



Corporate Social Responsibility Report

Daiwa Securities Group CSR Report 2015

■ To Our Stakeholders



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

We Aim to Be the Customer's First Choice Securities Group in an Era of Transition "from Savings to Investment"

In our previous Medium-Term Management Plan, "Passion for the Best" 2014, which was launched in FY2012, we set out two management policies: "Establish a robust business structure capable of securing profits even under stressful economic conditions"; and "Achieve sustainable growth by linking Japan and growth markets of Asia." We implemented various plans according to the three-phased plan: the first year was designated as the "Turnaround" phase, the second year was the "Growth" phase, and the third year was the "Expansion" phase. In FY2012, Daiwa Securities Group completed cost reduction measures earlier than it had initially planned, enabling its return to profitability, securing a "turnaround" in the first year of the management plan. Since FY2013, the Group has focused on the diversification of business activities and expansion of stable revenues, which substantially improved its earnings performance. Over the three-year period, the Group has succeeded in establishing a robust business structure that will support its sustainable growth.

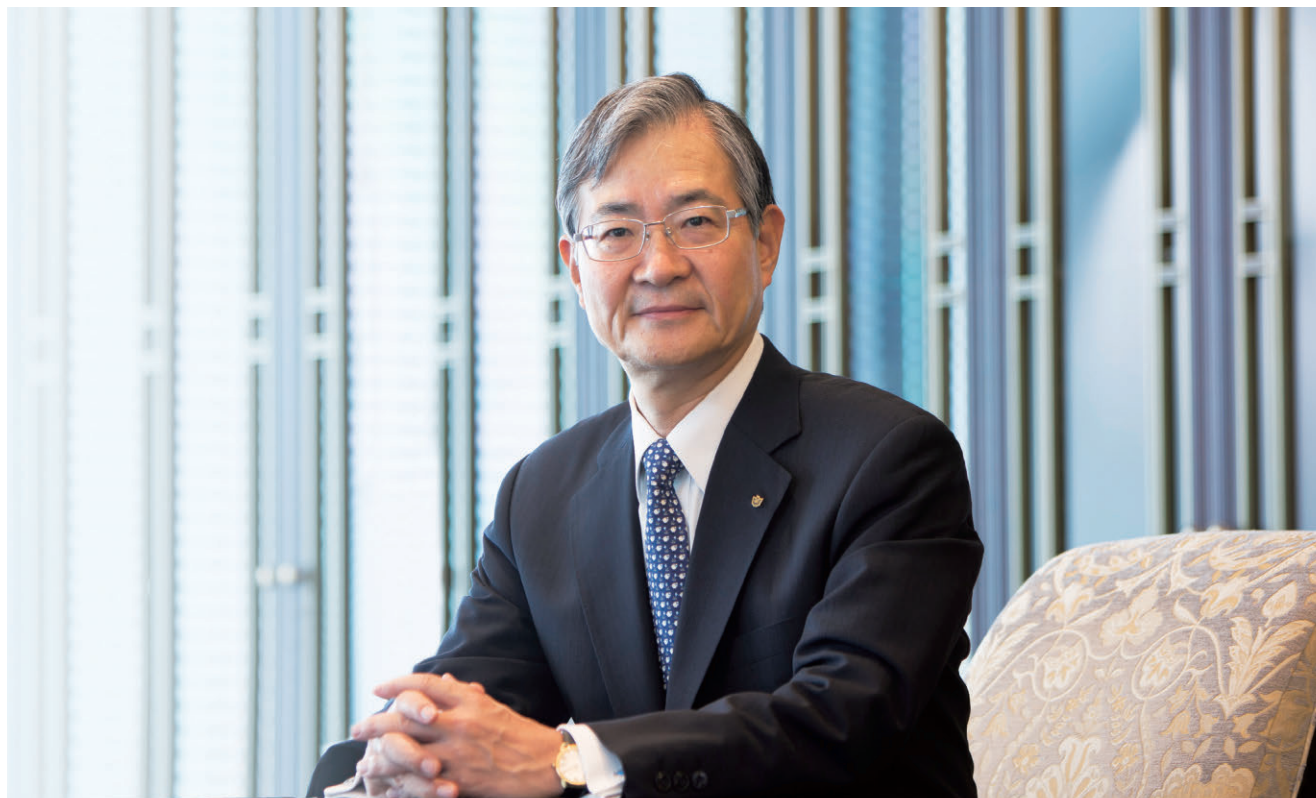
In addition, the Group has made continued efforts to resolve socio-economic issues both in Japan and overseas through its securities business, such as elevating the social status of women in developing countries and creating residential facilities for senior citizens, by providing Japanese

investors with various financial products including Impact Investment Bonds and a healthcare-related REIT. The Group has also been providing its continued support and expertise in Myanmar toward developing a capital market and establishing the Yangon Stock Exchange in FY2015. The Group will continue contributing to the sustainable growth of society and the economy through its securities business.

The Group aims to "take a leadership role in the development of capital markets in Japan and Asia, and become the customer's first choice securities group" in 2020. In pursuit of that vision, the Group has embarked on a new three-year Medium-Term Management Plan, entitled "Passion for the Best" 2017, from this April. FY2015 will be a special year, as the Group aims to step up to the next stage of growth, based on the robust business structure established during the previous Medium-Term Management Plan. All employees and executives of the Group pledge to work as a team to lead the era of transition "from savings to investment."

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

■ Message from the CEO



We Will Endeavor to Expand Our Customer Base and Aim for Growth in Earnings Performance, as the Group Enters a Phase of Sustainable Growth

In our previous Medium-Term Management Plan, that covered the period from FY2012 to FY2014, we sought to “establish a robust business structure capable of securing profit even under stressful economic conditions.” By the final year, we had largely completed the measures set out in that plan, and efforts in FY2014 focused on expanding client-based, high-quality earnings growth.

Turning to domestic business conditions in FY2014, the Japanese stock market showed upward resistance in the first half amid a sense of uncertainty resulting from concerns toward an economic slowdown due to the effects of the consumption tax rate hike, and geopolitical risks including the Ukraine crisis. However, stock prices exhibited an upward trend after the Bank of Japan introduced further monetary easing measures in late October, the Government Pension Investment Fund (GPIF) altered its basic portfolio positions, and corporations reported strong earnings results. Stock markets in other leading industrialized countries including the US and Germany also showed strong performances.

These favorable business conditions supported our earnings performance. Net operating revenues were ¥532.2 billion, ordinary income was ¥184.5 billion, and net income was ¥148.4 billion. Ordinary income, in particular, surpassed the target figure of ¥120.0 billion of the previous management plan for the second consecutive year. This performance was not only the result of favorable business conditions, but also due to the significant improvement in the Group’s earnings structure. The start of a

“New” Daiwa Securities structure in 2012 has helped to fortify intra-Group collaboration, which has enabled the Group to reduce its operating costs while accumulating stable revenues that are less susceptible to market fluctuations. Due to the Group’s performance, the annualized fixed cost coverage ratio was 66% as of the fourth quarter of FY2014, a result that significantly exceeds the initial medium-term target of 60% or more.

FY2015 will be a special year in which we embark on a new Medium-Term Management Plan, entitled “Passion for the Best” 2017. Under the new plan, the Group will proceed from the “turnaround” phase to a “sustainable growth” phase. We plan to rapidly expand our customer base and revenue through appropriate investment and risk-taking by using the robust business structure that was created under the previous medium-term plan as a base on which to build. In response to the full-fledged start of an era of transition “from savings to investment,” the Daiwa Securities Group will attract customers with the industry’s highest service quality and become their best partner. We will also devote all of our resources to efforts aimed at contributing to the Japanese government’s growth strategy through the development of the securities and capital markets.

Takashi Hibino
President and CEO
Daiwa Securities Group Inc.

■ Message from the Chairman



The Role of Top Management Is to Foster Loyalty among Group Employees

Daiwa Securities Group has the strength to create a new era, and the source of this strength originates from the Group's corporate culture. Here, employees with strong loyalty and professionalism consistently place cooperation and contributions to the success of the Group ahead of their own personal gain.

The loyalty of Daiwa Group employees is an "invisible asset." However, it is also an essential element in the growth and health of the Group as a business organization. Loyalty prompts improvements in the workplace and management of the company, and raises awareness toward compliance and governance issues. I believe it is the role of top management to continuously foster this "invisible asset," and to this end, we maintain our commitment to becoming a company that employees want to work for. We have striven to create a more positive work environment, raise compensation levels, expand internal training systems, and support employees in their efforts to achieve an ideal balance between their professional and personal lives.

The Japanese economy is beginning to break out of its period of prolonged deflation that has affected the country for many years. The Japanese stock market is now showing greater vitality than it has in recent years. I believe changes in society not only provide the Group with business opportunities to achieve sustainable growth, but they also present us with the chance to contribute to the realization of a sustainable society through our core business activities. Daiwa Securities Group will take a leadership role in the full-fledged transition of domestic financial assets "from savings to investment," driven by the strong loyalty and combined contributions of all employees, and will aim to become the customer's first choice securities group.

Shigeharu Suzuki

Chairman of the Board
Daiwa Securities Group Inc.

Contents

Message from CEO/Chairman	1
Editorial Policy	5
Daiwa Securities Group Profile	6
Corporate Principles and Management Vision	7
CSR of the Daiwa Securities Group	8
□ CSR Key Issues for the Daiwa Securities Group	8
□ Daiwa Securities Group Stakeholders	8
□ Verification of CSR Key Issues and Responses to Changing Social Requirements	9
□ Communication with Stakeholders	10
□ CSR Promotion System	10
□ Building and Maintaining a Transparent and Fair Value Chain	10
□ Identifying CSR Materiality of the Daiwa Securities Group	11
□ Process of Identifying Materiality	12
Management Report	
Initiatives through Business Activities	13
□ Close-up (1) Initiatives of Fund Wrap Services	15
□ Close-up (2) Initiatives of Asset Management Division	16
□ Close-up (3) Settlement Functions	19
□ Close-up (4) Communication of Information by Daiwa's Various Divisions	21
Corporate Governance	26
Compliance	29
Risk Management	31
IT Governance and Information Security	33
Social Report	
Relationship with Customers	34
Relationship with Shareholders and Other Investors	37
Relationship with Employees	39
Human Rights Initiative	43
Engagement with Society	44
□ Dialogue with Stakeholders —in Regions Affected by the Great East Japan Earthquake	47
□ Looking back on 10 Years of the Daiwa Securities Group Tsunami Reconstruction Fund	48
Environmental Report	
Environmental Initiatives	51
Third-party Evaluations	53
GRI/ISO 26000 Index	54
CSR Related Data	62
Glossary	66
Independent Assurance Report	67

Editorial Policy

We at the Daiwa Securities Group have been publishing a CSR report annually since fiscal 2002 for the following two objectives: to disclose our CSR activities in an easy-to-understand way and to evaluate the current state of affairs and the challenges we face. In CSR Report 2015, 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 2015 is only released on our website, as we believe our Annual Report 2015 contains the essential parts of our ESG activities. It is produced referring the guidelines of the Global Reporting Initiative (GRI) and ISO 26000. Regarding GRI Guidelines, we refer to version 4 and identify our materiality for CSR. We aim to make the report more accessible utilizing the concept of Color Universal Design in selecting the colors of the document.

The meanings of words with underline are provided in the glossary (p.66).

Intended Readership

This report is intended for the broad range of 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 data specifies the scope of coverage. The term "Daiwa Securities Group" refers to our entire group, while the term "Daiwa Securities Group Inc." and the term "Daiwa Securities" refer to Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd., respectively.

Period Covered by Report

Fiscal 2014 (April 1, 2014 to March 31, 2015)

The report, however, also includes some information on events and activities carried out prior to the beginning of or after the end of fiscal 2014, or scheduled to take place during fiscal 2015.

Date of Publication

November 2015

(The previous report was published in October 2014; the next report is planned for November 2016.)

Inquiries

Daiwa Securities Group Inc. Corporate Communication Department, CSR Group

Tel: +81-3-5555-1111 (main) E-mail: daiwacsr@daiwa.co.jp Website: <http://www.daiwa-grp.jp/english/csr/>

Photos on the cover

The smiles of these infants—children of Daiwa Securities Group employees—symbolize our hopes for creation of a sustainable society. At the Daiwa Securities Group, we are determined to fulfill our role as a company and our responsibilities as adults to enable these babies to have a happy society when they grow up.

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)**
13,466
- **Number of consolidated subsidiaries**
50
- **Number of equity-method affiliates**
8
- **Shares of Common Stock**
(issued and outstanding)
1,749,378 thousand shares
(As of March 31, 2015)

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

Daiwa Securities offers two retail services, Daiwa Consulting and Daiwa Direct, through its domestic network of 140 branches, contact centers and the Internet, which provide a wide range of financial products and services as well as support for customer asset management, mainly for individuals and unlisted companies.

2. Global Markets Division

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

3. Global Investment Banking (Global IB) Division

Through capital raising, this division 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

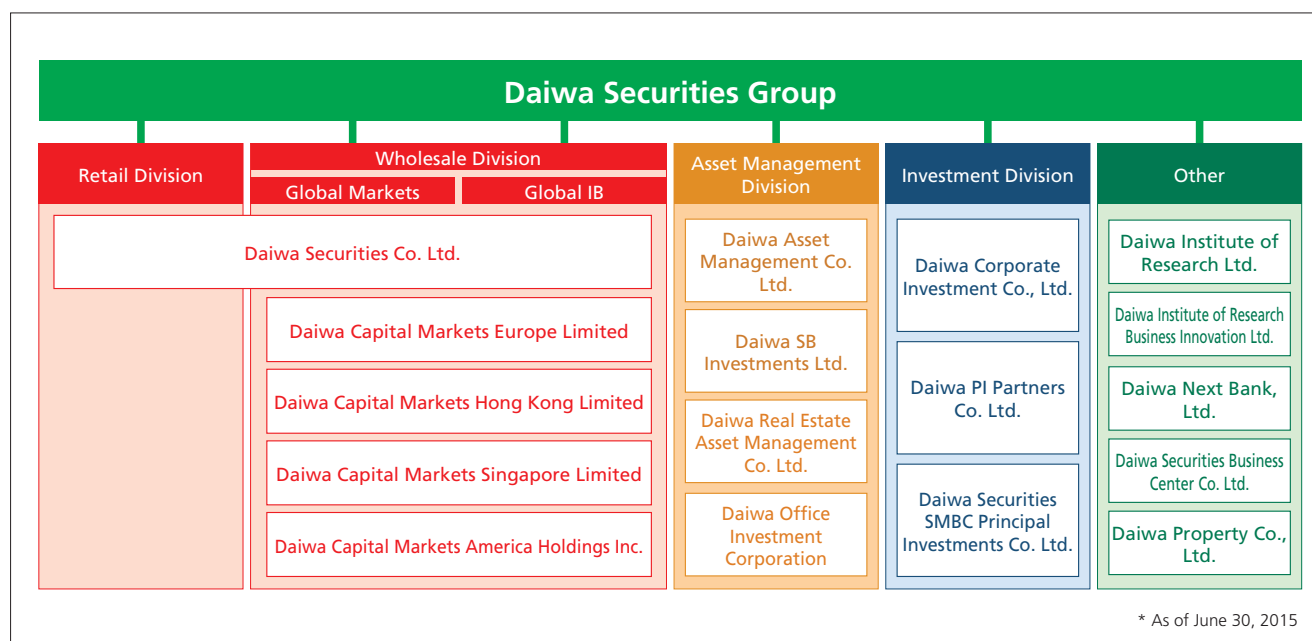
This division sets up and manages investment trusts focusing on a variety of assets, while providing investment advice on pension assets and management services to institutional investors in and outside Japan.

5. Investment Division

The Investment Division invests in areas such as private equity, venture capital opportunities, business regeneration, monetary receivables, and real estate using its own funds and 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.



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 healthy financial markets. In addition to scrupulously observing both regulations and internal policies, the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies in which we operate.

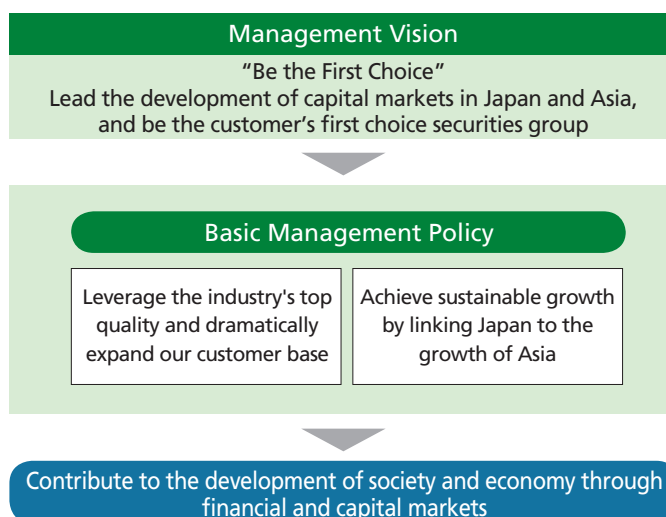
Maintaining healthy earnings results

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

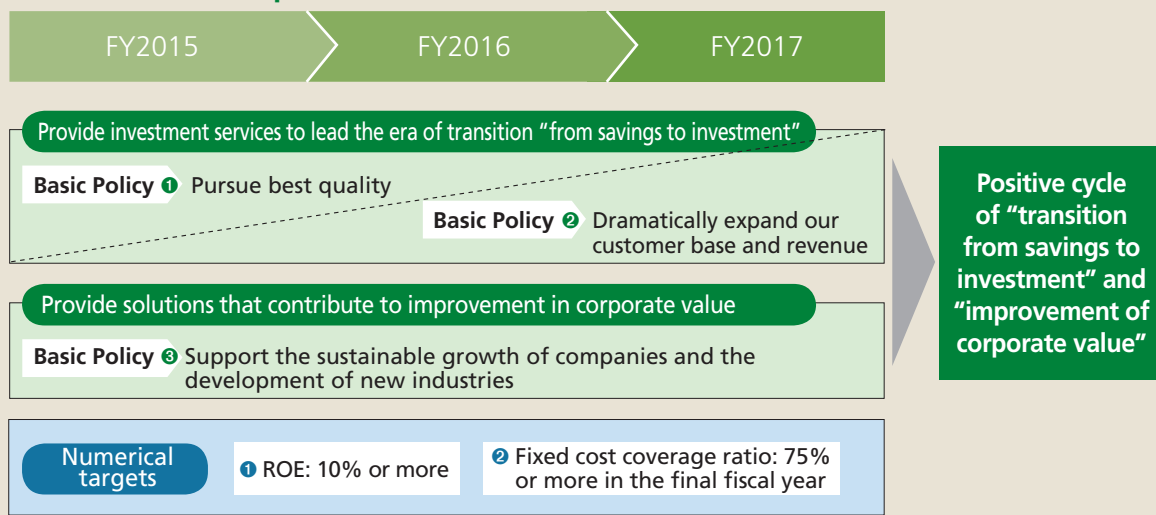
Management Vision and Strategies

The Daiwa Securities Group has formulated "Passion for the Best" 2017, a new Medium-Term Management Plan covering the period through FY2017. The Daiwa Securities Group will pursue growth strategies under the basic policies of attracting customers with the industry's top quality and becoming their best partner, as the transition "from an era of savings to one of investment" gains full momentum.

We believe our social mission is contributing to the development of a sustainable society. This can be achieved by continuously raising corporate value through these growth strategies and other measures as well as supporting sound and stable development of global financial and capital markets.



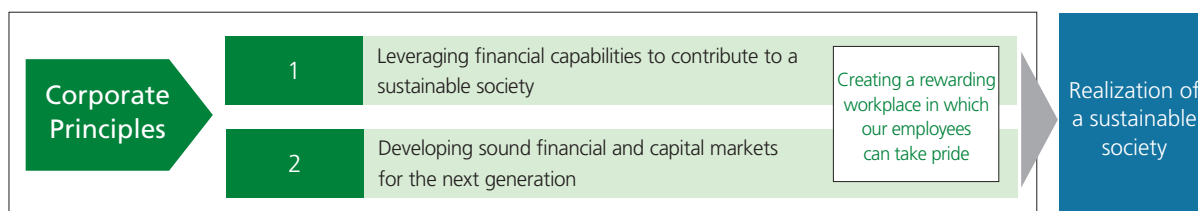
In response to the full-fledged start of an era of transition from savings to investment, attract customers with the industry's highest quality, and become their best partner



CSR Key Issues for the Daiwa Securities Group

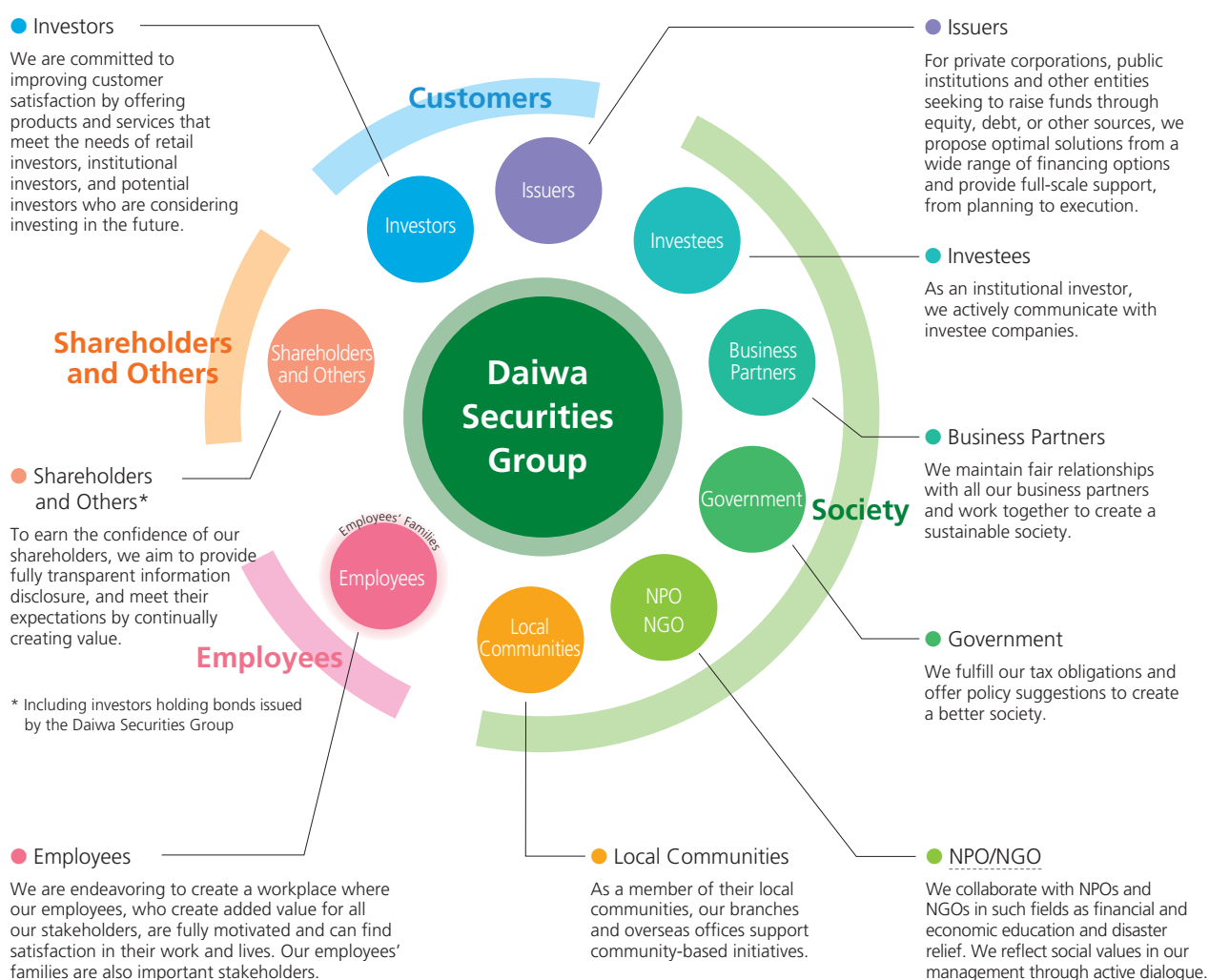
At the Daiwa Securities Group, we regard “building trust” as one of our corporate principles. We believe that contributing to the development of society and the economy through financial and capital markets is our social mission and that trust from customers and society supports the Group’s sustained growth.

We are promoting the Group’s CSR activities under three pillars. They comprise the following two CSR key issues and the development of a work environment which serves as a base for promoting these issues:



Daiwa Securities Group Stakeholders

To continue fulfilling our social mission whilst expanding our business, we trust that it is essential to maintain close ties with our 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 key CSR 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 in 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 codes that we place a special emphasis on:

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) ● The United Nations Guiding Principles on Business and Human Rights		

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 OECD Guidelines for Multinational Enterprises

Maintaining a Balance with Creation of Shareholder Value

In promoting CSR activities, we place a great emphasis on initiatives through business activities. Such initiatives help solve social issues and at the same time, generate commission and fee revenue—tangible value for shareholders. Moreover, a cut in energy costs achieved as a result of initiatives to reduce the environmental footprint of our business activities is also an example of such value.

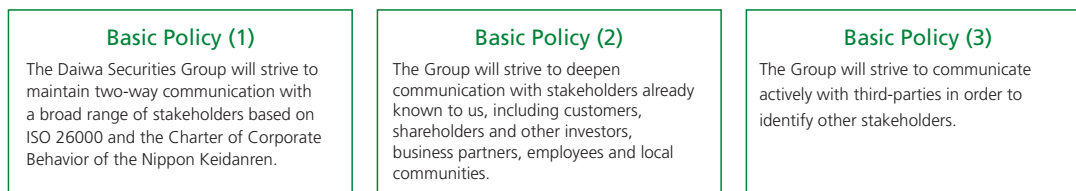
Value for shareholders is not limited to matters that are easy to gauge. Such intangible value for our shareholders includes trust given to us by customers, a rise in morale of employees and improvement in corporate governance and compliance systems.

While CSR activities generate tangible and intangible value for stakeholders and shareholders, they also incur costs. As with other business activities, due to the limitations of human and other resources, CSR activity costs may grow rapidly when the volume of activities increases. We consider it important to analyze the cost-effectiveness of our CSR activities whilst working on reducing their costs, in assessing value for shareholders.

The Daiwa Securities Group will continue practicing CSR activities with the aim of living up to stakeholders' various expectations and generating value for shareholders through those activities.

Communication with Stakeholders

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



CSR Promotion System

Our officers and employees endeavor to implement our corporate principles through their business operations, for the materialization of a sustainable society and of our vision.

Specifically, the CSR Group of the Corporate Communication Department at Daiwa Securities Group Inc. actively seeks information and holds dialogues at external and internal meetings. These activities are conducted under the direction and order of the Corporate Communication Officer, an executive officer under the supervision of the CEO. CSR issues and our progress are shared regularly with the executive officers at meetings and other occasions.

Furthermore, information on CSR is taught to the 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.

CSR Promotion System

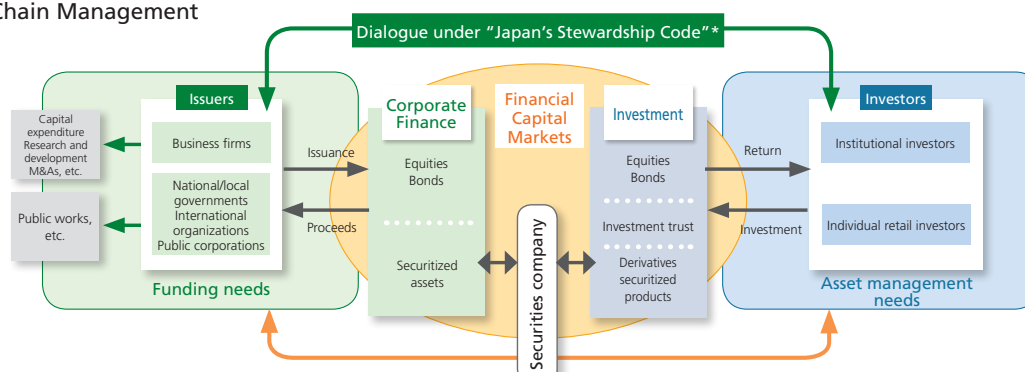


Building and Maintaining a Transparent and Fair Value Chain

For the Daiwa Securities Group, securities such as stocks and bonds are core financial products. Companies and organizations issuing these securities as well as investors in them are therefore our important customers. We believe that endeavoring to build and maintain a transparent and fair value chain is our important responsibility to develop financial and capital markets in a viable way, whilst bearing in mind the construction of a sustainable society. Asset management and sales of investment products are also part of the Group's core operations. As a responsible institutional investor, our Asset Management Division aims to achieve excellent performance by encouraging investees to seek sustainable growth over the medium to long term while appropriately taking ESG factors into consideration.

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 antisocial forces from our value chain.

Value Chain Management



* Refer to "As a responsible institutional investor" on page 18

Identifying CSR Materiality of the Daiwa Securities Group

Based on version 4 of the GRI Guidelines, we have identified materiality for CSR that suits our business model as a financial services group.

To identify materiality, we reviewed the Group's activities from three perspectives: "the provision of good-quality services to customers," "being a supporter for the financial and capital markets, which are part of our social and economic infrastructure" and "being a member of society." We held discussions within the Group, obtaining opinions from third-party experts.

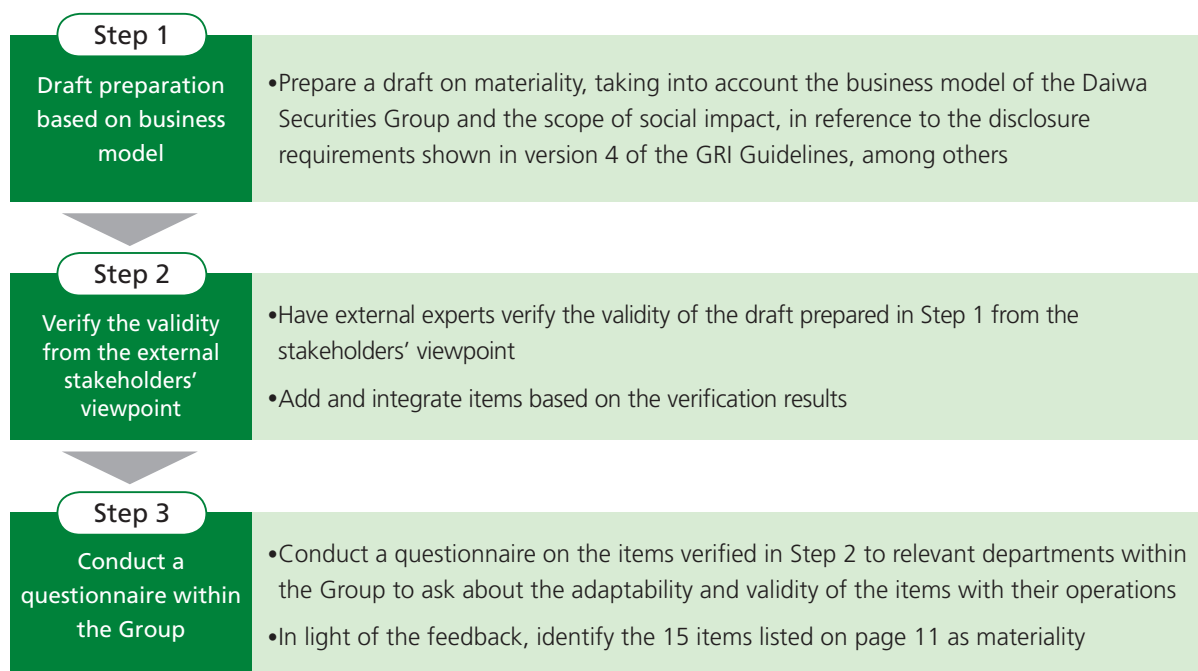
[Identified Materiality]

- | | |
|-------|--|
| I. | Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers |
| II. | Customer service with a wealth of <u>hospitality</u> |
| III. | Development and provision of superior financial and investment products |
| IV. | Communication of information of analysis and proposals about economy, society and investment |
| V. | Maintenance and development of financial and capital market functions |
| VI. | Appropriate risk controls |
| VII. | Appropriate management of customer information |
| VIII. | Construction and maintenance of a strong IT system |
| IX. | Responsible action as an institutional investor |
| X. | Creation of a workplace that values human resource development and diversity of employees |
| XI. | Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline
(including adequate anti-corruption & human rights measures) |
| XII. | Reduction of environmental load and responses to environmental changes |
| XIII. | Initiatives to address social concerns and contribute to future development of society, and financial and capital markets |
| XIV. | Contribution to local communities |
| XV. | Construction and maintenance of an appropriate corporate governance system |

Moving forward, we will disclose information on the Group's initiatives for materiality. We will also strive to grasp the expectations of our stakeholders and changes in social trends through engagement and review our initiatives if necessary. Moreover, we will verify "CSR Key Issues" in accordance with changes in materiality.

Process of Identifying Materiality

Referring mainly to the process shown in version 4 of the GRI Guidelines, we have identified materiality in the following procedures:



Identifying Materiality

We believe that “the provision of good-quality services to customers” and “contribution to the maintenance and development of financial and capital markets” are most important for the Daiwa Securities Group’s business model. As “a member of society,” we also hope to take a balanced approach to the expectations of a variety of stakeholders towards the company.

We viewed our shift to version 4 of the GRI Guidelines as a good opportunity for the Group to consider and realize what was truly important. We thus prepared the draft from these three perspectives and obtained opinions within the Group.

The major point of discussion was that items listed as materiality were closely related to our business and therefore seemed too common. Meanwhile, the question was raised as to how much a company had to fulfil its role as a member of society. There was also debate about whether

Yoshihisa Kaneko
 Executive Officer
 Daiwa Securities Group Inc.



or not we should consider matters all companies are required to work on, such as corporate governance, as important items for the Group.

We eventually identified 15 items as materiality for CSR of the Daiwa Securities Group. Through this procedure, we have confirmed that the key CSR issues regarded as guidelines are indeed effective and reaffirmed that steady activities in the Group’s businesses are directly linked to our social responsibility. We consider this to be a major achievement.

Moving forward, we will continue verifying materiality and report results in each field.



(Management Report)

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 development of financial strategies and other aspects of corporations and public institutions.

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

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 underwriting equities and bonds, and arranging 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 to 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 put its emphasis 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 an fair and dynamic financial market, but also to incorporate a social perspective in finance and to facilitate the flow of money to build sustainable society.

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 Co. Ltd. became signatories in November 2011.

The Group's Nippon Healthcare Investment Corporation, Japan's first healthcare REIT, was selected as a Good Practice for FY2014 among initiatives taken by financial institutions under the Principles.

⇒Refer to page 24 for details of Nippon Healthcare Investment Corporation

● Signed Global Initiatives

- Principles for Responsible Investment (PRI)
- CDP
- UN Global Compact(GC)
- Principles for Financial Action for the 21st Century

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

Impact Investment Bonds

Compared with typical forms of Socially Responsible Investment (SRI), Impact Investment focuses more on the direct impact of investment on society. 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.

First-Ever Sale of Inclusive Business Bonds

In October 2014, the International Finance Corporation (IFC) issued Inclusive Business Bonds, which are designed to support businesses involving 4.5 billion people, for the first time ever. Daiwa Securities offered those bonds mainly to retail investors in Japan. The bond assists businesses providing products, services and economic opportunities to people at the base of the economic pyramid (BOP), which the IFC calls "inclusive business models." Proceeds from the issue will be allocated to initiatives that enable economic growth at a wide range of businesses. For example,

they will be invested in companies incorporating low-income earners in developing countries into a value chain as producers, consumers, retailers or distributors.

Ahead of the issue of Inclusive Business Bonds, a seminar on inclusive businesses was held at the Head Office of Daiwa Securities. Nearly 200 participants, including retail investors, corporate officials and students, listened deeply to the seminar.

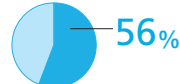
SRI Funds

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 financial results. 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.

Cumulative results of Impact Investment bonds

Daiwa Securities cumulative sales

¥616.7 billion*¹



Total 1109.2 billion*¹

Daiwa Securities results for FY2014

Five issues

¥51.3 billion in total



Results of SRI funds

Daiwa Securities Group cumulative sales

¥51.0 billion*¹



Total 297.4 billion*²

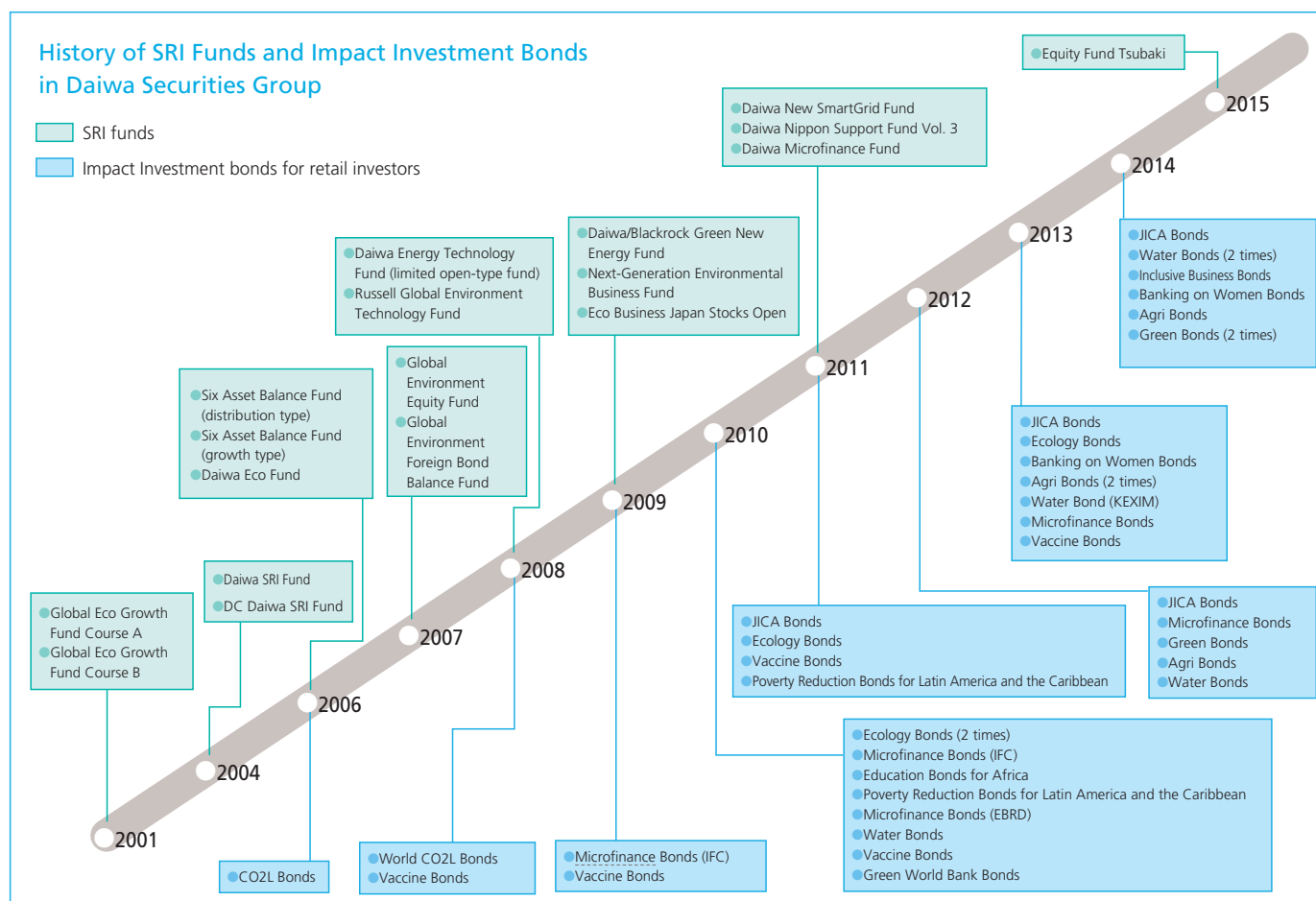
*1 Source: Daiwa Securities

*2 Source: Daiwa Fund Consulting Co. Ltd. (As of the end of March 2015)

History of SRI Funds and Impact Investment Bonds in Daiwa Securities Group

SRI funds

Impact Investment bonds for retail investors



For Developing and Providing Superior Financial and Investment Products

Daiwa Securities Group companies have introduced new services to provide superior financial and investment products to a wide range of customers. The Group is also making efforts to improve the performance of investment trusts. We develop products through communication with customers, leading to enhanced customer satisfaction.

▶ Close-Up 1

Initiatives of Fund Wrap Services

● Fund Wrap—Mid- to Long-Term Diversified Investment Tool for All

Daiwa Securities is focusing on Fund Wrap as a tool enabling even busy customers or those with no investment experience to start investment easily. It is a service tool for customers to diversify their investment over the medium to long term. It adopts a discretionary investment management scheme. Retail customers can take a long-term diversified investment strategy according to their needs and risk tolerance, as do professional institutional investors such as those managing public pension assets.

The service has been improved several times since its launch in November 2007, with the balance of assets in wrap accounts topping one trillion yen in December 2014. The figure represents one third of the balance in wrap accounts existing in Japan. We are thus one of the industry's leaders in terms of both the balance of assets and the number of accounts.

● Service Delivered to Customers over the Long Term: This Is Why We Place Importance on Close Communication

Since Fund Wrap is a service Daiwa Securities recommend to customers not familiar with investment as well, we prepare easy-to-understand materials and take enough time to explain about diversified investment and basic approach to risk. We ensure that customers are fully satisfied with proposals tailored to their needs before they enter into a discretionary investment contract.

We have also improved the service by conducting a questionnaire survey after the signing of contracts and responding to customer requests received through consultants or customer service representatives. As a result, the minimum contracted asset amount has been lowered to 3 million from the initial 5 million. Moreover, we now offer a service plan bundled with Daiwa Next Bank's yen time deposit. Enabling customers to receive funds regularly according to their needs is another example.

Fund Wrap is a service offered to customers over the long term. We therefore report investment performance every three months and hold a follow-up seminar whenever necessary in an effort to actively provide information to customers and maintain close communication with them.

● Harnessing Collective Efforts of the Daiwa Securities Group to Improve Investment Performance

Funds entrusted through Fund Wrap are managed with the concerted efforts of the Daiwa Securities Group. Daiwa Asset Management manages investment trusts set up specifically for "Daiwa Fund Wrap." It receives advice from Daiwa Fund Consulting, an organization mainly offering consulting services for pension asset management. Daiwa Fund Consulting applies the know-how institutional investors use to fund wraps,



Noriko Wakamatsu

Managing Director of the Wrap Consulting
Department of Daiwa Securities

Kenichi Matsumura

Managing Director of the Wrap Business
Department of Daiwa Securities

How Investment Trusts Set Up Specifically for Daiwa Fund Wrap Are Managed



monitor investment as needed and review the allocation ratio and the funds selected. We are thus working to improve investment performance by fully leveraging the know-how and experience the Daiwa Securities Group has acquired as a whole.

● For Maintaining and Enhancing Quality

The balance of contracted assets in wrap accounts, including Fund Wrap, stands at roughly 490 trillion* in the U.S., compared with around 4 trillion in Japan, with the balance for Fund Wrap alone reaching roughly 130 trillion* in the U.S. The customer base for Japan is expected to expand further as well.

We believe our mission is to establish a structure and system that will enable us to maintain the current performance and the quality of service and offer better services even as number of customers increases. Therefore, we are also considering beefing up Internet services, such as by offering plans online.

We will continue our initiatives to maintain quality of the Fund Wrap service to keep attracting customers over the long term as a good-quality investment tool and investment service.

* Balance as of the end of March 2015, calculated at ¥120 to the dollar

▶ Close-Up 2

Initiatives of Asset Management Division

The asset management division of Daiwa Securities Group strives to reinforce the asset management system and continues working on a variety of initiatives to offer better returns to beneficiaries over the medium to long term.

Initiatives by Daiwa Asset Management

● Working to Enhance Investment Performance with Overall Strength

The enhancement of investment performance is the most important challenge Daiwa Asset Management has addressed since the start of business.

We began strengthening our efforts further in FY2012, focusing on an investment reform program since then to develop a distinguished capability in asset management. We especially aim for the industry's top level in active investment in Japanese and foreign stocks and bonds.

One of the pillars to realize this goal is to take appropriate risks in managing funds activity. We have built a comprehensive support system by collecting information from specialists, such as the economic research and corporate research teams. This is a backup system enabling fund managers to take risks without undue concern.

● Human Resource Training and Organization Reform to Achieve Outstanding Performance

Amid an accelerating shift from savings to investment, the amount of assets under management is predicted to expand. Daiwa Asset Management is building a lean, efficient workforce to boost our performance while gradually increasing the number of capable staff members. Specifically, we provide our staff with portfolio simulation training and other practical training programs.

We are also striving to improve our ability to select companies with good prospects. Our analysts used to be divided into large-cap specialists and those specializing in small- and mid-cap stocks. We now adopt a system where analysts are responsible for all companies in the industries they have focused on. The revised system represents our efforts to pick up as many companies with good prospects of contributing to high performance as possible.

● Responding to the Needs of the Times

Since we invest assets on behalf of beneficiaries, we are required to respond to their needs. We pay attention to events reflecting the current of the times and develop products that suit the needs of the times.

For example, one of the themes attracting the interest of beneficiaries is ESG, which we also focus on as a theme that may help boost our mid- to long-term investment performance.

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 the United Nations' Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century. Through engagement with investee companies, we also urge them to step up their ESG initiatives.

Shinichi Yamamoto

Investment Officer
Fund Management Division
of Daiwa Asset Management



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.

Meanwhile, notable perspectives on ESG itself are changing with time. In FY2014, we developed two new funds, among others: "Daiwa New Growth Equity Fund—Shareholder's Smile" and "Equity Fund Tsubaki." The former, set up in September 2014, selects issues from among Japanese companies taking a positive stance toward dialogue with institutional investors and actively working to maximize shareholder satisfaction. The latter, set up in March 2015, focuses on companies where female employees play an active role. We hope that the management of these investment trusts will contribute to sustainable improvements of corporate value and shareholder value.

● Communication with Customers and Sales Companies

Daiwa Asset Management is striving to communicate with customers to grasp the needs described above and develop and offer products from our customers' viewpoint. For example, we hold many seminars for customers, to provide information and help solve their questions. We also operate a unique call center, stepping up efforts to offer detailed support.

Meanwhile, there is also a system to provide sales assistance to companies marketing our products. The Marketing Division, which is responsible for such assistance, boasts a workforce of around 150 members. It also has sections sending instructors to seminars and preparing materials. Especially, the Fund Promotion Department—tasked with providing seminars and training—is composed of 30 employees, making it one of the largest sizes in the asset management industry in Japan.



Initiatives by Daiwa SB Investments

● For Providing Good Returns over the Medium to Long Term

Daiwa SB Investments expects that companies' share prices will be affected by not just short- and mid-term earnings forecasts, but by mid- to long-term management factors, while the Japanese economy is recovering from deflation and businesses are restoring their competitiveness. We, therefore, conduct multifaceted corporate analyses incorporating ESG aspects. In addition to growth potential as a business, we look at whether companies implement appropriate internal control measures and ensure that they are not engaged in corporate activities adversely affecting the environment or society as well as whether their technical competitiveness has improved through environmental initiatives.

● Nurture and Diversify Human Resources to Provide Professional Management Service

Corporate analysis and research require human resource training. Daiwa SB Investments' training program for young analysts places importance on employees thinking on their own through case studies.

We have also overhauled our organizational systems as a company, including the hiring of mid-career professionals and evaluation system. We believe we will be able to provide the management service that suits the needs of customers by elevating a corporate culture as a professional management company.

Along these efforts, we also strive to hire overseas and female staff to diversify our workforce. We aim to offer a better quality service by connecting people having skills acquired in different backgrounds.

Tadao Miyazaki

General Manager of the Investment
Trust Promotion Department
of Daiwa SB Investments



Yuji Kuramoto

Executive Officer of
Daiwa SB Investments



● Initiatives for ESG Investment

Daiwa SB Investments signed PRI in 2012. This represents our stance to reinforce the investment method we have traditionally adopted in order to achieve our goal of fulfilling our responsibility to pursue maximum profits with our utmost efforts from a long-term standpoint on behalf of beneficiaries. We set up the ESG committee and rules to enhance our capacity to evaluate and analyze ESG issues of companies.

● Communication with Customers and Sales Companies

In the case of marketing of publicly offered investment trusts, sales staff at companies handling our products directly communicate with investors. It is, thus, important to first deepen those staff's understanding. Accordingly, we conduct a workshop for their salespeople to enhance their marketing skills. The workshop helps them to learn the market system, investment-related information, sales follow-up and other skills necessary to market investment trusts. We also offer a workshop for staff at sales companies who are responsible for personnel training, thereby providing an opportunity to learn more effective ways to train personnel.

In addition, we also create booklets containing information necessary for sales staff to explain about investment trusts, and use them as training materials. They are designed to improve the skills of salespeople and well received by them. There are already 25 kinds of booklets available.



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 duly 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.

Initiatives by Daiwa Asset Management

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.

Antecedently, Daiwa Asset Management had begun actively working on guidelines and voluntary restrictions considered to contribute to the realization of a sustainable society, such as the PRI and the Oslo Convention on Cluster Munitions. In adopting the Stewardship Code, all members of the Fund Management Division participated in discussions in adopting the Stewardship Code, and drew up a policy with the goal of becoming the first company creating a model policy for the industry.

It is also vital for an asset management company to properly understand the conditions of investees and share such knowledge. Daiwa Asset Management, therefore, conduct meetings with investee companies as needed after adopting the Stewardship Code in order to exchange opinions on proposals to be discussed at shareholders meetings and other issues. In FY2014, we received many requests for dialogue on corporate governance. The number of such governance meetings held in FY2014 was about 100, a more than 50% increase from FY2013's 60.

In holding dialogue, we endeavor to discuss issues in a constructive manner, while introducing our engagement policy based on the spirit of "three-way satisfaction." The policy is aimed to improve corporate value in a way satisfying the shareholders, customers and employees of a

business. We keep in mind that we should discuss issues in a long-term perspective, without being obsessed too much with short-term improvement of dividends or ROE.

Initiatives by Daiwa SB Investments

At Daiwa SB Investments, we are also stepping up dialogue with investees and initiatives to fulfill our stewardship responsibility.

We have increased the number of meetings with the management of companies, such as representative directors and CFOs. We have long focused on engagement with companies antecedently and by actively holding dialogue, urged investee companies to turn their potential into actual business results.

We believe that, as an institutional investor, Daiwa SB Investments has responsibilities to provide investees with advice on how to exercise their potential and how to rebuild themselves and prevent recurrence when there is a problem. We consider that taking various opportunities to raise issues and urge improvement is our responsibility as an institutional investor and also our mission for the customers entrusting their assets.

Investment Policy against Cluster Munitions Producers

The Convention on Cluster Munitions (Oslo Declaration) came into effect in August 2010. As an asset management company in Japan, a country ratifying the convention, Daiwa Asset Management applies basic principles for investments in, and other actions against, cluster munitions producers. Visit the company's website for details of the principles.

Web

Daiwa Asset Management Co. Ltd.

Daiwa Asset Management>
Company Information>
Our Stewardship Activities
(Japanese)

Daiwa Asset Management>
Company Information>
Investment Principles
against Cluster Munitions
Producers (Japanese)

Web

Daiwa SB Investments Ltd.

Daiwa SB Investments>
Company Information>
Stewardship Policy>
Our initiatives on the
Japanese Version of the
Stewardship Code (Japanese)

For Maintaining and Developing Market Functions

▶ Close-Up 3

Settlement Functions

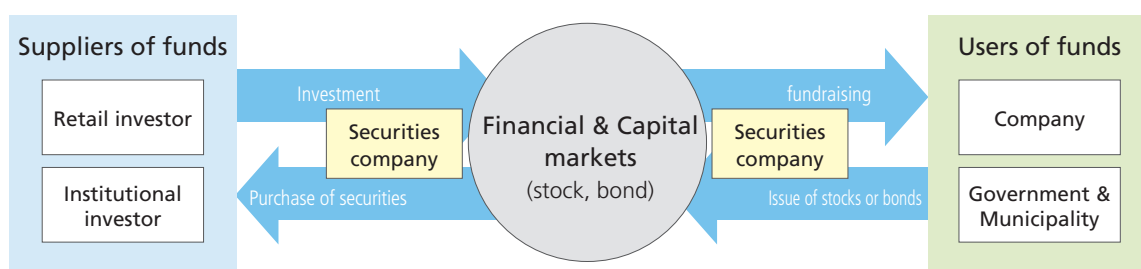


Koji Nakajima

Managing Director of the Operations Department
of Daiwa Securities

The securities business, the core business of the Daiwa Securities Group, functions as an important social and economic infrastructure. It facilitates the smooth flow of money by matching fundraising needs through issuance of securities and investment needs of investors via financial and capital markets. Securities settlement—a mainstay of the Group's overall operations—is the delivery of stocks or bonds and transaction payment to the buyer and seller of a securities transaction respectively. If a delay in securities settlement should occur, this could not only have a significant impact on our earnings or reputation, but also lead to distrust in the entire market, even causing detrimental economic effects across the globe.

The Daiwa Securities Group is aware that the securities business assumes the mission to contribute to the development of economy, improvement of corporate value and realization of an affluent life for people and that securities settlement is a key to the fulfilment of the business' social responsibility. With such awareness in mind, we are striving to build a structure enabling the smooth execution of settlement operations.



● Development of Settlement Infrastructure and Accumulation and Visualization of Know-How

At Daiwa Securities, we handle more than 10,000 settlement transactions every day in trading by Japanese and overseas institutional investors alone. This translates into roughly 3 million transactions annually. The number of settlement transactions has been surging following stock market rallies in recent years. The trend is led by not just institutional investors but the accelerating shift of funds from savings to investment among retail investors. The increase in transactions is also significantly attributed to the fact that a wide range of investors have started actively using a trading method leveraging computers for frequent trading. Meanwhile, measures to speed up settlement, including reduction in time required between trade execution and settlement, are also under consideration. Daiwa Securities uses a settlement infrastructure based on an IT system that is reliable and has a high processing capability to appropriately respond to a growing number of settlement deals. We thereby secure the accuracy and timeliness of settlement.

However, even if operations are systematized, the most important thing for the securities settlement business is each staff member's capabilities of executing operations, including their ability to judge and respond. For example, when an

irregular event occurs, they need to grasp the situation quickly and respond to it appropriately, thereby minimizing the impact on investors and the market. The staff is also required to make a tailored response in many occasions, such as in derivatives trading and settlement in overseas markets. They need to have know-how that allow them to provide an appropriate solution to each customer as well as capabilities of satisfying the needs of customers from their perspective.

The settlement business also demands not just knowledge of the operations an employee is responsible for, but a wide range of knowledge, such as the understanding of related businesses and the mechanism of trading and settlement. Thus, each employee engaged in the business needs to maximize their skills. For that reason, we are making efforts to visualize and accumulate the experience and know-how acquired through daily settlement operations by maintaining manuals appropriately as we view them as a large asset. Employees are required to rotate their tasks regularly to expand the scope of operations they can cover.

Daiwa Securities is striving to improve operational levels, considering that facilitating the flow of funds is the company's responsibility toward finance, market economy and society.

● To Continue the Settlement Business Even in Unforeseen Circumstances

We have drawn up a business continuity plan (BCP) and regularly conduct training in preparation for unforeseen circumstances that interfere with our operations, such as natural disasters, terrorism and interruption of electricity supply. The BCP contains, among others, the development of scenarios and plans and the construction of a backup system. Following the BCP, we will continue our operations, while ensuring that assets are securely maintained and protected. No matter what happens, unless the settlement business is continued, the function of society would stop. In order to fulfill the mission, we are stepping up our initiatives.

● Preparation for Reducing Settlement Time

Efforts are underway globally to reduce settlement time—the duration from the trade date (T) to the delivery date for securities and payment. In Japan, there is also a move to consider a plan to set the delivery date one business day after T (T+1) for government bonds and two business days after T (T+2) for stocks. Since this is an issue the entire industry should address, the Japan Securities Dealers Association, a self-regulatory organization of the securities industry, has taken the leadership in establishing a working group and holding discussions. Daiwa Securities is playing a central role

in the working group and actively making proposals on issues that are likely to arise.

The reduction in settlement time would increase convenience and reduce settlement risk, bringing benefits to both investors and securities companies. Meanwhile, it would require securities companies to develop a system and implement a variety of measures to prepare for unforeseeable circumstances stemming from market participants, including a failure to deliver securities or money on the settlement date. As a leading company in the industry, we will make all possible preparations, while keeping step with industry peers, in order to ensure that settlement transactions are not disrupted.

● To Become a More Reliable Securities Company

The shift from savings to investment is accelerating, helping to broaden the customer base for securities companies. To maintain this virtuous circle, the reliability of settlement is extremely important. It is also one of the most important issues for the Daiwa Securities Group to maintain customer trust. We believe that the role we are expected to play is to enable customers to invest in securities without worries as well as quickly provide solutions that meet increasingly sophisticated customer needs. This can be achieved through a reliable settlement infrastructure and the experience and know-how we have accumulated over the long term.

Father of Value Investing and Securities Settlement

Fujimoto Bill Broker Bank, one of the predecessors of the Daiwa Securities Group, imported government bonds issued by the U.K. and France during World War I, when their prices plunged. This paved the way for the company's expansion of overseas operations.

In 1919, when the Versailles Treaty was signed, Fujimoto sent representative officers to New York. That was because Fujimoto at that time realized that there would be great demand in Japan for bonds issued by the Japanese government overseas at the time of Japanese-Russo War to raise funds for war because the price of those bonds had plunged, providing an opportunity to gain high yields. However, the denominations of those Japanese government bonds were small, making them extremely cumbersome to settle, involving purchasing them in overseas markets and transporting them to Japan. One of the people who became the bank's partners at that time was a young Benjamin Graham, who is now called "the father of value investing." He later described securities settlement and other transactions with Fujimoto and his interchange with the representatives in his autobiography.



Bonds that arrived at the Fujimoto Bill Broker Bank headquarters

Communication of Information of Analysis and Proposals about Economy, Society and Investment

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

Close-Up 4

Communication of Information by Daiwa's Various Divisions

- **Easy-to-Understand Communication of Information That Accelerate the Shift from Savings to Investment**
[Investment Strategy Dept. Equity Research Dept. and Fixed Income, Currency and Commodities Research Dept. of Daiwa Securities]

Daiwa Securities transmits information to a wide range of people from institutional and retail investors to those who are about to start investment.

The Investment Strategy Department is composed of 38 staff members as of FY2014. Each member focuses on their own specialized fields such as Japanese equities, currencies and analyses, with information for both institutional and retail investors covered by the same members. This is the feature that does not exist in other securities companies. The largest advantage of this system is that it enables experts to exchange their information and opinions within a single department. The Equity Research Department, meanwhile, has 63 members in Japan. Analysts in the department focus on certain industries and release highly specialized reports that provide up-to-the-minute information and at the same time offer unique analysis. In the Fixed Income, Currency and Commodities Research Department, 17 members—mostly analysts and strategists—conduct analysis and release reports on the fixed income and currency markets, including government and corporate bonds and securities products. These activities have received high scores in a variety of analyst rankings based on results of our recommendations, stock price performance and evaluation by institutional investors.

Information communicated to retail investors needs to be more easy-to-understand than that for institutional investors, investment professionals. We thus incorporate more visualized reporting for retail investors. Even though we use different presentation approaches, however, the information to retail and institutional investors is both offered by the same person based on close analysis and collection of data. Thus, the bases of the two types of information are the same.

Securities investment or securities companies tend to be perceived as “complicated.” The removal of such image is also one of the roles securities companies assume. Accordingly, we strive to fulfill our missions, which we believe include maintaining



Hitoshi Suzuki

Chief Researcher at
Daiwa Institute of Research
Head of Public Policy Team

expertise that satisfies the high needs of institutional investors, while communicating our analysis in an easy-to-understand way.

- **Our Mission Is to Provide a Comprehensive Communication and Policy Proposal Activities**
[Daiwa Institute of Research]

The think tank role of the Daiwa Securities Group is assumed by Daiwa Institute of Research, which has three functions: research, consulting and systems. We play the role of providing wide-ranging analysis and communicating information to the public.

Our research activities are centered on the financial and economic field, covering both Japan's and other world economies, policy analysis, and research on trends in the financial and capital markets and financial businesses, taxation of financial transactions, and CSR. By leveraging specialized knowledge and analysis know-how acquired through a broad range of long-term research activities, we communicate information and present policy proposals in a comprehensive manner. Recent research themes include “sustainability of the economy and society,” “Asia and globalization” and “from savings to investment.” We are also stepping up transmission of ESG information, communicating wide-ranging information via our website and quarterly journals regarding local revitalization, SRI, environmental problems, corporate governance and other issues. In FY2014, we released a total of 79 ESG reports and commentary articles on ESG keywords.

The Daiwa Securities Group's operations contribute to a variety of stakeholders, such as institutional and retail investors, businesses, governments and municipalities. At Daiwa Institute of Research, we consider it our mission to carry out fundamental research on the real economy, which is inextricably linked to finance, and engage in comprehensive communication and policy proposal activities.

To offer high-value-added research information, we always pursue up-to-date, detailed information and a unique perspective that others do not have. We have also established a research system to ensure that we display our collective strength as an organization as the situation demands.

In order to communicate information that satisfies the needs of the public, it is important to grasp the currents and trends of society. Major pillars of research also include discussions with



Yukiko Hanaoka

Managing Director of the
Investment Strategy Department of
Daiwa Securities

companies, investors, governments, mass media and overseas think tanks. Moreover, we determine what kind of information is sought by analyzing the trends of access to research information on our website, interview requests from the media and requests for workshops and lectures from third parties.

Diversifying Communication Media according to Needs

With significant progress in communication technology, customer needs for information transmission media are greatly changing. The Daiwa Securities Group, therefore, uses a wide range of media to meet these needs.

● Use lectures and Media Appearances with Reports Playing a Central Role

Methods of communicating information vary widely, including reports, quarterly journals, contribution to newspapers and economic magazines, interviews with the media, TV appearances, lectures, seminars, presentation at workshops and publication of books.

For example, Daiwa Institute of Research posted over 620 reports in FY2014 alone on its website, one of our main communication tools. As a private-sector think tank, we strive to explain complex contexts plainly, thereby making our reports easier to utilize. The full texts of the reports are available on our website. Recently, the number hits on the research division's page has increased three- to four-fold compared to five years ago.

We also place importance on the quality of reports. The facts described and expressions used in reports undergo reviews by a specialized section, in addition to rigorous checks within the departments issuing those reports. We secure the reliability of our reports by requiring them to go through a strict review process.

We also express our opinions on various occasions. This includes speaking at a variety of lectures and seminars, contributing articles to third-party economic magazines, appearing on TV programs, posting comments through interviews with newspapers and other media, holding meetings or workshops with customers concerning research information, and participating in government councils.

● Continuing to Hold a Wide Variety of Seminars

Meanwhile, each sales branch of Daiwa Securities holds an investment seminar on the fifth of every month and continues to provide information on Japanese and overseas markets. We also hold a variety of seminars, covering topics including NISA and inheritance, in an effort to provide information. In particular, we have been expanding the scale of seminars for Fund Wrap in response to a recent increase in balance of its assets, as well as seminars for investment beginners and women.

Across all branches, over 106,000 people attended more than 9,100 seminars held in FY2014.

There are also large-scale seminar events, in addition to those held at each sales branch. In April and October 2014, we held seminars entitled "Top Strategist Seminar" in Tokyo, Osaka and Nagoya, attracting over 1,300 people. We also held "Daiwa New Year's Lectures for 2015" in January and February 2015 at

eight venues, including Sapporo, Yokohama, Kobe, Kyoto and Fukuoka, attracting more than 4,400 people.

In response to growing awareness, Daiwa Securities continues to arrange ESG seminars. In July 2014, we sponsored a symposium on the Stewardship Code jointly with Japan Sustainable Investment Forum (JSIF). It consisted of two parts—lectures and panel discussions—attracting a number of participants, such as investors and businesses. Besides, we held a total of four ESG seminars on corporate governance and other issues. In January 2015, we arranged an IR event on ESG for a business.

● Issuing Brochures and Books for General Customers

The Investment Strategy Department's major tools for communicating information to general customers are "Daiwa Investment Weekly" and "Daiwa investment Monthly." They are both distributed to sales branches of Daiwa Securities and also available on the Internet. We also transmit information in various ways, including selling books through publishers and producing desk calendars that contain information on financial events.

In April 2015, we published a book titled "Forecasts of Growth Industries & Companies by Investment Theme 2015-2016" (written and edited by the Investment Strategy Department). The book provides timely information on a variety of themes, while explaining mid- to long-term prospects for those topics. It thus well reflects our distinctive capabilities.

Seminars are also an important tool to communicate information to customers. In addition to ones held at sales branches of Daiwa Securities, live seminars presented on the Internet now play a central role. They can be viewed over the Internet in real time and are also available on an on-demand basis, allowing anyone to learn anytime, anywhere. These live seminars are designed to communicate the significance of investment to potential customers by using the Internet—an easy way to participate. Meanwhile, we also hope that they will serve as an opportunity for investors to start supporting the Japanese economy in the long run.

The number of accesses is on the rise, with popular seminars receiving as many as over 10,000 hits. There are now more than 2,000 accesses on the day of a seminar being held. We are making efforts to boost the number further.





Yoshinobu Matsuzaki
General Manager
Daiwa Securities Media Networks Co. Ltd.

● Distributing Timely Market Information over Internet TV

Since 2000, Daiwa Securities had distributed "Daiwa Securities Information TV," Japan's only channel dedicated to securities information, on multichannel pay TV broadcast service "SKY Perfect TV!" Since April 2011, we have been producing "Daiwa Internet TV" at our own studio and distributing it over the Internet in an effort to target a wider range of viewers. The program is available to anyone on the Internet.

We distribute timely market information three times a day from Mondays through Fridays—before securities trading starts, after the morning session ends and after the daily trading ends. We also offer information from Hong Kong and New York every business day. Analysts at Daiwa Securities and Daiwa Institute of Research appear as "Specialist Report" in programs which provide comments on timely issues or offer corporate information, among others.

The number of visitors to the channel was 50,000 per month in 2011, when the service began, but increased to 120,000 in March 2015. The number of page views (PVs) doubled from the initial 350,000 to 760,000, underscoring the fact that the channel has been attracting a lot of viewers. Since the Internet service allows anyone to view their favorite programs at their favorite time of day and is also available through smartphones and tablets, it is well received by retail investors. We are stepping up our initiatives with the immediate goal of achieving one million PVs.

For Making Communications Even More Accessible

We will make our communications even more accessible in response to rapid changes in society and economy, thereby contributing to sound development of finance and capital economy.

● Reinforcing Useful Research in Response to Growing Information Needs

The Research Division of Daiwa Institute of Research has more than 40 researchers.

It is composed of the Economic Research Department, which specializes in domestic and overseas macro economies, the Financial Research Department, which looks into the financial and capital markets as well as systems and law, and the Economic Environment Research Department, which investigates environmental issues and other challenges surrounding the economy.

Moreover, in 2014, two teams were separated from the above-mentioned three departments, which engage in fundamental research: the Economic Intelligence Team and the Public Policy

Team. The former is responsible for providing a wide range of economic analyses through GDP projections and other means, while the latter makes policy proposals from a long-term perspective, 30 to 50 years ahead. These teams promulgate our views more actively to the public and we intend to further reinforce their activities in 2015, including dissemination through the media and participation in government councils.

Currently, global monetary policy is in the midst of big changes. We are certain that there will be growing needs for information on income disparity issues in industrialized countries and uncertainty over China and other emerging economies. The challenge for Japan is to find what will be necessary to turn Abenomics into a means of more sustainable economic growth. In the course of recovering from deflation, a variety of changes are expected to occur. How should we evaluate such changes and how should companies and individuals react? We will work on these issues, carrying the belief that as a think tank, we are responsible for grasping changes in economic and social trends, and for fulfilling the role of a reliable "compass."

● Creating Programs from a Neutral Standpoint for Raising Awareness

The themes of "Daiwa Internet TV" programs are chosen from timely subjects. They are produced in collaboration with Group companies such as the Investment Strategy Department of Daiwa Securities and Daiwa Institute of Research. We continue conducting surveys to meet requests from viewers. We plan to cultivate a new audience showing interest in our programs.

We also provide contents explaining about products developed by Daiwa Securities. However, we consider that our biggest mission is to raise awareness of finance, rather than advertising ourselves, and thus communicate information from a neutral stance.





Online Initiatives



In 1986, Daiwa Securities began a service enabling investors to place stock trading orders through personal computers for the first time in Japan. Thereafter, we also introduced services using the Internet*¹ and cellphones*² ahead of other companies.

We believe that a service providing investment information and allowing the placement of trading orders anytime, anywhere is useful especially for retail customers in trading of securities, whose prices constantly change on the market.

Due to the recent wide-spread use of Wi-Fi services and smartphones, more and more customers are obtaining and analyzing information and placing trading orders with their own devices. We expect this trend to accelerate further down the road. Accordingly, we will use state-of-the-art technology to make our services easier to use and thereby improve customer convenience, while striving to further offer valuable investment information.

In FY2014, we implemented a service related to NISA, a new investment program, while starting a service for smartphone users at Daiwa Next Bank, Ltd. In FY2015, we plan a major redesign of our website. Moreover, Daiwa Securities offers a service enabling customers to receive face-to-face consulting, along with online services. We thereby differentiate ourselves from Internet-only securities companies. At Daiwa Securities, we will further enhance our customer services to become a securities company chosen by customers.

*1 Began in 1996

*2 Began in 1999

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, Inc.), 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 stock 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 May 29, 2014, DIR received an order from the Central Bank of Myanmar to build the ICT infrastructure necessary to operate a core computer system that mainly handles funds settlement, government bond settlement and collateral management. IT and its operating

know-how provided through the deal will enable the smooth and efficient accomplishment of operations within the central bank. This initiative is also considered to represent the modernization of finance in Myanmar.

Furthermore, on December 23, 2014, DIR signed a joint venture agreement with Myanma Economic Bank and the Japan Exchange Group, Inc. to establish the Yangon Stock Exchange, Myanmar's first-ever stock exchange, and set up a bourse preparatory company. The company will continue building a close cooperative relationship with related authorities in Japan and Myanmar, aiming to launch the new exchange in 2015.

Going forward, the Daiwa Securities Group will continue to harness its collective strengths to help cultivate a capital market in Myanmar.

Japan's First Real Estate Investment Trust (REIT) Specializing in Healthcare Facilities

● Listing of Nippon Healthcare Investment Corporation

In January 2014, in response to the progressive aging of society, Daiwa Real Estate Asset Management Co. Ltd. established Nippon

● Total amount of assets acquired by Nippon Healthcare Investment Corporation

Roughly

14.9 billion

(as of June 1, 2015)

Signing ceremony in Myanmar



Facilities in which Nippon Healthcare Investment Corporation invests



Healthcare Investment Corporation as the first REIT in Japan specializing in healthcare facilities. The REIT began its operation in March and went listed on the Tokyo Stock Exchange on November 5 of that year.

The Japanese government's "Japan Revitalization Strategy," unveiled in June 2013, positioned the development of an industry that helps extend the nation's healthy life expectancy as a strategic field. It mainly incorporated measures to strengthen medical and nursing care services as well as upgrade the living environment for the elderly by utilizing private-sector funds. Accordingly, initiatives are underway to develop a system necessary to expand healthcare facilities by using private-sector funds. These efforts are aimed to resolve a shortage of housing for the elderly in Japan through the establishment of healthcare REITs.

With demand for facilities and houses for the elderly growing, there will also be a surge in the number of paid retirement houses and serviced residential facilities operated by corporations. Amid such circumstances, we hope that Nippon Healthcare Investment Corporation will contribute to society by focusing on investment in facilities for the elderly, an important social infrastructure, and that its initiatives will lead to the growth of the expanding senior market.

Fund to Support Unlisted Companies in Disaster-Stricken Areas

Daiwa Corporate Investment Co., Ltd. operates the East Japan Earthquake SME Reconstruction Support Fund, receiving investment from the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support Japan), The 77 Bank, Ltd., Bank of Iwate, Ltd., The Toho Bank, Ltd., The Aomori Bank, Ltd. and other institutions. 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 has set up a Tohoku branch to operate the fund. It takes advantage of the Daiwa Securities Group's extensive network and also works closely with the SME Support Japan, regional financial institutions and other organizations, thereby assisting the growth of investee companies. To strengthen the operation of the fund, the number of staff members in the Tohoku branch was increased last year.

Initiatives for the "Data Health Plan"

"The Japan Revitalization Strategy," which was approved by the Cabinet in FY2013, incorporated the goal of "extending the nation's healthy life

expectancy." In accordance with this goal, health insurance associations across Japan are analyzing data such as medical information on health insurance claims and medical checkups of their members. By utilizing such analysis, they are also working to develop, announce, implement and evaluate a project program called "Data Health Plan" to maintain and improve their members' welfare.

Daiwa Institute of Research Business Innovation Ltd. provides data processing systems to more than 400 of Japan's roughly 1,400 health insurance associations. In order to assist the government's strategy as a provider of such systems, the company has built and started offering information analyzing systems based on a database of medical information on approximately 7.5 million people accumulated from its operational systems.

It will utilize the business base and medical information database it has built by providing data processing systems to these associations in FY2015 as well, thereby helping facilitate their making of Data Health Plans. The company will continue to carry out initiatives of social significance, such as presenting the government with measures to improve welfare and to reduce medical expenses.

Participation in Smart Community Projects Promoted by National and Local Governments

As part of environmental initiatives, Daiwa Institute of Research Business Innovation has been involved in three smart community projects promoted each by the Ministry of Economy, Trade and Industry, Saitama Prefecture and Kawasaki City. They have provided life-related, regional administrative services using the Home Energy Management System (HEMS) to promote energy management and revitalization of Japan's local communities. Through these projects, we have assisted their efforts to bring about beneficial changes in the convenience of people's lives, regional economies and environmental consciousness of local communities.

Renewable Energy Generation Project

Since the introduction of the renewable energy feed-in tariff system in July 2012, Daiwa PI Partners Co., Ltd. has been actively developing and investing in multiple photovoltaic and other renewable energy projects by leveraging the Group's network.

● Data Health Plan-related seminars held for health insurance associations across Japan

A total of **11** seminars
(three different series)

1,900 participants
from a combined
500 associations



(Management Report)

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.

Features of the Corporate Governance System

In 1999, we 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 (a "Company with a Nominating Committee, etc. system" as of May 1, 2015) and enhanced 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 Nomination 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 those of Group.

In FY2014, the Nomination Committee discussed 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 audited the activities of directors and corporate executive officers, business reports and financial statements, among others, while preparing audit reports.

The Compensation Committee discussed the policy on director compensation, determined the compensation amount for each director and also studied a group-wide incentive plan aimed at improving consolidated earnings results.

The corporate governance code formulated by the Tokyo Stock exchange was introduced on June 1, 2015. It is a set of corporate governance principles to fulfill responsibilities to stakeholders, with the aim of contributing to the sustainable growth of companies and mid- to long-term improvement of corporate value. The code stipulates companies' obligations to ensure shareholder rights and secure transparency in information disclosure as well as the responsibilities of boards of directors.

● Number of times each Committee met (FY2014)

Nomination Committee:	3
Audit Committee:	12
Compensation Committee:	5
Board of Directors:	10

● Rate of attendance at Board of Directors meetings by outside directors

96%



Report on Corporate Governance (Japanese)

Corporate Governance System at Daiwa Securities Group



(As of June 30, 2015)

Daiwa Securities Group Inc. had exchanged opinions with the Tokyo Stock Exchange and other related parties before the code was formulated. We will continue taking appropriate action, leveraging the feature of our governance structure as a "Company with a Nominating Committee, etc. system."

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 12^{*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, 2015

*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

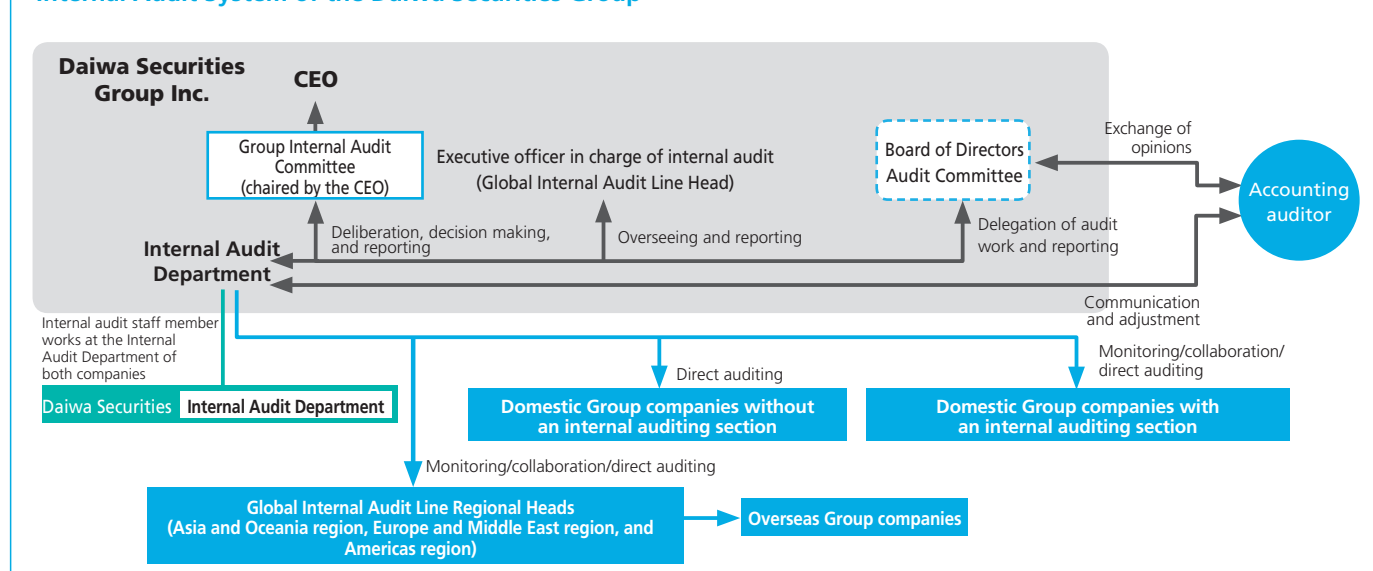
In recognition that management is responsible for maintaining an effective internal control system to ensure the sound and proper execution of business, the Group, under the main initiative of Daiwa Securities Group Inc., has established a system for managing the Group's major business risks. The Group 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,

Internal Audit System of the Daiwa Securities Group



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 Group Internal Audit Committee hears reports on not only the results of audits conducted at Daiwa Securities Group and Daiwa Securities, but also important matters found in audits conducted at Group companies in and outside of Japan.

The Internal Audit Department collaborates with the internal auditing section of each Group company through 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.

All of these internal audit activities are regularly subjected to third-party review. They are assessed in terms of achievement levels relative to "International Standards for the Professional Practice of Internal Auditing," a global standard for internal auditing drawn up by The Institute of Internal Auditors. The evaluations received from the independent, external institution helps us to continue strengthening our system.

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 factfinding investigation, while taking steps to protect the caller.

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.

● Number of reports received through whistle-blowing system for FY2014

41

(up 12 from FY2013)

Increase employees' awareness of whistle-blowing system





(Management Report)

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.

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.

In FY2014, to further push forward these initiatives, we documented the Minimum Points to Fulfill at Daiwa Securities Group (hereafter "Group Minimum Standards"). Specifically, in addition to the existing Group Minimum Standards for Information Security, we have instituted and disseminated Group Minimum Standards to prevent insider trading and to eliminate relations with anti-social groups, and checked the implementation of these initiatives within the Group.

Measures for Maintaining Information Security

We at Daiwa Securities Group have implemented numerous preventive measures vis-à-vis privileged information entrusted to us by customers, including but not limited to personal information, to acquire their strong confidence and to fulfill our social duty of being responsible for a sound capital and securities market.

The Group has created Minimum Standards on Information Security, which form the basic policy followed by Group companies when they make their own regulations.

Since FY2014, as part of the Group's education and training on cyber security, executives and employees

experience "targeted email attack," a type of cyberattack, in simulation. The training is designed to instill a sense of caution, improve the Group's ability to respond and raise attention to suspicious emails.

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, applicable laws and regulations and other specific matters of concern. For example, we have set rules on entertainment of business partners, including government officials, at our operational bases in Japan and overseas. Moreover, we ensure that when we make a donation, our officers and those with managerial responsibilities in multiple departments check the receiver, purpose and amount of donation. We have also implemented a system requiring the routine monitoring of transactions executed by business partners and others on an individual basis. The system is aimed to prevent our business partners from engaging in money laundering, stock price manipulation, insider trading or other unfair trade practices through the Group.

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.

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.

The Daiwa Securities Group provides regular training and testing to improve compliance awareness and to ensure that all employees embrace Daiwa's Corporate Principles and that self-discipline is exercised under all circumstances. For example, in addition to the existing Information Security Training through e-learning for employees of each Group company, in FY2014, we enhanced our compliance training by conducting training on the Prevention of Insider Trading and the Elimination of Relations with Anti-social Groups. Moreover, every year, Daiwa Securities conducts a broad range of training with a practical emphasis, including Compliance Training for all employees, compliance education and instruction for new graduates and newly appointed managers, group training and training on firewall regulations.

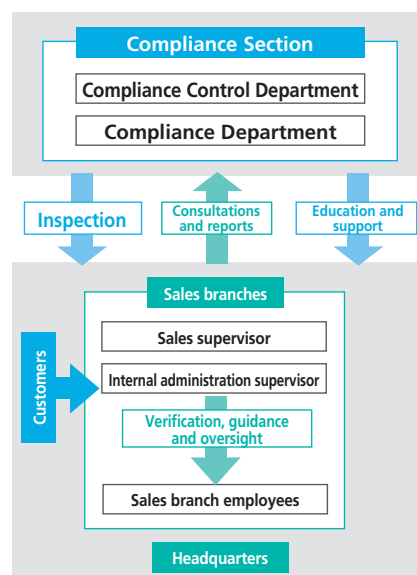
Daiwa Securities Co. Ltd. is taking measures in line with the compliance program to ensure the effective operation of our internal control system and strict compliance of our sales activities with laws and regulations.

In FY2014, the company worked on measures to put greater emphasis on sales activities from the customer's perspective and reinforce company-wide internal controls as well as establish sound information security policy and systems to exclude anti-social forces.

For FY2015, in order to reinforce the initiatives taken in FY2014, Daiwa Securities formulated a compliance program incorporating the three pillars outlined below, under the keyword “Customer First Principle.” The company will strive to bolster its internal management systems further.

1. Greater emphasis on sales activities from the customer's perspective
2. Construction of internal control systems at headquarters departments and sections
3. Exercise of proper functions as a gatekeeper to the market

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



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.



Management Report

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.

Basic Policy

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, strengthening capital and securing the soundness of liquidity.
4. Clarifying the risk management process.

Limits are set for each type of risk within a level suitable for the risk management strength of the Group.

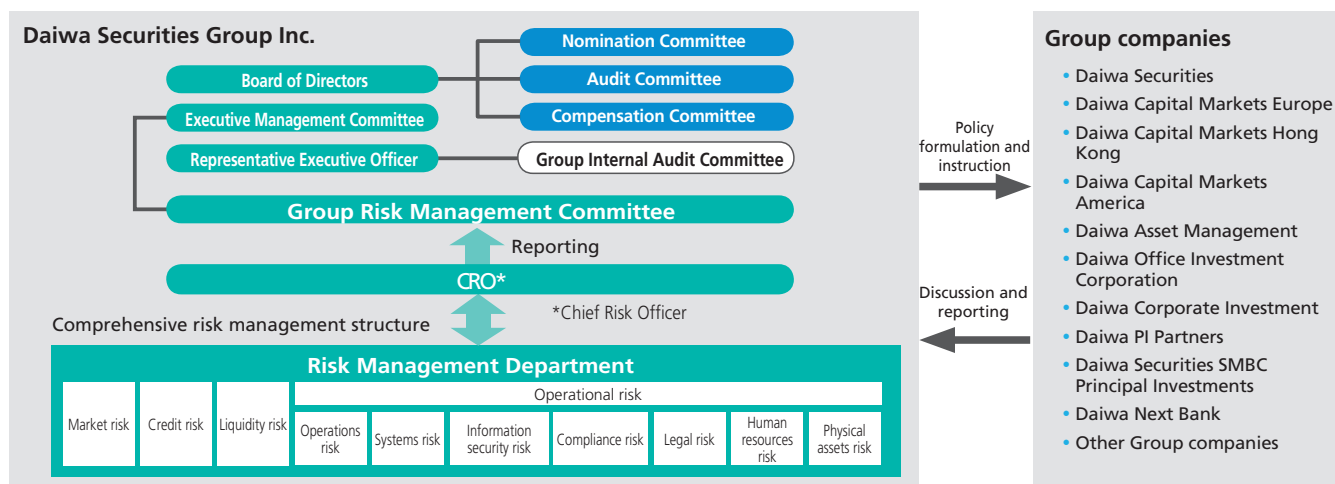
Type of Risks

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 respective Group companies' business characteristics and risk profiles. 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

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.

Risk Management System



(As of July 1, 2015)

Daiwa Securities Group Inc. monitors the system and situation of its subsidiaries' risk management.

Each subsidiary conducts risk management appropriate to the risk profile and size of each business in accordance with these basic policies related to risk management, while Daiwa Securities Group Inc. monitors the system and situation of its subsidiaries' risk management. The risk exposures of subsidiaries found through monitoring and issues concerning the risk management system of each subsidiary are reported to the Group Risk Management Committee, which is a sub-committee of the Executive Management Committee of Daiwa Securities Group Inc., and it discusses and resolves any issues that are reported.

The Group Risk Management Committee understands the Group's risk management system and risk exposures, discusses and determines the policy on risk management and specific measures. It holds a meeting, chaired by the CEO, generally every month.

In addition, major Group companies regularly hold risk management committee meetings in order to strengthen their risk management.

Supply Chain Management and Human Rights Due Diligence

The Daiwa Securities Group regularly checks the documents disclosed by major business partners, including providers of IT equipment and services, as well as news reports about these companies and their reputation on the Internet in order to manage problems in the Group's supply chain. If any issues found, we take steps, such as urging the business partners to make improvements. We also collect information provided by public institutions in and outside of Japan and exchange information with external parties to be aware of human rights issues that exist in the countries where the Group conducts business operations. We then consider taking appropriate measures for issues of importance.

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.

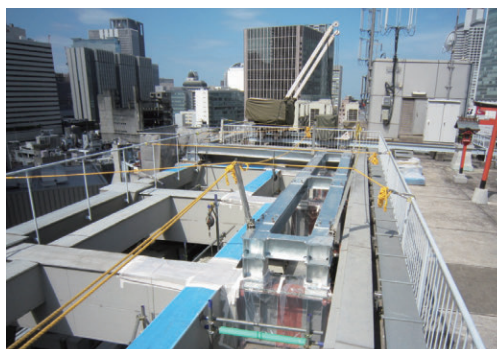
*Prioritized operations to be restored or continued:

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 recently 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.

Construction to relocate power receiving and transforming facilities performed on the rooftop of the Osaka branch building





(Management Report)

IT Governance and Information Security

Approach and Basic Stance

At the Daiwa Securities Group, we leverage our information technology (IT) strategy to provide customers with highly value-added products and services swiftly, accurately, and at an appropriate cost as “the customer’s first choice securities group.”

Furthermore, we protect information assets including personal information from a wide range of internal and external threats, and take steps to mitigate systematic risks by monitoring information systems on a daily basis so that we can provide safe and stable services to customers.

IT Governance System

The Daiwa Securities 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 among the Group companies. IT investment budgets are prepared bearing in mind the importance of synchronizing management and IT strategies, and funds are prioritized for investment budgets that contribute to the achievement of Group management targets and business strategies. While systematically and flexibly responding to the trend toward tighter global financial regulations such as Basel III, we control group-wide IT costs at an appropriate level.

We have also established the Group IT Management Committee, which serves as a prior consultation mechanism for the Group IT Strategy Committee. We thereby implement a system where responsible executive officers discuss medium-term IT strategies and issues common to each Group company.

IT Strategy (Basic IT Policies)

To achieve the management vision of “leading the capital markets in Japan and Asia and becoming the customer’s first choice securities group,” the Daiwa Securities Group is pursuing two IT strategies (Basic IT Policies): “Strategic IT Investment” and “Strengthening IT Governance.” These are included in the Group’s Medium-Term Management Plan, “Passion for the Best” 2017, which commenced in FY2015.

In FY2014, while responding to the trend of tighter regulations on the financial industry, the Group worked to improve the efficiency and quality in executing Nippon Individual Savings Account (NISA) and other sales activities, and concentrated allocation of resources to areas that enhance customer convenience. In this way, we strived to create a platform from which the Group can play a leadership role in the shift “from savings to investment” in Japan.

In FY2015, we will expand our service platform to

become the customer’s best partner, while responding flexibly to global regulations and government policies, including NISA, integration of financial income taxation and Japan’s My Number national identification system.

Moreover, to raise the quality of our customer proposals and increase our flexibility, we will expand support tools for sales staff, with a focus on smart devices. We will also actively utilize artificial intelligence (AI) and information communications technology (ICT), and further enhance customer services.

Information Security

The Daiwa Securities Group is proactively strengthening information security measures and pursuing measures to protect privileged assets, including personal customer information, while appropriately incorporating the latest technological trends.

In particular, cyber-attacks and other external threats have become more serious and more advanced in recent years. We recognize the importance of developing an organizational structure in response to these threats, and have set up a Computer Security Incident Response Team (CSIRT), in the IT Department, that specializes in cyber security measures. The Group works on the prevention and early detection of problematic behavior, either from outside of or within the Group.

Malfunction Countermeasures

Daiwa Securities Group promotes the internal development and standardization of systems and works to provide stable, high-quality services to customers.

Regular discussions take place on the operational status of information systems with Daiwa Institute of Research and Daiwa Institute of Research Business Innovation in order to analyze and ascertain patterns of previous faults. That information is used to shorten recovery times and to prevent the recurrence of the similar faults.



Social Report

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 strive to deliver explanations that exceed the legal requirements when promoting our financial products.

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. To alleviate customer dissatisfaction or concerns arising after trading, we offer thorough explanations and appropriate proposals and promote initiatives to reinforce our relationship of trust with customers.



Investment seminar

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 onsite checks to provide guidance to drive greater improvements in quality.

In the previous fiscal year, we also announced our commitment to provide enhanced services and explanations to customers and since then, have stepped up our efforts to improve hospitality.

Moreover, we currently conduct a customer satisfaction survey once every half year at all the branches of Daiwa Securities, yielding diverse opinions from customers present. This feedback helps us to further improve our service quality, address challenges and enhance customer convenience and comfort.

Accessible Services for Diverse Customers

When Daiwa Securities renovates existing sales branches or plans new branches, we work to ensure that they are accessible to more customers, through measures such as reduced variations in floor level and installation of bigger counters.

Displayed at counters of all sales branches



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

Further Improvement of Consulting Services on Inheritance and Business Succession

To meet the inheritance and business succession-related needs of customers, the head office and some branches of Daiwa Securities have "inheritance consultants." We have also introduced an "Inheritance Planner Certification" program and started offering better quality service to customers.

The program is an in-house qualification system for employees with advanced expertise accumulated through the certification for financial planners (CFP®) qualifications and completion of in-house training. It helps us to enhance our inheritance and business succession-related consulting services to customers.

Inheritance consultants are staff members who not only handle procedures within Daiwa Securities but also comprehensively support any inheritance procedure for customers at the time of inheritance. They also arrange tax accountants, judicial scriveners and agents for inheritance procedures in accordance with requests from customers. Inheritance consultants undergo lectures, training programs and OJT for the first three months and also receive training regularly thereafter.

Strengthening Contact Center Functions

On April 1, 2014, Daiwa Securities' Call Center was renamed the Contact Center. The new Contact Center now undertakes more functions, receiving all calls made to sales branches. In July 2014, we also expanded the scale of the two sites where contact center functions are located. The expansion of the service points has enabled us to further

improve our ability to accept orders in the event of an emergency and to decentralize operational risks by splitting our contact center functions between two sites.

The center has been a key channel for 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 acts 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 services with others and to increase customer satisfaction by improving the verbal quality of their customer handling. At the annual 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 widely-recognized event.

- **Number of sales branches newly introducing Daiwa Securities inheritance consultants**

31 branches

(from October 2014 to April 2015)

- **Number of accredited inheritance planners**

171

(as of March 2015)

- **Financial institution with the highest number of CFP® accredited staff**

590

(as of March 2015)

- **Scale of Contact Center**

620 service points

(500 in Tokyo, 120 in Osaka)

* This data pertains to Daiwa Securities

Daiwa's Point Program

Daiwa's Point Program rewards customers based on their transactions. Points earned can be exchanged for goods or used to make a variety of charitable donations using a conversion rate of one point for 1 yen.

Organizations to which donations can be made

- UNICEF
- Médecins Sans Frontières Japan Association
- WWF Japan
- The United Nations World Food Programme (WFP)
- Japan Platform
- Japan Philharmonic Orchestra
- Arts Support Kansai

(As of April 2015)

Tokyo Contact Center



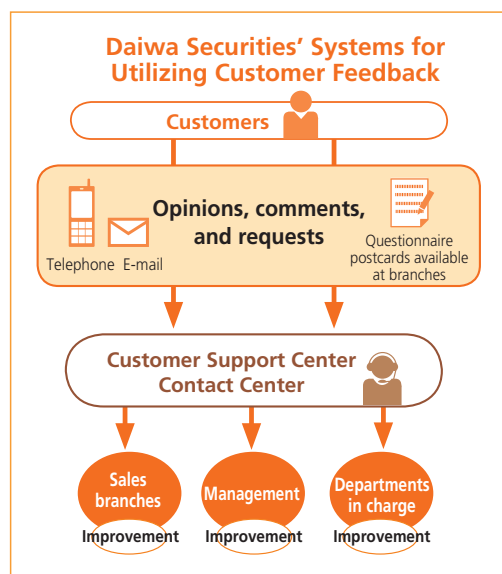
Working to Incorporate Customer Voices

Contact Center Initiatives

Employees at the Contact Center, which serves as our comprehensive remote contact point, have direct contact with customers and play an increasingly crucial role not only as a transaction channel but also in customer support and marketing. In order to maintain and improve contact center operations to meet the demand for high-quality service, we provide training and regular level checks for all Telephone Service Representatives (TSR).

The Contact Center analyzes inquiries, other input from customers and related data to 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 efforts to improve services and customer interaction and to increase customer satisfaction.

Following the start of the Nippon Individual Savings Account (NISA) program on January 1, 2014, the Contact Center received a number of requests for increased trading services for smartphone users taking advantage of the program. We therefore improved related smartphone services at the end of January 2015, while redesigning the entire online trading section of Daiwa's website to make the section easier to use on smartphones and tablets.



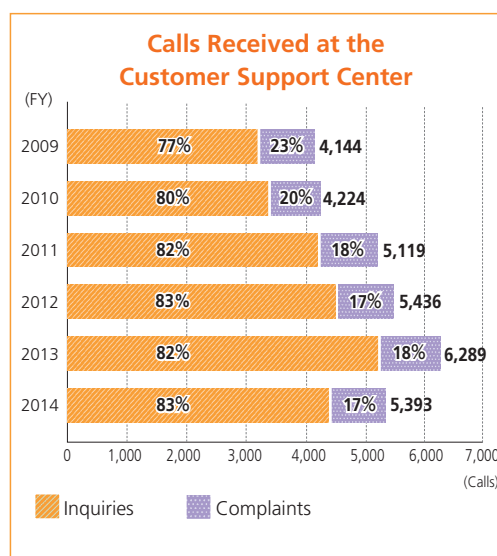
Customer Support Center Initiatives

Daiwa Securities' Customer Support Center is a department within head office that handles customer feedback and complaints directly. It works to respond promptly and appropriately to customer complaints and shares this input with Daiwa Securities' sales branches and related departments at head office to avoid the recurrence of problems.

In FY2014, the Center received 5,393

calls—roughly 900 less than FY2013 and about the same level as in FY2012. Both inquiries and complaints decreased in number, while the number of complaints about customer service, such as inadequate post-sale follow-up and lack of communication, remained almost unchanged.

Everyday, Customer Support Center members share the feedback received from customers and the action taken in response. They also study together every morning to improve their operational knowledge and continue working to enhance their service quality. The Center staff appreciates the value of customer feedback and complaints and will strive to improve customer service.





Social Report

Relationship with Shareholders and Other Investors

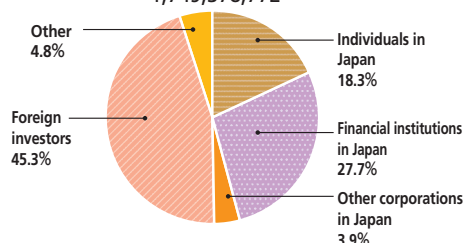
Approach and Basic Stance

The Daiwa Securities Group works hard to advance communication with shareholders and other investors. We will work hard to provide stockholders and investors with improved communications and information that are easy to understand.

Breakdown of Shareholders

Breakdown by Investor Type (as of March 31, 2015)

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



Dividend Policy

Daiwa Securities Group Inc. adopted the policy of paying dividends semiannually at a payout ratio of approximately 30%. However, to further increase shareholder returns, we have decided to raise the targeted payout ratio to around 40% from the year ending March 31, 2016. The following is our revised policy.

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 40% based on consolidated financial performance. This policy is applied to the interim dividends to be paid in December 2015 and beyond. 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

Every year, many shareholders attend our general meeting of shareholders—an opportunity for us to interact directly. There were 2,329 shareholders at the 78th regular general meeting of shareholders, held on June 25, 2015. We also engage in various IR

activities to create new communication opportunities. Such activities include telephone conferences on the days of earnings announcements, briefings about the company for individual investors, management strategy briefing sessions, one-on-one meetings with analysts and investors and participation in Daiwa Investment Conferences held 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 to enhance satisfaction with the shareholder reward program and to improve our business operations.

September 2014 Shareholder Rewards Questionnaire Contents

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

Shareholder Reward Program

Daiwa Securities Group Inc. has been implementing a shareholder reward program for over 10 years to express our continuing gratitude to shareholders. We also introduced a catalog system at the end of March 2008 and since then have been providing reward products posted in the catalog semiannually, at the end of March and September. Shareholders have multiple reward options to choose from such as regional specialties; charitable donations; "Kaisya-Shikiho," a quarterly journal on investment; and points that can be used in Daiwa's Point Program. For those qualified at the end of each March, they are also offered an opportunity to choose a calendar.

Breakdown of shareholders

(as of the end of March 2015)

Foreign investors

45.3%

(down 0.9 points from the end of the previous fiscal year)

Individuals in Japan

18.3%

(down 0.6 points from the end of the previous fiscal year)

Total number of shareholders attending the general meeting of shareholders

2,329



Stock Information



Investor Relations Information

Initiatives in FY2014

Increase the Provision of Information in the "Growth" Phase

Amid a major shift from savings to investment, the Daiwa Securities Group actively disseminated information contributing to the improvement of the Group's corporate value. For example, we communicated the summary of our previous Medium-Term Management Plan and other information efficiently and effectively at earnings announcements and management strategy briefing sessions, as well as in business reports.

Implement Effective IR Activities That Suit Each Investor Base

In overseas IR initiatives, we implement effective activities that suit each investor base. In particular, in FY2014, we strengthened communications with institutional investors by starting to provide explanations of the Group's governance structure to their staff responsible for exercising voting rights.

We are also reinforcing briefings for individual investors held at sales branches of Daiwa Securities. In FY2014, the Group held a live seminar-style briefing for individual investors on the Internet for the first time ever, attracting participation of many investors and a large audience. Meetings focusing on specific themes were also held for the first time in six years. The theme of the briefings was the retail business, a field that investors are particularly interested in.

Internet live seminar



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.

Disclosure Policy

As a company engaged in the securities business, in information disclosure, we aim to be a role model for other listed companies. We will strengthen disclosure of not only financial information, but also non-financial information with social and environmental aspects that are not evident in short-term financial figures.

Disclosure Policy

- The Daiwa Securities Group will provide important information about the Group, including financial, social and environmental aspects, in a fair, prompt and appropriate manner. We will thereby promote understanding of the Group among shareholders, investors, local communities and other stakeholders to help them to properly evaluate us.
- The Group will comply with the Financial Instruments and Exchange Law, other laws and regulations as well as rules implemented by the financial instruments exchanges where our stock is listed.
- The Group will strive to disclose information fairly in terms of both content and timing.
- The Group will utilize various communication channels including briefings, telephone conferences, the Internet and printed materials to disclose information in a manner that is easy for investors to comprehend.
- The Group will always keep in mind our responsibility to lead the securities market and strive to set an example for other listed companies in disclosing information.
- To ensure that these policies are implemented properly, the Group has established a Disclosure Rule that sets forth the establishment of a Disclosure Committee and the Group's information disclosure methods.

● Number of overseas IR activities held in FY2014

North America:

2 IR events (25 meetings)

Europe:

2 IR events (30 meetings)

Asia:

2 IR events (23 meetings)

● Number of participants in a live seminar-style briefing for individual investors on the Internet

Total of roughly
1,400



Social Report

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 our 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.

By providing an environment where diverse people can perform to their full potential, we hope to be able to retain highly skilled people. We also focus on attracting people capable of excelling globally to take a leadership role in the development of capital markets in Japan and Asia and become the customer's first choice securities group.

Fairness in Hiring

The Daiwa Securities Group has formulated and announced its Guidelines for Fair Hiring, comprising three fundamental principles for ensuring fair hiring practices.

Guidelines for Fair Hiring

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

Recruitment of University Graduates

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

Support for the Success of Veteran Employees

The Daiwa Securities Group has in place a Senior Advisor System that provides veteran employees with a wealth of experience to play an active role in the workplace. Senior advisors are dispatched to locations of their choice and engage in community-based consulting and sales from a long-term perspective.

In accordance with the enactment of revisions to the Act on Stabilization of Employment of Elderly Persons in 2013, and as the careers of employees grow longer, we associate our sustainable growth as a company with the employment of older people who wish to continue learning and working in a meaningful way as a part of the organization. Daiwa Securities Co. Ltd. is greatly expanding its training programs for employees aged 45 and older, and has introduced a License Certification System that provides incentives to employees to improve their skills and polish their acumen as professionals.

In addition, the Daiwa Securities Group offers the "Daiwa Master Program" to actively support the success of highly motivated and skilled veteran employees. Senior advisors can work up to the age of 70 under the Daiwa Master Program.

Employment of People with Disabilities

As of FY2014, the Daiwa Securities Group had around 170 employees with disabilities handling 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.

Number of new employees for FY2015

681

(eight group companies*)

* Refer to "CSR Related Data" for companies covered by data

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 take a leadership role in the development of capital markets in Japan and Asia and become the customer's first choice securities group. To realize 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 time when they join us is a critical period for their training.

The program ensures that they acquire not only basic knowledge and skills, but understanding of our corporate philosophy and commitment to CSR. It enables us to nurture human resources with professional skills at an early stage.

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 with programs tailored to their skill levels based on a group-wide policy. We aim to foster a sense of solidarity among Group employees across divisions while offering training opportunities at group meetings.

Daiwa Securities Co. Ltd. helps employees raise their skills to new levels, and has set up new programs that aim to improve specializations. We also have training programs for managerial personnel to improve organizational productivity further.

The Daiwa Securities Group views the first two years of an employee's career as a period for their basic training into a professional. The Daiwa Basic Program covers this period of training, and it is being expanded from FY2015.

Supporting Employees Trying to Earn Credentials

The Daiwa Securities Group encourages employees to improve their English skills as a part of their professional training into globally effective personnel. Daiwa Securities Co. Ltd. sees Financial Planner (AFP and CFP®) and Securities Analyst qualifications as core requirements, and encourages employees to acquire these certifications. Daiwa Securities Co. Ltd. had 590 employees with CFP certifications as of March 31, 2015, the highest number in the industry.

Since FY2014, we have had an Inheritance Planner Certification program in place. Certification candidates are selected from among employees with CFP qualifications, undergo practical training in-house, and those who pass are certified as personnel with advanced expertise through an in-house qualification system.

In addition, the company provides generous support by, for example, subsidizing certification

costs so that employees can enhance their specialized skills and become professionals.

Intra-group Job Postings and the Career Track Change System

We have instituted a Career Track Change System that enables non-career-track employees to transfer to career-track and regional career-track positions. Under the system, more than 1,000 employees have moved to other positions. We have also instituted a system of intra-group job postings to help employees with skills and the desire to realize their potential to open new career paths.

Evaluation System

For this purpose, we have implemented a multifaceted evaluation system for managers. This involves subordinates and related departments assessing each manager's job performance in carrying out his/her duties and the results being fed back to the manager. With the scheme we intend to improve the managerial skills of those assessed and improve our overall productivity. We also take their compliance-related performance into account.

In addition, we endeavor to create a personnel evaluation system that motivates all employees, regardless of years they are with us, whether they are young, middle of 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 (WLB)

One of the Daiwa Securities Group's targets is to promote an advanced level of WLB. The Group is committed to pursuing working styles that enable employees to achieve a balance between their private and professional lives, and makes efforts to create an environment in which both men and women can work in a variety of ways.

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

Since FY2013, Daiwa Securities Co. Ltd. has held meetings of the WLB Advisory Committee with directors, department managers and employees in attendance to discuss and advice on measures related to promoting work-life balance. Meetings are held once a quarter.



The Daiwa Securities Group has adopted systems aimed at supporting its employees in both areas of child-rearing and nursing care that exceed statutory requirements. Surveys concerning the Group's efforts to support both the career and childrearing needs of its employees have been conducted to solicit input from all Group employees. These surveys are designed to ascertain the degree to which employees are using the Group's systems and to collect feedback focusing particularly on employee needs. Drawing on the results of the surveys, the Group is working to further improve conditions and put in place a pleasant working environment for all employees. Prior to an employee returning to work after taking childcare leave, interviews are conducted with relevant department, office, and branch heads. In this manner, energies are being channeled toward ensuring a smooth return to work. Even during childcare leave, employees are still eligible for promotions and raises based on their contributions to date.

Starting in FY2014, Daiwa Securities Co. Ltd. offers a Childrearing Support Leave system that encourages male employees to take leave and help with childrearing.

We will continue promoting initiatives designed to attract the kind of high-caliber employees who build an enterprise that achieves great performance.

Encouraging Women to Succeed

The Daiwa Securities Group proactively appoints talented human resources regardless of gender. Promotions are based on fair evaluations, and we believe creating a work environment where people from diverse backgrounds can maximize their abilities will lead to improvement in corporate value.

We are trying to appeal more to women's individual interests by introducing thriving female employees as role models in internal publications and providing opportunities for cross-company communication, in order to increase the number of women in management positions.

A career consultation service has been set up on the Group's internal initiatives for WLB site. Female executives as well as heads of each department, office, and branch give advice on the concerns and inquiries of female employees. There are a total of seven women in top management positions across the Daiwa Securities Group, including three female executives at Daiwa Securities Group Inc.

The number of women in management positions has increased every year, totaling 262 women at Group companies as of March 31, 2015. The ratio of women in management positions has risen from 2.2% (at the end of FY2004) to 6.3% at the Group, and from 2.3% to 7.5% at Daiwa Securities Co. Ltd.

By increasing the number of role models, we are making it easier for the Group's female staff to envision their career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track and regional career-track positions in recent years. To date, more than 850 female employees converted to career-track positions. An increasing number of employees have also taken advantage of our Professional Return Plan, a system for re-hiring employees who left work to raise children or care for

family members, starting them at the same level of compensation as when they left. This has helped us secure talented personnel who support operations.

Starting in FY2014, Daiwa Securities Co. Ltd. has held the Daiwa Woman's Forum as a means to support career development for women, by offering help with career planning, skill acquisition, and an opportunity for networking among female employees.

We will continue to increase the number of female managers, aiming to develop female leaders who will drive the future of Japan's financial industry.

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.

Specific initiatives for better health

- System enabling employees to track the past results of regular health checkups anytime on a website
- Initiative using in-house magazines to raise employees' awareness of health issues
- Walking program
- Action to promote countermeasures against cancer
- Quit-smoking campaign
- Program to promote moderate meal portions
- Health campaign for female employees
- Breast cancer and cervical cancer exams
- Measures for those with severe diseases
- 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. This has contributed to a higher rate of visits to medical institutions after checkups.

The Daiwa Securities Group's efforts to promote employees' health have substantially raised their health awareness and favorably affected the test results of regular health checkups. Aiming for an even higher quality, we have been conducting research into health management jointly with the University of Tokyo since December 2014.

The Group's efforts have attracted much attention from other companies and municipalities. For example, the details of our initiatives were posted in "Annual Health, Labour and Welfare Report 2013-2014." The Group was also selected as a "Kenko Keiei Brand," a title awarded jointly by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to companies promoting the health of their employees.

⇒ Refer to "Third-Party Evaluations" on page 53 for details.

Number of female executives Daiwa Securities Group Inc.

3

(directors, executives and executive officers)

The entire Group

7

(directors, executives and executive officers)

Number of women in managerial positions The entire Group

262

(As of the end of March 2015)

Ratio of women in managerial positions

Daiwa Securities
2.3%

(at the end of March 2005)

→ 7.5%

(at the end of March 2015)

The entire Group
2.2%

(at the end of March 2005)

→ 6.3%

(at the end of March 2015)

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 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 2015, 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.

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.

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

Active Use of In-House Magazine

The Daiwa Securities Group issues an in-house magazine, "Fuji," whose history dates back to 1925, when one of the company's predecessors, Fujimoto Bill Broker Bank, commenced its issuance. The magazine has been praised even outside of the Group for its roles as a communication tool among employees. We currently distribute 18,000 copies of Fuji every other month to Group executives and employees, their families and retirees. We also post the magazine on our WLB promotion website for employees so that those on leave for child rearing or nursing care can read it at home.

The magazine covers a wide range of topics beyond management and personnel information. It also introduces initiatives taken by Group companies and posts serial articles on the Group's history, human rights issues, ESG, mental and physical health, laws and hobbies. Executives and employees also contribute articles to the magazine.

Number of Employees' Union Members

6,573

(As of the end of March 2015)

Number of guests on Family Visit Day

5,088

(FY2014)



Family Visit Day



In-house magazine "Fuji"



Social Report

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 boundaries of its influence.
2. The Daiwa Securities Group educates and instructs Group employees with accurate information on human rights and social integration issues.
3. At the same time, the Group views human rights and social integration issues as our own problem, not somebody else's problem, and fosters a sensitivity that enables empathy with the suffering of others.
4. We provide an equitable working environment that values people and is free of discrimination.
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

in pursuing the committee's goals. Besides the committee, all Group managers at the head office 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 124 companies mostly headquartered in Tokyo with a combined total of one million employees (as of April 2015). Federation members work together to improve their employees awareness of human rights issues through research and communication.

Composition of Human Rights Awareness Promotion Committee

Chair: the director as Human Resources Officer at Daiwa Securities Group Inc.

Vice Chair: the director as deputy Human Resources Officer and head of the Human Resources Department

Committee Member: five department heads including Executive Officer and General Manager of the Corporate Communications

Initiatives in FY2014

The Group's new employees underwent group training on human rights immediately after their induction ceremony. In July, human rights training was also conducted for those newly becoming general managers, managers and associate managers.

We solicited human rights awareness slogans in a contest for all of the Group's executives and employees, as well as their families between October and December. The contest was designed to promote a broader and deeper understanding of human rights issues, and the winning entries were presented in our in-house magazine. In addition, in November 2014, the Group held Human Rights Awareness Workshop, an annual event to consider human rights from multiple viewpoints.

We watched the educational video "Syokuba-to-Jinken (Workplace and Human Rights)" and held discussions. The program addresses the issue of how we create a good working environment while respecting the human rights of colleagues in different positions with different work conditions in a workplace where a variety of human relations exist between a diversity of workers.

Human rights education for employees for FY2014

Training participants
610 new employees

Objective

To acquire basic knowledge concerning human rights

To understand and raise awareness of the Group's fundamental principles concerning respect for human rights

Training participants
521 promoted employees

Objective

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

Human Rights Education and Awareness

In 1984, the Daiwa Securities Group set up the Human Rights Awareness Promotion Committee. Its establishment is aimed to promote activities and training for raising human rights awareness, thereby encouraging better understanding and appreciation of social integration and other human rights issues including so called Dowa-mondai in Japan, which refers to centuries-old discrimination and ostracism against a specific group in Japanese society. Since the committee's establishment, we have been working to achieve the its objective. 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

Employee education on human rights





Social Report

Engagement 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 engaging in consistent collaboration with the local community to foster sustainable development.

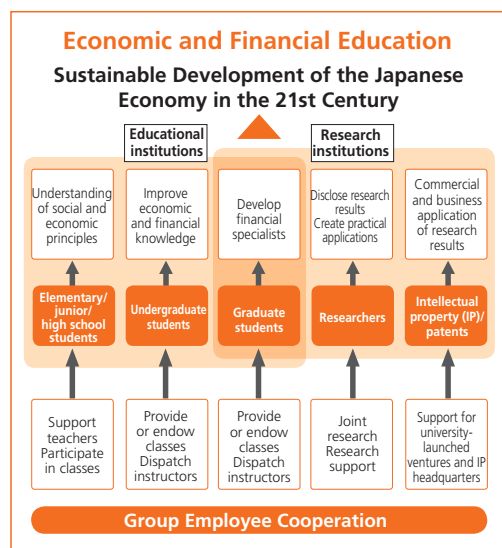
Our activities can be categorized into the following four key fields:

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

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 64 for “Results in Economic and Financial Education”



Daiwa Securities' KidZania pavilion



KidZania

The Daiwa Securities Group is a supporter of KidZania, a theme park designed to offer work experiences to children and has been providing securities consulting pavilions at their facilities in Tokyo and Koshien (Hyogo Prefecture) since their opening. In the pavilions, children become a consultant giving advice to client investors at a securities company, go to other nearby pavilions and conduct interviews to check their levels of traffic and hot-selling products. Based on the results of the interviews, they then select where to invest and make investment recommendations for their customers.

Finance Park

The Daiwa Securities Group cooperates with Finance Parks operated by Junior Achievement Japan. This program provides opportunities for junior high school students to learn economic and financial mechanisms that will be necessary for them in their adult life.

Since 2005, Finance Parks have been operating in Shinagawa in Tokyo and Kyoto, where we have set up pseudo-branches. In addition, new facilities were also opened in Iwaki in Fukushima Prefecture and Sendai in Miyagi Prefecture in FY2014. To date, a total of 59,170 students have participated.

⇒ Refer to “CSR Related Data” on page 64 for “Corporate Citizenship Initiatives and Expenditures”

● Number of participants in Finance Parks for FY2014

11,847

Shinagawa: 1,569

Kyoto: 5,396

Iwaki: 3,584

Sendai: 1,298

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

Finance Park in Iwaki



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 FY2014, as in FY2013, first-year students from a Tokyo metropolitan high school incorporated a company as part of their extracurricular activities. They marketed key rings made from recycled paper and were ultimately able to generate a profit, under the corporate philosophy of raising awareness of environmental issues. Group employees served as outside directors for six months and provided advice concerning preparation of financial materials and company management.

Cooperation with Council for Economic Education Japan (CEE Japan)

CEE-Japan* was established in January 2009 to provide economic education training for school teachers. Since its establishment, the Daiwa Securities Group has been a sponsor for CEE Japan, which seeks to implement programs tailored for Japanese schools.

* Japanese Licensee of the Council for Economic Education (CEE) of the US

Donation of Educational Books on the Economy

In March 2015, as a measure for economic and financial education, Daiwa Securities donated a book titled "Economic Puzzle Sleuths: Understanding the True Meaning of Money" (written by Susumu Okano, a Senior Executive Managing Director at the Daiwa Institute of Research). The book was presented to all elementary schools in Sendai City and Kesennuma City in Miyagi Prefecture, Iwaki City in Fukushima Prefecture and in Iwate Prefecture—regions damaged by the Great East Japan Earthquake. We plan to donate the book to all public libraries in Japan, and eventually to all elementary schools across Japan.

Holding Events with Sign Language Interpretation and Simultaneous Captioning

As part of the Group's CSR activities, the Daiwa Securities Group holds events to promote Impact Investment and to learn about economic and financial

systems with sign language interpretation and simultaneous captioning. In October 2014, we held the Social Finance Seminar, introducing various methods for social finance and projects undertaken in Japan. We also distribute a digest video program on the CSR site of Daiwa Securities Group Inc. for those who were unable to participate on the day of the event.

Assistance to Communities Inside and Outside of Japan through Foundations and NPOs

Daiwa Securities Health Foundation

The Daiwa Securities Health Foundation was established in 1972, in commemoration of Daiwa Securities' 30th anniversary, to support medical research. Since 1973, the year following its establishment, the Foundation has supported outstanding research projects focusing on improving health, medical care and welfare for middle-aged and elderly people.

Daiwa Securities Foundation

In 1994, the Daiwa Securities Foundation was launched, in commemoration of the 50th anniversary of Daiwa Securities' establishment, to contribute to society out of our profits. Every year, the Foundation provides grants to organizations and groups doing volunteer work in welfare and medical care.

Since FY2011, the Foundation has also provided grants to organizations involved in volunteer work that assists victims of the Great East Japan Earthquake.

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



● Daiwa Securities Health Foundation's cumulative grants awarded through FY2014

Number of recipients

1,132

Total amount of grants

¥1.117 billion



● Daiwa Securities Foundation's cumulative grants awarded through FY2014

Volunteer Activities Grants

Number of projects receiving grants

2,851

Total amount of grants

¥654.67 million

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

Number of projects receiving grants

189

Total amount of grants

¥82.19 million

● Daiwa Anglo-Japanese Foundation's cumulative grants awarded through FY2014

Number of people completing the Daiwa Scholar program

153

Number of projects receiving grants

2,676

Total amount of grants

£11,652,184

Approximately

¥2.2687 billion

(Amounts in pounds are converted to yen using the exchange rate at the end of each fiscal year)



Book presentation ceremony



Social Finance Seminar



Presentation ceremony for the Tokyo region (Daiwa Securities Foundation)



Web

Daiwa Securities Health Foundation (Japanese)

Web

Daiwa Securities Foundation (Japanese)

Web

The Daiwa Anglo-Japanese Foundation (Japanese)

Web

Social Finance Seminar (Japanese)

(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.

In commemoration of its 25th anniversary, the Foundation held a celebratory event at the ambassador's residence at the British Embassy in Tokyo on October 14, 2014. Approximately 160 people participated in the big event, including the UK Deputy Head of Mission to Japan, all the trustees of the Foundation, Daiwa Securities Group personnel, Daiwa Scholars living in Japan and other people associated with the Foundation.

Daiwa Myanmar-Japan Foundation

On April 1, 2013, the Daiwa Securities Group established the Daiwa Myanmar-Japan Foundation to improve people's livelihood in Myanmar and to develop the human capital necessary for sustainable economic growth. The foundation focuses on training people who will carry key responsibilities in Myanmar's future capital markets by implementing a scholarship program that provides junior staff of the country's central government with opportunities to study in Japan. On December 2, 2013, the Foundation signed a memorandum of understanding with Myanmar Institute of Certified Public Accountants concerning cooperation in human resource development and has been helping with the training of public accountants in Yangon.

Kopernik Program

Kopernik is a US-based NPO established in 2009 with the goal of improving quality of life and reducing poverty in developing countries; it began operations in Japan in 2010. Kopernik has developed a program to enable contributors in developed countries to go online and donate to NPOs/NGOs in developing countries or areas of their own choosing by selecting needed products such as simple water purifiers and solar lamps. Kopernik shares details of recipient NPO/NGO activities supported by donations on its website to ensure transparency.

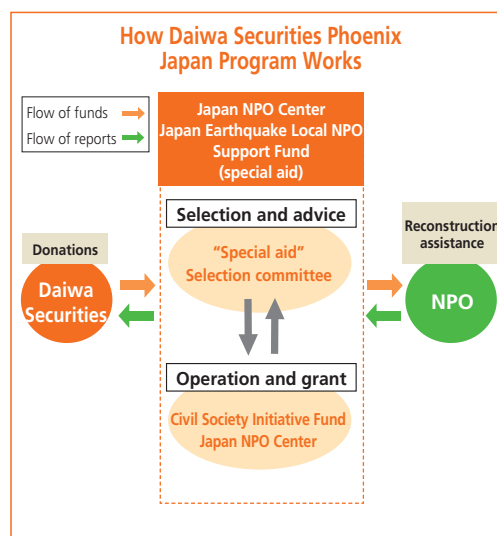
Donations sourced from our revenue from the Daiwa Eco Fund and Russell Global Environmental Technology Fund are granted to this program with products and recipients selected based on their consistency with the principles of these funds.

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.

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.



Contributions by Daiwa Myanmar-Japan Foundation

Number of Myanmar citizens receiving scholarships

8

Number of participants in public accountant training in Myanmar

22

(Cumulative contributions through FY2014)

Donations made to the kopernik program for FY2014



¥4,984,935

Projects receiving grants under Kopernik program

Region

Papua Province, Indonesia

Items granted

Solar lamps

Region

Poso, Indonesia

Items granted

Water purifiers, cooking stoves

Region

Atauro Island, East Timor

Items granted

Solar lamps

Donations made to the 3keys Program for FY2014



¥1,197,090

Amount of grants selected to FY2014 third-term program for Daiwa Securities Phoenix Japan Program



Number of projects receiving grants

9

Total amount of grants

¥32.1 million

(including ¥2.0 million for joint research assistance)

The UK ambassador and the 24th term Scholars



Project receiving grants under Kopernik (Papua Province, Indonesia)



Project receiving grants under Kopernik (Poso, Indonesia)



Web

Kopernik Program (Japanese)

Web

Daiwa Securities Phoenix Japan Program (Japanese)

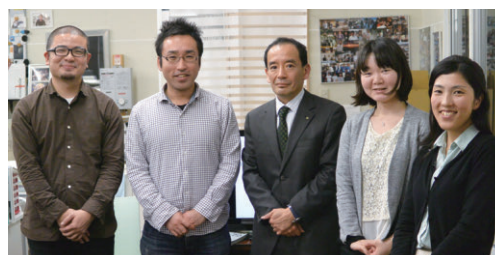
Dialogue with Stakeholders —in Regions Affected by Great East Japan Earthquake

Four years have passed since the Great East Japan Earthquake. Some people have noted that many disaster-affected regions already faced various issues, such as aging population and depopulation, which were aggravated further by the disaster. Meanwhile, the aging population presents challenges in many other parts of Japan, and is expected to also affect many other countries. The Daiwa Securities Group believes that efforts to address these social issues in the disaster-affected regions will have significant implications when considering broader social initiatives in the future.

In light of this view, the Group is identifying social challenges currently faced in the disaster-affected regions and considering what we can do for them through visits to the non-profit organizations (NPOs) active in disaster-affected regions to which Daiwa Securities Phoenix Japan Program has provided support and dialogue at joint workshops under the Program.



Interaction at a joint workshop



With NGO staffs

Major Opinions from NPO Staff and Organizations Receiving Support

Issues raised

- "The biggest problem faced by regional cities is falling population. Human resource shortages have made them unable to promote regional industries and improve welfare."
- "Post-disaster reconstruction work is expected to be substantially cut, raising concerns over the impact of the down-scaling of regional economies."
- "Some of the issues in disaster-affected regions are social challenges common in other parts of Japan, but we should remember that some are particularly noticeable in those regions, including psychological care and the double loan problem."
- "In some cases, support from municipalities is reduced once a profit-making business is launched. This adversely affects the finances of organizations assisting reconstruction efforts."
- "Since prior to the disaster, these regions had few experts in child welfare and medical care and received little governmental support. Accordingly, in many cases, children fail to be protected by support safety nets, and this issue has become particularly noticeable following the disaster."
- "We would like to increase the number of participants in support activities to promote interaction with disaster-affected regions, but we do not know how to."

Findings

- "Thanks to NPO activities, as well as volunteer work by people coming from other areas after the disaster, the affected regions have started incorporating opinions from third parties, especially from younger people."
- "Efforts to address social issues in disaster-affected regions may be communicated nationwide as a new model."
- "Daiwa Securities Phoenix Japan Program, which is designed to develop human resources, is unique among corporate programs providing financial support to disaster-affected regions."
- "NPOs would like to incorporate the problem-solving abilities and know-how on organization management that companies possess."

Initiatives to Be Taken by the Daiwa Securities Group

We will extend the scope of support under Daiwa Securities Phoenix Japan Program to groups aiming to address social issues that have worsened since the disaster, not just organizations engaging in post-reconstruction efforts. Through joint workshops and meetings with the organizations we support, we will increase opportunities that help deal with their concerns and challenges. Moreover, in order to assist efforts to revitalize regional economies, we will continue investing in unlisted companies in disaster-affected regions through a fund managed by Daiwa Corporate Investment.

⇒ Refer to "Engagement with Society" on page 46 for "Daiwa Securities Phoenix Japan Program"

⇒ Refer to "Initiatives through Business Activities" on page 25 for initiatives by Daiwa Corporate Investment

Looking back on 10 Years of the Daiwa Securities Group Tsunami Reconstruction Fund

As recovery assistance to regions affected by the December 2004 Indian Ocean earthquake and tsunami, the Daiwa Securities Group established a fund and disbursed ¥10 million annually for 10 years from 2005 through 2014, thereby providing support worth a total of ¥100 million.



Damage Caused by the Indian Ocean Earthquake and Tsunami

At 7:58 a.m. on Sunday, December 26, 2004 (Western Indonesian local Time), a magnitude 9.1 earthquake occurred off the northwest coast of the Indonesian island of Sumatra. It triggered a massive tsunami that struck Indonesia and other 15 countries around the Indian Ocean, resulting in an unprecedented catastrophe that killed approximately 230,000 people.

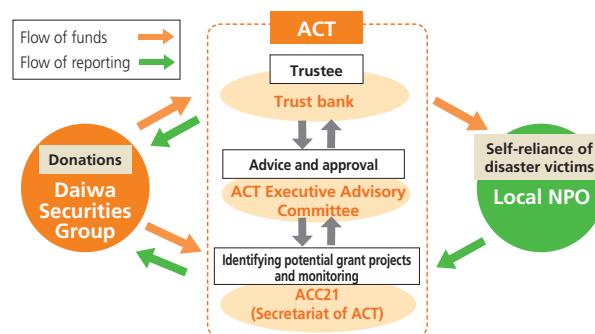
Overview of Tsunami Reconstruction Fund

In March 2005, about three months after the disaster, a special fund "Daiwa Securities Group Tsunami Reconstruction Fund" was established within the Asian Community Trust (ACT), a charitable trust. The Fund provides grants to projects working in Indonesia, Sri Lanka and India on the following initiatives: 1. Mental Health Care for Children; 2. Provision of Educational Opportunities for Children; and 3. Restoration of Economic and Living Bases through Microfinance Operations. Since FY2011, the Fund has expanded its scope by adding a new initiative, 4. Promotion of Interaction and Cooperation Activities between Tsunami Victims and Sharing and Spreading of Experiences and Information.

Grants Provided for 10 Years

The Fund supported the following projects: educational support to children, business development and microfinance (MF) for women in Sri Lanka (grants totaling up to ¥29.358 million for two projects); mental health care for children (seven years) and disaster mitigation education at 17 junior high schools (four years) in Indonesia (grants totaling up to ¥21.255 million for two projects); and vocational training and MF for the handicapped (six years), collective business development and MF for women (four years) and creation of a disaster-resilient community (four years) in India (grants totaling up to ¥32.667 million for three projects). The grants mentioned above were used to support approximately 49,180 households (246,000 people) over the 10-year period.

How Daiwa Securities Group Tsunami Reconstruction Fund Works



Messages from beneficiaries



Secretariat of the Asian Community Trust
Asian Community Center 21 (ACC21) (Specified Nonprofit Corporation)
Board member & Executive Secretary

Ms. Mari Suzuki (right)



✉ We have visited the project sites every year since 2005 for monitoring and recognized changes in each and every individual, such as the expansion of business scale and the advancement of children to college. We have thereby developed a close relationship that enables us to have heart-to-heart talks with them. The leader of a female organization in Sri Lanka told us how much they were encouraged by long-term support from Japan, despite the distance between the two countries. For the past four years, we have been actively involved in efforts to promote cooperation between disaster victims and disaster-mitigation activities, generating a significant ripple effect especially in Indonesia and India. On behalf of beneficiaries and the local partner NGOs, we would like to express our gratitude to the Daiwa Securities Group for walking a solid path toward self-reliance together with us for the decade.

Chairperson of "Kadaloli Pengal Sangam" (women's organization) based in Mullative District, Northeastern Province

Ms. Karunadas Pathima Nithwin (Sri Lanka, 37 years old)

✉ All of our 68 members lost their families and assets due to the tsunami and civil war and have lived through long, agonizing years. The intervention by the project is so effective that we are engaged in different livelihoods, improved our economic status enabling us to maintain our families and our children can now go to school every day. Our group fund, which comprises deposits and repayment interest, has expanded to approximately 570,000 rupees (roughly ¥520,000). I am very proud to say that we have developed strong, self-supporting sixty eight families due to the generous assistance received from Daiwa Security Group through ACT.



Former Principal of SMPN 1 Peukan Bada (Peukan Bada Junior High School 1)

Mr. Muhandi (Indonesia, 45 years old) (center)

✉ Over 300 people from our school lost their lives from the tsunami. In response, we focused on training on the use of facilities and on relief operations in the event of a disaster, using music and pictures to disseminate information. TDMRC* regularly visited our school and provided us such trainings through mentoring. As a result, we received an excellent school award for being a healthy and disaster-prepared school in 2013. We still carry out a simulation activity for new students every year.

* A local partner NGO



Member of Kuruvapullam Panchayat Level Federation

Mr. Meera P. (India, 31 years old)

✉ Our federation, stimulated by this project, serves as a platform to reach the unreached by facilitating existing welfare and livelihood policy and services such as pensions and technical trainings. These activities are well recognized and received by the local people. I am happy and I realize there is much more that we can do.



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. The contest aims to encourage reading and 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.

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).

Corporate Citizenship Initiatives

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 employees 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

● Maintenance Activity for Nature Study Paths in Odaira (Mt. Takao)

On April 18, 2014, 31 employees and their families joined the Hands-on Forest Experience in Odaira National Forest (Tokyo's Mount Takao) to experience pathway maintenance. The participants learned about village forests under the guidance of Takao Forest Center, a department of the Kanto Regional Forest Office. They later carried out maintenance work for nature study paths, using lumber made through the previous year's forest-thinning activity.

Maintenance work for pathways



● International Cooperation through a Collection Drive

The Daiwa Securities Group has been running a collection drive as an initiative that is easy for employees to take part in. Pre-loved books and unusable postcards are collected and 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 agricultural development assistance in developing countries. We will continue the activity as its accessibility makes it quite popular among our employees.

● 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 utilized 23 vending machines in Gran Tokyo North Tower since the spring of 2013 that make an automatic donation of ¥10 to the charity from each purchase of healthy drinks. Our Toyocho 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.

Donation of Shareholder Reward Items

Daiwa Securities Group Inc. implements a shareholder reward program. We donate program reward items returned to us due to relocation or other reasons, and items we receive for our shareholdings in other companies, to organizations such as designated NPOs and public interest incorporated foundations.

Initiatives at Sales Branches of Daiwa Securities

Daiwa Securities' 140 sales branches nationwide engage in a variety of activities contributing to local communities.

For example, in FY2014, the Tottori branch participated in the Tottori Sand Dunes Cleanup campaign twice a year, while employees at the Nagasaki branch presented a dance performance in “Nagasaki Kunchi” Festival, a famous event for

Examples of donated shareholder reward items



● Culture and the Arts

- Supported the Mainichi Shimbun Central Contest for Book Review Painting as the special sponsor for 21 years in a row
- Held an exhibition of award-winning works at 10 sales branches of Daiwa Securities (FY2014)

● Contribution made in FY2014 through collection drives

(equivalent monetary value)

JEN BOOK MAGIC

¥36,472

Japan Committee
“Vaccines for the World's Children”

¥63,735

Live with Friends on the Earth

¥57,398

● TFT Program Contributions made January–December, 2014

Around 35,800
school lunches in
developing countries

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



the prefecture. We are thus involved in a variety of activities in the fields of environment, culture and art, health, sports, and others.

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 by voluntary members.

In FY2014, the panel running the program focused on participatory initiatives as they preferred activities enabling employees and their families to contribute to resolution of social issues more actively and directly.

In the summer of 2014, they participated in a food packaging and handout event sponsored by Sunshine Action, a local charity group, and employees and their families delivered food to homeless people in Hong Kong. In addition, many employees joined a charity soccer match organized by Vine Community Services Ltd., a NGO supporting refugees, from fall to winter to raise awareness of such support activities, as well as a charity marathon for preservation of marine mammals sponsored by Ocean Park Hong Kong.

Daiwa Securities Capital Markets Hong Kong will continue planning a wide range of CSR activities and seek to increase its team spirit, while also working to solve social issues.

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.

● 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 practices from such volunteer work, through our in-house magazine and internal TV broadcasts in an effort to expand the range of volunteer activities.

Disaster Assistance

● Donations for Victims of Torrential Rain Disaster in Hiroshima

The Daiwa Securities Group made contributions and donations to express our deepest condolences to victims of the torrential rain disaster that occurred in Hiroshima in August 2014.

- Contributions made by the Group to victims of the Hiroshima City 8.20 torrential rain disaster

¥10 million

- Donations made by employees to victims of the Hiroshima City 8.20 torrential rain disaster

Approximately
¥5.1 million



Daiwa Staff in Hong Kong participating in the charity



Brochure for the charity soccer match





(Environmental Report)

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 preservation, observing environmental laws and regulations in addition to the Group's environment policies.

Takashi Hibino
President and CEO
Daiwa Securities Group Inc.
(May 22, 2012)

Environmental Management

Every six months, the Daiwa Securities Group holds a meeting of our Environmental Management Council, where representatives from major companies of the Group share data and exchange information. In addition, at Daiwa Securities and Daiwa Property Co., Ltd., both of which have a significant impact on the Group's power consumption and CO₂ emissions, the relevant departments hold a joint meeting every week, discussing measures to reduce their environmental impact, checking the progress of improvement measures and sharing information. Daiwa Institute of Research also joins the meeting once a month. Moreover, 11 Group companies with offices in Gran Tokyo North Tower attend a meeting of the CO₂ Reduction Promotion Committee hosted by the management company of the building every six months, working together to reduce the overall CO₂ emissions of the building.

We strive to improve our efforts, while reporting quantitative data on our environmental impact over time, including energy and water consumption, CO₂ emissions, waste disposal and recycling volume.

Initiatives to Reduce Environmental Impact of Business Activities

Introduction of Environmental Accounting

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

Initiatives at Head and Branch Offices

When installing new equipment at head and branch offices, Daiwa Securities requires that the equipment be certified under Top Runner standards. We also adopted a policy of replacing our company cars with still more fuel efficient eco-cars and hybrid vehicles within several years. The policy has been implemented since FY2014.

● Results for FY2014

Investment in energy-saving air conditioning systems

¥510.63 million

(including setting-up and other costs)

Company cars in Japan
(Daiwa Securities)

1,021 vehicles

(As of the end of March 2015)

including

Eco-cars **418 vehicles**

Hybrid cars **9 vehicles**

● Introduction plan for FY2015

Eco-cars **142 vehicles**

Hybrid cars **25 vehicles**

The planned replacement, at the time of completion, would reduce CO₂ emissions by the amount equivalent to the CO₂ absorption of more than 40,000 Japanese cedar trees annually (an estimate by Daiwa Securities using fuel efficiency data disclosed by automakers). The Daiwa Securities Group also strives to choose environmentally friendly products in the Group's central purchasing.

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.

Carbon Dioxide Emissions

Energy consumption at the Daiwa Securities Group's domestic offices (on a CO₂ emissions basis) fell by 4.3% in FY2014 compared with FY2013 as a result of increased efforts to conserve energy.

⇒ Refer to "CSR Related Data" on page 65 for details

CO₂ Emissions Reduction Targets

We have set up the goal of reducing CO₂ emissions by 1% from a year earlier, in principle, on a domestic consolidated basis, while complying with the Act on the Rational Use of Energy and Tokyo's environmental protection ordinances in a continuous and systematic way.

We continue to take energy saving initiatives including the implementation of the "Cool Biz" program in FY2015 as well, carrying out energy savings measures through on- and off-peak periods.

Targets for FY2015

- Continue to introduce eco-cars
- Initiatives for the reduction of electricity consumption
 - Achieve a reduction of at least 10% from the FY2009 level (as of FY2020)
 - Achieve a reduction of at least 20% from the FY2009 level (as of FY2030)
 - *On a per unit area basis for both targets
- Improve the accumulation of environment-related data and hone skills to analyze those data
- Purchase products certified under the Top Runner standards

Initiatives in Real Estate Management

Operation of the Sustainability Committee

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

They held discussions on the Global Real Estate Sustainability Benchmark (GRESB) Survey and other environmental certifications in FY2014.

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:

- Adoption of Energy Management System "BEMS" for the Central Control System (The entire installation work is scheduled to be completed in September 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. The BEMS has been put into operation in sequence, starting from the floors where installation works have been completed.

- Introduction of Automated Electronic Air Conditioning Control System (to be completed in September 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.

- Adoption of LED Lighting (2012–present)

Since 2012, we have continued to install LED lighting systems in common-use space, such as the underground parking lot, first basement level and entrance on the first floor.

On some of the floors used exclusively by tenants, the introduction of LED lighting systems (completed in 2014) has helped halve the electricity usage compared with the pre-adoption level. To install the system, the green lease scheme* was used.

We plan to cooperate with tenants to gradually introduce LED systems in other tenant-owned space.

*Green Lease Scheme







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

- CO₂ emissions reduction by adopting LED lighting

About **147.2 tons**
(Shinjuku Maynds Tower in 2014)



Third-Party Evaluations

Name	Evaluation
Dow Jones Sustainability Asia Pacific Indexes 	<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 six consecutive years. Since DJSI World was launched in 1999, it has continually been included in both DJSI World and DJSI Asia Pacific.</p>
FTSE4 Good Index 	<p>FTSE is a subsidiary of the London Stock Exchange. It develops global indexes and provides data for investment. Daiwa Securities Group Inc. has been included in the FTSE4Good, an index of socially responsible companies compiled by FTSE, for ten consecutive periods since September 2006.</p>
Nadeshiko Brand 	<p>In FY2014, Daiwa Securities Group Inc. was selected as a “Nadeshiko Brand,” a title awarded by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to latter’s listed companies for having excellent track records in empowering women at their companies. We are recognized highly for our efforts to encourage women’s career advancement and promote a work-life balance among all employees.</p>
Health Management 	<p>In March 2015, Daiwa Securities Group Inc. was selected as a “Health & Productivity Stock Selection” for FY2014, a title co-sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.</p>
Certified Family-friendly Employer 	<p>The Certified Family-friendly Employer mark 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 Institute of Research Holdings, Daiwa Institute of Research, Daiwa Institute of Research Business Innovation and Daiwa Securities Business Center have also been certified.</p>
GRESB 2014 “Green Star” 	<p>For three consecutive years, Daiwa Office Investment Corporation, a REIT managed by Daiwa Real Estate Asset Management, received the highest recognition, the Green Star, in the Global Real Estate Sustainability Benchmark (GRESB) Survey.</p>

GRI Index

In compiling the Daiwa Securities Group Sustainability Report 2015, reference was made to Global Reporting Initiative (GRI) Guidelines (4th Edition) and the Financial Services Sector Supplement (2008).

Clauses	Indicator	Link
General Standard Disclosures		
Strategy and Analysis		
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	To Our Stakeholders/Message from CEO/Message from Chairman
G4-2	Key impacts, risks, and opportunities	To Our Stakeholders/Message from CEO/Message from Chairman/Initiatives through Business Activities
Organizational Profile		
G4-3	Name of the organization	Daiwa Securities Group Profile
G4-4	Primary brands, products, and services	Daiwa Securities Group Profile/Initiatives through Business Activities
G4-5	Location of organization's headquarters	Daiwa Securities Group Profile
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Daiwa Securities Group Profile
G4-7	Nature of ownership and legal form	Daiwa Securities Group Profile
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Daiwa Securities Group Profile
G4-9	• Scale of the organization	Daiwa Securities Group Profile
G4-10	<ul style="list-style-type: none"> • Total number of employees by employment contract and gender • Total number of permanent employees by employment type and gender • Total workforce by employees and supervised workers and by gender • Total workforce by region and gender • Whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors • Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries) 	CSR Related Data
G4-11	Percentage of total employees covered by collective bargaining agreements	Engagement with Employees (Engagement with Employee Unions)
G4-12	The organization's supply chain	Building and Maintaining Transparent and Fair Value Chain/Risk Management
G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Daiwa Securities Group Profile
Commitments to External Initiatives		
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	Compliance Risk Management IT Strategy, Information Security, and Disclosure
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Initiatives through Business Activities
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic This refers primarily to memberships maintained at the organizational level.	Principal Member Qualifications <ul style="list-style-type: none"> • Nippon Keidanren • Japan Securities Dealers Association • Work-Life Balance Promotion Model Project by the Ministry of Health, Labour and Welfare • The Multi-Stakeholder Forum on Social Responsibility for a Sustainable Future • PRI • CDP • Global Compact Japan Network Etc.
Identified Material Aspects and Boundaries		
G4-17	<ul style="list-style-type: none"> • All entities included in the organization's consolidated financial statements or equivalent documents • Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report 	Daiwa Securities Group Profile
G4-18	<ul style="list-style-type: none"> • Process for defining report content and the Aspect Boundaries • How the organization has implemented the Reporting Principles for Defining Report Content 	Process of Identifying CSR Materiality
G4-19	All the material Aspects identified in the process for defining report content	Not reported
G4-20	Aspect Boundary within the organization for each material Aspect	Contents/Editorial Policy
G4-21	Aspect Boundary outside the organization for each material Aspect	Contents/Editorial Policy
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Contents/Editorial Policy
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Not applicable, because there have been no significant changes since the previous report

Clauses	Indicator	Link
Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organization	Daiwa Securities Group Stakeholders
G4-25	Basis for identification and selection of stakeholders with whom to engage	Daiwa Securities Group Stakeholders
G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	CSR Promotion System Engagement with Customers Engagement with Shareholders and Other Engagement with Employees Engagement with Society
G4-27	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	Engagement with Customers Engagement with Shareholders and Other Engagement with Employees Engagement with Society
Report Profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	Contents/Editorial Policy
G4-29	Date of most recent previous report (if any)	Contents/Editorial Policy
G4-30	Reporting cycle (such as annual, biennial)	Contents/Editorial Policy
G4-31	Contact point for questions regarding the report or its contents	Contents/Editorial Policy
GRI Index		
G4-32	<ul style="list-style-type: none"> • "In accordance" option the organization has chosen • GRI Index for the chosen option • Reference to the External Assurance Report, if the report has been externally assured 	This table references GRI content
Assurance		
G4-33	<ul style="list-style-type: none"> • The organization's policy and current practice with regard to seeking external assurance for the report • Scope and basis of any external assurance provided if not included in the assurance report accompanying the sustainability report • Relationship between the organization and the assurance providers • Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report 	Independent Assurance Report
Governance		
Governance Structure and Composition		
G4-34	Governance structure of the organization, including committees of the highest governance body	Corporate Governance
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	CSR Promotion System
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	CSR Promotion System
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Corporate Governance Engagement with Employees (Communication)
G4-38	Composition of the highest governance body and its committees	Corporate Governance
G4-39	Whether the Chair of the highest governance body is also an executive officer	Corporate Governance
G4-40	Nomination and selection processes for the highest governance body and its committees	Corporate Governance
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Corporate Governance
Highest Governance Body's Role in Setting Purpose, Values, and Strategy		
G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	CSR Promotion System
Highest Governance Body's Competencies and Performance Evaluation		
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Not reported
G4-44	<ul style="list-style-type: none"> • Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics • Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics 	Not reported
Highest Governance Body's Roles in Risk Management		
G4-45	<ul style="list-style-type: none"> • The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities • Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities 	CSR Promotion System
G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	CSR Promotion System
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	CSR Promotion System

Clauses	Indicator	Link
Highest Governance Body's Roles in Sustainability Reporting		
G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered	CSR Promotion System
Highest Governance Body's Roles in Evaluating Economic, Environmental and Social Performance		
G4-49	Process for communicating critical concerns to the highest governance body	Corporate Governance/Engagement with Employees (Communication)
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Not reported
Remuneration and Incentives		
G4-51	Remuneration policies for the highest governance body and senior executives	Corporate Governance
G4-52	Process for determining remuneration	Corporate Governance
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	Corporate Governance Engagement with Employees (Communication)
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not reported
G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not reported
Ethics and Integrity		
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Corporate Principles of the Daiwa Securities Group
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	Corporate Governance
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Corporate Governance

Specific Standard Disclosures

Disclosures on Management Approach

G4-DMA	Why the aspect is material	Identifying CSR Materiality of the Daiwa Securities Group Process of Identifying CSR Materiality
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Category: Economic

Aspect: Economic Performance

G4-EC1	Direct economic value generated and distributed	CSR Related Data Annual Report 2015
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Initiatives through Business Activities
G4-EC3	Coverage of the organization's defined benefit plan obligations	Annual Report 2015
G4-EC4	Financial assistance received from government	Impact is insignificant

Aspect: Market Presence

G4-EC5	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
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	Not reported

Aspect: Indirect Economic Impacts

G4-EC7	Development and impact of infrastructure investments and services supported	Initiatives through Business Activities Engagement with Society
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Not applicable

Aspect: Procurement practices

G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Impact is insignificant, due to the nature of our business
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Clauses	Indicator	Link
Category: Environmental		
Aspect: Materials		
G4-EN1	Materials used by weight or volume	Not applicable
G4-EN2	Percentage of materials used that are recycled input materials	Not applicable
Aspect: Energy		
G4-EN3	Energy consumption within the organization	CSR Related Data
G4-EN4	Energy consumption outside of the organization	CSR Related Data
G4-EN5	Energy intensity	CSR Related Data
G4-EN6	Reduction of energy consumption	CSR Related Data
G4-EN7	Reductions in energy requirements of products and services	CSR Related Data
Aspect: Water		
G4-EN8	Total water withdrawal by source	CSR Related Data
G4-EN9	Water sources significantly affected by withdrawal of water	Impact is insignificant
G4-EN10	Percentage and total volume of water recycled and reused	Not reported
Aspect: Biodiversity		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable
G4-EN12	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
G4-EN13	Habitats protected or restored	Not applicable
G4-EN14	Total 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
Aspect: Emissions		
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	CSR Related Data
G4-EN16	Indirect greenhouse gas (GHG) emissions (scope 2)	CSR Related Data
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	CSR Related Data
G4-EN18	Greenhouse gas (GHG) emissions intensity	CSR Related Data
G4-EN19	Reduction of greenhouse gas (GHG) emissions	CSR Related Data
G4-EN20	Emissions of ozone-depleting substances (ODS)	Impact is insignificant
G4-EN21	NOx, SOx, and other significant air emissions	Impact is insignificant
Aspect: Effluents and Waste		
G4-EN22	Total water discharge by quality and destination	Impact is insignificant
G4-EN23	Total weight of waste by type and disposal method	CSR Related Data
G4-EN24	Total number and volume of significant spills	Not applicable
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III, and VII, and percentage of transported waste shipped internationally	Not applicable
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Not applicable
Aspect: Products and Services		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Environmental Initiatives
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable
Aspect: Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not applicable
Aspect: Transport		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Not applicable
Aspect: Overall		
G4-EN31	Total environmental protection expenditures and investments by type	Not applicable
Aspect: Supplier Environmental Assessment		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Not applicable
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Not applicable
Aspect: Environmental Grievance Mechanisms		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Not applicable

Clauses	Indicator	Link
Category : Social		
Subcategory: Labor Practices and Decent Work		
Aspect: Employment		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	CSR Related Data
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Engagement with Employees (Striving to Create a Pleasant Working Environment)
G4-LA3	Return to work and retention rates after parental leave, by gender	Engagement with Employees (Striving to Create a Pleasant Working Environment)
Aspect: Labor/Management Relations		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Not reported
Aspect: Occupational Health and Safety		
G4-LA5	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
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Not reported
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Engagement with Employees (Striving to Create a Pleasant Working Environment)
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Not reported
Aspect: Training and Education		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Not reported
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Engagement with Employees (Human Resource Development and Skill Enhancement)
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Engagement with Employees (Human Resource Development and Skill Enhancement)
Aspect: Diversity and Equal Opportunity		
G4-LA12	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
Aspect: Equal Remuneration for Women and Men		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not reported
Aspect: Supplier Assessment for Labor Practices		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Not applicable
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Not applicable
Aspect: Labor Practices Grievance Mechanisms		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Not reported
Subcategory: Human Rights		
Aspect: Investment		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	We have no operations in areas where there are special concerns about protection of human rights
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Human Rights Initiative
Aspect: Non-discrimination		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Not applicable
Aspect: Freedom of Association and Collective Bargaining		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Not applicable, due to the nature of our business
Aspect: Child Labor		
G4-HR5	Operations and 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
Aspect: Forced and Compulsory Labor		
G4-HR6	Operations and 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
Aspect: Security Practices		
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Impact is insignificant, due to the nature of our business
Aspect: Indigenous Rights		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Not applicable

Clauses	Indicator	Link
Aspect: Assessment		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Not reported
Aspect: Supplier Human Rights Assessment		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	We have no operations in areas where there are special concerns about protection of human rights
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Not applicable
Aspect: Human Rights Grievance Mechanisms		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Not reported
Subcategory: Society		
Aspect: Local Communities		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Impact is insignificant, due to the nature of our business
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Not applicable
Aspect: Anti-corruption		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Risk Management IT Strategy, Information Security, and Disclosure
G4-SO4	Communication and training on anti-corruption policies and procedures	Compliance
G4-SO5	Confirmed incidents of corruption and actions taken	Not applicable
Aspect: Public Policy		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Not reported
Aspect: Anti-competitive Behavior		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Not applicable
Aspect: Compliance		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Not applicable
Aspect: Supplier Assessment for Impacts on Society		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Not applicable
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	Not applicable
Aspect: Grievance Mechanisms for Impacts on Society		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Not reported
Subcategory: Product Responsibility		
Aspect: Customer Health and Safety		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Not applicable, due to the nature of our business
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the 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
Aspects: Product and Service Labeling		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Engagement with Customers (Building Deeper, Stronger Trust with Customers)
G4-PR4	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
G4-PR5	Results of surveys measuring customer satisfaction	Engagement with Customers (Working to Incorporate Customer Voices)
Aspect: Marketing Communications		
G4-PR6	Sale of banned or disputed products	Engagement with Customers (Building Deeper, Stronger Trust with Customers)
G4-PR7	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
Aspect: Customer Privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not applicable
Aspect: Compliance		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not applicable

Clauses		Indicator	Link
Specific Standard Disclosures for the Financial Services Sector			
Product and Service Impact Section			
FS1	CORE	Policies with specific environmental and social components applied to business lines	CSR of the Daiwa Securities Group (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	Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	CSR of the Daiwa Securities Group (CSR Promotion System)/Engagement with Employees (Human Resource Development and Skill Enhancement)
FS5	CORE	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Engagement with Customers (Building Deeper, Stronger Trust with Customers)/Engagement with Shareholders and Others
Aspect: 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
Aspect: Audit			
FS9	CORE	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Corporate Governance
Aspect: 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
Social Section			
Aspect: Local Communities			
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	Engagement with Customers (Building Deeper, Stronger Trust with Customers)/Engagement with Society (Assistance Inside and Outside of Japan through Foundations and NPOs)
Aspect: Product and Service Labeling			
FS15	CORE	Policies for the fair design and sale of financial products and services	Engagement with Customers (Building Deeper, Stronger Trust with Customers)
FS16	CORE	Initiatives to enhance financial literacy by type of beneficiary	Engagement with Society (Education and Research Activities in Economics and Finance)

ISO26000 Index

In compiling the Daiwa Securities Group CSR Report 2015, reference was made to the core subjects of ISO 26000.

Core Subjects and Issues		
6.2 Organizational governance		Message from CEO/Message from Chairman/CSR of the Daiwa Securities Group/Daiwa Securities Group Profile/Corporate Governance/Compliance/Risk Management
6.3 Human rights	Issue 1: Due diligence	Risk Management (Supply Chain Management, Human Rights Due Diligence)
	Issue 2: Human rights risk situations	We have no operations in areas where there are special concerns about protection of human rights
	Issue 3: Avoidance of complicity	Risk Management (Supply Chain Management, Human Rights Due Diligence)/Human Rights Initiative
	Issue 4: Resolving grievances	Corporate Governance
	Issue 5: Discrimination and vulnerable groups	Engagement with Employees (Hiring Initiatives)/CSR Related Data
	Issue 6: Civil and political rights	Engagement with Employees
	Issue 7: Economic, social and cultural rights	Engagement with Employees
	Issue 8: Fundamental principles and rights at work	Engagement with Employees
6.4 Labour practices	Issue 1: Employment and employment relationships	Daiwa Securities Group Profile/Engagement with Employees/CSR Related Data
	Issue 2: Conditions of work and social protection	Engagement with Employees (Hiring Initiatives) (Striving to Create a Pleasant Working Environment)
	Issue 3: Social dialogue	Engagement with Employees (Communication)
	Issue 4: Health and safety at work	Not applicable
	Issue 5: Human development and training in the workplace	Engagement with Employees (Human Resource Development and Skill Enhancement)
6.5 The environment	Issue 1: Prevention of pollution	Not applicable
	Issue 2: Sustainable resource use	Environmental Initiatives/CSR Related Data
	Issue 3: Climate change mitigation and adaptation	Environmental Initiatives/Risk Management
	Issue 4: Protection of the environment, biodiversity and restoration of natural habitats	Engagement with Society (Corporate Citizenship Initiatives)/CSR Related Data
6.6 Fair operating practices	Issue 1: Anti-corruption	Risk Management/IT Strategy and Information Security
	Issue 2: Responsible political involvement	CSR of the Daiwa Securities Group/Daiwa Securities Group Profile/Corporate Governance/Compliance/Risk Management
	Issue 3: Fair competition	Corporate Governance/Compliance
	Issue 4: Promoting social responsibility in the value chain	CSR of the Daiwa Securities Group/Environmental Initiatives
	Issue 5: Respect for property rights	Not applicable, due to the nature of our business
6.7 Consumer issues	Issue 1: Fair marketing, factual and unbiased information and fair contractual practices	Engagement with Customers (Building Deeper, Stronger Trust with Customers)
	Issue 2: Protecting consumers' health and safety	Not applicable, due to the nature of our business
	Issue 3: Sustainable consumption	Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services) (Mission for Financial Institutions toward Solving the Global Social Issues) (For Addressing Social Concerns and Contributing to Future Development of Society and Financial and Capital Markets)
	Issue 4: Consumer service, support, and complaint and dispute resolution	Engagement with Customers (Working to Incorporate Customer Voices)
	Issue 5: Consumer data protection and privacy	IT Governance and Information Security
	Issue 6: Access to essential services	Not applicable
	Issue 7: Education and awareness	Engagement with Society (Education and Research Activities in Economics and Finance) Initiatives through Business Activities (Analysis and transmission of proposals on information about economy, society and investment)
6.8 Community involvement and development	Issue 1: Community involvement	Message from CEO/Message from Chairman/Initiatives through Business Activities/Engagement with Society (Corporate Citizenship Initiatives)
	Issue 2: Education and culture	Engagement with Society (Education and Research Activities in Economics and Finance) (Assistance Inside and Outside of Japan through Foundations and NPOs) (Support for culture and the arts)
	Issue 3: Employment creation and skills development	Initiatives through Business Activities (Support for the creation of our future society)
	Issue 4: Technology development and access	Initiatives through Business Activities (Support for the creation of our future society)
	Issue 5: Wealth and income creation	Initiatives through Business Activities (For Addressing Social Concerns and Contributing to Future Development of Society and Financial and Capital Markets)/Engagement with Society (Assistance Inside and Outside of Japan through Foundations and NPOs)
	Issue 6: Health	Initiatives through Business Activities (Establishment of Healthcare Investment Corporation)
	Issue 7: Social investment	Initiatives through Business Activities (For Addressing Social Concerns and Contributing to Future Development of Society and Financial and Capital Markets) (As a Responsible Institutional Investor) (Support for the creation of our future society)

CSR Related Data

Management Report

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2014

Type of Officer	Total Amount of Compensation, Etc.	Total Amount of Compensation, Etc. by Type				Number of Executives
		Basic Compensation	Stock Options	Performance-Based Compensation	Lump-sum Retirement Pay	
Directors	¥35 million	¥32 million	¥3 million	—	—	2 persons
Corporate Executive Officers	¥1,035 million	¥435 million	¥81 million	¥518 million	—	13 persons
External Directors	¥88 million	¥88 million	—	—	—	6 persons

* Seven directors also served as corporate executive officers; their compensation is included under "Corporate Executive Officers"

Social Report

Companies covered by data

Consolidated: Entire Group (except for equity-method affiliates)

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

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

Two Group companies: Daiwa Securities Group Inc., Daiwa Securities Co. Ltd.

Employees at the Daiwa Securities Group (Consolidated)

(Unit: persons)

	As of March 31, 2014			As of March 31, 2015		
	Employees	FA*1	Temporary Employees	Employees	FA*1	Temporary Employees
Male	7,458	65	—	7,526	62	—
(Career track*2)	7,009	—	—	7,103	—	—
(Managers)	3,827	—	—	3,868	—	—
Japan Female	4,124	102	—	4,270	80	—
(Career track*2)	2,485	—	—	2,712	—	—
(Managers)	221	—	—	262	—	—
Japan total	11,582	167	563	11,796	142	753
Overseas	1,568	—	103	1,528	—	94
Total	13,150	167	666	13,324	142	847

* The number of employees stationed overseas has been included in the "Overseas" since FY2015." Data as of the end of March 2014 have been retroactively restated.

*1 Financial advisors

*2 Including regional career-track employees and specialist

Number of New Graduates Recruited by the Daiwa Securities Group

(Unit: persons)

		April 2013	April 2014	April 2015
Career-track employees/regional career-track employees	Male	296	345	345
	Female	227	265	336
Total		523	610	681

*This data pertains to eight Group companies

Workforce Statistics

	FY2012	FY2013	FY2014
Average annual salary*1 (in ten thousand yen)	888	1,153	1,171
Average age (years old)	40.5	41.2	41.8
Average number of years of service (years)	14.3	14.8	15.3

*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

Re-Employment under the Daiwa Master System

(Unit: persons)

	FY2012	FY2013	FY2014
Number of employees hired under the Daiwa Master System	61	59	56

*This data pertains to two Group companies

Employment Rate for Persons with Disabilities

(Unit: %)

	End of FY2012	End of FY2013	End of FY2014
Employment rate for persons with disabilities	2.31	2.24	2.10

*This data pertains to Daiwa Securities

Achievements of Selected Participants in Management Training

(Unit: persons)

Daiwa Management Academy: Targeting department managers	FY2012	FY2013	FY2014
Number finishing program (cumulative)	291	314	335
Daiwa Leadership Program: Targeting deputy general managers	FY2012	FY2013	FY2014
Number finishing program (cumulative)	631	671	734

*This data pertains to 10 Group companies

Participants in Business Skill Training

(Unit: persons)

	FY2012	FY2013	FY2014
Number finishing program (cumulative)*1	2,862	3,464	3,949

*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

Number of Persons Earning Credentials*1

(Unit: persons)

Credentials	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015
Affiliated Financial Planner (AFP)	5,183	5,191	5,279
Certified Financial Planner (CFP®)*2	497	555	590
Chartered Member of the Securities Analysts Association of Japan (CMA)	1,446	1,461	1,504
Chartered Financial Analyst (USA credential)	42	44	50
TOEIC (730–990)*2	1,383	1,470	1,556
Overseas MBA program graduate, etc.	154	164	160

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

*2 This data pertains to Daiwa Securities

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, global trainees, etc.	965	152

Working Hours and Paid Vacation Usage Rate

	FY2012	FY2013	FY2014
Annual regular working hours (hours)	1837.5	1837.5	1845
Average monthly overtime hours (hours)*1	25.7	27.2	28.2
Paid vacation usage rate (%) (including special summer vacation)*2	52	50	56

*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)

		FY2012	FY2013	FY2014
Number of employees taking childcare leave ^{*1}	Female	436	486	576
	Male	17	19	134
Number of employees taking nursing care leave	Female	8	10	6
	Male	0	0	1

*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	Offers a position in a new location when an employee must relocate after marriage or spouse's job transfer
Spouse work reassignment leave system	Employees may opt to take leave for a certain period (up to five years) in the event their spouses are reassigned to work in a location that is untenable for them to commute to work
Childcare leave	Employees can take childcare leave until the day before their child's third birthday.
Childcare support leave	When employees' spouse gives birth or returns to work, leave may be taken (first two weeks of pay is guaranteed for childcare leave)
Exemption from overtime work	Employees are exempt from overtime work until their children complete the third grade of elementary school
Restricted overtime work	Employees are exempt from overtime work exceeding a certain number of hours until their children finish elementary school
Daycare subsidy	The Group offers subsidies for daycare expenses until employees' 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.
Support after returning to work	Enables employees to return to work after a period of childcare leave. Daiwa WLB Station, a work-life balance promotion website that focuses on various support systems related to childrearing and nursing care, provides information for employees on childcare leave and helps facilitate their smooth return to the workplace.

*Number of employees using the program at Daiwa Securities as of the end of March 2015, 162 (cumulative)

[Web](#) Work Life Balance Daiwa Securities Group Inc. > Corporate Information > Work Life Balance > Systems and Initiatives of the Daiwa Securities Group (Japanese)

Female Employees and Managers at the Daiwa Securities Group

(Unit: %)

	End of FY2012	End of FY2013	End of FY2014
Percent of employees who are female	35.6	35.6	36.1
Percent of managers who are female	4.8	5.4	6.3

*This data pertains to all consolidated Group companies

Number of Employees' Union Members

(Unit: persons)

	End of FY2012	End of FY2013	End of FY2014
Employees' union membership	6,490	6,406	6,573

*The data pertains to eight Group companies (nine until the end of FY2011), excluding Daiwa Asset Management, which has its own employees union, and Daiwa Property, which has no employees union.

Corporate Citizenship Initiatives and Expenditures



(Unit: ¥ thousand)

Type of Activity	FY2012	FY2013	FY2014
1. Education and research activities in economics and finance	63,525	49,694	189,624
2. Assistance to communities inside and outside of Japan through foundations and NPOs	165,851	179,937	153,779
3. Support for culture and the arts	272,500	231,900	257,400
4. Corporate Citizenship Initiatives	2,328	1,790	5,476
Total	504,204	463,321	606,279

Results in Economic and Financial Education

(Unit: persons)

Program	FY2012	FY2013	FY2014
Support for Finance Park	7,721	8,138	11,847
	Cumulative number since the initiation of support (in September 2003)		59,170
Support for the Student Company Program	15	15	17
	Cumulative number since the opening (in June 2005)		221

Environmental Report

We have revised boundaries and calculation methods, relating to energy consumption and CO₂ emissions for offices in Japan for the data for FY2013, and received independent assurances. (published in June 2015)

Energy Consumption



Offices	Type	FY2013	FY2014
Domestic	Electricity (thousand kWh)	71,954	70,027
	Gas (thousand Nm ³)	372	336
	Heavy oil (kL)	25.4	26.7
	Diesel fuel (kL)	0.08	0.09
	Gasoline (kL)* ¹	997	1,002
Offices	Type	FY2013	FY2014
Overseas	Electricity (thousand kWh)	12,586* ²	8,892
Offices	Type	FY2013	FY2014
Total (Domestic and overseas)	Electricity (thousand kWh)	84,540* ²	78,919
	Gas (thousand Nm ³)	372	336
	Heavy oil (kL)	25.4	26.7
	Diesel fuel (kL)	0.08	0.09
	Gasoline (kL)* ¹	997	1,002

CO₂ Emissions

(Unit: t-CO₂)

Offices	Type	FY2013	FY2014
Domestic	Electricity	35,442	33,936
	Gas	848	759
	Heavy oil	68.8	72.3
	Diesel fuel	0.19	0.23
	Gasoline* ¹	2,314	2,325
	Total	38,673	37,092
Scope 1		917	831
Scope 2		35,442	33,936
Scope 3* ¹		2,314	2,325

(Unit: t-CO₂)

Offices	Type	FY2013	FY2014
Overseas	Electricity	6,985* ²	4,935

(Unit: t-CO₂)

Offices	Type	FY2013	FY2014
Total (Domestic and overseas)	Electricity	42,427* ²	38,871
	Gas	848	759
	Heavy oil	68.8	72.3
	Diesel fuel	0.19	0.23
	Gasoline* ¹	2,314	2,325
	Total	-	831
Scope 1		-	831
Scope 2		-	38,871
Scope 3* ¹		-	2,325

*1 Gasoline for leased vehicles as company cars. It is categorized and calculated in line with the government's guidelines.

*2 Data for FY2013 is excluded from the scope of independent assurances. The boundaries of overseas sites are set on a consolidated-basis.

CO₂ Emissions per Employee (Domestic)

Offices	Type	FY2013	FY2014
Domestic	Per employee (t-CO ₂)	3.3	3.1
	Number of employees in Japan (persons)	11,749	11,938

*Data for FY 2013 is excluded from the scope of independent assurances.

Clean Water Consumption



Offices	Type	FY2013	FY2014
Domestic	Clean Water (thousand kL)	119.5	108.3

*Data for FY2013 is excluded from the scope of independent assurances. The boundaries are set on a consolidated-basis.

Boundaries

We have incorporated figures for the three companies having a reporting obligation under laws and regulations—Daiwa Securities, Daiwa Property and Daiwa Institute of Research. Data for Daiwa Institute of Research Business Innovation has also been included in the calculation, in light of its significant impact on the Group's environmental loads.

The energy consumption of Gran Tokyo North Tower, where the Daiwa Securities Group is based, includes data for Group companies other than those mentioned above, in light of the importance of the building. The data for overseas offices covers figures for London, New York, Hong Kong and Taipei offices.

Calculation Methods

Calculations have been made in accordance with methods stipulated in the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures.

A) The emission factor used for calculation of CO₂ emissions from electricity use:

We use the actual emission factor for each electricity supplier in calculating CO₂ emissions from electricity use at domestic offices.

Emissions at overseas offices are calculated by using the figures published for each country by the International Energy Agency.

B) Utility gas: Consumption represents the volume of gas at standard conditions calculated by using temperature and supply pressure data. Calorific values are based on figures from the providers.

C) Heavy oil and diesel fuel: Heavy oil and diesel fuel are both stated on a consumption basis.

D) Steam, cold water and kerosene: Steam, cold water and kerosene used at some offices are not included in calculations.

Wastes

	Type	FY2013	FY2014
Paper waste	Amount generated (t)	346.0	317.7
	Recycling rate (%)	87.9	93.0
Non-paper waste	Amount generated (t)	246.1	221.2
	Recycling rate (%)	84.2	51.7

*Calculated based on the Reuse Plan for Large-Scale Buildings used for business, as specified by each local government (GranTokyo North Tower, Daiwa Yaesu Building, Toyoko Center Building, Daiwa Eitai Building, DIR Headquarters Building and Osaka Branch Building)

*Data is excluded from the scope of independent assurances

Glossary

● AFP/CFP®

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

● Base of the Economic 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 (CDP)

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 containing multiple bomblets in a large shell that acts as a container. One bomb causes explosions over a wide area, enlarging the scope of damage. It has also been indicated that dealing with multiple unexploded bomblets from cluster bombs presents difficulties.

● Color Universal Design

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

● Corporate Governance

The mechanism that allows for sound and efficient corporate management

● Corporate Governance Code

Guidelines established by the Tokyo Stock Exchange concerning the corporate governance system that listed companies should embracing both in purpose and spirit.

● Engagement

Dialogue and exchange of opinion between businesses and stakeholders

● Environmental Accounting

To quantify necessary investment in corporate activities and its effect in an effort to reduce the environmental load of those activities

● ESG

Environment/Social/Governance

● Green Procurement/Clean Methods of Materials Procurement

To buy environmentally-friendly products for reducing environment load of corporations and others

● 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

● Hospitality

A spirit of selfless service for customers

● Human Rights Due Diligence

Verification performed to minimize adverse effects on human rights issues that could arise from business activities.

● Impact Investment

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

● ISO 26000

A worldwide standard that provides guidance for social responsibility of organizations

● Materiality

The themes and aspects companies particularly focus on over the long term in a wide range of corporate activities. It is recommended that companies issuing sustainability reports should select and announce them according to the type of business and risk. (Refer to "GRI Index")

● Microfinance

A form of financial services for people on low-income

● My Number

The numbers scheduled to be assigned to people in Japan to identify individuals for administrative procedures

● 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.

● REIT

A real estate investment trust

● Smart Community

A social system that has succeeded in reducing environmental load by mainly utilizing information and communication technology (ICT) and renewable energy

● Social Finance

Financing that aims to generate social and public benefits such as local revitalization and solutions to poverty, environmental and other social concerns

● 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

● Stewardship Code

The code of conduct established for institutional investors concerning their fiduciary duties. The Japanese version was formulated by the Financial Services Agency in February 2014.

● Supply Chain Management

To investigate issues involving a company's suppliers of raw materials and services, including their environmental and social challenges, to select suppliers based on the results of such investigations and urge them to resolve the issues.

● Trade Execution

Matching of a buy and sell order of securities such as stocks and bonds

● TSR

Telephone service representative—Telephone operator with the expertise

● UN Global Compact

A global initiative established through the advocacy of then-Secretary General Kofi Annan. Members support ten principles in the fields of human rights, labor, environment, and anti-corruption in their business activities.

● United Nations Millennium Development Goals (MDGs)

The MDGs consist of eight goals adopted at the UN Millennium Summit.

● 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 (WLB)


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, 2014 to March 31, 2015 included in its CSR Report 2015 (the “Report”) for the fiscal year ended March 31, 2015, except for some performance indicators whose cumulative totals as of March 31, 2015 or figure for the period from January 1, 2014 to December 31, 2014 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 Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures and from the G4 Sustainability Reporting Guidelines 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’, ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’, 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.
- Visiting to the Company’s two domestic business sites selected on the basis of a risk analysis.
- 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

November 18, 2015

Daiwa Securities Group

