance/Initiatives for Supporting Business Activities (Support Business Operation from Property Management to Environmental Management)
Freedom of Association and Collective Bargaining	407-1	a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk in terms of: i. Type of operation (such as manufacturing plant) and supplier ii. Countries or geographic areas with operations and suppliers considered at risk b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining	Not applicable due to the nature of our business

<b>Child Labor</b>	408-1	<p>a. Operations and suppliers considered to have significant risk for incidents of:</p> <ul style="list-style-type: none"> <li>i. Child labor</li> <li>ii. Young workers exposed to hazardous work</li> </ul> <p>b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of:</p> <ul style="list-style-type: none"> <li>i. Type of operation (such as manufacturing plant) and supplier</li> <li>ii. Countries or geographic areas with operations and suppliers considered at risk</li> </ul> <p>c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor</p>	Our business entails no risk of using child labor
<b>Forced and Compulsory Labor</b>	409-1	<p>a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of:</p> <ul style="list-style-type: none"> <li>i. Type of operation (such as manufacturing plant) and supplier</li> <li>ii. Countries or geographic areas with operations and suppliers considered at risk</li> </ul> <p>b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor</p>	Our business entails no risk of using forced labor
<b>Security Practices</b>	410-1	<p>a. Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security</p> <p>b. Whether training requirements also apply to third-party organizations providing security personnel</p>	Impact is insignificant, due to the nature of our business
<b>Indigenous Rights</b>	411-1	<p>a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period</p> <p>b. Status of the incidents and actions taken with reference to the following:</p> <ul style="list-style-type: none"> <li>i. Incident reviewed by the organization</li> <li>ii. Remediation plans being implemented</li> <li>iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes</li> <li>iv. Incident no longer subject to action</li> </ul>	Not applicable
<b>Assessment</b>	412-1	a. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country	Risk Management
	412-2	<p>a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations</p> <p>b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations</p>	Human Rights Initiatives
	412-3	<p>a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening</p> <p>b. The definition used for "significant investment agreements"</p>	We have no operations in areas where there are special concerns about protection of human rights
<b>Local Communities</b>	413-1	<p>a. Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:</p> <ul style="list-style-type: none"> <li>i. Social impact assessments, including gender impact assessments, based on participatory processes</li> <li>ii. Environmental impact assessments and ongoing monitoring</li> <li>iii. Public disclosure of results of environmental and social impact assessments</li> <li>iv. Local community development programs based on local communities' needs</li> <li>v. Stakeholder engagement plans based on stakeholder mapping</li> <li>vi. Broad based local community consultation committees and processes that include vulnerable groups</li> <li>vii. Works councils, occupational health and safety committees and other worker representation bodies to deal with impacts</li> <li>viii. Formal local community grievance processes</li> </ul>	Impact is insignificant, due to the nature of our business
	413-2	<p>a. Operations with significant actual and potential negative impacts on local communities, including:</p> <ul style="list-style-type: none"> <li>i. The location of the operations</li> <li>ii. The significant actual and potential negative impacts of operations</li> </ul>	Not applicable
<b>Supplier Social Assessment</b>	414-1	a. Percentage of new suppliers that were screened using social criteria	Not applicable
	414-2	<p>a. Number of suppliers assessed for social impacts</p> <p>b. Number of suppliers identified as having significant actual and potential negative social impacts</p> <p>c. Significant actual and potential negative social impacts identified in the supply chain</p> <p>d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment</p> <p>e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why</p>	Not applicable
<b>Public Policy</b>	415-1	<p>a. Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary</p> <p>b. If applicable, how the monetary value of in-kind contributions was estimated</p>	CSR Related Data
<b>Customer Health and Safety</b>	416-1	a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Not applicable due to the nature of our business
	416-2	<p>a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by:</p> <ul style="list-style-type: none"> <li>i. Incidents of non-compliance with regulations resulting in a fine or penalty</li> <li>ii. Incidents of non-compliance with regulations resulting in a warning</li> <li>iii. Incidents of non-compliance with voluntary codes</li> </ul> <p>b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient</p>	Not applicable due to the nature of our business

<b>Product and Service Labeling</b>	417-1	<p>a. Whether each of the following types of information is required by the organization's procedures for product and service information and labeling:</p> <ul style="list-style-type: none"> <li>i. The sourcing of components of the product or service</li> <li>ii. Content, particularly with regard to substances that might produce an environmental or social impact</li> <li>iii. Safe use of the product or service</li> <li>iv. Disposal of the product and environmental or social impacts</li> <li>v. Other (explain)</li> </ul> <p>b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures</p>	Initiatives through Business Activities (Provision of Quality Service to Customers)
	417-2	<p>a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by:</p> <ul style="list-style-type: none"> <li>i. Incidents of non-compliance with regulations resulting in a fine or penalty</li> <li>ii. Incidents of non-compliance with regulations resulting in a warning</li> <li>iii. Incidents of non-compliance with voluntary codes</li> </ul> <p>b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient</p>	Not applicable
	417-3	<p>a. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by:</p> <ul style="list-style-type: none"> <li>i. Incidents of non-compliance with regulations resulting in a fine or penalty</li> <li>ii. Incidents of non-compliance with regulations resulting in a warning</li> <li>iii. Incidents of non-compliance with voluntary codes</li> </ul> <p>b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient</p>	Not applicable
<b>Customer Privacy</b>	418-1	<p>a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> <li>i. Complaints received from outside parties and substantiated by the organization</li> <li>ii. Complaints from regulatory bodies</li> </ul> <p>b. Total number of identified leaks, thefts, or losses of customer data</p> <p>c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient</p>	Not applicable
<b>Social and Economic Compliance</b>	419-1	<p>a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of:</p> <ul style="list-style-type: none"> <li>i. Total monetary value of significant fines</li> <li>ii. Total number of non-monetary sanctions</li> <li>iii. Cases brought through dispute resolution mechanisms</li> </ul> <p>b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient</p> <p>c. The context against which significant fines and non-monetary sanctions were incurred</p>	Not applicable

## Specific Standard Disclosures for Financial Services (GRI)

Clauses		Indicator	Link	
Products and Services	DMA	FS1	Policies with specific environmental and social components applied to business lines	CSR of the Daiwa Securities Group (CSR Promotion System)/Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services/Provision of Quality Service to Customers)
		FS2	Procedures for assessing and screening environmental and social risks in business lines	Not reported
		FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Compliance
		FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	CSR of the Daiwa Securities Group (CSR Promotion System)/Relationship with Employees (Human Resource Development and Skill Enhancement)
		FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Initiatives through Business Activities (Provision of Quality Service to Customers)/Relationship with Shareholders and Other Investors
	<b>Aspect: Product Portfolio</b>			
	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Overview of Company and Businesses/Disclosure Report 2017/Integrated Report 2017	
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Initiatives through Business Activities (Initiatives through Product Development and Provision/Support for the Creation of Our Future Society)	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Initiatives through Business Activities (Initiatives through Product Development and Provision/Support for the Creation of Our Future Society)	
	<b>Aspect: Audit</b>			
	DMA	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Corporate Governance
	<b>Aspect: Active Ownership</b>			
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Not reported		
FS11	Percentage of assets subject to positive and negative environmental or social screening	Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services)		
DMA	FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services)	
Society	<b>Aspect: Local Communities</b>			
	FS13	Access points in low-populated or economically disadvantaged areas by type	Not applicable	
	FS14	Initiatives to improve access to financial services for disadvantaged people	Initiatives through Business Activities (Provision of Quality Service to Customers)/Engagement with Society (Assistance to Communities Inside and Outside of Japan through Foundations and NPOs)	
	<b>Aspect: Product and Service Labeling</b>			
	DMA	FS15	Policies for the fair design and sale of financial products and services	Initiatives through Business Activities (Provision of Quality Service to Customers)
	FS16	Initiatives to enhance financial literacy by type of beneficiary	Engagement with Society (Education and Research Activities in Economics and Finance)	

## ISO 26000 Index

In compiling the Daiwa Securities Group CSR Report 2017, reference was made to the core subjects of ISO 26000.

Core Subjects and Issues		
6.2 Organizational governance		Message from CSR Officer/CSR of the Daiwa Securities Group/Overview of Company and Businesses/Corporate Governance/Compliance/Risk Management
6.3 Human rights	Issue 1: Due diligence	Risk Management (Supply Chain Management and Human Rights Due Diligence)
	Issue 2: Human rights risk situations	We have no operations in areas where there are special concerns about protection of human rights
	Issue 3: Avoidance of complicity	Risk Management/Human Rights Initiatives
	Issue 4: Resolving grievances	Corporate Governance/Initiatives for Supporting Business Activities (Support Business Operation from Property Management to Environmental Management)
	Issue 5: Discrimination and vulnerable groups	Relationship with Employees (Hiring Initiatives)/Human Rights Initiatives/CSR Related Data
	Issue 6: Civil and political rights	Relationship with Employees
	Issue 7: Economic, social and cultural rights	Relationship with Employees/Human Rights Initiatives
	Issue 8: Fundamental principles and rights at work	Relationship with Employees
6.4 Labor practices	Issue 1: Employment and employment relationships	Overview of Company and Businesses/Relationship with Employees (Hiring Initiatives)/CSR Related Data
	Issue 2: Conditions of work and social protection	Relationship with Employees (Hiring Initiatives) (Striving to Create a Pleasant Working Environment)
	Issue 3: Social dialogue	Relationship with Employees (Communication)
	Issue 4: Health and safety at work	Not applicable
	Issue 5: Human development and training in the workplace	Relationship with Employees (Human Resource Development and Skill Enhancement)
6.5 The environment	Issue 1: Prevention of pollution	Not applicable
	Issue 2: Sustainable resource use	Environmental Initiatives/CSR Related Data
	Issue 3: Climate change mitigation and adaptation	Environmental Initiatives/Risk Management
	Issue 4: Protection of the environment, biodiversity and restoration of natural habitats	Engagement with Society (Corporate Citizenship Initiatives)/Environmental Initiatives/CSR Related Data
6.6 Fair operating practices	Issue 1: Anti-corruption	CSR of the Daiwa Securities Group/Risk Management/Corporate Governance/Compliance
	Issue 2: Responsible political involvement	CSR of the Daiwa Securities Group/Corporate Governance/Compliance/Risk Management/CSR Related Data
	Issue 3: Fair competition	Corporate Governance/Compliance
	Issue 4: Promoting social responsibility in the value chain	CSR of the Daiwa Securities Group/Environmental Initiatives
	Issue 5: Respect for property rights	Not applicable due to the nature of our business
6.7 Consumer issues	Issue 1: Fair marketing, factual and unbiased information and fair contractual practices	Initiatives through Business Activities (To Maintain a Sound Market/Provision of Quality Service to Customers)
	Issue 2: Protecting consumers' health and safety	Not applicable due to the nature of our business
	Issue 3: Sustainable consumption	Initiatives through Business Activities
	Issue 4: Consumer service, support, and complaint and dispute resolution	Initiatives through Business Activities (Provision of Quality Service to Customers)
	Issue 5: Consumer data protection and privacy	IT Strategy and the Management of Systemic Risk
	Issue 6: Access to essential services	Not applicable
	Issue 7: Education and awareness	Initiatives through Business Activities (Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information)/Engagement with Society (Education and Research Activities in Economics and Finance)
6.8 Community involvement and development	Issue 1: Community involvement	Message from CSR Officer/Initiatives through Business Activities (Support for the Creation of Our Future Society)/Engagement with Society (Corporate Citizenship Initiatives)
	Issue 2: Education and culture	Engagement with Society
	Issue 3: Employment creation and skills development	Initiatives through Business Activities (Support for the Creation of Our Future Society)
	Issue 4: Technology development and access	Initiatives through Business Activities (Support for the Creation of Our Future Society)
	Issue 5: Wealth and income creation	Initiatives through Business Activities (Initiatives through Product Development and Provision)/Engagement with Society (Assistance to Communities Inside and Outside of Japan through Foundations and NPOs)
	Issue 6: Health	Initiatives through Business Activities (Initiatives through Product Development and Provision)/Engagement with Society (Assistance to Communities Inside and Outside of Japan through Foundations and NPOs)
	Issue 7: Social investment	Initiatives through Business Activities/CSR Related Data

## CSR Related Data

### Management Report

#### Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2016

(1) Total Amount of Compensation, Etc. by Type of Officer, Total Amount of Compensation, Etc. by Type, and the Number of Executives

Type of Officer	Total Amount of Compensation, Etc.	Total Amount of Compensation, Etc. by Type				Number of Executives
		Basic Compensation	Stock Options	Performance-Based Compensation	Lump-Sum Retirement Pay	
Directors	¥27 million	¥24 million	¥3 million	—	—	2 persons
Corporate Executive Officers	¥1,219 million	¥553 million	¥87 million	¥578 million	—	14 persons
External Directors	¥105 million	¥105 million	—	—	—	7 persons

\*Seven directors also served as corporate executive officers; their compensation is included under "Corporate Executive Officers."

(2) Total Amount of Consolidated Compensation, Etc. by Officer

Name	Total Amount of Consolidated Compensation, Etc.	Type of Officer	Company name	Total Amount of Consolidated Compensation, Etc. by Type			
				Basic Compensation	Stock Options	Performance-Based Compensation	Lump-Sum Retirement Pay
Shigeharu Suzuki	¥213 million	Corporate executive officer	Daiwa Securities Group Inc.	¥69 million	¥11 million	¥85 million	—
			Daiwa Securities Co. Ltd.	¥46 million	—	—	—
Takashi Hibino	¥252 million	Corporate executive officer	Daiwa Securities Group Inc.	¥69 million	¥11 million	¥124 million	—
			Daiwa Securities Co. Ltd.	¥46 million	—	—	—
Seiji Nakata	¥172 million	Corporate executive officer	Daiwa Securities Group Inc.	¥60 million	¥8 million	¥77 million	—
			Daiwa Securities Co. Ltd.	¥25 million	—	—	—
Shinya Nishio	¥123 million	Corporate executive officer	Daiwa Securities Group Inc.	¥19 million	¥6 million	—	—
			Daiwa Securities Co. Ltd.	¥46 million	—	¥51 million	—
Toshihiro Matsui	¥101 million	Corporate executive officer	Daiwa Securities Group Inc.	¥42 million	¥5 million	¥42 million	—
			Daiwa Securities Co. Ltd.	¥10 million	—	—	—
Keiko Tashiro	¥102 million	Corporate executive officer	Daiwa Securities Group Inc.	¥43 million	¥5 million	¥42 million	—
			Daiwa Securities Co. Ltd.	¥10 million	—	—	—
Mikita Komatsu	¥101 million	Corporate executive officer	Daiwa Securities Group Inc.	¥42 million	¥5 million	¥42 million	—
			Daiwa Securities Co. Ltd.	¥10 million	—	—	—

\* Only officers whose total amount of consolidated compensation, etc. exceeds 100 million yen are listed.

\* Type of Officer is the same as that for Company Submitting Annual Securities Reports.

\* Under Type of Officer, directors who concurrently serve as corporate executive officers are designated as corporate executive officer.

### Social Report

#### Scope of data

**Consolidated:** Entire Group (except for equity-method affiliates)

**Ten Group companies:** Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., Daiwa Asset Management Co. Ltd., Daiwa Institute of Research Holdings Ltd., Daiwa Institute of Research Ltd., Daiwa Institute of Research Business Innovation Ltd., Daiwa SB Investments Ltd., Daiwa Securities Business Center Co. Ltd., Daiwa Property Co., Ltd., and Daiwa Corporate Investment Co., Ltd.

**Eight Group companies:** Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., Daiwa Asset Management Co. Ltd., Daiwa Institute of Research Ltd., Daiwa Institute of Research Business Innovation Ltd., Daiwa SB Investments Ltd., Daiwa Securities Business Center Co. Ltd., and Daiwa Corporate Investment Co., Ltd.

**Two Group companies:** Daiwa Securities Group Inc., Daiwa Securities Co. Ltd.

#### Employees at the Daiwa Securities Group (Consolidated)

(Unit: persons)

	As of March 31, 2016			As of March 31, 2017		
	Employees	FA*1	Temporary Employees	Employees	FA*1	Temporary Employees
Male	7,600	56	—	7,552	52	—
(Career track*2)	7,196	—	—	7,018	—	—
(Managers)	3,897	—	—	3,901	—	—
Japan Female	4,505	68	—	4,660	59	—
(Career track*2)	2,975	—	—	3,116	—	—
(Managers)	316	—	—	375	—	—
Japan total	12,105	124	843	12,212	111	855
Overseas	1,472	—	97	1,513	—	90
Total	13,577	124	940	13,725	111	945

\*The number of employees stationed overseas has been included in the "Overseas" category.

\*1 Financial advisors

\*2 Includes regional career-track employees and specialists

**Number of New Graduates Recruited by the Daiwa Securities Group**

(Unit: persons)

		April 2015	April 2016	April 2017
Career-track employees/regional career-track employees	Male	345	332	345
	Female	336	330	333
Total		681	662	678

\*This data covers eight Group companies.

**Workforce Statistics**

	FY2014	FY2015	FY2016
Average annual salary*1 (in ten thousand yen)	1,171	1,212	1,072
Average age (years old)	41.8	42.0	42.1
Average number of years of service (years)	15.3	15.4	15.3

\*This data pertains to Daiwa Securities Group Inc. (including those who simultaneously work for Daiwa Securities).

\*1 Average annual salary includes bonuses and other. There is no wage gap based on gender or nationality.

**Average Age**

(Unit: years old)

	FY2014	FY2015	FY2016
Total	38.0	37.9	38.0
Male	39.4	39.5	39.6
Female	35.9	35.6	35.7

\*This data covers Daiwa Securities.

**Average Number of Years of Service**

(Unit: years)

	FY2014	FY2015	FY2016
Total	13.6	13.5	13.6
Male	15.0	15.1	15.2
Female	11.5	11.3	11.4

\*This data covers Daiwa Securities.

**Employee Turnover Statistics**

(Unit: %)

	FY2014	FY2015	FY2016
Total	3	3	3

\*This data covers Daiwa Securities.

**Re-Employment under the Daiwa Master System**

(Unit: persons)

	FY2014	FY2015	FY2016
Number of employees hired under the Daiwa Master System	56	68	69

\*This data covers Daiwa Securities.

**Employment Rate for Persons with Disabilities**

(Unit: %)

	End of FY2014	End of FY2015	End of FY2016
Employment rate for persons with disabilities	2.10	2.05	2.02

\*This data covers Daiwa Securities.

**Achievements of Selected Participants in Management Training**

(Unit: persons)

	FY2014	FY2015	FY2016
<b>Daiwa Management Academy: Targeting department managers</b>			
Number of people who have completed training (cumulative)	335	358	380
<b>Daiwa Leadership Program: Targeting deputy general managers</b>			
Number of people who have completed training (cumulative)	734	797	862

\*This data covers 10 Group companies.

## Participants in Skill Training

(Unit: persons)

	FY2014	FY2015	FY2016
Number of people who have completed training (cumulative)*1	4,591	6,073	7,507

\*This data covers eight Group companies

\*1 The number of people completing training in coaching, presentation, negotiation skills, logical thinking, communication, inheritance and business succession master course, investment analysis basic course, derivatives basic course, medium-sized corporations master course, real estate basic course, financial modeling basic course, time management (intermediate course), motivation management, time management (basic course), question-asking abilities enhancement, corporate analysis basic course (intermediate accounting course), corporate analysis master course (how to read annual securities reports), IB origination, behavioral science (secret art of teaching/skills to continue trying), stress management, coaching (basic course), or facilitation.

## Number of Persons Earning Credentials\*1

(Unit: persons)

Credentials	As of March 31, 2015	As of March 31, 2016	As of March 31, 2017
Affiliated Financial Planner (AFP)	5,279	5,333	5,626
Certified Financial Planner (CFP®)	590	616	643
Chartered Member of the Securities Analysts Association of Japan (CMA)	1,504	1,525	1,542
Chartered Financial Analyst (USA credential)	50	57	59
TOEIC (730-990)	1,556	1,660	1,752
Overseas MBA program, etc.	160	168	173

\*1 This data covers 10 Group companies (according to filings by employees).

## Successful Applicants in Internal Recruiting System

(Unit: persons)

Held	Positions Offered	No. of Applicants	Successful Applicants
Cumulative from FY2000	M&A, SMA consultants, analysts, internal wholesalers, compliance, dealers, derivatives, traders, fund managers, principal finance specialists, venture capitalists, money managers, research, underwriting, sale, overseas, management consultant, individual and corporate sales, product development, proposals and planning, investment advisors, global trainees, etc.	1,003	158

\* This data covers 10 Group companies.

## Working Hours and Paid Vacation Usage Rate

	FY2014	FY2015	FY2016
Annual regular working hours (hours)	1845	1837.5	1837.5
Average monthly overtime hours (hours)*1	28.2	24.0	23.5
Paid vacation usage rate (%) (including special summer vacation)*2	56	63	66

\*This data covers 2 Group companies

\*1 Figures indicate employees at the two companies that are members of the Daiwa Securities Group Employees' Union.

\*2 In addition to annual paid vacation, the Daiwa Securities Group offers three days of special summer vacation. These figures show usage rates for annual paid vacation when the special summer vacation is included.

## Employee Welfare System Usage

(Unit: persons)

	FY2014	FY2015	FY2016	
Number of employees taking childcare leave*1	Female	576	640	671
	Male	134	250	327
Number of employees taking nursing care leave	Female	6	4	0
	Male	1	2	2

\*This data covers all consolidated Group companies.

\*1 Employees eligible for childcare leave include non-regular employees (contract workers, part-timers, etc.).

## Employees Taking Childcare Leave and Other Related Plans

	FY2014	FY2015	FY2016	
Percentage of employees taking childcare leave (%)	Female	99.3	100.0	100.0
	Male	41.9	73.1	96.8
Return to work rate for those taking childcare leave (%)	Female	93.2	92.5	91.5
	Male	100.0	100.0	100.0
Percentage of women working when their children turned one (%)	99.3	100.0	100.0	
Short working hour system usage (persons)	180	249	324	
Daycare subsidy usage (persons)	437	505	625	

\* This data covers Daiwa Securities.

## Main Initiatives for Work-Life Balance and Employee Support Plans

Systems to Support Balancing of Work and Childcare	
Program Name	Program Description
Childcare leave	Employees can take childcare leave until the day before their child's third birthday
Childcare support leave	When employees' spouse gives birth or returns to work, leave may be taken (first two weeks of pay is guaranteed for childcare leave)
Reduced-hour work arrangements	System by which employees can leave work earlier by up to 90 minutes per day (by increments of 10 minutes) until the child graduates from elementary school.
Exemption from overtime work	Employees are exempt from overtime work until their children complete the third grade of elementary school
Restricted overtime work	Employees are exempt from overtime work exceeding a certain number of hours until their children finish elementary school
Daycare subsidy	The Group offers subsidies for daycare expenses until employees' child begins elementary school
Babysitter system	Employees can use the babysitter services of service providers with which the company has signed a corporate contract at discount rates.
Expanded leave system	This system encourages employees to take paid vacation and has introduced leave for marriage preparations, kid's ceremony leave to attend an entrance ceremony or other events, family day leave to give employees a chance to spend quality time with their families, and leave for celebrating parent's longevity
Support after returning to work	Enables employees to return to work after a period of childcare leave. Daiwa WLB Station, a work-life balance promotion website that focuses on various support systems related to childrearing and nursing care, provides information for employees on childcare leave and helps facilitate their smooth return to the workplace
System to Support Balance of Work and Nursing Care	
Reduced work hours (securing time for nursing care)	Employees can shorten their work hours by up to two hours per day
Life support paid leave	Employees can take up to 50 days' leave due to injury, disease, nursing care preparation, or infertility treatment, except when other types of leave are available, by accumulating expired paid leave
Exemption from overtime work	Employees are exempt from work outside regular working hours (overtime work) from the time they start providing nursing care to the time the reasons for nursing care have disappeared
Restricted overtime work	Employees can restrict overtime work to not more than 24 hours per month and 150 hours per year from the time they start providing nursing care to the time the reasons for nursing care have disappeared.
Nursing care leave	Employees can take leave up to 4 times for not more than 1,095 days per family member requiring care
Expanded support for balancing work and nursing care	The company has established a class on support for balancing work and nursing care to help resolve employees' concerns for future nursing care
Other systems to support balancing of work and nursing care	
Job location change system	Offers a position in a new location when an employee must relocate after marriage or spouse's job transfer
Spouse work reassignment leave system	Employees may opt to take leave for a certain period (up to 5 years) in the event their spouses are reassigned to work in a location that is untenable for them to commute to work
Professional return plan (re hiring of sales staff)	Offers opportunities for re-employment to former full-time employees who left their jobs for marriage or childcare (The scope of eligibility for the program has been expanded since November 2015, from those returning to work within 5 years of their retirement to those within 10 years)

## Female Employees and Managers at the Daiwa Securities Group

(Unit: %)

	End of FY2014	End of FY2015	End of FY2016
Percent of employees who are female (Consolidated)	36.1	37.2	38.1
Percent of employees who are female (Daiwa Securities only)	39.6	40.7	41.4
Percent of managers who are female (Consolidated)	6.3	7.5	8.8
Percent of managers who are female (Daiwa Securities only)	7.5	8.9	10.6

## Women Newly Appointed to Managerial Positions

	FY2014	FY2015	FY2016
Number of women newly appointed to managerial positions (persons)	42	45	62
Total number of those appointed to managerial positions (persons)	156	166	192
Percent of managers who are female (%)	26.9	27.1	32.3

\* This data covers Daiwa Securities

### Number of Employee Union Members

	End of FY2014	End of FY2015	End of FY2016
Number of employee union members (persons)	6,573	6,822	6,943
Ratio of employees who are employee union members (%)	63.1	64.2	64.0

\*The data covers eight Group companies, excluding Daiwa Asset Management, which has its own employee union, and Daiwa Property, which has no employee union.

### Corporate Citizenship Initiatives and Expenditures



(Unit: thousand yen)

Type of Activity	FY2014	FY2015	FY2016
1. Education and research in economics and finance	189,624	137,193	42,351
2. Assistance to communities inside and outside of Japan through foundations and NPOs	153,779	147,748	128,594
3. Support for culture and the arts	257,400	296,110	323,110
4. Corporate citizenship initiatives	5,476	2,706	3,400
Total	606,279	583,758	497,457

### Political Contribution

(Unit: million yen)

	FY2014	FY2015
Political contribution	30	30

### Results in Economic and Financial Education

(Unit: persons)

Program	FY2014	FY2015	FY2016
Support for Finance Park	11,847	15,362	20,261
	Cumulative number since the initiation of support (in September 2003)		94,793
Support for the Student Company Program	17	N/A	N/A
	Cumulative number since the opening (in June 2005)		221

## Environmental Report

### Scope of data

#### Energy consumption, CO<sub>2</sub> emissions, clean water consumption (Japan):

Domestic: We have incorporated figures on energy consumption and CO<sub>2</sub> emissions for the three companies having a reporting obligation under laws and regulations. Daiwa Securities, Daiwa Property, and Daiwa Institute of Research. Daiwa Institute of Business Innovation has also been included in the calculation in light of its significant impact on the Group's environmental burden. The data for Gran Tokyo North Tower, where the Daiwa Securities Group is based, includes data for Group companies other than those mentioned above.

Overseas: London, New York, Hong Kong, and Taiwan offices

**Waste:** Gran Tokyo North Tower, Daiwa Yaesu Building, Toyochō Center Building, Daiwa Eitai Building, DIR Headquarters Building, and Osaka Branch Building of Daiwa Securities

**Paper consumption:** Gran Tokyo North Tower

### Energy Consumption



Offices	Type	FY2014	FY2015	FY2016
Japan	Electricity* (thousand kWh)	73,816	71,182	69,496
	Utility Gas (thousand Nm <sup>3</sup> )	336	326	320
	Heavy oil (kL)	26.7	23.2	21.1
	Diesel fuel (kL)	0.09	0.09	0.07
	Gasoline (kL)	1,002	952	896

\* Electricity consumption for data center of Daiwa Institute of Research Business Innovation Ltd. has been calculated retroactively from FY2014

Offices	Type	FY2014	FY2015	FY2016
Overseas	Electricity (thousand kWh)	8,892	7,526	6,387
	Utility Gas (thousand Nm <sup>3</sup> )	—	91.5	101.9

Offices	Type	FY2014	FY2015	FY2016
Total (Japan and overseas)	Electricity (thousand kWh)	82,708	78,708	75,883
	Utility Gas (thousand Nm <sup>3</sup> )	336	418	422
	Heavy oil (kL)	26.7	23.2	21.1
	Diesel fuel (kL)	0.09	0.09	0.07
	Gasoline (kL)	1,002	952	896

CO<sub>2</sub> Emissions(Unit: t-CO<sub>2</sub>)

Offices	Type	FY2014	FY2015	FY2016
Japan	Electricity	35,944	32,852	31,708
	Utility Gas	759	745	731
	Heavy oil	72.3	62.7	56.9
	Diesel fuel	0.23	0.23	0.16
	Gasoline	2,325	2,208	2,079
	Commuting (bus/railroad)*	—	—	1,443
	Total		39,100	35,868
	Scope 1	831	808	788
	Scope 2	35,944	32,852	31,708
	Scope 3*	2,325	2,208	3,521

\* CO<sub>2</sub> emissions from commuting by Daiwa Securities' officers and employees are calculated from FY2016.(Unit: t-CO<sub>2</sub>)

Offices	Type	FY2014	FY2015	FY2016
Overseas	Electricity	4,935	3,520	3,064
	Utility Gas	—	204	227

(Unit: t-CO<sub>2</sub>)

Offices	Type	FY2014	FY2015	FY2016
Total (Japan and overseas)	Electricity	40,879	36,372	34,772
	Utility Gas	759	949	958
	Heavy oil	72.3	62.7	56.9
	Diesel fuel	0.23	0.23	0.16
	Gasoline	2,325	2,208	2,079
	Commuting	—	—	1,443
	Scope 1	831	1,012	1,015
	Scope 2	40,879	36,372	34,772
	Scope 3	2,325	2,208	3,521

## Calculation Methods

Calculations have been made in accordance with methods stipulated in the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. In light of their relevance, figures for steam, cold water, and kerosene used at some offices are not included in calculations. There may also be discrepancies in the total amounts due to rounding.

## A) Electricity

Domestic: We use the CO<sub>2</sub> emission factor (actual emission factor) for each electricity supplier.

Overseas: Figures for CO<sub>2</sub> emission factors in 2014 are those published for each country by the International Energy Agency. Figures for CO<sub>2</sub> for 2015 and thereafter are calculated by using the latest figures published by the local government or electricity provider.

## B) Utility gas

Domestic: After consumption is calculated as the volume of gas at normal condition, each provider's CO<sub>2</sub> emission factor or calorific value and emission factor specified by law is used to calculate CO<sub>2</sub> emissions.

Overseas: Same calculation method as above "Japan" (calculated based on the calorific value and emission factor defined in the Act of Promotion of Global Warming Countermeasures). Data for FY2015 is included in calculations.

## C) Heavy oil and diesel fuel

Calculated on consumption basis.

## D) Gasoline

The fuel used in rental cars used as company cars. Categorized in accordance with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain.

## E) Commuting

CO<sub>2</sub> emissions were calculated using the commutation expense paid by Daiwa Securities to its officers and employees as well as the latest CO<sub>2</sub> emission factor per commutation expense for railroad and bus (commercial ride-sharing), published by the Ministry of the Environment.

★ CO<sub>2</sub> Emissions per Employee (Japan)

Offices	Type	FY2014	FY2015	FY2016
Japan	Per employee (t-CO <sub>2</sub> )	3.3	2.9	2.6
	Number of employees in Japan (persons)	11,938	12,229	13,836

\* Data is excluded from the scope of independent assurances. Calculated based on CO<sub>2</sub> emissions in Japan and the consolidated number of employees in Japan.

## Clean Water Consumption



Offices	Type	FY2014	FY2015	FY2016
Japan	Clean water (thousand m <sup>3</sup> )	118.9	117.7	117.1

## Waste

		FY2014	FY2015	FY2016
Paper waste	Non-paper waste (t)	317.7	320.3	310.4
	Recycling rate (%)	93.0	93.6	92.4
Non-paper waste	Non-paper waste (t)	221.2	210.6	211.5
	Recycling rate (%)	51.7	53.8	48.4

## Paper Consumption

	FY2014	FY2015	FY2016
Amount used (t)	179.6	184.2	175.6

## Environmental Accounting

## Boundaries

Sales branches of Daiwa Securities and Group companies residing in Gran Tokyo North Tower

## Environmental Preservation Cost\*1

(Unit: million yen)

Type	Description of Major Initiatives	FY2014		FY2015		FY2016	
		Investment Amount	Cost	Investment Amount	Cost	Investment Amount	Cost
Cost within business area	Global environment preservation						
	Introduction and upgrading of energy-saving air conditioners	510.6		274.1		439.1	
	Power receiving and transforming facilities	139.6		802.6		122.8	
Resource recycling	Eco-car leasing fee (for five years)		563.3		308.0		291.8
	Waste disposal cost*2		19.2		20.5		20.9
	Dissolution process cost*3		29.5		29.8		29.7
Total		650.2	611.9	1,076.7	358.3	561.9	342.4
Management activity cost	Management of environmental data, etc.		2		2		2
Social activity cost	Environmental preservation, etc.		1		1		1
Total		650.2	614.9	1,076.7	361.3	561.9	345.4

\*1 Other important facilities are partially included.

\*2 Daiwa Securities branches

\*3 Gran Tokyo North Tower

## Economic Effects Arising from Environmental Preservation Measures (Real Effects)

(Unit: million yen)

	FY2014	FY2015	FY2016
Amount of cost reduced	72.3	36.4	23.9
Amount of revenue (Recycle, etc.)	0	0	0
Total	72.3	36.4	23.9

## Report on Financial Capability

We report the deals we lead-managed by classifying them into items in an easy-to-understand way for our stakeholders in Japan in reference to the SASB's FN102-17.

☆**Industry Classification** ... Classified based on the Tokyo Stock Exchange's category of industry. Unlisted issuers are classified by Daiwa Securities Group Inc.

☆**Scope** ... Total amount of issues for which the Daiwa Securities Group served as lead manager.

For equity offerings, however, we include only the value of the Group's book-runner deals and exclude the tranches for which the Group did not serve as book runner.

☆**Figure** ... There may be discrepancies in total amounts due to rounding.

(Unit: billion yen)

Large Classification	Middle Classification	IPO	PO	CB	REIT (Equity)	Corporate Bond	Bond Issued by Government-Affiliated Special Corporation	Municipal Bond	Samurai Bond	Japan Housing Finance Agency (RMBS)
Fishery, Agriculture & Forestry	Fishery, Agriculture & Forestry									
Mining	Mining									
Construction	Construction		2.5			165				
Manufacturing	Foods		2.8			30				
	Textiles & Apparel									
	Pulp & Paper					15				
	Chemicals		0.8			230				
	Pharmaceutical					100				
	Oil & Coal Products					10				
	Rubber Products					20				
	Glass & Ceramic Products									
	Iron & Steel					30				
	Nonferrous Metals					60				
	Metal Products					45				
	Machinery					75				
	Electric Appliances			128		675				
	Transportation Equipment					90				
	Precision Instruments									
Other Products										
Electric Power & Gas	Electric Power & Gas	1				715				
Transport & Information and Communications	Land Transportation			10		662				
	Marine Transportation					20				
	Air Transportation					35				
Commerce	Warehousing & Harbor Transportation Services									
	Information & Communication	57.7	0.8			965				
Finance & Insurance	Wholesale Trade	60.6				20				
	Retail Trade	94.4	15.3			10				
Real Estate	Banks					277			786.2	
	Securities & Commodity Futures		3.7			137				
	Insurance					350				
	Other Financing Business					518			100	
Services	Real Estate		2.7			190				
Nonclassifiable	Services	2.2	92.1			90				
	Real Estate Investment Corporation				312	30.4				
	Public Entity						738	1,536	135	1,278.5
<b>Total</b>		<b>215.9</b>	<b>248.7</b>	<b>10</b>	<b>312</b>	<b>5,564.4</b>	<b>738</b>	<b>1,536</b>	<b>1,021.2</b>	<b>1,278.5</b>

## Glossary

### ●Active Fund

In contrast to passive funds, which are managed to mirror certain indexes, active funds are investment trusts and other funds managed by a fund manager who makes decisions concerning the stocks, bonds, and other assets to invest in and the investment ratios based on investment policies.

### ●AFP/CFP®

Certifications for financial planners. AFP is a certification in Japan, while CFP is a globally recognized credential.

### ●Biomass power generation plant

Facilities for generating power from water vapor and gas, generated by fermenting wood chips or sewage sludge and livestock excretion vulnerable to fermentation.

### ●Blockchain

A system of distributed ledger recording/managing transaction history across multiple computers on the network. Participants share all the data, which makes it difficult to falsify data. Blockchain is used in transactions using virtual currency, such as Bitcoin. The use of blockchain is being expanded to other application areas.

### ●CDP

This project is an affiliation of institutional investors concerned about climate change who demand that companies disclose information about their stance on environmental problems and initiatives addressing such problems.

### ●Cluster Munitions

A bomb containing multiple bomblets in a large shell that acts as a container. One bomb causes explosions over a wide area, enlarging the scope of damage. It has also been indicated that dealing with multiple unexploded bomblets from cluster bombs presents difficulties.

### ●Color Universal Design

A method of design that takes into consideration the use of color so that information can be conveyed to more people, keeping in mind people with varied color perception.

### ●Corporate Governance

The mechanism that allows for sound and efficient corporate management.

### ●Corporate Governance Code

Guidelines established by the Tokyo Stock Exchange with the aim to enhance corporate governance, which is a framework for companies to carry out transparent and fair, as well as prompt and decisive decision making, from the perspective of stakeholders. Securities Listing Regulations of the Tokyo Stock Exchange set out provisions requiring listed companies to comply with the Corporate Governance Code.

### ●Engagement

Dialogue and exchange of opinion between businesses and stakeholders.

### ●Environmental Accounting

To quantify necessary investment in corporate activities and its effect in an effort to reduce the environmental load of those activities.

### ●Fintech

Fintech is an abbreviation of financial technology and refers to innovative products and services that make use of cutting-edge information technologies.

### ●GRI

Global Reporting Initiative. An organization dedicated to proposing and promoting common international guidelines for sustainability reports.

### ●Human Rights Due Diligence

Verification performed to minimize adverse effects on human rights issues that could arise from business activities.

### ●iDeCo (individual-type defined contribution)

Corporate-type and individual-type defined contribution pension plans have been in place, and iDeCo is a nickname for the individual-type defined contribution pension plan with a broadened scope of eligibility. iDeCo is a private pension plan in which participants make contributions and decide which investment products to invest in and receive benefits based on the total of their contributions and investment returns. Special tax breaks apply to contributions.

### ●Impact Investment

A method of investment that, in addition to producing economic benefit, invests in assets with the intention of addressing social issues such as poverty and environmental problems.

### ●ISO 26000

A worldwide standard that provides guidance for social responsibility of organizations.

### ●Issuers

Entities that issues stocks/bonds to raise funds.

### ●LGBT

An initialism that stands for lesbian, gay, bisexual, and transgender.

### ●Materiality

The themes and aspects companies particularly focus on over the long term in a wide range of corporate activities. It is recommended that companies issuing sustainability reports should select and announce them according to the type of business and risk. (Refer to "GRI Index")

### ●Microfinance

A form of financial services for people on low incomes.

### ●Nippon Individual Savings Account (NISA)

Dividends and capital gains from stocks, investment trusts, and other investments are subject to ordinary income tax and local taxes, but this program exempts dividends and capital gains from new purchases up to 1.20 million yen for a maximum of five years.

### ●Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century)

Aims to expand investment and financing with the environment in mind, formulated as voluntary efforts of financial institutions in Japan.

### ●Principles for Responsible Investment (PRI)

PRI is a set of six principles launched by the UNEP Finance Initiative and the UN Global Compact in April 2006. This initiative asks corporate investors to incorporate ESG into their investment decision making practices.

### ●Risk Control Self-Assessment (RCSA)

The process whereby staff assess potential risks and related controls in the workplace. Typically, this method exposes potential risks through workshops and surveys.

### ●SRI

Socially responsible investment. An investment strategy where both financial return and social good are sought.

### ●Stewardship Code

The code of conduct established for institutional investors concerning their fiduciary duties. The Japanese version was formulated by the Financial Services Agency in February 2014.

### ●Supply Chain Management

To investigate issues involving a company's suppliers of raw materials and services, including their environmental and social challenges, to select suppliers based on the results of such investigations, and urge them to resolve the issues.

### ●Sustainability Accounting Standards Board (SASB)

A nonprofit organization established in 2011 in the United States. This organization aims for increased disclosure of non-financial information of companies traded on U.S. exchanges, and proposes industry-based sustainability standards.

### ●Sustainable Development Goals (SDGs)

An international agenda adopted at the September 2015 U.N. Summit comprising 17 goals and 169 targets aiming for the eradication of poverty and the creation of a sustainable world.

### ●UN Global Compact

A global initiative established through the advocacy of then-Secretary General Kofi Annan. Members support 10 principles in the fields of human rights, labor, environment, and anti-corruption in their business activities.

### ●Value Chain

Interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage.

### ●Work-Life Balance (WLB)

Balance between an individual's work and personal life.

## Independent Assurance Report



### Independent Assurance Report

To the President and CEO of Daiwa Securities Group Inc.

We were engaged by Daiwa Securities Group Inc. (the “Company”) to undertake a limited assurance engagement of the performance indicators marked with  for the period from April 1, 2016 to March 31, 2017 included in its CSR Report 2017 (the “Report”) for the fiscal year ended March 31, 2017, except for some performance indicators whose cumulative totals as of March 31, 2017 or figure for the period from January 1, 2016 to December 31, 2016 are the subject of this assurance engagement (the “Indicators”).

#### The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

#### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’, ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’, issued by the International Auditing and Assurance Standards Board, and the ‘Practical Guidelines for the Assurance of Sustainability Information’ of the Japanese Association of Assurance Organizations for Sustainability Information. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company’s responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and also recalculating the Indicators.
- Visiting to one of the Company’s domestic business sites selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

#### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

#### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

November 7, 2017

# Daiwa Securities Group



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