Disclosure on Climate Change and Natural Capital Initiatives

Climate change

Daiwa Securities Group became the first securities firm in Japan to endorse the TCFD recommendations in 2018. Since then, the Group has disclosed climate-related information on an annual basis. Moving forward, we will continue to provide decision-useful information to all stakeholders, while taking into consideration developments in international disclosure standards and domestic regulations.

Climate-related risks and opportunities

The Group views climate change as a significant business opportunity that can lead to its growth. In addition to details of climate-related risks (transition risks and physical risks) that can reasonably be expected to impact our business, we identify and disclose details of climate-related opportunities that arise from our core business, namely the development and provision of financial products and services.

Risks and opportunities			Climate-related risks and opportunities	Timeline	Main business segments
Transition risks	Policy/legal	01	Increased costs and subsequent deterioration in earnings at investee and managed companies due to changes in carbon pricing policy	Short to long	AM
	Technology	02	Increased costs and subsequent deterioration in earnings at investee and managed companies due to changes in energy-related technologies	Short to long	
	Market	03	Decline in fund management performance and balances, and the consequent drop in trust fees and sales-related revenue due to the transition to a carbon-neutral society	Short to long	AM and WM
	Reputation	04	Deterioration of reputation associated with a lack of initiatives to deal with climate change and investment and underwriting related to businesses with a heavy environmental load	Short to long	The entire Group
Physical risks	Acute/chronic	05	Stagnation in underwriting and M&A-related business due to damage at business partners and investees and managed companies caused by abnormal weather and floods, and the decline in fund management performance and drop in trust fees and sales-related revenue	Short to long	AM, WM and GM&IB
		06	Lost value, reduced sales opportunities, and subsequent deterioration in earnings at invested properties such as solar and wind generation facilities due to natural disasters such as torrential rain and powerful typhoons	Medium to long	AM
		07	Increased costs of restoration and repairs associated with financial system failures or damage to the Group's offices and data centers from more serious natural disasters	Short to long	The entire Group
Opportunities		08	Increased underwriting for the fundraising required for green projects and the transition to a carbon-neutral society	Short to long	GM&IB
		09	Increased M&A in the renewable energy field	Medium to long	
		10	Increased opportunities to provide new financial products and expansion of opportunities for profit through market change	Short to long	AM and WM
		11	Capital inflows into investment trusts that incorporate companies with decarbonization technologies	Short to long	AM
		12	Investment into renewable energy such as solar power generation facilities and greater investment opportunities through the introduction of external capital	Short to long	
		13	Structuring investment corporations and private funds with underlying assets that are real estate and real assets with high environmental performance	Short to long	
		14	Expansion in business opportunities resulting from improvement in reputation through net-zero initiatives	Short to long	The entire Group
		15	Stimulation of the entire market through participation in sustainability-related rule-making	Short to long	

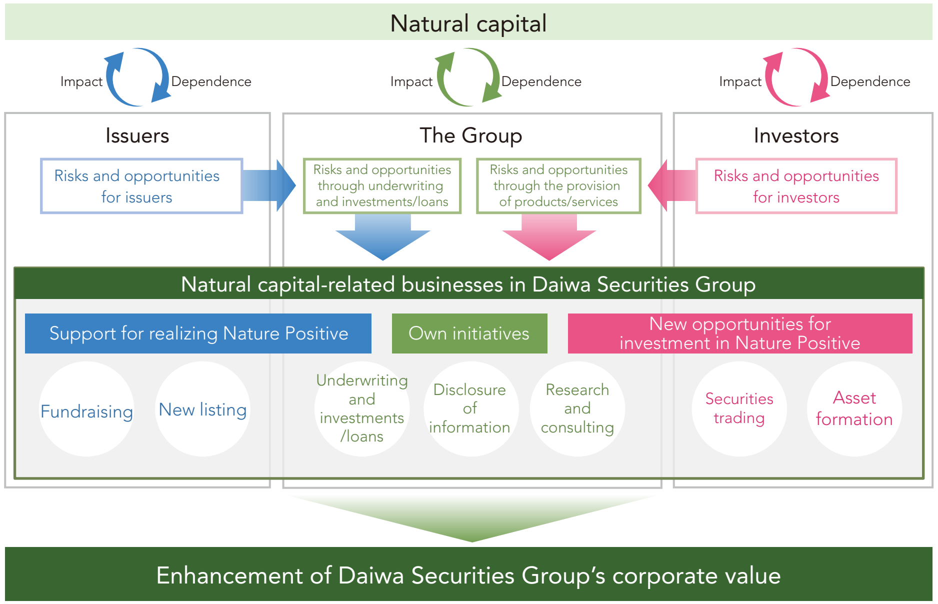
Note: Short-term is less than 3 years; medium-term is 3 years or more but less than 5 years; long-term is 5 years or more.

Natural capital

The Group recognizes that natural capital and biodiversity are social issues that require priority attention while, at the same time, we as a financial institution also recognize this as an opportunity to support companies working toward realizing Nature Positive. Based on this understanding, we began conducting analyses related to natural capital in FY2023, and are advancing disclosure efforts to promote the transition to a nature-positive economy through various businesses.

Relationship between the Group's businesses and natural capital

The Group has identified the following linkages between natural capital-related risks and opportunities and corporate value based on the Group's roles in the financial and capital markets and its businesses.



For the Climate-related Disclosures Report, please see the website below.
https://www.daiwa-grp.jp/english/sustainability/environment/tcfd.html

For disclosures based on the TNFD framework, please see the website below.
https://www.daiwa-grp.jp/english/sustainability/environment/tnfd.html