



What we can do

What will the world be like when these babies become adults?

The precious faces of these infants—all children of Daiwa Securities Group executives and employees—express our hopes for the future. At the Daiwa Securities Group, we are determined to take responsibility as individuals and to do our part as a company to create a sustainable society living in happiness and in harmony with an unspoiled Earth.

Message from the CEO



The Daiwa Securities Group has opened a new chapter in its history as a “new” Daiwa Securities through the merger of its two securities subsidiaries. In addition, the Group concentrated on returning to profitability by pursuing management efficiencies during the fiscal year, based on “Turnaround” as a major theme in the first fiscal year of “Passion for the Best” 2014, the three-year Medium-Term Management Plan that began in April 2012.

The business environment was challenging, especially in the first half of the fiscal year, with the TOPIX marking a new post-bubble low in June 2012 amid prolonged economic stagnation. After a new Japanese government administration was launched from mid-November, however, the economy reached a turning point as the unusually strong yen corrected and weak stock prices began to recover. This turnaround picked up momentum toward the end of 2012, spurring a foreign investor-led rally in Japanese equity markets, which had been languishing with rock-bottom stock prices, to levels last seen before the Lehman Shock in 2008. The strength of this rally is better understood in terms of daily trading value on the First Section of the Tokyo Stock Exchange, which had been around ¥1 trillion last year, but surpassed ¥2 trillion in the first three months of 2013. Among international equity markets, namely in the United States, the Dow Jones Industrial Average reached a historical high on expectations for an economic recovery stemming from improvements in the unemployment rate and housing market statistics. Equity markets in Germany and other major countries were also buoyant.

In this business environment, the Daiwa Securities Group remained focused on reducing fixed costs and increasing organizational efficiency, and executed distinct strategies to create a unique business model with synergies between

securities and banking services, strengthen the earnings capacity of the asset management business, enhance offerings for high net worth individuals, strengthen coverage of the middle market, and rebuild the wholesale business.

As a result of these initiatives, we fulfilled our commitment to return to profitability in the first fiscal year of the Medium-Term Management Plan, with net operating revenues of ¥417.3 billion, ordinary income of ¥95.1 billion, and net income of ¥72.9 billion.

“Growth” is the main theme for FY2013, the second year of the Medium-Term Management Plan. A dynamic shifting of household financial assets, Japanese people moving funds from their savings accounts into investments, is anticipated to transpire. The Daiwa Securities Group will focus all of its energies on channeling this potential flood of risk money to the corporate and public sectors, as it contributes to the recovery and revitalization of the Japanese economy. Moreover, the Group will continue to work to solve global issues, such as climate change and the eradication of poverty in emerging countries, through the provision of innovative financial products and services.

The Daiwa Securities Group is advancing toward a new stage of growth while continuing to create corporate value and contribute to the realization of a sustainable society. We would not be able to accomplish this without the support of our stakeholders, and would like to express our deep appreciation for their continued support.

Takashi Hibino

President and CEO
Daiwa Securities Group Inc.

Message from the Chairman



Guided by “building trust” as one of its core corporate principles, the Daiwa Securities Group believes that its public mission is to contribute to social and economic development through its involvement in financial and capital markets. The trust that is placed on us by our customers and society is the source of our sustainable growth. Our employees and executives accept their responsibilities with pride and integrity as they work in the financial and capital markets, and as this high level of dedication becomes palpable to our stakeholders, a sturdy bond of enduring trust is formed.

Corporate governance is also a key element of sustainable corporate growth. The Daiwa Securities Group has instilled a strong sense of ethics and professionalism in its employees and executives through insight into its corporate principles, and, from this basis, the Group has strengthened governance by welcoming outside directors who bring a wealth of experience from a variety of fields, such as human rights and labor, legal affairs, finance, and accounting.

Grounded in these ideals, our employees and executives work with passion in an environment that the Daiwa Securities Group has created that allows them to fully apply their abilities and talents. We are in a position to considerably strengthen our competitiveness as a corporate group with the establishment of a gender-neutral framework that enables employees to focus on their careers, and we aim to provide a higher dimension in the work-life balance.

While nurturing a corporate culture of high transparency, accountability, and solidarity, we will work to initiate and accelerate the shift from savings into investments, and assertively propose products with social returns in addition to investment returns. We are confident that these and other initiatives to contribute to society via investment activities will lead to greater corporate value. We will forge a path toward sustainable growth for the Daiwa Securities Group.

Shigeharu Suzuki
Chairman of the Board
Daiwa Securities Group Inc.

Editorial Policy

The Daiwa Securities Group has been publishing this report annually since 2002 with the aim of clearly disclosing our CSR activities, which are intended to support the creation of a sustainable society. We also use this opportunity to evaluate the company's current status and the challenges it is facing.

In "CSR Report 2013", we aim to explain in good faith our activities about environment, society and governance (ESG) along with annual report 2013. We also aim to view an integrated report that contemplates further enhance non-financial information.

We wish to convey to many stakeholders that the way money is used is key to resolving society's problems such as climate change and poverty.

We post our "CSR report 2013" only in the website by PDF, since we published an annual report 2013 which contains essential parts of our ESG activities. This CSR report is edited based on the guidelines of the global reporting initiative (GRI) and ISO26000.

Scope of Report

Intended Readership

This report is intended for Daiwa Securities Group's stakeholders, which primarily include customers, shareholders and investors, executives and employees, as well as business partners, government agencies, non-profits (NPOs, NGOs), local communities where Daiwa Securities has offices, educational institutions, and the families of executives and employees.

Scope of Reporting

This report basically covers the principal companies of the Daiwa Securities Group. The report 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 numerical data specifies the scope of coverage.

Period Covered by Report

Fiscal 2012 (April 1, 2012 to March 31, 2013). The report also includes information on events and activities carried out prior to fiscal 2011, as well as those scheduled to take place during fiscal 2013.

Date of Publication

October 2013 (The previous report was published in October 2012; the next report is planned for October 2014).

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Daiwa Securities Group Profile

Corporate Data

● **Name**

Daiwa Securities Group Inc.

● **Head Office**

GranTokyo 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**

Takashi Hibino

● **Capital**

¥247.3 billion

● **Number of Employees (consolidated)**

13,426

● **Number of consolidated subsidiaries**

52

● **Number of equity-method affiliates**

8

● **Shares issued and outstanding**

1,749,378,772

(As of March 31, 2013)

Description of the Daiwa Securities Group's Businesses

Daiwa Securities Group is a financial service company and operates in such fields as Retail, Global Markets, Global Investment Banking, Asset Management and Investment as its core businesses. Underpinned by the strong unity of the group, we provide a broad range of services.

1. Retail Division

Through its domestic network of 124 branches*, a call center and the Internet, Daiwa Securities offers two retail services, Daiwa Consulting and Daiwa Direct, which provide a wide range of financial products and services as well as support for customer asset management, mainly for individuals and unlisted companies.

2. Global Markets Division

This business, engaged in sales and trading, provides brokerage of securities and other financial products mainly for institutional investors.

3. Global Investment Banking Division

This business offers support for corporations and financial institutions in business expansion to finance and capital strategies, by assisting their financing activities.

4. Asset Management Division

This business creates and manages stock, bond, and private investment trusts, and provides other investment management services for real estate investment trusts, pensions, and other funds.

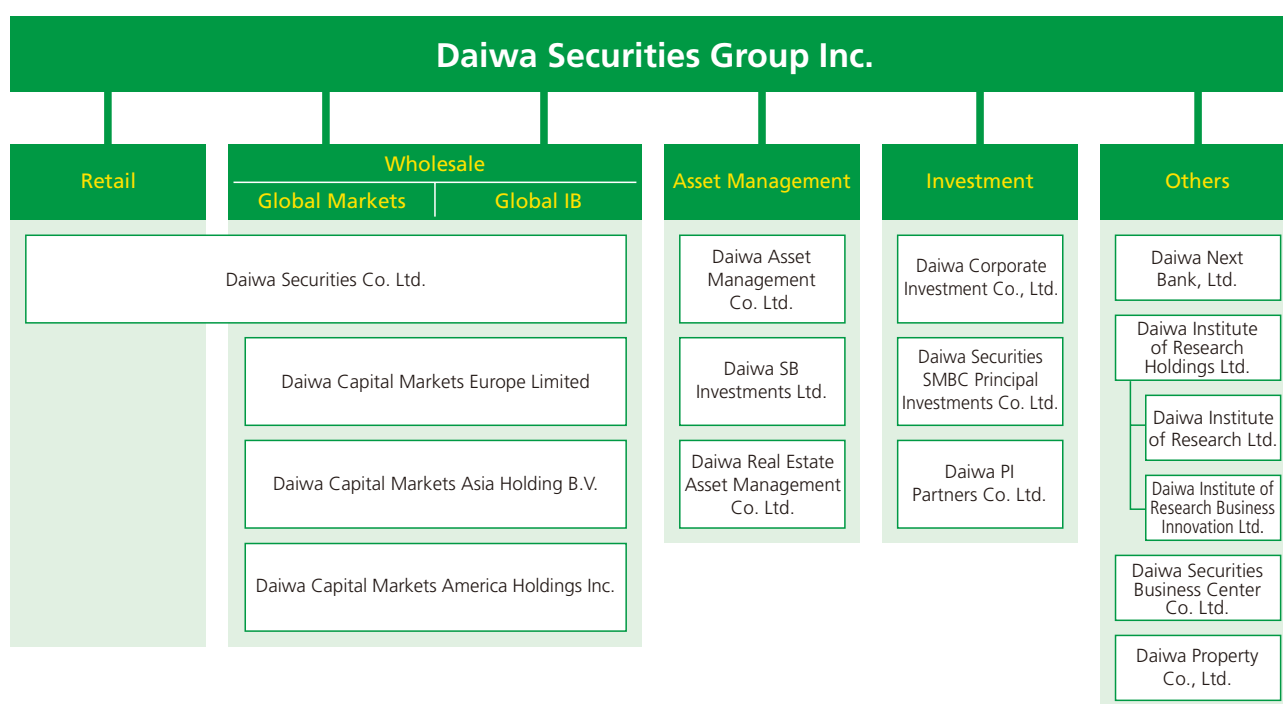
5. Investment Division

This business invests in areas such as private equity, venture capital opportunities, business regeneration, monetary receivables, and real estate using its own funds or through the formation of investment funds.

6. Others

The Daiwa Securities Group provides information via research reports and other documents, management consulting, IT services, and other offerings to institutional investors, corporate clients, financial institutions, and public organizations in Japan and overseas.

* As of June 30, 2013



Daiwa Securities Group Corporate Principles and Key Issues

The Daiwa Securities Group's mission is to contribute to the development of society and the economy through daily operations, including wealth management for investors and support for the financial strategies and other aspects of corporations and public institutions.

Deepening the bond of trust we share with our stakeholders, including customers, shareholders, employees and society, is essential to the accomplishment of our mission and sustainable growth together with society.

Corporate Principles of the Daiwa Securities Group

Building trust

The trust and approval of customers forms 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.

Key Issues for Daiwa Securities Group

To achieve its corporate principles and realize a sustainable society, the Group seeks to initiate even more effective CSR activities. Based on the requests and opinions we have received from our stakeholders thus far, we have addressed the following key issues:

1. Leveraging financial capabilities to contribute to a sustainable society

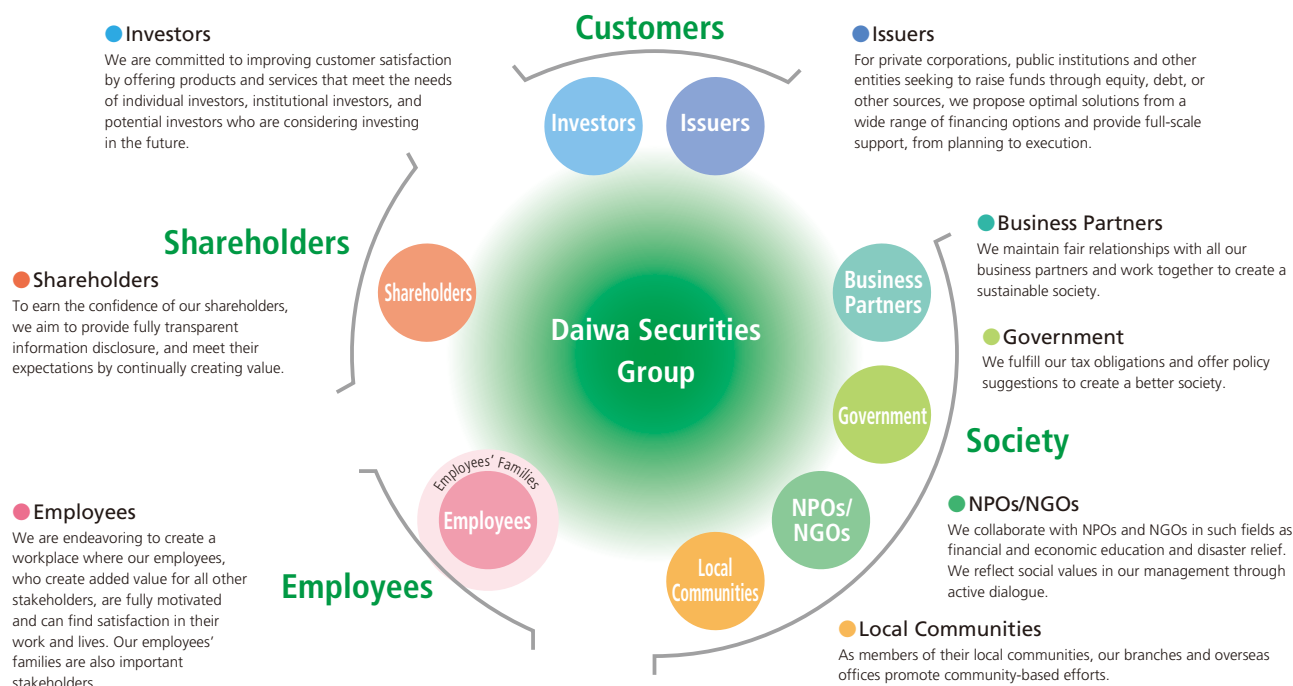
2. Developing sound financial and capital markets for the next generation

Human resources are the key to addressing these issues. We believe keeping each and every one of our executives and employees motivated and proud of their work is essential for tackling these key issues.

In addition to these two CSR issues, the Group strives to create a rewarding workplace in which our executives and employees can take pride.

To achieve its corporate principles, the Daiwa Securities Group anchors its CSR activities in these goals.

Daiwa Securities Group Stakeholders



Management Report

Social Responsibilities of the Financial Service

Approach and Basic Stance

The mission of the financial service companies is to contribute to the development of society and the economy through daily operations that help build investors' wealth and support financial strategies across the private and public sectors. We at the Daiwa Securities Group consider strong, trusting relationships with customers, shareholders, employees and society—as expressed by our corporate principles are indispensable to the ongoing fulfillment of this mission and continuous growth.

Role and Social Responsibilities of the Financial Service

The financial service company such as Daiwa Securities Group plays a vital social role by building a bridge between, on the one side, the need of companies to raise capital or the need of governments to finance public work projects, and on the other side, the need of individual and institutional investors, pension funds, and others for efficient investment.

On the fund-raising side, the Group provides advice and assistance in implementation for companies raising money for capital expenditures and R&D, as well as for national governments, local governments, international institutions and public corporations seeking to raise funds for public works projects. It does so by underwriting marketable securities such as stocks and bonds, and by creating other securitized products.

On the investment side, the Group provides appropriate investment information and advice tailored to each customer's situation and goals.

It offers a comprehensive and diverse line-up of financial instruments and services to meet the various needs of individual and institutional investors as well as pension funds. Financial services industry has a social responsibility and plays a key role of creating a flow of money in the economy mainly through financial and capital markets, not unlike stimulating circulation of blood. In this manner, the industry helps industries, countries, regions and other communities achieve a sustainable development while paying close attentions to human rights, labor and environmental issues.

Mission for Financial Institutions Towards Solving the Global Social Issues

The business sector plays an important role more than ever before in enhancing the sustainability of society. Financial institutions have a social mission to make the most of their core capacities to contribute to sustainable social development. At the Daiwa Securities Group, we believe that our role is not only to maintain and develop an equitable and dynamic financial market, but also to reflect a socially conscious perspective in finance and facilitate the flow of money to build sustainable societies.

On the basis of this philosophy, the Daiwa Securities Group is a signatory to UNEP FI PRI and the Carbon Disclosure Project (CDP) fulfilling this role a member of the international community.

In January 2010, the Daiwa Securities Group became the first Japanese securities company to sign the United Nations Global Compact (GC) a platform to help companies that have committed to sustainable and responsible business practices

shape their policies. The Group pursues business activities consistent with the UN Global Compact. Further, in line with the United Nations Millennium Development Goals (MDGs) the Group is endeavoring to develop products and services that help resolve social issues.

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

The Principles for Financial Action for the 21st Century were drawn up by a committee comprising representatives from a range of Japanese financial institutions that was tasked with drafting a Japanese version of Principles for Environmental Financial Action. This was based on a recommendation issued by the Japanese environment ministry's Central Environment Council with the objective of promoting environmental finance. Signatory institutions endeavor to embed ESG into their activities to the extent that their business context allows. The Group was involved in the establishment of these principles from the drafting stage to laying out the final framework. The Daiwa Securities Group and Daiwa Asset Management signed up in November 2011.

Our Impact Investment Initiative, "Shaping the future by Impact Investing", was selected as one of good practice at the 2nd general meeting in March 2013.



Daiwa Securities Group Initiatives

Impact Investment Bonds

Impact Investing differs from SRI in that it places emphasis on investments directly affecting society. It is a way to allocate assets solely to activities targeted at resolving social issues such as poverty and environmental issues, in combination with generating financial returns.

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

We promoted six issues ¥72.1 billion, of Impact Investment Bonds in fiscal 2012. Among them, we have engaged in inaugural "Agri Bonds" Uridashi by Rabobank of Netherlands. This was the first Impact Investment Bond issued by a private financial institution. The second issuance took place in February 2013 as a result of the first successful tranche.

Cumulative offerings of Impact Investment bonds in Japan amounted to some ¥697.2 billion at the end of March 2013, of which ¥450.2 billion, or 65%, was arranged by the Daiwa

World Bank Group / Daiwa Securities Group Impact Investment Forum

"Green Bond" is one of the bonds issued by the World Bank. We arranged it for Japanese retail investors for the first time in 2010. Its proceed is lent to "Green Project" through World Bank to the prevention of global warming. This time, we arranged it again in accordance with IMF/World Bank Meeting (October 2012). During the same period, we hold an Impact Investment Forum for Japanese retail investors in collaboration with the World Bank Group. Main theme was "Toward solving Global Issues such as climate change and poverty". World Bank and International Finance Corporation (IFC) addressed their initiatives at the Forum.

JICA Impact Investment Forum

JICA Bond was issued to retail investors in December 2012 again after its successful issuance in December 2011. Along with bond issuance, we hold Impact Investment Forum in Tokyo

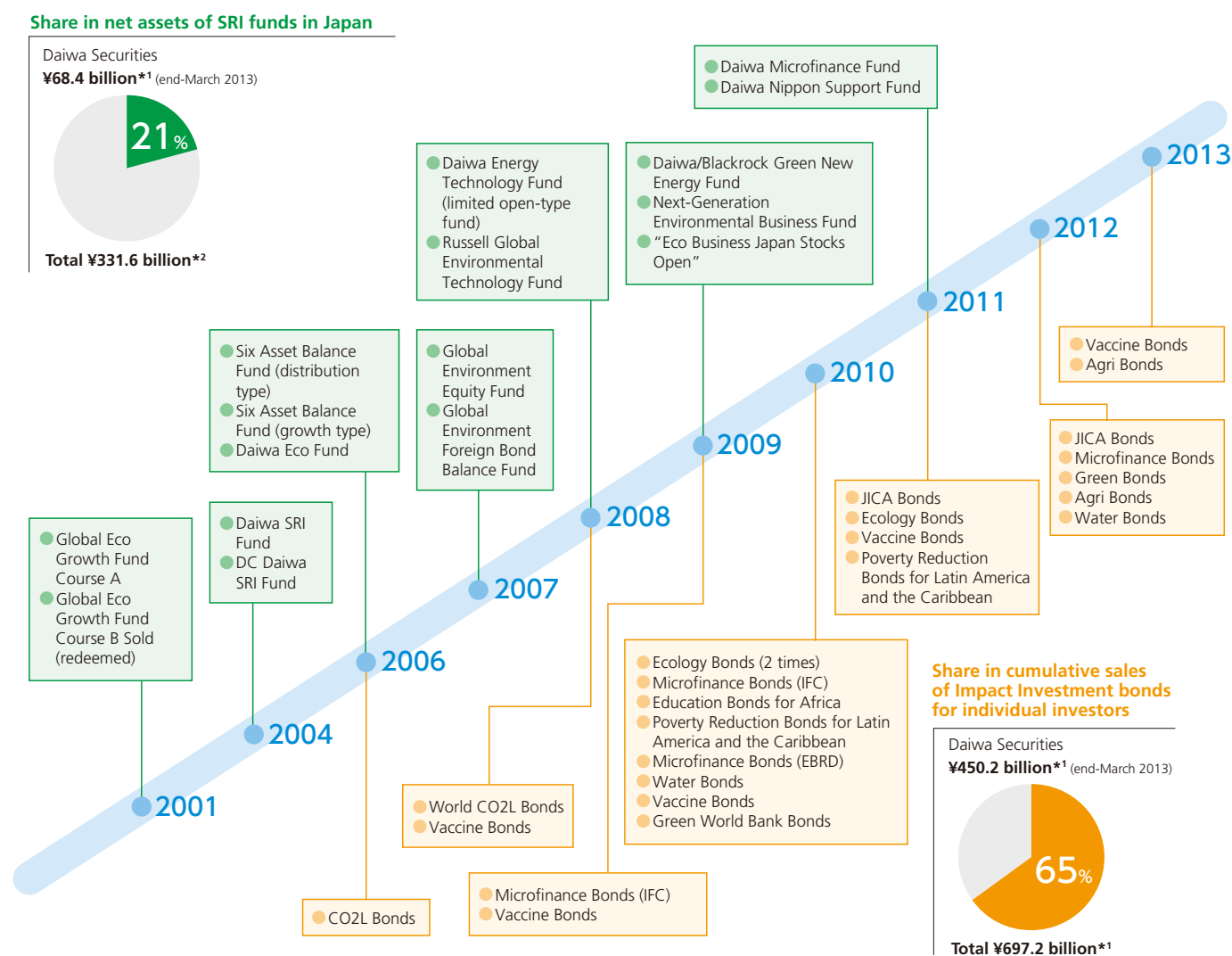
and Osaka and Branch Seminar in Hiroshima and Nagoya. The forum theme was "You are united with the world through international cooperation" in Tokyo. President of JICA gave a key-note speech. And panel discussion was conducted among a vice president of JICA, representatives of an NPO and academia regarding a safe and secure society.

The forum theme was "You are united with the world through social contribution bonds" at the Osaka Forum. We invited panelists from regional company and academia to discuss about international contributions and sustainable business model.

Achievement of the 50th issuance of World Bank "Green Bonds"

World Bank "Green Bonds" issuance reached a total of 52 when the Bank issued three "Green Bonds" in October 2012. Daiwa Securities as a sole lead manager arranged for those Green Bonds. We have arranged 16 Green Bonds as a lead manager so far. World Bank raised USD3.5 billion through 52 Green Bonds with 17 different currencies.

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



*¹ Based on Daiwa Securities *² Based on Daiwa Fund Consulting Co., Ltd.

● IFFIm transaction cited as among 25 most influential

Since we arranged Vaccine Bonds first time in Japan in 2008, our total arrangement of the bonds reached ¥125.0 billion as of March 2013. The amount is over one third of the total fund raising by IFFIm through Vaccine Bonds. In a financial magazine, "Euro Week", Vaccine Bonds have been elected to one of the 25 most influential and Social Contribution notes. IFFIm Vaccine Bonds is regarded as the forerunner of impact investment which market size is now several billion U.S. dollars in Japan today.

● Participation in the Impact Investment by regional banks

In support to efforts to contribute to global warming through investment, The Chugoku Bank purchased a "World Bank Green Bond". The Chugun Securities, a subsidiary of the Bank, is selling a Green Bond with Daiwa Securities in the same period. The Bank also donate a portion of revenues obtained from selling the bond to an NPO.

● Daiwa Microfinance Fund:

Lending to microfinance institutions (MFIs)

The "Daiwa Microfinance Fund" was launched in March 1, 2011 in order to support MFIs in developing countries by direct lending in local currencies as well as to pursue financial returns DWM Asset Management Inc., provides portfolio management advisory service to the fund. DWM is a company that specializes in microfinance industry. The fund is lending to 25 MFIs as of February 2013.

● Support for Cultivating a Capital Market in Myanmar

Daiwa Institute of Research Ltd. (DIR), Tokyo Stock Exchange Group, Inc. (currently, the Japan Exchange Group), and the Central Bank of Myanmar concluded a memorandum of understanding pertaining to cooperation toward establishing a securities exchange and supporting the cultivation of a capital market in Myanmar in May 2012. A major component of the memorandum is the establishment of a securities exchange in 2015. This is expected to provide companies in Myanmar with additional fund-raising opportunities while facilitating investors' wealth and support for financial strategies. In the ensuing period, DIR has put in place a variety of measures aimed at providing genuine support. In addition to providing recommendations to government officials, DIR has held seminars in Myanmar, and taken steps to accept trainees.

Cooperation is also being provided to JICA's Myanmar economic reform support survey. This initiative is designed to put forward policy proposals and promote human resource development to enhance policy proposal capabilities recognized as essential in bringing about definitive economic expansion in Myanmar. Together with the Japan Exchange Group, DIR is responsible for providing training in connection with capital markets. Support also takes the form of policy proposals advanced by specialists throughout the Group in each of the economic and financial fields.

Working in conjunction with several Japanese companies, steps have been taken to provide a cloud computing operating environment to the Central Bank of Myanmar as a part of efforts to enhance efficiency. Operations came online in December 2012. In the same month, and again



Signing Ceremony

in January and February 2013, office efficiency training was conducted for Central Bank employees.

The Daiwa Securities Group will continue to harness its collective strengths to help cultivate a capital market in Myanmar going forward.

● ESG IR Meeting

With the increase of financial institutions to sign the PRI, fund managers and analysts who specialize in responsible investment has been born. As an initiative to promote responsible investment, we are planning and arranging ESG IR meetings. Three meetings had been conducted as of January 2013. It has received high marks from both issuers, investors who participated in the meetings in order to understand deeply the corporate value from ESG perspective. CSR and IR section of the company becomes the main speaker, and gave a question and answer session with investors.

● Daiwa Asset Management ESG investment promotion system

The Daiwa Asset Management, in order to achieve the commitment to ESG investment as a signatory member of the 21st century financial principles and PRI, we have a system that places fund managers to promote ESG investment in an organized manner. In the company evaluation by analysts, we have implemented the non-financial data valuation with an emphasis on the point of view of governance as well as financial valuation. We are actively promoting ESG investment when selecting external managed contractors, we check and monitor the ESG investment policies and initiatives of contractors. In addition, the engagement with investee companies through meetings with management and voting, we encourage them to promote ESG initiatives. We have been implementing internal trainings and seminars on ESG investment.

● Daiwa Asset Management established investment policy against cluster munitions producers

Since the implementation of the Oslo Convention on Cluster Munitions in August 2010, Daiwa Asset Management, as an asset management company operating in a signatory country, has followed the principles outlined below when investing in or otherwise dealing with cluster munitions producers.

1. Do not include the securities of cluster munitions producers in active funds. Promptly sell those already included.
2. In exercising voting rights associated with shares issued by cluster munitions producers, vote in favor of any shareholder proposals to withdraw from, or scale down, cluster munitions production.

● Socially Responsible Investment (SRI) Funds

SRI funds evaluate and select potential component stocks and bonds for their social and environmental efforts, ethics, and other nonfinancial performance, as well as the level of sales and profit. These include eco-funds, for which nonfinancial criteria are limited to environmental performance or which invest exclusively in companies operating environment-related businesses. Investing in such funds enables investors to indirectly support countries and firms actively engaged in environmental conservation efforts and CSR activities via the financial market.

Total net assets held in the Daiwa Securities Group's SRI funds stood at ¥68.4 billion at the end of March 2013 (Source: Daiwa Securities).

● Daiwa SB Investments signed the PRI

Daiwa SB Investments has signed the PRI. Whilst we have been keen to ensure that we fulfill our “duty to maximize profit with a long-term perspective for the beneficiaries” meaning that we endeavor to improve our investment performance, we have concluded that utilizing the framework of PRI would contribute to our efforts to ameliorate our investment decisions. We set up the ESG committee and rules to enhance our capacity to evaluate and analyze ESG issues of companies.

● Young Global Leaders selected from Daiwa Securities

Satoru Yamamoto has been elected to one of the “Young Global Leaders 2012”. He engaged in expansion of Impact Investment Initiatives of Daiwa Securities Group and involved in many projects such as the launch of the “Micro finance Bond”. He made a significant contribution to the expansion of impact investment. Young Global Leaders elected and awarded by the World Economic Forum are from private companies in regions around the world, government agencies, academia, media, non-profit organizations and the arts and culture community. He is working on issues related to the public interests for a brighter future.



Daiwa Securities
Satoru Yamamoto

● Fund to support the non-listed companies in the affected areas (Daiwa Corporate Investment)

The Daiwa Corporate Investment launched “The Great East Japan Earthquake Reconstruction Support small business investment limited partnership” along with Aomori Bank, Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, 77 Bank, Bank of Iwate, Ltd., and Toho Bank, Ltd. Through the supply of risk money in a flexible manner for unlisted companies in the affected region from this fund, the fund supports a new growth, entrepreneurship, recovery and reconstruction from the disaster, new business development, employment, restructuring of business, or inheritance, etc. We are intended to contribute to the sustainable development and reconstruction of the affected areas. The Daiwa Corporate Investment founded the Tohoku Branch in order to operate this fund, the use of an extensive network of the Group, as well as aim to tight cooperation and regional financial institutions and the Organization the Daiwa Corporate Investment will continue to support recovery and reconstruction from the disaster.

In addition, in November 2012, the company made a presentation to those in Ishinomaki and Sendai, Miyagi Prefecture, targeting small and medium-sized enterprises in Miyagi prefecture. The presentation explained various



Maruya Goyo fisheries immediately after the 3.11 disaster



Maruya Goyo fisheries processing plant under reconstruction

financing system, financial support system, a new regional industrial recovery model through Fund. This briefing session was arranged by Miyagi prefecture, government financial institutions, and fund companies.

■ Value Chain Management

Approach, Basic Stance and Promotion system

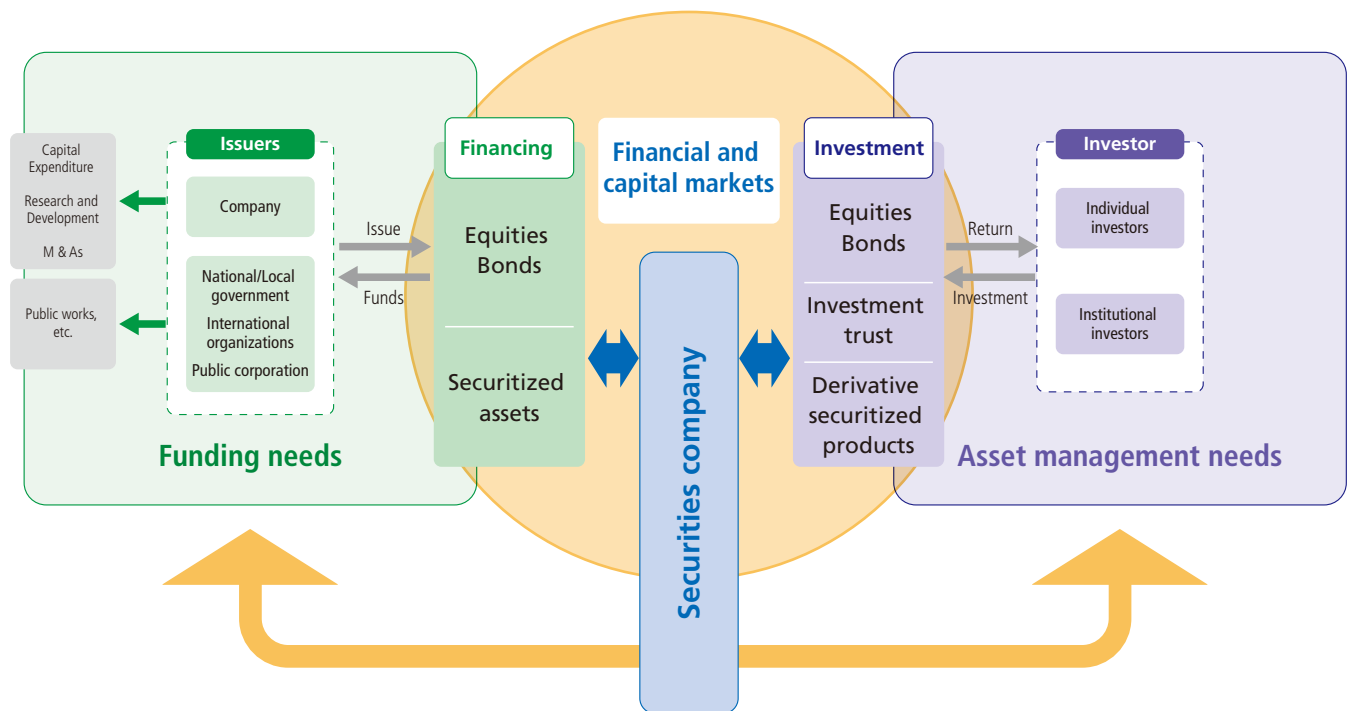
For Securities firms, bonds and shares to be sold to investors (customers) are core financial products. We believe it is indispensable to build and maintain a transparent and fair value chain to investors from companies and organizations which issue securities for a formation of a sustainable society. To do this, we have established a proper promotion system to be able to provide investors better quality financial products and services with consideration to environment, society and governance. For example, for issuers seeking to raise funds, Due Diligence Department examines the issuers rigorously in accordance with the rules for the underwriting of the securities self-regulatory rules of the Japan Securities Dealers Association and its manuals.

The relevant departments work together; propose improvement measures to the issuers if necessary. Fund raisings are carried out through this process of vigorous checking system.

The Group is a signor of the 21st century financial principles. We observe and comply with investment securities and investment banking guidelines.

- Financial Services Agency “Guidelines for disclosure of corporate information”
- Financial Instruments Exchange “Securities Listing Regulations” and “Enforcement Rules for Securities Listing Regulations”
- Financial Instruments Exchange “Preparation Guidelines for the Report on Corporate Governance”
- Expert committee on environment and finance under the Central Environmental Council “Toward Green Finance, a new role for the financial sector in building a low carbon society” (June 2010)
- Principles for Responsible Investment (PRI)
- Responsible Property Investment (RPI)
- Japan Securities Dealers Association “Self-regulatory Rules (Articles of Association and others)”
- The Investment Trusts Association, Japan “Self-regulatory Rules (Articles of Association and others)”
- Japan Securities Investment Advisers Association “Self-regulatory Rules (Articles of Association and others)”
- Japan Securities Dealers Association “Undertaking Social Contribution Activities within the Securities Industry (Basic Concepts)” (September 2009)
- Japan Securities Dealers Association “Securities Industry’s Action Plan for Environmental Issues” (February 2008)

Value Chain Management



Management Report

CSR Management

Approach and Basic Stance

Daiwa Securities Group Management Vision is to become Asia's leading financial services firm possessing and leveraging a solid business platform in Japan. In order to achieve the vision, we strive for active stakeholder dialogue and employees awareness of ESG in the day-to-day operations. We aim to further penetration of CSR mind among employees, we will continue to strengthen our ability to respond to our CSR key issues.

CSR Promotion System

Toward the achievement of our vision and a sustainable society, officers and employees are committed to the implementations of corporate principles in its day-to-day business. We are promoting the PDCA (planning, implementation, evaluation and improvement) cycle that each department recognizes issues of their own and reviews their challenges and achievements every year, then set targets for the following year. We disclose these issues and challenged results and next year targets in our CSR report annually.

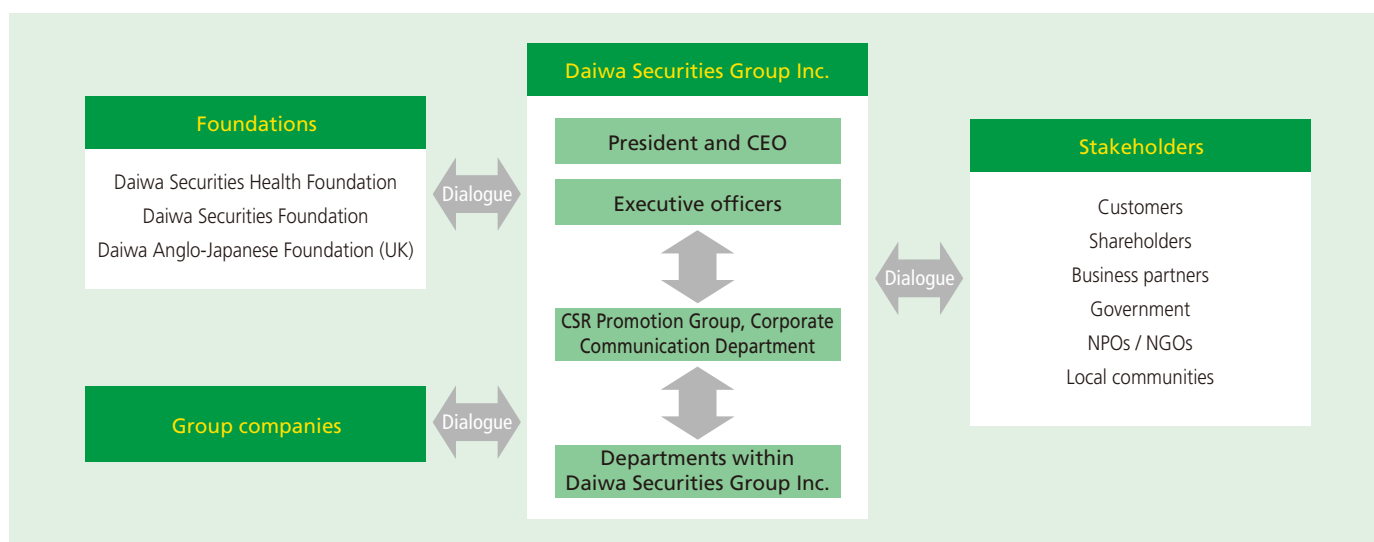
The CSR section of the Corporate Communication Department at Daiwa Securities Group Inc. compiles information in external and internal meetings and actively holds dialogues to ensure that feedback from a wide range of stakeholders is reflected in the Group's activities. As well as through CSR lectures during the Group's new hire training, information on CSR is shared in department head meetings

and departmental liaison meetings, thus promoting awareness of CSR throughout branches and departments across Japan and major overseas sites and building systems for cooperation. The section also organizes dialogues on various CSR issues with opinion leaders in the broader society and posts them on the CSR website of Daiwa Securities Group Inc. as "CSR Dialogue" (only selected dialogues are available in English).



CSR Dialogue

CSR Promotion System



CSR Issues: Performance and Targets

Rating indicates self-evaluation of fiscal 2012 results:

◎ = success (significant), ○ = success (moderate), △ = additional effort needed, × = not achieved.

Key Issue 1 Leveraging Financial Capabilities to Contribute to a Sustainable Society

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Develop and sell SRI and Impact Investment products	<ul style="list-style-type: none"> Sold ¥72.1 billion of Impact Investment bonds (across six securities) The 2008 Vaccine Bond named "one of the 25 most influential socially responsible bonds" by Euro Week Our Impact Investment initiative is recognized as a good practice in the Principles for Financial Action for the 21st Century 	◎	Promotion of SRI and Impact Investments
Enhance provision of CSR and SRI information	<ul style="list-style-type: none"> Published the first edition of "Industry Trends and Market Leaders in New Energy at a Glance" Ongoing publication of valuable information through ESG News website; Launch of the ESG Square Offered on-demand Impact Investment Seminars 	○	Provision of expanded CSR and SRI information
Continue to provide reconstruction assistance for the Great East Japan Earthquake	<ul style="list-style-type: none"> Commenced giving of grant by the Daiwa Securities Phoenix Japan program Selected the first recipients of Great East Japan Earthquake Small and Mid-Sized Enterprise Reconstruction Support Fund 	◎	Continuation of reconstruction support for the Great East Japan Earthquake

Key Issue 2 Developing Sound Financial and Capital Markets for the Next Generation

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Contribute to economic and financial education	<ul style="list-style-type: none"> Sponsored university lectures (including Keio Business School) Welcomed students and teachers from junior and senior high schools for corporate study (seven groups) 	△	Contribute to improved economic and financial education
Hold seminars and forums for customers (at least three)	<ul style="list-style-type: none"> Hosted a forum for individual investors coinciding with the IMF/World Bank Annual Meeting Hosted large symposiums in Tokyo and Osaka for the new JICA bond issue Offered Finance Classroom for Beginners (with sign language and closed-captioning) 	◎	Host forums and seminars for retail customers (five or more)

CSR Management

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Hold dialogues with specialists on specific themes	<ul style="list-style-type: none"> Presented four "Understanding CSR through Dialogues" discussions 	○	Topic-specific dialogues with experts in their fields
Strengthen relationships between related departments and sections within the Group	<ul style="list-style-type: none"> Cooperation in CSR efforts through our core business 	△	Building stronger internal bonds between the Group's related departments

Corporate Governance

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Strengthen crisis management system for disasters	<ul style="list-style-type: none"> Reviewed and reevaluated business continuity plans (BCP) Reinforced Group awareness of crisis management and readiness; conducted business continuity and post-disaster safety confirmation exercise 	○	Strengthening crisis management in disasters
Continue efforts to reduce electricity consumption	<ul style="list-style-type: none"> Saved energy in both summer and winter through power reduction in each power provider region Continued to achieve ongoing energy savings even in off-peak periods as well 	○	Efforts to reduce power consumption

Compliance

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Build effective and efficient internal control systems for "new" Daiwa Securities	<ul style="list-style-type: none"> Implemented systems integration for internal rules and programs following our merger and made provisions for inspections Improved marketing procedures for complex and newly introduced products at both the corporate sales and retail branch levels Reinforced international and domestic information security structures, including the designation of a global information security policy, and a transition to prior review of outgoing email messages 	◎	Provision and reinforcement of corporation-wide internal controls; building awareness of high standards of professional ethics and compliance
Further improve customer marketing and solicitation systems	<ul style="list-style-type: none"> Efforts to install longer-horizon oriented sales through improved guidance from the headoffice led to a dramatic decline in the number of "flipping" Improved marketing for older customers, including the addition of family approval to the existing system of approval by superior and reinforcement of rules for older customers concerning use of agents 	◎	Further increases in sales service quality; full adoption of "business from the customer's perspective"
Raise the quality of internal control systems through inspection	<ul style="list-style-type: none"> Improved legal compliance systems within bank agency operations, including the provision of internal control officers and compliance officers to the Banking Business Office (currently Bank Business Division) and improved connections between related divisions through feedback from voluntary inspections and reviews Improved efforts to reject organized crime through the adoption of Japan Securities Dealers Association's Organized Crime Referral System and the consolidation of databases of criminal syndicates from Daiwa Securities Group Inc. and the former Daiwa Securities Capital Markets 	◎	Establishment of sound information security policy and systems to exclude anti-social forces
Implement the improvement measures set out in the Group's press release dated July 27, 2012, in a swift and steady manner (Investigation Committee's Investigation Report on the Securities and Exchange Surveillance Commission's Recommendations and Daiwa's Improvement Measures)	<ul style="list-style-type: none"> August 7, 2012 press release: "Report on Corporate Information Management Systems" Implemented all countermeasures to prevent relapse 	◎	—

Information Disclosure

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Focus on conveying information on the "new" Daiwa Securities Inc. and the "new" mid-term management plan	<ul style="list-style-type: none"> Shared clear and concrete information with stockholders, investors and the media concerning the introduction of the "new" Daiwa as well as progress reports on mid-term management plans using management strategy briefings and other venues In addition to changing the contents of financial statements due to the inauguration of the "new" Daiwa, expansion of data explaining the factors behind any increases or decreases in results to improve investor understanding of our financial situation 	◎	Improved communication of business strategies and results in the second year of the mid-term management plan
Implement cost reductions and optimization regarding IR tools	<ul style="list-style-type: none"> Beginning this fiscal year, the compilation of a combined annual report that integrates the functions of the existing annual report and CSR report of the Daiwa Securities Group and Daiwa Securities Disclosure Journal; simplified the Group newsletter to improve its readability and reduce redundant costs of production 	◎	Improved website functionality
Implement IR activities that appeal to investors' every need	<ul style="list-style-type: none"> Improved the reader-friendliness and visual appeal of the individual stockholder investor relations publication "Business Report", and upgraded the selection of products in the shareholder reward program while cost efficiency in mind Improved communication with institutional investors through large meetings at DIC Tokyo and small meetings with domestic institutional analysts, including both the corporate CEO and IR meetings in North America, Europe and Asia (where stock holdings are comparatively low) 	◎	Greater responsiveness of IR activities to diverse investor needs

Relationship with Customers

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Post-sales service	<ul style="list-style-type: none"> Organized seminars on national and international market conditions at each sales branch on the fifth day of every month; offered relevant seminars when markets fluctuated Welcomed 6,136 participants to Daiwa New Year's Investment Forums held at all branches nationwide Responsive presentation of information on an ongoing basis via our website, including day-to-day market reports and fund reports from issuing and management companies 	◎	Active Post-Sale Follow Up

Relationship with Executives and Employees

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Human Resource Development by strategic promotion and appointments	<ul style="list-style-type: none"> Continued improvement of internal training systems for young employees Implemented the new tutoring system for employees in their second years of employment (introduced in 2013) Expanded opportunities for promotion for young employees to increase motivation Increased number of female employees at management levels (190 as of the end of fiscal 2012) Increased numbers of female employees seeking improved career paths (750 employees have transferred to career-track positions in the four years from Fiscal 2009 to Fiscal 2012) 	◎	Human Resource Development by strategic promotion and appointments
Demand high levels of specialist skills to merit customers' trust	<ul style="list-style-type: none"> Continued development and training of global professionals 566 employees hold CFP certification 1,446 employees hold the CMA® (Chartered Member of the Securities Analysts Association of Japan) 941 employees sat for the TOEIC examination internally; 1,593 of our employees hold TOEIC scores of 730 or higher 	○	The pursuit of a high standard of professional competence to meet the trust of our customers
Create a working environment conducive to high levels of motivation among all employees	<ul style="list-style-type: none"> Promoted family-friendly measures, including family visits to the workplace (4,296 families visited), support for child care leave (453 employees took advantage) and encouragement to leave the office before 7 p.m. Developed deeper awareness about our fringe benefit programs Distributed a questionnaire on support for balancing work and child rearing to all employees to build a better understanding of employee needs and uses of our programs Increased the numbers of employees who took advantage of our workplace relocation program (106 people as of March 31, 2013) Expanded our Senior Advisors program to encourage veteran employees Made revisions to our programs allowing reemployment of all employees who request it following recent revision of Japanese labor laws 	○	Improvement of the office environment in which all employees will continue working with high motivation

Relationship with Society

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Raise awareness of volunteering—including earthquake relief work—among staff and strengthen dissemination of appropriate information	<ul style="list-style-type: none"> Publication of volunteer activities and events on our internal website (67 in total) 	◎	Building volunteer consciousness among employees and improving communication of volunteer information
Strengthen coordination with employee unions Promote programs that the whole Group can get involved in	<ul style="list-style-type: none"> Continuation of ongoing dialogues with employee unions Table for Two program products and meals instituted in the Toyoko Center Building Cafeteria (March 2013) and vending machines installed at the Head Office building (February 2013) 	○	—
Enhance systems to enable employees to get involved in voluntary work	<ul style="list-style-type: none"> Collaboration with employee unions toward the introduction of Volunteer Leaves continued 	△	Promotion of Group-wide action programs

Environmental Initiatives

Targets for Fiscal 2012	Results for Fiscal 2012	Rating	Targets for Fiscal 2013
Further exploit energy data management system	<ul style="list-style-type: none"> Continued the expansion of energy data management systems and accumulation of data, including billing statements as documentary data 	○	CO ₂ emissions reduction by 1% compared with the previous year (domestic consolidated basis) as a part of the Group's ongoing compliance with the Law Concerning the Rational Use of Energy and Tokyo's environmental protection ordinances
Strengthen energy conservation efforts	<ul style="list-style-type: none"> Reduced power consumption significantly by contracting some operations to outside data centers and conducting strategic review of systems and operations at the Daiwa Institute of Research 	◎	Continuation of the "Cool Biz" program as part of energy saving initiatives

Management Report

Corporate Governance

Approach and Basic Stance

The Daiwa Securities Group clearly separates the supervisory and executive functions of management to create a highly transparent and objective corporate governance system. The Group is pursuing a management structure that improves the efficiency of head office operations and maximizes synergies between the Group companies. Under this structure, employees responsible for head office functions also perform similar roles for securities subsidiaries, in addition to the corporate executive officers of Daiwa Securities Group Inc.

Features of the Corporate Governance System

In 1999, the Daiwa Securities Group became the first listed Japanese company to adopt a holding company structure. Since then, we have been pursuing a highly transparent and objective corporate governance system that maximizes synergies between Group companies while showcasing the independence and unique expertise of each Group member.

In June 2004, Daiwa Securities Group Inc. made a transition to a "Committee System" of corporate governance and accelerated the decision-making process by transferring a substantial portion of authority from the Board of Directors to corporate executive officers. In addition, we strengthened the supervisory functions of management by increasing the number of outside directors and establishing the Nominating Committee, Audit Committee, and Compensation Committee. The representative directors of the major Group companies also serve as corporate executive officers of the holding company, thereby allowing them to efficiently implement individual business strategies based on Group strategies.

The Nominating Committee met three times in FY2012 to

discuss the composition of the Board of Directors and its effect on corporate governance, the basic policy for nominating candidates for directorships, and the selection of these candidates. The Nominating Committee selects candidates for directorships in light of the Group's selection standards for the appointment of directors. These standards include criteria that ensure the independence of outside directors.

The Audit Committee met 12 times during FY2012. The committee evaluated the activities of directors and corporate executive officers, audited documentation including financial statements and business reports, and prepared an audit report for the period under review.

The Compensation Committee met five times in FY2012 to discuss compensation policy and determine the compensation of each director, and also studied a Group-wide incentive plan aimed at improving consolidated earnings results.

The Board of Directors met 10 times during FY2012, and outside directors had a 90% record of attendance.

Corporate Governance System at Daiwa Securities Group



Web Report on Corporate Governance (available only in Japanese)

■ Executive Compensation More Closely Linked to Performance

Compensation for directors and corporate executive officers is determined by the Compensation Committee. It generally has three components; basic compensation, performance-based compensation, and stock-price-linked compensation. Comprehensive criteria used in calculating performance-based compensation include consolidated ordinary income and ROE, as well as other factors such as which of the management goals outlined in the Medium-Term Management Plan have been met.

■ Internal Control System and Internal Audit

In recognition that management is responsible for maintaining an effective internal control system to ensure the sound and proper 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. The Group also maintains this internal control system for ensuring "business effectiveness and efficiency", "reliable financial reporting," "compliance with laws related to business activities," and "asset preservation". On April 1, 2013, a portion of the Compliance Department was split off into a newly established Compliance Control Department with the aim of strengthening internal control systems through greater specialization and efficiency in compliance-related control functions.

The Internal Audit Department verifies the internal control system. This department, established independently from all other departments and reporting to a full-time corporate executive officer, ensures internal audits to act as an important function of raising Group value through the creation of sound and efficient internal controls. The department's internal auditing plans and the results of internal audits are reported to and approved by the Group Internal Audit Committee, which is directly under the control of the CEO of Daiwa Securities Group Inc. Those are also reported to the Audit Committee.

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

The Internal Audit Department pays special attention to certain aspects of Group internal auditing activities, including the internal control systems at Daiwa Securities Co., Ltd. and the Group's overseas business offices as a global financial instruments firm, the internal control systems at Daiwa Next Bank, Ltd. as a bank, the status of Group-related businesses, and the status of controls at the parent over Group companies.

The Internal Audit Department collaborates with the internal auditing section of each Group company within the context of holding periodic meetings, monitoring activities, and performing audits. It also formulates policies that apply to all Group internal audits, plans risk-based audits, and monitors these activities.

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 Audit Committee on occasion asks the Internal Audit Department to conduct an audit.

■ Supervisory function

The Board of Directors consists of 12 directors, including five outside directors* of whom one is a female director. The Board of Directors determines key management policy and supervises executive duties. In order to perform this supervisory role from multiple viewpoints in accordance with the demands of society, the policy for selecting new board members states that candidates must have a strong sense of ethics and demonstrate initiative and leadership. Additionally, outside directors are experts in such fields as management and accounting. In addition, the supervisory function of Daiwa Securities Group Inc. is reinforced by the Audit Committee and the Office of the Audit Committee. The Audit Committee, which consists of a majority of outside directors,* plays a pivotal role in the supervision of executive duties. The Audit Committee is assisted by the Office of the Audit Committee, which is an independent department.

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

■ Preventing conflict-of-interest transactions between group companies

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

Management Report

Compliance

Approach and Basic Stance

The Daiwa Securities Group's corporate principles identify "building trust" and "contributing to society" as among the most important goals of our business operations. We believe that compliance is necessary to "build trust." The goal of the Group's compliance activities is not merely to "comply with laws and regulations," but to earn the trust of customers, the market, and society.

■ The Daiwa Securities Group's Approach to Compliance

The Daiwa Securities Group is constantly taking steps to educate and train executives and employees to uphold external regulations, exercise self-discipline and appropriate conduct, and thereby maintain high ethical standards to fulfill its role in society. We aggressively conduct compliance training programs for our employees. These programs commence as soon as employees join the Group and continue through regularly scheduled training sessions throughout their career, thus ensuring that every employee is aware of, and thoroughly understands, compliance issues. As the Group pursues new business ventures in areas where the regulatory structure is still incomplete, employees are trained to approach all matters with strong self-discipline and legal awareness, refer to existing legal precedents whenever possible, and always adhere to accepted social norms of proper behavior.

In FY2012, Group companies continued to hold training related to insider trading regulations.

On April 1, 2013, compliance functions were divided into the Compliance Control Department, which oversees compliance controls throughout the Group, and the Compliance Department, which is in charge of supporting compliance related to the business operations of Daiwa Securities Co., Ltd. This new structure enhances the specialization and efficiency of compliance functions and will lead to a more robust Group compliance system.

Initiatives the Group took to eliminate any and all relations with corporate racketeers and other antisocial groups involved collecting information on their increasingly sophisticated methods by working in close contact with mainly police organizations and legal experts, and enhancing the Group's various outward procedures for scrupulously severing contact with such undesirable groups.

As a result, a system of cooperation among Group companies to perform checks preventing the outflow of funds to antisocial forces is now in place.

Web Basic Policy on Avoiding Any Involvement with Criminal Elements (available only in Japanese)

■ Compliance Initiatives at Daiwa Securities Co., Ltd.

Daiwa Securities Co., Ltd. is taking measures, under the compliance program, to ensure the effective operation of its internal control system in order to ensure strict compliance with laws and regulations.

In FY2012, the Daiwa Securities Group worked to build more effective and efficient internal management systems, further improve customer solicitation and sales systems, and make qualitative improvements through an overhaul of internal management systems.

For FY2013, the Company decided to create the following three compliance programs aimed at deepening understanding of the "true meaning" of internal rules, in moving towards achieving its management targets. The Company will strive to bolster its internal management systems further.

1. Program for upgrading and reinforcing Company-wide internal management systems, and for fostering better awareness of professional ethics and compliance issues
2. Program for further improving quality of marketing, and firmly establishing customer-oriented sales
3. Program for building robust information management systems and system for eradicating antisocial forces

Management Report

Risk Management

Approach and Basic Stance

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

Risk Management Policy

The Daiwa Securities Group Inc. has established “The Rule of Risk Management” governing all activities by the Group companies to manage risk in order to ensure that they conform to the following basic policies:

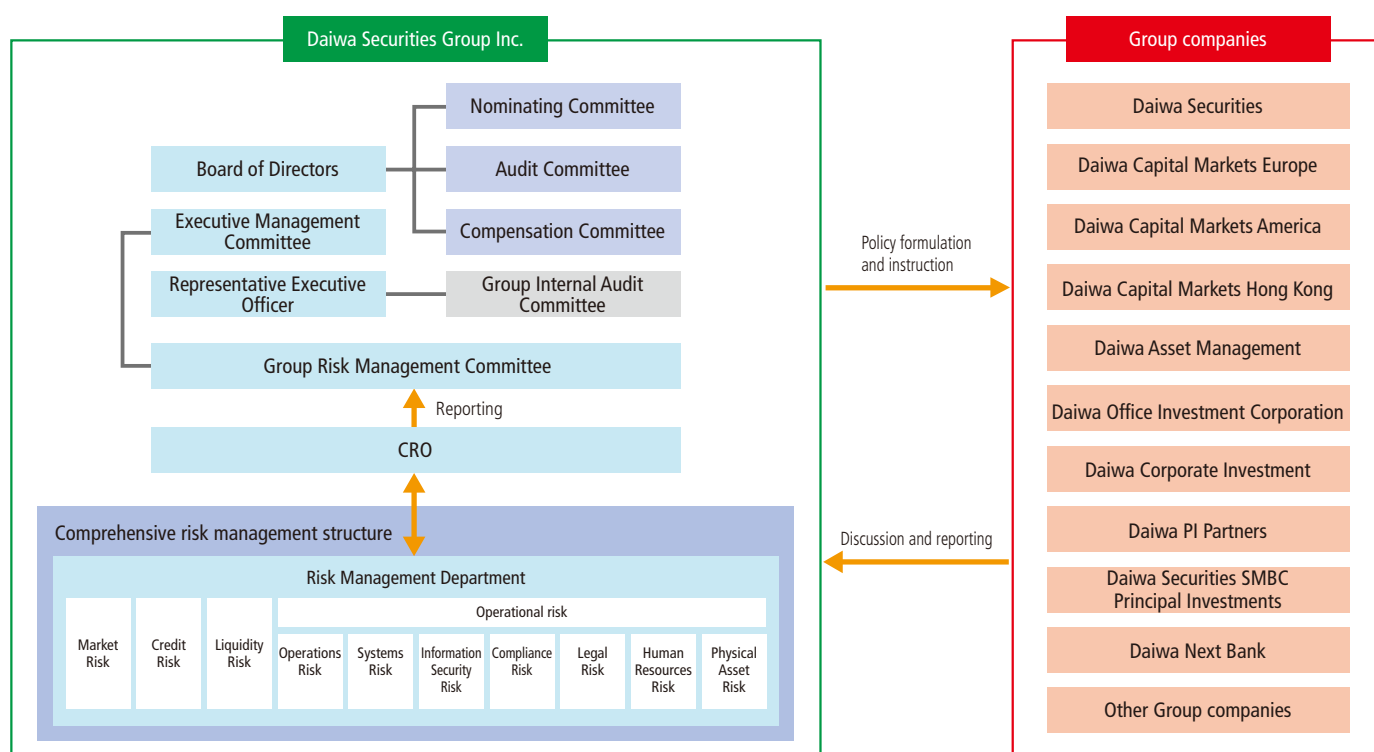
1. Management’s proactive involvement in risk management.
2. Implementing a risk management system commensurate with the nature of such risks in the Group’s management.
3. Understanding comprehensive risk based on integrated risk management and strengthening capital adequacy.
4. Clarifying the risk management process.

Limits are set for each type of risk so as to control risk within an amount suitable for the management strength of the Group.

Types of Risks

The Daiwa Securities Group faces various risks in the course of its business activities. The Group therefore believes that it is important to properly identify, evaluate, and manage these risks in order to maintain healthy financial and earnings structures. Daiwa Securities Group Inc. engages in risk management to clearly identify risks based on the respective Group company’s business characteristics and risk profile. The types of risks that have been deemed important to manage include market risk, credit risk, liquidity risk, operational risk, and reputation risk.

Risk Management System



■ Risk Management System

The Board of Directors of Daiwa Securities Group Inc. has approved “The Rule of Risk Management”. This rule defines basic policies related to risk management, the types of risk that are necessary to be managed, and the executive and department for each major risk. Each subsidiary conducts risk management suitable for the risk profile and size of each business in accordance with these basic policies related to risk management. Daiwa Securities Group Inc. monitors the system and situation of its subsidiaries’ risk management. Also, the Group Risk Management Committee, as a sub-committee of the Executive Management Committee of Daiwa Securities Group Inc. receives reports about risk exposures obtained via the aforementioned monitoring of subsidiaries and issues concerning their risk management system and discusses and resolves them. In addition, major Group companies regularly hold risk management committee meetings in order to strengthen their risk management.

■ Business Continuity Plan

In envisioned emergencies to its sales branches or head office/head office functions and/or data center due to social infrastructure shutdowns caused by earthquakes, fires, storm and flood damage, and abnormal weather, as well as serious outbreaks of infectious diseases, such as new strains of influenza, the Daiwa Securities Group drew up a business continuity plan (BCP) prioritizing important operations* to be restored or continued in the event of a natural disaster, in order to keep the financial market functioning and protect customers’ economic activities.

In accordance with this plan, the Group will ensure the safety of customers and Group executives and employees and protect assets while continuing to pursue vital operations based on the public-interest of its business as a financial services firm.

Specifically, the Group has promoted the digitization of data necessary for its business operations to establish a state-of-the-art business continuity system in the financial industry. Equipped with Japan’s highest-level backup center, Daiwa Securities Group Inc. has already completed the installation of thin client technology. This enables the Group to easily switch to the alternate system in case of emergencies at the headquarters. We thereby can continue vital operations through a substitute office location.

* Prioritized operations to be restored or continued:

1. Market settlement of securities transactions contracted but not yet delivered
2. Payment operations
3. New orders from customers to sell or to liquidate long positions on margin transactions for the products below
 - Domestic listed equities
 - MRF (money reserve funds), MMF (money market funds), medium-term government bond funds
 - Japanese government bonds for individual investors
 - Cash deposits

Management Report

IT Governance, Disclosure, and Information Security

Approach and Basic Stance

The Daiwa Securities Group aims to provide customers with high-value-added products and services quickly, precisely, and reasonably priced. To this end, it uses IT strategically. As an active participant in the financial and capital markets, the Group possesses information resources, including personal information. In order to protect these information resources from outside threats, the Group is working to maintain and improve the level of its information security.

IT Governance System

The Group has established the Group IT Strategy Committee as a subcommittee of the Executive Management Committee. This committee deliberates and makes decisions on such issues as budgets for IT investment and the allocation of IT functions. IT investment budgets are drawn up after projects are rigorously screened based on necessity, and funds are prioritized for investment budgets that contribute to the achievement of Group management targets and business strategies.

The Group IT Management Committee, which serves as a prior consultation mechanism for the Group IT Strategy Committee, was established as a venue for executive officers to discuss investment themes common to all Group companies.

Disclosure System

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

Daiwa Securities Group Disclosure Policy

- The Daiwa Securities Group will disclose important financial, social and environmental information about the Group ("Management-related Information") in a prompt, fair and appropriate manner, so that our stakeholders, (including shareholders, investors and the communities we operate in) may understand and maintain realistic expectations of the Daiwa Securities Group.
- The Group will comply with the Financial Instruments and Exchange Act and other laws and ordinances related to securities transactions and the various rules of the financial instruments exchanges on which our stock is listed.
- The Group will strive to disclose information fairly, in terms of both content and timing.
- The Group will utilize various communication channels including presentations, telephone conferences, the Internet and printed materials to disclose information in a manner that is easy for investors to comprehend.
- The Group will keep in mind its responsibility to set an example for other listed corporations, in terms of disclosure, and will strive to promote healthy markets.
- To ensure that these policies are implemented properly, the Group has established "Disclosure Regulations" which include guidelines for disclosing management-related information and standards for establishing a "Disclosure Committee".

Measures for Maintaining Information Security

In order to fulfill its social responsibility as an active participant in the financial and capital markets, as well as gain the trust of customers, the Group has adopted a full spectrum of information security policies at companies throughout the Group to ensure that important personal information received from customers and all other information resources are managed in a secure and appropriate manner. Among the organizational measures that we have adopted is the Information Security Group Minimum Standard, which dictates the basic rules that all companies in the Group must adopt for handling information. In addition to introducing these information security rules at each company, we have appointed a "Chief Information Security Officer" at each Group company to oversee information management activities. A variety of technical and structural measures have also been introduced to enhance security and ensure that Group information resources are managed appropriately, such as office automation through the use of thin client technology and high-security access controls at the data center. The online trading systems of Daiwa Securities Co., Ltd. employ highly advanced encryption technology for data transmission and for user ID verification, thereby ensuring that clients are able to use the system safely and securely.

Efforts to Enhance the Level of Information Security

The Group has put in place a self-assessment scheme for employees in order to maintain and build upon the current level of information security across the Group as a whole. Each Group company has formulated further initiatives tailored to meet the information security needs of the products and services they offer. Additionally, in recognition of the importance of human factors in effective information security systems, the Group has introduced training programs to educate all executives and employees in the basics of information security. The programs are offered periodically as group training sessions, as well as through e-learning.

Social Report

Relationship with Customers

Approach and Basic Stance

Daiwa Securities Group understands that customer trust is the foundation of our business, and our focus is always on finding ways to deliver genuine customer satisfaction. We have adopted the idea of “hospitality” to enhance our existing concept of customer service. We aim to have the most satisfied customers in the financial services industry.

■ Building Deeper, Stronger Trust with Customers

Appropriate Explanations for Customers

We aim to build customer satisfaction through quality services, built on understanding customer needs quickly and proposing the best solutions for each customer. Providing faithful and appropriate explanations is one just aspect of that service.

Japan's Financial Instruments and Exchange Law went into effect in September 2007. The law prohibits “solicitation that is improper in light of a customer's knowledge, experience, financial situation and objectives”. Daiwa Securities' approach is rooted in this law, but as a part of our hospitality-based service, we work to deliver explanations that go beyond legal requirements when explaining the financial products we offer.

When selling Impact Investment products aimed at addressing social issues, including Vaccine Bonds and Water Bonds, Daiwa Securities explains to our customers how their investments contribute to society, deepening their understanding of these Impact Investments.

Active Post-Sale Follow Up

Completing the sale of a product is only the beginning of a securities company's relationship with the customer. Follow up is a key element in building the relationship of trust with the customer. This is especially true when the value of a product declines after purchase and customers feel dissatisfied and apprehensive. Daiwa Securities works to reinforce trust in its customer relations and to alleviate customer apprehension through appropriate explanations and proposals.

● Informing Customers through Seminars and through our Website

In addition to regularly scheduled investor seminars held on the 5th of every month to provide information on domestic and overseas markets, Daiwa Securities holds timely follow-up seminars to address pronounced market fluctuations. Across all branches, over 5,000 people between August and October 2012 attended 236 follow-up seminars on investment trusts and foreign currency markets. The Notice Box for users of the online trading section of the Daiwa website presents videos on portfolio management as well as trends and forecasts for trust funds and exchange rates.

● Follow Up Services for Impact Investment Products

Daiwa Securities provides customers who purchase Vaccine Bonds with activity reports released by the bond issuer, IFFIm. The company believes that it is important to provide information on how customers are contributing to society by providing information on how the money invested in Impact Investment products is used to combat social issues.

Accessible Services for Diverse Customers

When Daiwa Securities renovates existing sales branches or plans new branches, it works to ensure that its branches are accessible to a wide range of customers, including measures such as reducing the number of steps and installing wide counters.

The company also provides necessary explanations through written communication and introduces its internet banking services to customers with hearing difficulties.

Daiwa's Point Program

Daiwa's Point Program awards customers with points based on their transactions. These points can be exchanged for products or used to make charitable donations. Daiwa Securities launched the Great East Japan Earthquake Reconstruction Support program through the Daiwa's Point Program on March 18, 2011. Donations from the program are used by the designated NPO, Japan Platform, to support those who suffered from the disaster.

Improving In-Branch Customer Service Quality

A great variety of customers visits Daiwa Securities' sales branches. This means that employees interacting with customers need not only specialized knowledge of the market and financial products, but polished service skills with an emphasis on customer attentiveness as well.

At Daiwa Securities, our goal is to provide quality customer services with a spirit of hospitality. In addition to group training, the company gives regular check-up tests on an ongoing basis using its internal e-learning system. Staff from Daiwa Securities' head office performs on-site checks to provide guidance to drive greater improvements in quality.

■ Working to Incorporate Customer Voices

Call Center Initiatives

The 480 telephone service representatives at Daiwa Securities' Call Centers take orders, explain products and handle queries about required procedures and requests for sales literature. The Call Center is one of the main channels supporting the company's business model, which is driven mostly by the Daiwa Consulting and Daiwa Direct transaction channels. Call Center employees have direct contact with customers and play a critical role not only as transaction channels but also customer support and marketing. Their role gives them access to direct customer feedback that can lead to improved operations. In order to maintain and improve call center operations to meet the demand for high-quality service, Daiwa Securities Group provides training and regular level checks for all telephone service representatives.

The Center uses questions and other input from customers to analyze data and identify the causes of any identified problems. The Center provides feedback and information to Daiwa Securities' head office and sales branches as part of our work on improved services and customer interaction and increased customer satisfaction.

Improvements to the service level of our interactive voice response (IVR) system were made at the end of October 2012 to strengthen competitiveness and operating efficiency. These have improved the detail of the automated service and shortened the per-call time of the telephone service representatives.

Strengthening BCP at our Call Center

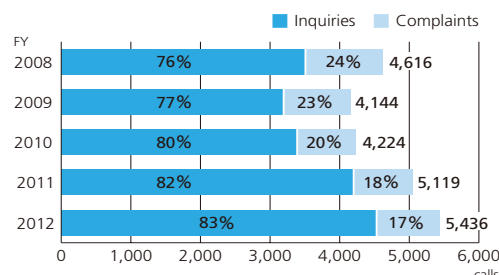
Until August 2011, all call center functions were located at a single site in Tokyo (Koto Ward). Some of these functions have now been transferred to our Osaka branch building. Of our 480 service points, 450 are now located in Tokyo and 30 are located in Osaka. In the event of an emergency, we are now capable of accepting orders at the new Osaka call center as well as at sales branches. Splitting our call center functions across multiple sites improves our ability to manage operational risks. We also anticipate that the Osaka call center will be able to take over some of the functions of the Tokyo facility in the event of electricity shortages in the Kanto area (Tokyo and its surroundings).

Calls Received at the Customer Support Contact Center

Daiwa Securities' Customer Support Contact Center also handles customer feedback directly. The Contact Center works to respond promptly and appropriately to customer complaints and shares this input with Daiwa Securities' sales branches and head office to avoid repeat problems. In fiscal 2012, the Contact Center received 5,436 calls – roughly 300 more than the preceding fiscal year. This rise was due to a large increase in calls concerning accounts and documentation due to improving market conditions in the second half of the fiscal year. The number of complaints held steady from previous years.

Contact Center employees appreciate the value of customer feedback and will continue to work on improving customer service.

Calls Received at the Customer Support Contact Center



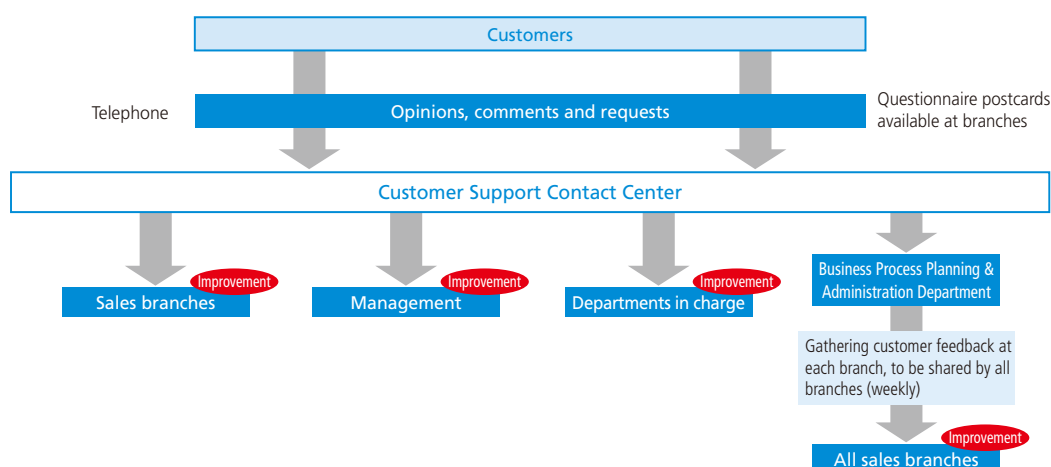
Efforts to Improve Telephone Customer Service Quality

From April to December 2012, Daiwa Securities took part in a telephone customer service competition* organized by the Japan Telecom Users Association, a Public Interest Incorporated Foundation, taking the competition as a chance to significantly improve Call Center service quality by receiving quality evaluations from a third-party. In pursuit of high marks in the competition, we encourage our Call Centers to work constantly to improve customer service and verbal skills; we believe this will help strengthen the capacities and motivation of our telephone service representatives. Improving the level of remote service provided by service representatives at the Call Center also helps bring about increased customer satisfaction. Daiwa Securities is proud of the employee who represented our company at the event and went on to receive second place in the Japan-wide tournament.

* Japan Telecom Users Association Telephone Customer Service Competition: This competition is a forum for companies to compare their telephone customer service with others and to increase customer satisfaction while improving the verbal quality of their customer handling. At the yearly competition, participating companies test the results of their many hours of accumulated telephone customer-service training and preparation as a part of efforts to improve customer service and verbal skills. Nationwide, over 10,000 people compete in this well-recognized event.

Web Japan Telecom Users Association (Public Interest Incorporated Foundation) (available only in Japanese)

Daiwa Securities' Systems for Utilizing Customer Feedback



Social Report

Relationship with Shareholders and Other Investors

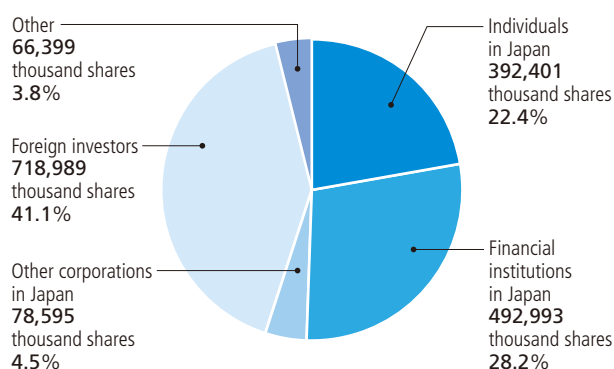
Approach and Basic Stance

The Daiwa Securities Group works hard to advance communication with shareholders and other investors. As part of the ongoing shift from savings to investments, we believe that increasing the number of individual investors is a part of the Daiwa Securities Group's social responsibility, and we will work hard to provide stockholders and investors with improved communications and information that is easy to understand.

Breakdown of Shareholders

As of March 31, 2013, 41.1% of Daiwa Securities Group's shareholders were foreign investors, up 1.5 points from the end of the previous fiscal year. The percentage of individual investors decreased 2.2 points over the same period to 22.4%.

Breakdown by Investor Type (as of March 31, 2013)



Web Stock Information

Dividend Policy

Daiwa Securities Group Inc. aims to continuously provide improved value for shareholders, including distribution of profits. In principle, dividends are paid semiannually (at the middle and end of the fiscal year) at a payout ratio of approximately 30% based on consolidated financial performance. Daiwa Securities Group Inc. also actively seeks ways to increase returns to its shareholders, including share buybacks when it has sufficient accumulated capital to pursue further growth.

Communication with Investors and Shareholders

The general meeting of shareholders is an opportunity for direct interaction with shareholders, and we have many shareholders to attend it. 2,082 shareholders attended the 76th regular general meeting of shareholders, held on June 26, 2013. We are also working to create new communication opportunities, including telephone conferences on the day of quarterly earnings announcements, spring and autumn management strategy briefing sessions, one-on-one meetings with analysts and investors, and by taking part in Daiwa Investment Conferences (in Tokyo, Hong Kong and New York).

In addition, we are further developing information disclosure on our IR web sites and publishing annual reports and business

reports for shareholders. Daiwa Securities Group Inc. will continue to strive to make its communications even more accessible and precise for shareholders.

Questionnaire for Shareholders

The Daiwa Securities Group regularly distributes a questionnaire to shareholders at the end of September, coinciding with distribution of rewards under our Shareholder Rewards Program, to gather and incorporate their views in management and IR activities. The findings of these questionnaires are utilized for improving our business operations while leading to improvements such as higher satisfaction with the shareholder reward program.

September 2012 Shareholder Rewards Questionnaire Contents

Q. Please list your age.
Q. When did you first purchase our shares?
Q. Why did you choose to buy stock of Daiwa Securities?
Q. What sorts of disclosure and corporate communication would you like to see enhanced in the future?
Q. Are there any products you would like the shareholder reward program?

Shareholder Reward Program

In September 2010, we improved our shareholder reward program while keeping utilizing the catalog format. Shareholders who qualify for rewards at the end of March and September have multiple reward options to choose such as charitable donations, quarterly journal and the Daiwa's Point Program, in addition to the traditional local and regional specialties. At the end of March, we also offer a calendar to shareholders who wish for it.

Web Investor Relations Information

Social Report

Relationship with Executives and Employees

Approach and Basic Stance

The Daiwa Securities Group believes that maximizing the motivation of our executives and employees will improve customer satisfaction and consequently enhance shareholder value. We have instituted a variety of programs to help not only our executives and employees, but also their families and friends, to feel a sense of job satisfaction and share a feeling of pride to be part of the Group.

The Group distributes Daiwa Spirit to our employees, a booklet about what it means to be a Daiwa professional. The booklet was developed to express our corporate principles and the philosophy and mindsets nurtured as our corporate culture since the foundation of the Group. Our hope for Daiwa Spirit is that it will enhance employees' sense of unity and togetherness and thereby increase the Group's overall cohesiveness.

Hiring Initiatives

Hiring Approaches and Trends

The Daiwa Securities Group would like all of its employees to work with high motivation and loyalty from their first days with the company until retirement. We bring on all of the new college graduates we recruit, including those with disabilities, as full, regular employees. We believe that helps develop a sense of trust and pride in the company and a sense of solidarity with their colleagues for new hires. In April 2013, 523 new employees were welcomed to the Group.

Providing an environment in which diverse individuals can thrive and perform to their full potential enables the recruitment of highly skilled employees. We are endeavoring to attract and secure personnel who will be able to perform on the global stage to help follow through on the Group's strategy to strengthen our business in Asia.

Fairness in Hiring

The Daiwa Securities Group has published its Guidelines for Fair Hiring, composed of three fundamental principles for ensuring fair hiring practices:

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

Web Fairness in Hiring (available only in Japanese)

Recruitment of University Graduates

In fiscal 2011, we began hiring recent university graduates who had finished school within the preceding three years. As part of building a diverse workforce, we have implemented year-round hiring, to ensure that such graduates are able to start work shortly after receiving tentative job offers, regardless of their prior work experience. These recruits receive the same training as new graduates.

Supporting Active Veteran Employees

Daiwa Securities has created a Senior Advisor System as an opportunity for veteran employees to put their many years of experience to use. Senior Advisors are dispatched to a region of their choosing to offer community-based consulting over an

extended period (there are currently about 150 employees in the program).

Daiwa also offers the Daiwa Masters' Program for highly motivated and skilled employees to continue their contributions after retirement age. This system allows qualified employees to work till the end of their extended retirement age as late as 65. Those who are not qualified for existing re-employment programs, but who still wish to participate, are also able to work until the prescribed age. For employees who show remarkable achievement after re-employment, there is a possibility of further contract renewal even after the prescribed age.

Recruitment of People with Disabilities

The Daiwa Securities Group currently has approximately 180 employees with disabilities working in a wide range of capacities at Group headoffice, in sales branches and in call centers.

The Group first began recruiting new graduates with disabilities as full, regular employees (general office staff) in fiscal 2008. In fiscal 2011, we broadened recruitment into the career-track, regional career-track and customer service employment streams. We have also been actively expanding recruitment opportunities by holding briefings about the company for new graduates, participating in career expos and implementing job placement support for university students with disabilities.

We work to support career advancement for people with disabilities after they have entered the company as well, creating, for example, opportunities for these existing employees to enter the career-track and regional career-track employment streams.

Human Resource Development and Skills Development

Employee Training Approaches and Trends

We consider human resources to be the cornerstone of our company's competitive strength. Daiwa Securities is committed to building human resources to become the sort of professional organization capable of fulfilling the corporate vision of "a top class Asian financial services group with a strong and secure foundation in Japan". In particular, we believe that the time when new graduates are just entering the company and getting their start as employees and members of society is a critical period for establishing a solid foundation of learning.

The varied curricula of our training programs ensure not only that employees acquire the fundamental knowledge needed for their careers, but also that they learn about and adopt the Group's corporate philosophy and commitment to corporate social responsibility.

Our employees must have a firm understanding of corporate ethics and compliance in order to ensure the development of sound financial and capital markets—an issue that Daiwa Securities Group considers an important part of its corporate social responsibility. We offer regular training on information security and compliance to reinforce this understanding.

Education and Training Systems

The Daiwa Securities Group provides training tailored to employees at each level, founded on the shared policies of the Group. Each Group company provides its own training, reflecting the skills required within the company's areas of focus. However, the Group also strives to foster ties across Group companies and a feeling of solidarity by expanding joint training sessions within the Group, while also improving administrative efficiency.

One example is the advanced training for selected managers offered through programs such as the Daiwa Management Academy and Daiwa Leadership Program. The Group also provides combined training for mid-level employees to develop business skills including programs to enhance coaching, negotiation, communication and logical thinking skills.

Daiwa Securities has implemented the Daiwa Basic Program, a two-year intensive educational program for new hires. After joining the Group, new hires study to build their knowledge of the industry and group products as well as skills in matching customers with products and in business protocols through Annex Learning under full-time instructors. After this, the new employees are partnered with employees of similar age but with more experiences at their places of work in a tutoring system that provides one-on-one guidance for day-to-day business operations and offers the best fitting training for each employee's level.

In the 2013 fiscal year, we are working to better training systems and environments for young employees, including the expansion of our Annex Learning system to include the regional career-track employees and the extension of the tutoring system to include second year employees as well.

The Group has also worked to spur the motivation of young employees through the introduction of new career advancement opportunities beginning in the third year of employment.

Support for Employees Earning Credentials

The Daiwa Securities Group strives to improve employee English skills to adapt to continuing globalization and to shifting corporate strategies emphasizing Asia. We help employees raise their TOEIC scores and work to offer accessible test support systems that apply to all employees, including e-learning platforms. In addition, we offer group training focused on improving practical English skills as well as recommending subsidized e-learning opportunities and English conversation schools for intermediate-level and advanced learners. Staff members across the Group are offered an opportunity every month to take the TOEIC exam. In fiscal 2012, 941 Group employees took advantage of these opportunities to take the test.

Daiwa Securities also understands that financial planner credentials (AFP and CFP) and securities analyst qualifications are core qualifications for the financial sector. The Group aims to have all employees acquire at least one of these credentials and is particularly keen to achieve the highest number of employees in the industry with the Certified Financial Planner (CFP) certification (the level above Affiliated Financial Planner (AFP)). Daiwa Securities provides generous support including subsidies for acquiring credentials so that employees can enhance their specialized skills as professionals.

Intra-Group Job Postings and the Career Path Change Systems

Daiwa Securities has instituted a Career Path Change System that enables non-career-track employees to transfer to career-track and regional career-track positions. In the four years from FY2009 to FY2012, 750 people have moved to career-track and other positions through the system.

We have also instituted a system of intra-Group job postings for employees with skills and the desire to realize their potential to open new career paths. Since the year 2000, 904 employees have applied and 146 have succeeded.

Evaluations Systems

At the Daiwa Securities Group, we believe that a fair and well-accepted evaluation system is an indispensable part of keeping our employees highly motivated in their jobs. Managers within the group are subject to multifaceted evaluations given by their subordinates and other relevant departments. The system seeks to improve the managerial quality and productivity of the entire Group by assessing the day-to-day job performance of management and providing managers with direct feedback from subordinates and associated staff. The comprehensive evaluation system also takes into account compliance-related performances.

We are working to design an evaluation system that motivates employees at every stage of their careers, from entry and mid-level to veteran employees, and encourages them to reach for the next stage in positions with greater responsibilities.

■ Initiatives to Create a Pleasant Workplace Environment

Encouraging Work-Life Balance

One of the Daiwa Securities Group's targets is to achieve a high standard of work-life balance. The Group is committed to promoting and creating work styles that offer employees a better balance between their private and professional lives, and we are working to create an environment where both men and women can work in a variety of ways.

Not only do we seek to establish systems that enable diverse work styles, but we also work to change employee awareness by ensuring employees regularly leave the office before 7 p.m., encouraging them to take their paid holidays and welcoming family visits to the workplace.

We have also introduced a system that goes beyond legal minimums to make child or elder care and work mutually compatible. A questionnaire on support for balancing child rearing and work was distributed to all group employees in fiscal 2012 to better understand how these systems are used and what employees would like to see improved to aid in the

building of a more livable and pleasant work environment. To support employees returning to work after parental leave and to ensure a smooth transition back into the workplace, we arrange for discussions between the returning employee and his or her supervisors before returning to work.

We will continue to develop initiatives aimed at attracting motivated and skilled employees capable of building an successful enterprise.

Encouraging Women to Succeed

We are trying to cater better to the interests of our female employees by introducing thriving female employees as role models in internal publications and providing opportunities for cross-company communication with the aim of increasing the number of women in management positions.

Our internal Work-Life Balance website includes a forum where female executives and department, office and branch managers make themselves available to address some of the questions and concerns from female employees. As the number of female role models has increased, career planning for women in the Group has become easier and the number of women setting their sights on improved careers by transferring to the career-track and regional career-track positions has greatly increased in the last few years. In total, approximately 750 employees transferred to the career track in the four years from fiscal 2009 to fiscal 2012. The number of women in executive and managerial positions continues to increase every year.

Continuing to expand the ranks of female managers and developing female leaders who will someday steer Japan's financial industry will continue to be an important goal for Daiwa Securities Group.

Initiatives to Improve Employee Health

The Daiwa Securities Group considers employee health an indispensable asset for both the company and society. Our Personnel Departments, General Health Development Center and health insurance associations work closely together to improve employee health.

The Group has set up an online system for employees to confirm results and analysis from regular health checkups and full medical checkups online. The Group also uses internal communications to educate employees on health information. Company wellness programs also include a walking program, a smoking cessation program and programs encouraging employees to undergo cancer exams as well as targeted programs for female employees encouraging breast cancer and uterine cancer exams and vaccination relevant to some forms of cervical cancer. Beginning in fiscal 2009, employees whose health checks found problems will find a follow-up confirmation form (known as a "yellow paper") enclosed with the results of the regular health checkup, to ensure that they seek further medical advice. Those employees are required to visit a medical facility within two weeks and submit the completed form to one of the Group's General Health Development Centers with the doctor's comments. As a result, the majority of employees with such findings in their medical exams now visit medical facilities.

The Daiwa Securities Group has established General Health Development Centers at the main Group offices. Doctors at the in-house Centers provide medical services, while staff industrial physicians and health nurses provide general health

consultation services. There are also psychiatrists and clinical psychotherapists available to offer mental health consultations.

Because of these efforts, the Group has achieved a high level of employee health awareness and 99% of employees receive regular health checkups. When the Group gave presentations on these results at symposiums held by the Ministry of the Economy, Trade and Industry and the Tokyo Metropolitan Government, other companies showed great interest in our approach.

Mental Health

Daiwa Securities Group's Health Support Promotion Department was established in August 2006 to help employees maintain and manage their mental and physical health. The Health Support Promotion Department has two certified clinical psychologists on staff to provide consultations to support Group executives and employees, as well as their families. We have also established arrangements with outside specialists so that Group personnel and their families can receive prompt attention.

We also arrange for occasional talks in all branches and departments to broaden awareness of mental health issues and offer strong support for employees' mental health.

Communication

Communication with Executives and Employees

We believe that communication with executives and employees is vital to the creation of a healthy and functioning workplace environment. Our communications programs include regular interviews with the Personnel Department and semi-annual self-assessment questionnaires. We also regularly conduct a questionnaire survey on work-life balance. This unfiltered input from our employees and executives helps us re-examine our programs and enhance ongoing improvements efforts.

Communication Among Employees

In October 2007, Daiwa Securities introduced a program for supporting club activities. This program was created to help employees enjoy their time off and to deepen their friendships with colleagues, building more opportunities to share a sense of camaraderie and solidarity. It is also intended to support work-life balance and facilitate a fuller social life for employees. The program was expanded and enhanced in fiscal 2009. Under this program, employee groups that meet certain conditions are recognized as Daiwa Clubs and Daiwa Circles, which receive subsidies to cover some of their activity costs. As of March 2013, 18 clubs and four circles are active in the Group.

Relationship with Employee Unions

The questionnaires conducted by the employee's union among its members have given the Group greater opportunities to learn about the opinions of its employees and improve communication. Employee union membership in 2012 was 6,490.

Initiatives for Families

We work to ensure that families share in our executives' and employees' pride to be part of the Group.

Since fiscal 2008, we welcome employees' families to the workplace on family visit day to give family members a better understanding of our company and their jobs. In fiscal 2012, 4,296 family members participated in this program.

Other systems for supporting our employees' families include family day leave and the extension of mental health support to employee families.

Social Report

Human Rights Initiative

Approach and Basic Stance

In light of our Corporate Principles and the United Nations Global Compact, we aspire to further improve our corporate culture, which emphasizes respect for human rights in our basic principles, and improve human rights awareness activities. We will continue to implement initiatives relating to recruitment, human resources, and the workforce to ensure that our systems are fair and free from discrimination or prejudice.

Basic Policy for Initiatives Addressing Human Rights and Social Integration Issues

- (1) The Daiwa Securities Group supports and complies with the protection of human rights as advocated internationally and does not infringe on human rights within the limits 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 pain of others.
- (4) We provide an equitable working environment that values people and is free of discrimination.
- (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.

May 18, 2011: Human Rights Awareness Promotion Committee

Human Rights Education and Awareness

In 1984, Daiwa Securities Group Inc. set up a Human Rights Awareness Promotion Committee with the objective of extending our company culture and its core principle of respect for human rights. The committee is currently chaired by the head office director in charge of HR, with the head of HR as deputy chair, along with six division leaders including the heads of the compliance control division, the communications division and the general affairs department—all active in pursuing the committee's goals. Outside of the committee, all Group managers (at the office, division or branch level) act in a promotional role, working in line with the Committee's plans and programs to ensure that employees correctly understand and acknowledge human rights and social integration issues through education and awareness activities. The Committee revised and released the Group's Basic Policy for Initiatives Addressing Human Rights and Social Integration Issues in May 2011.

Daiwa Securities Group has been a member of the Industrial Federation for Human Rights, Tokyo, since 1998. The Federation

seeks to address social integration and other human rights issues from the perspective of industry and is composed of 125 companies (mostly headquartered in Tokyo) with over one million employees (as of March 2013). Federation members work to improve their human rights and awareness programs through mutual research and communication.

Initiatives in Fiscal 2012

Immediately following the induction ceremony in April 1, 2012, 365 new employees attended a group training program. The program sought to not only instill a fundamental understanding of human rights in the new members of the Group but also ensure that they all understood and appreciated why our company places such great value on human rights. An expanded training program on the understanding and appreciation of human rights from a variety of standpoints was held in July. The program included middle management level employees (445 people) as well as 143 employees from the management level (department chairs and vice chairs). A contest to draft a Group-wide Human Rights and Awareness Slogan promoting broader and deeper understanding of human rights was held from October to December. The contest was held among Group employees, executives and their families, with the winning slogans featured in the Group magazine. Our Human Rights Week program (November–December) encouraged multifaceted reflection on human rights. All Group employees and executives viewed films on human rights and then adjourned to Human Rights Awareness Workshops for group discussions within their divisions. New films with new themes are shown every year. In 2012, The Internet and Human Rights was selected as the theme to reflect the rapid increase in the violation of individual rights via the Internet. In 2012, 11,630 people viewed the video and 9,997 executives and employees took part in the workshops.

In a new training initiative, 168 Group chief sales managers attended a one-hour lecture on human rights by P  ter Frankl.



New Employee Training

Social Report

Relationship with Society

Approach and Basic Stance

Good corporate citizenship means working together with the local community and engaging in consistent collaboration with NPOs and NGOs to foster sustainable development. We group our diverse corporate citizenship initiatives into four key categories.

1. Education and research activities in economics and finance
2. ESG/CSR and Encouraging Volunteerism among executives and employees
3. Support for Culture and the Arts
4. Assistance to area communities inside and outside of Japan through foundations and NPOs

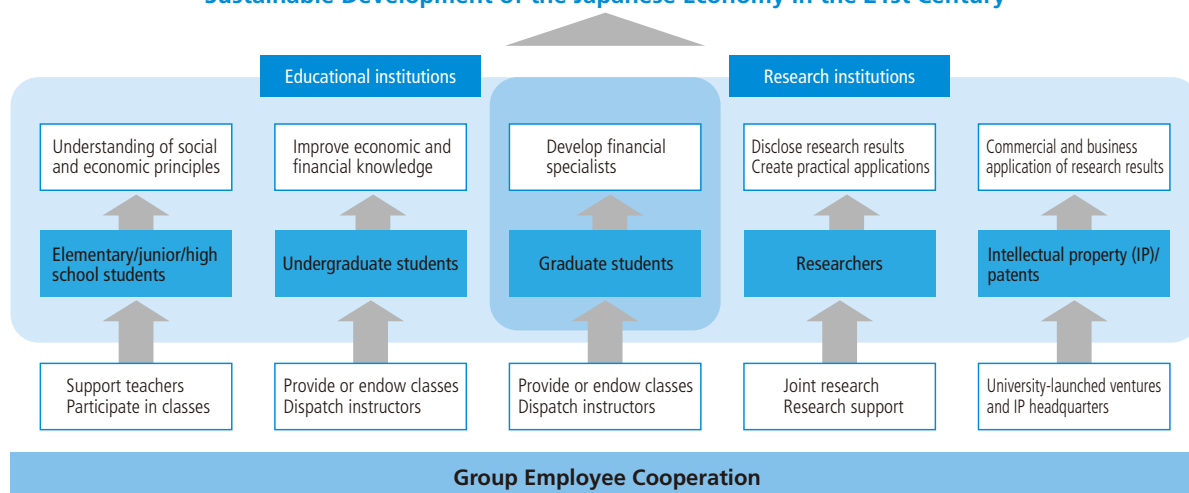
1. Education and Research Activities in the Fields of Economics and Finance

Capitalizing on its accumulated financial and economic expertise to make public contributions, the Daiwa Securities Group engages in business-academia collaborations and supports programs for junior and senior high school students

as well as teachers. We believe that economic and financial education is important in helping young people build the capacity to shape the world.

Economic and Financial Education

Sustainable Development of the Japanese Economy in the 21st Century



Joint programs with Junior Achievement Japan (Public Interest Incorporated Association)

(1) Finance Park

Junior Achievement Japan established a Finance Park in Shinagawa, Tokyo in June 2005 and another in Kyoto in January 2007 with the goal of providing a space where junior and senior high school students can develop and practice life-planning skills. The Daiwa Securities Group provides funds for Junior Achievement's simulated shops and offices as well as personnel support.

In fiscal 2012, 2,401 young people took part in programs at the Shinagawa Finance Park and 5,320 participated at the Kyoto Finance Park.



Finance Park

(2) Council for Economic Education Japan (CEE-Japan)

CEE-Japan was established in January 2009 to provide economic education training for schoolteachers. The Daiwa Securities Group is CEE-Japan's main sponsor, providing both the inaugural funding and ongoing support, together with seven other influential companies. As of March 31, 2013, 1,450 teachers have participated in workshops and forums, including the trial run in 2009.

●Cooperation with KidZania

KidZania is a theme park built around simulated career experiences for children. Daiwa presents the Securities Consulting Pavilions in both the Tokyo and Koshien KidZania locations. At the Pavilion, children act as securities company consultants and do field research in neighboring pavilions including interviews about congestion and hot-selling products, in response to consultations from their investor customers. The consultant experience then asks the children to think about the best investments to recommend to their customers based on their findings and finally to help their customers to make their investments.

Web KidZania Activity Introduction: Securities Company (available only in Japanese)

●Financial Planning Classroom for Beginners (with sign language and written interpretation)

Daiwa offers seminars on understanding financial planning and basic economic knowledge (with sign language and written interpretation) as a component of our CSR initiatives. From 2013 to 2014, a series of five seminars are planned, one every three months, each with a different theme.



Financial Planning Classroom for Beginners

Web Financial Planning Classroom for Beginners (available only in Japanese)

■ 2. Providing ESG/CSR topics and Encouraging Volunteerism among executives and employees

In addition to economic, financial and ESG information, our public and internal websites provide information on independent volunteer projects planned and/or managed by the Group as well as collaborative activities performed with NPOs and community groups. In our work to encourage as many of our people to participate in corporate citizenship initiatives as possible, we will seek ongoing collaborations with external organizations, strengthen internal communications on volunteering and volunteer opportunities and continue to pursue increased opportunities for executives and employees to engage.

●CSR Dialogues

We have been engaged in an ongoing series of dialogues on CSR with specialists from a range of fields, focusing especially on economy, finance and ESG. The Group has organized over 40 dialogues since the first was conducted in 2004. Please visit our website for details (Only selected dialogues have been translated into English). We held four CSR Dialogues over the course of fiscal 2012 on a series of contemporary issues.

●Volunteer Awards

Daiwa Securities issues the President's Award to recognize outstanding achievements by executives and employees. The Group also introduced the Volunteer Award in fiscal 2007, which is given twice a year to employees and groups involved in volunteer initiatives and activities that provide ongoing support to communities.

●Employees and Executives Involved in Corporate

Citizenship Activities, Donation and Recycling Initiatives
Group employees and executives participate in a wide range of corporate citizenship activities including local and international exchanges and charity events. In fiscal 2012, 82 employees voluntarily participated in corporate citizenship activities on the weekends or after work. Re-use and recycling activities generated ¥176,164 for donation.

■ 3. Support for Culture and the Arts

The Daiwa Securities Group provides ongoing support for a wide range of cultural and artistic activities. The Group has been the special sponsor of the Mainichi Shimbun Central Contest for Book Review Painting for nineteen years, a tradition that began with the sixth contest. The contest aims to encourage reading and improve children's reading skills by awarding prizes for drawings that express the reader's impressions of a book. Prizes are awarded by age group to elementary, junior and senior high school students. The winning drawings from 2012 were exhibited at 10 Daiwa Securities branches.

Since 2005, the Group has also been supporting traditional Japanese cultural activities, including sponsorship of the top title matches in Shogi and Go (Japanese chess and the game of Go), the Meijin Title Match (Shogi) and the Honinbo Tournament (Go).

■ 4. Assistance to communities on both the local and the international level through foundations and NPOs

●Daiwa Securities Health Foundation (Public Interest Incorporated Foundation)

The Daiwa Securities Health Foundation was established in 1972, in commemoration of the Group's 30th anniversary, to support medical research. Since 1973, the Daiwa Securities Health Foundation has supported 30 outstanding research projects focusing on improved health, medical care and welfare for middle-aged and older people. Since its founding, it has disbursed ¥30 million every year, composed of 30 separate grants of ¥1 million each. Fiscal 2012 marked the 39th year of this program, with a cumulative 1,072 recipients having received ¥1,057 million in total.

Web Daiwa Securities Health Foundation (available only in Japanese)

●Daiwa Securities Foundation (Public Interest Incorporated Foundation)

The Daiwa Securities Foundation was established in 1994 to commemorate the Group's 50th anniversary. The Foundation provides grants for volunteer activities in the fields of welfare and medicine to fulfill its mission of using corporate profit to return a contribution to society. As of fiscal 2012, the Foundation has given a cumulative total of ¥586 million in Volunteer Activities Grants to 2,541 organizations.

Since fiscal 2011, the Foundation has focused primarily on organizations and groups involved in volunteer work responding to the Great East Japan Earthquake. It has distributed ¥58.31 million in Disaster Volunteer Activities Grants among 127 organizations.

Web Daiwa Securities Foundation (available only in Japanese)

● Daiwa Anglo-Japanese Foundation (Chartered in the UK)

The Daiwa Anglo-Japanese Foundation is a UK charity established in 1988 in part with contributions from Daiwa Securities, for fostering closer ties between Britain and Japan. Principal activities include:

- (1) Awarding grants to individuals, institutions and organizations working to promote ties between the UK 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 UK

The Foundation's Tokyo Office provides local assistance to Daiwa Scholars (students from the UK), administers grant applications from Japan and collaborates with other institutions promoting Anglo-Japanese relations. The Daiwa Scholars program has accepted 147 UK students since its establishment. The Foundation has to date awarded grants for 2,615 projects, with overall funding, including other grants and seminars held at the London headquarters' Japan House totaling around ¥3,481 million (as of March 2013).

Web Daiwa Anglo-Japanese Foundation

● Daiwa Securities Group Tsunami Reconstruction Fund

We established the Daiwa Securities Group Tsunami Reconstruction Fund on March 9, 2005, to provide recovery assistance to regions affected by the December 26, 2004 Sumatra Earthquake and Indian Ocean Tsunami. Beginning in fiscal 2005, this fund has provided long-term support for recovery, disbursing ¥10 million annually for a ten-year period for a total of ¥100 million. Established as a part of the Asian Community Trust (ACT), the Daiwa Securities Group Tsunami Reconstruction Fund provides grants to local NPOs in the three hardest hit countries: Indonesia, Sri Lanka and India. These efforts offer assistance across four fields: mental health care for children, implementation and utilization of microfinancing, provision of educational opportunities for children and sharing and dissemination of tsunami disaster prevention knowledge and exchange and cooperation activities among those who suffered. Asian Community Center 21 (ACC21, a designated NPO) functions as the executive office for ACT, undertaking program selection and activity monitoring, while the Sumitomo Trust & Banking Co., Ltd., acts as fund custodian. Both organizations are leveraging their skills and capacities to provide better assistance. The Fund's objective is to provide long-term recovery assistance measures rather than offering temporary donations, and it utilizes financial systems to provide assistance through charitable trusts, microfinance and other avenues. In addition, ACC21's oversight and monitoring makes it possible to make a detailed assessment of the aid activities.

Web Daiwa Securities Group Tsunami Reconstruction Fund (available only in Japanese)

● Daiwa Securities Phoenix Japan Program

In May 2012, Daiwa Securities Group established its 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 to local designated NPOs through Japan NPO Center's Japan Earthquake Local NPO Support Fund. The Fund supports NPOs working in the affected areas to help people reconstruct their lives and communities.

In 2012, the first year of the program, a total of ¥31 million was distributed to seven different recipients (including a ¥1.5 million grant for joint training).

Web Daiwa Securities Phoenix Japan Program (available only in Japanese)

● Daiwa SRI Fund Grant Program

The Daiwa SRI Fund Grant Program provides grants to Japanese NPOs working in fields involving human security. The program supports resource and capacity development for designated NPOs by subsidizing personnel and training program costs. The program is operated in collaboration with the designated NPO Civil Society Initiative Fund and sponsored by donations from the management fees of the Daiwa SRI Fund. In 2012, the Daiwa SRI Fund continued its support for the Big Issue Foundation designated NPO.

Grants Awarded: 26 projects (16 new grants and 10 ongoing) to 35 staff across 16 groups, totaling ¥45.8 million (as of March 2013).

Web Daiwa SRI Fund Grant Program (available only in Japanese)

● 3keys Program

In 2012, Daiwa Securities Group began offering support to the 3keys Program, a designated NPO working to improve learning opportunities in child protection facilities. The program, which also receives some funding under the Daiwa SRI Fund, helps to foster greater confidence and ambition in children.

● 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; its Japan operations were activated in 2010. Kopernik has developed a program to enable contributors in developed countries to go online and donate to NPOs 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 activities supported by the donation on its website to ensure transparency. Some of the Daiwa Eco Fund and Russell Global Environmental Technology Fund's donations to Kopernik are used to cover the organization's administrative costs. Products and recipients are selected in light of their consistency with the principles of these funds.

Web Kopernik Program (available only in Japanese)

● Social Business College

The Daiwa Securities Group helped to create the Social Business College as a space to examine sustainable business models and finances for social businesses. Since October 2010, the program has held seminars in alternate months in association with Music Securities Inc. The final seminar in the two-year program was held in September 2012. The seminar welcomed Music Securities CEO Masami Komatsu and played host to lively discussions on the topic of “Social Business: Examining 21st Century Business.”

Web Social Business College

● Table for Two Program

The Daiwa Securities Group contributes to the Table for Two (TFT) Program. The program is organized by Table for Two, an internationally designated NPO, and aims at tackling “food imbalance”: the recognition that developed countries are suffering from obesity and lifestyle diseases while hunger persists in developing countries.

23 vending machines in the Group’s Tokyo Head Office were stocked with healthy drinks in February 2013; the purchase of one of these drinks makes an automatic donation of ¥10 to the charity. The Toyoko Center Building employee cafeteria, used by employees of the Daiwa Securities Business Center, also began participating in the program in March 2013. When customers order an item from the TFT menu, or purchase their meals with a TFT card, a ¥20 donation is made to pay for a school lunch in a developing country.

● Daiwa Securities Capital Markets Co., Ltd. Hong Kong Ltd. First Class Program

Daiwa Securities Capital Markets Hong Kong established a CSR panel in 2012, as a forum for interested members to discuss and promote CSR initiatives.

The panel composed of employees and executives discussed ways that the company can make new contributions to society and selected “Children and Education” as its focus. The panel wants to contribute toward addressing the issues of poor access to formal education and a lack of teachers and school facilities that burden many countries in Asia.

The program was given the name “First Class,” and is currently being advised by intermediary aid groups to assess their needs. Plans are underway to involve our employees in the project on a voluntary basis in the future.



Environmental Report

Environmental Initiatives

Approach and Basic Stance

The natural environment is the very foundation of human life, so protecting it is essential to sustainable societies. We strive to help resolve environmental issues through our financial capabilities in the development of products that can reduce environmental burden, and also by making investments that help to make environmental technologies and infrastructure more widely available. We are working to establish a system that efficiently collects data on Daiwa's environmental impact. We are also focused on raising employees' environmental awareness to empower them to reduce environmental burden in daily business operations.

Environmental Vision

The Group is dedicated to protecting the precious global environment and preserving it for future generations by leveraging financial capabilities.

Environmental Principles

The Group recognizes the importance of environmental principles such as the effort to combat global warming, recycling and reuse of raw materials, and preserving biodiversity, in order to create a sustainable society for the 21st century. The Group pledges to contribute to solving environmental issues through its business as a financial service company and to constantly seek new ways to reduce its environmental impact as a responsible corporate citizen.

Basic Environmental Policies

1. Make positive environmental contributions through our core business activities

We shall seek to develop and provide financial products and services that promote a low-carbon, recycling-oriented and symbiotic society.

2. Implement an environmental management 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

We shall continue to progress in our efforts to reduce the use of natural resources and energy, and seek ways to improve materials-and energyefficiency (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 assurance, observing environmental laws and regulations in addition to the Group's environment policies.

(May 22, 2012)

Takashi Hibino
Daiwa Securities Group Inc.
President and CEO

Environmental Management

Each company in the Group adopts and implements an environmental management policy. Every other month, a representative from each Group company attends meetings of the Environmental Management Council to share data, ideas and views on environmental issues. This Council, and the Group as a whole, is constantly seeking ways to improve and implement environmental management systems.

The Group compiles and reports quantitative data on its environmental impact each year, including details such as energy and water consumption, CO₂ emissions, paper usage, waste disposal and recycling volume.

Daiwa Institute of Research Business Innovation Ltd.'s strives to run its operations environmental friendly and complies with ISO14001.

Carbon dioxide emissions

Energy consumption at the Daiwa Securities Group's domestic offices (on a carbon dioxide emissions basis) fell by 17.4% in fiscal 2012 compared with the previous year as a result of initiatives to conserve energy. Electricity consumption at overseas offices fell by 14.3% from the previous fiscal year. (see CSR Related Data>Environment for details)

Other Environmental Impacts

Volume of Copy Paper / Forms used

We facilitated the transition to a paperless office by appointing an employee to be in charge of the paperless transition at Daiwa Securities Group Inc. As a result of these endeavors, the volume of copy paper used fell about 8.1% from the previous fiscal year. Moreover, about 32.9% (based on monetary value) of the copy paper used consisted of Green Procurement Network (GPN) compatible products.

e-Member Services (Daiwa Securities)

Daiwa Securities offers its customers the e-Member service, which allows them to receive document transmissions (including account balance statements and transaction reports) electronically instead of in paper format. In general, these electronic records are maintained for five years and can be accessed at any time. They can also be saved locally to the client's computer or printed out.

Members who have applied for the e-Member service are offered benefits, including no management fees on domestic stock trading accounts and no transaction fees on deposits and withdrawals made via internet.

The paperless system not only saves natural resources but also adds to customer convenience.

Initiatives to Reduce Environmental Impact

Energy-Conscious Building Facility Renewals

Daiwa Securities sales branches use equipment certified under the Top Runner standards when building facilities (including air-conditioning, electric substation equipment and water supply/sewage facilities) are installed or replaced, to ensure reduced environmental impact. The Top Runner standards are stipulated under the Japanese Act on the Rational Use of Energy to establish criteria for energy saving products that manufacturers will strive to meet. The certification is intended to spur manufacturers to produce higher levels of efficiency than are available in commercial products today.

Installation of Building Specific Heat Sources (Shinjuku Maynds Tower)

Building specific heat sources were installed and put into use in June of 2012 in the Shinjuku Maynds Tower building (owned by Daiwa Office Investment Corporation and operated by Daiwa Estate Asset Management). These heat sources will allow the building to produce a portion of its air-conditioning cooling water, which is otherwise provided by the district heating and cooling company. This change has a potential to reduce annual CO₂ emissions by an estimated 833 tons (compared to a single tower with over 7,000m² of floor area). The installation company, ESCO services, provides ongoing maintenance and a guarantee of reduced energy consumption. With these changes, the Shinjuku Maynds Tower is expected to achieve the Phase 1 CO₂ reduction targets under the Tokyo Metropolitan Ordinance on Environmental Protection.

Joining a Green Purchasing Network (Daiwa Real Estate Asset Management)

Daiwa Real Estate Management joined a green purchasing network and enacted Green Procurement Guidelines in April 2012 to promote the procurement of products with lower environmental burdens.

Information dissemination

Dissemination of ESG Reports by Daiwa Institute of Research

The Daiwa Institute of Research carries out research in areas such as renewable energy, emissions trading, SRI, and corporate governance. It publishes the findings commentary via its quarterly research review and on its website. The ESG News section of the website specifically devoted to topics our analysts find worthy of attentions. As of the end of March 2013, the Daiwa Institute of Research had published 59 articles on issues relating to ESG.

Web DIR>Research>ESG (available only in Japanese)

Environmental Products and Services

Our Impact Investment products are part of our contribution to solving global environmental issues. These products offer customers opportunities to contribute to solving social and environmental issues through bond investments and investment trusts.

Impact Investment bonds handled during fiscal 2012 included Agri Bonds and Green Bonds. We offered a total of 38.8 billion yen worth of these bonds, primarily to retail investors. We also underwrite Impact Investment bonds aimed at institutional investors.

Our investment trust products focusing on environment include the Daiwa SRI Fund and the Daiwa Eco Fund.

Climate Change Initiatives

Daiwa Securities Group promotes public-private partnerships to mitigate climate change through the Group's core business functions.

We are working to help raise funds needed for climate change countermeasures in developing countries. Specifically, we are marketing the Green Bonds and Water Bonds issued by the World Bank and the Asian Development Bank and helping redirect Japanese risk-taking funds toward renewable energy and water infrastructure projects in developing countries. We are also developing our own mega-solar energy generation project to contribute to the reduction of CO₂ emissions. On March 19, 2013, the Japan Securities Dealers Association published its "Action Plan for Environmental Issues from Fiscal 2013". The plan calls for all member securities dealers to reduce their per square meter electricity consumption in all business functions by 10% from 2009 levels by the year 2020. We have adopted this goal as a component of our ongoing efforts to reduce our environmental impact.

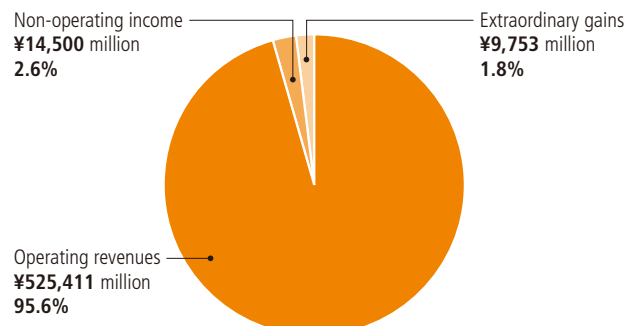
Economic Report

Delivering Economic Value to Stakeholders

Revenues in the Economic Report

For the purpose of this Economic Report, revenues represent the total of all revenues received by the Daiwa Securities Group (consolidated) in fiscal 2012—operating revenues, non-operating income and extraordinary gains. In fiscal 2012, operating revenues accounted for 95.6% of revenues.

Revenue Breakdown in the Economic Report in fiscal 2012



Distribution of Economic Value to Stakeholders

Economic value for the purpose of this Economic Report is calculated as revenues minus interest expenses (less interest paid to our stakeholders), other operating expense, the cost of sales, selling, general and administrative expenses (less personnel costs, taxes, and expenditure for corporate citizenship activities), non-operating expenses (less interest paid), and extraordinary losses.

Executives and Employees

The distribution of economic value to executives and employees is the figure for personnel expenses (including reserves for salaries and bonuses, as well as welfare program benefits and social insurance contributions). Daiwa has built a fair compensation system that is highly acceptable to all, in order to improve employee motivation and maximize the value provided to all stakeholders.

Society

Regardless of the ups and downs of the business cycle, we aim to provide stable funding for our corporate citizenship activities. See “CSR Related Data>Corporate Citizenship Initiatives and Expenditures” in the “Relationship with Society” section for a breakdown of these expenditures.

Shareholders

In fiscal 2012, the Group paid an interim dividend of ¥3 per share and a year-end dividend of ¥12 yen per share, for a total annual dividend of ¥15 yen per share.

Creditors

The Group pays interest to creditors.

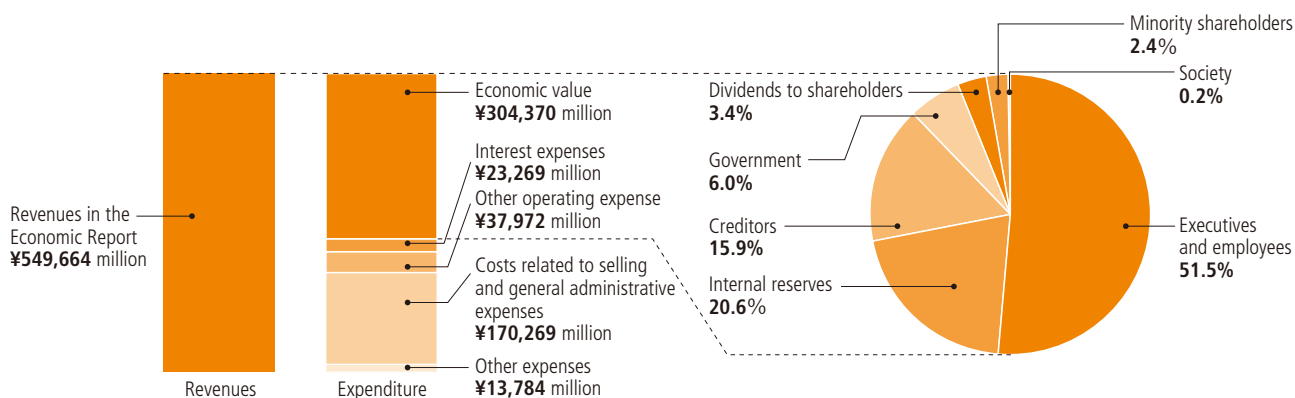
Government

According to the Daiwa Securities Group's financial accounting, the tax amount paid is the sum of current income taxes, deferred income taxes, and other taxes and duties including consumption tax.

Minority Shareholders

This is the profit and loss returned to the minority shareholders of the Daiwa Securities Group companies.

Distribution of Economic Value to Stakeholders in FY2012



Third-party Opinion

Sachiko Kishimoto
Executive Director,
Public Resources Foundation
(Public Interest Incorporated Foundation)



The Daiwa Securities Group currently reports on its environmental, social, and governance practices in two separate documents: its CSR report and its Annual Report. The Group is currently considering a shift to a single integrated report in the future. I would like to give my opinion here on the contents of the CSR Report 2013.

The Group's CSR reports are comprehensive and follow the GRI's sustainability reporting guidelines and supplementary documents for financial services sector businesses. They clearly and faithfully describe the Group's efforts to address the guidelines of ISO26000.

The CSR specifically addresses the Group's efforts to take an active lead in increasing impact investment in Japan by both underwriting and selling a variety of related bonds and hosting impact investment forums to increase public awareness. I find these efforts to direct their financial capacities into contributions toward sustainable society highly commendable. The Group's newly established "Great East Japan Earthquake Small and Mid-Sized Enterprise Reconstruction Support Fund" is also doing good work by starting a program of long-term financial support for unlisted companies in areas still recovering from the disaster.

I would also like to recommend some future improvements to enhance the Group's specific initiatives.

I would like to see the Group's CSR management include deeper dialogues with stakeholders, along with the creation of a due diligence framework for social responsibility. Currently, dialogues with stakeholders appear to be limited to the Group's "Understanding CSR through Dialogues" interviews with experts in relevant fields. I recommend establishing a process for dialogue

with concrete and direct stakeholders in the Group's activities and for reflecting that input in CSR objectives and evaluations. I believe the Group should also give a clear indication of how the suggestions and comments in this third-party opinion piece would be reported and acted upon. Regarding due diligence, I would like to see an avenue for the company's risk management frameworks, which currently center on a financial perspective, to incorporate a societal impact frame of reference as well. Therefore, I recommend the development of a due diligence framework for social responsibility to mitigate the risks of Group initiatives creating adverse impacts on society.

Relations with customers, specifically the Group's stated dedication to proactive post-sale service (aftercare), are very important in adapting to coming shifts in the economic environment from savings to investing. Investor trust obviously must be gained by first using appropriate guidance and solicitation practices. To further strengthen this trust, I recommend a systematic implementation of clear explanations for market fluctuations and losses, as well as appropriate services for older customers.

In the Group's relationships with its employees, I am happy to see the Group being proactive in the promotion of women to management levels as well as increasing the number of employees transferring to career-track positions. However, the ratio of women in executive and management positions remains lower than the industry average, and it will be necessary to renew and reinforce these efforts.

The Group's efforts to make societal contributions through the financial system are worthy of praise, especially the Daiwa Tsunami Reconstruction Fund public trust and its associated application of micro-financing and the Daiwa Securities Phoenix Japan Program's use of a portion of investment income to provide disaster recovery assistance. However, the level of support for employee participation in volunteer activities remains weak. Having a variety of socially beneficial experiences outside of work has a great influence on employee social consciousness and ethics in the workplace as well. I would like to see the Group pursue greater participation among employees in volunteer activities that contribute to staff training and development.

Response to Third-party Opinion

Koichi Matsushita
Executive Managing Director



We are grateful for your valuable opinion on the Daiwa Securities Group's CSR Report 2013. Receiving and acknowledging frank opinions and honest suggestions is an important part of the ongoing process of understanding and living up to society's expectations in order to earn its trust and respect.






You suggested a system for due diligence in social responsibility.

We will revisit what ISO26000 aims for, not being satisfied with just checking boxes in producing our CSR report, and endeavor to engage in dialogues with our stakeholders to grasp better the influences our activities, both business and corporate citizenship, may have upon the society to seek appropriate measures.

We believe that continuing the promotion of work-life balance and supporting the careers of our female employees by helping them to reach management-level positions is important to building the value of our business.

We are proud to continue our efforts to turn our financial capabilities toward contributing to building a sustainable society. Our Group is working to encourage employee volunteerism. We are implementing volunteer awards to give recognition to employee volunteer work. Daiwa Securities Group will continue to pursue new opportunities to make better and more diverse contributions to society.

Third-party Evaluations

Name	Evaluation
<p>Dow Jones Sustainability World Indexes Member 2012/13</p> 	<p>The Dow Jones Sustainability World Index (DJSI World) is a stock index of companies with sustainable practices selected by Dow Jones & Company, Inc. of the United States and Sustainable Asset Management (SAM) of Switzerland. Daiwa Securities Group Inc. has been included in DJSI World for 14 consecutive years.</p>
<p>FTSE4Good Index</p> 	<p>FTSE is a subsidiary of the UK's Financial Times and 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 seven consecutive periods since September 2006.</p>
<p>Certified Family-friendly Employer</p> 	<p>Shown at left is the certification symbol for family-friendly employers provided by Japan's Ministry of Health, Labour and Welfare's based on the Act on Advancement of Measures to Support Raising the Next Generation of Children. In addition to Daiwa Securities Group Inc. obtaining certification as a family-friendly employer on June 9, 2008. Daiwa Securities, Daiwa Securities Capital Markets, Daiwa Institute of Research Holdings, Daiwa Institute of Research, Daiwa Institute of Research Business Innovation and Daiwa Securities Business Center also received this certification.</p>
<p>Work-Life Balance</p>	<p>The Daiwa Securities Group has earned high praise from a range of external organizations for its initiatives to provide employees with a more supportive work environment that is conducive to work-life balance.</p> <ul style="list-style-type: none"> • Ministry of Health, Labour and Welfare organized in "evenly-balanced promote enterprise award" family-friendly corporate sector, "Tokyo Labor Bureau Excellence Award" (2012) • Ranked 7th in "the best 100 company for women to play an active role" Nikkei WOMAN (June 2012 issue) • The Work-Life Balance Award winner sponsored by Toyo Keizai Inc. at "the Third Diversity Management Award" (February 2012)
<p>GRESB 2012 "Green Star"</p> 	<p>The Global Real Estate Sustainability Benchmark (GRESB) awarded its highest recognition, a Green Star, to Daiwa Real Estate Asset Management subsidiary Daiwa Office Investment Corporation.</p>
<p>SMBC Sustainability Certification</p> 	<p>The Daiwa Ginza Building, owned by Daiwa Office Investment Corporation, was given a "gold" ranking under the SMBC Sustainable Building Assessment Loan Program (performed by Sumitomo Mitsui Banking Corporation). The E-Space Tower received a "silver" certification.</p>
<p>Principles for Financial Action for the 21st Century-Good Practices</p>	<p>Daiwa Securities Group's Impact Investment initiatives received "Good Practices" recognition in the Asset Management, Securities and Investment Banking Sector, under Principles for Financial Action Towards a Sustainable Society (the Principles for Financial Action for the 21st Century) promoted by the Ministry of the Environment.</p>

G3.1 GRI/ISO26000 Content Index

GRI Application Levels

In compiling the Daiwa Securities Group Sustainability Report 2013, reference was made to Global Reporting Initiative (GRI) Guidelines (3.1 Edition) and the Financial Services Sector Supplement (2008).

The guidelines set out a series of standard levels (GRI application levels) based on regulations outlined therein that companies compiling reports may apply to ensure that their reports are compliant with GRI guidelines. We believe that the Daiwa Securities Group Sustainability Report 2013 meets the reporting standards for GRI Report Application Level B.

G3.1 GRI/ISO26000 Content Index

Item	Indicator	Link	ISO26000	
			Core Social Responsibility Subjects & Themes	Clauses

1 Strategy and Analysis

1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Message from the CEO/ Message from the Chairman	Organizational governance	6.2
1.2	Description of key impacts, risks, and opportunities.	Message from the CEO/ Message from the Chairman CSR Management: Performance and Targets		

2 Organizational Profile

2.1	Name of the organization.	Daiwa Securities Group Profile		
2.2	Primary brands, products, and/or services.	Daiwa Securities Group Profile Social Responsibilities of the Financial Industry		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Daiwa Securities Group Profile	Organizational governance	6.2
2.4	Location of organization's headquarters.	Daiwa Securities Group Profile		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Daiwa Securities Group Profile		
2.6	Nature of ownership and legal form.	Daiwa Securities Group Profile		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Daiwa Securities Group Profile		
2.8	Scale of the reporting organization, including: • Number of employees; • Number of operations; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided.	Daiwa Securities Group Profile		
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: • The location of, or changes in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	Daiwa Securities Group Profile		
2.10	Awards received in the reporting period.	Third-party Evaluations		

3 Report Parameters

Report Profile				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Contents/Editorial Policy		
3.2	Date of most recent previous report (if any).	Contents/Editorial Policy		
3.3	Reporting cycle (annual, biennial, etc.)	Contents/Editorial Policy		
3.4	Contact point for questions regarding the report or its contents.	Contents/Editorial Policy		
Report Scope and Boundary				
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	Daiwa Securities Group Corporate Principles and Key Issues		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Contents/Editorial Policy		
3.7	State any specific limitations on the scope or boundary of the report.	Contents/Editorial Policy		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	CSR Related Data		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	CSR Related Data		

3.10		Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	Not applicable		
3.11		Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable, because there have been no significant changes since the previous report		
GRI content index					
3.12		Table identifying the location of the Standard Disclosures in the report.	This table references GRI content		
Assurance					
3.13		Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider (s).	Third-party Opinion	Verification	7.5.3

4 Governance, Commitments, and Engagement

Governance					
4.1		Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance	Organizational governance	6.2
4.2		Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	Corporate Governance		
4.3		For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance		
4.4		Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance		
4.5		Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Corporate Governance		
4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance		
4.7		Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Corporate Governance		
4.8		Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Daiwa Securities Group Corporate Principles and Key Issues		
4.9		Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	CSR Management (CSR Promotion System)		
4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance		
Commitments to External Initiatives					
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Compliance Risk Management IT Governance, Disclosure, and Information Security		
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Social Responsibilities of the Financial Industry		
4.13		Memberships in associations (such as industry associations) and/or national/ international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic.	Principal Member Qualifications - Nippon Keidanren - Japan Securities Dealers Association - Work-Life Balance Promotion Model Project by the Ministry of Health, Labour and Welfare - The Multi-stakeholder Forum on Social Responsibility for a Sustainable Future - UNEP-FI - PRI - CDP - Global Compact Japan Network		
Stakeholder Engagement					
4.14		List of stakeholder groups engaged by the organization. • Civil society; • Customers; • Employees, other workers, and their trade unions; • Local communities; • Shareholders and providers of capital; and • Suppliers.	Daiwa Securities Group Corporate Principles and Key Issues		
4.15		Basis for identification and selection of stakeholders with whom to engage.	Daiwa Securities Group Corporate Principles and Key Issues		
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Daiwa Securities Group Corporate Principles and Key Issues Relationship with Customers Relationship with Shareholders and Other Investors Relationship with Executives and Employees Relationship with Society		
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Relationship with Customers Relationship with Shareholders and Other Investors Relationship with Executives and Employees Relationship with Society		

5 Management Approach and Performance Indicators

Economic

Disclosure on Management Approach			Message from the CEO/ Message from the Chairman Delivering Economic Value to Stakeholders	Organizational governance Community involvement and development	6.2 6.8
Performance Indicators					
Economic Performance					
EC1.	CORE	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	CSR Related Data Delivering Economic Value to Stakeholders	Community involvement and development Community involvement Wealth and income creation Social investment	6.8 6.8.3 6.8.7 6.8.9
EC2.	CORE	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Social Responsibilities of the Financial Industry	Climate change mitigation and action	6.5.5
EC3.	CORE	Coverage of the organization's defined benefit plan obligations.	Annual Report 2013		
EC4.	CORE	Significant financial assistance received from government.	Impact is insignificant		
Market Presence					
EC5.	ADD	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Impact is insignificant, due to the nature of our business	Discrimination and vulnerable groups Conditions of work and social protection Community involvement and development	6.3.7 6.4.4 6.8
EC6.	CORE	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Impact is insignificant, due to the nature of our business	Promoting social responsibility in the value chain Community involvement and development Employment creation and skills development Wealth and income creation	6.6.6 6.8 6.8.5 6.8.7
EC7.	CORE	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Not reported	Community involvement and development Employment creation and skills development Wealth and income creation	6.8 6.8.5 6.8.7
Indirect Economic Impacts					
EC8.	CORE	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Relationship with Society (2. Providing ESG/CSR topics and Encouraging Volunteerism among executives and employees)	Economic, social and cultural rights Community involvement and development Community involvement Education and culture Employment creation and skills development Technology development and access Wealth and income creation Social investment	6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9
EC9.	ADD	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not applicable	Economic, social and cultural rights Promoting social responsibility in the value chain Respect for property rights Access to essential services Community involvement and development Employment creation and skills development Technology development and access Wealth and income creation Social investment	6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.6 6.8.7 6.8.9

Environmental

Disclosure on Management Approach				Environmental Initiatives (Approach and Basic Stance) Environmental Initiatives (Environmental Management)	Organizational governance The Environment	6.2 6.5
Performance Indicators						
Materials				The Environment Sustainable resource use	6.5 6.5.4	
EN1.	CORE	Materials used by weight or volume.				Not applicable
EN2.	CORE	Percentage of materials used that are recycled input materials.				Not applicable
Energy						
EN3.	CORE	Direct energy consumption by primary energy source.				CSR Related Data
EN4.	CORE	Indirect energy consumption by primary source.				CSR Related Data
EN5.	ADD	Energy saved due to conservation and efficiency improvements.				CSR Related Data
EN6.	ADD	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.				CSR Related Data
EN7.	ADD	Initiatives to reduce indirect energy consumption and reductions achieved.				CSR Related Data
Water						
EN8.	CORE	Total water withdrawal by source.				CSR Related Data
EN9.	ADD	Water sources significantly affected by withdrawal of water.				Impact is insignificant
EN10.	ADD	Percentage and total volume of water recycled and reused.				Not reported
Biodiversity						
EN11.	CORE	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		Not applicable	The Environment Protection of the environment & biodiversity, and restoration of natural habitats	6.5 6.5.6
EN12.	CORE	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		Not applicable		
EN13.	ADD	Habitats protected or restored.		Not applicable		

EN14.	ADD	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not reported	The Environment Protection of the environment & biodiversity, and restoration of natural habitats Community involvement	6.5 6.5.6 6.8.3
EN15.	ADD	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not applicable	The Environment Protection of the environment & biodiversity, and restoration of natural habitats	6.5 6.5.6
Emissions, Effluents, and Waste					
EN16.	CORE	Total direct and indirect greenhouse gas emissions by weight.	CSR Related Data	The Environment Climate change mitigation and action	6.5 6.5.5
EN17.	CORE	Other relevant indirect greenhouse gas emissions by weight.	CSR Related Data		
EN18.	ADD	Initiatives to reduce greenhouse gas emissions and reductions achieved.	CSR Related Data		
EN19.	CORE	Emissions of ozone-depleting substances by weight.	Impact is insignificant	The Environment Prevention of pollution	6.5 6.5.3
EN20.	CORE	NOx, SOx, and other significant air emissions by type and weight.	Impact is insignificant		
EN21.	CORE	Total water discharge by quality and destination.	Impact is insignificant		
EN22.	CORE	Total weight of waste by type and disposal method.	CSR Related Data		
EN23.	CORE	Total number and volume of significant spills.	Not applicable		
EN24.	ADD	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not applicable		
EN25.	ADD	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not applicable	The Environment Prevention of pollution Sustainable resource use Protection of the environment & biodiversity, and restoration of natural habitats	6.5 6.5.3 6.5.4 6.5.6
Products and Services					
EN26.	CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Environmental Initiatives (Initiatives to Reduce Environmental Impact)	The Environment Sustainable resource use Promoting social responsibility in the value chain Sustainable consumption	6.5 6.5.4 6.6.6 6.7.5
EN27.	CORE	Percentage of products sold and their packaging materials that are reclaimed by category.	Not applicable	The Environment Prevention of pollution Sustainable resource use Sustainable consumption	6.5 6.5.3 6.5.4 6.7.5
Compliance					
EN28.	ADD	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Not applicable	The Environment	6.5
Transport					
EN29.	ADD	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not reported	The Environment Sustainable resource use Promoting social responsibility in the value chain	6.5 6.5.4 6.6.6
Overall					
EN30.	ADD	Total environmental protection expenditures and investments by type.	Not reported	The Environment	6.5

Society

Labor Practices and Decent Work					
Disclosure on Management Approach			Relationship with Executives and Employees	Organizational governance Labour Practices Fundamental principles and rights at work	6.2 6.4 6.3.10
Performance Indicators					
Employment					
LA1.	CORE	Total workforce by employment type, employment contract, and region, broken down by gender.	Daiwa Securities Group Profile CSR Related Data	Labour Practices Employment and employment relationships	6.4 6.4.3
LA2.	CORE	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	CSR Related Data		
LA3.	ADD	Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation.	Relationship with Executives and Employees (Creating a Workplace Supportive of Work-life Balance)	Labour Practices Employment and employment relationships Conditions of work and social protection	6.4 6.4.3 6.4.4
LA15.	CORE	Return to work and retention rates after parental leave, by gender.	Relationship with Executives and Employees (Creating a Workplace Supportive of Work-life Balance)	Labour Practices Conditions of work and social protection	6.4 6.4.4
Labor/Management Relations					
LA4.	CORE	Percentage of employees covered by collective bargaining agreements.	Relationship with Executives and Employees (Communication with Employees' Union)	Labour Practices Employment and employment relationships Conditions of work and social protection Social dialogue Fundamental principles and rights at work	6.4 6.4.3 6.4.4 6.4.5 6.3.10
LA5.	CORE	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Not reported	Labour Practices Employment and employment relationships Conditions of work and social protection Social dialogue	6.4 6.4.3 6.4.4 6.4.5
Occupational Health and Safety					

LA6.	ADD	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not reported	Labour Practices	6.4
LA7.	CORE	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities, by region and by gender.	Not reported	Health and safety at work	6.4.6
LA8.	CORE	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Relationship with Executives and Employees (Creating a Workplace Supportive of Work-life Balance)	Labour Practices Health and safety at work Community involvement and development Community involvement Education and culture Health	6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8
LA9.	ADD	Health and safety topics covered in formal agreements with trade unions.	Not reported	Labour Practices Health and safety at work	6.4 6.4.6
Training and Education					
LA10.	CORE	Average hours of training per year per employee by gender, and by employee category.	Not reported	Labour Practices Human development and training in the workplace	6.4 6.4.7
LA11.	ADD	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Relationship with Executives and Employees (Human Resources Development and Skill Development)	Labour Practices Human development and training in the workplace Employment creation and skills development	6.4 6.4.7 6.8.5
LA12.	ADD	Percentage of employees receiving regular performance and career development reviews, by gender.	Relationship with Executives and Employees (Human Resources Development and Skill Development)	Labour Practices Human development and training in the workplace	6.4 6.4.7
Diversity and Equal Opportunity					
LA13.	CORE	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	CSR Related Data	Discrimination and vulnerable groups Fundamental principles and rights at work Labour Practices Employment and employment relationships	6.3.7 6.3.10 6.4 6.4.3
Equal Remuneration for Women and Men					
LA14.	CORE	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not reported	Discrimination and vulnerable groups Fundamental principles and rights at work Labour Practices Employment and employment relationships Conditions of work and social protection	6.3.7 6.3.10 6.4 6.4.3 6.4.4

Human Rights					
Disclosure on Management Approach			Human Rights Initiative	Organizational governance Human Rights Due Diligence Human rights risk situations Resolving grievances Promoting social responsibility in the value chain	6.2 6.3 6.3.3 6.3.4 6.3.6 6.6.6
Performance Indicators					
Investment and Procurement Practices					
HR1.	CORE	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	We have no operations in areas where there are special concerns about protection of human rights	Human Rights Due Diligence Avoidance of complicity Promoting social responsibility in the value chain	6.3 6.3.3 6.3.5 6.6.6
HR2.	CORE	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	We have no operations in areas where there are special concerns about protection of human rights	Human Rights Due Diligence Avoidance of complicity Employment and employment relationships Promoting social responsibility in the value chain	6.3 6.3.3 6.3.5 6.4.3 6.6.6
HR3.	CORE	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Human Rights Initiative	Human Rights Avoidance of complicity	6.3 6.3.5
Non-Discrimination					
HR4.	CORE	Total number of incidents of discrimination and corrective actions taken.	Not applicable	Human Rights Resolving grievances Discrimination and vulnerable groups Fundamental principles and rights at work Employment and employment relationships	6.3 6.3.6 6.3.7 6.3.10 6.4.3
Freedom of Association and Collective Bargaining					
HR5.	CORE	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not applicable, due to the nature of our business	Human Rights Due Diligence Human rights risk situations Avoidance of complicity Civil and political rights Fundamental principles and rights at work Employment and employment relationships Social dialogue	6.3 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5

Child Labor					
HR6.	CORE	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Our business entails no risk of using child labor	Human Rights Due Diligence	6.3 6.3.3
Forced and Compulsory Labor				Human rights risk situations	6.3.4
				Avoidance of complicity	6.3.5
HR7.	CORE	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Our business entails no risk of using forced labor	Discrimination and vulnerable groups	6.3.7
				Fundamental principles and rights at work	6.3.10
				Promoting social responsibility in the value chain	6.6.6
Security Practices					
HR8.	ADD	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Impact is insignificant, due to the nature of our business	Human Rights Avoidance of complicity	6.3 6.3.5
				Employment and employment relationships	6.4.3
				Promoting social responsibility in the value chain	6.6.6
Indigenous Rights					
HR9.	ADD	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not applicable	Human Rights Resolving grievances	6.3 6.3.6
				Discrimination and vulnerable groups	6.3.7
				Civil and political rights	6.3.8
				Respect for property rights	6.6.7
Assessment					
HR10.	CORE	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not reported	Human Rights Due Diligence	6.3 6.3.3
				Human rights risk situations	6.3.4
				Avoidance of complicity	6.3.5
Remediation					
HR11.	CORE	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not reported	Human Rights Resolving grievances	6.3 6.3.6

Society					
Disclosure on Management Approach			Relationship with Society (Approach and Basic Stance) Compliance	Organizational governance Fair Operating Practices Community involvement and development	6.2 6.6 6.8
Performance Indicators					
Local Communities					
S01.	CORE	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Impact is insignificant, due to the nature of our business	Economic, social and cultural rights Community involvement and development Community involvement Social Investment	6.3.9 6.8 6.8.3 6.8.9
S09.	CORE	Operations with significant potential or actual negative impacts on local communities.	Not applicable	Economic, social and cultural rights	6.3.9
S010.	CORE	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not applicable	Prevention of pollution Protection of the environment & biodiversity, and restoration of natural habitats Community Involvement and development	6.5.3 6.5.6 6.8
Corruption					
S02.	CORE	Percentage and total number of business units analyzed for risks related to corruption.	Risk Management IT Governance, Disclosure, and Information Security	Fair Operating Practices Anti-corruption	6.6 6.6.3
S03.	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	Compliance		
S04.	CORE	Actions taken in response to incidents of corruption.	Not applicable		
Public Policy					
S05.	CORE	Public policy positions and participation in public policy development and lobbying.	Not reported	Fair Operating Practices	6.6
S06.	ADD	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not reported	Responsible political involvement Community involvement	6.6.4 6.8.3
Anti-Competitive Behavior					
S07.	ADD	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Not applicable	Fair Operating Practices Fair competition Respect for property rights	6.6 6.6.5 6.6.7
Compliance					
S08.	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	Not applicable	Fair Operating Practices Anti-corruption Respect for property rights Wealth and income creation	6.6 6.6.3 6.6.7 6.8.7

Product Responsibility					
Disclosure on Management Approach			IT Governance, Disclosure, and Information Security Relationship with Customers (Approach and Basic Stance)	Organizational governance Fair Operating Practices Consumer Issues	6.2 6.6 6.7

Performance Indicators					
Customer Health and Safety					
PR1.	CORE	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not applicable, due to the nature of our business	Economic, social and cultural rights Promoting social responsibility in the value chain Consumer Issues	6.3.9 6.6.6 6.7
PR2.	ADD	Total number of incidents of noncompliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not applicable, due to the nature of our business	Protecting consumers' health & safety Sustainable consumption	6.7.4 6.7.5
Product and Service Labeling					
PR3.	CORE	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Relationship with Customers (Accountability to customers)	Consumer Issues Fair marketing, factual and unbiased information and fair contractual practices Protecting consumers' health & safety	6.7 6.7.3 6.7.4
PR4.	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not applicable	Sustainable consumption Consumer service, support and complaint and dispute resolution Education and awareness	6.7.5 6.7.6 6.7.9
PR5.	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Relationship with Customers (Initiatives Make Use of Customer Views)	Consumer Issues Protecting consumers' health & safety Sustainable consumption Consumer service, support and complaint and dispute resolution Access to essential services Education and awareness	6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9
Marketing Communications					
PR6.	CORE	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Relationship with Customers (Building Even Deeper Trust in Relationships with Customers)	Consumer Issues Fair marketing, factual and unbiased information and fair contractual practices Sustainable consumption Consumer service, support and complaint and dispute resolution Education and awareness	6.7 6.7.3 6.7.6 6.7.9
PR7.	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not applicable		
Customer Privacy					
PR8.	ADD	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not applicable	Consumer Issues Consumer data protection and privacy	6.7 6.7.7
Compliance					
PR9.	CORE	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Not applicable	Consumer Issues Consumer service, support and complaint and dispute resolution	6.7 6.7.6

Sustainability Reporting Guidelines & Financial Services Sector Supplement

Item		Indicator	Link
Product and Service Impact (Financial Services Sector Specific Disclosure on Management Approach)			
FS1.	CORE	Policies with specific environmental and social components applied to business lines.	CSR Management (CSR Promotion System)
FS2.	CORE	Procedures for assessing and screening environmental and social risks in business lines.	Not reported
FS3.	CORE	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Compliance
FS4.	CORE	Process (es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	CSR Management (CSR Promotion System) Relationship with Executives and Employees (Human Resources Development and Skill Development)
FS5.	CORE	Interactions with clients/investees/ business partners regarding environmental and social risks and opportunities.	Relationship with Customers (Building Even Deeper Trust in Relationships with Customers) Relationship with Shareholders and Other Investors
Product and Service Impact (Performance Indicators)			
Product Portfolio			
FS6.	CORE	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/large) and by sector.	Daiwa Securities Group Profile Social Responsibilities of the Financial Industry
FS7.	CORE	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Social Responsibilities of the Financial Industry
FS8.	CORE	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Social Responsibilities of the Financial Industry
Audit			
FS9.	CORE	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Corporate Governance
Active Ownership			
FS10.	CORE	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	Not reported
FS11.	CORE	Percentage of assets subject to positive and negative environmental or social screening.	Social Responsibilities of the Financial Industry
FS12.	CORE	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.	Social Responsibilities of the Financial Industry
Society (Performance Indicators)			
Community			
FS13.	CORE	Access points in low-populated or economically disadvantaged areas by type.	Not applicable

FS14.	CORE	Initiatives to improve access to financial services for disadvantaged people.	Relationship with Customers (Building Even Deeper Trust in Relationships with Customers) Relationship with Society (4. Assistance to communities on both the local and the international level through foundations and NPOs)
Product Responsibility (Performance Indicators)			
FS15.	CORE	Policies for the fair design and sale of financial products and services.	Relationship with Customers (Building Even Deeper Trust in Relationships with Customers)
Product Responsibility (Performance Indicators)			
Product and Service Labeling			
FS16.	CORE	Initiatives to enhance financial literacy by type of beneficiary.	CSR Management (CSR Issues: Performance and Targets) Relationship with Society (1. Education and research activities in the fields of economics and finance)

CSR Related Data

Management Report

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2012

Amounts based on resolution of the Compensation Committee	Directors		Corporate Executive Officers		Total	
	Recipients	Amount	Recipients	Amount	Recipients	Amount
	7 persons	¥120 million	12 persons	¥807 million	19 persons	¥927 million

Notes: 1. Performance-based compensation was paid in this fiscal year.

2. The above compensation amounts include a total of ¥102 million in stock acquisition rights granted as stock options to directors and corporate executive officers.

3. Compensation paid to the five outside directors totaled ¥84 million.

4. Seven directors also served as corporate executive officers; their total compensation is included in the "Corporate Executive Officers" category.

Social Report

Companies covered by data

Consolidated: Entire Group

Group of 10 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.

Group of eight 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.

Group of two companies: Daiwa Securities Group Inc., Daiwa Securities Co., Ltd.,

Employees at the Daiwa Securities Group (Consolidated)

(Unit: persons)

	As of the end of FY2011			As of the end of FY2012		
	Employees	FA ^{*1}	Temporary employees	Employees	FA ^{*1}	Temporary employees
Male	7,662	81	—	7,452	71	—
(Career track ^{*2})	7,076	—	—	7,011	—	—
(Managers)	3,754	—	—	3,773	—	—
Female	4,348	166	—	4,117	122	—
(Career track ^{*2})	2,374	—	—	2,360	—	—
(Managers)	170	—	—	190	—	—
Japan total	12,010	247	471	11,569	193	391
Overseas	2,175	—	157	1,664	—	88
Total	14,185	247	628	13,233	193	479

*1 Financial advisors

*2 Includes regional career-track employees and specialist positions

Number of New Graduates Recruited by the Daiwa Securities Group

(Unit: persons)

		April 2011	April 2012	April 2013
Career-track employees/regional career-track employees	Male	245	186	296
	Female	201	168	227
Total		446	354	523

This data pertains to eight group companies

Workforce Statistics

(Unit: yen/years)

	FY2010	FY2011	FY2012
Average annual salary [*]	8.50 million	8.11 million	8.88 million
Average age	37.1	39.9	40.5
Average number of years of service	12.2	13.7	14.3

This data pertains to Daiwa Securities Group Inc. only

Numbers include additional posts at Daiwa Securities Co., Ltd

* Average annual salary includes bonuses and other remuneration

Re-employment under the Daiwa Master System

(Unit: persons)

	FY2010	FY2011	FY2012
No. of employees hired under the Daiwa Master System	58	63	61

This data pertains to two Group companies

Employment Rate for Persons with Disabilities

(Unit: %)

	As of the end of FY2010	As of the end of FY2011	As of the end of FY2012
Employment Rate for Persons with Disabilities	2.07	2.09	2.08

This data pertains to 10 Group companies

Achievements of Selected Participants in Management Training

(Unit: persons)

Daiwa Management Academy: Eligible for Department managers	FY2010	FY2011	FY2012
Number of trained (cumulative)	248	269	291
Daiwa Leadership Program: Eligible for Deputy general managers	FY2010	FY2011	FY2012
Number of trained (cumulative)	568	599	631

This data pertains to 10 Group companies

Participants in Business Skill Training

(Unit: persons)

	FY2010	FY2011	FY2012
Number finishing program (cumulative)*	1,916	2,469	2,862

This data pertains to eight Group companies. Three companies Daiwa Securities Group Inc., Daiwa Securities, Daiwa Securities Capital Markets is as of FY 2011. Daiwa Securities Capital Markets is integrated in Daiwa Securities in April 2012

* The number of people completing presentation training, coaching training, negotiation skills training, communication training, logical thinking training, and facilitation training

Persons Earning Credentials*1

(Unit: persons)

Credentials	As of March 31, 2011	As of March 31, 2012	As of March 31, 2013
Associated Financial Planner (AFP)	4,981	5,255	5,183
Certified Financial Planner (CFP)	360	452	566
Chartered Member of the Securities Analysts Association of Japan(CMA)	1,414	1,440	1,446
Chartered Financial Analyst (USA credential)	43	41	42
TOEIC (730-990) *2	1,127	1,249	1,593
Overseas MBA program graduate, etc.	165	158	154

*1 This data pertains to 10 Group companies (based on declaration from employees)

*2 Data as of March 2012 includes some group companies that did not conduct summary count

Successful Applicants in Internal Recruiting System

(Unit: persons)

Held	Positions offered	No. of applicants	No. of 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, product development, proposals and planning, investment advisors, investment information, pension consultants, etc.	904	146

This data pertains to 10 Group companies

Working Hours and Paid Vacation Usage Rate

	FY2010	FY2011	FY2012
Annual regular working hours (hours)	1837.5	1822.5	1837.5
Average monthly overtime hours (hours)*1	24.0	25.1	25.7
Paid vacation usage rate (%)	54	49	48
Paid vacation usage rate (%) (including special summer vacation)*2	58	54	52

This data pertains to two Group companies

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

*2 In addition to annual paid vacation, the Daiwa Securities Group offers three days of special summer vacation. These figures show 52% usage rate for annual paid vacation when special summer vacation is included in FY2012

Employee Welfare System Usage

(Unit: persons)

		FY2010	FY2011	FY2012
Number of employees taking childcare leave*	Female	326	396	436
	Male	26	12	17
Number of employees taking nursing care leave	Female	5	8	8
	Male	1	0	0

This data pertains to all consolidated Group companies

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

Main Initiatives for Work-Life Balance and Female Employee Support Plan

Program name	Program description
Professional Return Plan (rehiring of sales staff)	Offers opportunities for re-employment to former full-time employees who left their jobs after marriage or childbirth.
Job Location Change System*	Offers a position in a new location when an employee must relocate after marriage or spouse's job transfer.
Childcare leave	Employees can take childcare leave until their child's third birthday.
Exemption from or restricted overtime work	Employees can apply for an exemption from overtime work until their child completes the third grade of elementary school. Employees can also apply for restricted overtime work until their child completes elementary school.
Daycare subsidy	The company offers subsidies for daycare expenses until the employee's child begins elementary school.
Expanded leave system	The company encourages employees to take paid vacation and has introduced leave for marriage preparations or "family day" leave to give employees a chance to spend quality time with their families.
Follow-up on program use	The Personnel Department keeps track of individual employees' childcare-related schedules and notifies them of programs available at the appropriate time.
Support after returning to work	Enables employees to return to work after a period of childcare leave. The return to work guidelines were revised in fiscal 2011. 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.

* Number of employees using the program at Daiwa Securities as of FY2012 end, 106 (cumulative)

Female Employees and Managers at the Daiwa Securities Group

(Unit: %)

	As of the end of FY2010	As of the end of FY2011	As of the end of FY2012
Percent of employees who are female	36.7	36.2	35.6
Percent of managers who are female	4.1	4.3	4.8

This data pertains to all consolidated Group companies.

Number of Employees' Union Members

(Unit: persons)

	As of the end of FY2010	As of the end of FY2011	As of the end of FY2012
Employees' union membership	7,590	6,907	6,490

Of the eight Group companies (this does not include Daiwa Asset Management Co., Ltd., which has its own employees' union, and Daiwa Property Co., Ltd., which has no employee union)

Corporate Citizenship Initiatives and Expenditures

Expenditure (Unit: ¥1,000)

Type of Activity	FY2010	FY2011	FY2012
1. Economy and Finance Education Initiative (Universities, Graduate Schools and industry-academia partnership)	73,249	65,435	63,525
2. Contributing to communities	7,464	31,053	2,328
3. Culture and Arts	410,132	269,869	272,500
4. Donation and Grant to NGOs and foundations (include membership dues and reconstruction support)	184,807	133,457	165,851
Total	675,652	499,814	504,204

Results in Economic and Financial Education

Program	Duration	Participants
Support for Finance Park	June 2005–March 2013	39,185 persons
Support for Japan Council for Economic Education (CEE-Japan)	January 2009–March 2013	1,450 persons
Sponsorship of JA's mainstay Global Leadership Forum for elementary and junior and senior high school teachers	July 2001–March 2011	3,182 persons
Support for the Student Company Program (SCP)	September 2003–March 2011	174 persons

Environmental Report

Energy Consumption

		FY2010	FY2011	FY2012
Domestic offices	Electricity (1,000 kWh)	109,157	93,402	76,247
	Natural gas (1,000 m³)	696	582	503
	Gasoline (kiloliters)	1,137	1,117	1,111
	Heavy oil (kiloliters)	8.6	7.9	10.8
	Diesel fuel (kiloliters)	0.2	0.1	0.1
Overseas offices	Electricity (1,000 kWh)	13,137	15,841	13,566

This data pertains to all consolidated Group companies

At overseas offices, only electricity consumption was calculated

CO₂ Emissions from Energy Consumption

(Unit: 1,000 kg-CO₂)

		FY2010	FY2011	FY2012
Domestic offices	Electricity	60,582	51,838	42,317
	Natural gas	1,448	1,210	1,147
	Gasoline	2,639	2,593	2,579
	Heavy oil	25.7	23.7	32
	Diesel fuel	0.6	0.2	0.2
	Total for domestic offices	64,696	55,665	46,075
Overseas offices	Electricity	7,291	8,792	7,529
Total for domestic and overseas offices		71,694	64,457	53,604

CO₂ Emissions per Employee (Domestic)

(Unit: 1,000 kg-CO₂)

	FY2010	FY2011	FY2012
Per employee	5.0	4.5	3.9
Number of employees in Japan	12,868 persons	12,257 persons	11,762 persons

Changes in Clean Water Consumption

(Unit: 1,000 kl)

	FY2010	FY2011	FY2012
Consumption volume	188	162	130

Volume of Copy Paper/Forms Used

(Unit: 1,000 kg)

	FY2010	FY2011	FY2012
Daiwa Securities Group Inc.	11	24	28
Daiwa Securities	325	303	374
Daiwa Securities Capital Markets	132	95	—
Daiwa Institute of Research Group	77	84	59
Daiwa Asset Management	50	35	23
Daiwa Business Center	35	31	36
Daiwa SB Investments	28	28	28
Daiwa Property	3	3	3
Daiwa Sanko	3	3	1
Daiwa Corporate Investment	6	6	7
Other	22	16	20
Copy paper total	691	629	578

This data pertains to consolidated Group companies

Daiwa Securities Capital Markets is integrated in Daiwa Securities in April 2012

Changes in Waste Generated and Recycling Volume

		FY2010	FY2011	FY2012
Paper waste	Amount generated (1,000 kg)	751.0	601.0	361.9
	Recycling rate (%)	96	88	88
Non-paper waste	Amount generated (1,000 kg)	335.9	390.4	276.0
	Recycling rate (%)	33	37	43

Calculated based on the Reuse Plan for Large-Scale Buildings Used for Business, as specified by each local government

Economic Report

Segment Information

(Unit: ¥ million)

	FY2012	
	Net Operating Revenues	Ordinary Income
Retail	184,415	49,251
Wholesale Division	133,109	12,034
Asset Management	43,591	19,089
Investment	17,495	14,161
Others	26,862	(4,302)
Total (unadjusted)	405,474	90,234
Adjustment	11,834	4,941
Consolidated total	417,308	95,176

Due to a change in the method of classification of reportable segments from 2012, described only a single year

Changes in Distribution of Economic Value to Stakeholders

(Unit: ¥ million)

Stakeholders	FY2010	FY2011	FY2012	Tabulation method
Executives and employees	160,234	158,297	156,987	Personnel costs within selling and general administrative expenses
Society	560	475	504	Expenditure for corporate citizenship activities (p48)
Dividends to shareholders	10,386	10,281	10,281	Interim and year-end dividends for the fiscal year
Creditors	35,642	39,082	48,471	Interest expense and interest paid on non-operating expenses
Government	16,755	30,980	18,296	Income taxes, resident and business taxes, deferred income taxes, other taxes and duties
Minority shareholders	(6,907)	(1,838)	7,203	Minority shareholder profit/loss
Internal reserves	(47,717)	(49,715)	62,628	Balance after deducting dividends for the term from net income for the fiscal year
Total economic value	168,953	187,562	304,370	Total of the above

Comparison of Economic Report and Consolidated Financial Statements

(Unit: ¥ million)

		FY2010	FY2011	FY2012
Economic Report	Economic Report revenues	427,755	474,839	549,664
	Economic value	168,953	187,562	304,370
Consolidated financial statements	Operating revenues	403,042	422,374	525,411
	Net income/loss	(37,331)	(39,434)	72,909

This data pertains to consolidated Group companies

Glossary

BCP

Business Continuity Plan

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

Compliance

Legal compliance

Corporate governance

The mechanism that allows for sound and efficient corporate management

CS

Customer Satisfaction

CSR

Corporate Social Responsibility

Due Diligence

Duty of a firm's directors and officers to act prudently in evaluating associated risks and negative impacts in transactions

ESG

Environment/Social/Governance

Green procurement

To buy environmentally-friendly products for reducing environment load of producers

GRI

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

IFFIm

International Finance Facility for Immunisation

Impact Investment

A form of investment which pursues financial profit while also working to resolve social issues such as poverty and environmental protection'

IR

Investor Relations

ISO14001

A global standard for Environmental Management Systems (EMS). The goal of the ISO14001 standard is to give the top management of any organization a framework for managing environmental impacts

ISO26000

A worldwide standard that provides guidance for social responsibility of organizations

Low Carbon Society

A society that carbon dioxide emissions is less

Microfinance

A form of financial services for the poor entrepreneurs and small businesses lacking access to banking and related services

NPO/NGO

Non Profit Organization/Non Governmental Organization

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

Aims to expand investment and financing with the environment in mind, formulated as voluntary efforts of financial institutions in Japan

Principles for Responsible Investment (PRI)

PRI is a set of six principles launched by the UNEP Finance Initiative and the UN Global Compact in April 2006. This initiative asks corporate investors to incorporate ESG into their investment decisionmaking practices

Recycle

To put or pass through a cycle again, as for further treatment

Reduce

To bring down, as in extent, amount, or degree; diminish of off-scourings and waste materials

Reuse

The act or process of using again

SRI

Socially Responsible Investment—An investment that is considered governance socially, environmentally responsible because of the nature of the business the company conducts

Stakeholders

A person, group or organization that has interest or concern in an organization

Thin client

A technology for the storage and administration of the totality of data on a single server instead of having individual employees control application software and files distributed among various terminals. This can streamline administration processes and costs while reducing operational risks

TSR

Telephone Service Representative — Telephone Operator with the expertise

UN Global Compact

The UN Global Compact was established in 2000 under the UN secretariat after an initiative launched in 1999 by then-Secretary General Kofi Annan. The membership consists of global corporate leaders who are expected to align their business practices with ten principles in the fields of human rights, labor, environment, and anti-corruption in their business activities, in partnership with UN agencies, labor, and civil society. Signatory members are required to implement these principles with a top management commitment

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a partnership between the United Nations Environment Programme, which is a UN organization, and financial institutions around the world. Based on the recognition that the money handled by the financial industry has a major impact on the world, this initiative pursues better ways of doing business, taking into account the environment and sustainability, and seeks to spread and encourage this commitment

United Nations Millennium Development Goals (MDGs)

The MDGs consist of eight goals that 189 representatives from UN Member States, including 147 heads of state, participating in the UN Millennium Summit held in New York in September 2000, designated as 21st century goals for the international community. It aims to achieve numerical goals in eight fields such as Poverty alleviation, education and public healthcare and so on by 2015

Value Chain

Interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage

Work-Life Balance

Balance between an individual's work and personal life

Daiwa Securities Group

