

CSR Report

2014

Contributing to Sustainable Development

What we can do


What will the world be like in 20 years from now, when these babies are adults?

Imagine a society where people live happily in harmony with our Earth's abundant nature.

At the Daiwa Securities Group, we are determined to fulfill our responsibilities as individuals and as a company to create a sustainable society.


The smiles of these infants—all children of Daiwa Securities Group employees—express our hopes for a bright future.





Shigeharu Suzuki
Chairman of the Board
Daiwa Securities Group Inc.

鈴木茂隆



Takashi Hibino
President and CEO
Daiwa Securities Group Inc.

比野隆司

To Our Stakeholders

The Daiwa Securities Group recognizes its responsibility, as a corporate member of society, to contribute to the sustainable development of society as well as the economy through its activities in financial and capital markets. Under our current Medium-Term Management Plan, “Passion for the Best” 2014, our transitional process from “Growth” phase in FY2013 to “Expansion” phase in FY2014 is positioned as a milestone for us to fulfill this responsibility.

The balance of household financial assets in Japan is currently estimated at some ¥1,600 trillion, and these assets are gradually being shifted “from savings to investment.” The Daiwa Securities Group aims to facilitate this shift by cultivating and expanding its client base. By helping growth-oriented companies and public-sector organizations to tap into the vast supply of capital formerly tied up in savings deposits, the Group hopes to invigorate the Japanese economy while also establishing a customer base that can support the Group’s own long-term growth.

The Group is also developing and marketing new financial products, such as “impact investment bonds,” which can

generate attractive returns while also making a positive social or societal contribution, such as alleviating poverty or elevating the status of women in developing countries. In this way, Japanese investors can make a meaningful contribution to the resolution of global issues. The Daiwa Securities Group will continue its efforts to develop innovative financial products and services that seek to use investment activity as a means to address social concerns.

In FY2014 – the final year of our current Medium-Term Management Plan – the Daiwa Securities Group will continue its efforts to expand client-based high-quality earnings in order not only to secure sustainable growth, but also to contribute to vibrant sustainable economic and social conditions. We believe that the Group can enhance its corporate value by promoting a society of sustainable growth. All executives and employees of the Group are united in their passion to realize a future in which everyone can take pride.

As we work toward achieving this goal, we kindly request the continued support and understanding of all stakeholders.

Message from the CEO



Earnings at the Daiwa Securities Group rose sharply in FY2013, and while the Group received benefits from favorable market conditions during the period, the strong performance was also a testament to the steady progress that the Group has made in implementing the current Medium-Term Management Plan. The stated goal of our strategy is “to establish a robust business structure capable of securing profit even under stressful economic conditions.” FY2014 is the final year of the current Medium-Term Management Plan. By taking the lead in the dynamic shift of Japanese household assets “from savings to investment,” which is set as a core management strategy, the Group will move into a new phase of the Medium-Term Management Plan: “Expansion for Sustainable Growth.”

In April 2012, the Daiwa Securities Group merged its two main subsidiaries, which formerly exercised separate control over the Group’s Retail securities business and its Wholesale securities business, to establish a unified “new Daiwa Securities.” The Group also launched its Medium-Term Management Plan covering the period from FY2012 to FY2014 at the same time. Based on the outline of the Medium-Term Management Plan, we have been making efforts to “establish a robust business structure capable of securing profit even under stressful economic conditions.” In FY2012, the Group returned to profitability in line with the “Turnaround” phase of the plan. In FY2013, we took the next step by introducing strategies aimed at “Growth.”

Business conditions in FY2013 got off to a positive start, as the Bank of Japan introduced both quantitative and qualitative monetary easing policies from April 2013 which led to a weak yen and higher stock prices. Although there have been occasional periods of instability in the Japanese equity market, there was a sharp increase in trading activity in Japanese

equity markets on the back of expectations for ending the deflationary cycle by the government’s economic policies (often referred to as “Abenomics”) and the strong US economy.

Against this backdrop, net operating revenues at the Daiwa Securities Group rose 29.9% year on year, to ¥541.9 billion, ordinary income more than doubled, to ¥197.0 billion, and net income grew 132.4%, to ¥169.4 billion. Net income thus reached its highest level in 24 years, and ordinary income far surpassed the ¥120 billion target set for FY2014, the final year of the current Medium-Term Management Plan. While favorable market conditions contributed to earnings growth, much of the improvement was a result of factors specific to the Daiwa Securities Group. Changes made to the Group’s organizational structure and business strategy with the launch of the “new Daiwa Securities” began to take effect even before the positive boost provided by Abenomics. These measures reduced expenses and placed priority on the development of client-based high-quality earnings. Earnings results for FY2013 clearly illustrate the success of Group efforts to “establish a robust business structure.” Indeed, the Group’s fixed cost coverage ratio reached 52%, surpassing the 50% target level, a year ahead of schedule. This ratio is the most important key performance indicator set in the current Management Plan.

In FY2014, the Group has moved into the “Expansion” phase of its current Medium-Term Management Plan. The new tax exemption scheme for investments by individuals, NISA (the Nippon Individual Savings Account) launched in January 2014, is expected to have a positive impact on the shift “from savings to investment.” The Daiwa Securities Group as a whole will step forward to accomplish sustainable growth with its primary focus on both expanding its client base and increasing client-based high-quality earnings

Takashi Hibino
President and CEO
Daiwa Securities Group Inc.

Message from the Chairman



The Daiwa Securities Group is rooted in the four corporate principles of “building trust,” “placing importance on personnel,” “contributing to society,” and “securing sound profits.” As the foundation from which we conduct business, these corporate principles express our deeply engraved spirit and core business values that allow us to participate in financial and capital markets with pride and integrity.

Under these principles, we have spared no effort to create an organization where each member of the Group can feel a sense of high job satisfaction, by promoting a higher dimension of work-life balance and thorough compliance education, in our aim of being a highly sustainable company that does not succumb to chasing near-term profits. The greatest competitive advantages we have are the sense of unity and trust across the entire Daiwa Securities Group, as well as the high level of loyalty and professionalism among management and employees regardless of gender.

After a prolonged slump, the Japanese stock market finally started to undergo a massive transformation when the Abe administration came to power in December 2012. This transformation brings not only business opportunities for the Daiwa Securities Group to achieve sustainable growth, but also opportunities to contribute to the realization of a sustainable society through our core business activities. To lead the transition “from savings to investment,” the Daiwa Securities Group has set a goal for all of its managers and employees to be the most reliable partner in the formation of assets for customers, as it accelerates management initiatives centered on its corporate principles.

Shigeharu Suzuki

Chairman of the Board
Daiwa Securities Group Inc.

Editorial Policy

We at the Daiwa Securities Group have commenced publishing CSR report annually since 2002 for the following two objectives: to disclose our CSR activities supporting the creation of a sustainable society and to evaluate current state of affairs and the challenges we face.

In CSR Report 2014, we intend to disclose information for our stakeholders proactively together with our Annual Report, with which we envisage our CSR report evolves to be integrated in the future.

Our CSR Report 2014 is only released on our website, as we believe our Annual Report 2014 contains the essential parts of our ESG activities. It is produced referring the guidelines of the global reporting initiative (GRI) and ISO 26000. As for GRI Guidelines, we refer to its version 3.1, while taking into consideration of adopting version 4 of the guidelines. We aim to the report more accessible utilizing the concept of Color Universal Design in selecting the colors of the document.

Intended Readership

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

Reporting Boundary

This report generally discusses the principal companies of the Daiwa Securities Group. It does not, however, include all data from the Group's principal companies on items reported. The information is selected based on the respective companies' size and type of business. Each set of the data specifies the scope of coverage.

Period Covered by Report

Fiscal 2013 (April 1, 2013 to March 31, 2014)

The report, however, also includes some information on events and activities carried out prior to the beginning of or after the end of fiscal 2013, or scheduled to take place during fiscal 2014.

Date of Publication

October 2014

(The previous report was published in October 2013; the next report is planned for October 2015.)

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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)**
13,317
- **Number of consolidated subsidiaries**
49
- **Number of equity-method affiliates**
8
- **Shares issued and outstanding**
1,749,378,772
(As of March 31, 2014)

Description of the Daiwa Securities Group's Businesses

The Daiwa Securities Group is a financial services group and operates in such fields as Retail, Global Markets, Global Investment Banking, Asset Management and Proprietary 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 135 branches,* contact centers 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

It provides brokerage and trading services of securities and other financial products mainly to institutional investors.

3. Global Investment Banking Division

Through capital raising, it supports industrial corporations, financial institutions and others in their business expansion and making and carrying out their financial and capital strategies.

4. Asset Management Division

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

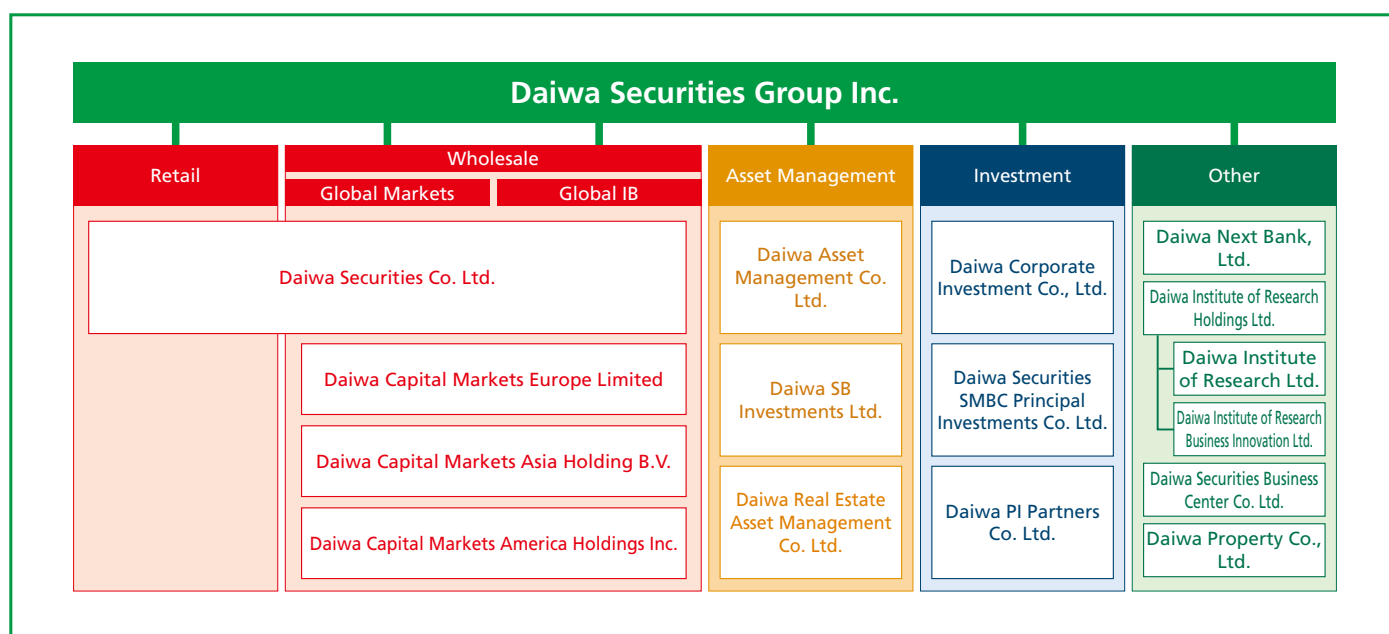
5. Investment Division

It 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. Other

The Group provides information via research reports, consulting, IT services, and other services to institutional investors, industrial corporations, financial institutions, and public organizations in Japan and overseas.

* As of June 30, 2014



Daiwa Securities Group Corporate Principles and Key Issues

We at the Daiwa Securities Group believe that our business activities like providing financial advices and investment banking play important functions in development of society and economy, and regard them as our mission. To continue to fulfill them whilst expanding our business, we trust that it is essential maintaining close ties with our stakeholders.

Corporate Principles of the Daiwa Securities Group

Building trust

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

Placing importance on personnel

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

Contributing to society

The Daiwa Securities Group will seek to benefit the economy and society through the development of sound 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 robust earnings results

The Group will always seek to develop sound 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 robust returns for shareholders.

Key Issues for the Daiwa Securities Group

To achieve its corporate principles and realize a sustainable society, the Group has addressed the following two key issues based on the inputs we have received from our stakeholders.

1. Leveraging financial capabilities to contribute to a sustainable society

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

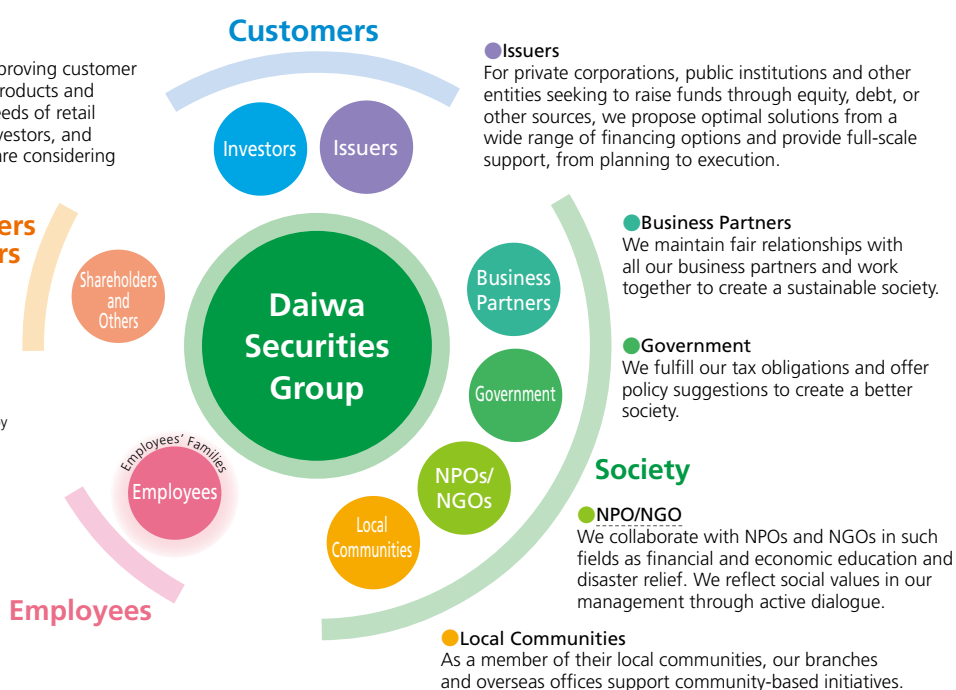
We believe keeping each of our employees motivated and proud of his/her work is essential for tackling these key issues.

Thus in addition to these two key issues, the Group strives to create a rewarding workplace in which our employees can take pride.

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

Daiwa Securities Group Stakeholders

- **Investors**
We are committed to improving customer satisfaction by offering products and services that meet the needs of retail investors, institutional investors, and potential investors who are considering investing in the future.
- **Shareholders and Others***
To earn the confidence of our shareholders, we aim to provide fully transparent information disclosure, and meet their expectations by continually creating value.
- * Including investors holding bonds issued by the Daiwa Securities Group
- **Employees**
We are endeavoring to create a workplace where our employees, who create added value for all other stakeholders, are fully motivated and can find satisfaction in their work and lives. Our employees' families are also important stakeholders.



Verification of CSR Key Issues and Responses to Changing Social Requirements

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

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

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

Important external initiatives for the Daiwa Securities Group

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

Human Rights



Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour



Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment



Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption



Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

● ISO 26000

● The Charter of Corporate Behavior of the Nippon Keidanren (Japan Business Federation)

Given their global importance, we also plan to implement the following principles and guidelines, giving consideration to their relationship to the business activities of our Group.

● The United Nations Guiding Principles on Business and Human Rights

● The OECD Guidelines for Multinational Enterprises

Communication with Daiwa Securities Group stakeholders

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

- The Daiwa Securities Group will strive to maintain two-way communication with a broad range of stakeholders based on ISO 26000 and the Charter of Corporate Behavior of the Nippon Keidanren.
- The Group will strive to deepen communication with stakeholders already known to us, including customers, shareholders and other investors, business partners, employees and local communities.
- The Group will strive to communicate actively with third-parties in order to identify other stakeholders.

Initiatives through Business Activities

• Approach and Basic Stance •

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

Deepening the bond of trust we share with our stakeholders is essential to the perpetual accomplishment of our mission and achievement of growth.

● Role and Social Responsibilities of the Financial Services

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

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

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

On investing in corporate shares, the Daiwa Securities Group promotes methods of investing that take into account a company's social responsibility (CSR), such as its environmental and social initiatives, in addition to financial information. In recent years, the Group has concentrated on the composition and sale of financial products based on an investment strategy called "Impact Investment," where investments are directly made in organizations that use the funds to solve social problems.

From its position as a financial institution, the Daiwa Securities Group is endeavoring to contribute to society by developing and marketing these products. In addition to pursuing economic gain, the Group is dedicated to resolving a host of social issues.

● Mission for Financial Institutions toward Solving the Global Social Issues

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

On the basis of this belief, the Daiwa Securities Group has joined the Principles for Responsible Investment (PRI) and the Carbon Disclosure Project (CDP) to fulfill our role as a member of the international community.

In January 2010, the Daiwa Securities Group became the first Japanese financial services group whose staple is securities business to be a signatory of the United Nations Global Compact (GC), a platform to help companies that have committed to sustainable and responsible business practices shape their policies. Further, in line with the United Nations Millennium Development Goals (MDGs), the Group is endeavoring to formulate and market 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. They were tasked with drafting a Japanese version of Principles for Environmental Financial Action. This was based on a recommendation issued by Japanese Ministry of Environment's Central Environment Council with the objective of promoting environmental finance. Each signatory institution is expected to endeavor reflecting ESG (environment, society and governance) issues and concerns to its own business practices. The Group was instrumental in the establishment of the principles from the drafting stage to the final framework. Both Daiwa Securities Group Inc. and Daiwa Asset Management became signatories in November 2011.

● Promotion of Impact Investment

Impact Investment bonds

Compared to typical forms of SRI, Impact Investment focuses more on investments that have direct impacts on society, addressing environmental destruction on a global scale, poverty in developing countries, and other issues. It is a method that not only pursues economic benefits, but is also a way to allocate assets solely to activities targeted at resolving social issues, such as poverty and climate change.

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

In FY2013, Daiwa Securities sold Impact Investment bonds worth ¥115.2 billion in issues for nine transactions. Cumulative offerings in

Japan totaled ¥957.8 billion as of March 31, 2014, of which Daiwa Securities has placed ¥565.4 billion in Impact Investment bonds, for a share of 59% (Source: Daiwa Securities).

Lead manager for JICA Bonds sold to individual investors for three consecutive years / Joint seminars

Japan International Cooperation Agency (JICA) Bonds for individual investors are Impact Investment bonds available from only a few issuers in Japan. They mainly provide retail investors with an opportunity to invest in international cooperative activities undertaken by JICA.

Since December 2011, JICA has issued bonds for individual investors every year, and did so again in December 2013. Daiwa Securities has been one of the lead managers for JICA Bonds for three years straight, ever since the initial issuance, helping promote awareness of and the sale of the bonds.

In FY2013, we held seminars jointly with JICA at multiple branch offices coinciding with the issuance of new JICA Bonds, giving presentations about the current status of Impact Investment bonds and JICA's activities.

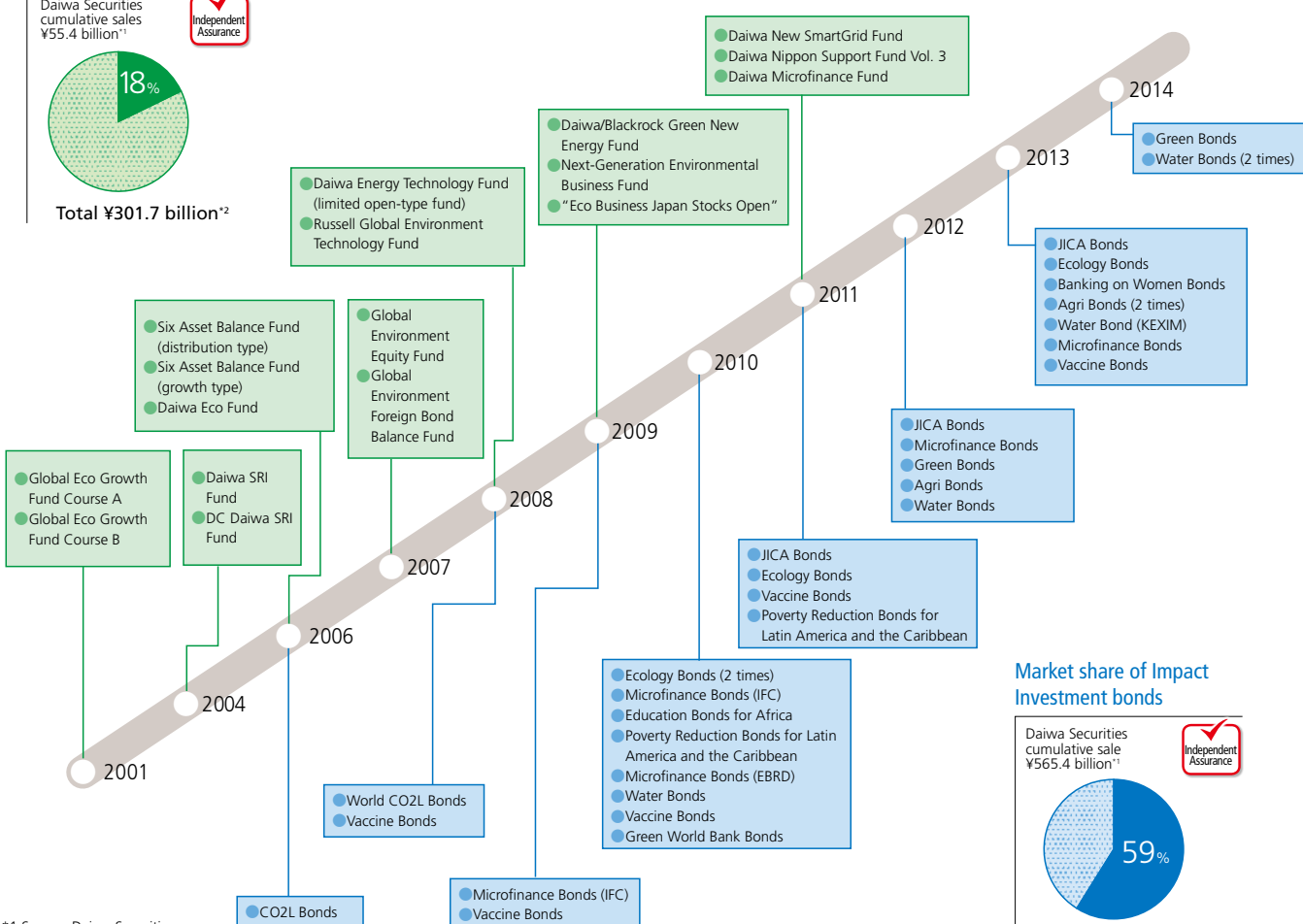
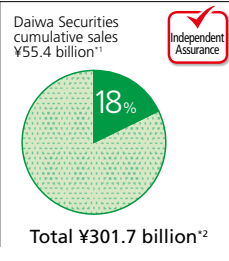
First-ever sale of IFC Banking on Women Bonds

In November 2013, we underwrote and placed to retail investors the Banking on Women Bonds, issued by the International Finance Corporation (IFC). Proceeds of the bonds are used by the IFC to provide financing for female entrepreneurs in emerging countries. These bonds were the first of their kind in Japan.

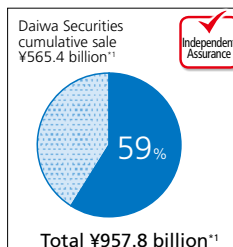
In June 2013, before the Banking on Women Bonds were issued, the IFC, Daiwa Securities Co. Ltd. and Japan Sustainable Investment Forum (JSIF) jointly sponsored a seminar about supporting the empowerment of women in Africa and impact investment. At the seminar, panel discussions and lectures introduced examples of BOP businesses in Africa and businesses managed by women, both of which are relatively unknown in Japan.

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

Market share of SRI funds



Market share of Impact Investment bonds



*1 Source: Daiwa Securities

*2 Source: Daiwa Fund Consulting Co. Ltd.
(As of the end of March 2014)

Socially Responsible Investment (SRI) Funds



SRI funds are managed by evaluating and selecting stocks and bonds for their issuers' social and environmental efforts, business ethics, and other nonfinancial performance aspects, as well as their level of sales and profit. These include eco-funds, for which nonfinancial criteria used in evaluation 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 ¥55.4 billion at the end of March 2014 (Source: Daiwa Securities).

Daiwa Microfinance Fund:

Lending to microfinance institutions (MFIs)

The Daiwa Microfinance Fund was launched on March 1, 2011 in order to support MFIs in developing countries financially by direct lending and other measures. DWM Asset Management Inc., which specializes in the microfinancing, provides portfolio management advisory services to the Fund. The Fund is lending to six MFIs as of March 2014.

As a Responsible Institutional Investor

Adoption of "Japan's Stewardship Code"

In February 2014, Japan's Financial Services Agency (FSA) announced the "Principles for Responsible Institutional Investors, also known as "Japan's Stewardship Code." The code was drawn up to promote sustainable growth of businesses, in response to "The Japan Revitalization Strategy," which was approved by Cabinet on June 14, 2013, through constructive dialogue between businesses and various types of institutional investors whilst the latter fully fulfilling their fiduciary duties. The stewardship for institutional investors signifies careful management of assets for the maximum benefit of clients and beneficiaries and taking action to promote sustainable growth of companies invested in.

The Chief Investment Officer (CIO) of Daiwa Asset Management participated in the process of drawing up the Code as a member of the "Council of Experts Concerning the Japanese Version of the Stewardship Code" established by the FSA, and the company announced its adoption of the Code in May 2014.

Daiwa Securities and Daiwa SB Investments also declared compliance with the Code, striving to take initiatives to fulfill their stewardship responsibilities, such as further engagement in dialogue with investees.

Initiatives for ESG investment

Daiwa Asset Management and ESG investment

Daiwa Asset Management has placed personnel in charge of ESG within the Fund Management Division to promote ESG investment in an organized manner as a signatory member of both PRI and the Principles for Financial Action for the 21st Century. In addition, in engagement with investees through, inter alia, meetings with their management and voting at their AGMs, we encourage them to be aware more of ESG issues and concerns and to adapt themselves appropriately. Meanwhile, we have been providing training and seminars within the company in order to raise understanding and awareness of ESG investment among executives and employees. Moreover, we have introduced appropriate topics regarding ESG investment at the training sessions for companies marketing our investment trusts.

As recent initiatives, coinciding with the introduction of JPX-Nikkei Index 400, a new stock index on January 6, 2014, Daiwa Asset Management set up Daiwa JPX-Nikkei 400 Fund on January 6, Daiwa Index Select JPX-Nikkei 400 on January 31 and Daiwa ETF JPX-Nikkei 400 on March 26. These new funds were launched to track the new index. The selection criteria of the index constituents include ROE levels, corporate governance and information disclosure. Thus, through management of these new investment trusts, we expect to be able to help improve the capital efficiency of Japanese companies and the level of their corporate governance cumulating into sustainable improvement of corporate value and bolstering the stock market.

Daiwa SB Investments and ESG

Daiwa SB Investments signed PRI in 2012. 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.

Daiwa Asset Management and Cluster Munitions

Keeping up with 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 introduced 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 actively managed 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.

Support for the creation of our future society

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 signed a memorandum of understanding pertaining to cooperation toward establishing a securities exchange and supporting the development of a capital market in Myanmar in May 2012. A major component of the memorandum is the establishment of a securities exchange in 2015. The bourse is expected to provide companies in Myanmar fund-raising opportunities while facilitating investors' wealth creation. In the ensuing period, DIR has put in place a variety of measures, such as providing recommendations to government officials, holding seminars in Myanmar, and accepting trainees.

On April 8, 2013, DIR and ACE Data Systems Ltd. (ACE), one of a small number of leading IT companies in Myanmar, jointly established DIR-ACE Technology Ltd. to provide IT services in Myanmar. ACE offers services related to banking systems in Myanmar. DIR has been building a cooperative relationship with ACE since December 2010, primarily through the outsourcing of systems development in securities operations.

On May 31, 2013, DIR signed a Memorandum of Understanding (MOU) with the Central Bank of Myanmar regarding IT support, and DIR has provided PCs and a cloud computing environment to the central bank. DIR plans to provide an additional 1,000 PCs or more, enough for almost every employee at the central bank. Moreover, an agreement has been reached for deploying a state-of-the-art modular data center in Yangon City, Myanmar.

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



Signing ceremony held on May 31, 2013

Establishment of Nippon Healthcare Investment Corporation, Japan's First Investment Corporation (REIT) Specializing in Healthcare Facilities

In January 2014, in response to the progressive aging of society, Daiwa Real Estate Asset Management Co. Ltd. established Nippon Healthcare Investment Corporation as the first REIT in Japan specializing in healthcare facilities. The advisor is AIP-Japan GK, an

investment fund manager with experience in real estate investment in healthcare and nursing care facilities. The REIT's initial size of assets under management was approximately ¥9 billion, including paid retirement housing, serviced residential facilities for the elderly, hospitals and comprehensive outpatient facilities. The REIT launched operations in March 2014 and is looking to be listed on the Tokyo Stock Exchange.

Initiatives for the "Data Health Plan"

Due to a rapidly aging population combined with a falling birthrate, Japan's medical costs have been surging and insurance premium revenues have been falling in recent years, leading to a serious deterioration in the finances of the country's health insurance programs. Under such circumstances, "The Japan Revitalization Strategy," which was approved by Cabinet in June 2013, incorporated the goal of "extending the nation's healthy life expectancy." The government states that "it will require all the health insurance associations followings: to analyze data such as medical information on health insurance claims and medical check-ups of their members, and, utilizing such analysis, to develop, announce, implement and evaluate a project program called "Data Health Plan" to maintain and improve their members' welfare.

Meanwhile, Daiwa Institute of Research Business Innovation provides data processing systems to more than 400 of Japan's roughly 1,400 health insurance associations. It has built and started offering information analyzing systems based on a database of medical information on approximately 7.5 million people accumulated from the business.

Daiwa Institute of Research Business Innovation's medical information database plays a crucial role for the promotion of this Data Health Plan because data analysis is essential for the plan. We will utilize the business base and medical information database it has built by providing data processing systems to these associations, thereby helping facilitate their making of Data Health Plans. We will continue to carry out initiatives of social significance, such as presenting the government with measures to improve welfare and to reduce medical expenses.

Fund Established to Support Unlisted Companies in Disaster-Stricken Areas

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

growth in the companies targeted by the Fund by leveraging the Daiwa Securities Group's far-reaching network and by working closely with the Organization for Small & Medium Enterprises and Regional Innovation and regional financial institutions.

Investments have already been made for rebuilding companies affected by the natural disaster in the seafood processing and shipbuilding industries, as well as for venture companies spun off from universities in the fields of completely artificial lighting plant nurseries and the development of new next-generation materials for hard wiring. We convey to local governments and the Tohoku branches of central government agencies the opinions and requests of companies invested in by the Fund as well as investment candidate companies. We focus on accelerating growth at venture companies and the rebuilding of companies affected by the natural disaster by explaining to investees ways to utilize business matching schemes and expert assistance systems provided by the national government, as well as the policies of public institutions and their various forms of assistance.

ESG IR events and ESG seminars

In response to growing awareness of ESG among issuers and investors, Daiwa Securities continued to present IR events focusing the issues and have started to arrange ESG seminars in FY2013. We arranged and sponsored three seminars during the year, targeting both issuers and investors commencing with "Transformation of Corporate Governance in Japan" in September.

Photovoltaic power generation projects participation in Saitama Eco-Town project

Refer to "Environmental Initiatives" on page 39



Shipbuilding plant under repair work



Dock reopened after repair work

CSR Management

• Approach and Basic Stance •

The Daiwa Securities Group Management Vision is to become one of Asia's leading financial services firms leveraging our solid business platform in Japan. In order to achieve this vision, we will continue to strengthen our ability to respond to our CSR key issues by maintaining a high level of employee awareness concerning ESG issues and striving for vigorous dialogue with stakeholders.

● CSR Promotion System

For materialization of a sustainable society and our vision, our officers and employees endeavor to implement our corporate principles through their business operations. We are promoting the PDCA (Plan, Do, Check and Act) cycle where each department reviews its challenges and achievements every year, recognizes issues of its own and then set targets for the following year.


Specifically the CSR Group of the Corporate Communication Department at Daiwa Securities Group Inc. under the Corporate Communication Officer, an executive officer,* actively seeks information and holds dialogues at external and internal meetings. CSR issues and our progress are shared regularly with the Executive officer at numerous meetings and are disseminated to the members of the Group depending on the importance of the

issues. For example, information on CSR is taught to Group's newly hired employees. The CSR group promotes and raises awareness of CSR issues throughout branches and departments across Japan and major overseas sites and builds a network of cooperation. The CSR group has also organized dialogues on various CSR issues with experts of various fields and posted them on our CSR website as "CSR Dialogue"

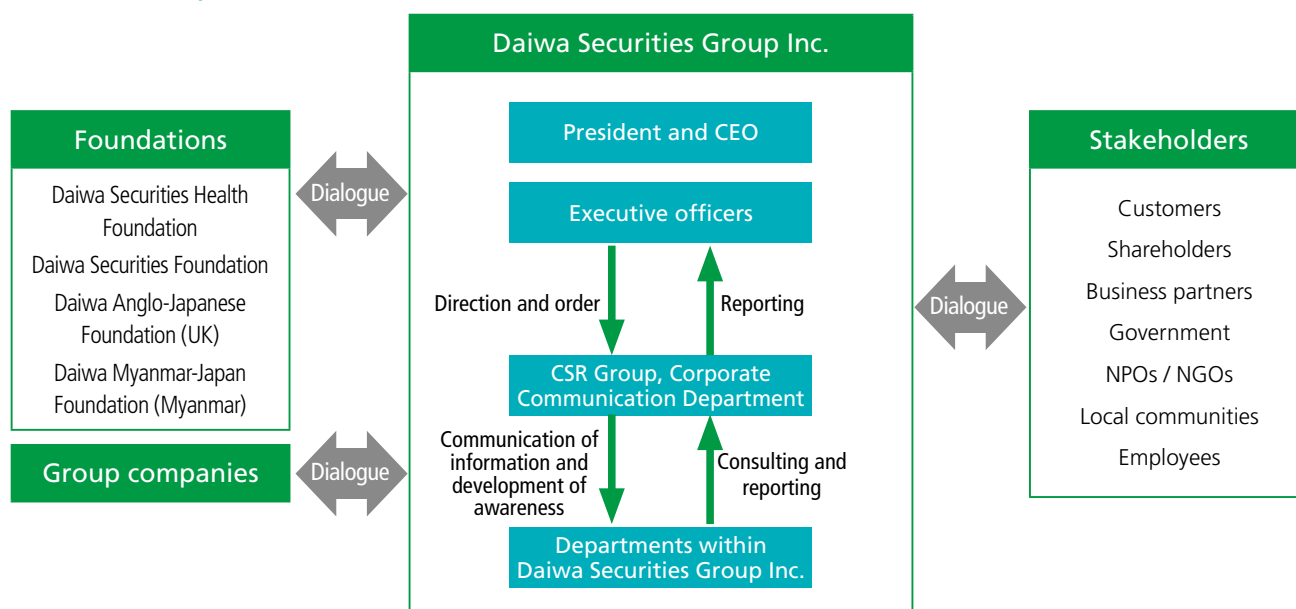
* Starting in April

CSR Dialogue

Since 2004, the Daiwa Securities Group has held dialogues with experts in relevant fields on CSR issues associated with the economy and finance as well as environment, society and governance (ESG) information. We have had 49 dialogues thus far with four conducted in fiscal 2013 on current issues.

 CSR Dialogue

■ CSR Promotion System



Value Chain Management

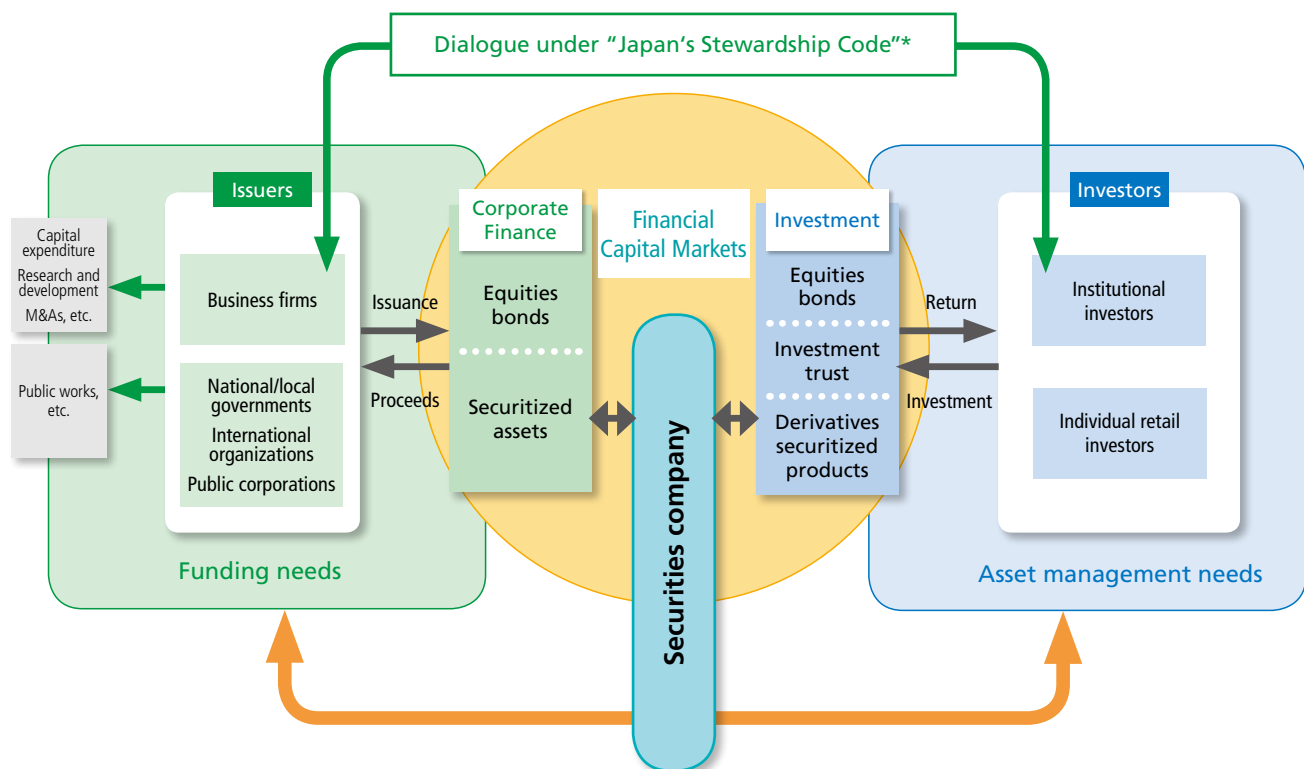
Approach, basic stance and promotion system

For the Daiwa Securities Group, securities such as stocks and bonds are core financial products, thus companies and organizations issuing these securities as well as investors investing in them are our important customers. We believe that we are responsible for building and maintaining a transparent and fair value chain which also contributes to the development of a sustainable society; and thus have established the necessary systems. Asset management and sales of investment products are also part of the Group's core operations. We have established a system that gives consideration to environment, society and governance when making investments.

For example, as a member of the responsible institutional investor community, the Group actively participated in various initiatives like the discussions upon introducing Japan's version of the UK Stewardship Code, the Principles for Financial Action for the 21st Century in Japan and Principles for Responsible Investment (PRI). Thus, we have established an appropriate promotion system that enables us to provide investors with better quality financial products and services with consideration to environment, society and governance.

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

Value Chain Management



* Refer to "As a responsible institutional investor" on page 10

CSR Issues: Performance and Targets

Self-evaluation of fiscal 2013 results:

Degree of achievement of the mid-term goal and realization of the ideal:

◎ : success (significant) ○ : success (moderate) △ : little success × : not attempted or failed

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

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Promote of SRI and Impact Investments	<ul style="list-style-type: none"> Sold ¥115.2 billion of Impact Investment bonds (nine transactions) 	◎	Promote of SRI and Impact Investments
Provide of expanded CSR and SRI information	<ul style="list-style-type: none"> Hosted a seminar on the Banking on Woman bonds issued by the International Finance Corporation (IFC) Disseminated ESG reports (Daiwa Institute of Research) Held ESG IR meetings 	○	Implement of CSR initiatives through business across the Group
Provide assistance for reconstruction from the Great East Japan Earthquake	<ul style="list-style-type: none"> Continued offering grants through the Daiwa Securities Phoenix Japan program Continued providing funds through Great East Japan Earthquake Small and Mid-Sized Enterprise Reconstruction Support Fund Hosted a seminar reporting on reconstruction support for areas devastated by the 2004 Indian Ocean Earthquake and Tsunami and 2011 Great East Japan Earthquake. 	◎	Continue 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 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Contribute to support improving economic and financial education	<ul style="list-style-type: none"> University lectures (including at Keio Business School) Welcomed students and teachers from junior and senior high schools for corporate study (eleven groups) Decided to set up a booth at Finance Park in Iwaki City and Sendai City 	○	Contribute to support improving economic and financial education
Hold seminars and forums (at least three) for customers and general public	<ul style="list-style-type: none"> Offered Finance Classroom for Beginners (with sign language and closed captioning) 	◎	Host forums and seminars on more defined subjects

CSR Management

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Hold dialogues with specialists of various fields	<ul style="list-style-type: none"> Presented four "Understanding CSR through Dialogues" discussions 	○	Seek to review the boundaries of stakeholders by grasping wide range of social issues through dialogues
Strengthen coordination between related departments and sections within the Group	<ul style="list-style-type: none"> Group companies cooperated in CSR initiatives through business 	○	Build stronger internal bonds between the Group's related departments

Risk Management

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Strengthen crisis management in disasters	<ul style="list-style-type: none"> Conducted business continuity exercise in cooperation with Group companies Continued to conduct post-disaster safety confirmation exercises and reinforced Group awareness of crisis management and readiness 	○	Strengthen crisis management system for disasters

Compliance

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Provide and reinforce of corporation-wide internal controls; building awareness of high standards of professional ethics and compliance	<ul style="list-style-type: none"> Implemented internal control systems in step with expansion of the business Strengthened self-monitoring of ethics at headquarter departments and sections Strengthened internal controls by improving cooperation with Daiwa Next Bank and the relevant departments in light of expanded bank agency operations Substantially increased the frequency of on-site visits by compliance officers and strengthened cooperation with line managers and internal control officers. Held monthly compliance meetings at several departments and sections, thereby providing support to strengthen their self-monitoring and improving capabilities 	◎	Reinforce corporation-wide internal controls
Further increase in sales service quality; continuing implementation of "business from the customer's perspective"	<ul style="list-style-type: none"> Conducted appropriate marketing and provided adequate explanations according to customer characteristics Strengthened the customer management system at the corporate sales division Tightened policy for sales of private bonds and took initiatives toward eliminating unnecessary product switching; as a result, the number of problematic transactions fell and sales service quality improved. Moreover, reduced clerical work to be performed by sales staff and thereby achieved an improvement in sales efficiency Revised rules for older customers based on guidelines set by the Japan Securities Dealers Association and reinforced awareness by conducting training for line group heads at all sales branches Strengthened the customer management system at the corporate sales division by ensuring, especially for corporate clients classified as non-institutional investors, that rules for selecting their representatives with power were followed and that discussions were arranged with customers investing in high-risk products 	◎	Thoroughly emphasize on adoption of sales from the customer's perspective
Establish of robust information security policy and systems to exclude anti-social forces	<ul style="list-style-type: none"> Introduced and implemented policy for management of confidential corporate information <ul style="list-style-type: none"> Management of confidential corporate information: Continued to require approval by superiors at relevant departments and sections and conducted the verification of registration of confidential corporate information by compliance officers. No problems have been found occurred thus far. Raised awareness of information security <ul style="list-style-type: none"> Information security: Focused on ensuring that employees do not use their personal cellphones for business purposes. We will continue our efforts to decrease such use. Strengthened the screening system by expanding a database of criminal syndicates <ul style="list-style-type: none"> Measures against anti-social forces: Strengthened systems to exclude anti-social forces by organizing a database and implementing a change in rules for checks at head office 	◎	Establish of sound information security policy and systems to exclude anti-social forces
—	—	—	Reinforce group companies efforts against anti-social forces

Information Disclosure

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Increase the provision of information in the "Growth" phase	<ul style="list-style-type: none"> Provided information on steady progress of the Group Medium-Term Management Plan at earnings announcements and management strategy briefing sessions as well as in annual reports and business reports. Explained our growth strategy to take the lead in the flow of money from savings to investments whilst expanding our customer base 	◎	Implement of strict information management
Improve website functionality	<ul style="list-style-type: none"> Continued to design annual reports in a way suitable for web browsing. As a result, the number of copies of annual reports sent to overseas investors fell 30% year-on-year. 	◎	—
Implement effective IR activities that suit each investor base	<ul style="list-style-type: none"> Increased opportunities to meet with investors, especially those who had never had meetings with us before. The number of meetings with investors for fiscal 2013 rose to approximately 300 from about 250 for fiscal 2012. Held two IR events and 32 meetings in North America, two IR events and 25 meetings in Europe and two IR events and 26 meetings in Asia. IR events in Asia included our first visits to investors in South Korea and Malaysia as our efforts to target sovereign wealth funds in the region. Started distributing audio files of presentations simultaneously interpreted in English on Daiwa Securities Group Inc.'s website from the telephone conference held after the first quarter earnings announcement in order to make our communications even more accessible for overseas investors Held briefings for individual investors for the first time in five years at 10 sites. Attracted a total of roughly 1,000 participants by tying up with investment seminars and investor meetings of other companies in cooperation with our Sales Offices and the Retail Marketing Strategy Dept. 	◎	Expand of briefings about the group for individual investors Examine new formats of IR events

Relationship with Customers

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Strengthen post-sales service	<ul style="list-style-type: none"> Continually organized seminars on national and international market conditions at each sales branch on the fifth day of every month; in addition, held inheritance-related seminars to meet growing demand seen in recent years, seminars on NISA, which was introduced in January 2014, and a variety of other information seminars Organized large-scale seminars to provide information, including "Daiwa New Year's Lectures for 2014" held at eight sites—Tokyo, Osaka, Nagoya, Kyoto, Kobe, Sapporo, Fukuoka and Yokohama Continued to present day-to-day market reports, fund reports, and other information on our websites in a timely manner 	◎	Active post-sale follow up

Relationship with Employees

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Develop human resource through strategic promotion and appointments	<ul style="list-style-type: none"> Continued to improve internal training systems for younger employees <ul style="list-style-type: none"> Introduced an Annex Learning system: expanded the tutoring system; expanded training for managerial skills further Expansion of training for managerial skills Increased number of female employees at management levels (221 as of the end of March 2014) Increased the number of female employees seeking improved career paths (850 employees transferred to career-track positions in the five years from fiscal 2009 to fiscal 2013) 	◎	Develop human resource through strategic promotion and appointments
Pursue of a high standard of professional competence to meet the trust of our customers	<ul style="list-style-type: none"> Professional global talent training <ul style="list-style-type: none"> 555 employees hold CFP (Certified Financial Planner) 1,461 employees hold the CMA® (Chartered Member of the Securities Analysts Association of Japan) 929 employees sat for the TOEIC (Test of English for International Communication) held internally; 1,470 of our employees hold TOEIC scores of 730 or higher Introduced a global trainee course and an expert course Introduced five practical training courses that are designed to improve employees' expertise (including courses on inheritance and business succession, securities analysis, and investment banking advisory) 	◎	Pursue of a high standard of professional competence to meet the trust of our customers
Establish environment where all employees can continue to work with high motivation	<ul style="list-style-type: none"> Worked to change employee awareness through promotion of family-friendly measures, including family visits to the workplace (4,476 families visited) and encouragement to leave the office before 7 p.m. Achieved a high standard of work-life balance <ul style="list-style-type: none"> Distributed a questionnaire on support for balancing work and child care to all employees Implemented measures to encourage employees to use our programs and take annual leave in light of the results of the questionnaire Set up a WLB (Work-Life Balance) advisory committee Increased the number of employees who took advantage of our workplace relocation program (136 people as of the end of March 2014) Expanded our Senior Advisors program to encourage senior employees Offered re-employment of Senior Advisors up to the age of 70 	◎	Establish environment where all employees can continue to work with high motivation

Relationship with Society

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
Build consciousness for volunteering among employees and improved communication of volunteering opportunities	<ul style="list-style-type: none"> Posted opportunities for volunteering and other events on our internal website (56 in total) 	○	Build consciousness for volunteering among employees and improving communication of volunteering information
Promote group-wide action programs	<ul style="list-style-type: none"> Introduced the "Table for Two Program" subsidizing school meals in developing countries and won a "Gold Supporter" award from the organizer 	◎	Promote of cross-Group programs
—	—	—	Bolster an environment that helps employees take advantage of opportunities for volunteering.

Environmental Initiatives

Targets for fiscal 2013	Results for Fiscal 2013	Self-evaluation	Targets for Fiscal 2014
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 Continuation of the "Cool Biz" program as part of energy saving initiatives	<ul style="list-style-type: none"> Achieved the goal of reducing CO₂ emissions by 1% from the previous year Continued to take energy saving initiatives including the implementation of the "Cool Biz" program Carried out energy savings measures through on and off-peak periods 	◎	Expand of the introduction of eco-cars Initiatives for the reduction of electricity consumption (reducing consumption per unit area in fiscal 2020 by at least 10% from the level of fiscal 2009)
—	—	—	Improve the accumulation of environment-related data and honing skills to analyze those data
—	—	—	Purchase products certified under the Top Runner standards

Corporate Governance

• Approach and Basic Stance •

The Daiwa Securities Group clearly separates the oversight 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 at the Daiwa Securities Group, our holding company, and maximizes synergies between Group companies. For this end, the holding company's employees responsible for head office functions also perform roles for securities subsidiaries.

● 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 valuing the independence and unique expertise of each Group member.

In June 2004, Daiwa Securities Group Inc. made the 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 management oversight by increasing the number of outside directors and establishing the Nominating Committee, Audit Committee, and Compensation Committee.

The representative directors of 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.

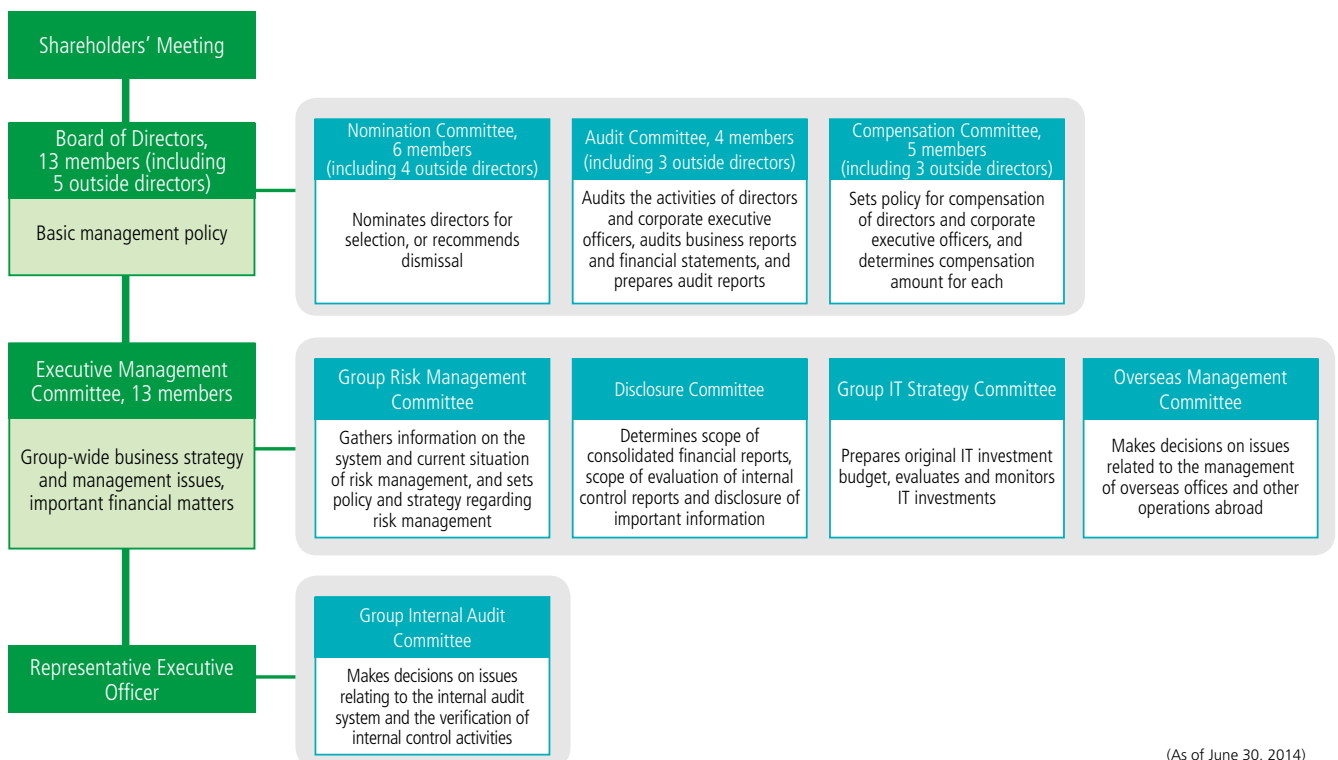
The Nomination Committee met three times in FY2013 to discuss the composition of the Board of Directors and its effect on corporate governance, the basic policy for nominating candidates for directorships, and the selection of these candidates. The Nomination Committee selects candidates for directorships 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 in FY2013. 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 FY2013 to discuss the 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 in FY2013, and outside directors had a 100% record of attendance.

■ Corporate Governance System at Daiwa Securities Group



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 including which of the management goals outlined in the Medium-Term Management Plan have been met.

Supervisory Function

The Board of Directors consists of 13^{*1} directors, including five outside directors^{*2} and two female directors. The Board of Directors determines key management policy and oversees executive duties. In order to perform this supervisory role from multiple viewpoints in accordance with the demands of society, the policy for selecting new board members states that candidates must have a strong sense of ethics and demonstrate initiative and leadership. Additionally, outside directors are experts in such fields as management and accounting. In addition, the supervisory function of Daiwa Securities Group Inc. is reinforced by the Audit Committee and the Office of the Audit Committee. The Audit Committee, which consists of a majority of outside directors,^{*2} plays a pivotal role in the supervision of executive duties. The Audit Committee is assisted by the Office of the Audit Committee, which is a department independent of execution of business.

*1 As of June 30, 2014

*2 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 meetings. Conflicts of interest within the Group are prevented through a rule prohibiting an executive officer from voting when he or she is also the director of an interested Group company.

Internal Control System and Internal Audit

In recognition that management is responsible for maintaining an 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."

The Internal Audit Department verifies the internal control system. The department, established independently from all other departments and reporting to a dedicated 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. Plans and results are also reported to the Audit Committee.

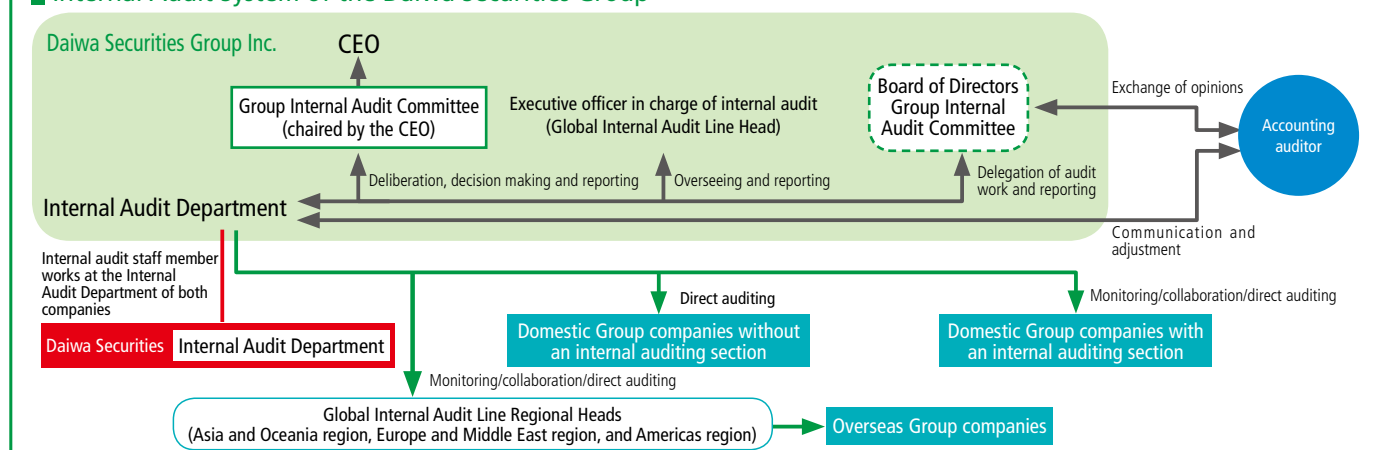
Daiwa Securities Group Inc. seeks to raise corporate value by effectively conducting internal audits, and implements risk-based internal audits primarily through its Internal Audit Department.

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 services group, the internal control systems at Daiwa Next Bank, Ltd. as a bank, the status of Group-related businesses, and the status of controls over Group companies at the parent company.

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 External Auditor, making any necessary adjustments to ensure that audits are performed efficiently. The Audit Committee on occasionally asks the Internal Audit Department to conduct an audit.

Internal Audit System of the Daiwa Securities Group



Compliance

• Approach and Basic Stance •

The Daiwa Securities Group's corporate principles identify "building trust," "placing importance on personnel," "contributing to society," and "maintaining robust earnings results" as among the most important goals of our business operations. We believe that compliance is essential to realize these corporate principles. The goal of the Group's compliance activities is not merely to "comply with laws and regulations," but to earn the trust of customers, the market, society, and shareholders.

● The Daiwa Securities Group's Approach to Compliance

Improving compliance awareness

In order to make our executives and employees contribute to sustainable growth of the society with elevated ethical mindset, we always take steps to educate and train them to uphold external regulations, exercise self-discipline and appropriate conducts. These compliance training programs commence as soon as employees join the Group and continue through regularly scheduled training sessions encompassing their careers, thus ensuring that every employee is aware of, and thoroughly understands, compliance related 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.

Measures for Maintaining Information Security

In FY2013, Group companies continued to implement training and spread knowledge about insider trading as a part of efforts to prevent insider trading. 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.

The Security Group Minimum Standard is a basic policy for information security Group-wide. Following this basic policy, Group companies maintain related rules for information security. These rules about information security are made available on the corporate intranet to ensure all employees and executives adhere to the rules. Using e-learning and other resources, training, education and an aptitude test about information security are implemented on a periodic basis.

Refer to "IT Governance, Disclosure, and Information Security" on page 24

Anti-Corruption Initiatives

In line with the principles of the United Nations Global Compact, the Daiwa Securities Group has established an anti-corruption system that requires each of our Group companies in and outside of Japan to implement rules appropriate for its operations and applicable laws and regulations, while reinforcing awareness through measures like e-learning. We will take initiatives to further improve our anti-corruption system.

Compliance Training

Daiwa Securities Group companies provide regular training and testing to improve compliance awareness and ensure that all employees embrace Daiwa's Corporate Principles and that self-discipline is exercised under any circumstance.

Daiwa Securities holds numerous compliance training sessions, making full use of e-learning technologies.

Every year, we provide compliance training for all employees. We also have a wide range of training emphasizing practical aspects, including compliance education and awareness activities for new hires and newly appointed managers, group training programs, and training on the firewall regulation.

Countermeasures to Anti-social Forces

Initiatives the Group has taken to eliminate any and all relations with corporate racketeers and other anti-social forces involve collecting information on their increasingly sophisticated methods by working closely with the police and other relevant organization, and legal experts, and by enhancing the Group's various outward procedures for scrupulously severing contact with such groups.

In addition, Group companies share relevant information and take other unified steps to eliminate any and all relations with anti-social forces.

● Basic Policy on Avoiding Any Involvement with Anti-social Forces

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

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

Structure and Achievement of Whistle-Blowing System (Corporate Ethics Hotline)

Since January 2003, the Daiwa Securities Group has been operating a Corporate Ethics Hotline, through which employees can report problems in the workplace directly to a corporate ethics officer of Daiwa Securities Group Inc. or an outside lawyer. When the Hotline is contacted, the corporate ethics officer, in cooperation with the internal control officers at each Group company, carries out a fact-finding investigation, while taking steps to protect the caller. The Corporate Ethics Hotline was contacted 29 times in fiscal 2013, up 12 from the previous fiscal year.

The Group is working to make the Corporate Ethics Hotline well known to all employees, including staff at affiliated companies and temporary workers, in order to ensure that anyone can use it without hesitation. We are also making efforts to respond as quickly as possible when calls are received. The Group is taking steps to improve the Hotline so that it can work effectively as a deterrent to prevent problems before they occur, not just as a measure to solve problems.

Compliance Initiatives at Daiwa Securities Co. Ltd.

Daiwa Securities Co. Ltd. is taking measures in line with the compliance program to ensure the effective operation of our internal control system and strict compliance of our sales activities with laws and regulations.

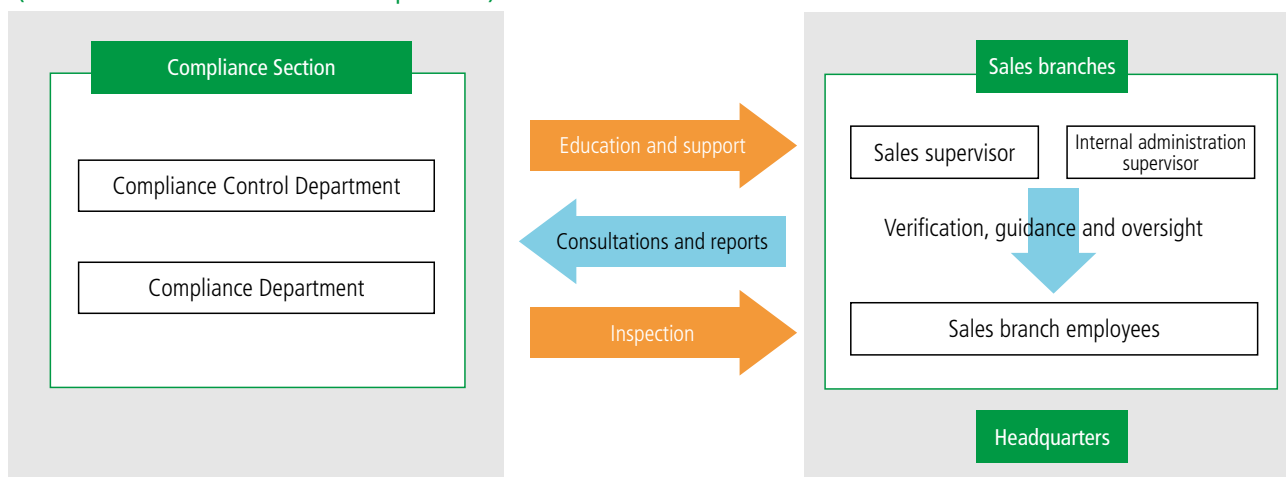
In FY2013, Daiwa Securities Co. Ltd. upgraded and reinforced company-wide internal management systems and foster better awareness of professional ethics and compliance issues; to further improve quality of its marketing and firmly establish customer-oriented sales; and to build robust information management systems and system for eradicating anti-social forces.

For FY2014, the Company decided to create the following three compliance programs to reinforce the initiatives taken in the previous year. It will strive to bolster its internal management systems further.

1. Greater emphasis on sales from the customer's perspective
2. Reinforcement of company-wide internal controls
3. Establishment of sound information security policy and systems to exclude anti-social forces

■ Daiwa Securities' Compliance Framework

Person in charge of compliance
(Head of Internal Administration Supervisors)



● Calling alert to prevent fraudulent sale of unlisted stocks

Daiwa Securities Co. Ltd. has been warning its customers of fraudulent solicitations by showing a reminder message "Watch out for solicitation of investment in unlisted stocks or bonds by swindlers who call themselves Daiwa Securities" on a prominent part of the top page of its website and improving the website's contents. Similar measures have been implemented by Daiwa Securities Group Inc., Daiwa Asset Management, and Daiwa SB Investments Ltd.

Risk Management

• Approach and Basic Stance •

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

● Risk Management Policy

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

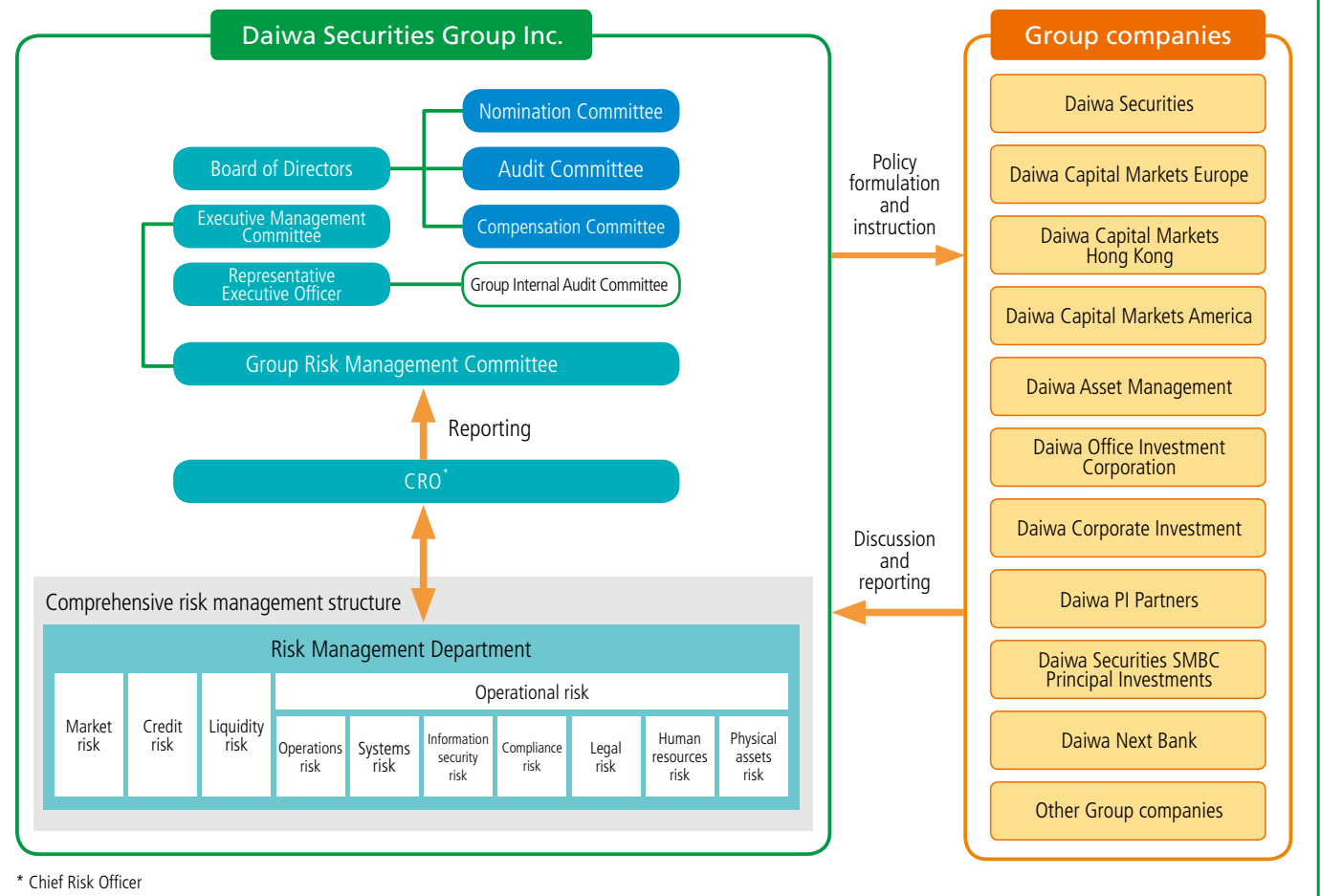
1. Management’s proactive involvement in risk management.
2. Implementing a risk management system commensurate with the nature of such risks in the Group’s management.
3. Understanding comprehensive risk based on integrated risk management and strengthening capital.
4. Clarifying the risk management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

● Type of Risks

We face various risks in the course of our business activities and thus believe it is important to properly identify, evaluate, and manage these risks in order to maintain robust 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 reputational risk.

■ Risk Management System



● Risk Management System

The Board of Directors of Daiwa Securities Group Inc. has approved "The Rules of Risk Management." This rule defines basic policies related to risk management, the types of risks 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 themes concerning their risk management system and discusses and resolves those issues. In addition, major Group companies regularly hold risk management committee meetings in order to strengthen their risk management.

● Business Continuity Plan

To be prepared for emergencies, we have drawn up a business continuity plan (BCP) prioritizing important operations* to be restored and continued in order to keep the financial markets open and to protect customers' economic activities. Envisioned emergencies which might make our head office functions, branches and data centers or other important facilities inoperative include: earthquakes, fires, storms, floods, other extraordinary weather conditions, terrorism, serious outbreaks of infectious diseases, such as new strains of influenza, and serious disruptions of social infrastructures and services due to such events.

In accordance with this plan, we will not only ensure the safety of customers, our employees, and protection of our assets but will strive to continue our vital operations in the financial markets where our business serves public interests.

For example, we have begun operating Japan's highest-level backup center, which enables us to easily switch to the alternate system in case of an emergency at headquarters. We can thereby continue vital operations through a substitute office location.

* Prioritized operations to be restored or continued:

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

Initiatives on impact of climate change

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

IT Strategy, Information Security and Disclosure

• Approach and Basic Stance •

The Daiwa Securities Group aims to provide customers with high-value-added products and services quickly, precisely, and at a reasonable price. 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 Strategy

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 in accordance with management strategies while weighing the importance of unifying IT strategies, 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.

IT Strategy

With the aim of achieving sustainable growth, the Daiwa Securities Group has been promoting the two IT strategies (basic IT policies) of “rebuilding business infrastructure” and “strengthening IT governance” under its Medium-Term Management Plan, “Passion for the Best” 2014, which commenced in FY2012.

The Group plans and implements medium- and long-term IT strategies on a global basis based on its business strategy. The Group provides its customers with reliable services by developing rock-solid systems in a timely manner in order to support marketing staff on all fronts, from both quantitative and qualitative standpoints.

In FY2013, the Group has started offering services for the Nippon Individual Savings Accounts (NISA) with a broad lineup of products launched at the same time NISA started. Daiwa Securities focused on improving customer service and increasing the efficiency of marketing activities by reinforcing associated functions at marketing branches and contact centers.

In FY2014, while responding to the global trend toward tighter financial regulations, the Group is working to improve efficiency and quality in NISA offerings and overall marketing, and concentrating resources in fields that enhance customer convenience. In this way, the Group is creating a platform from which the Group can play a leadership role in the shift “from savings to investment” in Japan.

● Information Security

Information Security

The Daiwa Securities Group is proactively strengthening information security measures and pursuing measures to protect information assets, including personal customer information, from a variety of threats while keeping pace with the latest technological trends. Cyber-attacks and other external threats have become more serious over the past few years, making it more important than ever to detect and defend against these attacks. The Group makes every effort to ensure security and data accuracy by rapidly deploying appropriate information security measures from both a technological and physical perspective. The Group aims to improve the sophistication of its information asset management by preventing problematic behavior before it occurs and quickly detecting it when it does occur, through systematic monitoring and management of information system user IDs and access privileges.

Malfunction Countermeasures

The Daiwa Securities Group appropriately monitors information systems in terms of their operational status, capacity, and malfunctions. Data about malfunctions is shared among Group companies to be used as references in the creation of measures to prevent recurrences and to prevent new problems from arising.

In order to shorten recovery times, the Group creates procedures and automate processes for recovering from system malfunctions, by analyzing patterns in previous malfunctions.

● 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



Relationship with Customers

• Approach and Basic Stance •

The 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 paramount for us.

Japan’s Financial Instruments and Exchange Law prohibits “solicitation that is improper in light of a customer’s knowledge, experience, financial situation and objectives.” Daiwa Securities’ approach is rooted in this law, 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

Daiwa Securities holds investor seminars on the 5th of every month at each sales branch and continues providing information on Japanese and overseas markets. We also hold a variety of seminars to offer information, including inheritance-related seminars to meet the growing demand seen in recent years and seminars on NISA, which was introduced in January 2014. Across all branches, over 97,000 people attended more than 7,700 seminars held in 2013.

We also arrange large-scale seminar events, in addition to those held at each sales branch. In August 2013, We held seminars entitled “The Current State and Outlook of the U.S. Economy” in Tokyo, Yokohama, Osaka, Nagoya and Kobe, attracting over 1,300 people. We also held “Daiwa New Year’s Lectures for 2014” in January and February 2014 in Tokyo, Osaka, Nagoya, Kyoto, Kobe, Sapporo, Fukuoka and Yokohama, attracting over 4,500 people and receiving positive responses from those participants.

The Information Box for users of the online trading section of Daiwa’s 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 issuer, IFFIm. We believe 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 tackle social issues.

● 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 a variety of charitable donations using a conversion rate of one point for 1 yen. As of April 2014, customers were offered an opportunity to make donations to UNICEF, Medecins Sans Frontieres Japan Association, WWF Japan, World Food Programme (WFP), Japan Platform and New Japan Philharmonic under the program, where contributions are used to support the activities of these organizations.

Improving In-Branch Customer Service Quality

Our employees interacting with a great variety of customers need not only specialized knowledge of the markets 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, we require regular check-up tests on an ongoing basis using its internal e-learning system. Staff from our head office perform on-site checks to provide guidance to drive greater improvements in quality.

Daiwa Securities has conducted customer satisfaction surveys via mail on an ad hoc basis. In addition, we continue to ask customers visiting sales branches to answer surveys to further improve our service quality, solve the issues raised by customers and enhance customer convenience and comfort. In June 2014, we also announced our commitment to provide enhanced services and explanations to customers and since then, have stepped up our efforts to improve hospitality.

Accessible Services for Diverse Customers

When Daiwa Securities renovates existing sales branches or plans new branches, we work to ensure that our branches are accessible to a wide range of customers, including measures such as reducing steps of the floor and installing bigger counters.

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

Strengthening Contact Center Functions

On April 1, 2014, Daiwa Securities' Call Center was renamed the Contact Center. The new Contact Center has taken on more functions, taking all calls made to sales branches. In July, we also expanded the scale of the two sites where contact center functions are located. Of our 620 service points, 500 are now located in Tokyo and 120 are located in Osaka. The expansion of the service points enables us to further improve our ability to accept orders in the event of an emergency and decentralize operational risks by splitting our contact center functions between two sites. The center has been one of the main channels of transactions, sustaining the company's business model whose cornerstones are Daiwa Consulting and Daiwa Direct transaction courses. The center now handles calls coming in to sales branches and executes some of the transactions. Thus it plays a role as our comprehensive remote contact center for customers.



Efforts to Improve Telephone Customer Service Quality

Daiwa Securities' Contact Center participates in a telephone customer service competition* organized by the Japan Telecom Users Association, a Public Interest Incorporated Foundation. The purpose of the participation is to improve Contact Center service quality significantly by receiving quality evaluations from a third-party. In pursuit of high marks in the competition, we encourage our staff at the Contact Center to work constantly to improve customer service and verbal skills; we believe this will help strengthen the capabilities and motivation of our telephone service representatives. Improving the level of remote service provided by service representatives also helps bring about increased customer satisfaction.

* 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 by 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.

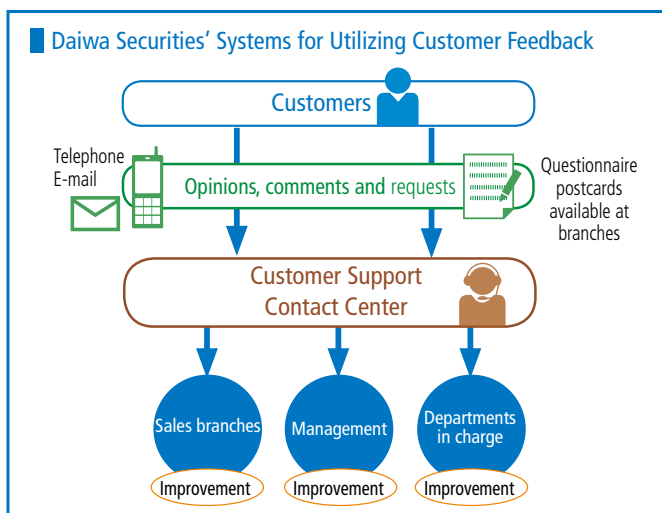
Working to Incorporate Customer Voices

Contact Center Initiatives

Employees at the Contact Center, which serves as our comprehensive remote contact point, has direct contact with customers and will play an increasingly crucial role not only as a transaction channel but also in customer support and marketing. Its role gives it access to direct customer feedback that can lead to improved operations. In order to maintain and improve contact

center operations to meet the demand for high-quality service, we provide training and regular level checks for all Telephone Service Representatives (TSR).

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

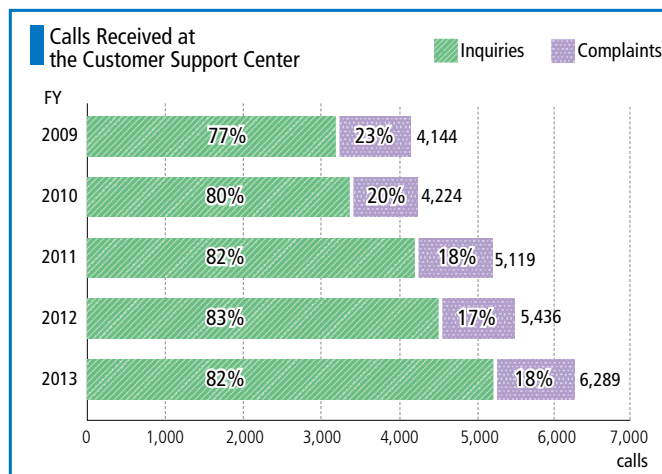


Calls Received at the Customer Support Center

Daiwa Securities' Customer Support Center also handles customer feedback directly. The 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 FY2013, the Center received 6,289 calls—roughly 850 more than the preceding fiscal year. This rise was due to an increase in calls to confirm the status of accounts, inquiries associated with the introduction of the NISA system and tax revisions, as well as complaints about customer services such as inadequate post-sale follow-up and lack of communication.

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





Relationship with Shareholders and Other Investors

• Approach and Basic Stance •

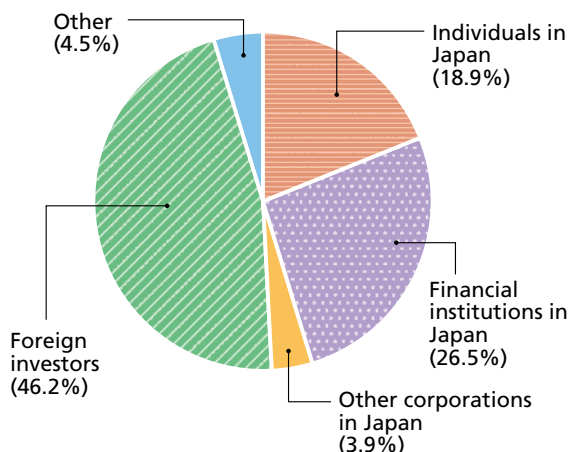
The Daiwa Securities Group works hard to advance communication with shareholders and other investors. Amid a major shift from savings to investments in Japan, we believe that increasing the number of individual investors is a part of our social responsibility as a company engaged in the securities business, and we will work hard to provide stockholders and investors with improved communications and information that are easy to understand.

● Breakdown of Shareholders

As of March 31, 2014, 46.2% of the Daiwa Securities Group's shareholders were foreign investors, up 5.1 points from the end of the previous fiscal year. The percentage of individual investors decreased 3.5 points over the same period to 18.9%.

■ Breakdown by Investor Type (as of March 31, 2014)

Total number of shares outstanding: 1,749,378,772



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 (interim and year-end dividends) at a payout ratio of approximately 30% based on consolidated financial performance. We also actively seek ways to increase returns to our shareholders, including share buybacks when we have sufficient accumulated capital to pursue further growth.

● Communication with Shareholders and Investors

The general meeting of shareholders is an opportunity for direct interaction with shareholders, and we have many shareholders attend it. 2,113 shareholders attended the 77th regular general meeting of shareholders, held on June 26, 2014. We are also working to create new communication

opportunities, including telephone conferences on the days of earnings announcements, briefings about the company for individual investors, management strategy briefing sessions, one-on-one meetings with analysts and investors, and by participation in Daiwa Investment Conferences (in Tokyo, Hong Kong and New York).

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

Questionnaire for Shareholders

We distribute a questionnaire to shareholders coinciding with the distribution of rewards under our Shareholder Rewards Program at the half-year end, to gather and incorporate their views into 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 2013 Shareholder Rewards Questionnaire Contents

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

● Shareholder Reward Program

In September 2010, we improved our shareholder reward program while retaining the catalog format. Shareholders who qualify for rewards at the end of March and September have multiple reward options to choose from such as charitable donations, quarterly journals on investment and Daiwa's Point Program, in addition to regional specialties already available through our shareholder reward program. For those qualified at the end of each March, they are also offered an opportunity to choose a calendar.

Web Investor Relations Information



Relationship with Employees

• Approach and Basic Stance •

The Daiwa Securities Group believes that maximizing the motivation of our employees will lead to improved customer satisfaction and consequently enhance shareholder value. We take a range of measures to ensure that all of our employees feel a sense of job satisfaction and that their families and partners share their pride to be part of the Group.

We have our corporate culture nurtured since foundation of our business, and we regard it as the core of Daiwa's identity. We have taken steps to crystallize the basic philosophy and mindset of the Group inherent of our culture to be manifested as the "Daiwa Spirit." We hope that the "Daiwa Spirit" will enhance employees' sense of unity and togetherness and thus the Group's overall strength.

Hiring Initiatives

Hiring Approaches and Trends

The Daiwa Securities Group would like all of its employees to be highly motivated and to stay with the Group from hiring to retirement. All new college graduates recruited by the Group, including those with disabilities, are brought on as full and regular employees aiming to encourage newly hired to have a sense of trust and pride in the Group, and a sense of solidarity with their colleagues. On April 1, 2014, 610 new employees joined the Group.

By providing an environment where diverse people can perform to their full potential, we hope to be able to retain highly skilled people. Endeavoring to be one of Asia's leading financial services firms, we also focus on attracting people capable of excelling globally.

Fairness in Hiring

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

● Guidelines for Fair Hiring

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

Recruitment of University Graduates

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

Support for the Success of Veteran Employees

The Daiwa Securities Group has introduced Senior Advisors Scheme in which senior employees with a wealth of experience work actively in the workplace alongside with their younger colleagues. Our senior advisors work in region of their choice and engage in consultation-oriented sales activities with a long-term investment perspective while keeping their close ties

with the local communities.

We have Daiwa Master Program which supports the success of highly motivated and skilled employees after their stated retirement age. Under the program our senior advisors can work up to the age of 70. Leading the initiatives expected to be introduced in Japan due to its aging society, our scheme with extended retirement age lets our experienced personnel continue to make contributions at their work place through better customer services with their attention to details and helping younger colleagues by letting emulate them.

Employment of People with Disabilities

The Daiwa Securities Group has around 170 employees with disabilities working for a wide range of responsibilities in our head office, sales branches and contact centers.

We had started recruiting new graduates with disabilities as regular employees (general office staff) in FY2008, and in FY2011 broadened the scheme to the career-track employee, regional career-track employee, and employee for customer services. We have also vigorously increased recruitment opportunities by holding briefings about the company for new graduates, participating in career expos, and implementing job placement support programs for university students with disabilities.

Once people with disabilities are hired, we provide support for their career advancement, for example, creating opportunities for them to enter the career-track and regional career-track employment opportunities.

● Human Resource Development and Skill Enhancement

Employee Training Approaches and Trends

The Daiwa Securities Group's competitiveness derives from our employees. We have a management vision to become one of Asia's leading financial services groups possessing and leveraging a solid business platform in Japan. To materialize this vision, we focus on human resource development with the aim of creating clusters of professionals. We offer extensive training programs to newly hired employees as we believe that the moment their joining us is a critical period for their training. The program ensures that they acquire not only the basic knowledge and skills, but understanding of our corporate philosophy and commitment to CSR.

We also believe that our employees must have a firm

understanding of corporate ethics and compliance in order to ensure the development of sound financial and capital markets—a key issue for the Daiwa Securities Group. Accordingly, we offer regular training on information security and compliance.

Education and Training System

The Daiwa Securities Group trains employees based on our Group-wide policy using programs tailored to their skill levels. We would like to foster a sense of solidarity and networking among employees of Group companies thus offer joint training opportunities.

We help employees raise their skills to higher levels, and have set up new programs that aim to improve their capabilities in specialized fields starting second half of FY2013. We have also expanded training programs for those with managerial responsibilities to improve our productivity further.

From FY2013, the Annex Education Program, a program for newly hired and carried out by dedicated instructors, has been expanded to our regional career-track employees, while our Mentor System now covers employees entering their second year of employment. These are examples of our initiatives to improve and expand our educational and training systems for younger staff, and to maintain environment that is conducive to learning.

Supporting Employees Trying to Earn Credentials

The Daiwa Securities Group encourages employees to improve their English skills in light of globalization and our corporate strategies of focusing on Asia.

We consider Financial Planner (AFP and CFP) and Securities Analyst qualifications as core requirements for our securities business. In particular we aim to have the highest number of employees in the industry accredited as Certified Financial Planners (CFPs). In addition, the company provides supports like subsidizing certification costs to facilitate our employees to enhance their professional skills of their fields of specialty.

Intra-Group Job Postings and the Career Path Change System

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 five years from FY2009 to FY2013, 850 people moved to 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.

Evaluation System

At the Daiwa Securities Group, we believe that a fair and well-accepted evaluation system is crucial to keep all employees highly motivated. For this purpose, we have implemented a multifaceted evaluation system for managers. This involves subordinates and related departments assessing each manager's job performances in carrying out duties and the results being fed back to the manager. With the scheme we intend to improve managers' managerial skills and improve our overall productivity. We also take their compliance-related

performances into account.

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

● Striving to Create a Pleasant Working Environment

Encouraging Work-Life Balance

One of the Daiwa Securities Group's targets is to achieve an advanced level of work-life balance. We are committed to pursuing working styles that enable employees to achieve a balance between their private and professional lives, and make efforts to create an environment in which both men and women can work in various ways.

Not only do we seek to establish systems that enable diverse work styles, but we also work to change employees' mindset by ensuring employees to leave their offices by 7 p.m., by encouraging them to take all their paid holidays, and by setting a day of welcoming their family members to our offices.

We have adopted systems aimed at supporting our employees raising their children or caring other family members that exceed legal requirements. Since FY2012, a survey concerning the Group's efforts to support both career and child-raising needs of our employees has been conducted annually to solicit inputs from all Group employees. The survey is designed to grasp how they are using the Group's systems and to collect feedbacks particularly on their needs. Based on the results of the survey, we are contemplating on making further improvements in working conditions and environment for all employees. Prior to an employee returning to work after taking childcare leave, interviews are conducted with the head of relevant department or branch to facilitate his/her return to work. Even during childcare leave, employees are still eligible for promotions and raises based on their contributions prior to their leaves.

We will continue to introduce initiatives designed to attract superior and diversified employees for our better performances.

Encouraging Women to Succeed

The Daiwa Securities Group promotes talented employees regardless of their gender. Promotions are based on fair evaluations, and we believe creating a work environment where people from diverse backgrounds can exercise their abilities fully will lead to improved corporate value.

In order to promote more female employees to managerial positions, we introduce noteworthy female employees in our internal publication to be role models and also provide opportunities for cross-company networking.

A career consultation service has been set up in our intranet's Initiatives for Work-Life Balance site. Female executives as well as heads of our departments and branches give advice regarding the concerns and inquiries of female employees. There are a total of six women in top management positions across the Daiwa Securities Group, including two female directors at Daiwa Securities Group Inc. The number of women in management positions has increased every year, totaling 221 women at Group companies as of March 31, 2014. The

ratio of women in management positions has risen from 2.2% (at the end of FY2004) to 5.4% over the past ten years at the Group, and from 2.3% to 6.3% at Daiwa Securities Co. Ltd. By increasing the number of role models, we make it easier for our female staff to envision their career paths with positive results. For example, there has been a sharp increase of female employees aspiring to advance their careers by switching to career-track and regional career-track positions in recent years. From FY2009 to FY2013, about 850 female employees have chosen to convert to career-track positions. Over the past few years, an increasing number of employees have taken advantage of our Professional Return Plan, a plan for ex-employees, who have left us to raise their children or to care their family members. It allows them to restart their careers with the same level of compensation when they left. The scheme helps us attract talented personnel who underpin our business.

We will continue to increase the number of female managers, hoping to bear female leaders who would lead the future of Japan's financial industry.

Initiatives to Improve Employee Health

The Daiwa Securities Group considers employee health an indispensable capital for both the company and society. Our Personnel Departments, Health Insurance Association, and occupational health staff work closely to improve employees' health.

Specifically, the Group has set up a website which enables employees to track the past results of regular health checkups whenever they want to. The Group also uses internal communications to raise employees' awareness of health issues. Company wellness programs include a walking program, action to promote countermeasures against cancer, a quit-smoking campaign, a program to promote moderate meal portions, a health campaign for female employees, breast cancer and cervical cancer exams, and measures for those with severe diseases. The Group has introduced a system that uses a follow-up confirmation form (known as a "yellow paper") to urge employees with problematic data to see doctors after their regular health checkups. Employees receiving this form are required to obtain a doctor's comment within two weeks, and submit it to us. As a result, the majority of employees receiving the notice now visit medical institutions.

Occupational health staff work at General Health Development Centers. The Daiwa Securities Group has established the 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.

These efforts to promote employees' health have substantially raised their health awareness and favorably affected the test results of regular health checkups. Thanks to these successes, in November 2013, we received an excellence award from the Minister of Health, Labour and Welfare in the ministry sponsored "2nd Smart Life Project Award (Let's extend healthy life expectancy!)," the highest award in the corporate division. Our initiatives have attracted much attention from other companies and local governments.

Mental Health

The 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 its staff to provide consultations to support Group employees, as well as to their families. We have also established arrangements with outside specialists so that they can receive prompt attention.

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

Communication

Communication with Employees

We believe that good communication with employees is vital for better workplace environment. Our communications programs include regular interviews by the Personnel Department and semi-annual self-assessment questionnaires. We also regularly conduct a questionnaire on work-life balance. This unfiltered input from our employees helps us re-examine our programs and enhance ongoing improvement 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 FY2009. Under this program, employee groups that meet certain conditions are recognized as Daiwa Clubs or Daiwa Circles, which receive subsidies to cover some of their activity costs. As of March 2014, 18 clubs and 4 circles are active in the Group.

Relationship with Employee Unions

The questionnaires conducted by the employee's union among its members have been an important opportunity for the Group as a whole to learn the opinions of its employees and a tool for better mutual understanding. Employee union membership as of the end of March 2014 was 6,406.

Initiatives for Families

We work to ensure that members of employees' families share their pride to be part of the Group.

Since FY2008, we welcome employees' families to the workplace on Family Visit Day to give family members a better understanding of our company and the employee's jobs. In FY2013, 4,476 family members participated in this program.

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



Human Rights Initiative

• Approach and Basic Stance •

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

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

- (1) Daiwa Securities Group Inc. 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 suffering 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, the Daiwa Securities Group set up a Human Rights Awareness Promotion Committee with the objective of promoting activities and training for raising human rights awareness to encourage better understanding and appreciation of social integration and other human rights issues including but not limited to so called Dowa-mondai in Japan, which generally refers to centuries-old discrimination and ostracism against a specific group in Japanese society. The committee is currently chaired by our director in charge of HR, with the deputy human resources officer and the head of HR as deputy chairs, along with five 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. Besides the committee, all Group managers (at the office, division or branch level) act in a promotional role, using education and awareness activities to ensure that employees correctly understand and acknowledge human rights and social integration issues. The committee revised and released the Group's Basic Policy for Initiatives Addressing Human Rights and Social Integration Issues in May 2011.

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

1998. The Federation is composed of 126 companies (mostly headquartered in Tokyo) with a combined total of approximately one million employees (as of April 2014). Federation members work together to improve their human rights and awareness through research and communication.

● Initiatives in FY2013

Immediately after the company induction ceremony on April 1, the 523 new Group employees underwent group training that included human rights training intended to provide basic knowledge concerning human rights and to raise understanding and awareness of the Group's fundamental principles concerning respect for human rights. In addition, 46 general managers, 186 managers, and 323 associate managers underwent training in July to provide the knowledge and awareness concerning human rights required for their respective positions. In November, as part of a new initiative, Group managers and higher-level personnel watched an educational video regarding power harassment.

An annual contest for executives and employees held from October to December was extended to include family members this year—participants created and submitted Human Rights Awareness Slogans to promote broader and deeper understanding of human rights issues, and the winning entries were presented in an internal newsletter. Human Rights Awareness Workshops are conducted each year to address various issues, and in February 2014, the video *Honto no Sora* (The True Sky) was used as an educational resource and a discussion was held regarding awareness of prejudices common to issues such as exclusion and detrimental treatment of seniors and foreign nationals, assimilation, and harm caused by rumors regarding recent nuclear accidents.



New Employee Training



Relationship with Society

• Approach and Basic Stance •

The Daiwa Securities Group considers it important to work together with NPOs and NGOs as a good corporate citizen and to engage in consistent collaboration with the local community to foster sustainable development.

To this end, we group our diverse corporate citizenship initiatives into the following four key categories:

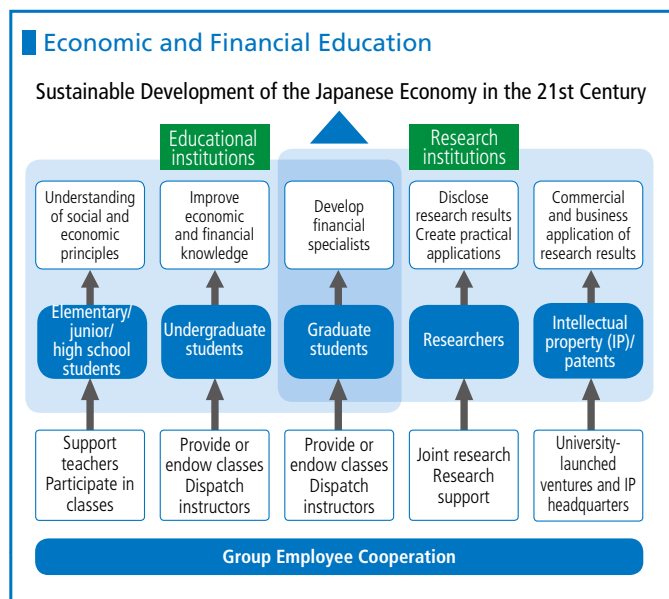
1. Education and research activities in economics and finance
2. Assistance to communities inside and outside of Japan through foundations and NPOs
3. Support for culture and the arts
4. Encouraging volunteerism among employees

⇒Refer to “CSR Related Data” on page 52 for “Corporate Citizenship Initiatives and Expenditures”

1. Education and Research Activities in Economics and Finance

Capitalizing on 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 develop the capacity to build their own lives and shape the future world.

⇒Refer to “CSR Related Data” on page 52 for “Results in Economic and Financial Education”



the workings of a company, the importance of finance, and the functions that a financial services company fulfills, thus improving their financial literacy.

Finance Park

Junior Achievement Japan has established Finance Parks in Shinagawa, Tokyo and another in Kyoto with the goal of providing a space where junior high school students can learn to develop and practice life-planning skills where we have set up pseudo-branches. We have decided to participate in their new project to open facilities in Iwaki, Fukushima in May 2014 and in Sendai, Miyagi in August 2014. As a special sponsor, we support operation of our branchlets there. To date, a total of 47,323 students have participated.

Figures for FY2013:

8,138 participants (2,742 in Shinagawa; 5,396 in Kyoto)

(Figures provided by JA Japan)



Finance Park, Shinagawa

Student Company Program

(Hands-on Company Management Program)

We cooperate with the Student Company Program operated by Junior Achievement Japan. The program teaches high school students about corporate management and organization by allowing them to run a real company.

In FY2013, students from a Tokyo metropolitan high school incorporated a company as part of their extracurricular activities. Initially, the students showed some confusion about corporate management and business operations, but they got on track through self-management. Ultimately, they were able to generate a profit by selling smart phone covers and paid dividends to shareholders within their school. Group employees served as outside directors for six months and provided advice concerning company management.

KidZania

The Daiwa Securities Group is a supporter of KidZania, a theme park designed to provide children from the age of three through to junior high school students with work experiences and has established securities consulting pavilions at their facilities in Tokyo and Koshien (near Osaka). Children gain an insight into



KidZania

Council for Economic Education Japan (CEE-Japan)

CEE-Japan was established in January 2009 to provide economic education training for school teachers. The Daiwa Securities Group is CEE-Japan's main sponsor, providing both the inaugural funding and ongoing support.

Under a partnership with the Council for Economic Education (CEE) of the US, CEE-Japan seeks to implement programs tailored for Japanese schools.

As of the end of March 2014, a total of 3,090 teachers had participated in training and workshops using materials provided by CEE, including the trial run in 2009, according to JA Japan.

Financial Planning Classroom for Beginners

We have held financial lectures for those with limited knowledge in finance that cover a wide range of finance related topics at our head office and on our website. These encompass financial planning, basic knowledge in finance and economy. To cater to the needs of a broad audience, these lectures are presented with sign language and simultaneous captioning. Intended as part of our engagement for a sustainable society, the program was scheduled to take place on a quarterly basis between 2013 and 2014 with different themes each time.

Seminar Themes

- 1st seminar (March 18, 2013)
"Japanese and money—from savings to investments: discover the reality through Japanese history"
- 2nd seminar (June 7, 2013)
"Simple ideas and tips for family budget management and life planning"
- 3rd seminar (September 18, 2013)
"Changing ideas of home buying and financial planning"
- 4th seminar (December 17, 2013)
"Asset management to prepare for tax hikes and inflation—interest rates, currency exchange, and investment"
- 5th seminar (March 5, 2014)
"Outlook for reform of the social security system—public pension and nursing care insurance"



Financial Planning Classroom for Beginners

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

Assistance to Communities Inside and Outside of Japan 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 outstanding research projects focusing on improving health, medical care and welfare for middle-aged and elderly people. Since being founded, Daiwa Securities has disbursed a total of ¥30 million every year, composed of 30 separate grants of ¥1 million each. FY2013 marked the 40th year of this program.

Cumulative contributions through FY2013:

A cumulative total of ¥1,087 million to 1,102 recipients



[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 50th anniversary of the Group's foundation to make contributions to society out of our profits. The Foundation provides grants to organizations and groups doing volunteer work in welfare and medicine.

Since FY2011, the Foundation has focused primarily on organizations and groups involved in volunteer work responding to the Great East Japan Earthquake.

Cumulative contributions through FY2013:

Volunteer Activities Grants

A cumulative total of ¥620 million to 2,699 organizations

Disaster Volunteer Activities Grants

A cumulative total of ¥72.28 million to 162 organizations



Presentation ceremony

[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 UK 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.

Cumulative contributions through FY2013:

A total of 152 accepted under the Daiwa Scholars program and 2,623 projects receiving grants

Overall funding equivalent to around ¥2,215 million (at the exchange rate at the end of each fiscal year)



Activities of Daiwa Scholars

[Web](#) The Daiwa Anglo-Japanese Foundation

Daiwa Myanmar-Japan Foundation

On April 1, 2013, the Daiwa Securities Group established the Daiwa Myanmar-Japan Foundation to improve lives of the citizens of Myanmar and to develop human capital necessary for its sustainable economic growth. The foundation has been focusing on providing opportunities to train people who would carry key responsibilities in its future capital markets. Examples include scholarships for junior staff of the central government to study in Japan. On December 2, 2013, we signed a memorandum of understanding with Myanmar Institute of Certified Public Accountants concerning cooperation in human resources development.

Daiwa Securities Group

Tsunami Reconstruction Fund



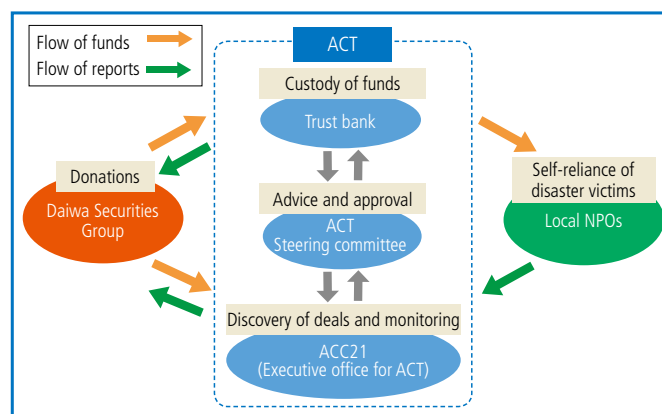
The Daiwa Securities Group established the Daiwa Securities Group Tsunami Reconstruction Fund to provide recovery assistance to regions affected by the December 2004 Indian Ocean earthquake and tsunami. Beginning in FY2005, this fund has provided long-term support for recovery, disbursing ¥10 million annually for a ten-year period for a total of ¥100 million. The Daiwa Securities Group Tsunami Reconstruction Fund provides grants to local NPOs in the three hardest hit countries: Indonesia, Sri Lanka and India. The program offers assistance across four fields: mental health care for children, utilization of microfinancing, provision of educational

opportunities for children, sharing and disseminating tsunami disaster prevention knowledge, and exchange and cooperation activities among those who suffered. The Fund's attributes include provision of long-term recovery inducing measures rather than temporary assistance, utilization of financial mechanisms like charitable trusts and microfinance, and scrupulous monitoring by ACC 21.

Designated areas: Indonesia, India, and Sri Lanka

Designated fields: mental health care and education for children and people with disabilities, microfinancing, interaction through disaster prevention education, and promotion of information sharing

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



Daiwa Securities Phoenix Japan Program

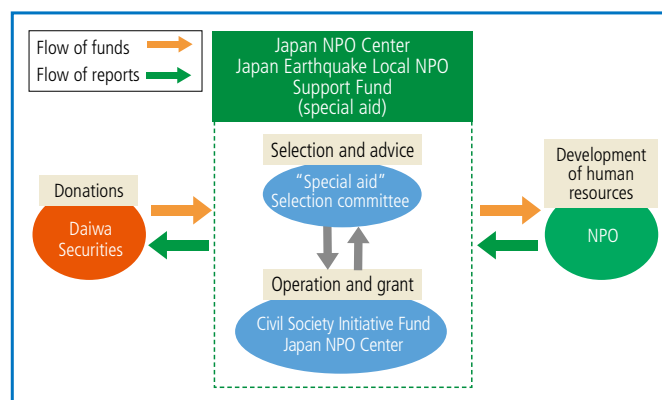
In May 2012, the Daiwa Securities Group established the Great East Japan Earthquake Relief Assistance program. The program donates a portion of management fees from the Daiwa Nippon Support Fund Vol. 3—Phoenix Japan and continues providing assistance to local NPOs through the Japan Earthquake Local NPO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

FY2013 second-term results:

Assistance totaling ¥35.03 million provided for nine projects (including ¥1.5 million for joint research assistance).



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



● Events held to report on earthquake reconstruction activities

In August 2013, the Daiwa Securities Group sponsored a forum to bring together people helping two regions struck by natural disasters—2004 Indian Ocean earthquake and tsunami and the 2011 Great East Japan Earthquake for both of which we have been supporting reconstruction activities. Panel discussions were held with leaders from reconstruction agencies and support groups, and action reports were presented by program managers of Daiwa Securities Group Tsunami Reconstruction Fund and Daiwa Securities Phoenix Japan Program.

The forum was attended by 104 people interested in disaster assistance from businesses and international cooperation, who shared ideas and discussed future support plans.

Disaster reconstruction events



Kopernik Program

Kopernik is a US-based NPO established in 2009 with the goal of improving quality of life and reducing poverty in developing countries; it began operations in Japan in 2010. Kopernik has developed a program to enable contributors in developed countries to go online and donate to NPOs/NGOs in developing countries or areas of their own choosing by selecting needed products such as simple water purifiers and solar lamps. Kopernik shares details of recipient NPO/NGO activities supported by donations on its website to ensure transparency. Donations originated from our revenue from the Daiwa Eco Fund and Russell Global Environmental Technology Fund are granted to products and recipients selected in light of their consistency with the principles of these funds.

Donations made during FY2013:

A total of ¥4.54 million



Solar Light Project



Cooking Stove Project

[Web](#) Kopernik Program (available only in Japanese)

3keys Program

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

Donations made during FY2013:

A total of ¥1.09 million



"Daiwa SRI Fund" Grant Program

The Daiwa SRI Fund Grant Program had provided grants to Japanese NPOs working in fields involving human security since 2006. The program supports human resources development at NPOs by subsidizing personnel and training program costs. The program is operated in collaboration with designated NPO, Civil Society Initiative Fund, and sponsored by donations from the management fees of the Daiwa SRI Fund. From FY2012 through the end of July 2013, the fund continued its support for the Big Issue Foundation, a designated NPO, but has now ended its donations.

Grants Awarded:

26 projects (new grants for 16 projects and continued grants for 10 projects)

A total of 35 staff across 16 groups, totaling ¥45.8 million (grants were completed at the end of July 2013)



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

Disaster Assistance

The Daiwa Securities Group contributed ¥10 million to Japan Platform, a certified NPO, as donations for typhoon victims in the Philippines in November 2013.



● 3. Support for Culture and the Arts

The Daiwa Securities Group provides ongoing support for a wide range of cultural and artistic activities. For example we have been the special sponsor of the Mainichi Shimbun Central Contest for Book Review Painting for 20 years, a tradition that began with the sixth year of the event. The contest aims to encourage reading and



Awarded paintings exhibited at one of our branches

improve children's reading skills by awarding prizes for paintings based on their impression and images from books they have read. Prizes are awarded to elementary pupils, junior and senior high school students. The winning paintings for FY2013 were exhibited at 10 Daiwa Securities branches.

Since 2005, the Group has also been supporting traditional Japanese activities, including sponsorship of title matches of both Shogi and Go (Japanese board games): Meijin Title Match (Shogi) and the Honinbo Tournament (Go).

4. Encouraging Volunteerism among Employees

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

Volunteer Activities by Employees

■ Tree-thinning activity on Mount Takao

On April 13, 2013, 34 employees and their families joined the Hands-on Forest Experience in Odaira National Forest (Tokyo's Mount Takao). The participants learned about Japan's natural forests and nurturing plantation forests, under the guidance of Takao Forest Center, a department of the Kanto Regional Forest Office. They later thinned out trees to experience the importance of forest preservation and maintenance, and made stakes to create pathways, using lumber of their earlier works. In FY2014, we will use these stakes to carry out maintenance work for pathways for elementary school children coming to Mount Takao for nature observation.



Tree-thinning experience

■ International cooperation through a collection drive

The Daiwa Securities Group has been running a collection drive

as an initiative that can be easily participated in by employees. Books already read and unusable postcards are donated to three groups—JEN BOOK MAGIC, Japan Committee "Vaccines for the World's Children," and Live with Friends on the Earth. Items collected are sold by them to fund their activities, including support for education, medical services and assistance to the disabled in developing countries.

We will continue the activity as it is quite popular among our employees for its accessibility.

Contributions made in fiscal 2013:

Worth ¥36,426 to JEN BOOK MAGIC

Worth ¥67,273 to Japan Committee "Vaccines for the World's Children"

Worth ¥54,232 to Live with Friends on the Earth



■ TABLE FOR TWO (TFT) Program

The Daiwa Securities Group contributes to the TFT Program, which is organized by TABLE FOR TWO, an internationally designated NPO. The program aims at eradicating starvation in developing countries and reducing the occurrence of lifestyle diseases in developed countries. We have set up 23 vending machines in our Tokyo Head Office since the spring of 2013, making an automatic donation of ¥10 to the charity from each purchase of healthy drinks. Our Toyoko Center Building's employee cafeteria also participated in the program, making a ¥20 donation each time a healthy menu item is chosen. The donations are used to pay for school lunches in developing countries. In March 2014, we won a "Gold Supporter" award for our contributions. We aim to encourage participation and further expand our activities in the future.

Contributions made February–December, 2013:

Worth around 38,000 school lunches in developing countries (calculated on the assumption that one meal costs ¥20)



Won a Gold Supporter award

Initiatives Taken by the Group's Hong Kong Operational Base

Daiwa Securities Capital Markets Hong Kong operates "First Class," a CSR program that was established in FY2012 by voluntary members.

The panel running the program has been engaged in CSR activities with its focus on "Children and Education," as the members want to contribute toward addressing educational issues faced by many Asian countries, such as poor access to formal education and a lack of teachers and school facilities.

In FY2013, we decided to provide support to two schools in

Hong Kong in collaboration with an intermediary support group. Volunteers from Daiwa Securities Capital Markets Hong Kong have been giving a wide range of advice to upper-grade students at South Island School since September 2013. In December 2013, we invited many students from TKL School to our workplace visit program for families, giving an office tour and offering an opportunity to interact with employees and their families. We have also supported the construction of a new library for TKL School and provided desks, PCs, and other supplies for the library. Representatives from the company attended the opening ceremony of the library in March 2014. Daiwa Securities Capital Markets Hong Kong will continue planning a variety of CSR activities involving the participation of employees.



Workplace visit program for families in Hong Kong

Initiatives to Promote Volunteer Activities

■ Volunteer Award

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



Volunteer Award

■ Dissemination of Information through the Internal Network

The Daiwa Securities Group provides a wide range of information on volunteer programs within the Group through our intranet, believing that volunteer activities help broaden the perspectives of employees and provide benefits by making them aware of various social issues. We introduce the best practice among such volunteer work, through our in-house magazine and internal TV broadcasts.

Environmental Initiatives

• Approach and Basic Stance •

Protecting the global environment, the basis of our livelihoods, is essential for a sustainable society. Through our business activities, the Daiwa Securities Group strives to help resolve environmental issues by promoting products that can help reduce the environmental burden, and also by introducing investments that help to make environmental technologies and infrastructure more widely available. At the same time, we are working to establish a system that efficiently collects data on Daiwa's environmental load. We are also focusing on raising employees' environmental awareness to empower them to reduce the environmental burden in daily business operations.

● Environmental Vision / Environmental Principles / Basic Environmental Policies

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 energy efficiency (including efforts to improve business efficiency). We shall also take steps to reduce water use and reduce, reuse and recycle other materials to contribute to a more environmentally friendly society. Furthermore, considering the importance of biodiversity, we shall seek a symbiotic relationship with the environment and use safe, clean methods of materials procurement.

4. Promote environmental communication

Working in concert with business partners, the local community, NGOs and NPOs, we shall actively disseminate information about environmental issues, and communicate our concern for the environment to customers and society at large.

5. Strictly observe environmental regulations

We shall always endeavor in environmental 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

The Daiwa Securities Group holds a meeting of its Environmental Management Council every half year. A representative from each Group company attends the meeting to share data and exchange information. In addition, 10 Group companies based at the Headquarters building attend a meeting of the CO₂ Reduction Promotion Committee hosted by the management company of the building every half year, working together to reduce the overall CO₂ emissions of the building.

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. We also consider how to build a sustainable environment management system.

● Initiatives to Reduce Environmental Impact of Business Activities

Initiatives at Branch Offices

When installing new equipment at branch offices, Daiwa Securities Co. Ltd. has a requirement that the equipment must be certified under Top Runner standards. We have also decided to replace the approximately 900 passenger vehicles at branch offices with eco-cars and hybrid vehicles over the next few years.

Offering Environmentally Friendly Services

Daiwa Securities Co. Ltd. provides an online service that allows customers to request a wide range of electronic reports. Reports cover such areas as each transaction or balance and other pertinent details as a substitute for written notifications (hardcopy reports). Reports received in an electronic format can, in principle, be accessed and confirmed as and when required, saved to personal computers, and printed for five years after initial receipt.

Launch of the Sustainability Committee

Daiwa Real Estate Asset Management launched a Sustainability Committee in FY2013 as part of its efforts to address a variety of CSR-related challenges systematically. The Committee, comprising the president and full-time executives, draw up policy on sustainability and discuss challenges and activities on a monthly basis.

Environmental Initiatives at Shinjuku Maynds Tower

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

■ Installation of Building Specific Heat Sources (in 2012)

The building started to produce a portion of its air-conditioning cooling water, which is otherwise provided by the district heating and cooling company. It has thereby reduced annual CO₂ emissions by around 833 tons (equivalent to emissions from a single tower with over 7,000 m² of floor area).

■ Adoption of LED Lighting (2012–present)

Since 2012, the building has continued to introduce LED lighting systems for its common-use space. By adopting LED lighting for its underground parking lot, first basement level, and entrance on the first floor, it has reduced annual CO₂ emissions by about 147.2 tons.

■ Adoption of BEMS for the Central Control System (to be completed in 2015)

Building energy management system (BEMS) functions will be added to the new central control system, allowing for elaborate energy monitoring and control of the entire building.

■ Introduction of Automated Electronic Air Conditioning Control System (to be completed in 2015)

The replacement of the current self-contained control system with an electronic system is expected to help optimize the efficiency of air conditioning systems and curb energy consumption.

Carbon Dioxide Emissions

Energy consumption at the Daiwa Securities Group's domestic offices (on a carbon dioxide emissions basis) fell by 5.3% in FY2013 compared with the previous year as a result of initiatives to conserve energy. Electricity consumption at overseas offices fell by 7.2% from the previous fiscal year.

⇒ Refer to "CSR Related Data" on page 53 for details

Volume of Copy Paper / Forms Used

We facilitated the transition to a paperless office by promoting paperless meetings. In spite of these endeavors at Group companies, the volume of copy paper increased by 12.8% from the previous fiscal year due to the reasons such as the increase of business. Overall, 10.2% (based on monetary value) of the copy paper used consisted of Green Procurement Network (GPN) compatible products.

⇒ Refer to "CSR Related Data" on page 53 for details

Climate Change Initiatives

In every facet of its business activities, the Daiwa Securities Group is promoting collaboration between the public and private sectors in an effort to mitigate the effects attributable to climate change, while implementing various initiatives and developing services.

⇒ Refer to "Initiatives on Impact of Climate Change" on page 23 for details

Financing for Projects to Combat Climate Change in Developing Countries

The Daiwa Securities Group provides financing for projects to counter climate change in developing countries. Through underwriting and sale of Green Bonds and other financial products, we supply risk money of Japanese investors to renewable energy and other projects in developing countries.

Investment in Companies Providing Environmental Technologies and Services

The Daiwa Securities Group markets environmental products that invest in stocks of Japanese and foreign companies focusing on improvement of the global environment as their main business. Such products include the Daiwa Eco Fund and the Russell Global Environmental Technology Fund.

Participation in Saitama Eco-Town Project

Daiwa Institute of Research Business Innovation Ltd. was involved in an "Eco-town" project in Saitama Prefecture, providing the systems support to operate the "Home Energy Management System" (HEMS) installed in residences. With HEMS installed in each home, the company provides energy management and efficient administrative services while analyzing energy usage by each family. The use of HEMS allows urban planning projects to reduce their environmental impact.

Photovoltaic Power Generation Projects

Since the launch of the renewable energy feed-in tariff (FIT) system in July 2012, Daiwa PI Partners Co., Ltd. has leveraged the Group's network to identify investment projects in the energy investment business, and is currently involved in multiple photovoltaic power generation projects. In April 2014, a photovoltaic power generation facility that the company funded in Kan-onji City, Kagawa Prefecture, began generating and supplying electric power to the local power utility.

Construction work for two additional photovoltaic power generation projects in Kushiro City, Hokkaido is in progress.

Information Dissemination

Dissemination of ESG Reports

The Daiwa Institute of Research carries out research in areas such as local revitalization efforts, SRI, corporate governance, renewable energy and other environmental issues. It publishes the findings on its website or in its quarterly research review. In FY2013, the Daiwa Institute of Research published 113 reports and commentary articles on keywords concerning ESG.



DIR>Research>ESG (available only in Japanese)

Third-Party Opinion

Sachiko Kishimoto

Executive Director
Public Resources Foundation
(Public Interest Incorporated
Foundation)



The Daiwa Securities Group discloses information comprehensively and faithfully in a PDF version of its CSR report in accordance with the GRI's Sustainability Reporting Guidelines and ISO 26000. The Group also states in messages from top executives that it aims to take the lead in the shift "from savings to investments," with the aim of being a highly sustainable company that does not succumb to chasing near-term profit and using investment activity as a means to address social concerns. I consider the statement to be a clear and strong commitment concerning what the Group should be.

Through its business activities, the Group has taken an active lead in increasing impact investment in Japan. More specifically, the Group has arranged 59% of cumulative offerings of impact investment bonds in Japan and marketed IFC's "Banking on Woman Bonds" for the first time in the country. I find these efforts highly commendable and would like to see the Group continue and expand initiatives to direct its financial capacities into contributions toward a sustainable society.

In the CSR management, the Group sorts and lists the initiatives that it especially focuses on in order to properly identify and respond to the trends of corporate social responsibility. The Group also participated in the process of drawing up the Japanese version of the Stewardship Code and became one of the first institutional investors announcing the adoption of the Code. I find these efforts worthy of praise, while empathizing with its statement that the building of a transparent and fair value chain which extends from companies and organizations issuing securities to investors is an important CSR issue to be addressed by securities companies. With these efforts in mind, I would like to respectfully propose that the Group improve the following points. The Group has thus far signed PRI and actively adopted Japan's version of the Stewardship Code. These efforts are part of the social responsibility of institutional investors. Meanwhile, the Group has not fully incorporated its view on ESG. In the chart illustrating value chain management included in this CSR report, the Group features dialogues under the Japanese version of the Stewardship Code. However, it is unclear from the chart whether the Group places at the core of its activities

the recognition that ESG factors significantly affect the long-term growth and investment performance of a business. Moreover, it is impossible for a third party to know how far and to what extent the

Group will apply its view on ESG in specific business activities such as conducting due diligence as a security company and making investment choices. I agree with the Group's efforts to deepen dialogues under the Stewardship Code and hope that the Group will clearly present specific policies, including its opinion on ESG factors, and show a roadmap to apply the view.

In the "Relationship with Customers" section of the report, the Group states that its conventional "Call Center" was renamed "Contact Center" and has started receiving calls coming in to sales branches as the company's representative. I am happy to know that the Group has expanded its customer service amid the shift from savings to investments, hoping that it will continue to sincerely respond to the needs of retail investors. I also consider it necessary to have a third party evaluate social achievements gained from investment in impact investment products, which are quintessential to the Group, and communicate the results of such evaluation to investors.

In the "Relationship with Employees" section, the Group described how it has been proactive in the promotion of women to management levels. Daiwa Securities Group Inc., for example, has recently appointed a "female" executive with a long career at Daiwa to be a board member for the first time ever. I would like to praise the Group for making steady progress and hope that it will continue such efforts and create a cycle where a diverse range of human resources boost the Group's competitiveness.

It is worthy of praise that the Group signed the Global Compact as described in Human Rights Initiatives, but its specific activities seem limited to social integration issues in Japan and problems that could arise in the Group's own working environment. I believe that the Group should review human rights issues again in today's context or in the Group's broader business activities.

Response to Third-Party Opinion

Yoshihisa Kaneko

Executive Officer



We are grateful to receive your valuable opinion for this fiscal year again.

We believe it is becoming increasingly important for companies to respond to requests from a variety of stakeholders in a balanced manner.





From this viewpoint, we will incorporate your opinion to achieve a better balanced approach.

Our impact investment initiative and other business activities have received high praise, but we will further strive to improve

our products and services to help solve social challenges without being satisfied with the status quo. We will also strengthen our initiatives under the Japanese version of the Stewardship Code as a major institutional investor, and continue to enhance customer services and actively promote female employees to management positions.

Concerning your suggestion on our ESG investment, we will consider measures to live up to the expectations of a wide range of stakeholders, while taking into account materiality and our business characteristics as a financial group. Since our establishment over 110 years ago, the Group has constantly adapted to changes that have occurred with the development of the global financial and capital markets. We will continue to identify changing social requirements with sincerity and provide our services accordingly.

Third-Party Evaluations

Name	Evaluation
<p>Dow Jones Sustainability Asia Indexes In Collaboration with RobecoSAM</p> 	<p>The Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) is a stock index of companies with sustainable practices selected by Dow Jones & Company, Inc. of the United States and RobecoSAM AG of Switzerland. Daiwa Securities Group Inc. has been included in DJSI Asia Pacific for five consecutive years. Since DJSI World was launched in 1999, it has continually been included in both DJSI World and DJSI Asia Pacific.</p>
<p>FTSE4Good Index</p> 	<p>FTSE4Good Index 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 eight consecutive periods since September 2006.</p>
<p>Certified Family-friendly Employer</p> 	<p>Certified Family-friendly Employer shown left is the certification symbol for family-friendly employers provided by Japan's Ministry of Health, Labour and Welfare based on the Act on Advancement of Measures to Support Raising the Next Generation of Children. In addition to Daiwa Securities Group Inc. obtaining certification as a family-friendly employer on June 9, 2008. Daiwa Securities, Daiwa 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"> • Ranked 7th in the "Best 100 Companies for Women to Play an Active Role" and 1st in the "Utilization of Women" division according to Nikkei WOMAN (May 2013 issue) • Recipient of the Ministry of Health, Labour and Welfare sponsored "Award for Companies Providing Career Support in 2013—for companies committed to human resources development" (October 2013) • Recognized in the Ministry of Economy, Trade and Industry sponsored "Diversity Management Selection 100" (March 2014)
<p>Healthy Management</p>	<p>Daiwa Securities Group Inc. received an excellence award from the Minister of Health, Labour and Welfare in the ministry sponsored "2nd Smart Life Project Award (Let's extend healthy life expectancy!)." (November 2013)</p>
<p>GRESB 2013 "Green Star"</p> 	<p>The Global Real Estate Sustainability Benchmark (GRESB) awarded its highest recognition, a Green Star, to Daiwa Real Estate Asset Management Co. Ltd. subsidiary Daiwa Office Investment Corporation for two consecutive years.</p>

GRI/ISO 26000 Content Index

GRI Application Levels

In compiling the Daiwa Securities Group Sustainability Report 2014, 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 2014 meets the reporting standards for GRI Report Application Level B⁺.

GRI/ISO 26000 Content Index

Indicator		Link	ISO 26000	
			Core Social Responsibility Subjects & Themes	Clauses
1. Strategy and Analysis				
1.1	Statement from the most senior decision-maker 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 Initiatives through Business Activities 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 Initiatives through Business Activities		
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: <ul style="list-style-type: none">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 <ul style="list-style-type: none">Quantity of products or services provided.	Daiwa Securities Group Profile		
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: <ul style="list-style-type: none">The location of, or changes in operations, including facility openings, closings, and expansions; andChanges 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: <ul style="list-style-type: none">Determining materiality;Prioritizing topics within the report; andIdentifying 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 restatement (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 Independent Assurance Report	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 Relationship with Employees (Communication)		
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 Strategy, Information Security, and Disclosure		
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Initiatives through Business Activities		
4.13		Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none">Has positions in governance bodies;Participates in projects or committees;Provides substantive funding beyond routine membership dues; orViews membership as strategic.	Principal Member Qualifications <ul style="list-style-type: none">Nippon KeidanrenJapan Securities Dealers AssociationWork-Life Balance Promotion Model Project by the Ministry of Health, Labour and WelfareThe Multi-Stakeholder Forum on Social Responsibility for a Sustainable FuturePRICDPGlobal Compact Japan Network Etc.		
Stakeholder Engagement					
4.14		List of stakeholder groups engaged by the organization. <ul style="list-style-type: none">Civil society;Customers;Employees, other workers, and their trade unions;Local communities;Shareholders and providers of capital; andSuppliers.	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 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 Employees Relationship with Society		

5. Management Approach and Performance Indicators

Economic

Disclosure on Management Approach			Message from the CEO/ Message from the Chairman	Organizational governance Community involvement and development	6.2 6.8
Economic Performance					
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 Annual Report 2014	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.	Initiatives through Business Activities	Climate change mitigation and action	6.5.5
EC3.	CORE	Coverage of the organization's defined benefit plan obligations.	Annual Report 2014		
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.	Initiatives through Business Activities Relationship with Society	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					
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	The environment Sustainable resource use	6.5
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		6.5.4
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	
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	The environment protection of the environment & biodiversity, and restoration of natural habitats	6.5 6.5.6
EN13.	ADD	Habitats protected or restored.	Not applicable		
EN14.	ADD	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not applicable	The environment 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 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		
EN17.	CORE	Other relevant indirect greenhouse gas emissions by weight.	CSR Related Data	The environment Climate change mitigation and action	6.5 6.5.5
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		
EN20.	CORE	NO, SO, 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	The environment Prevention of pollution	6.5 6.5.3
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 The environment 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)	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.	CORE	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 Employees	Organizational governance Labour practices Fundamental principles and rights at work	6.2 6.4 6.3.10
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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	6.4
LA2.	CORE	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	CSR Related Data	Employment and employment relationships	6.4.3
LA3.	ADD	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Relationship with Employees (Striving to Create a Pleasant Working Environment)	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 Employees (Striving to Create a Pleasant Working Environment)	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 Employees (Relationship with Employee Unions)	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 total number of work-related 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 Employees (Striving to Create a Pleasant Working Environment)	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 Employees (Human Resource Development and Skill Enhancement)	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 Employees (Human Resource Development and Skill Enhancement)	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 Conditions of work and social protection	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 (Approach and Basic Stance)	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 Human rights risk situations Avoidance of complicity	6.3 6.3.3 6.3.4 6.3.5
Forced and Compulsory Labor					
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 Fundamental principles and rights at work Promoting social responsibility in the value chain	6.3.7 6.3.10 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 Employment and employment relationships Promoting social responsibility in the value chain	6.3 6.3.5 6.4.3 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 Discrimination and vulnerable groups Civil and political rights Respect for property rights	6.3 6.3.6 6.3.7 6.3.8 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 Human rights risk situations Avoidance of complicity	6.3 6.3.3 6.3.4 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					
SO1.	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
SO9.	CORE	Operations with significant potential or actual negative impacts on local communities.	Not applicable	Economic, social and cultural rights Prevention of pollution	6.3.9 6.5.3
SO10.	CORE	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not applicable	Protection of the environment & biodiversity, and restoration of natural habitats Community Involvement and development	6.5.6 6.8
Corruption					
SO2.	CORE	Percentage and total number of business units analyzed for risks related to corruption.	Risk Management IT Strategy, Information Security, and Disclosure	Fair operating practices Anti-corruption	6.6 6.6.3
SO3.	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	Compliance		
SO4.	CORE	Actions taken in response to incidents of corruption.	Not applicable		
Public Policy					
SO5.	CORE	Public policy positions and participation in public policy development and lobbying.	Not reported	Fair operating practices Responsible political involvement Community involvement	6.6 6.6.4 6.8.3
SO6.	ADD	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not reported		
Anti-Competitive Behavior					
SO7.	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					
SO8.	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 Strategy, Information Security and Disclosure 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 (Building Deeper, Stronger Trust with Customers)	Consumer issues Fair marketing, factual and unbiased information and fair contractual practices Protecting consumers' health & safety Sustainable consumption Consumer service, support and complaint and dispute resolution Education and awareness	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9
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		
PR5.	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Relationship with Customers (Working to Incorporate Customer Voices)	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 Deeper, Stronger Trust with Customers)	Consumer issues Fair marketing, factual and unbiased information and fair contractual practices 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 (2008)

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 Employees (Human Resource Development and Skill Enhancement)
FS5.	CORE	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	Relationship with Customers (Building Deeper, Stronger Trust 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 Initiatives through Business Activities
FS7.	CORE	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Initiatives through Business Activities
FS8.	CORE	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Initiatives through Business Activities
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.	Initiatives through Business Activities
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.	Initiatives through Business Activities
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 Deeper, Stronger Trust with Customers) Relationship with Society (2. Assistance to Inside and Outside of Japan 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 Deeper, Stronger Trust 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 Economics and Finance)

● CSR Related Data ●

Management Report

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2013

Amounts based on resolution of the Compensation Committee	Directors		Corporate Executive Officers		Total	
	Recipients	Amount	Recipients	Amount	Recipients	Amount
	8 persons	¥113 million	14 persons	¥1,159 million	22 persons	¥1,273 million

Notes:

1. The above amounts include performance-based compensation paid in this fiscal year
2. The above compensation amounts include a total of ¥95 million in stock acquisition rights granted as stock options to directors and corporate executive officers
3. Compensation paid to the six outside directors totaled ¥85 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 (except for equity-method affiliates)

10 Group companies:

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

Eight Group companies:

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

Two Group companies:

Daiwa Securities Group Inc., Daiwa Securities Co. Ltd.,

Employees at the Daiwa Securities Group (Consolidated)

(Unit: persons)

	As of March 31, 2013			As of March 31, 2014		
	Employees	FA ^{*1}	Temporary employees	Employees	FA ^{*1}	Temporary employees
Male	7,452	71	—	7,478	65	—
(Career track ^{*2})	7,011	—	—	7,029	—	—
(Managers)	3,773	—	—	3,835	—	—
Japan Female	4,117	122	—	4,125	102	—
(Career track ^{*2})	2,360	—	—	2,486	—	—
(Managers)	190	—	—	221	—	—
Japan total	11,569	193	391	11,603	167	563
Overseas	1,664	—	88	1,547	—	103
Total	13,233	193	479	13,150	167	666

*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 2012	April 2013	April 2014
Career-track employees/regional career-track employees	Male	186	296	345
	Female	168	227	265
Total		354	523	610

This data pertains to eight Group companies

Workforce Statistics

	FY2011	FY2012	FY2013
Average annual salary ^{*1} (in ten thousand yen)	811	888	1,153
Average age (years old)	39.9	40.5	41.2
Average number of years of service (years)	13.7	14.3	14.8

This data pertains to Daiwa Securities Group Inc. only (numbers include those who simultaneously work for Daiwa Securities)

*1 Average annual salary includes bonuses and other remuneration

Re-Employment under the Daiwa Master System

(Unit: persons)

	FY2011	FY2012	FY2013
No. of employees hired under the Daiwa Master System	63	61	59

This data pertains to two Group companies

Employment Rate for Persons with Disabilities

(Unit: %)

	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Employment rate for persons with disabilities	2.09	2.08	2.04

This data pertains to 10 Group companies

Achievements of Selected Participants in Management Training

(Unit: persons)

Daiwa Management Academy: Targeting department managers	FY2011	FY2012	FY2013
Number finishing program (cumulative)	269	291	314
Daiwa Leadership Program: Targeting deputy general managers	FY2011	FY2012	FY2013
Number finishing program (cumulative)	599	631	671

This data pertains to 10 Group companies

Participants in Business Skill Training

(Unit: persons)

	FY2011	FY2012	FY2013
Number finishing program (cumulative)*1	2,469	2,862	3,468

This data pertains to eight Group companies

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

Persons Earning Credentials

(Unit: persons)

Credentials	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Affiliated Financial Planner (AFP)	5,255	5,183	5,191
Certified Financial Planner (CFP)*1	439	497	555
Chartered Member of the Securities Analysts Association of Japan (CMA)	1,440	1,446	1,461
Chartered Financial Analyst (USA credential)	41	42	44
TOEIC (730–990)*2	1,249	1,383	1,470
Overseas MBA program graduate, etc.	158	154	164

This data pertains to 10 Group companies

*1 This data represents numbers at Daiwa Securities

*2 Data as of March 31, 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, overseas, management consultant, individual and corporate sales, 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

	FY2011	FY2012	FY2013
Annual regular working hours (hours)	1822.5	1837.5	1837.5
Average monthly overtime hours (hours) *1	25.1	25.7	27.2
Paid vacation usage rate (%) *2	54	52	50

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 usage rates for annual paid vacation when the special summer vacation is included

Employee Welfare System Usage

(Unit: persons)

		FY2011	FY2012	FY2013
Number of employees taking childcare leave ^{*1}	Female	396	436	486
	Male	12	17	19
Number of employees taking nursing care leave	Female	8	8	10
	Male	0	0	0

This data pertains to all consolidated Group companies*

*1 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 ^{*1}	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 FY2011. 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.

*1 Number of employees using the program at Daiwa Securities as of the end of March 2014, 136 (cumulative)

Female Employees and Managers at the Daiwa Securities Group

(Unit: %)

	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Percent of employees who are female	36.2	35.6	35.6
Percent of managers who are female	4.3	4.8	5.4

This data pertains to all consolidated Group companies

Number of Employees' Union Members

(Unit: persons)

	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Employees' union membership	6,907	6,490	6,406

Of the eight Group companies (nine companies until end of March 2012) 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



(Unit: ¥ million)

Type of Activity	FY2011	FY2012	FY2013
1. Education and research activities in economics and finance	65.435	63.525	49.694
2. Assistance to communities inside and outside of Japan through foundations and NPOs	133.457	165.851	179.937
3. Support for culture and the arts	269.869	272.500	231.900
4. Encouraging volunteerism among employees	31.053	2.328	1.790
Total	499.814	504.204	463.321

Results in Economic and Financial Education

Program	Duration	Participants
Support for Finance Park	June 2005–March 2014	47,323 persons
Support for Japan Council for Economic Education (CEE-Japan)	January 2009–March 2014	3,090 persons
Sponsorship of JA's mainstay Global Leadership Forum for elementary and junior and senior high school teachers	July 2001–March 2014	3,182 persons
Support for thee Student Company Program	September 2003–March 2014	204 persons

Environmental Report

Energy Consumption

		FY2011	FY2012	FY2013
Domestic offices	Electricity (thousand kWh)	93,402	76,247	72,813
	Natural gas (thousand m ³)	582	503	456
	Gasoline (kl) ^{*1}	1,117	1,111	1,088
	Heavy oil (kl)	7.9	10.8	2.0
	Diesel fuel (kl)	0.1	0.1	0.1
Overseas offices	Electricity (thousand kWh)	15,991 ^{*2}	13,716 ^{*2}	12,586

This data pertains to all consolidated Group companies (including equity-method affiliates) At overseas offices, only electricity consumption was calculated

*1 Leased vehicles are used as company cars *2 Data has been restated

CO₂ Emissions

(Unit: t-CO₂)

		FY2011	FY2012	FY2013
Domestic offices	Electricity	51,838	42,317	40,047
	Natural gas	1,327 ^{*1}	1,147	1,040
	Gasoline ^{*2}	2,593	2,579	2,525
	Heavy oil	23.7	32.2	5.9
	Diesel fuel	0.2	0.2	0.2
	Total for domestic offices	55,782 ^{*1}	46,075	43,619
Overseas offices ^{*3}	Electricity	8,792	7,529	6,985
Total for domestic and overseas offices		64,574 ^{*1}	53,604	50,604

*1 Data has been restated *2 Leased vehicles are used as company cars *3 Figures for overseas offices are calculated as references using the emission factor for Japanese offices

CO₂ Emissions per Employee (Domestic)

	FY2011	FY2012	FY2013
Per employee (t-CO ₂)	4.6 ^{*1}	3.9	3.7
Number of employees in Japan (persons)	12,257	11,762	11,770

*1 Data has been restated

Clean Water Consumption

(Unit: thousand kl)

	FY2011	FY2012	FY2013
Consumption volume	162.0	129.6	119.5

This data pertains to all consolidated Group companies (including equity-method affiliates; domestic offices only)

Volume of Copy Paper/Forms Used

(Unit: t)

Company name	FY2011	FY2012	FY2013
Daiwa Securities Group Inc.	24	28	32
Daiwa Securities ^{*1}	303	374	417
Daiwa Securities Capital Markets ^{*1}	95	—	—
Daiwa Institute of Research Group	84	59	62
Daiwa Asset Management	35	23	34
Daiwa Securities Business Center	31	36	40
Daiwa SB Investments	28	28	30
Daiwa Property	3	3	4
Daiwa Office Management ^{*2}	3	1	3
Daiwa Corporate Investment	6	7	6
Others total	16	20	24
Total for domestic offices	629	578	652

This data pertains to all consolidated Group companies (including equity-method affiliates; domestic offices only)

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

*2 Daiwa Sanko was renamed Daiwa Office Management Co., Ltd. in January 2014

Waste Generated and Recycling Volume

		FY2011	FY2012	FY2013
Paper waste	Amount generated (t)	601.0	361.9	377.8
	Recycling rate (%)	88	88	89
Non-paper waste	Amount generated (t)	390.4	276.0	214.3
	Recycling rate (%)	37	43	82

This data pertains to all consolidated Group companies (including equity-method affiliates; domestic offices only)

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

Glossary

● Active fund/Actively managed funds

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

● Base of the pyramid (BOP) business

In many countries, the poorest of the poor make up a large portion of the lower segment of the population pyramid distributed by wealth, but these are undeveloped markets, and this business focuses on the potential of such markets to become major markets and seeks to solve social issues and raise the quality of life by providing sustainable products and services.

● 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

● Cluster bomb/Cluster munitions

A bomb that contains multiple bomblets within a large shell that serves as a container. Explosions occur over a wide area from a single attack, expanding the scope of damage. It has also been pointed out that cluster bombs pose the difficult problem of dealing with multiple unexploded bomblets.

● Color universal design

A method of design that takes into consideration the use of color so that information can be conveyed to more people, keeping in mind people with varied color perception

● Compliance

Confirming to standards, regulations and other requirements

● Corporate governance

The mechanism that allows for sound and efficient corporate management

● CSR

Corporate social responsibility

● ESG

Environment/social/governance

● Green procurement/Clean methods of materials 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

● HEMS/BEMS

Energy management systems (EMS) for electricity, gas, and so on that use information technology. BEMS (Building EMS) are for commercial buildings, and HEMS (Home EMS) are for homes

● IFFIm

International Finance Facility for Immunisation

● Impact investment

A method of investment that in addition to producing economic benefit, invests in assets with the intention of addressing social issues such as poverty and environmental problems

● IR

Investor relations

● ISO 26000

A worldwide standard that provides guidance for social responsibility of organizations

● Low carbon society

A society where carbon dioxide emissions is less

● Microfinance

A form of financial services for the poor entrepreneurs and small businesses

● Nippon Individual Savings Account (NISA)

Dividends and capital gains from stocks, investment trusts, and other investments are subject to ordinary income tax and local taxes, but this program exempts dividends and capital gains from new purchases up to 1 million yen for a maximum of five years

● NPO/NGO

Non profit organization/non governmental organization

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

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

● Principles for Responsible Investment (PRI)

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

● Recycle

To process waste for reuse afterwards as a new product

● SRI

Investment strategy where both financial return and social good are sought

● Stakeholders

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

● 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 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

Independent Assurance Report



Independent Assurance Report

To the President and CEO of Daiwa Securities Group Inc.

We were engaged by Daiwa Securities Group Inc. (the “Company”) to undertake a limited assurance engagement of the performance indicators marked with  for the period from April 1, 2013 to March 31, 2014 included in its CSR Report 2014 (the “Report”) for the fiscal year ended March 31, 2014, except for some performance indicators whose cumulative totals as of the March 31, 2014 or figure for the period from January 1, 2013 to December 31, 2013 are the subject of this assurance engagement (the “Indicators”).

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report, which are derived, among others, from the Sustainability Reporting Guidelines version 3.1 of the Global Reporting Initiative.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’, issued by the International Auditing and Assurance Standards Board, and the ‘Practical Guidelines for the Assurance of Sustainability Information’ of the Japanese Association of Assurance Organizations for Sustainability Information. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company’s responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and also recalculating the Indicators.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

September 29, 2014

Daiwa Securities Group

