



CSR Report

Integrated Report Supplement

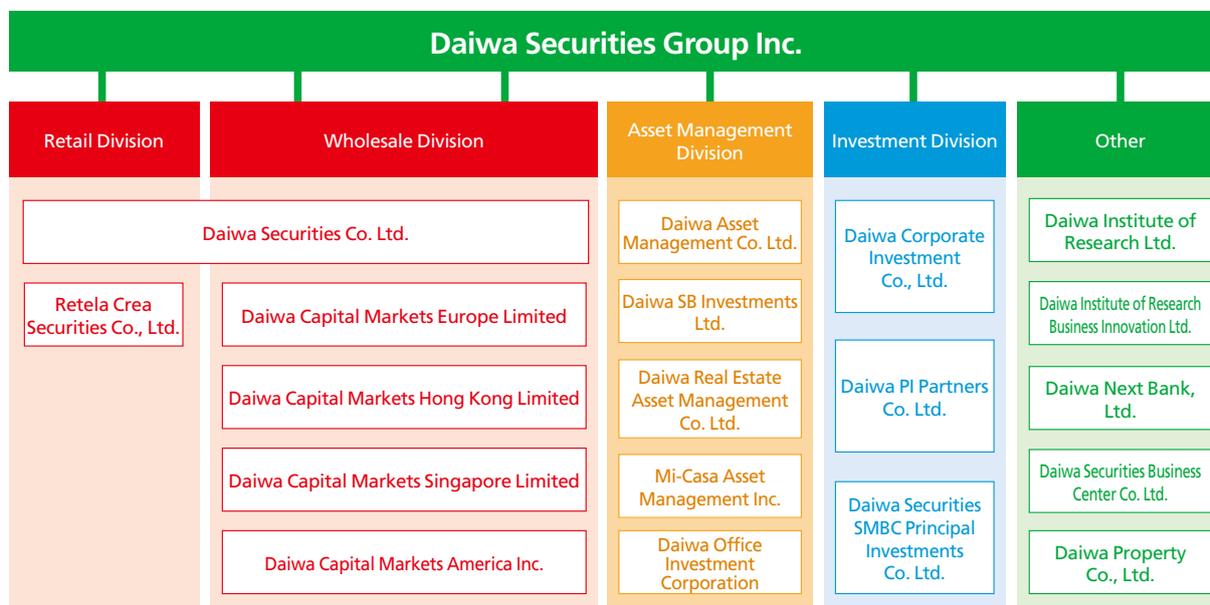
2018

Contents

Editorial Policy	2
Overview of Company and Businesses	3
The Daiwa Securities Group's Businesses and Role in Society	4
CSR of the Daiwa Securities Group	5
□ CSR of the Daiwa Securities Group	5
□ CSR Management	7
□ The Daiwa Securities Group and SDGs	9
□ CSR Materiality of the Daiwa Securities Group	11
□ Communication with Stakeholders and Improvement of Corporate Value	13
□ Message from CSR Officer	13
Initiatives through Business Activities	14
■ Close-up /Support Women's Active Participation in Society through Products—Daiwa Women Supporter Fund (Nicknamed "Tsubaki")	15
Role and Social Responsibilities of the Securities Business	17
Provision of Quality Service to Customers	19
Initiatives through Product Development and Provision	24
Maintenance and Development of Financial and Capital Market Functions	29
Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information	30
Support for the Creation of Our Future Society	33
Initiatives for Supporting Business Activities	37
■ Close-up /Initiatives for Child Poverty Issues	38
Corporate Governance	40
Compliance	44
Human Rights Initiatives	48
Risk Management	49
IT Strategy and the Management of Systemic Risk	53
Environmental Initiatives	54
Relationship with Shareholders and Other Investors	57
Relationship with Employees	59
Engagement with Society	66
Third-Party Evaluations	73
GRI Content Index/ISO 26000 Index	75
CSR Related Data	87
Glossary	98
Independent Assurance Report	99

Overview of Company and Businesses

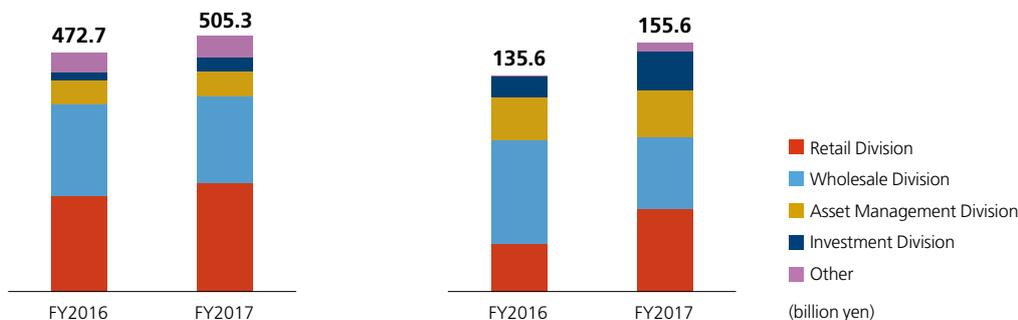
The Daiwa Securities Group is a comprehensive securities group that operates in such fields as Retail, Wholesale, Asset Management, and Proprietary Investment as its core businesses. The Group provides a wide range of financial services.



(As of June 30, 2018)

Net Operating Revenue

Ordinary Income



Corporate Data

- Name**
Daiwa Securities Group Inc.
- Head Office**
Gran Tokyo North Tower
9-1, Marunouchi 1-chome,
Chiyoda-ku,
Tokyo 100-6751, Japan
- Tel**
+81-3-5555-1111 (Main)
- Established**
December 27, 1943 (Founded 1902)
- President and CEO**
Seiji Nakata
- Capital**
¥247.3 billion
- Number of employees (consolidated)**
13,836
- Number of consolidated subsidiaries**
59
- Number of equity-method affiliates**
10
- Shares of common stock (issued and outstanding)**
1,699,378,772 shares

(As of March 31, 2018)

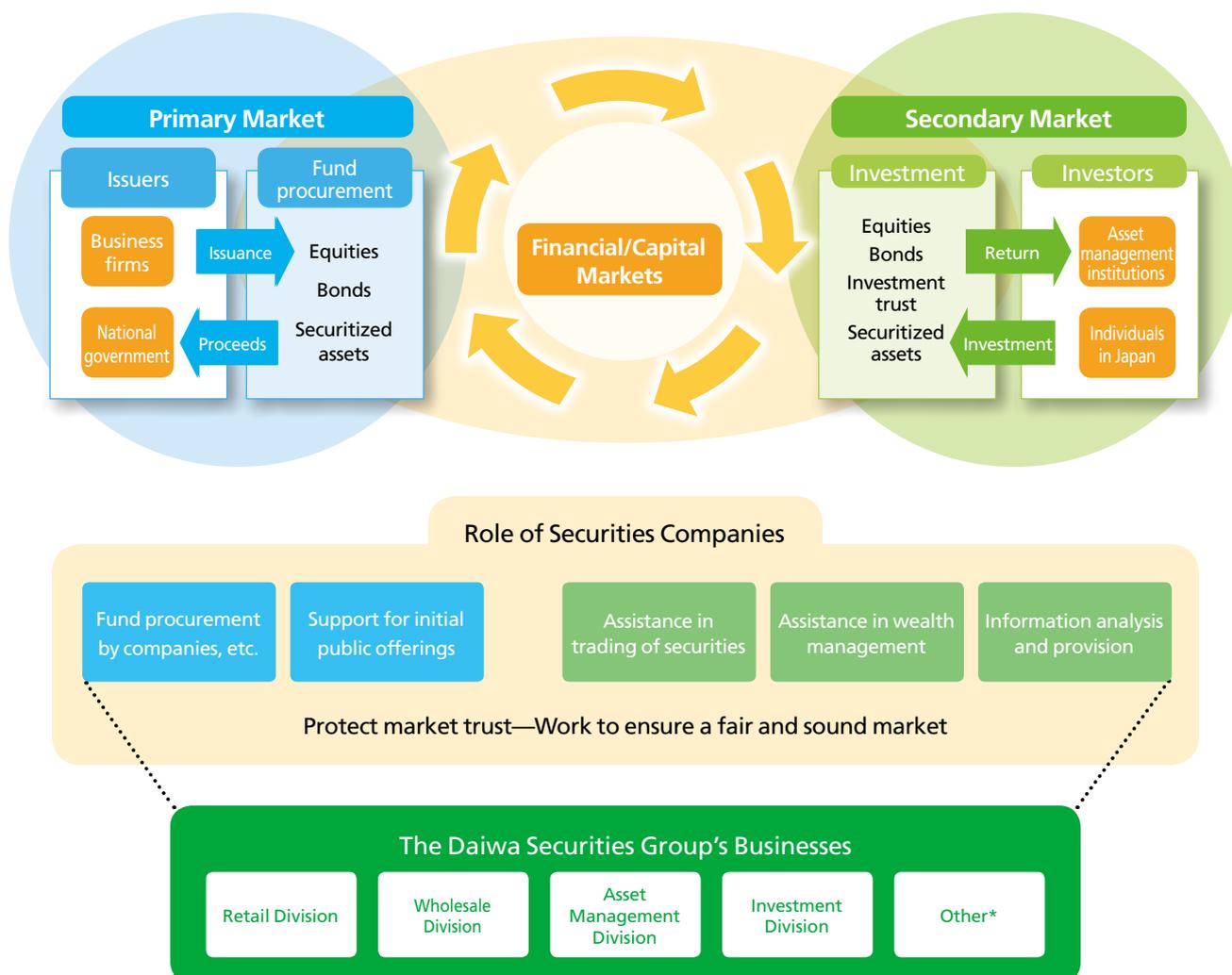
The Daiwa Securities Group's Businesses and Role in Society

Japanese securities companies support direct financing and conduct a variety of businesses in the financial and capital markets. In simple terms, they can be viewed as "intermediaries in financing and the capital market" because of their wide range of businesses. Securities companies thus connect those who need money with those who wish to provide money in the primary and secondary markets, thereby helping circulate money throughout the world.

The Daiwa Securities Group's Value Chain (shown below)

For the Daiwa Securities Group, securities such as stocks and bonds are core financial products. Therefore, companies and organizations issuing these securities as well as investors are 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 financial products are also core operations at the Group. 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 antisocial forces, we have established a set of rules and a database among Group companies and eradicated antisocial forces from our value chain.



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



Refer to page 8 for initiatives to leverage financial capabilities in order to achieve a sustainable society.

CSR of the Daiwa Securities Group

As the world undergoes rapid changes, such as those in social trends and the global environment, the Daiwa Securities Group attaches great importance to our corporate principles as being “unchanging.” Based on these corporate principles, we have set up three pillars in promoting CSR, which also form our foundation: “Key Issue 1,” “Key Issue 2,” and “Striving to create a pleasant working environment.” We would like to contribute to the development of society and economy through activities for the 15 items of materiality identified based on these.

Corporate Principles

Building trust

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

Placing importance on personnel

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

Contributing to society

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

Maintaining healthy earnings results

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

Two Key CSR Issues

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 key CSR issues and the development of a work environment which serves as a base for promoting these issues:

Key Issue 1 Leveraging financial capabilities to contribute to a sustainable society

Key Issue 2 Developing sound financial and capital markets for the next generation

Striving to create a pleasant working environment

Daiwa Spirit

Our corporate culture has been nurtured since the foundation of our business. After analyzing it using our corporate principle as a compass, we sorted out the basic philosophy and mindset inherent to our group and articulated them as the Daiwa Spirit, our behavioral guidelines.

1. Exercises self-discipline and complies fully with the law, recognizing that sustainable growth hinges on winning the trust of customers, financial and capital markets, and society at large.
2. Secures sound profits by contributing to societal and economic development through its actions in financial and capital markets.
3. Exerts unflagging efforts to build strong, sustainable, trust-based customer relations.
4. Continues to pioneer products and services in financial and capital markets, with each employee fulfilling his/her mission with confidence and pride.
5. Cultivates unbeatable competitiveness to overcome challenges, underpinned by strong company-employee trust and solidarity between colleagues.
6. Aims to be the securities group with the highest ambitions, a positive attitude that turns hardships into opportunity, and unmatched speed.

Verification of Key CSR Issues and

The Daiwa Securities Group recognizes that we are responsible to various stakeholders (refer to page 7) as a corporate citizen 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 codes listed on the right side are those that we place a special emphasis on.

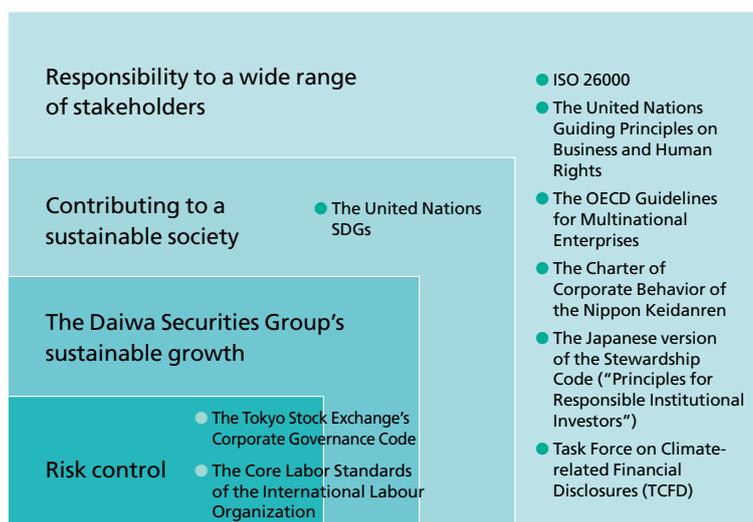
CSR Materiality of the Daiwa Securities Group

In FY2014, the Daiwa Securities Group identified CSR materiality based on the three pillars. We have disclosed information on the Group's initiatives for materiality. We have also strived to grasp the expectations of our stakeholders and changes in social trends through engagement and will review our initiatives if necessary.

Contribute to the development of society and economy through financial and capital markets

- I. Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers
- II. Customer service with a wealth of hospitality
- III. Development and provision of superior financial and investment products
- IV. Dissemination of analysis and proposals on the economy, society, and investment information
- 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 appropriate anti-corruption and 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

Responses to Changing Social Requirements



About Each Initiative

● 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
 ● The OECD Guidelines for Multinational Enterprises ● TCFD
 ● The UN Sustainable Development Goals (SDGs)
 ● The United Nations Environment Programme - Finance Initiative (UNEP FI)

CSR Management

Communication with Stakeholders

We believe that deepening the bond of trust we share with our stakeholders is essential to the sustainable accomplishment of our social mission and achievement of growth.

Daiwa Securities Group Stakeholders



Policy on 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.

Basic Policy (1)	Basic Policy (2)	Basic Policy (3)
The Daiwa Securities Group will strive to maintain two-way communication with a broad range of stakeholders based on ISO 26000 and the Charter of Corporate Behavior of the Nippon Keidanren.	The Group will strive to deepen communication with stakeholders already known to us, including customers, shareholders and other investors, business partners, employees and local communities.	The Group will strive to communicate actively with third-parties in order to identify other stakeholders.

Summary of Communication

Stakeholders	Policy on Communication
Investors	We use the feedback received from customer input and questionnaires for the improvement of our business.
Issuers	We communicate with issuers as needed to check whether we have helped them to solve their issues or whether there are any points for improvement.
Investees	Analysts and fund managers actively hold dialogue with management level personnel of investees.
Shareholders and others	We conduct meetings with shareholders and others as well as briefings for individual investors (including online briefings).
Business partners	We engage in communication according to level of importance, in addition to communication via business deals, to confirm the management status of information provided by the Daiwa Securities Group and check disclosure and reports related to ESG information.
Government	Experts in the think-tank division make proposals in various committees and councils set up by government offices and assemblies.
NPOs/NGOs	We strive to gain an understanding of the current status of social issues through visits to the operational frontline and meetings.
Local communities	We seek a symbiotic relationship with local communities through participation in local events and volunteer work.
Employees	We strive to reflect employees' input and feedback in management via our whistle-blowing system and various questionnaires.

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 our vision.

Specifically, the SDGs Promotion Office of the Corporate Planning 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 orders of the Corporate Planning Officer, an executive officer under the supervision of the CEO. CSR issues and our progress are shared regularly with the executive officer at meetings and other occasions.

Furthermore, information on CSR is taught to the Group's newly hired employees. The SDGs Promotion Office promotes and raises awareness of CSR issues throughout branches and departments across Japan and major overseas sites and builds a network of cooperation.



(As of April 1, 2018)

VOICE

As part of the Group’s efforts to leverage financial capabilities in order to achieve a sustainable society, Daiwa PI Partners Co. Ltd. (PIP) operates a wood pulp biomass power generation plant (refer to page 35). We interviewed Green Thermal Co. Ltd., which jointly developed and manages the plant with PIP.

Development of Wood Pulp Biomass Power Generation Plants Using Tree Trimmings as Fuel

Green Thermal Co. Ltd. engages in the development and operation of wood pulp biomass power generation systems and the securing of tree trimmings that serve as their primary source of fuel, as well as the forestry business.

We focus on thermal use as a new demand source for wood resources in the establishment of Green Thermal. The company is aimed at revitalizing the forestry industry and promoting local employment through transforming wood resources into electricity with high economic value—in other words, promoting the power generation business, thereby contributing to the realization of a resource recycling-oriented society.

We have accumulated experiences in a variety of fields, from purchase and sales of wood fuel to feasibility studies and development of biomass power generation plants. Going forward, we will focus on conducting the forestry business, fuel processing, and the wood pulp biomass power generation plant operation business.



Makoto Takizawa
President and Representative Director
Green Thermal Co. Ltd.

	Power Generation Plants Developed by Green Thermal	Output	Initiation of Operation
Development	Green Hatsuden Aizu Co. Ltd.	5,700 kW	July 2012
Development	Power Generation Oita	5,750 kW	December 2013
Development	Green Biomass Factory Co. Ltd.	5,750 kW	June 2014
Development	Biomass Power Station Daito	5,750 kW	December 2015
Development	Biomass Power Station Niigata	5,750 kW	September 2016
Development & Operation	SGET Green Power Generation Sanjo LLC	6,250 kW	September 2017
Development & Operation	DS Green Power Generation Yonezawa LLC (invested in by PIP)	6,250 kW	January 2018
Development & Operation	DS Green Power Generation Wakayama LLC (invested in by PIP)	6,800 kW	Under construction

Contributing to Rebuilding of the Forestry Industry and Securing of Regional Baseload Electricity Sources

The increasing necessity of felling trees planted during the 1960s, when Japan’s rapid growth began, is an important issue that Japan’s forestry industry faces. However, the industry is effectively putting off the felling as much as possible because it is not profitable due to low demand for wood resources resulting mainly from a decrease in the number of newly-built wooden houses and paperless trends driven by digital home appliances. When the felling is put off, various problems occur in regional resource recycling, such as an increase in forest density (deterioration of wood quality), a delay in new tree planting, grown trees becoming unable to absorb carbon dioxide, and difficulty developing human resources for the forestry industry.

Green Thermal believes that increasing the use of wood pulp biomass power generation systems—a new demand source for such unused timber from forest thinning—is the key to rebuilding of the forestry industry and securing regional baseload electricity sources and that our mission is to play a role in turning the wood pulp biomass power generation business into an industry.



Working Together with the Daiwa Securities Group

Since forming a capital and business alliance in 2015, we have been working with PIP as a joint development partner. Our relationship is not limited to the provision of capital but extends even to investment in and financing arrangements for biomass power generation plants developed by Green Thermal.

Our corporate philosophy is to protect the wealth of the land and sea through wood pulp biomass power generation and thereby contribute to the growth of regional economies. This philosophy is in accordance with the “Daiwa Securities Group’s SDGs Declaration” (refer to page 10), and we consider PIP to be highly reliable and the best partner for us.

We will continue to actively promote the development of new projects while leveraging our capital and business alliance with PIP, thereby contributing to the rebuilding of the forestry industry and the establishment of a clean energy society.

The Daiwa Securities Group and SDGs

The most important objective of companies is no longer to maximize shareholder profits, and the current age demands business activities that can socially win the sympathy of all stakeholders. These worldwide trends are reflected in Sustainable Development Goals (SDGs), which were adopted by the UN General Assembly in 2015. Expectations for companies are growing as a driving force for solving social issues.

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

It is necessary to sincerely consider what specific actions we should take to contribute more to the achievement of SDGs as the Daiwa Securities Group, and to execute such actions.

We have therefore started some initiatives while implementing measures to raise awareness of SDGs in and outside of the Group.

● Establishment of SDGs Promotion Committee

In 2018, the Daiwa Securities Group newly established the SDGs Promotion Committee, chaired by the president and CEO, to discuss the Group's response to SDGs. Keio University Professor Norichika Kanie, President of Cre-en Inc. Ayako Sonoda, and Head of PRI (UN Principles for Responsible Investment) Japan Michiyo Morisawa attend the committee as outside committee members. The committee considers various matters, capitalizing on fresh ideas and the latest information obtained externally.



Holding the 1st SDGs Promotion Committee Meeting

The 1st SDGs Promotion Committee meeting was held in May 2018. The committee exchanged opinions, including those from the outside committee members, regarding future initiatives to promote SDGs at the Daiwa Securities Group.

Going forward, in addition to the committee meetings, we will use internal communication tools and hold workshops in which officers and employees can participate in order to increase the awareness of the Group as a whole and promote SDG initiatives.



The United Nations Sustainable Development Goals

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



● Formulation of “Passion for SDGs 2018 —Daiwa Securities Group’s SDGs Declaration—”

The Daiwa Securities Group announced SDGs Declaration in May 2018. Going forward, we will enhance our initiatives through dialogue with our stakeholders.

Passion for SDGs 2018 —Daiwa Securities Group’s SDGs Declaration—

The Daiwa Securities Group views the Sustainable Development Goals (SDGs) adopted by the UN in 2015 as important world-leading goals. Through the Group’s businesses, we will actively work on realizing an affluent society and enriching people’s lives by balancing companies’ pursuit of economic values with solutions for social challenges.

Creation of Shared Values

As a comprehensive securities group that provides a wide range of services for various customer needs, we will work on providing solutions for social challenges with a flexible mindset not bound by preconceptions to create economic and social values as a company simultaneously.

Partnerships with Stakeholders

By leveraging the Group’s unique role to connect countries, companies, and investors, etc., we aim to contribute to solving a wide range of social issues through our partnership with each stakeholder.

Development of Various Human Resources and Realization of Diverse Work Styles

We will develop various human resources and realize diverse work styles by promoting a work-life balance, encouraging female and older employees to play active roles, and creating an environment that enables all employees, irrespective of sex and age, to feel motivated to work and show the best of their abilities.

Enhancement and Penetration of Recognition

As a supporter for the financial and capital markets, we will promote understanding and penetration of SDGs among all officers and employees while contributing to enhancing customers’ recognition of SDGs through the Group’s businesses.

● Initiatives for SDGs

The details of the Daiwa Securities Group’s approach to SDGs are shown in “Daiwa Securities Group CSR booklet” ([Web] http://www.daiwa-grp.jp/csr/pdf/csr_booklet2018.pdf; available only in Japanese), in addition to this CSR Report.

The CSR booklet is available at our head and branch offices for customers visiting these offices.

We have also distributed SDGs badges to Group employees to raise their awareness of SDGs.

CSR Materiality of the Daiwa Securities Group

Materiality	Selection reason
I. Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers	The Daiwa Securities Group's major businesses involve proposing a variety of financial products to our customers for investment. While investment in financial products provides expected returns, various risks are also entailed. Accordingly, we are strictly required by laws and regulations to recommend products that suit the experience and characteristics of our customers. Moreover, to build sustainable customer trust in the Group, it is indispensable to conduct sales activities that put customer needs first while complying with laws and regulations. It is also important to continuously provide information to customers who have already purchased our financial products in order to obtain their trust as we are a professional group that handles financial products subject to price fluctuations.
II. Customer service with a wealth of hospitality	The Daiwa Securities Group needs to be a group that is continually chosen by customers to achieve sustainable growth amid fierce competition among financial institutions. We believe that in addition to the quality of the proposals and information that we offer, careful attention with a wealth of hospitality is vital to satisfy our customers when trading with the Group.
III. Development and provision of superior financial and investment products	The main businesses that the Daiwa Securities Group conducts in financial and capital markets include (1) the provision of services and solutions to business corporations that raise funds through securities and other means, (2) the establishment and management of investment trusts that incorporate securities, and (3) assistance to various customers in investing in securities and other financial products. To be continually chosen by customers, the Group believes that it is vital to continue to develop and provide advanced, good-quality products and services.
IV. Dissemination of analysis and proposals on the economy, society, and investment information	To be chosen by customers, the Daiwa Securities Group needs to provide advanced, good-quality analysis of and information on companies issuing securities and financial and capital markets. As the trends of the overall economy and society are also important factors for investment decisions, the analysis of and information on such trends are indispensable. Moreover, we believe that proposing economic policies to be taken and measures for society as a whole while capitalizing on such analysis and information provision ability is also an important role that the Daiwa Securities Group takes on for the creation of a sustainable society.
V. Maintenance and development of financial and capital market functions	Financial and capital markets function as an important social and economic infrastructure that facilitates the smooth flow of money by matching fundraising needs and the investment needs of investors. The settlement of securities and funds relies on trust in the market, where countless transactions by investors are interconnected. The maintenance of this function is critical for major financial institutions. Moreover, developments such as the reduction of settlement time are also vital for the development of financial and capital markets, and the Daiwa Securities Group plays a vital role as a major financial institution.
VI. Appropriate risk controls	As a major financial institution, the Daiwa Securities Group is faced with the risks arising from various transactions, such as liquidity risks for funding, the market risk resulting from price fluctuations, and credit risk for business partners. Failure to appropriately manage these risks could cause massive losses and significantly affect our business.
VII. Appropriate management of customer information	The Daiwa Securities Group retains the details of transactions by numerous customers and their personal information. We also obtain important information from customers that could lead to insider trading, including plans to issue securities. The obligations of management and confidentiality related to such information are stipulated by laws and regulations. However, as a major financial institution, we believe that information management that goes beyond the requirements imposed by laws and regulations is vital to ensure that we do not betray the trust of our customers and other stakeholders.
VIII. Construction and maintenance of a strong IT system	For major financial institutions, large-scale and sophisticated IT systems are indispensable as they are integrated with the promotion of business. The superiority of IT systems directly affects the competitiveness of financial institutions. On the other hand, should a large-scale system failure occur, it may have a major impact on the Group's business until the system returns to normal while also significantly affecting financial and capital markets. In light of external intrusions and other numerous events occurring in recent years that have threatened the stability of IT systems, it is also extremely important to implement measures to prevent system failures associated with such incidents.
IX. Responsible action as an institutional investor	The Daiwa Securities Group has asset management companies that manage the funds entrusted by customers by investing them in securities and other assets. It is important for these asset management companies to actively engage in dialogue with investees as institutional investors, thereby helping those investees to achieve sustainable growth.
X. Creation of a workplace that values human resource development and diversity of employees	For the sustainable growth of the Daiwa Securities Group, it is extremely important for Group employees to raise their skills as professionals and provide customers with services exceeding those of other companies. To enable employees to exhibit their capabilities, the creation of a workplace environment that gives them a sense of job satisfaction is also vital.
XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)	The Daiwa Securities Group is subject to not only laws and regulations related to the sales and trading of financial instruments, but also a variety of other laws and regulations in and outside of Japan. We are also required to give consideration to anti-corruption and human rights issues at home and abroad. A corporate culture that fosters self-discipline among officers and employees is a key foundation.
XII. Reduction of environmental load and responses to environmental changes	In light of resource limitations and global warming, it is important to strive to minimize the environmental burden resulting from business activities as a member of society.
XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets	A variety of stakeholders are increasingly asking companies to resolve various social issues through their businesses. The Daiwa Securities Group is making efforts to resolve social issues using the functions of financial and capital markets, while taking on responsibility for the development of markets.
XIV. Contribution to local communities	The Daiwa Securities Group carries out business at various sites in and outside of Japan. We have the important responsibility of contributing to local communities as a member of society.
XV. Construction and maintenance of an appropriate corporate governance system	The Daiwa Securities Group has shareholders and other stakeholders, and their expectations for the Group vary. An appropriate corporate governance system is vital for us to raise shareholder value and give balanced consideration to these expectations.

Division in charge						Relevant items for CSR Report 2018
Retail Division	Wholesale Division	Asset Management Division	Investment Division	Other		
◎	◎	◎	△	△		Provision of Quality Service to Customers (Blue), Compliance (Red)
◎	◎	◎	○	○		Provision of Quality Service to Customers (Blue)
◎	◎	◎	◎	○		Initiatives through Product Development and Provision (Blue), Support for the Creation of Our Future Society (Blue)
◎	◎	◎	△	◎ (DIR)		Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information (Blue)
◎	◎	○	×	◎ (DSC)		Maintenance and Development of Financial and Capital Market Functions (Blue), Risk Management (Red), IT Strategy and the Management of Systemic Risk (Red)
◎	◎	◎	○	○ (Property)		Risk Management (Red), IT Strategy and the Management of Systemic Risk (Red)
◎	◎	◎	◎	◎		Compliance (Red), IT Strategy and the Management of Systemic Risk (Red)
◎	◎	◎	○	◎ (DIR)		IT Strategy and the Management of Systemic Risk (Red)
△	×	◎	×	×		Role and Social Responsibilities of the Financial Services (Blue), Initiatives through Product Development and Provision (Blue)
◎	◎	◎	◎	◎		Relationship with Employees (Red)
◎	◎	◎	◎	◎		Compliance (Red), Risk Management (Red), Human Rights Initiatives (Red)
◎	◎	◎	◎	◎		Environmental Initiatives (Red), Risk Management (Red)
◎	◎	◎	◎	◎		Role and Social Responsibilities of the Financial Services (Blue), Initiatives through Product Development and Provision (Blue), Support for the Creation of Our Future Society (Blue)
◎	◎	◎	◎	◎		Engagement with Society (Red)
◎	◎	◎	◎	◎		Corporate Governance (Red)

We identified materiality for CSR in FY2014 and have stepped up our CSR activities by focusing on the important aspects identified. We referred to the disclosure requirements shown in the G4 Sustainability Reporting Guidelines, in addition to other guidelines, in an effort to identify important aspects that suit our business model as a financial services group. To identify materiality, we first 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. We then determined materiality after conducting a questionnaire to relevant departments within the Group to ask about the adaptability and validity of the aspects identified with their operations.

We have disclosed information on the Group's initiatives for materiality. We have also strived to grasp the expectations of our stakeholders and changes in social trends through engagement and will review our initiatives if necessary. Moreover, we will verify "Key CSR Issues" (refer to page 5) in accordance with changes in materiality.

Blue Initiatives through business activities
Red Initiatives for supporting business activities

Communication with Stakeholders and Improvement of Corporate Value

The Daiwa Securities Group will seek to optimize the entire social supply chain by aiming to improve its corporate value through resolution of social issues identified by communicating with stakeholders.

	Relevant Descriptions
<p>Communication</p> <p>We will strive to identify social issues and expectations for us through communication with stakeholders.</p>	<ul style="list-style-type: none"> The Daiwa Securities Group and SDGs Human Rights Education and Awareness-raising Initiatives Environmental Initiatives Relationship with Shareholders and Other Investors Relationship with Employees Engagement with Society
<p>Collaborations</p> <p>We will aim to contribute to solving social issues by capitalizing on the Group's knowledge and experience.</p>	<ul style="list-style-type: none"> The Daiwa Securities Group and SDGs Relationship with Employees Engagement with Society
<p>Business Rollout</p> <p>We will develop and provide products and services that can be used to resolve social issues as business opportunities.</p>	<ul style="list-style-type: none"> The Daiwa Securities Group and SDGs Role and Social Responsibilities of the Financial Services Provision of Quality Service to Customers Initiatives through Product Development and Provision Maintenance and Development of Financial and Capital Market Functions Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information Support for the Creation of Our Future Society
<p>Risk Management + Engagement</p> <p>In light of social issues and expectations of the Daiwa Securities Group, we will step up engagement with investees, supply chain management and due diligence in relation to ESG (environment, society, and governance).</p>	<ul style="list-style-type: none"> Role and Social Responsibilities of the Financial Services Risk Management Environmental Initiatives

Message from CSR Officer

Daiwa Securities Group considers that communication with various stakeholders will become more important than ever before to contribute to achieving the Sustainable Development Goals (SDGs). We believe that understanding society's expectations for us and social challenges and addressing them sincerely will allow the optimization of the entire social supply chain surrounding the Group.

The SDGs are very effective tools as a common language for this. We consider the CSR materiality we identified a few years ago to be still effective in terms of meeting stakeholders' expectations on our current business. However, in the course of working on the SDGs down the road, we may have to make additions or review some items of the materiality. For example, there is a possibility that a new service introduced to solve a social issue will bring impact that we do not anticipate antecedently. We think that it is vital to hold discussions on what field we should work on and how we will maximize benefits while minimizing undesirable effects. For these discussions, it is vital that the executives and employees of the Daiwa Securities Group have a variety of backgrounds and great sensitivity. We therefore consider initiatives for diversity and inclusion to be important. Meanwhile, we will raise awareness of our corporate principles and the Daiwa Spirit among executives and employees as an unchanging sense of value, and work on new fields.



Tomonori Tsuji
Executive Officer
Senior Managing Director
Daiwa Securities Group Inc.

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.

Contents

- **Close-up: Support Women's Active Participation in Society through Products—Daiwa Women Supporter Fund (Nicknamed "Tsubaki")**
- **Role and Social Responsibilities of the Financial Services**
- **Provision of Quality Service to Customers**
- **Initiatives through Product Development and Provision**
- **Maintenance and Development of Financial and Capital Market Functions**
- **Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information**
- **Support for the Creation of Our Future Society**

Support Women's Active Participation in Society through Products

—Daiwa Women Supporter Fund (Nicknamed "Tsubaki")—

Close-up

The Daiwa Securities Group focuses on and promotes ESG (environment, society, and governance) investment as it helps to boost the long-term performance of investment products the Group manages while also contributing to solving issues facing society.

As part of such efforts, Daiwa Asset Management launched the Daiwa Women Supporter Fund (nicknamed "Tsubaki") at the end of March 2015.



● Focus on Companies That Can Be Expected to Grow with Women's Success

Against the backdrop of a labor shortage associated with its aging population and falling birthrate, Japan is now faced with the urgent issue of creating a society with comfortable working conditions for women. Meanwhile, to promote more active roles being played by women, it is necessary for the entire society to provide support in a multifaceted manner.

The Daiwa Women Supporter Fund (nicknamed "Tsubaki") is a product that aims for growth of trust assets by investing in companies that can be expected to grow with women's success among a wide range of issues, including not only large-cap stocks but also small- to medium-cap stocks.

The main feature of this product is that it evaluates women's success from four perspectives.

The fund selects, in addition to companies considered to help women to play an active role from an ESG perspective, companies supporting women's active participation in society; companies providing products and services that target women or are popular with women; and companies benefiting from increases in women's incomes. It thus takes into account the ripple effects of women's success when selecting investees.

The fund therefore pays attention to a wide range of industries, such as those related to human resources, fashion spending, extending healthy longevity, child education, travel, hobbies, and beauty. This has contributed to urging growth of companies that provide a pleasant working environment for women, expanding markets for products and services created from women's perspective, and making people's lives richer and more convenient.

Tsubaki's Four Perspectives



Major Invested Issues (as of May 31, 2018)

	Company name	Company overview	Contributed field			
			Success promotion	Social participation support	Product provision	Benefits from increased income
1	Enigmo	Operates BUYMA, a social shopping site enabling the purchase of fashion items across the world by personal shoppers—individuals providing items for sale—who live overseas.			●	●
2	DIP	Operates Baitoru, a website for part-time work, and others	●	●		
3	HABA Laboratories	Manufactures and sells additive-free skin care products and other cosmetics, as well as nutritional supplements.	●		●	
4	Genky DrugStores	A Fukui Prefecture-based drug store. Drug stores have many female customers as products include cosmetics and health foods.			●	
5	FANCL	Main products include additive-free cosmetics and supplements.	●		●	
6	START TODAY	Rolls out ZOZOTOWN, a fashion shopping site targeting female customers.	●		●	
7	istyle	Operates @cosme, a beauty information site.	●		●	

● A Broad Range of Benchmarks to Evaluate Women's Success

When selecting a potential investee, we refer to objective evaluations by the national government and media, details of corporate interviews, and the like. We place particular emphasis on the details of human resource strategies to cope with labor shortages.

In the evaluation of companies helping women to play more active roles, it is important to check whether companies put in place a fair evaluation system and environment, alongside their quantitative personnel data (ratios of female employees, female managers, etc.).

In addition, when evaluating companies providing products and services that target women or are popular with women as well as companies benefiting from increases in women's income, we pay attention to consumer needs and trends. It is women who create trends and brands. We believe that companies that excel in identifying needs and can lead trends will be able to receive larger ripple effects of women's success.

The fund thus views the theme of women's success in a broad sense, and we are confident that it is a product that has been able to approach the theme deeply as it evaluates even small- to medium-cap issues.

● Product Concept and Good Performance Highly Evaluated Externally

The fund has won various prizes from evaluation institutions as its product concept and good performance are highly evaluated.

The good performance has been achieved as women's participation in society has progressed considerably, partly backed by the government's promotion of work style reform in recent few years, and women's consumption has increased accordingly, as well as inbound demand has grown. Besides such external factors, we believe that our research ability to find growth companies has also contributed significantly.

We recognize that a social perspective centered on women's success, such as companies expected to achieve growth by resolving the labor shortage—a structural issue in society—and companies capable of identifying global trends generated by women, provides us with an opportunity to find new growth companies.



Ryo Shiina

Fund Manager
Equity Management Department
Daiwa Asset Management

Continue to Promote Growth of ESG Investment

The Daiwa Securities Group develops and provides various ESG-oriented products other than the Daiwa Women Supporter Fund (nicknamed "Tsubaki"), such as World Impact Investment Fund and Impact Investment bonds.

We aim to solve social issues, albeit indirectly, by leveraging the strength of private-sector companies while pursuing economic benefits for assets under our management at the same time. Through the Daiwa Securities Group's function as a financial and capital market infrastructure, we will continue to fulfill the role of simultaneously increasing both social and economic values.

Role and Social Responsibilities of the Securities Business

Relevant
CSR
Materiality

- IX. Responsible action as an institutional investor
XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets

Related
Sustainable
Development
Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

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 securities, the Daiwa Securities Group promotes methods of investment that take ESG (environment, society, and governance) factors, such as environmental and social initiatives into account in addition to financial information. In recent years, the Group has put its emphasis on the promotion of financial products based on the concept of Impact Investment, a type of Socially Responsible Investment (SRI), which refers to making more direct, quick-acting investments to resolve social issues. 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 Social Issues

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

In January 2010, the Daiwa Securities Group signed the United Nations Global Compact (UNGC), a platform to help companies that have committed to sustainable and responsible business practices shape their policies, and have proceeded with business activities in compliance with the principles. We also incorporate into our activities the Sustainable Development Goals (SDGs) adopted in September 2015 at the United Nations Sustainable Development Summit.

● 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 the Principles for Environmental Financial Action. This was based on a recommendation issued by Japanese Ministry of the Environment's Central Environment Council with the objective of promoting environmental finance. Each signatory institution is expected to endeavor to reflect 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.

Responsible Action as an Institutional Investor

● Initiatives by Daiwa Asset Management

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

In January 2017, Daiwa Asset Management set up the "Stewardship Supervisory Committee," which is designed to manage conflicts of interest faced in fulfilling its stewardship responsibility. The committee supervises the company's overall stewardship activities and is responsible for making reports to the Board of Directors and issuing recommendations to improve stewardship activities as necessary. The committee is composed of outside directors and the compliance officer, who takes charge of overseeing the management of conflicts of interest, thereby securing

Support for global initiatives

- The United Nations-supported Principles for Responsible Investment (PRI)
- CDP
- United Nations Global Compact (UNGC)
- Principles for Financial Action for the 21st Century
- Task Force on Climate-related Financial Disclosures (TCFD)
- United Nations Environment Programme – Finance Initiative (UNEP-FI)

independence from management in stewardship activities from management and business execution.

Regarding dialogue with investee companies, based on the Policy to Hold Constructive Dialogue with Investee Companies announced in June 2014, Daiwa Asset Management aims to accurately understand the conditions of investees, share such assessments, and create medium- to long-term corporate value. It has also devised a unique way of carrying out dialogue, having such dialogue led by three parties: analysts at the Research Department; those in charge of corporate governance at the Investment Planning Department; and an engagement team comprised of analysts at the Research Department and fund managers at the Equity Management Department.

The analysts at the Research Department engage in stewardship activities to contribute to enhancing corporate value and sustainable growth as part of their usual research activities, and held engagement with approximately 490 companies in fiscal 2017. As fundamental tools for dialogue, Daiwa Asset Management has prepared and utilized (a) the Analyst Handbook, which summarizes the fundamental stance and knowledge that serves as a basis for analyst activities (b) a business strategy reference book that analyzes companies' management strategies (c) qualitative evaluation that evaluates companies from a medium- to long-term standpoint, and (d) the long-term corporate value model that determines the medium- to long-term fair value of companies.

Those in charge of corporate governance at the Investment Planning Department collect information on investee companies required for exercising voting rights. In dialogue with investee companies, they explain their policy on exercising voting rights and what they expect from companies with respect to corporate governance, thereby sharing their knowledge with the investee companies. They conducted engagement with approximately 130 companies in fiscal 2017. Moreover, in March 2017, they disclosed their policy in more detail than previously, recognizing that deepening investee companies' understanding of their policy and standards for exercising voting rights would contribute to constructive dialogue. They also disclosed how they exercised their voting rights for individual proposals from shareholder meetings held from April 2017 onwards.

The engagement team, comprising analysts at the Research Department and fund managers at the Equity Management Department, held engagement with approximately 25 companies in fiscal 2017, focusing on small- to medium-cap issues mainly incorporated in active investment funds for medium- to long-term investment. It carried out constructive dialogue, delivering the "Long-term Vision and Medium-term Management Plan," which summarizes points on information disclosure from a long-term perspective, and "Introduction of Daiwa Asset Management's Engagement Policy," which mainly describes what Daiwa Asset management expects for investee companies and the issues that it wants to discuss through constructive dialogue.

Daiwa Asset Management has released a Report on the Status of Stewardship Activities on its website (only available in Japanese). The report includes the status of engagement, such as policy, structure, and the number of engagement times by theme, as well as ESG investment, the status of exercising of voting rights, and measures to improve stewardship activities.

Investment Principles 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. Refer to its website for details of these principles.

● Initiatives by Daiwa SB Investments

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

In April 2016, Daiwa SB Investments newly established the Stewardship Promotion Section as a section dedicated to ESG activities. It has been thus stepping up its efforts to hold constructive dialogue with the management of companies, such as representative directors and CFOs, from a medium- to long-term perspective to urge them to boost their profitability, appropriately control ESG risks, and also expand their corporate value by addressing SDGs and other social issues. It has long focused on engagement with companies antecedently and by actively holding dialogue, urged investee companies to turn their potential into actual business results.

Daiwa SB Investments believes that, as an institutional investor, it has a responsibility to provide investees with advice on how to exercise their potential and how to respond and prevent recurrence when there is a problem. The company considers that taking various opportunities to raise issues and urge improvement is its responsibility as an institutional investor and that helping to raise corporate value through such activities is also its mission for the customers entrusting their assets.

To receive feedback on its activities from an external viewpoint, Daiwa SB Investments invited two highly independent outside directors in FY2016 while setting up the Responsible Investment Committee, a majority of whose members are independent outside directors. It is thus aiming to further enhance its customer-oriented business operation.

Number of corporate governance-related dialogues held (FY2017)

Approximately **130**

* Results from Daiwa Asset Management

Web

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

Investment Principles against
Cluster Munitions Producers

Company Information > Our
Stewardship Activities > Our
Stewardship Policy > Policy
on Exercise of Voting Rights
(Japanese)

Web

Daiwa SB Investments Ltd.
Company Information >
Responsible Action as an
Investor > Our Stewardship
Activities > Our Initiatives
on the Japanese Version
of the Stewardship Code
(Japanese)

Company Information >
Responsible Action as an
Investor > Our Stewardship
Activities > Stewardship
Activities > Objective and
Basic Approach for Exercise
of Voting Rights and Other
Activities (Japanese)

Provision of Quality Service to Customers

Approach and Basic Stance

The Daiwa Securities Group understands that customer trust is the foundation of our business. Based on the idea of the Customer First Principle, our focus is always on finding ways to deliver genuine customer satisfaction. We have also 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.

Relevant CSR Materiality

- I. Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers
- II. Customer service with a wealth of hospitality

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

Building Deeper, Stronger Trust with Customers

Daiwa Securities aims to build customer satisfaction through quality services, built on understanding customer needs quickly and proposing the best solutions for each customer. We consider providing faithful and appropriate explanations to be paramount. A principle of Japan's Financial Instruments and Exchange 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 principle. As a part of our hospitality-based service, we strive to deliver explanations that exceed the legal requirements when promoting our financial products. We have also agreed with the purport of the "Principles for Customer-Oriented Business Conduct" announced by the Financial Services Agency in March 2017 and expressed our adoption of the principles, while drawing up and announcing our "Basic Policy on Customer-first Operations."

To improve our services and the quality of our response further, we are continuing to conduct a customer service survey. We survey customers regarding their degree of satisfaction with our services and response, and solicit their feedback and requests. Based on the survey results, we have strengthened our initiatives to improve the quality of post-sale follow up and enhanced the convenience of e-mail services in FY2017.

● 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, appropriate proposals, and information regarding market conditions, products, and services as a part of initiatives to reinforce our relationship of trust with customers.

● Improving In-Branch Customer Service Quality

At Daiwa Securities, we have announced our commitment to serve customers sincerely, and strive to provide services that can satisfy any customer. With the aim of creating sales branches enabling senior customers and customers with disabilities to feel secure, we have placed dementia supporters*1, mostly comprising employees engaged in in-house customer service, at all branches. We also completed placing employees with service assistant*2 certifications at all branches in FY2016.

We also conduct regular training to maintain and further enhance the quality of customer services. Moreover, we undergo checks on customer services at our branches by external institutions, while staff at our head office check services provided by telephone representatives, whenever necessary.

*1 Dementia supporter

A dementia supporter is a person who has an accurate knowledge of dementia and pays warm attention to people with dementia and their families. The Ministry of Health, Labour and Welfare has been stepping up the training of supporters across the country as part of its "Dementia Supporter Caravan" project.

*2 Service assistant

A service assistant is a person certified as having acquired hospitality and safe assistant skills for providing tailored support for senior customers and customers with disabilities.

Service assistant logo



Service assistant skill training class



FY2017 customer service survey

Number of respondents:
Total of **120,905** people
(August 2017)

• Overall score of satisfaction with Daiwa Securities*

4.86 (up 0.09 points year-on-year)

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

Number of Daiwa Securities employees who have become dementia supporters

2,572 people

(As of March 31, 2017)

Number of Daiwa Securities employees who have become service assistants

314 people

(As of March 31, 2018)

● Accessible Services for Diverse Customers

When renovating existing sales branches or planning new branches, Daiwa Securities works to ensure that they are accessible to more customers, through barrier-free measures such as reduced variations in floor level and the installation of larger counters. In FY2017, we strived to further improve our barrier-free system, introducing a slope to the entrance of 52 branches to eliminate steps.

We have also been stepping up our efforts to place writing communication boards, communication sheets, cane holders, and other equipment to enhance safety and convenience for senior customers and customers with disabilities visiting our sales branches. In FY2017, we introduced hearing assistance devices to all branches with the aim of facilitating communication with customers who are hard of hearing.

● Further Improvement of Consulting Services on Inheritance and Business Succession

To meet the inheritance and business succession-related needs of customers, we are successively increasing the number of sales branches that have inheritance consultants. We have also introduced an Inheritance Planner Certification® program and started offering even better quality service to customers. Inheritance consultants are staff members who not only handle procedures within Daiwa Securities but also comprehensively support any 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 six months and also receive training regularly thereafter. The Inheritance Planner Certification program is an in-house qualification system for employees with advanced expertise accumulated through the certification for financial planners (CFPR) qualifications and completion of in-house training.

Ear Mark symbol



Communication sheet for people with hearing impairments



It helps us to enhance our inheritance and business succession-related consulting services to customers.

● Starting Pilot Rollout of Anshin Planners and Financial Consultants

Since October 2017, we have been introducing *anshin* (peace of mind) planners—a new type of sales agent—and financial consultants as an initiative to provide each one of our customers with optimum consulting and solutions. The initiative has been so far rolled out at 17 branches and is scheduled to be implemented at all branches.

Anshin planners are mainly responsible for senior customers, providing comprehensive consulting for customers' senior lives. The scope of their work is not limited to asset management but includes the provision of information on health, long-term care, etc. and solutions on gifts, inheritance, etc. to next generations. With the establishment of the *anshin* planner system, we have also introduced "Daiwa's *Anshin Plus*," a new service enabling the use of a senior monitoring service provided by a security company and telephone health consulting, etc. under preferential conditions. Financial consultants are responsible for customers who our conventional sales personnel have been unable to support fully, including those in the asset building stage. They propose a wide range of products and solutions that meet customers' needs.

We work to provide optimum support to every customer whom we serve by subdividing our sales personnel and making careful proposals according to the life stage of each customer.

Daiwa's Point Program

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

Organizations to which donations can be made

- Japan Committee for UNICEF
- Medecins Sans Frontieres Japan Association
- WWF Japan
- United Nations World Food Programme
- Save the Children Japan
- Japan Platform
- New Japan Philharmonic
- Arts Support Kansai
- The Kidney Foundation, Japan

(As of April 2018)

Number of sales branches with Daiwa Securities inheritance consultants

100 branches

(As of April 2018)

Number of accredited inheritance planners®

434 people

(As of March 2018)

Number of CFP® accredited staff

698 people
Highest number among financial institutions in Japan

(As of March 2018)

Daiwa's Point Program

• Amount of donations to eligible organizations

¥113.00 million

(Cumulative amount from April 2003 to March 2018)

• Donations made through Japan Platform to work that assists victims of the Great East Japan Earthquake

¥33.19 million

(Cumulative amount from May 2011 to October 2016)

Donations made as disaster relief assistance funds

¥1.89 million

(Cumulative amount from November 2016 to March 2018)

● **Continuing to Hold a Wide Variety of Seminars**

Each sales branch of Daiwa Securities holds a variety of seminars covering topics including Japanese and overseas markets and inheritance to provide information. The company has also expanded seminars targeting customers in the asset building stage, such as those on installment-type Nippon (Japan) Individual Savings Account (NISA) and iDeCo, a defined contribution pension plan for individuals.

FY2017, we had approximately 18,400 seminars in total as we actively held small-scale seminars at sales branch counters as well as seminars at branch halls. There were also large-scale seminar events, in addition to those held at sales branches. We held "Daiwa New Year's Lectures for 2018" at five venues nationwide, "Global Investment Seminars" with the theme of overseas investment, and "Seminars on Asset Building for Beginners" that target novice investors.

● **Acceptance of Applications for Installment-Type NISA Starts**

Since October 2017, Daiwa Securities has been accepting applications for the installment-type NISA program launched in January 2018. It is a new NISA program created to support stable asset building. We actively introduce the program to customers, especially those in the asset building stage, in order to encourage more customers to start making investment in installments, while having a product lineup that is easy to understand for even novice investors and carrying out attractive campaigns. We will step up our initiatives to expand the number of installment-type NISA users.

● **Providing Junior and Senior High School Students with Opportunities to Learn about Finance and Economy**

We launched *Okane-no-mikata*, a website for learning about finance and economy, in March 2016 following the start of a Junior NISA program. We also launched *jiyu-kenkyu-no-mikata*, a website with content that primarily supports summer holiday research assignments for children. In addition, we held events titled "Challenge for Children and Parents: Learn Money & Economy through Quiz" at three venues nationwide. The events, mainly targeted toward elementary and junior high school students, were designed to provide the participating children

and parents with opportunities to start learning about money.

● **Information Website for Child Rearing and Money "SODATTE"**

Daiwa Securities opened "SODATTE," an information website for child rearing and money, in April 2016 for the child-rearing generations.

With two years having passed since its opening, it has grown to be a website visited by many fans, with 140 columns and more than 800,000 monthly page views on average.

The website sets up five categories, including "Money Lesson," "Family Finances," and "Education Funds" and disseminates columns that provide tips to child-rearing generations. In May 2017, we also started a feature named "Diagnosis of Your Family Finances," which posts articles on financial planners' advice on money-related concerns. We will continue to update columns monthly as an information site practically supporting child rearing for parents to enable them to learn in an enjoyable way.

Seminars held by Daiwa Securities

Approximately **18,400** times
(Results at sales branches for FY2017)

Basic Policy on Customer-first Operations

The Daiwa Securities Group has agreed with the purport of the "Principles for Customer-Oriented Business Conduct" announced by the Financial Services Agency on March 30, 2017 and expressed its adoption of the principles. The Group has also drawn up and announced its "Basic Policy on Customer-first Operations."

* Refer to websites for the Group companies for details.

Web

Okane-no-mikata
A website to learn how money works (Japanese)

Web

"SODATTE"
An information website for child rearing and money (Japanese)

Web

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

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

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

- Daiwa Asset Management Co. Ltd. > Policy on Customer-first Operations (Japanese)

- Daiwa SB Investments Ltd. > Policy on Customer-first Operations (Japanese)

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

Okane-no-mikata, a website to learn how money works



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



●Contact Center Functions

The Contact 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, thereby acting as Daiwa Securities' comprehensive remote contact center for customers. To strengthen the functions of the center, we first expanded the scale of services points in Tokyo and Osaka in FY2014 and then established a contact center function in Fukuoka in FY2016 as our third service point. We also expanded the floor area of our service point in Osaka in FY2017. By further expanding the ability to take calls, we aim to enhance our support functions for sales branches going forward to increase customer convenience.

●Achieving High Evaluation from External Institutions

In a benchmark rating program hosted by HDI-Japan, we earned three stars—the highest possible rating—in the FY2017 Customer Support and Website Support categories of the securities industry. This is the third consecutive year that we have won three stars in the Customer Support category, which evaluates the quality of services by operators. We will seek to further improve our overall services through training, aiming to achieve three stars again in the next fiscal year.

●Initiative to Get Closer to Customers

In FY2016, we started showing pictures of our operators on the website page for telephone inquiries in the hope that this would give customers a sense of security and familiarity with the Contact Center.

Telephone inquiry screen (Daiwa Securities website)



Taking calls



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). We thus strive to appropriately respond to customer true needs.

Customer Feedback Sent to Contact Center

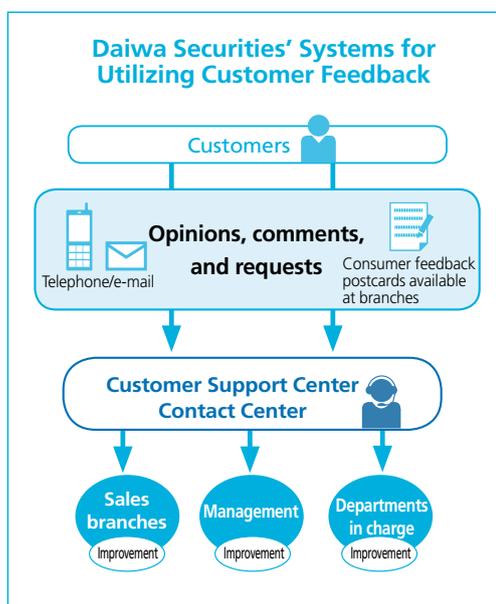
The Contact Center receives numerous comments and requests on online trading and Daiwa Securities' other products and services.

We share such customer feedback information and requests with management and relevant departments and sections of the head office and utilize them to enhance our services and customer interaction. (The number of major improvements implemented in FY2017 was 45.)

We also show some of the inquiries received from customers on our website as "frequently asked questions," while sharing them with sales branches in some cases to speed up our responses. We are thus working to raise customer satisfaction from various perspectives.

Scale of Contact Center

820 service points
(500 in Tokyo, 210 in Osaka, and 110 in Fukuoka)



● Customer Support Center Initiatives

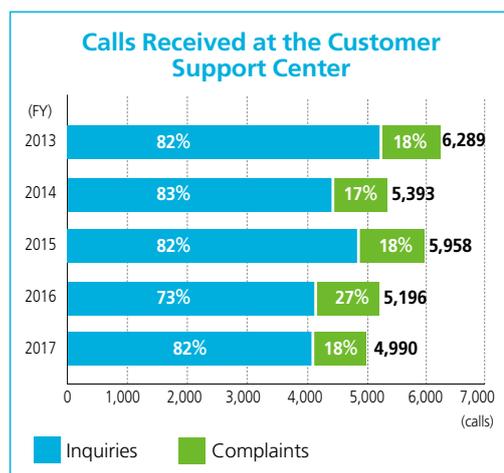
Daiwa Securities' Customer Support Center is a department at the head office that handles customer feedback and complaints directly by phone. It is set up within the Compliance Department of Daiwa Securities.

The Center promptly gives feedback and complaints from customers to relevant sales branches and departments and sections of the head office. It also sorts and analyzes such feedback and complaints, shares them with officers, sales branches, and head office departments, and capitalizes on them as precious information in the aim of "customer-first operations" and "pursuit of best quality."

To respond to customers' calls thoroughly, accurately, and promptly, Customer Support Center members study the securities tax code and Daiwa Securities' services together on a daily basis, and work to improve the quality of their customer services. FY2017, the Center received 4,990 calls, 206 down from the previous fiscal year.

Calls received at the Customer Support Center in FY2017

No reports indicating violation of human rights, environmental pollution by Daiwa Securities, or other matters raising extremely serious concern in general social terms



Initiatives through Product Development and Provision

Relevant CSR Materiality

- III. Development and provision of superior financial and investment products
- IX. Responsible action as an institutional investor
- XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

For Addressing Social Issues 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.

Initiatives in FY2017

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

In May 2017, Daiwa Securities sold Green Bonds issued by the Asian Development Bank. The bonds are aimed at eliminating poverty from the Asia-Pacific region through economic growth that brings benefits to all people, sustainable growth in harmony with the environment, and the promotion of regional integration.

In December 2017, we also sold Tokyo Green Bonds (foreign currency-denominated), which were issued by the Tokyo Metropolitan Government for the first time ever as a domestic municipality (sold by five securities companies—Daiwa, Mizuho, Nomura, Mitsubishi UFJ Morgan Stanley, and SMBC Nikko Securities). Through the sale of these bonds, we helped to create a trend for using precious funds in Japan for domestic environmental measures.

Daiwa Securities also underwrote and sold, or sold Green Bonds for retail investors shown in the table on the right in FY2016 and FY2017.

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

Green Bonds for Retail Investors Sold by Daiwa Securities

	Issuers	Use of funds	Sales amount (estimate)
FY2016	Crédit Agricole CIB (two currencies)	Provide lending to companies and projects contributing to environmentally friendly economic and social development	¥6.3 billion
	The Central American Bank for Economic Integration	Support projects aimed at reducing and adapting to climate change in Central America	¥7.7 billion
FY2017	The Asian Development Bank (three currencies)	Address climate change in the Asia-Pacific region	¥8.0 billion
	The Tokyo Metropolitan Government	Appropriated for development of smart energy cities, conservation of the natural environment, adaptation to climate change, etc.	¥2.0 billion

* The Green Bonds issued by the Tokyo Metropolitan Government were underwritten by five companies, including Daiwa Securities. (The sales amount shown above represents the amount underwritten by Daiwa Securities.)

SRI Investment Trusts

SRI investment trusts are a mixture of stocks and bonds that take into account factors other than financial performance, such as ethics and social and environmental objectives, in addition to assessments of the sales and profits of the investment candidates. We offer eco funds that limit non-financial assessments to environmental performance, and investment trusts that limit their stock portfolios to environment-related businesses. By investing in these trusts, through financial markets, investors can indirectly support countries and corporations that are proactively involved in CSR and environmental programs.

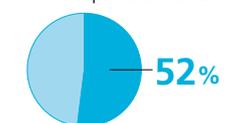
Results of Impact Investment bonds for retail investors

Daiwa Securities cumulative sales

¥685.8 billion*



Daiwa Securities' share in the Japanese market



Total ¥1,319.9 billion*

* Figures have been rounded
* Source: Daiwa Securities Co. Ltd. (From March 2008 to March 2018)

Environment-related bonds for retail investors sold by Daiwa Securities in FY2017



Two issues totaling ¥10.0 billion

* Figures have been rounded

SDGs related to Impact Investment bonds sold in the past



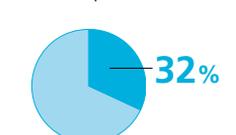
Results of SRI investment trusts

Daiwa Securities Group net assets

¥146.5 billion*1

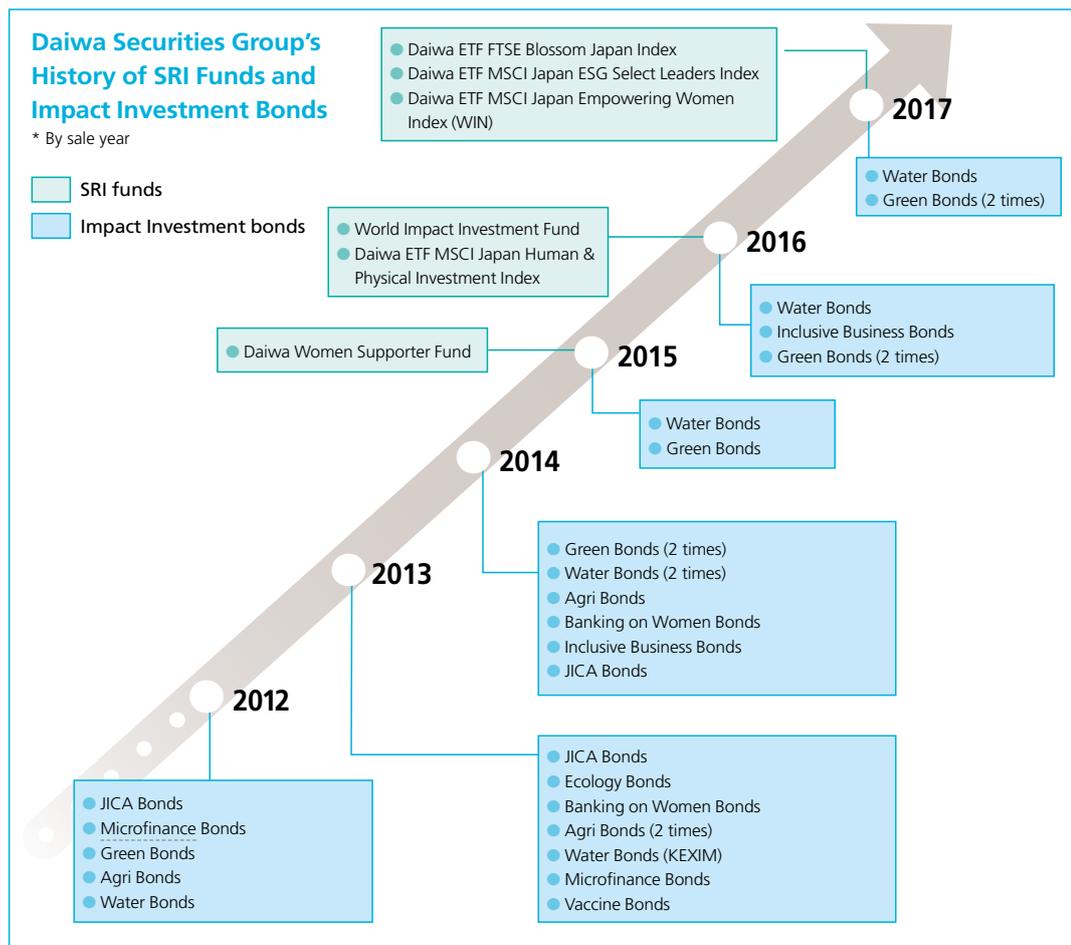


Daiwa Securities' share in the Japanese market



Total ¥460.1 billion*2

*1 Source: Daiwa Securities Co. Ltd.
*2 Source: Daiwa Fund Consulting Co. Ltd. (As of March 31, 2018)



Development and Provision of Superior Financial and Investment Products

Amid an accelerating shift from savings to investment, Daiwa Securities considers the development and provision of superior products as one of our major missions in society, and strives to develop new products and improve their quality.

● Initiatives of Fund Wrap Services

Daiwa Fund Wrap is a service enabling even those who are busy or have no investment experience to easily start medium- to long-term diversified investment. Under a discretionary investment contract, Daiwa Securities invests and manages assets on behalf of our customers. We offer plans that enable each customer to make diversified global investments according to their investment policy, as do professional institutional investors such as those managing public pension assets. It has become more important than ever for a large number of investors to manage their assets efficiently and stably through diversified global investment, in particular as a measure to address prolonged low interest rates, which have made it difficult to find attractive investment options. Daiwa Fund Wrap is a service offered to customers over the medium to long term. We provide thorough explanations before the conclusion of a contract, report investment performance regularly every three months, and hold

follow-up seminars whenever necessary. We thus ensure close communication with customers and seek to build a relationship of trust with them.

In addition, Daiwa Fund Wrap Premium, launched in October 2016, now offers a more detailed service, enabling customers to have multiple investment portfolios and design them in a highly customized manner while specifying a beneficiary in case of inheritance in advance.

Moreover, Daiwa Fund Wrap Online, launched in January 2017, proposes the most suitable investment style by utilizing Robo-Advisor technology, enabling customers to easily manage globally diversified investments online. We also started a Regular Installment Service enabling an automatic monthly contribution of ¥10,000 or more in March 2018.

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



Major "Fund Wrap" services newly introduced or improved in FY2017

• Balance of domestic Wrap accounts

¥7,984.3 billion

• Balance of Wrap accounts at Daiwa Securities*

¥1,971.2 billion

* From data released by the Japan Investment Advisers Association (As of March 31, 2018)

• January 2018

Start of Daiwa Fund Wrap Online "Asset Planning Support"

• March 2018 Start of Daiwa Fund Wrap Online "Regular Installment Service"

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

• Amount donated in FY2017

¥22.53 million

* Total donated amount from customers and from Daiwa Securities

• Donated to United Nations World Food Programme, Medecins Sans Frontieres Japan Association, WWF Japan, Japan Committee for UNICEF, Japan Platform

● Initiatives by the Asset Management Division

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

● Initiatives by Daiwa Asset Management

For Daiwa Asset Management, one of the pillars to building a stable, distinguished asset management capability is to take appropriate risks in managing active funds. We have therefore built a support system by collecting information from the research division and other relevant specialist teams. This is a system enabling fund managers to take risks after thorough examination. In particular, we are striving to improve our ability to select companies with good prospects, hoping that this will become a major source for strong investment performance. We especially focus on ESG information from a long-term perspective. Daiwa Asset Management has placed personnel in charge of ESG within the Fund Management Division to promote ESG investment in an organized manner as a signatory member of both the United Nations' Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century. Since adopting the Japanese version of the Stewardship Code, we have been working to deepen our dialogue with investee companies by such means as holding dialogue with the theme of integrated reports.

It is especially important to always grasp current trends and customer needs for the development of products. We are therefore striving to maintain close communication by holding seminars for customers and through operation of our unique call center. We are also building a structure that assists companies marketing our products to support a shift from savings to asset formation.

Initiatives for ESG Investment

At Daiwa Asset Management, we actively use ESG when making investment decisions. ESG is used for our overall active equity investment.

The company's analysts make ESG evaluation, in addition to financial evaluation, for the issues they are responsible for. We use ESG evaluation, integrating it into our investment decision-making factors through the method of reflecting ESG evaluation in estimates of capital costs and other means.

The Passive Management Department also listed three ETFs linked to Japanese stock indexes using ESG evaluation on the Tokyo

Stock Exchange in September 2017 for the first time ever in Japan. The indexes tracked by these ETFs are calculated by FTSE and MSCI—global index calculation companies—and adopted by Government Pension Investment Fund (GPIF) for its Japanese stock investment. The use of ETFs has enabled not only institutional investors but also individual customers to make stock investment that uses these ESG evaluation indexes. We hope that the ETFs will help to increase the popularity of ESG investment in Japan.

Notice on new funds

 Daiwa ETF
FTSE Blossom Japan
Index (Japanese)

 Daiwa ETF
MSCI Japan ESG
Select Leaders Index
(Japanese)

 Daiwa ETF
MSCI Japan
Empowering Women
Index (WIN) (Japanese)

• Initiatives by Daiwa SB Investments

As a variety of medium- to long-term management factors are expected to affect companies' share prices, there is a growing need for multifaceted corporate analysis, including the ability to analyze and predict non-financial information over the medium and long term that covers companies' research and development ability and overseas project management ability. In light of these perspectives, we newly established the Stewardship Promotion Section at Daiwa SB Investments in April 2016 with the aim of strengthening the company's analytical skill by deepening collaboration with corporate analysts belonging to the Equity Research Department. We have also stepped up our initiatives to help companies to increase their profitability by means of constructive dialogue with them.

Since corporate analysis and research require human resources, Daiwa SB Investments places importance on nurturing and promoting professionals who have acquired the ability to think on their own through training and other means. We have also overhauled our organizational systems as a company, including the adoption of a performance-linked evaluation

system. Moreover, we strive to elevate a corporate culture as a professional management company and to diversify our workforce by hiring overseas and female staff, with the aim of respond to diversifying needs and providing quality services. We have also focused on the education of sales staff at companies handling our products, who directly communicate with customers. We conduct workshops for those sales staff to enhance their marketing skills and knowledge on investment trusts while creating booklets containing information necessary for them to explain to customers. We are thus working to help those staff to improve their communication abilities.

Following the signing of the PRI in 2012, we established the ESG committee and rules to enhance our capacity to evaluate and analyze ESG issues of companies. These initiatives reflect our efforts to fulfill our responsibility to pursue maximum profits with our utmost efforts from a long-term standpoint on behalf of beneficiaries. We will continue with our initiatives to provide good returns over the medium to long term in our multifaceted corporate analysis, including analysis focusing on ESG.

World Impact Investment Fund

On August 26, 2016, Daiwa SB Investments established and started managing World Impact Investment Fund (nicknamed Better World). "Impact Investment" is the idea of capitalizing on the power of private-sector companies to resolve various social issues that cannot be resolved solely by governments or charitable organizations while pursuing economic benefits at the same time.

At Daiwa SB Investments, in order to communicate the new idea of Impact Investment to a wider range of customers, we work on customer-oriented provision of information. To increase the popularity and awareness of Impact Investment, we have drawn up "Impact Investment," which gives the details of the investment approach, and "ESG Investment—Impact Investment Existing Beyond It," which describes the idea of ESG investment. Both materials incorporate the idea of universal communication design and have obtained an "Easy-to-read Design" certification from the

Universal Communication Design Association (UCDA). To deepen customers' understanding of the features of our funds, we have also created a special page on our website and have supplemented information with visual contents.



● Investment Companies and Other Initiatives to Resolve Social Problems

Daiwa Real Estate Asset Management Co. Ltd. manages investments and infrastructure assets for solving social issues through investment companies and fund structures.

Nippon Healthcare Investment Corporation, which was listed on the Tokyo Stock Exchange in November 2014, invests in healthcare facilities that are likely to see stronger demand from society over the longer term as the number of senior citizens increases. The company's infrastructure division has also been managing photovoltaic power stations since FY2014, and was entrusted in FY2017 with the operation work of a biomass power generation plant invested in by Daiwa PI Partners. Daiwa Real Estate Asset Management has been continuously expanding the balance of its assets under management while striving to accumulate knowledge of investment and management in the renewable energy field. The company will fulfil its role of providing funds not only to the renewable energy field but also to the development of a broad range of social infrastructure, including logistics facilities, and the privatization of publicly-operated businesses.

* Refer to page 36 for initiatives of Nippon Healthcare Investment Corporation.

● Response to FinTech and AI

Since starting Daiwa Online Trade, Japan's first Internet-based securities brokerage service, in 1996, Daiwa Securities has provided various products and services successively over a period of more than 20 years. Due to the widespread use of portable information devices and the development of information communications technology, the importance of Internet channels has increased even more in recent years, with the number of accounts held under contracts for Daiwa Online Trade topping 3.2 million as of the end of March 2018. Of Daiwa Securities' total stock transactions, approximately 80% are carried out via the online trading service, underscoring the fact that Daiwa Online Trade has become an indispensable channel for Daiwa Securities.

At Daiwa Securities, we started the Fund Wrap Online service on January 27, 2017 as a new series of Daiwa Fund Wrap, which has received favors from many customers since its launch in 2007. Fund Wrap Online is a new type of asset management

service that is fully provided on the Internet and utilizes Robo-Advisor function. We have prepared an animation movie to promote the service on the Internet, including on our website. We also started the *Kabu Talk* service on Daiwa Securities' website on December 27, 2017. *Kabu Talk* is a tool to provide the latest market information through a chatbot that utilizes artificial intelligence (AI) technology. Moreover, we started providing the Daiwa Securities Market Information skill for Amazon Alexa—the cloud-based voice service offered by Amazon—on February 14, 2018. We believe that we can contribute to Japan's sound economic development by actively advancing these AI-related initiatives and other initiatives for new technologies, including FinTech—an integration of finance and information technology—in an effort to stimulate interest in securities investment among individuals who have not previously been familiar with securities investment, especially younger generations, and thereby support a shift from savings to asset formation.

As the use of various AI-based services is currently spreading and the development of FinTech is accelerating, we are ushering in an era where new financial services leveraging these technologies are easily available. We will keep track of such trends and endeavor to continue to enhance convenience and provide quality services as a channel chosen by next-generation affluent customers centered on those from abroad and young customers.

Fund Wrap Online promotion movie



Alexa-based smart speaker Amazon Echo



Nippon Healthcare Investment Corporation

Total amount of assets acquired

Approximately
¥19.3 billion

(As of March 31, 2018)

Management results at renewable energy power plants and logistics facilities

Renewable energy power plants

•Number of deals: 10

(Hokkaido, Tohoku, Hokuriku, Kanto, and Chugoku regions)

•Output:
Approximately 54 MW

•Balance of assets under management:

Approximately
¥19.3 billion

Logistics facilities

•Balance of assets under management:

Approximately
¥11 billion

(As of March 31, 2018)

Daiwa Online Trade

•Number of contract accounts

3,214,579 accounts

(As of the end of March 2018)

Fund Wrap Online promotion movie (Japanese)



A facility in which Nippon Healthcare Investment Corporation invests



Maintenance and Development of Financial and Capital Market Functions

Relevant CSR Materiality

V. Maintenance and development of financial and capital market functions

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

The securities business, the core business of the Daiwa Securities Group, serves as an important social and economic infrastructure. It facilitates the smooth flow of money by matching fundraising needs through the issuance of securities and investment needs of investors via financial and capital markets. We recognize that maintaining and developing this infrastructure is about developing sound financial and capital markets for the next generation, which is one of our key CSR issues, and is considered to be a major mission for the Group.

● Settlement Functions

Securities settlement—a mainstay of the Group’s overall operations—is the delivery of stocks, bonds, or other instruments and funds both to and from both the buyer and seller of a securities transaction. In trusted markets, financial instruments can be reliably converted into cash when necessary. This is the very reason why such markets attract investment money and enable companies and others with funding demand to procure funds. If anything that could stall securities settlement should occur, it would not only affect us but also damage trust in markets as a whole. It could even have a significant impact on the global economy. We consider it vital to settle transactions accurately and promptly as required in order to ensure that markets function as a social infrastructure and become a driver for economic development. We are therefore striving to build a structure enabling the smooth execution of settlement operations. Amid the emergence of investors engaged in frequent trading leveraging computers, we have implemented a reliable system that has high processing capability and can reliably settle a massive number of transactions. We believe, however, that no matter how well operations are systematized, the most important thing for the securities settlement operation is still human resources. Staff members must have a wide range of knowledge that goes beyond the operations that each of them is responsible for in order to grasp the situation quickly when an irregular event occurs and then respond to it appropriately. For that reason, we are making

efforts to visualize and accumulate the experience and expertise acquired through our daily operations and expand the business knowledge of each individual and the scope of operations that they can cover by providing cross-business training and continuously rotating tasks. Meanwhile, the securities industry recognizes that it is necessary to further increase convenience and strengthen risk management to boost the competitiveness of Japan’s financial and capital markets. With this awareness, the entire industry is currently working on reducing settlement time. Daiwa Securities has played a central role in a working group launched by the Japan Securities Dealers Association, identifying and examining a variety of issues towards the reduction of settlement time. The T+1 (trade date plus one day) settlement cycle already started for government bond trading in May 2018, with the T+2 settlement cycle scheduled to be implemented for stock trading in 2019. Moreover, cross-border foreign exchange transactions entail settlement risk (for example, the risk of being unable to receive dollars in U.S. time even when paying yen in Japan time) associated with time differences in settlement for the currencies involved. Daiwa Securities is the only Japanese securities company that directly participates in continuous linked settlement as a settlement member. We will fulfill greater responsibility for the stability of financial markets by reducing the settlement risk of foreign exchange transactions.

We are determined to continue the settlement operations no matter what happens. Under such determination, we have drawn up a business continuity plan (BCP) and regularly conduct training in preparation for unforeseen circumstances, such as natural disasters and terrorism. With the possibility increasing that a major money shift from savings to asset formation will occur, the reliability of settlement is extremely important for maintaining customer trust. We will continue to meet increasingly sophisticated customer needs and quickly provide solutions by taking advantage of a reliable settlement infrastructure and human resources.

* Continuous Linked Settlement

Number of settlement transactions handled

•Daily
11,000
transactions on average

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

Securities Companies' Role in Financial and Capital Markets



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

Relevant
CSR
Materiality

IV. Dissemination of analysis and proposals on the economy, society, and investment information

Related
Sustainable
Development
Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

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.

Easy-to-Understand Communication of Information

Daiwa Securities publishes information to a wide range of people from institutional and retail investors to those who are about to start investment. The central role in provision of information is played by highly specialized analysts and strategists at the Investment Strategy, Equity Research, and Fixed Income, Currency and Commodities Research departments. They provide information mainly through reports based on their unique analysis. Our information is based on close analysis and collection of data, and we tailor our presentation for retail investors and institutional investors, who are investment professionals, even if the same person is providing that information. For retail investors, we incorporate more visualized reporting.

To remove the general perception that securities investment or securities companies are complicated, we believe it is one of our missions to work toward communicating our analysis in an easy-to-understand way.

Initiatives to Provide Information on ESG

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

The department has designated multiple staff members as responsible for ESG information as part of its efforts to put an organizational structure in place to respond to increased demand for ESG investment following the signature of PRI by Government Pension Investment Fund (GPIF) in 2015. Specifically, they provide investment information useful for ESG integration to institutional investors, set up ESG meetings between investors and companies, and host expert seminars by subject. For example, in regard to the environment, we held a meeting on biodiversity and natural capital in FY2017, inviting chemical, food, and housing manufacturers. We also held seminars introducing research on the environmental load caused by

companies and the capital cost of stocks to university researchers.

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

Comprehensive Provision of Information and Policy Proposal Activities

Daiwa Institute of Research (DIR), which assumes the think-tank role of the Daiwa Securities Group, provides wide-ranging economic and financial analysis and information to the public.

At DIR, we consider it our mission to engage in comprehensive provision of information and policy proposal activities concerning the financial and capital markets and the real economy. We have always sought to provide up-to-date and in-depth information and a unique viewpoint that has never been presented by others. In order to provide information that satisfies the needs of the public, we also exchange information and hold discussions with businesses, investors, public institutions including governments and municipalities, and various economic groups as well as overseas think-tanks and media. In this way, we are able to analyze the currents and trends of society and share information in the form of published reports. We are also stepping up the release of ESG information, communicating wide-ranging information via our website and "DIR Research Quarterly Review" (our quarterly journal) regarding community vitalization, environmental problems, women's active participation in society, workstyle reform, corporate governance and other issues.

Strengthening the Provision of Information

The Research Division of DIR launched the Policy Research Department in FY2017. In addition to providing information on the macro economy and financial and capital markets in and outside of Japan, the company is now focusing on making policy proposals based on multifaceted analysis of such issues as measures for maintaining the sustainability of government finances and the social security system, the directions that society and businesses are required to pursue from an ESG perspective. DIR contributes to society through the communication of information, including realistic proposals aimed at solving issues.

Reports and seminars on ESG

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

38 reports and articles

(Results for FY2017)

•Number of ESG seminars held (Daiwa Securities)

16 seminars

(Results for FY2017)

Provision of information through diverse media by DIR

•Number of reports posted on the website

561 reports

(Results for FY2017)

•Number of recent hits on the research division's page for the full texts of the reports available on the website

3.33 million hits

(Results for FY2017)

To fulfill the role of a reliable compass as a think-tank, we are engaging in useful research that grasps changes in economic and social trends and satisfies growing needs for information.

Daiwa Regional AI (Regional Love) Index

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

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

The Daiwa Regional AI (Regional Love) Index utilizes a state-of-the-art AI (Artificial Intelligence) model and also incorporates economists' knowledge to calculate overall economic sentiment by region.

The index has the following advantages:

(1) demonstrating overall economic sentiment quantitatively and promptly by region (2) grasping regional economic sentiment in a historical manner, and (3) enabling analysis on which field (such as "consumption" and "exports") provides impact and causes changes in overall economic sentiment. We calculate the index every quarter using the AI model developed by DIR, and release it on our website.

Provision of Information through Diverse Media

● Lectures and Media Appearances

The Research Division of DIR adopts a variety of methods for providing information, including the writing of reports, contribution to Research Quarterly Review, newspapers and economic magazines, media interviews, TV appearances, lectures, seminars, presentations at workshops, the publication of books, and participation in government councils as members. We strive to plainly explain complex issues related to the economy, society, and policy issues in and outside of Japan, while emphasizing the quality of reports. We ensure the reliability of our reports by requiring



Mitsumaru Kumagai
Executive Managing Director,
Deputy Head of Research Division,
Chief Economist, DIR
Pictured: Live Internet coverage
of deliberations of the House of
Representatives

Hitoshi Suzuki
Managing Director, Policy
Research Department, DIR
Pictured: Panel discussion at the
Genron NPO



them to undergo reviews by a specialized section. As a result, the information we provide has improved in both quality and quantity, and we are communicating with customers on a continuously increasing number of occasions.

● Issuance of Books and Booklets

The Investment Strategy Department of Daiwa Securities issues "Daiwa Investment Weekly" and "Daiwa Investment Monthly" as tools for communicating information to general customers. They are both distributed to sales branches of Daiwa Securities and are also available on the Internet. For "Daiwa Investment Monthly," readers can also view videos with a smartphone. We are further evolving our booklets to make them easier to understand. We also provide information in various ways to general customers, including books available through publishers and producing desk calendars with information on financial events and wall-hanging market charts.

Daiwa Investment Monthly



Holding iDeCo Seminars for the Working Generation

A Total of 19 Seminars Attracting 4,021 Attendees

Daiwa Securities held iDeCo Tie-in Seminars for the working generation on holidays and weekday nights from April 2017 to March 2018 in collaboration with newspaper, FinTech and other companies. Inviting various well-known experts, we held seminars across Japan, starting from one held together with The Yomiuri Shimbun in April. We thus provided working people who find it difficult to attend seminars or other events on weekdays with good opportunities to realize the importance of asset building.

Moreover, Daiwa's iDeCo introduced a free defined contribution plan administrator service in September 2017, eliminating fees for such services for all participants unconditionally in September 2017. We will continue to work on the creation of an affluent society through the increased use of securities savings.

Internet-based Initiatives

● Live Web Seminars

The Daiwa Securities Group regularly holds live web seminars where popular strategists and analysts of the Group appear as lecturers, in addition to seminars held at sales branches of Daiwa Securities. Customers can view them over the Internet in real-time and are also allowed to directly ask lecturers questions by typing into the bulletin board function. A large number of customers participate in our seminars each time.

We will continue to make efforts to communicate market conditions and outlook and other information to a larger number of people as plainly as possible through our live web seminars.

● Daiwa Internet TV

In 2000, Daiwa Securities began “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 online in an effort to target a wider range of viewers. We distribute information on the Tokyo market five times a day in a timely manner, while providing local market information from Hong Kong and New York every day.

In addition, we distribute corporate information as well as video reports where analysts and economists at Daiwa Securities and DIR provide commentaries on current issues in an easy-to-understand way.

Our Daiwa Internet TV initiative was introduced by the SDG Industry Matrix for Financial Services (issued jointly by the United Nations Global Compact and KPMG International in 2015) as a case for Goal 4 “Quality Education.” The report highlighted Daiwa’s timely and free of charge provision of a variety of financial and investment information.

We will continue to make efforts to produce programs that can be viewed by not only investors but also those who are new to investment, and that can support the journey from savings to asset formation.



● Increasing Popularity of Nico Nico Live

In FY2017, the Daiwa Securities Group started a Nico Nico Live program jointly with DWANGO Co., Ltd., explaining the latest trends of foreign exchange and stocks at the time of the announcement of U.S. employment statistics on the first Friday of each month. The program attracts many viewers every time.

We will continue to work on various initiatives going forward to help investors build their assets and to raise interest in asset building among inexperienced investors.

Original Content by Group Companies

● Daiwa Asset Management Co. Ltd.

Daiwa Asset Management substantially updated its website in December 2017. The revamp has made it easier for viewers to access topics useful for asset building, and videos—which have recently been increasing in number—in addition to the latest information on funds and market trends from the top page of the website.

The company has also renewed its iDeCo Tour de Pension Guide page, which explains iDeCo, a defined contribution pension plan for individuals, in an easy-to-understand way as well as the NISA page following the start of installment-type NISA.

● Daiwa SB Investments Ltd.

On the website of Daiwa SB Investments, we provide “Learn and Benefit from Movies!” which enables viewers to learn about information on markets and funds as well as the basics of asset management. We also distribute a wealth of information free of charge in a timely manner, including “Daiwa SB 5min,” which delivers important points in five minutes, and “Study Asset Management through Cartoons.” These programs are understandable even to those who have little knowledge of investment trusts.

Live web seminars (Results for FY2017)

Total 24 seminars held
Annual number of
participants

69,739 participants

iDeCo Tour de Pension Guide (Daiwa Asset Management)



Be Smart and Form Future with NISA (Daiwa Asset Management)



FUNDROID (Daiwa Asset Management)

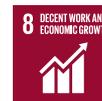


Support for the Creation of Our Future Society

Relevant
CSR
Materiality

- III. Development and provision of superior financial and investment products
- XIII. Initiatives to address social concerns and contribute to future development of society, and financial and capital markets

Related
Sustainable
Development
Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

Developmental Support for Capital Markets in Myanmar

The Daiwa Securities Group's support for Myanmar dates way back to 1996, and we have continuously assisted the country in developing capital markets. Specific examples of such support include our initiatives at the Myanmar Securities Exchange Centre and the Yangon Stock Exchange (YSX).

The Myanmar Securities Exchange Centre was established in June 1996 as a joint venture between DIR and the Myanmar Economic Bank. In addition to the securities business handling stocks and bonds, the Centre currently engages in the advisory business to increase the number of listed companies and the consulting business that provides information to Japanese companies expanding into Myanmar.

In December 2014, the YSX was established as a venture company between the Daiwa Institute of Research, Japan Exchange Group, Inc., and the Myanmar Economic Bank with broad support from the public and private sectors in Japan. Later, the exchange had its first listing in March 2016 and its fifth listing in January 2018, when TMH Telecom Public Co., which engages in the communications business, was listed. TMH Telecom Public raised funds from general investors through Myanmar's first initial public offering involving the Myanmar Securities Exchange Centre as lead underwriter. The YSX and the Centre have continued their initiatives to increase the number of listed companies successively while undertaking strict due diligence. The YSX also started providing an online trading service in December 2017 and implemented a measure to increase the number of times for trade matching in March 2018.

As another public-private collaborative initiative, the Daiwa Securities Group, the Financial Services Agency, and Japan Exchange Group, Inc. delivered a support plan for activation of the capital market of Myanmar on January 25, 2018. The support plan is intended to develop a shared awareness of issues and challenges in Myanmar's capital market between Japan and Myanmar, and implement and suggest the efforts and measures to further invigorate the capital market of Myanmar. We will continue to support the development of the capital market in Myanmar, leveraging the expertise that we have nurtured through our securities business.

Private Equity Investment in Myanmar

Since 2016, Daiwa PI Partners has been considering private equity investment in Myanmar in earnest following the country's move to revise its laws and regulations, including the corporate law and the investment law, alongside its opening up of the economy and deregulation. Daiwa PI Partners has so far invested in two companies in Myanmar—Frontiir Pte. Ltd., a major Internet service provider, and Oway Pte. Ltd., which engages in the online travel agency business and the mobile application-based taxi allocation business. In Myanmar, in which economic development has just begun, there are a large number of start-up companies with growth potential. We believe that, by continuing to provide growth funds to these companies, we will be able to promote corporate growth and contribute to enhancing the social infrastructure and living standards of people in Myanmar.

Support for Capital Market Development in Mongolia

DIR has worked to provide technical support aimed at development of capital markets in Mongolia since entrusted by the Japan International Cooperation Agency (JICA) in 2014. Specifically, with the aim of enhancing the regulatory and supervisory capabilities of the Financial Regulatory Commission (FRC), the supervisory authorities of Mongolia's capital market, and we have provided various kinds of support, such as providing training to FRC staff members visiting Japan three times. We have also worked to strengthen the organizational capabilities and functions of the Mongolian Stock Exchange (MSE) and the Mongolian Association of Securities Dealers (MASD) as self-regulatory organizations and enhanced financial literacy, including the preparation of textbooks for securities broker representative certification, as well as holding seminars to promote the listing of Mongolian companies. These support methods have been implemented in the aim of creating a foundation indispensable to the development of Mongolia's capital market. These activities are expected to help boost interest in listing by Mongolian companies and improve investors' trust in capital markets, leading to the revitalization of its capital market. Support to the development of capital markets are aimed at contributing to the economic development of relevant countries, and DIR intends to actively provide support not only to Mongolia but also to other emerging countries.

Considering Application of Blockchain/ Distributed Ledger Technology to Securities Post-trade Business

In September through December 2017, Daiwa Securities and DIR played central roles in carrying out a project to consider the application of blockchain/distributed ledger technology (DLT) to the securities post-trade operations. The project was conducted jointly with 17 financial institutions, using an industrial collaborative framework of Japan Exchange Group.

Under the project, we discussed ideal rules, standards, business flows, and related elements required in the domestic securities industry in order to unify the system for the trade matching business through the application of DLT. After verification by the prototype application developed by DIR and comparison with conventional technologies, we also reached the conclusion that DLT satisfies the requirements for the trade matching operations and will be able to present a new solution. The results of the project were released as a working paper in January 2018.

The Daiwa Securities Group expects that the results of this project and further initiatives across the industry will lead to the reduction of costs in the entire domestic securities industry and the enhancement of convenience, which will ultimately contribute to the benefits of investors. We will continue to actively advance our initiatives to provide customers with useful services.

East Japan Earthquake SME Reconstruction Support Fund

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 Aomori Bank, Ltd., Bank of Iwate, Ltd., The 77 Bank, Ltd., The Toho Bank, Ltd., and other institutions. Targeting unlisted private companies, the fund aims to expeditiously provide risk finance mainly in the form of equity. The goal is to actively support companies in their efforts to secure renewed growth and development by supplying finance for a variety of purposes, including restoration and reconstruction following the 2011 earthquake disaster, including new business development, the shift to a new industry or line of business, business reorganization and succession, and business incubation.

University-Born Venture Forum in TOHOKU

Tohoku University and Organization for Small & Medium Enterprises and Regional Innovation, Japan jointly held "University-born Venture Forum in TOHOKU" on November 7, 2017. The forum, held at Tohoku University, attracted approximately 130 participants, including students and venture business managers.

An executive of Daiwa Corporate Investment participated in a panel discussion titled "Requirements for Success of University-born Ventures from the Perspective of Funds." He introduced East Japan Earthquake SME Reconstruction Support Fund, which Daiwa Corporate Investment operates, and cases of investment in university-born ventures in Tohoku while engaging in active discussion. Tohoku University has been chosen as one of only three designated national universities alongside The University of Tokyo and Kyoto University, and has been focusing on the construction of an innovation ecosystem to produce university-born ventures with global competitiveness.

Daiwa Corporate Investment will continue to work on the cultivation and development of next-generation growth companies and the provision of growth funds in collaboration with Tohoku University and other universities, research institutions, regional financial institutions, and operating companies.

University-born Venture Forum in TOHOKU



Support for the “New Tohoku” Restoration Business Contest 2017

To further deepen the activities carried out by the East Japan Earthquake SME Reconstruction Support Fund, Daiwa Corporate Investment supported the “New Tohoku” Restoration Business Contest 2017, organized by the Reconstruction Agency, in collaboration with Daiwa Securities Group Inc., which engages in various disaster relief activities.

The contest aims to generate momentum to create local industries for industrial restoration in disaster-affected areas. At the award ceremony held on November 8, 2017, “Daiwa Securities Group Phoenix Award” was given to MORIUMIUS, a non-profit organization operating the MORIUMIUS, a learning complex providing children with opportunities to gain hands-on experience on the coast of Miyagi Prefecture.

Renewable Energy Power Generation Projects

Daiwa PI Partners Co. Ltd. (PIP) has aggressively invested in the development and operation of renewable energy power generation projects, leveraging the network of the Daiwa Securities Group, since the renewable energy feed-in tariff system was introduced in July 2012.

Of the seven photovoltaic power stations developed and invested in by PIP as of the end of March 2018, the six stations on which construction was completed have all been operating stably, including the Iwamizawa Photovoltaic Power Station, which PIP developed independently in Iwamizawa, Hokkaido. The mega-solar plant currently under construction in Tomakomai, Hokkaido (38.4 MW/with a storage battery) will be completed by the end of 2018.

In the biomass power generation field, PIP has been successively promoting the development of wood biomass power generation plants that use tree trimmings in Japan as their primary source of fuel. The development is underway with Green Thermal Co. Ltd., with which PIP has formed a capital and business alliance (refer to page 8). The commercial operation of a plant in Yonezawa, Yamagata Prefecture began in January 2018 as the first alliance deal, while the development of a plant in Kamitonda, Wakayama Prefecture was initiated as the second deal with an eye toward completion in 2020.

“New Tohoku” Restoration Business Contest 2017



Initiatives for the Wood Pulp Biomass Power Generation Field

PIP has formed a capital and business alliance with Green Thermal, a leading company for the development and operation of wood pulp biomass power generation plants, and Biomass Fuel Co., Ltd., which boasts a top-class biomass fuel supply share in Japan, and has been actively promoting the expansion of its value chain in the biomass field.

As PIP's first investment in a biomass power generation plant, the commercial operation of Yonezawa Minami Power Generation Station, which was developed jointly by Green Thermal in Yonezawa, Yamagata, was started in January 2018.

In collaboration with Biomass Fuel, PIP plans to expand the procurement of palm kernel shell (PKS)—fuel for biomass power generation—and develop wood pellet manufacturing plants mainly in Southeast Asia.

The wood-based biomass power generation business uses carbon-neutral power generation facilities that do not affect the amount of carbon dioxide.

Moreover, since it adds a new value as fuel to wood trimmings in forests and PKS that have been left and discarded, it is expected to generate new industries and employment and contribute to regional economies in Japan as well as the promotion of industry in developing countries.

DCI Partners

DCI Partners has been investing in the biotechnology and healthcare fields for more than 20 years, including the period of NIF Ventures (now Daiwa Corporate Investment).

We at DCI Partners manage the Daiwa Taiwan-Japan Biotech Fund Investment Limited Partnership, the largest specialized venture capital fund in Japan, providing risk money to companies with growth potential that will shoulder future of the biotech industry. We also provide hands-on support by utilizing our expertise in clinical development, intellectual property, and business development, as well as our network across research institutions, drug discovery ventures, pharmaceutical companies and others, and expand the possibilities that investee companies have by working with partners not only in Japan but also in Taiwan. We are also involved in establishing ventures under the leadership of funds without waiting for functions as a company to be put in place. Such investment is designed to leverage the possibilities of seeds to the maximum extent possible in the drug discovery field, in which the distance between science and businesses is closer than anywhere else.

With regard to recent activities, DCI Partners established J-mab Therapeutics on its own initiative

Power stations developed/invested in by PIP

Photovoltaic power stations

·Output: **Approximately 88.7 MW in total**
A breakdown is shown below.

·Stations in operation: **Approximately 50.3 MW**

(total for six stations)

·Stations under construction: **Approximately 38.4 MW**

(one station)

·Projected amount of electricity generated annually:

Equivalent to the amount for approximately 21,000 households

Biomass power generation plant

·Output: **Approximately 6.2 MW in total**

·Projected amount of electricity generated annually:

Equivalent to the amount for approximately 12,000 households

* Measured in terms of electricity consumption per household

and introduced revolutionary seeds of anticancer drugs from Juntendo University and RIKEN. We aim to deliver therapeutic agents to cancer patients as soon as possible by leading management and operating the company together with experts in development and intellectual property. We have also acquired the right to develop a cancer therapeutic agent from Mitsubishi Tanabe Pharma through Open Innovation Partners Co., Ltd., a company that we have newly created. DCI Partners has been thus promoting development to provide therapeutic options to cancer patients by taking over the possibilities of seeds from pharmaceutical companies.

Diseases that used to be incurable can now be treated with drugs developed by our predecessors. DCI Partners recognizes that new drugs are a precious asset that can be passed onto next generations. We will effectively use financial assets through investment in drug discovery ventures and work to contribute to people's health.

Contribution to Local Communities through Investment Activities of Investment Corporation

Daiwa Real Estate Asset Management Co. Ltd. manages Nippon Healthcare Investment Corporation, which was listed on the Tokyo Stock Exchange in November 2014 as Japan's first REIT focusing on healthcare facilities. The investment corporation mainly invests in healthcare facilities such as private nursing homes, which are likely to see stronger demand from society over the medium to long term as the population continues to age.

Employees of the investment company visit the facilities of their investees nationwide several times each year. They participate in hands-on events held within the facilities, such as family get-together meetings and meetings to show respect to the elderly, while assisting daily work at the facilities, including cleaning the periphery of the facilities, pruning plants in the courtyards, and pulling out weeds. In FY2017, they newly participated in hands-on training to experience work as facility employees in an effort to deepen their understanding of frontline work.

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

J-mab Therapeutics management (DCI Partners)



Regional Revitalization-Related Initiatives

The Management Consulting Division of DIR is actively involved in regional revitalization, on which the government has its focus.

● FY2015

- Dispatched an employee to Ayabe City of Kyoto Prefecture under the regional revitalization personnel support system* and assisted the city in formulating its population vision and comprehensive strategy.
- Supported the formulation of comprehensive strategies by multiple municipalities such as Honjo City of Saitama Prefecture by leveraging the expertise mentioned above.

* Regional revitalization personnel support system: A system of dispatching personnel selected by the national government from among national government employees, university researchers, and those working in the private sector as assistants to the heads of municipalities with a population of not more than 50,000 that have been actively working for regional revitalization.

● FY2016

- Analyzed the current status of measures for regional revitalization strategy implemented by Kyoto Prefecture, made future predictions, and examined effects.
- Provided support to the development of nursing care services on behalf of Fukushima Prefecture.

● FY2017

- Provided support to the formulation of tourism strategy implemented by Kyoto Prefecture (the *Mori* (Forest) of Kyoto and *Ocha no* (Tea of) Kyoto areas).
- Entrusted by the Cabinet Office with "Research on the Ripple Economic Effects of the Comprehensive Special Zone System," etc.

We will continue to work on initiatives for municipalities to revitalize regions and thereby revitalize Japan as a whole.

The Daiwa Securities Group & the University of Tokyo: Future of Finance Forum

Daiwa Securities Group Inc. and DIR, along with the University of Tokyo, launched the "Daiwa Securities Group & the University of Tokyo: Future of Finance Forum," holding a total of seven forums in FY2017. In the forums, those engaged in the financial business at the Daiwa Securities Group and researchers participating in multiple departments of sciences and literatures at the University of Tokyo shared their opinions regarding themes common to social issues in the society of the near future and the financial business. In the course of opinion sharing, they grasped the current status and organized problems to be worked on and research issues.

Holding these forums has helped further strengthen the relationship between the DIR Group and the University of Tokyo as organizations promoting industry-university collaborative innovation. The results of discussions at the forums have been developed into other initiatives such as joint studies on specific themes.

Initiatives for Supporting Business Activities



Approach and Basic Stance

The financial and capital markets are based on the confidence and trust of participants. We consider that sustaining confidence and trust in us is essential for us to not only continue our business activities but also live up to the expectations of our stakeholders.

Contents

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

Close-up

Initiatives for Child Poverty Issues

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

The Daiwa Securities Group has started the “For Your Dreams – Daiwa Securities Group Smiles to Children Project” with the aim of improving the environment for children in poverty and breaking the chains of poverty. We will work on various activities so that all children will be able to picture a bright future.



● Creation of “Daiwa Securities Group Child Support Fund for Bright Future”

As part of its “Child Smile Project,” the Daiwa Securities Group has created “Daiwa Securities Group Child Support Fund for Bright Future” in collaboration with Public Resources Foundation, a public interest incorporated foundation. The fund is designed to improve the environment for children and break the chains of poverty. It assists groups working on child poverty issues.

The Daiwa Securities Group intends to contribute a total of around ¥100 million in the initial five years.

The first call for proposals attracted 104 applications nationwide. As a result of strict assessment by the selection committee, the following three organizations were chosen as support recipients.

Commemorative picture with the three support recipients



Organization name	Location	Theme	Amount of support
SOS Children's Villages Japan (Certified NPO)	Fukuoka City, Fukuoka Prefecture	Business development of “Support Project for Families’ Future”	¥3 million
PIECES (Certified NPO)	Bunkyo Ward, Tokyo	Business development of “Regional Outreach Human Resources Development Program for Isolated Children”	¥3 million
Learning for ALL (Certified NPO)	Shinjuku Ward, Tokyo	Business development of “Transmission of Knowledge in Learning Support”	¥3 million

* Support period: January to December 2018

● Implementation of Santa Charity Program 2017

We implemented a Santa Charity Program as an initiative in which the executives and employees of the Daiwa Securities Group can participate as one. Contributions of more than ¥7 million were collected from executives, employees, and former members of the Daiwa Securities Group. With these contributions, we purchased 2,100 sets of assorted snacks (worth ¥3,000) and 84 sets of assorted toys (worth ¥20,000). The items were then donated to approximately 52 sites nationwide, including children’s homes and livelihood support facilities for fatherless families, as well as organizations working on countermeasures against child poverty such as learning support providers and operators of children’s dining rooms, through Second Harvest Japan, the largest food bank in Japan. Children receiving presents later sent us many joyful messages. The Group’s volunteers also continued to engage in an activity to present Christmas cakes, delivering 107 cakes to children.

Christmas party



● New Product Enabling Social Contribution through Deposits Launched by Daiwa Next Bank

Daiwa Next Bank started providing support term deposits that have added a new value other than interest to deposits.

The bank currently implements a structure enabling customers to choose from among organizations working on three social challenges—self-reliance support to children in poverty, medical support to children, and support for sports for disabled people—and assist such organizations through these deposits.

The bank adds its contribution to the difference between interest on a customer's deposit and regular interest, and makes a donation to the organization chosen by the customer as a token of support.

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



Eight Supportable Organizations

Support subject	Supported organization
Self-reliance support to children in poverty	
Senior high-school third graders leaving a children's home	Children's home in Ibaraki Prefecture
Future dreams of children at a child welfare institution	Child Support Net Aichi (NPO)
Promotion of children's dining rooms	Operator of a children's dining room in Ishikawa Prefecture
For Your Dreams—Daiwa Securities Group Smiles to Children Project	Public Resources Foundation (public interest incorporated foundation)
Medical support to children	
Children under home medical care	Osaka Prefectural Hospital Organization (independent administrative agency)
<i>Momiji</i> House, a hospice care facility	National Center for Child Health and Development (national research and development agency)
Children under long-term hospitalization	
Support for sports for disabled people	
"Feel winds" with artificial legs for sports	Tetsudou Kousaikai Prosthesis Support Center (public interest incorporated foundation)
Horse therapy (horse riding for disabled people)	Japan Riding Association for the Disabled (general incorporated foundation)

Corporate Governance

Approach and Basic Stance

Daiwa Securities Group clearly separates the supervisory and executive functions of its management to create a highly transparent and objective corporate governance system. As with Corporate Executive Officers of Daiwa Securities Group Inc., employees responsible for head office functions also hold similar roles for the securities subsidiary. Under this structure, the Group is pursuing a management structure that improves the efficiency of head office operations and that maximizes synergies between Group companies.

Relevant CSR Materiality

XV. Construction and maintenance of an appropriate corporate governance system

* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

Basic Stance on Corporate Governance

With group management based on a holding company structure, Daiwa Securities Group aims to achieve a highly transparent and objective governance structure in international terms.

The Group has built a unified group management system that elicits synergies among group companies with highly efficient and specialized oversight of group companies.

The Group has adopted a company with Three Committees System with the objective of supervising management through:

- (a) Better decision-making agility by having the Board of Directors assign significant authority to corporate executive officers while clarifying the division of duties among corporate executive officers;
- (b) More effective supervisory functions at the Board of Directors from the appointment of outside

- directors with highly specialized skills, and better transparency in management from the establishment of the Nominating Committee, Audit Committee and Compensation Committee with outside directors a majority of their members and serving as chairpersons; and
- (c) Highly independent and ethical outside directors providing advice from an outside perspective to the Board of Directors and the three committees based on their knowledge and experiences.

The Group also proactively engages in CSR activities to gain the trust of stakeholders. CSR encompasses providing excellent products and services to customers with integrity, appropriately returning profits and disclosing information to shareholders, creating pleasant work environments and fair personnel evaluation systems for employees, strictly observing regulations and following corporate ethics, managing the environment, and contributing to society.

Number of times each committee met (FY2017)

- Nominating Committee: 4
- Audit Committee: 12
- Compensation Committee: 6
- Board of Directors: 11

Rate of attendance at Board of Directors meetings by outside directors

94%

Corporate Governance System at Daiwa Securities Group



Through these initiatives, the Group aims to further enhance its corporate governance structure in terms of transparency, agility, and efficiency, in order to continuously improve corporate value.

The corporate governance structure consists of the Board of Directors and the three committees (Nominating Committee, Audit Committee, and Compensation Committee) as supervisory functions. Business execution functions are embodied in the Executive Management Committee and its subcommittees comprising the Group Risk Management Committee, the Disclosure Committee, the Group IT Strategy Committee, and the Overseas Management Committee, as well as the Group Internal Audit Committee, the internal audit organization that reports directly to the Chief Executive Officer (CEO).

Major Initiatives in Corporate Governance

History of Daiwa's Corporate Governance

June 1998	Elected outside auditors
April 1999	Became the first listed Japanese company to adopt a holding company structure
	Established the Advisory Board
June 2000	Established the Group Management Committee
	Established the Compensation Committee
June 2002	Elected outside directors
July 2003	Shortened directors' terms of office from two years to one year
	Established the Internal Control Committee
June 2004	Shifted to a Committee System (currently, a company with Three Committees System)
October 2015	Complied with the Corporate Governance Code
	Established the Outside Directors Council
April 2017	Appointed outside directors as chairpersons of all three committees

Point

- Published the Corporate Governance Report detailing our response to the Corporate Governance Code
- Decided more than two members and more than one third of the Board of Directors should be independent outside directors
- Established the Outside Directors Council in FY2015 for the purpose of increasing communication amongst outside directors
- Have elected one additional outside director and six out of 14 Board of Directors as outside directors since FY2016
- Strengthened management transparency and oversight functions by increasing the ratio of outside directors on the Nominating Committee and the Audit Committee
- Determined that the chairpersons of the three committees be outside directors from FY2017 while taking steps to further improve the governance system

Supervisory Function

The Board of Directors consists of 14*¹ directors, including six 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, 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, 2018

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

● Audit Committee's Activities

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

In FY2017, the Audit Committee conducted hearings with a wide range of divisions, including the sales, product, human resources, compliance, and IT divisions, to confirm the Group's initiative for customer-first business operation—an important issue in its audit policy.

Outside directors asked in-depth questions and actively exchanged opinions. They also made an on-site inspection of sales branches and the Tokyo Contact Center, directly checking the conditions of worksites and engaging in dialogue with employees at each department and section. These activities provided them with opportunities to deepen their understanding of the Group's businesses. We will continue with our initiatives to strengthen our corporate governance system.

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.

Refer to page 72 of our FY2018 securities report for details.

> Policy on Selecting Director Candidates
> Composition of the Board of Directors

Executive Compensation That Is Closely Linked to Performance

Compensation for directors and corporate executive officers is based on the following basic policy.

Basic Policy

- Compensation should contribute to increasing shareholder value through sound business development and function effectively as an incentive that leads to the improvement of business performance in the short term as well as the medium to long term.
- Compensation should be at a level that is competitive not just in Japan but internationally as a securities group that carries out global business.
- Compensation should help business execution and supervision to function effectively as a company with a Three Committee system.

Compensation for directors and corporate executive officers is determined by the Compensation Committee. Executive compensation has three components: basic compensation; performance-based compensation; and share price-linked compensation.

- **Basic Compensation**
Basic compensation is compensation fixed according to post, duties, and role.
- **Performance-Based Compensation**
Performance-based compensation is determined according to the degree of contribution by the individual after comprehensively taking into account ROE and consolidated ordinary income, along with other factors such as the results of management targets as outlined in the Medium-Term Management Plan. Directors who do not concurrently serve as corporate executive officers are not entitled to receive performance-based compensation.
- **Share Price-linked Compensation**

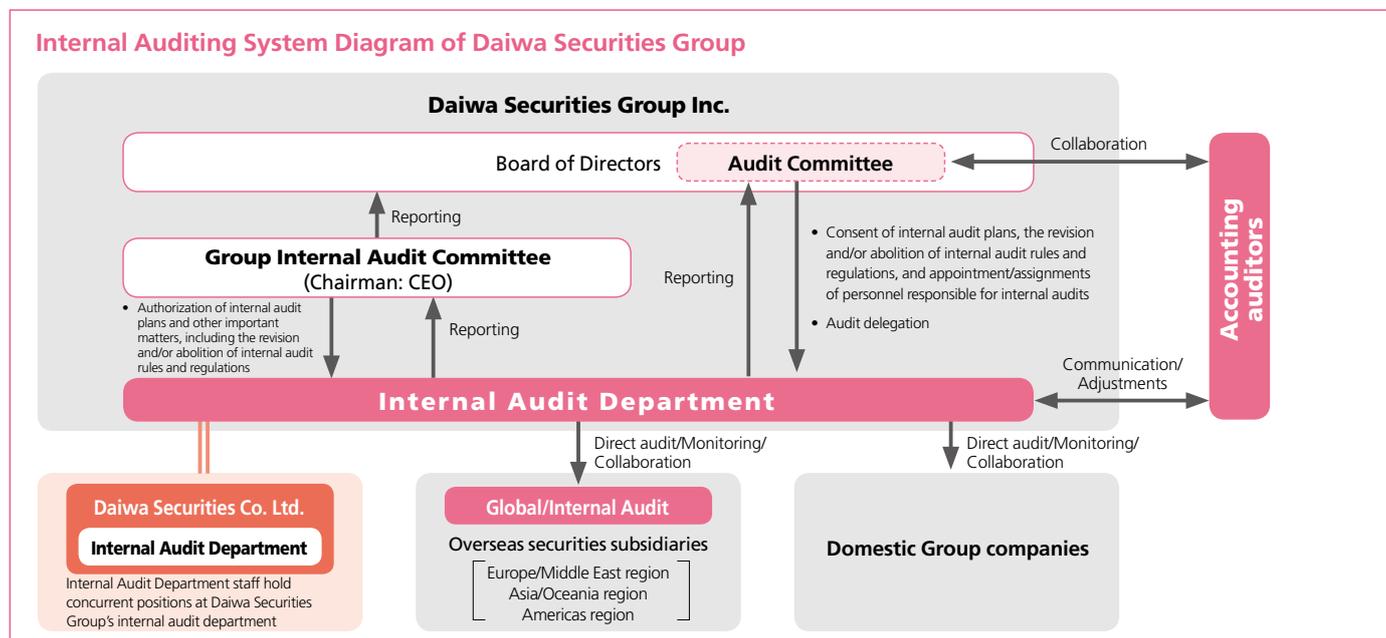
To increase correlation with shareholder value, stock options and others that are worth a certain percentage of basic compensation are granted as share price-linked compensation. Outside directors are not entitled to receive share price-linked compensation.

- **Restricted Stock Compensation Plan**
From FY2018, a restricted stock compensation plan has been introduced to increase incentives for the directors, corporate executive officers, executive officers, and other eligible officers (“Eligible Officers, etc.”) of Daiwa Securities Group Inc. and its subsidiaries to enhance performance in the medium and long term as well as to further promote the sharing of values between the Eligible Officers, etc. and shareholders. Following the introduction of the plan, the Group has decided to no longer issue the stock options previously granted to the Eligible Officers, etc. with an exercise price of ¥1.

Internal Control System and Internal Audit

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

The Internal Audit Department verifies the internal control system. This department sits independently from all other departments, reports to a dedicated corporate executive officer, and ensures internal audits to act as an important function of raising Group value through the creation of a sound and efficient internal control system. By conducting effective audits based on risk, the Department strives to enhance the Group’s corporate value.



The Internal Audit Department pays special attention to certain aspects of the Group’s business activities. They include the internal control systems at Daiwa Securities Co. Ltd. and overseas offices as a foreign business operator, the internal control systems at Daiwa Next Bank, Ltd. as a bank, the status of businesses that involve the collaboration between Group companies, and the status of control over Group companies by the holding company.

The authorization of internal audit plans and reporting of audit results are undertaken by the Group Internal Audit Committee. Internal audit plans are authorized by the Audit Committee or a designated member of the Audit Committee who has received the prerequisite authority from the Audit Committee. The results of audits are also reported to the Audit Committee.

Reports to the Group Internal Audit Committee are not limited to the audit results conducted at Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd., but also include highly important findings made during audits conducted on companies in Japan and overseas.

The Internal Audit Department collaborates with the internal auditing divisions of Group companies through periodic meetings, monitoring, and audits.

The Internal Audit Department maintains communications with the Audit Committee and accounting auditor, making any necessary adjustments to ensure that audits are performed efficiently, and receives audit requests from the Audit Committee.

The degree to which these internal auditing activities satisfy The Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing,” the global standard for internal auditing, is routinely evaluated by independent outside third parties. The Group thus strives to constantly improve its system.

Structure and Achievements of Whistleblowing System (Corporate Ethics Hotline)

Since January 2003, 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 outside lawyers. The system mainly aims to detect corporate misconduct—which includes violations of the Financial Instruments and Exchange Law and other laws, regulations and rules including

bribery and corruption—in its early stages and preventing such misconduct from occurring.

When the hotline is contacted, the corporate ethics officer, in cooperation with the internal control officers at each Group company, carries out a fact-finding investigation, while taking steps to protect the caller. In 2017, 53 reports were received through the whistleblowing system.

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

Tax Policy

The Daiwa Securities Group has enacted the “Daiwa Securities Group Tax Policy” in aiming to develop corporate tax governance. It describes our code of conduct and standard of judgments in taxation.

Daiwa Securities Group Tax Policy

1. The Daiwa Securities Group complies with laws and ordinances, and contributes to sustainable development of the society through appropriate tax payments with high ethical standards.
2. The Daiwa Securities Group rewards our shareholders by achieving sound profits based on proper and fair tax planning.
3. For cross border intra-group transactions, The Daiwa Securities Group sets appropriate price, which can achieve adequate accountability under transfer price tax regulations.
4. The CFO, executive officer in charge of Finance, and Head of Finance Department of Daiwa Securities Group Inc. from time to time provide guidance and advice to subsidiaries and other departments within the group as necessary, so that corporate governance over tax matters can be well shared and implemented throughout the Daiwa Securities Group.

Number of reports received through whistleblowing system for FY2017

53

(up 12 from FY2016)

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

Use of the intranet to increase employee awareness



An outside director checks a phone call recorded at a sales branch (Audit Committee’s activities)



Compliance

Approach and Basic Stance

The Daiwa Securities Group has four corporate principles. They are “building trust,” “placing importance on personnel,” “contributing to society,” and “maintaining healthy earnings results.” The Group believes that compliance is a significant element for achieving these principles. The goal of the Group’s compliance activities is not merely to “comply with laws and regulations,” but to earn the trust of customers, markets, society, and stakeholders.

Relevant CSR Materiality

- I. Appropriate proposals and after-sales service in accordance with the characteristics and needs of customers
- VII. Appropriate management of customer information
- XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

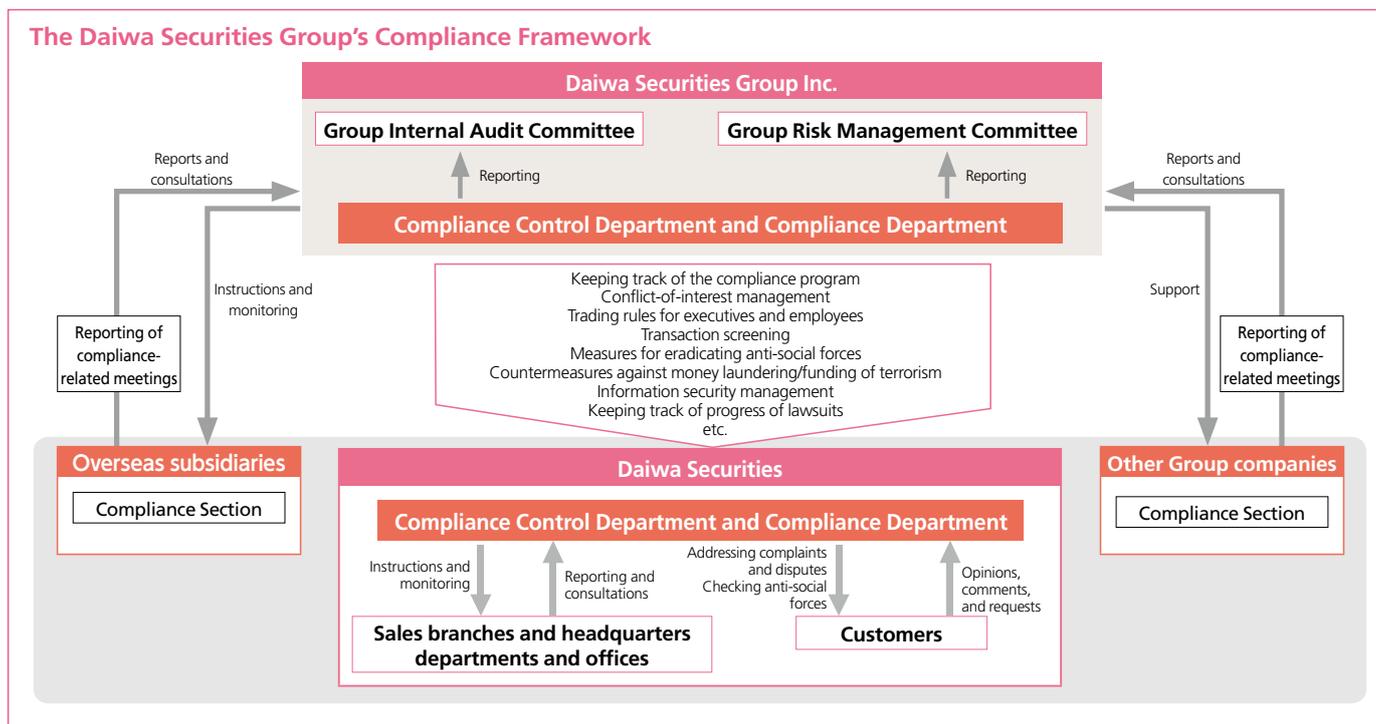
Compliance System

The compliance section of the Daiwa Securities Group consists of the Compliance Control Department and the Compliance Department. The former is mainly responsible for overall compliance planning and formulation and also plays a role as a gate keeper to the market, while the latter is tasked with providing support to sales branches and headquarters departments and sections. The two collaborate to build a compliance system, working concurrently for Daiwa Securities Group Inc. and its subsidiary Daiwa Securities. At the Daiwa Securities Group, the compliance system supports Daiwa Securities and other Group companies while focusing on three key issues: securing the fairness and transparency of the market, eliminating any relations with anti-social forces, and maintaining information security.

At Daiwa Securities, the Compliance Department monitors transactions and solicitation by sales branches, identifies challenges and issues, and visits sales branches to check their business status and provide instructions. The department also regularly

conducts on-site inspections. Moreover, it visits the work sites of headquarters departments and sections directly, identifying issues and providing training support. The Customer Support Center, established within the Compliance Department, comprehensively handles customer feedback and complaints and reflects them in the business to improve customer satisfaction. One of Daiwa Securities’ strengths lies in its stationing of full-time internal administrators belonging to the Compliance Department at all sales branches. The internal administrator works on improving the effectiveness of the PDCA cycle (plan, do, check, act) at each sales branch, while closely cooperating with the Compliance Department, in an effort to build a solid compliance system.

As of the end of March 2018, the compliance section consists of approximately 260 staff, composed of 42 staff at the Compliance Control Department, 73 at the Compliance Department, and approximately 140 working as internal administrators at sales branches. The staff members are striving to strengthen the Daiwa Securities Group’s compliance system.



Full Implementation of “Customer First”

Daiwa Securities is taking measures in line with the compliance program to ensure the effective operation of our internal control system and strict compliance of our sales activities with laws and regulations. For FY2018, we set up the pillars outlined below, while maintaining “Customer First” as the keyword as in the previous fiscal year:

1. Realization and evolution of customer-first business operation
2. Reinforcement of countermeasures against money laundering/funding of terrorism
3. Exercise of proper functions as a gatekeeper to the market

Daiwa Securities markets a wide range of financial products including investment trusts. When soliciting investment from customers, we ensure compliance with the principles of integrity and fairness, the principle of suitability, and the principle of self-responsibility from the perspective of investor protection. We have adopted the practice of systematically providing continuous and thorough after-sale follow-ups, rather than leaving it to individual sales staff, especially when the market is on a downward trend. We consider providing thorough, face-to-face explanation to customers and maintaining customer trust and a sense of security at the time of market fluctuations to be part of the practice of Customer First for Daiwa Securities as a marketer of financial products. We will continue stepping up such initiatives going forward.

The Daiwa Securities Group’s Customer Inspection System

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

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

For this reason, the Daiwa Securities Group has put in place a structure to inspect new and existing clients

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

Center for International Finance

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

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

Securing the Fairness and Transparency of the Market

The Daiwa Securities Group is working to secure the fairness and transparency of the market from two standpoints. These are how to check and prevent illicit transactions by investors and by Daiwa Securities itself.

To prevent illegal transactions by investors, Daiwa Securities checks daily transactions by extracting deals that go beyond certain criteria, such as whether they have an excessive impact on the market. In particular, in order to prevent insider trading from occurring, we ask customers’ place of employment and positions within their companies before registering their information. This practice allows us to check transactions as soon as trading orders are placed by customers who are in a position to acquire internal information. We also check the past transactions conducted with us retroactively when timely disclosure is made for important information.

To prevent illegal transactions within the Daiwa Securities Group, we strictly manage not just material facts of listed companies but broader information related to them in a similar way. We have also introduced a system managing their information, keeping track of people obtaining information and where information has been sent. Through these efforts, we have constructed a structure to prevent illegal transactions.

Eliminating Any Relations with Anti-Social Forces

At the Daiwa Securities Group, we are continuously persisting in activities to eradicate “anti-social” forces based on our recognition of the large role

that financial institutions play in this area. We also collaborate with the police and lawyers to eliminate any relations with such forces.

We have implemented a structure that prevents any relationship with anti-social forces from commencing by collecting a variety of information related to them and closely checking such information when accounts are to be opened. We also constantly accumulate new information and regularly check existing accounts in an effort to tighten the management of ongoing transactions. All Group executives and employees, including personnel serving customers at sales branches, regularly undergo training to constantly stay alert.

Basic Policy on Avoiding Involvement with Anti-Social Forces

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

1. The Daiwa Securities Group will not carry out any transactions whatsoever with anti-social forces.
2. If it is determined that parties already having transactions with the Daiwa Securities Group are anti-social forces, we will swiftly take appropriate measures to terminate dealings with them.
3. The Daiwa Securities Group will provide no funds to anti-social forces.
4. The Daiwa Securities Group will accept no unfair demands from 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.

Initiatives against Bribery and Corruption

In line with the principles of the United Nations Global Compact, the Daiwa Securities Group works to prevent corruption. Daiwa Securities' code of ethics and conduct prohibits employees from giving or receiving rewards or entertaining customers. Headquarters departments and offices have also incorporated the status of observance of management rules on entertainment into self-inspection items since FY2015. Each department and office therefore inspects their practice voluntarily, and the results of inspections are checked by relevant departments and sections. Officers in charge or relevant departments and sections also monitor the use status of entertainment expenses at sales branches to confirm that such expenses are appropriately spent.

With respect to dealings with government officials, headquarters departments and offices and sales branches all manage them separately from other deals, thereby keeping an especially close eye on them, as entertaining government officials is prohibited by law. Our management rules on entertainment also prohibit employees from giving benefits to the government officials of foreign countries. In addition, we provide periodic e-learning training and engage in other awareness-raising activities for employees to ensure that we are not involved in bribery or corruption.

We have also built a structure that prevents the fraudulent granting of benefits at overseas worksites by establishing internal rules that suit local laws and regulations.

Information Security

We at the Daiwa Securities Group have implemented numerous information security measures to protect personal information entrusted to us by customers in a safe and precise manner.

In many personal information leakage incidents arising in recent years, leakage has occurred at third parties to which operations have been entrusted. Accordingly, when and after signing an outsourcing contract with a third party, we thoroughly check the information management structure of the party. We also continue with our initiative to conduct on-site visits before outsourcing to examine the business practices of the potential outsourcer.

Following the enforcement of the Individual Number Act (the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure) in October 2015, we now ask customers to provide us with their Individual Numbers. We have controlled access to information entrusted to us by customers, including Individual Numbers, by isolating such information physically and managing them with extra care. No matter how much information is systematized, there always remains a human element. To ensure that a mistake does not occur, we focus on training for sales personnel to recognize the importance of information management, while

keeping the number of employees authorized to access personal information at the minimum necessary level. Daiwa Securities also bans employees from taking personal information out of the company in principle. When it is absolutely necessary to take information out for business purposes, we require employees to obtain prior approval from an internal administrator or other superiors and to keep records, thereby strictly managing such information. We also strictly manage the printing of personal information and output to external recording media, while constantly monitoring whether there is any unauthorized use. Moreover, since some of the documents received from customers are paper-based, we have implemented an initiative to prepare special storage portfolios to avoid the risk of losing documents within the company.

Fostering Compliance Awareness

The Daiwa Securities Group considers it extremely important for each employee to always maintain a high level of compliance awareness. We have therefore adopted a compliance-related program in training for new employees and a number of other internal training courses, while giving tests on compliance regularly through e-learning. At Daiwa Securities, we post a "Personal Information Check Test" and "Compliance Digest" every Monday on our intranet and also broadcast compliance-related contents twice a month in our internal TV program that is aired every morning. Moreover, at Daiwa Securities' sales branches, the branch chief and the internal administrator lead an initiative to provide training and instructions that suit each workplace on a daily basis. The branch chief also chairs a compliance meeting in which all branch members participate. We have thus implemented various systems to keep the compliance awareness of all employees at a high level, and continue to foster awareness among employees.

Important Issues for FY2018 and Beyond

We will continue with our initiatives toward the realization and evolution of customer-first business operation. At the same time, we will reinforce our countermeasures against money laundering/funding of terrorism as a challenge for particular focus this fiscal year. It is imperative that we comply with set rules, and we consider that the goal of our initiatives should not be just such adherence. Compliance is a common theme that must be addressed by the entire industry and also a matter of trust in the securities industry as a whole. We will therefore exchange information with industry peers and proceed with measures while sharing good practices with one another. The Daiwa Securities Group will strive to strengthen compliance as a leading company of the industry going forward and make efforts to contribute to enhancing trust in the entire securities industry.

Human Rights Initiatives

Approach and Basic Stance

The Daiwa Securities Group is further strengthening efforts to educate its employees about human rights with the aim of improving a corporate culture rooted in the basic principles of human rights as its corporate principles state that “the Group will strive to maintain a high sense of morality and duty, endeavoring to continue contributing to the sustainable growth of the societies in which we operate.” We therefore respect the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, ISO 26000, the UN Guiding Principles on Business and Human Rights, and the Act on Promotion of Education and Enlightenment of Human Rights, and have joined the UN Global Compact.

Relevant CSR Materiality

- XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

Basic Policy for Initiatives Addressing Human Rights and Social Integration Issues

1. The Daiwa Securities Group supports and complies with the protection of human rights as advocated internationally and does not infringe on human rights within the boundaries of its influence.
2. The Daiwa Securities Group educates and instructs Group employees with accurate information on human rights and social integration issues.
3. At the same time, the Group views human rights and social integration issues as our own problem, not somebody else’s problem, and fosters a sensitivity that enables empathy with the suffering of others.
4. We provide an equitable working environment that values people and is free of discrimination or human rights violations based on race, nationality, biological sex, sexual orientation, or gender identity.
5. Each employee is a member of society unburdened by prejudice.

Specific Efforts

1. We highly value the human rights of every stakeholder and our staff will always address clients, local communities and their members with great awareness of human rights.
2. We work to ensure that our hiring and recruiting, personnel evaluations and labor management practices are always fair.
3. The Group is continually improving internal human rights education and awareness programs, including regular training and feedback and response loops.

Human Rights Awareness Promotion Committee
Revised on August 12, 2016

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 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 2017). 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: Head of the Human Resources Department
Committee Members: Five department heads including the head of the Corporate Planning Department, General Affairs Department, and Compliance Control Department

Initiatives in FY2017

In FY2017, we provided human rights education as part of training for the Group’s new employees conducted immediately after their induction ceremony as well as in training for young employees (annex education) and for those newly becoming general managers, managers, and associate managers. The chief of the Human Rights Awareness Promotion Committee Secretariat took charge of all of these training courses. We have also been providing training on LGBT issues since FY2015. It has been conducted for those in compliance and human resources divisions, and the issues are also taken up in training for new employees every year. LGBT issues are also included in training for promoted employees as an opportunity to deepen their understanding further. The cumulative number of employees participating in training on LGBT issues is now 2,277.

The Group also held a Human Rights Awareness Workshop to consider human rights from multiple viewpoints for all executives and employees. Discussions between participants were held after watching an educational video entitled “Call & Response,” which focuses on the importance of communication in workplaces.

We also solicited human rights awareness slogans between October and November in a contest designed to promote a broader and deeper understanding of human rights issues. Contest participation was open not just to employees but also to their families. The winning entries were presented in our in-house magazine.

Human rights education for employees for FY2017

- Training participants **574 new employees**
- Objective
To acquire basic knowledge concerning human rights and to understand and raise awareness of the Group’s fundamental principles concerning respect for human rights
- Training participants **439 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. Since the committee’s establishment, we have been working to achieve its objective. Besides the committee, all Group managers at the head office or branch

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.

Relevant CSR Materiality

- V. Maintenance and development of financial and capital market functions
- VI. Appropriate risk controls
- XI. Creation of a corporate culture to comply with laws, regulations and codes in Japan and overseas, based on self-discipline (including appropriate anti-corruption and human rights measures)
- XII. Reduction of environmental load and responses to environmental changes

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

Risk Type and Degree of Importance

Risks that are particularly important for the Daiwa Securities Group are those related to our key securities business, securities transactions, and market making, which is associated with such trading. We focus in particular on managing risk for foreign currency liquidity, which reflects the liquidity of funds, due to the considerable size of transaction amounts. We also need to control such risks as the market risk resulting from fluctuations of securities prices, credit risk for business partners and issuers, and the operational risk that inevitably arises in the execution of business. Moreover, we manage the integration risk by measuring impact on the Group's capital and liquidity from a forward-looking perspective.

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

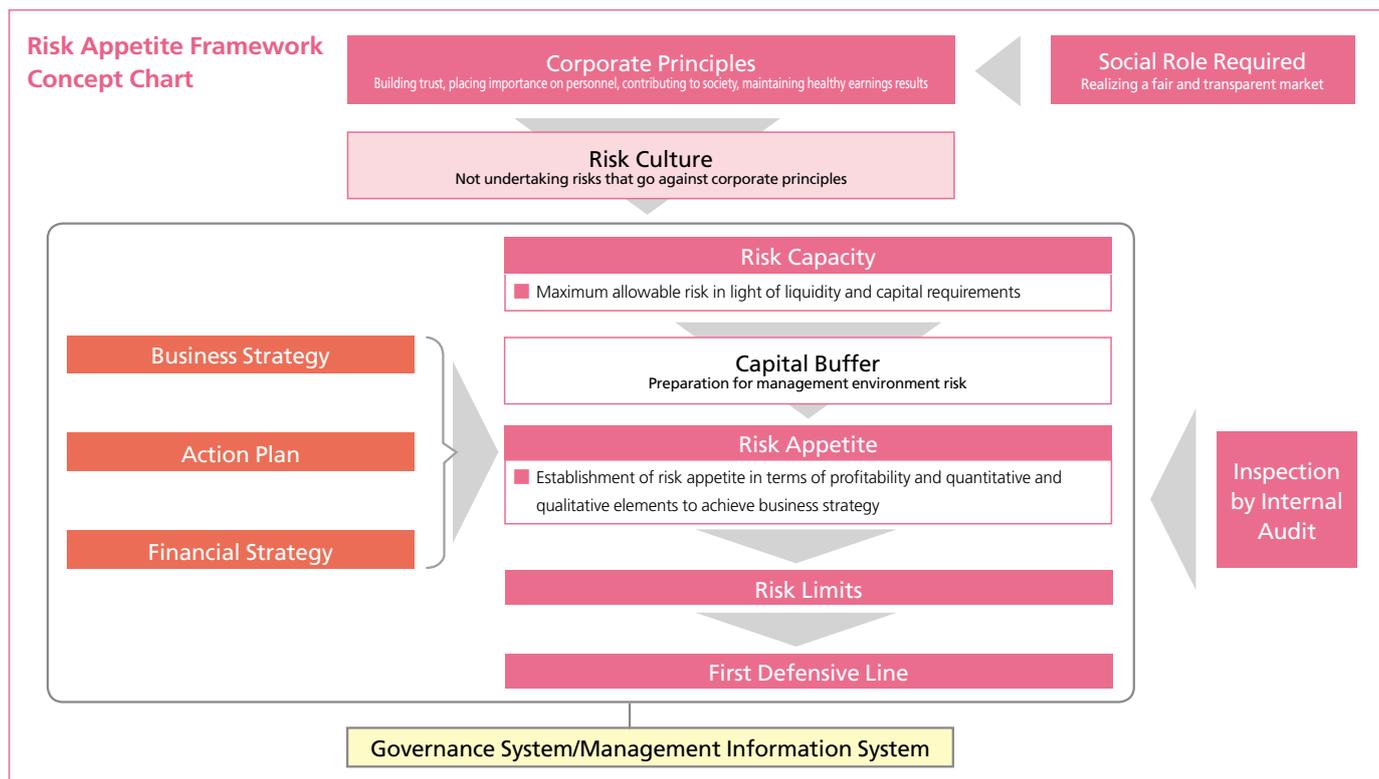
Risk Management and Risk Appetite Framework*

As one of Japan's Domestic Systemically Important Banks (D-SIBs), Daiwa Securities Group Inc. not only complies with the Basel rules, which are international banking regulations, but has also drawn up the "Risk Appetite Statement," which has been decided by the Board of Directors. The Statement is designed to clarify the policy on risk-taking and risk management frameworks that are consistent with the overall business strategy of the Daiwa Securities Group. In line with its business profiles as a security group, it defines risk categories, quantitative indicators to be managed, risk culture based on the corporate principles, and the governance structure supporting these matters. Based on this risk appetite framework, we at Daiwa Securities Group Inc. control risk according to the profile and the size of risk at each business, and monitor the

Refer to pages 87–91 of our Integrated Report for risk management.

* Risk Appetite Framework

This risk appetite framework defines risk appetite as the type and total amount of risk that should be assumed in order to achieve business strategies. It is a common phrase used internally to discuss risk-taking policies within the context of business management.



risk management systems and risk exposures of our subsidiaries. Risk exposures and issues are discussed at the Group Risk Management Committee, which is a sub-committee of the Executive Management Committee. The Risk Management Department plays a central role in these risk controls.

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

The Risk Management Department has set up groups according to risk fields, comprising market risk management, credit risk management, liquidity risk management, operational risk management, and planning groups. Each group is responsible for controlling risk in their fields. The department also has an IT & Administration group that provides IT support due to the elaborate calculations required in risk measurement. Moreover, overseas business bases and major group companies also have risk control divisions. We thus manage risk at home and abroad through group-wide collaboration.

It is a fact that risk materializes where business is executed. The Risk Management Department monitors risk based on measurement of indicators, but always communicates with business units because numerical data is sometimes not enough to determine business conditions. The department has also employed Risk Control Self-Assessment (RCSA), identifying risks at each business unit along with people working there and implementing measures to avoid risk. We thus help them, where risk arises, to control risk on their own. The first line of defense to prevent risk from emerging is each business unit, which controls risk based on self-discipline. The second is the risk management, compliance, and other divisions tasked

with controlling risk in a cross-organizational and comprehensive manner. The third is the Internal Audit division. We endeavor to control risk by utilizing these three defense lines.

ESG Due Diligence including Supply Chain Management and Human Rights Issues

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 address issues in the Group's supply chain, including ones related to the environment, society, human rights, information and cyber security. If any issues are found, we take steps, such as urging the business partners to make improvements.

We also collect information provided by public institutions 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.

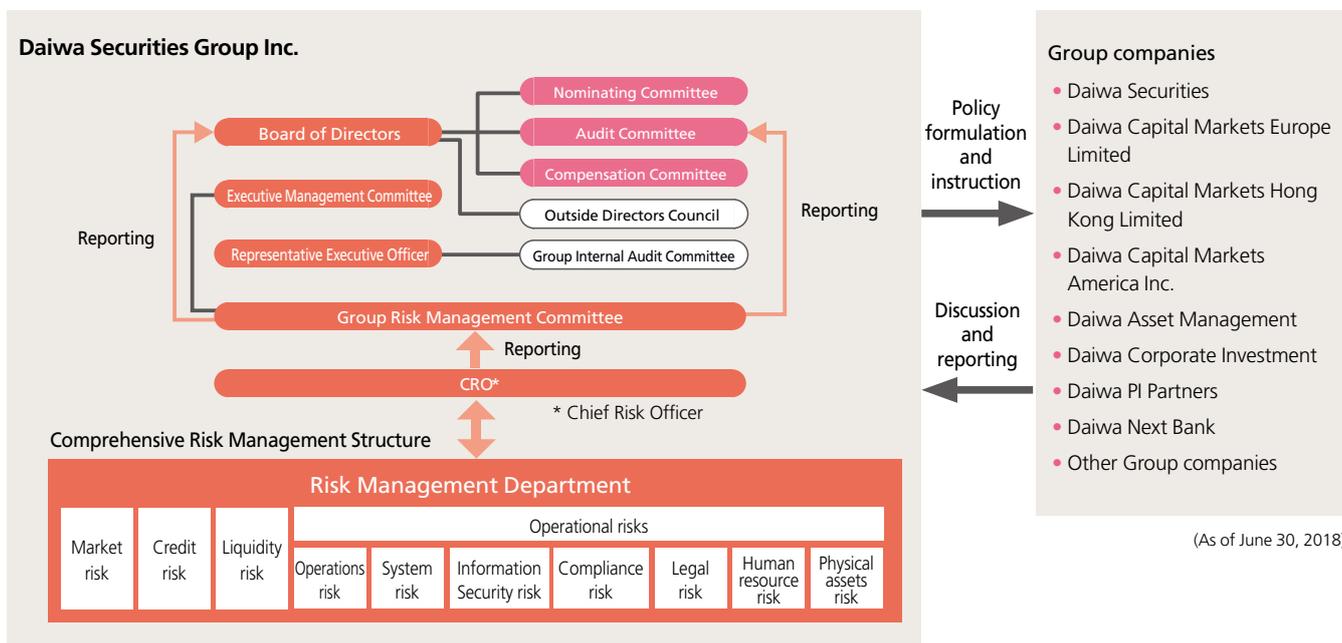
We carry out due diligence in deals underwritten, considering not only business performance and financial aspects, but also ESG issues.

When we find issues regarding business model of an issuer or its planned use of proceeds, we conduct more thorough due diligence through such means as field work and meetings, and sometimes make proposals for improvement to the issuer.

If there still remains a major concern even after

Web
Response to the UK
Modern Slavery Act 2015

Risk Management System



taking such measures, we report it to Chief Risk Officer (CRO).

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

BCP

To be prepared for emergencies, we have drawn up a business continuity plan (BCP) prioritizing important operations to be restored or continued* in order to keep the financial markets open and to protect customers' economic activities. 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 or cancel the products below and sell securities back to exit a long position in margin trading
 - Domestic listed shares, including closing long positions on margin transactions
 - MRF (money reserve funds)
 - Japanese government bonds for individual investors
 - Ordinary deposit

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.

In June 2017, the Financial Stability Board announced Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report). The announcement was made in response to concerns over adverse effects on the financial system that could be caused by physical and transition risks in the course of a shift to a lower-carbon society. Going forward, the Daiwa Securities Group will appropriately manage these risks through strict due diligence that matches the risk of subjects and engagement with clients and investees.

Impact on the Daiwa Securities Group During Transition to a Lower-carbon Economy

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

The Daiwa Securities Group will continuously verify the implications of climate change and transition to a lower-carbon economy on our businesses based on scientific knowledge and expectation on climate change and appropriately respond to them as an important management issue.

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

Risk type	Major event	Affected division	Group companies	Anticipated events and opportunities	Effects that can remain
Transition risk	Decrease in business from companies and others significantly affected in the course of a transition	• Wholesale Division • Investment Division	• Development of new industries and companies that contribute to transition into a lower-carbon economy	• Increase in funding demand to respond to a lower-carbon economy • Increase in opportunities to invest in new industries and companies	Low
	Increase in underwriting risk	• Wholesale Division	• Implementation of strict due diligence	• Enhancement of disclosure by companies	Low
	Decrease in the assets under management resulting from a decline in the value of assets held by funds	• Asset Management Division	• Utilization of ESG information for investment decision • Review of engagement with investees	• Enhancement of disclosure by companies • Increase in opportunities to invest in new industries and companies	Low
	Decline in the value of assets held and decrease in selling opportunities	• Investment Division	• Implementation of strict due diligence • Flexible review of assets held	• Enhancement of disclosure by companies • Increase in opportunities to invest in new industries and companies	Low
Physical risk	Flood and other damage at important sites due to major natural disaster	• The entire Group	• Transfer of important equipment • Making important sites redundant • Repair and transfer of facilities	• Steady progress toward a lower-carbon economy	Low

* We consider that the importance of the impact resulting from lending to companies and project financing is low at the Group.

● Measures to Address Disaster Risk by Region

Daiwa Securities has offices across Japan. As disaster risk differs amongst regions, it has formulated a disaster response plan for each sales branch and is preparing disaster relief supplies that reflect the disaster risk for each branch. The General Affairs Department sends the hazard maps created by the municipalities of respective regions to branches and makes them available on our intranet.

IT Strategy and the Management of Systemic Risk

Approach and Basic Stance

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

Relevant CSR Materiality

- 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

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

IT Governance Structure

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

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

Strategic IT Investment

Daiwa Securities Group has been making IT investments for the purpose of enhancing customer satisfaction through the delivery of products and services that meet a diverse range of needs, strengthening profitability through greater operational efficiency, addressing the infrastructure platforms and responding to legal systems that are essential for business continuity, as well as strengthening the risk management framework. In FY2017, along with making investments in the enhancement of accumulated-type NISA, Fund Wrap, and online services, the Group advanced initiatives into operational efficiency and business process reform utilizing voice recognition, artificial intelligence (AI), RPA*1, and other technologies. In addition, efforts were also made to further strengthen cybersecurity countermeasures and management of the Social Security and Tax Numbers submitted by customers as initiatives aimed at ensuring that customers can conduct business free from worry.

In the Medium-Term Management Plan, “Passion for the Best” 2020, initiated in FY2018, our IT strategy is designed to support a customer-oriented sales

system and the delivery of products and services, while at the same time promoting the establishment of an IT platform that provides momentum for the digital transformation. In this light, the Group is building an API*2 platform that can flexibly and swiftly extend alliances with outside companies and services, as well as intra-Group cooperation, and a next-generation office infrastructure that provides a safe, secure location-independent business environment. At the same time, the greater operational efficiency enabled by voice recognition, AI, RPA, and other technologies, will allow employees to use their time for higher value tasks instead, thereby creating a positive cycle that links to more advanced customer service and the development of innovative services.

*1 Robotic Process Automation: Mechanism for automation of office work and other operations based on the use of AI, etc.

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

Systemic Risk Management

Daiwa Securities Group has worked to maintain and enhance the management of systemic risk in order to reliably provide high-quality services to customers while protecting information assets from various threats and risks. In particular, the Group has positioned the need to ensure cybersecurity as an important issue for its risk management in the context of recent increases in the threat of cyberattacks. As a result, the Group has established the Daiwa-CSIRT*3, a Group-wide cross-sectional specialist organization that collects and analyzes the latest information on cyberattack methods and vulnerability while coordinating with external institutions. Along with increasing the layers of technological countermeasures and establishing a system that can detect and prevent attacks that slip past one of these countermeasures, the Group is also developing an analysis environment that can rapidly discover evidence of an attack and a system that can address incidents 24 hours a day, 365 days a year.

The Group will continue to strengthen countermeasures against cyberattacks, including building a Daiwa Standard cybersecurity countermeasure platform, in looking ahead to alliances with outside companies and services and a greater diversity in its business portfolios.

*3 Computer Security Incident Response Team: A cyber security management organization.

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 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.

Relevant CSR Materiality

XII. Reduction of environmental load and responses to environmental changes

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

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 system**
We shall continue to progress in our efforts to reduce the use of natural resources and energy, and seek ways to improve materials and energy efficiency (including efforts to improve business efficiency). We shall also take steps to reduce water use and reduce, reuse, and recycle other materials to contribute to a more environmentally friendly society. Furthermore, considering the importance of biodiversity, we shall seek a symbiotic relationship with the environment and use safe, clean methods of materials procurement.
4. **Promote environmental communication**
Working in concert with business partners, the local community, NGOs and NPOs, we shall actively disseminate information about environmental issues, and communicate our concern for the environment to customers and society at large.
5. **Strictly observe environmental regulations**
We shall always endeavor in environmental preservation, observing environmental laws and regulations in addition to the Group’s environment policies.

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.

Moreover, Group companies with offices in Gran Tokyo North Tower attend a meeting of the CO₂ Reduction Promotion Committee hosted by the

management company of the building every six months, working together to reduce the overall CO₂ emissions of the building. We strive to improve our efforts, while reporting quantitative data on our environmental impact over time, including energy and water consumption, CO₂ emissions, waste disposal and recycling volume.

Initiatives to Reduce Environmental Impact of Business Activities

● Introduction of Environmental Accounting

As part of our efforts to reduce environmental load, the Daiwa Securities Group prepares and discloses 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 Group Companies

When installing new equipment at head and branch offices, Daiwa Securities requires that the equipment be certified under Top Runner standards. For example, we replaced 12 multifunction copiers at the head office in FY2017, thereby reducing the power usage for these machines to approximately half the previous level (an estimate by the manufacturers). We have also been replacing our company cars successively since FY2014 with eco-cars and hybrid vehicles that have significantly improved in fuel efficiency.

The 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 introduction of LED lights into the head office of DIR was completed in the summer of 2017. In addition, the Daiwa Securities Group strives to choose environmentally friendly products in its central purchasing.

● Initiatives to Raise Environmental Awareness

The Daiwa Securities Group is striving to raise the environmental awareness of each employee through various initiatives. For example, our in-house magazine, "Fuji," has a column entitled "Eco-Initiatives at the Office," which mainly shares the status of the Group's environmental initiatives and introduces environmental measures that can be implemented by employees depending on each individual's awareness.

With respect to the printing of documents, we recommend aggregate printing and double-sided printing. We are also encouraging the reduction of paper usage by showing operational guidance and the rate of reduction in paper usage for every three months in the areas within offices where multifunction copiers are installed. We reduced paper consumption by 3.4% year on year in FY2017, within the same scope as FY2016.

● Offering Environmentally Friendly Services

Daiwa Securities provides an online service allowing customers to request various electronic reports, including those on the details of transactions and transaction balances, or electronic prospectuses as a substitute for written notifications (hardcopy reports or prospectuses). Reports and prospectuses 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. The proportion of customers choosing the online service was 41.8% as of the end of March 2018, up 1.6% from the previous year. We will continue recommending the service to increase the number of customers using it.

● CO₂ Emissions

Energy consumption at the Daiwa Securities Group's domestic offices (on a CO₂ emissions basis) fell by approximately 6.0% in FY2017 compared with FY2016 as a result of increased efforts to conserve energy, within the same scope as FY2016.

→ Refer to page 93 of "CSR Related Data" 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 FY2017 as well, carrying out energy savings measures through on- and off-peak periods.

● Targets for FY2018

- 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, increased its

Company cars in Japan (Daiwa Securities)

1,049 vehicles
including
743 eco-cars
142 hybrid cars

(As of March 31, 2018)

·Introduction results for FY2017

73 eco-cars
46 hybrid cars

·Introduction plan for FY2018

131 eco-cars
17 hybrid cars

Cases of soil and groundwater pollution found within office sites

·FY2017

0

Investment in energy-saving air conditioning systems for FY2017

¥7.05 million
(including installation costs)

personnel in FY2017. It continuously draws up policies on sustainability and discusses challenges and activities as needed.

● 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 LED Lighting (2012–present)

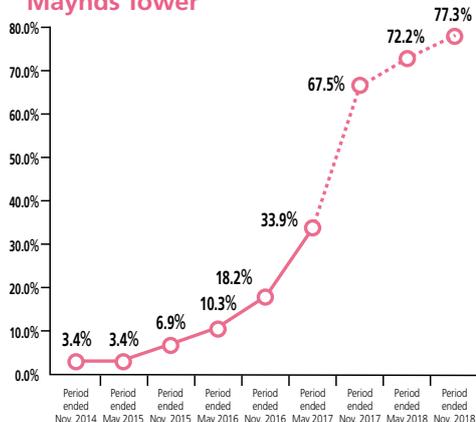
Since 2012, we have continued to install LED lighting systems in common-use space, such as the underground parking lot, first basement level, and entrance on the first floor. As a result, we have installed LED lights in approximately 70% of common-use space. We have also adopted the green lease scheme* since 2014 to promote the use of LED lights in tenant-owned spaces. The installation has proceeded gradually under the scheme, with both tenants and landlords enjoying its merits.

We expect LED lights to be introduced into approximately 80% of the area of tenant-owned spaces by the end of November 2018. In some cases, the electricity usage of lights has been halved compared with the pre-adoption level. We plan to gradually introduce LED systems in other tenant-owned space as well after holding discussion with tenants.

*** 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 part of the tenant's savings attributable to the landlord's investment in energy-saving facilities, such as a decrease in electricity charges, is returned to the landlord as a green lease payment.

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



* The proportion of the area for the period ended November 2017 is an estimate that was made as of July 2017.

● Environmental Initiatives at Daiwa River Gate

The following environmental initiatives were implemented in 2017 at Daiwa River Gate—a property owned by Daiwa Office Investment Corporation, which is operated by Daiwa Real Estate Asset Management:

● Improvement of Water Use Efficiency through Reuse of Wastewater and Rainwater

We repaired a filtering device set up as part of the existing water recycling facility for the purpose of reusing water draining from outdoor-air processing units during humidifying operations as well as water from rainwater storage tanks. The repaired device was brought into operation in June 2017. By switching from tap water to filtered water for toilet flushing and other uses, we will be able to cut our annual water usage by approximately 24% from the level prior to the facility repair. We plan to consider the repair or introduction of facilities to improve the water use efficiency of other properties as well, depending on the situation, and successively implement such measures going forward.

● Shinjuku Maynds Tower Maintains DBJ Green Building Certification*

We are engaged in environment-conscious office building management at Shinjuku Maynds Tower. For example, we continuously improve its facilities to be environmentally friendly and to conserve energy and also conduct awareness-raising activities for building tenants. In addition to these operations, the building's environmentally and socially friendly aspects have been highly evaluated. Shinjuku Maynds Tower therefore continued to be certified by the Development Bank of Japan (DBJ) as a “building with exceptionally high environmental and social awareness (Four Stars)” in February 2017.

*** Scoring model of DBJ Green Building Certification**

A comprehensive scoring model uniquely developed by the Development Bank of Japan Inc. (DBJ). The DBJ grants certification to real estate properties with high environmental and social awareness (“Green Building”) based on a five-level ranking system.

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

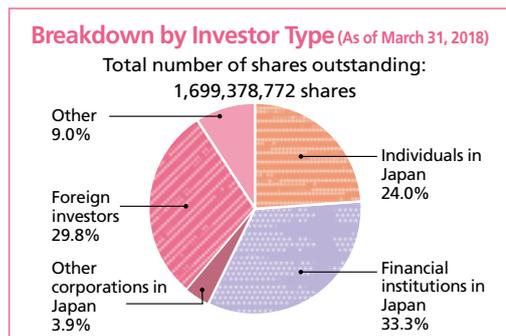
• Approximately **501.7 tons**
(Shinjuku Maynds Tower in 2017)

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



Dividend Policy

In principle, dividends are paid semiannually (interim and year-end dividends) at a payout ratio of 50% or more based on consolidated financial performance. We also actively seek ways to increase returns to our all our shareholders, including share buybacks when we have sufficient accumulated capital to pursue further growth.

Communication with Shareholders and Other Investors

Every year, many shareholders attend our general meeting of shareholders, which is an opportunity for us to interact directly with everyone. Other 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 in Japan and overseas 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 integrated 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 end of September, to gather and incorporate their views into management and IR activities. The findings of these questionnaires are utilized to enhance satisfaction with the shareholder reward program and to improve our business operations.

Shareholder Rewards Questionnaire Contents at the End of September

- 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 for rewards at the end of March 2008 and significantly expanded our lineup of products posted in the catalogue from 24 to 50 items at the end of March 2016. Reward products are provided semiannually, at the end of March and September. Shareholders have multiple reward options to choose from such as regional specialties; charitable donations; “Kaisha 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.

Starting with the shareholder benefits offered to shareholders of record on September 30, 2017, if shareholders request the use of shareholder benefit points to exchange them with shareholder benefit items on our website, we donate 20 yen per case to “Daiwa Securities Group Children Support Fund for Bright Future,” established in the Public Resources Foundation, to support activities for improving the environment surrounding children and break the cycle of poverty through NPOs engaged in fighting child poverty.

→ Refer to page 38 for related information.

Breakdown of shareholders

(As of March 31, 2018)

- Foreign investors **29.8%**
(Down 7.7 points from the end of the previous fiscal year)
- Individuals in Japan **24.0%**
(Up 1.4 points from the end of the previous fiscal year)

Web
Investor Relations

Web
For Shareholders

Initiatives in FY2017

● Dissemination of Information to Various Stakeholders

With an expectation for a shift from savings to investment, the Daiwa Securities Group is actively spreading information contributing to the improvement of the Group's corporate value. For example, we communicated the progress of our Medium-Term Management Plan, an overview of our management policy for FY2017, and other information efficiently and effectively at earnings announcements and management strategy briefing sessions, as well as in integrated reports and business reports.

For institutional investors in Japan and abroad, we implement effective activities that suit each investor base. In FY2017, we nurtured relationships of trust with the staff responsible for exercising voting rights, in addition to analysts, portfolio managers, and others. We also held an IR roadshow by top management for overseas institutional investors.

Moreover, the Group holds live seminar-style briefings for individual investors on the Internet as well as briefings at sales branches of Daiwa Securities, attracting the participation of many investors and a large audience. Following the increase in the ratio of individual investors, we increased the number of briefings for individual investors. In addition, we participated in briefings organized by Daiwa Investor Relations Co., Ltd. (Daiwa IR), a subsidiary of the Group, with the aim to increase contact points with individual investors. At these briefings, we provide a question-and answer session and conduct a questionnaire, thereby obtaining diverse feedback, in order to use such feedback for the improvement of communication with individual investors in the future.

● Increasing Shareholder Returns

The Daiwa Securities Group, aiming to achieve sustainable growth through ensuring sound profits, will implement a financial and capital policy that gives consideration to all stakeholders by seeking to achieve an optimum balance between making growth investments, raising capital efficiency, maintaining financial health, and increasing shareholder returns. While we raised the target payout ratio to 50% or more from FY2018, we also actively seek ways to increase returns to our shareholders, including share buybacks when we have sufficient accumulated capital to pursue further growth.

Briefing materials about the company for individual investors



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 nonfinancial 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 FY2017

- North America
2 IR events
(23 meetings)
- Europe
2 IR events
(22 meetings)
- Asia
2 IR events
(20 meetings)

Company briefings for individual investors held in FY2017

- Number of briefings at sales branches of Daiwa Securities
11
- Number of briefings organized by Daiwa IR
3
- Number of live seminar-style Internet briefings
1
- Total number of participants
Approximately
2,700 people

Share buyback

- Buyback period
From November 2, 2017 to March 8, 2018
- Total number of shares repurchased
52 million shares
(Percentage to total number of issued shares excluding treasury stock: 3.12%)
- Total amount of shares repurchased
¥37,170 million

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.

Relevant CSR Materiality

X. Creation of a workplace that values human resource development and diversity of employees

Related Sustainable Development Goals (SDGs)



* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

Hiring Initiatives

Hiring Approaches and Trends

The Daiwa Securities Group wants all of our employees to work with a high level of loyalty and motivation. All new college graduates recruited by the Group, including those with disabilities, are brought on as full and regular employees aiming to encourage newly hired to have a sense of trust and pride in the Group, and a sense of solidarity with their colleagues.

We are making efforts to provide an environment where a diverse range of people can perform to their full potential.

We also focus on attracting people capable of excelling globally to develop a global network and strengthen alliance strategy, with the aim to take a leadership role in the development of capital markets in Japan and Asia and become the customers' first choice securities group.

The Daiwa Securities Group offers internship programs to provide an opportunity to gain firsthand experience in the securities business through interaction with employees.

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.

Highly-motivated and talented employees can continue working after retirement under our Daiwa Master System. In FY2017, we started allowing senior advisors to continue working regardless of their age.

In accordance with the 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, we introduced a Superior Managing Director System as the highest employee position and enhanced the personnel system for veteran employees who have outstanding expertise and knowledge and made remarkable achievements. We support both work and caregiving, and are creating an environment in which employees can move forward enthusiastically without concerns over their future lifestyle.

Employment of People with Disabilities

As of FY2017, the Daiwa Securities Group had more than 190 employees with disabilities handling a wide range of responsibilities in our head office, sales branches and contact centers.

We started recruiting new graduates with disabilities as regular employees (general office staff) in FY2008, and in FY2011 broadened the scheme

Refer to page 5 for the Daiwa Spirit.

Number of new employees for FY2018

578 people
(8 group companies*)

* Refer to page 88 of "CSR Related Data" for companies covered by data.

to the career-track employee, regional career-track employee, and employee for customer services. We have also vigorously increased recruitment opportunities by holding briefings about the company for new graduates, participating in career expos, and implementing job placement support programs for university students with disabilities. Once people with disabilities are hired, we provide support for their career advancement, for example, creating opportunities for them to enter the career-track and regional career-track employment opportunities.

Human Resource Development and Skill Enhancement

● Employee Training Approaches and Trends

The Daiwa Securities Group's competitiveness derives from our employees. Accordingly, we focus on the development of human resources based on the basic policy of providing high-value-added solutions through the use of "Quality No. 1" consulting capabilities. In particular, we offer extensive training programs to newly hired employees as we believe that this is a critical period for their training. We adopt a system that allows employees to acquire not only basic knowledge and skills, but also to hone their knowledge, techniques and mindsets through corporate philosophy, CSR, and a variety of other programs in the curriculum. It enables us to nurture top-quality human resources with professional skills at an early stage.

We 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, which is 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 seeks to be a cluster of true professionals who keep aiming high. We have developed an education system for our employees not just to let them acquire skills necessary for their current work assignments but to encourage them to make consistent effort toward achieving their career visions. In this way, we support the self-motivated career formation of each employee.

In addition, we aim to foster a sense of solidarity among Group employees across divisions while offering training opportunities at group meetings.

● Training for Young Employees

The Daiwa Securities Group views the first two years of an employee's career as a period for their basic training to become a professional. The Daiwa Basic Program covers this period of training, and the scope of the program was greatly expanded in FY2015. To train employees, we now set the items and levels that should be acquired, and organically combine group training, OJT, e-learning, and support for the acquisition of qualifications. Since FY2017, for employees in their third to fifth year of employment, we have introduced an educational program called "Qroad." This program helps to improve their knowledge, techniques, and mindsets to achieve the industry's best quality. It presents high-level goals until the fifth year of employment to further promote employees' growth.

● Skill Training

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

● Training for Veteran Employees

Since FY2015, we have been providing the Advanced Skill-building Program, a training program for employees aged 45 and older that is designed to continuously improve skills. We have also introduced a license certification system that provides incentives to employees who continue to work on improving their skills. In the three years since its introduction, 1,500 employees, accounting for approximately 60% of personnel aged 45 and older, undertook over 15,000 training programs.

● Supporting Employees Trying to Earn Credentials

The Daiwa Securities Group focuses on the development of human resources who can provide high-value-added solutions through the use of our "Quality No. 1" consulting capabilities. Daiwa Securities sees Financial Planner (AFP and CFP®) and Securities Analyst qualifications as core requirements, and encourages employees to acquire these certifications. As a result, Daiwa Securities has 698 employees with CFP® certifications, the highest level in the industry. CFP® is a high-level credential certifying knowledge and skills in the tax system, inheritance, and real estate fields needed to provide financial planning services. Moreover, as a result of the introduction of the Daiwa Basic Program, an educational training program covering the first two years of employment, 97% of employees in their second year of employment acquire AFP, while 50% have passed the Chartered Member of the Securities Analysts Association of Japan (CMA) examination (Level 1).

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

● Intra-Group Job Postings and the Career Track Change System

We have instituted a Career Track Change System that enables non-career-track employees to transfer to career-track and regional career-track positions. Under the system, more than 1,200 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

To ensure that all employees can continue working with a high level of motivation, it is important to have a fair and convincing evaluation system. For this reason, the Daiwa Securities Group has implemented a multifaceted

Number of times skill training was held in FY2017

21 training courses held 48 times

·Cumulative number of participants:

9,362 people

Cost for the Group's educational investment

¥2.1 billion

Number of persons earning CFP® certifications

698

(As of the end of March 2018)

Number of Chartered Members of the Securities Analysts Association of Japan (CMA)®

1,613 people

(As of the end of March 2018)

evaluation system for managers whereby subordinates conduct evaluation. This involves subordinates assessing each manager's job performance in carrying out daily duties and the results being fed back to the manager. The scheme aims to help managers to identify their challenges and improve their managerial skills through training programs and other means, thereby improving our overall productivity. The multifaceted evaluation system covers all managers, including executives, the heads of departments, offices, and sales branches, and section chiefs.

We also 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

● Initiatives for Work Style Reform

Daiwa Securities Group has a proven track record of implementing initiatives for work style reform to help all employees to work efficiently within set working hours and live a fulfilling life, such as the female employee support plan (since 2005), encouraging employees to leave the workplace before 7 p.m. (since 2007), and promoting work-life balance (since 2008).

In April 2017, Daiwa Securities Group announced the "Joint Declaration of Promotion of Work Style Reform" by Chairman of the Board and President and CEO. In addition, with establishment of the "Business Reform and Productivity Improvement Committee" chaired by the President and CEO, we undertake to enhance employees' satisfaction including their engagement through improved productivity as an endeavor for higher value-added operations, and contribution to customers and society.

● 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. and by establishing family days at the workplace.

We hold Work-Life Balance Committee Meetings, which are co-chaired by the Chairman of the Board and President and CEO and participated by executives and employees from various posts and divisions, ranging from executives, managers at the head office and branches, and to young employees, and conduct active discussions on various measures under strong leadership on a quarterly basis. 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.

We set up a Childrearing Support Leave system in FY2014, which resulted in the acquisition rate of childcare leave for male employees significantly increasing from 2% to 100%. In recent years, we have also focused on support for employees' efforts to balance work and nursing care, and have expanded a variety of support programs. For example, we have allowed employees to divide their nursing care leave into up to four periods while extending the total length of such leave to three years. We have also introduced Nursing Care Concierge Service, established a work-from-home system, as well as life support paid leave, and started offering an e-learning course supporting initiatives for work-life balance. Moreover, all departments, offices, and sales branches of Daiwa Securities hold a study meeting on how to respond to the aging of society and balance work and nursing care. We are thus working to increase employees' awareness and foster an environment that facilitates the utilization of these support programs. In order to promote the use of annual paid vacation, we introduced kid's ceremony leave and leave for celebrating parent's longevity in 2016 and long service leave in August 2017, to further promote the scheduled use of paid leave by clarifying the purpose of leave.

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

● Encouraging Women to Succeed

The Daiwa Securities Group proactively appoints talented human resources regardless of gender.

We are trying to appeal more to women's individual interests by introducing thriving female employees as role models in internal publications 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 promotion website. Female executives as well as heads of each department, office, and branch give advice on the concerns and inquiries of female employees.

The Daiwa Securities Group has a total of seven women in top management positions who work as directors, corporate executive officers, and executive officers. They include two female executives at Daiwa Securities Group Inc., who serve as directors and corporate executive officers. The number of women in management positions is increasing year by year, with the Group's total number standing at 424 as of the end of March 2018. The ratio of women in management positions has risen from 2.2% at the end of FY2004 to 9.4% on a group-wide basis (up from

Number of female executives

• Daiwa Securities Group Inc.

2 people

(directors and corporate executive officers)

• The entire Group

7 people

(directors, corporate executive officers, and executive officers)

Number of women in managerial positions

• The entire Group

424 people

(As of March 31, 2018)

Ratio of women in managerial positions

• Daiwa Securities

2.3%

(At the end of March 2005)

→ **11.6%**

(At the end of March 2018)

• The entire Group

2.2%

(At the end of March 2005)

→ **9.4%**

(At the end of March 2018)

* Refer to page 91 of "CSR Related Data" for "Employee Support Plans."

2.3% to 11.6% at Daiwa Securities).

By increasing the number of role models, we are making it easier for the Group's female staff to envision their career path. In this context, there has been a sharp increase in female employees aspiring to advance their careers by switching to career-track and regional career-track positions in recent years. To date, more than 1,200 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. The scope of this system was expanded in FY2015. This has helped us secure talented personnel who support operations.

Starting in FY2014, Daiwa Securities launched the female employee career support training initiative (Daiwa Woman's Forum) helping women to build networks among themselves.

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.

Daiwa Securities has a proven track record of implementing a wide range of initiatives that help female employees reach their full potential. The company has also clarified its objectives through to FY2020. In this manner, positive steps are being taken to provide an environment in which employees with diverse values can maximize their capabilities.

**Targets for Years through FY2020
(Daiwa Securities)**

- Ratio of women in managerial positions: **At least 15%, more than a fivefold increase from the FY2005 level**
- Ratio of women in new graduates recruited: **50% (stable)**
- Ratio of women in participants in training: **50%**
- Acquisition rate of annual leave: **At least 70%**
- Acquisition rate of childcare leave for male employees: **100%**

In 2015, the current Chairman of the Board of Daiwa Securities Group Inc. showed his support for the Declaration on Action by A Group of Male Leaders Who Will Create a Society in which Women Shine spearheaded by Japan's Gender Equality Bureau of the Cabinet Office.

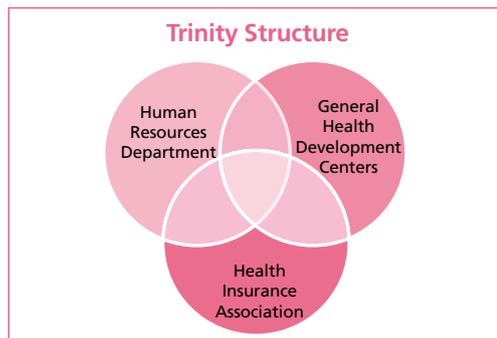
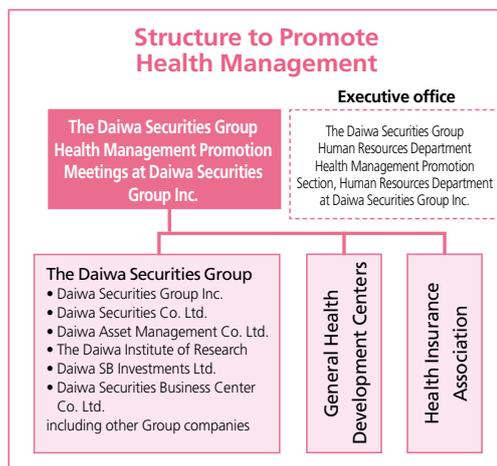
Daiwa Securities Group Inc. has been selected as a "Nadeshiko Brand" for four consecutive years, since FY2014. This title is awarded by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to listed companies for having excellent track records in empowering women at their companies. We were selected in recognition of our Group-wide endeavors for empowering women at the workplace by promoting diversity management under the strong leadership as represented by Work-Life Balance Committee Meetings held quarterly, as well as various efforts for improving productivity, such as encouraging employees to leave the workplace before 7 p.m.

● Initiatives to Improve Employee Health

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

We started our initiatives to improve employees' health in earnest in 2008, when specific health checkups and specific counseling guidance were initiated at worksites, through close collaboration between Human Resources Department, Health Insurance Association, and occupational health staff. In 2015, to further reinforce the Group's structure to promote health management, we appointed a Chief Health Officer (CHO) and established Health Management Promotion Section within the Human Resources Department. In addition, we hold Health Management Promotion Meetings, organized by the CHO and attended by executives of group companies, on a quarterly basis. Health Management Promotion Meetings are participated by occupational health staff, Health Insurance Association, Employee Union, and external experts and examine and share our initiatives for health management. Our efforts are highly regarded by society and the Group was selected for four consecutive years since FY2014 as "Health & Productivity Stock Selection," 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 page 73 of "Third-Party Evaluations" for details.



Health-related Data*

- Rate of participation in regular health checkups
Close to 100%
- Rate of participation in thorough medical examinations, which are voluntary screenings (mainly cancer screenings for employees aged 35 years or older)
FY2016 86%
FY2017 87%
- Percentage of overweight employees
30.5%
- Percentage of employees who smoke
23.7%
- Percentage of employees who regularly exercise
19.4%
- Percentage of employees who took the stress check
92.4%
- Proportion of those seeing doctors after regular health checkups in employees with problematic results in such checkups
86.4%

* Excerpted mainly from "Daiwa Securities Group White Book on Health 2017"

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

Initiatives for Better Health*1

- Regular health checkup
- Support plan for cancer patients among employees
- Thorough medical examination (cancer screening) (to supplement standard tests) + options for employees of specific ages
- Breast cancer and cervical cancer exams
- System that uses a follow-up confirmation form (known as a “yellow paper” *2)
- Helicobacter pylori test and hepatitis virus testing (for the prevention of gastric cancer and liver cancer)
- Action to Promote Countermeasures Against Cancer
- KA-RA-DA iki-iki Project
- Walking challenge program
- Program to promote moderate meal portions
- Lecture on health literacy
- Measures for those with severe diseases
- Smoking cessation support
- Influenza vaccination
- Issuance of Daiwa Securities Group White Book on Health
- Mental and Physical Beauty Campaign (awareness-raising for female-specific health problems)
- Communication of health-related information to all Group employees
- Daiwa Clubs (12 sports activity groups and 8 cultural activity group)
- In-house events support system

*1 Excerpted mainly from “Daiwa Securities Group White Book on Health 2017”

*2 System to urge employees to see doctors after their regular health checkups. Employees receiving this form are required to obtain a doctor’s comment within two weeks and submit it to us. This has contributed to a higher rate of visits to medical institutions after checkups.

Health Management Promotion Meetings



KA-RA-DA iki-iki Project

In November 2016, we introduced the “KA-RA-DA iki-iki Project—Healthy Lifestyle” in collaboration with the Human Resources Department, the Health Insurance Association, and the General Health Development Centers. The Program aims to raise health awareness among all employees, including young employees who previously had little interest in health. We grant reward points based on employees’ degree of participation in the following events to improve health. Points earned can be exchanged for gifts such as health related goods and can also be used to make donations to TABLE FOR TWO.

Events

- 10 minutes per day of physical activity (Plus 10)
- No alcohol challenge program ● Breakfast Everyday
- Diet recording ● Stop eating between meals
- KA-RA-DA iki-iki seminars
- Harahachi program to promote moderate meal portions
- Walking challenge program
- Smoking cessation challenge program



For the Health of It

This year was another successful year for Daiwa Capital Markets’ Wellness Initiative “For the Health of It.” Many programs and events have been held this year to continue our commitment on encouraging a healthier lifestyle for all of our employees. With programs that ranged from big to small, we were truly able to promote a life of not just physical fitness, but a healthier lifestyle overall. Programs such as the 401k info sessions, EAP info cards and the new benefit options helped our employees to be more aware of their financial status and seek the right help they need, when they need it. Monthly newsletters, CPR classes, blood drive, yoga classes, therapeutic massages and fresh fruits and snacks have also been offered to create awareness and extend our knowledge on physical health as well. Overall, it was a great year of consciousness and awareness of health in every way possible.

Yoga class



Number of participants in the FY2017 walking challenge

2,216 people in total
(Events held twice in the year)

Employment Support Plan for Employees with Cancer

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

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

● Initiatives for Mental Health

Maintaining and managing both physical and mental health is vital for the sound career development of employees. The Mental Health Support Office has two full-time certified clinical psychologists on its staff to provide consultations for employees themselves, their subordinates, colleagues, families, and others.

Staff members on the Mental Health Support Office also visit departments, offices, sales branches, and group companies to provide training for self-care, line care, mental health management, and mental strength and to hold interviews with young sales personnel.

We are thus focusing on measures to prevent mental health problems, while providing the “Return-to-work Support Plan” designed to help those on leave to return to work smoothly, in an effort to create an environment where all employees can work with peace of mind.

Employee receiving counseling in the Mental Health Support Office



● Interviews with Young Sales Personnel

Young employees may feel a lot of stress from lives as working adults and from having so many new experiences. However, they sometimes do not talk about their worries or do not realize that they are in a poor mental condition. We therefore conduct individual interviews with young sales personnel in their first to fourth years of employment when providing training at sales branches (individual requests for interviews are also accepted).

Through these interviews, we increase interest in mental health among such employees and remind them that we have implemented an internal support structure.

We refer them to certified clinical psychologists within the Mental Health Support Office for counselling, depending on the need.

Even if employees cannot undergo counselling at the Mental Health Support Office due to geographical or timing constraints, they will be able to receive counselling in their local areas through a third-party institution providing telephone consultation services for mental and physical health with which our Health Insurance Association ties up.

● Training for line care

In the field of mental health, line care is defined as mental health care provided by managers to their subordinates. Managers, who have daily contact with their subordinates, play an important role from the perspective of line care. The Mental Health Support Office conducts group training of managers during visits to branches and departments. Such

Training on mental health

· Training at sales offices and branches

62 branches
(including 12 sales offices)

· Group company training

4 times

Interviews with young sales personnel

455 people
(FY2017)

training includes how to communicate effectively with subordinates, notice change in their physical conditions or guide them to counseling services, with the aim of promoting line care to function adequately from the aspects of both improvement of the working environment by managers and providing consultation services to each employee.

● Return-to-work Support Plan

We send a notice on the "Overview of Non-work-related Medical Leave System" to employees going on leave. The notice states that they can use a follow-up service, depending on their needs, based on the Return-to-work Support Plan prepared by the Mental Health Support Office.

When the Mental Health Support Office receives a request from someone planning to return to work, it prepares a plan after conducting hearings on past duties and so on from that person and the head of the office that the person belongs to. The prepared plan is then sent to the office head. This system enables the office head and the person returning to work to share the support information and is expected to further reinforce follow-ups.

We are now considering drawing up the "Return-to-work Support Guide for Managers and Supervisors" to distribute it to the heads of relevant offices because there are still few cases where this system has been used.

Communication

● Communication with Employees

We believe that good communication with employees is vital for a better workplace environment. We have thus implemented a semiannual self-assessment system whereby employees can communicate their career plans to their superiors and the Human Resources Department. Under the system, employees can also communicate not only their career visions but also their thoughts on the duties that they assume, personnel and training systems, the workplace environment, and other factors to the Human Resource Department. The Daiwa Securities Group uses such feedback to develop an environment that enables employees to work with a high level of motivation.

To give feedback on assessment results, we conduct interviews with department and sales branch heads twice a year, thereby sharing future goals and career development with them and providing appropriate instructions and advice to each employee.

We also regularly conduct questionnaires on work-life balance for all employees. We incorporated the voices of employees and expanded the scope of children covered by the short working hour system (from until the children completes third grade at elementary school to until the children completes sixth grade), expanded the scope of use of life support paid leave (to include the use of leave to look after a child with illness up to the end of third grade at elementary school), and introduced Nursing Care Concierge Service to eliminate employees' worries about nursing care. Moreover, we conduct interviews with employees returning from childcare leave after some time has passed in an effort to resolve any worries. This input from employees helps us to identify areas to be

improved in our systems and initiatives and to create a better workplace environment.

● 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 2018, 20 clubs and four circles are active across the Group.

● Relationship with Employee Unions

We regularly hold labor-management negotiations on bonuses and other compensation and the working environment, while increasing opportunities to learn the opinions of our employees through questionnaires conducted by employee unions among their members 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 employees' jobs.

Other initiatives for supporting our employees' families include the new creation of kid's ceremony leave, family day leave, and leave to celebrate parents' longevity, as well as 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 publication. The magazine has been praised even outside of the Group for its roles as a communication tool among employees. We currently distribute 19,000 copies of Fuji every other month to Group executives and employees, their families and retirees.

We also post the magazine on our work-life balance 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 in addition to information on management and personnel measures. It also covers initiatives taken by Group companies and is used to enlighten executives and employees of Group companies on topics, such as human rights issues, ESG, the framework and status of usage of the whistle-blowing system, and awareness-raising on environmental issues. In addition, the magazine posts serial articles on the Group's history, mental and physical health, laws, and hobbies, as well as articles contributed by executives and employees.

Number of Employee Union members

7,134 people
(As of March 31, 2018)

* Refer to page 91 of "CSR Related Data" for companies covered by data.

Number of Family Visit Day participants

6,418 people
(FY2017)

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, the Arts, and Sports Activities
4. Corporate Citizenship Initiatives

Relevant CSR Materiality

XIV. Contribution to local communities

Related Sustainable Development Goals (SDGs)

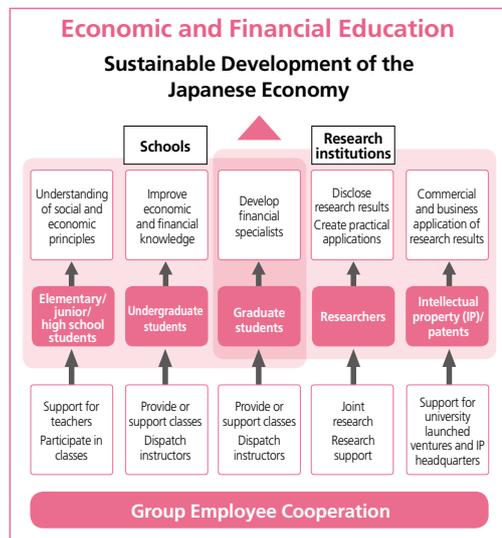


* Refer to pages 11 and 12 for details on materiality at the Daiwa Securities Group.

Education and Research Activities in Economics and Finance

Capitalizing on financial and economic expertise accumulated through its securities business, 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 page 91 of "CSR Related Data" for "Results in Economic and Financial Education."



● 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.

Finance Parks have been operating in Shinagawa, Tokyo and Kyoto since 2005 and in Iwaki, Fukushima Prefecture and in Sendai, Miyagi Prefecture since FY2014. We have set up pseudo-branches in these parks. To date, a total of 113,976 students have participated.

● Initiatives for Junior and Senior High School and College Students

● For Elementary, Junior High and High School Students

Daiwa Securities Yokohama Nishiguchi Branch cooperated in a community event in October 2017 in which we disseminated knowledge on securities for children from the early grades of elementary school to junior high school and their parents by playing a game to experience stock price fluctuations and quizzes using stock price charts. In December 2017, Daiwa Securities Nakano Branch cooperated in vocational study program "Let's Think About Work" at a junior high school in Nakano Ward, and provided a visiting lecture mainly on the business of securities firms and what we bear in mind in order to be selected by customers. In March 2018, Daiwa Securities Sendai Branch provided a lecture on the theme of "secrets of money" in the Children's Future Support Program for local elementary and junior high school students at the Great East Japan Earthquake Recovery Support Event sponsored by a local newspaper.

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

● For College Students and Others

In August 2016, Daiwa Securities Group Inc. established the University of Tokyo Hongo Tech Garage as a site to advance entrepreneurship education in the University of Tokyo (a donation project by the Daiwa Securities Group). The project aims to create an environment that enables students at the University of Tokyo to voluntarily promote their projects while expanding educational programs. Under the project, we are engaging in initiatives that lead to the creation of start-ups that would play a major role in the next generation and the development of human resources for innovation. From the current fiscal year (from April 2018), we started to support D-Data program, a development program for nurturing specialists in advanced data analysis, as part of an industry-academia partnership with Waseda University.

By participating in the consortium led by Waseda University, which aims to cultivate experts in the advanced

Refer to page 91 of "CSR Related Data" for "Corporate Citizenship Initiatives and Expenditures."

Number of participants in Finance Parks for FY2017

19,183 people
 Shinagawa: 1,931
 Kyoto: 6,545
 Iwaki: 3,059
 Sendai: 7,648

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

data technology field, we hope to train university students as well as working professionals to develop human resources such as data scientists and data analysts.

In addition, the Branch Manager of Daiwa Securities Okayama Branch gave a lecture on the theme of corporate management to 150 students at a university in Okayama City for two days in November and December 2017. On the first day, lectures were given on our Corporate Principles and initiatives to practice them, market trends, and financial products, such as installment investment. On the second day, a discussion was held on the importance of installment investment. In December 2017, Branch Manager of Daiwa Securities Mito Branch served as a lecturer in the Basic Finance Theory course at a university in Mito City, and gave a lecture on the theme of "Social Missions Executed by Securities Firms and Diverse Business Fields." Daiwa Securities Group gives our support to financial and economic education through investment in local universities.

● **Support to "Job Almanac 2017"**

The Daiwa Securities Group Headquarters, continuing from FY2016, provided support to "Job Museum," a career education material for elementary school children released by The Asahi Shimbun Company. In FY2017, we explained securities firms' role of raising funds in an article entitled "How can companies raise funds to grow their businesses?" The material conforms to the government guideline for teaching and is available in both book and website versions.

The book version "Job Almanac 2017" was donated to elementary schools and junior high schools across Japan. The web version "Job Museum Kids" has a quiz and other features that make it possible to enjoy the site like a game.

Financial Education Textbook
"Let's Learn about Stocks"



"Job Almanac 2017"



"Stock Trading Card Game" workshop



● **Preparing Financial Education Textbook "Let's Learn about Stocks"**

Since the end of 2016, the Corporate Planning Department of Daiwa Securities Group Inc. has been preparing "Let's Learn about Stocks," a financial education textbook targeting upper-grade elementary school children and above, with support from school teachers. The textbook comes in two types, for students and for instructions. Readers learn about companies in the basic course and stocks, which are a method for companies to raise funds, in the advanced course. The textbook was first used in schools in FY2017, and about 2,200 children in 35 elementary schools across Japan participated in the education program.

During the summer vacation period in FY2017, we held parent-child interactive workshops using the "Stock Trading Card Game" that comes with the textbook.

● **Support for Economic and Financial Education Using the Okane-no-Mikata Website**

Refer to page 21 of "Providing Junior and Senior High School Students with Opportunities to Learn about Finance and Economy."

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

● **Daiwa Securities Health Foundation**

In commemoration of Daiwa Securities' 30th anniversary, the Daiwa Securities Health Foundation was established in 1972 to support medical research. Since the year following its establishment, the Foundation has provided grants to outstanding research projects focusing on medicine and medical care for middle-aged and elderly people. In light of the increasing importance of collaboration between medical care and nursing care in recent years, the Foundation has expanded the scope of its support to research projects on health, welfare, and nursing care, in addition to conventional medical research projects. In FY2017, which marked the Foundation's 44th year of support, applications from projects on nursing care and locomotive syndrome among the elderly, in particular, started to increase. Applications from young researchers and professionals other than doctors also stood out.

Presentation ceremony at the Welfare Foundation (Wakayama Branch)



"Job Almanac 2017"

Donation of
48,300 copies
(published on June 14, 2017)

Daiwa Securities Health Foundation's cumulative grants awarded through FY2017



*Number of recipients
1,223 people
*Total amount of grants
¥1,208 million

Daiwa Securities Foundation's cumulative grants awarded through FY2017



Volunteer Activities Grants
*Number of projects receiving grants
3,339
*Total amount of grants
¥771.87 million

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

*Number of projects receiving grants
247
*Total amount of grants
¥101.73 million

Grants to volunteer work for disaster recovery (the Kumamoto Earthquakes)

*Number of projects receiving grants
70
*Total amount of grants
¥19.97 million

Grants to research projects on volunteer work

*Number of projects receiving grants
31
*Total amount of grants
¥27.36 million

Media reports concerning grant activities

*Daiwa Securities Health Foundation
5 newspapers and TV stations
*Daiwa Securities Foundation
Grants to volunteer work for disaster recovery:
37 newspapers and **1** TV station
(Surveyed by the Daiwa Securities Health Found and the Daiwa Securities Foundation)



Job Museum Kids (Japanese)



Daiwa Securities Health Foundation (Japanese)

● **Daiwa Securities Foundation**

In 1994, the Daiwa Securities Foundation was launched as part of commemorative activities for the 50th anniversary of Daiwa Securities' establishment in order to contribute to society from our profits. Since the year of its establishment, the Foundation has provided grants to support activities for the elderly, people with disabilities, and children, and other volunteer work of high social significance. In FY2017, two kinds of volunteer activity grants were awarded: Volunteer Activities Grants, which marked 24th time of awarding and grants to volunteer support for the torrential rain disaster in Northern Kyushu. The Foundation also made its 24th round of grants to research projects on volunteer work. We also continued to provide grants to volunteer work for disaster recovery (Great East Japan Earthquake) that began in 2011 and grants to support activities for victims of the Kumamoto Earthquakes, which occurred in April 2016, from Volunteer Activities Grants.

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

As a UK charity for fostering closer ties between the United Kingdom and Japan, the Daiwa Anglo-Japanese Foundation, which was established in 1988 with contributions from Daiwa Securities, is welcoming its 30th anniversary this year. Principal activities include:

- (1) Awarding grants to individuals, institutions, and organizations working to promote ties between the United Kingdom and Japan
- (2) Enabling British and Japanese students and academics to further their education by providing opportunities for joint research and supporting exchanges and other bilateral initiatives
- (3) Awarding Daiwa Scholarships for British graduates to study Japanese and undertake work assignments in Japan



Daiwa Ichiban Lectures



The Daiwa Scholar program completion ceremony

(4) Organizing a year-round calendar of events to improve understanding of Japan in the United Kingdom (at the Headquarters in London)

The Foundation's Tokyo office provides local assistance to Daiwa Scholars (students from the United Kingdom), administers grant applications from Japan and collaborates with other institutions promoting Anglo-Japanese relations.

In Daiwa Ichiban Lectures, which began in FY2015 in collaboration with the British Embassy in Tokyo, we held a lecture titled "A Life of Dancing" by Ms. Darcey Bussell, a former British ballerina and also a judge on BBC's reality show "Strictly Come Dancing," in March 2018.

Moreover, in Daiwa Scholarships in Japanese Studies, established in FY2015 as a scholarship program for studies on Japan and Japanese language training, three persons were selected for FY2017. This is a program in which the Daiwa Securities Group funds the tuition and living expenses in Japan for individuals from the United Kingdom.

Cumulative number of people completing the Daiwa Scholar program by FY2017 is 170.

● **Daiwa Myanmar-Japan Foundation**

On April 1, 2013, the Daiwa Securities Group established the Daiwa Myanmar-Japan Foundation to improve people's livelihoods in Myanmar and to develop the human capital necessary for sustainable economic growth. Since its establishment, the foundation has implemented a scholarship student support program that provides junior staff of the country's central government with opportunities to study in Japan. It has also continued to plan and implement a training program for certified public accountants in Myanmar based on the tripartite memorandum of understanding signed with the Myanmar Institute of Certified Public Accountants and the Japanese Institute of Certified Public Accountants.

The Daiwa Myanmar-Japan Foundation is also positioned as one of the measures that Japan's public and private sectors have worked on together to invigorate Myanmar's capital market. It contributes to developing and forming a network of the human resources forming the country's future leaders.

● **Kopernik Program**

Kopernik is a US-based NPO established in 2009 with the goal of improving quality of life and reducing poverty in developing countries; it began operations

Training completion ceremony (Daiwa Myanmar-Japan Foundation)



Cumulative number of people completing the Daiwa Scholar program by FY2017



170 people

Contributions by Daiwa Myanmar-Japan Foundation

Number of Myanmar citizens receiving scholarships

22 people

Number of participants in public accountant training

54 people

(Cumulative contributions until FY2017)

Web

Daiwa Securities Foundation (Japanese)

Web

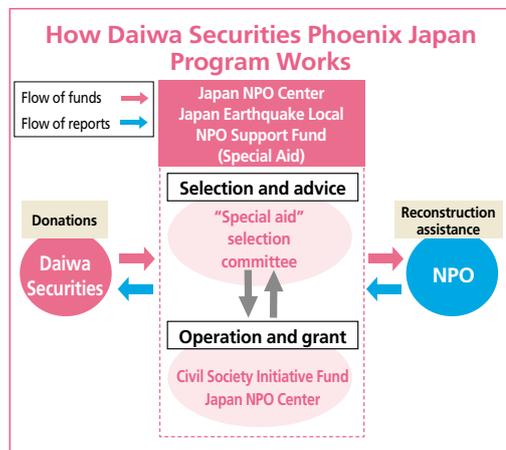
The Daiwa Anglo-Japanese Foundation

in Japan in 2010. Kopernik has developed a program to enable contributors in developed countries to go online and donate to NPOs/NGOs in developing countries or areas of their own choosing by selecting needed products such as simple water purifiers and solar lamps. Kopernik shares details of recipient NPO/NGO activities supported by donations on its website to ensure transparency.

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

● Daiwa Securities Phoenix Japan Program

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 the human resources development of local NPOs. Their activities include educational assistance and reconstructing communities in the disaster-affected areas.



● Donation to Gunma Prefecture World Heritage and Gunma Silk Heritage Succession Fund

Tomioka Silk Mill and Related Sites in Gunma Prefecture were added to the UNESCO World Heritage List in 2014. Daiwa SB Investment launched Tomioka Silk Mill and the Silk Industry Heritage Sites Preservation Activity Support Fund (nicknamed Gunma's Silk Heritage) to preserve the buildings for sericulture, silk reeling, and textile manufacturing that remain within the prefecture, as well as folk performing arts. We donate a portion of management fees from the fund.

The initiatives jointly undertaken by investors, sales companies, and Daiwa SB Investments help the project to pass on the value of Gunma's silk culture and silk industry, which led Japan's modernization, to future generations.

Support for Culture, the Arts, and Sports Activities

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

For example, we have been the special sponsor of the Central Contest for Book Review Painting since FY1994. This contest, targeting elementary, junior high and senior high school students, aims to foster rich expressive ability among children through painting pictures, as well as encourage children to read and improve their reading skills. In FY2017, which marks the 29th contest, 688,672 applications were submitted from 6,434 elementary, junior high, and high schools across Japan, and some of the prize-winning works, selected through rigorous screening, were put on display at Daiwa Securities' branches.

In February 2018, we also supported the Tokyo Marathon, for which we have been an official partner since FY2015, to mark, in part, the Group's selection as a listed company proactively working to improve employees' health in the "Health & Productivity Stock" program in 2018 for four consecutive years. We also assist a broad range of sports activities including those of the Japanese Para-Sports Association, a public interest incorporated foundation, and the Japanese Para-Swimming Federation, a general incorporated association.

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

At a ceremony of the Japanese Para-Swimming Federation



The 29th Central Contest for Book Review Painting



Donations made to the Kopernik program for FY2017



¥3,353,010

Region Indonesia

11 projects

(demonstration experiments)

- (1) Storage method that improves the quality of agricultural products
- (2) Testing of low-cost seawater desalination technology
- (3) Extraction of honey using tubular filters
- (4) Study on recyclable sanitary napkins and girls' school attendance
- (5) Testing of effects of handmade solar drying machine
- (6) Improvement of solar-based cacao processing method
- (7) Homemade solar lantern
- (8) Solar drying machine
- (9) Gas detector for keeping watch on forest fires
- (10) Testing of water quality sensor
- (11) Plastic waste recycling system



Kopernik Program (Japanese)

Amount of grants selected to FY2017 sixth-term program for Daiwa Securities Phoenix Japan Program



*Grant recipients

9 groups

*Total amount of grants

¥31.53 million



Daiwa Securities Phoenix Japan Program (Japanese)

Amount of donations to Gunma Prefecture World Heritage and Gunma Silk Heritage Succession Fund

¥3.13 million

(total amount of donations by sales companies and the trustor company) (July 2017)

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**

● **The Hands-on Forest Experience 2017—Nature Experience in Sayama Hills**

As part of the Group’s efforts to conserve biodiversity, the Daiwa Securities Group conducts a volunteer activity every year with participation of Group employees. For FY2017, 31 Group employees and their families participated in an activity in Sayama Hills in Saitama Prefecture on April 8. It was the third year that the activity was held in Sayama Hills. Bamboo forest maintenance activity was initially scheduled for the day. Due to rain in the morning, the schedule was changed, and participants learned about the importance of *satoyama* landscape preservation in a class provided in collaboration with the Totoro Fund. Participants then observed nature in *satoyama* landscapes and learned about the importance of preserving *satoyama* landscapes, feeling spring in the air in Sayama Hills.

● **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. The proceeds from the sale of items collected are used 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**

Since the spring of 2013, the Daiwa Securities Group has contributed to the TFT Program, which is organized by TABLE FOR TWO, an internationally designated NPO. This is an initiative aimed at correcting food imbalances between developing and developed countries by donating a portion of revenue from the purchase of food and drink by Group

officers and employees to pay for school lunches in developing countries. In FY2016, a donation to the TFT Program was adopted as one of the gifts for which points granted to participants in “KA-RADA iki-iki Project,”* which was designed to improve employees’ health, can be exchanged. In 2017, we expanded the platform for participating in the TFT activities by taking measures, such as introducing the TFT menu at the cafeteria in the headquarters building and the staff cafeteria in Daiwa Research Institute.

* Refer to page 63 of “Relationship with Employees” for “KA-RADA iki-iki Project.”

● **Donation of Christmas Cakes**

Since 2013, voluntary members of Daiwa Securities employees have engaged in an activity to present cakes marketed by a business partner of the company in a Christmas campaign to children at child support facilities through Second Harvest Japan, an NPO. In FY2017, we donated 107 Christmas cakes to a total of six organizations, including organizations that provide children with places to spend time with peace of mind, meals, and study support.

● **Initiatives at Sales Branches of Daiwa Securities**

Daiwa Securities’ 152 sales branches nationwide engage in a variety of activities contributing to local communities.

In FY2017, we conducted various activities in local communities. For instance, members from Aomori Branch participated in Aomori Nebuta Festival, one of the three major festivals in Tohoku as the *haneto* (Nebuta dancers); and members from Miyazaki Branch set up a stage in Erekocho Miyazaki and added excitement to the festival through a wide variety of events, such as dancing and *kagura* (sacred music and dancing). In March 2018, seven years after the Great East Japan Earthquake, volunteers from Morioka Branch participated in planting cherry trees along the tsunami inundation line in Rikuzentakata and passing down knowledge of the tsunami inundation point to future generations.

● **Initiatives Taken by the Group’s Overseas Offices**

● **Activities at the Group’s Hong Kong Operational Base**
Corporate Silver Sponsorship to FABBA—donated HK\$50,000

The FABBA (otherwise known as the Fund Managers’, Asian Bankers’ and Brokers’ Awards) which is managed by The Asia Brokers Charity Ltd, is an entirely voluntary organization that does great work for others less fortunate. The FABBA is an

Culture, the arts, and sports activities

· The Mainichi Shimbun Central Contest for Book Review Painting
Special sponsor for

24 years

Number of participant schools

6,434 schools

Total number of entries

688,672 entries

Number of exhibitions of winning works

9 sales branches

Contribution made in FY2017 through collection drives (equivalent monetary value)



· JEN BOOK MAGIC

¥19,033

· Japan Committee “Vaccines for the World’s Children”

¥252,420

· Live with Friends on the Earth

¥94,506

TFT Program



Contributions made January–December, 2017

Around 43,224 school lunches

in developing countries

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

Nature observation in Sayama Hills



Donation to FABBA (Fund Managers’, Asian Bankers’ and Brokers’ Awards)



annual event at which members of the region’s finance industry come together to raise money for those in need.

• **Activities at the Group’s London Operational Base**
 Daiwa Capital Markets Europe will continue engaging in various CSR activities in FY2018.

1. Donation to two charity organizations: The Lily Foundation and The Rainbow Trust
2. Holding a fund-raising event through The Daiwa Society
3. Holding Green Road Show
 (seminar on food issues, such as food mileage and food loss)

In addition, we work on recycling paper and plastic waste from offices and energy saving. Moreover, some employees actively participate in charity run. Daiwa Capital Markets Europe will continue conducting various CSR activities in FY2017. Daiwa Capital Markets Europe will continue engaging in various CSR activities in FY2018

• **Activities at the Group’s New York Operational Base**

Daiwa Capital Markets America hosts a “Charity Friday” once a month in which employees are allowed

to wear jeans for their \$5 donation to a selected charity. DCMA matches double the collection amount each Charity Friday, increasing the impact of our donation and furthering our commitment to the various causes we support.

In 2017, as part of DCMA’s response to the humanitarian tragedy caused by the recent catastrophic Hurricanes, a “Special Charity Friday” was held in September to support the relief and recovery efforts to “One America Appeal.” With the Daiwa firm contribution, our total donation was \$10,155. The response to the tragedy caused by Hurricanes Harvey, Irma and Maria proves our commitment to helping in the wake of disaster. The money raised will assist in bringing the affected areas one step closer to rebuilding their homes and businesses.

“One America Appeal” is a joint appeal by all five living former American Presidents to encourage their fellow citizens to support recovery efforts from Hurricane Harvey—which inundated the Texas Gulf Coast with unprecedented flooding. This special appeal has been expanded to include those affected last weekend by Hurricane Irma in Florida.

DCMA will continue to support both local and widely known charities that benefit research and support education, finding cures for disease, assisting after disasters, and other important causes.

• **Activities at the Group’s South Korea Operational Base**
 Daiwa Securities Capital Markets Korea participated in the “Love Bread Fair” event held by the Korean National Red Cross. In this event, participants make and provide bread filled with cheese and muffins under the supervision of bakers, as part of efforts to support children without adequate food, who have been receiving media attention in recent years. By providing not only nutrients but also the pleasure and joy of eating to children who are cut off from society, the event made us re-acknowledge the importance of sharing and provided a good opportunity for us to contribute to the local community. Since the inauguration of the current administration in FY2017, the Korean government has been driving forward with efforts for volunteer activities for the socially vulnerable and the achievement of work-life balance. Given that companies are conducting corporate activities in line with the government’s policy, Daiwa Securities Capital Markets Korea has set out the following goals: (1) Encouraging proactive participation in social service activities (consideration

CSR activities conducted by Daiwa Capital Markets Europe



Recycling activities at Daiwa Capital Markets Europe



“Love Bread Fair” (Daiwa Securities Capital Markets Korea)



and introduction of social contribution activity programs and provision of compensatory leave to employees who participated in weekend volunteering activities), (2) Creating comfortable work environments for women (improvement of welfare programs at each stage of pregnancy, childbirth, and child rearing: allowing adjustment of working hours and providing time to visit doctor for pregnant employees, setting up a nursing room and providing to time for nursing at the discretion of the head of department), and (3) Encouraging employees to leave office on time and take their annual paid leave (employees are required to submit their annual paid leave plan through the end of period) and enhancing the welfare benefit system (supporting employees' self-development expenses and expenses for promoting and maintaining health). The company will continue with these CSR activities and proactively respond to the corporate image expected by the Korean society in an effort to contribute more extensively to Korean society.

● 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 other means in an effort to expand the range of volunteer activities.

● Donation of Shareholder Reward Items

Daiwa Securities Group Inc. implements a shareholder reward program. Together with the operation of this program, we donate items returned to us due to the relocation of shareholders and so on, as well as items received for our shareholdings in other companies, to organizations such as designated NPOs and public interest incorporated foundations.

● Disaster Assistance

● Donation for the torrential rain disaster in Northern Kyushu in FY2017

Daiwa Securities Group Inc. made a donation through the Central Community Chest of Japan, a social welfare corporation, to support the victims of the torrential rain disaster centering on Northern Kyushu in July 2017 and to assist reconstruction work in the disaster-affected areas.

Daiwa Securities Foundation supported volunteering activities of Council of Social Welfare in Asakura City, Higashimine Village, and Hita City, which were affected by the torrential rain disaster.

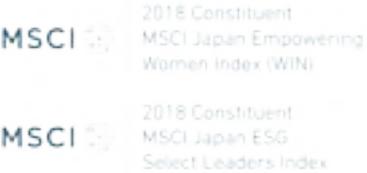
Contribution to areas
damaged by the
FY2017 torrential rain
disaster in
Northern Kyushu

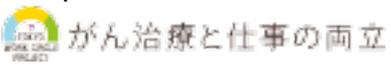


¥10 million



Third-Party Evaluations

Name	Evaluation
<p>Dow Jones Sustainability Indices</p> 	<p>The Dow Jones Sustainability Indices (DJSI) are stock indices of companies with sustainable practices selected by Dow Jones & Company, Inc. of the United States and RobecoSAM AG of Switzerland. Daiwa Securities Group Inc. is a constituent of DJSI World. Since DJSI World was launched in 1999, it has continually been included in DJSI.</p>
<p>FTSE Indices</p> 	<p>FTSE is a subsidiary of the London Stock Exchange. It develops global indexes and provides data for investment. Daiwa Securities Group Inc. has been included in the FTSE4Good, an index of socially responsible companies compiled by FTSE, for 13 consecutive periods since September 2006. In July 2018, Daiwa Securities Group Inc. was included in the FTSE Blossom Japan Index. This index is used as an ESG passive management benchmark by the Government Pension Investment Fund.</p>
<p>MSCI Indices</p> 	<p>MSCI measures and publishes various indices. In July 2018, Daiwa Securities Group Inc. was selected a constituent of the MSCI Japan Empowering Women Index. In the same month, Daiwa Office Investment Corporation was included in the MSCI Japan ESG Select Leaders Index. These indices are used as ESG passive management benchmarks by the Government Pension Investment Fund.</p>
<p>Nadeshiko Brand</p> 	<p>Daiwa Securities Group Inc. has been selected a “Nadeshiko Brand” for four consecutive years since FY2014. This title is awarded by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to listed companies for having excellent track records in empowering women at their companies. Daiwa Securities received the award in recognition of its achievement in women’s active participation in the workplace across the company through the promotion of diversity management under strong leadership by holding Work-Life Balance Committee Meetings on a quarterly basis, and efforts to improve productivity by encouraging employees to leave the workplace before 7 p.m.</p>
<p>Health & Productivity Stock Selection</p> 	<p>Daiwa Securities Group Inc. has been selected as a “Health & Productivity Stock Selection” for four consecutive years since FY2014. This title is awarded jointly by Japan’s Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to companies promoting the health of their employees.</p>
<p>Competitive IT Strategy Companies</p> 	<p>In May 2018, the Daiwa Securities Group was selected as a “Competitive IT Strategy Company for 2018.” The title is awarded jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to companies for engaging in strategic and proactive IT investment that enhances corporate value and competitiveness from the perspective of medium- to long-term corporate management. The Group proactively works on initiatives to utilize new digital technologies, such as the construction of an API platform to implement an alliance with external companies and services and collaboration within the Group in a flexible and timely manner, and the implementation of an artificial intelligence (AI)-based real-time stock trading volume prediction model in algorithmic trading services. The award was given in light of high evaluation of the potential for the growth and expansion of such initiatives.</p>

Name	Evaluation
<p>“Platinum Kurumin” —Certified as a Family-Friendly Employer</p> 	<p>The certified family-friendly employer logo (nicknamed “Kurumin”) shown 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. Moreover, as of March 11, 2016, Daiwa Securities and Daiwa Securities Business Center were certified as especially excellent companies among the certified family-friendly employers that have implemented higher levels of initiatives.</p>
<p>“Tomonin” —Logo for Promoting Work Environments for Balancing Work with Long-Term Care</p> 	<p>Daiwa Securities Group has continuously built a working environment where employees can find it easy to use work-life balance support programs in an effort to help them to continue working while balancing work and nursing care. The Ministry of Health, Labour and Welfare conferred the logo (nicknamed “Tomonin”) to us for promoting the provision of a working environment favorable for balancing work with long-term care.</p>
<p>“Recognition of companies with outstanding initiatives to help employees with cancer maintain good balance between treatment and work” and “Excellence Award” given by Tokyo Metropolitan Government</p> 	<p>Tokyo Metropolitan Government recognizes companies with outstanding initiatives to help employees with cancer to maintain good balance between treatment and work as an effort to support balancing between cancer treatment and work. We received the Excellence Award in recognition of our initiatives for helping employees to balance work and cancer treatment. (14 award-winning companies)</p>
<p>GRESB 2017 “Green Star”</p> 	<p>Daiwa Office Investment Corporation, a REIT managed by Daiwa Real Estate Asset Management, has received the Green Star, the highest category of recognition in the Global Real Estate Sustainability Benchmark (GRESB) Survey, for six consecutive years.</p>
<p>ISO Certification</p>	<ul style="list-style-type: none"> ● ISO 14001 Daiwa Institute of Research Business Innovation Ltd. has received ISO 14001 certification, which is an international standard for environmental management systems. Through its business activities, Daiwa Institute of Research Business Innovation has endeavored to realize a harmonious relationship with the global environment, and actively works to reduce environmental load. ● ISO 27001 Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. have received ISO 27001 certification, which is an international standard for information security management systems. In order to maintain and manage the confidentiality, integrity, and availability of their information assets, both companies continue to improve their information security. ● ISO 20000 Daiwa Institute of Research Ltd. and Daiwa Institute of Research Business Innovation Ltd. have received ISO 20000 certification, which is an international standard for IT service management systems. In order to provide their customers with a high-quality IT service, both companies are engaged in organizational enhancements to the quality of their IT services including cost management, business process optimization, and continuous improvements.

GRI Content Index (GRI Standards)

In compiling the Daiwa Securities Group CSR Report 2018, reference was made to the GRI Standards 2016 of the Global Reporting Initiative (GRI).

General Disclosures

Clauses	Disclosures	Links	
Organizational profile	102-1	a. Name of the organization	Overview of Company and Businesses
	102-2	a. A description of the organization's activities b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets	Overview of Company and Businesses/The Daiwa Securities Group's Businesses and Role in Society/Initiatives through Business Activities (Provision of Quality Service to Customers)
	102-3	a. Location of the organization's headquarters	Overview of Company and Businesses
	102-4	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report	Overview of Company and Businesses/ Integrated Report 2018
	102-5	a. Nature of ownership and legal form	Overview of Company and Businesses
	102-6	a. Markets served, including: i. Geographic locations where products and services are offered ii. Sectors served iii. Types of customers and beneficiaries	Overview of Company and Businesses/ Integrated Report 2018
	102-7	a. Scale of the organization, including: i. Total number of employees ii. Total number of operations iii. Net sales (for private sector organizations) or net revenues (for public sector organizations) iv. Total capitalization (for private sector organizations) broken down in terms of debt and equity v. Quantity of products and services provided	Overview of Company and Businesses
	102-8	a. Total number of employees by employment contract (permanent and temporary), by gender b. Total number of employees by employment contract (permanent and temporary), by region c. Total number of employees by employment type (full-time and part-time), by gender d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries) f. An explanation of how the data have been compiled, including any assumptions made	CSR Related Data
	102-9	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services	The Daiwa Securities Group's Businesses and Role in Society/Communication with Stakeholders and Improvement of Corporate Value/Risk Management
	102-10	a. Significant changes to the organization's size, structure, ownership, or supply chain, including: i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination	Not applicable
	102-11	a. Whether and how the organization applies the Precautionary Principle or approach	Compliance/Risk Management/IT Strategy and the Management of Systemic Risk
	102-12	a. List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	CSR of the Daiwa Securities Group/ Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services)
	102-13	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations	Principal Member Qualification • Nippon Keidanren • Japan Securities Dealers Association • Principles for Financial Action for the 21st Century • PRI • CDP • Global Compact Network Japan • UNEP-Fi, etc.
Strategy	102-14	a. A 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 its strategy for addressing sustainability	CSR of the Daiwa Securities Group/Integrated Report 2018
	102-15	a. A description of key impacts, risks, and opportunities	CSR of the Daiwa Securities Group/ Initiatives through Business Activities /Integrated Report 2018
Ethics and integrity	102-16	a. A description of the organization's values, principles, standards, and norms of behavior	CSR of the Daiwa Securities Group
	102-17	a. A description of internal and external mechanisms for: i. Seeking advice about ethical and lawful behavior, and organizational integrity ii. Reporting concerns about unethical or unlawful behavior, and organizational integrity	Corporate Governance
Governance	102-18	a. Governance structure of the organization, including committees of the highest governance body b. Committees responsible for decision-making on economic, environmental, and social topics	Corporate Governance
	102-19	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	CSR of the Daiwa Securities Group
	102-20	a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topic b. Whether post holders report directly to the highest governance body	CSR of the Daiwa Securities Group

Governance	GRI Reference	Description	Reporting Location
	102-21	a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body	CSR of the Daiwa Securities Group /Corporate Governance/Relationship with Employees (Communication)
	102-22	a. Composition of the highest governance body and its committees by: i. Executive or non-executive ii. Independence iii. Tenure on the governance body iv. Number of each individual's other significant positions and commitments, and the nature of the commitments v. Gender vi. Membership of under-represented social groups vii. Competencies relating to economic, environmental, and social topics viii. Stakeholder representation	Corporate Governance/Integrated Report 2018
	102-23	a. Whether the chair of the highest governance body is also an executive officer in the organization b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement	Corporate Governance/Integrated Report 2018
	102-24	a. Nomination and selection processes for the highest governance body and its committees b. Criteria used for nominating and selecting highest governance body members, including whether and how i. Stakeholders (including shareholders) are involved ii. Diversity is considered iii. Independence is considered iv. Expertise and experience relating to economic, environmental, and social topics are considered	Corporate Governance/Integrated Report 2018/Corporate Governance Report
	102-25	a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: i. Cross-board membership ii. Cross-shareholding with suppliers and other stakeholders iii. Existence of controlling shareholder iv. Related party disclosures	Corporate Governance/Integrated Report 2018/Corporate Governance Report
	102-26	a. 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 topics	CSR of the Daiwa Securities Group
	102-27	a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	Not reported
	102-28	a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics b. Whether such evaluation is independent or not, and its frequency c. Whether such evaluation is a self-assessment d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice	Not reported
	102-29	a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities—including its role in the implementation of due diligence processes b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics, and their impacts, risks, and opportunities	CSR of the Daiwa Securities Group
	102-30	a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	CSR of the Daiwa Securities Group
	102-31	a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	CSR of the Daiwa Securities Group
	102-32	a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered	CSR of the Daiwa Securities Group
	102-33	a. Process for communicating critical concerns to the highest governance body	CSR of the Daiwa Securities Group /Corporate Governance
	102-34	a. Total number and nature of critical concerns that were communicated to the highest governance body b. Mechanism(s) used to address and resolve critical concerns	Corporate Governance
	102-35	a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares ii. Sign-on bonuses or recruitment incentive payments iii. Termination payments iv. Clawbacks v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics	Corporate Governance/CSR Related Data
	102-36	a. Process for determining remuneration b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management c. Any other relationships which the remuneration consultants have with the organization	Corporate Governance/Corporate Governance Report
	102-37	a. How stakeholders' views are sought and taken into account regarding remuneration b. If applicable, the results of votes on remuneration policies and proposals	Corporate Governance
	102-38	a. 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
	102-39	a. 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

Stakeholder engagement	102-40	a. A list of stakeholder groups engaged by the organization	CSR of the Daiwa Securities Group
	102-41	a. Percentage of total employees covered by collective bargaining agreements	Relationship with Employees (Communication)/CSR Related Data
	102-42	a. The basis for identifying and selecting stakeholders with whom to engage	CSR of the Daiwa Securities Group
	102-43	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	CSR of the Daiwa Securities /Initiatives through Business Activities (Provision of Quality Service to Customers)/ Relationship with Shareholders and Other Investors/ Relationship with Employees/Engagement with Society
	102-44	a. Key topics and concerns that have been raised through stakeholder engagement, including: i. How the organization has responded to those key topics and concerns, including through its reporting ii. The stakeholder groups that raised each of the key topics and concerns	Initiatives through Business Activities (Provision of Quality Service to Customers)/ Relationship with Shareholders and Other Investors/Relationship with Employees/ Engagement with Society
Reporting practice	102-45	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	Overview of Company and Businesses
	102-46	a. An explanation of the process for defining the report content and the topic Boundaries b. An explanation of how the organization has implemented the Reporting Principles for defining report content	Editorial Policy (Reporting Boundary)/CSR of the Daiwa Securities Group
	102-47	a. A list of the material topics identified in the process for defining report content	CSR of the Daiwa Securities Group
	102-48	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements	Not applicable
	102-49	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries	Not applicable, because there have been no significant changes since the previous report
	102-50	a. Reporting period for the information provided	Editorial Policy
	102-51	a. If applicable, the date of the most recent previous report	Editorial Policy
	102-52	a. Reporting cycle	Editorial Policy
	102-53	a. The contact point for questions regarding the report or its contents	Editorial Policy
	102-54	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: i. "This report has been prepared in accordance with the GRI Standards: Core option" ii. "This report has been prepared in accordance with the GRI Standards: Comprehensive option"	Editorial Policy
	102-55	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report b. For each disclosure, the content index shall include: i. The number of the disclosure (for disclosures covered by the GRI Standards) ii. The page number(s) or URL(s) where the information can be found, either within the report or in other published materials iii. If applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made	This table references GRI content
	102-56	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process ii. The relationship between the organization and the assurance provider iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report	Independent Assurance Report and Independent Assurance Mark
	Management approach	103-1	a. An explanation of why the topic is material b. The Boundary for the material topic, which includes a description of: i. Where the impacts occur ii. The organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships c. Any specific limitation regarding the topic Boundary
103-2		a. An explanation of how the organization manages the topic b. A statement of the purpose of the management approach c. A description of the following, if the management approach includes that component: i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives	CSR of the Daiwa Securities Group
103-3		a. An explanation of how the organization evaluates the management approach, including: i. The mechanisms for evaluating the effectiveness of the management approach ii. The results of the evaluation of the management approach iii. Any related adjustments to the management approach	CSR of the Daiwa Securities Group

Economic

Economic performance	201-1	<p>a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:</p> <ul style="list-style-type: none"> i. Direct economic value generated: revenues ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments iii. Economic value retained: "direct economic value generated" less "economic value distributed" <p>b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance</p>	CSR Related Data/ Disclosure Report 2018 (Consolidated Statements of Income/ Consolidated Statements of Changes in Net Assets)/Integrated Report 2018
	201-2	<p>a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:</p> <ul style="list-style-type: none"> i. A description of the risk or opportunity and its classification as either physical, regulatory, or other ii. A description of the impact associated with the risk or opportunity iii. The financial implications of the risk or opportunity assumed before action is taken iv. The methods used to manage the risk or opportunity v. The costs of actions taken to manage the risk or opportunity 	Risk Management/Environmental Initiatives
	201-3	<p>a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities</p> <p>b. If a separate fund exists to pay the plan's pension liabilities: items</p> <ul style="list-style-type: none"> i. The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them ii. The basis on which that estimate has been arrived at iii. When that estimate was made <p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage</p> <p>d. Percentage of salary contributed by employee or employer</p> <p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact</p>	Disclosure Report 2018 (Accounting Standards for Significant Allowances)
	201-4	<p>a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including:</p> <ul style="list-style-type: none"> i. Tax relief and tax credits ii. Subsidies iii. Investment grants, research and development grants, and other relevant types of grant iv. Awards v. Royalty holidays vi. Financial assistance from Export Credit Agencies (ECAs) vii. Financial incentives viii. Other financial benefits received or receivable from any government for any operation <p>b. The information in 201-4-a by country</p> <p>c. Whether, and the extent to which, any government is present in the shareholding structure</p>	Impact is insignificant
Market presence	202-1	<p>a. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operations to the minimum wage</p> <p>b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage</p> <p>c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used.</p> <p>d. The definition used for "significant locations of operation"</p>	Impact is insignificant, due to the nature of our business
	202-2	<p>a. Percentage of senior management at significant locations of operation that are hired from the local community</p> <p>b. The definition used for "senior management"</p> <p>c. The organization's geographical definition of "local"</p> <p>d. The definition used for "significant locations of operation"</p>	Not reported
Indirect economic impacts	203-1	<p>a. Extent of development of significant infrastructure investments and services supported</p> <p>b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant</p> <p>c. Report whether these investments and services are commercial, in-kind, or pro bono engagements</p>	Initiatives through Business Activities (Support for the Creation of Our Future Society)/ Engagement with Society (Assistance to Communities Inside and Outside of Japan through Foundations and NPOs)
	203-2	<p>a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts</p> <p>b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas</p>	Not applicable
Procurement practices	204-1	<p>a. Percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally)</p> <p>b. The organization's geographical definition of "local"</p> <p>c. The definition used for "significant locations of operation"</p>	Impact is insignificant, due to the nature of our business
Anti-corruption	205-1	<p>a. Total number and percentage of operations assessed for risks related to corruption</p> <p>b. Significant risks related to corruption identified through the risk assessment</p>	Compliance/Risk Management
	205-2	<p>a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region</p> <p>b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region</p> <p>c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations.</p> <p>d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region</p> <p>e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region</p>	Compliance
	205-3	<p>a. Total number and nature of confirmed incidents of corruption</p> <p>b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption</p> <p>c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption</p> <p>d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases</p>	Not applicable
	206-1	<p>a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant</p> <p>b. Main outcomes of completed legal actions, including any decisions or judgments</p>	Not applicable

Environmental

Materials	301-1	a. Total weight or volume of materials used to produce and package the organization's primary products and services during the reporting period, by: i. Non-renewable materials used ii. Renewable materials used	Not applicable
	301-2	a. Percentage of recycled input materials used to manufacture the organization's primary products and services	Not applicable
	301-3	a. Percentage of reclaimed products and their packaging materials for each product category b. How the data for this disclosure have been collected	Not applicable
Energy	302-1	a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used c. In joules, watt-hours or multiples, the total: i. Electricity consumption ii. Heating consumption iii. Cooling consumption iv. Steam consumption d. In joules, watt-hours or multiples, the total: i. Electricity sold ii. Heating sold iii. Cooling sold iv. Steam sold e. Total energy consumption within the organization, in joules or multiples f. Standards, methodologies, assumptions, and/or calculation tools used g. Source of the conversion factors used	CSR Related Data
	302-2	a. Energy consumption outside of the organization, in joules or multiples b. Standards, methodologies, assumptions, and/or calculation tools used c. Source of the conversion factors used	CSR Related Data
	302-3	a. Energy intensity ratio for the organization b. Organization-specific metric (the denominator) chosen to calculate the ratio c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all d. Whether the ratio uses energy consumption within the organization, outside of it, or both	CSR Related Data
	302-4	a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it d. Standards, methodologies, assumptions, and/or calculation tools used	CSR Related Data
	302-5	a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples b. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it c. Standards, methodologies, assumptions, and/or calculation tools used	CSR Related Data
	Water	303-1	a. Total volume of water withdrawn, with a breakdown by the following sources: i. Surface water, including water from wetlands, rivers, lakes, and oceans ii. Ground water iii. Rainwater collected directly and stored by the organization iv. Waste water from another organization v. Municipal water supplies or other public or private water utilities b. Standards, methodologies, and assumptions used
303-2		a. Total number of water sources significantly affected by withdrawal by type: i. Size of the water source ii. Whether the source is designated as a nationally or internationally protected area iii. Biodiversity value (such as species diversity and endemism, and total number of protected species) iv. Value or importance of the water source to local communities and indigenous peoples b. Standards, methodologies, and assumptions used	Impact is insignificant
303-3		a. Total volume of water recycled and reused by the organization b. Total volume of water recycled and reused as a percentage of the total water withdrawn as specified in Disclosure 303-1 c. Standards, methodologies, and assumptions used	Not reported

Biodiversity	304-1	<p>a. For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information:</p> <ul style="list-style-type: none"> i. Geographical location ii. Subsurface and underground land that may be owned, leased, or managed by the organization iii. Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas iv. Type of operation (office, manufacturing or production, or extractive) v. Size of operation site in km² (or another unit, if appropriate) vi. Biodiversity value characterized by the attribute of the protected area or area of high biodiversity value outside the protected area (terrestrial, freshwater, or maritime ecosystem) vii. Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation) 	Not applicable
	304-2	<p>a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following:</p> <ul style="list-style-type: none"> i. Construction or use of manufacturing plants, mines, and transport infrastructure ii. Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources) iii. Introduction of invasive species, pests, and pathogens iv. Reduction of species v. Habitat conversion vi. Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level) <p>b. Significant direct and indirect positive and negative impacts with reference to the following:</p> <ul style="list-style-type: none"> i. Species affected ii. Extent of areas impacted iii. Duration of impacts iv. Reversibility or irreversibility of the impacts 	Not applicable
	304-3	<p>a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals</p> <p>b. Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures</p> <p>c. Status of each area based on its condition at the close of the reporting period</p> <p>d. Standards, methodologies, and assumptions used</p>	Not applicable
	304-4	<p>a. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk:</p> <ul style="list-style-type: none"> i. Critically endangered ii. Endangered iii. Vulnerable iv. Near threatened v. Least concern 	Not applicable
Emissions	305-1	<p>a. Gross direct (Scope 1) GHG emissions in metric tons of CO₂ equivalent</p> <p>b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all</p> <p>c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent</p> <p>d. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> i. The rationale for choosing it ii. Emissions in the base year iii. The context for any significant changes in emissions that triggered recalculations of base year emissions <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used</p>	CSR Related Data
	305-2	<p>a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent</p> <p>b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent</p> <p>c. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all</p> <p>d. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> i. The rationale for choosing it ii. Emissions in the base year iii. The context for any significant changes in emissions that triggered recalculations of base year emissions <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used</p>	CSR Related Data
	305-3	<p>a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO₂ equivalent</p> <p>b. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all</p> <p>c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent</p> <p>d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation</p> <p>e. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> i. The rationale for choosing it ii. Emissions in the base year iii. The context for any significant changes in emissions that triggered recalculations of base year emissions <p>f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used</p>	CSR Related Data
	305-4	<p>a. GHG emissions intensity ratio for the organization</p> <p>b. Organization-specific metric (the denominator) chosen to calculate the ratio</p> <p>c. Types of GHG emissions included in the intensity ratio, whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3)</p> <p>d. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all</p>	CSR Related Data
	305-5	<p>a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO₂ equivalent</p> <p>b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all</p> <p>c. Base year or baseline, including the rationale for choosing it</p> <p>d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3)</p> <p>e. Standards, methodologies, assumptions, and/or calculation tools used</p>	CSR Related Data

Emissions	305-6	<ul style="list-style-type: none"> a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent b. Substances included in the calculation c. Source of the emission factors used d. Standards, methodologies, assumptions, and/or calculation tools used 	Impact is insignificant
	305-7	<ul style="list-style-type: none"> a. Significant air emissions, in kilograms or multiples, for each of the following: <ul style="list-style-type: none"> i. NOx ii. SOx iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations b. Source of the emission factors used c. Standards, methodologies, assumptions, and/or calculation tools used 	Impact is insignificant
Effluents and waste	306-1	<ul style="list-style-type: none"> a. Total volume of planned and unplanned water discharges by: <ul style="list-style-type: none"> i. Destination ii. Quality of water, including treatment method iii. Whether the water was reused by another organization b. Standards, methodologies, and assumptions used 	Impact is insignificant
	306-2	<ul style="list-style-type: none"> a. Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: <ul style="list-style-type: none"> i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) b. Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable: <ul style="list-style-type: none"> i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) c. How the waste disposal method has been determined: <ul style="list-style-type: none"> i. Disposed of directly by the organization, or otherwise directly confirmed ii. Information provided by the waste disposal contractor iii. Organizational defaults of the waste disposal contractor 	CSR Related Data
	306-3	<ul style="list-style-type: none"> a. Total number and total volume of recorded significant spills b. The following additional information for each spill that was reported in the organization's financial statements: <ul style="list-style-type: none"> i. Location of spill ii. Volume of spill iii. Material of spill, categorized by: oil spills (soil or water surfaces), fuel spills (soil or water surfaces), spills of wastes (soil or water surfaces), spills of chemicals (mostly soil or water surfaces), and other (to be specified by the organization) c. Impacts of significant spills 	Not applicable
	306-4	<ul style="list-style-type: none"> a. Total weight for each of the following: <ul style="list-style-type: none"> i. Hazardous waste transported ii. Hazardous waste imported iii. Hazardous waste exported iv. Hazardous waste treated b. Percentage of hazardous waste shipped internationally c. Standards, methodologies, and assumptions used 	Not applicable
	306-5	<ul style="list-style-type: none"> a. Water bodies and related habitats that are significantly affected by water discharges and/or runoff, including information on: <ul style="list-style-type: none"> i. The size of the water body and related habitat ii. Whether the water body and related habitat is designated as a nationally or internationally protected area iii. The biodiversity value, such as total number of protected species 	Not applicable
	307-1	<ul style="list-style-type: none"> a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of: <ul style="list-style-type: none"> i. Total monetary value of significant fines ii. Total number of non-monetary sanctions iii. Cases brought through dispute resolution mechanisms b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient 	Not applicable
Supplier environmental assessment	308-1	<ul style="list-style-type: none"> a. Percentage of new suppliers that were screened using environmental criteria 	Not applicable
	308-2	<ul style="list-style-type: none"> a. Number of suppliers assessed for environmental impacts b. Number of suppliers identified as having significant actual and potential negative environmental impacts c. Significant actual and potential negative environmental impacts identified in the supply chain d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why 	Not applicable

Social

Employment	401-1	a. Total number and rate of new employee hires during the reporting period, by age group, gender, and region b. Total number and rate of employee turnover during the reporting period, by age group, gender, and region	CSR Related Data
	401-2	a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: i. Life insurance ii. Health care iii. Disability and invalidity coverage iv. Parental leave v. Retirement provision vi. Stock ownership vii. Others b. The definition used for "significant locations of operation"	Relationship with Employees (Striving to Create a Pleasant Working Environment)
	401-3	a. Total number of employees that were entitled to parental leave, by gender b. Total number of employees that took parental leave, by gender c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender e. Return to work and retention rates of employees that took parental leave, by gender	Relationship with Employees (Striving to Create a Pleasant Working Environment)/CSR Related Data
Labor/management relations	402-1	a. Minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them b. For organizations with collective bargaining agreements, whether the notice period and provisions for consultation and negotiation are specified in collective agreements	Not reported
Occupational health and safety	403-1	a. The level at which each formal joint management-worker health and safety committee typically operates within the organization b. Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees	Not reported
	403-2	a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by: i. Region ii. Gender b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by: i. Region ii. Gender c. The system of rules applied in recording and reporting accident statistics	Not reported
	403-3	a. Whether there are workers whose work, or workplace, is controlled by the organization, involved in occupational activities who have a high incidence or high risk of specific diseases	Relationship with Employees (Striving to Create a Pleasant Working Environment)
	403-4	a. Whether formal agreements (either local or global) with trade unions cover health and safety b. If so, the extent, as a percentage, to which various health and safety topics are covered by these agreements	Relationship with Employees (Striving to Create a Pleasant Working Environment/Communication)
Training and education	404-1	a. Average hours of training that the organization's employees have undertaken during the reporting period, by: i. Gender ii. Employee category	Relationship with Employees (Human Resource Development and Skill Enhancement)
	404-2	a. Type and scope of programs implemented and assistance provided to upgrade employee skills b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment	Relationship with Employees (Human Resource Development and Skill Enhancement)
	404-3	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period	Relationship with Employees (Human Resource Development and Skill Enhancement)
Diversity and equal opportunity	405-1	a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories: i. Gender ii. Age group: under 30 years old, 30-50 years old, over 50 years old iii. Other indicators of diversity where relevant (such as minority or vulnerable groups) b. Percentage of employees per employee category in each of the following diversity categories: i. Gender ii. Age group: under 30 years old, 30-50 years old, over 50 years old iii. Other indicators of diversity where relevant (such as minority or vulnerable groups)	CSR Related Data/Integrated Report 2018
	405-2	a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation b. The definition used for "significant locations of operation"	CSR Related Data
Non-discrimination	406-1	a. Total number of incidents of discrimination during the reporting period b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization ii. Remediation plans being implemented iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes iv. Incident no longer subject to action	Corporate Governance
Freedom of association and collective bargaining	407-1	a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk in terms of: i. Type of operation (such as manufacturing plant) and supplier ii. Countries or geographic areas with operations and suppliers considered at risk b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining	Not applicable due to the nature of our business

Child labor	408-1	<ul style="list-style-type: none"> a. Operations and suppliers considered to have significant risk for incidents of: <ul style="list-style-type: none"> i. Child labor ii. Young workers exposed to hazardous work b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: <ul style="list-style-type: none"> i. Type of operation (such as manufacturing plant) and supplier ii. Countries or geographic areas with operations and suppliers considered at risk c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor 	Our business entails no risk of using child labor
Forced and compulsory labor	409-1	<ul style="list-style-type: none"> a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of: <ul style="list-style-type: none"> i. Type of operation (such as manufacturing plant) and supplier ii. Countries or geographic areas with operations and suppliers considered at risk b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor 	Our business entails no risk of using forced labor
Security practices	410-1	<ul style="list-style-type: none"> a. Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security b. Whether training requirements also apply to third-party organizations providing security personnel 	Impact is insignificant, due to the nature of our business
Indigenous rights	411-1	<ul style="list-style-type: none"> a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period b. Status of the incidents and actions taken with reference to the following: <ul style="list-style-type: none"> i. Incident reviewed by the organization ii. Remediation plans being implemented iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes iv. Incident no longer subject to action 	Not applicable
Assessment	412-1	<ul style="list-style-type: none"> a. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country 	Risk Management
	412-2	<ul style="list-style-type: none"> a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations 	Human Rights Initiatives
	412-3	<ul style="list-style-type: none"> a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening b. The definition used for "significant investment agreements" 	Risk Management
Local communities	413-1	<ul style="list-style-type: none"> a. Percentage of operations with implemented local community engagement, impact assessments, and/ or development programs, including the use of: <ul style="list-style-type: none"> i. Social impact assessments, including gender impact assessments, based on participatory processes ii. Environmental impact assessments and ongoing monitoring iii. Public disclosure of results of environmental and social impact assessments iv. Local community development programs based on local communities' needs v. Stakeholder engagement plans based on stakeholder mapping vi. Broad based local community consultation committees and processes that include vulnerable groups vii. Works councils, occupational health and safety committees and other worker representation bodies to deal with impacts viii. Formal local community grievance processes 	Impact is insignificant, due to the nature of our business
	413-2	<ul style="list-style-type: none"> a. Operations with significant actual and potential negative impacts on local communities, including: <ul style="list-style-type: none"> i. The location of the operations ii. The significant actual and potential negative impacts of operations 	Not applicable
Supplier social assessment	414-1	<ul style="list-style-type: none"> a. Percentage of new suppliers that were screened using social criteria 	Not applicable
	414-2	<ul style="list-style-type: none"> a. Number of suppliers assessed for social impacts b. Number of suppliers identified as having significant actual and potential negative social impacts c. Significant actual and potential negative social impacts identified in the supply chain d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why 	Not applicable
Public policy	415-1	<ul style="list-style-type: none"> a. Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary b. If applicable, how the monetary value of in-kind contributions was estimated 	CSR Related Data
Customer health and safety	416-1	<ul style="list-style-type: none"> a. 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
	416-2	<ul style="list-style-type: none"> a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: <ul style="list-style-type: none"> i. Incidents of non-compliance with regulations resulting in a fine or penalty ii. Incidents of non-compliance with regulations resulting in a warning iii. Incidents of non-compliance with voluntary codes b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient 	Not applicable due to the nature of our business

Product and service labeling	417-1	<p>a. Whether each of the following types of information is required by the organization's procedures for product and service information and labeling:</p> <ul style="list-style-type: none"> i. The sourcing of components of the product or service ii. Content, particularly with regard to substances that might produce an environmental or social impact iii. Safe use of the product or service iv. Disposal of the product and environmental or social impacts v. Other (explain) <p>b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures</p>	Initiatives through Business Activities (Provision of Quality Service to Customers)
	417-2	<p>a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by:</p> <ul style="list-style-type: none"> i. Incidents of non-compliance with regulations resulting in a fine or penalty ii. Incidents of non-compliance with regulations resulting in a warning iii. Incidents of non-compliance with voluntary codes <p>b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient</p>	Not applicable
	417-3	<p>a. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by:</p> <ul style="list-style-type: none"> i. Incidents of non-compliance with regulations resulting in a fine or penalty ii. Incidents of non-compliance with regulations resulting in a warning iii. Incidents of non-compliance with voluntary codes <p>b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient</p>	Not applicable
Customer privacy	418-1	<p>a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> i. Complaints received from outside parties and substantiated by the organization ii. Complaints from regulatory bodies <p>b. Total number of identified leaks, thefts, or losses of customer data</p> <p>c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient</p>	Not applicable
Social and economic compliance	419-1	<p>a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of:</p> <ul style="list-style-type: none"> i. Total monetary value of significant fines ii. Total number of non-monetary sanctions iii. Cases brought through dispute resolution mechanisms <p>b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient</p> <p>c. The context against which significant fines and non-monetary sanctions were incurred</p>	Not applicable

Specific Standard Disclosures for Financial Services (GRI)

Clauses		Indicators		Links	
Products and services	DMA	FS1	Policies with specific environmental and social components applied to business lines	CSR of the Daiwa Securities Group/Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services/Provision of Quality Service to Customers)	
		FS2	Procedures for assessing and screening environmental and social risks in business lines	Risk Management	
		FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Compliance	
		FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	CSR of the Daiwa Securities Group/Relationship with Employees (Human Resource Development and Skill Enhancement)	
		FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Initiatives through Business Activities (Provision of Quality Service to Customers)/Relationship with Shareholders and Other Investors	
	Aspect: Product Portfolio				
		FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Overview of Company and Businesses/Disclosure Report 2018/Integrated Report 2018	
		FS7	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 (Initiatives through Product Development and Provision/Support for the Creation of Our Future Society)	
		FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Initiatives through Business Activities (Initiatives through Product Development and Provision/Support for the Creation of Our Future Society)	
	Aspect: Audit				
	DMA	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Corporate Governance	
	Aspect: Active Ownership				
	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services)		
	FS11	Percentage of assets subject to positive and negative environmental or social screening	Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services)		
DMA	FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	Initiatives through Business Activities (Role and Social Responsibilities of the Financial Services)		
Society	Aspect: Local Communities				
		FS13	Access points in low-populated or economically disadvantaged areas by type	Not applicable	
		FS14	Initiatives to improve access to financial services for disadvantaged people	Initiatives through Business Activities (Provision of Quality Service to Customers)/Engagement with Society (Assistance to Communities Inside and Outside of Japan through Foundations and NPOs)	
	Aspect: Product and Service Labeling				
	DMA	FS15	Policies for the fair design and sale of financial products and services	Initiatives through Business Activities (Provision of Quality Service to Customers)	
	FS16	Initiatives to enhance financial literacy by type of beneficiary	Engagement with Society (Education and Research Activities in Economics and Finance)		

ISO 26000 Index

In compiling the Daiwa Securities Group CSR Report 2018, reference was made to the core subjects of ISO 26000.

Core Subjects and Issues		
6.2 Organizational governance		Overview of Company and Businesses/CSR of the Daiwa Securities Group/Corporate Governance/Compliance/Risk Management
6.3 Human rights	Issue 1: Due diligence	Risk Management (Supply Chain Management and Human Rights Due Diligence)
	Issue 2: Human rights risk situations	Risk Management
	Issue 3: Avoidance of complicity	Risk Management/Human Rights Initiatives
	Issue 4: Resolving grievances	Corporate Governance
	Issue 5: Discrimination and vulnerable groups	Human Rights Initiatives/Relationship with Employees (Hiring Initiatives)/CSR Related Data
	Issue 6: Civil and political rights	Relationship with Employees
	Issue 7: Economic, social and cultural rights	Human Rights Initiatives/Relationship with Employees
	Issue 8: Fundamental principles and rights at work	Relationship with Employees
6.4 Labor practices	Issue 1: Employment and employment relationships	Overview of Company and Businesses/Relationship with Employees (Hiring Initiatives)/CSR Related Data
	Issue 2: Conditions of work and social protection	Relationship with Employees (Hiring Initiatives/Striving to Create a Pleasant Working Environment)
	Issue 3: Social dialogue	Relationship with Employees (Communication)
	Issue 4: Health and safety at work	Not applicable
	Issue 5: Human development and training in the workplace	Relationship 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/SR Related Data
	Issue 4: Protection of the environment, biodiversity and restoration of natural habitats	Engagement with Society (Corporate Citizenship Initiatives)/Environmental Initiatives/CSR Related Data
6.6 Fair operating practices	Issue 1: Anti-corruption	CSR of the Daiwa Securities Group/Risk Management/Corporate Governance/Compliance
	Issue 2: Responsible political involvement	CSR of the Daiwa Securities Group/Corporate Governance/Compliance/Risk Management/CSR Related Data
	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	Initiatives through Business Activities (Provision of Quality Service to Customers)
	Issue 2: Protecting consumers' health and safety	Not applicable due to the nature of our business
	Issue 3: Sustainable consumption	Initiatives through Business Activities
	Issue 4: Consumer service, support, and complaint and dispute resolution	Initiatives through Business Activities (Provision of Quality Service to Customers)
	Issue 5: Consumer data protection and privacy	IT Strategy and the Management of Systemic Risk
	Issue 6: Access to essential services	Not applicable
	Issue 7: Education and awareness	Initiatives through Business Activities (Dissemination of Analysis and Proposals on the Economy, Society, and Investment Information)/Engagement with Society (Education and Research Activities in Economics and Finance)
6.8 Community involvement and development	Issue 1: Community involvement	Initiatives through Business Activities (Support for the Creation of Our Future Society)/Engagement with Society (Corporate Citizenship Initiatives)
	Issue 2: Education and culture	Engagement with Society
	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 (Initiatives through Product Development and Provision)/ Engagement with Society
	Issue 6: Health	Initiatives through Business Activities (Initiatives through Product Development and Provision)/ Engagement with Society (Assistance to Communities Inside and Outside of Japan through Foundations and NPOs)
	Issue 7: Social investment	Initiatives through Business Activities/CSR Related Data

CSR Related Data

Management Report

Compensation Paid to Directors and Corporate Executive Officers of Daiwa Securities Group Inc. in FY2017

(1) Total Amount of Compensation, Etc. by Type of Officer, Total Amount of Compensation, Etc. by Type, and the Number of Executives

Type of officer	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)				Number of executives (persons)
		Basic compensation	Stock options	Performance-based compensation	Lump-sum retirement pay	
Directors	35	32	3	—	—	2
Corporate Executive Officers	1,331	561	89	681	—	14
External Directors	112	112	—	—	—	6

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

(2) Total Amount of Consolidated Compensation, Etc. by Officer

Name	Total amount of consolidated compensation, etc. (million yen)	Type of officer	Company name	Total amount of consolidated compensation, etc. by type (million yen)			
				Basic compensation	Stock options	Performance-based compensation	Lump-sum retirement pay
Takashi Hibino	226	Corporate executive officer	Daiwa Securities Group Inc.	69	10	99	—
			Daiwa Securities Co. Ltd.	46	—	—	—
Seiji Nakata	271	Corporate executive officer	Daiwa Securities Group Inc.	69	10	144	—
			Daiwa Securities Co. Ltd.	46	—	—	—
Shinya Nishio	185	Corporate executive officer	Daiwa Securities Group Inc.	61	8	89	—
			Daiwa Securities Co. Ltd.	25	—	—	—
Kazuo Takahashi	132	Corporate executive officer	Daiwa Securities Group Inc.	19	6	—	—
			Daiwa Securities Co. Ltd.	46	—	59	—
Toshihiro Matsui	109	Corporate executive officer	Daiwa Securities Group Inc.	43	5	49	—
			Daiwa Securities Co. Ltd.	10	—	—	—
Keiko Tashiro	109	Corporate executive officer	Daiwa Securities Group Inc.	43	5	49	—
			Daiwa Securities Co. Ltd.	10	—	—	—
Mikita Komatsu	109	Corporate executive officer	Daiwa Securities Group Inc.	43	5	49	—
			Daiwa Securities Co. Ltd.	10	—	—	—
Masahisa Nakagawa	107	Corporate executive officer	Daiwa Securities Group Inc.	42	5	49	—
			Daiwa Securities Co. Ltd.	10	—	—	—

* Only officers whose total amount of consolidated compensation, etc. exceeds 100 million yen are listed.

* Type of Officer is the same as that for Daiwa Securities Group Inc.

* Under Type of Officer, directors who concurrently serve as corporate executive officers are designated as corporate executive officer.

Social Report

Scope of data

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

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

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

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

Employees at the Daiwa Securities Group (Consolidated)

(Unit: persons)

		As of March 31, 2017			As of March 31, 2018		
		Employees	FA*1	Temporary employees	Employees	FA*1	Temporary employees
Japan	Male	7,552	52	—	8,077	49	—
	(Career track*2)	7,018	—	—	7,642	—	—
	(Managers)	3,901	—	—	4,081	—	—
	Female	4,660	59	—	4,938	51	—
	(Career track*2)	3,116	—	—	3,466	—	—
	(Managers)	375	—	—	424	—	—
	Japan total	12,212	111	855	13,015	100	848
	(Career track*2)	10,134	—	—	11,108	—	—
(Managers)	4,276	—	—	4,505	—	—	
Overseas	Male	—	—	—	1,110	—	—
	(Managers)	—	—	—	579	—	—
	Female	—	—	—	566	—	—
	(Managers)	—	—	—	140	—	—
	Overseas total	1,513	—	90	1,676	—	98
	(Managers)	—	—	—	719	—	—
Total	13,725	111	945	14,691	100	946	

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

*1 Financial advisors

*2 Includes regional career-track employees and specialists

Number of New Graduates Recruited by the Daiwa Securities Group

(Unit: persons)

		April 2016	April 2017	April 2018
Career-track employees/regional career-track employees	Male	332	345	289
	Female	330	333	289
Total		662	678	578

* This data covers eight Group companies.

Workforce Statistics

	FY2015	FY2016	FY2017
Average annual salary*1 (ten thousand yen)	1,212	1,072	1,045
Average age (years old)	42	42.1	41.9
Average number of years of service (years)	15.4	15.3	15.0

* This data pertains to Daiwa Securities Group Inc. (including those who simultaneously work for Daiwa Securities).

*1 Average annual salary includes bonuses and other. There is no wage gap based on gender or nationality.

Average Age

(Unit: years old)

	FY2015	FY2016	FY2017
Total	37.9	38.0	38.0
Male	39.5	39.6	39.6
Female	35.6	35.7	35.7

* This data covers Daiwa Securities.

Average Number of Years of Service

(Unit: years)

	FY2015	FY2016	FY2017
Total	13.5	13.6	13.7
Male	15.1	15.2	15.3
Female	11.3	11.4	11.4

* This data covers Daiwa Securities.

Employee Turnover Statistics

(Unit: %)

	FY2015	FY2016	FY2017
Total	3	3	3

* This data covers Daiwa Securities.

Re-Employment under the Daiwa Master System

(Unit: persons)

	FY2015	FY2016	FY2017
Number of employees hired under the Daiwa Master System	68	69	72

* This data covers Daiwa Securities.

Employment Rate for Persons with Disabilities

(Unit: %)

	End of FY2015	End of FY2016	End of FY2017
Employment rate for persons with disabilities	2.05	2.02	2.10

* This data covers Daiwa Securities.

Achievements of Selected Participants in Management Training

(Unit: persons)

Daiwa Management Academy: Targeting department managers	FY2015	FY2016	FY2017
Number of people who have completed training (cumulative)	358	380	403
Daiwa Leadership Program: Targeting deputy general managers	FY2015	FY2016	FY2017
Number of people who have completed training (cumulative)	797	862	929

* This data covers 10 Group companies.

Participants in Skill Training

(Unit: persons)

	FY2015	FY2016	FY2017
Number of people who have completed training (cumulative)*1	6,073	7,507	9,362

* This data covers eight Group companies.

*1 The number of people completing training in coaching, presentation, negotiation skills, logical thinking, communication, inheritance and business succession master course, investment analysis basic course, derivatives basic course, medium-sized corporations master course, real estate basic course, financial modeling basic course, time management (intermediate course), motivation management, time management (basic course), question-asking abilities enhancement, corporate analysis basic course (intermediate accounting course), corporate analysis master course (how to read annual securities reports), IB origination, behavioral science (secret art of teaching/skills to continue trying), stress management, coaching (basic course), or facilitation.

Number of Persons Earning Credentials*1

(Unit: persons)

Credential	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018
Affiliated Financial Planner (AFP)	5,333	5,626	6,811
Certified Financial Planner (CFP®)*2	616	643	698
Chartered Member of the Securities Analysts Association of Japan (CMA)	1,525	1,542	1,613
Chartered Financial Analyst (USA credential)	57	59	59
TOEIC (730–990)	1,660	1,752	1,830
Overseas MBA program, etc.	168	173	177

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

*2 These figures cover Daiwa Securities.

Successful Applicants in Internal Recruiting System

(Unit: persons)

Held	Positions offered	No. of applicants	Successful applicants
Cumulative from FY2000	M&A, SMA consultants, analysts, internal wholesalers, compliance, dealers, derivatives, traders, fund managers, principal finance specialists, venture capitalists, money managers, research, underwriting, sale, overseas, management consultant, individual and corporate sales, product development, proposals and planning, investment advisors, global trainees, etc.	1,029	164

* This data covers 10 Group companies.

Working Hours and Paid Vacation Usage Rate

	FY2015	FY2016	FY2017
Annual regular working hours (hours)	1,837.5	1,837.5	1,837.5
Average monthly overtime hours (hours)*1	24	23.5	23.2
Paid vacation usage rate (%) (including special summer vacation)*2	63	66	68

* This data covers two Group companies.

*1 Figures indicate employees at the two companies that 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)

		FY2015	FY2016	FY2017
Number of employees taking childcare leave*1	Female	640	671	695
	Male	250	327	437
Number of employees taking nursing care leave	Female	4	0	2
	Male	2	2	3

* This data covers all consolidated Group companies.

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

Employees Taking Childcare Leave and Other Related Plans

		FY2015	FY2016	FY2017
Employees taking childcare leave (%)	Female	100	100	100
	Male	73	97	100
Return to work rate for those taking childcare leave (%)	Female	93	92	90
	Male	100	100	100
Women working when their children turned one (%)		100	100	100
Short working hour system usage (persons)		249	324	373
Daycare subsidy usage (persons)		505	625	702

* This data covers Daiwa Securities.

Initiatives for Work-Life Balance and Supporting Diverse Work Styles

Systems to support balancing of work and childcare	
Program name	Program description
Expanded leave system	This system encourages employees to take paid vacation and has introduced leave for marriage preparations, kid's ceremony leave to attend an entrance ceremony, graduation ceremony or other events, family day leave to give employees a chance to spend quality time with their families, leave for celebrating parent's longevity so that employees can celebrate the longevity of their parents, and long service leave so that employees can take up to 5 days off in their 20th year and 30th year at the company
Childcare leave	Employees can take childcare leave until the day before their child's third birthday
Childcare support leave	When an employee's spouse gives birth or returns to work, leave may be taken (first two weeks of pay is guaranteed for childcare leave)
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
Reduced-hour work arrangements	System by which employees can leave work earlier by up to 90 minutes per day (by increments of 10 minutes) until the child graduates from elementary school
Exemption from overtime work	Employees are exempt from work outside regular working hours (overtime work) until their children complete the third grade of elementary school (childrearing), and from the time that they start providing nursing care until the time that reasons for providing nursing care have disappeared (nursing care)
Restricted overtime work	Employees can restrict work outside regular working hours (overtime work) to not more than 24 hours per month and 150 hours per year until their children graduate from elementary school (childrearing), and from the time that they start providing nursing care until the time that reasons for providing nursing care have disappeared (nursing care)
Life support paid leave	Employees can take up to 50 days' leave due to injury, disease, nursing care preparation, infertility treatment or caring for a sick child who has yet to complete the third grade of elementary school, except when other types of leave are available, by accumulating expired paid leave
Daycare subsidy	The Group offers subsidies for daycare expenses until employees' child begins elementary school
Babysitter system	Employees can use the babysitter services of service providers with which the company has signed a corporate contract at discount rates
Reduced work hours (securing time for nursing care)	Employees can shorten their work hours by up to two hours per day
Flex work system	Employees may work from home for up to 5 days per month to provide nursing care to a family member designated as requiring nursing care (including requiring support) or if they have contracted cancer but are able to work if the burden of commuting is reduced
Nursing care leave	Employees can take leave up to 4 times for not more than 1,095 days per family member requiring care
Nursing care concierge service	A consultation window has been established where employees can consult with external nursing care experts regarding worries and problems related to nursing care and receive support such as proxy services for applying for nursing care insurance and referrals to nursing care facilities
Expanded support for balancing work and nursing care	The company has established a class on support for balancing work and nursing care to help resolve employees' concerns for future nursing care
Job location change system	Offers a position in a new location when an employee must relocate after marriage or spouse's job transfer
Spouse work reassignment leave system	Employees may opt to take leave for a certain period (up to 5 years) in the event their spouses are reassigned to work in a location that is untenable for them to commute to work
Professional return plan (rehiring of sales staff)	Offers opportunities for re-employment to former full-time employees who left their jobs for marriage or childcare. (The scope of eligibility for the program has been expanded since November 2015, from those returning to work within 5 years of their retirement to those within 10 years)

Female Employees and Managers at the Daiwa Securities Group

(Unit: %)

	End of FY2015	End of FY2016	End of FY2017
Percentage of employees who are female (Consolidated)	37.2	38.1	37.9
Percentage of employees who are female (Daiwa Securities only)	40.7	41.4	42.2
Percentage of managers who are female (Consolidated)	7.5	8.8	9.4
Percentage of managers who are female (Daiwa Securities only)	8.9	10.6	11.6

Women Newly Appointed to Managerial Positions

	End of FY2015	End of FY2016	End of FY2017
Number of women newly appointed to managerial positions (persons)	45	62	40
Total number of those appointed to managerial positions (persons)	166	192	164
Percentage of managers who are female (%)	27.1	32.3	24.4

* This data covers Daiwa Securities.

Number of Employee Union Members

	End of FY2015	End of FY2016	End of FY2017
Number of employee union members (persons)	6,822	6,943	7,134
Ratio of employees who are employee union members (%)	64.2	64	64.4

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

Corporate Citizenship Initiatives and Expenditures



(Unit: thousand yen)

Type of activity	FY2015	FY2016	FY2017
1. Education and research in economics and finance	137,193	42,351	130,122
2. Assistance to communities inside and outside of Japan through foundations and NPOs	147,748	128,594	149,441
3. Support for culture and the arts	296,110	323,110	437,458
4. Corporate citizenship initiatives	2,706	3,400	2,501
Total	583,758	497,457	719,523

Political Contribution

(Unit: million yen)

Type of activity	FY2015	FY2016	FY2017
Political contribution	30	30	—

* Data for the previous fiscal year is published each year around November.

Results in Economic and Financial Education Program

(Unit: persons)

Program	FY2015	FY2016	FY2017
Support for Finance Park	15,362	20,261	19,183
	Cumulative number since the initiation of support (in September 2003)		113,976
Support for the Student Company Program	N/A	N/A	N/A
	Cumulative number since the opening (in June 2005)		221

Environmental Report

Boundary of data

Energy consumption, CO₂ emissions, clean water consumption:

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

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

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

Paper consumption:

Domestic: Group overall (limited to companies that have handled Daiwa office services.) (Until FY2016, Gran Tokyo North Tower only.)

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

Energy Consumption



Office	Type	FY2015	FY2016	FY2017
Japan	Electricity (thousand kWh)	71,182	69,496	65,982
	Utility gas (thousand Nm ³)	326	320	302
	Heavy oil (kL)	23.2	21.1	9.2
	Diesel fuel (kL)	0.09	0.07	0.06
	Kerosene (kL)	0.00	0.00	16.53
	Steam and cold water* ¹ (GJ)	—	—	1,200
	Total (GJ)* ²	—	—	673,980

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

*2 GJ: Gigajoule (10⁹ joules). Calculated using coefficients from the Act on the Rational Use of Energy for each energy type.

For utility gas, the coefficient from the Act on Promotion of Global Warming Countermeasures is used.

Office	Type	FY2015	FY2016	FY2017
Overseas	Electricity (thousand kWh)	7,526	6,387	7,378
	Utility gas* ¹ (thousand Nm ³)	91.5	101.9	111.4
	Cold water* ² (GJ)	—	—	825
	Total (GJ)* ³	—	—	79,671

*1 Until FY2016, only utility gas in London was calculated. From FY2017, Seoul was added.

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

*3 GJ: Gigajoule (10⁹ joules). Calculated using coefficients from the Act on the Rational Use of Energy for each energy type.

For utility gas, the coefficient from the Act on Promotion of Global Warming Countermeasures is used.

Office	Type	FY2015	FY2016	FY2017
Total (Japan and overseas)	Electricity (thousand kWh)	78,708	75,883	73,360
	Utility gas (thousand Nm ³)	418	422	414
	Heavy oil (kL)	23.2	21.1	9.2
	Diesel fuel (kL)	0.09	0.07	0.06
	Kerosene (kL)	0.00	0.00	16.53
	Steam/cold water (GJ)	—	—	2,025
	Total (GJ)* ¹	—	—	753,651

*1 GJ: Gigajoule (10⁹ joules). Calculated using coefficients from the Act on the Rational Use of Energy for each energy type.

For utility gas, the coefficient from the Act on Promotion of Global Warming Countermeasures is used.

CO₂ Emissions(Unit: t-CO₂)

Office	Type	FY2015	FY2016	FY2017
Japan	Electricity	32,852	31,708	29,663
	Utility gas	745	731	691
	Heavy oil	62.7	56.9	24.9
	Diesel fuel	0.23	0.16	0.14
	Kerosene	—	—	41.11
	Steam/cold water	—	—	68
	Rental cars* ¹	2,208	2,079	1,942
	Commuting (bus/railroad)* ²	—	1,443	1,466
	Business travel* ³	—	—	1,290
	Total	35,868	36,018	35,186
	Scope 1	808	788	757
	Scope 2	32,852	31,708	29,731
	Scope 3	2,208	3,521	4,698

*1 Rental cars: Gasoline used by rental cars.

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

Office	Type	FY2015	FY2016	FY2017
Overseas	Electricity	3,520	3,064	3,353
	Utility gas	204	227	241
	Steam/cold water	—	—	47
	Business travel*	—	—	591

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

Office	Type	FY2015	FY2016	FY2017
Total (Japan and overseas)	Electricity	36,372	34,772	33,015
	Utility gas	949	958	932
	Heavy oil	62.7	56.9	24.9
	Diesel fuel	0.23	0.16	0.14
	Kerosene	—	—	41.11
	Steam/cold water	—	—	115
	Rental cars	2,208	2,079	1,942
	Commuting	—	1,443	1,466
	Business travel	—	—	1,880
		Scope 1	1,012	1,015
	Scope 2	36,372	34,772	33,131
	Scope 3	2,208	3,521	5,288

Calculation methods

Scope 1 and scope 2

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

A) Electricity

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

Overseas: Figures for CO₂ are calculated using the latest figures published by the local government or electricity provider.

Figures for CO₂ emission factors in regions for which data is difficult to obtain are the latest published for each country by the International Energy Agency (IEA).

B) Utility gas

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

Overseas: Same calculation method as above "Japan" (calculated based on the calorific value and emission factor defined in the Act of Promotion of Global Warming Countermeasures).

C) Heavy oil, diesel fuel, kerosene, steam, cold water

Calculated on a consumption basis.

Scope 3

Calculated using discharge rate from a discharge rate database (Ver. 2.5) for calculating organization global warming gas emissions etc. throughout the supply chain. (Disclosed figures have been rounded)

D) Rental cars

The fuel used in rental cars used as company cars. Categorized in accordance with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain.

E) Commuting

Calculated by multiplying commuting costs paid by Daiwa Securities to officers and employees by discharge rate.

F) Business travel

Calculated by tallying up persons/km involved in overseas business travel (international airline use) at the Daiwa Securities Group Inc., Daiwa Securities, London and Hong Kong by discharge rate.

CO₂ Emissions per Employee (Japan)

Office	Type	FY2015	FY2016	FY2017
Japan	Per employee (t-CO ₂)	2.9	2.9	2.7
	Number of employees in Japan (persons)	12,229	12,323	13,115

* FY2016 figures revised.

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

Clean Water Consumption



Office	Type	FY2015	FY2016	FY2017
Japan	Clean water (thousand m ³)	117.7	117.1	119.1
Overseas*	Clean water (thousand m ³)	—	—	11.6
Total (Japan and overseas)	Clean water (thousand m ³)	—	—	130.7

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

Waste

		FY2015	FY2016	FY2017
Paper waste	Amount used (t)	320.3	310.4	324.6
	Recycling rate (%)	93.6	92.4	94.6
Non-paper waste	Amount used (t)	210.6	211.5	237.1
	Recycling rate (%)	53.8	48.4	44.8

Paper Consumption

Office	Type	FY2015	FY2016	FY2017
Japan* ¹	Amount used (t)	184.2	175.6	1,065.8
Overseas* ²	Amount used (t)	—	—	46.0
Total (Japan and overseas)	Amount used (t)	—	—	1,111.8

*¹ Until FY2016, only calculated for Gran Tokyo North Tower. From FY2017, calculated for the Group overall.

*² From FY2017, calculated for London, New York, Hong Kong, Taipei, Singapore, Seoul, Baltimore, Mumbai, and Manila offices.

Environmental Accounting

Boundaries

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

Environmental Preservation Cost (Classified in Accordance with Business Activities)*1

(Unit: million yen)

Type	Description of major initiatives	FY2015		FY2016		FY2017		
		Investment amount	Cost	Investment amount	Cost	Investment amount	Cost	
Cost within business area	Global environment preservation	Introduction and upgrading of energy-saving air conditioners	274.1		439.1		7.1	
		Power receiving and transforming facilities	802.6		122.8		119.4	
	Eco-car leasing fee (for five years)		308.0		291.8		232.3	
	Resource recycling	Waste disposal cost*2		20.5		20.9		21.6
		Dissolution process cost*3		29.8		29.7		31.8
	Total	1,076.7	358.3	561.9	342.4	126.4	285.7	
Management activity cost	Management of environmental data, etc.		2.0		2.0		2.0	
Social activity cost	Environmental preservation, etc.		1.0		1.0		1.0	
Total		1,076.7	361.3	561.9	345.4	126.4	288.7	

*1 Other important facilities are partially included.

*2 Daiwa Securities branches

*3 Gran Tokyo North Tower

Economic Effects Arising from Environmental Preservation Measures (Real Effects)

	FY2015	FY2016	FY2017
Amount of cost reduced	36.4	23.9	16.4
Amount of revenue (recycle, etc.)	0	0	0
Total	36.4	23.9	16.4

Financial Capability Data

We report the deals we lead-managed by classifying them into items in an easy-to-understand way for our stakeholders in Japan in reference to the SASB's FN102-17.

☆**Industry Classification** ... Classified based on the Tokyo Stock Exchange's category of industry. Unlisted issuers are classified by Daiwa Securities Group Inc.

☆**Scope** ... Total amount of issues for which the Daiwa Securities Group served as lead manager.

For equity offerings, however, we include only the value of the Group's book-runner deals and exclude the tranches for which the Group did not serve as book runner.

☆**Figure** ... There may be discrepancies in total amounts due to rounding.

(Unit: billion yen)

		IPO	PO	CB	REIT (equity)	Corporate bond	Bond issued by government- affiliated special corporation	Municipal bond	Samurai bond	Bonds inside and outside of Japan (benchmark bonds)	Japan housing finance agency (RMBS)
Fishery, agriculture & forestry	Fishery, agriculture & forestry		4.6								
Mining	Mining										
Construction	Construction					147					
Manufacturing	Foods		84			320					
	Textiles & apparel					100					
	Pulp & paper					35					
	Chemicals		1.1			127					
	Pharmaceutical										
	Oil & coal products		124.8			30					
	Rubber products					25					
	Glass & ceramic products					10					
	Iron & steel					60					
	Nonferrous metals			13.4	30		30				
	Metal products					3					
	Machinery		12.1				120				
	Electric appliances			351.1	10		255				
	Transportation equipment						240				
	Precision instruments										
Other products		1.4									
Electric power & gas	Electric power & gas					1,070					
Transportation & information and communications	Land transportation	127.6				869				98.8	
	Marine transportation										
	Air transportation					15					
	Warehousing & harbor transportation services					31				31.9	
Commerce	Information & communication	2.4				130					
	Wholesale trade		25.6			75					
Finance & insurance	Retail trade		12.5			55					
	Banks		3.9			359		657		106.3	
Real estate	Securities & commodity futures		5.2	50		106				106.3	
	Insurance					240					
	Other financing business	8.4				585					
Real estate	Real estate	37.8	7.5			255					
Services	Services	30.7	1,312.7	40		100					
Nonclassifiable	Real estate investment corporation				181.4	41.6					
	Public entity						1,132.5	1,462	30	2,395.9	814.7
Total		220.4	1,946.4	130.0	181.4	5,433.6	1,132.5	1,462.0	687.0	2,739.1	814.7

Glossary

●AFP/CFP®

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

●Biomass Power Generation Plant

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

●Blockchain

A system of distributed ledger recording/managing transaction history across multiple computers on the network. Participants share all the data, which makes it difficult to falsify data. Blockchain is used in transactions using virtual currency, such as Bitcoin. The use of blockchain is being expanded to other application areas.

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

●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 Due Diligence

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

●GRI

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

●iDeCo (Individual-Type Defined Contribution)

Corporate-type and individual-type defined contribution pension plans have been in place, and iDeCo is a nickname for the individual-type defined contribution pension plan with a broadened scope of eligibility. iDeCo is a private pension plan in which participants make contributions and decide which investment products to invest in and receive benefits based on the total of their contributions and investment returns. Special tax breaks apply to contributions.

●Impact Investment

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

●ISO 26000

A worldwide standard that provides guidance for social responsibility of organizations.

●Issuers

Entities that issues stocks/bonds to raise funds.

●LGBT

An initialism that stands for lesbian, gay, bisexual, and transgender.

●Materiality

The themes and aspects companies 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 incomes.

●Nippon Individual Savings Account (NISA)

Dividends and capital gains from stocks, investment trusts, and other investments are subject to ordinary income tax and local taxes, but this program exempts dividends and capital gains from new purchases up to 1.20 million yen for a maximum of five years.

●Principles for Financial Action toward a Sustainable Society (Principles for Financial Action 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.

●Risk Control Self-Assessment (RCSA)

The process whereby staff assess potential risks and related controls in the workplace. Typically, this method exposes potential risks through workshops and surveys.

●SRI

Socially responsible investment. An investment strategy where both financial return and social good are sought.

●Stewardship Code

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

●Supply Chain Management

To investigate 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.

●Sustainability Accounting Standards Board (SASB)

A nonprofit organization established in 2011 in the United States. This organization aims for increased disclosure of non-financial information of companies traded on U.S. exchanges, and proposes industry-based sustainability standards.

●Sustainable Development Goals (SDGs)

An international agenda adopted at the September 2015 U.N. Summit comprising 17 goals and 169 targets aiming for the eradication of poverty and the creation of a sustainable world.

●Task Force on Climate-related Financial Disclosures (TCFD)

A task force established by the Financial Stability Board (FSB) to discuss how climate change affects company operation. In June 2017, a proposal on the disclosure of information related to climate change risks by companies was compiled.

●UN Global Compact (UNGC)

A global initiative established through the advocacy of then-Secretary General Kofi Annan. Members support 10 principles in the fields of human rights, labor, environment, and anti-corruption in their business activities.

●United Nations Environment Programme Finance Initiative (UNEP-FI)

A partnership concluded between the United Nations Environment Programme (UNEP) and over 200 global financial institutions to promote financial activities taking sustainability into consideration.

●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  (the "Indicators") for the period from April 1, 2017 to March 31, 2018 included in its CSR Report 2018 (the "Report") for the fiscal year ended March 31, 2018. Some Indicators which are subject to this assurance engagement are cumulative totals as of March 31, 2018 or figures for the period from January 1, 2017 to December 31, 2017.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's Daiwa Yaesu Building selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

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

Our Independence and Quality Control

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

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

November 5, 2018

Daiwa Securities Group



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



MSCI

2018 Constituent
MSCI Japan Empowering
Women Index (WIN)