



Daiwa Securities Group

SDGs Data Book

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PASSION FOR A BETTER SOCIETY

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Editorial Policy

At Daiwa Securities Group, we 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. From the second half of FY2018, our CSR activities were expanded as part of our initiatives for achieving SDGs. In conjunction with this change, we sorted out our business activities and the content of the Group's CSR activities anew, and redesigned our previous CSR Report into the SDGs Data Book.

This SDGs Data Book was published with a greater focus on unity with the Integrated Report, in addition to providing comprehensive coverage and detailed information as in the past, based on the following various guidelines. Also, as previously, we aimed 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 (page 98).

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 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 terms "Daiwa Securities Group Inc." and "Daiwa Securities" refer to Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd., respectively.

Period Covered by Report

FY2018 (April 1, 2018, to March 31, 2019)

The report, however, also includes some information on events and activities carried out prior to the beginning of or after the end of FY2018, or scheduled to take place during FY2019.

Date of Publication

November 2019

(The previous report was published in November 2018. Publication of the English edition of the next report is planned for October 2020.)

Inquiries

SDGs Promotion Office, Corporate Planning Department, Daiwa Securities Group Inc.

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Reference Guidelines

GRI Sustainability Reporting Standards 2016

ISO 26000: Guidance on social responsibility

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

Environmental Accounting Guidelines 2005, Ministry of the Environment, Japan

The United Nations Sustainable Development Goals

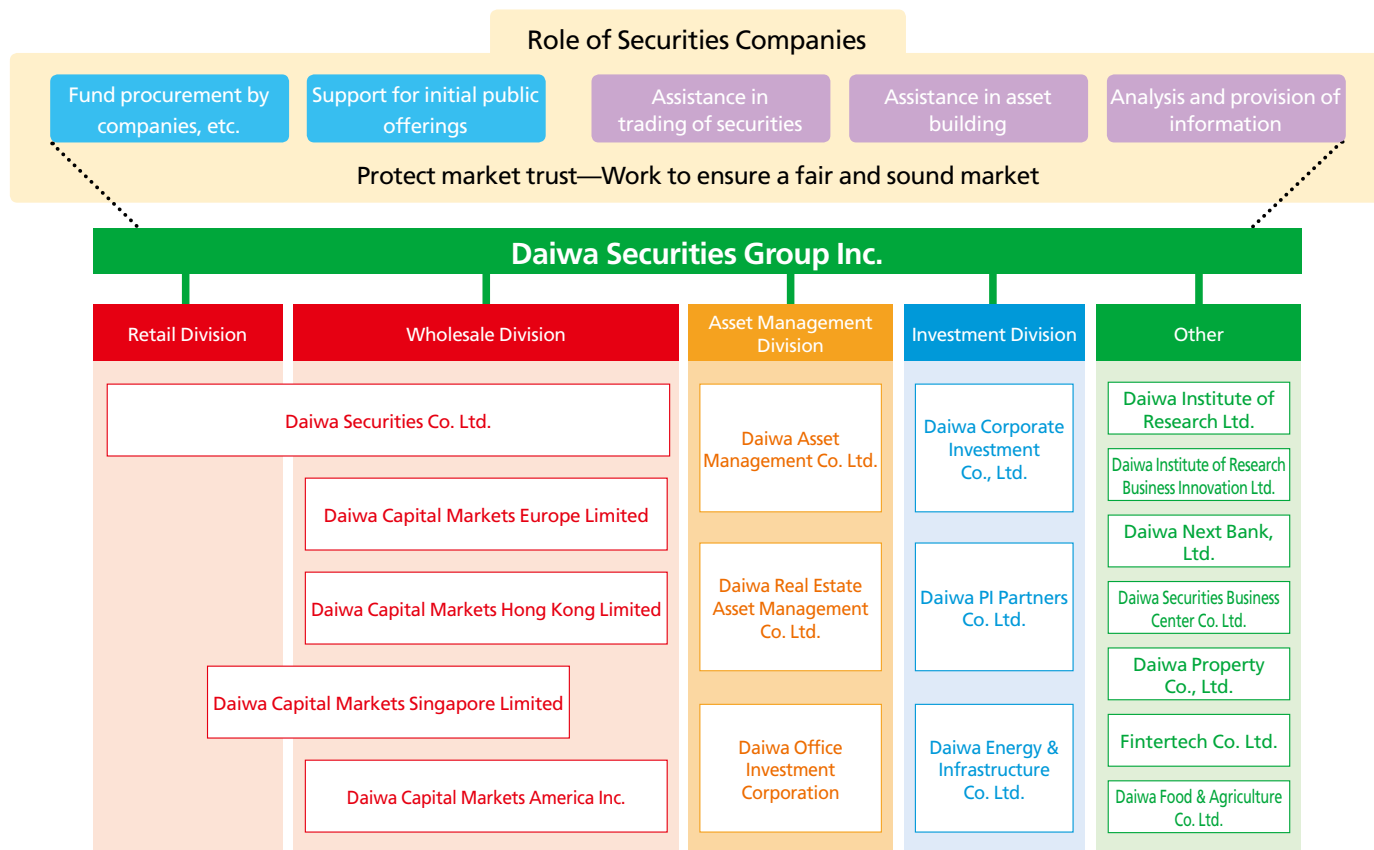
Sustainable Development Goals (SDGs) are 17 goals common to all humankind that were created by member states of the United Nations and a variety of organizations and people and adopted by the UN in 2015. Each country has promised to actively work toward the achievement of these goals. Daiwa Securities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

SUSTAINABLE DEVELOPMENT GOALS



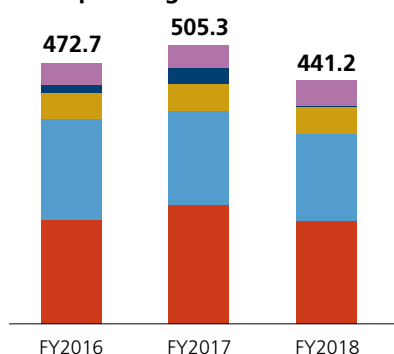
Overview of Company and Businesses

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, and provides a wide range of financial services.

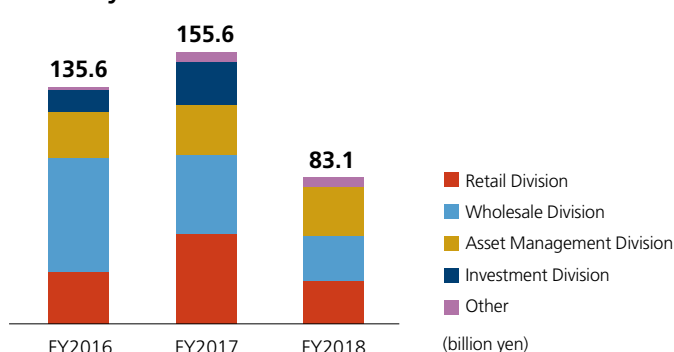


(As of June 30, 2019)

Net Operating Revenues



Ordinary Income



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
- **Capital**
¥247.3 billion
- **Number of employees (consolidated)**
15,196
- **Number of consolidated subsidiaries**
60
- **Number of equity-method affiliates**
10
- **Shares of common stock (issued and outstanding)**
1,699,378,772 shares

(As of March 31, 2019)

Communication with Stakeholders

Daiwa Securities Group will seek to improve its corporate value through resolution of social issues identified by communicating with stakeholders.



Policy on Communication with Stakeholders

Communication with stakeholders plays an important role in identifying social demands, which change over time. Accordingly, we have adopted the following basic policy.

Basic Policy (1)

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 Keidanren (Japan Business Federation).

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-party institutions, organizations, and individuals, etc. with whom we have previously had no contact in order to identify other stakeholders.

SDGs of Daiwa Securities Group

The most important objective of companies is no longer to maximize shareholder profits, and the current age demands business activities that can socially win the sympathy of all stakeholders. The adoption of SDGs indicates that there is a global trend toward requiring companies to serve as the driving force for resolving social issues.

Daiwa Securities Group has implemented initiatives to resolve social issues until now, including promotion of impact investments and SRI funds. However, they are merely a small portion of the initiatives for the grand goals of SDGs.

The Group implements various measures, including promoting dissemination of SDGs internally and externally, in order to make a greater contribution to achieving SDGs.

● Formulation of "Daiwa Securities Group's SDGs Declaration (Passion for SDGs)"

Daiwa Securities Group announced its SDGs Declaration in May 2018. Based on this Declaration, we will work to strengthen our initiatives toward achieving SDGs.

Passion for SDGs 2018

—Daiwa Securities Group's SDGs Declaration (Passion for SDGs)—

Daiwa Securities Group recognizes 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 for realization of a prosperous society and improved people's life by pursuing both company's economic values and solution of social challenges at the same time.

Creation of Shared values

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

Developing and realizing work styles for diverse human resources

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

styles.

Stakeholders and Partnership

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

Increase recognition and enhance penetration

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

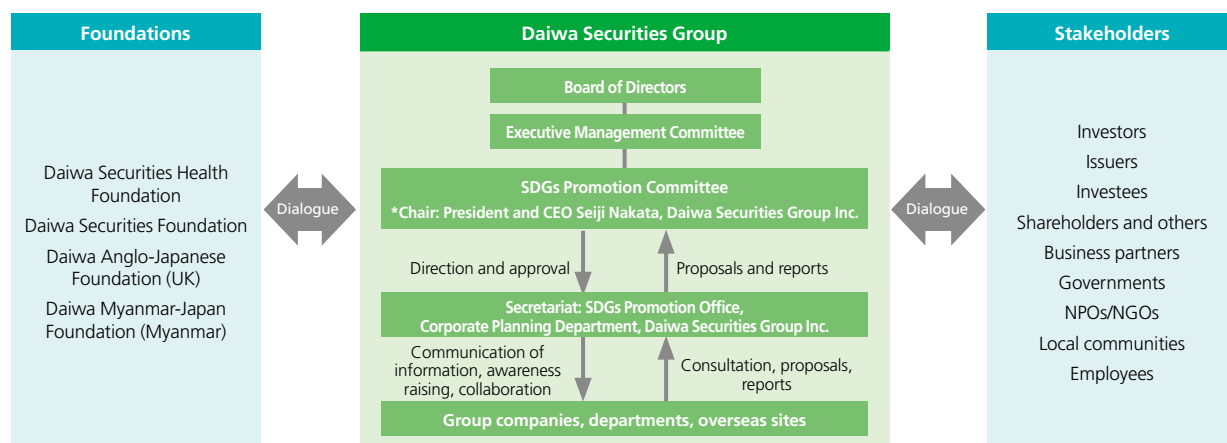
● SDGs Promotion Committee and SDGs Promotion System

Daiwa Securities Group has been discussing Group-wide cross-sectional responses to SDGs at the SDGs Promotion Committee. Details of the discussions are regularly reported to the Board of Directors and the Executive Management Committee and are deliberated on by these bodies where appropriate.

In FY2019, Hiroko Kuniya, Touko Shirakawa and Naohiro Nishiguchi are participating in the SDGs Promotion Committee as new outside committee members. The committee considers various matters, utilizing the experience and insights of these experts.

Through the SDGs Promotion Committee and the Corporate Planning Department's SDGs Promotion Office, we are working to roll out SDGs promotion initiatives to the entire Group, as well as strengthen collaboration and raise awareness of SDGs within the Group.

*Refer to page 10 for details of the SDGs Promotion Committee members.

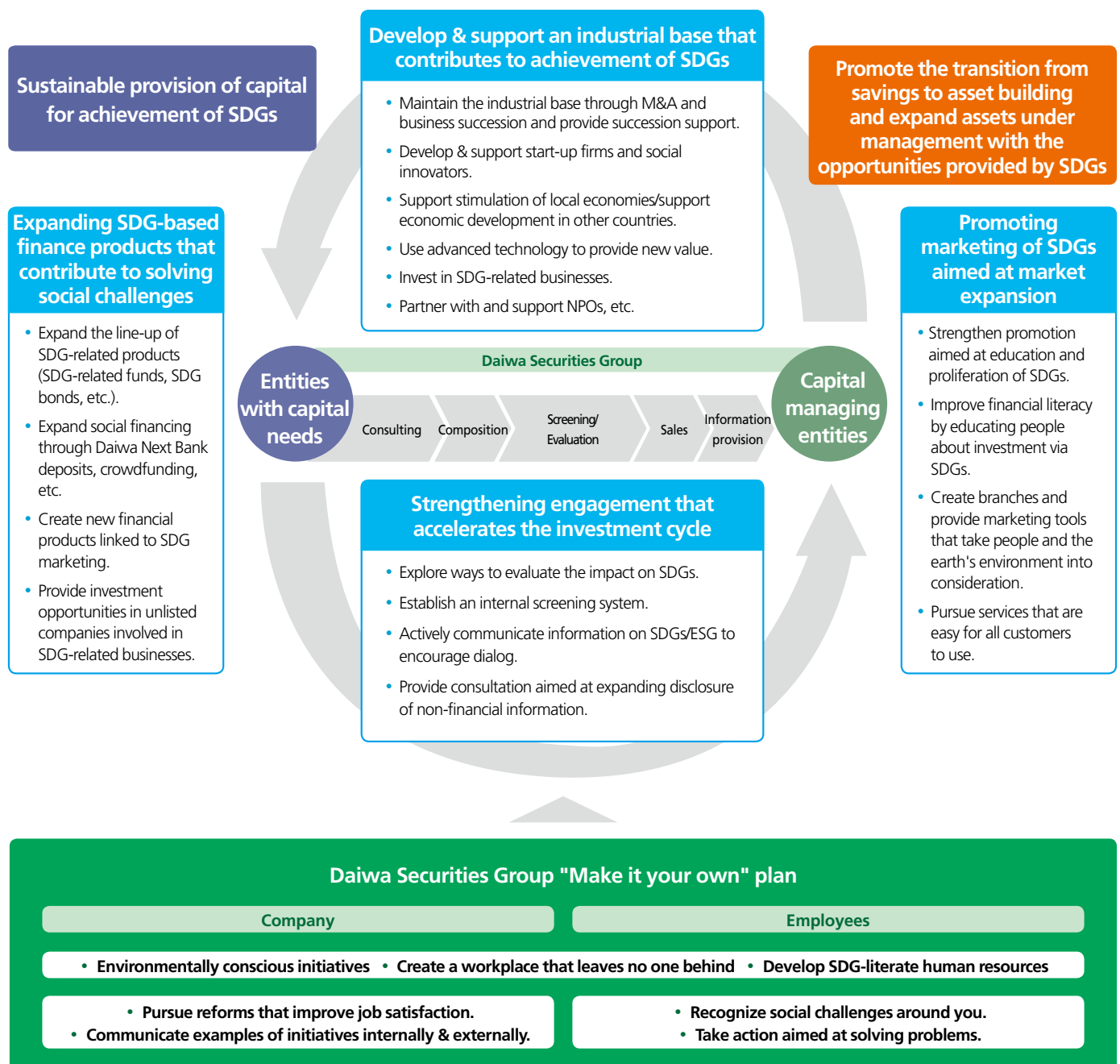


(As of April 1, 2019)

● Passion for SDGs 2019 –Action Plan Being Pursued by Daiwa Securities Group–

Building a Daiwa version of an SDG value chain that will create a sustainable capital cycle

In FY2018, Daiwa Securities Group announced Daiwa Securities Group's SDGs Declaration(Passion for SDGs) and mainly worked to raise awareness of SDGs within and outside the Group. In FY2019, we will actively work to create shared value by capitalizing on the strengths of a comprehensive securities group and building a Daiwa version of an SDG value chain that will create a sustainable capital cycle.



Daiwa Securities Group's Materiality and SDGs

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

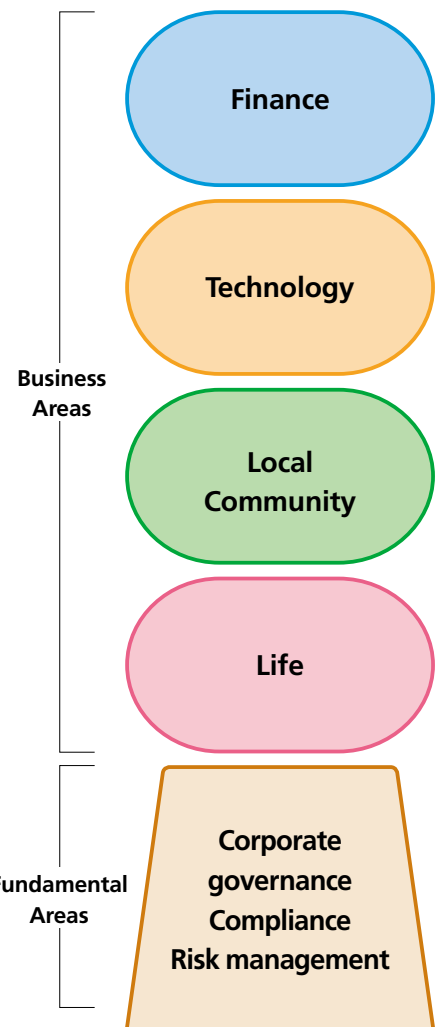
The Group will always seek to develop healthy business operations and to increase corporate value for the benefit of shareholders. By providing customers with attractive products and services, the Daiwa Securities Group will seek to generate strong profits and healthy returns for shareholders.

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 in 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.

Materiality



Process of Identifying Materiality

Based on its corporate principles, Daiwa Securities Group has previously placed "Key CSR Issues" and "CSR Materiality" as the foundation of its CSR activities.

In 2018, the Group established the SDGs Promotion Committee, chaired by the President and CEO Seiji Nakata. In addition, we set out our commitment to actively promoting initiatives that contribute to SDGs through the Group's businesses in "Passion for SDGs –Daiwa Securities Group's SDGs Declaration—."

Based on this declaration, we collected broad examples of initiatives related to SDGs. After launching a Working Group, on SDGs comprised of employee volunteers, we considered the Group's vision and extracted initiatives to be strengthened and newly undertaken by the Group from among the collected examples.

We sorted out the issues extracted through this bottom-up process by comparing them with social demands grasped through communication with stakeholders and knowledge of external experts. We then determined Daiwa Securities Group's Materiality after deliberations at the SDGs Promotion Committee.

•Passion for SDGs
—Daiwa Securities Group's SDGs Declaration—
•Corporate principles
•Daiwa Spirit
•Key CSR Issues
•CSR Materiality

Step 1

Sort out existing principles

Daiwa Securities Group's Materiality

Contribution to SDGs



- Leveraging financial capabilities to contribute to a sustainable society
- Developing sound financial and capital markets for the next generation



- Contributing to the creation of future society by utilizing advanced technologies



- Contributing to local communities by utilizing the Group's network of sales offices in Japan and overseas



- Responding to the diversified needs of customers and stakeholders
- Creating a pleasant working environment
- Initiatives for reducing environmental impact



- Constructing and developing an appropriate corporate governance system
- Creating a corporate culture that complies with laws, regulations and standards in Japan and overseas, based on self-discipline
- Appropriate anti-corruption and human rights measures
- Appropriate risk management
- Construction and maintenance of a strong IT system

SDGs Action Plan for FY2019

- Strengthen promotion aimed at education and proliferation of SDGs.
- Expand the line-up of SDGs-related products (SDG-related funds, SDG bonds, etc.).
- Create new financial products linked to SDG marketing.
- Expand Daiwa Next Bank deposits
- Explore ways to evaluate the impact on SDGs.
- Establish an internal screening system.
- Actively communicate information on SDGs/ESG to encourage dialog.
- Provide consultation aimed at expanding disclosure of non-financial information.

- Use advanced technology to provide new value.
- Provide investment opportunities in unlisted companies involved in SDG-related businesses.
- Expand social financing through Daiwa Next Bank deposits, crowdfunding, etc.

- Invest in SDG-related businesses.
- Maintain the industrial base through M&A and business succession and provide succession support.
- Develop & support start-up firms and social innovators.
- Support stimulation of local economies/support economic development in other countries.

- Improve financial literacy by educating people about investment via SDGs.
- Create branches and provide marketing tools that take people and the earth's environment into consideration.
- Pursue services that are easy for all customers to use.
- Partner with and support NPOs, etc.

- Communication with Stakeholders by the Corporate Planning Department's SDGs Promotion Office
- Extraction and sorting out of issues

Step 2
Compile internal proposals

- SDGs Promotion Liaison Meeting
- SDGs Working Group
- Collect examples of initiatives and proposals

Step 3
Extract and sort out issues

Step 4
Dialogue with external experts

- Discussion at the SDGs Promotion Committee that includes external experts as members

Step 5
Identify materiality

Message from the Chairman of the SDGs Promotion Committee

We at Daiwa Securities Group incorporated the perspective of SDGs into the root of our business strategies, and established the SDGs Promotion Committee as a vehicle for discussing sustainable society and the Group's vision. The Committee, with myself serving as the chairman, has undertaken initiatives to promote SDGs through exchange of opinions with experts. In "Passion for SDGs 2019" –Action Plan Being Pursued by Daiwa Securities Group– announced in May 2019, the Group incorporated proposals by employee volunteers based on more than 4,000 ideas brought up from worksites. In this manner, employees' mindset of approaching SDGs as their own matters and the bottom-up working process are taking root.

By engaging in active communication with various stakeholders using SDGs as a common language, we were able to grasp expectations placed on the Group by society as well as various social issues. Based on these, we reviewed our previous CSR materiality and revamped it as Daiwa Securities Group's Materiality in order to communicate our ideas more clearly. The Group will continue to work on the creation of economic value and pursue social values through its business activities.

A fundamental principle of SDGs is "No one will be left behind" in the course of implementation. This approach is consistent with the concept of diversity and inclusion, which Daiwa Securities Group is actively taking measures to promote. These include creating a workplace that allows diverse human resources to play an active part and providing opportunities for everyone to access financial services. We will continue our efforts to raise awareness of SDGs within and outside the Group.

The Reiwa imperial era has started in Japan, and the pace of social transformation is accelerating. It is difficult to forecast global conditions in 2030. However, Daiwa Securities Group wants the world to remain a place where all people on the earth live with hope, and to that end it will continue pursuing the roles it should fulfill.



Chairman

Seiji Nakata

President and CEO

Introducing the SDGs Promotion Committee Members



Member

Toshihiro Matsui
Deputy President and COO
(Head of Wholesale)



Member

Keiko Tashiro
Deputy President
(Head of Overseas)



Member

Shinsuke Niizuma
Senior Executive Managing Director
(Deputy Head of Retail)



Member

Akihiko Ogino
Senior Executive Managing Director
(Head of Planning and Legal and
Executive Head of Human Resources)



Member

Junichi Arihara
Executive Managing Director
(CRO and CDO)



Member

Kana Shirakawa
Executive Managing Director
(Head of Human Resources
and CHO)



Member

Eiji Sato
Senior Managing Director
(CFO, Deputy Head of Planning
and Deputy Head of Overseas)



Member

Yukiko Takeuchi
Senior Managing Director
(Head of Corporate
Communication)



Member

Atsushi Itaya
Senior Managing Director
(Deputy Head of Human
Resources and Planning)



Member

Mariko Kawaguchi
Senior Principal, Research Division
Daiwa Institute of Research Ltd.



Member

Kotaro Yoshida
Managing Director,
Corporate Planning Department



Outside member

Hiroko Kuniya
Project Professor, Graduate
School of Media and
Governance, Keio University



Outside member

Touko Shirakawa
Visiting Professor,
Sagami Women's University



Outside member

Naohiro Nishiguchi
CEO, Japan Innovation Network



Initiatives through Business Activities

Approach and Basic Stance

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.

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- Role and Social Responsibilities of the Securities Business
- Provision of Quality Service to Customers
- Initiatives through Product Development and Provision
- Close-up:
Issuing Green Bonds
- Maintenance and Development of 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:
Establishment of New Companies Contributing to SDGs

Role and Social Responsibilities of the Securities Business

Related
Sustainable
Development
Goals (SDGs)



The securities business, the core business of Daiwa Securities Group, plays a key role in society by building a bridge between the needs of investors to manage assets and those of the private and public sectors to raise funds. On the fund-raising side, through underwriting equities and bonds, and composing other securities products, the Group provides advice and helps raise funds in response to funding needs for capital investment or R&D among businesses, and for public works projects among national and local governments, international institutions, and public corporations.

On the asset management side, the Group comprehensively provides appropriate investment information and advice, as well as a 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 while channeling funds into new technologies and businesses that solve social issues. By doing so, it fulfills the role and social responsibility of contributing to sustainable development.

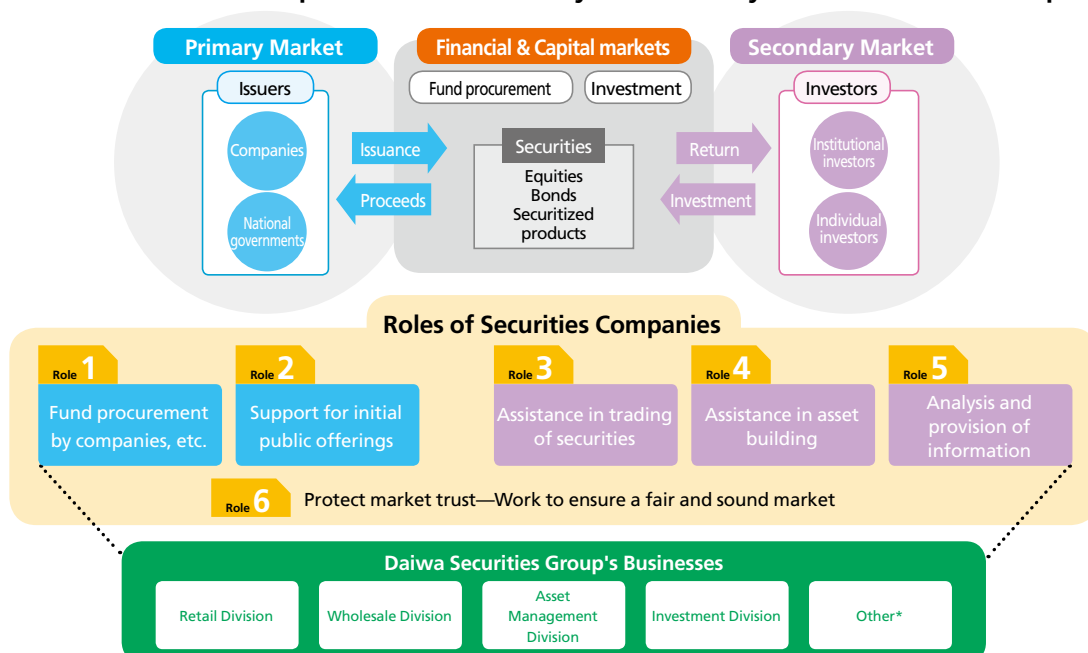
On investing in securities, Daiwa Securities Group promotes methods of investment that take ESG

(environment, society, and governance) factors, such as environmental and social initiatives into account together with financial information. In recent years, the Group has also put 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. In addition to pursuing economic gains, Daiwa Securities Group is endeavoring to contribute to society from its position as a financial institution by composing and marketing these products, which aim to resolve social issues.

Mission of 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 Daiwa Securities Group, we believe that our role is not only to maintain and develop fair and dynamic financial and capital markets, but also to incorporate a social perspective in finance, thereby contributing to building a sustainable society.

Securities Companies' Roles in Society as Viewed by Daiwa Securities Group



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

Responsible Action as an Institutional Investor

● System at Daiwa Asset Management

Daiwa Asset Management announced its adoption of Japan's Stewardship Code in May 2014 and has been actively working to fulfill its stewardship responsibilities. It has been striving to improve its initiatives, renewing the announcement of its adoption in November 2017 following the revision of the Code in May 2017.

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 responsibilities. 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. In that way, independence in the stewardship activities from management and business execution is secured.

Daiwa Asset Management also established the Stewardship & ESG Section within the Investment Planning Department in October 2018 to help show the company's specific ESG initiatives and approach to parties within and outside the company*.

Regarding dialogues with investee companies, based on the Policy to Hold Constructive Dialogues with Investee Companies announced in June 2014, Daiwa Asset Management has conducted engagement activities aimed at accurately understanding the conditions of investees and sharing such assessments. As issues to be discussed with investee companies

are changing, it reviewed the Policy in November 2018, reflecting the findings gained through dialogue and the revision of Japan's Stewardship Code and Corporate Governance Code.

Specifically, dialogues are led by the following three parties.

* In October 2019, the section was transferred to the Research Department.

• Analysts in the Research Department:

Constructive Dialogues

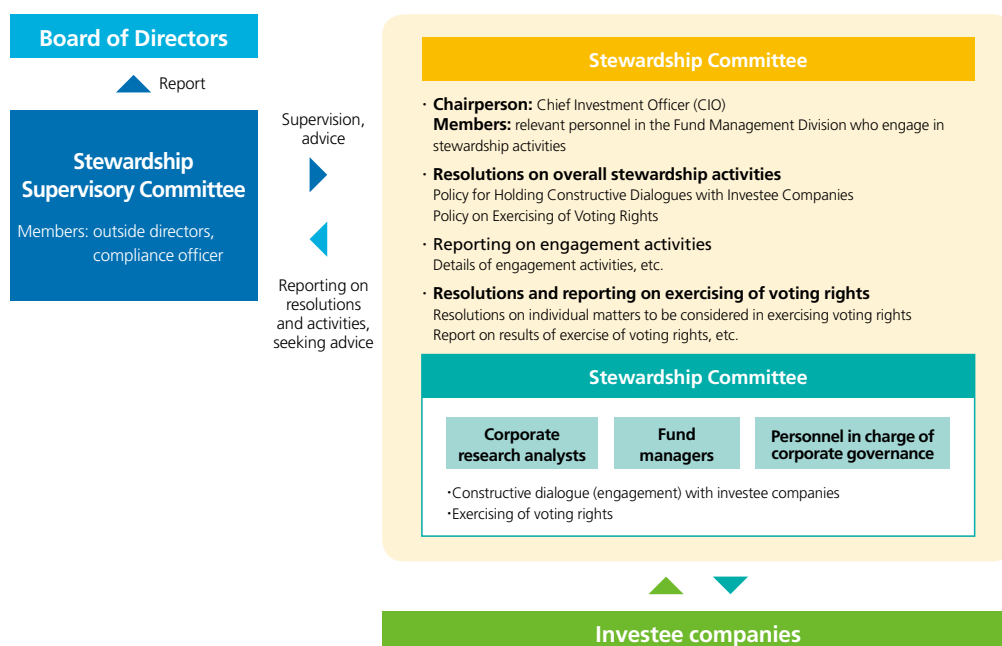
The analysts in the Research Department engage in stewardship activities to contribute to enhancing corporate value and sustainable growth as part of their usual research activities. They held engagements with approximately 610 companies in FY2018 (from July 2017 to June 2018; hereinafter the same).

As fundamental tools for dialogues, Daiwa Asset Management has prepared and utilizes (a) the Analyst Handbook, which summarizes the fundamental stance and knowledge that serves as a basis for the analyst activities; (b) the Business Strategy Reference Book that analyzes companies' management strategies; (c) the Qualitative Evaluation that evaluates companies from a medium- to long-term standpoint; and (d) the Long-term Corporate Value Model that determines the medium- to long-term fair value of companies.

• Personnel in Charge of Corporate Governance in the Stewardship & ESG Section of the Investment Planning Department (currently transferred to the Research Department): Governance Meetings

Personnel in charge of corporate governance collect information on investee companies required for exercising voting rights. In dialogues with

Stewardship Activity Structure (Daiwa Asset Management Co. Ltd.)



Web

Daiwa Asset Management Co. Ltd.
Japan's Stewardship Code

Company Information > Policy on Exercising of Voting Rights (Japanese)

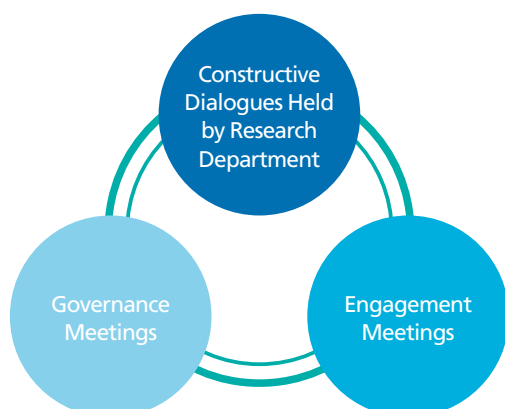
investee companies, they explain their policies on exercising voting rights and what they expect from companies with respect to corporate governance, thereby sharing their knowledge with the investee companies. They conducted engagements with approximately 140 companies in FY2018. They also disclose how they exercised their voting rights for individual proposals from shareholder meetings held from April 2017 onwards.

- **Engagement Team Comprising Analysts in the Research Department and Fund Managers in the Equity Management Department (currently the Strategic Investment Department): Engagement Meetings**

The engagement team held engagement with approximately 30 companies in FY2018, focusing on small- to medium-cap issues mainly incorporated in active investment funds for medium- to long-term investment. It continued to engage in constructive dialogue, delivering the “Long-term Vision and Medium-term Management Plan,” which summarizes points on information disclosure from a long-term perspective, and “Introduction of Daiwa Asset Management’s Engagement Policy,” which mainly describes what Daiwa Asset Management expects from investee companies and the issues that it wants to discuss through constructive dialogue. The team also held dialogue specifically on the environment and social aspects.

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

* In October 2019, the Equity Management Department changed to the Strategic Investment Department.



- **Initiatives by Daiwa SB Investments (Currently Sumitomo Mitsui DS Asset Management)**

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

In April 2016, Daiwa SB Investments established the Responsible Investment Section as a section dedicated to ESG activities. It has been thus strengthening its efforts to hold constructive dialogues with the management of companies, such as representative directors and CFOs, from a medium- to long-term perspective, urging them to boost their profitability, appropriately control ESG risks, and also increase their corporate value by addressing SDGs and other social issues. It has long focused on engagements with companies and by actively holding dialogue, has 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 demonstrate their potential and respond, and prevent recurrence when there are problems. The company considers that taking various opportunities to raise issues and urge improvement is its responsibility as an institutional investor. At the same time, helping to raise corporate value in the medium- to long-term 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 also 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.

* Daiwa SB Investments Ltd. merged with Sumitomo Mitsui Asset Management Company, Limited on April 1, 2019 to form Sumitomo Mitsui DS Asset Management Company, Limited.

Web

Daiwa Asset Management
Co. Ltd.

Investment Principles against
Cluster Munitions Producers

Provision of Quality Service to Customers

Approach and Basic Stance

Daiwa Securities Group understands that customer trust is the foundation of our business. Based on the idea of the Customer First Principle, we always try to provide services that deliver genuine customer satisfaction.

We have also adopted the idea of hospitality to enhance our existing concept of customer service. We aim to provide customer service that gives the most satisfaction to customers.

Related Sustainable Development Goals (SDGs)



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. A principle of Japan's Financial Instruments and Exchange Act prohibits "solicitation that is improper in light of a customer's knowledge, experience, financial situation and objectives." Daiwa Securities' approach is rooted in this principle. As a part of our hospitality-based service, when promoting our financial products we strive to provide explanations and post-sale follow-up that exceed the legal requirements. We have also agreed with the purport of the "Principles for Customer-Oriented Business Conduct" announced by the Financial Services Agency in March 2017 and expressed our adoption of the principles, while drawing up and announcing our "Basic Policy on Customer-first Operations."

Moreover, to further improve our services and the quality of our response, we are continuing to conduct customer service surveys. We survey customers regarding their degree of satisfaction with our services and response, and solicit their feedback and requests. Based on the survey results, since FY2017 we have been strengthening our initiatives to improve the quality of post-sale follow-up and enhance the convenience of e-mail services.

Basic Policy on Customer-first Operations

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 of the Group companies for details.

Thorough Post-Sale Follow-Up and Appropriate Provision of Information

A customer's purchase of a product is only the beginning of a securities company's relationship with the customer. Follow-up is the key to maintaining and solidifying the relationship of trust built with the customer. To alleviate customer dissatisfaction or concerns arising after transaction, we offer thorough explanations, appropriate proposals, and information regarding market conditions, products, and services as a part of initiatives to further reinforce our relationship of trust with customers.

Introduction of NPS®* (Net Promoter Score) Towards Realization of Quality No. 1

In FY2018, Daiwa Securities introduced NPS® (Net Promoter Score) as an in-house indicator for measuring customer satisfaction.

The score measures the degree of customer recommendation and is considered to correlate closely with business performance. We position it as one of our most important management indicators.

When introducing NPS®, we implemented sales reforms successively at individual branches to ensure that the aim of the introduction is well understood and established among employees, rather than them merely adopting the score. Thus, it took a year to complete the introduction of the score at all branches.

We will further step up our efforts to carry out sales activities from the customer perspective. At the same time, we will build a scheme for implementing a PDCA cycle that incorporates customer feedback and makes improvements, and continuously work to improve NPS®.

* NPS® is a registered trademark of Bain & Company, Fred Reichheld and Satmetrix Systems.

Web

Major Group companies implementing initiatives based on the Basic Policy on Customer-first Operations

•Daiwa Securities Group Inc. > Home > Corporate Information > Management Policy > Basic Policy on Customer-first Operations

•Daiwa Securities > Policy on Customer-first Operations (Japanese)

•Daiwa Asset Management > Policy on Customer-first Operations (Japanese)

•Daiwa Next Bank > Initiatives Based on Daiwa Securities Group's "Basic Policy on Customer-first Operations" (Japanese)

● Improving In-Branch Customer Service Quality

At Daiwa Securities, we have announced our commitment to serve customers sincerely, and strive to provide service that can satisfy any customer. With the aim of creating sales branches enabling elderly customers and customers with disabilities to feel secure, we have placed dementia supporters*¹, mostly comprising employees engaged in in-house customer service, at all branches. In FY2016, we also completed placing employees with service assistant*² certifications at all branches. Further to these initiatives, we have been implementing an in-house customer service survey once every half year since FY2017 to maintain and further enhance the quality of customer service. The survey uses external institutions, which evaluate customer service skills at all sales branches. Thanks to education and training given following the results of the survey, as the sales branches undergo evaluations, the survey scores have been steadily improving. The improvement in the quality of customer services has thus been reflected in the results of the survey. Moreover, in pursuit of services that deliver satisfaction to all customers using Daiwa Securities, staff at our head office check services provided by telephone representatives whenever necessary.

*1 Dementia supporter

A dementia supporter is a person who properly understands 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 customers and customers with disabilities.

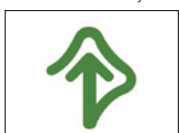
Service assistant skills training class



Service assistant logo



Ear Mark symbol



Communication sheet for people with hearing impairments

● Promotion of 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. We implement a range of barrier-free measures, including reduced variations in floor level, the installation of automatic doors and larger counters, and the placement of cane holders at all counters. We have strived to enhance our barrier-free system, introducing a slope to the entrance of 53 branches to eliminate steps by FY2018.

We have also been stepping up our efforts to enhance safety and convenience for elderly customers and customers with disabilities visiting our sales branches. As part of such efforts, we place and make ready for use writing communication boards, communication sheets, cane holders, hearing assistance devices, and other equipment.

● Starting Pilot Rollout of Anshin Planners and Financial Consultants

Since October 2017, Daiwa Securities has been introducing Anshin (peace of mind) Planners—a new type of sales agent—and Financial Consultants as an initiative to provide each one of our customers with optimum consulting and solutions. Anshin Planners and Financial Consultants have so far been stationed at 70 and 72 branches, respectively. The initiative is scheduled to be implemented at all branches.

Anshin Planners are mainly responsible for elderly customers, providing comprehensive consulting for customers in their later years. The scope of the Planners' work is not limited to asset management but includes the provision of information on health, long-term care, etc. and solutions in relation to gifts, inheritance, etc. to next generations. With the introduction of the Anshin Planner, we have also launched "Daiwa's Anshin Plus," a new service enabling the use of a seniors monitoring service operated by a security company and telephone health consulting, etc. provided on a preferential basis.

Financial Consultants are responsible for customers whom our conventional sales personnel have been unable to fully support, including those in the asset building stage. They propose a wide range of products and solutions that meet customers' needs. We work to provide optimum support to every customer we serve by subdividing our sales personnel and making careful proposals according to the life stage of each customer.

Overall score of satisfaction with Daiwa Securities*

4.90

(up 0.04 points year-on-year)

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

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 2019)

●Receipt of Letter of Appreciation from WFP

In September 2018, we received a letter of appreciation from the World Food Programme for our donations through Daiwa Securities. The association is an organization that carries out activities in pursuit of a world without hunger as a United Nations organization delivering food assistance.

Daiwa Securities has made donations through its Social Contribution Wrap since May 2016, in addition to donations through its Point Program since April 2011. As part of the Daiwa Securities Group's SDG initiatives, we will continue to make contributions going forward.



●Continuing to Hold a Wide Variety of Seminars

Each branch of Daiwa Securities holds a variety of seminars to provide information on topics including Japanese and overseas markets and inheritance. For example, targeting customers in the asset building stage, the company holds seminars with the theme of installment-type Nippon Individual Savings Account (NISA), a program launched in 2018, as well as iDeCo, a defined contribution pension plan for individuals.

We have held approximately 10,000 seminars at our sales branches. As well as seminars held at branches, there are large-scale seminar events. We held "Daiwa New Year's Lectures for 2019" at five venues nationwide, as well as seminar events with the theme of overseas investment and asset building seminars targeting novice investors.

●Asset Building through Installment-Type NISA Including Workplace NISA

Daiwa Securities has been accepting applications for NISA accounts since the initiation of the program. In particular, we actively introduce the program to customers, especially those in the asset building stage, in order to encourage more customers to start making investment in installments. We are also stepping up our initiative to propose the introduction of the workplace installment-type NISA. The program enables individuals to build assets systematically by setting aside a fixed amount each month for investment through their workplaces.

Daiwa's Point Program

- Amount of donations to eligible organizations

¥122.00 million

(Cumulative amount from April 2003 to March 2019)

- 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 made as disaster relief assistance funds

¥3.10 million

(Cumulative amount from November 2016 to March 2019)

Seminars held at branches of Daiwa Securities

•Approximately 10,000 times

(Results for FY2018)

Information Website for Child Rearing and Money "SODATTE"

Daiwa Securities opened "SODATTE," an information website for child rearing and money, in April 2016 for the child-rearing generations. With three years having passed since its opening, it has grown to be a website visited by many fans, with more than 200 columns and more than 600,000 page view per month.

The website sets up five categories, including "Money Lessons," "Family Finances" and "Education Funds," and disseminates columns that provide tips to child-rearing generations. To make the website easier to read on smartphones, we revamped it in January 2019, changing the design of "List of Articles," "Popular Article Rankings," and other features while adding a search function.

We will continue to update columns monthly as an information site that provides practical support on child rearing for parents and enables them to learn in an enjoyable way.

Contact Center Functions

The Contact Center has been a key channel for transactions, supporting 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 the service points in Tokyo and Osaka in FY2014 and then established a contact center function in Fukuoka in FY2016 as our third service point. We also enlarged the floor area of our service point in Osaka in FY2017.

By further expanding the ability to take calls, we aim to enhance our support functions for sales branches going forward to increase customer convenience.

Initiative to Get Closer to Customers

Since FY2016, we have been showing pictures of our operators on the website page for telephone inquiries to give customers a sense of security and familiarity with our remote Contact Center.

Web

"SODATTE"

An information website for child rearing and money (Japanese)

Scale of Contact Center

820 service points

(500 in Tokyo, 210 in Osaka, and 110 in Fukuoka)

"SODATTE," an information website for child rearing and money



Telephone inquiry screen (Daiwa Securities website)



Taking calls



Working to Incorporate Customer Voices

At Daiwa Securities, the Contact Center and the Customer Support Center assume the function of utilizing customer feedback.

●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). We thus strive to appropriately respond to customers' true needs.

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 FY2018 was 85.)

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 at 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 sections, 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 code and Daiwa Securities' services together on a daily basis, and work to improve the quality of their customer services.

Calls received at the Customer Support Center in FY2018

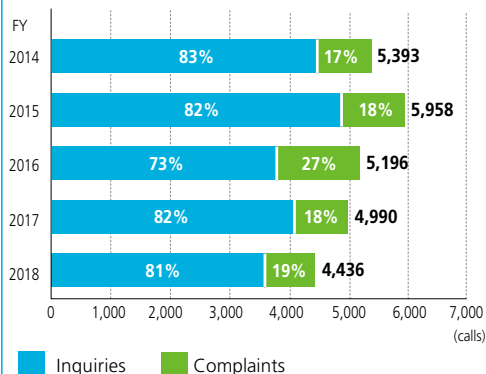
•Number of calls received:

4,436 calls
(down 554 calls)

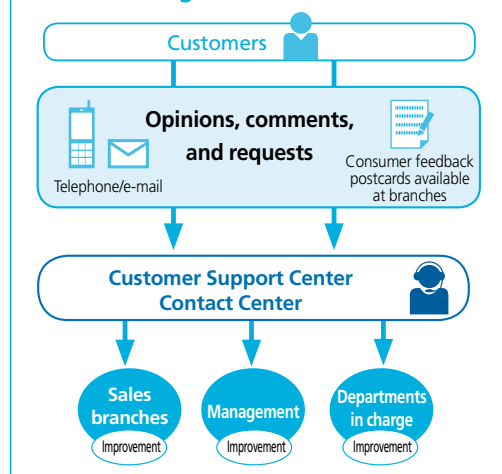
•Inquiries: **81%**

•Complaints: **19%**

Calls Received at the Customer Support Center



Daiwa Securities' Systems for Utilizing Customer Feedback



Initiatives through Product Development and Provision

Related
Sustainable
Development
Goals (SDGs)



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

● Impact Investment

Impact Investment is a type of investment that not only pursues economic benefits, but also uses funds raised solely to solve social issues, such as poverty and environmental problems. Daiwa Securities Group sells SDG bonds,* which are issued by public organizations, financial institutions, and other issuers for the purpose of solving social issues, to customers in Japan as a pioneer for Impact Investment bonds in the country.

* A generic term for bonds the proceeds of which are used for projects that contribute to SDGs (including conventional Impact Investment bonds)

● Initiatives in FY2018

Among the various issues faced by the world today, climate change has become a serious threat to all countries. Developing countries are being impacted first and with the gravest results. Climate change may destroy the social initiatives for poverty issues that have been steadily carried out over the last several decades. It is no longer possible to separate poverty issues from climate change issues.

In the last few years, the concept of SDGs has penetrated worldwide, and along with the expansion of the market for related bonds, customers' interest has been growing. With this as a background, Daiwa Securities, as a pioneer for Impact Investment bonds in Japan, provides customers with opportunities to invest in bonds issued by public organizations, financial institutions, and other issuers for the purpose of solving social issues.

In September 2018, we sold MOL Blue Ocean Environmental Bonds, the first green bonds issued by an operating company in Japan (sold by two securities companies—Daiwa Securities and Nomura Securities). Through the underwriting and sale of green bonds issued in Japan, following the Tokyo Green Bonds (foreign currency-denominated) issued in FY2017 by the Tokyo Metropolitan Government, we helped to expand trends towards utilizing precious funds from retail investors for environmental measures.

Daiwa Securities Group will continue to contribute to solving social issues through its business activities, including the underwriting and sale of Green Bonds and other SDG bonds (Impact Investment bonds).

Green Bonds for Retail Investors Sold by Daiwa Securities

	Issuers	Use of funds	Sales amount (estimate)
FY2018	Mitsui O.S.K. Lines (MOL)* (MOL Blue Ocean Environmental Bonds)	Appropriated for prevention of air and marine pollution and for environmental conservation (Green Projects) such as marine biodiversity conservation	¥3.0 billion
	The Tokyo Metropolitan Government*	Appropriated for development of smart energy cities, conservation of the natural environment, adaptation to climate change, etc.	¥2.0 billion
	Odakyu Electric Railway*	Appropriated for projects that have positive effects on the environment	¥1.1 billion
	Export-Import Bank of Korea (two currencies)	Commitment to low carbon emission and climate resilient growth across the globe	¥5.1 billion

* Sold by multiple companies including Daiwa Securities (the sales amounts shown above are those underwritten by Daiwa Securities).

● 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 focus on Impact Investment and select issues from an SDG perspective. By investing in these trusts, through the financial markets, investors can indirectly support countries and corporations that are proactively involved in ESG and SDG initiatives.

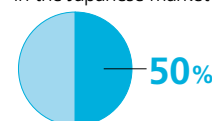
Results of SDGs bonds (Impact Investment bonds) for retail investors

• Daiwa Securities cumulative sales

¥697.4 billion*



• Daiwa Securities' share in the Japanese market



Total ¥1,407.7 billion

* Figures have been rounded off

* Source: Daiwa Securities (From March 2008 to March 2019)

• Environment-related bonds for retail investors sold by Daiwa Securities in FY2018

Four issues totaling

¥11.2 billion



* Figures have been rounded off

SDGs related to Impact Investment bonds sold in the past





Issuing Green Bonds

Until now, Daiwa Securities Group has sold various kinds of Impact Investment bonds, thereby supporting the solving of social issues from the standpoint of a financial institution. In November 2018, Daiwa Securities Group Inc. issued its first Green Bonds, expanding its initiatives aimed at invigorating markets. As part of such initiatives, the proceeds from the Green Bonds have been used as investment and loan funds for renewable energy generation projects worked on by the Group, as well as facility funds for Green Buildings. The Group will continue to contribute to achievement of SDGs and provide investors with new investment opportunities.

Information on Green Bonds Issued by Daiwa Securities Group Inc. (as of the end of June 2019)

1. Appropriation of Proceeds from Issuance

The proceeds from the Green Bonds issued by Daiwa Securities Group Inc. in November 2018 (issuance amount: ¥10 billion) were fully appropriated for eligible Green Projects. See the table below for the balance of investment and loans for eligible Green Projects by category.

List of Eligible Green Projects (as of the end of June 2019)

Category	Sub-category	Commencement of Finance/ Refinance	Finance/Refinance	Balance (units of ¥ billion)
Renewable energy	Photovoltaic power generation	November 2018	Refinance	1.7
Renewable energy	Photovoltaic power generation	November 2018	Refinance	1.7
Renewable energy	Photovoltaic power generation	February 2019	Finance	0.9
Renewable energy	Photovoltaic power generation	March 2019	Finance	0.4
Renewable energy	Photovoltaic power generation	June 2019	Finance	3.3
Green Building	—	November 2018	Refinance	2.0
Total				10

2. Environmental Impact

As of the end of June 2019, the eligible Green Projects for which the proceeds from Green Bonds were appropriated have an energy output/assumed energy output of 96,264 MWh. They have the effect of reducing carbon dioxide (CO₂) emissions by 45,725 t-CO₂ annually.

Report on Environmental Impact (as of the end of June 2019)

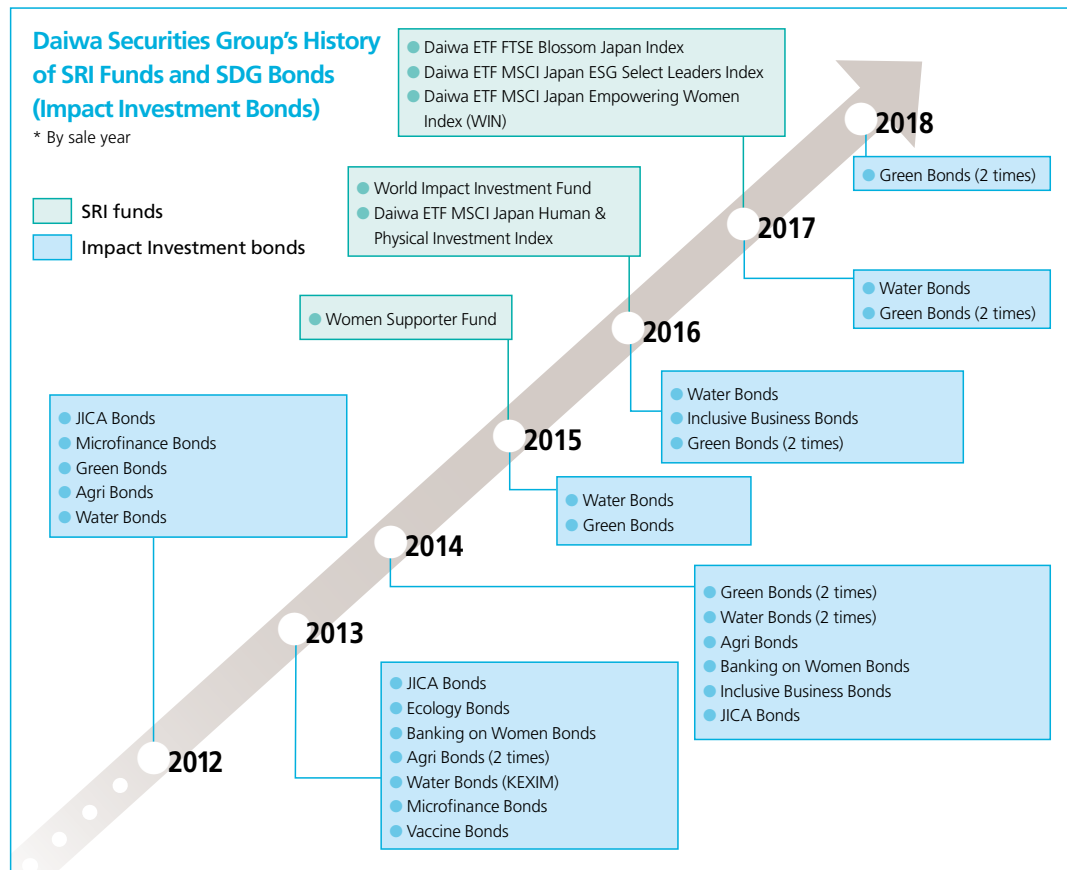
Category	Sub-category	Energy output/assumed energy output (MWh)	Estimated CO ₂ emissions reduction effect (t-CO ₂)
Renewable energy	Photovoltaic power generation	96,264	45,725
Category	Progress of application for certification		
Green Building	Awarded Five Stars in preliminary certification for the DBJ Green Building Certification Program *Primary certification scheduled after the completion of the building		

* Calculation of environmental impact

When no results have been obtained or the period of operation is less than one year, the assumed energy output is calculated based on a report on energy output projections submitted by a third-party institution. For projects under development that are not scheduled to be brought into operation during FY2019, the assumed output for the first year of operation is used. All power plants are scheduled to be brought into operation by FY2021.



Issuance of Green Bonds



Development and Provision of Superior Financial and Investment Products

While the importance of asset management in the "100-year life era" is increasingly gaining attention, Daiwa Securities considers the development and provision of superior products to be 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.

In addition, Daiwa Fund Wrap Premium, launched in October 2016, now offers a more detailed service, enabling customers to have multiple investment portfolios and design them in a highly customized manner. In particular, the inheritance recipient designation service and the gift service taking advantage of the calendar year taxation system, which became available in July 2018, are services that can satisfy customers with a strong interest in inheritance tax measures.

Moreover, Daiwa Fund Wrap Online, launched in January 2017, proposes the most suitable investment style from a minimum investment amount of ¥10,000 by utilizing Robo-Advisor technology. We thus provide a service enabling customers who prefer long-term asset management to easily engage in globally diversified investments online.

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

Daiwa Fund Wrap Premium

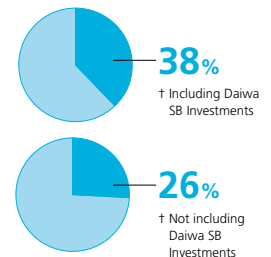


Daiwa Fund Wrap Online



Results of SRI investment trusts

- Balance in Daiwa Securities Group*1
¥228.6 billion
 † Including Daiwa SB Investments
- Balance in Daiwa Securities Group*2
¥122.7 billion
 † Not including Daiwa SB Investments
- Daiwa Securities' share in the Japanese market



Total ¥524.1 billion*2

*1 Source: Daiwa Securities

*2 Source: Daiwa Fund Consulting (As of March 31, 2019)

Major "Fund Wrap" services newly introduced or improved in FY2018

- Balance of domestic Wrap accounts*
¥8,827.2 billion
 (As of March 31, 2019)
- Balance of Wrap accounts at Daiwa Securities*
¥2,145.7 billion
 (As of March 31, 2019)
 * Source: Data released by the Japan Investment Advisers Association
- Minimum investment amount for Fund Wrap Premium lowered to ¥10,000 in June 2018
- Gift service taking advantage of the calendar year taxation system for Fund Wrap Premium launched in July 2018
- Inheritance Set Plan launched in January 2019

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

- Amount donated in FY2018
¥7.82 million
 * Total donated amount from customers and from Daiwa Securities
- Donated to United Nations World Food Programme, Medecins Sans Frontieres Japan, WWF Japan, Japan Committee for UNICEF, Japan Platform

● Initiatives by the Asset Management Division

The asset management division of Daiwa Securities Group strives to reinforce the asset management system for promoting ESG investment 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 of building a stable, superior 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 system enables fund managers to take risks after thorough examination. In particular, we are striving to improve our ability to select

companies with good prospects to make this a major source for strong investment performance.

We focus especially on ESG information from a long-term perspective. 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 to both the United Nations' Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century. Since adopting the Japanese version of the Stewardship Code, we have been working to deepen our dialogue with investee companies by means such as holding dialogue with the theme of integrated reports. In October 2018, we established the Stewardship & ESG Section within the Investment Planning Department to further incorporate an ESG perspective and strengthen monitoring*.

Women Supporter Fund (nicknamed “Tsubaki”)

Daiwa Asset Management launched the Women Supporter Fund (nicknamed “Tsubaki”) at the end of March 2015. The fund focuses on companies that can be expected to grow with women's success and aims for growth of trust assets. The main feature of this product is that it evaluates women's success from four perspectives. The fund selects companies considered to help women to play an active role from an ESG perspective, companies supporting women's active participation in society, companies providing products and services that target women or are popular among women, and companies benefiting from increases in women's incomes. Continuing on from 2018, with its product concept and good performance being highly evaluated, the fund won various prizes from evaluation institutions. We recognize that having a social perspective

centered on women's success— such as identifying companies that are expected to achieve growth by resolving the social structural issue of labor shortages, and companies that can identify global trends generated by women— provides us with an opportunity to find new growth companies.

Tsubaki's Four Perspectives



Social Challenges Fund (nicknamed “Egao-no-kakehashi”)

Daiwa Asset Management established the Social Challenges Fund (nicknamed “Egao-no-kakehashi”) at the end of December 2018.

The phrase “social issues” immediately reminds many people of SDGs. While SDGs are aimed at the resolution on a global scale of social issues that have become apparent, this fund focuses on potential social issues that have yet to receive attention from society, in addition to the resolution of social issues that have already occurred. In this sense, the fund covers a broader scope than SDGs.

Now that information technology is advancing rapidly and the awareness of individuals and companies is steadily changing, social issues are coming to surface much faster than before.

The Social Challenges Fund regards social issues—the challenges that must be addressed by individuals, companies, countries and regions—as

business opportunities. It invests in companies expected to increase profits through the resolution of such issues and achieve sustainable growth.



It is especially important to always grasp current trends and customer needs 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 the transition from savings to asset building.

* In October 2019, the Stewardship & ESG Section was transferred from the Investment Planning Department to the Research Department.

• Initiatives by Daiwa SB Investments (currently Sumitomo Mitsui DS Asset Management)

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. This includes the ability to analyze and predict non-financial information over the medium and long term that covers companies' research and development abilities and overseas project management abilities. In light of these perspectives, Daiwa SB Investments established the Stewardship Promotion Section in April 2016, with the aim of strengthening the company's analytical skills by deepening collaboration with corporate analysts attached to the Corporate Research Departments. 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, we at Daiwa SB Investments place

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 foster our corporate culture as a professional management company and to diversify our workforce by hiring overseas and female staff, with the aim of responding to diversifying needs and providing quality services. We also focus on the education of sales staff at companies handling our products, who communicate directly with customers. We conduct workshops for those sales staff to enhance their marketing skills and knowledge of investment trusts while creating booklets containing the information necessary for them to explain to customers. We are thus working to help those staff 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 our initiatives to provide good returns over the medium to long term in our multifaceted corporate analysis, including analysis focusing on ESG.

* Daiwa SB Investments Ltd. merged with Sumitomo Mitsui Asset Management Co. Ltd. on April 1, 2019 to form Sumitomo Mitsui DS Asset Management Co. Ltd.

World Impact Investment Fund

On August 26, 2016, Daiwa SB Investments (currently Sumitomo Mitsui DS Asset Management) established and started managing the 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 the materials "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 content.

World Impact Investment Fund



● Initiatives Using Investment Corporations and Other Structures to Solve Social Issues

Daiwa Real Estate Asset Management Co. Ltd. makes investments and manages infrastructure assets through investment corporations and fund structures to solve social issues.

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. With regard to infrastructure assets, the company has been managing photovoltaic power stations since FY2014, and was entrusted in FY2017 with the work operating a biomass power generation plant invested in by Daiwa PI Partners. Daiwa Real Estate Asset Management has been continuously expanding the balance of its assets under management while striving to accumulate knowledge of investment and management in the renewable energy field. The company will fulfil its role of providing funds not only to the renewable energy field but also to the development of a broad range of social infrastructure, including logistics facilities, and the privatization of publicly-operated businesses.

* Refer to page 35 for initiatives of Nippon Healthcare Investment Corporation

● Response to FinTech and artificial intelligence (AI)

Since starting Daiwa Online Trade, Japan's first Internet-based securities brokerage service, in 1996, Daiwa Securities has provided various products and services successively over a period of more than 20 years. Due to the widespread use of portable information devices and the development of information communications technology, the importance of Internet channels has increased even more in recent years, with the number of accounts held under contract for Daiwa Online Trade topping 3.3 million as of the end of March 2019. 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.

We lowered the minimum contract amount of Daiwa Fund Wrap Online, which was launched in 2017, to ¥10,000 in June 2018. This enables

more customers to realize the appeal of full-scale international diversified global investments utilizing the Robo-Advisor function. We also created an animated video to promote the service on the Internet, including on our website.

Daiwa Securities has also been providing the Daiwa Securities Market Information Skill for Amazon Alexa, a cloud-based voice service, since February 2018, and has made it newly available for Amazon Echo Spot. In addition, we started providing Kabu Talk, a tool for the latest market information, as an Alexa Skill. We have also been providing Daiwa Securities Stock News for Google Home since December 2018.

Furthermore, in February 2019, we introduced a login function using a biometric authentication system to Kabu Walk, a smartphone application with a domestic stocks trading function provided on iPhones and Android devices. We believe that by actively using such new technologies, including AI and FinTech—an amalgamation of finance and information technology—we will stimulate interest in securities investment among individuals, especially younger generations, who have not previously been familiar with securities investment, and thereby support a shift from savings to asset building. In that way, we can contribute to Japan's sound economic development.

As the use of various AI-based services is currently spreading and the development of FinTech is accelerating, new financial services leveraging these technologies are becoming easily available. We will keep track of such trends and endeavor to continue enhancing convenience and providing quality services as a channel chosen by next-generation affluent customers and young customers with particular focus on inbound marketing.

Nippon Healthcare Investment Corporation Total amount of assets acquired

Approximately
¥19.7 billion

(As of March 31, 2019)

Management results of renewable energy power plants and logistics facilities

Renewable energy power plants

•Number of deals: 14

(Hokkaido, Tohoku, Hokuriku, Kanto, Chubu, Kansai, Chugoku, and Shikoku regions)

•Output:
Approximately 81 MW

•Balance of assets under management:
Approximately
¥29.2 billion

Logistics facilities

•Balance of assets under management:
Approximately
¥24.6 billion
(As of March 31, 2019)

Daiwa Online Trade

•Number of contract accounts
3,310,201 accounts
(As of the end of March 2019)

Fund Wrap Online promotion video (Japanese)



A facility in which Nippon Healthcare Investment Corporation invests



Fund Wrap Online promotion video



Maintenance and Development of Financial and Capital Market Functions

Related
Sustainable
Development
Goals (SDGs)



The securities business, the core business of 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. Maintaining and developing this infrastructure is about developing sound financial and capital markets for the next generation, which we identify in the Group's materiality in Finance. We consider this to be a major mission for the Group toward the realization of SDG Goal 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation."

Initiatives for Maintaining Market Functions

● Role and Importance of Settlement Functions

Securities settlement—a mainstay of the Group's overall operations—is the delivery of stocks, bonds, or other instruments and funds both to and from the buyer and seller of a securities transaction. Settlement functions also serve as a social infrastructure, and therefore security, reliability, and convenience are important. In secure and trusted markets, financial instruments can be reliably converted into cash when necessary. This is the very reason why such markets attract investment money from all over the world and enable companies and others with funding demand to procure funds.

● Responsibility as a Securities Company

Daiwa Securities was the first major securities company to announce its policy to accept foreign stock sell orders during the 10 consecutive holidays associated with the change of the imperial era in the spring of 2019. This measure was implemented from the perspective of customer protection in case stock prices fluctuated in overseas markets. If anything that could stall securities settlement should occur, it would not only affect us but also damage trust in markets as a whole. It could 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 utilizing computers, we have implemented a reliable system that has high processing capability and can reliably settle a massive number of transactions. We believe, however, that no matter how well operations are systematized, the most important thing for the securities settlement operation is still human resources. Staff members must have a wide range of knowledge 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 expertise acquired through our daily operations, as well as expanding the business knowledge of each individual and the scope of operations they can cover by providing cross-business training and continually rotating tasks.

Meanwhile, the securities industry recognizes that, to boost the competitiveness of Japan's financial and capital markets, it is necessary to further increase convenience and strengthen risk management. With this awareness, the entire industry is currently working on reducing settlement time. Daiwa Securities has played a central role in a working group launched by the Japan Securities Dealers Association, identifying and examining a variety of issues towards the reduction of settlement time. The T+1 (trade date plus one day) settlement cycle already started for government bond trading in May 2018, and the T+2 settlement cycle for stock trading started in July 2019.

Moreover, cross-border foreign exchange transactions entail settlement risk associated with time differences in settlement for the currencies involved (for example, the risk of being unable to receive dollars in U.S. time even when paying yen in Japan time). Daiwa Securities is the only Japanese securities company that participates directly in Continuous Linked Settlement (CLS) as a settlement member. We will fulfill greater responsibility for the stability of financial markets by reducing the

Number of settlement transactions handled

•Daily
11,000
transactions on average

•Annually
Approximately 2.8 million transactions
(mainly by institutional investors within and outside Japan)

Securities Companies' Role in Financial and Capital Markets



settlement risk of foreign exchange transactions.

We are determined to continue settlement operations no matter what happens. In accordance with 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.

The reliability of settlement is extremely important for maintaining customer trust. We will continue to meet increasingly sophisticated customer needs and quickly provide solutions by taking advantage of our reliable settlement infrastructure and human resources.

Considering Application of Blockchain/ Distributed Ledger Technology to Securities Business

Daiwa Securities and Daiwa Institute of Research (DIR) played central roles in carrying out the second phase of a project to consider the application of blockchain/ distributed ledger technology (DLT) to the securities trade matching operations*. The project was conducted jointly with 26 companies, including institutional investors, financial institutions, and computer system companies.

This is a project using an industrial collaborative framework led by Japan Exchange Group. The first phase of the project was conducted in 2017, confirming the usefulness of the application of DLT to the trade matching operations. Following such confirmation, the second phase of the project was conducted from September 2018 through January 2019. In that phase, discussions were held on data items in the operations, the standardization of the operational process, policy on operating the DLT infrastructure, and other issues. The project participants then drew up a more concrete plan toward the construction of a system. The results of the project were released as a working paper in February 2019.

Daiwa Securities Group expects that the initiatives of this project will lead to the reduction of costs in the entire domestic securities industry and the enhancement of convenience, which will ultimately contribute to the benefit of investors. We will continue working to realize the plan in order to provide useful services to customers.

* Operations in which a securities company and an institutional investor confirm the trading volume, fee, etc. with each other after the execution of securities trading

Initiatives for Development of Market Functions

● Private Equity Investment in Myanmar

In 2016, Daiwa PI Partners started considering private equity investment in Myanmar in earnest following the country's move to revise its laws and regulations, including corporate laws and investment laws, alongside its opening up of the economy and deregulation. The company has so far invested in five deals. Among the investee companies, Frontiir Pte. Ltd., a major Internet service provider, offers people in Myanmar stable access to the Internet at reasonable prices. Oway Pte. Ltd., which engages in the online travel agency and taxi hailing application businesses, and Rent 2 Own Holdings Pte. Ltd., which provides motorcycle rental and other services to individuals, contribute to enhancing living standards of people in Myanmar by providing means of transportation indispensable for their lives. Royal Golden Owls Co., Ltd., which operates an online e-commerce marketplace focusing on fashion and apparel products, provides a variety of products to a wide range of consumers in Myanmar, thereby helping to improve people's convenience and living standards.

In Myanmar, in which economic development has just begun, there are a large number of start-up companies with growth potential. We believe that, by continuing to provide capital to these companies, we will be able to promote their growth and contribute to enhancing the social infrastructure and living standards of people in Myanmar.

● Myanmar SME/ Two-Step Loan Project for Agriculture and Rural Development

DIR has long been participating in the Republic of the Union of Myanmar Two-Step Loan Project for Agriculture and Rural Development (known as "Agriculture-TSL") and the Project for the Development of Finance for Small and Medium-sized Enterprises (known as "SME-TSL") together with Japan Economic Research Institute Inc. and Sanyu Consultants Inc. The participation is part of our efforts to contribute to financial inclusion, which is listed as an SDG target, and has continued for eight years since 2012.

Agriculture-TSL is aimed at promoting agricultural mechanization in Myanmar and designed to assist Myanmar Agricultural Development Bank (MADB) in enhancing its capacity to extend long-term low-interest loans suited to the purchase of large agricultural machines. The project team provides practical training directly to more than 200 MADB branches across the country through on-site visits, while making proposals aimed at improving the business efficiency of MADB and advancing the modernization of its facilities.

SME-TSL sets up low-collateral credit lines and credit lines for companies doing business with Japanese companies with the aim of improving small- and medium-sized companies' access to funds for capital investment. Technical assistance has been provided to the overall banking operations of Myanmar Economic

Bank (MEB), which manages loans extended through seven private-sector banks.

By playing central roles in these two projects, DIR has gained deep trust from the Myanmar government and private companies and progressively increased its presence in the country. Both projects contribute to the economic development of Myanmar, and DIR remains committed to working on projects similar to these that will contribute to the realization of SDGs.

● Support for Stock Market Development in Vietnam

In March 2019, DIR started providing technical support aimed at development of the stock market in Vietnam as entrusted by the Japan International Cooperation Agency (JICA). The company will implement a variety of support measures including the provision of training in both Vietnam and Japan to the State Securities Commission of Vietnam (SSC), the supervisory authorities of the capital market, as well as the HoChiMinh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX), over a period of three years until February 2022. Specifically, the support is centered on the following four themes, aiming to enhance the transparency and fairness of the stock market in the country:

- (1) Reinforcement of the stock market's capacity for monitoring against unfair trading
- (2) Tightening of regulations on and supervision over securities companies
- (3) Improvement of listing management and screening procedures
- (4) Penetration of investor-oriented management approach

If this project helps improve the transparency and fairness of the Vietnamese stock market, it is expected to contribute to the Daiwa Securities Group's business related to Vietnamese stocks in the medium to long term. That is because if Vietnamese companies start incorporating a more investor-oriented perspective into their management, investor trust in the stock market will increase, leading to market invigoration.

Support for the development of a stock market is aimed at contributing to the economic development of the relevant country, and DIR will continue to actively provide support to other emerging countries as well.

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

Related
Sustainable
Development
Goals (SDGs)



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

Easy-to-Understand Communication of Information

Daiwa Securities publishes information for a wide range of people from institutional and retail investors to those who are about to start investing. The central role in the provision of information is played by highly specialized analysts and strategists from the Investment Strategy, Equity Research, and Fixed Income, Currency and Commodities (FICC) Research Departments. They provide information mainly through reports based on their unique analysis. Our information is based on close collection and analysis of data. Even if the same person is providing that information, we tailor the presentation, depending on whether it is for retail investors or institutional investors, who are investment professionals. For example, if information is targeted at retail investors, we implement various measures to make it more visually understandable. 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 using easy-to-understand language.

Initiatives to Provide Information on ESG

Daiwa Securities' Equity Research Department is a group of analysts and strategists. They analyze and evaluate information released by companies, and provide investment information and ideas to institutional investors.

The department has designated multiple staff members as responsible for ESG information. This is part of its efforts to put an organizational structure in place to respond to increased demand for information on ESG investment following the signing of the United Nations' Principles for Responsible Investment (PRI) by the Government Pension Investment Fund (GPIF) in 2015. Specifically, the department provides investment information useful for ESG integration to institutional investors, set up ESG meetings between investors and companies, and host seminars for experts by subject area. For example, with regard to the environment, in FY2017 we held a meeting on biodiversity and natural capital,

inviting chemical, food, and housing manufacturers. We also held seminars introducing research on the environmental load caused by companies and the capital cost of stocks to university researchers.

Institutional investors have diverse needs, reflecting their respective investment policies. We will further enhance our ESG information by boosting the analytical skills and communication capabilities of our analysts and strategists.

Initiatives by Daiwa Institute of Research

● Comprehensive Provision of Information and Policy Proposal Activities

Daiwa Institute of Research (DIR), which assumes the think-tank role of Daiwa Securities Group, provides wide-ranging 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 not 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, public institutions including governments and municipalities, and various economic groups, as well as overseas think-tanks and media. In this way, we are able to analyze the currents and trends of society and disseminate information.

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, environmental problems, women's active participation in society, workstyle reform, corporate governance and other issues.

● Strengthening the Provision of Information

The Research Division of DIR launched the Policy Research Department in FY2017. In addition to providing information on the macro economy and financial and capital markets within and outside Japan, the company is now focusing on making policy proposals based on multifaceted analysis of issues such as measures for maintaining the sustainability of government finances and the social security system, and the directions that society and businesses are required to pursue from an ESG perspective. Moreover, Office of SDGs Research & Consulting was established

Reports and seminars on ESG

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

22 reports and articles
(2018)

Provision of information by DIR through diverse media

- Number of reports posted on the website

531 reports
(Results for FY2018)

- Full texts of reports available on the website

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

3.93 million hits
(Results for FY2018)

in April 2019 to contribute to society through dissemination of information aimed at solving various issues. Office of AI Analytic Research, which was launched at the same time, works on new methods for predicting and analyzing the economy.

● Economic Analysis Initiatives Using AI

DIR has been releasing the Daiwa Regional AI (Regional Love) Index, which calculates economic sentiment by region, since July 2017 to contribute to the development of regional society.

Japan is faced with the important issue of breaking the vicious cycle of population decline and contraction of regional economies to realize regional revitalization. To promote such regional revitalization, it is necessary to properly understand the current state of regional economies, in addition to executing the policies that suit regional characteristics.

The Daiwa Regional AI (Regional Love) Index utilizes a state-of-the-art artificial intelligence (AI) model and also incorporates economists' knowledge to calculate overall economic sentiment by region. It has the following advantages:

- (1) demonstrating overall economic sentiment quantitatively and promptly by region;
- (2) grasping regional economic sentiment in a historical manner; and
- (3) enabling analysis of which fields (such as "consumption" and "exports") provide impact and cause changes in overall economic sentiment.

We calculate the index every quarter using the AI model developed by DIR, and release it on our website.

The Research Division of DIR has also developed an economic indicator forecast model using AI, and started releasing forecast figures on the company's website in January 2019. Multiple economists had previously taken charge of forecast work by indicator covered by the company's monthly forecasts. Replacing this previous method with the AI-based economic indicator forecast model has enabled us to enhance the efficiency of our forecasting work and standardize our analytical methods. The monthly economic indicators published in our forecasts are as follows:

- Machinery orders from private sector (excluding orders for ships and those from electric power companies)
- Unemployment rate
- Employment referrals for general workers (active job openings-to-applicants ratio)
- Corporate Goods Price Index (producer price index)
- Indices of Tertiary Industry Activity

Provision of Information through Diverse Media

● Lectures and Media Appearances

The Research Division of DIR adopts a variety of methods for providing information. These include the writing of reports; contribution to DIR Research Quarterly Review, newspapers and economic magazines; media interviews; TV appearances; lectures, seminars, and presentations at workshops; the publication of books, and participation in

government councils as members. We strive to explain in an easy to understand way complex issues related to the economy, society, and policy issues within and outside Japan, while emphasizing the quality of reports. We ensure the reliability of our reports by requiring them to undergo review by a specialized section. As a result, the information we provide has improved in both quality and quantity, and we are communicating with customers on a continuously increasing number of occasions.

● Issuing of Books and Booklets

The Investment Strategy Department of Daiwa Securities issues the periodical "Daiwa Investment Monthly" and other publications as tools for communicating information to general customers. They are distributed to sales branches of Daiwa Securities and are also available on the Internet.

"Daiwa Investment Monthly" videos can also be viewed with a smartphone. We are further evolving our booklets to make them easier to understand.

We also provide information in various ways to general customers, including books available through publishers, desk calendars with information on financial events, and wall-hanging market charts.

Lectures and Media Appearances

Mitsumaru Kumagai
Executive Managing Director, Deputy
Head of Research Division, Chief
Economist, DIR

Pictured: Speaking at the symposium entitled "The Japan-EU EPA: Partners Working Towards a Rules-based, Free Trading World that Creates Economic Opportunities for Businesses" sponsored by the Japanese government



Hitoshi Suzuki
Managing Director, Policy Research
Department, DIR

Pictured: Live Internet coverage of deliberations of the House of Representatives

Toshiro Mutoh
Honorary Chairman of DIR

Pictured: Conference jointly held by DIR and the UK Royal Institute of International Affairs (Chatham House)



Daiwa Investment Monthly



Web

Daiwa Institute of Research
Group > Daiwa Regional AI
(Regional Love) Index (Japanese)

Internet-based Initiatives

● Live Web Seminars

Daiwa Securities Group regularly holds live web seminars where popular strategists and analysts of the Group appear as lecturers. Customers can view them over the Internet in real-time and are also allowed to ask lecturers questions directly either in advance or in real-time by typing into the bulletin board function. These strategists and analysts sometimes serve as lecturers at seminars held at Daiwa Securities branches as well, enabling many customers to receive market information and commentaries on individual stocks in live seminars.

We will continue our efforts to communicate market conditions and outlook and other information to even more people in a way that is easy to understand through our live web seminars.

● Daiwa Internet TV

In 2000, Daiwa Securities Group began "Daiwa Securities Information TV," Japan's only channel dedicated to securities information, on the 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 five times a day in a timely manner, while providing local market information from Hong Kong and New York every day.

In addition to these daily programs, 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.

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 building.

● High Popularity of Nico Nico Live

Since FY2017, Daiwa Securities Group has been providing a Nico Nico Live program jointly with DWANGO Co., Ltd. The program explains the latest trends of foreign exchange and stocks at the time of the announcement of U.S. employment statistics on the first Friday of each month. It adopts a variety-style format in providing investment information, sometimes incorporating humor, and enables viewers to acquire knowledge of investment naturally. It always attracts many viewers and receives a good response.

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.

Live web seminars (Results for FY2018)

• Total of

25 seminars held

• Annual number of participants

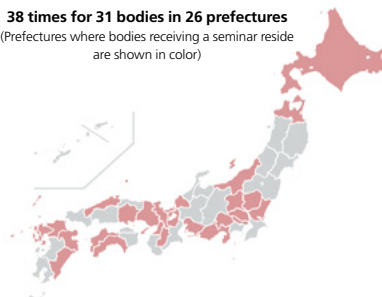
186,868 participants

Holding "Life Plan & Asset Building Seminar" for Local Public Bodies, Sponsored by Japan Securities Dealers Association—38 Times for 31 Bodies in 26 Prefectures

Daiwa Securities sent lecturers to the "Life Plan & Asset Building Seminar" for local public bodies (1st part: life plan in preparation for future; 2nd part: installment-type NISA and iDeCo) sponsored by the Japan Securities Dealers Association. Through the seminar, we implemented an initiative for helping people in various generations to deepen their monetary education.

Seminars Held (Sept. 2018 to March 2019)

38 times for 31 bodies in 26 prefectures
(Prefectures where bodies receiving a seminar reside are shown in color)



Daiwa Securities also expanded the product lineup of Daiwa's iDeCo in October 2018, newly adding six products. We will further advance our initiatives, aiming for iDeCo to be chosen by customers.



Support for the Creation of Our Future Society

Related
Sustainable
Development
Goals (SDGs)



SDGs x "Technology"

● Creation of Next Generation Financial Services (Establishment of Fintertech Co. Ltd.)

In recent years, smartphones and other digital devices have rapidly come into widespread use in our daily lives. Meanwhile, we have also ushered in an era in which the use of artificial intelligence (AI), big data, and other state-of-the-art ICT technology has made it possible to provide services that satisfy the individual needs of users. In that context, in April 2018 Daiwa Securities Group established Fintertech Co. Ltd., a new company aimed at providing generations familiar with digital devices with a variety of services and products that suit such customers' each and every needs.

Going forward, Fintertech will develop new financial services, including those using cloud funding and blockchain technology, to satisfy diverse needs of customers.

● Promotion of Investment and Financing for Energy (Establishment of Daiwa Energy & Infrastructure Co. Ltd.)

Daiwa Energy & Infrastructure Co. Ltd. (DEI) was launched as the successor to the energy investment division of Daiwa PI Partners, and started operation on October 1, 2018. The company aims to provide new value as a member of an integrated securities group with a hybrid business model, and contribute to SDGs through investment and financing for renewable energy, infrastructure, and resource fields.

• Renewable Energy Power Generation Projects
DEI has been actively working on development of and business investment in renewable energy generation projects, taking advantage of the Daiwa Securities Group's network. Of the 10 solar photovoltaic power plants developed and invested in by the company as of the end of March 2019, the eight plants on which construction was completed have all been operating stably. The solar photovoltaic power plants currently under construction in Isesaki City, Gunma Prefecture (4.6 MW) and Mizuhashi, Toyama City, Toyama Prefecture (5.2 MW) will be completed by the end of 2019 and the beginning of 2020, respectively.

In the biomass power generation field, DEI has been steadily promoting the development of wood biomass power generation plants that use tree trimmings in Japan as their primary source of fuel. The development is underway with Green Thermal Co. Ltd., with which DEI has formed a capital and

business alliance. The commercial operation of a plant in Yonezawa City, Yamagata Prefecture began in January 2018 as the first alliance project, while a plant has been under construction in Kamitonda, Wakayama Prefecture as the second project with an eye toward completion in 2020.

Initiatives for the Woody Biomass Power Generation Field

DEI has formed a capital and business alliance with Green Thermal, a leading company for the development and operation of woody biomass power generation plants, and Biomass Fuel Co., Ltd., a biomass fuel supplier. It has been actively promoting not only the construction of power plants but also the expansion of its value chain in the biomass field.

In collaboration with Biomass Fuel, DEI has been working to expand the procurement of palm kernel shell (PKS)—fuel for biomass power generation—and develop wood pellet manufacturing plants mainly in Southeast Asia. Construction of a pellet plant is currently underway in Vietnam.

Furthermore, in December 2018, DEI invested in Bioendev AB, a Sweden-based torrefaction* technology company, aiming for technological evolution and global expansion of the biomass fuel-related business.

The woody biomass power generation business uses carbon-neutral power generation facilities that do not affect the amount of carbon dioxide. Moreover, since it adds new value as fuel to wood trimmings from forests and PKS that have been left and discarded, it is expected to generate new industries and employment and contribute to local economies in Japan as well as the promotion of industry in developing countries.

* Technology that increases the energy density of wood pellets, etc. through the formation of carbide from woody biomass and other substances, thereby enhancing the efficiency of transportation and storage.

Stations developed/ invested in by DEI

Photovoltaic power stations

•Output: Approximately

103 MW in total

A breakdown is shown below.

•Stations in operation:

Approximately

93.2 MW

(total for eight stations)

•Stations under construction:

Approximately

9.8 MW

(two stations)

•Projected amount of electricity generated annually:

Equivalent to the amount for approximately

24,000 households

Biomass power generation plant

•Output: Approximately

13 MW in total

A breakdown is shown below.

•Stations in operation:

Approximately

6.3 MW

(one station)

•Stations under construction:

Approximately

6.7 MW

(one station)

•Projected amount of electricity generated annually:

Equivalent to the amount for approximately

20,000 households

SDGs× Local Community

● Expansion of Solutions Provided in the Business Succession Field (Establishment of Daiwa ACA Business Succession Fund)

About half of the small and medium-sized companies in Japan do not have successors. If this situation continues, Japan may lose approximately 6.5 million jobs in total and ¥22 trillion worth of GDP in the next 10 years. Business succession is thus a major social issue.

Daiwa ACA Business Succession Fund, established in October 2018, helps small- and medium-sized companies to pass on their excellent technologies and services to the next generations. By supporting business succession, the fund also encourages the innovation of technology and services with continuity. Through this fund, Daiwa Securities Group will promote Japan's sustainable economic development.

● Promotion of Industrialization of Agriculture (Establishment of Daiwa Food & Agriculture Co. Ltd)

A new type of agricultural business using ICT and other technologies is attracting attention as a solution to the aging of people engaged in farming and shortages of successors—problems faced by Japan's agricultural sector.

In November 2018, Daiwa Securities Group established Daiwa Food & Agriculture Co. Ltd (DFA). The new company is aimed at assisting expansion of the scale of business related to agriculture and food and enhancing efficiency by providing risk money to help actively introduce new technologies. In April 2019, DFA acquired 14 plastic greenhouses (with a planting area of approximately 7,000 m²) for the growing of baby leaves in Kikuchi district, Kumamoto Prefecture. This marks DFA's new entry into the agricultural production business in collaboration with Kajitsudo Co., Ltd. and SenSprout Inc.. Kajitsudo boasts expertise in cutting-edge baby leaf planting and a proven track record in sales. SenSprout visualizes high-level planting expertise using agricultural sensors and provides solutions that comprehensively support new entries into agriculture, including planning of and assistance with the planning of entries into agriculture, and operational guidance.

Through DFA, Daiwa Securities Group will continue striving to play a role in solving social issues surrounding the agricultural sector, including the invigoration of business related to agriculture and food and the restoration of abandoned farmland. In this way, it aims to realize sustainable agriculture and food.

SDGs×Life

● Full-Scale Entry into the Healthcare Field (Daiwa ACA HealthCare Inc.)

Social challenges are piling up in the healthcare field, including the rapid expansion of demand for medical and nursing care and the necessity of reducing medical costs. Accordingly, Daiwa Securities Group made ACA HealthCare Inc., which has investment expertise in the medical and nursing care business, into a subsidiary in October 2018. The company, renamed Daiwa ACA HealthCare, will undertake full-scale expansion into the healthcare field in both Japan and overseas, especially in Asia.

Through these investments, Daiwa ACA HealthCare will support medical and nursing care services and contribute to the enhancement of medical care and welfare.

● Provision of High-Quality Nursing Care Services (Acquisition of ORIX Living)

In Japan, aging is an important social issue to be addressed, with the population aged 75 years or older expected to exceed 20 million in the first half of the 2020s. A variety of measures are being implemented to provide the elderly with high-quality medical and nursing care services.

With this as a background, Daiwa Securities Group decided to turn ORIX Living Corporation (now Good Time Living Co. Ltd.) into a subsidiary. It is a company operating and developing facilities and homes for the elderly. As of the end of March 2019, ORIX Living operated a total of 32 private nursing homes and rental residences for the elderly (consisting of 29 facilities under the name of "Good Time Living" and three facilities under the name of "Platesia") with a total of 2,726 rooms, mainly in the Tokyo metropolitan area and the Kansai region.

ORIX Living works on improving the daily living functions of each resident, thereby helping them to live independently. By incorporating the company into Daiwa Securities Group, we put into practice initiatives that contribute to "the achievement of healthy longevity," which is positioned by the Japanese government as a priority issue, as well as SDG Goal 3 "Good Health and Well-being." Making ORIX Living a Group company is also expected to favorably affect the Group's business through the provision of new solutions to and strengthened relationships with elderly customers and their families.

Moreover, ORIX Living proactively uses IT, developing nursing care robots and introducing ICT instruments (see (1), (2), and (3) for specific examples). In March 2017, the company received an award for excellent work in "Next-Generation Nursing Care," a program sponsored by the Ministry of Health, Labour and Welfare and the Association for Technical Aids to recognize successful cases of introducing nursing care robots. By enhancing the added value of nursing care services and advancing the development of work environments in the nursing care industry, we will implement initiatives that contribute to SDG Goal 8 "Decent Work and Economic Growth."

Specific Example of IT Use (1)

A drop-down in-wall nursing care lift for in-room transfers

Swing Lift CoCoRo

Developed jointly with the manufacturer. The instrument supporting in-room transfers helps reduce lower back pain and protect the safety and health of care staff.



Specific Example of IT Use (2)

A smart nursing care recording system

Care-wing (institutional version)

Developed jointly with the manufacturer. Information on guests is shared and checked at all times using tablet devices.



Specific Case of IT Use (3)

Artificial intelligence (AI)-based robot

Aeolus Robot

Investigation is underway on the possible use in nursing care practice. It is aimed at boosting the expertise of care staff by having the robot assume simple work.



Contribution to Local Communities through Investment Activities of Investment Corporation

In November 2014, Daiwa Real Estate Asset Management Co. Ltd. started managing Nippon Healthcare Investment Corporation (listed on the Tokyo Stock Exchange), which is 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 the facilities of their investees nationwide several times each year. They participate in hands-on events, such as family get-together meetings and meetings to show respect to the elderly, while assisting daily work, including cleaning the periphery of the facilities, pruning plants in the courtyards, and pulling out weeds. They also participate in hands-on training to experience work as facility employees in an effort to deepen their understanding of frontline work.

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

Investment in Drug Development Ventures and Other Businesses by DCI Partners

We at DCI Partners have been investing in the biotech field for more than 20 years, including the period of NIF Ventures (now Daiwa Corporate Investment). We currently manage one of Japan's largest funds, making biotech venture capital investment focusing on the drug development field in Japan and Taiwan. The drug development business is faced with five challenges: securing human resources, R&D, business development, intellectual property strategy, and financing. Biotech start-ups predominately lack the managerial resources—people, goods, and money—to overcome these management challenges. Through the fund, DCI Partners strives to help advance development and enhance corporate value by providing managerial resources and hands-on support from strategy planning to implementation. If there are no human resources or money, we establish a new company and even carry out the development of medical products.

Anexa PEP Inc., established in October 2018, has entered into a license agreement with the National Institute of Advanced Industrial Science and Technology (AIST), one of Japan's largest research institutions, and is currently developing a cancer therapeutic agent. Anexa PEP has been authorized by the AIST as an "AIST start-up" in recognition of its attempt to commercialize the seeds of revolutionary technology. Open Innovation Partners, an existing company, has developed a cancer therapeutic agent after acquiring development rights from Mitsubishi

Tanabe Pharma Corporation. In December 2018, it became the first Japanese company set up under the leadership of an investment fund to receive approval for the initiation of a clinical trial. Through investment activities, we engage in activities to expand the possibility of promising seeds of biotech start-ups, academic institutions, and pharmaceutical companies, promote development in the biotech field, and provide patients with more treatment options. DCI Partners will continue striving to contribute to the health of all people and society.

Support for Reconstruction Following the Great East Japan Earthquake

●The Great East Japan Earthquake SME Reconstruction Support Fund

Daiwa Corporate Investment Co., Ltd. operates the Great 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., The Bank of Iwate, Ltd., The 77 Bank, Ltd., The Toho Bank, Ltd., and other institutions. Targeting unlisted private companies in the disaster-affected areas, the fund aims to expeditiously provide risk finance. The goal is to actively support companies in their efforts to secure renewed growth and development by supplying finance for a variety of purposes. These include restoration and reconstruction following the 2011 earthquake disaster, new business development, the shift to a new industry or line of business, business reorganization and succession, and business incubation. The fund thereby aims to contribute to the early restoration and sustainable development of the disaster-affected areas.

●Support for the “New Tohoku” Restoration Business Contest 2018

To further deepen the activities carried out by the Great East Japan Earthquake SME Reconstruction Support Fund, Daiwa Corporate Investment supports the “New Tohoku” Restoration Business Contest in collaboration with Daiwa Securities Group Inc.. This contest is organized by the Reconstruction Agency every autumn. We grant the “Daiwa Securities Group Phoenix Award” to an outstanding plan.

Sanriku Toretate Ichiba Co., Ltd., an award recipient

for 2018, owns a technology that keeps fish fresh from unloading to delivery in collaboration with fishermen in Ofunato City, Iwate Prefecture. As the technology allows the lifespan of sashimi and other fish products to be greatly extended, the company not only sells products within Japan but also exports to Asian countries. The award was given to support an initiative started in the Sanriku area, which is rich in marine resources, to comprehensively revise the conventional form of the fishing industry and generate a business that utilizes the latest technology.

We will continue to actively carry out these activities so as to be able to contribute to the reconstruction of the Tohoku region.

Support for Developing Human Resources Responsible for the Next Generation

●Support for Developing Human Resources Responsible for Next Generation Innovation through “Sido Next Innovator 2018”

Daiwa Institute of Research (DIR) was entrusted by the Ministry of Economy, Trade and Industry with secretariat work for “Sido Next Innovator 2018” jointly with World Innovation Lab (WiL, LLC). Under the theme “Thinker to Doer,” the program solicits and selects a wide range of people, including those taking up the challenge of generating innovation and those working on challenging new business at major companies. It aims to develop global human resources who will play a major role in next-generation innovation by providing selected applicants with lectures, seminars, workshops, mentoring and interaction with investors and entrepreneurs in Silicon Valley. The program was initiated in FY2015, and FY2018 marks its fourth year.

The program runs for a total of 10 months—two months of open application and selection and eight months of program implementation. In FY2018, applications were solicited from May to June 2018, and 126 successful candidates (program recipients) were selected from among 345 applicants based on rigorous evaluation.

In the domestic program, which kicked off in July, participants went through lectures, workshops, mentoring (in which skilled workers with a wealth of

Commemorative photo of the Reconstruction Agency, sponsor companies, and award recipients (“New Tohoku” Restoration Business Contest 2018)



President Yanagihara (left), who served as presenter, and an award recipient (“New Tohoku” Restoration Business Contest 2018)



experience called mentors engage in dialogue with and provide advice to unskilled workers to encourage growth and the brushing up of business plans), pitch contests, and other training to brush up their business plans and enhance presentation skills. Alongside the domestic program, the small-class program “Sido Café” was provided for those who wished to participate. In the program, participants deepened their knowledge of specific topics.

In a pitch contest carried out on December 15, 2018, 20 participants were selected as delegates to Silicon Valley based on the overall results of screening by application forms and pitch. The 20 participants took part in a two-week Silicon Valley program in which they visited entrepreneurs playing major roles at local start-ups, personnel in charge of new business development at large companies, and venture capitalists. They enhanced the quality of their own business plans through small meetings and mentoring. Moreover, among those who were not selected as delegates to Silicon Valley, 31 applicants participated in a domestic follow-up program in which they continued to brush up their business plans.

A final results reporting event (“Demo Day”) was held on February 15, 2019. Demo Day featured pitches made by a total of 40 participants—20 delegates to Silicon Valley and 20 participants in the domestic follow-up program, along with speeches by guest speakers, exhibition booths set up by alumni and a panel discussion. DIR will continue to participate in programs such as this which will lead to innovation.



Establishment of New Companies Contributing to SDGs

Daiwa Securities Group has cherished the securities business since our foundation. While focusing on it as our core business, as investment in growth that also provides solutions to social issues, we have launched businesses in various fields including FinTech, healthcare, energy and infrastructure, and agriculture. These businesses capitalize on the wide range of expertise the Group has nurtured in the securities and financial businesses.

SDGs x "Technology"

Creation of Next Generation Financial Services
Fintertech Co. Ltd.

See >>> **P. 33**



SDGs x "Technology"

Promotion of Investment and Financing for Energy
Daiwa Energy & Infrastructure Co. Ltd.

See >>> **P. 33**



SDGs x "Local Community"

Expansion of Solutions Provided in the Business Succession Field
Daiwa ACA Business Succession Fund

See >>> **P. 34**



SDGs x "Local Community"

Promotion of Industrialization in Agriculture
Daiwa Food & Agriculture Co. Ltd.

See >>> **P. 34**



SDGs x "Life"

Full-Scale Entry into the Healthcare Field
Daiwa ACA HealthCare Inc.

See >>> **P. 34**



SDGs x "Life"

Provision of High-Quality Nursing Care Services
Good Time Living Co. Ltd.
(Former company name : ORIX Living)

See >>> **P. 34**





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

- Corporate Governance
- Compliance
- Human Rights Initiatives
- Risk Management
- Close up:
 - Response to the TCFD
- Environmental Initiatives
- IT Strategy and the Management of Systemic Risk
- Engagement with Shareholders and Other Investors
- Engagement with Employees
- Engagement with Society
- Close up:
 - Initiatives for Child Poverty Issues

Corporate Governance

Approach and Basic Stance

Daiwa Securities Group clearly separates the supervisory and executive functions of its management to create a highly transparent and objective corporate governance system. We have adopted a structure in which Corporate Executive Officers of Daiwa Securities Group Inc., as well as employees responsible for head office functions, concurrently serve in the securities subsidiary. This reflects our pursuit of a management structure that improves the efficiency of head office operations and maximizes synergy of each group company.

Basic Views on Corporate Governance

Daiwa Securities Group is a group management holding company which aims to meet a highly transparent and objective governance system that is in line with international standards. Furthermore, the Company aims to achieve highly efficient and specialized supervision of group companies, and is building a unified group management system which demonstrates the synergy of each group company.

Daiwa Securities Group Inc. has adopted the organizational form of a company with Three Committees with a view to

- (a) improving the mobility of decision-making by significant delegation of authority from the Board of Directors to the Corporate Executive Officers (Shikkoyaku) and clarifying the division of the duties among the Corporate Executive Officers (Shikkoyaku);
- (b) enhancing the transparency of the management by establishing Three Committees (Nominating Committee, Audit Committee and Compensation Committee) of which Outside Directors hold the majority and making the supervisory function of the Board of the Directors more efficient by inviting highly specialized Outside Directors; and

- (c) exerting management oversight function by the advice, etc. given from the third point of view, which is based on each insight and experience of highly independent and ethical Outside Directors, in the Board of Directors and the Three Committees.

Furthermore, the Group positively addresses corporate social responsibility activities in order to earn trust from all of the stakeholders. There are indeed various aspects to corporate social responsibility, such as providing superior products, services, and sincere responses to customers; returning profits appropriately and disclosing information to shareholders; measures for labor environment and evaluation of the employees; establishing legal compliance and corporate ethics; environmental management; as well as social contribution.

The Group believes that these approaches, together with a strengthened corporate governance system which emphasizes transparency, mobility and efficiency will lead to the sustainable improvement of the corporate value.

The corporate governance system consists of the Board of Directors and the aforesaid Three Committees (Nominating Committee, Audit Committee, and Compensation Committee) as a supervising body, Executive Management Committee and its subcommittees (Group Risk Management Committee,

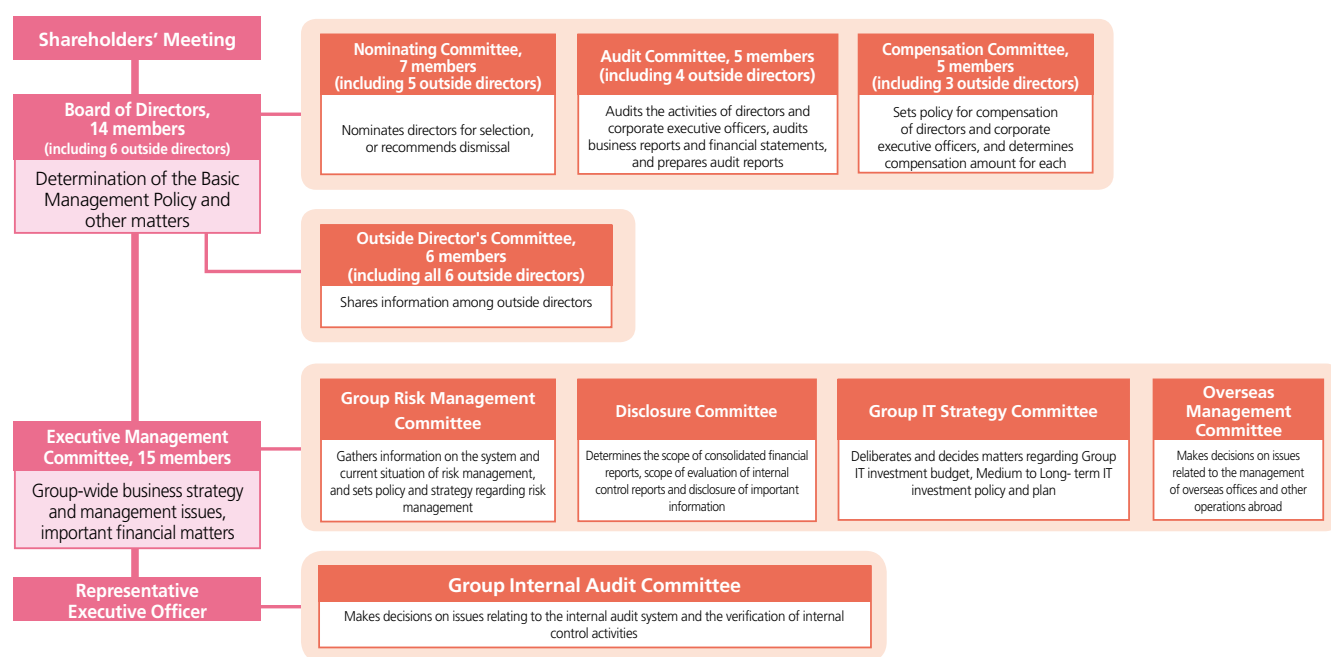
Number of times each committee met (FY2018)

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

Rate of attendance at Board of Directors meetings by outside directors

94.8%

Corporate Governance System at Daiwa Securities Group



Disclosure Committee, Group IT Strategy Committee, and Overseas Management Committee) as an executive body, and Group Internal Audit Committee, which is in direct control of the CEO as an internal audit body.

To incorporate more diverse perspectives into group management, we have appointed four female directors and corporate executive officers. On a group-wide basis, nine female officers serve as directors, corporate executive officers, and executive officers.

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
June 2002	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 Three Committees system)
October 2015	Complied with the Corporate Governance Code
	Established the Outside Director's Committee
April 2017	Appointed outside directors as chairpersons of all three committees

Point

- Published the Corporate Governance Report detailing our response to the Corporate Governance Code
- Decided that more than two members and more than one third of the Board of Directors should be independent outside directors
- Established the Outside Director's Committee in FY2015 for the purpose of increasing communication amongst outside directors
- Have elected one additional outside director and six out of 14 Board of Directors as outside directors since 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 would be outside directors from FY2017 while taking steps to further improve the governance system

Supervisory Function

The Board of Directors consists of 14*1 directors, including 6 outside directors*2 and 3 female directors.

The Board of Directors determines key management policy, in addition to overseeing 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 management and other fields. 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, 2019

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

Audit Committee's Activities

Daiwa Securities Group Inc.'s Audit Committee is engaged in auditing activities for duties executed by directors and corporate executive officers as part of corporate governance. In particular, it focuses on verifying the construction and operational status of the internal control system.

For example, in FY2018, the Audit Committee conducted hearings with employee unions and various divisions, including the sales, product, and human resources divisions. These hearings were designed to confirm the Group's initiative for improving customer satisfaction through the provision of "Quality No. 1" added value—an important issue in its audit policy.

In July 2018, all Audit Committee members, including four outside directors, visited Daiwa Securities' Global Markets Division. They received explanations from executives and employees of the division regarding the duties of each department and office, the structure of transactions with institutional investors, securities exchanges, and industry peers, as well as position management. The members asked various questions, including about systems for preventing illicit transactions like those that have occurred at other companies. They thus took advantage of the visit as a valuable opportunity to deepen their understanding of the division's operations. The Audit Committee will continue to deepen its understanding of the Group's operations and proceed with initiatives to strengthen the Group's corporate governance system.

Audit Committee members receiving explanations at the Global Markets Division



Refer to page 62 of our FY2018 securities report for the details of the following:

- > Policies for selection of candidates to serve as the Directors
- > Composition of the Board of Directors (only Japanese)

Preventing Conflict-of-Interest Transactions between Group Companies

Conflict-of-interest transactions can occur between Daiwa Securities Group Inc. and Group companies in situations such as intra-Group transactions. Daiwa Securities Group applies rules regarding conflicts of interest stipulated by Japan's Companies Act to the Executive Management Committee as well as the Board of Directors. Conflicts of interest between Daiwa Securities Group Inc. and Group companies are appropriately prevented through a rule prohibiting an executive officer from voting when he or she concurrently serves as an officer of an interested Group company and thus has a special interest in a matter to be decided.

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. It should also function effectively as an incentive that leads to the improvement of business performance in both the short term and 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 Three Committees 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.

The details of each component are as follows:

- **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. In assessing individual contribution, the results of management targets as outlined in the Medium-Term Management Plan are comprehensively taken into account, along with other factors, based on consolidated ROE and ordinary income—key performance indicators used in the 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, restricted stock compensation 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.

Internal Control System and Internal Audit

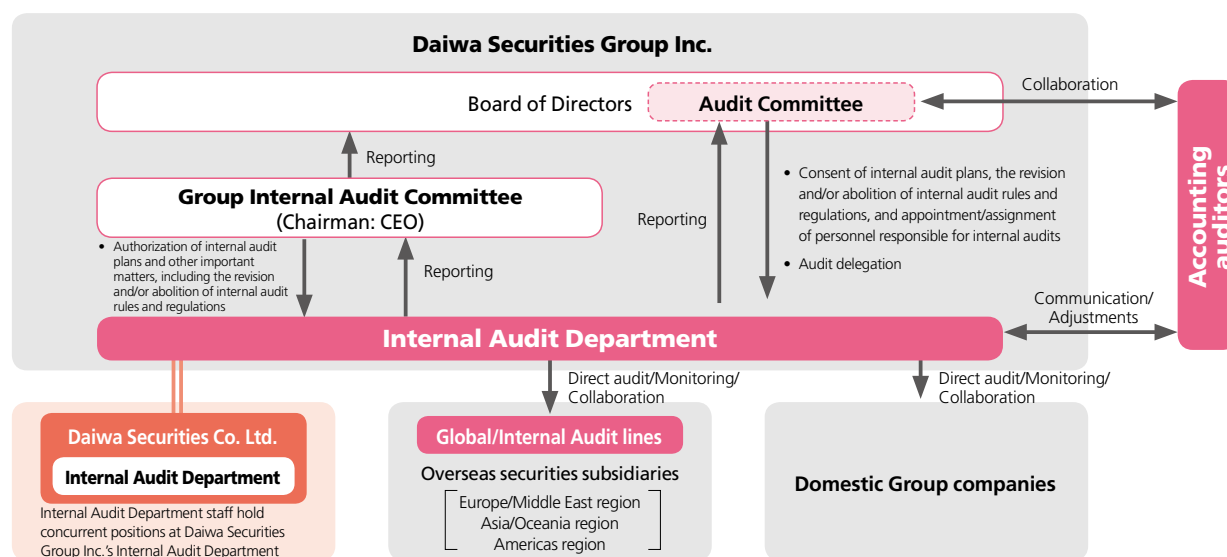
In recognition that management is responsible for maintaining an internal control system to ensure the sound and appropriate execution of business, the Group, under the main initiative of Daiwa Securities Group Inc., has established a system for managing the Group's major business risks. Through this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

We also recognize that Group value can be increased through the creation of a sound and efficient internal control system. Based on such recognition, we position internal control as an especially important

Refer to page 79 of our FY2018 securities report for the details of the following:

> Compensation of executives (only Japanese)

Internal Auditing System Diagram of Daiwa Securities Group



function, and appoint a dedicated corporate executive to whom the Internal Audit Department reports. The Department sits independently from all other departments, and verifies the internal control system. By conducting effective audits, the Department strives to enhance the Group's corporate value. 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. 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.

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. They 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. The Department also sometimes 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. The Group thus strives to constantly improve its system.

Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)

Since January 2003, 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. The system mainly aims to detect corporate misconduct—which includes violations of the Financial Instruments and Exchange Act and other laws, regulations and rules that include bribery and corruption—in its early stages and prevent such misconduct from occurring.

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 FY2018, 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.

Tax Policy

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

Daiwa Securities Group Tax Policy

1. Daiwa Securities Group complies with laws and ordinances, and contributes to the sustainable development of society through appropriate tax payments with high ethical standards.
2. Daiwa Securities Group rewards our shareholders by achieving sound profits based on proper and fair tax planning.
3. For cross border intra group transactions, Daiwa Securities Group sets an appropriate price, which achieves adequate accountability under transfer pricing tax regulations.
4. The Chief Financial Officer (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 is shared and implemented throughout the Daiwa Securities Group.

Number of reports received through whistleblowing system for FY2018

41 reports

(down 12 from the previous fiscal year)

* No reports indicating violation of human rights, environmental pollution by Daiwa Securities Group, or other matters raising particularly serious concerns in general social norms

Use of the intranet to increase employee awareness



Compliance

Approach and Basic Stance

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.

Related Sustainable Development Goals (SDGs)



Compliance System

The compliance division of Daiwa Securities Group consists of the Compliance Control Department and the Compliance Department. The former is mainly responsible for overall compliance planning and formulation and also plays a role as a gatekeeper to the market. The latter is tasked with providing support to sales branches and headquarters departments and divisions. The two collaborate to build a compliance system, working concurrently for Daiwa Securities Group Inc. and its subsidiary Daiwa Securities.

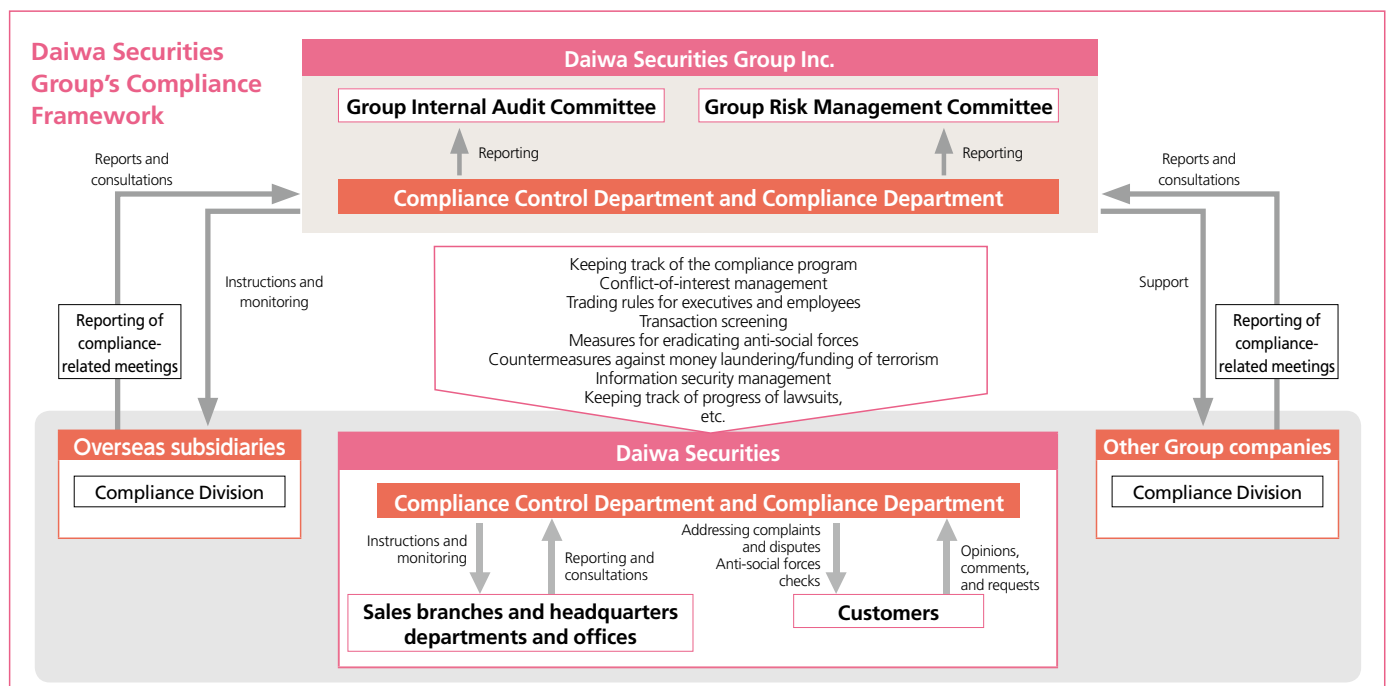
At Daiwa Securities Group, the compliance system focuses on three key issues: securing the fairness and transparency of the market, eliminating any relations with anti-social forces (including countermeasures against money laundering and funding of terrorism), and maintaining information security. With these issues in mind, it supports Daiwa Securities and other Group companies.

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 divisions directly, identifying issues and providing training support. The Customer Counseling 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 lies in its stationing of full-time internal administrators belonging to the Compliance Department at all sales branches. The internal administrators work on improving the effectiveness of the PDCA cycle (plan, do, check, act) at each sales branch. They also closely cooperate with the Compliance Department in an effort to build a solid compliance system.

As of April 1, 2019, the compliance division consists of approximately 250 staff, composed of 42 staff at the Compliance Control Department, 65 at the Compliance Department, and approximately 140 working as internal administrators at sales branches. The staff members are striving to strengthen Daiwa Securities Group’s compliance system.



Full Implementation of “Customer-First”

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 FY2019, we set up the pillars outlined below, maintaining “Customer-First” as the keyword, as in the previous fiscal year.

1. Realization and evolution of “Customer-First Operations”
2. Reinforcement of countermeasures against money laundering/funding of terrorism
3. Exercising of proper functions as a gatekeeper to the market

Daiwa Securities markets various financial products, including investment trusts. When soliciting investment from customers, we ensure compliance with the principles of integrity and fairness, suitability, and 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 staff, especially when the market is trending downward. We believe that providing thorough, face-to-face explanations to customers and maintaining customer trust and a sense of security at times of market fluctuations are part of the practice of Customer-First for Daiwa Securities as a marketer of financial products. We will continue stepping up such initiatives going forward.

Daiwa Securities Group’s Customer Inspection System

Daiwa Securities Group recognizes that the financial and capital markets are an important infrastructure for society. We also believe that sustaining trust in the markets is an important role that we must play.

For example, to maintain trust, it is important for financial institutions, such as Daiwa Securities Group, to eradicate anti-social forces in response to particularly strong social demands in Japan. Internationally, it is also important to prevent the use of the financial and capital markets by terrorists, organized criminal groups engaged in money laundering and other crimes, as well as organizations and individuals designated by international institutions. For this reason, Daiwa Securities Group has put in place a structure to inspect new and existing clients

1. We undertake the following procedures for all new clients, including customers opening a new account with Daiwa Securities.
 - (1) Compare with our own database constructed using information obtained from news reports, the Internet, and other sources
 - (2) Compare with databases provided by public and other institutions
 - (3) Utilize overseas information provided by Japan Center for International Finance

2. We regularly check for matters of concern related to existing clients and conduct further investigation if necessary. When a problem is identified, we promptly terminate or exclude trading.
3. We strive to obtain the latest information in collaboration with the police, the bar association, and other external organizations aimed at eradicating anti-social forces.
4. We conduct training for executives and employees at our Group companies every year. The training is designed to raise their awareness of the importance of eradicating anti-social forces and countermeasures against money laundering and the provision of funds to support terrorism, as well as to share knowledge of the latest laws and regulations, and relevant cases.

In particular, the importance of countermeasures against money laundering and the provision of funds to support terrorism has grown worldwide. This has increased the need for implementing a more effective structure to prevent such acts from occurring. We will work on reinforcement of our structure as an important management issue to ensure that Daiwa Securities Group is not used for money laundering or funding terrorism.

Securing the Fairness and Transparency of the Market

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 about 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 of important information.

To prevent illicit transactions within Daiwa Securities Group, we strictly manage not just material facts of listed companies but also 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 Daiwa Securities Group, we are continuously persisting in activities to eradicate anti-social forces from society 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 anti-social 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 antisocial forces. If it is determined that an unfair demand has been made by anti-social forces, we will take legal action in 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, Daiwa Securities Group works to prevent corruption. Daiwa Securities' code of ethics and conduct includes prohibitions on employees 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 divisions. Officers in charge or relevant departments and divisions 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 such dealings separately. They thus keep an especially close eye on those dealings, as entertaining government officials is prohibited by law. Our management rules on entertainment also prohibit employees from giving benefits to 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 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, at the time of and after signing an outsourcing contract with a third party, we thoroughly check the information management structure of the party. We also conduct on-site visits before outsourcing to examine the business practices of the potential outsourcing contractor.

Following the enforcement of the My Number Act (the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures) 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 it 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 level necessary. Daiwa Securities also in principle bans employees from taking personal information out of the company. 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 superior and to keep records, thereby strictly managing such information. We also strictly manage the printing of personal information and output to external storage media, while constantly monitoring whether there is any unauthorized use. Moreover, since some of the documents received from customers are paper-based, we prepare special storage files to avoid the risk of losing documents within the company.

Fostering Compliance Awareness

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. We also give tests on compliance regularly through e-learning. At Daiwa Securities, we post a "Personal Information Check Test" and "Compliance Digest" every Monday on our intranet and also broadcast compliance-related content about 10 times a year in our internal TV program which 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 suited to 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 FY2019 and Beyond

We will continue with our initiatives toward the realization and evolution of "Customer-First Operations." At the same time, we will continue to reinforce our countermeasures against money laundering and funding of terrorism as a challenge for particular focus in FY2019. It is imperative that we comply with set rules, but we consider that the goal of our initiatives should not only be to achieve such adherence. Compliance is a common theme that must be addressed by the entire securities industry and it is also a matter of trust in the industry as a whole. We will therefore exchange information with industry peers and proceed with measures while sharing good practices with each other. Daiwa Securities Group will strive to strengthen compliance as a leading company of the industry going forward, and will make efforts to contribute to enhancing trust in the entire securities industry.

Human Rights Initiatives

Approach and Basic Stance

Daiwa Securities Group states in its corporate principles that “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.” To improve a corporate culture rooted in the basic principles of respect for human rights, we are further strengthening our efforts to educate and enlighten our employees about human rights. We therefore respect the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, ISO 26000, the UN Guiding Principles on Business and Human Rights, and the Act on the Promotion of Human Rights Education and Human Rights Awareness-Raising. We have also joined the UN Global Compact.

Related Sustainable Development Goals (SDGs)



Basic Policy for Initiatives Addressing Human Rights and Social Integration Issues

1. 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

issues. Daiwa Securities Group has been a member of the Industrial Federation for Human Rights, Tokyo, since 1998. The Federation is composed of 123 companies mostly headquartered in Tokyo with a combined total of 1.5 million employees (as of April 2019). Federation members work together to further improve their employees' awareness of human rights issues through research and communication.

Composition of Human Rights Awareness Promotion Committee

Chair: 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 Planning Department, General Affairs Department, and Compliance Control Department

Initiatives in FY2018

In FY2018, we provided human rights education as part of training for the Group's new employees conducted immediately after their induction ceremony. It is also included 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 has taken charge of all of these training courses.

We have also been providing training on LGBT issues since FY2015. It has been conducted for those in the Group's compliance and human resources divisions. 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. The cumulative number of employees participating in training on LGBT issues is now 3,089.

The Group also held a Human Rights Awareness Workshop for all executives and employees to consider human rights from multiple viewpoints. Discussions between participants were held after watching an educational video entitled “Communication Not Generating Harassment” as an opportunity to consider what should be kept in mind to ensure that harassment does not occur.

We also called for human rights awareness slogans between October and November 2018 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 for FY2018

•Training participants

475 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

337 promoted employees

•Objective

To acquire knowledge and raise awareness concerning human rights required for their respective positions

Human Rights Education and Awareness

In 1984, Daiwa Securities Group set up the Human Rights Awareness Promotion Committee. The committee aimed at promoting activities and training for raising human rights awareness, thereby encouraging better understanding and appreciation of social integration and other human rights issues. We have been working to achieve its objectives. Besides the committee, all Group managers at the head office or branch level act in a promotional role, engaging in education and awareness activities to ensure that employees correctly understand and acknowledge human rights and social integration

Risk Management

Approach and Basic Stance

While 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. We aim to maintain a sound financial base and profit structure by properly balancing risks and returns and implement effective risk control and management, thereby achieving sustainable improvement in corporate value.

Related Sustainable Development Goals (SDGs)



Risk Types and Degree of Importance

Risks that are particularly important for Daiwa Securities Group are those related to our key securities business. Using our own accounts, we temporarily hold positions on products we intend to sell, and offer these products to customers. For this reason, we also need to control risks such as liquidity risk, including for foreign currencies, the market risk resulting from market fluctuations, credit risk for business partners and issuers, and the risk of hedges not functioning, as well as the operational risk that inevitably arises in the execution of business. Moreover, we manage the integration risk by measuring the impact on the Group's capital and liquidity from a forward-looking perspective.

For major risks and their management, refer to our Integrated Report.

Risk Management and Risk Appetite Framework*

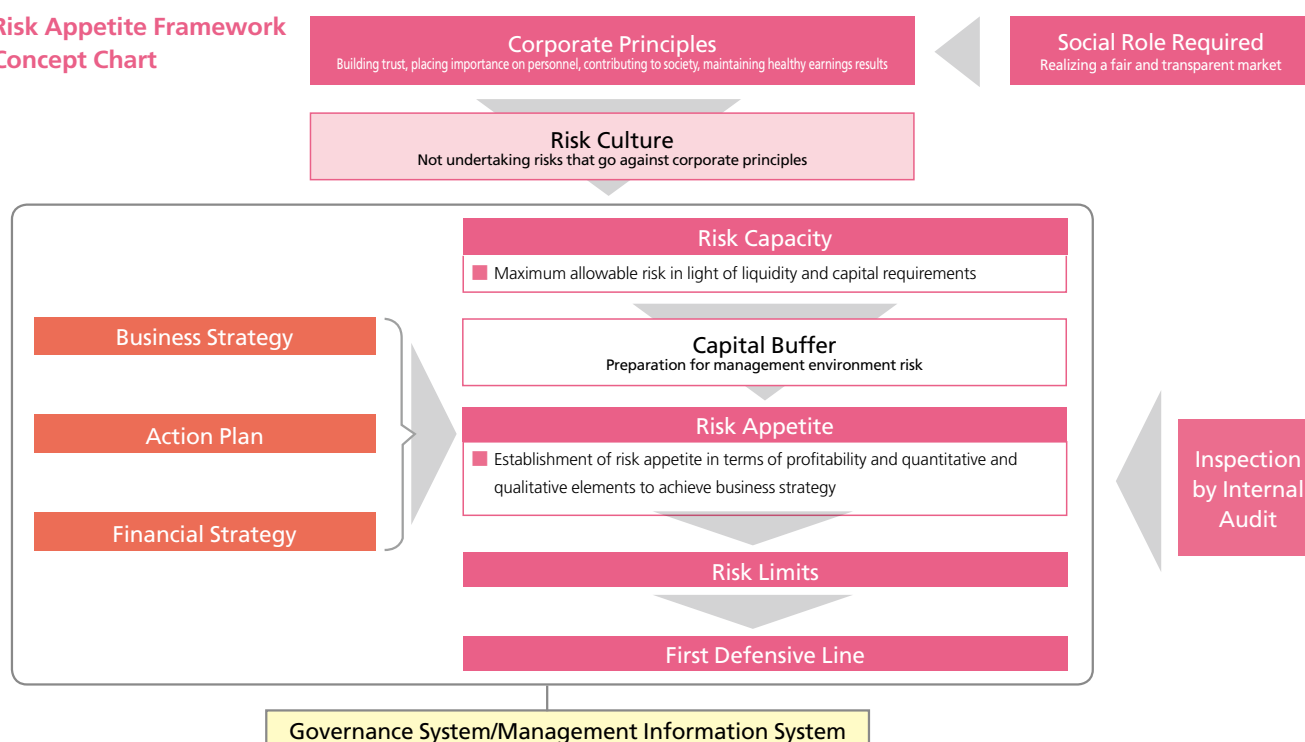
As one of Japan's Domestic Systemically Important Banks (D-SIBs), Daiwa Securities Group Inc. complies with the Basel rules, which are international banking regulations. It has also drawn up the "Risk Appetite Statement," which has been deliberated on and decided by the Board of Directors. The Statement is designed to clarify the policy on risk-taking and risk management frameworks that are consistent with the overall business strategy of Daiwa Securities Group. In line with its business profile as a securities group, the Statement defines risk categories and sets out risk appetite indicators as quantitative indicators to be managed, the risk culture based on the corporate principles, and the governance structure supporting these matters. Based on this risk appetite framework, at Daiwa Securities Group Inc. we control

Refer to page 88 onwards of our Integrated Report for risk management.

* Risk Appetite Framework

This risk appetite framework sets out, as risk appetite, 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.

Risk Appetite Framework Concept Chart



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 sectional committee of the Executive Management Committee. The Risk Management Department plays a central role in these risk controls.

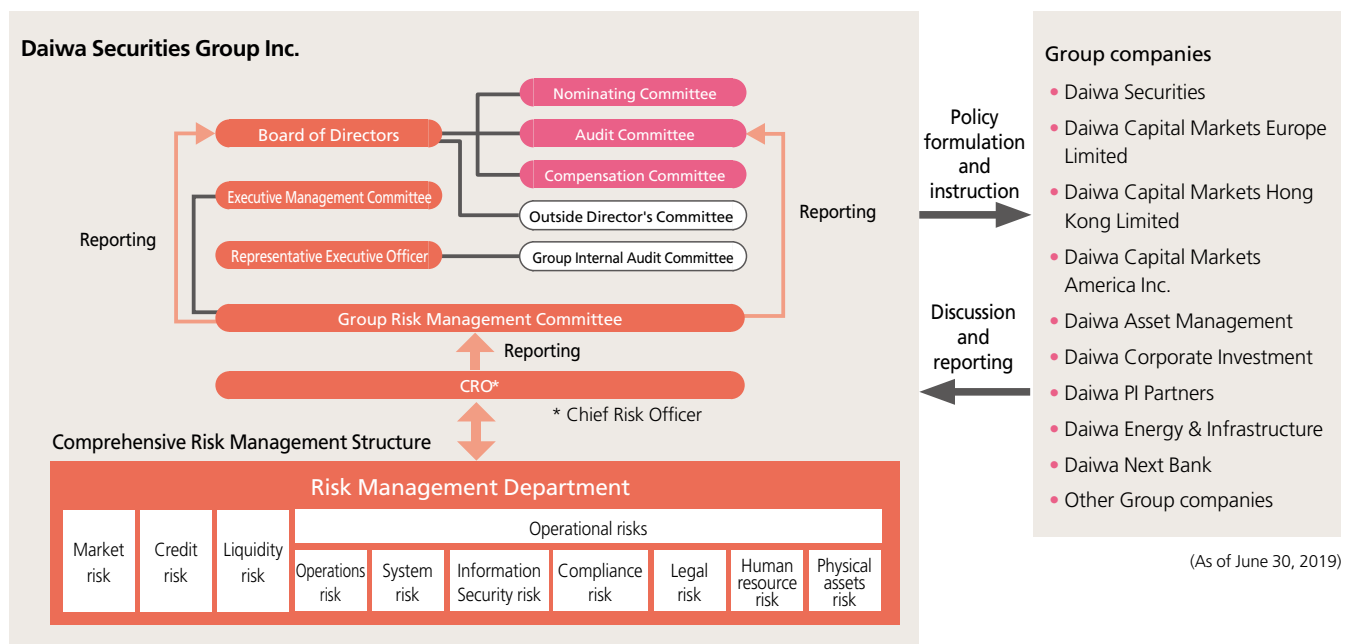
● System Adequate to Prevent Risk at Worksites (Three Lines of Defense)

The Risk Management Department has set up groups according to risk fields, comprising market risk management, credit risk management, liquidity risk management, operational 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 within and outside Japan 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, compliance, and other divisions tasked with controlling risk in a cross-organizational and comprehensive manner. The third is the Internal Audit division. We endeavor to control risk by utilizing these three defense lines.

Risk Management System



Business Continuity Plan (BCP)

To be prepared for disruptions of social infrastructures, we have drawn up a business continuity plan (BCP). The BCP prioritizes important operations to be restored or continued* in order to keep the financial markets open and protect customers' economic activities. Disruptions of social infrastructure might make our head office functions, branches and data centers or other important facilities inoperative. They can be caused by events such as earthquakes, fires, storms, floods, other extraordinary weather conditions, terrorism, large-scale power failures, and serious outbreaks of infectious diseases. In accordance with the BCP, we will not only ensure the safety of customers and our employees, and protect our assets, but will also strive to continue our vital operations in the financial markets where our business serves the public interest. For example, we boast Japan's highest-level backup center, and have established a system which enables us to easily switch to the alternate system in case of an emergency at headquarters. We can therefore continue vital operations through a substitute office location.

*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 or cancel the following products and sell securities back to exit a long position in margin trading
 - Domestic listed shares, including closing long positions on margin transactions
 - MRF (money reserve funds)
 - Japanese government bonds for individual investors
 - Ordinary deposits

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 and is preparing disaster relief supplies that reflect the disaster risk for each branch. The hazard maps created by the municipalities of respective regions are sent to branches and made available on our intranet.

Supply Chain Management and ESG Due Diligence including Human Rights

Daiwa Securities Group regularly checks 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 those 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 within and outside Japan and exchange information with external parties to be aware of human rights issues existing in the countries and regions where the Group conducts business operations. We then consider taking appropriate measures for important issues.

We carry out due diligence in deals underwritten, considering not only business performance and financial aspects, but also ESG issues. When we find issues regarding the business model of an issuer or its planned use of proceeds, we conduct more thorough due diligence through such means as field work and meetings, and sometimes make proposals for improvement to the issuer. If major concerns remain even after taking such measures, we report them to Chief Risk Officer (CRO).

Similarly, we also carry out due diligence in self-investment deals.

Daiwa Securities Group's Response to Issues in its Supply Chain

Subject	Specific initiatives	Frequency
Major business partners including providers of IT equipment and services	Check documents disclosed by partner companies and external information	Regularly
Countries where the Group conducts business operations	Collect information on human rights issues	As needed
Deals underwritten	Due diligence in consideration of ESG	As needed
Self-investment deals	Due diligence	As needed

Web

Response to the UK Modern Slavery Act 2015



Response to the TCFD

In June 2017, the Financial Stability Board announced Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (Final Report). The announcement was made in response to concerns over adverse effects on the financial system that could be caused by physical and transition risks in the course of a shift to a lower-carbon society. Daiwa Securities Group Inc. expressed its support to the TCFD in April 2018.

Impact on Daiwa Securities Group in the Course of a Transition to a Lower-Carbon Economy

The table below describes what Daiwa Securities Group currently recognizes, based on the TCFD recommendations, as major events that may adversely affect the Group's businesses in the course of transition to a lower-carbon economy, measures that are expected to reduce such effects, and developments and opportunities anticipated to occur in the future, as well as effects that could remain, according to the four thematic areas below.

Daiwa Securities Group will continuously conduct verification going forward, based on scientific knowledge and expectations about climate change, and respond appropriately as an important management issue.

Disclosures in Accordance with the TCFD Recommendations

Items	Recommended disclosures	Initiatives
Governance	The organization's governance around climate-related risks and opportunities a) Oversight by the Board of Directors b) Management's role	(1) Formulation of Environmental Vision, Environmental Principles, and Basic Environmental Policies (2) Establishment of the SDGs Promotion Committee, chaired by the president and CEO, to discuss the Group's response to various social issues, including climate change
Strategy	Impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning a) Climate-related risks and opportunities b) Impacts of climate-related risks and opportunities c) Potential impacts under different climate-related scenarios	<p><Opportunities></p> <p>(1) Increase in demand for funds to prepare for a lower-carbon society (financing for the renewable energy business, issuance of Green Bonds, etc.) (2) Increase in deals underwritten in association with (1) (3) Increase in opportunities for investing in new industries and companies that contribute to the transition to a lower-carbon society (4) Increase in business opportunities for providing solutions to assist in the transition to a lower-carbon society (5) Improvement of evaluations from stakeholders through appropriate implementation of aforementioned initiatives.</p> <p><Risks></p> <p>(1) Decrease in business from companies and others significantly affected in the course of the transition (2) Increase in reputational risk associated with investment and underwriting related to businesses with a heavy environmental load (3) Decrease in assets under management resulting from a decline in the value of assets held by funds (4) Decline in the value of assets held by the Group and decrease in selling opportunities (5) Increase in costs associated with the tightening of environmental regulations and countermeasures against disaster risk</p>
Risk Management	Methods for identifying, assessing, and managing climate-related risks a) Processes for identifying and assessing climate-related risks b) Processes for managing climate-related risks c) Integration of processes for identifying, assessing, and managing climate-related risks into overall risk management	(1) Consideration of analysis of the impact of climate change risks on financial and capital markets (2) Consideration of execution of due diligence from the perspective of ESG and other non-financial information for deals underwritten (3) The holding of dialogue on the environment and society by the asset management division with investee companies. Discussion on environmental management policy, promotion systems, information disclosure, approach to external evaluations, etc., especially with companies with a large environmental load
Metrics and Targets	Metrics and targets used to assess and manage climate-related risks and opportunities a) Metrics for assessing climate-related risks and opportunities b) Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions c) Targets used to manage climate-related risks and opportunities	(1) Disclosure of the company's GHG emissions (refer to page 87) (2) Establishment of the company's environmental load reduction target (refer to page 54)

Environmental Initiatives

Approach and Basic Stance

Protecting the global environment, which is the basis of our livelihoods, is essential for a sustainable society. Through our business activities, Daiwa Securities Group contributes to the resolution of environmental issues by developing products that reduce the environmental burden, and also by assisting financing for the development of environmental technologies and infrastructure. At the same time, we are working to establish a system that efficiently collects data on the Group's environmental load. We are also focusing on raising employees' environmental awareness to empower them to reduce the environmental burden in daily business operations.

Related Sustainable Development Goals (SDGs)



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 services company and, to constantly seek new ways to reduce its environmental impact as a responsible corporate citizen.

Basic Environmental Policies

1. Make positive environmental contributions through our core business activities
We shall seek to develop and provide financial products and services that promote a low-carbon, recycling-oriented, and symbiotic society.
2. Implement an environmental management system
We shall implement an environmental management system and constantly seek new ways to improve environmental activities. In addition, we shall support environmental education and publicity efforts, while promoting environmental protection efforts by employees.
3. Take steps to save natural resources, reduce energy consumption, and promote biodiversity 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 environmental policies.

Daiwa Securities Group Inc. (May 22, 2012)

Environmental Management

Every six months, 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, Daiwa Property, and Daiwa Institute of Research, all of which have a significant impact on the Group's electricity consumption and CO₂ emissions, the

relevant departments hold a joint meeting appropriately. They discuss measures to reduce their environmental impact, check the progress of improvement measures and share information.

Moreover, Group companies with offices in Gran Tokyo North Tower attend a meeting of the CO₂ Reduction Promotion Committee hosted by the management company of the building every six months, working together to reduce the overall CO₂

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, CO₂ emissions, waste disposal and recycling volume.

Initiatives to Reduce the Environmental Impact of Business Activities

● Introduction of Environmental Accounting

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

● Initiatives at Group Companies

When installing new equipment at head and branch offices, Daiwa Securities requires that the equipment be certified under Japan's Top Runner Program standards. For example, we replaced 14 multifunction copiers at the head office in FY2018, thereby reducing the power usage for these machines by approximately 35% (an estimate by the manufacturers). We have also been replacing our company cars successively since FY2014 with eco-cars and hybrid vehicles that have significantly improved fuel efficiency. The replacement, at the time of completion, will reduce CO₂ emissions by an amount equivalent to the CO₂ 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 lighting into the head office of Daiwa Institute of Research was completed in the summer of 2017. In addition, Daiwa Securities Group strives to choose environmentally friendly products in its central purchasing.

● Initiatives to Raise Environmental Awareness

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 in the Office." The column mainly shares the status of the Group's environmental initiatives and introduces environmental measures that can be implemented by employees, depending on their individual awareness.

We also participated in a campaign led by the Tokyo Metropolitan Government's Bureau of Environment to promote efforts to reduce plastic shopping bags at convenience stores within offices. The initiative is still being implemented even after the end of the campaign.

When printing documents, we recommend using aggregate printing and double-sided printing. We also encourage 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 3.4% year on year in FY2018, within the same scope as FY2017.

● Offering Environmentally Friendly Services

Daiwa Securities provides an online service allowing customers to receive various reports, including prospectuses and reports on the details of transactions and transaction balances, in electronic format on the Internet, instead of written notifications (hardcopy reports and prospectuses). Reports and prospectuses received in electronic format can, in principle, be accessed and checked online as and when required, saved to personal computers and other devices, and printed for five years after initial receipt. The proportion of customers choosing the online service was 43.0% as of the end of March 2019, up 1.2% from the previous fiscal year. We will continue recommending the service to increase the number of customers using it.

● CO₂ Emissions

In comparison with the previous fiscal year, CO₂ emissions in FY2018 fell by approximately 6.0% for Daiwa Securities Group's domestic offices, as a result of a positive initiative to conserve energy (within the same scope as FY2017).

→ Refer to page 87 of "SDGs Related Data" for details.

● Initiative to Reduce CO₂ Emissions

We have set up the goal of reducing CO₂ emissions, 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 implementing the "Cool Biz" program again in FY2018, carrying out energy savings measures through on- and off-peak periods.

● Targets for FY2019

- Initiative to reduce CO₂ emissions
Sustained a reduction in CO₂ emissions of more than 1% in comparison with the previous fiscal year.
*Domestic consolidated basis
- 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 refine skills for analyzing the data
- Continue to introduce eco-cars
- Purchase products certified under the Japan's Top Runner Program standards

Initiatives in Real Estate Management (Daiwa Real Estate Asset Management Co. Ltd.)

● Operation of the Sustainability Committee

Daiwa Real Estate Asset Management Co. Ltd. launched a Sustainability Committee in FY2013 as part of its efforts to systematically address a variety of ESG related challenges. The company formulated

Company cars in Japan (Daiwa Securities)

1,073 vehicles
including
845 eco-cars
160 hybrid cars

(As of March 31, 2019)

• Introduction results for FY2018

156 eco-cars
22 hybrid cars

• Introduction plan for FY2019

410 eco-cars
10 hybrid cars

Cases of soil and groundwater pollution found within office sites

• FY2018

0

Investment in energy-saving air conditioning systems for FY2018

¥91 million
(including installation costs)

the Rules on the Sustainability Promotion System in FY2018. These rules set forth the development of specific measures related to the sustainability activities of each investment corporation, an internal system for promoting sustainability (including the composition of the committee and education for executives and employees), and policy on disclosure of information concerning sustainability. The rules clarify the internal system and other necessary matters for promotion of ESG initiatives by each investment corporation which is entrusted with asset management operations.

● Initiatives at Shinjuku Maynds Tower

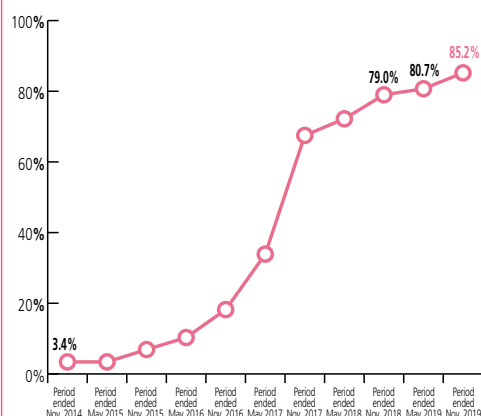
The following initiatives have been implemented since 2012 at the Shinjuku Maynds Tower building, which is owned by Daiwa Office Investment Corporation and operated by Daiwa Real Estate Asset Management Co. Ltd.:

● 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. As a result, we have installed LED lighting in approximately 80% of common-use space.

We have also adopted the green lease scheme*1 since 2014 to promote the use of LED lighting in tenant-owned spaces. The installation has proceeded gradually under the scheme, with both tenants and landlords enjoying its benefits. We expect LED lighting to be introduced into approximately 85% of the area of tenant-occupied spaces by the period ending November 2019. In some cases, the electricity usage of lights has been halved compared with the pre-adoption level. We plan to also gradually introduce LED systems in other tenant-occupied spaces after holding discussions with tenants.

The proportion of the area into which LED lighting has been introduced in the tenant-occupied space of Shinjuku Maynds Tower



* The proportion of the area for the period ended May 2019 and for the period ended November 2019 is an estimate that was made as of November 2018.

● Maintaining DBJ Green Building Certification*2

We are engaged in environmentally conscious office building management at Shinjuku Maynds Tower.

For example, we continually upgrade its facilities to reduce its environmental load and 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 rated. 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 2019.

● Initiatives at Daiwa River Gate

The following initiatives were implemented in 2018 at Daiwa River Gate—a property owned by Daiwa Office Investment Corporation, which is operated by Daiwa Real Estate Asset Management Co. Ltd.:

● Installation of Solar Wind Powered Street Lights

Solar wind powered street lights were installed, taking advantage of the property's environment of strong winds and abundant sunlight, as it adjoins a river. The installation has enabled the use of renewable energy and helped to increase the intensity of illumination. The street lights allow people to clearly see the steps in the stairs area, while contributing to improving the environment surrounding the building from crime prevention and other perspectives. We plan to consider the introduction of such facilities into other properties as well, depending on the situation, and install them successively going forward.

Toward Achieving a Hydrogen Society: Entrusted with Global Trends Survey by NEDO

Daiwa Institute of Research (DIR) has been commissioned to undertake survey and research work by the New Energy and Industrial Technology Development Organization (NEDO) toward the realization of a hydrogen society. The commissioned work encompasses the collection and analysis of information on the latest trends across the world (the United States, Canada, EU countries, China, and South Korea) concerning hydrogen fuel cells, as well as identification of issues for development strategies in hydrogen fuel cell technology in Japan.

The survey and research work is aimed at timely collecting and analyzing of a wide range of the latest information on hydrogen fuel cells, and sharing it with relevant parties in Japan, toward the realization of a hydrogen society, taking safety and the environment into consideration. The information includes policies and markets for hydrogen fuel cells and research and development trends across the world. The commissioned work also involves visits to international institutions and attendance at international conferences related to the development and use of hydrogen fuel cells. The work is also aimed at identifying issues for Japan's strategy for developing hydrogen fuel cell technology going forward by accurately understanding, assessing, and analyzing the policies, markets and industrial trends of other countries.

In this way, DIR will be proactively engaged in business related to development of new energy sources that are environmentally friendly.

*1 Green lease scheme

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

*2 Scoring model of DBJ Green Building Certification

A comprehensive scoring model uniquely developed by the Development Bank of Japan Inc. (DBJ). The DBJ grants certification to real estate properties that are highly environmentally and socially friendly ("Green Building"), based on a five-level ranking system.

CO₂ emissions reduction by adopting LED lighting (in comparison with the levels prior to the introduction of LED lighting)

• Approximately
606.5 t-CO₂ a year
(Shinjuku Maynds Tower in 2018)

IT Strategy and the Management of Systemic Risk

Approach and Basic Stance

Under its Medium-Term Management Plan, “Passion for the Best” 2020, Daiwa Securities Group is promoting the IT strategy (basic IT policy) of establishing an IT platform that will drive the digital transformation. The Group is also working to further strengthen IT governance in order to address the diversification of its business portfolios and the evolution of technology.

Related Sustainable Development Goals (SDGs)



IT Governance Structure

Daiwa Securities Group has established the Group IT Strategy Committee at Daiwa Securities Group Inc. as a sub-committee of the Executive Management Committee and has created the IT Strategy Committee at Daiwa Securities as a subcommittee of the Management Committee. These committees deliberate and decide medium- to long-term IT investment policies and plans after taking into account business needs and changes in the business environment, including systems and regulations.

Against a backdrop of globally tightening financial regulations, increasingly serious and sophisticated cyberattacks, greater digitalization enabled by technological evolution, and unbundling of financial services, the chief information officer (CIO) has been placed in charge of overseeing all IT-related operations across the Group, including overseas bases, to ensure Group-wide risk management and business innovation. By strengthening the management of and collaboration between IT resources, the CIO is working to enhance the Group's IT capabilities.

Status of IT Investment

Daiwa Securities Group has been making IT investments for a number of purposes. These include establishing a customer-oriented sales structure; providing products and services that meet customer needs; promoting a digital transformation with the aim of improving the efficiency of existing businesses, business innovation, and work process innovation to engage in businesses with higher added value; addressing the infrastructure platforms and responding to legal systems that are essential for business continuity; and strengthening the risk management framework.

In FY2018, we expanded our products and services, including the provision of a gift service taking advantage of the calendar year taxation system and the offering of a login function based on biometric authentication to smartphone app users. We also worked on improving business efficiency using voice recognition technology and AI, developing an API*1 infrastructure to provide financial services with high added value,

and strengthening our response to global financial regulations and cybersecurity countermeasures.

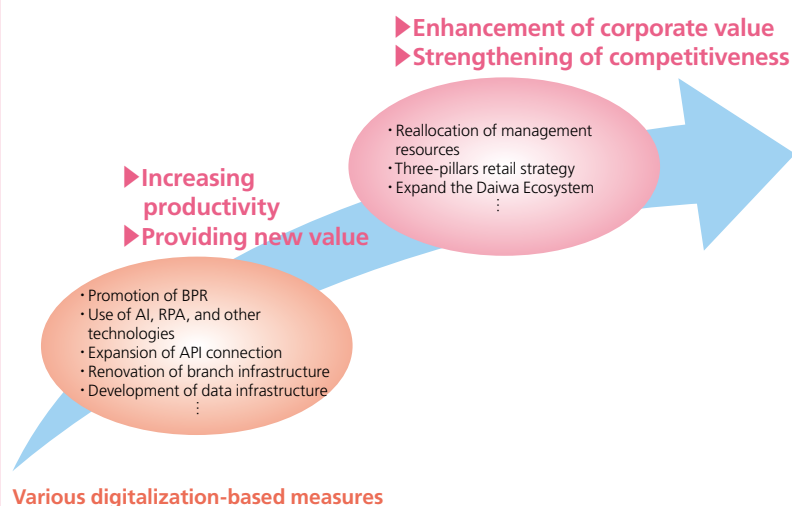
*1 Application Programming Interface: A mechanism that enables connections between systems via a standard protocol.

Systemic Risk Management

Daiwa Securities Group works 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 arising from factors within and outside the Group. In particular, given the growing threat of cyberattacks in recent years, we position cybersecurity as an important management issue of the Group, and have implemented a cybersecurity management system centered on the Daiwa-CSIRT*2, a Group-wide cross-sectional specialist organization. We collect and analyze the latest information on cyberattack methods and vulnerability in collaboration with external institutions and companies, while working on defenses against and the enhancement of resilience to cyberattacks.

*2 Computer Security Incident Response Team, a cybersecurity management organization.

Initiative toward Realization of Management Strategy: Digital Transformation



Engagement with Shareholders and Other Investors

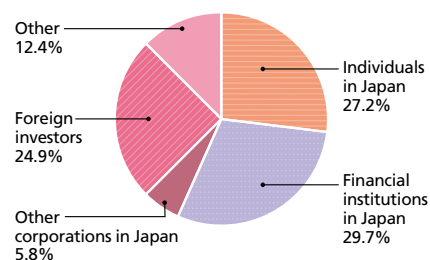
Approach and Basic Stance

Daiwa Securities Group works hard to promote communication with shareholders and other investors. We will strive to provide shareholders and investors with improved communications and information that are easy to understand.

Breakdown of Shareholders

Breakdown by Investor Type (As of March 31, 2019)

Total number of issued shares: 1,699,378,772 shares



Dividend Policy

Daiwa Securities Group Inc. strives to continuously enhance shareholder value, including profit distribution. In principle, dividends are paid semiannually (interim and year-end dividends) at a payout ratio of 50% or more based on consolidated financial performance. However, after taking stability into account, when we can secure a sufficient amount of internal reserves required for future business development, we intend to increase returns to our shareholders, including share buybacks.

Communication with Shareholders and Other Investors

Every year, many shareholders attend our general meeting of shareholders, which is an opportunity for us to interact directly with everyone. To increase communication opportunities, we also carry out various IR activities. These 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 institutional investors and analysts in Japan and overseas, and participation in Daiwa Investment Conferences held within and outside Japan.

In addition, we are further developing information disclosure on our IR websites and publishing integrated reports and business reports for shareholders. We will continue working to make our communications even more precise and easy to understand for shareholders. Feedback and questions received from shareholders are reported to the CEO and other management personnel on a weekly basis, as well as at Board of Directors meetings.

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 rewards program and to improve our business operations.

Shareholder Rewards Questionnaire Contents at the End of September 2018

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

Shareholder Rewards Program

Daiwa Securities Group Inc. has been implementing a shareholder rewards 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, and "Kaisha Shikiho," a quarterly journal on investment.

Starting with the shareholder rewards offered to shareholders of record on September 30, 2017, if shareholders request reward items on our website, we donate ¥20 per case to "Daiwa Securities Group Children Support Fund for a Bright Future," established in the Public Resources Foundation. We thus support activities for improving the environment surrounding children and breaking the cycle of poverty through NPOs engaged in fighting child poverty.

It also became possible to select Single Mothers Forum, a certified NPO, as a donation recipient in the shareholder rewards offered to shareholders of record on March 31, 2019.

The contributions made will be used for initiatives to give congratulatory money to children in single-parent households who enter elementary, junior and senior high schools and colleges.

Breakdown of shareholders

(As of March 31, 2019)

• Individuals in Japan

27.2%

(Up 3.2 points from the end of the previous fiscal year)

• Foreign investors

24.9%

(Down 4.9 points from the end of the previous fiscal year)

Web

Investor Relations

Web

For Shareholders

Initiatives in FY2018

● Dialogue with Various Stakeholders

With the expectation of a shift from savings to asset building, Daiwa Securities Group continued to actively disseminate information contributing to the improvement of the Group's corporate value. We communicated the progress of our Medium-Term Management Plan, an overview of our management policy, and other information efficiently and effectively in earnings announcements and management strategy briefing sessions, as well as in integrated reports and business reports. For institutional investors in Japan and abroad, we implemented effective activities suited to each investor base, and held an IR roadshow by top management for overseas institutional investors. In FY2018, we continued to nurture relationships of trust with staff responsible for exercising voting rights, in addition to analysts, portfolio managers, and others, through periodic communications. In December 2018, we held an ESG meeting for institutional investors and analysts. At the meeting, the Chairman of Audit Committee, an outside director, and the officer in charge of planning explained, respectively, the Group's corporate governance and SDG initiatives, and this was followed by a question and answer session.

Moreover, following the increase in the ratio of individual investors, we significantly increased the number of briefings for individual investors, with the CEO and CFO participating. We also held seminar-style company briefings for individual investors on the Internet, in addition to briefings at sales branches of Daiwa Securities, attracting the participation of many investors and large audiences. Furthermore, we participated in briefings organized by Daiwa Investor Relations Co. Ltd. (Daiwa IR), a Group company, with the aim of increasing contact points with individual investors. At these briefings, we provide a question and answer session and conduct a survey, thereby obtaining diverse feedback to use for the improvement of communication with individual investors in the future.

ESG meeting held in December 2018



Director Tadaki (at the time)



Senior Executive Managing Director Ogino

August 2018

Seminar-style company briefing for individual investors on the Internet



President and CEO Nakata

● Increasing Shareholder Returns

Daiwa Securities Group, aiming to achieve sustainable growth by earning healthy profits, will implement a capital policy that takes all stakeholders into consideration by striving to balance investment in growth, improve capital efficiency, maintaining financial health, and enhancing shareholder returns.

We raised the target payout ratio to at least 50% from FY2018. When we can secure a sufficient amount of the internal reserves required for future business development, we intend to increase returns to our shareholders, including share buybacks. The full year dividend payout ratio was 52.6% in FY2018, with the total return ratio standing at 106.9%.

Fair Disclosure

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

As a company engaged in the securities business, we are committed to fair information disclosure in accordance with the Fair Disclosure Rules so that we will be a role model for other listed companies. We will strengthen disclosure not only of financial information, but also nonfinancial information with social and environmental aspects that are not apparent in the financial figures in the short term.

Disclosure Policy

- We will observe fair and timely disclosure of important financial, social and environmental information ("Management-Related Information") regarding the Daiwa Securities Group so that our stakeholders, (including shareholders, investors and the communities we operate in) may understand and maintain realistic expectations of the Daiwa Securities Group.
- We will comply with the Financial Instruments and Exchange Law and other laws and ordinances related to securities transactions and the various rules of the financial Instruments exchanges where on which our stock is listed.
- We will endeavor to achieve fair disclosure both in terms of content and timing.
- We will utilize various communication channels including presentations, telephone conferences, the Internet and printed materials to disclose information in an easy to comprehend manner for investors.
- We will consciously act as a leader of the securities markets in terms of disclosure and set the standards for other listed corporations.
- To realize the above policies we will establish Disclosure Regulations* and set up a Disclosure Committee to lay down procedures for disclosing information.

Number of overseas IR activities held in FY2018

North America

2 IR events
(28 meetings)

Europe

2 IR events
(30 meetings)

Asia

2 IR events
(23 meetings)

Company briefings for Individual Investors held in FY2018

Number of briefings at sales branches of Daiwa Securities

36

Number of briefings organized by Daiwa IR

9

Number of seminar-style Internet briefings

2

Total number of participants
Approximately

6,500 people

Share buyback

Buyback period

From August 22, 2018 to February 22, 2019

Total number of shares repurchased

55 million shares

(Percentage of total number of issued shares excluding treasury stock: 3.40%)

Total amount of shares repurchased

¥34,811 million

Engagement with Employees

Approach and Basic Stance

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 our employees feel a sense of job satisfaction and that their families and partners share their pride in being part of the Group.

We have nurtured our corporate culture since the 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 in 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.

Related Sustainable Development Goals (SDGs)



Hiring Initiatives

● Hiring Approaches and Trends

Daiwa Securities Group wants all 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 so that newly hired employees will be able 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 in order to develop a global network and strengthen alliance strategies.

Daiwa Securities Group offers internship programs to provide opportunities for gaining firsthand experience in the securities business through interaction with employees.

● Fairness in Hiring

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

Daiwa Securities Group has in place a Senior Advisor System that enables 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 effectuation of revisions to the Act on Stabilization of Employment of Elderly Persons in 2013, and as the careers of employees are lengthening, we associate our sustainable growth as a company with the employment of older people who wish to keep learning and working in a meaningful way as a part of the organization. Daiwa Securities is greatly expanding its training programs for employees aged 45 and older, and has introduced a License Certification System that provides incentives to employees who have improved their skills and polished their acumen as professionals. In addition, we introduced a Superior Managing Director System as the highest employee position and enhanced the personnel system for veteran employees with outstanding expertise and knowledge who have made remarkable achievements. We support both work and caregiving, and are creating an environment in which employees can move forward enthusiastically without concerns over their future lifestyle.

Refer to page 8 for the Daiwa Spirit.

Number of new employees for FY2019

677 people

(7 group companies*)

* Refer to page 81 of "SDGs Related Data" for companies covered by data.

We have also introduced long service leave for employees in their 20th year and 30th year at the Group. The leave is designed with gratitude to provide employees who have contributed greatly to the Group's development with an opportunity to refresh themselves and spend time with their parents, spouse, and other people around them who always support them.

Employment of People with Disabilities

As of FY2018, Daiwa Securities Group had more than 190 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 career-track employees, regional career-track employees, and customer service employees. Once people with disabilities are hired, we provide support for their career advancement by, for example, creating opportunities for them to enter the career-track and regional career-track employment opportunities. To further strengthen our support to employees, we also introduced the Daiwa LEAP Plan in 2018. This provides comprehensive support including a leave program for outpatient treatment, subsidies for expenses incurred to start work, and the introduction of support tools according to the type of disability. The Plan is a measure for bringing out employees' talents while taking their respective circumstances into consideration, and developing a pleasant working environment.

We have 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.

Moreover, Daiwa Securities Group participates in the Accessibility Consortium of Enterprises (ACE), a general incorporated association, as a member. ACE was founded for the purpose of establishing a model for people with disabilities that contributes to corporate growth, and communicating information to society concerning human resources sought by businesses. As of September 2018, ACE has 33 corporate members, mostly large companies. Through the holding of seminars and workshops for human resources personnel and employees with disabilities, as well as issuance of educational brochures, ACE carries out awareness-raising activities for parties concerned, creates role models, and makes proposals to management and society.

Human Resource Development and Skill Enhancement

● Employee Training Approaches and Trends

The source of Daiwa Securities Group's competitiveness lies in the capabilities of its employees. Accordingly, we focus on the development of human resources based on the basic policy of providing high value-added solutions through the use of "Quality No. 1" consulting capabilities. In particular, we offer extensive training programs to newly hired

employees, as we believe that this is a critical period for their training. Seeking to achieve the "Quality No.1" in the industry, we adopt a system that allows employees to refine their knowledge, techniques, and mindsets through a variety of programs in the curriculum. It enables us to nurture human resources with professional skills at an early stage.

We believe that our employees must have a firm understanding of corporate ethics and compliance to ensure the development of sound financial and capital markets. Accordingly, we offer regular training on information security and compliance.

● Education and Training System

Daiwa Securities Group seeks to be a group of true professionals who love their jobs and keep aiming high. Our employees not only acquire skills necessary for their current work assignments but also make consistent efforts toward achieving their career visions. We have adopted an educational system comprising mandatory programs clearly positioned as duties that must be worked on, and a variety of optional programs that can be chosen according to the needs of each employee for their career advancement. In this way, we support the autonomous career formation of each employee. We also aim to foster a sense of solidarity among Group employees across divisions while offering training opportunities at group meetings.

• Training for Young Employees

Daiwa Securities Group views the first two years of an employee's career as a period for their basic training for becoming a professional. Accordingly, we implement the Daiwa Basic Program that covers this period of training. The program sets the items and levels that should be acquired, and organically combines group training, OJT, e-learning, and support for the acquisition of qualifications. Moreover, since FY2017, we have been providing an educational program called "Q-Road" for employees in their third to fifth year of employment. This program helps to improve their knowledge, techniques, and mindsets to achieve "Quality No.1" in the industry. It presents high-level goals to further promote employees' growth.

• Skill Training

We provide skill training aimed at enhancing the skills and techniques that employees themselves want to improve as an opportunity for them to acquire various skills and special knowledge. We enhanced the e-learning program from FY2017 and developed a training system that can better satisfy employees' motivation for self-development.

• Training for Veteran Employees

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 to improve their skills. Since its introduction, approximately 1,700 employees, accounting for more than 60% of personnel aged 45 and older, have undertaken over 18,000 training programs.

Number of times skill training was held in FY2018

27 training courses
held 64 times

Cumulative number of
participants:

13,488 people

Cost for the Group's educational investment

¥2.2 billion

● Supporting Employees Trying to Earn Credentials

Daiwa Securities Group focuses on the development of human resources who can provide high value-added solutions through the use of our "Quality No. 1" consulting capabilities. 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 796 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, nearly all employees in their second year of employment acquire AFP, while 70% have passed the Certified Member Analyst of the Securities Analysts Association of Japan (CMA) examination (Level 1).

We have also introduced an Inheritance Planner Certification® as an in-house qualification system. Certification candidates undergo practical in-house training based on an extensive knowledge obtained through the acquisition of CFP® certification and acquire skills for providing services targeting high net worth individuals. In addition, the company provides generous support by, for example, subsidizing certification costs so that employees can enhance their specialized skills and become professionals.

● 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 1,300 employees have moved to other positions. We have also instituted a system of intragroup 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, 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 evaluate employees comprehensively by taking 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 career, or experienced veterans, to take on the challenges of the next stage of their careers and to work in positions

with greater responsibilities. Even while on childcare leave, employees are still eligible for promotions as we properly evaluate their contributions to date.

Striving to Create a Pleasant Working Environment

● Initiatives for Work Motivation Reform

Daiwa Securities Group has a proven track record of implementing initiatives for work style reform ahead of times to help all employees to work efficiently within set working hours and live a fulfilling life. Such initiatives include the female employee support plan (since 2005), encouraging employees to leave the workplace before 7 p.m. (since 2007), and promoting work-life balance (since 2008). In April 2017, Daiwa Securities Group announced the "Joint Declaration of Promotion of Work Style Reform" by Chairman of the Board and President and CEO. In addition, we established the "Business Reform and Productivity Improvement Committee" chaired by the President and CEO.

We aim to further accelerate our work style reform, and promote our work motivation reform through endeavors for higher value-added operations and contributing to customers and society. To maximize employees' productivity, active participation, and work motivation, we are working on developing an optimum environment in which each employee feels motivated and satisfied with their work and can take on challenges while exercising their maximum potential.

● Encouraging Work-Life Balance (WLB)

One of 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 all employees, from young to veteran, 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. and establishing family days at the workplace.

We set up the Work-Life Balance Hotline in April 2018 to create an environment for employees to consult casually on various concerns and worries, such as balancing work and child care/nursing care and their future career.

• Strong Leadership by Top Management

We hold Work-Life Balance Committee meetings, which are co-chaired by the Chairman of the Board and President and CEO, on a quarterly basis. Executives and employees from various posts and divisions, ranging from executives and managers at the head office and branches to young employees, participate in the meetings, and conduct active discussions on various measures under strong leadership. Daiwa Securities Group has adopted systems aimed at supporting its employees in the areas of both child-rearing and nursing care that exceed statutory requirements. Surveys concerning the Group's efforts to support both the career and child-rearing needs of its employees have been conducted to solicit input

Number of persons earning CFP® certifications

796 people

(As of the end of March 2019)

Number of Certified Member Analyst of the Securities Analysts Association of Japan (CMA)®

1,644 people

(As of the end of March 2019)

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.

● 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 as role models in internal publications in order to increase the number of women in managerial positions. A career consultation service has been set up on the Group's internal WLB promotion website. Female executives as well as heads of each department, office, and branch give advice on the concerns and inquiries of female employees.

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 Cabinet Office.

• Targets Related to Initiatives for Empowering Women

Daiwa Securities Group has a proven track record of implementing a wide range of initiatives that help female employees reach their full potential. At Daiwa Securities, we have set specific targets for the years through 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%, a more than fivefold increase from the FY2005 level**
- Ratio of women in new graduates recruited: **50% (stable)**
- Ratio of women among participants in training: **50%**
- Rate of taking annual leave: **At least 70%**
- Rate of taking childcare leave for male employees: **100%**

• Support for Employees' Career Advancement

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 1,300 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 to secure talented personnel who support business operations. The number of female employees right before being promoted to managerial positions is 2,339 at the end of June 2019, substantially increasing from 1,093 in 2005.

We also launched a career support training initiative for female employees (Daiwa Woman's Forum) in FY2014, and a program for women in managerial positions (Daiwa Woman's Management Forum) in 2018. These programs have contributed to building networks among women.

• Appointment of Female Executives

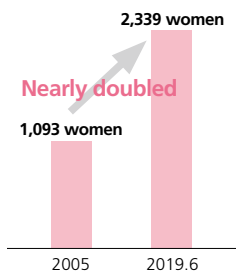
Daiwa Securities Group has a total of nine women in top managerial positions who work as directors, corporate executive officers, and executive officers. They include three female executives serving as directors and corporate executive officers at Daiwa Securities Group Inc. The number of women in managerial positions is increasing year by year, with the Group's total number standing at 565 as of the end of June 2019. The ratio of women in managerial positions has risen from 2.2% at the end of FY2004 to 11.5% on a group-wide basis (up from 2.3% to 14.0% at Daiwa Securities).

• Becoming a Member of 30% Club Japan

The Chairman of the Board and President and CEO of Daiwa Securities Group Inc. participate in the 30% Club Japan as members in support of its activities. The organization, launched in Japan in May 2019, aims to increase the ratio of women in top management of Japanese companies. It has set the goal of raising the ratio of females in the Boards of the TOPIX 100 companies to 30% by 2030. We will accelerate our initiatives to produce female leaders who will lead Japan's financial industry.

→ Refer to page 77 of "Participation in Initiatives" and page 78 of "Third-Party Evaluations" for details.

Trends in Female Employees Right Before Being Promoted to Managerial Positions



Number of female executives

• Female executives in the Board of Directors

14 Directors

Including

3 women (21.4%)

• The entire Group

9 women

(directors, corporate executive officers, and executive officers)

Including

Daiwa Securities Group Inc.

4 women

(directors and corporate executive officers)

Number of women in managerial positions

• The entire Group

565 women

(As of March 31, 2019)

Ratio of women in managerial positions

• Daiwa Securities

2.3%

(At the end of March 2005)

→ **14.0%**

(At the end of March 2019)

• The entire Group

2.2%

(At the end of March 2005)

→ **11.5%**

(At the end of March 2019)

* Refer to page 85 of "SDGs Related Data" for Female Employee Support.

● Various Work-Life Balance Support Programs

We set up a Childrearing Support Leave system in FY2014, which resulted in the rate of taking childcare leave for male employees significantly increasing from 2% (FY2013) to 100% (FY2017 and FY2018).

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 introduced a Nursing Care Concierge Service, a work-from-home system, life support paid leave, an e-learning course on supporting initiatives for work-life balance, and an allowance program for those who return to their parents' home to provide nursing care. Moreover, all departments, offices, and sales branches of Daiwa Securities hold a study meeting on how to respond to the aging 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.

We also introduced a scholarship support program in 2018. It is designed to remove the economic and psychological burdens of employees repaying their scholarships, thereby developing an environment in which employees can work with a sense of security and devote themselves to work.

Moreover, in order to help women to continue working enthusiastically and in good health, we have implemented the Daiwa ELLE Plan. The plan encompasses matters including medical checkups, pregnancy and childbirth, leave, improvement of health literacy, consultation systems, and the balancing of work and infertility treatment.

* Refer to page 65 for the Daiwa ELLE Plan.

In order to promote the use of annual paid vacation, we introduced Kid's Ceremony Leave and Parent's Longevity Celebration Leave in 2016, long service leave in 2017, and Volunteer Leave and Medical Checkup Leave in 2019. These programs reflect our efforts to further promote the systematic taking of paid leave by clarifying the purposes of leave.

● Initiatives to Improve Employee Health

At Daiwa Securities Group, we set "Placing importance on personnel" as one of our Corporate Principles, and believe the source of our competitiveness lies in the capabilities of our employees. Based on this view, we are working strategically on promoting health management with the objectives of achieving a balance between employee happiness and improvement in company productivity and creating an environment where employees can continue working actively and enthusiastically over a long period.

• Appointment of Chief Health Officer (CHO)

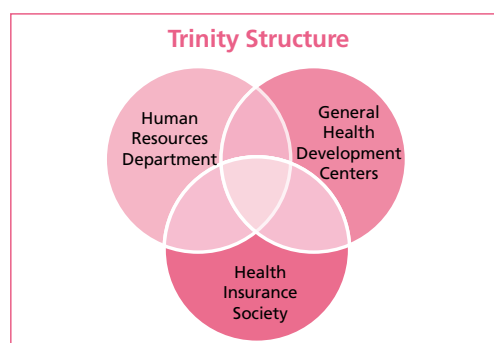
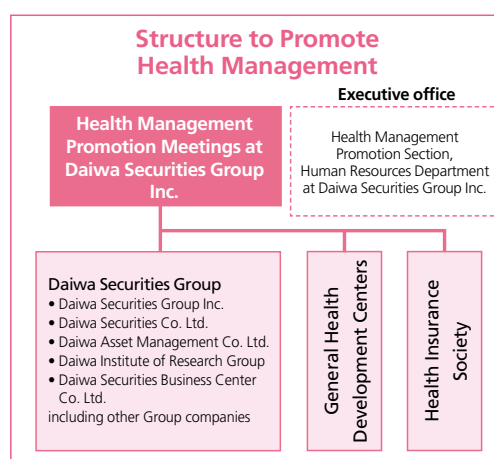
Daiwa Securities Group started initiatives to improve employees' health in earnest in 2008, when specific health checkups and specific counseling guidance were initiated at worksites, through close collaboration between the Human Resources Department, the

Health Insurance Society, and occupational health staff. In 2015, to further reinforce the Group's structure for promoting health management, we appointed a Chief Health Officer (CHO) and established a Health Management Promotion Section within the Human Resources Department. In addition, we hold Health Management Promotion Meetings, organized by the CHO and attended by executives of group companies, on a quarterly basis. Health Management Promotion Meetings are participated in by occupational health staff, the Health Insurance Society, the Employee Union, and external experts and examine and share our initiatives for health management.

→ Refer to page 78 of "Third-Party Evaluations" for details.

• Issuance of Daiwa Securities Group White Book on Health

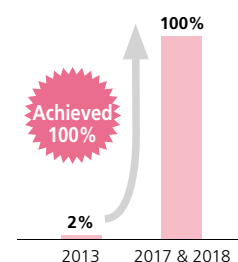
We also published the "Daiwa Securities Group White Book on Health" to help employees to understand the results, issues, and policy of each measure and use our system efficiently. In light of the White Book, we implement various measures so that our employees have a good understanding of their health, a high level of health awareness, and can maintain or improve their health.



Health Management Promotion Meetings



- Rate of taking childcare leave for male employees



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)

FY2017 **87%**

FY2018 **90%**

- Percentage of overweight employees

29.3%

- Percentage of employees who smoke

23.3%

- Percentage of employees who regularly exercise

20%

- Percentage of employees who took the stress check

92.5%

- Proportion of those seeing doctors after regular employee health checkups with problematic results in such checkups

88.3%

* Excerpted mainly from "Daiwa Securities Group White Book on Health 2018"

Initiatives for Better Health

<Health Management>

- Regular health checkup
- Comprehensive medical examination (cancer screening) (to supplement standard tests) + options for employees of specific ages
- Breast cancer and cervical cancer examinations
- Helicobacter pylori test and hepatitis virus testing (for the prevention of gastric cancer and liver cancer)
- System that uses a follow-up confirmation form (known as a “yellow paper”*)
- Measures for those with severe diseases
- Smoking cessation support
- Influenza vaccination

<Health Literacy Improvement>

- Communication of health-related information to all Group employees
- Mental and Physical Beauty Campaign (awareness-raising for female-specific health problems)
- Lectures on health literacy
- Issuance of Daiwa Securities Group White Book on Health

<Health Promotion>

- Daiwa Clubs (12 sports activity groups and 8 cultural activity groups)
- In-house events support system

* 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.

KA-RA-DA iki-iki Project

In 2016, we introduced the “KA-RA-DA iki-iki Project—Healthy Lifestyle” in collaboration with the Human Resources Department, the Health Insurance Society, 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.

Employees participating in health promotion events are granted “SDGs points” and “KA-RA iki points.” SDGs points are redeemed for money, which is donated by Daiwa Securities Group Inc. to TABLE FOR TWO. KA-RA iki points can be used to make donations to social contribution activities or exchanged for health-related goods. We have thus established a system in which employees' health initiatives can lead to social contribution activities.

* Also refer to “TABLE FOR TWO (TFT) Program” on page 72.

Events

- 10 minutes per day of physical activity (Plus 10)
- No alcohol challenge program
- Breakfast Everyday ● 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



Employment Support Plan for Employees with Cancer

Since 2017, we have introduced an employment support plan for employees with cancer, a support system for balancing work and cancer treatment. The plan consists of a flexible work system, including shorter working hours and work-from-home, provision of financial support, and establishment of a consultation service. We thus strive to create a pleasant working environment by facilitating understanding of employees with cancer.

Medical examination/ Health checkups	Leave/Unpaid leave—Operation/ Hospitalization	Return to work—Balancing work and cancer treatment
<ul style="list-style-type: none"> • Comprehensive medical examination (cancer screening) (employees aged 35 years or older) • Breast cancer and cervical cancer exams (Female employees aged younger than 35 years) • Options for employees of specific ages (Employees aged 50, 55, and 60 years) • Recommendation for receiving further testing after Comprehensive medical examination • Gastric cancer risk screening/Hepatitis virus screening 	<ul style="list-style-type: none"> • Annual leave • Life support paid leave • Unpaid leave 	<ul style="list-style-type: none"> • Short working hours system • Restricted overtime work • Exemption from overtime work • Treatment support time • Annual leave by the hour • Work-from-home system • Appearance support (subsidizing the cost of wigs and artificial breasts, etc.)
Consultation service <ul style="list-style-type: none"> • Telephone consultation service for mental health • Consultation for support in balancing work and cancer treatment (Health Consultation Services at General Health Development Centers) 		
Financial support <ul style="list-style-type: none"> • Medical expenses loans • Loans for advanced medical care expenses 		
Fostering supportive environments <ul style="list-style-type: none"> • Declaration and dissemination of our basic policy regarding support for cancer patients • Raising awareness among employees, through training, on coping with both work and cancer treatment 		

Daiwa ELLE Plan

Since October 2018, we have introduced the Daiwa ELLE Plan to provide comprehensive support for addressing health issues specific to women. Under the Plan, we have established support measures for female menopause and ELLE leave, which is available when employees are feeling unwell due to menstruation or menopause, or receiving infertility treatment. We have also expanded our efforts to increase employees' health literacy and support measures for balancing work and infertility treatment. With regard to the latter, we have launched a program to subsidize the cost of specific infertility treatment, in addition to ensuring that employees have time for treatment.



	Employees in their 20s	Employees in their 30s	Employees in their 40s	Employees in their 50s	Employees in their 60s
Checkups	Subsidies for breast cancer and cervical cancer examinations (Employees aged younger than 35 years)		Thorough medical examination (cancer screening) (employees aged 35 years or older) * Options for employees of specific ages (50, 55, and 60 years)		
Pregnancy and childbirth	Maternal health management, childcare leave				
Leave	ELLE leave Annual paid vacation, Annual leave by the hour, Life support paid leave (to be available in half-day increments), Unpaid leave				
Improvement of health literacy	Dissemination of information on women's health Implementation of training on health by doctors and health nurses (carried out in training for new employees and on other occasions) “Strengthen Team Power—What Supervisors Should Know about Subordinates’ Health” (for all employees in managerial positions) KA-RA-DA iki-iki Project “Kokokara Beauty—Health Lecture for Working Women”				
Consultation service	Gynecological consultation by General Health Development Centers Telephone consultation services for mental health				
Support for balancing work and treatment	Support for balancing work and infertility treatment <ul style="list-style-type: none">• ELLE leave• Work-from-home system• Life support paid leave• Specific infertility treatment subsidy program• Medical expense loans from the Mutual Aid Society• Training for employees in managerial positions and lectures on health literacy for women• Consultation service Employment support plan for employees with cancer, a support system for balancing work and cancer treatment				

● Initiatives for Mental Health

In recent years, there has been an increase in people suffering from mental health problems in Japan, and mental illness has come to be recognized as one of the five major diseases in Japan and a disease prevalent in Japanese people, along with other lifestyle-related diseases. Many people feel some stress in their workplace, in particular. A survey by the Ministry of Health, Labour and Welfare shows that the proportion of working people with severe anxiety, concerns, or stress about their jobs or working lives exceeds 60%. With this as a background, Daiwa Securities group has set up the Mental Health Support Office, carrying out initiatives aimed at improving the management of employees' mental health to ensure that employees can perform their duties in a healthy and productive manner.

The Mental Health Support Office has a certified public psychologist (certified clinical psychologist) on its staff to deal with the concerns or worries of people seeking consultations.

[Training during Visits to Departments, Offices, and Sales Branches]

• Self-care training and mental toughness training

The first step for mental healthcare is to manage our own mental health. We conduct self-care training and mental toughness training for the purpose of helping employees to acquire an accurate knowledge of mental health and raising employees' awareness of it. We believe that such training is helpful for preventing mental health problems. By learning the basics of mental health, employees will be able to recognize their own conditions and adopt mental health measures in their daily lives.

Employees who have just joined the Group may feel a sense of disconnect between their previous lives and their lives as working adults as they have so many new experiences. Some of them may feel a lot of stress, do not talk about their worries, or get into a poor condition mentally and physically. When visiting departments, offices, and sales branches, the Mental Health Support Office conducts individual interviews with young sales personnel from the perspective of mental illness prevention.

Training on mental health

- Training at sales offices and branches

91 branches
(including 24 sales offices)

- Group company training

6 times

Individual Interviews during Visits to Departments, Offices, and Sales Branches

708 people
(FY2018)

• Training in line care

Managers play an important role as they have daily contact with their subordinates. Line care is defined as managers' involvement in mental health management in the workplace by providing care to their subordinates. The Mental Health Support Office provides training in line care to managers during visits to departments, offices, and sales branches. Such training includes how to communicate effectively with subordinates, notice change in their physical conditions or guide them to counseling services. The training is aimed at promoting adequate functioning of line care from the viewpoints of both improvement of the working environment by managers and consideration for safety.

Meanwhile, there are times when managers themselves feel stressed. Accordingly, the Mental Health Support Office has expanded the target of individual interviews to include not only young sales personnel but also managers responsible for line care to try to prevent mental health problems.

[Return-to-Work Support Plan]

Employees feel very uneasy about going on leave due to a mental health problem. In addition to feeling uneasiness about their illnesses, those on leave have many realistic worries about their return to work, including whether they will be able to work again as they did previously. To remove such uneasiness, it is extremely important for those around them to provide support. While focusing on prevention of mental health problems, the Mental Health Support Office provides support so that those on leave can have a smooth return to work with a sense of confidence and security.

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 to the Human Resources Department not only their career visions but also their thoughts on the duties they assume, personnel and training systems, the workplace environment, and other matters. 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 guidance and advice to each employee.

We also regularly conduct surveys on work-life balance for all employees. We incorporate employees' feedback, and have introduced the Nursing Care Concierge Service to remove employees' concerns about nursing care. We have also introduced a support desk for employees looking for nursery schools to ensure that those on leave can have a smooth return to work, while expanding a program for subsidizing expenses for day care and after-school child care for employees with children up to the third grade in elementary school.

Moreover, we conduct interviews with employees returning from childcare leave after a certain time has passed in an effort to resolve any worries they may have.

These inputs from employees help us to identify areas for improvement in our systems and initiatives and to create a better workplace environment.

• New Initiatives in FY2018

In August 2018, we established a Work Motivation Survey as a monitoring indicator. It is designed to raise employees' motivation to work through challenges for higher value-added operations and contribute to customers and society, thereby achieving a virtuous cycle of improved employee and customer satisfaction. Based on assessed results, we identify factors leading to increases in employees' motivation and use such factors for various measures.

● 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 deepen their friendships with colleagues, building more opportunities for sharing 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 2019, 20 clubs and four circles were active across the Group.

Employee receiving counseling in the Mental Health Support Office



Relationship with Employee Unions

We regularly hold labor-management negotiations on bonuses and other compensation and the working environment. We also increase opportunities for learning the opinions of our employees and improve communication through surveys conducted by employee unions among their members.

Initiatives for Families

We work to ensure that members of employees' families share their pride in being 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 Parents' Longevity Celebration Leave, as well as the extension of mental health support to employees' families.

Active Use of In-House Magazine

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 content covers a broad scope from the basic management policy, a message from top management, SDGs initiatives (includes ESG and improvement of environmental awareness), information from Group companies, introduction of awardees through our awards system, introduction of family day, explanation of our welfare and human resources system, human rights issues, to our internal whistle-blowing system (framework and status of usage). By including information that traverses the Group, our intention in producing the magazine is not only to engender communication among company employees but also to further the Group culture, the sense of connectedness and exchange of knowledge. At present, 20,000 copies of the bi-monthly magazine are distributed among Group executives, employees and retirees. In addition, the magazine is also posted on the internal work-life balance promotion website making it viewable to company employees who are currently involved in child rearing, nursing family members or are on leave from work.

Number of Employee Union Members

7,202 people

(As of March 31, 2019)

* Refer to page 85 of "SDGs Related Data" for companies covered by data.

Number of Family Visit Day participants

6,547 people

(FY2018)

Development of SDGs Human Resources

Initiatives taken by employees in a bottom-up manner are important for generating a sense of ownership of SDGs and promoting them across the Group. Each employee needs to raise their own awareness and develop skills. Therefore, we introduce here the initiatives we took in FY2018 to prepare for development of SDGs human resources—one of Daiwa Securities Group's plan to generate a sense of ownership of SDGs.

Proposals by SDGs Working Group for SDGs Promotion Action Plan

The SDGs Working Group was created in the second half of FY2018 under the framework developed for formulating action plans for promoting SDGs. It comprises approximately 120 voluntary members who responded to a Group-wide internal solicitation. Based on the ideal image of Daiwa Securities Group in 2030, they drew up proposals for an action plan toward realization of that ideal image.

SDGs Working Group members



Each team held enthusiastic discussions and proposed the ideal image of Daiwa Securities Group in 2030 and various ideas for actions to be taken to achieve that image.

Daiwa Securities Group in 2030 Sought by Voluntary Members

Contribute to eradicating poverty and starvation

Contribute to solving environmental issues

Provide opportunities for fair and high-quality education

Create a cycle of SDGs funds

etc.

At an SDGs Promotion Committee meeting, the representative team of the Working Group members made proposals to management, which were reflected in the actual SDGs promotion action plan.

→ Refer to page 7 for SDGs promotion action plan "Passion for SDGs" 2019.

Proposals made at the SDGs Promotion Committee



Engagement with Society

Approach and Basic Stance

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 Initiatives

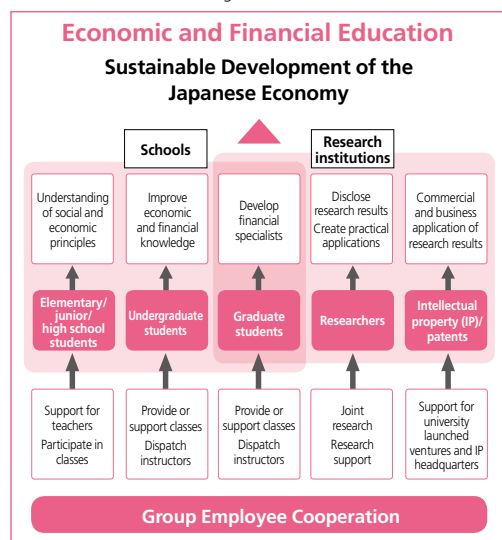
Related Sustainable Development Goals (SDGs)



Education and Research Activities in Economics and Finance

Capitalizing on financial and economic expertise accumulated through its securities business, 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 page 85 of "SDGs Related Data" for "Results in Economic and Financial Education Program."



Support for KidZania

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. KidZania provides children from the age of three to 15 with programs that enable them to learn the mechanisms of society in a fun way. In the Daiwa Securities pavilions, children act as consultants at a securities company, giving advice to clients, going to nearby pavilions, and checking their levels of traffic and popular products. Based on the results of those checks, they then make investment recommendations for their clients. In December 2018, KidZania Tokyo held "Junior Challenge Japan," a program for junior high school

students. Group employees participated in the program as lecturers, teaching the mechanism of stocks and jobs at a securities company to participating students.

Finance Park

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), Kyoto, Iwaki (Fukushima Prefecture), and Sendai (Miyagi Prefecture). We have set up pseudo-branches of Daiwa Securities in these parks. To date, a total of 134,902 students have participated.

Initiatives for Junior and Senior High School and College Students

For Elementary, Junior High and High School Students

In July 2018, Daiwa Securities Akabane Branch participated in a collaboration class at a nearby elementary school. The branch provided fourth graders with a game enabling them to experience stock investment. It also introduced the details and rewarding elements of work at a securities company to help the students to deepen their understanding of securities firms.

In August 2018, Daiwa Securities Shinjuku Branch and departments at the head office collaborated to participate in "Job Museum," an event held in Shinjuku. They hosted a quiz about securities firms and a workshop for elementary and junior high school students entitled "Join a Stock Price Game and Be an Investor."

Daiwa Securities Group also accepts requests for corporate training at head offices and sales branches. At such training, we mainly explain the roles of securities firms and the details of the securities business to help participants to determine their future course and occupation.

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 Daiwa Securities Group). The project aims to create an environment that enables students at the University

Refer to page 85 of "SDGs Related Data" for "Corporate Citizenship Initiatives and Expenditures."

Number of participants in Finance Parks for FY2018

20,926 people
 Shinagawa: 1,902
 Kyoto: 7,376
 Iwaki: 3,218
 Sendai: 8,430

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

of Tokyo to voluntarily promote their projects while expanding educational programs. Under the project, we are engaging in initiatives leading to the creation of start-ups that will play a major role in the next generation, as well as the development of human resources for innovation.

Daiwa Securities Group also plans to provide corporate customers with a health management evaluation service that contributes to initiatives for SDGs. The service will be offered from FY2020, capitalizing on the knowledge of AI technology and data science, advanced analytical technology, and other strengths of Daiwa Institute of Research Business Innovation. Ahead of the initiation of the service, we set up a study group on health management promotion together with the National Institute of Advanced Industrial Science and Technology in May 2019, inviting technical advisors from graduate schools of the University of Tokyo. We believe that the study group and the service to be rolled out in the future will contribute to ensuring healthy lives and promoting well-being for all at all ages—Goal 3 of SDGs. Daiwa Securities Group will promote health management and focus on the achievement of SDGs.

Further to the initiatives above, in December 2018, an employee from Daiwa Securities Mito Branch served as a lecturer at a university in Mito City. In a lecture on the securities business, the lecturer explained the characteristics of securities companies and the securities business, and the surrounding environment. Daiwa Securities Group also gives support to economic and financial education in local universities.

● Support to “Job Museum” and “Job Almanac”

Since FY2016, Daiwa Securities Group Inc. has been providing support to “Job Museum,” career education materials for elementary school children released by The Asahi Shimbun Company. We explained branch work of a securities firm and the role of a trading room in articles entitled “What work does a securities company perform?” in FY2018 and “What happens in a trading room?” in FY2019. The material conforms to government guidelines for teaching and is available in both book and website versions.

The book version, “Job Almanac,” has been donated to elementary schools and junior high schools across Japan, as well as overseas Japanese schools and some children’s cafeterias. The web version, “Job Museum Kids,” has a quiz and other features enabling visitors to enjoy the site like a game.

● Financial Education Textbook “Let’s Learn about Stocks”

In FY2017, Daiwa Securities Group Inc. prepared “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, one for students and one for instructors. Readers can learn about companies in the basic course and about stocks, which is a method for companies to raise funds, in the advanced course. The textbook was first used in schools in FY2017, and about 2,200 children in 31 elementary schools across Japan used the textbook in FY2018.

Assistance to Communities inside and outside of Japan through Foundations and NPOs

Since the 1970s, Daiwa Securities Group has been working on solving social issues, such as those related to welfare and medical care, in the medium- to long-term by creating foundations and awarding grants to individuals and organizations. The cumulative amount of grants awarded so far by Daiwa Securities Health Foundation and Daiwa Securities Foundation is approximately ¥1.25 billion and ¥990 million, respectively.

We are also continuing to provide grants, in collaboration with NPOs and other organizations, for effective activities that contribute to resolving social issues inside and outside of Japan.

● Daiwa Securities Health Foundation

In commemoration of Daiwa Securities’ 30th anniversary, Daiwa Securities Health Foundation was established in 1972 to improve Japanese people’s health and prevent disease. Since FY1973, its first year of support, the Foundation has been targeting research projects focusing on medicine and medical care for middle-aged and elderly people, soliciting applications, and awarding grants mainly to doctors and medical researchers. In FY2018, which marked its 45th year of support, the Foundation awarded a total of ¥30.6 million to 33 recipients. With the importance of collaboration between medical and nursing care

“Job Almanac 2018”

Donation of
64,000 copies
(published on June 15, 2018)

“Job Almanac 2019”

Donation of
63,500 copies
(published on June 17, 2019)

Daiwa Securities Health Foundation’s cumulative grants awarded through FY2018



*Number of recipients

1,256 people

*Total amount of grants

¥1,238.60 million

“Job Almanac 2018”



“Job Almanac 2019”



Financial Education Textbook
“Let’s Learn about Stocks”



Web

Job Museum Kids (Japanese)

Web

Daiwa Securities Health Foundation
(Japanese)

attracting attention, the Foundation has recently expanded the target of its grants to research projects on home medical and nursing care—a field other than medical science and medical treatment.

● Daiwa Securities Foundation

In 1994, Daiwa Securities Foundation was launched as part of commemorative activities for the 50th anniversary of Daiwa Securities' establishment in order to contribute to society from our profits. Since the year of its establishment, the Foundation has continued providing volunteer work grants to organizations engaged in support activities for the elderly, people with disabilities, and children. In addition to these grant activities, in recent years, the Foundation has awarded grants to organizations assisting disaster relief efforts for victims of large-scale natural disasters, such as the Great East Japan Earthquake, the Kumamoto Earthquakes, and the torrential rain disaster in the western part of Japan. In FY2018, the Foundation awarded grants approximately ¥44.11 million in total to 173 organizations. It also launched a grant program for activities supporting children in FY2018, providing a total of ¥992,000 in grants to two organizations.

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

As a UK charity for fostering closer ties between the United Kingdom and Japan, the Daiwa Anglo-Japanese Foundation was established in 1988 with contributions from Daiwa Securities Co Ltd.. The Foundation's activities are based on the following pillars:

- (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 Headquarters in London)
- 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.

The Foundation began the Daiwa/British Embassy Ichiban Lectures in FY2015 in collaboration with the British Embassy in Tokyo. On April 11, 2019, Eddie Jones, the current head coach of the rugby England national team and the former head coach of the Japan national team, gave a lecture entitled "Driving for Excellence."

Cumulative number of people completing the Daiwa Scholar program by FY2018 is 176. Each of those chosen as Daiwa Scholars 2017 had a four-week home-stay in Hirosaki City, Nagano City, Kanazawa City, Kochi City, Momoshima in Onomichi City, or Naha City. They visited Daiwa Securities branches and deepened interaction with branch staff.

Moreover, in Daiwa Scholarships in Japanese Studies, established in FY2015 as a scholarship program for studies on Japan and Japanese language training, four persons were selected for FY2018, bringing the cumulative number of scholarship recipients under the program to 12. This is a program in which Daiwa Securities Group funds tuition and living expenses in Japan for individuals from the United Kingdom.

Daiwa Securities Foundation's cumulative grants awarded through FY2018



Volunteer Activities Grants

*Number of projects receiving grants

3,504 projects

*Total amount of grants

¥813.64 million

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

*Number of projects receiving grants

251 projects

*Total amount of grants

¥102.90 million

Grants to volunteer work for disaster recovery (the Kumamoto Earthquakes) Number of projects receiving grants

*Number of projects receiving grants

74 projects

*Total amount of grants

¥21.14 million

Grants to activities supporting children

*Number of projects receiving grants

2 projects

*Total amount of grants

¥0.99 million

Media reports concerning grant activities

*Daiwa Securities Health Foundation

9 newspapers and TV stations

*Daiwa Securities Foundation

Grants to volunteer work for disaster recovery:

45 newspapers and One TV station

(Surveyed by Daiwa Securities Health Foundation and Daiwa Securities Foundation)

Cumulative number of people completing the Daiwa Scholar program by FY2018



176 people

Presentation ceremony at Daiwa Securities Health Foundation (Head Office)



The Daiwa Scholar 2017 completion ceremony



Presentation ceremony at Daiwa Securities Foundation (Chiba Branch)



Daiwa/British Embassy Ichiban Lectures



Web

Daiwa Securities Foundation (Japanese)

Web

The Daiwa Anglo-Japanese Foundation

● Daiwa Myanmar-Japan Foundation

On April, 2013, Daiwa Securities Group established the Daiwa Myanmar-Japan Foundation to improve people's livelihoods in Myanmar and develop the human capital necessary for sustainable economic growth. Since its establishment, the Foundation has implemented a scholarship student support program that provides junior staff of the country's central government with opportunities to study in Japan. To date, it has supported a total of 26 scholarship students.

The Foundation has also provided training to 64 certified public accountants in Myanmar to date, based on the tripartite memorandum of understanding signed with the Myanmar Institute of Certified Public Accountants and the Japanese Institute of Certified Public Accountants. In March 2018, the tripartite memorandum of understanding was renewed. In a commemorative ceremony held in August 2018, the three parties announced that they have jointly launched an accountant development program in order to expand the number of new listings on the Yangon Stock Exchange.

The Foundation's initiatives are positioned as one of the measures that Japan's public and private sectors have worked on together to invigorate Myanmar's capital market. They contribute to developing and creating a network of the human resources that will form the country's future leaders.

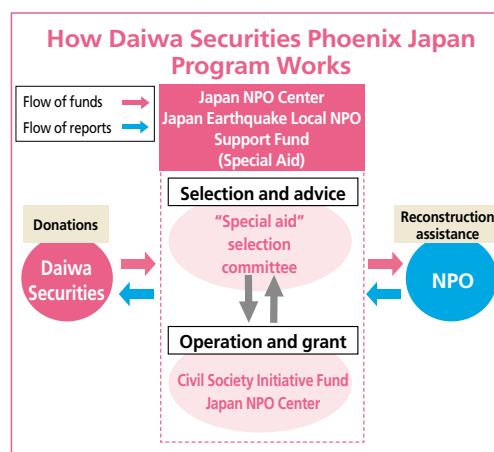
● Kopernik Program

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 Investment Global Environmental Technology Fund are granted to this program with products and recipients selected based on their consistency with the investment policies of these funds.

● Daiwa Securities Phoenix Japan Program

In May 2012, 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 (Special Aid), which was set up by Japan NPO Center, a certified NPO. The program supports the human resources development of local NPOs. The activities of the NPOs include educational assistance and reconstructing communities in the disaster-affected areas. A presentation ceremony took place at Daiwa Securities Sendai Branch in October 2018.



Support for Culture, the Arts, and Sports Activities

Daiwa Securities Group provides support for a wide range of cultural and artistic activities, including exhibitions, classical concerts, and sports.

Since FY2015, we have been supporting "Classical Music Concert For The First Time." It is an event aimed at increasing a sense of affinity for classical music and provides junior and senior high school students with an opportunity to be exposed to high-quality music for a reasonable admission fee. In FY2018, we invited guardians and children in single-parent households.

We have also been supporting the Tokyo Marathon as an official partner since FY2015, while striving to develop an environment in which all our employees can continue working in good health and enthusiastically. To help promote sports, we join the Japanese Para-Sports Association, a public interest incorporated foundation, and the Japanese Para-Swimming Federation, a general incorporated association.

Contributions by Daiwa Myanmar-Japan Foundation

• Number of Myanmar citizens receiving scholarships

26 people

• Number of participants in public accountant training

64 people

(Cumulative contributions until FY2018)

Donations made to the Kopernik program for FY2018

¥3,089,592

Region

Indonesia

Bangladesh

6 projects

(demonstration experiments)

- (1) Improvement of irrigation systems: drip-type irrigation systems using plastic bottles
- (2) Grain storage method that contributes to farmers securing food and increasing their incomes
- (3) Solar systems providing access to electricity
- (4) Palm leaf cutting machines that improve farmers' processing skills
- (5) The eastern part of Indonesia: provision of clean energy technology to schools and students in remote areas
- (6) Support to Rohingya refugees: solar power generation systems for health care

Amount of grants selected to FY2018 seventh-term program for Daiwa Securities Phoenix Japan Program

• Grant recipients

7 groups

• Total amount of grants

¥25.09 million

Daiwa Myanmar-Japan Foundation's reception for FY2018 scholars



Phoenix Japan Program presentation ceremony (Daiwa Securities Sendai Branch)



Web

Daiwa Securities Phoenix Japan Program (Japanese)

● Holding a Children's Art Exhibition

In FY2018, we held a children art exhibition for the first time in the exhibition space on the first floor of the head office building. In collaboration with the Japan National Council of Social Welfare and the Japan National Council of Children's Homes, we exhibited 29 works that won prizes at the 38th children's art exhibition sponsored by the Japan National Council of Children's Homes. The exhibition provided many people with an opportunity to deepen their understanding of children living in children's homes.

Corporate Citizenship Initiatives

Daiwa Securities Group believes that participation in volunteer programs and other community activities 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, and other incentives. In our efforts to encourage as many employees as possible to participate in volunteer activities, we will seek ongoing collaboration 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

• International Cooperation through a Collection Drive

As an initiative that is easy for employees to take part in, Daiwa Securities Group has been running a collection drive, collecting and donating pre-loved books and unusable postcards. The proceeds from the sale of items collected are used to fund the activities of donation recipients, including support for education, medical services, and agricultural development assistance in developing countries.

We have also approved of the "Used Book Sale Donation for Children's Future," an initiative of the securities industry as a whole, and have been participating in the initiative since October 2018.

• TABLE FOR TWO (TFT) Program

Since the spring of 2013, Daiwa Securities Group has contributed to the TFT Program, which is organized by TABLE FOR TWO, an internationally designated NPO.

Children's Art Exhibition



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 2016, 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. We also introduced the TFT menu at the cafeteria in the head office building and the staff cafeteria in Daiwa Institute of Research in 2017, and in 2018 Daiwa Office Services Co., Ltd. started donating ¥1 per drink sold through the vending machines installed within the Group. We have thus expanded the platform for participating in the TFT activities.

* Refer to page 64 of "Relationship with Employees" for "KA-RA-DA iki-iki Project."

• Participating in Koto Ward's Clean-Up Promotion Campaign

In May 2018, a total of 150 people, including people from neighboring residents' associations and companies, carried out a clean-up activity in the Toyochi area of Tokyo, which was implemented as the Koto Ward's "Clean-Up Promotion Campaign." Twenty-eight employees of Daiwa Securities Business Center Co. Ltd. participated in this clean-up work jointly with local residents.

● Initiatives Taken by the Group's Overseas Offices

[Activities at the Group's London Operational Base]

Daiwa Capital Markets Europe ("DCME") has continued to engage in various CSR activities, and to fully support the SDGs set by the UN. For example, the power supplied to the London Headquarters is now wholly from renewable sources, and various measures have been taken to reduce our carbon footprint. During the year, we achieved the international standard for energy management, believed to be one of the first awarded to a financial institution in London.

Recycling has been promoted throughout the building and, as part of this initiative, plastic bin bag consumption is set to reduce by 50,000 a year.

• Go Green Roadshow

Earlier this year, a "Go Green Roadshow" event was held to showcase the efforts our key providers are taking in respect to their social responsibilities, and included our cleaning, recycling, energy management and catering suppliers.

• Diversity & Inclusion

Diversity and inclusion remain top of the agenda, with Daiwa London signing up to the "Women in Finance" charter demonstrating our commitment to increase the representative of women in Banking, particularly at senior levels, and by joining the "Japan Diversity and Inclusion Group." A number of events have been attended to attract more female graduates to Daiwa, including a successful "Women in Science, Technology, Engineering & Mathematics" careers fair.

Contribution made in FY2018 through collection drives (equivalent monetary value)



• First half of FY2018

JEN BOOK MAGIC

¥17,289

• Second half of FY2018

Used Book Sale Donation for Children's Future

¥49,453

• Japan Committee

"Vaccines for the World's Children"

¥180,071

• Live with Friends on the Earth

¥145,914

TFT Program



Contributions made January–December, 2018

Around 62,335 school lunches

in developing countries

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

• Eradication of Poverty and Support for Efforts to Correct Unfair Disparities

DCME has also been accredited this year as a "London Living Wage Employer" as part of our support to eradicating poverty and reducing inequality. We continue to work with inner city charities, and offer a small number of apprenticeships each year targeting disadvantaged young people. Through the Daiwa Society we support two chosen charities each year, hold regular fund raising events, and support individuals participating in sponsored charity events.

• Initiatives from a Business Perspective

From a business perspective, DCME has been supporting "Green bonds" and other environmental, social, and governance initiatives since 2008 and has since lead managed over 50 transactions that align to the objectives of the SDGs.

DCME's Debt Capital Market Department recently won The Environmental Finance Magazine's Lead Manager of the Year - Social Bonds award, selected by a panel of the world's largest green, social and sustainability bond investors. In addition, EMEA Finance magazine awarded the team "Best ESG Bond House" recognizing 2 ground-breaking 'Social' Samurai issues and a EUR 'Education' private placement bond.

In the wider SRI arena, encompassing green and sustainability bonds also, we led 8 issues during 2018 in 5 different currencies.

There is increasing interest in the firm's promotion of SDGs, and we seek to raise awareness and keep staff members informed through regular articles in the all staff newsletter "Daiwa in the City," via the weekly intranet news, and through "town hall" presentations by members of DCME senior management.

Graduate Recruitment stand at the STEM Women Conference (DCME)



CEO Meekins and COO Yonemoto presenting a charity fundraising cheque to Rainbow Trust.



[Activities at the Group's New York Operational Base]

• Charity Friday

Daiwa Capital Markets America ("DCMA") hosts a "Charity Friday" once a month in which employees are allowed to wear jeans for their \$5 donation to a selected charity. DCMA matches double the collection amount each Charity Friday, increasing the impact of our donation and furthering our commitment to the various causes we support. A few highlights of our 2018 Charity Friday events include our participation in donating for the Susan G. Komen for the Cure in support of Breast Cancer Awareness Month during the month of October, Answer the Call – New York Police & Fire Widows & Children's Benefit Fund to honor the NYC Police Officers, Firefighters, Port Authority Police, and EMS Personnel who have been killed in the line of duty and Tuesday's Children which provides personalized support and a safe "landing place" to traumatized, grief-stricken children, families and communities left reeling from terrorism or traumatic loss.

DCMA is also a proud corporate sponsor of Japan Day held at Central Park each May. DCMA will continue to support both local and widely known charities that benefit research and support education, finding cures for disease, disasters and other important causes.

• Wellness/Women's initiative

2018 was another successful year for DCMA's Wellness Initiative. Consistent programs and events have been held throughout the year to promote health and wellness. In an effort to help employees be more aware of the DCMA benefits program, employees are now able to enroll into their benefits through the new online portal. They can easily view their benefits that are available to them, so that they are fully aware of the benefits that are provided by the firm. Monthly newsletters, nutrition seminars, blood drive, yoga classes, therapeutic massages and fresh fruits and healthy snacks have also been held to create awareness and extend our knowledge on physical health. Overall, it was a great year of consciousness and awareness of health in every way possible.

DCMA's Women's Initiative group held quarterly events to provide our female personnel avenue and forum to get to know each other better, exchange ideas, and share strategies for success in the workplace (women empowering women). Networking events such as the "Paint & Sip" and women's nutritional seminars have been held this year.

[Activities at the Group's South Korea Operational Base]

This year, Daiwa Securities Capital Markets Korea ("Daiwa Korea") participated in the "Love Bread Fair" event held by the Korean National Red Cross for underprivileged children. It was the company's second time participating in the event, following on from 2017. Under the supervision of bakers, participants made bread filled with preservative-free cheese and muffins, and provided them to support Korean children without adequate food. The event became a good opportunity for the company to contribute to the local community

and again acknowledge the importance of sharing by providing safe food, as well as the pleasure and joy of eating, to children who are excluded from society.

Besides these activities, Daiwa Korea also makes a donation every month to Korea Food for the Hungry International, an NGO providing support to starving children within and outside South Korea, to further contribute to society.

In South Korea, the central government has recently been strongly promoting efforts for achieving work-life balance. With companies making efforts to conduct corporate activities in line with the government's policy, Daiwa Korea has set out the following as goals to strive toward: (1) encouraging proactive participation in social service activities (consideration and introduction of social contribution activity programs and provision of compensatory leave based on leave regulations to employees who participate in weekend social service activities); (2) creating comfortable work environments for women (improvement of welfare programs at each stage of pregnancy, childbirth, and child rearing, allowing adjustment of working hours and providing time to visit doctors for pregnant employees, setting up a nursing room and providing time for nursing at the discretion of the department head); and (3) encouraging employees to leave the office on time and take their annual paid leave (employees are required to submit their annual paid leave plan through to the end of period to management) to achieve work-life balance, and enhancing the welfare benefit system (supporting employees' self-development expenses, such as for studying languages, and expenses for promoting and maintaining health).

The company will continue with these activities and proactively respond to the corporate image expected by society in an effort to contribute more extensively to society.

● Initiatives to Promote Volunteer Activities

• Volunteer Award

Daiwa Securities Group has implemented 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

Daiwa Securities Group believes that volunteer activities help broaden the perspectives of employees

and provide benefits by making them aware of various social issues. Based on this belief, we provide a wide range of information on volunteer programs within the Group through our intranet. We introduce good practices in such volunteer work through our in-house magazine and other means in order 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 reward items returned to us due to the relocation of shareholders and other reasons, as well as reward items received for our shareholdings in other companies, to organizations such as designated NPOs and public interest incorporated foundations.

● Disaster Assistance

• Donation for the Earthquake Centered in the Northern Part of Osaka Prefecture

On June 18, 2018, there was an earthquake centered in the northern part of Osaka Prefecture with a maximum seismic intensity of lower 6 (on the Japanese scale). Daiwa Securities Group Inc. made a donation through the Central Community Chest of Japan, a social welfare corporation, and the Osaka prefectural government to support disaster victims and assist reconstruction work in the disaster affected areas.

• Contribution to Areas Damaged by the Torrential Rain in July 2018 (as a corporation)

The torrential rain that occurred in July 2018 caused serious flood damage. Daiwa Securities Group made donations as a corporation through the Japanese Red Cross Society and the Central Community Chest of Japan, a social welfare corporation. In addition, we opened a dedicated account for Group officers and employees with Daiwa Next Bank and carried out fund-raising activities. As a result, more than ¥11 million was collected from Group officers and employees.

• Contribution to Areas Damaged by the 2018 Hokkaido Eastern Iburu Earthquake

On September 6, 2018, an earthquake registering a maximum seismic intensity of 7 (on the Japanese scale) occurred, centered in the central and eastern Iburu regions in Hokkaido. It caused serious damage throughout Hokkaido. Daiwa Securities Group made donations via the Japanese Red Cross Society and the Central Community Chest of Japan, a social welfare corporation.

Contribution to areas damaged by the earthquake centered in the northern part of Osaka Prefecture



¥5 million

Contribution to areas damaged by the torrential rain in July 2018 (as a corporation)



¥10 million

Contribution by officers and employees

¥11.22 million

Contribution to areas damaged by the 2018 Hokkaido Eastern Iburu Earthquake (as a corporation)



¥10 million

"Love Bread Fair"



"Love Bread Fair"





Initiatives for Child Poverty Issues

"The financial and capital markets are a symbol of capitalism, and its benefit securities companies have been enjoying. Meanwhile, capitalism can generate a disparity, becoming a cause for child poverty—which is a distortion of society. For this reason, we recognize the need to contribute to solving the poverty issue by using sound profits that we have gained from our business activities. Child poverty, in particular, generates many side effects, such as inadequate education, possibly leading to a situation where the children shouldering the future of Japan cannot acquire enough qualities as members of society."

Daiwa Securities Group started the "For Your Dreams – Daiwa Securities Group Smiles to Children Project" in FY2017. It is aimed at improving the environment for children in poverty and breaking the chains of poverty. We will work on various activities so that all children will be able to picture a bright future.



"Daiwa Securities Group Child Support Fund for Bright Future"

As part of its "Smiles to Children Project," Daiwa Securities Group has created "Daiwa Securities Group Child Support Fund for a Bright Future" in collaboration with Public Resources Foundation, a public interest incorporated foundation. The fund is designed to improve the environment for children and break the chains of poverty. It assists groups working on child poverty issues. Daiwa Securities Group intends to contribute a total of around ¥100 million in the initial five years.

The second call for proposals in FY2018 attracted 43 applications nationwide. As a result of strict assessment by the selection committee, the following five organizations—two new and three ongoing recipients—were chosen as support recipients.

Representatives of grant recipient organizations and Daiwa Securities Group Inc. President and CEO Nakata



Second Grant Selection in FY2018 (support period: January to December 2019)

New grant recipients

Organization name	Location	Theme	Amount of grant
DxP (certified NPO)	Osaka City, Osaka Prefecture	Development of a business providing "places where one belongs" by effectively using classes and dining halls in collaboration with schools	¥3.2 million
Education A ³ (Certified NPO)	Fukuoka City, Fukuoka Prefecture	Business development of the learning complex "Study Place"	¥3.15 million

Ongoing Grant Recipients

Organization name	Location	Theme	Amount of grant
SOS Children's Villages Japan (Certified NPO)	Fukuoka City, Fukuoka Prefecture	Business development of "Support Project for Families' Future" (Subtitle) Network-oriented family support through outreach and foster families	¥3.2 million
PIECES (Certified NPO)	Bunkyo Ward, Tokyo	Business development of "Regional Outreach Human Resources Development Program for Isolated Children"	¥3.2 million
Learning for All (NPO)	Shinjuku Ward, Tokyo	Business development of "Transmission of Knowledge in Learning Support"	¥3.2 million

* The maximum amount of grant for FY2018 (the second call) was ¥3.2 million.

* PIECES was approved as a certified NPO in 2018.

Daiwa Next Bank's "Support Term Deposits"

Daiwa Next Bank donates an amount calculated by multiplying the balance of its Support Term Deposits by a certain rate to 12 organizations according to four themes. The balance stands at ¥10 billion as of March 31, 2019. Feedback received from customers includes: "This was a good opportunity to learn about social issues" and "I hope similar initiatives will become more widespread."

Commemorative picture with a representative of a supported organization (left)



Twelve Supportable Organizations through Term Deposits

Deposit name	Supported organization
Environmental conservation	
Coral preservation in Onna Village, Okinawa Prefecture	Onna Village, Okinawa Prefecture
Tokyo water conservation forests nurtured by everyone	Bureau of Waterworks, Tokyo Metropolitan Government
Support for sports for disabled people	
Feel winds with artificial legs for sports	Tetsudou Kousaikai Prosthesis Support Center (public interest incorporated foundation)
Horse therapy (horse riding for disabled people)	Japan Riding Association for the Disabled (general incorporated association)
Medical support to children	
Children under home medical care	Osaka Women's and Children's Hospital, Osaka Prefectural Hospital Organization (independent administrative agency)
Momiji House, a hospice care facility	National Center for Child Health and Development (national research and development agency)
Children under long-term hospitalization	
Children fighting childhood cancer	Japan Heart (Certified NPO)
Children with medical complexity in Hokkaido	Toseikai (medical corporation)
Self-reliance support to children in poverty and other vulnerable situations	
Senior high-school third graders leaving a children's home	Children's home in Ibaraki Prefecture
Future dreams of children at a child welfare institution	Child Support Net Aichi (NPO)
Children's cafeterias (Ishikawa, Hokkaido, Kanagawa)	Operators of children's cafeterias in Ishikawa, Hokkaido, and Kanagawa Prefectures
For Your Dreams—Daiwa Securities Group Smiles to Children Project	Public Resources Foundation (public interest incorporated foundation)

Implementation of Santa Charity Program 2018

We have been implementing a Santa Charity Program since FY2017. Contributions of more than ¥8 million were collected in FY2018 from executives, employees, and former members of Daiwa Securities Group. With these contributions, we purchased 2,253 sets of assorted snacks, 78 sets of assorted toys and 110 Christmas cakes. The items were then donated to approximately 110 sites nationwide. These included children's homes and livelihood support facilities for fatherless families, as well as organizations working on countermeasures against child poverty such as learning support providers and operators of children's dining rooms. The donations were made through Second Harvest Japan, the largest food bank in Japan. Children receiving presents later sent us many joyful messages.

Messages received from children



Participation in "Used Book Sale Donation for Children's Future"

Japan Securities Dealers Association proposed that the securities industry as a whole participate in the "Used Book Sale Donation for Children's Future," a project run by the Japanese government as part of its initiatives to support children. Approving of the objective of the project, Daiwa Securities Group has placed collection boxes for used books at all our sales branches since the second half of FY2018.

* Also refer to page 72 "Contribution made in FY2018 through collection drives" in the data column.



Participation in Initiatives

Daiwa Securities Group has participated in, signed, and supports the initiatives described below to contribute to developing a sustainable society.

Major Initiatives







Name	Outline								
<p>The United Nations Global Compact (UNGC)</p> 	<p>Daiwa Securities Group Inc. signed the UNGC in January 2010. We support the following 10 principles and work to contribute to sustainable development in the international community.</p> <ul style="list-style-type: none"> 10 principles <table border="1" data-bbox="655 622 1469 1099"> <tr> <td>Human rights</td><td>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.</td></tr> <tr> <td>Labour</td><td>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.</td></tr> <tr> <td>The environment</td><td>Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.</td></tr> <tr> <td>Anti-corruption</td><td>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</td></tr> </table>	Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	The environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.
Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.								
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.								
The environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.								
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.								
<p>The United Nations-supported Principles for Responsible Investment (PRI)</p> <p>Signatory of:</p> 	<p>Daiwa Asset Management became a signatory in May 2006. PRI is a set of six principles launched by the United Nations Environment Programme – Finance Initiative and the UN Global Compact. This initiative asks institutional investors to incorporate ESG into their investment decision making practices. Daiwa Securities Group will continue promoting responsible investment.</p>								
<p>United Nations Environment Programme – Finance Initiative (UNEP-FI)</p> 	<p>Daiwa Securities Group Inc. became a signatory in May 2018. In collaboration with financial institutions, policymakers, and regulatory authorities, UNEP-FI works to advance a shift to a financial system that takes economic development and ESG into consideration. As a financial institution, Daiwa Securities Group will promote collaboration in the international community to address environmental issues.</p>								
<p>Task Force on Climate-related Financial Disclosures (TCFD)</p> 	<p>This is a task force established by the Financial Stability Board (FSB) in 2015. TCFD asks companies to grasp and disclose information on the impact of climate change on finances during the course of a shift to a low-carbon economy. Daiwa Securities Group Inc. announced its support for TCFD in April 2018 and also participates in the TCFD Consortium, established in May 2019 in Japan.</p>								
<p>30% Club Japan</p> 	<p>In May 2019, the Chairman of the Board and President and CEO of Daiwa Securities Group Inc. started to participate in the 30% Club Japan as members in support of its activities. The 30% Club, established in the U.K. in 2010, is a worldwide campaign aimed at increasing the ratio of women in executive positions to promote the sustainable development of companies. It has been rolled out in 14 countries and regions including Japan, greatly contributing to a rise in the ratio of female executives.</p>								


Other Initiatives

ISO 26000	The Charter of Corporate Behavior of Keidanren (Japan Business Federation)	The OECD Guidelines for Multinational Enterprises
Principles for Financial Action for the 21st Century	Japan's Stewardship Code ("Principles for Responsible Institutional Investors")	Japan's Corporate Governance Code established by Tokyo Stock Exchange
CDP (formerly the Carbon Disclosure Project)	The United Nations Guiding Principles on Business and Human Rights	The eight fundamental conventions of the International Labour Organization



Third-Party Evaluations

Name	Evaluation
<p>Dow Jones Sustainability Indices</p> 	<p>The Dow Jones Sustainability Indices (DJSI) are stock indices of companies with sustainable practices selected by Dow Jones & 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 World and DJSI Asia Pacific.</p>
<p>FTSE Indices</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 14 consecutive periods since September 2006. Daiwa Securities Group Inc. has also been selected as a constituent of the FTSE Blossom Japan Index for three consecutive periods since July 2017. This index is used as an ESG passive management benchmark by the Government Pension Investment Fund.</p>
<p>MSCI Indices</p> 	<p>MSCI measures and publishes various indices. Daiwa Securities Group Inc. has been selected as a constituent of the MSCI Japan Empowering Women Index for three consecutive periods since July 2017. This index is used as an ESG passive management benchmark by the Government Pension Investment Fund.</p>
<p>Nadeshiko Brand</p> 	<p>Daiwa Securities Group Inc. has been selected as a "Nadeshiko Brand" for five consecutive years since FY2014. 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 in their companies. We have developed programs that exceed legal requirements to support the balancing of work and child-rearing and we provide career support. As a result of these continuous efforts to develop an environment enabling female employees to work energetically for a long time even after going through life events, an increasing number of female employees in various life stages are now playing active roles. The award has been given in recognition of this, as well as for other initiatives including the introduction of the Daiwa ELLE Plan, which helps to comprehensively address health issues according to employees' stages of life.</p>
<p>Health & Productivity Stock Selection</p> 	<p>Daiwa Securities Group Inc. has been selected as a "Health & Productivity Stock Selection" for five consecutive years since FY2014. 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 appoint a Chief Health Officer (CHO) and hold Health Management Promotion Meetings once every quarter as part of our efforts to enhance our health promotion system. We have also introduced the KA-RA-DA iki-iki Project and an employment support plan for employees with cancer which supports the balancing of work and cancer treatment, as well as the Daiwa ELLE Plan which provides comprehensive support for addressing health issues specific to women. These various initiatives have been highly evaluated.</p>
<p>Competitive IT Strategy Companies</p> 	<p>In April 2019, Daiwa Securities Group Inc. was selected as a "Competitive IT Strategy Company" for the second consecutive year. The title is awarded jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. It is awarded to companies for engaging in strategic and proactive IT investment that enhances corporate value and competitiveness from the perspective of medium- to long-term corporate management. We have worked to develop an API infrastructure to expand our customer base through flexible and timely alliances with external companies and provide financial services with high added value. We have also enhanced business efficiency through voice recognition and artificial intelligence (AI), while promoting digital transformation aimed at business innovation and reform of operational processes. The award was given in light of the high evaluation of our steady efforts.</p>

Name	Evaluation
<p>"Kurumin" and "Platinum Kurumin" —Certified as a Family-Friendly Employer</p> 	<p>The certified family-friendly employer logo (nicknamed "Kurumin") 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 Next-Generation Children. Daiwa Securities Group Inc. obtained certification as a family-friendly employer on June 9, 2008, and 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 received a "Platinum Kurumin" certification. That certification is given to especially excellent companies among the certified family-friendly employers that have implemented higher levels of initiatives.</p>
<p>"Tomonin" —Logo for Promoting Work Environments for Balancing Work with Long-Term Care</p> 	<p>Daiwa Securities Group has continually 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") on us for promoting the provision of a working environment favorable for balancing work with long-term care.</p>
<p>GRESB 2018 "Green Star"</p> 	<p>Daiwa Office Investment Corporation, an 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 seven consecutive years.</p>
<p>ISO Certification</p>	<ul style="list-style-type: none"> ● ISO 14001 Daiwa Institute of Research Business Innovation 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 the environmental load. ● ISO 27001 Daiwa Institute of Research (Systems Management Division) and Daiwa Institute of Research Business Innovation (Systems Management Division and Systems Consulting Division, Social Insurance Customer Support Department, and BPO Center) 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 are continuing to improve their information security. ● ISO 27017 Daiwa Institute of Research (Systems Management Division) and Daiwa Institute of Research Business Innovation (Systems Management Division) have received ISO 27017 certification, which is an international standard for information security in relation to cloud services. As an add-on certification to ISO 27001, ISO 27017 deals with information security specific to cloud services. ● ISO 20000 Daiwa Institute of Research (Systems Management Division) and Daiwa Institute of Research Business Innovation (Systems Management Division) have received ISO 20000 certification, which is an international standard for IT service management systems. In order to provide customers with a high-quality IT service in a stable manner, both companies are engaged in organizational enhancement of the quality of their IT services, including cost management, business process optimization, and continual improvements.



SDGs Related Data

Management Report

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2018

(1) Compensation by Type of Officer, Remuneration, and Number of Eligible Officers

Type of officer	Total compensation, etc. (millions of yen)	Value of compensation, etc., by type (millions of yen)				Recipients (persons)
		Base remuneration	Restricted Stock	Performance-linked remuneration	Retirement bonus	
Directors	38	32	6	–	–	2
Corporate executive officers	1,081	538	180	363	–	15
Outside directors	121	121	–	–	–	7

* Seven directors also served as corporate executive officers; their total compensation is included in the corporate executive officers category.

* Performance-linked remuneration does not include the amount granted as Restricted Stock.

(2) Total Consolidated Compensation, etc., by Officer

Name	Total consolidated compensation, etc. (millions of yen)	Type of officer	Company name	Value of consolidated compensation, etc., by type (millions of yen)			
				Basic remuneration	Restricted Stock	Performance-linked remuneration	Retirement bonus
Takashi Hibino	197	Corporate executive officer	Daiwa Securities Group Inc.	69	23	57	–
			Daiwa Securities Co. Ltd.	46	–	–	–
Seiji Nakata	223	Corporate executive officer	Daiwa Securities Group Inc.	69	23	83	–
			Daiwa Securities Co. Ltd.	46	–	–	–
Toshihiro Matsui	155	Corporate executive officer	Daiwa Securities Group Inc.	61	17	51	–
			Daiwa Securities Co. Ltd.	25	–	–	–
Kazuo Takahashi	115	Corporate executive officer	Daiwa Securities Group Inc.	20	13	–	–
			Daiwa Securities Co. Ltd.	46	–	34	–
Koichi Matsushita	115	Corporate executive officer	Daiwa Securities Group Inc.	20	13	–	–
			Daiwa Securities Co. Ltd.	46	–	34	–

* The persons, each of whose total remuneration, etc., paid is equal to or more than 100 million yen, are listed above.

* Type of Officer is the same as that for the company filing securities reports.

* Officers serving as both directors and corporate executive officers are listed as corporate executive officers in the type of officer column.

* Performance-linked remuneration does not include the amount granted as Restricted Stock.

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.

* Daiwa SB Investments Ltd. merged with Sumitomo Mitsui Asset Management Co. Ltd. on April 1, 2019 to form Sumitomo Mitsui DS Asset Management Co. Ltd.

Employees at Daiwa Securities Group (Consolidated)

(Unit: persons)

		As of March 31, 2018			As of March 31, 2019		
		Employees	FA*1	Temporary employees	Employees	FA*1	Temporary employees
Japan	Male	8,077	49	–	8,092	47	
	(Career track*2)	7,642	–	–	7,638		
	(Managers)	4,081	–	–	4,158		
	Female	4,938	51	–	5,210	43	
	(Career track*2)	3,466	–	–	3,616		
	(Managers)	424	–	–	490		
	Japan total	13,015	100	848	13,302	90	806
	(Career track*2)	11,108	–	–	11,254		
Overseas	(Managers)	4,505	–	–	4,648		
	Male	1,110			1,186		
	(Managers)	579			589		
	Female	566			618		
	(Managers)	140			159		
	Overseas total	1,676	–	98	1,804		109
	(Managers)	719			748		
	Total	14,691	100	946	15,106	90	915

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

*1 Financial advisors

*2 Includes employees in regional career-track positions (without job transfers involving relocation) and specialists

Number of New Graduates Recruited by Daiwa Securities Group

(Unit: persons)

		April 2017	April 2018	April 2019
Career-track employees/regional career-track employees	Male	345	289	337
	Female	333	289	340
Total		678	578	677

* The data until April 2018 covers eight Group companies. The data for April 2019 covers seven companies excluding the former Daiwa SB Investments Ltd.

Workforce Statistics

	FY2016	FY2017	FY2018
Average annual salary*1 (million yen)	10.72	10.45	10.57
Average age (years old)	42.1	41.9	41.9
Average number of years of service (years)	15.3	15.0	15.1

* This data covers 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)

	FY2016	FY2017	FY2018
Total	38.0	38.0	38.3
Male	39.6	39.6	39.8
Female	35.7	35.7	36.2

* This data covers Daiwa Securities.

Average Number of Years of Service

(Unit: years)

	FY2016	FY2017	FY2018
Total	13.6	13.7	13.8
Male	15.2	15.3	15.4
Female	11.4	11.4	11.5

* This data covers Daiwa Securities.

Employee Turnover Statistics

(Unit: %)

	FY2016	FY2017	FY2018
Total	3	3	3

* This data covers Daiwa Securities.

Number of Employees Re-employed after Retirement Age

(Unit: persons)

	FY2016	FY2017	FY2018
Number of employees re-employed after retirement age	96	112	133

* This data covers Daiwa Securities.

Employment Rate for Persons with Disabilities

(Unit: %)

	End of FY2016	End of FY2017	End of FY2018
Employment rate for persons with disabilities	2.02	2.10	2.33

* This data covers Daiwa Securities.

Achievements of Selected Participants in Management Training

(Unit: persons)

Daiwa Management Academy: Targeting department managers	FY2016	FY2017	FY2018
Number of people who have completed training (cumulative)	380	403	426
Daiwa Leadership Program: Targeting Executive director and director	FY2016	FY2017	FY2018
Number of people who have completed training (cumulative)	862	929	1,036

* This data covers 10 Group companies.

Participants in Skill Training

(Unit: persons)

	FY2016	FY2017	FY2018
Number of people who have completed training (cumulative)*1	7,507	9,362	13,488

* 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, middle-market corporations master course, real estate basic course, financial modeling basic course, time management (advanced course), motivation management, time management (basic course), enhancement of question-asking abilities, corporate analysis basic course (intermediate accounting course), corporate analysis master course (how to read 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)

Credential	As of March 31, 2017	As of March 31, 2018	As of March 31, 2019
Affiliated Financial Planner (AFP)	5,626	6,811	7,064
Certified Financial Planner (CFP®)*2	643	698	796
Certified Member Analyst of the Securities Analysts Association of Japan (CMA)	1,542	1,613	1,644
Chartered Financial Analyst (USA credential)	59	59	63
TOEIC (730–990)	1,752	1,830	1,903
Overseas MBA program, etc.	173	177	176

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

*2 These figures cover Daiwa Securities.

Successful Applicants in Intra-Group Job Posting 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..	1,060	167

* This data covers 10 Group companies.

Working Hours and Paid Vacation Usage Rate

	FY2016	FY2017	FY2018
Annual regular working hours (hours)	1837.5	1837.5	1837.5
Average monthly overtime hours (hours)* ¹	23.5	23.2	22.8
Paid vacation usage rate (%) (including special summer vacation)* ²	66	68	68

* This data covers two Group companies.

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

*² In addition to annual paid vacation, 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.

Welfare Program Usage

(Unit: persons)

		FY2016	FY2017	FY2018
Number of employees taking childcare leave* ¹	Female	671	695	696
	Male	327	437	420
Number of employees taking nursing care leave	Female	0	2	5
	Male	2	3	3

* 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

		FY2016	FY2017	FY2018
Employees taking childcare leave (%)	Female	100	100	100
	Male	97	100	100
Return to work rate for those taking childcare leave (%)	Female	92	90	91
	Male	100	100	100
Women working when their children turned one year (%)		100	100	100
Short working hours system usage (persons)		324	373	446
Daycare subsidy usage (persons)		625	702	759

* This data covers Daiwa Securities.

Initiatives for Work-Life Balance and Supporting Diverse Work Styles

Systems to support balancing of work and childcare/nursing care and others	
Program name	Program description
Expanded leave system	This system encourages employees to take paid vacation and has introduced Marriage Preparations Leave, Kid's Ceremony Leave to attend an entrance ceremony, graduation ceremony or other such events, Family Day Leave to give employees a chance to spend quality time with their families, Parents' Longevity Celebration Leave for employees to celebrate the longevity of their parents, Long Service Leave so employees can take up to 5 days off in their 20th year and 30th year at the company, and Volunteer Leave. In addition, Medical Checkup Leave and ELLE Leave have been introduced.
Childcare leave	Employees can take childcare leave until the day before their child's third birthday
Childcare Support Leave	When an employee's spouse gives birth or returns to work, leave may be taken (within the first two weeks of childcare leave, the pay of the weeks is guaranteed)
Support after returning to work	Provides systematic support to employees returning 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
Short working hours system	System by which employees can leave work earlier by up to 90 minutes per day until their child graduates from elementary school
Exemption from overtime work	Employees are exempt from work outside regular working hours (overtime work) until their children complete the third grade of elementary school (childrearing), and from the time that they start providing nursing care until the time that reasons for providing nursing care have disappeared (nursing care)
Restricted overtime work	Employees can restrict work outside regular working hours (overtime work) to not more than 24 hours per month and 150 hours per year until their children graduate from elementary school (childrearing), and from the time that they start providing nursing care until the time that reasons for providing nursing care have disappeared (nursing care)
Life Support Paid Leave	Employees can take up to 50 days' leave due to injury, disease, nursing care preparation, infertility treatment or caring for a sick child who has yet to complete the third grade of elementary school, except when other types of leave are available, by accumulating expired paid leave
Daycare subsidy	Subsidizes expenses for daycare and after-school childcare for employees with children up to the third grade in 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
Support desk for employees looking for nursery schools	Offers free-of-charge services that check information on nursery school facilities, the status of availability, and other such matters on behalf of employees, thereby assisting them to find nursery schools
Expanded support for balancing work and nursing care	Internal training and workshops in all departments, offices, and sales branches, continue to be implemented each year as opportunities for all employees to deepen their understanding
Nursing Care Concierge Service	A consultation service has been established where employees can consult with external nursing care experts regarding worries and problems related to nursing care and receive support such as proxy services for applying for nursing care insurance and referrals to nursing care facilities
Reduced work hours (securing time for nursing care)	Employees can shorten their work hours by up to two hours per day
Work-from-home system	Employees may work home for up to 5 days per month in cases where they provide nursing care to a family member certified for nursing care need (including support need), have developed cancer but are able to work if the burden of commuting is reduced, or to balance work and infertility treatment
Nursing care leave	Employees can take leave up to 4 times for not more than 1,095 days per family member requiring 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 that their spouse is reassigned to work in a location from which it 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 job 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)
Daiwa ELLE Plan	Under this plan, the Group has established support measures for female menopause and ELLE leave, which is available when employees are feeling unwell due to menstruation or menopause, or receiving infertility treatment. The Group has also expanded initiatives to increase employees' health literacy and support measures for balancing work and infertility treatment. With regard to the latter, employees are allowed to secure time for treatment and also entitled to receive a newly-established subsidy for the cost of specific infertility treatment
Daiwa LEAP Plan	System by which employees with disabilities are provided with comprehensive support including a leave program for outpatient treatment, support tools according to the type of disability, and subsidies for expenses incurred to start work. The Plan is aimed at bringing out employees' talents while taking their respective circumstances into consideration, and developing a pleasant working environment



Percentages of Female Employees and Managers in Daiwa Securities Group

(Unit: %)

	End of FY2016	End of FY2017	End of FY2018
Percentage of employees who are female (Consolidated)	38.1	37.9	39.2
Percentage of employees who are female (Daiwa Securities only)	41.4	42.2	43.2
Percentage of managers who are female (Consolidated)	8.8	9.4	10.5
Percentage of managers who are female (Daiwa Securities only)	10.6	11.6	12.9

Women Newly Appointed to Managerial Positions

	End of FY2016	End of FY2017	End of FY2018
Number of women newly appointed to managerial positions (persons)	62	40	61
Total number of those appointed to managerial positions (persons)	192	164	233
Percentage of managers who are female (%)	32.3	24.4	26.2

* This data covers Daiwa Securities.

Number of Employee Union Members

	End of FY2016	End of FY2017	End of FY2018
Number of employee union members (persons)	6,943	7,134	7,202
Ratio of employees who are employee union members (%)	64	64.4	63.9

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

Work Motivation Survey

	FY2018
Work	3.2
Organization	3.2
Colleagues	3.2
Growth or career advancement opportunity	3.2
Compensation	3.1

* Four-scale evaluation (maximum of four points)

Corporate Citizenship Initiatives and Expenditures



(Unit: thousand yen)

Type of activity	FY2016	FY2017	FY2018
1. Education and research in economics and finance	42,351	130,122	82,579
2. Assistance to communities inside and outside of Japan through foundations and NPOs	128,594	149,441	175,813
3. Support for culture and the arts	323,110	437,458	751,961
4. Corporate citizenship initiatives	3,400	2,501	5,441
Total	497,457	719,523	1,015,796

Political Contributions

(Unit: million yen)

Type of activity	FY2016	FY2017	FY2018
Political contributions	30	30	—

Results in Economic and Financial Education Program

(Unit: persons)

Program	FY2016	FY2017	FY2018
Support for Finance Park	20,261	19,183	20,926
	Cumulative participant numbers since initiation of support (in Sept. 2003)		134,902
Support for the Student Company Program	N/A	N/A	N/A
	Cumulative number since the opening (in June 2005)		221

Environmental Report

Scope of data

Energy consumption, CO₂ emissions, clean water consumption:

Domestic: We have incorporated figures on energy consumption and CO₂ emissions for Daiwa Securities, Daiwa Property, and Daiwa Institute of Research, the three companies with a reporting obligation under laws and regulations. Daiwa Institute of Business Innovation has also been included in the calculation in light of its significant impact on the Group's environmental load. The data for Gran Tokyo North Tower and Daiwa Yaesu Building, where Daiwa Securities Group is based, includes data for Group companies other than those mentioned above.

Overseas: London, New York, Hong Kong, Taipei, Singapore, Seoul, Baltimore/Washington D.C., Mumbai and Manila offices (The last five offices were added to the scope in FY2017.)

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

Paper consumption:

Domestic: Group overall (limited to companies handled by Daiwa Office Services.) (Until FY2016, Gran Tokyo North Tower only.)

Overseas: (from FY2017) London, New York, Hong Kong, Taipei, Singapore, Seoul, Baltimore/Washington D.C., Mumbai and Manila offices

Energy Consumption



Office	Type	Unit	FY2016	FY2017	FY2018
Japan	Electricity	thousand kWh	69,496	65,982	63,790
	Utility gas	thousand Nm ³	320	302	280
	Heavy oil	kL	21.1	9.2	10.4
	Diesel fuel	kL	0.07	0.06	0.06
	Kerosene	kL	—	16.53	18.34
	Steam and cold water* ¹	GJ	—	1,200	1,233
	Total	GJ* ²	—	673,980	651,274

*1 Steam and cold water consumption is calculated from FY2017.

*2 GJ: Gigajoule (10⁹ joules). Calculated using coefficients from the Act on the Rational Use of Energy for each energy type. For utility gas, the coefficient from the Act on Promotion of Global Warming Countermeasures is used.

Office	Type	Unit	FY2016	FY2017	FY2018
Overseas	Electricity	thousand kWh	6,387	7,378	7,202
	Utility gas* ¹	thousand Nm ³	101.9	111.4	103.7
	Cold water* ²	GJ	—	825	765
	Total	GJ* ³	—	79,671	77,489

*1 Until FY2016, only utility gas in London was calculated. From FY2017, Seoul was added. From FY2018, Baltimore/Washington D.C. was also added.

*2 Cold water consumption in Taipei and Singapore is calculated from FY2017.

*3 GJ: Gigajoule (10⁹ joules). Calculated using coefficients from the Act on the Rational Use of Energy for each energy type. For utility gas, the coefficient from the Act on Promotion of Global Warming Countermeasures is used.

Office	Type	Unit	FY2016	FY2017	FY2018
Total (Japan and overseas)	Electricity	thousand kWh	75,883	73,360	70,991
	Utility gas	thousand Nm ³	422	414	383
	Heavy oil	kL	21.1	9.2	10.4
	Diesel fuel	kL	0.07	0.06	0.06
	Kerosene	kL	0.00	16.53	18.34
	Steam/cold water	GJ	—	2,025	1,998
	Total	GJ* ¹	—	753,651	728,763

*1 GJ: Gigajoule (10⁹ joules). Calculated using coefficients from the Act on the Rational Use of Energy for each energy type. For utility gas, the coefficient from the Act on Promotion of Global Warming Countermeasures is used.

CO₂ Emissions(Unit: t-CO₂)

Office	Type	FY2016	FY2017	FY2018
Japan	Electricity	31,708	29,663	27,416
	Utility gas	731	691	639
	Heavy oil	56.9	24.9	28.0
	Diesel fuel	0.16	0.14	0.15
	Kerosene	—	41.11	45.59
	Steam/cold water	—	68	70
	Rental cars* ¹	2,079	1,942	1,928
	Commuting (bus/railroad)* ²	1,443	1,466	1,497
	Business travel* ³	—	1,290	1,788
	Total	36,018	35,186	33,412
	Scope 1	788	757	713
	Scope 2	31,708	29,731	27,486
	Scope 3	3,521	4,698	5,213

*1 Rental cars: Gasoline used by rental cars.

*2 CO₂ emissions from commuting by Daiwa Securities' officers and employees are calculated from FY2016.*3 CO₂ emissions from overseas business travel (airplane use) by Daiwa Securities Group Inc. and Daiwa Securities' officers and employees are calculated from FY2017.(Unit: t-CO₂)

Office	Type	FY2016	FY2017	FY2018
Overseas	Electricity	3,064	3,353	3,234
	Utility gas	227.32	241	231
	Steam/cold water	—	47	44
	Business travel*	—	591	707

* CO₂ emissions from overseas business travel (airplane use) by London and Hong Kong office officers and employees are calculated from FY2017.(Unit: t-CO₂)

Office	Type	FY2016	FY2017	FY2018
Total (Japan and overseas)	Electricity	34,772	33,015	30,650
	Utility gas	958	932	870
	Heavy oil	56.9	24.9	28.0
	Diesel fuel	0.16	0.14	0.15
	Kerosene	—	41.11	45.59
	Steam/cold water	—	115	114
	Rental cars	2,079	1,942	1,928
	Commuting	1,443	1,466	1,497
	Business travel	—	1,880	2,495
	Total	36,018	35,186	33,412
	Scope 1	1,015	998	944
	Scope 2	34,772	33,131	30,764
	Scope 3	3,521	5,288	5,920

Calculation methods

Scope 1 and scope 2

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. (Disclosed figures have been rounded off)

A) Electricity

Domestic: We use the CO₂ emission factor (basic emission factor) for each electricity supplier.

Overseas: Figures for CO₂ are calculated using the latest figures published by the local government or electricity provider. Figures for CO₂ emission factors in regions for which data is difficult to obtain are the latest published for each country by the International Energy Agency (IEA).

B) Utility gas

Domestic: After consumption is calculated as the volume of gas under normal conditions, each provider's CO₂ emission factor or calorific value and the emission factor specified by law are used to calculate CO₂ 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).

C) Heavy oil, diesel fuel, kerosene

Calculated on a consumption basis.

Scope 3

Calculated using emission factors from the emission factor database for corporate GHG emissions accounting over the supply chain (Ver.2.6). (Disclosed figures have been rounded off)

D) Rental cars

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

Calculated by multiplying commuting costs paid by Daiwa Securities to officers and employees by emission factors.

F) Business travel

Calculated by multiplying passenger-kilometers involved in overseas business travel (international flights) at Daiwa Securities Group Inc., Daiwa Securities and London and Hong Kong offices by emission factors.

CO₂ Emissions per Employee (Japan)

Office	Type	Unit	FY2016	FY2017	FY2018
Japan	Per employee	t-CO ₂	2.9	2.7	2.5
	Number of employees in Japan	persons	12,323	13,115	13,392

* Data is excluded from the scope of independent assurances. Calculated based on CO₂ emissions in Japan and the consolidated number of employees in Japan.

Clean Water Consumption(Unit: thousand m³)

Office	Type	FY2016	FY2017	FY2018
Japan	Clean water	117.1	119.1	125.3
Overseas*	Clean water	–	11.6	12.2
Total (Japan and overseas)	Clean water	–	130.7	137.5

* Clean water consumption in London, Taipei, and Seoul is calculated from FY2017.

Waste

Office	Type	Unit	FY2016	FY2017	FY2018
Paper waste	Amount generated	t	310.4	324.6	331.2
	Recycling rate	%	92.4	94.6	92.5
Non-paper waste	Amount generated	t	211.5	237.1	271.3
	Recycling rate	%	48.4	44.8	44.1

Paper Consumption

(Unit: t)

Office	Type	FY2016	FY2017	FY2018
Japan	Amount used	175.6	565.2	512.0
Overseas	Amount used	–	24.1	22.9
Total (Japan and overseas)	Amount used	–	589.3	534.9

* FY2017 figures revised.

* Until FY2016, only calculated for Gran Tokyo North Tower. From FY2017, calculated for the Group overall.

* From FY2017, calculated for London, New York, Hong Kong, Taipei, Singapore, Seoul, Baltimore/Washington D.C., Mumbai, and Manila offices.

Environmental Accounting

Scope of data

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

Environmental Conservation Cost (Categories Corresponding to Business Activities)*¹

(Unit: million yen)

Category	Key activity and the outcome	FY2016		FY2017		FY2018	
		Investment	Cost	Investment	Cost	Investment	Cost
Business area cost	Global environmental conservation						
	Introduction and upgrading of energy-saving air conditioners	439.1		7.1		91.0	
	Power receiving and transforming facilities	122.8		119.4		219.0	
	Eco-car leasing fee (for five years)		291.8		232.3		355.9
	Resource circulation						
	Waste disposal cost* ²		20.9		21.6		21.6
	Dissolution process cost* ³		29.7		31.8		32.1
	Total	561.9	342.4	126.4	285.7	310.0	409.7
Administration cost	Management of environmental data, etc.		2.0		2.0		2.0
Social activity cost	Environmental conservation, etc.		1.0		1.0		1.0
Total		561.9	345.4	126.4	288.7	310.0	412.7

*1 Other important facilities are partially included.

*2 Daiwa Securities branches

*3 Gran Tokyo North Tower

Economic Benefits Associated with Environmental Conservation Activities (Actual Benefits)

(Unit: million yen)

	FY2016	FY2017	FY2018
Expense saving	23.9	16.4	21.4
Revenue (recycling, etc.)	0	0	0
Total	23.9	16.4	21.4

Financial Capability Data

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 sector classification. Unlisted issuers are classified by Daiwa Securities Group Inc.

☆**Scope** ... Total amount of issues for which 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 off.

(Unit: billion yen)

		IPO	PO	CB	REIT (equity)	Corporate bond	FILP agency bond	Municipal bond	Samurai bond	Bonds within and outside Japan (benchmark bonds)	Japan Housing Finance Agency (RMBS)
Fishery, agriculture & forestry	Fishery, agriculture & forestry			1							
Mining	Mining										
Construction	Construction		1.4			3					
Manufacturing	Foods					22.5					
	Textiles & apparels					10					
	Pulp & paper					3					
	Chemicals					30					
	Pharmaceutical					8					
	Oil & coal products					2					
	Rubber products										
	Glass & ceramics products					8					
	Iron & steel					12					
	Nonferrous metals					4					
	Metal products										
	Machinery		0.4			3					
	Electric appliances		29.2			19					
	Transportation equipment					16.2					
	Precision instruments										
	Other products					2					
Electric power & gas	Electric power & gas					148.8					
Transportation, information and communication	Land transportation					112					
	Marine transportation					1					
	Air transportation					5			3		
	Warehousing & harbor transportation services										
	Information & communication	254	0.3			65			5		
Trade	Wholesale trade	0.1	0.4			8					
	Retail trade					4					
Finance & insurance	Banks		0.5			109			117.1	17.6	
	Securities & commodity futures		3.3			5.2					
	Insurance	0.2				45.5					
	Other financing business					69.2				3.3	
Real estate	Real estate		7			35					
Services	Services	1.2	0.9			34.2					
Nonclassifiable	Real estate investment corporation				25.4	8.4					
	Public entity						124.6	183.9	32.4	111.7	77.4
Total		255.6	43.5	1	25.4	793	124.6	183.9	157.5	132.6	77.4

(Fiscal year-end dollar/yen rate: 110.99 yen to the dollar)

GRI Content Index

In compiling the Daiwa Securities Group SDGs Data Book 2019, reference was made to the GRI Standards 2016 of the Global Reporting Initiative (GRI).

Universal Standards

Number	Disclosures	Report Page Number
Organizational Profile		
102-1	Name of the organization	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"
102-2	Activities, brands, products, and services	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"
102-3	Location of headquarters	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"
102-4	Location of operations	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"
102-5	Ownership and legal form	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"
102-6	Markets served	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"/ Integrated Report 2019 P.2 "Daiwa Securities Group's Business Strategy"
102-7	Scale of the organization	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"
102-8	Information on employees and other workers	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"/ P.81 "SDGs Related Data"
102-9	Supply chain	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"/ P.5 "Communication with Stakeholders"/P.6 "SDGs of Daiwa Securities Group"/P.12 "Role and Social Responsibilities of the Securities Business"/P.49 "Risk Management"
102-10	Significant changes to the organization and its supply chain	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"/ P.12 "Role and Social Responsibilities of the Securities Business"
102-11	Precautionary Principle or approach	SDGs Data Book 2019 P.40 "Corporate Governance"/ P.44 "Compliance"/P.49 "Risk Management"/P.56 "IT Strategy and the Management of Systemic Risk"
102-12	External initiatives	SDGs Data Book 2019 P.77 "Participation in Initiatives"
102-13	Membership of associations	SDGs Data Book 2019 P.77 "Participation in Initiatives"
Strategy		
102-14	Statement from senior decision-maker	SDGs Data Book 2019 P.10 "Message from the Chairman of the SDGs Promotion Committee"/Integrated Report 2019 P.2 "Message from the CEO"
102-15	Key impacts, risks, and opportunities	SDGs Data Book 2019 P.8 "Daiwa Securities Group's Materiality and SDGs"
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	SDGs Data Book 2019 P.8 "Daiwa Securities Group's Materiality and SDGs"
102-17	Mechanisms for advice and concerns about ethics	SDGs Data Book 2019 P.40 "Corporate Governance"
Governance		
102-18	Governance structure	SDGs Data Book 2019 P.40 "Corporate Governance"
102-19	Delegating authority	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
102-20	Executive-level responsibility for economic, environmental, and social topics	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
102-21	Consulting stakeholders on economic, environmental, and social topics	SDGs Data Book 2019 P.5 "Communication with Stakeholders"/ P.6 "SDGs of Daiwa Securities Group"/P.40 "Corporate Governance"
102-22	Composition of the highest governance body and its committees	SDGs Data Book 2019 P.40 "Corporate Governance"
102-23	Chair of the highest governance body	SDGs Data Book 2019 P.40 "Corporate Governance"
102-24	Nominating and selecting the highest governance body	SDGs Data Book 2019 P.40 "Corporate Governance"
102-25	Conflicts of interest	SDGs Data Book 2019 P.40 "Corporate Governance"
102-26	Role of highest governance body in setting purpose, values, and strategy	SDGs Data Book 2019 P.40 "Corporate Governance"
102-27	Collective knowledge of highest governance body	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"/Integrated Report 2019 P.2 "Daiwa Securities Group's Business Strategy"
102-28	Evaluating the highest governance body's performance	-
102-29	Identifying and managing economic, environmental, and social impacts	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
102-30	Effectiveness of risk management processes	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"

Number	Disclosures	Report Page Number
102-31	Review of economic, environmental, and social topics	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
102-32	Highest governance body's role in sustainability reporting	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
102-33	Communicating critical concerns	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group" / P.40 "Corporate Governance"
102-34	Nature and total number of critical concerns	SDGs Data Book 2019 P.40 "Corporate Governance"
102-35	Remuneration policies	SDGs Data Book 2019 P.40 "Corporate Governance" / P.80 "SDGs Related Data"
102-36	Process for determining remuneration	SDGs Data Book 2019 P.40 "Corporate Governance" / Corporate Governance Report
102-37	Stakeholders' involvement in remuneration	SDGs Data Book 2019 P.40 "Corporate Governance"
102-38	Annual total compensation ratio	-
102-39	Percentage increase in annual total compensation ratio	-
Stakeholder Engagement		
102-40	List of stakeholder groups	SDGs Data Book 2019 P.5 "Communication with Stakeholders"
102-41	Collective bargaining agreements	SDGs Data Book 2019 P.67 "Engagement with Employees" (Communication)/P.85 "SDGs Related Data"
102-42	Identifying and selecting stakeholders	SDGs Data Book 2019 P.5 "Communication with Stakeholders"
102-43	Approach to stakeholder engagement	SDGs Data Book 2019 P.5 "Communication with Stakeholders"
102-44	Key topics and concerns raised	SDGs Data Book 2019 P.5 "Communication with Stakeholders" / P.15 "Provision of Quality Service to Customers"/P.53 "Environmental Initiatives"/P.57 "Engagement with Shareholders and Other Investors"/P.59 "Engagement with Employees"/P.68 "Engagement with Society"
Reporting Practice		
102-45	Entities included in the consolidated financial statements	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"
102-46	Defining report content and topic Boundaries	SDGs Data Book 2019 P.3 "Editorial Policy"
102-47	List of material topics	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
102-48	Restatements of information	Not Applicable
102-49	Changes in reporting	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
102-50	Reporting period	SDGs Data Book 2019 P.3 "Editorial Policy"
102-51	Date of most recent report	SDGs Data Book 2019 P.3 "Editorial Policy"
102-52	Reporting cycle	SDGs Data Book 2019 P.3 "Editorial Policy"
102-53	Contact point for questions regarding the report	SDGs Data Book 2019 P.3 "Editorial Policy"
102-54	Claims of reporting in accordance with the GRI Standards	SDGs Data Book 2019 P.3 "Editorial Policy"
102-55	Content index	This table
102-56	External assurance	SDGs Data Book 2019 P.99 "Independent Assurance Report" and Independent Assurance Marks shown on various pages
103 Management Approach		
103-1	Explanation of the material topic and its Boundary	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
103-2	The management approach and its components	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"
103-3	Evaluation of the management approach	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"

Standards by Topic

Number	Disclosures	Report Page Number
Economic		
201: Economic Performance		
201-1	Direct economic value generated and distributed	Disclosure Report 2019 (only Japanese)
201-2	Financial implications and other risks and opportunities due to climate change	SDGs Data Book 2019 P.52 "Response to the TCFD"
201-3	Defined benefit plan obligations and other retirement plans	Disclosure Report 2019 (only Japanese)
201-4	Financial assistance received from government	Impact is insignificant
202: Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Impact is insignificant, due to the nature of our business
202-2	Proportion of senior management hired from the local community	-
203: Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	SDGs Data Book 2019 P.11 "Initiatives through Business Activities" /P.68 "Engagement with Society"
203-2	Significant indirect economic impacts	Not applicable
204: Procurement Practices		
204-1	Proportion of spending on local suppliers	Impact is insignificant, due to the nature of our business
205: Anti-corruption		
205-1	Operations assessed for risks related to corruption	SDGs Data Book 2019 P.44 "Compliance" /P.49 "Risk Management"
205-2	Communication and training about anti-corruption policies and procedures	SDGs Data Book 2019 P.44 "Compliance"
205-3	Confirmed incidents of corruption and actions taken	Not applicable
206: Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not applicable
Environmental		
301: Materials		
301-1	Materials used by weight or volume	Not applicable
301-2	Recycled input materials used	Not applicable
301-3	Reclaimed products and their packaging materials	Not applicable
302: Energy		
302-1	Energy consumption within the organization	SDGs Data Book 2019 P.86 "SDGs Related Data"
302-2	Energy consumption outside of the organization	SDGs Data Book 2019 P.86 "SDGs Related Data"
302-3	Energy intensity	SDGs Data Book 2019 P.86 "SDGs Related Data"
302-4	Reduction of energy consumption	SDGs Data Book 2019 P.86 "SDGs Related Data"
302-5	Reductions in energy requirements of products and services	SDGs Data Book 2019 P.86 "SDGs Related Data"
303: Water and Effluents (2018)		
303-1	Interactions with water as a shared resource	Impact is insignificant, due to the nature of our business
303-2	Management of water discharge-related impacts	Impact is insignificant, due to the nature of our business
303-3	Water withdrawal	SDGs Data Book 2019 P.88 "SDGs Related Data"
303-4	Water discharge	-
303-5	Water consumption	-
304: Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable
304-2	Significant impacts of activities, products, and services on biodiversity	Not applicable
304-3	Habitats protected or restored	Not applicable
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable

Number	Disclosures	Report Page Number
305: Emissions		
305-1	Direct GHG emissions	SDGs Data Book 2019 P.53 “Environmental Initiatives”/ P.87 “SDGs Related Data”
305-2	Energy indirect GHG emissions	SDGs Data Book 2019 P.53 “Environmental Initiatives”/ P.87 “SDGs Related Data”
305-3	Other indirect GHG emissions	SDGs Data Book 2019 P.53 “Environmental Initiatives”/ P.87 “SDGs Related Data”
305-4	GHG emissions intensity	SDGs Data Book 2019 P.53 “Environmental Initiatives”/ P.87 “SDGs Related Data”
305-5	Reduction of GHG emissions	SDGs Data Book 2019 P.53 “Environmental Initiatives”/ P.87 “SDGs Related Data”
305-6	Emissions of ozone-depleting substances (ODS)	Impact is insignificant, due to the nature of our business
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Impact is insignificant, due to the nature of our business
306: Effluents and Waste		
306-1	Water discharge by quality and destination	Impact is insignificant, due to the nature of our business
306-2	Waste by type and disposal method	SDGs Data Book 2019 P.53 “Environmental Initiatives”/ P.88 “SDGs Related Data”
306-3	Significant spills	Not applicable
306-4	Transport of hazardous waste	Not applicable
306-5	Water bodies affected by water discharges and/or runoff	Not applicable
307: Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Not applicable
308: Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	Not applicable
308-2	Negative environmental impacts in the supply chain and actions taken	Not applicable
Society		
401: Employment		
401-1	New employee hires and employee turnover	SDGs Data Book 2019 P.81 “SDGs Related Data”
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SDGs Data Book 2019 P.61 “Engagement with Employees” (Striving to Create a Pleasant Working Environment)
401-3	Parental leave	SDGs Data Book 2019 P.61 “Engagement with Employees” (Striving to Create a Pleasant Working Environment)/ P.83 “SDGs Related Data”
402: Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	-
403: Occupational Health and Safety (2018)		
403-1	Occupational health and safety management system	SDGs Data Book 2019 P.61 “Engagement with Employees” (Striving to Create a Pleasant Working Environment)
403-2	Hazard identification, risk assessment, and incident investigation	
403-3	Occupational health services	
403-4	Worker participation, consultation, and communication on occupational health and safety	
403-5	Worker training on occupational health and safety	
403-6	Promotion of worker health	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
403-8	Workers covered by an occupational health and safety management system	
403-9	Work-related injuries	
403-10	Work-related ill health	
404: Training and Education		
404-1	Average hours of training per year per employee	SDGs Data Book 2019 P.60 “Engagement with Employees” (Human Resource Development and Skill Enhancement)
404-2	Programs for upgrading employee skills and transition assistance programs	
404-3	Percentage of employees receiving regular performance and career development reviews	

Number	Disclosures	Report Page Number
405: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	SDGs Data Book 2019 P.81 "SDGs Related Data"
405-2	Ratio of basic salary and remuneration of women to men	SDGs Data Book 2019 P.81 "SDGs Related Data"
406: Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Not applicable due to the nature of our business
407: Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not applicable due to the nature of our business
408: Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	Not applicable due to the nature of our business
409: Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Not applicable due to the nature of our business
410: Security Practices		
410-1	Security personnel trained in human rights policies or procedures	Impact is insignificant, due to the nature of our business
411: Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	Not applicable due to the nature of our business
412: Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	SDGs Data Book 2019 P.49 "Risk Management"
412-2	Employee training on human rights policies or procedures	SDGs Data Book 2019 P.48 "Human Rights Initiatives"
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	SDGs Data Book 2019 P.49 "Risk Management"
413: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	Impact is insignificant, due to the nature of our business
413-2	Operations with significant actual and potential negative impacts on local communities	Impact is insignificant, due to the nature of our business
414: Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	Not applicable
414-2	Negative social impacts in the supply chain and actions taken	Not applicable
415: Public Policy		
415-1	Political contributions	SDGs Data Book 2019 P.85 "SDGs Related Data"
416: Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	Not applicable due to the nature of our business
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Not applicable due to the nature of our business
417: Marketing and Labeling		
417-1	Requirements for product and service information and labeling	SDGs Data Book 2019 P.15 "Provision of Quality Service to Customers"
417-2	Incidents of non-compliance concerning product and service information and labeling	Not applicable
417-3	Incidents of non-compliance concerning marketing communication	Not applicable
418: Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not applicable
419: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Not applicable

Specific Standard Disclosures for Financial Services (GRI)

Clauses			Indicator	Report Page Number
Products and Services	DMA	FS1	Policies with specific environmental and social components applied to business lines	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"/P.12 "Role and Social Responsibilities of the Securities Business"/P.15 "Provision of Quality Service to Customers"
		FS2	Procedures for assessing and screening environmental and social risks in business lines	SDGs Data Book 2019 P.49 "Risk Management"
		FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	SDGs Data Book 2019 P.44 "Compliance"
		FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"/P.60 "Engagement with Employees" (Human Resource Development and Skill Enhancement)
		FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	SDGs Data Book 2019 P.15 "Provision of Quality Service to Customers"/P.57 "Engagement with Shareholders and Other Investors"
	Aspect: Product Portfolio			
		FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"/Disclosure Report 2019 (only Japanese)/Integrated Report 2019 P.2 "Daiwa Securities Group's Business Strategy"
		FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	SDGs Data Book 2019 P.20 "Initiatives through Product Development and Provision"/P.33 "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	SDGs Data Book 2019 P.20 "Initiatives through Product Development and Provision"/P.33 "Support for the Creation of Our Future Society"
	Aspect: Audit			
	DMA	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	SDGs Data Book 2019 P.40 "Corporate Governance"
	Aspect: Active Ownership			
Society		FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	SDGs Data Book 2019 P.12 "Role and Social Responsibilities of the Securities Business"
		FS11	Percentage of assets subject to positive and negative environmental or social screening	SDGs Data Book 2019 P.12 "Role and Social Responsibilities of the Securities Business"
	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	SDGs Data Book 2019 P.12 "Role and Social Responsibilities of the Securities Business"
	Aspect: Local Communities			
		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	SDGs Data Book 2019 P.15 "Provision of Quality Service to Customers"/P.68 "Engagement with Society"
	Aspect: Product and Service Labeling			
	DMA	FS15	Policies for the fair design and sale of financial products and services	SDGs Data Book 2019 P.15 "Provision of Quality Service to Customers"
		FS16	Initiatives to enhance financial literacy by type of beneficiary	SDGs Data Book 2019 P.68 "Engagement with Society"

ISO 26000 Index

In compiling the Daiwa Securities Group SDGs Data Book 2019, reference was made to the core subjects of ISO 26000.

Core Subjects and Issues		Report Page Number
6.2 Organizational governance		SDGs Data Book 2019 P.4 "Overview of Company and Businesses"/P.6 "SDGs of Daiwa Securities Group"/P.40 "Corporate Governance"/P.44 "Compliance"/P.49 "Risk Management"
6.3 Human rights	Issue 1: Due diligence	SDGs Data Book 2019 P.49 "Risk Management"
	Issue 2: Human rights risk situations	SDGs Data Book 2019 P.49 "Risk Management"
	Issue 3: Avoidance of complicity	SDGs Data Book 2019 P.48 "Human Rights Initiatives"/P.49 "Risk Management"
	Issue 4: Resolving grievances	SDGs Data Book 2019 P.40 "Corporate Governance"
	Issue 5: Discrimination and vulnerable groups	SDGs Data Book 2019 P.48 "Human Rights Initiatives"/P.59 "Engagement with Employees"/P.82 "SDGs Related Data"
	Issue 6: Civil and political rights	SDGs Data Book 2019 P.59 "Engagement with Employees"
	Issue 7: Economic, social and cultural rights	SDGs Data Book 2019 P.48 "Human Rights Initiatives"/P.59 "Engagement with Employees"
	Issue 8: Fundamental principles and rights at work	SDGs Data Book 2019 P.59 "Engagement with Employees"
6.4 Labor practices	Issue 1: Employment and employment relationships	SDGs Data Book 2019 P.4 "Overview of Company and Businesses"/P.59 "Engagement with Employees"/P.82 "SDGs Related Data"
	Issue 2: Conditions of work and social protection	SDGs Data Book 2019 P.59 "Engagement with Employees"
	Issue 3: Social dialogue	SDGs Data Book 2019 P.59 "Engagement with Employees"
	Issue 4: Health and safety at work	Not applicable
	Issue 5: Human development and training in the workplace	SDGs Data Book 2019 P.59 "Engagement with Employees"
6.5 The environment	Issue 1: Prevention of pollution	Not applicable
	Issue 2: Sustainable resource use	SDGs Data Book 2019 P.53 "Environmental Initiatives"/P.86 "SDGs Related Data"
	Issue 3: Climate change mitigation and adaptation	SDGs Data Book 2019 P.53 "Environmental Initiatives"/P.49 "Risk Management"/P.87 "SDGs Related Data"
	Issue 4: Protection of the environment, biodiversity and restoration of natural habitats	SDGs Data Book 2019 P.68 "Engagement with Society"/P.53 "Environmental Initiatives"
6.6 Fair operating practices	Issue 1: Anti-corruption	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"/P.40 "Corporate Governance"/P.44 "Compliance"/P.49 "Risk Management"
	Issue 2: Responsible political involvement	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"/P.40 "Corporate Governance"/P.44 "Compliance"/P.49 "Risk Management"/P.85 "SDGs Related Data"
	Issue 3: Fair competition	SDGs Data Book 2019 P.40 "Corporate Governance"/P.44 "Compliance"
	Issue 4: Promoting social responsibility in the value chain	SDGs Data Book 2019 P.6 "SDGs of Daiwa Securities Group"/P.12 "Role and Social Responsibilities of the Securities Business"/P.53 "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	SDGs Data Book 2019 P.15 "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	SDGs Data Book 2019 P.11 "Initiatives through Business Activities"
	Issue 4: Consumer service, support, and complaint and dispute resolution	SDGs Data Book 2019 P.15 "Provision of Quality Service to Customers"
	Issue 5: Consumer data protection and privacy	SDGs Data Book 2019 P.56 "IT Strategy and the Management of Systemic Risk"
	Issue 6: Access to essential services	Not applicable
	Issue 7: Education and awareness	SDGs Data Book 2019 P.29 "Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information"/P.68 "Engagement with Society"
6.8 Community involvement and development	Issue 1: Community involvement	SDGs Data Book 2019 P.33 "Support for the Creation of Our Future Society"/P.68 "Engagement with Society"
	Issue 2: Education and culture	SDGs Data Book 2019 P.68 "Engagement with Society"
	Issue 3: Employment creation and skills development	SDGs Data Book 2019 P.33 "Support for the Creation of Our Future Society"
	Issue 4: Technology development and access	SDGs Data Book 2019 P.33 "Support for the Creation of Our Future Society"
	Issue 5: Wealth and income creation	SDGs Data Book 2019 P.20 "Initiatives through Product Development and Provision"/P.68 "Engagement with Society"
	Issue 6: Health	SDGs Data Book 2019 P.20 "Initiatives through Product Development and Provision"/P.68 "Engagement with Society"
	Issue 7: Social investment	SDGs Data Book 2019 P.11 "Initiatives through Business Activities"/P.85 "SDGs Related Data"



Glossary

●AFP/CFP®

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

●Biomass Power Generation Plant

A method of generating power by combusting and fermenting biological organic resources such as wood chips or food waste. Garnering attention as a form of renewable energy that can be stably generated.

●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 areas of application.

●CDP (Carbon Disclosure Project)

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.

●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 Code

Guidelines established by the Tokyo Stock Exchange with the aim of enhancing corporate governance, which is a framework for companies to carry out transparent, fair, prompt and decisive decision making from the perspectives of stakeholders. Securities Listing Regulations of the Tokyo Stock Exchange set out provisions requiring listed companies to comply with the Corporate Governance Code.

●Distributed Ledger Technology (DLT)

Technology that prevents data manipulation or external attack by having the same information shared by multiple participants. Blockchain is an example of DLT.

●Engagement

Dialogue and exchange of opinions 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.

●ESG Due Diligence

A verification process performed to minimize adverse effects on ESG issues including issues related to human rights.

●Equity

Funds procured through issuance of shares, etc. that do not entail an obligation to repay the funds.

●Green Bonds

Bonds issued by companies, municipalities, and other entities to raise funds required for green projects within and outside Japan

●GRI

Global Reporting Initiative. An organization dedicated to proposing and promoting common international guidelines for sustainability reports.

●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 on 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 focus on in particular over the long term in a wide range of corporate activities. It is recommended that companies issuing sustainability reports should select and announce those themes and aspects according to the type of business and risk.

●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 toward a sustainable society. Aims to expand investment and financing with the environment in mind, formulated as voluntary efforts of financial institutions in Japan.

●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 problems involving a company's suppliers of raw materials and services, including their environmental and social issues, 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.

●Unbundling

To break down (investment) risk or multiple financial functions conventionally assumed by financial institutions.

●Work-Life Balance


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  (the “Indicators”) for the period from April 1, 2018 to March 31, 2019 included in its SDGs Data Book 2019 (the “Report”) for the fiscal year ended March 31, 2019. Some Indicators which are subject to this assurance engagement are cumulative totals as of March 31, 2019 or figures for the period from January 1, 2018 to December 31, 2018.

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 the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. 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 the Company’s responsible personnel to obtain an understanding of its policy for preparing 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 procedures on 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 recalculating the Indicators.
- Visiting the Company’s Yokohama Branch selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

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.

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Tokyo, Japan

October 28, 2019

Daiwa Securities Group

<http://www.daiwa-grp.jp>