



Daiwa Securities Group Climate-related Disclosures **2025**

(former TCFD disclosures)



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1. Introduction

1. Introduction

(1) Executive Summary

Daiwa Securities Group is committed to enhancing climate-related disclosures in pursuit of a carbon-neutral society.

This report presents information on governance, strategy, risk management, and metrics and targets, with reference to IFRS S1 and S2 issued by the International Sustainability Standards Board (ISSB) in June 2023, as well as the Sustainability Disclosure Standards published by the Sustainability Standards Board of Japan (SSBJ) in March 2025.

Governance	<p>Supervision</p> <ul style="list-style-type: none"> • The Board of Directors oversees strategies and policies related to sustainability, including climate change. • The Board includes both internal and external directors with deep expertise in sustainability. In accordance with the Board of Directors' regulations, the Board makes decisions on core management matters and other issues it deems important. • To strengthen executive incentives related to sustainability initiatives, sustainability KPIs have been incorporated into performance-linked remuneration. 	<p>Execution</p> <ul style="list-style-type: none"> • Sustainability Promotion Committee: Chaired by the President and CEO, it discusses climate-related strategies and policies and reports to the Executive Committee and the Board of Directors as necessary. • Group Risk Management Committee: Chaired by the President and CEO, it discusses policies and measures related to risk management, including climate change. CRO also attends. • Group-Wide Working Group: Under Sustainability Managers at each division and Group company, it promotes sustainability-related businesses and monitors KPIs.
Strategy	<p>Climate-related Risks and Opportunities</p> <ul style="list-style-type: none"> • Risks: We carry out climate-related scenario analysis to identify risks that may affect our businesses, such as reduced earnings from investees, declining asset values, and reputational risks. • Opportunities: Through scenario analysis and internal interviews, we identify opportunities, such as increased demand for sustainable investments, financing, and new financial products. 	<p>Climate-related Strategies</p> <ul style="list-style-type: none"> • We promote sustainable finance, investment opportunities in alternative assets, and renewable energy. • Under the Net Zero Carbon Declaration, we are committed to reducing GHG emissions, enhancing stakeholder engagement, and contributing to rule-making. <p>Resilience Assessment</p> <ul style="list-style-type: none"> • Although the energy transition brings certain negative impacts, the growth of new energy sources creates opportunities, resulting in a net neutral impact.
Risk Management	<p>Risk Management Framework</p> <ul style="list-style-type: none"> • Climate-related risks are managed within our existing risk management framework. Since FY2021, they have been included in the Risk Appetite Statement and are effectively monitored. • Effects on trading positions are assessed through stress tests using the shortened NGFS scenarios. 	<p>Environmental and Social Policy Framework</p> <ul style="list-style-type: none"> • We have established the Environmental and Social Policy Framework, which is regularly updated based on domestic and international developments. • For projects with potential climate impact, such as coal-fired power generation, coal mining, and oil and gas development, we carry out ESG due diligence to determine whether to provide financing.
Metrics and Targets	<p>Sustainability KPI</p> <ul style="list-style-type: none"> • As part of the Medium-term Management Plan "Passion for the Best" 2026, new sustainability KPIs were set in FY2024, including targets for GHG emissions (our own operations*1 and investment portfolio*2). <p>Our Own Operations*1</p> <ul style="list-style-type: none"> • Under the Net Zero Carbon Declaration, we aim to achieve net zero by FY2030. • In FY2024, we achieved approximately a 70% reduction through switching to renewable energy and implementing energy-saving efforts at all domestic offices of Daiwa Securities and Daiwa Institute of Research. Strong progress has been made. 	<p>Investment Portfolio*2</p> <ul style="list-style-type: none"> • Under the Net Zero Carbon Declaration, we aim to achieve net zero by 2050. • For project finance in the power generation sector—the largest source of emissions in our portfolio—we set interim targets for FY2030. In FY2023, the financed emissions declined due to improved efficiency and increased renewable investments. <p>Carbon-intensive Assets</p> <ul style="list-style-type: none"> • As carbon-intensive assets may lose value during the transition, we continue to monitor them. • As of December 2024, total carbon-intensive assets stood at approximately 550 billion yen.

*1 Total of Scope 1 and Scope 2

*2 The targets cover project finance in the power generation sector. Include some estimated values.

1. Introduction

(2) FY2024 Highlights*¹ (Group KPI)



**GHG emissions within our
own operations*²**

FY2030 Target*⁴

Net Zero

2,725 t-CO₂e



**GHG emissions within
our investment and
loan portfolios*³**

Interim Target*⁴

186~255 g-CO₂e/kWh

243 g-CO₂e/kWh



SDGs bond league table*⁵

FY2026 Target

In the top 2

1st

*¹ As of March 31, 2025

*² Total of Scope 1 and Scope 2 (market-based)

*³ FY2023 results. The targets cover project finance in the power generation sector. Include some estimated values.

*⁴ FY 2030

*⁵ Scope: Straight bonds, Fiscal Investment and Loan Program Agency bonds, local government bonds, Samurai Bonds that are issued for the purpose of resolving environmental and social issues in line with the context of the sustainability strategy of the issuer *excludes the company's own bonds

Calculation methods: Prepared by Daiwa Securities based on LSEG data and analytics data

1. Introduction

Our History

We support various initiatives and continue to advance our efforts. In 2018, we became the first domestic securities company to endorse the TCFD and have published climate-related disclosures annually since then.

2018	<ul style="list-style-type: none"> Established the SDGs Promotion Committee (Currently the Sustainability Promotion Committee) Endorsed the TCFD
2019	<ul style="list-style-type: none"> Joined the TCFD Consortium Partnership with Green Giraffe
2020	<ul style="list-style-type: none"> Established a dedicated team for sustainable finance Appointed the Head of SDGs (Currently the Head of Sustainability) Disclosed the results of scenario analysis
2021	<ul style="list-style-type: none"> Established Vision 2030 Established the Environmental and Social Policy Framework Published the Net Zero Carbon Declaration Joined PCAF A director was appointed as a trustee of the IFRS Foundation
2022	<ul style="list-style-type: none"> An employee was appointed as a member of the SSBJ
2023	<ul style="list-style-type: none"> Appointed as product design advisor for the Japan Climate Transition Bonds Joined the GX League Set interim targets for Investment portfolio Began climate-related disclosures in the annual securities report
2024	<ul style="list-style-type: none"> Established the Medium-term Management Plan “Passion for the Best” 2026 Updated Vision 2030 Held a Sustainability Meeting with institutional investors Received the Good Market Maker Award for the carbon credit market for the second consecutive year Switched to renewable energy at all domestic offices of Daiwa Securities and Daiwa Institute of Research Expanded the scope of portfolio emissions to include all sectors Added renewable energy facilities to the scope of physical risk assessments

2. Overview of Sustainability Strategy

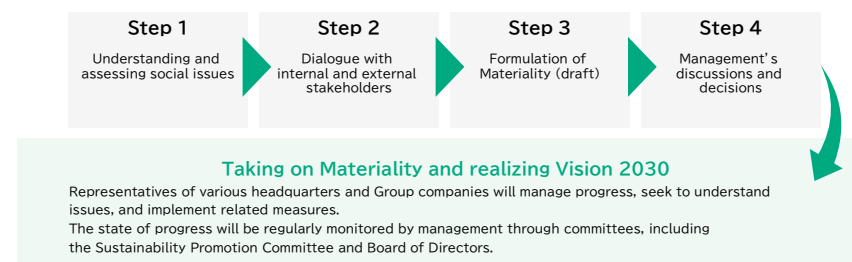
2. Overview of Sustainability Strategy

(1) Vision 2030

In 2021, we formulated Vision 2030, our management vision through to 2030. As part of the process, we singled out and evaluated important medium- to long-term social issues, and through dialogue with stakeholders identified Materiality. When formulating the Medium-term Management Plan “Passion for the Best” 2026 in 2024, we updated Vision 2030 after re-opening discussions on what kind of group we believe Daiwa Securities Group should be, including from the perspective of sustainability.

We aim to achieve Vision 2030 by managing the progress of our efforts using KPIs to achieve a sustainable society and further improve our value.

Process of Formulating and Revising Vision 2030

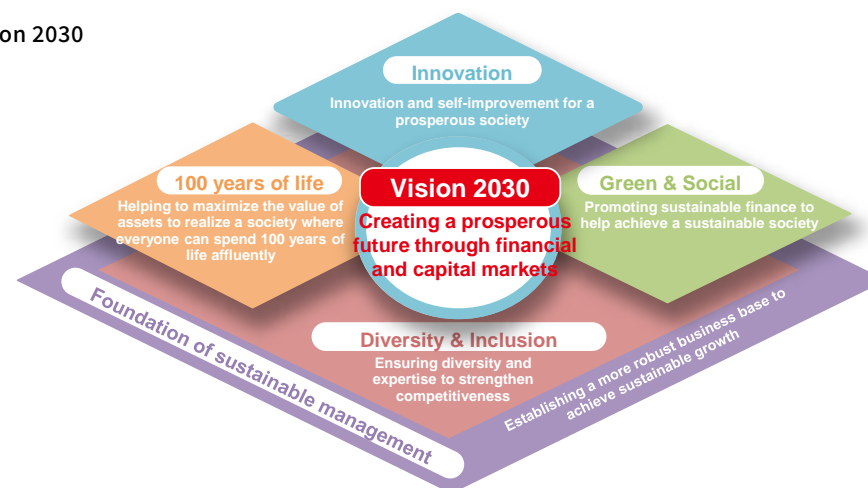


Materiality under Vision 2030

The core concept of Vision 2030 is creating a prosperous future through financial and capital markets. As professionals in the financial and capital markets, we deliver high-quality solutions, while contributing to a carbon neutral society and promoting innovation inside and outside the Group to realize a prosperous future for all.

Under the materiality of the Green & Social, we deliver financial products and services that contribute to solving social issues. Additionally, under the Foundation of Sustainable Management, we promote decarbonization within our own operations to strengthen the foundation that supports sustainable corporate management.

Vision 2030



Materiality



100 years of life

In preparation for achieving a society where anybody can live comfortably in the area of 100-year lifespans, we will help to maximize the value of assets to meet the diversifying needs of customers.



Innovation

In addition to aiming to generate innovation for a prosperous society through cooperation with our partners both in Japan and overseas, we will expand the number of new business opportunities and take on the challenge of self-transformation.



Green & Social

In order to achieve a sustainable and carbon-free society, we will focus on providing financial products and services that help resolve social issues.



Diversity & Inclusion

In order to strengthen our competitiveness, we aim to become an organization in which employees can express their individuality and demonstrate their expertise, and achieve personal growth and job satisfaction.



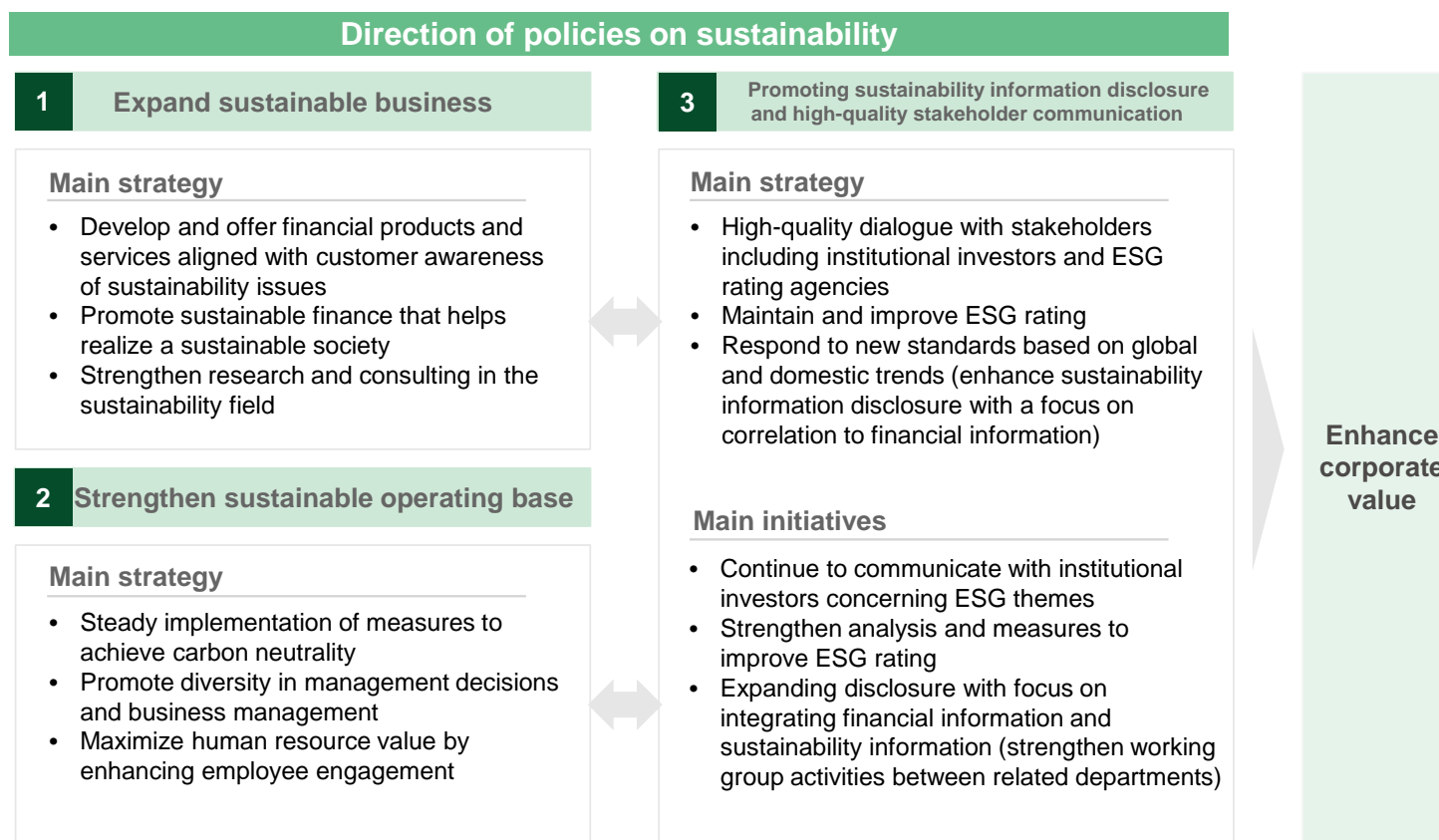
Foundation of sustainable management

In order to achieve these themes of 100 years of life, Innovation, Green & Social, and Diversity & Inclusion, we will make the base that supports sustainable corporate management even more robust.

2. Overview of Sustainability Strategy

(2) Sustainability KPIs

We believe sustainability, including climate measures, not only contribute to a sustainable society, but also help expand our sustainable business, strengthen the sustainable management foundation that underpins it, and ultimately improve our corporate value, by bolstering governance, improving our reputation, and expanding earnings.



2. Overview of Sustainability Strategy

We established sustainability KPIs as part of the Medium-term Management Plan “Passion for the Best” 2026. These KPIs include the SDGs bond league table and GHG emissions.

Materiality	Sustainability KPIs	FY2026 target	Purpose of setting (expected effect on business)	Connection with corporate value improvement
100 years of life	NISA-eligible public stock investment trusts balance (excluding ETFs)	¥4.6 trillion	Increase income by expanding targets to include new investors generated by the expansion of the NISA	Increase income Diversify profit opportunities
	Number of customers who have purchased sustainability-related products	Continuously expand	Expand investor base by disseminating the meaning of sustainability investments among customers	
	Ranking of GX Transition Bond Primary Dealer Bids	In the top 3	Expand the SDG bond market, diversify revenue opportunities, and improve reputation through our track record as a primary dealer	
Innovation	SDGs bond league table	In the top 2	Increase profits by diversifying capital procurement methods such as SDG bonds	Improve reputation
	Sustainability-related investment balance	¥180 billion	Increase income by investing in the renewable energy and infrastructure fields where stable investment returns can be expected	
	ESG investment balance	¥100 billion	Improve reputation by participating in investments that contribute to solving social issues	
Green & Social	Green building certification ratio (DOI / DLI / DLP ^{*1})	65/20/25%	Improve reputation with tenants and increase asset value	Increase productivity
	Number of value created digital Projects / digital project trials	10 projects /50 trials	Create value and increase productivity by transforming our business model and building new business models	
	Ratio of female managers (consolidated / Daiwa Securities)	20/25% or higher	Improve productivity through business operations based on diverse opinions	
Diversity & Inclusion	Rate of childcare leave taken by male employees (consolidated / Daiwa Securities)	100/100% or higher	Improve productivity through business operations based on diverse opinions	Enhance governance
	Engagement survey score (consolidated)	80% or higher	Improve productivity by creating an environment that allows employees to exert their capabilities	
	Ratio of female directors on the Board (Daiwa Securities Group Inc.)	30% or higher	Strengthen governance by incorporating diverse perspectives into management decisions	
Foundation of Sustainable Management	GHG emissions (our own ^{*2} / investment portfolio ^{*3})	Net zero/186 to 255 g-CO ₂ /kWh by FY2030	Strengthen governance through climate change response and environmental management	
	Renewable energy switching rate for offices and data centers	100%	Contribute to the realization of a carbon-neutral society by expanding renewable energy to data centers and offices	
	Numbers provided with financial and economic education	2.5 million (FY2005-FY2030 cumulative total)	Contribute to medium and long-term growth in investor population	

*1 DOI: Daiwa Office Investment Corporation, DLI: Daiwa Securities Living Investment Corporation, DLP: Daiwa Securities Logistics Private Investment Corporation

*2 Total of Scope 1 and Scope 2 (market-based)

*3 The targets cover project finance in the power generation sector. Include some estimated values.

2. Overview of Sustainability Strategy

Led by the Sustainability Managers in each division and Group company, we continually monitor progress in its KPIs. Issues identified in the process, as well as measures to be taken moving forward are shared between sustainability managers and the Head of Sustainability and reported to the Sustainability Promotion Committee and Board of Directors. We aim to achieve our Vision 2030 goals through the implementation of a KPI-centered PDCA cycle.

To strengthen executives' incentives related to sustainability initiatives, we have incorporated the sustainability KPIs in the evaluation system for performance-linked remuneration.

(3) Net Zero Carbon Declaration

We recognize the importance and urgency of addressing climate change, one of the most serious issues facing the world, in order to realize a carbon neutral society as soon as possible. To that end, we have formulated the Daiwa Securities Group Net Zero Carbon Declaration. [🔗](#)

Based on the declaration, we aim to achieve ① net zero GHG emissions within our own operations by FY2030 and ② net zero GHG emissions within our investment and loan portfolios, etc. by 2050. In addition, we will continue to support our customers' efforts to decarbonize their businesses and new technologies that contribute to the realization of a decarbonized society in order to ③ support the smooth transition to a carbon-neutral society through our business activities.

The Daiwa Securities Group Net Zero Carbon Declaration

- ① Achieve net zero GHG emissions within our own operations by FY2030 (Scope 1 and Scope 2)
- ② Achieve net zero GHG emissions within our investment and loan portfolios, etc. by 2050 (Scope 3)
- ③ Support the smooth transition to a carbon-neutral society through our business activities

* The Group's emissions will be calculated on a consolidated basis.

Main priority areas

Sustainable finance for the delivery of a carbon-neutral society

- ▶ Promote green finance / transition finance
- ▶ Expand business investment in the renewable energy sector
- ▶ Strengthen engagement with investee firms

Support new technologies and promote business solutions that contribute to the delivery of a carbon-neutral society

- ▶ Promote innovation (hydrogen, CCUS, etc.) and provide support for new technologies
- ▶ Expand our advisory business within the renewable energy sector

Provide investment opportunities that contribute to the delivery of a carbon-neutral society

- ▶ Expand our lineup of related products and services
- Expand investment trusts with an environmental theme
- Arrange SDG bonds including green bonds
- Promote SDGs-IPOs in the environmental sector

Reduce the environmental footprint of the Group

- ▶ Shift to 100% renewable energy
- ▶ Continue efficient use of energy
- ▶ Consider carbon offsetting

Set targets to align with the Paris Agreement goals and expand transparent information disclosure

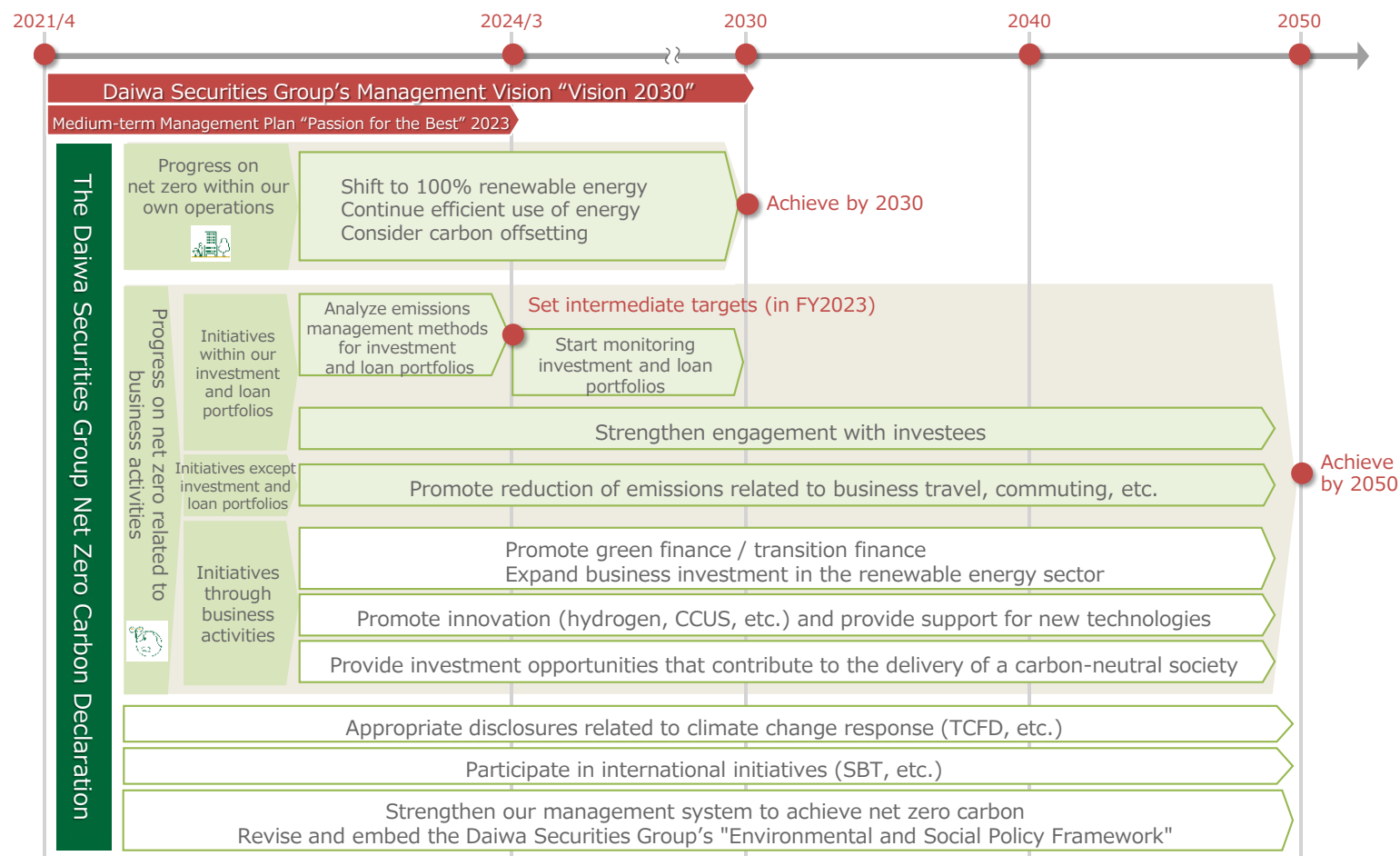
- ▶ Analyze greenhouse gas emissions management methods for investment and loan portfolios
- ▶ Set intermediate targets for Scope 3 to align with the Paris Agreement goals by utilizing SBT, etc. (in FY2023)
- ▶ Ensure appropriate disclosure related to our climate change response (TCFD, etc.)

Strengthen our management system to achieve net zero carbon

- ▶ Revise and embed the Daiwa Securities Group Environmental and Social Policy Framework
- ▶ Embed sustainability elements into corporate executive officers' compensation

2. Overview of Sustainability Strategy

Roadmap for achieving Net Zero Carbon



* As of August 2021

3. Governance

3. Governance

(1) Board's Oversight

The Board of Directors oversees a response to strategies and policies related to sustainability, including climate change. The Board of Directors receives reports as needed in accordance with the rules of the Board of Directors on strategies and policies related to sustainability discussed at the Sustainability Promotion Committee or deliberated on by the Executive Management Committee. Additionally, the Board of Directors makes resolutions on items that are core management matters and items deemed important by the Board of Directors established as resolution items in the rules of the Board of Directors.

The Group's Vision 2030 includes our basic sustainability policy, and this was decided at the Board of Directors together with the Medium-term Management Plan. In addition, thus far, the Board of Directors has determined, for example, the formulation or revision of the **Environmental and Social Policy Framework** [↗](#) and the **Net Zero Carbon Declaration** [↗](#). In our risk appetite statement, starting in FY2021, we stipulated climate change risk, and have appropriately identified, assessed, and effectively managed climate change based on the estimated amount of losses from scenario analysis.

Governance Structure for Climate Change



In FY2023, the Board of Directors decided on the Medium-term Management Plan “Passion for the Best” 2026 (including revisions of **Vision 2030** [↗](#)). In this plan, sustainability topics, including climate change, were also raised. The sustainability KPI in the Medium-term Management Plan has been confirmed at a subsequent Board of Directors meeting at the time financial results were approved and the Medium-term Management Plan was reviewed. Additionally, at FY2024 Board of Directors meetings, a total of four items were given: a report on climate-related disclosures, a resolution to revise the Environmental and Social Policy Framework, a report on the state of the promotion of sustainability, and a report for institutional investors from the sustainability meeting*.

To strengthen executives' incentives related to sustainability initiatives, we have incorporated the sustainability KPIs in the evaluation system for performance-linked remuneration. These KPIs include the SDGs bond league table and GHG emissions. For details, please refer to “6. Metrics and Targets (4) Executive Remuneration” on [page 44](#).

* In October 2024, a sustainability meeting was held for institutional investors and sell-side analysts, where the Head of Sustainability, Outside Director, CHO, and CFO gave presentations, sharing the Group's policies, KPI progress, and initiatives related to disclosure, governance, and human capital.

Comments from Outside Directors

Climate-related Disclosures

- It is important to consider future directions by identifying gaps with disclosure standards and peer practices.

Environmental and Social Policy Framework

- Conducting objective and detailed due diligence, including investees' supply chains, remains a challenge.

3. Governance

Roles and Discussion Topics of Each Committee

Committee		Members	Roles	Discussion Topics
Supervision	Board of Directors	Chair: Chairperson of the Board Outside Directors: 7 Internal Directors: 7	<ul style="list-style-type: none"> Receive reports and oversee climate-related issues and responses 	<ul style="list-style-type: none"> Formulation and update of Vision 2030 Formulation of the Net Zero Carbon Declaration Climate-related disclosures Revision of the Environmental and Social Policy Framework Report on Sustainability Initiatives (including ESG ratings) Risk appetite framework and top risks Results of ESG meetings with institutional investors Interim targets for the investment portfolio Report on the KPIs progress Report on the Sustainability Meeting
	Nominating Committee	Chair: Outside Director Outside Directors: 5 Internal Directors: 2	<ul style="list-style-type: none"> Decide on proposal for the appointment and dismissal of directors 	<ul style="list-style-type: none"> Addition of sustainability to the skills matrix of the Board of Directors
	Audit Committee	Chair: Outside Director Outside Directors: 4 Internal Directors: 1	<ul style="list-style-type: none"> Audit of Directors' and Executive Officers' Duties 	<ul style="list-style-type: none"> Report on the status of Climate-related risk management (results of scenario analysis)
	Compensation Committee	Chair: Outside Director Outside Directors: 5 Internal Directors: 2	<ul style="list-style-type: none"> Consider policies related to executive compensation 	<ul style="list-style-type: none"> Decision on executive compensation system linked to sustainability KPIs
Execution	Executive Management Committee	Chair: President and CEO	<ul style="list-style-type: none"> Decide on important business and policies related to climate change Report to the Board of Directors 	<ul style="list-style-type: none"> Formulation and update of Vision 2030 Formulation of the Net Zero Carbon Declaration Climate-related disclosures Revision of the Environmental and Social Policy Framework Risk appetite framework and top risks
	Group Risk Management Committee	Chair: President and CEO	<ul style="list-style-type: none"> Monitor climate-related risks Report to the Executive Management Committee 	<ul style="list-style-type: none"> Report on the status of Climate-related risk management (results of scenario analysis)
	Sustainability Promotion Committee	Chair: President and CEO Internal members: 16 External members: 3	<ul style="list-style-type: none"> Discuss key climate change issues Report to the Executive Management Committee 	<ul style="list-style-type: none"> Formulation and update of Vision 2030 Revision of the Environmental and Social Policy Framework ESG ratings Interim targets for the investment portfolio Registration for the TNFD adopter Climate-related disclosures

3. Governance

Skills Matrix of the Board of Directors

There are Internal and Outside Directors with deep knowledge of sustainability on the Board of Directors, with a system in place to provide highly effective oversight of initiatives toward sustainability-related issues. In addition, a skills matrix has been developed based on discussions by the Nominating Committee to evaluate directors' expertise and experience. For Sustainability, relevant experience, including roles promoting the Group's sustainability strategy, is considered.

Name	Role		Years on Board	Expertise and Experience					
				Corporate Management	Finance/Accounting	Legal/Compliance	DX/ICT	Global	Sustainability
Seiji Nakata	Nominating	Compensation	10	They have expertise and experience to adequately manage and control the Group.					●
Akihiko Ogino	Nominating	Compensation	5						●
Shinsuke Niizuma			1						
Keiko Tashiro			11					●	●
Eiji Sato			1						
Hiroko Sakurai			-						
Sachiko Hanaoka	Audit		6						
Eriko Kawai	Outside	Non-executive	Nominating	Compensation	7	●		●	●
Katsuyuki Nishikawa	Outside	Non-executive	Nominating	Audit	6		●		●
Toshio Iwamoto	Outside	Non-executive	Nominating	Compensation	5	●		●	●
Yumiko Murakami	Outside	Non-executive		Audit	Compensation	4	●		●
Noriko Iki	Outside	Non-executive	Nominating	Audit	2		●	●	●
Mami Yunoki	Outside	Non-executive		Audit	Compensation	1	●		●
Akira Ichikawa	Outside	Non-executive	Nominating	Compensation	-	●		●	●

Outside Outside Director Non-executive Independent Director as defined by the stock exchange

3. Governance

(2) Execution Framework

① Sustainability Promotion Committee

Regular discussions are held at the Sustainability Promotion Committee chaired by the President and CEO on strategies and policies related to sustainability, including climate change.

For example, the Committee has discussed the formulation or revisions of the **Environmental and Social Policy Framework** and the **Net Zero Carbon Declaration**. The Committee is composed of the Head of Sustainability, who is responsible for promoting sustainability based on the rules for Corporate Executive Officers (Shikkoyaku) approved by the Board of Directors, several Internal Directors, and three external experts with specialized knowledge in sustainability. The details of discussion at the Committee are reported to, deliberated on and determined at the Executive Management Committee, as appropriate.

Sustainability Expertise of External Experts

Name	Affiliation/Job Title	Expertise
Toshihide Arimura	<ul style="list-style-type: none"> Professor, School of Political Science and Economics, Waseda University Faculty Fellow, The Research Institute of Economy, Trade and Industry 	<ul style="list-style-type: none"> Environmental Economics Energy Policies Carbon pricing
Arisa Kishigami	<ul style="list-style-type: none"> Independent consultant, En-CycleS (Engagement Cycle for Sustainability) Trustee, Japan Sustainable Investment Forum (JSIF) 	<ul style="list-style-type: none"> Sustainable finance Engagement
Daisuke Takahashi	<ul style="list-style-type: none"> Attorney at Shinwa Law 	<ul style="list-style-type: none"> Business and human rights Environmental law compliance Global compliance

Comments from External Experts

Climate-related Disclosures

- Sharing challenges in adopting ISSB and SSBJ standards within Japan would help raise overall disclosure quality.
- To enhance credibility, it would be helpful to clarify the specific skills behind the skills matrix.
- Rather than focusing on disclosure, more emphasis should be placed on addressing risks and capturing opportunities. It is recommended to clearly expected risks and opportunities along with related initiatives and KPIs.

Revision of Environmental and Social Policy Framework

- With global expectations rising, proactive action on human rights and environmental due diligence is essential.
- It is important to detect risks through engagement, at the same time, practical and realistic measures should be considered, such as collecting information efficiently by country, region, or industry, and promoting collaborative engagement targeting specific sectors.

3. Governance

② Group Risk Management Committee

Policies and measures relating to risk management, including climate change, are discussed at the Group Risk Management Committee chaired by the President and CEO, a subcommittee of the Executive Management Committee, and attended by the Chief Risk Officer (CRO), who is responsible for risk management.

After climate scenario-based quantitative analysis results are reported to the Group Risk Management Committee each year, they are reported to the Executive Management Committee based on discussion at the Sustainability Promotion Committee.

③ Group-wide Working Group

As a Group-wide system to promote sustainability, we have appointed Sustainability Managers at each division and major Group company. Under these managers, a working group (WG) monitors sustainability KPIs and promotes sustainability-related businesses. The contents of the discussion of this WG are reported to the Sustainability Promotion Committee as appropriate.

Group-wide Working Group

WG	Summary
Head of Sustainability	Promote sustainability-related businesses for the entire Group, and oversees initiatives to enhance the foundation for sustainable management.
Sustainability Managers	Promote sustainability-related businesses and conduct KPI progress management for each organization (Headquarters and Group companies) within the Group.
Sustainable Business WG	Monitor the KPIs, ascertain the progress status of sustainability-related businesses, identify issues, and plan and implement measures for these issues under the direction of sustainability managers.
ESG Response WG	Enhance and strengthen ESG response in reference to external evaluations (investors and evaluation organizations) regarding ESG.
Sustainability Advisory Group	Composed of internal experts with extensive knowledge in sustainability who make proposals regarding challenges for the Group and future action.
Sustainability Disclosure WG	Cross-departmental organizations that aim to expand the disclosure of sustainability information from the perspective of integrated reporting.
Scope3 Emissions Monitoring Team	Monitor emissions relating to the investment and loan portfolios, and sets targets.

4. Strategy

4. Strategy

(1) Recognition of Climate-related Risks and Opportunities

The Group recognizes that climate change issues must be addressed with urgency, but at the same time, sees them as business opportunities. We identify climate-related risks that could be expected to affect business (transition risk/physical risk), and also identify opportunities available through the development and provision of core financial products and services to realize a carbon-neutral society. We set strategies in response to such risks and opportunities, and promote strategic initiatives to enhance climate resilience.

(2) Climate-related Risks

The Group carries out climate-related scenario analysis to identify risks that could be expected to affect businesses.

Examples of the main transition risks include increased costs and resulting deterioration in earnings at investee and managed companies due to changes in carbon pricing policy (policy/legal), increased costs and resulting deterioration in earnings at investee and managed companies due to changes in energy-related technologies (technology), lower value and decreased balance of assets held in the fund from the transition to a carbon-neutral society (market), and deterioration in reputation associated with a lack of initiatives to deal with climate change and investment and underwriting related to businesses with a heavy environmental load (reputation).

Examples of the main physical risks include lost value, reduced sales opportunities, and resulting deterioration in earnings at invested properties such as solar and wind generation facilities due to natural disasters such as torrential rain and powerful typhoons (acute/chronic), as well as business interruption risks including financial system failures or damage to the Group's offices and data centers from more serious natural disasters (acute/chronic). While recognizing these climate-related risks, we consider the response in light of effects on business and frequency of occurrence, and promote strategies.

The time horizon aligns with the Group's management plan and global standards. Specifically, considering that the period of the Medium-term Management Plan is three years, "short-term" refers to three years or less, "medium-term" to three to five years, and "long-term" to five years or more.

4. Strategy

Examples of Climate-related Risks

Risk Type		Climate-related Risks		Timeline	Category	Strategic Initiatives	Relevant KPIs
Transition	Policy/ Legal	01	Increased costs and resulting deterioration in earnings at investee and managed companies due to changes in carbon pricing policy	Medium to long	Credit risk Operational risk	① Promoting sustainable finance ④ Sourcing and investment focused on sustainability ⑤ Providing sustainability-related solutions ⑥ Realizing carbon neutrality within our own operation	✔ SDGs bond league table ✔ Ranking of GX Transition Bond Primary Dealer Bids ✔ Sustainability-related investment balance ✔ Green building certification ratio ✔ GHG emissions ✔ Renewable energy switching rate for offices and data centers
		02	Increased costs for the Group associated with response to carbon pricing and mandatory information disclosure, etc.	Short to long			
	Technology	03	Increased costs and resulting deterioration in earnings at investee and managed companies due to changes in energy-related technologies	Short to long			
		04	Increased costs for the Group with the introduction of new technologies or alternative technologies	Medium to long			
	Market	05	Lower value and decreased balance of assets held in the fund from the transition to a carbon-neutral society	Medium to long	Market risk	③ Development of products and services, and promotion of investment and lending focused on sustainability ⑦ Strengthening stakeholder engagement	✔ Number of customers who have purchased sustainability-related products ✔ ESG investment balance
		06	A decrease in value and divestment opportunities of carbon-intensive assets due to economic or industry stagnation or contraction or fluctuations in the financial market	Short to long			
	Reputation	07	Deterioration of reputation associated with a lack of initiatives to deal with climate change and investment and underwriting related to businesses with a heavy environmental load	Short to long	Reputational risk	⑥ Realizing carbon neutrality within our own operations	✔ Renewable energy switching rate for offices and data centers ✔ GHG emissions
Physical	Acute/ Chronic	08	Increased recovery costs for transaction partners or investee and managed companies due to abnormal weather or wind and flood damage and the resulting lower value and decreased balance of the assets held in the fund	Medium to long	Credit risk Market risk	① Promoting sustainable finance ④ Sourcing and investment focused on sustainability ⑦ Strengthening stakeholder engagement	✔ SDGs bond league table ✔ Ranking of GX Transition Bond Primary Dealer Bids ✔ Sustainability-related investment balance
		09	Lost value, reduced sales opportunities, and resulting deterioration in earnings at invested properties such as solar and wind generation facilities due to natural disasters such as torrential rain and powerful typhoons	Short to long			
		10	Increased health problems among customers and labor restrictions due to abnormally high temperatures and abnormal weather and resulting reduced earnings opportunities	Short to long			
		11	Increased health hazards and constraints on employment for the Group’s officers and employees due to abnormal weather and the consequent deterioration in earnings	Medium to long	Operational risk	Formulation of disaster mitigation measures and BCP	-
		12	Business interruption risks including financial system failures or damage to the Group’s offices and data centers from more serious natural disasters	Short to long			

* For initiatives ① to ⑦, please refer to "4. Strategy (5) Climate-related Strategies" on [page 26](#).

4. Strategy

(3) Resilience Assessment of Our Strategy Based on Climate-related Risks

The Group recognizes effects arising from climate-related risks, and carries out a scenario analysis, referencing IFRS S2^{*1}, to assess its resilience to climate-related changes, developments or uncertainties.

We assess transition risks using NGFS climate scenarios^{*2} to estimate potential losses on carbon-intensive assets. For physical risks, we reference IPCC scenarios^{*3} to estimate potential damage from natural disasters to owned real estate in May 2024 and renewable energy facilities in May 2025.

The results, along with strategic responses, are discussed by the Sustainability Committee and reported to the Executive Management Committee. The following are the details of the scenarios and the assumptions used in analysis.

^{*1} IFRS S2 Paragraph 22 and Appendix B1 to B18 (2023)

^{*2} Scenarios for evaluating financial system impacts developed by the NGFS (Network for Greening the Financial System), a global network of central banks and financial regulators.

^{*3} GHG Emission Scenarios Published by IPCC (the Intergovernmental Panel on Climate Change)

Scenario Analysis Assumptions

Items	(a) Qualitative Analysis	Quantitative Analysis			
		(b) Transition Risks		(c) Physical Risks	
Scenarios	Variables used in NGFS climate scenarios	NGFS climate scenario: Net Zero 2050/Delayed Transition/Fragmented World/Current policies		IPCC climate scenario: RCP8.5/RCP4.5	IPCC-adopted climate scenarios developed by the international community: SSP5-8.5 / SSP1-2.6
Scope of Analysis	Impact of Transition and Physical Risks on the Group	Transition Risk (effects on financial markets due to changes in policies, regulations, supply and demand conditions) ✓ Target: Non-trading assets, investments by Group companies, Daiwa Next Bank loans (CLO), carbon-intensive assets held as LMS collateral financial products ✓ Indicator: Cumulative estimated loss and average annual loss of carbon-intensive assets	Transition risk (effects on financial markets due to changes in policies, regulations, supply and demand conditions) ✓ Target: Trading assets and corporate bonds (carbon-intensive sectors) held by Daiwa Securities and overseas offices ✓ Indicator: Estimated credit spread loss of corporate bonds (carbon-intensive sectors)	Physical risk/Acute (storm and flood damage) ✓ Target: Real estate-related exposure of Group companies and non-operational real estate held by the Group ✓ Indicator: Estimated average annual loss of the target	Physical risk/Acute (storm and flood damage) ✓ Target: Domestic renewable energy facilities (solar and wind power) invested in by Group companies ✓ Indicator: Estimated average annual loss of the target
Target Period	From 2025 to 2050 (26 years)	From 2025 to 2050 (26 years)	From 2025 to 2029 (5 years)	From 2024 to 2050 (27 years)	From 2025 to 2050 (26 years)
Analysis Timing	May 2025	May 2025	May 2025	May 2024	May 2025 (new)

4. Strategy

Envisioned Scenarios

		(i) Orderly	(ii) Disorderly	(iii) Too Little, Too Late	(iv) Hot House World
NGFS Climate Scenario		Net Zero 2050	Delayed Transition	Fragmented World	Current Policies
Scenario Overview		Through a strict emissions reduction policy and innovation, limit the rise in temperature to below 1.5°C , and target net zero global GHG emissions in 2050.	Virtually no reduction in emissions by 2030. Powerful policies are required to limit the rise in temperature to 2°C . CO ₂ removal is limited.	Virtually no reduction in emissions by 2030, and policies thereafter are also out of step and inadequate. Unable to suppress rises in temperature.	Envision retention of only the policies currently being implemented. Increased physical risk.
		▼	▼	▼	▼
Assumptions	Introduce Policies	Promptly and smoothly	Delayed	Delayed and inadequate	With the current policies
	Macro-economic Trends	Comparatively small decline in GDP	Comparatively large decline in GDP	Comparatively large decline in GDP	Comparatively large decline in GDP
	Energy Use	Comparatively large decline	Comparatively large decline (From 2030s)	Comparatively large decline (From 2030s)	Comparatively large increase
	Technological Change	Quick	Slow/Quick	Slow/Inadequate	Slow
		▼	▼	▼	▼
Impact of Climate Change	Rise in Temperature (2050)	Approx. 1.5°C	Approx. 1.5°C	Approx. 2.5°C	Approx. 3°C
	CO ₂ Emissions	Reduction (steady)	Reduction (headwinds present)	Reduction (inadequate)	Maintain current pace of reduction
	National- or Regional-level Variables	Primarily limited to domestic factors	Primarily limited to domestic factors	Primarily limited to domestic factors	Primarily limited to domestic factors
		▼	▼	▼	▼
Risks	Transition Risk	★★★★	★★★☆☆	★★★☆☆	★★★☆☆
	Physical Risk	★★★☆☆	★★★☆☆	★★★★	★★★★
Opportunities		★★★★	★★★☆☆	★★★☆☆	★★★☆☆

* Created based on NGFS Climate Scenarios Phase V

4. Strategy

① Analysis Results

(a) Effects on Business Activities

Shutdowns or slowdowns in the economy or industry, volatility in the financial markets (falling stock prices, increased credit risk, etc.), damage from heavy rains or flooding, and health problems caused by abnormally high temperatures were all listed as factors of relative concern. When applied to scenarios, transition risks could appear as (ii) Disorderly and (iii) Too Little, Too Late in cases where CO₂ emission reductions lead to economic or social turmoil, and physical risks could appear as (iv) Hot House World in cases where CO₂ emission reductions are delayed.

On the other hand, the energy transition has a negative effect on existing businesses from the reduction of fossil fuel resources and a positive effect on new business opportunities with the increase in new forms of energy, such as renewable energy. This means that, overall, the energy transition is positioned as a near neutral factor. We forecast change in the impact corresponding to the burden such as the costs associated with transition and taxes. Furthermore, climate change initiatives such as CO₂ emission reductions could affect corporate reputation, which in turn affect the overall business indirectly.

In this way, the Group is thought to have a certain level of climate resilience as a result of having comprehensively considered the positive and negative impacts on the business from social and economic elements that are strongly related to climate phenomena, such as energy transition. Furthermore, to mitigate the negative effect, we have formulated disaster mitigation measures against the risks of direct damage from heavy rains or flooding and a business continuity plan (BCP) while we believe it is possible to curb the negative effect even if the macro economy stagnates by steadily implementing climate change initiatives and maintaining our reputation.

(b) Effects on Carbon-intensive Assets

The cumulative losses amounted to approximately 67.1 billion yen under (iv) Hot House World for non-trading assets through 2050, and 350 million yen for trading assets through 2029, both relative to the base scenario*.

The estimates were calculated using figures from the Group's consolidated financial statements for the fiscal year ending December 2024.

Based on the results, the short-term impact of climate-related risks and opportunities,

including the current and next fiscal years, on our financial soundness is limited. We will continue to refine our analysis and aim to reduce exposure to high-impact carbon-intensive assets over the medium to long term. In addition, we recognize that reducing carbon-intensive assets requires broader societal efforts, and we actively engage in domestic and international initiatives to support decarbonization.

* The estimation was based on an adjusted short-term scenario, referencing (ii) Disorderly Transition from the NGFS Climate Scenarios Phase V (November 2024).

(c) Effects on Our Properties

Due to the increase in weather events arise from climate change, the real estate-related exposures and our non-operational real estate, which constitute a significant portion of our strategy, are likely to be affected. Scenario analysis indicates that under the RCP8.5 scenario, which assumes the highest temperature increase, the average annual estimated damage from storm and flood disasters is approximately 40 million yen in 2030 and 50 million yen in 2050. Our real estate is largely located in areas less susceptible to storm and flood damage and consists mainly of robust structures and high-rise properties. Therefore, the effects on the Group are likely to be limited.

In addition, as the transition progresses, physical risks are also expected for renewable energy facilities. Under the SSP5-8.5 scenario, the estimated average annual loss in 2050 was approximately 40 million yen. The analysis revealed that risks are concentrated in specific facilities located in mountainous areas, which are more vulnerable to storm and flood damage. Nevertheless, the overall financial impact remains limited.

The estimates were calculated using figures from the Group's consolidated financial statements for the fiscal year ending December 2024.

4. Strategy

② Future Response

In the current scenario analysis, we have formulated hypotheses based on the information and data presently available and narrowed down the scope of analysis. For example, the scope of analysis is mainly focused on Japan, where the majority of climate-related risks and opportunities are concentrated, due to the nature of our business. The scope of climate-related risks is very broad, and multiple patterns can be envisioned for the periods of occurrence and scale of risks, due to rapid changes in the financial markets (stock prices, credit risks, etc.), policies and laws, and the evaluation of ESG responses. We will acquire a broader range of information and related data and improve the method of analysis to assess effects on the financial position, financial performance and cash flows over the medium and long term, thereby increasing our climate resilience.

We strengthen stakeholder engagement on risks such as policy, legal, market, and technological changes, promote sustainable finance, and enhance BCP measures against physical risks to improve climate resilience. For details, please refer to “4. Strategy (5) Climate-related Strategies” on [page 26](#).

4. Strategy

(4) Climate-related Opportunities

Taking account of the effects assessed through scenario analysis after consultation with each business division, the Group identifies climate-related risks and opportunities and assesses their importance.

Examples of main opportunities include increase in underwriting to raise funds needed for green projects and the transition to a carbon-neutral society (Global Markets & Investment Banking Division), increase in opportunities to provide new financial products and increase in opportunities to profit from market changes (Wealth Management Division), expansion in

opportunities for investing in new industries and companies that contribute to the transition to a carbon-neutral society (Asset Management Division), and stimulation of the entire market through participation in sustainability-related rule-making (the entire Group). In addition to responding to climate-related risks, these climate-related opportunities are reported as needed to the Board of Directors following discussion at either the Sustainability Promotion Committee or the Executive Management Committee.

Examples of Climate-related Opportunities

Business Segment	Climate-related Opportunities	Timeline	Strategic Initiatives	Relevant KPIs
Global Markets & Investment Banking Division	Increased underwriting for the fundraising required for green projects and the transition to a carbon-neutral society	Short to long	① Promoting sustainable finance	✓ SDGs bond league table
	Increased M&A in the renewable energy field	Short to long	② Enhancing M&A advisory in the sustainability field	✓ Ranking of GX Transition Bond Primary Dealer Bids
Wealth Management Division Asset Management Division	Increased opportunities to provide new financial products and expansion of opportunities for profit through market change	Short to long	③ Development of products and services, and promotion of investment and lending focused on sustainability	✓ Number of customers who have purchased sustainability-related products
	Capital inflows into investment trusts that incorporate companies with decarbonization technologies	Short to long		✓ ESG investment balance
	Investment into renewable energy such as solar power generation facilities and greater investment opportunities through the introduction of external capital	Short to long		
	Greater investment opportunities into new industries and companies that contribute to the transition to a carbon-neutral society	Short to long	④ Sourcing and investment focused on sustainability	✓ Sustainability-related investment balance
	Structuring and managing investment corporations and private funds with underlying assets that are real estate and real assets with high environmental performance	Short to long		✓ Green building certification ratio
Others	Greater opportunities for solution businesses that support the transition to a carbon-neutral society	Short to long	⑤ Providing sustainability-related solutions	-
The entire Group	Expansion in business opportunities resulting from improvement in reputation through net-zero initiatives	Short to long	⑥ Realizing carbon neutrality within our own operations	✓ GHG emissions ✓ Renewable energy switching rate for offices and data centers
	Support the transition to a carbon-neutral society and response to climate change through engagement with issuers and investors, etc.	Short to long	⑦ Strengthening stakeholder engagement	-
	Stimulation of the entire market through participation sustainability-related rule-making	Short to long	⑧ Involvement in rule making	-

4. Strategy

(5) Climate-related Strategies

The Group promotes strategies in response to climate-related risks and opportunities identified in each division.

We will promote the following strategies from ❶ to ❸ to respond to transition risks and opportunities. To respond to physical risk, we have formulated a BCP in anticipation of the case where the head office (the Group's headquarters functions), branches, data centers are unable to function due to damage caused when social infrastructure is shut down because of abnormal weather or wind and flood damage.

- ❶ Promoting sustainable finance
- ❷ Enhancing M&A advisory in the sustainability field
- ❸ Development of products and services, and promotion of investment and lending focused on sustainability
- ❹ Sourcing and investment focused on sustainability
- ❺ Providing sustainability-related solutions
- ❻ Realizing carbon neutrality within our own operations
- ❼ Strengthening engagement with stakeholders
- ❽ Involvement in rule making

We are also promoting human resource development such as the implementation of training to improve expertise related to sustainability including climate change for officers and employees. Specifically, since 2022, we have conducted annual Vision training for all officers and employees aimed at improving their sustainability-related knowledge and awareness, and further enhancing the “Take it as your own matter” mindset. Furthermore, in FY2024, 284 employees and executives participated in the GX Introductory Course and GX Basic Certification offered by Skill-Up NeXt, as part of our efforts to support clients in sustainability and GX.

ESG Certification at Daiwa Asset Management

In 2024, Daiwa Asset Management introduced an internal certification title for ESG personnel, recognizing employees with a certain level of expertise in stewardship, ESG, and sustainability initiatives.

Sustainability Associate

To earn certification, employees are required to complete an external ESG and SDGs course and pass an internal exam developed by the Responsible Investment Department.

The certification is open to managerial-level staff on a voluntary basis. In 2024, 39 employees were certified.

Sustainability Leader

Employees who have earned the Sustainability Associate Certificate may apply internally to participate in a three-month training program led by the Responsible Investment Department. The curriculum includes lectures on stewardship, ESG, and sustainability, as well as practical experience such as attending engagement meetings and proxy voting exercises. Participants also gain timely and specialized insights through meetings with external ESG analysts. In 2024, 15 employees from 11 departments completed the program and are now applying their knowledge to advance sustainability within their respective teams.

4. Strategy

① Promoting sustainable finance

Since the adoption of the Paris Agreement in 2015, decarbonization initiatives have accelerated throughout the world. The Group is actively engaged in sustainable finance as a core business to support initiatives for global decarbonization.

While support for fundraising had previously been the core business, we also see the incorporation of SDGs elements as new business opportunities that increase added value that we can provide to customers. In FY2022, we contributed to market expansion through our work as bookrunner and SA* for large-scale bond issuances, including FUJIFILM Holdings' four-tranche social bond, the largest ever made on the Japanese public bond market, and NEC's three-tranche sustainability-linked bond, the first of its kind to be publicly offered in Japan. In FY2023, we have been promoting product diversification by serving as lead manager for Kao's coupon step-up sustainability-linked bond and the Republic of Indonesia's samurai bond, the world's first samurai blue bond.

In 2024, we were entrusted as an SA with the task of formulating a framework for the climate transition interest-bearing bonds issued by the Japanese Government, thereby facilitating transition finance in Japan and abroad. Moreover, we participate in bidding for these bonds as a primary dealer, and contribute in a way that promotes the stable consumption of bonds, which in turn maintains and improves market liquidity.

The Group has also set the SDGs bond league table as our sustainability KPI and is monitoring it regularly. In FY2024, Our total green bond underwriting volume reached 647.8 billion yen, and we ranked 1st in both the SDGs bond league table and the GX Transition Bond Primary Dealer Bid Ranking. We will continue to support the transition strategies of the Japanese Government from various angles.

In addition, during 2024, we focused on further enhancing sustainable finance through its involvement in transition bonds issued by the Development Bank of Japan, a first for a financial institution in Japan, as well as in blue bonds for Mitsui O.S.K. Lines based in part on international guidance, a world-first as part of the shipping industry.

We issued its own green bond through a domestic public offering, based on the Green Finance Framework we established and disclosed on January 31, 2024. The proceeds of the continual issuance were allocated toward the redemption of bonds related to investment and lending for Renewable Energy Power Generation Project through consolidated subsidiaries.

Green Bond Issuance

November 2018: Total issuance of 10 billion yen

February 2024: Total issuance of 10 billion yen

* As of March 31, 2025

Main SDGs bonds underwriting

FY	Issuer	Type of Issue	Issue Amount
2022	FUJIFILM Holdings	Social bonds (Bookrunner, SA)	Total 120.0 billion yen
	NEC	Sustainability-linked bonds (Bookrunner, SA)	Total 110.0 billion yen
	KDDI	Sustainability bonds (Bookrunner, SA)	Total 100.0 billion yen
2023	Republic of Indonesia	Samurai blue bonds (Lead manager)	20.7 billion yen
	Kao	Sustainability-linked bonds (Bookrunner, SA)	25.0 billion yen
	Japan Airlines	Transition bonds (Bookrunner)	20.0 billion yen
2024	Japanese Government	Climate transition interest-bearing bonds (Contracted business*)	-
	Mitsui O.S.K. Lines	Blue bonds (Bookrunner, SA)	20.0 billion yen
	Central Nippon Expressway	Green bonds (Bookrunner, SA)	60.0 billion yen
	Development Bank of Japan	Transition bonds (Bookrunner, SA)	10.0 billion yen

* Contracted under the FY2023 Promoting Structural Transition Based on Decarbonization Measure Survey Project (survey regarding use of green transition bonds, etc.

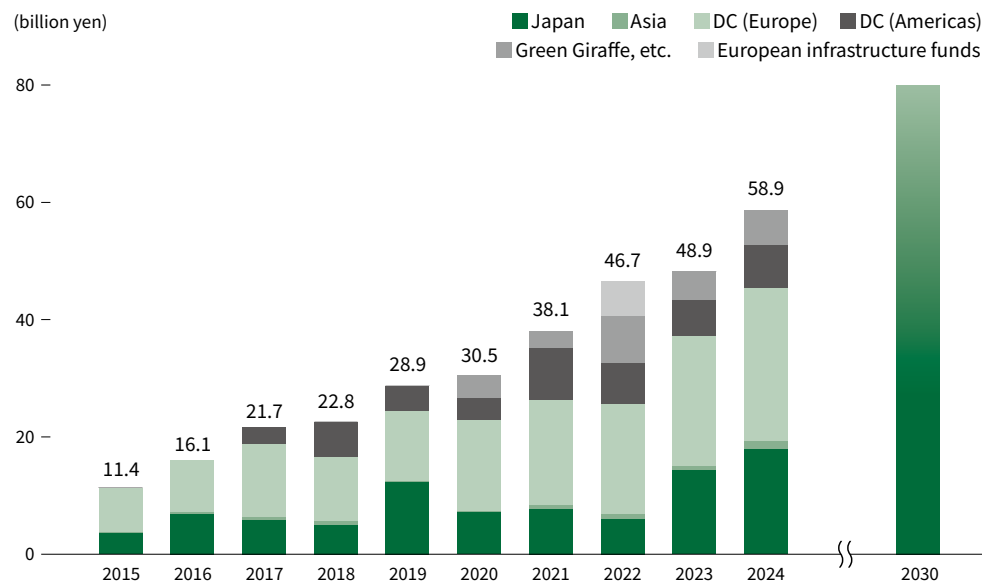
4. Strategy

② Enhancing M&A advisory in the sustainability field

The Group is also strengthening M&A advisory services in the renewable energy sector through tie-ups with major European companies that are leading in this field. Specifically, we are accelerating our business development through a capital and business alliance with Green Giraffe, which runs a financial advisory business specialized for this field.

The overseas M&A business continues to grow steadily, with related revenue reaching 58.9 billion yen in FY2024. Looking ahead to FY2030, we aim to exceed 70 billion yen in revenue while expanding our global workforce from 700 to 900 employees.

Trend in M&A-related Revenues



③ Development of products and services, and promotion of investment and lending focused on sustainability

The Group is strengthening development of products and services, and investment and lending focused on sustainability. Daiwa Asset Management provides investment trusts comprised of companies with initiatives to achieve ESG and SDG goals toward the transition to sustainable society. The “Decarbonization Technology Fund” (nickname: Carbon ZERO), with total net assets of 22.1 billion yen, is one of its core offerings.

A portion of its trust fees is donated to a tree-planting project led by the NPO Environmental Relations Research Institute. Trees are planted annually between May and June by local forestry cooperatives and are maintained for ten years. In 2024, 5,425 trees were planted across three locations, bringing the cumulative total to 21,529 trees across six regions in Japan.

The company won the Green Finance Governor’s Special Award in the ESG Investment subcategory at the Tokyo Financial Award 2021, as well as the Chairman’s Award (Bronze) at the 5th ESG Finance Awards Japan. In addition, Candriam, which provided the company with investment advice, was ranked No.1 out of approximately 600 asset management companies around the world in Switzerland’s Herschel & Kramer Responsible Investment Brand Index 2023.

* As of March 31, 2025

4. Strategy

Investment Objectives of the Decarbonization Technology Fund

1. Focus on climate change mitigation technologies

Of the climate change countermeasures that will contribute to achieving decarbonization in 2050, we will selectively invest in companies that possess cutting-edge technologies for critical mitigation measures.

2. Adoption of a carbon offset system

Calculating the carbon emissions of investee companies on a monthly basis, it uses a carbon offset mechanism to achieve net zero across the fund, thereby contributing to the carbon zero goal. Together with other supporting sales companies, including Daiwa Securities, we donate a portion of our trust fees to the “Forest for tomorrow, fostered together” tree-planting project.

3. Meet strict sustainable finance disclosure standards

It is categorized as a “dark green” fund in meeting the strict standards of Article 9 of the EU’s Sustainable Finance Disclosure Regulation (SFDR). According to a report by Morningstar, even in Europe the number of applicable funds is limited to 4%*.

* Morningstar Direct (as of December 31, 2022)

In March 2024, we have introduced ESG and SDGs analysis in the “Daiwa Future Designer” asset management planning tool.

* A service developed for the Japanese market based on MSCI’s WealthBench™ portfolio risk analysis solution, supporting clients from portfolio analysis and investment decision-making to ongoing monitoring.

ESG and SDGs Analysis in the Daiwa Future Designer

As global awareness of sustainability issues such as climate change and social inequality continues to grow, institutional investors, including financial institutions, incorporate sustainability data, such as ESG ratings, into their investment decisions to enhance performance.

Our ESG and SDGs analysis service, powered by MSCI, is the first of its kind in Japan to utilize the WealthBench™ portfolio risk analysis solution. It uses MSCI ESG Ratings to assess companies’ sustainability efforts, evaluates company’s initiatives across the 17 goals, and estimates portfolio emissions to assess its alignment with the global 2°C target (with an aspirational goal of 1.5°C) under the Paris Agreement*. This enables investors to factor in corporate sustainability when selecting investments, with the potential to improve medium- to long-term portfolio performance.

* The Paris Agreement aims to limit global warming to 2°C, with efforts toward 1.5°C. MSCI’s ITR metric assesses portfolio alignment with the 1.5°C target.



4. Strategy

④ Sourcing and investment focused on sustainability

The Group promotes sourcing and investment focused on sustainability, particularly in the renewable energy field. Daiwa Energy & Infrastructure was established in July 2018 and took over the control of the energy investment function that had been undertaken by Daiwa PI Partners. Investments were previously made into the domestic renewable energy sector focused on solar power generation, but now the investment fields have been expanded to overseas renewable energy and infrastructure.

In FY2023, we acquired a stake in Aurora Infrastructure, which operates a power distribution business for the industrial sector in Finland, and secured multiple solar power projects in Australia through a partnership with ENECHANGE. We also incorporated CO₂OS to strengthen solar facility development, assessment, maintenance and asset management, and invested in a battery storage facility in west Sapporo.

In FY2024, we co-invested in U.S. onshore wind and solar projects, expanded battery storage investments across Japan, the U.S., and Europe, and began investing in domestic data center infrastructure.



Madison solar PV site



Brazos onshore wind site

Furthermore, Daiwa Real Estate Asset Management provides investment opportunities for alternative assets such as ESG-friendly real estate. Daiwa Office Investment Corporation and Daiwa Securities Living Investment Corporation, to which Daiwa Real Estate Asset Management has entrusted asset management, are working to expand the supply of high environmental performance office buildings and superior, high-quality healthcare facilities by investing with funds raised from sustainable finance. It has also been entrusted with the management of solar power plants and biomass power plants, and has commenced management operations of the DSREF Amaterasu Core Fund, Investment Limited

Partnership, a private placement fund established in September 2021 with the intent of investing in solar power projects by soliciting funding from institutional investors in Japan.

Renewable Energy Power Plant Asset Management Track-record

Number of deals: 31 (Hokkaido, Tohoku, Hokuriku, Kanto, Chubu, Kansai, Chugoku, and Shikoku regions)

Output: Solar power plants approx. 294MW (excluding output from assets on land with leasehold interest)

Biomass power plants approx. 20MW

Balance of assets under management:
approx. 108.7 billion yen

* As of March 31, 2025




Kimitsu Minowa No. 2 Solar Power Plant

⑤ Providing sustainability-related solutions

In the research and consulting business of Daiwa Institute of Research, we are strengthening sustainability-related solutions.

We offer information and policy proposals on the effects of climate change on the economy and society and strengthen our consulting to establish management strategies and support projects to address climate-related risks including response to climate change, as we connect our efforts to enhancing our customers' corporate value.

⑥ Realizing carbon neutrality within our own operations

We formulated the Net Zero Carbon Declaration  and are advancing efforts to realize carbon neutrality. For details, please refer to “4. Strategy (6) Transition Plan to Realize Carbon Neutrality” on [page 32](#).

4. Strategy

⑦ Strengthening stakeholder engagement

The Group strengthens engagement with our shareholders including issuers and investors to help our customers' transition to decarbonization from a financial perspective. For example, based on the **Environmental and Social Policy Framework**[🔗](#), in recognition of risks relating to our businesses that could have a significant negative impacts on the environment or society, we are advancing the appropriate policies through engagement with investees and lenders.

In addition, Daiwa Asset Management positions climate change as one issue of materiality and we conduct engagements with investee companies. The company has defined a vision for best-practice management to support sustainable corporate value growth and promotes its adoption through engagement activities. In 2024, 1,384 engagements were conducted, with 22.6% focused on ESG themes*.

* Discussing multiple themes in a single meeting

Best Practice (Climate Change)

- By formulating and analyzing climate change scenarios in line with the TCFD framework, the company identifies transitional risks, physical risks and business opportunities.
- The company implements quantitative monitoring of greenhouse gas emissions, emissions per unit of production, and the anticipated risks and opportunities.
- The company formulates a concrete roadmap and milestones for achieving carbon neutrality by 2050, and explains the progress made on an annual basis. It is also desirable that the company should set a goal of reducing emissions by at least 50% by 2030, in line with Daiwa AM's NZAMi* intermediate goals.
- The company formulates and implements a business strategy that takes both risks and opportunities into account, and implements the summarizing and evaluation of activity implementation status.

* Net Zero Asset Managers initiative

⑧ Involvement in rule making

The Group actively participates in various discussion forums and initiatives, both domestically and overseas in order to contribute to the realization of a sustainable society. In recent years, amid progress in initiatives towards the formulation of sustainability disclosure standards, the Group's officers and employees have taken on active roles as a trustee of the IFRS Foundation, which includes the ISSB under its governance, and as a member of the Sustainability Standards Board of Japan (SSBJ), which formulates domestic sustainability disclosure standards. In addition, we contribute to various rule making through participation in the Partnership for Carbon Accounting Financials, which develops methods for measuring and disclosing GHG emissions through investment and loans and the GX League.

Daiwa Securities participated as a market maker in the Tokyo Stock Exchange's carbon credit market and was recognized as a "Good Market Maker" in FY2023 and FY2024 for contributing to liquidity and fair pricing in the renewable energy category.



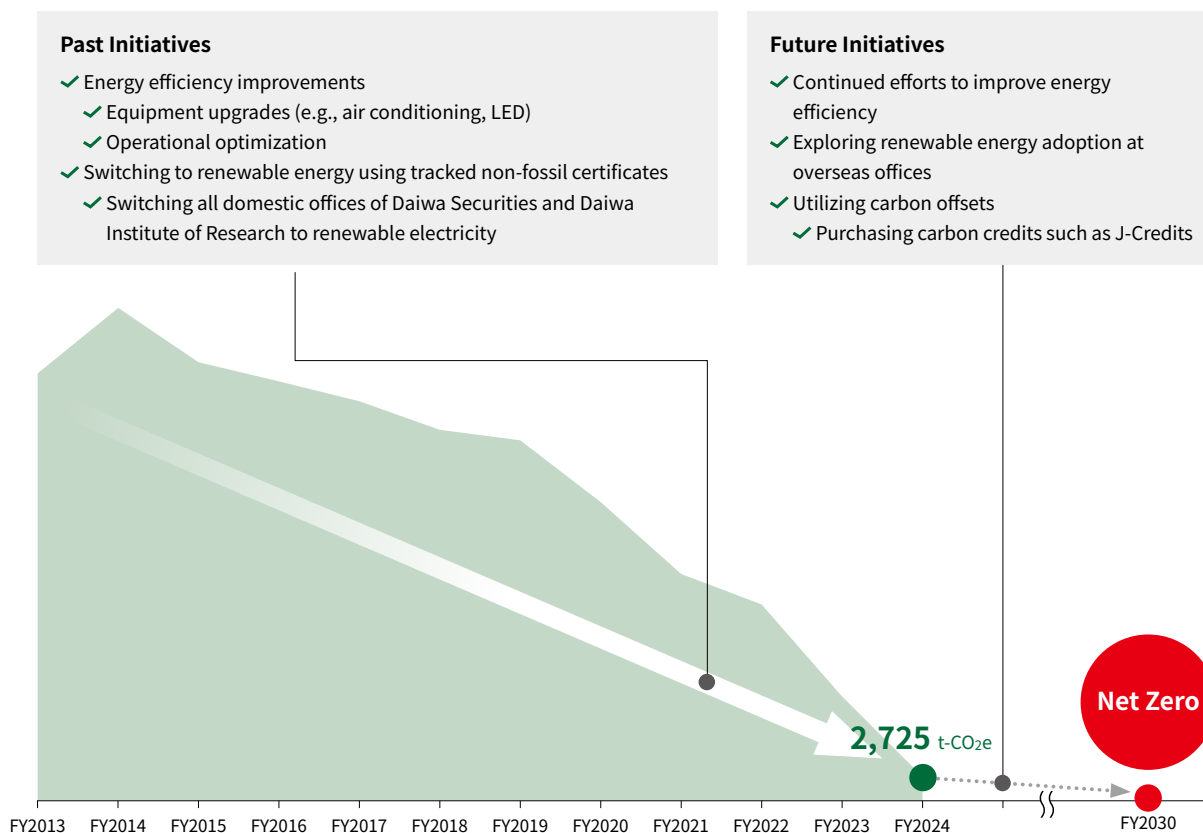
4. Strategy

(6) Transition Plan to Realize Carbon Neutrality

① Net Zero GHG Emissions within Our Own Operations by FY2030 (Scope 1 and Scope 2)

We promote to realize net zero GHG emissions within our own operations (Scope 1 and Scope 2) towards becoming carbon neutral by FY2030.

The trend in Scope 1 and Scope 2 is as follows. In terms of our specific initiatives, we will promote continuing our energy saving activities as well as shifting to renewable energy for electricity consumption.



We are currently implementing energy-saving technologies and systems at each office, improving energy efficiency, and will continue these efforts going forward.

Since April 2021, all group companies located in the headquarters have been using renewable energy by utilizing tracked non-fossil certificates. In January 2024, Daiwa Securities switched all domestic offices to renewable energy, followed by Daiwa Institute of Research in April 2024. We have set interim domestic targets for 2025 (Scope 1: 416t, Scope 2: 55 t), which have been submitted to the GX League. To achieve these targets, we will continue transitioning overseas offices to renewable energy and consider carbon credits for emissions that are difficult to reduce internally. We also use internal carbon pricing when selecting renewable electricity plans, comparing projected costs based on J-Credit prices* with additional costs, using GHG reduction data from power providers.

* 3,246 yen/t-CO₂ in FY2024

*1 GHG emissions are calculated based on approximately 93% of employee-based locations.

*2 FY2024 results are presented using the market-based method. For location-based data, please refer to "6. Metrics and Targets (2) GHG Emissions (Scope 1 and Scope 2 and Scope 3)" on [page 41](#).

4. Strategy

② Net Zero GHG Emissions within Our Investment and Loan Portfolios, etc. by 2050 (Scope 3)

Toward the realization of a carbon-neutral society, companies are required to manage and reduce GHG emissions emitted not only from their own companies but also their entire supply chains. Financial institutions are particularly expected to manage Scope 3 Category 15 emissions, including financed emissions and facilitated emissions.

Financed Emissions

To reduce financed emissions, we are taking action in line with the following process.

Process of Reducing Financed Emissions



The Group joined PCAF and the PCAF Japan coalition in December 2021, and measures GHG emissions while utilizing PCAF's knowledge and database. For FY2023 results, the scope of measurement was expanded compared to previous fiscal years and was not limited to high-emitting sectors. In addition to Scope 1 and Scope 2, Scope 3 emissions were also measured for investees and lenders. In FY2023, we set interim targets for FY2030 targets for project finance in the power generation sector, which accounts for the largest proportion of emissions in our own investment and loan portfolios. Please refer to "6. Metrics and Targets" on [page 40](#) for details.

Facilitated Emissions

We are closely monitoring international developments regarding facilitated emissions and are coordinating with relevant departments to begin estimating them. In addition, Daiwa Securities actively promotes transition finance to support a decarbonized society and will continue to strengthen these efforts.

③ Supporting the Smooth Transition to a Carbon-neutral Society through Our Business Activities

As an integrated securities group, through our financial business, we will continue to support our customers' efforts toward decarbonization.

Please refer to "4. Strategy (5) Climate-related Strategies" on [page 26](#) for details.

5. Risk Management

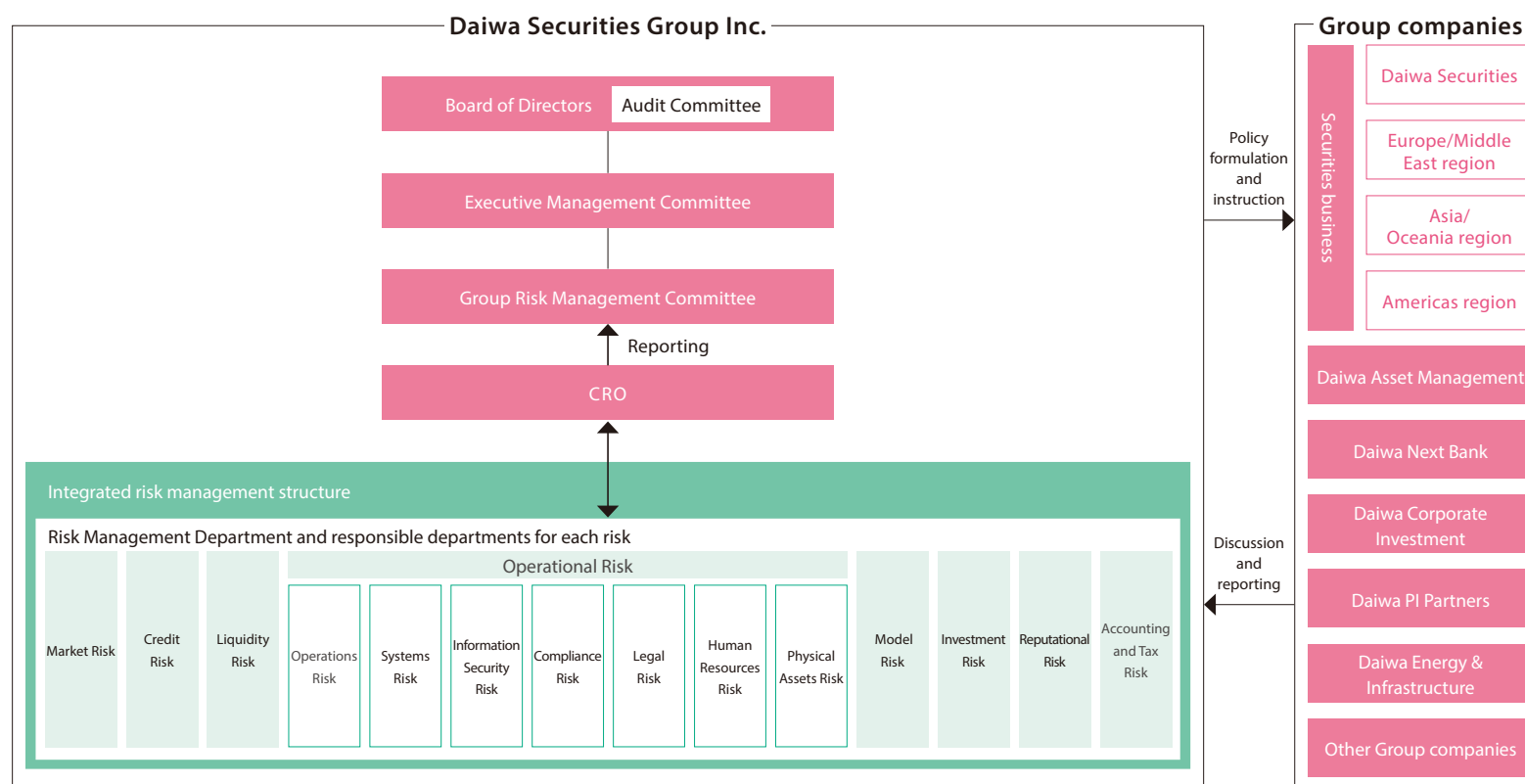
5. Risk Management

(1) Climate-related Risk Management

① Overview of Risk Management

While the Group pursues profitability and growth, it also recognizes the importance of appropriately identifying, evaluating, and effectively managing various risks associated with its business operations. We are working to continuously improve our corporate value by maintaining a sound financial structure and earnings structure that properly balances risk and return and by appropriately managing risks that could materialize not only in the short term, but also in the medium to long term, such as climate-related risks.

Risk Management System



5. Risk Management

Climate-related risks include not only climate phenomena, but also factors such as political and social responses and economic structures, which all interrelate. For example, the transition process to a decarbonized society includes effects to stocks and interest rates with changes in the overall economy (market risk). The transition also will affect the business and financial conditions of companies responding to climate change (credit risk), meaning climate-related risks could be a factor in inducing or increasing various existing risks. As such, we consider the effects of climate-related risks in our existing risk management framework. The definitions and management processes of various risks are as follows.

Market Risk

Market risk refers to the risk of incurring losses due to market fluctuations, which affect the value of stock prices, interest rates, foreign exchange rates, and commodity prices. In terms of the Group's trading business, by providing market liquidity the Group acquires compensation while at the same time taking on market risk through the holding of a certain amount of financial assets. The Group implements suitable hedges to curtail fluctuations in profits and losses. However, as hedges may fail to function effectively in times of stress, the Group sets limits on Value at Risk (VaR)*1 and loss estimates under various types of stress test*2 to ensure that they are within the scope of equity capital, after taking into consideration financial conditions and such factors as the business plans and budgets of subject departments. The Group also sets limits on such facets as position and sensitivity. The departments in charge of the Group's trading services calculate positions and sensitivity for the purpose of assessing their own market risk, and monitor such. Meanwhile, risk management departments also monitor the status of market risk, confirm whether risk falls within the established limits, and report on such to management on a daily basis. In addition, we conduct stress tests using shortened NGFS scenarios to assess the impact of climate-related risks on trading positions and will continue to refine our approach as necessary.

*1 Value at Risk (VaR) represents the maximum possible loss of a given trading portfolio with a given probability over a given time horizon.

*2 Stress tests are used to calculate the Group's maximum losses based on scenarios of the most significant market fluctuations of the past and due to scenarios based on hypothetical risk events.

Credit Risk

Credit risk refers to the risk of losses caused in cases where a counterparty of a trade or the issuer of a financial product held by the Group suffers a default, or credibility deteriorates. The credit risk of the Group's trading activities involves counterparty risk and issuer risk. As far as counterparty risk is concerned, the Group assigns an upper allowable credit amount for each counterparty group and monitors it on a regular basis. We also monitor the volume of risk for the issuer risk of financial instruments held for market-making. Because the Group provides financial instruments, manages assets and makes investments, the Group is exposed to the risk that various instrument and transaction exposures concentrate on a specific counterparty. If the counterparty's credit situation worsens, the Group may incur significant losses. Therefore, the Group has established the upper limit on total exposure to any counterparty and periodically monitors such limit. We will continue to enhance the assessment of climate-related risks associated with our exposure.

Operational Risk

Operational risk is the risk of losses that occur when internal processes, people, and systems do not perform adequately or do not function; it can also arise from external events. The Group classifies operational risks into the seven categories of operations risk, systems risk, information security risk, compliance risk (including conduct risk), legal risk, human resources risk, and physical assets risk, and monitors them by assigning departments responsibilities for individual risk. Also, we have formulated a BCP to prioritize the resumption and continuation of critical operations in the event of disruptions caused by earthquakes, fires, wind and flood damage, abnormal weather, terrorism, large-scale blackouts, or major infectious diseases affecting our headquarters, branches, or data centers. This plan ensures the safety of customers and employees, asset protection, and the continuation of essential operations*. Specifically, we have established a top-tier backup center and a system to maintain critical operations at alternative offices if headquarters functions are disrupted. In Addition, when developing new products, we assess their appropriateness from an ESG perspective.

* The essential operations include: (1) Market settlement of already contracted but unsettled transactions, (2) Withdrawal operations, (3) New order processing for selling and redeeming products (domestic listed stocks, MRF, government bonds for individuals, and ordinary deposits), and customer orders for selling and covering margin trades.

5. Risk Management

Reputational Risk

Reputational risk refers to the possibility of the Group sustaining unforeseen losses and the Group's counterparties being adversely affected due to a deterioration of its reliability, reputation, and assessment caused by the spread of rumors or erroneous information. There are no uniform procedures for managing reputational risk because it can emanate from a variety of sources.

The Group has established various regulations under its Disclosure Policy, with particular emphasis on the management and provision of information. It has also set up the Disclosure Committee within Daiwa Securities Group Inc.

Each Group company is obligated to report information that could turn into reputational risk to the Disclosure Committee. That way, Daiwa Securities Group Inc. can obtain and centrally manage information, and it disseminates accurate information in a prompt manner according to the decisions of the Disclosure Committee.

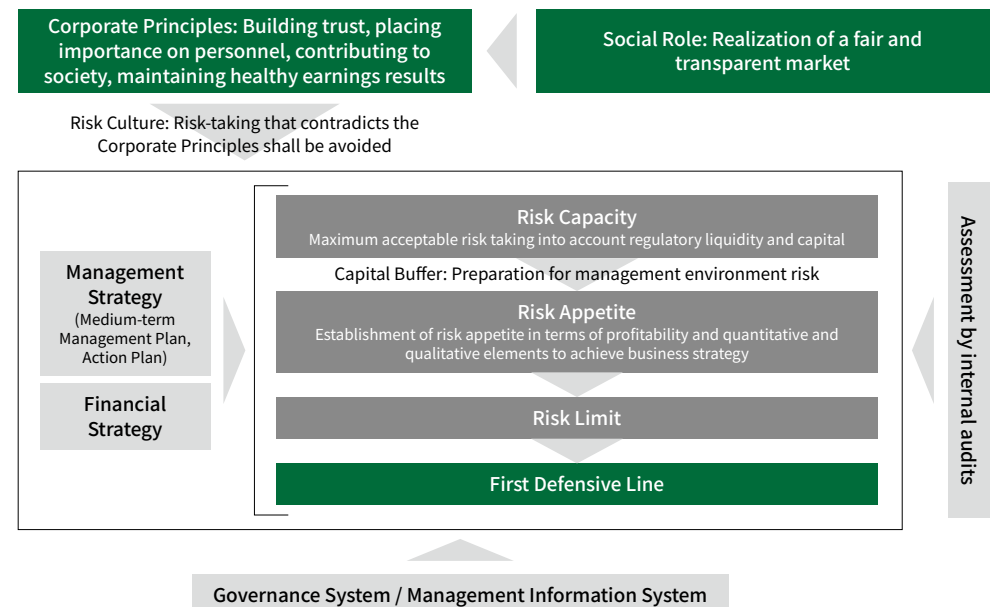
The Group strives to keep abreast of problems and occurrences that may affect its reputation so that if and when such problems occur, their impact on the Group can be minimized. It also acts to ensure that erroneous and inaccurate information is properly corrected, and that it responds appropriately to libel and other issues. The Group has public relations and investor relations systems in place to prevent and minimize risks regarding its reputation.

We will continue to advance the analysis of potential impacts of climate-related risks on our reputation.

② Climate-related Risks in the Risk Appetite Framework

Globally active financial institutions are required to ensure sufficient soundness to exercise their financial intermediary capabilities even in times of economic or market stress. In addition, the Group is required to ensure it has more sufficient liquidity and equity capital commensurate with these risks than usual in order to be adequately prepared during times of stress. Under this environment, the Group has introduced a risk appetite framework (RAF). The Group's RAF has been documented in our Risk Appetite Statement, which the Board of Directors has deliberated and decided on, and we are working to spread this Group-wide while raising the level of its management system. The quantitative risk appetite index is a topic of discussion and determination by the Board of Directors as part of the Risk Appetite Statement and reviewed twice yearly. RAF-related audits of the Board of Directors and management business execution are conducted by the Audit Committee. Climate-related risks have been included in this statement since FY2021. With this inclusion, climate-related risks are properly identified, assessed, and effectively monitored based on their risk profile.

RAF Concept Chart



5. Risk Management

(2) Environmental and Social Policy Framework

To strengthen our management system for environmental and social risks, including preserving the global environment and biodiversity and protecting human rights, the Group has formulated the **Environmental and Social Policy Framework**[🔗](#). This framework covers new investments, loans, and underwriting of bonds and stocks issuance and defines businesses for which the financing is prohibited and restricted.

When providing new financing, we carry out initial ESG due diligence on the eligible projects. If it is deemed that additional confirmation is required as a result of the assessment, enhanced ESG due diligence is implemented to determine whether or not to provide financing. Where carrying out the project in question could risk severely damaging the Group's corporate value, additional discussions are held by the executive management to make a final decision on financing.

Furthermore, even after executing new investments and loans, we conduct regular screening for child labor, forced labor, and human trafficking at our investees and lenders.

If such practices are identified, we demand through dialogue that they are corrected and their recurrence prevented, and we carefully consider whether to continue investment. This framework will be reviewed regularly based on trends in Japan and overseas.

Revision of Environmental and Social Policy Framework

Date	Summary
June 2021	Formulated the Environmental and Social Policy Framework.
December 2021	Expanded the scope to underwriting of bond and equity issuances.
December 2022	Tightened policies on palm oil plantation development projects, deforestation-related projects, coal mining projects, and oil & gas development projects.
December 2023	Tightened policies on human rights and supply chain management.
December 2024	Strengthening of coal mining policy and enhancement of human rights practices.

5. Risk Management

Summary of Environmental and Social Policy Framework (Climate Change)

Restricted Business	Policies
Coal-fired power generation	We prohibit any financing where the use of proceeds is directed toward the new construction of coal-fired power generation and the expansion of existing facilities. Regarding the underwriting of bonds and stocks issuance, however, issuers that announce a target for net zero GHG emissions by 2050, or businesses adopting new technology aligned with the goals of the Paris Agreement, may be considered on a case-by-case basis.
Palm oil plantation development	When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether the loss of wildlife habitat due to overdevelopment may lead to a loss of biodiversity, or land conflicts with indigenous residents, or human rights violations such as child labor/forced labor/human trafficking, or whether appropriate measures are taken to prevent them. We will utilize these results in making decisions. When providing financing to a business, we will confirm if RSPO (Roundtable on Sustainable Palm Oil), an international certification system for palm oil, has been acquired. Where this is not in place, we will encourage our clients to obtain certification. We will encourage our clients to make environmental and human rights policies such as NDPE (No Deforestation, No Peat and No Exploitation) or other compatible policies. Regarding new investments and loans, we will encourage our clients to enhance their supply chain management and traceability to ensure that similar initiatives will also apply to their supply chain.
Business involving deforestation	When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures will be taken to prevent a negative impact on the environment caused by the destruction of ecosystems, and whether illegal logging is carried out. We will utilize these results in making decisions. When providing financing to a business, we will encourage our clients to obtain FSC (Forest Stewardship Council), an international forest certification system or other compatible certifications or to make environmental and human rights policies such as NDPE or other compatible policies. Regarding new investments and loans, we will encourage our clients to enhance their supply chain management and traceability to ensure that similar initiatives will also apply to their supply chain.
Coal mining	We prohibit any financing where the use of proceeds is directed toward projects using the mountaintop removal (MTR) method, the new development of thermal coal mining, the expansion of existing thermal coal mining and the new development and expansion of infrastructure dedicated to thermal coal mining. Regarding the underwriting of bonds and stocks issuance, however, issuers that announce a target for net zero GHG emissions by 2050 may be considered on a case-by-case basis. When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures are taken to ensure occupational safety and a sanitary environment to prevent cave-in accidents, flood accidents, gas explosions, and human rights violations such as illegal labor. We will utilize these results in making decisions.
Large-scale hydroelectric power generation construction	When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures will be taken against the destruction of the environment and ecosystems and negative impacts on local residents due to the construction of a dam. We will utilize these results in making decisions.
Oil and gas development	When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures are taken against their impact on the environment, ecosystems and local communities. We will utilize these results in making decisions. In particular, we will make careful decisions when providing financing to development businesses in the Arctic, oil sands and shale oil and gas development businesses, pipeline businesses which may have significant negative impacts on the environment and society.

6. Metrics and Targets

6. Metrics and Targets

(1) Metrics and Targets

We established sustainability KPIs in FY2024 as part of the Medium-term Management Plan “Passion for the Best” 2026.

Metrics and Targets

Climate-related KPIs			FY2026 Targets	FY2024 Results*1	Strategic Initiatives
Group KPIs	GHG emissions (our own operations*2)	Consolidated	Net Zero (FY2030)	2,725 t-CO ₂ e	Realizing carbon neutrality within our own operations page 32
	GHG emissions (investment portfolio*3)	Consolidated	186~255 (FY2030)	243 g-CO ₂ e/kWh	Realizing carbon neutrality within our own operations page 32
	SDGs bond league table	GIB	In the top 2 (FY2026)	1st	Promoting sustainable finance page 27
Other Sustainability KPIs	Green building certification ratio (DOI / DLI / DLP*4)	Daiwa Real Estate Asset Management	DOI: 65% DLI: 20% DLP: 25%	DOI: 67.5% DLI: 23.2% DLP: 37.6%	Sourcing and investment focused on sustainability page 30
	Renewable energy switching rate for offices and data centers	Daiwa Institute of Research	100%	100%	Realizing carbon neutrality within our own operations page 32
	Number of customers who have purchased sustainability-related products	WM	Continuously expand	59,035 accounts	Development of products and services, and promotion of investment and lending focused on sustainability page 28
	Ranking of GX Transition Bond Primary Dealer Bids	GM	In the top 3	1st	Promoting sustainable finance page 27
	Sustainability-related investment balance	Daiwa Energy & Infrastructure	180 billion yen	131.8 billion yen	Sourcing and investment focused on sustainability page 30
	ESG investment balance	Daiwa Next Bank	100 billion yen	120.9 billion yen	Development of products and services, and promotion of investment and lending focused on sustainability page 28

*1 As of March 31, 2025

*2 Total of Scope 1 and Scope 2 (market-based)

*3 FY2023 result. The targets cover project finance in the power generation sector. Include some estimated values.

*4 DOI: Daiwa Office Investment Corporation, DLI: Daiwa Securities Living Investment Corporation, DLP: Daiwa Securities Logistics Private Investment Corporation

(2) GHG Emissions (Scope 1 and Scope 2 and Scope 3)

Under the Net Zero Carbon Declaration [🔗](#), the Group aims to achieve net zero GHG emissions within our own operations by FY2030 (Scope 1 and Scope 2). We monitor GHG emissions every year to achieve these targets.

For detail, please refer to “Appendix 2. Scope of Aggregation and Calculation Method for GHG Emissions” on [page 55](#).

GHG Emissions

Scope		FY2024
Scope1		841
Scope2	Market-based	1,884
	Location-based	25,033
Scope3	Category6: Business travels	1,002
	Category7: Commuting	1,860
	Category8: Leased cars	1,411

* Third-party assurance will be obtained in August 2025.

6. Metrics and Targets

GHG Emissions within Our Investment and Loan Portfolios

To lay out a concrete path toward our goal of Net zero GHG emissions within our investment and loan portfolios, etc. by 2050 (Scope 3) set forth in the Declaration, we set interim targets up to FY2030 for project finance in the power generation sector, which accounts for the largest proportion of emissions in our own investment and loan portfolios.

FY2023 Results

For FY2023 results, the scope of measurement was expanded compared to previous fiscal years and was not limited to high-emitting sectors. In addition to Scope 1 and Scope 2, Scope 3 emissions were also measured for investees and lenders.

Scope of Measurement

- Sectors: All sectors
- Asset classes: Listed equity (including REIT), unlisted equity (including REIT), corporate bonds, commercial real estate, business loans, project finance

* Subjects are Daiwa Securities Group Inc.'s invested companies, the assets (own holdings, excluding unlisted stocks via funds) managed by the Asset Management Division and companies managed by Daiwa Next Bank, Ltd.

* Not applicable for commercial real estate and business loans. In addition, for other asset classes, if there is no subject, a hyphen will be displayed, and if the number will be rounded down, 0 will be displayed.

* Some estimates are based on the PCAF Database. (excluding subjects that cannot be referenced in the Database)

FY2023 Results

	(t-CO ₂)					
	Listed equity (including REIT)	Unlisted equity (including REIT)	Corporate bonds	Project finance	Scope 1 and Scope 2	Scope 3
Power Generation	56,675	0	166,683	397,634	620,993	175,009
(Air)	40,091	-	-	-	40,091	8,642
Transportation (Maritime)	429	-	-	-	429	536
(Land)	105	0	0	-	105	42
Metal & metal products* ¹	1,984	14,426	-	-	16,410	14,332
Chemicals	239	2,507	0	-	2,746	4,746
Real Estate	1,204	397	10	-	1,611	2,924
Automobile Manufacturing	37	-	656	-	692	13,149
Packaged Food and Meats	532	-	-	-	532	898
Paper and Forest Products	332	-	-	-	332	293
Oil and Gas	267	-	0	-	267	678
Capital Goods* ²	152	-	0	-	152	18,030
Coal	57	-	-	-	57	27
Steel	45	-	0	-	45	35
Aluminum	24	-	-	-	24	85
Agriculture	22	-	-	-	22	11
Construction Materials	11	-	-	-	11	2
Beverages	3	-	0	-	3	19
Cement	-	-	-	-	-	-
Others	3,426	45	183	-	3,654	24,003
Total	105,638	17,374	167,532	397,634	688,178	263,461

*¹ Excluding steel and aluminum

*² Buildings etc.

6. Metrics and Targets

Progress Toward Interim Targets

In FY2023, we set interim targets up to FY2030 for project finance in the power generation sector, which accounts for the largest proportion of emissions in our own investment and loan portfolios.

To support increasing electricity demand while advancing the transition to clean energy, we use emissions intensity (GHG emissions per unit of power generated) as a measurement indicator. The targets are set based on the IEA's NZE and APS scenarios, aligned with the 1.5°C goal and well below the 2°C threshold of the Paris Agreement.

The FY2023 results were lower than those of FY2022* due to improved power generation efficiency among investment and loan recipients, as well as progress in renewable energy investments and loans. Measurement of investment and loan portfolio emissions is still in the development stage, and measurement results may be significantly affected by revisions to estimation methods, etc.

Going forward, we will strengthen engagement with investees and expand renewable energy financing to achieve our targets. For details, please refer to “Measures to achieve net zero GHG Emissions within Our Investment and Loan portfolios” [↗](#).

* FY2022 results were 379 g-CO₂/kWh

Emissions from Project Finance in Power Generation Sector (Scope 1)

FY2023 Results*		Interim Targets for FY2030	
Total emissions	387,431 t-CO ₂ e	Metric	Emission intensity (g-CO ₂ e/kWh)
Emission Intensity (g-CO ₂ e/kWh)	243 g-CO ₂ e/kWh	Target Value	186~255 g-CO ₂ e/kWh
PCAF Score	Average PCAF score 2.73	Reference Scenarios	IEA NZE • APS

* Some calculations are based on estimated values.

(3) Carbon-intensive Assets

As the global economy advances toward decarbonization, carbon-intensive assets are increasingly exposed to financial and reputational risks. Climate-related scenario analysis suggests that such assets may be subject to material financial impacts over the medium to long term.

In line with the TCFD supplementary guidance, we disclose the balance of carbon-intensive assets as an indicator of exposure to transition risks. As of December 2024, the balance amounted to approximately 550 billion yen, representing 32.3% of total assets, based on our consolidated financial statements.

We will continue to monitor these assets and work toward their gradual reduction over time.

Breakdown of Carbon-intensive Assets

Category	Investment and Capital	Daiwa Next Bank CLO	Daiwa Securities LMS	Total
Energy	10%	5%	0%	15%
Transportation	1%	6%	1%	8%
Materials and Construction	51%	21%	2%	73%
Agriculture, Food, and Forestry	0%	4%	0%	4%
Total	62%	36%	3%	100%

* Scope: Investment and capital, Daiwa Next Bank CLO, and Daiwa Securities LMS.

* Water utilities, independent power producers, and renewable energy are excluded from the energy category.

6. Metrics and Targets

(4) Executive Remuneration

Remuneration of Directors and Corporate Executive Officers consists of Base remuneration, Stock-linked remuneration and Performance-linked remuneration, and determined at the Compensation Committee.

We refer to KPIs, which are set as the Group numerical goals in the Medium-term Management Plan “Passion for the Best” 2026 to calculate Performance-linked remuneration. These KPIs include SDGs bond league table and GHG emissions targets.

The performance assessments used in calculating Performance-linked remuneration reflect the financial performance evaluation, which is based on the Performance KPIs using the financial information and the quality evaluation, which is a comprehensive assessment of the KPIs other than the Performance KPI. The Financial Performance Evaluation and the Quality Evaluation are determined by the Compensation Committee. Performance-linked remuneration is calculated by multiplying the reference amount determined for each position by the performance evaluation, and reflecting the degree of individual contribution.

Evaluation System for Performance-linked Remuneration

Category	Financial performance evaluation (100)			±	Quality evaluation (-20 ~ +20)		
	KPI	Points	Reference value		KPI	Reference value	Results
Performance	Consolidated ROE	40	10%				9.8%
	Consolidated ordinary income	40	¥240 billion				¥224.7 billion
	Base Income	20	¥150 billion				¥137.5 billion
Client assets					Assets under custody	¥120 trillion	¥90.2 trillion
					Stock-related assets	¥13.6 trillion	¥9.8 trillion
					AUM of the Assets Management Division	¥44 trillion	¥34.9 trillion
Digital					Number of value created digital projects	10	2
					Number of digital project trials	50	45
					SDGs-related bond league table	In the top 2	1st
					Engagement survey score	80% or higher	81%
					Our own GHG emissions	Net zero by FY2030	-
Sustainability					Investment funding portfolio GHG emissions	186 to 255 g-CO ₂ /kWh	-

Compensation by Type of Officer, Remuneration, and Number of Eligible Officers

Type of Officer	Total Compensation, etc. (millions of yen)	Value of compensation, etc., by type (millions of yen)						Recipients (persons)
		Base Remuneration	Stock Remuneration I	Performance-linked Remuneration			Retirement bonus	
				Cash	Stock Remuneration II	Stock Remuneration III		
Directors	66	57	8	-	-	-	-	3
Corporate executive officers	1,777	517	157	852	182	67	-	12
Outside directors	139	130	8	-	-	-	-	8

* Five directors also served as corporate executive officers; their total compensation is included in the corporate executive officers category.

* Performance-linked compensation reflects the amount scheduled for the current fiscal year.

7. Response as an Asset Manager

7. Response as an Asset Manager

The Group's Asset Management Division comprises Daiwa Asset Management, which handles securities asset management, and Daiwa Real Estate Asset Management (including Daiwa Office Investment Corporation), which handles real estate asset management. Both companies are committed to realizing a carbon-neutral society through their businesses.

(1) Daiwa Asset Management

① Governance

Daiwa AM addresses ESG issues, including climate-related risks, in accordance with our General Policy on Stewardship Activities, which has been decided on by our Stewardship Committee, and with our ESG Investment Policy, which incorporates sustainability considerations. Related activities and policies are deliberated on and monitored by the Stewardship Committee. The Stewardship Committee reports to the Board of Directors on monitoring status in relation to the TCFD.

Framework



② Strategy

The climate-related risks and opportunities are reflected in Daiwa AM's corporate value assessment model, and are utilized in the selection of investee companies. We also aim, through our engagement activities, to guide companies toward a focus on decarbonization and nature-positive management, so as to enhance investee companies' corporate value. Particularly in regard to climate change, we perform scenario analysis using indicators that include conditional value at risk (CVaR) to verify portfolio risk and resilience.

Reflecting identified climate-related risks and opportunities in the corporate value assessment model

Transitional risks	Regulatory risk	Stricter environmental regulation
	Technology risk	Falling behind the progress being made in technology, in terms of renewable energy, etc.
	Market risk	Changes in demand for petrochemical assets, etc.
	Reputational risk	Becoming less highly valued and more negatively judged by consumers
Physical risks	Acute risk	Risk relating to floods, typhoons, etc.
	Chronic risk	Risk relating to changes in long-term climate patterns
Opportunities	Resource efficiency	Increased demand for recycling technology, etc.
	Energy sources	Increased demand for renewable energy, etc.
	Products and services	Increased demand for products, etc. with a smaller environmental footprint
	Resilience	Energy diversification aimed at achieving greater resilience

Reflection in the corporate value assessment model

7. Response as an Asset Manager

Products

The company offers various investment trusts aimed at achieving a decarbonized society. For details, please refer to “4. Strategy (5) Climate-related Strategies ③ Development of products and services, and promotion of investment and lending focused on sustainability” on [page 28](#).

Engagement

The company identifies climate change as one of its material issues and engages with investee companies. For details, please refer to “4. Strategy (5) Climate-related Strategies ⑦ Strengthening stakeholder engagement” on [page 31](#).

③ Risk Management

Daiwa AM uses information disclosed by companies, data from external vendors, the research and engagement conducted by Daiwa AM itself, and dialog with companies, to monitor the climate-related risks and opportunities for investee companies. Daiwa AM has also put in place a framework for utilizing external vendors’ data as a basis for measuring the greenhouse gas emissions of the investee companies in our portfolio, and conducting climate change risk scenario analysis, and monitors and manages risk through periodic analysis.

④ Metrics and Targets

As GHG emissions indicators, we perform monitoring and analysis of total CO₂ emissions by fund and by asset class, and of carbon footprint, carbon intensity, etc. On the basis of this data and our own original research, we undertake engagement activities with companies to encourage proactive decarbonization.

Analysis of the main indicators relating to total CO₂ emissions

Daiwa AM has compared the total carbon emissions, carbon footprint, and weighted average carbon intensity for each of the asset classes that we invest in against the respective benchmarks for each class. The carbon footprint is an indicator measuring emissions in relation to portfolio size (market capitalization), while carbon intensity is an indicator measuring carbon emissions of investee companies per unit of sales. For each of these, climate change risk management is performed appropriately by implementing analysis and monitoring. As shown in the table on the next page, Scope 3 emissions were categorized as upstream or downstream, and the relevant emissions for each were calculated. Daiwa AM is striving to promote the decarbonization of its entire supply chain, by establishing a detailed understanding of the total carbon emissions of our investee companies, including Scope 1, Scope 2, and Scope 3 emissions, with a particular emphasis on Scope 3, and making effective use of this information in engagement activities with investee companies. Carbon footprint and weighted average carbon intensity for overseas equities were found to exceed the benchmark values. This was attributable to having the stocks of Indian corporations accounting for a sizeable share of the investment portfolio. In the case of Japanese corporate bonds, although the carbon footprint was affected by the inclusion in the portfolio of the corporate bonds of electric power companies at a weight higher than the benchmark, the disparity with the benchmark was smaller than in the previous year, and there was also a fall in weighted average carbon intensity, so an improvement could be seen. Going forward, we will continue to utilize engagement activities, etc. to encourage investee companies to implement measures in relation to climate change. For details, please refer to the “Sustainability Report 2024.” [🔗](#)

7. Response as an Asset Manager

Portfolios' total carbon dioxide emissions

Scope 1, 2

	Daiwa AM	Benchmark	(tons of CO ₂ equivalent) Disparity
Domestic stocks	6,225,937	7,275,447	-14%
Overseas stocks	961,975	732,306	31%
Domestic corporate bonds	161,159	81,818	97%
Overseas corporate bonds	62,161	169,474	-63%
Total	7,411,231	8,259,044	-10%

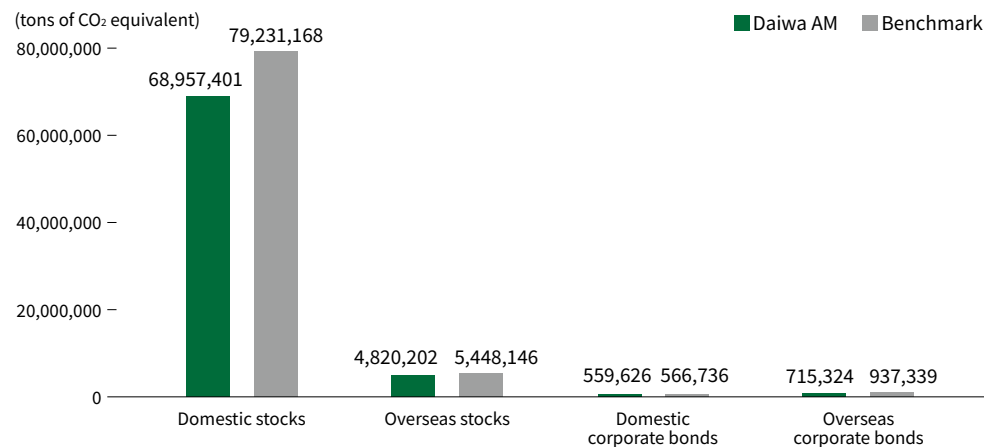
Scope 3 Upstream

	Daiwa AM	Benchmark	(tons of CO ₂ equivalent) Disparity
Domestic stocks	20,538,700	22,396,744	-8%
Overseas stocks	1,164,744	1,320,133	-12%
Domestic corporate bonds	191,932	162,889	18%
Overseas corporate bonds	198,270	238,558	-17%
Total	22,093,646	24,118,323	-8%

Scope 3 Downstream

	Daiwa AM	Benchmark	(tons of CO ₂ equivalent) Disparity
Domestic stocks	42,192,765	49,558,978	-15%
Overseas stocks	2,693,483	3,395,708	-21%
Domestic corporate bonds	206,535	322,029	-36%
Overseas corporate bonds	454,892	529,307	-14%
Total	45,547,675	53,806,022	-15%

Total CO₂ emissions (Total of Scope 1, 2, and 3)



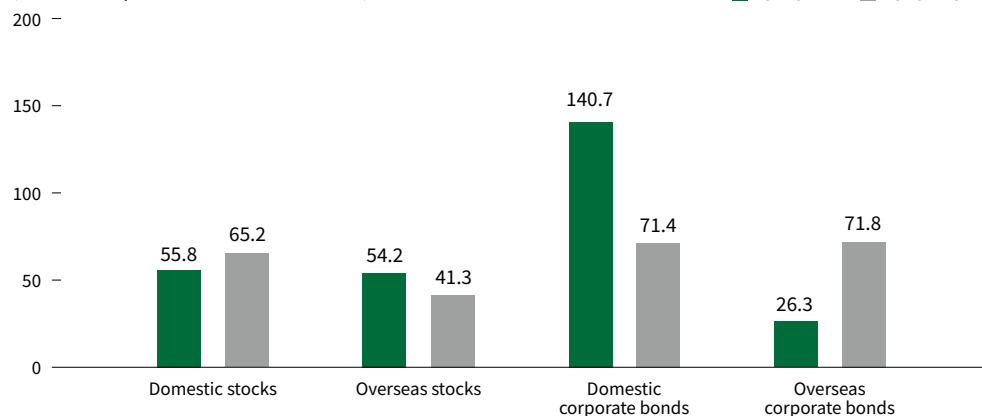
*1 Benchmarks: Domestic stocks: TOPIX (with dividends included) Overseas stocks: MSCI ACWI ex Japan Index Domestic corporate bonds: Bloomberg Asian-Pacific Japan Corporate TR Index Value Unhedged JPY Overseas corporate bonds: Bloomberg Global Aggregate ex-JPY-Corporate TR Index Unhedged USD

*2 Source: Some information is derived from ©2025 MSCI ESG Research LLC. Reproduced by permission

7. Response as an Asset Manager

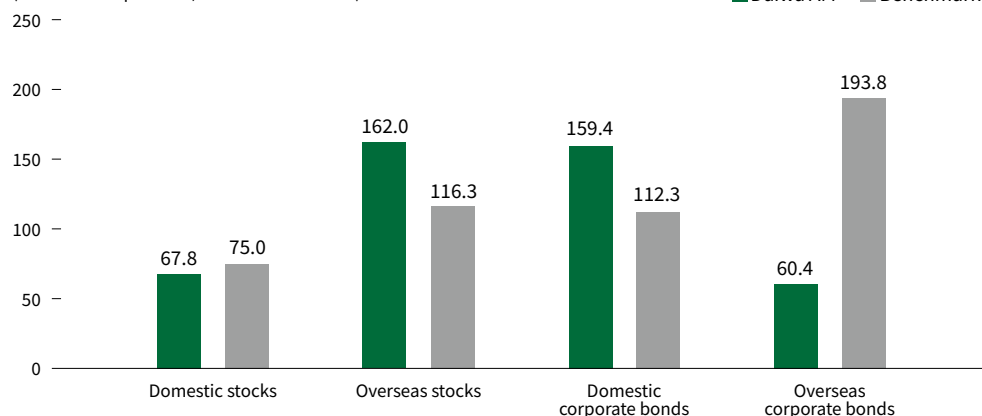
Carbon footprint of portfolio (Scope 1, Scope 2)

(tons of CO₂ equivalent/million USD invested)



Weighted average carbon intensity of portfolio (Scope 1, Scope 2)

(tons of CO₂ equivalent/million USD of sales)



*1 The benchmarks used were the same as those used in the previous section for portfolio's total carbon dioxide emissions.

*2 Source: Some information is derived from ©2025 MSCI ESG Research LLC. Reproduced by permission.

(2) Daiwa Real Estate Asset Management

① Governance

The Asset Manager has established the Climate Change and Resilience Policy, the policy for responding to climate-related risks and opportunities and working to make business and strategy resilient to climate-related issues. In accordance with the policy, Chief Climate-Related Issues Officers (general managers of departments engaged in sustainability promotion) make regular reports to the Chief Executive Officer for Climate-Related Issues (President and Representative Director) at Sustainability Promotion Committee meetings. The reports cover matters related to responses to climate change, including identification and evaluation of impacts of climate change, management of risks and opportunities, progress of initiatives for adaptation and mitigation, and indicator and target setting. The Sustainability Promotion Committee deliberates and discusses issues related to climate change, after which the Chief Executive Officer for Climate-Related Issues makes final decisions.

Under this system, climate-related issues are supervised by the President and Representative Director.

② Strategy

To factor climate-related risks and opportunities into the Investment Corporation's real estate management business, the Asset Manager conducted a scenario analysis, using a 1.5°C /2°C scenario and a 4°C scenario. For each scenario, the Asset Manager classified the financial impacts of identified risks and opportunities into short-term, medium-term and long-term impacts and examined relative scales of impacts on the Investment Corporation. Shown below are medium-term and long-term risks from climate change that have a certain degree of financial impacts.

7. Response as an Asset Manager

Financial Impacts in the Scenario Analysis (DOI)

Classification		Risk and Opportunity Factors in Real Estate Management	Potential Financial Impacts	Category	Financial Impacts				Countermeasures
					4°C		1.5°C /2°C		
					Mid Term	Long Term	Mid Term	Long Term	
Transition Risks and Opportunities	Policy and Legal	Stricter regulations against GHG emissions due to an introduction of carbon tax	● Increased tax burden due to the introduction of carbon tax, depending on the volume of GHG emissions from properties	Risk	Small	Small	Medium	Large	● Introduction of energy management systems and renewable energy ● Planned reduction of energy consumption/GHG emissions at portfolio properties ● Improvement in GHG emissions through strategic replacement/renovation of properties ● Increase in environmental certification acquisition rates
		Stricter energy-saving standards, obligation to report emissions	● Increased renovation costs due to raised energy-saving standards ● Increased business expenses related to emissions reporting	Risk	Small	Small	Large	Large	
		Enhanced competitiveness of properties that comply with legal regulations	● Increased rent income from portfolio properties with high environmental performance ● Decreased utility bills thanks to improved energy efficiency	Opportunity	Small	Small	Medium	Medium	
	Technology	Advancement and spread of energy-saving and renewable energy technologies	● Increased renovation costs due to the introduction of new technologies	Risk	Small	Small	Large	Large	● Introduction of cutting-edge technologies ● Planned renovation works ● Promotion of transition to power derived from renewable energy
			● Decreased utility bills thanks to better energy-saving performance	Opportunity	Small	Small	Medium	Medium	
	Market	Fluctuations in properties' asset value depending on environmental performance	● Fluctuations in portfolio properties' asset value depending on environmental certification acquisition rates ● Fluctuations in rent income depending on the proportion of portfolio properties with high environmental performance	Risk	Small	Small	Large	Large	● Increase in environmental certification acquisition rates ● Promotion of transition to power derived from renewable energy ● Sufficient information disclosure about portfolio properties' environmental performance ● Appropriate disclosure of ESG-related information, including that on climate change ● Higher ratings in ESG assessments by external institution ● Reduction of financing costs through the use of sustainability finance
				Opportunity	Small	Small	Medium	Medium	
		Changes in the stances of investors/lenders/tenants on investment and lending	● Fluctuations in reputation from ESG-conscious investors and lenders ● Fluctuations in ESG-conscious tenants' demand for moving in and out ● Better/Worse terms and conditions in financing from financial institutions, etc.	Risk	Small	Small	Large	Large	
				Opportunity	Small	Small	Medium	Medium	
	Reputation	Decline in reputation from investors and customers	● Decreased investment unit prices/Lower ESG ratings ● Decreased profitability of properties with low environmental performance/resilience	Risk	Small	Small	Medium	Large	
Physical Risks	Acute	Increased loss due to intensifying storm and flood damage	● Increased repair costs and insurance premiums ● Decreased rent income due to lower occupancy rates ● Loss of business opportunities/Increased business continuity risks	Risk	Small	Medium	Small	Small	● Risk comprehension using hazard maps, etc. ● Portfolio of highly resilient properties ● Upgrading of facilities to install high-efficiency air conditioning systems, introduction of energy management systems ● Implement energy saving initiatives in corporation with tenants, including green leases ● Enhancement of BCP measures ● Promotion of greening at portfolio properties
	Chronic	Increased damage from rise in average temperature/sea level	● Increased renovation costs to protect portfolio properties from water intrusion, damage, destruction, etc.	Risk	Small	Small	Small	Small	

7. Response as an Asset Manager

Financial Impacts in the Scenario Analysis (DLI)

Classification		Risk and Opportunity Factors in Real Estate Management	Potential Financial Impacts	Category	Financial Impacts				Countermeasures
					4°C		1.5°C /2°C		
					Mid Term	Long Term	Mid Term	Long Term	
Transition Risks and Opportunities	Policy and Legal	Stricter regulations against GHG emissions due to an introduction of carbon tax	● Increased tax burden due to the introduction of carbon tax, depending on the volume of GHG emissions from properties	Risk	Small	Small	Medium	Medium	● Introduction of energy management systems and renewable energy ● Planned reduction of energy consumption/GHG emissions at portfolio properties ● Improvement in GHG emissions through strategic replacement/renovation of properties ● Increase in environmental certification acquisition rates
		Stricter energy-saving standards, obligation to report emissions	● Increased renovation costs due to raised energy-saving standards ● Increased business expenses related to emissions reporting	Risk	Small	Small	Medium	Medium	
		Enhanced competitiveness of properties that comply with legal regulations	● Increased rent income from portfolio properties with high environmental performance ● Decreased utility bills thanks to improved energy efficiency	Opportunity	Small	Small	Small	Medium	
	Technology	Advancement and spread of energy-saving and renewable energy technologies	● Increased renovation costs due to the introduction of new technologies	Risk	Small	Small	Medium	Medium	● Introduction of cutting-edge technologies ● Planned renovation works ● Promotion of transition to power derived from renewable energy
			● Decreased utility bills thanks to better energy-saving performance	Opportunity	Small	Small	Medium	Medium	
	Market	Fluctuations in properties' asset value depending on environmental performance	● Fluctuations in portfolio properties' asset value depending on environmental certification acquisition rates ● Fluctuations in rent income depending on the proportion of portfolio properties with high environmental performance	Risk	Small	Small	Medium	Medium	● Increase in environmental certification acquisition rates ● Promotion of transition to power derived from renewable energy ● Sufficient information disclosure about portfolio properties' environmental performance ● Appropriate disclosure of ESG-related information, including that on climate change ● Higher ratings in ESG assessments by external institution ● Reduction of financing costs through the use of sustainability finance
			● Decreased utility bills thanks to better energy-saving performance	Opportunity	Small	Small	Small	Medium	
		Changes in the stances of investors/lenders/tenants on investment and lending	● Fluctuations in reputation from ESG-conscious investors and lenders ● Fluctuations in ESG-conscious tenants' demand for moving in and out ● Better/Worse terms and conditions in financing from financial institutions, etc.	Risk	Small	Small	Medium	Medium	
					Opportunity	Small	Small	Small	
	Reputation	Decline in reputation from investors and customers	● Decreased investment unit prices/Lower ESG ratings ● Decreased profitability of properties with low environmental performance/resilience	Risk	Small	Small	Medium	Medium	
Physical Risks	Acute	Increased loss due to intensifying storm and flood damage	● Increased repair costs and insurance premiums ● Decreased rent income due to lower occupancy rates ● Loss of business opportunities/Increased business continuity risks	Risk	Medium	Medium	Small	Small	● Risk comprehension using hazard maps, etc. ● Portfolio of highly resilient properties ● Upgrading of facilities to install high-efficiency air conditioning systems, introduction of energy management systems ● Implement energy saving initiatives in corporation with tenants, including green leases ● Enhancement of BCP measures ● Promotion of greening at portfolio properties
	Chronic	Increased damage from rise in average temperature/sea level	● Increased renovation costs to protect portfolio properties from water intrusion, damage, destruction, etc.	Risk	Small	Small	Small	Small	

7. Response as an Asset Manager

③ Risk Management

The Investment Corporation's Climate Change and Resilience Policy sets out processes to identify, assess, and manage the impacts of climate change risks and opportunities on the corporation's management activities, strategies, financial plans, etc.

- Chief Climate-Related Issues Officers summarize climate-related risks and opportunities and report the progress to the Sustainability Promotion Committee, in principle, once a year.
- The Sustainability Promotion Committee continuously identifies, assesses, and manages climate change risks and opportunities that are important to the business and financial plans and affect the asset management operations of the Investment Corporation. Based on the above reports, the committee prioritizes issues of strategic importance to the business.
- The Chief Executive Officer for Climate-Related Issues instructs to factor important climate-related risks with high priority, which have been deliberated by the Sustainability Promotion Committee, into the existing company-wide risk management program. The risk identification, assessment, and management processes are thus integrated.

④ Metrics and Targets

Each Investment Corporations sees the transition to a carbon-neutral society as an opportunity. The following target KPIs (Key Performance Indicators) have been established as key monitoring indicators in the process of managing climate change risks and opportunities. For details, please refer to the website of [Daiwa Office Investment Corporation](#) and [Daiwa Securities Living Investment Corporation](#).

Indicators and Targets (DOI)

KPI	
Reduction of CO ₂ emissions	Mid-term target (FY2030): Reduction of 46% in CO ₂ emissions on an intensity basis across the portfolio by FY2030 (compared with FY2013)
	Long-term target (FY2050): Achieved carbon neutrality in CO ₂ emissions on an intensity basis across the portfolio by FY 2050
Percentage of environmental certifications acquired	Mid-term target (FY2030): Achieve an environmental certification ratio of at least 70% for the entire portfolio

Indicators and Targets (DLI)

KPI	
Reduction of CO ₂ emissions	Mid-term target (FY2030): Reduction of 20% in CO ₂ emissions on an intensity basis across the portfolio by FY2030 (compared with FY2022)
	Long-term target (FY2050): Achieved carbon neutrality in CO ₂ emissions on an intensity basis across the portfolio by FY 2050
Percentage of environmental certifications acquired	Mid-term target (FY2030): Achieve an environmental certification ratio of at least 20% for the entire portfolio

Appendix

Appendix 1.

External Evaluations

ESG Rating



✓ Achieved MSCI's highest
AAA rating for three consecutive years

✓ **The only company among the
50 global firms***

in the Investment Banking & Brokerage sector to
receive an AAA

* As of November 2024

External Evaluation



Inclusion in Indices



**FTSE Blossom
Japan Index**



**FTSE Blossom
Japan Sector
Relative Index**



2024 CONSTITUENT MSCI NIHONKABU
ESG SELECT LEADERS INDEX



FTSE4Good

**Included for 19
consecutive
years**



Adopted in 2024

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

**Continuously included
since the index was
launched in 1999**

Appendix 2.

Scope of Aggregation and Calculation Method for GHG Emissions

GHG emissions are calculated in line with the Act on Promotion of Global Warming Countermeasures and the Basic Guidelines for Calculating GHG Emissions through the Supply Chain issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. As non-CO₂ GHG emissions are negligible for our business, only CO₂ emissions are included. To ensure timeliness and reliability, the latest publicly available emission factors are applied.

Scope 1 and Scope 2

[Domestic]

Two companies, Daiwa Securities and Daiwa Institute of Research, which are required by law to report on the amount of energy consumption and the volume of CO₂ emissions. The data for Gran Tokyo North Tower, where Daiwa Securities Group is based, Daiwa Yaesu Building, and Daiwa Toyochō Building includes data for Group companies other than those mentioned above.

[Overseas]

London, New York, Hong Kong, Taipei, Singapore, Seoul and Washington D.C. offices

[Calculation methods]


Calculated in accordance with methods stipulated in the Act on Rationalization of Energy Use and Shift to Non-fossil Energy and the Act on Promotion of Global Warming Countermeasures. Disclosed figures have been rounded off to the nearest whole number. For Scope 1 and Scope 2, GHG emissions are aggregated based on the usage of the following items.

Scope 1: Utility gas, LP gas, heavy oil, diesel fuel and kerosene

Scope 2: Electricity, steam, hot water and cold water

A) Electricity:

Market-based) For domestic sites, adjusted emission factors by providers under the Act on Promotion of Global Warming Countermeasures are applied; for overseas sites, factors by local governments or providers are applied. If not available, location-based factors are applied. For sites without data, estimates are based on average consumption per floor area

Location-based) Emission factors from Carbon Footprint Ltd* are applied. (carbonfootprint.com )

B) Utility gas:

For domestic sites, either CO₂ emission factors* by each provider or heat values combined with emission factors under the Act on Promotion of Global Warming Countermeasures are applied; for overseas sites, the same approach is used.

C) LP gas, heavy oil, diesel fuel, kerosene, steam, hot water and cold water:

Calculated by multiplying usage-based totals by emission factors* issued by the Ministry of the Environment.

* As of May 2025

Appendix 2.

Scope 3

[Scope]

Category 6: Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., London and Hong Kong Offices

Category 7: Daiwa Securities Co. Ltd.

Category 8: Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., and Daiwa Institute of Research Ltd.

[Calculation methods]

Calculated using emission factors from the Database of Emission Factors for Accounting of GHG Emissions through the Supply Chain (Ver.3.5) and IDEA v2.3 for supply chain GHG emissions. Figures are rounded to the nearest whole number.

Category 6: Based on person-kilometers for international business travel at applicable sites, multiplied by emission factors.

Category 7: Based on commuting expenses at applicable sites, multiplied by emission factors and attendance rates.

Category 8: Based on fuel used by leased vehicles at applicable sites, multiplied by emission factors. Classification follows the Basic Guidelines on Accounting for GHG Emissions through the Supply Chain.

Basic Formula for Financed Emissions in PCAF

$$\text{Financed Emissions} = \sum_i \text{① Attribution factor } i \times \text{② Emissions } i$$

① Attribution factor = Outstanding amount of the Group's loans and investments/Value (Total equity + debt) of borrowers or investees

② Emissions = Use disclosed Scope 1, Scope 2 and Scope 3 emissions of borrower or investee. If not available, use PCAF's estimated values.

The scope and methods will be reviewed as necessary in line with future developments in domestic and international guidelines and standards.

Appendix 3.

IFRS S2 Index

Pillar	Item	Paragraph	Requirement	Reference Section ^{*1}
General	Objective	1 and 2	(The objective of IFRS S2 Disclosures)	-
	Scope	3 and 4	(The scope of IFRS S2 Disclosures)	-
Governance	Objective	5	(The objective of disclosures on governance)	-
	Oversight of climate-related risks and opportunities	6 (a)	Governance body(s) or individual(s) responsible for oversight of climate-related risks and opportunities.	3 (1)
		6 (b)	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities	3 (1) and 3 (2)
	Others	7	(Provision for avoiding unnecessary duplication)	-
Strategy	Objective	8	(The objective of disclosures on strategy)	-
	Contents	9 (a)	Climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects	4 (2) and 4 (3)
		9 (b)	Current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain	4 (2) and 4 (3)
		9 (c)	Effects of climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan	4 (1) through 4 (5)
		9 (d)	Effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term	4 (3)
		9 (e)	Climate resilience of the entity's strategy and its business model to climate-related changes, developments and uncertainties	4 (3)
	Climate-related risks and opportunities	10	Information about climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects (including physical risk or transition risk, time horizons and definitions)	4 (2) through 4 (3)
		11	(Requirement to use all reasonable and supportable information that is available without undue cost or effort)	-
		12	(Requirement to refer to and consider the applicability of the industry-based disclosure topics)	-
	Business model and value chain	13 (a)	Current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain	4 (3)
		13 (b)	Where in the entity's business model and value chain climate-related risks and opportunities are concentrated	4 (3)
	Strategy and decision-making	14 (a)	Information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making	4 (1) through 4 (5)
		14 (b)	Information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 14(a)	4 (1) through 4 (5)
		14 (c)	Quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a)	4 (1) through 4 (5)

Appendix 3.

Pillar	Item	Paragraph	Requirement	Reference Section* ¹
Strategy	Financial position, financial performance and cash flows	15 (a)	Effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period	4 (3)
		15 (b)	Anticipated effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term	4 (3) and 4 (5)
		16 (a)	How climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period	4 (3) and 4 (5)
		16 (b)	Climate-related risks and opportunities identified in paragraph 16(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements	4 (3) and 4 (5)
		16 (c)	How the entity expects its financial position to change over the short, medium and long term	4 (3)
		16 (d)	How the entity expects its financial performance and cash flows to change over the short, medium and long term	4 (3) and 4 (4)
		17	(Provision for disclosing a single amount or a range)	-
		18	(Consideration for preparing disclosures about the anticipated financial effects)	-
		19	(Provision for not providing quantitative information about the current or anticipated financial effects under certain conditions)	-
		20	(Provision for not providing quantitative information about the anticipated financial effects under certain conditions)	-
		21	(Additional disclosures when quantitative information on financial impacts is not provided)	4 (3)
	Climate resilience	22 (a)	The entity's assessment of its climate resilience	4 (3)
		22 (b)	How and when the climate-related scenario analysis was carried out	4 (3)
	Others	23	(Requirement to refer to and consider the applicability of cross-industry metric categories and industry-based metrics)	-
Risk Management	Objective	24	(The objective of disclosures on risk management)	-
	Process for managing climate-related risks and opportunities	25 (a)	Processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks	3 (1), 3 (2) and 5 (1)
		25 (b)	Processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities	4 (1) and 4 (4)
		25 (c)	Extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process	5 (1)
	Others	26	(Provision for avoiding unnecessary duplication)	-

Appendix 3.

Pillar	Item	Paragraph	Requirement	Reference Section*1
Metrics and Targets	Objective	27	(The objective of disclosures on metrics and targets)	-
	Contents	28 (a)	Information relevant to the cross-industry metric categories	4 (5), 4 (6), 6 (1) through 6 (4), 7 (1), 7 (2) and Appendix 2
		28 (b)	Industry-based metrics that are associated with particular business models, activities or other common features that characterize participation in an industry	SASB Standard*2
		28 (c)	Targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets	1 (1), 1 (2), 6 (1), 6 (2), 7 (1) and 7 (2)
	Climate-related metrics	29 (a)	Greenhouse gases	4 (6), 6 (1), 6 (2), 7 (1), 7 (2) and Appendix 2
		29 (b)	The amount and percentage of assets or business activities vulnerable to climate-related transition risks	4 (3) and 6 (3)
		29 (c)	The amount and percentage of assets or business activities vulnerable to climate-related physical risks	4 (3)
		29 (d)	The amount and percentage of assets or business activities aligned with climate-related opportunities	6 (5)
		29 (e)	The amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	6 (5)
		29 (f)	Internal carbon prices	6 (6)
		29 (g)	Remuneration	6 (4)
		30 and 31	Requirement and consideration to use all reasonable and supportable information that is available without undue cost or effort	-
		32	Industry-based metrics	SASB Standard*2
	Climate-related targets	33	Quantitative and qualitative climate-related targets and any targets it is required to meet by law or regulation	6 (1), 6 (2), 7 (1) and 7 (2)
		34	Approach to setting and reviewing each target, and how it monitors progress against each target	1 (1), 1 (2) and 6 (1)
		35	Performance against each climate-related target and an analysis of trends or changes in the entity's performance	6 (1), 6 (2), 7 (1) and 7 (2)
		36	Additional disclosures for each greenhouse gas emissions target	6 (1), 6 (2), 7 (1) and 7 (2)
		37	(Provision for referring to and considering the applicability of cross-industry metrics and industry-based metrics)	-

*1 References to ISSB S2 requirements are based on our judgment as of June 2025. We are considering expanding disclosures for items partially disclosed. Items marked with “-” are not disclosure requirements (e.g., objectives, definitions, considerations, or optional provisions).

*2 Source: SASB Index | Daiwa Securities Group Inc. [🔗](#)

