

Special Feature

Initiatives Aimed at Securing the Sustainable Growth of Daiwa Securities Group and Society

Contributing to society is a key element of Daiwa Securities Group's corporate principles. As such, we are fully aware of synergistic effects between economic and social value which we have continued to lay as the foundation of our management strategy.

Cognizant of the important role that social value plays in global financial and economic markets, evaluations that draw on such non-financial data as ESG information are today becoming increasingly prominent. As far as the Group is concerned, we have taken steps to reassess the social value generated by each business, and through our declaration to addressing Sustainable Development Goals (SDGs) reaffirmed management's commitment while increasing internal awareness toward the co-creation of a higher level of economic and social value.

Under the 2030 Agenda for Sustainable Development adopted by member states of the United Nations in September 2015, SDGs, consisting of 17 goals and 169 targets were identified to realize the Agenda's principal objects which are, "People," "Planet," "Prosperity," "Peace," and "Partnership," raised in the preamble.

In this Special Feature, we provide an overview of our business activities from the perspectives of these "five Ps."

For more information, please refer to the Initiatives through Business Activities pages of our CSR Report.
<http://www.daiwa-grp.jp/english/csr/report/archives/index.html>

Passion for
PROSPERITY



P.24

Passion for
PEOPLE



P.27

Passion for
PARTNERSHIP



P.34

Passion for the
PLANET



P.38

Passion for
PEACE



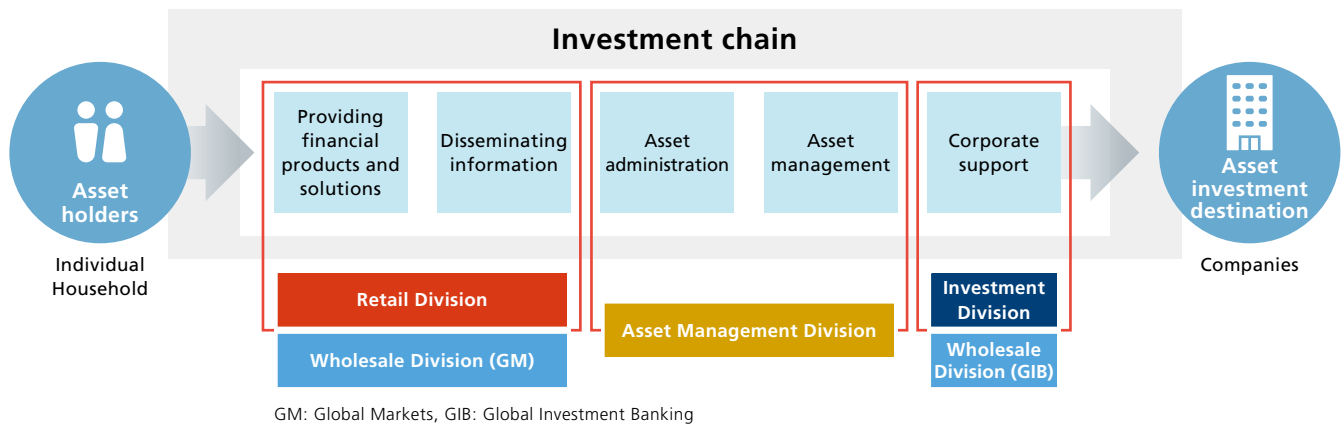
P.41

Passion for PROSPERITY



To ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature

The Role of Daiwa Securities Group in the Investment Chain



Daiwa Securities Group believes contributing to the sustainable development of society requires it to lead the investment chain to ensure an improved and balanced flow of funds, from investor asset formation to corporate action support. We also believe that fulfilling our mission and growing with society while maintaining healthy earnings requires us to form a strong relationship of trust with all our stakeholders.

Improving the sophistication of the investment chain

Examples of Creating Social Value

Example
1

Providing Financial Products and Solutions

Building a customer-oriented sales system

➡ **Division Strategies (Retail Division)** 📖 Page 48

➡ **Provision of Quality Service to Customers** 📖 Management Systems, pages 98-99 📖 CSR Report, page 19

- Basic Policy on Customer-oriented Operations (Daiwa Securities)* <http://www.daiwa.jp/policy/fiduciary.html>
- Efforts to Realize Customer-oriented Operations (Daiwa Securities)* http://www.daiwa.jp/policy/fiduciary_example.html

* Websites written only in Japanese

The solutions business

Offering wrap account services that meet the needs of our diversifying and increasingly sophisticated individual and corporate customers

We are promoting the development of wrap account services in line with the ideal of meeting all the varied needs of our customers, whatever their life stage.

Our wrap account services are based on investment discretionary contracts and include our suggestions for optimal portfolio performance according to each customers' basic policy and risk tolerance. Following the 2004 establishment of Daiwa SMA, we introduced Daiwa Fund Wrap in 2007 and have remained focused on improving quality while continually improving services and expanding the product lineup. Thanks to these continuous efforts and favorable support from our customers, the outstanding balance in wrap services exceeded ¥2 trillion in April 2018.

We introduced Daiwa Fund Wrap Premium in 2016, which includes inheritance-related services in line with the large inheritance era in which we are seeing an increase in customers' needs for inheritance preparation. These services include inheritance beneficiary designation services and an annual gift service, which converts some assets to cash which is then given to pre-designated family members. We also introduced Daiwa



Takashi Mamiya

Managing Director
Wrap and Fund Business Dept.
Daiwa Securities

Fund Wrap Online, which allows asset accumulation from ¥10,000 per month in order to meet the growing need for asset formation among our customers.

With the goal of meeting the more diversified and sophisticated needs of our customers, including corporate customers, we introduced Daiwa Advance Wrap in March 2018. This product combines Core Investment, which focuses on stable and long-term asset formation using flexible international diversified investment, and Satellite Investment, which is based on the customer's preferences. We will continue to evolve our wrap account services to become our customers' first choice and their best partner.

Example
2

Disseminating Information

The Daiwa Securities Equity Research Department provides investment information and ideas to institutional investors. We are enhancing our ability to provide ESG-related information by bolstering our organizational structure, including through the placement of multiple staff members in this field.

Daiwa Institute of Research is responsible for the Group's think tank activities and under this function is committed to disseminating a wide range of information related to the capital markets and the real economy, providing policy advice, and disseminating ESG-related information.



Daiwa Securities Equity Research
Department report
April 2018
Renewable energy chosen voluntarily
by consumers



Daiwa Institute of Research
Research Quarterly Review
Vol. 28 Fall 2017
Special Issue: Pressure to Tackle
ESG Issues

**Example
3****Asset Administration and Asset Management**

On September 26, 2017, three ESG-related ETFs set up by Daiwa Asset Management were simultaneously listed on the Tokyo Stock Exchange. The first ETFs in Japan focusing on ESG are designed to track the MSCI Japan Empowering Women Index, the MSCI Japan ESG Select Leaders Index, and the FTSE Blossom Japan Index, the three indexes in which the Government Pension Investment Fund (GPIF) is conducting passive investment operations.


Use of these ETFs allows not only institutional investors, but also individual investors to make equity investments based on ESG assessments.

Japan's First ESG-related ETFs

- **Daiwa ETF**
FTSE Blossom Japan Index
- **Daiwa ETF**
MSCI Japan ESG Select Leaders Index
- **Daiwa ETF**
MSCI Japan Empowering Women Select Index (WIN)

Daiwa Asset Management

- A customer-oriented business conduct policy and examples of initiatives for customer-oriented business conduct*

 http://www.daiwa-am.co.jp/company/profile/service_policy.html

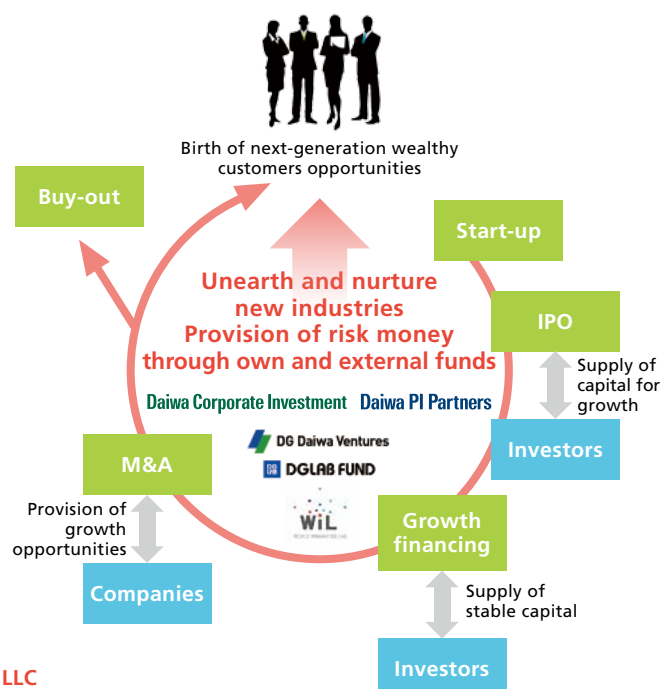
* Website written only in Japanese

**Example
4****Corporate Support****The Fund Ecosystem Concept**

Daiwa Securities Group is focused on strengthening its efforts in open innovation.

In one example, we are making further use of Daiwa Innovation Network, a business matching event for large corporations and venture firms that focuses on discovering and nurturing new businesses and industries.

In addition to Daiwa PI Partners and Daiwa Corporate Investment, the Group provides risk money through external venture capital funds such as DG Daiwa Ventures (established in 2016 as a joint venture with Digital Garage), and funds managed by WiL, LLC, showing its commitment to building and strengthening the Daiwa Fund Ecosystem that provides investment opportunities and supports the cycle of corporate growth.

Conceptual Diagram of Daiwa Fund Ecosystem**Key investments made by venture capital funds managed by WiL, LLC**

- Raksul Inc.: Listed May 31, 2018
- Mercari, Inc.: Listed June 19, 2018



To end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment

1. Daiwa Securities Group's Job Satisfaction Innovation

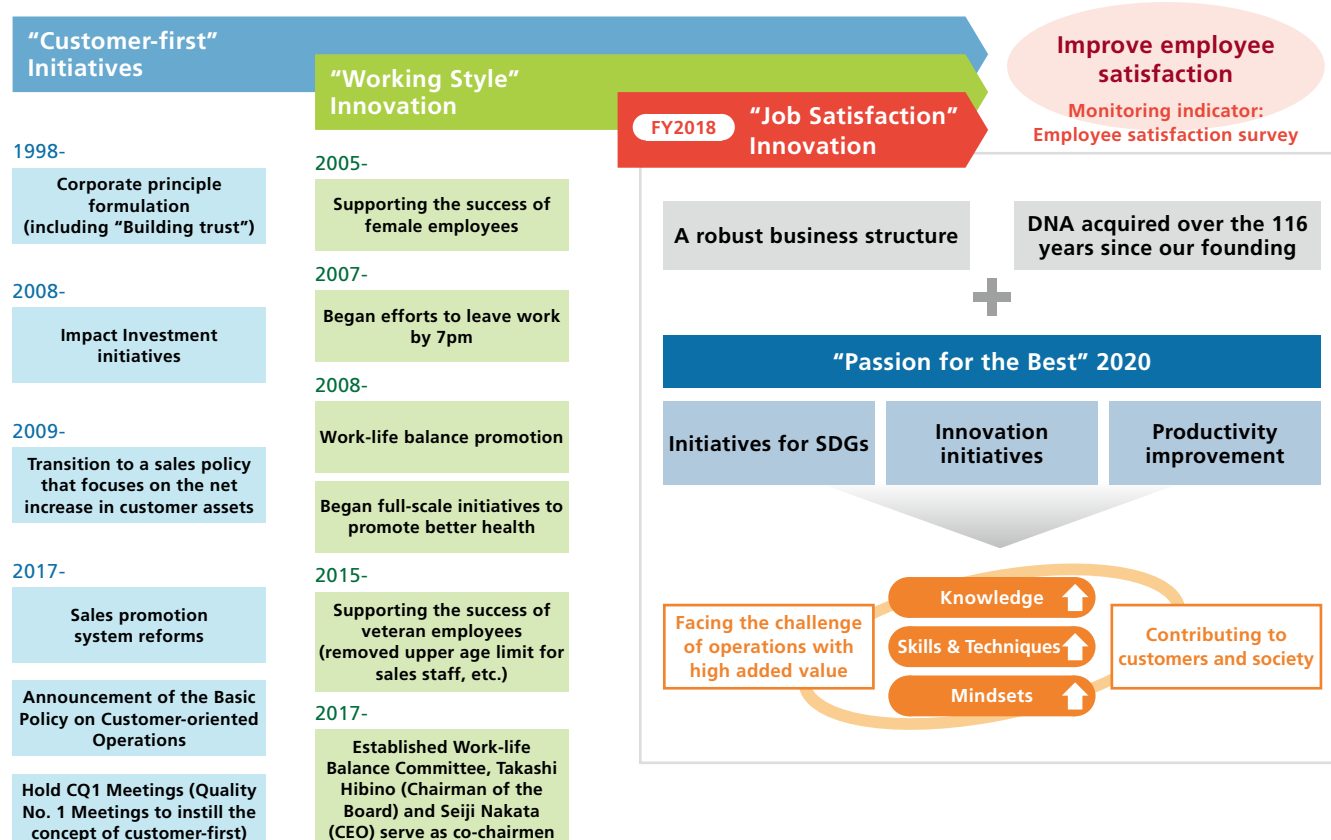
Customer-oriented Operations are the foundation for achieving the industry's highest quality. We believe that elevating customer satisfaction, however, is only possible when employees are highly motivated.

Daiwa Securities Group has upheld the concept of delivering the industry's highest quality as our primary management theme since April 2017. Since this time, we have worked to introduce Q-Road, a newly established education program designed to train young employees, and to introduce CQ1* meetings, which aim to enhance quality.

Further raising productivity as we move forward is enabling us to undertake the challenge of operations with high added value, improve work-life balance, and produce significant results through business reform. Likewise, we are working to evolve the Working Style Innovation we have undertaken thus far into Job Satisfaction Innovation, thereby creating a stronger positive cycle of customer satisfaction and employee satisfaction.

* Clients first, Quality No. 1

Initiatives Aimed at Enhancing Employee Satisfaction



Quality No. 1

Employees' productivity No.1	Employees' participation No.1	Employees' job satisfaction No.1
<ul style="list-style-type: none"> ■ We will develop human resources who are able to provide solutions that add high value through Quality No.1 with a high-level of integrity and expertise ■ We will engage in the improvement of productivity through increased work efficiency, and establish an environment that generates time for creating innovative results 	<ul style="list-style-type: none"> ■ Development of professional human resources with the proper knowledge, skill & techniques and mindset ■ Establishment of an environment where employees can continue to work vibrantly from junior personnel to veterans 	<ul style="list-style-type: none"> ■ Establishment of the best workplace environment enabling each employee to feel satisfaction and joy in their work, and face challenges while exhibiting their full potential ■ Realization of a high level of work-life balance to enable participation by diverse human resources
Productivity KPI <ul style="list-style-type: none"> ● CFP & securities analysts ● Holders of high-level qualifications ● Global personnel and IT personnel ● Work efficiency index 	Participation KPI <ul style="list-style-type: none"> ● Progress of Q-Road and DBP*¹ ● Targets related to encouraging women to succeed*² ● State of self-improvement by veteran employees*³ 	Job Satisfaction KPI <ul style="list-style-type: none"> ● Employee satisfaction survey

*1 Daiwa Basic Program

*2 Percentage of women in management positions, percentage of women hired, percentage of women receiving training, percentage of men taking childcare leave, percentage of people taking annual leave

*3 Number of recipients of ASP (Advanced Skill-building Program) lectures

2. Education and Training System

Training for Young Employees

Daiwa Securities Group defines the first two years after new employees who have recently graduated from university and have entered the Company as the period of basic education for becoming professionals. During this period, new hires attend the Daiwa Basic Program, which we have greatly expanded in terms of content since FY2015. This program includes a set of predefined items and benchmarks that must be mastered, and trains new graduate hires by combining group training, OJT, e-learning, and support for acquiring qualifications in an organic manner. Moreover, in FY2017 we introduced the Q-Road education program for employees in their third to fifth years of employment. This program has evolved to enhance the knowledge, skills and techniques, and mindsets required to achieve the industry's highest quality, and specifies high-level goals to be achieved by the fifth year of employment, thereby encouraging the growth of employees.

Skill Training

Daiwa Securities Group provides skill training as an opportunity to acquire the skills and expertise required for employees to enhance the skills and techniques that they themselves desire to strengthen. In FY2017, we expanded the e-learning options to establish a system that is better able to address the motivation for self-improvement among our employees than before.

Locating a Baby Salon at the Training Center

Starting with the training programs held during the first half of FY2018, we decided to locate a Baby Salon (short-term child care facility) at the training center to provide an environment that allows employees currently raising children to more easily participate in training. By enabling employees to entrust their preschool age children to the Baby Salon during training periods and to stay overnight with their children in the same room when necessary, we have taken into consideration the ability of employees, regardless of gender, to participate in training free from worry.

Since FY2015, the Group has offered ASP (Advanced Skill-building Program), a training program designed to continuously enhance the skill level of employees aged 45 and over. Moreover, we introduced the License Certification System, which provides favorable treatment to employees continuously engaged in enhancing their skills. Over the three years since these programs were introduced, approximately 1,500 employees, 60% of our employees aged 45 and over, have participated in the more than 15,000 seminars offered by these programs.

The Group is expanding the following systems for the purpose of training globally minded employees and promoting the mastering of management skills unrivaled throughout the world.

- International MBA Study Abroad Program
- Global Expert Course
- Global Trainee Course
- International Business School Attendance

3. Employee Support Systems

Until now, Daiwa Securities Group has worked to create an environment in which all employees can succeed, particularly young employees, female employees, and veteran employees, and has actively improved various programs and made investments in human resource development. As a result of these activities, for four consecutive years we have received the honor of being listed as a Health & Productivity Stock and a Nadeshiko Brand Stock, both organized jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. Of all of the companies listed on the Tokyo Stock Exchange, only four have successfully received both honors four years in a row.

Encouraging Women to Succeed

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 in internal publications, 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 website. Female executives as well as heads of each department, office, and branch give advice on the concerns and inquiries of female employees.

There are a total of seven women in top management positions across the Group, including two female executives (director and corporate executive officer) at Daiwa Securities Group Inc. The number of women in management positions has increased every year, totaling 424 women at Group companies as of March 31, 2018. The ratio of women in management positions has risen from 2.2% (at the end of FY2004) to 9.4% for the Group, and from 2.3% to 11.6% for 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 have 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, the Group 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.

The Group has a proven track record of implementing a wide range of initiatives that help female employees reach their full potential. Daiwa Securities 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 through FY2020 (Daiwa Securities)

- Ratio of women in management positions: Over 15%, more than five times the ratio reported in FY2005
- Ratio of women among new graduate recruits: Stable at 50%
- Ratio of women participating in training programs: 50%
- Annual leave utilization rate: Over 70%
- Ratio of men utilizing childcare leave: 100%

Introduction of a Student Loan Repayment Support System

Currently, approximately one third of university and graduate students in Japan rely on student loans, making the burden of repayment a challenge for society. In August 2018, Daiwa Securities Group introduced a system to help our employees repay their student loans. Through this system, the Group temporarily takes over the entire student loan and lends an equivalent value to the employee interest free. Repayment is deferred for the first five years after entering the company.

Promoting Health and Productivity Management

In order to balance the happiness of our employees with the enhanced productivity of the company, since FY2015 Daiwa Securities Group has worked to strengthen its health and productivity management system and to introduce various measures to establish an environment in which our employees can continue to work vigorously and actively over the long term. In FY2016, we introduced the KA•RA•DA Iki Iki Project, a project aimed at improving health and productivity. The project includes initiatives that award points for participating in health improvement programs and for attending health literacy seminars. These points can then be exchanged for donations to social contribution activities and health-related gifts. In FY2017, we introduced a plan to support employees who have been diagnosed with cancer so that they can continue to work worry-free while receiving treatment. Looking to the future, we will continue actively working to promote the health of employees from a managerial perspective.

External Evaluations

Nadeshiko Brand (Companies with excellent track records in empowering women)

Selected Four Years Running

Ministry of Economy, Trade and Industry/
Tokyo Stock Exchange



Certified as a Family-Friendly Employer (Platinum Kurumin)

Ministry of Health, Labour and Welfare



Health and Productivity Stock Selection

Selected Four Years Running/Selected Two Years Running

Ministry of Economy, Trade and Industry/Tokyo Stock Exchange



Tomonin Mark for Promoting the Creation of a Work Environment That Balances Work and Family Care

Ministry of Health, Labour and Welfare



Toward the Industry's Highest Quality

Daiwa Securities Group is aiming to become one of the most excellent firms with the ability to boast the industry's highest quality. The industry's highest quality, however, stands on the individual professionalism of our employees, the most important asset of the Group. We spoke to sales branch and head office staff at Daiwa Securities about the industry's highest quality for which they are aiming as individuals.

- ① How do you define the highest quality?
- ② What specific actions are you taking to realize the highest quality?
- ③ What actions do you take to improve quality within the limited time available?
- ④ What are the challenges and goals in quality improvement?

- ① My definition of the highest quality is when customers feel they can ask me anything regarding inheritance. As a result, my ultimate goal is for customers to feel that they can entrust all of the assets they have entrusted to other financial institutions to Daiwa Securities. This is why I study every day so that I can address any question regarding inheritance.
- ② In general, I have never met most of my customers before. Moreover, I listen to my customers, who can be wives who have lost their husbands and are due to receive an inheritance, for example, during very difficult periods of their lives. I have heard that first impressions are made in two minutes, which is exactly why I place importance on first impressions in striving to earn the trust of my customers. Moreover, I do my best to pay careful attention and listen to my customers' stories, including their memories of the deceased. This is a very delicate period, so I also pay very careful attention to the timing of contacts, procedures, and follow-up proposals.
- ④ Inheritance is a process by which money is transferred from one generation to the next, for example from husbands to wives and then to daughters and sons. In this way, money can remain within Daiwa Securities through the generations. This is why I want our customers to trust me as the gateway for the Group and why I want to become the representative that they think of first.



Yuko Uemura

Director, Client Support Dept.
at Kyoto Branch
Daiwa Securities
(Inheritance Consultants)



Takaaki Nagano

Director, Corporate Clients Banking
Dept. (V)
Daiwa Securities

- ① My definition of the highest quality is the thank you I receive from my customers. As with individuals, it is also very difficult to receive a thank you from corporate customers, and it is impossible to reach this point without delivering a truly added-value solution.
- ③ Of the actions that I must take, I think the most important is ensuring that I do not reduce my time with my customers. Given the time restrictions, this is why I work to improve my efficiency during office work. I focus my priorities on making the most efficient choices, ranking tasks, and working without sacrificing quality.
- ④ I want to truly and thoroughly know my customers, and, with an eye to the future, be able to make proposals that my customers have yet to imagine. Although I become frustrated with myself when I fail to do so, I hope to further improve myself as a way of gaining their trust. There are many employees within the company that have a firm understanding of both Japan and the international climate and play a global role, so another one of my goals is to succeed in this way.



Satoshi Yazawa

Director, Global Equity Sales Dept. (II)
Daiwa Securities

- ① My customers are institutional investors, and we are in the position of being evaluated by broker rankings. If we achieve the number one position on the broker rankings, we will receive the greatest volume of orders. Therefore, we must ask ourselves what we must do to achieve the number one position. There are many individuals among my customers with far more knowledge than myself. This is why I study intensely and desire to become a presence that makes my customers think first of consulting Daiwa Securities. Investment trust asset managers are my customers, but beyond them, the retail customers buy their investment trusts. My goal is to ensure profits for both and that both are happy.
- ② I maintain an awareness and hope that my customers can recognize the positive and attractive aspects of Daiwa Securities as a company. For me, this is not just a job that I do. Therefore, I myself work to maintain a deep understanding of the company, including our bases in Japan and overseas, and thereby grasp the kinds of solutions that we can deliver.

Financial Education Initiatives

Daiwa Internet TV

In 2000, Daiwa Securities Group began Daiwa Securities Information TV, Japan's only channel dedicated to securities information, on multichannel pay TV broadcast service "SKY PerfecTV!" Following on from this, we have been producing Daiwa Internet TV at our own studio and distributing it to anyone who wants to watch for free since April 2011. Along with broadcasting timely Tokyo market information five times a day, the programs broadcast market information from Hong Kong and New York locally every day.

In addition, the programs broadcast corporate information and video reports in which analysts and economists from Daiwa Securities and Daiwa Institute of Research appear and explain current issues in an easy to understand manner.

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 strive to produce programming that supports the transition from savings to investment so that the programs are viewed by both investors and those without investment experience.



<http://www.daiwatv.jp/>

iDeCo Partnership Seminars

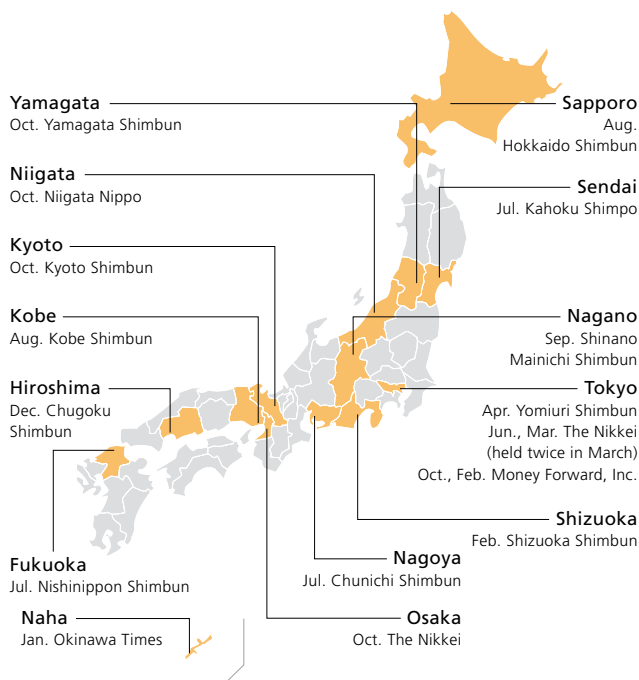
Since FY2017, Daiwa Securities has worked with newspaper companies and others to hold iDeCo Partnership Seminars during the weekends and weekday evenings for those in the working generation. In FY2017, a total of 19 seminars have been held and attended by 4,021 participants.

By inviting comedians and other celebrities as guests to the seminars held around Japan, we have helped customers become familiar with and gain an understanding of iDeCo. Moreover, through the cooperation of the Sales Planning Department, Daiwa Direct Planning Department, and local sales branches, these seminars have served as a good opportunity for those among the working generation, who often have jobs that prevent them from easily visiting branches during the weekdays, to learn about Daiwa Securities. Going forward, we plan to continue these types of initiatives as a chance for those in the working generation to recognize the importance of asset building and as an opportunity to know Daiwa Securities Group.



Seminar panel discussion

iDeCo Partnership Seminars Held in FY2017



FinTech Revolution

On April 3, 2018, Daiwa Institute of Research published FinTech Revolution. As a group-wide Daiwa Institute of Research project, the book was authored by members with knowledge on the forefront of finance and systems from six departments within Daiwa Institute of Research and Daiwa Institute of Research Business Innovation. The book investigates this topic from the perspective of forecasting the future of finance a decade from now based on cutting-edge cases of FinTech.



Participating in Nikkei Business Raise Online Internships

Daiwa Securities Group participated in the Nikkei Business Raise opinion platform established by the Nikkei Business Online business information site. This platform offers online internships that enable participants to acquire trial work experience over the Internet.

Internships provided by companies have been problematic in the past because they are only able to accept a limited number of applicants and because overlapping timeframes have made it difficult for students to participate in multiple internships. Nikkei Business Raise enables university students to learn about business practices, such as product development and marketing, over the Internet from employees of each participating company and to debate the ways in which companies can contribute to society.



<https://raise.nikkeibp.co.jp/media/new>

Passion for PARTNERSHIP



To mobilize the means required to implement this Agenda through a revitalized Global Partnership for Sustainable Development, based on a spirit of strengthened global solidarity, focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people

Collaboration between a traditional securities business and diversified business portfolio

Integrated Securities Group with a Hybrid Business Model

Advantageous Position in the Securities Business

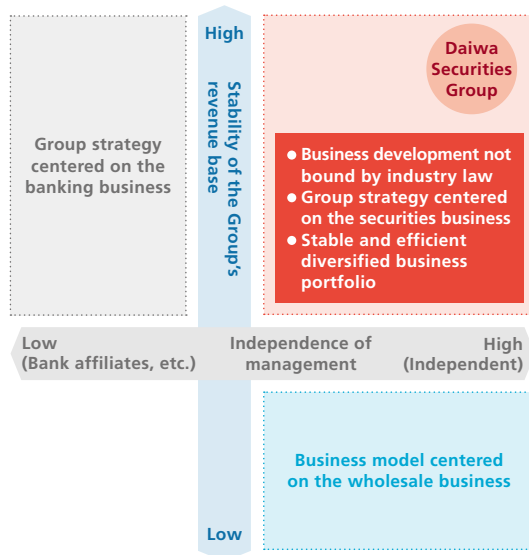


Image of Hybrid Securities Group



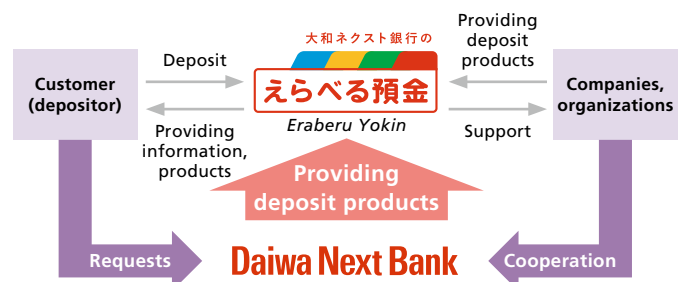
1. Banking Business

Eraberu Yokin

Within Daiwa Securities Group, Daiwa Next Bank in November 2017 launched *Eraberu Yokin* (a deposit account that provides value in ways other than traditional interest rates). Co-created with customers, companies, and organizations, this product consists of three types of fixed-term deposit account where (1) depositors can receive presents from the bank's various partner companies, (2) support groups such as non-profit organizations provide social services through donations that cover the interest gap between time deposits and normal deposits, as well as an additional grant from Daiwa Next Bank, and (3) depositors can be excited by predicting index and

forex rate trends to receive a prize. As of the end of July 2018, there were more than 13,000 *Eraberu Yokin* accounts, with total deposits reaching about ¥15.6 billion. The donation type accounted for about 30% of all *Eraberu Yokin* accounts.

Eraberu Yokin Platform



2. Real Estate Asset Management Business

Received GRESB Green Star Certification for Sixth Consecutive Year

Daiwa Real Estate Asset Management participated in the 2017 Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment for Daiwa Office Investment Corporation and earned the Green Star designation for the sixth year in a row.



GRESB is used by major European pension funds and others in making decisions related to investment destinations. Use has spread to other institutional investors, including life insurance companies and investment trust management companies, as well as to the US and Asia.

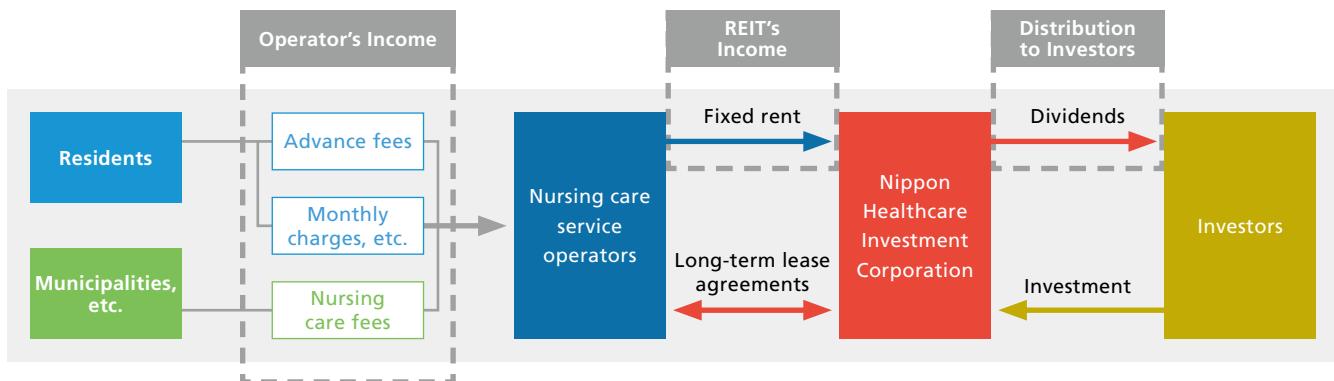
Daiwa Securities Group is committed to improving its sustainability performance as it remains faithful to its environmental and social responsibilities.

Nippon Healthcare Investment Corporation

Nippon Healthcare Investment Corporation listed on the REIT section of the Tokyo Stock Exchange in November 2014 as Japan's first REIT specializing in healthcare facilities.

While providing residents with fee-based private nursing homes, elderly housing with supportive services and others, the mechanism of healthcare REITs is such that it also leases business assets to operators and receives rent from the operators who are the lessees. Therefore, the healthcare facilities owned by healthcare REITs have the feature of being management-type facilities.

The Healthcare REIT Mechanism



3. Initiatives Aimed at Creating Next-generation Financial Services

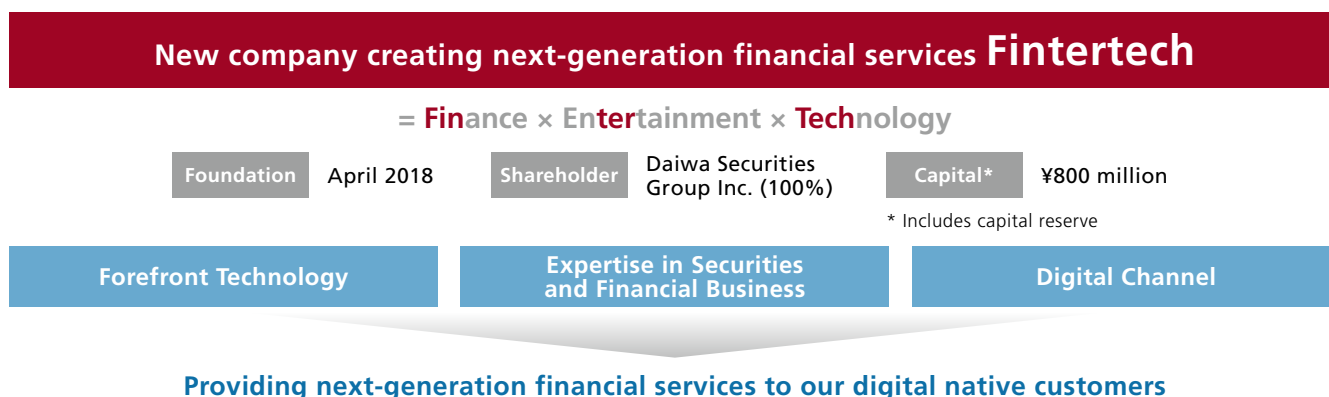
With the goal of fostering new businesses and the next generation of securities platforms, we are focusing our attention on a variety of promising areas while partnering with the leading companies in each of these fields.

Cooperation with Finatext and Smartplus

Daiwa Securities Group Inc. forged an agreement with Finatext to establish a next-generation securities platform in November 2017. Finatext subsidiary Smartplus announced STREAM, an SNS app allowing the exchange of stock trading information, in April 2018, launching the registration of users at the same time. Operations in full began in July 2018 with the addition to the STREAM app of a function allowing the trading of stock without the conventional fees.

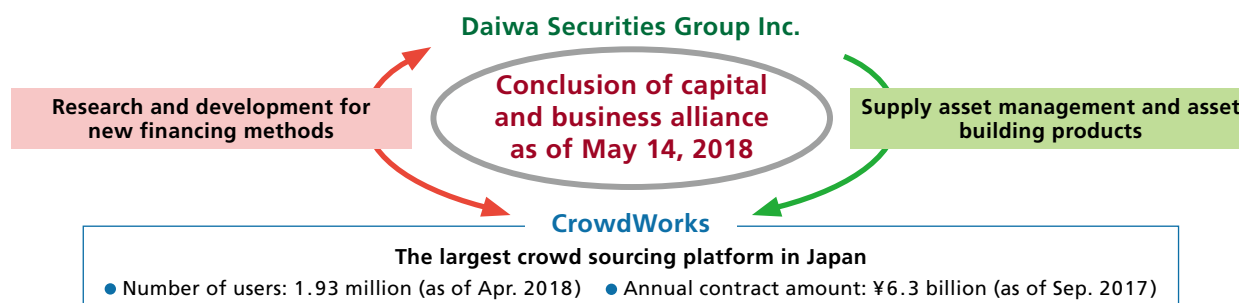
Fintertech

Fintertech was established with the aim of flexibly providing through a variety of channels using cutting edge technologies and digital media, a wide array of goods and services to meet the ever diversifying needs of our digital native customers.



CrowdWorks

Daiwa Securities Group Inc. has entered into a capital and business alliance with CrowdWorks, which provides the largest crowd sourcing platform in Japan to match the needs of those applying for work and those undertaking work (crowdworkers) over the Internet. We intend to continue working with the company to develop and provide services bolstering asset formation for these “crowd workers.”



4. Initiatives in the Overseas Business

Strengthening the global M&A network

➔ **Strategies by Division (Wholesale Division)**  Page 53

The Asia Alliance Strategy

Daiwa Securities Group has forged alliances with a number of financial institutions throughout Asia and remains focused on leveraging economic growth in the region to bolster our presence in the market.

In Vietnam, where real GDP expanded 6.8% in 2017 and growth moving forward appears likely to remain firm, we have more than 20% equity in SSI (formerly Saigon Securities), the largest securities firm in the country, in line with our efforts to promote cooperation in the equity brokerage and investment banking businesses. By advancing our alliance strategy to take advantage of economic growth in Asia, we are creating synergies with existing businesses while preparing for changes in the global competitive environment.

Private Equity Investment in Myanmar

Daiwa PI Partners has been actively focused on private equity investment in Myanmar since 2016 given the trend toward economic openness and deregulation in the country in line with the government making changes to corporate and investment laws and regulations. We have invested in FRONTiIR, one of Myanmar's largest Internet service providers, as well as OWAY, a Yangon-based online travel booking and taxi-hailing service. The total amount of investment for the two projects is about \$17 million, which makes it the largest investment in Myanmar by a Japanese financial institution. With new economic development just under way, there are a number of companies in Myanmar with the potential for growth. We intend to provide capital for growth to these companies, bolstering their expansion while simultaneously contributing to an improvement in the standard of living and social infrastructure for the people of the country.



FRONTiIR



A three-wheeled taxi operated by OWAY in Mandalay

5. Coexistence with Regional Economies

Revitalizing Local Economies through IPOs

In Global Investment Banking, we are taking advantage of our group's domestic network to support the development of promising companies in local economies. We are focused on finding new IPO projects based not only on the information from group offices and sales branches nationwide, but also through agreements with local financial institutions in which they will introduce us to the leading companies in local markets they know so well. Through these activities and listing of local companies, we aim to help revitalize local economies.

Passion for the PLANET



To protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations

Noting the importance of international cooperation, Daiwa Securities Group is a participant in the United Nations Environment Program Finance Initiative (UNEP FI) and a supporter of the Task Force on Climate-related Financial Disclosures (TCFD).



Outline of the TCFD

At the request of the G20, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) in December 2015 to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful investment information. The TCFD released its final report, Recommendation of the Task Force on Climate-related Financial Disclosures in June 2017, and had secured the agreement of more than 280 companies around the world as of May 2018.

1. Green Bonds

Since Daiwa Securities Group launched sales of vaccine bonds to individual investors in 2008, the domestic ESG/SRI bond market, including Green Bonds, has been developed mainly with individual investors. In addition, the issuance of green bonds, mainly overseas, jumped sharply after the International Capital Market Association established the Green Bonds Principles in 2014. The Japanese government thereafter launched its support, with the Ministry of the Environment in Japan formulating in March 2017 its Green Bonds Guidelines, 2017 and proposing a variety of related measures. This contributed to enhanced green bond interest not only by individual investors, but also institutional investors in Japan.

The Group has been active since 2008 in developing the ESG/SRI bond markets in Japan and overseas as a means to promote Impact Investment that contributes to solving environmental and social issues. In addition to practical achievements such as being a lead manager in the Development Bank of Japan's successful effort to become the first Japanese bank to issue green bonds in the Euro market and Nacional Financiera launching the first green bond issuance in Mexico, the Group is promoting the spread of ESG/SRI bonds, including green bonds, in Japan and overseas, for example, by participating in the International Capital Market Association's working group on Green Bond Principles and serving on the committee developing the Ministry of the Environment's Green Bond Guidelines, 2017.

The issuance of green bonds entails additional costs and procedures for the issuer, including selection of the use of funds and the reporting of results, and given the additional burdens on the investor, including in regard to establishing new investment standards, there remain a number of challenges to overcome before these bonds become more prevalent. The Group is committed to ongoing educational activities aimed at deepening knowledge in this area among investors and issuers, leveraging its leading position in the industry in impact investment bonds while simultaneously contributing to an expansion in the market by providing reliable solutions to both investors and issuers.

Green Bond Underwriting

	Issuer	Fund use	Sales amount (Estimate)
FY2016	Crédit Agricole CIB	Extending loans to companies and projects that contribute to environmentally friendly economic and social development	¥6.3 billion
	Central American Bank for Economic Integration (CABEI)	Supporting climate change mitigation and adaption projects in Central America	¥7.7 billion
FY2017	Asian Development Bank (3 currencies)	Efforts aimed at addressing climate change in the Asia-Pacific region	¥8.0 billion
	Tokyo Metropolitan Government	Efforts involving shifting to LED lighting in city-owned facilities and roads, shoring up small and medium-sized rivers, upgrading Tokyo Bay and Island preservation facilities, and addressing the heat island effect (improving heat shielding, water retention)	¥2.0 billion

Note: Tokyo Metropolitan Green Bond was underwritten by five companies, including Daiwa Securities. The amount in the sales column represents the Daiwa Securities portion.

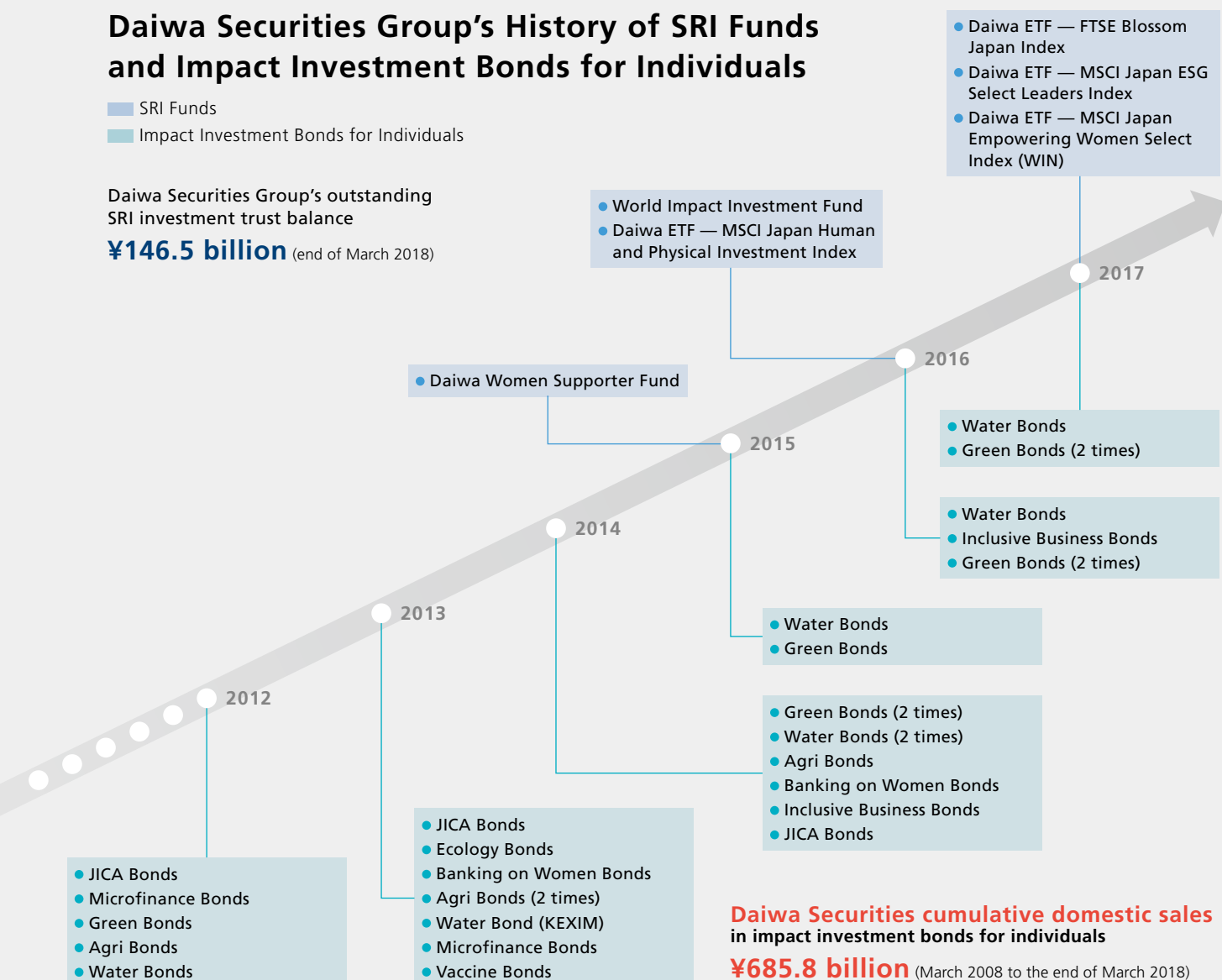
Daiwa Securities Group's History of SRI Funds and Impact Investment Bonds for Individuals

■ SRI Funds

■ Impact Investment Bonds for Individuals

Daiwa Securities Group's outstanding SRI investment trust balance

¥146.5 billion (end of March 2018)



2. Expanding the Renewable Energy Business through the Establishment of Daiwa Energy & Infrastructure Co. Ltd.

Daiwa Securities Group established Daiwa Energy & Infrastructure Co. Ltd. in July 2018 with the goal of promoting investment and loans in renewable energy.

Daiwa PI Partners, which handles Daiwa Securities Group's investment function, has been working to resolve social issues, including in regard to the conversion of the energy supply structure, through investment in renewable energies.

In order to further develop these efforts, the Group in July 2018 established Daiwa Energy & Infrastructure, a new company focused on investment and loans in energy and infrastructure. Daiwa PI Partners will transfer its energy investment function to the new company. The Group is also establishing alongside GI Capital Management Ltd., the Daiwa GI Green Fund, which only invests in newly set companies in domestic solar power.

The Group is participating in investment and development of eight solar power projects, and seven of these, including the Iwamizawa solar power plant in Iwamizawa, Hokkaido are being developed solely by the Group, have already achieved stable operations. The large-scale solar power plant in Tomakomai, Hokkaido is still under construction, but is expected to be completed in summer 2018.

In the field of biomass power generation, the Group in a capital and operational tie-up with Green Thermal Co. Ltd. is making steady progress in development of the woody biomass power plant, which uses as primary fuel unused wood materials. The first project in Yonezawa, Yamagata Prefecture is expected to come online in 2018, with the second power generation project in Kamitonda, Wakayama Prefecture expected to reach completion in 2020.

Through the new company, the Group aims to promote investment and loans focused on renewable energies.



Solar power generation
(Taki District, Mie Prefecture)



Biomass power generation
(Yonezawa, Yamagata Prefecture)

Daiwa PI Partners Development of and Investment in Solar Power Generation Plants (including under construction)

As of the end of July 2018

Taki No. 1 power generation plant (Taki, Taki District, Mie Prefecture)	4,070kW	Masuura Kushiro Solar Power Plant (Kushiro City, Hokkaido)	2,190kW
Iwamizawa Solar Power Plant (Iwamizawa City, Hokkaido)	8,970kW	Boyo Kushiro Solar Power Plant (Kushiro City, Hokkaido)	1,410kW
Ofunato Solar Power Plant (Ofunato City, Iwate Prefecture)/Joint investment	19,830kW	Kan-onji Solar Power Plant (Kan-onji City, Kagawa Prefecture)/Joint investment	1,150kW
Tomakomai Solar Power Plant (Tomakomai City, Hokkaido)/Joint investment	38,400kW	South Yonezawa woody biomass power generation plant (Yonezawa City, Yamagata Prefecture)	6,250kW
Takatoku Nikko Solar Power Plant (Nikko City, Tochigi Prefecture)	16,744kW	Kinan woody biomass power generation plant (Kamitonda, Nishimuro District, Wakayama Prefecture)	6,800kW
Total output capacity			105.8MW
Amount of electricity		Consumed by approximately 52,000 households per year (converted to a per household power consumption basis)	

Passion for PEACE



To foster peaceful, just and inclusive societies which are free from fear and violence. There can be no sustainable development without peace and no peace without sustainable development

Initiatives Aimed at Preventing Organized Crime Groups from Engaging in Anti-social Behavior, Acts of Terrorism, and Other Activities Including Money Laundering

Daiwa Securities Group believes that eliminating anti-social forces, an especially important social requirement in Japan, preventing organized crime from engaging in such acts as international terrorism and money laundering as a matter of global consensus, and stopping organizations and individuals identified by international institutions from utilizing finance and capital markets are key issues in maintaining the trust of customers. As a result, we have put in place the structures and systems necessary to confirm business partners.

Investment Policy against Cluster Munitions Producers (Daiwa Asset Management Co. Ltd.)

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 established basic principles for investments in, and other actions against, cluster munitions producers.

- 1 Daiwa Asset Management shall not invest in securities issued by cluster munitions producers in active funds. In cases where the active funds hold such securities, Daiwa Asset Management shall immediately sell the securities.
- 2 In cases where withdrawal from, or contraction of, the business for producing cluster munitions is proposed at shareholders' meetings of cluster munitions producers, Daiwa Asset Management shall agree with such shareholders' proposals.

Passion for SDGs 2018 -Daiwa Securities Group's SDGs Declaration-

Daiwa Securities Group recognizes the Sustainable Development Goals adopted by the United Nations in 2015 as overarching goals to lead the world. Through our Group business, we will work actively toward the realization of a prosperous society and the improvement of people's lives by pursuing both the Company's economic value and solutions to social challenges at the same time.

Creation of Shared Values

As an integrated securities group that provides a wide range of services for various customer needs, we will work to provide solutions to social challenges with a flexible mindset to create the Company's economic value and social value at the same time.

Stakeholders and Partnerships

By utilizing our Group quality of taking a leading role in connecting countries, companies and investors, we aim to contribute to various social business solutions through partnerships with each of our stakeholders.

Developing and Realizing Work Styles for Diverse Human Resources

With measures like the promotion of better work-life balance and the success of female and veteran employees while creating a working environment in which our employees, regardless of their gender and age, would feel satisfying to work in and would demonstrate their potential fully, we will endeavor to develop diverse human capital and work styles.

Increase Recognition and Enhance Penetration

We will try to increase awareness and a deeper understanding of SDGs among both our employees and customers through our Group business as a main player in the financial and capital market.

Creating the Future through SDGs

SDGs (Sustainable Development Goals) are critical targets that provide momentum for the future of the world. In this light, Daiwa Securities Group established the SDGs Promotion Committee as a means of working through the Group's business in financial and capital markets to tackle solutions to social issues. The Committee's purpose is to gather and organize information on the latest initiatives related to SDGs in Japan and overseas, and to discuss Group-wide approaches. In May 2018, Daiwa Securities Group declared its full-scale deployment of initiatives aimed at SDGs in its "Daiwa Securities Group's SDGs Declaration". Seiji Nakata, CEO of Daiwa Securities Group Inc., and Professor Norichika Kanie of Keio University, an invited outside committee member of the SDGs Promotion Committee, exchanged their thoughts on the future of initiatives aimed at SDGs.



Norichika Kanie

Professor
Graduate School of
Media and Governance
Keio University

Seiji Nakata

President and CEO
Daiwa Securities
Group Inc.

About the SDGs Promotion Committee

Nakata: During the first committee meeting, held in May 2018, the outside committee members, including yourself, introduced their respective activities and thoughts. Among these, your talk discussing how we must first increase the recognition of SDGs and then go on to promote an understanding of SDGs left a very strong impression. You also spoke about the concept of “autonomous dispersed cooperation.” Similarly, we have begun to recognize the challenge of promoting these initiatives as a company while at the same time considering how to construct a system and framework in which individual employees can participate.

Moreover, the period of SDGs is specified up to 2030, but I think that the basic idea of SDGs should be sustainable and continuous. So I feel that we must not be dazzled by the term SDGs and simply pursue formulaic results when we consider our Group-wide approach.

Kanie: Because past sustainability-related activities had regularly faced the problem of funding failing to result from the will to act, when I was invited as an outside committee member to Daiwa Securities Group's SDGs Promotion Committee, the first thing I felt was that the world had finally started moving in a direction of change. In particular, my impression from a social perspective, too, was that with a financial institution promoting these kinds of initiatives, it was as if the center of things had started to move.

Nakata: Daiwa Securities Group enacted its Corporate Principles in 1998 and the Daiwa Spirit in 2008, therefore I think SDGs are already incorporated in this deep-rooted stance of the Group, albeit through tacit knowledge. With this approach incorporated into the structure of the organization itself, without even recognizing it, we are able to put initiatives into practice as a matter of course.

Moreover, there are examples of specific initiatives that will connect to solving SDGs-related problems that the Group began taking even before SDGs were formulated. For example, starting with vaccine bonds, we have led the industry in the sale of Impact Investment Bonds, while the Daiwa Securities Foundation has donated some ¥50 million annually over the past 25 years

to organizations conducting activities that connect to the targets of SDGs.

I think that reorganizing and sorting the initiatives that we have taken thus far from the perspective of SDGs is important in terms of encouraging an understanding and penetration among our employees.

For Creating Good Practices

Kanie: I often use the phrase “SDGs are the framework of the future.” The greatest implication of SDGs is that every member nation of the UN has consented to them. I think that the very fact that the world has agreed to such diverse, grand targets is of major value. It is corporations and their stakeholders who will flesh out this framework, but if we assume that the world will head in the direction of SDGs in the future, then from the perspective of business, too, being among the first to tackle SDGs will likely result in significant advantages.

Although it is important to undertake individual social contribution activities as CSR, going forward initiatives that are part of core business activities will be prioritized. Even though we may value the will to act for society despite such action failing to lead to profit, conversely this is where it is important to do business. As the co-chair and UN Ambassador from Kenya at the time the SDGs were formulated regularly stated, SDGs are a matter of economics. So in terms of economic development, it is growth that will allow us to eat forever, not just growth for the next 10 or 15 years, that is important.

For example, we cannot ignore the state of a region when undertaking renewable energy initiatives, because these kinds of initiatives are also connected to many other problems, like regional employment and empowering women. We cannot solve everything in a single stride, but by tackling problems one at a time, we can construct a system whereby we conduct business in fields that benefit society.

As you mentioned a moment ago, it is very important for Daiwa Securities Group to first reorganize those actions that the Group is already taking in a tacit manner from the perspective of SDGs. By taking inventory of these initiatives, you will be able to see what you must do next.



Norichika Kanie

A professor in the Graduate School of Media and Governance at Keio University. He is also a Senior Research Fellow at the United Nations University Institute for the Advanced Study of Sustainability. Prior to his current position, he served as an associate professor in the Graduate School of Decision Science and Technology at the Tokyo Institute of Technology. His past positions have included serving as a Marie Curie Incoming International Fellow at the European Commission and as a visiting professor at the Institut d'Etudes Politiques de Paris.

Nakata: In terms of decent work and economic growth, innovation in industry, and other economic aspects of SDGs, in particular, Daiwa Securities Group's economic activities have contributed to society over the past 116 years because of our responsibility for the financial infrastructure. I think that the first step in this reorganization is to first string together the daily tasks of our employees via the concept of SDGs, and thereby re-acknowledge the fundamental social meaning of these tasks.

The next step will be to comprehensively incorporate the perspectives of SDGs, including the challenges related to the environment, poverty, and hunger, within the businesses that we will deploy in the future, and pursue economic value without doing that which does not match SDGs. We can expect to see dilemmas emerge at this time between the various matters, so I think that finding a

balance and formulating policies will become an issue going forward. However, as a private enterprise this thinking assumes that we will also pursue economic value of a sufficient scale.

SDGs and Innovation

Kanie: Trying to solve everything from the outset across a wide range of topics will result in burnout, so I feel that undertaking issues slowly, starting from where it is viable, and widening perspectives little by little from there will give birth to new ideas. What I often tell my students is that simply combining just two out of any 169 targets gives rise to more than 28,000 concept variations. Immediate priorities differ for everyone, which is exactly what makes society diverse and interesting. So if each one of us brings different ideas together and we undertake

Trying to solve everything from the outset across a wide range of topics will result in burnout, so I feel that undertaking issues slowly, starting from where it is viable, and widening perspectives little by little from there will give birth to new ideas.

each idea one at a time while working together where we can, we will be able to create significant value.

Nakata: When I first saw the SDGs framework, I got the impression that these were suited to the financial industry and securities companies like ourselves. Whereas manufacturers with technical capabilities can contribute deeply and significantly to one goal, I think that finance can become involved broadly throughout the world, from countries and governments to enterprises and individuals.

For example, Daiwa Securities Group is currently investigating whether we can contribute to the agri-food business as a part of our financial business. If we can establish this approach as a business model, we will be able to help solve food-supply issues. The financial industry is also being affected by the trend of leveraging FinTech and AI to drive new innovations, and is, in practice, aiming to improve systems throughout the world by applying the results of these innovations. By adjusting our current initiatives to match SDGs, making analyses and setting criteria for determining where to tackle SDGs within new business, I think we can make progress with integration initiatives for SDGs and our business itself.

Kanie: You just mentioned FinTech and AI, but the groups in the university that have shown the strongest interest in SDGs are students and researchers in the fields of technology. Professor Jun Murai, who is famous for his work in developing the technological platforms for the Internet, has raised the concept of rebundling technologies under the concept of SDGs. For example, if we are able to conduct all transactions using electronic money, the speed of transactions would increase and we would no longer need to print cash, which would reduce resource consumption by an equivalent degree. In addition, we can expect secondary impacts on issues related to the environment and disparities. Initially, I was surprised by this link with technology, but this kind of talk has emerged in various areas, and I now feel this subject has entered an interesting phase.

There are strong linkages between technology and local revitalization, too. In June 2018, the Cabinet Office of Japan selected 29 cities as “SDGs Future Cities.” The proposals of the selected cities included promoting telecommuting by leveraging technology. If technology can be used to improve agriculture, then by more efficiently producing high-quality crops we could also increase agricultural revenues despite a falling agricultural population and even against a backdrop of severe climate change. Using 3D printers may also enable us to reduce transportation costs and energy consumption.

Conversely, regional cities with smaller populations are likely to offer an environment within which it is easier to undertake experimental initiatives for SDGs. By involving regional financial institutions, for example, some local governments are working to create systems by which companies that tackle SDGs can acquire benefits. Financial institutions also hold the key to local communities, and I feel that it is possible for them to create new innovation through a diverse range of approaches.

The financial industry is also being affected by the trend of leveraging FinTech and AI to drive new innovations, and is, in practice, aiming to improve systems throughout the world by applying the results of these innovations.

Nakata: I think that communities would reach a deadlock if local governments, leading local enterprises, and regional banks, for example, that are already familiar with the area, do not take the lead under their own initiative. I think our role in this area is to influence and

support local governments and enterprises via our locations throughout Japan.

We are also considering promoting voluntary initiatives by our employees by collecting ideas and through workshops in the future. I think that having an awareness that stems from living within regional communities, not only while being involved in a company, will nurture a culture. I hope to create a system that will effectively drive the link between individuals and organizations so that the Group will find positive new ideas.

Kanie: The concept of creating a system whereby various stakeholders can dream up and link their different ideas to give rise to something new resides in SDGs. And I feel that one of the potentials of this linkage is the responsibility of academia. Researchers no longer just lock themselves away in ivory towers to write papers, but have started to prioritize interaction with society. SDGs provide a good opportunity to speak using the same language as corporations, and I hope to take advantage of this. Utilizing logical, objective data, applying and analyzing existing systems, and creating new actions is the field in which academia is most skilled, so I feel that we can contribute in this respect.



Nakata: Starting this summer, I will have the pleasure of cooperating with the xSDG Laboratory, which you represent, as part of the Keio Research Institute at SFC. So I look forward to continuing to receive all kinds of advice on Daiwa Securities Group's SDGs activities.